Aite Novarica

FEBRUARY 2023

PROPERTY/CASUALTY POLICY ADMINISTRATION SYSTEMS

MARTIN HIGGINS
CAREY GEAGLONE

This excerpt provided compliments of:

Duck Creek Technologies

IMPACT REPORT

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INTRODUCTION

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

The solution provider profiles included within this Aite-Novarica Group P/C PAS Vendor Report do not provide subjective analyses of each vendor's solution. The reports are based on direct responses to an RFI distributed by Aite-Novarica Group, technical discussions with each vendor to verify the RFI responses, and subsequent follow-ups with the vendors to validate and confirm responses.

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

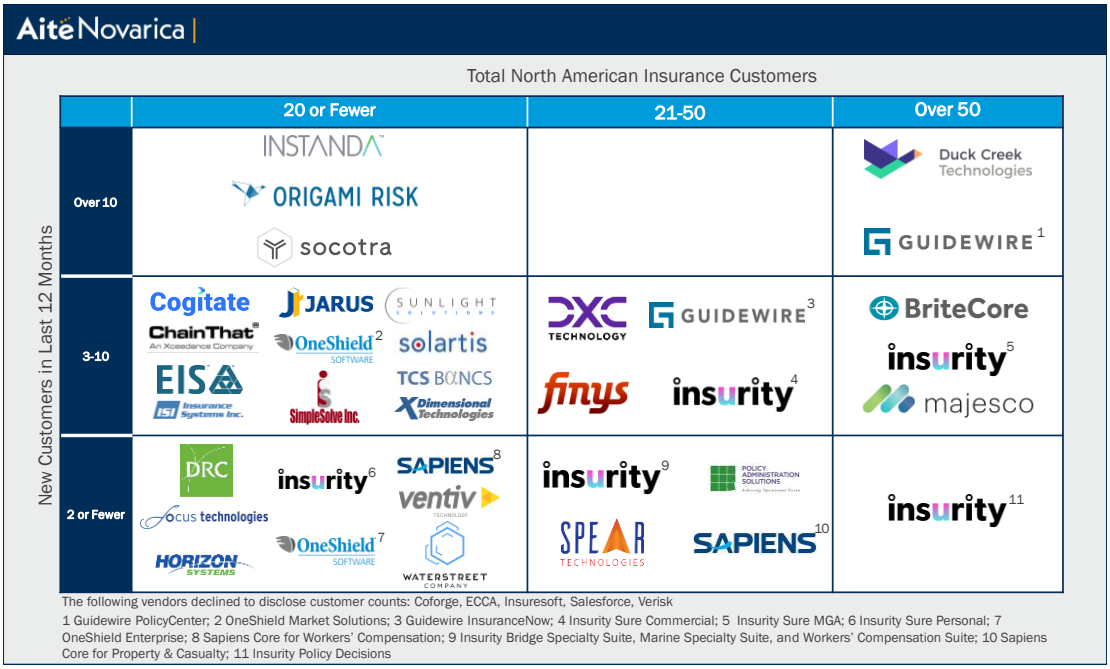
These reports do not render judgment; the specific situation and needs of insurers will determine the fit between potential providers and insurers. Aite-Novarica Group provides these types of advisory consultations to more than 150 insurer clients through its retained advisory services.

METHODOLOGY

Each vendor's solution must have at least one live insurance (non-MGA or self-insured) client to participate in the report. The vendor profiles are based on factual responses to a request for information (RFI) that Aite-Novarica Group distributes and a 90-minute product demonstration. The report includes charts and comparison tables to provide comprehensive information about solution capabilities, client count, and supported lines of business.

This excerpt includes the profile of Duck Creek. The full report includes profiles of the 42 stand-alone core PAS providers listed in Figure 1.

FIGURE 1: VENDOR LANDSCAPE



The following vendors declined to disclose customer counts: Coforge, ECCA, Insuresoft, Salesforce, Verisk

1 Guidewire PolicyCenter; 2 OneShield Market Solutions; 3 Guidewire InsuranceNow; 4 Insurity Sure Commercial; 5 Insurity Sure MGA; 6 Insurity Sure Personal; 7 OneShield Enterprise; 8 Sapiens Core for Workers' Compensation; 9 Insurity Bridge Specialty Suite, Marine Specialty Suite, and Workers' Compensation Suite; 10 Sapiens Core for Property & Casualty; 11 Insurity Policy Decisions

THE MARKET

Aite-Novarica Group's studies of P/C insurer CIOs, conversations with insurers and vendors, and third-party research indicate that new core system replacement rates are still widespread in the industry. However, in specific market segments, they have fallen off from their peak in the early 2010s. Many large and midsize insurers have replaced or are in the process of replacing legacy systems. More recently, smaller insurers and specialty insurers are considering a replacement. Smaller companies bring even more demand for cloud-based options and low-cost implementations.

