

CELENT

XCELENT Awards 2015

EMEA POLICY ADMINISTRATION SOLUTIONS 2015

PROPERTY & CASUALTY, GENERAL, AND SPECIALTY LINES
VENDOR VIEW

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This authorized reprint contains material excerpted from a recent Celent report profiling and evaluating 43 different property & casualty/general insurance policy administration system vendors in EMEA. The full report is more than 260 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 changed from that presented in the full report. For more information on the full report, please contact Celent at info@celent.com.

CONTENTS

- Introduction..... 1
- Policy Administration Systems: Definition and Functionality 2
- Report Method 5
- Celent's ABCD Vendor View..... 7
- Vendor Profiles..... 10
- Sapiens: Sapiens IDIT 12
- Conclusion..... 20
- Leveraging Celent's Expertise..... 22
- Related Celent Research..... 23

INTRODUCTION

This report is part of a series on policy administration systems (PAS) in EMEA, Latin America, North America, and Asia. It profiles the majority of the property and casualty/general/specialty lines administration systems available in EMEA today.

It uses Celent's ABCD vendor view, which is our standard representation of a vendor marketplace and is 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 they should review the detailed profiles in this report to assess vendor suitability.

This report includes 29 systems that fully met the inclusion criteria for Celent's ABCD vendor view as described in the "Report Methodology" section of this report. Eleven additional vendors who did not meet the ABCD criteria are also profiled; these vendors are either new market entrants or, for a variety of reasons, did not fully meet the inclusion criteria.

Since the first report in 2005, activity level has remained high among both insurers and PAS vendors. From July 2013 to July 2015, more than 150 P&C insurers licensed a new PAS. As of July 2015, approximately 160 insurers were in the process of implementation.

In the last few years, Celent has seen an acquisition spree among vendors in the EMEA region; that spree has been focused in Europe and had particular impact in the Nordics. A number of startups have emerged in the region as well, with some appearing in this report for the first time. The landscape in policy administration systems in EMEA has changed significantly, and vendors across the region offer modern systems. EMEA remains a heterogeneous territory. Countries are digitizing at different rates and implementing regulation differently, and there are few common standards across the region. This state of affairs will continue to support a large number of vendors for the foreseeable future.

An insurer considering a new PAS today can choose from 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.

POLICY ADMINISTRATION SYSTEMS: DEFINITION AND FUNCTIONALITY

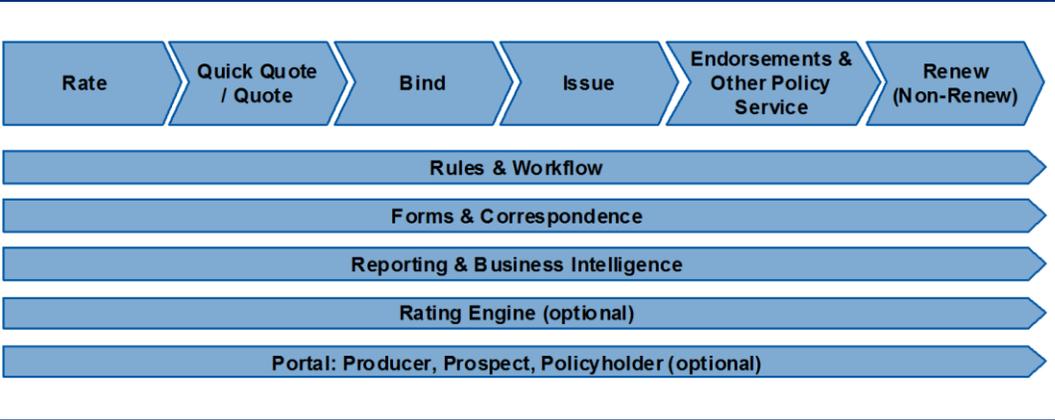
DEFINITION

In one sense, the definition of a policy administration system (PAS) is very simple — it is the system of record for all policies that an insurance company has written. At this most basic level, a PAS is a repository of policy-level data related to objects of insurance, coverages, limits, conditions, exclusions, duration of the policy, endorsements, and so forth. A permanent policy record is created at the time a policy is issued and includes the complete history of the policy through renewal, termination, cancellation, and/or reinstatement.

CORE PROCESSES

In actual practice, an insurer uses a PAS — either by itself or closely integrated with specific point solutions — to execute a number of core processes and relies on several types of supporting capabilities, as shown in Figure 1.

Figure 1: Policy Administration System Core Processes



Source: Celent

The core processes fall into three broad groups, each with subprocesses:

- New Business
 - Rate
 - Quick quote and quote
 - Bind
 - Issue
- Policy Service
 - Endorsements
 - Other changes to the policy
 - Cancellation and reinstatement
- Renewal
 - Renew
 - Non-renew

Supporting the core processes are several components: rules and workflow, forms and correspondence (more broadly, content management), reporting and business intelligence, rating engine, and portals. Each full solution profile in this report includes information about whether and how a given vendor offers these components.

