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Policy Administration Systems for Commercial Lines P/C Insurers US 2009

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This authorized reprint contains material excerpted from a recent Celent report profiling and evaluating over 38 different policy administration systems. The full report is 226 pages long. This report was not sponsored by Cover-All in any way.

This reprint was prepared specifically for Cover-All, 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 www.celent.com, info@celent.com, or 617-262-3120.

Executive Summary

This report is the third in Celent's biennial looks at policy administration systems available to insurers in North America. Since the first report in 2005 and the second in 2007, activity level has remained high among both insurers and policy administration system vendors.

In the two years from January 2007 to December 2008, over 220 insurers had licensed a new policy administration system. And at the end of 2008, over 100 insurers were in the process of implementation.

The full report profiles 38 policy administration systems in use for commercial lines, with 30 full profiles and 8 limited profiles. There is a companion Celent report, *Policy Administration Systems for Personal Lines P/C Insurers US 2009*, covering personal lines systems.

About two-thirds of the profiled vendors have issued a major new release: that upgraded their technology platform, broadened their range of functionality, or both since 2007. Essentially all vendors have made a major investment in enabling their solution to work in an insurer's SOA environment. Many solutions have also made important advances in usability and personalization—with benefits for new and experienced underwriters and service representatives. System administration capabilities for configuring products, rules, work flow, document management, and UIs have also improved—although overall these changes have occurred at a more modest pace than improvements for end users.

An insurer considering a new policy administration system 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

Criteria for Inclusion

Celent's objective has been to include in this report as many as possible of the leading property/casualty policy administration systems being used and/or actively sold to North American insurers. In a few cases, vendors have not been included in this report at their request.

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 a full profile policy administration systems are included in the Celent ABCD vendor view—limited profile vendors are not.

Evaluation Process

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

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

Both the RFIs and the reference surveys provided quantitative and qualitative data. Vendors had an opportunity to review their profiles for factual accuracy but did not influence the overall evaluation or the placement in the ABCD vendor view grid. 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 for either 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 has developed a framework for evaluating vendors 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: Policy Administration System ABCD Factors

Advanced Technology (and flexible technology)	<ul style="list-style-type: none">■ Usability for both business and system administration users■ Code base, including modernity of language and consistency of architecture■ Range of databases and application servers supported■ Extensibility and flexibility of data model■ Ability to modify system using visual tools rather than through code
Breadth of Functionality	<ul style="list-style-type: none">■ Advanced functionality provided in the base offering■ Power and ease of use of rules, workflow, product configuration, document management capabilities■ Number of deployments for various personal and commercial lines of business (in the personal lines and the commercial lines reports, respectively)
Customer Base	<ul style="list-style-type: none">■ Number of live US/Canadian insurers using the system for personal lines or for commercial lines (in the personal lines and the commercial lines reports, respectively)
Depth of Customer Service	<ul style="list-style-type: none">■ Size and experience of professional services and support team■ Insurers' implementation experiences

Source: Celent

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 reports published in 2007. For example, this report places more emphasis on usability and the experiences reported by references. Additionally this report's rankings take a narrower view of which features and functions are within the scope of a policy administration system. For example rating, billing, and claims functionality are not considered when determining the breadth of functionality rankings—although the profiles do provide information about whether a given vendor offers these and other solutions.

