

Redefining the Pricing Process: A Holistic Framework to Drive Business Decisions

Singapore Actuarial Conference 2024

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Agenda

1. Comfort Zones in Pricing Process
2. A Holistic End-to-end Pricing Process with a Focus on Business Outcomes
 - Bringing Analytics beyond Technical Pricing
 - Understanding Business Outcome under Different Scenarios
 - Agile Rating Engine
 - Effective Monitoring
 - Putting It All Together – Agile Rating & Holistic Pricing Process
3. Summary

1. Comfort Zones in Pricing Process

Comfort Zones in Pricing Process

Common Pitfalls

Infrequent Updates to Technical Pricing Models

Limited Use of Advanced Analytics and Technology

Poor Understanding on Customer and Competition

Stuck with Lengthy Rate Deployment Process

Lack of Proper Monitoring and Actionable Insights

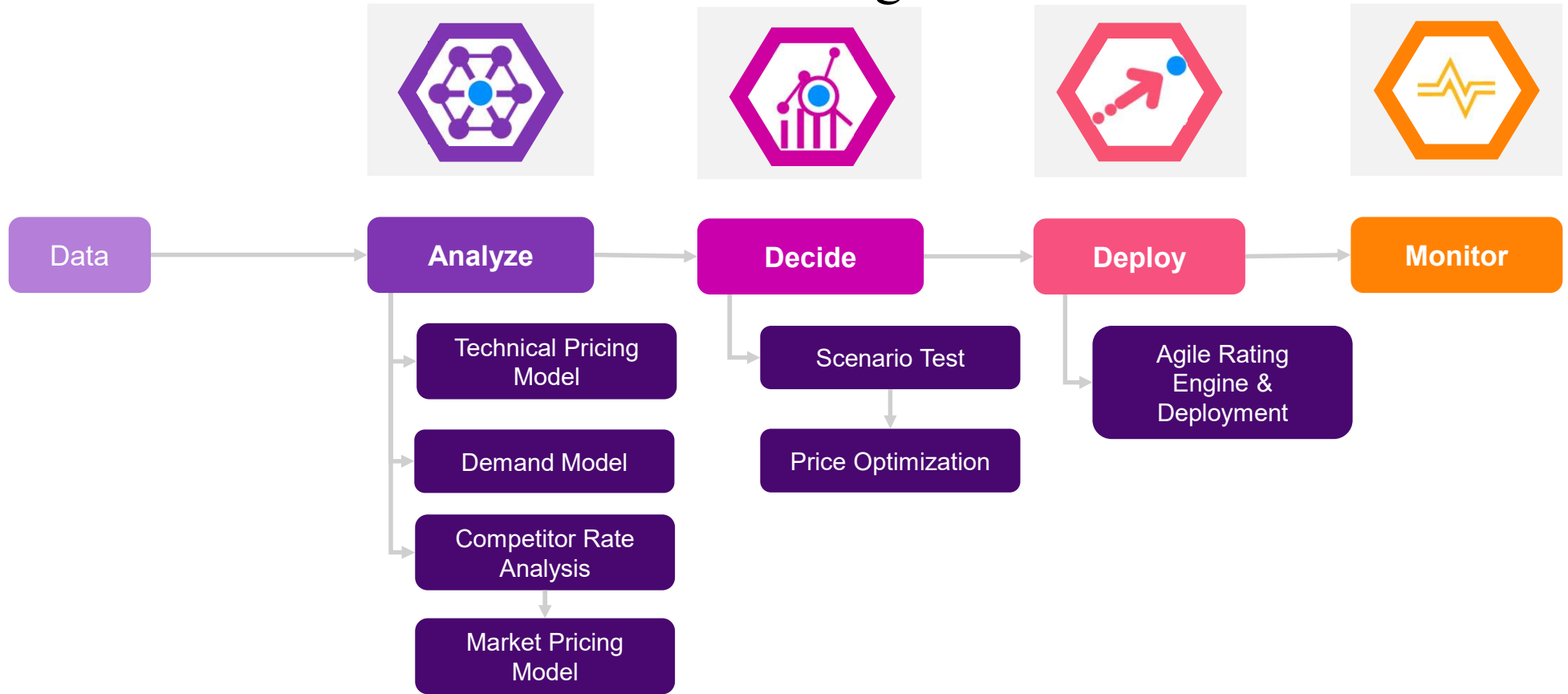
Focus on Technical Accuracy over Business Relevance



Lead to **missed market opportunities** and reduced competitive edge, ultimately **impacting both the top-line and bottom-line.**

2. A Holistic End-to-End Pricing Process

A Framework for an End-to-End Pricing Process



Monitor

Deploy

Decide

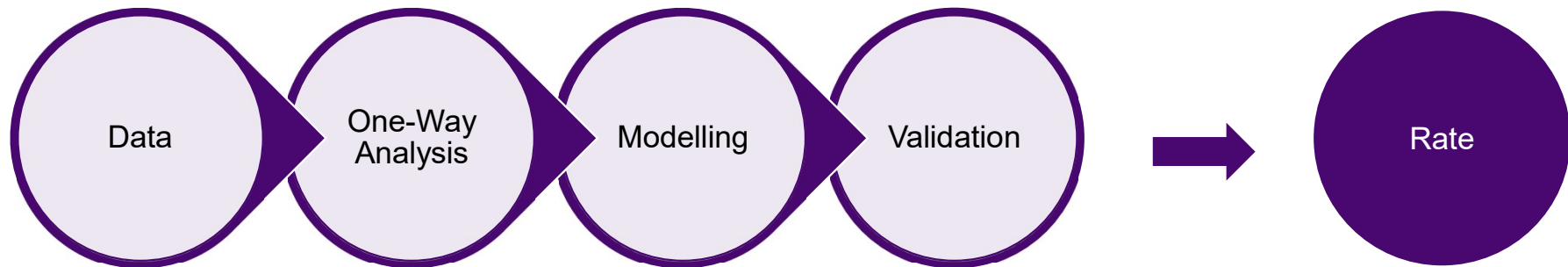
Analyze

Bringing Analytics beyond Technical Pricing to Better Understand Your Customer and Competition



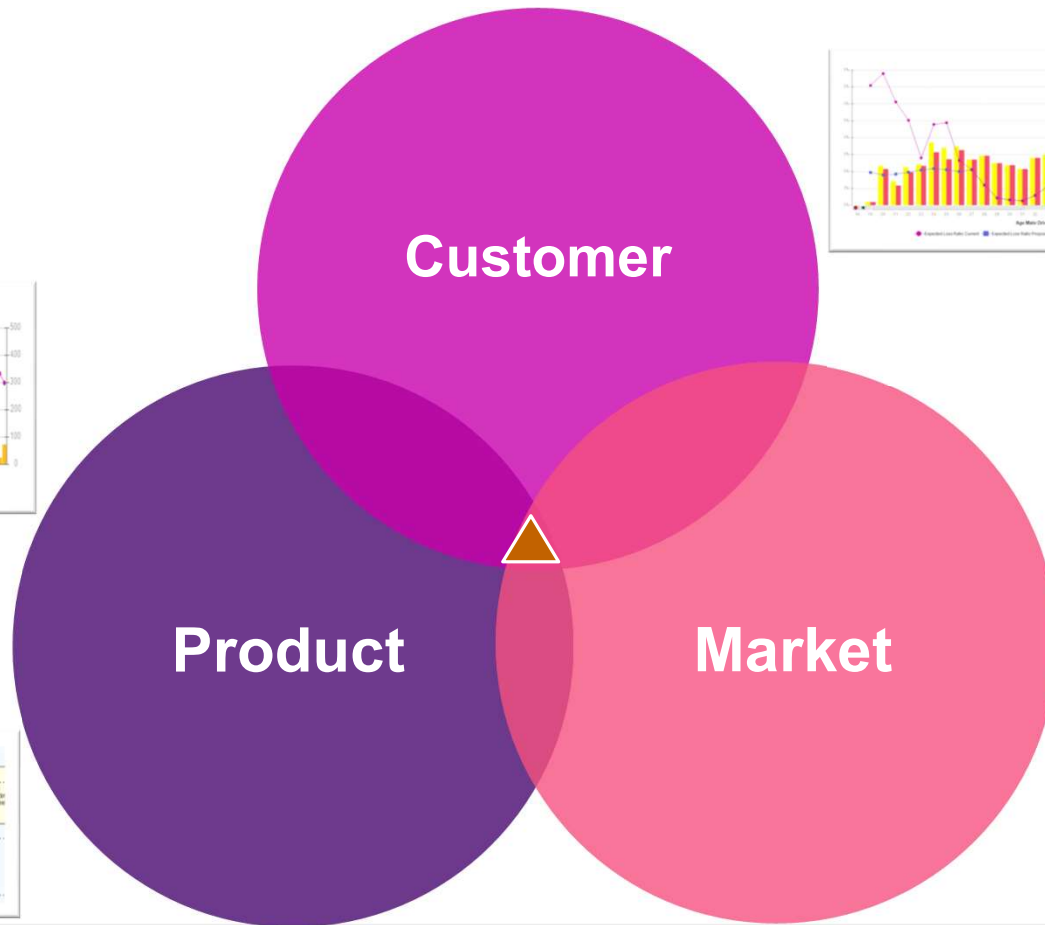
Technical Pricing

We see pricing actuaries **spending most of their time rebuilding and refining their technical pricing model ...**

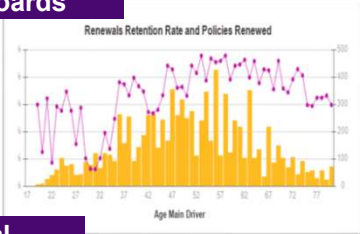


...but the incremental improvement in accuracy might yield negligible difference to the business outcomes.

