

Insurance Services

Insurance ITO Services

A research report comparing provider strengths,
challenges and competitive differentiators



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BPO and ITO providers are supporting European insurers

Insurers in Europe are increasingly relying on service providers to consistently deliver on their promises of protection and indemnity to policyholders. Insurers require deeply collaborated partnerships to seamlessly address headwinds and maintain profitable growth. Like their peers across the globe, these insurance enterprises have been facing challenges due to permacrisis since 2020.

Losses incurred from pandemic-related claims, increases in operational costs, property damage and disrupted supply chains from climate-related risks will continue to impact businesses and economies. Other factors include

geopolitical uncertainties, more sophisticated cyberattacks, inflation and rising costs as a result of the energy crisis. The previously low interest rates during the last couple of years and the increased actuarial provision under IFRS-17 requirements are also expected to have negative impact on their profitability.

Insurers must focus on delivering customer value while building macro resiliency and changing regulatory landscape

The increase in claims pay-outs amid the inflationary trends and declining profitability has created a dire situation for insurers. This and changes in working behavior across regions are pushing insurers further beyond their existing technological capabilities, subsequently posing challenges in delivering the expected customer value in the present operating model.

Carriers are facing challenges due to a permacrisis.



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To address these issues successfully, insurers are seeking a strategic approach in partnering with BPO and ITO providers to restructure their existing workforces across the insurance value chain, allowing them to focus more on critical business operations and decision making. BPO and ITO providers can support and improve the business as usual and modernize existing technology stack much faster and rapidly align these newer delivery models to insurers' changing operating models and impacts of regulatory changes (for example IFRS-17). A renewed partner ecosystem will also enable insurers to deliver the expected value and acquire and retain customers in a profitable manner.

These providers enable rapid scalability, responsive design and swift deployment of new models for insurers. They also offer the ability to operate in hybrid delivery models (onshore, nearshore and offshore)

even in adverse situations and with greater cost efficiencies.

Furthermore, modernization of existing technology stacks by using new technologies such as AI, machine learning, intelligent automation, low-code/no-code development and advanced analytics can be pivotal for carriers to stay ahead of the competition.

As per ISG advisors, the demand for ITO and BPO services in the insurance market has increased over the past couple of years. During the pandemic, these providers were focused on responding to the urgent needs of the market and providing continuous delivery support while enabling insurers to speed up their digital agenda.

The providers' proven ability to deliver basic operations with higher standards, prior to addressing complex requirements

such as digital transformation, has given them a better outlook in Europe. Providers with capabilities around strategy, consulting, digital transformation of services and processes along with traditional ITO and BPO are especially gaining traction to drive business innovation.

Key themes of this research report are as follows:

Managing multiple stakeholders

Digital transformation is both an opportunity and a challenge for carriers and their ITO and BPO partners to reevaluate the customer journey. It is pushing them to reimagine newer approaches to design and deliver more relevant products based on better research backed by deep insights and detailed analytical thinking.

Insurance will remain a distribution-led business comprising multiple delivery channels such as agents, brokers, bancassurance, aggregators and InsurTech platforms. Their ability to drive business will be a key growth parameter for insurers in offering an authentic omnichannel experience.

Increased engagements (with customers, intermediaries and employees) for higher value creation

Because insurance is a highly people-driven business, insurance companies rely on relationships, knowledge and experience; hence, human capital is a critical aspect in the entire process. Misaligned skills, poor incentives and ambiguous career paths are among the factors that impact employee morale and lead to higher attrition. This, in turn, results in increased costs and efforts in new talent acquisitions.



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Digitalize for “customer first” and personalization

The demand for heavily commoditized and off-the-shelf insurance products is declining, as customers are seeking more tailored and responsive solutions to their changing needs amid growing uncertainty (individual and global).

Most customer segments are seeking solutions that provide coverage from both traditional and newer threats such as cyberattacks and climate change, global crises or business uncertainty-specific threats with features of highly responsive customer services and faster claims settlements.

