

**The Actuarial Profession**  
making financial sense of the future

## How to Thrive in Recession and Recovery

Paul Geddes  
CEO RBS Insurance

---

---

---

---

---

---

---

---




---

---

---


---

---

---

---


---



**The Actuarial Profession**  
making financial sense of the future

## How to Thrive in Recession and Recovery

Paul Geddes  
CEO RBS Insurance




---

---

---

---

---

---

---

---




---

---

---

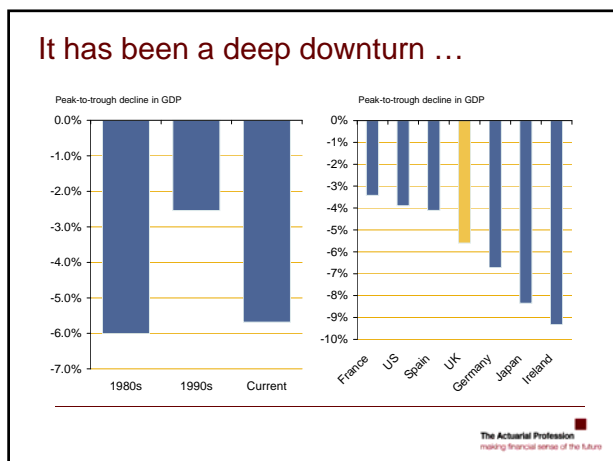
---

---

---

---

---




---

---

---

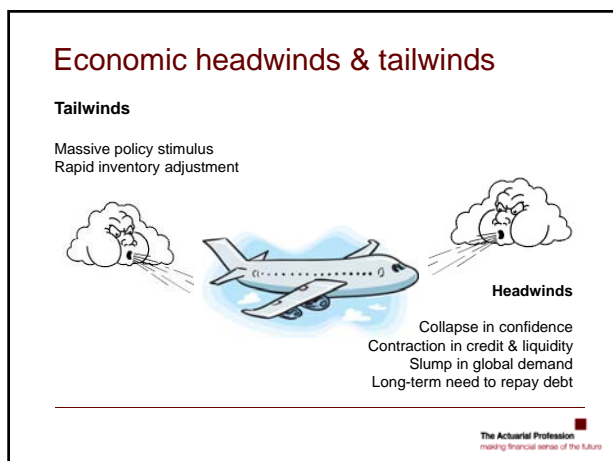
---

---

---

---

---




---

---

---

---

---

---

---

---

## Recovery?

- There are signs that the worst is over and that we are entering the recovery phase
- But while the government stimulus is providing a boost, there are still long-term structural issues (especially debt) to address
- We expect a slow, gradual recovery



The Actuarial Profession  
making financial sense of the future

---

---

---

---

---

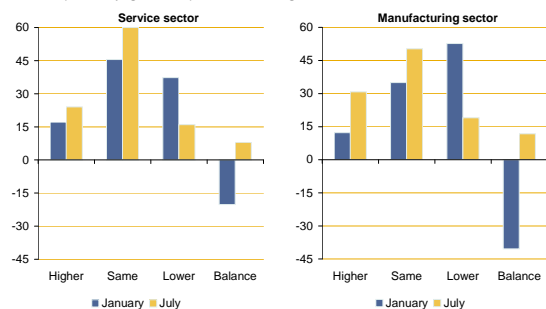
---

---

---

## It appears that the worst is now over

% of companies saying that, compared to a month ago, business levels are...



The Actuarial Profession  
making financial sense of the future

---

---

---

---

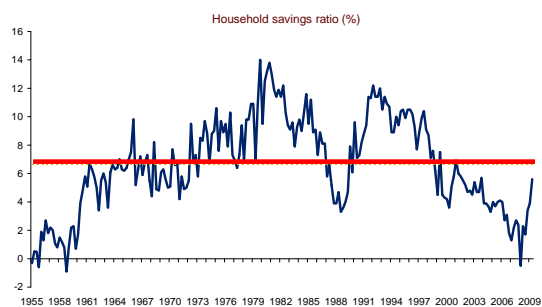
---

---

---

---

## But the hang over may last a while...



The Actuarial Profession  
making financial sense of the future

---

---

---

---

---

---

---

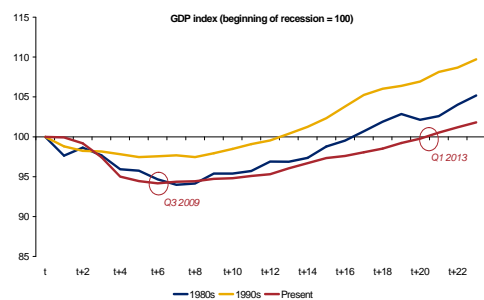
---

### ...as balance sheets still look stretched



The Actuarial Profession  
making financial sense of the future

### We don't think it will be a rapid recovery



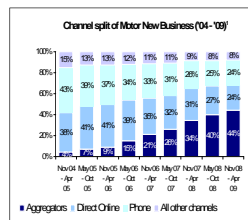
The Actuarial Profession  
making financial sense of the future

