



PM-10: Running to Keep Up: Opportunities in Personal and Commercial Pricing

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What's this session about?

We will consider some of the emerging issues and opportunities within P&C rate-making and product management and how insurance professionals can respond. The world of insurance is moving faster than ever before with insurers and intermediaries looking to capitalize on innovative pricing approaches and modern techniques.

This session will focus on some of the key concerns and opportunities of insurers and intermediaries, both globally and within the United States. Topics will include:

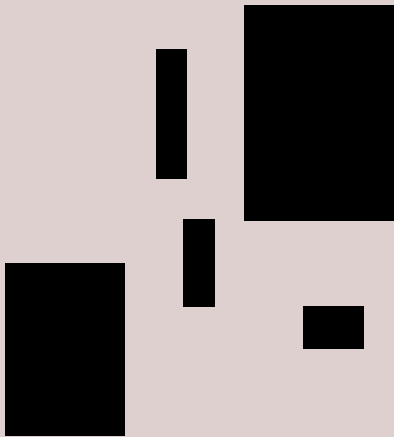
Personal lines

- Fairness and applications for price optimization
- What processes are required to support best practice pricing in 2019
- Are aggregators going to disrupt the US market as they have overseas?

Commercials lines

- Traditionally a neglected area for pricing innovation, insurers are increasingly focused on driving innovation within commercial lines, what should insurers be doing in 2019?
- How can commercial lines pricing and underwriting be industrialized?

Fairness and applications for price optimization



Price Optimization in the US

- Price optimization (or its euphemisms such as dynamic pricing) continues to be a sensitive topic in US personal lines
- Many carriers do not maintain demand models
- Some companies use demand models in some way as part of their pricing decision-making process
- There are a few outliers, including some very large and public outliers!
- Here we share information on some recent activity related to fairness and how it may relate to price optimization in the UK, historically a market in which price optimization has been widely used

What is fairness?

- There have been various discussions about what a fair price is.
- Some territories have implemented protected characteristics which should not give price differentiations (e.g. Gender)
- In general we have seen a move to greater disclosure
 - Firms required to report on pay gaps by gender
- However, mathematically, what is fair?
- There are several answers, all of which could be considered appropriate....
-they don't all agree with each other

Algorithmic fairness

- Consider the ideas developed by Dolman and Semenovich, October 2018
- <http://m.actuaries.org.uk/documents/b9-algorithmic-fairness-contemporary-ideas-insurance-context-paper>
- They present an algorithmic approach to considering fairness within insurance



Fairness

Consider a range of fairness approaches:

- Actuarial fairness – risk pricing
- Unawareness
- Democratic parity
- Actuarial group fairness

Actuarial fairness – risk pricing

- Rates are based on all factors which could affect risk and pricing is done fully on this basis.
- Each individual gets a price based on their level of risk
- Tends to be the insurance approach of what is fair
- Can be argued that territories have legislated against this by not allowing certain factors
- Not consistent with a retail pricing approach

Fairness through “unawareness”

- Decisions are made which does not explicitly consider a protected attribute
- A reasonable approach on how to make things fair and widely applied in practice
- Often the approach taken by default as data on the protected attribute is not available
- Aligns with legal view of direct discrimination
- Can lead to unintended indirect discrimination due to correlations or encoding in other variables
- For insurance pricing and optimization, we just don't rate on a particular factor and we have achieved fairness through unawareness

Demographic parity

- Prices are set such that the expected or average result is independent of a protected characteristic
- For example, the average premium is the same for both genders
- This needs consideration of the population the average is taken over
- Effectively creates a quota for each group
- Does not imply unawareness or vice versa – the average is across groups, not an individual
- Can charge what we want provided it averages out.

Conditional demographic parity

- A related concept. Here prices are set such that the expected or average result is independent of a protected characteristic *conditional on a legitimate subset of factors*
- For example, the average premium is the same for both genders *for each car make*
- The more factors you use, the more you approach unawareness.

Actuarial group fairness

- Dolman and Semenovich proposed an “actuarial group fairness”
- The expected value, is equal for protected characteristics but conditional on the “true type” of an individual or the risk premium
- As true cost is unobservable risk premium can be used.
- Consistent with insurance industry use
- Pricing to a constant loss ratio satisfies this condition
 - Still can charge what we want provided same prices for equal risk premium
- Can be extended to “weak actuarial group fairness” which allows for an element of tolerance for prices related to risk premium

Assessing fairness

- Insurers may consider a range of measures to identify fairness and compliance with fairness
- Further legislation may determine what approaches are suitable
- Consider that insurers may seek compliance or tolerance on different metrics rather than a single measure.

Fairness Test Report

Control Panel

Enables the user to:

- Define a time period based on the date field fed into the Fairness Module. Only data falling within the time period will be used for fairness analysis. Define time period below.
- Weight the exposure in each protected characteristic level. This can be used if, for instance, a segment of the protected characteristic is perceived to be over or under weight. Add weights to the right.

Exposure Comparison

	Exposure	Adjusted Exposure
F	3,575	3,575
M	5,161	5,161

■ F ■ M

■ F ■ M

Exposure Weighting

Factor / Interaction: Exposure Weighting

Protected Characteristic

- F: 1
- M: 1

Base: 1

Date Criteria Inputs

Name	Value
Start Date	01/01/2017 00:00:00
End Date	31/12/2018 00:00:00

Demographic Parity

Definition: The average premium for each level of the protected characteristic is the same when considered across the entire population.

Average Portfolio Premium

No Exposure Adjustment	£427.26
With Exposure Adjustment	£427.26

Failure Margin Demographic Parity

Name	Value
Failure Margin	0.05

Failure Measure

No Exposure Adjustment	2.19%
With Exposure Adjustment	2.19%

Failure Flag

No Exposure Adjustment	False
With Exposure Adjustment	False

Portfolio Metrics

Premium No Exposure Adjustment	£427.26
Premium With Exposure Adjustment	£427.26
Risk Cost No Exposure Adjustment	£280.22
Risk Cost With Exposure Adjustment	£280.22

Failure Margin Broad Risk Parity

Name	Value
Failure Margin	0.05

Failure Flag

No Exposure Adjustment	True
With Exposure Adjustment	True

Failure Measure

No Exposure Adjustment	True
With Exposure Adjustment	True

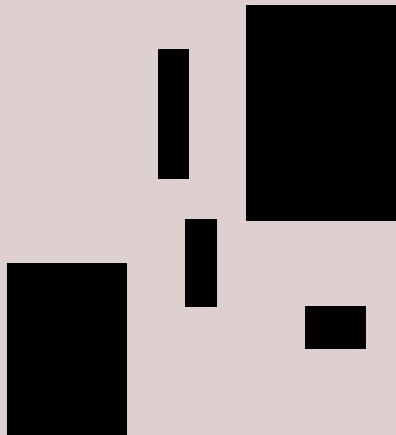
Average Premium And Risk Cost By Risk Cost Group

	Premium No Exposure Adjustment	Premium With Exposure Adjustment	Risk Cost No Exposure Adjustment	Risk Cost With Exposure Adjustment
< 100	£137.72	£137.72	£93.84	£93.84
>= 100 AND < 200	£247.31	£247.31	£164.29	£164.29
>= 200 AND < 300	£378.61	£378.61	£245.26	£245.26
>= 300 AND < 400	£545.39	£545.39	£339.76	£339.76
>= 400 AND < 500	£722.00	£722.00	£439.23	£439.23
>= 500 AND < 600	£849.94	£849.94	£545.95	£545.95
>= 600 AND < 700	£1,009.53	£1,009.53	£644.35	£644.35
>= 700 AND < 800	£1,091.63	£1,091.63	£746.80	£746.80
>= 800 AND < 900	£1,256.91	£1,256.91	£840.63	£840.63
>= 900 AND < 1000	£1,283.42	£1,283.42	£938.87	£938.87
>= 1000 AND < 1100	£1,383.47	£1,383.47	£1,053.53	£1,053.53

What does this mean for optimization?

