NetVU2016: Emergent Coherence of Vertafore's Tactical Initiatives

QuickNote Report

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Essence

Vertafore executives briefed insurance industry analysts and press about their 2015/2016 tactical initiatives – product management approach, geographic expansion into Canada, partnerships and acquisitions, and infrastructure enhancements - at the NetVU 2016 event held March 3 – 5, 2016 in San Antonio, Texas. Market Insight Group attended the event and feels that there is an emergent coherence of Vertafore's tactical initiatives that we haven't previously felt in past years.

Vertafore analyst and press meeting

Market Insight Group attended the 2016 NetVU Conference held March 2-5, 2016 in San Antonio, Texas. On Thursday morning, March 3, 2016, at a meeting of industry analysts and press, Vertafore executives discussed the firm's 2015/2016 tactical initiatives, including the firm's:

- product management approach
- geographic expansion into Canada
- partnerships and acquisitions
- infrastructure enhancements

In this QuickNote report, we discuss Vertafore's 2015/2016 tactical initiatives and our concomitant opinions. Considering the morning's discussion as one entire experience, Market Insight Group perceives an emergent coherence of Vertafore's tactical initiatives which is not a perception we have felt over any prior years.

Vertafore's 2015/2016 tactical initiatives

Product management approach

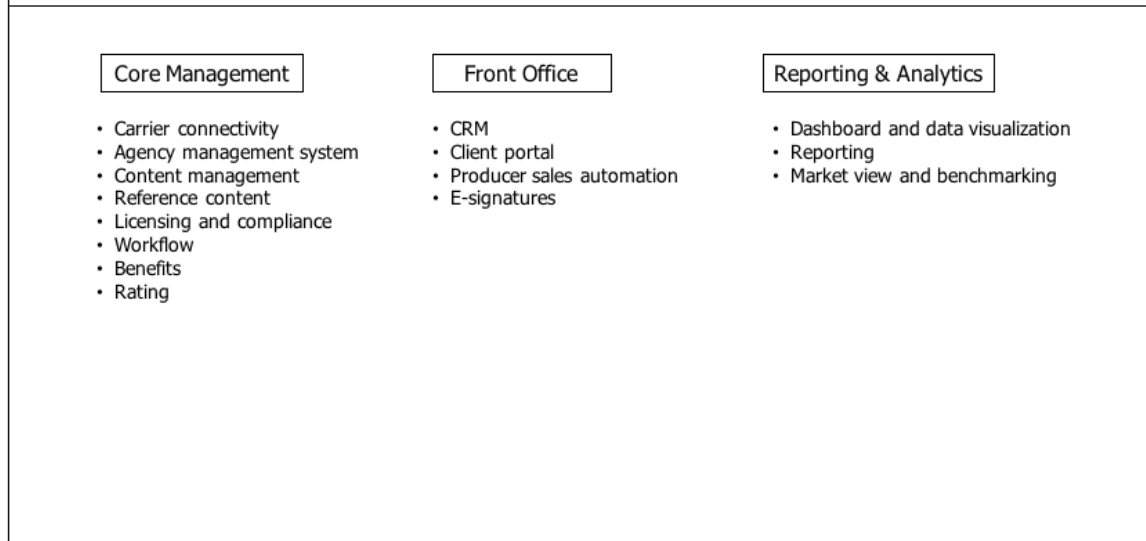### Creating and acquiring products since 1969

Vertafore has continued its multi-decade journey that began in 1969 to provide insurance sales and service solutions to the insurance industry. From acquisitions, partnerships, and internal development and deployment through the decades, Vertafore offers its personal and commercial P&C and Benefits clients a spectrum of solutions spanning operational; sales, marketing, and service; and analytical capabilities to insurance companies, independent distributors (i.e. agencies, broker firms, MGAs, MGUs), and state insurance regulators.

Having a large set of products is a two-edge sword. On one edge, Vertafore can go-to-market knowing it is in a strong position by offering insurance sales and service solutions that distributors (and insurers, for that matter) of different sizes require. On the other edge, Vertafore and its clients are confronted by many solutions or solutions with overlapping capabilities.

