



Institute
and Faculty
of Actuaries

GIRO Conference 2022

21-23 November, ACC Liverpool

#GiroConf22



Agenda

We are going to discuss what we see as key success factors for a forward thinking pricing function in the Specialty market:

- Strong, integrated **feedback loops** on performance;
- Powered by **data driven decision making** and real time monitoring;
- With agile development and **fast speed to deployment of pricing models** and model updates;
- Support by a **multi-disciplinary team** not just the traditional pricing skill set;
- Driving innovation to **streamline and simplify the underwriting process.**





Alice Boreman



- Actuarial Transformation Director
- Leads a number of actuarial transformation programmes across the globe covering a range of Reserving, Performance Management and Pricing
- Prior to joining EY lead QBE's Actuarial and Performance Reporting Transformation internationally



Tom Chamberlain



- VP Customer and Consulting hyperexponential
- Pricing and Underwriting transformation, Professional Services, Customer Success, Strategy, SaaS and Insurtech focus
- Over 20 years in Specialty and Commercial insurance
- Previously Aviva, Allianz Global Corporate & Specialty



Rob Spaul



- Head of Technical Pricing AIG
- Multi year investment to upgrade commercial pricing capability covering operations, technology, best practices, governance
- Last 10 years focused on Commercial Pricing
- Previously SCOR, WRB, WTW



Pricing Transformation – why now?

Internal challenges

- Poor historical performance
- Antiquated data & pricing tools / platforms
- Valuable talent performing low value tasks
- Data is not being harvested or leveraged
- Underwriters not receiving value adding insight
- Pricing not delivering business value it should

External pressures

- Underwriting cycle softening
- Regulatory pressure
- Competitive pressure
- War for talent

Technological developments

- Actuarial and wider technologies are evolving fast
- A new talent pool is eager to work in innovative ways
- London Market and Lloyd's digital transformation



Pricing Transformation – why now?

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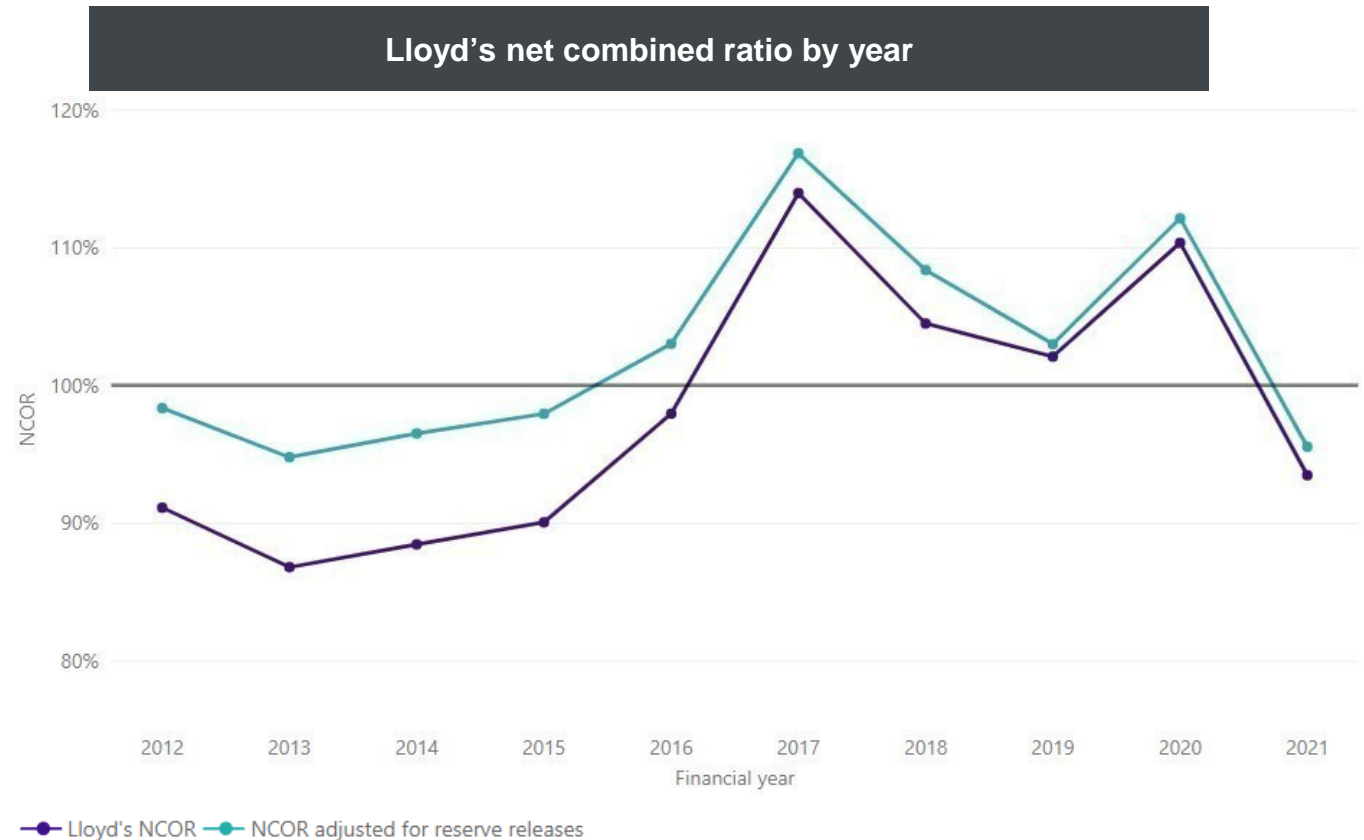
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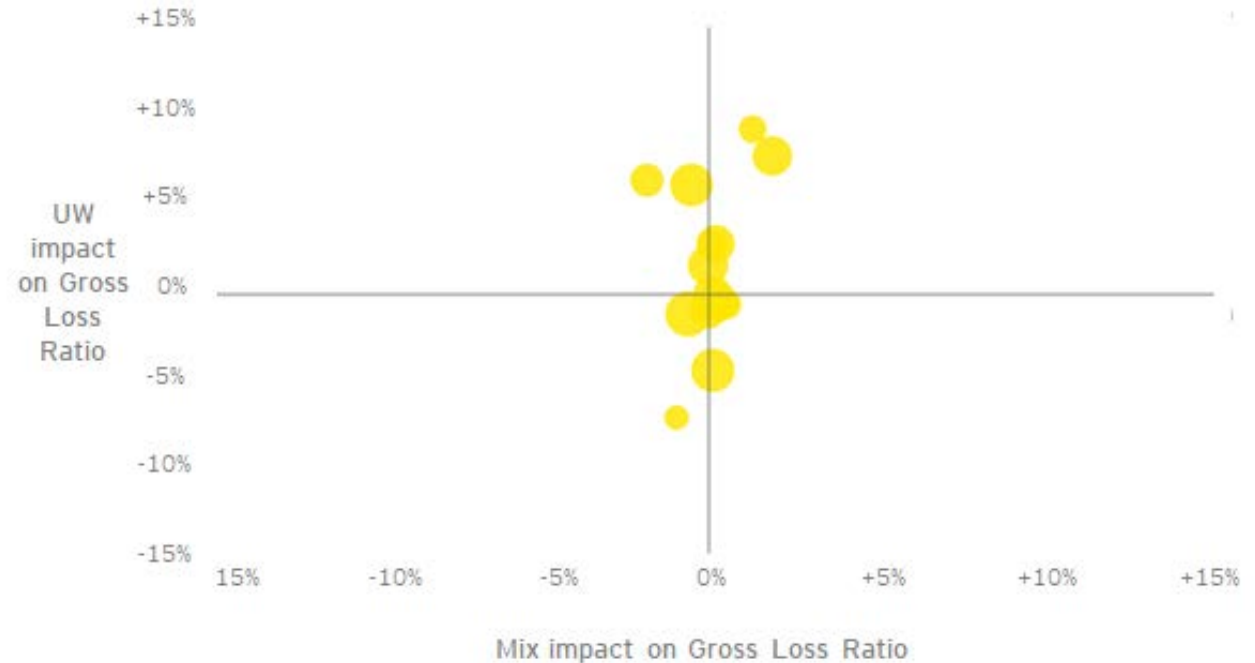
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10 Year Impact on Underwriting & Mix on Gross Loss Ratio



