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XCELENT Awards 2015

NORTH AMERICAN POLICY ADMINISTRATION SYSTEMS 2015

LIFE, ANNUITIES, PENSION, AND HEALTH ABCD VENDOR VIEW

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This is an authorized excerpt from a Celent report profiling policy administration system vendors. The reprint was prepared specifically for FAST Technology, but the analysis has not been changed from the original report. The full report profiles 26 PAS in use or being marketed for North American life, health, and annuities products. There are 12 vendors that qualified for Celent's ABCD rankings and another 14 that are profiled but not included in the ABCD analysis. Some vendors also appear in the companion reports: *Asian Policy Administration Systems 2015: Life, Annuities, Pension, and Health ABCD Vendor View*; *European Policy Administration Systems 2015: Life, Annuities, Pension, and Health ABCD Vendor View*; and *Latin American Policy Administration Systems 2015: Life, Annuities, Pension, and Health ABCD Vendor View*. Earlier in 2015, Celent published a related report on health insurance vendor systems, and there is some overlap between the vendors in that report, *Global Healthcare Policy Administration Solutions: An ABCD Vendor View.*

Vendors who qualified are ranked in the ABCD Vendor View grids. The top performers in each of the ABCD dimensions receive a corresponding XCelent Award as follows:

- XCelent Technology for the leading Advanced Technology score: FAST Technology
- XCelent Functionality for the leading Breadth of Functionality score: In Celent report
- XCelent Customer Base for the leading Customer Base score: In Celent report
- XCelent Service for the leading Depth of Service score: FAST Technology

INTRODUCTION

KEY RESEARCH QUESTIONS

1 *What is a life/annuity/pension/health policy administration system?*	**2** *Who are the vendors in the North American marketplace by line of business?*	**3** *Which systems win Celent's 2015 Life/Annuity/Pension/Health PAS ABCD Awards?*

This report is part of a series on policy administration systems (PAS) in North America, Latin America, Europe, and Asia. It profiles the majority of the life, health, and annuities insurance administration systems available in North America today.

It uses Celent's ABCD vendor view, which is our standard representation of a vendor marketplace, designed to show at a glance the relative positions of each vendor in four categories: Advanced technology, Breadth of functionality, Customer base, and Depth of client services. Insurers should consider which factors in breadth, technology, experience, and client service are most important to them, and review the detailed profiles in this report to assess vendor suitability.

The full Celent report includes 12 systems that fully met the inclusion criteria for Celent's ABCD Vendor View as described in the "Report Methodology" section of this report. Fourteen additional vendors that did not meet the ABCD criteria are also profiled; these vendors are either market entrants or, for a variety of reasons, did not fully meet the inclusion criteria.

Since Celent's first report in 2005, new sales have remained active. Vendors made 65 sales to insurers during the two year period from July 2013 to July 2015. Fifty-five sales were to US insurers while eight were to Canadian insurers and two sales were to Bermudian insurers.

Vendors have expanded the usability and personalization Celent saw in our 2013 report. Web-based and mobile portal interfaces that benefit customer service representatives, underwriters, producers are increasingly common in PAS systems. Mobile and web-based policyholder portals are also being built although they are not as common because most insurers build their own. Within a few vendors we saw strong advances in product and rules configuration as well as testing capabilities; however, overall, these changes continue to be implemented at a modest pace by most vendors. In many cases Celent did not see any change in how products were configured or tested. Systems continue to add support for new lines of business, particularly group products.

On a macro level, the US economy improved since our last report, which has helped unemployment decrease to pre-2007 levels and GDP rise slightly; however, salaries remain stagnant and interest rates low. This means consumers still are struggling to find discretionary income for life insurance. Insurers continue to search for the right products to sell and ways to improve the effectiveness and efficiencies of their back offices. Their legacy systems do not give them the flexibility they need to provide the product, digital and omnichannel demands of their producers and customers. As a result, insurers continue to renew and/or replace their PAS.

