



Life and Pensions (L&P) Insurance BPO State of the Market Report 2020: Escape Legacy and Embrace Digital through BPaaS

Insurance – Business Process Outsourcing (BPO)

State of the Market Report – January 2020: Complimentary Abstract / Table of Contents

Our research offerings for global services

▶ Market Vista™ Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available	
▶ Application Services	▶ Human Resources
▶ BPS Banking & Financial Services	▶ ITS Banking & Financial Services
▶ BPS Healthcare & Life Sciences	▶ ITS Healthcare
▶ BPS Insurance	▶ ITS Insurance
▶ Catalyst™	▶ IT Services Executive Insights™
▶ Cloud & Infrastructure	▶ ITS Life Sciences
▶ Customer Experience Management Services	▶ Locations Insider™
▶ Data & Analytics	▶ PricePoint™
▶ Digital Services	▶ Procurement
▶ Engineering Services	▶ Recruitment & Talent Acquisition
▶ Enterprise Platform Services	▶ Service Optimization Technologies
▶ Finance & Accounting	

Membership information

- This report is included in the following research program(s)
 - [Insurance - Business Process Outsourcing \(BPO\)](#)
- 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

More about membership

In addition to a suite of published research, a membership may include

- Accelerators™
- Analyst access
- Data cuts
- Pinnacle Model® reports
- PriceBook
- Virtual Roundtables
- Workshops

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

Table of contents (page 1 of 2)

Topic	Page no.
Background and methodology	5
Summary of key messages	11
Section I: Case for legacy modernization and rise of BPaaS	14
• The need for L&P insurers to transform their business models	15
• Gaps in current and desired state of the market	16
• Reasons for enterprises continuity with legacy infrastructure	17
• Role that service providers can play in bridging the gap for insurers	18
• Timeline of key L&P insurance BPaaS deals	19
• Complexity spectrum for platform modernization	21
Section II: State of BPaaS market and solution characteristics	22
• Key characteristics of BPaaS partnership	23
• BPaaS categories	24
• L&P insurance BPaaS market overview	25
• L&P insurance BPaaS analysis	26
Section III: Way forward – maximize digital impact with modern platforms	33
• Legacy vs. platform-driven architecture	34
• Inclusion of individual digital levers vs. integrated approach in L&P contracts	35
• Pay-offs on traditional siloed approach vs. transformation approach	37
• Key considerations for a successful platform-led digital transformation	38
• Case studies on platform modernization by service providers	39

Table of contents (page 2 of 2)

Topic	Page no.
Appendix	42
• Glossary of key terms	43
• Insurance - BPO research calendar	44
• References	45

Background of the research

Background of the research

L&P insurance industry is undoubtedly on a progressive journey, with CXOs acknowledging the need to move away from traditionally siloed, inefficient, complex, and non customer-centric business models. To this purpose, L&P insurers are continually strengthening their budgetary allocations to projects that would deliver digital-led transformation, the key objective being creating superior experience for the end-customer and thus, gaining competitive advantage.

While their intentions are in the right direction, most of the L&P insurers find that their ability to modernize their business or operations is fairly limited. The key reasons being twofold:

- Existing legacy systems or inefficient traditional technologies require complex projects to integrate with modern architectures/databases/technologies and sometimes the integration with more modern technologies is not even feasible. Additionally, moving away from such systems is generally not considered a practical decision given the high sunk costs involved and potential disruption to business continuity
- Insurers' continued operations on legacy systems drive high maintenance costs, thus, again restricting their ability to allocate requisite resources to digital transformation

In order to mitigate such internal restrictions to legacy modernization and accelerate their digital transformation agenda, multiple L&P insurers are now partnering with IT/BPO service providers in a BPaaS construct to reduce the risk they undertake for core modernization and convert their capital expenditures into operating expenses. However, such large-scale investments need to be sufficiently customized to insurers' product portfolios, with not all books of businesses requiring extensive modernization exercise. This report explores the state of BPaaS adoption in L&P insurance, including describing the case for legacy modernization along with insurers' business factors impacting the extent of modernization required.

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

This report takes a deep dive into the looming need for core legacy modernization in the L&P insurance industry and its relevance to the overall digital transformation scenario existing in the industry. It further elaborates on the case for BPaaS in the L&P insurance market and how digital can make a sound impact through platform modernization efforts.

