

Technology and Operations Benchmarking for Personal Lines P&C

ACORD – LOMA Information Systems Forum

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TCi Introduction

- **Providing consulting and research services to the insurance industry since 1989**
- **Four annual flagship surveys:**
 - LIITES - IT expenses and effectiveness
 - LIONS - Operations for Life
 - ACES - Operations for Annuities
 - PLACES – Operations and IT for P&C personal lines

Measurement and Benchmarking

“When you can measure what you are speaking about, and express it in numbers, you know something about it...”

Lord William Thomas Kelvin
Popular Lectures and Addresses
(1891-1894)
Bartlett's Familiar Quotations

“One accurate measurement is worth a thousand expert opinions.”

Admiral Grace Hopper

Carrier Challenges

- **To know how well we are doing in:**
 - **Operations effectiveness**
 - **Efficiency based on comparable scale**
 - **Use of technology; its cost and impact**
 - **Expense control by business functions**
 - **Customer service quality and timeliness**

Things We Need to Know

- **Information about:**
 - Internal performance
 - Peer comparisons
 - Industry comparisons
 - Comparison to “best in class”
- **How can we get that information?**

Questions About Benchmarking

- Is the degree of granularity sufficient for insight?
- How do I know the results are accurate?
- How do I know if the data is comparable?
- How confident am I about my own data?
- How painful is the data collection process?
- Do I know how to interpret the results?
- Do I know how to use the results?
- How quickly can I get the information?

TCi Survey Process

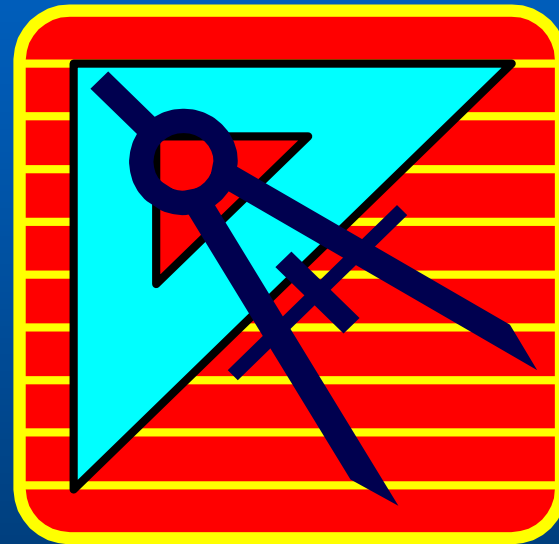
- Annual cycle begins in December with a full day meeting among participants for each survey
- Questionnaires distributed in Feb./March
- Responses due in April
- Preliminary results distributed in May/June
- Final results distributed in July
- Individual company reports contain specific insights for each company

Other Surveys

- **New surveys initiated in 2003:**
 - PLACES - Operations for Personal Lines P&C
 - ELITE - Enterprise wide IT for all lines of business
- **Planned for 2004**
 - CLASS – Operations for Commercial Lines P&C
 - PRIDE - Product development survey for life and annuity refreshed from 2001

TCi Benchmarking

- Brief History
- Differentiation
- Survey Cycle Timing
- Use of Findings
- Custom Analyses

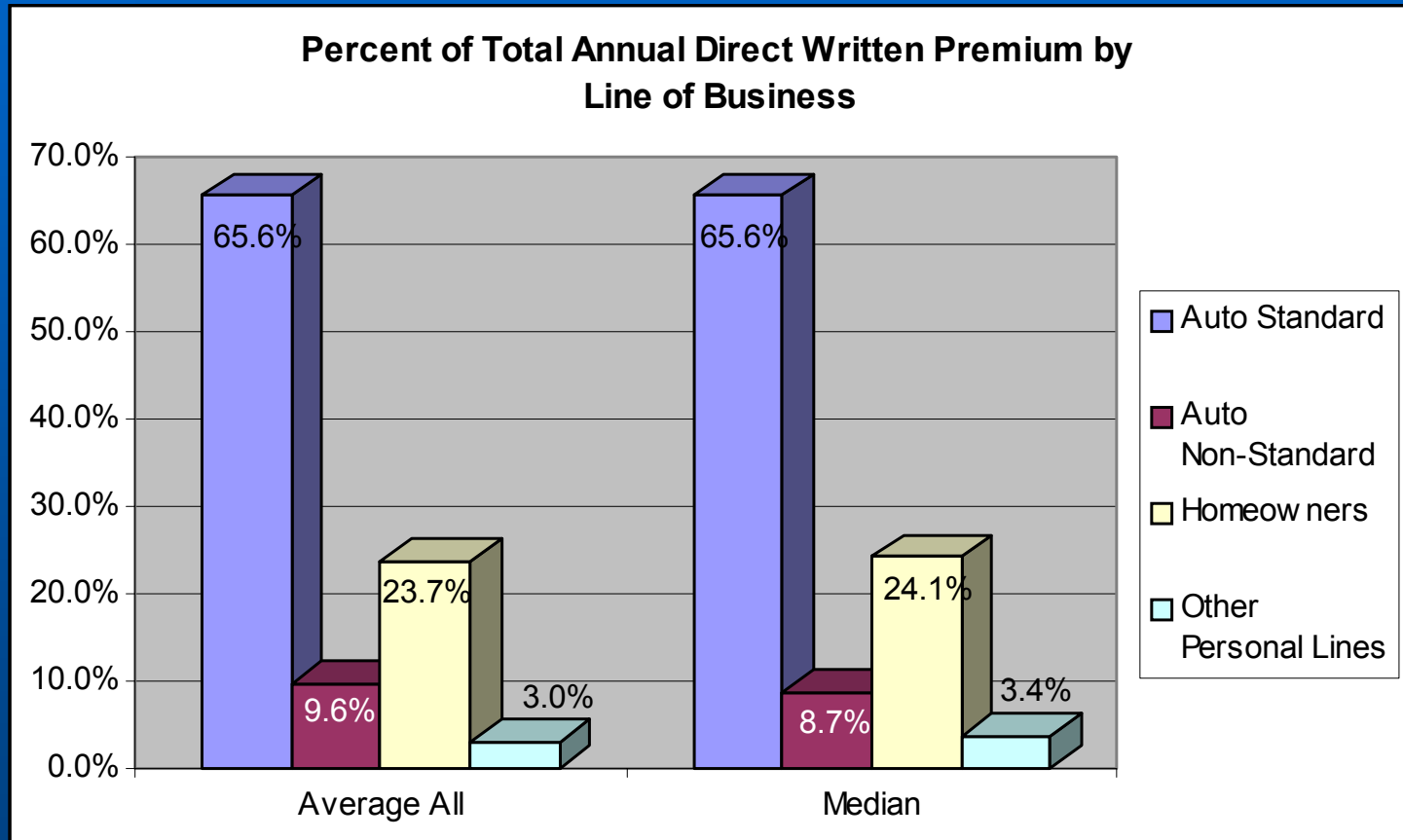


P & C Personal Lines Survey

- **PLACES Survey**
- **First year results for 2002**
- **Companies participating include:**
 - American Family
 - The Hartford
 - Nationwide
 - Shelter
 - State Farm
- **Several other companies assisted in development and are expected to participate next year (Allmerica, Allstate, Kemper, Harleysville, Liberty Mutual and Travelers)**