This report should help insurers define their core systems requirements and, where appropriate, create a short list of vendors for evaluation. Expanded PAS functionality and improved technology means that insurers continue to have a wide spectrum of systems and vendors to consider when they are looking for a solution to fit their needs.

POLICY ADMINISTRATION SYSTEMS: DEFINITION AND FUNCTIONALITY

Key Research Question

1

What is a life/annuity/pension/health policy administration system?

The primary systems of record for life, annuity, and health insurance business operations, handling all business transactions from the front-end processes of individual policyholder management to the back end of billing and premium payments. They also store all product rules and definitions.

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, policy coverage, conditions, exclusions, duration of the policy, endorsements, beginning and end dates, 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.
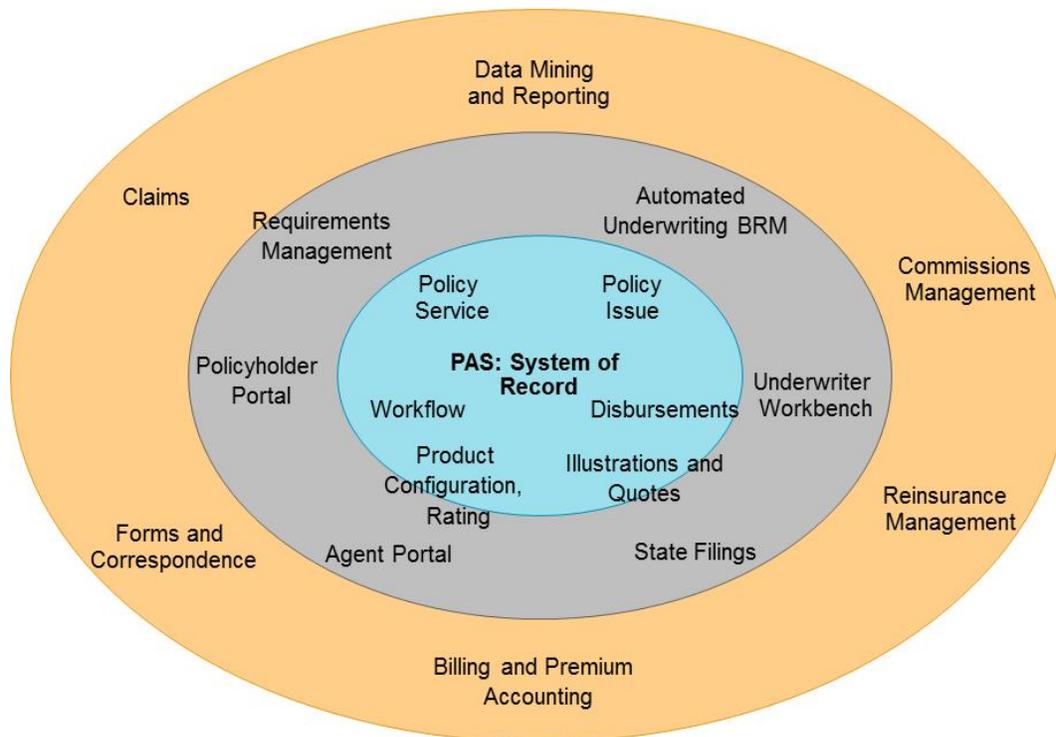
Source: Celent

As shown in the center section of Figure 1, there are six core processes, with two that have both core and supporting functions.

Policy Issue is the ability to create a policy in the system of record. The system must be able to verify that a policy fulfills basic requirements, create or store a policy number that will represent the policy through its lifetime, store additional relevant information about policy features, and make the policy available for servicing and inquiry.

Policy Service includes the activities that begin with issuance of a policy, and continues through the life of the policy, including: riders, changes of status for the insured policyholder, the objects of insurance, lapses or cancellations, beneficiary information, etc.

Workflow is the basic process management functions which allow users to do more than simply store and edit data; workflow instead creates functional paths for users to follow. This is not to be confused with more robust workflow or business process management systems, which are typically third party systems. Some vendors provide visual tools for editing system workflow, while many others require the writing of custom code.

