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Executive Summary
Introduction to the HfS Blueprint Report: Insurance BPO

- The Insurance BPO HfS Blueprint Report is the first application of HfS Blueprint methodology on the insurance vertical. Unlike other quadrants and matrices, the HfS Blueprint identifies relevant differentials between service providers across numerous facets in two main categories: innovation and execution.

- HfS Blueprint Report ratings depend on a broad range of stakeholders with specific weightings based on 1,355 crowd-sourced responses. Stakeholders include:
  - BPO Enterprise Buyers
  - BPO Service Providers
  - BPO Industry Influencers (sourcing advisors)
  - HfS Analysts
Research Methodology
Research Methodology

Data Summary

- More than 1,000 data points were collected from more than 220 live multi-process insurance BPO contracts, covering 16 major service providers.
- Data was collected in Q3-Q4 of 2013, covering buyers, providers, and advisors/influencers of core insurance BPO services.

This Report is Based On:

- **Tales from the Trenches:** Interviews with buyers who have evaluated service providers and experienced their services. Some are supplied by service providers, but many are interviewed through interviews conducted with HfS Executive Council members and participants in our extensive market research.
- **Sell-Side Executive Briefings:** Structured discussions with service providers were intended to collect data necessary to evaluate their innovation, execution and market share, and deal counts.
- **HfS “State of Outsourcing” Survey:** The industry’s largest quantitative survey, conducted with the support of KPMG, covering the views, intentions, and dynamics of 1,355 buyers, providers, and influencers of outsourcing.
- **Publicly Available Information:** Financial data, website information, presentations given by senior executives, and other marketing collateral.

Participating Service Providers
# Insurance BPO Services Definitions

## Insurance Value Chain – Core Processes

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel Support</td>
<td>Agency Renewal</td>
<td>Core claims processing functions - Claims notice, adjudication, pricing</td>
<td>Policy set-up and maintenance - Policy inquiry, set-up, change, issuance, cancellations, reinstatement, change in beneficiaries</td>
<td>Underwriting support</td>
<td></td>
</tr>
<tr>
<td>Quotes</td>
<td>Commission Billing</td>
<td>Payment analysis - Claims overpayment and recovery, Fraud and Abuse</td>
<td>Premium processing and administration</td>
<td>Risk analytics</td>
<td></td>
</tr>
<tr>
<td>Premium Calculations</td>
<td>Agency Billing</td>
<td>Billing - Payment processing, collections, declines/cancellations, subrogation</td>
<td>Billing - Payment processing, collections, declines/cancellations</td>
<td>Actuarial Statutory Reporting</td>
<td></td>
</tr>
<tr>
<td>Sales/Quotes acceptance &amp; conversion</td>
<td>Broker Collections</td>
<td>Claims analytics</td>
<td></td>
<td>Reinsurance</td>
<td></td>
</tr>
<tr>
<td>Customer Retention/ Cross and up-sell</td>
<td></td>
<td></td>
<td></td>
<td>New Product Analytics</td>
<td></td>
</tr>
<tr>
<td>Customer/Marketing/Sales Analytics</td>
<td></td>
<td></td>
<td></td>
<td>Underwriting and pricing analytics</td>
<td></td>
</tr>
<tr>
<td>(Hit ratio, retention)</td>
<td></td>
<td></td>
<td></td>
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</table>

**HfS Value Chain Definition:**

Value chain refers to the series of departments that carry out value-creating activities to design, produce, market, deliver, and support a company’s product or service. In this usage, we refer to the range of primary processes and support services that providers offer to their clients.
Key Factors Driving the HfS Blueprint

Evaluation Criteria

Two major factors:

• **Execution** represents service providers’ ability to deliver services. It includes:
  – Solutions in the Real World
  – Quality of Customer Relationships
  – Flexibility

• **Innovation** represents service providers’ ability to improve services. It includes:
  – Vision for End-to-End Process Lifecycle
  – Concrete Plans to Deliver Value Beyond Cost
  – Leveraging External Drivers

Criteria Weighting

Criteria are weighed by crowdsourcing weightings from the four groups that matter most:

• Enterprise Buyers (revenues >$5B) (20%)
• Buyers (20%)
• Service Providers (30%)
• HfS Research Analysts Team (20%)
• Advisors, Consultants, and Industry Stakeholders (10%)

Weightings from this report come from HfS’s January 2013 State of Outsourcing Study
How the HfS Blueprint Scores are Compiled

After service providers respond to HfS’s Blueprint RFI, and after client references and fact checking have been completed, HfS analysts conduct a paired comparisons survey of service providers in each category of evaluation. This can be as many as 1,100+ unique service provider comparisons.

The data/rankings are compiled and compared across all provider comparisons to identify inconsistencies within the scores.

After a further data refinement, the criteria weightings are used to give each service provider a score in each evaluation criteria component.

Once aggregation and scoring are complete, the service providers’ scores are plotted, producing the HfS Blueprint.
HfS Blueprint Scoring Percentage Breakdown

