

Electronic Trading Channels

The Polaris software is used to provide insurance scheme rates and conditions to support a number of business models which range from on intermediaries office systems to via the new distribution channels such as the Internet.

Introduction

Polaris offers two pieces of software. The first, ProductWriter, allows insurers to define insurance schemes in terms of data to be captured, rating algorithms, conditions to be applied, documentation to be produced and how the risk data is to be sent back to the insurers. In effect, ProductWriter lets insurers define a complete insurance scheme in software. The second software component, the Run Time Environment or RTE, sits on the intermediary's system and allows them to obtain rating information for clients, ie. the RTE is the Polaris rating engine. The approach covers all the major business classes (motor, householders, travel, motorcycle, commercial packages and commercial vehicle) and all aspects of the business cycle: quotations, new business, mid term adjustments, renewals and cancellations.

There are four electronic trading business models which have the Polaris RTE at their core.

- The first is the **Tied Agency Model** (figure 1):

In this model an insurer offers intermediaries products over the Internet and then arranges the sale of these by whatever mechanism is appropriate (eg. telephone selling or further use of the internet.)

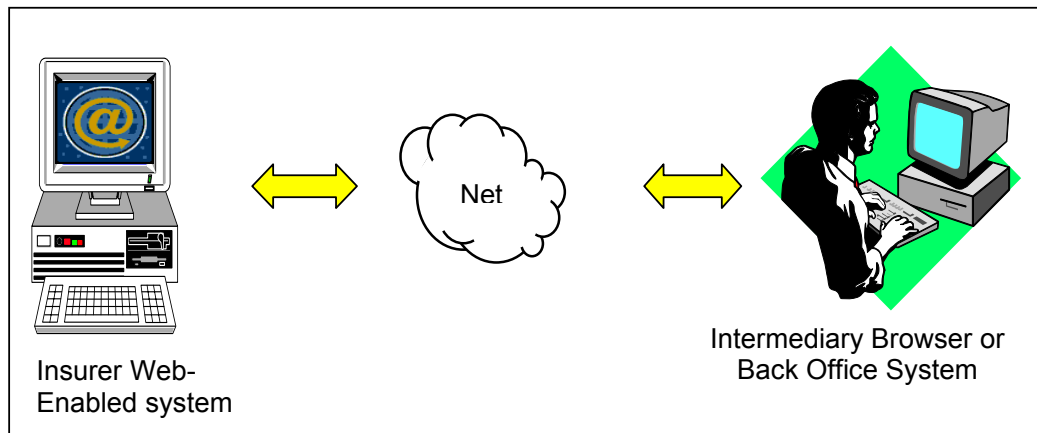


Figure 1

The rating functionality is provided by the insurer system. This mechanism is appropriate for specific schemes where the insurer develops a product to meet the needs of a particular affiliation group or where an insurer may wish to offer customised products to a select group of brokers. The intermediary can access the insurer's site either from his or her in-house system or a standard browser such as Microsoft's Internet Explorer. This model is already being used by Zurich Financial Services and Norwich Union.

- The second model is **Business to the Public** (figure 2)

In this model the intermediary or insurer sells products to the proposer over an electronic link. This is the standard way of selling insurance to the public over the Internet or digital TV. The RTE is used to provide rating information. The model may use a single insurer's products or a panel. Two well-known examples of this model are the AA and Zurich Direct. Additionally, Polaris is currently working with a number of virtual intermediaries in this area.

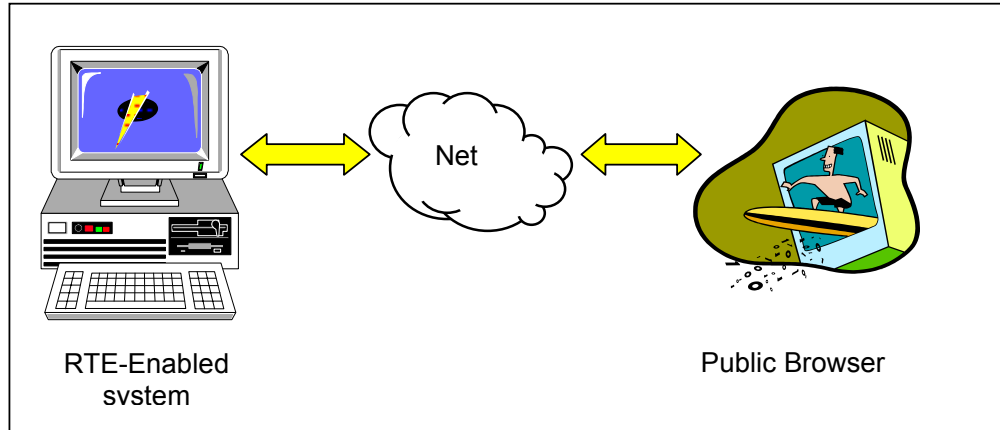


Figure 2

- The third model is the **Service Providers Branded Site** (figure 3)

