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XCELENT Awards 2013

P&C STAND-ALONE RATING SYSTEMS

AN ABCD ANALYSIS OF VENDOR SOLUTIONS IN NORTH AMERICA

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March 29, 2013

This authorized reprint contains material excerpted from a recent Celent report profiling North American P&C Rating Systems and was not sponsored by ValueMomentum in any way. For more information on the full report, please contact Celent (www.celent.com or info@celent.com).

CONTENTS

- Executive Summary 1
- Introduction..... 2
- Report Methodology..... 3
- Stand-Alone Rating Systems: Definition, Functionality, and Trends 5
- Celent’s ABCD Vendor View..... 8
- Full Profiles..... 10
- ValueMomentum, Inc.: iFoundry Rating Engine 11
- Conclusion..... 21
- Leveraging Celent’s Expertise 22
- Related Celent Research 23

EXECUTIVE SUMMARY

This report is the second Celent review of stand-alone rating systems available to P&C insurers in North America. It profiles 15 systems in use for personal, commercial, and specialty products. There are nine full vendor profiles and six emerging vendor profiles.

The choice between a stand-alone rating solution and an embedded suite rater includes considerations such as product complexity, competitive pressure, and technical system architecture. If products are simple and generally standard, a suite rater may deliver all the functionality required. In markets which have few competitors, it may be acceptable to only have one sales channel to manage and, thus, fewer systems to keep in sync. Finally, if an insurer's automation and process architecture allow each solution to stand on its own with minimal integration, a suite may be an acceptable alternative. However, as complexity and competition increase, the power and breadth of a stand-alone rating package may be required.

Key trends seen in stand-alone rating systems include:

- Some packages are extending beyond rating calculation / rate management and into product configuration. The separation between product and rating rules is becoming less distinct in some insurers and the packages which include product management are able to address those needs more effectively.
- Features such as analytics, modeling, and testing differentiate the various stand-alone rating products. The ability of the insurer to manage its user interface (screen display and operation) is another feature that is found in some solutions and not others.
- The level of end user involvement in the creation and maintenance of rates and product attributes reported by insurers varies. Selected stand-alone raters have made accommodating business users a central focus; others remain more technical in their approach.

These trends mean that choice has increased for insurers in the rating marketplace and with choice comes complexity. In order to address this challenge, Celent suggests that insurers:

- Understand the art of the possible—what can be done with advanced tools.
- Redesign the rating and, if applicable, the product development process. Determine what the ideal future state should be.
- Identify critical high-level requirements. Perform this step in collaboration with business stakeholders and IT.
- Perform proof-of-concept exercises with short listed vendors. This is a chance for providers to show what they can do.
- Consider the partnership dimension carefully. Key functional gaps are quickly closed by leading vendors; the relationship between an insurer and its rating vendor will likely stretch for 10 or more years.

INTRODUCTION

This report is Celent's second review of stand-alone rating systems available to P&C insurers in North America. It includes full profiles for the nine systems that fully met the inclusion criteria described in the Report Methodology section of this report. It also reviews six vendors that have recently rewritten systems or are entrants to the North American market by providing limited profiles of their solutions.

This report makes use of Celent's ABCD Vendor View. In contrast to a simple four-quadrant methodology, the ABCD Vendor View presents a comparative view of the vendor marketplace that visually represents four elements: Advanced Technology, Breadth of Functionality, Customer Base, and Depth of Customer Service.

For the purpose of this report, a stand-alone rating system uses various inputs to compute a rate for insurance products. Stand-alone refers to the ability of the product to work as an individual component that can be integrated with other systems such as policy administration, portal, accounting, reporting systems, etc. A rating solution may also include other functions (such as document management, workflow, and rules management), or they might be integrated with other solutions providing those functions.

This report should help insurers as they choose their approach to rating and product development. The information is a detailed analysis of the current market that can inform the selection of vendors which are appropriate for further evaluation.

REPORT METHODOLOGY

CRITERIA FOR INCLUSION

Celent's objective for this report is to include as many as possible of the leading P&C stand-alone rating systems being used or actively marketed to North American insurers.

