Aïté

2019 U.S. P&C Core Systems Evaluation: Moving Beyond the Basics

This excerpt provided compliments of this Best-in-Class vendor:

MAJESCO

DECEMBER 2019

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INTRODUCTION

Core systems platforms are the engines that make P&C insurance carriers function. Obviously, underwriting and actuarial expertise are extremely critical for carriers, but without these software platforms, executing these operations would be extremely cumbersome. It is imperative for carriers to have a platform that can help them execute core business functions without much difficulty.

This Impact Report explores some of the key trends within the core systems market for P&C carriers and discusses the ways in which technology is evolving to address new market needs and challenges as they relate to those core business functions. This Impact Report also compares and contrasts the leading vendors' offerings and strategies, and it highlights their primary strengths and challenges. Finally, to help carriers make more informed decisions as they select new technology partners, the report recognizes specific vendors for their strengths in critical areas.

METHODOLOGY

Leveraging the Aite Matrix, a proprietary Aite Group vendor assessment framework, this Impact Report evaluates the overall competitive position of each vendor, focusing on vendor stability, client strength, product features, and client services.

The following criteria were applied to develop a list of vendors for participation:

- The vendor must provide core system capabilities for P&C carriers.

- The vendor must either provide these services in the United States or have a plan to provide these services in the United States.

Participating vendors were required to complete a detailed product request for information (RFI) composed of both qualitative and quantitative questions, conduct a minimum 60-minute product demo, and provide active client references.

THE PLAYERS

This section presents comparative data and profiles for the individual vendors that participated in the Aite Matrix evaluation. This is by no means an exhaustive list of vendors, and firms looking to undergo a vendor selection process should conduct initial due diligence prior to assembling a list of vendors appropriate for their own unique needs. Table A presents basic vendor information for the participating solutions.

Table A: Evaluated Vendors

Firm	Headquarters	Year founded	Number of employees	Target clients
Beyontec	Irving, Texas	2008	300	Beyontec targets Tier-4 (under US$1 billion in annual written premium) P&C carriers
BriteCore	Springfield, Missouri	2009	296	Any P&C carrier needing a nimble platform for a specific line of business, small carriers that want a cloud-native core platform, and carriers that require an API-driven platform
DRC	Honolulu, Hawaii	1971	100	Any managing general agency (MGA), insurance carrier, or reinsurer with a particular focus on smaller carriers (Tier 3 and Tier 4)
DXC Technology	Tyson's Corner, Virginia	1969 (officially became DXC in 2017)	Over 300	Any P&C insurance carrier
EIS Group	San Francisco	2008	870	Any P&C carrier with a dedicated mission to delivering a digitally focused experience
Guidewire Software (Insurance Suite— PolicyCenter)	Foster City, California	2001	2,400	Any P&C insurance carrier (but Insurance Suite is really designed for carriers with at least US$100 million in annual direct written premium)
Guidewire Software (Insurance Now)	Foster City, California	2001	2,400	Carriers that are U.S.-based and write low-complexity business that need a more streamlined cloud-based platform

Firm	Headquarters	Year founded	Number of employees	Target clients
Instanda	London (with North American HQ in Hartford)	2012	95	Carriers, MGAs, and program administrators writing specialty and non-admitted lines
Insuresoft	University Park, Illinois	2004 (technically began as a division within Applied Systems in 1993)	200	Tier-3 and Tier-4 P&C insurance carriers as well as MGAs and select TPAs
Insurity	Hartford, Connecticut	1985	850	Any P&C insurance carrier, state fund, or MGA
Majesco	Morristown, New Jersey	1982 (as Mastek, became Majesco in 2005)	2,650	Carriers, MGAs, and brokers across all tiers, including startups and greenfields
OneShield	Marlborough, Massachusetts	1999	264	Traditional P&C insurers that require back-end strength to support the regulation and complexity of the insurance business while seamlessly integrating with new technology front ends
SAP	Walldorf, Germany	1972	Over 300	Any P&C carrier for any line of business, including specialty lines
Sapiens	Bethlehem, Pennsylvania (U.S.); Holon, Israel (Global)	1982	3,000	Any P&C carrier with focus on Tier 1 and Tier 2
Socotra	San Francisco	2014	25	Any P&C carrier
SpeedBuilder Systems	Columbia, South Carolina	2001	25	Any P&C carrier or MGA

Source: Vendors

THE MARKET

The following market trends are shaping the present and future of the core systems market for P&C carriers (Table B).

