

SUCCESSFUL UNDERWRITING THROUGH PANELS & INTERMEDIARIES

GENERAL INSURANCE PRICING SEMINAR
Royal College of Physicians
21st June 2011

GARETH HOWELL, FIA
Director of Personal Lines Broker
Zurich Insurance PLC, UK

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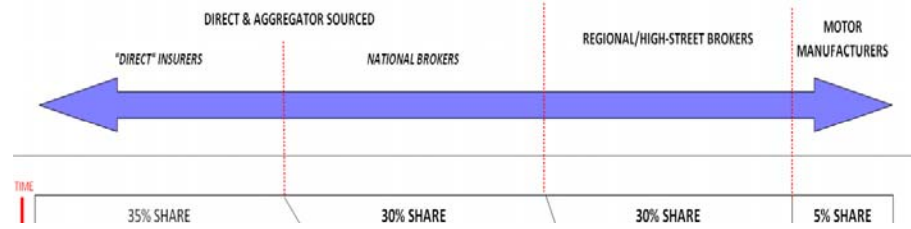
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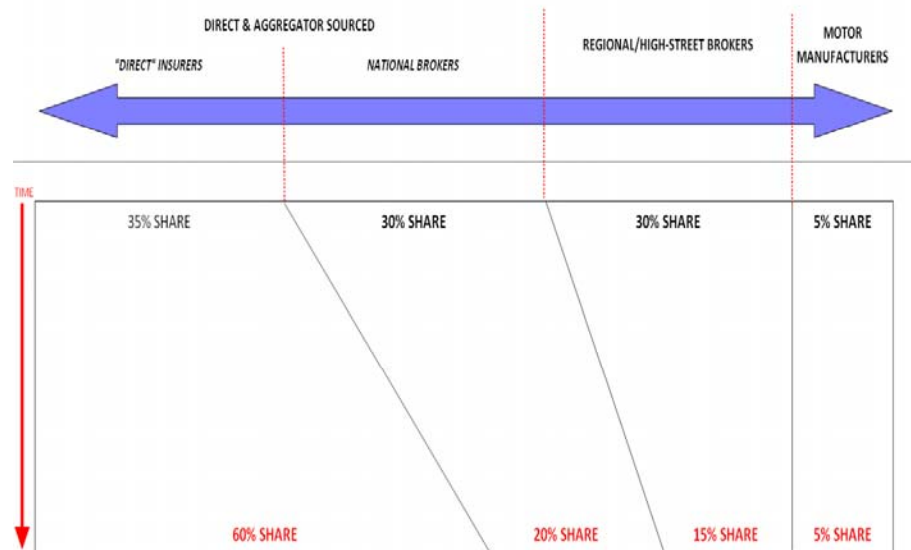
1). IS THERE ANY POINT? -> What are the distribution trends?



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2). "NATIONAL" BROKER PANELS: *Technical Expertise*

- The channel dynamics place **greater emphasis on accurate underwriting and pricing** due to:
 - The Immediate effect of **anti-selection** (within the panel and the aggregator) and the **scale of the downside being greatly increased**
 - **Shorter customer lifetimes**
- A **competitive advantage in risk pricing** must be in place, and continually improved
 - Reinforce the need to **continually improve core claims cost models** with new insights, data and techniques
- Equally important is the **ability to fully deploy the advantage** in risk pricing
 - Internal or Broker infrastructure – **can it handle the pricing algorithms?**

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2). "NATIONAL" BROKER PANELS: *Knowledge is everything....*

- **Risk insight and validation must be extremely tight**
 - Is the risk you are quoting for **accurately represented**?
 - Where are the **sources of leakage/misrepresentation** and how **are they mitigated**?
 - **Fraudulent behaviour** by customers, and by Broker staff
 - **Aggregator mapping** discrepancies
- The **operating model and commercial practices of the Broker will influence underwriting returns** – full transparency must exist on all aspects of the Broker operation:
 - **Underwriting controls** and processes
 - **Credit Management** protocols
 - **Claims handling procedures**
 - **Customer management** techniques:
 - Revenue generation
 - Renewal/MTA behaviour
- **Full management information** on customers quoted for and business written

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2). "NATIONAL" BROKER PANELS: *The role of the Broker*

- The **Broker must be aware of**, and willing to actively develop, **its role in the delivery of adequate underwriting returns for the insurers**
- Technical Expertise - often **dependent on the infrastructure of the Broker to deploy**:
 - **Pricing algorithms**
 - **Additional customer data insight** (Credit Data, full aggregator data capture)
- Knowledge – again, **dependent on the infrastructure and processes of the Broker to**:
 - **Minimise risk mis-representation** (ID Verification, CUE Checking, NCD Proof etc)
- Knowledge – **dependent on attitude of the Broker to divulge commercial and operating practices**

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2). "NATIONAL" BROKER PANELS: *Discipline in Distribution*

- **Successful underwriting strategies** for any National panel broker can be **constructed in a set of requirements/capabilities that the Broker must have** or be willing to support
 - Panel **price point is then directly linked to extent of capability** the Broker supports and **the commercial/operating practices they employ**
- **Deployment** of the strategy must then be **completely disciplined**:
 - **Only distribute if minimum requirements are met**
 - Articulate clearly and repeatedly **what is needed from the Broker to support a more competitive panel price position** (in terms of capability and requirements)
 - Highlight explicitly **where the Broker is penalised** against their competitors and why
- **Maintain the discipline throughout the cycle** – be scale agnostic
- Enforce the discipline through **close and rigorous management and monitoring**:
 - **Highly efficient price monitoring** (volume and profitability trends)
 - Appropriate **audit and control measures**
 - **Contractual certainty** to support intent

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3). "REGIONAL" BROKER PANELS: *The role of the Broker*

- **Technical Expertise still very important**
 - **Additional difficulty** with the infrastructure **capability of Software House** systems
- **Knowledge around risk representation and operating practices still relevant**, though due to narrower distribution footprint of Regional Brokers the downside risk is smaller
 - Understanding of the **acquisition methods deployed by the Broker** are key – aggregators??
- The role of the Broker has **additional dimensions in this channel**
 - As customers of **SWH systems**, they need to **influence the capability development**
 - **Broker risk selection and customer management** can provide a significant extent of **certainty around risk representation** – the "Broker Effect"
- The same disciplined approach needs to apply to distribution, but with the number of variants and agents then it needs to be more generic to avoid unmanageable flexibility

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4). **QUESTIONS & ANSWERS**