This report contains two types of profiles: full and emerging. Seven of the nine vendors with full profiles are included in the Celent ABCD Vendor View. One vendor did not provide all of the information required to be ranked in both views and the solution of another did not lend itself to a direct comparison.

The four key criteria to be included as a full profile are:

- At least three North American P&C insurance customers in production using a current version, or one version prior to current, of the rating system in a stand-alone mode.
- Support for and live implementations of at least two lines of business.
- Participation by at least three reference customers. Reference clients completed an online survey regarding the vendor automation solution and professional services.

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.

The emerging profile section includes six vendors that did not meet the criteria for a full evaluation, but did provide significant information about their offerings. Emerging profiles are developed for three types of systems: products that are new to the North American market, newly rewritten systems, or systems that have traditionally been offered as part of a policy administration suite and are now being sold as stand-alone solutions. 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. Emerging profile vendors are not included in the ABCD Vendor View.

EVALUATION PROCESS

Celent sent a detailed request for information (RFI) to 34 P&C system vendors. Fifteen responses were received. Each system provider that qualified for a full profile also provided a briefing and demo of their system concentrating on the usability and functionality of their solution.

Vendors named up to four references from their current client base. Celent asked each reference client to complete a survey to rate the system they use on several dimensions including functionality, integration, implementation, and ease of use.

Both the RFIs and the reference surveys provided quantitative and qualitative data that is included in the system profile presented in this report. System providers had an opportunity to review their profiles for factual accuracy but did not influence the overall Celent evaluation of the system or the vendor's placement in the ABCD Vendor View. Celent, of course, has retained final authority over the content of the published profiles.

Some of the companies 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 in 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.

A detailed list of vendors and systems profiled in this report is shown in Table 1.

Table 1: Vendors and Systems Profiled in Report

SOLUTIONS WITH FULL PROFILES	VENDOR NAME
ACCENTURE DUCK CREEK RATING	Accenture LLP
RATABASE	CGI
CSC EXCEED RATING PROCESSOR	Computer Sciences Corporation
GAMECHANGER RATING ENTERPRISE	Decision Research Corporation
INSURITY RATING SOLUTION	Insurity
ISO RATING SERVICE	ISO, a unit of Verisk Analytics
NETRATE COMMERCIAL LINES RATING SYSTEM	NetRate Systems, Inc.
ORACLE INSURANCE INSBRIDGE RATING AND UNDERWRITING	Oracle Corporation
IFOUNDRIY RATING ENGINE	ValueMomentum, Inc.
EMERGING PROFILES	
EXIGEN RATING ENGINE	Exigen Insurance Solutions
GUIDEWIRE RATING MANAGEMENT	Guidewire Software, Inc.
STG PRODUCT MODELER	MajescoMastek, Inc.
DRAGON RATING	OneShield, Inc.
COMPVISION- RATING	PCIS
INSURANCE RULE ENGINE 3G	SISTRAN

Source: Celent

STAND-ALONE RATING SYSTEMS: DEFINITION, FUNCTIONALITY, AND TRENDS

DEFINITION AND HISTORY

The “promise to pay” is delivered at the time of a claim but first suggested at time of rating. If the rate is too low, an insurer will not remain solvent and cannot continue to deliver on its promises. If the rate is too high, an insurer will lose business. These fundamental rules make rating a critical business function for property/casualty companies.

At their core, rating packages are calculators receiving needed data about a risk and computing a rate that is associated with a wide combination of factors. Examples of basic rating functions Celent surveyed for are listed in Table 2.

Table 2: Basic Rating Functionality

FUNCTION	DESCRIPTION
Rating/Calculation engine	Date-driven arithmetic functions
Multiline rating on a single policy	Supports combination and package products
Multicarrier rate comparison	Allows for competitive analysis and consumer quoting functionality
Version control of rates	Controls rate process that can be volatile
Unlimited rating tier support	Necessary for precision pricing

Source: Celent

Rating automation can be delivered from within a policy administration product or from a stand-alone engine. Both perform the calculations required to return a rate for standard insurance products. Stand-alone raters traditionally have included more mathematical expressions, supported more complex algorithms, and performed more complicated operations such as driver assignments in a more robust fashion than those packaged within administration applications. However, since the last Celent report, rating engines within administration solutions have improved their complexity and performance. As a result, a number of suite solution providers are now offering their rating functions in a stand-alone manner.

