

# Insurance Services

## Insurance ITO Services

A research report comparing provider strengths, challenges, and competitive differentiators

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### **BPO, TPA and ITO providers are supporting U.S. insurers**

The U.S. insurance industry, like other regions, continues to face challenges pertaining to losses resulting from pandemic-related claims, climate change risks, rising operation costs, claims inflation, and cyberattacks. These are compounded by energy scarcity, rapid inflation, geopolitical tensions, increased need for operational readiness for regulatory changes, and changing customer expectations. The world has entered a new era that has become structurally different over the past 30 years.

Insurers have come under immense pressure to address the rapid changes in customer expectations and regulatory activism amid their limited technology landscape. The industry is already reeling under the sharp drop in non-operational profits resulting from falling interest rates, stricter conduct-based regulations, and increased actuarial reserves and provisions. Such factors pose a major operational challenge, impacting the profitability of insurers.

In their quest to address these challenges and drive value creation, insurers are trying to reimagine, reinvent, and reposition themselves to remain sustainable in the mid- to long-term. They find that continuously rearchitecting their workforce is the best solution to these challenges. Furthermore, they need to manage this efficiently by modernizing their end-to-end technology stack and finding suitable partners to develop

# Rearchitecting the workforce can facilitate higher value creation.



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efficient solutions, along with interesting execution and delivery models that address changing customer expectations.

Customer advocacy is becoming a key ingredient for designing improved customer experience (CX), which is now a very competitive battleground, and insurers who lag on CX will do so at their peril.

At the same time, this has created a multi-fold challenge for insurers as they strive to balance the priorities of maintaining operations under the pressure of escalating claims, increased employee attrition, and hiring and retention issues, while keeping costs under control.

Modern technologies such as AI, machine learning, intelligent process automation, cloud, low-code/no-code, and advanced analytics can resolve many of these issues. However, they can lead to new problems. Because competitors deploy

these technologies more rapidly, it creates a competitive disadvantage for others. Hence, the technology differentiation in terms of speed of design and deployment is essential for success, along with the ability to scale up efficiently and cost effectively. This results in an increased and urgent demand for a rearchitected workforce.

BPO and ITO providers are helping insurers to successfully address these issues and meet customer expectations. Customer advocacy has become a key competitive aspect for improving the customer experience. These providers can also act as strategic partners for a rearchitected workforce. Such partnerships can enable insurers to focus more on critical tasks and decision-making processes, thus allowing enterprises to deliver on more critical objectives, saving time and effort.

These providers have thousands of employees with extensive experience and expertise in digital technologies. They can rapidly scale up to major events such as the pandemic-triggered lockdowns and operate 24/7 with a blended delivery model comprising onshore, nearshore, and offshore capabilities. They are also continuously investing in comprehensive upskilling programs to create global capabilities that translate into digital transformation outcomes along with a competitive advantage for their insurance clients.

ISG advisors report that growth in insurance BPO and ITO services has been buoyant for the entire insurance industry over the last few years. This is because a plethora of insurance clients have survived the impacts of the pandemic successfully due to the seamless delivery support and capability of these providers.

Providers that deliver transformational capabilities in the U.S. have matured. They have managed to meet the performance expectations and have ensured high standards of basic operations before delivering more complex operations, including digital transformation.

Moreover, these providers are expanding their services beyond traditional BPO and ITO to encompass strategy, consulting, digital, and operational transformation of services and processes that they already manage. This is driven by an increased interest from insurers to keep innovating and enabling their digital transformation journey.



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Some of the key themes that emerged from this study are as follows:

### **Experiences for all (customer, intermediaries, and employees)**

Given the challenges already noted, insurers and their provider partners should now rethink and innovate the customer journey. This requires the use of design concepts and modern methodologies for building digital products by using user-centric research, better insights from deep analytics, design thinking, agile ways of working and product development, and the “first principles thinking” approach.

Insurance will continue to remain a distribution-led business comprising agents, brokers, bancassurance, aggregators, and insurtech platforms. Driving business growth will be a key aspect for providing a more authentic omnichannel experience.

### **Experiences drawn from insurers as a steppingstone to a more engaging CX**

Poor employee experiences have become more visible given the rising attrition and hiring challenges. This is due to many factors, such as weak organizational cultures, poorly linked incentives, mismatch in expectations, and unclear career paths. Insurance is a knowledge-driven business and people are a critical aspect of it. A poor employee experience can deeply affect morale, impacting the business and customer outcomes.

