

Life and Annuities (L&A) Insurance State of the Market Report 2022: A Pathway to Exploring Growth Opportunities Amid a Turbulent Macro Environment

October 2022: Complimentary Abstract / Table of Contents



Our research offerings

This report is included in the following research program(s):

Insurance Business Process

- ▶ Application Services
- ▶ Artificial Intelligence (AI)
- ▶ Banking and Financial Services Business Process
- ▶ Banking and Financial Services Information Technology
- ▶ Catalyst™
- ▶ Clinical Development Technology
- ▶ Cloud and Infrastructure
- ▶ Contingent Staffing
- ▶ Contingent Workforce Management
- ▶ Conversational AI
- ▶ Customer Experience Management Services
- ▶ CX Excellence
- ▶ Cybersecurity
- ▶ Data and Analytics
- ▶ Digital Adoption Platforms (DAP)
- ▶ Digital Engineering Services
- ▶ Digital Services
- ▶ Digital Workplace
- ▶ Employee Experience Management (EXM) Platforms
- ▶ Employer of Record (EOR)
- ▶ Engineering Services
- ▶ Enterprise Platform Services
- ▶ Exponential Technologies
- ▶ Finance and Accounting
- ▶ Financial Services Technology (FinTech)
- ▶ Global Business Services
- ▶ Healthcare Business Process
- ▶ Healthcare Information Technology
- ▶ Human Resources Outsourcing
- ▶ Insurance Business Process
- ▶ Insurance Information Technology
- ▶ Insurance Technology (InsurTech)
- ▶ Insurance Third-Party Administration (TPA) Services
- ▶ Intelligent Document Processing (IDP)
- ▶ Interactive Experience (IX) Services
- ▶ IT Services Executive Insights™
- ▶ Life Sciences Business Process
- ▶ Life Sciences Commercial Technologies
- ▶ Life Sciences Information Technology
- ▶ Locations Insider™
- ▶ Marketing Services
- ▶ Market Vista™
- ▶ Mortgage Operations
- ▶ Multi-country Payroll
- ▶ Network Services and 5G
- ▶ Outsourcing Excellence
- ▶ Pricing Analytics as a Service
- ▶ Process Mining
- ▶ Procurement
- ▶ Recruitment
- ▶ Retirement Technologies
- ▶ Revenue Cycle Management
- ▶ Rewards and Recognition
- ▶ Service Optimization Technologies
- ▶ Software Product Engineering Services
- ▶ Supply Chain Management (SCM) Services
- ▶ Sustainability Technology and Services
- ▶ Talent Excellence GBS
- ▶ Talent Excellence ITS
- ▶ Technology Skills and Talent
- ▶ Trust and Safety
- ▶ Work at Home Agent (WAHA) Customer Experience Management (CXM)

If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com

Learn more about our
custom research capabilities

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations,
risk, technologies

Locations: costs, skills,
sustainability, portfolios

Contents

1. Introduction and overview	5
• Research methodology	6
• Key information on the report	8
• Introduction	9
• Focus of the research	11
2. Summary of key messages	13
• Key trends in the L&A insurance industry	14
• L&A insurance BPS market adoption trends	14
• L&A insurance BPS deal characteristics	15
• Evolution of BPS relationships	15
3. Key trends emerging in the L&A insurance industry	16
• Financial indicators	17
• Focus areas for life insurers	19
– Superior customer experience	20
– Digitized distribution	23
– Faster policy issuance process	24
– Enhanced operational efficiency	25
– Developing best in class talent organization	27
4. L&A insurance BPS market adoption trends	28
• Market size and growth	29
• Adoption by buyer geography	30

