

## Insurance Disruption:

### How to innovate and get solutions to market.

Sheri Scott, FCAS, MAAA, CSPA  
RPM, March 2018



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#### Innovators



Homeowners bound with 3 online questions: name, date of birth, address. Pre-populate house characteristics and policyholder prior loss and credit. Simple process and limits, relevant coverage, advanced rating.



Online Renters insurance targeting Millennials. Includes bed bug, simplified personal property blanket package limit, etc.



Online fast and easy commercial small business insurance. ie: landscaper, artisans. Prepackaged commercial general liability and commercial inland marine.



Real-time online title insurance. Does require days to underwrite and remove encumbrances.



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#### Innovators



Smartphone based driving behavior & trip score to fine-tune insurance rate. Ability to rate by location throughout trip, rather than garaged location. On-demand & ride sharing rate driving level insurance rates.



Trov on-demand personal property coverage with item sliding scale limit. Partnered with Waymo driver-less TNS fleet to cover passenger 'stuff'.



Autonomous vehicle insurance. Ability to track driving behavior and location at granular level. Collisions per mile reduced compared to human drivers. Shifts liability from driver to technology. New catastrophic system failure exposure.



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### Policyholder Demands

#### Easy to Understand & Relevant coverage

- Easy to understand policy wording, limits, exclusions.
- Online explanations.
- Simplify exclusions & limits (1 property special sub-limit, instead of varying by class).
- Recognize modern needs (home office, tablets and smart phones, not silverware).
- Don't just exclude modern needs but create innovative riders (B&B, drones).

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### Policyholder Demands

#### Fast and efficient

- Use smart phone and integrated smart home / smart car technology.
- Prepopulate data for rating and underwriting and minimize to 3 questions to bind.
- Pull all data at quote not as bind.

#### Affordable

- Rate at most granular level to eliminate unnecessary coverage and charges.
- Interactive opportunity to reduce exposure and cost (trip score, validate protective devices).
- Fronter/Quota Share InsurTech solution adds expense loads direct writers don't have.

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### Disrupter traits

- Typically tech backgrounds (Facebook, Amazon, Google, etc).
- Founders of previous start ups.
- Non-insurance backgrounds.
- Challenge everything.
- Don't accept inertia (legacy systems and renewals)

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**Disrupter Questions**

- Why do we need silverware and tape deck coverage? Why not drones and Air B&B?
- Can't we use third party data to gather rating and underwriting data? Why ask the insured?
- Why not use where the driver drives rather than where garaged?
- Why do we have to collect roughly 2 months premium up front?
- Why can't we change the rates tomorrow because we aren't competitive?
- What do you mean we have to file the rates in 50 states and can't have a countrywide plan?
- How do we come up with rate support for a regulatory filing if we are a new company?
- Why can't an insurance company have 2 different homeowner products?

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**Create A Process**

- Investigate each challenge from disrupter with an open, creative mind. Opportunity to educate & find better way given today's technology and environment. Start with - it is done that way because, and then brainstorm about better ways. Think out of the box.
- Think about what policyholder doesn't even know they want yet and build it.
- Get product finalized commitment & no more changes before filing or impacts schedule. Can't keep innovating while you are filing 50 state new program in 3 months. Separate version 1 product roll out function from continued innovation function.
- Create project milestone schedule to get to point where you are ready to file with DOI.
- Need experienced insurance resources to help navigate the regulatory environment.

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**Product Development Milestones – Innovation Stage**

1. Innovative thinking and ideas.
2. Pros and cons of innovative ideas.
3. Finalize list of innovations moving forward with for version 1. Separate innovation team.
4. Design template of product, including rates, forms, and systems that is easy replicable.
5. Finalize expense loads considering regulatory restrictions regarding use of credit, catastrophe and reinsurance loads, profit, and other expense loads in CA, FL, TX, WA to minimize deviations from state to state of product design and rating algorithm.

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### Product Development Milestones – Draft Filing Stage

6. Create template regulatory filing packet assuming rigorously regulated state:
  - Memo
  - Rate including loss and expense support
  - Rates and forms
  - Underwriting and rating rules / manuals
7. Create filing and testing schedule by state and product in batches of states.  
Have company order the priority of when they want to launch states.  
Consider approval times for each state in developing filing schedule.

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### Product Development Milestones – Filing Management Stage

8. Create state filing packets making necessary adjustments to address state specific requirements including transmittal and state specific support (TDI Exhibits, NY exhibit format, CA Application and Rate Template, etc).
9. Respond to DOI questions before response deadline.
10. Adopt new innovations finalized by innovation team into schedule.

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Thank you.

Sheri Scott, FCAS, MAAA, CSPA  
March 2018

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### Curriculum Vitae



**Sheri Scott, FCAS, MAAA, CSPA**  
Principal & Consulting Actuary  
San Francisco  
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**Education and Qualifications**  
Casualty Actuarial Society, FCAS  
University of Western Ontario, BSc

**Current responsibilities**

- Co-lead the San Francisco office focusing on rating and automation of insurance products.
- Pricing disruptive insurance products and features.
- Integrating analytic solutions to automate end 2 end insurance processes.
- Introduction of predictive analytics into insurance delivery, rating, underwriting.
- Preparing 50 state regulatory rate filings with efficient approval and launch.



**Relevant experience**

- Helped design fully automated quoting, underwriting, and rating for first direct start up insurer Canada.
- Developed fully automated personal and commercial lines products for over a dozen insurance disrupters in 2017.
- Introduced credit, smart phone and autonomous telematics, smart home, and other innovative features into insurance as soon as this data became available.
- Helped Zendrive develop first smartphone based insurance score that includes distracted driving and other non-traditional predictive variables.
- Created TNS fleet rating algorithm rated at the driver level.



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**Relevant skills**

- History of helping insurers and agents be at the bleeding edge and disrupt.
- Applying advanced actuarial and predictive analytic techniques to innovate insurance and improve profitability across product lines and countries.




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