Policy Administration System Vendors

North American Personal P/C Insurance 2011

This authorized reprint contains material excerpted from a recent Celent report profiling and evaluating 34 different policy administration systems. The full report is 226 pages long. This report was not sponsored by Innovation Group in any way. This reprint was prepared specifically for Innovation Group, but the analysis presented has not been changed.

For more information on the full report, please contact Celent (www.celent.com or info@celent.com).

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Report Methodology

Eligibility for Inclusion in This Report

In general, in order to have a full profile and be included in the ABCD Vendor Views, a policy administration system solution had to have:

- At least two deployed North American insurance carrier, writing more than one line of business.
- At least two reference clients that provide their perspective on the solution.

This report profiles 34 personal lines policy administration systems with 25 full profiles and 9 limited profiles. Only vendors with full profiles are ranked in the ABCD Vendor View grids.

Evaluation Process

Celent sent a detailed request for information (RFI) to a broad set of policy administration system vendors. After completing the RFIs, each eligible vendor provided a briefing and demo for Celent concentrating on usability and functionality for everyday users, as well as configurability, integration, and data model issues for IT and system administration users.

Celent also asked the references provided by each vendor to complete a survey and/or an be interviewed to obtain their view of the system's business and technology value.

The RFIs and the reference surveys and interviews provided quantitative and qualitative data, much of which is included in this report. Vendors had an opportunity to review their profiles for factual accuracy but were not permitted to influence the evaluation. Some of the vendors profiled in this report are Celent clients, and some are not. No preference was given to Celent clients for either inclusion in the report or in the subsequent evaluations.
Celent’s ABCD Vendor View and the XCelent Awards

Celent has developed a framework for evaluating vendors called the Celent ABCD Vendor View. This is a representation of a vendor marketplace designed to show at a glance the relative positions of each vendor in four categories:

- Advanced technology
- Breadth of functionality
- Customer base
- Depth of service

The ABCD Vendor view provides an easy-to-understand picture of a complex marketplace. Unlike a simple “four-quadrant” map, there is no one “best” for all cases. Insurers should consider which factors in breadth, technology, experience, and client service are most important to them, and use this report as only one factor in a vendor search process.

While this is a standard tool that Celent uses across vendor reports for many solution categories, each report will define each category in a slightly different manner. For this report, some of the elements used to evaluate each vendor are listed in Table 1. Each rating is based on both quantitative and qualitative factors.

<table>
<thead>
<tr>
<th>ABCD Element</th>
<th>Representative Factors</th>
</tr>
</thead>
</table>
| Advanced Technology (and flexible technology) | - Code base, including modernity of language and consistency of architecture
| | - Need to customize code and/or use scripting during implementations
| | - Configurability of rules, workflows, and screens
| Breadth of Functionality | - Availability of indicative advanced functionality
| | - Extent of use for various lines of business, and in various states and provinces
| | - Usability for business users

Source: Celent
The XCelent Awards

Within this framework, the top performers in each of the ABCD dimensions receive a corresponding XCelent Award:

- XCelent Technology for the leading Advanced Technology score
- XCelent Functionality for the leading Breadth of Functionality score
- XCelent Customer Base for the leading Customer Base score
- XCelent Service for the Depth of Service score

XCelent Technology and XCelent Functionality

Figure 1 positions each vendor along two dimensions: the vertical axis displaying the relative rankings for Advanced Technology and the horizontal axis showing relative Breadth of Functionality rankings. The XCelent Technology Awards are given to Innovation Group and [another vendor]. The XCelent Functionality Awards go to Innovation Group and [another vendor].

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Table 1: Policy Administration System ABCD Elements

<table>
<thead>
<tr>
<th>ABCD Element</th>
<th>Representative Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Base</td>
<td>Number of live North American customers, in various tiers, on current and on older technology platforms</td>
</tr>
<tr>
<td></td>
<td>Number of live customers outside of North America</td>
</tr>
<tr>
<td></td>
<td>Level of use by insurers for various commercial lines</td>
</tr>
<tr>
<td>Depth of Service</td>
<td>Size of team providing professional services and support</td>
</tr>
<tr>
<td></td>
<td>Customers’ implementation experience</td>
</tr>
<tr>
<td></td>
<td>Reference comments regarding quality of professional services</td>
</tr>
</tbody>
</table>

Source: Celent
**XCellent Customer Base and XCellent Depth of Service**

Figure 2 positions each vendor along two dimensions: the vertical axis displaying the relative level of depth of customer service and the horizontal axis displaying the relative customer base. The XCellent Customer Base winners are Innovation Group and [another vendor]. The XCellent Service awards go to [another vendor].
About the Profiles

Each of the profiles presents information about the vendor and its policy administration system; the professional services it offers; product history and customer base (North America and elsewhere); its functionality and line of business; usability, reporting, and analytics; technology, implementation, and costs; and a summary Celent view. Comments from reference insurers using the solution are reported in the appropriate sections.

