![Everest Group Research logo]

IT Outsourcing in Insurance – Annual Report: Insurance world preparing to ride the digital transformation wave

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report: November 2014 – Preview Deck

Our research offerings for global services

Subscription information

- The full report is included in the following subscription(s)
  - **BFSI ITO**

- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services

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Market Vista™
Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

BFSI[1] information technology	**PricePoint™**
BFSI[1] business process	**Finance & accounting**
Healthcare information technology	**Procurement**
Information technology	**Human resources**
Cloud Vista™	**Recruitment process**
Global sourcing	**Contact center**
Locations Insider™	**Transaction Intelligence**

Custom research capabilities
- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

1   Banking, financial services, and insurance

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Background and scope of the research

Background of the research

Continued low interest rates environment, heightening regulatory compliance pressure, and evolving customer requirements created a challenging business environment for insurance firms. This led them to find innovative ways to optimize their businesses and enhance profitability. They reinvented their business models and technological priorities. As a result, 2013 saw strong return of discretionary spend – led by investments in development of specific applications for regulatory compliance, data management, risk management, and digital initiatives (cloud, analytics, and mobility).

Consequently, the service provider competitive landscape is also intensifying, as service providers continue to ramp up their capabilities, invest in innovative technologies, form alliances, and acquire strategic targets to address the growing and complex technology needs of insurance companies.

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
- Emerging priorities of buyers and key investment themes in insurance AO
- Future outlook for 2014-2015

The research also captures key movements in volume/value of insurance AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months.

Scope of this report
- **Industry:** Insurance including life, annuity, pensions, and Property and Casualty (P&C); excludes banking, capital markets, and healthcare payers
- **Services:** Large (TCV > US$25 million), multi-year (more than three years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party AO transactions; excludes shared services or Global In-house Centers (GICs)
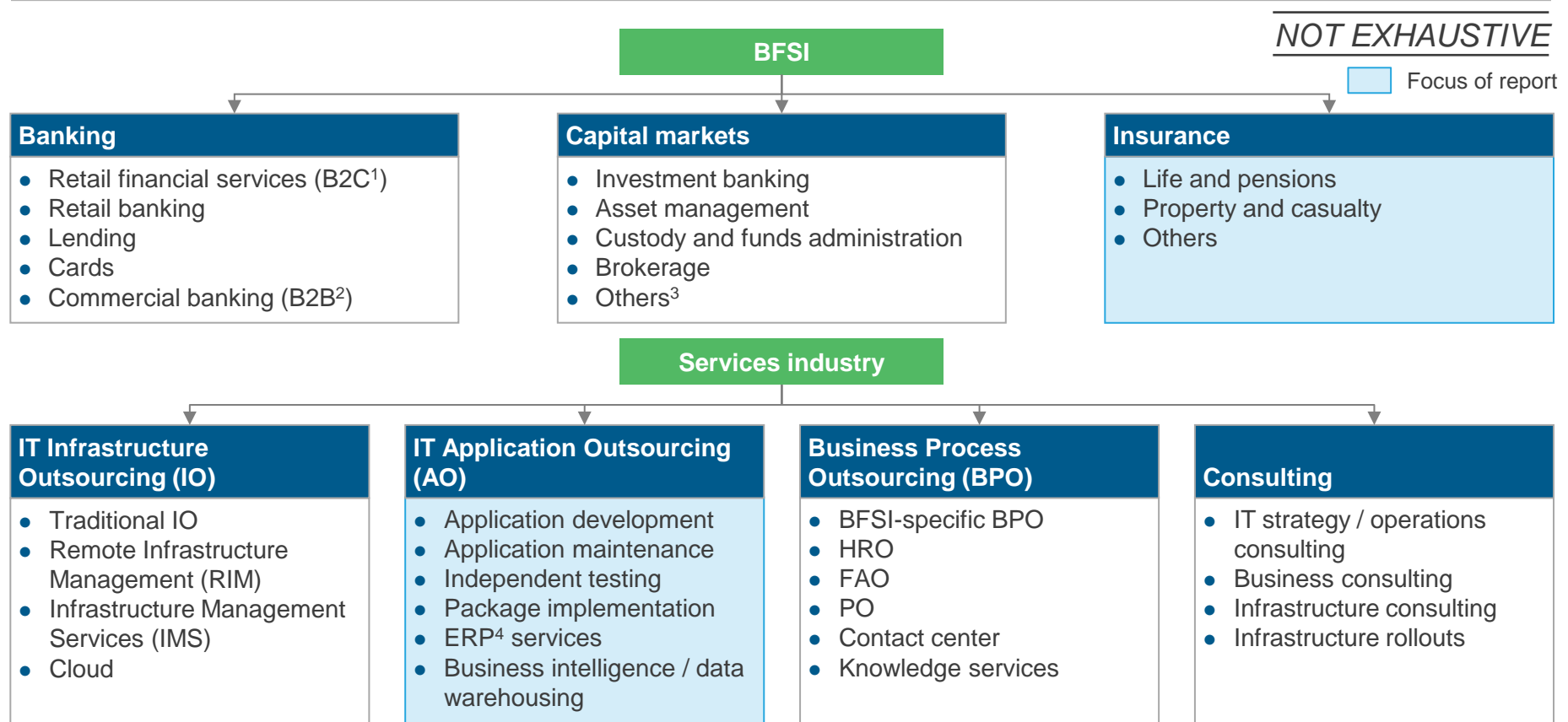
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This report provides an insight into the current trends and future outlook for large, multi-year application outsourcing relationships in the global insurance sector

