

CASE STUDY: JAMES RIVER INSURANCE COMPANY

James River Insurance needed a better way to monitor risk accumulation and to proactively assess the potential impact of claims events in real-time in order to mobilize claims resources and serve their customers' needs.



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Brian Haney, Vice President, Chief Actuary, James River Insurance Company

Summary

Company

Founded in 2002 and headquartered in Richmond, Virginia, James River Insurance Company is an excess and surplus lines insurance company. As a non-standard property and casualty company, James River Insurance focuses on writing coverage for specialty, hard-to-place commercial accounts that standard carriers typically elect not to cover. James River Insurance Company is authorized to write on a non-admitted basis in 48 states and the District of Columbia, and distributes its products through a number of surplus lines brokers.

Challenge

James River Insurance Company's underwriting approach is defined by its focus on underwriting profit. The company writes brokerage, individual risk business through thirteen underwriting divisions— each organized around a specific industry group or coverage.

Previously, the company relied exclusively on CAT modeling software to measure probable maximum loss (PML) curves in order to manage the concentration of risks and to calculate worst case scenarios and ensure that it is not overexposed in certain locations. However, relying on these models alone became problematic. Besides being costly, clumsy and not extremely accurate, they really only modeled two perils well: hurricanes and earthquakes.

“Using PML as the sole basis for managing risks associated with thunderstorms, fires or terrorism—basically anything other than southeast winds and quakes—had limited utility. Exposing ourselves to this potential error in the models resulted in the potential for errors in underwriting and the entire reinsurance program,” said Brian Haney, Vice President, Chief Actuary, Actuarial and Reinsurance Department.

Result

James River Insurance selected location intelligence solutions from MapInfo to improve its underwriting practices, analyze potential catastrophe patterns and enhance its catastrophe management and claims response practices.

“We have used MapInfo since the company's inception but initially only to create maps—a picture generator to show people where we write. We knew about the power of the technology though and decided to take it to the next level and have it play a more prominent and important role in claims management,” said Haney.

With the aid of MapInfo location intelligence technology, James River Insurance underwriters can now look at a specific area or “catastrophe zone” on a digital map, see how much business is concentrated within a 25 mile buffer zone and get a clear picture of the potential risk.

CHALLENGE

James River Insurance recognized they needed a more comprehensive way to identify their exposures so they could make better underwriting decisions and better serve their customers in times of need.

SOLUTION

James River provides its underwriting and claims departments with location intelligence from MapInfo Professional® and MapMarker® Plus. Underwriters can view policy concentrations and proximity to risk factors such as distance to coast. Claims can predict policyholders likely to be affected by a particular event in real-time so claims resources can be proactively mobilized.

THE MAPINFO ADVANTAGE



Location intelligence is critically important to P&C carriers, and can be leveraged across the organization to make better business decisions in areas such as underwriting, actuarial, claims management, sales, marketing and distribution.

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When a risk comes in, an underwriter just needs to look at the map and if the area is shaded in red, it means there is already a concentration of risks and they cannot write it based on the current guidelines. All the underwriters have MapInfo Professional installed on their desktops and they receive updated maps every month.

“Visualizing this important information on a map makes a world of difference, especially as it relates to properties located on the borders of different counties. For instance, in Florida, it was difficult, if not impossible, for our underwriters to avoid inadvertently insuring too many properties within close proximity, without using MapInfo. With MapInfo, this information visually depicts the exact location of a property so we won’t make such mistakes,” added Haney.

Coming to the Rescue after Hurricane Katrina

James River Insurance also incorporated MapInfo location intelligence into its claims processes. Standard practice has been to download the projected paths of a storm from NOAA, and then overlay its impending path on a digital map with the locations of its insured properties. The claims and underwriting departments query the policy management system using MapInfo to determine the probable losses associated with the event. Using the analyses, the Claims Department determines the number of adjusters and inspectors necessary to handle the incident and to have them on the scene “right after the wind starts blowing,” according to Haney, “so we know exactly what properties look like.” This practice worked so well that in the wake of Hurricane

Katrina in 2005, James River Insurance claims adjusters actually got to some locations before the insured or before the agent knew there was a claim. The company also knew from its estimates that it would need to supplement its staff with independent inspectors and adjusters. This early insight allowed James River Insurance to strike contracts well before its competition. They also optimized the routes for their team using location intelligence.

“Without MapInfo, this would have been tough to pull off since adjusters visited 250-300 locations to assess the damage,” Haney added. “We were able to provide initial estimates of exposure and potential loss before the storm even hit the shore and then validate these through their on-site inspections.”

Another benefit of being able to anticipate the policies that would be affected by an impending risk event is that James River Insurance is able to contractually “lock-in” the necessary independent claims adjusters it will need to service its customers, ensuring that it has the resources to meet customers’ needs and avoid a scramble for scarce claims adjuster resources post-event.

James River Insurance was also able to greatly improve the speed of the claims process for its policyholders. For instance, restaurant and bar owners who saw their Bourbon Street establishments decimated, were able to get the claims process started much quicker than if they had relied on other insurance carriers.