Table B: The Market

Market trends	Market implications
Increased focus on policyholder engagement and experience	Carriers have to determine whether current core systems need to be replaced or upgraded to better engage policyholders and deliver an improved experience.
Growing acceptance of insurance ecosystem	Carriers have to figure out an easy way to work with vendors that offer a wide variety of services.
Influx of new data to support more process efficiency and better policyholder experiences	Carrier functions such as underwriting and claim processing are becoming more data-driven than ever.
Rise of the cloud	The cloud allows carriers to increase their data pools, in some instances without having to maintain the data.

Source: Aite Group

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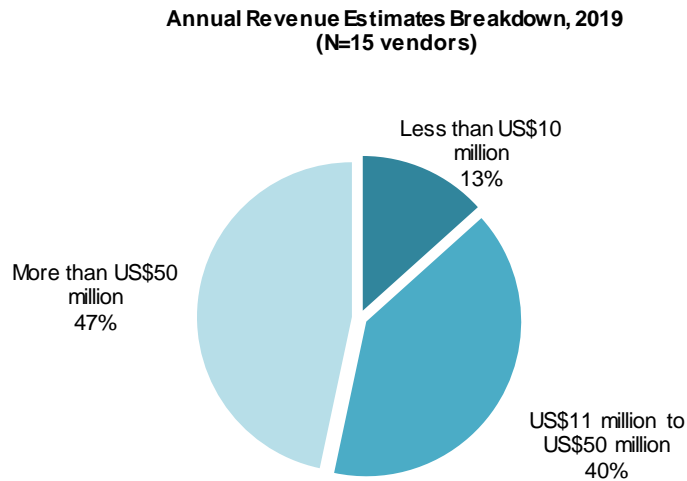
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KEY STATISTICS

This section provides information and analysis on key market statistics as well as projected IT spending related to the vendor market.

ANNUAL REVENUE ESTIMATES ANALYSIS

Eighty-seven percent of the participants in this survey generate at least US$11 million in annual revenue. This suggests that, for the most part, the core systems market is healthy. Figure 1 breaks down vendors' revenue performance.

Figure 1: Annual Revenue Estimates Breakdown

Annual Revenue Estimates Breakdown, 2019
(N=15 vendors)

Less than US$10 million
13%

US$11 million to US$50 million
40%

More than US$50 million
47%

Source: Vendors

PROFITABILITY ANALYSIS

Ninety-three percent of the participants in this survey were profitable last year. This is another indication that, for the most part, the core systems market is healthy. Figure 2 breaks down vendors' profitability performance.

Figure 2: Vendor Profitability

Profitability Breakdown, 2019
(N=15 vendors)