A broader set of features occasionally found in stand-alone rating solutions involve product creation and management. Given the importance of rating to product performance, it is a natural progression to include functionality which builds on rate derivation and allows a user to build and maintain other product attributes such as rules and forms. These functions are detailed in Table 3:

Table 3: Product Management Functionality

FUNCTION	DESCRIPTION
Product designer	Utilities allow an end user to build and maintain insurance products

Forms library	Utilities allow an end user to build and maintain forms required for insurance products
State filings	Supports the preparation of filing packages; may include workflow management for the filing process
Templates for building new lines / insurance products	Templates decrease time required for initial implementation and increase productivity during maintenance activities
Subscription services for maintenance of bureau products (NCCI, ISO, AAIS, etc.)	Vendors support the creation and updating of bureau forms
Ability to use an electronic line / insurance product definition provided by a carrier's other systems	Improves productivity and speed to market through reuse

Source: Celent

As with the basic rating features, increasingly both suite policy administration systems and stand-alone raters are broadening their functionality to include these product configuration activities. A critical difference between the two platforms is the level of independence. Suite-product raters may design and maintain products very effectively in their own environment. If there is a need to manage products outside of the suite or communicate product definitions electronically to another system, significant due diligence should be undertaken to ensure that this will be possible in a practical way. The most functionally advanced stand-alone raters are designed and built to drive product definitions to numerous administration systems.

The third area of rating functionality deals involves a several areas which can be grouped together as advanced functions, detailed in Table 4:

Table 4: Advanced Rating Functionality

FUNCTION	DESCRIPTION
Testing	Individual policy testing, debugging utilities, displacement/bulk testing
User experience	Insurer control over the look, feel, content, and operation of the user interface
Business intelligence / analytics	Tools which yield insights into rate use and effectiveness
Product change audit	Capabilities to track which user changed any part of a product at any time

Source: Celent

Suite products include varying levels of these functions and may be as advanced or more advanced than those in stand-alone raters. The general difference is one of leverage. For example, if testing is to be done for a rate change in a suite environment, does the testing have to be repeated for other systems calculating a rate for the same line of business (for example, for a web portal)? If an interface to a third party service needs to be built, can it be built and referenced once, or is it necessary to replicate the service multiple times? If an actuary wants to perform "what if" modeling, can that be done with one tool against one rate database, or is there a need to merge several databases?

In short, choice has increased for an insurer in the rating marketplace. Suite administration products have improved their capabilities. Some rating packages remain

focused on satisfying basic arithmetic calculations, and others have expanded into management of the entire insurance product.

With choice comes complexity. In order to address this challenge, Celent suggests that insurers:

- Understand the art of the possible—what can be done with advanced tools.
- Redesign the rating and, if applicable, the product development process. Determine what the ideal future state should be.
- Identify critical high level requirements. Perform this step in collaboration with business stakeholders and IT.
- Perform proof-of-concept exercises with short-listed vendors. This is a chance for providers to show what they can do.
- Consider the partnership dimension carefully. Key functional gaps are quickly closed by leading vendors; the relationship between an insurer and its rating vendor will likely stretch for 10 or more years.

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 Customer 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 an ABCD analysis is a standard tool that Celent uses across vendor reports in many different areas, each report will define each category slightly differently. Some of the factors used to evaluate the vendors in this report are listed in Table 1.

Table 5: Some Factors Used in Stand-Alone Rating System ABCD

ADVANCED 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.
BREADTH OF FUNCTIONALITY	<ul style="list-style-type: none"> • Functions and features provided in base offering. • Power and ease of use of rules, workflow, and product configuration capabilities. • Supported lines of business and number of deployments for different lines of business.
CUSTOMER BASE	<ul style="list-style-type: none"> • Number of live US/Canadian insurers using the system for P&C lines of business. • Number of recent new clients.
DEPTH OF CUSTOMER SERVICE	<ul style="list-style-type: none"> • Size and experience of professional services and support team. • Insurers' implementation experiences.

