

Thriving on Change

16th

**General
Insurance
Seminar**



9-12th Nov 2008
Hyatt Regency Coolum

Understanding Competitor Premiums

Colin Priest



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What is Really Happening to Rates?

- Increases?
 - “renewals reveal premium rises”
(Cover Note 1595)
 - “CGU was increasing premiums
rates 2% - 12%” (Cover Note
1564)





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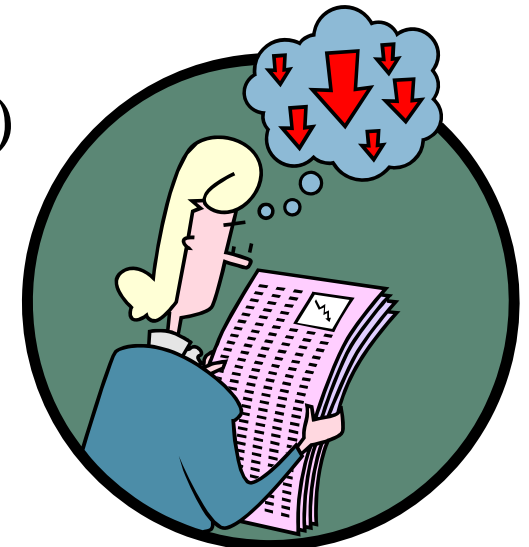


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What is Really Happening to Rates?

- Or Decreases?
 - “many insurers say they intend to increase premiums in these classes, they are reluctant to give up hard-won market share, based on price alone” (Cover Note 1577)





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Actuaries = Skeptics

- We like to see numbers
- We distrust anecdotal evidence
- We want proof





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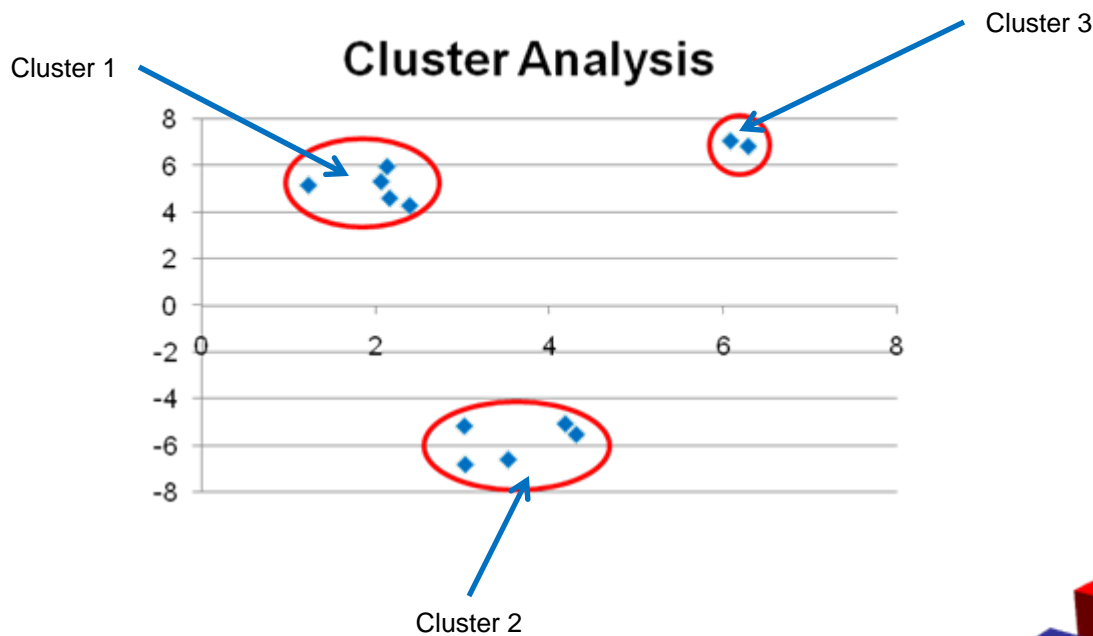
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Constructing Profiles