- **Rules, Process, and Workflow Management:** Designing, managing, and executing business rules (attached to products or processes) and workflow (person:person, person:system, system:system) during any activity or process. In a more modern PAS, rules (especially) and workflow (perhaps) will be externalized from the core code and from the presentation (UI) layer.
- **Forms and Correspondence (document management):** Creating, managing, and using a broad variety of documents, including policy content, forms, and correspondence.
- **Reporting and Business Intelligence:**
 - Reporting: Designing, storing, and accessing reports ranging from simple lists to multidimensional calculated variables. In general, reports are used to monitor activities by a user and by all levels of management.
 - Business Intelligence (including more advanced analytics): Using various forms of statistical analysis to identify and present patterns of relationship and causation, which an insurer can use to improve such functions such as pricing, underwriting, and claims.
- **Rating (optional):** A stand-alone rating engine should be capable of handling complex pricing algorithms and should integrate easily with various PASs.
- **Portals (optional):** A portal provides a producer (or policyholder or prospect) with the ability to upload submissions or other data, download policy and other information (e.g., billing or commission data), and communicate via various forms of messaging. In general it provides an integrated purpose-built user environment.

It is worth noting that the last two components (rating engine and portals) are optional. They are usually, but not always, available or bundled with a vendor's PAS. For the purpose of this report, a PAS must provide a means for rating submissions and for producers to exchange information with an insurer. Such means could be a rating engine and portal offered by the vendor, or such means could be rating engines and portals/websites provided by other vendors or built by the insurer itself.

HIGH LEVEL COMPONENT AVAILABILITY

Celent has limited the definition of a PAS to include a set of core processes and key supporting capabilities. But vendors do not necessarily limit their definitions of a PAS in the same way, and many have attempted to build out some or all of the end-to-end components that an insurer might need. Some insurers are just looking for a best-of-breed PAS to work with other core systems already installed, but other insurers may be looking for a vendor who can offer broad solutions for multiple areas of their insurance operations.

Some of the additional end-to-end components defined here are also listed as core processes of the PAS. This is not a contradiction. A vendor might bundle a component with its PAS (for example, a billing system), but also consider it (and sell it as) a separate, stand-alone product. Alternatively, a vendor might provide a basic level of functionality in one area, but also have an upgraded, higher cost product or an ISV partnership with a different vendor to provide an advanced solution (e.g., rating).

In order to help insurers with their comparison of different solutions, each profile in this report has a table summarizing whether the vendor in question offers one or more of the

following end-to-end components and whether the components are part of the base offering or sold as a stand-alone system.

- Update Service for ISO/AAIS/NCCI Rates, Rules, and Forms: Providing current versions of bureau-generated rates, rules, and forms for an insurer that uses such content for various lines. The updates are provided in formats that are compatible with the PAS's product configuration and rating capabilities.
- Update Service for Industry Standard Rates, Rules, and Forms: Providing current versions from a standard setting body (e.g., ACORD) of generated rates, rules, and/or forms for an insurer that uses such content for various lines. The updates are provided in formats that are compatible with the PAS's product configuration and rating capabilities.
- Rating: As defined above.
- Underwriting: A set of features and functions providing a robust underwriting desktop and managing complicated workflow between multiple systems.
- Billing: A system to create invoices and handle collections from producers and usually from policyholders as well.
- Commission Management: A system to calculate, record, and transmit information and data regarding commissions due to producers. Sometimes combined with a billing system.
- Reinsurance Management: A system to record any reinsurance contract related to a policy or set of policies, and to manage the financial and reporting interactions with reinsurers and brokers.
- Business Intelligence/Analytics: As defined above.
- Claims Management: A system to record and transact all matters relating to a claim from first notice of loss through final settlement.
- Risk Aggregation Tooling: Ability to analyze total risk by geographic area.
- Content Management: Includes forms/correspondence/document management as described above. It also includes other forms of content, such as public-facing web pages, social network sites, etc.
- Business Rules Management: As defined above.
- Business Process Management: As defined above.
- Customer Relationship Management: Allows the aggregation of data on a customer and account level view and provides utilities that streamline the communication and management of customer data.
- Portal: As defined above.

REPORT METHOD

CRITERIA FOR INCLUSION

Celent's objective is to include in this report as many as possible of the leading property & casualty/general/specialty lines policy administration systems being used or actively sold to insurers in EMEA. Celent actively reviews vendor systems in the insurance software market and invites the vendors to participate in reports like these.

Celent's ABCD Vendor View analysis is used to highlight those vendors who have attained success selling their systems in a particular market, in this case EMEA. Even if a vendor is not included in the ABCD Vendor View, Celent profiles all vendors who are new or emerging entrants to the market as well as those with re-architected products.

The four key criteria to be included in Celent's ABCD analysis are:

- At least three customers in production with the current version of the system.
- At least one new sale to one new customer within the last 24 months.
- Participation by at least three reference customers.

