



# **Life and Pensions (L&P) Insurance BPO Annual Report 2019: Digital a Potential Game-changer but Insurers Stuck in Legacy Mode**

Insurance - Business Process Outsourcing (BPO)

Annual Report – May 2019: Complimentary Abstract / Table of Contents

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# Background of the research

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## Background of the research

The L&P insurance industry is being challenged by multiple disruptive forces functioning together to nudge the industry toward undertaking front-, middle-, and back-office transformation. First, there are growth opportunities in certain product classes; however, L&P insurers need to embrace product customization, simplification, and flexibility to capture those. Second, regulatory compliance costs are continually ballooning with additions or updates in regulations, and lean and digital operational strategies are required to tackle those. Third, InsurTechs have been challenging insurers to rethink their operations and customer outreach. Lastly, strategic M&As in the industry continue to impact the competitive landscape.

Transformation, however, is a herculean task for an industry that is running on archaic technology infrastructure, siloed systems, fragmented & distributed business units, and reserving complexities. Thus, while a complete transformation could be unachievable in the near-term, L&P insurers still need to undertake small executable steps that would collectively enable achieving long-term structural transformation goals.

Under these circumstances, insurers are addressing their internal challenges through different ways. Some of these measures are more reactive in nature such as exiting or divesting capital-intensive and loss-making businesses, while some are more proactive such as establishing innovation labs and investment units that scout for digitally proficient InsurTech firms in the ecosystem. However, this is still not an industry-wide scenario and only a few players have opened themselves to requisite adaptations, thus rendering them a competitive advantage. Those insurers still struggling to implement digital interventions have an opportunity to engage with BPO service providers and leverage the latter's digital technology capabilities, implementation experience, and domain expertise to safeguard and strengthen their market position.

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

This report examines the global L&P insurance market and covers market updates in 2018 around key aspects such as products landscape, regulatory updates and implications, M&As, InsurTechs, and state of digital leverage. It will assist key stakeholders (L&P insurers, service providers, TPAs, and technology providers) to understand the changing dynamics of the L&P insurance market and their consequent implications for targeting the right investments.

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

## L&P insurance product landscape developments

- Group life: demand for voluntary and worksite benefits have bolstered growth prospects for group sales in the United States and the United Kingdom and in order to capitalize on these prospects, there are certain elements that insurers need to ensure
- Individual life: Whole Life and Indexed Universal Life (IUL) look to be a promising market in the future for individual life insurance sales and insurers need to invest in differentiating elements
- BPO service providers should provision analytics for effective customer targeting, speed-to-market, streamlined underwriting, and seamless new business acquisition to help insurers gain competitive advantages

## Implications of evolving regulations

- Automatic Enrolment (AE) in the United Kingdom has increased millennials' participation in pension plans and services need to be digitalized accordingly
- Pensions Freedom has significantly altered the face of after-retirement pensions market in the United Kingdom, and has in fact failed to meet its desired objectives
- GDPR has significant repercussions for the insurance industry that is almost always reliant on data-based decision-making
- As regulatory compliance continues to magnify operational costs for insurers, service providers should explore new models to develop the right solutions

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

## Evolving competitive landscape

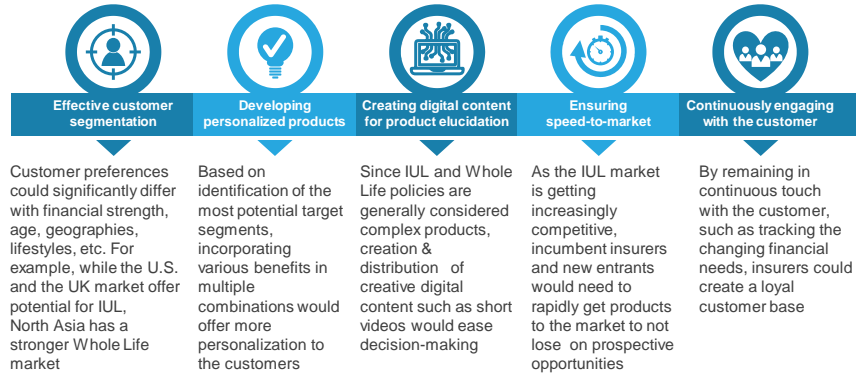
- The disruption caused by InsurTechs is here to stay, and traditional insurers have a lot to gain by partnering rather than competing. Multiple life insurers across geographies are thus collaborating with InsurTechs; however, primarily for front-end distribution
- In addition to InsurTechs, the competitive dynamics are also being impacted through strategic M&As resulting from different driving forces
- As L&P insurers form strategic alliances, opportunities for service providers expand where they can contribute in facilitating smooth continuity of operations

## State of buyer adoption in L&P insurance BPO

- 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
- 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
- As greater number of L&P insurers realize the need for digitalization of operations to adapt to the market forces and strengthen their competitive positioning, service providers need to be prepared for such opportunities through requisite investments

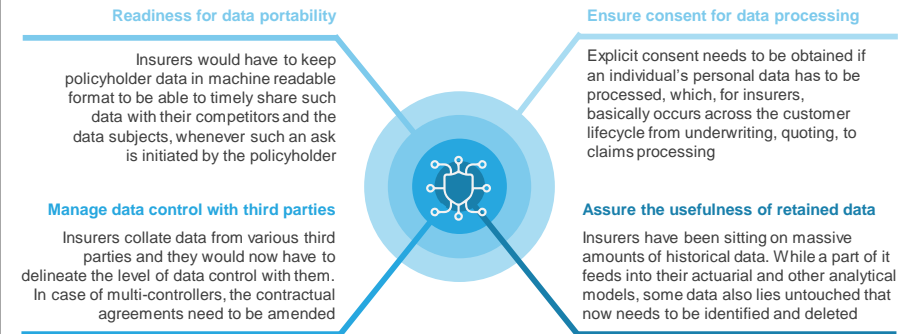
# This study offers four distinct chapters providing a deep dive into key developments in the L&P insurance market in 2018; below are four charts to illustrate the depth of the report

