

***ISG** Provider Lens™

Insurance BPO Services

Property & Casualty Services

Australia 2021

Quadrant
Report



A research report
comparing provider
strengths, challenges
and competitive
differentiators

Customized report courtesy of:

DXC TECHNOLOGY

March 2022

About this Report

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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 March 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.

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EXECUTIVE SUMMARY

The urgent challenges facing Australian insurers, and how partnering with BPO providers can lighten the load

Both the Australian property and casualty (P&C) insurance sector and the life and retirement (L&R) insurance sector face a range of urgent challenges. While their products are different, their challenges are largely the same, and the available BPO solutions, technology innovations and digital transformation strategies are mostly similar. The major difference is there are fewer established L&R BPO providers than there are in the P&C sector.

All insurers are challenged to grow their business, respond to heightened customer expectations, fend off intense competition, introduce operational efficiencies and continue adapting to changes resulting from COVID-19.

It's no surprise the Australian insurance segment is undergoing a digital transformation similar to those in other advanced economies. Spurred by competition for new business and increasing customer expectations, the industry is rushing to design and deploy innovative new digital products and service models. Insurers are striving to improve the customer experience, reduce costs and leverage data for competitive advantage. They must provide modern digital experiences to customers and agents at all touchpoints, from application, onboarding and claims across the entire end-to-end process.

In the age of COVID-19, it's also essential that insurers optimize their distribution channels and empower agents with the tools and technologies that support the best possible agent and customer experience. In addition, insurers must exploit their vast data assets to optimize processes, customize the customer experience and inform new product development.

That's a lengthy "to-do" list, and early movers will heap yet more competitive pressures on Australian insurers that lag with their transformation.

The legacy problem facing insurers

A strategic challenge for insurers is that the very nature of the industry spawned legacy operating models that now need to be transformed. Historically, insurers were restricted in their choices of technology – they could only adequately service their millions of customers using large-scale, complex technology such as mainframes and large database servers often located in expensive data centres. They built operating processes (for example, for applications, onboarding or claims handling) to serve their customers based on applications that ran on these legacy technologies. This approach worked fine for a time but wasn't sustainable long-term due to changing customer expectations as

consumers began to get used to better service from more innovative businesses in the insurance sector, or from companies in other sectors.

While insurers strive to become more nimble and responsive to their markets, their legacy systems often impair their competitive potential. Older systems prevent insurers from addressing changing market conditions, shackle innovation, and can be a barrier to introducing new products and services. Additionally, legacy systems often resulted in data stored in a range of different product silos, preventing customer service staff from seeing a full 360-degree picture of a customer's business, which impacts the quality of service.

As well as affecting operational performance, legacy systems are often costly to run, and expensive and difficult to adapt. As a result, many insurers have made strategic decisions to digitally transform rather than evolve their business processes, co-opting modern technologies like analytics, artificial intelligence (AI), machine learning (ML), the IoT and the cloud as components in their solutions. This approach requires people with expertise in these new technologies and experience in insurance industry operations.

BPO providers are part of the solution

Life and retirement and property and casualty insurers are increasingly engaging external service providers to deliver the technology capabilities they need to deliver digital transformation. These providers free internal resources so insurers can focus on more strategic activities instead of trying to extract the necessary functionality from aging, unwieldy and costly systems. Business process outsourcing (BPO) providers bring deep

expertise in essential modern technologies like cloud, AI, robotic process automation (RPA), the IoT, chatbots and other process-enhancing tools as part of their services. There's a growing trend for insurers to use such services either to launch new products on the more modern platforms or to enhance or replace their old systems.

BPO providers can enable insurers to achieve the following objectives.

- **Accelerate business growth:** Partnerships with BPO service providers are helping insurers grow because the providers can help insurers launch products faster. Providers with analytics and data management expertise can use technologies like AI and machine learning to help insurers derive insights from their vast data assets, for example to improve risk management, price more accurately and detect fraud more easily. BPO service providers with advanced analytics capabilities can give insurers a competitive edge through insights from disparate data sources that can help shape product development strategies and tailor specific products to discrete market segments.
- **Meet growing customer experience expectations:** Customer experience (CX) is clearly a competitive differentiator in insurance, where a single bad interaction can prompt a policyholder to change providers. Optimizing the customer experience is essential to achieving growth for insurance organizations (and most other businesses). Today's tech-savvy consumers expect all interactions with their insurers to be frictionless, efficient and mobile, the same level of experience they now expect from online retailers. Many insurance BPO providers offer a variety of technologies that can help insurers streamline customer-facing processes and provide great experiences across contact channels. Many can digitize processes across the policy lifecycle. This means life insurers

can offer prospective policyholders a fast and simple application process with an immediate response, and P&C insurers can enable customers to submit photos of an accident or loss to expedite the claims process. Similarly, BPO service providers can enable an effective and efficient user experience for agents by empowering them with the tools and technologies they need to provide high quality customer experiences.

