

Underwriting Transformation

Deb Smallwood, Chief Transformation Officer of ICW Group

John Belizaire, CEO of FirstBest Systems

NAMIC 2008



Agenda

- Introductions
- Trends in Underwriting
 - Insights from commissioned carrier study
- Underwriting Transformation at The ICW Group
- Q&A



About FirstBest Systems

- Founded in 2006 to solve key underwriting challenges in property & casualty
- Strong team with a track record of success and deep expertise in both software and insurance

FIRSTBEST MISSION

ENABLE INSURANCE CARRIERS TO PROFIT
FROM BETTER UNDERWRITING
BY PROVIDING ADVANCED
UNDERWRITING MANAGEMENT SYSTEMS.



Commercial Lines Underwriting: What we've been hearing

- The P&C insurance market is rapidly softening
- Carriers are facing aging technology and infrastructure
- Market trends are driving increased competition

Data Points

- Mean average rate reduction of 13.25% for '07
- The soft market has now lasted 34 months
- Research indicates a continued soft market for all of 2008

(Source: *Business Insurance*, January 9, 2008)



A Softening Market Means...

- Reduced premiums for insurers and intermediaries
- Need to process more volume of business with same resources
- Harder to maintain underwriter discipline and guidelines
- Increases competitive market
- Need to find new profitable markets

“We see a softening cycle for 2008,” Lloyd’s CEO Richard Ward told National Underwriter. “For us, the important thing is that we maintain underwriting discipline—write the right business at the right price—and that we don’t chase market share.”



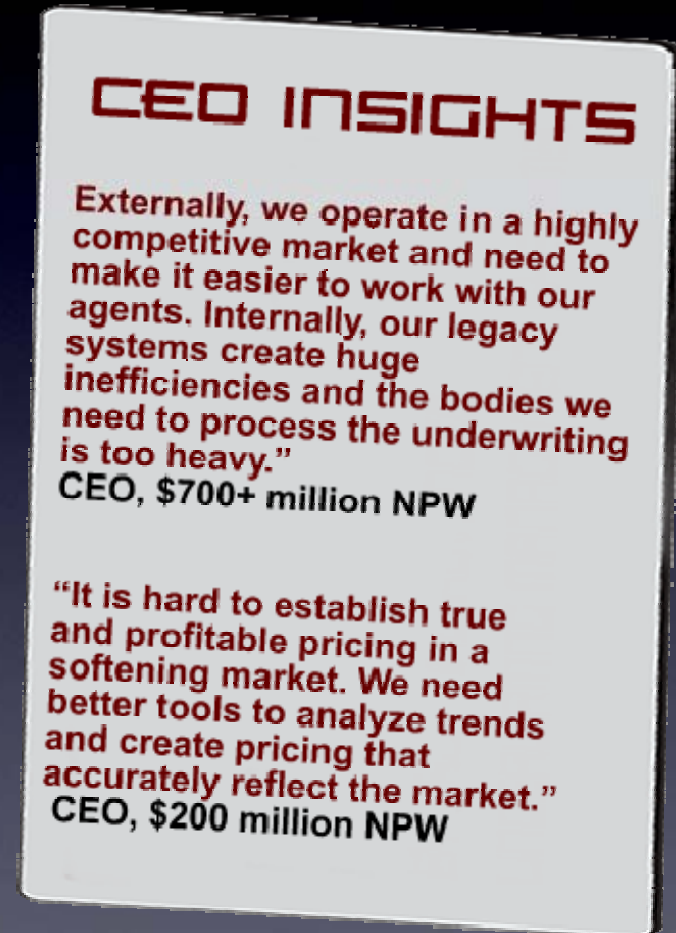
Underwriting 2.0: A Study of Key Requirements

- FirstBest commissioned a study to research the key underwriting challenges and needs of carriers, as they prepare and deal with a softening market
- Underwriting 2.0 Study: Key Technology Requirements for the Commercial Insurance Industry
 - Goal: To identify pain points and requirements for a commercial lines underwriting solution
 - Survey method: One-on-one phone conversations and web survey
 - Survey respondents: Represented 300 commercial insurance carriers
 - Respondents included: C-suite, Heads of Lines of Business, Underwriting VPs, Directors
 - Carrier Size: Written premiums between \$250m-\$1b



What's Keeping the CEO/CUO Up at Night?

- The most predominant concern was how to stay profitable in a competitive, softening market
- CEO/CUOs felt their underwriting processes were inefficient and weighed down the organization
- CEOs are not willing to consider a 'rip and replace' strategy for their home-grown legacy systems; need to leverage existing IP in legacy systems





What's keeping the CEO and CUO up at night?

