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Get to Market Faster with ISO Content

Session 673



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About Novarica

- Retained advisors to insurer senior executives in operations and IT
- Publish research on:
 - Business and technology trends and best practices in insurance
 - Peer group behaviors
 - Vendor analyses
- Manage the Novarica Insurance Technology Research Council, a moderated community of insurer IT executives
- Division of Novantas, LLC, a leading financial services management consultancy and information services provider

The Carrier Challenge

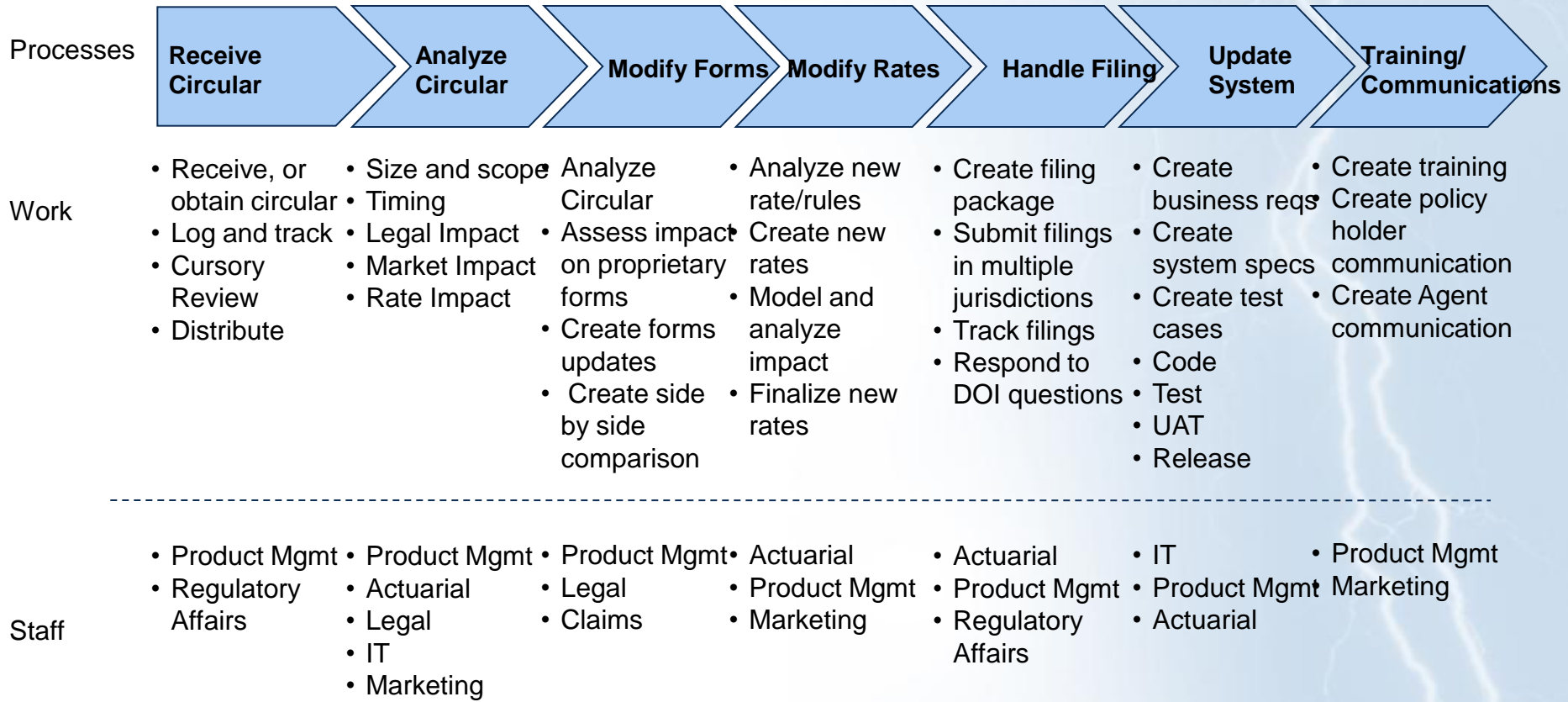
- Maintaining rates, rules and forms is a complex and labor intensive process within an insurance carrier.
- Assuring that policy language complies with the latest regulatory and judicial outcomes, assuring that the underlying loss costs are statistically significant and follow emerging trends, and handling ongoing changes can be labor intensive.
- Even large carriers don't always have a statistically significant base of underlying data to use for rate making.
- Few carriers have large enough in-house counsel to stay on top of legal changes across 50 states and multiple lines of business.

Overview of ISO Services

- ISO provides a number of services to its clients, but among the most widely used are:
 - statistical, actuarial, and claims data
 - rating and underwriting rules
 - development of standardized insurance policy language
 - regulatory support
- ISO provides information to carriers through ISO circulars.
- Circulars deliver information on ISO filings for loss costs, rules, forms, and statistical plans, as well as actuarial data and analysis and other important insurance topics.
- On average, ISO issues more than 75 circulars each week.

