



# Actuaries and Top Managers in the Boardroom: Gaps we need to close, Opportunities we should grab

Mauro Piccinini PhD FIA – CFO Prima Assicurazioni



# Speaker for this session



## Mauro Piccinini

Chief Financial Officer  
Prima Assicurazioni



- CFO at Prima since 2019 (and Board member in 2021-2022)
- Previously at BCG, Oliver Wyman, KPMG UK and Aviva Group
- PhD in Actuarial Science at Sapienza University of Rome (2015); CFO programme at London Business School (2023)
- Scientific Committee at Italian Ordine Nazionale Attuari and Fellow of the UK Institute of Actuaries



prima

- Leading InsurTech MGA focused on motor insurance
- € 1B+ gross written premiums and >3.2M customers
- Launched in Italy in 2015, also active in UK and Spain since 2022
- Key Shareholders are Blackstone, Goldman Sachs and Carlyle



# 2 major landscape (r)evolutions made actuarial skills a fundamental cornerstone for companies, with some risks



## The landscape evolutions

Solvency II and IFRS 17 leading to risk-based, probabilistic view on value and strategic planning

Disrupting use of ML and insurtech models, with increasing role of data scientists in traditional actuarial fields

## Impact on Actuaries

- ✓ Technical skills are essential to lead a company
- ✗ Hyperspecialization on details
- ✗ Lower regulatory 'protection' for actuarial figures

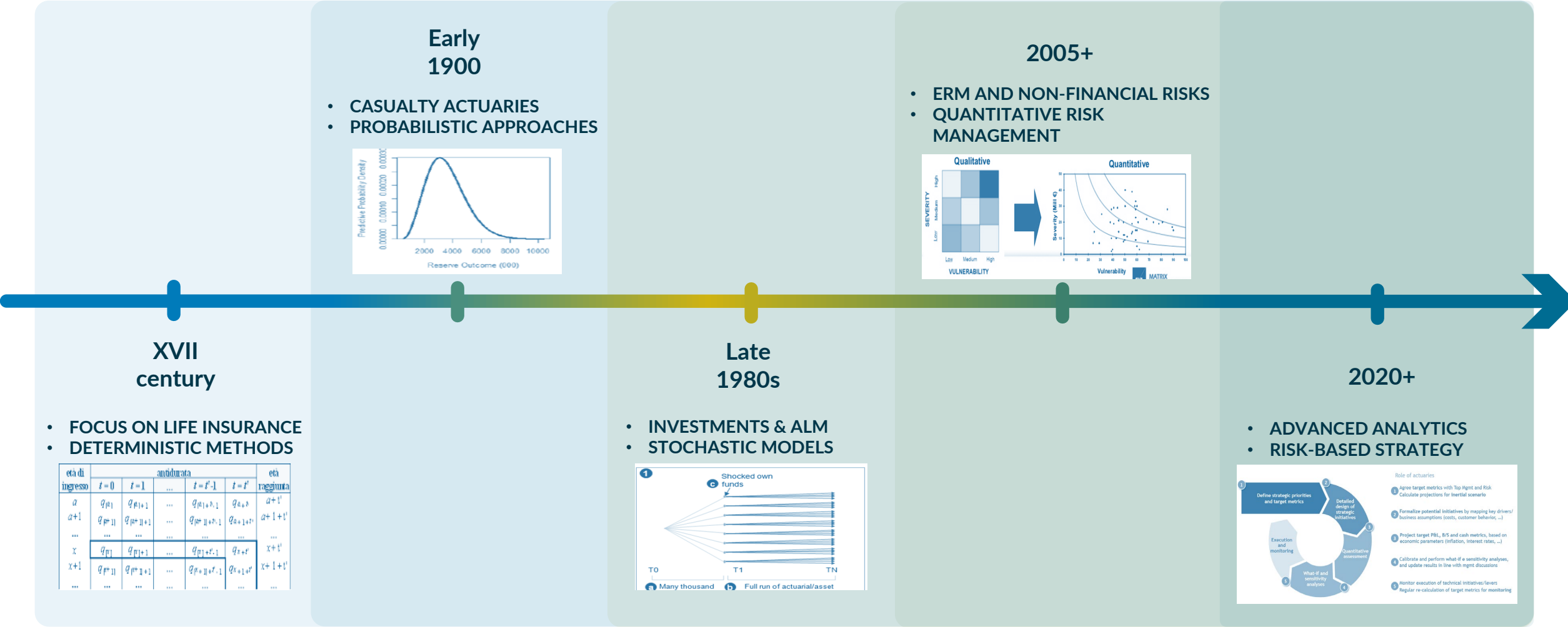
- ✓ Technical excellence is a source of competitive advantage
- ✗ Challenge to traditional business/actuarial models, with better equipped data scientists

