



Vertafore[®]

Unleash your potential

Cloud-Based Agency Management Systems

THE BUSINESS CASE





“After being in the in-house environment for several years, **moving to the online environment has been a significant time saver.** Instead of installing software and managing hardware, my time is focused on projects and requests which have a clear return benefit to the business. Moreover, this provides our user base an added level of flexibility as more employees work remotely.”

— Tina Clay Sr. Operations Consultant, Insurance Services Group, Bank of America

“I am a principal, a producer and our agency’s compliance officer with the Alaska Department of Insurance. **When we converted to Sagitta Online, I was released from hours of system administration responsibilities.** I feel safe and secure with the dependability and speed of Sagitta Online and I have hours of time to devote to sales and living a life. Sagitta Online has been a beneficial positive for our agency. Life is good. Thanks Vertafore.”

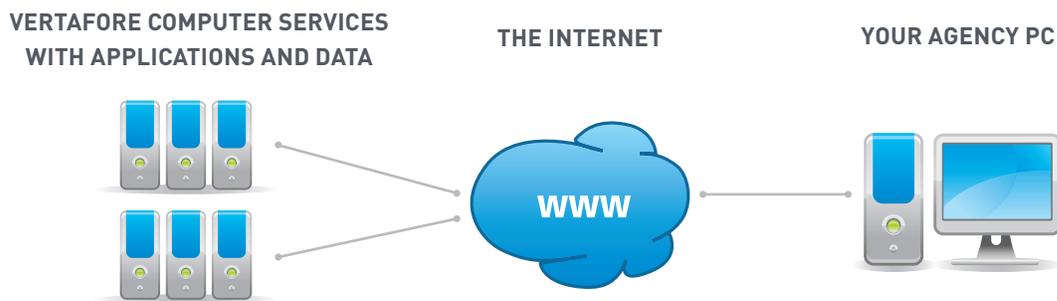
— Frank L. Thomas-Mears, President, Multiple Risk Managers

Increasingly, businesses of all types are employing cloud-based systems hosted by third parties for functions that are central and critical to their organizations. These cloud-based 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 cloud-based 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 cloud-based model and how Vertafore delivers on them. It also explores some misconceptions about cloud-based offerings, to aid you in performing an objective evaluation.

SOFTWARE AS A SERVICE DELIVERY MODEL



The Benefits of Cloud-Based 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, cloud-based solutions come with a much lower cost-of-entry than an in-house solution. Because of the differences between the subscription (cloud-based) 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 percent 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 cloud-based solution contains no hidden costs. As a side benefit, there are fewer financial resources tied up in expensive hardware that is prone to obsolescence.

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).

A cloud-based 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 cloud-based 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 a cloud-based 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, a cloud-based 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 2005¹. If your agency is an active acquirer or seeking to be bought, moving to a cloud-based 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 statistics²:

- 47 percent of businesses that experience a fire or major theft go out of business within two years.
- 44 percent of companies that lose records in a disaster never resume business.
- 93 percent 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 percent 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 protected³:

- 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. A cloud-based system provides a ready solution. The provider assumes responsibility for the protection infrastructure, and performing the labor-intensive, everyday diligence necessary to safeguard your business data.

Robust Functionality

Cloud-based systems can give your agency access to the most up-to-date features and programs. They use innovative open standards architectures 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 cloud-based 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, cloud-based systems have advantages not only in specific functionality, but also in delivering broad business benefits. One study found that customers with cloud-based systems 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 a cloud-based system compared to those who went in-house⁴.

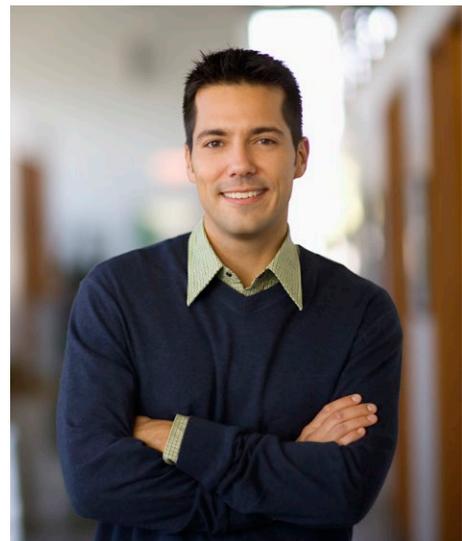
Perception vs. Reality—Data Control

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 cloud-based Vertafore 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 cloud-based—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 cloud-based model. At Vertafore, 80–90 percent of new customer agencies choose a cloud-based system. For AMS360®, nearly 90 percent of all agencies are using the cloud-based version, and many Sagitta® agencies are considering switching. Many of these are long-standing customers who maintained their own systems in-house before making the switch.



Perception vs. Reality— Application Performance

Because a cloud-based 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, thousands of Vertafore customers currently use a cloud-based system. With the correct configuration and line speed, a Vertafore cloud-based system can appear to the average user with about the same performance as a local network installation.

