

XCELENT Awards 2013

EMEA POLICY ADMINISTRATION SYSTEMS

GENERAL INSURANCE ABCD VENDOR VIEW

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This authorised reprint contains material excerpted from a recent Celent report profiling and evaluating 52 different policy administration systems. The full report is over 270 pages long. This report was not sponsored by Sapiens in any way.

This reprint was prepared specifically for Sapiens, but the analysis presented has not been changes from that presented in the full report. For more information on the full report, please contact Celent (www.celent.com or info@celent.com). Reprint granted to Sapiens.

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INTRODUCTION

This report is the fifth of Celent's biennial looks at policy administration systems (PASs) available to general insurers or property and casualty (P&C) insurers in Europe and with the addition of Middle East and African territories, making this Celent's first view across EMEA. Since the first report in 2005, activity level has remained high among both insurers and PAS vendors.

From January 2011 to April 2013, more than 160 insurers licensed a new PAS for general insurance lines.

Also in the past two years, nearly all vendors have made major investments in upgrading features, functions, usability, and integration methods. There have been some upgrades to modern frameworks and languages — very few solutions run on legacy platforms. Capabilities for configuring products, rules, document management, and user interfaces (UIs) have also improved, although true workflow/process design and mobile capability still lag. In general, these changes have occurred at a more modest pace than usability/personalization improvements for end users.

This report profiles 52 PASs in use for personal, commercial, and/or specialty lines, with 33 full profiles and 19 limited profiles. Only vendors with full profiles are ranked in the ABCD Vendor Views.

An insurer considering a new PAS today can choose among a number of attractive and capable systems. This report allows such an insurer to see what solutions might meet both its business needs and its technology standards.

REPORT METHODOLOGY

ELIGIBILITY FOR INCLUSION

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

- At least two deployed insurance carriers in EMEA and a recent new sale of the system.¹
- At least two reference clients that provide their perspective on the solution.

This report profiles 52 PASs in use for personal, commercial, and/or specialty lines, with 33 full profiles and 19 limited profiles. Vendors and solutions have limited profiles for various reasons. They may be entrants to the EMEA market or may be undergoing significant change in the technology or business model, or may have simply requested a limited profile.

EVALUATION PROCESS

Celent sent a detailed request for information (RFI) to a broad set of PAS 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 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.

¹There may be exceptions to this, highlighted in the respective profiles.

CELENT'S ABCD VENDOR VIEW AND THE XCELENT AWARDS

Celent's framework for evaluating vendors is called the Celent ABCD Vendor View. This is a standard 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, and Depth of client services. The Celent ABCD Vendor View shows relative positions of each solution evaluated. Each vendor solution is judged relative to the others in the group.

While this is a standard tool that Celent uses across vendor reports in many different areas, each report will define each category slightly differently. For this report, some of the factors used to evaluate each vendor are listed in the following table.

ABCD CATEGORIES	POSSIBLE FACTORS
ADVANCED TECHNOLOGY (AND FLEXIBLE TECHNOLOGY)	<ul style="list-style-type: none"> • Modernity of platform • Deployment option flexibility (i.e., range of databases, application servers, etc. supported) • Core adaptability / extensibility (i.e., openness of application, code base, data model, etc.) • Ease of change (i.e., change tooling, impact evaluation support, etc.)
BREADTH OF FUNCTIONALITY	<ul style="list-style-type: none"> • Functions and features provided in base offering • Power and ease of use of product and rules configuration • Power and ease of use of user interfaces • Supported lines of business and number of deployments for different lines of business in EMEA • Reference comments regarding user experience
CUSTOMER BASE	<ul style="list-style-type: none"> • Number of live insurers using the system for P&C lines of business in EMEA • New client momentum
DEPTH OF CUSTOMER SERVICE	<ul style="list-style-type: none"> • Size and experience of professional services and support team • Reference comments regarding implementation • Reference comments regarding post-implementation support

