



Society of Actuaries in Ireland

Test Achats – Impact on General Insurance

(or not!)

Some Views and Questions

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A Disclaimer

- Any passing or remotely connected associations to any:
 - GLM's
 - Capping or Collaring
 - Tariffs
 - Portfolio Cleans
 - In fact anything that you may think has anything to do with my employer – no matter how remote or tenuous
 - Are entirely coincidental and bear no resemblance to any of these things



Some Themes

- The Multinational Dimension
- What Stays the Same
- Rating Factors
- Telematics
- Rate Momentum
- Execution Issues
- Regulatory Enquiry
- Sundry Stuff
- And Finally!

Preparing for the Unisex Regime as a small (very) part of a Multinational

NOT EXHAUSTIVE





We Are Still Allowed

- Introduce new factors provided not proxies for Gender. However what about Indirect Discrimination?
 - One question on this. Shoe size is a proxy, Penalty Points are not. What about Occupation – and so on? Ultimate arbiters will not be insurers in this respect
- Use Gender for internal reserving for sustainability of aggregate pricing
- Reinsurance pricing
- Marketing & Advertising provided access is open to all



Factors: Deepening Existing and New

- Part of the mix on an on-going basis but good opportunity to refresh
- Some potential areas-: Vehicles, Occupations, Claims, Loyalty, Mileage, Telematics, etc.
- An expensive and lengthy process potentially involving new IT (in all of it's multi-faceted forms) and retariffication
- Will all of this become 'old hat' in light of the potential disruption of Telematics?



On Telematics 1

- Potential to be particularly Disruptive and Game-Changing (maybe)
- Now part of the wider Gender debate given the age demographic
- Will it allow accurate pricing and selection of better drivers i.e. the better your performance the cheaper the premium?
- So younger drivers will no longer have expensive losses?
- Or maybe we isolate those who bring most risk. How much are their premiums – and bear in mind:
 - View of regulators and TCF
 - The very real risk of uninsured driving
- Significant execution, back-room and cost implications
- Customer Acceptance may be an issue



Telematics 2

- At whom is this service aimed?
 - Higher risk cohorts (possibly via their parents initially)
 - Early adopters
 - Those who want to control their own destiny
- There are 410,000 full licences held by those aged <29 years of age(CSO 2011);
- Models in discussion vary markedly from true PAYG to roadside assist
- Motor manufacturers are bound to have a view on all of this
- The likelihood of this initiative, in some guise, gaining traction is increasing. Unsure by whom though



The Unisex Market: Some Questions

(Stress again these are the views of the presenter)

There may be upward pressure on rate as the market is likely to be cautious (at least at the outset!)

- Does the ‘move away’ from what we currently know is our correct technical rate imply higher charges to offset potential selection risks?
- Does this mean the market gets more competitive in other lines – if yes for how long?
- And of course I could be precisely incorrect on all of this



Execution Issues

- Tricky; expect a period of dislocation post execution of rate into the market
- The SWH's. A critical dependency on suppliers with very full dance cards
- The MTA question; c.f. James's presentation:
 - DoJ suggest draft legislation before year-end 2012
 - Likely to remain silent on MTA
 - Insurer may not refuse any MTA for transition period
 - Stress that this is still not decided
- The cannibalisation risk for 'cancel MTA's' exists



The Regulatory Environment in the new Landscape

- What does this look like? Consumer bodies and regulators are bound to have more than a passing interest
- Perceived issues may not actually exist, many may have nothing to do with Gender. *'A friend of mine got a discount after a telephone call'* type of thing
- Expect the FSO to get busier and 'market rating' to be open to more scrutiny in the immediate aftermath
- New normal is likely to be more reporting and possibly additional regulation
- Heaven forbid but I expect some consultant actuaries and legal firms may generate some revenue along that journey!
- **Statistical justification critical – Actuaries rule OK**



Some Sundry Stuff

- Capping and Collaring in Unisex Land
- DUA and Discounting. Control here will be interesting. New layers of control and reporting?
- UW Fraud. Would this be any different in the pre and post Gender environment?
- PR – Usually a challenge to us so I expect business as usual when the balloon goes up
- What if age is next. See Karl's presentation



And Finally

- Everyone gets broken down by age and sex
- Eventually!
- If your lucky



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