



Changing World

For a global business built around analysing and mitigating risk, 'where' has always been a critical piece of information. Insights derived from location intelligence underpin almost every activity in insurance, as a better understanding of an assets location in relation to its risk elements enables more accurate policy pricing, better loss ratios and ultimately a more sustainable business. Tightening regulations like Solvency II also require a deeper insight into risk and exposure for compliance purposes.

Risk and catastrophe management is an evolving science that is having to deal with ever greater uncertainty. Extreme weather events are predicted to increase as global climate change causes changes to meteorological and oceanographic systems whilst earthquakes and tsunami have both wreaked havoc in recent years.

While these conditions are outside human control, insurers can improve their risk and exposure analysis by investing in more sophisticated tracking and monitoring systems and incorporating these into their CAT models and pricing algorithms. However, success or failure is dependent on the accuracy of the underlying data and the systems employed to derive insight.

In their white paper *"What the future holds: Insurance 2020"* PwC considers a range of future scenarios for insurers dealing with uncertainty, ranging from market exit strategies forced by insufficient data to accurately predict and manage CAT events, to situations where sophisticated information analytics can enable rapid, automated decision making.

Business Challenges

Insurers depend on geo-demographic information to assess risk, support underwriting decisions, handle claims, serve existing customers and develop new business. But the sheer volume of data makes this a non-trivial task. And with 'big data' generated by online activity estimated to reach 667 exabytes per year by 2013, the sheer scale of the challenge is increasing exponentially.

The challenge is to gain a holistic view of a book of business and make faster, more accurate assessments of the associated risk and exposure through the intelligent application of location-based data. This requires getting to grips with the data and leveraging it for competitive differentiation. It also involves the ability to visualise the resulting information against a variety of perils in order to create a 360 degree view of risk and exposure across different departments and lines of business.

CUSTOMER QUOTE

'By increasing location accuracy, our catastrophe-modelling now produces more precise results and risk estimations for a myriad of potential perils. The improved insight and risk reporting capabilities are also helping to address EU Solvency II regulatory requirements.'

*Nigel Davis,
Executive Director,
Willis RE*

Strategic Solutions

One of the keys to effective risk and CAT management is the acquisition, management and utilisation of timely, accurate location intelligence together with effective mapping and visualisation tools.

With these, insurers have the ability to better understand and quantify risk and exposure to a wide range of perils, support underwriting, decision-making and manage fraud with greater confidence.

In short, embedding the right data and tools into analyst and underwriting workflows offers insurers the means to quickly and easily undertake complex geographical risk analyses that support the overall business.

In addition, there are technology platforms that can access and integrate data from a range of sources to deliver enhanced real-time risk analysis. For instance, policy address information can be geocoded and linked to external data sets to deliver an in-depth risk profile as part of a real-time workflow.

Automated data quality and validation tools, including address standardisation and cleansing can also be integrated in this process to ensure that generated models accurately reflect the levels of risk and exposure being carried in the real world.

Access to precise location data at the highest resolution available is a key element in assessing risk, managing exposure, setting appropriate premiums and making adequate capital provision.

Business Benefits

Ensuring that risk is estimated appropriately is of course nothing new, but in a competitive world, insurers need to do so as quickly and accurately as possible. Those with the greatest insight into their customers and associated risk profiles will always derive a competitive advantage, whatever happens in future.

With the right data integration services and technology platforms, insurance companies can get to grips with location intelligence and data to use these as a tool to recognising patterns and trends, make more informed decisions and support their marketing. This creates the opportunity for a more pro-active strategy that delivers real differentiation in the marketplace, greater productivity and the opportunity to develop new business models and opportunities.

INSURANCE INSIGHT

ANALYST QUOTE

'In the Chilean earthquake, over 50% of claims were filed for business income interruptions and extra expenses. Managing this type of situation requires insurers to be more sophisticated in their risk modelling and innovative in structuring risk sharing and transfer deals.'

*What the future holds:
Insurance 2020 by PwC.*

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