

Acquisitive Xchanging expands Xuber’s reach with deal flurry



Xuber’s Richard Clark on...

Benefits of recent acquisitions
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Focusing on the broker market
“[The Total Objects acquisition] will also help us grow in the managing general agent [MGA] field, where agents are vested with underwriting authority, but necessarily require standardised Acord messaging formats and technology support to aid distribution and processing.”

Moving towards cloud-based systems
“At the moment, insurance sector clients want some ‘on-premise’ technology and some ‘off-premise’ tech in the cloud. Not everyone is ready to have their core policy administration systems sitting in the cloud, for instance, but they are happy to have some services and processing components sitting outside their IT perimeter.... With our new acquisitions, we will be able to cater for their needs, whatever mix of on- or off-premise technology clients wish to deploy.”



Xchanging, the business process outsourcing specialist, has been on a buying spree. Last week it announced a £21m (\$35.9m) deal to buy software business Total Objects and also Agencyport’s European operations for £64m.

The firm is rolling both businesses into its existing Xuber insurance software line as part of its strategy to prepare for the growth in Software-as-a-Service (SaaS) as a cloud-based delivery mechanism and to meet insurers’ need for a flexible service-orientated architecture (SOA) where modular components can be swapped in or out on demand.

“Clients want an IT infrastructure where a policy administration module can be updated without ripping and replacing the entire existing IT,” Richard Clark, head of business development and specialist commercial policy at Xuber, says. The other key technology rationale behind the recent acquisitions was both companies’ adherence to the Micro-soft.NET software framework, which aids client interoperability and will help Xchanging integrate the businesses into the Xuber product line. As such, ripping and replacing IT will not be necessary.

“There are too many vendors as well, so I’m glad these acquisitions will bring some consolidation and interoperability to the marketplace,” Clark adds. A collection of disparate vendors all putting money in the same technology does not necessarily help to focus investment on innovation, he argues. It can, however, keep a lid on price for end-user insurance clients.

Xuber is part of Xchanging’s technology business unit, which reported revenue of £102.3m last year. Xchanging’s total 2013 net revenue last year was £526.4m and its shares went up 9.12% after it announced it was taking over Agencyport Europe on July 4 to stand at 170.50.

Xuber’s client list comprises of more than 130 brokers and carriers in 40 countries across the UK, US, mainland Europe and the Asia-Pacific region, but this will now grow, with some crossover of clients inevitable. Total

Objects brings more than 60 customers to the combined entity, including names such as Allianz Global Corporate Speciality, Gallagher, JLT, Cogent and Chaucer. Agencyport Europe brings more than 70 customers, including names such as Willis, QBE, AIG, Hiscox, Arch and Zurich.

The two acquisitions also add new vertical capabilities in the healthcare sector and broking to Xchanging’s portfolio, with Agencyport and Total Objects respectively strong in these segments.

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“We also want the Xuber insurance software platform to be deployable in different regions, stretching from Bermuda, to the Asia-Pacific region, to Europe and these deals aid international expansion,” says Clark.

He suggests further acquisitions are likely to be focused on the Asia-Pacific market, although he refuses to name any targets.

Agencyport Europe is strong in the healthcare insurance sector and in property/casualty lines with good exposure management tools that additionally help underwriters assess catastrophe risk from hurricanes, tsunamis and the like.

Its purchase will help Xuber software’s outward-facing ceded reinsurance capabilities become more functionality rich, explains Clark, adding it will be easy to wrap into existing policy administration and underwriting systems.

Total Objects will help to refocus Xuber away from its traditional strengths for insurer- and carrier-orientated business, towards the broking market centred around the Lloyd’s market. “It will also help us grow in the managing general agent [MGA] field, where agents are vested with underwriting authority, but necessarily require standardised Acord messaging formats and technology support to aid distribution and processing,” Clark says.

Acquiring Total Objects’ customer base will also speed up Xuber’s previously slow market penetration into the broking sector. It also means Xchanging can combine its Binder360 offering with Total Objects’ BinderCloud software.

Both deals follow the earlier technology acquisitions by Xchanging of Italian fund administration business AR Enterprise, in November 2012 and the MarketMaker4 e-sourcing firm, in September 2013.

Overseeing the integration of the acquisitions will be Chris Baker, an ex-senior vice president at Oracle, who will take over as managing director of Xuber on August 1, 2014.

Baker will be in charge of an enlarged firm that has doubled in size as a result of the deals. Xuber now has more than 700 staff and gains new offices in Russia from Total Objects, whose country president, Vladimir Serbin, will remain in situ; and offices in Cwmbran and Leeds, UK, from Agencyport Europe.

The two firms’ London offices will remain separate for now but in the long term they may be moved into Xuber’s new headquarters at Walbrook in the City of London, space permitting.