Today we'll discuss about actuaries of a fifth kind, looking at:

- ① The rise of InsurTech 2.0
- ② Actuarial-driven finance & strategy
- ③ Tips for actuaries in the Boardroom



# Recap: what do we mean by «actuaries of the 5th kind»



Source: Buhlmann (1987); Embrechts (2005)





# Agenda

1 THE RISE OF INSURTECH 2.0



2 ACTUARIAL-DRIVEN FINANCE & STRATEGY



3 TIPS FOR ACTUARIES IN THE BOARDROOM





# The rising and falling of InsurTech 1.0



## Market context for InsurTech rising

**Traditional insurance perceived as a wealthy but a bit “esoteric” / “boring” world**

- 1.3Tr GWP with <1M employees in P&C Europe
- Old-fashion agencies/marketing, painful UX
- Sometimes perceived as a tax
- Comes to mind only in case of emergencies



## The (failed) promise InsurTech 1.0

**A step change how customers perceive insurance**

- Child’s eye approach to deliver better UX
- E.g. Premium services for adverse events (Hippo)
- E.g. Give back in case things goes well (Lemonade)



**However, these players keep losing money, and as market turned, they are now worth almost nothing**

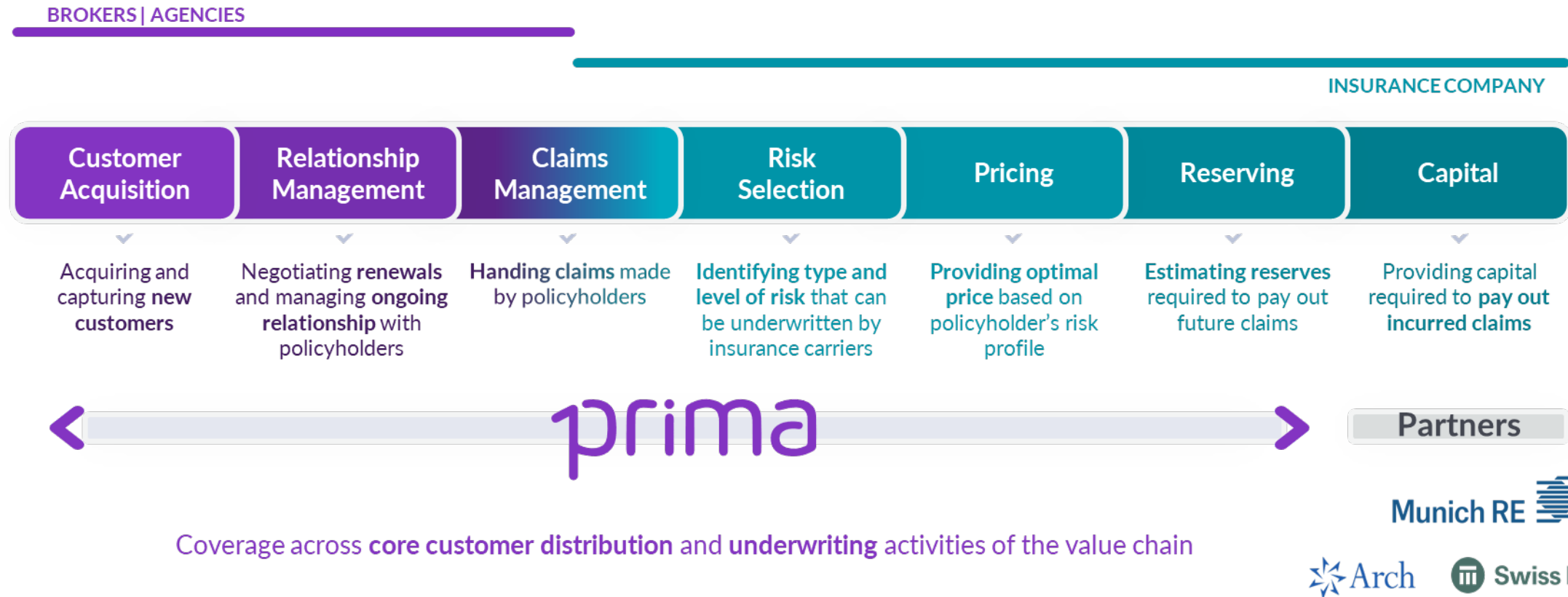
- Lemonade and Hippo are -89% and -95% vs. peak
- Wefox announced risk of insolvency