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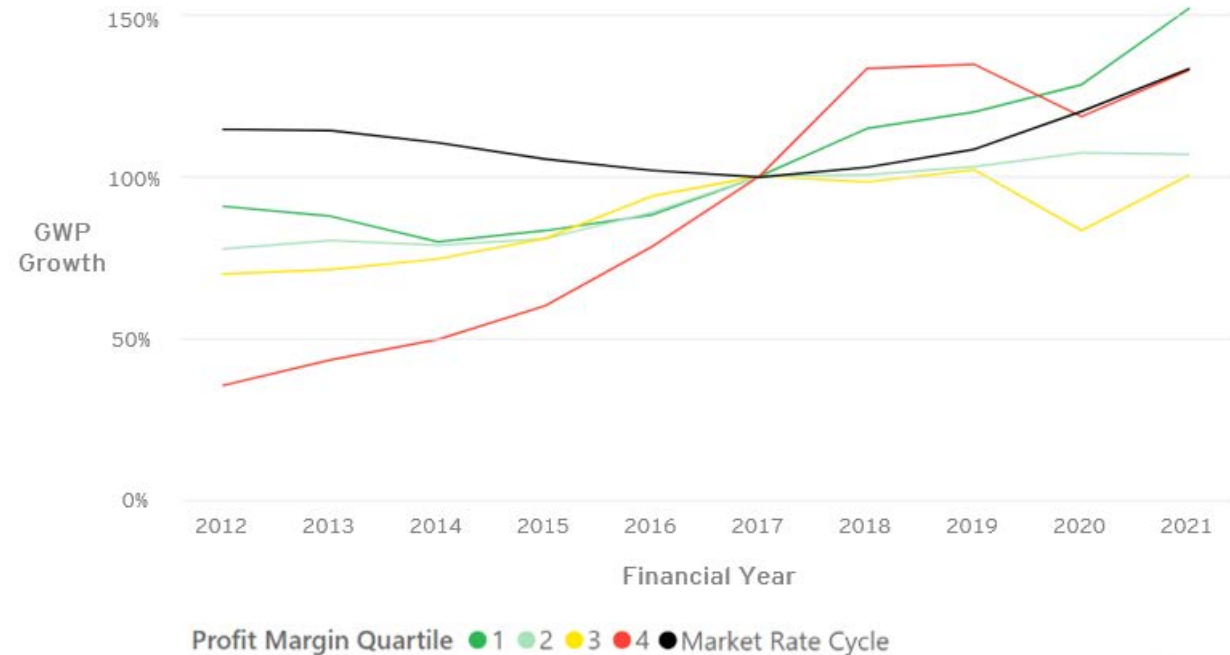
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GWP Growth vs Market Rate Cycle since the market turned in 2017



