DECISIONS

# Best Practices for Automating the Insurance Quote

Insurance firms can no longer rely on their expertise in underwriting, claims processing, and marketing to stay competitive. Insuretec firms are leveraging technology to create competitive advantages and organizations across the value chain need to respond. Big data, AI, and cloud services are setting the foundation for changing how the traditional insurance carrier operates.

Pricing risk is a core competency of any insurance operation and those that can do it more effectively will be more successful. Automating the process of delivering a quote that is profitable and quick has a direct impact on an insurance firm's bottom line.

With digital transformation, customers' expectations have evolved with the technology. If your competition delivers a quote faster than you, your chances of winning the deal drop significantly. Any deceleration of the velocity of a deal can kill it. Quote automation is an essential tool for keeping prospects engaged to drive revenues.

Benefits of automating the insurance quotation process:

- Move from quote to cash more quickly. Letting automated processes take over from the moment a quote is prepared helps create new policies much quicker than if you were to do this manually. This gets the paperwork in front of your customers and cash in your pocket faster.

- Remove human error from automated tasks. When your rules engine performs calculations on things such as rates and commissions, you aren't subject to the mistakes a person may make.

## Typical Automation Challenges

Automating policy quoting is not without its challenges. Take the life insurance industry for example. Creating insurance policies is predicated on answers to several questions, some of which include:
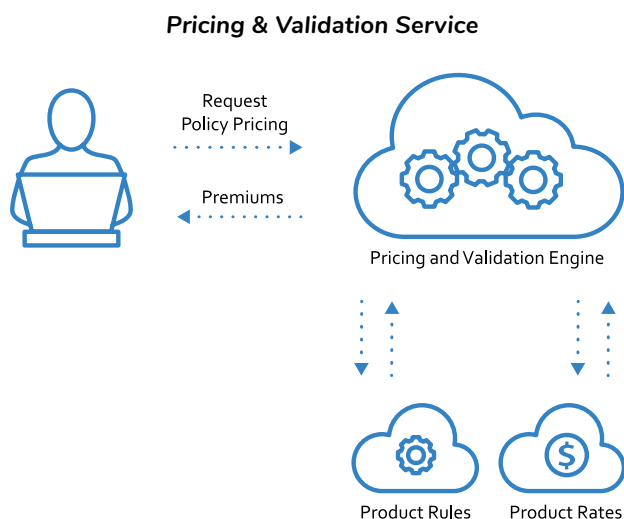
- Does a potential customer meet the basic qualifications?

- How does a rate change based on the answers provided on a form?

- What is the maximum coverage of a policy?

- What is the agent's commission for an individual customer?

These questions have a direct bearing on how a policy is quoted. Automating the process of getting these questions answered is the foundation of quick pricing. Unfortunately, this is not always easy. First data needs to be accessed from multiple systems including a customer relationship management (CRM) system or a policy administration system (PAS). In many insurance companies these are old legacy systems that are hard to access with software. Also, the rules that define pricing are not constant. To effectively automate policy quoting, the rules that drive the process, for example, taxes or discounts need to adapt to changing market conditions.

These decisions, whether they be about policies, constraints, or calculations, are easier to automate with a rules engine in place.

# Using Rules to Automate Everything

Leveraging a rules engine to build a pricing and validation service is a great way to automate the quoting process. A rules engine like Decisions is easy to integrate with legacy systems and enables visual development of rules so they are human-readable. These rules can orchestrate data from multiple systems and apply rules that define the price of any policy, no matter how complex.

### Pricing & Validation Service



Request Policy Pricing

Premiums

Pricing and Validation Engine

Product Rules          Product Rates

## ANALYZING THE PROCESS

The first requirement of an automated quoting service is gaining access to the right data to support business rules. This may include policy administration systems, an enterprise data warehouse (EDW) or customer relationship management applications. Some of the benefits of the Decisions no-code process automation platform is that it can be dropped into almost any environment, leverage multiple approaches to connect to legacy systems and works with existing data models.

