

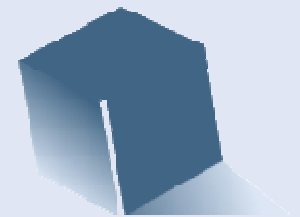
May 22, 2008

# Leveraging Location Intelligence to Implement Better Risk Exposure Management Practices

Pitney Bowes Group 1 Software Customer Conference, Las Vegas, NV

**Karen Pauli**

Senior Analyst  
Insurance

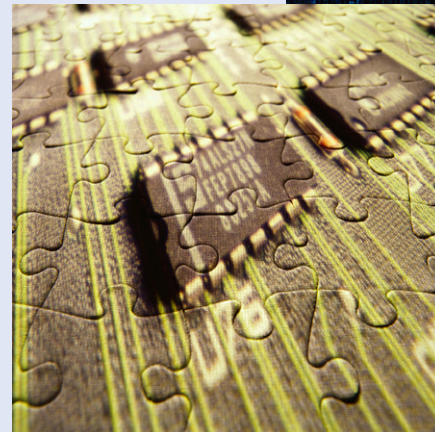


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# Agenda

- ▶ **Industry Overview – Forces for Change**
- ▶ **Enterprise Imperatives**
- ▶ **Enterprise Implementation**

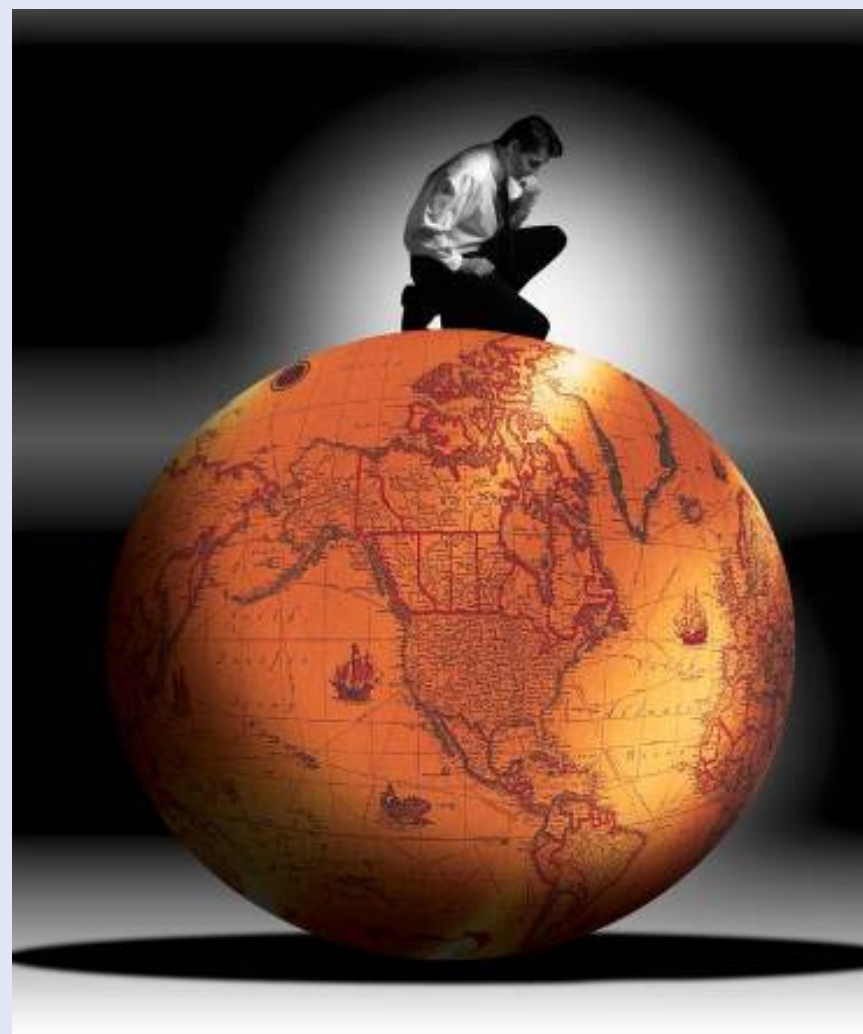


# Industry Overview – Forces for Change



# Top 10 Insurance Business Drivers (2008)

1. Profitable growth
2. Competitive advantage
3. Financial stability
4. Changing consumer demands
5. Globalization
6. Regulatory environment
7. Business optimization
8. Capital allocation
9. Industry consolidation
10. Environmental responsibility



