

Thriving on Change

16th

General Insurance Seminar



Institute of Actuaries of Australia



9-12th Nov 2008
Hyatt Regency Coolum

Developments in the Distribution, Pricing & Product Design of Personal Insurance

Adam Driussi



Institute of Actuaries of Australia

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**General
Insurance
Seminar**



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Overview

- Distribution
- Product Design & Pricing



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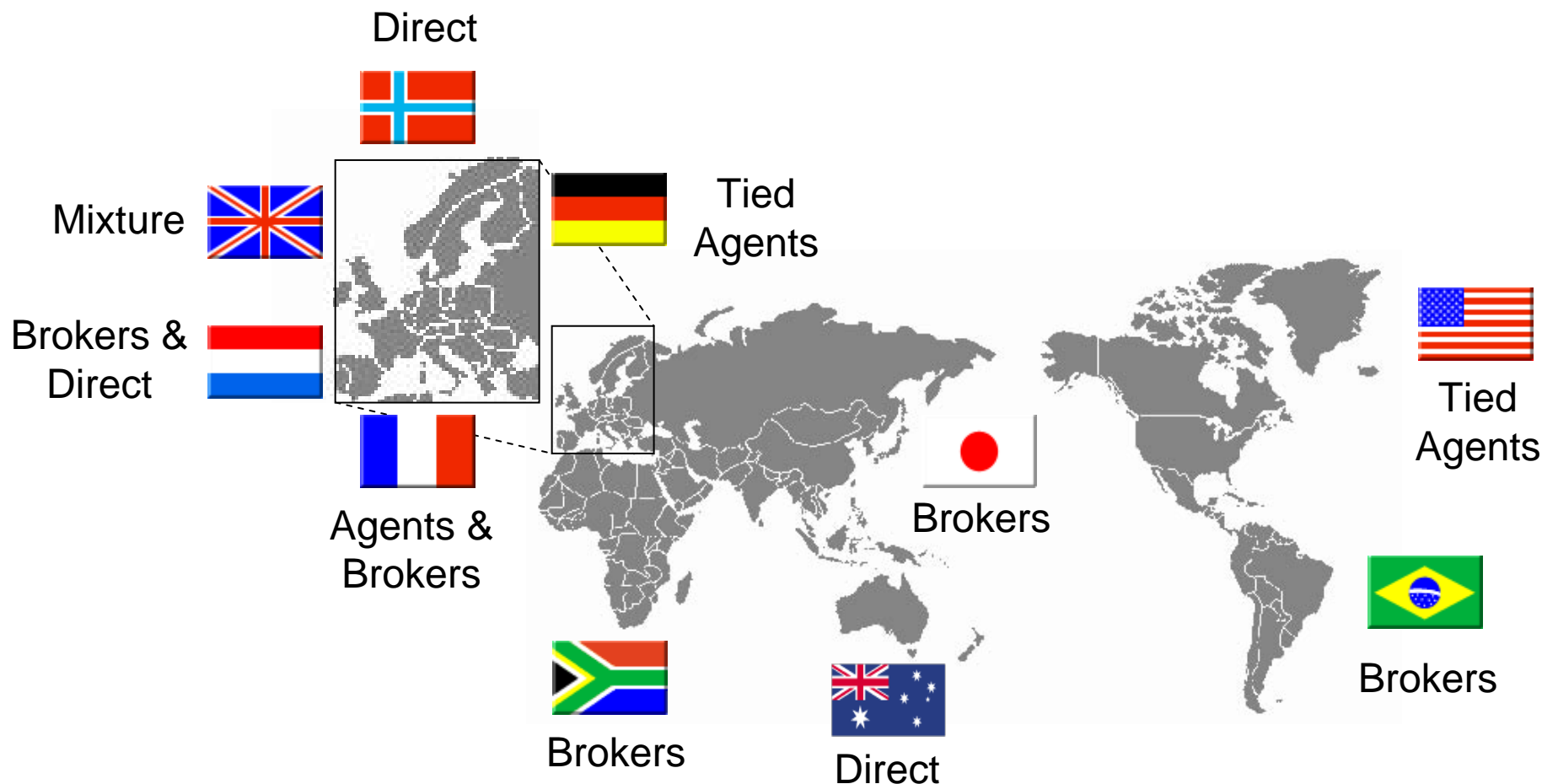
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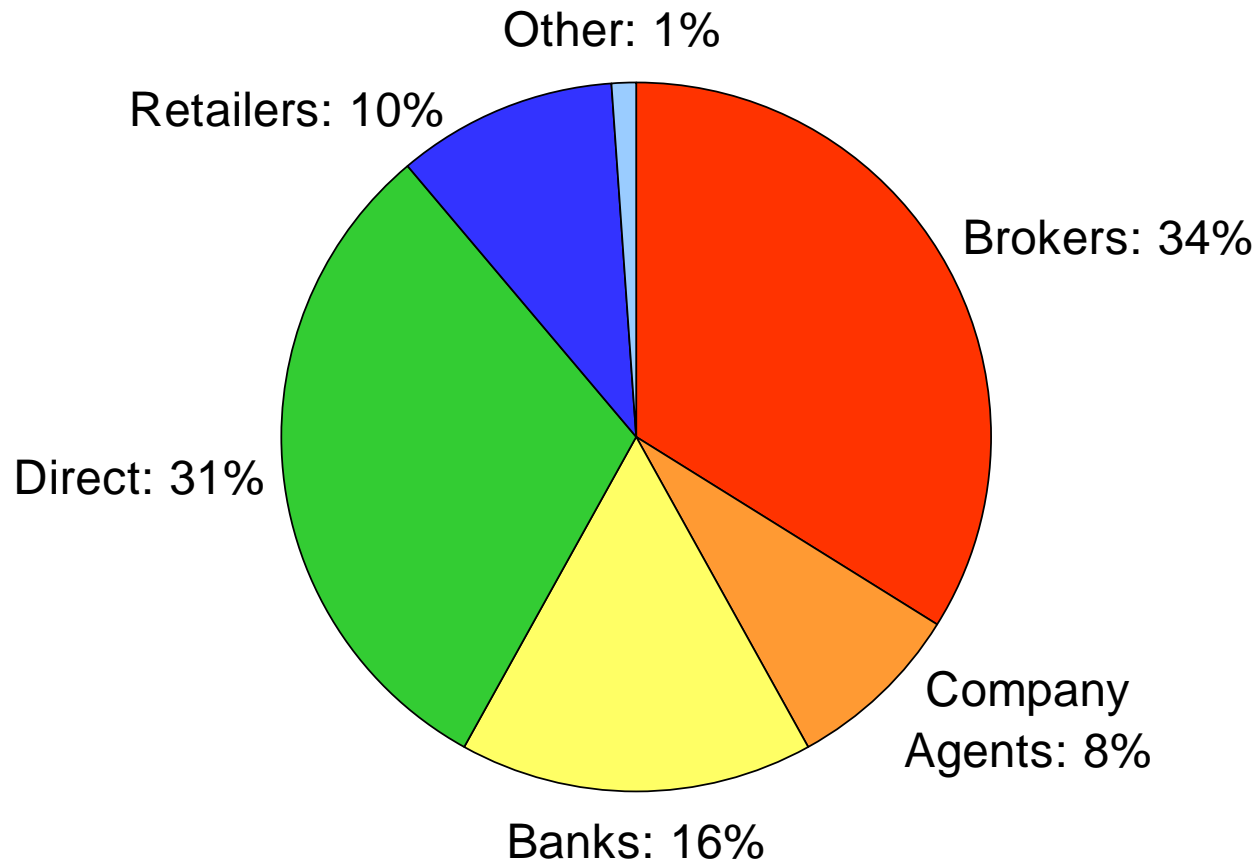
Distribution around the globe