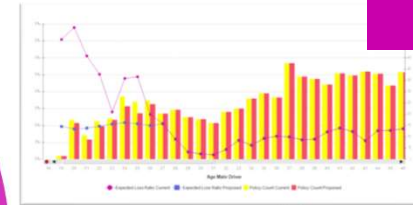
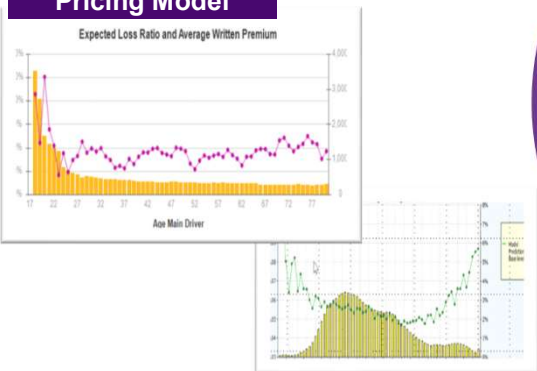
Technical Pricing ...is however just the beginning of the pricing journey



Monitoring Dashboards

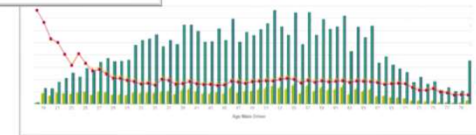


Technical Pricing Model



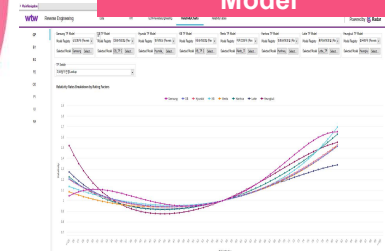
Scenario Test

Demand Model



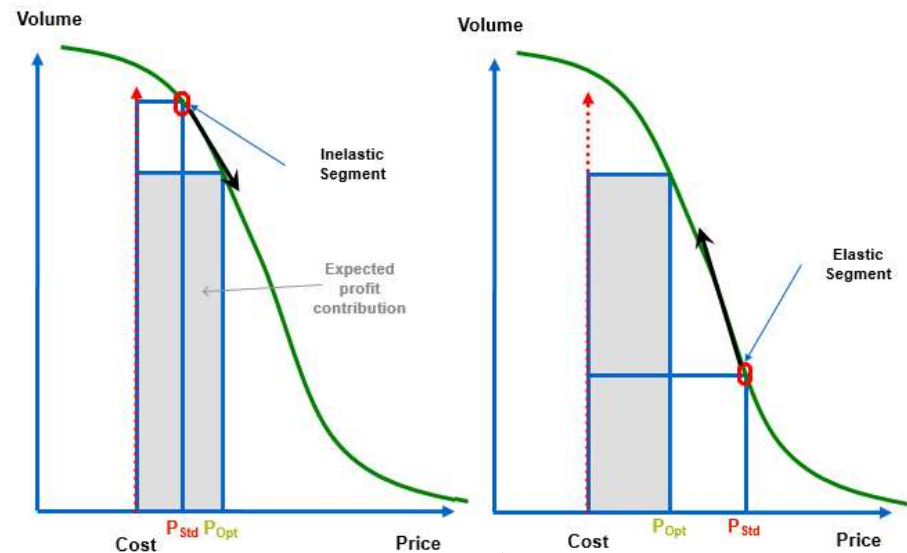
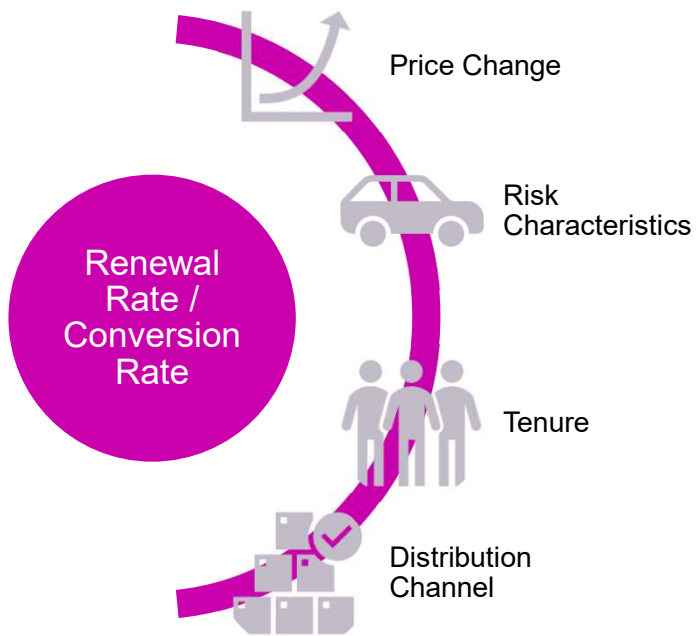
Competitor Rates

Market Pricing Model



Demand Model

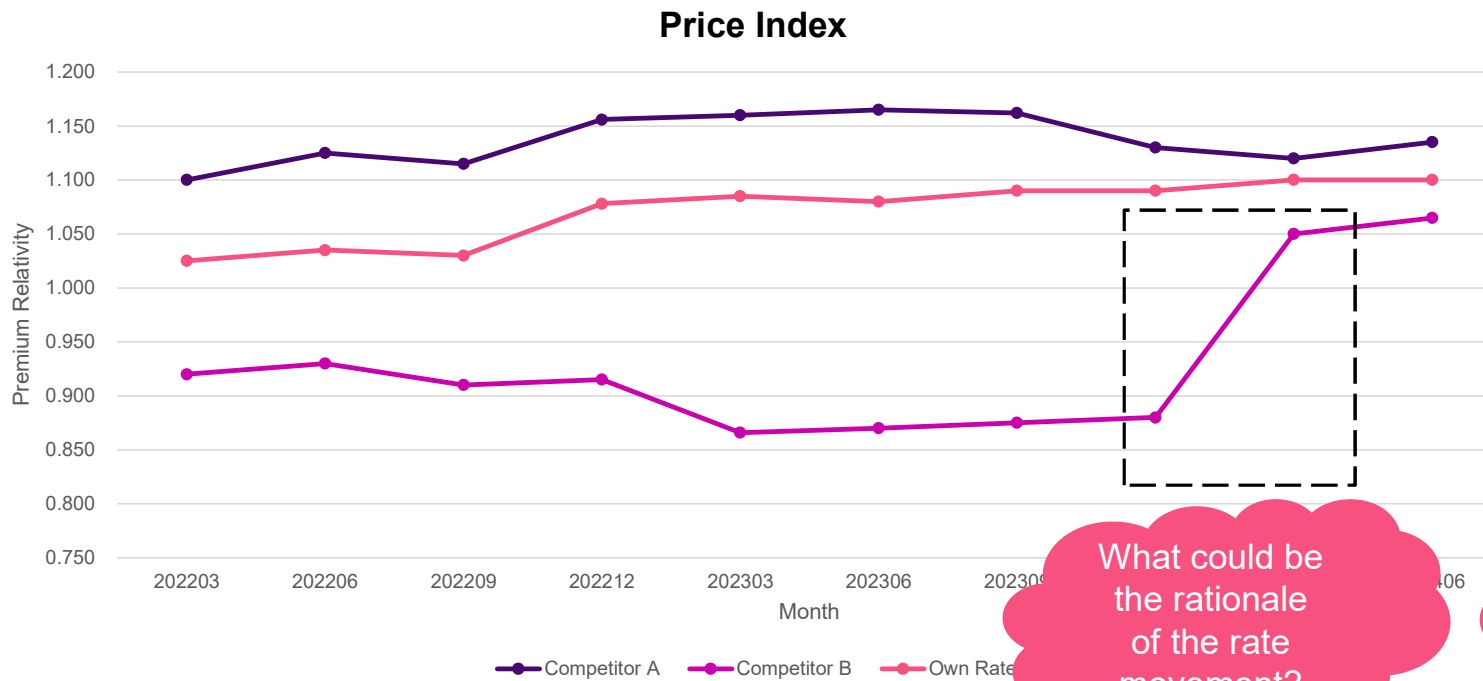
To understand how different customers react to price change differently



