CELENT

INSURANCE DISTRIBUTION MANAGEMENT SOLUTIONS

2022 Solution Scape: North American Edition

Karlyn Carnahan and Karen Monks

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EXECUTIVE SUMMARY

Distribution management systems are increasing in use due to a variety of changes happening in the market. The increase in insurance agency mergers and acquisitions, the proliferation of channels, and the growing need for data are driving a need for new sophistication in the tools necessary to manage agents. . These solutions typically include one or more of three components – compliance; compensation; and performance management. This report provides an overview of the distribution management systems available in North America for insurance carriers.

The report profiles 13 distribution management solutions, providing an overview of their functionality, customer base, technology, implementation, pricing, and support.

Celent asked firms that provide distribution management solutions to enter information about their company and products into Celent's free digital catalog, VendorMatch (https://www.celent.com/vendormatch). This report presents certain extracts of that information. Additional details about each product are available in VendorMatch, subject to VendorMatch's terms of use.

This report should help insurers define their distribution management system requirements and can be used as the first step toward creating a shortlist of vendors for evaluation. Insurers continue to have a broad spectrum of systems and vendors to consider when looking for a solution to fit their needs. Insurers can leverage their access to the authors through analyst access calls to learn more about the vendors.

INTRODUCTION

Out of necessity, insurers are becoming much more sophisticated in how they think about distribution management. While the primary channel for both life and property casualty is independent agents, most insurers are experimenting with other channels (or have made them a fundamental part of their distribution strategy).

Digital agents, affinity marketing, wholesalers, and MGAs have all become mainstream channels, while embedded insurance and even direct distribution are on the rise. Meanwhile, the dominant channel, the independent agency, is undergoing massive change. The aging workforce is driving a massive number of mergers and acquisitions as baby boomer owners look to exit. The largest agents are amassing enormous power—some becoming equivalent in size to a tier one or two insurer. They are using their mammoth stores of data to choose where to place business in a way that optimizes their revenue and reduces their own operating expenses.

Each of these channels is different enough that managing them requires slightly different processes, different ways of looking at segmentation, and different forms of compensation. Standard processes and automation were designed for an environment that has long since passed, one that was much more stable and predictable. Combining a payments system and party management functionality is not enough to optimize for the current environment or to prepare for a more digital one in the future.

We see five significant trends that are driving insurers to place more emphasis on channel management:

- **Channel proliferation** continues to increase as insurers experiment with new channels. The traditional main street agent has different needs than a large broker, who has different needs than a digital broker, an MGA, an aggregator, a partner, or other channels. Effectively managing and responding to these variations cannot be accomplished through static compensation/agency programs that are reviewed annually. If a carrier wants to fully exploit the potential of its various channels, it must approach segmentation and compensation very differently. Leading insurers are now including more innovative, forward-looking measures in their agent segmentation schemes. These plans, which offer different compensation and services to various tiers (e.g., silver/gold/platinum levels), have traditionally included historical performance metrics such as loss ratio, premium production, growth, etc.

Programs are evolving to include broader agency evaluation considerations that look at future potential growth and include measures such as target market planning, investments in technology and staff, digital marketing capabilities, and perpetuation activity.

- **Merger and acquisition activity** has been at a record level, with 1,034 insurance agency mergers and acquisitions announced in 2021, up 30% from the 795 reported in 2020.[1] Some of this is due to principals reaching retirement age and looking for their exit. Fewer than half of all agencies have a perpetuation plan in place, meaning they may be forced to sell their businesses in order to monetize their years of investment. Much of the activity reflects acquisitions of midsize agencies by large agencies. This kind of consolidation results in larger and stronger agencies with more scale because they are able to combine back-office services and expand geographically. In an M&A situation, whether it involves insurers or agencies, the entire group of agents of the acquired or merged organization needs to be rapidly onboarded by the acquirer. Licenses must be re-validated, new contracts may be needed, and new appointments may be needed for the expanded writing companies now available.

- **The Great Resignation** seems to have hit the world of the insurance agency as well. In 2018, the Bureau of Labor Statistics indicated that over 29% of all employees in insurance brokerages in the United States were over the age of 55. The May 2021 numbers (the most recent available at the time this report was written) show a dramatic drop in this indicator, with only 11% over 55. This indicates that agents and brokers have seen a significant level of retirement, with the brain drain that accompanies it. There is also a significant influx of younger agency employees new to the industry who are not tied to established processes and old technologies. These newcomers are more open to innovation and will expect to use modern digital tools to grow their business. Additionally, there is an increased need to focus on tracking and managing their training and credentialing.

- Insurers are **expanding their writing companies** to gain pricing and appetite flexibility in different states for different products, lines of business, or customer tiers. As new writing companies are created or authorized for additional states, appointments with the Department of Insurance (DOI) need to be processed.

- **New regulations** continue to proliferate across states and lines of business. Staying on top of these regulations requires continuous training to ensure transactions are processed in compliance with regulations.

A final source of change involves the **increasing role of data and technology** in the way agents conduct their business. Agents are investing in automation of their own internal work to drive operational efficiencies. Our recent report **Optimizing the Independent Agency Experience,** which surveyed agents, showed that they have a clear preference for working with insurers that provide automation related to compliance and compensation. When asked about the importance of certain factors when it comes to selecting where to place business, 80% of respondents said that

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[1] North American Agent & Broker 2021 Year-End Merger & Acquisition Report.

accurate, simple compensation statements were required or a very high priority. 77% reported that easy onboarding, licensing, and appointments were required or a very high priority, and 72% of respondents scored compensation and preferred agent programs as required or a very high priority. A large driver of this preference is the desire to reduce the costs of managing these programs. Larger agents are investing heavily in the use of data to improve their own business operations and give insights into insurer relationships and success factors related to the relationship. Their data is significant and, in some cases, gives the agents an advantage over the insurers.

These trends result in increasing complexity in the processes needed to manage licensing compliance and compensation well. Meanwhile, the costs of noncompliance are rising. Furthermore, these rising costs are occurring at a time when pressure on costs is at its peak and reduced revenue streams are a daily concern.

Managing this variety and dynamism requires tools that allow insurers to deal with a variety of internal and external data sources. Distribution management platforms must enable insurers to manage their distribution force with increasing sophistication. Distribution management is no longer simply signing a contract and setting up compensation; it is now also about solving data problems. Can a platform account for metrics beyond pure performance and change an agent's status as the data changes in real time?

It is against this backdrop that Celent evaluated the solutions in the market.

What Is Meant by Distribution Management?

Distribution management encompasses a wide variety of administrative functions that are focused on operational issues such as registering and licensing producers, configuring compensation plans, administering payment and reconciliation, and tracking performance. A conceptual view of this process is depicted in Figure 1.