With access to data, the Decisions platform has the resources to automate the quoting process. The first step in the process is getting data from the CRM system and validating it. Typically the CRM system will provide data such as:

- The requested benefits of the policy

- Customer information

- Payment frequency

Once the customer and policy details are delivered to the Decisions platform, rules can validate the policy to see if all the data required is present. If data is missing the platform can deliver an error message instantaneously to the customer.

## HOW TO USE DYNAMIC FORMS

Dynamic forms can be a great solution for ensuring that all appropriate data is collected quicker. While a typical CRM system may collect all the required information and submit it for validation, a dynamic form can have validation rules built into the actual form. Rules can be created to validate each field or even pre-populate with appropriate options. If entries are inappropriate or missing, alerts can bring the error to the user's attention before submission.
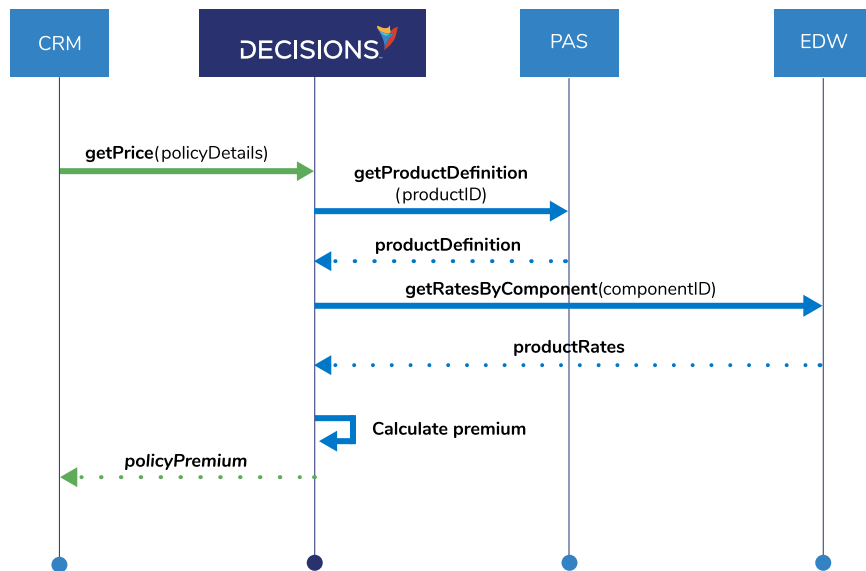


## HOW TO BUILD A QUOTE ENGINE

Once the appropriate policy data is collected, the Decisions rules engine can begin the process of building a quote. The first task of the rules engine is to deconstruct the different components of the policy. Essentially, identifying the specific benefits included in the policy.  With the policy parsed into individual products, the Decisions platform now needs information that describes the characteristics of products that are available. A few examples are to define if certain taxes apply or the to define the term of a life insurance policy. This data typically resides in a PAS. Once the platform has the definitions of certain products, it can reach out to a data warehouse to retrieve pricing for each specific benefit or product.

Once each benefit in a policy is priced, the Decisions platform can then reconstruct it incorporating all the different components, prices and discounts. In the final stage of this back-end process, rules are used to check to see if the policy is valid. These rules ensure that the pricing service is providing a quote that makes sense. For example, you wouldn't want to quote a life insurance policy that expires at age 60 to a 65-year-old customer. If the policy is deemed invalid the rules engine would not allow that quote to be delivered. Once the quote is priced and validated it can be delivered to the front-end interface.

# Front End Options - Choosing a Web Interface or Microservice

Quotes are typically delivered to prospects in two ways, within a web interface or through an application accessing the data via an API.

## USING A WEB INTERFACE

The Decisions platform includes an HTML portal that insurance carriers can imbed into their current web properties using iFrames. A drag and drop designer enables business analysts to create these web interfaces that can display the quote. No need to bother developers to create a webpage.

## USING A MICROSERVICE

The second way that a quote can be delivered to a customer is through a microservice or API. One of the most flexible ways to implement a pricing automation engine in modern infrastructures is as a microservice. A microservice architecture is one where an application is made up of specialized components or microservices that are easy to test and maintain. There are several benefits to implementing Decisions as a quoting engine in this way.

