The Application of Strategic Models to Non-Life Insurance Markets

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An Overview of the Presentation

- Our Story
- Introduction
- The Models
- Thoughts and Observations
- The Real World
- And Finally...
Our Story

Initial thoughts
- “Most insurance companies don’t have a strategy.”
- “Actuaries don’t get involved with strategy – well if they do they’re no longer an actuary.”
- “Strategy is an important subject and something it would be useful to know more about.”

How did we approach this paper?
- In a strategic way
- Objectives – learn something, enjoy it
- Goal – Readable paper that may inform
- Scope of the paper

What did we do?
- Tried to identify companies with strategies
- Researched models used in strategic analysis
- Both old and new
- Lots of interesting discussion

‘What is strategy?’
Introduction

What is strategy?
- Originates with the military
- A long term concept
- Not tactics or short term initiatives

A definition that we decided on was:
“A strategy is a long term series of actions designed to take a company from its current state to its desired future state, and aims to provide a sustainable competitive advantage over other companies in the same market.”

- Focused on Company not Corporate Strategy

The Models

What makes up strategic thinking:
- Academic papers and research
- Theoretical models and tools
- Strategic management consultancy documents
- Internal and private management decisions
The Models

The strategic models that we looked at were:
- Porter's Five Forces
- Value Chain
- PESTL
- SWOT
- Product Lifecycle
- Value innovation and Blue Ocean Theory

Thoughts and Observations

What do the models help us with:
- Idea generators
- Analytical tools
- Non-strategic applications
- Awareness if not actions

Thoughts and Observations

Features of the models:
- Low model overlap
- Internal and external focus
- Different stages of the ‘answer’
And Back to the Real World

“To be in the top 10% of our Peer Group”
“To be insurer of choice in Motor sector”
“To generate a 12% RoC over the cycle”

What is strategy? 1

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<thead>
<tr>
<th>State 1</th>
<th>State 2</th>
<th>State 3</th>
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<tbody>
<tr>
<td>Outcome 1</td>
<td>Outcome 2</td>
<td>Outcome 3</td>
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Back to strategy formation

How are strategies formulated?
• Models set the scene, assess the environment, hint at possible strategies
• Further questions which need to be asked eg??
What is strategy? 2

Back to the non life markets

“Most insurance companies don’t have a strategy.”

“Actuaries don’t get involved with strategy – well if they do they’re no longer an actuary.”

Back to the non life markets

“Most published strategies aren’t followed & aren’t really strategies at all”

“The world changes so fast, there’s no point setting a specific strategy....”
Back to the non life markets

“Strategy is an important subject and something it would be useful to know more about.”

And Finally...

What will we do in the workshop?
- Consider a hypothetical company
- Run through the models
- Make strategic decisions

And Finally...

The questionnaire
- Discuss our companies’ strategies
- Do we think that they are effectively communicated?
- Do we think that they are effectively implemented?
- The role of the actuary
And Finally...

...any questions?