Source: Celent

THE XCELENT AWARDS

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

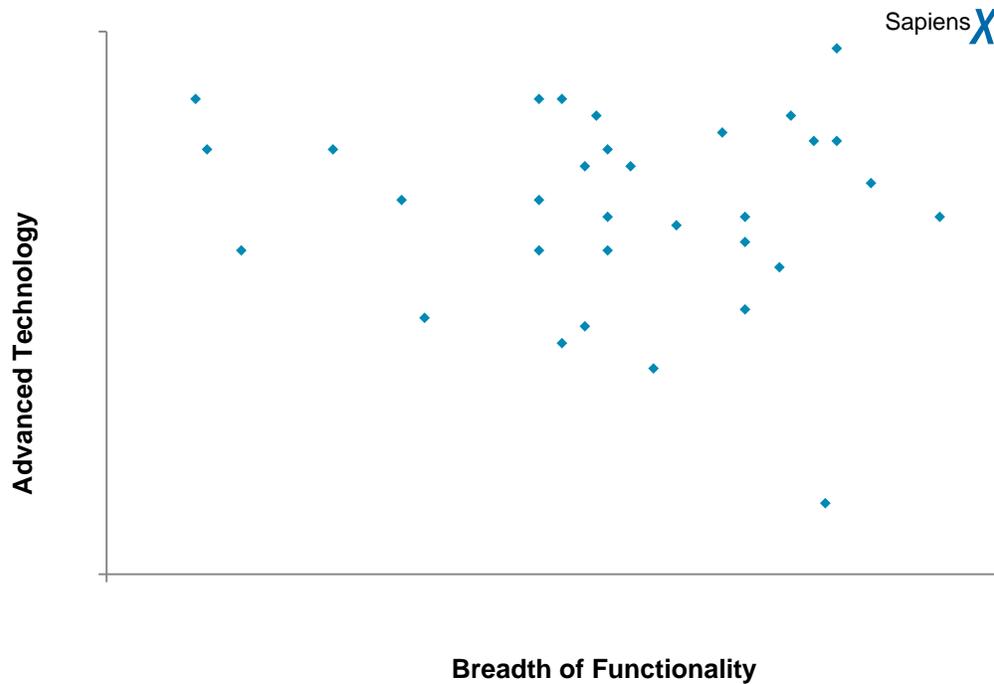
- XCelent Technology for the leading Advanced Technology score.
- XCelent Functionality for the leading Breadth of Functionality score.

- XCelent Customer Base for the leading Customer Base score.
- XCelent Service for the leading 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 Advanced Technology and the XCelent Breadth of Functionality award goes to Sapiens.

Figure 1: XCelent Technology and XCelent Functionality

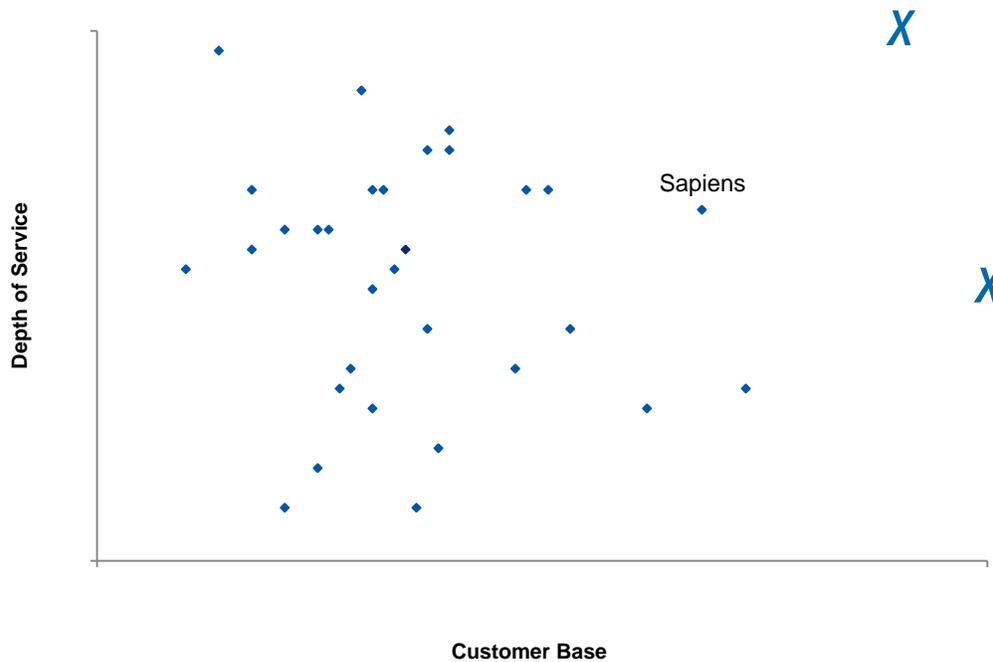


Source: Celent

XCELENT CUSTOMER BASE AND XCELENT 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 XCelent Customer Base award is given to TIA and the XCelent Depth of Service award goes to RGI.