The profiles are based primarily on information provided by each vendor; as well as comments and ratings by references, and Celent’ own vendor and solution knowledge base.

Concerning fees, Celent asked vendors to provide first year license and first year other implementation costs (work by the insurer, vendor, or third parties) for two hypothetical insurance companies:

- A Regional Insurance Company, which is a single licensed company writing eight lines of business in five states, producing annual DPW OF US$250 million.

- A National Insurance Holding Company with four companies, writing in 32 states across 24 personal, commercial, and specialty lines of business, with a DPW of $2.5 billion.

When discussing insurance customers of the various solutions, the profiles reference these insurers in terms of the premium. Very small insurers (Tier 5) have under US$100 million in annual premium; small (Tier 4) have US$100 million to $500 million; medium (Tier 3) have US$500 million to $1 billion; large (Tier 2) have $1 billion to $5 billion, and very large (Tier 1) have over $5 billion in premium.
Innovation Group: Insurer Policy

Company and Product Information

Founded in 1997, Innovation Group is a publicly listed company headquartered in Whitely, UK, and has offices in US, Australia, India, South Africa, Germany, France, Spain and Netherlands. In addition to the insurance industry, Innovation Group serves the automotive and banking industries. The 2010 annual revenue for the company is US $252 million, and 80% of the revenue came from the insurance industry.

The PAS solution offering of the company is called Insurer Policy, part of an overall end to end offering, Innovation Insurer. The product was first released in 2001. The solution was known as Innovation Policy, and was subsequently re-branded as Insurer Policy. The latest version of the software is 7.1 which was released in July 2011 which was announced in May 2011.

Innovation Group considers the following product functionality factors to be differentiators for their product:
- True customer-centric solution including risk portfolio view of the customer and/or the household. This provides a more in-depth and comprehensive view for risk analysis/management, enhanced service as well as further sales opportunities.

- Offer out-of-the-box broad cohesive set of portals that can be used and branded to a broad set of users including customers, agents, 3rd party partners and internal users as examples.

- Fully integrated business intelligence and analytics engine specific to the insurance industry, which includes out-of-the-box operational and management reporting, 100+ KPI's, trend analysis, web dashboard reporting.

- For all lines of business, pre-configured products for all 50 states out-of-the-box which aids speed to market, lowers total cost of ownership, and lowers initial implementation costs.

- Integrated billing and rating for all lines of business for all insurance transactions.

- Out-of-the-box support for document management and industry Statistical Reporting.

- Multi-company and multi-country support, including multi-language enabled and supports the English (US, UK, Australian, Canadian), Spanish, French, German and Japanese, as well as multi-currency support.

- Built-in Reinsurance Treaty Management solution.

- Integrated GL to ensure audited and balanced solution prior to interfacing to corporate GL and Compliance systems.

**Professional Services**

Innovation Group has 2400 corporate employees, of which 450 provide professional services and client support for Insurer, with half of them in customer facing roles. The average number of years of experience of the professional services and client support staff is over 15 years.

Reference comments about service and support were quite positive, mostly in the very good to excellent range.
Product History and Customer Base

Insurer Policy was first released in 2001 as Innovation Policy. In 2009, the application was migrated to a new Java platform based on SOA and had eliminated all but 10% of the COBOL code. In the version 7.1, July 2011 release, they completed the total elimination of all COBOL and be 100% Java based. They developed a COBOL to JAVA conversion utility that will be available for existing customers to transition earlier versions of the Policy solution.

Innovation Group target all tiers with a focus on Tiers 2 and 3 for Personal Lines and some small commercial. They also support Specialty lines and direct to consumer. They currently have two customers using the latest release (new since January 2009) and 26 customers on the previous release. They have 14 customers using their solution outside of NA. The company’s implementations of Insurer has provided opportunity to insurers to expand BPO / SaaS support for installations in South Africa, France, and Spain. Germany, Australia and UK are currently in development.

Insurers using Insurer Policy include MWFB/WCSI, American Modern and Lloyds Banking Group (LBG).

Functionality and Lines of Business

Insurer Policy offers all the end-to-end components. Claims management can be licensed as a stand-alone component. BI/analytics are included with Policy out-of-the-box but can also be purchased as a stand alone option. Components for rating, underwriting, billing, document management, reinsurance management and commission management are available bundled with Insurer Policy and are provided without any additional cost. Most of the functionalities are available through non-technical configuration. The functionality for policy print and issue is available through scripting.

