Welcome to the State Auto EXPERIENCE
Presenters

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Associate Advocacy/Culture

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Personal Lines Pricing
Overview

- The State Auto Experience
- Actuarial work at State Auto
- Career opportunities
The State Auto EXPERIENCE!

Join the State Auto EXPERIENCE
And write your own story with us!

STATE AUTO Insurance Companies
The State Auto EXPERIENCE!

**Why Does Culture Count?**

- **“Culture eats strategy for breakfast”** Peter Drucker
- Our way of thinking, behaving and interacting will either drive the success or failure of our strategy.
- The State Auto Experience starts with our brand differentiating culture and our culture is defined by the engagement of OUR PEOPLE!!
Why Does Culture Count?

“Changing State Auto and winning in a competitive marketplace won’t happen if only some of us reflect the characteristics of nimble, responsive, creative, passionate and driven. **It will only work if we all embody them. The right culture creates that opportunity.**” Mike LaRocco
The State Auto EXPERIENCE!

STATE AUTO CULTURE PILLARS

Nimble
• We are Nimble in working together to address the needs and opportunities of our team and the marketplace.

Responsive
• We are Responsive to our customers and one another.

Creative
• We are Creative in taking calculated risks, trying new ideas and being curious.

Passionate
• We are Passionate about serving our customers and communities and supporting one another.

Driven
• We are Driven to win, not as individuals, but as one team.
Why join the State Auto Experience?

Committed to the TOTAL person!
Benefits of working with State Auto?

- Big enough and small enough
- Competitive bonus programs
- Flexible work schedule
- Actuarial work rotation
- Casualty actuarial exam program
  - Competitive paid study time allowance
  - Financial support for exams, study materials and preparatory courses
Actuarial work at State Auto

- Training is on-the-job experience
- 40-50 actuarial roles across various areas
  - Ratemaking
  - Product Management
  - Predictive Modeling
  - Reserving
  - Enterprise Risk Management
Ratemaking

- Estimate all costs of providing insurance
- Recommend price changes to Product Manager and Regional Sales Office
- Gain approval from state regulators
Ratemaking: two levels

Aggregate

Accidents per capita

2010  2011  2012  2013

Segment Level
Product Management

- Accountable for profit and growth goals for assigned products and states
- Balance actuarial rate needs with market analysis
- Travel to regional offices and agencies
# Product Management

<table>
<thead>
<tr>
<th>Customer Segment</th>
<th>Performance metrics</th>
<th>Price Lever</th>
<th>Underwriting Lever</th>
<th>Sales Lever</th>
<th>Marketing Lever</th>
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<tbody>
<tr>
<td>New car</td>
<td></td>
<td>-10%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Young driver</td>
<td></td>
<td></td>
<td>Order accident and violation report</td>
<td>Safe-driver mail packet</td>
<td></td>
</tr>
<tr>
<td>Zip 12345</td>
<td></td>
<td>-5%</td>
<td></td>
<td>Appoint agent</td>
<td></td>
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</table>
Predictive Modeling

- Building predictive patterns
- Rigorous statistical framework
- Variety of applications:
  - Segment level rate making
  - Claim fraud detection
  - Demand elasticity
Predictive Modeling – Integrated Pricing

**Profit Models**
- Profit per customer vs. Price

**Elasticity Models**
- Demand vs. Price
  - Shaded area indicates Competitor Prices

**Integrated Pricing Models**
- Expected Profit vs. Price
Reserving

- Amount to settle all claims incurred
  - Claims not yet reported
  - Difference in known claims

- Impacts to:
  - Internal decision making
  - Investors
  - Regulators

FINANCIAL STATEMENT IMPACT
Reserving: lifecycle of a claim

**Personal auto – vehicle damage accident**

- Loss Event: 12/15/14
- Report to Company: 12/16/14
- Claim Settled: 1/15/15

**Contractor – Incorrectly installed siding**

- Loss Event: 12/15/10
- Report to Company: 12/15/15
- Claim Settled: 4/20/16
- Balance Sheet: 12/31/14
Enterprise Risk Management (ERM)

- Risk Management Process
- Risk Appetite/Tolerance
- Catastrophe Risk Example
Risk Management Process

