

MGAs rate

Finding the right rater



Rating is more than quoting, it's an ongoing process that must be available throughout the life of the policy. Of course, providing customers with timely, competitive quotes is still a fundamental part of an MGA's business—but any rating tool that does not support a policy's full life cycle is insufficient. While certain management and policy administration systems include limited rating capabilities, it can be challenging (if not impossible) for these systems to incorporate the specific classes, coverage features, and requirements for complex lines. That's why most MGAs also use a solution that's built specifically for the rating process.



ISO data and commercial insurance

At their core, all rating packages are calculators that constantly ingest required data about risk and compute a rate based on the unique combination of inputs. For decades, commercial insurers' agility, competitiveness, and profitability have depended in large part on their rating system's ability to consume current versions of the Insurance Services Office, Inc. (ISO) Commercial Lines Manual (CLM), and to modify them as needed.

Now, as MGAs are writing more admitted business—and using ISO to set base rates or modify them—they are seeing the same dependency with their forms.

To price risk in commercial and personal lines of insurance, ISO Forms, ISO Rules, and ISO Loss Costs are standard tools used by insurers that require ISO rating, modified ISO rating, or reports integrating ISO data (ASLOB, subline, etc.).

Common rating tools and practices

The table below provides a summary of the various types of rating solutions leveraged by MGAs:

Which rater is right for your MGA?			
	Standard features	Benefits	Disadvantages
ISO-based rater	<ul style="list-style-type: none"> Configurable rating rules Third party data integration Multi-date versioning Integration with management system Large schedule import (auto fleet) Detailed rating worksheet Cloud-based Support NCCI Bureau content 	<ul style="list-style-type: none"> Flexible Launch new lines of business quickly ISO rules maintained by vendor Cost-effective for mid-size and large MGAs 	<ul style="list-style-type: none"> Update volume Not 100% custom (not all lines)
Custom rating tool	<ul style="list-style-type: none"> Configurable rating rules and algorithms that support robust mathematical expressions Versioning and change control Third party data integration Testing, modeling, and analytics tools Artificial intelligence and machine learning Security 	<ul style="list-style-type: none"> Most flexible Supports high volume Able to predict impact of rate changes 	<ul style="list-style-type: none"> Most expensive to develop or purchase; cost-effective only for the largest organizations or carriers Requires dedicated team of developers and/or data scientists to maximize benefit Full customization requires substantial setup and maintenance
Comparative rater	<ul style="list-style-type: none"> Online portal Multiple carriers ISO rates 	<ul style="list-style-type: none"> Able to shop rates More efficient than visiting multiple carrier websites for rates Reduces duplicate entry Most suitable for personal lines 	<ul style="list-style-type: none"> Limited specialty lines Additional data may be required after quote Does not support endorsements or other policy changes No negotiated rates Difficult and complex to calculate a rate for commercial lines

Common rating tools and practices (cont.)

The table below provides a summary of the various types of rating solutions leveraged by MGAs:

Which rater is right for your MGA?		
	Benefits	Disadvantages
Rating via spreadsheet	<ul style="list-style-type: none"> • In-house management • Lowest investment • Moderately customizable • Most applicable to single line or single state 	<ul style="list-style-type: none"> • Greatest risk of compliance errors • Difficulty providing audit trail • Lack of security • No versioning • No external support • Highest level of data entry • Difficulty integrating with management system
Rating via visits to carrier's website	<ul style="list-style-type: none"> • Accurate cost 	<ul style="list-style-type: none"> • Time-consuming to request quotes and make modifications • Repetitive process requiring back-and-forth with each carrier • Lack of integration to management system • Requires multiple inputs to dated, difficult technology
In-house custom	<ul style="list-style-type: none"> • Flexibility 	<ul style="list-style-type: none"> • Development staff needed to create and maintain • Costly to build • No external support • High level of data entry and maintenance • Potential difficulty integrating with management system

Additional things to consider

Versioning and update management are another important consideration for a rating engine. Rating plans may be used on one date for new business and on a different date for renewals. Effective dates may also differ by state or line of business. The ability to quickly review and manage multiple real-time dates (including new, renewal, effective, available, expiration, etc.) is critical for more complex MGAs.

Additionally, integrations with third party systems and external data sources require real-time connectivity. These integrations are functionally impossible to replicate with a spreadsheet. Security, too, is increasingly important for MGAs—especially given how frequently web quoting applications access rating solutions—and should factor into any choice of a rating system.



Learn more about Vertafore's ISO-based commercial lines rating solution for MGAs

NetRate enables MGAs to quickly respond to client quote requests throughout the policy life cycle. It can be implemented quickly with the included lines of business or customized to meet any MGA's unique requirements. NetRate seamlessly integrates with AIM and MGA Systems.



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