Source: TowerGroup

# Top 10 Insurance Strategic Responses (2008)

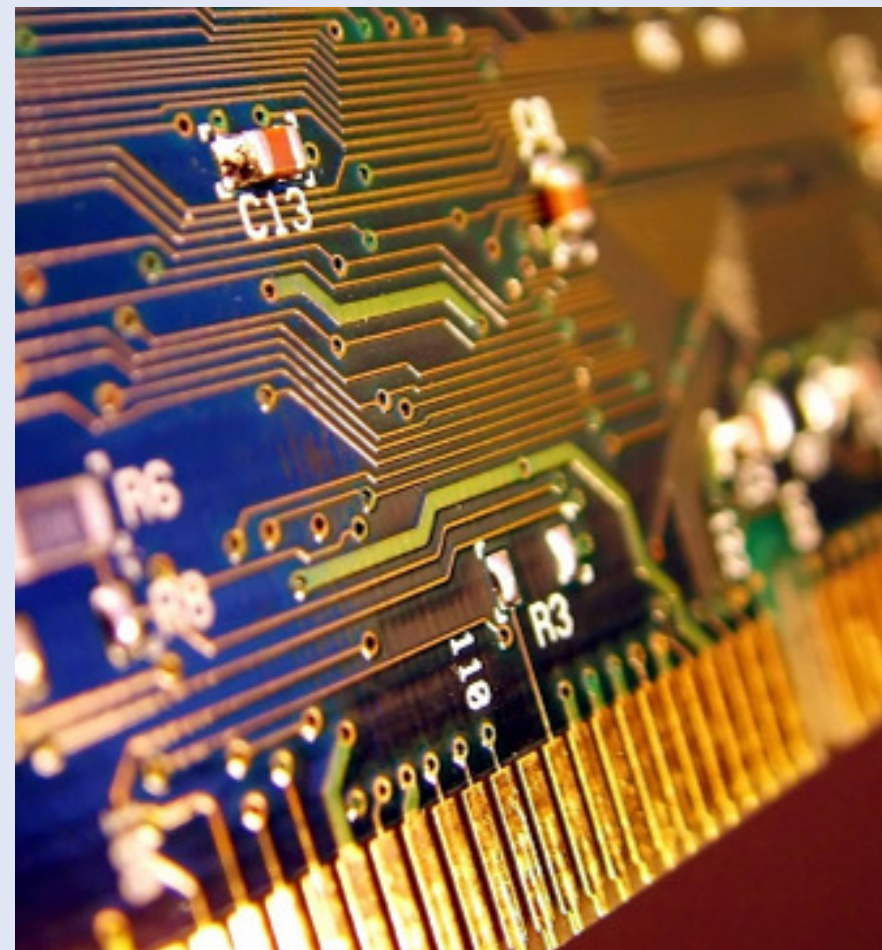
- ▶ Channel management
- ▶ Collaboration with complementary service providers
- ▶ Enterprise risk management
- ▶ Expansion into new and emerging markets
- ▶ Identification and retention of profitable customers
- ▶ Improved ease of doing business
- ▶ Infrastructure improvement
- ▶ Paperless experience for customers
- ▶ Product innovation
- ▶ Increased speed to market



Source: TowerGroup

# Top 10 Insurance Technology Initiatives (2008)

- ▶ Collaboration and knowledge management systems
- ▶ Demand management
- ▶ Enterprise risk platform implementation
- ▶ E-signature
- ▶ Master data management
- ▶ Project, program, and portfolio management
- ▶ Right-sourcing
- ▶ Service-oriented architecture implementation
- ▶ Software as a service
- ▶ Third-party data integration