Typical Carrier Processes for Handling ISO Circulars

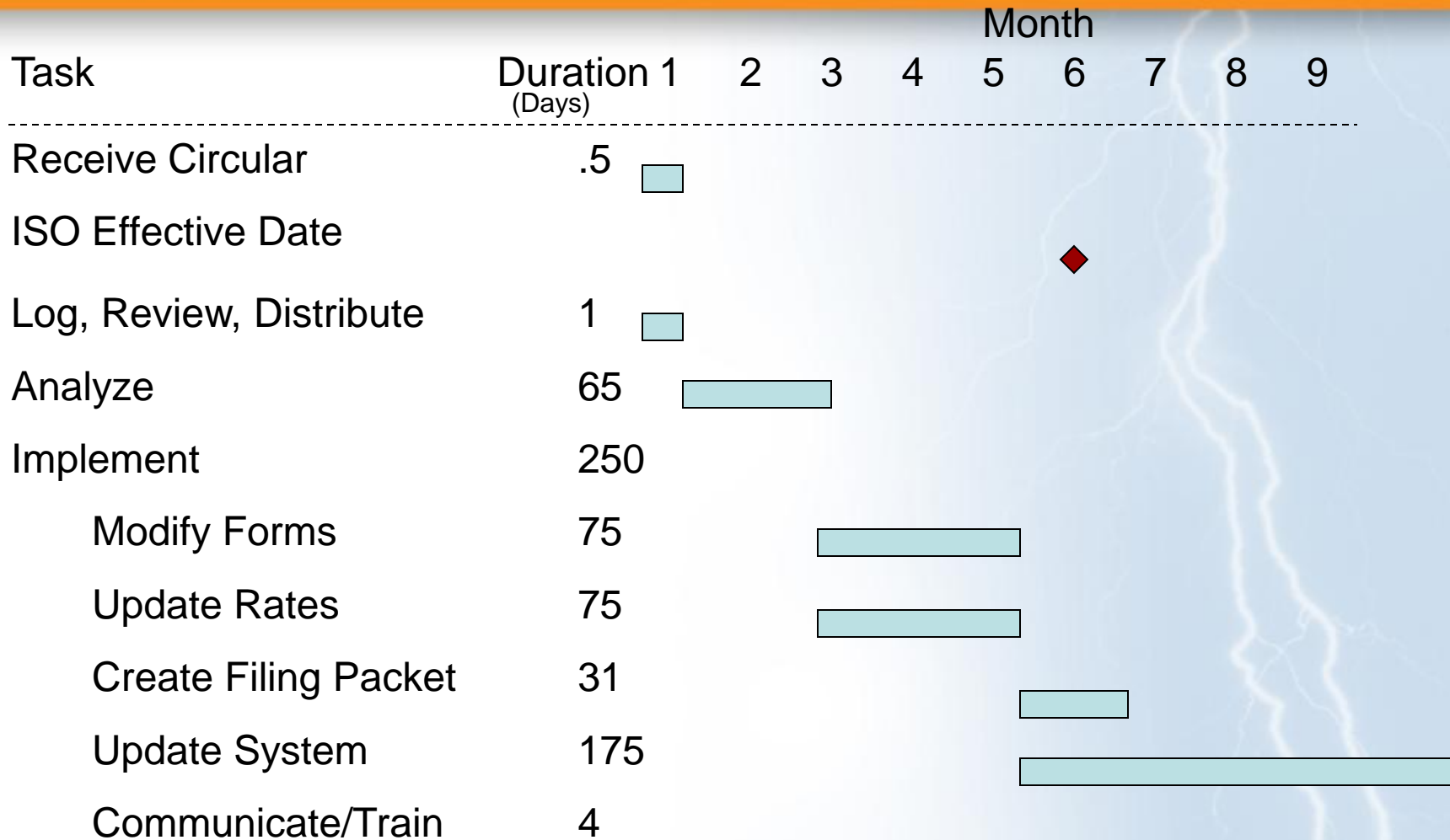
Typical Processes are generally inefficient



Typical Challenges

- Tracking the multiple circulars and the resulting actions is a time consuming process.
- Circulars impact multiple lines of business.
- Carriers said that on average, logging and compiling ISO circular information takes five analysts one hour a day to complete.
- Most carriers don't respond to ISO circular changes on the ISO effective date because they simply don't have sufficient lead time.
- The typical process followed by most carriers takes six to nine months of internal work.
- And in many states, a rate change that exceeds a defined threshold or significantly changes coverage must be communicated to the insured with 60 days notice before their renewal date.
- Carriers who are behind may experience premium leakage on policies written with out-of-date rate information. They may also be behind on form changes that reflect emerging trends or legal positions.

