

Perr & Knight Capabilities

Actuarial Consulting :: Competitive Intelligence :: Data Services
Management Consulting :: Regulatory Compliance



PERR & KNIGHT

Perr&Knight is a leading provider of insurance support services, including Actuarial, Competitive Intelligence, Data, Management and Regulatory Compliance. Together with our preferred technology partners, Perr&Knight provides a strategic resource that companies utilize to reduce their fixed costs while increasing the efficiency and value of their insurance operations.

Among the firm's 100+ professionals are more than 20 Fellows and Associates of the Casualty Actuarial Society and members of the American Academy of Actuaries. Perr&Knight's staff includes experienced professionals with the following expertise:

- Actuarial
- Business Analysis
- Database Design
- Forms Development
- Insurance Licensing
- Process Improvement
- Product Design
- Research
- State Filings
- Statistical Reporting

Perr&Knight is an independent consulting firm, completely unbiased in its analysis and recommendations. We maintain offices in Los Angeles, the New York Metro Area, Boca Raton, Irvine, and Dallas/Ft. Worth.

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Actuarial Consulting

With approximately 30 actuaries including more than 20 Fellows and Associates of the Casualty Actuarial Society (“CAS”), Perr&Knight is among the top 10 largest property & casualty actuarial consulting firms in the United States. Our actuaries have over 400 years of combined experience in the industry and come from diverse backgrounds including primary insurance companies, reinsurance companies, rating bureaus and other consulting firms. Our experience spans all lines of personal and commercial business in all U.S. jurisdictions.

Perr&Knight's accredited consulting actuaries meet the requirements of the American Academy of Actuaries Code of Professional Conduct, in that we annually fulfill the prescribed continuing education requirements and satisfy applicable qualification standards associated with the services we provide. Among our consulting actuaries are industry speakers and CAS committee participants. Perr&Knight is committed to the professional education and development of our actuaries, and as a result boasts a team of knowledgeable, well-rounded professionals familiar with cutting edge methods and technologies who are guided by core actuarial standards and principles.

Insurance Company Services

Perr&Knight provides actuarial services to many of the country's leading insurance companies, including seven of the 10 largest insurance groups in the country. We also provide actuarial services to many small to medium sized insurance companies as well as several foreign-based carriers.

Our insurance company clients use our actuaries in several ways. For some, we are their sole actuarial resources and provide them with comprehensive pricing and reserving services. Other insurance companies use our actuaries in overflow situations for projects that their in-house actuaries cannot handle in a timely fashion. Still others utilize the services of our actuaries when they enter a new line of business or state with which they are unfamiliar and inexperienced. Finally, some companies use our services in situations where an independent actuary's review is warranted or desired, such as statements of actuarial opinion, valuations or litigation. Our wide range of actuarial services, extensive expertise and flexible pricing make us valuable to our insurance company clients under any of these working relationships.

Our insurance company actuarial services are organized into two basic categories, pricing and reserving. Our pricing services for insurance companies include the following:

- **Competitor Rate Comparisons.** Through our competitive intelligence consulting practice, Perr&Knight's actuaries have access to industry rate filings including an extensive in-house database containing several hundred thousand filings. Our actuaries can easily and quickly access these competitor filings in order to prepare competitor rate comparisons for companies who are entering a new state or line of business or for companies who want to assess the competitiveness of their current rates. Our actuaries are experienced at extracting key information from competitor rate filings in order to create meaningful and accurate rate comparisons.
- **Rate Development.** Perr&Knight's actuaries are skilled at developing rating manuals for our clients' new insurance products. We know how to develop rates based on company experience for similar programs, competitor rating plans, industry data or non-insurance data. Our actuaries have experience pricing personal and commercial lines, including both standard and niche products.
- **Rate Level Analyses.** Our actuaries have extensive experience reviewing historical premiums and losses and developing rate level indications for both personal and commercial lines of business. We utilize generally accepted actuarial methods in our analyses and carefully consider a wide range of factors that can significantly affect ultimate loss ratios including trend, development, credibility and exposure to catastrophes as appropriate.
- **Rating Factor Analyses.** Perr&Knight has extensive experience performing analyses of rating factors such as territory, class, limit, and deductible. Our rating factor analyses have included introducing credit scoring as a rating variable. Our actuaries are able to perform multivariate analyses to identify and address any correlation between rating variables.

- **Rating Manual Compliance Reviews.** Perr&Knight's actuaries assist with the filing of dozens of new personal and commercial lines products each year. As a result, we have a deep knowledge of the various state regulations and Department of Insurance ("DOI") policies that pertain to rates and rules. Our actuaries can use this knowledge to identify controversial rating elements in our clients' rating plans by state. Further, we can suggest acceptable alternatives that our clients can incorporate into their rating plans in order to avoid excessive DOI interrogatories and speed up the filing approval process.
- **Rate Filing Support.** Our state filings unit submits thousands of rate filings each year. Many of these filings require actuarial support. As a result, Perr&Knight's actuaries have developed experience supporting initial rates and rate level changes for all lines of business in all U.S. jurisdictions. We are very familiar with state-specific rate filing support requirements including California's rating template, New York's rate filing sequence checklist and Florida's RCS exhibits. Our experience includes successfully supporting the most complicated types of filings including California personal auto rate and class plan filings, Washington personal lines filings that include credit scoring, and Florida homeowners filings.

