INSURANCE PRICING ROOM

PROBLEM ADDRESSED BY THIS INNOVATION

Data XL allows companies to set-up the best price.

This premium price either reduces customer churn, optimizes customer price preferences (~market share), maximizes the margin and much more.

- NO NEED OF A FULL CRAWLER OF EVERY RISK FACTOR COMBINATION IN THE MARKET – THIS FEATURE IS QUITE RELEVANT FOR THE AGENT/BROKER CHANNEL
- NO NEED OF A NEW TECHNOLOGICAL LAYER – WE WORK WITH AN ONLINE TOOL
- WE (CAN) WORK WITH A SUCCESS FEE
- YOU CAN HAVE THE FIRST RESULTS IN 10 WEEKS TIME (IN A PoC)

KEY BENEFITS

- No need of a full crawler of every risk factor combination in the market, we use experimental design techniques to capture the price engines in the market – this feature is quite relevant for the agent and broker channel
- No setup cost
- Fast results
- No IT layer
- We do not sell a software and a manual
- The strategy will always remain in the insurer

MAGIC METRIC

1. MARKET PRICING: Reverse engineer competitor pricing with R2>95% accuracy.

2. VALUE BASED PRICING: Increase renewal pricing by ~4% (on average) without any market share loss.

WHY IS DATA XL DIFFERENT

1. **Data XL has developed an algorithm that, with experimental design, can capture competitor pricing, enabling Data XL clients to offer MARKET BASED PRICING.** Note that:
   - Data XL do not need thousands of quotations to capture the price models.
   - Data XL obtains data / local information and combines this with API access for a full solution.
   - The market information provided is not easily obtainable therefore not available to brokers/ Data XL competitors.

2. **Data XL uses a GLM model to predict the willingness to pay (VALUE BASED PRICING) with a "secret sauces".** Customer willingness to pay is measured using the same risk factors that all insurers use and the market price [a plus]. Data XL's "secret sauces" is the sample data: Big data or observational data cannot measure with accuracy the true willingness to pay. Experimental design gives causality (true willingness to pay). This experiment information is first collected via surveys, therefter with backtesting and live experiments.

3. **Data XL uses all the information mentioned to optimize the price (margin, share or retention).** Data XL unique approach bears in mind competitor pricing as well as the customer's individual characteristics (the same basis of the risk approach). It is therefore more comprehensive than it's competitors and more precise.

4. **Data XL can also support reinsurers in it's risk analysis: by delivering a competitor price index.** When underwriting results are bad, the reinsures can then decide if the results are market driven or just bad underwriting / commercial policy.

5. **Data XL can also support win-back programs, evaluate sales distribution channel effectiveness, give a competition index on the market, and a simulation tool to cure an ailing portfolio.**

Data XL platform has the following modules:
- **Cost base pricing /actuarial pricing:** measure the prospective cost of a claim and help insurance companies to redefine their cost structure. Data XL still prefers that the client provides this information as an input, using their one knowledge and expertise.
- Market Pricing: an algorithm that, with experimental design, can accurately capture competitor pricing
- **Value Based Pricing:** a GLM model (with a some proprietary elements) to predict the customer's willingness to pay.
- **Optimal Pricing:** using mathematical techniques to design the best price: a price that reduces churn, allows a better margin and that maximizes the share of preferences.

Competitive Advantage: Our product is a combination of a software platform, a pricing methodology and specific data (competitor and customer information). This specific data must be collected following the experimental design tools and is not available to insurance companies, nor is currently available to the software companies or international brokers/risk advisers. (the Data XL mathematical algorithm is more comprehensive than our main competitors – so it should offer more precision.

There is no need of another technological layer. Data XL uses an API.

To run a pilot Data XL needs the following information:
- Risk factors;
- Cost price for each combination of risk factor ;
- Indication of the competitive set;
- Means to buy information from brokers and from relevant players in the market;
- Access to renewal portfolio to backtest our elasticity model;
- Willingness to conduct a new price marketing price.

For maximum pilot success, at least 2 KPI should be controlled from this set:
- Renewal rate or selling rate;
- Combined ratio;
- Average price.

PREVIOUS AND EXISTING CUSTOMERS

- Portuguese biggest insurance company
- Small direct company in Portugal
- Finishing a small project with medium Portuguese company - just for cost and market price

Data XL is looking for a company outside Portugal to do a PoC with.

(clients can be disclosed on request)

BACKGROUND INFORMATION

Data XL is already incorporated (2016) and profitable.

Credentials include :
- Results with the biggest Portuguese insurance that can be presented after NDA.
- What customer say: "Data XL has shown to have a profound and transversal knowledge of the insurance business and their statistical model seems to be sound and robust, allowing an adequate overview of the market pricing, along with an adequate analysis of the best price to offer clients, optimizing the insurer's share of wallet", N Seguros: Nuno Serrano Diretor Executivo at N Seguros, SA
- Data XL CEO has a double-blind journal article with an impact factor of 1.4 proving some of these algorithms.