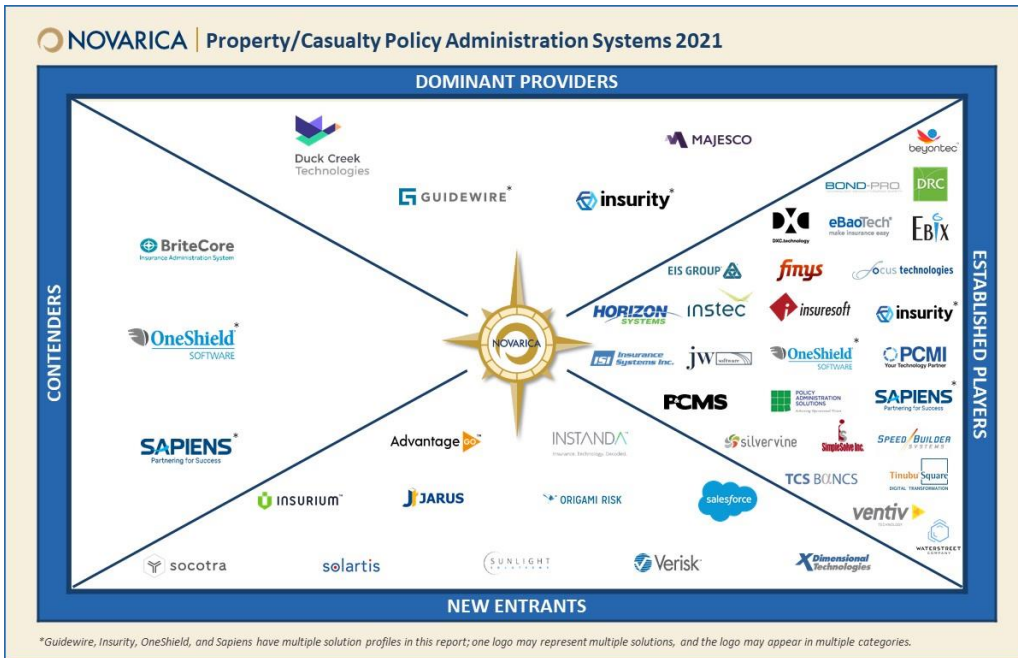


PROPERTY/CASUALTY POLICY ADMINISTRATION SYSTEMS

MAY 2021
Authorized Excerpt



SUMMARY

This authorized excerpt contains content from a Novarica Market Navigator report that provides an overview of the available policy administration systems and suites for US property/casualty insurers. The report contains profiles of 48 solutions that summarize the vendor organization, technology, differentiators, client base, lines of business supported, deployment options, implementation, upgrades/enhancements, and key functionality.

This excerpt includes the profile of [COMPANY NAME HERE]. The full report includes profiles of all providers listed in the graphic above.

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25

TABLE OF CONTENTS

<i>Introduction</i>	3
<i>Novarica Market Navigator Graphic</i>	4
<i>Market Overview</i>	5
<i>Key Components</i>	13
<i>Company Name Here</i>	17
<i>Conclusions</i>	22
<i>Next Steps and Related Research</i>	23
<i>About Novarica</i>	23
<i>Authors</i>	24

INTRODUCTION

About This Report

This report is designed to provide an overview of the current solution provider marketplace for policy administration system (PAS) solutions for property/casualty (P/C) insurers. It is designed to assist insurers in drawing up their short lists of potential providers based on vendor market position and offering details.

The solution provider profiles included within Novarica Market Navigator™ reports do not provide subjective analyses of each vendor's solution. The reports are based on direct responses to an RFI distributed by Novarica, technical discussions with each vendor to verify the RFI responses, and subsequent follow-ups with the vendors to validate and confirm responses.

The RFI covers details of organization, technology stack, client base, and key functionality. Profiles also include a summary of key differentiators, lines of business supported, deployment options, implementation approaches, and how upgrades and enhancements are handled. Where available, screenshots of the products were provided by the vendor.

These reports do not render judgment; the specific situation and needs of insurers will determine the fit between potential providers and insurers. Novarica provides these types of advisory consultations to more than 150 insurer clients through its retained advisory services.