- This does not spell the end for optimization (unless legislation rules against it)
- In discussing fairness, regulators have recognized that it may be appropriate to differentiate price by tenure (NB vs RN)
- However, tenure may become a protected characteristic or one which a company needs to disclose to customers
- General movement away from a 'loyalty tax'
- It is unclear what 'fair' means and companies are likely to look at a range of measures
- Optimization still has a part to play in forming appropriate pricing strategies, giving a range of scenarios which companies can use.
- It is important to understand the implications of price optimization and how this affects customers and what price is fair.

What processes are required to support best practice pricing in 2019?



Processes to support best practice pricing

We will focus on the following themes as they relate to Personal Lines

- Data
- Performance monitoring
- Streamlined factor selection
- Scenario testing
- Fast deployment of rates and rules

We note that these are not new, and will focus how robust and intelligent processes can improve pricing

Processes to support best practice pricing

Data

BAU Data

- Many carriers still struggle to create the datasets needed to carry out standard pricing analyses, i.e. datasets with policies and all characteristics needed to calculate model fitted values, rates and rules, and associated claims
- Under best practices, these datasets are automatically refreshed frequently

Experimental Data

- A plethora of external data sources exists, some of which can add value in the pricing process
- Under best practices, a process exists that allows modeling teams to easily append columns to their own internal data assets to test for predictiveness
- This is not common, and procurement processes often do not help

Processes to support best practice pricing

Performance monitoring

Performance monitoring frameworks should facilitate:

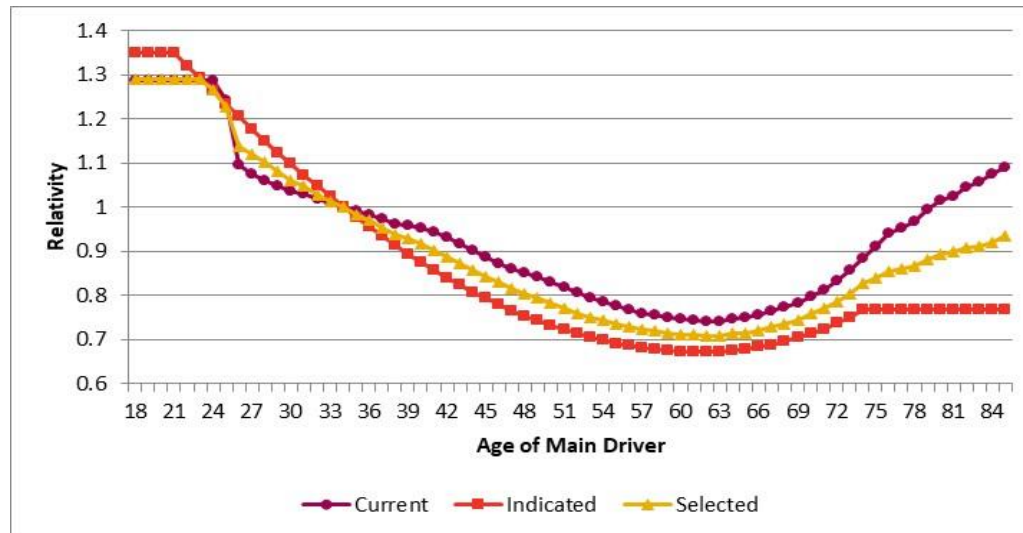
- A view of quotations, historical and in-force business, new business, renewing and exiting business
- Filtering to any segment of the business, summarizing by any combination of rating factors
- A comparison of actual vs. expected KPIs
- A comparison of actual vs. previous KPIs
- Flagging of material changes to ease consumption of information
- Automated model refits to understand how KPIs are changing
- An up to date view of the business



Processes to support best practice pricing

Streamlined factor selection

- The standard approach in personal lines pricing is, for each coverage, to compare the current relativity for a given rating factor against the indication from a predictive model, and make a selection

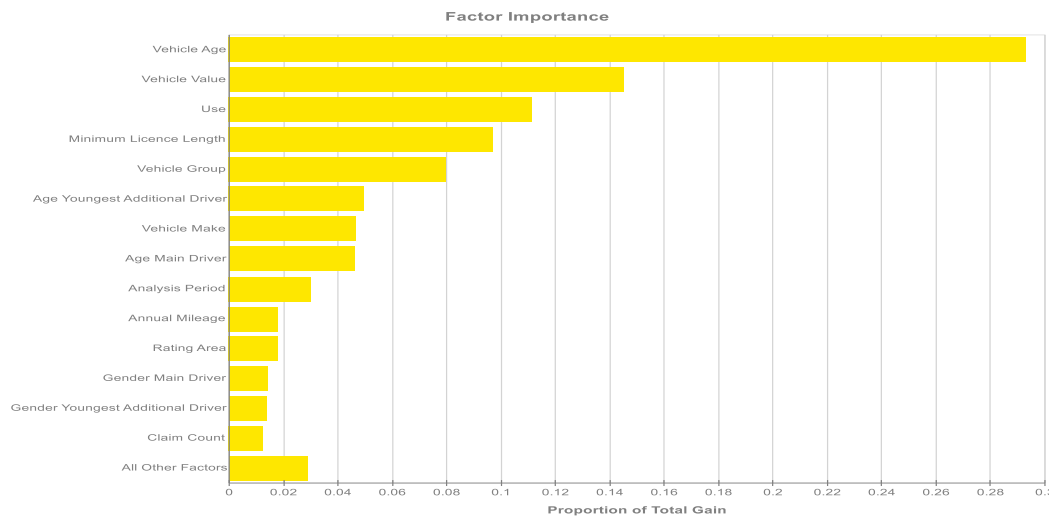


- This is a labor intensive process:
 x coverages \times y rating factors \times z states = a large number!
- Many of these decisions do not add a lot of value

Processes to support best practice pricing

Streamlined factor selection

- Carriers are finding ways to focus on the most important variables, e.g. the 20% of rating factors for which the current relativity is furthest from the indication, which will give 80% of the value
- This typically involves the use of machine learning algorithms

