

EXTRACT FROM

# US Property/Casualty Rating Systems

ABCD Vendor View, 2009

This authorized reprint contains material excerpted from a recent Celent report profiling and evaluating eight different Property/Casualty rating systems. The full report is over 70 pages long. The report was not sponsored by CGI in any way.

This reprint was prepared specifically for CGI, but the analysis presented has not been changed in any way from that presented in the report. For more information on the full report, please contact Celent at [www.celent.com](http://www.celent.com), [insurance@celent.com](mailto:insurance@celent.com), or 617-262-3120.

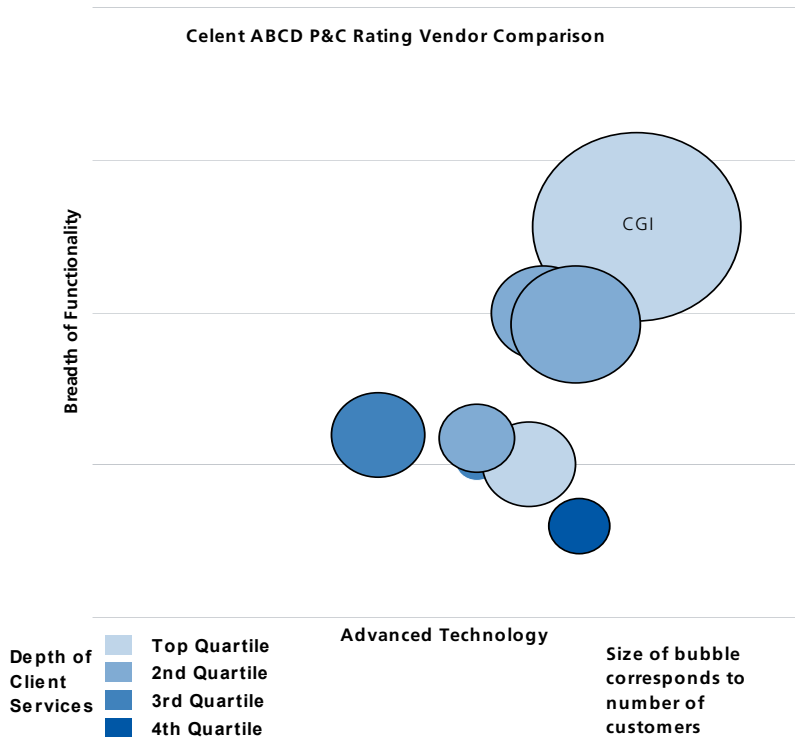
# Executive Summary

This report offers to help carriers take a fresh look at the various players that are active in stand-alone rating solutions. The goal in conducting this detailed data gathering and in talking to key rating players is to provide comparative data that helps carriers shortcut the process of evaluating rating engine vendors.

The central consideration in choosing between a “best of breed” stand-alone system and a suite rating product is one of architecture. If desired, a rating system can provide a single “anchor point” for much of the business logic used by other applications. The features in vendor systems which are critical to creating this environment are reviewed.

Additionally, Celent offers its evaluation of the vendors in this space through its ABCD Vendor View. Eight vendors qualified for the comparison shown below.

**Figure 1: Celent ABCD Vendor View: Property/Casualty Rating Solutions**



Source: Vendor responses, Celent

Going forward, Celent expects that features such as analytics and management reporting will continue to develop in the leading products in the stand-alone rating space.

## Introduction

The “promise to pay” is delivered at time of claim, but first suggested at time of rating. If the rate is too low, an insurer will not remain solvent and cannot continue to deliver on its promises. If the rate is too high, an insurer will lose business. This fundamental makes rating a core business function for property/casualty companies.

For the purpose of this report, a stand-alone rating system uses various inputs to compute a rate for insurance products. Stand-alone refers to the ability of the product to work as an individual component that can be integrated with other systems such as policy administration, portal, accounting, reporting systems, etc. A rating solution may also include other functions (such as document management, workflow and rules management) or they might be integrated with other solutions providing those functions.

Rating continues to become more sophisticated, and stand-alone rating engines are continuing to respond to this challenge. Unlimited tiering is available in all offerings surveyed to support microsegmentation. Many solutions have been extended to control other product features such as forms, eligibility, and underwriting rules. In this respect, the most functionally rich rating packages approach product design tools (also known as product configurators).

