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

**Topic: IT Applications Outsourcing in Insurance –
Trends and Future Outlook**

Background of the research

The BFSI industry is one of the largest adopters of IT Application Outsourcing (AO) services. In order to cater to this large market segment, a number and variety of service providers have developed capabilities to deliver AO services to BFSI companies.

Market growth objectives post the economic recession, increased competitive intensity, advent of new technology paradigms, and the desire to create a globally integrated multi-channel environment, are placing demands on financial institutions to ensure that their applications portfolio is aligned to industry best-practices. As financial institutions strive to maintain and modernize their applications portfolio, they are consolidating their IT service provider base and are looking to identify strategic partners that can sustain the pace of technological advancement in this rapidly evolving industry. As a result of this consolidation exercise, financial institutions are signing larger and more strategic AO contracts with a fewer number of service providers, a phenomenon that is expected to meaningfully alter the AO services landscape in the BFSI segment.

In this research, we analyze the current trends and the future outlook for large, multi-year application outsourcing relationships for the global insurance sector. We focus on

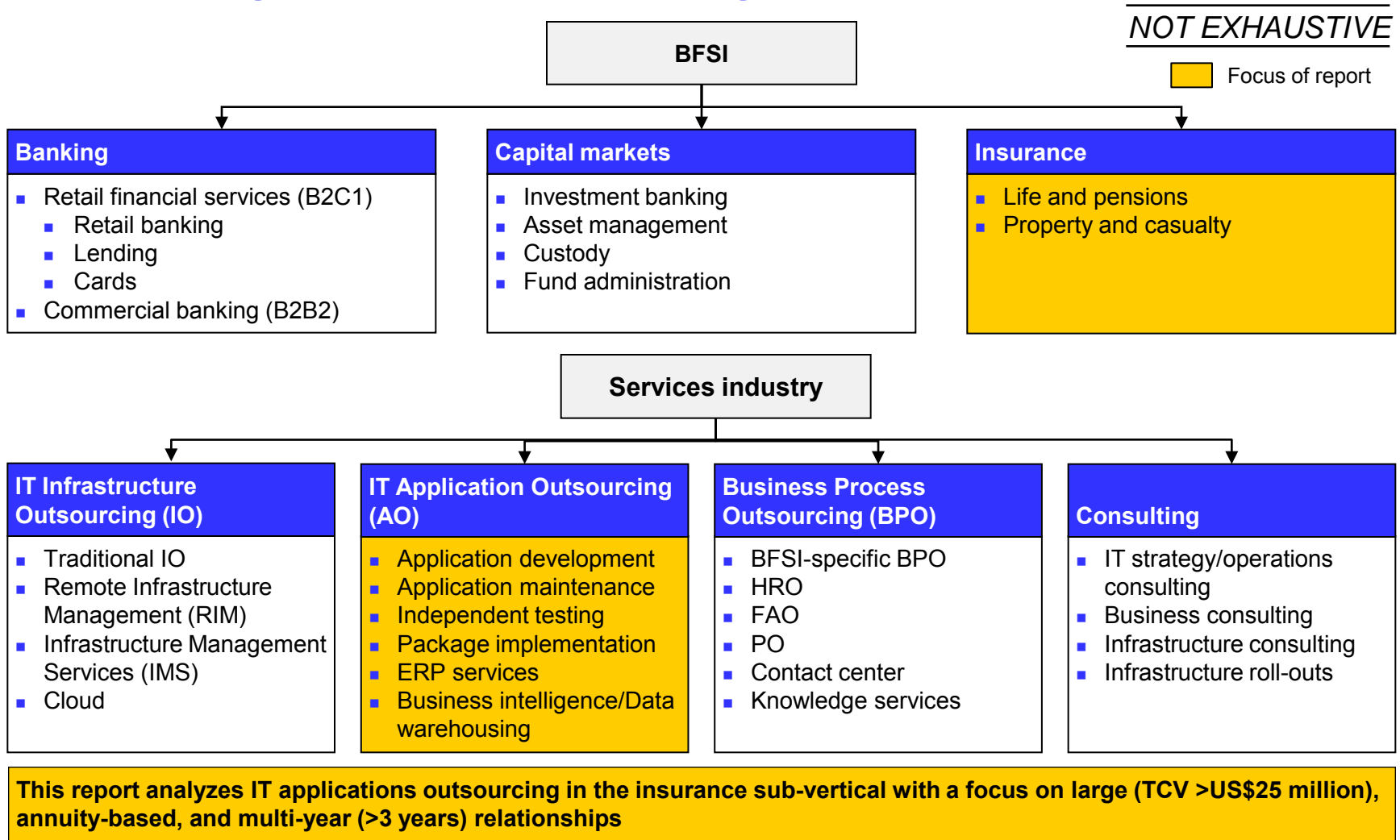
- Trends in AO in the BFSI segment
- Market trends and activity for large AO relationships in insurance
- Drivers for change and future outlook for AO in insurance
- Implications for insurance buyers and service providers