Source: TowerGroup

# The Wake-up Call

- ▶ **Hurricane Katrina lesson – older structures and manufactured structures damage excessive**
- ▶ **Vendor provided information around:**
  - Year built
  - Construction type
  - Occupancy type
- ▶ **Vendor provided information around:**
  - Surrounding landscape
  - Geological surroundings
  - Proximity

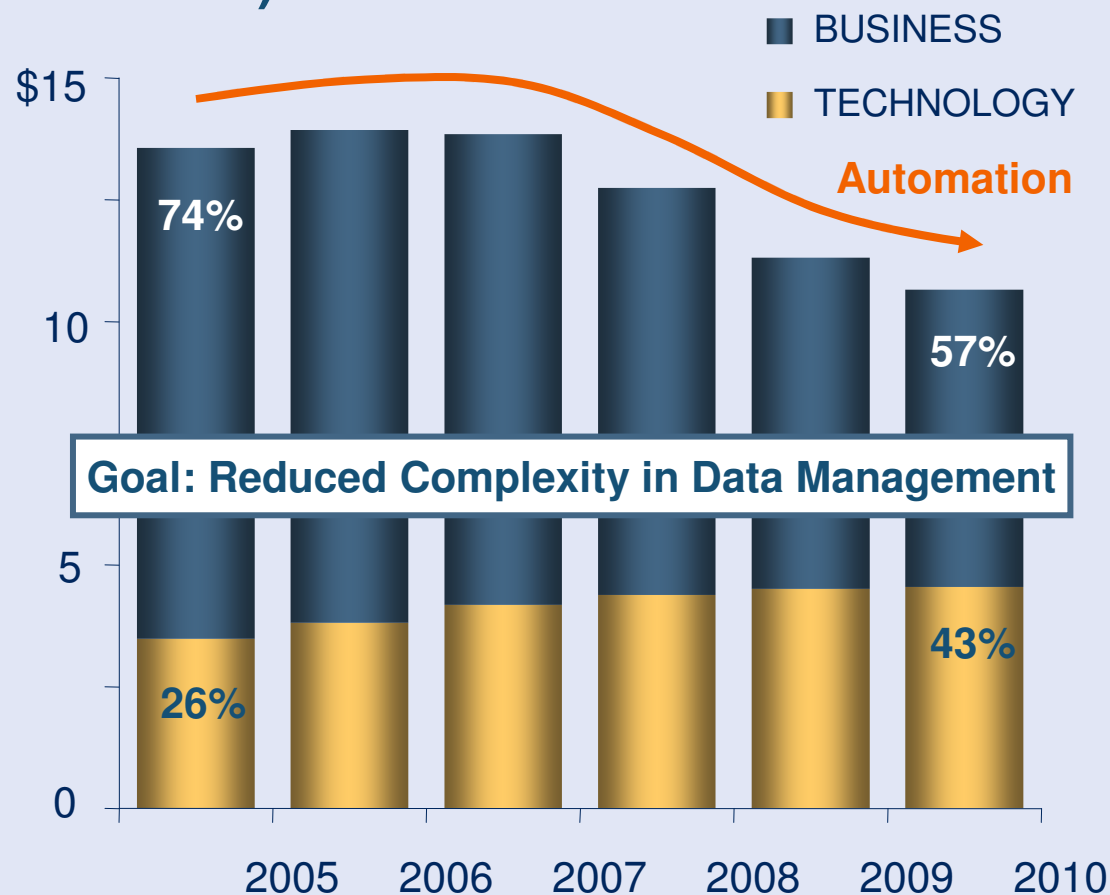


# Cause and Effect of Poor Data Quality in the Insurance Industry in Cost

## Causes for Poor Data Quality

- Data Errors
- Missing Data
- Inconsistencies
- Rework and Reruns
- Consequential Overhead

