



# **IT in P&C: Budgets & Priorities, Buy v. Build, and the Vendor Landscape**

*Presenter:*

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*PCI Technology Conference  
October 2010*

## About Novarica

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- Retained advisors to insurer executives in operations and IT
- Publish research on:
  - Business and technology trends and best practices in insurance
  - Peer group behaviors
  - Vendor analyses
- Manage the Novarica Insurance Technology Research Council, a moderated community of over 200 insurer IT executives
- No implementation work or vendor partnerships
- Division of Novantas, LLC, a leading financial services management consultancy and information services provider

## Agenda

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### Budgets and Priorities

- Buy v. Build
- Vendor Landscape

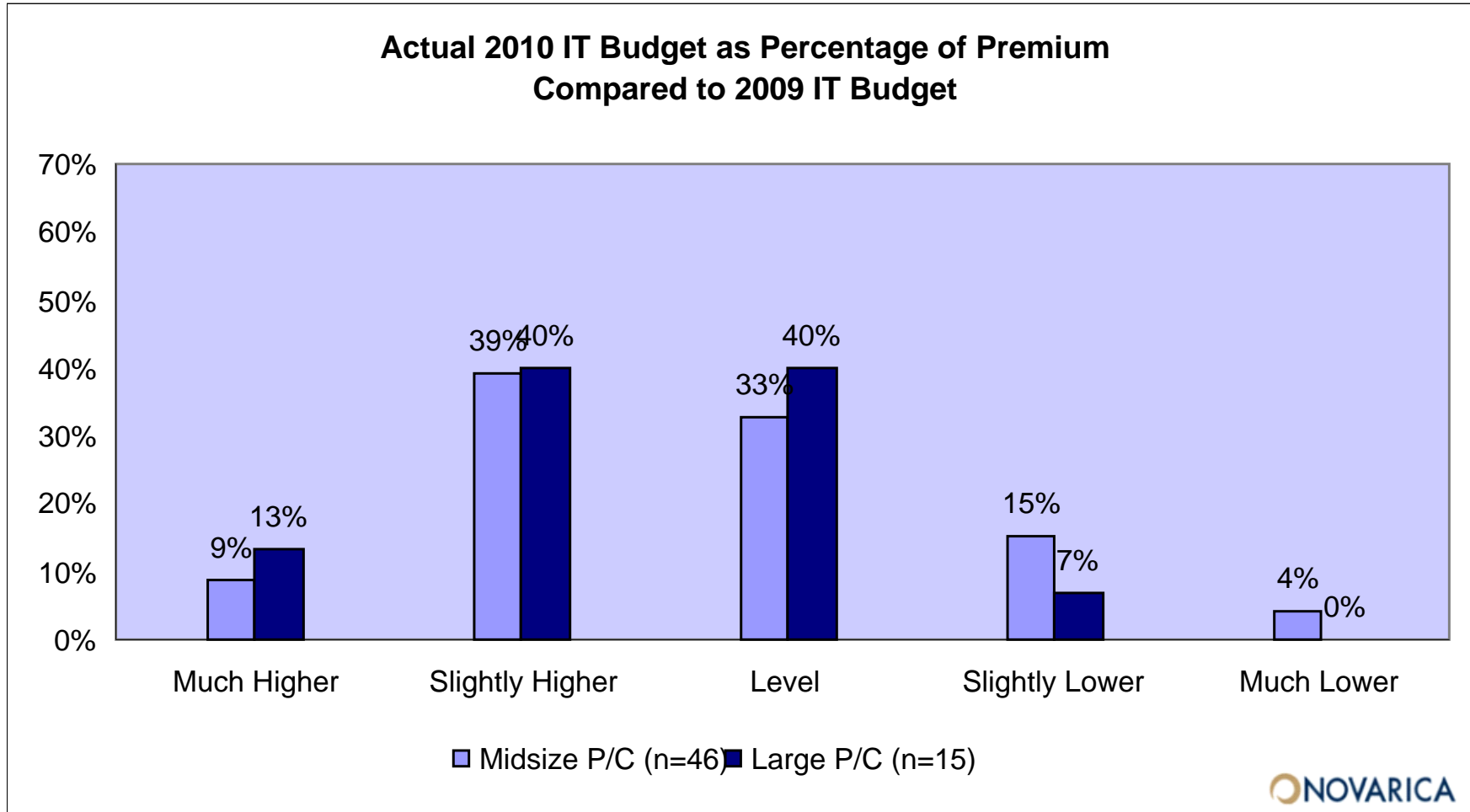
## About the Council and the Sample Group

