European Auto Insurance Pricing Considerations

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This paper provides a broad overview of auto pricing in Europe. The change of markets from a cartel pricing situation to complete pricing freedom is explored. Items that should be considered in developing correct rates are listed and illustrated in turn with examples from the author's own experience abroad. The list and examples are meant to help the reader avoid mistakes stemming from commonly made assumptions. Finally, an approach to pricing is suggested for success as a multinational personal lines insurer.

This paper is a discussion of my personal observations when examining European markets. My feeling is that there are two somewhat contradictory views held by most US actuaries about foreign markets. The first is that these markets are somehow exotic; the second is that they are exactly the same as the US. If either of these conflicting thoughts captures your initial impression, then I feel you are completely right. As I have become acquainted with several local markets, sometimes flirtatiously and other times with more serious intentions, similarities and surprises abound. The constant allure lies in that the unique twist will arise in a completely different arena compared to the last country or market.

One thing to take as a given, given you are an outsider, is that you need to learn as much as possible about the whole of the operation, insurance market and culture in order to understand how to price the business. There are implicit assumptions rattling around in each of our heads that say 'this type of loss is always covered,' 'direct sales works this way, ' etc. We are probably unaware of how many assumptions we hold. But if you seek a complete description by interviewing insurance company professionals in all of the functions, you will soon learn which assumptions you have been holding and push them aside.

The image of the 'international' CAS actuary seems centered on the actuary who works on the large deals or excess business. He or she may work in London market reinsurance, on international insurance programs for the likes of GM and more recently, finite and alternative risk transfer programs. The home base for this actuary could be the US or not. The actuary doing this type of business would have little opportunity to see things in a local way. Nothing allows you to get down to the grass roots of a market as effectively as examining how John Doe or Hans Muster buys insurance.

I do not claim to be an expert on any of the local markets used here as examples. That would take much more experience in each. Nor is there a claim to make any description complete. That would take a large book that would need to be updated daily. Just as the US market has constant changes through the likes of new catastrophe mechanisms, new regulations, and changes in distribution channels, so do European markets. In fact, the rate of change in continental Europe is often more intense than the US. Or at least, has that potential in the very near future. The main cause is the relatively recent change that is simply called 'deregulation' throughout Europe and most of the rest of the world.

The UK motor insurance market really cannot be lumped together with the rest of Europe. It has been deregulated much longer, is much more competitive with the domination of direct sales, and has unique coverage design. It is also difficult to say how the UK is very much like US, except that many companies have very refined rating schemes and underwriting rules driven by a tough, competitive market. This foreign market is quite fluid, partly since rates can be changed daily. Many of the pricing issues that face a US actuary everyday, due to the regulatory processes, are absent.

Deregulation

The word deregulation in Europe means that prices are no longer fixed by an industry cartel or a government agency, but by each insurance company individually. A fixed price structure was the rule in Europe (excluding the UK) until the late 80's or the early 90's depending upon what particular country you are examining. These prices were often simply called the 'tariff.' Each country had its own unique tariff and policy structure with perhaps more similarity between countries with the same language, cultural and legal roots. Coming out of deregulation, these fixed prices embraced all possibilities, being excessive in some countries and inadequate in others. Some lands had very refined rating plans based on statistical methods and data, whereas others had much rougher rating schemes and little science to back them up.

The dates of deregulation for various European countries range from the late 1980's to the early 1990's. The exception is the UK, which has been deregulated for decades. The impetus for deregulation was the formation of the European Union (EU) as an entity with free markets, which of course would preclude pricing cartels. The latest European country to get rid of cartel rates was Switzerland in 1996. While not an actual member, Switzerland has significant treaty relationships with the EU, which often means that Swiss laws must be harmonized.

Each country has its own story to tell as to how deregulation has changed the actual pricing behavior. The cartel mentality has been slow to dissipate. This is to be expected since, for insurance professionals, the whole way of thinking about their job had to change.

It is not necessarily true that deregulation of prices will make for lower consumer prices. An example is Italy, where it is well known that the rates have been too low and that auto insurers are losing money. With deregulation, Italian insurers can raise their rates to the correct level and have indeed made some upward adjustments. But can they raise them enough in the short term to stop the bleeding? Since market share is the mantra of most companies, it seems unlikely that rates will rise immediately to the correct level. On the other hand, in markets where the rates have been historically too high, there is room to slash prices and lure away customers. The question in either situation is still, what is the correct economic price level and when will it reached?

