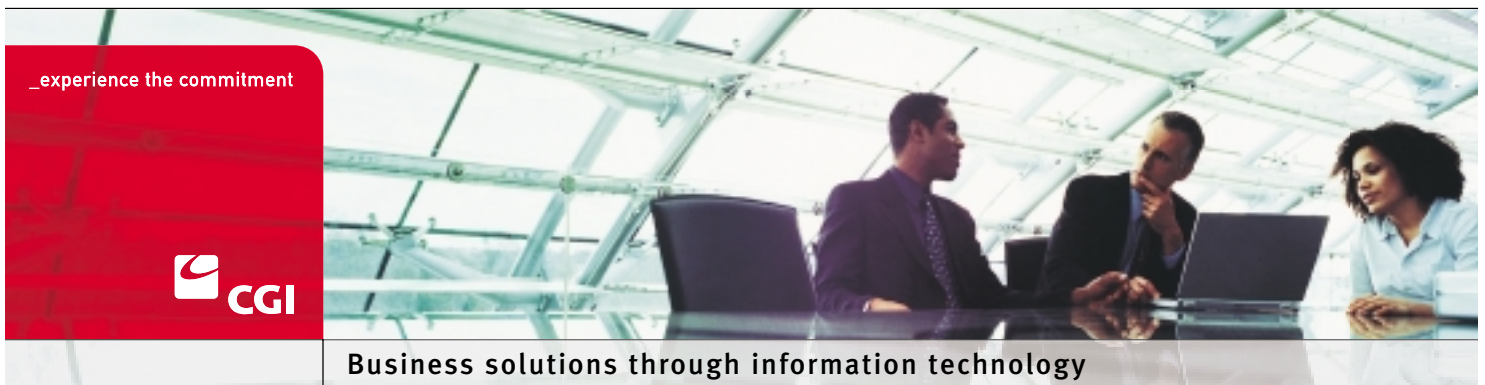


# Comparative Rating for the Insurance Industry



## TABLE OF CONTENTS

ABSTRACT	3
INTRODUCTION	3
COMPARATIVE RATING FOR THE INSURANCE INDUSTRY	3
TESTED AND PROVEN	4
BEYOND EXISTING SERVICES	5
BENEFITS TO INSURERS	5
BUILDING ON THE BENEFITS	6
ABOUT CGI	7

## Abstract

CGI has opened up the independent comparative rating market with a single rating source and rating service that benefits insurance companies, comparative rating firms, independent agents and customers. Rating algorithms at insurance companies are no longer only for batch processing or online quoting directly by their own agents. They can be accessed by intermediaries in a timely and secure manner. Online, real-time, Web-based rating information is now available like never before possible.

## Introduction

Converting property and casualty online insurance quotes into policies is not likely to happen if:

- there is a significant discrepancy between the online quote and the actual policy premium;
- the insurer's product does not reach the market in time to be competitive; or
- the insurance company's rating information is not interpreted accurately and kept current by comparative rating companies.

What if independent agents had free, direct access to an insurance company's rating information over the Internet through a single authoritative source? The insurer's information would not be interpreted by third parties. Independent agents would always get the right information to pass on to their customers. The insurer's product changes would take effect immediately.

As a result, the insurance company would:

- lower its operating costs;
- gain greater business agility;
- accelerate its products' time to market;
- improve quality and durability of its products; and
- enhance the organization's credibility as a fair insurance company.

This CGI white paper describes the alternative that now exists to apply cost-effective technology that stops the re-interpretation of an insurer's rating and lets the most accurate information flow smoothly between independent agents and a P&C insurance company via real-time Web-based access to a single source for rating.

## Comparative Rating for the Insurance Industry

Insurance companies now have a choice they have not had before. They can keep the status quo and send out their rating manual to the comparative rating companies who in turn interpret and implement the manual themselves and deploy the rating when requested by an agent. Or, by giving comparative rating firms and independent agents easy, direct access to their rating information, insurers can eliminate this current middle step of having their rates and rules interpreted by another party.

Clearly, the status quo presents problems for insurance companies, for raters, for the independent agents and ultimately for the prospective customers. All are affected when the comparative rater works from outdated information or inaccurately interprets the information from the insurance company. All are affected when new information from the insurer – such as a territory's rate change – is delayed by weeks by comparative raters too busy for timely updates to information. Neither is it to anyone's benefit when the interpretations of rates vary between comparative rating firms or online quote-generating firms. With multiple rating engines and numerous comparative rating systems engaged in proprietary coding, there are many opportunities for discrepancies and complaints. Even in a perfect situation, with no

misinterpretations and when the comparative rater is very quick at implementing the carrier's rating changes, discrepancies in premium occur due to the lag-time between when the carrier implements the change and when the comparative rater does.

