SUMMARY

Catalyst

As European property and casualty (P&C)/general insurers face the challenges of a highly competitive market, increasingly intrusive regulation, volatile investment returns, and the continuing fragility of many European economies, the ability of core insurance platforms to support product introduction, regional expansion, and process optimization becomes critical. However, given that the choice of core administration platform can play a pivotal role in an insurer’s business effectiveness for 10 or more years, platform replacement is probably one of the most crucial technology decisions an insurer can make.

While insurers must choose the core platform that best supports their specific needs and strategic goals, this report provides a reference guide for P&C insurers in selecting the leading platforms and vendors serving the European P&C insurance sector.

Ovum view

P&C insurers globally are responding to an unprecedented level of change in customer and market needs. Some of these changes include incorporating new channels to market such as social media and smart mobile devices; new product propositions, such as usage-based insurance (UBI); and new distribution models that include aggregators.

In mature insurance markets like Europe, overcoming the constraints of existing IT infrastructure in response to market change is a major challenge. Ovum therefore expects the demand for core platform transformation, and, as part of this, core platform replacement, to increase during the next three years. Ovum expects spending on core policy administration system replacement will grow at 3.3% CAGR from
2013 to reach an annual spend of $3.7bn by 2017. While the growth rate appears modest, IT spending on policy administration is the largest area of spend, accounting for on average of approximately 20% of all IT expenditure (source: Ovum's Insurance Technology Spending Through 2017 Forecasts).

Ovum believes that the leading vendors' solutions have reached a level of functional and technological maturity, which means that choosing to "buy," rather than "build," is the most effective approach for all but the most specialized of P&C insurers. We also believe that vendors have a vital role to play in supporting insurers as they respond to the changes in platform architecture and process-centric design that have occurred in the last decade.

Key findings

Product and platform configurability is a key consideration in platform assessment

The increasing rate of change in global P&C markets has led strategists within insurers to accept that they cannot accurately foresee the product requirements over the lifetime of a core platform. Therefore, the inherent flexibility of a platform is now a critical factor to be assessed.

One of the key design changes introduced in the current generation of platforms is the separation of the product and process definition from the underlying services that support them. This allows for the introduction of new products or the modification of existing ones through changes in parameters, rather than through IT and system development. This offers P&C insurers increased flexibility to respond to market needs and fewer IT constraints.

P&C insurers should evaluate platform capabilities in support of business process control and how this can be changed as needed. Insurers should ensure there is a services-based approach to platform architecture, where application and services components can be exposed and controlled through a business process management (BPM) layer. Insurers should also assess how a platform's internal business process control layer can integrate with wider organizational BPM systems to ensure overall process optimization.

P&C insurers must consider wider system functionality as a critical element when assessing policy administration platforms

P&C insurers should not see core system replacement as a straightforward migration of existing functionality and processes onto a more modern technology platform. The key issues for most legacy platforms remain integration with the plethora of peripheral systems, such as CRM, distribution channels, regulatory reporting, product development, and enterprise performance, whose functions are becoming increasingly critical to P&C insurers' operations. Market imperatives mean that P&C insurers cannot continue to bear the ongoing cost of, and accept the organizational constraints imposed by, onerous core platform integration issues.

P&C insurers need to define the strategic endpoint of a processing platform as part of the selection process. The modular structure of most vendor platforms means that insurers can more readily adopt a phased approach to core system replacement. However, given the need to move to an integrated and consistent system architecture, insurers need to assess the strength of vendors in meeting potential
future systems needs across the wider insurance portfolio as well as the requirements of more immediate projects.

**Platform architecture is more critical than a vendor’s presence in a local market**

The need to meet the particular product, legal, tax, and regulatory requirements of a regional P&C insurance market has resulted in a fragmented platform vendor landscape. However, the trend among platform vendors is toward greater consolidation, although smaller, local players remain active. This trend is driven by the increasing maturity of platform architecture, which has moved away from monolithic products that require significant local customization and toward modular, configurable systems. The need of insurers to be confident in the long-term investment and development of a platform means that the European P&C insurance market is likely to see fewer – but larger – vendors in the next five years.

A vendor’s experience of supporting a particular market is still an important factor, to which insurers should give due consideration by assessing the implementation record in a specific market and the depth of support at a local level. However, this should not be to the detriment of a platform’s overall architectural strength and business flexibility.

**Policy administration renewal is increasingly moving toward adoption of a comprehensive P&C insurance platform**

The scope of a P&C insurance policy administration platform has traditionally included acting as a repository of policy- and product-related details (e.g. rates, coverage, exclusions, and policyholder details) and as a system of record maintaining a transaction history of a particular policy (e.g. policy issue, endorsements, cancellation, reinstatement, expiry, and termination). This derives from the historical role of policy administration systems as typically mainframe-based and product-oriented systems that performed the majority of the processing associated with a P&C insurance product.