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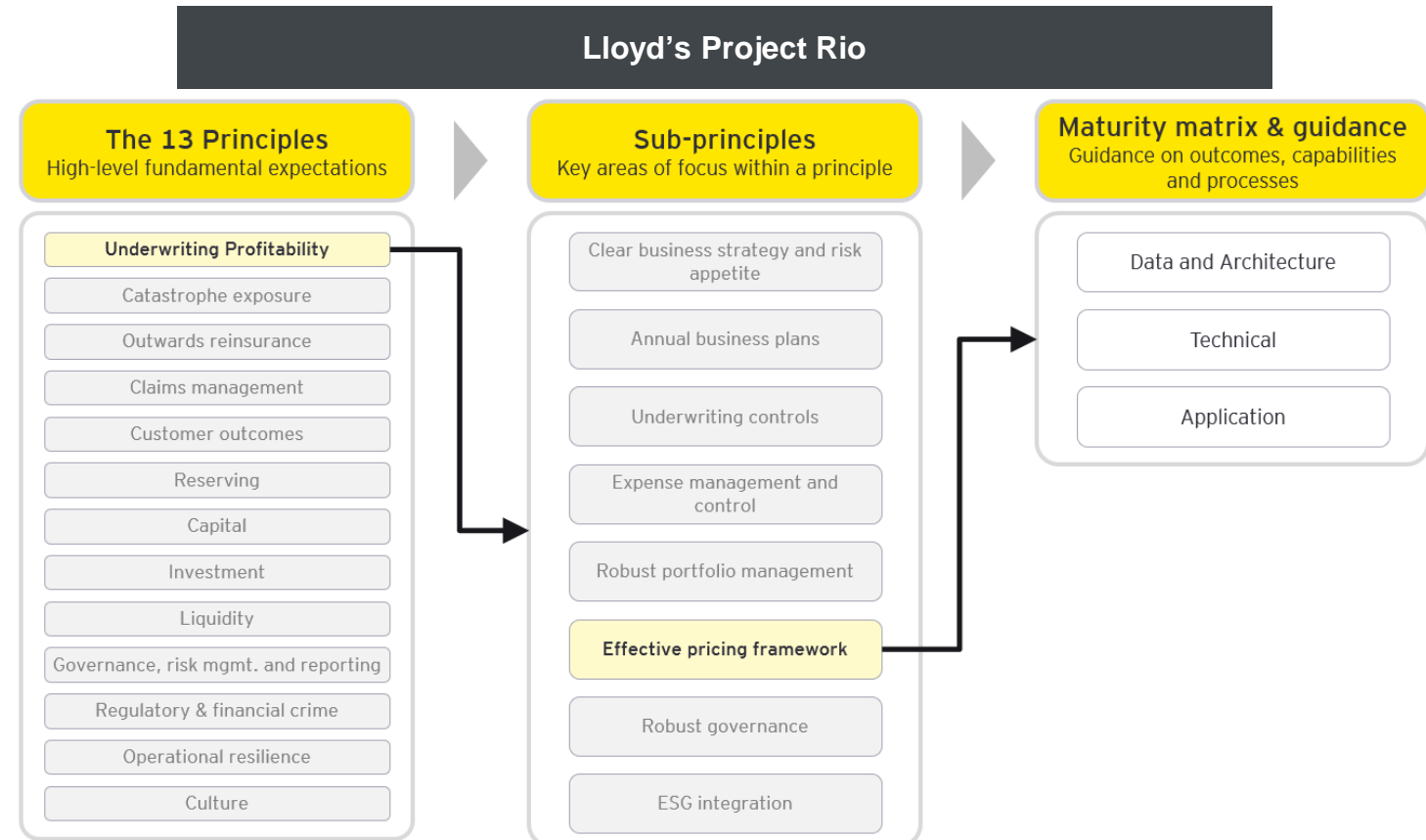
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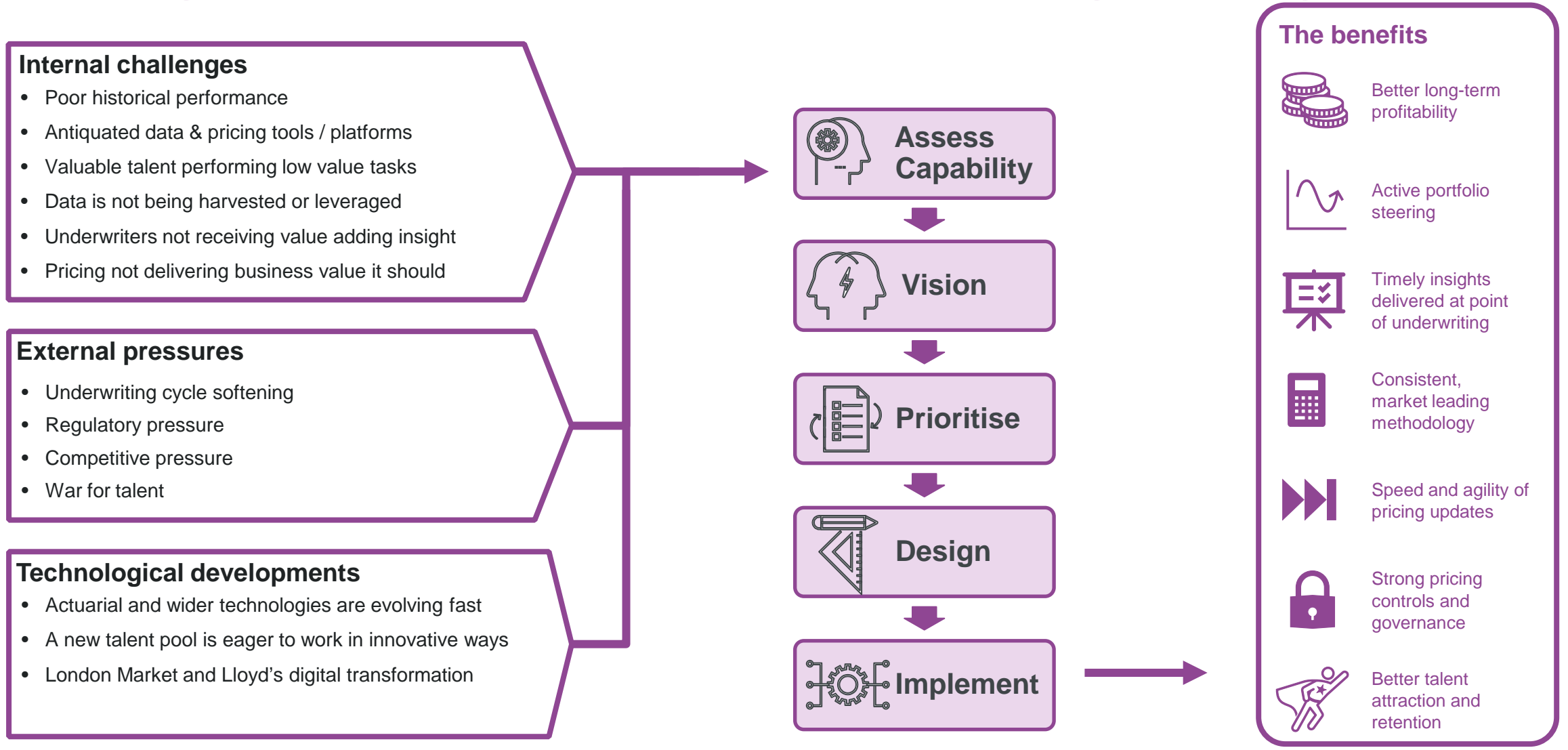
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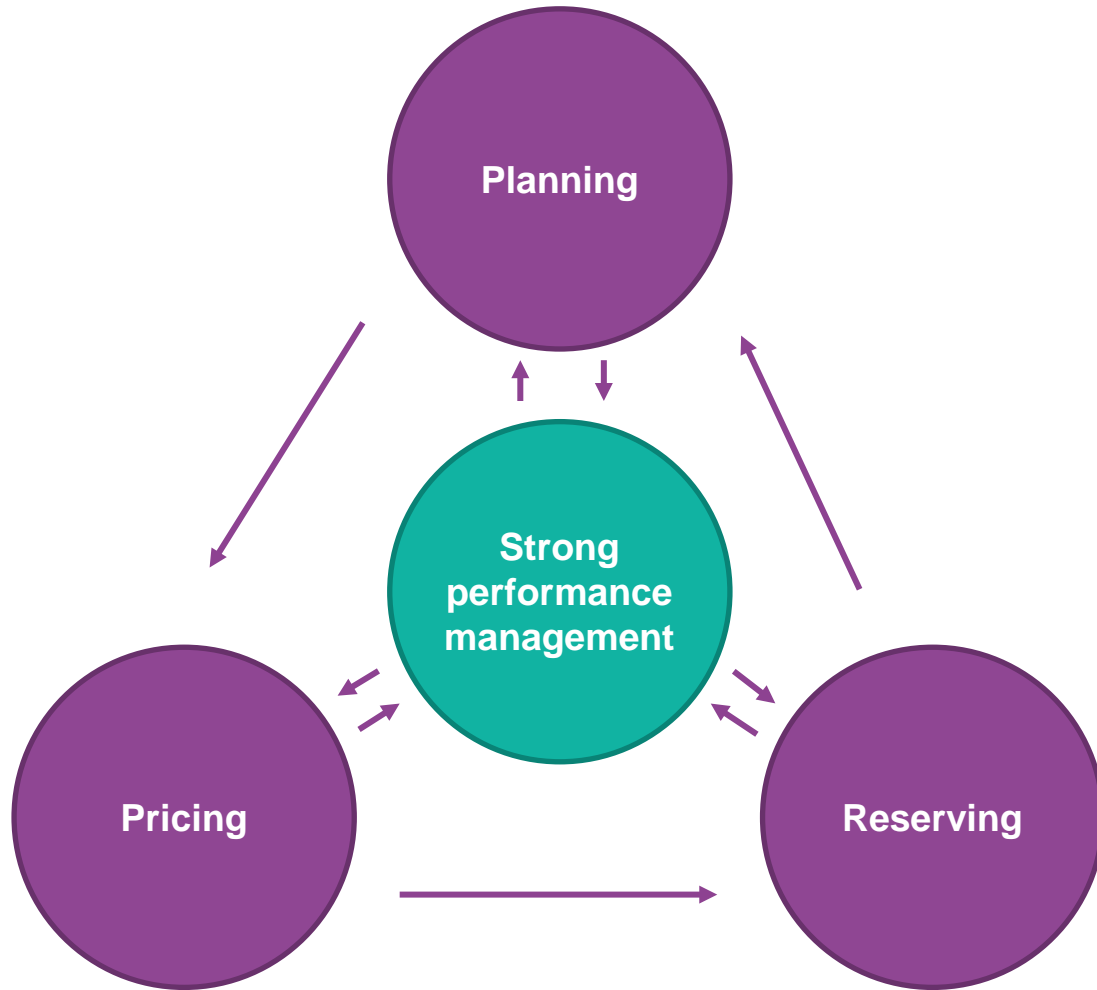


