



Life & Annuities (L&A) Insurance State of the Market 2020: Platform-first Model to Simplify and Rationalize Systems for Rapid Cost Take-out

Insurance - IT Services (ITS)

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

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Background and scope of the research

- Life & Annuities (L&A) industry is facing intense cost pressure on the back of slowing premium growth rates, declining profitability ratios, low interest rate environments, and complex regulatory landscape. COVID-19 has hit the industry hard at an inopportune time, causing significant decline in investment portfolios and injecting unpredictability into an already sluggish industry. Customer sentiment has further plummeted
- As L&A insurers face up to these challenges and craft strategies to emerge stronger in a post-COVID-19 world, doubling down on experience and efficiency measures will be crucial to achieve future success. Investing in a platform-first operating model and adopting platform-as-a-service constructs will help to provide an engaging experience to consumers, reduce complexity in operations, and gain cost transformation. Addressing the critical issue of talent deficit in the industry by providing attractive employee propositions to draw resources with a technology background will be important
- In a post-COVID-19 world, L&A insurers will accelerate their IT systems and vendor portfolio rationalization to simplify their IT estate and drive costs down. Technology levers such as automation, cloud, and Machine Learning (ML) combined with modern delivery methodologies, such as DevOps, will help L&A insurers drive agility, flexibility, and scalability
- L&A insurers are taking steps in this direction by adopting a platforms-first mindset and exploring as-a-service constructs to manage technology and operations with an end-goal of becoming more agile, efficient, and customer-centric
- In this report, we cover:
 - Forces shaping the future of the L&A insurance industry
 - Implications for L&A insurers to lead through the COVID-19 crisis and navigate the impact
 - Technology operating model to drive business transformation and set up L&A insurers for future success
 - IT outsourcing spend analysis of L&A insurers across Lines of Business (LoB), buyer types, geographies, and service segments

Scope of this report



Industry
Insurance



Market segment
L&A insurance



Geography
Global



Sources

Everest Group ongoing tracking of the L&A insurance industry, public disclosures, interactions with L&A insurance enterprises, service providers, and technology vendors, proprietary database of 500+ active, multi-year IT Outsourcing (ITO) contracts within insurance (updated quarterly), and operational capability of insurance service providers (updated annually through service provider RFIs)

Summary of key messages



L&A insurance industry registered a premium growth of 2.0%-2.5% in 2019; long-term industry growth fundamentals remain robust amidst the COVID-19 turmoil, albeit with concerns on investment income shock, demand shock, and claims shock leading to near-term financial distress

At a time when L&A insurers are looking to navigate macro-economic and COVID-19 induced uncertainties, regulatory reforms are shaping long-term resiliency and restoring confidence in the industry

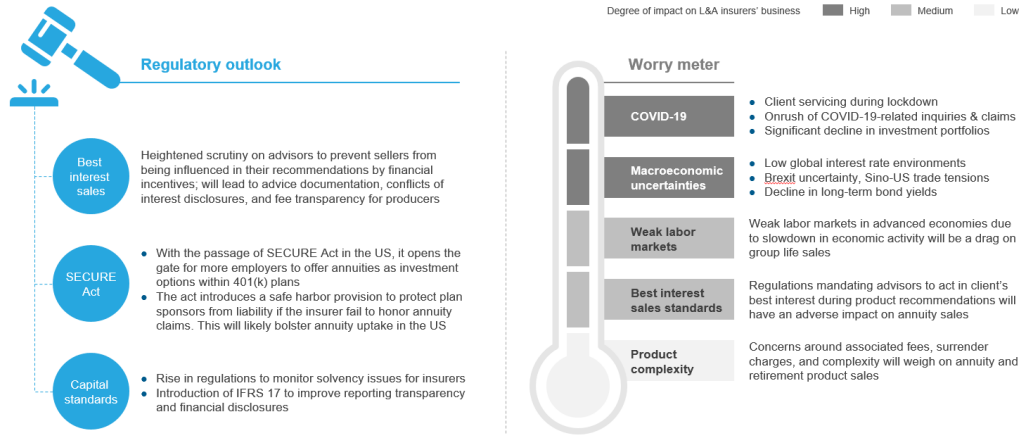
L&A insurers need to amplify their focus on driving experience and efficiency measures by simplifying and modernizing systems to drive cost as well as experience transformation

The need for adopting platform-first operating model and employing platform-as-a-service constructs is paramount for L&A insurers to drive future success

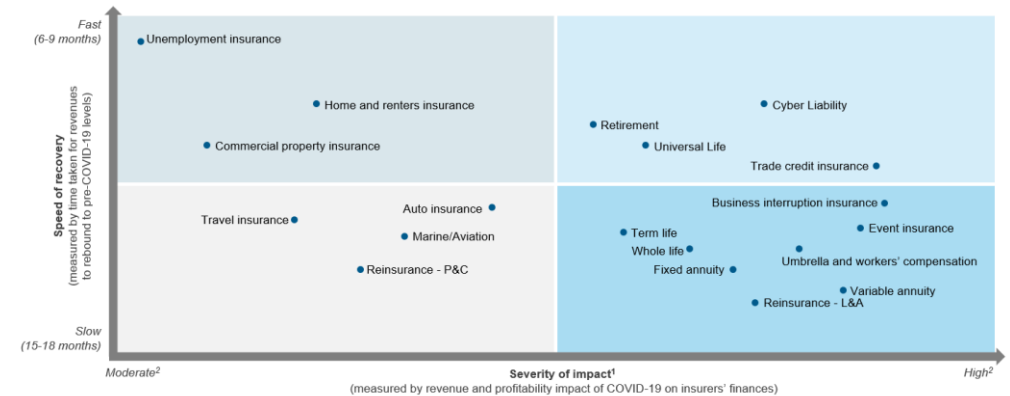
Insurance IT spend to drop in 2020 by -5.0% to -2.5% on the back of the COVID-19 crisis; however, as the crisis abates, specific industry segments will attract disproportionate IT outsourcing spend, driving overall IT spend growth

