



## **Property & Casualty (P&C) Insurance BPO Annual Report 2019: Combating New-age Risks – How Digital Helps**

Insurance - Business Process Outsourcing (BPO)

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

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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

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# Background of the research

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## Background of the research

P&C insurers have been witnessing massive disruptions in their business ecosystem from customers demanding Amazon-like experience, to climate change causing widespread and difficult to predict catastrophes. While the effects of these disruptions on P&C insurers' market success and operational relevance have caught industry attention, their unavoidable impact on P&C insurers' ability to effectively assess and manage risks remains under shadow.

The criticality and complexity of risk management is implicit in the insurance business model. Thus, when risk functions do not digitally evolve in line with the outside market and inside functions, it could create stagnancy to the returns achievable with all the other digital investments. Risk units continue to be burdened with excessive administrative workload, and their ability to provide strategic support to the business remains suppressed. This, coupled with new-age risks being simultaneously created such as cyber risks, calls for immediate action on digitalization of risk management.

Given that insurers face multiple internal challenges such as budgetary constraints and shortage of requisite talent, there are opportunities for strategically engaging with third-party service providers that have knowledge of insurers' risk workflows and requisite digital capabilities.

# Overview and abbreviated summary of key messages

This report draws attention toward how various new-age market dynamics in the P&C insurance industry have impacted insurers' ability to effectively assess and underwrite risks, thus calling for evolution of archaic risk management functions. Digitalizing risk management operations would be key to such adaptation. Third-party service providers could capitalize on the opportunities that would originate from insurers' need to adapt their risk functions, by building requisite capabilities and displaying proactiveness.

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

## The criticality of new-age risk management

- Risk management cuts across the P&C insurance value chain and is thus an extremely critical and complex part of insurers' operations
- Various new market dynamics from increased customer expectations to widespread catastrophes are now exacerbating risk management complexities for insurers
- Categorization of the risks would enable insurers to better understand the gravity of the impact of various market dynamics on their operations. Primary risks being affected and analyzed in this report are underwriting risk, operational risk, and non-compliance risk

## Digital evolution of risk management

- In order to ensure operational adaptation in line with market dynamics, risk managers should increase the leverage of five key digital technologies – workflow automation, analytics, IoT, AI, and drone inspections
- Exploiting various use cases of these digital enablers would empower insurers to efficiently transition to the next generation of risk management
- While adoption in some pockets is already underway, a comprehensive assessment across risk categories shows that there is still significant scope for improvement

## Case for collaboration with third-party service providers

- While it is established that insurers have to augment risk management, their ability to do so continues to be limited due to multiple internal challenges
- Sourcing risk management services from third-party service providers would enable insurers to tackle internal limitations while also boosting productivity
- However, opportunities for increased collaboration between risk units and BPO service providers remain largely untapped. Service providers, thus, need to proactively identify use cases for digital intervention, thereby generating enhanced business outcomes for insurers
- With this digital-led partnership approach, insurers could successfully achieve the four elements of next-generation risk assessment

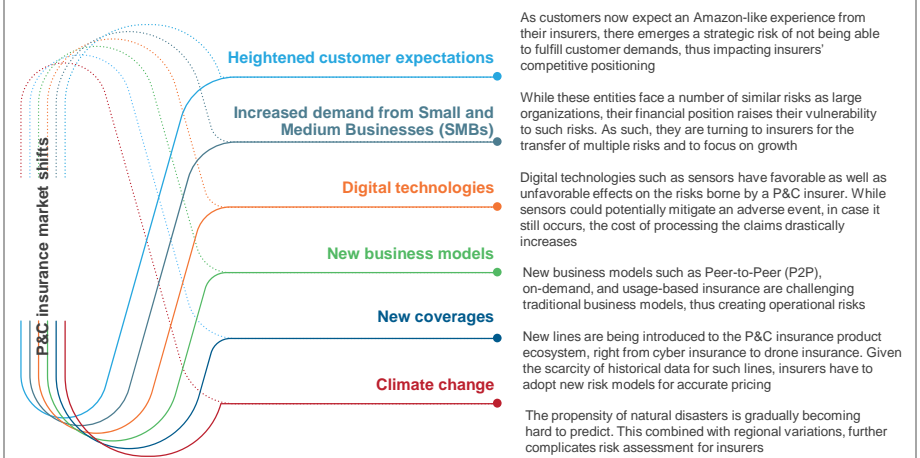
# This study offers three distinct chapters providing a deep dive into the key aspects of digitalization of risk management in P&C insurance

