Magic Quadrant for North American Life Insurance Policy Administration Systems

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Despite a growing list of business demands unmet by legacy systems, North American insurance leaders continue to have a difficult time building the business case for new policy administration systems. Those who succeed face a diverse and complex solutions market.

Market Definition/Description

Life insurance policy administration systems provide support for administering life and annuity products. Functions supported include product design, policy calculations, policy transactions (for example, issuance), correspondence generation and basic customer management.

Several vendors offer capabilities or separate modules that cover adjacent functions, such as claims, new business workflow, electronic underwriting, customer service portals, commission calculations, licensing and appointment processing, and others.

Magic Quadrant

Figure 1. Magic Quadrant for North American Life Insurance Policy Administration Systems

Source: Gartner (September 2014)

Vendor Strengths and Cautions

Accenture

Accenture, through the business unit Accenture Software, has 400 dedicated employees to Accenture Software for Life Insurance and Annuity. Accenture Life Insurance Platform (ALIP)

supports individual life and annuities in North America and globally. The vendor has 18 U.S. customers in productions of various sizes, with the largest instance running more than 1 million policies. Sales have been slow for the company over the past few years, with no new customers signed in 2012 or 2013. Momentum is picking up in 2014, however, as the company has already signed two new customers.

ALIP was first brought to market in 1992; since then, it has continued to be upgraded technically (including rewriting from C++ to Java, which is planned for delivery with Release 2014.1 in September) and functionally (such as enriched life and annuity product features, improved scalability, and better usability). R&D has included new features (such as reporting, portals and new digital offerings), improvements to the user interface (UI), the creation of default products and staging tables for data, and enhancements to the stand-alone calculation engine.

Strengths

- ALIP comes with a powerful calculation engine, called Accenture Actuarial Calculation Engine, which allows users to create or change products in all of Accenture's life insurance and annuity processing components, such as electronic applications, electronic underwriting and policy administration.

- Accenture offers a full range of life insurance and annuity software solutions — including policy administration, claims, call center, incentive compensation, illustration, new business workflow, electronic underwriting and electronic applications — which are preintegrated for insurers seeking an end-to-end solution from a single vendor.

- Accenture offers customers a range of options that leverage its service capabilities. Customers can opt for IT services for system consolidation, offshore development, and SaaS options for ALIP. Accenture's consulting operation also makes it a strong consideration for insurers that need consulting help with workflow redesign, system architecture, legacy modernization and other core IT improvements.

- Accenture has made large investments in innovation (including smart video, portals and digital insurance) that will allow customers to explore new capabilities around the policy core.

Cautions

- ALIP has limited support for group life, and no experience in health-related products (such as long-term care) or work site products.

- While the SaaS offering will enable Accenture to better position this solution down market, ALIP is still mostly targeted at Tier 1 and Tier 2 insurers.

- Accenture's partner network is early in development; the company has no system integration (SI) partner, and only a limited range of technology partners to date for ALIP.

Andesa Services

Andesa Services is a small, privately held company offering software and third-party administrator (TPA) services to the U.S. life insurance industry. Andesa's Financial Administration System (AFAS) is a Web-based solution supported by a multitenant cloud-based model with an integrated calculation engine. Andesa supports roughly one-third of all bank-owned life insurance (BOLI) and corporate-owned life insurance (COLI) assets in the U.S. The company has been in existence for more than 30 years, and consists of approximately 120 U.S.-based employees. AFAS is the production system of record for insurance among 15 insurers in North America (14 in the U.S. and one in Canada), with the largest implementation supporting 100,000 policies. However, Andesa has failed to sign any new customers from 2012 through July 2014.

AFAS was originally launched in 2002 and is a configurable, object-oriented, Java-based system. Regular releases provide existing insurance clients with additional enhancements, and all clients are currently on the most recent release of the system. The product engine is flexible and can support various products; in addition, today, AFAS supports group and individual high-net-worth and COLI/BOLI policies almost exclusively. The system is integrated with Andesa's illustration and reporting systems, and supports core policy administration functions, such as policy values, policy changes, billing, correspondence and customer management. Additionally, Andesa's solution supports electronic forms, e-signatures and online enrollment, which allow insurers and agents to provide customer self-service. During the past year, enhancements have included improvements around product speed to market, reporting functionality, capacity, and system upgrades to support higher-volume implementations and an improved user experience.

Strengths

- The combination of conversion tools and product expertise, coupled with a highly configurable system (which is delivered only as a SaaS), gives Andesa the ability to deploy solutions quickly — only four weeks, in one case.

- Andesa has a long track record of supporting clients in hosted and SaaS delivery models, without commingling customer data on a platform with shared components.

- The hybrid delivery model that combines TPA and SaaS is attractive for smaller to midsize insurers, or for smaller divisions in large companies that operate in niche markets.

- Andesa is a specialist in the COLI/BOLI market. Also, since the COLI/BOLI market makes use of whole life, universal life, and other variable and fixed products, AFAS's capabilities and Andesa's expertise may be leveraged to support individual and group insurance products, as well as markets outside of COLI/BOLI.

Cautions

- It is a small company that has had limited growth during the past few years and limited partners. These factors may challenge its long-term ability to execute.

- Andesa has no experience in high-volume implementations. AFAS supports blocks of business with lower policy counts (and very large dollar amounts and cash values).

- AFAS does not currently offer support for multilanguage or multicurrency.

Concentrix

Concentrix is a business service company originating from the business process outsourcing (BPO) market. In early 2014, Synnex (Concentrix's parent company) entered a relationship with IBM; this involved: (1) the acquisition of IBM's insurance vertical business, including its insurance outsourcing TPA and the Genelco Software Solutions division, along with the Genelco Insurance Administration Solution (GIAS); (2) the transfer of Genelco's entire sales, delivery and development teams to Concentrix; and (3) an agreement in which IBM would continue to have a strategic and financial interest in providing services for GIAS's implementation worldwide.

GIAS was designed to support fixed and variable, individual and group, life, health, and annuities products. Today, Concentrix has 30 clients live on the legacy life system (Genelco Life+), more than 60 clients live on the legacy group system (Genelco Group+), and an additional nine customers in North America in production on GIAS. Concentrix won five customers in 2013 and one additional customer in 2014. The largest implementation supports fewer than 400,000 policies, and GIAS has been benchmarked up to 5 million policies.