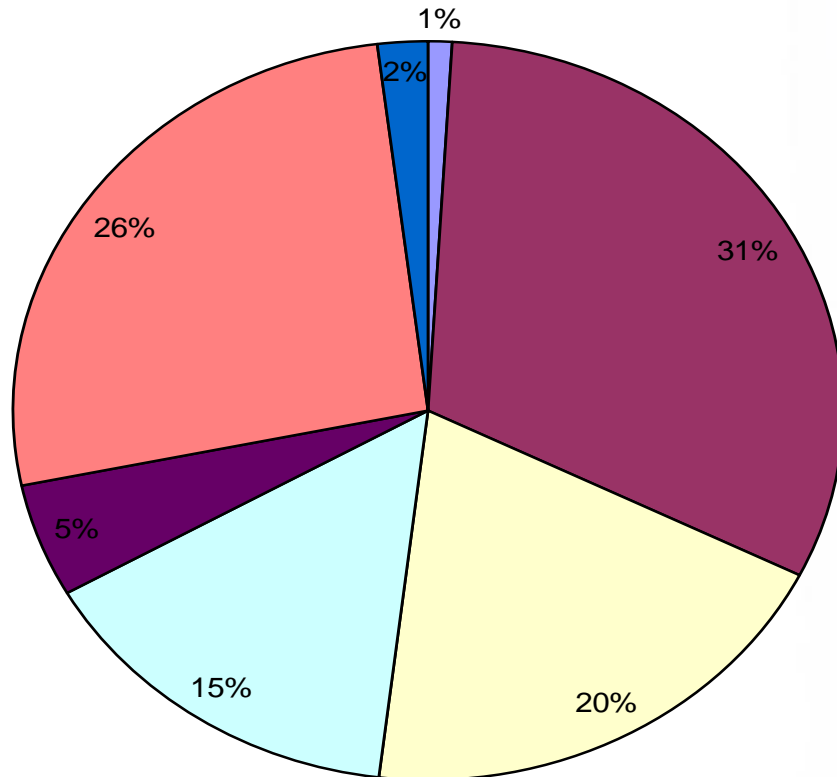
Typical Timeline for handling ISO Circulars



Additional challenges

- One of the more time consuming aspects of handling ISO circulars is getting changes into the carrier's policy administration system.
- The level of IT involvement required has a significant impact on whether carriers choose to take an ISO change on the effective date or not.
- Often carriers have more than one system that changes need to be made in.
- Carriers with older systems have a more difficult time making changes quickly.
- Analyzing the changes and understanding the impact of the modifications is time consuming and requires senior level resources.
- Managing the implementation of an ISO change requires input and tasks from a large number of functional areas.
- Creating, sending, and tracking the filing package can be very time consuming.

Typical Internal Costs of Handling Circulars



- Rough estimates of resources needed, work effort involved, and average fully loaded costs per resource show that an ISO circular that results in a form change and a rate change requiring a filing costs approximately \$135,000.
- The most expensive portion of the process is the analysis, with the system update a close second.
- Carriers can gain the most cost savings by streamlining the process of analyzing and interpreting the impact of the ISO change, and by simplifying the process of loading the system(s) with the updates.

Receive, Log, Track Circular	Analyze and Interpret
Modify Forms	Update Rates
File Changes	Update System
Communications and Training	

ISO Options

- ISO now offers their rating content in an electronic format.
- This service has many features – all of which are intended to streamline the process for carriers allowing them to take revisions faster.
- They provide all circulars in an electronic format, including interpretation of the ISO rules in algorithmic form.
- They include a reporting utility that helps carrier identify and understand the differences between the circular revisions and the carrier's current rating structure including their program deviations.
- It also provides tools to perform revision-impact analyses reducing the time necessary for carriers.
- They offer a rating engine with ongoing interpretation of content and automatic updates of the validated ISO information including test cases.
- ISO can also handle the filings for a carrier.

PAS Vendor Options

- There are a variety of models for how Policy Admin vendors support ISO rates.
 - Traditional support
 - Modified traditional
 - Vendor Interpretation
 - Vendor supported ISO electronic service

Conclusion

- Maintaining rates, rules and forms is a complex and labor intensive process
- Most carriers do not respond to ISO revisions on the effective date.
 - Level of analysis of the circular is fairly high and requires senior level staff
 - Coordinating the analysis and response can be demanding
 - Loading the changes into the system is taxing— especially those on older systems.
 - The volume of changes creates difficulties in tracking and managing the revisions and resulting filings.
 - Many carriers bundle the multiple changes into a single filing to reduce the number of events that need to be coordinated internally and with the multiple jurisdictions.
- ISO has delivered a number of electronic solutions which have a significantly positive impact on the issues carriers face. But not all carriers are positioned to take advantage of these solutions yet.
- More policy administration vendors are working with ISO to identify ways to streamline the process and deliver efficiencies to the carriers. A number of different models exist.
- ISO carriers who are looking at new policy administration solutions should consider the type and level of ISO support being provided as a key characteristic when selecting a new vendor.

Q&A

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