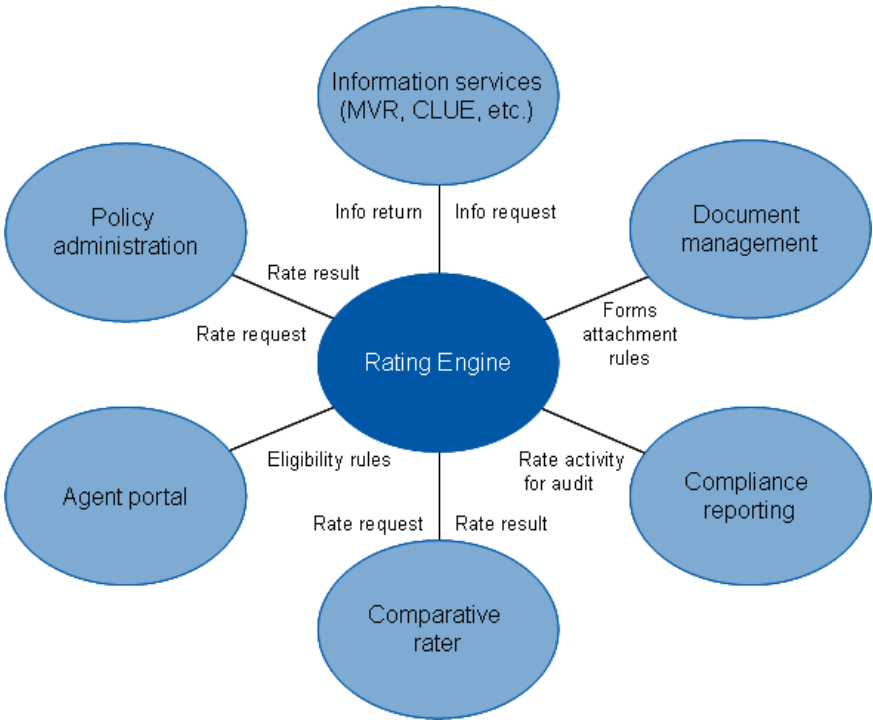
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## Best of Breed Vs. Best of Suite

One of the first choices to make is to determine if a stand-alone system is required. Very good rating functionality exists as part of policy administration suite products. Is a “best-of-breed” approach appropriate to respond to the business requirements of the company? What are the advanced functions that a stand-alone rating system can perform that would warrant consideration of such a solution? Why should a company invest in this best-of-breed approach, rather than a rating function embedded in a suite product?

In the feedback from rating engine users and in discussions with the providers of these systems, the central consideration is one of architecture. The advanced sophistication and design of stand-alone rating products enable a system architecture with the rating engine at the core of all of the insurance administration systems. Product information used in upstream and downstream systems can be directed from this central point with complex algorithms and rules using standard communication protocols (see Figure 2 on page 6).

Figure 2: Rating System as a Logical Hub



Source: Celent

# Report Methodology

## Types of Profiles

There are two types of profiles used in this report—full and emerging. These groupings were established to recognize established vendors and recent entrants in the stand-alone rating space.

In order to have a full profile and be included in the ABCD View (described below), a stand-alone rating solution must have:

- At least three deployed United States insurance carriers using rating in a stand-alone manner (not as part of a suite)
- At least three reference clients available to discuss the system

These criteria were designed to recognize the systems that can be reasonably expected to remain available (and viable) based on vendor size and strength, maturity of each product and its client base, and other important factors.

Vendors with emerging profiles do not meet one or both of the criteria above, but do offer a stand-alone rating solution. These systems are typically just entering the market or undergoing significant redesign. Emerging profiles are similar to full profiles, but do not include feature tables and do not have reference or pricing information available.

Based on these criteria, this report includes eight full profiles and five emerging profiles.

## Reading the Profiles

Each of the full profiles presents information about the vendor and its rating solution, the professional services and support staff it offers, customers, the rating functionality and solution components it offers, usability, reports, and analytic capability, technology, implementation process, and costs. Comments from reference insurers using the solution are reported in the relevant sections.

When discussing the size of insurance customers of the various solutions, the profiles use the terms very small, medium, large, and very large insurers. Very small insurers (Tier 5) have less than US\$100 million in annual premium; small (Tier 4) have US\$100 million to \$500

million; medium (Tier 3) have US\$500 million to \$1 billion; large (Tier 2) have US\$1 billion to \$5 billion; and very large (Tier 1) have over US\$5 billion.

There are tables in the full profiles that list basic rating features and rating components. The individual features are labeled as defined in Table 1.