Negative
7%

Positive
93%
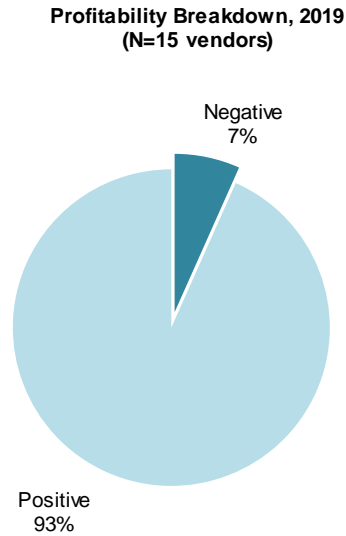
Source: Vendors

GROWTH RATE ANALYSIS
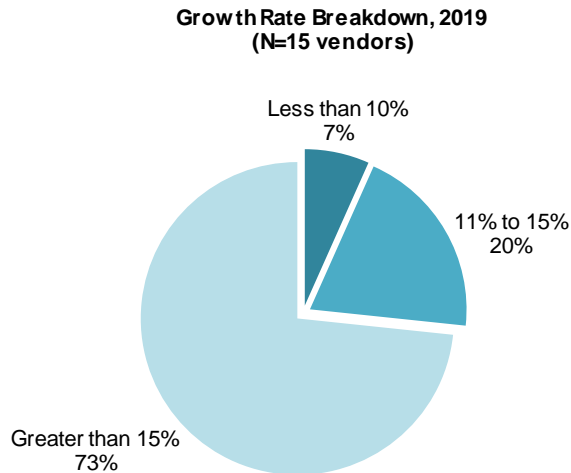
Vendors reported fairly strong growth rates, with 93% reporting year-over-year growth in excess of 11%. This is another indicator that the core systems market is a healthy market. Figure 3 breaks down vendors' growth rates.

Figure 3: Growth Rate Breakdown

Growth Rate Breakdown, 2019
(N=15 vendors)

Less than 10%
7%

11% to 15%
20%

Greater than 15%
73%

Source: Vendors

R&D INVESTMENT ANALYSIS

A healthy number of vendors, 93%, invest at least 11% of their revenue into R&D (Figure 4). This suggests that these vendors recognize the evolving landscape and a need to continually improve their offerings.

Figure 4: Percentage of Revenue Invested in R&D

Percentage of Revenue Invested in R&D, 2019
(N=15 vendors)

10% or less
7%

11% to 15%
33%

More than 15%
60%
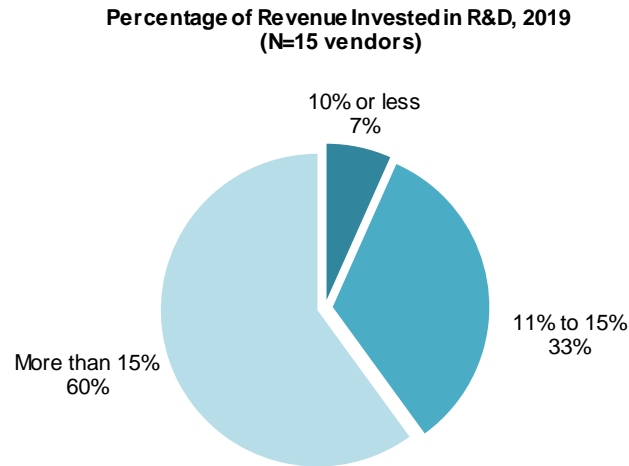
Source: Vendors

CLIENT BREAKDOWN BY TIER

The client distribution by tier largely reflects the P&C market, with larger concentrations of carrier clients in Tier 3 and Tier 4 (Figure 5).