### **Commoditization vs. cannibalization**

The days of “one size fits all” are rapidly fading. Insurers are realizing that the new generation of digital savvy customers are more engaging. Personalized insurance solutions that can be tailored to customer expectations with scope for higher integration and protection against newer types of risks are necessary.

Catering to these new customers with the right value proposition is a tall order in the present business and IT architecture. It requires considerable experimentation and newer strategies, which get restricted due to the layers of processes and decades of culture within insurance organizations.

Incumbent insurance carriers are thus taking a fresh approach, such as the use of digital twins as a greenfield route with new digital identities and reimagined insurance products that cater specifically to the needs of digital customers. They are also using AI and machine learning technologies to obtain first and third-party data from both internal and external sources for quickly crafting personalized solutions. This can help win new customers through attractive premium offers while effectively managing risk. Also, this doesn’t require the applicant to submit additional application details

because savvy insurers and insurtech are capturing data digitally – for example, uploads from fitness wearables in the case of life and health insurance.

### **Leveraging insurtech innovation with complementary ecosystems for deeper value**

Over the past few years, local and regional insurtech players have established themselves as vital catalysts for innovation in the insurance industry. These start-up companies follow an agile and technology-centric “first principle thinking” approach and are highly adaptive to emerging customer needs. They address the need for refreshed insurance products and services with a B2B SaaS-based approach.

These digital-native businesses are aggressively challenging established insurers with new models and processes



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in a way that is similar to the one followed by fintech in the banking and payments industry. They focus on transforming the traditionally lengthy and unwieldy processes in the insurance sector and are increasingly entering partnerships to create embedded ecosystems and plug-and-play point solutions to insurance clients.

Some of their initiatives include a low-code/no-code light policy approach, journey-building solutions, and agent/broker self-service solutions, AI-based SaaS solutions for claims, underwriting, FWA (fraud, waste and abuse) intelligence, customer engagement automation, and real-time analytics by using data lakes.

### **Use of other intelligent technologies as a strong market differentiator**

This gives insurers a competitive edge in decision making, for efficiently managing their customer acquisition costs and

effectively improving customer retention. New-age technologies can simplify operational processes, improve time and speed to market, enable frictionless straight-through processes, reduce FWA, and increase indemnity savings.

Furthermore, they offer deep insights about operational challenges, the IT landscape, and customer pain points. They help insurers identify the right solutions and operationalize them appropriately in the business and IT environment.

By employing new-age technologies, insurers can focus more on vast data assets and enable effective and faster underwriting, pricing optimization, and risk selection. Providers are responding to their needs by investing heavily in upskilling their staff in these technologies.

### **Increasing appetite to outsource complex processes**

Providers say insurers are looking beyond outsourcing transactional processes, such as customer onboarding or claims handling and are focusing on outsourcing highly skilled insurance domain processes, such as underwriting, actuarial services, and subrogation assessment.

This reflects insurers' confidence in the professional insurance domain experience of providers' staff, backed by their expertise in AI, machine learning, and advanced analytics technologies. Providers have built centers of excellence (CoE) in these domains.

### **A move toward outcome and value-based commercial agreements**

Insurers are beginning to explore contracts where price is based on tangible business outcomes and the

value delivered rather than on input-based factors such as the number of FTEs or number of transactions. They want to manage costs and have some control over the volume and value of the services provided. While such contracts are becoming more common globally, ISG advisors report limited adoption so far by the insurance industry.

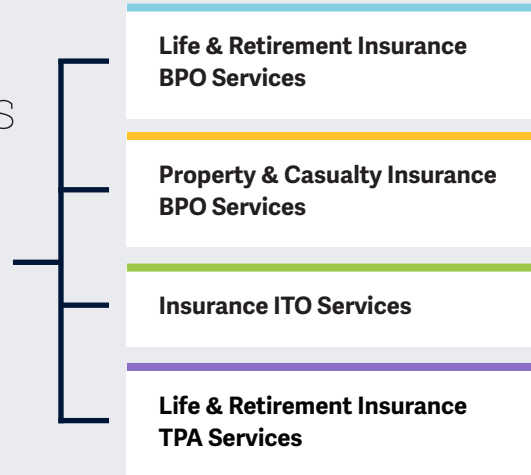
One of the main challenges is that many deals involve a principal provider with multiple provider partners. This extends the efforts involved in constructing such contracts, managing performance, and quantifying the outcomes.

The report shows how these providers are deploying new services, products, and partnerships to address some of the key challenges of U.S. insurance clients.



This study analyzes the critical aspects of BPO/ITO providers in the **U.S. Insurance Industry** in 2022.