Distribution in the UK

UK General Insurance - Retail Sales 2007





Brokers/panel insurers utilise a range of underwriters...



Why it pays to switch to the AA for car insurance

- ✓ We keep car insurance simple with a panel of insurers offering the same policy benefits
- ✓ Get **fully comprehensive cover** with a truly comprehensive range of features
- ✓ We'll get you the best quote we can from our panel of leading UK insurers
- ✓ Save time with quick and secure online car insurance quotes

ASDA Financial Services **Car Insurance**

Get the best price from over 20 insurers with one click



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...and claims management companies to handle claims

Helphire[®]

Group plc

Vehicle replacement solutions »



Providing non-fault motorists with comparable replacement vehicles whilst theirs are off the road

Vehicle repair solutions »



Arranging vehicle repair solutions to non-fault motorists, through a national network of over 300 approved body repairers

Personal injury management »



Providing motorists and their passengers with access to specialist legal advice and guidance



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Retailers utilise their brand recognition and loyal customer bases

TESCO

ASDA
part of the **WAL*MART** family

YOUR **M&S**

Sainsbury's

'The Fresh Food People'
WOOLWORTHS

KwikFit
INSURANCE

Car

Home

Motorbike

Van

Breakdown

Pet

Travel

My Policies

[Home](#)

**Buy a Car Insurance Policy
and save £100 on a Sat Nav**

†Terms and conditions apply

Only £49.99 with every
Car Insurance Policy

[GET A QUOTE >](#)



Travel Insurance
...don't leave home
without it.

Annual cover
from as little
as £40.00

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Motorbike Insurance
...we'll get you our
best price.

By comparing
18 leading
insurers

[GET A QUOTE >](#)



Home Insurance
...that's as safe
as houses.

Get £60
off today

[GET A QUOTE >](#)



**A quote you'll like,
as quick as you like**

Car Insurance

[QUOTE](#)

Home Insurance

[QUOTE](#)

Motorbike Insurance

[QUOTE](#)

Van Insurance

[QUOTE](#)

Breakdown Insurance

[QUOTE](#)

Pet Insurance

[QUOTE](#)

Travel Insurance

[QUOTE](#)

[RETRIEVE A QUOTE](#)

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Banks dominate home insurance in many markets

- High retention rates
- Relatively price inelastic
- Powerful asset in transactional data



Direct...the shift to online

- Sales from online keep growing strongly
- Online sales for Australian insurers vary
 - Ranges from 0% to 50% for some segments
 - Above 50% for some US insurers
- Over 50% of Motor new business in the UK is transacted online



...even in some more conservative markets such as Germany

- The dominance of agents meant that they have largely resisted the push to phone based direct
- Insurers gradually recognising the importance of online



Implications of the shift to online...