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

Manu Aggarwal, Partner

Abhimanyu Awasthi, Senior Analyst

Dinesh Singh Udawat, Senior Analyst

Nitika Virmani, Analyst

Contents

• Adoption by products	31
• Technology - adoption	32
5. L&A insurance BPS deal characteristics	33
• Contract value	34
• Technology models	35
• Closed vs active blocks servicing	36
• Commercial models	37
6. Evolution of BPS relationships	38
• Buyer objectives	39
• Changing outsourcing priorities	40
• Action items for service providers	41
7. Appendix	42
• Glossary	43
• Research calendar	44

Introduction

The life insurance industry across the globe made a strong recovery in 2021 after the COVID-19-induced slowdown. The growth was supported by the post-pandemic increased risk awareness, favorable equity markets, and overall economic recovery from the pandemic lows. However, the industry continues to face structural challenges in the form of sustained low-interest rate environment and cost pressures emanating from legacy technology, which continue to impact the bottom line of life insurers. This is further aggravated by a challenging economic environment and geopolitical risks, which are expected to put downward pressures on the growth prospects in the near term. In light of these challenges, insurers are seeking to improve operational efficiency by focusing on core markets and businesses. Further, there has been a considerable shift in customer preferences and, consequently, insurers are focusing on more personalized customer experiences to drive better outcomes.

With these changing customer expectations and the accelerated need for digital transformation, there has also been an evolution in the way insurers engage with service providers. Enterprises are increasingly engaging service providers for process improvements and access to tech-enabled solutions. Considering the changing market dynamics, service providers are accordingly developing their capabilities and offerings for the L&A insurance industry.

In this research, we provide a comprehensive picture of the L&P insurance outsourcing market across various dimensions. The analysis is based on Everest Group's annual RFI process, interactions with leading L&P insurance business process service providers and buyers, and our ongoing coverage of the L&P insurance and services market.

Scope of this report

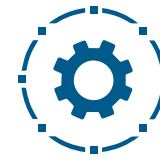


Geography
Global



Industry

L&A insurance industry including life insurance and retirement/pensions solutions offered both to individual and group customers



Services

L&A insurance business process services



Use cases

Only publicly available information has been used to depict investment areas targeted by insurers in this report

Summary of key messages (page 1 of 2)

Key trends in the L&A insurance industry

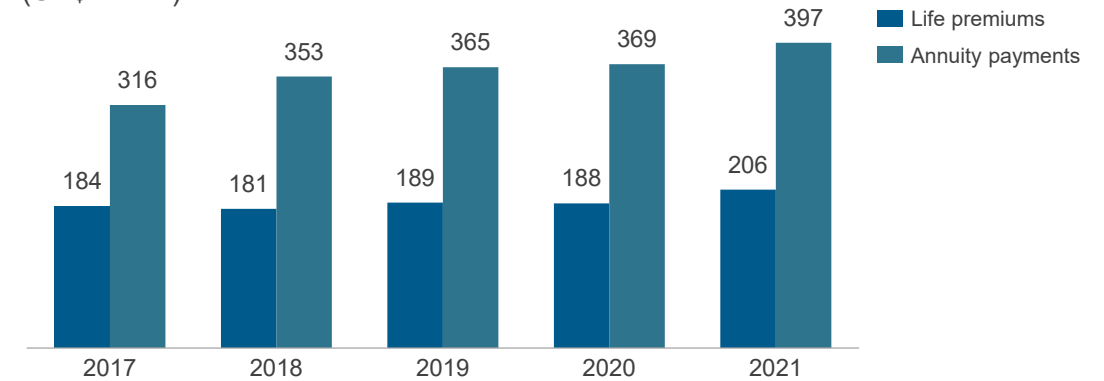
- The life insurance sector rebounded in both the US and European regions, driven by the COVID-19-induced risk awareness and robust financial markets across the globe
- However, the inability to contain expenses and suppressed investment gains continue to impact insurers' bottom line. An uncertain macro environment will further dent growth prospects for insurers
- Insurers are focusing on certain levers to improve growth prospects:
 - Deliver more personalized offerings with better speed and greater convenience
 - Optimize portfolios by strategic divestments/sell-offs
 - Retain and attract talent amid a global talent war

