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XCELENT Awards 2019

DISTRIBUTION MANAGEMENT SYSTEM VENDORS — NORTH AMERICA

MANAGING CHANNELS IN A DIGITAL INSURANCE INDUSTRY

John Barr and Mike Fitzgerald
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This is an authorized excerpt of a Celent report profiling distribution management vendors. Although the reprint was prepared for IBM, the analysis has not been changed. For more information on the full report, please contact info@celent.com.

CONTENTS

- IBM Corporation: IBM Incentive Compensation Management (ICM) 1
- Leveraging Celent’s Expertise 8
- Related Celent Research 9

IBM CORPORATION: IBM INCENTIVE COMPENSATION MANAGEMENT (ICM)

XCELENT Technology 2019

COMPANY

IBM is a publicly traded company headquartered in Armonk, NY, US with sales and professional services personnel located throughout the North America, EMEA, APAC, and LATAM regions. IBM provides software and services to the insurance industry. The company has 380,000 employees. The number of employees dedicated to provide professional services / client support for ICM was not disclosed.

The last user conference, IBM SPM Summit 2018, was targeted at line of business professionals in the finance, sales, and risk/compliance disciplines.

Table 1: Company and Product Snapshot

COMPANY	Annual corporate revenues	\$79.1 billion
	Year founded	1911
	Exchanges/Symbols	NYSE: IBM
	Headquarters Location	Global: Armonk, NY, US
DISTRIBUTION MANAGEMENT SYSTEM	Name	IBM Incentive Compensation Management (ICM)
	Current release and date of release	ICM 10.0.1 2017
	Release intervals	Minor enhancements: Fixes are weekly, features are monthly, major enhancements 1-2x a year Major enhancements: Major enhancements are once a year
	Upgrades	ICM 10.0 is continuous delivery; therefore, there are no upgrades required.

Target market

IBM SPM has global coverage that ensures effective support and product engagement across all industries, types of users, and size of the account. They target all sizes of organizations globally. The following product extensions address three specific market segments:

- Rapid Deployment — a prescriptive model, resulting in a dramatically shortened implementation time. The unique feature of Rapid Deployment is that it “future-proofs” the solution, taking advantage of the enterprise-strength features of IBM ICM without limiting its flexibility
- Premium Performance — a performance-built architecture that scales elastically with the needs of the customer to deliver unparalleled speed to insight.
- Producer Lifecycle & Credential Management (PLCM) – IBM partners with Vertafore to use their Sircon product for producer credential management.

Source: Vendor RFI

CELENT OPINION

The IBM distribution management solution is built on a single platform that manages incentives, hierarchies, reporting, and workflow. Onboarding, compliance, authority determination, and the merging of agency data are handled through an interface to the Vertafore Sircon solution. IBM has a joint selling arrangement with Vertafore for these functions.