Insurers with archaic processes, an unchanged organizational culture and antiquated technology infrastructure will not be able to scale up faster or adapt to these changing market demands.

It requires innovative approaches, involving reinventing business models or reimagining insurance products, to cater to these changing needs. Insurers with access to skilled talent capabilities in business processes and IT across the value chain will find themselves in a better position to respond to it more effectively.

Bringing InsurTechs into the existing mix

These technology-based startups are reimagining the insurance industry by enabling innovation. Their highly agile and adaptive approaches toward new technologies help bring in more relatable insurance solutions and services in the market. They empower insurers by transforming long and cumbersome processes into leaner and scalable ones through plug-and-play capabilities.

Low-code/no-code based journey building solutions, AI-based SaaS solutions for claims, underwriting

and fraud, waste and abuse (FWA) are some of the emerging solutions.

Adopt, adapt and improve with intelligent technology

Digital technologies are used to acquire and retain customers, and their intelligent usage can be a differentiating factor for an insurer's operating model and profitability.

The implementation of new-age technologies may also lead to a significant decline in customer acquisition costs. Providers' knowledge in customer pain points and expertise in handling IT and operational challenges play a decisive role in their selection by carriers.

Thoughtfully designed products based on intelligent modern technologies also bring in several benefits such as speedier time to market, process simplification, faster straight-through processes (STP), decline in FWA and higher indemnity savings.

For efficient and profitable underwriting, pricing optimization and risk selection, providers are upskilling their resource pool in new digital technologies to enable successful AI deployments.

Shifting focus toward outsourcing complex processes

Insurers are looking for providers beyond transactional processes. They have a keen interest in outsourcing business-critical processes such as product innovation, actuarial model design and subrogation assessment. This indicates their mental readiness and confidence in providers with new technology capabilities and dedicated centers of excellence.

Outcome and value-based delivery models

Contracts based on employee counts and transaction volumes among other aspects are losing traction among



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insurers. On the other hand, value and outcome-based contracts tailored for specific customer requirements with assured tangible benefits are becoming popular among insurers that are looking for cost-effective and value-driven services.

Although value-based contracts are gaining traction globally, ISG advisors observe a low pace of adoption. The key challenge in implementing such contracts is the involvement of multiple BPO and ITO partners, which makes it difficult to quantify the outcomes and increase the efforts to drive such engagements and manage the overall performance.

This report talks about how service providers are addressing these challenges by deploying new services, products and partnerships.

Insurers must focus on delivering customer value while building macro resiliency.



The study
analyses
critical
aspects of
**Insurance
Services** in
Europe.

**Life and Retirement
(L&R) BPO Services**

**Property and Casualty
(P&C) BPO Services**

**Insurance ITO
Services**

Simplified Illustration Source: ISG 2022

Definition

The outsourcing and technology landscape is changing rapidly and is not limited to backend transaction processing services. Outsourcing and technology providers are becoming strategic partners to insurance organizations, helping them transform their businesses and provide better customer experiences. With customer experience as a competitive differentiator in the insurance sector, leaders can grow their businesses in a more cost-effective manner. Providers are increasingly open to forming long-term, mutually beneficial relationships with insurance organizations, enabling them to progressively increase the value of the services provided.



Scope of the Report

In this ISG Provider Lens™ quadrant study, ISG includes three quadrants: Life and Retirement (L&R) BPO Services, Property and Casualty (P&C) BPO Services and Insurance ITO Services.

This ISG Provider Lens™ study offers decision makers:

- Transparency on the strengths and weaknesses of relevant providers
- A differentiated positioning of providers by product segments and functional services
- Information on each provider's transformation and digital-enabling capabilities
- Focus on regional markets – in this case Europe; other reports in this series cover the U.S. and Australia

The study serves as an important decision-making basis for positioning and go-to-market considerations. ISG advisors and enterprise customers also use information from these reports to evaluate their current and potential new service provider relationships.