This report contains 40 profiles. Each of the profiles presents information about the vendor and solution; available professional services and support capabilities in the region; customer base; functionality and lines of business deployed; technology and partnerships; and implementations and cost. The vendors included in Celent's ABCD Vendor View analysis have two additional sections: reference customer feedback and some summary comments.

EVALUATION PROCESS

Celent sent a detailed RFI to a broad set of life/annuity/pension/health PAS vendors. After Celent received completed RFIs from the vendors, each vendor was evaluated for meeting the criteria for inclusion in the ABCD Vendor View analysis. Each vendor included in Celent's ABCD evaluation provided a briefing and demo for Celent that concentrated on usability and functionality for everyday users as well as external portals (if available), product and rules configuration, and other key features highlighted by the vendors.

Celent also asked at least three references provided by each vendor in the ABCD Vendor View analysis to complete an online survey in order to obtain their view of the system's business and technology value. The RFIs, the demos/briefings, and the reference surveys provided quantitative and qualitative data that was used in the ABCD analysis of these vendors. This process is described in the next section.

Additionally, data from the RFIs received from every vendor was included in the system profiles presented in this report. All vendors had an opportunity to review their profiles for factual accuracy, but they could not influence the overall evaluation of the system or the vendor's placement in the ABCD Vendor View charts if the vendor was included in the evaluation.

Celent 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 RFIs, vendor briefings and demos, and reference surveys/interviews has been included in the profiles. 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 2.

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

ABCD CATEGORIES	POSSIBLE FACTORS
Advanced Technology (and flexible technology)	Platform and Modernity (Code base, platform, databases, localization capabilities, etc) UI (Ease of use, mobility) Data and adaptability/extendibility (Openness of application, code base, data model, etc.) Integration (Web services, APIs, reference comments) Scalability and cloud (Cloud readiness, largest installations, etc) Ease of change (Change tooling, debugging capabilities, etc)
Breadth of Functionality	Functions and features provided in base offering In production lines of business and number of deployments for each User experience
Customer Base	Number of live insurers using the system for personal, commercial, or specialty lines of business New client momentum
Depth of Customer Service	Size professional services and support team in region Insurers’ post-implementation experiences

Source: Celent

THE XCELENT AWARDS

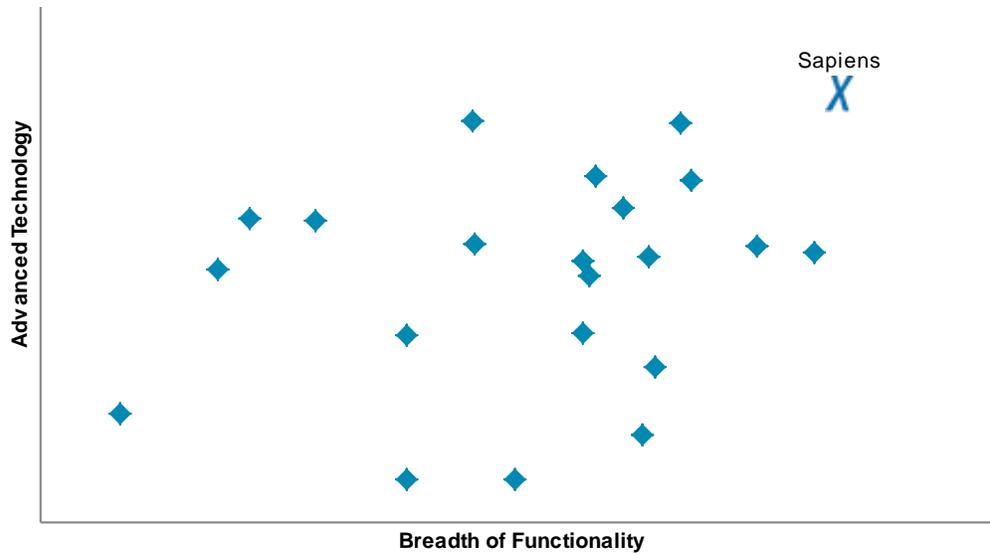
Within this framework, the top performers in each of the ABCD dimensions receive a corresponding XCelent Award:

- 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 leading Depth of Service score

XCELENT TECHNOLOGY AND XCELENT FUNCTIONALITY

Figure 2 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 2: XCelent Technology and XCelent Functionality

