



IT Outsourcing in Insurance – Annual Report 2016: Disrupt or be Disrupted

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report – December 2016 – Preview Deck

Our research offerings for global services

▶ **Market Vista™**

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

▶ **BFSI¹ Information Technology**

▶ **BFSI¹ Business Process**

▶ **Healthcare & Life Sciences ITS**

▶ **Healthcare & Life Sciences BPS**

▶ **Application & Digital**

▶ **Cloud & Infrastructure**

▶ **Global Sourcing**

▶ **Locations Insider™**

▶ **PricePoint™**

▶ **Finance & Accounting**

▶ **Procurement**

▶ **Human Resources**

▶ **Recruitment & Talent Acquisition**

▶ **Contact Center**

▶ **Service Optimization Technologies**

▶ **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

Subscription information

- This full report is included in the following subscription(s)
 - **BFSI¹ Information Technology**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**



Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com



European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com

¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

- Market uncertainty & volatility, increasing competitive pressures, rising regulatory demands, heightened customer expectations, and increasing threat from new entrants are some of the key challenges faced by insurance firms today. In such a non-conducive environment, shareholder return has become a top priority for insurers as they focus on sustaining margins
- Insurers have a triple mandate of “grow, optimize, and defend” in order to generate sustained value for all stakeholders. Growth initiatives primarily include adoption of digital technologies, introduction of differentiated products, and improvements across distribution channels. To drive operational efficiencies, insurers should focus on detecting and preventing the leakage of value through fraud, poor performance of non-core assets, and legacy systems. At the same time, insurers need to defend their business from technology disruption by investing in innovation efforts, strategic alliances, and expansion of insurance ecosystem
- In this report, we analyze the current market trends and their implications for application services outsourcing in the global insurance sector. We focus on:
 - Industry challenges and key investment themes in insurance AO
 - Market activity for large AO relationships in insurance
 - Outlook

Scope of this report

- **Industry:** Insurance (Life, Annuities, & Pension (L&P) ; Property & Casualty (P&C); and reinsurance)
- **Services:** Large (TCV¹>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)

Table of contents (page 1 of 2)

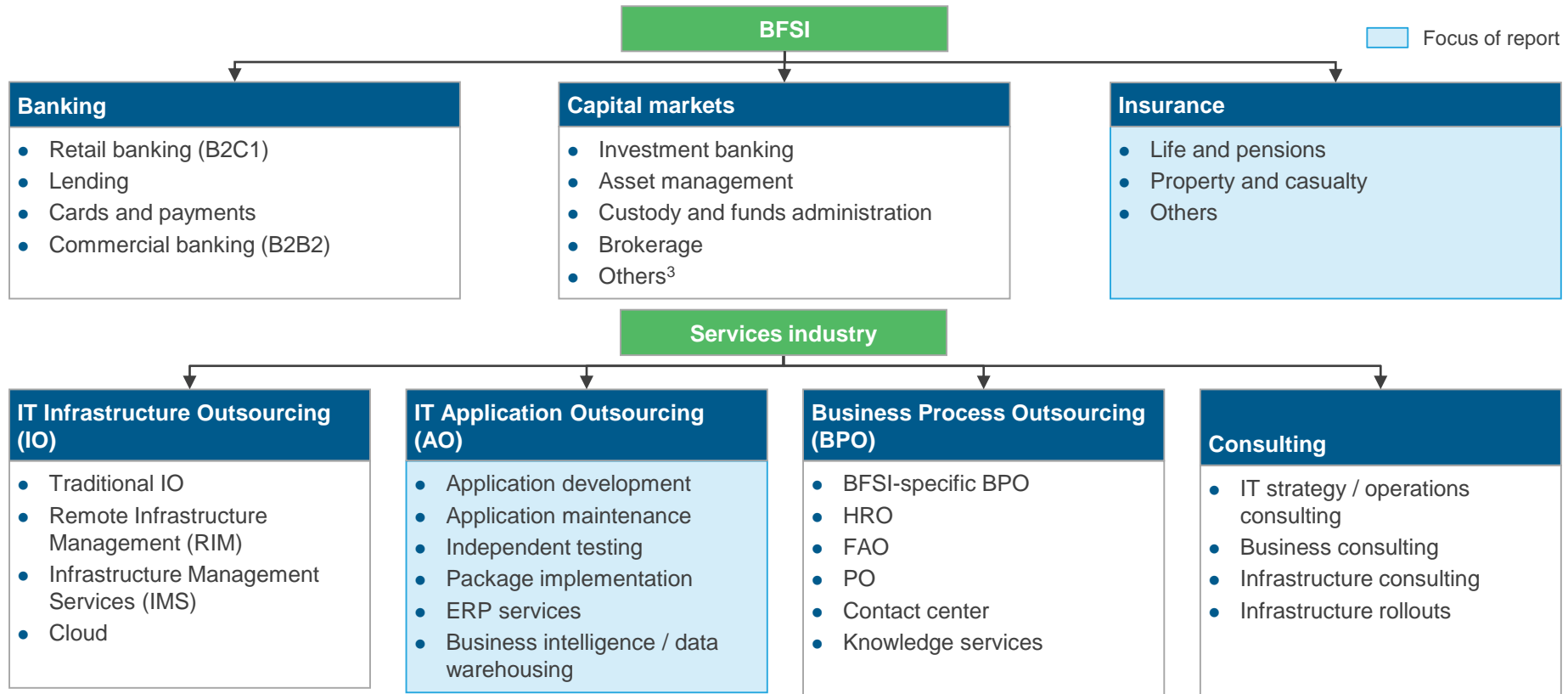
Topic	Page no.
Introduction and overview	6
Summary of key messages	11
Section I: Insurance: Market trends	13
• Industry challenges	14
– Low investment income	15
– Modest growth in premiums	16
– Increased pricing pressures	17
– Outdated legacy systems	18
– Proliferation of digital technologies	19
– Increasing costs of regulatory compliance	20
– Emergence of new risks (e.g., cybersecurity)	21
– Evolving customer expectations	22
– Rise of non-traditional competitors	23
• Investment themes	24
– Digital technologies	25
– Regulatory compliance	28
– Customer-centric, agile product design	30
– Product distribution	31
– Detection and prevention of value leakages	32

