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RESEARCH

Insurer of the Future: Insurance ITO Annual Report 2018

Banking, Financial Services & Insurance (BFSI) - Information Technology Outsourcing (ITO) Annual Report – December 2017: Complimentary Abstract / Table of Contents

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- 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

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* Banking, financial services, and insurance

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Background and scope of the research

Rise of the sharing economy, digital disruption, emergence of non-traditional players, and InsurTechs are creating pressures across the insurance value chain. To stay relevant and competitive in the changing paradigm, insurers are rethinking their business ethos and go-to-market strategy.

The future insurer aims to prevent loss rather than provide protection from loss. To address these challenges and develop new business models, insurance firms are investing in technology solutions and adopting disruptive business models to improve customer experience, contain costs, and increase profitability.

As insurers look to invest in digital technologies such as artificial intelligence (AI), analytics, blockchain, and IoT among others, IT service providers are collaborating with insurers to build and evaluate proof-of-concepts (POCs), develop customized solution offerings and test use cases in innovation labs and CoEs. IT service providers are also creating an ecosystem of InsurTechs and platform providers, among others, to enable insurers to build a plug-and-play model.

The future is that of an invisible insurer, as insurers are bundling insurance with products & services and becoming invisible to the end-customer.

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:

- Market trends and activity for large AO relationships in insurance
- Future of insurance and technology building blocks
- Implications for buyers and service providers

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 (Life, annuities, and pension (L&P); property and 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)

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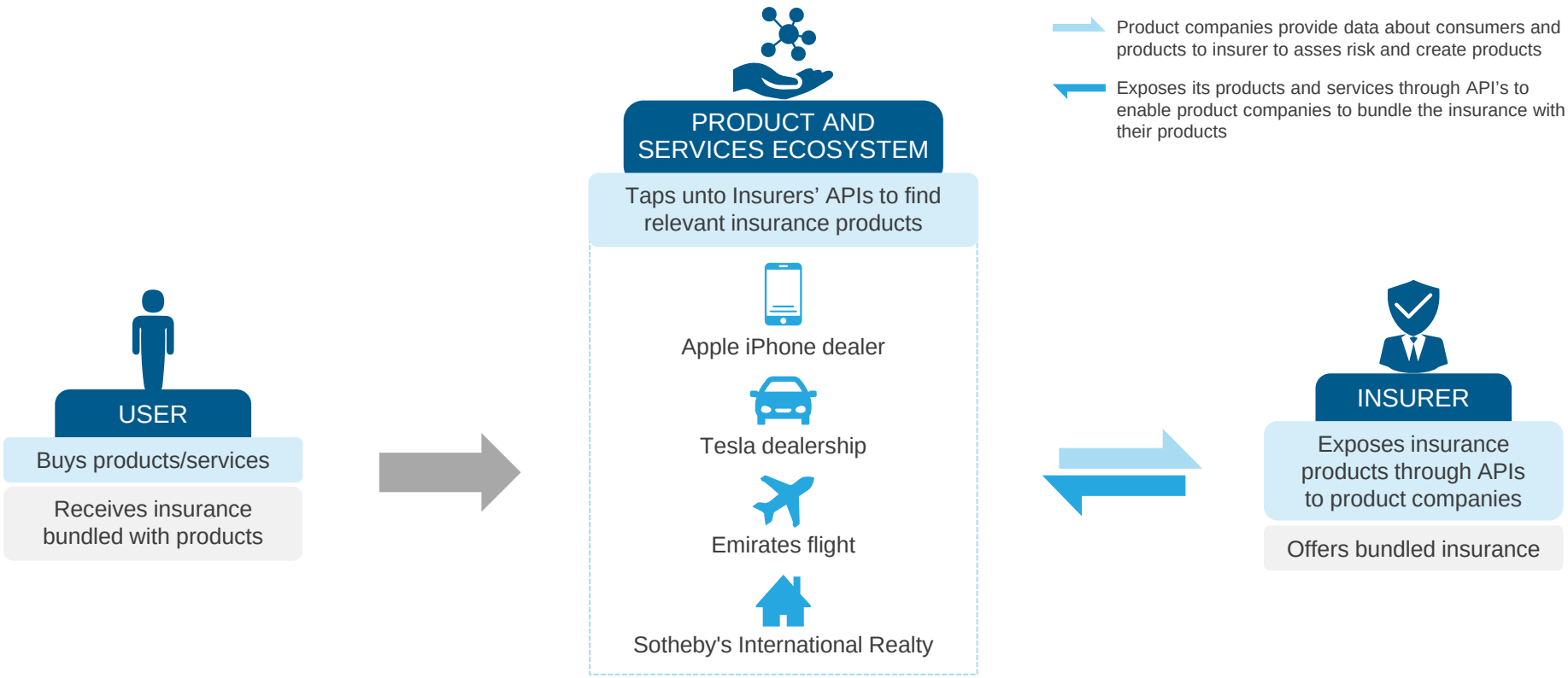
Insurer of the future

