



Innovation in Pricing for General Insurance

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- Earnix is the Global Leader in the field of Pricing Optimization for General Insurance and Retail Banking (Assets and Liabilities) Financial Products
- Annual subscription software license, 100% retention, 9X Growth over the past 5 years
- Established in 2001, Privately Held
- “Top 50 Fastest Growing Technology Companies in Israel” (Deloitte, 2011-2013)
- Over \$100B of Premiums are being run on Earnix Optimizer
- Over 60 clients in more than 20 countries
- Israeli HQ (Management, Sales & R&D), Sales & Support Offices in NYC, London, Paris and Mumbai

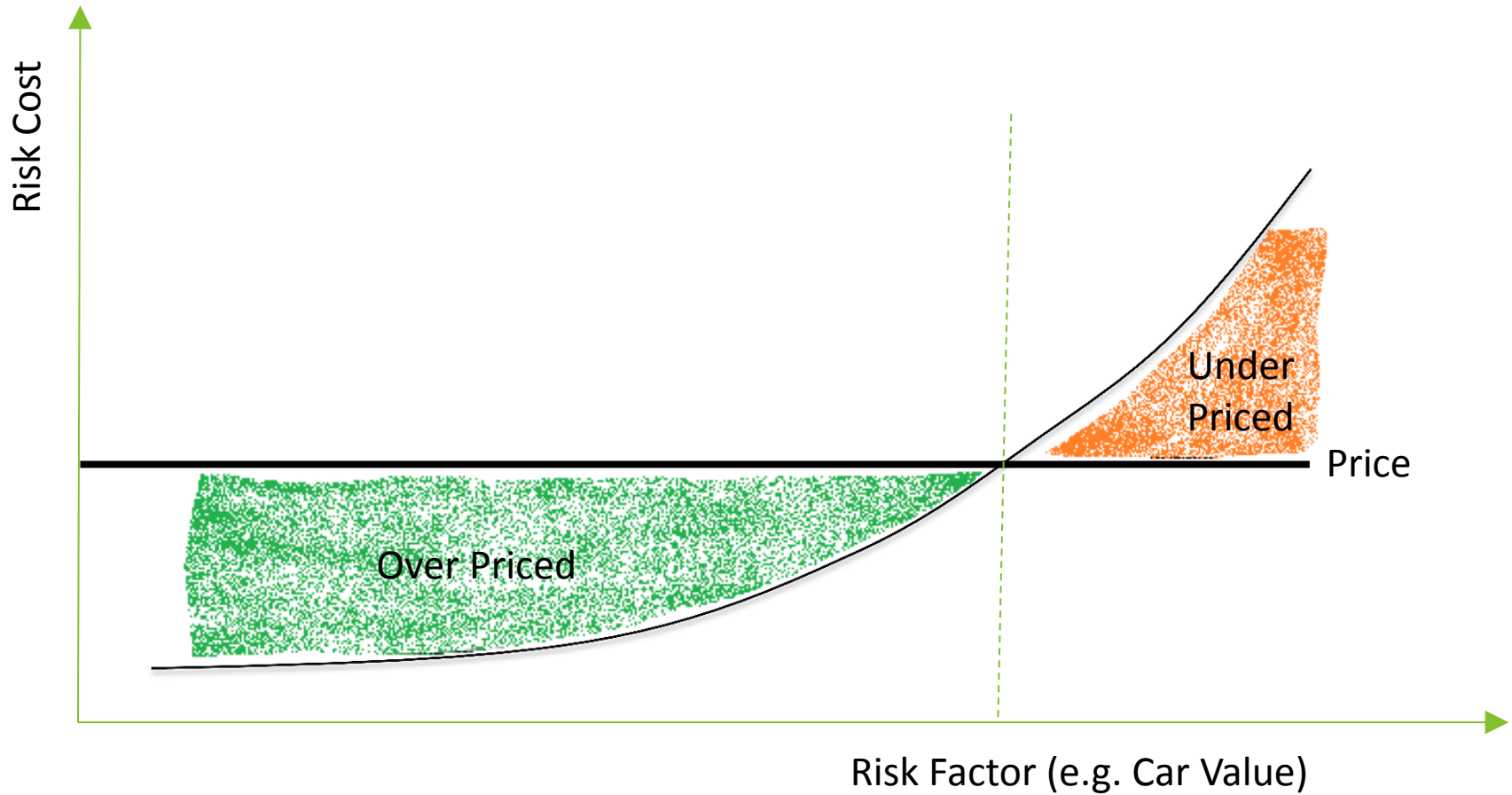


Pricing: Insurer and Customer Views

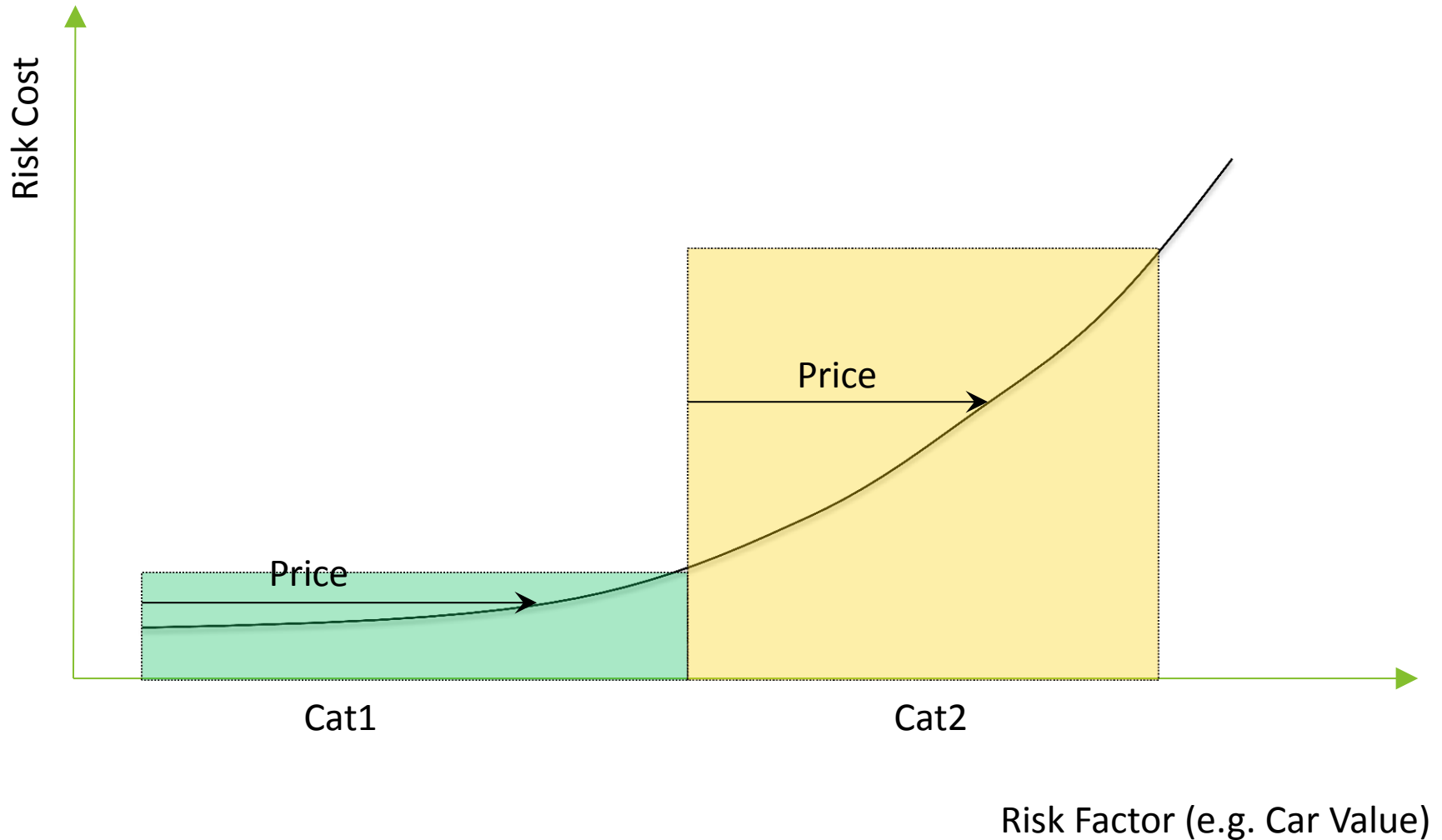


How to create the “right” price?