Figure 1: Distribution Cycle
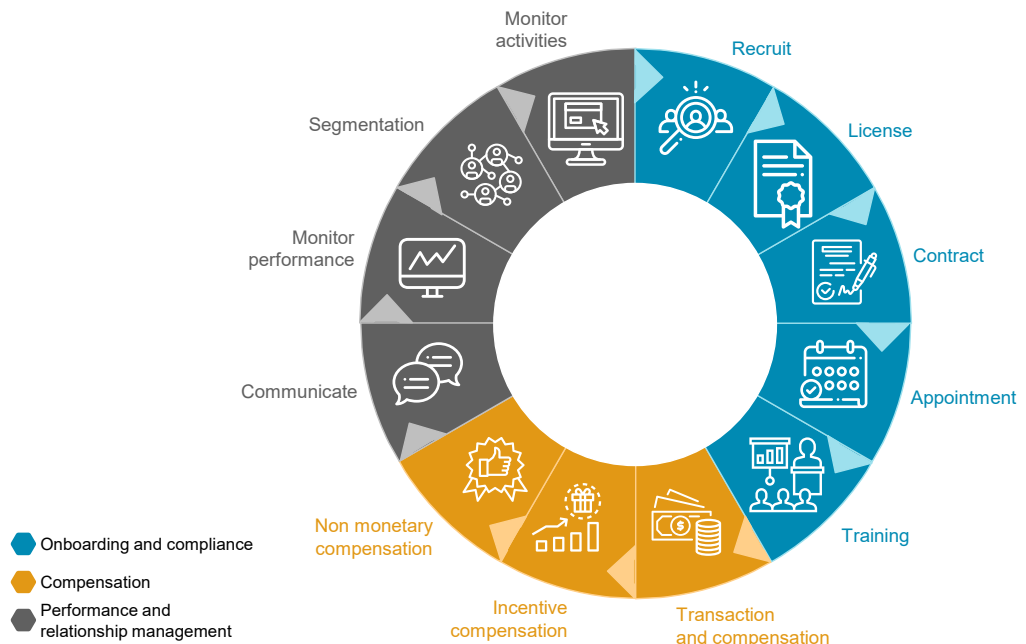
Source: Celent

In a typical insurance environment today, multiple departments perform separate tasks in the cycle. The coordination of activity and integration of information are difficult. This is especially problematic since producer management involves large numbers of distributors, different types of distributors, a substantial volume of transactions, and data from multiple sources. As carriers expand the number and types of distributors they work with, hierarchies become more complex to manage. This complexity is compounded by multiple jurisdictions, multiple policy admin systems, and limited reporting and analytic tools.

These conditions can result in multiple issues, including poor service, a lack of insight into producer performance, unreliable data, and high support costs. The inability to link information means that distributors are managed based on transactions instead of strategically. Compliance issues continue to plague carriers that find it difficult to monitor licenses and process appointments in a timely manner.

Such pain has existed for many years. However, with insurer's continuing focus on growth, the impacts of such an unintegrated approach are more severe. It is critical to increase production within existing distributor relationships (keep them happy), expand into new producers (bring them onboard quickly and with minimal hassle), and monitor the performance of all sales activities (know who is doing what and take appropriate action).

Distribution management systems provide tools and technologies to help carriers with the administrative aspects of distribution management. They are typically used by carriers with mixed distribution channels, multiple policy admin systems, multiple

jurisdictions, complex compensation programs, or some combination of these factors.

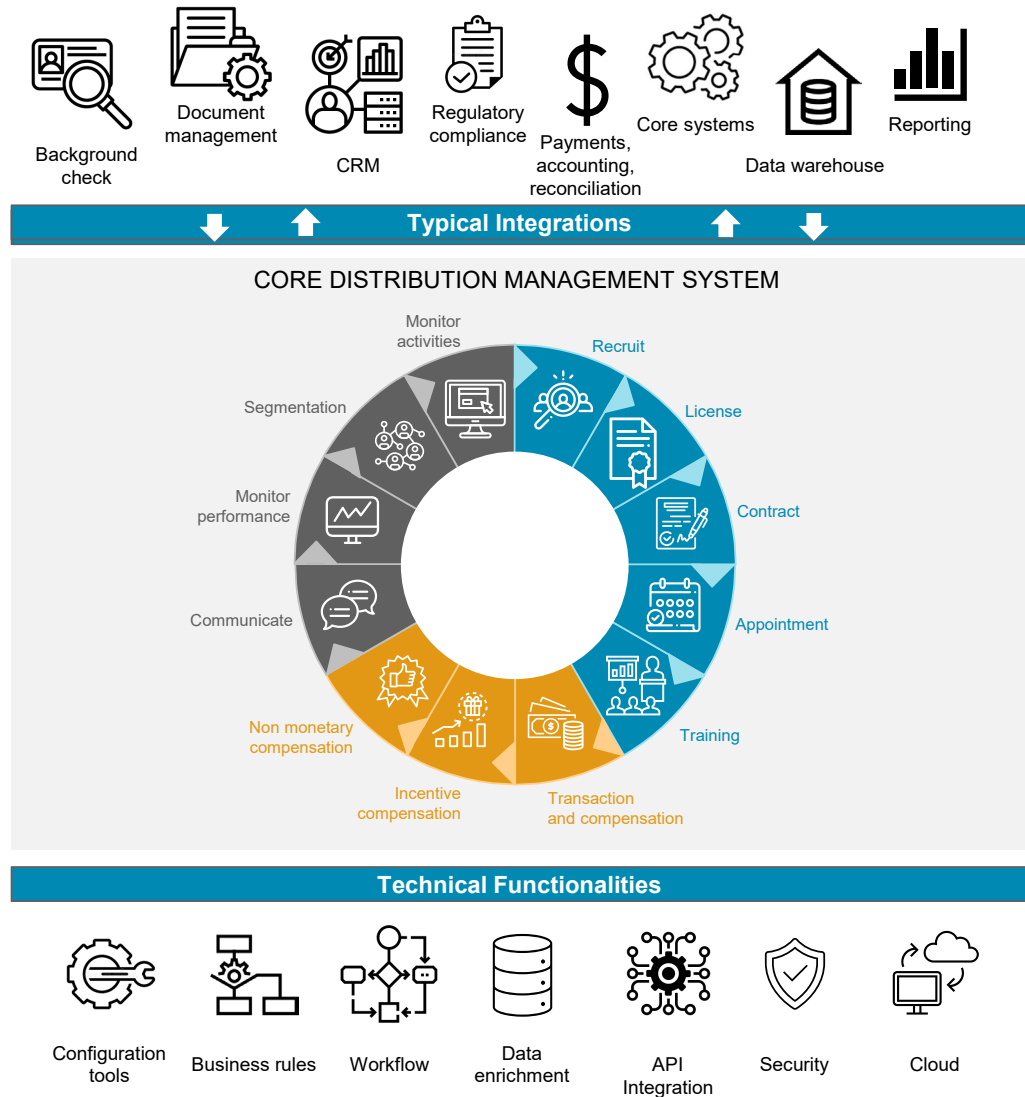# DISTRIBUTION MANAGEMENT SYSTEMS: DEFINITION AND FUNCTIONALITY

Distribution management solutions are used to oversee the different administrative functions involved in controlling the distribution channel. These functions fall into three categories of functions: compliance, compensation, and performance management. The solution providers that are profiled offer one or more modules that cover one or more of these categories. Some providers only provide compliance tools; others provide only compensation solutions. Several provide all functions in a single module, and others provide multiple modules that can be purchased individually or in a suite to provide one or more of these functions.