Due to their lack of flexibility and functionality, monolithic legacy platforms have increasingly become surrounded by a range of peripheral systems that perform additional business tasks. These systems include operational management reporting, marketing, product development, distribution channels, regulatory reporting, and customer communication via contact centers, online, and via mobile devices. In addition, many P&C insurers have developed customer information middleware systems to obtain a “single view of the customer” across multiple products and brands, particularly as the industry has continued to consolidate.

While this expansion of the system landscape may overcome the immediate shortcomings of legacy systems, it has created a growing challenge in terms of both ongoing maintenance costs and increased integration complexity, the latter resulting in higher development and testing costs, increased project risk, and extended development timeframes. The increase in the number of systems and integration points across a typical application landscape has acted as a barrier to attempts to automate and optimize business processes.

In light of these issues, most insurers currently looking at policy administration system replacement will require functionality beyond that of the traditional platform. The exact stance taken by individual insurers will vary, but small to midsized carriers are typically looking to acquire a policy administration platform from a single strategic vendor that provides a comprehensive set of components to support their wider
functional needs. Large insurers are more likely to take a portfolio approach, mixing components from a few key vendors that best meet their specific functional needs and are integrated using a service-oriented architecture approach.

The overarching objective of most policy administration system replacement projects is the adoption of a comprehensive insurance platform that encompasses the functionality delivered by current policy administration systems and most peripheral systems. This objective is increasingly reflected in platform developments and vendors’ product roadmaps, with particular emphasis on adding or enhancing multi-channel, new business/CRM, analytics, product configuration, and business process management capabilities.

OVUM DECISION MATRIX: SELECTING A P&C INSURANCE POLICY ADMINISTRATION PLATFORM FOR USE IN EUROPE

Decision Matrix scope

In this report, Ovum takes a close look at the competitive landscape for P&C insurance policy administration platforms for use by insurers operating in the European market. The report gives a quantitative and qualitative representation of Ovum’s view of the competitive market environment within the European P&C insurance sector.

Inclusion criteria

While the list of vendors is not intended to include all possible providers, Ovum believes it is representative, and offers readers an in-depth analysis of the leading vendors of P&C insurance policy administration platforms for use in the European P&C insurance sector.

The eight vendors and their solutions considered in this report are listed in Table 1.

Table 1: Vendors and products included in the Ovum Decision Matrix

<table>
<thead>
<tr>
<th>Vendor</th>
<th>P&amp;C insurance policy administration platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accenture Duck Creek</td>
<td>Accenture Duck Creek Policy Administration</td>
</tr>
<tr>
<td>CSC</td>
<td>GraphTalk A.I.A</td>
</tr>
<tr>
<td>eBaoTech</td>
<td>GeneralSystem Suite</td>
</tr>
<tr>
<td>Guidewire Software Inc.</td>
<td>PolicyCenter</td>
</tr>
<tr>
<td>Innovation Group</td>
<td>Insurer Policy</td>
</tr>
<tr>
<td>Sapiens International</td>
<td>IDIT Software Suite</td>
</tr>
<tr>
<td>TCS</td>
<td>BaNCS</td>
</tr>
<tr>
<td>Xuber</td>
<td>Xuber for Insurers and Xuber Genius</td>
</tr>
</tbody>
</table>

Source: Ovum

The decision to include a vendor and its solution for evaluation in this report was based on the following criteria:
• The solution must be judged, in an initial assessment by Ovum analysts, as having mid- to long-term potential.

• The solution must currently be deployed and must be performing core policy administration functions for at least one client in the European market.

• The vendor must provide Ovum with sufficient information to allow an accurate assessment, including a complete response to Ovum's European P&C insurance policy administration request for information (RFI) document, an in-depth briefing, and a product demonstration.

Overall assessment

In this Decision Matrix, Ovum provides a summary of each vendor's P&C insurance policy administration capabilities based on a quantitative assessment of its influence on the European P&C insurance market and the quality and breadth of the functionality provided by its platform and underlying technology. Ovum also provides guidance for institutions looking to deploy P&C insurance policy administration platforms, and advises whether they should shortlist, consider, or explore solutions from the vendors assessed in this report. Ovum defines each of these recommendations based on the vendors' positions in the market:

• **Market leaders**: This category represents the leading solutions that we believe are worthy of a place on most technology-selection shortlists. Vendors in this category have established a commanding market position with a complete or near-complete offering that addresses overall market requirements with a strong technology capability.

• **Market challengers**: Vendors in this category have good market positioning and a wide breadth of business functionality and technology capability. They should be considered as part of the technology-selection process, particularly if their offerings address specific project-scope requirements or if the vendor has a strong position in a local market.