## Effect of Poor Data Quality in Cost (USD in Billions)



Source: TowerGroup

# Data Access and Management is Key

## The Business Issues

- ▶ Business analysts spend 30% of their time dealing with data
- ▶ Manual processes used to reconcile, correct, rationalize, and combine data cost millions
- ▶ Data errors cost careers
- ▶ Inadequate data controls can enable fraud
- ▶ Erroneous or untapped information is a lost opportunity

## Industry Analyst Views

- ▶ According to The Data Warehouse Institute (TDWI), 55% of survey respondents identify data quality and security as the top issue
- ▶ TDWI says data quality problems cost US business over \$600 billion per year
- ▶ TowerGroup's research shows that 74% of the cost of poor data quality is borne by the business

## Other Drivers

- ▶ Merger and acquisitions
- ▶ Additional data sources
- ▶ Regulatory changes
- ▶ New market/new product entry
- ▶ Data simplification
- ▶ Data transparency

**Effective data management has become a business imperative!**

Source: The Data Warehouse, TowerGroup

# Impact of the Soft Market

- ▶ **The soft market will continue throughout 2008 and into 2009**
- ▶ **Prices will be flat at best but decreases from 5–30% more the norm**
- ▶ **Margins are rapidly compressing. In the face of reduced income, can your organization protect profitability?**



