



The Actuarial Profession
making financial sense of the future

Responses to the soft market

Vincent Branch

PricewaterhouseCoopers

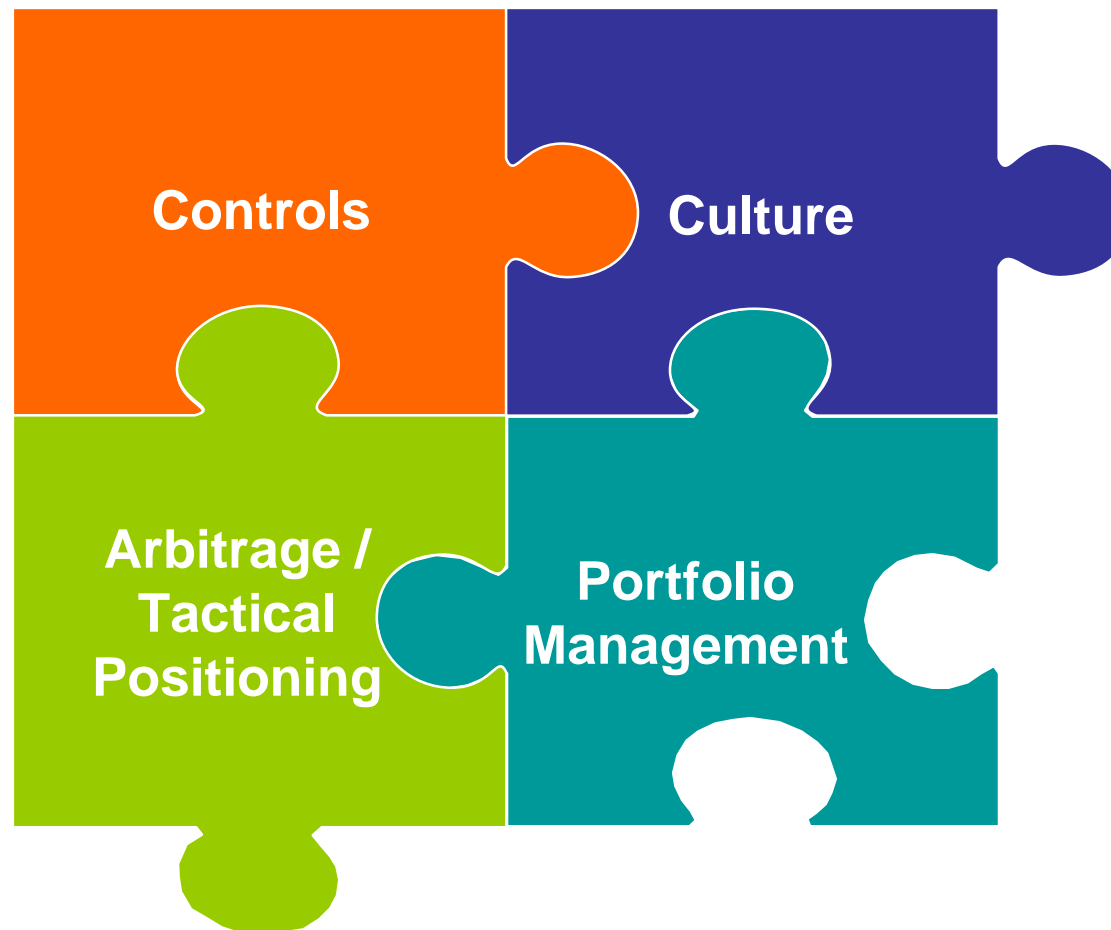
May 2008



Agenda

- Introduction
- Key themes to address the soft market
- Group working
- Group feedback
- Summary

Key themes to address the soft market



Key themes to address the soft market Controls



Examples

- Pricing adequacy
- Peer review

Work well

- Commoditised products
- Blend of judgement and guidelines

Pitfalls

- Potential increase in anti-selection
- Tension with entrepreneurial culture

Key themes to address the soft market

Culture



Examples

- Significant level of variable incentivisation
- Robust and effective informal peer review

Work well

- Strong leadership
- Long term bonus tie-in

Pitfalls

- Perception that strong culture is a substitute for key controls
- Rogue trading

Key themes to address the soft market

Arbitrage / tactical positioning



Examples

- Reinsurance arbitrage
- Switching between manufacturing and distributing

Work well

- Pricing optimisation
- Acute focus on market and competitor positioning

Pitfalls

- Unsustainable in long term
- Implications for long term relationship / capacity?

