



Blending

Art &
Science

to Create

More Effective
Ideas

The human side of innovation

It's easy to get swept up in all the scientific proof that data-driven decisions produce superior results. While true, it's also important to remember that technology is an enabler, and it's humans that generate actual results.

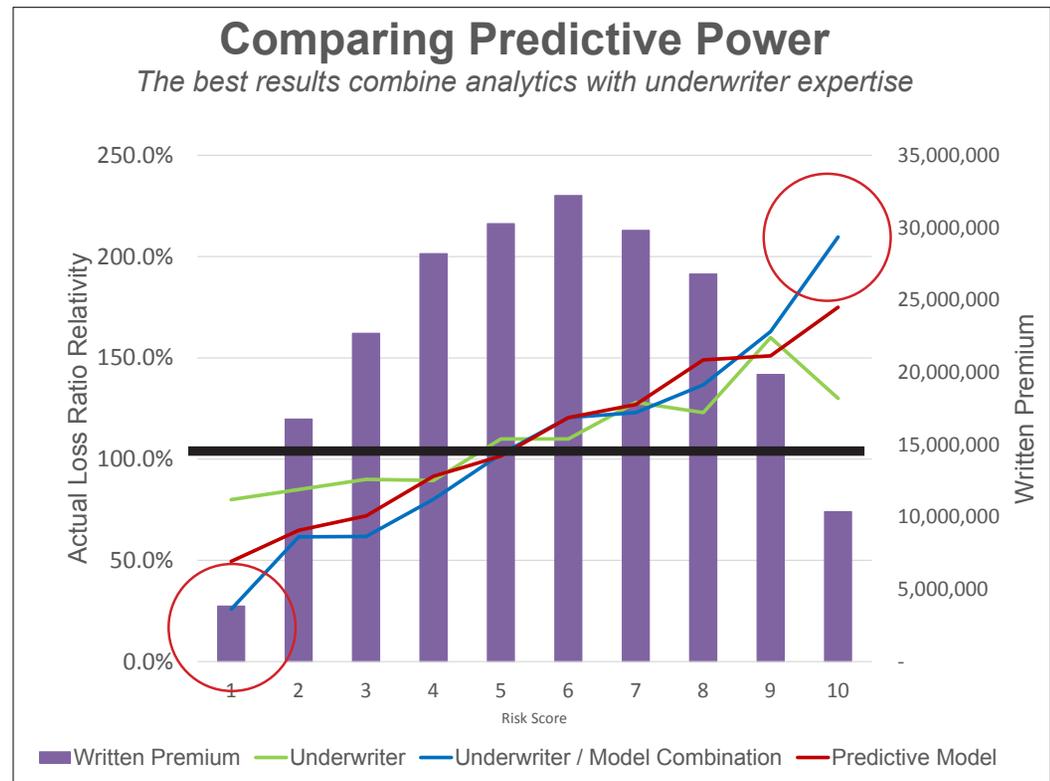
How important are people in the mix? Valen conducted a study of a regional P/C insurer to show how powerful the results are when there isn't a resistance to using analytics in underwriting.

We started by asking: What predictive power did their underwriters have? You can do this at your company too – inside every underwriter's head is a predictive model. We get to see the underwriters' predictions by looking at what tier they placed a risk in, or how much debit or credit they selected (represented by the **green line**). This underwriting organization did in fact separate risks from best quality to worst quality. The best risks had a loss ratio about 20% better than average. The worst were 30% to 50% worse than average. Not bad.

Next we looked at a predictive model (represented by the **red line**). This improved the overall differential between “best and worst” – the best risks are 50% better than average, and the worst are about 75% worse than average.

Finally, we took the average of the underwriter's prediction and the model's prediction, which is represented by the **blue line** on the graph. It has by far the most lift from 75% better than average, all the way up to 120% worse than average.

This study is indicative of results we see consistently – the combination of human expertise and analytics is the winning combination.





Valen Analytics is an advanced data and analytics provider for property and casualty insurers. We work with insurers who are actively looking to utilize modern approaches to pricing, risk selection, claims triage, and premium fraud. Our customers are focused on increasing competitive pressures, fighting adverse selection with innovative solutions, and raising awareness for the impending “experience gap” with initiatives such as the Insurance Careers Movement. Our customers span many lines of business including Homeowners, Personal Auto, Workers’ Compensation, Commercial Auto, Commercial Package, Commercial Property, and BOP. Learn more about Valen at www.valen.com.