• **Market followers**: Vendors in this category have strong potential but have not yet reached full maturity in terms of breadth of functionality, technology development, or market impact. However, depending on an institution's particular technology and business vision or requirements, these could be worth exploring for their future potential.

Achieving the full value from a P&C insurance policy administration platform is critically dependent upon the solution's ability to execute an insurer's overall strategy. A decision to purchase a particular platform should therefore be based on a broad array of factors, including the degree of alignment between the solution's functionality and underlying technology on the one hand, and an institution's own particular business functionality requirements, project scope, organization size, and regional location on the other. As a result, Ovum's recommendation should only be taken within the context of an insurer's specific requirements.

Vendor positioning is based on analysis of a number of sub-criteria for each of the three primary axes (technology, execution, and market impact), a breakdown of which is provided within each vendor profile, to produce a score out of 10. Based on the combined scoring, Ovum evaluates the top vendors that insurers should shortlist, consider, or explore in a core administration platform selection process.
Market leaders:

From the overall assessment scores, Ovum has identified three platforms vendors that should, for most insurers operating in the European P&C insurance sector, be included on a shortlist as part of a policy administration system selection process. These vendors provide offerings that combine strong technology architecture with a broad range of functionality, and they have established leading positions within the European P&C insurance market.

- **Guidewire Software Inc.** – The Guidewire PolicyCenter platform has the most significant client base among the larger tier-1 and tier-2 personal lines insurers and the highest growth rate of all the vendors considered. Guidewire also has the strongest partner network both in terms of the number of trained partner consultants and partner credibility within global insurance sectors.

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**Figure 3: Ovum Decision Matrix – P&C insurance policy administration platforms for use in Europe, 2013–14**

![Ovum Decision Matrix](image-url)

Source: Ovum
Guidewire

Background

Guidewire Software Inc. is a publicly traded company based in Foster City, California, and was founded in 2001. Guidewire is entirely focused on developing software products for the global P&C insurance industry.

Guidewire's P&C insurance policy administration system is PolicyCenter, initially launched in 2006. The current release is version 7, with version 8 due in the fourth quarter of 2013.

Guidewire acquired Millbrook Inc., a provider of data management and business intelligence products specifically for the P&C insurance sector, in May 2013. The acquisition will further strengthen the data management, legacy migration/integration, and analytics capabilities of the Guidewire product set.

Company structure

Guidewire currently has 1,138 employees globally, of which 233 are based in Europe. Guidewire has some 208 developers dedicated to PolicyCenter and the Guidewire platform, mainly based at the company's California headquarters, although a development team of 15 is based in Ireland. Guidewire also has development resources based in Japan and Canada. Guidewire has 539 staff focused on implementation and support of its products, of which 144 are based in Europe with 121 of these being PolicyCenter certified.

Market impact assessment

Guidewire has a total of 50 PolicyCenter clients globally with a significant presence across all the client tiers and with four tier-1 clients. PolicyCenter has two European clients, both tier-2 insurers.

Guidewire has seen the highest new client growth of all the vendors considered, adding 32 new PolicyCenter clients in the last two years, two of which are in Europe. Recent growth has increased Guidewire's presence among larger insurers, with nearly half of new clients being either tier-1 or tier-2 carriers.

Key PolicyCenter clients include Amica, Aviva, CNA, Nationwide, NJM Insurance Group, Pacifico Seguros, PZU, and Santam.
Figure 16: Guidewire PolicyCenter – market impact

**Technology assessment**

All Guidewire applications share a common technology platform, which provides a set of components and services to Guidewire’s core applications (PolicyCenter, ClaimCenter, and BillingCenter) and add-on modules. This common platform, referred to as the Guidewire InsuranceSuite, is an SOA-based, three-tier architecture (web browser client, application server, and database server). PolicyCenter, launched in 2006, is the most recent of the offerings assessed in this report. The key functional modules are shown in Table 6.

Key priority areas of the InsuranceSuite development roadmap include enhanced functionality for rating and product configuration, and extending support to include complex commercial products.
PolicyCenter scores highly in terms of core P&C functionality due to a number of advanced features, such as integrated geocoding, and wider functionality due to the strength of the rating and billing capabilities.

PolicyCenter includes a product definition tool, Product Designer, which supports product and workflow definition across a comprehensive set of parameters. Product Designer allows the rapid development of product variants by inheriting features of other product definitions. This allows insurers to target specific customer sectors or risk groups with customized offerings.

Guidewire typically issues major software releases on a 14–20 month cycle with usually one interim minor release. Guidewire provides tools that automate the majority of the upgrade process.