**Table 1: Feature Table Definitions**

Label	Definition
Base	Part of the standard application delivered out of the box
Addition	Requires more investment beyond the base system; this may be the purchase of another system or system module, more programming, or additional configuration
Not available	Not a current function of the system

Source: Celent

## Evaluation Process

Celent sent a detailed request for information to a broad set of rating system vendors. After completing the RFI, each vendor provided a briefing and demo concentrating on usability and functionality for everyday users, and rules, tools, and connectivity issues for IT or administrative users.

Celent also asked references provided by each vendor to complete a survey and/or an interview to obtain their view of the system's business and technology value.

Both the RFIs and the reference surveys provided quantitative and qualitative data, much of which is included in this report. Vendors had an opportunity to review their profiles for factual accuracy, but were not permitted to influence the evaluation. Some of the vendors profiled in this report are Celent clients, and some are not. No preference was given to Celent clients for either inclusion or the subsequent evaluation.



## Celent's ABCD Vendor View

Celent has developed a framework for evaluating vendors called the ABCD Vendor View. This is a standard representation of the vendor marketplace designed to show at a glance the relative positions of each vendor in four categories: Advanced technology, Breadth of functionality, Customer base (i.e., relative number of customers), and Depth of client services.

The Celent ABCD Vendor View shows relative positions of each solution evaluated, and does not reflect an abstract evaluation. Each vendor solution is judged relative to the others in the group.

While this is a standard tool that Celent uses across vendor reports in many different areas, each report can define a category slightly differently. For this report, some of the factors used to evaluate each vendor are listed in Table 2.

**Table 2: ABCD Factors**

Area	Description
Advanced Technology	<ul style="list-style-type: none"><li>■ Code base, including modernity of language and consistency of architecture</li><li>■ Support for SOA (Web services)</li><li>■ Extensibility and flexibility of data model</li><li>■ Need to modify code during implementations</li><li>■ Usability (Celent and reference account input)</li></ul>
Breadth of Functionality	<ul style="list-style-type: none"><li>■ Amount of base and extended functionality provided in the base offering</li><li>■ Number of deployments for various personal and commercial lines of business</li></ul>
Customer Base	<ul style="list-style-type: none"><li>■ Number of live US implementations</li></ul>
Depth of Customer Service	<ul style="list-style-type: none"><li>■ Size and experience of product team and implementation team</li><li>■ Reference comments concerning initial and ongoing maintenance performance</li></ul>

Source: Celent

## Reading the ABCD Vendor View

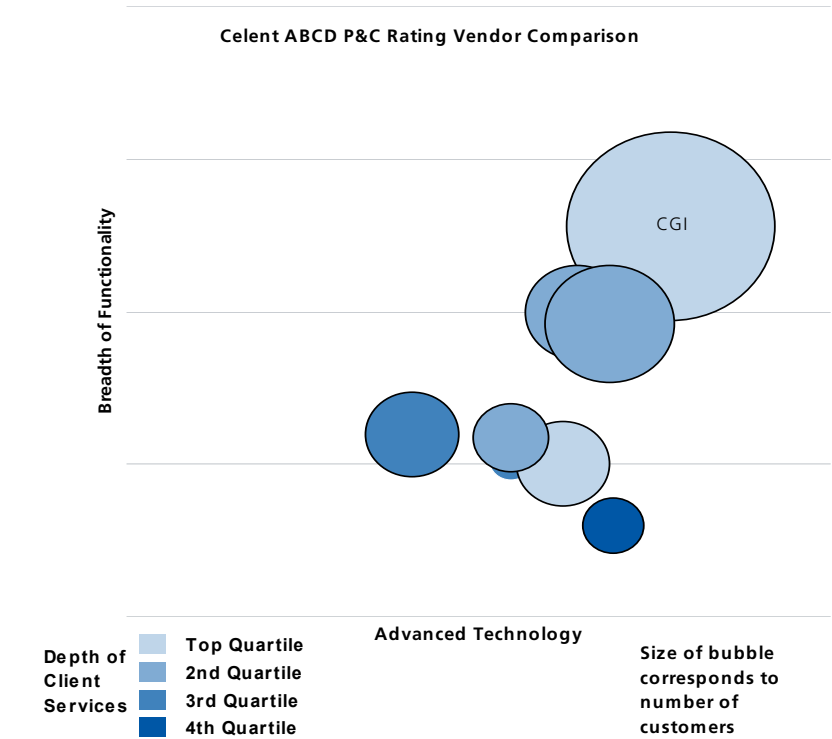
The ABCD Vendor View positions each solution in a single X/Y scale, with the horizontal axis displaying the relative level of advanced technology and technical flexibility and the vertical axis displaying the relative breadth of functionality. The size of the system's customer base is represented by the size of the bubble. The depth of client services is represented by color density (grouped by quartiles).

