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Policy Administration Systems for Personal 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 29 different policy administration systems. The full report is 174 pages long. This report was not sponsored by OneShield in any way.

This reprint was prepared specifically for OneShield, 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.

This report profiles 29 policy administration systems in use for personal lines, with 25 full profiles and 4 limited profiles. There is a companion Celent report, *Policy Administration Systems for Commercial Lines P/C Insurers US 2009*, covering commercial 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.

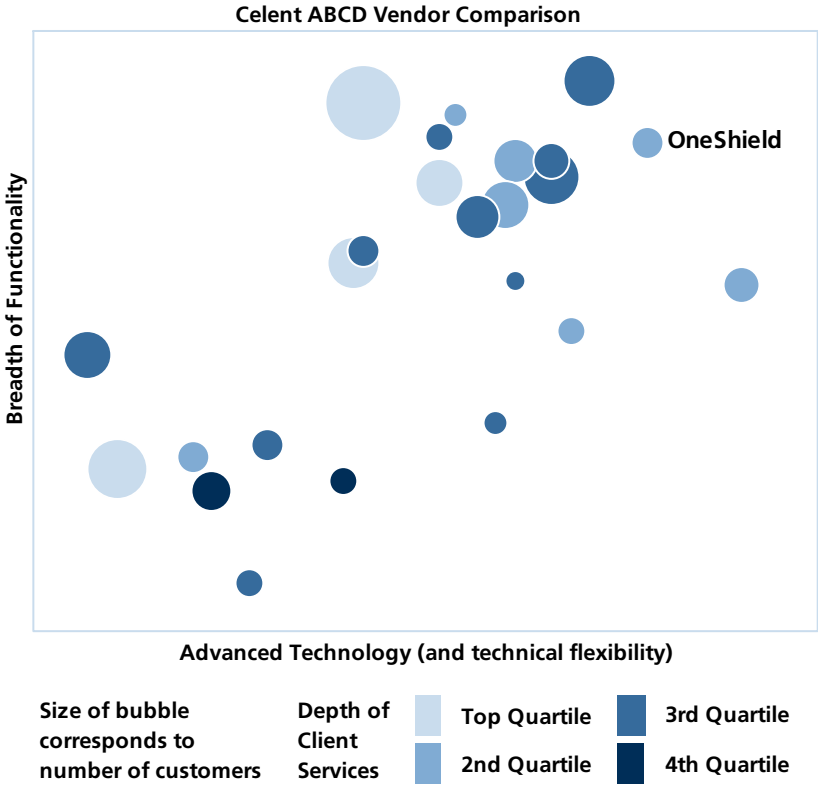
Reading the ABCD Vendor View

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 Personal 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

OneShield: Dragon

Company and Product Background

OneShield is a midsize vendor based outside Boston. The company has about 165 employees, with 125 dedicated to professional services. An additional 40 employees staff OneShield's offshore development center in India, which is used for mainstream configuration and quality assurance tasks. OneShield has between US\$20 million and US\$30 million in revenue and is privately held. Founded in 1999, OneShield is part of a new generation of vendors that has no legacy baggage.

Dragon was first released in 2001, and was rearchitected in 2007 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 Service Oriented Architecture. The most recent release features a complete overhaul to the user interface with the latest interactive web technology, providing the end-user a sleek, modern look.

OneShield states that their key product differentiators include: a meta-data driven system that allows precise control over the data model, workflow, user interface, and product definition, plus a toolkit to manipulate these customizations; and a set of pre-existing insurance content for all major lines of personal and commercial insurance, helping balance configurability with ease of implementation.

Professional Services and Support

Nearly 80% of OneShield's 165 employees are dedicated to professional services. This 125 person team includes project managers, developers, business analysts, quality assurance, operations, and support. The average insurance experience of their staff is 12 years, with several staff members offering more than 25 years of insurance experience.

OneShield had excellent references for professional services and support, with one client stating that the vendor "has an outstanding team and are willing to go the extra mile to help."

Customer Base

Twelve North American carriers run the Dragon system. Customers range from startups with under US\$100 million in premium to one carrier with between US\$1 billion and \$US5 billion in premium and one with over US\$5 billion in premium. An additional large carrier—the first in Canada—is scheduled to be the first to go live with OneShield’s latest release. No carriers are using the system outside of North America. Seven insurers have licensed Dragon since January 2007.

Twenty five percent of these customers are hosted by OneShield as an ASP, which has helped attract start-up carrier operations looking for a modern platform that can be managed by small IT organizations. It has also been popular with mid to large carriers falling in the \$250 million to \$5 billion range.

Marquee clients include Allied World (formerly Darwin Professional Underwriters), Hanover Insurance Group, Main Street America, and Montpelier USA.

Functionality and Lines of Business

Table 2: OneShield Dragon 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 base offering
Pre-configured ordering and receiving third party data	Available as part of PAS base offering
Automated renewals	Available as part of PAS base offering
Billing and Premium Accounting	Available from other component offered by vendor
Statistical reporting	Available as part of PAS base offering
Update service for ISO/AAIS/NCCI rates, rules, and forms	Available from ISV partner: Net Rate

Source: Vendor RFI

OneShield’s Dragon offers out of sequence endorsements, automated underwriting, automated renewals, statistical reporting, and preconfigured ordering and receiving of data as part of the base offering. Billing and premium accounting is available as a stand-alone system or integrated with Dragon. OneShield acquired this asset in 2007, which provides direct and agency bill functionality. OneShield offers a rate/form/rules update mechanism through their partner NetRate.

There are pre-built desktops available for underwriting and policy service staff, as well as agents and producers. The platform is the same for all of them, with different levels of functionality and access available depending on the user role. Underwriters, for example, are provided with calculators to estimate potential losses, while all users have access to a task list and alerts.