NOVARICA MARKET NAVIGATOR GRAPHIC

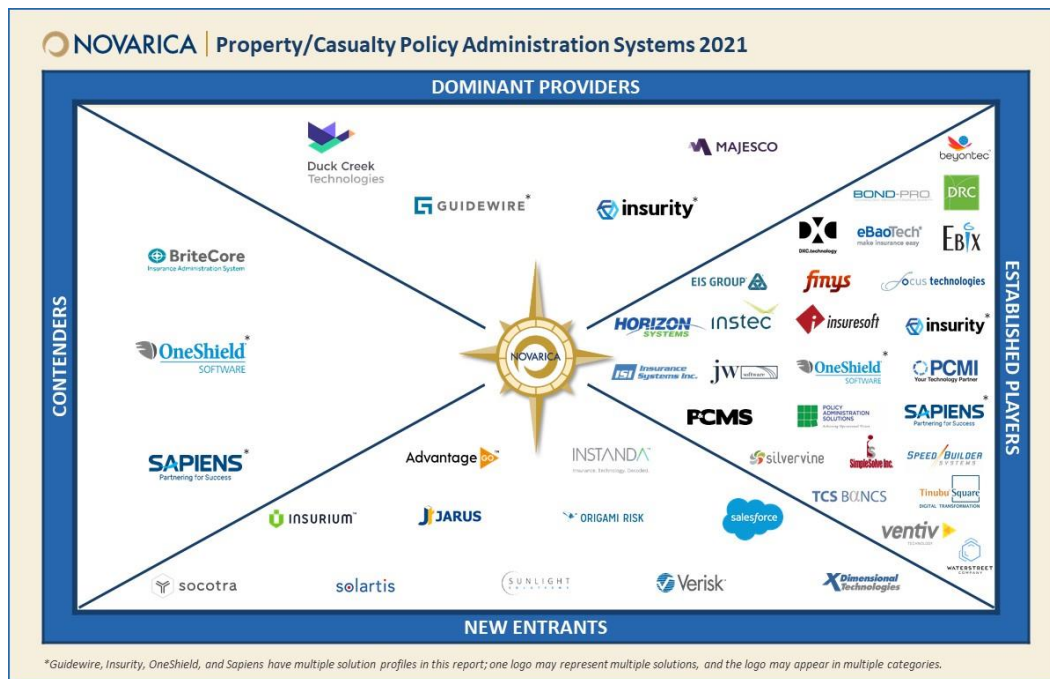
The Novarica Market Navigator Graphic provides an at-a-glance overview of major providers in a specific segment. It is intended to help insurers quickly understand who is active in the space and their approximately relative market positions. Each provider is shown in one of the following four categories:

- **Dominant Providers** have strong market positions and momentum. Their solutions in the segment are well-known.
- **Contenders** have substantial customer experience and momentum.
- **Established Players** have generally been in the market longer and have substantial customer experience.
- **New Entrants** are emerging providers in this segment. This category includes new companies and established companies with newer solutions. They typically have limited existing customer bases.

Note that the categories refer specifically to this solution area. A company may be a Dominant Provider in one segment, but a New Entrant in another based on the maturity of the solution and depth of market experience. Positioning on the graphic within each segment is alphabetical.

Also note that a provider’s category does not imply a subjective judgment on solution quality, delivery, or fitness for any specific company’s needs. Companies should carefully evaluate individual solutions relative to their specific needs, as well as consider the company’s delivery capabilities and organizational bandwidth in addition to recent customer experience.

Figure 1: Property/Casualty Policy Administration Systems 2021



MARKET OVERVIEW

Novarica's studies of P/C insurer CIOs, conversations with insurers and vendors, and third-party research indicate that new core system replacement rates are still widespread in the industry. However, they have fallen off from their peak in the early 2010s in specific market segments. Many midsize insurers have already selected and begun new system implementations, but this is balanced by more small insurers considering a replacement. These smaller companies bring even more demand for cloud-based options and low-cost implementations.

The P/C policy administration market continues to flourish for those vendors with in-demand systems and reflects several trends:

- The need to improve product development speed and enhance product capability to pursue new opportunities (e.g., excess/surplus lines, workers' comp), or accommodate market demands (e.g., micro-rating, direct-to-consumer), especially as insurers engage in M&A.
- The need to improve product development flexibility to enter profitable new niches as the commercial market continues to harden, the economy continues to improve, and the personal auto market looks to enter other areas in preparation for external disruption.
- A desire to reduce the sizeable costs of maintaining legacy systems running on aging platforms. While the industry average is around 60%, many insurers report that more than 75% of their IT budgets go toward "keeping the lights on" in these environments, leaving little capacity for new product innovation or improving the capabilities of existing products.
- A desire to find cost-effective ways to support the operation and management of core systems. In some cases, this may require insurers to move away from systems that necessitate customization for enhanced functionality and toward systems that use configuration tools to achieve such enhancements. The objective in all instances is to reduce the long-term total cost of ownership.
- Increased data accessibility demands as BI and data analytics become a significant part of insurers' strategic objectives. Core system data must be available for analysis, whether within the system or via export and transformation, to set rates/pricing, reduce fraudulent claims, and generate other predictive models.
- The ability to integrate with third-party applications seamlessly as part of the underwriting workflow, including analytics for underwriting risk scoring/fraud detection, becomes more critical as insurers move toward more digital processing of submissions and approvals.
- The industry's gradual acceptance of cloud and SaaS for core systems has evolved into a preference for cloud options. Almost all vendors now provide a SaaS subscription model with true cloud deployment, and the vast majority of new deals are cloud deals.