Provider Classifications

The provider position reflects the suitability of service providers for a defined market segment (quadrant). Without further additions, the position always applies to all company sizes classes and industries. Where service requirements from enterprise customers differ and if the spectrum of providers operating in the local market is sufficiently wide, a further differentiation of the providers performance is made according to the target group for

products and services. In doing so, ISG either considers the industry requirements or the number of employees, as well as the corporate structures of customers and positions IT providers according to their focus area. As a result, ISG differentiates them, if necessary, into two client target groups that are defined as follows:

Midmarket: Companies with 100 to 4,999 employees or revenues between \$20 million and \$999 million with central headquarters in the respective country, usually privately owned.

Large Accounts: Multinational companies with more than 5,000 employees or revenue above \$1 billion, with activities worldwide and globally distributed decision-making structures.

The ISG Provider Lens™ quadrants are created using an evaluation matrix containing four segments (Leader, Product Challenger, Market Challenger and Contender), and the providers are positioned accordingly. Each ISG Provider Lens quadrant may include a service provider(s) which ISG believes has strong potential to move into the Leader quadrant. This type of provider can be classified as a Rising Star.

Number of providers in each quadrant: ISG rates and positions the most relevant providers according to the scope of the report for each quadrant and limits the maximum of providers per quadrant to 25 (exceptions are possible).





Sweet Spot - Europe Insurance ITO Services

Xceedance

Overview

Xceedance is a global consulting, technology and data services provider driving strategic operations focused on the insurance industry. Headquartered in Massachusetts, the company has over 3000 employees across nine international offices. It has over 150 client partners and handles over 250 insurance technology projects and solutions.

Key Provider Capabilities

Xceedance specializes in IT services and digital transformation solutions and has various offerings, including:

- **Architecture Services** enabling enterprise-wide architecture and governance with support from the architecture review board, TOGAF, Zachman, SABSA, and over 20 frameworks and guidelines.
- **Custom Application Development** partnering with re/insurance clients in managing technology roadmaps and integrating applications from legacy systems to state-of-the-art technology and bespoke solutions.
- **System Integration** is providing platforms with scalable, adaptable, and easy integration with an industry-focused team to enable continuous innovation and implement iterative models to the insurance platforms aimed at delivering value on speed while reducing total cost of ownership (TCO) and responding quickly to business demands.
- **Testing Centre of Excellence** offering Continuous Quality Improvement (CQI) as a specialist in QA, having a robust testing process with deep insurance domain expertise and insurance technology experts supported by in-house frameworks and metrics-based governance.
- **Infrastructure Services** seamlessly managing IT support services for re/insurance companies and supporting

migration to greenfield infrastructure and legacy transformation.

Proprietary Solutions

- **Smart Clearance** automates submissions by extracting information from disparate requests in a structured format.
- **Digital Underwriting Assistant (DUA)**, an AI/ML-powered modern loss and exposure data analysis solution, automating loss run reports and exposure data processing.
- **Digital Workflow Management**, a configurable and scalable low-code platform, improving organizational productivity and reducing costs by automating workflow management.

Benefits Delivered

- **Strong partnership and ecosystem-centric services and solutions**
- **Streamlined offerings across insurance business value chains**
- **Reduced total cost of operations and year-on-year cost savings for the insurance clients**
- **Highly flexible and creative engagement models to meet client requirements**
- **Innovative proprietary InsurTech solutions**



Xceedance

Sweet Spot

- The global insurance industry is fast-evolving and faces several market challenges, including policyholder expectations, regulatory considerations, legacy automation limitations, cost pressures, and the shortage of skilled talent. The Xceedance team assists in mitigating these challenges with profound insurance proficiency and intelligent technology.
- Xceedance's sweet spot is at the intersection of insurance, digital technologies and BPO services. Its singular focus and expertise in the insurance industry across the globe help to understand the business better

and become a pioneer. For example, in technology offerings related to data and analytics, understanding the business process is critical to make the correct assumptions and hypotheses.