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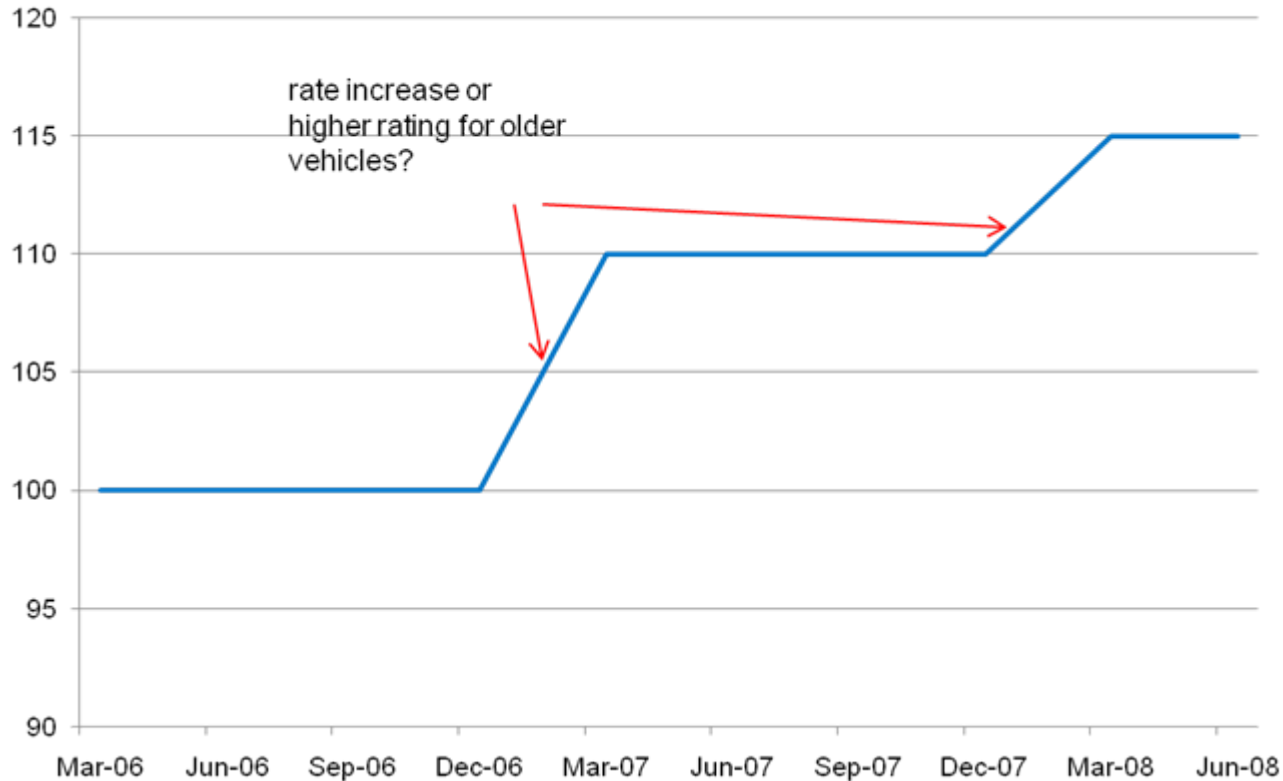


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Tracking Rates Through Time

Premium Index





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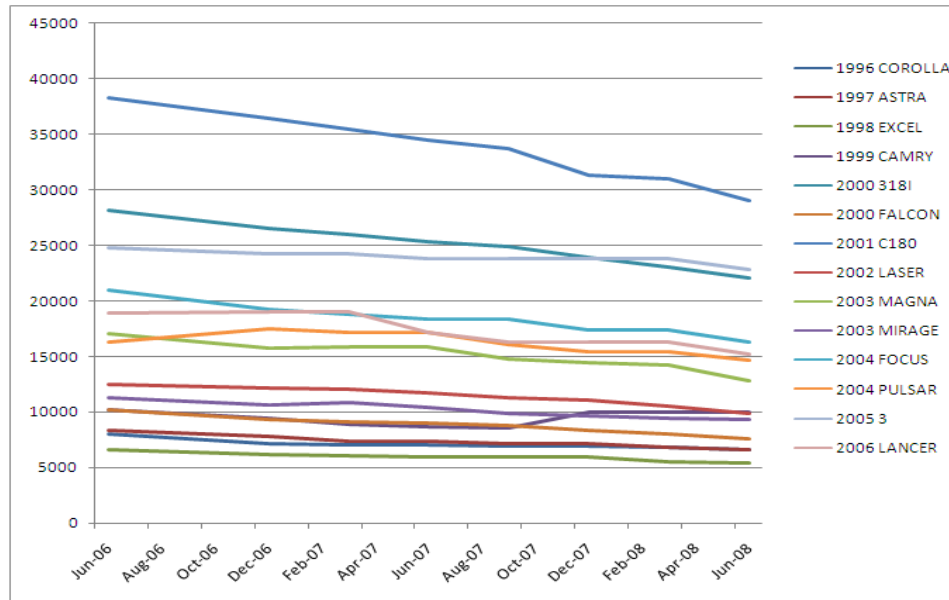
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Understanding Rate Structure...



