

INSURANCE NETWORKING NEWS

Connecting the Business & Technology Communities

January/February 2012 · Volume 15, Issue 1

Underwriting: The Next Chapter

From freak storms to financial panics to regulatory uncertainty, the process of assigning risk is becoming increasingly difficult. Penn National, XL Group and other insurers, however, are responding by shaking up sclerotic underwriting techniques with the use of emerging technologies, such as automated workflow and predictive modeling, to re-engineer the business processes surrounding underwriting practices. The result: more accurate pricing and a competitive advantage.

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The CRM Shift

For years insurers relied on customer relationship management software to help track and manage books of business and uncover new marketing and sales opportunities. Now, consumers' increasing use of mobile devices and social media offers an opportunity to capture even more information. For savvy carriers such as Crump Life Insurance, Meadowbrook Insurance and Midwest Health Plan, the added intelligence gained from these new communications channels is enabling them to fine-tune customer preferences, anticipate clients' needs and create customer attraction and retention policies that work.

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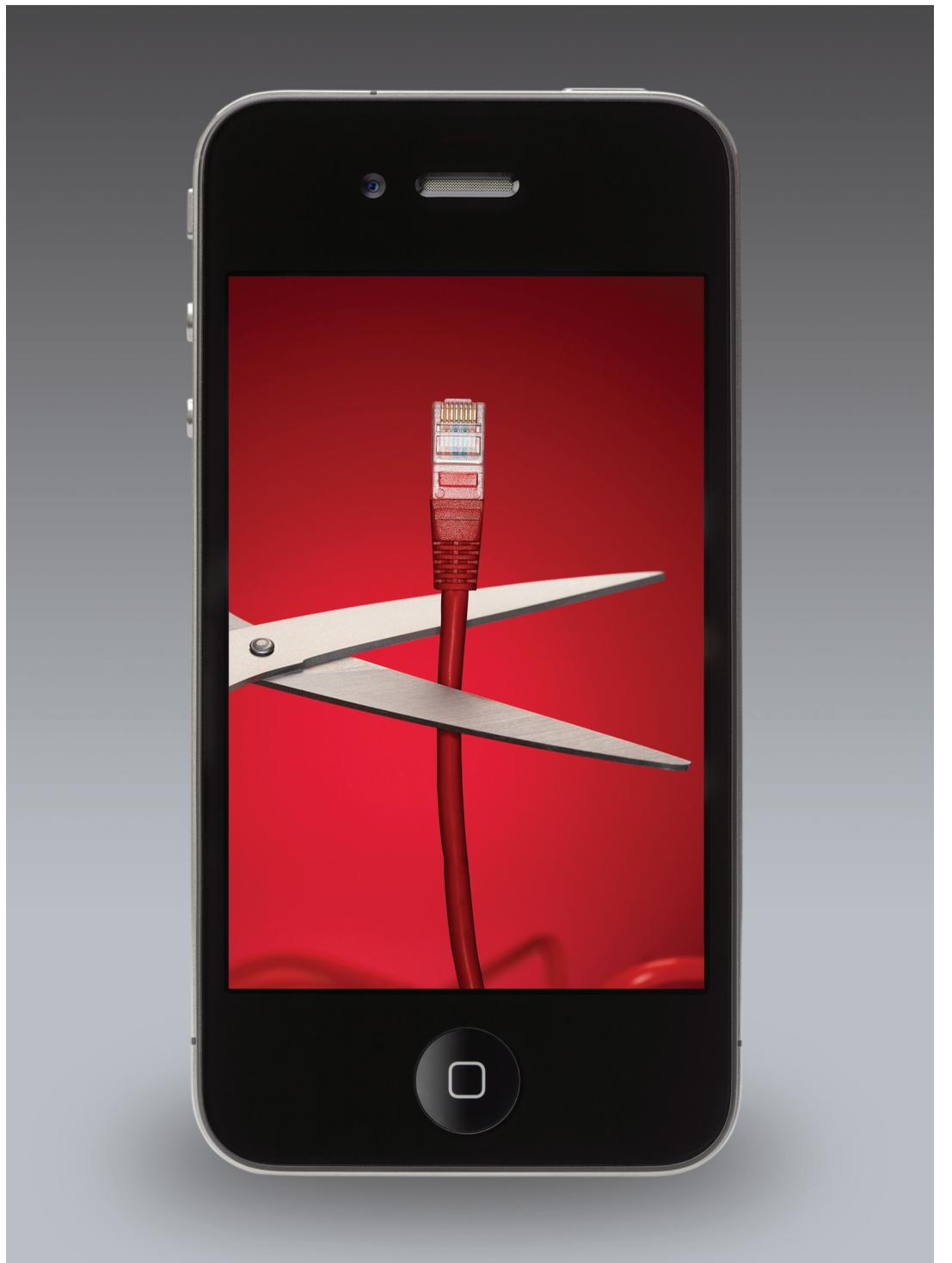
INNSIGHT

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Key Priorities for Life Insurance CIOs

While each carrier finds itself with unique needs and wants when deciding on its technology purchases, experts say there are six key factors driving today's insurance IT-buying plans.