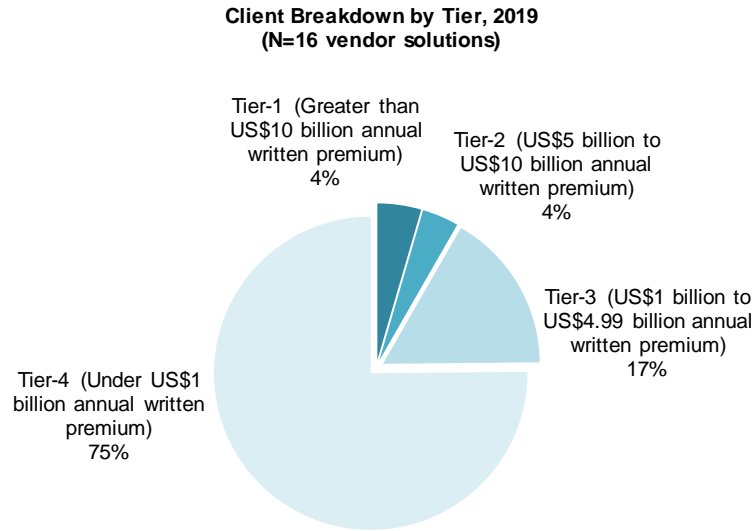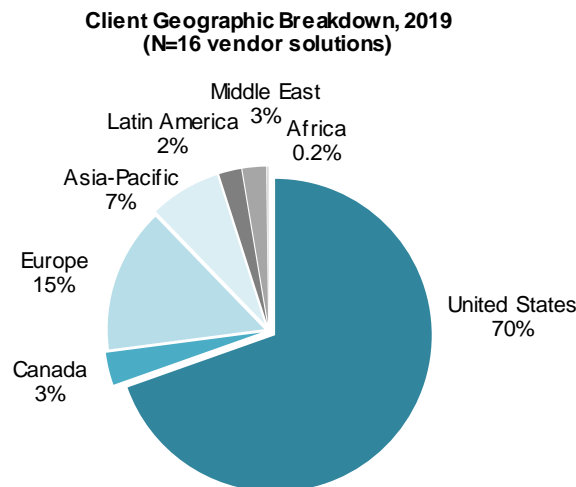**Figure 5: Client Breakdown by Type**

Client Breakdown by Tier, 2019
(N=16 vendor solutions)

Tier-1 (Greater than US$10 billion annual written premium) 4%

Tier-2 (US$5 billion to US$10 billion annual written premium) 4%

Tier-3 (US$1 billion to US$4.99 billion annual written premium) 17%

Tier-4 (Under US$1 billion annual written premium) 75%

Source: Vendors

CLIENT GEOGRAPHIC BREAKDOWN

The vendors participating in this report have the overwhelming majority of their collective clients in the United States, but there is a growing presence in markets such as the Asia-Pacific region. Several vendors have a stronger European presence than an American presence, since they are only starting to enter the U.S. market. There is a negligible market presence in Africa (Figure 6).

**Figure 6: Client Geographic Breakdown**

Client Geographic Breakdown, 2019
(N=16 vendor solutions)

Middle East 3%
Latin America 2%
Africa 0.2%
Asia-Pacific 7%
Europe 15%
Canada 3%
United States 70%

Source: Vendors

ANNUAL CLIENT RETENTION RATE

Every vendor participating in this study reported a client retention rate of at least 75% for each core system platform evaluated in this report (Figure 7).

Figure 7: Client Retention Rate

Client Retention Rate, 2017
**(N=16 vendor solutions)**

75% to 90%
6%

More than 90%
94%
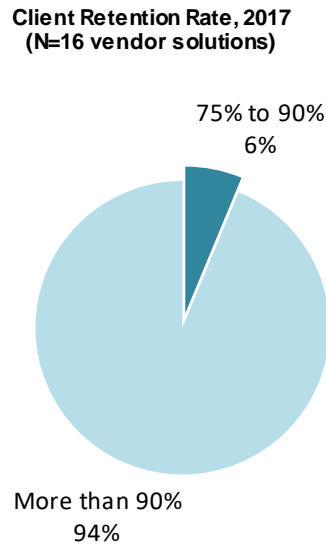
Source: Vendors

AVERAGE NEW CLIENT WINS

The core systems sales process can be long, but many vendors are reporting that the cycle is getting shorter. Regardless of the sales cycle length, 56% of participating vendors report that their core systems gained an average of at least six client wins per year for the past three years (Figure 8).

