



**SINGAPORE ACTUARIAL CONFERENCE 2024**  
26 - 29 August 2024

# Protecting the Public Interest in Insurance Pricing

Mudit Gupta  
28 August 2024



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# Agenda

1. Insurance pricing under increased scrutiny
2. Principles
3. Responsibilities of pricing professionals

# 1 Insurance pricing under increased scrutiny

# Developments from the UK ...

## FCA fines LBGi £90 million for failures in communications for home insurance renewals between 2009 and 2017

Press Releases | First published: 08/07/2021 | Last updated: 08/07/2021 |

     
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The FCA has fined LBGi (Lloyds Bank General Insurance Limited, St Andrew's Insurance Plc, Lloyds Bank Insurance Services Limited and Halifax General Insurance Services Limited) £90,688,400 for failing to ensure that language contained within millions of home insurance renewals communications was clear, fair and not misleading.

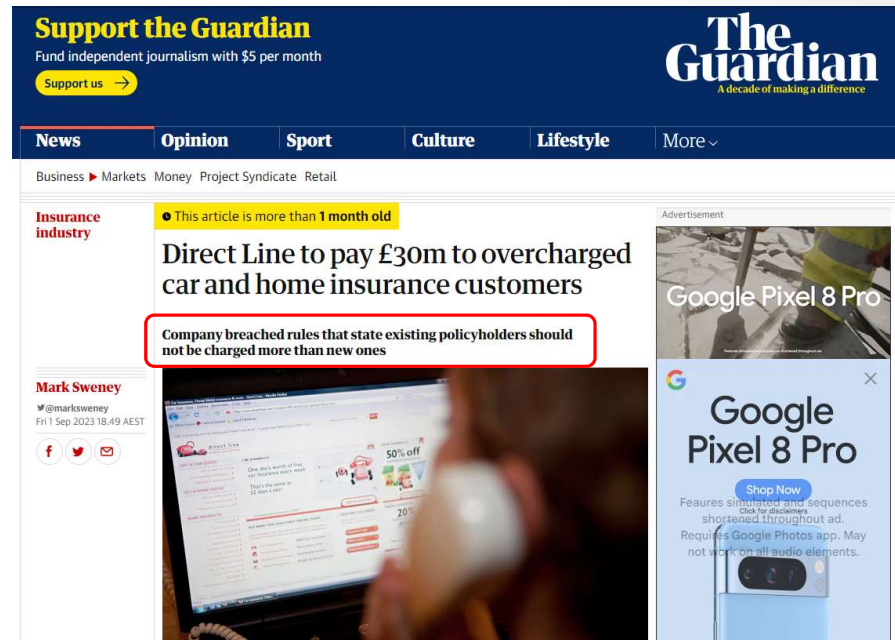
Mark Steward, Executive Director of Enforcement and Market Oversight at the FCA said:

'Firms must ensure their communications with customers are clear, fair and not misleading. LBGi failed to ensure that this was the case. Millions of customers ended up receiving renewal letters that claimed customers were being quoted a competitive price which was unsubstantiated and risked serious consumer harm.'

Between January 2009 and November 2017 LBGi sent nearly 9 million renewal communications to home insurance customers which included language to the effect that they were receiving a 'competitive price' at renewal. LBGi did not substantiate the 'competitive price' language included in the renewal communications by taking steps to check that it was accurate. Policies were renewed in respect of approximately 87% of renewal communications containing this language.

Although LBGi rewrote its renewal communications and began to remove 'competitive price' wording from 2009 onwards, the language remained in a substantial number of renewals communications throughout the Relevant Period despite repeated missed opportunities to address it.

Source:  
<https://www.fca.org.uk/news/press-releases/fca-fines-lbgi-90-million-failures-communications-home-insurance-renewals-2009-2017>  
<https://www.theguardian.com/business/2023/sep/01/direct-line-to-pay-30m-to-overcharged-car-and-home-insurance-customers>



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Business ▶ Markets Money Project Syndicate Retail




**Insurance industry**

● This article is more than 1 month old

### Direct Line to pay £30m to overcharged car and home insurance customers

Company breached rules that state existing policyholders should not be charged more than new ones

**Mark Sweney**  
@marksweney  
Fri 1 Sep 2023 18:49 AEST

Advertisement

**Google Pixel 8 Pro**

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Features simulated audio sequences shortened throughout ad. Requires Google Photos app. May not work on all audio elements.

