



Topic: IT Application Outsourcing (AO) in Insurance – Navigating Business Challenges Through Technology

Banking, Financial Services, and Insurance (BFSI) Outsourcing
Report: September 2012 – Preview Deck

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- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies

Background and scope of the research

Background of the research

The BFSI industry continues to be the largest adopter of the IT Application Outsourcing services. However, the industry dynamics changed significantly over the last 12-24 months. BFSI buyers are facing increasing pressure to drive top-line growth, manage complexity arising out of wide-scale regulatory reforms, and improve profitability by driving greater cost efficiencies. To achieve this, buyers are focusing on optimizing their portfolio of AO service providers

At the same time, service providers in the BFSI AO space also ramped up their capabilities, built up scale, and invested in developing and acquiring IP/proprietary solutions. They also formed alliances, which allow them to undertake and deliver on large-sized, annuity AO engagements. The competitive intensity in the BFSI AO services space is at an all-time high. As a result, it is becoming difficult to differentiate service providers purely based on delivery capability. It is, therefore, critical to have a comprehensive, well-rounded, and a fact-based assessment of service providers' BFSI AO value proposition

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

The focus in 2012 is also to capture the key movements in volumes/values of insurance AO transactions, evolving trends, market dynamics and emerging priorities of buyers in the last 12 months