Figure 8: Average New Client Wins in Last Three Years

Average Net New Clients in the Last 3 Years
(N=16 vendor solutions)
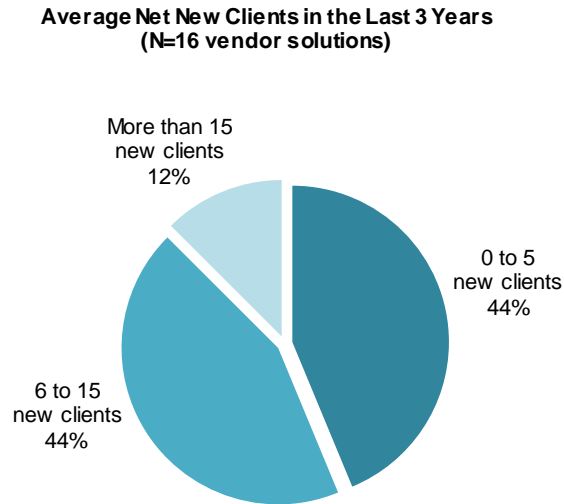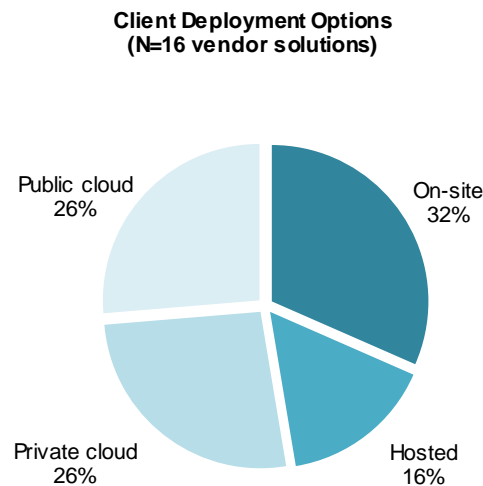

Source: Vendors

DEPLOYMENT OPTIONS ANALYSIS

Most vendors' clients have opted to do an off-site deployment, suggesting an increasing comfort with having their systems managed beyond their firewalls. Cloud deployments led the way with 52% of all deployments (Figure 9).

Figure 9: Deployment Options

Client Deployment Options
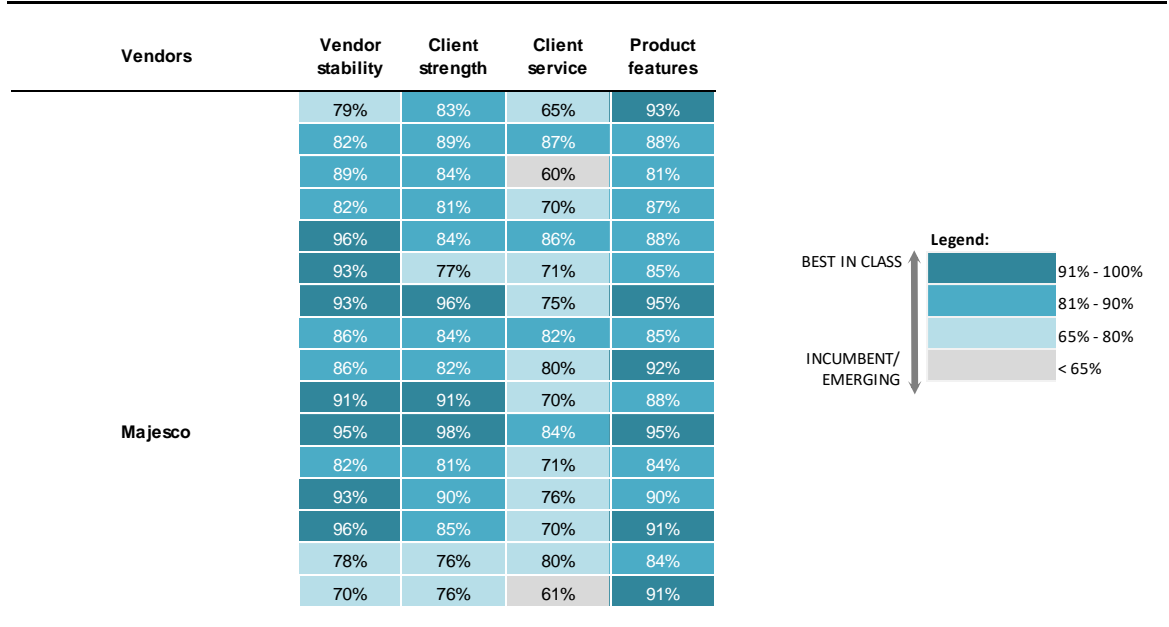**(N=16 vendor solutions)**

