



Third-party Administrator (TPA) State of the Market Report 2020: Industry Facing an Urgent Mandate to Transform

Insurance - Business Process Outsourcing (BPO)

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

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Background and methodology of the research

Background of the research

Third-party Administrators (TPAs) have always been closely involved with the insurance industry due to the pseudo-insurer role they play across the value chain and for almost all product lines. Now, with winds of transformation sweeping across the insurance industry, especially the Property & Casualty (P&C) segment, TPAs must adapt themselves to provide better business outcomes from their services. More importantly, as the TPA industry endeavors to grow through expansions in new geographies, value chain segments, client types, and product lines, it needs to align its services and operating models with changes in demand patterns. While some large TPAs are building requisite capabilities –in talent, technologies, and data – to address the need, most of the industry lags far behind.

In this research, we examine the global TPA market, particularly the 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.

Scope of this report

Industry: TPA, in particular TPAs catering to P&C and workers' compensation insurance segments

Geography: global

Contents

This report attempts to answer the following key questions:

- What are the growth opportunities and challenges in the market, and their consequent impact on TPAs' strategic objectives/needs?
- Which digital levers are critical to enable TPAs to address their needs/objectives and how?
- As TPAs begin to embrace digital transformation, what are the key considerations to ensure successful outcomes?

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

This report examines the global 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.

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

TPA industry overview

- For P&C and workers' compensation, TPAs are primarily restricted to end-to-end claims management in the value chain
- For employee benefits – both L&P and health – TPAs play a more end-to-end administration role
- TPA and third-party loss adjusting market is highly fragmented with the top 10 TPAs accounting for only 5-6% of the overall pie
- While there are multiple growth drivers for the TPA industry such as expansion in the scope of services and carrier outsourcing, there are a number of impending challenges as well that restrict the growth opportunities

Need for digital transformation in the TPA industry

- As clients are focusing on employee/customer experience enhancement by leveraging innovative solutions, TPAs have to adapt their offerings
- Adoption of digital solutions would help TPAs address a number of immediate needs arising from operational challenges, as well as prepare them for future opportunities
- Some of the immediate needs for TPAs are driving differentiation, improving margins, enhancing talent throughput, and ensuring client retention
- Other long-term objectives that TPAs would achieve with digital adoption are adjusting to changing risks and moving up the value chain to manage critical tasks