GIAS was written using Java, and leverages a service-oriented architecture (SOA) with an integrated business rule management system to create flexibility and configurability capabilities for insurers. It has been certified for DB2, Oracle and SQL databases, and can be deployed within a WebSphere Application Server on Intel, IBM Power or mainframe hardware. There are conversion tools that can help existing customers and new relationships to convert business to the GIAS platform. The Concentrix development team has completed work on several new enhancements, including functionality for group health administration and claims processing, improved analytics (that is, Cognos integration), electronic applications, Phase 1 launch of GIAS Web Portal, and electronic applications that support online payment with electronic signature functionality.

Strengths

- Concentrix can integrate the TPA capabilities along with the GIAS solution for an improved service offering to clients. This will result in improved BPO capabilities, plus the option for insurers to shift from a software relationship to a BPO relationship without conversion; in addition, this will offer new delivery options, such as a cloud-based offering.

- GIAS supports a broad range of products, including fixed and variable life, group and individual life, annuity and health, and claims-intensive products (such as medical, dental and disability). GIAS also offers extensive support for group and voluntary insurance products.

- GIAS has been rearchitected within the past five years, making it one of the more modern solutions profiled in this research.

- IBM remains an equity owner of Synnex, giving Concentrix access to IBM services, industry expertise and technology. This also gives Concentrix access to a range of emerging technologies that smaller vendors may not be able to access, such as portal, mobile, rule engine and analytical technologies.

- GIAS offers advanced features, like a dynamic UI. This can be used by plan administrators to build out enrollment portals, including content and dashboards (using Cognos).

Cautions

- This is a new business model for Concentrix. It has no track record in either the insurance industry or insurance vertical software. Success is reliant on continued growth of insurance resources and long-term commitment by Concentrix in vertical offerings.

- There is limited support for group insurance in GIAS. Group life was supported in a separate product called Genelco Group+.

- GIAS has not been deployed in Canada, although the platform does support multilingual, multicurrency requirements.

- GIAS has not been proved in production with large-volume blocks of business; its largest implementation supports 400,000 policies.

- Concentrix has no formal SI partners other than IBM.

CSC (CyberLife)

CSC is a global insurance software and service company that offers two solutions targeted at the North American life insurance policy administration market. One solution is called CyberLife, which supports a wide range of individual insurance products, including individual fixed as well as variable life and annuity products. CSC reports that 32 existing customers (30 in the U.S., one in Canada and one in Mexico) are live on the system. After many years with no new customer wins, CSC acquired three new customers in 2013, but has not yet won any new business in 2014.

CyberLife is functionally rich and has been deployed by insurance companies of various sizes. Also, it is COBOL-based with a Java front end. The company continues to transition CyberLife to Java, but this is not a top priority for the solution today.

In addition to CyberLife, which covers core policy administration functions, CSC offers prebuilt integrations to its additional software offerings, which provide automation for electronic applications, new business workflow, electronic underwriting, claims, call centers and incentive compensation. CSC also offers an externalized rule repository for business rules and product calculations. CSC is investing in enhancing CyberLife by completing the integration with Product Accelerator for improved product configuration, improved support of indexed products, an enhanced user experience, better regulatory and Individual Retirement Account enhancements, and integration with adjacent CSC modules.

Strengths

- CyberLife has proven scalability and experience as a result of having relatively large customer implementations, with one customer using the system for more than 4 million policies.

- CSC's offshore centers of excellence for implementations, enhancements, conversions and support receive consistent accolades from its customers. CSC also has one of the largest BPO

operations in North America, and it uses CyberLife as the strategic platform. Leveraging the offshore center and the BPO unit, CSC is able to offer a range of solution delivery options — on-premises, hosted and BPO. Today, CSC has customers using all three options.

- CSC has extensive experience in integrating CyberLife with third-party specialized systems; it also has the experience, staff and tools to support policy conversions.

- CyberLife is integrated with Product Accelerator for product configuration, and includes prebuilt product templates and configured product rules.

- CSC is investing in new areas, such as cybersecurity, cloud and big data/analytics, which will provide more value to customers.

Cautions

- The primary version of CyberLife is still COBOL, which is unattractive to insurers that want newer technologies.

- CyberLife implementations, conversions and new product configurations often take longer than many other solutions.

- There are no customers running group life products on CyberLife.

CSC (Wealth Management Accelerator)

CSC is a global insurance software and service company that offers two solutions targeted at the North American life insurance policy administration market. In addition to CyberLife, it offers a solution called Wealth Management Accelerator. The core engine is COBOL with a Java front end. However, many business services have been moved from COBOL to Java. CSC has been working on a new Java-based policy administration system, but development is not yet completed.

Wealth Management Accelerator supports fixed and variable annuities, life insurance, and payout products, and has live customers in individual and group product lines. Additionally, Wealth Management Accelerator is the target system from CSC for insurers that are already using Vantage-One or Repetitive Payment System (RPS). To date, CSC has 10 live customers in North America. Two customers were signed in 2013, and CSC has signed an additional customer in 2014.

The solution is built on an SOA, and CSC continues to enhance the platform to reduce COBOL code and increase the level of system configurability for customers through the use of an externalized rule engine for business rules and product calculations.

In addition to Wealth Management Accelerator, which covers core policy administration functions, CSC offers prebuilt integrations to its additional software offerings, which provide automation for electronic applications, new business workflow, electronic underwriting, claims, call centers and incentive compensation.

Wealth Management Accelerator can be deployed on a mainframe for high-volume customers or a midtier platform, as needed. In 2014, the company is investing in enhancing Wealth Management

Accelerator, including adding deferred income annuity support, regulatory updates and integration with Product Accelerator.

Strengths

- Wealth Management Accelerator's largest mainframe implementation supports around 1.4 million policies, with a second carrier running 1.2 million policies, thereby demonstrating the system's ability to handle large policy volumes.

- Wealth Management Accelerator gives insurers flexibility to move between on-premises, privately hosted and BPO relationships without the added expense of converting policies between platforms.

- CSC offers comprehensive, well-practiced onshore and offshore support for legacy modernization, planning, conversions, installations, customizations, testing and other necessary policy administration functions.

- Wealth Management Accelerator provides comprehensive payout capabilities to enable insurers to use annuitization strategies for a variety of traditional and blended product types.

- CSC is investing in new areas, such as cybersecurity, cloud and big data/analytics, which will provide more value to customers.

Cautions

- The rules capability in Wealth Management Accelerator is not as flexible and easy to modify as other solutions in the market.

- Because of the system's scale, capabilities and age, it has a more complex system architecture (a result of the technical environment and the rule engine, for example), which makes it more expensive to support in the long term.

- Wealth Management Accelerator offers limited support for group life products; for example, only one live insurer has a small range of products.