... is a pre-requisite for tracking rates through time and for comparing insurers



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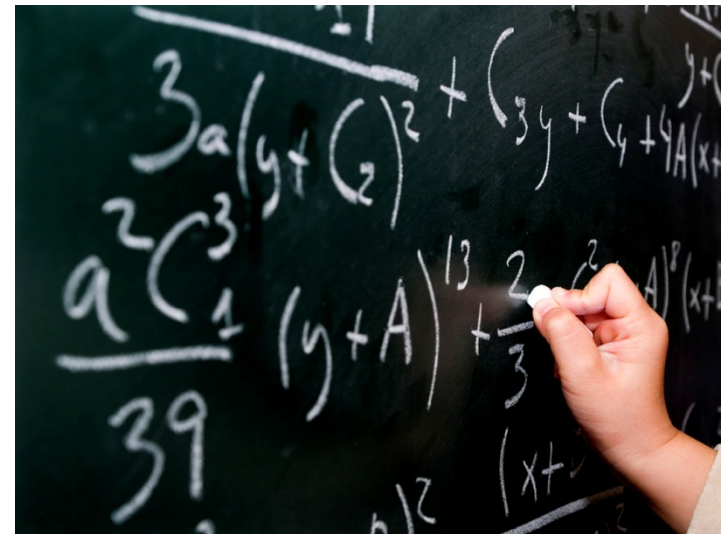


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Complexity

- insurers rate differently on the same rating factors
- insurers use different rating factors
- policyholder risk characteristics vary





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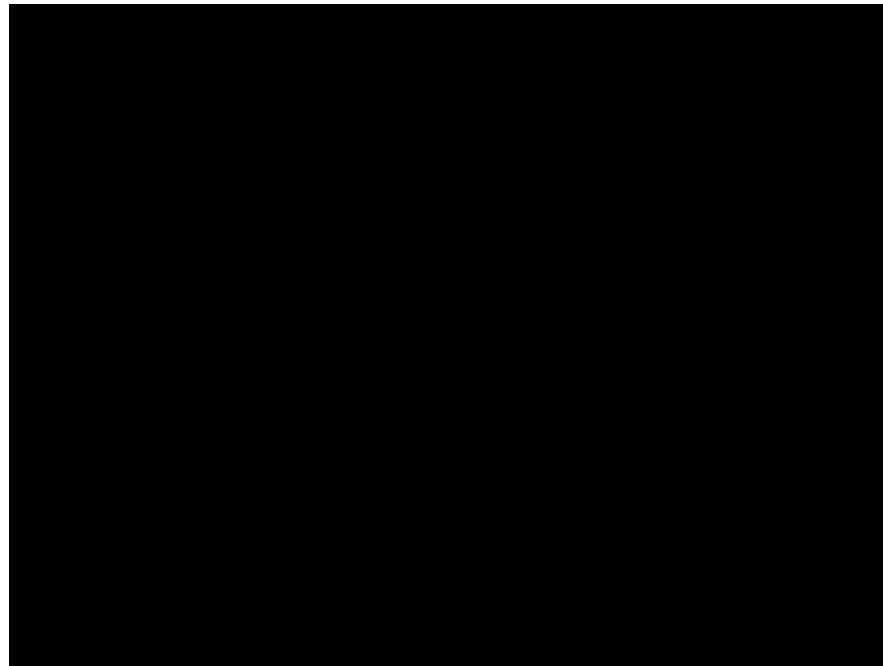
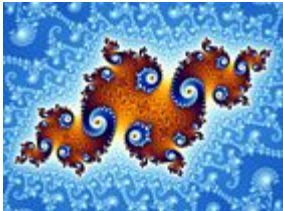
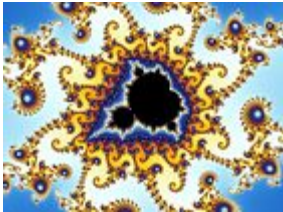
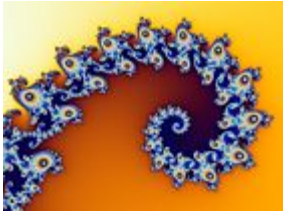
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Chaos



