



Case Study

SPARTA Insurance Company

Insurity's Underwriting Rules enables enforcement of SPARTA's underwriting guidelines, while making it easier for Program Administrators to do business.



insurity

Customer Name:
SPARTA Insurance
Company

Challenge:
SPARTA wanted to implement a greater level of control over underwriting guidelines and enforcement, as well as what functionality their Program Administrators were able to use.

Solution:
Insurity's Policy Decisions & Underwriting Rules

Results Included:

- Putting flexible pricing benchmarks and target rules in place;
- Better management of risk exposure levels;
- Making automated decisions based on rules established and data captured within Policy Decisions as well as other systems.

Overview

SPARTA is focused on Specialty Program and Risk Transfer Alternatives and was formed in March 2007 as a property casualty underwriting company dedicated to being the premier provider of customized, unbundled program solutions in the property and casualty marketplace in the United States. SPARTA is backed by some of the world's premier financial advisors and is committed to delivering long term sustainability and success for its business partners, production sources and insureds.

SPARTA Insurance Company has an A- (Excellent) rating from A.M. Best, and is a financial category size IX (\$250 to \$500 million in statutory surplus.) SPARTA is headquartered in Hartford, Connecticut. For more information, please visit www.spartainsurance.com.

SPARTA Business Challenge

A start-up insurance company in 2007, SPARTA Insurance had selected Insurity to implement its Policy Decisions solution for its rating, underwriting, and policy issuance needs. Contributing to the initial decision was that the system was ISO and NCCI-based out-of-the-box, combined with Insurity's reputation for quick and, what SPARTA referred to as, 'trouble-free implementation.'

The Insurity system had functioned extremely well and had provided a streamlined and modern processing environment, greatly reducing the need for re-keying, compressing policy writing timelines, and providing the flexibility, usability and functionality breadth to support SPARTA's business goals. The initial implementation required only six months and provided support for two lines of business across all 50 states. Today, SPARTA uses Policy Decisions to process eight lines of business in all states.

With experience in using and managing the Insurity system now under its belt, SPARTA looked to enhance the environment to best support its Program Administrator distribution model. Since the Program Administrators have limited, defined underwriting authority, SPARTA wanted to implement a greater level of control over underwriting guidelines and enforcement, as well as what functionality Program Administrators were able to use. Given the breadth of differing SPARTA products, each product was going to have a unique set of guidelines which could change based on any number of variables. Therefore, in order to optimize the performance of its books of business, SPARTA needed to be able to systemize the underwriting rules.

"Given that our Program Administrators have defined levels of decision making authority, we needed the ability to be proactive in mitigating the potential downside risks of granting them that authority. Uncovering a poor or suspect underwriting decision or something outside the guidelines through an audit is too little and too late compared to a real-time monitoring environment across an entire program."

Enrico Ferrante,
Senior Vice President of Underwriting Services,
SPARTA Insurance Company



The Solution

In 2011, SPARTA decided to automate underwriting guidelines and put more controls in place by expanding the Insurity system with the addition of Insurity's Underwriting Rules, which consists of four components:

- Rules Engine: Provides the ability to execute underwriting "rules" throughout the quote, issue or subsequent transaction process, with various outcomes (e.g., advisory or require approval) and various levels of approval authority.
- Data Capture: Facilitates the capture of other data not related to rating or issuance. Rules can be executed against the data for manual underwriting review or for "book of business" analysis. And, questions can be asked anywhere along the screen flow, with answers aggregated from underwriting and actuarial analysis.
- Results Management: Routes underwriting results to users for decision-making. Task management may be used for non-underwriting result task assignment and management as well.
- Rule and Question Creation: Allows users to create and maintain rules and questions, to specify the level of authority of the rule and the location or point of execution of the rule or question.