Different magnitude of impact in demand for X% price change

Competitor Rate Analysis

A critical tool to thrive in competitive market



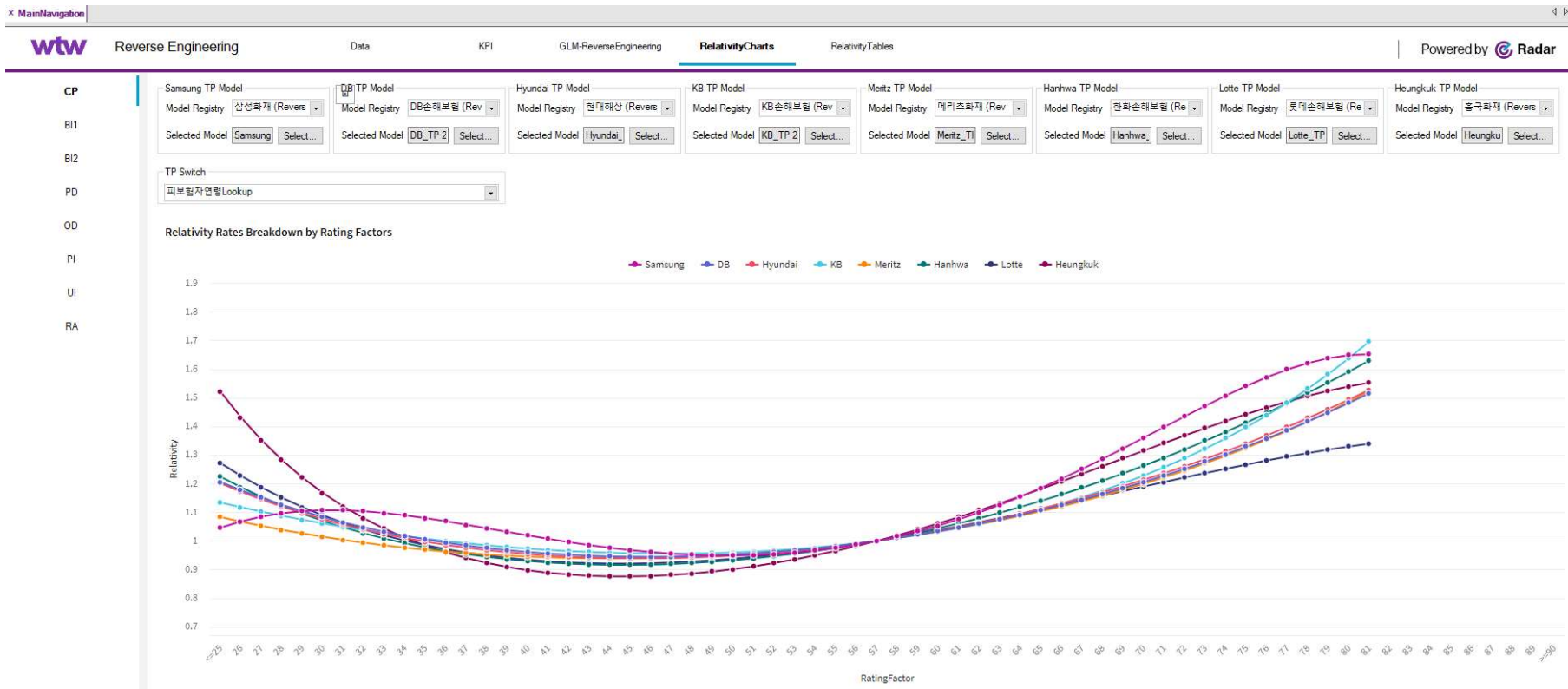
- Overall
- Segment 1**
- Segment 2
- Segment 3
- Segment 4

What could be the rationale of the rate movement?

How should you react to it?

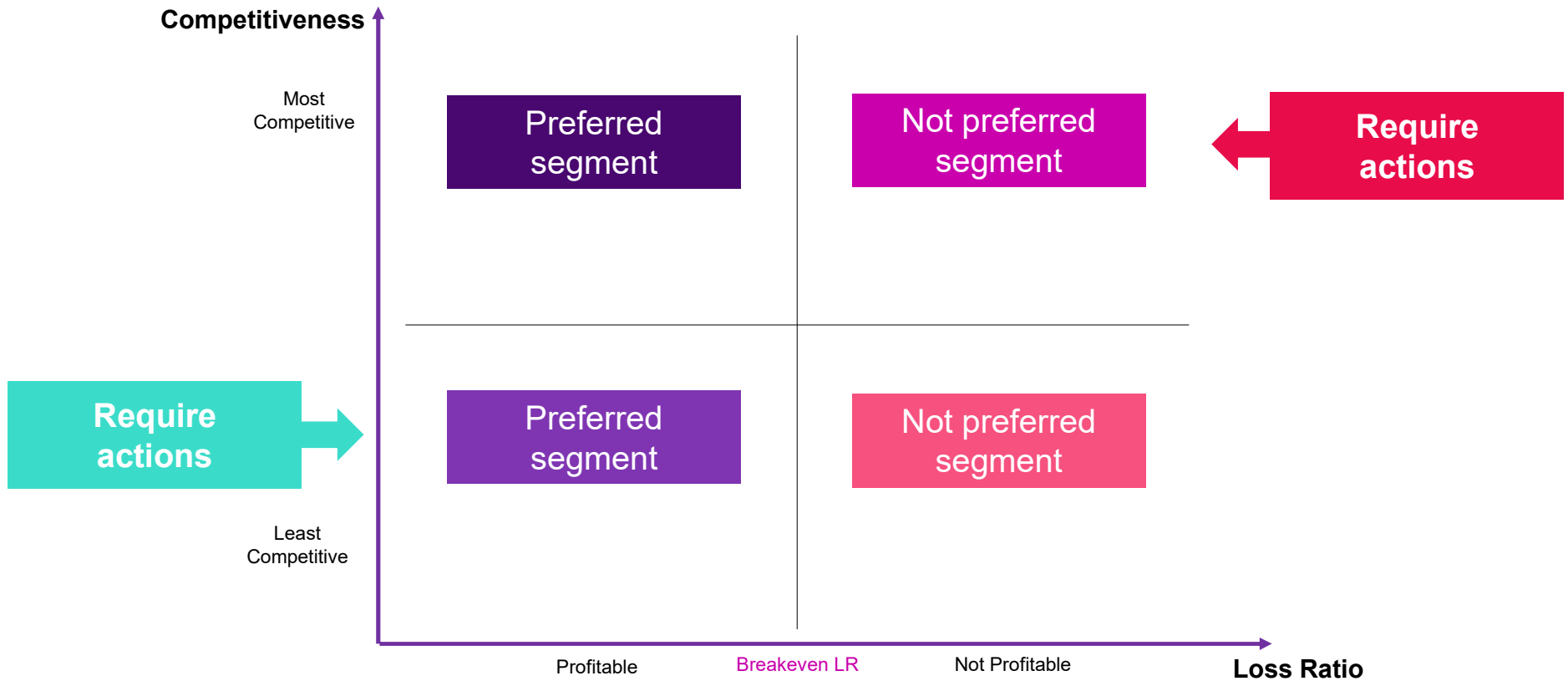
Market Pricing Model

Deconstructing competitors' pricing strategies with market pricing model



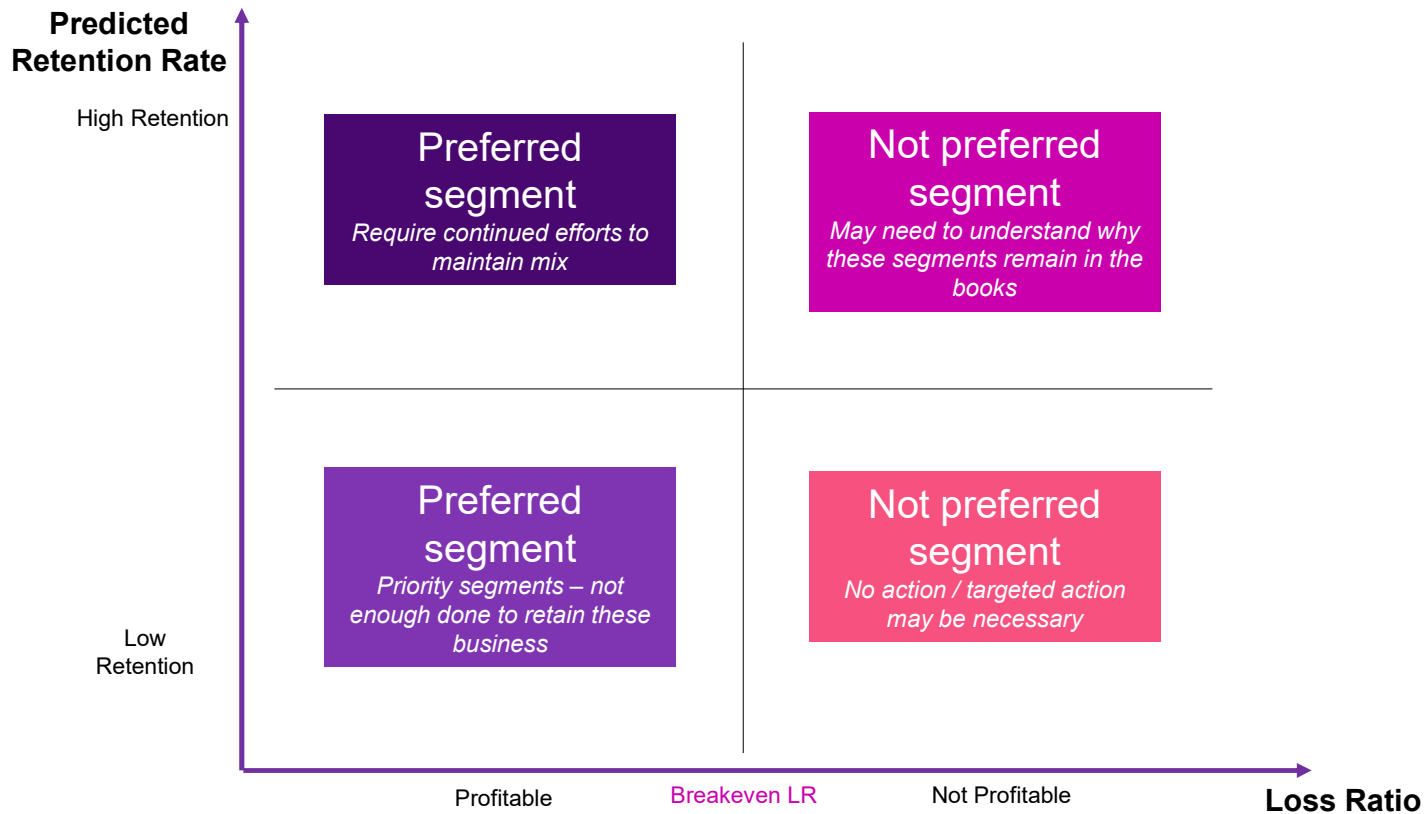
Competitor Analysis: Overlay with profitability