One factor that often leads to system replacements is digital engagement. This can be driven by a desire to attract and retain top producers, as well as to provide policyholders and claimants with a satisfying digital experience. Newer generations of producers and policyholders have higher expectations for technology and usability and won't tolerate the inefficiencies and poor user experience that legacy solutions offer.

Another factor for some insurers is the ability to offer policies (or at least quotes) to consumers directly, including the ability to provide sales and service via mobile devices.

Modern PAS solutions often come packaged with portal capabilities optimized for the needs of producers and customers or with rich APIs (application programmer interfaces) that allow custom experiences to be built and tightly integrated with the policy back end.

Direct sellers—and other industries—have set a high bar for customer expectations of online self-service for quotes, policy changes, claims management, mobile self-service, and more. These expectations have led to a cost-of-doing-business push for customer-facing technology in personal lines, i.e., better customer and agent experience via usability improvements and 24/7 accessibility.

On the commercial side, the rise of online self-service across many consumer industries has raised users' expectations, forcing insurers to provide certain online capabilities, even for lines of business that seemed safe from such requirements just a few years ago. Inflexible legacy PAS can prevent insurers from taking advantage of new opportunities to meet customer and agent expectations.

Attracting and retaining IT staff and front-/back-office employees are also important. Today's job seekers lack the skills and desire to work on systems that are over 30 years old.

M&A and Restructuring Activity

One market trend to be aware of when selecting a PAS is M&A activity. M&A activity has significantly declined from its peak several years ago, but acquisitions are still common. They can be beneficial or detrimental to insurers depending on the circumstances. There have been three types of merger activity of note to insurers.

The first is that larger vendors have historically acquired additional core systems for their portfolios (e.g., Guidewire acquiring ISCS; Insurity acquiring CodeObjects; Majesco acquiring Cover-All; Sapiens acquiring Maximum Processing, StoneRiver, and Adaptik). Vendors added acquired products to portfolios as new product lines, integrated them into core offerings, or simply retired. Although acquisitions of this type have declined in the last few years, there were several noteworthy deals of this type in 2020.

- **Insurity** bought **CodeObjects**, which offers a virtual assistant and a P/C core systems suite (November 2020).
- **Insurity** bought **Epic-Premier Insurance Solutions** to solidify its offerings for MGA clients (June 2020).
- **Insurity** bought **Virtual MGA**, which specializes in wholesale brokers, MGAs, and syndicates in the Lloyd's of London and US excess and surplus markets (July 2020).
- **Insurity** bought **Instec**, a provider of PAS solutions to P/C carriers and MGAs (April 2021).
- **Sapiens** bought medical professional liability core systems specialist **Delphi Technology** for up to \$19.5M in cash (July 2020).
- **MGA Systems** merged with **NetRate**. The combined company will trade as MGA Systems, offering a product suite consisting of NetRate's ISO-based rating application and MGA Systems' Insurance Management Systems policy administration solution (August 2020).
- Trade credit and surety software solution provider **Tinubu Square** bought **eSURETY** (March 2020).

The second M&A and restructuring trend is the expansion of what the industry considers part of the core suite—most notably, acquisitions to round out offerings (e.g., Duck Creek acquiring Outline Systems, Guidewire acquiring Cyence, Insurity acquiring SpacialKey). Most insurers know that even vendors with broad sets of components in their portfolios don't always offer a truly integrated suite. However, the promise of working with a single vendor with a stable financial backing is still a benefit to many. There was at least one noteworthy acquisition like this in 2020.

- **Sapiens** acquired **TIA Technology A/S**, a Danish vendor of digital software solutions (November 2020).

A final type of M&A deal is a change in ownership related to venture capital or private equity. These deals may be related to portfolio aggregation and balancing but also have implications regarding future investment levels.

- **Thoma Bravo** acquired **Majesco** for \$16.00 in cash per share or \$729M and took the company private (September 2020).
- **Salesforce** acquired **Vlocity**, a provider of industry-specific cloud and mobile software including a PAS solution (February 2020).

SaaS and Cloud Adoption Trends

Clearly cloud is no longer emerging, yet it continues to be the biggest engine of change in the core systems market.

