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# **Core Claims Systems Vendors: US Property/Casualty Market 2008**

## **Guidewire ClaimCenter Profile**

This authorized reprint contains material excerpted from the complete Celent report.

The full report provides an overview and profiles of 21 claims solutions, including Guidewire. The full report was not sponsored by Guidewire in any way. This excerpt was prepared specifically for Guidewire—the text has not been changed from the text of the full report.

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## Executive Summary

Core claims technology continues to be an area in which many insurers are replacing legacy systems, and vendors are offering upgraded solutions. Since the publication of the first Celent claims vendor report in 2004, and a second report in 2006, the replacement of legacy claims systems continues at a substantial pace. This report includes profiles of 19 vendors and 21 solutions that are currently being offered to property/casualty insurers in the US.

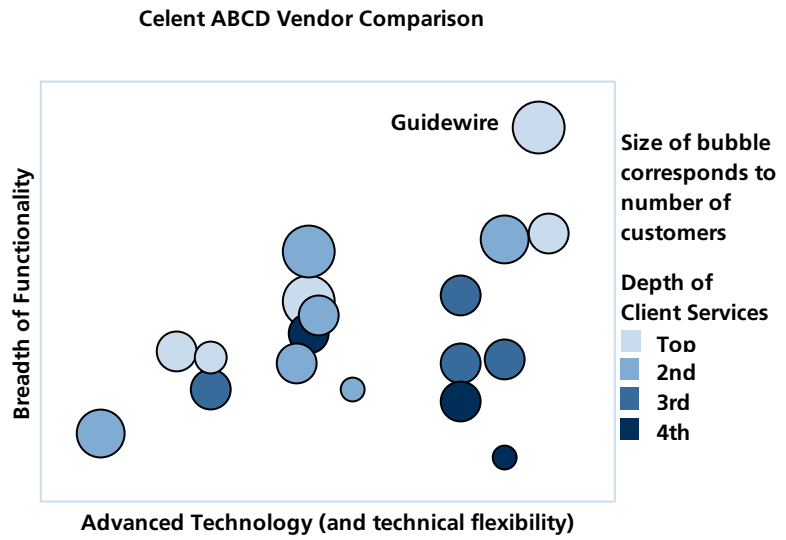
There is no single best claim solution for all insurers. There are a number of good choices for an insurer with almost any set of requirements.

An insurer seeking a new core claims 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.

Celent recommends vendors differentiate themselves by focusing on improving usability, making implementation faster and less expensive, and documenting its value propositions.

This report features Celent's ABCD Vendor View. The ABCD Vendor View presents a comparative view of the vendor marketplace that visually represents four elements: Advanced technology and technical flexibility, Breadth of functionality, Customer base, and Depth of client services.

**Figure 1: ABCD Vendor View Core Claims Solutions 2008**



Source: Celent

# Introduction

Core claims technology continues to be an area that insurers are upgrading, and vendors are offering enhanced solutions.

Since the publication of the first Celent Claims Vendor report in 2004, the replacement of legacy claims systems continues at a substantial pace. In the past two years, the 19 vendors and 21 solutions profiled in this report have sold over 100 core claim systems. In the third quarter of 2008, over 50 insurers are implementing new systems from licensed from this report's profiled vendors.

Since 2006 about three-quarters of the profiled vendors have issued a major new release: that upgraded their technology platform, broadened their range of functionality, or both. Essentially all vendors have made a major investment in enabling their solution to work in an insurer's SOA environment. Most solutions have also made great strides in usability and personalization—with benefits for new and experienced adjusters. Much greater levels of reporting and analytic capabilities have become common.

An insurer considering a new core claims system today not only has more choices; it has stronger and more attractive choices. This report provides a good way for such an insurer to see what solutions could fit its business objectives and operating model.

# Core Claims Systems: Definition and Functionality

## Definition

A core claims system is a transaction-enabled system of record that an adjuster (or an automated process) uses to:

- Gather and process information
- Evaluate and analyze
- Make decisions and take actions
- Execute transactions and preserve a record

A core claims system does these things over the entire lifecycle of a claim: first notice of loss through final settlement and closing the active claim file.

