

# Moving from a Paper-based to Exception-based Underwriting Process

Patrick Madigan  
Assistant Vice President, Underwriting  
Kemper Auto and Home

# What we did at Kemper Auto and Home

- Implemented Decision Support System (DSS) using Fair, Isaac software May 2001
- Moved Kemper Auto and Home to an Exception Based Underwriting process
- Prior to May 2001 Underwriters reviewed all NB submissions
- Applied Exception Based Logic to Renewal Business

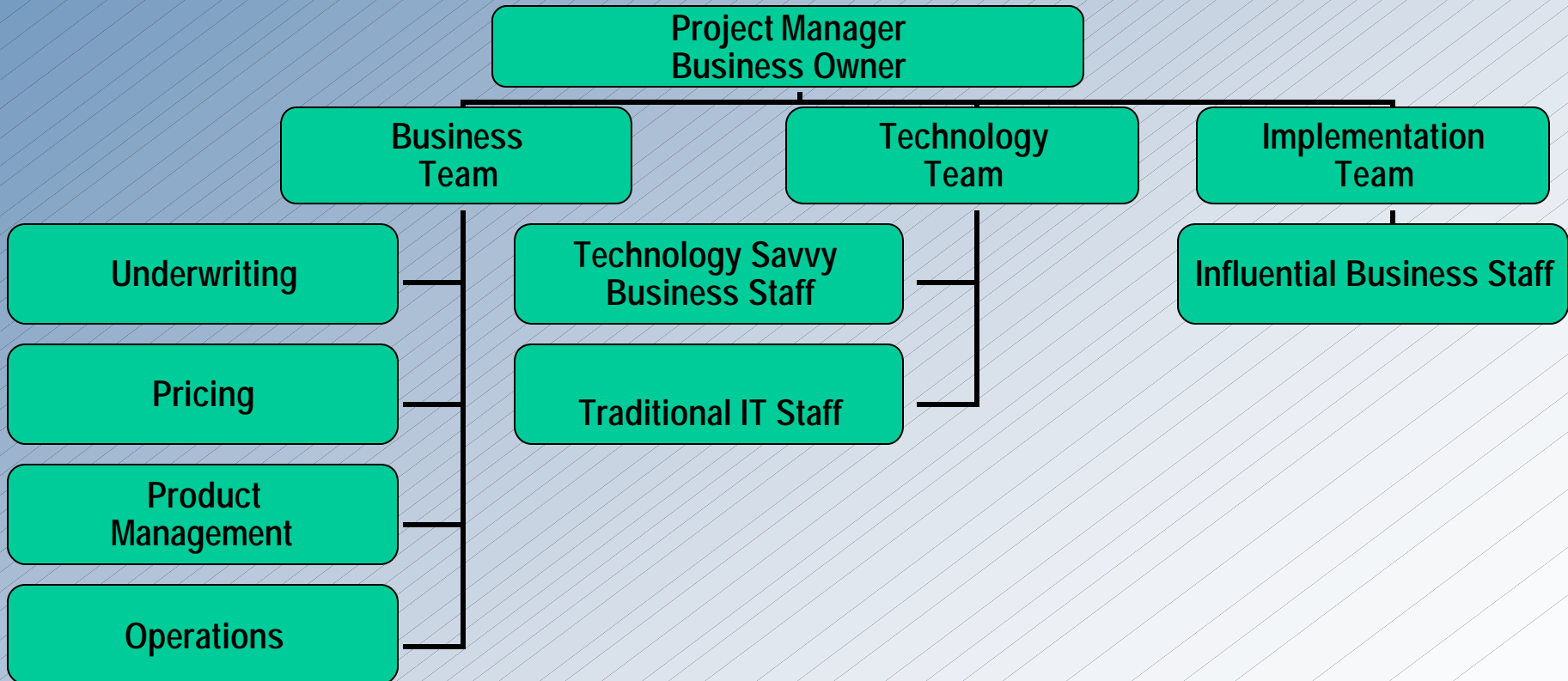
# What we Built

- Combined Number & Words
  - Numbers:
    - Actuarial data – moved to multivariate approach
    - Scorecard – work like questions on a high school math test
  - Words
    - UW Guidelines
      - » Knock-out rules
      - » Tiering rules
      - » Referral rules

# How we did it

- First Things First – Planning
- Project Team Approach
  - Guiding Principles
    - Business owns project
    - Define Roles for each team with clear deliverables
    - Follow-up and communication
- Tactics
  - Project Kick-off meeting
    - Critical to have all stakeholders attend
    - Executive support
      - Concept to Implementation

# Decision System Project Team



# How did Project Team work?

- Challenge: How do we notify the agents of the decision?
  - Business Team
    - Developed the Tiering Message text to be displayed
  - Technology Team
    - Developed the functionality to display message
  - Implementation Team
    - Developed training to explain where message displays, why it displays, and what it means

# The Results

- Consistent Application of UW Guidelines
  - All UW rules are programmed & applied to every quote, every time
- Incorporate external data elements
  - IBS, Loss History, MVR
- Implemented new data elements
  - Replacement cost calculator data
- Deployed to agents' offices via our website
- Unprofitable risks don't enter process
- Profitable risks accepted without referral to underwriting

# The Results

- Increased Underwriting Efficiency
  - Most recent Pricing Methodology - Kemper Auto and Home Underwriter's review 25-30% of NB submissions
  - We challenge remaining referrals for value
  - Remainder of risks are underwritten and issued by the system
  - Allows Underwriters to focus on Book Management/Agency Management activity instead of individual policy transactions
- Guideline Migration
  - Complex to more Complex to Simplified

# The Results

- Assists With Catastrophe Management
  - Kemper Auto and Home incorporates state specific CAT management rules into DSS
  - Risks that do not meet our requirements are referred for Underwriter action
- New Access to Quote Data
  - Decision stats on quotes not issued as policies
  - Success ratio by state, tier, rule, etc
- Response to Market Conditions
  - Adjust rules & scorecard until filing approval
  - Adverse Action Notice Logic

# Unintended Impacts

- Decreases Impact of UW Turnover
  - UW is a great start to an Insurance Career!
  - Even “good” turnover can have negative impacts
  - Maintains UW discipline while new UW are trained on Book Management/Agency Management techniques
- UW’s focus on developing solid relationships with Agents in early stages of assuming responsibility for a territory
- Kemper Auto and Home Circle of Success
  - Award trip to China in 2006

# Expansion of Rules Technology

- Rules Engine Project
  - Project externalized mainframe rules
  - Policy administration rules
  - Supporting RightPrice Web 6.0

# The Future...

- Policy Issuance System (mainframe) Replacement
  - Rules Engine was first step in the process...
- Expense Control
  - Use risk characteristics to determine whether to order MVR
- Stand Alone AAN module
  - Faster Compliance to ever changing requirements
- Claim
  - Fraud detection
- Online Quoting
  - Pilot this year to drive business to agents