



Intention	
	-
<ul> <li>To improve Homeowners rating in the marketplace based on our observation of the historical rate of development of sophisticated pricing and underwriting</li> </ul>	
<ul> <li>Create an offering targeted towards small- to mid-size carriers, who have limited resources and data, in order for them to gain a competitive advantage</li> </ul>	
in the marketplace  Listen to their reaction to our initial perceived value proposition and incorporate the feedback into our approach to maximize the benefit delivered	
the received mile can approach to maximize the period connected	
with Source Withou Little 4	
efficiencements.com  (2014)  (	
	1
Brief Background on Homeowners Rating	
	-
Created in the 1950s, it is basically a fire rating algorithm	
Early 2000's Innovations     Introduction of multi-variate rating	
Use of credit     Prior losses used for rating     Additional property characteristics utilized	-
By-peril concept introduced	
efficient restances  C21978 in Team 19 April Institute Propriety of Certified in 1961 Team 1986 Team 1986 of the sky	
2.62	
Brief Background on Homeowners Rating	
Other Innovations in Recent Years	
Personal auto experience utilized Method that insurance bill is paid Days between application and effective date	
Original owner of home Age/type of roof	

### Structure Insurance Score Defined

- Measures the inherent risk to an insurance company based on several different characteristics of a home or building
- Based on predictive modeling applications
- Recognizes specific characteristics of the home or building
- Applicable to residential, farm and commercial type risks

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### Structure Insurance Score Defined

- Many companies are already using some house characteristics in rating of homeowners and dwelling fire
- Some examples include number of bathrooms, number of stories and age of
- A greater use of more home characteristics and/or a structure insurance score will improve rating even more



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# Structure Insurance Score Defined

- Characteristics used to determine replacement cost that are above and beyond traditional dwelling or building information, which carriers use to rate and underwrite property coverage, may add significant lift or improvement in segmentation
- Level expected to vary by peril



# Dwellings with identical characteristics will vary in lift due to geographic location and peril mix Similar in concept to make/model rating for automobile

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# Decision to Collaborate We started in 2009 as EMB and e2Value. EMB had the expertise needed for analyzing exposures (including home characteristics) and understanding how they drive loss propensity. e2Value had the required home data driven by its patented valuation approach.

# Offering Development: Required Data

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- 2M+ exposures per year
- Representation across the U.S.
- Sufficient coverage for various home types
- Data for all the exposures





- 3 to 5 years of exposure and loss information
- Rating information that could capture what the most sophisticated rating plans could identify—including elements that are typically common to all companies such as construction type, amount of insurance, deductible, etc.
- Cause of loss information for peril breakout

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### Offering Development: Benefits of Contributing

### What are the benefits to individual insurance companies?

- Will get early results and be able to implement before competitors
- A summary of scores for the individual company
- A comparison of score distributions between the individual companies and aggregated companies in the study
- Reduced cost for a number of years



## Offering Development: Working Together

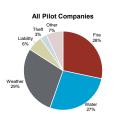
- The end goal defined
- An agreement between the parties to spell out each company's and each person's role.
   The formal alliance defined
- Anticipate break-up
- Anticipate this project and product could lead to other projects or products outside the scope of this relationship
- Prescribe success measurements and steps when things are not going well steps for resolution or dissolution
- Be ready for cross-company rivalries, intra-company motivation to market, internal goals at odds with certain products or clients
- Define roles of each company and person on the team
- "Success has a thousand parents, failure is an orphan"

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# Offering Development: Road Show

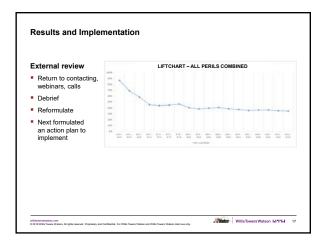
- Assembling the pilot companies: prepared a target list, determined who knew whom, developed presentations and a schedule
- Outlined roles for each call/webinar
- Debriefed after each call and updated the
- 20+ calls, meetings for 15 interested participants
- Coordination to standardize data received from each pilot company
- Working with interested parties and accommodating their priorities w/r/t timing of data submission

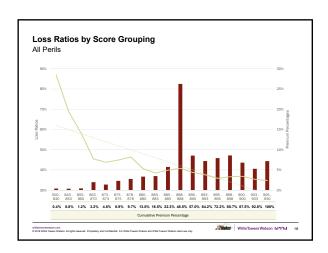


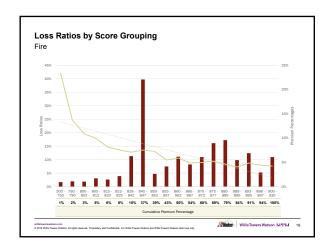
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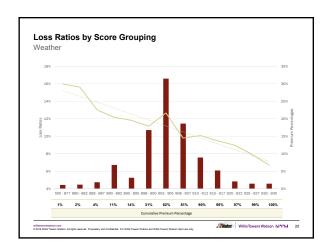
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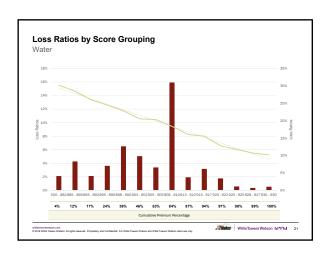
# Results and Implementation Internal review • Validation of: data, facts, hypothesis and results. This resulted in a review of the holdout dataset and geographic location impacts considerations. We coordinated with internal teams. • Prepare presentations • Return to contacting, webinars, calls Coverage & Low Value \*\*Coverage & Low Value \*\*Coverage & Low Value \*\*Coverage & Med Value \*\*Coverage & Low Valu











### Scenario Tests

Pricing Strategy

- We will employ a pricing strategy that increases rate relativities by score bucket, which will impact demand as well as loss ratio
- Baseline renewal probability is assumed to be 95% and is impacted only by price change
- Based on these assumptions, loss ratio can be decreased from 37.8% to 35.7%, with no

Scores	Loss Ratio	Relativity	Demand	Loss Ratio
500 - 873	64.7%	1.30	71.1%	49.8%
875 - 880	39.8%	1.20	80.8%	33.2%
883 - 885	44.6%	1.20	80.8%	37.1%
888 - 888	35.5%	1.05	91.8%	33.8%
890 - 890	34.8%	1.05	91.8%	33.2%
893 - 893	34.4%	1.03	93.1%	33.4%
895 - 895	38.9%	1.02	93.8%	38.1%
898 - 898	36.1%	0.98	96.1%	36.9%
900 - 900	31.3%	0.96	96.8%	32.6%
903 - 903	35.8%	0.96	96.8%	37.3%
905 - 905	34.3%	0.95	97.1%	36.1%
908 - 930	30.5%	0.85	99.2%	35.9%
Overall	37.8%		95.0%	35.7%

Results and Implementation

- Contracts for testing and subscription for participants and non-participants
- Business entity licensing
- Advisory rating organization establishment
- Individual state filings and responding to reactions
- Getting carriers on board
- Strategy development
  Legal
  Technical

- Sales
  Marketing

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# Lessons Learned: Where Does It Go Wrong?

- Everywhere
- Is there a core team that owns the process?
- Is there a core product and established goal?
- Need buy-in from all parties and leadership
- With ownership and support, it's easier to navigate your plan
- Keep the plan and message simple
- Environment changes



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Lessons Learned: If It Works, It Works Well!	
■ Ten year process	
Three mergers, three name changes, three leadership teams with evolving goals and motivation	
■ 50 States	
1,000+ insurance carriers	
Seven individuals	
Plan for Success!	
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