## L&P insurance product landscape developments

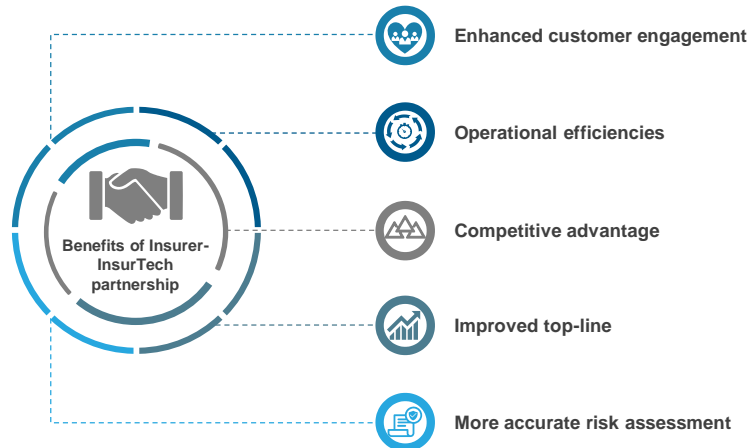


## Implications of evolving regulations

### Challenges that GDPR introduces for insurers

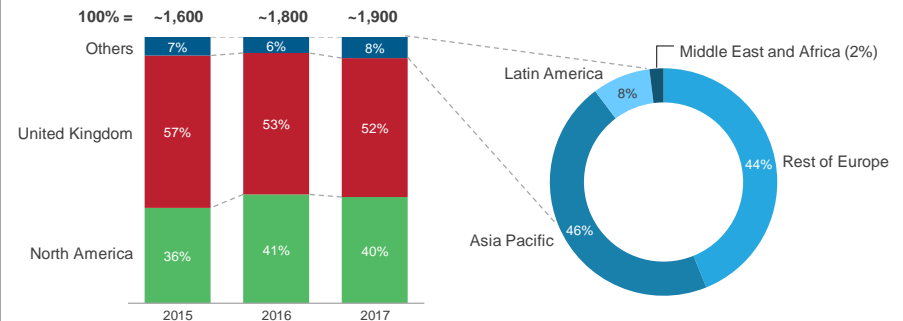


## Evolving competitive landscape



## State of buyer adoption in L&P insurance BPO

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





# 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 2019	March 2019
<b>Life and Pensions (L&amp;P) Insurance BPO Annual Report 2019</b>	<b>May 2019</b>
Property and Casualty (P&C) Insurance BPO Annual Report 2019	Q2 2019
Property and Casualty (P&C) Insurance BPO Deal Trends 2019	Q2 2019
Property and Casualty (P&C) Insurance BPO Casebook 2019	Q2 2019
Property and Casualty (P&C) Insurance BPO Service Provider Profile Compendium 2019	Q2 2019
Insurance Third Party Administrator (TPA) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019	Q2 2019
Life and Pensions (L&P) Insurance Third-Party Service Provider Landscape with PEAK Matrix™ Assessment 2019	Q3 2019
Life and Pensions (L&P) Insurance BPS Deal Trends Report 2019	Q3 2019
Life and Pensions (L&P) Insurance BPO Annual Report and Casebook 2019	Q4 2019
Analytics in Insurance - Third-Party Service Provider Landscape with PEAK Matrix™ Assessment 2019	Q4 2019

## Thematic Insurance BPO reports

Blockchain in P&C Claims – What Insurers Need to Know and How Can They Unlock Potential	Q1 2019
InsurTech – Trailblazers & the Market Implications	Q2 2019
Viewpoint on Insurance Third Party Administrator (TPA) market	Q3 2019
Viewpoint on the annuities market	Q4 2019

Note: For a list of all Insurance BPO reports published by us, 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 and Casualty (P&C) Insurance BPO: Addressing Growth through Digital Empowerment** ([EGR-2018-28-R-2690](#)); 2018: This report examines the global third-party, industry-specific P&C insurance BPO. It provides detailed analysis of P&C insurance BPO market size and growth, solution characteristics, emerging trends, and the service provider landscape for the market for P&C insurance BPO. It will assist key stakeholders (P&C insurers, service providers, TPAs, and technology providers) to understand the changing dynamics of the P&C insurance BPO market and identify the upcoming trends.
- 2. 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.
- 3. Life and Pensions (L&P) Insurance BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment** ([EGR-2018-28-R-2832](#)); 2018: This report examines the global L&P insurance BPO market and its service provider landscape. It provides detailed analysis of the vision & delivery capabilities as well as 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 L&P insurance BPO service provider landscape.
- 4. Insurance - BPO – Buyers' Perception of the Service Providers' Ability to Deliver on their Expectations** ([EGR-2018-28-R-3002](#)); 2018: This report examines multiple aspects of insurance BPO service provider and buyer engagements to explain what matters to buyers, how satisfied they are, and how can service providers achieve differentiation in the market. The analysis is based on quantitative and qualitative insights generated from interviews and surveys of 130+ enterprises that have engagements with 20+ P&C and L&P insurance BPO service providers.

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