- Customers tend to be less loyal and more price elastic
- Phone business elasticity reducing
- Potential exploitation of rating structure



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100% online insurers



bingle

.com.au

Quick quote

Buy now

About Bingle

Policyholder
Login

Bingle is...

Safe.

Cars
only.

DIY.
Online.

For over
25s.

Bingle has made it easy for you to buy and manage your policy online.

The more you can do yourself, the less overheads we have. So with no call centres or branches, the bottom line is that we pass these savings onto you.

And if you need to make a claim, get on the Bingle website, login and let us know what happened. We will manage the rest for you.

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Bingle offers low cost car insurance with a lifetime repair guarantee. Get a car insurance quote online. Bingle.com Pty Ltd. is an authorised representative of Australian Associated Motor Insurers Ltd (AAMI) - AFSL 236173. ABN 93 121 114 574. AR 312546



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Online insurers



Erin Esurance here.
Come on in. Don't be
afraid to snoop around.
But be careful. Secret
agents must never blow
their cover.



At Esurance, we take the hassle out of shopping for auto insurance.

☒ **We value your time**

It takes only minutes to get a quote and compare prices from other top-rated companies.

☒ **We make it simple**

No additional questions. Once you get a quote, you're just one click away from seeing personalized comparison rates.

☒ **You're in the driver's seat**

Prefer a competitor's rate? Esurance is the only direct-to-consumer auto insurance company that shows you comparison rates from other companies on our site and lets you buy a policy from them right then!



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The rise of aggregators in the UK...



Confused.com

Car
Insurance

Get quotes



Home
Insurance

Get quotes



Insurance

- Car
- Home
- Motorbike
- Van
- Travel
- Life
- Breakdown
- Other

Money

- Credit Cards
- Loans
- Remortgages
- Mortgages
- Life Cover
- Savings
- Current Accounts
- Other

Utilities

- Gas & Electricity
- Broadband
- Home Phone
- Digital TV
- TV, Broadband & Phone
- Other Utility

Switching
Energy

Get quotes



Worried about rising energy prices?

With energy prices on the rise, it's difficult to be sure you've got the right supplier at the right price. Why not see for yourself how switching your utilities supplier could get you a better deal.

moneysupermarket.com[®]
the price comparison site

Make sure your vet bills
don't come back to bite.

HOME MONEY INSURANCE TRAVEL MOTORING GAS & ELECTRICITY MOBILE PHONES SHOPPING BROADBAND NEWS & COMMUNITY

car | home | life | travel | pet | bike | van | landlord | income | medical | breakdown | dental | business | mortgage | heating

Compare insurance quotes

One search to compare dozens of UK insurance companies

Insurance

We can cut the price of
your car insurance in half

Find out more

TESCO
Car Insurance

These days,
Tesco Car
Insurance
can be expensive

Click here
for an online quote

Car Insurance

One search to compare cheap car insurance quotes from 60 leading motor insurance companies.

- ♦ AA Insurance, Barclays, Budget, Endsleigh, esure, Kwik Fit, More Than, Post Office, RAC, Shellas' Wheels, Swiftcover plus more!



Retrieve Saved Quote

Get New Quote

Home Insurance

One search to compare cheap home insurance quotes from 60 leading insurance companies.



- ♦ AA Insurance, Barclays, Budget, esure, Halifax, Legal & General, More Than, Norwich Union Direct, Sainsbury's Bank, Saga, Zurich plus more!

Get New Quote

NORWICH
UNION
an
AVIVA
company

Hot Topics In Our Insurance Forum

"CONCURRENT INSURANCE..."

"Non fault accident..."

"Telling All"

"Your personal claims history"

"Renewing 2 cars, selling one..."

"CAR HIRE FIRM REPORTE..."

Join The Discussion

Visit our forums and let other users help you with their money saving tips for every part of your life. [Discuss Now](#)

Our customer promise

- ✓ Best price
- ✓ Most comprehensive
- ✓ Clear & impartial
- ✓ Trustworthy
- ✓ Supportive

Find out more

Simon Nixon, Founder



Prepare for the
unforeseen

Hiscox home insurance



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...including insurers launching their own price comparison sites



Tesco Compare.
The car insurance comparison site.
All the facts on prices and features.
After all...
Honesty's the best policy.

[more ▶](#)



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Moving rankings beyond purely price...

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 **gocompare.com**

[Home page](#) [Insurance](#) [Money](#) [Travel](#) [Motoring](#) [Utilities](#) [Business](#)

[about us](#) [insurance companies](#) [buying insurance online](#)

Special 5 star rating system

★★★★★



Most insurance aggregators and brokers will give you any number of quotes, ordered by cheapest to most expensive. You might think this is fair enough, given that nobody wants to pay more for their insurance than they need to.

