Everest Group
RESEARCH

Topic: IT Outsourcing in Insurance – Annual Report 2013: SMAC is the Panacea for all Insurance Industry Problems

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report: December 2013 – Preview Deck

Our research offerings for global services

Subscription information

- This report is included in the following subscription(s)
  - **BFSI ITO**

- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services

- If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us:

Corporate Headquarters
Office: +1-214-451-3000
info@everestgrp.com

European Headquarters
Office: +44-207-129-1318
unitedkingdom@everestgrp.com

Market Vista™
Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

BFSI[1] information technology	**PricePoint™**
BFSI[1] business process	**Finance & accounting**
Healthcare information technology	**Procurement**
Information technology	**Human resources**
Cloud Vista™	**Recruitment process**
Global sourcing	**Contact center**
Locations Insider™	**Transaction Intelligence**

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

---

1   Banking, financial services, and insurance

Everest Group
R E S E A R C H

Background and scope of the research

Background of the research
In 2012 and 2013, BFSI buyers continued to remain under pressure to increase revenue, enhance customer experience, reduce costs, replace legacy systems, and meet regulatory requirements. To address these challenges, most banks focused on transforming themselves and increasing investments in technologies (such as social media, mobility, big data & analytics, and cloud computing) in order to enhance customer experience while simultaneously reducing their operational costs, better managing risk, and improving shareholder returns.

As financial institutions gear up for these changes, they are looking to identify strategic partners who can help them develop solutions that drive efficiency and sustain the pace of technological advancement in this rapidly-evolving industry. In addition, with the continued trend towards consolidation, financial institutions are signing larger and more strategic AO contracts with a fewer number of service providers, a phenomenon that is expected to meaningfully alter the AO services landscape in the BFSI segment.

In this research, we analyze the current trends and the future outlook for large, multi-year application outsourcing relationships for the global insurance sector. We focus on:
- Trends in AO in the BFSI segment
- Market trends and activity for large AO relationships in insurance
- Emerging priorities of buyers and key investment themes in insurance AO
- Future outlook for 2014

The research also captures key movements in volumes/values of insurance AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

Scope of this report
- **Industry:** Insurance (life, annuities, and pensions; property and casualty insurance); excludes banking, capital markets, and healthcare payers
- **Services:** Large (TCV > US$25 million), multi-year (>three years), and annuity-based application outsourcing
- **Geography:** Global
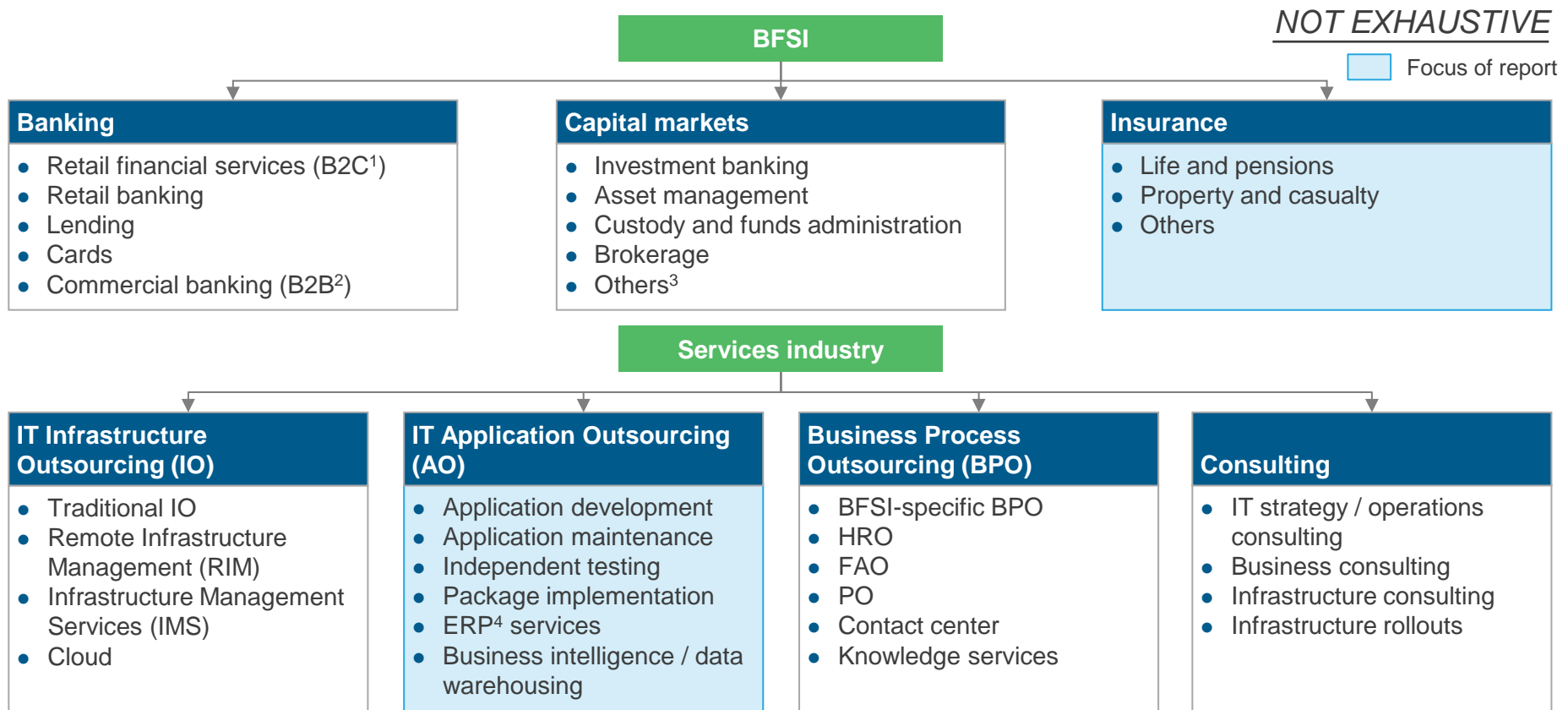- **Sourcing model:** Third-party AO transactions; excludes shared services or Global In-house Centers (GICs)