Source: Celent

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. Within this framework, the top performer in each of the ABCD dimensions receives 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 Customer Service score

The ABCD Vendor view provides an easy-to-understand picture of a complex marketplace. Unlike a simple “four-quadrant” map, 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.

FULL PROFILES

The next section contains nine full profiles of stand-alone rating systems. These systems meet the requirements put forth in the Report Methodology section of this report: they have at least three insurers using the most current or prior version of the software, and they provided at least three reference clients who completed an online survey about the performance of the system and the vendor.

Each of the profiles presents information about the vendor and their solution, professional services and support capabilities, customer base and reference customer feedback, functionality and lines of business deployed, usability, product configuration, workflow abilities, technology, implementations, cost, and some summary comments.

Concerning fees, Celent asked vendors to provide first year license and other implementation costs (work by the insurer, vendor, or third parties) for two hypothetical insurance companies:

- Regional Insurance Holding Company A, a single licensed company that writes in 5 states, for 8 lines of business, producing annual DPW of US\$250 million.
- National Insurance Holding Company B, with 4 P&C companies that write in 32 states, across 24 personal, commercial, and specialty lines of business, and has DPW of \$2.5 billion.

VALUEMOMENTUM, INC.: IFOUNDRY RATING ENGINE

COMPANY AND PRODUCT BACKGROUND

ValueMomentum is a privately owned technology services and business software provider. Headquartered in South Plainfield, NJ, the firm focuses on the insurance and financial services markets. The company was founded in 2000 and employs 700 people, with 40 of those providing support for the iFoundry Rating Engine. These staff members average nine years of experience.

Table 6: Company Information

COMPANY INFORMATION		
COMPANY SIZE	Revenue from product	Not disclosed
	Total employees	700
	Full time equivalent (FTE) employees providing professional services/client support for rating solution	200
	Year founded	2000
	Exchanges / Symbols	Privately Owned
	Headquarters Location	South Plainfield, NJ

Source: Vendor RFI

Table 7: Product Included Rating System and Customer Base Info

RATING SYSTEM		
SYSTEM DETAILS	Name	iFoundry Rating Engine
	Year originally released	2008 (limited release)
	Current release	Release 3.8.2 Dated 9/19/2012
LAST MAJOR RELEASE		Release 3.7.11, December 2011. Core rating technology (algorithmic logic processors) was enhanced. Model time reports were strengthened.
CUSTOMER BASE		
NORTH AMERICAN CLIENTS DEPLOYED	Stand-alone Rating	3
	Rating as part of suite	0
NEW NORTH AMERICAN CLIENTS SINCE 2010	Stand-alone Rating	2
CLIENTS DEPLOYED OUTSIDE NORTH AMERICA		6

Source: Vendor RFI

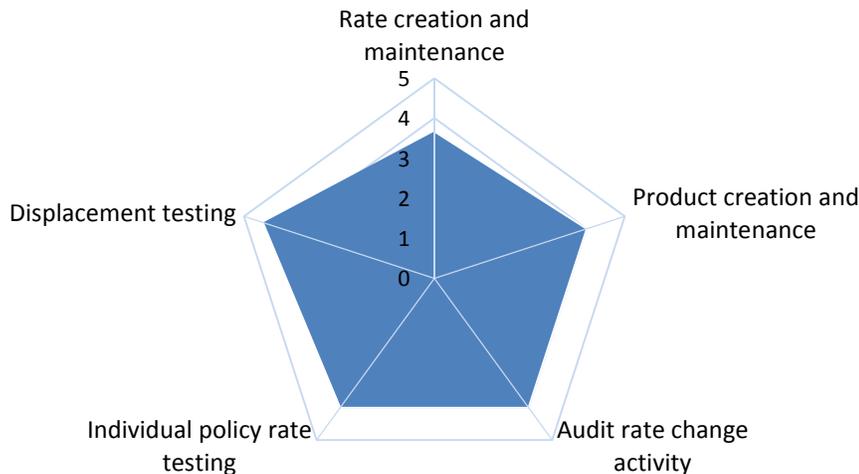
CELENT OPINION

ValueMomentum’s iFoundry Rating Engine can be used exclusively for rate creation and management, or can be bundled with the iFoundry Product Configurator if an insurer wants more than rating functionality. The configurator manages products and exposes valid product information, rules for selection of products and coverages, and for triggering of forms and product data validations. The solution is in the early days of deployment in the US. Two clients have purchased the system since January 2010. Five insurers outside the US are in implementation.

