EXTRACT FROM

Policy Administration Systems 2007: Commercial Lines Vendors

This authorized reprint contains material excerpted from a recent Celent report profiling and evaluating over 30 different commercial lines policy administrations systems. The full report is over 200 pages long. The report was not sponsored by OneShield in any way.

This reprint was prepared specifically for OneShield, but the analysis presented has not been changed in any way from that presented in the full report.

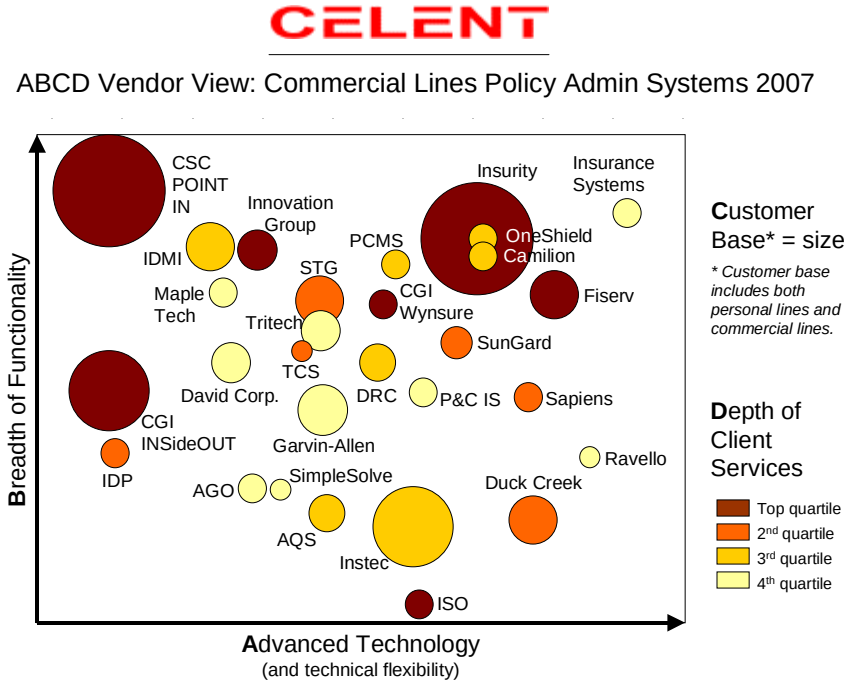
For more information on the full report, please contact Celent at www.celent.com, insurance@celent.com, or 617-262-3120.

EXECUTIVE SUMMARY

This report is one of a four-part series that will update Celent's 2005 reports on policy administration systems. This particular report profiles the majority of the available P/C commercial lines policy administration systems available today. Full profiles are provided of about 30 systems, while limited profiles are provided for nearly 20 additional systems.

This report uses Celent's ABCD Vendor View, which is a standard representation of a vendor marketplace designed to show at a glance the relative positions of each vendor in four caregories: **A**dvanced technology and technical flexibility, **B**readth of functionality, **C**ustomer base, and **D**epth of client services. Unlike a simple "four-quadrant" map, **solutions in the upper right are not necessarily the best solutions**—in an area as complex and idiosyncratic as policy administration, 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 the profiles and comparative tables in this report to generate their own short lists. For example, if a carrier doesn't need a new claims or billing system, a system lower on the breadth axis might be an excellent option. Only fully-profiled vendors are included in the ABCD Vendor View.

Figure 1: ABCD Vendor View: Commercial Lines Policy Admin Systems 2007



Source: Celent

INTRODUCTION

In 2005, Celent examined the policy administration system (PAS) market in four reports that covered the market trends and the vendor landscape, and provided detailed vendor profiles. This report is one of four that cover these topics in even greater detail for 2007; it profiles the majority of available commercial lines policy administration systems available today. Additional Celent reports offer similar profiles for commercial lines as well as life/health and annuities. A fourth report covers general PAS market trends in North America. There are also separate reports on European and Chinese general and life/pension systems, and a global trends overview report.

This report includes full profiles for the roughly 30 systems that fully met the inclusion criteria described in the "Report Methodology" section of this report. More limited profiles of about 15 systems are provided for those systems that for a variety of reasons did not fully meet the inclusion criteria or elected to not have a full profile included. The report also includes numerous comparative charts and tables across a variety of metrics.