- **Improve profitability and GWP**
- **Increase Volume (retention and new business)**
- **Reduce risk loss and improve risk selection**
- **Improve Loss Ratio & Combined Ratio**



Segmented Prices



Customer demand is already part of your pricing

EARNIX



But probably not in the most accurate and effective manner

- All customers are completely inelastic
- All customers react the same way



he's right – when you look at it that way, it's not too bad!

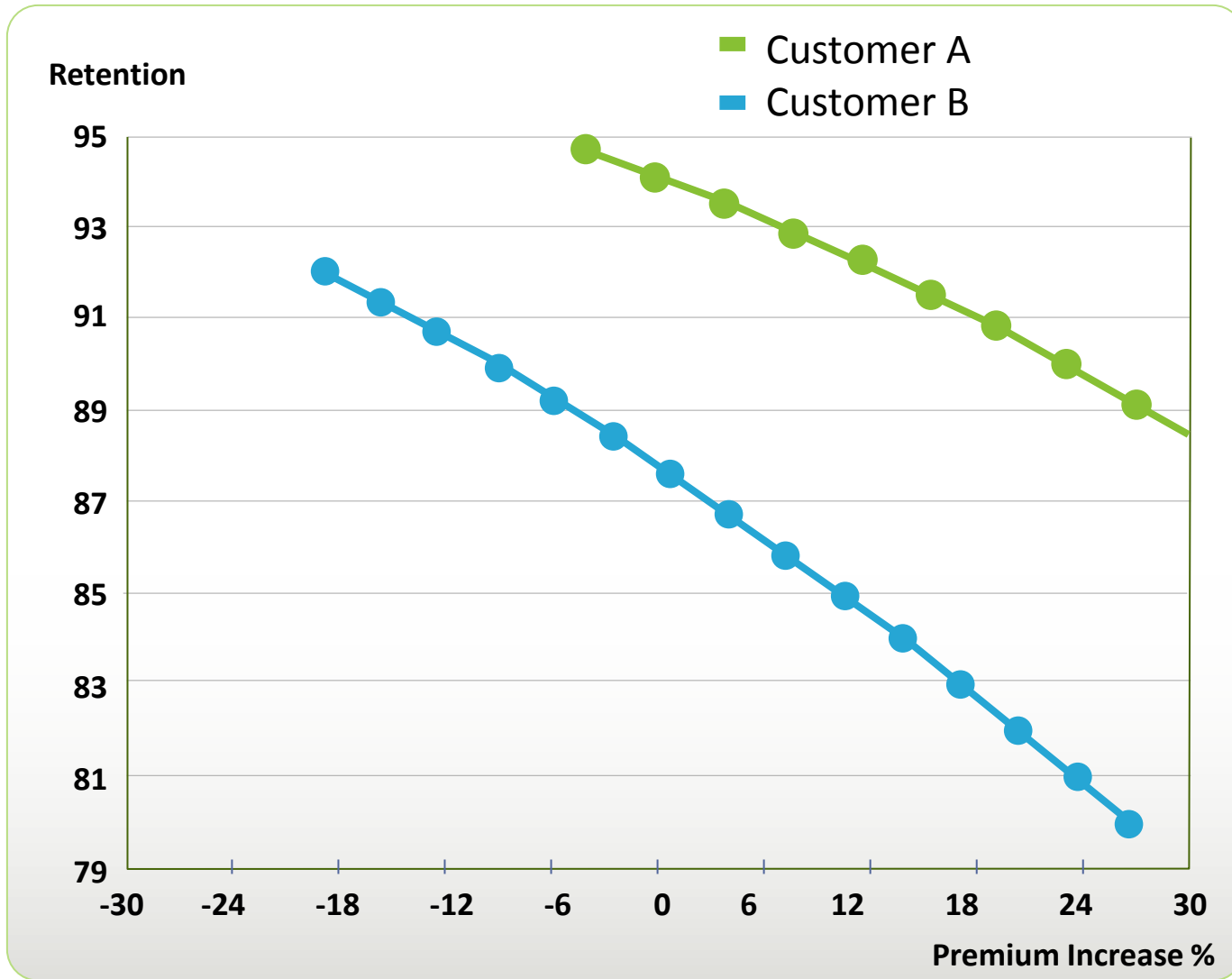
Taking rates up 5% means a 5% revenue change?!

What if you could tell...