Insurers need to enable easy ecosystem interfacing and partnerships for smart packaging of products



As insurers look to offer bundled insurance, they will need to simplify their services to be easily ingested by product providers (financial or non-financial).

To plug-and-play to product ecosystems, insurers will need to tap into open source and open standards, develop new demand-based products, offer customizable insurance options, and build application programming interface (API) to expose their products in an open and secure manner.

As the insurer will bundle its (insurance product) protection with products and services, the future insurer is the "**Invisible Insurer"**.

Source: Everest Group (2017)

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

Drivers of change

Sharing economy

- Sharing economy is changing consumption habits, transforming traditional industries, and pushing for new laws and regulations
- This presents a significant opportunity for insurers to tap into the new market and become the protection providers for this new world economic order

Connected ecosystems

- Mini/micro ecosystems such as smart homes, connected cars, and smart cities are getting integrated to form a global connected ecosystem
- Insurers need to differentiate their product offerings by becoming an integral part of this ecosystem
- Insurers need to leverage these new data sources to improve/align internal processes to become ecosystem protectors

Non-traditional competitors

- Non-traditional players are carving out high profit segments of the insurance value chain
- They are leveraging modern product development, distribution, and underwriting methodologies as well as new data sources to create superior customer value
- Insurers need to tap into the InsurTech innovation as well as adapt these modern techniques to retain/grow customers

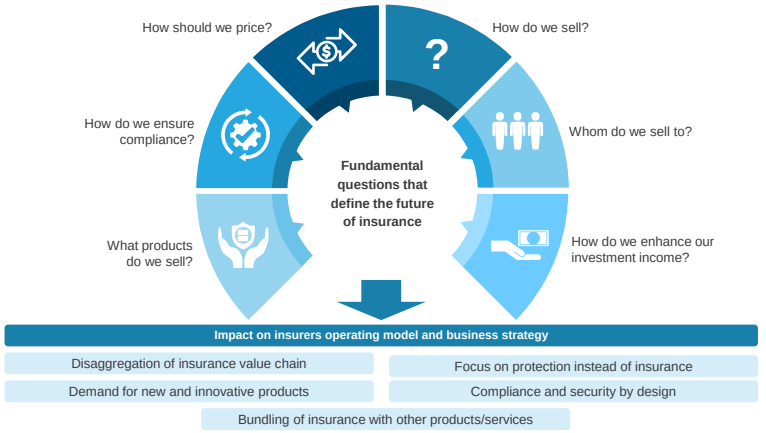
New business models

- Emergence of disruptive business models such as asset sharing, peer-to-peer, and pay-per-use are reshaping the consumer preferences across all industries including insurance
- Insurers have an opportunity to create new market segments to protect the entities/people in the new business models
- Insurers need to explore new business models such as P2P insurance

Digital disruption

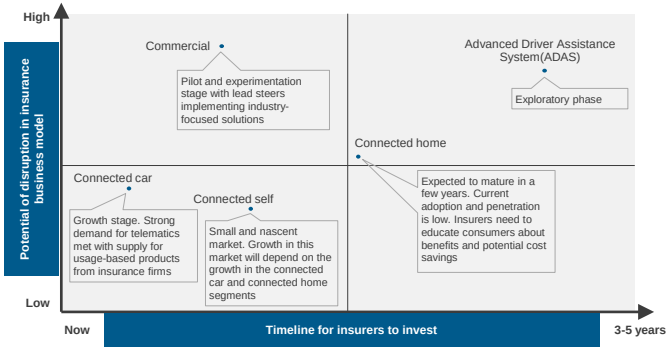
- Technology is becoming extensively pervasive and is moving to a state of "omnipresence"
- Digital technologies provide immense potential to significantly enhance customer experience and deliver business value
- Technologies such as IoT, big data & analytics, AI, cloud, and mobility are top priorities for insurers