All the vendors were graded on the same scale. It is important to note that positioning and evaluation are relative to this set of solutions—there is no intent to provide a comparison with regard to other Celent rankings.

The ABCD Vendor View provides an easy-to-understand picture of a complex marketplace. Unlike a simple “four-quadrant” map, solutions in the upper right are not necessarily the best—in the complex world of stand-alone rating systems, there is no one “best” for all cases. Insurers should consider which factors in breadth, technology, experience, and client service are most important to them, and use this report to generate their own shortlists.

Figure 3 illustrates the ABCD Vendor View for this report.

Figure 3: ABCD Vendor View: Property/Casualty Rating Solutions



Source: Vendor responses, Celent

# CGI: Ratabase

## Company and Product Background

CGI (GIB) is a publicly traded IT and business processes service provider based in Montreal, Canada. Founded in 1976, it is a specialist in the banking and insurance, government and healthcare, telecom and utilities, retail and distribution, and manufacturing industries. The company provides end-to-end IT services and business processes to its clients globally. The business segments of the company are Canada, US and India, Europe, and Asia-Pacific, and corporate. Its revenues totaled US\$3 billion in the year ending September 2008.

The Ratabase product was released in 1983. It was rearchitected to a relational database model in 1995. Most recently, the development tool was rearchitected to a .NET platform in 2009.

The vendor identifies the most significant Ratabase differentiator as the more than 100 carriers that are using Ratabase in production as their enterprise rating solution. CGI adds that key features and flexibility empower business experts to quickly deploy extremely complex rating programs and product segmentation in a fraction of the time and cost of other options.

## Professional Services and Support

There are currently 66 FTE employees providing support for Ratabase. They average between 15 and 20 years of experience. Multiple references gave the vendor staff high marks for performance with one stating that “the vendor support is unparalleled.”

## Customer Base

The US installed base is 67 insurers across all size tiers. Additionally, there are 12 insurers in Canada and 23 in Europe. Nineteen new companies have been signed since January 2007. Five installations are in progress.

The target market is midtier to top tier P/C carriers, with greater than US\$500 million in DWP. Named accounts include GEICO, Liberty Mutual, and Chubb.

The product has both a user group and a client advisory group. Feedback was received from one installation that “the vendor enhances the product with input from the customers.”

## Basic and Enhanced Functionality and Product Breadth

The base product includes all core rating functions surveyed by Celent except a web quoting tool. This can be added to the base system.

**Table 3: CGI—Ratabase: Rating Functionality**

Function	Supported?
Product Designer	Base
Date-driven Rating/Calculation Engine	Base
Create/update rating tables with spreadsheet (e.g., Excel)	Base
Testing Utility	Base
Displacement Testing—Ability to run existing book of business through proposed rate/product changes to determine impact	Base
Automatic Driver Assignment	Base
Forms Library	Base
State Filings	Base
Web Quoting Tools	Addition
Interfaces to Third Party Data (e.g., CLUE, MVR)	Base
Multiline Rating on a Single Policy	Base
Multicarrier Comparison Functionality	Base
Expiry mechanism for products to ensure that quotes are up to date	Base
Rating worksheet reports	Base
Testing debugging reports	Base
Business intelligence and analytics	Base
Management reporting dashboard	Base

Source: Vendor response

ISO, NCCI, and bureau workers’ compensation rate support are part of the product. Subscription programs for the maintenance of ISO and NCCI/bureau rates are available as an addition. Auditing of rate creation and rate file versioning is extensive, but there is no facility for audit parameters to be set up or changed with business rules created and maintained by a business user. Product definitions can be shared with other systems as part of the base product. An addition is required to allow Ratabase to consume product definitions from other systems.