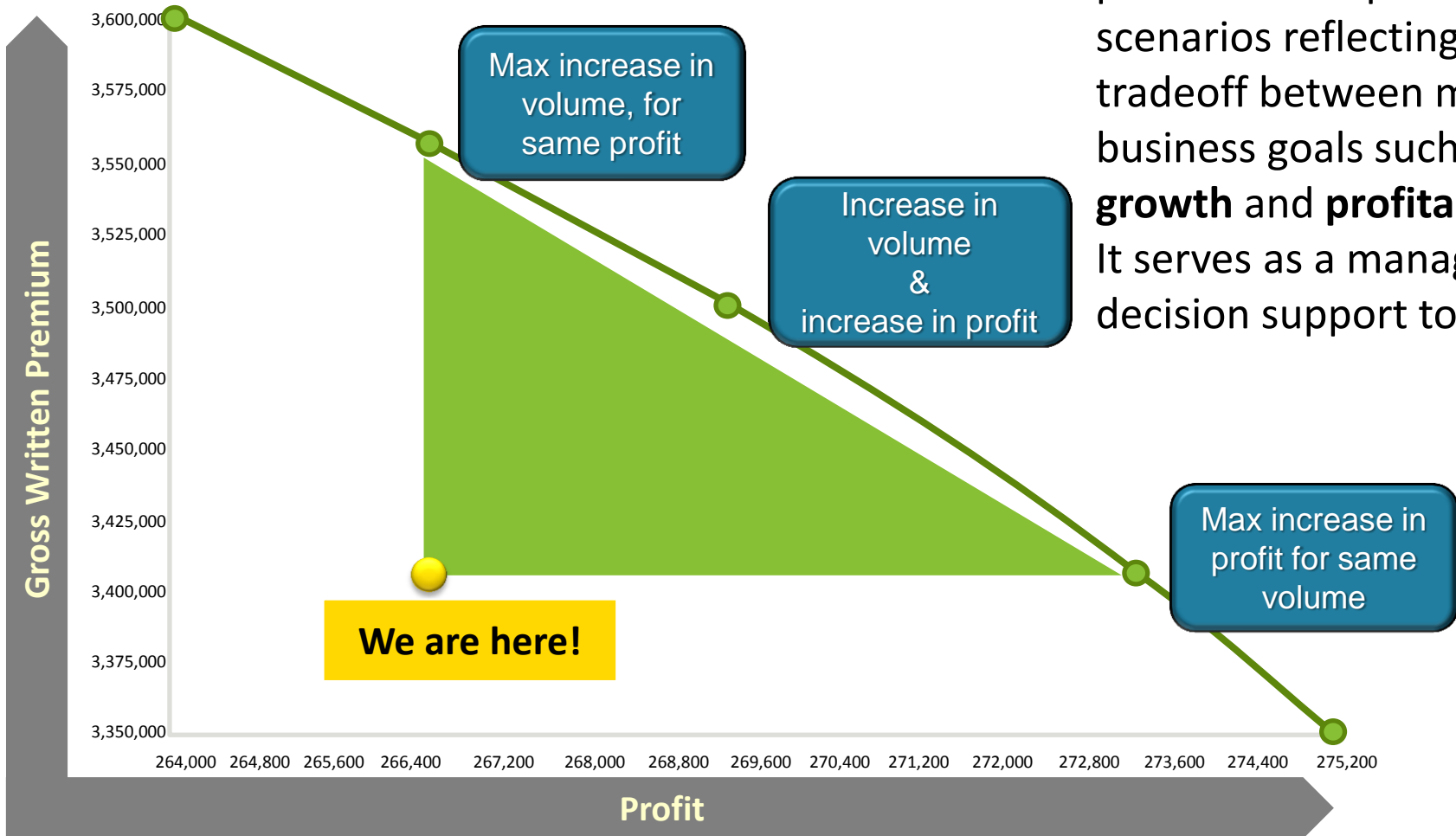
**how customers and prospects would
respond to your rates before you put them
out on the street**

