Property & Casualty (P&C) Insurance BPS State of the Market Report 2020: Deconstructing the Present and Expected Future of Sourcing Strategies

Insurance - Business Process Outsourcing (BPO)
Market Report – June 2020: Complimentary Abstract

EGR-2020-28-CA-3785

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Custom research capabilities

- 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

In 2019, when leading economies were experiencing difficulties – the US involved in a trade war with China and the UK facing uncertainty over Brexit – P&C insurers had not yet felt the burden on their income statements. However, COVID-19 exacerbated the crisis and dented almost all industry segments, including P&C insurers. Worse still, the pandemic was a double whammy for P&C insurers, which derive their top line from not only individual customers, but also commercial enterprises.

For P&C insurers, the year preceding the COVID-19 period was marked by rising surplus, reducing claims pressures, and increasing investment income. This led to most of the leading players investing in portfolio expansion, digital-led partnerships / acquisitions / in-house investments, underwriting discipline, and data-led innovation. All these measures were geared toward winning on customer experience. Not surprisingly, insurers' partnerships with their service providers also pivoted toward the latter's ability to deliver business outcomes such as increase in customer satisfaction than just cost/inefficiency take-outs.

With the extreme shifts in business environment due to COVID-19, both for insurers as well as their service partners, many struggled for even basic operational continuity, at least in the immediate term. While the industry has now largely adjusted to the vagaries of the changed operating environment, these changes appear to be more permanent than expected. The P&C insurance BPS market is expected to transition through significant operating model and engagement structure changes. Thus, it is imperative for service providers to understand the developments in insurers' sourcing strategies, objectives, and the implications on future sourcing requirements – with a recession looming ahead.

Scope and methodology

- **Industry:** industry-specific P&C insurance BPS, including personal, commercial, and specialty lines
- **Geography:** global
- **Information sources:** proprietary database of 400+ P&C insurance BPS contracts (updated annually); coverage of 20+ P&C insurance BP service providers, including Accenture, Atos Syntel, Capita, Cogneesol, Cognizant, Conduent, Covenir, DXC Technology, Exela Technologies, EXL, Genpact, Infosys, Innovation Group, Mphasis, MFX, Patra Corp, ResourcePro, Sutherland, TCS, Xceedance, and WNS

Overview and abbreviated summary of key messages

This report examines the global third-party, industry-specific P&C insurance BPO sector. It provides a detailed analysis of P&C insurance BPS market size and growth, adoption trends, present and expected sourcing strategies, and action items for service providers. It will enable key stakeholders – P&C insurers, service providers, TPAs, and technology providers – to understand the changing dynamics of the P&C insurance BPS market and identify upcoming trends.

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

Review of 2019 and COVID-19 related market trends

- In 2019, P&C insurers continued to compete for customers through a mix of product innovation, digitalization, and underwriting discipline. With continually rising surplus, P&C insurers comfortably invested in transformation and innovation in the pre COVID-19 era
- However, with the COVID-19 pandemic outbreak, the industry is left wondering about the extremities of the impact the current business models would face. The industry is expected to bear four-dimensional impact on operations, costs, customer demand, and compliance. Impact would also vary by different product lines

P&C insurance BPS adoption trends in 2019

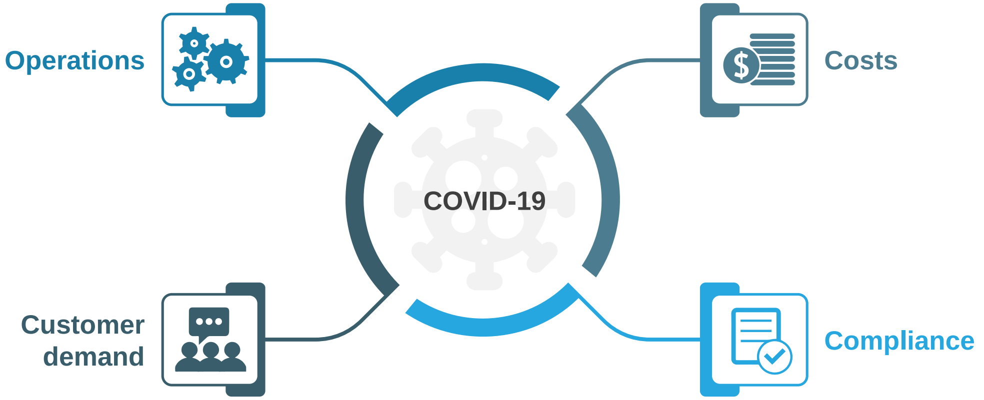
- P&C insurance BPS market witnessed slowdown in growth in 2019 in an otherwise steady trajectory. The growth uncertainty in the coming years has put a question mark on the market's ability to cross US$3 billion by 2022
- Pure personal lines BPS portfolio is especially at a greater risk with expected reduction in volume of work and new insurance demand. Service providers would need to evaluate impact on their portfolio separately for individual P&C segments and leverage the appropriate value enablers to shield themselves from the negative impact of recession