## FCA confirms measures to protect customers from the loyalty penalty in home and motor insurance markets

Press Releases | First published: 28/05/2021 | Last updated: 28/05/2021



The FCA has implemented a package of remedies to improve competition and protect home and motor insurance customers from loyalty penalties. This includes new rules so that **renewal quotes for home and motor insurance consumers are not more expensive than they would be for new customers.**

These measures address the issues identified in the FCA's September 2020 market study, which found that millions of home and motor insurance customers lose out if they renew repeatedly with their current providers. In 2018, 6 million loyal policy holders would have saved £1.2 billion had they paid the average price for their actual risk.

Many firms increase prices for existing customers each year at renewal – this is known as price walking. This means that consumers have to shop around and switch every year to avoid paying higher prices for being loyal.

It also distorts the way the market works for everyone. Many firms offer below-cost prices to attract new customers. They also use sophisticated processes to target the best deals at customers who they think will not switch in the future and will therefore pay more.

The FCA's new rules will stop firms price walking. Insurers will be required to offer renewing customers a price that is no higher than they would pay as a new customer. It is likely that firms will no longer offer unsustainably low-priced deals to some customers. However, the FCA estimates that these measures will save consumers £2 billion over 10 years by curbing the loyalty penalty and ending the market mistletoe.

Source:  
<https://www.fca.org.uk/news/press-releases/fca-confirms-measures-protect-customers-loyalty-penalty-home-motor-insurance-markets>  
<https://www.fca.org.uk/news/news-stories/consumer-duty-higher-standards-financial-services>

## Consumer Duty sets higher standards for financial services customers

News stories | First published: 31/07/2023 | Last updated: 08/09/2023 | [See all updates](#)

The Duty sets higher standards of consumer protection. Find out what this means for you and v **What the Duty means for you**

On 31 July,  
The new rul  
services.

The Duty m

- the sup
- commu
- product

Under the Duty, firms should be open and honest, avoid causing foreseeable harm, and support you to pursue your financial goals. You should expect:

- **helpful and accessible customer support**, so it's as easy to sort out a problem, switch or cancel your product, as it was to buy it in the first place
- **timely and clear information** you can understand, so you can make good financial decisions. This means important information shouldn't be buried in lengthy terms and conditions
- providers to offer **products and services that are right for you**, rather than pushing products and services you don't need
- **products and services to provide fair value.** This should mean you won't be ripped off or have to pay costs you didn't expect. But while your provider should offer you a fair price, it doesn't mean it will be the best deal for you, so you should still shop around
- firms to consider if you're in a **vulnerable situation** when dealing with you. This could be due to poor health or financial troubles, for instance

These rules apply to all new and existing products and services that are currently on sale. For older products that are no longer on sale, the rules will apply from 31 July 2024.

## From the EU ...

Supervisory statement on differential pricing  
practices in non-life insurance lines of business

Consumer Protection Department  
EIOPA REGULAR USE –  
EIOPA-BoS-23/076  
22 February 2023

## Some examples from the USA ...



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

**BULLETIN 2022-5**

**TO: All Admitted and Non-Admitted Insurance Companies, Licensees,  
and Other Interested Parties**

**FROM: Insurance Commissioner Ricardo Lara**

**DATE: June 30, 2022**

**RE: Allegations of Racial Bias and Unfair Discrimination in  
Marketing, Rating, Underwriting, and Claims Practices by the  
Insurance Industry**

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Recent allegations of racial bias and discrimination in marketing, rating, underwriting, and claims practices by insurance companies and other licensees have come to light nationwide. As someone committed to fighting to protect Californians through our state laws, regulations, and policies that promote equality, opportunity, and fairness for all during my time in the California State Legislature and now as Insurance Commissioner, I will continue to direct the California Department of Insurance (Department) to investigate unfair and discriminatory practices by insurance companies. Bias and discrimination in any form will be investigated and will not be tolerated.