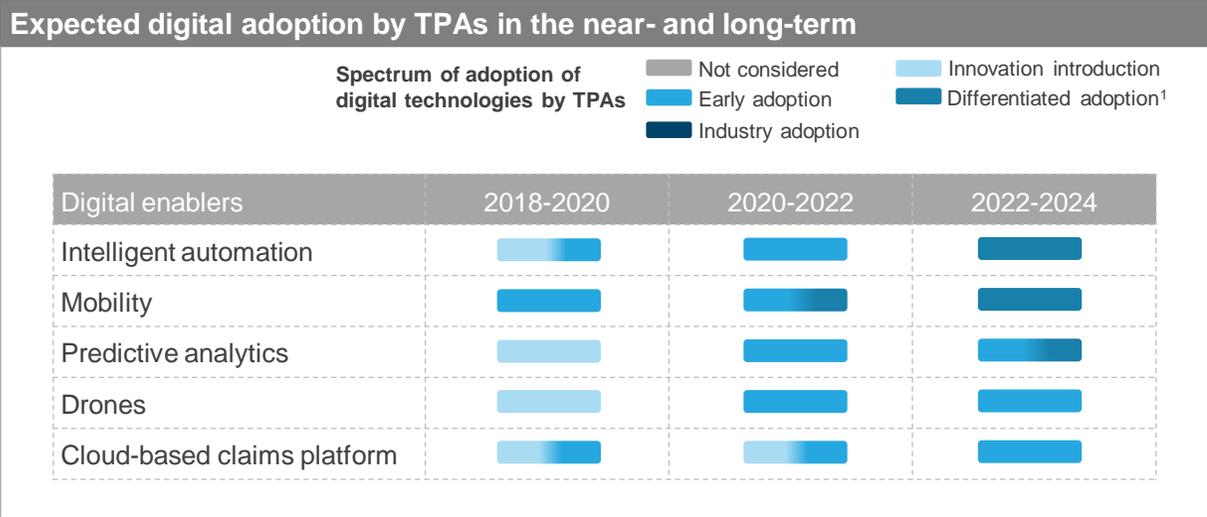
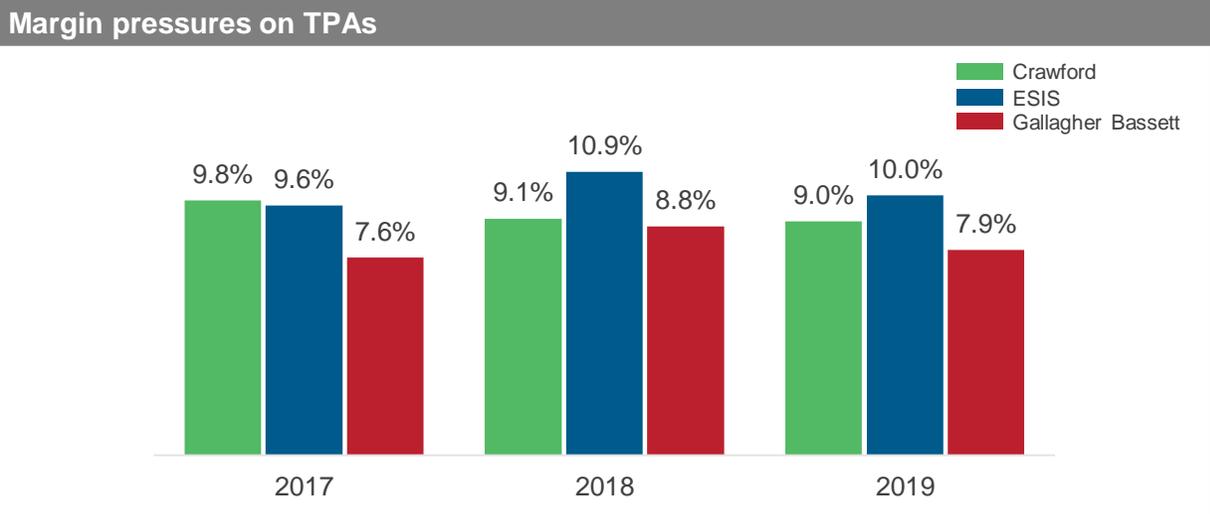
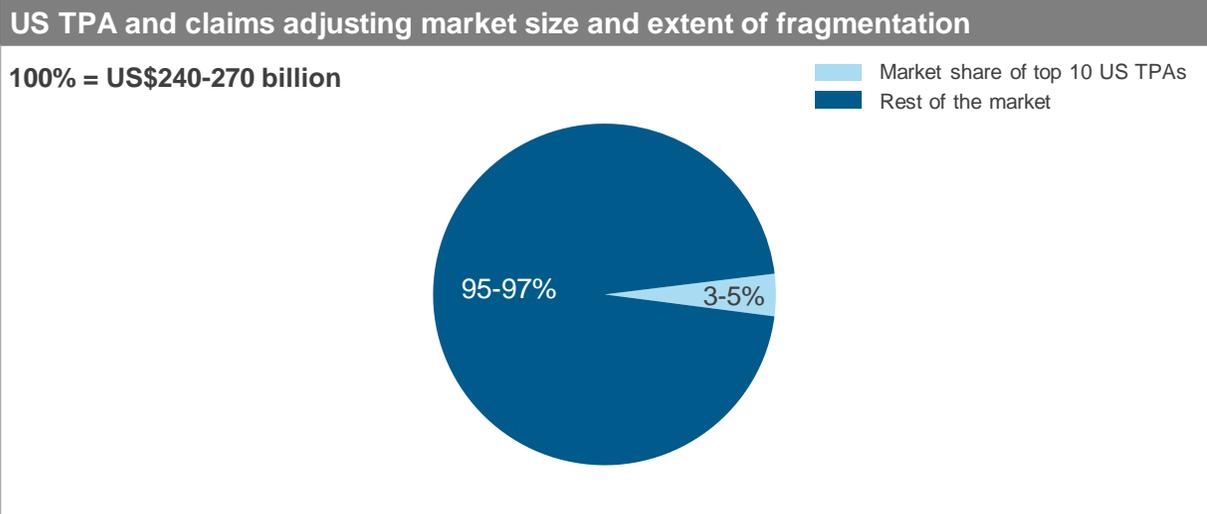
State of digital adoption in the TPA industry