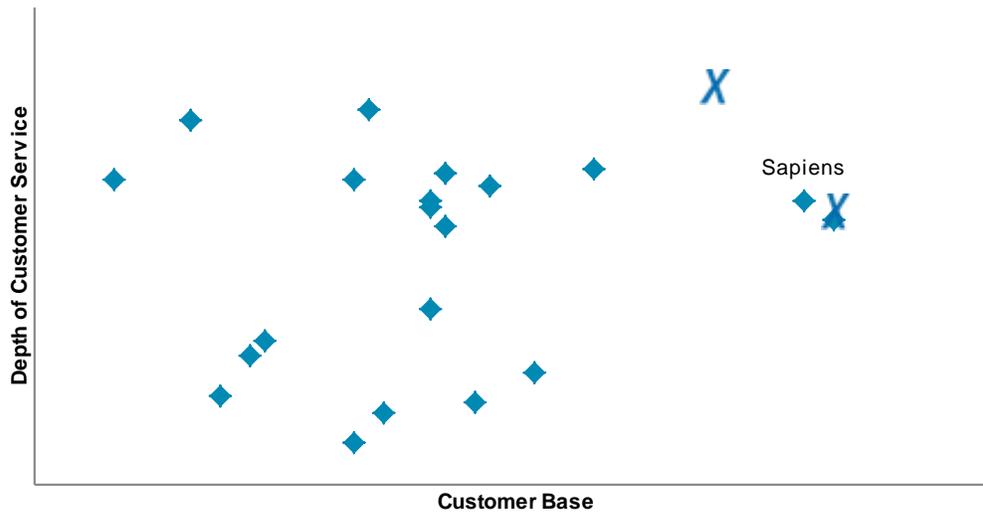


Source: Celent

XCELENT CUSTOMER BASE AND XCELENT SERVICE

Figure 3 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.

Figure 3: 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 and 2013. For example, in this report, depth of service is more heavily influenced by the customer feedback this year. 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 favors complete systems. Solutions explicitly designed to form part of a wider applications architecture that have missing components have tended to perform less well, as did solutions focused on a particular tier. 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.

VENDOR PROFILES

ABOUT THE PROFILES

Each of the profiles presents information about the vendor and solution; professional services and support capabilities; customer base; functionality and lines of business deployed; technology and partnerships; and implementations and cost. As stated earlier, if a system was included in the ABCD Vendor View analysis, the profile also includes customer feedback and Celent’s opinion of the system in regards to usability, product configuration, and workflow abilities, as well as summary comments.

Each profile includes figure outlining available end-to-end components and the features/functions availability within the systems. The profiles also include a list of in-production and supported lines of business and the number of clients currently using the system for those products. Additionally, the profiles include a table of Technology Options.

If included in the ABCD Vendor View analysis, the vendor’s reference feedback gathered through the use of an online survey is presented in the profile. Customer feedback sections include a diagram that displays the average ratings given to the vendor in five categories. Each average rating includes up to eight underlying ratings shown in Table 2, scored by the customer on a scale of 1 to 5, where 1 means poor and 5 is excellent. Open ended comments regarding the system and the vendor are also included in the feedback section.

Table 2: Customer feedback ratings

DIAGRAM AVERAGE (QUESTION ASKED)	RATINGS INCLUDED IN AVERAGE*
FUNCTIONALITY (How would you rate the features and functions you are currently using?)	Producer/Agent Portal Policyholder Portal Customer Service Desktop Underwriter Desktop/Underwriting and Case Management Product Configuration/Definition and Maintenance Workflow / Business Process Design Business Rules Document Management Business Intelligence Analytics Billing Claims Management Commission Management Reinsurance Management Regulatory Reporting
USER EXPERIENCE (Do the following users find this system EASY AND EFFICIENT to use? Using a 1 to 5 scale, where 1 is very difficult to use and 5 is very easy to use)	Underwriters Underwriter support staff Policy service staff System administrators Business Analysts (doing configuration)

DIAGRAM AVERAGE (QUESTION ASKED)	RATINGS INCLUDED IN AVERAGE*
TECHNOLOGY (How would you rate the TECHNOLOGY of this solution on a scale of 1 to 5 where 1 means Very Poor and 5 means Excellent?)	Ease of system maintenance Flexibility of data model Scalability Continuous improvements in technical performance Configurability Ease of integration with internal and external data/systems
IMPLEMENTATION (If you are familiar with the original implementation of this system at your company, how would you rate this vendor in the following areas?)	Responsiveness Project management Implementation completed on time Implementation completed on budget Overall project success Knowledge of your business
SUPPORT (After implementation, how would you rate the vendor's professional services staff in the following areas?)	Skill and knowledge of professional services staff Timeliness of responses to service requests Quality of response to service requests Cost of services Overall value of professional services

Source: Celent

*Scale 1 to 5, where 1 is poor and 5 is excellent. Not Applicable or No Opinion not included in average.

Concerning implementation costs and 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 small insurer, with a Direct Written Premium (DWP) of US\$250 million.
- Insurance Holding Company B, with four operating companies, writing multiple lines of business in five or more states, with a total combined Direct Written Premium (DWP) of \$2.1 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 less than 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

COMPANY

Sapiens is a publicly traded company headquartered in Israel, with sales and professional services personnel located throughout the North American, European, Middle Eastern, and African, and Asia-Pacific regions. Sapiens' business is providing software and services to the financial industries with emphasis on the insurance industry. The company has more than 1600 employees. Sapiens does not disclose employee breakdown by division. More than 1,200 are physically located in the European, Middle Eastern, and African regions.