One side effect left over from the days of the cartel tariff is that there are very few local pricing experts in any of these markets today. Reinsurers seemed to be the only ones with any pricing freedom and this is the one area where the pricing knowledge is well developed. Otherwise pricing has been more or less an academic subject. This is a huge problem for companies that are suddenly openly competing with one another.

Deregulation means likewise no regulation of the prices charged to consumers. There are no filing laws.

Rate Regulation

When US actuaries learn a little bit about Europe, they think that pricing is easy since a company can charge whatever it wants. While this freedom is granted, it has yet to be taken up by writers in many markets. It must also be recognized that along side of this freedom is the uncomfortable feeling of flying in the dark. You may complain in your own company about inadequate information, but compare this to (practically) none. In the case of the US, there are the services of the ISO to provide data, which has great value despite whatever weaknesses may exist. In Europe, there is freedom but little support. There is at least one market where a reinsurer's consulting arm has developed detailed pooled data for auto pricing, but this sort of statistical service is unique in Europe.

One problem generated by the lack of regulation is the proliferation of rates used by each company. It is not uncommon to use many different sets of rates for old customers (to 'preserve' the business) and apply an entirely different set of rates for new business. There may also be new territorial designations or car classification systems arising in the meantime, meaning that coding is not even consistent. Some companies will grant discounts if a customer requests a lower rate, which makes managing the price more difficult. While the concept of greater flexibility is appealing, in an undisciplined environment you may find an undecipherable tangle of rates. Taming this beast will become a part of any pricing exercise.

Rate regulation has been a boon to the US and Canadian actuarial profession. Even though the North American filing processes are tedious, it is difficult to get around needing a qualified professional to justify the rates charged. This is perhaps another reason why the concept of pricing actuary in Europe is slow to arrive. There simply is no requirement for rates to be set by an actuary. The reality is, if a market is moving rather slowly, an experienced underwriter can make a reasonable guess at rates that make a profit. This is how much of continental Europe operates at present.

It would be a mistake to think that rate justification or regulation will never arrive in Europe. Portugal requires companies to have an actuary and is already beginning to ask insurers to prove that rates are adequate, which is only a first step. In Ireland, where court awards and premiums are very high, consumerist branches of the government are starting to get interested in rate justification. To avoid any risk of being told what to price, it would be wise for insurers to be proactive and learn to price their own business.

Distribution

In many countries you will hear about brokers for personal lines, which seems unusual for personal lines but is akin to our independent agent. There some countries in which the tied agent (exclusive agent) concept is completely unknown, such as the UK, but others in which they dominate such as in Switzerland. Similarly the level of direct sales, mostly via telephone but also the Internet, varies immensely by country. The UK has an ever-increasing portion of its sales being made by the direct channel after the entry of Direct Line and others in the early 90's.

In some countries, the insurance agent may be your next door neighbor, literally. Insurance is not only sold through the traditional professional agent or company employee. In Luxembourg, for instance, selling insurance is a way to make a little extra money. Think of Tupperware. It is hard not to buy Tupperware from your relatives. There is a lot of natural loyalty built into such a distribution system. In Switzerland, regular employees of insurance companies are actively encouraged to sell insurance on the side as well.

Other than the cost structure, there are control issues at stake in the distribution methods. With direct sales, any rating system that the systems and operators can manage can be implemented. Brokers move the business around for the best price, to keep commissions high, to keep the client loyal to him and not to an insurance company. The broker may be given the discretion to offer five to ten percent discounts in order to attract sales, which would need to be monitored and managed somehow. The brokers may also be using pricing software that forces a different sub-optimal rate structure. For example, UK brokers have created a quotation system which does not allow for prices to be quoted on the full postcode (a full postcode is somewhere in between the five and nine digit US zip codes). The direct writers, on the other hand, have full post code capability built into their quoting engines.

Distribution leads to an interesting terminology issue. Commissions are often add-ons. You might hear someone talk about a target loss ratio of 80% or 90%, or some other equally improbable sounding figure. You need to question what is included in the losses and exactly what the premium covers.

Cover/ Policies

The UK and its neighboring Republic of Ireland offer policies, which are confusingly called comprehensive and third party. There is a saying that America and England are two nations divided by a common language. Anyone who visits France would naturally expect everything to have a different name. This is also true for 'motor' insurance in Great Britain.