Almost all vendors now offer a cloud option, with a few vendors offering *only* a cloud solution. Most market activity is now centered around cloud; Novarica expects this shift toward cloud to accelerate over the coming years. Several vendors have initiatives encouraging their on-premises customers to migrate to cloud offerings. Financial incentives have become increasingly attractive, often bringing the total cost of ownership of cloud solutions under that of on-premises solutions.

Some vendors now have dedicated cloud versions of their software that offer cloud-native technology and services not available in their non-cloud versions. Enhancements include better performance, improved scalability via serverless computing and cloud databases, environment automation, fault-tolerance, as well as tighter integration with cloud-only services for data, analytics, and AI. These cloud-optimized versions encourage new customers to choose cloud and incentivize existing customers to migrate or miss out on new features.

Cloud Maturity

However, levels of cloud maturity still vary widely across the vendor market. Some vendors are very experienced in cloud deployment and management; others treat cloud as they did their private data centers, offering insurers limited benefit over hosted options. Since the responsibility of the vendor broadens as part of cloud deployment, insurers must be comfortable that their vendor has the same level of expertise with cloud as they have with their software and database technology.

Many vendors claim to support multiple cloud options; most frequently these are AWS and MS Azure. While this may seem like a benefit to insurers, it should be viewed with caution. It may suggest that the vendor is not taking full advantage of the capabilities of any single platform and views cloud simply as an alternative to a data center. The vendor may be managing aspects of the installation itself, rather than relying on capabilities inherent to the cloud platform. Similarly, cloud-native capabilities are almost always proprietary to the cloud vendors, and vendors typically choose to avoid those if they are multi-cloud.

Secondly, cloud platforms have major differences in terms of tooling and the expertise needed for provisioning, monitoring, tuning, and securing. Cloud automation is a critical differentiator in whether a vendor is able to deliver the advantages of cloud deployment. Just as it is hard for midsized carriers to be multi-cloud, so it is with PAS vendors. PAS vendors would be better served by building and maintaining expertise on a single cloud platform rather than spreading themselves too thin across multiple platforms.

Multi-Tenancy

Another emerging trend is cloud multi-tenancy. A multi-tenant system is one where a shared application and infrastructure supports several clients. Clients may also share databases in some cases. Insurers have become more comfortable with multi-tenancy by working with vendors like Salesforce and Workday, and new core systems have emerged that are built from the ground up to be multi-tenant.

Two factors will make multi-tenant core systems more common in the future. First, this approach supports a single codebase for all customers, allowing for more efficient use of cloud hardware requirements and better scalability. A single codebase also simplifies the support and upgrade process and allows for more frequent deployments of improvements (discussed further in the next section).

Second, investors place considerable pressure on public technology companies (across all industries) to adopt a multi-tenant approach because the business model maximizes recurring revenue streams and allows more scalable, profitable growth. Vendors can maximize investment in software and minimize investment in services, which positively impacts valuation multiples.

Novarica expects that **most** vendors will continue to support single-tenant deployment in the short term. However, multi-tenancy in core systems will become the norm over time. Several emerging vendors focus on multi-tenant deployments, and existing vendors are rearchitecting their systems to extract features from the core and deploy as shared services which are multi-tenant. Over time, multi-tenant services will increase in number, and the single-tenant core will become smaller and smaller. Eventually, customers will find themselves running on fully multi-tenant installations.

From Upgrades to Updates

A perennial headache for insurers and vendors is the core system upgrade. Expensive, time-consuming, and often viewed as not strategic, the annual or biannual software upgrade is frequently #1 on the list of insurers' gripes with their core administration platform.

Vendors have a lot to gain by keeping insurers on current versions of their software. It allows their customers to see the benefit from new product features and removes the need to patch (and test) old versions when bugs are found. Insurers have a lot to gain also, but the pain and cost associated with upgrades act as counterweights against doing what most know is in their best interest.

The longer upgrades are deferred, the more painful they become, leaving insurers trapped on old and unsupported versions of software. As the cost and risk of an upgrade approaches that of a new implementation, insurers are likely to return to the market, seeking an alternative solution. It is a lose-lose situation.

Upgrades are not something that customers of solutions like Salesforce and SharePoint Online typically worry about, and the shift toward SaaS and cloud offers insurers and PAS vendors an "out" from this unhappy situation.

Cloud SaaS contracts are increasingly strict regarding upgrades. Vendors seeking efficiency from cloud automation/DevOps are no longer content to let upgrades slip out. To remain supported on their cloud platform, insurers must agree to remain on a recent version of the software (often latest-1). This means upgrading at least every couple of years at a minimum.

More Frequent Releases

Mandating regular upgrades is only part of the solution, however. Vendors are also pushing releases on a more frequent cadence supported by DevOps, continuous integration, and automated testing. Several vendors now push new updates on a weekly basis and have abandoned the traditional “big bang” upgrade entirely.

