



**Banking, Financial Services, and Insurance (BFSI)  
Outsourcing  
Report: August 2011 – Preview Deck**

**Topic: Insurance BPO – Rising Demand, Increasing  
Competition**

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## Background and context

Insurance BPO represents one of the most mature offerings within the BFSI BPO market. Notwithstanding some challenges, the value proposition around managing growth and cost pressures, addressing changing consumer behaviour needs, and effectively dealing with operational pain points increasingly drives insurance companies to adopt Insurance BPO. This has led to the revival of the Insurance BPO market, after a dip, post the financial crisis. However, the adoption pattern, across geographies and insurance segments, is changing and so are the BPO solutions. This is reflected across multiple dimensions, such as scope of services, technology requirements, global sourcing, and pricing structures, among others. Service providers need to align their offerings and make the necessary investments to address these changing requirements and capture the significant untapped potential.

## In this research study, we analyze the third-party Insurance BPO market across the Life & Pensions (L&P) and Property & Casualty (P&C) segments. We focus on:

- Buyer adoption trends in Insurance BPO, including market size, growth, and potential
- Drivers for and challenges to the growth of Insurance BPO
- Characteristics of Insurance BPO solutions, including scope of services, global sourcing, technology, and pricing models
- Assessment of Insurance BPO service providers

## Scope and methodology of this report:

- The focus of this report is the global Insurance BPO market across the L&P and P&C segments
- This report focuses on third-party Insurance BPO and does not include shared services/captives or TPAs
- From a scope perspective, this report provides coverage of the non-voice and industry specific BPO in insurance including business acquisition, new business, policy servicing, claims processing, and insurance-centric F&A. It does not include horizontal business processes (like horizontal F&A, HR, and procurement) for insurance clients
- The analysis in the report leverages the following sources of information:
  - Operational profiles of 12+ Insurance BPO service providers
  - Executive-level interviews with leading Insurance BPO service providers and Insurance BPO clients
  - 250+ publicly announced Insurance BPO contracts signed as of Q1 2011
  - Everest Group's experience and IP in the Insurance BPO market



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## Key definitions and frameworks

- The focus of this report is the Insurance BPO market across the L&P and P&C segments
- There are multiple operating-model alternatives, ranging from internal shared services/captives to third-party outsourcing. The focus of this report is third-party outsourcing in Insurance BPO
- Third-party spending in insurance is distributed across TPAs and BPO service providers. This report focuses on BPO service providers
- From a scope perspective, this report provides coverage of non-voice and industry specific BPO in insurance. The report does not aim to cover voice-based BPO and other horizontal BPO areas, such as HR or procurement

## Buyer adoption trends in Insurance BPO

- The third-party spend in insurance business process services across TPAs and BPO is around US\$9-12 billion
- The insurance industry in UK has been at the forefront of the third-party BPOs. While the insurance industry in the U.S. is more than three times that of the UK, its Insurance BPO market size is comparable to UK, indicating significant untapped potential in the U.S. from a BPO perspective
- While TPAs and other intermediaries compete with BPO providers on third-party insurance spending, they also act as prospective clients and acquisition/partnership targets. All service providers interviewed by the Everest Group view TPAs and other intermediaries as potential clients
- The drivers for Insurance BPO are managing growth and cost pressures, changing consumer behavior, operational issues and scaling challenges, and technology-related issues. Increased maturity of the third-party BPO model is also an enabler
- Regulatory constraints can adversely impact BPO adoption and need to be managed carefully. At the same time, the changing regulatory environment and resultant cost of compliance is also a driver for Insurance BPO

ILLUSTRATIVE

## Characteristics of Insurance BPO solutions

- Transaction-intensive functions (policy administration and claims processing) are the most mature insurance functions from a BPO perspective. More complex processes, such as actuarial analysis, underwriting and analytics support are increasingly getting outsourced
- While technology augmentation models are on the rise across L&P and P&C, tie-and-run models are seeing a plateau, and customized-replacement models are on the decline. Adoption of platform/SaaS-based models is increasing in L&P segment
- Nearly 85% of Insurance BPO services is delivered from offshore/nearshore locations. India is the the hub of Insurance BPO activity accounting for nearly 80% of the offshore/nearshore FTEs. However, a global delivery footprint is starting to emerge

## Service provider landscape in Insurance BPO

- Everest Group assessed the Insurance BPO capabilities of 12 service providers across multiple dimensions
- Accenture has the most robust global delivery network with delivery across onshore, nearshore, and offshore regions
- Several players (Accenture, CSC, Infosys, TCS, and Xchanging) have experience across all four technology models (tie-and-run, augmentation, customized replacement, platform/SaaS-based). Platform/SaaS-based offerings are more prevalent in the L&P segment as compared to the P&C segment
- The major service provider investment themes include regulatory compliance and risk management, technology, domain expertise, and expansion of geographic footprint

