

A Matter of Form and Function

by Cory L. Heim, CPCU, CLU, ChFC



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I was intrigued by many articles I read following this year's Consumer Electronics Show (CES). I found articles containing the "best of" and "worst of" CES to be particularly interesting. I will be the first to admit that I am by no means an early adopter or even a fast follower in adopting the latest technical gadgets. I am, however, genuinely interested in what new technology will be available in the future that is different and better than what is currently available. While opinions obviously differ on what is considered best and worst, here are some of the "bests" that caught my attention: a smartphone with a battery capable of handling twenty-one hours of continuous talk time or six hours of streaming video, advanced cameras on smartphones whose features and resolution rival those of many digital cameras, super-thin organic light emitting diode (OLED) TV screens, and ultrabooks that provide the features found in traditional laptops in a much thinner and lighter form. Two additional "bests" that seemed far out there and even somewhat scary to me were a printer that creates 3D objects and a sleep clock that uses the iPhone and Doppler radar to monitor your sleep patterns and ultimately generate recommendations on how to get better sleep based on your trends.

Perhaps even more interesting were some of the "worsts." These included antiradiation phone handsets; a huge, 700-lb. iPod dock priced upwards of \$30,000; a camera zoom lens nearly the size of a diver's oxygen tank; TVs with a carry handle that mimic a portfolio or briefcase (albeit a large one); and my favorite, a car sun visor with a built-in video screen.

As I thought about what set the best apart from the worst, I realized it could be boiled down to the applicability and usefulness of form and/or function. The best provide a form or function that is new and needed, or improve on form or function to address current issues. Smartphones are great, and their use in our daily lives seems to be growing exponentially. However, short battery life and poor cameras have long been sources of irritation. Thus, a battery with a greatly extended life and the availability of advanced camera features help solve real issues. Laptops are full featured but, with the emergence of tablets, now seem cumbersome and heavy. The new ultrabooks are a good compromise between the function of a laptop and the form of a tablet. And who wouldn't

Continued on page 2

What's in This Issue

A Matter of Form and Function	1
Tech Bits and Bytes	3
Underwriting Skill and Performance Data	4
2011 Annual Meeting Student Program—"Ongoing Success"!	5

A Matter of Form and Function

Continued from page 1

love a TV screen that is super thin, has better color, less motion blur, and a wide viewing angle and that uses less power than current LCD technology?

In contrast, the worst either provide form that is not improved — such as a 700-lb. iPod dock or a camera lens so large you'd need a cart to tote it around — or function that is not needed or does not solve real problems — such as handsets that protect users from radiation or sun visors containing video screens.

As with products that apply to our personal “consumer” lives, it can be difficult to find solutions that provide improved form and function with business-focused technology and products as well. Technology and product choices for business are expanding rapidly, with several options often available for any given need. Multiple products that provide similar bundled functionality are reviewed in different trade journals highlighting why each is “best.” With so many choices, how can you help ensure that the solutions you recommend or deploy are addressing business needs through improved form and function? Certainly one way is by improving your own “form and function” through maintaining a good balance of business and technical knowledge. Truly understanding the business, including what is behind the issues it faces and resulting needs it has, will greatly improve your ability to provide solutions with real value.

Active involvement in the CPCU Society and its many interest groups, chapters, and events is a great way to build and maintain insurance industry knowledge. The theme in the December 2011/January 2012 CPCU News was Get Involved!, and that is exactly what the IT Interest Group (ITIG) committee members would like to encourage you to do! Do you have expertise in assessing and mitigating



technical exposures related to cyber risk? You may be able to share that expertise through the ITIG's partnership with the Loss Control, Underwriting, and Excess/Surplus/Specialty Lines interest groups in presenting the seminar “Cyber Risk Management” at the Annual Meeting and Seminars. Have you been involved in providing a technological solution that has improved the insurance industry or benefited insurance consumers? Help others learn about it through its inclusion in the ITIG's lightning-round presentations “Improving the Insurance Industry and Your Life Through Technology.” Want to network with other IT professionals in the insurance industry? Participate in discussions and sharing through the ITIG's future LinkedIn presence, or join other ITIG members at the Annual Meeting and Seminars.