- CEOs top concern was how to grow the business profitably in a softening market
- CUOs top concern was how to automate their underwriting operations

Role	Automation STP	Rapid Quotes	Agent Collaboration	Improve Op. Inefficiency	UW Profitability	Knowledge Mgmt.	UW Visibility
CEO/President	18%	21%	3%	18%	26%	12%	3%
Commercial Underwriter/ Director	29%	14%	7%	14%	14%	14%	14%

*Source: FirstBest commissioned study based on a survey of 300 carriers



Underwriting 2.0: Study Highlights

Highlight: Real-time Collaboration

- Need technology that enables real-time collaboration to improve the ease of doing business between underwriters and agents
- Need automation for STP and exception-based underwriting
- Want to become the carrier of choice for agents and brokers

“Externally we operate in a highly competitive market and need to make it easier to work with our agents. Internally, our legacy systems create huge inefficiencies and the number of bodies we need to process the underwriting is too heavy.”

- CEO, \$700M+ commercial lines carrier

Highlight: Knowledge Management

- Experienced underwriters are a carrier's principal intellectual asset
- Knowledge should be captured and shared
- Best practices need to be distilled and followed
- Underwriting discipline needs to be maintained

“We deal with a large mix of agents, some of which are sophisticated, others are relatively unsophisticated. We want to work in a prescribed format ... and share knowledge to deal with a different quality of agents.”

- CIO, \$750M commercial lines carrier



The Transformation of Underwriting

Q: What are forward looking companies doing to tackle these challenges?

A: Carriers are looking to leverage technology to improve business performance:

- They want automation to improve underwriting productivity
- They need better tools to make it easier for agents/brokers to work with them
- They need a way to deploy their underwriting strategy consistently



The Benefits of Underwriting 2.0

- **Increase underwriting productivity and profitability:**
 - **Improve Business Agility**
 - Strategy to execution
 - Go where you've never gone before
 - Increasing internal collaboration and real-time collaboration with your agents and brokers
 - **Scale Underwriting Productivity**
 - Increase your book of business with the same resources, while improving quality
 - Expand into new markets
 - Increase volume of STP; Enable underwriters to spend time on more complex business
 - **Deploy Underwriting Strategy, Consistently**
 - Capture and share your best underwriters' knowledge
 - Instill best practices
 - Leverage knowledge to consistently deploy rules, process, discipline, and authority



Let's Hear About a Real-life Transformation



Underwriting Transformation:

*How do you grow your business,
but in a smart way?*

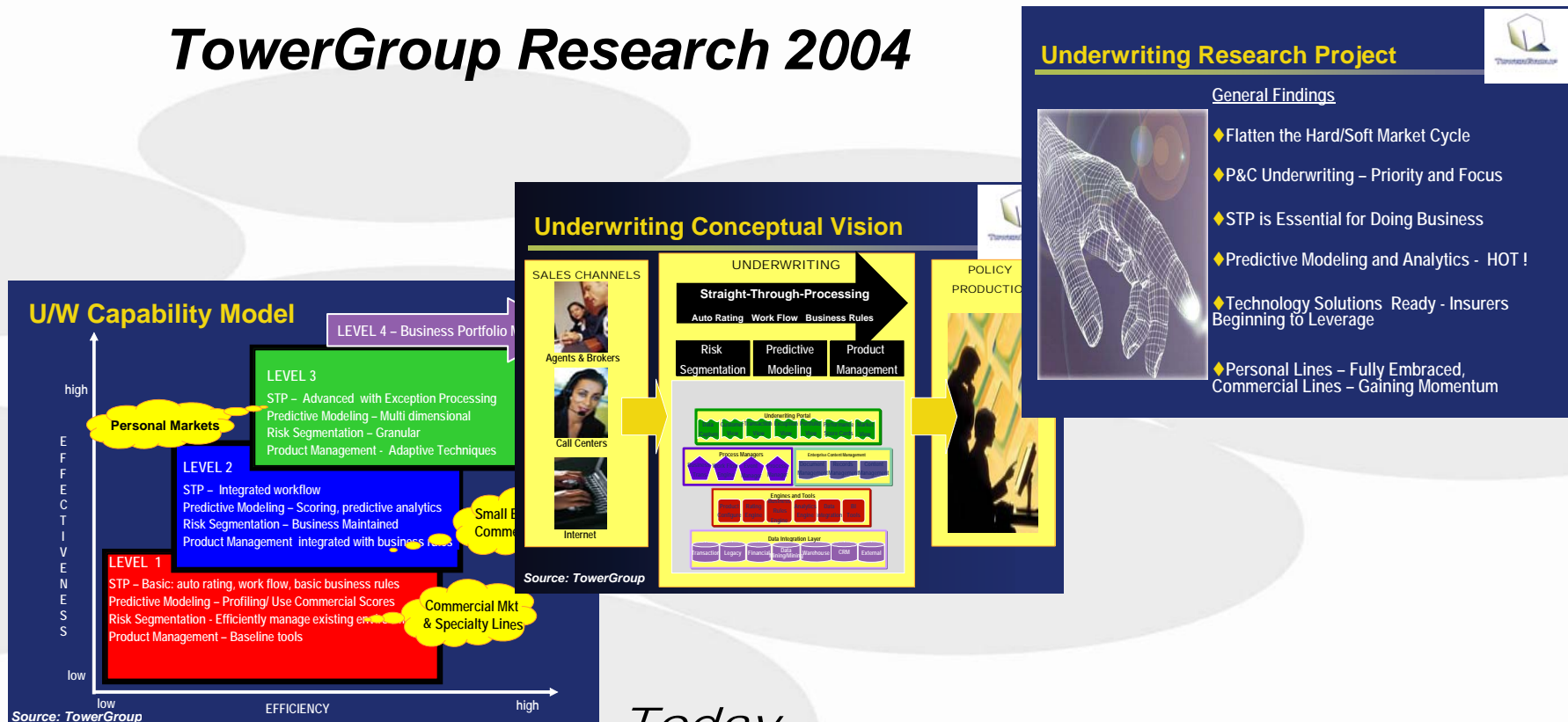


**NAMIC Commercial Underwriting
February 29, 2008**

Presentation By: Deb Smallwood
*Former Chief Transformation Officer at ICW Group
Co-Founder Smallwood Maike & Associates*

Looking Back, Moving Forward...

TowerGroup Research 2004



*Today,
Underwriting transformation is a reality!*

Purpose & Discussion Points

- **Purpose:**
- Share ICW's WC underwriting transformation experience

- **Discussion Points:**
 - Level Set - - Background
 - Present - - Transformation Model
 - Discuss - - Workers' Compensation Transformation
 - Q & A

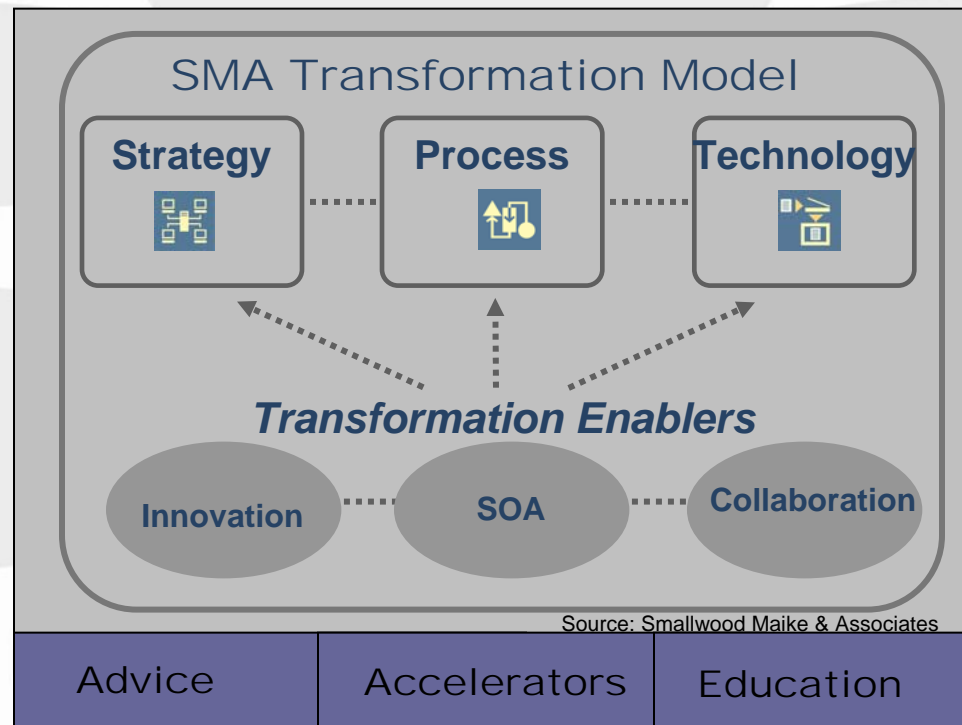
Background: Who is ICW Group ?