EXL

EXL is a U.S.-based public company that offers a range of solutions and services; it is also a licensed TPA that services the U.S. insurance market. It offers a policy administration solution for annuities, life insurance and health insurance called LifePRO, which is supported by 125 full-time employees in several locations in the U.S., along with dedicated employees in India. The LifePRO solution supports a wide array of insurance products, including group and individual products (fixed and variable), annuities, and health products (such as disability, Medicare supplements, and long-term care). It also supports end-to-end functions (such as new business, claims, commissions, reinsurance and client management) through integrated modules. LifePRO is used in production by 41 U.S. life insurers. EXL signed one new customer in 2013 and an additional customer in 1Q14. Additionally, it is currently working with many existing customers as they upgrade to the newest version of LifePRO. The largest single instance supports more than 1.5 million policies.

The system was built using Microsoft technologies (including .NET, Visual C# and SQL Server), and has significant COBOL on the back end. Customers have the option of deploying LifePRO on-premises as an application service provider (ASP), on-premises with EXL doing the processing work via BPO, as an ASP, and as the platform for an end-to-end pure-play BPO. In the latest version, major enhancements were introduced for the life and annuities claims functionality and data encryption. EXL has added offshore development capabilities focused on platform support. More recently, EXL has invested in building out improved group billing and collections, expanded claims capabilities, a data mart, and new product support. The company is also building out analytical capabilities (however, this would be outside the solution and at an additional cost). EXL continues to attract insurers that want a solution with strong base capabilities, relatively easy upgrades and extensive functional capabilities out of the box. Upgrades generally can be completed within three to six months, particularly in situations where the insurer has not created code customizations.

Strengths

- LifePRO supports a wide range of group and individual products, and is particularly strong for multiline insurers or those needing more comprehensive claims functionality, since it leverages a rule engine for flexibility, product creation and maintenance.

- EXL can deliver a wide range of hosted, on-premises and BPO service models, giving insurers flexibility in deploying with one approach, and then shifting to other delivery and service models without the added cost of conversion.

- EXL has a great deal of experience in deploying LifePRO and conversions because this is one of the most widely used policy administration solutions in the U.S. market (with 41 customers in production, and many others using the system but without a maintenance contract).

Cautions

- LifePRO was originally developed in COBOL and currently uses Microsoft-centric technologies, which makes it less attractive to insurers that favor Java platforms or newer technologies.

- LifePRO has been architected as a monolithic system; some modules cannot be installed as separate components for only new business, incentive compensation, claims and other insurance functions.

- LifePRO is not in production with any Canadian insurers, and EXL has no strategy to market LifePRO in Canada.

- EXL has a limited partner network of implementers and technology partners.

HP

HP is a provider of enterprise software, including two solutions that are targeted at the life insurance policy administration market: Ingenium and Radience (a new product that offers targeted life insurance policy administration). Radience is not included in this report because it did not meet the

inclusion criteria. HP's older solution is Ingenium, which is a COBOL-based system that supports individual life and annuity products.

This profile is based on Gartner research and public sources of data, because HP elected not to respond to our questionnaire or provide customer references. The vendor has been a significant provider in North America (particularly Canada and the Caribbean), and has approximately 50 insurers using Ingenium in North America, as well as in other regions (such as Asia, Latin America and Europe). While Ingenium has been a significant offering over the past 15 years, Gartner believes that there have been no new North American wins for Ingenium since 2006. Most recently, HP has directed its enterprise product global sales force to sell Ingenium and Radience to insurers, rather than having a dedicated sales force focused exclusively on selling insurance solutions.

The Ingenium solution is functionally rich and has an external rule engine called ProductXpress, which allows insurers to make changes to product calculations and business rules. HP continues to improve the Ingenium solution by replacing underlying HTML and COBOL code with JavaServer Pages and Java Platform, Enterprise Edition, while also providing functional releases for regulatory and product support.

Strengths

- Ingenium is used more widely than any other system profiled in this research, with an estimated 70 global clients and nearly 50 North American clients. HP has extensive experience in dealing with multinational clients, and has the local features necessary to support North American insurers.

- HP's externalized rule engine, ProductXpress, gives insurers the ability to create and maintain product calculations and business rules.

- Ingenium is highly scalable, with one customer administering 9 million policies — the largest implementation of any system profiled in this research.

Cautions

- HP has failed to grow its customer base in North America and is becoming irrelevant to the local market. Also, it has been unable to execute for many years, and appears not to be committed to this market.

- While HP continues to make minor enhancements to Ingenium, current users are seeking alternatives to Ingenium due to concerns over its longevity. Users are being forced to choose whether to continue making upgrades, migrate to Radience, take over their own maintenance and support, or replace the platform.

- Ingenium does not support group or claims-intensive products, thereby making it less attractive to insurers with those products.

- Ingenium is COBOL-based, which is less attractive to users that want more modern administration systems.

Infosys McCamish

Infosys is a service and solution provider that offers a portfolio of IT, consulting and business process services to the life insurance industry, including TPA services. It has approximately 685 employees supporting the Infosys McCamish division today. It offers a policy administration system, VPAS Life, that was acquired with McCamish in 2009 and supports group and individual products. The system provides support for life and annuity products, including individual and group, variable, fixed, indexed, and repetitive payment products. Infosys McCamish offers choices in delivery, including TPA, hosted and on-premises. Additionally, Infosys McCamish is the only vendor that provides a multitenant SaaS model in addition to on-premises and private cloud delivery alternatives.

To date, the company has primarily targeted the U.S. market, and has only one Canadian customer. It currently has 31 customers in total: 22 using the solution in a full TPA model, seven using it in a hybrid TPA/hosted model and two with on-premises software licenses. The company signed one new customer in 2013 and one in 2014, both for a hosted model. Its largest installation to date is in India, with a customer that administers 37 million policies on a single instance, thereby illustrating that the platform can be scaled for very high volume.

VPAS Life is composed of Java and Progress 4GL programming languages, and includes a centralized rule engine that delivers business and calculation rules via Web services. Infosys McCamish is actively replacing Progress code with Java, and isolating Progress to back-end high-speed processing. The company continues to make significant enhancements to the system, including the introduction of VPAS Mobility and VPAS Repetitive Payment System (RPS) platform in 2013, as well as new functionality for the work site. The company is also working on further developments, including improved product support, enhanced components (claims, cash management, billing and collections), upgraded content management (using FileNet) and building out analytics. In addition to the policy administration system, the company offers a range of optional components, such as the Producer Management and Compensation System (PMACS), VPAS New Business Fulfillment (NBF) and VPAS Customer Service Work Desk (CSWD) for customer/agent service. Infosys McCamish has been building out its partnership model; also, it has been partnering with companies like IBM for content management, Resonant for underwriting, Kubra for billing and collections, and Pegasystems for the customer services module (VPAS CSWD).