L&A insurance BPS market adoption trends

- With a change in buyer outlook toward outsourcing, the L&A insurance BPS market experienced positive growth in 2021
- From a geography standpoint, North America remains a key buyer market, with rising adoption across multiple emerging segments such as group life, DB/DC retirement, and PRT. The UK market is also showing positive signs of growth, with buyers opening to engage for open blocks
- In line with the growing need for digital transformative initiatives among carriers, adoption of key digital levers has also been on an uptrend, particularly on the claims processing part of the value chain

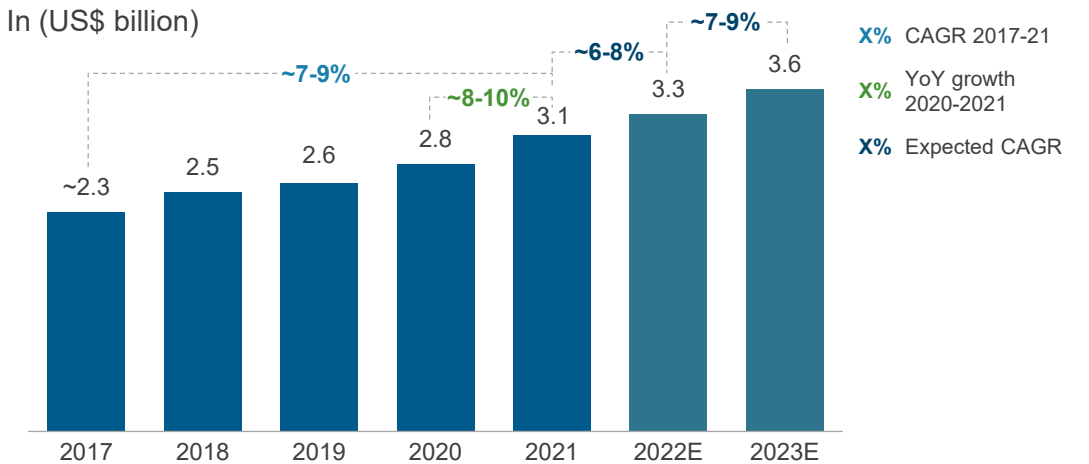
Annuity and life insurance direct written premium for US L&A insurance market

(US\$ billion)



Market size of L&A insurance BPS/TPA

In (US\$ billion)



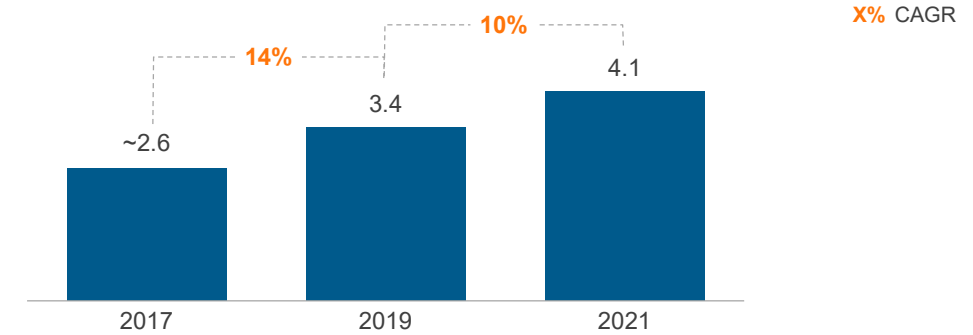
Summary of key messages (page 2 of 2)

L&A insurance BPS deal characteristics

- Deal value has increased steadily over the last five years, driven by the increased need for digitization and inclusion of value-added services in contracts
- The number of large deals has also increased in the market, with large buyers primarily showing a greater appetite for large-scale transformation initiatives
- The platform model is the prominent model in L&A insurance BPS, with both major BPS markets – the US and the UK – having significant platform play
- In line with a developing buyer appetite for digital-led savings, demand for more innovative and transparent pricing models is on the rise

