



**GEORGIA FARM BUREAU**  
**Implementation Issues**

- Management
- Information & Technology
- Regulatory
- Non-Rating Use



CAS Spring Meeting  
May 16, 2011



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**MANAGEMENT**

- Currently implementing a new Operating System  
- rolling it out one line of business at a time
- This also created opportunity for us to fully redesign our Auto Program
- Using GLM to assist with the creation of new base rates - we wanted to go further recognizing we could get even greater lift in our segmentation by using analytics

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**MANAGEMENT (cont)**

- Management buy into the concepts of GLM & Predictive Analytics
- Costs - can run into sizable investment - but we can show hard dollar and soft dollar savings

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**MANAGEMENT (con't)**  
**Timeline for Developing New PPA Program**

- '09 August Contracted for the Analytic Software & GLM consulting
- '09 November Data Delivered {
  - From Consultant to GFB
  - From GFB to LexisNexis
  - From LexisNexis to Consultant
- '10 February GLM output first started coming back
- '10 April All GLM data provided to us - including segmentation
- '10 October Completed our proposed New Auto Program Presented & secured Management Approval
- '10 December Prepared & submitted DOI Rate Filing First set of questions from DOI - discussion with DOI
- '10 February Discussion with DOI Filing approved by DOI
- TBD

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**MANAGEMENT (con't)**  
**New Features**

- Insurance Score: Member Tier Factors
- Liability rating by type of vehicle
- Driver Age Factors up to Age 75+
- Factors by Marital Status for all Adults
- Discounts for various payment options
- Multi-Car Discount
- Discounts for having other company policies
- Experience Discount
- Reinstatement/Lapse in Coverage Surcharges
- New Accident/Violation Surcharge Program

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**MANAGEMENT (con't)**  
**Segmentation Tier Factors**

- Each coverage has tier factor based on different attributes of the risk
- Creates another level of sophistication based on specific company data

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### MANAGEMENT (con't)

#### Risk Definition - Example 2

- Married Male (age 52) w/ 2010 Ford Taurus
- Married Female (age 50) w/ 2010 Honda Accord LX
- No Accidents
- Female - Pleasure Use; Male - Work Use to/from 17 miles
- \$1,000 Deductible - Comp & Coll
- 100/300/100 Added on UM
- Med Pay \$1,000
- No Loss of Use Coverage
- No Homeowners Policy with company
- Renewal vs. Renewal (5 years)
- BI/PD Limits  
300/500/300  
100/300/100  
500/500/500
- Companies & Effective Dates  
Georgia Farm Bureau - TBD  
Company A - 8/16/2010  
Company B - 10/1/2009  
Company C - 6/7/2010  
Company D - 9/27/2010  
Company E - 8/22/2010
- Insurance Score Bands  
Excellent  
Below Fair  
Poor

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### MANAGEMENT (con't)

#### Distribution of Dollar Differences Across Competitors

Company	At least \$X more than GFB (%)	Within \$X of GFB (%)	At least \$X less than GFB (%)
Company A	60	20	20
Company B	30	30	40
Company C	5	5	90
Company D	75	15	10
Company E	5	15	80

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### MANAGEMENT (con't)

#### Average Premium by Limit - Example 2 Data Only (Excellent Credit Tier)

Company	100/300/100	300/500/300	500/500/500
Company 1	\$175	\$195	\$205
Company 2	\$145	\$165	\$175
Company 3	\$125	\$145	\$155
Company 4	\$105	\$125	\$135
Company 5	\$85	\$105	\$115
Company 6	\$65	\$85	\$95

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**INFORMATION & TECHNOLOGY**

- Participant in Vendor Selection Process
- Assisted with balancing of raw data submitted to the Vendor
- Worked with the Vendor to avoid duplication (de-dupe of records)
- IT had to retrieve archived data
- IT and the Vendor evaluated and were satisfied with the final Confidentially Agreement

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**INFORMATION & TECHNOLOGY  
(con't)**

- IT needed to familiarize the Vendor with system definitions
- IT committed time for explaining what the fields mean
- IT explained Multi-Purpose Fields
- IT found "End User Creativity"
- This exercise pointed out our need for data scrubbing
- IT committed two Senior System Analyst
- This effort is continued by IT to support data mining exercises

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**REGULATORY**

- The DOI suggested we use GLM approach when we begin this process - no resistance there
- Questions regarding Insurance Score grouping (bucketing)
- The GLM produced
  - Frequency & severity for BI/PD/MED/COMP/COLL
  - Limits/Deductible
  - Model Year
  - Insurance Score
  - Vehicle Use
  - Various Discounts
  - Driver Class: Age/Marital Status/Gender
  - Territorial Relativities
- Segmentation Relativities were created from the calculated residual pure premium  
To date, all DOI questions have been responded to.

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**NON-RATING USE (UNDERWRITING)**

- Unassigned vs Assigned Business
- New vs Renewal Business
- ACV vs Replacement Cost
- Property with vs Property without Supporting Business
- Liability only vs Full Coverage
- Farm Blanket vs Scheduled Property
- Generated Farm Outbuilding severities
- Owner Occupied vs Seasonal vs Rental/Tenant
- We have also used analytics to identify properties to target for reinspection.

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