Business Intelligence Drives Profitability

Brenda Hall
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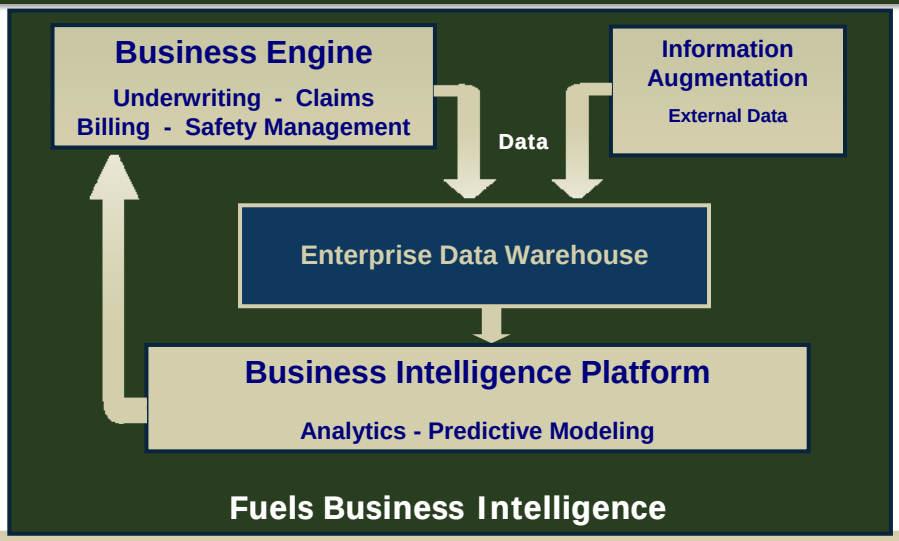
Selective's Information Engine



Fuels Business Intelligence

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Portfolio Management

Traditional analytics:

- State
- Line of Business
- Agency

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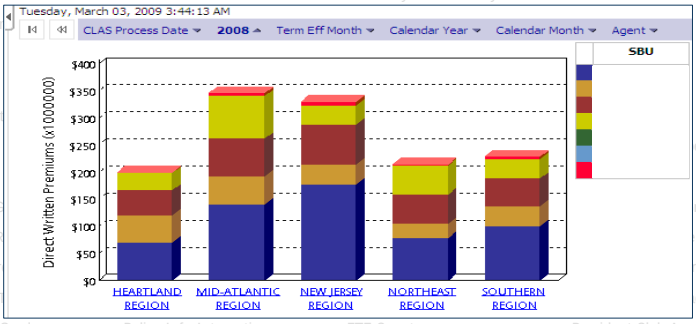
Managing Our Portfolio Through Analytics

CLAS Process Date | Policy LOB Trans Type | Policy New or Renewal | Term Effective Year
Term Effective Month | RMF Stratified | Voluntary / Involuntary | Calendar Year
Calendar Mo | | | |
UW Region | | | |
SBU | | | |
Account Con | | | |
Entry Code | | | e
Program | | | |
WC Hazard G | | | rade
Conditional R | | | |
Drug Free Cr | | | rade
Transaction T | | | de
BOP Hazard Grade | Policy Info Integration | FTE Count | President Club Agent
Account Level Referral | Policy Size | Dividend Plan | Declination Reason



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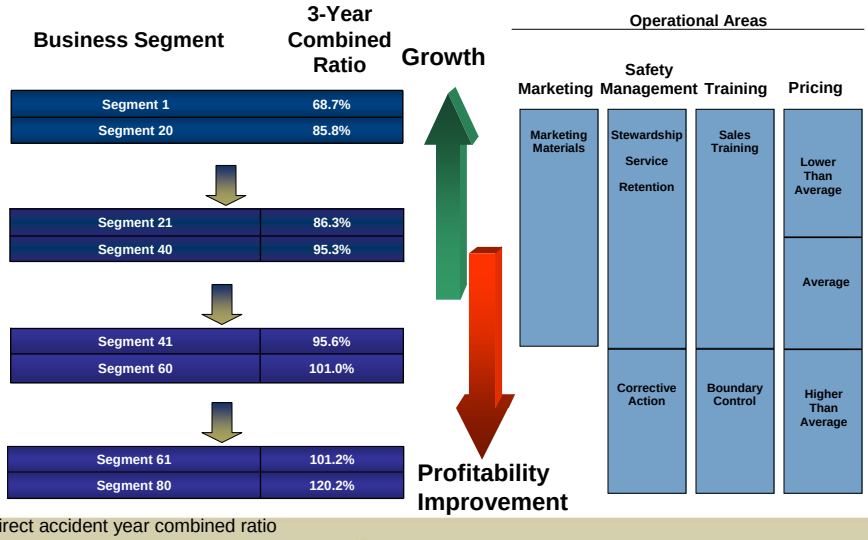
Portfolio Management – Segmentation