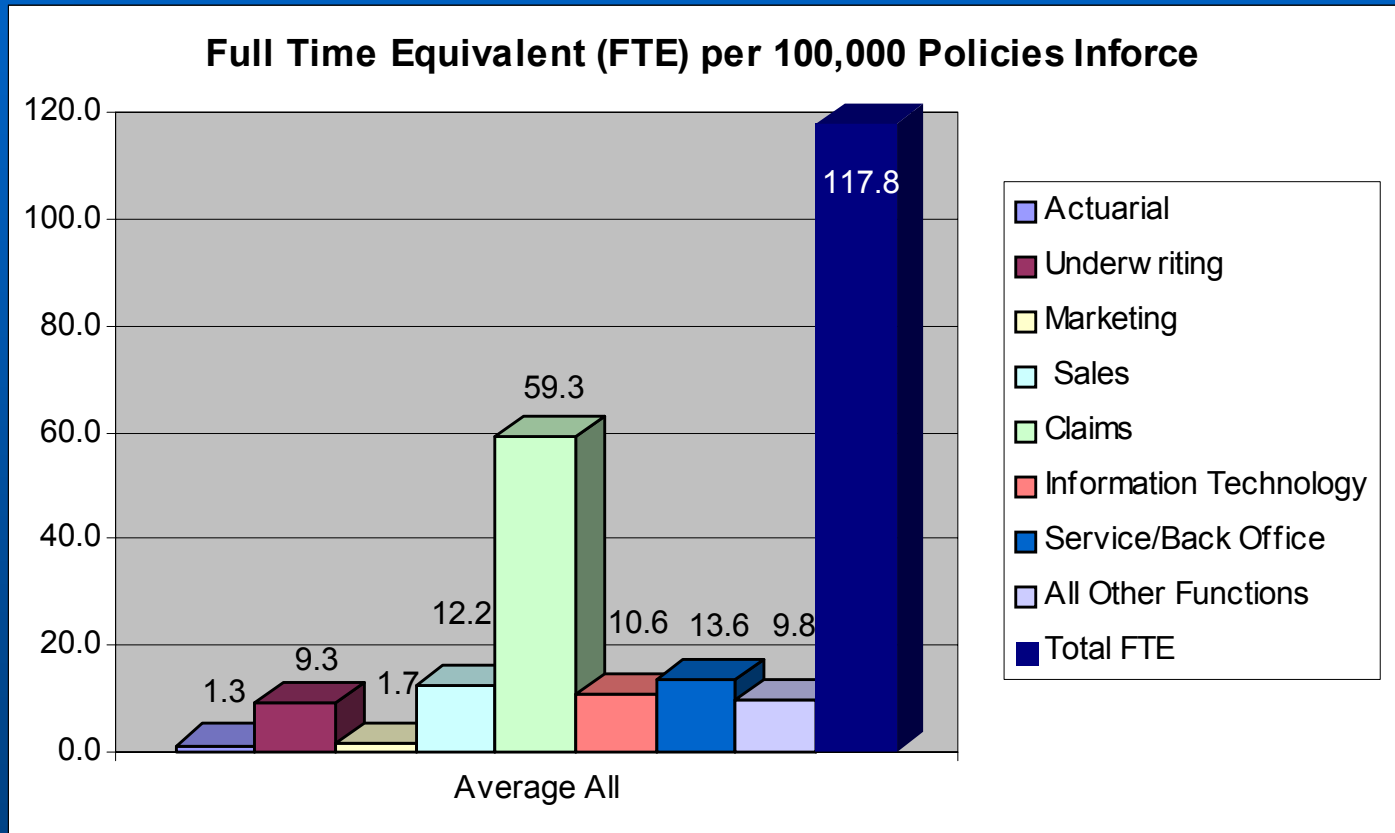
P & C Personal Lines Survey

Percent of Premium by LOB



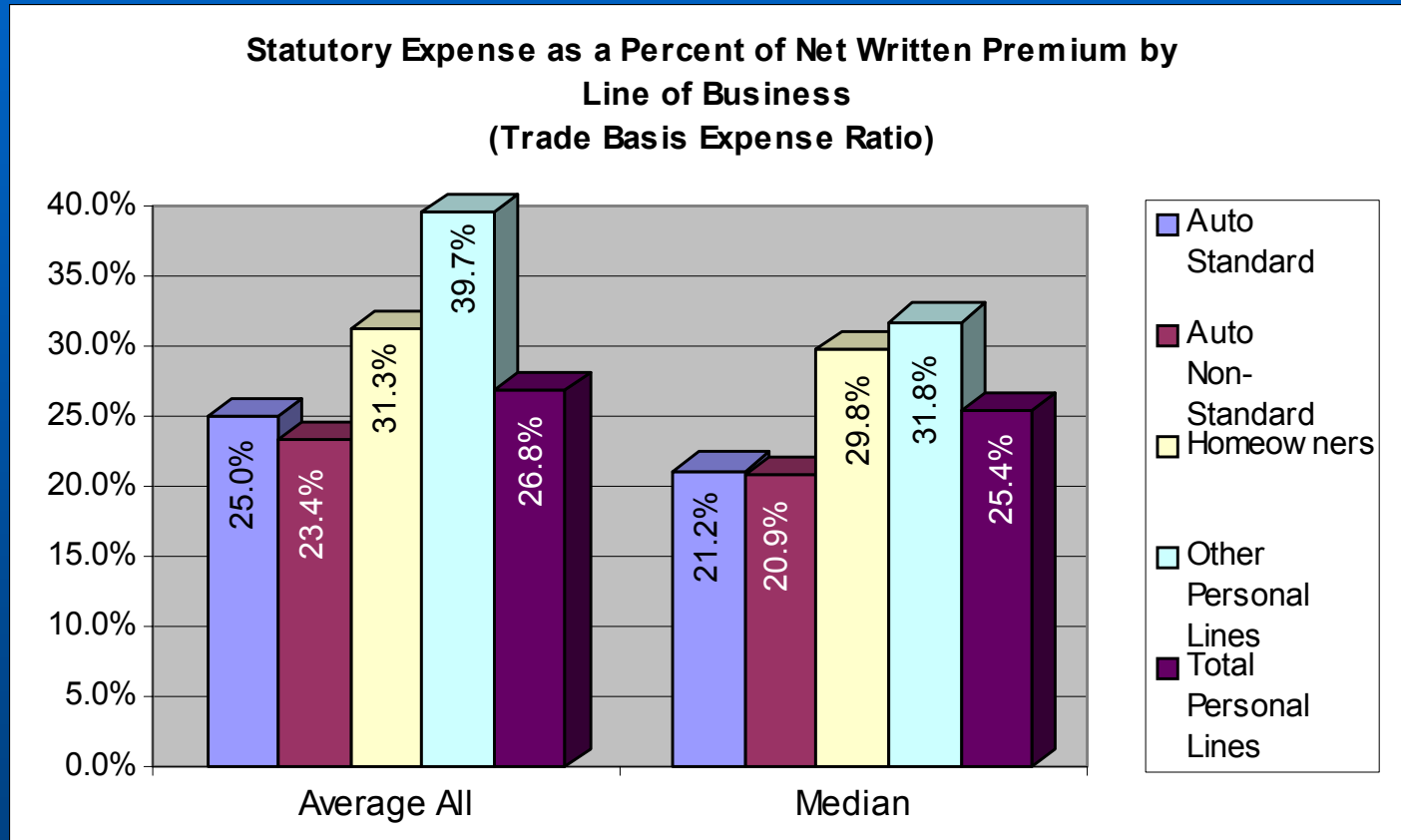
P & C Personal Lines Survey

Full Time Equivalent per 100,000 Policies Inforce



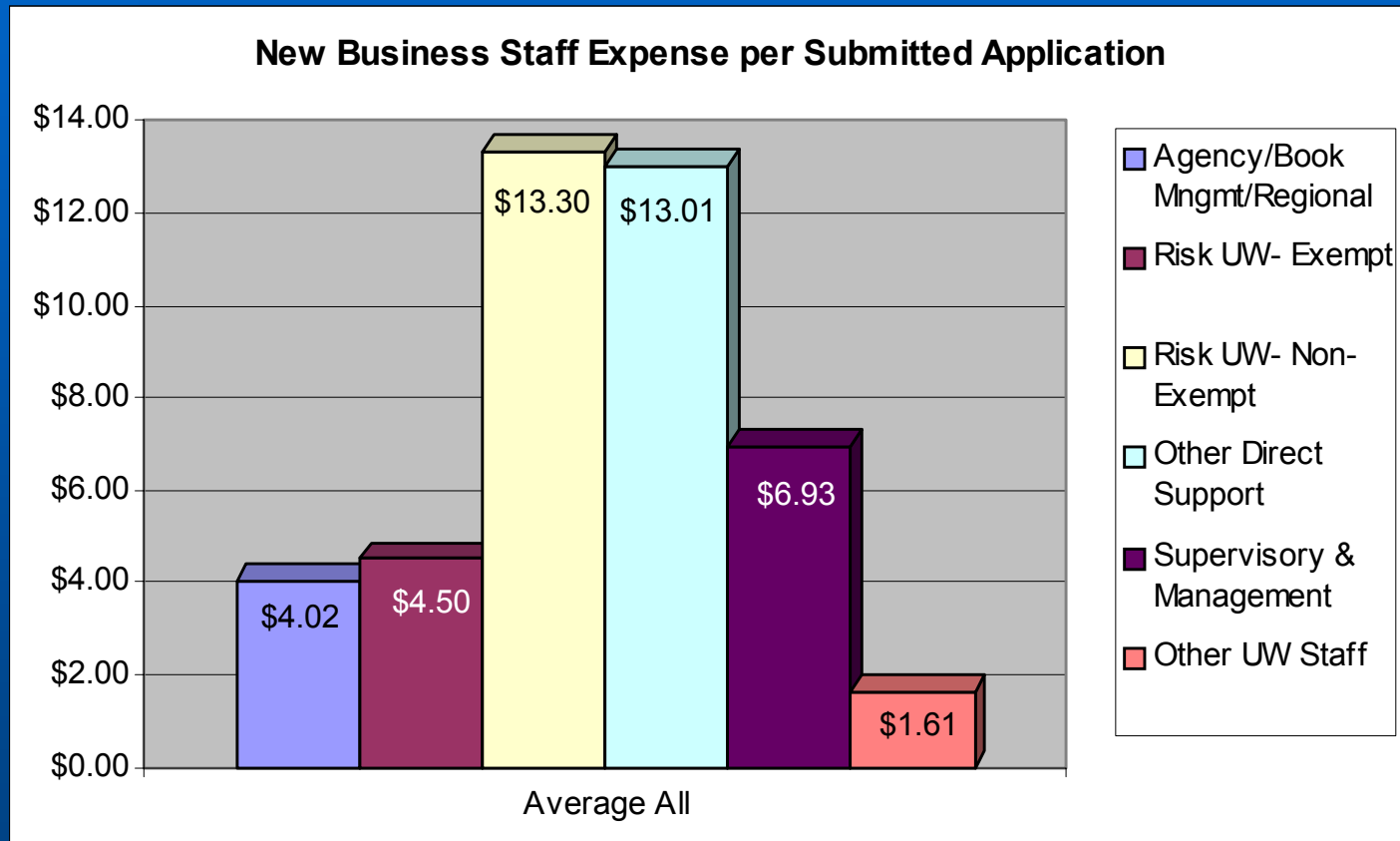
P & C Personal Lines Survey

Expense as a Percent of Premium by LOB



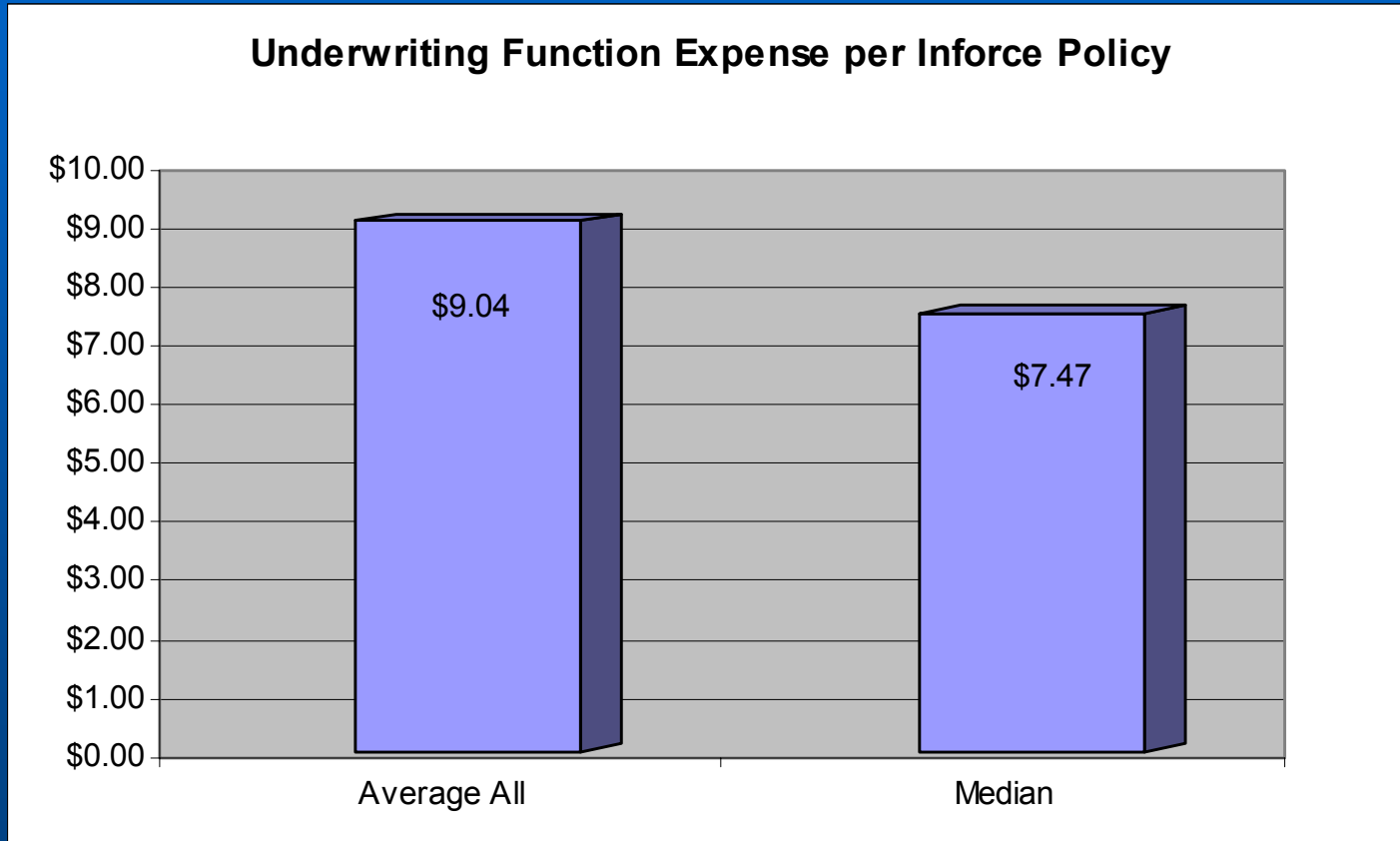
