Ethical considerations in Insurance Pricing



PRICE - The amount of money (premium) that an individual or business pays for an insurance policy.

ETHICS - Moral principles that govern a person's behaviour or the conducting of an activity.

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Key elements of pricing

- Probability of event happening (mortality tables, morbidity table)
- Cost of event when it happens/amount paid out (sum assured)
- Discount rate
- Investment return
- Expense (including acquisition and operating)
- Profit Margin if any

Expert Judgement in pricing



Pricing sophistication journey

- No modelling Expertjudgement based rating tables
- Manual
- deployment
- Expert pricing

- Linear models
- Risk driven (outcome)
- Manual deployment

Risk Based

pricing

- Risk & demand driven

Linear models

- No online price optimization
- Manual deployment

Behavioural pricing

- Linear models
- Risk & demand driven
- Online price optimization
- Instant deployment

Dynamic pricing

- Linear & non linear models
- Risk & demand driven
- price optimization
- Instant deployment

AI – based dynamic pricing

- Linear & non linear models
- Risk & demand driven
- Price optimization
- Instant deployment
- Personalised offering

Al-based dynamic offering

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Other Ethical considerations

- Profit vs value
- Fairness and access
- Personalisation
- Profiling
- Data
- Transparency

Thank you

