

# Aite Matrix: 2020 U.S. P&C Core Systems Evaluation

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## INTRODUCTION

P&C insurance carriers worldwide are being asked to provide more customized and personalized experiences for their policyholders, such as a quicker and more accurate underwriting decisions or a facilitated claims process. To make this happen, carriers increasingly rely on third-party data and on a core system that can integrate this data into various workflows. If carriers cannot meet customer or prospect expectations, they run the risk of losing out on that business.

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

## METHODOLOGY

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

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

- The vendor must provide core system capabilities for P&C carriers.
- The vendor must be able to integrate third-party data through its core system.

Between July and August 2020, participating vendors were required to complete a detailed product request for information (RFI) comprising both qualitative and quantitative questions and to provide active client references. Vendors were not required to demonstrate how their systems integrate third-party data. Instead, the client references will serve as proof of each vendor's ability to execute on this function.

## THE PLAYERS

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

**Table A: Evaluated Vendors**

Firm	Headquarters	Year founded	Number of employees	Target clients
<b>Beyontec</b>	Irving, Texas	2008	300	Tier-4 (under US\$1 billion in annual written premiums) P&C carriers
<b>BriteCore</b>	Springfield, Missouri	2009	203	Any P&C carrier needing a nimble platform for a specific line of business, small carriers that want a cloud-native core platform, and carriers that require an API-driven platform
<b>DRC</b>	Honolulu	1971	133	Any managing general agency (MGA), insurance carrier, or reinsurer with a particular focus on smaller carriers (Tier 3 and Tier 4)
<b>DXC Technology</b>	Tyson's Corner, Virginia	1969 (officially became DXC in 2017)	Over 300	Any P&C insurance carrier
<b>EIS Group</b>	San Francisco	2008	Over 1,000	Any P&C carrier with a dedicated mission to delivering a digitally focused experience
<b>Guidewire Software (Insurance Suite—PolicyCenter)</b>	Foster City, California	2001	Over 2,300	Any P&C insurance carrier, but InsuranceSuite—Policy Center is really designed for carriers with at least US\$100 million in annual direct written premium (DWP); however, carriers with as little as US\$25 million of DWP and greenfield initiatives can benefit as well and are also targets

Firm	Headquarters	Year founded	Number of employees	Target clients
<b>Instanda</b>	London (with North American headquarters in Hartford)	2012	105	Carriers, MGAs, and program administrators writing specialty and nonadmitted lines
<b>Insurance Systems Inc.</b>	Toronto	1997	55	P&C carriers ranging from US\$5 million to US\$350 million in annual written premiums that are looking to install the end-to-end suite
<b>Insuresoft</b>	Tuscaloosa, Alabama	2004 (technically began as a division within Applied Systems in 1993)	200	Any P&C insurance carrier, but Insuresoft tends to target carriers with under US\$500 million in annual written premiums
<b>Insurity</b>	Hartford, Connecticut	1985	800	Global insurance carriers, national and regional insurance carriers, large MGAs and brokers, workers' compensation insurers and state funds, startups and insurtech companies, and self-insured groups
<b>Majesco</b>	Morristown, New Jersey	1982 (as Mastek, became Majesco in 2005)	2,400	Carriers, MGAs, and brokers across all tiers, including startups and greenfield initiatives
<b>OneShield</b>	Marlborough, Massachusetts	1999	310	Traditional P&C insurers that require back-end strength to support the regulation and complexity of the insurance business while seamlessly integrating with new technology front ends
<b>Sapiens</b>	Bethlehem, Pennsylvania (U.S.); Tel Aviv, Israel (global)	1982	2,500	Any P&C carrier with focus on Tier-1 and Tier-2 institutions
<b>Socotra</b>	San Francisco	2014	40	Any P&C carrier

Source: Vendors

## THE MARKET

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

**Table B: The Market**

Market trends	Market implications
<b>Increased focus on policyholder engagement and experience</b>	Carriers have to determine whether current core systems need to be replaced or upgraded to better engage policyholders and deliver an improved experience.
<b>Growing acceptance of insurance ecosystem</b>	Carriers have to figure out an easy way to work with vendors that offer a wide variety of services, including robust data sets and accompanying analytics.
<b>Influx of new data</b>	Carrier functions such as underwriting and claims processing are becoming more data-driven than ever.
<b>Rise of the cloud</b>	The cloud allows carriers to increase their data pools, in some instances, without having to maintain the data.
<b>Increased analytics</b>	Carriers are in a better position to make sense of the data they have at their disposal and use analytical insights to drive improved outcomes in functional areas across the insurance value chain.