P & C Personal Lines Survey

New Business Staff Expense per Application



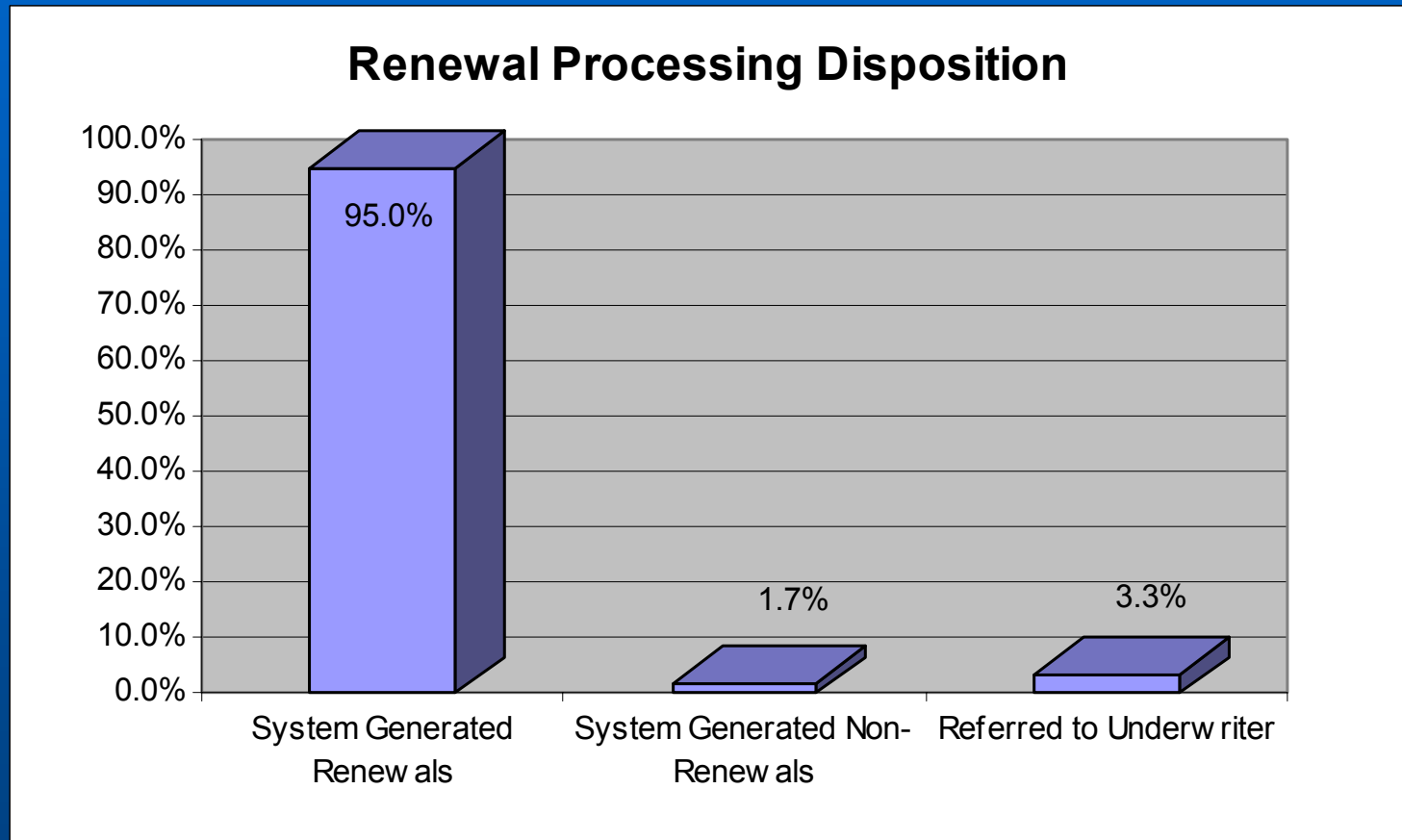
P & C Personal Lines Survey

Underwriting Function Expense per Inforce Policy



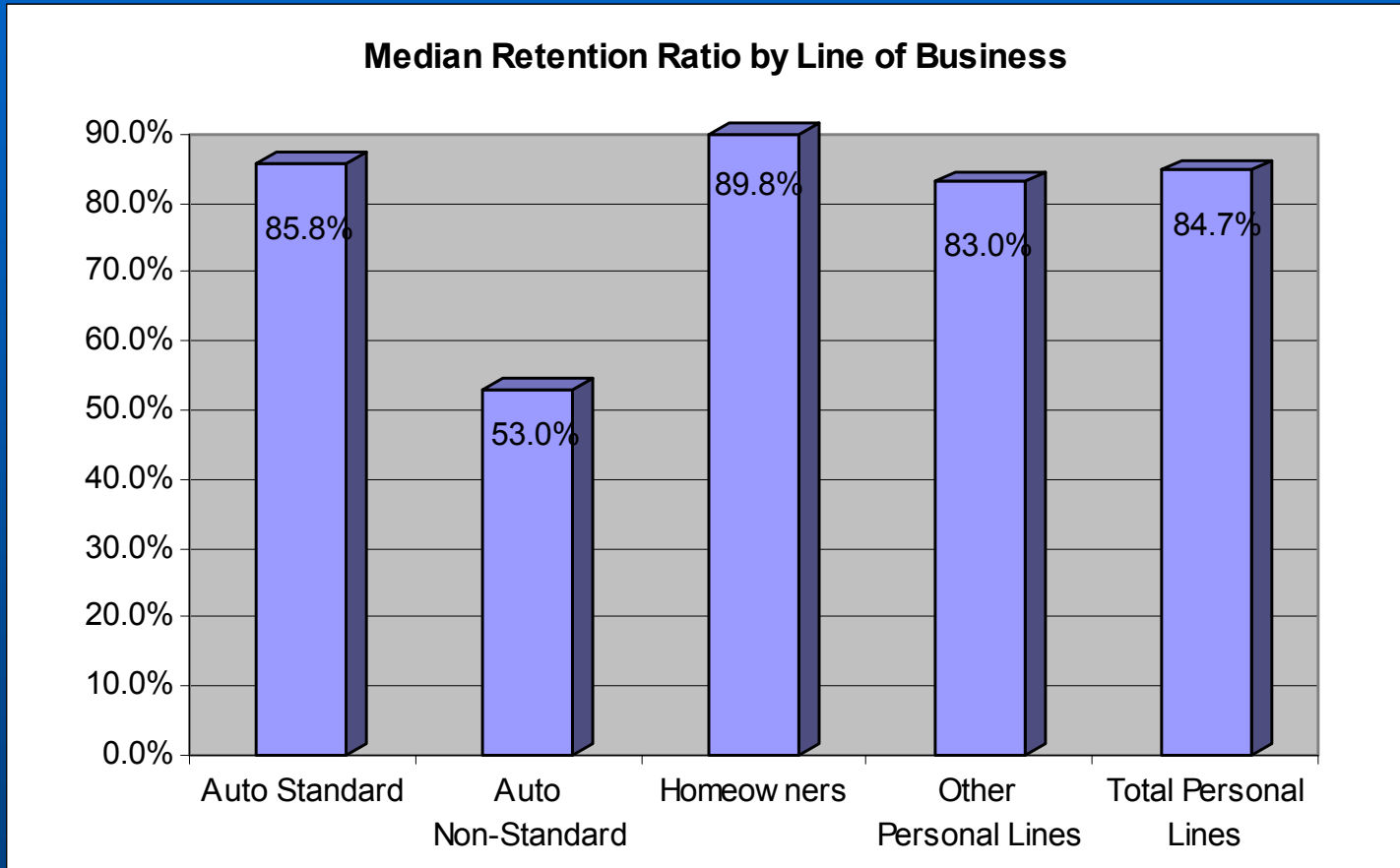
P&C Survey Highlight

Renewal Processing Disposition



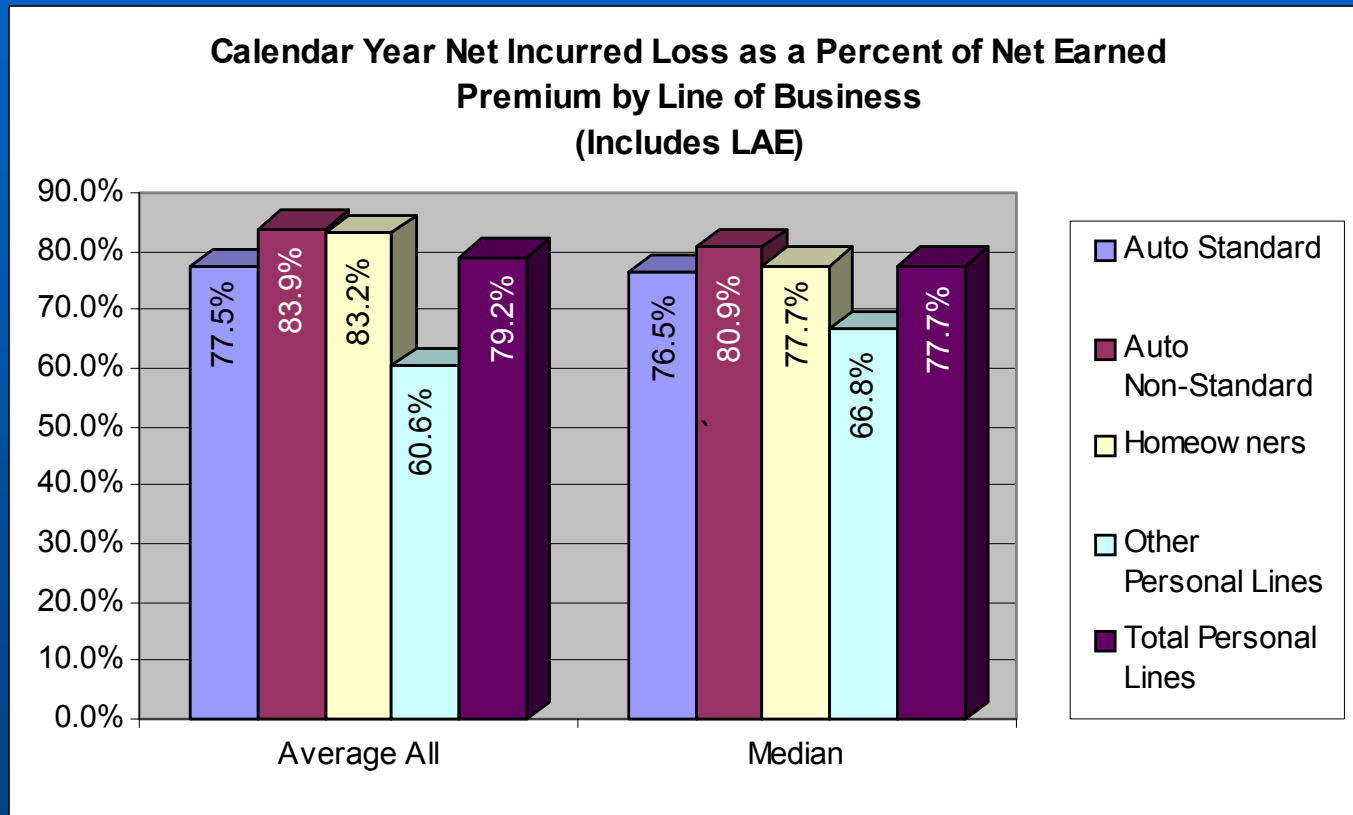
P & C Personal Lines Survey

Retention Ratio by LOB