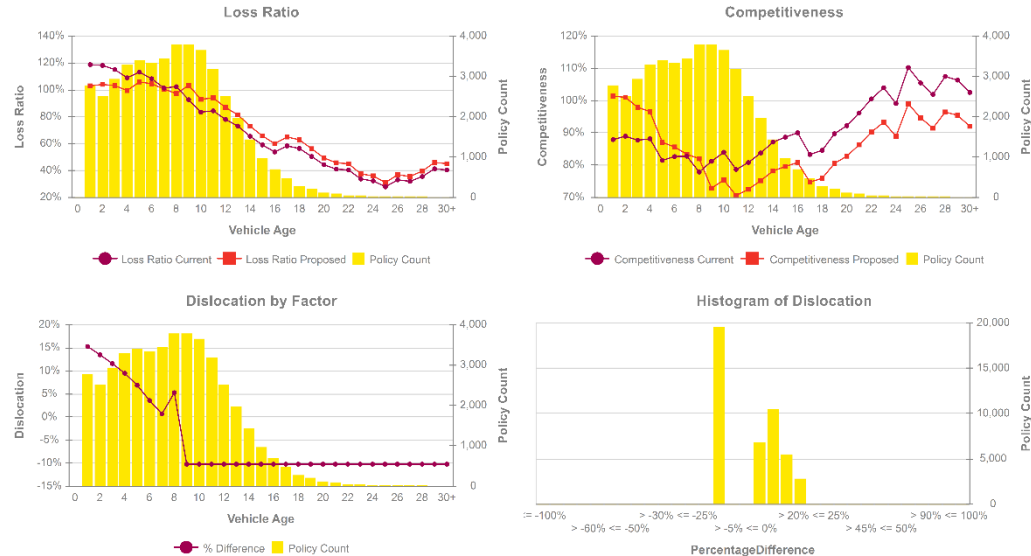


- Others are exploring techniques that use algorithms to make the selection, i.e. defining the properties of a target premium as a function of current and indicated premiums, and solving for the required selection

Processes to support best practice pricing

Scenario testing

- Factor selection is just one element of the pricing decision-making process
- It is still common that studying the impact of selections on KPIs of interest (e.g. dislocation, competitiveness, expected loss ratio, CLTV) is a laborious process
- This process should be happen at the same time as the factor selection process, with no additional work

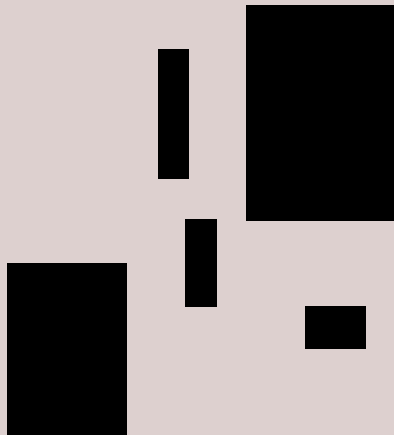


Processes to support best practice pricing

Fast deployment of rates and rules

- For many carriers deployment, of rates and rules continues to be a laborious process, involving copying and pasting of tables, reliance on IT resources, lots of room of error, and manual validation
- Many companies have anecdotes have about rates that are filed and not implemented because of lack of IT capacity
- Ideally, the deployment of rates and rules should be not involve copying and pasting, or reliance on IT, and validation of a large number of cases should be automated.

Are aggregators going to disrupt the US market as they have overseas?



Starting overseas...

Unstoppable aggregators? (2007-2019?)

UK price comparison websites (“aggregators”) are shop windows, not brokers

A reminder of what UK aggregators are and do....

- No advice - only presentation and comparison
- Present prices from up to 150 partner brands...
- ...based on the responses to around 100 customer questions
- Product form/cover is determined by each partner
- Partners may be direct insurers or intermediaries
- Often with multiple brands from the same insurance group
- Price calculation is undertaken externally, within prescribed time budgets
- The aggregator sits on top of a pyramid of XML quote messages
- It is paid per sale - a fixed amount negotiated separately with each partner
- It is prevented from remarketing at renewal...
- ...and so interested in driving customer churn to increase new business
- Its most significant expenditure is on driving traffic to the website
- 3 (now 2) of 4 the main UK aggregators are owned by UK insurance groups

**Money
Super
Market** .com



Confused. .com



comparethemarket.com



Comparison shopping sites, and how they changed everything

Experiences from 15 years of aggregators in the UK

- I'll address the following questions:
 - Have the aggregators experienced success?
 - How long did it take them to establish this position?
 - Why do they succeed?
 - What does it take for a risk carrier to succeed (on aggregators)?
 - What is the impact on the profitability of the risk carrier?
 - Is there a risk of something similar to the U.K. happening in other countries?
- Mostly, I'll address these points from the perspective of **private motor insurance**, in which the aggregators had the earliest and greatest impact



Have the aggregators experienced success?



YES!

- In the sense of their market share of new business.
- In permeating popular culture with high-profile advertising campaigns – meerkats, robots, opera singers – and so in developing brand awareness
- In the sense that they've defeated the insurers initial attempts not to play or to resist them.
- They've convinced insurers to accept them as a valid component of a multi-channel distribution strategy
- They've helped to propel some formerly modest motor insurers/intermediaries to the top
- They've now found ways to branch out from personal lines into SME and Life business
- In the sense that they're now generating material revenue streams from data products



NO!

- Financial results for such dominant market entities are not material – they spend the vast majority of their revenues on TV advertising and search
- No, if you're a small aggregator, in that the barriers to entry and success are huge.
- In the sense that aggregators don't own the customer



MAYBE?

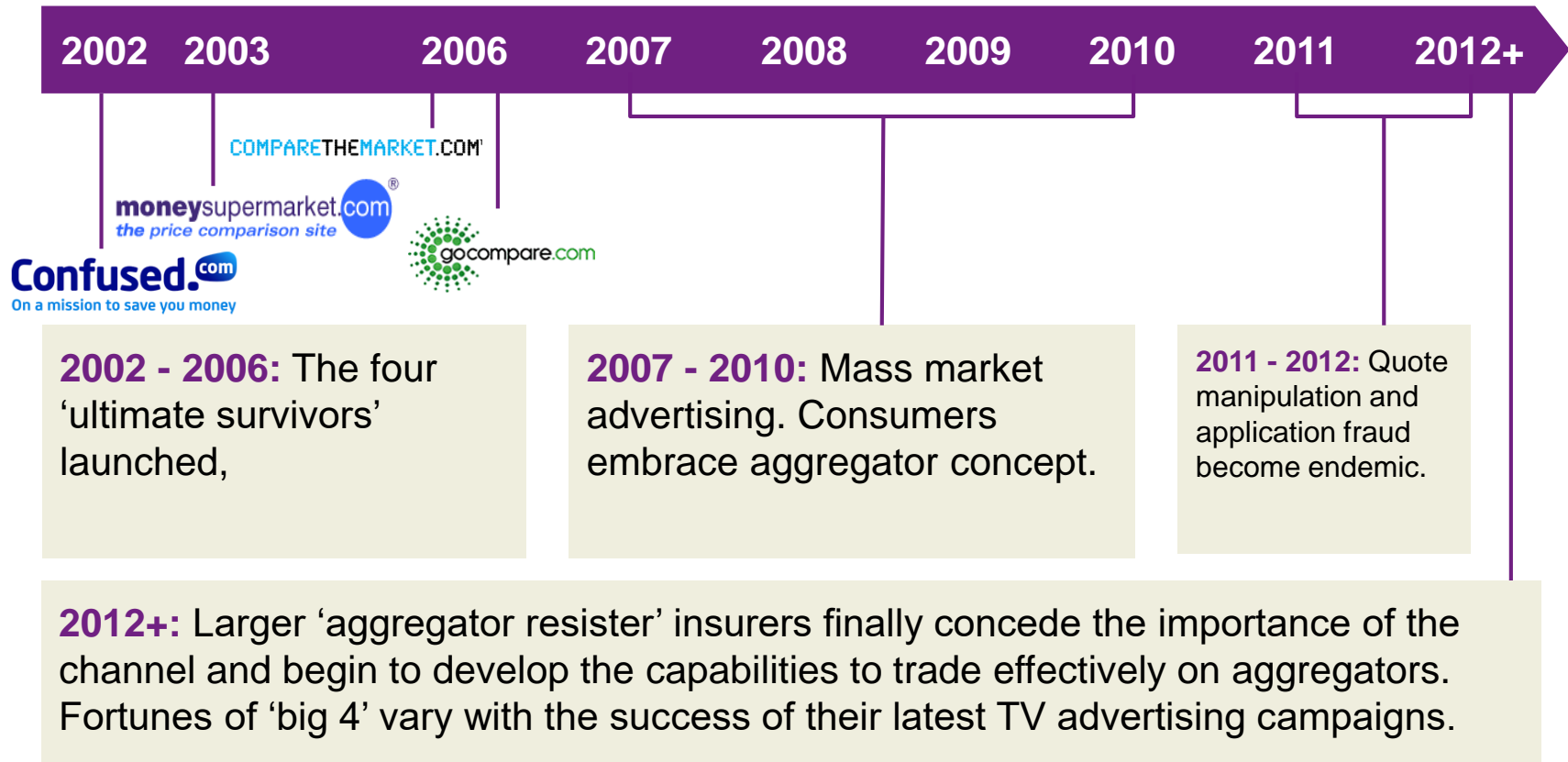
- Maybe, in the eyes of the competition authorities, who recognise their benefits in enabling a competitive and transparent market