Overlaying technical pricing model with market models allows segment differentiated strategy



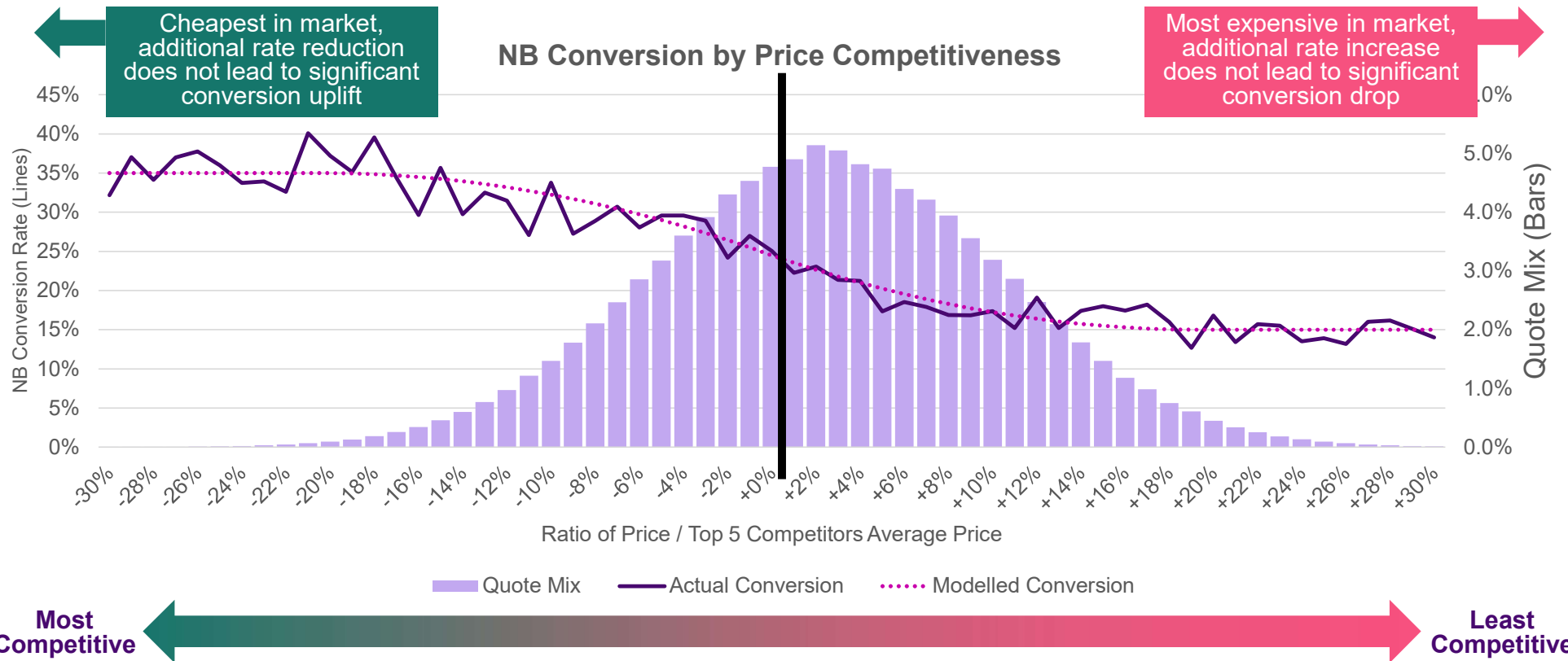
Demand Model: Overlay with profitability

Overlaying technical pricing model with demand models allows segment differentiated strategy



Competitor Analysis: Overlay with demand model

Customer reacts to competitors' rate changes too



Monitor

Deploy

Decide

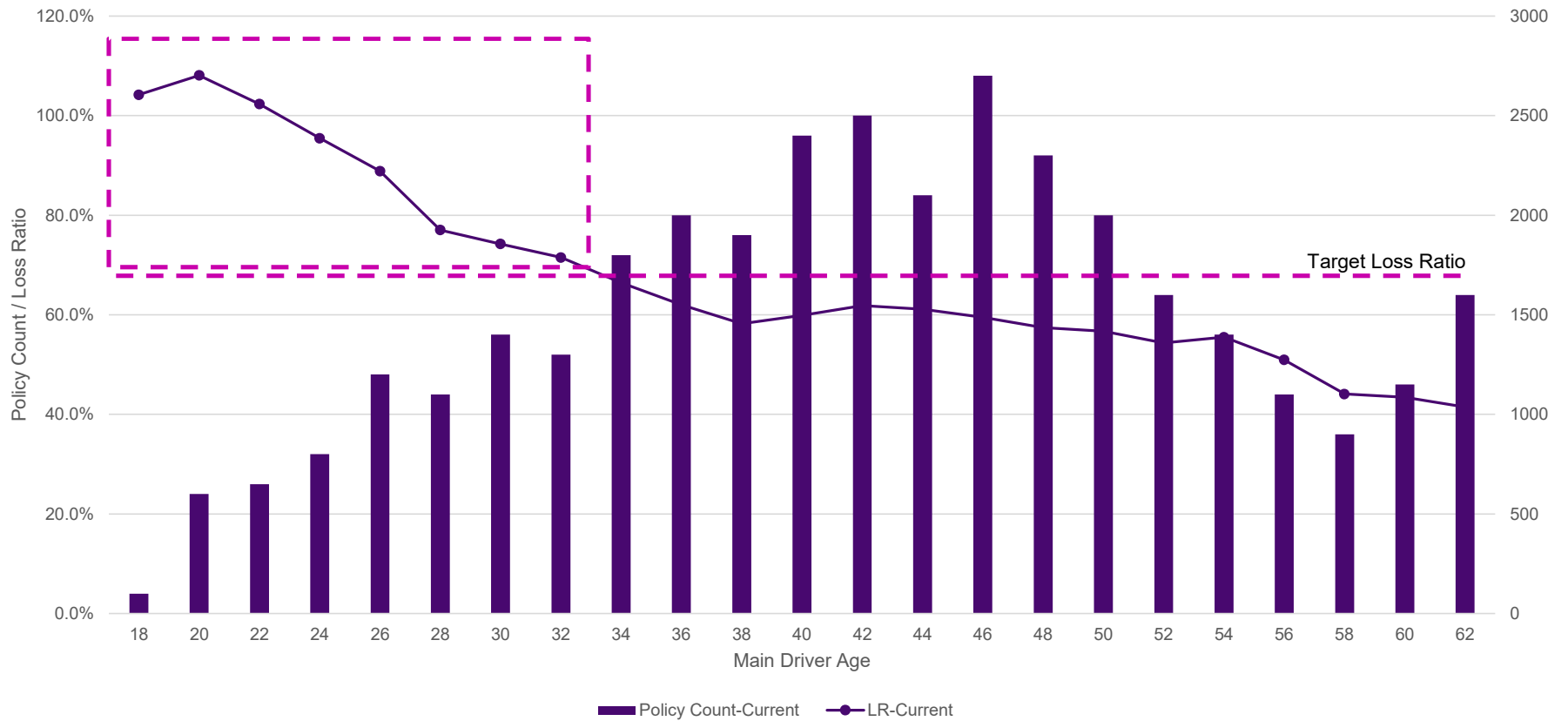
Analyze

Understanding the
Business Outcome
under Different Scenarios
allows you to make
Better Decisions



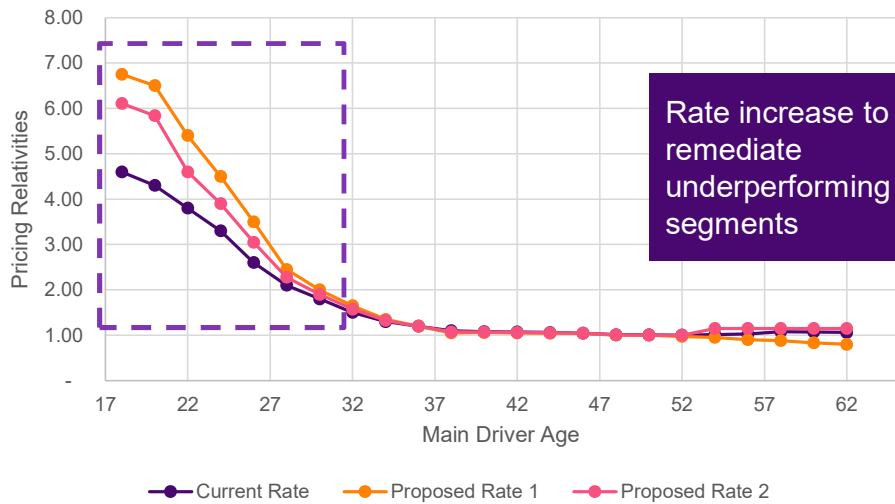
Predict Outcomes under Different Scenarios to Support Decision

