

How Insurance Carriers Can Reduce Costs & Time to Market using Insbridge

SECONDPHASE WHITE PAPER | AUGUST 2019

Executive Overview

Insurance Carriers today are faced with highly competitive conditions in the marketplace that drive them to look for ways to increase revenue and reduce costs. One of the areas that carriers can focus on is product management because it can impact both revenue and cost. Carriers that can create unique products and rating programs can increase revenue. At the same time, they can also reduce cost by simplifying their rating management process. Many carriers are still operating with older policy admin systems that embed rating logic within the code. This makes it difficult to modify and maintain rates. To make matters worse, carriers usually run multiple policy administration systems, web quoting systems, and comparative raters that have their own rating system. Carriers end up with data redundancy, inaccuracies, and duplication of efforts as rating changes are implemented in multiple solutions. Product and rating management becomes very expensive.

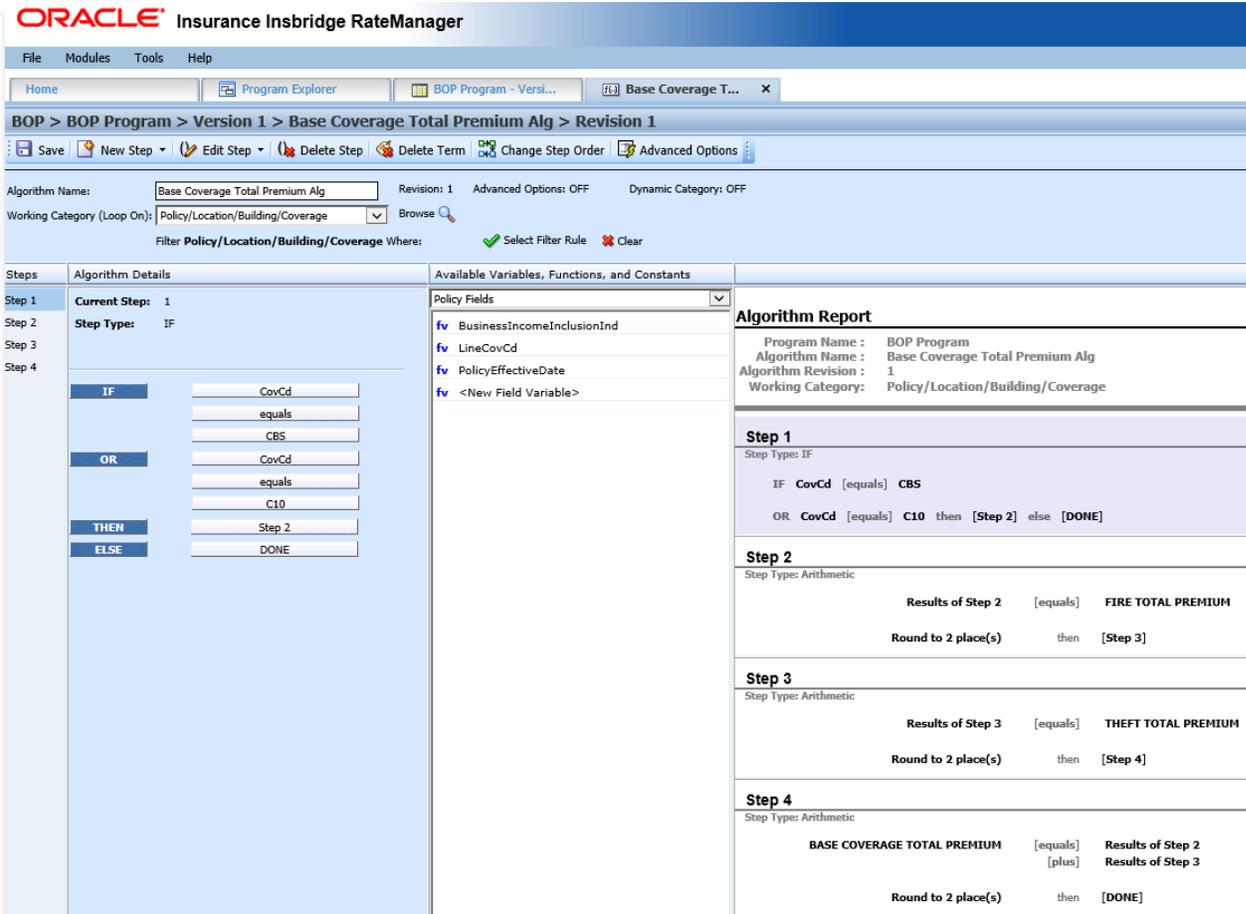
The following white paper describes some of the benefits of utilizing a stand-alone rating solution such as Oracle Insurance Insbridge Enterprise Rating. Carriers that utilize stand-alone rating solutions are architecturally more flexible and can handle more advanced rating methodologies compared to those that use rating technology embedded in a policy administration system (both legacy and newer systems). The advanced capabilities of a stand-alone rating solution can create a distinct competitive advantage for carriers. Insbridge is a flexible stand-alone rating and rules solution that can be easily integrated with all legacy and modern policy administration systems (PAS).

