
Insurance Accounting System
Vendors 2006

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CELENT

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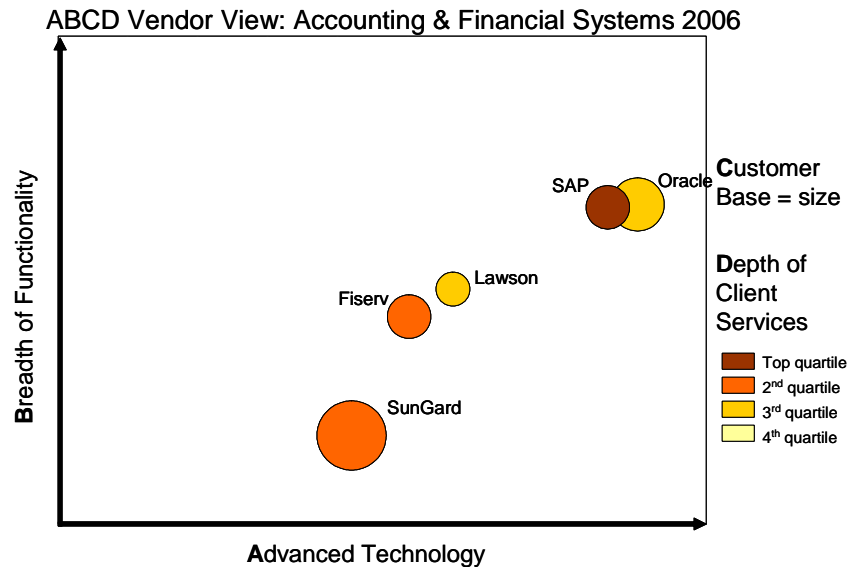
EXECUTIVE SUMMARY

This report profiles five accounting and financial solutions for insurance companies. Accounting and financial systems are classic horizontal solutions. However, the financial record-keeping needs of insurance companies differ in important ways: the need to keep a statutory set of books, setting and developing loss reserves, supporting a variety of a billing methods, complex compensation systems for agents and brokers, and often a large number of insurance and non-insurance subsidiaries.

Accounting and financial system vendors addressing the insurance market fall into two groups: enterprise resource planning (ERP) vendors that have a significant insurance customer segment, and that may also offer other insurance operating applications (Lawson, Oracle, and SAP); and software vendors with a broad insurance focus that offer financial and accounting applications (Fiserv and SunGard)

This report features Celent's ABCD Vendor View tool. The ABCD Vendor View presents a comparative view of the vendor marketplace that visually represents four elements: **A**dvanced technology and technical flexibility, **B**readth of functionality, **C**ustomer base, and **D**epth of client services.

Figure 1: ABCD Vendor View for Insurance Accounting and Financial Systems 2006



Source: Celent analysis and estimates

Each of the five insurance accounting and financial solutions profiled in this report has its own strengths. Some offer a broad set of financial functionality bundled with a general ledger application and are integrated with more general ERP applications. Others have been created specifically for the insurance industry and linked to statutory filing systems and investment management systems. Some are built with modern languages and can run on almost any platform. Others emphasize innovative account code structures, integration methods, and ease of use.

INTRODUCTION

This report begins a new coverage area for Celent: insurance accounting and financial systems. Celent reports profiling various vendors' solutions have focused primarily on customer-facing applications such as rating, policy administration, billing, and claims. It is hard to think of a system that is less customer facing than accounting. But accounting and financial systems are the ultimate scorecard for insurance companies. They are fundamental to an insurance company's ability to track where it has been, where it is now, and where it may be able to go.

It is also true that accounting and financial systems are classic horizontal applications—in other words, they are created for businesses in any vertical industry. But the financial record-keeping needs of insurance companies differ from banks or manufacturers. The most obvious difference is the need for insurers to keep a set of statutory books, following the requirements of state departments of insurance. Publicly held insurers also keep a set of books using generally accepted accounting principles (GAAP). Other important insurance-specific differences include setting and developing loss reserves, supporting a variety of a billing methods, complex compensation systems for agents and brokers, and often a large number of insurance and noninsurance subsidiaries.

Accounting and financial system vendors addressing the insurance market fall into two groups:

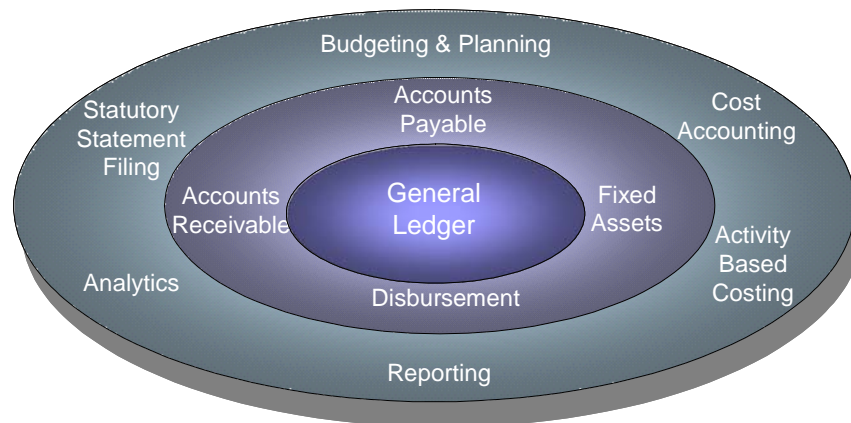
- Enterprise resource planning (ERP) vendors, which have a significant insurance customer segment and may also offer other insurance operating applications (Lawson, Oracle, and SAP)
- Software vendors with a broad insurance focus that offer financial and accounting applications (Fiserv and SunGard)

TOPOGRAPHY FOR INSURANCE ACCOUNTING AND FINANCIAL SYSTEMS

As illustrated in Figure 2, insurance accounting and financial systems fall into three broad groups:

- The core general ledger: the central repository of financial transactions and accounts
- An inner ring of four accounting systems: accounts payable, fixed assets (creation and depletion of physical and intangible property), disbursements, and accounts receivable
- An outer ring of six financial systems: budgeting and planning, cost accounting, activity-based costing, reporting, financial analytics, and statutory statement filing (with state departments of insurance)

Figure 2: Insurance Accounting and Financial Systems Topography



Source: Celent

The core general ledger and the four inner ring accounting applications represent the basic tools that an insurer deploys to track sources and uses of financial resources. The value they provide depends on their degree of integration and ease of use features that have been incorporated within them. Another important factor is the account code structure (that is, that combination of fixed and variable field used to create alpha-numeric labels for accounts across the enterprise and among its various operating units).

A well-designed set of core and inner-ring applications are necessary for an insurer's accounting group to function well. The outer ring applications are the bridge between the accounting function on the one hand, and overall operational effectiveness on the other. In other words, outer-ring applications provide tools to plan, monitor and improve the use of financial resources by all the core operating units (product, new business, service, claims). (One outer-ring exception is statutory statement filing, which enables the critical—but low value added—regulatory filings.)

REPORT METHODOLOGY

ELIGIBILITY FOR INCLUSION

Celent used several sources to develop its list of insurance accounting and financial systems vendors. Screening criteria included:

- The availability of a general ledger system, which can be sold to an insurance company on a stand-alone basis (i.e., independently from the purchase and use of any other applications, such as a policy administration system)
- An established presence in the insurance industry
- Insurance-specific marketing and sales initiatives

It should be noted that in addition to the five vendors reviewed in this report, solutions from other vendors, including Microsoft Dynamics GP (Great Plains), are also in use.