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Pricing Transformation: need for pricing strategy



Feedback loops



- It's vital the pricing team don't act in a silo and the full actuarial cycle is connected
- Reserving should be on top of the emerging trends and feed into pricing for them to react
- Pricing also provide vital insight into the reserving process in terms of how the profile of the book and its profitability changing
- BUT key to being able to do this successfully means:
 - Good data and consistent definitions across the business
 - Inquisitive teams and capacity to spend time sharing insight
 - Clarity on roles and accountability



Data driven decision making

Availability

90% of data in the world was created in the last 2 years

Usefulness

For over **300 years**, Lloyd's has been using data for UW

Ingesting

Up to **5 hours** spent on data gathering for every risk



Data driven decision making

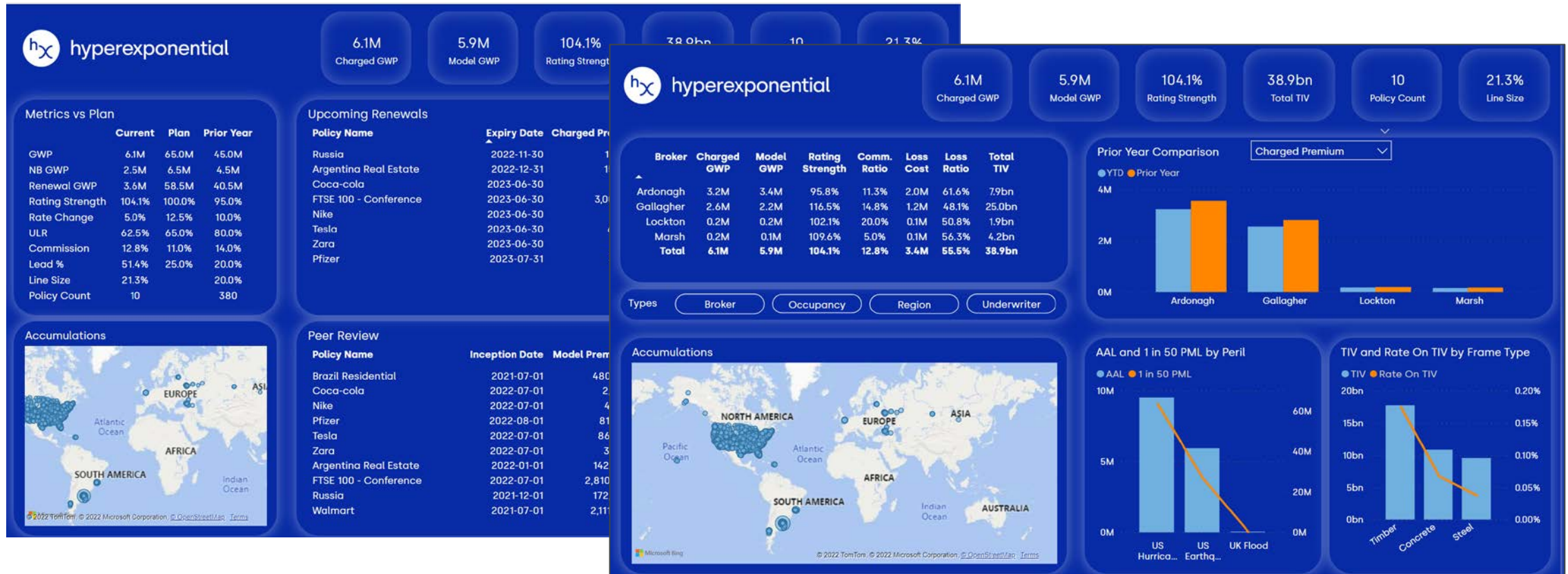
In model MI
for marginal risk
impact and
accumulations

