



L&P Insurance BPO: Move or Miss – Innovation, Execution, and Adoption of Digital Insurance

Insurance BPO

Annual Report – November 2017: Complimentary Abstract / Table of Contents

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



Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com



European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com



Delhi Office

Office: +91-124-284-1000

india@everestgrp.com

Background and methodology of the research

Background of the research

The global L&P insurance BPO market continues to show steady growth. It registered ~7% growth in revenue in 2016, similar to its growth in 2015. In terms of FTEs, the market witnessed deployment strengthened by ~8%. L&P insurance BPO adoption remains concentrated in North America and the United Kingdom, which together account for more than 90% of the revenue. While the latter leads the market and accounts for nearly half of the global revenue, market growth is primarily being driven by North American buyers. Though Asia Pacific and Eastern Europe have been showing traction, these markets are yet to attain the size to drive market growth.

The L&P insurance BPO market is witnessing certain changes and some of the observed trends are –

- Customers' expectations are changing and demand for omnichannel customer experience is rising
- Buyers are looking for end-to-end partnerships for faster time-to-market and enhancing customer servicing
- There are constant regulatory shifts and thus services such as regulatory reporting and risk management are more in demand
- Outsourcing is increasingly being viewed not only as a cost-saving opportunity, but as a source of business transformation

The market is seeing an increasing emphasis on more complex and judgment-intensive work such as analytics, risk management, actuarial, and regulatory reporting. Robotic Process Automation (RPA) has raised the potential for cost savings and efficiency achievable with BPO, and is steadily gaining traction in the industry. This gives service providers the opportunity to deliver greater benefits to their clients and differentiate themselves from the competition. Innovation is also being seen in pricing, with traditional pricing models such as FTE-based and fixed-fee models being replaced by outcome-based pricing models.

The scope and methodology of this report includes:

- Proprietary database of 300+ L&P insurance BPO contracts (updated annually)
- Coverage of 20+ L&P insurance BPO service providers including Accenture, Capgemini, Capita, Cognizant, Concentrix, DXC Technology, EXL, Genpact, Infosys, Intelenet, NIIT Technologies, NTT DATA, SE2, Syntel, TCS, Tech Mahindra, and WNS

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Overview and abbreviated summary of key messages (page 1 of 2)

This report examines the global third-party, industry-specific L&P insurance BPO. It provides detailed analysis of L&P insurance BPO market size and growth, solution characteristics, emerging trends, and the service provider landscape for the market for L&P insurance BPO. It will assist key stakeholders (L&P insurers, service providers, TPAs, and technology providers) to understand the changing dynamics of the L&P insurance BPO market and identify the upcoming trends.

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

State of the market and key factors impacting L&P insurance industry

- L&P insurers continued to face an intense regulatory environment in 2016, spanning multiple aspects of their functioning
- Next-generation technologies – AI, Blockchain, and IoT – have the potential to transform insurers' operations
- Although technologies such as AI, blockchain, and IoT can assist insurers in digital transformation, legacy back-end can be a barrier to the realization of their full potential
- Premium growth has been stagnant in advanced markets while cost of operations have been rising, thus creating margin pressures on insurers
- For top-line expansion, L&P insurers would need to cater to the evolving demands of their customers
- Insurers are bringing in product innovations, mostly in partnerships with InsurTech firms
- InsurTechs would bring significant disruption to the L&P industry. Insurers should thus address this by either developing in-house capabilities or creating partnerships

Overview and abbreviated summary of key messages (page 2 of 2)

Market size and buyer adoption

- The L&P insurance BPO market has been growing at 7-8% and is likely to grow at 9-11% in the coming years
- The market continues to be mostly concentrated in North America and the United Kingdom; with the UK market consisting mostly of closed block operations
- Value-based pricing models are likely to drive adoption by buyers, who are now looking at engaging service providers in wider scopes rather than just outsourcing administrative aspects for cost efficiency

L&P insurance BPO solution characteristics

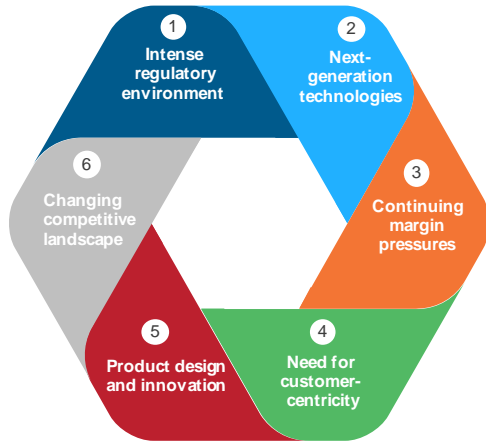
- Leverage of service providers' offshore delivery capabilities continues to increase, as buyers still face margin pressures both due to stagnant top-line and rising costs
- Pricing models continue to shift from fixed fee and FTE-based pricing to hybrid and transaction-based pricing
- With increase in scope of services, average ACV increased in 2016

