INSURITY PREDICTIVE ANALYTICS POWERED BY VALEN | Case Study

Experienced Underwriters Leverage Predictive Analytics for Pricing

About the Insurer

- This insurer provides commercial lines for select business niches, including restaurants, bars, supermarkets, convenience stores, hotels, motels, medical clinics and artisan contractors.
- Footprint: Wisconsin, Illinois, Indiana, Iowa
- Company: $190M premium

Key metric: Loss ratio improvement

Strategy and Goals

To maintain a market leadership position by better aligning price coverage to risk.

Solution

- Predictive scores on individual policies
- Real-time decision support embedded in underwriter workflow
- Valen Data Consortium for custom dataset and modeling
- Supported by Insurity Predictive Analytics powered by Valen

Background and Implementation Approach

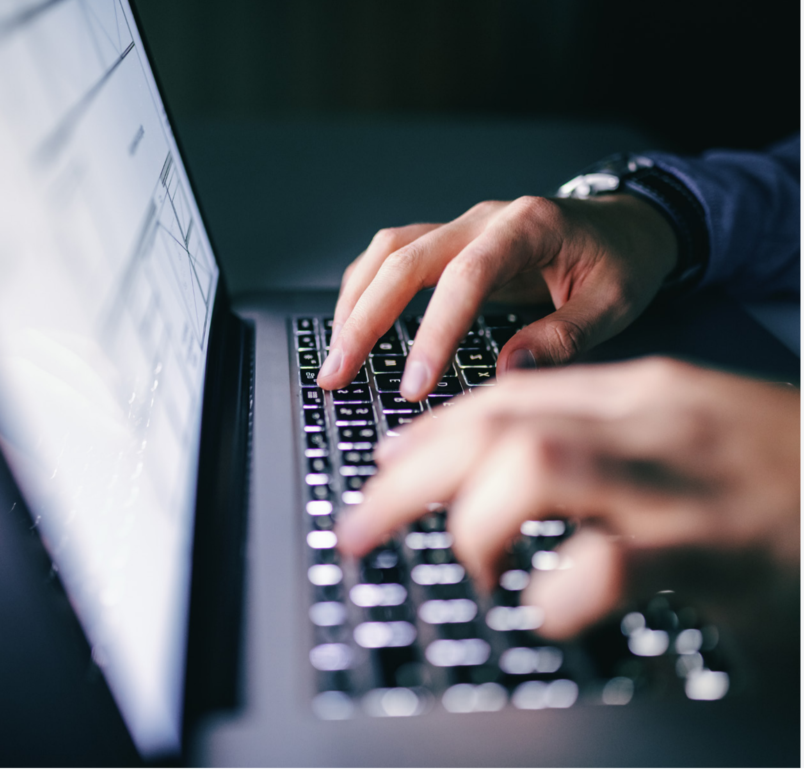
This insurer prides itself on being expert underwriters in niche markets, therefore maintaining underwriter judgment and expertise is critical. They knew that data in the Valen Data Consortium might seem out of the norm within the underwriting process at first and relied on Insurity's expertise in explaining the basics of how predictive modeling works.

They decided to use the model as a tool to help "right-size" the pricing for workers' compensation business. All risks were scored and put into 10 distinct buckets (bins) based on their assigned risk quality as indicated from the predictive scores. A range of credits (dividends) were allocated for each bucket based on predicted loss ratios. Underwriters could price at that bin +/- 1 bin for new and +/- 2 bins for renewals. Anything outside of the established range required a manager review to discuss the individual risk characteristics and make a final pricing decision.

Organizational Adoption and Buy-In

When the insurer integrated the solution, several competitors were being criticized by agents for using predictive modeling and taking away underwriters' decision making. This customer elected not to tell their agents about using predictive modeling at first, so that underwriters still had ownership of their decisions. They didn't want blanket statements being made to agents about declining risks because they ended up in a bad bin, especially if the underwriter had more information about a particular account to review with their manager.

It worked. The best success story and rallying cry came when a very conservative underwriter opted to give 15% more credit to an account, as a result of the very favorable score of the risk. The insurer wrote a significant piece of business because the underwriter had the backing of the model—something he never would have done without the confidence Insurity's predictive analytics solutions provided.



The insurer ultimately informed their agents about using the model as another pricing tool, while effectively reinforcing that underwriters still maintain full discretion.

"I joined right as we implemented the solution and our first predictive modeling venture. I was nervous, having just come from a company with a poor experience rolling out a personal lines predictive model. Insurity helped train our underwriters to combine their expertise with the predictive scores. The model has helped us properly price risks and not take too aggressive a stance because the market called for it."

Results

This insurer consistently outperforms the industry, as this graph illustrates. Over the 5-year period reported, they were able to maintain loss ratios 11-17 points below the industry average.

They directly attributed the predictive model to helping sustain and improve their competitive edge.