The enlarged firm’s representative offices in the US, India and Singapore will remain as part of its international expansion efforts. The senior management teams at the newly acquired firms will remain in place.

The two other founding shareholders of Total Objects – Larry Sullivan, the non-executive chairman and Jim Barry, the managing director – will stay on with Serbin, while Agencyport’s European managing director, Phil Race, and chief operating officer, Andy Lovett, are staying with the company.

“The rapid integration is expected to complete by the end of the summer, in time for the autumn conference season,” Clark says. “The expectation is to keep all remaining staff, although there are clearly some opportunities for rationalisation of processes when we bring together customer support, installation and other such teams under common management. The deal is not about cutting costs, however, it is about adding capacity and expertise.”

Baker’s task will be to help Xuber grow its international presence and reach, and move the company towards SaaS as a cloud-based delivery mechanism, Clark says. “At the moment, insurance sector clients want some ‘on-premise’ technology and some ‘off-premise’ tech in the cloud. Not everyone is ready to have their core policy administration sys-

tems sitting in the cloud, for instance, but they are happy to have some services and processing components sitting outside their IT perimeter.

“With Baker’s technology background at Oracle, and our new acquisitions, we will be able to cater for their needs, whatever mix of on- or off-premise technology clients wish to deploy,” he adds.

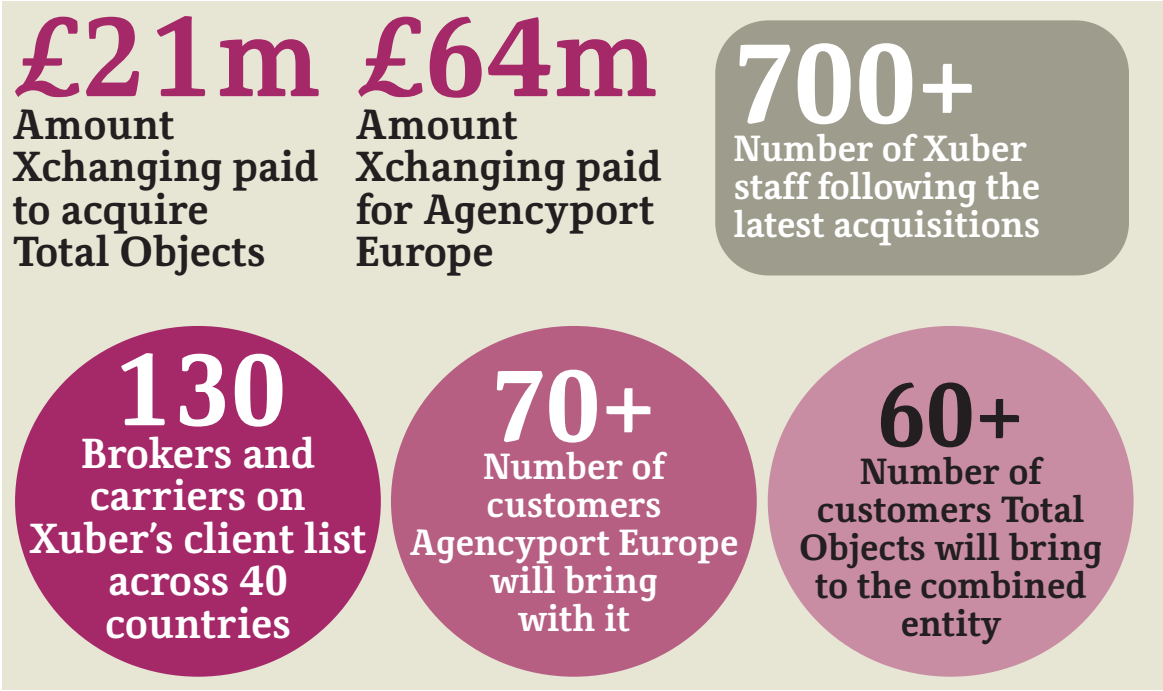
The difficulty with classical full functionality SaaS deployments in the speciality insurance and other complex insurance segments is there is a lot of differentiation between firms. They are loath to give up their uniqueness for fear of being disintermediated.

“There is some nervousness around multi-tenancy and sharing the same code as the guy down

the road,” Clark admits, but this is why the rise of componentisation and module-by-module technology upgrades is so popular with SOAs enabling end users to keep some systems proprietary if they wish, and others more open for the purposes of obtaining ease-of-use benefits and economy-of-scale shared savings.

“It is for these reasons I question if we’ll ever really see true full SaaS deployments in the insurance sector, at least in the near future,” Clark concludes.

“We are a long way off it at the moment, but I am seeing clients use a mixture of cloud- and non-cloud-based systems to run their business operations, and long term, the trend is definitely towards off-premise IT.” ■



The Walbrook Building, London: Xuber's new headquarters. For now, the London offices of Total Objects and Agencyport Europe will remain separate but they may move across in the long term
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