



White paper

Tackling the Complex Challenges of Commercial Insurers with Duck Creek Solutions

More Information, More Challenges

Commercial insurance is an information juggernaut. The sheer volume, myriad sources, and constant change of data make it uniquely challenging to model, price, process, and service large-schedule policies – and handle complex claims – at the pace of today’s business. Duck Creek supports some of the world’s leading commercial insurers with solutions designed for volume, complexity, speed, and, most of all, change.

This white paper explores the unique challenges facing commercial insurers today – and outlines the ways in which Duck Creek solutions can turn those challenges into opportunities.

Mergers, Acquisitions – and Multiplying Data

The inherent complexity of insured parties’ data, the volume of paperwork involved in often high-touch underwriting, and the size of many policy schedules make commercial insurance a particularly difficult industry in which to conduct business. As businesses grow, economies expand, and nations develop, profitable companies often take advantage of market opportunities through mergers

and acquisitions. For commercial insurers, this means that single policies now have to be written for entities as small as a sole proprietor with a home office or as large as a multinational corporation with dozens of physical facilities, thousands of employees, hundreds of thousands of pieces of business equipment, and millions of customers.



Sole Proprietors



Large Corporations

When any one of the line items on a large-schedule policy changes, such as one issued to a big-box retailer, it affects the premium for the entire policy, and myriad variables must be accounted for in recalculating premium appropriately. Often, many of these changes (mid-term policy amendments or endorsements) must be processed at once, which, as a manual process, can take weeks.

Timing is Everything – and it Isn't Always on Your Side

Complicating matters, out-of-sequence endorsements (non-chronological policy changes, where a change needs to be retroactively applied) force the entire policy to be re-rated, and premium re-calculated based on the change as of the past date to which it was applied. With legacy systems or manual processes, this can take hundreds of person-hours to underwrite, as it not only takes into account any current endorsements and their effect on premium, but also an entirely different calculation with an effective date in the past – a very different process than changing rates between terms. The entire time period from that endorsement effective date to the present, including any in-sequence endorsements made in that period, must be factored into the new rating calculations and resulting premium. If all of this sounds exceedingly complex, you read it right.

A Real-World Scenario

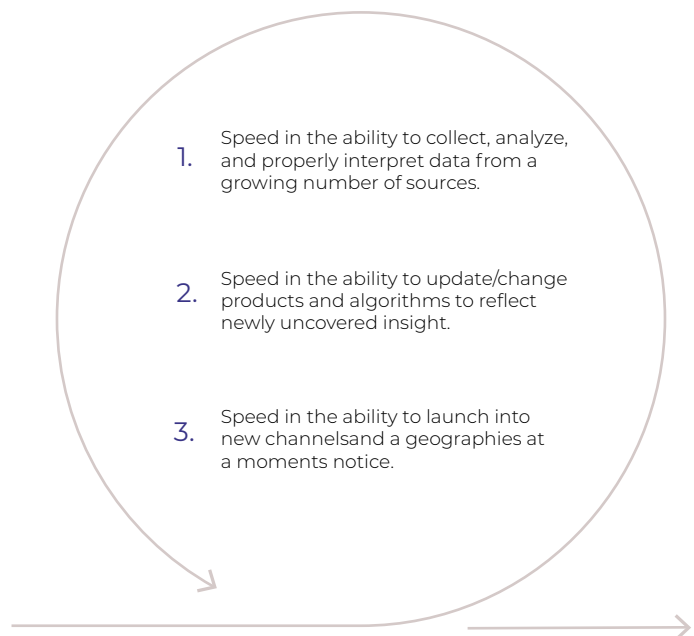
As an example, let's say a consumer packaged goods (CPG) manufacturer has two office buildings and five production facilities in its portfolio. On Monday, five assembly line workers begin newly created roles at the production facilities (one at each location). On Tuesday, both of the office buildings get four new accountants each, one of those buildings also gets a new break room with a full kitchen, and one of the production facilities loses a forklift operator and two line managers to retirement. On Wednesday, one of the offices gets a new ADA-compliant elevator installed. On Friday, all of this gets reported to the company's insurer. The insurer needs to process all of these policy changes at once to generate an appropriate premium based on the status of each factor in the chain at the time it happened, and compute them all chronologically. To do so manually or with systems that can't handle this level of complexity requires massive effort and can lead to backlogs in premium processing, potentially either leaving the CPG manufacturer under-insured or costing the insurer lost premium.