Scope of this report

- **Industry:** Insurance (life, annuities and pensions; property and casualty insurance); excludes banking, capital markets, and healthcare payers
- **Services:** Large (TCV >US\$25 million), multi-year (> three years), annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party AO transactions; excludes shared services or captives

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This report provides an insight into current trends and future outlook for large, multi-year application outsourcing relationships in the global insurance sector



- 1 Business-to-consumer relationships
- 2 Business-to-business relationships

This report is a part of Everest Group's series of nine reports focused on application outsourcing in BFSI in 2011

Market Trends in IT Applications Outsourcing Services



Each report provides:

- An overview of the application outsourcing market for the specific banking/capital markets/insurance sub-vertical
- Analysis of key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders

Banking

Capital markets

Insurance

Service Provider Landscape: IT Application Outsourcing Services



Each report provides:

- Mapping of service providers on Everest Group's capability matrix i.e., Performance | Experience | Ability | Knowledge (PEAK) Matrix for the specific sub-vertical
- Assessment of service providers based on delivery capability and market success in establishing large AO contracts with financial institutions

Banking

Capital markets

Insurance

Service Providers' Profiles Compendium: IT Application Outsourcing services



Capability profiles of service providers capturing their AO services experience in specific sub-verticals. Each service provider profile includes:

- Service provider overview: Details of AO services capabilities, key investments, proprietary solutions, and technological expertise
- Functional/LoB focus
- Transactions overview for application services offerings
- Delivery footprint

Banking

Capital markets

Insurance

Everest Group's BFSI research is based on two key sources of proprietary information



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1

- Everest Group's proprietary database of ~**365** large, multi-year AO contracts within BFSI (updated annually)
- The database tracks the following elements of each large AO relationship:
 - Buyer details including industry, size, and signing region
 - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
 - Activity broken down separately for banking, capital markets, and insurance; as well as by Lines of Business (e.g., property and casualty, life insurance, others etc.)
 - Scope includes coverage of buyer geography as well as functional activities
 - Global sourcing, including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 20+ BFSI AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
 - Key leaders
 - Major BFSI AO clients and recent wins
 - Overall revenues, total employees, and BFSI employees
 - Recent BFSI-related developments
 - BFSI AO delivery locations
 - BFSI AO service suite
 - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis



Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis
Confidentiality: The Everest Group Research takes our confidentiality pledge very seriously. Any information we collect, that is contract specific, will be presented back to the industry only in an aggregated fashion

This report is structured across three key sections, each containing insights on application outsourcing, with a specific focus on large-sized contracts

BFSI ITO market overview

Analysis dimensions

Analysis of the overall BFSI IT Outsourcing (ITO) market and transaction trends

- Market size and growth
- Adoption drivers
- Transaction details (e.g., transaction volumes, value, frequency, and scope)
- Market activity and adoption trends (e.g., by geography, sub-verticals, and functions)

Insurance AO market overview

Analysis specific to the insurance AO market with a focus on large transactions

- Transactions activity and growth trends
- Demand characteristics for insurance AO services by:
 - Geography
 - Line of business: life, annuities and pensions; and Property and Casualty (P&C)
 - AO sub-functions
 - Buyer size
- Offshore leverage
- Global delivery locations
- Renewal activity

Emerging priorities, themes and implications

Analysis of emerging trends and their influence on the future of insurance AO

- Factors altering the demand profile for insurance AO services
- Major technology investment themes in the insurance sector
- Implications for key stakeholders – buyers and service providers

Overview and abbreviated summary of key messages



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This report provides an overview of the application outsourcing (AO) market for the insurance industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$ 25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders, with regards to such large insurance AO deals

Some of the findings in this report, among others, are:

BFSI ITO market overview

- The US\$72-80 billion BFSI ITO sector led the growth for overall ITO industry in 2010, with a sharp spike in transactions volume and value in the second half of the year
- Within BFSI-ITO, banking vertical accounts for the majority of transactions; while the insurance vertical has larger and longer duration transactions
- Large transactions (TCV >US\$25 million) form a significant portion of BFSI-ITO market