When a comprehensive motor policy is discussed, this simply means that all the types of loss are covered (the car is covered on a comprehensive basis). Liability losses are covered as well as theft, damage to your own car, and glass breakage. A third party only policy is just that, coverage for bodily injury and property damage caused by the insured. A third party fire and theft auto policy is in between in terms of coverage.

There are very few options on excesses (deductibles) in the UK and Ireland, but there may be mandatory excesses for certain types of drivers, applying even to third party losses. These excesses may not actually be a fixed amount agreed at purchase, as we are accustomed to seeing. Instead, it may depend upon who is driving the car at the time of the accident. A policy may state, for instance, that if an accident occurs in which the driver of the car is 18 years old, there is a mandatory excess of £300. So, if Mom buys a policy with no excess and includes her teenage son on the policy, there is still potential an excess to be applied.

The customer who chooses the comprehensive auto policy is considered the preferred customer, and additional benefits and rating features are designed to attract more of these customers. This is not dissimilar to the pattern in the US markets: customers with better loss results are often those who wish to protect their assets more fully whereas the high-risk drivers (especially the less careful driver) will select bare bones coverage needed to satisfy the legal requirements.

This design of the policy has natural implications for the price. Comprehensive and third party policies are priced separately in the best companies, modeling the individual loss types and aggregating to an indivisible premium for each type of policy. This in some ways addresses the customer profile more fully than merely adding an amount for each of the coverages purchased regardless of the combination selected. Or perhaps the best way to express it is that the UK insurers address the preferred / non-preferred customer issue in a different way.

The other European countries I have examined thus far have coverage designs more like the US. Liability coverage is purchased, although usually presented as a single coverage unlike the typical bodily injury / property damage split. A common thread is the prevalence of unlimited liability coverage or such high limits that it is practically unlimited. Additionally, one of two variations of physical damage (full or partial) may be bought. In these countries, there are several deductible options to choose from, similar to the US. Innovative insurers are adding more types of physical damage coverage to select from.

A natural implication of the unlimited coverage and fewer deductibles is that there is less need for ratemaking techniques specifically to model censored or truncated losses.

One thing that you cannot assume about other countries is that policy length is either six months or one year. There are markets where contents insurance contracts are 10 years long and auto contracts can be long term as well, up to five years. The premium is fixed at a certain level throughout the 5 or 10 years, which is only altered by movements on the bonus/malus scale (this scale is also fixed over the life of the policy). A customer must give notice well in advance of the anniversary date to break a contract and often must pay a large fee to cancel. Competing insurers sometimes pay this on behalf of the policyholder to entice them to change companies. In Germany, a premium change at the anniversary date means that the policy is now 'new', and that the customer is free to change insurer without penalty. Whereas yearly rate changes on renewals are 'business as usual' in the US, this is a very uncomfortable thought for a German insurer. A customer's reaction to a rate increase may be quite different when he is used to a level premium.

Taxes

As mundane an issue as taxes is, it has a great effect upon insurance. In some countries, there is a very high sales tax on automobiles, making your auto a very valuable possession indeed. What type of behavior or mentality would this generate? Would there be an attitude that the insurance should be cheap because the buyer has already spent so much? Would there be a greater propensity to buy very complete physical damage coverage, a willingness to pay more for that coverage than the liability?

An interesting tax issue is found in the UK market. In the not too distant past, the UK had horrendously high income tax rates. As a tax efficient way to reward employees, company cars were given to many levels of employee and are now considered a standard benefit for a working professional. The net effect of this is that the personal lines market is smaller than would otherwise be the case, and that the average personal lines driver profile may be different than what we expect.

Another tax story comes from Germany. Oscar Lafontaine, the new finance minister in late 1998 had been designing tax schemes to impose a large tax burden on German domiciled insurance companies, recognizing the hidden profits that these companies have. Some of the major players made threats to move to more tax-friendly European Union countries. In the end, the finance minister resigned (not just over this issue), but the issue of the fat reserves of German companies has now been made quite public and the end result is unknown. Certainly, the EU formation is forcing more things to be harmonized, and tax is one of them.

An interesting thing I have observed is that premium tax is often an extra. Prices are quoted and shown as premium plus the tax amount.

Car Ownership and Use

What about car ownership? It is certainly almost a truth of American society that every adult owns a car except in some eastern metropolises. It is so much a given, that it is perceived as a right, which leads to much of the politicization of auto insurance. While auto insurance is an important product line in other countries, it receives nowhere near the political or regulatory attention as it does in the US. This could be because of basic differences in assumptions, meaning basic cultural differences. Numbers are hard to come by and are not often directly comparable; so let's look at some assumptions we make.

