

Policy Administration Systems

Technology

Market Intelligence for Industry Players

Q2 2005



Capstone Partners

Investment Banking Advisors

Boston
San Francisco



CAPSTONE PARTNERS LLC

One Boston Place
39th Floor
Boston, MA 02108
617.619.3300 (o)
617.619.3301 (f)

845 Oak Grove Ave.
Suite 115
Menlo Park, CA 94025
650.323.1600 (o)
650.323.1611 (f)

TECHNOLOGY GROUP

Tim Harned
Managing Director
617.619.3322
tharned@capstonellc.com

David DeSimone
Vice President
617.619.3327
ddesimone@capstonellc.com

Colin Wilson-Murphy
Analyst
617.619.3310
cwilson-murphy@capstonellc.com

Craig Piccirillo
Vice President, Head of Research
617.619.3333
cpiccirillo@capstonellc.com

Capstone Partners LLC

*Mergers & Acquisitions
Debt & Equity Capital*

www.capstonellc.com

Policy Administration Systems

Contents

PREFACE	1
PROPERTY & CASUALTY PAS MARKET OVERVIEW	
P&C Market Opportunity	2
P&C PAS Market Size and Growth	2
P&C Business Environment	3
MARKET PERFORMANCE	
Capstone Insurance Technology Index	4
Public Company Financial Data	5
Insurance Technology Trading Multiples	5
Recent Notable M&A Transactions	6
Recent Notable Financing Transactions	10
INDUSTRY DRIVERS & MARKET SEGMENTATION	
Demand Drivers For PAS Spending	12
Technology Trends	13
IT Architecture Segmentation	14
PLAYER PROFILES	
Competitive Landscape	16
Select Competitive Profiles	17
BUYER PROFILES	
Acquisitive Strategic Buyers	20
Acquisitive Financial Buyers	23



Capstone believes the insurance technology market will continue to experience strong transaction trends over the next three to four years, as technology providers continue to attempt to provide complete, best of breed solutions to potential customers.

Policy Administration Systems

PREFACE

Over the past few years, insurers have benefited from rising premium rates and better overall profitability. Despite this improvement in their operating environment, P&C insurance carriers have encountered a more complex underwriting and reporting environment characterized by more rigorous policy and claims management requirements. These secular shifts have presented insurance executives with an opportunity to realign their strategic objectives, lowering operating costs and increasing revenue, with business process improvements, systems modernization, and more efficient IT utilization. Demanding immediate return on investment ("ROI"), insurance carriers have leveraged technology to make operations more efficient, primarily through back-office and core systems reengineering. Investment in insurance technology has been primarily focused on the claims, billing, and policy administration segments of carriers' operations, as well as the rationalization of outdated legacy systems and the elimination of staff-intensive manual processes and redundant applications.

Meanwhile, intense competition and extended sales cycles amongst insurance technology providers for limited customer budgets have led to increased consolidation activity. Capstone believes the insurance technology market will continue to experience strong transaction trends over the next 36 to 48 months, as technology providers continue to strive towards complete, best of breed solutions to potential customers.

In this report on the insurance technology sector, Capstone focuses on the industry trends and capital markets activity present in the Property and Casualty ("P&C") insurance technology sector with a particular focus on Policy Administration Systems ("PAS") solutions providers.

Capstone Partners LLC

Mergers & Acquisitions

Debt & Equity Capital



Capstone believes there is evidence that meaningful PAS replacement activity is accelerating in the form of supplemental and component replacement sales for larger carriers and of full system replacements by medium and smaller sized carriers.

Capstone Partners LLC
Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com

Policy Administration Systems

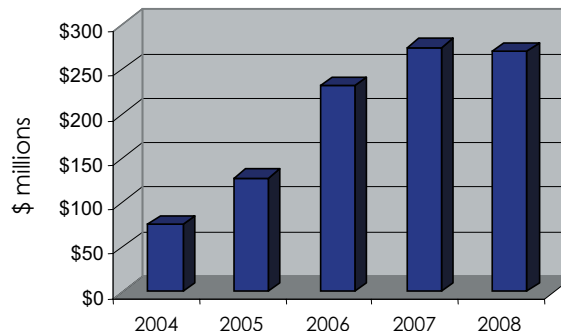
PROPERTY & CASUALTY PAS MARKET OVERVIEW

Policy administration systems are used by insurance carriers to increase operational efficiency and reduce operation costs related to a carrier's administrative functions including processing claims, billing, commissions and developing new business lines. Replacing or upgrading legacy PAS has become a high priority for insurance CIO/CTO's given the challenging business environment and the rapid ROI that many carriers have experienced after implementation.

P&C MARKET OPPORTUNITY

There is tangible evidence that meaningful PAS replacement activity is rapidly approaching. According to Celent, P&C carriers are expected to increase their investment in PAS from \$75 million in 2004 to \$275 million in 2007, a compounded annual growth rate ("CAGR") of 54.1%, with aggregate expenditures during this period expected to exceed \$700 million (Celent "Property/Casualty Policy Administration Systems: 2005", January 2005) (See Exhibit I). Capstone believes that the market's growth will be driven by supplemental and component replacement sales for larger carriers and by full system replacements by medium and smaller sized carriers.

Exhibit I
Estimated Software/Services
P&C PAS Spending



Source: Celent, US Insurance IT Spending 2005-2010

P&C PAS MARKET SIZE AND GROWTH

According to Celent ("U.S. P/C Insurer IT Spending" 2005), U.S. insurance IT expenditures are expected to total approximately \$28.8 billion in 2005 and are expected to reach \$42 billion by 2010. P&C expenditures represented approximately 48% of this market, growing from \$13.2 billion in 2005 to \$20.8 billion in 2010 (See Exhibit II). During this period, insurers are expected to increase spending on IT from 2.5%-3% of premiums to 3%-3.5%. While internal IT spending garnered a greater share of the market in recent years, vendor-focused (external) spending is expected to reverse this situation by 2006 and account for a greater share of total IT expenditures for the vertical (Datamonitor "U.S. Insurance Technology Opportunities" June 2003). P&C insurance carriers are increasingly transitioning towards external vendors to outsource their development and



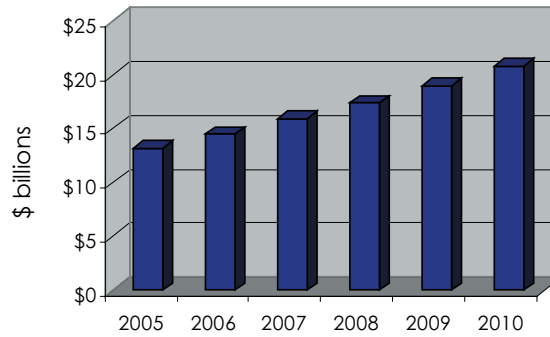
External IT expenditures are expected to continue to increase as carriers focus on core operational strengths and realize the benefits and desirable ROI of adopting new technology from third party vendors.

Policy Administration Systems

return to a focus on core operational strengths. Well-positioned technology vendors stand to gain from the increased external IT expenditures, specifically as carriers realize that the use of these new technologies can lead to desirable returns on investment.

Exhibit II

U.S. P&C Insurance IT Spending



Source: Celent, US Insurance IT Spending 2005-2010

P&C BUSINESS ENVIRONMENT

Property and casualty insurance carriers' fortunes are determined by both the level of premium rates and the frequency and severity of loss cost trends. Market pricing is cyclical and the rate that premiums increase and decrease is determined, in large part, by carriers' risk tolerance and willingness to compete for market share. These pricing swings are referred to as the P&C insurance underwriting cycle. Despite the cyclicity of pricing, more effective loss cost management can improve profitability through each stage of the underwriting cycle. Premium pricing trends affect the insurance carriers' appetite for risk, but not their desire and efforts to minimize the costs associated with particular levels of risk. Policy and claims management systems improve carriers' ability to price efficiently and accurately evaluate the current market risk irrespective of the pricing environment. In addition, having minimized broker related expenses (i.e.; commissions), carriers have targeted loss cost reductions as one of the few methods to increase their overall, long-term profitability.