Average ACV of active contracts

ACV in US\$ million



Evolution of BPS relationships

- Insurers are evolving their third-party leverage into strategic partnerships, particularly through greater use of digital levers – automation, AI, and analytics
- In addition to cost reduction, enterprises are also expecting support at the operational level, particularly for process improvements and to increase agility across different functions
- Service providers need to invest in their AI and analytics capabilities and proactively identify opportunities for their clients in these areas

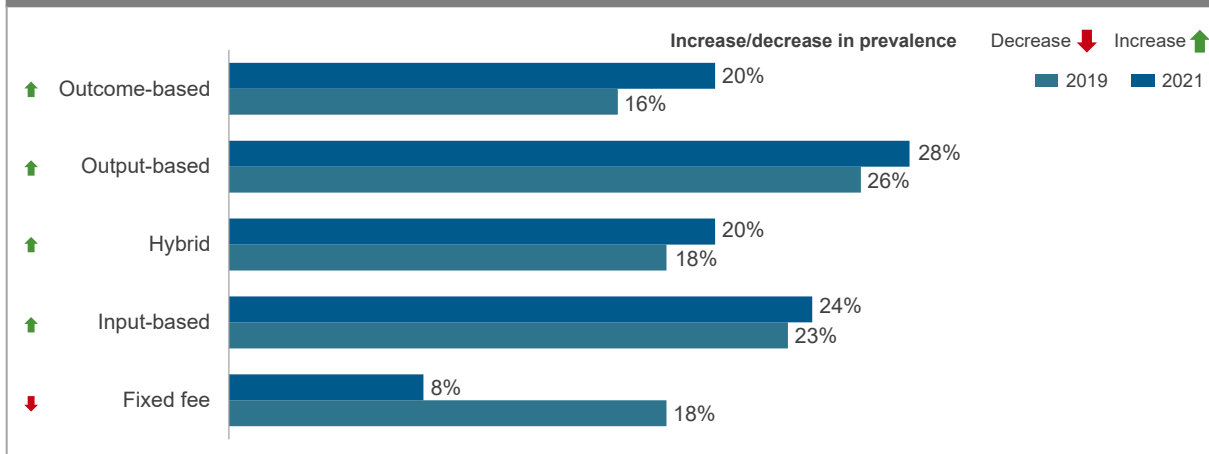
Operational impact Cost impact Business impact ← <5% ↑ 5-15% ↑↑ >15%

Key business objectives	Importance to buyers ¹	Service provider performance ¹	Change in performance (Avg. 2019-20 vs. 2021)
Process improvement	9.0	7.5	↔
Improving agility/flexibility	8.8	7.9	↔
Access to better technology	8.3	7.0	↑
Cost reduction	8.3	7.4	↔
Better insights/analytics	8.2	6.3	↔
Gaining specific expertise lacked in-house	7.9	6.7	↔
Impacting top-line growth	7.4	7.3	↑↑