A family living in suburbia or small town America has two cars, at least. There is one for each parent and perhaps a car for teenagers to use or a sports or other special occasion car. The parents both need cars because they both work or, if the wife stays home, she needs to drive to the market to buy large amounts of groceries once a week or to drive the children to play groups, etc. (Please forgive me if these assumptions offend, but we need to start with an example.) The work place is likely in some suburban office center, which is conveniently near some highway exit but is not (or not well) serviced by public transport. There is almost certainly no direct route of the public transport from home to work.

A couple living in the suburbs of Zurich may not have two cars. Public transit is very good, so it is not necessary to drive to work. Public transit is also seen as a way for everyone to travel, not just those who cannot afford a car (often the US attitude) or city commuting. It is safe and clean and runs throughout the day. Most work places are near public transit stops. Switzerland is much more densely populated than the US, and so requires mass transit in order not to have constant traffic jams (which it has anyway). There are many natural barriers in almost all major cities in Switzerland such as lakes, rivers, and mountains which mean fewer ways for everyone to get from A to B. Although the trends are changing, most women do not work after having children, and by tradition, marketing is a daily event with stores within easy walking distance. Factor in the much higher cost of car ownership starting from the purchase price, heavily taxed gasoline (roughly US prices time 4) and high labor costs for repair and maintenance, which makes car ownership much more of a burden. An interesting fact is that Switzerland has a relatively high level of car ownership compared to the rest of the European continent despite all of the obstacles and reasons to not have one.

I use this one example to illustrate how it may be false to assume the same level of car ownership in other countries. It may also be false to assume to what degree cars are being used to commute versus other activities, which would preclude adopting US relativities for type of use.

Reserving

With a US background it was difficult at first to see how the completely different rules governing statutory reporting and local accounting standards would have such a large effect on pricing automobile insurance. Reserving to the best estimate is a given in the US market, with some rather limited latitude for conservatism or optimism. This practice had not been the rule in other countries, which may have reserving practices which consistently under or over estimate the ultimate pay out. These could either be the statutory rules or the local convention. Obviously, the reliance upon the reserves as the correct view of reality when it is not leads to incorrect pricing. This happens in companies with little actuarial, IAS (international accounting standards) or US GAAP experience.

The Germanic countries (Germany, Austria and Switzerland) are required to have equalization reserves, the sole purpose of which is to smooth out the results over time but which are bounded at the low end by zero. Therefore, the reserves of many companies are quite fat. Equalization reserves could easily become a means of financing an all out pricing war to gain market share or to keep prices low to maintain position. Having such a comfort margin in the reserves however, means that the management's incentive to move towards better more actuarial pricing will be slow to build.

Another interesting twist is the definition of IBNR. In much of Europe, the traditional task has been to estimate the pure IBNR. Estimation of the redundancy or deficiency of the case reserving was not done. A less than full understanding of the reserve need just adds barriers to actuarial pricing.

Bonus / Malus

This is a topic to which many European actuaries have contributed in the academic literature. To the uninitiated, bonus is a discount for good claims experience and malus is a surcharge for bad. Each country has its own scale. Most insurers in a given country still tend to use the same one (some are creating their own schemes), but there are many differences country to country. Even in the UK, where price freedom has existed for a long time, you will find remarkably similar bonus systems (the idea of malus has gone out the window). The level of highest bonus in the UK (around 50 to 60%) is reached after 4 to 6 years, making it more of a marketing scheme rather than a way to truly distinguish risk. In contrast, it can take up to 25 years to earn the best rate with a German insurer. The bonus / malus systems have developed as a market tradition and the customer values highly the bonus earned. The customer is so concerned with maintaining bonus status that it had become possible to sell bonus protection profitably. An individual insurer is unlikely to abandon bonus / malus any time soon no matter what the statistics may say.

Claims Handling

We once had a data set from a European company with losses, claims handling expenses and premiums and came to the conclusion that the claims expenses were either wrong or mislabeled. This was an incorrect conclusion stemming from not knowing the facts. There was an option for the customer to hire an independent adjuster at the expense of the insurer and these expenses were often higher than the claim itself, which of course causes problems for the insurers in cost containment.

