

Do you know enough about that property to price it right?

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 —Steve Pietrzak, Millennium Information Services

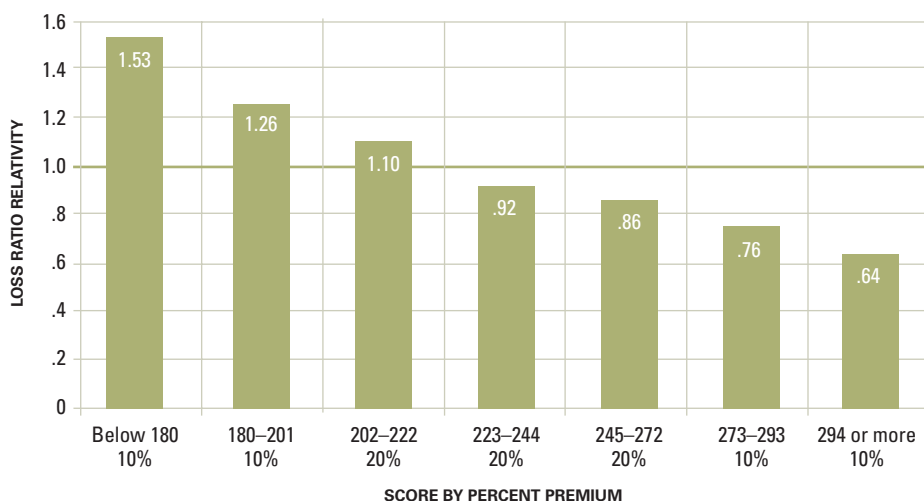
The list of hazards—from potentially dangerous dogs to unfenced swimming pools—that turn up on a property inspection report can send high risk signals to property insurance underwriters. But how much risk? And what premium level covers that risk?

Until now, underwriters have made such decisions manually by evaluating all the items on the property inspection report before making a decision. Now, with Property PredictR™—a FICO® Insurance Score from Millennium Information Services—that manual process can be replaced with an instant and precise measurement of the risk of a property.

Property PredictR is the first statistically developed property risk score. It is based on property inspection data gathered by Millennium and processed on their MAPS™ processing platform.

“The underwriter review of each inspection report can be an expensive and time-consuming process,” says Lamont Boyd, insurance market director for FICO. “From an underwriting perspective, score-based evaluations provide a much more efficient way of allocating valuable underwriting resources.”

Property PredictR score retrospective analysis—loss ratio relativity vs. score results



This chart shows the loss ratio relativity vs. Property PredictR score for an insurer’s book of business, and demonstrates Property PredictR score’s powerful ability to rank-order risks. As shown here, 40% of the book fell into score ranges that indicate a loss ratio relativity higher than the average for the book. Furthermore, the policies in the lowest scoring 10% of the book (the highest-risk policies) have a loss ratio relativity 53% higher than the average for the book as a whole. The score gives insurers an accurate and efficient way to identify risk segments and take appropriate actions to retain the best risks and to reduce overall risk by pricing more appropriately.

“In our ongoing search for new underwriting innovations, the development of Property PredictR with FICO ushers in a new era of precision and accuracy in property underwriting,” says Steve Pietrzak, president and CEO of Millennium Information Services. According to Pietrzak, “A Millennium inspection with Property PredictR’s advanced analytic prediction is much more than just a typical inspection.”

Using Property PredictR score within Millennium’s MAPS™ platform, insurers can make automated decisions in a number of areas. Underwriters can make more profitable and more efficient decisions knowing that risk assessments are on the sound, proven analytics for which FICO is known.

Using the score, underwriters can:

- Automatically accept lower-risk applications, reducing underwriting costs
- Send higher-risk policies for more careful review, such as identifying severe problem areas for correction
- Determine an appropriate pricing tier by risk
- Process higher-scoring renewal policies automatically, while flagging lower-scoring risks for further examination or perhaps re-pricing

Insurers can reap even more rewards by using scores for non-underwriting decisions, such as selecting candidates for up-selling or cross-selling programs or determining payment plan or billing options.

Property PredictR scores can also improve book management and distribution management by allowing managers to compare score distributions and score performance by book of business or distribution source.

» **Developed by FICO
in conjunction with
Millennium**

The concept of a predictive property risk score originated within Millennium, based on the belief that there is predictive value in the attributes collected during a property inspection. FICO agreed with Millennium and undertook the development of the Property PredictR model. In building the model, FICO analysts compared the characteristics in property inspection reports from a wide sample of properties to the subsequent loss ratios on those properties.

Based on this research and the data elements that are captured in a Millennium property inspection report, FICO created the Property PredictR model. The model was then validated on the books of business of several large insurers who each maintain a comprehensive history of property inspection data with Millennium. The most predictive characteristics were incorporated into the final model. Property PredictR characteristics cover a wide range of areas such as site access, minor and major conditions, and replacement cost.

New scores are calculated based on the data gathered and verified during the property inspection process.

The Property PredictR score is accessed through Millennium's Automated Property System (MAPS™), a timetested paperless workflow platform. Insurers use MAPS to manage all aspects of the property inspection process, including managing inspection orders; providing replacement cost calculations; and supplying rules-based referrals through Millennium's innovative StackLogic™ sorting process.

"Partnering with FICO will take the underwriting decision component of MAPS to an even higher level," says Pietrzak. "Property PredictR score works within MAPS to supplement insurers' internal rules, expediting the underwriting process and opening opportunities for expanded automated underwriting decisioning."

MAPS stores and categorizes inspection data that the client can access via a secure internet site, and allows for seamless integration of historical data. The Property PredictR score can be used in conjunction with FICO's credit-based insurance scores to assure the best possible view of a new or existing risk.

"Tapping into Millennium's capabilities in underwriting support services creates a new way for property and casualty insurers to leverage the power of FICO insurance risk analytics," Boyd points out. "Insurers are now able to better assess applicant and policyholder quality, improve policy underwriting and book management decisions, and gain a competitive edge."



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