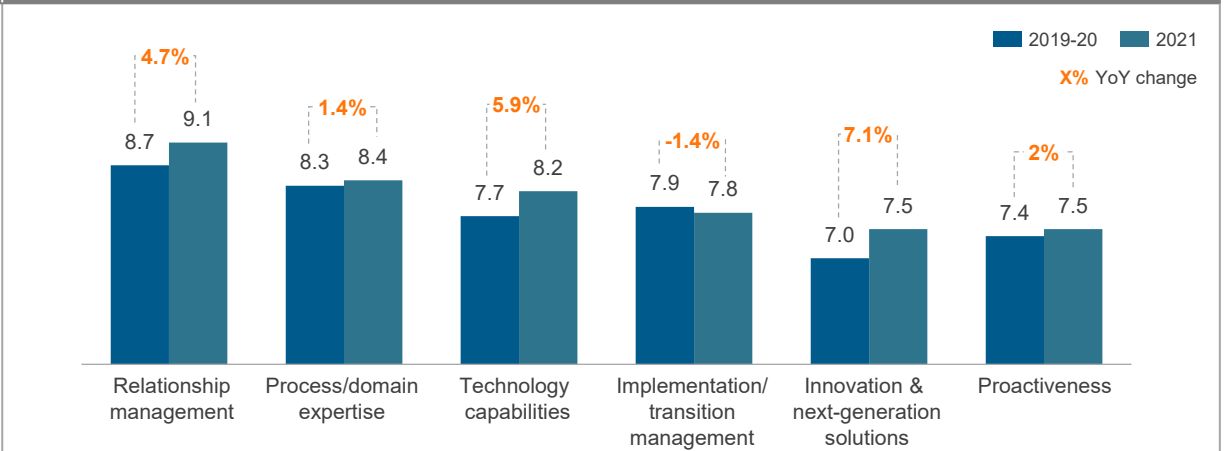
1 Based on feedback collected from 60+ enterprise buyers during 2019-21

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

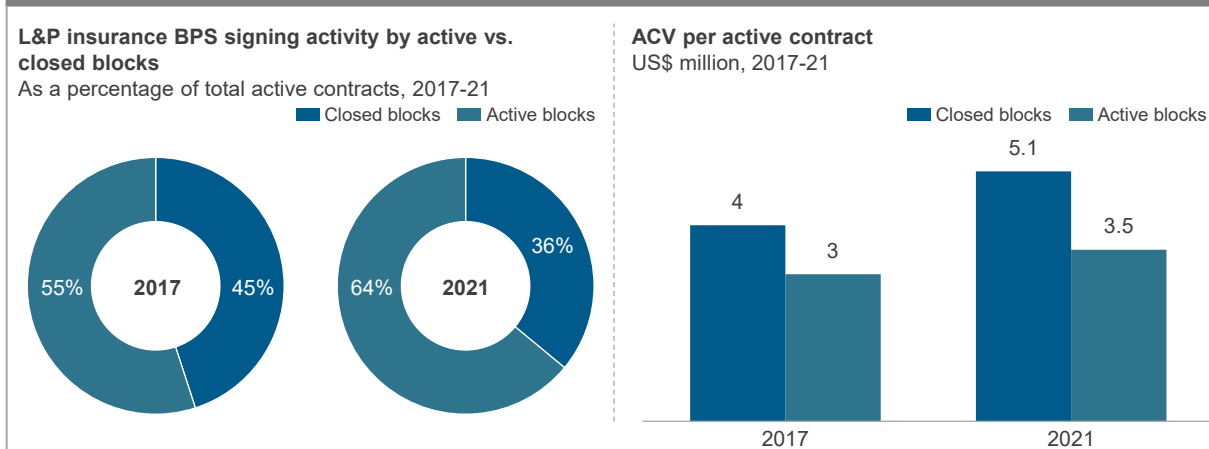
Commercial models in L&P insurance BPS contracts