The Implementation

SPARTA's goal was to become self-sufficient with all aspects of underwriting rule creation and implementation. This was accomplished by SPARTA providing generic rules that would apply to all users along with rules that only impacted specific Program administrators. Using these rules, Insurity provided several training sessions and the SPARTA/Insurity teams jointly built the rules using the Insurity tools. This led to SPARTA creating, building and implementing their own rules with guidance provided from Insurity where requested. This path to proficiency and self-sufficiency in using Underwriting Rules took SPARTA about two months with a part-time commitment.

"We now do about 95% of our rules build and management. Learning to become proficient in using Underwriting Rules was fairly easy, but it does require the individuals to have some understanding of data tables and how to build a query. Now that we are comfortable with the tool, we are transferring knowledge internally to ensure that we have an extended team of in-house experts."

Enrico Ferrante

Those situations where SPARTA still turns to Insurity tend to be more related to procedures and functions that need to be built anew. Once Insurity builds the new capabilities, SPARTA is then able to incorporate them into its underwriting rules development cycle and use repeatedly as needed.

The Results

"We have witnessed steady, significant improvement in our combined ratio and we believe that being able to manage and enforce our underwriting rules was a big contributor."

Enrico Ferrante

With Insurity's Underwriting Rules now in full use and SPARTA having the in-house expertise do the vast majority of work on their own, SPARTA is experiencing significant impact with the new capabilities and skills. The ability to manage and enforce rules has enabled SPARTA to:

- Put flexible pricing benchmarks and target rules in place;
- Better manage risk exposure levels;
- Make automated decisions based on rules established and data captured within Policy Decisions as well as other systems;
- Provide highly customized insurance programs with the ability to insert questions anywhere in the workflow;



- Offer greater functionality to distribution channels;
- Reduce time to a qualified quote and also ask up front ‘kick-out’ questions early in the quote process;
- Make it easier for agents and Program Administrators to do business with SPARTA;
- Streamline underwriting and policy processing workflow by allowing policies that pass a predictive model to move through the rating and issuance process;
- Reduce need for underwriter “touch” on routine conditions;
- Allow Program Administrators and SPARTA to control for adversarial conditions without relying on manual review; and
- Enable immediate responsiveness to market changes by allowing quick changes or additions to underwriting questions.

SPARTA also understood that implementing change that was going to result in increased control over Program Administrators behavior was not necessarily going to be well received. While at first a little resistant, the Program Administrators have come to recognize the benefits for everyone. SPARTA also ensured that they worked with the top underwriters at the Program Administrators to help define the rules and demonstrate that the changes were intended to benefit everyone in the partnership.

With the underwriting guidelines enforced in an automated environment, Program Administrators don’t have to worry as much about their people making common errors, such as writing in territories that are especially high risk. They are able to catch high risk decisions or red flag exception situations before, rather than after, the fact. The system’s automatic messages are often informational, rather than only for control purposes, to remind the Program Administrator of an action that they might want to consider or provide a helpful process tip. SPARTA has actually had Program Administrators request to have more messages and guidelines added to the system to further aid the process.

Scott Reynolds, President and CEO of Member Insurance, provided a Program Administrator’s perspective, commenting,

“Having no exposure to this type of tool in the past, there was a little fear of the unknown -- we were somewhat hesitant at first. However, the incorporation of the underwriting rules into the SPARTA Underwriting Rules Engine Module has provided us with a valuable cross-check. Many of the rules mirror those criteria we focus on within our own Quality Assurance Program. And, SPARTA works closely with our agency and they are always open to listening to our needs and making program specific changes to best align with our book of business.”

About Insurity

Insurity provides policy administration, claims, billing systems and data solutions to more than 100 insurance companies. A market leader in deploying policy administration software and full service solutions to the property & casualty insurance market, Insurity’s solutions process billions of dollars of premium each month and address the needs of all carriers – large and small, national or regional, commercial, personal, or specialty lines writers, as well as MGAs.

For more information, call 866.476.2606 or email marketing@insurity.com.