**Too much focus on “Tech” (while forgetting the “Insur”) calls for higher need for actuarial skills to deploy into Insurtech 2.0**



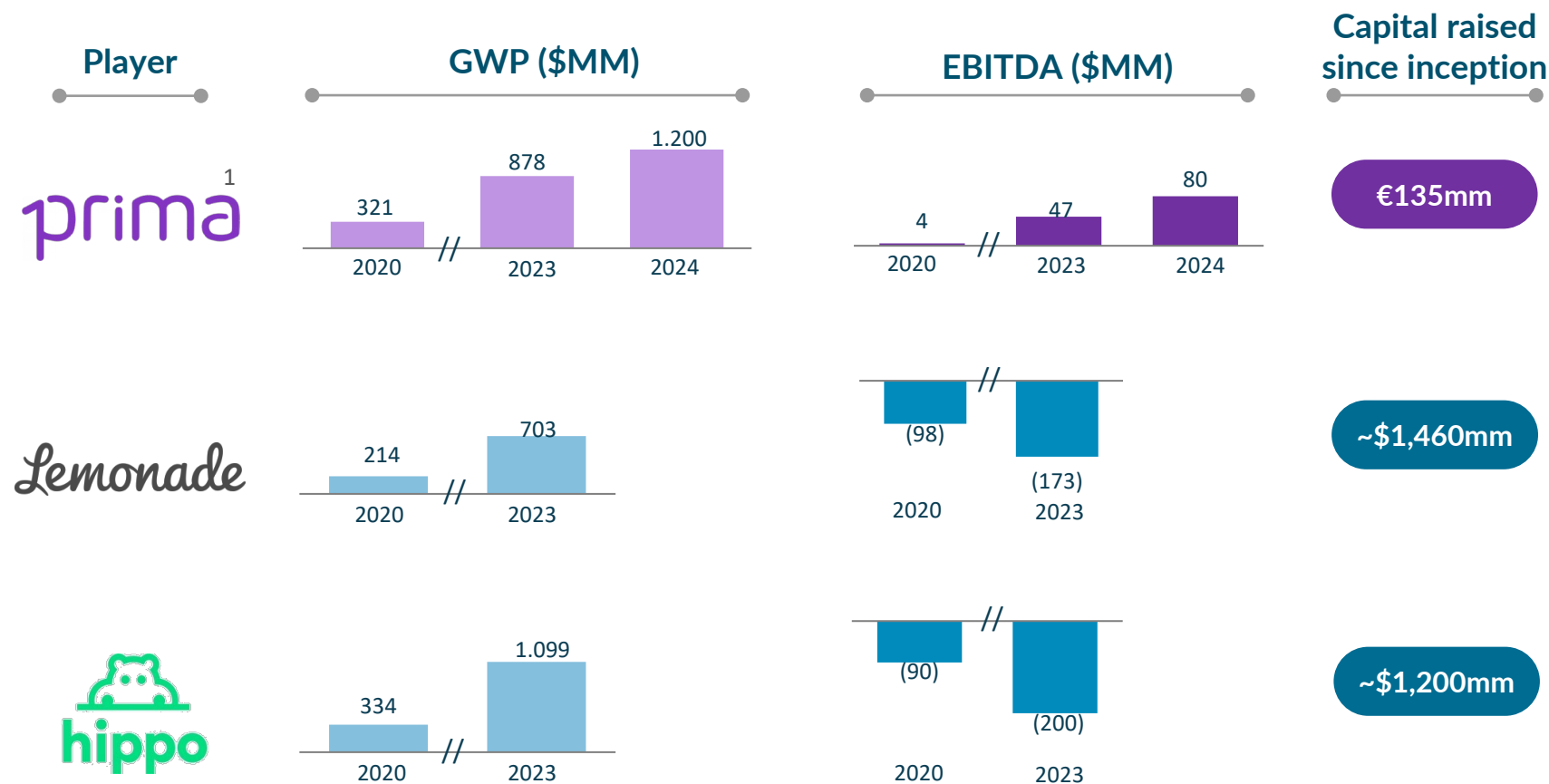
# In-house technology and data-driven focus to untap competitive advantage across the insurance value chain