Figure 2: Customer Base and Depth of Customer Service



Source: Celent

Reading the XCelent Charts

Celent advises insurers to take into account past vendor results, but not to compare the placement of vendors in the charts from prior years, because not only is the market changing, but so has our analysis. The criteria used to determine the A, B, C, and D rankings in this report are broadly similar, but not identical, to the criteria used in the previous Celent PAS vendor report published in 2011. For example, in this report, we are considering new criteria in Advanced Technology related to testing and speed of change approaches. The market is also evolving due to acquisitions and partnerships, solutions development, and alternative delivery models.

It is worth noting that the breadth of functionality score in particular favours complete systems. Solutions explicitly designed to form part of a wider applications architecture that have missing components have tended to perform less well and Celent would include the likes of Silvermoon and SSP Select Insurance in this category. Those on the far right are more likely to be complete end-to-end suites. It is worth considering the scope of requirements and target environment when reading this chart.

We suggest that insurers consider their specific needs and each vendor for what it offers. Although they are very successful in one or more of the criteria, the XCelent Award winners may not be the best match for an insurer's specific business goals and solution requirements.

ABOUT THE PROFILES

Each of the profiles presents information about the vendor and its PAS; the professional services it offers; product history and customer base (EMEA 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's own vendor and solution knowledge base.

IMPLEMENTATION, PRICING AND SUPPORT

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

- National Insurance Company is a single licensed company that writes in the United Kingdom, for 8 lines of business, producing annual GWP OF €250 million. What would be typical costs paid by the insurer?
- European Insurance Holding Company has 4 companies, writes in 5 countries (UK, Spain, France, Italy and Germany), across 24 personal, commercial, and specialty lines of business, and has GWP of €2.5 billion. What would be typical costs paid by the insurer?

When discussing insurance customers of the various solutions, the profiles reference insurers in terms of their annual premium levels. Very small insurers (Tier 5) have under €100 million in annual premium; small (Tier 4) have €100 million to under €500 million; medium (Tier 3) have €500 million to under €1 billion; large (Tier 2) have €1 billion to under €5 billion, and very large (Tier 1) have over €5 billion in premiums. (Note: There is an exception to this approach in the Customer Feedback sections of the profiles where a reference to an insurer's tier size refers to the premium volume of the business units using the PAS, not to the premium volume of the overall enterprise.)

COMPONENTS, FEATURES AND FUNCTIONS

The components are defined as follows:

- Update Service for Industry Standard Rates, Rules, and Forms.
- Rating.
- Underwriting.
- Billing.
- Commission Management.
- Reinsurance Management.
- Business Intelligence / Analytics.
- Claims Management.
- Risk Aggregation Tooling.
- Content Management.
- Business Rules Management.
- Business Process Management.

- Customer Relationship Management.
- Portal.

The basic policy administration system functions mentioned in the profiles refer to the following:

- Policy print and Issue.
- Out-of-sequence endorsements or midterm adjustments.
- Screen(s) to show differences in policy details at two points in time.
- Automated underwriting (new business).
- Preconfigured ordering and receiving third party data (specify data sources in comments).
- Automated renewals.

Finally, the advanced quote facilities are defined as:

- Maintains history of quotes.
- Provides side-by-side comparison of quotes.
- Provides account view of all policies and subdivisions.
- Has clearance functionality (finds quotes from multiple producer on same submission).
- Workflow management (a visual toolset to design, execute, and monitor workflows without changing core code).
- Workflow management graphic design environment, without changing core code, for example with automated code generation.
- Dynamic Interviewing (subsequent questions depend on prior responses).
- Business Rules Management (design and execute, externalized from core code). If so, vendor indicates in comments if proprietary, or OEM from which vendor.
- Reusable, sharable rules.
- Rules repository (searchable, version controlled).
- Unlimited number of rules can be assigned to a single user.
- Product configuration.
- Product repository.
- Ability to design product-specific rules.
- Ability to design product-specific forms.