This Bulletin serves to remind all insurance companies and licensees of their obligation to market and issue insurance, charge premiums, investigate suspected fraud, and pay insurance

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The New York Times SUBSCRIBE FOR

## How G.M. Tricked Millions of Drivers Into Being Spied On (Including Me)

This privacy reporter and her husband bought a Chevrolet Bolt in December. Two risk-profiling companies had been getting detailed data about their driving ever since.

Share full article 🔗 📌 💬 800



The reporter Kashmiri Hill in the Chevrolet Bolt that she and her husband bought in December. Cole Wilson for The New York Times

**By Kashmiri Hill**  
Kashmiri Hill is a technology reporter who has been covering the privacy implications of connected cars, including her own.



**KEN PAXTON**  
ATTORNEY GENERAL of TEXAS

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**ATTORNEY GENERAL KEN PAXTON SUES GENERAL MOTORS FOR UNLAWFULLY COLLECTING DRIVERS' PRIVATE DATA AND SELLING IT TO SEVERAL COMPANIES, INCLUDING INSURANCE COMPANIES**

August 13, 2024 | Press Release

## Attorney General Ken Paxton Sues General Motors for Unlawfully Collecting Drivers' Private Data and Selling It To Several Companies, Including Insurance Companies

Texas Attorney General Ken Paxton sued General Motors for its false, deceptive, and misleading business practices related to its unlawful collection and sale of over 1.5 million Texans' private driving data to insurance companies without their knowledge or consent.

This action follows Attorney General Paxton's June 2024 announcement that he [opened](#) an investigation into several car manufacturers regarding allegations that the companies had improperly collected mass amounts of data about drivers directly from the vehicles and then sold the information to third parties.

"Our investigation revealed that General Motors has engaged in deceptive business practices that violated



# From Australia ...

MEDIA RELEASE (23-169MR)

## General insurers to repay consumers \$815 million for broken pricing promises

Published 23 June 2023

ASIC is calling on all general insurers to remove unnecessary pricing complexity and fix their systems, practices and controls so they can deliver on the pricing promises they make to their customers.

ASIC today released [Report 765](#) *When the price is not right: Making good on insurance pricing promises*. The report reveals that ongoing pricing failures will see general insurers repay \$815 million to more than 5.6 million consumers (across 6.5 million policies).

'This systemic failure by insurers to deliver on their pricing promises has seen more than 5.6 million consumers overcharged \$815 million for their insurance,' said ASIC Deputy Chair Karen Chester.

Source: ASIC, <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-169mr-general-insurers-to-repay-consumers-815-million-for-broken-pricing-promises/>



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Insurance BUSINESS

Insurance News ICA hits back at price 'gouging' accusations

## ICA hits back at price 'gouging' accusations

Insurers are in the line of fire after they were yesterday accused of hiking up home insurance premiums while the prices of household goods fall.

## Health insurers accused of charging more for top-level hospital cover than price cap set by federal government

The Business / By business reporters Kate Ainsworth and Samuel Yang  
Posted Wed 14 Feb 2024 at 9:07pm



Environment Climate crisis Indigenous Australia Immigration Media Business Science Tech Podcasts Newsletters

This article is more than 1 year old

## Australians facing prohibitive insurance premiums after climate-related disasters

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- 'Heartbreaking': Australian rower sheds tears of joy amid Olympic pain
- Donald Trump: Judge's efforts to dismiss election case against him
- Hamas's leader is dead: vows revenge, can any stop all-out war in the East?
- One of Australia's most expensive commutes is the cheapest, as Queen Elizabeth 50c public transport trial begins

Home / Daily / Fels pushes for action on unfair pricing

## Fels pushes for action on unfair pricing

08 February 2024

## Premium increases in life insurance

Thursday 14 December 2023

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY
1 Martin Place (Level 12), Sydney, NSW 2000
GPO Box 9836, Sydney, NSW 2001
T 02 9210 3000 | W www.apra.gov.au



To: All life insurers and friendly societies (life companies)

This letter outlines findings from the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission's (ASIC) joint review of life companies' practices in relation to premium increases, including subsequent corrective action taken by some life companies. It also makes clear our regulatory expectations of life companies going forward, namely to:



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## From New Zealand ...