The following business and IT trends are influencing the present and future PAS market:

- The need to improve product development speed and enhance product capability to pursue new opportunities (e.g., excess/surplus lines, workers' compensation), or accommodate market demands (e.g., micro-rating, direct-to-consumer), especially as insurers engage in mergers and acquisitions (M&As).
- The need to improve product development flexibility to enter profitable new niches as the commercial market remains hard, the economy weakens, and the personal auto market looks to enter other areas in preparation for external disruption.
- A desire to reduce the sizeable costs of maintaining legacy systems running on aging platforms. The industry average is around 60%, but many insurers report that more than 75% of their IT budgets go toward "keeping the lights on" in these environments, leaving little capacity for new product innovation or improving the capabilities of existing products.
- A desire to find cost-effective ways to support the operation and management of core systems. In some cases, this may require insurers to move away from systems that necessitate customization for enhanced functionality and toward systems that use configuration tools to achieve such enhancements. The objective, in all instances, is to reduce the long-term total cost of ownership as the economy enters a recessionary period.
- Increased data accessibility demands as BI and data analytics become a significant part of insurers' strategic objectives. Core system data must be available for analysis, whether within the system or via export and transformation, to set rates/pricing, reduce fraudulent claims, and generate other predictive models.

- The ability to integrate with third-party applications seamlessly as part of the underwriting workflow, including analytics for underwriting risk scoring/fraud detection, becomes more critical as insurers move toward more digital processing of submissions and approvals.
- The industry's acceptance of cloud and SaaS for core systems has evolved into a preference for cloud options. Almost all vendors now provide a SaaS subscription model with true cloud deployment, and the vast majority of new deals are cloud deals.

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

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

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

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

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

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

SHIFT TO CLOUD IS ACCELERATING

Cloud remains a major engine of change and innovation in the core systems market. Almost all vendors now offer a cloud option, and many do not offer an on-premises option. Most market activity is now centered around the cloud.

Several vendors now have active initiatives encouraging their on-premises customers to migrate to cloud offerings. Financial incentives have become attractive, sometimes bringing the total cost of ownership of cloud solutions under that of on-premises solutions—though, on balance, cloud tends to cost more overall. Many historically on-premises customers began migrating to a vendor's cloud offering in 2022.

Some vendors now have dedicated cloud versions of their software that offer cloud-native technology and services unavailable in their non-cloud versions. Enhancements include better performance, improved scalability via serverless computing and cloud databases, environment automation, fault tolerance, and tighter integration with cloud-only services for data, analytics, and AI. These cloud-optimized versions encourage new customers to choose cloud and incentivize existing customers to migrate or miss out on new features.

Vendor Cloud Maturity Varies

Levels of cloud maturity vary widely across the vendor market. Some vendors are experienced in cloud deployment and management; for others, cloud replaces a private data center, offering insurers limited benefits over hosted or on-premises options. The vendor's responsibility broadens as part of cloud deployment; insurers must be comfortable that their vendors have the same level of expertise with cloud as they have with their software and database technology.

Many vendors claim to support multiple cloud options; most frequently, these are AWS and Microsoft Azure. This may seem beneficial to insurers, but it should be viewed with skepticism. It can suggest that the vendor is not taking full advantage of the capabilities of any single platform and views cloud simply as an alternative data center. The vendor may manage aspects of the installation itself rather than relying on capabilities inherent to the cloud platform. Similarly, cloud-native capabilities are generally proprietary to the cloud vendors, and vendors typically eschew those if they support multicloud.

Secondly, cloud platforms have major differences in terms of tooling and the expertise needed for provisioning, monitoring, tuning, and securing. Cloud automation is a critical

differentiator in whether a vendor can deliver the advantages of cloud deployment. Just as it is challenging for midsize insurers to be multicloud, so it is with PAS vendors. PAS vendors would be better served by building and maintaining expertise on a single cloud platform rather than spreading themselves thin across multiple platforms. Mastery of a single platform is preferable over versatility across several platforms.