Table of contents

Everest Group
RESEARCH

Table of contents

This report provides an insight into the current trends and future outlook for large, multi-year application outsourcing relationships in the global insurance sector

NOT EXHAUSTIVE

BFSI

☐ Focus of report

Banking
- Retail financial services (B2C[1])
- Retail banking
- Lending
- Cards
- Commercial banking (B2B[2])

Capital markets
- Investment banking
- Asset management
- Custody and funds administration
- Brokerage
- Others[3]

Insurance
- Life and pensions
- Property and casualty
- Others

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Application development
- Application maintenance
- Independent testing
- Package implementation
- ERP[4] services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

This report analyzes IT applications outsourcing in the insurance subvertical with a focus on large (TCV > US$25 million), annuity-based, and multi-year (>three years) relationships

1   Business-to-consumer relationships
2   Business-to-business relationships
3   Includes other capital markets functions such as structured finance, treasury, FX, and horizontal functions including risk management
4   Defined in appendix

Everest Group RESEARCH

This report is a part of the Everest Group's series of nine reports focused on AO in BFSI in 2013

IT Outsourcing in BFSI – Annual Report
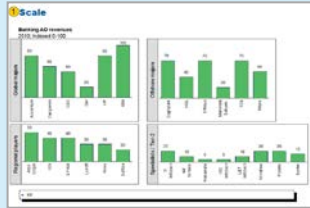
Each report provides:
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications for key stakeholders
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

Banking

Capital Markets

Insurance

IT Outsourcing in BFSI – Service Provider Landscape

Each report provides:
- Assessment of service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Emerging Players
- Comparative evaluation of BFSI-AO capabilities of provider categories such as global majors, offshore majors, regional players, and tier-2 specialists. Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice
- The 2013 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with strongest forward movement over time – both in terms of market success and capability advancements

Banking

Capital Markets

Insurance

BFSI ITO – Service Provider Profile Compendium

Capability profiles of service providers capturing their AO services experience in specific subverticals. Each service provider profile includes:
- Service provider overview – details of AO services capabilities, key investments, proprietary solutions, and technological expertise
- Functional / Line of Business (LoB) focus
- Transactions overview for application services offerings
- Delivery footprint

Banking

Capital Markets

Insurance

Everest Group
RESEARCH

Everest Group's BFSI research is based on two key sources of proprietary information

1

- Everest Group's proprietary database of 400+ large, active, multi-year AO contracts within BFSI (updated annually). The database tracks the following elements of each large AO relationship:
  - Buyer details including industry, size, and signing region
  - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
  - Activity broken down separately for banking, capital markets, insurance, and by LoB (e.g., life, annuities, and pensions; property and casualty insurance)
  - Scope includes coverage of buyer's geography as well as functional activities
  - Global sourcing including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 20+ BFSI AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
  - Major BFSI AO clients and recent wins
  - Overall revenue, total employees, and BFSI employees
  - Recent BFSI-related developments
  - BFSI AO delivery locations
  - BFSI AO service suite
  - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis

accenture High performance. Delivered. | Capgemini CONSULTING.TECHNOLOGY.OUTSOURCING | CGI