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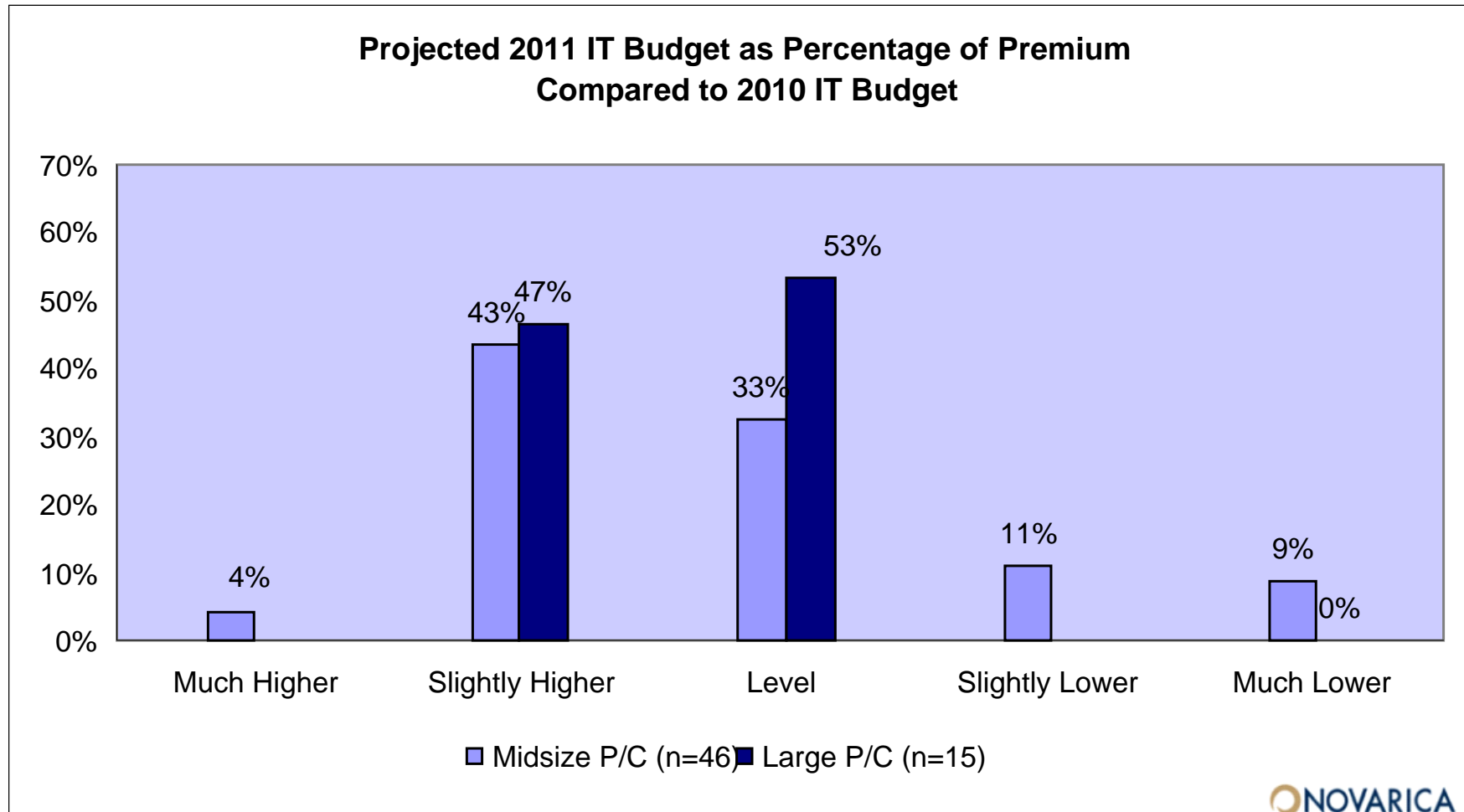


- The Novarica Insurance Technology Research Council (NITRC) is a knowledge-sharing and peer-networking community made up of insurer technology executives. As of June 2010, the council had over 200 members from more than 185 different insurers ranging from the largest to the smallest, across life/annuity/health and property/casualty.
- This Survey:
  - 61 US P/C insurer CIOs and equivalents
    - 75% midsize, 25% large (over/under \$1 billion)
  - Survey conducted April 2010