REGARDING CURRENCIES

Vendors were asked to provide pricing estimates in € for the European region and in US Dollars for the Middle East and Africa. The currency \$ therefore refers to US Dollars unless otherwise stated.

SAPIENS: SAPIENS IDIT

XCELENT Functionality 2013

XCELENT Technology 2013

COMPANY AND PRODUCT BACKGROUND

Sapiens (NASDAQ and TASE: SPNS) is a global provider of software solutions for the financial services industry. In addition to property and casualty their software products support general insurance, pension and annuities markets, and business decision management.

Table 1: Sapiens Company and Product Snapshot

COMPANY INFORMATION	
COMPANY SIZE	Approximately 1000 employees, 150 of whom provide services/support for Sapiens IDIT in EMEA. The average experience level of the services/support team is over five years.
HEADQUARTERS LOCATION	Global HQ- Israel EMEA offices- Uxbridge (UK), Cardiff (UK), Antwerp (Belgium), Paris (France)
PERCENT OF REVENUE INVESTED IN R&D	15%
POLICY ADMINISTRATION SOLUTION	
SYSTEM NAME	Sapiens IDIT (IDIT)
LAUNCH DATE	1998
LAST MAJOR RELEASE	Release 2.7 (2003). Re-architected IDIT™ to become a full SOA compliant solution suite, on JAVA/J2EE platform (was C/S before). Current version: Version 10 (December, 2012)

Source: Sapiens

CELENT OPINION

Sapiens continues to offer a solution with great functionality and very strong technology, something rewarded in growth in clients and new deals since the 2011 report and the acquisition of IDIT by Sapiens. Whilst the bar has risen in this year's report Sapiens IDIT continues to excel as a leading solution in both functionality and technology.

Sapiens IDIT is installed across a range of countries in Europe at insurers of all sizes and would be well placed on any insurer's short list for consideration.

USABILITY AND USER INTERFACE

All the user interfaces are browser-based using modern technology. Broker and policyholder portals are available through configuration. Sapiens noted that prospect portals tend to require more customization and are available through programmer's intervention. Sapiens provide mobile Apps for Apple (iOS) and Android devices. Their approach to App development also supports Windows and Blackberry devices although these have not been tested.

The Sapiens IDIT interface remains largely the same clean and simple browser-based interface demoed to Celent in 2011. Configuration is done through the browser using simple business user focused configuration screens. The exception was process modeling which can be edited in BPM tools and imported into the application — the demo to Celent showed editing in TIBCO Business Studio. One element of configuration that seemed very well done was the label translation feature — multi-language support always being a strong feature of IDIT.

Whilst a few other systems reviewed this year have slightly better interfaces IDIT offers a very functional and usable interface. Sapiens shared with Celent their plans to update the user interface, an investment Celent welcomes.

Sapiens was also able to demonstrate mobile functionality both on an iPad and an Android phone.

CUSTOMER FEEDBACK

Two customers provided feedback for Sapiens IDIT, one on version 7 and one on version 10. One client was engaged in mostly personal lines with the other client offering a mix of commercial and personal lines.