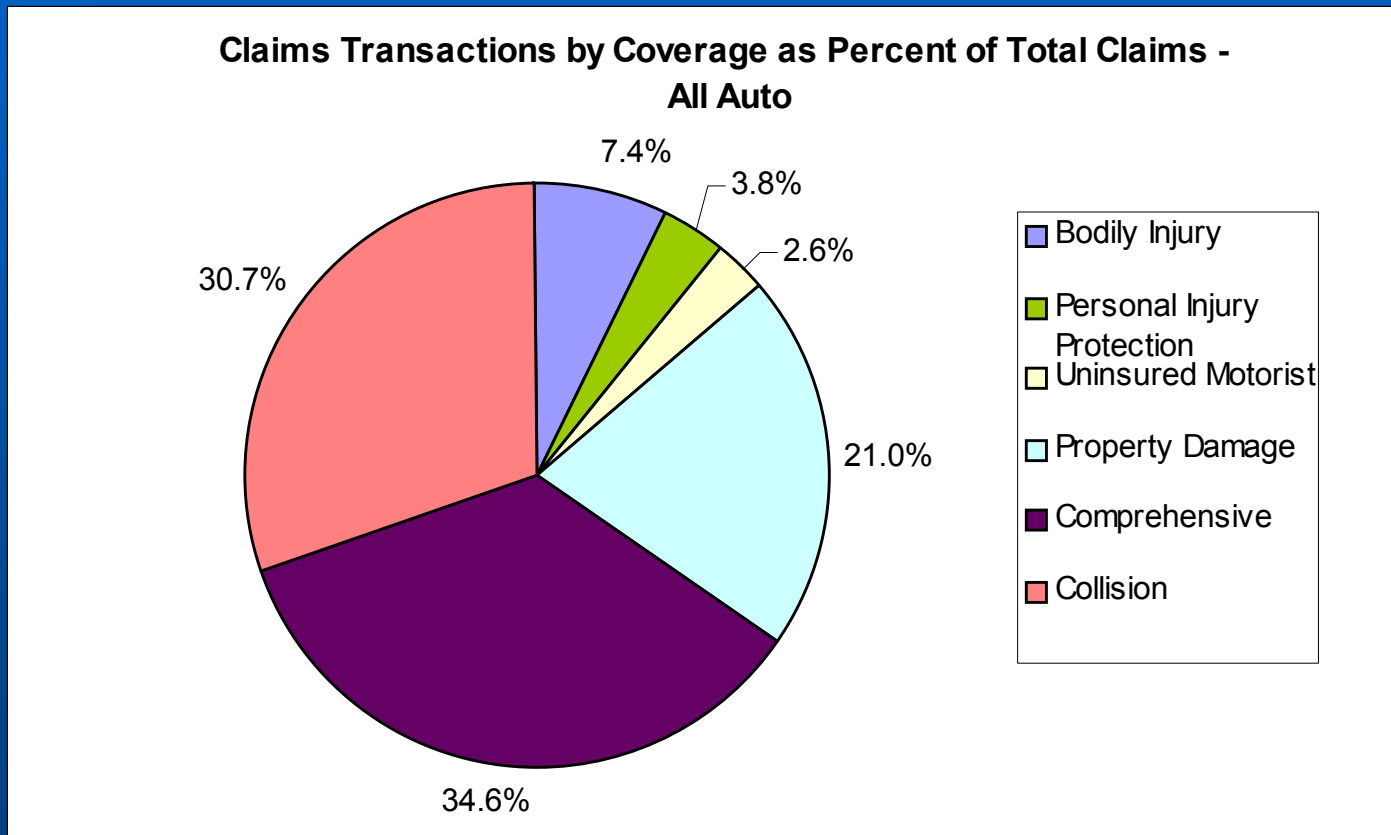
P & C Personal Lines Survey

Net Losses as Percent of Premium by LOB



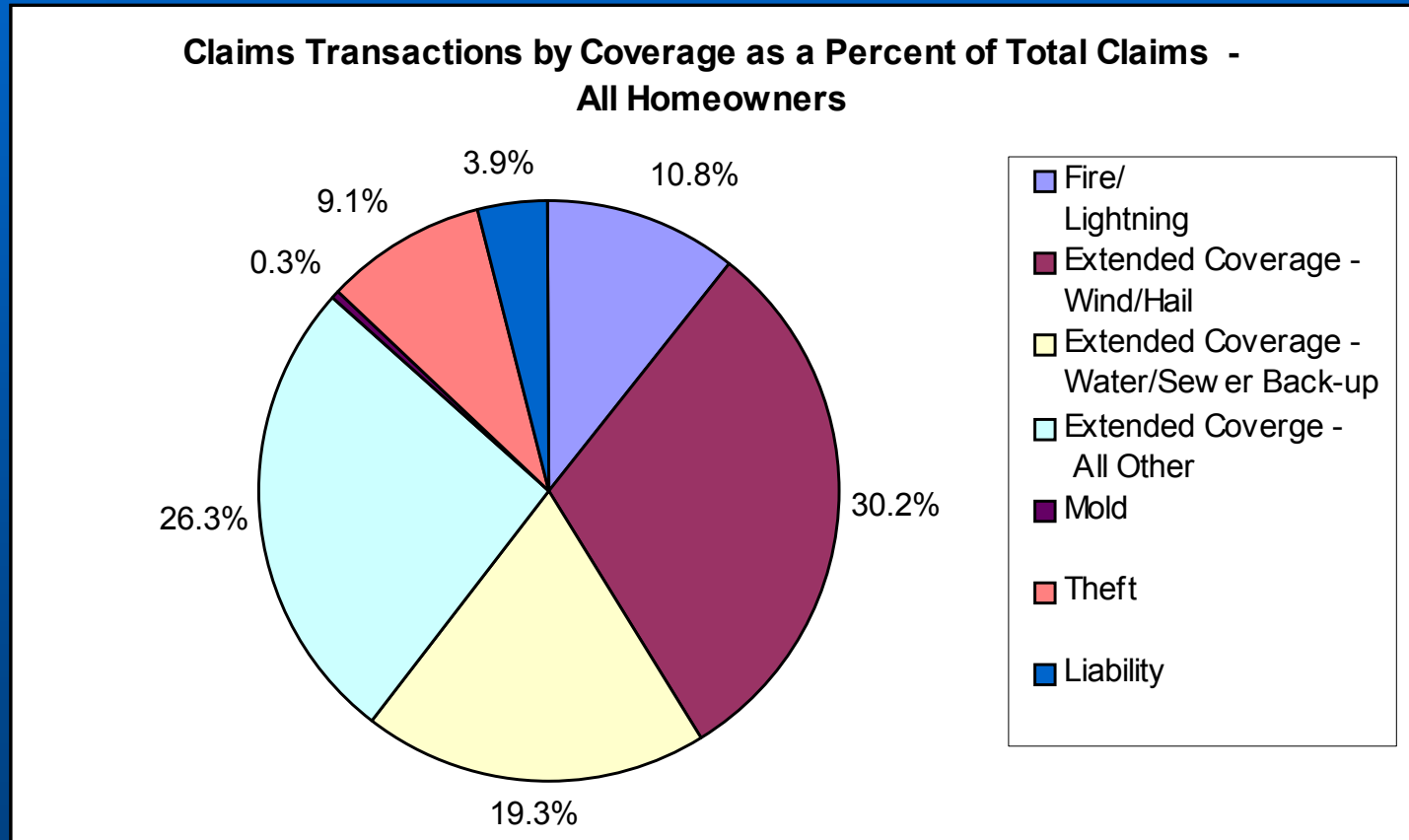
P & C Personal Lines Survey

Claim Transactions by Type - Auto



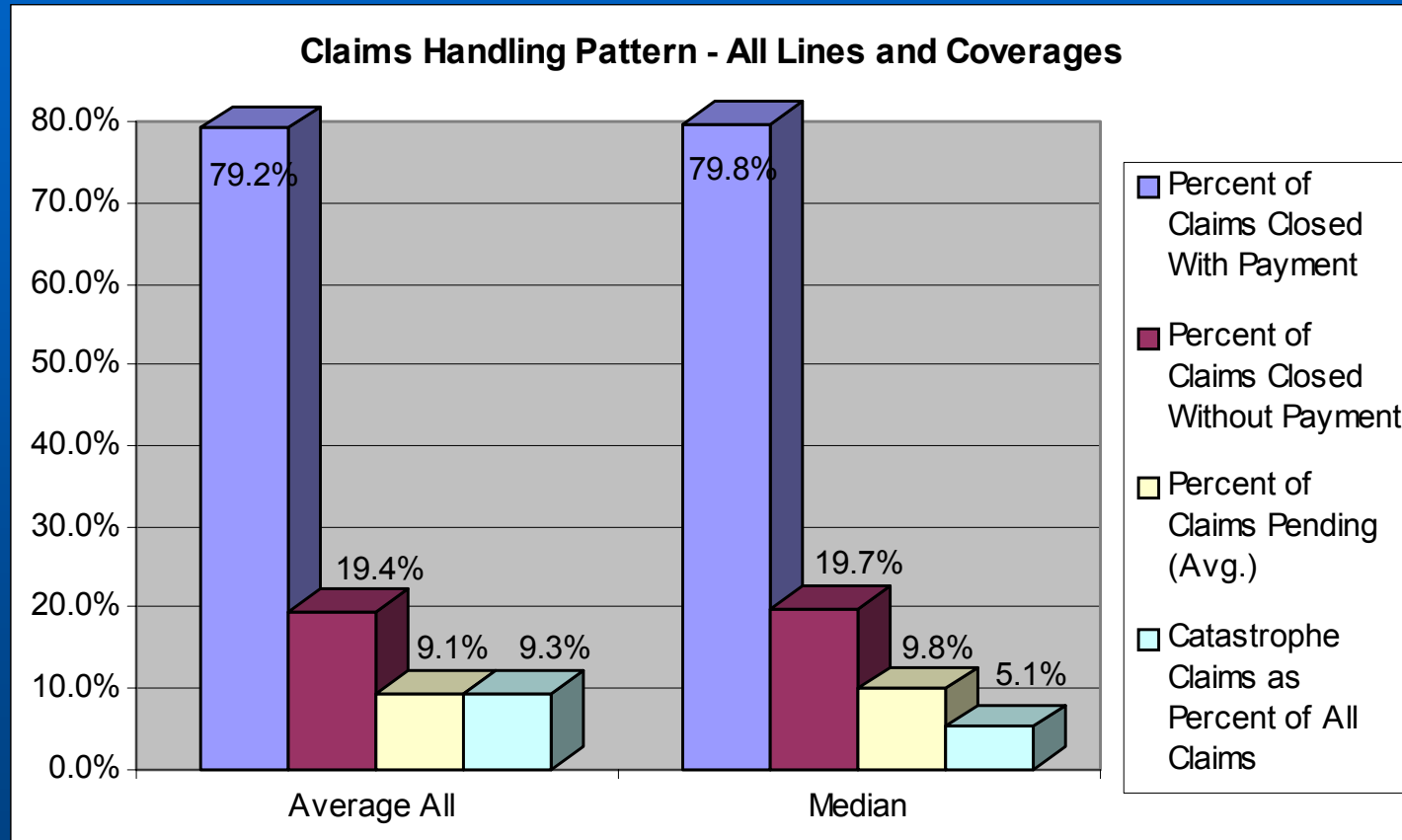
P & C Personal Lines Survey

Claim Transactions by Type - Homeowners



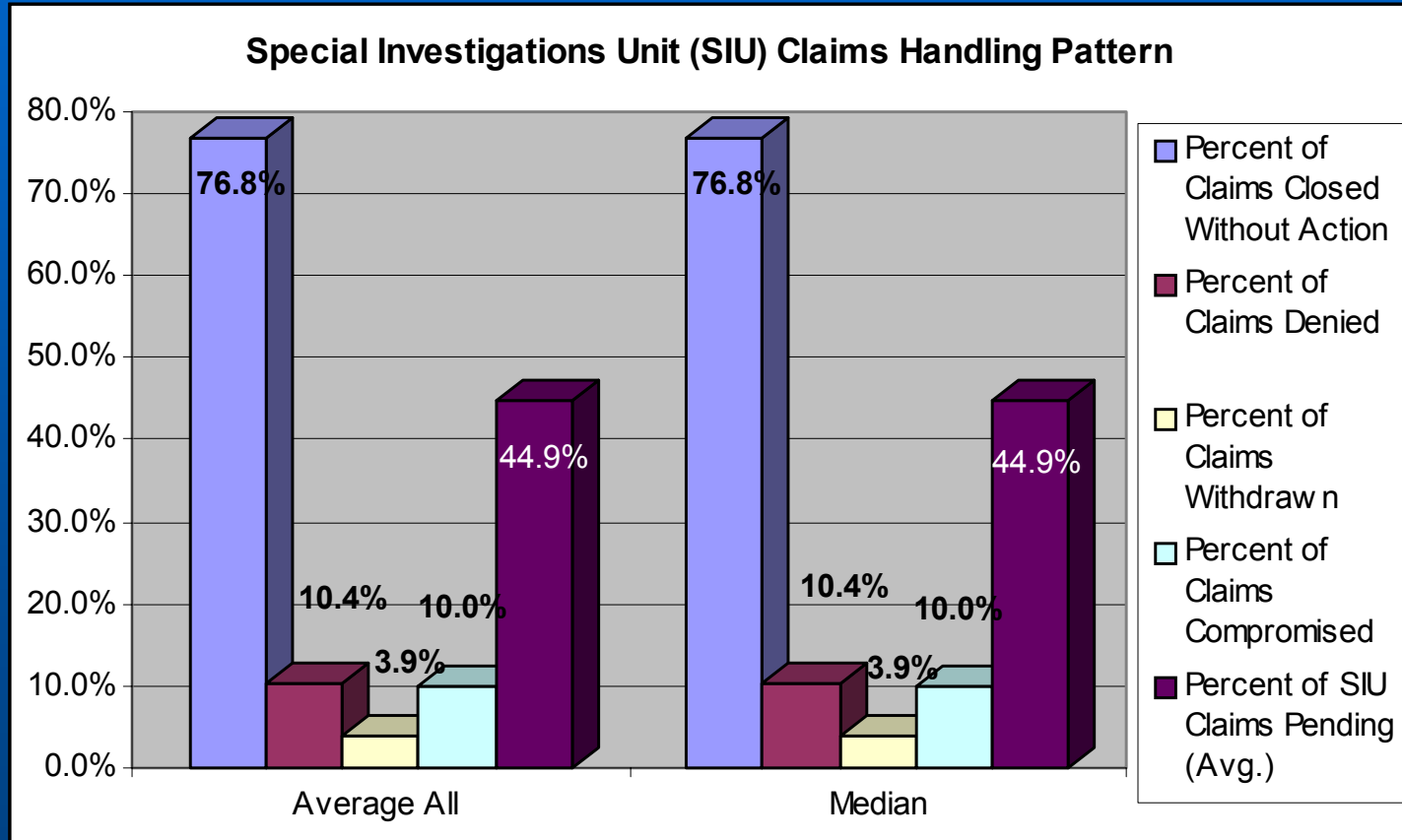
P & C Personal Lines Survey