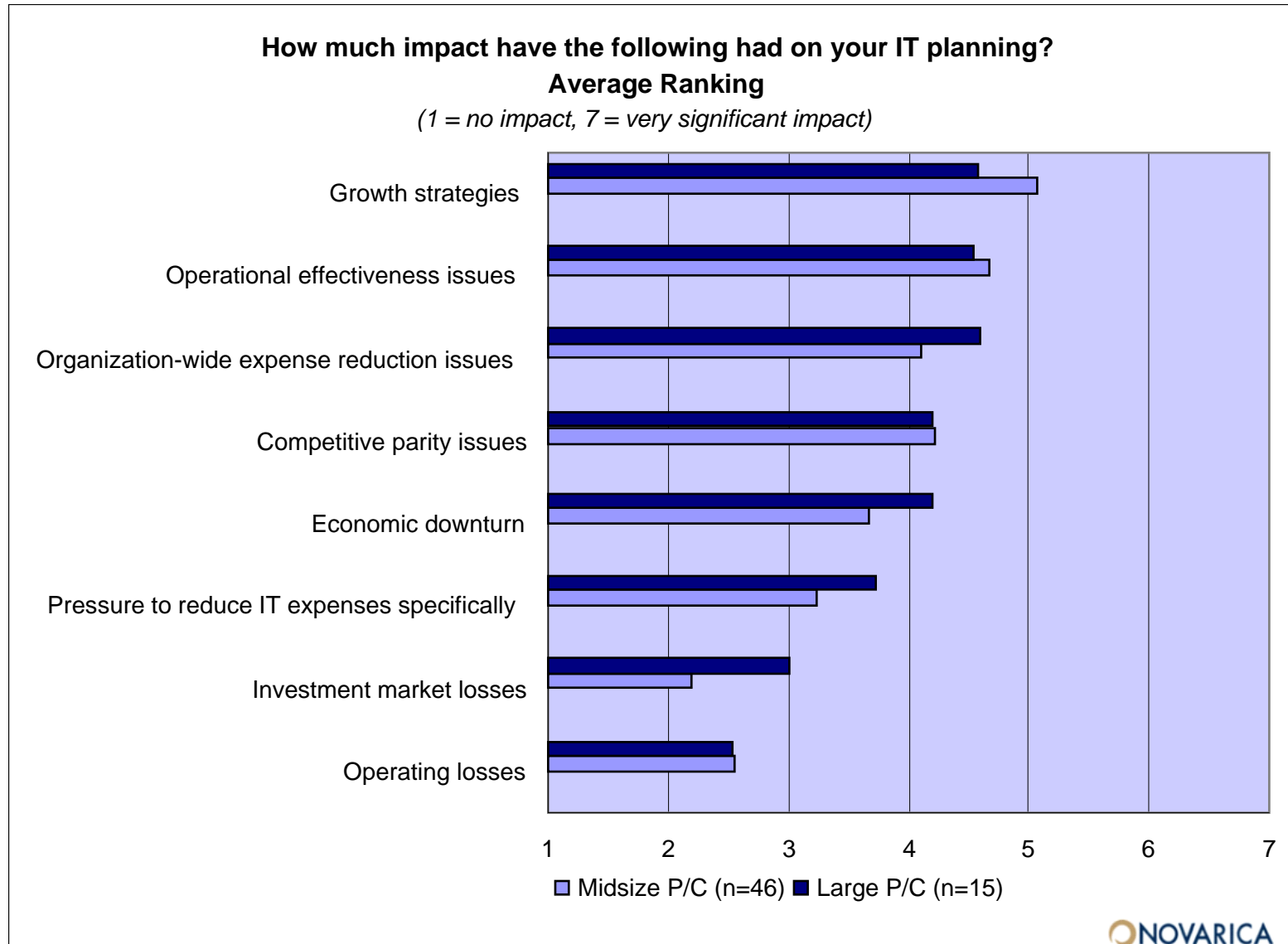
## Budgets 2010 Budget Compared to 2009



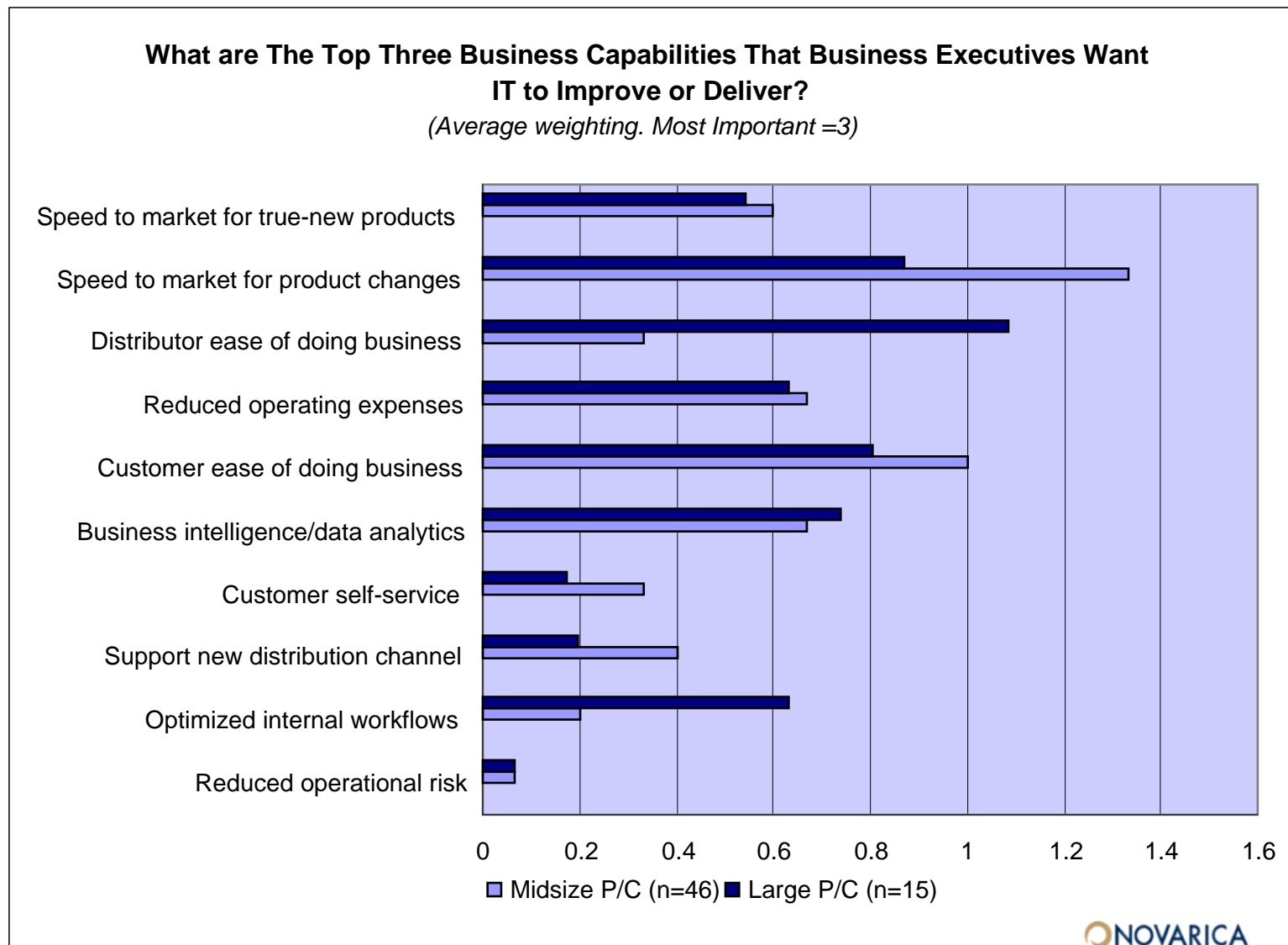