The Dragon Designer provides a very detailed (and complex) control of workflow for the entire system, with the ability to configure every possible action and result. Though the tool provides a visual interface for simpler editing, the tool-set offers such power to support complex processes it is suggested that a technical business analyst or IT staff should be making workflow configuration changes. For those with a technical bent, the Dragon Designer is essentially making the system's Model-View-Controller (MVC) architecture available for customization.

The solution does not provide a built-in document automation/creation for policy print/issue or correspondence. Instead, Dragon integrates with 3rd party partners such as HP Exstream, EMC Document Sciences, and Oracle. The rules around when a form should be rendered (e.g., triggered by a coverage) are managed within the Dragon Designer tool, allowing for tight integration between the maintenance and release of rate, rule, and forms changes.

Table 3: OneShield Dragon Availability of Additional End-to-End Components

Component: Name	Available bundled with PAS (NO additional cost)	Available bundled with PAS (AT additional cost)	Can be licensed/ installed as stand-alone component (without PAS)	Available through ISV partner	Not available
Product Configuration: (Dragon Designer)	●				
Rating	●		●		
Underwriting	●				
Billing			●		
Commission Management	●				
Reinsurance Management					●
Business Intelligence/Analytics	●				
Claims Management				●	
				Blue Wave Technology	

Source: Vendor RFI

Three insurers use Dragon for personal auto and three for homeowners. Three use it for commercial property and three for commercial liability; it supports commercial auto and workers compensation, though no carriers use it for such purposes today. Two carriers use Dragon for E&S and two for specialty lines (Surety and professional liability).

Usability, Reporting, and Analytics

The latest version of Dragon provides a complete overhaul to the user interface and navigation, designed with the help of an outside consulting firm. The new interface provides greater use of Ajax and interactive web functionality to provide a smoother user experience. There is a consistency of look and feel across all end-user desktops, which should make it easier to customize the system and provide support for agents.

Technical users are provided with a desktop application (built in VB.NET) that allows deep flexibility to customize and configure the system without touching the code. Business users can be trained to configure rules and products, and to implement a new product will be able to start from templates or by copying other existing products. Core product changes will likely require IT users, and, indeed, reference clients state that IT is required to make most changes. The workflow configuration, as noted earlier, provides complete control over the system but will need to be used by technical users only.

Dragon is converting from purely providing a populated reporting database (ODS) to providing a set of pre-configured reports for both carrier and broker users that can be selected from a drop-down list. This is one of the few areas where the system is lacking in functionality, as there is no report drill-down or report design available via the user-interface. Carriers with their own business intelligence solutions will be able to report against the ODS or use Dragon's web services to export data to a data warehouse. Those without an existing ODBC/JDBC reporting solution in-house will need to wait for later in 2009 when OneShield expects to roll out additional reporting functionality via its user-interface.

Technology

Dragon has been engineered for modern systems, and runs only on Linux, Unix, or Windows. Oracle is the only database supported, and it requires either WebSphere or JBoss as an application server. The runtime code is half Java and half PL/SQL which is why the system requires the Oracle database. The tools used during design-time are built in VB.NET.

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. The .NET toolset cannot be modified by the customer—the metadata is extensible, however, and carriers can add custom tables that will be available for use with the release management and version management capabilities of the toolset.

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. While the screens and workflow can be configured with the visual interface, the level of detail is very high and will likely not be usable by anyone but a technical worker.

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.

Dragon has a very fine-grained availability of SOA, with most configurable rules and actions accessible as a stand-alone web service call. Any workflow defined in the system can be called with a web service.

The data model is proprietary, though it draws heavily from IAA and ACORD standards. It can be extended through the use of visual tools. OneShield states that most customers do not need core changes as part of their implementation, and those that do typically spend 5% or less of their implementation cost on a core modification. Additionally, OneShield will typically absorb the cost of developing new features for a client if the changes are determined to be valuable for the core system.

Implementation and Costs

OneShield estimates that a typical initial implementation timeline for one to several lines in one state is 6 to 10 months, with the bulk of this time spent on system integration points. Subsequent lines of business, on average, take four to six months, though simple lines may take less, and additional states take one to three months barring additional integration requirements.

The team size varies based on the scope of the implementation. Factors such as carrier size, required data conversion, number of integrations, number of lines and states to be deployed all impact the size of the team. The joint client/OneShield teams have ranged from 15 people to more than 50, with the OneShield staff on those teams ranging from 6 to 20 people. OneShield also currently partners with Patni, TATA, and WIPRO as system integrators.

The reference client implementation experience was very positive, for both initial implementations and follow-up projects. The only negative comment was a desire by one client for more understanding of the surplus line of business, though other clients—in different lines—praised the vendor's knowledge of the industry.

OneShield has a flexible approach to licensing, including perpetual, term, and other types. Pricing can be based on the number of components required, the number of lines of business, and policy and premium volume, but is also made available with a flat fee enterprise license.

The first year license fees for a regional insurer are typically between US\$900,000 and \$1.5 million, and the license fees for a national insurer are between \$1.5 million and \$3 million. Other first year implementation costs are between \$1 million and \$2.9 million for a small insurer and \$3 million and \$4.9 million for a large insurer. Since OneShield offers a deep toolset, some carriers choose early training and mentorship to take over the implementation process and lower costs. Ongoing maintenance/support fees are 20% of the initial license fee.

Summary

OneShield Dragon is one of the most modern systems available and has remained high on the Celent ABCD scale for several reports. The ability to customize and configure the solution without requiring code will allow carriers to maintain a high value with lower costs. The flexibility of the web services and SOA mean that even as a carrier replaces other internal systems or modernizes legacy platforms, Dragon will remain at the center of the carrier's infrastructure.

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