Real time
portfolio
management
and monitoring

Projected
loss ratio
benefits of
3-5%pts



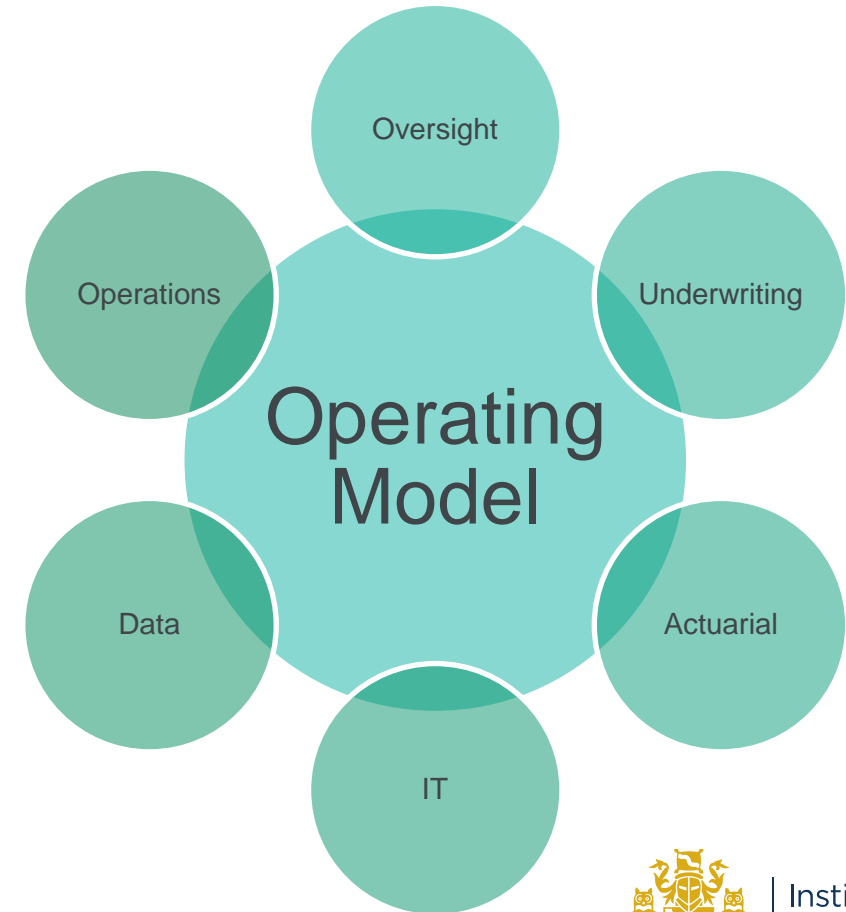
Data driven decision making



Fast paced model development

The operating model

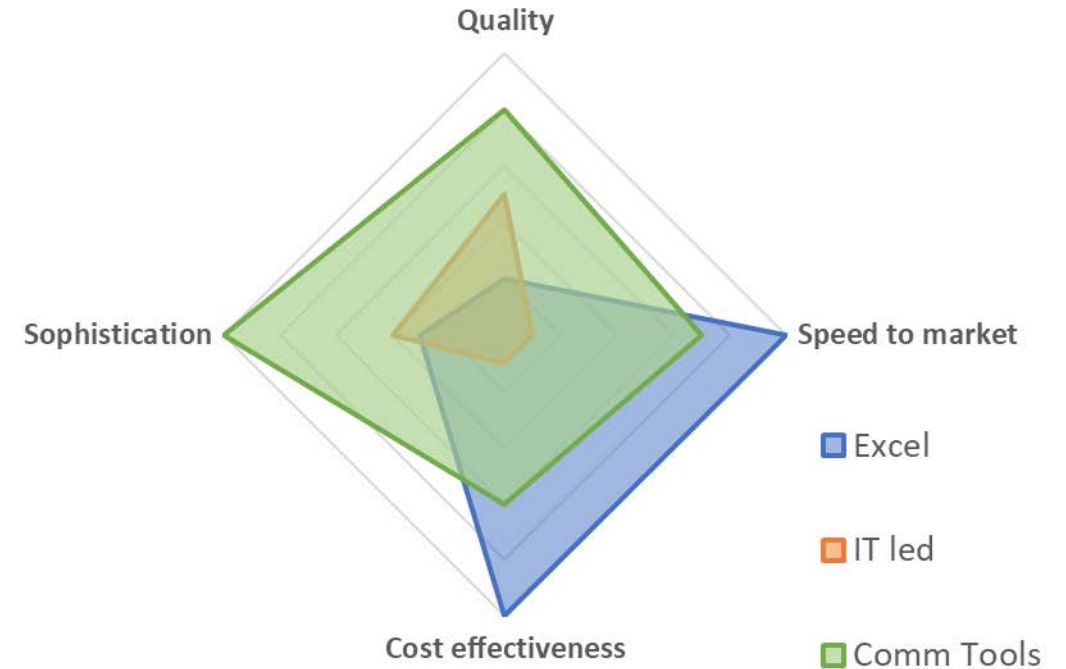
1. Must bring all the stakeholders together with clearly defined roles and responsibilities (RACI) and processes
2. Its own program, separate from wider IT/Ops structure so it has dedicated resources, budget and management focus
3. Agile project management is the way forward (e.g., Scrum, Kanban, SAFe)



Fast paced model development

The technology

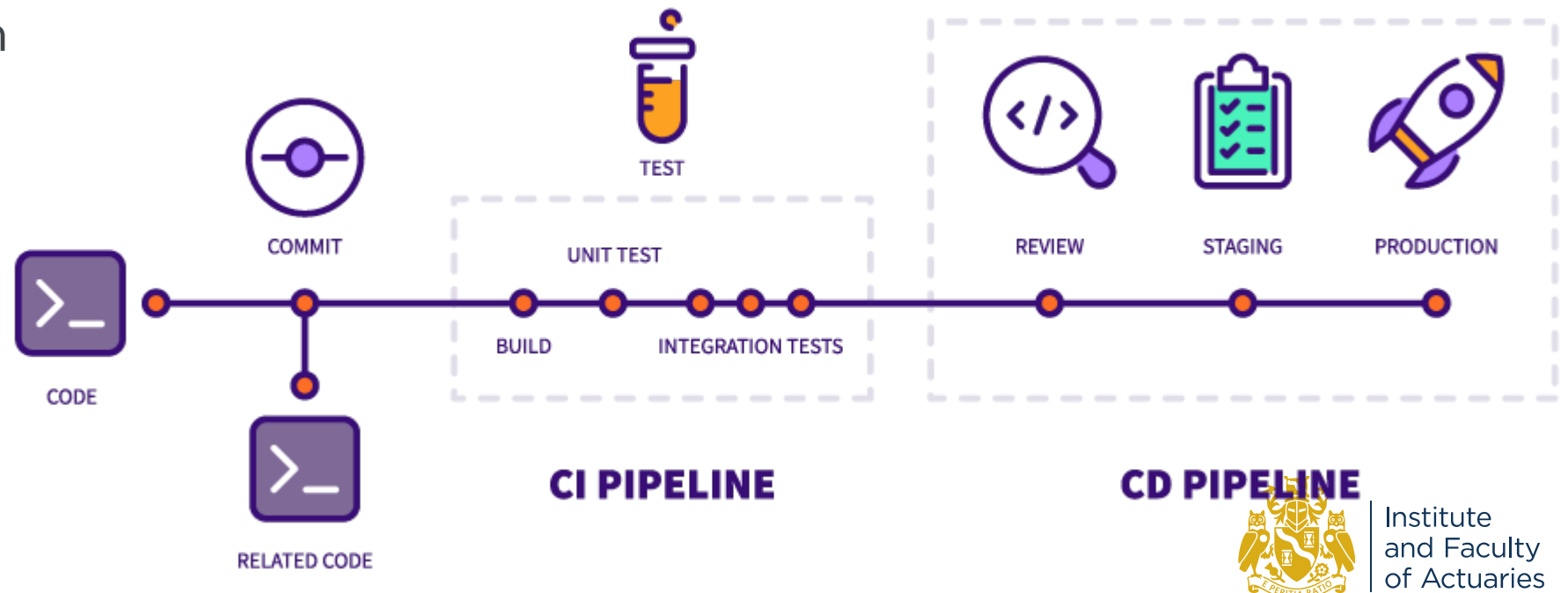
- Excel and Excel-based technologies are not the answer
- Traditional IT-led platforms require IT to operate
- Commercial pricing platforms provide faster updates and allow greater sophistication in rating
 - Use the same tool to develop the rating model AND to deploy it