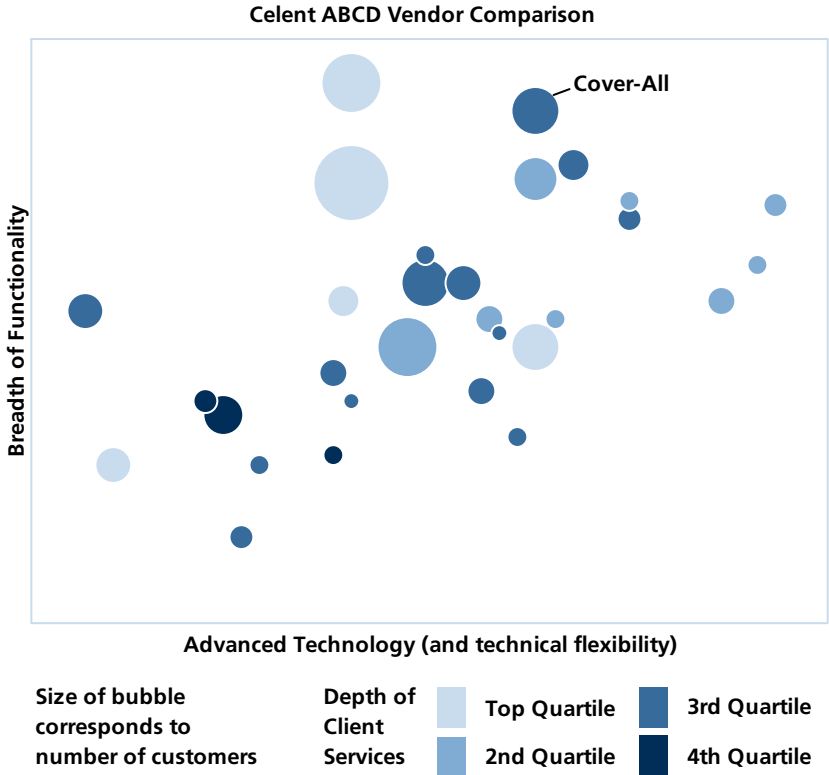
Reading the ABCD Vendor View

The ABCD Vendor View positions each solution in a single X/Y scale, with the horizontal axis displaying the relative level of advanced technology and technical flexibility and the vertical axis displaying the relative breadth of functionality. The size of the system's customer base is represented by the relative size of the bubble (on a normalized scale). And the depth of client services is represented by color density (grouped by quartiles).

All the vendors were graded on the same scale. It is important to note that positioning and evaluation are relative to this set of solutions—there is no intent to provide a comparison with regard to other Celent rankings.

The ABCD Vendor view provides an easy-to-understand picture of a complex marketplace. Unlike a simple “four-quadrant” map, solutions in the upper right are not necessarily the best—in the complex world of policy administration systems, 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 to generate their own shortlists.

Figure 1: ABCD Commercial Lines Policy Administration Solutions 2009



Source: Celent

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; usability, reporting, and analytics, technology, implementations and cost; and some summary comments.

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, with 1 licensed company, writing in 5 states, with 8 lines of business, with a DPW OF US\$250 million
- Insurance Holding Company B, with 4 licensed companies, writing business in 32 states, for 24 personal, commercial, and specialty lines of business, with a total combined DPW US\$2.5 billion

When discussing insurance customers of the various solutions, the profiles 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 \$500 million; medium (Tier 3) have US\$500 million to \$1 billion; large (Tier 2) have US\$1 billion to \$5 billion; and very large (Tier 1) have over US\$5 billion.

The profiles also discuss how many of the seven advanced policy administration features a given solution provides. These seven features are:

- Out of sequence endorsements
- Automated underwriting (new business)
- Pre-configured ordering and receiving third party data
- Automated renewals
- Premium and billing accounting
- Statistical reporting
- Update service for ISO/AAIS/NCCI rates, rules, and forms

Cover-All Technologies: My Insurance Center

Company and Product Background

Cover-All Technologies is a publicly traded firm (OTC Bulletin Board: COVR.OB), based in Fairfield, New Jersey, US, established in 1981, with 52 employees.

Cover-All's core offering is My Insurance Center (MIC) which provides a broad range of core processing functions. Cover-All has a full-service model in which it typically provides much of the maintenance, support, and bureau updates (rates, rules, forms) services on a monthly basis for the insurers using MIC.

The My Insurance Center platform was created in 2001. In 2003, Cover-All web-enabled an existing client-server rating and issuance application and integrated it into MIC. The current MIC version is 7.0.25, released in March 2009.

Cover-All cites four main sources of competitive differentiation: business-focused results, architecture and technology (information-centric, and meta-data driven, open and scalable platforms), culture (innovative, can-do attitude), a proven track record (with a broad set of customers and extensive industry experience).

Professional Services and Support

Cover-All has 20 staff, with average experience of 10 years, who provide professional services and support for MIC.

One reference spoke of how it valued its "partnership approach" with Cover-All, as well as the ease and speed of making changes. References also spoke well of the industry knowledge displayed by Cover-All staff during implementation.

Customer Base

A total of 27 US insurers use MIC—most are small (16 in Tier 5), the rest are midsize. Ten MGAs and brokers also use the system. Four insurers have implemented the system since 2007.

Among the better known insurers using MIC are: AIG Lexington Insurance Company, AIG Small Business, and AIX Group.

Functionality and Lines of Business

MIC provides all of the seven advanced policy administration functions: four as part of the base offering at no additional cost, and three at an additional cost (see Table 2). Especially noteworthy is the provision of rates/rules/forms update service for all ISO and NCCI lines included in their annual support fees.

Table 2: Cover-All MIC Advanced Policy Administration Functions

Function	Availability
Out of sequence endorsements	Available as part of PAS base offering
Automated underwriting (new business)	Available as part of PAS offering, at additional cost
Pre-configured ordering and receiving third party data	Available as part of PAS offering, at additional cost
Automated renewals	Available as part of PAS base offering
Billing and Premium Accounting	Available as part of PAS offering, at additional cost
Statistical reporting	Available as part of PAS offering, at additional cost (for formatting)
Update service for ISO/AAIS/NCCI rates, rules, and forms	Available as part of PAS base offering

Source: Vendor RFI

MIC has a well designed system configuration environment for products, rules, workflow, and document management. Because of Cover-All's full service model, Cover-All staff use this environment to maintain products and documents based on ISO and NCCI rates/rules/forms. Insurer staff use the environment to maintain workflow and other rules.