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

Case for legacy modernization and rise of BPaaS

- To cater to the evolving customer demands and gain competitive advantage, L&P insurers are facing an urgent mandate to transform their business models. However, inefficiencies of the legacy infrastructure are making it difficult to bridge the gap between the current and desired state
- While insurers understand the invalidity of legacy infrastructure for future business, many continue to stick with legacy owing to multiple internal challenges
- Partnerships with third-party service providers would assist insurers in tackling the internal discomfort with modernization investments. Realizing the value of third-party partners for core modernization initiatives has led to some of the transformative BPaaS deals in the market
- Leading with customer experience delivery is a key objective for insurers that are investing in legacy modernization-driven BPaaS partnerships. Such modernization exercises, however, could not be a one-size-fits-all approach; and a customized approach after careful evaluation of business characteristics should be adopted

State of the BPaaS market and solution characteristics

- While large-sized buyers are presently the greatest adopters of the platform-based model, demand has been strengthening across the buyer size spectrum
- North America and the UK are the two major regions driving BPaaS adoption. While North America leads in the quantum of opportunities, the UK has witnessed some large-scale activity
- BPaaS deals are mid- to large-scale with an average ACV of US\$5-US\$7 million. With increasing demand for digital acceleration, larger deals are being observed
- Deals that involve some form of platform modernization are generally long-term partnerships with a phased implementation approach being adopted. These are pivoted on the efficiencies from underlying platforms and, thus, their commercials are based on outputs rather than inputs
- BPaaS partnerships, while traditionally focused on closed blocks, are now moving toward digital customer acquisition for new/active blocks

Way forward – maximize digital impact with modern platforms

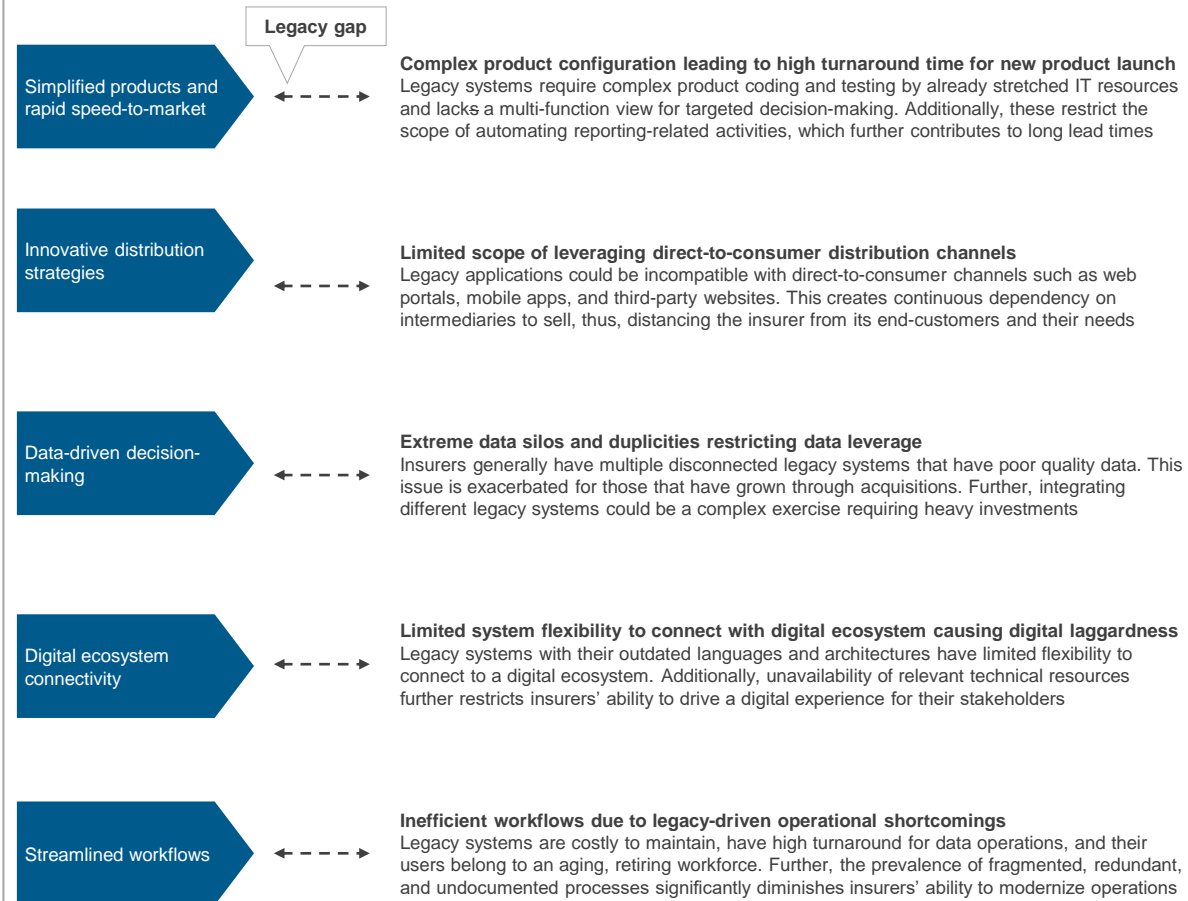
- Shifting away from legacy architecture enables insurers to eliminate operational and system silos and create a base for scaled digital transformation
- With a unified platform-based architecture, insurers can take an integrated approach to implementing digital technologies that would be critical to drive the next level of impact
- Such integrated approach would result in a digital platform ecosystem, with all digital levers working together to drive stakeholder experience
- Insurers that have adopted an integrated approach have been able to achieve scalable transformation with handsome returns
- Insurers should plan and prepare before initiating a transformation journey