Fast paced model development

Borrowing IT best practices - Continuous Integration (CI) / Continuous Deployment (CD)

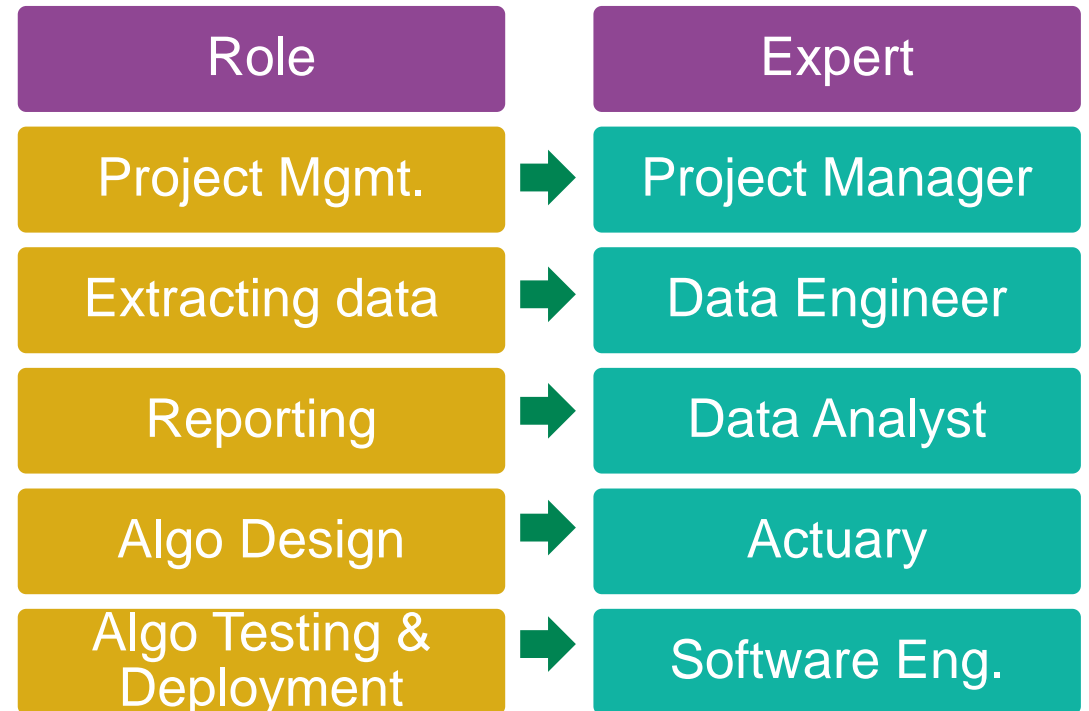
- Speed up new rater builds and deliver in smaller chunks
- Prioritise and plan in shorter chunks (sprints, iterations, increments)
- Automate testing and deployment
- Deploy and go again



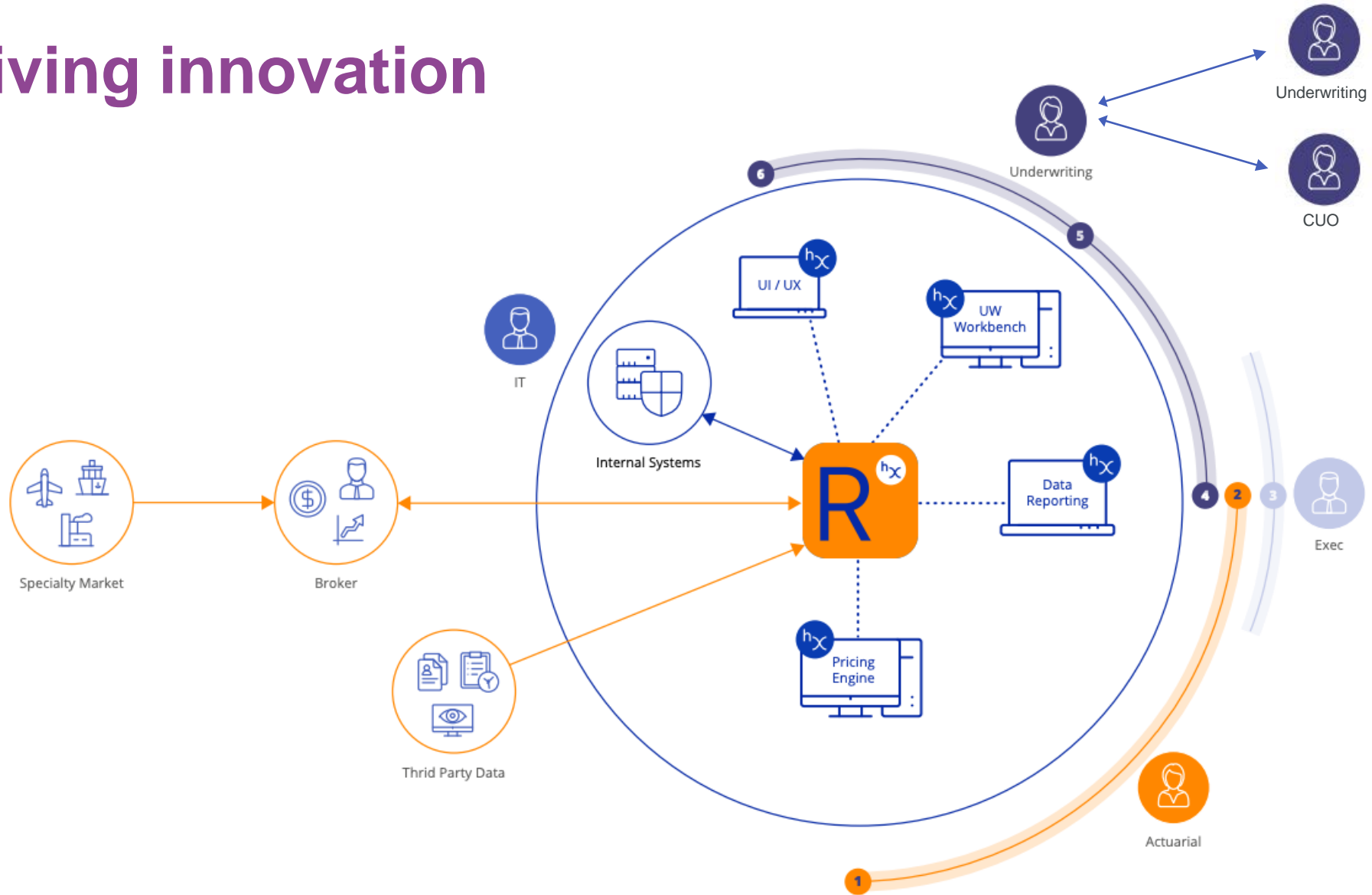
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Multi-disciplinary teams