To make matters more complicated, large commercial policies contain many thousands of line items (hence the term "large-schedule policy"), and each one factors into the rating and premium of the policy, so each one must be factored into premium calculation. Where a personal auto policy might have as few as a half dozen line items (variables) affecting the policyholder's premium, a multi-national corporation may have millions.

Speed Wins the Day - The Broker's Dilemma

Insurance brokers are often employed by larger corporations to shop multiple insurers for quotes. When multiple carriers are attempting to quote premium on a large-schedule policy, it can be tempting for a broker to present the quotes that come in fastest to their clients, regardless of whether the last carrier to provide a quote may actually offer the best coverage or lowest premium. The ability to produce accurate premium quotes on these policies as quickly as possible is critical to winning and maintaining business.

Speed and Agility



Regulatory Compliance - an Uphill Battle

As if the process of properly rating risk and maintaining policies wasn't already complicated enough for commercial lines insurers, regulations handed down by numerous entities (and updated frequently based on many variables) can make the process of creating and maintaining compliant insurance products labor-intensive and inefficient. Keeping up with bureau circular updates and maintaining full regulatory compliance in every geography represents a real threat to the speed to market commercial insurers need to introduce and maintain their products faster and more efficiently than their competitors. Compiling this information manually in order to introduce new products - and maintaining them in a similar fashion - represents an enormous loss of productivity that today's carriers can no longer afford to write off as a legacy cost born of unavoidable operational necessity.

A Modern Solution

Duck Creek Rating can handle extremely complex calculations in minutes, not weeks, saving untold underwriting time. And when used in concert with Duck Creek Policy, complex series of back-dated, out-of-sequence endorsements are not only accurately factored into pricing premium, these changes are automatically applied to every aspect of the policy in question.

Duck Creek's single-point-of-change functionality incorporates rating, rules, forms, pages, and data into one product definition, enabling updates to be completed once and reflected across an enterprise, reducing system time and costs. This also yields increased operational efficiency, thanks to straight-through processing and accelerated rate changes and approvals. In addition, referral processing can save underwriting time by identifying policies that have come up against a defined underwriting condition and need to be manually reviewed by an underwriter. Processing changes involves more than rating and transactional processing; it's truly underwriting risk.



Duck Creek Rating's ability to produce accurate quotes rapidly is a key advantage for commercial insurers, whether the quote is requested by an insured party or a broker. What's more, working with a carrier that uses Duck Creek Rating (and, ideally, Policy) thus enables the insured to make better real-time decisions about everything from purchasing new equipment for one small facility to acquiring a major competitor.

Commercial lines carriers can choose a strategic approach by implementing a stand-alone rating engine for a single new line of business or opt to replace a legacy rating engine outright. Duck Creek Rating's user-friendly single-point-of-change tools help drive product consistency and accelerate development and change processes, enabling and accelerating business growth while reducing IT workloads. Duck Creek Rating can be utilized as a black-box rating engine (stand-alone, integrated into an insurer's existing policy solution) or as a companion to Duck Creek Policy.