Multitenancy Is Emerging

Now that cloud is firmly established as the mainstream option, an evolutionary shift is underway toward cloud multitenancy. Multitenancy was a dirty word five years ago, but acceptance of the paradigm is growing rapidly.

A multitenant system is one where a shared application and infrastructure supports several clients. Clients may share databases in some cases, though this is still rare in insurer core systems and will likely remain so for the foreseeable future. Insurers have become more comfortable with multitenancy by working with vendors like Salesforce and Workday. New core systems have emerged that are built from the ground up to be multitenant.

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

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

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

UPGRADES GRADUALLY GIVE WAY TO UPDATES

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

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

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

Upgrades are not something that customers of solutions like Salesforce and Office365 typically worry about, and the shift toward SaaS and cloud offers insurers and PAS vendors an "out" from this unhappy situation.

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

Release Frequency Is Increasing

Mandating regular upgrades is only part of the solution, however. Vendors continue to push releases on a more frequent cadence supported by continuous integration pipelines and automated testing. Several vendors now push new updates on a weekly or monthly basis and have abandoned the traditional "big bang" upgrade entirely.

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

to make. Finally, it requires investment in significant levels of test automation, which can take months or years to develop.

Frequent releases also require active, ongoing customer participation. Rather than staffing upgrade projects every couple of years, insurers must be organized to test features regularly. Vendors can and do avoid unnecessary customer disruption as they move to more frequent releases by maintaining backward compatibility and allowing insurers to control when new features are switched on via configuration. This allows insurers to manage the rollout to internal staff and its distribution channels.

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

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

USE OF LOW-CODE EXPANDS

Low-code/no-code is a development paradigm focusing on minimizing the coding necessary to deliver customized software. Low-code can allow those lacking a traditional software background to perform development by reducing the expertise needed to build applications.

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

The shift toward low-code is evident in several ways. Incumbent vendors continue to enhance low-code capabilities in their solutions. Newer entrants to the market are raising the bar in terms of low-code tooling, in some cases moving closer to delivering on the promise of business users managing their backlog of product customization.

Several vendors have emerged from a low-code platform or a digital submission platform and have built some policy administration capabilities on top of it.

Low-Code Digital Platforms Replacing the Canned Portal

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

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

A recent development is the "digital platform" as a replacement or alternative to the canned portal. Digital platforms are low-code solutions that aim to address the shortcomings of both canned and custom portals. The use of low-code technology allows insurers to customize the user experience fully for competitive advantage and integrate with alternate back-end systems to provide a unified experience regardless of which back-end system houses the policy. Digital platforms are not as flexible as fully custom portals. Still, they allow for more rapid delivery of capabilities because of the low-code tooling, prebuilt content, content management, social media integration, chat, and chatbots. Prebuilt integrations with commonly used services for underwriting, claims, and payment processing also act as accelerators to value.

ECOSYSTEMS: MARKETING AND REALITY

An increasingly significant competitive differentiator is the ecosystem associated with the PAS solution. An ecosystem is a collection of point solutions pre-integrated with the core system. A seminal example of the ecosystem is the Salesforce AppExchange.

A point solution is typically a vendor that sells a product, platform, or service that provides a single capability or set of capabilities that integrate with and augment the core administration processing. PAS vendors often acquire point solutions vendors to integrate with their core suite (see M&A and Restructuring Activity). While this can offer an excellent insurer experience, it is not a scalable way to incorporate all the capabilities an insurer might need.

The alternative, the partner network, where vendors partnered to provide "canned integrations," was not always a good customer experience because these integrations are often accelerators rather than finished products. They demanded significant effort to wire into the system during implementation and often required additional effort when updates were needed to either the point solution or the PAS.

The ecosystem can be viewed as an evolution and enhancement of the traditional partner network. Point solutions that are part of an ecosystem can be used with minimal effort and risk. They are certified and tested by the PAS vendor and receive product support and updates, when necessary, as part of the product roadmap. In many cases, point solutions sourced from an ecosystem can be enabled with the click of a button.

As such, ecosystems have become a competitive differentiator and a major selling point of new systems. They allow insurers to feel confident that when they choose a core system vendor, they are getting access to a wide variety of capabilities outside the core system and will be free from managing tens or even hundreds of point-to-point integrations themselves. However, just like cloud capabilities, ecosystem maturity varies significantly across the vended marketplace. Some vendors touting ecosystems are in the nascent stages of building out these capabilities and oversell their partner networks and integration accelerators as ecosystems.