## Projected Budgets for 2011



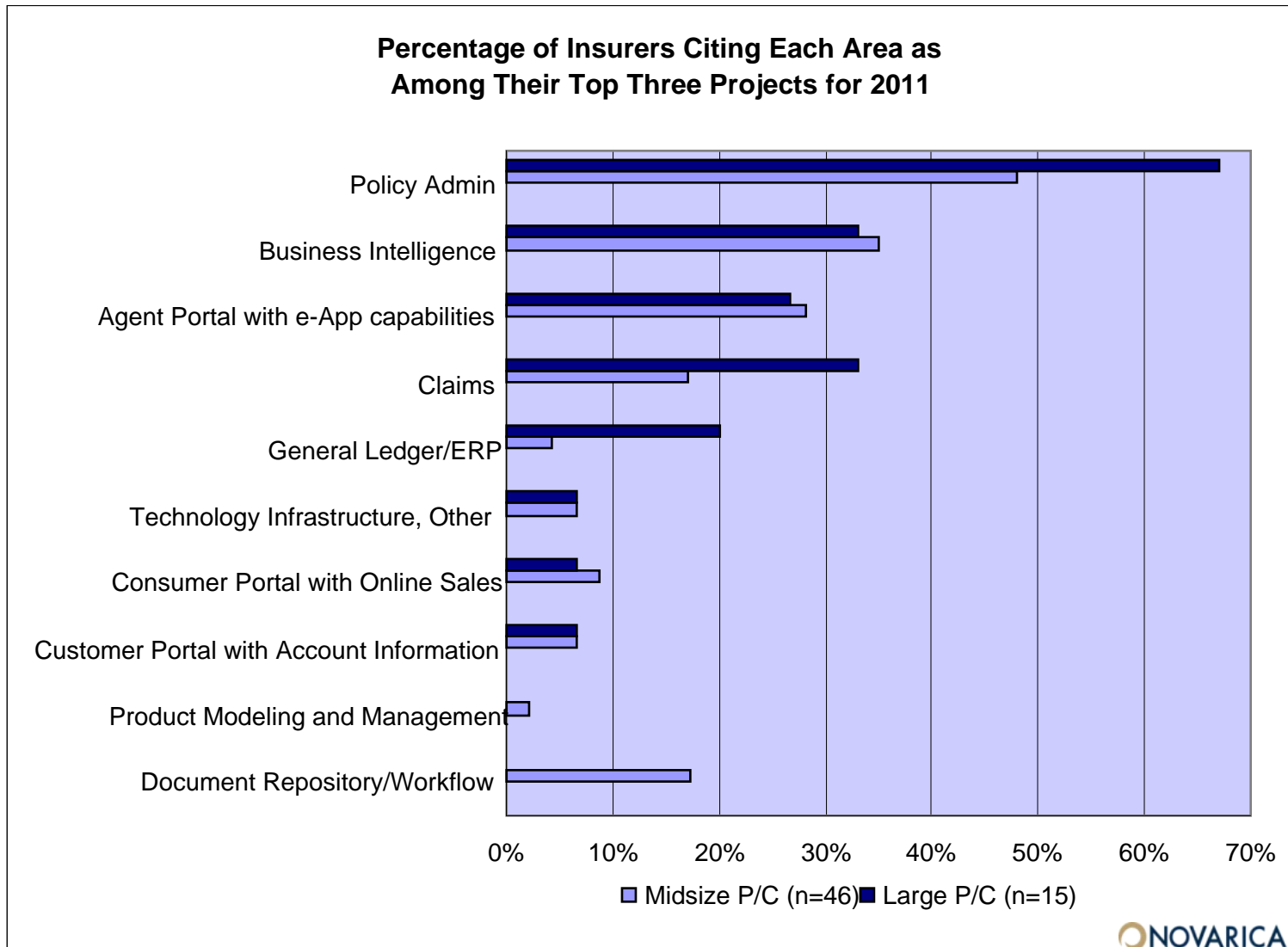
## Business Drivers: Average Scores



## Business Capabilities: Average Scores



# Top