Welcome to our new publication, Pinnacle News. This publication supplements our in-depth monographs to give you periodic updates on news affecting our service to clients. I am excited about the two new strategic alliances described in this publication which will enhance our ability to provide competitive analysis, pricing, modeling, and retention/conversion studies. Please contact a Pinnacle consultant to discuss our new Pretium and Quadrant products.

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Pinnacle Announces Two New Affiliations

Pinnacle Actuarial Resources, Inc. (Pinnacle) is pleased to announce two exciting new strategic alliances and a new competitive analysis product – RateMapper™, which replaces the prior COMPAS™ product. These changes allow us to provide superior service to our customers.

Pinnacle has entered into an agreement with Watson Wyatt Worldwide to market Pretium®, a software package used for GLM analysis.

Pinnacle has also affiliated with Quadrant Information Services to directly incorporate our competitive analysis tool RateMapper, into Quadrant’s MapPro CM.

Affiliation with Watson Wyatt Worldwide to Market Pretium®

The first new alliance is our affiliation with Watson Wyatt Worldwide to market Pretium, its GLM software. We are using Pretium for our own predictive modeling projects, and are authorized to license it to new and existing clients.

Pretium can be used for a variety of applications, including credit score studies, pricing, rating classifications, and retention/conversion studies. We are also using it for developing more refined rating territories, identifying new variables for use with automobile symbols, developing commercial and personal lines underwriting scores and tiering plans, designing commercial lines market segmentation plans, and performing agent profitability studies and claims analysis. Specifically designed for insurance modeling, this software is fast and easy to use, and it automatically outputs high-quality graphic results which can be understood at a glance.

Pretium analyzes two key aspects of insurance experience - how rating and underwriting factors drive claims cost, and how retention and new business are affected by market conditions and policyholder characteristics. It can then combine these analyses to project the impact of particular rating actions on the current portfolio, which is vital information when setting rates in practice. (See enclosed Pretium brochure.)

Pinnacle delivers more than just final results. Combining modeling and knowledge transfer, our approach provides each client with an understanding of the process used to develop the model, so the client can maintain and update the model in the future, if they wish.
Quadrant Information Systems Affiliation

Our new affiliation with Quadrant Information Systems will directly incorporate our competitive analysis software into Quadrant’s MapPro CM™ product.

By incorporating Pinnacle’s RateMapper™ analytical, pricing and mapping tool directly into Quadrant’s MapPro CM market analysis software, insurer’s premium and rating plan differences can be easily compared. RateMapper replaces our prior COMPAS™ product.

Pinnacle and Quadrant working together, will be able to help clients better understand their competitive situation and, in turn, help them make more strategic pricing and marketing decisions.

RateMapper makes market analysis easier by creating color-coded maps useful for territorial analysis and clustering models. These maps quickly identify pertinent rate factors for personal auto, homeowners and business owners (BOP) insurance lines. Through a direct interface into Quadrant’s rate database we are significantly improving on the capabilities which were previously available through COMPAS.

Quadrant’s MapPro CM rating engine, meanwhile, provides fast, accurate and stable rate information. It produces loads of personal lines premium data, factors, base rates and other information into spreadsheet-compatible media. When used with RateMapper’s accurate territory alignment and company specific driver assignments, our customers will get detailed and comprehensive comparative analyses which can be used by insurance company actuarial, market analyst and pricing personnel.

Pinnacle’s Predictive Modeling Services

Pinnacle offers the expertise to apply modeling techniques effectively in the insurance marketplace to better understand; more effectively manage and price your risks. Our extensive personal and commercial lines experience, access to Pretium GLM software, and a consulting approach that enables you to manage your own model, are the reasons Pinnacle offers the best predictive modeling services available.

We start by addressing traditional problems with a multivariate analysis, which helps you understand the true impact of different variables on loss potential. Multivariate analyses are preferable to one-way analyses because they analyze the data taking into account all of the factors simultaneously rather than one-by-one as in traditional rate analyses.

Our GLM expertise also extends well beyond these traditional applications. Emerging areas include:

- Improving the accuracy of territory definitions and relativities with clustering and smoothing techniques
- Using vehicle characteristics to assist in the rating and grouping of vehicles
- Analyzing current and proposed tiering plans
- Developing custom insurance score models and implementing commercially available insurance scores into existing rating and underwriting plans for personal and commercial lines
- Providing utilization review of preferred claims service providers (e.g. medical providers, auto glass/repair networks)
- Benchmarking the relative performance of agents, underwriters, claims offices or individual large insured’s
- Using predictive modeling to determine how customer responses such as retention and new business are affected by market conditions and policyholder characteristics
- Developing formula case reserving parameters.

