



Business Rule Solutions

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In this issue's column, Ron recounts a real-life personal tale of woeful business rule deployment. You be the judge – Are your company's uncoordinated business rules causing this kind of economic loss and operational churn?

A Personal Insurance Saga *The Economics of Business Rules*

I recently received an invoice for family car insurance from company ABC for \$5,534.00(!). As I retrieved my jaw from the floor, I reminded myself we have three adolescents (including two males "under 25") – and, frankly, more cars than any one family should ever need. The requested amount was a substantial increase over the previous year's amount (bad enough in itself) even though no one had had accidents or tickets. I immediately did the all-American thing – I called my agent in protest and panic.

Round 1. My daughter is a very good student (proud father speaking) and had recently taken driver's ed. That netted me a \$150 reduction, taking the premium down to \$5,384.00. *Not* really the blockbuster savings I was looking for! As I probed deeper, the agent noticed I did not have my home insurance with the same company. She said if I carried both policies through ABC, I could get 20% off the homeowners policy (also due soon) and 7% off the car insurance. More like it! She said she would confirm with ABC and get back to me shortly.

Round 2. A day or two later she called back, sounding a bit perplexed, though trying not to show it. The homeowners policy had indeed dropped from \$1,900 to \$1,520 – the expected 20%. The car insurance, however, had *risen* a few bucks up to \$5,392. What happened to the expected 7% reduction?! She said she would call the underwriter.

Round 3. Later that day she called back again. (Are we having fun now?!) It turns out that three years ago, I had also had my *home* insurance with ABC, but switched that policy away from ABC as *those* had prices jumped excessively. In spite of my defection, I had nonetheless been receiving the 7% discount on my car insurance in each of the past three years. *Company ABC had never discontinued the 7% discount when I switched the homeowners policy!* Judging from her consternation, this had clearly been no act of good will on ABC's part (simply because I'm a good guy or something) – it was simply an out-and-out glitch.

Let's tally the costs to ABC.

- The 7% discount averaged approximately \$350 for each of the last three years – for a total of \$1,050, a straight loss to ABC.
- Several hours of ABC's staff time, including the underwriter.
- One very frustrated agent, not making other sales.
- One displeased customer (me) and a somewhat amused non-ABC business rule specialist (also me).

There's still more. I'd like to think my insurance decisions are at least semi-rational. Suppose

ABC had correctly informed me three years ago that I would lose my 7% two-policy deduction. I might very well have decided the overall economics of switching were not compelling. Ring that up as probably another avoidable loss for ABC.

What are business rules *really* about? Imagine the extrapolated costs of these and similar glitches across all of ABC's gazillion customers. Looking at it that way the answer is simple – cost avoidance and more effective operational decisioning.

Who's to blame at ABC? Their business rule is not really all that difficult: *A policyholder who holds both a car insurance policy and a homeowner policy must receive the following discounts:*

- 7% annually on the car insurance.
- 20% annually on homeowner insurance.

Clearly something broke down somewhere in the interpretation and deployment of the rule into ABC's operations (software and otherwise). All possible scenarios (such as my defection) should have been gamed upfront. ABC's failure in that regard represents a non-trivial hiccup in basic *governance*. That's another thing business rules are really ultimately about – *de-glitching* your company's governance process (and maybe getting it back in the black).