Table of contents (page 2 of 2)

Topic	Page no.
• Investment themes (continued)	
– Innovation – build, partner, invest, or incubate	37
– Expansion of insurance ecosystem	38
• Implications for buyers	40
• Implications for service providers	41
Section II: Insurance AO overview	42
• Summary	43
• BFSI ITO overview	44
• Trends and characteristics of new transactions in insurance AO	47
• Adoption trends – subfunctions, Line of Businesses (LoBs), geography, and buyer size	50
• Pricing trends	54
• Insurance AO delivery	55
• Renewals	58
Section IV: Outlook	59
Appendix	61
• Glossary of terms	62
• BFSI ITO research calendar	64
• References	65

This report examines the service provider landscape for large (TCV > US\$25 million), annuity-based, multi-year (>3 years) application services relationships in the global insurance sector

NOT EXHAUSTIVE



Digital Services

Services in next-generation technologies leveraged by enterprises to enable transformation including social, mobility, analytics, cloud, and others (Artificial Intelligence (AI), Robotics Process Automation (RPA), Internet of Things (IoT), Machine-to-Machine (M2M), etc.)

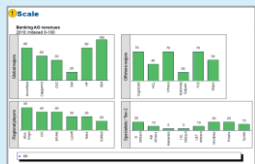
1 Business-to-consumer relationships

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 Everest Group's series of reports focused on ITO in BFSI in 2016

IT Outsourcing in BFSI – Annual Report

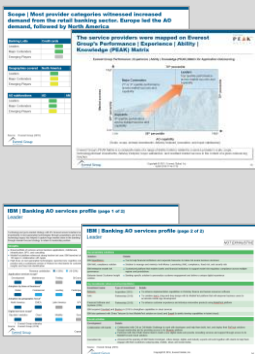


Each report provides:

- An overview of the application services market for the BFSI vertical, capturing key trends in market size, growth, drivers & inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

- Global Banking
- Global Capital Markets
- **Global Insurance**

IT Outsourcing in BFSI – Service Provider Landscape and Profiles Compendium



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 Aspirants
- Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice along with comparative evaluation of their BFSI-AO capabilities
- The 2016 BFSI-AO PEAK Matrix analyses focus on identifying the "Star Performers", i.e., providers with the strongest forward movement over time – both in terms of market success and capability advancements
- Capability profiles of service providers capturing their AO services experience in specific subverticals including details such as AO services capabilities, key investments, proprietary solutions, and technological expertise

- Global Banking
- Global Capital Markets
- Global Insurance
- Mobility in Banking
- Mobility in Insurance
- Analytics in Banking
- Analytics in Insurance

Enterprise Digital Effectiveness with APEX Matrix



Two reports as part of an "open source" evaluation of the digital effectiveness of the largest retail banks in Europe and United States and mapping them on Everest Group's APEX Matrix – as Leaders, Optimizers, Innovators, and Aspirants