# The rise of InsurTech 2.0

Profitable growth with higher focus on technical performance



InsurTech 1.0 companies are primarily focused on **digitalization** and UX. In order to grow, significant marketing investments are required, **implying significant cash absorption**.

InsurTech 2.0 players like Prima focus on **optimizing financials and loss ratio control** leveraging on **machine learning and data analytics**. This enables profitable growth with limited cash absorbed.

Source: Public sources and Company Information.

Notes: (1) EBITDA for Prima considers Italy only and excluding extraordinary costs. 2023 for Lemonade and Hippo using Filling SEC 10k; for Prima, 2023 actual data. EUR / USD change at 1.1





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# Actuarial approach to structure a brand-new CFO area



1



Value-based Corporate Finance



- Evaluate strategic/extraordinary initiatives looking at TSR
- Cultivate relationships with top tier investors



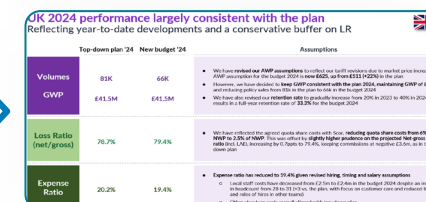
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Partnering with the business to drive planning and management actions



- Steer the business plan and support the (top) mgmt to define/assess value creating initiatives
- Support the business on decision making looking at data



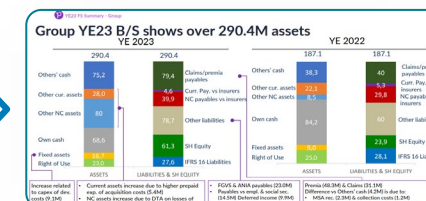
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Measuring value and market disclosures



- Real time performance monitoring
- High quality timely financial reporting
- Dedicated Tech team to ensure automation & data quality



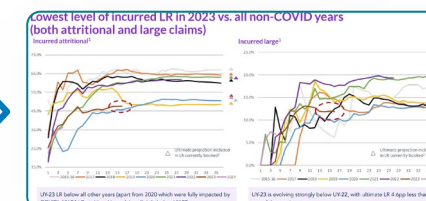
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Risk view and actuarial analytics