Claim Handling – All Lines



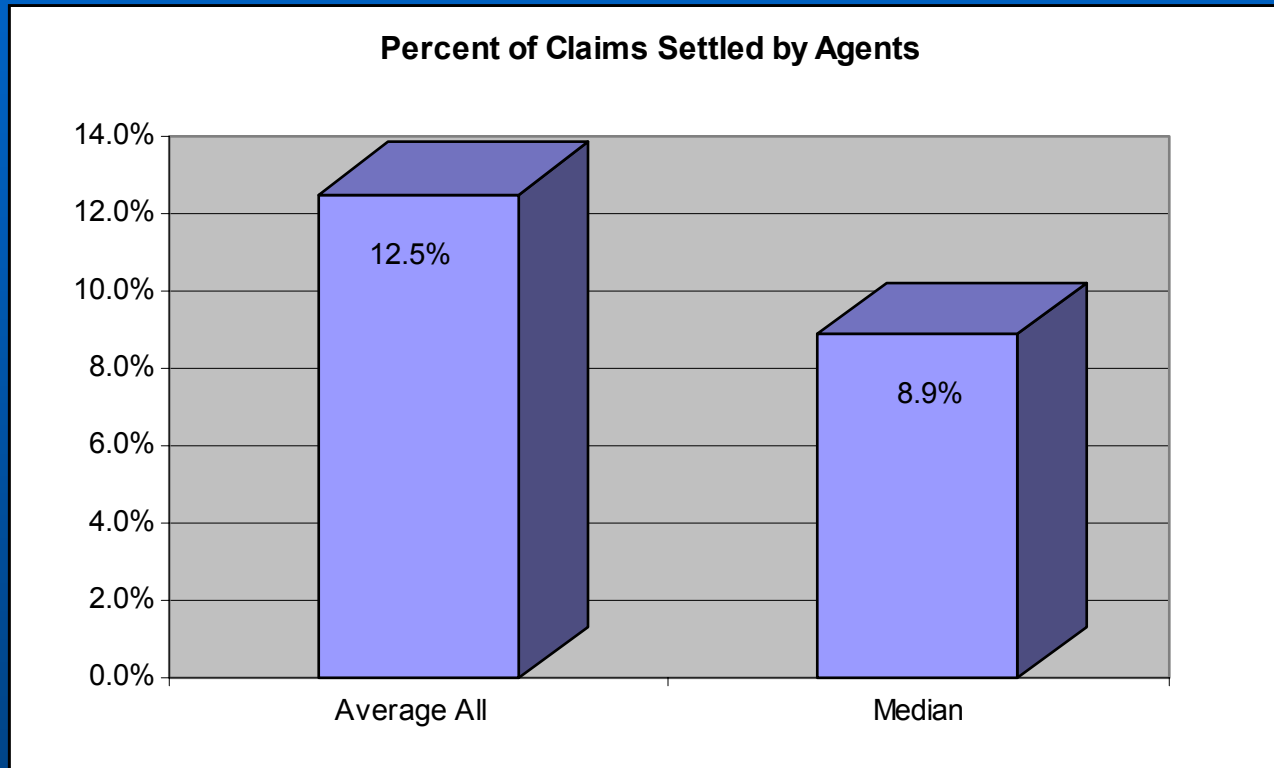
P & C Personal Lines Survey

SIU Claim Handling - All Lines



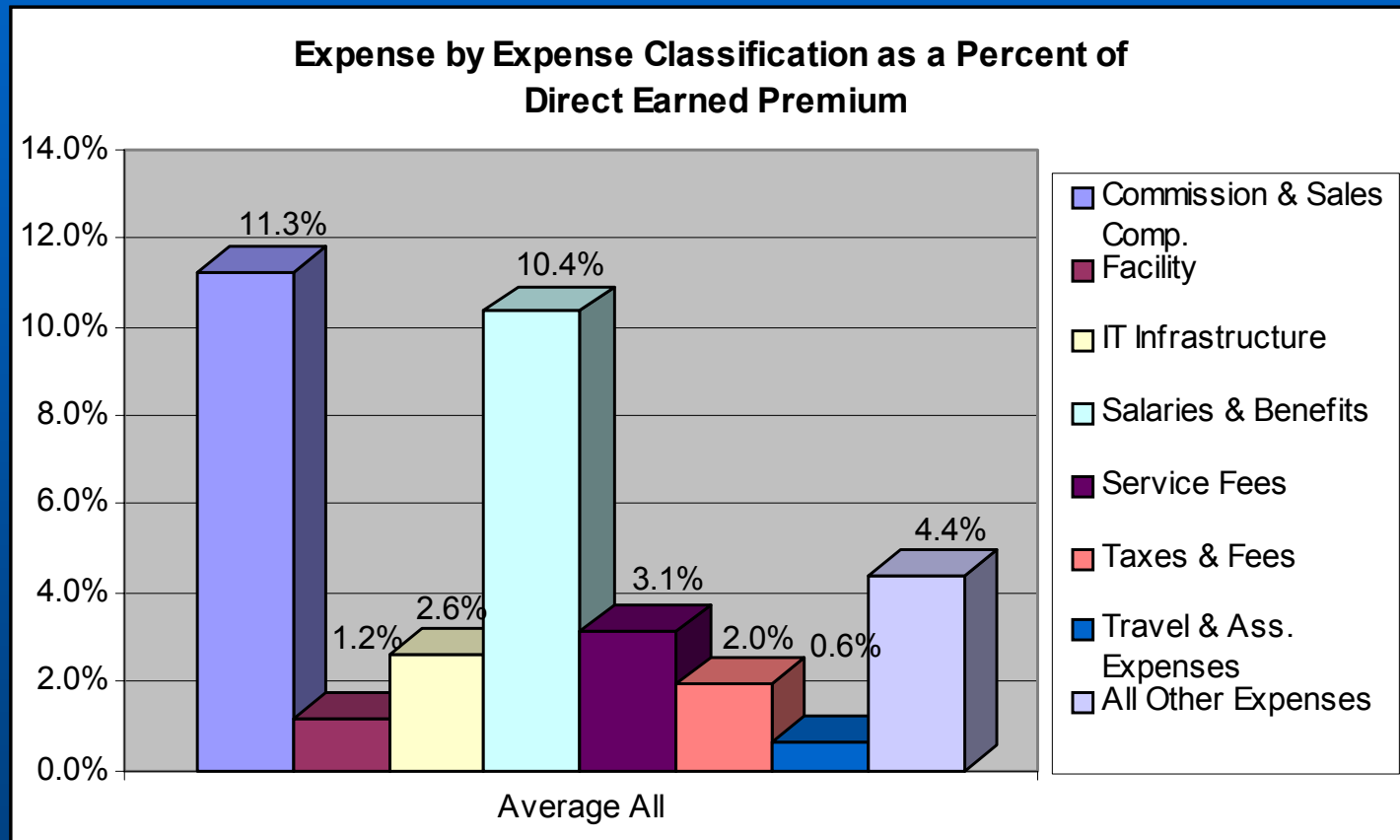
P & C Personal Lines Survey

Percent of Claims Settled by Agents



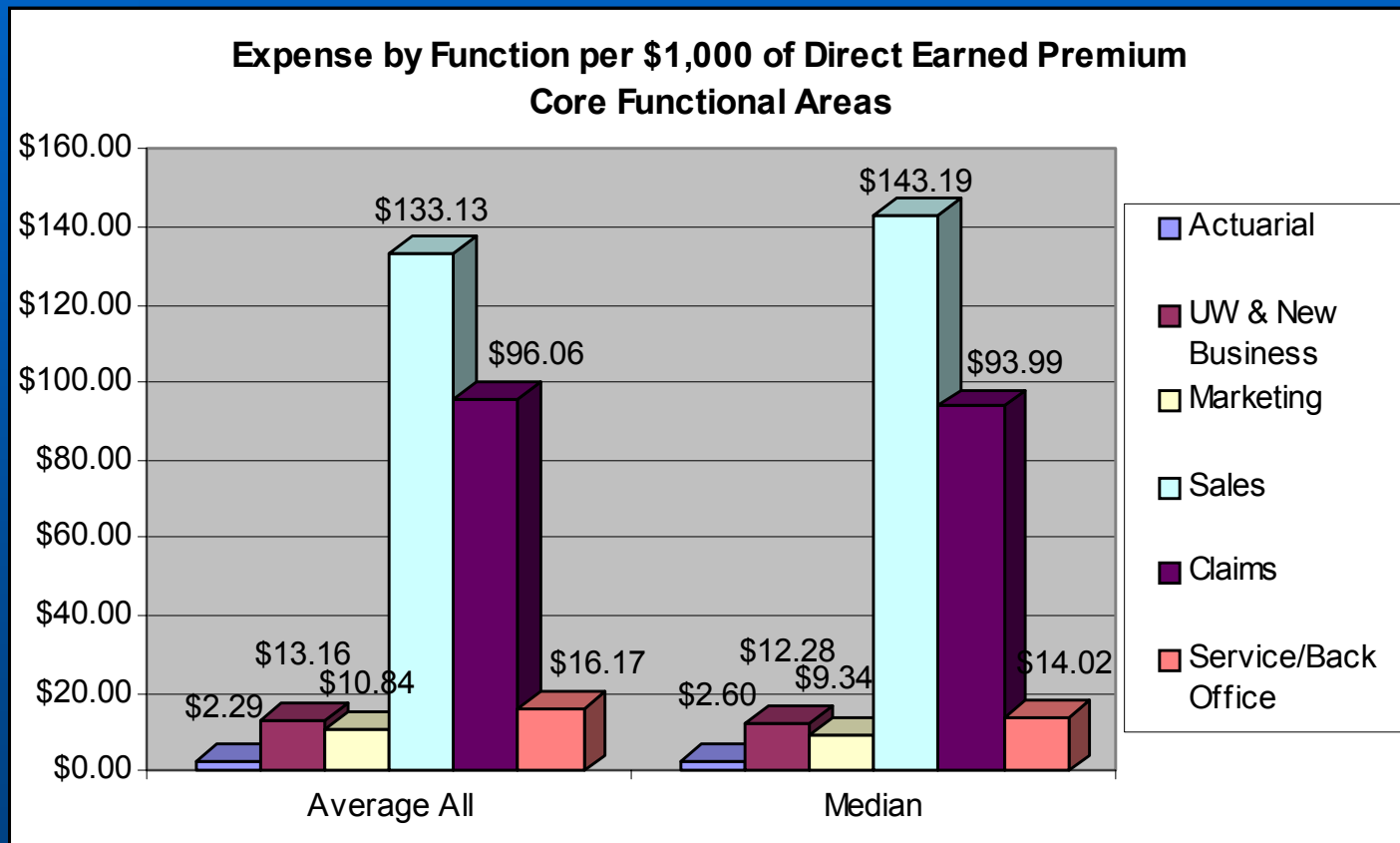
P & C Personal Lines Survey

Total Expenses by Expense Classification as a Percent of Direct Earned Premium