Experiences from 15 years of aggregators in the UK

- Estimated to have involvement around **90%** of new **private motor** sales, and now **c.50% of Home**
- Aggregators have increased the size of the overall (new business) market by increasing renewal churn
- Market shares of the 4 aggregators are different for different products
- Different aggregators deliver different demographics to insurers



How long did it take them to establish this position?

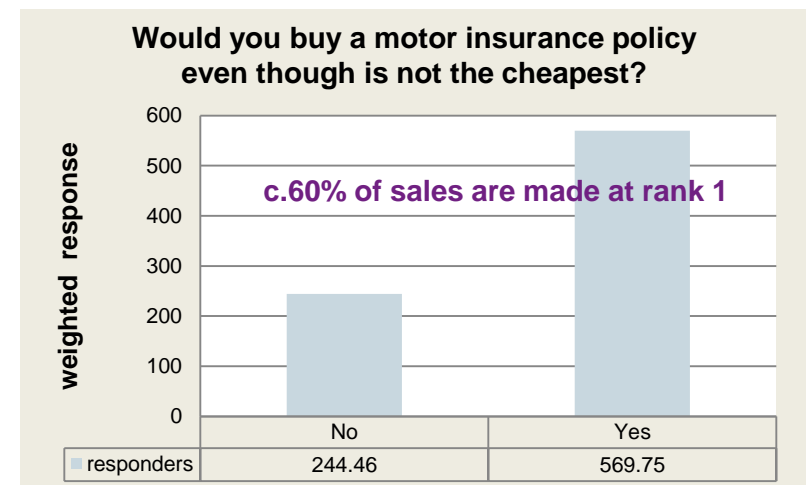
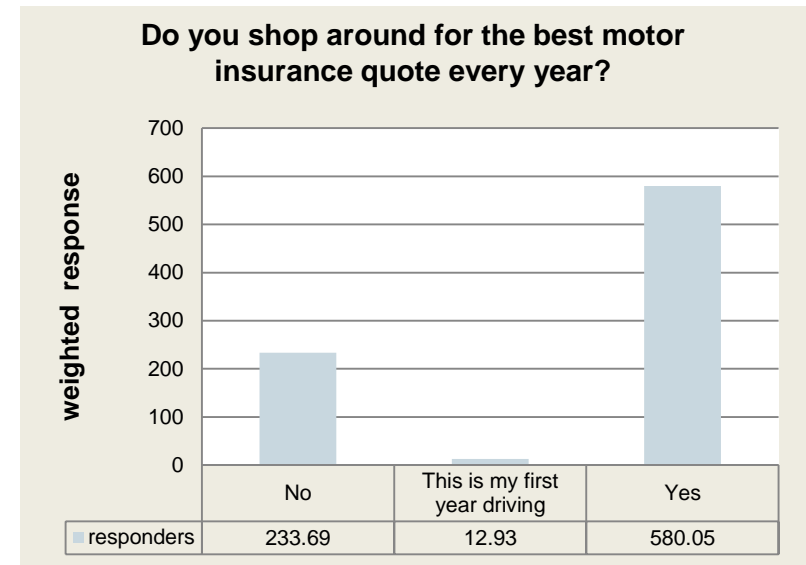


The rise of aggregators in the U.K. was co-incident with the roll-out of broadband (before mobile) and with the rise of internet shopping and consumer trust in e-commerce brands. Logically, this specific set of circumstances will not be repeated.

Why do aggregators succeed? (1/4)

- Consumer factors:
 - Consumers **buy on price**, and the focus of these sites is on price
 - Consumers **want to save time**, and believe in the aggregator proposition of comparing the whole market

- Consumers **don't always tell the truth**
- Exhibited behaviour differs from declared behavior
- This contributed to some insurers' believing that they could resist the aggregators

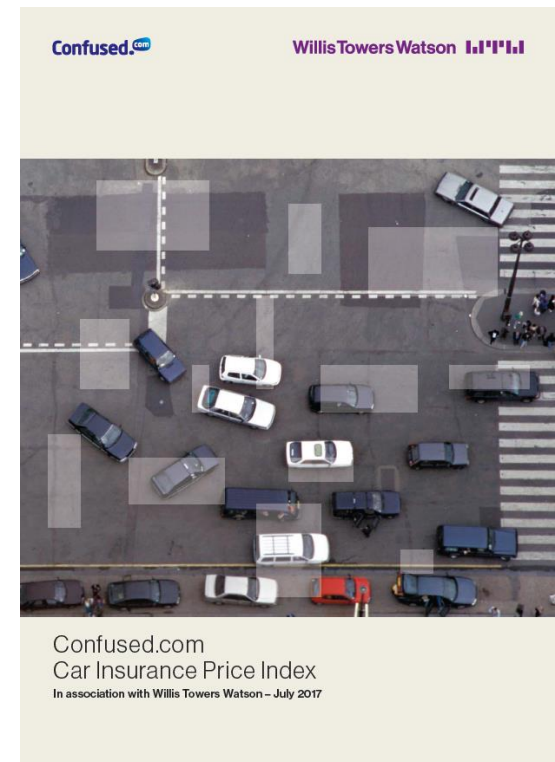


Why do aggregators succeed? (2/4)

- Market factors:
 - The telephone direct channel had paved the way, breaking the customer link with (and the economic case for) agents and intermediaries
 - U.K. average **premiums increased** on average by 70% between 2007 and 2011, owing to a **personal injury crisis** (which itself was fuelled by aggregators and the opportunity they provided for application fraud)
 - The introduction of **price optimisation techniques** opened a price differential between new business and renewal which encouraged shopping at renewal