An annual user conference is attended by customers and prospects across all industries.

Table 3: Company and Product Snapshot

COMPANY	Annual revenues derived from product	Total company revenue (end of 2014): US\$157.5M
	Year founded	1982
	Exchanges/Symbols	NASDAQ and TASE: SPNS
	Headquarters Location	Global: Israel North American HQ: Rochelle Park, NJ, with offices in Cary NC ; Toronto, Chicago European, Middle Eastern and African HQ: Uxbridge, UK; Cardiff, UK; Antwerp, Belgium; Warsaw, Poland; Asia-Pacific HQ: Yokohama, Japan; Melbourne, Australia; Singapore; Mumbai, India
PAS SYSTEM	Name	SapiensIDIT
	Current release and date of release	V12 released end of year 2014
	Release intervals	Minor enhancements: Twice a year Major enhancements: Annually
	Upgrades	Insurers can skip multiple versions e.g. go directly from version 7.0 to version 12.0 Vendor support for prior versions: They support current versions and more than two prior for all versions in production.
Target market		Tier-1 and SMBs local and international traditional carriers with agents, direct insurance, bancassurance and brokers markets, in Western & Eastern Europe, and Asia Pacific. Full suite or component based offering for all personal and commercial lines, over all distribution channels value chain.

Source: Vendor RFI

CELENT OPINION

Sapiens IDIT continues to have a strong presence in Europe. As in the last report, Sapiens has strong activity in the UK and Nordic markets, which Celent expects to translate into more new deals in the next report. Celent welcomes the acquisition of the insurance operation in Poland, although it is too early for this to have affected the customer feedback.

Sapiens has continued to invest in the user interface for IDIT with web-based user interfaces demonstrated in a standard browser as well as on a tablet, as in 2013. Both are rich and offer a modern interface.

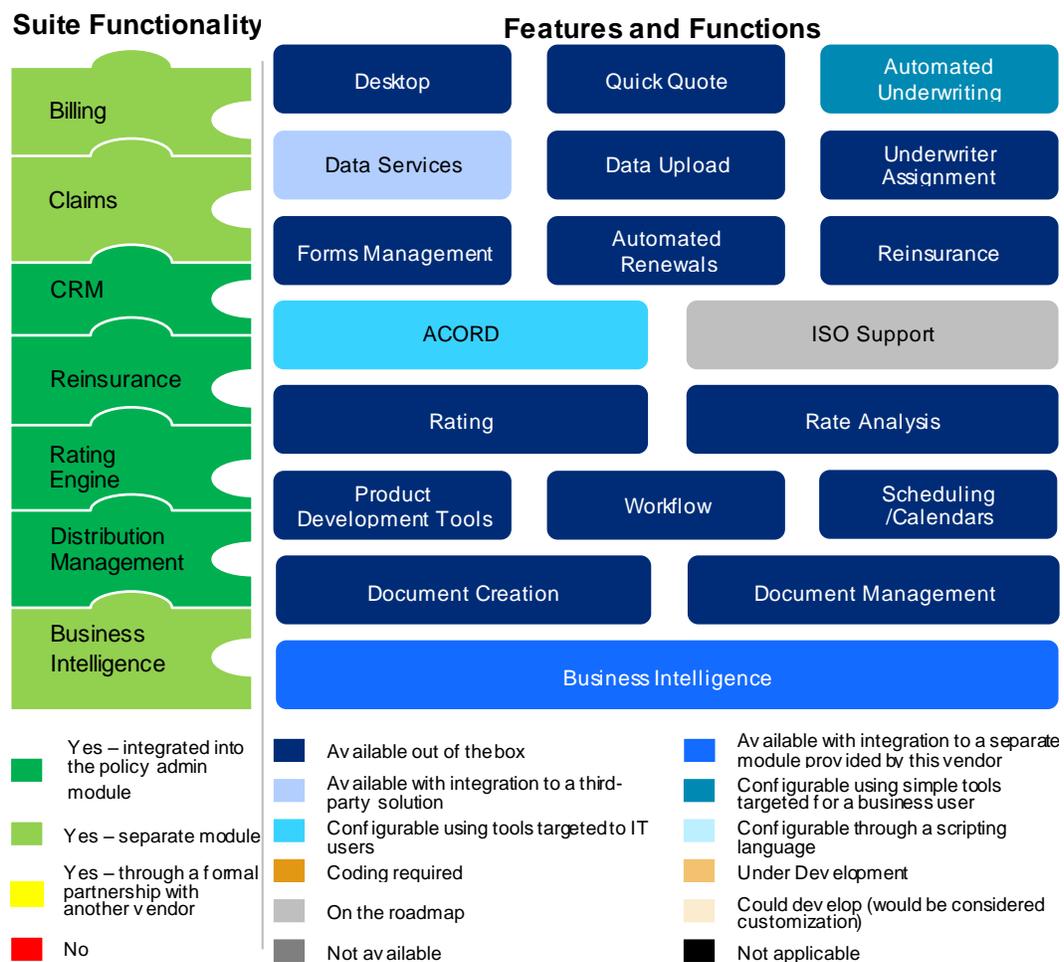
The solution comes with a variety of configuration tools, including a visual workflow editor and rules engine editors. The solution comes with a rules engine and is also integrated to Sapiens Decision, which offers a robust business analysis approach to maintaining and managing rules.