Since the middle of 2000, the market has been experiencing an upward swing in the pricing cycle. Despite recent improvements in the operating environment, the market has become increasingly complicated. Insurance carriers face a more complex array of challenges in terms of maintaining accurate policy profiles and administering customer claims. The high number of claims related to the World Trade Center tragedy, asbestos, tort litigation, directors & officers liability (related to the rise in corporate lawsuits), and fraud have put significant pressure on carriers to increase operating efficiency and better manage risk levels. These secular dynamics have also contributed to the demand for more automated claims and policy administration systems and have motivated carriers to evaluate new technology solutions that help increase operating efficiency and reduce costs. Thus, even as carriers are experiencing better underwriting fundamentals, insurance executives have realized that significant investments in technology will be necessary to increase long term profitability and thrive in a more complicated risk environment.

Capstone Partners LLC

Mergers & Acquisitions
Debt & Equity Capital



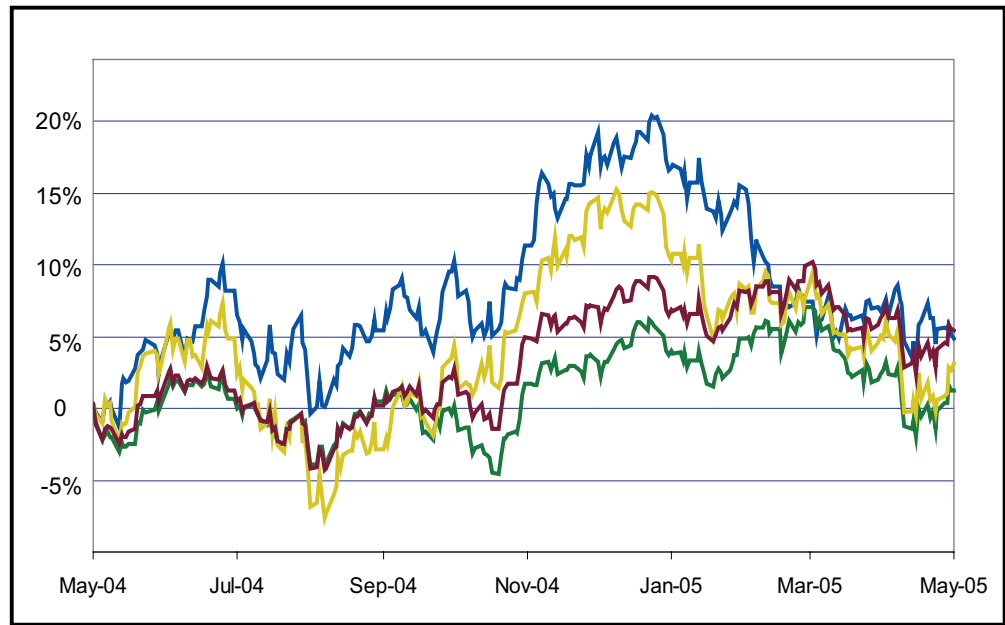
The steady return of the capital markets and the increasing demand for IT services and solutions in the P&C Insurance sector has created a foundation for strong growth in the next 36-48 months for leading providers in this sector.

Policy Administration Systems

MARKET PERFORMANCE

CAPSTONE INSURANCE TECHNOLOGY INDEX

Over the past year, the insurance technology index has matched or outperformed the Dow Jones Composite, NASDAQ 100 and the S&P 500. As insurance carriers continue to focus on operational efficiency through improved IT systems and infrastructure, Capstone believes PAS and broader insurance technology providers will continue to meet or exceed the market in the near to mid term.



Capstone Insurance Technology Index — S&P 500 —
Dow Jones Composite — NASDAQ 100 —

The Capstone Insurance Technology Index is comprised of CCC Information Services Group Inc. (NasdaqNM:CCCG), CGI Group Inc. (NYSE:GIB), Choicepoint (NYSE:CPS), Computer Sciences Corp. (NYSE:CSC), Cover-All Technologies Inc. (OTCBB:COVR), Crawford & Co. (NYSE:CRD.B), DST Systems Inc. (NYSE:DST), Ebix Inc. (NasdaqSC:EBIX), Fiserv Inc. (NasdaqNM:FISV), Innovation Group plc (LSE:TIG), Jack Henry & Associates Inc. (NasdaqNM:JKHY), S1 Corp. (NasdaqNM:SONE). SunGard Data Systems Inc. (NYSE:SDS) was intentionally left off the Capstone Insurance Technology Index due to its pending acquisition by a consortium of private equity firms.

Capstone Partners LLC
Mergers & Acquisitions
Debt & Equity Capital



Over the past year, market performance of companies in this sector has increased 7.5%. Presently, this group enjoys, on average, revenue and EBITDA multiples of 1.8x and 9.2x, respectively.

Policy Administration Systems

PUBLIC COMPANY FINANCIAL DATA

\$ in millions except for stock price and EPS

Company Name	Stock Price	Market Cap	LTM Revenue	LTM EBITDA	EPS	Cash & Equiv.	Total Debt
CCC Information Services Group Inc. (NasdaqNM:CCCG)	\$23.52	\$387.9	\$198.8	\$52.8	\$0.87	\$26.8	\$169.6
CGI Group Inc. (NYSE:GIB)	5.66	2,499.0	2,987.4	456.3	0.42	114.8	273.5
Choicepoint Inc. (NYSE:CPS)	38.37	3,455.1	960.8	311.7	1.72	NA	0
Computer Sciences Corp. (NYSE:CSC)	43.92	8,393.1	15,090.7	2,057.8	3.12	753.6	2,383.9
Cover-All Technologies Inc. (OTCBB:COVR)	0.52	8.2	9.3	2.1	0.05	0.1	2.4
Crawford & Co. (NYSE:CRD.B)	7.42	362.7	826.6	51.1	0.52	25.6	92.3
DST Systems Inc. (NYSE:DST)	44.38	3,700.2	2,447.4	472.3	2.68	NA	1,482.9
Ebix Inc. (NasdaqSC:EBIX)	11.61	33.8	22.0	4.4	1.00	6.9	6.9
Fiserv Inc. (NasdaqNM:FISV)	42.72	8,171.9	3,794.0	868.7	2.18	719.7	598.8
Innovation Group plc (LSE:TIG)	0.74	325.8	112.5	18.6	(0.04)	28.3	4.1
Jack Henry & Associates Inc. (NasdaqNM:JKHY)	17.77	1,620.0	520.5	152.7	0.79	NA	10.0
S1 Corp. (NasdaqNM:SONE)	5.24	368.9	241.0	25.1	0.22	43.2	3.1
SunGard Data Systems Inc. (NYSE:SDS) *	33.94	9,796.7	3,661.7	1,074.0	1.58	404.2	529.6

INSURANCE TECHNOLOGY TRADING MULTIPLES

\$ in millions except for stock price and EPS

Company Name	Market Cap	TEV	TEV/LTM Total Rev	TEV/LTM EBITDA	P/LTM Basic EPS
CCC Information Services Group Inc. (NasdaqNM:CCCG)	\$387.9	\$530.7	2.7x	10.1x	27.0x
CGI Group Inc. (NYSE:GIB)	2,499.0	2,657.1	0.9x	5.8x	13.3x
Choicepoint Inc. (NYSE:CPS)	3,455.1	3,455.1	3.6x	11.1x	22.3x
Computer Sciences Corp. (NYSE:CSC)	8,393.1	10,023.4	0.7x	4.9x	14.1x
Cover-All Technologies Inc. (OTCBB:COVR)	8.2	10.5	1.1x	5.0x	10.5x
Crawford & Co. (NYSE:CRD.B)	362.7	429.3	0.5x	8.4x	14.4x
DST Systems Inc. (NYSE:DST)	3,700.2	5,000.9	2.0x	10.6x	16.6x
Ebix Inc. (NasdaqSC:EBIX)	33.8	33.8	1.5x	7.7x	11.6x
Fiserv Inc. (NasdaqNM:FISV)	8,171.9	8,051.0	2.1x	9.3x	19.6x
Innovation Group plc (LSE:TIG)	325.8	300.5	2.7x	16.1x	NM
Jack Henry & Associates Inc. (NasdaqNM:JKHY)	1,620.0	1,606.5	3.1x	10.5x	22.5x
S1 Corp. (NasdaqNM:SONE)	368.9	273.5	1.1x	10.9x	23.8x
SunGard Data Systems Inc. (NYSE:SDS) *	9,796.7	9,922.0	2.7x	9.2x	21.4x

High	3.6x	16.1x	27.0x
Low	0.5x	4.9x	10.5x
Mean	1.8x	9.2x	17.8x
Harmonic Mean	1.3x	8.2x	16.3x
Median	1.8x	9.7x	16.6x

Notes:

* Not included in summary calculations due to pending acquisition transaction

LTM- Last Twelve Months

EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortization

TEV- Total Enterprise Value

EPS- Earnings Per Share

Capstone Partners LLC

Mergers & Acquisitions

Debt & Equity Capital



Deal activity in 2004 and 2005 has been high; strategic and financial buyers alike have been pursuing acquisition strategies, reacting to and in anticipation of a period of growth for the market as a whole.