NOT EXHAUSTIVE

	Focus of report

BFSI

Banking
- Retail financial services (B2C[1])
- Retail banking
- Lending
- Cards
- Commercial banking (B2B[2])

Capital markets
- Investment banking
- Asset management
- Custody and funds administration
- Brokerage
- Others[3]

Insurance
- Life and pensions
- Property and casualty
- Others

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Application development
- Application maintenance
- Independent testing
- Package implementation
- ERP[4] services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

This report analyzes IT applications outsourcing in the insurance subvertical with a focus on large (TCV > US$25 million), annuity-based, multi-year (more than three 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
4 Defined in appendix

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This report is a part of the Everest Group's series of nine reports focused on AO in BFSI in 2014

## IT Outsourcing in BFSI – Annual Report
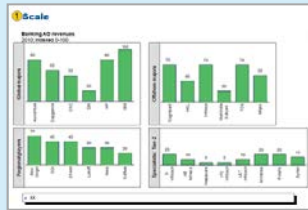
Each report provides:
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications for key stakeholders
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

Banking

Capital Markets

Insurance

IT Outsourcing in BFSI – Service Provider Landscape
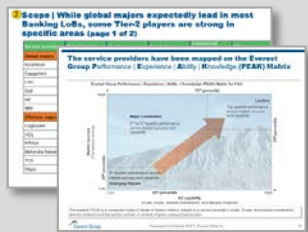
Each report provides:
- Assessment of service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Emerging Players
- Comparative evaluation of BFSI-AO capabilities of provider categories such as global majors, offshore majors, regional players, and tier-2 specialists. Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice
- The 2013 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with strongest forward movement over time – both in terms of market success and capability advancements

Banking

Capital Markets

Insurance

BFSI ITO – Service Provider Profile Compendium

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 application services offerings
- Delivery footprint

Banking

Capital Markets

Insurance

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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 LoB (e.g., investment banking, asset management, custody & funds administration, and brokerage services)
  – Scope includes coverage of buyers' 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 24+ 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