# This study offers three distinct chapters providing a deep dive into the global Insurance BPO market; below are four charts to illustrate the depth of the report

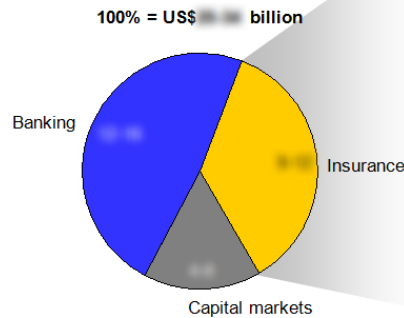


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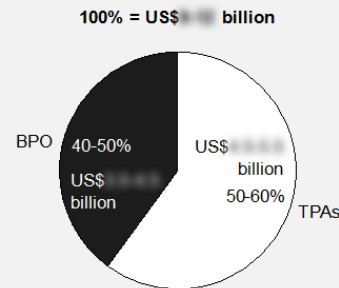
**ILLUSTRATIVE**

## The global third-party Insurance BPO market size estimate

2010 BFSI third-party business process services spend  
US\$ billion

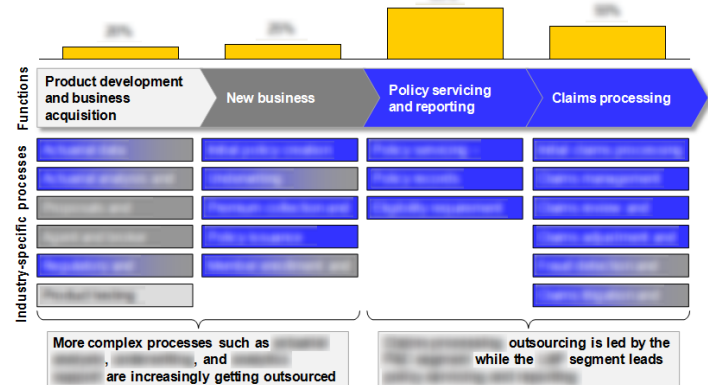


Market share of third-party Insurance spend  
Percentage



## Insurance BPO process and function maturity

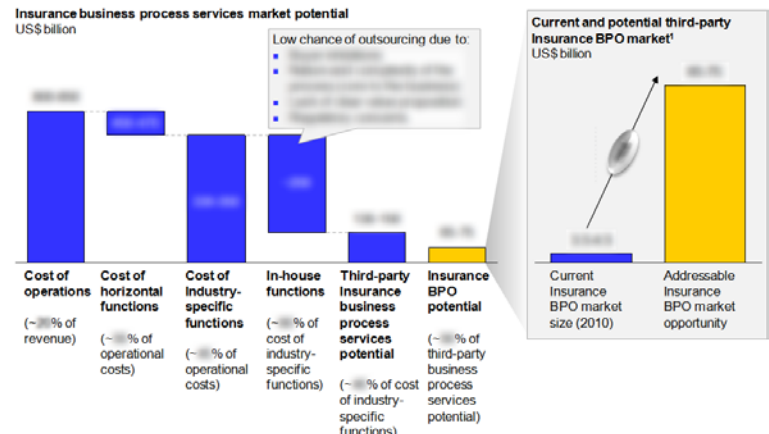
Scope of Insurance BPO contracts  
Percentage inclusion of insurance functions in scope



## Insurance BPO service provider delivery network

Service provider	Onshore		Nearshore		Offshore	
	U.S.	UK and Western Europe	Central & Eastern Europe	Central & South America	India	China & South East Asia
...	✓	✓	✓	✓	✓	✓
...	✓				✓	✓
...	✓		✓		✓	✓
...	✓	✓			✓	✓
...	✓				✓	✓
...	✓		✓		✓	✓
...		✓		✓	✓	✓
...		✓		✓	✓	✓
...		✓		✓	✓	✓

## The untapped potential of Insurance BPO is significant



Source: Everest Group Research (2011)



 Published  Forthcoming research

Topic	Goals of the research	Release date
<p><b>Global lending BPO across credit cards, consumer loans, and commercial loans</b></p>	<p>The market size and potential of the global lending BPO by business segment and function. Adoption trends measured across buyer size and geography. Maturity of lending BPO sub-functions across business segments. Prevalence of various sourcing models. The lending BPO service provider landscape across business segments</p>	<p>Jan-2011</p>
<p><b>FS BPO Service provider profile compendium</b></p>	<p>Snapshots of 14 service providers playing in the FS BPO segment. Each 4-5 page service provider profile provides a comprehensive picture of their service suite, scale of operations, technology landscape, recent developments, and delivery locations across all financial services segments including banking, capital markets, and insurance</p>	<p>Mar-2011</p>
<p><b>Global sourcing in FS BPO – Significant Traction, Yet Tremendous Potential</b></p>	<p>Coverage across retail banking, capital markets, and insurance. Offshore leverage through shared services and third-party outsourcing by financial services organizations. Potential offshorability and current offshore adoption of value chain elements for each business segment. Mature and emerging delivery locations and associated value proposition</p>	<p>April-2011</p>