Pretium is flexible and fast. In fact, we can sit down with our computers at your office and perform modeling applications in real time. This allows you to understand the process used to develop the models, and gives you the option of being self-sufficient in the future.
**Pinnacle Presents GLM Research Papers**

The 2004 Spring Meeting of the Casualty Actuarial Society was held May 16-19 at The Broadmoor in Colorado Springs. Speakers from Pinnacle included Joe Herbets, Roosevelt Mosley, and Rob Walling. Two research papers written by Pinnacle actuaries were presented at the meeting.

Roosevelt C. Mosley’s paper, *Estimating Claim Settlement Values Using GLM*, presents the results of a generalized linear model developed with data from the Insurance Research Council closed claims study. Using this data, the paper examines how GLM can be used to identify trends in claims severities over time based on rate-making and claims characteristics.

Robert J. Walling’s paper, *The Case of the Medical Malpractice Crisis: A Classic Who Dunnit*, uses GLM to examine data found in the Florida Department of Insurance Medical Malpractice Closed Claim database.

Copies of the discussion papers can be found at


http://www.casact.org/pubs/dpp/dpp04/04dpp393.pdf

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**Pinnacle Adds New Consultant**

Pinnacle is proud to announce the addition of our newest consultant, Richard A. Lino, FCAS, MAAA. Mr. Lino is in the Lawrenceville, New Jersey office of Pinnacle. He has served as Chief Actuary for two of the top ten worldwide reinsurers and has been in the property/casualty business for over 30 years. He has evaluated traditional and finite reinsurance programs for both insurers and reinsurers. Recent assignments have focused on two lines in transition: Medical Malpractice and Workers Compensation.

Richard A. Lino

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**2004 Pinnacle GLM Seminar**

Twenty-five attendees participated in the 2004 Pinnacle GLM Seminar in Chicago over February 11-12. Presenters included Shawna Ackerman, Rob Walling, Jeff Kucera, Roosevelt Mosley, and Dave Harris.

Sessions covered topics such as GLM Applications to Personal Auto, Homeowners and Commercial Lines; Credit Applications, Customer Response Modeling, Vehicle Symbol Development, Territory Boundary Development, Agency Management, and Claims Review Using GLM.

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**SAIF Corporation chooses Pinnacle Actuarial Resources, Inc.**

SAIF Corporation (SAIF) has awarded a major consulting contract to Pinnacle Actuarial Resources, Inc. Pinnacle will be assisting SAIF in advising the Oregon Panel for Analysis of Medical Professional Liability Insurance. Specifically, Pinnacle will be performing a broad-based analysis of factors that impact the affordability and availability of medical malpractice insurance in Oregon.

SAIF is also active in medical malpractice through its administration of the state’s Rural Medical Liability Financial Reinsurance Plan.

Pinnacle was awarded the contract “based upon their excellent proposal” and their similar work experience on behalf of parties in other states, including the Ohio Department of Insurance.
About Pinnacle Actuarial Resources, Inc.

Pinnacle is one of the ten largest property/casualty actuarial consulting firms in the U.S. We specialize in insurance pricing, loss reserving, alternative markets, and financial risk modeling. Our clients are insurers, state regulators, insurance trade organizations, captive insurers, and a variety of self-insured entities. Our insurer clients include many of the top U.S. insurance carriers as well as many small to medium size insurers.

Our consultants have extensive experience in ratemaking, rate filings, reserving, expert testimony, and the design of new pricing/underwriting programs. They are supported by a staff of actuarial analysts working toward their professional designations, and our dedicated technical and clerical staff. Our home office is in Bloomington, Illinois, with regional offices in Chicago, New York, New Jersey, and San Francisco.

Pinnacle is an Illinois corporation privately owned by its professional actuarial staff. Our consultants have been in the property and casualty business an average of over 20 years.

Let our combination of innovation and experience work for you.

About Watson Wyatt Worldwide

Watson Wyatt Worldwide, with 87 offices in 30 countries, provides actuarial services, advice on employee benefits and human capital strategies, benefits administration, investment consulting and insurance and financial services consulting. Watson Wyatt's Insurance and Financial Services practice has more than 270 professionals worldwide.

About Quadrant Information Systems

Since 1991, Quadrant has been the industry’s standard technology resource for product and actuarial management tools including light-ware point-of-sale processing services. Our staff of seasoned professionals has spent years of research and development in solving some of the industry’s difficult technology challenges with the goal of making it easier for companies to manage their business objectives.

Quadrant’s corporate headquarters is located in Reno, Nevada with customer assistance centers throughout the United States. Their mission is to provide the most intuitive tools and services supported by the most responsive customer service in the insurance industry.