Insurers are advised to validate vendor claims regarding their ecosystems to ensure they get the value they expect from this important solution component. Size, depth, relevance, and quality of point solutions offered is the first and easiest step of any assessment. Since vendors tout their ecosystem partners on their websites and in marketing materials, it is straightforward to determine who their ecosystem partners are and what services they offer.

But it does not stop there. What is harder to assess is ecosystem maturity. Insurers should assess if the connectors offered go beyond professional services integration accelerators. Are they certified by the vendor? Do they have an associated roadmap?

Are they tested and supported by a vendor? How easily can they be enabled? These questions will enable insurers to make informed decisions about the value and maturity of the vendor's ecosystem.

KEY COMPONENTS

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

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

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

1. **Be actively marketed as a product in North America.** The vendor must support the product with an active product roadmap of regular releases. Vendors must provide documentation, ongoing support, and issue resolution for the policy functionality (#2 to #5 below).
2. **Support the management of insurance product definitions.** The policy system must provide the ability to define P/C insurance products, including data and processing requirements, such as rating, underwriting, coverages, and forms. At a minimum, product definitions must support versioning by effective date and jurisdiction (state).
3. **Support persistent storage and retrieval of the policy contract information.** The system must be capable of serving as the system of record for policy information by persisting it to a bitemporal (effective date and created date) repository. The system must support the search and retrieval of policies based on a range of criteria, including policy identifier, policyholder name, and effective date. Policy information should be viewable "as of" a point in time.

4. **Support comprehensive policy life cycle transaction processing.** These include all policy life cycle transactions: quoting, new business issuance, renewal, midterm change, cancellation, and reinstatement. The system must generate the necessary financial transactions (onsets and offsets) to support downstream processes and analytics and store full transaction history to allow the policy to be viewed at a point in time for audit purposes.
5. **Provision of a user interface.** MVP policy solutions must provide a user interface to allow users to operate the system. The minimum requirement is that the interface supports data entry for supported insurance products and execution of all policy search/retrieval operations and policy life cycle transactions.

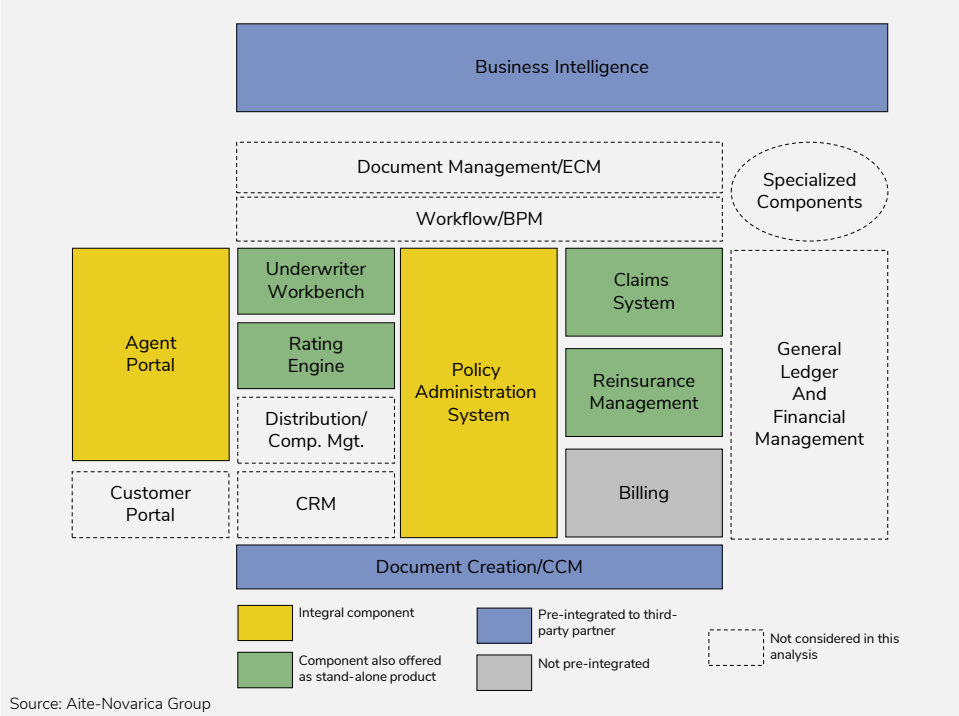
What the industry considers a complete PAS has expanded to include much of what insurers used to license or build as ancillary functions. Few vendors in this report license a stand-alone policy administration component. Whether the additional components are integral to the suite or stand-alone offerings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

Aite-Novarica Group publishes separate vendor reports to focus on the details of these individual components. This report covers the entire suite that falls under the PAS umbrella.