However, many customers find that the information provided is often very limited. It is not uncommon for results pages to include the name of the insurer and the premium alone. This limitation has been further compounded by the recent addition of [stripped down policies](#), which offer reduced cover in order to bring down the premium. So that nice cheap premium at the top of the list may not include the level of cover you expect.

In order to counter this trend, Gocompare.com offers a special 5 star rating system. The number of stars displayed against each policy relates to how well that policy matches your requirements. For example, if you have requested personal accident cover, those policies that don't include it will be docked a star. Policies that include every feature you have requested (or more) will receive a 5 star rating.

We believe this 5 star rating will give you the ability to make a more informed choice when choosing your insurance. As well as taking the premium into account you can also see at a glance which policies best match your requirements.



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tell a friend

edit / new quote

Website	Annual Premium	Tick to Compare	Special Offers	Total Excess (i)	Legal Assistance (i)	Courtesy Windscreen Car (i)	Windscreen Cover (i)	Personal Accident (i)	Breakdown Cover (i)	Protected NCB	Star Rating	What Next
	£251.08	<input type="checkbox"/>	No claims discount will not be affected if your car is damaged by an act of vandalism. (T&Cs apply)	£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£254.43	<input type="checkbox"/>		£75	✓	✓	✓	✓	✗	✗	★★★★★	more info
	£263.77	<input type="checkbox"/>	Includes an online discount	£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£270.98	<input type="checkbox"/>		£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£272.63	<input type="checkbox"/>	Your handbag and its contents covered up to £300, if stolen whilst in your car. (Comp' cover only)	£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£272.88	<input type="checkbox"/>	Includes an online discount	£150	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£276.39	<input type="checkbox"/>	Buy today and get a free MOT worth £44.95 and a 10% discount at Kwik-Fit Autocentres	£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£297.36	<input type="checkbox"/>		£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£303.36	<input type="checkbox"/>		£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£313.48	<input type="checkbox"/>		£100	✗	✓	✓	✓	✗	✗	★★★★★	more info
	£314.38	<input type="checkbox"/>	Green Insurance with 100% car emission offsetting	£150	✗	✓	✓	✓	✗	✗	★★★★★	more info



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Norwich Union has recently taken a different approach...

 **NORWICH UNION**
an AVIVA company

Car Insurance

We'll show you our
competitors' prices...
even if they're
cheaper

Save
up to
10%
online



Happy's Price Check

Married man, 57, Gravesend, 9 years
no claim discount, Suzuki Grand
Vitara, Comprehensive cover:

Privilege	£332.85
Norwich Union Direct	£343.00
Esure	£377.59
Direct Line	£388.50

The premium you pay will depend on
individual circumstances and cover chosen.

Quotes researched by
Consumer Intelligence
September 2008

 **Consumer
Intelligence**



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Progressive in the US also provide live competitor price comparisons

PROGRESSIVE
#1 AUTO INSURANCE WEB SITE - 2008 KEYNOTE

"Easy to purchase car insurance ... the best part was I've saved around \$380."
Customer M. FL ★★★★★

1-800-PROGRESSIVE

HOME / CAR & VEHICLE INSURANCE / HOME & RENTERS INSURANCE / INSURANCE BASICS / ARTICLES & BLOGS / VEHICLE RESOURCES / CLAIMS

You Could Save Hundreds on Car Insurance!
Rates and coverage options in about 6 minutes!

Get a Quote
See our rate, buy and print.

Select:
Auto

ZIP Code:

QUOTE & COMPARE
RETRIEVE A SAVED QUOTE

Or, shop with a local agent:
[FIND AGENT / GET AGENT QUOTE](#)

Company	Rate Range
Nationwide	\$1005 - \$1204
Progressive Direct	\$1095
Auto Range of Rates	\$1454

Company	Rate Range
State Farm (A)	\$296 - \$343
State Farm (B)	\$326 - \$378
Nationwide	\$334 - \$368
Progressive Direct	\$379
Auto Range of Rates	\$83

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FORD ESCAPE
10/28, 5:57 PM ET

Commercial Auto
We insure your business vehicles with excellent rates and top-notch service.
[Learn More](#)

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10/28, 5:57 PM ET

State Farm (A) \$296 - \$343

State Farm (B) \$326 - \$378

Nationwide \$334 - \$368

Progressive Direct \$379

Auto Range of Rates \$83



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Is Google the one aggregator that Australian insurers “can’t” stop?

Google secured loans Search

Search: ☒ the web ☐ pages from the UK

Web

[Compare secured loan lenders to get the best rate](#)

Loan amount Select one

www.google.co.uk/MerchantSearchBeta

[Compare secured loan lenders to get the best rate](#)

Loan amount Select one

www.google.co.uk/MerchantSearchBeta

[Cheap Loans](#) | [compare car, personal and secured homeowner loan](#)
Compare over 550 unsecured personal loans including car finance plus 150 secured homeowner loans then apply online...
www.moneysupermarket.com/loans/ - 151k - [Cached](#) - [Similar pages](#)

[Secured Loans UK - Homeowner Loan - Debt Consolidation Loans](#)
Looking for a secured loan in the UK? Netloans provide loans for homeowners only.