Expected Performance

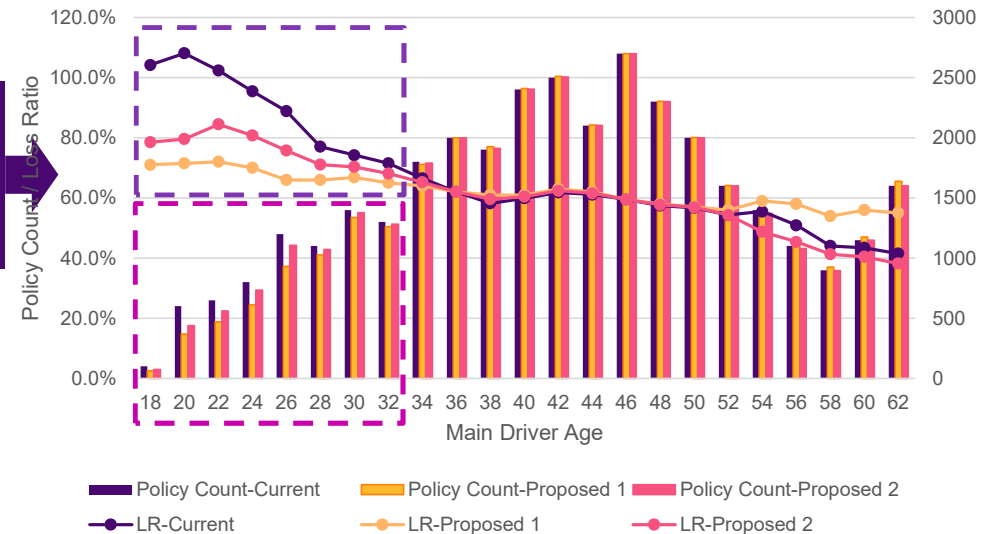


Predict Outcomes under Different Scenarios to Support Decision

Pricing Relativities



Expected Performance

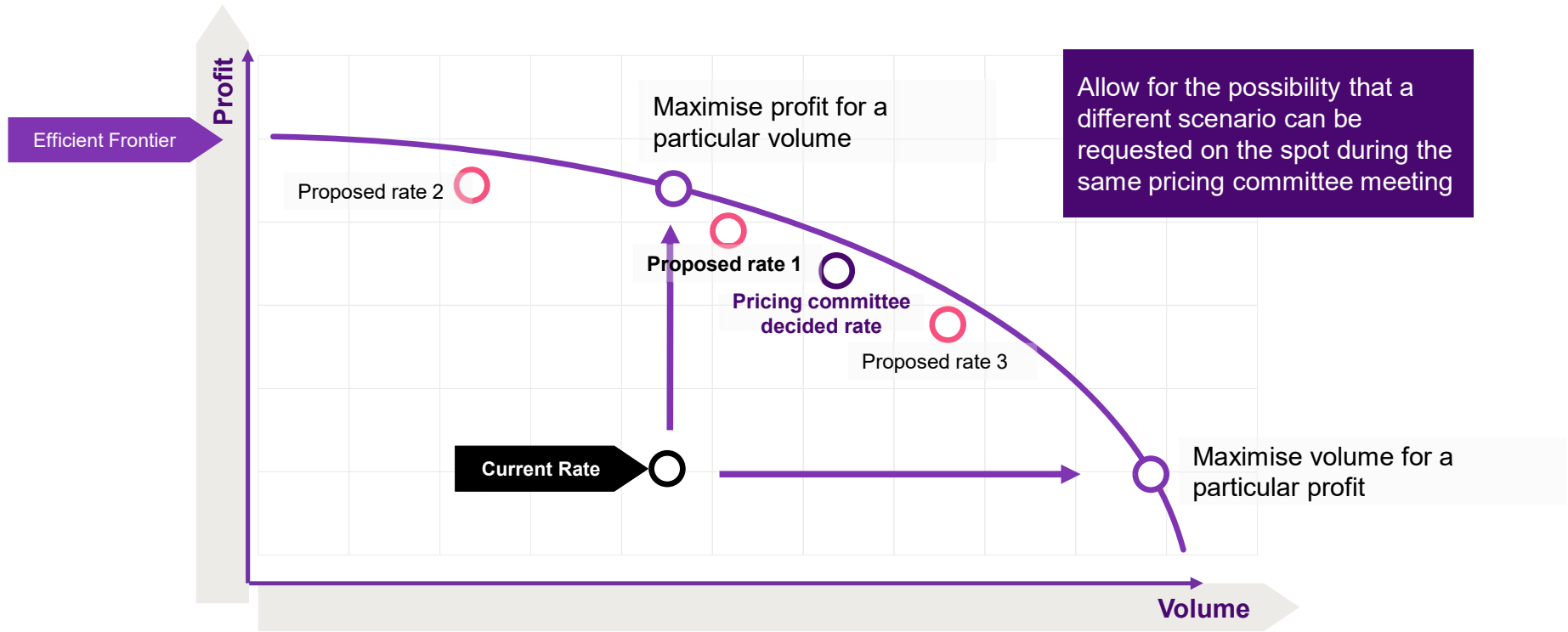


	Policy Count	Loss Ratio	Topline GWP (SGD mil)	Bottomline UW Profit (SGD mil)
Current	44,600	72.0%	60.9	1.3
Proposed Rates 1	43,260	64.6%	61.8	4.6
Proposed Rates 2	43,590	65.0%	62.9	3.8

Select the rates that can help you to achieve business goal

Scenario Testing to Optimize Business Outcome

Impact analysis that focus on business KPIs should be an integral part of your pricing process



Monitor

Deploy

Decide

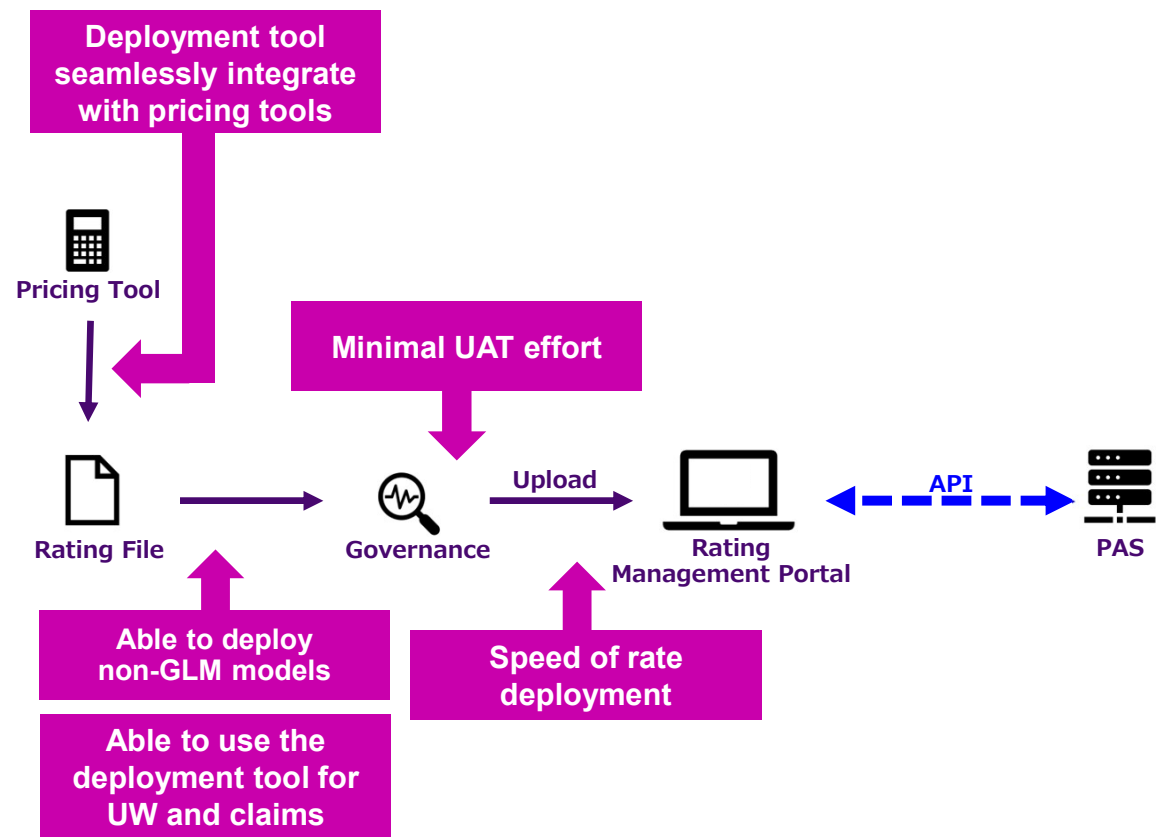
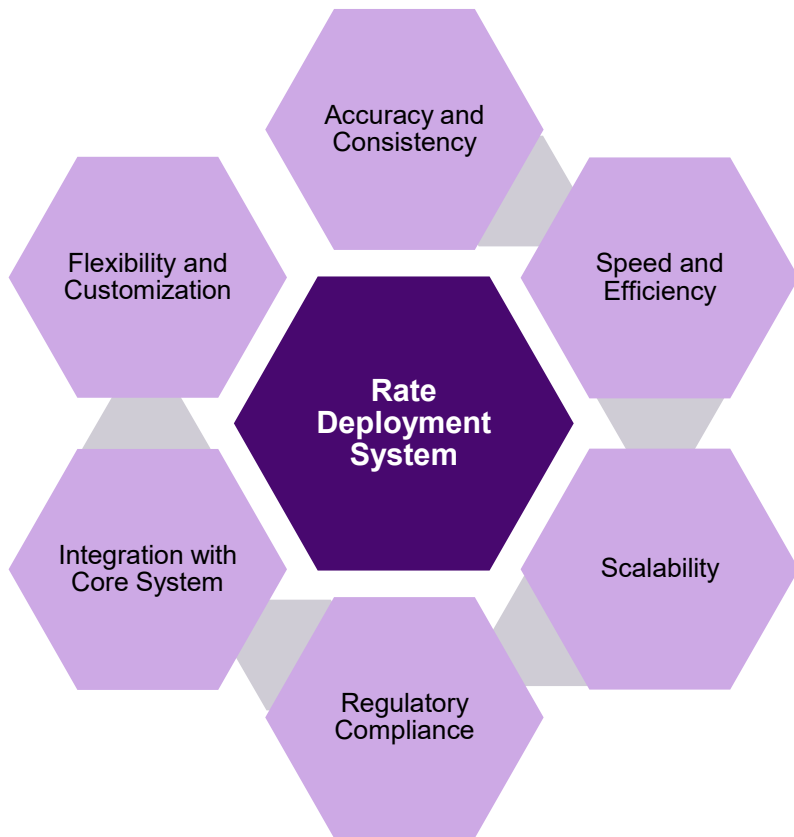
Analyze