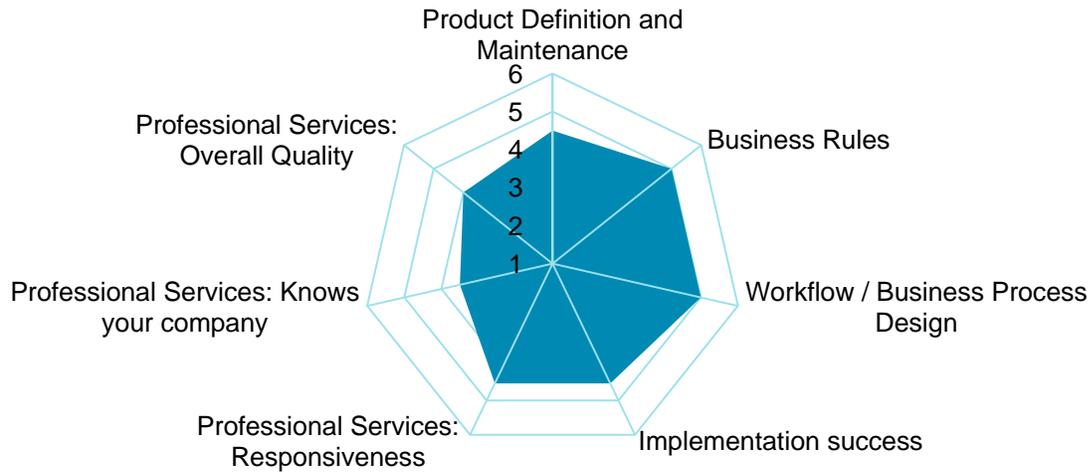
The references provided feedback for product definition and maintenance and document management scoring both as 4.5 out of 6. The references also scored workflow and business rules features as a 5.0. The other features were marked as not in use at the references.

In terms of the best things about the system the references listed functionality, a modern system as well as quality of service and responsiveness. Price was also mentioned as a positive. Things to improve included long term cost — specifically the regular upgrades although this is becoming standard amongst modern systems. Another point referred to further professionalizing the services model, which is reflected in the scores below.

References stated that they did not use the underwriter desktop, hence this is absent in Figure 3 below.

Overall customer feedback was good for Sapiens IDIT.

Figure 3: Sapiens Customer Feedback on Implementation Experience



1 = very poor / 6 = excellent

Source: Client feedback survey

CUSTOMER BASE

The following table lists the customer base of Sapiens in EMEA. Sapiens' target market is European and Asian Pacific based Tier 1 and traditional SMBs personal and commercial insurance companies. Of the five new EMEA clients three have more than \$1 billion in premium. Within the EMEA the product has largely been sold in Europe. Outside of the EMEA IDIT has been sold in APAC countries such as Australia, India and Hong Kong.

Table 2: Sapiens Customer Base

SUBREGION	TYPE	NUMBER AND LOCATION OF CLIENTS
EUROPE & MIDDLE EAST	Total clients in production:	16 Netherland 3 Belgium 2 Bulgaria 1 Russia 2 UK 1 France 1 Poland 1 Czech Republic 1 Swiss 1 Turkey 1 Germany 1 In Middle East: Israel 1
	Total clients in implementation mode:	8
	New Clients between Jan. 1, 2011 and Apr. 1, 2013	UK 2 Switzerland 1 Belgium 1 Germany 1
	Marquee clients	Oranta part of the Achmea / Eureko group, Euler Hermes part of the Allianz group, Hiscox (UK and International)
GLOBAL	Global clients	22
	Global new clients	8

Source: Sapiens

FUNCTIONALITY AND LINES OF BUSINESS

The high-level components available in IDIT are listed in Table 3.

Table 3: High-Level Component Availability

COMPONENT	CAN BE LICENSED/ INSTALLED AS STAND-ALONE COMPONENT (WITHOUT PAS SOLUTION)	AVAILABLE ONLY BUNDLED WITH PAS (NO ADDITIONAL COST)	AVAILABLE ONLY BUNDLED WITH PAS (WITH ADDITIONAL COST)	AVAILABLE THROUGH ISV PARTNER	NOT AVAILABLE
UPDATE SERVICE FOR INDUSTRY STANDARD RATES, RULES, AND FORMS		●			
RATING	●				
UNDERWRITING (QUICK QUOTE, QUOTE, ACCESS DATA, TRACK NEGOTIATIONS)		●			
BILLING	●				
COMMISSION MANAGEMENT		●			
REINSURANCE MANAGEMENT	●				
BUSINESS INTELLIGENCE / ANALYTICS			●		
CLAIMS MANAGEMENT	●				
RISK AGGREGATION TOOLING (TOTAL RISK BY GEOGRAPHIC AREA)		●			
CONTENT MANAGEMENT		●			
BUSINESS RULES MANAGEMENT		●			
BUSINESS PROCESS MANAGEMENT OR WORKFLOW COMPONENT		●			
CUSTOMER RELATIONSHIP MANAGEMENT		●			
PORTAL		●			