Source: Vendors

AITE MATRIX EVALUATION

This section will break down the individual Aite Matrix components, drawing out the vendors that are strong in each area and how they are differentiated in the market.

THE AITE MATRIX COMPONENTS ANALYSIS

Figure 10 overviews how each vendor scored in the various areas of importance. Each vendor is rated, in part, based on its own data provided when responding to the RFI distributed by Aite Group as well as on product demos and follow-up discussions as part of the Aite Matrix process. Ratings are also driven by the reference customers of the examined vendors to support a multidimensional rating.

Figure 10: Aite Matrix Components Analysis by Heat Map

Vendors	Vendor stability	Client strength	Client service	Product features
	79%	83%	65%	93%
	82%	89%	87%	88%
	89%	84%	60%	81%
	82%	81%	70%	87%
	96%	84%	86%	88%
	93%	77%	71%	85%
	93%	96%	75%	95%
	86%	84%	82%	85%
	86%	82%	80%	92%
	91%	91%	70%	88%
Majesco	95%	98%	84%	95%
	82%	81%	71%	84%
	93%	90%	76%	90%
	96%	85%	70%	91%
	78%	76%	80%	84%
	70%	76%	61%	91%

Legend:

BEST IN CLASS

	91% - 100%
	81% - 90%
	65% - 80%
	< 65%

INCUMBENT/ EMERGING

Source: Vendors, Aite Group

VENDOR STABILITY

Vendors that scored well generally had robust financials, solid infrastructures, and good risk controls.

CLIENT STRENGTH

Majesco was the leading vendor in this category. The primary drivers of a high score in client strength were client depth, client breadth, and overall client perception.

CLIENT SERVICE

Scoring well in this category required strong levels of customer support and favorable cost structures. No vendors scored a "best in class" designation, which suggests that while clients

may generally be satisfied, there does appear to be room to grow. Indeed, "just okay" might not be enough.

Majesco is a leader in this category with a score of 95%. A plethora of factors went into this calculation, but the overall driver of a high score was depth and breadth of product features, client favorability of these features, and the platform's user interface and functionality.

THE AITE MATRIX RECOGNITION

To recap, the final results of the Aite Matrix recognition are driven by three major factors:

- Vendor-provided information based on Aite Group's detailed Aite Matrix RFI document

- Participating vendors' client reference feedback and/or feedback sourced independently by Aite Group

- Analysis based on market knowledge and product demos provided by participating vendors

Figure 11 represents the final Aite Matrix evaluation, highlighting the leading vendors in the market.

