



**Vertafore™**

Unleash your potential

# Online Agency Management Systems

## THE BUSINESS CASE



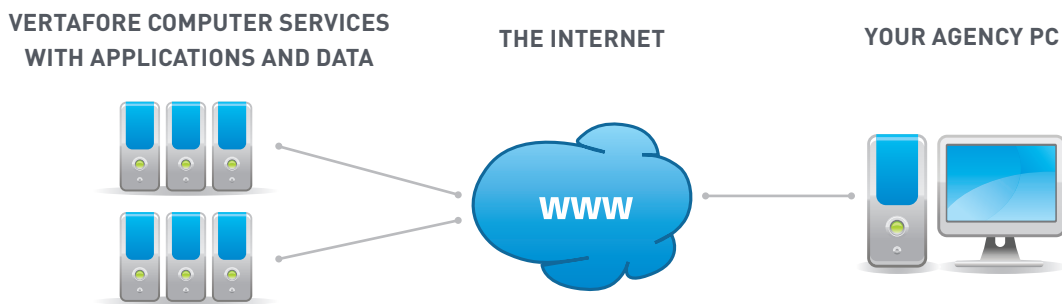
**Increasingly, businesses of all types are employing online systems** hosted by third parties for functions that are central and critical to their organizations. These online systems are also referred to as “hosted,” “on-demand” or “software-as-a-service” systems.

They are replacing the traditional “in-house” model, where your agency licenses the software, purchases and maintains the servers and supporting infrastructure, and takes responsibility for patches and upgrades.

Under the newer online model, a hosting company maintains the application, while your producers and customer service representatives (CSRs) access the system over a secure connection. This paper summarizes the core business benefits of the online model and how Vertafore delivers on them. It also explores some misconceptions about online offerings, to aid you in performing an objective evaluation.

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### SOFTWARE AS A SERVICE DELIVERY MODEL



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### The Benefits of Online Solutions

1. Lower Upfront Costs
2. Lower Ongoing Costs
3. Scalability and Support for Agency Growth
4. Business Continuity
5. Robust Functionality

## Lower Upfront Costs

When comparing all the resources required for an agency management system, online solutions come with a much lower cost-of-entry than an in-house solution. Because of the differences between the subscription (online) and license-based (in-house) pricing models, it is tempting to do cost comparisons based solely on the application costs. Consider all of the “hidden costs” including:

- Servers and server software.
- Supporting network infrastructure including backup systems and security measures.
- Staff time and/or consultant fees for planning and implementation.

Application costs are generally only a fraction of the total upfront costs of implementing an in-house system. For example, in a typical ten-person agency, up to 80% of the total costs for implementing an in-house agency management solution in the first year can be labeled as hidden because they include resources required to simply run and maintain the system. In comparison, a typical online solution contains no hidden costs. As a side benefit, there are fewer financial resources tied up in expensive hardware that is prone to obsolescence. Vertafore created a comparison graph for total cost of ownership, based on actual practices at customer agencies operating both in-house and online. (Refer to chart on page 5)

## Lower Ongoing Costs

Ongoing costs for system maintenance are often the least visible costs, but can be the greatest expense especially if your agency turns to outside consultants for a portion of your IT work.

Maintaining an application server is a chore, calling for late-night or long-weekend duty when the system is down. Applying patches and upgrades involves not only the application itself, but also the underlying operating system and other applications on the same server. All too often, this results in unanticipated conflicts, extended troubleshooting and calls to tech support—all of which rack-up time and expense. In a ten-person agency, administration costs alone for an in-house system can average \$8,000 per year (based on industry standards and analysis by Vertafore).

An online solution relieves the burden of keeping an agency management system patched and up-to-date. Using browser-based technologies, the hassle of installing and upgrading software for each producer and CSR is eliminated. The vendor provides the complete solution, handling all upgrades and software maintenance issues. The online solution removes the need to upgrade hardware or migrate to new systems if servers overload or performance drops. Additionally, the risks associated with an untimely server or backup unit failure, as well as the investment required to protect against outside attacks on the network are all but eliminated. The ongoing vigilance and sophisticated equipment required to guard servers against Internet-borne threats from hackers or viruses are part of the service provided with an online solution.

