

As seen in IBM Data Management magazine

Critical Modeling Strategies for Insurance Companies

Insurance companies' finance and actuarial staff live in a world rich with numbers, including premiums, losses, cash flows, underwriting costs, adjustment expenses, and allocations. Both teams typically use spreadsheets as their primary weapon in this war of number crunching and mission-critical modeling.

But while spreadsheets are commonly used, they tend to be an inefficient tool for data management and can become challenging to audit. Some organizations even prohibit the use of spreadsheets for any mission-critical data.

Many insurance and other types of companies are discovering they can eliminate risks while allowing finance and actuarial teams to enjoy the productivity of spreadsheets with IBM Cognos TM1 technology. The TM1 approach enhances the productivity of spreadsheets by storing data in a separate database, allowing secure access by teams throughout the enterprise. A TM1 multidimensional OLAP (online analytical processing) database stores the data and performs critical, complex, real-time calculations on it, with consistent and auditable results that different teams in the company rely on.

Solutions that enable better data management and accountability are particularly important for insurance and financial services companies sharing voluminous data between finance and actuarial or other staff. Finance staff members are responsible for accurately recording actual results and producing financial statements while also setting budgets and revising forecasts. At the same time, actuaries are crunching the same or overlapping numbers to estimate future losses or to set future premiums, so the finance team can book reserves and revise their forecasts. As the COO of a major specialty maritime insurer says, "Greater integration between finance, underwriting, and actuarial has resulted in significant benefits that have increased productivity and enabled the organization to more effectively plan for and manage risk."

IBM Cognos TM1 provides a secure, high-capacity, robust, multidimensional database with sophisticated modeling capabilities, used by a growing number of insurance companies to build a single, comprehensive financial model of the enterprise. The resulting application serves the needs of all communities within the organization, including finance teams, underwriters, and



actuaries. The multidimensional capabilities of TM1 are critical to this process, since insurance company data is inherently multidimensional. As a key example of this, and the limitations of spreadsheets alone, underwriters will estimate future premium revenue by month, underwriting year, product, region, underwriter, division, and so on. Estimated losses and adjustment expenses (both direct and allocated) are further examples of critical numbers shared between finance and actuarial groups. By applying a secure TM1 financial model, all parties can easily crunch their numbers while ensuring consistency, accuracy, and auditability.

At QueBIT, we work extensively with small and large customers in the insurance and financial services industries, implementing the types of solutions discussed in this article. Richard Creeth, QueBIT's Chief Technology Officer, says, "We have consistently proven to our clients that a single integrated, financial model serving all the communities within an enterprise delivers benefits in terms of greater productivity, effectiveness, and the ability to quickly respond to change." We have a proven approach that addresses the concerns of using spreadsheets for data management and modeling, but avoids the removal of spreadsheets as the "face" of the primary productivity tool for actuaries and finance professionals.

To learn more about our insurance company solutions or get more information on how QueBIT can work with your organization to achieve results, please contact us at 1-800-QUEBIT1, email us at info@quebit.com, or visit our website: http://quebit.com/insurance_category.asp