First, by implementing the platform as a microservice, it is stateless. The system is not a system of record and does not store data, just rules. This means it can respond quickly and can scale. The service can also be deployed in distributed multiple environments so it is more resilient.

Second, with quotes available as APIs, it is easy for a variety of systems to access the quote if needed. This includes billing systems or other 3rd party systems. You only need to define quoting rules once and multiple systems have access to them.
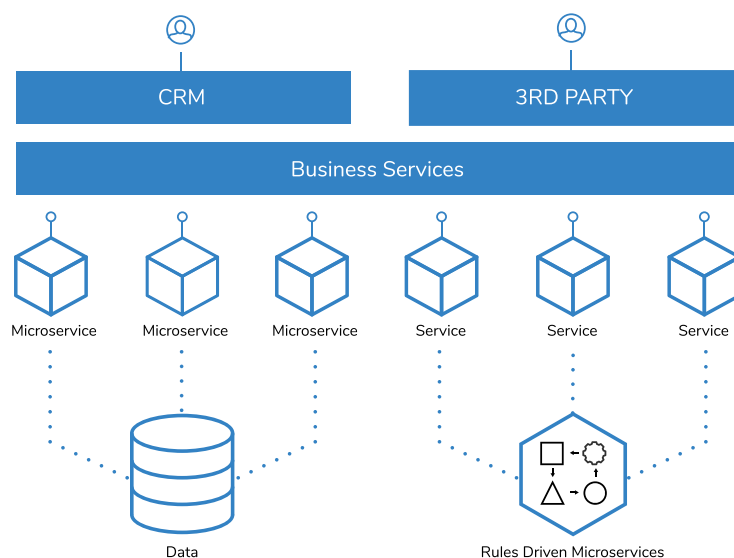
Typically, microservices are built by writing code but they can also be created with a rules engine. An important benefit of using a rules engine to create a microservice is that the rules within the microservice are human-readable and can be changed by business analysts instead of developers.

# Fidelity Life - A Real-World Example

New Zealand has one of the lowest rates of life insurance in the developed world. It has been Fidelity Life's vision since 1973 to help lift financial awareness so more New Zealanders can get the benefits of insurance protection and improve their well-being.

To meet the evolving needs of their customer base, combined with their goal to deliver long-term sustainable growth, Fidelity Life embarked on an ambitious transformation strategy that aims to reimagine the life insurance model for New Zealanders.

Essential to the strategy's success is a bold technology transformation project to modernize and digitize their entire value chain. As is often the case in the insurance industry, Fidelity Life's business rules were coded and spread over several legacy systems, making it difficult to maintain and change them. This also created a significant barrier to grow and maintain a versatile product suite.

Digital Experience Labs (DXLabs), digital transformation specialists based in Australia, led the implementation of Decisions. They were able to play a pivotal role in guiding and realizing Fidelity Life's vision to transform their underlying systems to deliver valued and flexible products for their employees, financial advisors and customers.

The rules engine needed to:

- Allow business analysts to author and maintain business rules in a no-code, human-readable format.

- Have the flexibility to add or change products with ease.

- Validate and process complex, dynamic pricing requests in real-time.

- Integrate seamlessly within a distributed, microservices, Microsoft Dynamics365 and Azure architecture.

Now, with the increasing role of Decisions as a rule-driven microservice platform, Fidelity Life's new insurance platform architecture has:

- created a solid foundation for scale and agility, giving them the ability to rapidly and painlessly add and modify products;

- given their actuarial team the freedom to implement intelligent, best-of-breed pricing methods;

- unlocked their intellectual property - with key business rules and decisioning logic visually preserved, centralized and ready for reuse.

# The Quote Engine and the Broader Automation Strategy

Implementing a quote engine into your sales and marketing process can shorten the sales cycle and help close more deals with fewer resources. Ensuring that the quoting process is as seamless and friction free as possible will keep prospects engaged so they follow through.

The quoting engine is a great way for insurance carriers to generate quick ROI on automation as it is easy to quantify the increase in sales combined with a faster sales cycle.