



Insurance Company Accelerates Time-to-Market 25 - 37 Percent with Policy Rating Engine

Overview

Country: United States

Industry: Financial Services; Insurance

Customer Profile

Electric Insurance Company (EIC), based in Beverly, Massachusetts, provides umbrella, automobile and homeowners policies to General Electric employees and the general public.

Business Situation

Electric Insurance wanted to speed its time-to-market for new products and to increase the competitiveness of its existing lines of business.

Solution

Electric Insurance deployed V1STA RateMaker from Decision Research Corporation, which utilizes Microsoft® technologies to streamline the publishing of new insurance rating plans.

Benefits

- Time-to-market 25 to 37% faster
- Savings in labor costs of 90 percent
- Improved quality assurance
- Greater product flexibility
- Increased adaptability

"Decision Research has changed the way we do business by empowering the right people with the right tools."

Kate Hubbard, Manager of Information Technology, Electric Insurance Company

Electric Insurance Company (EIC) wanted to shorten its release cycle for new products and add flexibility to existing offerings. EIC's pricing analysts were modeling price changes in spreadsheets, and its IT department then redundantly coded the new rates in COBOL. EIC turned to Decision Research Corporation (DRC), a Microsoft® Gold Certified Partner, to help streamline the process. DRC deployed V1STA RateMaker, a rating engine that utilizes Microsoft Visual Basic® .NET and Microsoft Office Excel 2003. V1STA RateMaker receives the analysts' spreadsheets as its input to generate rating services, bypassing the need to reprogram new rating calculations. The DRC engine has hastened EIC's nationwide roll-out of a new personal umbrella product by 25 percent, and the company projects a 37 percent decrease in time-to-market for its homeowners offerings.

"I didn't see anything else on the market that was as robust and easy to use as V1STA RateMaker."

Steve Coyne, Manager of Information Technology, Electric Insurance Company

Situation

Electric Insurance Company (EIC), based in Beverly, Massachusetts, began business in 1966 as a direct insurance writer for General Electric employees and expanded its services to the general public. Recently the company began to sell policies through independent agents.

Wanting to increase its competitiveness among this broader range of consumers, EIC hoped to decrease the time it took to release new products as well as to make its existing lines of business more flexible and responsive.

"One of the things that keep your business vibrant is to introduce price and product changes quicker," explains Steve Coyne, Manager of Information Technology at EIC.

The company realized that it could generate efficiencies by streamlining its rating processes.

Analysts in EIC's pricing and underwriting department had been modeling new rate structures in Microsoft® Office Excel 2003, and then giving those models to the company's IT department for programming, testing, and deployment. IT staff would recode the new pricing frameworks in COBOL on the company IBM mainframe, essentially duplicating the computational work, increasing the possibility of mistakes, and complicating the testing process.

"The pricing analysts would provide us with a huge spreadsheet," recounts Kate Hubbard, Manager of Information Technology, "and we would key in those rates. Obviously human error is the first vulnerability in that system. Then there's the fact that unit and integrated testing was occurring in isolation from those who had the pricing expertise, which made the process more difficult."

"EIC wanted to put the job of creating new rate structures in the hands of the right people—those making the actual pricing decisions," she concludes.

Solution

EIC reviewed software it could use to simplify its methods and selected V1STA RateMaker, a Web services rating engine from Decision Research Corporation (DRC), a Microsoft Gold Certified Partner.

"I didn't see anything else on the market that was as robust and easy to use as V1STA RateMaker," recounts Steve Coyne. "We also had a relationship with DRC because of two other client-server products we use, so they had a good reputation in our business."

EIC decided to deploy V1STA RateMaker first in a pilot project—a new personal umbrella policy. The insurance company performed the implementation itself, relying on DRC for support and training as needed.

V1STA RateMaker is comprised of three elements:

- RateMaker Manager, a Microsoft Visual Basic® .NET-created front-end for design and administration
- RateMaker Compiler, a component responsible for compiling policy rating modules from Excel 2003 spreadsheets
- RateMaker Broker, a Web service that relays requests for pricing information from enterprise applications to the rating modules

V1STA RateMaker allows pricing analysts to take on a development role. First, these pricing experts take advantage of their existing knowledge of Excel as they continue to model rating changes in that familiar application. Once analysts complete a rating spreadsheet, they launch the RateMaker

"V1STA RateMaker is shrinking a work year down to a work month."

Steve Coyne, Manager of Information Technology, Electric Insurance Company

Compiler, which uses that spreadsheet to compile the RateMaker Broker Web service.

Specifically, the Compiler extracts Excel data and formulas and stores them in XML files. Next, the Compiler extracts the spreadsheet calculation logic and compiles it into a Practical Extraction and Reporting Language module that runs within the RateMaker Broker. Enterprise applications residing on any platform can then call the Broker to generate insurance policy quotes.

This process bypasses the need for the IT department to recode the rate structures in a programming language such as COBOL.

To host the V1STA RateMaker Broker, EIC installed a Compaq DL380 server running Microsoft Windows® 2000 Server Professional Edition operating system. The Broker Web Service can run on UNIX platforms as well, but EIC wanted to remain consistent with its existing Microsoft infrastructure. "We [utilize] the Microsoft tools wherever we can," Kate Hubbard asserts.

In EIC's case, a mainframe generates quotes for internal employees or customers accessing the company's Web site. EIC installed a bridge service from ClientSoft on the mainframe to call the V1STA RateMaker Broker for the umbrella policy. When an end-user requests a quote, the mainframe application calls the ClientSoft bridge service, which in turn posts a request to the Broker using a socket interface. (V1STA RateMaker also supports SOAP, Websphere MQ, and direct file access as interfaces.)