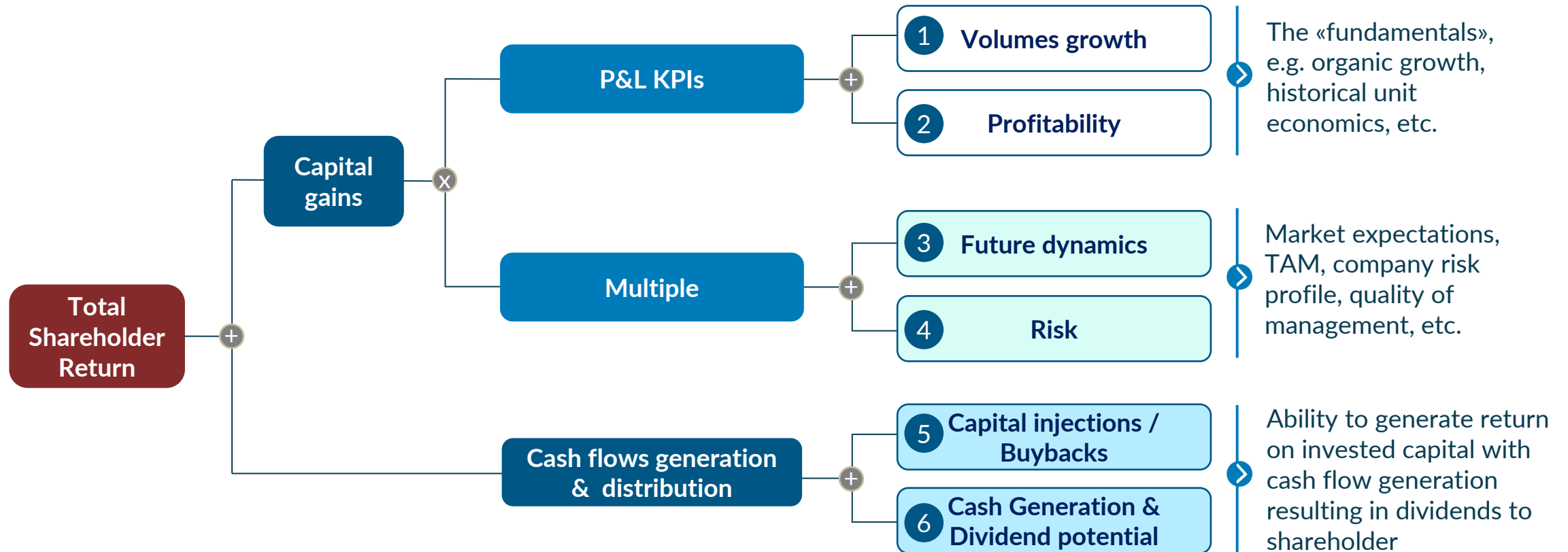


- Advanced analytics to monitor technical performance
- Risk-return view on decision making
- Independent view on risks which might reduce value