Insurer Policy offers a tool set for workflow management which includes a newly enhanced graphic design environment. Business rules management, rules repository, re-usable/sharable rules are also available through non-technical configuration. Dynamic interviewing functionality is available via scripting. Forms and correspondence library is available through non-technical configuration.

Insurer Policy supports educability of rules, workflow, transactions and correspondence selectively, and all are completely editable.
The solution has personal and commercial products in production today. Personal motor, homeowners, commercial motor and commercial property are currently supported and in production.

As shown in Table 35, Innovation Group provides eight of the nine end-to-end components either as a stand-alone component without licensing Insurer Policy, or bundled with Insurer Policy at no additional cost.

### Table 2: Insurer Policy Availability of End-to-End Components

<table>
<thead>
<tr>
<th>Component: Name</th>
<th>Can be licensed/installed as component without the PAS solution</th>
<th>Available ONLY bundled with the PAS (no additional cost)</th>
<th>Available ONLY bundled with the PAS (with additional cost)</th>
<th>Available through ISV partner</th>
<th>Not avail.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Update service for ISO/AAIS/NCCI rates, rules, and forms</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Rating</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underwriting (quick quote, quote, access data, track negotiations)</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission Management</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reinsurance Management</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Intelligence / Analytics</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims Management</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Content Management</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Vendor RFI

As seen in Table 36, Insurer Policy provides, through configuration by a non-technical business user, 10 of the 11 advanced policy administration functions; and one through scripting.
As shown in Table 37, over 28 insurers use the solution for personal lines; and several use it for various commercial lines. Personal auto and property is deployed in all 50 states and three provinces, and various commercial lines are deployed in the US and provinces as well.
References gave very positive marks for Insurer Policy's features and functions, with underwriting, rating, statistical reporting, premium auditing and workflow receiving very high marks. One reference commented, "Rating capabilities, rule automation and analytics are the best features of this solution", while another commented on how well Insurer Policy provides “full insurance lifecycle processing functionality and configurable products and processing cycles.”

### Usability, Reporting, and Analytics

Business users have an easy to follow workbench in which to conduct their business. Underwriters and agents see the exact same screens through the role-based portal. The user begins by reviewing unfinished tasks and important messages. Next, they are taken to the main screen where they can select from a Desktop, Activity or Search tab. Along the left panel of the UI, they can select from several Actions or navigate through the Navigation options. Actions allow the user to add a quote, policy task, document or note. Users can easily search on just about any criteria. All screens mirror the client's perspective for all Innovation Group solutions (Policy, Claims and Billing).

System administrators and developers work within the same portal interface in Insurer Administrator, with most of the system settings driven through table configurations which are very easy to set up and modify. Products are defined in terms of coverages, rates and associated forms.

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Table 4: Key Lines of Business in Production in North America

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>Insurers in Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Auto</td>
<td>28</td>
</tr>
<tr>
<td>Homeowners/Renters</td>
<td>8</td>
</tr>
<tr>
<td>Commercial Auto</td>
<td>2</td>
</tr>
<tr>
<td>Commercial Property</td>
<td>2</td>
</tr>
<tr>
<td>Commercial Liability</td>
<td>2</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>0</td>
</tr>
<tr>
<td>Commercial Package Policy</td>
<td>2</td>
</tr>
<tr>
<td>Excess</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Vendor RFI
Workflow is defined through a table driven approach, which is upgraded to a visual approach in the Version 7.1, July release. Workflow is easy for a non-IT person to configure. The workflow is part of the Shared Application that is common to its Insurer Policy, Insurer Claims and Insurer Analytics solutions.

Innovation Group uses their own scripting language for rules, which are fairly straight-forward. Rules, like workflow, are defined hierarchically.

Innovation Group has significantly upgraded their reports and BI capabilities through Insurer Analytics. Insurer Analytics comes with approximately 150 reports and over 100 KPI’s out of the box.

<p>| Table 5: Insurer Policy Available Web Services Methods |
|-------------------------------------------|-----------------|</p>
<table>
<thead>
<tr>
<th>Method</th>
<th>Calls FROM external systems</th>
<th>Calls TO external systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOAP over HTTP</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>SOAP over MQ</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Other format over MQ</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Plain XML documents over HTTP</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>XHTML documents with microformat data over HTTP</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>RDF format data over HTTP</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

Source: Vendor RFI

Technology

The code for everyday business users is written entirely in Java, as is the code for internal development and configuration. The preferred operating systems are UNIX variants such as HP UX 11i v2/v3; IBM AIX v6.1 v7 64 bit; v5.3 32/64bit; Oracle Solaris 9 & 10. Most others OS/390, z/OS, Linux for Z, Red Hat Linux ES Rescue 4 & 5 64 Bit and Microsoft Windows XP SP2 and 2003 Server & 2008 64 bit are supported.