Cover-All provides six of the components of an end-to-end solution as shown in Table 3.

Table 3: Cover-All MIC Availability of Additional End-to-End Components

Component: Name	Available bundled with our PAS (NO additional cost)	Available bundled with our PAS (AT additional cost)	Can be licensed/ installed as stand-alone component (without PAS)	Available through ISV partner (Name of ISV)	Not available
Product Configuration: (MIC – Rating & Issuance)	●				
Rating: (MIC – Rating & Issuance)	●				
Underwriting: (MIC – Rating & Issuance)		●			
Billing: (MIC – Financials)		●			

Source: Vendor RFI

Table 3: Cover-All MIC Availability of Additional End-to-End Components

Component: Name	Available bundled with our PAS (NO additional cost)	Available bundled with our PAS (AT additional cost)	Can be licensed/ installed as stand-alone component (without PAS)	Available through ISV partner (Name of ISV)	Not available
Commission Management: (MIC – Financials)	●				
Reinsurance Management					●
Business Intelligence/Analytics: (MIC – Portal)	●				
Claims Management: (MIC – Claims)			●		
			(Claims Repository)		

Source: Vendor RFI

References spoke well of MIC’s functionality. Rating, underwriter’s and service rep’s desktops, product definition, workflow and rules all received very good to excellent evaluations.

Twenty insurers are using MIC today for commercial property, auto, liability lines; and for package products. Four use it for workers’ compensation, five for E&S, and three for specialty. One carrier uses it for personal auto and homeowners.

Usability, Reporting, and Analytics

Screens for internal users are well organized and offer a full range of functionality. The home tab on an underwriter’s landing page has areas that list recent records for quotes and policies, search functionality, and an activity center with click-through choices for quoting and binding.

A transaction tab provides functionality for handling submissions (through policy issue) and for looking up and making changes in existing policies. There is a left side navigation tree. At an insurer’s preference, a rating factors form allows an underwriter to override various factors and document the reasons. An underwriter can call for an intermediate premium calculation at any point in the quote process, in order to see the impact of any specific action. Quotes can also be saved with multiple revisions.

On the transaction screen, a tab for endorsements shows which endorsements are automatically attached, and which are attached by choice of the underwriter.

Once an underwriter has processed a submission, a full set of quote documents is generated in PDF format and stored in the database by MIC's document engine using Microsoft Word templates, with attachment logic for each document. MIC has email templates, and the ability to specify the events which trigger the use of that template.

MIC also provides a producer portal, at no additional cost, with a generally similar UI design.

MIC has over 50 pre-configured reports (called lists) which an insurer can choose among during implementation to fit its specific needs. These reports are based on real-time data and are generated for specific users with MIC's fine-grained data-level security. MIC's Relationship Management component can also specify data groups to further specify the reports. Insurers can also create their own reports, using third party report writers, and accessing the comprehensive Oracle database.

References said new MIC users can become productive in a matter of days.

Technology

MIC's operating system is Windows. Unix and Linux is also supported for databases only. Oracle is the only database option, and Oracle Application Server is the only application server option. The code base is 90% Java and 10% COBOL. Cover-All has recently launched the MIC – NexGen platform in which the rating and issuance code base is completely in Java and which uses Web 2.0 technologies. MIC has a proprietary data model. Any extension or modification of it is done by Cover-All.

Cover-All maintains a common core code base across its customers and uses MIC's information-centric architecture to configure metadata to provide customized functionality for a customer. MIC is horizontally scalable and supports virtualization.

Cover-All uses reusable components of MIC for developing interfaces for its customers to call out third party services. Cover-All also has pre-configured services such as Polk VIN Verification, MSB Valuations and ChoicePoint services which can be turned on for its customers.

For a third party system to make an inquiry or execute a transaction to MIC, Cover-All can provide an interface depending on the requirements of the calling service.

Almost every component of MIC either has a Web service based communication or can be extended to have a Web service based communications.

Implementation and Costs

Cover-All reports that it takes a very short one to three months to deploy an ISO line in fifty states. Second and subsequent lines for fifty states take one to three months.

References gave uniformly very good to excellent reports of their experience during implementation.

Cover-All offers several types of licensing arrangements: perpetual, five year term, and based on DWP.

The total cost for combined first year license and all other implementation costs for small insurers (up to \$250m in DWP) is US\$1 million to \$3 million. For larger insurers, the comparable combined license and implementation costs would range between \$5 million and \$10 million. The cost of maintenance and other fees in year two and following are around 25% to 30%. This includes monthly bureau updates and as well as support for third party upgrades. Cover-All also can give a customer access to Oracle database and application server solutions at a discounted cost.

Summary

Cover-All's My Insurance Center offers a well-developed set of functionality and very good usability for a commercial lines insurer or MGA wanting a full-service relationship.

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