

XCELENT Awards 2013

ASIA-PACIFIC POLICY ADMINISTRATION SYSTEMS

PROPERTY & CASUALTY ABCD VENDOR VIEW

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This authorised reprint contains material excerpted from a recent Celent report profiling and evaluating 26 different policy administration systems. The full report is over 110 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 part of a series on policy administration systems (PAS) in North America, Europe, and Asia. This report profiles the majority of the property and casualty insurance administration systems available in Asia-Pacific today.

This report includes full profiles for the 10 systems that fully met the inclusion criteria described in the Report Methodology section of this report. Sixteen limited profiles are provided for market entrants and those systems that for a variety of reasons did not meet all the inclusion criteria. Some vendors that fully meet the inclusion criteria also choose to have a limited profile. Only vendors with full profiles are ranked in the ABCD Vendor Views.

Since Celent's first report in 2009, activity has remained among both insurers and policy administration system vendors. In the two-and-a-half years from January 2011 to June 2013, over 60 property and casualty insurers licensed a new PAS.

This report uses Celent's ABCD Vendor View, which is our 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. Insurers should consider which factors in breadth, technology, experience, and client service are most important to them, and review the detailed profiles in this report to assess vendor suitability.

Vendors continue to make important advances in usability and personalization. Many added or upgraded web-based portal interfaces that benefit customer service representatives, underwriters, and different distribution forces. System administration capabilities for configuring products, rules, workflow, document management, and user interfaces have also improved. Additionally, the systems profiled continue to add support for new lines of business.

Insurers have continued to renew or replace policy administration systems. We believe that these initiatives are necessary to help the industry address growth, service, and distribution imperatives. This report should help insurers refine their core systems strategies and, where appropriate, create a list of appropriate vendors for evaluation. Expanded PAS functionality and improved technology mean that insurers continue to have a wide spectrum of systems and vendors to consider when they are looking for a solution to fit their needs.

REPORT METHODOLOGY

CRITERIA FOR INCLUSION

Celent's objective has been to include in this report as many as possible of the leading property and casualty policy administration systems being used or actively sold to Asia-Pacific insurers.

This report contains two types of profiles: full and limited. The topics covered in both types of profiles are broadly similar; however, full profiles are written with more detail and include comments from reference insurers. Additionally vendors with policy administration system written as a full profile are included in the Celent ABCD vendor view; limited profile systems are not.

The four key criteria to be included as a full profile are:

- At least two Asia-Pacific property and casualty insurance customers in production of the system.
- (For the solution that has less than five Asia-Pacific property and casualty insurance clients in production) at least one new sale to one new Asia-Pacific property and casualty insurance customer within the last 24 months.
- Support for and live implementations of at least two lines of business.
- Participation by at least two reference customers.

These criteria were designed to maximize the number of systems that can be reasonably expected to remain available (and viable) based on vendor size and strength, maturity of each product and its client base, and other important factors.

The Limited Profile sections include 16 vendor systems that did not meet the criteria for a full evaluation or for other reasons opted to be a limited profile. Although the systems are profiled in a limited manner, the vendors did provide significant information about their offerings.

EVALUATION PROCESS

Celent sent a detailed RFI to a broad set of policy administration system vendors. After Celent received completed RFIs, each vendor that meets full profile criteria provided a briefing and demo for Celent concentrating on usability and functionality for everyday users as well as rules, tools, and connectivity issues for IT or administrative users.

Celent also asked at least two references provided by each vendor to complete a survey and/or an interview so we could obtain their view of the system's business and technology value.

Both the RFIs and the reference surveys provided quantitative and qualitative data that was included in the system profiles. Vendors had an opportunity to review their profiles for factual accuracy but did not influence the overall evaluation of the system or the vendor's placement in the ABCD Vendor View. Celent of course has retained final authority over the content of the published profiles. Some of the vendors profiled in this report are Celent clients, and some are not. No preference was given to Celent clients either for inclusion in the report or for the subsequent evaluation.

Not all data gathered from the detailed RFI, vendor briefing and demo, and reference surveys/interviews has been included in each profile. Rather, Celent has attempted to

capture key points and values about each vendor at an appropriate level. Unpublished information remains in the Celent knowledge base and is available to Celent's subscription or consulting clients.

CELENT'S ABCD VENDOR VIEW

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 Table 1.

