



Institute of Actuaries of Australia

Critical Success Factors in Motor Pricing

Some Insights

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Agenda

- Comprehensive Databases
- Reserving Processes
- Pricing models – Beyond risk based
- Monitoring



Comprehensive Databases

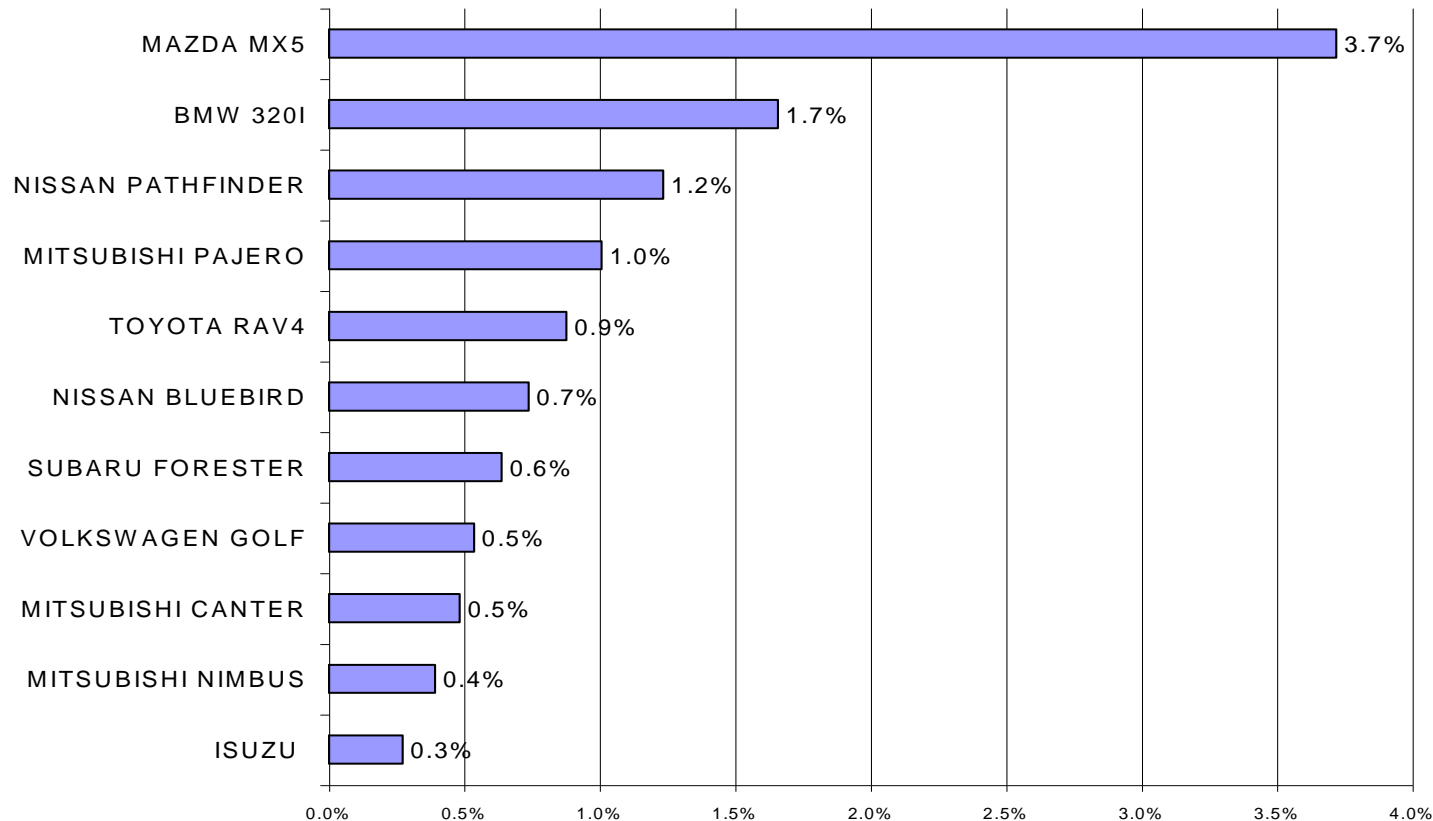
- History
- Granularity
- Data integrity processes
- Involvement in IT development/business processes essential