Source: Aite Group

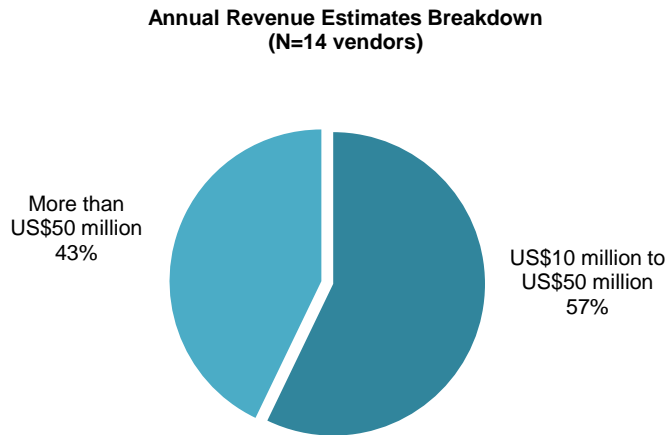
## KEY STATISTICS

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

### ANNUAL REVENUE ESTIMATES ANALYSIS

Every vendor in this survey generated at least US\$10 million in annual revenue, with nearly half (43%) generating at least US\$50 million in annual revenue. This indicates that the market for core systems is strong (Figure 1).

**Figure 1: Annual Revenue Estimates Breakdown**



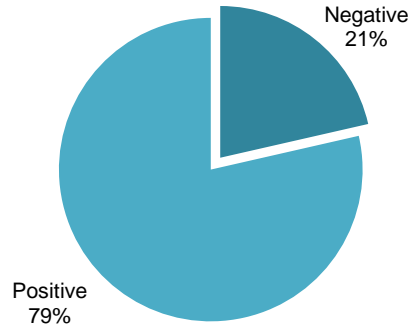
*Note: No vendor reported annual revenue estimates below US\$10 million.*

Source: Vendors

### PROFITABILITY ANALYSIS

Most vendors in this space (79%) were profitable. The few vendors that were not profitable all undertook significant investments in their product in the face of strong cash flow. Aite Group expects that those vendors will be profitable within the next year or so, and that this is not an indication of a weak market (Figure 2).



**Figure 2: Vendor Profitability****Profitability Breakdown (Last Three Years)  
(N=14 vendors)**

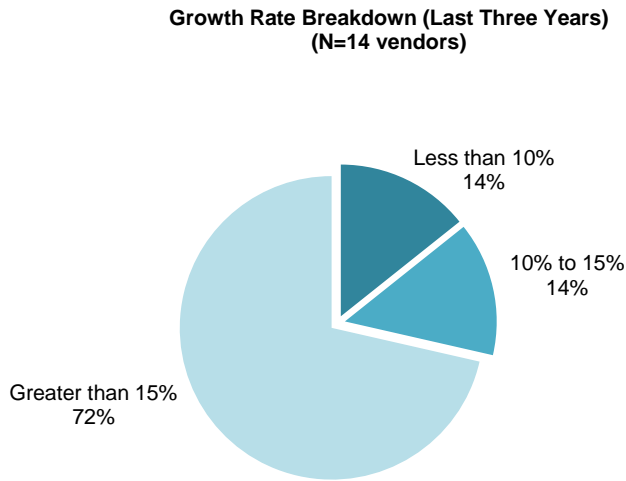
*Note: No vendor is at break-even.*

Source: Vendors

## GROWTH RATE ANALYSIS

Most vendors reported strong growth rates of at least 10%. This is largely in line with what Aite Group saw in 2019, but it does diverge a bit from what was seen in 2018, when no vendor reported a growth rate below 15%. Of course, one should not read too much into growth rate, especially for some of the larger vendors for which it is not easy to maintain high growth rates given the size of their base. Aite Group believes that these growth rates reflect a strong and growing market, even if more vendors are reporting lower growth rates than in previous years (Figure 3).