The pay-as-you-go model delivers a more predictable and consistent income statement and eliminates spikes in capital expenditures.

## Scalability and Support for Agency Growth

If your agency is looking to grow, an online system eliminates the risk of running out of disk space, needing to add servers to handle larger data volumes or demanding faster processors or more servers to handle additional producers and CSRs. In fact, adding an entire new office to the system simply requires that workstations have Internet access. Work-from-anywhere flexibility is also a boon to growth-minded agencies. Temporary or remote offices in new territories are easy to set up, producers are able to work from home and they can serve customers anywhere they can access an Internet connection.

In addition, mergers and acquisitions are an inescapable facet of the agency business. There were 198 mergers and acquisitions of agencies and brokers reported in 2005<sup>1</sup>. If your agency is an active acquirer or seeking to be bought, moving to an online system greatly eases the process of bringing new operations into the fold.

## Business Continuity

For an industry that deals with risk on a daily basis, the risk of data loss should be well understood and anticipated by agencies. After all, an agency's entire book of business is held within its customer data, and loss of that data is essentially a loss of the entire value of the business.

Consider these statistics<sup>2</sup>:

- 47% of businesses that experience a fire or major theft go out of business within two years.
- 44% of companies that lose records in a disaster never resume business.
- 93% of companies that experience a significant data loss are out of business within five years.

These statistics underscore the necessity to not just run backups, which many businesses do, but to verify them. Industry data reveals that 60% of backups fail. So it is important to not only run backups, but to verify that the data is recoverable; that the ability to restore from backups is regularly tested, and that hardware and facilities are available to host the recovered information in case of a disaster at the primary data center.

Here are a few of the steps recommended by a leading agency technology expert to ensure that key data assets are protected<sup>3</sup>:

- Create daily backups, and have two trusted, authorized employees alternate taking the daily tapes to two different locations. Also maintain monthly and annual tapes.
- Perform a test restore at least monthly to test the integrity of the tape and the integrity of the data.
- Invest in a secondary form of data archiving to provide redundancy (tape, remote, external hard drive).
- Keep a copy of the backup software, with its key code, off-site in a secure location.
- Consider having a permanent generator large enough to supply continuous power to the entire facility, wired for automatic cross-over, located in a safe place.

Clearly, such a complete degree of business protection is onerous for many agencies. An online system provides a ready solution. The online provider assumes responsibility for the protection infrastructure, and performing the labor-intensive, everyday diligence necessary to safeguard your business data.

## Robust Functionality

Online systems can give your agency access to the most up-to-date features and programs. They use innovative architectures such as Microsoft® .NET and browser-based technologies—all running on the most advanced hardware, at very little cost to the customer. Migrating in-house to this next generation of technology, with its multiple tiers, can be a complex undertaking. That is why many companies—not just insurance agencies—have found the value in turning to third-parties who are industry experts.

Advanced business intelligence capabilities are another benefit of a leading-edge online system. This analysis of complex data to gain insight into business performance requires a sophisticated infrastructure, including a separate data warehouse optimized for performance reporting. Deploying such a system in-house is normally out of reach of all but the very largest agencies.

Finally, online systems have advantages not only in specific functionality, but also in delivering broad business benefits. One study found that online system customers were twice as likely to report significant improvements in their business performance. They were also more satisfied with their system, and twice as likely to recommend or repeat their decision to purchase an online system compared to those who went in-house<sup>4</sup>.