direct line



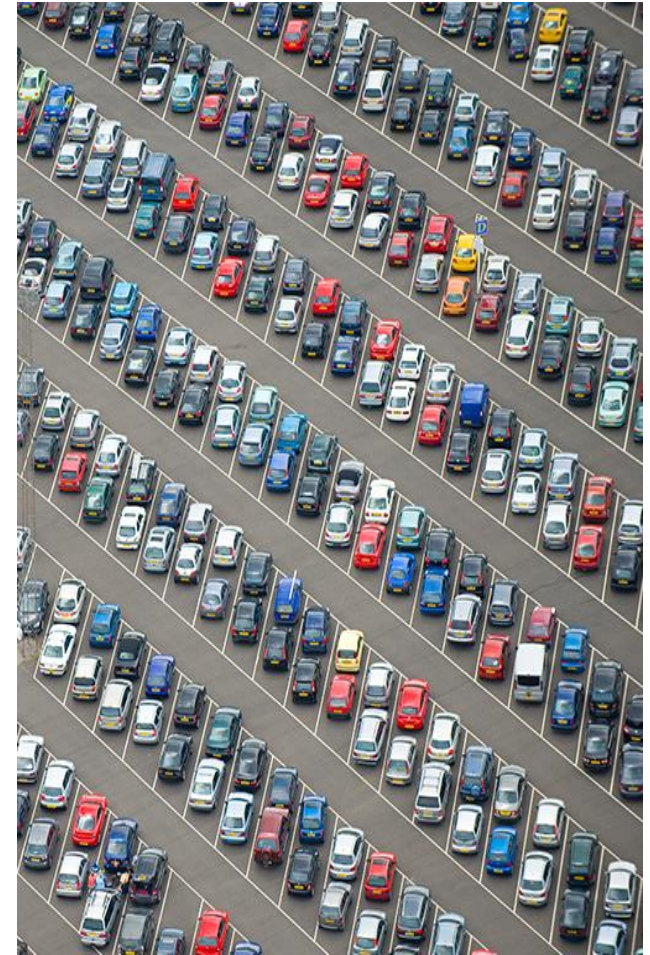
Why do aggregators succeed? (3/4)

- Aggregator characteristics:
 - Aggregators are thin and **agile digital businesses**, consumer-focussed, with empowered individuals – they're **faster moving** than any insurance company management team
 - Aggregators have **made it easy for insurers** to link to them (via XML), they've driven sophistication in rating, which insurers like, and because they've outsourced the pricing calculations
 - Aggregators have developed extremely **effective marketing strategies** – e.g., giving a cuddly toy with each sale
 - Aggregators have **avoided regulation** by religiously avoiding looking like an intermediary offering advice – they're a shop window, no more

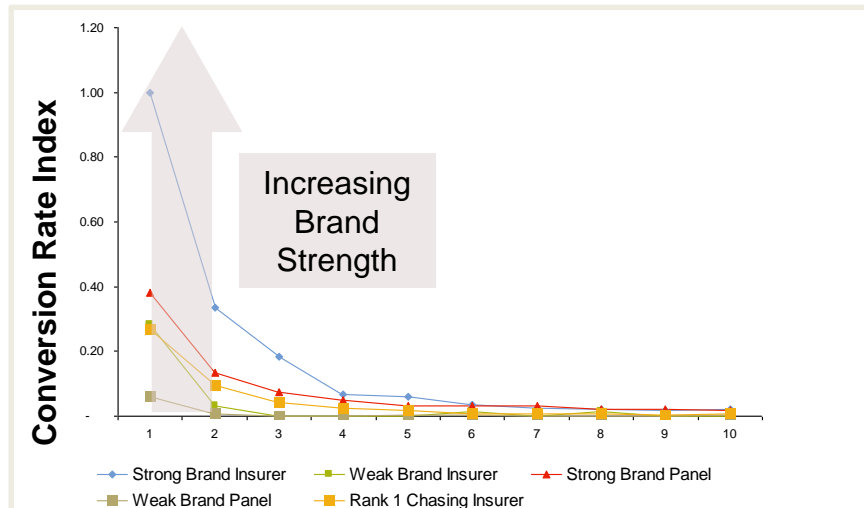
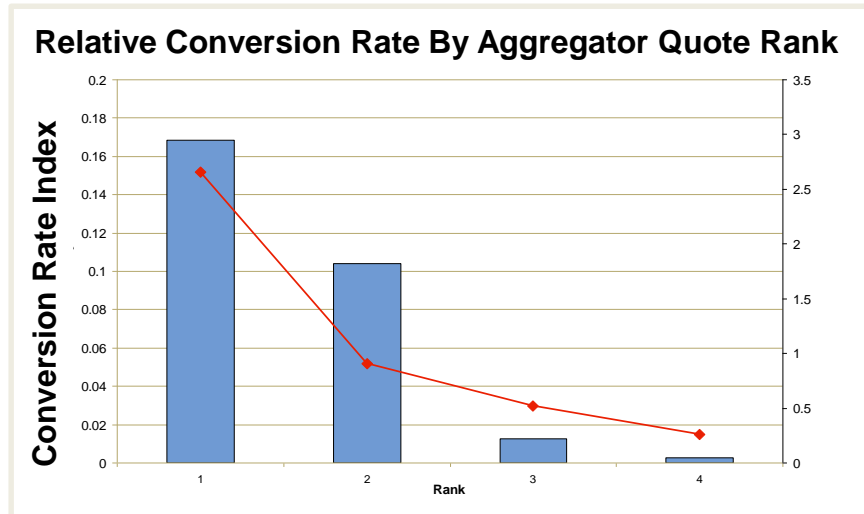


Why do aggregators succeed? (4/4)

- **Aggregator characteristics (continued):**
 - Aggregators have been **nurtured by** some of the very **insurance groups** who have gained most from them – Admiral, esure, BGL – to the disadvantage of those who do not
 - Their **model is simple** – CPA fee for new business, flat amount
 - They offer insurers a **lower acquisition cost** than they can achieve themselves (on direct or intermediated business)
 - They have **reduced barriers to market entry for new underwriters** (delivering volume and market composition/pricing data) and so they've encouraged competition, naïve capacity, and higher partner numbers
 - Because of their ownership structures, in that they haven't generally sought to float and burdened themselves with debt, threatening advertising spend



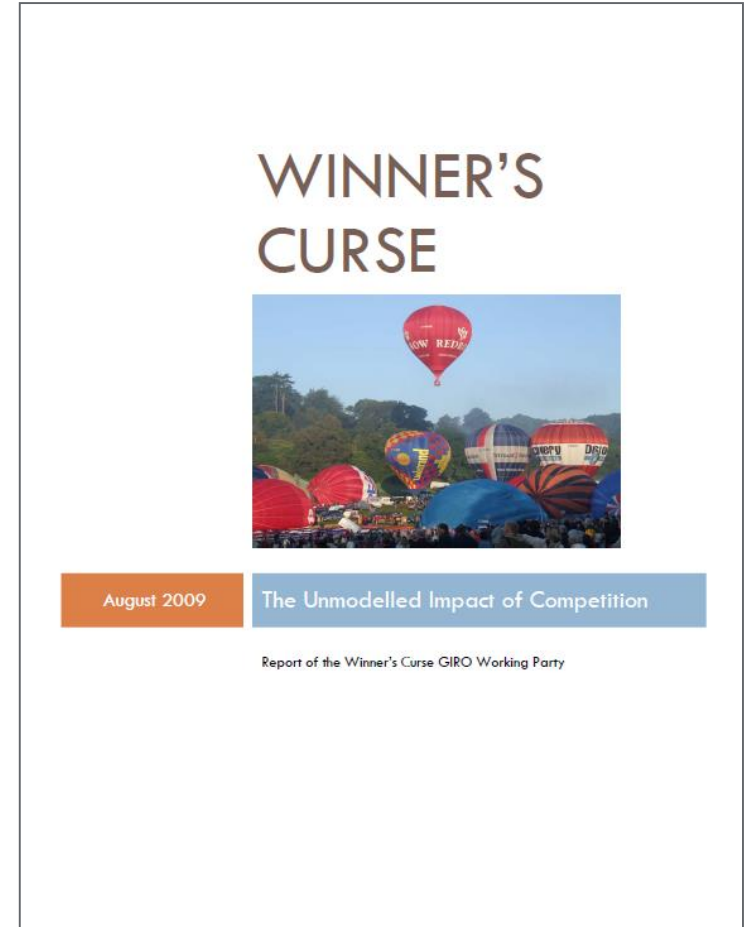
Pricing – The ‘winners curse’ and adverse selection



