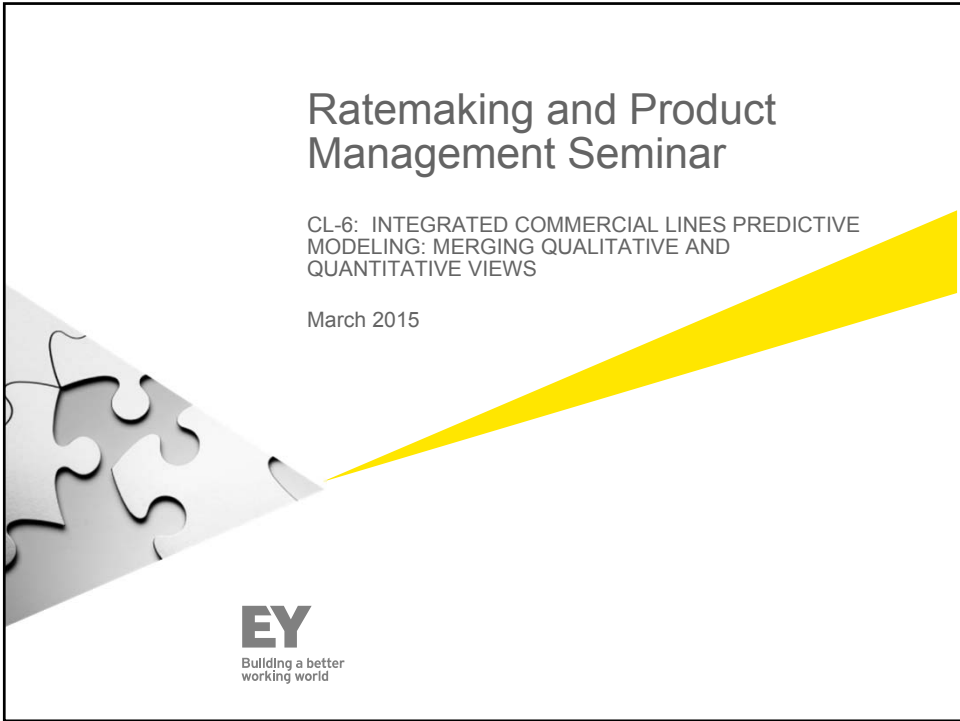


# Ratemaking and Product Management Seminar

CL-6: INTEGRATED COMMERCIAL LINES PREDICTIVE MODELING: MERGING QUALITATIVE AND QUANTITATIVE VIEWS

March 2015



**EY**  
Building a better working world

## The Small Commercial Market has been shaped by a series of acquisitions, new technologies and efficiency gains



**Acquisitions:**

- 1997: Safeco acquisition of American States
- 1998: St Paul acquisition of USF&G
- 1999: Nationwide acquisition of Allied
- 2001: Liberty Mutual acquisition of Peerless Insurance and Indiana Insurance
- 2004: Royal and Kemper exit the market
- 2004: Travelers merges with St Paul
- 2007: Liberty Mutual acquisition of Ohio Casualty
- 2008: Zurich consolidation of small accounts units of Zurich North American and Farmers
- 2009: Liberty Mutual acquisition of Safeco
- 2012: Nationwide acquisition of Harleysville