- **Ramp up operational efficiency:** The right provider can help insurers from all segments meet their objectives and deal with the most pressing issues currently disrupting the industry. Businesses across segments are using insurance BPO services to create efficiencies across the enterprise, accelerate processes, cut costs and reduce technical debt. Policy administration outsourcing, for example, can help insurers improve and streamline operations and, in some cases, automate the insurance policy lifecycle from application to claims. And because BPO services can be executed as required, they enable insurers to quickly scale up or down in response to changing workloads and demand in their business environment, thereby realizing cost savings. Outsourcing also gives insurance organizations access to the latest technologies and skillsets without having to make massive and repetitive capital expenditures, nor hiring permanent and expensive technical staff. It also helps them collaborate and integrate with insurance technology companies, or InsurTechs.

- **Enhance cybersecurity:** Insurers deal with sensitive personal data, including financial, health and medical information. Ensuring the security of policyholder data is of critical importance to insurers because one data breach can have far-reaching and long-term ramifications, including significant reputational and financial damage. Maintaining and enhancing data privacy is always top of mind for insurance organizations and is even more of a concern when contemplating a relationship with an insurance BPO service provider. Many providers have processes and capabilities in place that not only meet but exceed the data protection standards required by numerous regulatory mandates. BPO providers can keep insurers one step ahead of claims fraudsters with sophisticated technologies and tools.

Introduction

Simplified Illustration



Source: ISG 2021

Definition

Insurance coverage can be invaluable to policyholders; however, it is not a tangible product but a contract between insurer and insured. Insurance is a risk management plan for businesses, individuals and other entities that pay premiums to offset financial exposure due to a potential future event or circumstance or to ensure a financial payout in the event of a loss of life or damage to property. A homeowner's policy, for instance, can give policyholders some peace of mind that they are covered if their home is damaged by a weather event and protects them from personal liability if someone is injured on their property.

Some types of policies are not just encouraged but mandated by law. In almost all countries, individuals cannot legally drive without insurance that protects them from damages or liability if they have an accident. And while life insurance isn't required, a life policy can provide a specific sum of money to beneficiaries after the policyholder's death to support survivors and take care of final expenses.

Definition (cont.)

Property insurance provides an individual or other entity with financial protection or reimbursement in the event of losses or damage to property caused by fire, theft, weather or catastrophic events. Casualty insurance is a broad category of insurance coverage that protects individuals and entities against financial losses if they are legally liable for an accident or other event that results in personal injury or property damage.

Life insurance provides financial protection for beneficiaries and survivors. Life insurance payouts can also be used to accomplish other financial objectives of the insured upon their demise such as making gifts to charities or funding relatives' education. Retirement products include annuities that can provide a retiree with regular, planned financial payouts, supplemental medical insurance that can cover medical expenses not covered by Medicare, and long-term care insurance that can help ensure that aging individuals will be able to cover their personal care as they age.

Insurance organizations strive to provide the market with relevant, personalized products and service offerings, while maintaining profitability and achieving growth. Both life and retirement and property and casualty insurers must meet the end-to-end needs of increasingly demanding customers via any contact channel.

In a heated and competitive marketplace, insurance organizations want to develop innovative products and services and get them to market quickly. These companies

also want to achieve operational efficiencies and hold down costs. Insurance companies look to advanced technologies to help them achieve their goals. Acknowledging the value of digital technologies, insurers are in various stages of digital transformation and adopting and implementing automation, artificial intelligence and cloud solutions, for example.

These organizations are increasingly turning to outsourcing partners to help them realize their objectives. Whether they provide L&R products, including individual and group supplemental products, or P&C products, enterprises recognize the value that external providers can offer. The current outsourcing landscape is changing and is not limited to merely backend services. Carriers are partnering with providers that can help them transform and grow their businesses.