- The aggregator channel enables almost perfect competition between providers
- The key proposition of ‘finding the cheapest provider’ encourages customers to focus on price
- This results in an extremely price elastic environment, with price elasticities which can be well into double-digits
- Quote conversion rates depend heavily on rank, falling away quickly
- These are relatively impervious to brand effects but weak brands need rank 1 position more desperately
- The consequence of this intense competition is that sales are made at higher loss ratios, with higher churn and lower expected lifetimes
- **Knowledge of competitor pricing, active retention management and customer LTV measurement all become more important**

Pricing – The ‘winners curse’ and adverse selection

- The rise of aggregators and their impact on potentially weak pricing so worried the UK GI pricing actuaries that in 2009 they undertook this study...
- <http://www.actuaries.org.uk/research-and-resources/documents/winners-curse-unmodelled-impact-competition-report-winners-curse-gi>



Pricing – a leap in technical sophistication

- The rise of aggregators triggered an unprecedented drive for technical pricing sophistication in UK personal lines, with Motor insurance leading the way
- This trend was reinforced by some concurrent developments, including:
 - A surge in third party personal injury claims
 - The EU requirement for gender-neutral pricing
 - Technology enabling real-time data enrichment at POQ and the execution of sophisticated pricing algorithms
 - A wealth of useful proprietary data along with Government Freedom of Information developments
- **Data** developments included the adoption of an over-riding data acquisitive culture as a basis for pricing accuracy and granularity.
- Analytics developments have been geared towards extracting more granular and accurate risk models from the improved data, and enhancing retail pricing approaches
- Implementation developments have been geared towards rating **agility, granularity and delegated authority**

Underwriting – application fraud mitigation

- This became a **very significant issue**, with an estimated 5% to 10% more premium on aggregator transactions lost to application fraud compared with phone transactions
- As UK personal lines moved onto aggregators, **underwriting approaches (and footprints) were generally cautious** – if for no other reason that underwriter referrals effectively became declines
- As a response to the application fraud risk, **underwriting became focused on data-enriched counter-fraud**, with increased verification based on credit and ID data, CUE (historical claims) and DVLA (historical convictions), device ID, etc.
- **Underwriting rules became more numerous and more complex**, aligned with more granular and sophisticated pricing



Product – slimming, proliferating and ancillary up-sell

- Aggregator sales rates are extremely price sensitive, but **less sensitive to product features**
- Where reducing cover enables reduced prices, the volume gain might typically outweigh the reduced customer appeal
- So, as U.K. personal lines went onto aggregators, **products ‘slimmed-down’** with:
 - increases** in compulsory and ‘suggested’ voluntary **excesses**
 - removal** into optional add-ons of **cover elements not valued by *all* customers**

Complete - 78 Results Your vehicle: Bmw 116 1.5e 2006 1596cc Five Door Hatchback Manual Petrol

Insurer	Annual Premium	Total Excess	Monthly Premium	Courtesy Car	Legal Cover	No Claims	Windscreen Cover	Compare Now
The co-operative insurance	£794.09	£150.00	1 x £158.81 10 x £69.81 Total £856.91	✓	✗	✗	✓	More
Hastings essential	£824.26	£395.00	1 x £164.85 9 x £74.18 Total £906.65	✓	✗	✗	✓	More
ChoiceQuote	£861.11	£300.00	check with insurer	✓	✗	✗	✓	More
TESCO value	£882.00	£575.00	1 x £176.40 10 x £79.03 Total £966.67	✗	✗	✗	✗	More
Quoted	£884.12	£300.00	check with insurer	✓	✗	✗	✗	More
swifcovet.com	£902.11	£300.00	1 x £165.39 10 x £82.69 Total £992.29	✓	✗	✗	✓	More
MORE THAN	£909.15	£150.00	check with insurer	✓	✗	✗	✓	More
Hastings select	£915.48	£250.00	1 x £183.08 10 x £82.38 Total £1,006.88	✓	✗	✗	✓	More
Likewise	£938.90	£350.00	1 x £155.84 9 x £92.77 Total £1,083.54	✓	✗	✗	✓	More
MyPriceQuote.com	£955.20	£400.00	check with insurer	✓	✗	✗	✓	More
Autonet	£966.37	£350.00	1 x £261.59 9 x £91.40 Total £1,084.91	✗	✗	✗	✗	More

Find your Best Fit

Only show prices with:

- Courtesy Car
- Protected no claims
- Windscreen cover

Only show prices with a total excess under:

Please Select...

Change Your Quote

Change Voluntary Excess

£ 200

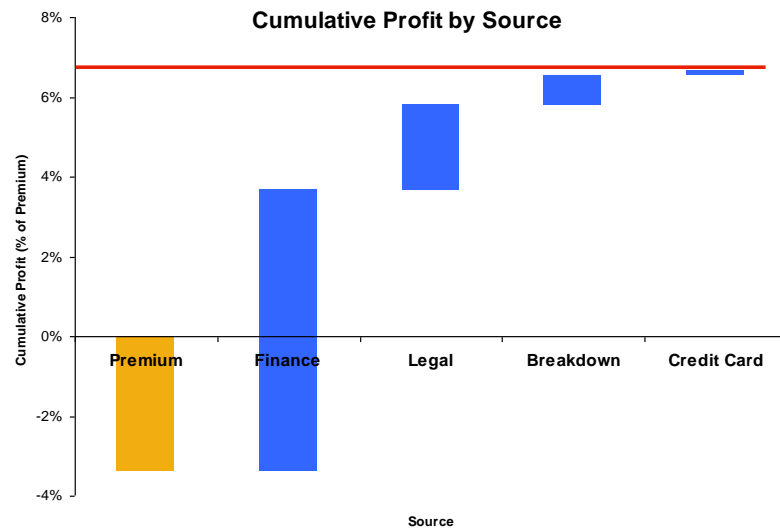
Change your Cover

Comprehensive

Recalculate prices

Product – slimming, proliferating and ancillary up-sell

- In order to secure rank 1 and a sale, insurers became more willing to **take a loss on the core cover**, seeking to enhance profitability through the sale of relatively profitable ancillary covers
- Ancillary sales propensity models became an important input to price optimisation models



- It became common (in motor) to achieve net **ancillary income equivalent to between 10% and 15% loss ratio**, often underpinned by sophisticated landing-page design and analytics

Single payment
£381.91

Monthly instalments*
£35.00

Single payment Monthly instalments*

Prices are inclusive of Insurance Premium Tax
What's included in this price:
 Fully Comprehensive Car Insurance
 Windscreen Cover
*10 instalments of £ 35.00. Initial Payment of £70.10. Overall total £420.10 (Includes 23.80 % APR)

swiftcover.com - Voted best car insurance provider 2008
Personal Finance Awards

COVER OPTIONS
Choose a cover option or you can [pick your own cover options here](#)