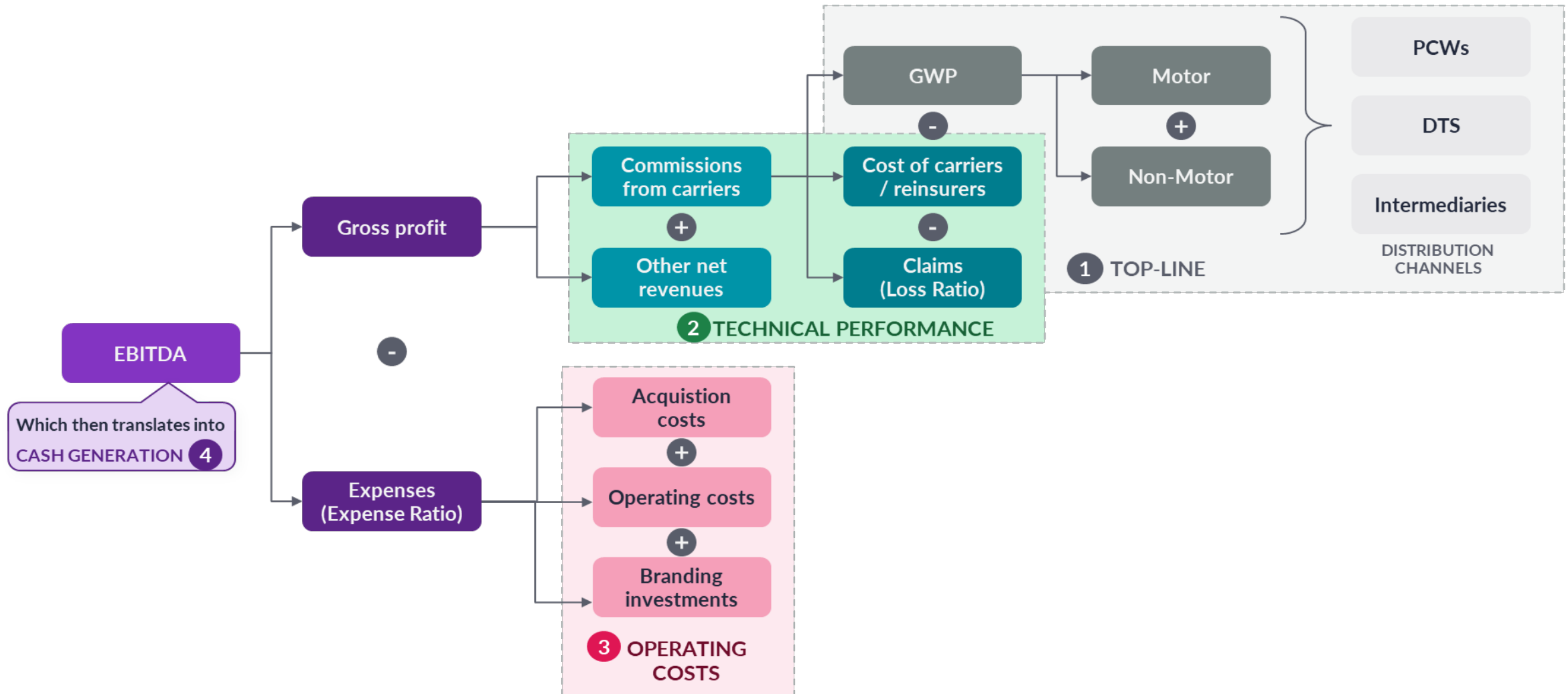


# A structured approach to think about value creation through Total Shareholder Return





# Defining the right metrics is key to drive strategic planning and align the whole company

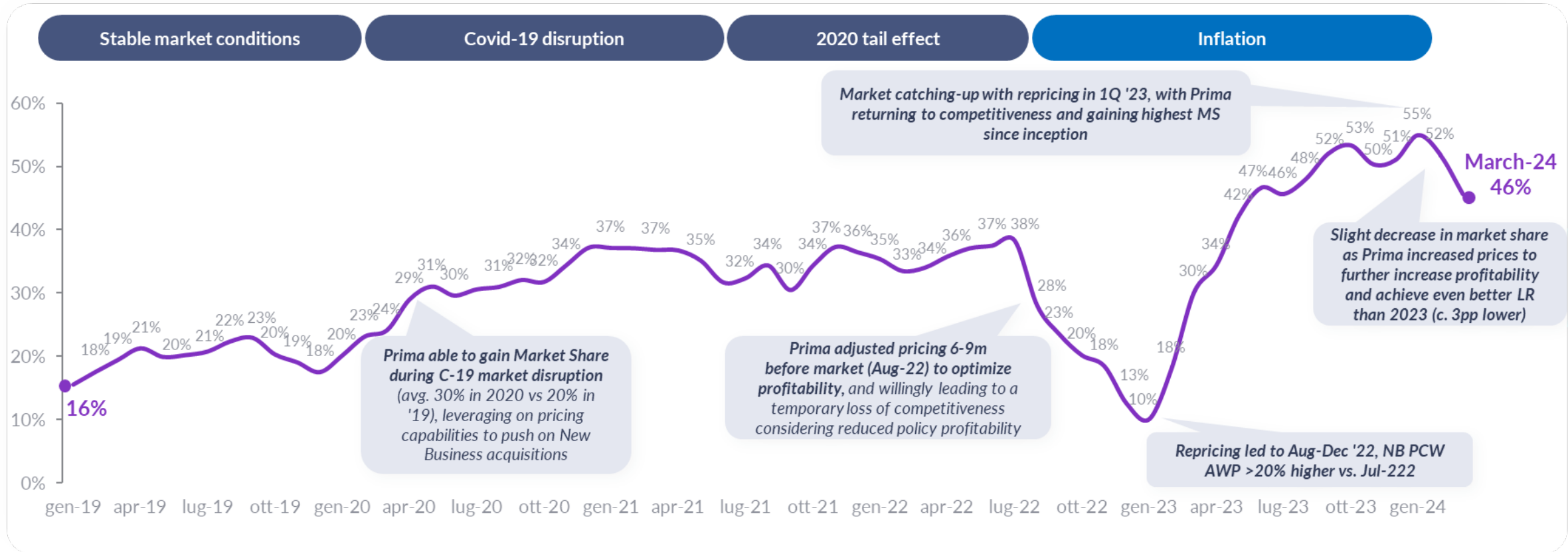




# ... and focus on the right metrics helps steering the company through challenges and evolving conditions



EXAMPLE: Prima market share evolution on PCW1 NB (%)