CUSTOMER FEEDBACK

Reference clients are all multi-line, commercial and personal lines carriers in the US\$100 million to \$499 million size range. Displacement testing (the ability to run existing book of business through proposed rate / product changes to determine impact) is a strength reported by reference accounts. Rate creation and maintenance was rated relatively lower than the other functions. Positive feedback on vendor responsiveness and performance was received from all references. One feature, what-if analysis, was singled out as an improvement area.

Figure 1: Customer Feedback



Source: Vendor RFI

COMPONENTS

Many of the major components can be licensed/installed on a stand-alone basis, without the rating solution. A summary is listed in Table 128, below.

Table 8: Component Support

COMPONENT NAME	AVAILABILITY
POLICY ADMINISTRATION SYSTEM	Not available

PRODUCER/AGENT PORTAL	Can be licensed/installed as a stand-alone component (without rating solution)
UNDERWRITING SYSTEM (QUICK QUOTE, QUOTE, ACCESS DATA, TRACK NEGOTIATIONS)	Can be licensed/installed as a stand-alone component (without rating solution)
PRODUCT CONFIGURATOR	Can be licensed/installed as a stand-alone component (without rating solution)
BUSINESS INTELLIGENCE / ANALYTICS	Not available

Source: Vendor RFI

FUNCTIONALITY

Most of the major rating functions are available as part of the base system and are in use by 67% to 100% of clients. An overview of the rating functionality is available in Table 129, below.

Table 9: Rating Functionality

FUNCTION	AVAILABILITY	USE LEVEL IN EXISTING CLIENTS
DATE-DRIVEN RATING/CALCULATION ENGINE	Delivered as part of base system	■■■■
CREATE/UPDATE RATING TABLES WITH SPREADSHEET (EX: EXCEL)	Delivered as part of base system	■■■■
AUTOMATICALLY DOCUMENTS RATING ACTIVITY / CHANGES FOR TRACEABILITY	Delivered as part of base system	■■■■
UNLIMITED RATING TIER SUPPORT	Delivered as part of base system	■■■■
MULTI-LINE RATING ON A SINGLE POLICY	Delivered as part of base system	■■■■
MULTI-CARRIER RATE COMPARISON	Delivered as part of base system	■
VERSION CONTROL OF RATES	Delivered as part of base system	■■■■
EXPIRY MECHANISM FOR PRODUCTS TO ENSURE THAT QUOTES ARE UP TO DATE	Delivered as part of base system	■■■■
AUTOMATIC DRIVER ASSIGNMENT	Delivered as part of base system	■

WEB QUOTING TOOLS

Available through a separate component (DealFoundry Underwriting & Portal)

■

Source: Vendor RFI

Key: ■ = 0–33%; ■■ = 34–66%; ■■■ = 67–100%

The availability in the base system of product design and management features varies. ValueMomentum plans to introduce iFoundry ISO Electronic Rating Content (ERC) integration by June 2013 to incorporate ISO changes directly in the system. References reported varying levels of business user involvement in product creation and maintenance tasks -- from 0 to 100%.

Table 10: Product Design and Management

FUNCTION	AVAILABILITY	USE LEVEL IN EXISTING CLIENTS
PREDICTIVE ANALYTICS	Not available	N/A
PRODUCT DESIGNER	Delivered as part of base system	■■■
INHERITANCE OF PRODUCT AND RATING RULES (ALLOWS SHARING OF COMMON PRODUCT CHARACTERISTICS AMONG ONE OR MORE LINES, PRODUCTS OR REGIONS.)	Delivered as part of base system	■■■
CLONING OR PRODUCT / RATING RULES AND STRUCTURES	Delivered as part of base system	■■■
VERSION CONTROL OF PRODUCTS	Delivered as part of base system	■■■
PRODUCT LIBRARY / REPOSITORY	Delivered as part of base system	■■■
ONCE IMPLEMENTED IN YOUR SYSTEM, THE INSURANCE PRODUCT DEFINITION CAN BE UTILIZED BY THE CARRIER'S OTHER SYSTEMS (I.E., DOCUMENTATION FOR FILING, MARKETING, INTEGRATION).	Delivered as part of base system	■■
BASE INSURANCE PRODUCT (TEMPLATE) THAT CAN BE LEVERAGED FOR BUILDING NEW LINES/INSURANCE PRODUCTS	Available through configuration by a non-technical business user	■■
SUPPORTS ISO RATES	Not available	N/A
FORMS DESIGNER	Not available	N/A
FORMS LIBRARY / REPOSITORY	Available through a separate component	■