Our reserving services for insurance companies include the following:

- **Loss Reserve Analyses.** Perr&Knight's actuaries have extensive experience analyzing reserves for all property & casualty lines of business. We use generally accepted actuarial methods to produce actuarial central estimates and ranges of loss reserves. One of the most common challenges in developing reliable reserve estimates is dealing with a lack of credible historical data. Our actuaries can obtain industry loss statistics such as trend and development from our extensive in-house database of commercial carrier filings in order to supplement an insurance company's historical data. We have the knowledge and expertise to adjust industry data as necessary to make it appropriate for use with a particular insurance company. Access to this comprehensive database of rate filings and the know-how to use the information effectively gives us a competitive edge over other actuarial firms.
- **Long Duration Contract Unearned Premium Reserve Testing.** Several of Perr&Knight's actuaries have worked extensively with extended service contracts for vehicles and electronic equipment, as well as other long duration lines of business including guaranteed auto protection and single interest auto physical damage products. As a result, we are experienced in performing the National Association of Insurance Commissioner's ("NAIC's") tests on long duration contract unearned premium reserves.
- **Statements of Actuarial Opinion.** Perr&Knight's actuaries are qualified to sign NAIC statements of actuarial opinion for property & casualty insurance companies. Annually, we sign opinions for dozens of insurance companies across the country. Perr&Knight's statements of opinion are professionally presented and customized for each client. Our actuaries take care to prepare statements of opinion that meet the requirements of the NAIC and are in compliance with domiciliary state laws and regulations.
- **Schedule P Preparation/Review.** Schedule P is the only annual statement exhibit prepared on an accident or report year basis rather than a calendar year basis. As a result of its uniqueness, its completion sometimes proves difficult for company financial reporting departments. Perr&Knight's actuaries can effectively work with a client to produce accurate Schedule P exhibits.

Self-Insurance and Alternative Risk Financing Services

Perr&Knight has worked with hundreds of clients who engage in alternative risk financing. Our clients include the following types of entities: publicly traded companies, privately held companies, not-for-profits, hospitals and other health care organizations, school districts and universities, government entities, religious institutions and fraternal organizations. Many of our clients finance the lines of insurance traditionally insured in the alternative market, including workers compensation, general liability, commercial auto and medical malpractice. We also provide actuarial services to clients who choose to

finance more niche coverages, such as cargo, fraud, directors & officers liability, trade credit and contingent liability.

Captive insurance is an important means of alternative risk financing for many of our clients. We provide services to captive clients domiciled in Arizona, the District of Columbia, Hawaii, Nevada, South Carolina, Vermont, Barbados, Bermuda and the Cayman Islands. In addition, Perr&Knight sits on the Board of Directors for the Nevada Captive Insurance Association and is an approved captive reviewer for the State of Nevada, Division of Insurance. Perr&Knight is also very involved in the Hawaii and Vermont captive insurance associations.

Perr&Knight provides a complete array of actuarial services for alternative risk financing, including:

- Feasibility studies
- Captive/Self-Insurance program design
- Pro-forma financial projections
- Certification of self-insurance reserves
- Loss reserve analyses and opinions
- Loss projection and funding analyses
- Limits, deductible and retention analyses
- Equity and cost allocation
- Cash flow analyses
- Analysis of the impact of reinsurance

It is our opinion that every self-insured entity has a program with unique loss experience and claims emergence characteristics. Therefore, we think that a self-insured's own historical data is the best indicator of future losses. However, we recognize that data limitations both in volume and detail may necessitate adjustments based upon industry statistics and modeling. Our actuaries are well practiced at using loss modeling and claim simulations to supplement a self-insured's data.

Perr&Knight's actuarial consultants have exclusive access to our extensive in-house database of commercial carrier rate filings. Our actuaries can obtain premiums charged by commercial carriers and industry loss statistics from these filings in order to make projections for an entity entering the alternative risk financing market with no experience, or to supplement an entity's historical data. Perr&Knight's actuaries have the knowledge and expertise to adjust industry data as necessary to make it appropriate for use with a particular self-insured. Access to this comprehensive database of rate filings and the know-how to use the information effectively gives us a competitive edge over other actuarial firms.

Litigation Support

Perr&Knight actuaries provide expert testimony and litigation-related consulting services in all judicial and regulatory venues. Our experience includes providing testimony at rate hearings, solvency and liquidation proceedings, valuation disputes and many other insurance-related litigation forums. In addition to testimony, we can support the litigation process through the estimation of damages as well as the preparation and analysis of evidentiary documents. Our actuaries communicate effectively and have the ability to clearly explain actuarial concepts to non-actuaries in both written and oral formats.

Valuation

We assist companies with valuation and due diligence in connection with mergers and acquisitions, initial public offerings and other financial events. Our actuaries assist clients with their due diligence by performing independent assessments of property & casualty insurance company liabilities on a discounted (present value) and undiscounted basis. We can assess and explain the impact of reinsurance, changes in operations and other risks to investors and other interested parties.

Competitive Intelligence

Perr&Knight is the leading provider of competitive intelligence to the property & casualty and life & health insurance industries. Over 90% of U.S. property & casualty insurance companies use our competitive intelligence services. Perr&Knight's competitive intelligence consultants include actuaries, product managers, and research analysts with extensive experience in the insurance industry. Our experience spans all lines of personal and commercial business in all U.S. jurisdictions. Perr&Knight actively participates in industry organizations through conference sponsorship, committee membership, and by speaking at regional and national events.

