Managing for Profit and Effective Pricing Governance in the London Market
Pricing/Operational Excellence Workshop

SPEAKERS

Speakers:
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Chairman:
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THE PRICE GOVERNANCE AGENDA

[Diagram: Depicting various governance aspects such as regulatory pressure, competition, etc.]
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EFFECTIVE PREMIUM RATE MONITORING

- Identifying pure rate change for an individual renewal
- Hardening market

Gross net premium (i.e. ex acquisition costs)

Expanding premium Renewal premium

(a) Increase in underlying Exposure
(b) Higher attachment point/deductible
(c) Tightening of terms and conditions (coverage)
(d) Claims inflation
(e) Pure rate change

Rate rise +75%
Price change +40%

£100 (EP)
£140 (RP)

£10 (a) - £27 (b) - £8 (c)
£60 (e)
£5 (d)

Pure rate change is balancing item

Technical vs Judgemental
Lloyds Market Bulletin Y3318

Need for speed vs Need for accuracy
Indicator vs Predictor
Effective governance and quality control
An old concept newly emphasised

Simple metric widely applicable
Objective and transparent view of profitability

Change focusing on step changes rather than ground-up approach

Valuable MI on the drivers of profit change

The advantages
2005 vs 2006 rates
Inflation the existence of
Coping with Subjectivities and T&Cs
Binders, Brokerages, NCBs, penalty clauses and the likes

difficulties and practical considerations

MANAGING FOR PROFIT

Common traits of a successful process
Integration into underwriting process
Technical versus Judgemental
Accurate capture of profitability changes
Evidencing Governance and controls
Management Information
A competitive edge

The future where will the market be in 5 years time?

1. Continued evolution and reliance on price governance processes
2. Managing the underwriting cycle
3. The London Market actuary's role

Sensible design that works for the underwriters
Effective implementation and integration into underwriting processes.
Models in use.
Evolving tools to gain a competitive edge
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A PROBLEM SHARED...