Frequent, low-risk releases is a model that has been proven in software development. However, just as with cloud, vendors’ levels of maturity here vary across the industry. Frequent updates require excellent product management, development, QA, and operations discipline that cannot be developed overnight. This method requires that core solutions be modular enough to allow isolating risk of change to particular services which can be tested in relatively short time frames. Architectural changes like these take time to make. Finally, it requires investment in significant levels of test automation, which can take months or years to develop.

Frequent releases also require active, ongoing customer participation. Rather than staffing upgrade projects every couple of years, insurers must be organized to test features on a regular cadence.

Customer trust for frequent updates must be earned, and establishing that trust requires a demonstrated track record of successful update releases over time. As insurers become more comfortable that the vendor has its shop in order, they will voluntarily take more frequent releases.

PAS vendors will continue to move in this direction, and insurers should welcome a trend that promises an end to the pain of the traditional upgrade cycle. However, insurers should be cautious. Evaluate all vendors carefully to ensure that they have the software and operational maturity to safely deliver at pace while maintaining quality, and beware of vendors running before they can walk.

Growth in Low-Code

Low-code and no-code (“low-/no-code”) is a development paradigm that focuses on minimizing the coding necessary to deliver customized software. By reducing the expertise needed to build applications, low-code can allow development to be performed by those lacking a traditional software background. Low-/no-code can be found across a wide range of platforms, including CRM, mobile development platforms, ETL, rules and workflow, and robotic process automation (RPA).

The application of low-code techniques to policy administration software has a history dating back at least 20 years. Prior to 2000, PAS implementation involved significant, table-based configuration and, for complex enhancements, code was often required. At a certain level of complexity, table-based configuration becomes unwieldy and prone to errors. Code tends to add complexity, especially during the upgrade process.

Vendors that emerged in the early 2000s were built on rules and product engines that allowed the user interface, rules, workflows, and even the data model to be customized without the need for coding. Table-based configuration was still used, but complex enhancements were configured in the rules engine. Vendors at the time claimed that their systems could be configured by business users, but most carriers found that this did not work out in practice. Rules-based customization still resembles software development, although the syntax is often less cryptic.

Modern policy systems continue to advance in terms of their low-code capabilities. Business drivers remain the same—allowing less technical users to configure the system and avoiding custom code. The shift toward cloud deployment has increased vendor urgency, since providing service-level assurances for cloud environments is difficult if clients are allowed to deploy their own custom code enhancements—it is easy to bring an entire cluster to its knees with an errant line of badly written code.

The shift toward low-code is evident in several ways. Incumbent vendors continue to introduce low-code capabilities into their solutions. Guidewire Product Designer is a good example of this. Newer entrants to the market are also raising the bar in terms of low-code tooling, in some cases moving closer to delivering on the promise of business users managing their own backlog of product customization.

Finally, there are now a number of vendors that have started from a low-code platform or a digital submission platform and have built some policy administration capabilities on top of it. Examples of such solutions include Jarus Technology, Salesforce Vlocity, ClarionDoor, and Unqork.

Emergence of the Digital Platform

The delivery of digital capabilities related to PAS is evolving. Historically, the primary mechanisms that insurers used to engage with external stakeholders were the agent and policyholder portals. Early portals were often homegrown and integrated with policy systems using database extracts or rudimentary APIs.

Recognizing a market need, vendors began to offer portal capabilities as a part of their core suites. Solutions either involved exposing the PAS interface directly to agents and using security to limit the experience or the creation of out-of-the-box portals dedicated to agents and/or policyholders. While the latter solution was a significant improvement over the former, insurers often still chose to continue on the custom portal path. Usually, this was because they believed that a custom portal was a competitive differentiator or because they had multiple PAS solutions in play and wanted to offer a unified portal experience, something that was often impossible with a vended portal, which was limited to interacting with the vendors' back-end system only.

A recent development is the emergence of the "digital platform" as a replacement or alternative to the canned portal. Digital platforms are low-code solutions that aim to address the shortcomings of both canned and custom portals. The use of low-code technology allows insurers to fully customize the user experience for competitive advantage, as well as to integrate with alternate back-end systems to provide a unified experience regardless of which back-end system houses the policy.

While not as flexible as fully custom portals, digital platforms allow for more rapid delivery of capabilities because of the low-code tooling, pre-built content, content management, social media integration, chat, and chatbots. Pre-built integrations with commonly used services for underwriting, claims, and payment processing also act as an accelerator to value.

The use of these digital platforms is not limited to delivery of portal capabilities. Vendors are increasingly positioning these as stand-alone platforms for more general digital needs. Similarly, the horizontal low-code vendors are increasingly competing in this space by offering insurance-specific content and accelerators to insert themselves into the insurance value chain.

