



Institute  
and Faculty  
of Actuaries

# Are you pricing household insurance like a can of beans?

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Deloitte

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# Are you pricing household insurance like a can of beans?

What does it say on the tin?



Source: ABI

■ FIRE ■ THEFT ■ WEATHER ■ EoW ■ SUBSIDENCE ■ AD ■ OTHER

# Are you pricing household insurance like a can of beans?

## What does it say on the tin?





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# Are you pricing household insurance like a can of beans?

1957 – Was it so different?

1957



2014



The “Toddlers’ Truce” is abolished.

Norwich City Council becomes the first British local authority to install a computer.

Manchester United retain Football League First Division title

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1957 – Was it so different?

1957



2014



Actor and Playwright Noel Coward moves from the West Indies amid criticism that he is living abroad for tax reasons

Aston Villa 2 – Manchester United 1

The Tryweryn Bill, permitting Liverpool City Council to build a reservoir which will drown the village of Capel Celyn becomes law

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1957 – Was it so different?

East Midlands earthquake

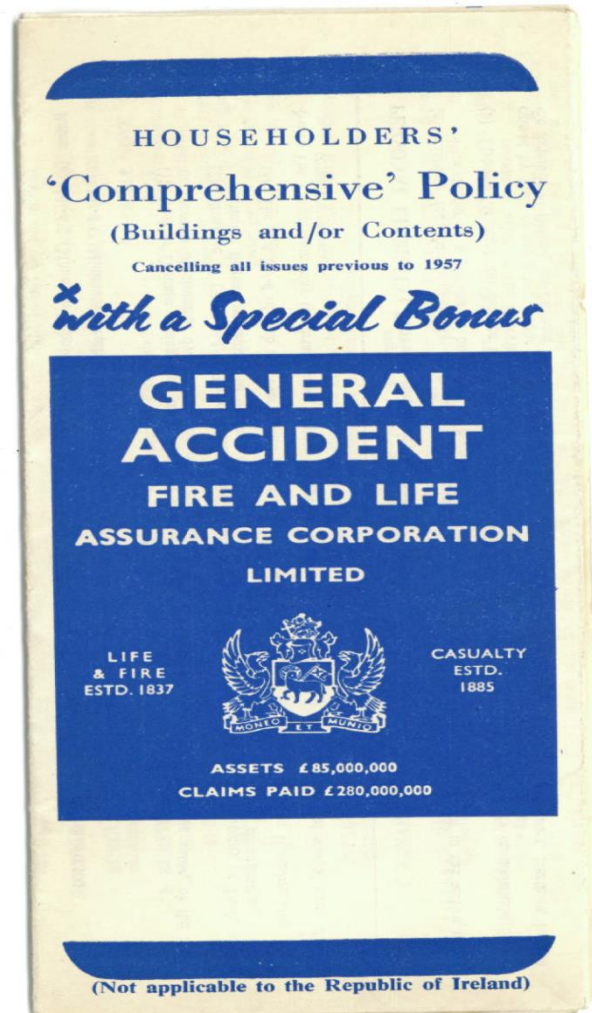
The graphite core of the nuclear reactor at Windscale, Cumbria catches fire, releasing substantial amounts of radioactive contamination

Lewisham rail crash kills ninety and injures 173

A report by the Medical Research Council reveals that there is evidence to support a link between tobacco smoking and lung cancer

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## 1957 – Was it so different?