Insurance AO market overview

- Insurance AO transaction activity went through a slowdown in 2008, especially in the second half of the year
- Insurance AO transactions have a lower inclusion of testing, PI services as compared to banking AO contracts, while inclusion of ERP services is higher in the case of insurance
- Property and casualty segment has the highest share of insurance AO transaction activity with strong demand across ADM, testing, and package implementation services
- Contrary to the trend noticed in banking, North America leads the insurance AO transaction volume, but transaction values are much higher in Europe
- Offshoring adoption in insurance AO transactions has increased over time – both in terms of frequency of inclusion, and the degree of offshore leverage in individual engagements

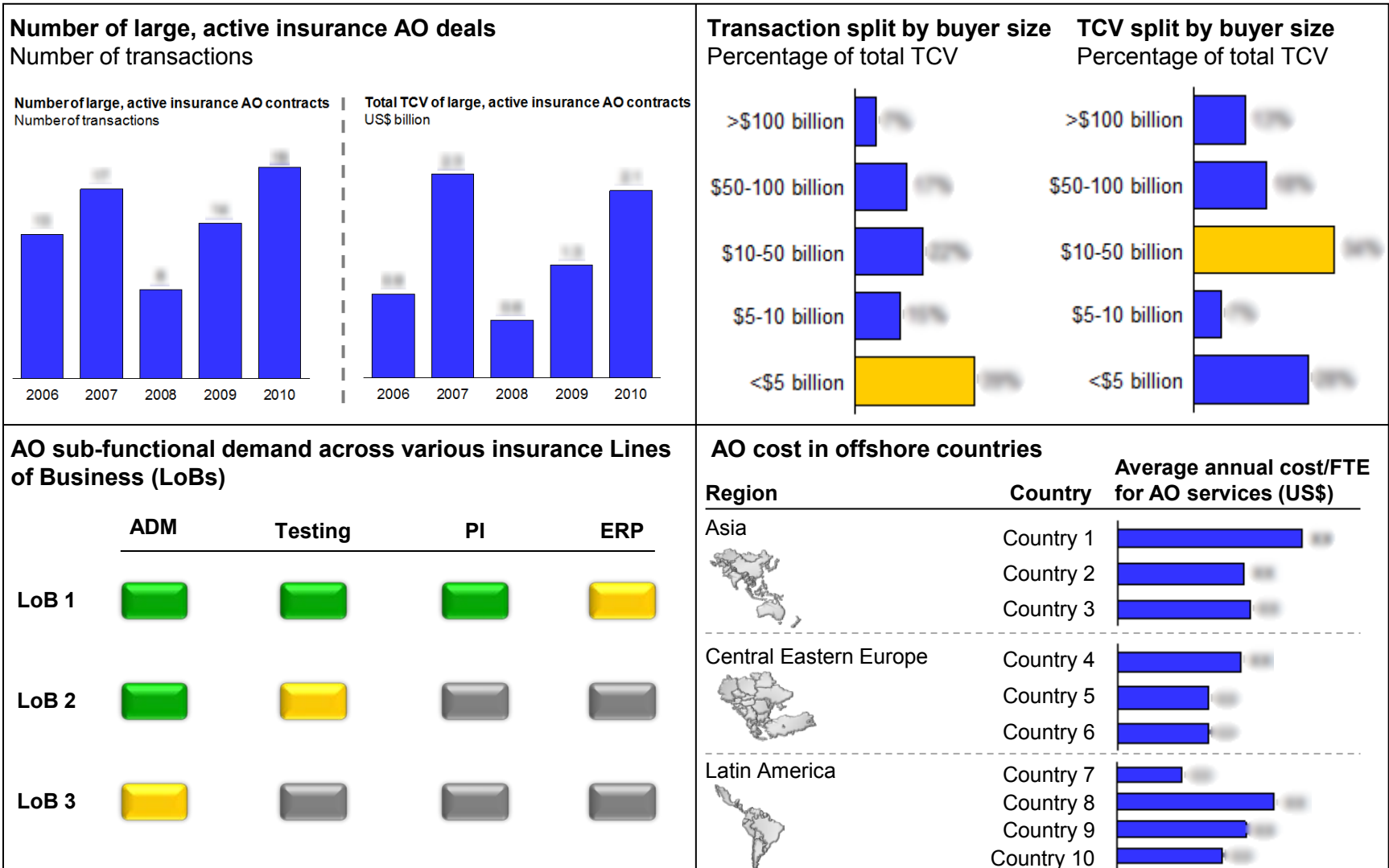
Emerging priorities, themes and implications

- Emerging business trends across the insurance industry value chain are changing the IT/application priorities for the insurance sector, with most companies focusing on developing innovative offerings, redesigning channel strategy, improving underwriting performance and increasing operational efficiency