Strengths

- Infosys McCamish has a well-established BPO/TPA capability, and is the one of the few vendors in this market that provides a multitenant SaaS option. This gives insurers more flexibility in shifting their platform and service needs without requiring policy conversions. This can be especially useful for insurers that want a hybrid model that combines TPA and hosting, or that want various delivery models (including a true multitenant SaaS).

- VPAS Life's externalized Web services and rule engine allow companies to support a wide range of products and varied service requirements that are typical of a multicarrier environment.

- VPAS Life supports one of the widest ranges of insurance products out of the box, and has customers in production for a wide range of individual and group life products. This will be attractive for multiline insurers that want a single platform for all product lines.

- Infosys McCamish is making investments in new areas of innovation (such as mobility and VPAS CSWD), which is lacking in many of its competitors. In the past year, Infosys McCamish has made great improvements in introducing new capabilities for the policy administration system, in order to provide customers with new functionality to meet their digital business needs (note, however, that some of these modules will require an additional license and come at an additional cost).

Cautions

- With only one Canadian customer, Infosys McCamish is still new to the Canadian market, and has less Canadian experience than other solutions outlined in this research.

- The company is working to reduce the use of Progress 4GL, but VPAS Life still uses it, even though it is not as well-known as other development tools and may cause a resource issue.

- Infosys McCamish has little experience with on-premises implementations; this will be an issue particularly with Tier 1 insurers that prefer this delivery model.

InsPro Technologies

InsPro Technologies is a public company based in the U.S. with approximately 111 employees. Focusing only on insurance software, its main asset is the InsPro Enterprise policy administration software solution. It currently has 16 U.S. live customers on the solution, running a range of individual and group products. While it offers on-premises licensing options, InsPro is hosting all existing customers. It signed three new customers in 2013 and an additional three in 2014. To date, the largest instance supports 750,000 policies, and InsPro has an implementation underway that will increase the largest instance to 3.6 million policies. More than half of its existing customers support group/voluntary products on the platform; also, the vast majority of its customers have not customized the system, and they have been successful in deploying the base platform. During implementation, InsPro supports clients in building out any needed functionality that is not offered in the base, and in adding that functionality to the base system for future customers. The commitment to base system deployments makes upgrades much simpler than those systems that have been installed with heavy customization.

The system is written in Java, HTML and Microsoft SQL, and supports a wide range of group and individual products, including those with heavy claims requirements, such as long-term care, Medicare supplements and disability. Existing customers report that initial implementations can be completed in as little as four months, and new products can be added in as little as one week by using the rule engine that comes with the platform. InsPro also has an established conversion methodology and tools to ease integrations and conversions. Recent solution enhancements include the launch of support for annuities and universal life insurance, and InsPro is currently working on building out some mobile capabilities, a business intelligence (BI) application, and an integrated illustration system.

Strengths

- The market has responded very well to the InsPro offering; sales over the past four years have been consistently strong.

- Clients report that InsPro Enterprise's configurable architecture and preconfigured business rules enable shorter implementation timelines.

- InsPro Enterprise tends to be one of the lower-cost solutions to implement, compared with other solutions profiled in this research. Two features that help are the Web services library and the mature portal, which are easily configured.

- InsPro offers support for health-related products (for example, senior health, voluntary benefits, accident and health), which many solutions in this report do not currently support (including the claims enhancements needed for these product lines).

Cautions

- The InsPro system currently does not support variable products, and has limited experience in indexed products (indexed annuities are supported, but there are no live customers to date). Insurers with a need to support these products should ensure that their needs fit with the vendor's road map for development.

- InsPro Enterprise is only deployed in the U.S. It has no experience in other regions of North America.

- InsPro is relatively small, creating potential resource constraints for customers. It has a developing partner model as it continues to build out SI and technology partners.

LIDP Consulting Services

LIDP Consulting Services is a privately held U.S.-based company with approximately 32 employees. It offers two life insurance policy administration systems: The Administrator, which was originally developed in 1981, and Titanium, a new solution released in 2014. (Note: Titanium is Java-based, but it is not covered in this report because it did not meet the inclusion criteria.) The Administrator system supports individual and group lines, but all customers have deployed it only for individual life and annuities. The system has prebuilt support for a wide range of products, however, including fixed and variable, group and individual, claims-intensive products (such as disability and long-term care), and indexed. LIDP currently reports 17 live customers in the U.S. today, most of which are Tier 2 companies. It signed one customer in 2013, but has not yet signed any in 2014. The largest implementation supports nearly 1 million contracts. LIDP gets strong marks from its reference customers for its expertise and service performance.

The company is currently working to update the system, including removing all legacy code. However, today, the system has a Java UI and a COBOL back end. The Administrator has a broad functional scope for policy administration that includes new business processing, illustrations, electronic forms, claims functionality, and licensing and commissions. Where other policy

administration systems deliver separate modules for these functions, the Administrator is a single platform with this entire range of functionality.

Strengths

- The Administrator has proved itself effective with Tier 2 individual life insurance providers, thanks to successful implementations and satisfied customers.

- The Administrator can be extended and modified in code with a limited impact on future releases. There is also product management functionality that can be configured, making the Administrator a strong consideration for insurers that want a mix of configurability with customizations.

- The system is stable and proven for individual life and annuities products, and has the required base functionality out of the box.

Cautions

- While the company reports that group life is supported in the system, there are no live customers using it.

- LIDP has a small staff and no implementation partners, thereby creating possible constraints on staffing for enhancements, patches and upgrades (particularly because the staff will be split between the Administrator and Titanium implementations when Titanium becomes available).

- The Administrator relies on COBOL code, which insurers increasingly view as an outdated, legacy programming language.

- The system is monolithic, which will not be attractive to insurers that want a component-based approach.

- There are concerns about the longevity of the Administrator as LIDP's focus shifts to Titanium. The company is still supporting the Administrator; however, over time, Gartner expects that there will be an increased focus on migrating customers to Titanium, as well as more new development to support this next-generation product.

- LIDP has limited investment in innovative technologies, such as mobility, analytics or adjacent solutions outside of policy administration.