Sapiens IDIT continues to offer a strong digital policy administration system for insurers globally, with strong experience across Europe.

OVERALL FUNCTIONALITY

The majority of the functionality is available out of the box. Exceptions include automated underwriting, which is configurable using simple tools targeted for a business user, data services, which is available with integration to a third-party solution, and ACORD, which is configurable using tools targeted to IT users. Local regulatory support is available with automated releases on the roadmap. Business intelligence is available with integration to a separate module provided by this vendor.

Figure 4: Functionality



Source: Vendor RFI

CUSTOMER BASE

Sapiens has a total of 17 insurer clients in the region.

Most insurance company clients are Tier 1, Tier 3, and Tier 4 (four clients each) followed by Tier 5 (three clients) and Tier 2 (two clients).

Table 4: Customer Base

EUROPEAN, MIDDLE EASTERN AND AFRICAN CUSTOMER BASE	In production with release less than four years old	9
	In production with prior release/version	5

New clients since 2013	Europe: UK 3 France 1 Africa: Mauritius 1
Live clients at time of writing	Europe: United Kingdom 3 Netherlands 2 France 2 Russia 1 Belgium 1 Germany 1 Poland 1 Turkey 1 Middle East: Israel 1 Africa: Mauritius 1
Deployment method (Percentage of client base)	On Premise: 60% BPO: 0% Hosted: 40% In the cloud: Part of hosting is on cloud infrastructure - all private other than 1 on amazon SaaS: They don't see an interest for pure public cloud SaaS sharing with other carriers but rather on private cloud
Marquee clients	Hiscox; Euler Hermes; PartnerRe; Anadolu; BFD (Polis Direct)

Source: Vendor RFI

CUSTOMER FEEDBACK

Four clients provided feedback on Sapiens IDIT. Three are Tier 5 insurers and one is a Tier 4 insurer. One insurer has been using it for more than three years and the other three have been using it for less than one year. Three insurers are using it exclusively or mostly for personal lines, while one has been using it exclusively or mostly for mostly commercial lines.

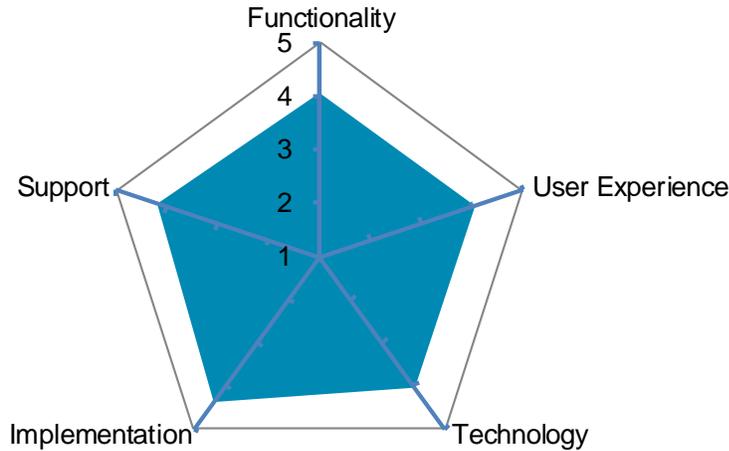
Functionality received above-average scores overall. Within functionality, customer service desktop received the highest score, while business intelligence reports were an area of relative improvement. User experience scores were above average. Within that category, policy service staff was highlighted and business analysts (doing configuration) was an area of relative weakness. Comments on the system technology were above average. Configurability received a high score and continuous improvements in technical performance were noted as a possible area of improvement. Regarding their implementation experiences, insurers gave above average marks, highlighting project management (estimations, scope creep, etc.) and giving lowest marks to knowledge of the business. Finally, client support was rated above average overall. The highest score within that category was skill and knowledge of professional services staff, while the lowest was cost of services.

When asked about the best thing about Sapiens, customers commented that Sapiens is responsive, committed, and constructive, and can provide creative solutions. Sapiens IDIT was described as stable, relatively easy to maintain, flexible, and easy to use. When

asked about areas of improvement, customers focused on two key areas. The first concerned code delivery, including improving quality, easing upgrades, and enabling parallel product development. On the second point, a couple of references sought a more flexible support model and lower costs. One reference summed up: “Honest transparent vendor with a quality system.”