Table 1: Examples of Factors Used in Policy Administration System ABCD

ABCD CATEGORY	FACTOR
ADVANCED TECHNOLOGY (AND FLEXIBLE TECHNOLOGY)	Modernity of platform
	Deployment option flexibility (i.e., range of databases, application servers, etc. supported)
	Core adaptability/extendibility (i.e., openness of application, code base, data model, etc.)
	Ease of change (i.e., change tooling, impact evaluation support, etc.)
	Technology vision, roadmap and architecture
BREADTH OF FUNCTIONALITY	Functions and features provided in base offering
	Power and ease of use of product and rules configuration
	Supported lines of business and number of deployments for different lines of business
	User experience
	Power and ease of use of user interfaces
CUSTOMER BASE	Number of live insurers and number of countries using the system
	Currency of client base (i.e., are clients on the newest available version of the system?)
	New client momentum
DEPTH OF CUSTOMER SERVICE	Size and experience of professional services and support team
	Insurers' implementation experiences
	Insurers' post- implementation experiences

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 Advanced Technology winner is Sapiens. The XCelent Breadth of Functionality award goes to Innovation Group.

Figure 1: XCelent Technology and XCelent Functionality



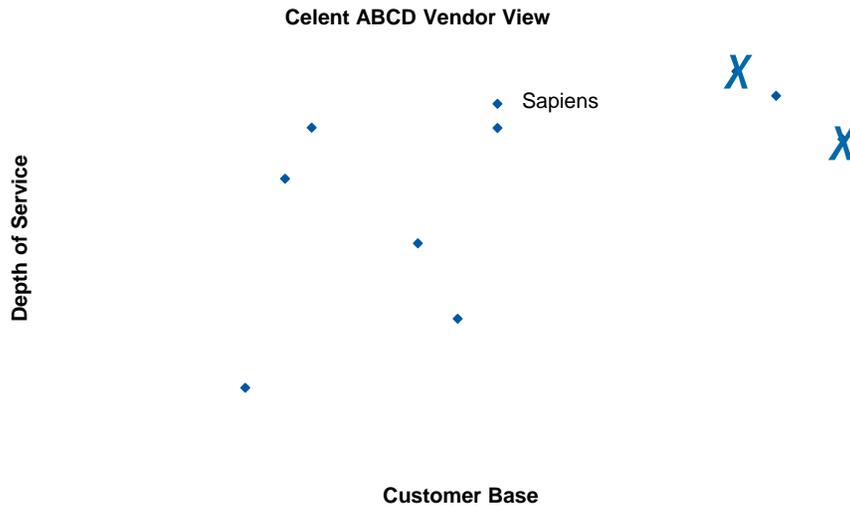
Note: only evaluate CSC Integral POLISY COBOL option. Integral POLISY Java option is not evaluated in ABCD by this report

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 awards for XCelent Customer Base award winner is CSC, and XCelent Service award go to Sinosoft.

Figure 2: Customer Base and Depth of Customer Service



Source: Celent

Celent advises insurers to take past vendor results into account, 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 policy administration system vendor report published in 2011. For example, two charts instead of one are used to represent the A, B, C and D criteria. The market is also evolving due to acquisitions and partnerships, solutions development, and alternative delivery models.

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 solution; professional services and support capabilities; customer base and reference customer feedback; functionality and lines of business deployed; usability, technology, implementations, and cost; and some summary comments.

Each profile includes a table of available end-to-end components which lists the vendor's breakdown of its system into component parts. The profiles also include a list of in production and supported lines of business and the number of clients using the system for those products. Additionally, the profiles include a table of technology options.

Customer feedback was gathered through the use of an online survey. Each customer feedback section includes a diagram that displays the average ratings given to the function and features of the solution (including underwriter desktop, product definition and maintenance, business rules, and workflow / business process design), implementation success, and vendor's professional services (including responsiveness, knows your company, and overall quality). Each rating has a scale of 1 to 6, where 1 is poor and 6 is excellent. Open-ended comments regarding the system and the vendor are also included.

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:

- Insurance Company A, a smaller property and casualty carrier, with a DWP of US\$250 million.
- Insurance Holding Company B, with four operating companies, writing property and casualty in five or more Asia-Pacific countries, with a total combined DWP of US\$2.5 billion.

When discussing insurance customers of the various solutions, the profiles may use the terms very small, small, medium, large, and very large insurers. Very small insurers (Tier 5) have under US\$100 million in annual premium; small (Tier 4) have US\$100 million to \$499 million; medium (Tier 3) have US\$500 million to \$999 million; large (Tier 2) have US\$1 billion to \$4.9 billion; and very large (Tier 1) have US\$5 billion or more.

SAPIENS: SAPIENS IDIT

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 2: Sapiens: Company and Product Snapshot

COMPANY INFORMATION	
COMPANY SIZE	Approximately 1,000 employees, 50 of who provide services/support for Sapiens IDIT in APAC. The average experience level of the services/support team is over five years.
HEADQUARTERS LOCATION	Global HQ: Israel APAC offices: Japan, Australia, Singapore
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). Rearchitected 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 2011 and the acquisition of IDIT by Sapiens.