EVALUATION PROCESS

After initial discussions with several vendors, Celent developed and distributed a request for information (RFI). After receiving and reviewing the completed RFIs, Celent had conversations with vendors and saw system demonstrations as needed. Requests to complete online reference surveys were sent to at least three reference customers for each vendor in order to gain insight beyond a vendor's own responses. 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 and other factors. In all cases the final profile content reflects Celent's judgment.

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: **A**dvanced technology, **B**readth of functionality, **C**ustomer base (i.e., relative number of customers), and **D**epth 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 defines each category slightly differently. In this report, the factors used to evaluate each vendor are listed in Table 1.

Table 1: ABCD Factors

Category	Factors Include
Advanced technology (and technical flexibility)	<ul style="list-style-type: none"> • Code base, including modernity of language and consistency of architecture • Number of different platforms and databases supported • Type of user interface (browser, thick client, etc.)
Breadth of functionality	<ul style="list-style-type: none"> • Number of accounting and financial components included in single package with general ledger (no additional cost) • Number of accounting and financial components available for additional cost • Statutory statement filing application (available for additional cost) • Human resources, supply chain management applications available at additional cost
Customer base	<ul style="list-style-type: none"> • Number of live US/Canadian customers
Depth of client services	<ul style="list-style-type: none"> • Size and experience of all staff working on insurance accounting and financial systems • Size and experience of all professional services and support staff working on insurance accounting and financial systems

Source: Celent

READING THE ABCD VENDOR VIEW

The ABCD Vendor View is intended to provide an easy to understand view of a complex vendor marketplace. Unlike a simple “four-quadrant” map, solutions in the upper right are not necessarily the best solutions—in an area as complex and idiosyncratic as accounting and financial 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 the profiles and comparative tables in this report to generate their own short lists.

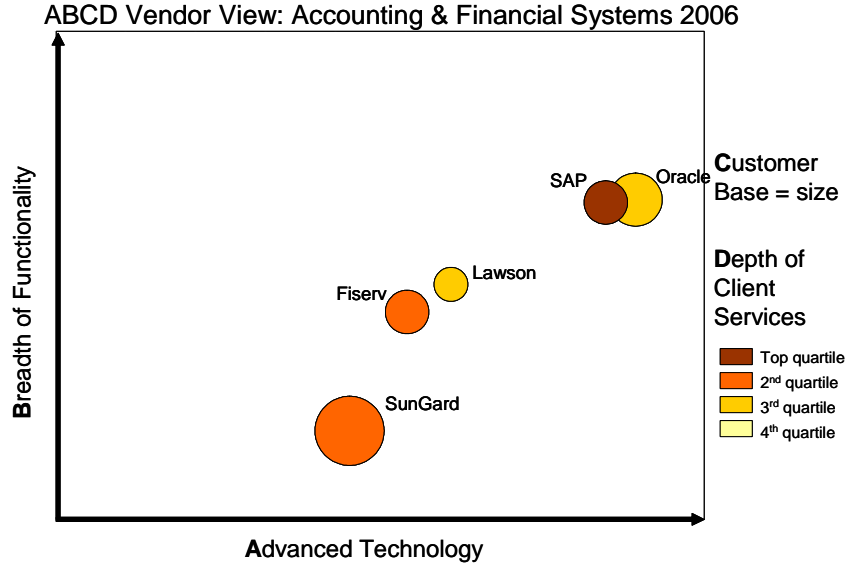
The ABCD Vendor View positions each solution in a single X/Y scale, with the horizontal axis displaying the relative level of advanced technology and technical flexibility, and the vertical axis displaying the relative breadth of functionality.

The size of the system’s customer base is represented by the size of the bubble, while depth of client services is given a quartile ranking represented by color density. For both size of client base and depth of client services, vendors are assigned to a quadrant.

Two vendors (Lawson and Oracle) did not provide information about the professional staff working on their insurance accounting and finance applications. Celent believes that both vendors provide adequate or better than adequate support for these applications to their insurance clients. However, due to the lack of specific information, both vendors have been assigned a third quartile ranking.

Similarly, Lawson did not provide specific information about its insurance customer base. Oracle and SAP provided a range for the number of its insurance customers. Celent is using its own estimates of insurance customer bases for Lawson, Oracle, and SAP for the ABCD vendor view.

Figure 3: ABCD Vendor View for Insurance Accounting & Financial Systems 2006



Source: Celent analysis and estimates

ABOUT THE PROFILES

Each of the profiles presents information about the vendor, its general ledger and other accounting and financial products, its customer base and target market, underlying technology, pricing if available, and comments from references, and concludes with Celent's general evaluation.

The profiles also include seven tables covering: general ledger features and functions, general ledger technology, other financial components (e.g., accounts payable, disbursement, etc.)— and features and functions for accounts payable, budgeting and planning, cost accounting, and reporting and analytics. This selection of tables represents Celent's judgment on which accounting and financial applications provide the greatest business value to an insurer.

Concerning fees, Celent asked vendors to provide first year and subsequent year price and cost information for two hypothetical insurance holding companies:

- Insurance Holding Company A, with one P/C company, one L/H company, and three small noninsurance companies, writing business in six states, with a total combined premium of \$300 million, with five concurrent and 12 total users.
- Insurance Holding Company B, with four P/C companies, three L/H companies, and six small noninsurance companies, writing business in 32 states including New York and California, with a total combined premium of US\$2.1 billion, with 15 concurrent and 40 total users.

When discussing insurance customers of the various solutions, the profiles use the terms small, medium, large, and very large insurers. Small insurers (Celent Tier 5) have under US\$100 million in annual premium; medium (Celent Tiers 3 and 4) have US\$100 million to US\$1 billion; large (Celent Tier 2) have US\$1 billion to \$5 billion; and very large (Celent Tier 1) have over US\$5 billion in annual premium.

FISERV PRO FINANCIAL

Fiserv is a publicly traded firm (NASDAQ: FISV) founded in 1984 and based in Brookfield, Wisconsin. Fiserv has 22,000 employees.

Fiserv has an extensive set of accounting and financial products. The PRO Financial suite includes a general ledger, accounts payable, and disbursement (Power2Pay). Scheduled for 2007 availability are new PRO Financial components for fixed assets, budgeting and planning, capital projects, accounts receivable, and purchase management. Fiserv also offers an annual statement solution (eFreedom Annual Statement), policyholder billing solution (Fiserv Advanced Billing), and an unclaimed property application. This profile is focused on the PRO Financial suite. (Note: PRO Financial is a new brand name for solutions previously sold within the FREEDOM Financial Series.)

PRO Financial G/L is a Fiserv adaptation of a general ledger application, FlexiLedger, created by Flexi International, which is an accounting ISV with several industry-specific vertical partnerships. Fiserv's partnership with Flexi began in 1999. Fiserv has made a number of insurance related enhancements to Flexi's G/L and A/P source code.

PRO Financial G/L's current release is 4.3.09, issued in August 2006. All clients are using release 4.3.07 or later. Fiserv plans a major new release (v5.0) for the fourth quarter of 2006. This new release will be based on a .NET architecture, and will include the fixed assets, budgeting and planning, capital projects, accounts receivable, and purchase management components referenced above.

The equivalent of 100 staff people work on insurance accounting and financial applications, and have an average of 10 years of insurance industry experience. Of those 100, about 20 provide professional services and support. PRO Financial G/L has 67 US-based clients, about seven of which also use it for non-US insurance operations. The great majority of these are small to midsize insurers, including United Automobile Insurance Group, American Agricultural Insurance, and Florida Farm Bureau. Another six insurers are in implementation.