In an ever changing marketplace, our industry experts stay abreast of the latest trends and events impacting the competitive landscape. Our consultants continually review insurance company rate, rule and form filings, financial statements, including SEC filings, company websites, press releases, marketing material, trade publications and much more. Similar to a financial analyst that covers a particular industry sector, each of our consultants is responsible for being an expert on a particular product line or a single insurance carrier. Insurance companies are able to reduce their cost by leveraging off Perr&Knight's industry experts and our ability to aggregate a vast array of competitive information from multiple sources. Our clients also benefit from our state-of-the-art technology that we use to deliver our services, which includes www.RateFilings.com, the largest source of insurance company rate, rule and form filings in the United States.

Perr&Knight offers competitive intelligence solutions that can be customized to meet the needs of our clients. This includes everything from a simple project such as providing a single filing to a client, to a comprehensive engagement where our experts perform all competitive intelligence services needed by an insurance entity, including product management/development, rate comparisons, coverage comparison, etc. Our competitive intelligence solutions include a complete portfolio of filing monitor services and publications.

Filing Monitor Service

Our nationwide library of insurance company filings on www.RateFilings.com contains several hundred thousand filings from 1997 to the present, including forms, rates, rules, underwriting guidelines, credit scoring models, and financial statements. Each month, we add more than 10,000 new filings to the library. In many states, we obtain all of the property & casualty filings submitted by insurance companies each month. Our Filing Monitor Service includes the following subscription options:

- **Basic Access.** With Basic Access, users can logon to www.RateFilings.com and search for filings for free. Basic Access users also have the option to receive Perr&Knight's Hot Filing Alert, at no charge, which notifies companies when the most popular filings become available on www.RateFilings.com, and includes a brief description of the filing. In addition, Basic Access users can download filings for a modest charge per page.
- **Premier Access.** Our Premier Access users receive valuable additional information and features that are not available to Basic Access users. With Premier Access, users have the ability to create and save customized Filing Monitors with detailed descriptions of all the rate, rule and form filing activity in a state for particular product line and/or company, allowing users to systematically monitor their key competitors. Premier Access users also have the option to receive e-mail notifications alerting them of any filing activity by the companies and products included in their customized Filing Monitor. Premier Access users are able to preview, for free, key pages of insurance company filings. In addition, filings can be downloaded and/or viewed at a discounted per page charge. Perr&Knight offers two enhanced versions of the Premier Access Filing Monitor Service: Gold and Platinum. Premier Access Gold Service (formerly called COMP) users can download and/or view an unlimited number of filings added to www.RateFilings.com since July 1, 2007 for free. Premier Access Platinum Service users have free access to the complete library of filings on www.RateFilings.com and can download and/or view an unlimited number of filings at no charge.
- **COMP Pro (Competitive Online Monitoring Program).** Perr&Knight's COMP Pro service allows companies to monitor the rate, rule and form filing activity of key competitors for a fixed

annual fee. Subscribers to this service provide Perr&Knight with a list of their target competitors, product lines and states. Perr&Knight obtains all publicly available filings fitting a subscriber's criteria on a monthly basis, or more frequently for some states, and provides them to the subscriber via www.RateFilings.com at no additional per page charge. We guarantee that our library will contain all the publicly available competitor filings that fit a subscriber's criteria.

For the rare filing that is not on www.RateFilings.com, Perr&Knight can research and obtain any publicly available filing at the request of a client. In addition to obtaining filings, Perr&Knight's experienced research team can assemble and provide complete rate manuals and forms libraries (policy, endorsements, etc.).

Publications

Perr&Knight offers a number of publications that provide executives, product managers, underwriters, marketing professionals, analysts and other insurance professionals with key information on the insurance marketplace. These reports are prepared by our industry experts. Our most popular reports are shown below:

- **Market Focus Summary.** This report presents a high-level overview of the profitability and competitiveness for a particular line of business. It includes several key profitability indicators, such as loss ratio, combined ratio, rate filing activity and market share, for the top 10 writers combined on a nationwide basis for a given line of business. The Market Focus Summary Report also provides descriptive information on each of the top 10 writers, and compares them to each other. In addition, the report contains Perr&Knight's expert observations on the information provided in the report as well as commentary on trends and issues currently affecting the line of business nationwide. The report is fully updated annually, while the trends and issues section is updated more frequently in order to capture the latest developments in the marketplace.
- **Market Focus State.** The report presents an overview of the profitability, competitiveness and regulatory environment for a particular line of business in a single state. It includes several key profitability indicators, such as loss ratio, combined ratio, rate filing activity and market share, for the top 10 writers combined for a given line of business in a given state. The report also includes key demographic information for the state, as well as a number of standard market basket rate comparisons for the top competitors. In addition, the Market Focus State Report presents information regarding the state's regulatory environment, including the filing law, residual market, premium tax, and proposed legislation. The report is fully updated annually, while the market basket comparisons are updated more frequently in order to capture the latest rate information available.
- **Competitor Focus.** The Competitor Focus Subscription Service provides information on a single insurance company at the state and product level. Subscribers will be able to access general information about an insurance company including their history, target market, financial rating and recent news. Market and profitability information pertaining to a particular line of business, such as market share, loss ratio and premium volume will also be included. The Competitor Focus subscriber will be able to view an up-to-date comparison of the insurance company's rates to the larger writers in a given state for a number of standard market baskets. The Competitor Focus subscription will also contain detailed up-to-date product information, including rates, limits offered, discounts, fees, etc. Subscribers will also have access to insurance company documents including policy form libraries, rate manuals and product filings. The information in the Competitor Focus Subscription Service will be updated continuously as new data becomes available. Subscribers will be alerted when the information is updated.
- **Custom Competitor Focus.** Should a client wish to review Competitor Focus information for an insurance company not covered by our standard subscription service, we can provide a customized version of the subscription for additional companies upon request. Competitor Focus can also be customized to include alternative market baskets or geospatial analyses to address a particular client's needs.