Figure 11: 2019 P&C Core Systems Aite Matrix
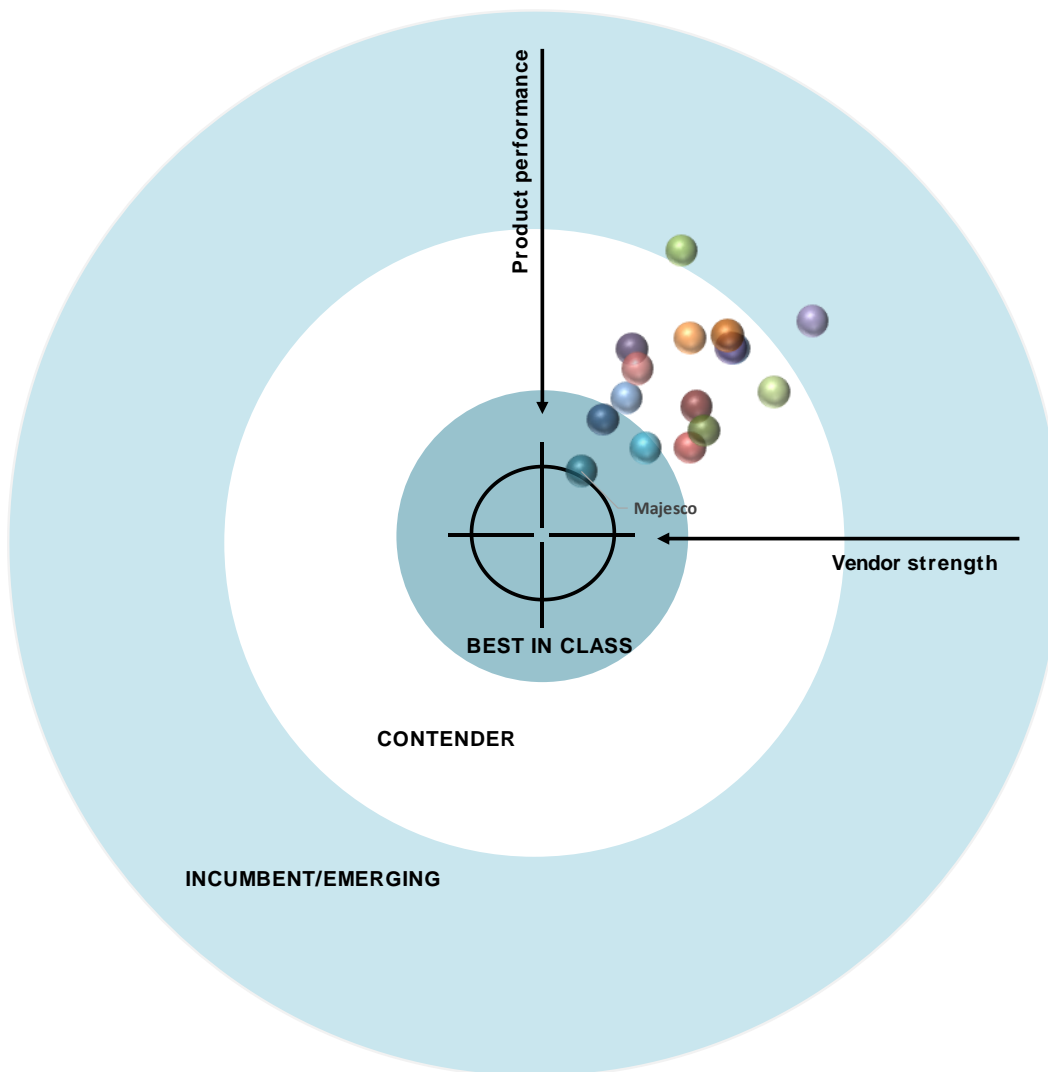
Source: Vendors, Aite Group

BEST-IN-CLASS VENDOR: MAJESCO

Majesco had the highest overall score of all vendors in the survey, with a score of 92%. Majesco achieved best-in-class scores in three of four categories evaluated: vendor stability, client strength, and product features. In the latter two categories, Majesco achieved the highest scores among participating vendors. Majesco has a robust platform that can meet the current needs of most carriers but that can also evolve with the changing P&C insurance world.

BEST IN CLASS: MAJESCO

Majesco is a core systems provider that is focused on providing its carrier clients with the robust technology and broad content required to succeed. Most of these clients are based in the United States.

AITE GROUP'S TAKE

Majesco offers a solid all-around platform that will meet most carriers' needs (Table C). Clearly, its clients appreciate the effort on the more prosaic tasks. However, they do note some concern regarding some more advanced elements, such as an API set that can help carriers perform some less prosaic tasks. Majesco has been making great strides in this realm, so it is likely that there will be a more favorable reception from clients in the future. For now, however, any carrier looking to partner with a vendor with a solid functional platform and a focused eye to the digital future would do well to choose to Majesco.

