SUCCESSFUL UNDERWRITING THROUGH PANELS & INTERMEDIARIES

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1. IS THERE ANY POINT? & WHAT ARE THE DISTRIBUTION TRENDS?
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2). "NATIONAL" BROKER PANELS: Technical Expertise

- The channel dynamics place greater emphasis on accurate underwriting and pricing due to:
  - The immediate effect of anti-selection (within the panel and the aggregator) and the scale of the downside being greatly increased
  - Shorter customer lifetimes

- A competitive advantage in risk pricing must be in place, and continually improved
  - Reinforce the need to continually improve core claims cost models with new insights, data and techniques

- Equally important is the ability to fully deploy the advantage in risk pricing
  - Internal or Broker infrastructure – can it handle the pricing algorithms?

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2). "NATIONAL" BROKER PANELS: Knowledge is everything...

- Risk insight and validation must be extremely tight
  - Is the risk you are quoting for accurately represented?
  - Where are the sources of leakage/misrepresentation and how are they mitigated?
    - Fraudulent behaviour by customers, and by Broker staff
    - Aggregator mapping discrepancies

- The operating model and commercial practices of the Broker will influence underwriting returns – full transparency must exist on all aspects of the Broker operation:
  - Underwriting controls and processes
  - Credit Management protocols
  - Claims handling procedures
  - Customer management techniques:
    - Revenue generation
    - Renewal/MTA behaviour

- Full management information on customers quoted for and business written
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2). “NATIONAL” BROKER PANELS: The role of the Broker

➢ The Broker must be aware of, and willing to actively develop, its role in the delivery of adequate underwriting returns for the insurers

➢ Technical Expertise - often dependent on the infrastructure of the Broker to deploy:
  ➢ Pricing algorithms
  ➢ Additional customer data insight (Credit Data, full aggregator data capture)

➢ Knowledge – again, dependent on the infrastructure and processes of the Broker to:
  ➢ Minimise risk mis-representation (ID Verification, CUE Checking, NCD Proof etc)
  ➢ Knowledge – dependent on attitude of the Broker to divulge commercial and operating practices

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2). “NATIONAL” BROKER PANELS: Discipline in Distribution

➢ Successful underwriting strategies for any National panel broker can be constructed in a set of requirements/capabilities that the Broker must have or be willing to support
  ➢ Panel price point is then directly linked to extent of capability the Broker supports and the commercial/operating practices they employ

➢ Deployment of the strategy must then be completely disciplined:
  ➢ Only distribute if minimum requirements are met
  ➢ Articulate clearly and repeatedly what is needed from the Broker to support a more competitive panel price position (in terms of capability and requirements)
  ➢ Highlight explicitly where the Broker is penalised against their competitors and why

➢ Maintain the discipline throughout the cycle – be scale agnostic

➢ Enforce the discipline through close and rigorous management and monitoring:
  ➢ Highly efficient price monitoring (volume and profitability trends)
  ➢ Appropriate audit and control measures
  ➢ Contractual certainty to support intent
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3). “REGIONAL” BROKER PANELS: The role of the Broker

- Technical Expertise still very important
  - Additional difficulty with the infrastructure capability of Software House systems

- Knowledge around risk representation and operating practices still relevant, though due to narrower distribution footprint of Regional Brokers the downside risk is smaller
  - Understanding of the acquisition methods deployed by the Broker are key – aggregators??

- The role of the Broker has additional dimensions in this channel
  - As customers of SWH systems, they need to influence the capability development
  - Broker risk selection and customer management can provide a significant extent of certainty around risk representation – the “Broker Effect”

- The same disciplined approach needs to apply to distribution, but with the number of variants and agents then it needs to be more generic to avoid unmanageable flexibility

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4). QUESTIONS & ANSWERS