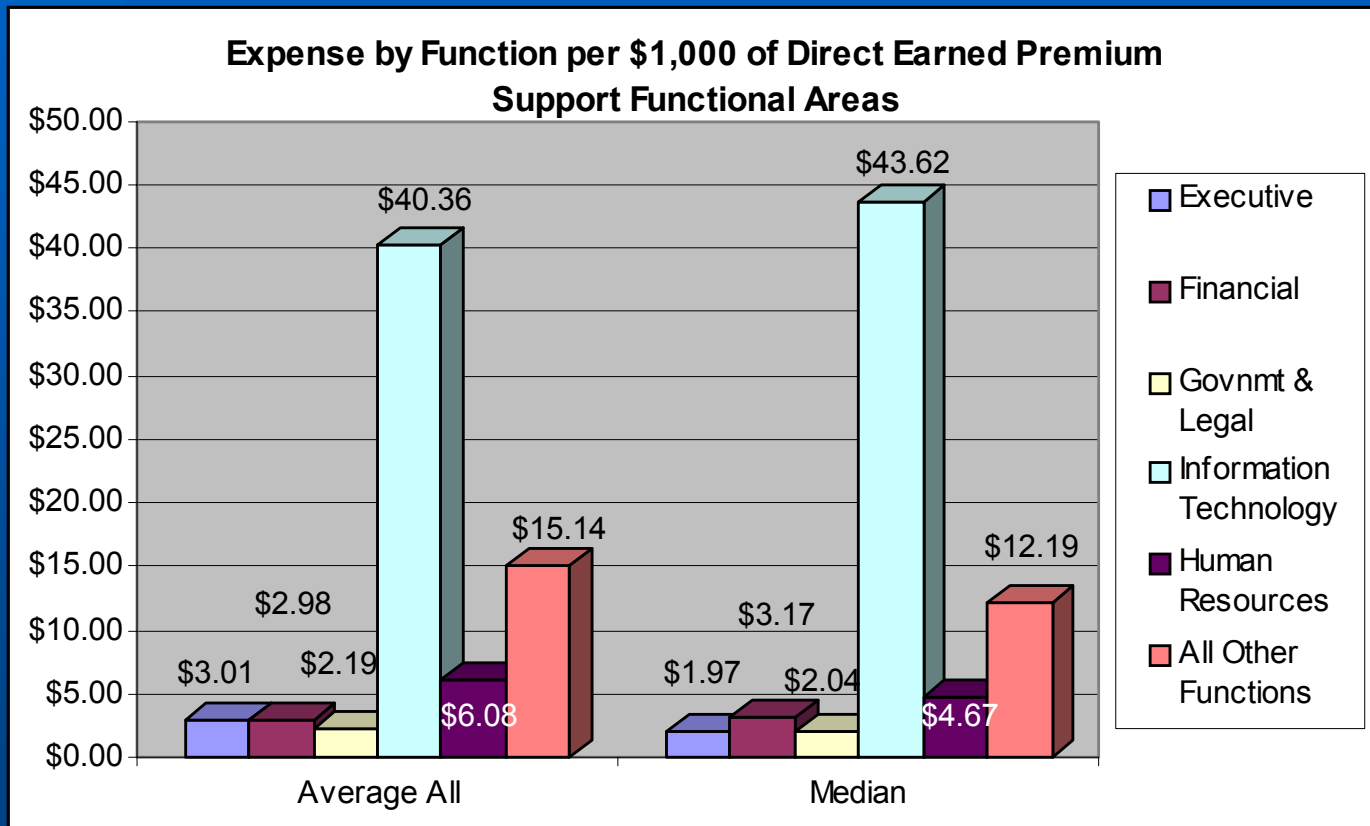
P & C Personal Lines Survey

Expenses by Function for Core Functions



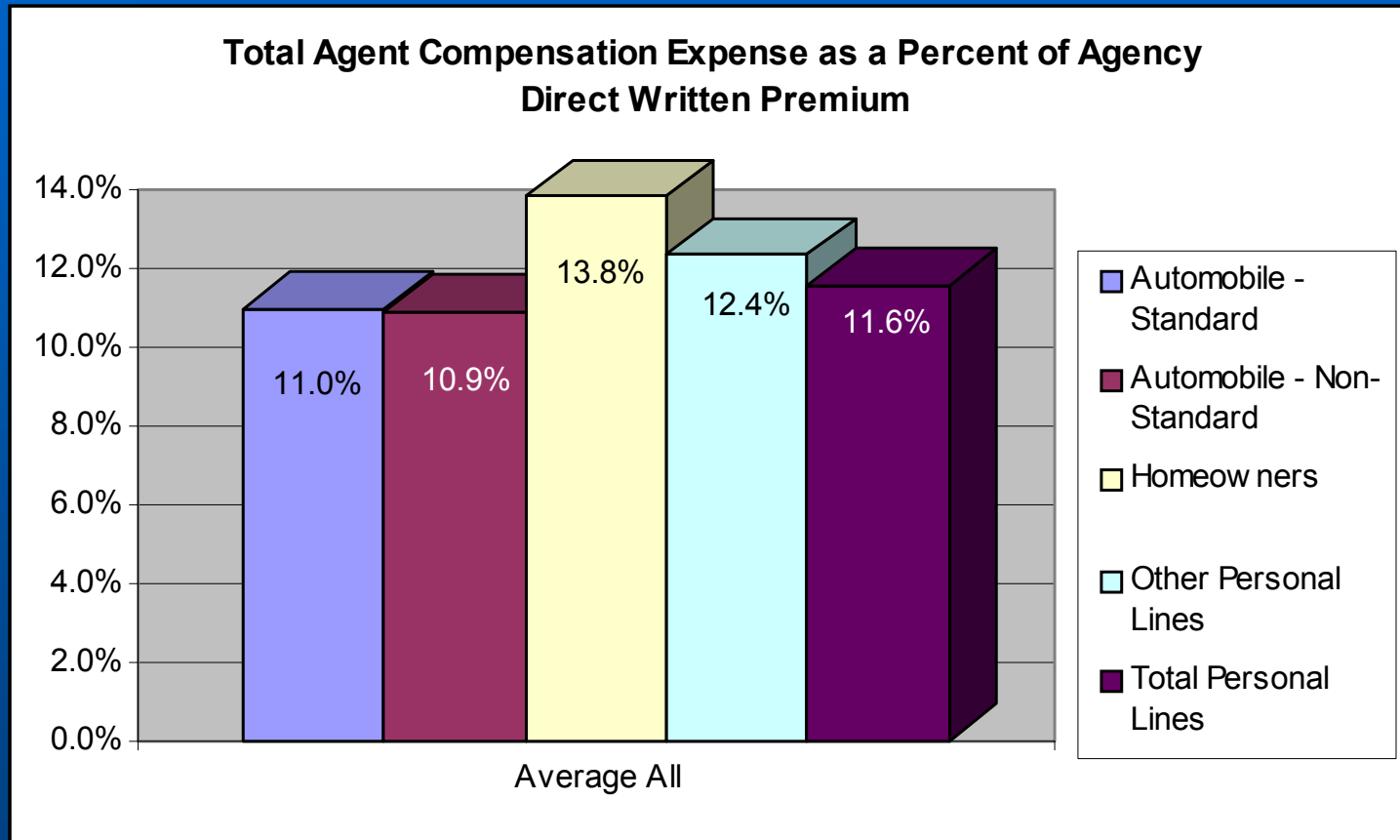
P & C Personal Lines Survey

Expenses by Function for Support Functions



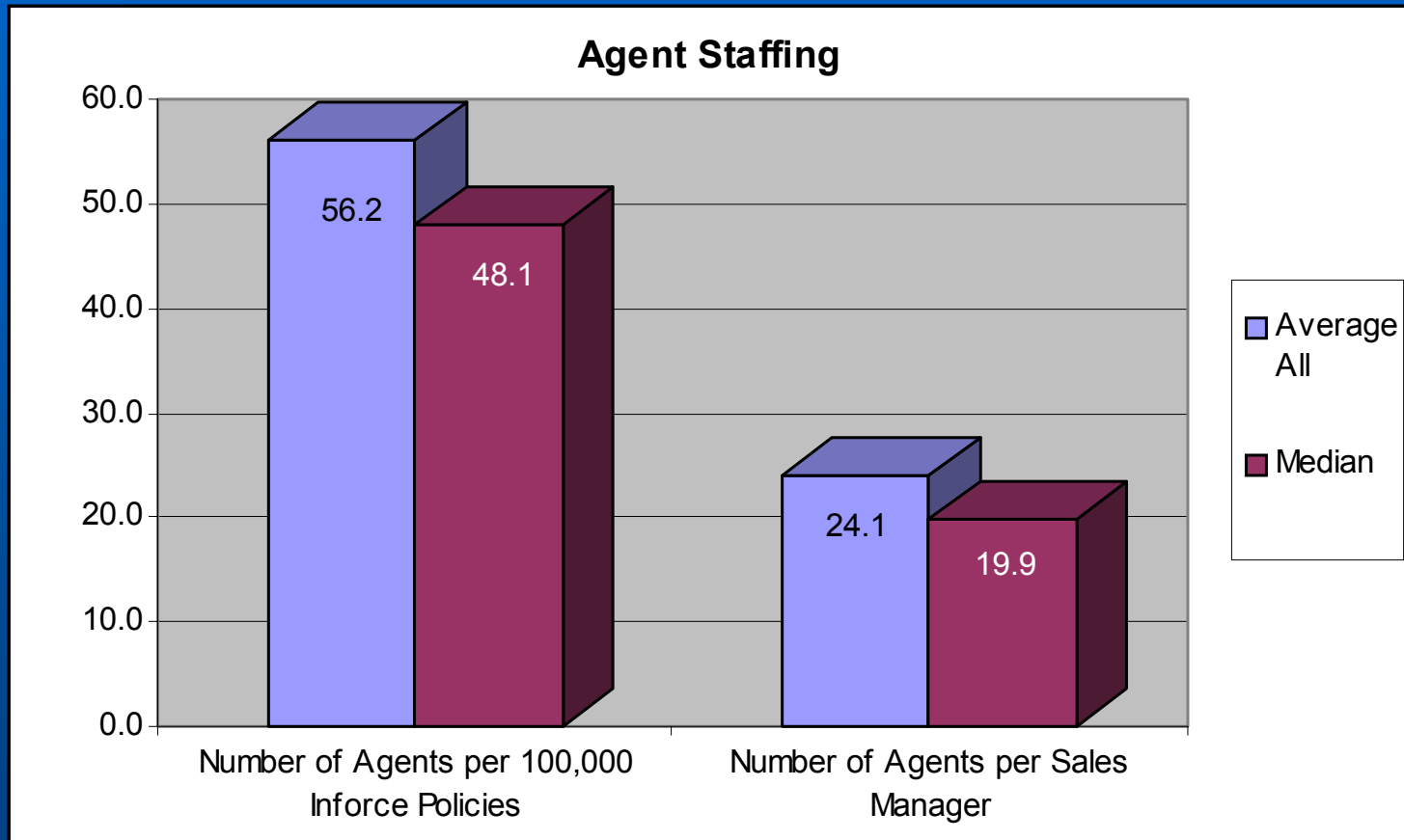
P & C Personal Lines Survey

Agent Compensation as a Percent of DWP



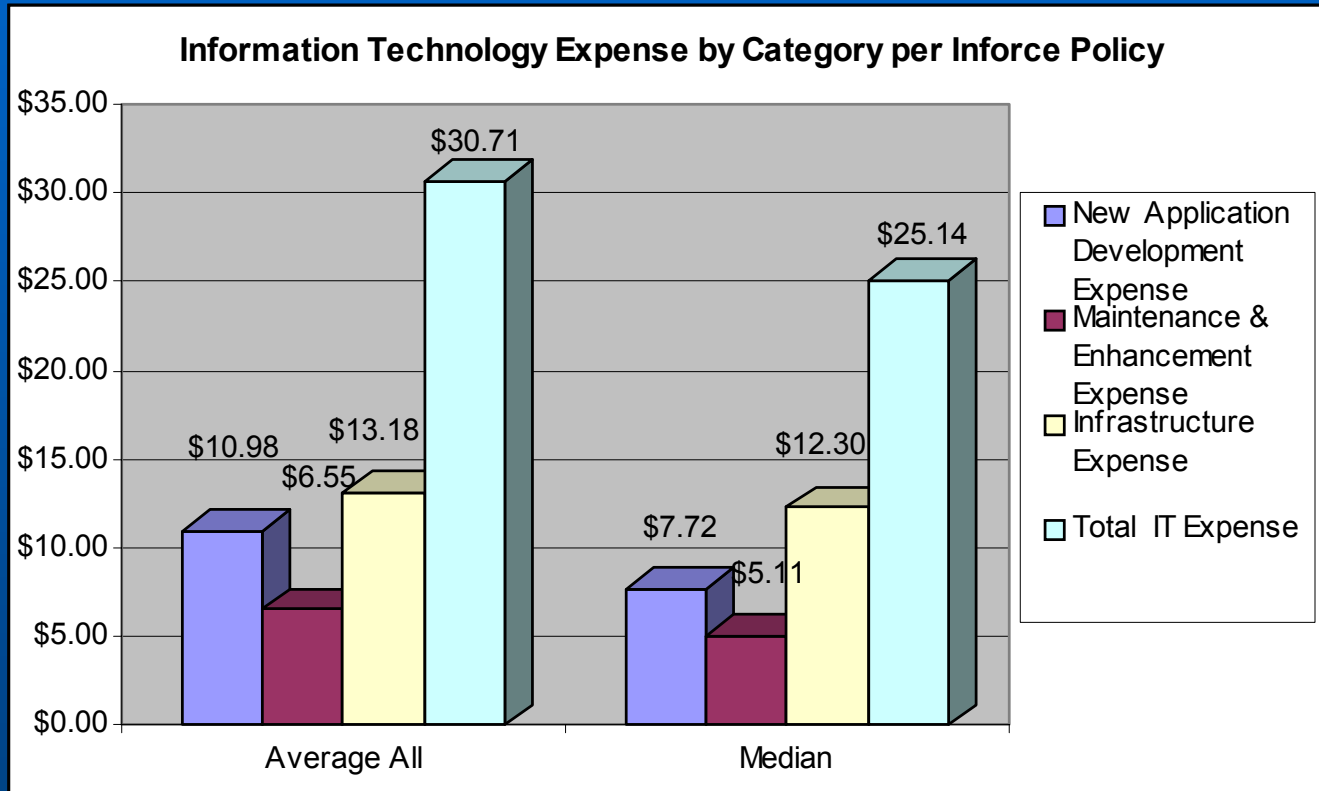