## Basic Functionality

A modern core claims system provides 14 types of basic functionality for an adjuster:

1. First notice of loss (FNOL) and coverage verification
2. Customer relationship management (CRM) functionality (e.g., scripting, or dynamic interviewing) for FNOL and subsequent interactions with claimants and other parties
3. Automated assignment of new claims to adjusters
4. Assignment of a single claim to multiple adjusters
5. Workload balancing and reassignment (for claims managers)
6. Claims adjuster desktop (digital claim folder, diaries/tasks, notes, access to claims functions such as reserving, estimating, payments, etc.)
7. Image management
8. Document management
9. Correspondence and forms
10. Automated statistical reporting (e.g., ISO, NCCI, independent bureaus)

11. Ability for adjuster to sort and search for claims
12. Automated scores for potential fraud
13. Reserving with multiple detail levels
14. Ability to specify default initial reserves

## Advanced Functionality

Having all the functionality listed above is good. Giving senior claims executives the ability to control decisions, and guide workflow is much better. Celent considers usable and powerful rules and workflow design and management capabilities to be important types of enhanced functionality for a modern claims system. As they migrate to more modern claims systems, insurers are finding that the real power to control expenses and prevent claims leakage comes from an ability to create rules (that automate decisions given specific circumstances) and workflow tools (that describe permitted sequences of actions).

There are three specific rules capabilities an insurer should look for:

- Design and execute rules that are separate from the core program code
- Ability to reuse and share rules
- A searchable and version-controlled rules repository

And there are two important, emerging workflow capabilities:

- A tool set to design, execute, and monitor workflows—without changing core code
- A graphic design environment, with automated background code generation

Several vendors and solutions also offer enhanced functionality in two other important areas: subrogation and salvage. Two things each for subrogation and salvage are at issue here:

- Automated scores for a claim's subrogation potential and salvage recovery potential
- A set of tools, for an adjuster or for a subrogation or salvage specialist, to manage the complex subrogation and salvage processes

## Additional Functionality

There are a number of additional kinds of functionality that an insurer should look for. These include:

- Portals for claimant, producers, and supply chain partners (repair shops, contracts, medical and rehabilitation staff, and others)
- Reports, analytics, business performance management, and business intelligence
- Payment and disbursement
- Medical bill review, medical and rehabilitation management
- Litigation bill review and litigation management
- Estimation tools for auto repair, building restoration or construction, medical care

Vendors will bundle some at no additional cost in their base offering, will offer others for an additional license fee, and may offer still others from ISV partners. Many can also be licensed directly as point solutions.

# Report Methodology

## Eligibility for Inclusion

In order to have a full profile and be included in the ABCD grid (described below), a core claims solution had to have:

- At least one deployed North American insurance carrier
- At least two reference clients available to discuss the system

These criteria were designed to maximize the number of systems that can be reasonably expected to remain available (and viable) based on vendor size and strength, maturity of each product and its client base, and other important factors. Based on these criteria, this report includes full profiles on 17 vendors as well as three limited profiles.

## Evaluation Process

Celent sent a detailed RFI to a broad set of core claim 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 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, much of which is included in this report. Vendors had an opportunity to review their profiles for factual accuracy but were not permitted to influence the evaluation. 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 or for the subsequent evaluation.

# 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 (i.e., , relative number of customers), and Depth of client services.

The Celent ABCD Vendor View shows relative positions of each solution evaluated, and does not reflect an abstract evaluation. Each vendor solution is judged relative to the others in the group.

While this is a standard tool that Celent uses across vendor reports in many different areas, each report will define each category slightly differently. For this report, some of the factors used to evaluate each vendor are listed in Table 1.