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

Market forces shaping the L&A industry outlook

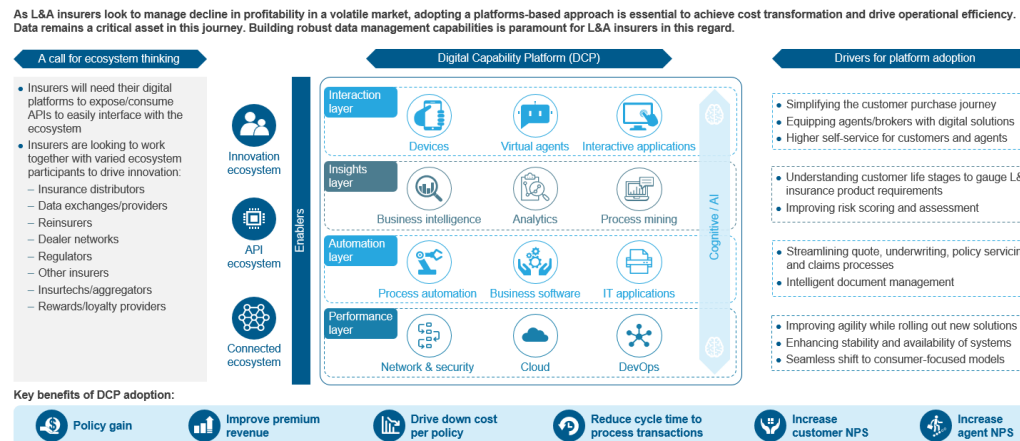


Modeling COVID-19 impact and speed of recovery for insurance lines of business



¹ Severity of impact models revenue and profitability impact for each LoB as per data collected till 30th April 2020 on stimulus package and enterprise, consumer, and market sentiment
² Degree of impact (moderate vs. high) can be calculated by taking a weighted average of an insurer's business portfolio indicated by exposure to the individual LoB

Technology operating model to succeed and thrive in the new normal post pandemic



Adoption of Business-Platform-as-a-Service (BPaaS) constructs in L&A industry



Research calendar – Insurance IT Services

Published
 Planned
 Current release

Flagship Insurance IT Services reports

Release date

Next-generation IT Infrastructure Services in Insurance PEAK Matrix® Assessment 2019 – Laying the Foundation for the Digital-first Insurer	June 2019
Insurance IT Service Provider Compendium and Capability Snapshot 2019	September 2019
Life & Annuities (L&A) Insurance Application and Digital Services PEAK Matrix® 2020 – Conflated Growth and Efficiency Agendas	December 2019
Property & Casualty (P&C) Insurance Application and Digital Services PEAK Matrix® 2020 – Coverage, Channels, and Commercial Model Innovation	December 2019
Guidewire Services PEAK Matrix® Assessment 2020 – Setting the Stage for Core on Cloud	May 2020
Life & Annuities (L&A) Insurance State of the Market 2020: Platform-first Model to Simplify and Rationalize Systems for Rapid Cost Take-out	June 2020
P&C Insurance State of the Market	Q2 2020
Guidewire Services – Service Provider Compendium 2020	Q3 2020
IT Enablement Services for Business Model Innovation in Insurance – Services PEAK Matrix® Assessment 2020	Q3 2020

Thematic Insurance IT Services reports

Wipro Bets Big on Healthcare Through the HealthPlan Services Acquisition	May 2019
Digital Experience Platforms (DXP) in Insurance	April 2020
Guidebook for Insurers to Solve the IFRS 17 Reporting Puzzle	April 2020
Making a Business Case for Modernizing Core Systems for the US Retirements Industry: Value Beyond Cost Savings From a Cloud-enabled Recordkeeping System.....	May 2020
State of Cloud Adoption in Insurance	Q2 2020
Claims Management of the Future – Focus on P&C Insurance.....	Q3 2020

Note: For a list of all of our published Insurance - IT Services (ITS) reports, please refer to our [website page](#)

Additional Insurance IT Services 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. Making a Business Case for Modernizing Core Systems for the US Retirement Industry** ([EGR-2020-41-R-3727](#)); 2020. In this report, we deep dive into the recordkeeping, the core component of the Defined Contribution (DC) plan administration business function. We analyze key business and technology issues, provide a business-case for modernization of recordkeeping systems, assess the offerings of eight leading recordkeeping platform vendors, and cover the approaches for core system modernization for recordkeepers
- 1. Guidebook for Insurers to Solve the IFRS 17 Reporting Puzzle** ([EGR-2019-41-R-3697](#)); 2020. In this research, we provide a comprehensive system-readiness checklist for insurers and analyze 12 leading IFRS 17 technology platform vendors, focusing on their capabilities across accounting, actuarial, and data management. The new reporting standard, IFRS 17, was finalized in May 2017 and is now expected to be introduced on January 1, 2023. Our assessment is based on Everest Group's proprietary transaction intelligence database, public disclosures, and discussions with enterprises, technology vendors, and service providers
- 2. Clients Can't Get No Satisfaction: What is Holding Back ROI in Digital Transformation** ([EGR-2020-0-R-3604](#)); 2020. This report delves into the factors underlying enterprises' expectations from service providers in terms of return on investment, and their technology investment priorities. It recommends service providers to align their offerings and capabilities with the future investment areas identified by enterprises.

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