Projects 2011



## Agenda

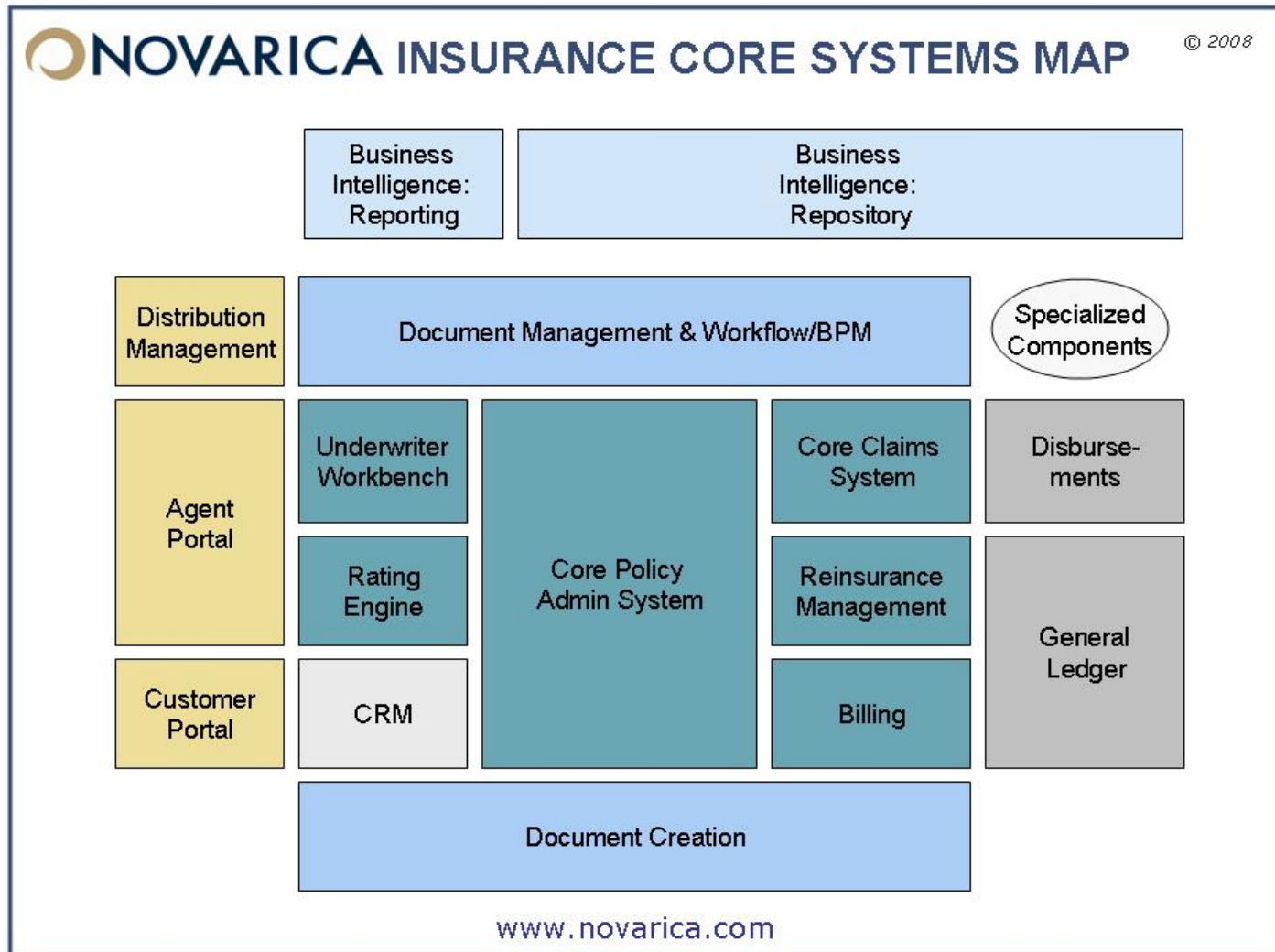
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- Budgets and Priorities