New product management approach

At NetVU 2016, the Vertafore executives discussed a new product management approach, which we believe is a reasonable approach, to resolve the problem that Vertafore has with its plethora of products and with products with overlapping capabilities. Vertafore has created three major categories of products – Core Management, Front Office, and Analytics & Reporting – and a high-level description of the types of products in each category. (See Figure 1.)
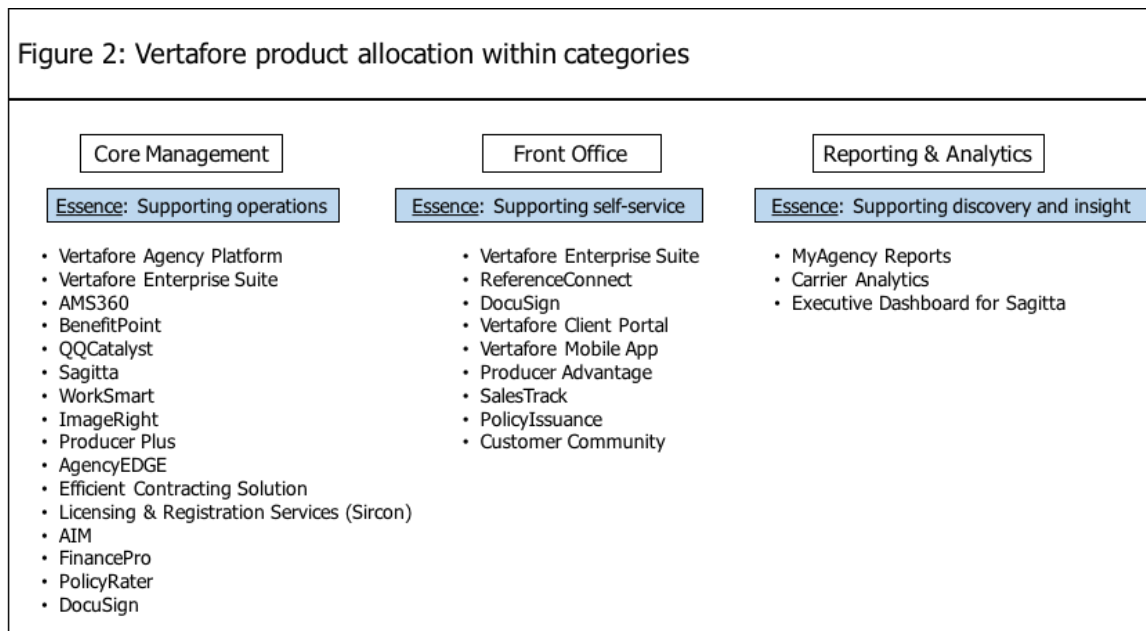
Figure 1: Vertafore product categories

Core Management
- Carrier connectivity
- Agency management system
- Content management
- Reference content
- Licensing and compliance
- Workflow
- Benefits
- Rating

Front Office
- CRM
- Client portal
- Producer sales automation
- E-signatures

Reporting & Analytics
- Dashboard and data visualization
- Reporting
- Market view and benchmarking

Source: Vertafore, NetVU 2016

We have taken the liberty of allocating a significant number of Vertafore's products to the three categories and also noting the essence of each category. (See Figure 2.) Our allocation is based on our (sometimes limited) knowledge of each products' objectives and doesn't necessarily align with Vertafore's allocation. Any mistakes in our allocation belong to Market Insight Group and not to Vertafore.

Figure 2: Vertafore product allocation within categories

Core Management
Essence: Supporting operations
- Vertafore Agency Platform
- Vertafore Enterprise Suite
- AMS360
- BenefitPoint
- QQCatalyst
- Sagitta
- WorkSmart
- ImageRight
- Producer Plus
- AgencyEDGE
- Efficient Contracting Solution
- Licensing & Registration Services (Sircon)
- AIM
- FinancePro
- PolicyRater
- DocuSign

Front Office
Essence: Supporting self-service
- Vertafore Enterprise Suite
- ReferenceConnect
- DocuSign
- Vertafore Client Portal
- Vertafore Mobile App
- Producer Advantage
- SalesTrack
- PolicyIssuance
- Customer Community

Reporting & Analytics
Essence: Supporting discovery and insight
- MyAgency Reports
- Carrier Analytics
- Executive Dashboard for Sagitta

Source: Vertafore, Market Insight Group, Ltd.