* Mandelbrot images and video sourced from Wikipedia

	Insurer						
	A	B	C	D	E	F	G
Suburb 1	6	4	7	2	5	3	1
Suburb 2	5	2	6	1	7	4	3
Suburb 3	7	3	5	1	4	6	2
Suburb 4	4	2	7	1	5	6	3
Suburb 5	2	6	7	5	3	4	1



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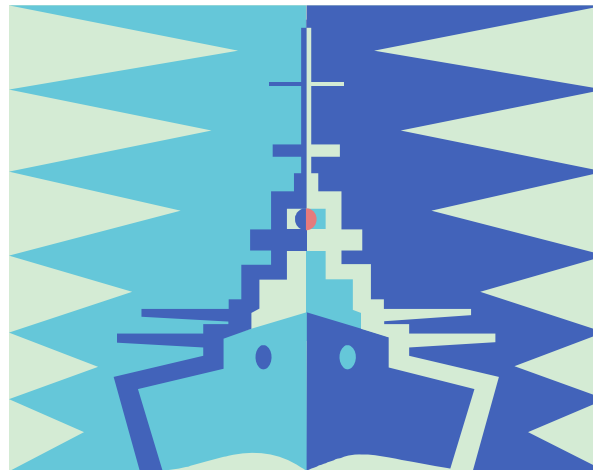
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Battleship





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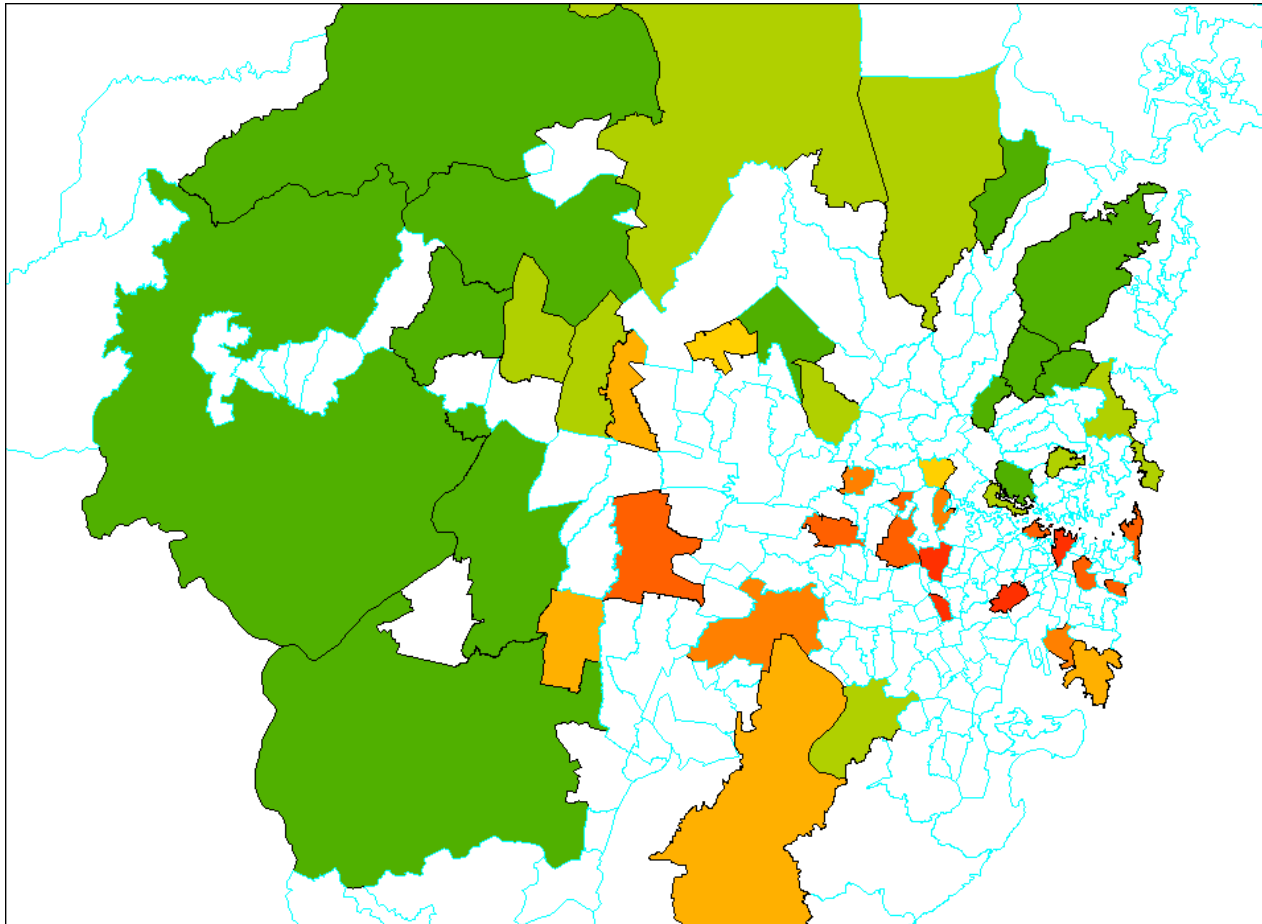
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Diverse Samples