Competitive advantage



Motor Theft Claims Frequency - Make & Model



Reserving

- Data integrity checks
- Granularity versus size of portfolio
- Regular reviews
- Feed into pricing

➡ To under-reserve is to under-price – Warren Buffet



Pricing

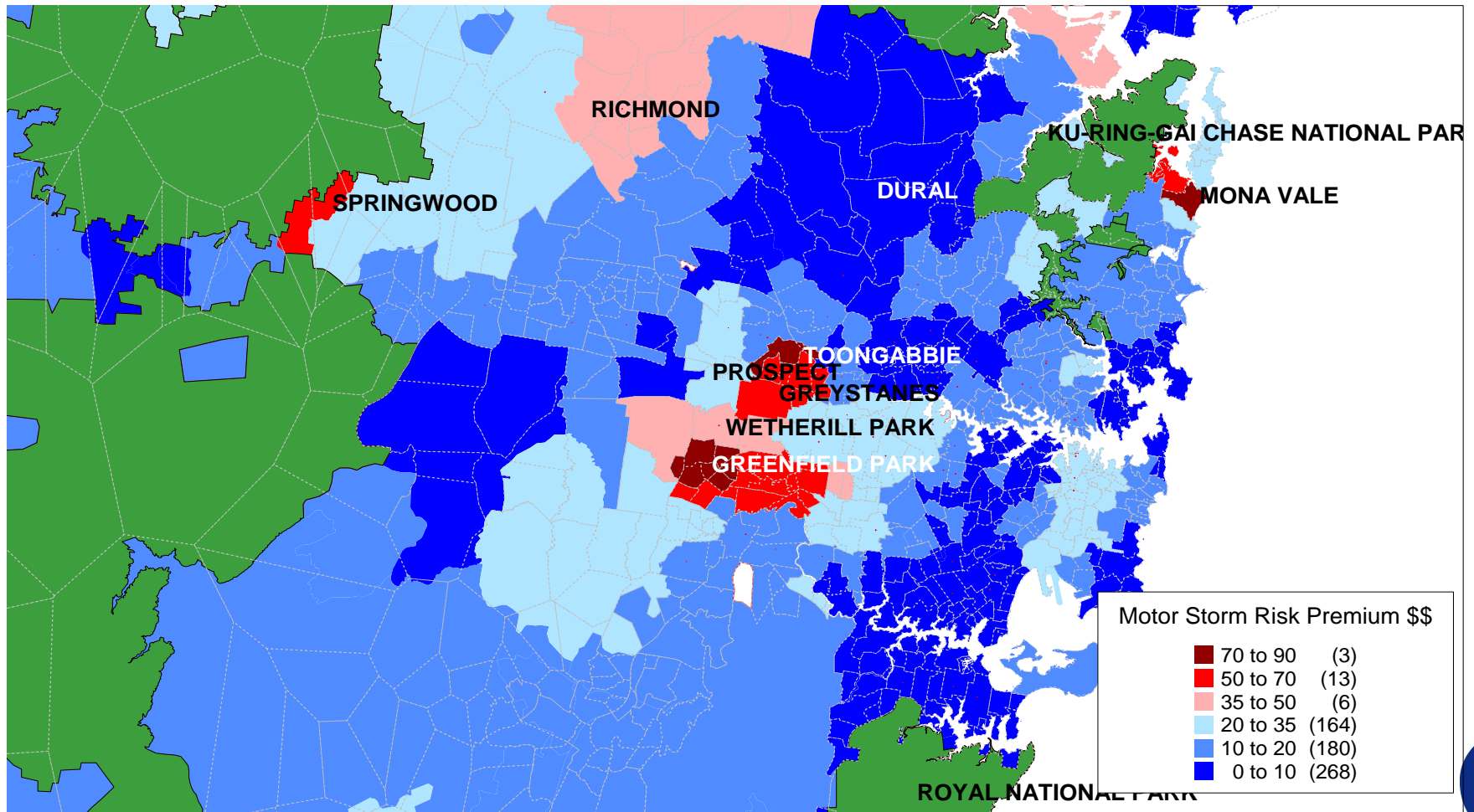
- Market segmentation
- Risk based
 - Granularity
 - Statistical models (eg. GLM)
- Customer Behaviour
 - New Business
 - Retention