Using the categories to create and/or rationalize products

We believe the categorization exercise, when augmented with market and customer expectations concerning uses of mobile technology and apps and/or searching for insurance information, purchasing, and administration/claim notification behavior, could point Vertafore to what:

- new products and deployment methods are needed
- existing products should be eliminated
- existing products could be integrated to:
    - other Vertafore products
    - general productivity tools such as Outlook
    - general cloud storage tools such as Box or Dropbox.

Geographic expansion into Canada

A second tactical initiative that Vertafore discussed is the company's expansion into the Canadian P&C broker marketplace by acquiring Keal Technology. Vertafore stated that Keal, a provider of broker and commercial management systems, has an approximately 25% market share of that P&C insurance space in Canada.

Market Insight Group believes this acquisition is simultaneously a defensive and offensive tactical move. It is defensive because Applied Systems, Vertafore's main competitor, has had a presence in the Canadian P&C insurance broker market for almost 20 years through its partnership with Compu-Quote (which Applied formally acquired in 2012).

It is an offensive move because this acquisition provides Vertafore with a new set of skills, including the skills required to compete in Canada which has different regulatory requirements, language, and currency than the U.S. as well as potentially different customer expectations regarding how to purchase insurance and interact with brokers and insurers. The Keal Technology acquisition also provides Vertafore with the skills to expand into other Commonwealth countries or countries that transact insurance business using the French language (or some dialect of it).

Partnerships

Vertafore has a long history of creating tactical initiatives with partners to create new solutions or enrich existing Vertafore solutions. At the Analyst & Press event, the

Vertafore executives discussed Vertafore's extension of their existing relationship with Microsoft and a new partnership with Martin & Company. In addition, we have included Vertafore's use of Salesforce Community Cloud in our discussion of partners below.

Microsoft Dynamics

Insurance executives, both in the field and in the home office, correctly point out that Microsoft Dynamics (and its competitors such as Salesforce) provide "horizontal solutions" that don't support the specificity of insurance sales and service requirements.

Vertafore Agency SalesTrack, hosted by Vertafore in its data center, is powered by MS Dynamics and integrated with AMS360 and is customized to capture information specific to the insurance industry. The integration, accompanies by sales workflows, ensures that CSRs and sales staff have access to information that enables opportunities to move through the sales pipeline. Currently, the system supports personal and commercial lines of business.

Martin & Company

Martin & Company is an insurance consulting firm providing services to P&C insurers countrywide. According to M&C's landing page, the company offers six core business functions: Competitive Research, Program & Product Development, Actuarial, Compliance & regulatory, State Filing Services, and Insurance Publications.

Vertafore is partnering with Martin & Company to include M&C's FilingsDirect database in Vertafore's ReferenceConnect information solution. Per Vertafore's March 3, 2016 press release: "The addition of this public information will allow ReferenceConnect carrier, MGA, and broker clients a new capability to access filed and approved Department of Insurance (DOI) rules, rates, and forms nationwide."

Market Insight Group assumes that Vertafore's search capability is or soon will be extended to encompass M&C's FilingsDirect.com content.

Salesforce

Vertafore is using Salesforce community cloud to launch Customer Community. The objective of Customer Community is to enable Vertafore's customers to "interact with the company, receive up to the minute updates, access customized content, and provide feedback on products."

Market Insight Group believes this communication and collaboration medium should have been deployed three to five years ago. But we're not picking on Vertafore. We believe every technology firm providing solutions to enterprise clients should already have a cloud-based mobile accessible communication medium connecting clients and the relevant people in the technology firm. Managing the multi-party, any time, anywhere communication medium will not be easy but we believe investing in resource and communication management processes will become table stakes in the customer-focused mobile digital marketplace.