PRO Financial G/L has broad and deep insurance accounting functionality. It can support an unlimited number of accounting bases (including GAAP and statutory) and an unlimited number of reporting entities (insurance and noninsurance companies). It uses a 60-character account code structure with three types of components: company (i.e., parent, business unit, etc.), account (categories within asset, liability, equity, revenue, and expense), and user defined (any other category, such as cost center).

Statutory accounts are maintained through detail and summary balance codes that act as a separate ledger type, so there is no need to post transactions in multiple ledgers. Usability is

enhanced by shortcut keys, recurring transactions memorization, and mass account maintenance capabilities. There is also a rules capabilities for such tasks as posting limits, consolidations, allocations, and balancing. Separate modules for A/P and reports and analytics provide good to very good functionality.

User interface is by means of a thick client. Windows 2000 Professional SP1 and above and XP Professional are the only choices for platforms. Either Oracle 10g or SQL Server may be used as databases. PRO Financial G/L is written entirely in C++. Integration with operating, investment, and annual report systems is by means of prebuilt APIs, flat files, CSV, and XML. Version 5.0 will offer custom APIs and WebSphere with some web-based transactional functionality through SmartClient .NET.

Fees are typically based on three factors: the number of components installed, the number of concurrent users, and premium volume. For a midsize insurer, first year and following year license fees are usually under US\$100,000, and other first year costs are also under US\$100,000. The comparable numbers for a large insurer are US\$100,000 to US\$500,000 for first year license fees and for other first year costs. The product is generally sold with a one-time perpetual license, and subsequent year support/maintenance fees are generally about 20% of the initial license fee. Implementation is done in a rapid three to six months with a two to three person team.

References were quite positive. One reference client is a new user, two were experienced users. References gave very high marks to such insurance-specific requirements as the ability to keep statutory records, and exchange information with insurance operating systems (e.g., policy admin), investment systems, and statutory filing systems. One client said, "Rapid vendor set-up in Accounts Payable is very useful. [And the] telephone support desk is very knowledgeable and quick to resolve problems." Usability for everyday users and managers received excellent ratings. When asked what they would change, all three references mentioned different aspects of accounts payable as needing improvement, as well as general ledger allocations, and chart of account maintenance.

In summary, PRO Financial General Ledger is a well established application with broad and deep functionality, used primarily by small and midsize insurers. It is well integrated with an A/P component, disbursements, and Fiserv's robust annual statement solution. The new version, scheduled for next year, will integrate other financial systems more closely and offer the advantages of a .NET architecture.

Table 2: Fiserv General Ledger Features and Functions

Feature / Function	Availability
G/L support for single or multiple databases	Operates as a single database or as multiple databases
Number of accounting bases (e.g., GAAP, statutory) supported in a single instance of the database	Unlimited
Account code structure	60-character, user defined, flexible account component and user-defined components.
Number of reporting entities (insurance and noninsurance subs) supported	Unlimited
Integration methods for core insurance systems (e.g., policy admin)	Flat files, CSV, XML (custom API, WebSphere -available in v. 5.0)
Integration methods with investment management systems	Flat files, CSV, XML (custom API, WebSphere - available v 5.0)
Integration methods with annual & quarterly statement systems	Flat files
Ease-of-use features	Shortcut key (single keystroke macro), intercompany rules (offset balance accounts and automatic eliminations), spreadsheet look and feel, recurring skeleton templates, unpost/repost, summary/actual balance codes (additional Ledgers), mass account maintenance
User interface	Thick client
Rules engine	For multiple specific functions
Workflow functionality	No
Content management	No
<i>Source: Vendor response to RFI</i>	

Table 3: Fiserv General Ledger Technology Used

Technology	Availability
Platform(s)	Windows 2000 Professional SP1 or above, XP Professional
Database(s)	Oracle 10g, SQL Server 2005, Enterprise or Standard Edition, 32 or 64 bit
Code Base	100% C++
<i>Source: Vendor response to RFI</i>	

Table 4: Fiserv Other Financial Components and Functions

	Part of G/L, No Additional Cost	G/L option, at Additional Cost	Available Stand-Alone Without the G/L	Unavailable
Accounts Payable		●	●	
Disbursement / Check Writing		●	●	
Fixed Assets		●	●	
Budgeting and Planning		● (FRx)	● (FRx)	
Cost Accounting and Allocations	●			
Activity Based Costing	●			
Reporting	● (Standard & Crystal)	● (FRx & Business Intelligence)		
Analytics			●	
Accounts Receivable		●	●	
A/R Policyholder Billing			●	
Quarterly & Annual Statement Filing			●	
Other : Purchase Management		●	●	

Source: Vendor response to RFI
Key: ● = Available now; Blank = Not available

Table 5: Fiserv Accounts Payable Features and Functions

Feature / Function	Availability
A/P component name	Pro Financial AP (based on Flexi International FlexiPayables)
Flexible discount rules	●
Unlimited vendors and vendor categories	●
Unlimited banks and bank accounts	●
Automated matching of invoices, receipts, and purchase orders	●
Supported transaction types	CCD, PPD (CCD+, PPD+, CTX - Available v5.0)

Source: Vendor response to RFI

Table 6: Fiserv Budgeting and Planning Features and Functions

Feature / Function	Availability
Budgeting and planning component name	Pro Financial GL and Microsoft FRx Forecaster
Top down and bottom up capability	●
Forecasting	●
Version Control	●
Product and project budgets	●
Audit trail for funding requests and approvals	●
Consolidation on multiple bases	●

Source: Vendor response to RFI

Table 7: Fiserv Cost Accounting Features and Functions

Feature / Function	Availability
Cost accounting component name	Pro Financial G/L (based on Flexi International)
Allocation tables inside of G/L	●
Allocation tables outside of G/L	
Support for activity based costing	●
Support for inter-company pooling	●
Project Accounting Capability	●
Time & Expense Reporting Capability	

Source: Vendor response to RFI

Table 8: Fiserv Reporting and Analytics Features and Functions

Feature / Function	Availability
Reporting and analytics component name	Microsoft FRx; Crystal Reports; Business Intelligence
Internally vs. externally developed code base	External
Pre-configured reports	●
Ability to configure new reports	●

Source: Vendor response to RFI

Table 8: Fiserv Reporting and Analytics Features and Functions

Feature / Function	Availability
Integration with external reporting/analytic application	●
Standard OLAP interface	●
User-definable dashboards	●
Alerts and notifications	●
Accounting-oriented formats and templates	●

Source: Vendor response to RFI

LAWSON GENERAL LEDGER

Lawson Software Inc. is leading global ERP firm, publicly traded (NASDAQ: LWSN) and based in St. Paul, Minnesota. It has 3,600 employees addressing the enterprise system needs of about 10 industry sectors, including insurance.

Lawson organizes its product line into two suites: M3-Make, Move, Maintain for product-oriented businesses, and S3-Staff, Source, Serve for service-oriented businesses. Within S3 insurers have available components for Enterprise Financial Management, Enterprise Performance Management, and Human Capital Management. Enterprise Financial Management itself is a package and includes a general ledger, a multibook ledger (for differences between local and corporate reporting), a strategic ledger (for analysis and reporting), accounts payable, accounts receivable, asset management, and project and activity accounting. All of these components are available to insurers. It does not offer a component to prepare and file annual statements.

The Lawson General Ledger dates back to the founding of Lawson in 1975. The most recent release, Version 9, was issued in February 2006, and about 10% of Lawson clients have migrated to this release. About 1,000 staff work on Lawson's horizontal Enterprise Financial Management suite; no information is available on the number of people who do insurance-specific work.

Lawson declined to disclose the number of insurance clients using or implementing Enterprise Financial Management. It did state that it serves 12% of the insurance companies in the Fortune 500. Its target segment is midsize insurers, which are also its largest group of users. Well known Lawson clients include ManuLife, Acuity Mutual Insurance, and Standard Insurance.