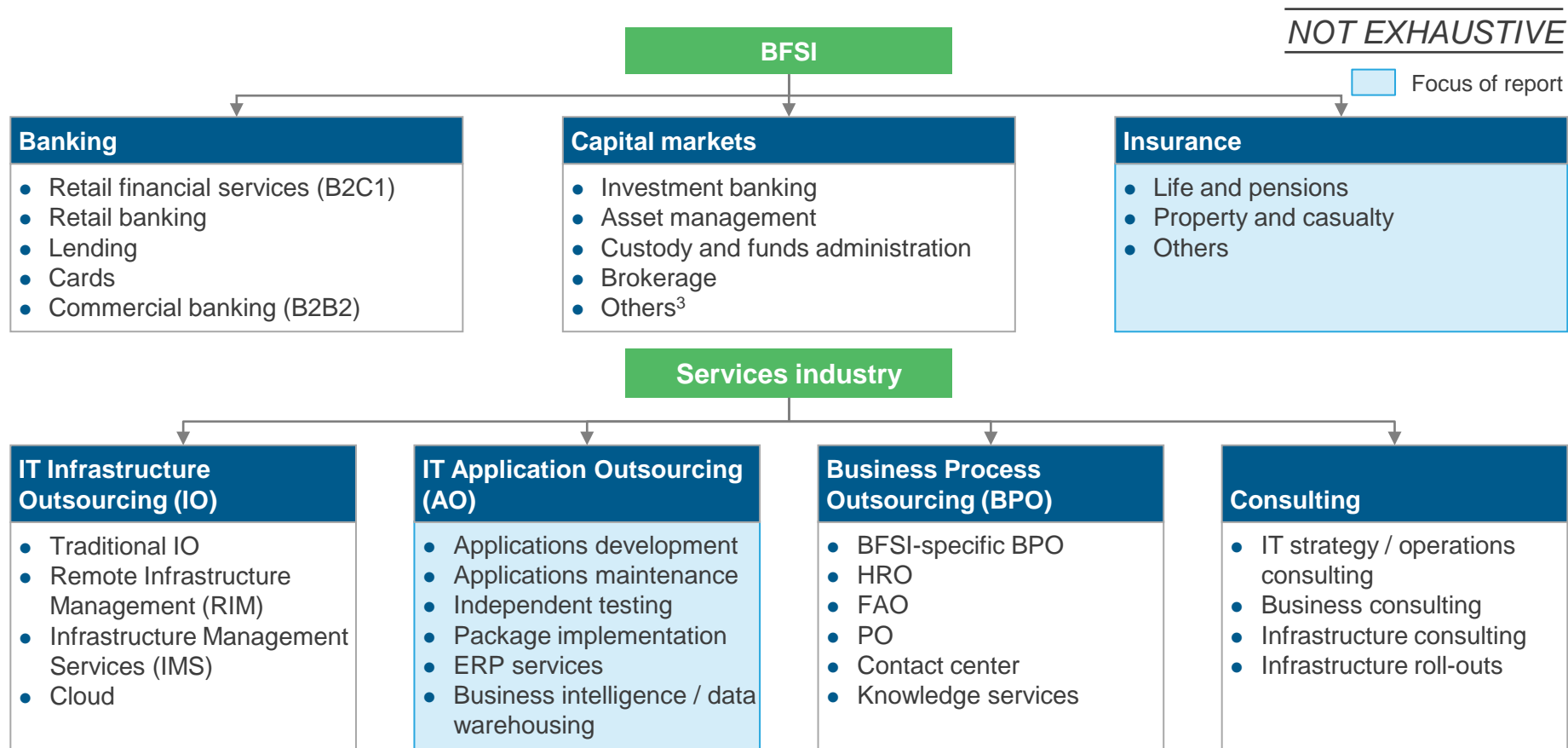
Scope of this report

- **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 (>3 years), annuity-based applications 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



This report analyzes IT applications outsourcing in the insurance subvertical with a focus on large (TCV >US\$25 million), annuity-based, multi-year (>3 years) relationships

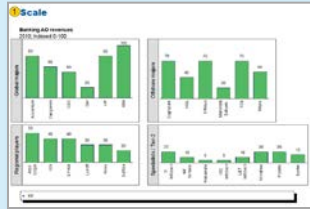
1 Business-to-consumer relationships

2 Business-to-business relationships

3 Includes other capital markets functions such as structured finance, treasury, FX, and horizontal functions including risk management

This report is a part of the Everest Group's series of nine reports focused on application outsourcing in BFSI in 2012

Market Trends in IT Application Outsourcing Services



- Each report provides an overview of the application outsourcing market for the specific banking / capital markets / insurance subvertical
- The report analyzes key trends in market size and growth, demand drivers, adoption and scope, 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 subvertical
- 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 subverticals. Each service provider profile includes

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

Banking

Capital markets

Insurance

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

1

- Everest Group's proprietary database of 400+ large, active, 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, insurance, and by line of business (for example, retail banking, credit cards, and loans and mortgages)
 - 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
 - Major BFSI AO clients and recent wins
 - Overall revenue, 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

accenture
High performance. Delivered.

Capgemini
CONSULTING. TECHNOLOGY. OUTSOURCING.

CGI

Cognizant

CSC

DELL Services

epam

HCL

Hexaware
TECHNOLOGIES

hp

IBM

iGATE
patni
ITOPS for Business Outcomes

Infosys®

ITC INFOTECH
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L&T Infotech

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Wipro

MPHASIS
an HP company

POLARIS
live your dream

Softtek®

SYNTEL
Consider IT Done®

TATA CONSULTANCY SERVICES

UNISYS

WIPRO
Applying Thought

Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, 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

Analysis dimensions

BFSI ITO market overview

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

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

Insurance AO overview

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

- Transaction 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 subfunctions
 - 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

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

- BFSI is among the largest adopters of the IT outsourcing services; accounting for 15% of the overall industry
- The total number of BFSI IT outsourcing contracts declined in 2011 (over 2010); while the total value of contracts remained almost flat
- Insurance segment registered a decline in the number of ITO deals; while the capital markets experienced a significant surge in outsourcing deals in 2011
- Average contract duration for insurance deals increased in 2011
- Outsourcing transactions in North America and APAC declined while EMEA saw greater number of ITO deals in 2011