Table C: Majesco Demo Scores—User Experience and Functionality

Attribute	Demo score out of 5.0
User experience	4.2
Functionality	4.2

Source: Aite Group

BASIC FIRM AND PRODUCT INFORMATION

- **Headquarters:** Morristown, New Jersey

- **Founded:** 1982 (as Mastek), became Majesco in 2005

- **Number of employees:** 2,400

- **Ownership:** Publicly traded

- **Key financial information (last fiscal year):**

    - **Revenue:** Over US$50 million

    - **Profitability:** Profitable

    - **Revenue growth:** Greater than 15%

- **Key products and services:** Majesco Policy for P&C

- **Target customer base:** Carriers, reinsurers, MGAs, and brokers across all tiers including startups and greenfields

- **Number of clients:** 104

- **Three-year client retention rate:** Over 90%

- **Global footprint:** Clients in the United States, Canada, Europe, the Asia-Pacific, and Latin America

- **Implementation options:** On-premises, hosted, and cloud

- **Pricing structure:** Pricing is based on carrier's direct written premium, volume of business, lines of business, and geography, among other factors. Subscription pricing includes license, hosting, maintenance, and support fees.

KEY FEATURES AND FUNCTIONALITY BASED ON PRODUCT DEMO

- Interesting landing page has clearly labeled tiles for users to select.

- Holistic view of customer is achieved through highly integrated tasks.

- Product building is easily done through point-and-click steps.

- Configuration tool, Development Studio, allows for easy platform configurations.

TOP STRATEGIC PRODUCT INITIATIVES OVER LAST THREE YEARS

- Scalable, secure, and turnkey SaaS (cloud) offerings for P&C Core

- More than 850 industry standard (OAS3.0) APIs for all major functions

- Digital platform with plug-and-play partner ecosystem

TOP STRATEGIC PRODUCT INITIATIVES IN THE NEXT 12 TO 18 MONTHS

- Cloud native—containerization, microservices, et al.

- AI/machine learning capabilities

- Enrichment of digital capabilities and customer experience

CLIENT FEEDBACK

Majesco's clients rated it on the following attributes (with one being the lowest score and five being the highest score). Table D summarizes this sentiment.

Table D: Client Satisfaction

Attribute	Average score out of 5.0 (three references)
User interface	5.0
Support for customization	4.7
Ease of implementation/integration	4.3
Ease of upgrades	4.3
Responsiveness to suggested product changes	4.7

Attribute	Average score out of 5.0 (three references)
Overall product feature and functionality	4.2

Source: Aite Group

Additionally, clients provided some verbatim feedback on what they perceived to be Majesco's strengths and areas for improvement (Table E).

Table E: Perceived Key Strengths and Areas for Improvement

Strengths	Areas for improvement
Implementation	APIs need to be finalized, as clients are getting impatient.
Knowledgeable staff	Increase the configured functionality included in the out-of-the-box product.
Ability to keep up with innovations	Existing custom upgrade processes could be improved by decoupling them from base/core processes.

Source: Aite Group

CONCLUSION

Carriers:

- Carriers must embrace the reality of an evolving P&C insurance landscape that will include a greater focus on external data to assist in underwriting applications and processing claim submissions.

- Carriers need to assess their own unique needs as they relate to core systems vendors and what they offer. There are varying degrees of evolution, and not every evolutionary change will hit every carrier.

- If a carrier determines that its needs have outgrown its current PAS, it ought to determine if its current PAS vendor can evolve its current system to accommodate these new needs.

- If the current provider is not up to the task of meeting these new expectations, then carriers must begin a request-for-proposal process to identify a vendor that can meet those expectations. For some carriers, not all the features offered by some of the vendors in this study will be required for them to operate efficiently and profitably. Still, carriers should be thinking beyond their current needs and incorporate a solution into which they could grow.

ABOUT AITE GROUP

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