Implication of buyers' sourcing strategies

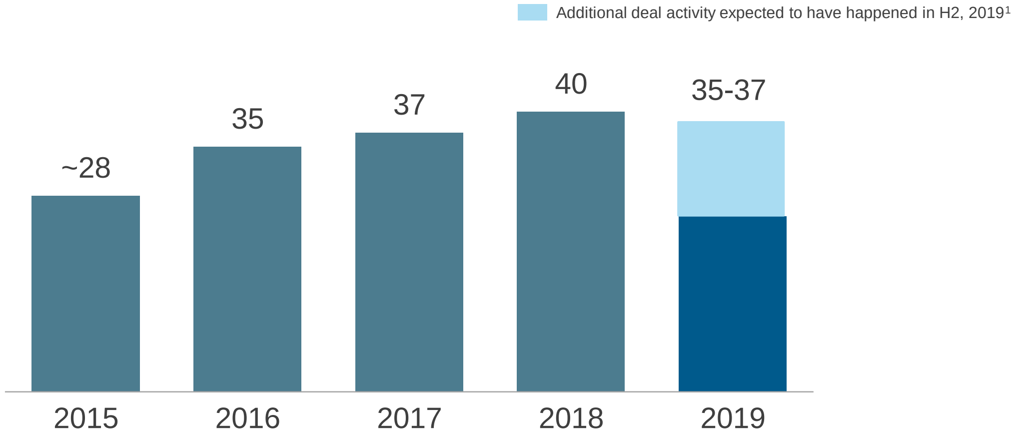
- Insurers' sourcing strategies are reflected well in reducing deal sizes YOY. In light of looming recession, it becomes more imperative for providers to understand these changes and adapt their growth strategies
- Four key reasons that explain reducing deal sizes are reduction in multi-tower deals; increasing automation, reducing value from input-based pricing; competitive bidding strategy driving down prices; and value-add services not getting included in new deals
- There are some emerging trends, however, that would be integral to the continuous progression and favorability of the P&C insurance BPS market such as localized delivery, talent upskilling, expanding first-time buyer engagements, transformation consulting, and digitalization

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

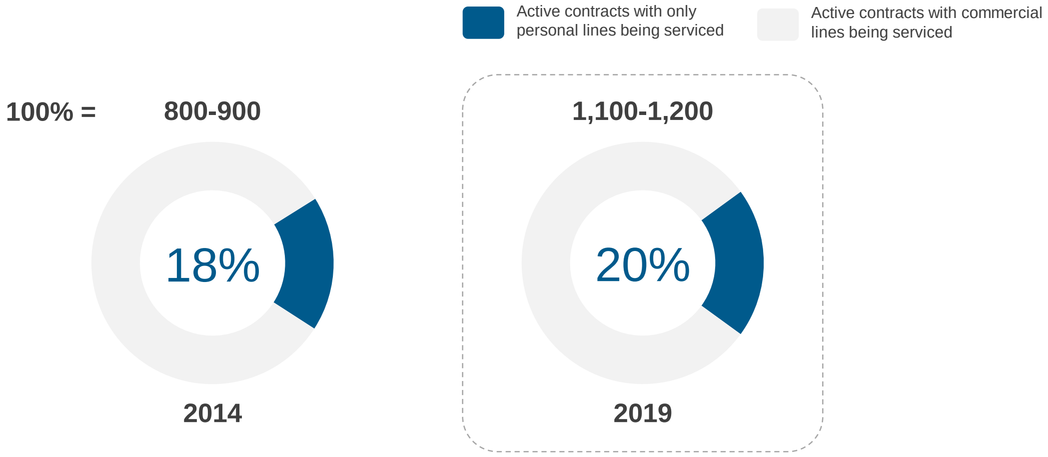
Four-dimensional impact of COVID-19 on P&C insurers