The Lawson G/L provides extensive functionality for an unlimited number of accounting bases and up to 9,999 reporting entities. Within the enterprise ledger there is a single point of entry for all reporting requirements. The account block has three components: the general ledger (which could be used for GAAP accounting), a project and activity accounting ledger (tracking internal activities and projects), and the strategic ledger (for tracking other information). Insurers typically use the multibook strategic ledger to capture statutory data; as well as for policy-specific information.

Ease of use features include hot key shortcuts, online help, and role-specific dashboards. Lawson Process Flow provides rules through decision trees, and the ability to design and automate workflows. There is also an ability to manage web content through a Design Studio component. Other components provide very good functionality for accounts payable, cost accounting, budgeting and planning, reports, and analytics.

An HTML-based browser is the user interface. There are several platform choices: including zSeries (the application running on UNIX and connecting to DB2 on the mainframe), iSeries (AS/400), several leading versions of UNIX, and Windows. Similarly there are several database choices: Oracle, DB2, and SQL Server. Source code is 60% COBOL, and 20% Java and C++ each. Integration with other systems is through EAI, XML, WebSphere, Flat Files, direct API calls, and Web services.

License fees are annual, and are based on the number of users. Lawson declined to provide typical fees. A typical installation time is about six months, and involves a six to eight person team, split half and half between Lawson and the insurer. In half the implementations there is also significant third party involvement of system integrators or other contractors.

References were all clients with over three years of experience with Enterprise Financial Management. They gave good marks to the account code structure and the ability to keep GAAP records. Positive comments included, “[We like] the power of the Information Architecture (IA) to support Essbase Data Marts [and support a] single point of data maintenance for data structures ... [it is] efficient, controlled and [provides] one version of the truth.” Good configuration functionality and good online support were also mentioned. In most other areas, references gave Lawson average scores, including the system’s ability to exchange information with insurance operating, investment, and statutory reporting systems, the structure of the strategic ledger data fields, and methods for doing cost allocations and developing reports.

In summary, Lawson provides an extensive family of accounting and financial components for midsize insurers. In addition to a general ledger, the license fee for the Financial Management suite includes access to a significant number of other accounting and financial components. Lawson’s strengths include the flexibility of the strategic ledger and account block structure, a full range of supporting systems including business intelligence, human resources, and supply chain management. Insurers may want to ask about whether there are plans to migrate to a more modern code base, and the extent of Lawson’s current insurance industry presence, and its future roadmap.

Table 9: Lawson General Ledger Features and Functions

Feature / Function	Availability
G/L support for single or multiple databases	Single database
Number of accounting bases (e.g., GAAP, statutory) supported in a single instance of the database	An unlimited number of books can be established within the Multi-Book ledger.
Account code structure	The Enterprise Ledger's account block consists of three separate components: the general ledger, project and activity accounting, and the strategic ledger.
Number of reporting entities (insurance & noninsurance subs) supported	9,999
Integration methods for core insurance systems (e.g., policy admin)	EAI, XML Websphere, flat files, direct API calls, and web Services
Integration methods with investment management systems	EAI, XML Websphere, flat files, direct API calls, and web Services
Integration methods with annual & quarterly statement systems	EAI, XML Websphere, flat files, direct API calls, and web Services
Ease-of-use features	Hot key shortcuts, online help at the form, field, and user guide levels, interactive role based dashboards, and underlying workflow
User interface	Browser (HTML)
Rules engine	Yes, through Lawson Process Flow for: decision trees, integration, transformation, and processes
Workflow functionality	Yes, through Lawson Process Flow, an automated workflow tool
Content management	Yes, via Lawson Design Studio for Lawson content, and URL attachments for non-Lawson content
<i>Source: Vendor response to RFI</i>	

Table 10: Lawson General Ledger Technology Used

Technology	Availability
Platform(s)	OS/390 and zSeries, iSeries, UNIX (IBM, HP, Sun), Windows
Database(s)	Oracle, DB2
Code Base	COBOL 60%, Java 20%, C++ 20%. Business logic is delivered in COBOL on UNIX / Windows and is delivered in RPG on iSeries.
<i>Source: Vendor response to RFI</i>	

Table 11: Lawson Financial Functions and Components

	Part of Enterprise Financial Mgmt. Suite, No Additional Cost	Enterprise Financial Mgmt. Option, at Additional Cost	Available Stand-Alone Without Enterprise Financial Mgmt.	Unavailable
Accounts Payable	●		●	
Disbursement / Check Writing	●		●	
Fixed Assets	●		●	
Budgeting and Planning	●		●	
Cost Accounting and Allocations	●			
Activity-Based Costing	●		●	
Reporting	●		●	
Analytics			●	
Accounts Receivable	●		●	
A/R Policyholder Billing				●
Quarterly & Annual Statement Filing				●
Other: Lease Management, Strategic Ledger, Requisitions, Purchase Orders, Human Resources, Payroll, Benefits, Training		●	●	

Source: Vendor response to RFI

Key: ● = Available now; Blank = Not available

Table 12: Lawson Accounts Payable Features and Functions

Feature / Function	Availability
A/P component name	Accounts Payable
Flexible discount rules	●
Unlimited vendors and vendor categories	●
Unlimited banks and bank accounts	●
Automated matching of invoices, receipts, and purchase orders	●
Supported transaction types	NACHA formats

Source: Vendor response to RFI

Table 13: Lawson Budgeting & Planning Features and Functions

Feature / Function	Availability
Budgeting and planning component name	Lawson Budgeting and Planning
Top down and bottom up capability	●
Forecasting	●
Version Control	●
Product and project budgets	●
Audit trail for funding requests and approvals	●
Consolidation on multiple bases	●
<i>Source: Vendor response to RFI</i>	

Table 14: Lawson Cost Accounting Features and Functions

Feature / Function	Availability
Cost accounting component name	Lawson Project Accounting
Allocation tables inside of G/L	●
Allocation tables outside of G/L	●
Support for activity based costing	●
Support for inter-company pooling	●
Project Accounting Capability	●
Time & Expense Reporting Capability	●
<i>Source: Vendor response to RFI</i>	

Table 15: Lawson Reporting and Analytics Features and Functions

Feature / Function	Availability
Reporting and analytics component name	Lawson Business Intelligence
Internally vs. externally developed code base	Internally
Pre-configured reports	●
Ability to configure new reports	●
Integration with external reporting/analytic application	●
Standard OLAP interface	●
<i>Source: Vendor response to RFI</i>	

Table 15: Lawson Reporting and Analytics Features and Functions

Feature / Function	Availability
User-definable dashboards	●
Alerts and notifications	●
Accounting-oriented formats and templates	●

Source: Vendor response to RFI

ORACLE PEOPLESOFT ENTERPRISE GENERAL LEDGER

Oracle is a large, publicly traded company (NASDAQ: ORCL) based in Redwood Shores, California, offering databases, middleware, and business applications to a global set of customers. In 2005 Oracle acquired PeopleSoft. As part of that transaction Oracle acquired several PeopleSoft accounting and financial applications, including a general ledger solution. That solution is the basis for Oracle PeopleSoft Enterprise General Ledger, which is the focus of this profile. The current version, 8.9, was released in August 2005—the last major technology change was 8.0 in August 2000.