Google Compare sponsoring lenders for secured loans Help

Name: Alan Potter Email: potter.alan1@googlemail.com Phone: 07795 395 295 Best time to call: 9:00 AM - noon [Edit contact info](#)

The following secured loan programs are available only to homeowners currently paying a mortgage.

	Lender	Credit profile	Typical APR	APR range	Typical fee	Typical payment
✓ Request sent	Barclays 0800 216 3101 Loan details	Good	6.80	6.4 - 8	£1,000	£1,234
<input type="button" value="Get quote"/>	Central Capital 0800 510 2802 Show details	Good	7.95	7 - 10	£500	£1,764
<input type="button" value="Get quote"/>	First Plus 0800 066 5802 Show details	Good	8.20	7 - 14	£0	£1,998
<input type="button" value="Get quote"/>	Loans.co.uk 0800 322 7879 Show details	Good	8.80	9 - 14	£1,500	£1,947
<input type="button" value="Get quote"/>	Norton Finance 0844 971 2167 Show details	Good	8.90	6.6 - 19.9	£250	£1,877
<input type="button" value="Get quote"/>	Ocean Finance 0800 852 3497 Show details	Good	18.20	12.4 - 21.5	£0	£1,534

Loan amount £45,000-49,999

Loan period 3 years

Credit profile ☒ Excellent
☒ Good
☐ Fair
☐ Poor

Are you currently paying a mortgage?
☒ Yes
☐ No



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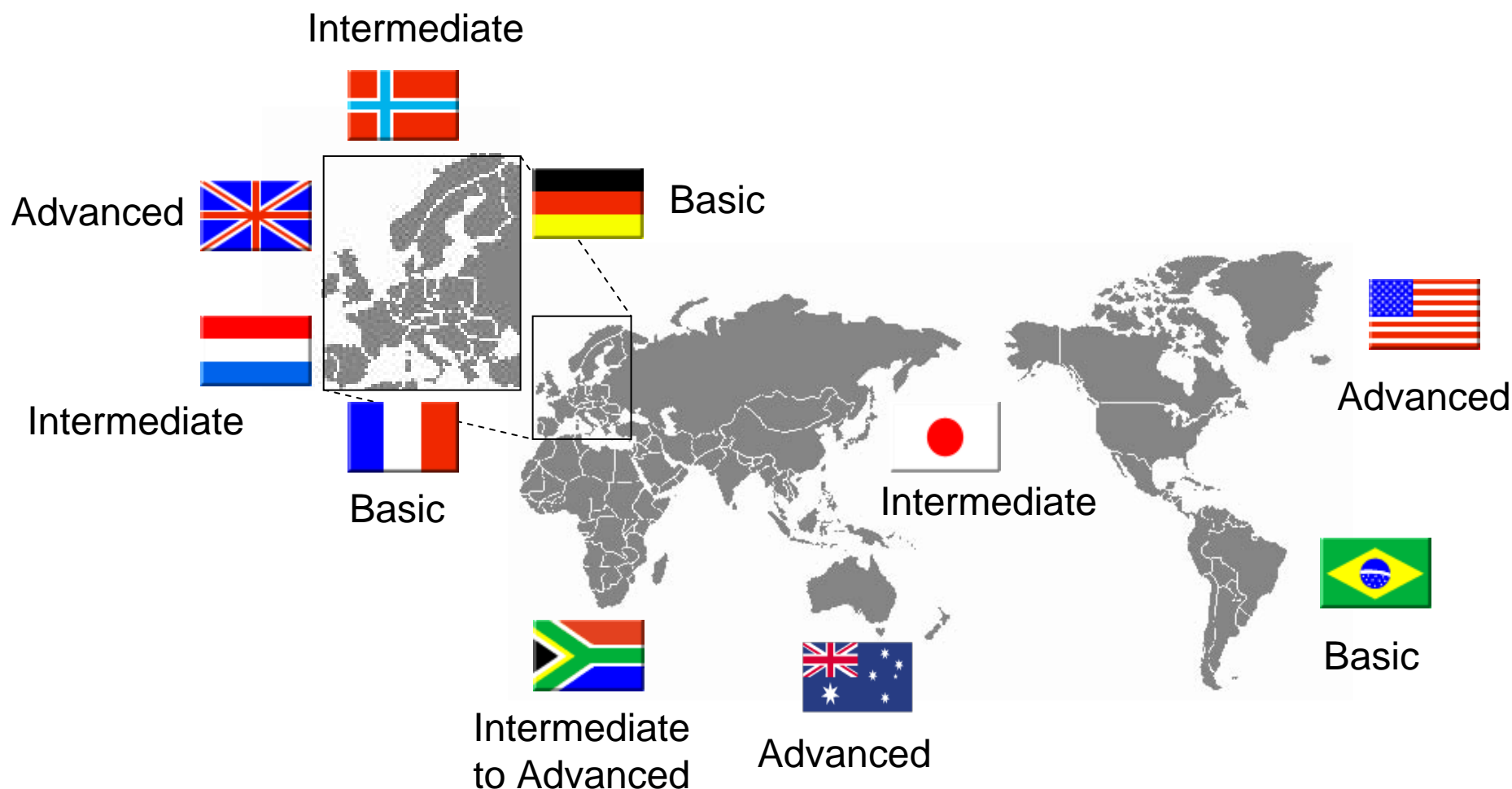
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Product design & pricing around the globe