P&C insurance BPS new deal signings – reduction observed in deal activity in 2019



P&C insurance BPS portfolio at highest risk due to COVID-19 – personal lines



Insurers' sourcing strategies causing reduction in P&C insurance BPS deal sizes

- Reduction in multi-tower deals
- Increasing automation reducing value from input-based pricing
- Competitive bidding strategy driving down prices
- Value-add services not getting included in new deals, but mostly impacting scope expansion during engagement

Research calendar – Insurance - Business Process Outsourcing (BPO)

Published | Planned | Current release

Flagship Insurance BPO reports	Release date
Property & Casualty (P&C) Insurance BPO Annual Report 2019: Combating New-age Risks – How Digital Helps	June 2019
Non-life Insurance Third Party Administrator (TPA) Landscape with Services PEAK Matrix® Assessment 2019	July 2019
Life and Pensions (L&P) Insurance BPO Service Provider Landscape with PEAK Matrix® Assessment 2019	September 2019
Life and Pensions (L&P) Insurance BPO: Annual Deal Trends Report 2020	November 2019
Life and Pensions (L&P) Insurance BPO – Service Provider Profile Compendium 2019	December 2019
Life and Pensions (L&P) Insurance BPO Annual Report 2020: Escape Legacy and Embrace Digital through BPaaS	January 2020
Property and Casualty (P&C) Insurance BPO – Service Provider Landscape with Services PEAK Matrix® Assessment 2020	March 2020
Property and Casualty (P&C) Insurance BPO Service Provider Profile Compendium 2020	May 2020
Property & Casualty (P&C) Insurance BPS State of the Market Report 2020	**June 2020**
Analytics & Insights in Insurance - Third-Party Service Provider Landscape with PEAK Matrix® Assessment 2020	Q2 2020

Thematic Insurance BPO reports	
Blockchain in P&C Insurance Claims Processing – What Insurers Need to Know to Get Started on the Journey	September 2019
Building Insurance BPS Workforce of the Future	October 2019
Insurtech – Trailblazers & the Market Implications	December 2019
Insurance Third Party Administrator (TPA) State of the Market Report	April 2020

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 and Casualty (P&C) Insurance BPO – Service Provider Landscape with PEAK Matrix® Assessment** 2020 (EGR-2020-28-R-3633); 2020. This report examines the global P&C insurance BPO market and its service provider landscape. It provides detailed analysis of the vision & delivery capabilities and market success 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. **Third Party Administrator (TPA) State of the Market Report 2020: Industry Facing an Urgent Mandate to Transform** (EGR-2020-28-R-3655); 2020: This report examines the global Third-party Administrator (TPA) market and its current dynamics. It provides a detailed industry analysis, specific to Property and Casualty (P&C) and workers' compensation insurance segments, including changes in client demand patterns and delivery requirements from TPAs, and the role and adoption of digital levers. The study will assist TPAs, self-insured employers and their risk managers, insurers, IT/BPO service providers, and other industry participants in future-proofing their service delivery strategies.

3. **Insurtechs Raising the Bar with Superior Customer Experience – Top 20 Trailblazers** (EGR-2019-28-R-3460); 2019. This report outlines Everest Group's take on the impact of digital-enabled insurtechs on the insurance industry, specifically on how these new entrants are disrupting the way superior customer experience is defined and delivered. It identifies and analyzes 150+ well-recognized insurtech startups to shortlist 70 high-potential startups that displayed novelty of solution. Subsequently, 20 startups from this list of 70 high-potential insurtechs were identified as "Trailblazers" that are visibly leading the marketplace across various dimensions such as client traction, geographic expansion, quality leadership, and others

4. **Non-life Insurance Third Party Administrator (TPA) Landscape with Services PEAK Matrix® Assessment 2019** (EGR-2019-28-R-3283); 2019. This report examines the global non-life 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 non-life insurance TPA landscape

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

Skand Bhargava, Practice Director: skand.bhargava@everestgrp.com

Somya Bhadola, Senior Analyst: somya.bhadola@everestgrp.com

Harsh Kapoor, Senior Information Specialist harsh.kapoor@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
+91-80-61463500

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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