# Enterprise Imperatives



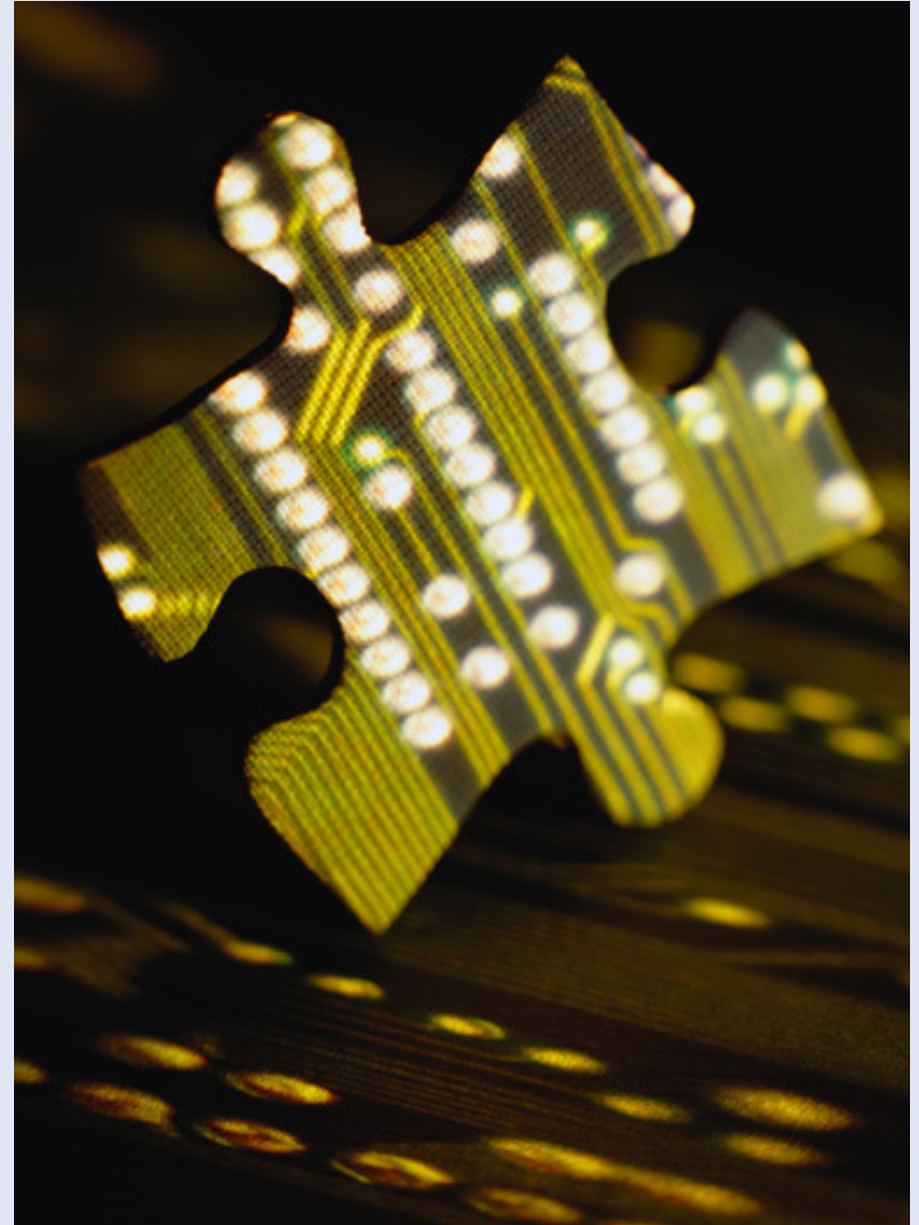
# Enterprise Imperatives

- ▶ **Claims management**
- ▶ **Product development**
- ▶ **Marketing strategy**
- ▶ **Reserve management**