 Published  Forthcoming research

Topic	Goals of the research	Release date
<p><b>IT Applications in Banking – Trends and Future Outlook</b></p>	<p>Provide an overview of the application services market for the banking vertical, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders</p>	<p>Q2-2011</p>
<p><b>Application Outsourcing in Banking – PEAK into the evolving service provider landscape</b></p>	<p>Provide a comprehensive assessment of the service provider landscape in AO services for banking and map various service providers on Everest’s capability matrix</p>	<p>Q2-2011</p>
<p><b>Insurance BPO market – rising demand, increasing competition</b></p>	<p>This report explores the market size, growth, adoption trends, value drivers, process scope, technology landscape, delivery locations, and service provider landscape in the Insurance BPO market</p>	<p>Q3-2011</p>
<p><b>Service providers’ capability assessment (profiles compendium) for IT application services in Banking</b></p>	<p>Profiles of service providers capturing their IT AO capability in banking</p>	<p>Q3-2011</p>



 Published  Forthcoming research

Topic	Goals of the research	Release date
<p>Overview of the global Capital Markets BPO industry</p>	<p>Coverage across investment banking, asset management, and custody and fund administration. Service provider segments and assessment of scale and scope of offerings. Role of global sourcing and technology. Individual service provider profiles</p>	<p>Q3-2011</p>
<p>Market Trends for IT application services in Insurance</p>	<p>Provide an overview of the application services market for the insurance vertical, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders</p>	<p>Q3-2011</p>
<p>Service provider landscape for IT application services in Insurance</p>	<p>Provide a comprehensive assessment of the service provider landscape in AO services for insurance and map various service providers on Everest's capability matrix</p>	<p>Q3-2011</p>
<p>Service providers' capability assessment (profiles compendium) for IT application services in Insurance</p>	<p>Profiles of service providers capturing their IT AO capability in insurance</p>	<p>Q3-2011</p>



 Published  Forthcoming research

Topic	Goals of the research	Release date
<p>Market Trends for IT application services in <i>Capital Markets</i></p>	<p>Provide an overview of the application services market for the capital markets vertical, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/ functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders</p>	<p>Q3-2011</p>
<p>Service provider landscape for IT application services in <i>Capital Markets</i></p>	<p>Provide a comprehensive assessment of the service provider landscape in AO services for capital markets, and map various service providers on Everest's capability matrix</p>	<p>Q3-2011</p>
<p>Service providers' capability assessment (profiles compendium) for IT application services in <i>Capital Markets</i></p>	<p>Profiles of service providers capturing their IT AO capability in capital markets</p>	<p>Q3-2011</p>

# Appendix: Additional FS BPO research recommendations



The following documents are recommended for additional insight into the topic covered in this research report. The recommended documents either provide additional details on the topic or complementary content, which may be of interest.

1. **Role of Global Sourcing in FS BPO** ([ERI-2011-10-R-0529](#)); 2011. This report examines the various global sourcing trends in FS BPO, across banking, capital markets and insurance. The report provides the reader with an accurate overview and clear identification of trends observed
2. **FS BPO Service Provider Profile Compendium** ([ERI-2011-10-R-0523](#)); 2011. This compendium provides accurate, comprehensive, and fact-based snapshots of 14 service providers in the FS BPO market. Each four to five page service provider profile provides a comprehensive picture of their service suite, scale of operations, technology landscape, recent developments, and delivery locations across all financial services segments including banking, capital markets, and insurance
3. **Global Lending BPO Across Credit Cards, Consumer Loans, and Commercial Loans** ([ERI-2011-10-R-0494](#)); 2011. This research focuses on the market size and potential of the global lending BPO by business segment and function, adoption trends, sourcing models, maturity of lending BPO sub-functions across business segments, and the service provider landscape across business segments
4. **BFSI Industry Trends** ([ERI-2011-8-R-0553](#)); 2011. This report focuses on trends in the BFSI vertical across three areas – outsourcing transactions, captive market analysis, and service provider activity and deals
5. **Impact of Regulatory Changes on Offshoring in Financial Services** ([ERI-2009-8-R-0349](#)); 2009. This report provides a fact-based view of the implications of the regulatory and legal provisions on offshoring by the U.S. financial services companies. Specifically, the report focuses on the impact of the Troubled Asset Relief Program (TARP) and related regulations on offshoring activities. In addition, the report also provides a forward-looking perspective on potential regulations and associated implications for the offshoring industry

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