Impact of the change drivers on insurers

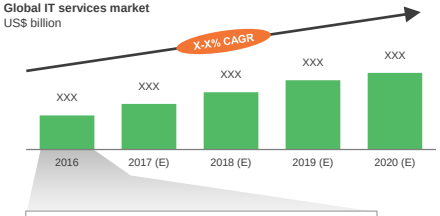


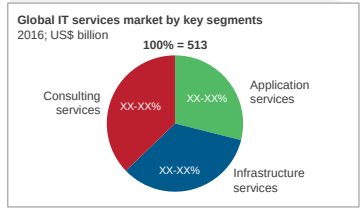
Technology building blocks | Connected ecosystems

Insurers are looking to tap into the opportunity provided by different connected ecosystems. Each ecosystem is at a different stage of maturity. Thus, insurers, while developing their go-to-market (GTM) strategy and planning investments, need to understand the market maturity and future potential to develop products and services.



Global IT services market | Key segments





EVEREST GROUP ESTIMATES

Application services

- Demand for application services is fueled significantly by demand for application development and testing services
- Despite this, the bulk of application services continue to be driven by application maintenance and support. However, with Agile and DevOps taking center stage, the scope of services is changing
- Increasing automation across the application lifecycle continues to impede the scope of pure labor-based engagements

Infrastructure services

- While cloud adoption continues to drive demand for infrastructure services, security is rapidly becoming table stakes
- Moreover, automation across IT operations in a DevOps model continues to boost demand

Consulting services

- Business imperatives to improve agility and operational efficiency are leading enterprises to adopt systems integration and consulting services
- A highly complex IT portfolio further necessitates consulting services

Source: Everest Group (2017)

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Research calendar – Banking, Financial Services & Insurance (BFSI) - Information Technology Outsourcing (ITO)

Published | Planned | Current release

Flagship BFSI - ITO reports	Release date
Analytics Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	January 2017
Mobility Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	January 2017
Banking ITO Service Provider Landscape with PEAK™ Matrix Assessment and Profiles Compendium	June 2017
Capital Markets ITO Service Provider Landscape with PEAK™ Matrix Assessment and Profiles Compendium	June 2017
Insurance, L&P, and P&C Service Provider Landscape with PEAK Matrix™ Assessment 2017 and Profiles Compendium	September 2017
Future of banking – "Experience First" : Banking ITO Annual Report	September 2017
Simpler, Smarter, and Seamless Capital Markets – The Digital Revolution: Capital Markets ITO – Annual Report	September 2017
One Investments to Rule All Compliance Efforts – Data: PEAK Matrix™ Assessment for IT Services in Risk and Regulatory Compliance in BFS	November 2017
Insurer of the Future: Insurance ITO Annual Report 2018	**December 2017**
Digital Services in Consumer Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017
Digital Services in Wealth Management – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017
Digital Services in P&C Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017

Thematic BFSI - ITO reports	Release date
FinTechs in Payments – Top 40 Trailblazers	May 2017
InsurTechs Envisioning the Future of Insurance – Top 40 Trailblazers	May 2017
Digital Force Multiplier – A Cloud Adoption Story in Banking and Financial Services: Public Cloud First	August 2017
Digital Enablers – State of Application Programming Interface (API) Adoption in Banking: The Open Banking Revolution	October 2017

Note: For a list of all BFSI - ITO reports published by us, please refer to our website page

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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. **IT Outsourcing in Global Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2017 and Profiles Compendium** (EGR-2017-11-R-2232); 2017. 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 2016 with regards to such large banking AO deals

2. **Digital Force Multiplier – A Cloud Adoption Story in Banking and Financial Services: Public Cloud First** (EGR-2017-11-R-2315); 2017. This report analyses top 15 BFS enterprises across four geographies (Australia, Europe, the United Kingdom, and the United States) to understand the role of cloud technology in enhancing the digital experience. These BFS enterprises have been mapped on Everest Group's proprietary assessment framework. The research also includes a detailed study and profiles of leading cloud service providers and their offerings catering to the needs of BFS enterprises.

3. **FinTechs in Payments – Top 40 Trailblazers** (EGR-2017-11-R-2172); 2017. In this report, we analyze current state of FinTech adoption, drivers of growth, investment trends, key areas of disruption within the payments value chain, and 40 leading FinTechs that stood out from a list of around 125

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