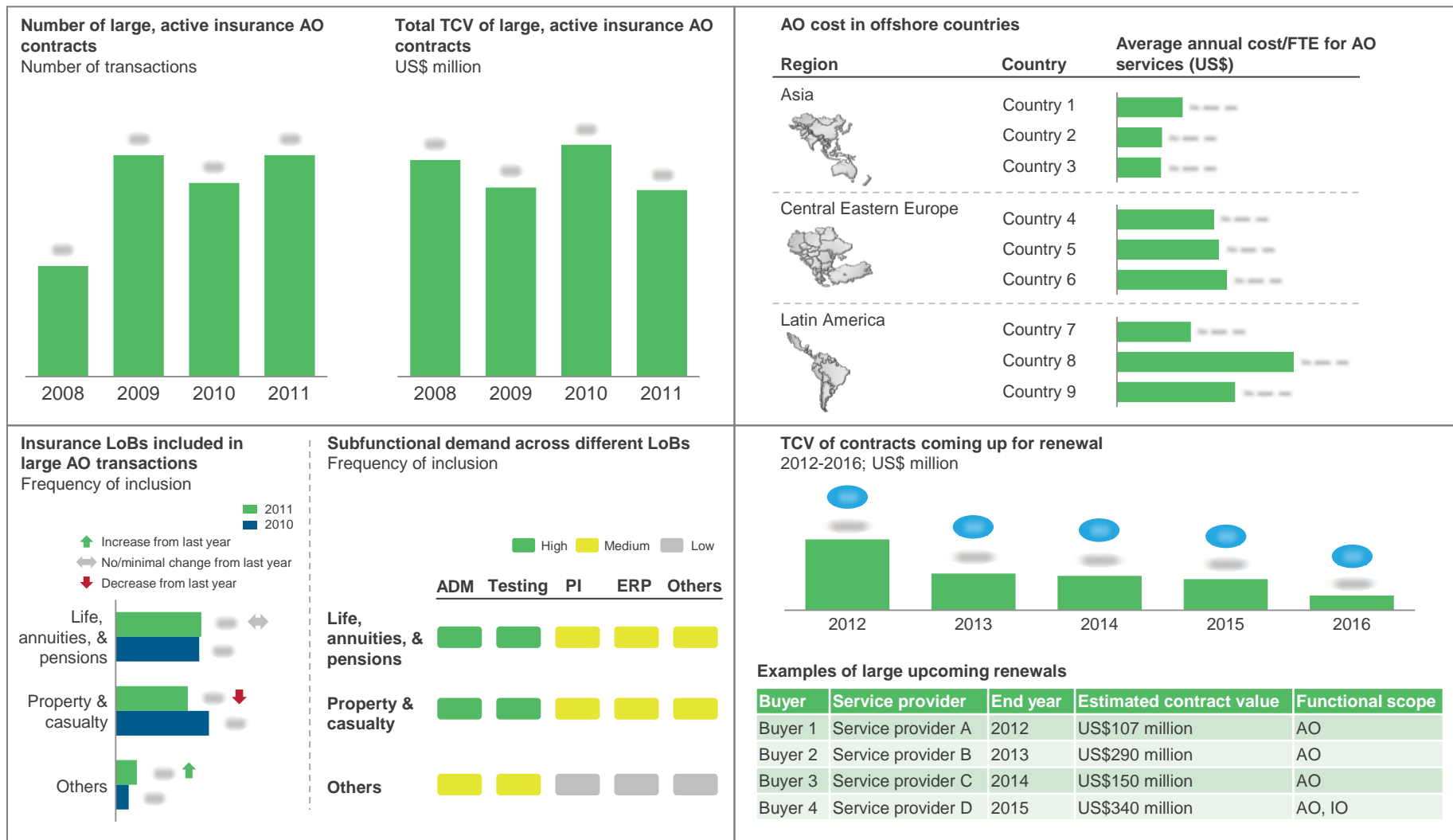
Insurance AO overview

- The total number of large AO deals (with TCV greater than US\$25 million) within the insurance segment increased, while the total contract value of these deals fell in 2011 versus 2010
- Application development and testing witnessed reduced activity in 2011, on the back of reduced discretionary spending and decline in the new product development
- Activity in the P&C segment registered a drop in 2011, while activity in the life, annuities, and pensions segment remained comparable to last year
- Unlike the banking sector, European insurers commanded a higher share of TCV while North American companies constituted the majority share of transaction signings
- Approximately US\$7 billion worth of insurance AO contracts are due for renewal between 2012 and 2016