- **Risk Appetite/Tolerance**: How much and what types of risks should we take?
- **Identify Risks**: Which risks do we face?
- **Quantify Risks**: What metrics can measure the risks?
- **Risk Treatment**: Avoid, Reduce / Mitigate, Transfer / Share, or Accept
- **Monitor Progress/Modify**: Review process inputs & outputs and make modifications

**Flowchart**:
- Risk Management Process
- Identify Risks
- Quantify Risks
- Risk Treatment
- Risk Appetite/Tolerance
- Monitor Progress/Modify
- Review process inputs & outputs and make modifications

**Key Points**:
- Identify Risks: The initial step where risks are recognized.
- Quantify Risks: Metrics are used to measure the identified risks.
- Risk Treatment: Strategies such as avoid, reduce, mitigate, transfer, share, or accept are applied.
- Monitor Progress/Modify: Continuous monitoring ensures adjustments are made as necessary.
- Risk Appetite/Tolerance: Determines the acceptable level of risk.

**Flow Direction**:
- Identify Risks → Quantify Risks → Risk Treatment → Risk Appetite/Tolerance → Monitor Progress/Modify → Identify Risks

**Key Questions**:
- Which risks do we face?
- What metrics can measure the risks?
- How much and what types of risks should we take?
Risk Appetite/Tolerance

- **Definition:** Level of variability we are willing to accept in **pursuit of our objectives**, considering our capital resources and competencies.
### Catastrophe Risk Example

#### Severe Storm Losses

<table>
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<tr>
<th>Return Period in Years</th>
<th>Probability</th>
<th>Gross Loss</th>
<th>Amount Ceded</th>
<th>Amount Retained</th>
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</thead>
<tbody>
<tr>
<td>25</td>
<td>4.0%</td>
<td>$492,900,000</td>
<td>$381,300,000</td>
<td>$111,600,000</td>
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<tr>
<td>50</td>
<td>2.0%</td>
<td>$690,200,000</td>
<td>$550,100,000</td>
<td>$140,100,000</td>
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<tr>
<td>100</td>
<td>1.0%</td>
<td>$953,300,000</td>
<td>$768,100,000</td>
<td>$185,200,000</td>
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<tr>
<td>250</td>
<td>0.4%</td>
<td>$1,289,500,000</td>
<td>$781,700,000</td>
<td>$507,800,000</td>
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<tr>
<td>500</td>
<td>0.2%</td>
<td>$1,572,100,000</td>
<td>$788,600,000</td>
<td>$783,500,000</td>
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</table>

**Tolerance:**
Limit 1-in-100 (1%) loss amount to less than $200M.
Types of Business

- **Personal Lines**
  - Homeowners
  - Personal Auto

- **Commercial Lines**
  - Businessowners
  - Commercial Auto
  - Property & Liability

- **Specialty**
  - Specialty Property - Named Storm (i.e. hurricane coverage)
  - Specialty Liability
  - Workers Compensation
Valuable Skills

- MS Excel and Access, SAS, R, programming
- Economics, finance, risk management
- Communication skills
- VEE credits
- Actuarial exams
- Technical work or research experience
The Summer Internship Experience!
Summer Intern Opportunities

Actuarial Internships

- Focused on performing a state rate review, including data analysis, recommendations, decisions and state rate filing
- 12-week, paid internship in the Actuarial Division that runs late May-August
- To apply, please see FutureLink – application deadline is 11/1/16
Summer Intern Opportunities (cont.)

Dedicated Internship

- One intern position is reserved for an OSU actuarial student. Interviews will be conducted on September 21\textsuperscript{st} to confirm that placement.
- To apply, please see FutureLink
- If not selected for the one reserved actuarial internship position, your resume will be considered for other actuarial internship openings to be placed later in the year.
State Auto Internship Experience

- Hands-on learning opportunities
- Lunch with CEO and other senior executives
- Educational workshops (i.e. etiquette, resume writing, interviewing, etc.)
- Mentoring and networking that includes active coaching and feedback to hone skills
- Visibility with all leaders and hiring managers throughout the organization
- Final presentations to State Auto leaders based on learnings gained and opportunities identified
- Potential full-time employment upon graduation
Full Time Employment Opportunities

- Several positions annually
- Opportunities through the year
- Actuarial positions are typically ratemaking or reserving roles
- A variety of other full-time opportunities are also available at State Auto
- Team oriented, collaborative, learning culture
- Attractive benefits package
Questions?