Risk Selection

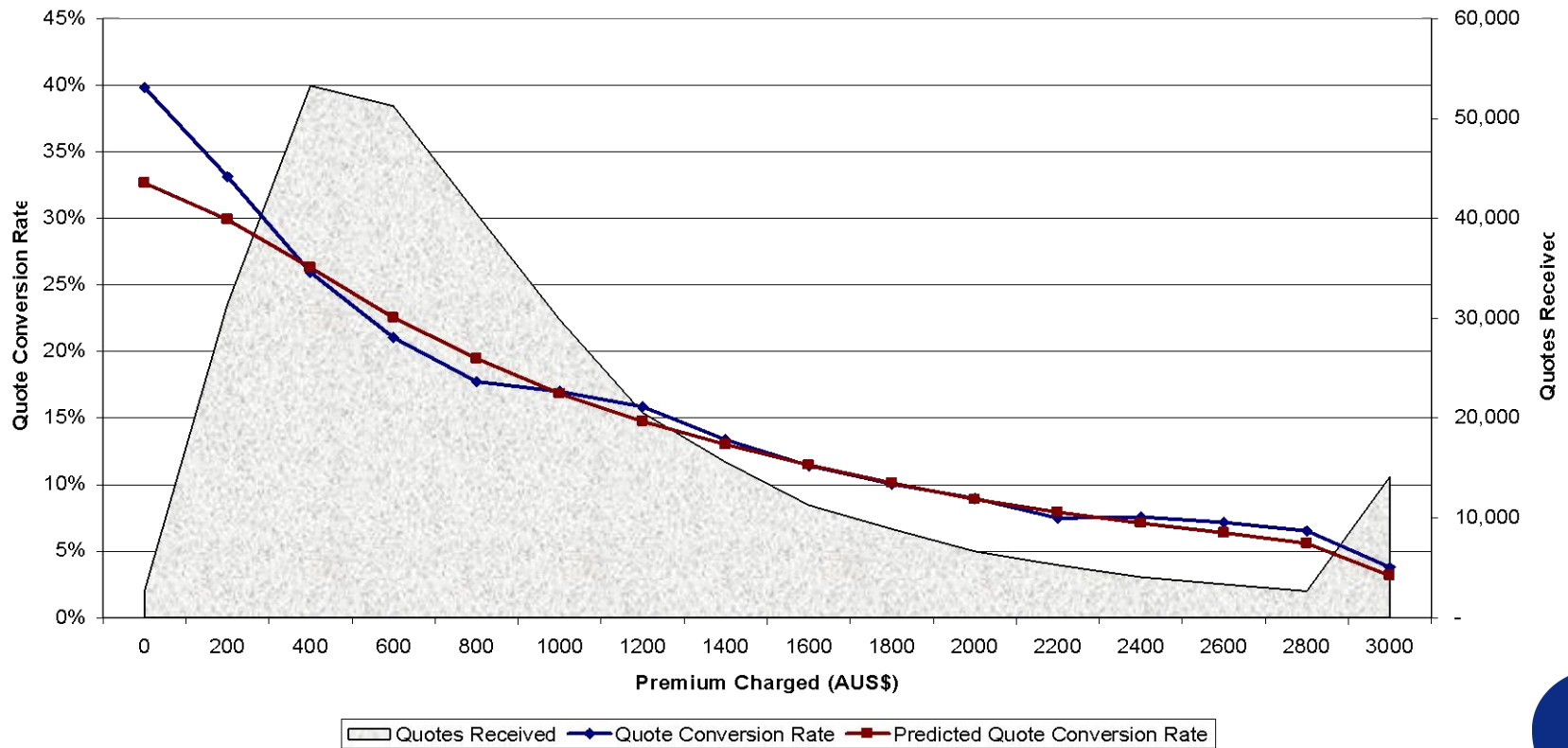


Geocoding Illustration



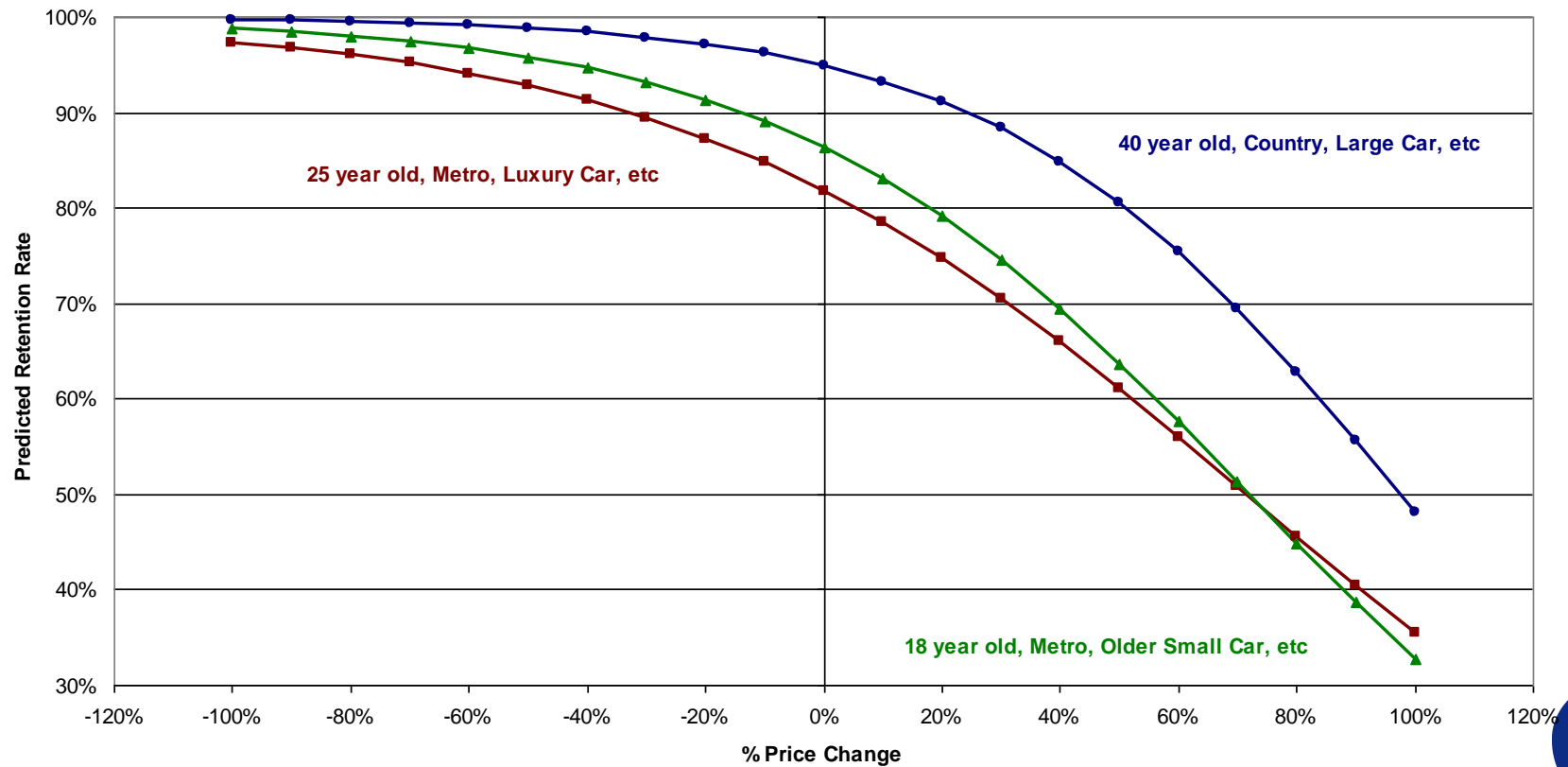
New Business Modelling

