CASE STUDY
Pricing Analytics Solution

Personal Lines Insurance:
Pricing Analytics Solution

Case Summary

Industry: Insurance
LoB: Personal Lines
Project Focus: Pricing Analytics

Challenges

- Improve performance of the auto product
- Target multi-car, multi-policy consumers with clean driving records
- Increase confidence in forecasting the effects of pricing decisions

Business Results

- Delivered more than 1% premium growth at the same profit
- 15% increase in quote conversions while maintaining a steady profit
- Built predictive models of new business conversion and retention
- Forecasted KPIs for each pricing strategy under consideration
- All changes to the factors were within the existing rating structure
- All factor changes were between those currently used in the market and those indicated by their loss experience

Background

The company is among the top 10 personal lines insurers in the US. Operating in a multistate environment, the insurer wanted to see if they could change their pricing in order to attract more auto policyholders in their target segments while maintaining the profitability of its existing portfolio. The insurer had attempted alternative growth strategies in the past but without the ability to accurately predict and understand consumer response, those efforts resulted in unprofitable growth.

Goals and Challenges

> **Improve performance of the auto product**

The insurer was looking to grow faster in their target segment. Past attempts had led to higher conversions at the expense of overall profitability. They were in search of finding a pricing strategy that would enable the company to grow policies in its target market without reducing profitability.

> **Target a defined market segment to meet growth goals**

The company's target market was multi-car, multi-policy consumers with clean driving records. They wanted to grow their preferred segment base without compromising their profitability as well as align their growth goals with their internal objectives.

> **Increase certainty in pricing decisions**

Without predictive models, the Product Management team could not understand what the impact of new pricing strategies would be on the market once these strategies went live. Additionally, they lacked the ability to view projected results by customer mix, quotes vs. inforce policies, market tier and any other rating variables the company used. The company required a solution that would provide complete transparency and give clear expectations for any rate revision.

 "A US auto insurer increased quote conversions in its target market segment by 15% while maintaining profitability"

Solutions and Results

Using the Earnix Insurance Suite provided the following key benefits:

New predictable pricing strategies

Earnix created demand models based on the company's own historical data to predict future outcomes. Earnix validated these models using out of time and out of sample tests. The software and models were then used to develop pricing strategies to meet their goals while giving the Product Manager a very clear view of the trade-off between the volume and profit of each pricing scenario under consideration. This ability to estimate the impact of new pricing strategies on the market, empowered the Product Managers with concrete insights that lead to more effective pricing decisions.

Improved pricing processes

- Enhanced collaboration across teams: The insurer's R&D group performed all pricing analysis in the past. Earnix software gave Product Managers the tools to create sophisticated pricing iterations on their own, which aided the conversation in pricing committee meetings. Both teams saved time and leveraged their respective areas of expertise.

- Increased certainty in pricing decisions: Due to the use of predictive models in the rate setting process, the company now has confidence in the results that will be achieved when changing rates.

- No changes to rating structure: All changes to the factors were within the existing rating structure. Additionally, all factor changes were between those currently used in the market and those indicated by their loss experience.

Increase profitability in target segments and achieved measureable increase in KPIs

- Delivered more than 1% premium growth at the same profit across the portfolio

- No change in profitability

- 15% increase in quote conversions for their target market

- Insights from predictive models of conversion and retention allowed the company to grow faster in their preferred target segments while maintaining profitability

About Earnix

Earnix provides advanced analytics solutions designed for the financial services industry, which deliver significant results by integrating data-driven decision-making into the business process. We enable financial institutions to better compete in a new environment of highly personalized services by using advanced analytics to determine pricing and other offer components. Our integrated technology platform provides users with the most comprehensive set of tools, including machine learning capabilities, and is often connected to real-time production systems. Earnix has extensive experience providing solutions to the most sophisticated insurers and banks around the globe, and has a track record of empowering executives to act quickly and confidently, making a direct and measurable impact on their key performance indicators.

For more information visit
www.earnix.com

EARNIX