An Agile Rating Engine gives you A Competitive Edge



Agile Rating Engine and Rate Deployment Process

should require low UAT effort, be operationally efficient and integrates with pricing tool



Monitor

Deploy

Decide

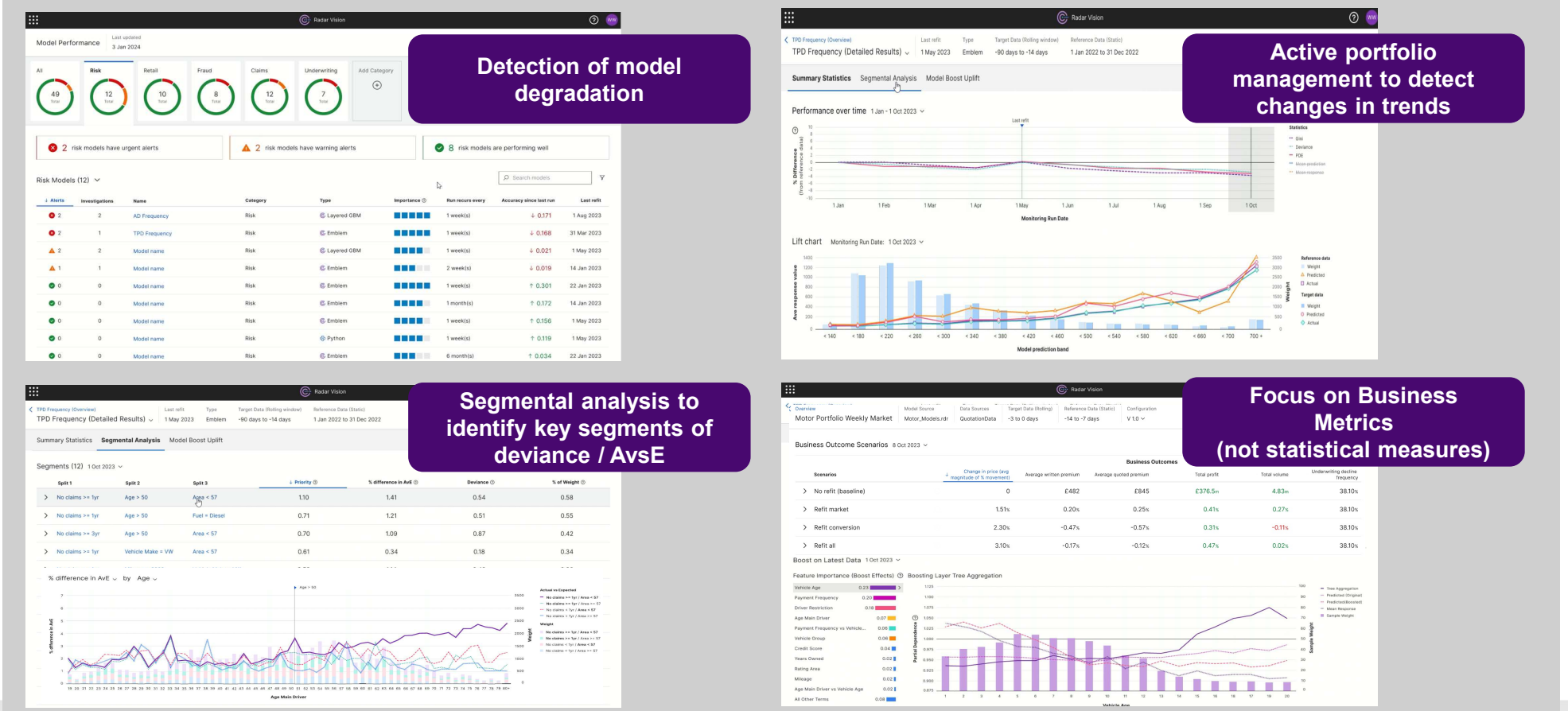
Analyze

Effective Monitoring to Stay Competitive



Effective Monitoring

Monitoring should cover the following, and with a focus on business metrics:



Monitor

Deploy

Decide

Analyze

Putting It All Together

An Agile Rating Engine

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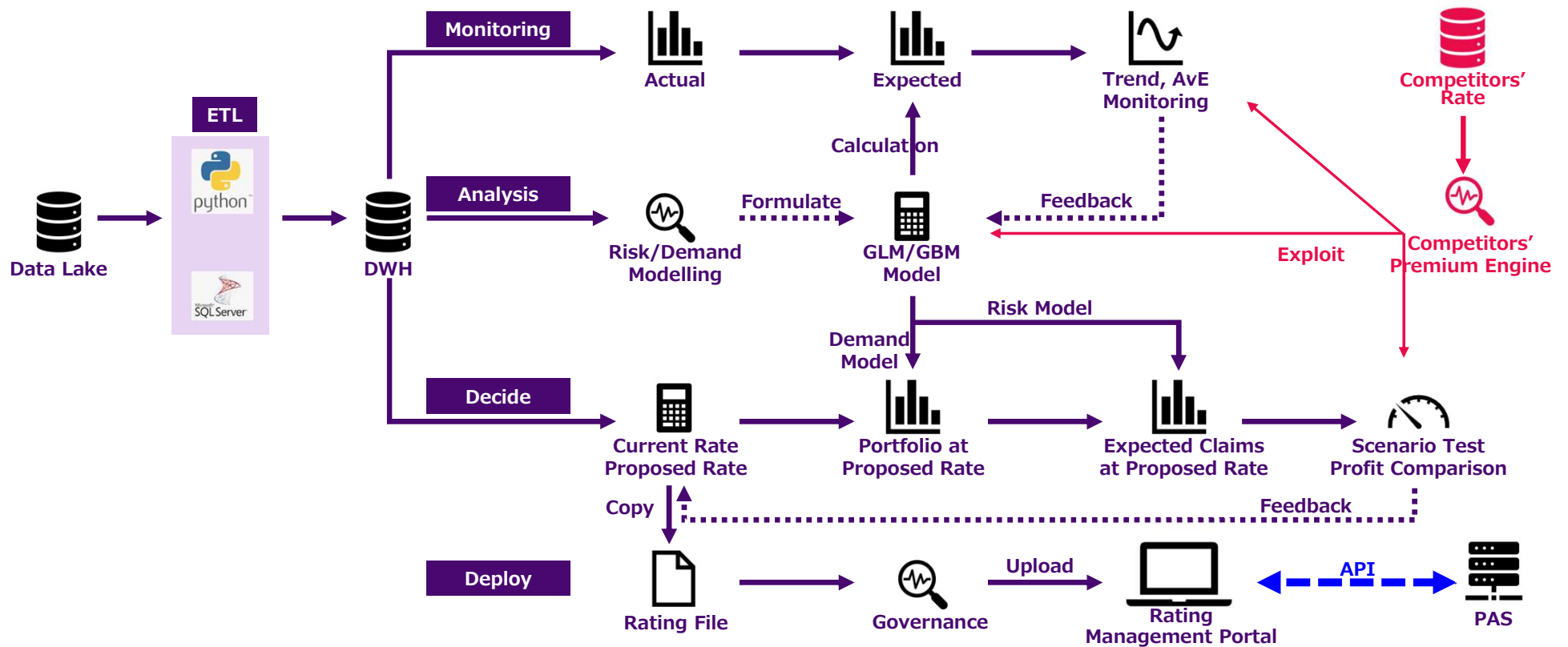
A Holistic Pricing Process
gives you