 Buy v. Build

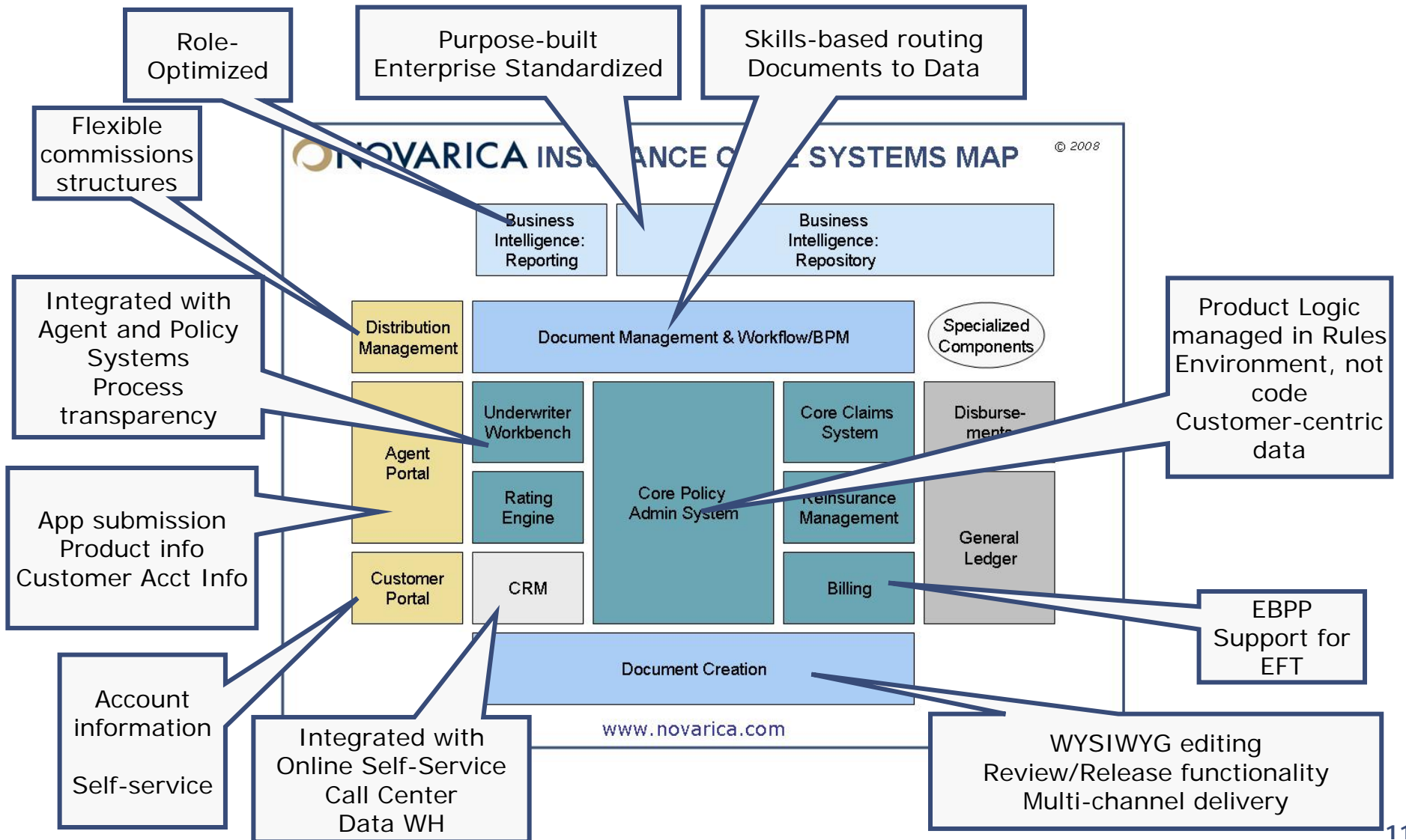
- Vendor Landscape

# Most Insurers Have Essentially the Same Core Application Architecture, Shown at a High-Level in the Map Below



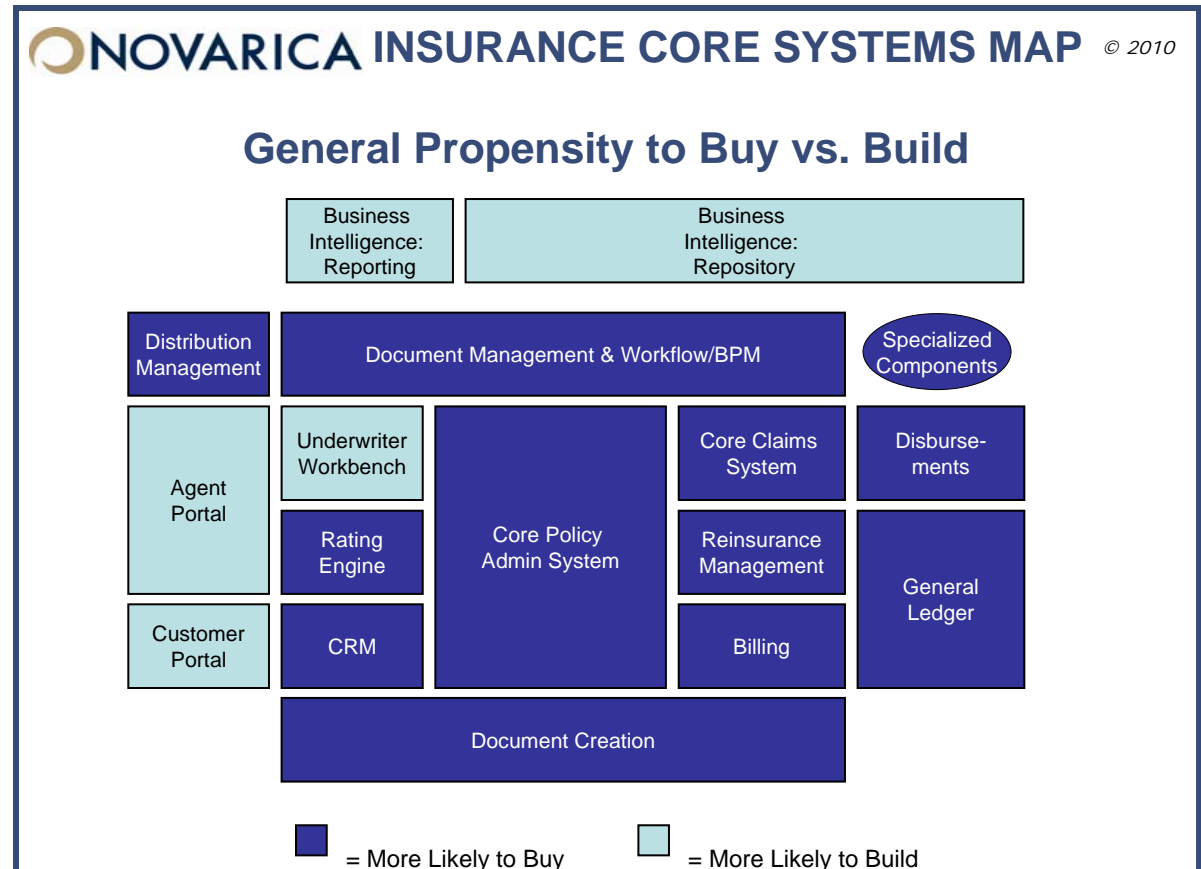
# Modern Best Practices For These Assets

## Focus on Usability, Configurability and Agility, and Separation of Data/Logic/Presentation



## What's Still Being Built

- Data Warehouses
- Dashboards
- Ancillary systems
- Some integration
- Portals
  - Agent/Broker
  - Consumer
- And of course the occasional core system...
  - Rare in L/H
  - Very rare in P/C
  - Typically opportunistic



## Reasons for Building

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- Generally, the only reasons (perceived or in reality) for building are:
  - A need so unique a purchased solution can't be configured or easily customized to support it
  - A solution in an area where a good solution simply doesn't exist (or wasn't found by the carrier!)
  - Exceptionally bad vendor experience(s) in the past
  - Lack of understanding of configurable solutions or integration of multiple solutions via SOA
  - IT departments with job security concerns
  - Scalability concerns

## Why Most of These Reasons for Building are Often Invalid

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- A need so unique a purchased solution can't be configured or easily customized to support it – VALID, IF TRUE
- A solution in an area where a good solution simply doesn't exist (or wasn't found by the carrier!) – USUALLY IT'S THE LATTER SITUATION IN WHICH THE CARRIER HAS MISSED A VIABLE ALTERNATIVE TO BUILDING
- Exceptionally bad vendor experience(s) in the past – THOUGH A VALID REASON TO BE CONCERNED, THIS IS NOT A VALID REASON NOT TO BUY; THINGS ARE FAR DIFFERENT THAN IN THE PAST IN A LOT OF WAYS!
- Lack of understanding of configurable solutions or integration of multiple solutions via SOA – MAYBE ONE SYSTEM WON'T MEET YOUR NEEDS...BUT WHAT ABOUT TWO OR THREE?
- IT departments with job security concerns – AGAIN, THIS MAY (OR MAY NOT) BE A VALID CONCERN, BUT IS NOT A VALID REASON NOT TO BUY
- Scalability concerns