KEY COMPONENTS

A PAS should integrate downstream and back-office systems to provide effective support for the management of contracts and financial results. It should also offer interface points for all stakeholders (e.g., home office employees, sales partners, premium paying customers) to participate in the policy life cycle. The PAS is the foundation for all other processing; it is central to the practical and controlled management of a book of business for an insurer. A PAS may support single or multiple lines of business, as well as single or multiple distribution channels.

The PAS itself may offer a suite of capabilities or may interface with a variety of solutions providing other capabilities that unrelated vendors deliver. For example, if the PAS does not include robust modules to handle contact and document management, it should easily integrate with other applications that provide the requisite functionality. Tools providing easy access and navigation to the traditional functions of sales organizations and home office associates are standard elements for PAS solutions.

To be considered a minimum viable product (MVP) policy administration system for the purposes of this report, a solution must meet the following conditions:

- 1. Be actively marketed as a product in North America.** The product must be supported by the vendor with an active product roadmap of regular releases, which must be made available to existing clients via upgrades even after local configurations are in production. Vendors are expected to provide documentation, ongoing support, and issue resolution for the policy functionality (2-5 below).
- 2. Support the management of insurance product definitions.** The policy system must provide the ability to define P/C insurance products, including data and processing requirements (rating, underwriting, coverages, forms, etc.). Product definitions must support versioning by effective date and jurisdiction (state) at a minimum.
- 3. Support persistent storage and retrieval of the policy information.** The system must be capable of serving as the system of record for policy information by persisting it to a bitemporal (effective date and created date) repository. The system must support search and retrieval of policies based on a range of criteria, including policy identifier, policyholder name, and effective date. Policy information should be viewable “as of” a point in time.
- 4. Support comprehensive policy life-cycle transaction processing.** These include all policy life-cycle transactions (quoting, new business issuance, renewal, midterm change, cancellation, and reinstatement). The system must generate the necessary financial transactions (onsets and offsets) to support downstream processes and analytics as well as store full transaction history to allow the policy to be viewed at a point in time for audit purposes.
- 5. Provide a user interface.** MVP policy solutions must provide a basic user interface to allow users to operate the system. The minimum requirement is that the interface supports data entry for insurance products and for execution of all policy search and retrieval operations along with policy life-cycle transactions.

What the industry considers to be a complete PAS has expanded to include much of what insurers used to license or build as ancillary functions. Few vendors in this report license a stand-alone policy administration component, though whether the additional components are integral to the suite or stand-alone offerings that they sell and integrate separately varies by vendor.

Novarica publishes separate Market Navigator reports to focus on the details of these individual components, while this report covers the entire suite that falls under the PAS umbrella.

Key PAS features and components surveyed by Novarica include the following:

Core Policy Administration

This function handles all core aspects of policy management: account clearance, new business, policy change, renewals, non-renewal, cancellations, cancel/rewrite, reinstate, and premium audit. Core policy admin often handles customer or account management as well as automated rule application and workflow management.

Rating Functions

Rating engines are rule- and table-based components that assess submission risk variables and coverage selections to determine policy premiums. Most policy administration offerings contain some level of rating engine, though the level of complexity varies. Alternatively, PAS can typically integrate with stand-alone rating engines; some vendors have pre-existing integrations available.

Underwriter Workbench Functions

Solutions typically provide some form of underwriter workbench that may allow for the management of work objects and integrated workflow that provides transparency into work items and any need(s) for additional information.

Document Functions

Many PAS solutions include the ability to generate documents using custom templates that administrators manage and that merge with policy or customer data at run-time. Organizations handle document generation in an ad hoc capacity for specific customer communications or a batch fashion for mass printing of statements. Solutions without such features will integrate into third-party document generation/customer communication management (CCM) tools or provide interfaces to do so.

Agent Portal Functions

An agent portal provides agent self-service capabilities and should integrate with PAS and often with third-party data services and enterprise document management solutions. A robust agent portal allows agents to get quotes, submit new business, track status, manage changes, communicate/collaborate with underwriters, and view reports about commissions and transaction histories.

Some vendors offer agent-facing capabilities through independent modules they developed for agent users; others expose core system screens to their agents and limit access with role-based security. Several vendors now offer low-code digital platforms instead of traditional portals allowing insurers to differentiate with their digital experiences and offer unified portals that service multiple back-end systems.

Consumer Portal Functions

Some vendors include consumer/policyholder portals as part of a core system suite, though they are not as common as agent portal functions. Consumer portals are typically the same platform as those for agent portals, making use of role-based views to present limited navigation and restrict the use of many of the transactional functions. The most common features of a consumer portal are electronic bill payment/presentation (EBPP) digital ID cards and the ability to download policy terms. As with agent portals, several vendors offer low-code digital platforms instead of traditional customer portals.

