Living Policy Change

Scott Andrew
CEO,
Custom Software
Solutions Inc.

Opinion/Analysis

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Following up on a June 2008 *Canadian Underwriter* article, "Automating Policy Changes: Bringing Life to Change," the executive of Custom Software Solutions Inc. felt it necessary to share knowledge acquired over the last nine years — knowledge based on its work on a policy change automation project. We have titled this article "Living Policy Change," as this is what we have done for almost a decade.

Custom Software Solutions has a working model in use in more than 200 brokerages across Canada, a model that supports automation of all policy transactions from within a single-entry, multiple-carrier interface (SEMCI), broker-friendly system. On this basis, we are equipped to address some concerns, facts and issues put forward in the June article.

The author of the June article was correct in stating: "Policy change is arguably the most complex insurance transaction and represents a weak link in the efficiency of the traditional broker distribution channel. Automation challenges associated with policy change/endorsement for both broker workflow and insurer technology are real and numerous." Some have likened automated policy change to the Holy Grail, perhaps in equal part due to its perceived great value and elusiveness. But we do not agree with the statement in the article that says: "Future efforts will likely involve a much tighter integration between broker management system (BMS) vendors and insurance companies." We will explain this concept later in the article.

AUTOMATING CHANGE

The task of automating policy change (along with all other transactions) was tremendous; its achievement required a number of strong partners along the way — partners willing to persevere through the ups and downs of a complex and challenging project. We chose one partner insurance company and had buy-in from the partners and staff at our sister broker company.

Our project caught the attention of the Canadian Advanced Network and Research for Industry and Education (CANARIE), a Canadian

not-for-profit corporation mandated to facilitate improved Internet access and develop the use of next-generation research networks and the applications and services that run on them. CANARIE is supported by its members, project partners and the Government of Canada. CANARIE's E-Business program provided Cdn$1.175 million in research and development in 2003.

Current solutions are designed to allow policy issuance and policy change processing with exception-only underwriting within a SEMCI environment.

Automating policy change starts where the broker starts — the point of sale with the client. The broker collects all the necessary data to underwrite and rate the risk at this point. The rating and underwriting tool the broker uses must retain this information: any future change requires all the information be used again to underwrite and rate the risk, facilitating an automated point of sale change. Existing BMS systems do not have the ability to retain all the data, underwrite, rate and incorporate business and business process rules. The bottom line is they cannot facilitate change requests within a SEMCI environment.

ORIGINS OF I-BIZ
Our existing rating and underwriting module (Intelliquote – IQ) was extended to develop this automated transaction solution, which we refer to as I-Biz. The broker facilitates the change from within their system, ensuring accuracy and limiting errors. In addition, through I-Biz, brokers are able to calculate change premium for the client at the point of sale. This solution electronically exchanges 100% of the edited and

underwritten risk data — or a subset of this data, depending on what the insurance company requires — from the broker's system to the carrier insurance company. This allows policy issuance and policy change processing with exception-only underwriting intervention within a SEMCI environment. The processed policy data then flows back to the broker's office and automatically updates the broker's policy/client management, accounting and billing systems (non-vendor specific). These transactions can happen in real time or with a batch system, depending on the insurance company's back office systems and business rules.

In order for a broker to manage a risk today and in the future, 100% of the information initially collected to underwrite the risk needs to be retained by the broker for future use. IQ, and by extension I-Biz, was designed around the broker-client point of sale; it allows the broker to build on the information collected in each step of the underwriting process, requiring entry of each data element only once. This evolution in data collection and management — including its dynamic interaction with the companies' rating and underwriting philosophies and concepts — is known as Dynamic Data Standards Management (DDSMS). It forms the basis for the design of IQ.

IQ/I-Biz is designed in a modular format capable of being integrating with other BMS systems. This concept allows brokers to receive all the benefits of IQ/I-Biz and its electronic data exchange capability, but at the same time retain their investment in their current systems.

I-Biz is a product and workflow that allows both the broker and the insurance company to become more efficient and competitive in the industry. Feedback from the 200 brokers running I-Biz has been very positive: reports include

evidence of increased revenue and lower expense ratio related to streamlined sales, renewal and administration processes. Company benefits include reduced processing, entry, underwriting and errors on both new business and policy changes. This, in turn, leads to increased support from brokers.

FUTURE CHALLENGES
In developing this working solution, many challenges have been dealt with on both the broker and company sides. Policy sequencing and coverage item re-ordering was solved; missing data was filled using assumed values provided business rules allowed for it. Underwriter intervention was streamlined based on insurance company and broker rules to minimize human interaction and improve efficiencies.

The I-Biz process and workflow embraces the broker vision of SEMCI for all transactions. Next steps include an insurance company product called I-Broker, which places the I-Biz tools in a company's Web site, thereby allowing

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an insurance company to offer brokers transaction processing through that portal. This product is an available add-on to I-Biz, so companies can offer an automated solution to their brokers whether they use IntelliQuote or not.

Custom Software Solutions and its partners are pleased with the progress made to date on creating a SEMCI broker solution for all transactions including the difficult policy change request ≡