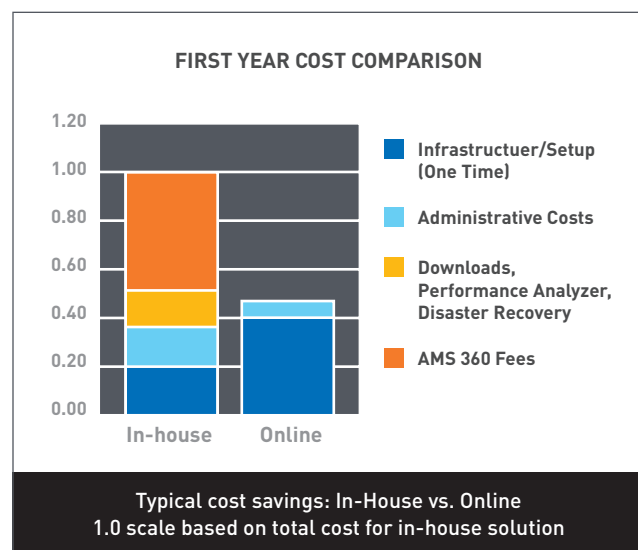
### Perception vs. Reality—Data Control

Your customer data is your agency's most critical asset. It might feel like you have more control over your data when located on a server that you own, in your office. That perception of control may be more emotional than it is factual. Data on a Vertafore online system still remains the property of your agency, and can be easily migrated to another system, in standard formats using tools that Vertafore supplies. And in the event of drive failure, theft or fire, you have greater control over data that is well-protected through redundant backups and housed in a hardened facility, than over data in a damaged server or crashed hard drive that proves irrecoverable.

## The Vertafore Solution

Vertafore offers a full complement of agency automation management solutions, appropriate for agencies of varying sizes. These systems are available online—hosted in the Vertafore Data Center—or in-house running on Vertafore-specified hardware that you maintain.

While in-house systems continue to be preferred by some agencies, most have recognized the overall business benefits of the online model. At Vertafore, 80 - 90% of new customer agencies choose online. For AMS 360, nearly 90% of all agencies are using the online version. Many of these are long-standing customers who maintained their own systems in-house before making the switch.



## Perception vs. Reality— Application Performance

Because an online system employs the public Internet for transactions, the perception is that network congestion, latency and other issues will compromise application performance for the users. The fact is, 30,000 Vertafore customers currently use an online system with few complaints about connection performance. With the correct configuration and line speed, an Vertafore online system can appear to the average user with about the same performance as a local network installation.

The Vertafore Data Center is located on a major Internet backbone, served by redundant multi-path DS-3 connections providing up to 45Mbps bandwidth inbound. Each agency is served by multiple Hewlett-Packard ProLiant Intel Xeon, Intel Xeon MP or AMD Opteron class servers with redundant storage arrays that are expandable to several terabytes of storage. In fact, because of the vast overhead built into the system, agencies that have made the move from an in-house system to online have reported better performance, because the vast overhead of the online system prevents any one agency from overloading its system with a burst of transactions.

## Total Costs

Vertafore created a comparison for total cost of ownership, based on actual practices at customer agencies operating both in-house and online. For example, assuming equivalent functionality, the average ten-person agency migrating from AfW In-House to AMS 360 Online saves 60% in total costs for the first year. As expected, the savings are mitigated over time. However, in year two of this example savings remain as high as 25%. These findings are corroborated by comparisons of online vs. in-house installations in other industries<sup>5</sup>.

The Vertafore solution could deliver an even better total cost of ownership if your agency currently maintains offices at multiple sites with redundant data servers. You could realize double or triple the savings by eliminating the need for data replication, and redundant security and business continuity measures at each site.

At the other extreme, if your server is at one location, but without supporting computing infrastructure in place including a dedicated data center, uninterruptible power supplies, redundant servers, full backup systems and hardened security, the online solution may allow you to avoid an expensive build-out.

## Maintenance Costs

Vertafore's zero-server footprint means zero server maintenance. All server upgrades are handled by data center personnel, under strict change-control procedures that involve full pre-testing of patches and upgrades before applying them to your production system. All system maintenance is performed in scheduled windows well outside of normal working hours. The system is actively maintained and monitored by on-site personnel 24 hours a day, 365 days a year. The entire Vertafore Data Center is SAS 70 certified. This designation means it meets a stringent set of guidelines for hosted-system maintenance procedures and availability, and is regularly audited by an independent third party.

While Vertafore's goal is to realize greater than 99% uptime (outside of normal, periodic maintenance), we have actually achieved an even higher measure of performance—99.9% availability for all production platforms in our data center. This extraordinary uptime record is due to measures such as fault-tolerant and fail-over support for servers, load

## Support for Agency Growth

With its redundant servers and high-bandwidth connectivity, the Vertafore Data Center has the capacity to handle any influx of new offices, users or connections. For acquisition scenarios, Vertafore has well-established, proven procedures for importing customer data from existing records or systems—even those of competitors—into Vertafore's systems.