Source: Vendor RFI

Key: ■ = 0–33%; ■■ = 34–66%; ■■■ = 67–100%

Individual policy testing and debugging reports are part of the base. Displacement testing (the ability to run existing book of business through proposed rate / product changes to determine impact) is available through a separate component (Strategy Simulation Workbench).

Table 11: Testing

FUNCTION	AVAILABILITY	USE LEVEL IN EXISTING CLIENTS
TESTING UTILITY	Delivered as part of base system	■■■■
DISPLACEMENT TESTING	Available through a separate component (Strategy Simulation Workbench)	■
TESTING DEBUGGING REPORTS	Delivered as part of base system	■■■■

Source: Vendor RFI

Key: ■ = 0–33%; ■■ = 34–66%; ■■■ = 67–100%

There is workflow in the out-of-the-box application, but the estimated level of use by clients is low. Basic collaboration between different functions working on a rating project is accomplished through the addition of notes to a project file.

In contrast, the vendor reports that rules management is widely employed in accounts.

Table 12: Workflow and Rules Management

FUNCTION	AVAILABILITY	USE LEVEL IN EXISTING CLIENTS
STATE FILINGS TASK TRACKING	Not available	N/A
WORKFLOW MANAGEMENT (A VISUAL TOOL SET TO DESIGN, EXECUTE, AND MONITOR WORKFLOWS--WITHOUT CHANGING CORE CODE)	Delivered as part of base system	■
WORKFLOW MANAGEMENT GRAPHIC DESIGN ENVIRONMENT, WITH AUTOMATED CODE GENERATION	Available through scripting	■
WORKFLOW RULES REPOSITORY THAT IS SEARCHABLE AND VERSION CONTROLLED	Not available	N/A
AUTOMATED WORKFLOW ALERTS, E.G. BOTTLENECKS, PAST DUE TASKS	Delivered as part of base system	■
MANAGER-LEVEL WORKFLOW REPORTS/AUDIT/INQUIRY CAPABILITY BY STAFF PERSON	Available through scripting	■

MANAGER-LEVEL WORKFLOW REPORTS/AUDIT/INQUIRY CAPABILITY BY WORK GROUP	Available through scripting	■
BUSINESS RULES MANAGEMENT (DESIGN AND EXECUTE, EXTERNALIZED FROM CORE CODE).	Delivered as part of base system	■■■
BUSINESS RULES REPOSITORY THAT IS SEARCHABLE, VERSION CONTROLLED	Delivered as part of base system	■■■
PREBUILT LIBRARY OF PRODUCT AND RATING RULES COMPONENTS	Delivered as part of base system	■■■

Source: Vendor RFI

Key: ■ = 0–33%; ■■ = 34–66%; ■■■ = 67–100%

Two of the surveyed reporting and analytics features are part of the base product. The remaining functions must be scripted, accomplished with a separate component, or are not available. Based on responses from references, most reporting appears to occur outside of the system.