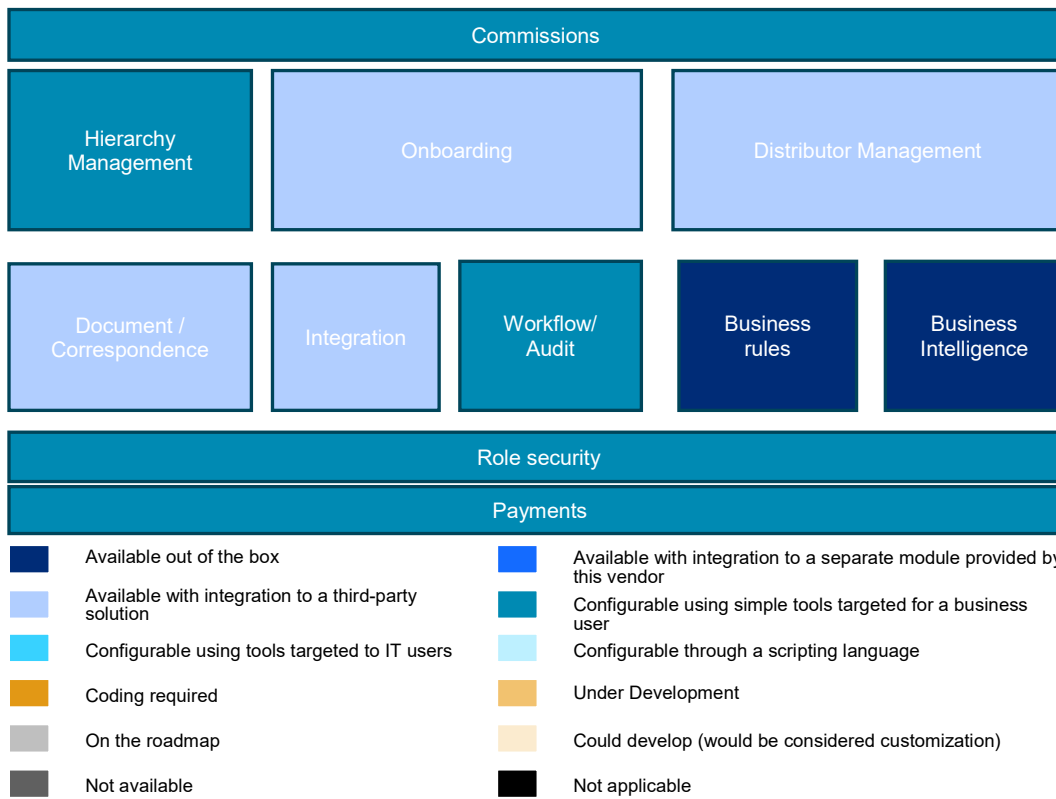
The compensation module has rich features, a nice UI, and very nice tool for easily creating very complex compensation schemes. There are wizards available to help design compensation plans, and a drag and drop graphical tool to manage complex calculations. The solution includes testing tools to understand the potential results of a new compensation plan. Commission statements are easily created and can include dashboards for the agents. The system also comes with reconciliation and dispute management workflows. The analytics function includes a robust what-if scenario tool.

Overall, Celent sees the compensation tool as full featured with a very nice plan development capability suitable for a carrier who wants to easily create a variety of complex compensation schemes.

OVERALL FUNCTIONALITY

Business rule management and business intelligence are available out of the box. Commissions, hierarchy management, payments, role security, and workflow/audit are configurable using simple tools targeted for a business user. Distributor management, document/correspondence, integration, and onboarding which are available through integration to a third party solution (Vertafore — see comments above).

Figure 1: Functionality



Source: Vendor RFI

CUSTOMER BASE

They have a total of 29 Insurer clients in production with their system. No further information on clients was disclosed.

Table 2: Customer Base

NORTH AMERICAN CUSTOMER BASE	In production with release less than four years old	24 (Celent estimate)
	In production with prior release/version	0
	New clients since 2016	6
	Deployment method (percentage of client base)	On premise: 59% BPO: 0% Hosted: 7% Single tenant public cloud: 7% Multi-tenant cloud: 28% SaaS: 35%

Source: Vendor RFI

CUSTOMER FEEDBACK

Three clients provided feedback for IBM. One has been using the system for one to three years; the others for more than three years. One respondent uses the solution for all or mostly personal property/casualty lines, another for life/annuity lines and group/individual health lines, and the final for life/annuity lines and personal property/casualty lines. One reference client services approximately \$5 billion or more in annual premium, the others service between \$500 million and \$999 million per year.

Clients rated IBM favorably overall. For functionality, respondents rated commission payment flexibility a 5.0 out of 5.0. Hierarchy management and agency self-service tools were rated 2.0 out of 5.0 (native functionality for agency self-service has been replaced by the Vertafore Sircon solution).

Most technology areas scored a 3.7 out of 5.0. Ratings for configurability of the solution varied significantly across references, with one scoring it a 1.0, one a 3.0, and the final account giving a 5.0.

Communication skills was the highest implementation experience category, receiving a 4.7. Project management (estimations, scope creep, etc.) received the lowest score of 3.0. Finally, in the area of ongoing system support, work completed on budget received a 5.0. Knowledge of your business received a 3.3 out of 5.0.