### Economic Outlook

- There are signs that the worst is over
  - Conditions in some markets have begun to normalise
  - Some asset prices have begun to recover
  - As well as some real economy indicators
- But there is no easy fix
  - Balance sheets have to be repaired
  - Exiting unconventional policies will bring new challenges



The Actuarial Profession  
making financial sense of the future



**The Actuarial Profession**  
*making financial sense of the future*

---

---

---

---

---

---

---

---

---

---

---

---

### 3. Business cycle impact

#### Strongly correlated insurance losses

- Creditor insurance
- But also credit insurance
- Mortgage indemnity
- Directors and Officers
- Errors and Omissions



#### Strongly correlated business volumes

- Construction
- Marine
- SME start-ups
- Travel



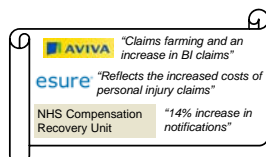
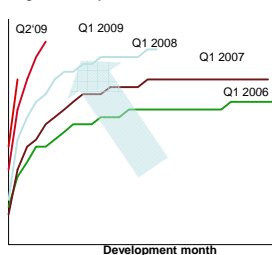
The Actuarial Profession  
making financial sense of the future

### 4. Claims Costs are up

- Recession – impact on theft, arson, fraud, etc
- Increase in 'claims farming' e.g. "No win – no fee"

**Higher bodily injury claim severity due to more claimants per claim**

Avg. claimants per claim



The Actuarial Profession  
making financial sense of the future

### 5. Increasingly active regulation

- TCF
- ICAS
- PPI
- Solvency II
- Turner Report
- Executive Pay (Walker Report)



The Actuarial Profession  
making financial sense of the future

What trade-off do insurance customers want to make?

Low Cost



High Service



The Actuarial Profession  
making financial sense of the future

How to Thrive in Recession and Recovery

**Paul's 6 "S"  
For  
Success**



The Actuarial Profession  
making financial sense of the future

How to Thrive in Recession and Recovery

#### 1. Scale benefits

- Better buying
  - Supply chain
  - Fulfilment
  - Marketing synergies
- More data
  - More customers
  - More brands
  - More channels



The Actuarial Profession  
making financial sense of the future

## How to Thrive in Recession and Recovery

### 2. Slick service

- "1 Kitchen, many restaurants"
- LEAN = only activity valued by the customer
- Everyone enrolled and skilled in process improvement
- Multi-channel
- Straight-through processing
- Paper elimination
- Buy vs build choice



The Actuarial Profession  
making financial sense of the future

## How to Thrive in Recession and Recovery

### 3. Smart & swift

- Optimise data assets
- R&D into pricing & rating, claims, fraud
- Quickest wins
- Turn-up the clock speed
- Learning from other industries
- Key role for Actuaries



The Actuarial Profession  
making financial sense of the future

## How to Thrive in Recession and Recovery

### 4. Salient

- Brands that meet different customer needs
- Noisy advertising
- Call to action
- Value proposition
- Partnerships
- Channel Management



The Actuarial Profession  
making financial sense of the future



## How to Thrive in Recession and Recovery

### 5. Skill

- Best business lags having best people
- Mutual respect between technical experts and commercial management
- Development of people across this divide
- Professional selling, professional claims
- Investment in training – people factory
- 360 degree for development and reward
- Key roles for Actuaries



The Actuarial Profession  
making financial sense of the future

---

---

---

---

---

---

---

---

## How to Thrive in Recession and Recovery

### 6. Safe & Sane

- Risk is not a department
  - Solvency II owned in the business
  - CRO at top table
  - Risk core part of 360 degree
- Sensible pricing
  - Avoid top-line vanity
  - Price for lifetime value
  - Remember the recovery may be slow



The Actuarial Profession  
making financial sense of the future

---

---

---

---

---

---

---

---

Can we do all that?

Oh yes!



churchill™

The Actuarial Profession  
making financial sense of the future

---

---

---

---

---

---

---

---