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**ISO Database Marketing Booklet for CEOs**

**Information is power!**

**By Reporting Data to ISO, You Strengthen Yourself**

*"ISO's core services are closely related to the quality of the data base. The objectivity that ISO provides is enormously important to all facets of the business--and to government officials, regulators, and the consumers were all ultimately serve. There isn't anybody who doesn't benefit greatly from this objectivity."*

Dale R. Comey

President and Chief Operating Office

Hartford Fire Insurance Company

High praise indeed, but it's true! The ISO database is the insurance industry's greatest asset. Our collective pool of information acts as the industry benchmark. By maintaining the largest database in the world on property casualty, we set the standard by which the industry adjusts its rates, sets policies, complies with government regulators, and adapts to changing economic and social conditions.

***A Lot of Knowledge Is a Wonderful Thing***

But our database is only as good as each individual company makes it. The more data we have to draw on, the more accurate our findings, and the greater help we can be to you in developing the most reliable rates, rules, and forms for you to use when writing insurance.

If your company reports data to us in a quality manner and in full detail, your data will enable us to arrive at statistics that will help you plan for a more stable future for your shareholders and policyholders. With your data, we'll able to respond to the major political and consumer issues facing the industry and your company. And as a further benefit, you'll save money on your ISO charges when you report data!

***Why the ISO Database?***

Central to the process of insurance ratemaking is the availability of a reliable database. No insurer has a credible enough database for all aspects of ratemaking. ISO maintains the largest database suitable for ratemaking for all lines of insurance under its jurisdiction.

Because there *is* a stable ISO database that includes your data, your operations in the marketplace are more secure, because there's a standard against which to compare. Because our database is so broad, you can be confident in using a lower contingency margin than you'd have to choose otherwise to operate profitably. Since we're the industry benchmark, you can compare your data against our industry statistics to see if your rate of return is in keeping with the rest of the industry. If you use our full detail statistical plan as a base for your Management Information Systems, you'll have increased confidence in your own company's data, and better information should help reduce the severity of business cycles.

***But We're Not A Major Writer of All Lines and Independent for Others!***

Some insurers have told us, "Look, we're small, so it doesn't matter whether we report to you or not." But a good database is made even better with the contributions of the data of smaller insurers, niche writers, and specialty companies. And smaller insurers inevitably get bigger. As you grow, you'll need data beyond summary reporting levels.

Other insurers have said, "Hey, we're independent, so why should we report?" But in our experience, you're never quite as independent as you think you are. Either directly or indirectly, most independent products make use of some ISO information. Why is it important to report to us? So the information from your independent program gets into the database and thereby maintains the integrity of the rate structure, and so it'll be there when you're ready to reevaluate your program. What if you and the rest of senior management begin to question the viability of a special program after a number of years? Back to the drawing board and the ISO data bank! Unless your data and ours match and are available for analysis, you may not be able to evaluate your current products or develop new ones.

If you're writing an independent program, reporting to ISO doesn't mean you have to use our advisory information. But by adding your data to our database, you can help keep your program independent.

***The Uses of the ISO Database***

Our data functions as the standard against which insurers make internal analyses of their own data. No actuary feels comfortable enough just comparing the company's rates with a competitor's. How can you tell if a competitor is inadequately priced in a particular area or overpriced in a particular niche? With the help of ISO's database, you can make your own determination of what the right rate is under different profit scenarios at given points in time and over a period of years.

Our database can supply you with the missing pieces you need to develop new insurance programs or modify existing ones. Actuaries at reinsurers also use ISO's database to study our distributions to determine frequency and severity at different excess layer penetration points. Actuaries at ISO-reporting primary writers who are responsible for reinsurance agreements can use our claim size distributions to compare to their own profile of excess layer penetration points, enabling them to negotiate changes in reinsurance agreement retention levels and to evaluate reinsurance treaty offerings.

Some actuaries use our data in conjunction with their own to determine payout patterns for loss reserving on a fine, subline, and class basis. Our data can also be used for financial planning; by studying the payout pattern on losses, you can determine the flow of funds available for you for investment.

ISO's database enables ISO to perform special studies. Not only is it more efficient for ISO to perform these studies, but many insurers would be restricted in their ability to perform independent studies due to the limited size of their own database and the inability to base conclusions on industry patterns.

***Speaking of the Big Picture...***

The size and quality of ISO's database allows it to serve as an intermediary between insurers and regulators by reporting data in the aggregate and complying with state regulations. Using ISO as an intermediary is more efficient, avoiding the duplication of effort that each individual insurer would experience. When dealing with regulators, data helps us prove the industry is doing the right thing, such as gender-based rating.