Insurance enterprises are becoming increasingly open to forming long-term, mutually beneficial relationships. Digital transformation has become a priority for insurers, and most organizations are in some stage of their digital journey. To stay relevant, insurers must embrace digital technologies such as automation, AI and cloud solutions.

ISG evaluated outsourcing providers in terms of their ability to support insurance companies in the following areas:

- Business process outsourcing (BPO) services such as customer care centers, new business support, policyholder services, claims processing, actuarial and support for other insurance processes.

Definition (cont.)

- Policy administration system (PAS) software that provides the processing platform for insurance policy administration, either as a software license or via a software-as-a-service (SaaS) model.
- Business process-as-a-service (BPaaS) services are bundled together to provide insurance companies with an all-encompassing BPaaS, typically through a licensed provider or third-party administrator (TPA).

This ISG Provider Lens™ study offers insurance carrier decision-makers the following:

- 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
- A perspective on the U.S. and Australian markets

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.

Scope of Report

ISG uses a holistic approach to assess insurance BPO that includes:

- Strategy and management, including strategic management, pricing, product sales and marketing
- Front- and middle-office services, including research and analytics, actuarial and modeling, investment management and sales support
- Back office/transaction processing including underwriting, policyholder services and claims processing

Provider Classifications

The provider position reflects the suitability of IT 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 5,000 or more employees or revenue above \$1 billion, with activities worldwide and globally distributed decision-making structures.

Provider Classifications

The ISG Provider Lens™ quadrants are created using an evaluation matrix containing four segments (Leader, Product & Market Challenger and Contender), and the providers are positioned accordingly.

Leader

Leaders have a comprehensive product and service offering, a strong market presence and established competitive position. The product portfolios and competitive strategies of Leaders are strongly positioned to win business in the markets covered by the study. The Leaders also represent innovative strength and competitive stability.

Product Challenger

Product Challengers offer a product and service portfolio that reflect excellent service and technology stacks. These providers and vendors deliver an unmatched broad and deep range of capabilities. They show evidence of investing to enhance their market presence and competitive strengths.

Market Challenger

Market Challengers have a strong presence in the market and offer a significant edge over other vendors and providers based on competitive strength. Often, Market Challengers are the established and well-known vendors in the regions or vertical markets covered in the study.

Contender

Contenders offer services and products meeting the evaluation criteria that qualifies them to be included in the IPL quadrant. These promising service providers or vendors show evidence of rapidly investing in both products and services and a sensible market approach with a goal of becoming a Product or Market Challenger within 12 to 18 months.

Provider Classifications (cont.)

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).

Rising Star

Rising Stars have promising portfolios or the market experience to become a Leader, including the required roadmap and adequate focus on key market trends and customer requirements. Rising Stars also have excellent management and understanding of the local market in the studied region. These vendors and service providers give evidence of significant progress toward their goals in the last 12 months. ISG expects Rising Stars to reach the Leader quadrant within the next 12 to 24 months if they continue their delivery of above-average market impact and strength of innovation.

Not In

The service provider or vendor was not included in this quadrant. Among the possible reasons for this designation: ISG could not obtain enough information to position the company; the company does not provide the relevant service or solution as defined for each quadrant of a study; or the company did not meet the eligibility criteria for the study quadrant. Omission from the quadrant does not imply that the service provider or vendor does not offer or plan to offer this service or solution.

Insurance Services - Quadrant Provider Listing 1

	Life & Retirement Services	Property & Casualty Services
Accenture	● Leader	● Contender
Acquire BPO	● Not In	● Contender
CCI	● Not In	● Contender
Cognizant	● Market Challenger	● Market Challenger
Concentrix	● Not In	● Contender
DXC	● Market Challenger	● Leader
EXL	● Leader	● Leader
Genpact	● Leader	● Rising Star
Infosys	● Contender	● Product Challenger
TCS	● Contender	● Product Challenger
Tech Mahindra	● Contender	● Not In
Wipro	● Rising Star	● Not In
WNS	● Product Challenger	● Leader
Xceedence	● Not In	● Rising Star



Insurance BPO Services Quadrants

ENTERPRISE CONTEXT

Property & Casualty Services

This report is relevant to enterprises in Australia for evaluating providers that offer property and casualty (P&C) business process outsourcing services. In this quadrant report, ISG assess the current market positioning of providers offering P&C insurance BPO services in Australia, based on the depth of their service offerings and market presence. Today, many enterprises in the insurance sector leverage digital innovations such as data-driven insurance and advanced ecosystems. They are looking for service providers that have significant expertise in the areas of distribution, underwriting, claims and policy administration, operations and other digital insurance operations. They also want support for a wide range of personal and commercial lines (such as policy administration, underwriting and audit support, new business, customer service, claims management, clinical and billing and customer service).