EIC deployed the new personal umbrella policy within four months, including coverage for three states. (Because each state requires a separate rating framework, a discrete roll-out for each state is necessary.) Pleased with the success of the initial pilot, the company

has thus far introduced its umbrella product in 14 additional states and implemented V1STA RateMaker in an upgrade of its homeowners insurance offering.

Benefits

V1STA RateMaker has enabled EIC to make a fundamental shift in its business process to realize a number of significant benefits.

25 – 37 Percent Faster Time-to-Market

By eliminating the role of the IT department in programming rating modules, V1STA RateMaker has accelerated EIC's release cycle for each new state. The timeline for a new state's product release and all of its associated tasks has decreased from an estimated two weeks to one and a half, shortening the overall time-to-market by 25 percent.

EIC anticipates a 37 percent faster roll-out of its homeowners offering, which is much more complex than the personal umbrella policy. "By deploying V1STA RateMaker, we're estimating that the cycle for introducing the homeowners product in an individual state will be shortened from 16 weeks to 10 weeks," asserts Hubbard. "And that's not for a simple rate change, but a complete product change."

"In addition," she continues, "with the V1STA RateMaker approach, EIC can develop more states concurrently, which shortens the overall time on the calendar even more."

90 Percent Savings in Labor Costs

EIC also expects significant savings in labor costs due to the shortened development cycle. "Before, developing an umbrella policy rating module for a single state would have taken one IT person a week," estimates Coyne. "Now, with V1STA RateMaker it takes half a day, since we just need to set up our mainframe to recognize the new component

that the pricing analysts have compiled themselves.”

With EIC’s previous process, programming for the personal umbrella product would have taken a total of 50 weeks, one for each state, as compared to five weeks total for all states with V1STA RateMaker—an impressive 90 percent decrease in product development time.

“That means V1STA RateMaker is shrinking a work year down to a work month,” Coyne calculates. “We anticipate that same kind of savings on our homeowners product, and eventually on our auto policy product.”

The cost reductions EIC realizes from using V1STA RateMaker will generate ROI quickly. Based on Coyne’s estimates, EIC will have covered its initial V1STA RateMaker license and implementation expenses with approximately half of what it would have cost previously to deploy the umbrella policy product.

Improved Quality Assurance

V1STA RateMaker has also improved EIC’s quality assurance process by enabling pricing experts to perform unit and integrated testing themselves, directly applying their detailed knowledge of how rate structures should work and which factors should affect potential outcomes.

“The DRC solution lets EIC’s pricing people test updates in their own desktop environments using Excel and V1STA RateMaker,” explains Hubbard. “When the analysts are done, they hand me a compiled Excel spreadsheet. I literally drag and drop it to the Windows 2000 Server, and we execute it from our mainframe.”

Automating the process of moving the pricing logic from a spreadsheet to an enterprise service also reduces mistakes. “V1STA

RateMaker gives us a faster roll out with fewer inaccuracies. There’s a big step removed where human error could have an impact,” asserts Hubbard.

“There’s always going to be an error factor,” Steve Coyne elaborates, “But there’s less of one now with V1STA RateMaker. And that contributes to a number of positive factors, such as increasing customer satisfaction and eliminating exposure to audits.”

Greater Product Flexibility

V1STA RateMaker has also increased the level of specificity that EIC can include in its products. In particular, the new homeowners offering is “much more granular” than its predecessor, according to Coyne.

“We needed to make our homeowners pricing approach more contemporary. V1STA RateMaker enabled us to relatively quickly add many new rating variables and, more important, it gives us the flexibility to quickly respond to changes in the marketplace in the future.”

“To get all of that into our old system would have taken far longer,” Hubbard continues. “V1STA RateMaker has given us the flexibility to add components with which we can rate much more competitively and appropriately.”

Increased Adaptability

Finally, V1STA RateMaker has given EIC the agility to respond to ongoing market changes more quickly, introducing rate adjustments, discounts, surcharges, and the like without involving programmers and quality assurance engineers.

“The pricing department will be able to greatly increase its pace of rate changes,” says Coyne. “Not only that,” he adds, “but the DRC and Microsoft solution frees up more resources to increase product development.”

For More Information

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For more information about Decision Research Corporation products and services, call (800) 836-6057 or visit the Web site at: www.decisionresearch.com/

For more information about Electric Insurance Company products and services, call (800) 227-2757 or visit the Web site at: www.electricinsurance.com/

EIC's success with V1STA RateMaker in its personal umbrella and homeowners offerings has encouraged plans to extend the solution to auto insurance, a much bigger product.

"The homeowners deployment with V1STA RateMaker proved out very well for us," declares Hubbard. "It confirmed the solidity of the whole solution. The DRC and Microsoft combination gives us good performance and a reliable platform. It could really be a boost to our auto insurance line of business."

"V1STA RateMaker helps EIC offer more competitive products and increase market agility," she summarizes. "Decision Research has changed the way we do business by empowering the right people with the right tools."

Microsoft Windows Server System

Microsoft Windows Server System integrated server infrastructure software is designed to support end-to-end solutions built on Windows Server 2003. It creates an infrastructure based on integrated innovation, Microsoft's holistic approach to building products and solutions that are intrinsically designed to work together and interact seamlessly with other data and applications across your IT environment. This allows you to reduce the costs of ongoing operations; deliver a more secure and reliable IT infrastructure; and drive valuable new capabilities for the future growth of your business.

For more information about Windows Server System, go to: www.microsoft.com/windowsserversystem/

Software and Services

- Products
 - Microsoft Office Excel 2003
 - Microsoft Windows 2000 Server Professional Edition
 - Microsoft Visual Basic .NET

Hardware

- Compaq DL380

Partners

- Decision Research Corporation

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