**Table 1: ABCD Factors**

Advanced Technology (and flexible technology)	<ul style="list-style-type: none"><li>■ Code base, including modernity of language and consistency of architecture</li><li>■ Support for SOA (Web services)</li><li>■ Extensibility Flexibility of data model</li><li>■ Need to modify code during implementations</li><li>■ Usability</li></ul>
Breadth of Functionality	<ul style="list-style-type: none"><li>■ Amount of base and extended functionality provided in the base offering</li><li>■ Number of deployments for various personal and commercial lines of business</li></ul>
Customer Base	<ul style="list-style-type: none"><li>■ Number of live US/Canadian customers</li></ul>
Depth of Customer Service	<ul style="list-style-type: none"><li>■ Size and experience of product team and implementation team</li></ul>

Source: Celent

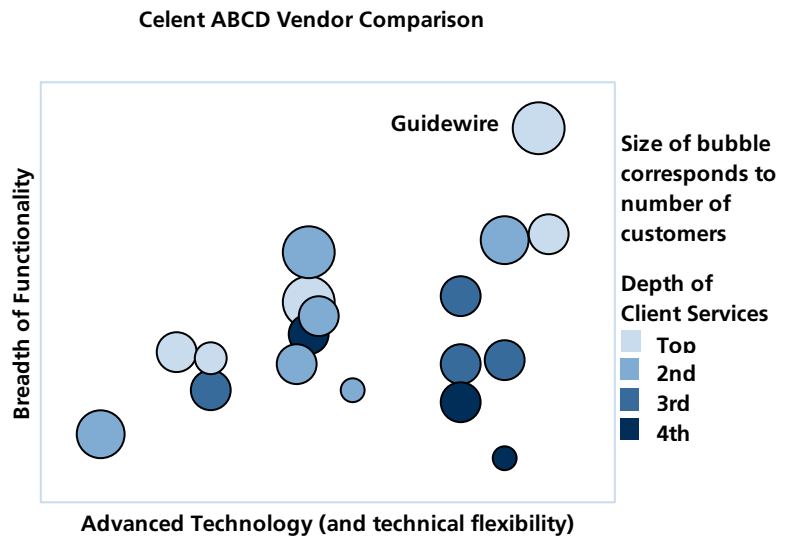
## Reading the ABCD Vendor View

The ABCD Vendor View positions each solution in a single X/Y scale, with the horizontal axis displaying the relative level of 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 size of the bubble (grouped by quintals). 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 core claims 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 2: ABCD Vendor View**



Source: Celent

## About the Profiles

Each of the profiles presents information about the vendor and its claim solution, the professional services and support staff it offers, customers (North America and elsewhere), the basic and enhanced functionality it offers, usability, reports and analytic capability, technology, implementation process, and costs. Comments from reference insurers using the solution are reported in the appropriate sections.

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 commercial lines of business, with a DPW OF US\$250 million
- Insurance Holding Company B, with 4 P/C companies, writing business in 32 states, for 24 personal, commercial, and specialty lines of business, with a total combined DPW US\$2.1 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.

# Guidewire Software: ClaimCenter

## Company and Product Background

Guidewire Software is a privately held company founded in 2001 and based in San Mateo, California, USA, with 340 employees. It offers three integrated products, Guidewire ClaimCenter, Guidewire PolicyCenter, and Guidewire BillingCenter. This profile addresses ClaimCenter. ClaimCenter was first released in 2003, and its modern, Java-based technology platform has been unchanged since then. The most recent major release is ClaimCenter 5.0.1, issued in July, 2008.

## Professional Services and Support

Guidewire has 340 employees, of whom about 175 develop, support, or sell ClaimCenter. Of these, 105 are professional services and support staff that work on ClaimCenter, with an average of over 10 years experience.

## Customer Base

ClaimCenter has enjoyed strong and sustained growth since its introduction five years ago. As of the third quarter of 2008, Guidewire reported 37 deployments at insurance companies, and another 17 implementations in progress. Two deployments are in Tier 1 insurers, 11 in Tier 2, seven in Tier 3, 11 in Tier 4, and six in Tier 5.

Deployed ClaimCenter customers include 30 US and Canadian insurers, three in Australia, two in the UK, and one each in Russia and New Zealand. Well known customers include: Amica Mutual, Geico, and CNA.