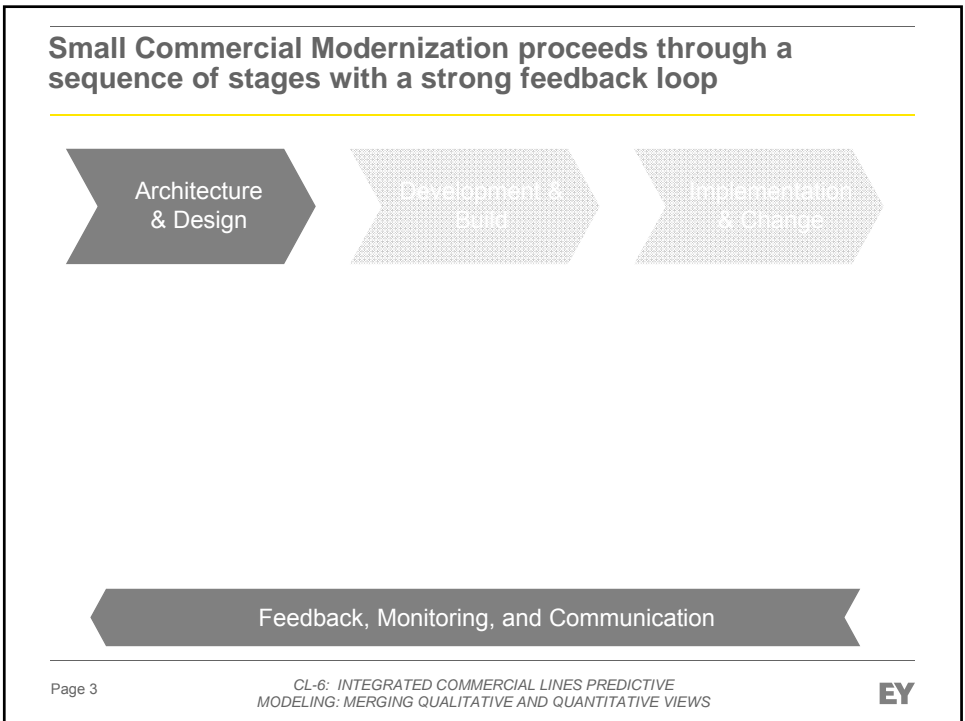
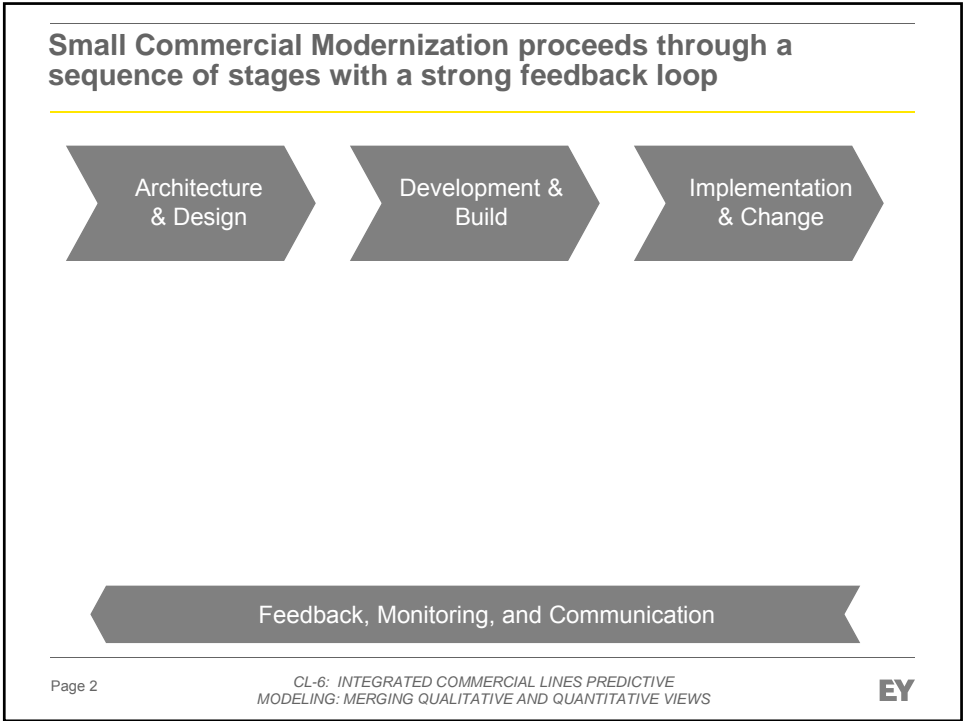
**Technological and Efficiency Gains:**

- Predictive modeling introduced (approx. 1998-2000)
- Straight through processing sweeps the industry (approx. 2001-2005)
- Agency consolidation (approx. 2003-2013)
- Tiering is introduced (approx. 2007-2010)
- Development of service centers (approx. 2008-2012)

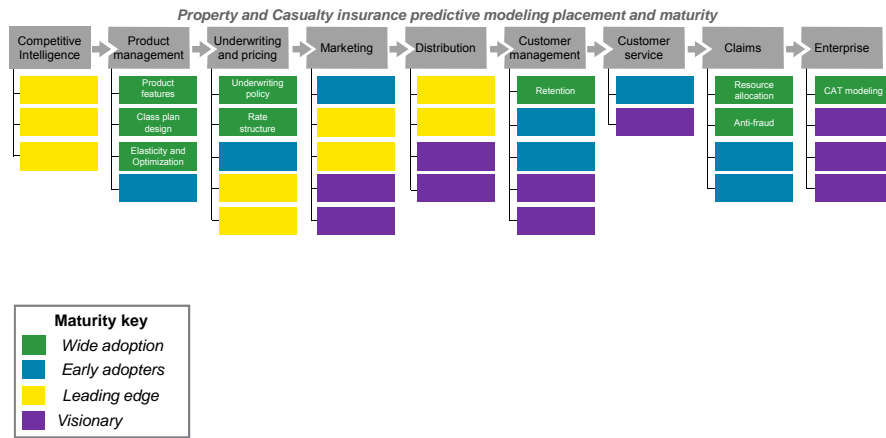
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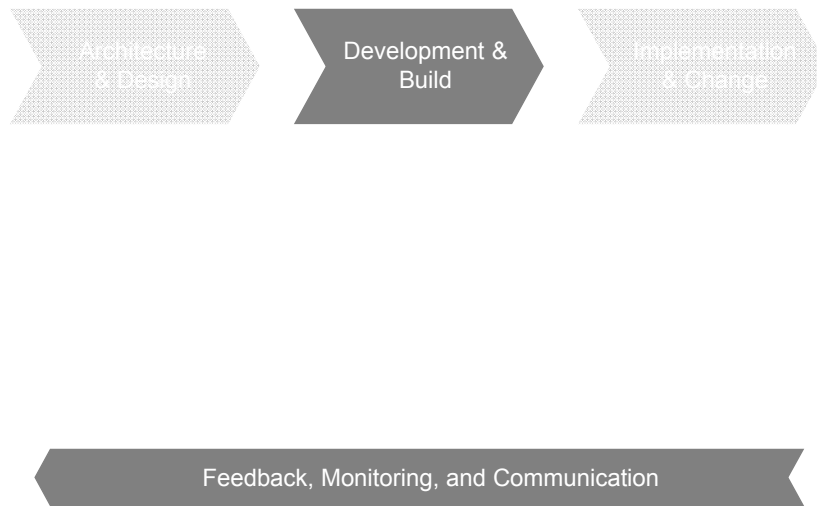
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### Benchmarking: illustrating how P&C insurers are driving greater business impact across their value chains through analytics