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

This version of our Aite-Novarica Group Core Systems Map (Figure 2) provides a color-coded view for each solution. The coloration indicates whether the vendors include the functions as components integral to the system, integral components that they also offer as stand-alone products, components pre-integrated to a third-party partner, or components not pre-integrated to the solution.

FIGURE 2: AT-A-GLANCE OVERVIEW



Source: Aite-Novarica Group

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

The following sections describe key PAS features and components Aite-Novarica Group surveyed.

Core Policy Administration

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

Rating Functions

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

Underwriter Workbench Functions

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

Document Functions

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

Agent Portal Functions

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

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

Consumer Portal Functions

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

Reinsurance Functions

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

Business Intelligence Functions

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

Billing Functions

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

Claims Functions

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

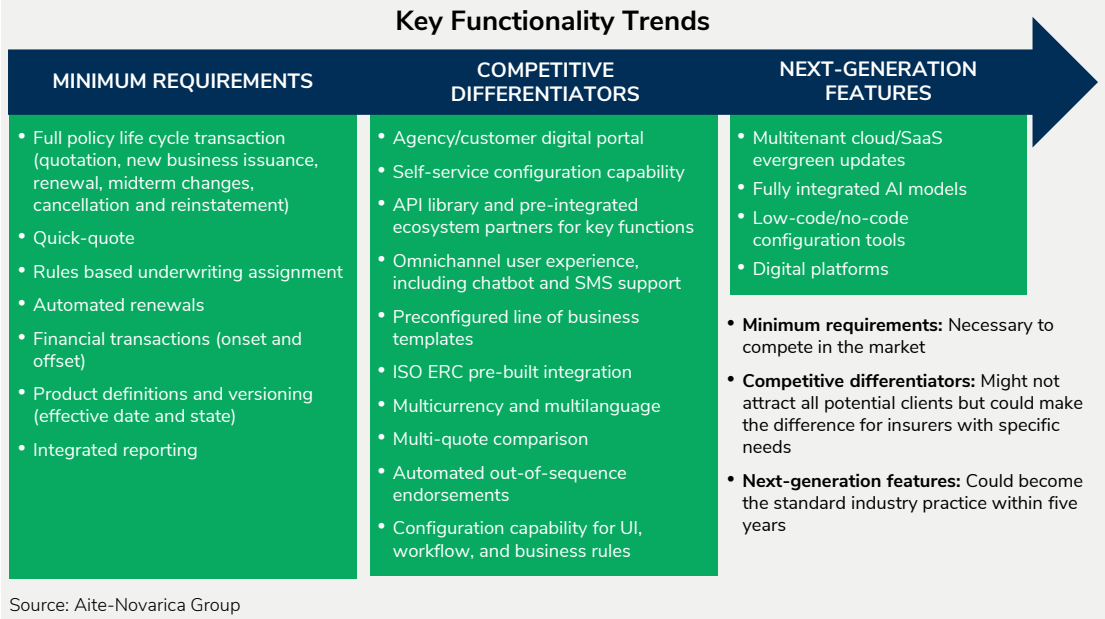
MINIMUM FUNCTIONAL REQUIREMENTS

Policy administration systems must meet a set of minimum functional requirements to sustain the basic needs of insurers. Many vendors focus on developing functionality that presents competitive differentiators to increase adoption and capture additional market share.

Competitive differentiators might not be attractive to all insurers. Still, they are currently driving key client adoption and often could make the difference for insurers looking to

address specific functionality needs. Features noted as next-generation could become the standard industry practice within a decade; on the other hand, they could be completely ignored (Figure 3).