“What-If” Modeling

Another powerful attribute of Duck Creek Rating for commercial insurers is the ability to process advanced predictive modeling – what we like to call “what-if” modeling. This means that a growing corporation considering a mid-term policy change such as the purchase of a new facility can get an accurate assessment of the effect the purchase will have on their premium; the same is true of a small, family-owned business evaluating the possibility of hiring a part-time employee. Duck Creek Rating’s best-in-class predictive modeling capabilities let carriers prepare for underwriting workloads, produce data for filing, and evaluate the rate change impact on a book of business prior to moving any product update or change into live production. If an insurer wants to increase rates or add a new rating factor to their premium calculation, Duck Creek Rating’s modeling capabilities let the carrier see potential impact to their book of business if they introduce that change, giving them the ability to plan ahead with as much actionable data as possible.



Eliminating manual processes

Commercial lines content and standards like ACORD, ISO, and AAIS are the fuel on which the industry runs, but their volume, complexity, and constant updating make them a beast to implement and manage. Fortunately, the pre-built lines of business templates and circular updates available in Duck Creek Industry Content can transform the manual effort of creating commercial insurance products - and maintaining them to meet regulatory requirements - into an ultra-efficient, highly automated process. Why start from scratch in designing your policies when rich, pre-packaged templates can get you most of the way there? With Duck Creek Industry Content, the only thing left for insurers to do is configure their unique customizations - all without writing a single line of code. After that, with Duck Creek templates, circular updates are done automatically 90 days prior to effective date, and implemented across applications.

With Duck Creek Templates, in combination with the Duck Creek Platform’s powerful product definition and lifecycle management toolset, commercial insurers are able to define and maintain insurance products in a single, integrated development environment. Duck Creek has ISO®, NCCI®, AAIS®, and state-based workers’ compensation product definition templates to aide insurers in rapid product definition. Our Templates offering supports rates, rules, forms, statistics, and state taxes and surcharges.

Case Study: BHSI

Established in 2013, Berkshire Hathaway Specialty Insurance (BHSI) developed out of a vision for a new kind of commercial P&C insurance business - one that could compete and succeed globally by focusing on rapid product development and deployment, as well as minimal overhead. The company began with no IT infrastructure and no IT staff, but needed core policy and claims systems to hit the ground running. With the luxury of building from scratch, they sought modern, nimble solutions that could support current and future business - with IT costs near industry lows as a primary objective. This led BHSI to build their nascent operation's technological strength on the power of Duck Creek OnDemand, our SaaS solution for the P&C insurance industry, for the implementation of Duck Creek Policy and Claims.

Goals

BHSI was founded in 2013 with the broad mission to create a sustainably profitable P&C company - quickly, and from scratch

The firm aimed to launch 40+ products in 18 months and keep their IT costs among the lowest in the industry

A full-service SaaS solution was key

Challenges

No existing IT infrastructure or staff

Fully-functional Policy and Claims systems required for business to be written

Every aspect of running the core systems handed off to Duck Creek -from hosting and security to maintenance and upgrades

Outcomes

Implementation of Duck Creek Policy and Claims OnDemand completed ahead of schedule; Claims in 2 months, Policy in 7

BHSI now live with 60+ products and nine+ lines of business in 50 U.S. states and across ten countries

Carrier able to focus on product and customer strategies

IT costs at industry low

Conclusion

For commercial insurers, the ability to rapidly and easily process complex data - and act on it swiftly - is a critical competitive advantage. Duck Creek supports the complex, constantly evolving schedules of some of the world's leading commercial lines carriers with a rating engine, policy administration system, and industry content library built for volume, complexity, speed, and - most of all - change. It's time to make the limitations of legacy systems and manual processes a thing of the past.

“Berkshire Hathaway Specialty Insurance is a rapidly growing business, and needs a robust and flexible core insurance IT platform that gives us a competitive advantage. Duck Creek helps us achieve key business objectives including accelerated product launches, enhanced claims management, and a streamlined billing process. The combination of the full-scale functionality of the Duck Creek Suite and its ability to offer these capabilities as a SaaS solution makes Duck Creek the ideal business partner for this highly strategic initiative.”

Jamie Roser | CIO | BHSI