Service provider landscape

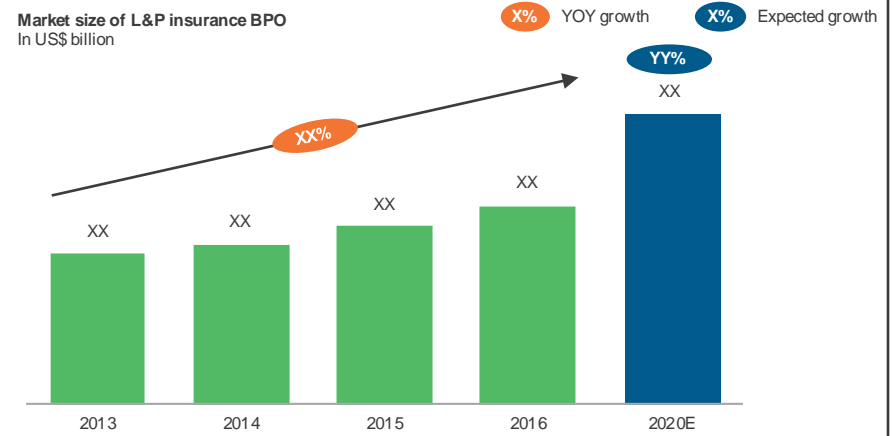
- Most of the value propositions in 2016 for major service providers were based on modern platform offerings and augmented customer experience delivery capabilities
- As buyers look at expanding their partnerships from just outsourcing of administration to value-addition across operations, technology capabilities of service providers will play a significant role
- Large and small buyers continue to be significant and account for almost 70% of the adoption in terms of BPO revenue

This study offers four distinct chapters providing a deep dive into key aspects of the L&P insurance BPO; below are four charts to illustrate the depth of the report

State of the market



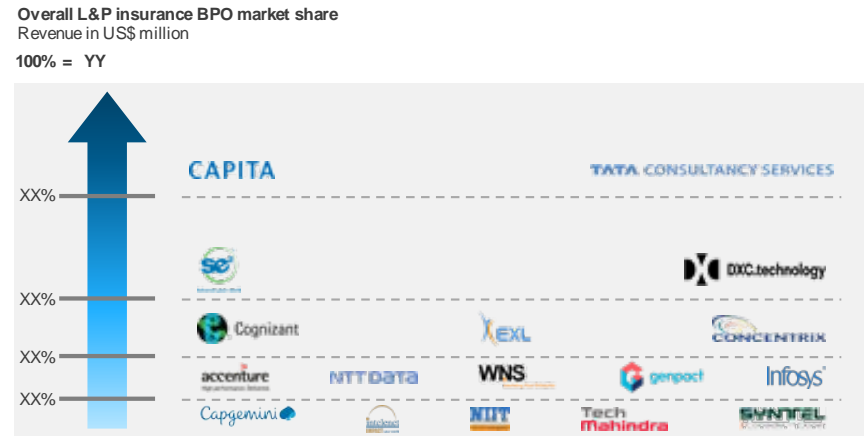
Market size and growth



L&P insurance BPO solution characteristics



Service provider landscape



Source: Everest Group (2017)

Research calendar – Insurance BPO

■ Published ■ Planned □ Current release

Flagship Insurance BPO Reports

Release date

Property and Casualty Insurance BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2017	March 2017
Property and Casualty (P&C) Insurance BPO Annual Report – Embracing the Digital-First	June 2016
Life and Pensions Insurance BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2017	September 2017
Property and Casualty (P&C) Insurance BPO Service Provider Profile Compendium 2017	September 2017
L&P Insurance BPO: Move or Miss – Innovation, Execution, and Adoption of Digital Insurance	November 2017
Life and Pensions Insurance BPO Service Provider Profile Compendium 2017	November 2017

Thematic Insurance BPS Reports

Rise of Automation in P&C insurance	January 2017
Insurers' Guide to the World of TPAs and BPOs	August 2017
The Evolution of Annuities Marketplace in the Digital Age	November 2017
Workers compensation	Q1 2018

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Additional Insurance BPO 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. Life and Pensions Insurance BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2017** ([EGR-2017-11-R-2341](#)); 2017.
This report uses Everest Group's proprietary PEAK Matrix to assess and rate service providers for life and pensions insurance BPO on their market success and various dimensions of their delivery capabilities. It also highlights the key emerging trends in the L&P insurance BPO market and the key implications for buyers and service providers
- 2. Insurers' Guide to the World of TPAs and BPOs** ([EGR-2017-11-V-2296](#)); 2017. This viewpoint provides detailed understanding of the TPA space, engagement models, coverage of insurance segments, and regulatory & licensing requirements in key geographies. The paper also examines how TPAs are differentiated from BPOs, and how the diminishing degree of differences between them is making their coexistence more dynamic. Further, it helps insurers in understanding the appropriateness of outsourcing service providers based on outsourcing drivers
- 3. Property and Casualty (P&C) Insurance BPO Annual Report Assessment 2017** ([EGR-2017-11-R-2235](#)); 2017. This report provides an overview of the P&C insurance BPO market, including adoption trends across geographies in market size and growth, demand drivers, key solution characteristics, service provider landscape, areas of service investments, and future outlook
- 4. The Evolution of Annuities Marketplace in the Digital Age** ([EGR-2017-11-V-2392](#)); 2017. The annuities world finds itself besieged by a tough operating environment, where providers are under tremendous pressure to meet evolved customer demands, turnaround times, data security, cost efficiency, and pricing transparency in order to improve regulatory compliance, service quality, customer experience, and speed-to-market. Everest Group conducted annuities-focused analysis and research on how the market is evolving in order to gauge the impact of various relevant factors, such as the advent of new-generation technologies in the mainstream operations, that affect the operability of annuities market. The results of the research are presented in this report.

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

Anupam Jain, Practice Director:
Skand Bhargava, Practice Director:
Saurabh Verma, Senior Analyst:
Somya Bhadola, Senior Analyst:

anupam.jain@everestgrp.com
skand.bhargava@everestgrp.com
saurabh.verma@everestgrp.com
somya.bhadola@everestgrp.com

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



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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
+1-416-388-6765

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