## Buy vs. Build: The Dramatic Shift in Preference

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- **Vendor solutions are far more configurable and flexible than in the past**
- **Modifications no longer typically knock you off the upgrade path**
- **Everyone is aware of the problems that some home-grown systems have caused, and as the pace of technology change quickens, applications will need to evolve more quickly**
- **Some rules-based systems are more-or-less infinitely flexible**
- **Solutions are more flexible now than ever before—platform, database, etc.**
- **Innovations such as Service Oriented Architectures, Web services, EAI, BRE/BPM, Legacy migration tools, and commoditized hardware have made migration/conversion and integration far more reasonable than ever before**

## Agenda

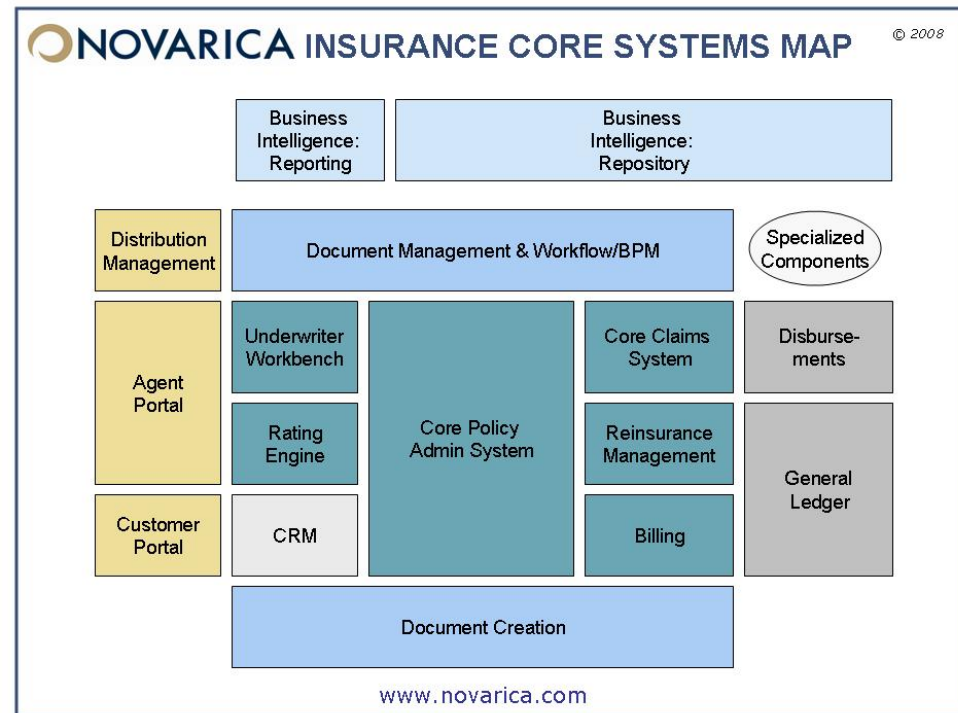
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- Budgets and Priorities
- Buy v. Build