MajescoMastek

MajescoMastek is the U.S. entity of the global company Mastek. In the U.S., it operates a software business that offers the Elixir North America Policy Administration System, which it took possession of during the SEG Software acquisition in 2010. The solution supports a wide range of products, but most customer deployments have been for individual life, and there is only one customer for annuities. The company reports five live customers in the U.S. for Elixir (note, however, that it was able to provide only one reference for this report). It signed one new customer in 2013 (a Canadian company), but no new customers have yet been signed in 2014. Beyond net new customers,

MajescoMastek is currently working on encouraging existing Vector (an older solution, pre-Elixir) customers to convert to the new platform.

Elixir is a modern system based on an SOA, using Java as the primary development language. The system has prebuilt functionality to support fixed and variable, individual and group, and life and annuity products. It is architected around a central rule engine. MajescoMastek continues to enhance the system with new functionality; in 2013, it added capabilities related to workflow, product and process configurability, and UI improvements. Elixir also provides functionality for new business workflow, electronic underwriting, incentive compensation and billing in separate modules. MajescoMastek offers an on-premises model and a private cloud-hosted model, but it does not offer BPO alternatives.

Strengths

- Customers note the rule engine's flexibility and configurability in simplifying the loading and maintenance of new products. In addition, it improves speed-to-market metrics.

- Elixir's modern architecture gives insurers more flexibility and options when they need to access data and calculations to support self-service functions, mobile support, and other emerging technologies for agents and consumers.

- Elixir tends to be one of the lower-cost options among the solutions profiled in this report.

- Customers have the option of leveraging MajescoMastek's offshore resources as needed.

Cautions

- Elixir has no live customers on group life, and it offers limited functionality for claims-intensive products (such as disability and long-term care).

- To date, MajescoMastek has targeted Tier 2 and Tier 3 insurers. While Elixir has been tested in the lab for 4 million policies, the system has not been used in production for large-volume Tier 1 implementations.

- Customers report that insurance expertise availability for Elixir is limited. While there are U.S. development centers, many customers report needing more in-depth capabilities than can be delivered today. Furthermore, MajescoMastek has a limited partner network, which will further challenge resource availability.

- Some customers cite implementation and delivery challenges, including lack of documentation and project overrun.

MDI

Management Data Inc. (MDI) is a U.S.-based private company with approximately 45 employees. It offers a system called the Flexible Insurance Marketing, Management, and Administration System (FIMMAS), which was originally developed in 1984. It covers end-to-end functional support, including electronic forms, new business, incentive compensation and policy administration for

group, individual and work site products. MDI's largest customer supports 1.5 million policies on the platform, with benchmark tests supporting 5 million policies. The company reports that it has 18 customers throughout North America. It signed no new customers in 2013 (it opted not to compete for new business because it was focusing on current customer implementations), but has already signed one in 2014.

FIMMAS is written in a niche development language called APPX, which allows the system to be platform-independent. In 2013, MDI made several enhancements to the platform, including greater support for individual health insurance products, improved configurability of product calculations and characteristics, Web services expansion, and billing. UIs are being rewritten using HTML5 to make them device-independent in supporting mobile devices, and to give insurers the option of accessing FIMMAS data for their own portals using Web services. FIMMAS can be deployed on-premises or through MDI on a private cloud basis, and implementations are supported by a set of conversion tools to simplify data mapping and transfer.

Strengths

- FIMMAS supports individual products and group products, and has deep claims capabilities for these products. Also, it has recently expanded into individual health products, giving insurers the ability to offer a range of products for work site distribution — all through a single system.

- FIMMAS is architected so that it can run on multiple hardware platforms, as well as on multiple mobile devices.

- The solution is architected so that it can be customized without creating significant challenges for new upgrades.

- FIMMAS has deployments in multiple North American countries — including the U.S., Canada and in the Caribbean — with multilingual and multicurrency support.

- Reference calls report a high level of customer satisfaction with FIMMAS.

Cautions

- MDI's small size makes it difficult to take on many clients simultaneously, or to rapidly adapt to the changing resource demands of insurance customers. It does not have relationships with implementation partners for staff augmentation.

- Insurers may find it difficult to engage MDI because it is very committed to controlling growth; also, it is selective about choosing which companies to work with, and what RFIs to participate in.

- APPX is a proprietary programming language that is not well-known, and it may be difficult for insurers to find resources to support it.

- MDI has not deployed variable life or variable universal life products on FIMMAS, thereby making it unattractive to insurers in those product lines.

- MDI's small company size and limited technology partners result in limited areas of innovation in FIMMAS, such as analytics and portals.

MphasiS Wyde

In 2011, MphasiS purchased Wyde to have a policy administration life insurance offering for North America. The business unit is composed of 205 employees and offers a solution called Wynsure, which supports a wide range of individual and group life products, including annuities as well as work site and health-related products (such as critical illness and disability income). Its target market is Tier 1 through Tier 3 companies. The company reports that it has 10 live customers on the system throughout North America. It signed two new customers in 2013 and one new customer in 2014. The largest production instance supports more than 2 million policies.

The Wynsure product relies primarily on Microsoft technologies, such as Visual C++, to deliver functionality to users. It can also be delivered on a custom basis using Linux, if insurers choose.

Wynsure provides separate modules to deliver functionality across the insurance value chain, including policy management, agency management, claims management, Web portal management and document management. The platform has good separation between client code and the base system code to allow customers to make customizations without complicating system upgrades. Recent enhancements to Wynsure have involved building out new product support — in life insurance (for example, individual life and annuities, which it previously lacked), and also for property and casualty (P&C) and group health — such as UI improvements and regulatory support. Ongoing developments include portal enhancements, building a SaaS offering and building analytical tools.

Strengths

- The Wynsure architecture allows insurers to make unique enhancements to the system without affecting the base code, thereby creating a simpler upgrade experience for insurers.

- The externalized rule engine and configuration tools can be used by business users or IT to make changes quickly to business rules and calculations.

- Reference customers report that Wynsure offers strong flexibility through its object-oriented design, SOA and rule engine capabilities.

- The system has been used for a wide range of life and annuity products, and it offers multicurrency and multilingual support. This will be attractive for certain companies operating in North America, and for those wanting to deploy a single solution for multiple product lines and in various geographies.

- MphasiS Wyde is making investments in innovation, including mobility and analytics, which will augment the solution.

- The addition of MphasiS Wyde centers of excellence will help the Wynsure development team meet the demands of new and existing customers, and reduce the costs/risks of implementation.

Cautions

- Wynsure currently lacks support for variable and indexed products.

- Wynsure is built using Windows technology throughout, and doesn't support other technology platforms (besides Linux on a custom basis).