Capstone Partners LLC
Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com

Policy Administration Systems

RECENT NOTABLE M&A TRANSACTIONS- INSURANCE TECHNOLOGY

AMS Services acquires InStar Corporation

June 21, 2005 – **AMS Services**, a subsidiary of **Vertafore Inc.**, announced that it acquired **InStar Corporation**, a provider of integrated agency management automation solutions, for an undisclosed amount. **InStar Corporation** provided policy issuance, claims management, premium financing, and direct bill invoice systems among other products for the retail and wholesale insurance industry segments.

Choicepoint Inc. acquires Magnify Inc.

May 2, 2005 – **Choicepoint Inc.** announced that it acquired **Magnify Inc.**, a provider of predictive analytic and decisioning software and risk management solutions related to insurance claims fraud, credit card and payment fraud and other fraudulent financial activities, for an undisclosed amount.

DST Systems Inc. acquires CSC Healthcare Inc.

April 8, 2005 – **DST Systems Inc.** announced that it acquired **CSC Healthcare Inc.**, a provider of Enterprise Resource Planning (ERP), administration and claims processing, infrastructure outsourcing services to the healthcare industry, for \$327.2 million. Prior to the acquisition, CSC Healthcare Inc. operated as a subsidiary of Computer Sciences Corp.

Private equity firms buyout SunGard Data Systems

March 28, 2005 – A consortium led by **Silver Lake Partners** that included **Bain Capital**, **The Blackstone Group**, **Goldman Sachs Capital Partners**, **Kohlberg Kravis Roberts & Co. L.P.**, **Providence Equity Partners** and **Texas Pacific Group** announced it entered into an agreement to acquire **SunGard Data Systems** for approximately \$11.3 billion. Silver Lake, Bain, Blackstone, KKR and TPG are taking equal stakes, with Goldman and Providence investing smaller amounts. The consortium intended to take SunGard Data Systems private. The transaction is expected to be completed in the third quarter of 2005.

Ordina NV acquires Infra Design BV

March 16, 2005 – **Ordina NV** announced that it entered into an agreement to acquire **Infra Design BV**, a provider of software solutions to the retail banks and insurance companies in the Netherlands, for an undisclosed amount. **Infra Design BV** posted sales of €7.5 million (\$10.0 million) last year and employs 70 people. **Ordina NV** provided information and communication technology services and management consultancy in the Netherlands.

Mphasis BFL Ltd. acquires El Dorado Computing Inc.

March 14, 2005 – **Mphasis BFL Ltd.** announced that it entered into an agreement to acquire **El Dorado Computing Inc.**, a provider of health benefits management software solutions to third party administrators, insurance companies and managed care organizations, for \$16.5 million. **El Dorado Computing** was estimated to have \$8.5 million in revenue.



Several companies have made multiple acquisitions in the past year, including Jack Henry & Associates, ChoicePoint and Ebix, reflecting the firm commitment many companies have made to this sector.

Capstone Partners LLC

Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com

Policy Administration Systems

Jack Henry & Associates Inc. acquires Tangent Analytics LLC

March 2, 2005 – **Jack Henry & Associates** announced that it acquired **Tangent Analytics LLC**, a developer of web-based business intelligence frameworks that integrate enterprise systems with external information sources, for an undisclosed amount. This marked Jack Henry & Associates Inc.'s tenth acquisition since 2004.

Unify Corp. acquires Acruitrek Inc.

February 3, 2005 – **Unify Corp.** announced that it acquired **Acruitrek Inc.**, a developer of policy administration and underwriting software for public entity, self-insured, and risk pools insurance markets, for \$1.7 million. Unify Corp. provided application platform, application development, graphical client/server, and relational database management products.

Vertafore, Inc. acquires Custom Insurance Solutions LLC

February 3, 2005 – **Vertafore Inc.** announced it acquired **Custom Insurance Solutions LLC**, a provider of custom development, support and implementation of insurance software solutions, for an undisclosed amount.

McKesson Corp. acquires IntelliClaim Inc.

February 1, 2005 – **McKesson Corp.**, a developer of the most widely used healthcare software systems, announced that it acquired **IntelliClaim Inc.**, a provider of claims processing solutions to insurance companies, managed care organizations and healthcare payers, for an undisclosed amount.

Grey Mountain Partners acquires AQS Inc.

January 19, 2005 – **Grey Mountain Partners**, a private equity firm focused on middle market companies, announced that it acquired **AQS Inc.**, a provider of policy administration solutions to the property and casualty insurance industry, for an undisclosed amount.

Capstone Partners advised AQS on its acquisition by Grey Mountain Partners.

Jack Henry & Associates Inc. acquires RPM Intelligence, LLC

January 5, 2005 – **Jack Henry & Associates Inc.** announced that it acquired **RPM Intelligence, LLC**, a provider of database management, software development and document management products to financial institutions, for an undisclosed amount.

WorldGroup acquires Taliant Software, LLP

December 23, 2004 – **WorldGroup**, a provider of flexible component software solutions for the insurance industry, announced that it acquired **Taliant Software, LLP**, a developer of component-based enterprise software solutions consisting of policyholder services, claims management system, and work management modules for insurance companies, for an undisclosed amount. The combined WorldGroup and Taliant Software operates as **InsureWorx, Inc.**, and is the leader in Worker's Compensation insurance software solutions, with the combined client base providing over 25% of Worker's Compensation insurance to the U.S. market.



Policy Administration Systems

Jack Henry & Associates Inc. acquires SERsynergy Division of SER Solutions Inc.

December 20, 2004 – **Jack Henry & Associates Inc.** announced that it acquired, **SERsynergy Division of SER Solutions Inc.**, which manufactured the Intelligent Document Management (IDM) system that catered to financial institutions, for \$35 million.

ChoicePoint Inc. acquires Priority Data Systems Inc.

December 3, 2004 – **ChoicePoint Inc.** announced that it acquired **Priority Data Systems Inc.**, a provider of client/server and online comparative rating systems to agents and property carriers, for an undisclosed amount.

Hellman & Friedman LLC acquires Vertafore Inc.

November 23, 2004 – **Hellman & Friedman LLC** announced that it acquired **Vertafore Inc.**, a provider of software solutions and services to U.S. property and casualty insurance companies, for an undisclosed amount. **JMI Equity** invested alongside **Hellman & Friedman**. **Vertafore Inc.** operates through four principal entities consisting of **AMS Services**, **SilverPlume**, **AMS Rackley** and **Allenbrook**, which together provide a broad spectrum of software solutions including policy administration systems, back and front office software suites, rating systems and point-of-sale systems.

ChoicePoint Inc. acquires InsurQuote Systems Inc.

October 5, 2004 – **ChoicePoint Inc.** announced that it acquired **InsurQuote Systems Inc.**, a software developer that made comparative premium information accessible to insurance companies and agencies, for an undisclosed amount.

Vista Equity Partners acquires Applied Systems Inc.

October 1, 2004 – **Vista Equity Partners** announced that it acquired **Applied Systems Inc.**, a provider of solutions processing, billing and claims systems for the insurance industry, for an undisclosed amount.

Fiserv Inc. acquires Results International Systems Inc.

September 1, 2004 – **Fiserv Inc.** announced that it acquired **Results International Systems Inc.**, an application service provider that offers insurance processing services, web services and business consulting services to the property and casualty insurance market, for an undisclosed amount. **Results International Systems Inc.** also provided software solutions through its Celera product line designed to meet the unique requirements of the Asian market, and **Artius Inc.**, its wholly-owned subsidiary, which offered an entire suite of insurance processing software.