- Intelligent automation, mobility, predictive analytics, drones, and cloud-based modern claims platforms are the five key digital/technological enablers for the transformation of the TPA industry
- The industry's present digital investments are geared toward enabling claims-specific use cases that would enhance the employee/customer/risk manager experience, albeit the sophistication of most of the solutions is fairly low
- Some leading TPAs have shown signs of change with intensified digital investments in more new-age technologies/partners and are, thus, aiming differentiation through greater value creation for clients
- Such new-age investments are enabling the next-generation use-cases that drive proactive risk management and mitigation

Future outlook

- For maximum value realization from transformative investments, TPAs would need to integrate different solutions into a well-connected digital platform ecosystem
- There are some key considerations that TPAs would need to internalize for a successful digital transformation program such as putting in place effective change management and governance mechanisms
- The resultant digital transformation program would need to be a constant innovation cycle supported by a well-planned roadmap and change management
- The end-objective of such deliberate transformation would be delivering more progressive value-propositions to clients, thus, securing the relevance of the overall industry

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



- ### Digital transformation considerations for TPAs
- Align the transformation strategy to the operating model, target clients, and focus markets to prioritize investment decisions. Also, monitor the change in technology and continually reassess the strategy
 - Take one step at a time and set realistic expectations. A modular approach can help in gaining incremental learnings that can be used to avoid potential failures in other implementations. Flexible and componentized third-party platforms could be critical to such an approach
 - Form a robust governance structure and align the incentives of internal and external stakeholders to the success of the digital transformation for effective change management. Educate and secure talent by upskilling/reskilling to overcome resistance
 - Plan for risk & compliance requirements well in advance, and base implementation on agile methodologies to incorporate changing regulations and manage data privacy concerns
 - Evaluate the cost, quality, and risk of bringing in an external party vs. managing technology implementation in-house to make a sound decision. Flexibility and efficiency through relevant innovation-focused insurtechs and service provider partnerships would have a significant positive impact

Research calendar – Insurance - Business Process Outsourcing (BPO)

Published
 Planned
 Current release

Flagship Insurance BPO reports

Release date

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 Annual Deal Trends Report 2020	April 2020
Analytics & Insights in Insurance - Third-Party Service Provider Landscape with PEAK Matrix™ Assessment 2020	Q2 2020
Property and Casualty (P&C) Insurance BPO Service Provider Profile Compendium 2020	Q2 2020
Property and Casualty Insurance BPO Focus Market Report – Digital Transformation of Commercial Insurance	Q2 2020
Life and Pensions (L&P) Insurance BPO Service Provider Landscape with Services PEAK Matrix™ Assessment 2020	Q3 2020
Life and Pensions (L&P) Insurance BPO Annual Deal Trends Report 2020	Q3 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
Third Party Administrator (TPA) State of the Market Report 2020: Industry Facing an Urgent Mandate to Transform	April 2020
Promises and Challenges of the Reinsurance Outsourcing Landscape	Q3 2020

Note: For a list of all Insurance BPO reports published by us, please refer to our [website page](#)

Additional Insurance - Business Process Outsourcing (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. **Insurtechs Raising the Bar with Superior Customer Experience – Top 20 Trailblazers** ([EGR-2019-28-R-3460](#)); 2019. This report deep dives into the looming need for modernizing legacy architectures in the Life and Pensions (L&P) insurance industry and its relevance for the industry's overall digital transformation. Further, it puts forward the case for BPaaS in L&P insurance and how digitalization can make a significant impact through platform modernization efforts
2. **Building the Insurance BPS Workforce of the Future** ([EGR-2019-28-R-3377](#)); 2019. Business and technology disruptions, such as digital transformation and automation, are exhibiting a profound impact on the insurance BPS industry. Automation of transaction-intensive jobs, the need to drive better customer experience, and increase in offshoring of judgment-intensive roles is changing the job profile of the offshore insurance BPS workforce. As a result, the nature of the skills required by offshore workforce is evolving at a rapid pace. This report assesses the impact of automation and other digital interventions on the Indian insurance BPS industry workforce, identifies the extent of skill gaps that the industry is expected to witness across different processes, and recommend interventions required to prepare the workforce for the future
3. **Blockchain in P&C Insurance Claims Processing – What Insurers Need to Know to Get Started on the Journey** ([EGR-2019-28-V-3337](#)); 2019. This viewpoint provides a deep dive into the potential and implementation of blockchain in claims processing for the P&C insurance value chain. It explores the applicability of blockchain in alleviating the pain points in claims processing in this industry and maps out a priority-based implementation plan that insurers can follow to reap maximum benefits
4. **Non-life Insurance Third Party Administrator (TPA) Landscape with Services PEAK Matrix™ Assessment** ([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.

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