Motor Insurance Actual vs Predicted Quote Conversion Rates

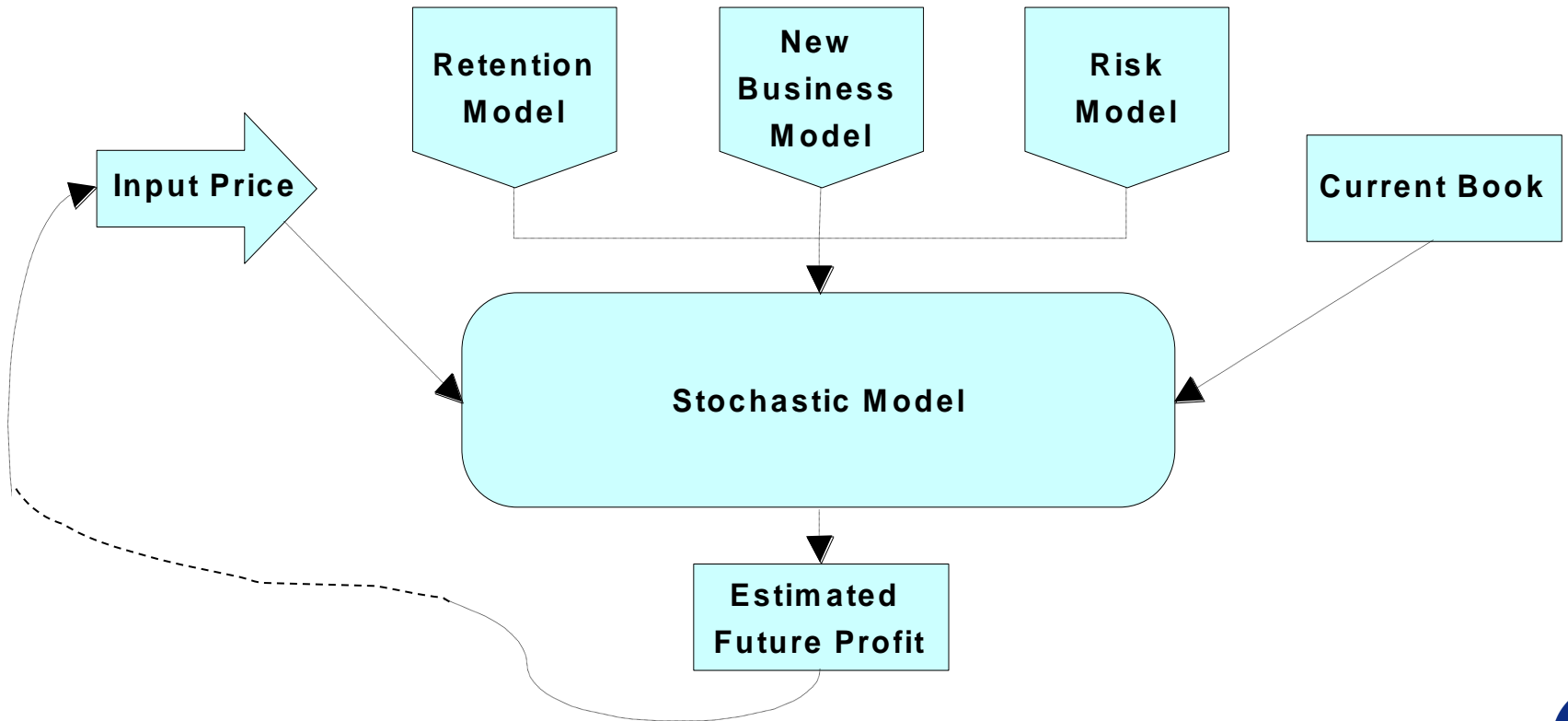


Customer Retention Modelling

