



Turbo Charge Your StoneRiver Policy Administration System with Predictive Analytics

StoneRiver Predictive Analytics



Why Predictive Analytics?

Insurance carriers are in the business of selling policies that hedge against the risk of contingent loss. The challenge is how to adequately price policies to be both profitable and attractive to the market. Price too low and a carrier will see their loss ratio escalate and profits diminish. Price too high and a carrier will have a difficult time winning or retaining business. As a result, a carrier's book will likely see adverse selection impacts, thereby lowering profitability on business written. Determining the optimum price is the "holy grail" of underwriting mastery.

Predictive analytics is the solution to this challenge. By using multivariate, nonlinear modeling, predictive analytics applies statistics against past experience to generalize conclusions about future outcomes. Specifically, for underwriting, predictive analytics would take past claims experience, combined with indicators about a policy, to estimate losses for prospective policies that are written. In doing so, predictive analytics will enable your underwriters to price-to-risk more accurately than your competition.

Similarly, for premium audit, predictive analytics would look at past audit experience, combined with fraud

indicators about a policy, to spot upcoming policies that are in need of audit.

To help you confront this challenge, StoneRiver teamed up with Valen Technologies to provide a prepackaged predictive analytic solution that bolts-on seamlessly to your StoneRiver policy administration system.

Why StoneRiver Predictive Analytics?

"80% of the effort to building a predictive model is preparing, cleansing, and enriching the data for analysis," says Dan Bankson, SVP of Analytics at Valen Technologies, "and once you've built the model, you're only halfway there to successfully deploy it into your business operations."

With StoneRiver Predictive Analytics, powered by Valen, creating a statistical grade dataset for use in modeling is as simple as invoking StoneRiver's Modeling Data Extractor (MDE). The MDE performs statistical validation checks to ensure that the data is scrubbed and of statistical grade. The MDE also pulls matching keys to enable you to easily enrich data with Valen's EDW™. Valen's EDW contains hundreds of additional personal, firmagraphic, geographic, industry, and

econometric indicators that can be used to provide an additional boost to the performance of your model.

Worried that you don't have a credible amount of data?

No problem. With Valen Networks™ your data can be augmented with consortium data to boost the credibility of the analytics, enabling your company to profitably grow into market segments where

Analysis Number	Requested Date	Time	Requestor	Linked Note
1	12/03/2007	09:44:03 am	Jane Doe	

Recommendation Type	Recommendation
Score	83.5
Expected Losses	\$8,905.00
Expected Loss Ratio	49.5%
Schedule Rating	-10.0%
Action	Accept Risk

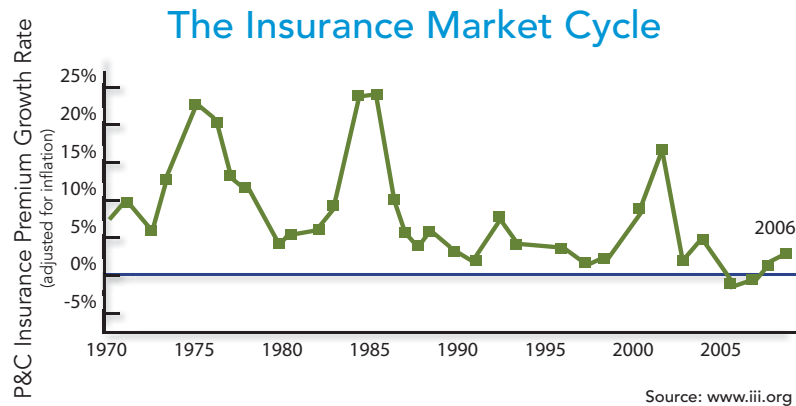


you might not have a great deal of historical experience. Our MDE not only takes the majority of the effort out of preparing a dataset, it has been specifically tuned to provide a solid foundation of data to support a robust predictive model.

Even when a model is developed, there's no guarantee that it is being practiced in the field. That's why it's important to integrate predictive analytics into your business operations. Rather than adding another system for your underwriters to use, StoneRiver Predictive Analytics provides a single place for your underwriters to schedule rate, quote, and bind a policy. With seamless integration with our policy administration user interface, a predictive model can be deployed to your underwriters without requiring a large IT project. With built-in business rules and workflow needed to support analytically-driven straight through processing, risk selection, tier placement, company placement, and schedule rating, StoneRiver Predictive Analytics ensures that your business will reap the benefit of predictive analytics by helping you improve underwriting discipline and consistency.

Why Implement StoneRiver Predictive Analytics Now?

The insurance market historically has consistently oscillated between hard and soft market cycles. A hard market is followed by a period of generally flat rates, which precedes a soft market, then another period of flat rates and--coming full circle--another hard market. The cause, depth and duration of each period may vary, but the cycle does not.



The P&C insurance market hard market peaked in 2002, with a steady decline in premium growth rates since.

Insurers should not fall prey to having their underwriting decisions completely dictated by the soft market cycle. As a result, insurance carriers risk putting short-term results before long-term financial health. Gaining market share in a soft market by dropping prices is a gamble. It can boost an insurance carrier's top and bottom line in the short term. However, over time, the result is inescapable--greater exposure with poorer margins. To lessen the impact, carriers need to maintain underwriting discipline in the face of pressures to slash premiums. Enabling that discipline is StoneRiver Predictive Analytics which will empower your underwriters with indications where to cut premiums without sacrificing long-term financial health.

About Valen Technologies

Valen Technologies, Inc. enables insurers to improve underwriting and premium audit results through our hosted predictive analytics solutions, **UnderRight™** and **AuditRight™**. Our experts combine our clients' data with historical risk, firmographic and econometric information in our **X-Data™** and **Valen Networks™** databases and use that data to build, deploy and monitor models for improving underwriting and optimizing premium audit processes. The combination of our data and our modeling expertise gives us the unique ability to create the industry's most effective predictive models.

About StoneRiver - Insurance Solutions

StoneRiver - Insurance Solutions delivers the industry's widest range of technology solutions and services to insurance carriers, agents, and broker-dealers. This versatile product group encompasses front-office, policy, claim, rating, underwriting, billing, reinsurance, financial and compliance solutions for all major business lines.

About StoneRiver

Hundreds of insurers, thousands of agents and brokers, and tens of thousands of pharmacies rely on StoneRiver software and processing solutions to achieve a competitive edge. StoneRiver promotes client success by streamlining complex business processes. Visit www.stoneriver.com for more information.



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