This report makes use of Celent's ABCD Vendor View tool. In contrast to a simple four-quadrant map, the ABCD Vendor View presents a comparative view of the vendor marketplace that visually represents four elements: **A**dvanced technology and technical flexibility, **B**readth of functionality, **C**ustomer base, and **D**epth of client services. The ABCD Vendor View is a simple graphical representation of a highly complex marketspace. While it is a useful snapshot, it is not a substitute for the detailed information found in the profiles.

In short, this report offers the most comprehensive available look at commercial lines policy administration systems. For a broader overview of the market, refer to Celent's companion report "Policy Administration Systems Overview: 2007," June 2007.

Celent defines "policy administration systems" as—at a minimum—core policy processing systems that allow carriers to process new business and service policies. Today, only a handful of policy administration systems are still limited to core policy processing. Policy administration systems can range from mere policy processing to fully integrated suites that are composed of everything from product development tools to quoting, rating, billing, claims management, and more. This report examines the vendors of systems that at a bare minimum offer core policy administration functionality, though most of the reviewed systems do provide—either as included features or as options—some or all of the components of a fully integrated suite.

The interest level in P/C PAS had begun to surge at the time of the last report, but since then the market has grown—and stayed—strong. A number of new systems have emerged in the past few years, while a few others have disappeared. A number of other vendors are preparing

to enter the market. The result is a highly complex vendor landscape that is very difficult to navigate. This report should help insurers dramatically cut the time required to create a short list of vendors appropriate for their needs. This report provides the most comprehensive data to date on available policy administration systems.

REPORT METHODOLOGY

ELIGIBILITY FOR INCLUSION

To establish a broad initial list of policy administration vendors for potential inclusion in the report, Celent used an array of sources ranging from our past reports to trade magazines and deal announcements to conference exhibitor lists. Carriers were also asked to make inclusion suggestions. In total, nearly 70 P/C systems from nearly as many vendors were considered, and those vendors were asked to review the inclusion criteria before responding to Celent's RFI.

A number of new criteria were used for this year's report that were not used for the 2005 version of the report. The four key criteria used were that each system must have:

- At least one new sale to one new insurance carrier customer within the last 24 months;
- At least two live North American P/C insurance customers, at least one of whom must be a carrier;
- Support for and live implementations of at least two lines of business (e.g. personal auto and homeowners, workers comp and BOP);
- At least two reference clients available to discuss the system.

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.

Based on these criteria, Celent received responses to our RFI for over 40 products. The list was further reduced as some vendors elected not to participate based on competitive reasons, and others determined that they could not meet the eligibility criteria after all.

EVALUATION PROCESS

After receiving completed RFIs for the systems, Celent conducted follow-up calls with personnel at each vendor. Reference calls were then made to at least two reference customers for each system in order to gain insight beyond a vendor's own responses, though in a handful of cases, due to Celent scheduling constraints a second reference could not be reached in time (these instances are noted in the profiles). Both the RFIs and the reference surveys 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. Inclusion was not limited to Celent 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: **A**dvanced technology, **B**readth of functionality, **C**ustomer base (i.e. relative number of customers), and **D**epth of client services.

The Celent ABCD Vendor View shows relative positions of each solution evaluated, and does not reflect an abstract evaluation. 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. In this report, the factors used to evaluate each vendor are listed in the table below.

Table 1: ABCD Factors

Category	Factors Include
Advanced technology (and technical flexibility)	• Codebase, including modernity of language and consistency of architecture • Number of different options for platforms and databases supported • Support for SOA (Web services) and ACORD XML • Support for multiple methods of integration with existing architectures
Source: Celent	

Table 1: ABCD Factors

Category	Factors Include
Breadth of functionality	• Number of functional components (e.g. rating, billing, claims, agent portal, etc.) • Number of lines of business and states supported • Ability of business users to make changes without IT
Customer base	• Number of live US/Canadian customers • Number of customers on most modern version of the system
Depth of client services	• Availability of BPO and ASP options • Support for ISO rates • Size and experience of product team and implementation team • Partnerships • Breadth of additional services offered
Source: Celent	