- **Rate Benchmark.** The Rate Benchmark Subscription Service provides a series of market basket rate comparisons for the largest writers for a given state and product. In addition, the report contains Perr&Knight's expert observations on the rate comparisons, including the competitiveness of the rates for various segments of business, such as territory and class. The information in the Rate Benchmark Subscription Service will be updated continuously as new data becomes available in order to ensure that the rate comparisons remain current. Subscribers will be alerted when the information is updated.
- **Custom Rate Benchmark.** Should a client wish to review Rate Benchmark information for an insurance company not covered by our standard subscription service, we can provide a customized version of the subscription for additional companies, including the client, upon request. The Rate Benchmark Subscription Service can also be customized to include alternative market basket or geospatial analyses.
- **RateWatch.** Through RateWatch, insurance companies can monitor rate change activity by state and company for the top 10 insurance groups. There are two available publications for RateWatch, the State Report and the Company Report. Each report contains five-year history of rate change activity, weighted average rate change for the state or company, and market share information.
- **California Workers Compensation Rate Guide.** The California Workers Compensation Rate Guide contains the loss costs multipliers, class deviation factors, schedule rating maximums/minimums, expense constants, as well as the version of bureau pure premiums adopted for all carriers in the state of California. This report is updated monthly to ensure that the most recent rate information is reflected for all companies.
- **Coverage Comparison.** This report contains a comparison of key coverage provisions of the largest insurance companies writing a particular product line in a given state. The comparison is presented in matrix format in order to highlight the key differences between each competitor. It allows readers to review how the largest writers are competing by differentiating their policy forms.

Data Services

Perr&Knight's data services practice has a wealth of experience providing services to the property & casualty insurance industry. Our data services consultants include information technology experts as well as other professionals pursuing accreditations from the CAS and the Insurance Data Management Association ("IDMA"). Several of Perr&Knight's consultants previously worked at statistical reporting agencies, including the National Council on Compensation Insurance ("NCCI") and the National Independent Statistical Service ("NISS"). Perr&Knight also participates in various industry conferences including Insurance Accounting & Systems Association's ("IASA") annual conference and the annual ISOTECH conference. In addition, our data services leadership has participated on the NISS Technical Advisory Committee.

Our data services practice provides insurance companies with the insight and data management expertise to tackle any size data project. Perr&Knight's data services consultants can work with our clients' internal information technology staff and database administrators, as well as third-party technology vendors, to develop data requirements, perform gap analyses, integrate data, create centralized data warehouses, and fulfill statistical reporting requirements.

Data Requirements & Gap Analysis

Perr&Knight can work with a client to develop and document a comprehensive set of data requirements for accounting, policy, claims, and management systems. We can compare the data requirements (including external requirements with respect to bureau reporting) to the applicable system data dictionaries and perform an analysis to identify gaps in the data captured by the system. Our resulting gap analysis provides a complete list of required system revisions which helps companies limit piecemeal system changes that can be costly and inefficient, thereby reducing system maintenance costs.

Data Integration

Typically, insurance companies have multiple systems to handle multiple tasks, such as policy issuance, claims management, and billing. In many cases, these systems have been developed by different generations of in-house staff or third-party vendors and use different platforms, contain inconsistent data elements and are not easily integrated. Perr&Knight's team of database architects and analysts can solve our clients' data integration problems through the following:

- Reconciliation of disparate data elements
- Data validation and data scrubbing
- Migration of legacy data to a new system
- Integration of multiple systems

Perr&Knight is also experienced at creating and maintaining data conversion utilities, using internally-developed SQL scripts and third-party ETL (extract, transform, and load) tools.

Data Warehousing

Perr&Knight employs data management experts with deep insurance industry knowledge. As a result, we have the skills necessary to assist companies with the following data warehousing functions:

- Comprehensive design of their internal data warehouses
- Hosting client data in a secure environment
- Integration of disparate data sources into a consolidated data warehouse while preserving data integrity

Statistical Reporting

Perr&Knight's data services practice blends years of statistical reporting experience, technical expertise, and data management best practices to provide a comprehensive statistical reporting solution. Our reporting services can be utilized by any property & casualty insurance group or company, even those writing business through Managing General Agents ("MGAs"). We have the ability to report statistical data

for all personal and commercial lines of business to all state DOIs, rating bureaus and statistical agents, including the following organizations:

- AAIS – American Association of Insurance Services
- ISO – Insurance Services Office
- ISS – Independent Statistical Service (formerly known as NAI)
- NCCI – National Council on Compensation Insurance
- NISS – National Independent Statistical Service
- SFAA – Surety and Fidelity Association of America
- TICO – Texas Insurance Checking Office

Our consultants review client data extracts and perform (or help our clients perform) the necessary format conversions to create statistical files suitable for submission. Perr&Knight collects and compiles statistical data extracts, identifies errors or inconsistencies in the data, and assists our clients with error correction until the data meet the applicable quality standards. We then prepare the required transmittal documentation and make timely submissions to the reporting entities on our client's behalf.