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

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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	- The global BFSI ITO industry registered an average YoY growth of 23.68% in 2013 to reach US$105-130 billion - The number of BFSI outsourcing transactions increased by ~25%, while TCV grew in excess of 50% as compared to last year (for publicly-announced / reported transactions) - Share of insurance in BFSI ITO transactions remained largely stable at 22%, while the number of transactions in insurance grew by ~20% compared to last year - New deals continued to make up the majority of total ITO deals within the BFSI industry - Europe, Middle East, and Africa (EMEA) remained the largest source geography with the maximum number of deals originating from this region
Insurance AO overview	- In 2013, there was a significant uptick in IT outsourcing spend (US$35-40 billion) in the insurance segment as buyers invested in digital initiatives; the number of large active insurance AO deals nearly trebled over the last five years - Buyers showed stronger demand for application development and maintenance as they invested in new digital systems. Regulatory compliance and mobility were top spending priorities among next generation themes - Insurers with revenue in the range of US$10-50 billion witnessed a surge in spending, as they strived for higher digital sophistication. Demand for insurance AO is expected to remain strong with ~US$8.5 billion worth of insurance AO contracts up for renewal between 2015 and 2018 - Nearly 60% of the active insurance AO contracts in 2013 were fixed-price contracts
Emerging priorities of buyers, and key investment themes	- In 2013, insurance firms continued to struggle with low interest rates, growing regulatory compliance pressures, and evolving customer needs. This environment prompted insurance firms to reexamine their business models and realign priorities. Key business priorities were – enhanced customer experience, more efficient claims management, product innovation, improved underwriting performance, and better agency experience - Social media, mobility, analytics / big data, cloud computing and telematics / usage-based insurance emerged as key technological themes for insurance firms for the next 12-18 months

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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
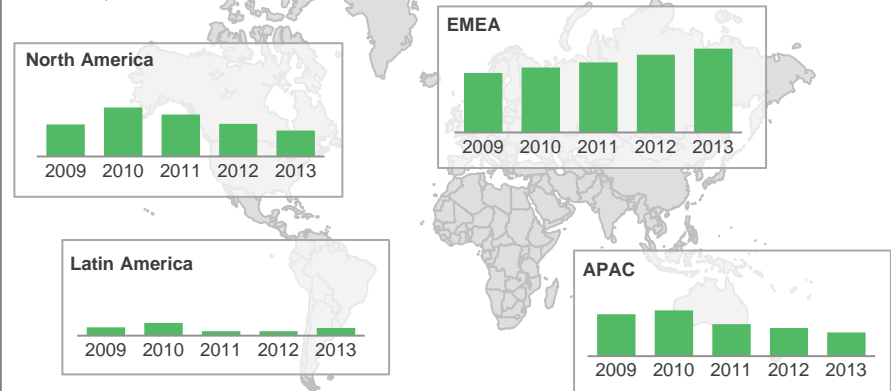
Market size

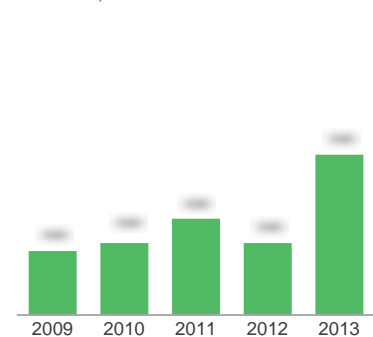**BFSI IT outsourcing market size**
2013; US$ billion
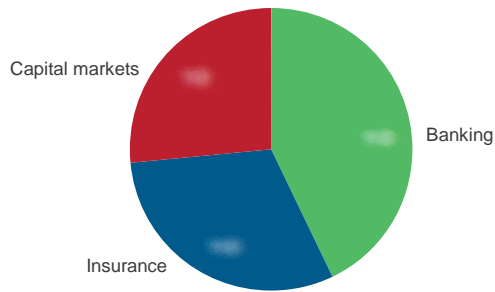
Number of BFSI ITO transactions by source regions

