Prices, products and professionalism

You cannot lose - A product in four movements

- What should the professional actuary do?
Prices, products and professionalism

BRINGITON FINANCIAL SERVICES INSURANCE GROUP
• Richard (actuary) on GI side, works in pricing and products
• Laurence (non-actuary), chief underwriter and Richard’s boss
• Sameer prod. development actuary at Life Line, sister company
• Brian (non-actuary), head of marketing and Sameer’s boss

Prices, products and professionalism

1. New product for Richard
• What should he do? Please discuss
Prices, products and professionalism

1. New product for Richard
   - Professionally, this work is outside his competence.
   - What knowledge on the new subjects has been published?
   - External consultant or reinsurer can help.
   - Obtain product details from competitors.
   - Old colleagues, dining clubs (but beware confidentiality).
   - Audit trail behind on what he did, and why he did it.
   - Ombudsman reports for any regular problems with the product.
   - PSS
   - TASs, Actuaries' Code
   - Pressures from non-actuarial bosses.

2. “I want it and I want it now”

   • What additional issues arise from the boss’ command that numbers are on his desk by lunchtime? Please discuss
Prices, products and professionalism

2. Lunchtime demand

– Documentation
– Thorough professional job
– External input
– Checking and peer review
– Other workload and priorities
– Pressures from non-actuarial bosses
– What if your boss is an actuary? Does that make a difference?
– Communication: “sighting act” first, more work later
– Guesswork => refuse?

3. Colleague’s error

• What should Richard do? Please discuss
• Options:
  • Sameer?
  • Your boss (Laurence) – this might get political
  • Compliance
  • IFoA – PSS?
  • IFoA – discipline?
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NEVERSAYNO REINSURANCE (GI)
• Rebecca (pricing actuary), long-term contact of Richard

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4. Error by outside actuary (in your favour)

• What should Richard do?
Prices, products and professionalism

4. Error by outside actuary (in your favour)

- It’s a commercial decision – Richard should fill his boots
- Richard must ask her if she is happy with her figures first
- Commercial reasons for her low quote?
- Richard should report her to IFoA immediately
- Go to IFoA – but not until reinsurance contract is signed
- Will reinsurer meet all claims? Review at renewal?
- Are reinsurer’s judgement and practices now in question?
- Whistle-blowing?

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5. Reinsurance price confirmed – who gets the profit?

- GI’s arbitrage – it stays in the GI company
- It is Life Line’s product – the profit must be returned here
  - Improve its tight margins
- Further Life Line should cut premiums to customers
  - Treating customers fairly
  - Competitors will do this in time anyway
- The profit has been generated by Neversayno (GI reinsurer). They control its emergence and will ultimately claw it back
PRICES, PRODUCTS AND PROFESSIONALISM

Richard Winter, Neil Hilary and many many more
CiGi
22 April 2015 – RCP, London