Example Demand Curve

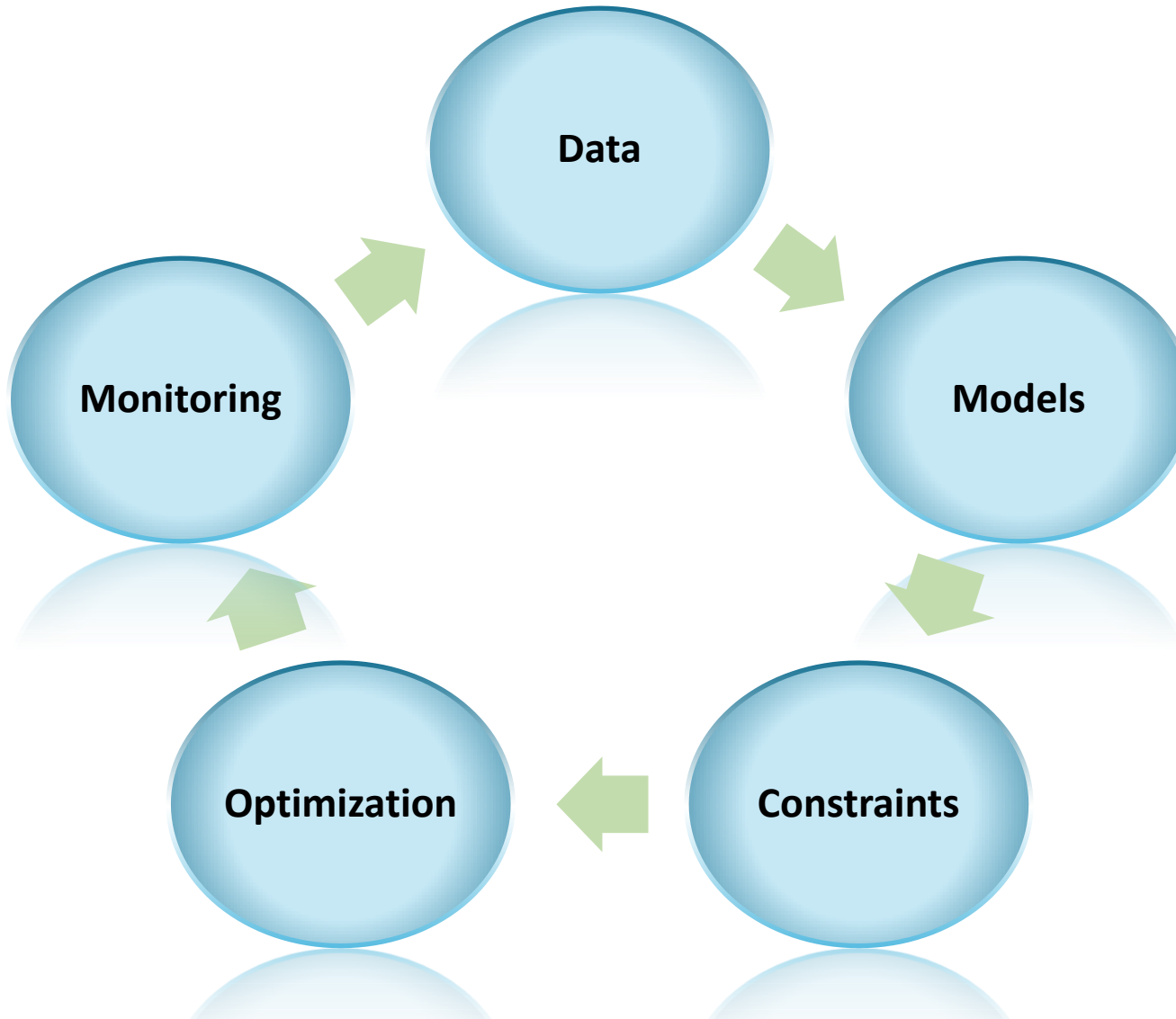


The “Optimization Effect”

Gross Written Premium vs. Total Profits



The **efficient frontier** presents multiple optimal scenarios reflecting the tradeoff between multiple business goals such as **growth** and **profitability**. It serves as a management decision support tool.



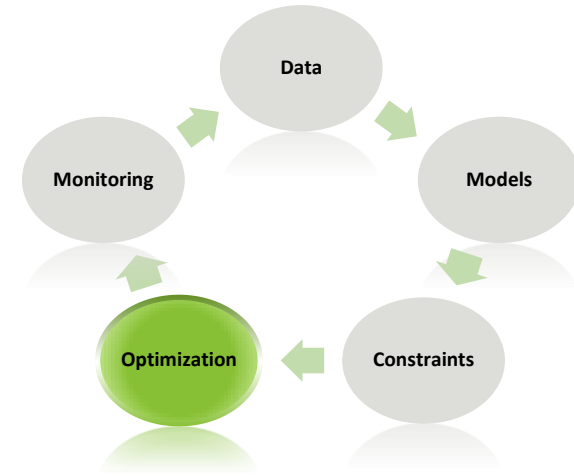
- Demand models
- Cost/risk models
- Profitability model (function to optimize)
- Mid-term cancelation model
- Discount model
- Additional variables (for KPIs, constraints, other)

How Optimization Works:

Product	Rate
Customer 1	110
Customer 2	150
...	

