

## **Fiserv Insurance Solutions Gains Strength Via Spin Off**

**Kimberly Harris-Ferrante**

Fiserv's insurance offerings received minimal attention and investments within Fiserv. Expect new ownership to help Fiserv Insurance Solutions gain independence and advance its position in the insurance software market.

## NEWS ANALYSIS

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### Event

On 2 July 2008, Fiserv announced plans for Trident IV, a private equity fund managed by Stone Point Capital, to invest approximately \$205 million in equity and \$335 million in debt to acquire a 51% interest in Fiserv's insurance businesses. Within 12 months, Fiserv Insurance Solutions will be rebranded and will drop the Fiserv name as additional investments strengthen the solutions. This spinoff will enable Fiserv to reallocate resources to focus on its banking and payment services, and remain on the board of the newly formed company.

### Analysis

Fiserv will spin off its insurance solutions — including those for property and casualty, life, workers compensation, finance/compliance, and flood processing business process outsourcing (BPO) — to Stone Point. A separate company, Fiserv Insurance Solutions, will be formed, which will be able to operate autonomously, build its strategy and guide its investments without being confined by a large company that does not consider insurance its main focus.

While Fiserv has been a longtime player in insurance software, growing through mergers and acquisitions, the company has been challenged to update its insurance solutions, expand from the midmarket and integrate the vast number of acquired systems to help customers with interoperability. The insurance division was not given enough attention within Fiserv, lacked needed investments, and fell victim to other, stronger industries, such as banking. This acquisition may give new life to the assets, enabling the newly formed company to:

- Refresh its technology
- Execute its technology vision for improved integration of the solutions
- Invest in new functionality to go into new market segments and up to Tier 1 insurers

In the future, however, the new company and management structure may face some additional challenges. While Stone Point has experience in insurance, it lacks experience in core insurance solutions and BPO.

### RECOMMENDATIONS

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- **Fiserv insurance customers:** Expect little immediate impact on service or operations. Long-term software customers should watch for increased focus and investment in needed upgrades to solutions. New partnerships are likely for complementary solutions, such as general-ledger ones. Since the organization is no longer tied to Fiserv, it will have more independence in determining technology partnerships.
- **Prospects:** Carefully watch this transition, as Stone Point's intentions and its ability to manage and grow BPO are unclear. Wait until the deal is finished and the solution road map is established before proceeding with new BPO and software contracts.

### RECOMMENDED READING

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- “The Insurance Megavendor: New Hopes for Insurance Software” — New entrants continue to emerge in the insurance market, offering customers the option of obtaining

preintegrated software and reducing the number of vendors to manage. **By Kimberly Harris-Ferrante**

- “Innovation in Insurance Becomes a Reality” — Identifying new business strategies to differentiate and improve business performance, as well as technologies that will enable or disrupt the industry, is imperative for success in the insurance market. **By Kimberly Harris-Ferrante**

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