**Figure 3: Growth Rate Breakdown**

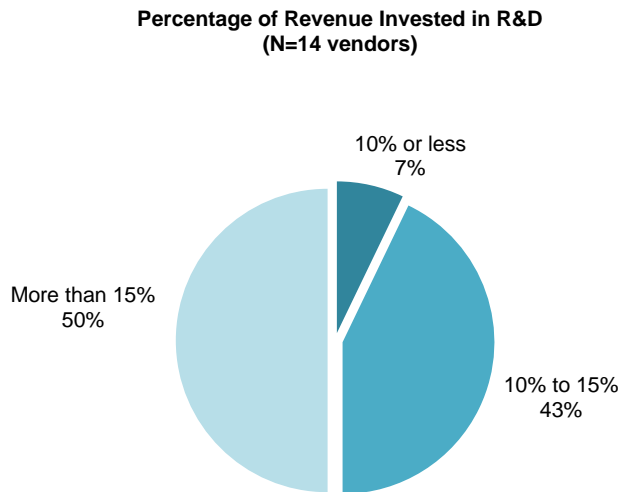


Source: Vendors

## R&D INVESTMENT ANALYSIS

A healthy number of vendors, 93%, invest at least 10% of their revenue into R&D, which is largely in line with what Aite Group has seen in previous years. This metric suggests that vendors recognize the need to evolve and bring their carrier clients the most robust core system possible (Figure 4).

**Figure 4: Percentage of Revenue Invested in R&D**

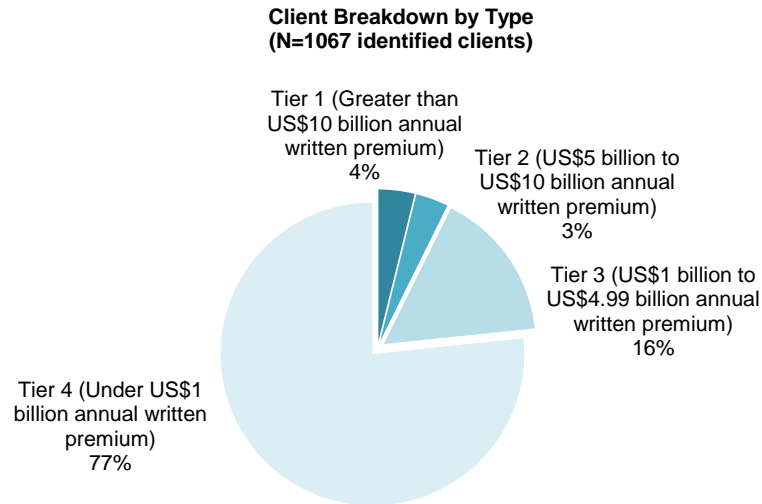


Source: Vendors

## CLIENT BREAKDOWN BY TYPE

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

**Figure 5: Client Breakdown by Type**

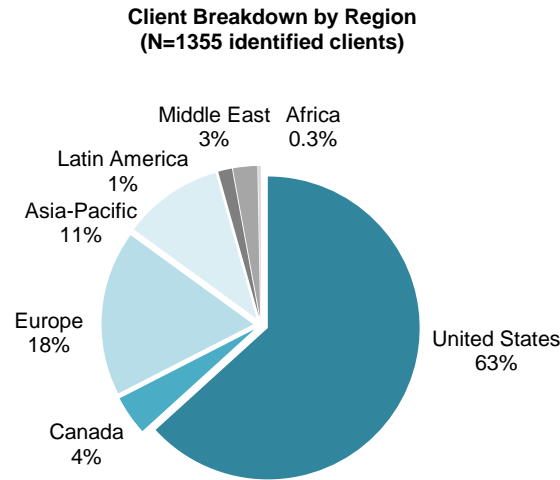


Source: Vendors

## CLIENT BREAKDOWN BY REGION

The vendors participating in this report have the overwhelming majority of their collective clients in the United States, but this year has the lowest percentage of U.S. clients in three years. To be certain, this does not reflect a weakening U.S. market but instead reflects a growing focus overseas, particularly in Europe and the Asia-Pacific region. Both regions have seen big jumps in their representation in this metric, but this jump is partially explained by the inclusion of vendors with a stronger overseas focus than in previous years. Still, the growth is yet another indicator of the strength of the core system market (Figure 6).