Any given set of prices predicts a volume-profit scenario

Calculated via the demand and profitability models



How Optimization Works:

Product	Rate
Customer 1	110
Customer 2	150
...	

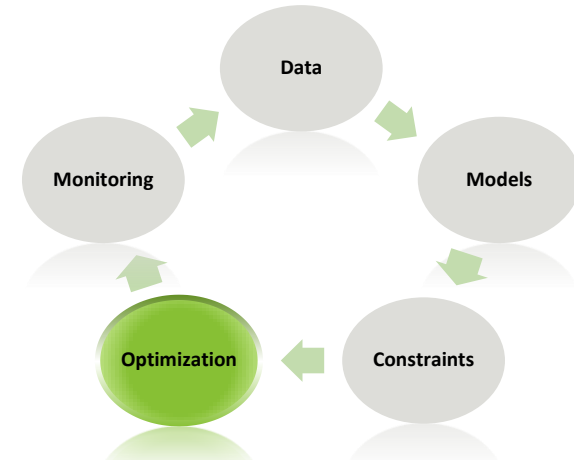
For every set of rates you pick, another scenario will be generated

Potentially thousands and tens of thousands of scenarios

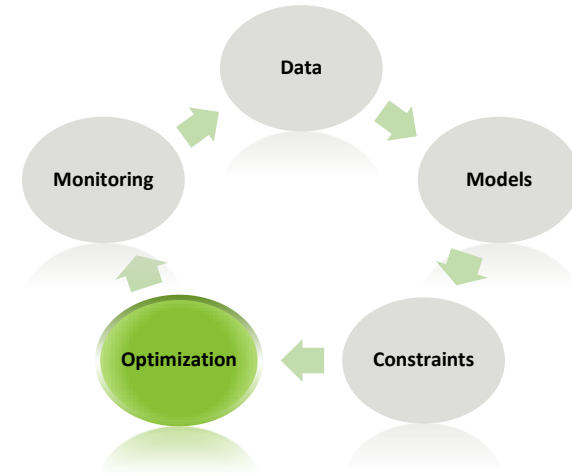
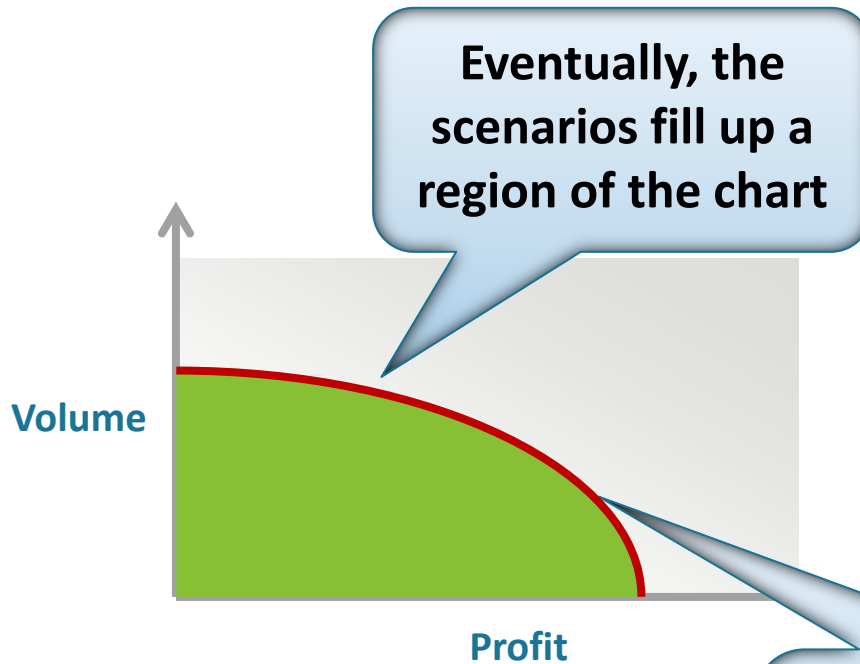
Volume