In addition to standard reporting to statistical agents, Perr&Knight provides the following data reporting services:

- **Statistical Bureau Alternative Analysis.** Perr&Knight consultants can assist companies in selecting or changing a statistical agent to minimize the cost and strain that comes with regulatory reporting. As part of this service, Perr&Knight can provide cost comparison analyses, data element comparison reports, and feedback from other companies regarding their experiences with each statistical agent.
- **Initial Reporting Setup.** When companies enter new lines of business, new jurisdictions or change statistical agents, initial setup is needed to ensure compliance with submission requirements. To assist with their initial setup, Perr&Knight can examine a client's database with its associated table layouts. We then compare the results of our examination to the statistical agent's reporting requirements to identify missing or inconsistently defined data elements.
- **Annual Statement Reconciliation.** Our data services consultants can reconcile statistical data to a company's annual statement as required by regulatory bodies. Further, we can reconcile statistical data to monthly financial registers for early identification of potential discrepancies with aggregate financial information reported on the annual statement.
- **State Special Data Calls.** In addition to standard statistical reporting requirements, state regulators often require insurers to respond to special data calls which may include requests for financial, assessment, and policy/claims data. Perr&Knight can prepare, consolidate and submit responses to these special data calls on behalf of our clients.
- **Reporting Requirements Monitoring.** Perr&Knight closely monitors DOI, rating bureau and statistical agent bulletins, circulars and websites for issued data calls. For each data call issued, we summarize key information (including due dates, states, lines of business, and data call documentation) and post it on www.Stat-Reporter.com, a secure website we developed, through which clients can organize data reporting requirements and track data call submissions.

Management Consulting

Since its founding in 1994, Perr&Knight has worked with hundreds of clients in all aspects of insurance company operations including claims, underwriting, distribution, finance, product management, regulatory compliance, reinsurance and technology. Our management consultants possess project management and process improvement credentials, advanced degrees from some of the country's leading universities and have been featured speakers at various industry conferences. Perr&Knight's management consultants collaborate with a network of subject matter experts including on-staff professionals and business partners with in-depth knowledge of the property & casualty industry.

Our management consulting practice communicates the latest ideas in insurance company management through the *Journal of Insurance Operations* (www.JIOps.com). The *Journal* is a periodical designed to provide senior management with information on important innovations in the management techniques, organizational designs and enabling technologies that characterize excellent insurance operations. The *Journal* delivers articles of interest from some of the industry's leading thinkers, providing its readers with critical insights, information about operational best practices, and other timely, relevant information.

Perr&Knight's Management Consulting practice helps our clients confront critical organizational issues that inhibit growth and increase costs by designing effective solutions for operational challenges, technology challenges and personnel challenges. Furthermore, our management consultants can work with company management to implement the organizational changes that accompany these solutions by fostering sponsorship, ensuring effective communication and aligning incentives with proper performance.

Solutions for Operational Challenges

Perr&Knight offers an array of services designed to evaluate and improve insurance company operations. Our clients rely on Perr&Knight consultants for their deep domain knowledge and command of tools and methods that facilitate improvements to operational processes. Operations consulting services include the following:

- **Process Assessments.** We can perform in-depth reviews of our clients' operations to understand the interactions between activities, staff members, departments and third parties. The resulting process assessments uncover the root causes of errors, lengthy cycle times, excessive handoffs, rework and other wastes in operational processes. In addition, we examine how automation, new technologies or resource reallocation impact those processes using simulation techniques. By first simulating operations, we reduce the risk of costly mistakes by analyzing process changes in a software environment before they are actually implemented. The results of our assessments yield specific recommendations to improve process accuracy and efficiency, thereby reducing costs. Further, we work with our clients to implement our recommendations, and evaluate post-improvement results to demonstrate the value of continuous improvement practices.
- **Outsourcing Assessments.** For those companies evaluating the merits of outsourcing, Perr&Knight consultants examine the feasibility of engaging third parties to assume certain internal processes. To do so, we create a detailed process model of the current state of operations and compare it to alternative models that include outsourced components. Like the process assessments we perform, outsourcing assessments uncover critical operating flaws that prompt specific recommendations for improvement, and also evaluate the impact of outsourcing alternatives. Deliverables from an outsourcing assessment include a comprehensive report, including a cost-benefit analysis, detailing the anticipated effects of process modifications, technology and outsourcing strategies, as well as an in-depth work plan for implementation. We are also available to provide implementation assistance throughout the outsourcing transition process.
- **Organizational Alignment.** One common challenge insurance companies face is a misalignment of corporate interests with those of customers and employees. Perr&Knight can perform a top down review of corporate goals and objectives to identify conflicting priorities within the organization that inhibit growth, impede production, increase operating costs and lower customer

satisfaction. Our management consultants then make specific recommendations for reconciling conflicts to achieve an alignment of interests across the organization.

Solutions for Technology Challenges

Technology is a critical and integral part of an insurance company's operations. In addition, technology is continually evolving over time. Effective enterprise-class systems that leverage the latest technological advances are key to a company's competitiveness in that they enable efficient operations, promote good agent relationships, and lead to high customer satisfaction and retention. At some point, all insurance company executives face important decisions regarding their companies' technology, including whether to build a new system, purchase an off-the-shelf system or enhance their current system. To help insurance companies manage their technology, Perr&Knight offers the following services:

- **Requirements Gathering.** Perr&Knight's business analysts employ best practices for gathering, organizing and communicating requirements critical to the success of system enhancements or new system deployments. Our analysts gather technical, quality-of-service, functional and usability requirements by assembling groups of stakeholders in multiple onsite workshops and developing use cases – step-by-step narratives that describe the way users prefer to interact with a given system – that remove the ambiguity often found in traditional requirements documents. The resulting requirements documentation prepared by Perr&Knight provides a comprehensive, unambiguous roadmap for system development teams, as well as an excellent foundation for evaluation and user acceptance testing.
- **Vendor Selection.** The process of selecting an enterprise-class system is a costly, time consuming, risky undertaking for an insurance company. There are dozens of vendors offering off-the-shelf systems in each major category of insurance operations support, including producer management, policy issuance, claims management, billing, reinsurance, accounting, business process management and business intelligence, among others. To help our clients navigate through the vendor selection process, we have devised a straightforward and thorough method that matches their specific needs with the best-suited products and services. As part of our vendor selection service, we develop and distribute comprehensive requests for proposal, evaluate the subsequent responses, organize product demonstrations and assist in contract and service level negotiations.
- **Implementation Support.** Systems implementations must be completed on time, within budget and according to specifications in order for an insurance company to realize the expected benefit of their investment. Consequently, a credentialed, experienced project manager with adequate staff is essential. Unfortunately, insurance companies and technology vendors often find themselves with resource constraints as they initiate enterprise system implementations. For companies contemplating system implementations, Perr&Knight offers expert project management support. Our team of independent, credentialed project managers has extensive experience and a successful track record with large scale insurance systems implementations. We can also provide business analysts and programming resources to augment client and vendor teams, reduce project risk and increase the chances of a successful outcome.

Solutions for Personnel Challenges

The lifeblood of any organization is its people. As a result, the ability to recruit and retain the right employees is critical to every company's success. Companies that excel in the marketplace get the best from their people by investing heavily in their development and adopting practices that attract talented employees, facilitate effective work and sustain morale. Keeping employees focused, motivated and informed is a key challenge for company management. To confront this challenge, Perr&Knight offers the following services:

- **Hiring Practices.** Staffing an organization effectively is often the number one challenge to company management. Perr&Knight can work with companies to develop consistent, organized hiring practices that result in a more effective workforce. Our management consultants are skilled at writing job descriptions that accurately capture and communicate the roles and responsibilities of the position being filled. We can help companies develop a structured interview process that

effectively evaluates candidates and assesses their strengths and weaknesses as they pertain to the job functions.

- **Training Development.** Effective training practices are key to ensuring employees approach their jobs with enthusiasm, competence and consistency. Perr&Knight has deep subject matter expertise in all aspects of insurance company operations. Our management consultants can leverage this expertise to create comprehensive training programs, which include training manuals, curricula and presentations, and work with insurance company management to teach them to effectively implement these programs to develop their employees.
- **Change Management.** Any organization operating in as dynamic an industry as insurance faces significant change – changes in market cycles, changes in personnel, changes in leadership and changes in technology. Further, new processes and technologies are often met with the anxiety and uneasiness of staff members who are comfortable with the status quo and therefore resistant to change. Perr&Knight's management consultants work with company management to implement organizational changes effectively by recruiting sponsors, facilitating communication and aligning incentives with proper performance.

Regulatory Compliance

Perr&Knight's regulatory compliance practice has a wealth of experience providing services to both the property & casualty and life & health insurance industries. Our professionals include attorneys, paralegals, Chartered Property Casualty Underwriters ("CPCU") and members of the Association of Insurance Compliance Professionals ("AICP"). Perr&Knight is a Gold Level Sponsor each year at the AICP's annual conference and our professionals regularly attend conferences to stay abreast of the latest regulatory compliance issues. Our staff also actively participates in professional organizations and has held the positions of President, Secretary and Treasurer of the Western Chapter of the AICP and Southwest Region Editor of the AICP's Journal.

Insurance companies face an abundance of regulatory compliance requirements in their day to day operations. These requirements are often addressed through product design, licensing, statistical reporting, bureau monitoring, and rate, rule and form filings. Perr&Knight's regulatory compliance professionals can assist companies as they navigate regulatory compliance requirements either on a task by task basis or as a complete outsourcing solution. By engaging Perr&Knight, companies are able to take advantage of our expertise in the industry, our positive working relationships with the DOIs and our technological innovations including our web-based tracking systems for bureau monitoring, state filings, statistical reporting and licensing. Furthermore, our clients benefit from our responsiveness, attention to detail and our commitment to documentation and regular status updates. Clients who completely outsource their regulatory compliance responsibilities to Perr&Knight benefit from a compliance staff that is scalable in size and able to quickly respond to any changes in a company's needs.

State Filings

Perr&Knight's state filings unit is the largest provider of rate, rule and form filing services in the country. We prepare and submit thousands of filings annually, more than our competitors and most insurance companies' internal state filings units. Our size gives us the ability to prepare and submit filings very quickly and work on multiple filing projects at the same time. Perr&Knight's state filings professionals have experience submitting filings for all lines of business in all jurisdictions. We are very familiar with each state insurance department's specific filing requirements. In addition, we have developed and continue to cultivate positive working relationships with insurance department personnel across the country.

Our state filings unit provides a complete, organized solution for all types of filing projects, from simple, straightforward filings such as the introduction of a single endorsement to complicated new program or rate revision filings. Perr&Knight is dedicated to providing the highest level of service and quality to our state filings clients on all of their filing projects, regardless of size or difficulty level.

In addition to the size and experience of our state filings unit, our clients also benefit from the following services unique to Perr&Knight:

- **StateFilings.com.** Perr&Knight developed www.StateFilings.com to track all of its filing projects. It is a secure website through which clients can access their filings on-line in real time in order to monitor filing progress and access filed materials. On www.StateFilings.com our clients can navigate through all current and past filing projects and download all filed documents in Portable Document Format ("PDF"). For our clients, www.StateFilings.com provides the most comprehensive documentation of their filed and approved rates, rules and forms. Allowing our clients real time access to their filing projects via the website eliminates any "black hole" concerns that companies may otherwise feel when turning their filing projects over to a third party filing service.
- **Actuaries on Staff.** Perr&Knight has 20+ credentialed actuaries on staff available to assist our state filings professionals with complex rate and rule filings. Our actuaries can assist with state-specific rate filing support requirements including California's rating template, New York's rate filing sequence checklist and Florida's RCS exhibits, as well as provide responses to rate and rule interrogatories.