CSC | Cognizant | Dell Services

Hexaware TECHNOLOGIES YOUR SUCCESS IS OUR FOCUS | hp | HCL

iGATE iTOPS for Business Outcomes | IBM | L&T Infotech

Infosys | MPHASIS an HP company | Mindtree Welcome to possible

SYNTEL Consider IT Done | Softtek

TATA CONSULTANCY SERVICES

Tech Mahindra | WIPRO Applying Thought

Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion

Overview and abbreviated summary of key messages

This report provides an overview of the application outsourcing (AO) market for the insurance industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$ 25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders, with regards to such large insurance AO deals

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

|	
BFSI ITO market overview	• The US$90 to 100 billion global BFSI ITO industry continued to grapple with a challenging business environment. While the number of BFSI outsourcing transactions remained almost flat, TCV declined 25% as compared to last year • The insurance ITO market grew at a healthy rate of ~18% in 2012. Use of digital technologies by insurance buyers to enhance customer experience, manage risk optimally, and improve efficiencies to drive greater productivity, led to the growth of IT services in this vertical • The BFSI ITO buyers are gradually moving towards the next generation sourcing model as they are increasingly seeking greater business value from their ITO engagements
Insurance AO overview	• The number of large, active insurance AO contracts more than doubled in 2012 as compared to last year • The P&C insurance market rebounded in 2012, following a year of near-record losses from natural disasters, poor investment income, and a sluggish global economy • Small insurance firms, primarily in the United States and India, opened up to outsourcing and signed more AO contracts compared to last year • Outsourcing activity in North America increased across all AO subfunctions. European buyers cut back their discretionary spending and focused on ERP projects to manage their entire insurance value chain
Emerging priorities of buyers, and key investment themes	• Preparing for changes to the regulatory environment, expanding in emerging markets for growth, improving customer experience, and implementing effective legacy modernization programs to improve agility and profitability are the key priorities outlined by insurance firms • Social media, mobility, analytics, and cloud computing emerged as key technological themes for insurance firms for the next 12-18 months

Everest Group
RESEARCH

This study offers three distinct chapters providing a deep dive into key aspects of insurance AO market; below are four charts to illustrate the depth of the report
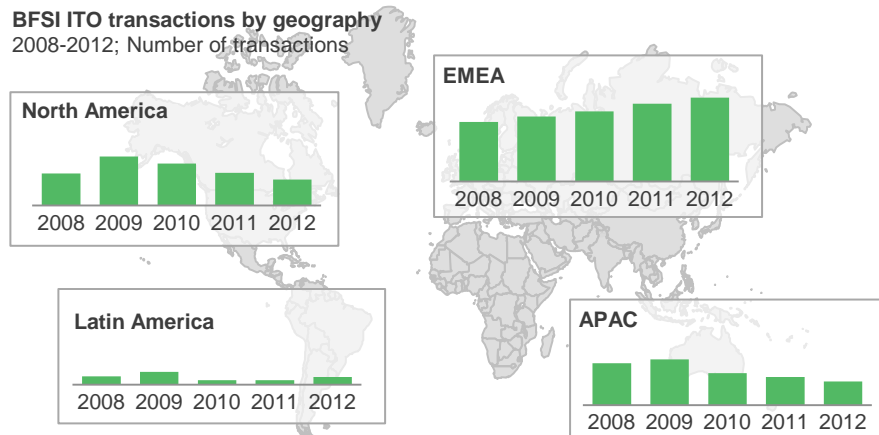
Market size

🟠 Year-on-Year (YoY) growth

BFSI IT outsourcing market size
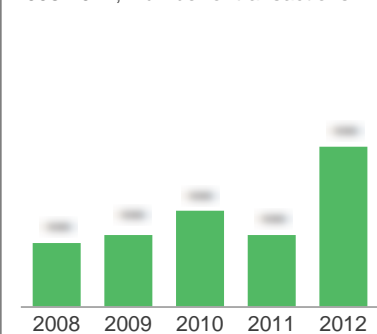2011-2012; US$ billion

- Capital markets
- Insurance
- Banking

2011   2012
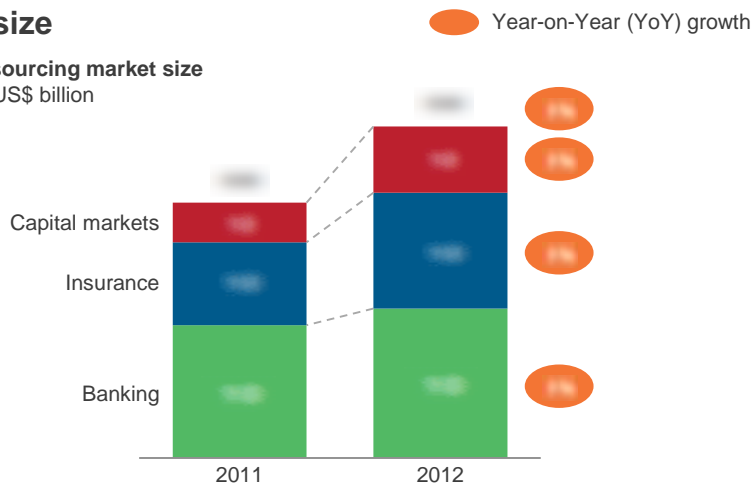
Number of BFSI ITO transactions by source regions