This study deep dives into three areas to capture the case for legacy platform modernization in the L&P insurance space and its relevance as per prevailing industry nuances in 2019

Case for legacy modernization and rise of BPaaS

Insurers' desired state of operations

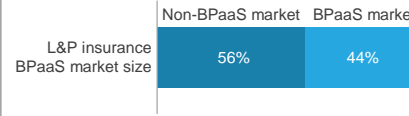
Current inefficient state with legacy infrastructure



State of BPaaS market and solution characteristics

L&P insurance BPaaS market penetration
As a percentage of the total revenue, 2018

100% = US\$2.6 billion



CAGR of BPaaS market over 2015-18 – 12-14%

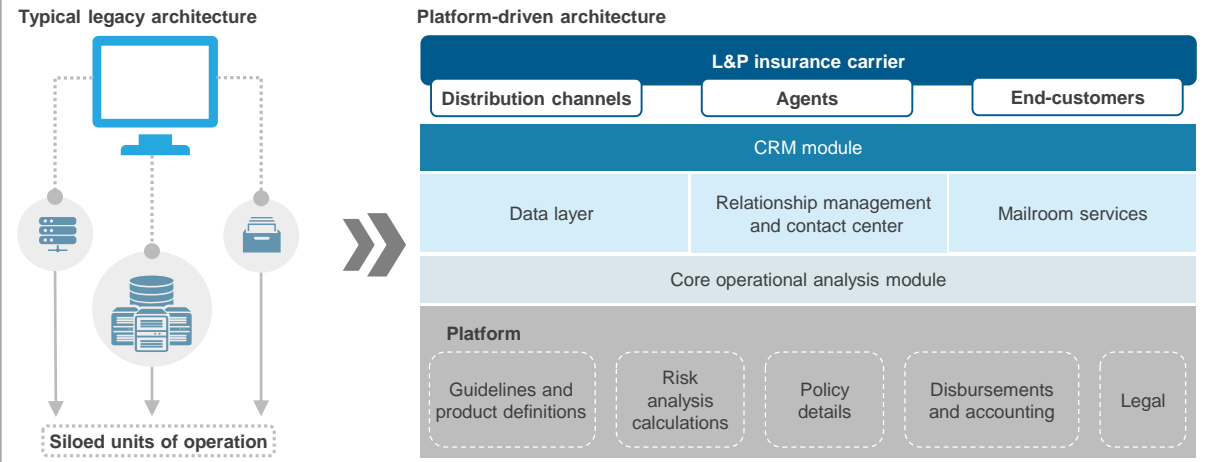
For L&P insurance, the “end-to-end traditional” model, wherein a single provider offers an end-to-end one-stop BPaaS solution, is the most popular choice

Prevalence Low High

	Typical deal size*	Process-specific traditional	Process-specific best-of-breed	End-to-end traditional	End-to-end best-of-breed
L&P insurance BPaaS	Mid-size and large deals are common; few very large deals				

Insurance BPaaS is a sizable market with relatively higher penetration in L&P insurance due to closed blocks

Way forward – maximize digital impact with modern platforms



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
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 State of the Market Report 2020: Escape Legacy and Embrace Digital through BPaaS	January 2020
Analytics in Insurance - Third-Party Service Provider Landscape with PEAK Matrix™ Assessment 2019	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	Q1 2020

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. **Life and Pensions (L&P) Insurance BPO – Annual Deal Trends Report 2020** ([EGR-2019-28-CA-3404](#)); 2019. This report examines the global third-party, industry-specific L&P insurance BPO sector. It provides detailed analysis of L&P insurance BPO market size and growth, solution characteristics, emerging trends, and service provider landscape. It will enable key stakeholders – L&P insurers, service providers, TPAs, and technology providers – to understand the changing dynamics of the L&P insurance BPO market and identify upcoming trends
2. **Life and Pensions (L&P) Insurance BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2019** ([EGR-2019-28-R-3347](#)); 2019. This report examines the global L&P 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 L&P insurance BPO service provider landscape
3. **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
4. **Insurance Third Party Administrator (TPA) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018** ([EGR-2018-28-R-2692](#)); 2018. This report examines the global 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 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

Akanksha Sohil, Senior Analyst: akanksha.sohil@everestgrp.com

Website: www.everestgrp.com/ | Phone: +1-214-451-3000 | Email: info@everestgrp.com



About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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

Stay connected

Website



www.everestgrp.com

Social Media



@EverestGroup



@Everest Group

Blog



www.everestgrp.com/blog/

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.