Acting on our belief, Market Insight Group will publish a report on this topic of communication and collaboration, titled: "Insurance Industry Collaboration 2020: A Look Ahead" in late March or early April 2016.

Infrastructure enhancements

The fourth tactical initiative the Vertafore executives discussed is the expansion of the company's infrastructure. Specifically, Vertafore has opened new data center facilities in Charlotte and Atlanta. Combined with the existing data center in Dallas, Vertafore stated it is striving to provide high availability, transparency, agility, and ability to quickly provision resources as required by Vertafore's engineers and clients. In addition, Vertafore has created a network operations center to improve the company's monitoring abilities.
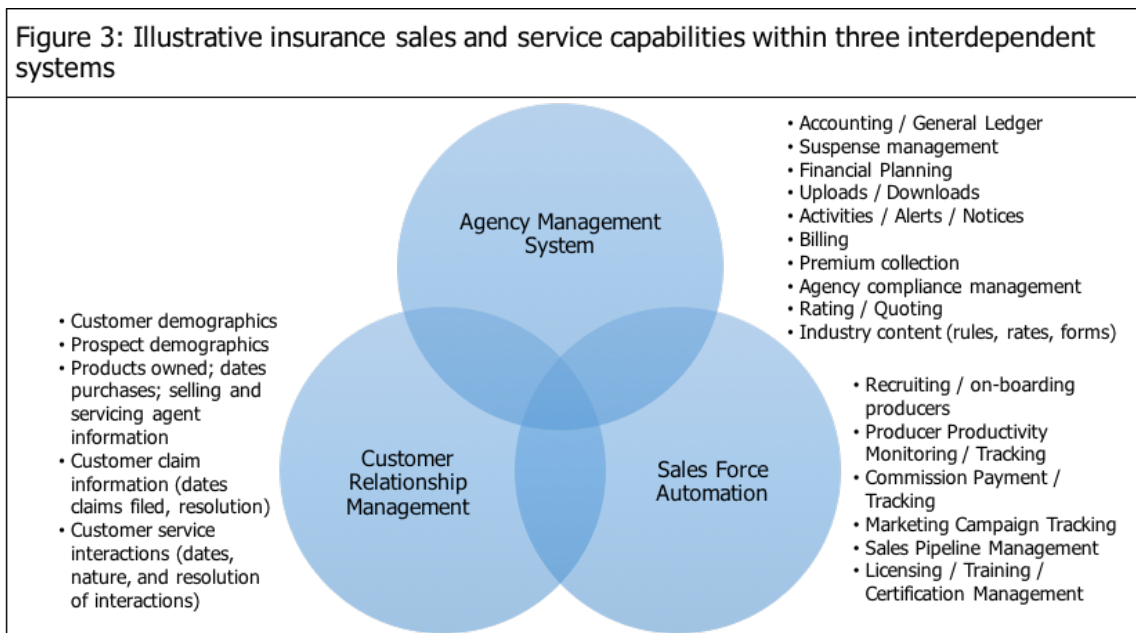
Insurance sales and service capabilities at play

Let's switch gears and consider the capabilities at play in Vertafore's insurance sales and service solutions.

Although we realize there are capabilities missing, doesn't the illustration of the three interdependent systems – AMS, SFA, CRM – shown in Figure 3 capture a significant number of the insurance sales and service capabilities that insurance distributors, including agencies/broker firms, MGAs, MGUs, producers, CSRs, and administrators, need to get and keep customers?

Wouldn't customers (and distributor owners, principals, producers, CSRs, and administrators) be satisfied if most, if not all, of these capabilities were deployed in real-time for data flows, interactive data analysis and visualization, document management, and communication and collaboration on mobile devices?

Mightn't nirvana, for every stakeholder, be the deployment of these capabilities as mobile end-to-end solutions (with no need at all to come into the agency) or when appropriate, as mobile apps that support granular pieces of insurance sales and service functionality?