Option 1	Option 2	Option 3	Option 4
<input checked="" type="checkbox"/> Legal Cover <input checked="" type="checkbox"/> Courtesy Car View full details	<input checked="" type="checkbox"/> Legal Cover <input checked="" type="checkbox"/> Courtesy Car <input checked="" type="checkbox"/> Personal Accident View full details	<input checked="" type="checkbox"/> Legal Cover <input checked="" type="checkbox"/> Courtesy Car <input checked="" type="checkbox"/> Personal Accident <input checked="" type="checkbox"/> Breakdown <input checked="" type="checkbox"/> Lost Keys View full details	<input checked="" type="checkbox"/> Legal Cover <input checked="" type="checkbox"/> Courtesy Car <input checked="" type="checkbox"/> Personal Accident <input checked="" type="checkbox"/> Breakdown <input checked="" type="checkbox"/> Lost Keys View full details
<input checked="" type="radio"/> Selected option £4 per month*	<input type="radio"/> Add to my policy £5 per month*	<input type="radio"/> Add to my policy £8 per month*	<input type="radio"/> Add to my policy £9 per month*

- In recent times, there has been regulator interest in the value provided by some ancillary products

Aggregators' impact on pricing, underwriting and product

A conclusion

- **Customers like internet price comparison**, and in the U.K. they have 'voted with their feet' to embrace the channel over a relatively short period of time
- This rapid shift in distribution has necessitated a **profound change in the required** approaches to insurers' core strategic **competencies**, of pricing and underwriting, along with their product forms
- These new approaches have required **step changes in pricing** data inputs, the sophistication of pricing analytics, price delivery systems, underwriting approaches and product management
- Those established **insurers who have embraced price comparison**, and whose pricing and underwriting approaches have developed most rapidly, **have out-performed** the 'aggregator-deniers'. Many of the largest, fastest growing and best performing insurance groups in the U.K. have strong aggregator presence, despite the technical challenges that this channel provides
- Taking a positive view, this has been, and continues to be, an interesting and exciting time to be involved in insurance pricing and underwriting.

Is this just a U.K. phenomenon?

- **Consumers overwhelmingly have internet access** and are used to buying online from a range of competing providers in an aggregated portal, whether for travel, hotels, white goods, etc.
- Insurers like to argue that their product is more complex or essential than these other products or services but **consumers generally do not wish to understand insurance** in sufficient detail to accept this assertion
- There are U.K.-based insurance/aggregator groups (e.g., BGL/CTM, Admiral/Confused) having strong ambitions to export the model, and considerable expertise, and restricted U.K. growth opportunities
- There will be small, ambitious insurers who recognise price comparison as an opportunity to grow rapidly – ultimately it may not matter what the established insurance groups think or do
- There's low barriers to replication – one aggregator tends to spawn a second one as they're easy to establish
- We've seen in the U.K. that 3 or 4 aggregators is 'about the right number' – is 25% of the local market going to deliver a viable aggregator business?



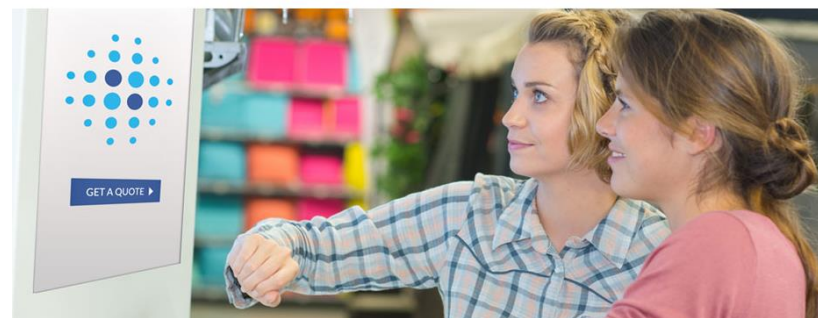
Aggregators in the US

- US insurers are looking to expand the ways they interact with their clients, e.g. apps, IoT
- This is seen as important, especially for tech-savvy younger generations (Millennials and Generation Z)
- This is impacting on distribution, though the trend is not just to aggregators, e.g. Insurance Lounge
- Obviously the UK is further along the “insurance aggregator journey” than the US
- But what is happening in the US aggregator market?



Retail Lounge

Each Insurance Lounge location offers clients convenience and choice in a cool, comfortable environment. Whether you quote yourself using our powerful comparison technology, or you work with one of our no-commission Insurance Concierges[®], you can be sure you're getting the most value out of your insurance coverage from one (or more) of our 100+ carrier partners. Each Retail Lounge is open seven days a week to make it easy for clients to shop whenever fits their schedule.



Quoting Kiosk

The Quoting Kiosk takes the self-quote functionality of the Retail Lounge technology and makes it available at partner business locations. Quoting Kiosks are available at local banks, car dealerships, and healthcare facilities, and they allow clients to quote, bind, and issue their insurance on site, either on their own or with the help of a live Insurance Concierge[®].

Aggregators are not new in the US

EVERQUOTE PRO

Since 2011



Since 2009

INSURIFY

Since 2013

credit karma

Since 2007

 the zebra

Since 2012

COVERHOUND*

Since 2010

But the Aggregator experience is changing

- Going back a few years, the options using aggregators were limited
- Now, more companies appear on aggregators
- The experience still varies between aggregators
- They all request (more or less detailed) information
- Most give quotes from a large number of insurers, including large insurers
 - Some direct clients to insurers' websites to receive a quote
- Most still direct consumers to the insurers' website to complete the quote
- The consumer is then subjected to non-stop marketing calls and/or emails over the next few days...

1 Vehicles & Drivers 2 Driver Discounts 3 Compare 4 Buy

Vehicles & Drivers

Please add your vehicles using the fields below

Vehicle One: enter this manually remove

2016 MINI COOPER BASE change

Ownership
I own it, and it's paid in full ▾

Primary Use
Pleasure ▾

Miles driven per year
6,000-10,000 ▾

Who drives this vehicle?

First Name Last Name D.O.B. Gender ▾ Primary Driver X

Add driver

Add vehicle

Next: Add Discounts

Estimated Rate: \$90/mo

Discounts Applied

Our Top NY Carriers

PROGRESSIVE

Liberty Mutual INSURANCE

MERCURY INSURANCE GROUP AUTHORIZED AGENT

Safeco Insurance.. A Liberty Mutual Company

Future of aggregators in the US

- We expect that the aggregator experience in the US will continue to develop, i.e. into a completely online experience
- What is not yet clear is if aggregators will expand and change the market as they did in the UK
- Or, if the existing aggregators will be disrupted by a new player...

Measuring the scale of Amazon's threat to the insurance industry

by Alicja Grzadkowska
21 Nov 2018

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Amazon's movement into the insurance industry picked up pace in the second half of 2018, as Travelers announced a partnership with the technology giant that will see the insurer sell smart home kits that include security cameras, water sensors, motion detectors, a wireless smart home hub and an Amazon Echo Dot to its customers at discounted prices. In September, Amazon also entered the Indian insurance market with life, health, and general insurance product, and rumors in June hinted that Amazon was considering offering home insurance.

After the 2018 World Insurance Report revealed that almost 30% of customers worldwide would be up for buying insurance from tech firms like Google and Amazon, insurance companies might be worried about their ability to

Will insurers be able to compete with Amazon?

by Ryan Smith
23 May 2018

SHARE



Almost 30% of customers globally would be willing to buy insurance from Big Tech firms like Google and Amazon, according to a new study – and insurance companies are still playing catch-up when it comes to delivering technology-enhanced customer experiences.

According to the 2018 World Insurance Report, produced in a collaboration between consulting firm Cargemini and banking and insurance non-profit Eflma, Big Tech firms are poised to enter the insurance market, while insurance companies still struggle to deliver a superior digital experience.