A compliance module includes all the tasks required to onboard a distributor, manage their licenses and appointments, and handle the hierarchies. For many carriers, this is still a heavily manual process. Field representatives gather the data, licenses are checked manually, and appointments are processed for all states regardless of whether production is expected, or the state requires it. This often results in errors and delays. Modern solutions automate the process, making it easier to ensure the necessary licenses are in force, appointments are processed, and demographic data is accurate. This is sometimes referred to as producer lifecycle management.

Compensation management can be equally challenging for carriers. Those that rely on the commission capabilities inherent in their policy administration system(s) or billing system(s) are usually limited to simple transactional compensation plans only. Commission management modules allow for the easy creation and administration of transactional payment plans, incentive compensation plans, and other compensation such as bonus payments or contests. Complex programs can be easily automated and can take production from multiple policy administration systems and combine them into a single compensation calculation and reconciliation tool.

Performance management typically refers to managing the annual goals and production of distributors. Tools that facilitate reporting, modeling, and analysis facilitate the strategic management of distributors.

Figure 2: Distribution Management System

Background check · Document management · CRM · Regulatory compliance · Payments, accounting, reconciliation · Core systems · Data warehouse · Reporting

Typical Integrations

CORE DISTRIBUTION MANAGEMENT SYSTEM

Monitor activities · Recruit · Segmentation · License · Monitor performance · Contract · Communicate · Appointment · Non monetary compensation · Training · Incentive compensation · Transaction and compensation

Technical Functionalities

Configuration tools · Business rules · Workflow · Data enrichment · API Integration · Security · Cloud

Source: Celent

Within these three major categories of functions, the solution providers offer a number of specific features and functions. For the purposes of analyzing solutions, Celent makes the distinction between basic, advanced, and technical functionalities, as explained below.

Basic Functionality

Not all solutions provide all the functionalities described below. For example, vendors that do not offer a compensation module will not offer compensation functionality. However, generally, the functionalities described below are the basic functionalities found this type of solution.

Onboarding and demographic data capture: Distribution management systems typically provide a central repository for all demographic information about a distributor. This includes basic contact information but also typically includes automated background checks, licenses by state, authorized lines of business, continuing education documentation, proof of errors and omissions insurance, and the contract itself. Some integrate with social media. Most solutions offer some type of self-service portal so the distributors can enter their own information. The carrier sets up the initial base data, and an email is sent to the distributor, who can then provide the remaining information. Some solutions have e-signature capabilities or partnerships with e-signature providers. The carrier reviews the information and can then authorize the distributor and execute the contracts. The distributor generally has the ability to update the information and often is automatically notified as licenses or insurance expire so that they can update with current information.

Integration with third party credentialing solution: Many solutions are pre-integrated with third party credentialing systems such as the National Insurance Producer Registry (NIPR), FINRA, or the Depository Trust and Clearing Center (DTCC). These credentialing systems provide a single repository of distributor licensing information. Distribution management systems will integrate with the credentialing systems to validate a distributor's license, appointments, and status. Some of the solutions also include Electronic Funds Transfer (EFT) with external entities (states, NIPR, etc.) for fee processing. The systems typically include a repository for the jurisdictional requirements by state. Look for automated updating of the system to ensure compliance with regulations regarding license, appointment, and registration rules.

Automated licensing and appointments: In addition to validating the distributors' license and status at the time of contracting, some solutions include workflow and business rules that permit automated license validation and just-in-time appointments as business is being written. The solutions are integrated with a policy administration system to validate the distributor's credentials prior to issuing a policy. If the distributor is not appropriately licensed, appointed, and contracted for the line of business or jurisdiction being written, the distribution system can automatically check for the appropriate license, process the appointment with the state, and update the contract to reflect the new jurisdiction/LOB.

Hierarchy management: An area in which these solutions are often differentiated is management of distribution hierarchies. Most solutions can handle unlimited parent-child relationships. The solutions begin to vary in their ability to handle unlimited many-to-many relationships. As carriers expand their distribution channels to include wholesalers, managing general agents (MGAs), or other complex channels, they experience a growing need to have individual distributors write business through multiple parent organizations. Carriers should also look for the ability to have multiple types of hierarchies. Some of the solutions allow for organizational hierarchies separate from payment hierarchies and reporting hierarchies. This can add more flexibility to a carrier's ability to manage the distributor's results. Another area of differentiation is the ease of handling changes within or across distributor hierarchies. Some solutions include wizards to merge distributor hierarchies or to

easily handle book transfers. Look for the ability to schedule those changes in advance or retroactively, as some will only allow an immediate change in book ownership. Also, look for the ability to choose which information will move with a distributor. The carrier may want to leave a book of business with the originating distributor but transfer all license information as an individual moves to a new organization.

Document management/creation: Virtually all of these solutions can integrate with a document repository to access stored documents and a document creation solution to create and render standard documents. Most of the solutions include some sort of correspondence or forms library for the most common letters and forms. Some also contain a document management capability allowing for storage of internally generated documents and external documents such as contracts, E&O dec pages, or commission statements. Some integrate with third party solutions to provide additional capabilities. Many systems can automatically generate correspondence or forms using business rules and task generation capabilities. When an event occurs or the data within a field changes, the solution can automatically create correspondence such as welcome letters or notifications of license expiration that can often be delivered using a variety of mechanisms—mail, email, or SMS.

Compensation plans: Compensation solutions calculate transactional commissions (and other compensation programs), generate the disbursements, and create commission statements delivered to distributors electronically or on paper. They typically handle three types of compensation programs.

