

real-time

RATING

The most powerful change carriers are making to help agents market, quote and write new business

BY DOUG JOHNSTON

Gone are the days of simple rating based on age, sex, marital status, territory, usage, vehicle age and symbol, and limits. The digital revolution has clearly transformed the insurance industry.

Today, carriers can calculate risk far more precisely and rapidly than they could a generation ago, leading to more effective resource allocation and competitive advantage. But there's a cost for this ability to calculate risk with greater precision: Agents and carriers need to find new ways to efficiently and accurately use customer-provided information to order supplemental data such as credit scores, motor vehicle reports, replacement cost estimates and more.

This cost has been relatively modest for captive agents, who might spend a few minutes more than before in gathering information about a prospective customer. They are working, however, with one system and one insurance company. Once the captive agent enters information in the premium-calculating program, a quote becomes available almost immediately, or in real time.

But for independent agents, who must collect quotes from tens of carriers, the increasing complexity of each carrier's rating and underwriting system typically means more time spent per potential customer. Historically, as each carrier developed its criteria for determining risk, it

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also developed a web site and software to receive risk-factor input and calculate premium rates.

Having to visit multiple web sites adversely affected the independent agents' advantage of being able to gather rates from a range of carriers. Today, if an independent agent wants an accurate quote, he or she is practically required to fill out an intake form on each carrier's web site. "It could take about a half hour to fill out each carrier's questionnaire," according to Mary Jones, account executive at First National Insurance, Pittsburgh.

Since much of the information provided to each company is identical or very similar, the independent agent spends a frustrating amount of time inputting the same basic data at each carrier's web site. Factoring in five or ten carriers, this process can take hours instead of minutes to complete. The disadvantage returns, too, when a carrier increases rates, driving customers to seek quotes from other carriers. Then the poor agent has to go through the whole process again, even though she or he already has all of the customer's information on the agency management system.

WHAT AGENTS WANT

To counteract that disadvantage, agents began advocating for a system "similar to travel web sites such as Orbitz® and Travelocity®," says Gary Lawrence, senior business consultant at Allied Insurance, Des Moines. Agents wanted a real-time, "round-trip" system—one that allows them to enter data in a standard format once and receive rates from multiple carriers in real time.

Over the past decade, progress toward real-time rating has come with common data standards such as ACORD XML, which theoretically allowed for a Travelocity-type transaction. The model has always been to base customer

and prospect quotes on the data gathered and stored within the agency management system, and to transmit that data directly to each carrier for an immediate quote. Ever-increasing complexity within carrier rating logic, however, has been a constant roadblock to this elusive efficiency. Until recently, agents have been limited to:

- Spending prohibitive amounts of time obtaining quotes from each carrier individually. This process requires the agent to enter risk data at each carrier web site, one at a time. This can take hours, factoring in all the variables that numerous carrier web sites might require, such as multiple drivers, vehicles, coverages, etc.
- Using third-party rating software to obtain quote estimates. The problem with this approach, aside from the licensing fees involved, is that agents need to verify the accuracy of the estimated quotes by accessing each carrier web site for recalculation. In some cases, this approach could be even lengthier than the first.
- Using real-time rating directly from the agency management system via IVANS® Transformation StationSM, whereby the data from the agency transmits simultaneously to all of its carriers that support real-time rating. In practice, however, many carriers still require the agent to complete a long list of additional carrier-specific questions and/or data corrections, making the process lengthy yet again. Further, many carriers do not actually provide a real-time response. Instead, they force agencies to bridge the data to a link on the carrier web site, where the agency accesses the real-time data and completes the rating process.

Recently, several carriers have rethought this process, and they did so from the agencies' perspective. Each carrier started with the common premise that it was already connected to agents for real-time rating, using the ACORD XML services of Transformation Station. The innovation occurred when the carriers began to focus on handling the data within the rating message, rather than on the data required by their complex back-end rating systems.

HOW CARRIERS ARE RESPONDING

Instead of allowing the complexity of their rating processes to dictate the manner in which their agents obtained quotes (that is, dictating the agents' workflows), the carriers thought about how to streamline the rating process to help agencies realize actual gains in the so-called war on keystrokes. In this concept, the carriers would not require agents to provide risk information that was 100 percent in accord with the carriers' specific rules. Instead, they developed rating logic that could interpret the incoming data in ways that yield valid and accurate quotes.