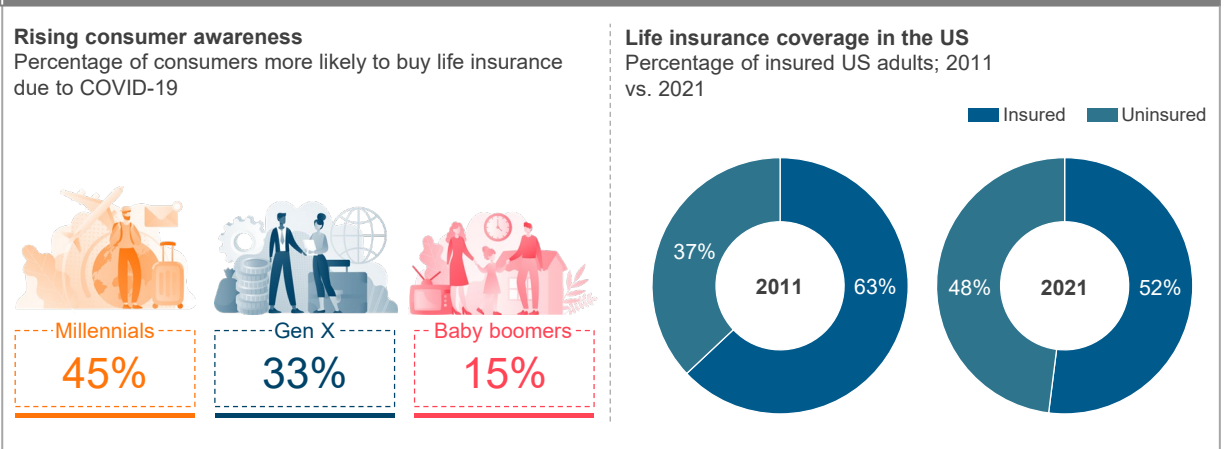
Service provider performance rating – 2021 vs. avg. 2019-20



Closed vs active blocks servicing



Focus on customer experience amid rising consumer awareness for life insurance



Research calendar

Insurance Business Process

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
AI-powered Insurance Solutions: Content Extraction	February 2021
State of the Market Life and Pensions (L&P) Insurance BPS 2021	May 2021
Property and Casualty (P&C) Insurance BPS – Service Provider Landscape with Services PEAK Matrix® Assessment 2021	June 2021
Property and Casualty (P&C) Insurance BPS Service Provider Compendium 2021	June 2021
Deconstructing Digital Transformation Strategies in Insurance	July 2021
Life and Pensions (L&P) Insurance BPS/TPA – Service Provider Landscape with PEAK Matrix® Assessment 2022	December 2021
Life and Pensions (L&P) Insurance BPS / TPA Service Provider Compendium 2022	December 2021
Property and Casualty (P&C) Insurance BPS – Service Provider Landscape with Services PEAK Matrix® Assessment 2022	April 2022
Property and Casualty (P&C) Insurance BPS – Service Provider Compendium 2022	May 2022
Property and Casualty (P&C) Insurance State of the Market Report 2022: Emerging and Evolving Sourcing Strategies in a Post – COVID Era	June 2022
Digital Platform & Augmentation Suite (DPAS) in Insurance BPS PEAK Matrix® Assessment with Provider Landscape 2022	September 2022
Life and Annuities (L&A) Insurance State of the Market Report 2022: A Pathway to Exploring Growth Opportunities Amid a Turbulent Macro Environment	October 2022
The Evolution in L&A Insurer-TPA Partnerships	November 2022
Accelerating Momentum for Pension Risk Transfers: How Should Insurers Extract the ROI?	December 2022
The Resurgence of Closed Block TPA Services Demand, But History Not Completely Repeating Itself	December 2022

Note: [Click](#) to see a list of all of our published Insurance Business Process reports



Everest Group is a research firm focused on strategic IT, business services, engineering services, and sourcing. Our research also covers the technologies that power those processes and functions and the related talent trends and strategies. Our clients include leading global companies, service and technology providers, and investors. Clients use our services to guide their journeys to maximize operational and financial performance, transform experiences, and realize high-impact business outcomes. Details and in-depth content are available at www.everestgrp.com.

Stay connected

Website

everestgrp.com

Social Media

-  @EverestGroup
-  @Everest Group
-  @Everest Group
-  @Everest Group

Blog

everestgrp.com/blog

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

Toronto

canada@everestgrp.com
+1-647-557-3475

This document is for informational purposes only, and it is being provided "as is" and "as available" without any warranty of any kind, including any warranties of completeness, adequacy, or fitness for a particular purpose. Everest Group is not a legal or investment adviser; the contents of this document should not be construed as legal, tax, or investment advice. This document should not be used as a substitute for consultation with professional advisors, and Everest Group disclaims liability for any actions or decisions not to act that are taken as a result of any material in this publication.