

# Using Internal Data for a Competitive Advantage

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# Using Internal Data for a Competitive Advantage: Applications

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- Business Steering
  - Costing Accuracy
  - Client Centricity
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- **Are opportunities to strengthen your competitive position being missed?**

# Business Steering:

## Profitability relativities by business segment

- **Can the following questions be answered (including full economic profitability):**
  - What is the profitability differential between new and renewal business?
  - What is the profitability differential between the personal and commercial motor business?
  - What is the profitability differential between supported and unsupported umbrella?
  - For excess business, what is the profitability differential by attachment point?
  - What is the profitability of property and workers comp business if nat cat and terror coverage premium (and loss) are excluded?
  - What is the profitability of the clash business?



# Costing accuracy—Complete the loop

Feedback from actual results to costing parameters

- **If actual results differ from costing expected can the following questions be answered:**
  - Is it driven by differences in frequency assumptions or severity assumptions?
  - How do rate level and trend assumptions compare to actual?
  - How do actual distributions by state, class, LoB, segment, etc differ from expected?
  - Are the incurred and paid losses developing as expected?
  - Which of experience and exposure rating performed better?
  - Did loss exposure emerge that was totally unexpected (and unanalysed)?
  - Are there particular sub segments that drive the results?
  - Were your estimates of primary ELR accurate?

# Client Centricity:

Using your data to help your clients be more profitable

- **Is your data being used to do the following:**
  - Assist clients entering into new lines or types of business?
  - Assist (regional ??) clients in low frequency areas where you may have much more data than they have
  - Benchmark client stats against peers
    - Customize a standard presentation to provide a client insight into their own book of business
  - Assist your clients in database design and profitability reporting tools
- **If these and similar services are not offered, are you missing opportunities to connect to clients more closely?**



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# Optimizing an Internal Database: Foundational Concepts

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- Data consistency and connectivity
- Data completeness
- Data granularity



# Data consistency and connectivity

- **Across complete life of contract and across landscape**
  - **Identical contract ID across landscape**
  - **Identical contract structure: pricing and accounting**
  - **Consistent premium and loss allocation to contract sub-segments (e.g. line of business)**
  - **Consistent contract ELR and lag patterns in pricing, reserving and EVM**
- **Pricing, Underwriting, Accounting, Reserving, and EVM databases must be able to share data at contract and business segment level**
- **Same information retrieved from any database or an reporting tool should be identical!!!**

# Data completeness: Premium & Loss examples

- **Premium**
  - **Data necessary to create a price monitor as well as frequency of large loss**
    - **Exposure information or at least,**
    - **Ground up subject premium**
- **Loss**
  - **Data necessary to develop size of loss distribution**
    - **Ground up loss**
  - **Data to allow predictive modelling of claims**
    - **Cause & Consequence of loss**

# Data completeness: Pricing Data

- **All valuable data calculated during pricing should be stored in a database**
  - **Expected incurred and paid loss lag patterns**
  - **Expected rate changes and trend factors**
  - **Primary ELR used in exposure rating**
  - **Exposure and experience rates**
  - **Cat components of pricing EL**

# Data Granularity

- **Premium and loss should be allocated to line on multiline contracts**
- **Line of business or other business segment should allow segmentation of business into segments that can inform business steering**
  - **personal vs commercial**
  - **cat vs non-cat**
  - **supported vs unsupported umbrella**
- **IBNR needs to be calculated or allocated to contract/LoB level**



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