



White paper

Tackling the Intricate Challenges of Medical Professional Liability Insurance with Duck Creek Rating and Policy

More Information, More Challenges

Medical professional liability (MPL) 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 MPL insurers with solutions designed for volume, complexity, speed, and, most of all, change.

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

Mergers, Acquisitions – and Multiplying Data

The inherent complexity of insureds’ data, the volume of paperwork involved in high-touch underwriting, and the size of policy schedules make MPL insurance a particularly difficult industry in which to conduct business. As privately-managed health care systems have seen a recent trend towards large hospital systems growing through mergers and acquisitions, single

policies now have to be written for any entity – as small as a single physician with a private practice or as large as a multi-state or larger hospital network with dozens of physical facilities, thousands of employees, hundreds of thousands of pieces of equipment, and millions of patients.



Individual Physicians



Large Hospital Networks

When any one of the line items on a large-schedule policy changes, such as one issued to a hospital system, it affects the premium for the entire policy, and myriad variables must be accounted for in recalculating premium appropriately. Often, many of these changes (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. 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

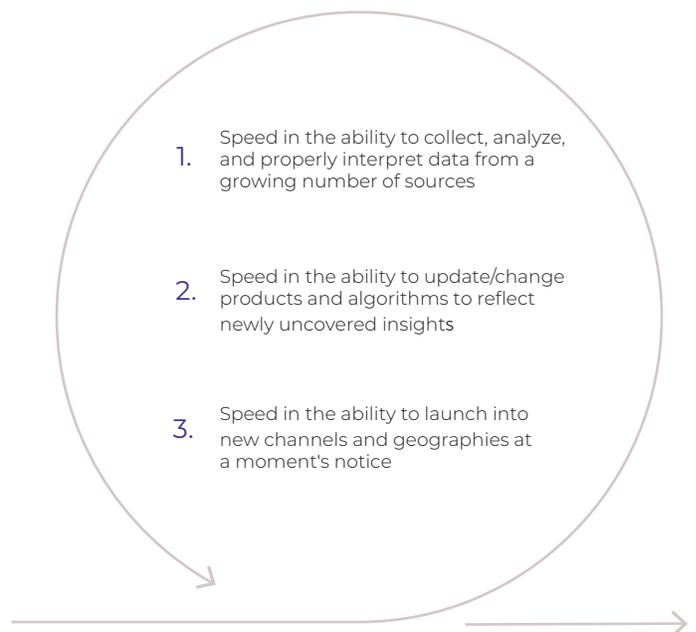
As an example, let's say a hospital system has two urgent care clinics and five hospitals in its portfolio. On Monday, two nurse practitioners start work at the urgent care clinics (one at each location). On Tuesday, three of the hospitals each get four new ER surgeons, one of those three also gets a new MRI machine, and a fourth loses an OBGYN and two nurses to retirement. On Wednesday, the fifth hospital gets a new ADA-compliant elevator installed from its lobby to its ER. On Friday, all of this gets reported to the hospital system's insurer. The company needs to process all of these policy changes at once to get 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 hospital system under-insured or costing the insurer lost premium.

To make matters more complicated, MPL 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 affecting the policyholder's premium, a large hospital system may have millions.

Speed Wins the Day - The Broker's Dilemma

Insurance brokers are often employed by hospitals, physicians, etc. 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



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.

“What-if” Modeling

Another powerful attribute of Duck Creek Rating for MPL insurers is the ability to process advanced predictive modeling – what we like to call “What-if” modeling. This means that a hospital system considering 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 an independent office evaluating the possibility of hiring another doctor to work in its practice. 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.

Duck Creek Rating's ability to produce accurate quotes rapidly is a key advantage for MPL 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 doctor's office to acquiring a network of seven world-class hospitals.

MPL 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.

Case Study: Coverys

Leading MPL insurer Coverys came to Duck Creek with an unfortunately common scenario: three legacy claims systems; four legacy rating, policy, and billing systems; and a need to replace them all simultaneously – all while maintaining and growing its business. After taking on this transformative project, the results speak for themselves.

Goals

Streamline product development, increase speed to market, and unify internal processes

Select one platform capable of handling large schedules and complex risk modeling

Replace three legacy claims systems and four legacy rating, billing and policy systems, convert all claims data for new platform.

Challenges

Simultaneous replacement of all core systems while maintaining and growing business

Creating change management process to handle implementation of large-scale project

Consolidating and converting data from multiple legacy systems while new data continued to flow in through active channels

Outcomes

All core systems implemented and running in live production environment in 17 months

Automated rating algorithms reduced time to book coverage by 50%

Two legacy content management systems consolidated to one (OnBase by Hyland)

Improved business operations cycle times and system usability, better data access due to elimination of silos

Conclusion

For MPL insurers, the ability to quickly and easily process complex data – and act on it quickly – is a critical competitive advantage. Duck Creek supports the complex, constantly evolving, massive schedules of some of the world’s leading medical professional liability carriers with a rating engine and policy administration system 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.

“The rating engine was something that stood out for Duck Creek over the competitors that we looked at. And once we took it a step further and had them do a proof of concept, we were sold. We had found the right team and the right software that was truly configurable, scalable and able to meet our needs as we continue to grow.”

Eric Crockett | Vice President of IT

To learn more, visit duckcreek.com/product/insurance-rating-system/