FIGURE 3: KEY FUNCTIONALITY TRENDS



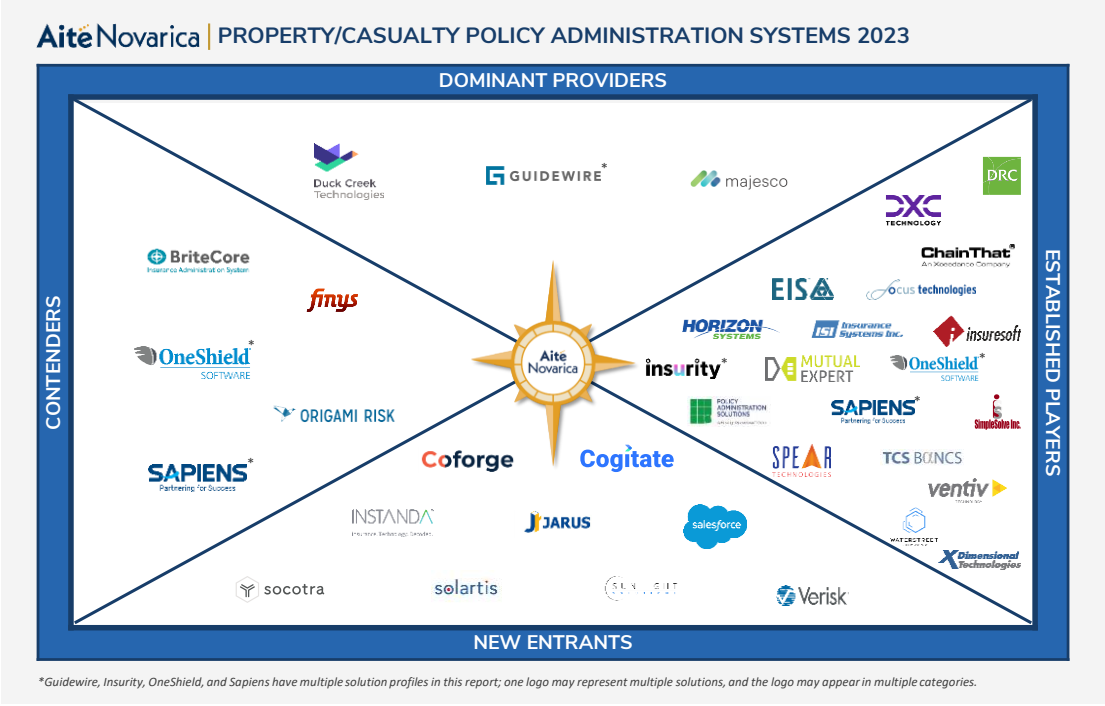
Source: Aite-Novarica Group

FULL SOLUTION PROFILES

The Aite-Novarica Group vendor graphic (Figure 4) provides an overview of major providers in the P/C PAS market. It is intended to help insurers quickly understand who is active in the space based on the total customer base and new customers in the last 12 months. Each provider is shown in one of the following categories:

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

FIGURE 4: AITE-NOVARICA GROUP P/C PAS VENDOR CATEGORIES



*Guidewire, Insurity, OneShield, and Sapiens have multiple solution profiles in this report; one logo may represent multiple solutions, and the logo may appear in multiple categories.

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

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

DUCK CREEK TECHNOLOGIES INC. – DUCK CREEK ONDEMAND

Aite-Novarica Group's Take

Duck Creek Technologies has a comprehensive PAS solution resulting in its extensive client base. Clients represent insurers of all sizes supporting all lines of business, including specialty. However, the solution is best suited for Tier-1 and Tier-2 insurers with revenue over US$1 billion. In recent years, Duck Creek has successfully transitioned from a traditional on-premises software provider to a cloud-based solution vendor, including silent product updates every two weeks. Recent product enhancements have focused on updates to its claims module and digital portals. Duck Creek's product roadmap includes underwriting workbench updates and enhancing the customer experience by adopting a persona-based user experience.

Basic Firm and Product Information

- **Product name:** Duck Creek OnDemand
- **Headquarters:** Boston
- **Founded in:** 2000
- **Number of employees:** 1,896
- **Key financial information:** Duck Creek Technologies Inc. is a publicly traded company with annual revenue between US$250 million and US$500 million. The company invests more than 15% of revenue back in R&D. Duck Creek Technologies Inc. reports that its revenue growth rate in the last 12 months is greater than 15%.