Financial Markets Authority (FMA) logo and navigation menu including: All releases, Articles, Campaigns, FMA Update, Guidance, Reports, Research, Speeches, Opinion. A red banner below the menu reads: "Targeted by an investment scammer? Please notify us".

HOME / NEWS & INSIGHTS / ALL RELEASES / MEDIA RELEASES / VERO TO PAY \$3.9 MILLION PENALTY FOR MAKING FALSE AND MISLEADING REPRESENTATIONS TO CUSTOMERS ABOUT MULTI-POLICY DISCOUNTS

12 October 2023

### Vero to pay \$3.9 million penalty for making false and misleading representations to customers about multi-policy discounts

Media Release  
MR No. 2023 - 44  
12 October 2023



The Auckland High Court has ordered Vero Insurance New Zealand Limited (Vero) to pay a penalty of \$3.9 million for failing to apply multi-policy discounts to customers, following proceedings brought by the Financial Markets Authority (FMA) - Te Mana Tātai Hokohoko.

In June 2023, Vero admitted it breached section 22, one of the Fair Dealing provisions of the Financial Markets Conduct Act 2013.

Financial Markets Authority (FMA) logo and navigation menu including: All releases, Articles, Campaigns, FMA Update, Guidance, Reports, Research, Speeches, Opinion. Breadcrumbs: HOME / NEWS & INSIGHTS / ALL RELEASES / MEDIA RELEASES / FMA FILES PROCEEDINGS AGAINST TOWER LIMITED FOR ALLEGED FAIR DEALING BREACHE

07 March 2024

### FMA files proceedings against Tower Limited for alleged fair dealing breaches

Media Release  
MR No. 2024 - 5



The Financial Markets Authority (FMA) - Te Mana Tātai Hokohoko - has filed civil proceedings against Tower Limited (Tower) for failing to apply multi policy discounts to eligible customers.

The FMA alleges Tower breached section 22 multi policy discount offer since 10 September 2022.

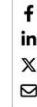
For over 20 years Tower has offered a multi policy discount to its customers. The terms of the discount have varied over time and are not consistent with the Fair Dealing provisions of the Financial Markets Act 2013.

Financial Markets Authority (FMA) logo and navigation menu including: All releases, Articles, Campaigns, FMA Update, Guidance, Reports, Research, Speeches, Opinion. Breadcrumbs: HOME / NEWS & INSIGHTS / ALL RELEASES / MEDIA RELEASES / AIA TO PAY \$700,000 PENALTY FOR FALSE AND MISLEADING REPRESENTATIONS TO CUSTOMERS

30 September 2022

### AIA to pay \$700,000 penalty for false and misleading representations to customers

Media Release  
MR No. 2022 - 37



The Auckland High Court has ordered life insurer AIA to pay a pecuniary penalty of \$700,000 for making false and/or misleading representations to some customers, following proceedings brought by the Financial Markets Authority (FMA) - Te Mana Tātai Hokohoko.

AIA admitted to the conduct last year in court. The FMA and AIA agreed a penalty of \$700,000 reflected the seriousness of the breaches. In his judgment, Justice Michael Robinson was satisfied a penalty of this amount was appropriate, taking into account AIA's:

- admissions
- self-reporting

## In Singapore ...



*“Financial institutions offer products and services that are suitable for their target customer segments”*

*“form a balanced assessment of the value that the product ultimately offers customers.”*

*“Customers receive clear, relevant, and timely information that accurately represent the products and services offered and delivered.”*

# Why review approach to insurance pricing?

## Changing operating environment

Evolving community expectations

Regulatory scrutiny

Advancements in technology and data capabilities

## Why are public interest considerations important in insurance pricing and underwriting?

Gap in consumers' knowledge about insurance contracts

Compulsory products

Asymmetry of knowledge between insurance companies and customers

Social purpose of insurance

Uncertain future outcomes



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## Actuaries Institute Working Group for Professional Support for Actuaries involved in GI Pricing

- Expanded to include life insurance after commencement.
- A diverse group of 13 actuaries from insurance general insurance, life insurance, risk management, academia and broad range of business and leadership experiences supported by a number of reviewers and subject matter experts.