Ease of use

Speed to market is really important in a competitive market. It means giving carriers the upper hand when it comes to innovation, allowing them to reach consumers with new products faster, before their competitors do. This gives them the opportunity to dominate the market and gain market share simply because they introduced the products first. This is where Oracle Insurance Insbridge Enterprise Rating shines. Insbridge is one of the only products that has a true codeless UI for implementing and deploying rating and rules programs. Its codeless interface enables users to learn the system quickly and use it more efficiently. Training new or existing employees can be completed within 3 days. Oracle Insurance Insbridge allows users without any programming expertise to design rate plans with point and click mouse movements. Algorithm steps can be built and their order rearranged by dragging items across a screen. Changes are managed by the business users and can be performed in minutes, and then propagated throughout the enterprise (see screen shot below). This greatly reduces the time required to make rating changes, as well as reducing maintenance



efforts and reliance on the IT department. This is very important when considering total cost of ownership of the product (not just what the license/subscription cost is). Insbridge is a web application so the only thing the business users need installed is a web browser. In addition, when a carrier needs to upgrade Insbridge, they only need to upgrade the web servers hosting the Insbridge application. All of the end-users accessing the Insbridge application will see the updates immediately. This greatly reduces the time it takes for IT departments to upgrade to the latest version of Insbridge and put the latest features in the hands of the business users.



The screenshot displays the Oracle Insurance Insbridge RateManager interface. The main window shows the configuration for an algorithm named "Base Coverage Total Premium Alg" under the "BOP Program - Version 1" and "Revision 1". The interface includes a menu bar (File, Modules, Tools, Help) and a toolbar with options like Save, New Step, Edit Step, Delete Step, Delete Term, Change Step Order, and Advanced Options. The algorithm details section shows the current step is 1, with a step type of IF. The logic is defined as: IF CovCd equals CBS, OR CovCd equals C10, THEN Step 2, ELSE DONE. The available variables, functions, and constants section lists Policy Fields: BusinessIncomeInclusionInd, LineCovCd, PolicyEffectiveDate, and a new field variable. The algorithm report on the right summarizes the steps: Step 1 (IF), Step 2 (Arithmetic: Results of Step 2 equals FIRE TOTAL PREMIUM, Round to 2 place(s) then Step 3), Step 3 (Arithmetic: Results of Step 3 equals THEFT TOTAL PREMIUM, Round to 2 place(s) then Step 4), and Step 4 (Arithmetic: BASE COVERAGE TOTAL PREMIUM equals Results of Step 2 plus Results of Step 3, Round to 2 place(s) then DONE).

Screen shot of RateManager (Insbridge design-time application). This example shows a simple 4 step Algorithm that contains an IF step type and 3 Arithmetic step types. The entire logic for this algorithm was constructed by simply choosing desired step types and then replacing placeholders with other variables the user had created (no coding).

Flexibility

Policy administration systems with built-in rating capabilities can lack the flexibility to allow business users to not only create rates but also define their method of rate creation. Pre-packaged and industry-driven (ISO) templates provide a great start to creating rates. However, customization to these rates can be difficult and cumbersome when new updates to the templates are issued. At Second Phase, we have created an alternative approach to jump start the development process. For the product design stage, we use a Build



Design Document (BDD) that details all of the information on how to build a particular program in Insbridge including categories, variables, algorithms, and rating sequence. Since the design stage is always longer than the implementation stage, we have created template BDDs for several Lines of Business based on our previous projects. These BDD templates can greatly reduce the length of time to complete the design phase. The BDD is built using Microsoft Excel so it can be easily modified with new factors or custom logic needed by the carrier. The Insbridge developer can then use the data in the BDD to quickly implement in Insbridge. The BDD can be easily updated and maintained for the life of the product.