BFSI ITO transactions by geography
2008-2012; Number of transactions

North America
2008 2009 2010 2011 2012

EMEA
2008 2009 2010 2011 2012

Latin America
2008 2009 2010 2011 2012

APAC
2008 2009 2010 2011 2012

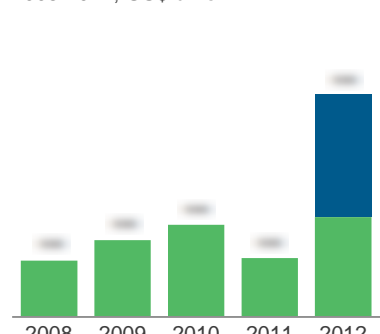## Transaction activity for large, active insurance AO deals

Number of large, active insurance AO contracts[1]
2008-2012; Number of transactions

2008 2009 2010 2011 2012

Total TCV of large, active insurance AO contracts[1]
2008-2012; US$ billion

2008 2009 2010 2011 2012

AO subfunctional demand across various insurance Lines of Business (LoBs)

🟩 High   🟦 Medium   ⬜ Low

	ADM	Testing	PI	ERP	Others
Life, annuities, & pensions	🟩 ↔	🟩 ↔	🟦 ↑	🟦 ↑	🟦 ↔
Property & casualty	🟩 ↔	🟩 ↔	🟦 ↑	🟦 ↑	🟦 ↔
Others	🟦 ↓	🟦 ↔	⬜ ↔	⬜ ↔	⬜ ↔

Source: Everest Group (2013)

Everest Group
RESEARCH

BFSI ITO research calendar

Topic	Release date
IT Application Outsourcing (AO) in Insurance – Service Provider Profile Compendium	January-2013
Webinar Deck: State of the Global Services Market: 2013 Predictions	January-2013
IT AO in Capital Markets – Service Provider Profile Compendium	February-2013
Analytics in Banking: War is Ninety Percent Information	June-2013
IT Outsourcing in Banking – Annual Report 2013: Banking for the Next Generation	June-2013
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2013	August-2013
IT Outsourcing in Banking – Service Provider Profile Compendium 2013	Q3-2013
IT Outsourcing in Capital Markets – Annual Report 2013	September-2013
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2013	October-2013
IT Outsourcing in Insurance – Annual Report 2013	November-2013
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2013	Q4-2013
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2013	Q4-2013
IT Outsourcing in Insurance – Service Provider Profile Compendium 2013	Q4-2013

Additional research references

The following documents are recommended for additional insight into 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. **IT Outsourcing in Banking – Annual Report 2013: Banking For the Next Generation** (EGR-2013-11-R-0893); 2013**.** This report provides an overview of the Application Outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2012 with regards to such large banking AO deals

2. **Analytics in Banking: War is Ninety Percent Information** (EGR-2013-11-R-0888); 2013. This report provides a comprehensive understanding of the analytics services industry with focus on banking domain. Analytics adoption in the banking industry is covered in depth, exploring various aspects such as market size, key drivers, recent analytics initiatives, and challenges. The report also analyses the trends in analytics deals for various banking subverticals (cards, retail, commercial, and lending) and evaluates analytics capabilities of 20+ service providers in the banking space

3. **IT Outsourcing in Capital Markets – Annual Report 2013: Deploying Technology to Counter Environmental Challenges** (EGR-2013-11-R-0939); 2013. This report provides an overview of the Application Outsourcing (AO) market for the capital markets industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2013-2014, with regards to such large capital markets AO deals

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

Jimit Arora, Vice President: jimit.arora@everestgrp.com
Rajat Juneja, Practice Director: rajat.juneja@everestgrp.com
Kiranjeet Kaur, Senior Analyst: kiranjeet.kaur@everestgrp.com

Everest Group
Two Galleria Tower
13455 Noel Road, Suite 2100   Phone: +1-214-451-3110
Dallas, TX 75240   Email: info@everestgrp.com

Everest Group
RESEARCH

Everest Group

From **insight** to *action*.

At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services

- Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches

- Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

New York
info@everestgrp.com
+1-646-805-4000

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

London
unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi
india@everestgrp.com
+91-124-284-1000

Stay connected

Websites

www.everestgrp.com
research.everestgrp.com

Twitter

@EverestGroup
@Everest_Cloud

Blogs

SHERPAS
IN BLUE SHIRTS

www.sherpasinblueshirts.com
www.gainingaltitudeinthecloud.com