In the US, there has been a general trend toward more controlled claims handling through preferred repairer programs, glass repairers, and claims specialization, to name a few. These programs are being taken up in other countries as well. Companies with UK ties or US will likely take successful claims innovations and modify them to their markets to save money and avoid putting in rate increases.

Just like the reserving actuary, the pricing actuary needs to understand the claims handling in order to do the job right.

Legal system

Needless to say, each country has its own legal system and speed of change in implementing new laws. These new laws will impact trend picks and coverage design just as in the US. Despite the unlimited liability coverage afforded in many European countries, there is still much less of a deep pockets attitude than in the US. However, other countries are busy catching up with American ideas and ideals and unfortunately, the trend toward using lawyers more often is one of them.

Other Considerations

In order to round out the checklist of what to examine when investigating another country, the following are listed with no guarantee of completeness. It is always recommended not only to interview employees of the company and examine the rate book but also to read the policy itself. Interesting facts can be found in these policies, such as a listing of the items taken into consideration in the pricing (Germany), a description of the entire bonus-malus system including the level, percent discounts/surcharges and the rules for the moving up and down the scale (many countries). All this has quite a restrictive effect on the pricing actuary.

Other things to investigate are:

Payment methods and interest
Assigned risk or other requirements to insure
Insurance regulation on price, coverage, claims handling, etc.
Rating plan
Data availability

Pricing in a Multinational Company

A company offering personal lines in many countries is much more multinational than international. International somehow implies that the boundaries have been transcended and a unified product, service or image is offered. Multinational emphasizes that we must operate within each country in a unique way, even if there are some elements that go across country borders. The multinational approach allows us to honor the local cultures, laws, distribution systems, and economy. This approach was necessary before deregulation and the creation of the

European Union and will continue to be important in order to succeed. The greater strength, however, lies in the multinational company that can also use information and intelligence from one market to the benefit of another.

We considered if it were possible or even desirable to have an ISO-type setup as a model for rate making in Europe. Would it be possible to have a center that creates rating plans that are applicable to all countries, and send them out for implementation? There is an appeal to this. After all, if the physical damage relativity from a Mazda to a Ford is X in both New York and Louisiana, why not France and Italy? A car is a car, we think, but is it? Consider that imports in the US are generally more expensive to repair than domestics. Not only is Ford an import in (most of) Europe, an Audi is a domestic car in Germany and an import in France.

While learning about the Association of British Insurers (ABI) rating used in England and observing how well they work there in ranking the cars, we considered this as an alternate tool to the ISO approach. In Ireland, the opinion was that the ABI ratings did not work there for much the same reason as ISO: English cars are cheaper to repair in England than imports. But English car parts are just as expensive as those from anywhere else, since all cars and their parts are import items in Ireland. Perhaps a tool such as the ABI rating would be more transferable if it varied the code by cause of loss, such as the car groupings in Germany do. This may be another reason the ABI does not suit Ireland. Ireland has a larger proportion of it losses in bodily injury and the ABI assignment is the same for each type of loss covered. An interesting observation is that it is more common to vary liability premium by the type of car driven in Europe than it is in the US. When modeling the losses for liability in the UK, differences for ABI grouping in liability losses are fully recognized and incorporated. In Germany, most insurers use a table which assigns a car group to each make and model not only for physical damage but for liability as well. Although I have been out of the US for a few years, I have heard of reluctance to move forward on this issue because of conflicts with safety issues and marketing.

Unfortunately it is not an easy step to unify vehicle groupings across countries. Further to the above complications is that each country has a different idea of how to create vehicle groups: England as above, Germany using many more groupings but the assignment of a car to a group varies by coverage. Many other countries use horsepower or value in combination with the number of seats.

The rating relativities for driver characteristics would seem intuitively different from land to land since there are legal, cultural, demographic and economic differences that affect this. There is further the complication that each country and even market within a country is at a different point in pricing and data collection. Whereas the Germans may use and code insured' and 'insured and spouse' a British insurer may use 'insured' and 'insured plus one other driver' or 'insured plus spouse.' So the existing rating plans diverge from each other as well as from the 'married' and 'single' categorization that we North Americans would like to impose. In Ireland, it is presently possible to hold a provisionary license for several years due to the backlog in driver testing facilities. How do you compare the experience of the Irish temporary license holders to drivers in other countries who typically hold a temporary license for a much shorter period? And the list of differences continues to grow. A couple of these little quirks can be handled if you are trying to bring things together. However, there are just so many differences that it soon becomes impossible, in addition to the result being, most probably, incorrect.