The primary user interface for internal business is a browser based HTML interface enabled with Ajax technology. Some aspects of the day to day business configuration may be configured directly by role-enabled users through the same web interface. Development tools are provided via Eclipse, with the metadata configuration being made available via an RCP (Eclipse) based stand-alone application.
IBM DB2 UDB, Oracle and Microsoft SQL Server 2008 R2 are the supported database platforms. The preferred JEE Application Servers are IBM WebSphere and Oracle WebLogic server, but for smaller deployments (and in development) Red Hat JBoss AS and Apache Tomcat have also been used.

Insurer Policy has an integrated underwriting workstation that provides access to all policies and related tasks. Combining Insurer Policy with Insurer Analytics, insurers can analyze the data to respond to underwriting trends and changes in risk exposure, open collaboration between underwriters and distribution channels by incorporating business intelligence and analytics into the underwriting process. Insurer Policy’s underwriting capabilities include ability to reassign work items within defined security parameters, ability to automatically generate and assign work items when underwriting rules are violated during the policy lifecycle, customization of underwriter authority levels, full Customer Relationship Management, subscription policy issuance, billing, and accessing tasks, documents, etc. Policy service workstation is available through a non-technical configuration.

The system supports a wide range of integration options made available through its configurable service integration engine; SOA/Web-Services are the preferred options, ACORD Standard XML, other XML, with MQ Series, CTG, JMS, ESB, SQL calls, flat files, and EAI as additional options. External systems can directly invoke services hosted by the system via a security enabled web service boundary.

The application is capable of being hosted within an Application Server cluster, thereby providing a resilient and scalable environment. The product supports 1,500 users running over 7 million policies at the largest deployment.

Implementation and Costs

A typical project takes four to six months from initiation until the first line of insurance is live, with subsequent lines taking one to three months. An installation team size can have 10-20 employees. The typical split among employees is 50% employees from the insurer and 50% employees from Innovation Group. The company usually undertakes work items that system integrators do based on the team's experience. The company has changed their implementation model from a global to regional one, thereby increasing their implementation focus and capabilities with new strategic system integrator relationships.
A large part of the first year costs typically goes towards initial installation and configuration (50%) and software licensing (50%). The company offers a variety of license models viz. perpetual and term model, ASP, BPO and SaaS or combinations of these models; and allows companies to move between models as their business changes. Innovation Group also actively offers shared risk pricing models. The important parameters that form a basis for the license fee are number of functional modules, number of lines of business, policy volume, premium volume and a flat fee.

For a regional insurer outlined in the RFI, the total initial license plus initial maintenance would vary between US $500,000 to $999,000. Total implementation costs excluding license fees would vary between $1.0 million to $2.9 million depending on number of products and states deployed. The continuing maintenance fee would be about 20% of the initial fee.

**Summary**

Innovation Group Insurer Policy is a very technology driven and functionally robust system. They have greatly benefited from their approach of the rule of one: one data model, one rules engine, and one workflow, one configuration/administration tool set for their Insurer Suite (Insurer Policy, Insurer Claims and Insurer Analytics). Their architecture has continued to be an SOA based design, allowing for easy integration, flexibility and growth. Innovation Group takes a client-centric approach and web access / portals for all roles, with a lot of easy to use features and functions. They have a strong customer base that should continue to grow.
Leveraging Celent’s Expertise

If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

Support for Insurance Companies

**IT vision and strategy creation.** We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals.

**IT roadmaps.** Working closely with business and technology staff, we document the demands placed on IT by the business’ goals, objectives, strategies, and operations. We review current state application portfolio, infrastructure, organization, and skill sets. Using our knowledge of other insurers’ best practices (including the Celent Model Insurer reports), and working closely with IT management we develop recommendations for the future state, along with broad measures of cost and execution timing.

**Vendor short listing and selection.** We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

Support for Vendors

We provide services that help you refine your product and service offerings. Examples include:

**Product and service strategy evaluation.** We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

**Market messaging and collateral review.** Based on our extensive experience with your potential clients, we assess your marketing and sales materials—including your website and any collateral.
Related Celent Research

Policy Administration Systems for General Insurers in Europe 2011
July 2011

Policy Administration Systems: Building Value Over Time
January 2010

Reviving the DOA Core Systems Business Case
August 2011

Trends and Predictions for P/C Policy Administration Systems 2009