Figure 5: Customer Feedback

Customer average rating (1=very poor; 5=excellent)



Source: 2015 Celent P&C/Gen. Ins. PAS customer feedback survey

LINES OF BUSINESS SUPPORTED

Table 5: Selected Lines of Business Supported

LINE OF BUSINESS	AVAILABILITY	NUMBER OF CLIENTS IN PRODUCTION IN EMEA
PERSONAL AUTO	In production today	8
HOMEOWNERS	In production today	8
COMMERCIAL AUTO	In production today	7
COMMERCIAL PROPERTY	In production today	6
COMMERCIAL LIABILITY	In production today	10
WORKERS COMP	Supported but not in production	-
BUSINESS OWNERS POLICY	In production today	7

Source: Vendor RFI

TECHNOLOGY

The primary UI for business users is browser based. Touch screen interfaces for desktop and mobile devices are enabled for business users. For developers and configurers, the UI is browser based. Touch screen interfaces are enabled for developers and

configurers. The technical architecture is an end-to-end SOA-based distributed system, developed in pure Java and JEE technologies. IDIT is component-based with core/country/customer layers. The layered implementation separates the common infrastructure (Core Layer) from country-specific elements (Country Layer) and customized features (Customer Layer), as well as a common corporate layer for multinationals. IDIT is an n-tier system, designed to distribute workload between the application server, which holds the application logic, and the database, which manages the data. The presentation layer is a web browser that is multi-browser supported with a dedicated look and feel for tablets. Client-side installations are not required. A web-based RIA user experience is enabled by the IDIT Web Framework, through the use of HTML 5, CSS3, JQuery, AJAX, and other technologies.

The UIs and process flows have been designed to be device independent. The solution natively supports: Apple (iOS), Android, Windows, Blackberry, and mobile friendly HTML5 apps.

Table 6: Technology Options

TECHNOLOGY	SPECIFICS
CODE BASE	<p><u>Core technology:</u> Java: 90% JavaScript: 10%</p> <p><u>Business users:</u> Java: 90% JavaScript: 10%</p> <p><u>Developers:</u> Java: 90% JavaScript: 10%</p>
OPERATING SYSTEMS	<p>Implemented in JEE/Java</p> <p>Operating systems deployed on: Windows server, Linux (Redhat, Suse), Unix (AIX, HP-UX, Solaris)</p>
APPLICATION SERVERS	WebSphere 8.5, WebLogic 12, Jboss EAP 6
DATABASES	<p>Preferred: Oracle; Microsoft SQL Server; DB2/UDB</p> <p>Additional options: None</p>
INTEGRATION METHODS	<p>Preferred: Web Services; Other XML; RESTful HTTP style services; JSON format; MQSeries, JMS or similar queue technology; Flat files</p> <p>Additional options: ACORD Standard XML; Custom API</p>
SCALABILITY	Largest deployment: Hundreds of internal users; thousands of agents and millions of policies

Source: Vendor RFI

The data model is an IDIT proprietary data model. Joined work with IBM indicated similarity and easy mapping to IBM IAA. It is not supported out-of-the-box. The data model can be extended by carriers through the configuration tool for selected entities, and using IDIT IDE plugin for doing data model changes on the customization layer. For the insurer to make changes to the data model, the company has a set of tools that allow technical staff to extend the data model and the SQL database schema. The data model will be released to an insurer. It is easily published to an insurer's data model and can be mapped to an intermediate format.

Carriers generally do not have and do not need access to core code.

Insurance product definition, screen definition, workflow definition, business rule definition, and roles-based security integration are configurable using simple tools

targeted for a business user. Data definition is configurable using tools targeted for an IT user. Interface definition requires the existing interface library with a combination of reusable mapping and coding. The system uses re-usable components, inheritance, and other schemes. IDIT product factory allows the customer to copy products that then can be changed, as well as re-use common parts or common LOBs in different products. This allows the client to centralize updates and maintenance efforts. Other than the products, rules may also be defined once. However, they may be executed through the system so that same rule is triggered as part of the premium algorithm as well as during claim payment computation. The rules editor provides the full list of usages in order to assess the cross-effect of changing a rule.

Product changes can be analyzed using the configuration and development user interface (which helps analyze these changes) and can be tested using a specific tool provided. Some configuration tools contain test tools — for example, rule configurator, product configurator, and rule traceability. This includes the option to run multiple test-cases for a product element or rule. In addition, Sapiens offers external testing and test-automation tools for UI screens, web services, and load tests. A restart of the system is not required for any changes.

IMPLEMENTATION, PRICING, AND SUPPORT

The preferred implementation approach is a hybrid of Waterfall and Agile called Rapid, following DevOps continuous development and deployment principles. A typical project team depends on the scope of the project and client. It can comprise 5 to 15 people, including governance, analysis, QA, development, integration, and configuration to full deployment, and it consists of resources from the insurer (25%), Sapiens (60%), and external professional services firms (15%).