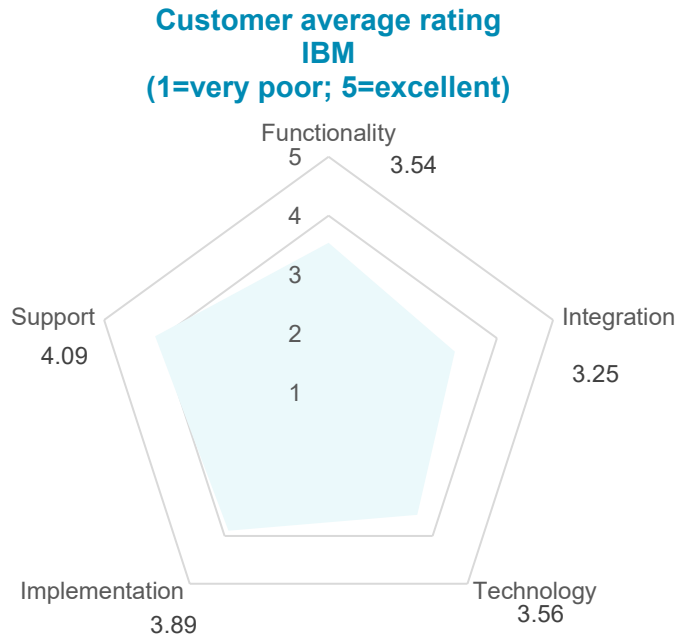
Clients also provided freeform feedback. Positive comments included:

- IBM made significant improvements to ICM product over the last three to four years. System capabilities, configuration, stability, performance and reporting capabilities took a huge leap.
- The v10 solution is effective at real-time integration capabilities.
- Compared to other compensation products, IBM ICM is flexible and configurable to support a variety of compensation plans.

Areas for improvement include:

- Self-service capabilities need to improve.
- Custom solution design from the vendor consultants when the solution was initially implemented with us led to issues later in production.

Figure 2: Customer Feedback Analysis



Source: 2019 Celent Distribution Management customer feedback survey

LINES OF BUSINESS SUPPORTED

Table 3: Selected Lines of Business Supported

LINE OF BUSINESS	AVAILABILITY	NUMBER OF CLIENTS IN PRODUCTION
PERSONAL AUTO	In production today	Not disclosed
HOMEOWNERS/RENTERS	In production today	Not disclosed
COMMERCIAL AUTO	In production today	Not disclosed
COMMERCIAL PROPERTY	In production today	Not disclosed
COMMERCIAL LIABILITY	In production today	Not disclosed
WORKERS COMPENSATION	In production today	Not disclosed
BUSINESSOWNERS POLICY (BOP)	In production today	Not disclosed
SPECIALTY	In production today	Not disclosed
INDIVIDUAL LIFE	In production today	Not disclosed
GROUP LIFE	In production today	Not disclosed
ANNUITIES	In production today	Not disclosed
DISABILITY	In production today	Not disclosed
HEALTH	In production today	Not disclosed

Source: Vendor RFI

TECHNOLOGY

The primary UI for business users, developers, and configurers is browser based.

The UIs and process flows are designed to be mobile device independent. The solution natively supports Apple (iOS), Android, mobile-friendly HTML5 App, and mobile apps.

Table 4: Technology Options

TECHNOLOGY	SPECIFICS
CODE BASE	<u>Core technology:</u> Java (end-user reporting portal): 50% .NET (50% (administrative client) C#): 50% <u>Business users:</u> Java: 100% <u>Developers:</u> .NET (C#): 100% (All client configuration via user interface, no coding)
OPERATING SYSTEMS	Implemented in Microsoft .NET and JEE/Java Operating systems deployed on: Linux and Windows
APPLICATION SERVERS	.NET (C#)
DATABASES	Preferred: Microsoft SQL Server (only option) Additional options: None
INTEGRATION METHODS	Preferred: Web Services; RESTful HTTP style services; JSON format; Flat files Additional options: ACORD Standard XML; Other XML Public API integrations: ICM has out-of-the-box integration with Salesforce.com
SCALABILITY	Largest deployment: Multiple customers inside and outside of the insurance industry with deployments in excess of 100k users. Some insurance customers have exceeded 100K producer entities.

Source: Vendor RFI

The vendor provides documentation and support for API integrations. External systems can trigger events in the system which can be responded to by a workflow or business rule. External systems can trigger an event using the ICM API. A common example is an external resource calling the ICM import tool to load and process incoming data files and calculate results and reports.

Carriers do not have access to core code; configuration tools targeted to a business user are available for the following: insurance product definition, screen definition, workflow definition, business rule definition, interface definition, data definition, and role-based security integration. The application includes a full audit log that captures all state changes in the application. All actions are logged with comprehensive audit records including data actions such as edits/inserts/deletes (includes tables, hierarchies, etc.), the creation or modification of rules/calculations and user actions such as successful/unsuccessful login attempts, application functionality actions, etc.