Disbursements functionality supports a variety of situations that result in payments to policy owners or annuitants. For example, loans, surrenders, premium refunds, or annuitization all trigger payout and accounting processes.

Product Design and Rating is a concept which straddles the core and supporting functionality areas. It is core to a PAS to provide a definition of a product and the ability to set some rating rules and variables. Some systems end there, requiring custom code to make changes, while others provide visual or script-based modeling tools for users. Insurers requiring complex rating rules may choose to work with third party rating engines and integrate them into the system.

Quoting and Illustrations is another concept that straddles the line between core and supporting. It is core to a PAS to provide some ability to view the rates/pricing for a policy. Supporting functionality includes the ability to create more robust illustrations and presentation or point-of-sale materials.

Supporting Capabilities

There are six supporting processes, as shown in the surrounding, light blue section of Figure 1.

Automated Underwriting / Business Rules Management Some PAS are capable of supporting advanced decision-making, with minimal human interaction, in an underwriting context and in the context of regular service transactions. Business rules management functionality supports the design, managing, and execution of business rules attached to products, processes, and workflow.

Underwriter Workbench is similar to core policy service capabilities in that it provides an interface for users to manage system transactions. But the focus of an underwriter workbench is on new business submissions, giving underwriters the tools to evaluate, review, track, and make decisions on policy applications.

Requirements Management is a specialized process related to underwriting that provides a case-level view of underwriting requirements, and the ability to order, receive, and process requirements. Typically, this requires integration points to a multitude of data sources, such as Medical Information Bureau (MIB), paramedical providers, credit bureaus, and other sources.

Agent Portal includes all agent-facing online functionality. This is a critical supporting process for a PAS because the combination of the portal and the back end systems is what drives an insurer's ability to handle functions such as inquiry and new business submission effectively.

Policyholder Portal is another supporting capability, aimed squarely at helping insurers deliver web-based functionality directly to consumers. Functions supported can be informational (e.g., policy value inquiry) or transactional (e.g., loan or surrender requests).

State Filings is the final supporting process, and it includes the production and management of forms required to submit new products to states for approval. It is not typically included in PAS, but it is logically related in that it is the expression of products that are run on any policy administration platform.

Advanced Functionality

A good modern PAS will provide most, although not necessarily all, of the advanced functionalities listed below. (Note: Each full profile in the report has a table summarizing whether the PAS in question offers these advanced functionalities, and if so, in what manner and in what form.) This is not an exhaustive list, but rather the most common additional functionalities, and therefore, the ones most commonly provided by vendors bundled with or in addition to their policy administration offering.

Data Mining and Reporting is the true business intelligence and data warehousing function, typically external to a PAS. While many PAS provide basic reporting functionality, well-thought-out PAS facilitate the integration to third party reporting and analytic databases. A true BI/analytics tool allows the management of data marts, detailed ad hoc reporting, customized dashboards, and complex data analysis — not just for the PAS but for all an insurer's data.

Billing and Premium Accounting functions are typically handled downstream of a PAS. A billing component will support a broad set of billing methods, such as direct and agency bill, as well as various present and payment options, and configuration capabilities. The PAS may keep track of paid-to dates and billing modes, but a billing system handles the creation and delivery of bills, and an accounting system keeps track of premiums paid and similar functions. Insurers often have an enterprise billing system which is fed by the PAS, but it should be noted that the origination of the transaction happens in the PAS.

Claim management refers to the claims workflow management. A fully functional claims system will record and support all steps in the claims process from first notice of loss to final settlement. The claims systems will exchange data with a broad set of internal and external systems as well. Celent does not consider a claims system to be connected to policy administration, but many vendors offer both for an integrated end-to-end suite.

Commissions Management is where commission rules and calculation of payments to distribution channels are managed. It needs to integrate with several systems to handle this effectively, but a true commission system can manage more complicated commission rules and do better incentive planning. These systems are often closely integrated to agent portals in order to facilitate delivery of critical renumeration data which is used to motivate and incent agents.