In addition to the general ledger, Oracle offers a broad set of other accounting and financial solutions including: Oracle PeopleSoft Enterprise Payables (accounts payable, disbursement), Oracle PeopleSoft Enterprise Asset Management (fixed assets), Oracle PeopleSoft Enterprise Planning & Budgeting, Oracle PeopleSoft Enterprise Activity Based Management, Oracle Siebel Enterprise Business Analytics, Oracle PeopleSoft Enterprise Receivables, Treasury and Cash Management, eProcurement, Purchasing, and Travel & Expense. Oracle does not offer a statutory annual statement system. Oracle also has a number of ERP offerings including human resources and payroll, supply chain, and CRM.

Enterprise-wide Oracle has 14,000 developers and 7,000 support professionals. Insurance is an important industry for Oracle, but Oracle does not provide information on resources directed toward insurance or to any other vertical.

Celent estimates that 100 to 150 North American insurers use Oracle PeopleSoft Enterprise General Ledger. Oracle targets insurers with over 700 employees, including the very largest.

The Oracle PeopleSoft Enterprise General Ledger has a flexible user-defined account structure. Hierarchies are defined graphically through a tree structure. Trees may be used to define statutory structures, as well as management and reporting purposes, maintenance, and processing. This structure supports an unlimited number of accounting bases and of reporting entities.

Usability for everyday users is enhanced by several means, including ability to upload journal activity via spreadsheets; simplified user interface for entry and inquiry; rules-driven processing; and template-based reporting. Rules and workflow tools provide a process and decision agility. Especially noteworthy is a fully developed content management capability that includes organization, content creation, crawling, approval, versioning, managing multiple user access, and publication.

In contrast to some competing products, Oracle PeopleSoft Enterprise General Ledger includes (at no additional cost) components for basic budgeting and planning, cost accounting and allocations, and reporting. These components, as well as accounts payable, provide very good levels of functionality. Advanced budgeting and planning and allocation solutions are also available.

Oracle PeopleSoft Enterprise General Ledger is agnostic regarding operating systems and databases in order to be available to a broad range of insurers. It is written mostly in C++. It integrates with insurance operating and investment systems through flat files, custom APIs, industry standard EAI, XML, and the Oracle Financial Services Accounting Hub.

Oracle bases its fees on an enterprise license for the specific solutions and applications that an insurer deploys. Following its policy, Oracle did not provide typical fees for midsize and large insurers.

Oracle did not provide three customers who completed the reference survey.

In summary, Oracle PeopleSoft Enterprise General Ledger provides an established, well developed set of capabilities within a broad and deep family of other accounting, financial, human resource, and supply chain applications. Insurers interested in Oracle's solutions should inquire about costs, time to implement, insurance background of Oracle, and references from similar insurance companies.

Table 16: Oracle General Ledger Features and Functions

Feature / Function	Availability
G/L support for single or multiple databases	Single
Number of accounting bases (e.g., GAAP, statutory) supported in a single instance of the database	All accounting bases
Account code structure	The account code is user-defined and will comprise several fields. Rules are then used to determine which fields are required for each entry.
Number of reporting entities (insurance & noninsurance subs) supported	Unlimited
Integration methods for core insurance systems (e.g., policy admin)	Flat files, custom API, industry standard EAI, XML, Oracle Financial Services Accounting Hub
Integration methods with investment management systems	Flat files, custom API, industry standard EAI, XML, Oracle Financial Services Accounting Hub
Integration methods with annual & quarterly statement systems	Flat files, custom API, industry standard EAI, XML, Oracle Financial Services Accounting Hub
Ease-of-use features	Simplified user interface for entry and inquiry; rules-driven processing; reporting capability with reusable templates
User interface	Browser-based, HTML
Rules engine	Yes
Workflow functionality	Yes. Certain best practices are delivered preconfigured.
Content management	The content management system includes organization, content creation, approval, versioning, etc.

Source: Vendor response to RFI

Table 17: Oracle General Ledger Technology Used

Technology	Availability
Platform(s)	Oracle is operating system agnostic
Database(s)	Oracle is operating system agnostic
Code Base	C++ 75%, COBOL 15%, Other 10%

Source: Vendor response to RFI

Table 18: Oracle Financial Functions and Components

	Part of G/L, No Additional Cost	G/L Option, at Additional Cost	Available Stand-Alone Without the G/L	Unavailable
Accounts Payable		●	●	
Disbursement / Check Writing		●	●	
Fixed Assets		●	●	
Budgeting and Planning (basic)	● (Basic)	● (Advanced)	● (Advanced)	
Cost Accounting and Allocations	●			
Activity Based Costing		●	●	
Reporting	●			
Analytics	●		●	
Accounts Receivable		●	●	
A/R Policyholder Billing				●
Quarterly & Annual Statement Filing				●
Other: Treasury & Cash Management		●	●	
Other: eProcurement		●	●	
Other: Purchasing		●	●	
Other: Travel & Expenses		●	●	

Source: Vendor response to RFI
Key: ● = Available now; Blank = Not available

Table 19: Oracle Accounts Payable Features and Functions

Feature / Function	Availability
A/P component name	Accounts Payable
Flexible discount rules	●
Unlimited vendors and vendor categories	●
Unlimited banks and bank accounts	●
Automated matching of invoices, receipts, and purchase orders	●
Supported transaction types	CCD, PPD, CCD+, PPD+, CTX

Source: Vendor response to RFI

Table 20: Oracle Budgeting and Planning Features and Functions

Feature / Function	Availability
Budgeting and planning component name	The Enterprise Budgeting & Planning Tool
Top down and bottom up capability	●
Forecasting	●
Version Control	●
Product and project budgets	●
Audit trail for funding requests and approvals	●
Consolidation on multiple bases	●
<i>Source: Vendor response to RFI</i>	

Table 21: Oracle Cost Accounting Features and Functions

Feature / Function	Availability
Cost accounting component name	The Enterprise application suites include two allocation tools: one within the GL (GL Allocations) and one in EPM suite (Allocations Manager)
Allocation tables inside of G/L	●
Allocation tables outside of G/L	●
Support for activity based costing	●
Support for inter-company pooling	●
Project Accounting Capability	●
Time & Expense Reporting Capability	●
<i>Source: Vendor response to RFI</i>	

Table 22: Oracle Reporting and Analytics Features and Functions

Feature / Function	Availability
Reporting and analytics component name	EPM and BIEE
Internally vs. externally developed code base	Internally
Preconfigured reports	●
Ability to configure new reports	●
<i>Source: Vendor response to RFI</i>	

Table 22: Oracle Reporting and Analytics Features and Functions

Feature / Function	Availability
Integration with external reporting/analytic application	●
Standard OLAP interface	●
User-definable dashboards	●
Alerts and notifications	●
Accounting-oriented formats and templates	● (FTP, RWC, Supplier Analytics, etc.)

Source: Vendor response to RFI

mySAP ERP FINANCIALS

SAP is a large, publicly traded company (NYSE:SAP) with over 35,000 employees that provides software and services to a global set of clients. It provides a number of solutions specific to insurance operations, including SAP Claims Management, SAP Financial Asset Management, SAP Insurance Collections and Disbursements, SAP Incentive and Commission Management, SAP Reinsurance Management, and SAP Policy Management.

SAP's accounting and financial solution is mySAP ERP Financials. mySAP ERP Financials includes financial accounting, accounts payable, accounts receivable, fixed asset accounting, and extended financial management components for corporate performance management, treasury and cash management, and electronic invoicing and payments. In 2004, SAP revamped its core financial accounting and controlling engine (FI/CO) to address global reporting requirements for multidivisional organizations by developing its new General Ledger solution. This product is now available with mySAP ERP 2005. In addition to mySAP ERP Financials, mySAP ERP 2005 has solutions for human resources (mySAP ERP Human Capital Management), operations (mySAP ERP Operations) and other corporate function (mySAP ERP Corporate Services)

SAP has a large support network for its insurance accounting and financial applications. Organizationally, development and support of insurance at SAP is done within the broader financial services industry—with a significant focus on insurance. Celent estimates that in the United States, SAP has about 400 to 500 consultants providing financial services support and consulting services, and about 1,000 staff doing financial services development.