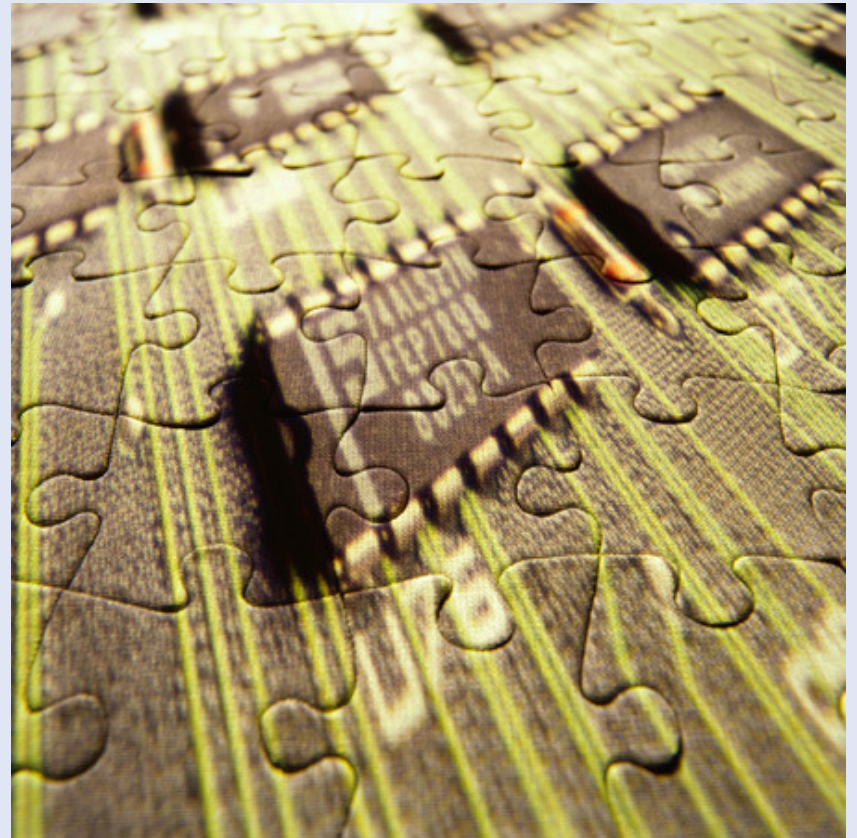


## Enterprise Imperatives (continued)

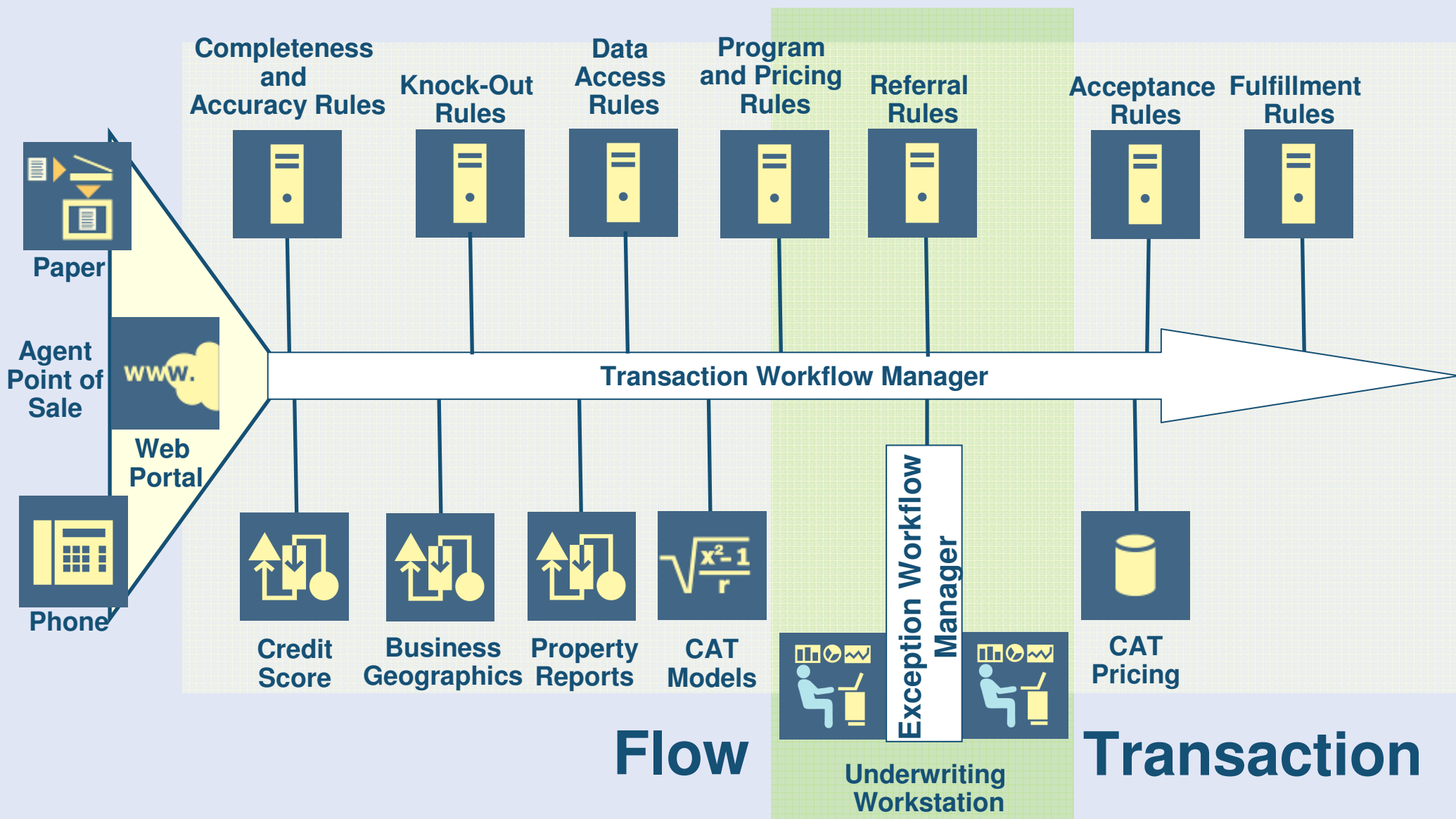
- ▶ **Risk concentration**
- ▶ **Establish underwriting guidelines**
- ▶ **Risk based pricing**
- ▶ **Agency management**