The need for cost effectiveness and product reliability in an agency management system is critical to your business. The Vertafore Data Center hosts and maintains servers including IBM RS6000s, IIS Web servers, AMS eForms and Web services servers to run Vertafore cloud-based systems. This includes the handling of backups, all version upgrades, fixes and custom development, and all hardware and software upgrades.

Vertafore customers with cloud-based systems have decreased costs because they no longer need to maintain an agency management system. A cloud-based system also provides secure online access so employees can not only be productive in the office, but also on the road, at remote offices or while working from home.

Total Costs

Vertafore created a comparison for total cost of ownership, based on actual practices at customer agencies operating both in-house and cloud-based. For example, assuming equivalent functionality, the average ten-person agency migrating from AfW® In-House to AMS360 cloud-based system saves 60 percent 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 percent. These findings are corroborated by comparisons of cloud-based vs. in-house installations in other industries⁵.

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 cloud-based 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.

While Vertafore's goal is to realize greater than 99 percent uptime (outside of normal, periodic maintenance), we have actually achieved an even higher measure of performance—99.9 percent 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.

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 cloud-based solutions free 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. Vertafore Data Center hosting includes:

- Defense in-depth security strategy and architecture
- Redundant fail over with continuity of operations, high availability and backup facilities
- Segregated duties
- Third-party audits of operational controls (i.e. SOC 1 Type II audit report)

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 cloud-based solutions offer a rich set of agency-tested and proven functionality. This includes cloud-based 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 cloud-based offerings include:

AMS360—An agency management solution for agencies of all sizes, with industry-leading breadth and ease-of-use to manage the entire customer lifecycle.

Sagitta—The most flexible and powerful management system available today, designed specifically to help large agencies, MGAs, bankers and national brokers simplify workflow, increase productivity, enhance customer service, and control operating costs.

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.

Vertafore has invested in world-class data hosting at the Savvis collocation data center, used by 40 percent of the top 100 companies on the Fortune 500, to provide security and redundancy and protect client data and systems. Our online Software as a Service solutions help thousands of users provide their customers with unparalleled service and support while providing increased efficiency, cost savings, disaster recovery and potential for better security than self-hosting.

Vertafore has two separate data centers—a primary active data center facility in Texas and a secondary passive (disaster recovery) data center in Georgia. The primary data center deploys redundant equipment at every level—from the network equipment to the web servers. Vertafore leverages a pooling infrastructure for our web and application servers, and we cluster our database servers for high availability/performance and active/active failover.

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.

ReferenceConnect®—One of the most comprehensive online reference libraries in the industry, enabling you to write more types of business, more accurately and reduce the amount of time it takes to train staff on new risks.

Pipeline Manager—The only insurance-specific sales automation platform available today, Pipeline Manager gives producers a solution to easily manage leads, opportunities and X-dates and see data for hundreds of lines of business.

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

WorkSmart®—A workflow and content management solution that allows agencies to better manage staff and business processes, with intelligent workflows that provide unprecedented insight and increase overall agency capacity.

WorkSmart Engage™—The first and only insurance-specific cloud-based collaboration tool, WorkSmart Engage provides agencies with secured workspaces to share and collaborate on client and policy documents and team communications in real-time.

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 a cloud-based solution. A cloud-based 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.

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

² Business Network of Emergency Resources.

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

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

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

“We love being online and our life is so much easier. **We can focus on other things besides loading systems and software.** Our computer room actually burned down a couple of years ago and we didn’t miss a beat since all our corporations run online database management products.”

— Elaine Lewis, The Gleason Agency

“First and foremost, not having to do the upgrades and fixes is huge. **Having backups stored in dual areas with servers that are the responsibility of Vertafore and not ours is huge.** And all performance problems are solved by just a call to support.”

— Gail Piermont, Vice President of Administration, IT, Ocean Point Insurance Agency, Inc.

“In using our agency management system in the cloud, I no longer have to worry about system maintenance or security. I don’t have to do the back-ups or updates; this is taken care of by Vertafore. If the server hiccups, there is an alternative system that kicks in. When you rely on your system with all that customer data and you’re ‘paper-lite’, if there are problems with the technology, it’s the lifeblood of the agency. I have peace of mind now because my data is protected in the Vertafore cloud. What’s more, **I am spending less time, energy and effort on IT functions.** My staff can focus on insurance business, not IT.”

— Steven J. Aronson, President, Aronson Insurance



Vertafore

Unleash your potential

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Vertafore delivers software and services that transform the business of insurance. Unique to the industry, more than 20,000 customers rely on Vertafore to provide integrated technology that connects the entire industry with the most complete source of solutions—agency management, rating and connectivity, content management and workflow, research solutions and producer lifecycle management—so their businesses run better and are more profitable. For more information about Vertafore, please visit vertafore.com.