- **Transactional**: These solutions typically integrate with one or more policy administration systems. They take in the policy data and use that to calculate the commissions due. There are two major areas to look at in this part of the solution—the level of granularity for creating transactional commission programs and the ease of creating transactional commission programs. Commission programs may vary by date, the status of the policy (new vs. renewal), the line of business, the policy premium volume or face amount, geography, or even specific characteristics of the policy such as the age of the insured for life insurance. Some may have changing levels of commission depending on the production level of the distributor or tiers within the policy itself. Commissions may be flat dollar amounts or percentages. Some solutions have visual tools allowing the user to drag and drop policy components, mathematical functions (e.g., multiply or add), reference rate tables, or other factors to create a plan. Others use wizards or allow a carrier to assemble a commission program by combining components.
- **Incentive compensation**: Incentive compensation programs typically are calculated periodically on the book of business rather than individual policies and are often based on components that are outside of the specific policy premium. Carriers may include components from policy admin systems but also from claims systems. Calculations may need to be made on some of these data feeds. Carriers typically calculate incentive compensation based on a distributor's overall level of production and profitability. Some features to look for are the ability to set minimum production goals, the ability to calculate loss ratios, cap

large losses, manage loss ratio buy-downs, and include other components such as retention ratios, persistency, growth calculations, or close ratios. Plans may require capping individual factors, capping production on individual accounts, capping the overall payment, and stacking these caps within individual calculations. Carriers also look for the ability to modify incentive plans based on the segmentation status of the distributor or the role of the distributor. The ability to extend distributors access to their status so they can see how far they have come — and how much they need to continue to produce in order to maximize their bonus — is key.

- **Other compensation**: Some solutions include the ability to set up contests or other nonmonetary compensation. A carrier can set specific performance metrics in the solution, and the tool will monitor and calculate progress in the contest. The reward can be nonmonetary or monetary. Some solutions can automatically modify compensation plans when a distributor has hit a particular goal. For example, when a distributor has achieved a production goal, they earn an additional override bonus on all new business — or perhaps a retroactive calculation is done. Some of the solutions profiled have very easy tools that allow a carrier to set up these types of compensation programs.

Payment plans: Payment rules can vary by distributor or by product feature. Commissions may be paid as issued on direct bill products, whereas other products may pay commission as payments are collected. Production bonuses may be paid when specific production levels are met or on a preset schedule. Top distributors may be paid more frequently than other distributors. Distributors may set up seasonal parameters (e.g., mail my check to one location in the winter and another in the summer). Employee or career agents may need advances and recoupments that may be subject to personalized payment frequency or terms. Look for the ability to easily create payment plans by product, date, compensation type, producer status, and other factors.

Accounting and reconciliation: All the profiled solutions that offer compensation modules can provide some level of accounting and reconciliation functionality. Most solutions offer producer access to commission statements and some include reconciliation tools meant for a producer. Generally, carriers are looking for the ability to see a history of the financial transactions related to a distributor (e.g., production, adjustments, advances, recoupments, and other payment details). Some solutions support the easy setup and management of garnishments. Some include functionality to easily handle draw and advance management, including retroactive calculations. Look for features such as the ability to accommodate multiple pay parties, EFT support for financial transactions, and the ability to hold and release payments. One area of variation across solutions is dispute tracking and management, with some solutions offering very robust functionality in this area and others with rudimentary at best functionality.

Portal: Most solutions expose some level of functionality to the distributor for self-service. Some allow them to manage the contracting activities, update licenses, and authorize additional distributors within their organization. Some provide access to

reporting features so the distributors can self-monitor their performance to plan. Most provide some ability to run commission reports or incentive compensation reports. Some include robust dispute management features that can be handled within the portal by the distributor.

Mobile/multichannel access: Almost all solutions are browser-based and available via a tablet or mobile device for a distributor or marketing representative in the field. More and more have been optimized for mobile devices using HTML 5 or responsive design. Most solutions include some level of role-based security that allows separate access and modified user interfaces to be exposed via a portal to a distributor. Some offer downloadable applications with specific functionality for the distributor.

Performance management: Many of the systems track and monitor a distributor's performance using reporting. Some solutions have more robust functionality that allows a carrier to document production goals or other metrics. The solutions can then use a combination of reporting tools and business rules to monitor performance against quotas or other metrics and send alerts when performance is outside defined tolerances. Some solutions can calculate a distributor's segment (platinum, gold, silver, etc.) using defined parameters; other solutions allow the carrier to manually enter the segment. That segmentation can then be used to drive other aspects of distribution management, such as commission schedules, production authority, or other benefits provided by the carrier.

Reporting: Reporting capabilities vary widely across solutions. Virtually all solutions integrate with a third-party reporting tool. Some include a third-party reporting tool out of the box with the solution. Some solutions use open-source reporting tools, and some have solutions built in-house. Most include some level of prebuilt standard reports that can be subscribed to or scheduled. Standard reports typically deliver operational reports, performance measures, and some level of financial reporting. Look for the number of reports included out of the box. Ad hoc capabilities vary widely. Some are quite easy to use, with the ability to drag and drop data elements and build a report very simply. Many include dashboards with graphical views of data—and many of those include drill-down capabilities.

Advanced Functionality

In addition to the basic functionality provided by most solutions, some vendors offer more complex and unique functionality.

CRM capabilities: Carriers are interested not only in managing the compensation and contracts they have with a producer but also in managing the relationship. Most of the solutions profiled have been integrated with a third-party CRM tool at some point for some carrier. A few solutions include CRM capabilities within the solution itself. This ranges from tracking the activities and calls to managing leads and campaigns.

Gamification: True gamification functionality is still uncommon in this space. However, some solutions include gamification tools, and we expect more solutions to add this type of functionality going forward. Look for the basic components of

points, badges, and leaderboards. Look for some of the other game components as well, such as the ability to set up teams, challenges, and social connectivity. Look at the tools used to customize the goals and rules. Some have rules engines that allow easy management of the goals and rules of the games and are used to validate that the user is in compliance. Check to see how the platform is integrated with access control lists and whether it supports the synchronization of players into groups. Technical Functionality

Technical Considerations

While the assessment of features and functionality is a critical step in selecting a distribution management system, there are a number of technical considerations to be thought through as well.

Configuration tools: A general trend in insurance software is to create tools that allow carriers to modify the system through configuration rather than through code. The most robust tools allow carriers to easily add data elements, create business rules, modify workflows, create forms, create screens, and modify the user interface, all using configuration tools. Some tools are extremely intuitive, with drag-and-drop and point-and-click capabilities. Others require knowledge of a scripting language to make the changes. Many vendors are moving toward a dual development environment with simplified tools and wizards meant for business analysts to use to make general changes and a more robust environment for technical staff.

