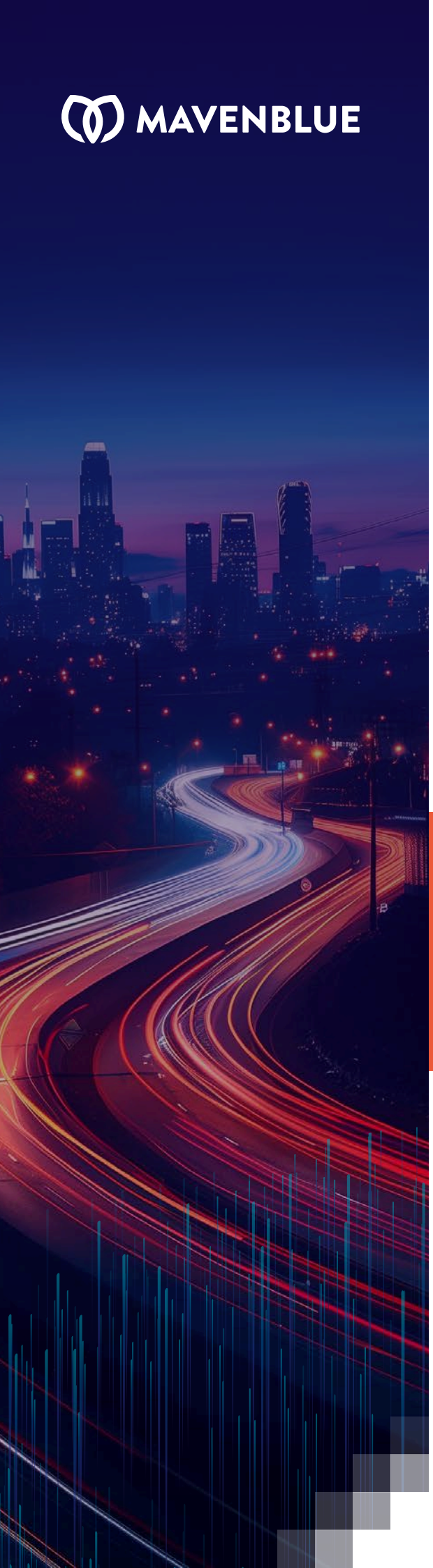
MAVENBLUE

Delivering Pricing Agility

Integrating EPM Into Guidewire



The Case Study

The case study here is that of the The Philadelphia Contributionship (TPC). One of the most historic mutuals in the world, founded in 1752 and one that still proudly maintains it's mutual roots. In this environment of growing competitiveness TPC wanted to innovate their pricing cycle by significantly shortening the entire cycle. A key step in this process was how the insurer integrated their pricing into their core system.

The core in question is Guidewire InsuranceNow. This is a more modern platform, however to operationalize a tariff you translate a tariff table into a large sets of pricing rules which takes months of testing and reconfiguration to get a high degree of symmetry with the actual pricing models developed. To compound the problem, rates need to be signed off by the regulator. The goal then, was to design a process where the speed was immediate once regulatory approval was given.

The Need For Agility

Across most of Europe and the US the place from which most insurers come is one where the pricing cycle is disconnected. Processes such as data preparation, analytics, modelling, deployment, etc are all disconnected and often suffer a lot of manual labor to configure. The first and most important goal of any transformation should be to connect and centralize these processes. Shortening the pricing cycle and boosting control & transparency.

A Circular Pricing Vision

To MavenBlue this means realising a circular process. One where new data drives new insights. New insights drive new decisions and those decisions need to be executed. To enable this vision any transformation requires integration of data, models and core systems. Such that the pricing models driving a quote are executed as designed.

Guidewire InsuranceNow

Applying this logic to Guidewire InsuranceNow presents challenges to overcome. The recommendation is to look at the process from the perspective of 3 phases.

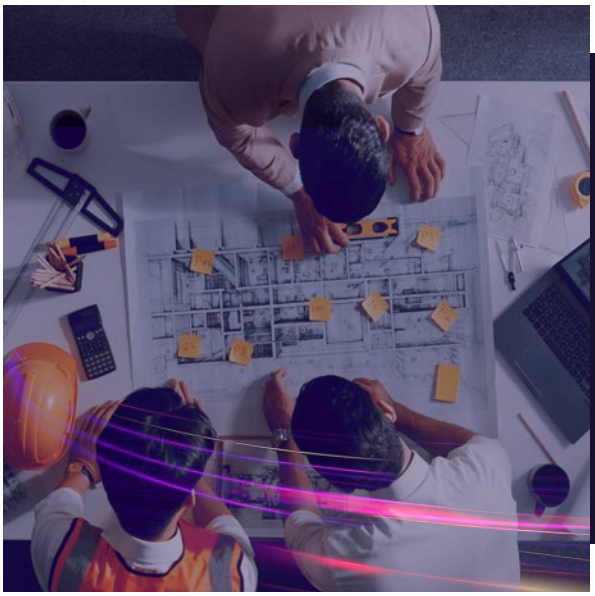
EPM Phase - The key ingredient is a pricing model. Existing models can quickly be integrated i.e. from Python, R, SAS, Excel, and others. Alternatively you can build your pricing models inside EPM. The new contextualized approach makes for a faster iterative process that's designed to deliver better performing models more quickly.

API Build Phase - In general the building of API calls was relatively straight forward. The key challenge was mapping the data but this was also resolved relatively quickly.

Guidewire InsuranceNow

API Triggering & Application Of Results Phase – This is third and final phase. The chosen path was the data report route. As an example, a call to the Rating Artefact would be triggered by a change in the variables that drive pricing.

The process of transforming the rating engine of InsuranceNow did require some creativity but through a collaborative engagement effort we managed to deliver the result in short order. From start to finish it took around 3 months. We have seen teams with simpler rating structures deliver faster but on the whole a strong result considering that other vendors would have taken significantly longer.



Realizing Results

MavenBlue offered TPC a distinct alternative to existing vendors. Other paths had different challenges. One would quickly become very expensive. Another would lead to disadvantageous operational considerations and others just lacked a robust support model. EPM offered TPC a high performing, robust rating engine solution that is designed for the growing competitive insurance market.

Key Deliverables

Automated Deployment – Prior to EPM, rate changes could be tedious. Models and rate books are handed back and forth between actuaries, business analysts, developers, QA and UAT. At each exchange these need to be converted into new formats. This creates large quantities of configuration and testing. The introduction of EPM removes these processes

Automatically Produce Portfolio Dislocation Reporting – The EPM artefacts provide access to the exact rating calculation as exists in production, allowing full dislocation evaluation between rate plans. This builds confidence in rate execution.

Pricing Agility – The ultimate goal of our collaboration is to develop an agile pricing function. Products must have pricing schedules that are up to date and performant. The goal isn't to change prices daily but we do want to change prices more frequently. And by changing more frequently, the impact of these changes are smaller. Mitigating the downside of large complex rate changes on pricing teams, product and IT, but also on the customer. An agile responsive pricing function delivers value to the customer and the insurer.

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