P & C Personal Lines Survey

Agent Staffing



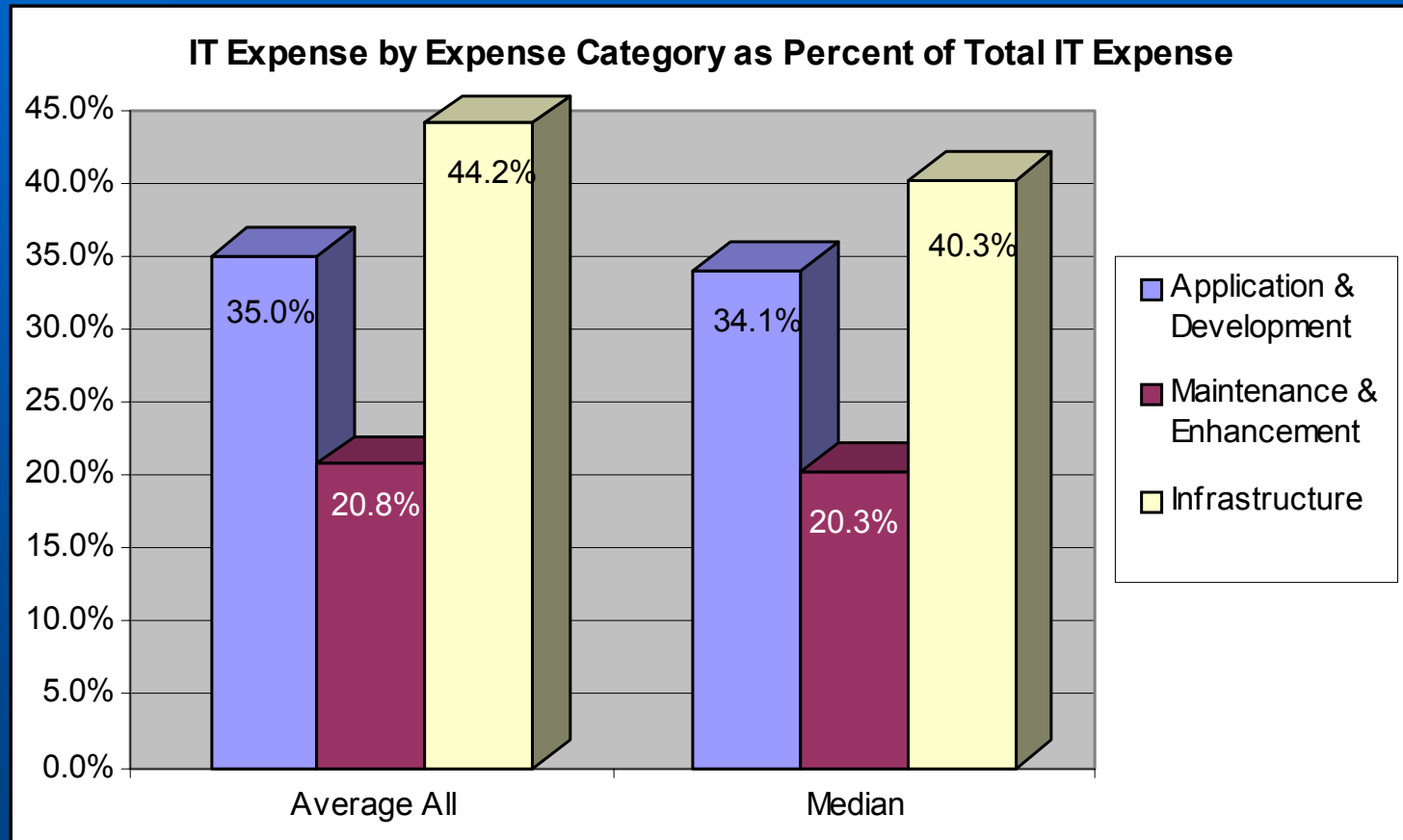
P & C Personal Lines Survey

IT Expenses by Category per Inforce Policy



P & C Personal Lines Survey

IT Expenses by Category



PLACES CORE Report

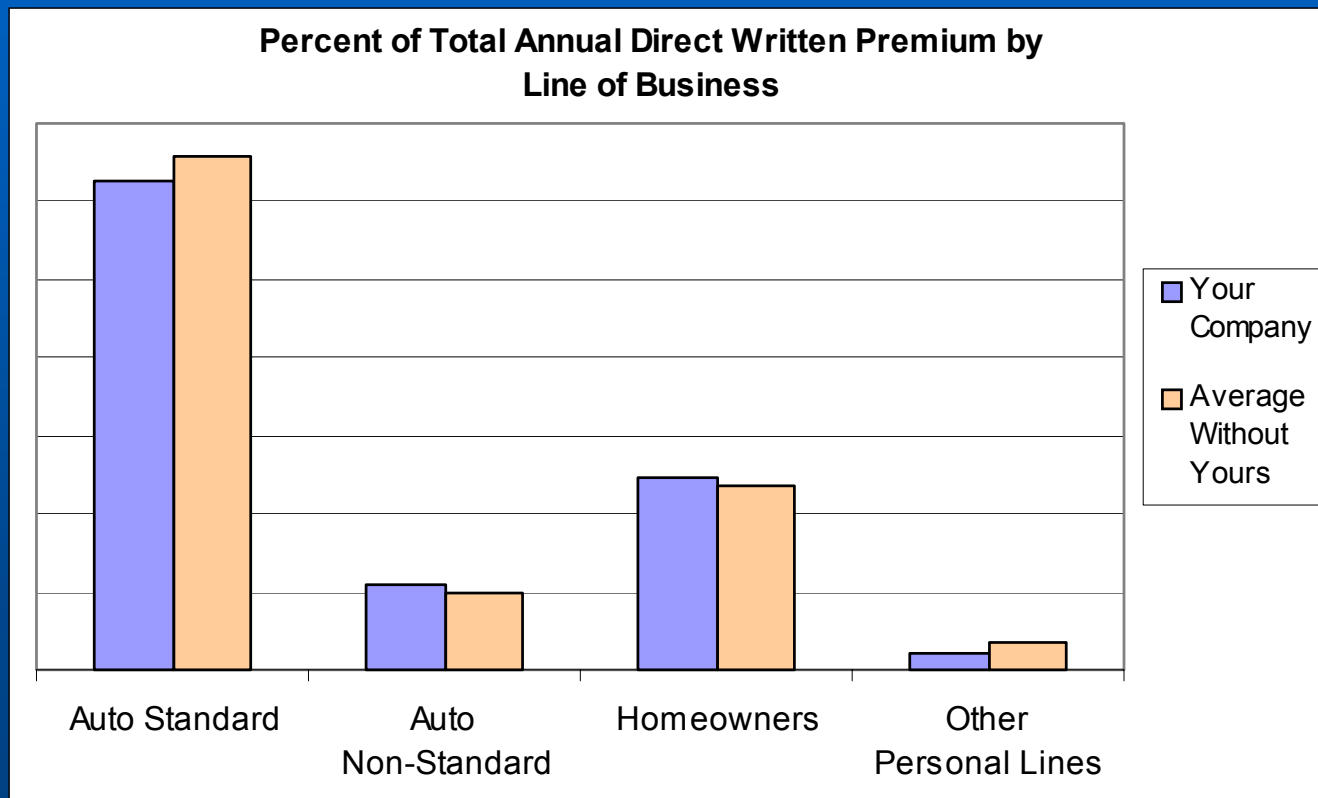
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- **Call Center Metrics (Slides 26-29)**