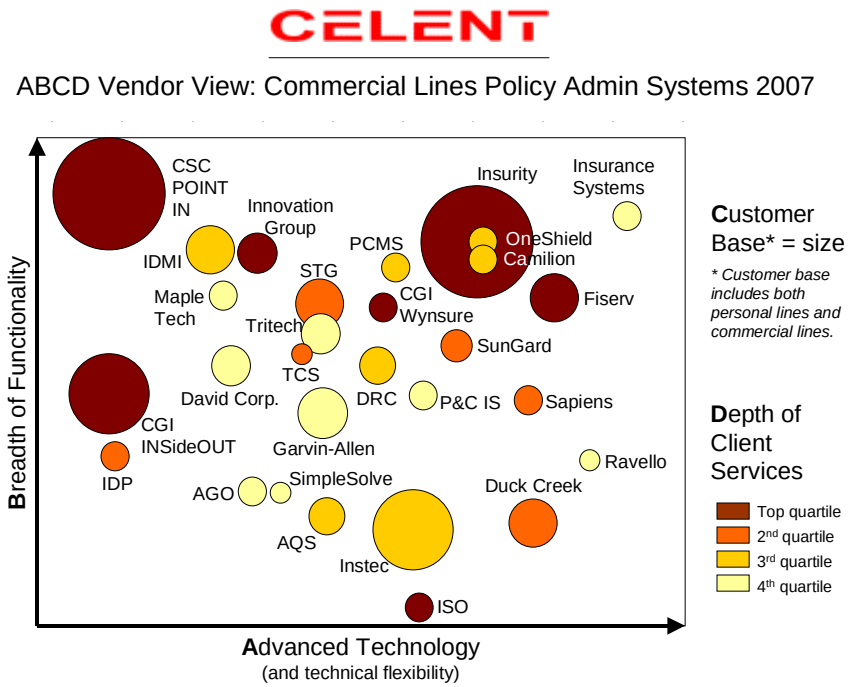
READING THE ABCD VENDOR VIEW

The ABCD Vendor View positions each solution in a single X/Y scale, with the horizontal axis displaying the relative level of **a**dvanced technology and technical flexibility and the vertical axis displaying the relative **b**readth of functionality. As noted above the "advanced technology" category also includes the level of flexibility and options each system offers for platforms, databases, and integration options. The size of the system's **c**ustomer base is represented by the size of the bubble, while **d**epth of client services is represented by color density. For size and depth, the vendors are divided into quartiles based on their relative position. All the vendors were graded on the same scale, regardless of their target market segment. Quartiles were determined by relative position to the highest scorer. It is important to note that since positioning and evaluation are relative to this set of solutions, **this vendor view should not be directly compared to that in the personal lines version of this report.**

The ABCD Vendor View is intended to provide 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 and idiosyncratic world of policy administration, 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 2: ABCD Vendor View: Commercial Lines Policy Admin Systems 2007



Source: Celent

ABOUT THE PROFILES

A number of tables are provided with each full profile. One of those tables provides a list of whether certain key pieces of functionality are included with the reviewed system. The table below shows what vendors were asked to provide in the RFI they received.

Table 2: Explanation of Components Table

Component	Availability
Product Design/Development Tools	Do you provide tools to assist product design staff develop products (e.g., product cloning, what-if analysis, etc.)?
Rating Engine	Is a rating engine is provided as part of the system?
Underwriter Workbench	Does the product include automated tools to support underwriters, such as workflow, rules-engine, etc.?
Policy Issue	Can the system issue a policy?
Service and Endorsements	Does the system allow CSRs and other staff to provide policyholder service and add endorsements?
Out-of-Sequence Endorsements	Does the system support processing of out-of-sequence endorsements?
Automated Renewals	Can the system process renewals automatically?
Billing and Premium Accounting	Can the system support billing and premium accounting without requiring a 3rd party billing component?
Link to Claims Workbench/System	Does the system have the ability to interface with and access external claims system from within the product?
Claims Workbench	Is a claims workbench system offered (i.e., a third party system is not required for any *standard* claims functionality)?
Full Claims System	Does the system handle claims without relying on an external claims system to handle any aspect of it? [Note that this only differs from the item above in that a handful of claims systems support, for example, claims management but not adjusting]
Disbursements	Can the system manage disbursements? [Note that this did not require that vendors have a check writing system, only that the system can send the appropriate data to a check writing system]
Commissions Management	Does the system provide, at a minimum, basic commission processing capability?
Reinsurance Management	Does the system provide reinsurance management capabilities?