- It offers a comprehensive ecosystem of services with a full spectrum of end-to-end insurance capabilities (for example, Consulting, Digital, ITO, BPO and proprietary InsurTech solutions).
- Xceedance adopts proprietary solutions approach to fill gaps, improve operational efficiency and process effectiveness and deliver critical parts of the digital transformation journey for insurers.
- It primarily serves midsize and large U.K. and European re/insurance clients.

- Xceedance visualizes and invests time and effort in client-centricity, considering client success as their own.
- Xceedance's globally distributed model, with teams available onshore, nearshore and offshore, provide services almost 24/7.
- Xceedance has set up a large center in Krakow, Poland to provide nearshore capabilities for all its U.K. and European insurance clients.
- The U.K. and European markets reflect a considerable balance of Reinsurance, P&C and Life insurance clients for Xceedance.
- Its clients rely on the company to launch new products, drive operations, implement cutting-edge technology, deploy advanced analytics and achieve process efficiencies.

Future roadmap

- Xceedance recognizes Continental Europe as a significant region for ITO services due to its lack of digitalization. It considers the region ideal for core systems transformation as most small- and mid-sized insurers rely on outdated legacy systems.





Appendix

Methodology & Team

The ISG Provider Lens™ Insurance Services 2022 analyzes the relevant software vendors/service providers in the European market, based on a multi-phased research and analysis process, and positions these providers based on the ISG Research methodology.

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The research and analysis presented in this report includes research from the ISG Provider Lens program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that ISG believes to be current as of September 2022, for providers who actively participated as well as for providers who did not. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars (\$US) unless noted.

The study was divided into the following steps:

1. Definition of Insurance Services 2022 BPO and ITO European market
2. Use of questionnaire-based surveys of service providers/ vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities and use cases
4. Leverage ISG's internal databases & advisor knowledge & experience (wherever applicable)
5. Use of Star of Excellence CX-Data
6. Detailed analysis & evaluation of services & service documentation based on the facts & figures received from providers & other sources.
7. Use of the following key evaluation criteria:
 - * Strategy & vision
 - * Tech Innovation
 - * Brand awareness and presence in the market
 - * Sales and partner landscape
 - * Breadth and depth of portfolio of services offered
 - * CX and Recommendation



Author & Editor Biographies

Lead Author



Ashish Jhajharia
Lead Analyst

Ashish has experience and learnings from more than two decades in the global insurance and reinsurance industry, with leading management consulting firms and in various capacities. He has been involved in a spectrum of assignments related to strategic research, changes in regulatory frameworks, business and digital transformation, customer experience reinvention, operating model and business design, core systems replacement, and sourcing strategy.

With ISG, he is leading the ISG Provider Lens™ (IPL) Insurance Services and Platforms Study for the U.S. and Europe (including the U.K.) regions.

Research Analyst



Sandhya Hari Navage
Research Analyst

Sandhya Navage is a research specialist at ISG and is responsible for supporting and co-authoring Provider Lens™ studies on insurance services and power and utilities services. She has experience in creating actionable insights and value-added competitive analysis for multiple industries including insurance, banking, financial services, manufacturing and energy

and utilities. She is responsible for supporting research authors and authoring blogs, enterprise content and the global summary report with market trends and insights.



Author & Editor Biographies



IPL Product Owner

Jan Erik Aase
Partner and Global Head – ISG Provider Lens™

Mr. Aase brings extensive experience in the implementation and research of service integration and management of both IT and business processes. With over 35 years of experience, he is highly skilled at analyzing vendor governance trends and methodologies, identifying inefficiencies in current processes, and advising the industry. Jan Erik has experience on all four sides of the sourcing and vendor governance lifecycle - as a client, an industry analyst, a service provider and an advisor.

Now as a partner and global head of ISG Provider Lens™, he is very well positioned to assess and report on the state of the industry and make recommendations for both enterprises and service provider clients.



About Our Company & Research

Provider Lens™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally.

For more information about ISG Provider Lens™ research, please visit this [webpage](#).

Research™

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