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Trend towards segmented products

Sheilas' Wheels



Salaam
Halal insurance

Salaam Halal insurance is Principle's consumer insurance brand. Salaam Halal insurance is the first dedicated Halal insurance provider in the UK whose products are approved by a panel of internationally noted Shariah scholars and also regulated by the Financial Services Authority

[Read more](#) ➔



...including a move to green...



Eco-Friendly Initiatives From Suncorp Insurance



**Taking steps towards
eco-friendly insurance.**

Here's how.

We've introduced some great new eco-friendly initiatives in response to customers' growing concerns about environmental changes. Here is a summary of the initial steps we have taken to more eco-friendly Suncorp Home, Contents and Motor Insurance.

New Home and Contents Insurance Features

At Suncorp we're aiming to make things easier for you when rebuilding or replacing items covered by your Home and Contents Insurance. We've introduced new eco-friendly features to help reduce their impact on the environment. These new features are available for Standard, 55UP, Platinum & Investor Home and Contents Insurance, existing customers are automatically covered.

Rainwater storage solution or solar power facility



ibuyeco
100% carbon neutral car insurance



...and marketing to various other niche segments...



Cheaper cover with drivers with low no claim bonuses



Donate £10 to breast cancer research for each policy sold



Car insurance just for women



Specialist insurance for people aged 18-39



Specialist insurance for people aged 50+



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...and of course, segmented aggregators!

The screenshot shows the homepage of ladiesinsurance.com. The header features the site's name in a pink, cursive font with the tagline 'the comparison site for ladies insurance' below it. A navigation bar contains links for Home, Ladies Car Insurance Quote, Ladies Home Insurance Quote, Ladies Van Insurance Quote, Ladies Commercial Insurance, About Us, and Contact. The main content area is divided into two columns. The left column has a 'WELCOME TO LADIES INSURANCE' section followed by a paragraph about the company's 35-year history and a 'THE COMPARISON SITE FOR LADIES INSURANCE' section with another paragraph. The right column features two large buttons for 'GREAT DEALS ON LADIES CAR INSURANCE' and 'GREAT DEALS ON LADIES HOUSEHOLD INSURANCE', each with a 'CLICK HERE' link and a car/house icon. Below these are three pink arrow-shaped buttons for 'Car Insurance', 'Van Insurance', and 'Household Insurance', each with a 'CLICK HERE' link and a corresponding icon. On the far right, there is a call-to-action section with the text 'CALL OUR TEAM NOW FOR AN IMMEDIATE QUOTE', the phone number '020 8440 7400', and the operating hours 'LINES OPEN MON - FRI 9:30AM - 5:30PM'.

ladiesinsurance.com
the comparison site for ladies insurance

[Home](#) [Ladies Car Insurance Quote](#) [Ladies Home Insurance Quote](#) [Ladies Van Insurance Quote](#) [Ladies Commercial Insurance](#) [About Us](#) [Contact](#)

WELCOME TO LADIES INSURANCE

THE COMPARISON SITE FOR LADIES INSURANCE

We have been a market leader in ladies car insurance, ladies van insurance, ladies home insurance and ladies commercial insurance for over 35 years. Dealing with over 40 ladies insurance companies and always updating our ladies insurance rates so that we are the best on the female car insurance market. Whether it be ladies car insurance, ladies van insurance, ladies home insurance or ladies commercial insurance, we are confident of coming out on top!

Cheap car insurance for women, cheap car insurance for ladies - yes the same but we promise we can get you the market's best rates. Ladies car insurance has been quoting to happy women drivers for years. Cheap home insurance for women is also available or if you like cheap home insurance for ladies.

GREAT DEALS ON LADIES CAR INSURANCE
[CLICK HERE](#)

GREAT DEALS ON LADIES HOUSEHOLD INSURANCE
[CLICK HERE](#)

Car Insurance
[CLICK HERE](#)

Van Insurance
[CLICK HERE](#)

Household Insurance
[CLICK HERE](#)

CALL OUR TEAM NOW FOR AN IMMEDIATE QUOTE
020 8440 7400
LINES OPEN
MON - FRI
9:30AM - 5:30PM



Pay as You Drive

- Based on odometer readings
- Data collected from a device in the vehicle
- Driving is monitored via a GPS device



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Will clearly appeal to some customers

PAY AS YOU DRIVE:	"TRADITIONAL" CAR INSURANCE:
✓ Comprehensive car insurance.	Comprehensive car insurance.
✓ Pay only for the km's you plan to drive. Save if you drive less.	Pay the same amount no matter how much you drive.
✓ Get a refund for kilometres you don't use.	Even if your car was parked in your garage the whole year, no refund.
✓ Cheaper for people who drive less than their neighbours.	If you drive less than your neighbours, you are subsidizing their insurance
✓ Options you would expect, like excess free-windscreen cover.	Standard options, depending on insurer.