*Direct accident year combined ratio

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Targeted Business Segmentation Growth

- Targeted Specialty Segment
  - 3 year combined ratio of 92%
  - YTD February new business growth +40%
  - 15 sales meetings in 9 states
  - Enhanced specialty program coverage

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Segmentation Analysis – Hotels

- Detailed loss analysis conducted
- Newer business traveler hotel sub-segment driving losses:
  - Relaxed building codes
  - Workers Compensation strains
  - Ineffective management
- Market pressure pushed pricing down

New underwriting guidelines now in use

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Implementation – Hotels

New Guidelines:

- No new ventures or management with < 5 years experience
- Larger, resort-style hotels
- AAA or equivalent 'star' rating
- Formal risk management plan

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Portfolio Management – Agency Segmentation

SBU PROFITABILITY/GROWTH REPORT BY BUSINESS SEGMENT - SOUTHERN REGION
DIRECT ACCIDENT YEAR COMBINED RATIOS % GROWTH
September-2008

AGENT NAME	TOTAL				AVERAGE			WCOMP			
	DPW 2007	DPW 2008	WC DPW 2007	WC DPW 2008	RMF 2008	SMF 2008	RET 2008	CR 2006	CR 2007	CR 2008	CR 06 -08
AGENCY A	$2,018,915	$1,244,637	$532,000	$307,542	76.35%	86.68%	81.18%	93.04%	165.65%	159.93%	115.11%
AGENCY B	$2,741,423	$2,223,471	$511,737	$394,011	83.69%	92.49%	74.61%	71.52%	122.58%	104.78%	103.28%
AGENCY C	$2,126,051	$1,944,903	$418,530	$293,385	88.24%	94.04%	85.11%	75.27%	158.90%	95.81%	113.64%
AGENCY D	$940,616	$700,609	$399,450	$298,301	78.67%	82.57%	82.69%	157.29%	94.58%	96.36%	111.49%
AGENCY E	$1,052,839	$986,335	$444,878	$412,293	85.44%	84.21%	79.22%	121.67%	124.98%	71.38%	106.71%

- Focus on multi-year performance
- Identify agencies not meeting expectations
- Perform tactical book of business review
- Create agency profitability improvement plan

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Agency Profitability Improvement Plan Success Story

The Agent

High-caliber agency

Not profitable with Selective

Not growing as we wanted

Strong relationship with AMS and underwriter – commitment to Selective

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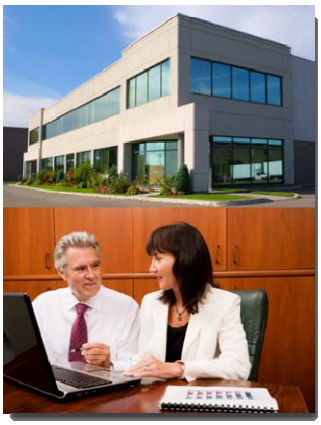
Agency Profitability Improvement Plan
Success Story



The Analysis

High concentration of heavier vehicles – deductibles low

Poorly performing non-contracting risks

Concentration of larger accounts

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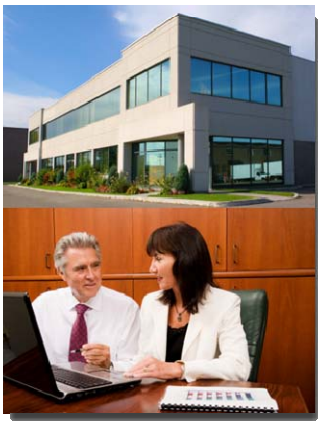
Agency Profitability Improvement Plan
Success Story



The Plan

Re-underwrite, price to exposure, engage Safety Management

Non-renew where necessary

Aggressive, targeted growth

Buy-in from the agency

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The Results Speak For Themselves

	DPW – Total	DPW – NEW	Combined Ratio (%)
2002	$3,985	$443	**115.1**
2003	$4,561	$1,701	**108.1**
2004	$6,149	$1,617	**79.6**
2005	$6,427	$1,335	**69.4**
2006	$8,610	$2,825	**81.2**
2007	$10,338	$3,641	**93.6**
2008	$11,401	$2,675	**73.7**

Keys to Success
- Relationship with agency
- Ability to understand what drove results
- Commitment to grow profitably with agency

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Decision Support Information

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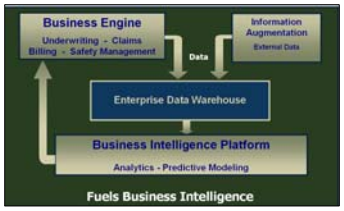

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