- MphasiS Wyde is currently developing a group health system on the Wynsure platform, as well as building out support for select P&C product support. While it plans to leverage the parent company for additional resources, it is Gartner's opinion that insurance domain resources will be stretched. As a result, prioritization of investments is likely as the company focuses on building capabilities for new markets, which may result in a reduced focus on life insurance feature/functional enhancements.

Oracle

Oracle offers a system called Oracle Insurance Policy Administration for Life and Annuity, which supports individual, group, fixed and variable, and indexed life and annuities. It has live customers in Tier 1 through Tier 3 in North America. During the past year, Oracle has been better positioning itself to meet Tier 2 carriers' needs, including offering a scalable license framework and integrated functionality, such as claims and billing. This resulted in new customer wins within the midsize market in early 2014. Oracle does not disclose new or existing customer counts, but Gartner estimates that it has between 18 and 20 live customers in the U.S. The largest production implementation has more than 1 million policies, and the solution is benchmarked to 100 million policies. Gartner estimates, however, that the company had three wins in 2013 and already two wins in early 2014.

Oracle Insurance Policy Administration for Life and Annuity is written using Java and designed on an SOA. It contains an externalized rule engine that can provide business rules to multiple modules supporting billing and collections, new business workflow, illustrations, claims, annuity payouts, workflow, and commissions. Throughout 2013 and 2014, Oracle has invested in the platform in several areas, including improvements to Web services, new business and underwriting, and enhancing universal and whole life support. Oracle is encouraging its existing customers to move to a single-base system code stream, which will help Oracle deliver base enhancements more effectively to its customers. Recent accomplishments include new build-outs for group life functionality, technical platform enhancements, improved integration with Documaker and new partnerships (such as EquiSoft for illustrations, new business and BPO; and Cognizant for BPO). Additionally, in spring 2014, Oracle launched a new product called Oracle Insurance Calculation Engine, which provides the same rule engine capability under a decouple mode, allowing customers to consolidate and centralize insurance rules/calculations from other legacy systems.

Strengths

- The system architecture gives insurers the ability to externalize business rules and product calculations to get products to market more quickly and efficiently, while also reusing rules and calculations with other systems via Web services.

- Oracle implementation partners (such as Capgemini, Cognizant, Deloitte, EquiSoft, Universal Conversion Technologies and Vertex) give insurers flexibility in how they wish to structure their implementation and maintenance staffs.

- Oracle Insurance Policy Administration for Life and Annuity is one of the most highly configurable systems offered in the market.

- Oracle Insurance Policy Administration for Life and Annuity is a single system that supports a range of individual and group product lines (not including health-related product lines).

- Oracle is making large investments in areas of innovation — including customer experience, cloud, social and analytics — to complement policy functionality.

Cautions

- There are no customers in production yet on Oracle Insurance Policy Administration for Life and Annuity for group life, but four are currently implementing it.

- Customers and prospects continue to express concerns about pricing (especially for Oracle services) and fit for Tier 2 and Tier 3 insurers. Oracle is addressing this by setting up an offshore implementation team and building out a partner SI community.

- Insurers continue to report that negotiating with Oracle regarding contracts, pricing and staffing remains very difficult.

Sapiens

Sapiens International, which is headquartered in Israel, is a global company with offices in North America, the U.K. and Asia/Pacific. It offers a range of solutions for the global insurance industry, including the Alis solution for life insurance policy administration. The company was a new entrant to the Gartner Magic Quadrant in 2013 and is still a relatively new player in North America. The platform supports individual products with end-to-end functionality, from illustrations and electronic applications through claims. The company reports three live customers to date in the U.S. The largest instance that the system supports is roughly 1.6 million individual policies. Sapiens signed three new wins in 2013, but has not yet signed any new customers in 2014.

The system is built using a combination of Java for the UI and services, and C++ for the application layer. The SOA design, along with an externalized rule engine, allows for relatively rapid product deployment, simpler data access, and better integration with other internal systems — compared with other systems profiled in this research. Sapiens has invested heavily in its mobility capabilities, an upgraded UI and better North American support.

Strengths

- Sapiens has a mature system due to international experience and early wins in 2012 and 2013, which suggests positive interest in the North American market.

- The modern architecture, full SOA and externalized rule engine make the system more flexible and configurable than other systems profiled in this research. New enhancements in the architecture and UI will help to further differentiate the system.

- References report that implementation teams make an extra effort to ensure that customers are satisfied and that projects stay on schedule.

Cautions

- Sapiens is new to the North American market and has limited visibility. Its solution still has some regional gaps, including in-production clients for variable and indexed life, along with integration and distribution requirements that add more risk to policy administration projects.

- While the company has an office and resources in the U.S., many customers feel that they still need to engage with Israeli Alis experts, which may create cultural and time zone challenges. To help resolve this issue, as well as business continuity planning, Sapiens must continue to build out skills in its U.S. office in order to support customers' needs, and to better leverage the U.K. development center (which currently houses around 200 development staff members).

- Customers report insufficient documentation and training on system configuration, resulting in them having to rely more on Sapiens during implementation than they originally planned.

StoneRiver

StoneRiver is a U.S.-based private insurance software vendor that offers a solution called ID^3. It has been on the market since 1995 to support individual product lines (fixed, indexed and claims-intensive products, such as long-term care, disability and dread disease) for the U.S. and Caribbean markets. The vendor has 17 production customers using the system today, the majority of which are small insurers (Tier 3, Tier 4 and Tier 5). Its largest implementation supports 2 million policies. It has not gained any new customer relationships since 2009, and it did not add any license expansions in 2013 or, to date, 2014.

Despite the age of the system, customers continue to report that it enables product design flexibility and speed to market when introducing new products. The table-driven architecture allows product parameters to be changed relatively quickly, compared with other available systems. The solution is most attractive to insurers that already use StoneRiver's electronic application, illustration and electronic underwriting solutions, and that want a companion solution to these platforms' systems.

In recent years, StoneRiver has continued to introduce basic enhancements — such as new functional capabilities related to data access, product and insurance services — and it recently completed Phase 1 of a new UI development project (which is the primary enhancement plan for 2014 to 2015 as StoneRiver moves to Phase 2). That said, the system has not had a much-needed technical upgrade within the past several years. It runs on IBM Power Systems and is built using CA 2E, which generates COBOL.

Strengths

- ID^3 has been architected to allow additional customizations to the platform with limited impact on new releases, giving insurers the ability to create unique customizations without needing to retrofit them with every new release.