**Figure 6: Client Breakdown by Region**

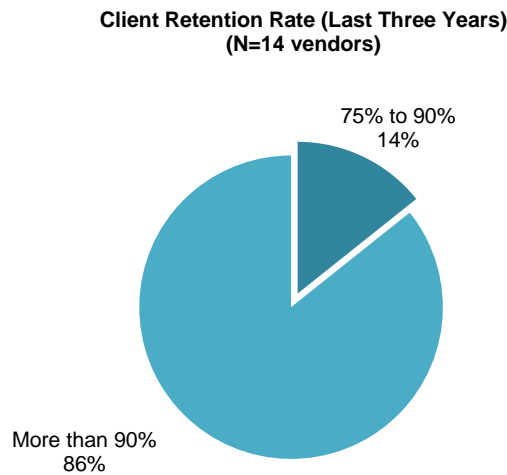


Source: Vendors

## ANNUAL CLIENT RETENTION RATE

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

**Figure 7: Client Retention Rate**



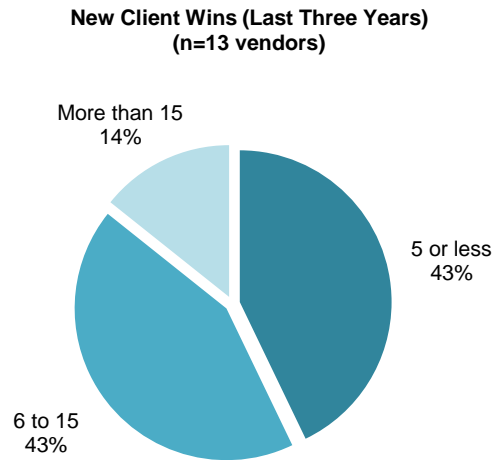
Note: No vendor reported a retention rate below 75%.

Source: Vendors

## NEW CLIENT WINS

Another indicator of the strength of the core systems market is that 57% of vendors reported winning an average of at least six new clients each year for the past three years (Figure 8).

**Figure 8: Average Net New Clients Per Year (Last Three Years)**



Source: Vendors

## DEPLOYMENT OPTIONS ANALYSIS

Not all deployment options are offered by each vendor. Some vendors offer all four options, whereas some offer only one option. The bottom line is the number of vendors offering on-site options is the same as those offering cloud options. While there is increasing comfort with cloud deployment from carriers (as well as an increasing preference by vendors to deploy via the cloud), on-site (on-premises) deployments are still popular enough among carriers that they are offered (Figure 9).