STEP	VARIABLE	OP	VARIABLE/CONDITION/CRITERIA	OP	STEP #	ROUNDING/DEFAULT	VAR TYPE	SCOPE	DATA TYPE	CATEGORY
	Non Discr Premium		Revision 1					Global		GL_Class
1	GL NON DISCR PREM	=	GL NON DISCR RATE			Round to 0 places	Result	Universal	Decimal	GL_Class
		x	GL_Exposure				Field	Universal	Integer	GL_Class
		+	GL RATE BASIS				Result	Universal	Integer	GL_Class
		x	Lead Exclusion Fact TV	THEN	STEP 2		Table	Global	Decimal	GL_State
2	GL NON DISCR PREM		GL NON DISCR PREM			Round to 0 places	Result	Universal	Decimal	GL_Class
		+	GL NON DISCR MED PAY PREM	THEN	DONE		Result	Universal	Decimal	GL_Class

Screen shot of section of a BDD. This example shows a 2 step Algorithm with all of its dependent variables including all of their associated meta data.

Also, many insurers have complex, non-standard, non-admitted lines of business, including Excess and Surplus (E&S) lines, which require complete customization of rates. Functionality to develop these lines is limited in policy administration systems and can take a tremendous resource effort to develop. Insbridge is perfect for these scenarios as it is a line of business agnostic tool that has no built-in assumptions of how a rating product should be designed. Insbridge provides the ability to create the entire line structure of new programs. From table and logic creation to defining the rating hierarchy, business users have complete control. The system is flexible for unique, out-of-the-box rating.

Sometimes codeless tools lack functionality and flexibility. Despite Insbridge being a codeless tool, it has numerous built-in features that make it flexible enough to tackle some of the most difficult requirements. Some of these features include driver assignment functions for Personal Auto, messaging, ability to combine multiple lines into a package product, versioning based any criteria, ability to reuse variables in multiple programs across different lines of business, program callouts, looping, modeling tools, and debugging and testing tools. As an example, we had a carrier in Florida that needed to inform their customers how much they could save on their homeowner's insurance by implementing certain windstorm loss mitigation features on their home. This required a solution that would rerate a customer's policy numerous times to calculate the potential savings. The entire solution was quickly implemented in Insbridge using the callout feature (callout from new program to the rating program).

Insbridge even has the ability to extend its core functionality by using what is called Soft Libraries. These are external services that can be registered with Insbridge and made available from within the rating process. For example, this can be used to provide external callouts such as MVR and Dun and Bradstreet reports.



Other Considerations

While Insbridge can help a carrier reduce their cost and time to market, there are other considerations that can slow down a project and increase costs if not addressed properly. In our experience, the single biggest issue when doing a new implementation in Insbridge is poor rating documentation provided by the Carriers. For various reasons, many carriers do not put much focus on rating documentation which over time results in the documentation becoming incomplete, incorrect, and scattered across many sources. This documentation becomes the basis for the requirements when building logic in Insbridge. If you start with bad requirements, you will end up with a bad product in Insbridge that will inevitably cause rework and extend project timelines. At Second Phase, we have addressed this common issue by capturing all requirements in a Business Requirements Document (BRD). We gather all data provided by the Carrier and work with the subject matter experts (SME) to create a single comprehensive document that can be used by the Insbridge team to expedite their implementation. This document is reviewed and signed-off on by key members of the project team. It can easily be updated and maintained throughout the life of the project as well as after the product is in production.

Another factor that will influence the time to market and cost is the experience level of the team doing the Insbridge implementation. Using inexperienced low-cost resources can lead to bad program design that can cause rework, slower rating performance, and make the program more difficult to maintain. To reduce these risks, we recommend using not only resources that have verifiable experience with Insbridge but also have Insurance domain knowledge as well. Using experienced Insbridge resources can reduce project timeline and ensure quality programs are built with maintainability and performance in mind.

Conclusion

A rating system should be flexible enough and allow Carriers to rapidly enter new markets, introduce uniquely differentiated products, while improving operational efficiency and controlling costs. Traditional rating engines tied to old policy administration systems are no longer competitive enough. Even a rating engine that is part of a new PAS may fall short in supporting the algorithm complexity required by the actuarial and product management teams, and it may not provide the organizational flexibility being sought. A single modern enterprise rating engine is the way to go. Oracle Insurance Insbridge Enterprise Rating provides a flexible, easy to use solution that can help carriers deliver product faster to market using less resources.

The Second Phase consulting services team, with two decades of experience, can evaluate a carrier's current rating system, formulate a transition plan and execute the migration to Insbridge based on its unique needs. With our extensive background in insurance including actuarial experience and numerous implementations, we can also assist with creating detailed business requirements documentation no matter what rating solution you are implementing.

Learn how your company can experience the benefits of deploying a modern, flexible, and powerful stand-alone rating engine – and differentiate from the competition. Contact us today at info@secondphaseinc.com or 1.972.429.1940. Visit oracle.com/insurance to find out more about Oracle Insurance Insbridge.