Connecture Inc. acquires Riverwood Solutions Inc.

July 8, 2004 – **Connecture Inc.** announced that it acquired **Riverwood Solutions Inc.**, a designer and developer of Internet solutions for the insurance industry including automated business processes for insurers, for an undisclosed amount.

Capstone Partners LLC

Mergers & Acquisitions

Debt & Equity Capital



Policy Administration Systems

Ebix Inc. acquires Heart Consulting Pty Ltd.

June 28, 2004 – **Ebix Inc.** announced that it acquired **Heart Consulting Pty Ltd.**, a designer and developer of insurance software, for \$7.03 million. The company's products included WinBEAT, a Windows-based insurance intermediary software that assisted brokers in complying with the Financial Services Reform Act (FSRA), and MicroBEAT, a general insurance business management solution.

ISACSOFT Inc. acquires ISAC Technologies

June 15, 2004 – **ISACSOFT Inc.** announced that it acquired **ISAC Technologies**, a provider of information technology and business process management services and solutions that catered to the financial services and insurance industry, for \$9.05 million.

SunGard Corbel acquires SBPA Systems

June 9, 2004 – **SunGard Corbel** announced that it acquired **SBPA Systems**, a provider of health and welfare benefits administration software solutions to the health insurance industry and third-party administrators, for an undisclosed amount. SunGard Corbel is an operating subsidiary of SunGard Data Systems. **Capstone Partners advised SBPA Systems on its acquisition by SunGard Corbel.**

MacDonald, Dettwiler and Associates Ltd. acquires Marshall & Swift/Boeckh

April 27, 2004 – **MacDonald, Dettwiler and Associates Ltd.** announced that it acquired **Marshall & Swift/Boeckh**, the largest supplier of residential and commercial property valuation software solutions to the property and casualty insurance sector in North America, for \$250 million.

Marsh Risk and Insurance Services Inc. acquires CS Stars

April 27, 2004 – **Marsh Risk and Insurance Services Inc.** announced that it acquired **CS Stars**, a designer and developer of property and casualty claims management software and services for insurers, third-party administrators, corporations and government entities, for an undisclosed amount.

StrataCare Inc. acquires GenSource Corporation

April 14, 2004 – **StrataCare Inc.** announced that it acquired **GenSource Corporation**, an insurance and risk management software products vendor, for an undisclosed amount. The company's systems were used for administering insurance-related claims and managing risk, including workers' compensation, non-occupational disability, property and casualty claims.

Ebix Inc. acquires Lifelink Corporation

February 23, 2004 – **Ebix Inc.** announced that it acquired **Lifelink Corporation**, a developer of life insurance sales software that allowed brokers and agents to access all their carriers on one system as well as carrier ratings and financial reports, for \$11.2 million.



Policy Administration Systems

RECENT NOTABLE FINANCING TRANSACTIONS- INSURANCE TECHNOLOGY

Potomac Capital and RIT Capital Partners plc invest in AXS-One Inc.

June 17, 2005 – **Potomac Capital**, **RIT Capital Partners** and **management** invested \$6.75 million through a PIPE into **AXS-One Inc.**, a developer of records compliance management software solutions serving a broad set of industries including insurance and financial services among others.

Formula Vision Technologies Ltd. invests in IDI Technologies Ltd.

March 27, 2005 – **Formula Vision Technologies** invested \$2.07 million in **IDI Technologies Ltd.**, a developer of enterprise application software for direct life and non-life insurance markets. IDI Technologies Ltd. planned to use the proceeds to expand international activity and enter into new markets.

Appian Venture Partners and Cherry Creek invest in Valen Technology Inc.

March 22, 2005 – **Appian Venture Partners** and **Cherry Creek Investments Ltd.** invested \$2.94 million in series B funding for **Valen Technology Inc.**, a developer of analytical decision-enabling software for actuarial and underwriting processes. Valen Technology Inc. planned to use the proceeds for new product development, scaling up for larger developments, increasing sales operations and accelerating growth in the insurance software industry.

Tak Investments invests in Healthaxis Inc.

February 23, 2005 – **Tak Investments** invested \$12.5 million in **Healthaxis Inc.**, a provider of integrated software solutions and services for health benefits administrators and health insurance claim processors in the United States.

Private placement in Automated Benefits Corporation

January 26, 2005 – **Automated Benefits Corporation**, a Canadian insurance software developer and marketer, announced a private placement of \$2.06 million from an institutional investor and four individual employees, none of whom are board members or senior management. Automated Benefits Corporation planned to use the proceeds for further marketing of software of its Waterloo-based, Symbility Solutions Inc. subsidiary, for marketing of ABL software, and for general working capital purposes.

Laurence Capital Fund invests in Automated Benefits Corporation.

November 9, 2004 – **Laurence Capital Fund** invested \$234,545 in **Automated Benefits Corporation**. Automated Benefits Corporation planned to use the proceeds for general working capital and further development of the software of its subsidiary, Symbility Solutions Inc.



Policy Administration Systems

SeaPass Solutions Inc. raises funding

September 27, 2004 – **Seapass Solutions Inc.**, a developer of software solutions that enable real-time interaction between insurance agents, carriers, brokers and resellers, raised \$3.7 million in a round of funding that involved new investor **Platinum Neurone Ventures**, new investor **Plenus Venture Lending** and existing investor **Hyperion Partners**. The company raised \$6.7 million total in funding.

CenterPoint Ventures, STARTech, and angel investors invest in Resolution EBS Inc.

August 9, 2004 – **CenterPoint Ventures**, **STARTech Early Ventures**, and angel investors invested \$4.5 million in series B funding for **Resolution EBS Inc.**, a developer of decision making logic systems for health, manufacturing and property and casualty insurance industries.

Platinum Neurone Ventures invests in SeaPass Solutions Inc.

July 19, 2004 – **Platinum Neurone Ventures** invested \$2 million in second round financing in **Seapass Solutions Inc.**, a developer of software solutions that enable real-time interaction between insurance agents, carriers, brokers and resellers.

Ignition Partners invests in Full Capture Solutions Inc.

July 16, 2004 – **Ignition Partners** invested \$5 million in series A funding in **Full Capture Solutions Inc.**, a developer of predictive analytical software solutions for the insurance industry. Full Capture Solutions Inc. planned to use the proceeds for sales and business development.

Hyperion Israel Venture Partners in US invests in BSafe Software Solutions Ltd.

July 12, 2004 – **Hyperion Israel Venture Partners** invested \$1.5 million in **BSafe Software Solutions Ltd.**, a developer of network and data-security products used in banks and insurance companies.

Private equity firms invest in First Choice Solutions Inc.

June 16, 2004 – Private equity firms, led by **Nationwide Mutual Capital LLC**, invested \$5.5 million in series C funding in **First Choice Solutions Inc.**, a developer of software that assists in claims processing of electronics theft or damage for property/casualty insurance industries. First Choice Solutions Inc. planned to use the proceeds to develop its technology capabilities and increase business development efforts.

Capstone Partners LLC

Mergers & Acquisitions

Debt & Equity Capital



PAS providers should expect to benefit from the momentum of current IT spending on initiatives supporting web enablement, infrastructure consolidation, technology enhanced product development, improved business processes and regulatory compliance.

Capstone Partners LLC
*Mergers & Acquisitions
Debt & Equity Capital*

www.capstonellc.com

Policy Administration Systems

INDUSTRY DRIVERS & MARKET SEGMENTATION

DEMAND DRIVERS FOR PAS SPENDING

PAS providers benefit from a confluence of two key demand drivers in the P&C PAS space: (i) increased capital outlays for solutions provided by 3rd party vendors and (ii) increased legacy systems replacement spending. P&C carriers are investing in new PAS systems to address five key business needs: (i) provide web-enabled access to core systems for internal staff as well as agents and policy-holders; (ii) consolidate multiple legacy systems; (iii) expedite new product development; (iv) improve business processes; and (v) align technology with regulatory compliance needs.



■ **Web-Enablement** – With the web increasingly acting as the main point of contact between agent and carrier, a fully functional web-enabled PAS system allows carriers to increase agent loyalty by allowing real-time access to check on the status of new business activity, quotes and related illustrations. In addition, transaction costs are reduced by allowing more business to be transacted electronically versus through a call center. Some vendors have opted to “wrap” obsolete legacy systems with technology to support a web front-end, but the opportunities presented by a truly web-centric model rather than a band-aid fix has enticed many carriers to invest in comprehensive new PAS.

