



Life and Pensions (L&P) Insurance BPO: Annual Deal Trends Report 2019

Insurance - Business Process Outsourcing (BPO)

Market Report – December 2018: Complimentary Abstract / Table of Contents

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- 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

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Background and methodology of the research

Background of the research

The L&P insurance BPO market is currently evolving to provide insurers with benefits beyond labor arbitrage. Cost reduction continues to be the primary driver of outsourcing, and in addition to labor arbitrage, it is now also being enabled by the operational efficiencies achieved through the leverage of automation, domain expertise, and analytics. Apart from operational cost reduction, insurers are also demanding faster product launch support, customer experience, regulatory compliance, and technology capabilities from service providers.

Service providers are consequently expanding their capabilities through digital technologies such as automation, analytics, Internet of Things (IoT), and more recently blockchain; providing services close to the insurers through onshore and nearshore delivery centers; and providing an integrated platform-based delivery under the Business Process as a Service (BPaaS) construct. The current service provider landscape clearly reflects that those who are augmenting their capabilities with digital technologies are able to gain better responses from the market.

At present, competition in the L&P insurance BPO market has geographical tenets to it as different geographies require service providers to take different capabilities to the market. Also, as insurers across geographies focus on customer experience, service providers would have to tailor their offerings to ensure end-customer satisfaction. Competition in the emerging markets is also expected to intensify as providers start exploring these relatively untapped geographies in search of growth. Continental Europe is one such market where service providers are eyeing opportunities; however, due to the fragmented nature of the region, it would be some time before any significant traction is observed here. From the buyer size standpoint, while small and large buyers would continue to be the leading outsourcing adopters, growth in the mid-sized buyer market is also expected to increase.

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

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 buyer adoption in the L&P insurance BPO market

- The L&P insurance BPO market has seen a consistent pace of Year-on-Year (YOY) growth since 2014 that has been in the range of 9-10%. Growth is expected to accelerate in the future owing to both demand and supply developments
- Buyers' inclination toward continuing with their incumbent service providers is being reflected by the market growth, which is primarily attributed to contract renewals and expansion in the existing scope of services
- New deals were signed across almost all the geographies with the exception of Latin America and Middle East & Africa. Continental Europe and Asia Pacific are likely to witness the next wave of growth
- Small- and mid-sized buyers are increasingly opening up toward outsourcing and now contribute to the market almost in the same proportion as large-sized buyers

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

L&P insurance BPO solution characteristics

- Although the majority of new deals signed in 2017 had a tie-and-run construct, platform continues to be the primary mode of service delivery in active contracts
- Adoption of Robotic Process Automation (RPA) and analytics is continually increasing; however, the pace of growth in leverage is slower than expected
- With increasing localization demands of buyers and cost reduction continuing to be the primary outsourcing driver, the growth in delivery capability expansion was witnessed the most for nearshore locations
- As buyers increasingly ask for greater value-addition from their service providers and providers invest in digital solutions to deliver, gainsharing and outcome-based pricing are gradually witnessing increasing adoption
- The institution of more strategic relationships is being witnessed in increasing product development and launch support

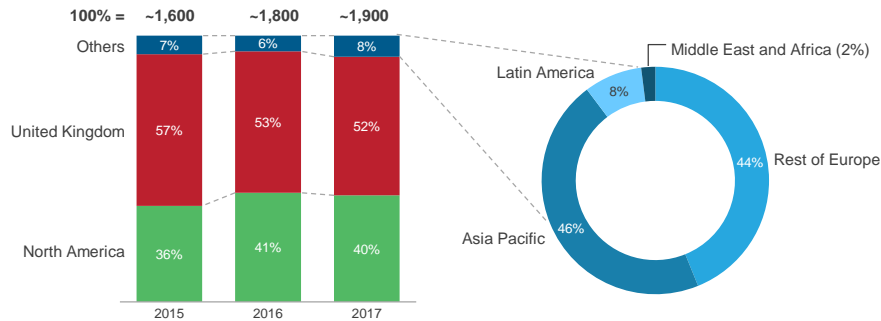
Service provider landscape

- The United Kingdom continues to be the largest geography in terms of adoption of L&P insurance BPO by revenue and is closely followed by North America. Continental Europe and North America have been the major growth markets in 2017
- End-to-end delivery capabilities, ability to provide digital support & administration platforms, and a localized presence are increasingly being demanded by buyers

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

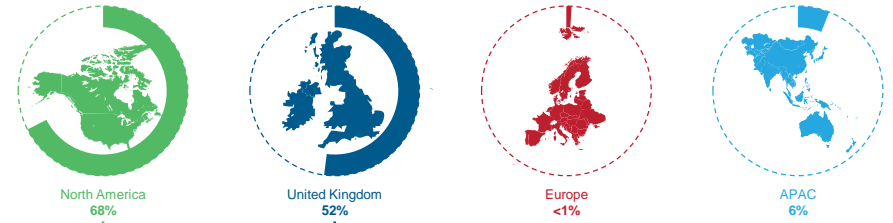
Contractual activity across geographies

L&P insurance BPO contracts by signing region
ACV of active contracts in US\$ million



Extent of platform leverage across geographies

Platform leverage across geographies
Percentage of active contracts in a particular geography, 2017



