


The Actuarial Profession
making financial sense of the future

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The Application of Strategic Models to Non-Life Insurance Markets



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The Application of Strategic Models to Non-Life Insurance Markets

Working Party Members

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An Overview of the Presentation

- Our Story
- Introduction
- The Models
- Thoughts and Observations
- The Real World
- And Finally...



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Our Story



Initial thoughts

- "Most insurance companies don't have a strategy."
- "Actuaries don't get involved with strategy – well if they do they're no longer an actuary."
- "Strategy is an important subject and something it would be useful to know more about."

The Journal of Probability
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Our Story



How did we approach this paper?

- In a strategic way
- Objectives – learn something, enjoy it
- Goal – Readable paper that may inform
- Scope of the paper

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Our Story



What did we do?

- Tried to identify companies with strategies
- Researched models used in strategic analysis
 - Both old and new
- Lots of interesting discussion

'What is strategy?'

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Introduction

What is strategy?

- Originates with the military
- A long term concept
- Not tactics or short term initiatives



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Introduction

A definition that we decided on was:

“A strategy is a long term series of actions designed to take a company from its current state to its desired future state, and aims to provide a sustainable competitive advantage over other companies in the same market.”

- Focused on Company not Corporate Strategy

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The Models

What makes up strategic thinking:

- Academic papers and research
- Theoretical models and tools
- Strategic management consultancy documents
- Internal and private management decisions

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The Models

The strategic models that we looked at were:

- Porter's Five Forces
- Value Chain
- PESTL
- SWOT
- Product Lifecycle
- Value innovation and Blue Ocean Theory

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Thoughts and Observations

What do the models help us with:

- Idea generators
- Analytical tools
- Non-strategic applications
- Awareness if not actions

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Thoughts and Observations

Features of the models:

- Low model overlap
- Internal and external focus
- Different stages of the 'answer'

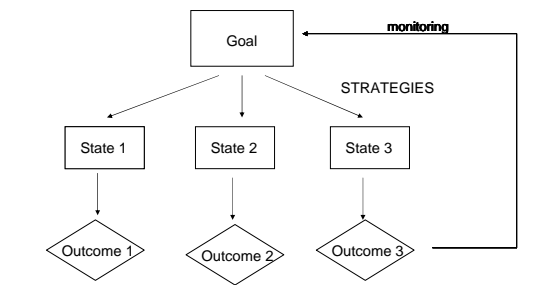
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And Back to the Real World

- “ To be in the top 10% of our Peer Group ”
- “ To be insurer of choice in Motor sector ”
- “ To generate a 12% RoC over the cycle ”

The Essential Problem
Modeling Your Difference in the World

What is strategy? 1



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Modeling Your Difference in the World

Back to strategy formation

How are strategies formulated?

- Models set the scene, assess the environment, hint at possible strategies
- Further questions which need to be asked eg??

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What is strategy? 2



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Making Your Business a Success

Back to the non life markets

"Most insurance companies don't have a strategy."

"Actuaries don't get involved with strategy – well if they do they're no longer an actuary."

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Making Your Business a Success

Back to the non life markets

"Most published strategies aren't followed & aren't really strategies at all"

"The world changes so fast, there's no point setting a specific strategy...."

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Making Your Business a Success

Back to the non life markets

“Strategy is an important subject and something it would be useful to know more about.”

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And Finally...

What will we do in the workshop?

- Consider a hypothetical company
- Run through the models
- Make strategic decisions

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And Finally...

The questionnaire

- Discuss our companies' strategies
- Do we think that they are effectively communicated?
- Do we think that they are effectively implemented?
- The role of the actuary

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And Finally...

...any questions?

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