Figure 17: Guidewire PolicyCenter – technology assessment
### Table 6: Guidewire Software Suite – key functional components

<table>
<thead>
<tr>
<th>Functional area</th>
<th>Directly supported</th>
<th>Component name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy administration</td>
<td>Yes</td>
<td>Guidewire PolicyCenter</td>
</tr>
<tr>
<td>Product configuration</td>
<td>Yes</td>
<td>Guidewire PolicyCenter</td>
</tr>
<tr>
<td>Rating</td>
<td>Yes</td>
<td>Guidewire PolicyCenter (with separate license for rating)</td>
</tr>
<tr>
<td>Underwriting</td>
<td>Yes</td>
<td>Guidewire PolicyCenter</td>
</tr>
<tr>
<td>Claims processing</td>
<td>Yes</td>
<td>Guidewire ClaimCenter</td>
</tr>
<tr>
<td>Billing &amp; collection</td>
<td>Yes</td>
<td>Guidewire BillingCenter</td>
</tr>
<tr>
<td>Intermediary management</td>
<td>Yes</td>
<td>Guidewire PolicyCenter/BillingCenter</td>
</tr>
<tr>
<td>Reinsurance management</td>
<td>Yes</td>
<td>Guidewire PolicyCenter (with separate license for reinsurance)</td>
</tr>
<tr>
<td>Document &amp; content management</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Reporting</td>
<td>Yes</td>
<td>Reporting and InfoCenter</td>
</tr>
<tr>
<td>Digital channels support</td>
<td>Yes</td>
<td>Guidewire Mobile and Portals</td>
</tr>
<tr>
<td>Contact center support</td>
<td>Yes</td>
<td>Guidewire Client Data Management</td>
</tr>
</tbody>
</table>

Source: Ovum

### European execution assessment

Guidewire has a number of client-support centers globally, with a total of 35 staff. The major support center is located at the company’s California headquarters, but there are smaller support centers in Canada, Ireland, the UK, and Japan.

Guidewire has a large and well-established partner network, including a number of system integrators that have a strong presence in the global and European insurance sectors. Guidewire integration and support partners include Affecto, Business Agility, Capgemini, Cognizant, Deloitte, Ernst & Young, HCL, IBM, PPI AG, PwC, and Sollers.

The majority of client training is provided as an integral part of the implementation phase, drawing upon Guidewire’s 300 consultants. In addition, Guidewire has a team of 18 full-time staff that develops and delivers additional training following system deployment.

The significant proportion of larger insurers in Guidewire’s client base (approximately 50% of clients are either tier-1 or tier-2 carriers) means that Guidewire has a number of multimillion-policy deployments. In addition, PolicyCenter has been independently tested to operate with 5 million policies and perform the equivalent of 28 million transactions per year.

PolicyCenter incorporates integral staging table functionality that maps legacy data types for conversion during migration. Additional table import tools can also be used to test data integrity and validity prior to import. PolicyCenter also comes pre-integrated with DataHub, an operational data store that unifies, standardizes, validates, and stores data from multiple insurance systems and external sources.

Although fully supported, Guidewire PolicyCenter does not currently have any multi-entity deployments (although the ClaimCenter component has been deployed on a multi-entity basis). Products and processes can be customized across the entities while still being centrally managed. PolicyCenter also
PolicyCenter supports multiple “jurisdictions” that can reflect requirements at, for example, a country, region, or state level (e.g. for when deploying in the US). Currently, three customers are implementing PolicyCenter to operate across multiple countries.

**Figure 18: Guidewire PolicyCenter – European execution assessment**

**European execution assessment**

<table>
<thead>
<tr>
<th>Vendor support capability</th>
<th>Partner network</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Training resources**

**Multi-entity deployment**

**Large-scale deployment**

**Migration support**

- Guidewire PolicyCenter
- Report average

Source: Ovum

**Recommendation: Guidewire PolicyCenter is a market leader**

The high overall scores across all the axes considered in this report qualify the Guidewire PolicyCenter platform as a very strong candidate for consideration by all P&C insurers. The installed base among tier-1 and tier-2 carriers, the live large-scale deployments, and the very strong partner network mean that PolicyCenter should be a strong consideration for larger insurers in particular.
APPENDIX

Methodology

For a discussion of the methodology underpinning this report, please see the section entitled "Ovum Decision Matrix: Selecting a P&C Insurance Policy Administration Platform for Use in Europe."

Further reading

ICT Enterprise Insights – Global: Insurance (September 2013)
Insurance Sector IT Priorities and Spending Forecast to 2017, IT004-000384 (September 2013)
Insurance Technology Spending Through 2017: Source Segmentation, IT004-000377 (July 2013)
Insurance Technology Spending Through 2017: Business Function Segmentation, IT004-000378 (July 2013)

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Ovum Consulting

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