This study offers three distinct chapters providing a deep dive into key aspects of insurance AO market; below are four charts to illustrate the depth of the report



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Source: Everest Group (2011)



Published



Current



Upcoming

Topic	Goals of the research	Release date
<p>Global Lending BPO across Credit Cards, Consumer Loans, and Commercial loans</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>January-2011</p>
<p>FS BPO Service Provider Profile Compendium</p>	<p>Snapshots of 14 service providers playing in the FS BPO segment. 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</p>	<p>March-2011</p>
<p>Global sourcing in FS BPO – Significant Traction, Yet Tremendous Potential</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>
<p>Market Trends for IT Application Services in Banking</p>	<p>Provides 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>June-2011</p>



Published



Current



Upcoming

Topic	Goals of the research	Release date
<p>Service Provider Landscape for IT Application Services in Banking</p>	<p>Provides a comprehensive assessment of the service provider landscape in AO services for banking and maps various service providers on Everest Group's capability matrix.</p>	<p>June-2011</p>
<p>Service Providers' Capability Assessment (Profiles Compendium) for IT Application Services in Banking</p>	<p>Profiles of service providers capturing their IT AO capability in banking</p>	<p>July-2011</p>
<p>Insurance BPO Market Overview</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>August-2011</p>
<p>Global Third-party BPO Service Provider Landscape in Capital Markets</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>



Published



Current



Upcoming

Topic	Goals of the research	Release date
<p>Market Trends for IT Application Services in Insurance</p>	<p>Provides 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>Provides a comprehensive assessment of the service provider landscape in AO services for insurance and maps various service providers on Everest Group'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>
<p>Market Trends for IT Application Services in Capital Markets</p>	<p>Provides 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>



Published



Current



Upcoming

Topic	Goals of the research	Release date
<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>
<p>Service Provider Landscape for IT Application Services in <i>Capital Markets</i></p>	<p>Provides a comprehensive assessment of the service provider landscape in AO services for capital markets, and maps various service providers on Everest Group's capability matrix</p>	<p>Q3-2011</p>

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 that may be of interest

- 1. IT Applications Outsourcing in Banking – Trends and Future Outlook** (ERI-2011-11-R-0566): This report provides an overview of the application outsourcing (AO) market for banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders, with regards to such large banking AO transactions
- 2. Application Outsourcing in Banking – PEAK Into the Evolving Service Provider Landscape** (ERI-2011-11-R-0567): This report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps various providers on Everest Group's PEAK matrix. The report further examines the distinctive characteristics of different service provider clusters i.e., Leaders, Major Contenders, Emerging Players, and recognizes the key implications of the rapidly changing landscape for banking buyers and service providers
- 3. IT Applications Outsourcing in Banking – Service Provider Profiles Compendium** (EGR-2011-11-R-0577): The Banking AO service provider profile compendium provides comprehensive and fact-based snapshots of 22 service providers featured on the Everest Group Banking AO PEAK Matrix. Each 5+ page service provider profile provides a comprehensive assessment of their service suite, scale of operations, domain investments, and delivery locations specific to Banking AO services
- 4. Insurance BPO – Rising Demand, Increasing Competition** (EGR-2011-11-R-0584): Insurance BPO represents one of the most mature offerings within the BFSI BPO market. 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, market changes (size, growth, and potential), drivers and challenge to Insurance BPO, characteristics of solutions (scope of services, global sourcing, technology, and pricing models), and the assessment of Insurance BPO service providers

For more information on this and other research published by the Everest Group Research, please contact us:

Anneet Singh, VP – Global Sourcing:

anneet.singh@everestgrp.com

Jimit Arora, Research Director:

jimit.arora@everestgrp.com

Rajat Juneja, Senior Research Analyst:

rajat.juneja@everestgrp.com

Kiranjeet Kaur, Senior Research Analyst:

kiranjeet.kaur@everestgrp.com

Everest Group Research

Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240

Phone: +1-214-451-3110

E-mail: info@everestgrp.com

About Everest Group



Everest Group is an advisor to business leaders on the next generation of global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

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Dallas (Corporate Headquarters)

info@everestgrp.com
+1-214-451-3000
+1-214-451-3110

Canada

canada@everestgrp.com
+1-416-865-2033



New York

info@everestgrp.com
+1-646-805-4000

India/Middle East

india@everestgrp.com
+91-124-496-1000
+91-124-496-1100

UK

unitedkingdom@everestgrp.com
+44-870-770-0270

Netherlands & Continental Europe

benelux@everestgrp.com
+31-20-301-2138

www.everestgrp.com | research.everestgrp.com | www.sherpasinblueshirts.com