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Pricing motor insurance in different jurisdictions

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A-levels

Part 1

- ❑ History
- ❑ Geography
- ❑ Philosophy
- ❑ Business Studies

Part 2

- ❑ Case studies
- ❑ Exam



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History

- ❑ Admiral's roots are in the UK
- ❑ Launched in 1993
- ❑ Admiral, Bell, Diamond, Elephant
- ❑ Confused is part of the Admiral Group
- ❑ Over 3m motor customers in the UK
- ❑ Admiral is not just UK motor – but it does dominate



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History



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Geography



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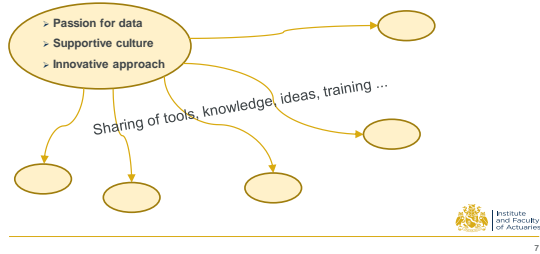
Philosophy

- > Passion for data
- > Supportive culture
- > Innovative approach



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Philosophy



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Business Studies

If you want cross-fertilisation in Pricing, how do you organise this?

- ❑ Centralised
 - Possible lack of local knowledge
- ❑ Non-centralised
 - Possible lack of expertise
- ❑ Matrix
 - Who owns what?



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Business Studies

- ❑ Central team who advise the international operations
- ❑ Ultimate responsibility sits with the local teams



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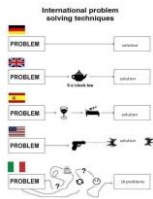
Part 2: Case studies (and exam questions)

- ☐ Pricing oriented case studies that are more focused on differences rather than similarities
- ☐ Differences are only half the story
- ☐ Similarities are often subject to cultural tweaks



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Culture



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Case studies

- ☐ Initial rates for a start-up
- ☐ Regulation in the US
- ☐ Geography in Italy
- ☐ Baremo in Spain
- ☐ Telematics



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Initial rates

How do you build an initial rate structure?

- ☐ UK experience
- ☐ Market information

Dilemma between

- growing quickly (potentially expensive), and
- growing slowly (slow learning)



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Exam Question 1:

You are setting up a non-UK insurance company. What is the easiest way of creating your first set of rates?



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Exam Question 1:

You are setting up a non-UK insurance company. What is the easiest way of creating your first set of rates?

Answer: Move to the US



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Regulation in the US

- ❑ Getting an initial set of rates is easy
- ❑ Maintaining confidentiality is difficult
- ❑ "Interesting" rates are usually not allowed
- ❑ Changing Prices is more difficult than it is in the UK / Europe



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Exam Question 2:

How do I make the best possible use of geography in Pricing?



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Exam Question 2:

How do I make the best possible use of geography in Pricing?

Answer: Move to Italy



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North of Italy
Rich area, safe drivers
Low avg premium



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North of Italy
Rich area, safe drivers
Low avg premium



Campania Region
Poor area, "crazy"
driving habits, wide
fraudsters organizations
High avg premium



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Pricing in the north and the south of Italy

	North	South
Avg Premium	€ 250	€ 450
Claim Freq	13%	15%
Claim size	€1300	€1800
Loss ratio	70%	60%

Numbers at 24 months development.
Is this priced correctly?



Creative Claims



Creative Claims



Creative Claims



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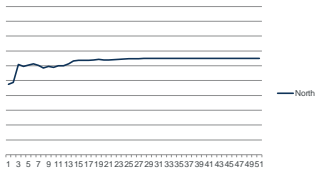
Creative Claims



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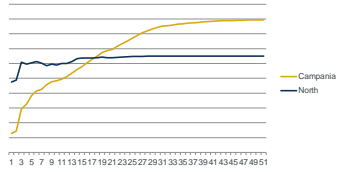
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Claim frequency developments

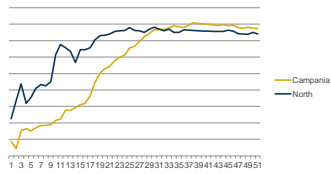


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Claim frequency developments



Loss ratio development



Exam question 3:

What is the best way of dealing with claim severity?

Exam question 3:

What is the best way of dealing with claim severity?

Answer: Move to Spain



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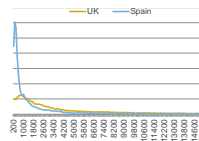
The Baremo

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5
Description	Whiplash	Lack of vision in one eye	Arm amputation (at shoulder level)	Paraplegic D6-D10, total disability and need external help	A 25 years old man dies leaving a widow and 2 sons <3 years old
# treatment days (disability)	60 days	60 days	60 days	350 days	N.A.
# points under current baremo	1 to 8	30	55 to 60	55 to 60	N.A.
Compensation range	< EUR 3,000	EUR 55,175	From EUR 220,612 to EUR 241,763	From EUR 924,806 to EUR 1,212,394	EUR 253,076



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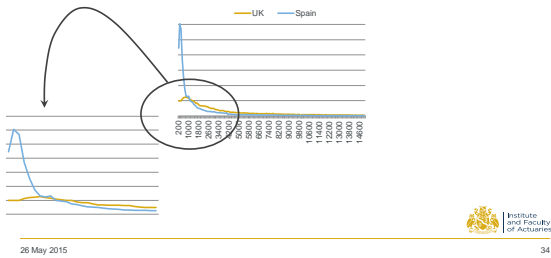
Claim severity in the UK and in Spain



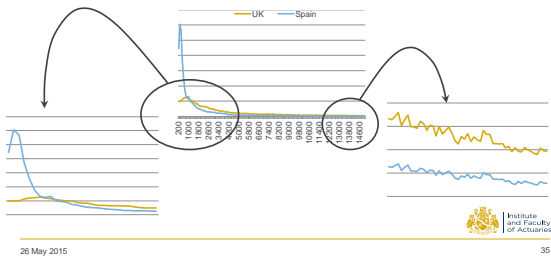
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Claim severity in the UK and in Spain



Claim severity in the UK and in Spain



Telematics



Telematics in the UK



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Telematics in the UK



Telematics in Italy



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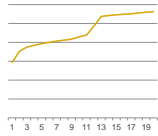
Car repairs in Spain



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Car repairs in Spain



MOD freq on Comp (car repairs)



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Conclusions

- ☐ Be humble, there is a lot to learn
- ☐ Understanding cultural differences is more important than math
- ☐ Don't forget downside risk management



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Presentation done



Any questions?



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