**Table 4: CGI—Ratabase: Additional Components**

Function	Supported?
Offer a base insurance product (templates) that can be leveraged for building new lines/insurance products	Addition
Solution designed specifically to support ISO rates	Base
Subscription service for maintenance of ISO products	Addition
Solution designed specifically to support NCCI/Bureau Workers' Comp rates/rules	Base
Subscription service for maintenance of NCCI/Bureau Workers' Comp rates/rules	Addition
Once implemented, the line/insurance product definition can be utilized by a carrier's other systems (i.e. documentation for filing, marketing, integration)	Base
Rating system can use an electronic line/insurance product definition provided by a carrier's other systems	Addition
Role-based security	Base
Auditability of rating rules creation	Base
Auditability of rate file versioning	Base
Change control functions—track and document changes that are made, by whom, reasons making change	Base
Auditing parameters can be set up and changed with business rules created and maintained by a business user	Not available
Download to Agency Management Systems via XML	Base
Download to Agency Management Systems via AL3	Addition

Source: Vendor response

All standard personal and commercial lines are implemented. Other lines include watercraft, motorcycle, farmowners, inland marine, health and disability, and crime.

**Table 5: CGI—Ratabase: Lines of Business**

LOB	In Production?
Personal Automobile	Yes
Homeowners	Yes
Personal Umbrella	Yes
Commercial Automobile	Yes
Commercial Property	Yes
Commercial Liability	Yes
Workers' Compensation	Yes
Medical Malpractice	No
Other Professional Liability	Yes
Commercial Package (BOP)	Yes
Surety	No

Source: Vendor response

**Table 5: CGI—Ratabase: Lines of Business**

LOB	In Production?
Excess & Surplus	Yes
Specialty	Yes
Other	Watercraft, Motorcycle, Farmowners, Inland Marine, Crime, Field Compensation, Health and Disability

Source: Vendor response

## Usability, Reporting, and Analytics

Many features of the product combine to make it a powerful, yet accessible system. Information can be passed to and from Excel, facilitating the creation of rate pages, testing documentation, rating worksheets, etc. Rating attributes (field names) are English language and can be defined in a business-friendly manner. Finally, a utility named Data Validator controls the front end editing and validation of data. Users can update dropdown list values that appear in a user interface by altering the valid values in the rating engine.

The need for training varied among the reference clients. One reported that significant training was required, while others identified their needs at “moderate” and “little.”

Testing is supported from the coverage to the policy level. Tools allow for interactive test rating so that a user can “debug” rating formulas step by step. Testers can also assign error tolerances to individual test cases (e.g., issue warning message and continue, report fatal error and stop testing, etc.). There is a batch execute and compare feature for regression testing. Test cases can be saved as XML and exported for system and integration testing.

A wide variety of reports are included for management information and auditing. Example reports include: audit history, audit summary, rate filing history, cross reference report. Business intelligence and management dashboards can be added to the base system.

References singled out flexibility as a key usability benefit. All companies contacted rated their experience in making significant changes to the rating system as “excellent.”

CGI reports that business users are able to accomplish 100% of the tasks involved with changing rates, adding products, creating and changing workflow rules, and integration with the front end user inter-

face. According to the vendor, some IT assistance is required for configuring third party calls, and deployment of rates to user acceptance testing and production.

These claims are supported by the reference accounts. In all cases, business-ownership of rate and product creation and maintenance was between 75 and 100%. Some functions, such as third party call outs and integration with front end interfaces had very high business control rates and others had smaller percentages. Based on the feedback received, it appears that the Ratabase product can be business-directed if accounts choose to move these functions out of the IT department.

## Technology

Ratabase is on a .NET platform. It is database agnostic and can run under all operating systems and application servers.

The rating engine product exposes APIs that can be accessed by COBOL, .NET, C/C++, and Java components. Integration to agency management systems through an XML interface is available in the base and AL3 can be added. Role-based security is standard.

Ratabase has proven to be scalable in all available production environments. The largest accounts support between seven and 12 million policies and over US\$100 billion in annual premium.

## Implementation and Costs

According to CGI, new implementations take one to three months for the first line in one state and less than one month for subsequent lines and states. Teams are small with only two or three members, usually equally split between vendor and client staffs.

Implementation experiences of references consistently received the highest rating of excellent.

CGI offers term licenses. The initial license fee for a small insurer is reported as under US\$100,000. Total implementation costs in the first year are US\$100,000 to US\$250,000. License and support in subsequent years are under US\$100,000. In a larger insurer, the initial license is between US\$100,000 and US\$500,000. First year implementation costs are between US\$250,000 and US\$500,000. Ongoing license and support for large customers is in the US\$100,000 to US\$250,000 range.



## Summary

Ratabase combines functional, support, and usability features to form a significant offering in the stand-alone rating space. The large install base and positive endorsement by reference accounts make this an attractive option.



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