Table 13: Reporting and Analytics

FUNCTION	AVAILABILITY	USE LEVEL IN EXISTING CLIENTS
BUSINESS INTELLIGENCE AND ANALYTICS	Not available	N/A
MANAGEMENT REPORTING DASHBOARD	Delivered as part of base system	■■■
MANAGEMENT AND FINANCIAL REPORTING DATA STORE	Delivered as part of base system	■
END USER PERFORMED MODELING (WHAT-IF ANALYSIS) THAT IDENTIFIES AFFECT OF CHANGES TO RATES ON BOOKS OF BUSINESS	Available through a separate component (Strategy Simulation)	■
AD HOC RATING ANALYTICS/PRICING REPORTS	Available through scripting	■
RATING WORKSHEET REPORTS	Available through scripting	■

Source: Vendor RFI

Key: ■ = 0–33%; ■■ = 34–66%; ■■■ = 67–100%

LINES OF BUSINESS AND STATE/PROVINCE SUPPORT

Many of the standard personal and commercial lines of business are in production in North America, with two insurers for homeowners/renters, two for commercial packages, and one for workers compensation.

The following table provides a summary of supported product lines.

Table 14: Supported Product Lines

LINE OF BUSINESS	PRODUCTION STATUS	NORTH AMERICAN INSURERS IN PRODUCTION
PERSONAL AUTO	Supported but not in production	
HOMEOWNERS / RENTERS	In production today	2
PERSONAL UMBRELLA LIABILITY	Supported but not in production	
COMMERCIAL AUTO	Supported but not in production	1
COMMERCIAL PROPERTY	Supported but not in production	
COMMERCIAL LIABILITY	Supported but not in production	
WORKERS COMPENSATION	In production today	1
COMMERCIAL PACKAGES (E.G., BOP)	In production today	2
MEDICAL MALPRACTICE	Supported but not in production	
OTHER PROFESSIONAL LIABILITY	Supported but not in production	
SURETY	Supported but not in production	
EXCESS & SURPLUS	Supported but not in production	
SPECIALTY	Supported but not in production	

Source: Vendor RFI

Of the challenging rate jurisdictions, California is the only state in production to date.

Table 15: Specific State/Province Support

STATE/PROVINCE	IN PRODUCTION?
CALIFORNIA	Yes
NEW YORK	N/A
TEXAS	N/A
FLORIDA	N/A
ILLINOIS	N/A
PENNSYLVANIA	N/A

NEW JERSEY	N/A
OHIO	N/A
MICHIGAN	N/A
MASSACHUSETTS	N/A
ONTARIO (CANADA)	N/A
ALBERTA (CANADA)	N/A

Source: Vendor RFI

USABILITY, REPORTING, AND ANALYTICS

The user interface design is based on a project management metaphor for a rating analyst. The opening screen displays work in progress and pending tasks. In the construction of rating plans, drag and drop is used to change product structure and rating formulas. During the demonstration, these conventions presented the rating information in a clear, straightforward manner.

Of special note is the effective visual format that compares products and product versions allowing for a quick review of the differences between them.

The product supports multiple currencies, but only a single language (English).

Table 16: Language/Currency Support

SUPPORTS MULTIPLE CURRENCIES	Yes
SUPPORTS MULTIPLE LANGUAGES	No
SUPPORTS MULTIPLE CURRENCIES ON A SINGLE RATING RECORD	No
SUPPORTS DOUBLE BYTE CHARACTER SET	Yes
SUPPORTS MULTILANGUAGE/MULTICURRENCY ON A SINGLE INSTANCE	No

Source: Vendor RFI

TECHNOLOGY

The code base is C# and works with multiple database types. Windows is the preferred operating system, but Unix and Linux are also options.

Regarding data integration, SOA/Web Services is the preferred option. Other XML is also available and is in production today. ACORD Standard XML, MQSeries, WebSphere other than MQ Series, and JMS are additional options that are not currently in production.

The solution supports mobile transactions for New Business Quoting. iFoundry has hybrid apps for rating in production today with Android and Windows 8.

There are 5,000 iFoundry users at ValueMomentum's largest deployment, with annual premiums totaling US\$275 million.

