Altus Consulting
People | Passion | Partnership

LV= General Insurance Insurer Hosted Pricing

Key Metrics (End 2015)

- 4.6 million policies
- £1.47 billion GWP
- 3700 employees
- 96.1% Combined Operating Ratio (COR)

"Utilising the models that Altus had already built for us, coupled with their structured approach to developing Operating Models proved invaluable. We are very confident that we will deliver the significant benefits associated with the implementation of our new pricing infrastructure."

Hugh Kenyon, Pricing Director, LV= Insurance

Background

Against the backdrop of a significant transformation programme introducing a new insurance technology stack, LV= took the opportunity to radically transform their approach to pricing too.

The transformation would entail a move from the traditional model of distributing rates to broker software houses and aggregators, to a strategic model of Insurer Hosted Pricing. The rating engine also needed to support the call centre and LV= website channels, adding to the complexity of the challenge.

LV= operates predominantly in the highly commoditised motor and home markets, where price primarily drives customer consideration. The business recognised the need to invest in technology which would enable them to improve speed and agility to market, whilst maintaining a mature pricing and risk selection capability.

New technology, data enrichment providers and associated benefits had all been identified, but a clear operating model was critical to delivering them. Altus were well positioned to help LV= develop this, given our proven Target Operating Model (TOM) methodology and ability to bring clarity to seemingly complex issues.

Altus Engagement

Having been given an outline brief from the Pricing Director, and with the realisation that this was not just an IT system replacement project, the engagement started by running a workshop with the exec team to discuss the key principles driving the change. These principles would govern any decisions being made throughout the engagement and indeed, any future changes in the pricing arena

LV= LIVERPOOL VICTORIA

Given the "why" was now captured and well articulated by the key stakeholders, it was Altus' job to drive out the impacts on the business and capture the "what", "who" and "how" of the change i.e. the capabilities, people and processes. It soon became clear that the scale of the change was such that the existing governance model needed to be challenged and a new one proposed and documented. At each step of the engagement Altus presented options to the exec team, pros and cons of each and a recommendation on which option we thought would be most appropriate, challenging existing thinking.
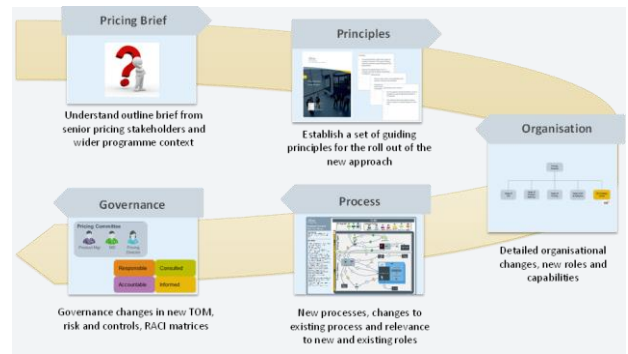

Process

A previous Altus engagement had delivered an inventory of ~300 processes across the business and also created an Altus Process Framework dashboard. This engagement was about understanding how key processes needed to adapt to deliver the new operating model. Rather than traditional BPMN maps, Altus use "business-friendly" Altus Scenario Diagrams to articulate high level interactions between teams, systems and external parties. These diagrams are better for articulating change to a "non-technical" business audience, and were well received at LV=.

A key principle of the programme was to improve speed to market and agility of pricing changes via the introduction of business configuration capability wherever possible. The business scenario approach allowed us to easily chop and change high level processes, making important design decisions without redesigning complex process maps each time.

Altus worked with SMEs across the Broker and Direct businesses to model each impacted process and mentored the internal process management team to complete process modelling activity across the wider programme.
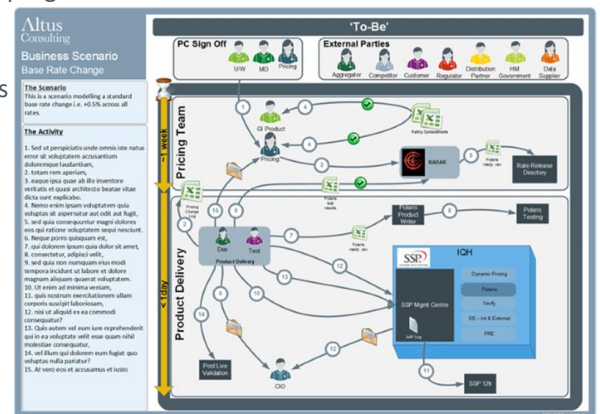
Governance

As part of the transformation programme, a number of new data enrichment sources were being introduced to the "quote and buy" journey to reduce fraud and enhance risk selection. The rating engine itself would be hosted by an external party so environments and release schedules needed to be clearly planned and documented. The extra responsibilities posed by using these external parties were captured in a visual, structured way. Incident management and problem escalation was agreed between all parties according to SLAs and contractual obligations. Through a series of workshops with SMEs across LV=, we were able to examine existing roles and responsibilities and, where needed, outline new roles. RACI models were built for each new process.

Outcomes

The LV= exec team were taken on a journey from current to target operating model using a series of simple pictures. Through regular playbacks at each step of the journey, LV= understood the options available and the implications of decisions being made. LV= are about to go live with their new pricing engine, enabling them to roll out more rate changes across the market and to take advantage of important data enrichment services.

"I was really impressed with the way Altus approached this assignment. They ensured stakeholders were fully involved without overloading diaries. The models they developed and the language they use ensured real engagement and an end product that we are already using in other areas. "

Graham Lee, Head of Business Transformation, LV=Insurance

Find out more:
www.altus.co.uk
+44 (0)1225 438 000
enquiries@altus.co.uk