A Significant Competitive Edge

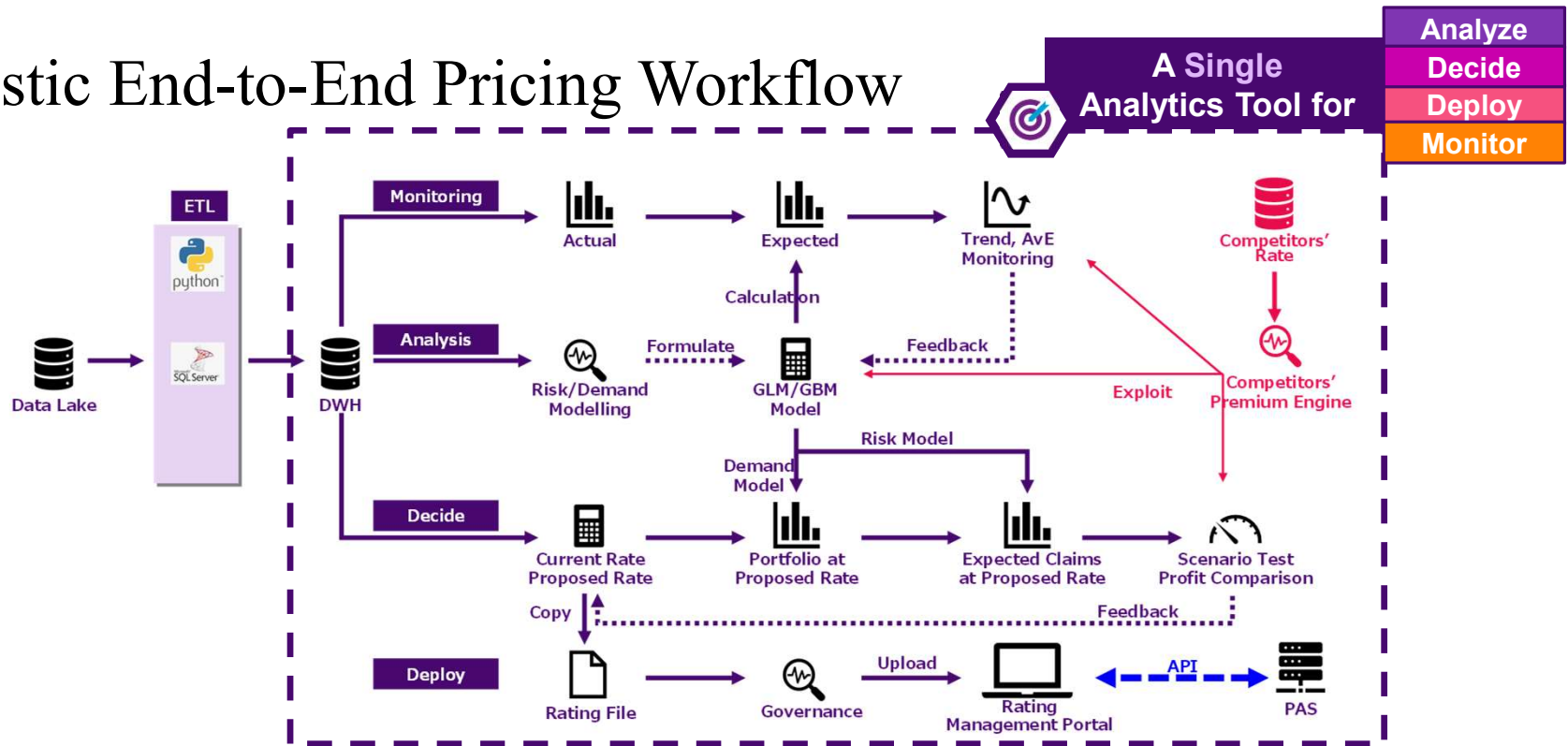


A Holistic End-to-End Pricing Workflow

Equipped with the right tools, the pricing cycle can be comprehensive, efficient and seamless



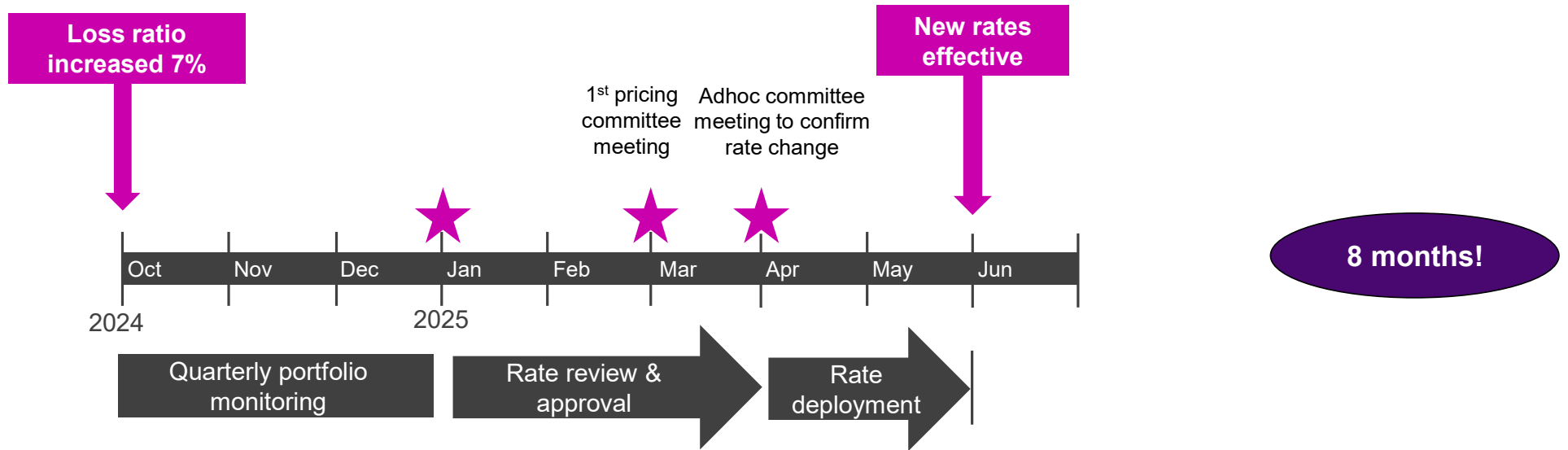
A Holistic End-to-End Pricing Workflow



...provides you a holistic analytics framework to make recommendations with business outcomes in mind and allows a faster pricing review to rate deployment cycle

Relooking at your current pricing and deployment process

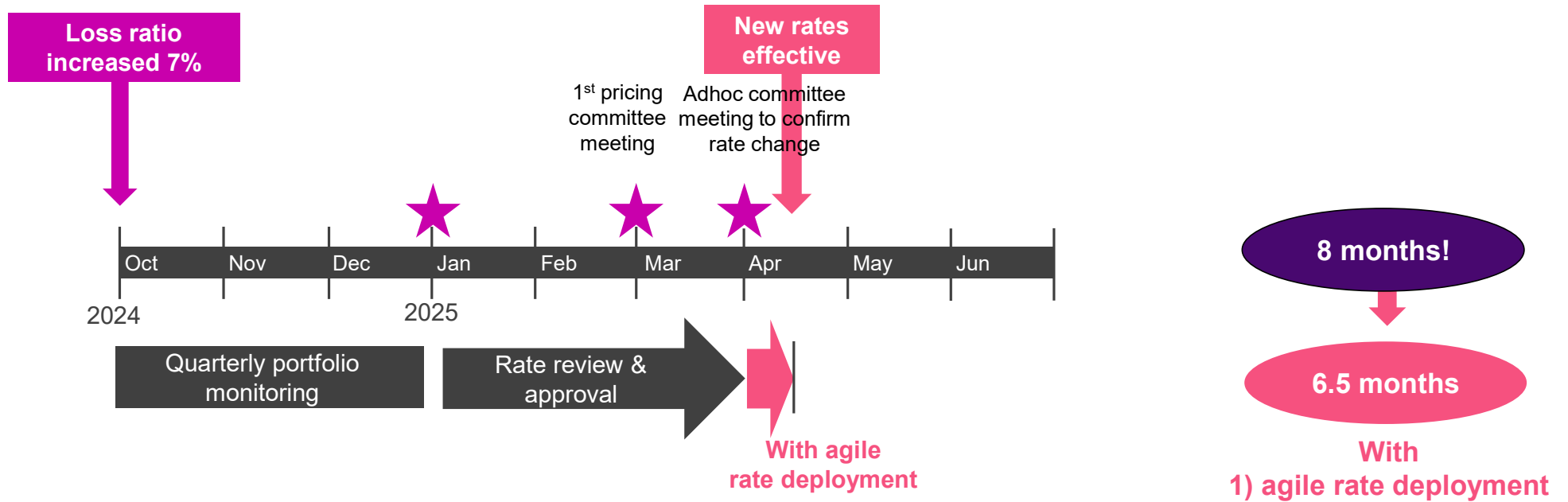
The impact of delayed pricing action could be enormous!



★ Committee approval

Relooking at your current pricing and deployment process

Shorten the rate deployment process



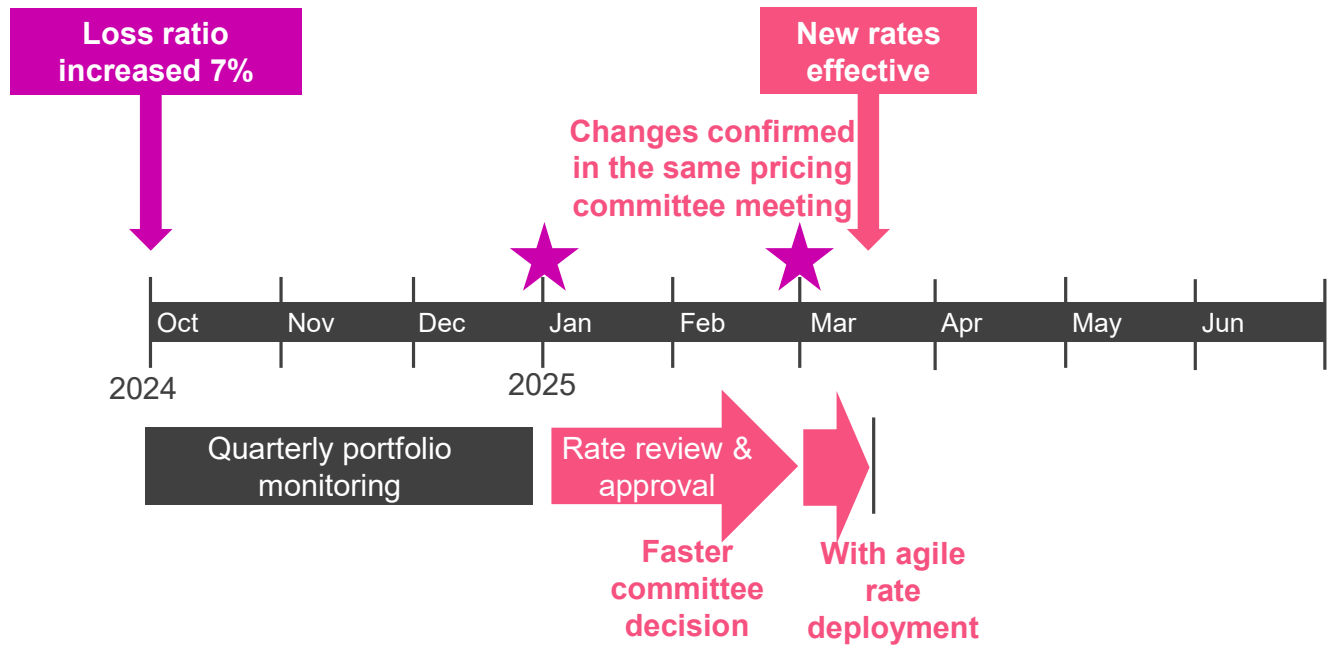
Process changes introduced:

- 1) Rating engine upgrade to reduce UAT effort, enhance flexibility and speed of rate deployment

★ Committee approval

Relooking at your current pricing and deployment process

Shorten the decision making process



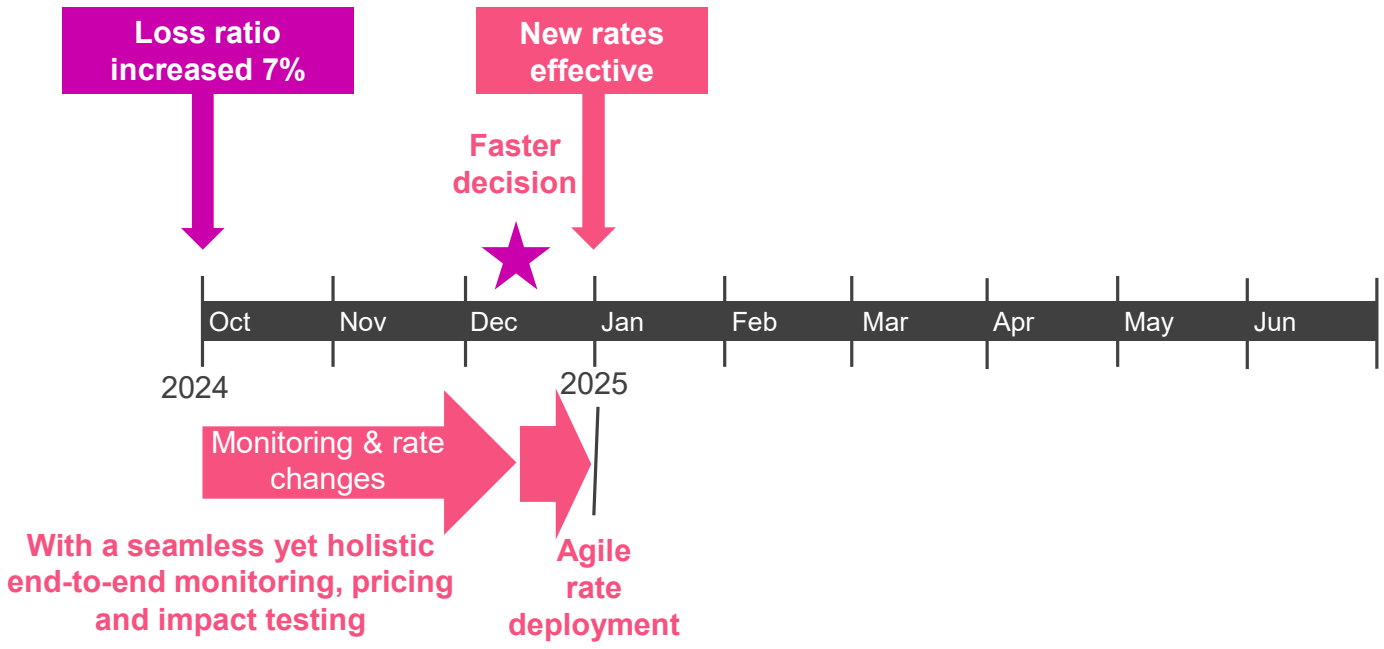
Process changes introduced:

- 1) Rating engine upgrade to reduce UAT effort, enhance flexibility and speed of rate deployment
- 2) Rate changes decided in a single pricing committee meeting with a dynamic impact analysis tool

★ Committee approval

Relooking at your current pricing and deployment process

Shorten the monitoring and pricing cycle

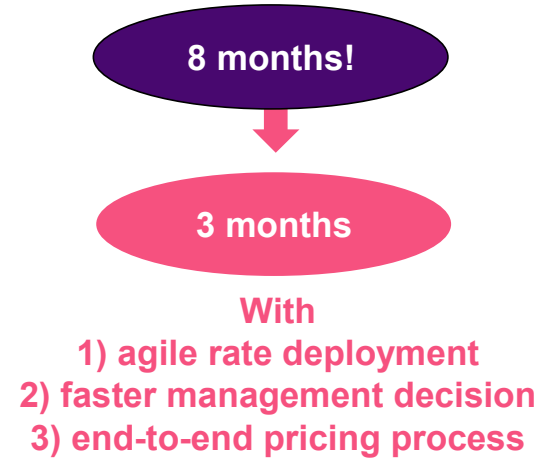


With a seamless yet holistic end-to-end monitoring, pricing and impact testing

Agile rate deployment

Process changes introduced:

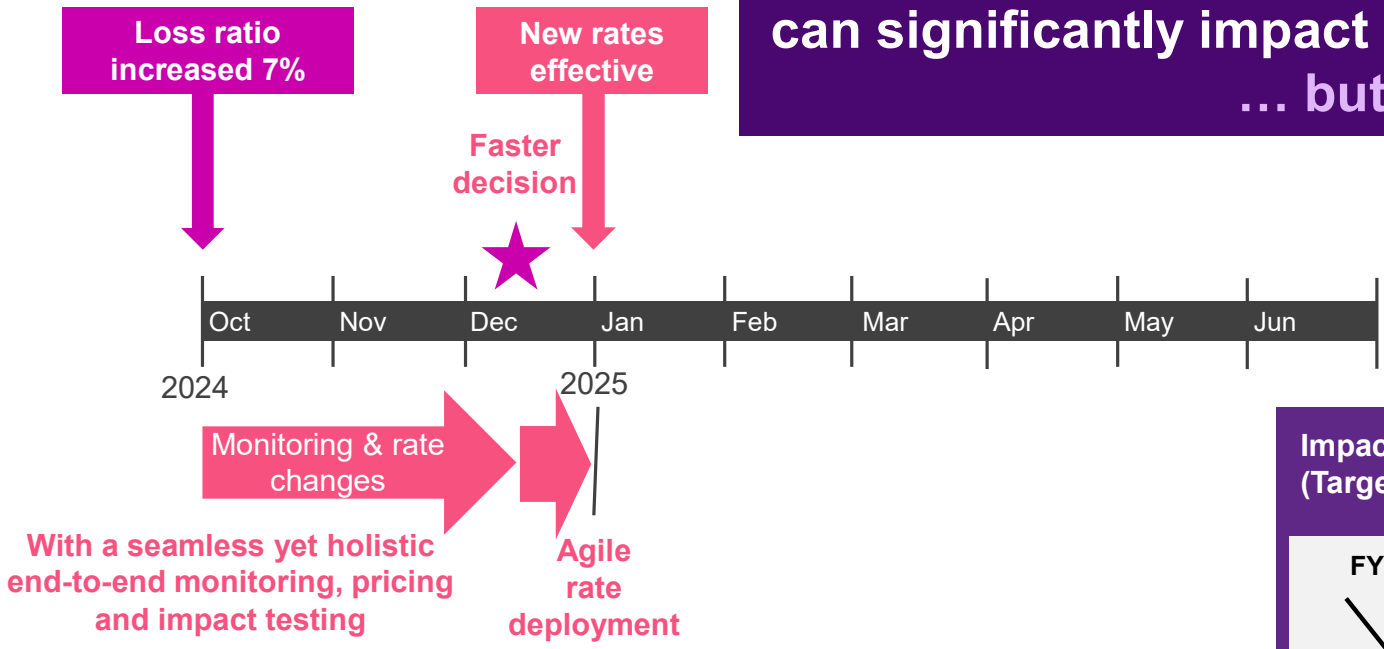
- 1) Rating engine upgrade to reduce UAT effort, enhance flexibility and speed of rate deployment
- 2) Rate changes decided in a single pricing committee meeting with a dynamic impact analysis tool
- 3) Pricing process that includes real-time monitoring & scenario testing of various rates in a single platform



★ Committee approval

Relooking at your current pricing and deployment process

A holistic pricing and rate deployment process can significantly impact business KPIs ... but this is often overlooked



Rates deployed 5 months faster!

Impact to FY2025 (Target Motor GWP of SGD 60mil)

<p>FY25 LR</p> <p>- 2.9%</p>	<p>Annual GWP</p> <p>+ SGD 2.7mil</p>	<p>UW Profit</p> <p>+ SGD 1.9mil</p>
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3. Summary

The journey toward pricing best practice



Actuaries can play a more strategic business role

1. Use analytics beyond technical pricing to **gain a better understanding of the customer and market.**
2. Focus the impact study on how the **financial KPIs** change under different scenarios to ensure that our recommendations **improve company's business outcomes.**
3. A **single analytical tool** for a **holistic end-to-end pricing process** covering **Analyse-Decide-Deploy-Monitor** coupled with an **agile rating engine** allows you to
 - **respond quickly** to fast changing market environment
 - **stay competitive**
 - **improve topline and bottomline performance**



Thank you!

Q&A

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