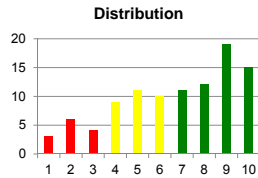


### Small Commercial Modernization proceeds through a sequence of stages with a strong feedback loop

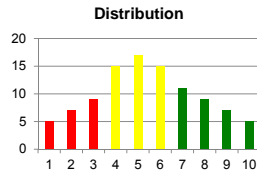
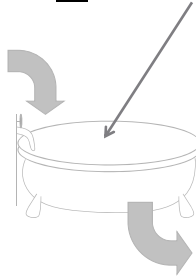


## Protocol Workshop: codifying underwriting knowledge through a deeper dive into portfolio distributions

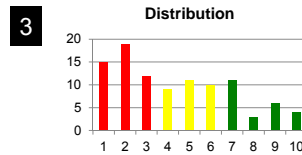
**1** Measure the quality of flow into the portfolio through different sources. Compare and contrast with underwriter heuristics



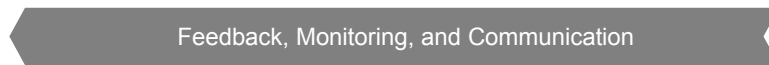
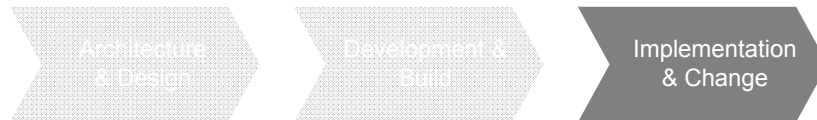
**2** Measure the health of the portfolio and its various segments.

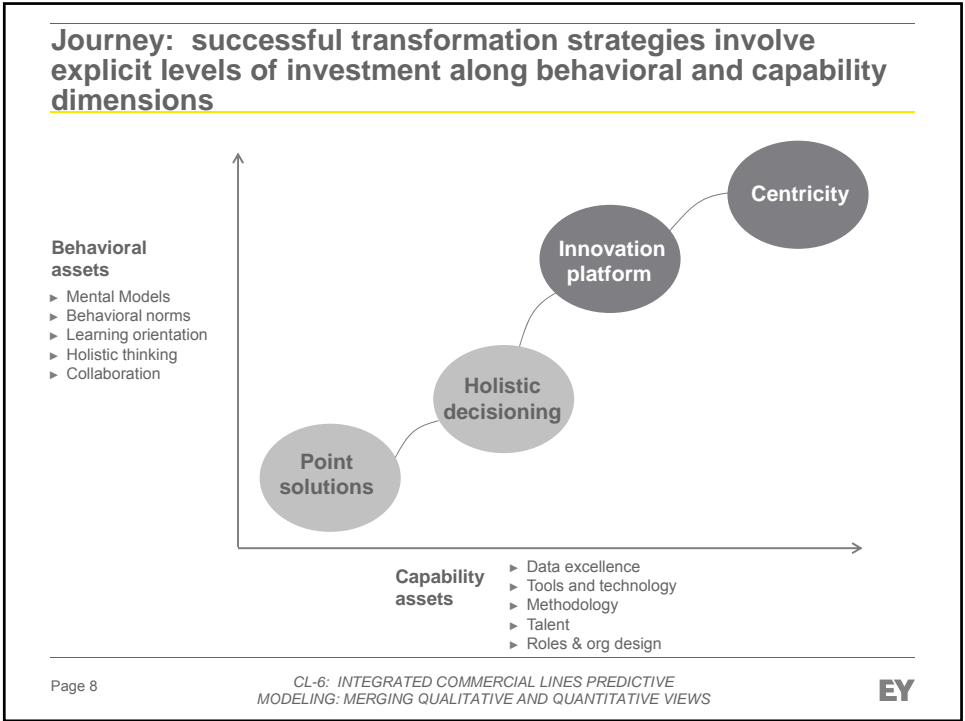


Measure the quality of flow out of the portfolio through insured, agent, and insurer actions.



## Small Commercial Modernization proceeds through a sequence of stages with a strong feedback loop





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**Questions & Answers**

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