Source: Company information

Notes: 1. Prima estimate on primary PCW new business car quotes

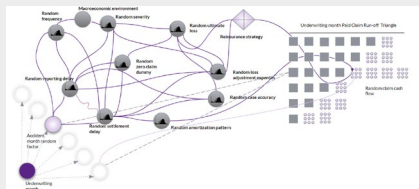


# Serious investments in actuarial & risk analytics enable efficient, high quality info on the full distribution of value



## Portfolio valuation and reserving

### *Prometheus Reserving Tool*



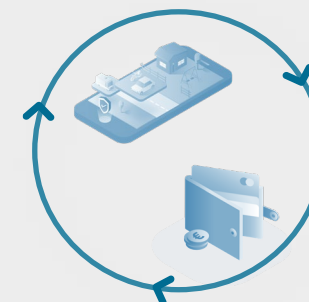
Innovative individual claims modelling based on Bayesian networks, projecting loss ratios and reserves by UWY and ACY (incl. full distribution forecasts)

## Linking financial reporting, value and enterprise risk management



Mapping and quantification of all risks driving company's value (incl. Strategic, Technical, Cyber, Ops, Compliance, ESG and F&C) to design corrective actions and contingency plans

## Dedicated Tech team



Tech developers and a product owner to ensure financial flows are automated (payments, Board / MI dashboards) and there is a single version of truth





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# A cultural revolution: From “smart skills serving technical excellence”, to “technical skills serving the business”



## «Previous kind» actuaries

- Technical Pricing, Reserving, Risk calibration
- Is the expert, the guru
- Understands business strategies and evaluates their sustainability
- Raises concerns (the best ones can also suggest solutions)
- May be called to present to the Top Mgmt or the Board on technical topics