Key themes to address the soft market

Portfolio management



Examples

- Change in mix
- Reduction in capacity

Work well

- Everyone 'buys in' to the strategy
- Flexible cost base

Pitfalls

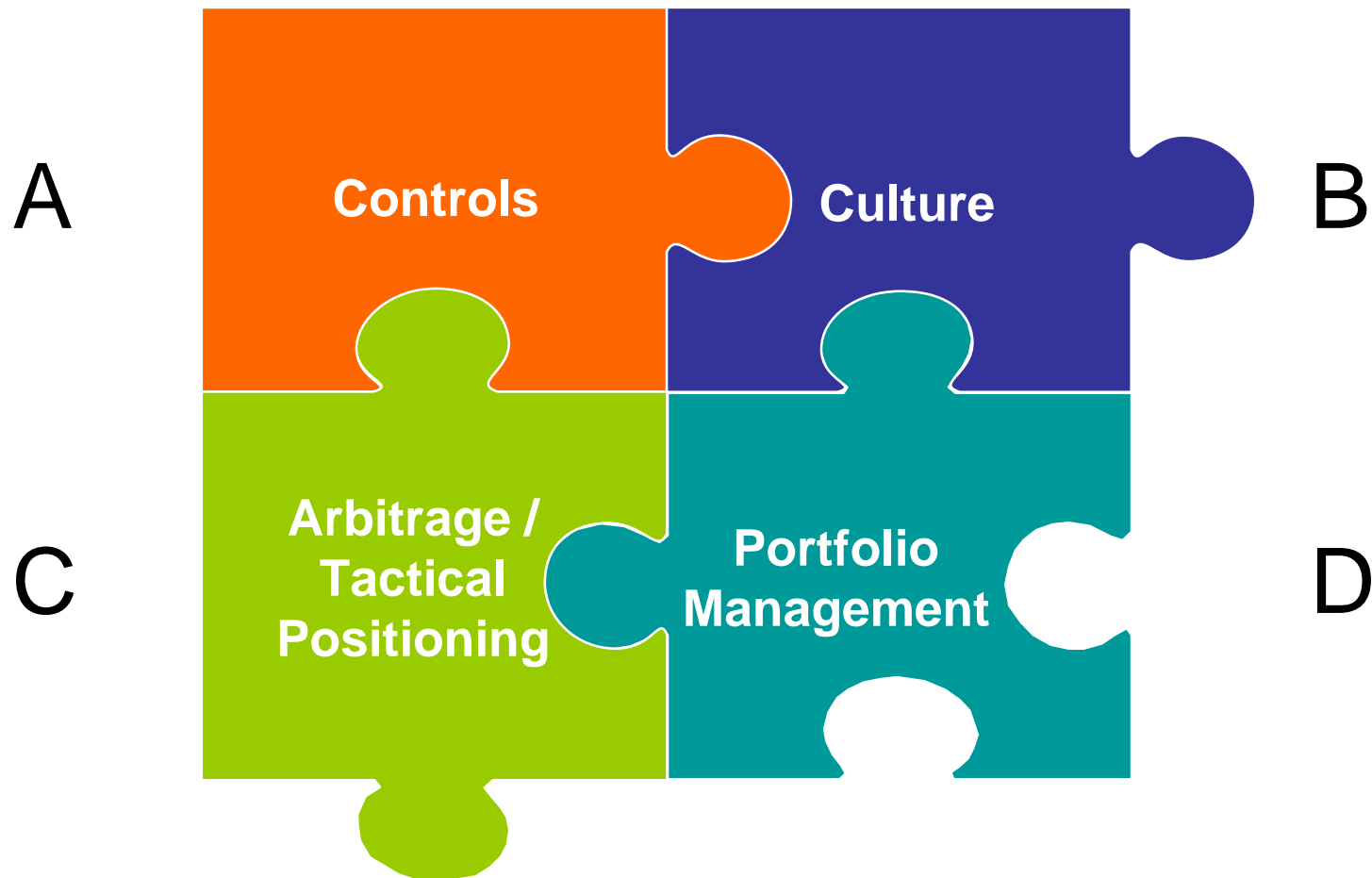
- Market response
- Impact on relationships