Reinsurance Management includes administration of facultative or treaty-based reinsurance, including storage of policy-level data and key reinsurance accounting functions. Most often this is a separate system.

Forms and Correspondence refers to document and content automation systems which allow template-based generations of official policies, underwriting rejection letters, and any other documentation that needs to be stored or sent. Many policy admin systems have basic forms and correspondence functionality, though a third party system usually handles document generation across the enterprise.

REPORT METHODOLOGY

CRITERIA FOR INCLUSION

Celent's objective is to include in this report as many as possible of the leading life/annuity/pension/health policy administration systems being used or actively sold to insurers in North America. 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 North America. The three 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.

While the full Celent report contains 26 profiles (available to subscribing clients at Celent.com), this excerpt features FAST Technology's profile. 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 concentrating 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 profile 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.

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 life, health, or annuities 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

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

- XCelent Technology for the leading Advanced Technology score
- XCelent Functionality for the leading Breadth of Functionality score
- XCelent Customer Base for the leading Customer Base score
- XCelent Service for the Depth of Service score

Key | *Which systems win Celent's 2015 North American*

*Research
Question*

3

life/annuity/pension/health PAS ABCD Awards?

XCelent Technology: FAST Technology

XCelent Functionality: in Celent report

XCelent Customer Base: in Celent report

XCelent Service: FAST Technology

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 winner is FAST Technology. The XCelent Breadth of Functionality award is described in the Celent report.

Figure 2: 2015 XCelent Technology and XCelent Functionality
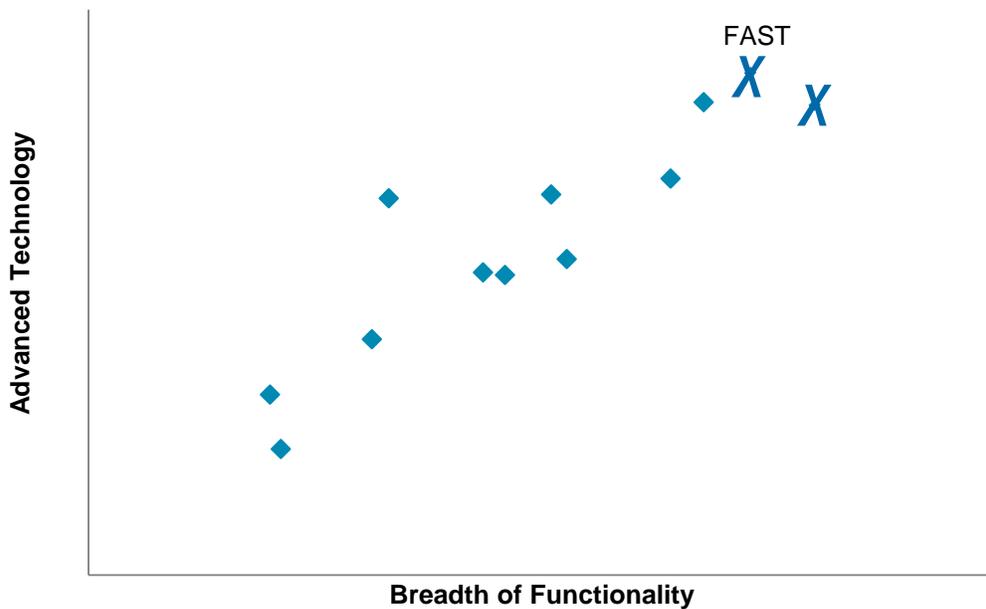
Source: Celent

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. The XCelent Customer Base award is described in the Celent report. The XCelent Service award goes to FAST Technology.

Source: Celent

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 2013. For example, in this report we are considering new criteria in Advanced Technology related to mobile platform and cloud infrastructure availability. The market is also evolving due to acquisitions and partnerships, solutions development, and alternative delivery models.

We suggest that insurers consider their specific needs and each vendor for what it offers. Although they are very successful in one or more of the criteria, the XCelent Award winners may not be the best match for an insurer's specific business goals and solution requirements.

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 a diagram 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 4 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 1: 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 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 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.