■ **Consolidation/Integration** – The mandate to “do less with more” has prompted many carriers to investigate the use of a new PAS as a way to consolidate multiple redundant systems and achieve operational efficiencies by enabling internal and 3rd party systems to share policy and customer data seamlessly. Because most insurance carriers operate with multiple silos running disparate “best-of-breed” solutions, the ability to tie multiple systems together by virtue of a modern PAS that supports emerging data standards, such as ACORD XML, becomes attractive to carriers searching for ways to increase efficiency and profitability. The use of modern platforms such as J2EE and .NET also promotes the seamless exchange of data between disparate systems, further enhancing carriers’ ability to respond to compliance issues through simplified data extraction and reporting.

■ **Product Development** – Most legacy PAS solutions require direct changes to source code to develop and test new products. As profitability in the P&C insurance industry becomes increasingly driven by the ability to quickly develop and market new products, carriers are looking for systems based on modern technology that allow business line individuals, rather than IT professionals, to develop new products in an expedited time frame. Rules-based systems with prospective and flexible interfaces have been proven to reduce the time required to develop new products from weeks to days resulting in carriers increasing process efficiency and overall profitability.



Successful IT vendors have proven that solutions not only need to reduce overall IT and administrative costs, but also align IT infrastructure with business goals and enable new revenue opportunities by allowing carriers to react quickly to emerging market trends.

Capstone Partners LLC
Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com

Policy Administration Systems

■ **Business Process Improvement** – As carriers seek to optimize organizational efficiencies, legacy systems that lack flexible workflows limit the effectiveness of organizational change. Carriers are demanding that vendors deliver systems that can adapt to changing business processes.



■ **Regulatory Compliance** – Regulatory and legislative issues continue to put pressure on insurance technology consumers and vendors from a product functionality and compliance standpoint. There are four major pieces of legislation in recent years that have required carriers to make significant changes to their IT systems including the Gramm-Leach Bliley Act of 1999, the USA Patriot Act of 2001, the Terrorism Risk Insurance Act of 2002 and the Sarbanes-Oxley Act of 2002. As a result, carriers are increasingly looking for technology solutions that can both assist in the automation of compliance with existing laws and provide

flexibility for implementing compliance with future laws in an attempt to manage future IT expenditures.

Prevailing industry trends clearly indicate that successful insurance IT vendors must produce solutions that not only reduce overall IT costs, but also better align technology infrastructure with business goals, enable the insurance enterprise to become more nimble and drive revenue opportunities. Further, industry survey results point to an increased emphasis on systems that embrace open standards platforms and provide “best-of-breed” functionality in a particular technology segment while being able to seamlessly integrate into the rest of a carrier’s systems in order to create a truly enterprise-wide solution.

TECHNOLOGY TRENDS

Technology trends in the PAS market currently reflect the business drivers of PAS spending. Several of these key trends in insurance technology spending include:

■ **Optimizing efficiency** – Increasingly complex policy and claims administrative requirements have motivated many carriers to evaluate ways to more effectively utilize technology to consolidate redundant, legacy systems and better manage the flow of information through front, middle, and back office processes.

■ **Increasing penetration of Microsoft platforms** – .NET is clearly gaining ground on open standards leader J2EE, while MS-SQL appears to be poised for more dramatic growth than other database platforms.

■ **Acquiring product design/actuarial capabilities** – As carriers seek to pinpoint the most profitable niches, products that do not allow for rapid and dynamic product development will be at a competitive disadvantage.



IT spending on third-party solutions continues to rise as the quality and breadth of vendor solutions rapidly improves and carriers focus on core operations rather than developing in-house IT systems.

Capstone Partners LLC
Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com

Policy Administration Systems

■ **“Best-of-breed” trumps “end-to-end” solutions** – Although the breadth of vendor solutions continues to expand, carriers are focused on acquiring the “right” solution and are selecting best-of-breed components based on strategic value.



■ **Offshore ITO for larger carriers** – Overall cost savings has driven IT outsourcing throughout the industry, though the practice has only been widely adopted by larger carriers with the scale to manage global projects and the associated risks.

■ **Aligning IT with business objectives** – New IT investments are subject to intensive scrutiny from a business alignment standpoint. Cost containment is less important than adopting solutions that support growth initiatives and enable efficiencies and service delivery operations.

IT ARCHITECTURE SEGMENTATION

In addition to market segmentation by carrier size, the market can also generally be segmented into the front, middle and back office functions of the carrier. As illustrated in the Exhibit below, the IT architectures in place at insurance carriers today can generally be segmented in this manner (See Exhibit III):

Back Office – The back office incorporates the core systems essential to the fulfillment and processing of insurance. These include policy administration systems, which drive product development and processing; policy acquisitions systems, which automate underwriting; quotation and commission management processes; and other back office systems, including accounting and reinsurance systems. In the P&C insurance sector, the back office also incorporates claims processing engines.

Middle Office – The middle office encompasses a set of systems which provide customer and policy data to the carrier's distribution channels, marketing and customer relationship management systems as well as a range of management information systems, including regulatory, reporting and compliance solutions and risk management systems.

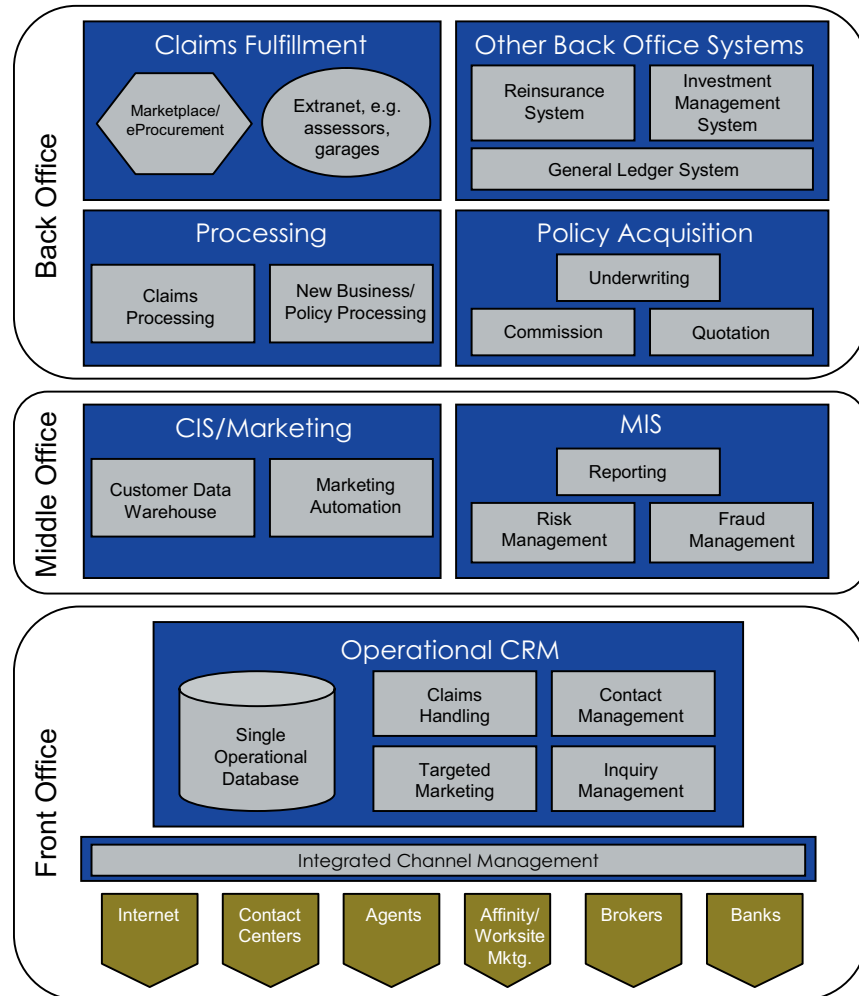
Front Office – The front office consists of all customer-facing functions, including distribution channels (e.g., agents), customer management applications (e.g., single customer database) and claims notification systems. Insurance carriers are increasingly looking for solutions that can share data and integrate workflow across all three of these customer-facing functions. While the traditional approach to cross-segment integration has typically involved wrapping new technology around an aging legacy platform or rolling out client/server-based solutions across various operating segments, carriers are beginning to demand solutions that are (a) constructed around modern integration standards, such as ACORD XML, as well as (b) being fully web-enabled, so that agents and other ancillary groups may gain full access to core systems without costly client/server software installation, upgrades and maintenance.