Business rules: Look for the ability to design and execute business rules and underwriting rules that are separate from the core program code. Carriers should assess the ability to reuse and share rules. Some tools are extremely intuitive and use natural language; others require knowledge of scripting or programming languages. Some have visualization tools that allow a carrier to use a Visio-like tool to build business rules. Some solutions include a searchable and version-controlled rules repository. A few solutions offer tools to help carriers conduct impact analysis of the rules or traceability tools to help them understand how and when rules are being used. Since many carriers create hundreds or thousands of rules, there should be a strong rules management environment with a well-organized repository, version control and version storage, etc.

Integration: Distribution management systems are typically integrated with a number of different carrier systems, including multiple policy admin systems, claims systems, CRM solutions, document management, general ledger, and disbursement systems. They are also typically integrated with external systems, including third party credentialing systems, background check solution providers, social media, and other third-party data providers. Most solutions have been designed with a service-oriented architecture and have a variety of ways of handling integration, with many settling on using RESTful APIs as the common standard. Most systems have some kind of accelerator or in the past have integrated with the most common third-party data sources and the most common document systems. Look for open architectures that make it easy to manage the integration and data transfer.

Workflow: Some solutions serve more as data capture tools. Workflow is sometimes expressed by flows within a screen or among screens. Other solutions have true workflow capabilities that allow them to automatically generate and assign tasks based on event changes, time lapses, or data changes in a field. Some of the solutions profiled have a graphic design environment with automated background code generation. This means graphical depictions are actionable; clicking on a step allows the carrier to modify that step, or steps can be dragged and dropped to rearrange the sequencing. It is not uncommon for a software vendor to use a third party or open-source tool to manage the workflow requirements.

Data: Data is more and more important for carriers, and software vendors are acknowledging this by building in more tools to help carriers with their data needs. Some solutions deliver a certain number of extra fields that users can modify for their own use. More common are configuration tools that allow the easy creation of data elements, including the ability to mask data, encrypt data, add context-specific help text, and modify the data model. Self-documenting data dictionaries are available. Some solutions come with an ODS out of the box and may even include a data warehouse with the appropriate ETL tools. Most solutions are built on an industry-standard model such as ACORD.

Release management: Some solutions include workflow capabilities to handle the release management within the claims system. Some feature full ticket management. Look for the ability to package a group of changes or filings together to manage as a release, as well as the ability to assign and track work packets. Multi-tenant cloud deployment can enable seamless updates.

Security: Security is of critical importance as these solutions capture sensitive information such as Social Security numbers and bank account information. Ask about the security standards the vendor complies with and which certification and assurance methods are used. Look at how the system handles security for managing APIs for application-level integration. Any distribution management system's payment functionality should be PCI compliant. Look at which authentication capabilities the system leverages for internal and external users. A broad range of capabilities is available, from one-time passwords to security tokens/PINS, multifactor authentication, federated identity support, and even biometric security support. With regard to cybersecurity, look for whether the software has penetration security and how the system has been tested.

Implementation: Vendors use a wide variety of implementation methodologies. Some prefer to handle all implementation themselves. Others prefer to work with third party system integrators. More and more vendors are moving to agile or a hybrid methodology. Look to see what methodology the vendor uses and how it aligns with your own preferred approach. Some vendors are very good at helping insurers transition to an agile methodology. Look at their available artifacts for gathering requirements, documenting product architecture, and capturing business rules. Vendors claiming very fast implementation timeframes may indeed have better artifacts and more configurable solutions, or they may be touting very simple single-product implementation with little or no configuration. Be sure to do

customer reference checks to understand how well the vendor handles project management, knowledge transfer, and scope creep with insurers of a similar size and complexity as your company.

Cloud: Cloud-enabled solutions are on the rise, with most of the responding vendors reporting that they have cloud-enabled core systems. When it comes to the term "cloud," there are many different variations available. Many vendors offer a hosted version of their software. The software is licensed by the carrier and is hosted by the vendor in its own data center or a private data center like Rackspace. Increasingly, software is being hosted in public data centers like AWS or Microsoft Azure. Look for the level of managed services available if you are interested in this option. Additionally, look to see if the solution includes cloud-native features such as dynamic scaling or AI/machine learning modules. AWS, Microsoft, and other cloud vendors often include additional support to help insurers ensure they are using cloud capabilities reliably and efficiently while finding smart ways to manage the costs.

REPORT METHODOLOGY

Approach

To analyze the capabilities of distribution management systems active in the insurance marketplace, Celent invited a broad set of vendors to participate in this year's report. Not all vendors chose to participate. There was no cost for vendors to be included.

Each participating vendor completed an online RFI in Celent's VendorMatch/RFX platform. The RFI requested information about the features provided by the solution, its technology and architecture, the current client base, pricing models, and the vendor itself. RFIs were completed for 13 products in the North American market.

Celent used that data to draft profiles but did not independently confirm the information provided by the vendors. Vendors had an opportunity to review their profiles for factual accuracy. Some of the vendors profiled in this report are Celent clients, and some are not. No preference was given to Celent clients for inclusion in either the report or the subsequent profile.

About the Profiles

Each profile is structured the same way. Profiles present information about the vendor and its distribution management offerings, geographic presence, and client base. Charts provide more detailed information about specific features such as functionality, technology, pricing, and partnerships.

The profiles are presented in alphabetical order.

Limitations

Celent believes that this study provides valuable insights into current offerings in distribution management systems. However, readers are encouraged to consider these results in the following context. The vendors self-reported. Participants in the study were asked to indicate which capabilities they provide in addition to providing general information about their client base. While this information was supplemented with publicly available information where possible, Celent did not confirm the details provided by the participants.
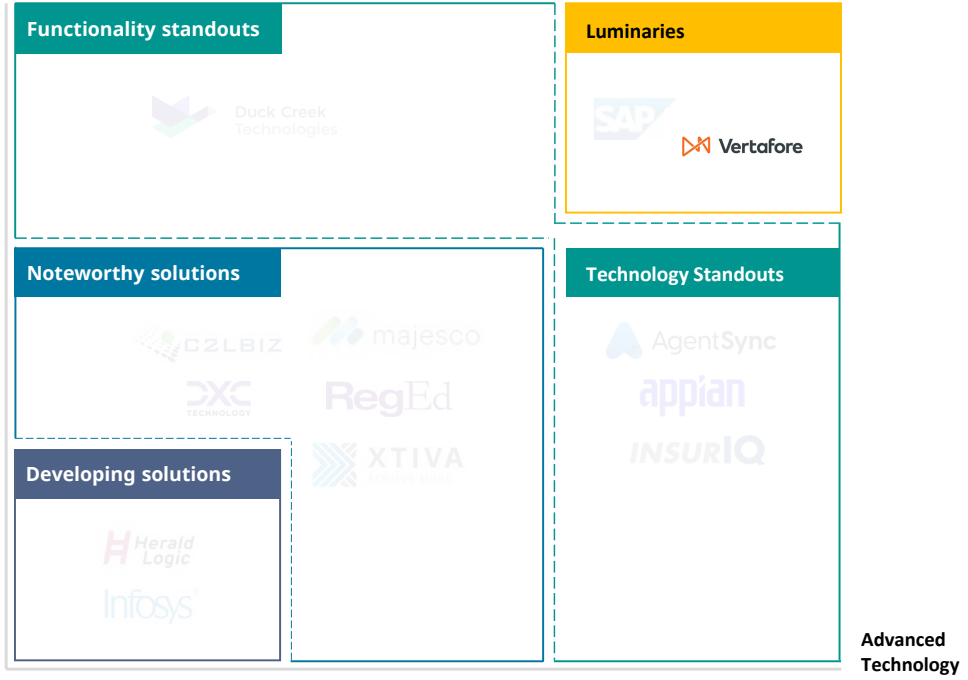
CELENT TECHNICAL CAPABILITY MATRIX