**Figure 9: Deployment Options**



Source: Vendors

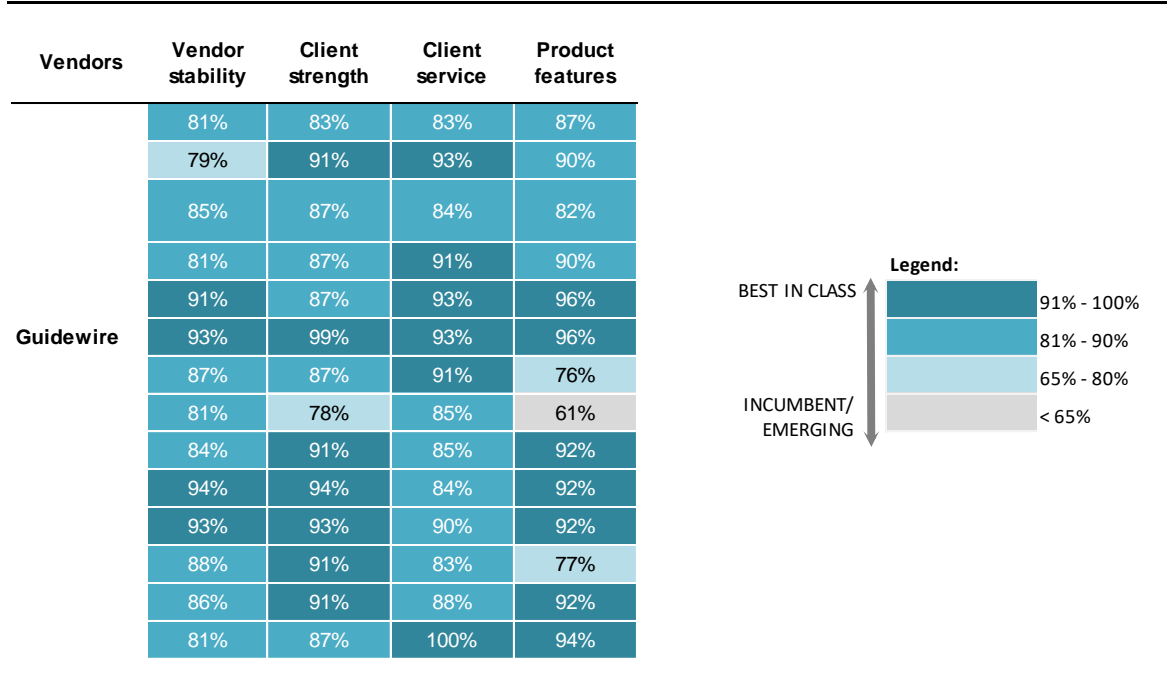
# AITE MATRIX EVALUATION

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

## THE AITE MATRIX COMPONENTS ANALYSIS

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

**Figure 10: Aite Matrix Components Analysis by Heat Map**



Source: Vendors, Aite Group

### VENDOR STABILITY

Vendors’ stability scores averaged 86%. Vendors that scored well generally had robust financials, solid infrastructures, and good risk controls.

### CLIENT STRENGTH

A plethora of vendors scored well in this category (only two scored below 87%), but Guidewire was the clear leader in this category. Vendors’ client strength scores averaged 89%. The primary drivers of high scores in client strength were client depth, client breadth, and overall client perception.

## CLIENT SERVICE

Client service tends to have the highest representation of low scores, but this year's vendors performed better than vendors in the past years. To wit, last year's Aite Matrix (with a slightly different focus) yielded no best-in-class vendors, but this year's survey yielded six such vendors. Vendors' client service scores averaged 86%. Factors that drove this category are mostly centered on client perceptions on a range of elements that include cost value, the ability to deliver on promises, a vendor's range of deployment options, and the breadth of support offered to a client.

## PRODUCT FEATURES

Guidewire stood out among vendors in this category. Vendors' product features scores averaged 87%. A plethora of factors went into this calculation, but the overall driver of a high score was depth and breadth of product features, client favorability of these features, and the platform's user interface and functionality.