Product changes can be analyzed using an impact analysis tool that provides a report detailing products and channels affected and can be tested in a standard way using common tools, and they provide a set of prebuilt tests. A restart of the system is not required for any changes.

PARTNERSHIPS

IBM has partnerships with Accenture, Deloitte, and OpenSymmetry for system integration partnerships. They have partnerships with Intangent, Spectrum, Neitek, Novem, and Everis for implementation services.

IMPLEMENTATION, PRICING, AND SUPPORT

The vendor did not disclose the number of staff in the region. The preferred implementation approach is Agile; however, their Lab Services team will use a waterfall methodology at the clients' request. A typical project team of five to eight people (Project Director, Project Manager, Solution Architect, Senior Business Consultants, and Business Consultants) consists of resources from the insurer (40%) and IBM (60%). Service-level agreements are offered; a typical SLA includes 99.9% uptime.

The average time to get the first line of insurance live in a single jurisdiction is typically 7 to 12 months depending on the integration requirements and the level of configuration required, with second and subsequent lines taking 4 to 6 months in the same jurisdiction. Second and subsequent jurisdiction implementations typically take 4 to 6 months.

IBM offers term license, perpetual license, SaaS, subscription, and risk-based pricing options. The license fees are typically based on number of total or named users and premium volume.

The total cost to implement IBM Incentive Compensation Management (ICM) can vary according to the capabilities and available resources of the client, and the overall scope of system use. Pricing estimates were not disclosed.

LEVERAGING CELENT'S EXPERTISE

If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

SUPPORT FOR FINANCIAL INSTITUTIONS

Typical projects we support related to distribution management include:

Vendor short listing and selection. We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

Business practice evaluations. We spend time evaluating your business processes, particularly in underwriting, claims, distribution, and billing. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

IT and business strategy creation. We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

SUPPORT FOR VENDORS

We provide services that help you refine your product and service offerings.

Examples include:

Product and service strategy evaluation. We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

Market messaging and collateral review. Based on our extensive experience with your potential clients, we assess your marketing and sales materials — including your website and any collateral.

RELATED CELENT RESEARCH

Digitizing the Customer Experience: A New Framework
May 2018

Reinventing Distribution Management: Enabling Channels
October 2017

Reinventing Distribution: Shifting Channels
July 2017

Distribution Management System Vendors: North America Insurance 2017
March 2017

Global P&C Portal Solutions: 2016 Vendor Spectrum
December 2016

Disaggregation of the Traditional Insurance Value Chain: Life Edition
February 2019

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For more information please contact info@celent.com or:

John Barr

jbarr@celent.com

Mike Fitzgerald

mfitzgerald@celent.com

AMERICAS

USA

99 High Street, 32nd Floor
Boston, MA 02110-2320

Tel.: +1.617.262.3120
Fax: +1.617.262.3121

USA

1166 Avenue of the Americas
New York, NY 10036

Tel.: +1.212.541.8100
Fax: +1.212.541.8957

USA

Four Embarcadero Center, Suite 1100
San Francisco, CA 94111

Tel.: +1.415.743.7900
Fax: +1.415.743.7950

Brazil

Rua Arquiteto Olavo Redig
de Campos, 105
Edifício EZ Tower – Torre B –
26° Andar
São Paulo SP 04711-904

Tel.: +55 11 3878 2000

EUROPE

France

1 Rue Euler
Paris
75008

Tel.: +33.1.45.02.30.00
Fax: +33.1.45.02.30.01

United Kingdom

55 Baker Street
London W1U 8EW

Tel.: +44.20.7333.8333
Fax: +44.20.7333.8334

Italy

Galleria San Babila 4B
Milan 20122

Tel.: +39.02.305.771
Fax: +39.02.303.040.44

Switzerland

Tessinerplatz 5
Zurich 8027

Tel.: +41.44.5533.333

ASIA

Japan

The Imperial Hotel Tower, 13th Floor
1-1-1 Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011

Tel: +81.3.3500.3023
Fax: +81.3.3500.3059

Hong Kong

Unit 04, 9th Floor
Central Plaza
19 Harbour Road, Wanchai

Tel.: +852 2301 7500