As IT infrastructure becomes more sophisticated and complex, insurance carriers, particularly large carriers, are increasingly looking for solutions that can easily be integrated into and share data with existing systems and workflow.

Policy Administration Systems

Exhibit III
Insurance IT Systems Segmentation



Source: DataMonitor



PAS vendors compete primarily on software functionality and service quality including but not limited to technology platform, core functionality, breadth of coverage, web functionality, data integration capabilities, industry expertise and reputation.

Capstone Partners LLC

*Mergers & Acquisitions
Debt & Equity Capital*

www.capstonellc.com

Policy Administration Systems

PLAYER PROFILES

COMPETITIVE LANDSCAPE

The PAS competitive landscape includes a variety of vendors providing PAS systems to commercial P&C carriers as well as internal development teams. PAS vendors compete on the basis of technology platform, core functionality, breadth of coverage (number of business lines and U.S. states), web-functionality, data integration capabilities, industry expertise and track record of service and support. Due to the relative size and complexity of PAS implementations, a demonstrated ability to provide effective implementation and support services is critical to achieving market success; stories of flawed, difficult or failed implementations spread quickly through the tightly-knit P&C insurance industry and make it extremely difficult for vendors with poor service offerings or client service to gain or even maintain market traction.

The PAS vendor market can be segmented by the size and focus of various participants representing the following core groups: (i) established insurance technology specialists (e.g. Allenbrook, AQS, Insurity, INSTEC/Mayfare); (ii) large IT services and data processing companies with captive insurance groups (e.g., CGI, CSC, Fiserv); and (iii) relatively new insurance technology start-ups (e.g., AscendantOne, ePolicy Solutions, Duck Creek). Despite the presence of several large competitors, the market remains fragmented and highly competitive. In the PAS sector, size does not necessarily imply market success.

Beyond third-party vendors, it is estimated that internally developed legacy systems constitute over half of the installed base of PAS systems. In-house systems represent a key opportunity as well as a threat for PAS vendors; while third party vendors will be able to garner significant market share replacing obsolete and expensive-to-maintain legacy systems, there remain some insurance carriers that prefer to build and maintain their PAS systems internally, in some cases replacing outdated third-party systems. In other cases, rather than building a system from scratch, carriers will rely on third-party "toolkits" such as Duck Creek's EXAMPLE Platform™ and CGI's GIOS product.



The competitive landscape for insurance IT solutions continues to be dynamic as providers follow through with aggressive acquisition growth strategies and customer needs continue to quickly evolve, necessitating new functionality requirements and product development.

Capstone Partners LLC
Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com

Policy Administration Systems

SELECT COMPETITIVE PROFILES



Allenbrook, Portland, Maine (www.allenbrook.com)

Allenbrook released their first version of Phoenix in 1991 and was subsequently acquired by AMS Services, Inc., a \$100+ million insurance software and services firm, in 1993. Phoenix is a fully integrated policy administration suite, not sold as modules, that supports virtually all property and casualty insurance lines. AMS Services, Inc.'s parent company, AMS Group, now operates as Vertafore, Inc, which was recently sold to Hellman and Friedman for an undisclosed amount (2004).



AQS, Inc., Hartland, WI (www.aqsys.com)

AQS, Inc. is celebrating its 25th anniversary providing policy administration systems to the P&C insurance industry. AQS/advantage, its primary offering, is a Web-centric policy administration system for all lines of business, and is designed to be deployed on Windows platforms and SQL Server. AQS, Inc. recently recapitalized with Grey Mountain Partners, a private equity firm focused on investing in middle-market companies. **Capstone Partners advised AQS, Inc. through that transaction.**



AscendantOne, Nashua, NH (www.ascendantone.com)

AscendantOne released their product in May 2001 and received initial venture financing from ISO, Century Capital Management and U.S. Bancorp Piper Jaffray Ventures in August 2002. AscendantOne has a comprehensive Windows-based solution built using Microsoft's COM+ objects (a .NET predecessor) and supports integration with XML, ACORD XML, Web services and .NET. The company was acquired by ISO in 2003.



CGI Group Inc., Montreal, Canada (www.cgi.ca)

Established in 1976, CGI (NYSE:GIB) has become a large IT services and consulting company serving the insurance and financial services sector, among others, through organic growth as well as through acquisition (acquired INSpire Insurance Solutions, 2002). Two of the company's primary offerings are GIOS and INSideOut. Launched in 1998, GIOS is more of a framework than a product and requires significant customization to achieve full functionality that ultimately results in a P&C system that closely matches clients' needs. In contrast, INSideOUT is a complete suite of components that includes everything from policy administration and claims to workflow/imaging and automated requirements gathering, and handles a total of 24 product lines.




Computer Sciences Corporation, Austin, TX (www.csc.com)

A major presence in the financial services technology market, CSC (NYSE: CSC) became the de facto leader in the PAS market when it acquired Policy Management Systems Corporation ("PMSC") in December 2000 for \$584 million. CSC's POINT IN (small to medium-sized carriers) and EXCEED (large carriers) systems have a large installed base and a broad set of functionality that can support a wide range of lines including personal, commercial and specialty.





Policy Administration Systems


 **Delphi Technology Inc.**, Boston, MA (www.delphi-tech.com)
Delphi Technology Inc. first offered the OASIS Policy Management System (OASIS PM) in 1997, part of a much broader OASIS Suite of complete modular systems that includes everything from claims to data warehousing. Delphi Technology Inc. has developed a niche with medical professional liability carriers through its OASIS PM system.

 **Duck Creek Technologies**, Bolivar, MO (www.duckcreektech.com)
Duck Creek Technologies builds products and modules on the EXAMPLE Platform, a collection of web services that can complement an existing legacy system, or can be used to create full-functioning systems or applications. Duck Creek made its big splash in 2003, signing over 12 P&C insurers that year alone to its EXAMPLE TransACT policy administration system.

 **ePolicy Solutions Inc.**, Torrance, CA (www.epolicsolutions.com)
ePolicy Solutions was launched in October 1999 as an online insurance brokerage company. After raising \$45 million in venture capital, ePolicy re-launched itself as a technology vendor in the Fall of 2001. The company also acquired the client base and select commercial line application assets from StarSolutions, a Massachusetts-based provider in 2001. ePolicy's Java-based RightRisk platform serves both commercial and specialty lines.

 **INTEC**, Naperville, IL (www.instec-corp.com)
INTEC's roots were in rating software solutions for P&C insurance carriers, where it was known for its RaterCalc and later QuickSolver products. It took a turn into PAS in 2003 when it released CLIX (pronounced 'clicks'), a joint development effort with Mayfare Software Solutions, LLC. Since 1982, INTEC's solutions have been built for the IBM PC-compatible platform, and its current technologies rely heavily on .NET technologies.

 **Insurance Data Processing Inc.**, Wyncote, PA (www.idpnet.com)
IDP is among the oldest of the PAS vendors, serving P&C insurance carriers for more than 50 years. The company has developed a comprehensive end-to-end system for P&C carriers featuring Acies/one, a policy processing, claims, billing and reinsurance solution.

 **Insurity**, Hartford, CT (www.insurity.com)
Insurity is one of the larger players in the commercial P&C PAS space. Acquired by ChoicePoint Inc. (NYSE: CPS) in March 2001 for an undisclosed amount, Insurity boasts a large installed base, an end-to-end solution and a strong financial platform. Commercial Intellisys, a suite of Insurity products, includes the company's PAS offering.

Capstone Partners LLC

Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com



Policy Administration Systems



P&C Insurance Systems Inc., New York, NY (www.pandcis.com)

Founded in 1978 as Lambda Data Systems, P&C Insurance Systems Inc. developed client/server based policy administration and claims systems. Today, its Vision suite of insurance processing solutions is still based on client/server technology, but provides a more comprehensive offering of rating, quotation, policy administration, claims administration, billing and document capturing solutions. Policy and claims administration remains its core focus.