COMPONENT	CAN BE LICENSED/ INSTALLED AS STAND-ALONE COMPONENT (WITHOUT PAS SOLUTION)	AVAILABLE ONLY BUNDLED WITH PAS (NO ADDITIONAL COST)	AVAILABLE ONLY BUNDLED WITH PAS (WITH ADDITIONAL COST)	AVAILABLE THROUGH ISV PARTNER	NOT AVAILABLE
OTHER: FORMS LIBRARY	●				

Source: Sapiens

IDIT provides most of the basic PAS functions through configuration by a nontechnical business user; however pre-configured ordering and receiving third party data is available through programmers adding/modifying the solution's code base.

IDIT offers most of the advanced quote management, workflow and rules functionality through configuration by a nontechnical business user. Similarly, the product design functions are offered through configuration by a nontechnical business user.

IDIT supports a mix of personal and commercial products as shown in Table 4. IDIT does not support any type of Takaful products.

Table 4: Supported Products in EMEA

PRODUCT	TOTAL EMEA INSURERS IN PRODUCTION	EUROPEAN COUNTRIES IN PRODUCTION
PERSONAL MOTOR	11	9
TELEMATICS BASED MOTOR PRODUCT	Supported but not in production	0
HOMEOWNERS / RENTERS	10	8
COMMERCIAL MOTOR	10	8
COMMERCIAL PROPERTY	10	8
COMMERCIAL LIABILITY	10	8
WORKERS COMPENSATION	3	3
MEDICAL MALPRACTICE	2	2
OTHER PROFESSIONAL LIABILITY	4	4
COMMERCIAL PACKAGES	6	6
SURETY	2	2

PRODUCT	TOTAL EMEA INSURERS IN PRODUCTION	EUROPEAN COUNTRIES IN PRODUCTION
EXCESS & SURPLUS	10	9
MARINE	3	3
SPECIALTY	12	11

Source: Sapiens

TECHNOLOGY

An overview of IDIT technology options is listed in Table 5.

Table 5: Technology Options

PLATFORM AND CODE	
PLATFORM	IDIT is supported on a Java framework and runs on HP-UX, AIX, Solaris, Linux (SUSE, Red Hat and Oracle) and Windows server operating systems. The application servers supported include IBM Web Sphere 8.5, Oracle Web Logic 12 and Jobs 5.2
CODE BASE	The code for business users' screens is 100% Java. The code for the development and configuration environment is also 100% Java.
DATABASES	Oracle, Microsoft SQL Server, DB2/UDB
WEB SERVICES / INTEGRATION OPTIONS	Preferred options: SOA/Web Services, Other XML, MQSeries, JMS or similar queue technology, Flat files Additional options: Custom API, ACORD Standard XML and DB direct access

Source: Sapiens

IMPLEMENTATION, PRICING, AND SUPPORT

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. The IDIT team is typically comprised of: One dedicated project manager, 45% Business Analysts, 15% architects, 30% technical staff and 10%

Third party system integrators such as global players (e.g. IBM) and local System Integrators (e.g. IBEXI in India) are used mainly in areas which are not related directly to the Core of IDIT. This may include, among others, interfaces, migration, LOB replication, training and testing, and all the way up to prime-contracting.

Typical first year pricing is broken down as follows: 60% on initial installation and customization, 30% on software licence, 5% on annual maintenance and 5% on training. Sapiens offers perpetual and term licensing, and revenue share models. On premise and hosted implementation fees can be based on number of functional components, number of lines of business, number of concurrent users, number of total or named users, policy volume, premium volume or a flat fee.

For a national insurance company in Europe, the initial licence and maintenance fee is typically slightly below €1 million. Total insurer expenses (excluding the licence) usually range from €1 million to €3 million. The participation of insurer staff on the implementation team is three to five FTE for the first year

For an insurance holding company in Europe, the initial licence and maintenance fee is typically €1 million to €3 million. Total insurer expenses (excluding the licence) are typically €6 million to €10 million. The participation of insurer staff on the implementation team is three to five FTE for the first year.

The continuing maintenance/support fee is 20% of the licence fee.

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