New to Celent's solution reports this year is the Technical Capability Matrix. We've placed each solution into one of five categories based on the sophistication and breadth of its technology and functionality (i.e., plotting the A and B dimensions). Solutions are not ranked within the assigned category; they are listed alphabetically.

The five categories are:

 I. **Luminary:** Excels in both Advanced Technology and Breadth of Functionality.

 II. **Technology Standout:** Excels in Advanced Technology but doesn't yet have as many features as leading competitors (low on Breadth of Functionality). Often newer, these solutions typically have chosen a focused set of functionalities to begin their journey.

III. **Functionality Standout:** Low on Advanced Technology, high on Breadth of Functionality (likely a large installed base). Often more established, these solutions have built out a robust set of features with technology that may not be cutting-edge.

IV. **Noteworthy Solution:** Relatively lower on both dimensions, yet still worthy of consideration by financial institutions.

 V. **Developing Solution:** Typically, new to the market and low on either Advanced Technology or Breadth of Functionality. Has the potential to mature into a more robust offering over time.

Figure 3: Celent Technical Capability Matrix

Breadth of Functionality

Functionality standouts		Luminaries
Duck Creek Technologies		SAP Vertafore

Noteworthy solutions		Technology Standouts
C2LBIZ majesco		AgentSync
DXC TECHNOLOGY RegEd		appian
	XTIVA	INSURIQ

Developing solutions

Herald Logic

Infosys

Advanced Technology

Source: Celent

VENDOR PROFILES

About the Profiles

Each of the vendor profiles presents information about the vendor and its solution, professional services and support capabilities, customer base, functionality, technology, partnerships, implementation time frames, and costs.

To gather data on implementation costs and fees, Celent asked vendors to provide their current client base's first-year total cost of ownership for costs associated with software licensing, initial installation, customization, annual maintenance, and training.

VERTAFORE, INC: SIRCON FOR CARRIERS

Company and Product Snapshot

Vertafore, Inc., is a company headquartered in Denver, Colorado, with sales and professional services personnel located throughout North America. The company has 2,175 employees, of which 250 are available to provide professional services/client support for their Sircon for Carriers solution.

The vendor states they have had no legal issues or bankruptcies.

Table 1: Company Snapshot

Year Founded	1969
Number of Employees	2,175
Revenues (USD)	Missing
Financial Structure	Vertafore is owned by Roper Technologies, a publicly traded company, NYSE: ROP.
VendorMatch Link	https://www.celent.com/vendors/vertafore
User Conferences	The vendor offers an annual user conference or customer event.

Source: Vendor RFI

Table 2: Product Snapshot

Name	Sircon for Carriers
Year Originally Released	2004
Current Release and Date of Release	Sircon is delivered as software-as-a-service (SaaS), with approximately one release per month/2022.
Revenue Derived from the Product	Confidential
R&D Expense	R&D expense over the past two years has been approximately 15% of total revenue attributed to this solution.
FTEs Providing Professional Services for Product	250
Regional FTEs (NA/EMEA/APAC/LATAM)	50/0/200/0

Target Market	Insurance carriers across all lines of business, particularly those with a focus on selling through the independent agent distribution channel
Installed Base	430
Notable Clients	Confidential per client contracts

Source: Vendor RFI

Overview

The vendor states that

Vertafore is focused exclusively on the insurance industry, and all products were developed from the ground up to meet the specific needs of insurance stakeholders they serve; therefore, all development dollars are focused on expanding capabilities that are important to their industry. The Sircon portfolio of products (Onboarding & Self-service, Producer Central, and Compensation) is an end-to-end solution that is solely insurance focused. Sircon's regulatory expertise and knowledge is maintained in their solutions by their Regulatory Compliance Services team; some other providers put the burden of managing regulatory rules and maintenance on their customers.

Key features include:

- *Producer credential management: A single central vault for up-to-date producer credential and relationship data, along with the ability to submit regulatory transactions electronically, one at a time or in batch, with up-front validation and pre-population in all US jurisdictions.*

- *Producer sales authorization engine: A built-in compliance rules engine that verifies producers have the right credentials and relationships to sell, and automatically corrects failures. Sircon experts maintain the constant changes in rules and regulations so clients don't have to.*

- *Producer compensation tools: Centralized system that operationalizes producer compensation by managing unlimited commission schedules, transactions, and producers, including unlimited and complex hierarchies.*

- *Onboarding automation: Onboarding process that helps automate much of the compliance and compensation processes, including organization of producer hierarchy relationships.*

- *Agent self-service portal: A producer portal that provides self-service functionality for increased agent accessibility and transparency, including the ability to: (1) review their personal information, (2) check compliance status and licensing information, (3) complete onboarding interviews online, (4) view compensation statements and progress toward incentives, and so much more.*

Key benefits include:

Over the past 20 years, Vertafore's Sircon Solutions has been the industry innovation leader and created the most complete, cloud-based suite of integrated, end-to-end insurance licensing and compliance products and services available anywhere. Vertafore also was at the forefront with several "industry-first" architecture solutions, including:

- *The first online regulatory appointment and termination transaction processing engine (known then as "Sircon").*
- *The first Authorized Business Partner of NIPR.*
- *The first SaaS producer management service.*
- *The first PDB data synchronization engine to not only pull fresh PDB data (the "overlay" method) but to integrate it into existing carrier data via synchronization.*
- *The first fully automated producer onboarding solution.*
- *The first automated credential authorization verification system,*

Points of differentiation for Vertafore:

- *Singular focus on producer lifecycle management for the insurance and securities industry.*
- *Deep domain knowledge, including proprietary connections to 21 state regulators that are also their customers.*
- *Unmatched technical expertise and experience — Exclusive technology that normalizes missing or ambiguous PDB data.*
- *Automated updating of state regulations to ensure uninterrupted customer recordkeeping and transaction processing.*
- *Only vendor that provides real time appointment transactions in Sircon States.*
- *More than 70% of the nation's appointment processing goes through Vertafore, and Vertafore has processed more than 150 million insurance and securities licensing transactions.*
- *Only vendor that serves all five stakeholders that affect the producer lifecycle — carriers, agencies/securities firms, independent agents, education providers, and state regulators — putting them in the unique position of trying to solve the producer management challenges from all sides of the issue.*
- *Integration with any customer system that can consume XML batch export files and/or make and receive SOAP web service calls.*
- *Full business process outsourcing services to fill the gaps when regulatory requirements prevent automation.*

Functionality

Table 3: Functionality

Category	Function	Availability
Accounting	Accounting data at product and transaction level	🟢
Commission Calculations	Rolling bonus	🔴
	Transactional compensation	🟢
	Bonuses and incentive comp	🟢
Commission Plans/Rules	Transactional commissions	🟢
	Compensation plans by policy status	🟢
	Compensation plans based on specific KPIs	🔵
	Non-production-based bonuses	🔴
	Compensation scenario modeling	🔴
	Non-monetary compensation	🔴
Commission Statements/ Reports	Role-specific commission statements	⚫
	Commission statements in multiple formats	⚫
	Commission reconciliation tools	🔴
	Self-service what-if analysis for distributors	🔴
Distributor Management	Contract administration	🟢
	Capture demographic information	🟢
	Document distributor goals and performance	🔴
	Automated licensing renewal	🟢
	Handles agency M&A	🔵
Documents/ Correspondence	Document management	🟢
General	Distributor self-service portal	🟢
Hierarchy Management	Unlimited levels of hierarchies	🟢
	Many-to-many hierarchies	🟢
	Move-to-another hierarchy	🟢
	Multiple types of hierarchies	🟢
Integrations	Real time NIPR/PDB integration	🟢
	Real time FINRA integration	🟢

Category	Function	Availability
	Automatic state license, appointment, and registration rule updates	🟢
	DTCC integration	⚫
	LIMRA integration	🔴
Onboarding	E-onboarding	🟢
	Automated background checks	🟢
	Automated FINRA registration	⚫
	Automated DOI appointments	🟢
	Real time NIPR notification	🟢
Payments and Fees	Dispute tracking	🔴
	Administer noncommission payments	🔵
	Draw and advance management	🔵
	EFT support for transactions	🔵
	Multiple pay parties	🟢
	OFAC checking	🟡
Reporting and Analytics	Reporting dashboard	🔵
	Distributor performance tracking	🔵
	Supports what-if analysis	🔴
Workflow/Audit	Workflow management	🔴
	Reports/audit/inquiry	🟢

🟢 = Available out of the box

🔵 = Configurable through a scripting language/coding

⚫ = Under development/on roadmap

🔵 = Configurable using simple tools for business user

🟡 = Available with integration to a third party solution

⚪ = Could develop, would be considered customization

🔵 = Configurable using simple tools for IT user

🟡 = Available with integration to a separate module provided by this vendor

🔴 = Not available/not applicable

Source: Vendor RFI

Customer Base

Figure 4: Client Base by Geography, Size, Line of Business, and Deployment Type (Global)

Client Size and Type Distribution

Tier	Life	P&C
Tier 1	55	37
Tier 2	40	37
Tier 3	16	11
Tier 4	43	28
Tier 5	44	29
Agents/Brokers	60	40
Self-insureds of any size		
TPA/BPO service providers		
Reinsurance Companies		
MGAs		

■ Life ■ P&C

Deployment Type Distribution

- On-premise at the customer
- On-premise at a partner
- On-premise at the vendor/software provider
- Private cloud — 430
- Public cloud

Line of Business Distribution

41% / 59%

■ Life & Health ■ P&C

Clients by Region

- North America — 430
- Europe
- Middle East
- Africa
- Asia-Pacific
- Central America
- South America
- Caribbean

■ Total Clients ■ New Clients

Source: Vendor RFI

Technology

Table 4: Technology Options for the Solution

Technology Options	Responses
Code Base	.NET: 45%; C#: 45%; Java: 45%; and JavaScript: 10%
Database	Oracle, PostgreSQL, and SQL

Technology Options	Responses
Scalability	Scale is primarily determined by agents/distributors. Their largest account has over 210,000 agents/distributors and there are nearly 2,000,000 unique producers across all customers. Their largest financial processing example was a single overnight batch process that included 40M+ transactions.
Integration Methods	Web services, XML (not through web services), and custom APIs

Source: Vendor RFI

Table 5: SaaS Capabilities

Elements	Response
Supports a multi-tenant architecture	Yes
Type of effort required to update the solution	No effort required by the customer
Cadence of upgrades for multi-tenant deployments	Minor updates released monthly, major updates released quarterly, patches applied as needed
Deployment approach supports elasticity	Yes
Current API-related strategy	Enabled by consumable APIs
Deployment model can leverage a serverless approach	No
Solution enables independent services (microservices)	Yes
Proportion of the system architected as microservices	25%–50%
Supports automation of development and deployment processes (DevOps)	Yes
Solution runs and deploys under containers to improve the application deployment	Yes
Need for containerization to run in a cloud	No
System's functions and capabilities can be distributed among a private cloud and a public cloud	No

Source: Vendor RFI

Table 6: Deployment Options and Public Cloud Provider Support

Public Cloud Providers	Availability	# of Clients Globally
Microsoft Azure	✕	
Amazon AWS	✕	
Google Cloud Platform (GCP)	✕	
Alibaba Cloud	✕	
IBM Cloud / Bluemix	✕	

Public Cloud Providers	Availability	# of Clients Globally
Oracle Cloud	✗	
Salesforce Cloud, Force.com, AppExchange	✗	
Other	✗	

Legend: ✔ = In production; ☐ = Supported but not in production; ✗ = Not supported

Source: Vendor RFI

Configuration

Table 7: Change Tooling and Upgrades

Types of Changes	Availability
Business Rule Definition	■
Data Definition	■
Table Maintenance, List of Values, etc.	■
Interface Definition	■
Product Definition	✔
Role-Based Security, Access Control, and Authorizations	✔
Screen Definition	✔

Legend: ✔ = Configurable via tools for business users; ☐ = Configurable via tools for IT users; ■ = Configurable by the vendor; ⊖ = Configurable through a scripting language; ● = Coding required; ✗ = Not available

Source: Vendor RFI

Data

Vertafore, Inc.'s data model is proprietary. The database was designed from the ground up for this product. In all cases, the solution's data model is not directly accessible by customers. Data access is achieved via one of the many real time or batch APIs.