A True...Forward Thinking Transformational Carrier

- Privately Held; Regional Property & Casualty
- Corporate Office: San Diego; 23 Branch Offices
- Lines of Business: Workers' Comp, DIC, Surety, Commercial Property, & Personal/Commercial Auto
- 2007 Estimated Written Premium:
 - ICW Written Premium \$393m **est**
 - WC Written Premium: \$160m **est**
- 2007 Estimated Combined Ratio:
 - ICW Combined Ratio 94.1% **est**
 - WC Combined Ratio: 96% **est**
- Distribution Channel: Independent Agents

Background: How do you grow your business, but in a smart way?

SMA's Transformational Model...

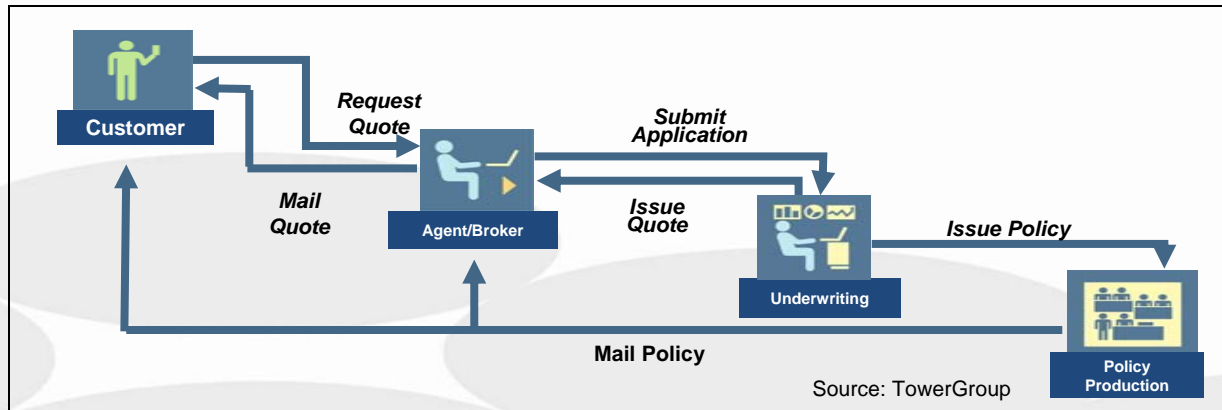


To TRANSFORM...

You must have clear & formalized strategy, solid understanding of your process & operations and a handle on your technology environment and capability.

Leveraging industry enablers & experts are a plus!

WORKERS' COMPENSATION: PROCESS



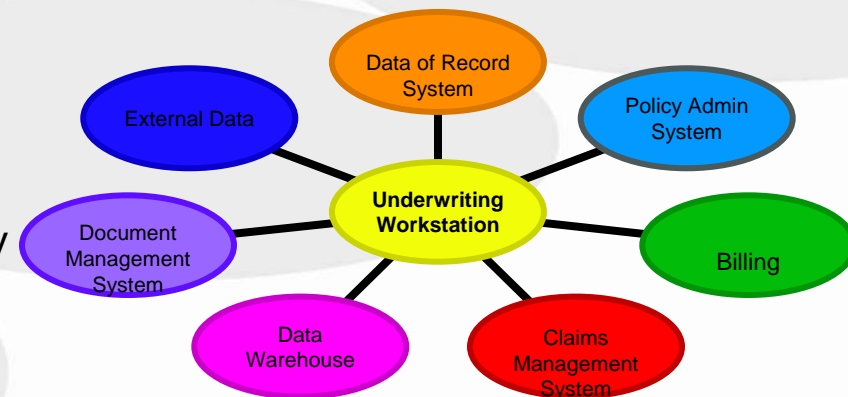
- **Create a Scalable Operating Model**
 - Ease of doing business with agents – electronic, easy, fast & connected to all info
 - Reduce paper, reduce hand offs & reduce duplicate re-keying
 - Increase written premium by underwriter
 - Improve responsiveness, timeliness & service
 - Position for Straight-thru-process (STP)
 - Knowledge Management - document underwriting
 - Consistency & predictable - shift from art to science

WORKERS' COMPENSATION: TECHNOLOGY

•The term “One-Stop-Shop” means:

- To the user, it will appear as a **seamless system**
- Ease of interfacing with **internal systems**
- Connectivity with **external data sources**
- **Workflow** automation with an engine
- **Straight-Through-Processing** to our customers.
- The **Rules Engine** to store risk underwriting knowledge
- The **Agent Portal** to provide the ability to share pertinent information
- Contain a **Management Tool**