Insurers are distanced from customers by a middle step that lacks any way of measuring its effectiveness. Suffice to say that many insurance companies get many "hits" for quotes, but the percentage of conversion of quotes to policies is often extremely low. Significant discrepancies between quote and issue are a customer disservice and have an impact on how competitive a company is perceived to be. It is time-consuming for insurers to track down faulty interpretations of their rating algorithms. Further, the more complex products are, the longer their adoption time by comparative raters.

Comparative raters need more direct access to the insurer's rating information. Now the technology exists – and has been proven – to provide an efficient, cost-effective solution. That solution is a rating service based on an accessible, single authoritative rating source at the back end of the insurer's systems. CGI can provide its Ratabase® clients with just such a solution.

Ratabase is a long-established rating solution for managing rates and rules within insurance company systems. Its architecture allows insurers to build business logic once and distribute it to a variety of platforms. Its many users have found the resulting access to business and rating logic has improved productivity, reduced costs and enhanced users' ability to integrate new technology into their business strategies. Ratabase is designed with portability in mind so it is easily deployed to new environments. Using Ratabase, an insurance product (rating program) can be built in the Windows based Ratabase Product Builder and then deployed to a mainframe, Unix or Microsoft Windows production environment.

In the comparative rating context, Ratabase is a natural fit as the rating component of a service-oriented architecture. With the implementation of the rating web service, Ratabase now provides a single authoritative source for rates and rules which, using XML and web services, can be easily accessed by a variety of consumers. Deploying Ratabase in this way effectively eliminates the need for comparative raters to interpret an insurer's information and provides instant access to the most up to date rating information.

#### **Tested And Proven**

CGI recently worked with The Hartford Financial Services Group, Inc. and, by leveraging the Ratabase XML implementation, created for that firm a rating service which is currently hosted on a Windows .NET infrastructure.

The rating service that CGI created enables the insurer to provide comparative raters with an accurate premium by accessing the insurer's own rates and rules through a secure web server. It quickly returns the information back to the rater's computer, typically without it being obvious that their computers accessed information that is not locally resident. All that is required by the rater is an Internet connection and the rating service access.

In developing this rating service, CGI worked with the insurer and several comparative rating companies to assess what technology might best enable such access to the insurer's information. Considerations included a review of the level of technological advancement of comparative raters and independent agents. It was determined that most agents have an Internet connection, making web browser-based access feasible.

A key required feature of the solution was that the distributed multi-tier architecture be based on ACORD (Agent-Company Organization for Research and Development) standards. In addition, it had to be an easily accessible service regardless of vendor platform. It was important to leverage existing capabilities and the investment in existing assets. A rapid

development and deployment was also essential. Further, the system architecture, functionality and approach also had to be compatible with comparative rating vendors to achieve their buy-in. Similarly, the interface and functionality needed to be compatible with internal business users' requirements. CGI decided that a solution based on the Microsoft .NET architecture would best achieve these goals.

CGI created a solution that is easy to use and adopt, and incorporates key features and functions such as the ACORD XML standard familiar to agents. This standard provides the foundation for the rating service's enhanced functionality that transforms the data from the ACORD XML for rating purposes and then back into ACORD XML for receipt by the agents. Because the rating service is responsible for the transformation of the ACORD XML data, users do not have to deal with the complexity of the rating requirements.

Nor do comparative raters need to install new software applications to use this streamlined rating. Implementing the rating service as a web service allows both vendors and the carriers to access the functionality of the rating service from any application on any platform. The only requirement is that the application is able to issue a hypertext transfer protocol (http) request over the Internet. This flexibility and ease of integration becomes more and more critical in today's environment of continuously evolving service-oriented enterprise architectures.

### **Beyond Existing Services**

Where current online services may appear to provide real-life rates, in fact they are not doing so if they are only connecting into an interpretation of rates and not providing a real-time quote from the insurer. This results in a lag time and probable discrepancy between the quote from the comparative rater and the actual quote and issue of the policy from the insurer, and the likely consequence of disappointed end customer prospects.

The Ratabase rating service, by comparison, offers true online access to current information and thus removes the probability of errors. Today, when The Hartford makes a production rating change it is immediately available to the on-line quotes submitted by comparative raters - accurate information yields accurate quotes.

