

addactis Pricing SOLUTION



Pricing challenges in a continuously changing market

The **intensity of competition** between non-life insurance companies is increasing rapidly and margins are tightening. Emergence of price comparison websites and new technologies have led to increased competition on price, making it more difficult for insurers to make (or retain) profitable margins – and keep existing customers satisfied.

Business models exchanges have accelerated and customer behaviour is also changing. This is mainly explained by websites when comparing premiums and tariffs on a daily basis.

These developments have made it more important than ever for insurers to get their tariffs right. This implies that insurance companies need to be:

- adequately compensated for the risk they take;
- continue to be competitive;
- avoid anti selection.

Actuaries must also make decisions knowing that a single error could potentially lead to significant losses.

Following all these developments, insurers will need to:

- operate very rapidly in a continuously changing and competitive market;
- price their products correctly and therefore use appropriate data, sophisticated and best practice pricing models;
- have well documented and transparent pricing processes in place, triggered by Solvency II.

To overcome all these increasing challenges that insurers are facing, **addactis®** has developed a new pricing tool, **addactis® Pricing**. The features and functionalities of this advanced and modern tool are fully described below.

addactis® Pricing solution overview

addactis® Pricing has been designed to answer all the challenges insurers are facing nowadays and will be facing in the immediate future.

With **addactis® Pricing**, **pricing actuaries** have the entire calculation process embedded in one powerful and user friendly application. The tool has therefore a full audit trail in place. As a result, pricing actuaries teams can invest their time on analysis and decision making rather than on data handling and data manipulations. A lot of time can therefore be saved, which is very precious in a market where tariffs are changing on a daily basis.

Essential functionalities for an advanced pricing process are included in **addactis® Pricing**. These are:

1. Data collection and preparation;
2. Risks and tariffs modeling using Generalized Linear Models and Data Science;
3. Customer behaviour analysis with elasticity information;
4. Profit testing;
5. Price Simulation.

These 5 topics are further described in detail below.

addactis® Pricing solution features

addactis® Pricing is/has:

- **An integrated tool:** The entire pricing process can be carried out within the same application. This makes it easier to understand the decisions made by another member of the actuarial team, to exchange projects, to share reports and to correctly interpret results;
- **Easy to use:** The combination of graphs and tables helps the actuary to understand the data and the statistic models, in order to take the right decisions. addactis® Pricing is a very flexible pricing tool with a user friendly interface;
- **Transparent:** A full audit trail is provided for all changes made during the tariff project. addactis® Pricing also allows printing and exporting all intermediate results with a possible access to SAS data;
- **Fast:** addactis® Pricing is especially designed to model the needs for non-life pricing. The GLM engine is designed to handle big amount of data and to obtain the detailed results in a few moments;

- **Functional reporting:** with addactis® Pricing the entire pricing process is integrated and documented. **Several tailor made reports can be developed;**
- **A Wide-ranging technical functionality:** all required and best practice functionalities that are used together with GLM models are built in addactis® Pricing. Our solution includes for example, splines, large claim handling and model comparison to find the best model, impact analysis and out-of-sample simulations to prepare the correct business decisions.

A stepwise implementation is possible. The pricing actuary can continue with the current business processes and work with addactis® Pricing in parallel and then step by step transfer more tasks to the new solution.

addactis® Pricing solution IT requirements

addactis® Pricing is an independent software solution without any external components or dependencies. It works on any recent 64 bit Windows platform (Windows 7 or later/Windows server 2008 or later) with standard requirements on hardware for these kind of solutions. Local and server licenses are available for the product.

All software products are addactis® full property and have no external dependency.

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addactis® is the worldwide trademark of insurance software solutions of ADDACTIS® Group covering the whole range of (re)insurance needs: pricing, reserving, reporting and modeling.

For 25 years, ADDACTIS® Group has been developing an unique expertise in actuarial consulting, design and deployment of software solutions for insurers, HR and financial departments, steering and modeling of occupational risks. addactis® gathers the plurality and the objectivity of a global teamwork between its experts' and business partners' feedback. Present in 24 locations around the 5 continents, the company ensures an effective and responsive support across Europe, Latin America, Asia-Pacific and Africa. Over 500 (re) insurance companies worldwide and 2000 software users in over 50 countries have already chosen addactis®.