- **Target customer base:** Tier-1 to Tier-4 in North America, Latin America, Europe, the Middle East, Africa, and the Asia-Pacific
- **Client base:** 57 P/C U.S. and Canadian insurers are live on Duck Creek OnDemand.
- **Publicly announced clients:** Core Specialty, BHSI, Coverys, Builders Mutual, West Bend
- **Average client tenure:** 11 years
- **Deployment options:** Available on public cloud
- **Average implementation and cost:** Typical implementation costs US$5 million or more and takes, on average, nine to 12 months from contract signing to go-live.
- **Pricing structure:** SaaS, term license/revenue model, which includes a one-time license fee, hosting, maintenance and support, ongoing access to the latest version, and implementation of the upgrades
- **Strategic partnerships:**
  - Technology partners include LexisNexis, Verisk, CoreLogic, Microsoft, and Precisely.
  - SI partnerships include Accenture, Coforge, Cognizant, Mindtree, and Capgemini.

Lines of Business Supported

Figure 5 identifies the lines of business that the solution supports.

FIGURE 5: DUCK CREEK ONDEMAND LINE OF BUSINESS SUPPORT

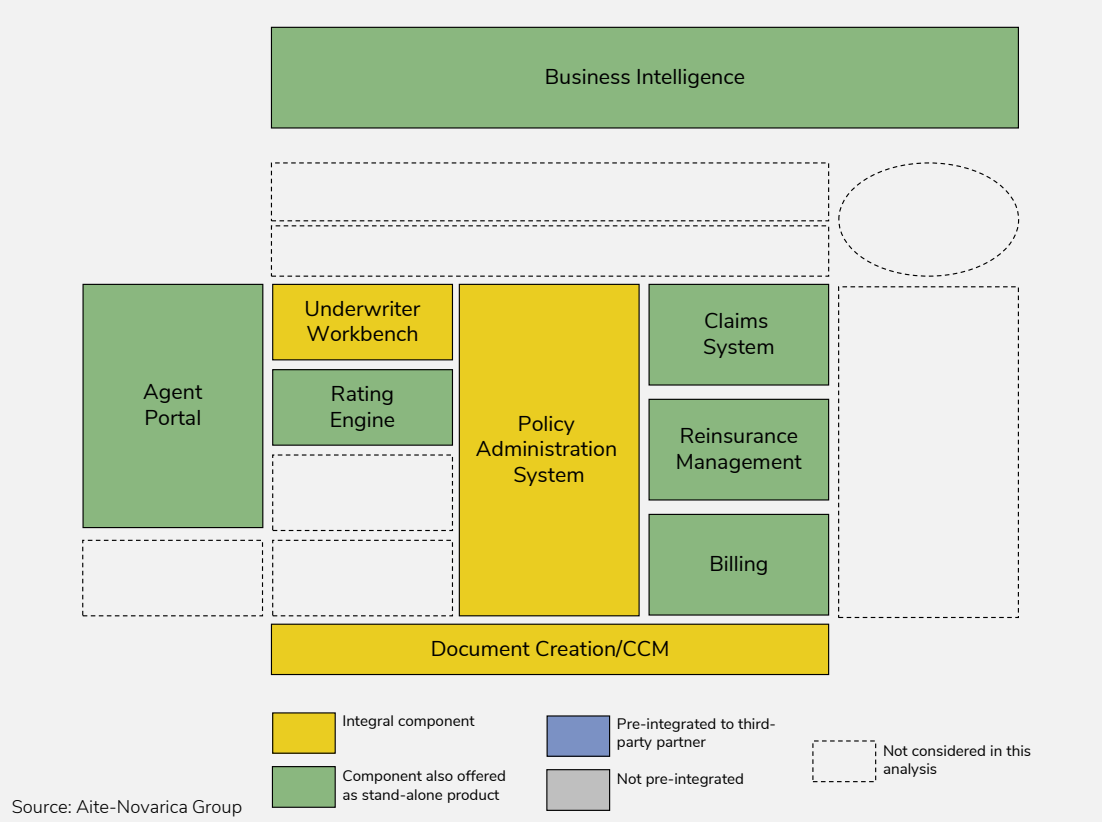
Duck Creek OnDemand: Lines of Business Supported			
Personal Lines			
Personal auto		50 states	
Homeowners		50 states	
Personal umbrella		50 states	
Dwelling fire		50 states	
Boatowners		50 states	
Personal package		50 states	
Renters		50 states	
Commercial Lines			
Commercial property	50 states	Inland marine	50 states
General liability	50 states	Commercial package	50 states
BOP	50 states	Specialty	50 states
Cyber	50 states	Farm	50 states
Commercial auto	50 states	Workers' compensation	50 states
E&O/D&O	50 states	Surety	50 states
Professional liability (incl. med. malpractice)	50 states	On-demand insurance	50 states

Source: Aite-Novarica Group

Key Features and Functionality

Figure 6 shows a summary of the functional areas covered by the solution.