## Risk management significance across P&C insurance value chain

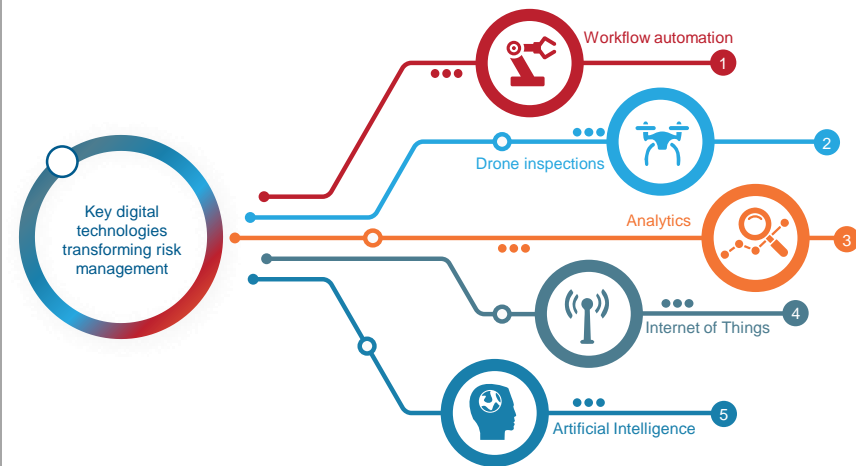
Significance of risk management across the P&C insurance value chain ■ High ■ Medium ■ Low

Functions	Product development and business acquisition	New business management	Policy servicing and reporting	Claims processing
Industry-specific processes	Actuarial data processing	Initial policy creation	Policy servicing – financial	Initial claims processing
	Actuarial analysis and review	Underwriting	Policy servicing – non-financial	Claims management
	Proposals and illustrations	Premium collection and accounting	Policy records management	Claims review and investigation (adjudication)
	Agent and broker management	Policy issuance	Eligibility requirement and verification	Claims adjustment and disbursements
	Regulatory and compliance management	Member enrollment and management		Fraud detection and management
	Product testing			Claims litigation and recovery/subrogation

## Market dynamics affecting insurers' ability to effectively assess risks



## Key digital technologies for transforming risk management



## Digital adoption by insurers' risk functions

Spectrum of adoption of digital technologies for risk management

Technology	Spectrum of adoption of digital technologies for risk management		
	Innovation introduction	Differentiated adoption <sup>1</sup>	Industry adoption
	Underwriting risk	Operational risk	Non-compliance risk
Workflow automation	Early adoption - Differentiated adoption	Differentiated adoption - Industry adoption	Differentiated adoption - Industry adoption
Analytics	Differentiated adoption	Early adoption - Differentiated adoption	Early adoption - Differentiated adoption
IoT	Early adoption - Differentiated adoption	Innovation introduction	Innovation introduction
Artificial Intelligence	Early adoption	Innovation introduction	Innovation introduction
Drone inspections	Early adoption	Innovation introduction	Not considered

*High* (top) / *Low* (bottom) - In order of relative overall adoption

# 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
Life and Pensions (L&P) Insurance BPO Annual Report 2019 .....	May 2019
Property and Casualty (P&C) Insurance BPO: Annual Deal Trends Report 2019 .....	June 2019
Property and Casualty (P&C) Insurance BPO Service Provider Profile Compendium 2019 .....	June 2019
<b>Property &amp; Casualty (P&amp;C) Insurance BPO Annual Report 2019: Combating New-age Risks – How Digital Helps .....</b>	<b>June 2019</b>
Insurance Third Party Administrator (TPA) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019 .....	Q3 2019
Property and Casualty (P&C) Insurance BPO Casebook 2019 .....	Q3 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 .....	Q3 2019
InsurTech – Trailblazers & the Market Implications .....	Q3 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. 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
- 2. 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
- 3. Property and Casualty (P&C) Insurance BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment** ([EGR-2019-28-R-3108](#)); 2019: This report examines the global P&C 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 P&C insurance BPO service provider landscape
- 4. Life and Pensions (L&P) Insurance BPO Annual Report: Digital a Potential Game-changer but Insurers Stuck in Legacy Mode** ([EGR-2019-28-R-3155](#)); 2019: This report examines the global L&P insurance market and covers market updates around product landscape, regulatory updates and implications, M&As, InsurTechs, and state of digital leverage in 2018. 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 the consequent implications, to be able to target the right investments

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