- ID^3 can support insurance companies' need to quickly add, copy and change new products. Perhaps more importantly, the system enables insurers to invent and support new product designs.

- StoneRiver has developed extensive expertise with indexed products because ID^3 was one of the first policy administration systems to support these products, thereby making it a consideration for insurers that are expanding into the indexed product market.

- StoneRiver has the ability to leverage Fiserv (which still owns 49% of the company) for offshore resources to help with technology refreshes.

Cautions

- StoneRiver has a lack of commitment to marketing and sales for ID^3, which has resulted in its shrinking visibility in the market.

- StoneRiver has outdated technology and an outdated platform. ID^3 is thick-client-based and COBOL-based.

- During the past few years, StoneRiver has made minimal investments in technology upgrades and functionality enhancements to ID^3 (its primary focus being the enhanced UI). Instead, StoneRiver shifted its focus to the marketing of its e-app, illustrations and underwriting modules. However, it does report planned future investments for the UI.

- ID^3 does not support variable products or true group products, and has limited support for variable annuity products, thus making it a poor choice for insurers with a need to support these products.

- ID^3 has not been deployed in Canada, and this is not a target market for StoneRiver.

SunGard

SunGard offers a system called SunGard's iWorks Compass, which supports group, individual (including work site), fixed and variable, and claims-intensive insurance products for North American Tier 2 and Tier 3 insurers. It currently has 12 North American production customers (eight in the U.S. and four in Canada). It has not reported any new customer wins since 2010. SunGard also offers companion products that provide functionality for actuarial management, risk management, investment management, illustrations, workflow, and claims and billing, which are attractive to some policy administration solution buyers that wish to deploy multiple systems from a single vendor.

SunGard's iWorks Core Administration system is built primarily using COBOL, but also contains Java, C and other technologies. SunGard also offers a service portal that is built on newer

technologies. In addition, the company has a product configuration engine that allows insurers to calculate benefits for a wide range of products. SunGard has delivered a data mart as part of iWorks Compass, which provides easier access to data and better BI. It has also partnered with MicroStrategy for enhanced BI capabilities. This data platform can be deployed as a data repository for policy administration data from multiple policy administration systems, or as a repository for iWorks Compass only. SunGard has invested in creating a new UI, which it is now showing to prospects and offering to existing customers. SunGard also has launched a hosted solution in 2014 (targeted at Tier 2 insurers, Tier 3 insurers and TPAs) as well as consumption pricing, which will allow it to be better positioned down market with smaller insurers.

Strengths

- iWorks Compass is one of the most proven group insurance systems in North America. It supports tens of millions of covered lives across SunGard's North American customers.

- The SunGard development team has a strong understanding of the insurance business, particularly as it relates to group products.

- SunGard has a partnership with MicroStrategy to build out advanced dashboards and reporting.

Cautions

- In the North American market, there is a lack of visibility for iWorks Compass as a policy administration solution, due to a lack of marketing and sales investment.

- The system contains significant COBOL code, which many insurers view as a legacy language.

- SunGard has not won any new North American sales in the past four years. Gartner believes that its frequent changes in strategy and direction over the past several years regarding its approach to policy administration, along with an insufficient level of investment in policy administration enhancements, have contributed to its poor sales performance.

- SunGard's investment priorities have shifted from enhancing the on-premises solution to building the hosted/cloud offering.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor's appearance in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

No additions were made to the selection of vendors in this year's Magic Quadrant; however, the ownership of Genelco was changed from IBM to Concentrix when those assets were sold in early 2014.

Dropped

No vendors were dropped for this year's report.

Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, vendors must offer a software solution that provides core policy administration for life and annuity products for the North American market. The functions supported with the software product must include product design, policy calculations, policy transactions, correspondence generation and customer management for life insurance products. In addition, the following criterion must be met:

- All solutions in this research must have five or more North American production customers (at least three must be Tier 1 or Tier 2 insurers), *or* have acquired at least three new North American licenses in 2013.

Evaluation Criteria

Ability to Execute

Because the policy administration software space is quite mature, there are a large number of live installations across North America, and several vendors have been in this market for many years. Some vendors have more than 40 life insurance production deployments (in North America and globally). It should be noted that every vendor in this research has the necessary skills and software capabilities to provide policy administration software and services for North American insurers. However, the time it takes to complete projects, the ability to keep those projects on budget, and the number and type of resources that insurers will need to provide will vary based on the vendors' Ability to Execute. For this research, Gartner has placed weightings slightly higher in the Ability to Execute dimension because this is more reflective of the needs of the life insurance market.

The Ability to Execute dimension is composed of the following elements:

- **Product or Service:** Gartner evaluated this dimension by comparing architectural aspects of the system, and scored the system with SOA and more modern architectural characteristics that were higher than their older counterparts. Gartner also considered a system's flexibility in changing business rules, adding new products and deploying adaptable interfaces. Also considered in this dimension is the system's ability to empower an insurer to get products loaded and tested quickly.

- **Overall Viability (Business Unit, Financial, Strategy, Organization):** Gartner assessed the historical decisions the vendor has made in the insurance market, and the level of commitment it has to the industry. Also, factors such as the number of support staff and implementation partners were considered as part of this dimension.

- **Sales Execution/Pricing:** Gartner identified three subcriteria for this dimension: appropriate pricing, new sales success and license expansion. This factor is important because it reflects back to the life insurance industry how other insurers are reacting to various vendor offerings.

- **Market Responsiveness/Record:** This element incorporates several factors, including insurers' experience with upgrades, their ability to customize the system by making changes in code, and their ability to configure the system by using pre-established, configurable parameters.

- **Marketing Execution:** This element captures the vendor's ability to articulate its value proposition to the market.

- **Customer Experience:** This element focuses on customer satisfaction with the solution and the vendor. This includes the customer's point of view on implementation success, such as being on time and on budget. Also considered is whether insurers have cost-effective options to take advantage of BPO partners, convert business onto or off the platform, add new products, integrate with other systems, access data and leverage new technologies. Gartner also reviewed vendors' migration path track records to assess whether existing customers have options to upgrade to the most recent versions of vendors' latest offerings.

- **Operations:** This element is composed of several subcriteria, including the product, technical, and geographic range of services and experiences that a vendor has encountered, because the more experience the vendor has, the lower the risk for insurers. Gartner also considered how well the vendor resolved customer issues, as well as the number of policies supported in the largest single production instance.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	High
Marketing Execution	Low
Customer Experience	High
Operations	Medium

Source: Gartner (September 2014)

Completeness of Vision

Completeness of Vision measures a vendor's overall direction, and whether that direction fits with the realities of market trends, a competitive environment, and known constraints of the policy administration market in North America. This dimension consists of several elements:

- **Market Understanding:** This element identifies the vendor's competency and longevity in understanding the life insurance industry as a whole, and the North American market specifically.