Profit

If the scenario violates the constraints, it is omitted

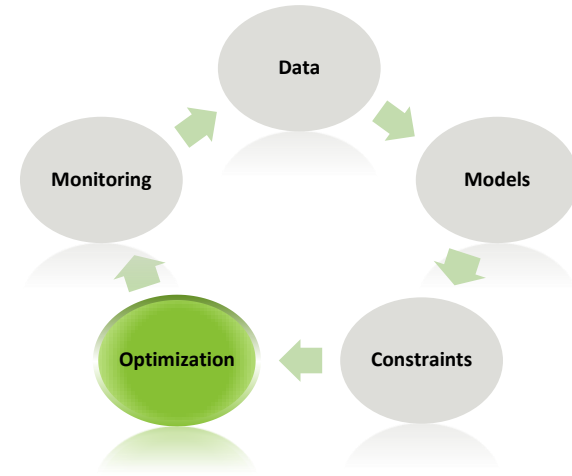
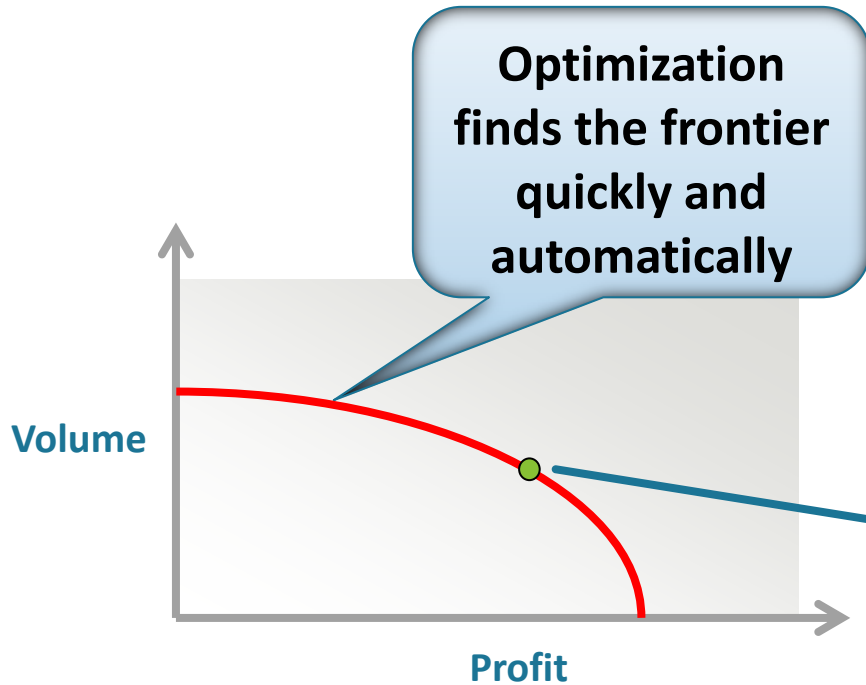


How Optimization Works:



But we really only care about the scenarios at the edge

How Optimization Works:

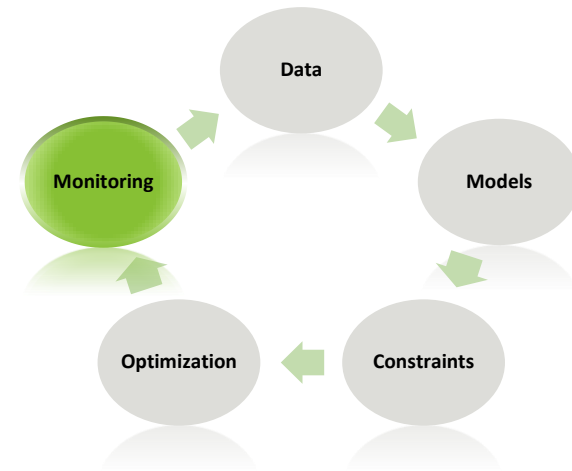


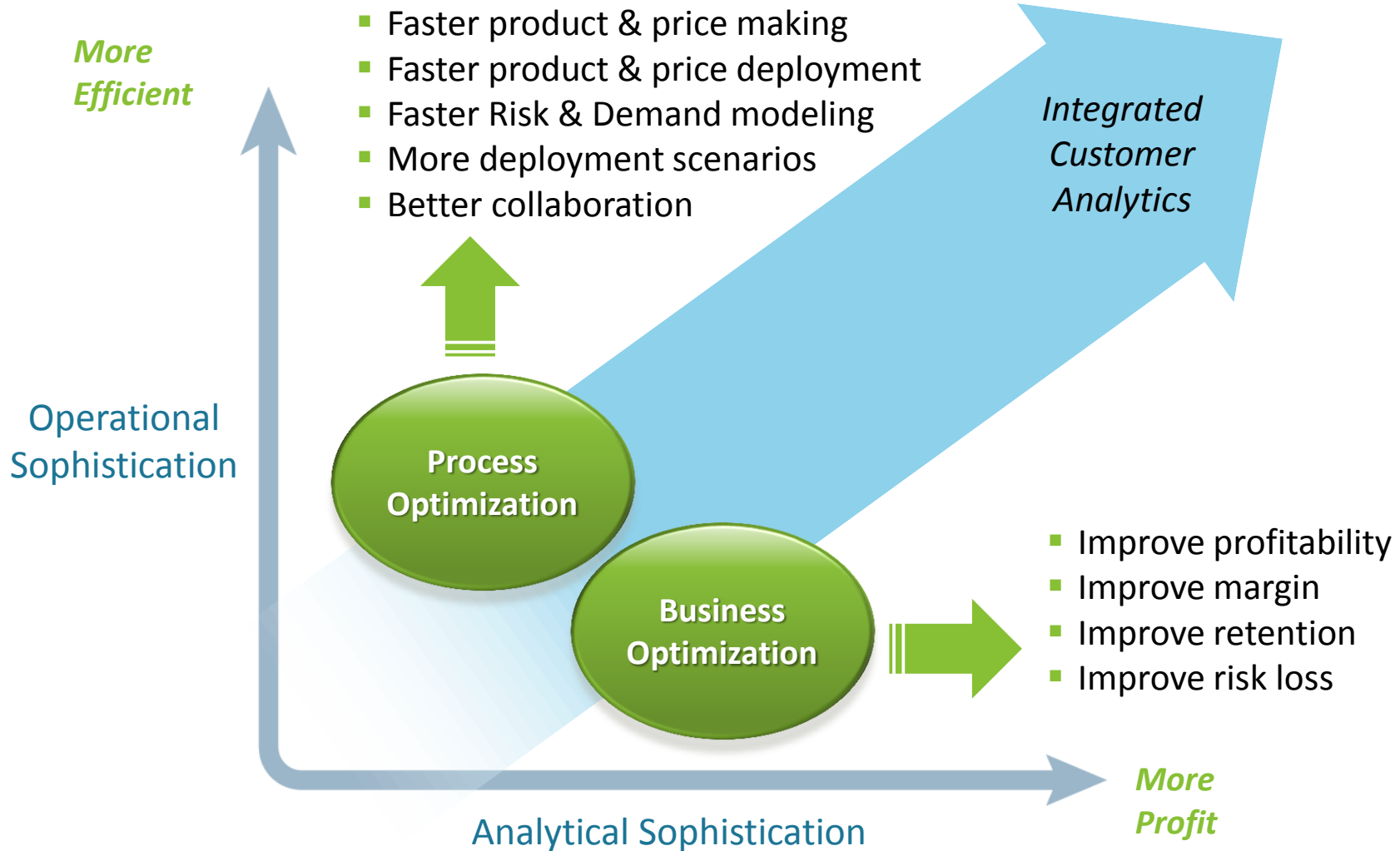
Product	Rate
Customer 1	113
Customer 2	137
...	

Behind each scenario on the curve is the set of recommended prices that will achieve the given objectives

Things Change!

- Not a one-off analysis or project
- Prepare to systematize the function
- Real-time Pricing
- Life Time Value Optimization





Increased bottom line by **5% - 20%**

1. Analyze data and understand customer behavior and value
2. Build Individual Demand & Profitability Models
3. Create the efficient frontier of optimal prices, under pre-defined constraints and KPI's
4. Integrate into core systems to allow end to end price execution
5. Constant monitoring and reviewing of the pricing strategy



“The benefits are probably in excess of £15 (\$ 24.2) million a year.”

Martyn Green, Chief Actuary, Lloyds TSB Insurance
(Insurance & Technology)

Questions....





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Thank you



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