Sapiens International Corporation, Cary, NC (www.sapiens.com)

Sapiens International Corporation is a publicly traded, mid-sized company whose primary solutions offering is Policy INSIGHT. Policy INSIGHT began as a rules engine, called Sapiens eMerge, and only recently productized it in 2001. Policy INSIGHT mixes both old and new technologies, offering Web-based access, XML and J2EE, but only runs exclusively on IBM's zSeries, iSeries, and HP/UX.



The Innovation Group, Hampshire, UK (www.tigplc.com)

The Innovation Group was founded in 1997 with a focus on policy administration and processing. It now offers a wide range of modules that also address rating, billing, client management, claims and more. Its core code is still written in COBOL, but integration through J2EE, Web services and .NET is natively supported.

Capstone Partners LLC

Mergers & Acquisitions

Debt & Equity Capital



As IT infrastructure and carriers' business needs continue to become more complex, vendors will have to develop applications that provide increasingly specific functionality and easily integrate with other existing systems.

Policy Administration Systems

BUYER PROFILES

The prospective buyer market for PAS and related insurance technology is robust and is comprised of acquisitive market-leading strategic buyers and financial sponsors actively seeking growth opportunities. Though the strategic community remains acquisitive, the financial buyer community is particularly interested in the insurance sector and has been very responsive and aggressive in pursuing opportunities in the PAS space and in insurance technology more broadly. The largest strategic buyers such as CSC and IBM have mature offerings and therefore are less likely to make middle market acquisitions in the space, preferring rather to build any competency that may not already exist in their offerings. Other large strategic buyers are more acquisitive but still remain disciplined buyers and are not paying a premium over financial sponsors for most opportunities.

The industry's relatively slow adoption of IT solutions compared to other financial services industries presents a strong opportunity for companies to capitalize on pending M&A activity. Additionally, the long-term nature of customer relationships and the high barriers to entry, a result of carriers' typically conservative spending practices, makes the insurance technology sector even more attractive to potential buyers.

ACQUISITIVE STRATEGIC BUYERS

Exhibit IV

Strategic Buyer Financial Summary

\$ in millions except for stock price and EPS; LTM from 3/31/05

Company Name	Ticker Symbol	Stock Price	Market Cap	Enterprise Value	LTM Revenue	LTM EBITDA	LTM EBIT	LTM Net Income	Cash & Equiv.	Total Debt	Total Assets
Affiliated Computer Services Inc.	ACS	\$ 50.51	\$ 6,387.4	\$ 6,739.0	\$ 4,199.2	\$ 855.3	\$ 637.5	\$ 395.2	\$ 46.5	\$ 398.1	\$ 4,207.8
Choicepoint Inc.	CPS	37.97	3,425.4	3,529.3	960.8	320.5	254.0	151.7	11.2	115.0	1,425.2
Cognizant Technology Solutions Corp.	CTSH	45.99	6,227.1	5,912.7	648.6	148.8	131.1	112.4	175.0	-	604.8
Fiserv Inc.	FISV	42.15	8,062.8	7,941.9	3,794.0	868.7	686.2	423.9	719.7	598.8	6,488.7
HCL Technologies *	HCLTECH	8.95	2,649.5	2,668.3	567.9	114.9	89.7	171.9	48.7	29.9	824.6
The Innovation Group plc	TIG	0.61	266.7	252.7	108.3	15.4	(14.1)	(17.8)	25.0	10.7	99.5
Insuresoft LLC	Private	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Insurance Services Office Inc.	Private	N/A	N/A	N/A	485.0	N/A	N/A	N/A	N/A	N/A	N/A
SunGard Data Systems Inc.	SDS	34.88	10,127.0	10,252.4	3,661.7	1,080.7	733.4	457.6	404.2	529.6	5,687.9
Vertafore Inc.	Private	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* 2004 fiscal year calculation



Affiliated Computer Services Inc., Dallas, TX (www.acs-inc.com)

ACS (NYSE: ACS), a major BPO provider to the financial services sector, processes 230 million claims each year for 9 of the top 10 U.S. health plans through its solutions, encompassing claims and application processing, eligibility verification, enrollment and data/record capture, storage and management. ACS is an acquisitive yet disciplined buyer focused on acquisitions to bolster its presence in the insurance vertical, preferring opportunities with a recurring revenue model and a tie-in to potential processing work.

Capstone Partners LLC

Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com



Policy Administration Systems



Choicepoint Inc. (Insurity), Alpharetta, GA (www.choicepoint.com)

Insurity is quickly emerging as a dominant player in the PAS space since it was acquired by Choicepoint (NYSE: CPS) in 2001. CPS views Insurity as a way to build its presence with insurance carriers and then sell higher-margin risk management and consumer/business information services. CPS will be inclined to move very aggressively on leading assets in the insurance technology space that can generate more long-term customer relationships. Current troubles with data theft may slow M&A activity but the company is very well capitalized, has good market momentum and is well-positioned to consolidate some smaller players onto their platform.



Cognizant Technology Solutions, Teaneck, NJ (www.cognizant.com)

Cognizant (NASDAQ: CTSH) is one of the leading hybrid onshore-offshore insurance IT players providing consulting, systems development, and production support and maintenance services. The company is focused on the insurance vertical due to the stable, long-term nature of client relationships and looks for growth opportunities to leverage its offshore development and maintenance resources. Capstone believes the company's strategy is to acquire meaningful IP in the insurance space to gain a beachhead for services delivery.



Fiserv Inc., Brookfield, WI (www.fiserv.com)

Fiserv (NASDAQ: FISV), a leading provider of information management solutions for the financial services industry, is making strides to make itself a leader in the insurance technology space. The company's current offering is not new to the market but has been hampered by a disjointed group of offerings organized into several different companies sometimes competing with each other. The insurance group was recently reorganized to show one face to the market with a more cohesive product offering. Fiserv will continue buying strong niche players that are profitable and expand their presence in the market. Fiserv is a disciplined buyer.



HCL Technologies Ltd., Uttar Pradesh, India (www.hcltechnologies.com)

HCL Technologies (BSE: HCLTECH) is one of India's leading IT services companies providing solutions including technology development, applications services, design technology and business process outsourcing. HCL has also expressed interest in expanding its presence in the insurance vertical by acquiring domain experts with IP that can be productized and allow for their offshore development capabilities and strengths to be leveraged.



Insuresoft LLC, University Park, IL (www.insuresoft.com)

Insuresoft is the newly formed privately-held company owned by Robert Eustace, founder of Applied Systems, and consists of the former Diamond Division of Applied Systems. Insuresoft's Diamond System offers full featured policy processing, billing and claims, and was the first system to offer true out-of-sequence endorsements. The company has a modest legacy installed base and is actively in the market for bolt-on acquisitions to build market share.

Capstone Partners LLC

*Mergers & Acquisitions
Debt & Equity Capital*

www.capstonellc.com



Policy Administration Systems



The Innovation Group plc, Hampshire, UK (www.tigplc.com)

Formed in 1997, The Innovation Group (LSE:TIG) is a UK-based provider of enterprise software to the insurance sector targeting the policy administration and claims functions and a provider of business process outsourcing for the motor manufacturing, dealerships, financing and insurance industries. TIG is a somewhat thinly capitalized public company, but has the support of the board to pursue aggressive growth and has the wherewithal to play for all but the largest assets.



Insurance Services Office Inc., Jersey City, NJ (www.iso.com)

Insurance Services Offices ("ISO"), with roots as an industry cooperative, is the leader in insurance rate data aggregation and dissemination related to property and liability risk. The company offers commercial and personal lines of insurance, statistical, actuarial, underwriting and claims information and analysis. Having been fully privatized, the company has a strong capital base and the goal of becoming the industry standard in a variety of solutions categories. ISO has already acquired AIR and AscendantOne (2002) and is continuing to build a platform of solutions to provide to its base of insurance carriers.

SUNGARD® SunGard Data Systems Inc., Wayne, PA (www.sungard.com)

SunGard Data Systems (NYSE: SDS), which is currently going private, has a significant presence in the P&C insurance market via its acquisition of Sherwood (2003). Sherwood has a stronger presence overseas and in the UK than in the US where SunGard has been traditionally focused on life and health insurance and benefits offerings. Sungard is an acquisitive player with an interest in expanding its presence in the US insurance vertical.