- APEX Matrix for Digital in U.S. retail banks
- APEX Matrix for Digital in Europe retail banks

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 insurance (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 Lines of Business (LoB) (for example, investment banking, asset management, custody, fund administration, and brokerage)
 - Scope includes coverage of buyer's 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 25+ insurance AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
 - Major insurance AO clients and recent wins
 - Overall revenue
 - Recent insurance-related developments
 - Insurance AO delivery locations
 - Insurance AO service suite
 - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis



1 RFI submitted by Dell Services before completion of acquisition by NTT DATA. New entity is known as NTT DATA Services

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

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 investment themes, and implications for service providers with regards to such large insurance AO deals

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

Insurance AO overview

- The number of AO deals signed in 2015 were the lowest since 2011, declining by 30% over 2014
- For the past two years, the industry witnessed fewer number of very large deals (TCV > US\$50 million) because of which the TCV of large AO deals declined by around 30% over 2014. It is the lowest in 2015 since 2011
- Insurers increased the overall offshoring for IT delivery to support their cost containment efforts
- Market uncertainty prompted insurers to adopt input-based pricing models for large AO deals in order to get flexibility in their IT spending
- Asia still continues to be the most cost-effective option for application outsourcing services delivery
- Around 76 large AO insurance deals with a TCV of US\$9.29 billion are coming up for renewal (2016 to 2020)

Business priorities of insurance firms

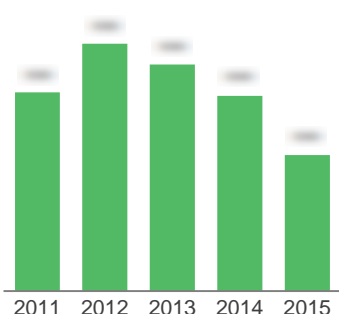
- Shareholders return is a top priority for insurance firms as they focus on their key business goals of sustaining margins while ensuring growth in an environment of increasing competitive pressures, rising regulatory demands, market uncertainty & volatility, and evolving consumer demands
- Insurers are focusing on a triple mandate to grow, optimize, and defend:
 - Drive sustainable growth through the adoption of digital technologies, enhancing product development, and improving distribution
 - Reduce costs and drive operational efficiencies in order to deliver profitable margins by detecting and preventing the leakage of value through fraud, cybersecurity, poor performance of non-core assets, and legacy systems
 - Invest in innovation to transform business models and ride the wave of disruption in the insurance industry by expanding the insurance ecosystem, invest in innovation efforts, and form alliances

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

Trends for new large insurance AO contracts

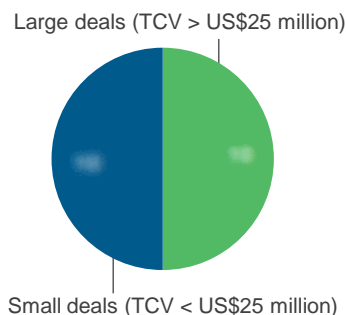
Number of new insurance AO transactions

2011-2015; Number of transactions announced



Distribution of insurance AO transactions by deal size

2015; Number of transactions



Key insurance market trends

Insurance business challenges

- Low interest rates impacting investment income
- Modest growth in premiums
- Pricing pressures
- Increasing costs of regulatory compliance
- Legacy systems
- Rising costs to serve customers
- New risks (e.g., cybersecurity)
- Rise of non-traditional competitors

Insurance firms are facing a triple mandate to:

Grow- Drive sustainable growth by enhancing the product, distribution, and brand

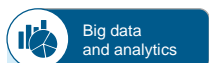
Optimize- Reduce costs and drive operational efficiencies to deliver profitable margins

Defend- Drive innovation to ride the wave of disruption in the insurance industry

Insurance trends shaping IT initiatives

- Digital technology adoption
- Competitive advantage from compliance efforts
- Customer-centric, agile product design
- Detect and prevent value leakages
- Improve product distribution
- Drive innovation – build, partner, invest, or incubate
- Expand the insurance ecosystem

Technology themes for insurance firms



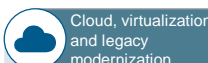
Big data and analytics

Predictive analytics and advanced risk modeling; contextualization of products



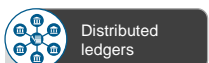
Connected ecosystem (IoT)

