

Price Optimization Solution for: Homeowners Insurance



The Homeowners Insurance Pricing Challenge

When insurers and homeowners (or renters) look at a homeowner's insurance premium, each one sees a very different picture. The insurer sees a premium that is calculated based on risk, operational costs, and margin. On the other hand, homeowners are driven by a complex set of factors that ultimately impact their decision to purchase (or renew) a policy; factors that include emotional attitudes and personal buying preferences, such as brand perception, convenience, and competitive alternatives.

For the insurer, deciding what to charge each homeowner is a daunting task. Choose wisely and gain/retain a customer and realize profit; choose poorly and risk losing a valuable customer.

Traditionally, a homeowner's policy premium has been calculated using cost-plus or competitive pricing strategies alone. However, in today's fiercely competitive environment, where margins and loyalty are rapidly diminishing, it is increasingly difficult to employ these strategies and still acquire/retain customers while making a profit.

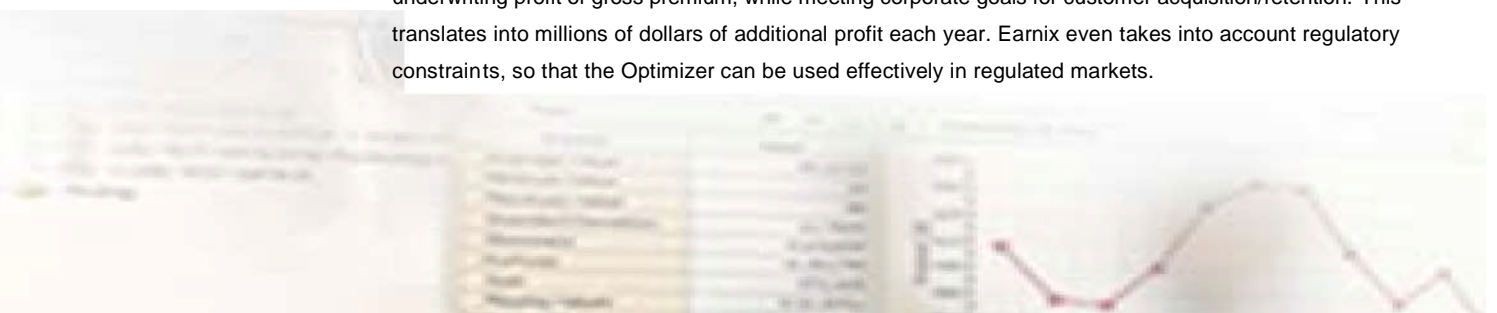
And it is precisely at this junction that Earnix offers a compelling and empowering business solution.



The Earnix Solution for Homeowners Insurance

The Earnix Optimizer is a software-based solution that combines sophisticated analytics with business rules and constraints, enabling insurers to model customer demand, impose complex business goals, and then evaluate alternative pricing decisions.

Using Earnix Optimizer, leading insurance companies are today realizing a 3-5% sustainable improvement in underwriting profit of gross premium, while meeting corporate goals for customer acquisition/retention. This translates into millions of dollars of additional profit each year. Earnix even takes into account regulatory constraints, so that the Optimizer can be used effectively in regulated markets.





The Earnix Advantage

Earnix solidly bridges the gap between customer expectations and profitability goals set by homeowners insurers.

- Bottom line impact – proven in the field to improve underwriting profit by 3%-5% of gross premium revenue.
- Forecast demand by various segments, all the way down to the individual customer level.
- Improve customer acquisition / retention – define homeowner acquisition and retention rate goals as a constraint on optimized prices.
- Achieve business objectives – define corporate constraints like ‘overall market share goals’ and ‘margin per each segment’ in order to optimally reach business targets.
- Conforms to regulatory constraints – with its Rate Mapping capabilities, helps insurers meet regulatory requirements of price uniformity of defined customer segments (such as those with similar risk profiles).
- Industry specific – built from the ground up specifically for the unique business challenges of property and casualty insurance companies.
- Enterprise-class solution – built on top of IBM’s Websphere and DB2, to provide a robust and scalable solution to meet the needs of large insurance companies.
- Seamless integration – an off-the-shelf software product that installs easily and is ready to use without long-term consulting services engagements.

For further information, contact:

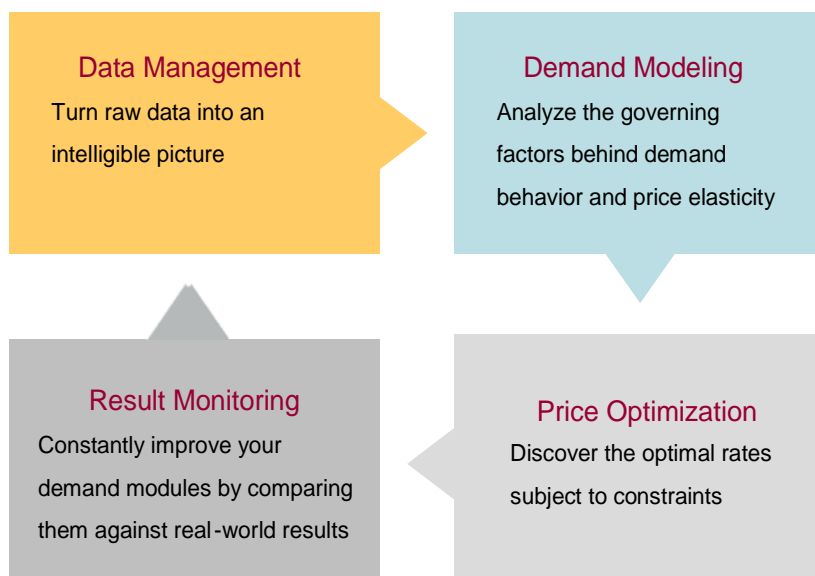
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How Does It Work?

Earnix Optimizer makes use of “what-if” scenarios in order to gauge the impact of each pricing decision on customer acquisition/retention and profitability. With Earnix, insurers are certain that premiums quoted to homeowners are in line with customer price sensitivity, while conforming to corporate goals related to portfolio profitability and size, customer lifetime value, and competitive positioning.

The Earnix Optimizer incorporates four main software modules, as shown in the following figure.



Earnix Optimizer Modules

Data Management

The Data Management module incorporates table management and data transformation tools needed to prepare customer records imported from enterprise information systems.

Demand Modeling

The Demand Modeling module provides Generalized Linear Modeling (GLM) tools for creating a sophisticated model of homeowner purchasing behavior on an individual and on an aggregate level.

Price Optimization

The Price Optimization module provides tools for building “what if” scenarios that probe alternative optimal profit margin strategies for each price offered to a customer, taking into account corporate and individual constraints, and looking across multi-year horizons.

Result Monitoring

The Result Monitoring module provides tools that help gauge whether the estimated demand functions, accurately reflect demand over time.