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Odometer based PAYD

[HOME](#)

[QUOTE](#)

[IS IT FOR ME?](#)

[HOW IT WORKS](#)

[GOOD FOR THE WORLD](#)

[ABOUT US](#)

[MEDIA ROOM](#)

Call 137 293 to speak to a real person.



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AS YOU DRIVE™
COMPREHENSIVE CAR INSURANCE

SAVE UP TO 60%

With Pay As You Drive, if you drive less, you pay less. Up to 60% less than traditional comprehensive car insurance, in fact. Compare examples of traditional companies' premiums with PAYD or get a quote and see how much you could save.

[GET QUOTE ▶](#)



▶ See how PAYD works



▶ See if you can save with PAYD



▶ See if you can save with PAYD



▶ Drive less and you'll pollute less

Helping to save you money and save the environment!

[Terms and Conditions](#) | [Privacy Policy](#)

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Odometer based PAYD

How Pay As You Drive Works



10000km

then you should **GET A QUOTE** today!



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Odometer based PAYD

How Pay As You Drive Works



20000km

then **YOU WILL NOT SAVE** with PAYD comprehensive car insurance.



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Device based PAYD



PROGRESSIVE®

Say goodbye to traditional auto insurance. Safe drivers could save money on auto insurance just because they're safe drivers. If you're a MyRate participant, you'll know the following:

- You're in control of your insurance rate.
- What you pay for insurance is a direct result of your individual driving habits.
- Ultimately, safe driving behavior could translate into savings on your auto insurance.



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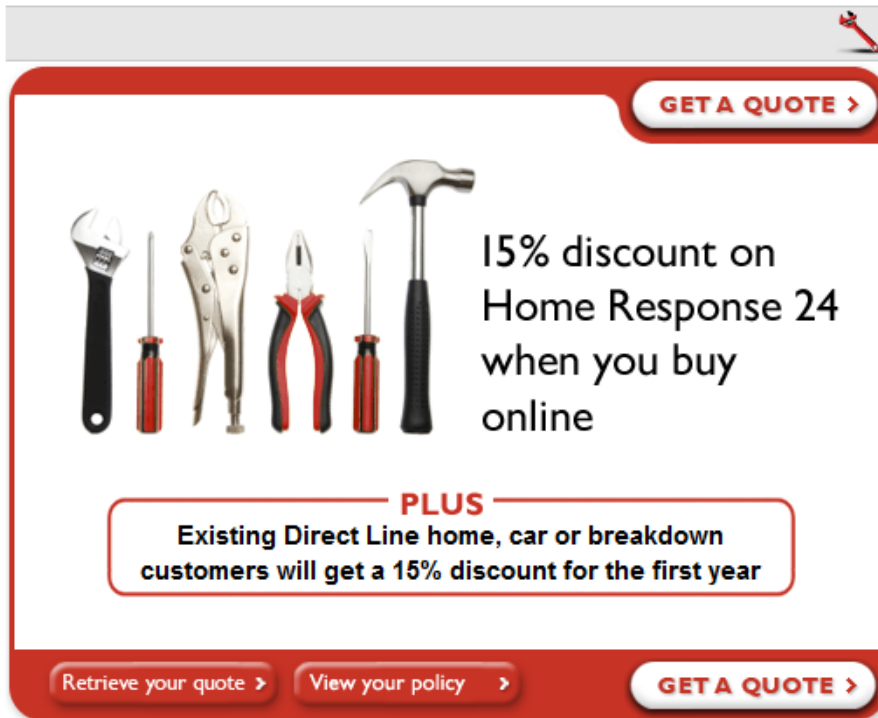


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Add-ons and optional extras

Home Response 24: Welcome



[GET A QUOTE >](#)

15% discount on
Home Response 24
when you buy
online

PLUS
Existing Direct Line home, car or breakdown
customers will get a 15% discount for the first year

[Retrieve your quote >](#) [View your policy >](#) [GET A QUOTE >](#)



direct line

A GOOD DEAL BETTER

...can be an important
component of portfolio
profitability in some markets



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Playing hardball on claims...



Allstate.

You're in good hands.



From Good Hands
To Boxing Gloves
The Dark Side of Insurance



David J. Berardinelli

This book is not authorized, sponsored or endorsed by, or otherwise affiliated with, Allstate Insurance Company, Allstate and GOOD BY BEAMER are registered trademarks of Allstate Insurance Company and are not used here for purposes of identification, description and commerce only.



Other Product Design Issues

- “Take all comers” laws in some states in US
- Micro-insurance



Price innovation...making the process simpler!

- Challenge: How to make the web application process as quick and friendly as possible without risking anti-selection
- Innovation is around minimising response times



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Innovative price offers...