Emerging priorities, themes and implications

- Declining income/revenues and rising costs continue to pose challenges for the insurance industry
- Consequently, there is increased pressure on insurance firms to come up with innovative solutions in order to reduce costs and improve customer retention; which are driving IT investments in multi-channel integration, mobility, enterprise risk management, business intelligence and analytics, social media, and cloud computing

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



BFSI Outsourcing research agenda (page 1 of 2)

Published Current

Topic	Release date
Application Outsourcing (AO) in Capital Markets – Service Provider Profiles Compendium	January-2012
Capital Markets BPO Overview	January-2012
M&A in Banking BPO – Looking Back and Moving Forward	February-2012
The Vertical World – A Capital Markets IT Perspective	March-2012
Closed Books Insurance BPO in the U.S. vs. in the UK – The Great Divide	March-2012
Trade Reconciliations Business Process Outsourcing (BPO)	May-2012
IT Application Outsourcing (AO) in Banking – Trends and Future Outlook	June-2012
BFS BPO Annual Report 2012 – Strong Growth Post the Downturn	July-2012
Application Outsourcing (AO) in Banking: PEAK Provider Landscape – Evolution at Play	August-2012
IT Application Outsourcing in Insurance – Trends and Future Outlook – 2012	September-2012
Overall BFSI BPO	Q3-2012
BFSI BPO Service Provider Landscape – Insurance BPO	Q3-2012
IT Applications Outsourcing in Banking – Service Provider Profiles Compendium – 2012	Q3-2012
BFSI BPO Service Provider Profile Compendium – Insurance BPO	Q3-2012

BFSI Outsourcing research agenda (page 2 of 2)

■ Published ■ Current

Topic	Release date
IT Application Outsourcing in Capital Markets – Trends and Future Outlook – 2012	Q3-2012
Service providers' landscape for IT application services in Insurance – PEAK report 2012	Q3-2012
IT Application Services in Insurance – Service Provider Profiles Compendium 2012	Q3-2012
BFSI BPO Service Provider Landscape – Capital Markets BPO	Q3-2012
BFSI BPO Service Provider Profile Compendium – Capital Markets BPO	Q3-2012
Service providers' landscape for IT application services in Capital Markets – PEAK report 2012	Q4-2012
IT Application Services in Capital Markets – Service Provider Profiles Compendium 2012	Q4-2012
BFSI BPO Service Provider Profile Compendium – Banking BPO	Q4-2012
BFSI BPO Service Provider Landscape – Banking BPO	Q4-2012
Overall BFSI BPO	Q1-2013

Additional research references

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

1. **Application Outsourcing (AO) in Banking: PEAK Matrix Provider Landscape – Evolution at Play** ([EGR-2012-11-R-0732](#)): Provides a comprehensive assessment of the service provider landscape in AO services for banking and maps them on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix as Leaders, Major Contenders, and Emerging Players. The report provides a comparative evaluation of IT-AO capabilities (specific to the banking sector) of provider categories such as global majors, offshore majors, regional players, and Tier-2 specialists. In addition, the report also benchmarks the scale, scope, domain investments, and delivery footprint of each provider's banking AO practice. Finally, the 2012 banking-AO PEAK analysis focuses on identifying the "Star Performers," the providers with strongest forward movement over time in terms of market success and capability advancements.
2. **IT Application Outsourcing (AO) in Banking – Trends and Future Outlook** ([EGR-2012-11-R-0704a](#)): This report 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. The focus in 2012 is also to capture the key movements in volumes/values of banking-AO transactions, evolving trends, market dynamics and emerging priorities of buyers in the last 12 months.
3. **BFS BPO Annual Report 2012 – Strong Growth Post the Downturn** ([EGR-2012-11-R-0710a](#)): The global industry for Business Process Services (BPS) for Banking and Financial Services (BFS) is growing at a fast pace of over 16% annually. After a dip in 2008-09, due to the global financial crisis, BFS BPS is back on track, seeing rising contract numbers in both 2010 and 2011. Although BPO services account for only 10% of the overall market for BFS BPS, adoption of BPO is now expanding globally. This report analyzes the current trends and the future outlook for third-party BPO services for the global banking and capital markets industry.

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