FLEXIBLE ARCHITECTURE AND SIMPLIFIED TECHNOLOGY, INC: FAST POLICY ADMINISTRATION

COMPANY

FAST is a privately owned company headquartered in Edison, N.J. FAST's business is providing software and services to the insurance. The company has 82 employees. Approximately 172 FAST resources, including trained partner resources from various system implementation partners, are physically located in North America.

Table 2: Company and Product Snapshot

COMPANY	Annual revenues derived from product	Not disclosed
	Year founded	2010
	Exchanges/Symbols	Privately held
	Headquarters Location	North American HQ: Edison, NJ, US
PAS SYSTEM	Name	FAST Policy Administration
	Current release and date of release	Rel 5.5; Q2 2015
	Release intervals	Minor enhancements: Roughly once per quarter
		Major enhancements: Roughly once per year
	Upgrades	Insurers can skip multiple versions (e.g., go directly from version 4.0 to version 5.0).
		Vendor support for prior versions: They support all versions.
	Target market	Life insurance companies of all sizes

Source: Vendor RFI

CELENT OPINION

FAST continues to grow its client base in the North American market. In the last two years, FAST has continued to impress insurers with its highly configurable, componentized system. Today FAST has five insurers and one TPA in production with their system, and another three in implementation.

FAST continues to be strong in terms of usability and configurability. The user interface is clean and straightforward with easy navigation from policy details to higher-level reporting. A left-hand bar keeps the policy information at hand, while transaction details can be reviewed. Particularly nice are the CSR and management workbenches which provide workflow queues, metrics and reporting, and spaces for announcements or the highlighting of issues. Portals for external users like agents or policyholders are similarly easy to use. Although the portals may not be in use by all clients, FAST is ahead of many of its competitors in having these at the ready for when and if their clients ask for them. Every screen and component has a common look and feel to reduce training time for all internal and external users. The componentized nature of the system allows an insurer to add functionality as needed and when budget allows.

Product and rules configuration is straightforward and allows for easy debugging within the system. FAST composer includes built-in video training, and requirements documentation and instruction are strong. Additionally, the system guides the configuration through a series of business functionality questions to ensure that the end results are what were desired. Considering that no other vendors offer this feature, FAST is ahead of the game again when it comes to planning for the longevity of their system.

As stated in 2013, FAST has changed how insurers think of buying a policy administration system. FAST has a well-thought out design for how things should be done at a life insurance company. The software is configurable and can be customized, but the underlying model for how an insurer operates is already there, which means that if the insurer accepts the system's process, they will have a much faster and cheaper installation. Otherwise, one will have to spend time reconfiguring the system to meet their needs. FAST is becoming a model for PAS for the mid-tier market, and with the addition of more insurance IP with every client, the system can only get stronger.

OVERALL FUNCTIONALITY

The majority of the functionality is available out of the box. Exceptions include prospective customer portal, form management, and document management, which are configurable using simple tools targeted to a business user.