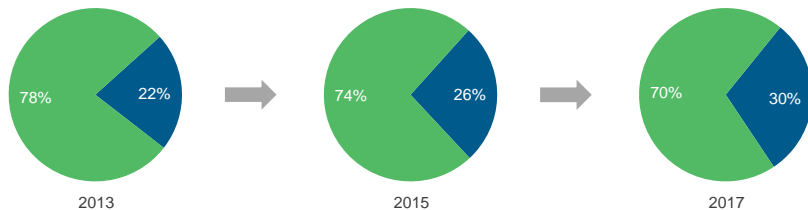
North American insurers are interested in platform solutions primarily to be able to better serve their customers through reduced turn-around-times and also launch new products quickly to remain competitive

Insurers in the United Kingdom are facing significant profitability pressures on various product lines and are thus leveraging platform solutions to be able to profitably administer large closed books of businesses

Increasing inclusion of RPA in L&P insurance BPO contracts

RPA leverage across L&P insurance BPO
Percentage of active contracts in 2017

■ Contracts including RPA leverage
■ Contracts with no RPA component



It is now a well-accepted fact that automation enables significant cost and process efficiencies for insurers. Despite that, the adoption of automation in L&P insurance BPO continues to be lower than expected due to the following reasons:

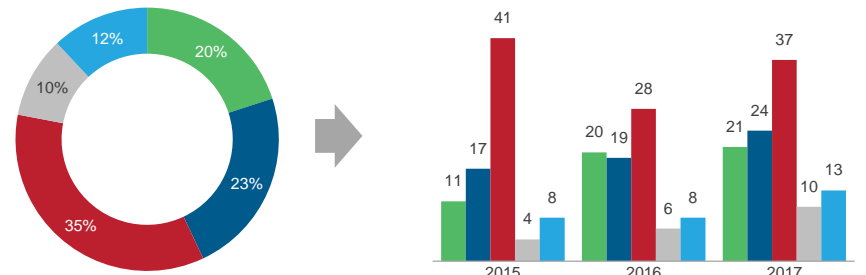
- Contract pricing has traditionally been done on the basis of cost of human resources employed and the volume of work being managed. As automation is introduced, pricing on these bases becomes complicated to weave into the contracts
- High occurrence of exceptions in the work being managed by bots is hindering the rapid adoption of automation. Consequently, RPA implementation is still limited to specific pockets of activities within a process

Evolving pricing models

Pricing structures in L&P insurance BPO contracts
Percentage of signed contracts in 2017

Pricing structures in L&P insurance BPO contracts
Number of signed contracts

■ Fixed fee ■ FTE-based ■ Transaction-based ■ Gainsharing ■ Other outcome-based



Research calendar – Insurance - Business Process Outsourcing (BPO)

Published
 Planned
 Current release

Flagship Insurance BPO reports

Release date

Property and Casualty (P&C) Insurance BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	March 2018
Property & Casualty (P&C) Insurance BPO: Addressing Growth Through Digital Empowerment	June 2018
Property and Casualty (P&C) Insurance BPO Service Provider Profile Compendium 2018	June 2018
TPA Services Market Report with PEAK Matrix™ Assessment 2018	June 2018
Life and Pensions (L&P) Insurance BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018.....	November 2018
Life and Pensions (L&P) Insurance BPO – Service Provider Profile Compendium 2019	December 2018
Life and Pensions (L&P) Insurance BPO Deal Trends Report 2019	December 2018
Life and Pensions (L&P) Insurance BPO Annual Report	Q1 2019

Thematic Insurance BPO reports

Insurers' Guide to the World of TPAs and BPOs	August 2017
Evolution of Annuities Market in the Digital Age	October 2017
U.S. Workers' Compensation Industry: Changing Third-Party Outsourcing Models	October 2017
Reinventing Usage-based Insurance with Telematics, Mobility, and Analytics	March 2018
Future of Life Insurance & Annuities Operations	September 2018
Buyers' Perspective on the Service Providers Ability to Deliver on Their Expectations	December 2018
Blockchain in P&C Claims – What Insurers Need to Know and How Can They Unlock Potential.....	Q1 2019

Note: For a list of all of our published Insurance BPO reports, please refer to our [website page](#)

Additional Insurance - BPO research references

The following documents are recommended for additional insight on 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. Property & Casualty (P&C) Insurance BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2018** ([EGR-2018-28-R-2587](#)): This report examines the global P&C insurance BPO market and its service provider landscape. It provides detailed analysis of the capabilities and market impact of service providers and their relative position on the Everest Group PEAK Matrix. It will assist key stakeholders (insurance providers, service providers, and technology providers) understand the current state of the P&C insurance BPO service provider landscape.
- 2. Insurance Third Party Administrator (TPA) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018** ([EGR-2018-28-R-2692](#)): This report examines the global insurance TPA market and its service provider landscape. It provides detailed analysis of the capabilities and market impact of TPAs and their relative position on the Everest Group PEAK Matrix. It will assist key stakeholders (insurers, TPAs, and technology providers) understand the current state of the insurance TPA landscape.
- 3. Property & Casualty (P&C) Insurance BPO: Addressing Growth Through Digital Empowerment** ([EGR-2018-28-R-2690](#)); 2018: This is the annual report for P&C Insurance BPO and 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 Future of Life Insurance & Annuities Operations** ([EGR-2018-28-V-2785](#)); 2018: This viewpoint provides detailed understanding of challenges that L&A insurers are facing, envisages the future of the L&A insurance operations at process and subprocess level, identifies the gaps between current and future states, challenges in addressing the gaps, and role of BPaaS in addressing challenges and becoming future-ready. It also helps insurers in understanding the specific attributes of BPaaS that can help in addressing the challenges they might be facing or state of operations they might desire.

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