Source: Celent RFI

Table 2: Explanation of Components Table

Component	Availability
State Filings	Does the product include automated state filing capabilities?
Data Mining and Reporting	Are tools for data mining/reporting included as part of the product?
CRM	Are customer relationship management functions provided (such as customer-centric views, house-holding, lead tracking, call scripts, etc.)?
Agent Self-Service Portal Including Quote and Bind	Do you provide Web-based capabilities for agents, specifically including quote and bind?
Quick Quote	Is online quick quote capability provided to agents or other producers, and/or prospects?
Other Agent Self-Service Portal	If you do not offer online quote and bind, do you offer other self-service functions to producers?
Policyholder Self-Service Portal	Does your product provide out-of-the-box self-service capabilities to customers on-line?

Source: Celent RFI

ONESHIELDS: DRAGON

COMPANY AND PRODUCT BACKGROUND

OneShield is a midsize vendor based outside Boston. The company has about 55 employees in the US, with 40 dedicated to professional services. An additional ten to 15 employees staff OneShield's offshore development center in India, which is used for less complicated tasks. OneShield has between US$10 and US$50 million in revenue, and is backed by well-known private equity firm KKR. The company recently acquired ebis, a billing systems provider, to extend the functionality of the system out of the box. Founded in 1999, OneShield is part of a new breed of vendors that has no legacy baggage.

Dragon was released in 2001 but was recently re-architected with a thoroughly modern front end, complete modularization (including the ability to run as a "headless policy administration black box"), and more robust Web services and SOA. This has catapulted the system to near the top of the technology chart for P/C admin systems. With the availability of both personal and commercial lines, the Dragon system is an enviable position.

CUSTOMER BASE AND REFERENCES

Seven carriers and two MGAs run the Dragon system. Customers range from startups with under US$100 million in premium to a large carrier with between US$1 billion and $US5 billion in premium. The system seems to be most popular with midsize carriers, however. OneShield has averaged two new customers per year for the past two years. Marquee clients include The Hanover Insurance Group, Bristol West Insurance Company, and Darwin Professional Underwriters.

OneShield customers seemed somewhat evangelical about the company and the Dragon system. Ratings for most system functionalities ranged from "good" to "excellent." References note, however, that one of the only areas that received anything less than a "very good" from any reference, billing, perhaps didn't deserve the low rating. Until the recent acquisition of ebis, the system wasn't built to handle billing, but it has such a flexible toolset that one reference built a billing module and rated that module as "good." The other "good" rating went to several user interfaces that were overhauled in newer versions and are currently being overhauled again.

Both references noted that while more "building" is needed than with traditional systems, that building is done with tools and provides "amazing creativity and flexibility" (e.g., both created their own billing systems, though as noted above, OneShield has since acquired a billing system). They additionally praised OneShield's responsiveness and the speed at which they

were able to implement the system, with one carrier implementing it—along with 12 products (albeit unregulated specialty lines)—in all 50 states in just five months. The only significant concern noted was the need to train internal staff on a set of tools that requires significant time to learn.

PRODUCTS AND FUNCTIONALITY

OneShield's system is not an end-to-end suite; it lacks claims and disbursements modules. The recently acquired billing system is being integrated into the platform. Though lacking these significant components, the system does include some important extras, including a robust rules engine, a partner management module, task management and BPM/workflow components, and an embedded forms/document output solution to speed time to market.

A number of major commercial lines are in production, with the notable exceptions of commercial auto, BOP, and workers' compensation. Those lines, however, are built and ready to use. Many additional lines are in production as detailed in the "Commercial Lines Supported" table in this profile. The system is largely modular in its design. Product design/development, rating, and even policy issuance can stand alone. As noted, this gives the system the ability to be "headless" if a carrier wishes to use it as policy processing black box. Personal lines are also supported, as detailed in Celent's companion report on personal lines policy administration systems.

Excluding testing, adding products to the system is quick, taking just a few hours for a similar product (i.e., cloning a product and making minor changes to rating and underwriting rules). Perhaps the more impressive claim is the company's estimates that adding a state with modest rate changes but 25 form changes takes just one to two weeks, thanks to the embedded forms tools.

With one of the most modern front ends, Dragon provides numerous ways to get an application into the system electronically. First, an AJAX- and DHTML-enhanced interface is rich and has robust edit capabilities (discussed further in the "Usability" section) for both agents and consumers. Second, agent uploads from a variety of sources—including AMS Sagitta, Applied (via Transformation Station), comparative raters, and MGAs—are supported. Finally, the system has the relatively unique ability to provide agents with bar coded documents to fill in, print, and fax back to the carrier. This component images the document and recognizes the barcode (tying the document to the policy and auto-indexing it) and performs OCR to minimize or eliminate data entry.