- **Marketing Strategy:** This element measures how well the current marketing message resonates with North American life insurers.

- **Sales Strategy:** This element assesses how likely a vendor is to make future sales based on its track record, the sales team's competency and insurers' current buying behaviors.

- **Offering (Product) Strategy:** This element assesses the vendor's road map for functionality and the future direction for technical characteristics. It also incorporates the vendor's ability to listen to its customers, and measures whether the future of the product will be in-line with industry trends and insurers' changing needs.

- **Business Model:** This element evaluates how successful the vendor's business model is likely to be at delivering products and services. Additional factors in the criterion include the availability of BPO integration offerings, a willingness to adapt to changing realities, and the breadth of software pricing and delivery options.

- **Vertical/Industry Strategy:** This element measures the breadth of the insurance product mix (variable, claims-intensive, indexed) that the solution supports, and whether the product mix fits with the interests of the industry. It also evaluates how well the vendor is able to manage the insurance vertical industry's demands in light of the noninsurance pressures on the vendor.

- **Innovation:** This element measures the level of innovation that each vendor brings to the marketplace. It also includes leveraging new approaches, which may be outside the policy core, that would provide added value to customers in adjacent business processes.

- **Geographic Strategy:** This dimension measures the geographic reach of the vendor across the North American region, including the U.S., the Caribbean and Canada. It also considers multilanguage and multicurrency capabilities.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Medium
Marketing Strategy	Medium
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	Medium
Vertical/Industry Strategy	High
Innovation	High
Geographic Strategy	Low

Source: Gartner (September 2014)

Quadrant Descriptions

Leaders

Most of the vendors in the Leaders quadrant have been established in the North American life insurance policy administration market for many years, with many of them evolving their solutions year over year to better fit new technology and market business needs. Many of them are large enterprise vendors with deep pockets to fund innovation; they also have the scale to offer a full range of services, and to deliver options. Furthermore, many of these vendors offer the largest range of products supported in a single system, thereby establishing the greatest starting point for multiline insurers that want a single solution for group *and* individual product lines.

Challengers

Several Challengers appear in this year's Magic Quadrant. These vendors already have strong capabilities, but they are still learning how to effectively broaden their appeal with more extensive product, regional or functional coverage. These vendors' solutions are likely to be in the Leaders quadrant eventually as they continue to broaden their offerings and appeal, while also continuing to grow their vision.

Visionaries

There are no Visionaries in this year's Magic Quadrant. Vendors that would be labeled Visionaries would have solid products with a great focus on innovation and an ability to support future market conditions. They also would offer leading-edge functionality, which is not considered mandatory

with current-day market demands. In addition, they would often have a low ability to execute, due to issues such as small company size, a limited sales force or a limited partner ecosystem.

Niche Players

Niche Players are solid providers that have proven offerings, but appeal to a smaller subset of insurers. They are comfortable with serving a defined niche that's targeted at a specific insurance product, technology niche or set of functionality. These providers should not be discarded, but rather evaluated to determine whether their niche competency fits a certain need.

Context

- North American life insurers should evaluate the vendors positioned in the Leaders quadrant. However, they also should conduct a thorough system selection process to find the vendor that best meets their functional, product, geographic and technology requirements, and can support their long-term vision for strategies around digitalization and product innovation.

- Insurers should expect: (1) consistent growth in the total number of annual deals across all vendors; (2) a distribution of deals across vendors, similar to previous years; and (3) an increase in the number of vendors serving the market.

- Insurers should anticipate deploying policy administration solutions without extensive modifications and code customizations as the systems mature and become increasingly configurable.

Market Overview

This Magic Quadrant updates the 2013 "Magic Quadrant for North American Life Insurance Policy Administration Systems." This report profiles the policy administration system providers for individual and group life and annuity products targeted at North American life insurers.

Gartner continues to see growing demand among life insurers as new business demands challenge their aging legacy systems. More than ever, companies are facing business challenges that cannot be accomplished when they are running older, inflexible and high-cost legacy systems. Challenges include an inability to support product innovation, new channels (such as direct or work site), new products and distribution partners'/customers' needs (for example, e-service or mobility). Additionally, many companies are looking to reduce the cost of administering policies, thereby reducing their reliance on IT and/or the vendor by taking over some of the configuration, and seeking better tools that have improved workflow to support customer-centric processing.

Companies that want to replace their legacy systems will find a crowded and diverse market of vendors offering policy administration systems of various maturity levels. For the purposes of this research, Gartner identified 17 vendors with installed customer bases and/or ample new customer

wins to show long-term promise, and these vendors are reviewed as part of this Magic Quadrant. Combined, these vendors support a total of 261 live deployments across North America.

The number of new deals is increasing slightly each year. In 2012, we reported between 15 and 20 new deals; in 2013, vendors in this report combined to account for a total of 24 new deals signed; and in 2014, there are already 13 new deals. The companies entering these contracts range in size and product lines to be supported, with most wanting comprehensive solution functionality covering policy plus claims and new business.

The vendor market continues to evolve to match new market demands and emerging needs. From our review of the vendors, five key trends emerged:

- Many of the heritage vendors are unable to keep up with and evolve to compete with newer market entrants. For example, companies like HP, SunGard and StoneRiver have all gone many years without winning new customers.

- Innovation is occurring in new areas, often outside the core policy or new business process. In the past, vendors have invested in innovation in new business processing, including e-apps. Today, this is common among many vendors, but does not provide a competitive advantage. During the past year, some vendors have turned their innovation toward areas such as mobility and analytics. This puts larger vendors at an advantage against the smaller ones, which may lack the budgets to invest in these areas without establishing new partnerships.

- While solutions are maturing, with new features being added and technical enhancements being made, most still do not support life insurers' emerging digital needs. Many solutions have limited straight-through processing capabilities, but do not have front-end capabilities to support digital channels and transaction needs.

- Vendors are doing better at offering customers choices in delivery models, and a few vendors offer hybrid TPA/hosting in addition to on-premises software. Some vendors are building out multitenant SaaS as a future enhancement.

- Many vendors still do not support the product needs of a multiline life insurer. Many focus exclusively on individual or group, and many lack the support of health-related or work site products.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"How Markets and Vendors Are Evaluated in Gartner Magic Quadrants"

"Market Guide for Insurance Megavendors"

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest

degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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