Table 17: Technology Options

TECHNOLOGY		
CODE BASE FOR EVERYDAY BUSINESS USER FEATURES/FUNCTIONS/SCREENS		ASP.Net, C#100%
CODE BASE FOR DEVELOPMENT AND CONFIGURATION		C# 100%
OPERATING SYSTEMS		Preferred Option: Windows Additional Option: Unix, Linux for Z (IBM), Red Hat, z/OS Unix System Services (not in production)
INTERFACES	Internal business user	100% Browser-Based (HTML), 100% Browser-Based (HTML with Ajax/Web 2.0)
	Configuration and development	Primary: "Thick"-client Secondary: 100% Browser-Based (HTML), 100% Browser-Based (HTML with Ajax/Web 2.0)
DATABASES	Preferred Option	Microsoft SQL Server
	Additional Options	Oracle, DB2/UDB
APPLICATION SERVERS	Preferred Option	Windows Server/.NET
	Additional Options	Oracle WebLogic Server (BEA), JBoss (Red Hat), Not in Production: WebSphere (IBM), Apache Tomcat
DATA MODEL	Description	Proprietary
	Method of change	A set of tools that allow technical staff to extend the data model and the SQL database schema. XML used directly in database and to extend the data model by storing new fields in XML without changes to the SQL database schema

Source: Vendor RFI

IMPLEMENTATION AND COSTS

The speed of implementation reported by the vendor is on the low end of the range. Reference accounts reported longer timeframes, with the first line/first state ranging from four to six months to over nine months. Client estimates for second and subsequent lines/states varied so considerably that no reliable range could be established.

Table 18: New Installations—Vendor Reported

FIRST LINE IN FIRST STATE	SECOND AND SUBSEQUENT LINES	SECOND AND SUBSEQUENT STATES	TEAM SIZE
1 to 3 months	1 to 3 months	1 to 3 months	9 FTEs

Source: Vendor RFI

The vendor provided the following breakdown among pricing components. This distribution is generally in line with other solutions.

Table 19: Pricing

SERVICE AREA	PERCENTAGE COST
SOFTWARE LICENSE / SUBSCRIPTION	40%
INITIAL INSTALLATION AND CUSTOMIZATION	45%
ANNUAL MAINTENANCE	10%
TRAINING	5%

Source: Vendor RFI

ValueMomentum has no preferred license/revenue model. The company offers both perpetual and term licensing structures. A shared risk pricing model is available on a case by case basis. License fees can be based on the following: number of functional components/modules, number of lines of business, and enterprise license / flat fee.

Table 20: Hypothetical Pricing

	INITIAL PREMIUM LICENSE	OTHER INSURER OUT OF POCKET COSTS/YEAR ONE	CONTINUING MAINTENANCE FEE	TEAM SIZE
REGIONAL INSURANCE COMPANY (DPW=US\$250 MILLION)	US\$100,000 to US\$300,000	US\$300,000 to US\$500,000	22%	2 to 5 FTEs
NATIONAL INSURANCE HOLDING COMPANY (DPW=US\$2.0 BILLION)	US\$500,000 to US\$750,000	Over US\$3 million	22%	8 to 12 FTEs

Source: Vendor RFI

SUMMARY

The iFoundry system has the fundamental rating and product management functions needed to address the property casualty space. The ability to either split or combine rate management with product configuration offers valuable flexibility. As the company seeks to grow its presence in the US market, this solution could be a compelling value proposition for small to midsize insurers.

CONCLUSION

Choice has increased for an insurer in the rating marketplace. Suite administration products have improved their capabilities. Some stand-alone rating packages remain focused on satisfying basic arithmetic calculations, and others have expanding into management of the entire insurance product.

With choice comes complexity. In order to address this challenge, Celent suggests that insurers:

- Understand the art of the possible—what can be done with advanced tools.
- Redesign the rating and, if applicable, the product development process. Determine what the ideal future state should be.
- Identify critical high-level requirements. Perform this step in collaboration with business stakeholders and IT.
- Perform proof-of-concept exercises with short-listed vendors. This is a chance for providers to show what they can do.
- Consider the partnership dimension carefully. Key functional gaps are quickly closed by leading vendors; the relationship between an insurer and its rating vendor likely will stretch for 10 or more years.

Was this report useful to you? If you'd like to take a brief survey, please click here.



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 core insurance 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 policy, claims and billing administration. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

IT and business strategy creation. We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

SUPPORT FOR VENDORS

We provide services that help you refine your product and service offerings. Examples include:

Product and service strategy evaluation. We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

Market messaging and collateral review. Based on our extensive experience with your potential clients, we assess your marketing and sales materials—including your website and any collateral.

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