USABILITY

As noted, the system leverages a browser front end exclusively for business users. The use of AJAX and DHTML gives the feel of a rich user interface, in which screens update in real time

without the typical "reload" or "refresh" common to Web-based applications. It also allows edits to be performed against the back end, again without reloading a page, and without requiring any knowledge of AJAX or DHTML.

Technical users are provided with a non-browser desktop application (built in VB.NET) that allows unparalleled flexibility to customize and configure the system without touching the code. Tools to define rules and products, along with other technical interfaces, appear to be very user-friendly. Workflow can even be embedded in emails with links to open workflow items. This helps further the system's emphasis on straight-through, paperless processing by focusing on underwriting exceptions, since the system allows significant use of expert underwriting.

The system already boasts one of the most modern front ends, but OneShield has taken an unusual step for a PAS vendor. The company brought in a team of human factors engineers and website designers to create an even more modern, usable front end. Tools will be provided to allow more granular control over the UI by the carrier, as well as tools for personalizing the interface for various roles.

PROFESSIONAL SERVICES

Implementation project teams tend to vary widely but are generally somewhat larger than those of many other tool-based systems. This is the direct result of the massive configurability of the system—carriers tend to build out functionality or heavily customize the system. Nevertheless, implementation times are quite short, averaging just six months from contract signing to the first line going into production. For unusually large integrations, OneShield partners with TCS, though implementations are typically handled by OneShield's own professional services organization. Dragon is integrated with Whitehill/InSystems' Calligo document authoring and rendering application and will soon be similarly integrated with other document systems such as Document Sciences and Exstream. Additionally, Pentaho—an open source business intelligence tool— is included for data mining and reporting, as well as dashboards.

ISO, NCCI, and state-specific bureau rates for commercial lines can be provided and maintained by NetRate, OneShield's third party rating partner. NetRate, which is an ISO rating partner, remotely maintains the client's rates using tools provided by OneShield. Dragon is optionally offered as a hosted application, and one client is using this ASP option. Additionally, OneShield can host only a client's development environment if preferred. BPO is offered only through a third party.

TECHNOLOGY

The Dragon system comprises approximately 10% code and 90% rules- and tools-generated metadata and tables. In other words, the vast majority of changes that a client would make to the system—if not all of them—would be made using the toolset or the rules engine. Should a customer choose to modify the core code, they would do so in Java or PL/SQL, while changes to the front end might also include changes in JavaScript. The toolset is developed in .NET, but is an executable that cannot be modified by the customer.

The tools and rules engine allow users to configure the vast majority of the system without touching the code, including rates, products, workflow, commissions, document output, and report data. The screens and even the behavior of the screens can be configured from within the toolset. The Pentaho reporting/BI tool also allows for creation of dashboards.

The back end system is comprised of Java and PL/SQL, which gives it flexibility with regards to the OS platform, but not for database options. The use of PL/SQL along with Oracle Real Application Clusters means that the system should be massively scalable, but no other database can be used. The combination allows the system to run on virtually any major versions of Linux or UNIX, as well as Windows. The front end technology is as modern as possible, with a fully browser-based interface for business users and agents/customers that utilizes AJAX to provide a rich user experience. The .NET-based administrative application also utilizes the latest technology and an impressive UI. Virtually any integration method can be used, with no one method preferred over another.

IMPLEMENTATION AND COSTS

Implementation times for the Dragon system are relatively short. A "typical" implementation with one line of business in several states would take roughly six months, including the design phase. This is shorter than the industry average. Project teams for implementation are about average from the vendor side, but larger than average from the carrier side. This is due to OneShield's project philosophy that the customer should take on as much as possible as quickly as possible. A normal implementation would have from six to 15 OneShield resources on an implementation (though the company notes that these are peak numbers, not averages). Carrier staff on a project team may range from five to as many as 50 at the height of development (again using peak numbers rather than averages).

Costs are relatively low, with an estimated US$500,000 to US$1 million for first year TCO. This includes the costs of the license, installation, customization, training, and any annual maintenance costs that might be included in the first year. These estimates include one line of business across several states, and would not include integration or conversion efforts (which vary widely by carrier and accordingly are not surveyed by Celent).

Pricing of the license can be based on the number of components or modules used and the number of lines of business or states implemented, or can be offered at flat-rate pricing. Other factors can be used to determine licensing costs based on client preferences. Given the unusually significant participation of carrier resources, implementation and other professional services are handled rather uniquely, with the first phase normally being done on a time and materials basis while client staff are trained and mentored to take on development work. Subsequent phases may then be provided for a fixed fee. In cases where OneShield handles the implementation without carrier participation, a flat fee can be offered for the entire project.