Figure 4: Functionality
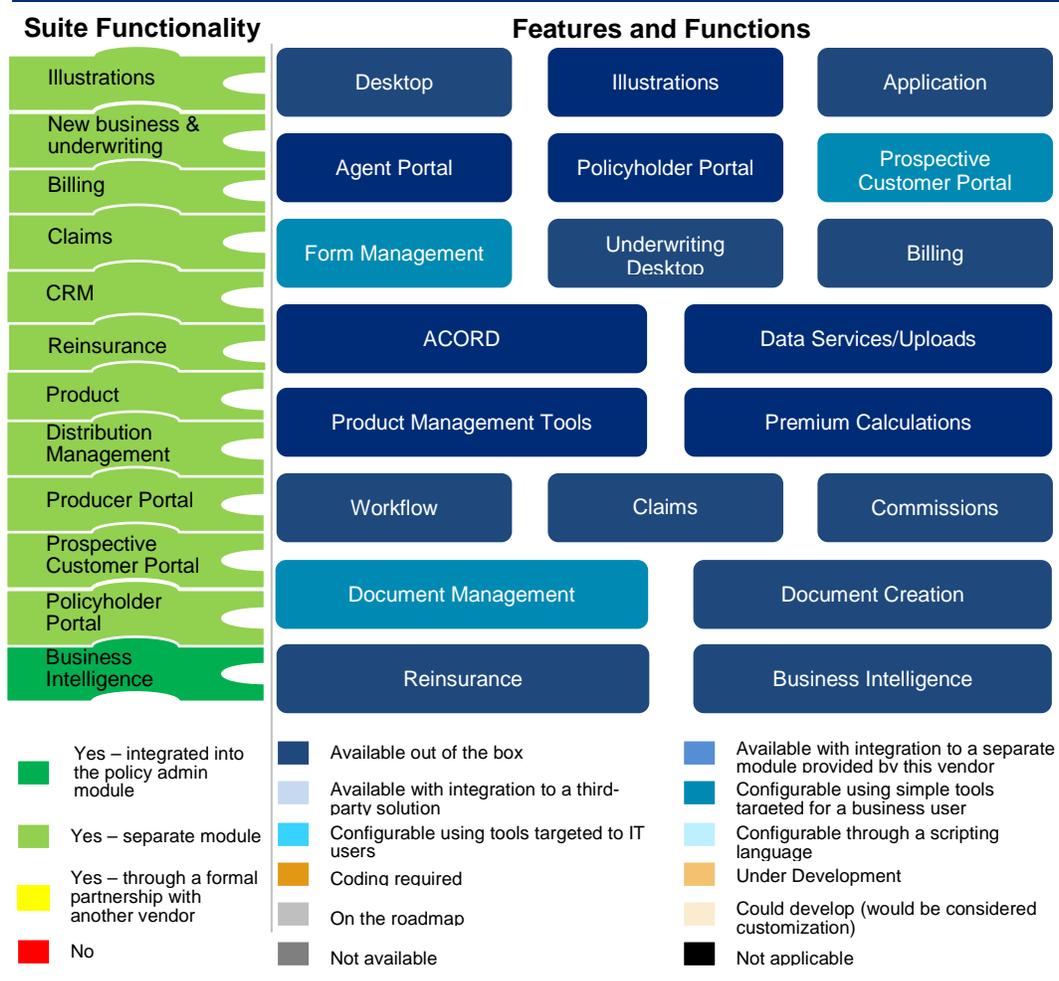
Source: Vendor RFI

CUSTOMER BASE

FAST has a total of five insurer clients in the region. Two are Tier 2 clients, and there is one client each in Tier, 3, Tier 4, and Tier 5. There is one TPA, Se2, which has three blocks of business operating on the system.

Table 3: Customer Base

NORTH AMERICAN CUSTOMER BASE	In production with release less than four years old	5
	In production with prior release/version	None
	New clients since 2013	US: 8
	Deployment method (percentage of client base):	On Premise: 100%
		BPO: 0%
		Hosted: 0%
		In the cloud: 0%
		SaaS: 0%
	Marquee clients	Not provided

Source: Vendor RFI

CUSTOMER FEEDBACK

Three clients provided feedback on FAST Policy Administration. Two are Tier 5 insurers, and one is a Tier 2 insurer. One insurer is currently implementing the solution, one has been using it for less than a year, and the final insurer has been using it for one to three years.

Functionality received above average scores overall, and within functionality, product configuration/definition and maintenance received the highest score, while customer service desktop was an area of relative improvement. User experience scores were above average, and within the category the underwriting experience was highlighted as an area of relative weakness. Comments on the system technology were above average. Scalability received special mention, and ease of system maintenance was noted as a possible area of improvement.

Regarding their implementation experiences, insurers gave above average marks with responsiveness (handling of issue resolution) being highlighted and implementation completed on budget receiving the lowest marks in the category. Finally, client support was rated above average overall. The highest score within the category was skill and knowledge of professional services staff, while the lowest within the category was cost of services.