Make it a point this year to improve your “form and function” through active involvement in the CPCU Society and ITIG. We will all benefit from your participation! ■

Tech Bits and Bytes

Business and Technology Trends

by Celeste Allen, CPCU, CLU, ChFC, FLMI



Celeste Allen, CPCU, CLU, ChFC, FLMI, has 28 years' experience in the insurance industry, having worked in claims, underwriting, business analysis and information technology. She currently is a manager with State Farm. Celeste's leadership experiences led her to strengthen her community service participation and make a difference in the lives of young people in her community, including those at-risk. Celeste also is a member of two major public service organizations. She earned a bachelor's degree in psychology from Temple University, a master's of business administration degree from Illinois State University and a master's degree in executive leadership from the University of Nebraska-Lincoln.

Several studies are referenced that outline a number of new technologies and interesting trends for 2012. There are a number of similarities in terms of focusing on how we improve our businesses' processes in light of demands from regulatory agencies and laws, consumer preferences for use of technology, and needed internal operations improvements.

A Celent study on P&C industry technologies with high adoption rates includes predictive modeling for underwriting, contact and customer management, business rules management, virtualization, portal technology, business process management, and fraud scoring.

Matthew Josefowicz, a partner at Novarica, a New York-based research and consulting firm, shared key insurance industry trends for 2012 in a conversation with Pat Speer, *Insurance Networking News* editor-in-chief. Josefowicz advised that many insurers are in the process of implementing known (versus brand new) solutions and observed an unprecedented focus on improvements and enhancements to core systems such as policy administration systems, agency portal systems, business intelligence, and use of third-party data (heavy reliance on BI and third-party companies for claims and underwriting for better data analysis). Smaller companies are more apt to replace systems with preferences for integrated suite products for policy, claims, and billing because of integrated architectures. Larger companies tend to replace different components of major systems because of challenges related to complexity of systems. New administration systems are purchased more often to support a new line of business than to serve as a platform for conversion of existing business.

Josefowicz believes that mobility and social media topics are hyped and represent inexpensive strategies that will consume less of the IT spend. Primary investments from a web perspective

occurred over a span of fifteen years to move insurers onto the web. The trend now is to undergo the evolution from web to mobile solutions.

Sungard developed a list of trends for 2012, and it is evident that technology plays an integral part in terms of streamlining of processing, delivery of products, and consolidation of data. Trends entail using enhanced tools and frameworks to assess and manage risk, consolidating financial and business data to meet regulatory reporting requirements, and using new administrative processes to deliver new products more efficiently. Trends and drivers for this study mesh well with top technologies referenced in the Celent study.

Several of the aforementioned technologies and business drivers will be showcased in upcoming issues. We hope you are keeping your skills and knowledge current regarding IT and business changes and developments in order to further your personal development and allow you to add value to efforts regarding how your company delivers products and technology to its customers and internal business partners.

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Underwriting Skill and Performance Data

The CPCU Society Connecticut Chapter's Research Committee looks at the challenge of maintaining underwriting skill and underwriting outcomes as underwriting processing changes with technology.

The purpose of the CPCU Society Connecticut Chapter's Research Committee is to research topics of professional interest to the Society's members and topics of potential interest to agents, brokers, insurers, reinsurers, risk managers, insurance regulators, and the public.

For the past two years, our committee's research has centered on changes affecting the underwriting profession. It is our belief that the underwriting function, however organized, is a pivotal function for the success of any insurer. However, it does not appear to us that the insurance industry is investing adequately in advancing the skill levels and the career development of its underwriters. We believe three main problems plague the current underwriting environment: the aging workforce, the need to position professional underwriters throughout the chain of command, and the need to improve the skill of underwriters in using underwriting data and data support tools. We contend that underwriting professionals are needed at all levels of management and that the more data resources they use efficiently, the lower the overall cost of underwriting and the higher the insurer's return-to-risk profile will be.