Paper available at: <https://actuaries.asn.au/cpd-hub>

### All Actuaries Summit

Think bigger, live better  
1-3 May 2024 • Gold Coast



#### Protecting the Public Interest in Insurance Pricing

Prepared by the Actuaries Institute Working Group for Professional Support for Actuaries involved in General Insurance Pricing

Presented to the Actuaries Institute  
2024 All-Actuaries Summit  
1-3 May 2024

*This paper has been prepared for the Actuaries Institute 2024 All-Actuaries Summit.  
The Institute's Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute and the Council is not responsible for those opinions.*

© Actuaries Institute Working Group for Professional Support for Actuaries involved in General Insurance Pricing

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# 2 Principles

# Principles for consideration and to inform a pricing process



Transparency  
and Disclosure



Value for Money  
and Affordability



Anti-Discrimination  
and Fairness



Responsible and  
Appropriate Use  
of Data



Avoiding Perverse  
Incentives



Sustainability

It is noted that these principles are **not intended to be the definitive list**, although it is **important that each business has a set of principles that are well articulated, understood, applied and monitored to ensure strong governance.**

**Each business situation is unique**, and professionals should continue to use their **best judgment** regarding the relevance of the principles presented here to their situation and the extent to which other factors exist.



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### Transparency and Disclosure

Consideration of availability and accessibility of relevant information to assist customers in making informed choices. Ensuring representations are not false or misleading.



### Value for Money and Affordability

Consideration of whether the cost of the premium to take out the product is commensurate with the benefits provided to policyholders, and of the extent to which an insurance premium for an appropriate coverage falls within the insured's capacity to pay.



### Anti-Discrimination and Fairness

Balancing the diverse interests and objectives of different stakeholders, including consideration of direct and indirect forms of discrimination and of fairness (in particular, impacts to vulnerable groups or individuals).



## Responsible and Appropriate Use of Data

Consideration of how data is sourced and used is consistent with what stakeholders would reasonably expect.



## Avoiding Perverse Incentives

Product pricing and underwriting practices should not reward risk-seeking behaviour, environmental damage, or other negative externalities



## Sustainability

Ensuring the long-term viability and stability of products, and meeting the reasonable expectations of policyholders, through considerations such as predictability of pricing over time, financial outcomes that allow insurers to continue to provide cover to the market and pay claims, and other related outcomes.

*See paper for detailed discussion on each theme and case studies.*

# 3 Responsibilities of pricing professionals

# Professionalism considerations

## Article 3: The Principles

The SPC includes seven principles which Members must follow to support the profession.

### 1. Public Interest

- a. A Member shall act in a manner that fulfils the profession's responsibility to the public.
- b. A Member shall not provide actuarial advice to any person or organization when the Member has reason to believe that the advice may be used to evade the law or is contrary to the public interest.

Singapore Actuarial Society's Standard of Professional Conduct (effective 1 April 2024)

# Professionalism considerations

**Tensions and trade-offs** between different principles and between needs of different stakeholders.

In such complex situations, good practice involves analysing and evaluating the **vulnerability, potential harms, and beneficial interests of each stakeholder**.

Pricing practitioners should also refer to any existing frameworks that may exist in their organisations and may find it helpful to **seek advice and perspectives from a diverse range of experts, such as consumer groups, risk professionals and legal advisers**.

Consideration should be given to how judgements and trade-offs should be **clearly documented and communicated** to appropriate individuals, particularly those in decision making or responsible roles.