Customer average rating (1=very poor; 5=excellent)
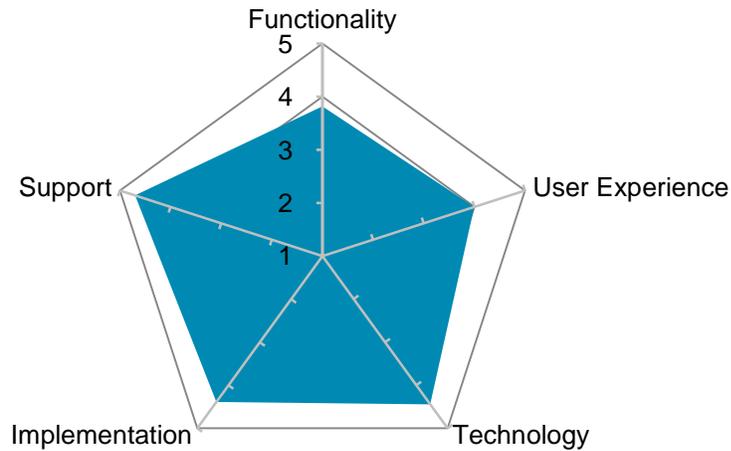
Source: 2015 Celent LHAP PAS customer feedback survey

LINES OF BUSINESS SUPPORTED

Table 4: Lines of Business Supported

LINE OF BUSINESS	INDIVIDUAL		GROUP	
	AVAILABILITY	NUMBER OF CLIENTS IN PRODUCTION	AVAILABILITY	NUMBER OF CLIENTS IN PRODUCTION
TERM LIFE	In production today	3 (6 including TPA clients)	Not supported	
WHOLE LIFE	In production today	3 (6 including TPA clients)	Not supported	
UNIVERSAL LIFE	In production today	4 (5 including TPA clients)	Not supported	
INDEXED UNIVERSAL LIFE	In production today	4 (5 including TPA clients)	Not supported	
VARIABLE UNIVERSAL LIFE	In production today	4 (5 including TPA clients)	Not supported	
SENIOR OR PRE-NEED PRODUCTS	Supported but not in production		N/A	N/A
FIXED ANNUITIES	In production today	2 (4 including TPA clients)	Not supported	
ENHANCED/IMPAIRED ANNUITIES	In production today	2 (4 including TPA clients)	Not supported	
VARIABLE ANNUITIES	In production today	2 (4 including TPA clients)	Not supported	

LINE OF BUSINESS	INDIVIDUAL		GROUP	
	AVAILABILITY	NUMBER OF CLIENTS IN PRODUCTION	AVAILABILITY	NUMBER OF CLIENTS IN PRODUCTION
ACCIDENTAL DEATH OR DISMEMBERMENT	Supported but not in production		Not supported	
SHORT-TERM DISABILITY	Supported but not in production		Not supported	
LONG-TERM DISABILITY	Supported but not in production		Not supported	
LONG-TERM CARE	Supported but not in production		Not supported	
INCOME PROTECTION	Supported but not in production		Not supported	
CRITICAL ILLNESS	Supported but not in production		Not supported	
VISION INSURANCE	Not supported		Not supported	
DENTAL INSURANCE	Not supported		Not supported	
CREDIT INSURANCE	Not supported		Not supported	
ASSISTANCE PROGRAMS / OTHER CONCIERGE SERVICES	Not supported		Not supported	
PENSION (INDIVIDUAL, GROUP-DEFINED CONTRIBUTION, ETC.)	Not supported		Not supported	
GROUP PENSION (DEFINED BENEFIT)	Not supported	N/A	Not supported	
WRAP	Not supported		Not supported	
SAVINGS (BONDS, MUTUAL FUNDS, ETC.)	Not supported		Not supported	
DRAW-DOWN	Not supported		Not supported	
OTHER ()	In production today	2 (4 including TPA clients)	N/A	N/A

Source: Vendor RFI

TECHNOLOGY

The primary UI for business users is browser based. Touch screen interfaces 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 SOA from ground-up, component-based and fully web services enabled.

The UI's and process flows have not been designed to be mobile device independent. The solution natively supports: Apple (iOS) and Android apps.