The Research Committee started its current cycle of articles with a foundation article published in August 2011 in the CPCU Society's eJournal titled "Underwriting—A Profit Engine or Lost Opportunity? Current Challenges and Potential Solutions to an Evolving Underwriting Environment." In this article, we explored how the role of property-casualty underwriters has evolved to accommodate new insurance products, applications of new technologies, and various alternative marketing and distribution strategies. We first expressed our opinion that underwriting is and will

remain the key profession in the insurance industry. Insurers are "underwriting entities," and the service they sell is financial security for policyholders who need to protect their assets by transferring risk. It is the responsibility of underwriters to manage the amount and set the price for this transferred risk. It appears to us that as insurers embrace analytics and automated decision processes in underwriting, they are weakening their investment in the development of professional underwriters. Without these trained professionals at every level of the organization, an insurer is subject to an erosion of value and success.

With the increasing use of automated information processes and decision making, why are underwriting professionals still needed? Recent events in the financial industries have more than confirmed their value. Events such as the credit default swap crisis at AIG, the mortgage foreclosure problems in the major banks, the sovereign debt crises in Europe, and several other major economic crises have vividly shown that it is not enough to have just computer models and data to manage risk; there is also a need for the close involvement of professionals. The insurance industry is like the banking industry and capital markets in that it is an essential mechanism supporting the flow of capital to and within businesses, social organizations, and individuals. The insurance industry, the "handmaiden of commerce," is part of the underpinning of the world economy. Underwriters are the primary professionals who protect the assets of insurers and judge the risk/price balance of their products and portfolios.

With that first article published, the Research Committee has written a second article, with a third in the works. These will explore underwriters' use of technology at all levels of the underwriting decision chain. In the second article, we

will provide a concrete example of the new uses of technology in underwriting—the use of credit scoring. Underwriting is a profession that thrives on concrete information, and by giving this example, the Research Committee hopes to make its conclusions more evident. The third article will explore a wider analysis of data and technology, including the use of business intelligence and decision support in underwriting. We hope these three articles will make the case for the underwriting profession to embrace the use of new data and information technology to help carry out its responsibilities to protect company assets. ■

2011 Annual Meeting Student Program — ‘Ongoing Success’!

by Lamont D. Boyd, CPCU, AIM



Lamont D. Boyd, CPCU, AIM, director, insurance scoring solutions, with FICO® (Fair Isaac Corporation), is responsible for client and partnership opportunities that make use of FICO's credit-based insurance scoring and property risk scoring products and services. Speaking regularly to various groups on behalf of FICO for the past 18 years, he is recognized as a leading expert in predictive scoring technology. In addition to coordinating the CPCU Society Annual Meeting Student Program, he is a member of the Underwriting Interest Group Committee and the 2012 Annual Meeting Task Force.

Dozens of notes from chapter and Society leaders, risk management/insurance students and professors, mentors and others involved in our CPCU Society Annual Meeting Student Program for 2011 inspired me to express my own sincere appreciation for all who contributed time, effort and money to make this program another in a series of “ongoing successes”!

Here are just a few of the comments we've received about the 2011 Student Program:

Tyler Cockrum, Missouri State University, expressed appreciation very similar to so many others:

“I would like to begin by saying how grateful I am that I had the opportunity to participate in the Student Program. The Annual Meeting was a very successful trip for me. I had the opportunity to learn about several different career paths (the majority of which I had not even considered). I also was given countless opportunities to meet new people, and network with both students and professionals in the industry. This experience is something that has had a positive impact on me and will greatly help to advance me in my future career.”

Brigid Tarpey, University of Southern Maine, shared her thoughts and plans for the future:

“I just wanted to thank you for all you did to make the conference as successful and meaningful to me as you did. I can't imagine all the hard work and organization that goes into setting up something like this, and I want to thank you for making it possible for my fellow classmates and me to have attended such a fantastic conference. We all benefited greatly from attending and enjoyed all the networking we did. I look forward to graduating in the spring, and furthering my education and career in the insurance field.”

Erika Villavicencio, University of North Texas, offered insight into her CPCU study plans:

“I just wanted to tell you how much I appreciated your time throughout this whole process and for getting the Student Program to be so successful. It was a great experience for me, and I fully enjoyed my time with the rest of the CPCU members. The whole week there made me excited to start my journey with CPCU and start studying for the exams. I'm hoping to get everything done by 2016!”