Who should read this report:

Marketing and sales leaders should read this report to understand the relative positioning and capabilities of service providers that can help them build and manage complex business management for improving their business data analysis and decision making.

Operational leaders and finance leaders should read this report to understand the relative positioning of service providers and thus engage with the right partner that can ensure high returns on investment and business performance improvements.

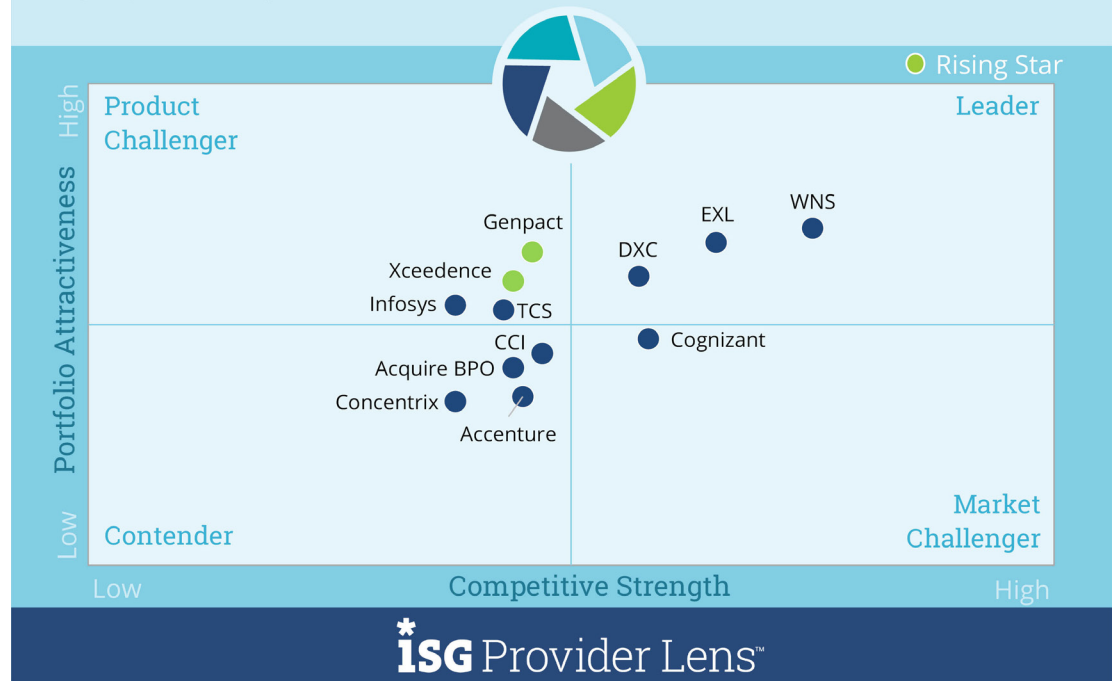
PROPERTY & CASUALTY SERVICES

Definition

Property and casualty (P&C) outsourcing services include consulting, technology enablement and managed services across coverage areas that include auto, theft, property and natural catastrophes. ISG evaluated P&C outsourcing providers based on the extent of support offered across various areas that include backend services, front and middle office support, and other support services. With enterprises looking to modernize their services and improve customer management, we focused heavily on technology enablement, as this is a key to enhancing customer experience across the P&C lifecycle. Providers that offer omnichannel, analytics, cloud, automation and similar services to facilitate transformation can make a dramatic difference in insurance organizations' efforts to boost customer experience and improve insurance services.