The average time to get the first line of insurance live in a single jurisdiction is typically 7 to 12 months, depending on the integration requirements and the level of configuration required, migration needs, and the number and type of portals and devices; second and subsequent lines take one to three months in the same jurisdiction. Second and subsequent jurisdiction implementations typically take four to six months.

Sapiens offers term license, perpetual license, usage-based, subscription, and other pricing options. (They offer full hosted solutions with their partners on private cloud.) The license fees are typically based on the number of functional components/modules, number of concurrent users, premium volume, number of countries or geographies, enterprise license/flat fee, and per transaction.

The vendor will offer a fixed price implementation following an in-depth Blue Print study (typically one to two months) for scope definition while applying strict control process and contingency.

The total cost to implement Sapiens IDIT can vary according to the client's capabilities and available resources, as well as the overall scope of system use.

For a typical national insurance company (a single licensed company that writes in the United Kingdom for eight lines of business and produces annual GWP of €250 million), the total cost to the insurer over five years, including license, implementation, and maintenance, would be in the range of €2 million to €6.5 million. The subscription/license would typically be €500,000 to €1 million. Implementation would typically be €1 million to €5 million. Third-party support costs are under €500,000. Maintenance fees are 22% of the license fee.

For a European insurance holding company (which has four companies, writes in five countries — consisting of the UK, Spain, France, Italy, and Germany — across 24 personal, commercial, and specialty lines of business, and has GWP of €2.5 billion), the

five year costs to an insurer would be €2.5 million to €11 million, of which €1 million to €5 million would be for the license fee and €1 million to €5 million would be for implementation. Third-party support costs are €500,000 to €1 million. Maintenance fees are typically 22% of the license fee.

CONCLUSION

FOR INSURERS

There is no single best policy administration solution for all insurers. There are a number of good choices for an insurer with almost any set of requirements. An insurer seeking a new core policy administration system should begin the process by looking inward. Every insurer has its own unique mix of lines of business, geography, staff capabilities, business objectives, and financial resources.

Some vendors are a better fit for an insurance company with a large IT group that is deeply proficient with the most modern platforms and tools. Other vendors are a better fit for an insurance company whose IT group is small and wants vendors to maintain and support their applications.

Some policy administration systems bring broad and extensive out-of-the-box functionality that matches an insurer's lines of business and operating model. Other systems offer powerful configuration tools to build capabilities for both known and future requirements.

Some insurers' agents, underwriters, and service staff work completely in a paper world, only occasionally accessing and updating data from a static system of record. Other insurers have users that continue to do most of their work on a green screen — one that is older and difficult to modify. An insurer with either type of current policy administration environment needs to plan for organizational change and individual development.

The report is not intended to provide an insurer with all the tools it needs to choose the "right" policy administration system, although it can help an insurer take the first steps toward moving from a long list to a short list. Making a final vendor decision requires custom RFIs, in-person meetings and demos, reference interviews, RFPs, and even proofs of concept.

It is a difficult and time-consuming process, and one that an insurer will hopefully only need to endure once a decade at most. The result will not just be a disruptive implementation but potentially a shift in corporate culture. Insurers can consider hiring team leaders who have been through a similar selection before, or, alternatively, engage with Celent to provide advice and service throughout the decision-making process. Celent provides an objective set of knowledge about vendors as well as previous involvement with many insurers' selections, and by working with Celent an insurer can move more quickly, follow best practices, and avoid the mistakes of others.

FOR VENDORS

As a group, vendors continue to make significant investments in their core policy administration systems. The solutions are getting more capable (deeper functionality); smarter (better reporting and analytics); and more connected (SOA and Web services become the de facto future state standard).

Insurers have begun to expect core systems to play a broader role in their infrastructure, communicating across processes and better helping to redefine the way they do business.

While these trends are all very good news for insurers, they do make the competitive challenges facing vendors that much more daunting.

Celent recommends that vendors differentiate themselves by:

- Providing short-term tactical gains throughout a longer implementation.
 - Especially in a difficult economy, insurers are less willing to sign up for long-term projects that provide no value until 18 to 24 months have passed. Vendors that demonstrate an iterative implementation process with several ROI milestones will have an easier time getting budget approval.
- Focusing on improving usability, for both new and experienced users and managers.
 - Usability drives productivity. Advanced functionality is of no value to a user who cannot navigate to it or master its use quickly.
- Making overall implementation faster and less expensive.
 - Insurers are increasingly selecting vendors based on how long it takes and how much it costs to deploy all lines in all geographies.
- Documenting their value propositions.
 - Quantitative and credible case studies of how the solution improved underwriting decisions, or decreased time to market, or improved agent and policyholder experience, or reduced manual process and cycle times will influence buyer decisions.

Was this report useful to you? Please send any comments, questions, or suggestions for upcoming research topics to info@celent.com.

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 FINANCIAL INSTITUTIONS

Typical projects we support related to policy administration systems include:

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.

Business practice evaluations. We spend time evaluating your business processes, particularly in core systems selection and core systems strategy. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

IT and business 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. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

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.

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