Within a multinational company, another tactic is needed. Rather than imposing a new standard rating structure on each local market, a better approach would be to impose a standard for analysis. This is an ideal starting point, remembering that while most of these local companies have their own data systems and structures, acceptable pricing criteria, policy forms, etc., they are unlikely to have actuarial pricing tools. This would be a logical first step in drawing the most value out of the existing resources. It helps to imagine the set up of a multinational company. Each local company having in the not too distant past a cartel rate with given rating criteria and coverage which were developed independently of the other countries, each company having its own local management team and identity. Given this as the usual set up, along with the need to abide the local regulations and the cacophony of languages, what multinational is likely to have a centralized actuarial function for personal lines already in place? And rather than imposing a center with little knowledge of each market, wouldn't a better model be to build a bridge to enable experts to work together?

This common analysis approach would facilitate a sharing of experiences and potentially data, which has always been an incredible obstacle for the multinational insurers. It may be that there is potential for data to be shared across country borders. That would be of great benefit for any insurer since historically so little has been done with such data. In addition to sharing knowledge about the business, the development of pricing capabilities would be accelerated with a common analysis process.

For this common approach to work, it has to focus on building the rates from the bottom up. As I see ratemaking in the US, much work is put into making sure each state's coverages are correctly priced along with the territorial relativities for each coverage. Other rating plans are updated only every few years. More than once I have seen large changes in relativities causing price disruptions under such a procedure. This seems to occur whether the company is a well-staffed company using its own rating plans or the ISO itself. This does not mean that another system would necessarily avoid large changes, but that a method that allows more frequent review on a detailed basis could help.

Another reason to work more from the detailed level is that speed of change is expected to be dramatic. Pressures to turn a profit on the current year's results will come. Consolidations and takeovers will continue. Companies with sophisticated parents or branches will begin to apply more refined rating plans, driving others to either do the same or leave the market. Profits in the divisions handling larger clients will continue to thin as too much capital courts them, focusing companies on the money making potential of the less sexy areas, such as personal lines.

Similar to the Americans, the Europeans are entering the newer distribution systems of group, direct phone and Internet sales. These distribution channels demand rigor in getting the details correct and the greater data accumulated, without the broker filter, invites statistical analysis. On the other hand, if an agent is not acting as a screen for the company, if suddenly the customer profile is different to that in your prior books, money could be lost quickly. And, with the data you are able to gather for your own proprietary use, it would be almost criminal not to exploit it to its full potential.

Working at the detailed level of analysis brings value to the smaller units in the multinational insurer as well. This is due to the ability to draw on the resources of other countries' analyses. However, a detailed analysis of similarities and differences would be required in order to select the proper base country for the various loss types and rating plans.

Lack of rate oversight allows for more creativity and indeed more science in the methods applied. A reason cited for not taking certain approaches in the U.S. is that they may be too difficult to explain to the regulators. Or, that methodology should be kept consistent to assure regulatory approval of price changes. Methods can be constantly refined in an unregulated market without such concerns. Because of this freedom, Europe may very well be the first place that more long-term focused pricing models take off. Pricing models could take into account the pure premium expectations of a policyholder for a time horizon longer than just one year, factoring in the renewal propensity. It would be a great leap forward if we could bring these longer-term pricing considerations into property and casualty insurance. In addition to the rating freedom, wrapping long-term thinking into the price may be easier to sell in continental Europe where, with the history of multi-year policies, the focus has not been quite as short-term as in the US.

Given the differences in the markets, data structures, data availability, and the need to work from the detailed level, those companies who will profit the most are those who tend carefully to their data. Those who survive will not only have appealing theories but hard facts to back them up. In the short-term, assuring access to the masses of information locked within the current customer profiles will be a success criteria. In the medium to long-term, the key will be to build bridges either in terms of the actual data or the information drawn out of that data.

Summary

The ones who succeed in 'going international' in personal lines markets are those who are able to transcend the usual tendency to take truths about one market and (blindly) apply them in others. Instead, they will think 'multinationally.' Each country has its own culture, economy and laws. Each locally grown operation has its own rating structure, coverage, distribution system, etc. The key will be a flexible approach in how the integrated pricing and marketing is designed. Structure is better placed in required basic analysis tools, which are robust enough to cover a major portion of the facts needed to make good decisions. Data collection will be essential. The trend towards continual efficiency and consolidation will almost necessitate these points for any company who has aspirations of success as a multinational personal lines insurer.