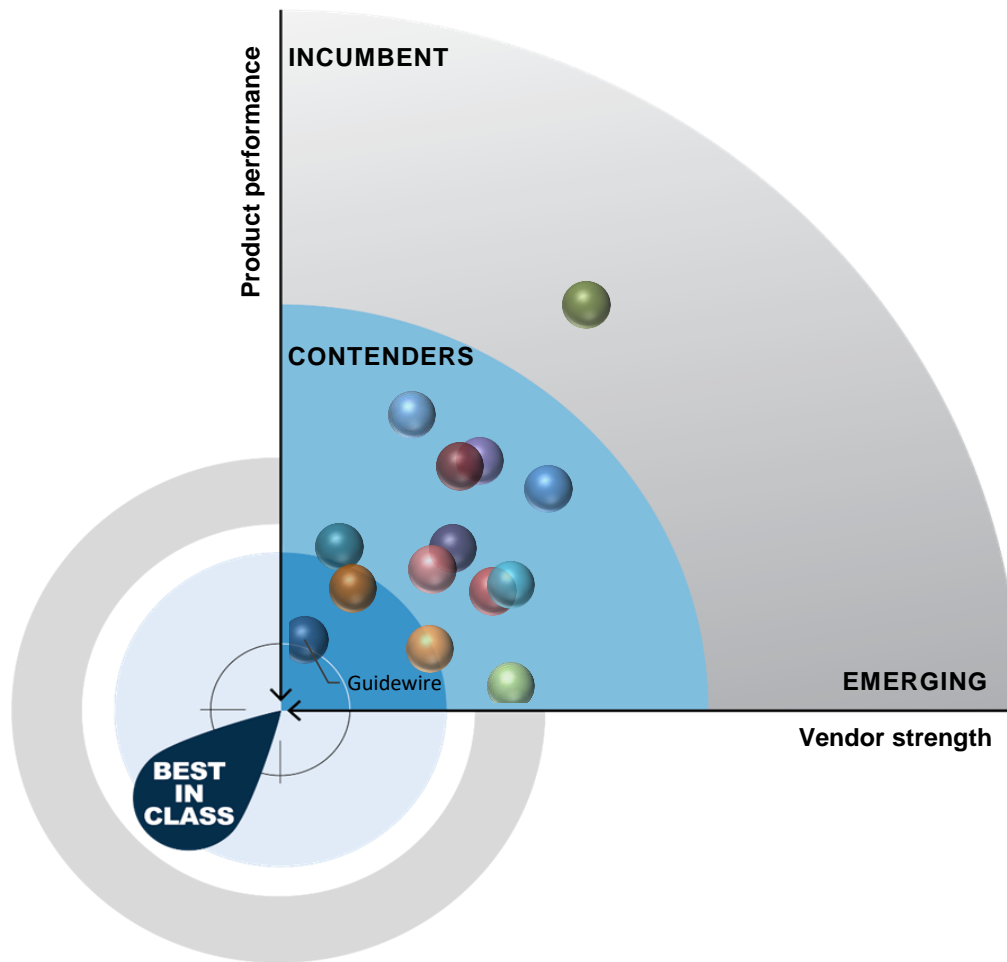
## THE AITE MATRIX RECOGNITION

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

- Vendor-provided information based on Aite Group's detailed Aite Matrix RFI document
- Participating vendors' client reference feedback or feedback sourced independently by Aite Group

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



**Figure 11: 2020 Aite Matrix**

Source: Vendors, Aite Group

#### BEST-IN-CLASS VENDOR: GUIDEWIRE

Guidewire performed well in all four components but was especially dominant with two survey-leading best-in-class showings in client strength (a near-perfect score of 99%) and product features (96%, tied with EIS). Guidewire performed admirably in the other two categories, with a score of 93% in each. Guidewire has constructed a platform that is fully capable of integrating virtually any type of data without having to customize the platform and can integrate that data into every critical component.

## BEST IN CLASS: GUIDEWIRE

Guidewire's PolicyCenter and ClaimCenter are two major components of its flagship platform, InsuranceSuite, and are the product components addressed in this profile. Guidewire has bolstered this platform's capabilities through acquisitions of analytics firms such as Cyence and EagleEye.

### AITE GROUP'S TAKE

If client count alone were the metric, Guidewire would set the standard in the world of P&C core systems. But Guidewire's dominance goes well beyond mere client counts. Guidewire has constructed a platform that is fully capable of integrating virtually any type of data without having to customize the platform and can integrate that data into every critical component. That alone is fairly impressive, but what separates Guidewire from most other vendors is its focus on bringing robust analytics to its clients. Any carrier with an eye to the future would do well to have Guidewire as its core system provider. The only thing working against Guidewire is its sheer size, which is something that clients point out as a possible reason why Guidewire sometimes falls short with customer service issues. That said, none of those clients indicated that they are looking to leave Guidewire anytime soon, so platform functionality trumps service (at least with 2020 client references).

### BASIC FIRM AND PRODUCT INFORMATION

- **Headquarters:** Foster City, California
- **Founded:** 2001
- **Number of employees:** Over 2,300
- **Ownership:** Publicly traded
- **Key products and services:** PolicyCenter
- **Target customer base:** Any P&C insurance carrier, but InsuranceSuite (PolicyCenter) is really designed for carriers with at least US\$100 million in annual DWP, although carriers with as little as US\$25 million of DWP and greenfield initiatives can benefit as well and are also targets
- **Number of clients:** 292
- **Average client retention rate:** More than 90%
- **Global footprint:** 160 clients in the United States, 31 clients in Canada, 56 clients in Europe, 30 clients in the Asia-Pacific region, 13 clients in Latin America, and two clients in Africa
- **Implementation options:** On premises, hosted, or cloud
- **Pricing structure:** PolicyCenter is priced based on customer's annual DWP. Actual pricing per client may vary based on any number of factors.