TESCO Insurance

Car insurance

These days running a car can be expensive. But insuring one needn't be.

Up to 3 months FREE cover for Clubcard customers
PLUS earn Clubcard points on your premium

Exclusive to Clubcard customers who buy online
before 10th December 2008

If you pay by direct debit, each payment will be
discounted by up to 25%. 25% discount equates to
three months free

New customers in their first year only. Excludes Value
insurance. Minimum premium applies.

» **More terms and conditions – read before you
buy...**

Apply now (new window)

**3
months
free**





Interesting rating factors...

- Credit rating
- Occupation / employment status
- Home owner status
- Marital status
- Criminal (non driving) convictions
- Smoker status (Home)

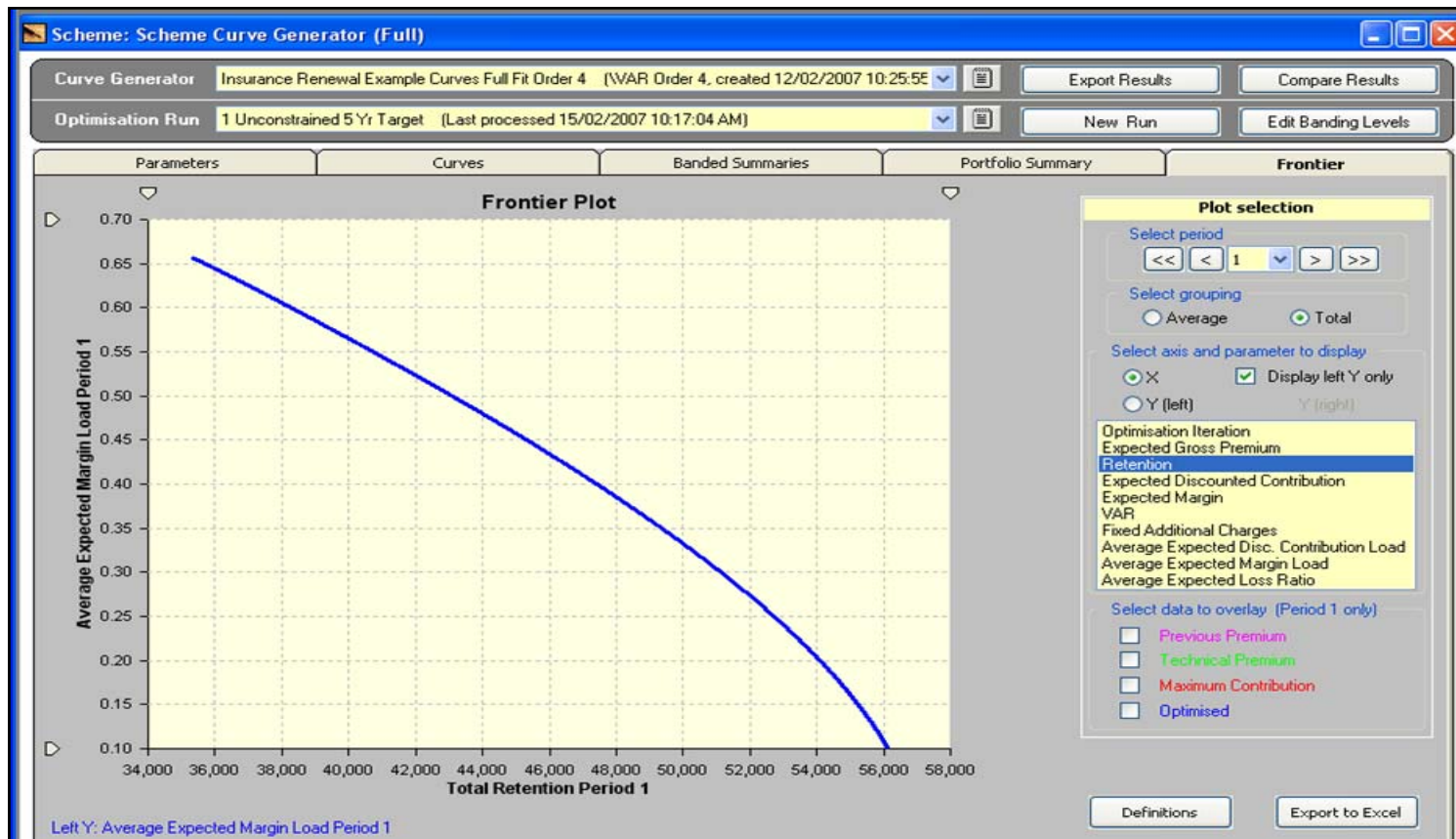


Methods of collecting competitive intelligence vary by market

- Australia: Competitor websites
- UK: Price comparison sites
- US: Published rate filings
- Broker based markets with lower internet presence have little information in this area



Price optimisation techniques are being used in a number of markets





Implications for Australian Insurers

- Increasing importance of internet and bancassurance channels
- Competitive market will lead to continued innovation in pricing & product design
 - Optimisation techniques
 - PAYD
 - Multi-brand strategies
 - Simplicity for the customer?