Le'Yante Williams, Florida State University, also expressed her appreciation:

“I would really like to thank you for extending the opportunity to attend the CPCU Society Annual Meeting. I had a fantastic time learning about the industry, listening to the fascinating stories of the speakers, and also being able to not only network with professionals, but make some friends along the way. I will definitely relay the awesome experience I had at the meeting to help increase awareness of the outstanding possibilities the meeting had to offer.”

Steve McElhiney, CPCU, MBA, ARe, AIAF, 2011–2012 CPCU Society president and chairman, shared his thoughts for the future:

“The pipeline issue is the core strategic challenge faced by the insurance industry and the Society in the next 10 to 15 years as a generation of knowledge workers retire, and new talent needs to be identified, trained and developed to fill these technical roles. This program, going now into its third year, serves as a prototype for success for the industry as bright and eager insurance students from programs based around the country gain an opportunity to be immersed into a vibrant CPCU Society Annual Meeting and Seminars, and network with

Continued on page 6

2011 Annual Meeting Student Program — ‘Ongoing Success’!

Continued from page 5

professionals at all levels and discover various career options. At this point, I cannot imagine an Annual Meeting and Seminars where students are not present as an integral part of the meeting experience for all of us — this program has had this profound of an impact in such a short period.”

Warren L. Farrar, CPCU, CLU, ChFC, 2011–2012 CPCU Society immediate past president and chairman, offered the following observations:

“I continue to be impressed with the level of excitement and commitment demonstrated by the students attending our annual event. They, too, benefit by gaining insight into our industry, having the opportunity to meet with leaders of the industry and developing new relationships that can enhance their careers as they develop. This is a small, but important, effort at attracting young professionals into our industry — a critical issue for the industry and the CPCU Society.”

“A Look into the Future” — our very unique “student-focused” seminar in Las Vegas — was a rousing success, as well. The seminar highlighted the property-casualty insurance industry’s need for the “best and brightest” now and in the future, and provided the unique perspective of students working toward risk management/insurance careers. The seminar was specifically designed to help risk management and insurance students understand more fully the variety of paths available to them in the property-casualty insurance industry. Students also gained a clear understanding of the value of the CPCU designation in helping them on their chosen path.

Many thanks to our seminar speakers: **Noelle Codispoti, ARM**, executive director of Gamma Iota Sigma, the international risk management, insurance and actuarial sciences collegiate fraternity; **Dale M. Halon, CPCU, CIC**, vice president of sales, ISO



Forty students from some of the country’s leading universities and colleges attended the 2011 CPCU Society Annual Meeting and Seminars in Las Vegas. Participating students, in alphabetical order: Alexander Abbott, St. John’s University; Scott Adams, Illinois State University; Masmoudath Anjorin, Morgan State University; Matt Baber, University of Southern Maine; Ashleigh Buchanan, University of North Texas; Cheng Cheng, University of Illinois; Tyler Cockrum, Missouri State University; Erin Connell, University of Colorado-Denver; Danielle Corde, Boston College; Walter Filmore, University of North Texas; Brendan Francis, Howard University; Dan Fuld, Illinois State University; Kaitlin Graf, St. John’s University; Weijing “Lilia” He, University of Illinois at Urbana-Champaign; Jocelyn Horton, University of Colorado-Denver; James Howe, UNC Charlotte; Jonathon Jaeger, University of Iowa; Christopher Juntura, University of Southern Maine.

Jennifer Medeiros, St. John’s University; DeAndrai Mullen, Morgan State University; Jin Na, University of North Texas; Jacqueline Negrete, Southern Methodist University; Mason Novess, Olivet College; Christina Oda, University of Illinois; Kwesi Ofori-Atta, Georgia State University; Rachel Patterson, Appalachian State University; Linda Pollock, University of Southern Maine; Mary Rhodes, University of Louisiana at Lafayette; Ashley Rieger, Illinois State University; Benjamin Robbins, Appalachian State University; Sanae Russell, St. John’s University; Catherine Sebolt, University of Iowa; Olena Shchukina, Georgia State University; Marcus Somerville, Georgia State University; Brigid Tarpey, University of Southern Maine; Ottonian “Toni” Tate, University of North Texas; Edward Van Strate, Olivet College; Erika Villavicencio, University of North Texas; Le’Yante Williams, Florida State University; and Dahao Zheng, University of Illinois at Urbana-Champaign.