***Cost-Effective Service--It Pays to Use ISO!***

By keeping your costs down, we can help you price your product competitive. It's less expensive for you to have ISO develop and maintain statistical plans and data requirements, and report to regulators on your behalf, than for your company to perform these functions on its own. It's also less costly to create individual company reports if you use the standard of the ISO statistical plan as your base. And it's less expensive to have us keep all the detailed historical analysis in our database for future use than for you to keep it yourself.

Thinking of moving into a new state? We can keep your start-up costs for new markets reasonable too. You'll easily be able to size up the marketplace if you use the ISO database. Same if your company is thinking of entering a new line of insurance. By being able to draw on the ISO database, you can minimize your analysis and keep from entering unprofitable markets.

Because ISO has a strong database, we can eliminate individual company data reporting for special calls in many cases. Your company won't have to comply with the statistical reporting requirements of each state for special data. We develop uniform coding standards to comply with new state regulations and for data quality, so your company doesn't have to perform the analysis and establish the coding and data quality checks.

ISO "pays" insurers that report data with large credits against the price ISO charges against other services. Reporting to ISO saves insurers a great deal of money, with little marginal cost to them. To report to ISO, an insurer does not have to undergo the expense of summarizing the data, doesn't have to make expensive code conversions of company territories and classes to ISO's, and generally has a high enough level of data quality so they're not burdened by ISO's insistence on quality data reporting, Report Cards, and Incentive Assessment Programs. Also, companies don't have to perform the stringent editing of data performed by ISO.

***What if There Was No ISO Database?***

Without the ISO database, insurers would have to comply individually with each state's reporting requirements. Whenever specific questions arose in the public or regulatory arena, regulators would have to seek answers directly from insurers and would have to issue many more special calls for data. Before long, regulators would probably call for a nationwide database, which might lead to further regulatory requirements. If a central source of data was not in place to respond to legislative questions, there would be a greater possibility of federal requirements for data reporting.

A lack of data could also hinder ISO's ability to act as an industry spokesperson on many key issues, hampering our ability to deal with regulators and legislators on your behalf. Because the marketplace is so fragmented, without an organization such as ISO establish a standard for data elements, the industry about not be able to make intelligent decisions of broad public issues.

With ISO's database and standard, each insurer would gave individually increased data collection and quality monitoring costs. The cost of getting filing approved about also increase, as insurers would have to obtain approval for all filing individually, based on their own data. You'd be less sure of all elements of your work, and you'd find yourself increasing the risk load in those filings.

***Planning for the Future***

Our business is in a great state of flux. No one can be blind to the future in an industry subject to as much change and turmoil as the insurance industry, and still survive. Few observers are willing to state emphatically what information will be key in the coming years. By reporting to us, you insure that the basic policy data elements will be there when you need them, to support not only pricing decisions, but also the origination of rules and forms.

If ISO can build a more comprehensive database, it can be used to convince legislatures that it's unnecessary to pass new data reporting bills that could contain onerous requirements. The National Association of Insurance Commissioners (NAIC) has officially expressed concern about the amount of data not reported in sufficient detail to allow proper analysis when market conditions require careful scrutiny.

***We Need Your Help!***

Individual company databases, particularly for commercial lines, are not credible in their entirety, much less so by state, territory, or class. Please help us correct this pressing need in our industry by reporting your data to us and stressing within your company the need to report quality data to ISO. Although it may be true that the ISO database is the insurance industry’s greatest collective asset, *it's only as good as the data your company contributes to it*.

Please call us. We'll be happy to visit you and your key personnel and explain how ISO reporting can help your company save money, save needless duplication of effort, and make wiser decisions about your future.

It's a great advantage for insurers to have a cost-effective intelligent database that complies with statistical agent requirements and provides insurers with valuable pricing, marketing, research, and underwriting information. We're also developing tailored conversion programs for individual company databases. Using our database, we're willing to prepare reports for you in response to requests by consumer, legislative, or regulatory interests. To better serve you, we're planning to create a large-risk database that would include (a) rated risks, loss-rated risks, other composite rated risks, excess policies and umbrella policies. We're going to be creating an individual risk database for large risks, with all large risks assigned a "Risk I.D." by ISO. This database offers several ratemaking benefits for the industry, and it will assist underwriters in evaluating individual risks by providing a central database so they can access the loss history for each risk. Under consideration also is the creation of new ISO products, such as a periodic circular that analyzes large-loss characteristics, trends, and data.

We've developed a financial incentive plan to reward insurers that report data in more detail. ISO, as an advisory rating organization, collects more detail data under higher quality standards than its principal competitors. If you report statistical data to ISO, you'll receive a discount to your charge for ISO's Rates Service, known as a statistical credit.

(On the part of commercial lines, for example, the lack of market concentration, coupled with the diversity of commercial lines coverages and risks, makes it impossible for any insurer to be totally independent of ISO on base rate structure and classification plan.)