TECHNOLOGY	SPECIFICS
CODE BASE	Core technology: Java: 100%
	.NET (System can be deployed in .NET or Java): 100%
	Business users: Other (ExtJS): 100%
	Developers: Other (ExtJS): 100%
OPERATING SYSTEMS	Implemented in Microsoft .NET and JEE/Java
	Operating systems deployed on: Windows
APPLICATION SERVERS	Any java compliant application server
DATABASES	Preferred: Oracle; Microsoft SQL Server
	Additional options: DB2/UDB; Sybase; Other SQL; Other NoSQL datastore
INTEGRATION METHODS	Preferred: Web Services; ACORD Standard XML; MQSeries, JMS or similar queue technology
	Additional options: Other XML; RESTful HTTP style services; JSON format ; Flat files; Custom API
SCALABILITY	Largest deployment: 100 users and 500,000 policies

Source: Vendor RFI

The data model is based on ACORD. The data model can be extended by carriers via configuration. For the insurer to make changes to the data model, there is a configuration that can be managed by business and/or systems analysts. The data model will be released to an insurer. It is easily published to an insurer's data model, and it can be mapped to an intermediate format.

Carriers generally have access to core code.

Insurance product definition, screen definition, workflow definition, business rule definition, data definition, and role-based security integration are configurable using simple tools targeted for a business user. Interface definition is configurable using tools targeted for an IT user. The system uses reusable components, inheritance, and other schemes. Generic product templates can be defined and copied and/or inherited, as can specific product definitions. In addition, product attributes can be dragged and dropped from the product inventory to a specific product definition. Once a business configuration is completed, the client can mark it as "released" and promote the configuration from one environment to another.

Product changes can be analyzed using an impact analysis tool that provides a report, detailing products and channels affected and can be tested using a specific tool provided to help with testing with a set of pre-built tests. A restart of the system is required for insurance product modification/configuration, screen configuration, change to underlying data model, new web service or integration point, change to portal, business rule change or workflow change.

IMPLEMENTATION, PRICING, AND SUPPORT

The preferred implementation approach is Agile. A typical project team of 12-15 people consists of resources from the insurer (20-40%), FAST (40-60%), and external professional services firms (0-40%).

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, with second and subsequent lines taking 1 to 3 months in the same jurisdiction. Second and subsequent jurisdiction implementations typically take 1 to 3 months.

FAST offers term license, perpetual license, usage-based, subscription, risk-based (negotiable) and other (monthly subscription with variable fees) pricing options. The license fees are typically based on number of functional components/modules, enterprise license/flat fee, per transaction and other (number of lines of business).

The total cost to implement FAST Policy Administration can vary according to the capabilities and available resources of the client, and the overall scope of system use.

For a regional LHA insurance company (a single licensed company that writes in 5 states producing annual DPW of US$200 million), the total cost to the insurer over five years including license, implementation, and maintenance would be in the range of US$2 million to $10 million. The subscription/license would typically be US$1 million to $5 million. Implementation would typically be US$1 million to $5 million. Third party support costs are not applicable. Maintenance fees are 20% of the license fee or $0 (annual maintenance fee under license agreement is 20% of current license fees; no explicit maintenance fee under SaaS / monthly subscription contract).

For a national insurance holding company (has four LHA companies, writes multiple lines of business in 30+ states, and has DPW of US$2 billion or more), the five-year costs to an insurer would be US$6 million to $15 million, of which US $1 million to $5 million is the license fee and US$5 million to $10 million would be implementation. Third party support costs are not applicable. Maintenance fees are 20% of the license fee or $0.

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 will all the tools it needs to choose the "right" policy administration system, although it can help an insurer take the first steps towards moving 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, consider engaging 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); more smart (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 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 system transactions and IT management. 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.

RELATED CELENT RESEARCH

North American Policy Administration Systems 2013: Life, Health, and Annuities ABCD
Vendor View
November 2013

Global Healthcare Policy Administration Solutions: An ABCD Vendor View
July 2015

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