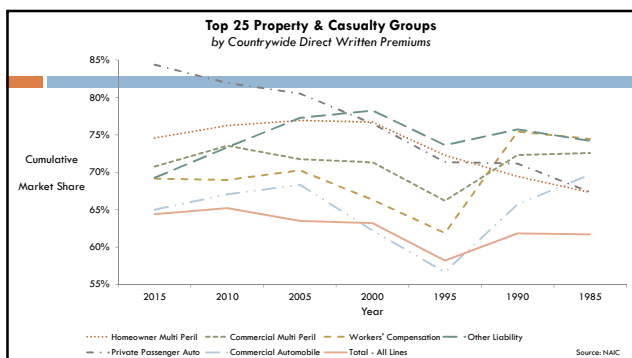


ACTUARIAL LONE RANGERS

What to do When the Nearest Fellow is (Hundreds of) Miles Away



Actuarial Lone Rangers

- Topics
 - Small company life cycle
 - Where's the data?
 - Where's the staff?
 - Influencing management
 - Product development
 - Growing pains
- Why is someone employed by Liberty Mutual (with over 350 credentialed actuaries) presenting at this session?



Antitrust Notice

- The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.
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- It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy.





Case Studies Melanie Pennington

Brief History of Small Regional #1 Valley Insurance Company, Albany Oregon

- 1992 – Valley Insurance, owned by Skandia, hired first Actuary (me)
- 1993 – I hire two students
- 1994 – Actuary left for another small regional
- 1995 – Valley hired another FCAS, Fund American/White Mountains purchased Valley
- 1999 – Unitrin purchase, rolled into Unitrin operations
- 2011 – Unitrin changes names to Kemper, Valley operating as personal lines only UW company, with no separate infrastructure

**Brief History of Small Regional #2
Liberty Northwest Insurance Corporation**

- 1983 – company founded as stand-alone Oregon WC direct writer
- 1980s – expanded into Idaho/Montana
- 1994 – expanded into Commercial Property, Auto, Liability (“PAL” lines), hired me
- 1997 – issued first PAL policy
- 2001 – hit \$10M in PAL Written Premium, grew Actuarial staff
- 2001 – OneBeacon deal, including \$300M of PAL NW Premium
- remained SBU for several years with Actuarial department of 10

Liberty Mutual Insurance



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**Brief History of Small Regional #2
Liberty Northwest Insurance Corporation**

- 2005 – LNW rolled into Liberty Mutual Agency Markets business unit, most actuarial functions handled by home office
- 2007-08 – purchased Ohio Casualty, Safeco
- 2011 – renamed Liberty Mutual Agency Corporation - Regional Companies Group (RCG)
- 2012 – consolidated RCG and Liberty Mutual Commercial Insurance, rebranded all RCG regional companies to Liberty Mutual

Liberty Mutual Insurance

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Data

Melanie Pennington / Brant Wipperman

Doing the Work - Data

- Find a programmer and make them your friend!
 - total lack of data is huge opportunity to build it right the first time!
 - some thoughts:
 - storing “change in reserve” rather than reserve on loss transaction files allows for summing reserves and paid in same step
 - including an accounting month = 0 with beginning year reserve and paid to date values can simplify “current” valuation reports
 - transaction effective date and transaction expiration date on all premium records allow you to bucket earned premium into any time period

Liberty Mutual Insurance

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Doing the Work – Data – Sample database structure

Claim Master			Claim Transaction		Policy File		Premium File	
Claim			Claim		Policy Prefix	Policy Prefix		
Line			Line		Policy Number	Policy Number		
Coverage			Coverage		Production Unit	Production Unit		
Reins			Reins Co		Policy Eff Date	Policy Eff Date		
Orig Rsv Date	Insureds Name	Accident State	Exp Type	Beg Yr Rsv	Agency	Trans Eff Date	Pol Orig Eff Date	
Claimant Name	Policy Prefix	Price Bracket	Account Yr	Rsv Change	Insured Name	Trans Exp Date	Partnership	
Loss Date	Policy Number	Trans Term	Account Mo	New Rsv	Address	State	Dummy Claim Id	
Rsv Close Date	Production Unit	Rating ZIP	Account Qtr	Reopen Rsv	City	Company	Fat Party Claim	
Notice Date	Agency	FR Converted	State	Paid Loss	State	Territory	Rsv Reopened	
Location	Policy Eff Date	Yr of Constr	Company	Paid Expense	Zip	OA Class	Generated Rec Id	
Adjustor	Endors Eff Date	Pol Orig Eff Date	Annual Statement	Salvage	Mono/Multi	BU Class	Accounting date	
CAT	State	Partnership	Loss Date	Subro	Governing Risk	Age Group	Annual Statement	
Direct Ceded Id	Company	Dummy Claim Id	Loss Qtr	Expense Recov	NAICS or SIC	Cov Limit	Single Limit Ind	
Status	Territory	Fat Party Claim	Report Date	Beg Yr Cnt	Package Type	ISO Rating ID	Written Premium	
Cause	OA Class	Rsv Reopened	Report Qtr	New Open Cnt	Orig. Pol Eff Date	Price Bracket		
Original Rsv	BU Class	Generated Rec Id	Prop Cas	Reopened Cnt	Other Policy Detail	Trans Term		
Current Rsv	Age Group	Accounting date		Closed Claim Cnt		Rating ZIP		
Paid Loss Accum	Cov Limit	Annual Statement		Closed with Pay		FR Converted		
	ISO Rating ID	Single Limit Ind		Reclosed Cnt		Yr of Constr		
				First Time Pd Cnt				

Liberty Mutual Insurance

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Methods, techniques and solutions

- data (internal, industry, external)
- software (slick, rough, free)
- “rule of 10,000”





People
Melanie Pennington

Doing the Work – Finding Help

- Consulting Actuaries
- Parent Companies
- Regional Affiliates

Liberty Mutual Insurance 14



Doing the Work – Attracting Staff

Cons	Pros
<ul style="list-style-type: none">▪ Lack of study time and other exam support may inhibit ability to attract students▪ Lack of perceived opportunity for promotion	<ul style="list-style-type: none">▪ Desirable locations (with limited actuary opportunity)▪ Exposure to overall company workings▪ Variety of work – just you (and hopefully your team) doing it all

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Brant Wipperman / Meyer Lehman

INFLUENCE


Influence in a small company

- HUMONGOUS INSURANCE
 - ▣ many layers of bureaucratic red tape
 - ▣ projects needed to have nine lives
- LONE RANGER INSURANCE
 - ▣ never dealt with an actuary before
 - ▣ not in a position to challenge analysis





Decision Making – Increased Opportunity for C-suite Influence

- New Tools (help me help you)
- Validate Tribal Knowledge
- Actuarial Services
- Strategic Synergy





Meyer Lehman / Brant Wipperman

PRODUCT




Product – the never ending development cycle

- IT systems / dependencies
- Data (big or otherwise!)
- Pace of technological change
- Competitive intelligence
- What gets measured gets managed





Product Development

- IT systems
- competitive intelligence
- external expertise
- monitoring




Brant Wipperman / Meyer Lehman

GROWTH



Regulatory requirements

- simplified filing process below threshold
- for multiple classes, exceed minimum by \$1 m
- \$ cost not higher, but % and opportunity cost
- no pricing/reserve, pers/coml, auto/prop teams



Growth – Isn't it easier just to stay the same size?

- Capital / Reinsurance
- The regulators don't understand me
- Scale – Overcoming Expense Ratio hurdles
- Risk Management