A customer cannot extend or modify the solution's data model. Many customers, however, are successful in populating their own data stores with up-to-date producer data through integration with its outbound XML file transfer service, the Outbound Data Feed (OBDF). As part of a standard implementation project, Vertafore offers technical assistance to a customer's IT staff to help integrate with the OBDF as tailored to the customer's specific business objectives.

The data model can be easily published to a client's data model and can map to an intermediate format to share with a client (such as an industry standard). For compensation, they have standard and configurable integrations through an integration utility and have a standard data model that can be extended through user-defined entities and fields. These fields can be included in the user interface, used for calculations, and added to import/export integrations. For all other

modules, the data model is extended by Vertafore based on their product roadmap and market demand.

Security

Vertafore, Inc. complies with the following security standards: Vertafore's Cybersecurity International Organization for Standardization), AICPA SSAE18, and NIST 800-53.

The vendor is not PCI compliant. Vertafore completes an SAQ annually for the limited application of PCI DSS. One-time passwords, flexible user permissioning, multi-factor authentication, and federated identity support are available as authentication factors for internal and external users.

Vertafore has an Incident Response Plan (IRP) to address all security incidents. The purpose of this plan is to document steps related to plan preparation & testing, threat identification, threat containment, stakeholder notification, threat eradication, incident analysis, and recovery activities. Vertafore's Cybersecurity Program aligns with the ISO/IEC 27000 family of standards (International Organization for Standardization), AICPA SSAE18, and NIST 800-53.

Vertafore's Information Risk Management team routinely performs vulnerability scanning and penetration testing of information systems, applications, and infrastructure devices to maintain an effective security posture. Results are documented, researched, scheduled for resolution, and deployed during regularly scheduled maintenance windows or in accordance with the system-patching policy depending on vulnerability severity. In addition, Vertafore engages third party service providers to perform vulnerability scans and penetration testing to bolster internal efforts.

Partnerships

Table 8: Implementation and Support

Type of Partnership	Partner Vendor
System Integrators	They do not have a formal partnership in place with any of the third party system integrators.
Fintech Partners	They do not have any partnerships with fintechs.

Source: Vendor RFI

Implementation, Support, and Pricing

Table 9: Implementation, Support, and Pricing

Typical Implementation Team Size	11 to 15
Resource Breakdown	Vendor: 80%; Insurer: 20%; Third party: 0%
Location of Employees	Vertafore, Inc. has 50 employees in North America and 200 in APAC that are specific to Sircon for Carriers.
Average Time to Implementation	Initial Implementation: 7 to 12 months 2nd and subsequent lines of business: 4 to 6 months 2nd and subsequent states/jurisdictions: 4 to 6 months
Pricing Models	Subscription-based license
Factors Used to Determine Pricing	Usage-based factors: Number of total or named users, per functional components/modules used, and per transaction Tier-based factors: None

Source: Vendor RFI

Pricing

Vertafore did not provide pricing estimates.

PATH FORWARD

As insurers expand their use of new and different distribution channels, their need for more sophisticated tools to manage those channels increases. And as needs increase, insurers continue to implement tools to address those requirements. Choice has increased for insurers in the distribution management marketplace. While most traditional distribution management solutions have improved their capabilities, there are also some new entrants with highly modern architectures that some insurers see as attractive. Ease of integration, an enhanced ability to use data, and microservices architecture are increasingly seen as high-value features of distribution management solutions.

For Insurers

There is no single best distribution management solution for all insurers. There are a number of good choices for insurers with almost any set of requirements. An insurer seeking a new distribution management system should begin the process by looking inward and outward. Every insurer has its own unique mix of channels, compensation programs, lines of business, geography, staff capabilities, business objectives, and financial resources. This unique combination of these factors, along with the organization's risk appetite, will influence the list of vendors for consideration.

Some vendors are a better fit for an insurance company with a large IT group that is deeply proficient with the most modern platforms and tools. Other vendors are a better fit for an insurance company that has a small IT group and wants a vendor to take a leading role in maintaining and supporting its applications.

We recommend that insurers that are looking for a distribution management system narrow their choices by focusing on four areas:

- The art of the possible: What can be done with advanced tools? Look at whether functionalities the business needs are available out of the box for the lines of business and states desired. Check to see what is actually in production.
- The technology: both the overall architecture and the configuration tools and environment. Perform proof-of-concept exercises with shortlisted vendors. This is a chance for providers to show what they can do.
- The vendor's stability, knowledge, and investment in the solution: Consider the partnership dimension carefully. Key functional gaps are quickly closed by leading vendors.

- Implementation and support capabilities and experience: The relationship between an insurer and its distribution management vendor will likely last ten or more years.

For Vendors

As a group, vendors continue to make significant investments in distribution management solutions. The solutions are delivering more functionality with improved configuration tools. They're also more connected, with APIs and RESTful Web services becoming the de facto standard. Although these trends are all excellent news for insurers, they make the competitive challenges facing vendors that much more daunting.

Celent recommends vendors differentiate themselves by:

- Continuing to expand functionality—especially in the use of AI and analytics capabilities.
- Focusing on improving usability for both new and experienced users and managers.
- Continuing to build out configuration environments to put change controls in the hands of the insurers. Configuration tools that business analysts can use get high scores from insurers assessing these solutions.
- Making implementation faster and less expensive.
- Investing in embedding cloud-native capabilities into the product.

Was this report useful to you? Please send any comments, questions, or suggestions for upcoming research topics to info@celent.com.

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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 include:

Vendor shortlisting 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 and requirements. 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 frontline 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.

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Enter name here.   Enter email here.

Americas

EMEA

Asia-Pacific

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

+1.617.424.3200

USA
1166 Avenue of the Americas
New York, NY 10036

+1.212.345.8000

USA
Four Embarcadero Center
Suite 1100
San Francisco, CA 94111

+1.415.743.7800

Brazil
Rua Arquiteto Olavo Redig
de Campos, 105
Edifício EZ Tower – Torre B – 26º andar
04711-904 – São Paulo

+55 11 3878 2000

Switzerland
Tessinerplatz 5
Zurich 8027

+41.44.5533.333

France
1 Rue Euler
Paris 75008

+33 1 45 02 30 00

Italy
Galleria San Babila 4B
Milan 20122

+39.02.305.771

United Kingdom
55 Baker Street
London W1U 8EW

+44.20.7333.8333

Japan
Midtown Tower 16F
9-7-1, Akasaka
Minato-ku, Tokyo 107-6216

+81.3.6871.7008

Hong Kong
Unit 04, 9th Floor
Central Plaza
18 Harbour Road
Wanchai

+852 2301 7500

Singapore
8 Marina View
Asia Square Tower 1
#09-07
Singapore 018960

+65 6510 9700