Sapiens IDIT is installed across a range of countries in Asia-Pacific at small to midsize insurers and would be well placed on an insurer's short list for consideration.

USABILITY AND USER INTERFACE

All the user interfaces are browser-based using modern technology.

The Sapiens IDIT interface is clean and simple browser based interface. 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, multilanguage support always being a strong feature of IDIT.

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 client was engaged in mostly personal lines with the other client offering a mix of personal, commercial and specialty lines. Both references are under \$100 million in DWP and have been using the system for more than three years.

All the features and functions of the system received above-average ratings except business analytics. Most functions are in use in these clients. The underwriter desktop as well as product definition and maintenance gained the highest reviews, while analytics scored lowest. All references mentioned that most if not all changes require IT involvement.

Clients viewed implementation and ongoing support performance of the vendor in good range. One client mentioned that they did not use vendor services for implementation, and other system integrators had implemented it, but the vendor knows best about their PAS and that was helpful in improving performance of the system after implementation.

In terms of the best things about the system, the references listed web services integration; contact-centric design; aligned to insurer's direct business model, encompasses product/rating engine, BPM, DOM, and has a customer online dashboard; all modules available (including claims, document management, partner, and customer portal) and makes it complete solution; vendor flexibility and ready to discuss and accommodate, helpful and competent; vendor demonstrated expertise and ownership in resolving issues. Overall system performance was satisfactory, and ability to handle desired projections was also mentioned as a positive. Things to improve included adding libraries for health insurance, incorporating reinsurance, analytics, business workflow – it doesn't replace industry strength BPM solutions, but the reference client understands that it is not the expectation in PAS. Other points referred to was improved master maintenance, more technology reference papers, and increased support for system release without additional fee. Insurer suggested Sapiens accelerate its footprint expansion in Asia.

Figure 3: Sapiens IDIT Customer Feedback



Source: Sapiens IDIT client feedback survey

CUSTOMER BASE

The following table lists the customer base of Sapiens in APAC. Sapiens's target market is European and Asian Pacific based Tier 1 and traditional SMBs personal and commercial insurance companies; In Asia one of the six current clients has more than \$1 billion in DWP. Outside of APAC the solution has been sold throughout Europe to several Tier 1 insurers.

Table 3: Sapiens Customer Base

APAC CLIENTS	Total clients in production = 6	
	Australia: 2	Hong Kong: 1
	Singapore: 1	India: 1
	Thailand: 1	
	Total clients in implementation mode = 2	
NEW APAC CLIENTS BETWEEN JAN. 1, 2011 AND APR. 1, 2013	3	
NUMBER OF CLIENTS IN ANY GEOGRAPHY	Total global clients: 22	
	Global new clients: 8	
MARQUEE APAC CLIENTS	Direct Asia, L&T General Insurance, RAC Insurance Pty	

Source: Sapiens

FUNCTIONALITY AND LINES OF BUSINESS

The high level components available in IDIT are listed in Table 4.

Table 4: 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		●			
OTHER: FORMS LIBRARY	●				

Source: Sapiens

IDIT provides most of the basic PAS functions through configuration by a nontechnical business user; however, preconfigured 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.

The solution supports multiple languages and multiple currencies. In addition, Sapiens IDIT supports multiple currencies and languages on a single instance, and also supports a double-byte character set.

IDIT supports a mix of personal and commercial products as shown in Table 5. IDIT does not support any type of Takaful products.

Table 5: Supported Products in APAC

PRODUCT	INSURERS IN PRODUCTION	COUNTRIES IN PRODUCTION
PERSONAL AUTO	6	5
TELEMATICS-BASED AUTO PRODUCT	Supported but not in production	
HOMEOWNERS/RENTERS	6	5
COMMERCIAL AUTO	3	2
COMMERCIAL PROPERTY	2	2
COMMERCIAL LIABILITY	2	2
WORKERS COMPENSATION	1	1
MEDICAL MALPRACTICE	Supported but not in production	
OTHER PROFESSIONAL LIABILITY	1	1
COMMERCIAL PACKAGES	2	2
SURETY	1	1
EXCESS & SURPLUS	2	2
MARINE	1	1
SPECIALTY	6	5

Source: Sapiens

Technology

An overview of IDIT technology options is provided in Table 6.

Table 6: Technology Options

PLATFORM AND CODE	
PLATFORM	IDIT is supported on .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 comprises one dedicated project manager, 45% business analysts, 15% architects, 30% technical staff, and 10% trainers. 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 installation and customization, 30% on software license, 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, the initial license and maintenance fee is typically slightly below \$1 million. Total insurer expenses to third parties (excluding the license) 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, the initial license and maintenance fee is typically \$1 million to \$3 million. Total insurer expenses to third parties (excluding the license) 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 license fee.

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