Figure 3: Illustrative insurance sales and service capabilities within three interdependent systems

- Customer demographics
- Prospect demographics
- Products owned; dates purchases; selling and servicing agent information
- Customer claim information (dates claims filed, resolution)
- Customer service interactions (dates, nature, and resolution of interactions)

Agency Management System

- Accounting / General Ledger
- Suspense management
- Financial Planning
- Uploads / Downloads
- Activities / Alerts / Notices
- Billing
- Premium collection
- Agency compliance management
- Rating / Quoting
- Industry content (rules, rates, forms)

Customer Relationship Management

Sales Force Automation

- Recruiting / on-boarding producers
- Producer Productivity Monitoring / Tracking
- Commission Payment / Tracking
- Marketing Campaign Tracking
- Sales Pipeline Management
- Licensing / Training / Certification Management

Source: Market Insight Group, Ltd.

Will other technology firms remain at arm's length to the insurance industry?

Is nirvana really that unreachable particularly if provided by large, multi-industry horizontal technology vendors? None of the capabilities delineated in Figure 3 are mysteries that other technology firms couldn't support, <u>if</u> they wanted to acquire the detailed operational, financial and regulatory knowledge concerning P&C and Benefits insurance sales operations.

Couldn't these same capabilities be delivered by Microsoft, Salesforce, Facebook or other multi-industry technology vendors with expertise in productivity, sales and marketing, and/or one-to-one/one-to-many data communication? Microsoft is currently gaining some degree of insurance sales operational expertise from its partnership with Vertafore. Similarly, Salesforce is currently working with Vertafore, and with Vlocity, to penetrate and gain knowledge of the insurance industry. Facebook is currently rolling out tens of

thousands of its employee messaging Facebook@Work seats to financial service firms. By doing so, Facebook is gaining knowledge of some aspects of financial services although not insurance industry experience.

Perhaps:

- Microsoft will continue to be satisfied to leave the insurance sales and service business to Vertafore (i.e. through the SalesTrack solution)
- Salesforce will continue stay at arm's length to the insurance industry by partnering with companies like Vertafore and Vlocity to gain insurance marketplace presence
- Facebook will continue to be happy providing messaging solutions to support employee communication in financial services and other industries without becoming a more active operational competitor.

Perhaps.

Preparing for what might be next

Market Insight Group believes that Vertafore needs to not only continue to create a coherent path for their current and future tactical initiatives but also strengthen their corporate strategy to reflect what might be coming over the horizon.

Perhaps the three technology vendors mentioned above are highly unlikely to enter the P&C and Benefits insurance industry with more expanded solutions than they are providing currently. However, it might make sense to assume at least one of them, perhaps Salesforce with its strength in customer, marketing, and sales solutions, will become more of a competitor to Vertafore in the next 5-7 years and prepare for that possibility today.

Let's Talk

If you have any questions or comments related to this report or want to discuss custom objective research that Market Insight Group, Ltd. can do for your company, please contact Barry Rabkin of Market Insight Group, Ltd. at +1 508 435-3136 (in the Boston, Massachusetts area), or e-mail barry.rabkin@marketinsightgroup.com.

Methodology

Information for this report came from:

- Market Insight Group attendance at the:
    - o NetVU 2016 Conference held March 3-5, 2016 in San Antonio Texas
    - o Analyst/Press Vertafore executive briefing session on March 3, 2016
    - o 1-1 meetings with Vertafore executives during the NetVU 2015 Conference
- Vertafore press releases
- Continual research into insurance channel management issues

Definitions/Descriptions

- AMS: agency management system
- CRM: customer relationship management
- NetVU: Network of Vertafore Users
- SFA: sales force automation
- SoE: systems of engagement
- SoI: systems of insight
- SoR: systems of record

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- Spotlight reports (SP) are available only to subscribers or clients purchasing single copies.

Further Reading

- Insurance Industry Collaboration 2020: A Look Ahead, to be published late March / early April 2016 (a custom report sponsored by Interactive Intelligence)
- Vertafore's Partnership Announcements at NetVU 2015 – First Impressions & Opinions, April 2015, QN15-001
- Adaptability: The Insurance Customer Experience Imperative in an Online Digital Mobile Society, March 2015 (A custom report sponsored by Applied Systems.)
- Noteworthy … Clari, September 2014, NW14-001