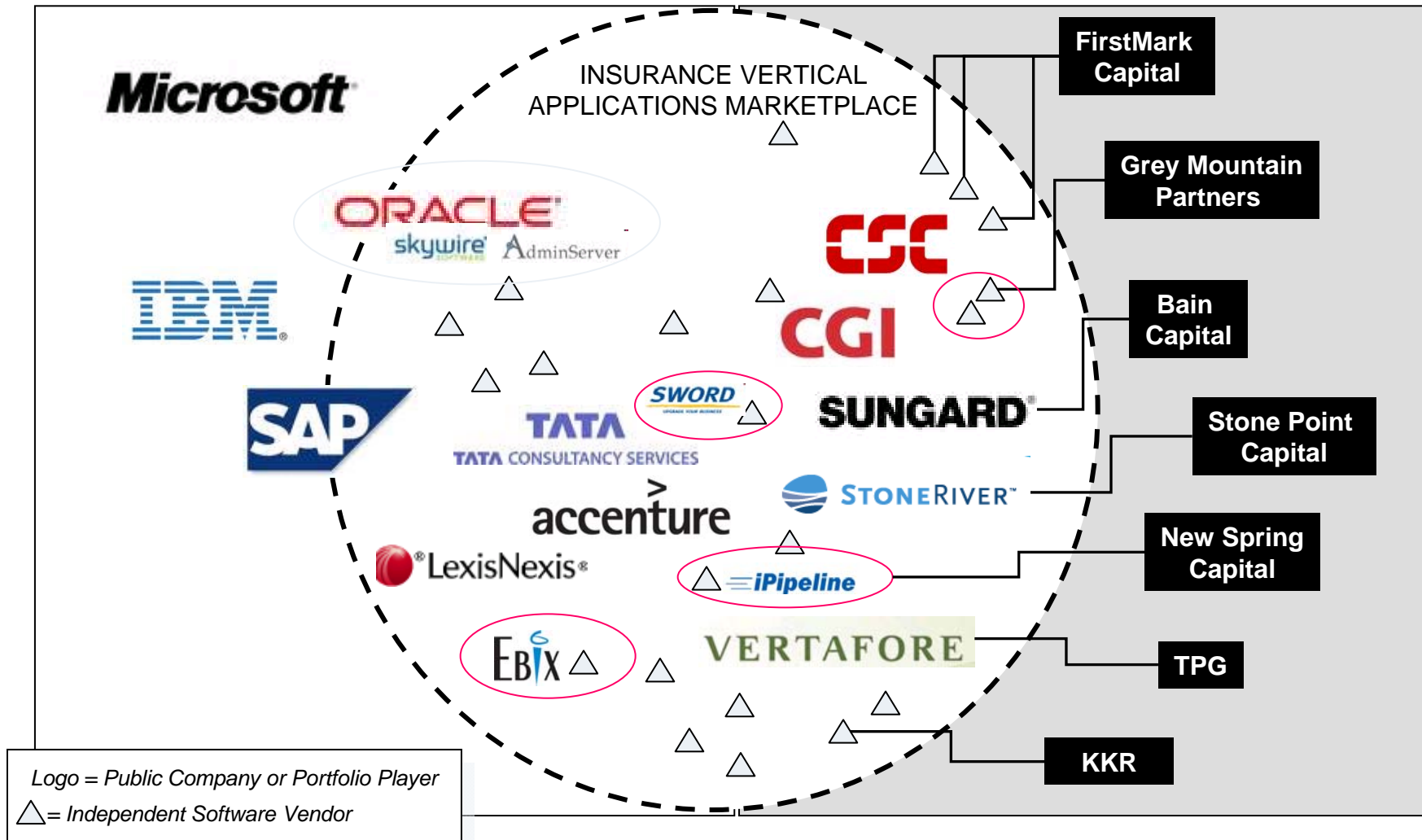
 Vendor Landscape

# Insurance Software Market Overview

- \$2 Billion to \$4 Billion in US
- Over 200 ISVs and Portfolio Players
- Fragmented by target segment:
  - Size
  - Line of business
  - Distribution model
  - Functional components



# Insurance Software Marketplace

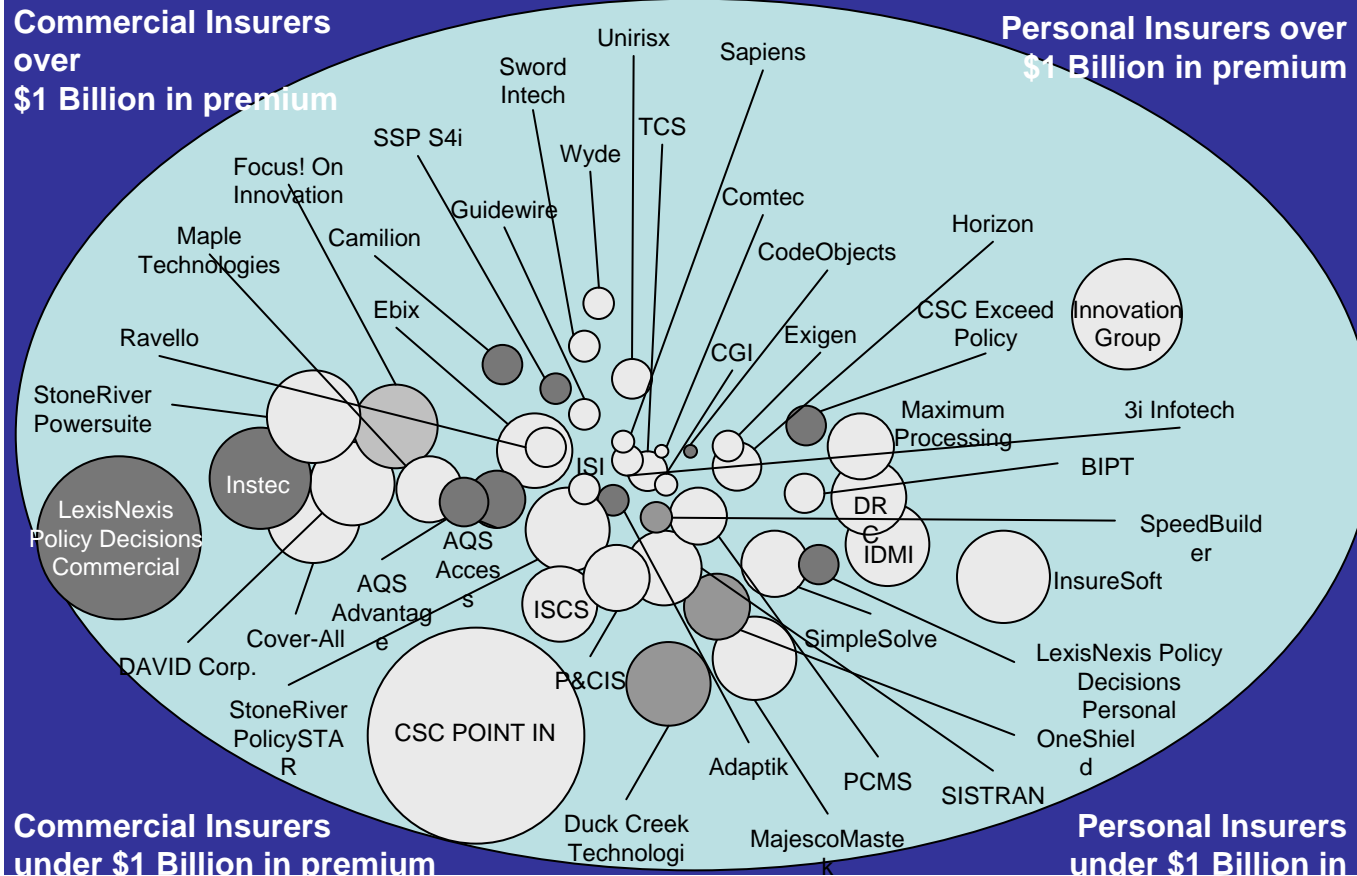


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# NOVARICA MARKET NAVIGATOR

## US P/C Policy Administration Solutions 2010 (Q2)



**Color: Functionality**

Core Policy Admin	Policy & Billing	Policy & Claims	Full Suite
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**Size: Live US Insurer Clients**

○ = 1      ○ = 100

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## Q&A

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For additional questions or a full copy of this deck, please contact:

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