These new processes allow carriers to receive data transmissions and to respond in real time with highly accurate quotes, as long as the data received is "good enough." For example: If an agency requests limits not offered by the carrier, the carrier's rating logic might adjust the data to the next-better limits. If data from the agent were missing, the logic might insert a valid and reasonable value in the empty field. And some of these systems can accurately translate data elements into the specific values that the carrier's rating system requires.

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In such cases, since the carriers are effectively altering the original data that the agency sent, each carrier creates a quote worksheet that describes the data alterations and attaches the worksheet to the quote response back to the agency. After reading the worksheet, the agent can then go to the prospective customer and explain, "You asked for X, but this carrier offers only Y, and perhaps you should consider it because . . ." These new processes allow agents to obtain highly accurate quotes from multiple companies within a few minutes rather than a few hours. In addition, the frustrating, redundant data entry is nearly eliminated.

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Currently, most real-time rating strategies involve the agent entering data into an agency management system, bridging that data over into the carriers' systems, and completing the input through the carriers' portals. Eventually, the agency and carrier systems will integrate to the point that the bridging step will become unnecessary.

"That's the real-time round trip," says Angelyn Treutel, president at Treutel Insurance Agency of Bay St. Louis, Mississippi. "It means that the agency will never have to go outside of its own system."

"Developing our real-time round-trip rating system was a complex task," said Teresa Addy, business technology analyst at EMC Insurance Companies of Des Moines. "But when agents see the difference between our system and their bridging systems, they want to start using real-time round trip as soon as they can."

Addy pointed out that EMC's system has a success rate of better than 90 percent, and that there can be as few as five to ten seconds between when the agent hits Send and the quote appears.

Among the many elements that enable the development of real-time rating systems is the electronic link of customer-provided information to other databases that use the information. For example, Social Security numbers link to credit scores, and an address could link to information such as distance to nearest fire station and/or fire hydrant. These links reduce the intake load on agents.

REAL-TIME ADVANTAGES

Agents who have moved to real-time rating systems do not want to do without them. They cite a number of newfound luxuries:

- The systems save considerable amounts of time during initial input.
- Those who have moved from third-party rating software aren't "incurring third-party licensing fees and having customer information residing on third-party servers," according to Elaine Bugyi, agency interface support coordinator at New York Central Mutual of Edmeston, New York.
- When an agency receives quotes back from ten or more carriers, it can quickly choose the best two or three, spend whatever additional time may be required by only those few to clear up any inconsistencies or omissions, and close the deal with the client.
- When a client decides to shop around again because a carrier is taking a significant increase, the agency can simply pick up all the information already keyed in and provide the client with new quotes, while the client waits at the agency or another location. The quote could be done by telephone. Says Gary Lawrence of Allied Insurance: "However good the system is for new business, it's twice as good when remarketing an account, especially commercial lines."

Carriers who developed these modern rating systems realize the advantage the systems have for agencies. "The real-time rating systems allow the independents to remain independent," says Addy. "They save the agencies time that they can then spend on sales and better service. They give the agencies more chances to develop new business."

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These carriers see that enabling agencies to determine their own workflow, and saving the agencies the time previously spent in repeated input, makes the agencies more efficient and competitive. Those advantages are so compelling that agencies will migrate toward the carriers that offer state-of-the-art interface technology solutions.

CONCLUSION

Innovative insurance companies are giving life to the rating process that agents and brokers have wanted for more than two decades. Streamlining real-time rating by loosening data requirements and providing real-time quotes is revolutionizing the way agents and carriers market business together. The process has created a new paradigm for rating, allowing agents and carriers to realize tremendous benefits in growing and managing business.

The leaders have shown the way, and the time is right for all carriers to begin offering effective round-trip rating in their real-time offerings. In growing numbers, agencies understand that the advantages of using modern real-time rating far outweigh any of the alternatives—even if all of their carriers are not there yet.



Doug Johnston is among the insurance industry's most stalwart advocates of ACORD XML and the web services movement for enhancing the independent agent's position. His career lifetime in insurance includes more than two decades at Applied Systems, where he is vice president of Partner Relations & Product Innovations. Doug's private life mirrors his professional drive to achieve the next great technology advancement. An outdoor fitness enthusiast, Doug recently added snowshoe racing to a repertoire that includes running, cycling, swimming and kayaking.

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