- **Sales/Marketing Metrics (Slides 30-33)**
- **IT Metrics (Slides 34-39)**

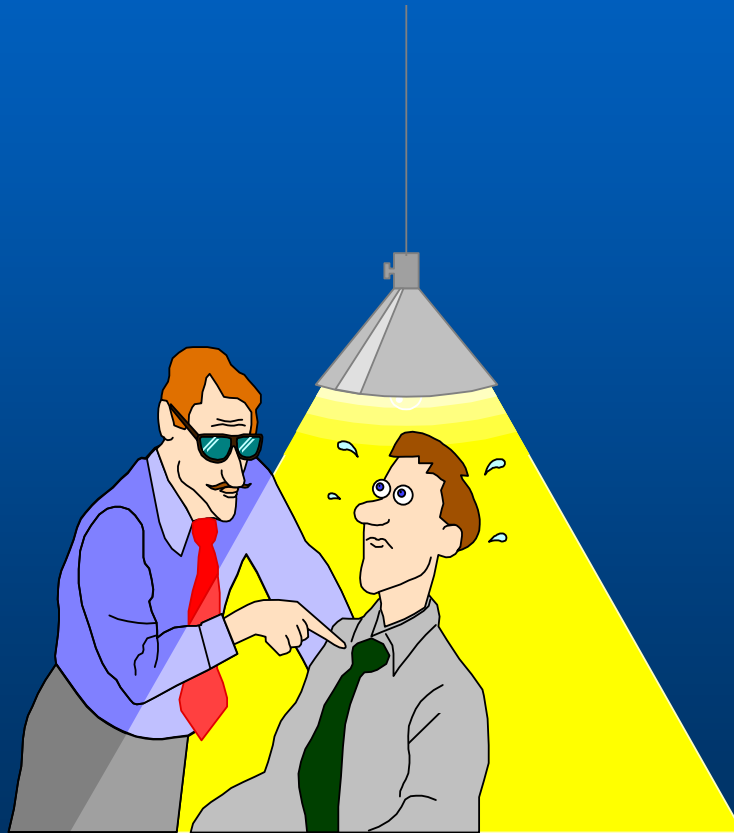
Example of CORE Report

Percent of Total Annual Direct Written Premium by LOB

Your company's percentage of Direct Written Premium by Line of Business is similar to the Average Without Yours.



Questions?



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