Insurance BPO Services
Property & Casualty Services

2021
Australia



Source: ISG Research 2021

PROPERTY & CASUALTY SERVICES

Eligibility Criteria

- Provides transaction processing or managed services for P&C services that cover personal and commercial property and casualty products
- Manages end-to-end P&C insurance processes and demonstrates strong domain expertise
- Possesses expertise in enablement with digital technologies, including automation, cloud technologies and applications
- Offers industry solutions and forms industry partnerships

Observations

Of the 12 providers in this quadrant, three were rated as leaders and two as Rising Stars:

- **DXC Technology** provides outsourced services across the spectrum of P&C processes including product management, marketing, acquisition, customer service, underwriting, policy administration, claims, analytics and reinsurance, and has been providing P&C services in Australia since 2002. It operates three delivery locations in Australia.
- **EXL's** investments in partnerships to leverage analytics, AI, automation and customer experience in building transformative BPO services stand it in good stead to continue its growth in the Australia and New Zealand region – where it has grown by 35 percent over the past four years.
- **WNS** collaborates with clients to provide services spanning front, middle and back office operations for both personal and commercial P&C insurance products. Its domain experience in the Australian P&C market, strong client portfolio and wide range of service offerings makes the company a clear leader.

PROPERTY & CASUALTY SERVICES

Observations (cont.)

- While operating critical business processes has traditionally been the bread and butter of Rising Star **Genpact's** business, it is now ramping up its capabilities to help clients transform existing process. It is one of the longest established providers in the region, having offered P&C BPO services in Australia since 2006.
- **Xceedance** specializes entirely in insurance services, and it has leveraged its deep domain knowledge to grow rapidly since launching in the Australian market in 2016. It is rated a Rising Star in this quadrant.



DXC TECHNOLOGY

Overview

DXC Technology is a global information technology services and consulting company headquartered in Ashburn, Virginia. Its staff of 130,000 delivers services to 6,000 customers across 70 countries. The insurance industry segment makes up US\$3.3 billion of the company's total revenues of US\$17.7 billion. It has more than 2,000 insurance-specific employees globally supporting over 100 P&C clients.

Strengths

Longstanding insurance industry expertise: DXC Technology has been a leader in the global insurance BPO business for more than 35 years. Its Australian operation can draw on deep P&C insurance domain experience and IP from its large team of specialist insurance professionals servicing global clients. It can also generate solutions and solutions from engagements like the strategic deal with Lloyd's Market Association (LMA), and the International Underwriting Association (IUA) to deliver Lloyd's Blueprint Two, heralded as the world's most advanced digital and technology-led insurance marketplace.

Broad range of offerings and presence in Australia: DXC started providing P&C services in Australia in 2002, and provides outsourced services across the whole gamut of property and casualty processes including product management, marketing, acquisition, customer service, underwriting, policy administration, claims, analytics and reinsurance. The company operates three delivery locations in Australia.

Flexible operating model: DXC will provide BPO services using either the client's own technology platform, or third-party platforms, or DXC's own Assure platform.

Caution

While DXC is one of the largest providers of insurance BPO services, it needs to keep innovating to arrest its gradually declining revenues from 2018 (US\$21.7 billion) to 2021 (US\$17.7 billion).



2021 ISG Provider Lens™ Leader

DXC Technology's extensive experience in P&C insurance BPO in Australia, together with its flexible operating models, mark it as a leading provider in this region.



Methodology

METHODOLOGY

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

The study was divided into the following steps:

1. Definition of Insurance BPO 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 and use cases
4. Leverage ISG's internal databases and advisor knowledge and experience (wherever applicable)
5. Detailed analysis and evaluation of services and service documentation based on the facts and figures received from providers and other sources.
6. Use of the following key evaluation criteria:
 - Strategy and Vision
 - Innovation
 - Brand Awareness and presence in the market
 - Sales and partner landscape
 - Breadth and Depth of portfolio of services offered
 - Technology Advancements



Authors and Editors



Angus Macaskill, Author

Lead Analyst

Angus Macaskill brings than 30 years' experience to ISG in the technology, media, and market research sectors. Prior to his move into tech media and market research Angus spent 15 years working at ICT vendors where he held technical, project management, sales and marketing and product management roles in global ICT corporations. As Product Manager, Health Industry Solutions, at Fujitsu NZ Angus was instrumental in driving Fujitsu to become the leading IT supplier to the NZ Health sector. Angus recently finished up a 3-year stint on the leadership team at 3P Learning, a global Ed Tech SaaS business delivering apps and content to over 6 million users. As Product Manager, Angus helped to transform the business and grow new markets.



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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 research director, Partner and Global Head — 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.

ISG Provider Lens™ | Quadrant Report

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