



Suncorp-Metway: Actuarial Advances

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General Insurance
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Industry

Insurance

Business Issue

Operate as one entity by bringing together disparate data systems after acquiring a competitor and adding millions of new policies.

Solution

SAS software's cross-platform capabilities achieved that goal in a very short time with minimal personnel resources.

Suncorp-Metway is one of Australia's 25 largest companies and boasts a share market value of around \$AU5.8 billion. With the acquisition of GIO in 2001, the company's customer base increased to 3.8 million and the company became the second largest general insurance group in Australia. Aside from its 55 percent share in Queensland's Compulsory Third Party market, Suncorp has substantial national general insurance market shares – home (15 percent), motor (14 percent), workers compensation (22 percent) and commercial (25 percent).

SAS® software delivering end-to-end system data collection and interpretation

As in all insurance companies, the actuary's role within Suncorp is one of constant collection and interpretation of numerical data. The result is critical information that is used right across all Suncorp insurance lines of business. But with the acquisition of GIO and the almost overnight increase of insurance policies to over three million, there was an urgent need to encompass the GIO insurance systems.

Suncorp's General Insurance Actuary, Charles Pollack, stated: "We ended up with three separate database formats and the driving requirement was to encompass all the data in a single solution. Given that we had already developed a comprehensive SAS based solution for Suncorp, we were able to utilize the SAS cross-platform capabilities to achieve this with minimal personnel resources and in a very short time."

Benefit: Automatic web output

For the 233 Suncorp users of the SAS based actuarial system, a Web browser is the only tool required to gain access to over 400,000 HTML pages of regularly updated information. Each of these pages is built automatically by SAS at the beginning of every month and draws on data from each of the 12 Suncorp source systems (six general insurance administration, one general insurance quote, one banking, three life insurance and a customer database).

"The entire process takes only a few days," Pollack stated, "and aside from a very small number of manually created home pages, the entire Actuarial Services site is done for us by the SAS software."

The effort put in to developing the site – dubbed Actprod – is such that it meets approximately 90 per cent of the insurance company's analysis requirements. Maps of exposure and claims, tabular data and interactive charts, reports and CSV export data are only a few of the many features provided via the SAS software-generated Actprod site. Where further information is required, Actprod includes a Web page-based query form that once completed, is submitted to Suncorp's SAS system, which automatically generates a new HTML page and e-mails the link back to the user.

Benefit: Fact-based decisions

In discussing the drill-down capabilities of Suncorp's SAS solution, Pollack stated: "The processing power we have

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enables us to avoid the potentially dangerous problems of data sampling. In the insurance industry, using a strict data sampling approach can easily lead to unfair premium changes for customer, but many other modelling systems require this approach simply because they are unable to cope with the enormous amounts of data.” By using SAS software, Pollack and the other Suncorp actuaries can incorporate complete data sets that enable them to run incredibly accurate premium calculations over each portfolio.

According to Pollack, it is common for actuaries to advocate an 80/20 approach, where an 80 percent correctness level is obtained from a 20 percent effort. “Using SAS software, we actually get around 95 percent accuracy with the same amount of effort,” he said. “This means while other

companies are basing their business decisions on approximations, we’re able to base ours on factual results.”

Benefit: Extending data value

From call center staff right through to senior management, SAS software has become an integral part of Suncorp’s insurance business. With the acquisition of GIO, Suncorp’s fraud management team was keen to have GIO’s claims database hooked into the SAS warehouse. “The fraud people knew they’d come up with some interesting result,” Pollack commented, “and as soon as we had the database on-line with the SAS software, they set to work in writing programs that would help them accurately identify insurance fraud cases. Even though it has only been a couple of months, they have already had quite a bit of success.”

Other Suncorp business units are also realizing the inherent value of the SAS software implementation and as a result, new lines of communication between the actuarial department and these units are being established and exploited. Marketing personnel, for example, have recognized the enormous benefits in using SAS software to analyze customer data to support more effective marketing activities. Similarly, sales staff are gaining valuable information for product cross-selling opportunities.

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