VERTAFORE Vertafore Inc., Windsor, CT (www.vertafore.com)

Vertafore (formerly known as AMS Group) is a significant player in the insurance IT space. The company works on both the agency side as well as with carriers providing specialized software, services and information for the P&C insurance industry. Vertafore was recently sold by MMC Capital to Hellman and Friedman (2004), and is expected to be looking for complementary deals to drive growth post-acquisition.

Capstone Partners LLC

Mergers & Acquisitions

Debt & Equity Capital



Policy Administration Systems

ACQUISITIVE FINANCIAL BUYERS

Exhibit V

Financial Buyer Summary

\$ in millions

Investor	Most Recent Fund Amount	Equity Investment (Min, Max)	Stages of Interest	Current Insurance Related Investments
Conning Capital	\$ 304.0	\$5, \$20	Emerging Growth, Growth Capital	Allied World Assurance Holdings, Ltd., Catlin Group, Ltd., NYMAGIC, Inc., Stockton Holdings Ltd.
Century Capital Partners	300.0	3, 12	Seed/Startup, Early Venture, Mid Venture, Late Venture, Emerging Growth, Growth Capital, Middle Market, Buyout, Recapitalization, Industry Consolidation, Mature	TerraNova Holdings Ltd., Wellington Underwriters plc, Montpelier Re Holdings, Ltd.
FTVentures	423.0	5, 50	Early Venture, Mid Venture, Late Venture, Emerging Growth, Buyout, Recapitalization, Industry Consolidation, Turnaround	EXL Service
Golden Gate Capital	1,800.0	20, 200	Growth Capital, Middle Market, Buyout, Recapitalization, Industry Consolidation	Employer's Direct Insurance Company (EDIC)
GTCR Golder Rauner, L.L.C.	1,850.0	30, 250	Seed/Startup, Early Venture, Mid Venture, Late Venture, Emerging Growth, Growth Capital, Middle Market, Buyout, Recapitalization, Industry Consolidation, Mezzanine/SubDebt	Solera
InSight Venture Partners	675.0	15, 20	Late Venture, Growth Capital	DWL
Pequot Ventures	80.1	0.5, 7	Seed/Startup, Early Venture, Late Venture, Emerging Growth, Growth Capital, Middle Market, Buyout, Recapitalization, Mature, Mezzanine/SubDebt, PIPES	Duck Creek Technologies, Inc.
Stone Point Capital	1,100.0	5, 20	Seed/Startup, Early Venture, Mid Venture, Late Venture, Emerging Growth, Growth Capital, Buyout, Recapitalization, Industry Consolidation, Turnaround	Axis Capital Holdings, B.H. Acquisition Ltd., Castlewood Holdings Limited, Danish Re, Gulf Insurance Group, James River Specialty, Sedgwick CMS Holdings Inc., The Signal
TA Associates, Inc.	800.0	25, 250	Late Venture, Growth Capital, Middle Market, Buyout, Recapitalization, Industry Consolidation, Mature, Mezzanine/SubDebt, PIPES	NaviSys, Inc.
Vista Equity Partners	1,000.0	20, 250	Seed/Startup, Growth Capital, Mature, Buyout	Applied Systems, Craig/Is Ltd.



Century Capital Partners, Boston, MA (www.centuryfunds.com)

Century Capital Partners is a subsidiary of the financial group that markets the Century Funds. The firm focuses exclusively on financial services with significant interest in technology and services. Insurance investments include AscendantOne, eReinsure.com and AdminiQuest among others.



Conning Capital, Hartford, CT (www.conningcapital.com)

Conning Capital focuses on the financial services and healthcare services sectors and boast deep credentials in the insurance vertical. The company is associated with industry leader Conning, a group that manages funds for insurance companies and produces insurance company research and is respected as a well-informed and positioned partner in the space.



FTVentures, San Francisco, CA (www.ftventures.com)

FTVentures ("FTV") focuses exclusively on the financial technology vertical, with a strong interest in the insurance space. FTV typically invests in mid-to-late stage companies, but considers other investments, including early stage companies, consolidation/roll-up vehicles, recapitalizations and PIPE transactions. The firm maintains strong relationships with leading financial institutions (both as LPs and partners), which provides a competitive advantage for its portfolio companies.



Golden Gate Capital, San Francisco, CA (www.goldengatecap.com)

Golden Gate Capital ("GGC") is a strong late-stage growth/buyout investor focused on enterprise software, typically investing \$20-80 million per investment and will consider investments up to \$200 million for special situations. The firm maintains a strong interest in the insurance vertical. GGC's approach typically is to identify assets that may not be core to the current owner's strategy and then bolting on opportunistic acquisitions to prime the asset for a sale or IPO.



Policy Administration Systems

GTCR **GTCR Golder Rauner LLC**, Chicago, IL (www.gtce.com)

GTCR is a top-tier growth investor across several industry segments but with a particular focus on technology and business services. The firm will consider opportunities to build a platform in the insurance technology space and is a responsive and flexible buyer. Typically, GTCR's approach to the market is to identify an executive (or company) that can serve as the catalyst for consolidation, then aggressively identify and pursue acquisitions to build a leader.

Insight Venture Partners, New York, NY (www.insightpartners.com)

Insight Venture Partners ("IVP") is a premier later-stage investor focused on global software and internet services with particular exposure to the insurance industry. IVP was an investor in AMS/Vertafore (2004) with other insurance investments including DWL (2001) and Huon, which was sold to The Innovation Group in 2001.

PEQUOT VENTURES **Pequot Ventures**, New York, NY (www.pequotventures.com)

Pequot Ventures, the private equity arm of Pequot Capital Management, invests in technology and healthcare companies ranging from the startup seed rounds to expansion stage financings, PIPEs and corporate spinouts and buyouts and is a reputable growth and later-stage investor. The firm recently invested in Duck Creek (2005) and is very interested in pursuing other opportunities in the insurance vertical and can act as a growth investor or buyout partner.

Stone Point Capital, Greenwich, CT (www.stonepointcapital.com)

Stone Point Capital ("SPC"), recently spun-out of Marsh McLennan Companies, makes private equity and venture capital investments in the financial services industry and its related sectors, including insurance and reinsurance as well as e-commerce companies that service the financial services, communications and information industries. SPC is a leading insurance technology investor and recently sold AMS/Vertafore (2004). The principals have a strong insurance industry background and intend to continue to focus on related investments.

TA Associates, Boston, MA (www.ta.com)

TA Associates ("TA") is a leading later-stage tech growth investor specializing in growth capital investments, management-led buyouts and leveraged recapitalizations. The firm has successfully partnered with management in both minority and buyout situations. In the insurance space, TA sponsored the spin-out of Navisys from Metlife in 2000 and is expected to continue to consider opportunities that fall within its size criteria.



Vista Equity Partners, San Francisco, CA (www.vistaequitypartners.com)

Vista Equity Partners is a strong technology buyout group that invests in companies at various stages of development. The principals of the firm have deep credentials in the insurance space and a strong understanding of the sector's dynamics. The firm also recently acquired Applied Systems (2004) and is expected to continue pursuing an acquisition strategy to fuel growth.

Capstone Partners LLC

Mergers & Acquisitions
Debt & Equity Capital

www.capstonellc.com



IMPORTANT DISCLAIMERS

Analyst Certification and Representation Disclaimer

The research analyst(s) responsible for the preparation of this research report certifies that the opinion(s) expressed herein accurately reflect his or her personal view about the subject companies and securities. The information contained herein, including any expression of opinion, has been obtained from, or is based upon, primary and credible secondary sources believed by us to be reliable but is not guaranteed as to accuracy or completeness. This is not intended to be an offer to buy or sell or a solicitation of an offer to buy or sell the securities or commodities referred to herein. From time to time we may act as an advisor to any security or company mentioned herein. The firm or one of its affiliates may from time to time perform investment banking or other services for, or solicit banking from one or more of the companies mentioned herein.

About Capstone Partners LLC

Capstone Partners LLC is a leading national investment banking advisory firm dedicated to serving the needs of middle-market businesses. With its headquarters in Boston and offices in San Francisco, the firm maintains transactional and research resources in the technology & media, business services and specialty products industries.

Capstone Partners LLC

Mergers & Acquisitions

Debt & Equity Capital