And should you opt to be acquired as an exit strategy, the bulk of your agency's value—your long-standing, historical relationships with your customers as embodied in your data—is well protected. While Vertafore manages your data, those assets remain under your ownership and control. Vertafore has procedures in place for exporting your data in a variety of formats, conducive to speedy import into other systems—including the systems of Vertafore's competitors.

## Business Continuity

The Vertafore online solution frees you from the burden and worry of managing a complex disaster-recovery plan for your IT infrastructure. The data center operates a redundant, bulletproof third-party backup system with a full recovery plan:

- Full tape backup schedules, including daily, weekly and monthly.
- Tapes vaulted and stored off-site.
- Secondary warm site for disaster recovery, located 90 miles away, with redundant hardware and communication infrastructure.
- Data regularly replicated to warm site for disaster recovery.

In the event of a fire or natural disaster at your local agency offices, any home or temporary office with an Internet connection will allow you to access your agency's data and continue to serve your customers.

## Functionality

Vertafore's online solutions offer a rich set of agency-tested and proven functionality. This includes online document management capability, business intelligence reporting and built-in links for communicating with external data sources and partners. These offload the separate task of linking in-house systems with third parties, or managing the batch process of transacting business with carriers. Vertafore online offerings include:

**AMS 360®**—An agency management solution for agencies of all sizes, with industry-leading breadth and ease-of-use to manage the entire customer lifecycle.

**Performance Analyzer™**—A business intelligence solution that enables agencies of all sizes to readily assess their business performance and make quick, informed decisions that improve their financial performance.

**PL Rating™**— A comparative rating solution that enables agents to access rates from, and submit insurance data to, multiple carriers in real time with a single-entry transaction.

**Prevail Network®**—An efficient Web-based marketplace of quality premium-finance companies.

## Perception vs. Reality— System Security

It's natural to have doubts about the security of an unseen data center that might be located a thousand miles away from your office. But the fact is, that data center is likely far more protected and intrusion-proof than your premises. The Vertafore Data Center has achieved SAS 70 Type II and TruSecure certification. The center is regularly audited by third parties for security and data protection practices and annually certified. To guard against cyberintrusions, the center employs multiple layers of security including redundant firewalls and security monitoring devices. Personnel actively monitor the security logs on a 24x7 basis. To prevent physical intrusions, the center is access-controlled via security cards, with multiple doors that delimit security zones. Only a small handful of employees may access the highest-security vault that houses the servers and databases.

**Service 24/7**— An easy and cost-efficient way to give your customers 24-hour support through this Web-based self-service solution.

**BenefitPoint**—A customer relationship management (CRM) and procurement software platform that makes it easier for professionals to buy, sell and manage benefits.

## Summary

Every agency's situation is unique, and some have specific, strategic reasons for maintaining a system in-house. But the facts suggest that most agencies are best served with an online solution. An online solution not only has cost advantages, but more importantly, allows you to focus on the core of your business: acquiring new customers and serving them more efficiently and profitably.

<sup>1</sup> "Insurance Insight: Keeping score: 2005 M&A league tables reflect ebbs and flows in insurance consolidation", SNLFinancial, January 2006.

<sup>2</sup> Business Network of Emergency Resources.

<sup>3</sup> "It's Time to Update Your Disaster Plan", Jeff Yates, Executive Director of the Agents Council for Technology (ACT).

<sup>4</sup> "On-Demand Versus On-Premise CRM: Are Their Performance Differences?", CSO Insights, 2006.

<sup>5</sup> For one such example, see "Understanding the Total Cost of Ownership of a Hosted vs. Premises-Based CRM Solution", The Yankee Group, June 2004.

Vertafore is the leading provider of software, services and information to the insurance distribution channel, including independent agents, brokers, MGAs, carriers and reinsurers. Vertafore leverages a unique industry presence to deliver meaningful solutions—powerful technology, critical information and robust insights to help organizations effectively respond to business challenges and capture new opportunities. Vertafore solutions are helping more than 15,000 customers and 200,000 end users gain a competitive advantage to accelerate their business performance.

