Risk Pricing and the Nash Equilibrium

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The Prisoner's Dilemma
Golden Balls

	Split	Steal
Split	£6,800 £6,800	£13,600 £0
Steal	£0 £13,600	£0 £0

In the Real World

3rd Party Data

Internet of Things

Telematics

Building Characteristics

Fraud Models

Credit Scoring

Crime Data/Models

Vehicle History Scoring

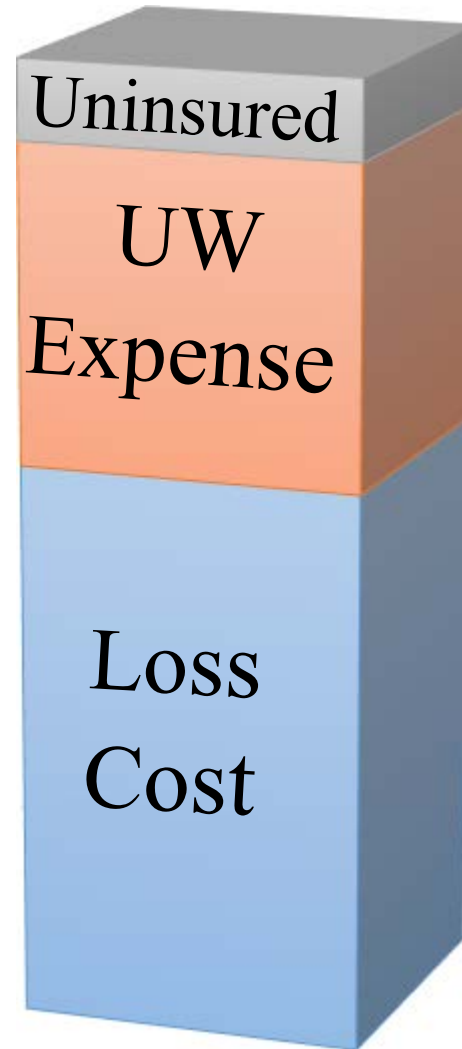License Plate Recognition

Hurricane/Storm Models

The Prisoner's Dilemma
Risk Pricing

	No Data	Data
No Data	$1000/ 1000 $1000/ 1000	$ 840/ 1240 $1000/ 1000
Data	$1000/ 1000 $ 840/ 1240	$ 840/ 1240 $ 840/ 1240

Competitive Markets Should:

❖ Decrease insured losses

❖ Decrease insurance expenses

❖ Increase availability of insurance

Uninsured

UW Expense

Loss Cost

Risk Pricing (Data) Should:

❖ Decrease insured losses

❖ Decrease insurance expenses

❖ Increase availability of insurance

❖ Or, be uncostly.

Case Studies:

- ❖ UBI
- ❖ Territory
- ❖ Vehicle History Score
- ❖ Loss/Violation History
- ❖ Protection Class

- ❖ *Decrease insured losses*
- ❖ *Decrease insurance expenses*
- ❖ *Increase availability of insurance*
- ❖ *Low Cost (or Free)*

The Prisoner's Dilemma
Golden Balls - A New Paradigm

	Honest	Liar
Split	£6,800 £6,800	£13,600 £0
Steal	£0 £0	£0 £0