Simplified Illustration Source: ISG 2022



## Definition

The outsourcing and technology landscape is changing rapidly and is not limited to backend transaction process 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. In addition, 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 the following four quadrants: Life and Retirement (L&R) Insurance BPO services, Property And Casualty (P&C) Insurance BPO services, Life And Retirement (L&R) Insurance TPA services, and Insurance ITO Services.

This ISG Provider Lens™ study offers IT-decision makers:

- Transparency on the strengths and weaknesses of relevant providers
- A differentiated positioning of providers by segments
- Focus on regional markets

Our study serves as the basis for important decision-making in terms of positioning, key relationships, and go-to-market considerations. ISG advisors and enterprise clients also use information

from these reports to evaluate their existing vendor relationships and potential engagements.

### 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. In case the IT service requirements from enterprise customers differ and the spectrum of IT providers operating in the local market is sufficiently wide, a further differentiation of the IT providers by 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) that 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).







# Insurance ITO Services

# Xceedance

## Overview

Xceedance is a global consulting, technology and data services company focusing on the insurance industry. Headquartered in Massachusetts, the company has over 150 client partners and handles more than 250 insurance operation and technology projects. It has more than 3,000 employees across nine global offices.

### Key Provider Capabilities

- Xceedance focuses on digital solutions, leveraging many proprietary offerings built on intelligent technologies, advanced data analytics and process reengineering tools to improve productivity, policyholder experience and cost optimization across the insurance value chain and policy lifecycle.
- Its **architecture services** are enablers for enterprise architecture and governance.
- Its **custom application development** is focused on bespoke solutions involve partnering with Re/insurance clients in managing technology roadmaps for development and maintenance across the insurance value chain.

- **System integration** helps envision insurer's future with digital transformation by integrating systems and leveraging the power of leading insurance platforms.
- The **Testing CoE** entails continuous quality improvement to institutionalized best practices for in-house testing platforms. This is done by customizing and specializing the testing approach at speed and scale, with an automation framework that can be customized rapidly, to help reduce the rollout time.
- Its **infrastructure services** make it a trusted partner that can seamlessly address the IT support (infrastructure and application) needs of (re)insurance companies with comprehensive solutions.

### Proprietary Insurtech Solutions

- **Smart Clearance** combines the power of AI, ML and RPA/API to automate submission ingestion, sanctions checking and submission clearance, reducing the handling time by nearly 60 percent.
- **Digital Underwriting Assistant (DUA)** is a customer-centric, AI-driven digital assistant that boosts CX and increases operational efficiency across policyholder and broker touchpoints.
- **Digital Workflow Management** is a configurable and scalable low-code platform that helps improve organizational productivity and reduce costs by automating workflow management.

### Benefits Delivered

- **Innovative proprietary insurtech solutions**
- **Flexible, creative engagement models meeting insurance clients' requirements**
- **Cost-effective and streamlined insurance offerings across the business value chain**
- **Strong partnership- and ecosystem-centric services/solutions**
- **Reduction in the total cost of operations and year-on-year cost savings**



# Xceedance

## Sweet Spot

- Xceedance's sweet spot is at the intersection of insurance, digital technologies and BPO services. Its sole focus on and expertise in the insurance industry across the globe help Xceedance understand the market better than the competition. For instance, its technology offerings are related to data and analytics, where understanding the business process is critical to making the right assumptions and hypotheses.
- It offers a comprehensive ecosystem of services — a full spectrum of end-to-end insurance capabilities, for example, consulting, digital, ITO, BPO and proprietary insurtech solutions.
- It offers proprietary solutions to improve operational efficiency and process effectiveness during the digital transformation journey of insurers.
- It primarily serves midsize and large U.S. insurance clients; many of them are mutual insurers.
- Xceedance visualizes client centricity; as it sees clients' success as its own, it invests valuable time and effort in ensuring success.
- Xceedance's globally distributed team ensures onshore, nearshore and offshore availability to provide services almost 24/7.

## Future roadmap

Xceedance invests significantly in proprietary solutions, digital accelerators, product partnerships and talent development to drive customer relevance and value. In the U.S. insurance market, it wants to focus on mutual and captive insurance with its full, diverse spectrum of insurance ITO offerings.

Given its strong focus on the U.S. insurance market, Xceedance must expand its digital offerings and proprietary solutions faster. It must also reduce its overdependence on the U.S. market.





# Appendix

## Methodology & Team

The ISG Provider Lens – Insurance Services analyses the relevant service providers in the U.S. 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 market
2. Use of questionnaire-based surveys of service providers/ vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities & 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

### **\*ISG** 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](#).

### **\*ISG** Research™

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**DECEMBER, 2022**

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