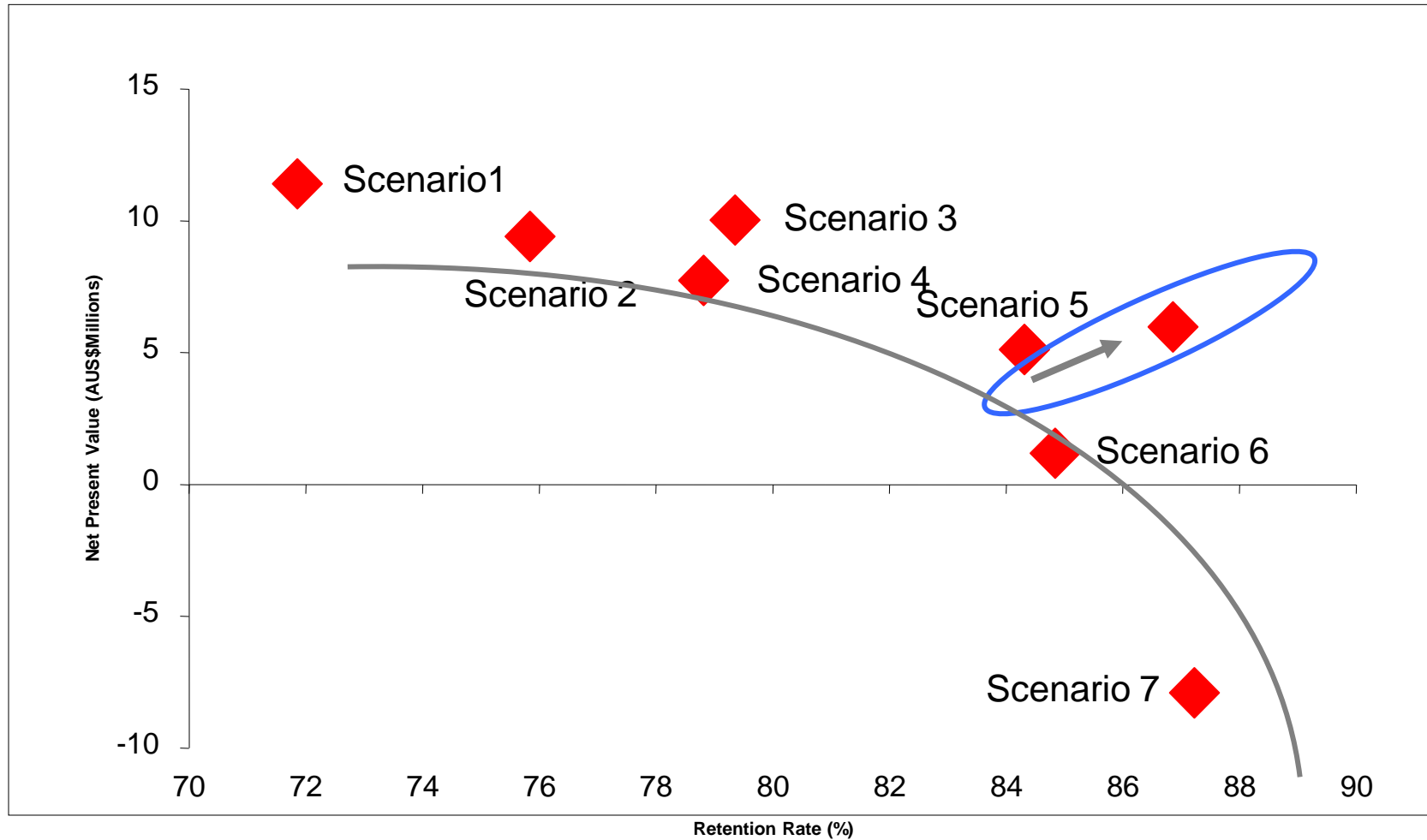
Motor Insurance Predicted Retention Curves



Optimisation



Efficient Frontier



Monitoring

- Granularity
- Frequency
- Feedback loop



Key part of control cycle



Thank you

Questions?



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