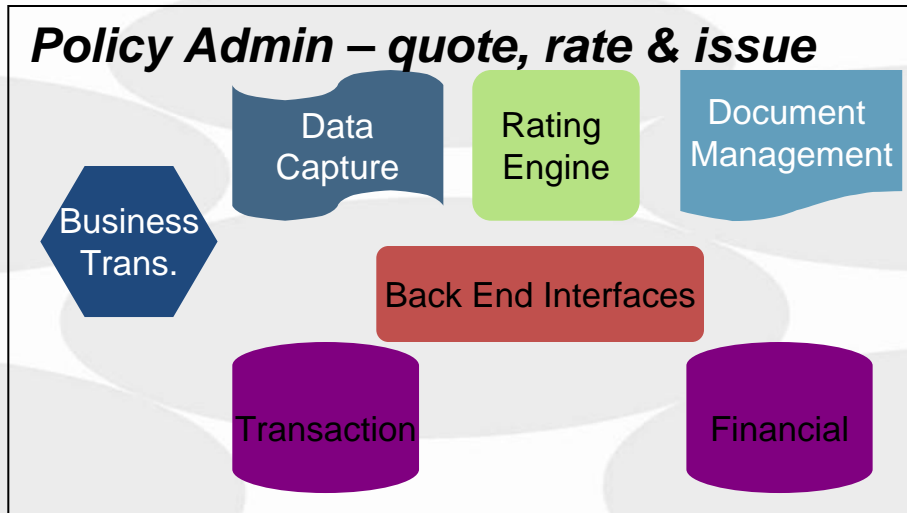
The Underwriting Workstation will be used by an Underwriter and/or Manager as a “One-Stop-Shop” for receiving and processing information.



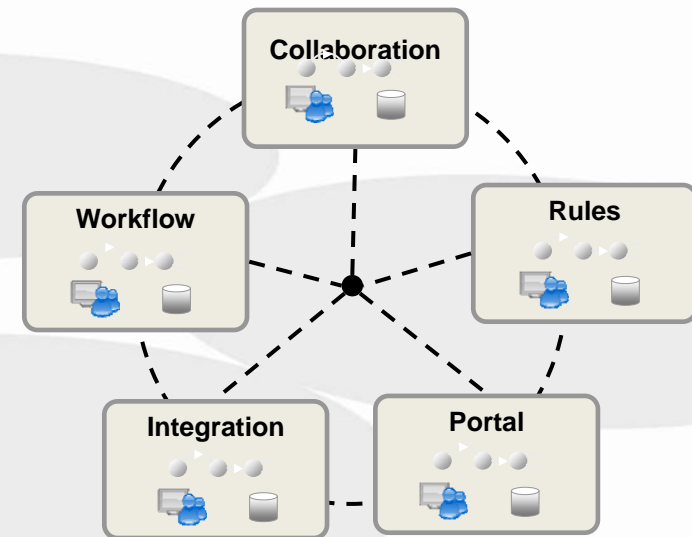
Why ICW selected... **FIRSTBEST**

THE UNDERWRITING MANAGEMENT SYSTEMS COMPANY

ICW Had....



ICW wanted....

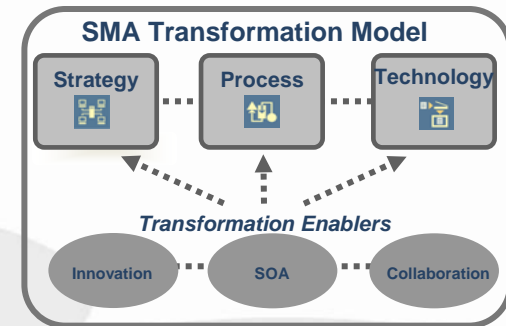


FirstBest was the right fit that aligned to ICW's strategy, process and technology requirements.

ICW Experience with FirstBest & UMS...

ICW achieving their strategy & plans...

- Keeping momentum in market cycles
- Scaling the business
- Ready to expand to STP
- Positioned for agency "ease of use"




THE UNDERWRITING MANAGEMENT SYSTEMS COMPANY

Product:

- Truly a differentiator
- Quality code
- Ease of integration

Service:

- Partnership
- They **LISTEN!**
- Effort & committed

Underwriting Transformation:

*How do you grow your business,
but in a smart way?*



Deb Smallwood

dsmallwood@smallwoodmaike.com

603.770.9090

FB FIRST BEST

THE UNDERWRITING MANAGEMENT SYSTEMS COMPANY

Q & A

Thank you for your time!

ICW Group

- Deborah Smallwood – dsmallwood@icwgroup.com

FirstBest

- John Belizaire – belizaire@firstbest.com
- Marketing – marketing@firstbest.com
- Visit us at – www.firstbest.com