- **Forms Consultants on Staff.** Perr&Knight's forms consultants can assist our state filings professionals with form filing submissions, including completing compliance checklists and responding to criticisms from the DOIs pertaining to coverage forms.
- **We Pay Filing Fees Up Front.** In many states, filing fees must be remitted with filing submissions. For some insurance companies, check requisition processes can delay submissions for days or even weeks. Perr&Knight pays filing fees on our clients' behalf and then seeks reimbursement after filings have been submitted. Perr&Knight's management fulfills state filings check requests in less than 24 hours of receipt, eliminating any delays in the filing process. Additionally, Perr&Knight has electronic funds transfer ("EFT") capabilities enabled on our SERFF account, to facilitate payment in states that accept EFT.

Bureau Monitoring

Perr&Knight's bureau monitoring service provides an efficient and cost effective way to monitor, track and analyze the impact of the numerous circulars and bulletins released each day by the various rating bureaus. We perform these services for companies affiliated with the large national bureaus as well as the individual state bureaus who advise property & casualty insurance companies on rates/loss costs, rules and forms. Our bureau monitoring services encompass all lines of business in all U.S. jurisdictions.

In order to effectively utilize a rating bureau's rates/loss costs, rules and/or forms, in a compliant manner, an affiliated company must perform the following:

- Review each circular or bulletin released by the rating bureau.
- Identify all insurance products affected by the circular or bulletin.
- Determine the desired course of action, including any associated filings, for each product.
- Prepare, submit and track any filings required by the company's response to a circular or bulletin.
- Communicate the status of resulting filings to appropriate insurance company personnel.
- Document all steps in the process to ensure compliance

Perr&Knight performs all the above items for our clients through www.BureauMonitor.com, a secure website that can be customized for each insurance company to reflect their products and affiliation profile. This website, developed by Perr&Knight, provides an organized solution for effective communication and documentation of an insurance company's response to bureau rate/loss cost, rule and form activity.

Through www.BureauMonitor.com, we provide our clients with the following:

- **Circular and Bulletin Alerts.** Perr&Knight issues alerts that summarize each circular or bulletin, inform the company of any required action including filings, identify the programs affected, and assess the impact on each program. The alert typically contains a link to the specific circular or bulletin. In addition, the company has the option of receiving e-mails, daily or weekly, informing them of the number of alerts by bureau over various time periods.
- **Online Access.** Our website, www.BureauMonitor.com, serves as a central location through which clients can track, communicate and reference their bureau activity on-line in real time, rather than communicating bureau activity to company personnel haphazardly and tracking the information via spreadsheets.
- **Filing Tracking.** The website's "Company Filings" page allows our clients to track filings submitted in response to bureau circulars. Information on the Company Filings page can be sorted by filing type (e.g. rates, rules or forms), adoption method (e.g. delay adoptions, adoptions with modifications), filing status, effective date, etc., and downloaded to a spreadsheet. The website also offers the ability to add customized fields so that the Company Filings page can be tailored to meet a particular company's tracking needs.
- **Searches.** The search capabilities of the website allows our clients to filter and group together related bureau circulars, and to search circulars by key word, reference filing number, state, line of business, etc. Each user can save the searches they use most often.

Our state filings unit often works together with our bureau monitoring unit to prepare and submit the necessary filings to adopt, delay adopt or non-adopt bureau loss/rates, rules or forms. This provides our clients with a comprehensive regulatory compliance solution for their bureau based programs.

Statistical Reporting

Perr&Knight's data services practice blends years of statistical reporting experience, technical expertise, and data management best practices to provide a comprehensive statistical reporting solution. Our reporting services can be utilized by any property & casualty insurance company, including those writing business through MGAs. We have the ability to report statistical data for all personal and commercial lines of business to all state DOIs, rating bureaus and statistical agents, including the following organizations:

- AAIS – American Association of Insurance Services
- ISO – Insurance Services Office
- ISS – Independent Statistical Service (formerly known as NAII)
- NCCI – National Council on Compensation Insurance
- NISS – National Independent Statistical Service
- SFAA – Surety and Fidelity Association of America
- TICO – Texas Insurance Checking Office

Perr&Knight prepares and submits statistical data on behalf of our clients to fulfill statutory reporting requirements. We ensure our clients' data meet the quality requirements of the bureaus and reconciles to the company's financial statements as applicable. Perr&Knight can also prepare, consolidate and submit data to fulfill special data reporting requirements of the state DOIs and underwriting associations, including financial, assessment, and policy/claims calls.

For each special data call and statutory reporting requirement, we summarize and post key information, including due dates, states, lines of business, and data requirements, on our website www.Stat-Reporter.com. This website gives our clients the ability to track all data reporting requirements and resulting data submissions in order to ensure regulatory compliance.

For more information on our statistical reporting capabilities, please refer to the Data Services section of this document.

Licensing

Perr&Knight employs a team of highly skilled licensing professionals with many years of licensing and appointment experience in the insurance industry. Our licensing professionals are familiar with each state's requirements for all types of licenses and are adept at handling virtually all licensing-related tasks. In addition, our licensing unit has built strong, effective working relationships with the various insurance departments and industry organizations.

