

Insurance Case Study

PROJECTION SOLUTIONS FOR GENERAL INSURANCE/PROPERTY AND CASUALTY

Meeting modeling requirements with new speed, efficiency and transparency

Overview

Most general insurance/property and casualty (P&C) companies carry out projections of some kind, but these can vary considerably in scope and purpose. Fundamentally, making a projection means taking a set of drivers, such as business volumes and loss assumptions, and modeling the associated impact on your business, in terms of premiums, and claims.

These results can then be combined to make full profit-and-loss and balance sheet projections, which in turn can be used for capital modeling. A capital model is essentially a projection for a specific purpose, namely, to determine the level of additional assets that a firm needs to stay solvent, usually across a range of potential stresses and scenarios.

When it comes to performing projections, including capital modeling, general insurance/P&C companies can face a range of challenges, especially when working in a manual or spreadsheet-based environment. So, based on our experience of working with clients around the world, how can FIS™ Prophet GI solution help and what benefits does it deliver?

Before – building projection models in Excel

Pre-Prophet GI, clients would have been using Microsoft Excel to make deterministic projections for business planning, strategic development and processes like capacity planning. This type of projection gives businesses a simple and transparent view of results that can be easily explained to other internal stakeholders, often in the form of an own risk and solvency assessment (ORSA) style report.

BUSINESS CHALLENGES

- Slow, inefficient modeling processes
- Risk of incorrect results
- Inability to translate complex actuarial concepts into clear business results
- Pressure to meet increased reporting demands

THE SOLUTION

- Powerful, robust single platform for projections and associated processes
- Out-of-the-box functionality and user-friendly, customizable interface
- Controlled environment for actuarial code and datasets
- Rapid, transparent calculations that can be easily enhanced over time
- Dashboard reporting for comprehensible business intelligence
- Scalable solution with future-proofed functionality

“Companies that rely on Excel are struggling increasingly to meet the demands of today’s simulations, maintain proper controls and support version control and reproducibility. As models and businesses become more complex, and stakeholders call for improved risk management, insurers need robust tools to incorporate results from multiple models and data sources across a growing range of catastrophe and economic scenarios.”

DEREK CHAPMAN, PRINCIPAL,
MERLINOS & ASSOCIATES, INC., U.S.

As part of the deterministic projection process, stress and scenario tests would probably have been used to show the impact of certain situations or events on the business – and, again, are usually easy for stakeholders to understand. Full stochastic models, by contrast, with their random variables, can be more difficult to translate and interpret into a straightforward business context. The need to be able to do so, however, is adding further additional strains on what are already rapidly expanding Excel models. And unlike deterministic projections, they make it more onerous to produce the outputs needed to compare, for example, what actually happened with what was expected, in a clear and comprehensible way.

Challenges

By the time we start working with a client, their requirements have generally outgrown the capabilities of their Excel models. The business would have been demanding longer projection horizons, in greater granularity, across a wider range of scenarios – resulting in unwieldy spreadsheets, more time-consuming processes and significantly increased model risk.

In some cases, where a projected income statement used to suffice, the business has also started requesting a full balance sheet and cashflow projections and so on. That alone has brought additional calculation challenges and required the development of a consistent methodology, to turn existing output into realistic results. In others, an ever-increasing chain of links between multiple spreadsheets have created issues with inconsistent and incomplete models that are not fully updated, unwittingly generating incorrect results.

All the while, it would have become more difficult for the clients involved to verify calculations and ensure that all assumptions have been consistently updated throughout their workbooks, especially when some remain hardcoded. And with the business asking for more results, more rapidly and more frequently, something has got to give.

After – fully automated, highly flexible risk modeling

Prophet GI has given global insurers in these situations a controlled and robust environment for managing the projection process and building models that are as simple or complex as they require. Subject to user permissions, the solution's actuarial code is fully open and transparent – therefore, it has been easy to add further levels of detail or projection items as needs evolve.

In moving from Excel to Prophet GI, our clients have found that its pre-packaged functionality can meet their day-one requirements straight out of the box. Referring to its intuitive but easily customizable interface, they consistently tell us how easy it is to set up and use for entering data and assumptions, organizing scenarios, controlling datasets, running models and viewing results.

As a result, we've seen companies substantially cut the time and resources they take to build models and produce accurate, detailed results. Even on a single machine, Prophet GI can complete calculations rapidly; more complex stochastic projections can be performed automatically across multiple computers to save further time. And datasets can be duplicated easily and amended across any number of what-if scenarios.

Above all, Prophet GI has allowed clients to translate their modeling outputs, including both deterministic and stochastic projections, into terms that their wider business or external bodies will understand. For greater insight into risk, the solution will convert actuarial data into a series of business intelligence results aligned to a particular unit, legal entity, chain of products or external organization – and present them through a user-friendly dashboard. The relevant users can then slice and dice the data by dimensions that make most sense to them, as well as access results in Excel – or embed their own Excel reports into the interface.

Whatever each individual client's needs, Prophet GI has been able to meet them from the start. But its future-proof functionality and highly scalable architecture also provide a long-term solution to whatever new modeling challenges may come their way.

About FIS' Prophet solution

FIS' Prophet solution is a leading actuarial modeling system that helps insurance and financial services firms develop more profitable products faster, improve risk management decisions, and meet their reporting responsibilities efficiently. Prophet provides comprehensive coverage across life, general insurance, health and pensions for all major insurance markets on a single platform, providing common models, code, assumptions and reporting capabilities, plus end-to-end data management and business intelligence. It offers actuaries an easy-to-use, flexible product design environment combined with a controlled, enterprise-level production environment, enabling the fast delivery of accurate, auditable and clearly presented information to risk managers, senior management and regulators. Prophet can be deployed on-premise, hosted or on the cloud, and is relied on by more than 10,000 users at over 850 customer sites in more than 65 countries. For more information visit www.prophet-web.com or www.fisglobal.com



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