"The use of data and being able to offer a truly digital experience are both critical for the insurer of the future – something Big Tech firms like Amazon and Google excel at,"

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An upcoming summit reveals the opportunities in disruption that insurance professionals can

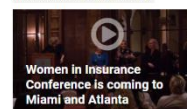
McLarens acquires US-based environmental consultancy firm

Acquisition enhances the firm's risk assessment capabilities

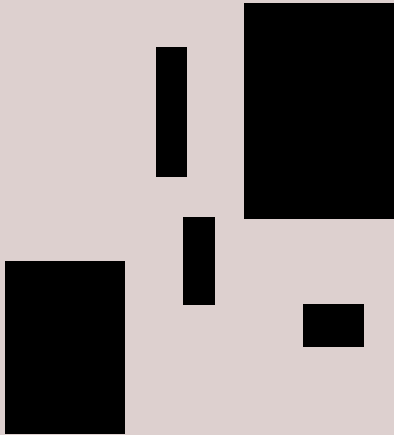
Alera Group picks up NC-based specialty risk management firm

Acquisition enhances insurance firm's resources and expertise in the state

INSURANCE BUSINESS TV



Commercials lines – an opportunity?



Innovation and Industrialization in Commercial Lines

- How should commercial lines insurers be innovating in 2019?
- How can commercial lines pricing and underwriting be industrialized?
- Earlier, when talking about Personal Lines, the following themes were mentioned:
 - Data
 - Performance monitoring
 - Pricing decision support (streamlined factor selection and scenario testing)
 - Fast deployment of rates and rules
- All of these are also of interest in Commercial Lines
- In this section, we will focus on two manifestations of these topics in Commercial Lines

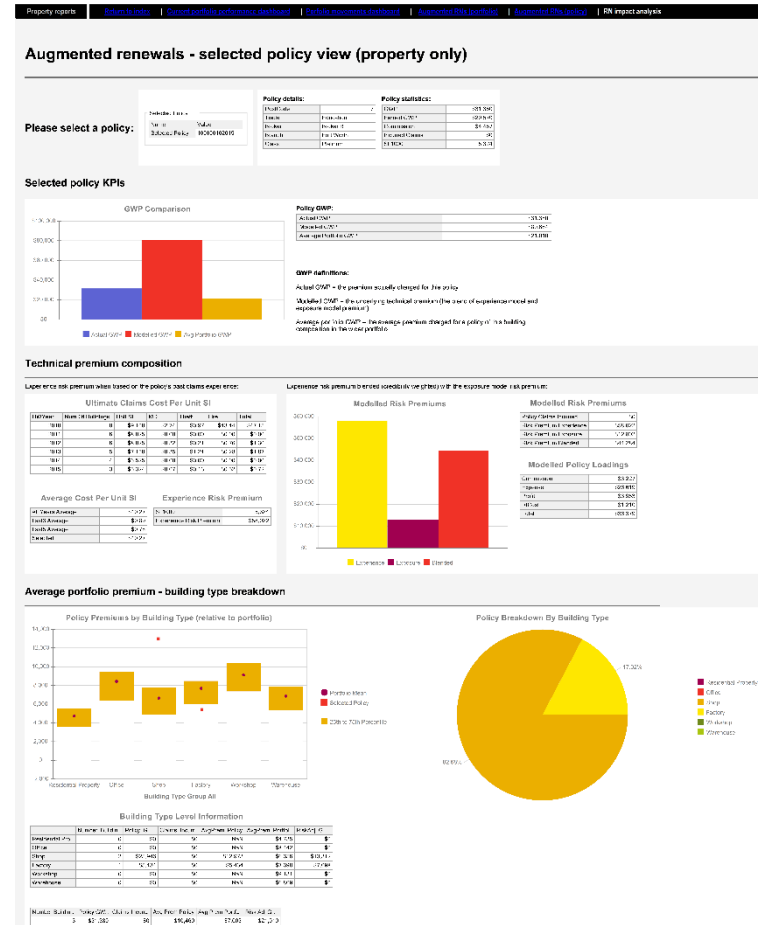
Access to information 1: portfolio view

- Portfolio-level management information for commercial lines can be similar to that of personal lines, offering a view of important KPIs across different business segments
- Scenario testing of the impact of changes on future results will in general be less sophisticated, for example using demand assumptions rather than predictive models
- A common practice is to label risks as RAG, or by performance deciles, allowing underwriters to understand the quality of a book e.g. coming up for renewal



Access to information 2: policy view

- Insurers are developing dashboards that give complete information related to individual renewing risks, including
 - History of the policy, in terms of composition and claims
 - Relevant external information
 - Expected future claims for current composition
 - Composition of the premium
 - A comparison against similar risks
- These dashboards are designed to ensure that underwriters are well-equipped for negotiations at renewal



Submissions prioritization

- It is common for insurers to receive many more submissions than they can realistically look at
- Many of the submissions they receive would not be of interest anyway
- A natural desire is to prioritize incoming submissions in terms of if they:
 - Have a profile similar to those that historically have a high likelihood of being bound (i.e. a predictive model of the propensity to bind as a function of submission characteristics)
 - Fit within business rules defining the appetite of the insurer
- This is complicated by the fact that submission typically includes information in email attachments (pdfs)
- Insurers are exploring ways to scrape relevant information from incoming submissions and score them according to a propensity model to ensure that the most “attractive” submissions are analyzed first

The image shows a Cluett insurance application form titled "RESTAURANT / BAR / TAVERN OR SIMILAR ESTABLISHMENT SUPPLEMENTAL APPLICATION WITH OPTIONAL LIQUOR LIABILITY". The form includes fields for Agency Name, Address, Contact Name, Phone, Fax, and Email. Below this, there are sections for Applicant Name, Agent, Applicant Mailing Address, Applicant's Phone Number, Web Address, Inspection Contact, and Proposed Policy Period. The form also includes checkboxes for "Applicant is: Individual, Partnership, Corporation, Joint Venture, Other" and a "Location Address" field. The main body of the form contains a series of questions (1-9) related to risk classification, such as "Risk Classification - Provide detailed description of your business operations including target clientele", "Hours of Operation", "Total square foot area of premises", "If there is a kitchen or food preparation area on premises, indicate square foot area:", "Number of Cooking Units", "Are all surfaces protected by a working fire suppression system", "Is there a service agreement in place?", "Is a service agreement in place for cleaning ventilation ducts?", "Provide Service Schedule:", "Is the building single story?", "If no, provide complete details of the operation including number of stories, description of all life safety equipment, evacuation plans etc.", "Is there a dance floor?", "If yes, indicate square foot area:", "Is there a parking lot on premises?", "Is parking area well lit?", "Is parking area patrolled?", "Do your employees provide escort to vehicles?", "Do you offer valet parking?", "If yes, are they your own employees, or do you contract for this service?", "If contracted, does the lessee provide evidence of insurance naming you as Additional Insured?", "Is there a public lot or other parking lot adjacent to insured premises?", "If yes, are you under contract or agreement to provide liability coverage?", and "Is on street parking available?". Each question has a "Yes" or "No" checkbox.

Innovation and Industrialization in Commercial Lines

In summary, the same themes that were mentioned earlier in the context of Personal Lines are of interest in Commercial Lines:

- Data
- Performance monitoring
- Pricing decision support
- Fast deployment of rates and rules

Though they do manifest themselves differently.