Our licensing unit provides a complete, organized solution for the licensing requirements of all types of insurance entities, including insurance companies, insurance agencies, independent agents/brokers, third party administrators and risk purchasing groups. Perr&Knight is dedicated to providing the highest level of service and quality to our licensing clients on all of their licensing projects, regardless of size or difficulty level.

Perr&Knight's licensing services include:

- **Producer Licensing.** Our licensing professionals assist individual agents/brokers and entities (i.e. agencies) with obtaining their licenses for all types of insurance, in all U.S. jurisdictions. Our services include resident and non-resident licenses, both new and renewal. Perr&Knight also assists agencies with obtaining their certificates of authority.
- **Producer Appointments, Appointment Terminations and Renewals.** Perr&Knight assists insurance companies with individual agent/broker, agency and MGA appointments, appointment terminations and renewals.

- **Company Licensing.** We can work with both admitted and non-admitted companies to obtain their certificates of authority, change names, re-domesticate, restructure, as well as add and delete lines of business. Our services extend to captive/Risk Retention Group formations, surplus lines eligibility and New York Free Trade Zone authority.
- **Risk Retention Group (“RRG”) & Risk Purchasing Group (“RPG”) Registration.** Perr&Knight can assist RRGs and RPGs with the registration process in all U.S. jurisdictions.
- **Adjuster Licensing.** Our licensing professionals can work with both insurance companies and claims adjusters to ensure their adjuster licensing requirements are met. For insurance companies, we can identify personnel and service providers who must be licensed as claims adjusters and maintain up-to-date documentation of licenses. In addition, we can obtain and renew appropriate licenses for our claims adjuster clients.

In addition to the proficiency and experience of our licensing unit, our clients also benefit from the following qualities unique to Perr&Knight:

- **Prompt Approvals.** Our licensing unit is dedicated to obtaining the quickest possible approvals of all licensing applications. Perr&Knight submits license applications electronically, where permitted, in order to take advantage of any priority processing at the DOIs. In addition, we follow up regularly with the DOIs to check on the status of pending applications and confirm that all required materials have been received and are being reviewed. Our follow-ups continue until the application is approved and the license is issued.
- **LicenseReporter.com.** Perr&Knight developed www.LicenseReporter.com to track all of its licensing projects. It is a secure website through which clients can access their license applications on-line in real time in order to monitor approval progress and access filed materials. On www.LicenseReporter.com, our clients can navigate through all of their current and past licensing applications and download all documents submitted with the applications in PDF.
- **We Pay Application Fees Up Front.** In many states, fees must be remitted with application submissions. For some insurance companies, check requisition processes can delay submissions for days or even weeks. Perr&Knight pays application fees on our clients' behalf and then seeks reimbursement after applications have been submitted. Perr&Knight's management fulfills licensing check requests in less than 24 hours of receipt, eliminating any delays in the submission process.

Product Design & Form Consulting

Perr&Knight employs a team of highly skilled product design consultants, including attorneys, with many years of experience developing and reviewing coverage provisions for all personal and commercial lines of business. In addition, our product design team has built strong, effective working relationships with the various insurance departments and industry organizations.

Perr&Knight's product design and forms consulting services include:

- **Coverage Comparisons.** Through our competitive intelligence consulting practice, Perr&Knight's product design consultants have access to industry form filings including an extensive in-house database containing several hundred thousand filings. Our product design consultants can easily and quickly access these competitor filings in order to prepare competitor coverage comparisons for companies who are entering a new state or line of business or for companies who want to assess the competitiveness of their current forms. Our product design consultants are experienced at extracting key information from competitor form filings in order to create meaningful and accurate form comparisons that are customized to each client's individual needs. The comparisons are provided in spreadsheets and are laid out in a side-by-side grid where users can compare specific coverages (limits, options, etc.) among competitors at a glance.
- **Form Development.** Perr&Knight's product design consultants are skilled at developing form libraries (e.g. policy forms, endorsements, applications, notices, etc.) for our clients' insurance

products. Our product design consultants have experience developing both personal and commercial lines forms for both completely independent and bureau-based products.

- **Content Reviews.** Perr&Knight's product design consultants are uniquely qualified to perform a detailed review of an insurance policy form to identify ambiguities, inconsistencies, loopholes or ineffective/impractical language. Our consultants can revise a client's insurance policy form based on the findings of our review. We also provide a detailed report outlining our changes and explaining why they were made.
- **Compliance Reviews.** Perr&Knight's product design consultants have a deep knowledge of the various state regulations and DOI policies that pertain to policy forms. Our product design consultants can use this knowledge to identify controversial or non-compliant provisions in our clients' forms by state. Further, we can create and/or modify our clients' forms (e.g. amendatory endorsements, notices, application supplements) in order to ensure compliance with state insurance regulations and statutes.
- **Form Filing Support.** Perr&Knight's product design consultants have experience completing state requirements checklists and responding to form interrogatories from the DOIs in all U.S. jurisdictions for both personal and commercial lines products. By using our product design consultants on a filing project, companies can avoid excessive DOI interrogatories and speed up the form filing approval process.
- **Regulatory Tracking.** The regulatory compliance requirements an insurance company must address are subject to change as new legislation is introduced, insurance regulations are revised, case law is established and DOIs alter their positions. Insurance companies must stay abreast of these changes in order to maintain compliance. Our product design consultants track regulatory changes on a nationwide basis. We issue customized bulletins which summarize regulatory changes and provide recommended/required actions for compliance based on the lines of business and U.S. jurisdictions in a company's portfolio. Furthermore, we can help companies implement the actions to ensure compliance.

For more information, please see our website at www.PerrKnight.com or contact our Sales Department, at 310.230.9339 or via email at sales@perrknight.com.

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