- Work slows and errors occur is in handoffs between teams
- Better to bring experts together into a single team:
 - Aligned on purpose
 - More expertise for the job
 - Learn from each other
 - More cost effective
 - Less management time

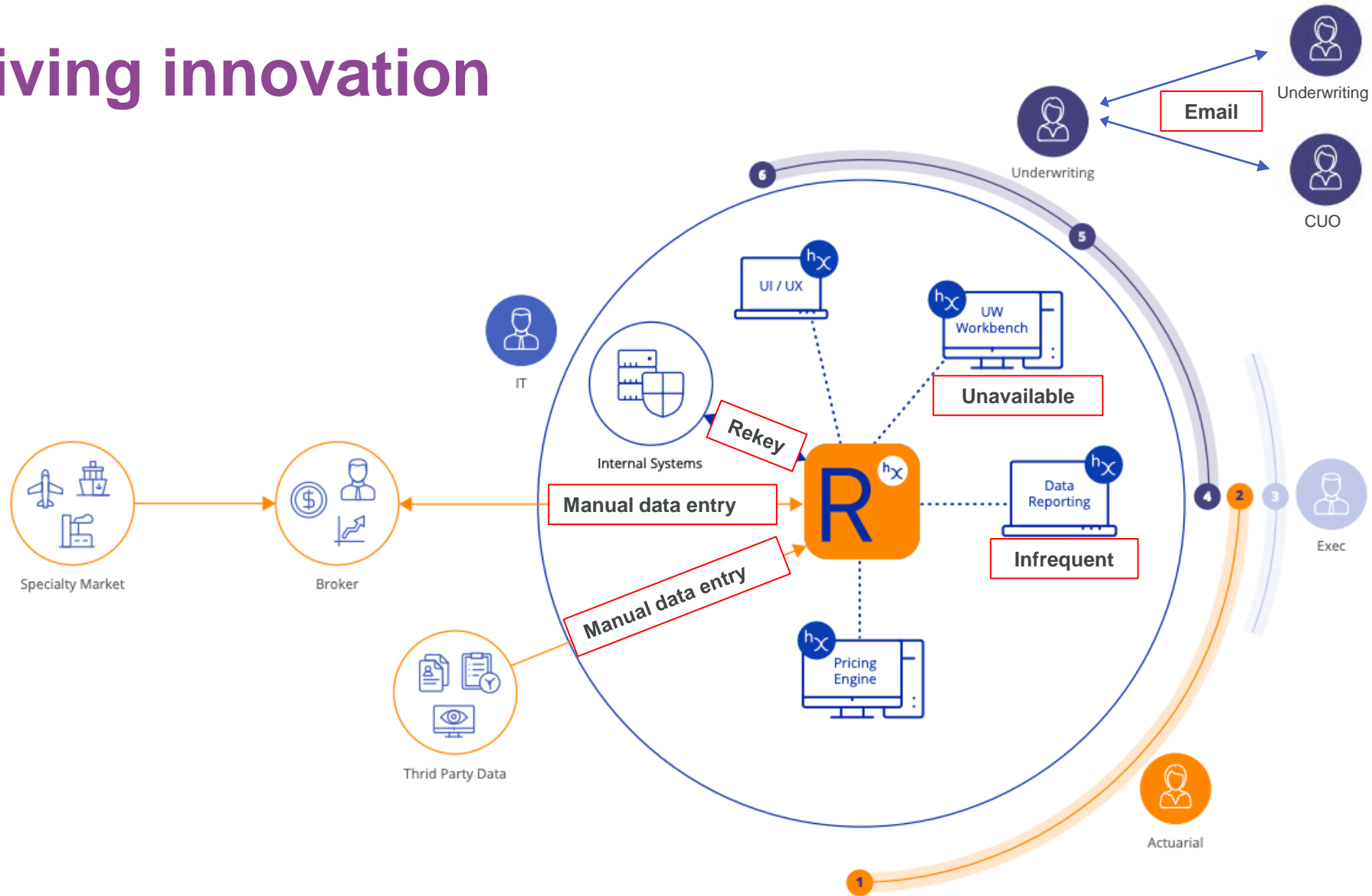


Driving innovation

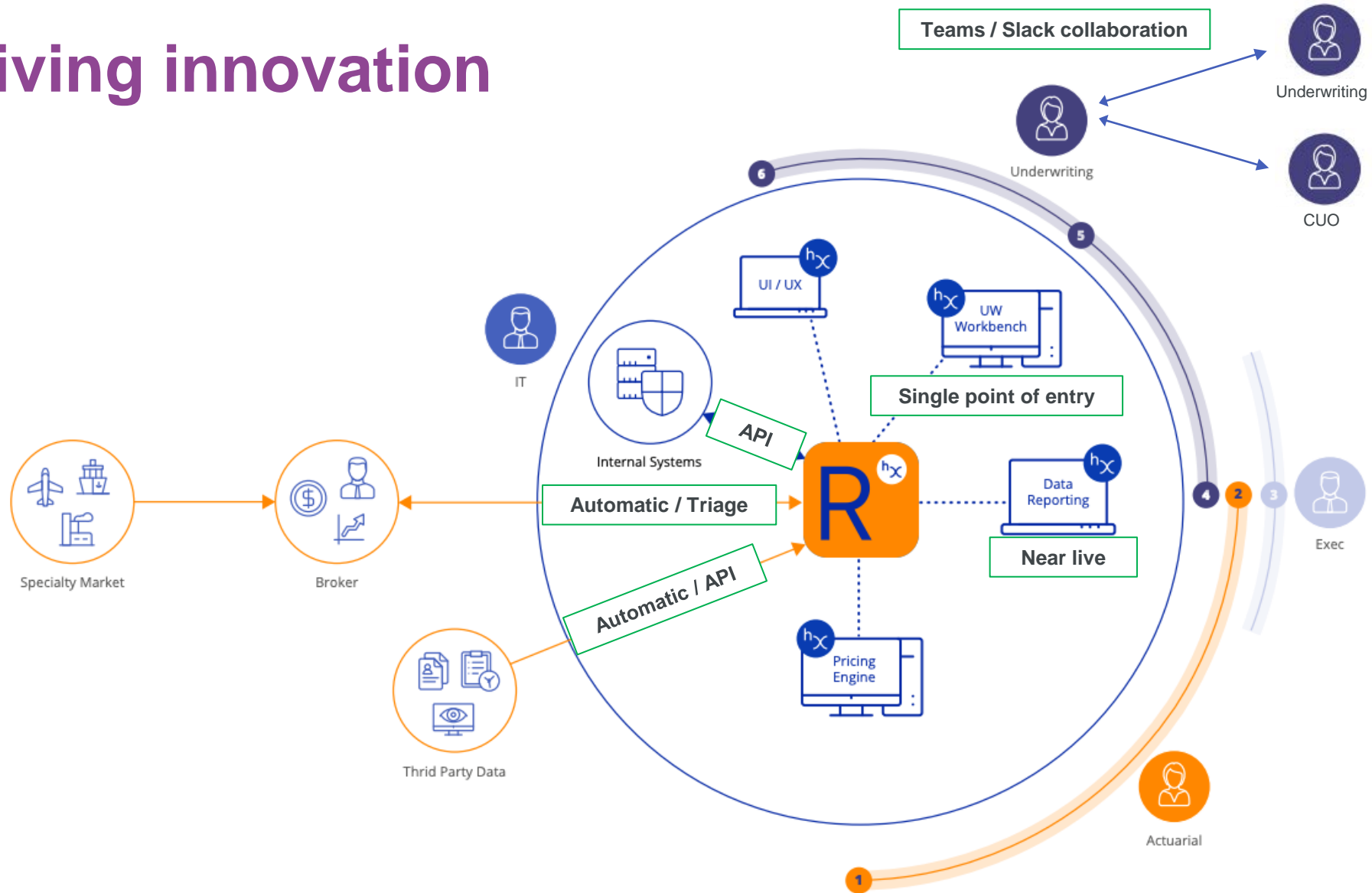


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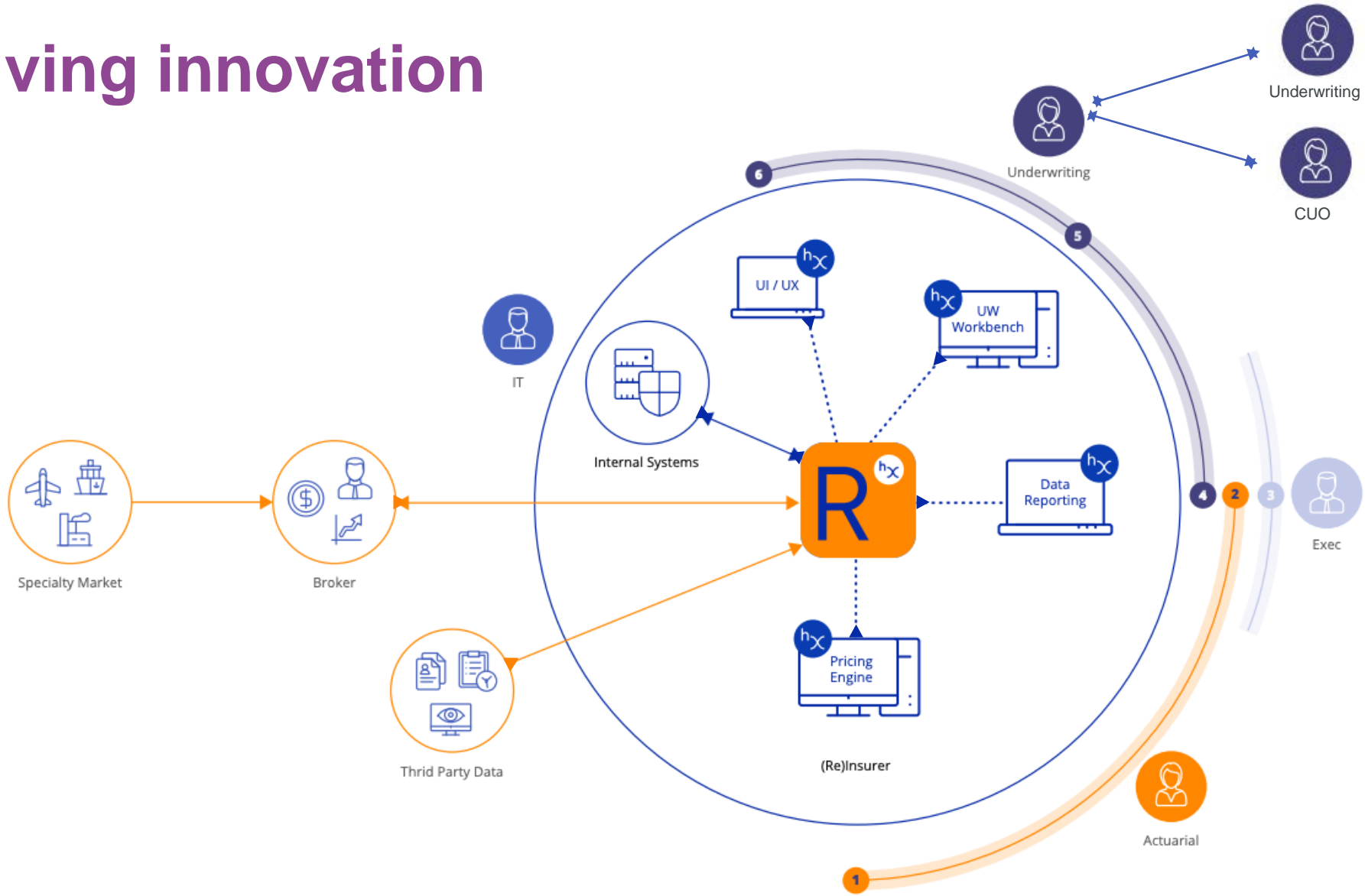
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Summary and Action

SPEED		INTELLIGENCE		CONFIDENCE	
BUILD new models faster	<ul style="list-style-type: none"> Out of the box, best practice models Databases created automatically 	DATA-DRIVEN decision making	<ul style="list-style-type: none"> Live benchmark and portfolio views Real-time rate change monitoring 	Built in AUDIT TRAILS and review	<ul style="list-style-type: none"> In product peer review Audit trail of review and approval cycles
ELIMINATING underwriter rekeying	<ul style="list-style-type: none"> Seamless integration with internal systems and underwriter workbenches. 	ENRICHED Underwriter data	<ul style="list-style-type: none"> Reduce quote times by automatically populating third-party data required for pricing a risk 	Automated TESTING and analysis	<ul style="list-style-type: none"> Automated reconciliation and regression testing Batch testing and 'what if' analysis
REFINE without friction	<ul style="list-style-type: none"> Actuaries can make changes at speed, without IT or vendor 	IN MODEL MI	<ul style="list-style-type: none"> Access model's own API allowing for the live portfolio data to be reported on within the model 	TRUSTED COMPONENTS with in-built compliance	<ul style="list-style-type: none"> Automatic compliance checking throughout model build



Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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Thank you



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- Headings and sub-headings should always be in purple and body copy and chart text should always be dark grey
- Page titles are pre-set to purple. Page text, text blocks and chart text are pre-set in the correct dark grey
- Top level bullets should be round and second level bullets should be dashes. Further levels should alternate accordingly
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- Only use a full stop at the end of a bullet list.

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