Reinsurance Functions

Reinsurance functions allow insurers to manage internal retention limits on particular types or sizes of risks and then allocate specified risks appropriately between the primary insurer and others for which appropriate reinsurance treaties are in place.

Business Intelligence Functions

Insurers are increasing investments into BI and data analytics toolsets; a subset of this functionality is making its way into PAS solutions, either embedded or included as a modular or stand-alone component. Vendors without this functionality built-in still need to support an integration approach for moving data to a warehouse or other third-party analytics tool; many insurers choose to use their BI environments instead of internal vendor offerings.

Billing Functions

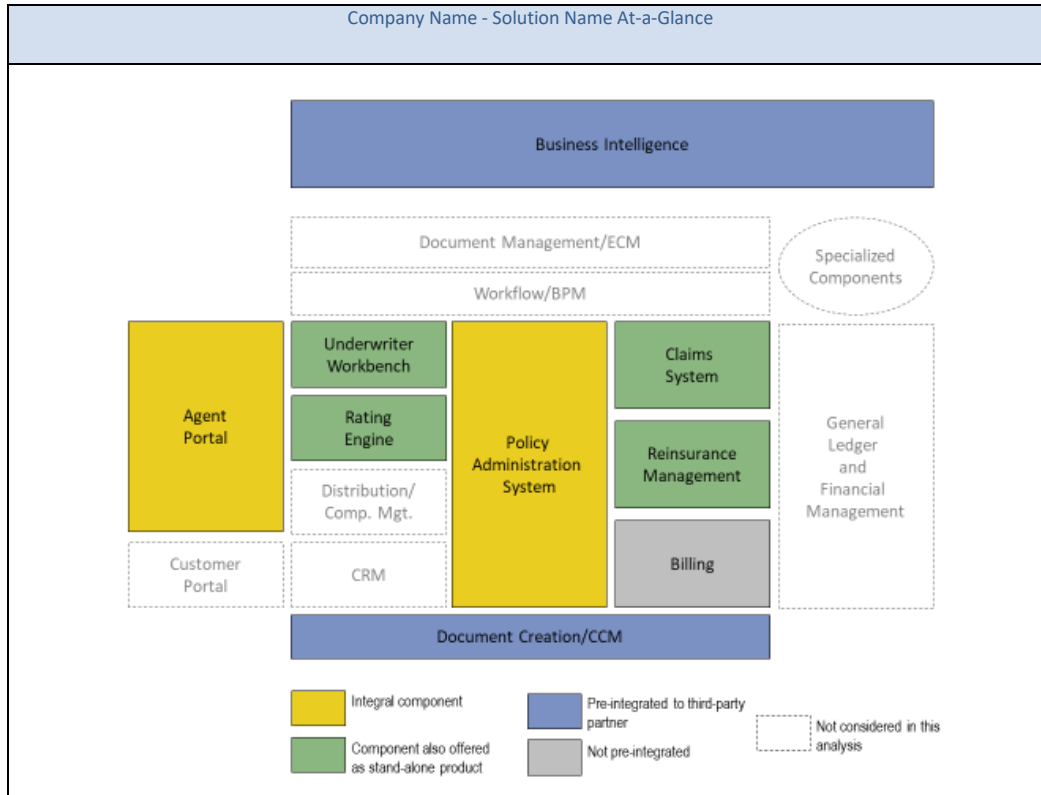
Billing platforms allow insurers to calculate, prepare, and present billing information to policy- or contract-holders, ensuring that the correct payment options and time frames are available to them. They also offer a touchpoint between insurers and policyholders, potentially representing a significant communication channel for retention and other customer management activities.

Claims Functions

Claims platforms allow organizations to manage various payment types during the insurance contract life cycle. These platforms ensure that insurers meet contract provisions and provide critical information that insurers can use to manage fraud detection and the loss profiles of a book of business. It can also be essential for managing compliance-related issues (e.g., unclaimed property regulations).

At-a-Glance

This version of our Novarica Core Systems Map provides a color-coded view for each solution. The coloration indicates whether the vendors include the functions as components integral to the system, integral components that they also offer stand-alone products, components pre-integrated to a third-party partner, or components that are not pre-integrated to the solution.



The specific features this report analyzes fall under the PAS umbrella, including core policy features, rating, underwriter workbench, document creation, agent portal, reinsurance, business intelligence, billing, and claims components. Other components that may be part of solution suites (e.g., document management, CRM) have been dotted in outline on the core systems map and are not considered in this analysis. Please note that several vendors in this report also offer components in these areas as part of their suites.