References were quite positive—one calling it an excellent system, and another calling it a great product. They reported high level of satisfaction with basic and enhanced functionality and with ClaimCenter's ability to integrate with internal and external systems. Workflow and business rules came in for special praise. All references said that major changes (such as adding new products, or changing processes) were done largely by IT staff, with business users in a minor role. Only one reference is using the management reports, and another mentioned that as an area for improvement. One said upgrades should be easier and quicker.

## Basic and Enhanced Functionality and Product Breadth

ClaimCenter provides all 14 types of the basic core claims system functionality as part of its base offering. One noteworthy capability is the provision of several methods to create score-based recommendations, such as for fraud.

It also provides a design and management environment for rules and workflow, Guidewire Studio. Guidewire developed ClaimCenter's rules engine itself. About 150 rules are provided with ClaimCenter. Automated workflows can be designed graphically. Extensions to the out-of-the-box data model are stored in XML files, which are integrated with the current release and new releases. There is a drag and drop UI editor—as well as the ability to tag functions as published Web services, and a cut and paste ability to create consumable Web services.

Automated subrogation and salvage scoring and management are also part of the base solution.

ClaimCenter has a significant installed base across personal and commercial lines. 32 insurers use it for personal lines, 27 for commercial auto, liability and property, and 21 insurers writing in all 50 states for workers' compensation. And 8 insurers are using ClaimCenter to handle specialty line claims.

## Usability, Reporting, and Analytics

The current release of ClaimCenter incorporates a number of new usability features. For example, the adjuster desktop has a number of visual cues (icons, color coding) to indicate status and next steps. Especially noteworthy is a clickable set of "Action Items" which dynamically adjusts to current tasks, as well offering various out-of-the-box and insurer-created wizards.

First line claim managers have various views of each adjusters open claims. Managers and higher level supervisors also have a number of drillable dashboard views, as well as report writer.

## Technology

Guidewire does not certify ClaimCenter's ability to run on specific operating systems. Instead, it seeks certification for ClaimCenter on various application servers and databases. ClaimCenter will run on any operating system that a given certified app server or database will support.

ClaimCenter runs on the following app servers: Apache Tomcat, BEA WebLogic and IBM WebSphere. It also is certified on Oracle and Microsoft SQL server databases.

The code base is entirely in Java. Customers do not modify core code during implementations—accordingly Guidewire reports a remarkable 0% of implementation costs related to core code modifications. ClaimCenter's data model was developed by Guidewire. An insurer extends it by use of XML at the configuration layer.

Regarding integration, Guidewire says that all of its integration points can be implemented through Web services. 90% to 100% of all three basic types of requests and functions (data inquiry, transaction request, and process initiation) can be offered and consumed as services; and are in production.

Guidewire Studio is an impressive configuration and development environment which allows insurer IT staff to make a broad range of changes in ClaimCenter with out modifying core code. To date, no customers have modified or needed to modify the core code.

## Implementation and Costs

From signing a contract to going live with one line of business in all states will take an average of nine months. Guidewire implementation teams are characterized by a low ratio of Guidewire/SI staff to insurer staff—Guidewire cites a typical team of two to five Guidewire/SI staff and 5 to 30 insurer staff. Only about a quarter of all implementations involve SI firms—Guidewire has relationships with IBM, CapGemini, BearingPoint, CastleBay and others.

References said their experience in implementation was quite positive—with very good to best rankings for on-time, on-budget performance, as well as for overall project success.

Guidewire prices via a term license model.

For a small insurer, typical first year license costs fall in the US\$100,000 to US\$500,000 range, and other first year implementation costs in the range of US\$1 million to US\$2 million. The comparable ranges for a large insurer are: license US\$1 million to US\$2 million, and other first year implementation costs of US\$2 million to US\$5 million.

## Summary

Guidewire ClaimCenter in a matter of a few years has become a market leader in terms of US and global growth. It has established a strong presence on both the personal and commercial sides of the industry. Building from the ground-up with modern technology, Guidewire has continued to make investments in new releases that enhance usability and functionality. Although ClaimCenter is not the least expensive claim solution on the market, it is one that many insurers have chosen for value delivered.



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