The key idea behind this model is that insurers and intermediaries may not wish to undertake all the work involved in establishing a web site and they buy this service from a third party. An intermediary can arrange to have the service provider's site branded with its logo so, although the site is provided by a third party, it is strongly branded to the intermediary and may not contain any reference to the service provider.

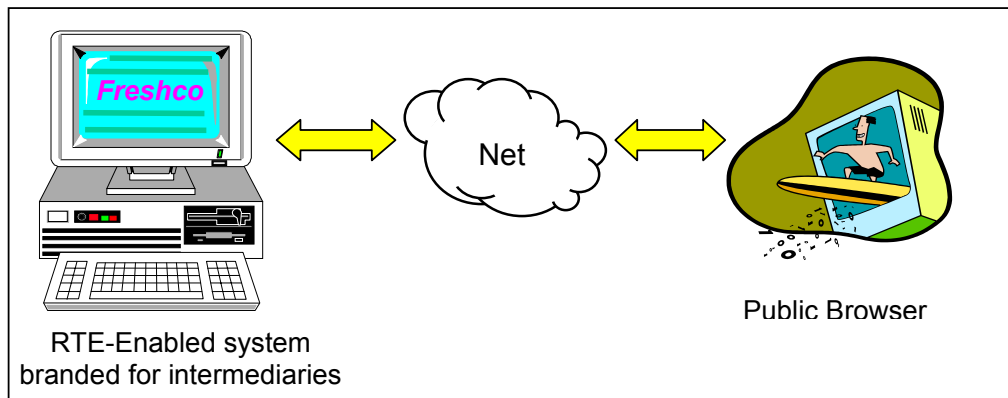


Figure 3

Service providers which have adopted the Polaris approach using this model include Insureright, Eastgate and the Electronic Trading Company.

- The final model is **Remote Rating for Intermediaries Back Office Systems** (figure 4)

The service provider offers a set of products to intermediaries which link their back-office systems to the central site over the Internet. This model has already been implemented by Experian. Clearly, the idea could be extended beyond rating and it would be possible to hold all broking functionality centrally.

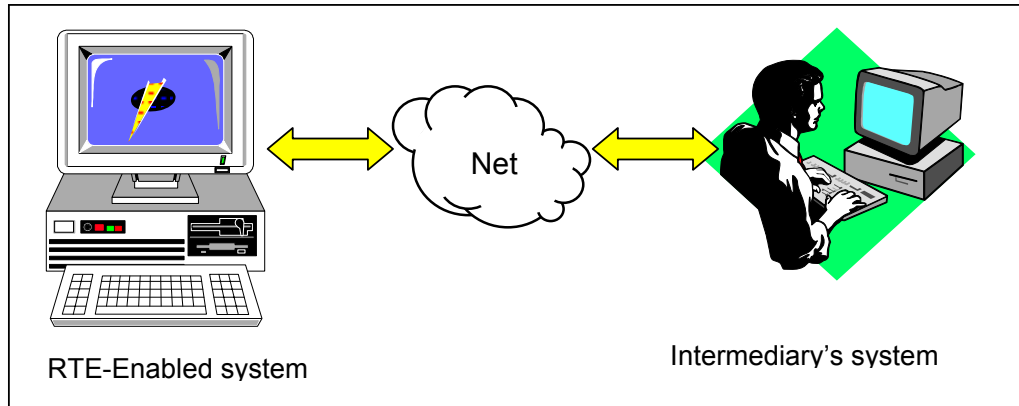


Figure 4

The classification above is not exhaustive and hybrids are possible. However, the four models cover the most common way of implementing the RTE on the net.

Polaris has also made it easier to integrate the RTE into Internet and digital TV systems by providing an access method based on the new Internet standard known as XML. A more detailed explanation of this can be found in the XML section of this web site.