Please read the full profiles for more details about any of the solutions, which include additional information and explanation on functionality.

COMPANY NAME HERE
Your Profile Page 1

Your Profile Page 2

Your Profile Page 3

Your Profile Page 4

Your Profile Page 5

CONCLUSIONS

P/C insurers have a rich vendor market to select from when considering providers of policy administration solutions. Modern P/C solutions are maturing, giving insurers better options than ever before. Novarica recommends a rapid selection process, including a market scan, an RFI phase, and directed demonstrations over 12-16 weeks. A cross-functional team of business and IT participants will ensure that all stakeholders are invested in the decision.

While core transformation projects are challenging, they are typically successful. Outright failures are thankfully much rarer than they used to be. Time frames vary significantly, but Novarica research shows that the typical time to deliver the first release is about two years, while full implementation can take up to five years. The benefits are clear: improved time to market, increased business and IT agility, improved flexibility, reduced technical risk, and more. These benefits then improve employee, agent, and customer satisfaction. However, these projects require significant financial investment and organizational attention—and unfortunately, they typically run over budget and schedule.

There are several steps insurers can take before a transformation project begins to ensure that their project runs as smoothly as possible. These steps fall into three areas: business readiness, IT/technical readiness, and program readiness. These preparatory activities are listed below.

Business Readiness	IT/Technical Readiness	Program Readiness
<ul style="list-style-type: none"> ✓ Product Rationalization ✓ Business Process Vision ✓ Business Scope ✓ Program Implementation Plan/Order ✓ Business Guiding Principles ✓ Configuration/Customization Decision Framework 	<ul style="list-style-type: none"> ✓ Architectural Blueprint ✓ Technical Guiding Principles ✓ Technical Design Process ✓ Architecture and Design Governance ✓ Technical Scope ✓ Interface Inventory 	<ul style="list-style-type: none"> ✓ Overall Project Plan ✓ Project Governance, Organization, and Communications ✓ Methodology and Process Around Requirements, Development, and Testing ✓ Templates Around Requirements, Development, and Testing ✓ Tools to Manage Work in Requirements, Design, Development, and Testing ✓ Vendor Management Approach

Lack of planning up front can result in disagreement, analysis paralysis, and general project “swirl,” all of which ultimately lead to delays and cost overruns. It is impossible to foresee every difficulty that organizations may encounter during a core system implementation, but having a clear idea of the project’s business vision and scope, technical approach, and project/development processes and tools can significantly reduce the risk. Insurers that prepare for these activities will position themselves for transformation project success.

NEXT STEPS AND RELATED RESEARCH

- Contact Novarica at client-support@novarica.com to discuss this topic.
- Read related reports:
 - [*Snapshot: Policy Admin Suite Pricing Models and Levels*](#)
 - [*Insurer IT Budgets and Projects 2021*](#)
 - [*Novarica 100 Digital, Data, and Core Capabilities for Property/Casualty Insurers*](#)
 - [*Policy Administration Systems Project Metrics*](#)
 - [*Core Systems Project Readiness*](#)
 - [*13 Things Not to Do When Replacing Policy Administration Systems*](#)
 - [*Speed to Market for Property/Casualty Insurers*](#)

ABOUT NOVARICA

Novarica helps more than 150 insurers make better decisions about technology projects and strategy through research, retained advisory services, consulting, and special programs.

We serve clients in life/annuity/retirement, property/casualty, workers' compensation, and reinsurance. Our clients range from Fortune 100 insurers to small regionals and specialty companies. Although most of our clients prefer we keep their names confidential, a partial client roster includes AF Group, Amica, Grange, Hanover, Mercury, National Life, OneAmerica, Penn Mutual, Principal, ProSight, RLI, SunLife, and WCF.

Our senior team has direct experience as senior IT executives at firms including AIG, Arbella, AXA, Guardian, Liberty Mutual, Marsh, MetLife, Progressive, Prudential, Travelers, and others.

We publish frequent, independent, in-depth research on trends, best practices, and vendors. Our research projects are directed by our senior team and leverage our relationships with the more than 400 insurer CIO members of our Research Council. We conduct more than 2,000 conversations with insurer executives every year.

Our retained advisory services provide enterprise access to our research, unlimited phone and email consultations with our team, facilitated 1-on-1 conversations with other CIOs in our network, and an annual trends and best practices workshop.

Our consulting services include assessments, strategic blueprints and roadmaps, benchmarking, business process visioning, and vendor evaluation across digital, data/analytics, core systems, operating model, and innovation.

Our special programs include our Silicon Valley Innovation Tour, InsureTech Summits, Executive Leadership Development with Brown University, an online learning course in Foundations of Insurance Technology Strategy, and more.

More information at <https://novarica.com>

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