Support for insurance companies using the financial applications within mySAP ERP 2005 is provided by SAP's global support organization, which has more than 2,000 employees worldwide and provides two tiers of support. The first tier is provided through a national or regional pool of support consultants. The second tier is provided by the staff that developed the software.

mySAP ERP Financials has between 50 and 100 insurance clients in North America, most of them large and very large insurers. In terms of targeting insurance company segments, SAP intends to grow within life/health and property/casualty markets while also selling to the healthcare market. Marquee users include Allstate, MassMutual, and New York Life.

SAP's new G/L solution is a single general ledger that can aggregate financial and management accounting information from single or multiple data sources. Individual journal entries are treated as documents that can be audited and traced. The new general ledger eliminates the need to manage multiple databases for various reporting purposes, such as by profit center, department, or organization.

There is no account block structure, per se. Rather, there is a dynamic object accounting approach, where the general ledger only contains the natural general ledger accounts (assets, liabilities, revenue, expense, and owners equity)-and business rules create other account structure objects, such as line of business, region, etc. This structure supports unlimited accounting bases, and an unlimited number of reporting requirements.

Users can design business rules and principles. They can also create workflow routines that are set up as process threads with specific security profiles. The system can integrate content through the users' portals or as attachments to documents. There are also dedicated accounts payable, budget and planning, cost accounting, and reports and corporate performance management modules.

There is a wide choice of user interfaces ranging from several browser options, thin clients, and thick clients. mySAP ERP Financials will run on IBM mainframe and iSeries platforms and can work with UNIX, Linux, and Windows. It also works with all common, and a few uncommon, databases. Integration with core insurance process and other systems is through SAP's NetWeaver integration platform, as well as through SOA, EAI, flat files, custom APIs, and business application programming interfaces (BAPIs). The source code is written in SAP's language ABAP/4. SAP supports all standards-based application and integration standards.

Fees are based on the total number of users. SAP chose not to disclose any information about typical ranges for fees. Typical installation times, of course, depend on many factors; but SAP indicates many routine implementations can be done in about six months.

References were from large insurers, all of which have used mySAP ERP Financials for over three years, and all of which keep financial records for over 20 entities. In general references gave good and very good marks on various functions and features, although one reference reported average satisfaction for several specifics. Particular strengths included security and controls, reliability, stability and performance, overall implementation experience, accounts payable and accounts receivable functionality. One client said, "SAP represents the official 'books and records' of our corporation. It represents the basis for all financial regulatory compliance and reporting. It has proven to be very flexible and robust in allowing us to scale both our overall business as well as the increasing regulatory requirements." Areas for improvement, which SAP indicates it is addressing, include a need for a more user friendly front-end, and easier and faster implementation of new enhancements.

In summary, for one price mySAP ERP Financials provides an insurer with a bundle of accounting and financial applications: general ledger, accounts payable, fixed assets, accounts receivable, performance reporting, budgeting and planning, and others. As an ERP vendor, SAP also offers fully integrated human resources, CRM and supply chain suites. Additionally, SAP offers a growing set of insurance solutions for claims, compensation, collections & disbursements, reinsurance and policy management. In recent years, SAP has made significant

strides to make integration with non-SAP applications and solutions easier, and to promote ease of use. SAP's current insurance footprint is primarily among midsize and large-size insurers. Insurers considering SAP (especially small and midsize ones) should look at complexity, ease of use, and total cost of ownership.

Table 23: SAP General Ledger Features and Functions

Feature / Function	Availability
G/L support for single or multiple databases	Both
Number of accounting bases (e.g., GAAP, statutory) supported in a single instance of the database	In practical terms unlimited through separate parallel ledgers based upon the applicable accounting basis
Account code structure	There is a dynamic object accounting approach, there is no coding block (in legacy terms). Business rules dictate the objects required for the account structure.
Number of reporting entities (insurance and noninsurance subs) supported	No limit
Integration methods for core insurance systems (e.g., policy admin)	SOA, EAI, flat files, custom API, BAPIs
Integration methods with investment management systems	SOA, EAI, flat files, custom API, BAPIs
Integration methods with annual and quarterly statement systems	SOA, EAI, Flat files, custom API, BAPIs
Ease-of-use features	Role-based user interface
User interface	Multiple, including browser-based, Windows thin client, and thick client
Rules engine	It is possible to customize business rules
Workflow functionality	Workflow routines may be customized, and set up as process threads
Content management	Content can be integrated through the portal or attached to the documents

Source: Vendor response to RFI

Table 24: SAP General Ledger Technology Used

Technology	Availability
Platform(s)	OS/390 or zSeries, other mainframes, iSeries Unix, Linux, and Windows
Database(s)	Oracle, DB2, SQL Server, Sybase, Adabas; INFROMIX online, MaxDB, SAP DB
Code Base	ABAP/4

Source: Vendor response to RFI

Table 25: SAP Financial Functions and Components

	Part of G/L, No Additional Cost	G/L Option, at Additional Cost	Available Stand-Alone Without the G/L	Unavailable
Accounts Payable	●		●	
Disbursement / Check Writing	●		●	
Fixed Assets	●		●	
Budgeting and Planning	●		●	
Cost Accounting and Allocations	●		●	
Activity Based Costing	●		●	
Reporting	●		●	
Analytics	●		●	
Accounts Receivable	●		●	
A/R Policyholder Billing		●	●	
Quarterly & Annual Statement Filing				●
Other: Electronic Invoice Present- ment and Payment		●	●	
Financial Customer Care		●	●	

Source: Vendor response to RFI
Key: ● = Available now; Blank = Not available

Table 26: SAP Accounts Payable Features and Functions

Feature / Function	Availability
A/P component name	SAP Financials
Flexible discount rules	●
Unlimited vendors and vendor categories	●
Unlimited banks and bank accounts	●
Automated matching of invoices, receipts, and purchase orders	●
Supported transaction types	CCD, PPD, CCD+, PPD+, CTX
<i>Source: Vendor response to RFI</i>	

Table 27: SAP Budgeting and Planning Features and Functions

Feature / Function	Availability
Budgeting and planning component name	NetWeaver— Business Planning and Simulations
Top down and bottom up capability	●
Forecasting	●
Version Control	●
Product and project budgets	●
Audit trail for funding requests and approvals	●
Consolidation on multiple bases	●
<i>Source: Vendor response to RFI</i>	

Table 28: SAP Cost Accounting Features and Functions

Feature / Function	Availability
Cost accounting component name	Controlling
Allocation tables inside of G/L	●
Allocation tables outside of G/L	●
Support for activity based costing	●
Support for intercompany pooling	●
Project Accounting Capability	●
<i>Source: Vendor response to RFI</i>	

Table 28: SAP Cost Accounting Features and Functions

Feature / Function	Availability
Time & Expense Reporting Capability	●
<i>Source: Vendor response to RFI</i>	

Table 29: SAP Reporting and Analytics Features and Functions

Feature / Function	Availability
Reporting and analytics component name	SAP Business Intelligence and xApp Analytics
Internally vs. externally developed code base	Internally
Preconfigured reports	●
Ability to configure new reports	●
Integration with external reporting/analytic application	●
Standard OLAP interface	●
User-definable dashboards	●
Alerts and notifications	●
Accounting-oriented formats and templates	●
<i>Source: Vendor response to RFI</i>	

SUNGARD iWORKS EAS

SunGard Data Systems is a privately held company, based in Wayne, PA, established in 1981, and having 16,000 global employees. SunGard provides software and processing solutions to financial services and several other industries. Under the iWORKS brand, SunGard provides a range of products and services including front office tools, policy administration, reinsurance, actuarial calculations, and several accounting and financial solutions.