OneShield's target market for Dragon is split. The first target is midsize to large carriers that will likely find the ability to maintain and enhance the system using the tools and rules (as well as integrate with legacy systems using the available integration tools) appealing. The second target market is startup carriers that can customize the system to their niche needs with OneShield's help, then use the ASP model to limit their need for an IT staff.

SUMMARY

Celent feels that OneShield Dragon stands out as one of the most flexible modern systems. Although its market will be naturally limited by the requirement to use Oracle, carriers that might otherwise never consider an Oracle solution may think twice. Its scalable architecture, remarkable configurability, and commercial and personal lines capabilities are hard to ignore. Its browser-based, AJAX front end is easily one of the most modern browser front ends on the market and continues to improve. Celent believes that despite the database inflexibility and lack of a claims system, OneShield will achieve significant market traction in 2007 and beyond as carriers begin to recognize its unique combination of scalability, maintainability, and modern technology.

TABLES

Table 3: Dragon Commercial Lines Supported

Supported	Live at North American Client(s)
☒ Commercial Auto	☐ Commercial Auto
☒ Commercial Property	☒ Commercial Property
☒ Commercial Liability	☒ Commercial Liability
☒ Business Owner's Package (BOP)	☐ Business Owner's Package (BOP)
☒ Commercial Fire	☒ Commercial Fire
☒ Commercial Crime	☒ Commercial Crime
☒ Workers Compensation	☐ Workers Compensation
☒ E & O	☒ E & O
☒ Professional Liability	☒ Professional Liability
☒ Other Commercial Lines (directors and officers, miscellaneous professional liability, medical malpractice, management liability, employment practices, lawyers professional, fiduciary liability, surety, and more)	☒ Other Commercial Lines (same as those supported)

Source: Vendor response to RFI

Table 4: Dragon Components

Component	Availability
Product Design/Development Tools	As a component of the product that could be sold and installed separately (via a number of components)
Rating Engine	As a component of the product that could be sold and installed separately (via a number of components)
Underwriter Workbench	As part of the product (but could be replaced with a third party component)
Policy Issue	As a component of the product that could be sold and installed separately (Whitehill/InSystems Calligo)
Service and Endorsements	As a component of the product that could be sold and installed separately
Out-of-Sequence Endorsements	As part of the product (can't be replaced with a third party component)
Automated Renewals	As part of the product (can't be replaced with a third party component)
Billing and Premium Accounting	Not included as part of the product
Link to Claims Workbench/System	Not included as part of the product
Claims Workbench	Not included as part of the product
Full Claims System	Not included as part of the product

Source: Vendor response to RFI

Table 4: Dragon Components

Component	Availability
Disbursements	Not included as part of the product
Commissions Management	Not included as part of the product
Reinsurance Management	As part of the product (but as a component that can be replaced with a third party component)
State Filings	Not included as part of the product
Data Mining and Reporting	As part of the product (but as a component that can be replaced with a third party component)
CRM	As part of the product (can't be replaced with a third party component)
Agent Self-Service Portal Including Quote and Bind	As a component of the product that could be sold and installed separately
Quick Quote	As a component of the product that could be sold and installed separately
Other Agent Self-Service Portal	As a component of the product that could be sold and installed separately
Policyholder Self-Service Portal	As a component of the product that could be sold and installed separately
Source: Vendor response to RFI	

Table 5: Dragon Technology Used

Technology	Usage
Platform(s)	Linux, UNIX, Windows (all preferred options)
Database(s)	Oracle
Code base	PL/SQL and Java (Designer tools are an executable written in VB.NET and cannot be modified)
Source: Vendor response to RFI	

Table 6: Dragon Integration Methods

Method	Usage
SOA/Web Services	Preferred option
Non-ACORD Standard XML	Preferred option
ACORD Standard XML	Preferred option
MQSeries or Similar	Preferred option
Websphere	Preferred option
"Other EAI" (SeeBeyond, BEA, etc.)	Preferred option
SQL Calls	Preferred option
Source: Vendor response to RFI	

Table 6: Dragon Integration Methods

Method	Usage
Flat Files	Preferred option
JMS	Preferred option
Custom API	Preferred option
Other	None
Source: Vendor response to RFI	