Innovative Analytics; **Connor M. Harrison, CPCU, ARe, AU**, director of custom products, The Institutes; and **James R. Jones, CPCU, ARM, AIC**, executive director of the Katie School of Insurance and Financial Services at Illinois State University.

Our hope is that all students, new designees and industry veterans walked away from this seminar with great ideas and a clear understanding of what is

needed to grow our industry through the development of talented individuals. The CPCU Society is uniquely positioned — in large part due to the direction and support provided by chapter and interest group leaders — to offer a bridge between those who are seeking a rewarding future in the industry and those who are seeking people to contribute to a successful future.

2012 Student Program

As a direct result of the efforts of so many of you and your colleagues over the past two years, the Society has given our Student Program an enthusiastic “green light.” Our next stop will be in Washington, D.C., for the 2012 Annual Meeting and Seminars.

Being ever mindful of chapter interests, overall expense considerations and very complicated coordination efforts, the 2012 Student Program has been amended slightly:

- The Society will waive Annual Meeting and Seminars registration fees for 24 students. This will allow for greater, focused attention on each student. As in previous years, registrations will be taken in the order of contact with the Society’s Member Resource Center. The first 24 qualifying students will receive the waiver. A waiting list will be available in the event of student cancellations.
- Students must be juniors, seniors, or graduate students in risk management, insurance or actuarial sciences programs to qualify for the Student Program. This helps focus our attention on those students who have clearly chosen the insurance industry as their career path.
- All students must be individually recommended by their professor/advisor.
- Each participating university/college will be able to recommend up to two students.
- Qualifying students who do not receive direct chapter sponsorship will receive “out-of-pocket” expense reimbursement based on chapter contributions to the 2012 Student Program.
- A chapter directly sponsoring a qualifying student for 2012 can reserve one spot among the 24 students within the program. This student must be named prior to Aug. 1, 2012, or the spot will be opened to the next student on the waiting list.



At the request of some chapter leaders, there is an option available for students who would not otherwise qualify under the 2012 Student Program guidelines. A chapter can choose to fully sponsor (including payment of full registration fees) a “non-qualifying” student (e.g., business major). This student will be included in all Student Program activities and, if possible, will be “paired” with another student to help mitigate hotel expenses.

A final note: Once again, my sincere appreciation to all who contributed in so many ways to the success of our 2011 Student Program. Since “ongoing success” is fully expected again in 2012, please don’t hesitate to contact me (lamontboyd@fico.com) with any thoughts you may have, or assistance you’re willing to offer to help us attract bright, young minds to the insurance industry and the CPCU Society! ■



Information Technology Interest Group

Cutting Edge

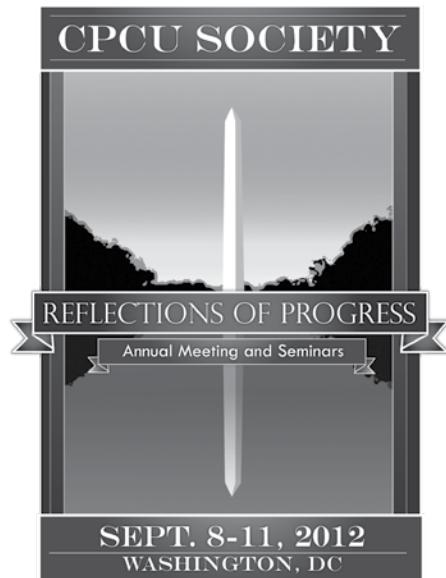
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CPCU Conferment will be the best yet!



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- Women's Forum

More than 30 exciting and informative sessions covering topics like:

- Cyber Risk
- Ethics
- Financial Planning
- Kidnap and Ransom
- Lloyd's of London
- Surplus Lines

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Watch your inbox for updates and visit
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Information Technology Interest Group
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