The iWORKS accounting and financial solutions are: iWORKS EAS (Enterprise Accounting System), iWORKS EFS (Enterprise Filing System) for annual and quarterly statutory reports, and iWORKS EPS (Enterprise Portfolio System) for investment accounting. This profile focuses on iWORKS EAS.

In addition to a general ledger, iWORKS EAS has modules for accounts payable, budget, allocations, reporting and analytics. iWORKS EAS uses partners' solutions to provide fixed asset and procurement (supply chain) functionality. SunGard plans to provide an accounts receivable module in a future release. SunGard does not offer a human resources solution.

The most recent version of iWORKS EAS is 9.0 released in August 2006. In 9.0 the financial accounting functions are built completely in a .NET framework. There is also an enhanced audit log for all database transactions and expanded currency processing. About 80% of iWORKS EAS clients are using release 8.1 or later.

There is a substantial customer base—150 insurers, mostly small and midsize. Another 15 insurers are currently in implementation, including two large insurers. The system will accommodate about 500 concurrent users.

SunGard has a group of about 145 people dedicated to insurance accounting and financial systems. Of those, 70 provide professional services/support and have an average of 10 years of insurance industry experience.

iWORKS EAS offers very good insurance accounting functionality. There are no limits to the number of accounting bases, nor to the number of reporting entities. The accounting basis (e.g., statutory) can be recorded on the transaction level, without a separate company or sub-ledger. The account structure consists of a company code, a natural account number and an unlimited number of “business units” to define transactions. Within iWORKS EAS, the number of business units is unlimited, and may be defined as a division, branch, department, line of business, state, etc.

For annual and quarterly statutory reports, there is full integration with SunGard's EFS filing application; and exports to the standard NAIC statement format. Similarly there is full integration with SunGard's EPS application for investment reporting.

Usability features include copy and paste directly from Excel, pattern templates, several search and inquiry capabilities for balancing and analysis, and drill down functionality. There is the ability to define rules, specifically for validation and allocations, workflow design and control capability. The accounts payable module provides good functionality and offers an automated matching of invoices, receipts, and purchase orders through a third party solution. The current version supports two transaction types (CCD and PPD).

iWORKS EAS runs only on a Windows platform, and supports two databases: Oracle and SQL Server. It is written in five languages, predominantly C++ and VB.NET. Data exchange with operating and other systems is by means of flat files, CSV files, and web Services. The user interface is through a Windows-based client.

Fees are based on the number of functional modules deployed and on the number of concurrent users. For a midsize insurer, first year license fees, additional first year expenses, and second year license fees are each under US\$100,000. For a larger insurer, first year license fees and additional first year expenses are in the range of US\$100,000 to US\$500,000, and annual maintenance fees are under US\$100,000.

Implementation can be done in a fairly quick three to six months. Implementation teams have an average of three full time equivalent people with over half from the insurer.

References were provided by four clients: one new and three with over three year's experience. Overall, the references were quite positive, with most features, functions, and experiences rated very good or excellent. References made positive comments about iWORKS EAS' ability to maintain GAAP and statutory records, to exchange information with insurance operating and statutory reporting systems, ease of use for everyday users and managers, and compliance, security, and auditability. One client said, "The help desk is the best I have ever worked with. The system is very user-friendly." Only one of the four clients had a specific suggestion for an area to improve: internal reporting capabilities.

Overall, iWORKS EAS provides an accounting solution built from the ground up for insurance. The availability of annual statement and investment management applications from the same family is a significant advantage. Some insurers may see the third party fixed asset and supply chain components and the lack of human resource as a shortcoming. Insurers will appreciate the flexibility provided by the business unit-based account code structure and implementation insurance expertise.

Table 30: SunGard General Ledger Features and Functions

Feature / Function	Availability
G/L support for single or multiple databases	Multiple
Number of accounting bases (e.g., GAAP, statutory) supported in a single instance of the database	Unlimited
Account code structure	The account structure has a company code, a natural account number, and an unlimited number of business units. A business unit is any organizational unit used to manage business, such as division, branch, department, function, state, etc.
Number of reporting entities (insurance & non-insurance subs) supported	Unlimited
Integration methods for core insurance systems (e.g., policy admin)	Flat files, CSV files, web Services
Integration methods with investment management systems	Flat files, CSV file
Integration methods with annual and quarterly statement systems	Flat files, CSV file
Ease-of-use features	Data entry functionality, copy and paste from Excel, pattern entries, inquiry capabilities, direct export to Excel
User interface	Windows Smart Client
Rules engine	Yes, for validation and allocation purposes
Workflow functionality	No
Content management	No

Source: Vendor response to RFI

Table 31: SunGard General Ledger Technology Used

Technology	Availability
Platform(s)	Windows
Database(s)	Oracle and SQL Server
Code Base	C++ 40%, VB.NET 35%, Visual Basic 15%, COBOL 10%

Source: Vendor response to RFI

Table 32: SunGard Financial Functions and Components

	Part of G/L, No Additional Cost	G/L Option, at Additional Cost	Available Stand-Alone Without the G/L	Unavailable
Accounts Payable		●		
Disbursement / Check Writing		●		
Fixed Assets		●		
Budgeting and Planning		●		
Cost Accounting and Allocations		●		
Activity Based Costing				●
Reporting		●		
Analytics		●		
Accounts Receivable (planned in future release)				● (Planned in future release)
A/R Policyholder Billing		●		
Quarterly & Annual Statement Filing		●		

Source: Vendor response to RFI
Key: ● = Available now; Blank = Not available

Table 33: SunGard Accounts Payable Features and Functions

Feature / Function	Availability
A/P component name	EAS - Accounts Payable Module
Flexible discount rules	●
Unlimited vendors and vendor categories	●
Unlimited banks and bank accounts	●
Automated matching of invoices, receipts, and purchase orders	●
Supported transaction types	CCD, PPD

Source: Vendor response to RFI

Table 34: SunGard Budgeting and Planning Features and Functions

Feature / Function	Availability
Budgeting and planning component name	EAS - Budget Module
Top down and bottom up capability	●
Forecasting	●
Version Control	●
Product and project budgets	●
Audit trail for funding requests and approvals	
Consolidation on multiple bases	●
<i>Source: Vendor response to RFI</i>	

Table 35: SunGard Cost Accounting Features and Functions

Feature / Function	Availability
Cost accounting component name	EAS - Cost Allocation Module
Allocation tables inside of G/L	
Allocation tables outside of G/L	●
Support for activity based costing	●
Support for inter-company pooling	●
Project Accounting Capability	
Time & Expense Reporting Capability	●
<i>Source: Vendor response to RFI</i>	

Table 36: SunGard Reporting and Analytics Features and Functions

Feature / Function	Availability
Reporting and analytics component name	Crystal Reports and BizNet
Internally vs. externally developed code base	Externally
Pre-configured reports	●
Ability to configure new reports	●
Integration with external reporting/analytic application	●
Standard OLAP interface	●
<i>Source: Vendor response to RFI</i>	

Table 36: SunGard Reporting and Analytics Features and Functions

Feature / Function	Availability
User-definable dashboards	●
Alerts and notifications	●
Accounting-oriented formats and templates	●

Source: Vendor response to RFI

COMPARATIVE CHARTS AND ANALYSES

Table 37 and Table 38 compare the profiled solutions on core technology and costs. These are factors that every insurer should consider, although how they are weighed and interpreted is very much a matter of a particular insurer's circumstances and objectives. For example, one insurer must have a solution that runs on a Windows platform, another can deploy a solution on any of several platforms. One insurer may seek a very low first year cost and is quite happy to accept the limitations of a solution's out of the box configuration capabilities. Another insurer is looking at total cost of ownership over several years.