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Insurance Untethered

How can carriers succeed in a mobile world where customer expectations and portable technology seem to be forever changing? **page 8**

A Modern Approach to **Loss Control**

15 Minutes with Keith Jentoft

ASKED & ANSWERED

Considering its role in founding venerable institutions such as Underwriters Laboratories and the Insurance Institute for Highway Safety, the insurance industry has a long, proud tradition of taking proactive measures in loss control. But is it resting on its laurels? *Insurance Networking News* asked Keith Jentoft, president, RSI Video Technologies, how property insurers can foment the use of modern wireless and video technologies to mitigate claims and rejuvenate a partnership with law enforcement.

INN: How can insurers and alarm companies work together to address theft?

KJ: We should endorse law enforcement's best practices and help them be more effective. More arrests mean lower claims. The phenomenal arrest rate and immediate response is a game-changer from an insurer's perspective—loss control with a badge. With such overwhelming success, insurers are taking action to encourage policyholders to upgrade to video alarms for improved response. Usually this means working with a security partner to define “approved systems” designed for priority response in specific markets and for specific applications. The larger insurers are working with national alarm companies creating policy discounts to encourage their policyholders to install video alarm systems.

In problematic construction or copper-theft applications, insurers are even willing to waive the deductibles for properly installed and monitored video intrusion alarms. To be clear, video alarms are not CCTV surveillance systems. In contrast to unmonitored surveillance cameras, video intrusion alarms immediately verify a crime-in-progress and deliver police who actually prevent the loss itself. Making arrests before the damage is done is an effective approach to addressing theft.

INN: How can video alarms improve loss control?

KJ: Video alarms deliver faster police response to catch the crooks in the act, preventing loss. In contrast, police officers increasingly view traditional burglar alarms as a waste of time, because up to 98 percent of alarm notifications are false. Declining law enforcement budgets mean increasing pressure to degrade alarm responses to a perceived nuisance; more than 30 cities, including Denver, Milwaukee and Las Vegas, have actually passed ordinances limiting response to traditional burglar alarms in one way or another.

INN: What are the financial implications for insurers investing in alarm technology?

KJ: The good news for insurers is that video-verified alarms cost roughly the same as traditional blind alarm systems; affordable for even the smallest businesses and homeowners. For insurers,

encouraging policyholders to upgrade to video alarms can be “free” and as simple as adjusting existing incentives.

In many cases insurers already provide a discount box, checked if their policyholders have a “generic” alarm system. This discount, however, is nothing more than a marketing gimmick as law enforcement won't respond to traditional alarms in many jurisdictions.

Video alarms' proven success have underwriters revisiting these discounts and restricting their incentives to systems that actually reduce their losses with police response. Changing the incentive changes the game.

INN: How can insurers employ mobile technology to deter property loss?

KJ: Some video intrusion alarms are battery powered, wireless and extremely mobile. They can operate for years on a single set of batteries and transmit the alarm/video over the cell network for immediate review by monitoring personnel. With no more than a cell tower, it is possible to secure remote assets with police response. These cordless video alarms can operate in harsh outdoor environments and provide insurers with an entirely new tool to protect property in areas that have been difficult or prohibitively expensive with wired systems.

Video alarms significantly reduce property claims in even tough situations. Copper theft regularly makes the news headlines and is a point of pain for P&C insurers, often occurring in vacant buildings and remote sites. Recovery is impossible. The scrap value of the copper stolen at a single facility might be \$1,750 while the damage caused breaking through walls to tear out plumbing and wires might easily total \$65,000 or \$70,000. Every claims department has horror stories where, even when all of the copper was recovered, they were hit with a big loss of thousands of dollars. The only way to effectively impact copper theft losses is to get police on-site before all the damage is done.

Videofied alarms have been extremely effective in areas without power and broadband, including construction sites, vacant real estate and foreclosed property where all the utilities (HVAC, power, phone and broadband) have been disconnected. **INN**

As told to Bill Kenealy

 More from this interview can be found at insurancenetworking.com