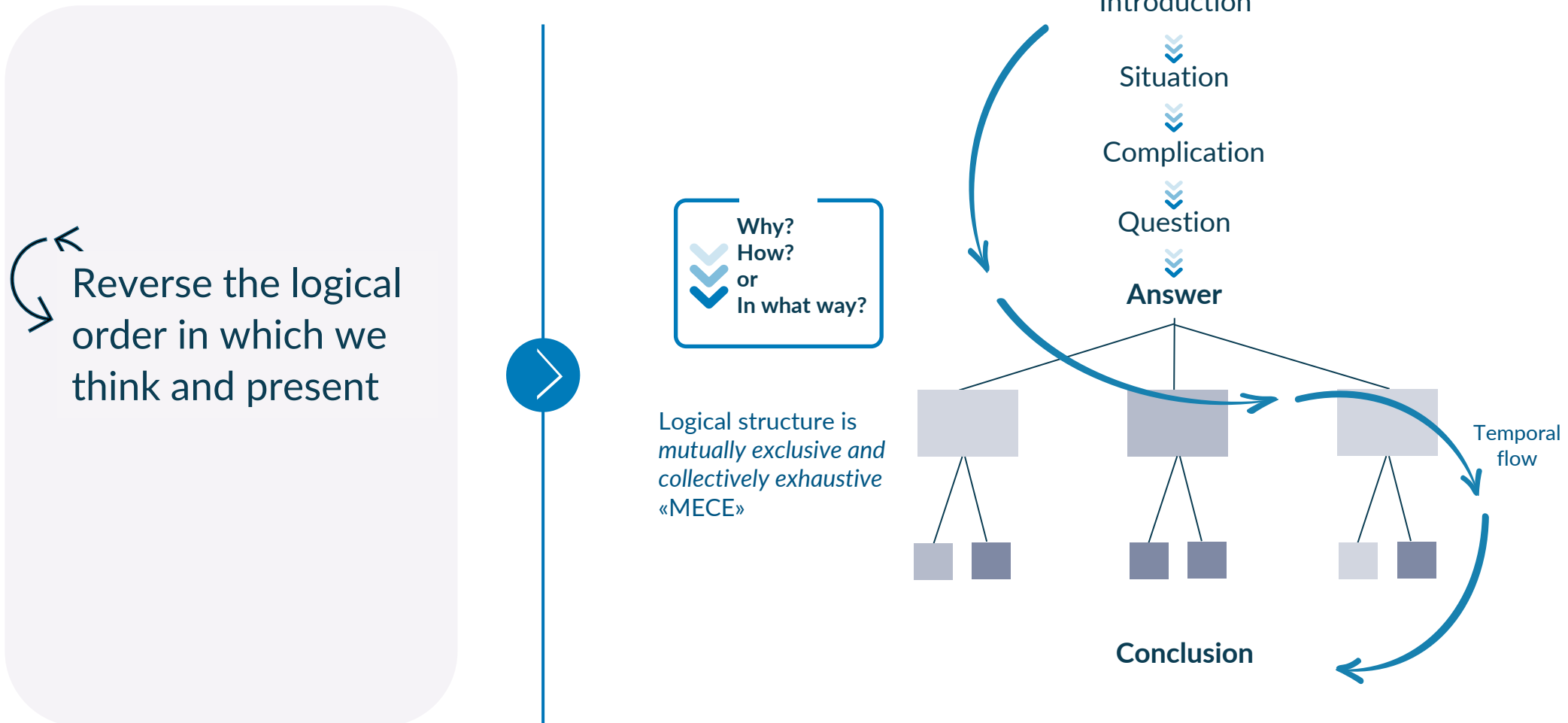


## Actuary of the fifth kind

- Street Pricing, Marketing, FP&A, Capital Mgmt
- Has a super effective problem solving method
- Sets the framework for strategic choices, with quantitative backup
- Data-driven decision-making, optimizing/correcting business performance
- Is part of the Board or of the Top Mgmt



# Tip #1 – The pyramid principle





## Tip #2 – Outside of the comfort zone



Accepting that you  
are no longer the  
expert in the room



“

*[...] against that “**laziness**” (Pigrizia) which consists in elevating the “momentary circumstance”, in which we have been successful in the past, to a “criterion for excluding in the future the emergence and opening of new needs and possibilities”.*

”

*Bruno de Finetti  
L'invenzione della verità*



# Tip #3 – Focus on framing and communication



Ricalibrate how we invest time to prepare an analysis



		from...
Framing	>>>	5%
Data/input collection	>>>	15%
Model work	>>>	60%
Model refinement	>>>	20%
Engineer the story	>>>	0%



# Tip #3 – Focus on framing and communication



Ricalibrate how we invest time to prepare an analysis



		from...		to
Framing	>>>	5%	>>>	30%
Data/input collection	>>>	15%	>>>	15%
Model work	>>>	60%	>>>	15%
Model refinement	>>>	20%	>>>	20%
Engineer the story	>>>	0%	>>>	20%



# Risk-based corporate finance as a cornerstone for Actuaries of the Fifth kind



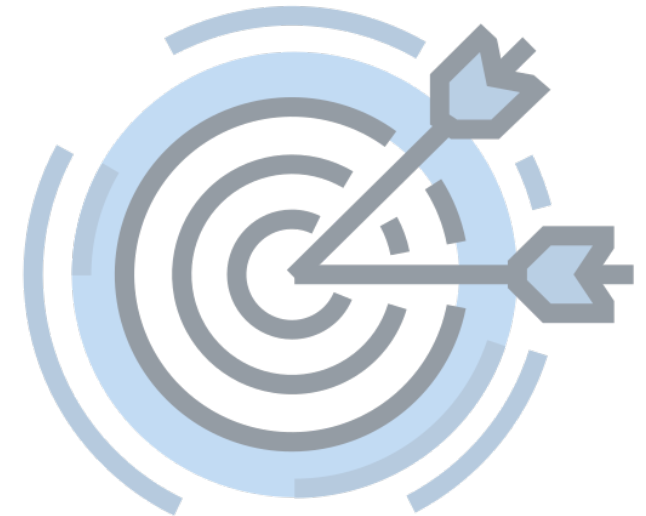
“ Many studies in the theory of risk have lacked a **clear purpose** [...]

Actuaries have estimated ruin probabilities and approximated claims distributions, without being very articulate as to **how their results could be used in the decisions-making process** of an insurance company [...]

The responsibility for this does not fall entirely on actuaries: **Top Management** of insurance companies has not always been very articulate when it comes to **spelling out the objectives of the company**

”

– Karl Borch  
(Management & Objectives in Insurance Companies, GIIA, 1974)





# Q&A



# Thank you

## Contact Details

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