BFSI ITO transactions by geography
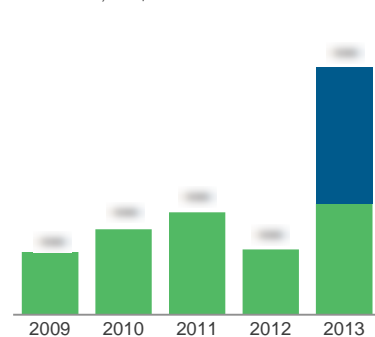2009-2013; Number of transactions

Transaction activity for large, active insurance AO deals
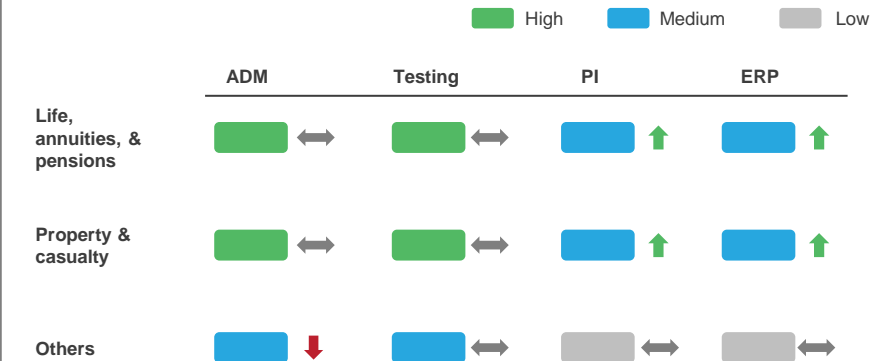
Number of large, active insurance AO contracts
2009-2013; Number of transactions

Total TCV of large, active insurance AO contracts
2009-2013; US$ billion

AO subfunctional demand across various insurance Lines of Business (LoBs) in 2013

Source: Everest Group (2014)

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BFSI ITO research calendar

Topic	Release date
IT Applications Outsourcing in Insurance – Service Provider Profiles Compendium – 2013	January 2014
Mobile Banking Adoption Trends	May 2014
Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance	June 2014
IT Outsourcing in Banking – Annual Report 2014: The Return of the King	June 2014
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2014	July 2014
IT Outsourcing in Banking – Service Provider Profile Compendium 2014	August 2014
IT Outsourcing in Capital Markets – Annual Report 2014	September 2014
IT Outsourcing in Insurance – Annual Report 2014	November 2014
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4 2014
IT Applications Outsourcing in Capital Markets – Service Provider Profiles Compendium – 2014	Q4 2014
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4 2014
IT Outsourcing in European Banking and CM – Service Provider Landscape with PEAK Matrix™ Assessment 2014	Q4 2014
Banking and capital markets AO demand trends by banking Tiers: Focus on mid-market	Q4 2014
IT Applications Outsourcing in Insurance - Service Provider Profiles Compendium – 2014	Q1 2015
Banking and Capital Markets ITO Enterprise Survey Results 2015	Q1 2015

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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. **Mobile Banking Adoption Trends** (EGR-2014-11-R-1109). This report provides an overview of the global mobile banking and payments market, including mobile payment transaction volume, number of users, and degree of investments in mobility. It also includes region-wise adoption trends in mobile banking and payments across North America, Europe, Middle East and Africa, Asia Pacific, and Latin America along with an in-depth analysis of the mobile banking apps launched by the top American, European, and APAC banks

2. **Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance** (EGR-2014-11-R-1134): This report provides an overview of regulatory compliance related IT outsourcing in banking and capital markets. It captures key regulations in this space along with their business, technology, and sourcing implications. The report captures key adoption trends and growth in value/volume of regulatory compliance related transactions, and key regulatory compliance-related investments by service providers. Finally, the report provides insights into evolving trends in the market and implications for buyers and service providers

3. **IT Outsourcing in Banking – Annual Report 2013: Banking For the Next Generation** (EGR-2013-11-R-0893); 2013. This report provides an overview of the Application Outsourcing (AO) market for the 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 & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2013 with regards to such large banking AO deals

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From **insight** to *action*.

At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services

- 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

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