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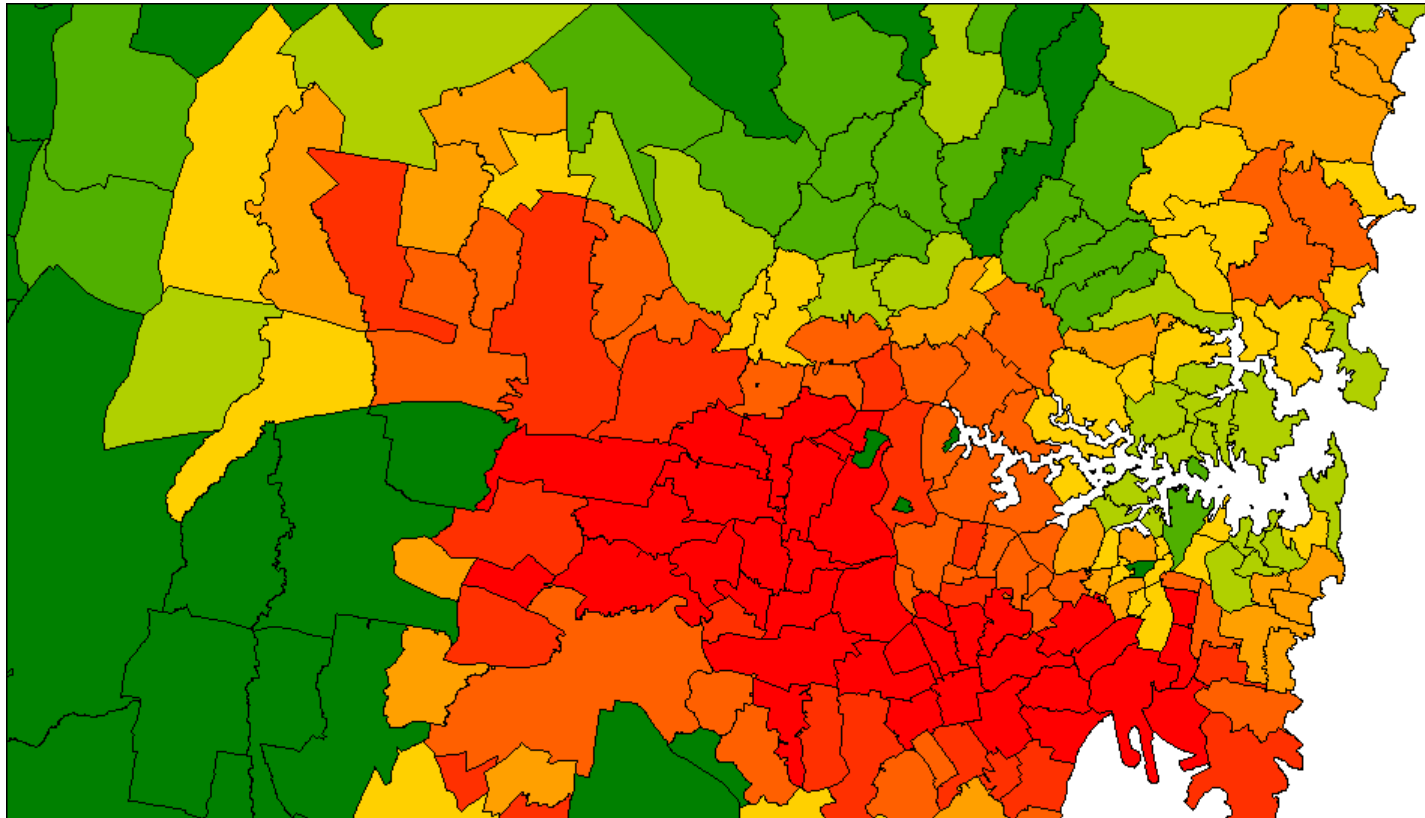
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Interpolation





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Targeted Sampling