Group working

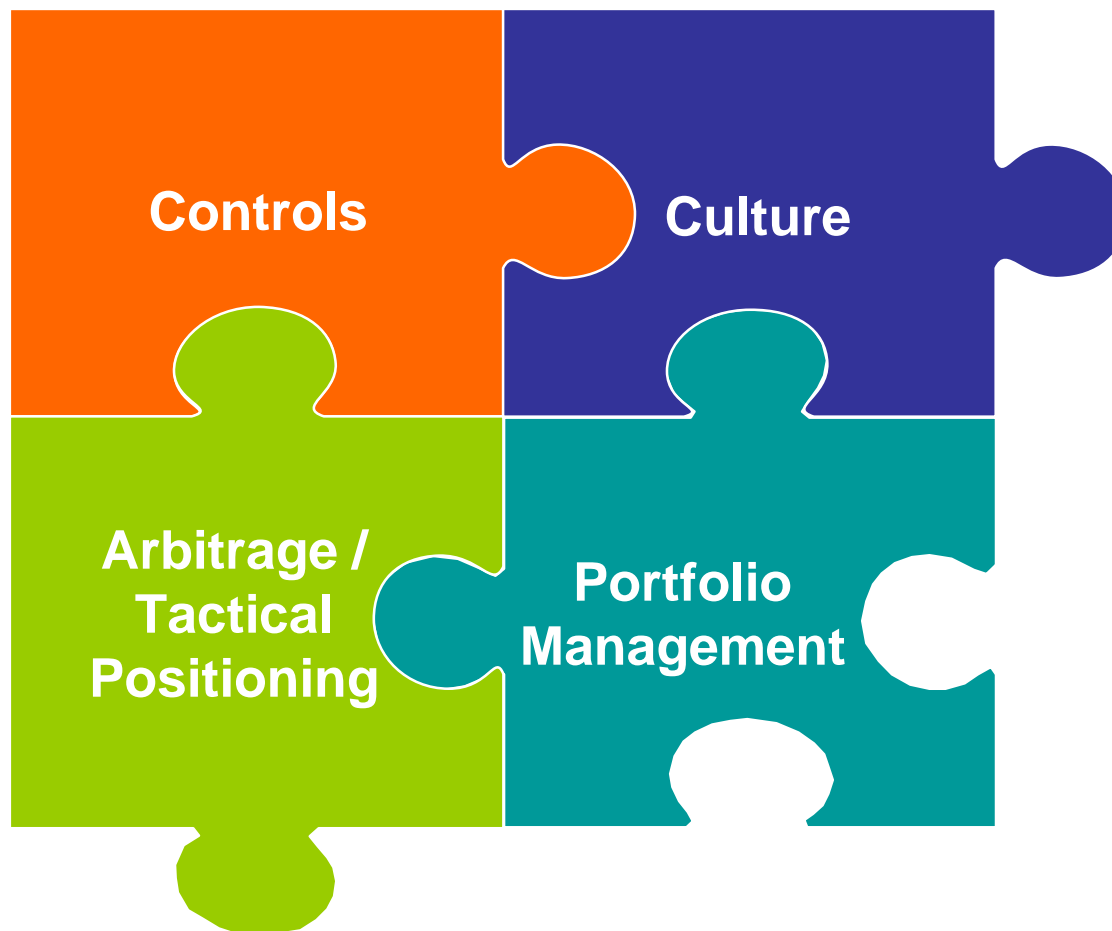
Actuarial speed dating!

- Check which topic you are covering
- 'Speed date' with person on your left (2 mins for each of your topics)
- 'Speed date' with person on your right (2 mins on each others topic)
- Collate ideas on your given topic with your nominated group at your designated flipchart
- Each group presents findings to the wider group on your respective topic

Group working



Summary





The Actuarial Profession
making financial sense of the future

Responses to the soft market

Vincent Branch

PricewaterhouseCoopers

May 2008