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1957 - Everything 2/3d



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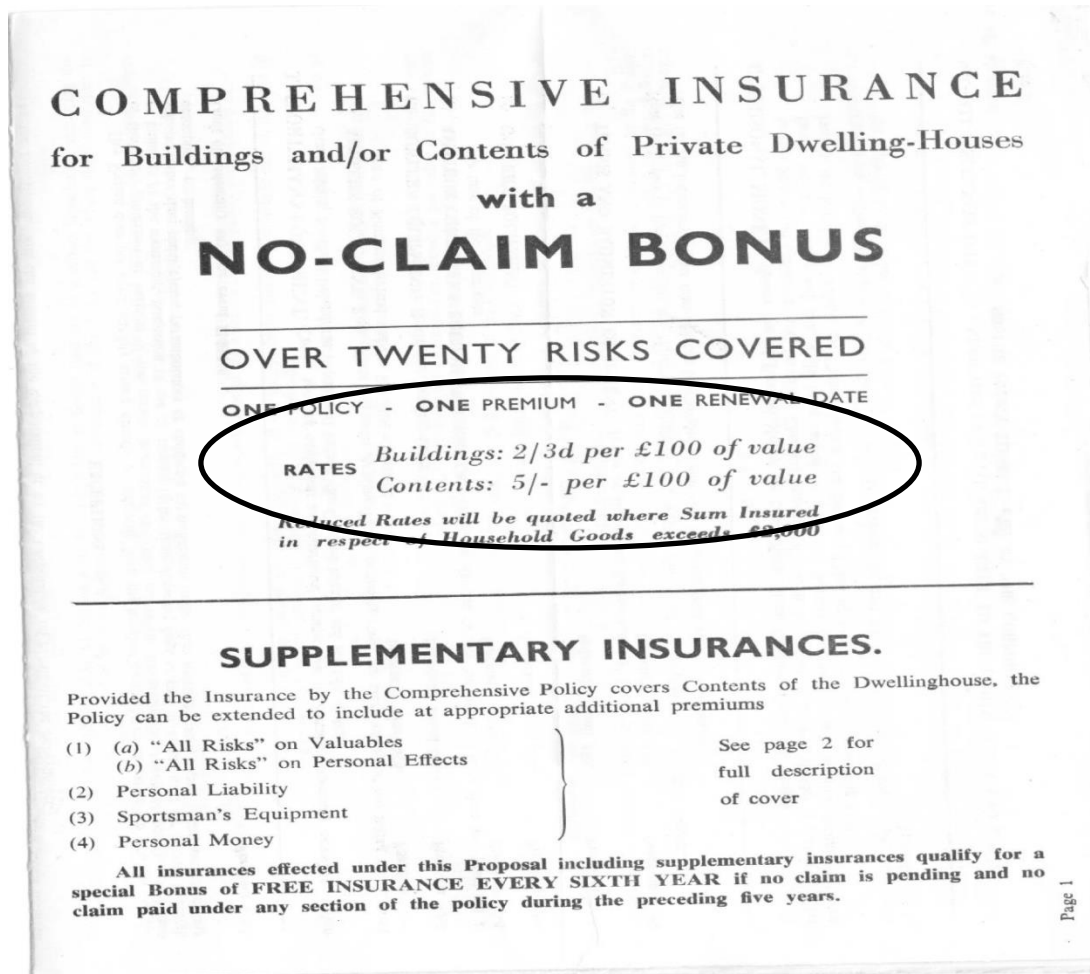
1957 - Everything 5/-





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## 1957 – What ~~does~~ did it say on the tin?



# Are you pricing household insurance like a can of beans?

1957 – What ~~does~~ did it say on the tin?

**RATES** *Buildings: 2/3d per £100 of value*  
*Contents: 5/- per £100 of value*



# Are you pricing household insurance like a can of beans?

What was the price on the tin?

1931



1961



1972



2005



Source: <http://www.heinz.co.uk/Our-Company/About-Heinz/Heinz-Story>

Source: <http://shelf3d.com/Search/TV>

# Are you pricing household insurance like a can of beans?

## Current analytical techniques – fit for purpose?



### Personal Lines Pricing Techniques

- Generalised Linear Models
- Classification Techniques
- Other Relativity Methods
- Technical Base Rates
- Products with Additional Characteristics
- Rate Implementation
- Lifetime Customer Value Models
- Expense Modelling



**Source:** General Insurance Premium Rating Issues Working Party (GRIP) – 12 January 2007

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## Current analytical techniques – fit for purpose?



### London Market Pricing Techniques

- Experience Rating
- Exposure Rating
- CAT Models
- Stochastic Methods
- Models for Underwriters
- Rate Monitoring



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Can better use of pricing and underwriting help manage flood risk for insurers?



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**‘Best of Both’**

The text 'Best of Both' is centered at the bottom of the slide. It is flanked by two images: on the left, a yellow house with significant damage, likely from a flood; on the right, three large industrial cooling towers.



# Are you pricing household insurance like a can of beans?

Is this where we will be buying our “beans”?



**Are you pricing household insurance like a can of beans?**  
**Is this what it will say on the tin?**





# Are you pricing household insurance like a can of beans?

Is this what it will say on the tin? – Everything £1