In effect, the CGI-developed rating service has a "plug 'n play" simplicity in terms of both its implementation and use. It is a single host system to which everyone with authorized access can connect from multiple locations via the same service. Like having one clock with the correct time as opposed to several clocks that each show a variant of the time, this is a single point of maintenance for optimum accuracy.

CGI developed and deployed the service using Microsoft .NET framework for Web services and component software. The technical solution required no designing of user interfaces. Thus, it is transparent to users. Because the solution adheres to W3C non-vendor-specific standards for web service interoperability, comparative rater and other software applications do not have to be implemented in Microsoft technologies in order to access the service. Significantly, it is also at no cost to comparative raters and independent agents. It saves them time and gives them the potential to provide better service to customer agents.

### **Benefits to Insurers**

Meanwhile, the benefits to insurers are considerable.

**Improved conversion rate and a decrease in agent complaints** – A misinterpretation of rules by the comparative rater could result in an insurance company consistently registering a higher premium than anyone else. The rating service has proven to result in more hits and more conversions of quotes to policies.

**Faster time to market and greater business agility** – Instead of the typical 60 to 90 days of lag time for product changes, updates are now immediate. Maintenance is transparent and at no cost or effort to comparative rating firms. A delay by the comparative rater before an insurer's product is deployed to the client is no longer de facto.

This takes on increasing significance as the market demands more complex products. Complexity typically adds time and increases the potential for errors. However, because this rating service ensures that a change in one central place is represented in multiple places, product changes are expedited and new ideas are quickly implemented. This greatly improves product durability and time to market. As well, the ability to deploy changes without having to disseminate to all the comparative rating firms boosts response time to market changes and business opportunities.

**Lower operating costs** – Just providing connectivity instead of distributing manuals has lowered the costs of conveying information to all the companies. Because changes in rate structures are transparent to the comparative rater, insurers save the operating costs of dealing with many levels of intermediaries.

**Better integration** – The architecture enables CGI to set up comparative raters using XML and Web services. This means it can deploy with any applications, providing compatible access to whatever architecture/platforms in use.

**Improved quality through greater control** – As long as data captured on the front end is part of the ACORD standard, it is now available for interpretation in the rating environment without requiring comparative raters to make any adjustments to their systems. Because insurers no longer have to rely on interpretations of their rating, they can manage the quality of the deliverables and ensure premiums are what prospects expect them to be.

**Increased closing rates, improved conversions, protected credibility/reputation** – An insurer whose premiums are frequently out of line can quickly get the reputation of being an expensive insurance company.

**Increased market share** – The ease of working with the rating service facilitates an insurer getting agents to start representing them with minimal effort.

#### **Building on the benefits**

Once the rating service has been developed, it is relatively easy to then extend the access to other applications. In fact, extensibility and portability of a solution are essential to creating a solution that is not obsolete out of the gate. Ensuring a solution is extensible is vital to making it profitable.

The callable rating service has proven to have opened a host of possibilities now that the rating is not being held hostage on the mainframe. Other functions include a testing solution for 'what-if' analysis for product and service R&D.

Another key to getting the full advantage of any information technology is to work with trusted partners who not only build solutions that can bring extended functionality and benefits, but who also offer the flexibility of starting small and verifying the solution's business value at each stage of the implementation.

A good partner has the business depth and technical expertise to look beyond well-worn processes and find technology to improve a client's competitiveness. In the case of comparative rating, CGI has provided a technical solution that streamlines the process so insurers can more profitably work with intermediaries to their buyers.

As a result, rating algorithms at insurance companies are no longer accessible solely for use in batch processing or online quoting directly by their own agents. They can be easily accessed by intermediaries in a timely and secure manner, to the benefit of all involved.

With online, real-time, Web-based rating information now available like never before possible, CGI has raised the bar to a new height that brings more value to insurance companies, comparative rating firms, independent agents and, most significantly, their customers.

### **About CGI**

Founded 1976, CGI has worked with clients in a wide range of industries to help them leverage the strengths of information technology (IT) to optimize their business performance and produce value-driven results. We also offer a comprehensive array of business process outsourcing (BPO) services, enabling us to help manage and improve our clients' day-to-day business processes while freeing them up to focus more on strategic decision making. Our consulting, systems integration and outsourcing services provide a total solution package designed to meet our clients' complete business and technology needs. We approach every engagement with one objective in mind—to help our client win and grow. CGI provides services to clients worldwide from offices in Canada, the United States, Europe, as well as centers of excellence in India and Canada.

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