Drones, telematics, connected sensors, smart homes, and location-based services



Cloud, virtualization, and legacy modernization

SaaS, IaaS, PaaS¹, and insurance platform adoption



Distributed ledgers

Disintermediation of insurance value- chain and reimagine business models



Social media

Social listening, customer behavior analytics, and social media engagement



Mobility, gamification, and self-service

Workforce enablement, agent/broker empowerment, and mobile platforms



AI and automation

Cognitive technologies help take complex decisions in real time, empowering agents/customers



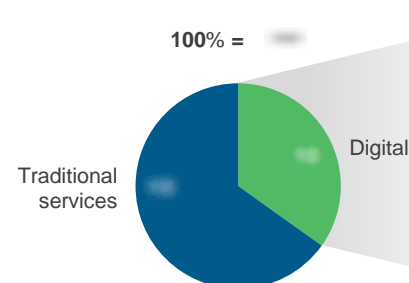
Open platforms and APIs¹

APIs to foster innovation and customer focus

Digital services in insurance AO

Digital included in large insurance AO transactions

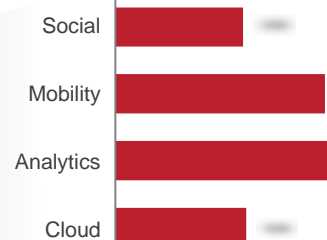
2015, Frequency of inclusion²



Technologies included in large insurance AO transactions

2015, Frequency of inclusion

■ 100% = deals with known scope



Source: Everest Group (2015)

BFSI ITS research calendar

Published Current

Topic	Release date
IT Applications Outsourcing in Insurance – Service Provider Profiles Compendium – 2015	January 2016
Blockchain in BFSI – Looking Beyond the Hype	March 2016
IT Outsourcing in Banking – Annual Report 2016: Simplify the Bank	June 2016
Digital Effectiveness in U.S. Retail Banking – APEX Matrix™ to Identify the Digital Banking Leaders 2016	July 2016
IT Outsourcing in Global Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2016 and Profiles Compendium	August 2016
Digital Effectiveness in Europe Retail Banking – APEX Matrix™ to Identify the Digital Banking Leaders 2016	August 2016
IT Outsourcing in Global Capital markets – Service Provider Landscape with PEAK Matrix™ Assessment 2016	September 2016
IT Outsourcing in Capital markets – Annual Report 2016	October 2016
Mobility in Banking– Service Provider Landscape with PEAK Matrix™ Assessment 2016	November 2016
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	November 2016
IT Outsourcing in Insurance – Annual Report 2016: Disrupt or be Disrupted	December 2016
Analytics in Banking– Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Mobility in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Analytics in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016

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. **IT Outsourcing in Global Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016 and Profiles Compendium** ([EGR-2016-11-R-1997](#)); 2016. This report provides a comprehensive assessment of the service provider landscape in AO services for insurance and maps the providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, domain expertise & innovation, buyer satisfaction, and delivery footprint of each provider's insurance AO practice. Finally, the 2016 insurance AO PEAK analysis focuses on identifying the "Star Performers," providers with the strongest forward movement over time in terms of market success and capability advancements
2. **IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2016 and Profiles Compendium** ([EGR-2016-11-R-1896](#)); 2016. This report provides a comprehensive assessment of the service provider landscape in AO services for capital markets and maps the providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, domain expertise and innovation, buyer satisfaction, and delivery footprint of each provider's banking AO practice. Finally, the 2016 capital markets AO PEAK analysis focuses on identifying the "Star Performers," providers with the strongest forward movement over time in terms of market success and capability advancements
3. **BFSI Digital Adoption Trends – The Investment Enigma for BFSI Enterprises: Where to Invest?** ([EGR-2016-4-R-1720](#)); 2016. This report assesses the current state of digital adoption in BFSI enterprises. The report establishes a definitional framework for digital adoption, provides insights into the forces driving the adoption, assessing current state of adoption, and identifying implications for enterprises and service providers in their digital investments

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

Jimit Arora, Partner:
Aaditya Jain, Senior Analyst:
Archit Mishra, Senior Analyst:
Ronak Doshi, Senior Analyst:

jimit.arora@everestgrp.com
aaditya.jain@everestgrp.com
archit.mishra@everestgrp.com
ronak.doshi@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



From **insight** to **action**.



About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

Dallas (Headquarters)

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

Bangalore

india@everestgrp.com
+91-804-276-4533

Delhi

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

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

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

Toronto

canada@everestgrp.com
+1-647-557-3475

Stay connected

Website



www.everestgrp.com

Social Media



@EverestGroup



@Everest Group

Blog

[Sherpas In Blue Shirts](http://www.sherpasinblueshirts.com)

www.sherpasinblueshirts.com