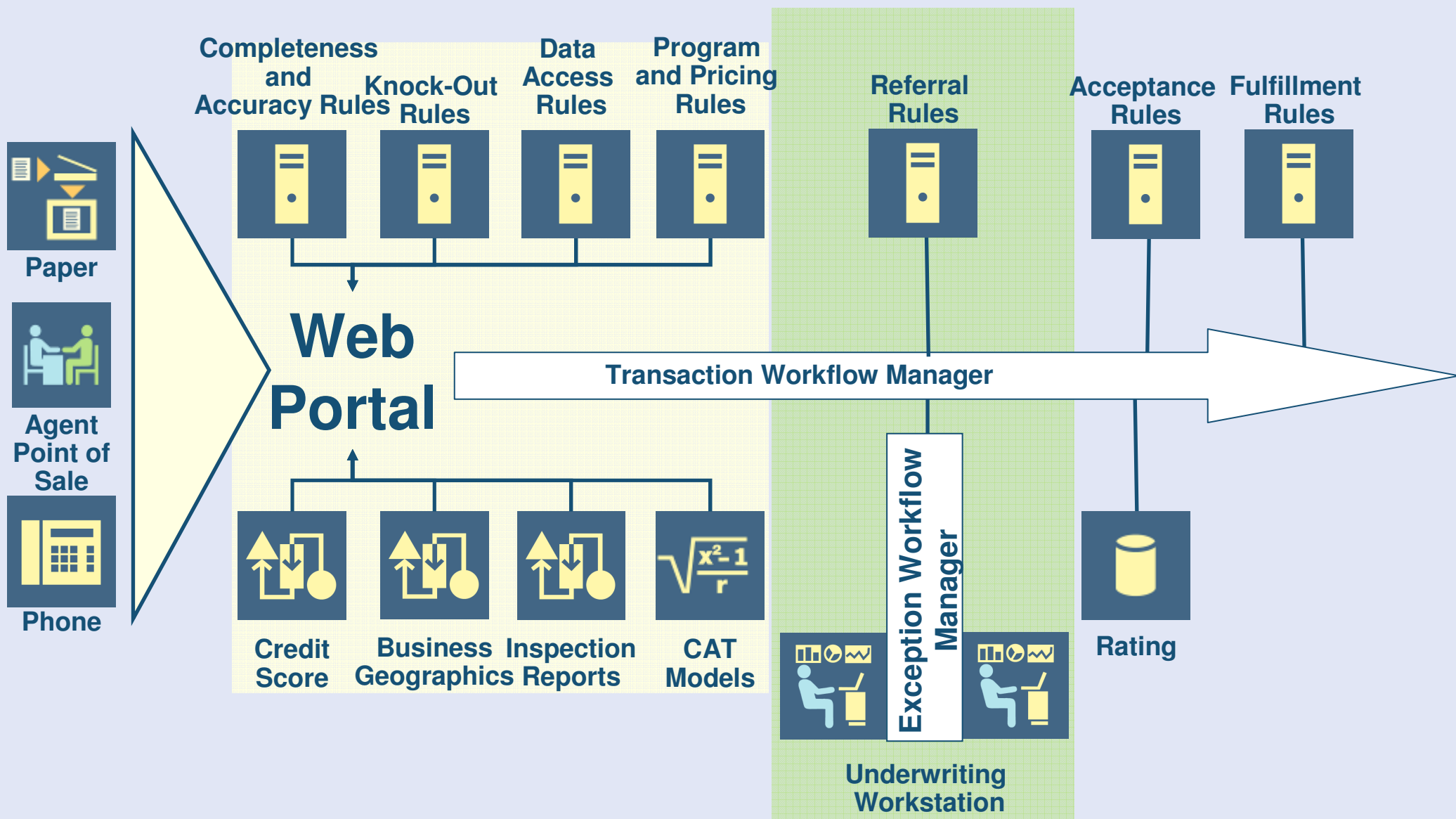
# Enterprise Implementation



# Enterprise Exposure Management: Flow Model Versus Transaction Model (2008)



# Ultimate Goal – Enterprise Exposure Management at Point-of-sale (2008)



Source: TowerGroup

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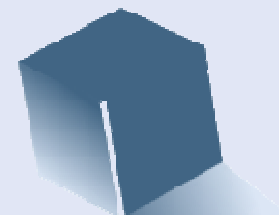
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