FIGURE 6: DUCK CREEK ONDEMAND AT-A-GLANCE



Source: Aite-Novarica Group

Technology Overview

The product was launched in 2015 and was re-architected in 2021. Releases are made every two weeks. Duck Creek Technologies Inc. reports that 68% of the solution's customers are on a version that is less than three years, with 16% on the latest version.

The solution supports relational and cloud-native databases and traditional and cloud-native server platforms. Clients are not allowed to touch core code.

Support

Of the 1,896 people employed at Duck Creek Technologies Inc., there are between 250 and 1,000 on both the product design and engineering team and implementation team.

Duck Creek Technologies Inc. resources are based in North America, Europe, and the Asia-Pacific. Duck Creek Technologies Inc. offers customer success managers and

customer engagement activities such as an online community, a customer advisory committee, and user events.

Configuration Supported

Configuration for insurance products, workflow, and business rules is via tools for BAs and non-IT staff. Configuration of document authoring is via tools for IT analysts. Integration to third-party services and configuration of screens requires custom code or enhancements by Duck Creek.

Key Differentiators

Duck Creek Technologies Inc. cites these as the key differentiators:

- Evergreen SaaS offering with bi-weekly updates
- Low-code configuration tools
- Product inheritance and single point of change
- Rapid implementation
- Open platform and ecosystem

Top Strategic Product Enhancements Over the Past 12 to 18 Months

- Evolved claims module architecture to leverage Azure PaaS
- Increased digital engagement with producers via improved portal experiences
- Introduction of OnDemand Control Hub web portal to enhance the effectiveness of carrier IT teams by providing access across the entire core system

Top Strategic Product Initiatives in the Next 12 to 18 months

- Enhance Data Insights offering and add AI/ML capabilities
- Become global-ready with regional and base content
- Adopt persona-driven user experiences across products

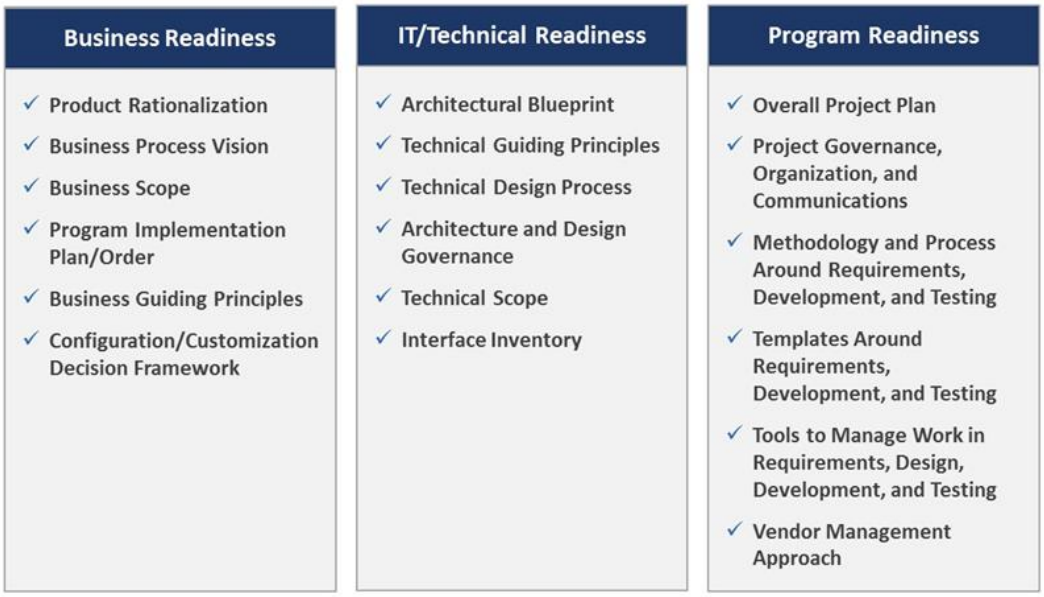
CONCLUSION

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

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

Insurers can take several steps before a transformation project begins to ensure the project runs as smoothly as possible (Figure 7). These steps fall into three areas: business readiness, IT/technical readiness, and program readiness. These preparatory activities are listed below.

FIGURE 7: PROJECT READINESS STEPS



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

ABOUT AITE-NOVARICA GROUP

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

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