TECHNOLOGY

Table 37 provides a broad view of the platforms and databases that each claims system requires or can optionally use, as well as the languages in which they are written. The platform and database columns indicate the available options: a solid dot (●) indicates a required or preferred platform/database, a hollow dot (○) indicates an option, and a blank indicates the platform/database may not be used for that particular solution. For the languages, a solid dot indicates the predominant or only language, and a hollow dot indicates some use of that language.

Table 37: Technologies Used

Vendor	Platforms				Databases				Languages				
	Windows	Unix and/or Linux	Mainframe	AS/400 / iSeries	DB2	Oracle	SQL Server	Other	Java	C++	VB.NET / Other .NET	COBOL	Other
Fiserv	●				●		●			●			
Lawson	●	●	●	●	●	●			○	○		●	
Oracle	●	●	●	●	●	●	●	●		●		○	○
SAP	●	●	●	●	●	●	●	●					●
SunGard	●					●	●			●	○	○	○

Source: Vendors
 Key: Platform/DB — ● = Required / preferred; ○ = Additional option; Blank = Not an option
 Languages — ● = Primary; ○ = Additional; Blank = Not used

C O S T

Total first-year costs fall into two broad categories: license costs, and all other costs (insurer staff, external contractors, hardware, etc.). Both costs can vary widely from insurer to insurer, depending on the size and complexity of the accounting and financial environment, and the range of applications and functionality being implemented. In addition, few vendors offer price-listed solutions or transparent pricing models, and nearly all vendors will negotiate on pricing to close new business.

In order to capture a representative range of costs that an insurer would incur, Celent asked vendors to provide estimated price ranges for two insurance holding companies:

- Insurance Holding Company A, with one P/C company, one L/H company, and three small noninsurance companies, writing business in six states, with a total combined premium of US\$300 million, with five concurrent and 12 total users
- Insurance Holding Company B, with four P/C companies, three L/H companies, and six small noninsurance companies, writing business in 32 states including New York and California, with a total combined premium of \$2.1 billion, with 15 concurrent and 40 total users.

Two vendors, Fiserv and SunGard, responded to Celent's request. Both provided very similar responses. Table 38 summarizes those responses for three sets of expenses: total first year license cost, all other first year costs, and second year license and related costs. (Note: the ranges are indicative—actual deals may be higher or lower.)

Table 38: First and Second Year Costs for Two Vendors

	Insurance Holding Company A (US \$)	Insurance Holding Company B (US \$)
First year license costs	<\$100,000	\$100,000 to \$500,000
First Year all other costs	<\$100,000	\$100,000 to \$500,000
Second year license and related costs	<\$100,000	<\$100,000
<i>Source: RFI responses</i>		

CONCLUDING THOUGHTS

Each of the five insurance accounting and financial solutions profiled in this report has its own strengths. Some offer a broad set of financial functionality bundled with a general ledger application—and are integrated with more general ERP applications. Others have been created specifically for the insurance industry, and linked to statutory filing systems and investment management systems. Some are built with modern languages and can run on almost any platform. Others emphasize innovative account code structures, integration methods, and ease of user.

There are only a few compelling reasons that would make an insurer change its accounting system:

- Pain from an inefficient and inflexible legacy system
- Speed, accuracy, and efficiency offered by a new and integrated set of accounting and financial applications
- Insight into how activities contribute to revenue, expenses, and profit through the use of cost accounting, performance, and analytics
- Shelter from the federal and regulatory storms of Sarbanes-Oxley, 50 plus state departments of insurance, and looming international standards such as Solvency II

This report provides an informational foundation for any insurer looking for a new accounting and financial solutions. Such an insurer should also consider:

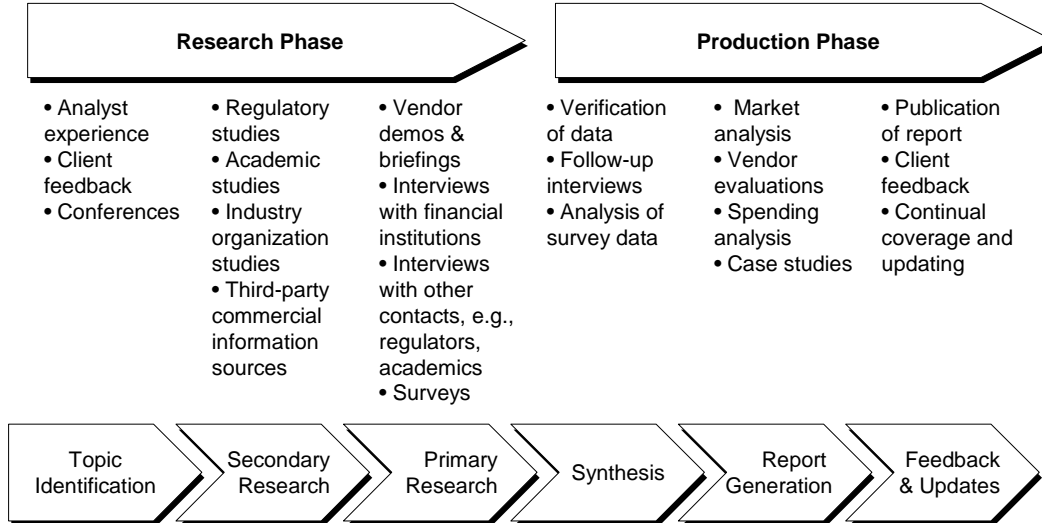
- The scale, range, and complexity of operations and organizations that will use the new solutions—and how those factors relate to typical clients using various solutions
- The importance of prebuilt integration with insurance statutory systems, insurance operational systems (e.g., policy administration), and broader ERP systems such as HR administration
- First year and continuing costs, the quality and availability of support, and the experiences of current customers

OBJECTIVITY AND METHODOLOGY

Objectivity. Celent is an independent, privately owned research and consulting firm that provides technology and business strategy advice to the financial services industry. Celent provides unbiased insight into industry trends, competitors in the market, and market sizes. Celent’s research reports are written by in-house analysts with extensive experience at a variety of top global financial services firms, technology vendors, and consultancies.

Celent’s research clients include financial institutions, vendors, and consulting firms. Occasionally, our reports evaluate clients who are solution providers, along with providers with whom Celent does not have a relationship. Celent evaluates all vendors using the same criteria, whether or not they use our research and advisory services. Vendors and financial institutions profiled in our reports are given the opportunity to correct factual errors prior to publication, but cannot influence Celent’s analysis or opinions of the products, solutions, or strategies we are evaluating. Firms may not purchase or influence positive exposure.

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When citing third party data or opinions, Celent provides source information. When citing formal survey results, Celent provides as much information as possible about survey methodology and participants, within the limits of confidentiality. All other material appearing in Celent’s reports is created by the analysts and is derived from the sources listed above and from Celent’s experience. Figures and charts based on this analysis cite Celent as their source.

ABOUT CELENT

Celent is a research and advisory firm dedicated to helping financial institutions formulate comprehensive business and technology strategies. Celent publishes reports identifying trends and best practices in financial services technology, and conducts consulting engagements for financial institutions looking to use technology to enhance existing business processes or launch new business strategies. With a team of internationally experienced analysts, Celent is uniquely positioned to offer strategic advice and market insights on a global basis.

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