

Insurance Disruption:

How to Modernize an Insurance Product and Roll Out Changes in 6 Months.

Sheri Scott, FCAS, MAAA, CSPA
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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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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).
- Don't have insurance experience and relationships.
- Need capital for insurance company or fronter/reinsurer partner.
- Have no existing clients so need to make a splash in the market to win customers.

Phase 1 – Evolution: Understand Policyholder Demands

1. 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).

Phase 1 – Evolution: Understand Policyholder Demands

2. Fast and efficient

- Integrated smart phone, smart home, smart car technology.
- Prepopulate data for rating and underwriting

3. Affordable

- Existing companies have existing products and don't need to raise capital or fronter/reinsurer partners to compete with disrupters. But, need to break inertia and motivate change to legacy systems and ways of thinking.
- Existing companies have large in force books to start so don't need to slash prices to attract new business, and can focus on delighting existing customers and retaining business. But double edged sword to manage renewal sticker shock and legacy systems.

Phase 1 – Evolution: Innovate

- Separate innovation team from everyday product operations.
- Ask your policyholders. Inclined to provide feedback / suggestions more than you think.
- Think about what policyholder doesn't even know they want yet and build it.
- Get feedback from agents, but back it up with data (ie. closing ratios by attribute).
- Innovative thinking and ideas.
- Pros and cons of innovative ideas, including time for actuarial to support rate changes and IT to program various ideas.
- Finalize list of innovations moving forward with version 0. Commitment no more changes and keep list of additional changes for future consideration.

Phase 2 - Develop Support For Changes

1. Create project milestone schedule
 - Product design template: rates and forms
 - Product filing template: rates and forms
 - Circulate templates for review to agents, underwriters, IT, product managers, actuaries.
 - Make modifications based on feedback
 - Based on desired launch date, estimated filing review time in each state, set target filing submission dates
 - Testing time

Phase 2 - Develop Support For Changes

2. Compile rigorously regulated state restrictions on rates and forms and work into product filing template and adjust template as needed.
 - CDI rate template restrictions: efficiency standard, LCM, reinsurance loads, trend selection, rate change, required exhibits.
 - TDI expense limitations and required exhibits.
 - WA profit load calculations and model filings.
 - FLOIR Rate Indication Form, required exhibits, Florida specific data / approved filing support to support rate changes including adjustments for differences in underwriting and expense loads.
 - NYDFS required exhibits.

Phase 2 - Develop Support For Changes

- 3. Create template regulatory filing packet assuming rigorously regulated state:
 - Memo
 - Rate Indication including:
 - Countrywide and state exposure trend
 - Countrywide and state loss development and trend
 - Actual and modeled state catastrophe and reinsurance losses
 - Insurance company past 3 year countrywide and state expense ratios and selections
 - Proposed rate and form changes
 - Proposed underwriting manual and rule guide changes

Phase 3 – Filing Production

- 1. Update filing template(s) for each state:
 - Memo – update references to competitive data and filings to specific state
 - Rate Indication – update to state data, DOI restrictions and selections
 - Proposed rate and form changes – update to state
 - Proposed underwriting manual and rule guide changes – update to state
 - State DOI required exhibits, checklists, etc.
 - Regulatory filing review and revisions
 - State DOI preview meeting, if necessary
- 2. Filing and answer objections as they come in on simultaneously on various states

Phase 4 – Launch


- 1. Program changes
- 2. Test
- 3. Distribution training and material
- 4. Internal training and material
- 5. Launch on new and renewal policies (+45 days usually)

Thank you.

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Curriculum Vitae



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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 disruptors 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.



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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