## TOP STRATEGIC PRODUCT INITIATIVES OVER LAST THREE YEARS

- Rollout of Jutro, a design system and front-end framework for accelerated design and development of Guidewire applications. Jutro enables fast, automated deployment of consistent user experiences through metadata-driven configuration and a low-code approach. Jutro also supports internationalization, usage analytics, and accessibility capabilities.
- Strengthening Guidewire Cyence with the worldwide release of the fourth-generation model update (Model 4) for Guidewire Cyence for Cyber Risk Management
- Launch of Guidewire Cyence for personal cyber product
- Rapid product design and updates to further automate the creation of new lines of business—insurers can now build out an end-to-end quote and buy flow in a codeless fashion, and this flow (which Guidewire calls a micro-app) can then be embedded into any of the Guidewire digital products or an enterprise portal like Salesforce

## TOP STRATEGIC PRODUCT INITIATIVES IN THE NEXT 12 TO 18 MONTHS

- Continue to build digital framework and apps to allow omnichannel experiences across the value chain
- Deploy API integration layer via RESTful API-based integrations to reduce TCO
- Continue to drive rapid product design and updates so that carriers can respond to market shifts more quickly
- Continue cloud-native focus that will allow carriers to reduce IT complexity and operate more quickly and efficiently

## KEY FEATURES AND FUNCTIONALITY

- PolicyCenter provides full support for the following components with its core system: rating engine, billing, CRM, claims, document generation, and reinsurance.
- PolicyCenter's front end uses documented APIs, 100% of which are open.
- Microservices are supported with both a one-per-integration approach and a platform/hub approach.
- Third-party data integration is supported for rating engine, document generation, billing, CRM, reinsurance, and claims.
- Both business stakeholders and IT staff are able to adjust workflow and rules based upon imported ETPD if needed.
- The system uses web services, APIs, and RESTful APIs to integrate ETPD. It can also use ACORD and certified ACORD with customization.

- The system can extract, import, and synthesize standard data (such as department of motor vehicles data), photos, social media, weather data, structured data (such as data from Dun & Bradstreet), geolocational data, geospatial data, flood zone data, hazard data, and personal financial data. PolicyCenter can also do this for telematics data with customization. The platform allows these tasks to be done without modifying the functional source code.
- Data can be imported in the client's file format of choice.
- The system can automatically route workflow based upon imported ETPD.
- There is open documentation about how to prefill with new data sources.

## CLIENT FEEDBACK

Clients were asked to assess certain features and functions with regard to ETPD and data integration in general. In general, PolicyCenter's clients were largely neutral on features and functions, with six out of 10 scores falling between neutral and satisfied. Two scores fell into the dissatisfied realm, but clients did seem relatively pleased with the ability to prefill based on ETPD (Table C).

**Table C: Guidewire's Client Feedback Summary**

Feature or function	Average score
Openness of APIs	3.7
Choice of ETPD file format for importation	4.0
Ability to use ETPD for policyholder communication	3.0
Ease of ETPD importation	3.0
Ability to use ETPD to route workflow	3.0
Ability to use ETPD to communicate through omnichannel	2.5
Breadth of ETPD that core system can import	3.5
Ability to use ETPD to deliver quality insights	2.5
Overall quality of AI/ML features	3.0
Ability to prefill based on ETPD	4.5

Source: Client references provided from August to September 2020

## CONCLUSION

### Carriers:

- Carriers must embrace the reality of an evolving P&C insurance landscape that will include a greater focus on external data to assist in underwriting applications and processing claim submissions.
- Carriers need to assess their own unique needs as they relate to core systems vendors and what they offer. There are varying degrees of evolution, and not every evolutionary change will hit every carrier.
- If a carrier determines that its needs have outgrown its current core system, it ought to determine if its current core systems vendor can evolve its current system to accommodate these new needs.
- If the current provider is not up to the task of meeting these new expectations, then carriers must begin a request-for-proposal process to identify a vendor that can meet those expectations. For some carriers, not all of the features offered by some of the vendors in this study will be required for them to operate efficiently and profitably. Still, carriers should be thinking beyond their current needs and incorporate a solution into which they could grow.

## ABOUT AITE GROUP

Aite Group is a global research and advisory firm delivering comprehensive, actionable advice on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, insurance, wealth management, and the capital markets, we guide financial institutions, technology providers, and consulting firms worldwide. We partner with our clients, revealing their blind spots and delivering insights to make their businesses smarter and stronger. Visit us on the [web](#) and connect with us on [Twitter](#) and [LinkedIn](#).

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