<table>
<thead>
<tr>
<th>EXECUTION</th>
<th>78.91%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Customer Relationships</td>
<td>33.99%</td>
</tr>
<tr>
<td>Quality of Account Management Team</td>
<td>12.63%</td>
</tr>
<tr>
<td>How Service Providers Engage Customers and Develop Communities</td>
<td>10.78%</td>
</tr>
<tr>
<td>How Service Providers Incorporate Customer Feedback</td>
<td>10.58%</td>
</tr>
<tr>
<td>Real-World Delivery Solutions</td>
<td>21.06%</td>
</tr>
<tr>
<td>Actual Delivery of Services for Each Sub-Process</td>
<td>8.23%</td>
</tr>
<tr>
<td>New Business</td>
<td>1.65%</td>
</tr>
<tr>
<td>Agency Management</td>
<td>1.65%</td>
</tr>
<tr>
<td>Claims Administration</td>
<td>3.94%</td>
</tr>
<tr>
<td>Policy Serving</td>
<td>3.94%</td>
</tr>
<tr>
<td>Actuarial and New Product Development</td>
<td>1.65%</td>
</tr>
<tr>
<td>Geographic Footprint and Scale</td>
<td>3.18%</td>
</tr>
<tr>
<td>Usefulness of Services to Specific Client Needs of All Sizes</td>
<td>8.01%</td>
</tr>
<tr>
<td>Flexibility to Deliver End-to-End Solutions and Point Solutions</td>
<td>3.79%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INNOVATION</th>
<th>21.09%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision for End-to-End Process Lifecycle</td>
<td>5.76%</td>
</tr>
<tr>
<td>Concrete Plans to Deliver Value Beyond Cost and Investment in Future Capabilities</td>
<td>2.67%</td>
</tr>
<tr>
<td>Integration of Technology Into Business Process</td>
<td>2.02%</td>
</tr>
<tr>
<td>Continuous Improvement Methodology and Capability</td>
<td>1.07%</td>
</tr>
<tr>
<td>Vision for Industry-Specific Solutions</td>
<td>9.72%</td>
</tr>
<tr>
<td>Ability to Leverage External Value Drivers</td>
<td>5.62%</td>
</tr>
<tr>
<td>Leverage New Technology, Security, Social Media, Mobility, and Cloud Capabilities</td>
<td>3.98%</td>
</tr>
<tr>
<td>Incorporate Regulatory Requirements Quickly and Proactively</td>
<td>1.63%</td>
</tr>
</tbody>
</table>

| TOTAL | 100.00% |
Execution Definitions

<table>
<thead>
<tr>
<th>EXECUTION</th>
<th>How well does the provider execute on it's contractual agreement and how well does the provider manage the client/provider relationship?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Customer Relationships</td>
<td>How engaged are providers in managing the client relationship based on the following metrics: quality of account management, service provider / client engagement, and incorporation of feedback?</td>
</tr>
<tr>
<td>Quality of Account Management Team</td>
<td>What is the quality level of professional skills in the account management team?</td>
</tr>
<tr>
<td>How Service Providers Engage Customers and Develop Communities</td>
<td>How well does the service provider engage clients and develop client communities?</td>
</tr>
<tr>
<td>How Service Providers Incorporate Customer Feedback</td>
<td>How have service providers taken feedback and incorporated that feedback into their product/solution?</td>
</tr>
<tr>
<td>Real-World Delivery Solutions</td>
<td>Does the solution provided compare favorably to the service agreed upon when taking into account delivery of services for each sub-process and geographic footprint and scale?</td>
</tr>
<tr>
<td>Actual Delivery of Services for Each Sub-Process</td>
<td>Taking into account each sub process and the entire macro process, does each sub-process sum to successful delivery of the service being provided. For example in the Finance and Accounting macro process of Order to Cash, are all sub-processes being delivered upon successfully?</td>
</tr>
<tr>
<td>Geographic Footprint and Scale</td>
<td>Specific to the category, to what degree do service providers have geographic locations that offer strategic value and do they have scale?</td>
</tr>
<tr>
<td>Usefulness of Services to Specific Client Needs of All Sizes</td>
<td>How flexible and experienced are providers when tailoring solutions based on client size, location, and type of solution (end-to-end and single point)?</td>
</tr>
<tr>
<td>Flexibility to Deliver End-to-End Solutions and Point Solutions</td>
<td>How flexible are providers with delivering multi-process end-to-end solutions vs. single point solutions?</td>
</tr>
<tr>
<td>Flexible Pricing Models to Meet Customer Needs</td>
<td>How flexible are providers when determining pricing of contracts? Are they willing to make investments into the client’s firm for long term growth?</td>
</tr>
</tbody>
</table>
### Innovation Definitions

<table>
<thead>
<tr>
<th>INNOVATION</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision for End-to-End Process Lifecycle</strong></td>
<td>The strategy for delivery services to each part of the processes &quot;value chain&quot;. For example, in Finance and Accounting, the components of the value chain may include order to cash, record to report, and procure to pay. In Customer Relationship Management, the components may include outbound service, inbound service, quality, training, workforce management, call routing, self service, and customer insights/analytics.</td>
</tr>
<tr>
<td><strong>Concrete Plans to Deliver Value Beyond Cost and Investment in Future Capabilities</strong></td>
<td>Clear understanding of what value levers exist and how the service provider will deliver that value. Examples of value may include labor arbitrage, technology, analytics, quality, revenue, global scale, and flexibility.</td>
</tr>
<tr>
<td><strong>Integration of Technology Into Business Process</strong></td>
<td>How the service provider integrates applications with manual labor to improve value to clients. Service providers may provide cloud-enabled technology, SaaS, workflow, or analytics applications.</td>
</tr>
<tr>
<td><strong>Continuous Improvement Methodology and Capability</strong></td>
<td>How well does the provider execute on improving business process and capabilities of their solutions?</td>
</tr>
<tr>
<td><strong>Vision for Industry-Specific Solutions</strong></td>
<td>Does the provider have a vision for services specific to certain industries?</td>
</tr>
<tr>
<td><strong>Ability to Leverage External Value Drivers</strong></td>
<td>How well have providers integrated external value drivers into their services? Examples include: cloud solutions, security enhancements, incorporation of regulatory changes, and use of new collaborative tools.</td>
</tr>
<tr>
<td><strong>Leverage New Technology, Security, Social Media, Mobility, and Cloud Capabilities</strong></td>
<td>How well does the provider leverage new technologies / enhancements, mobility functionality, and cloud capabilities into their solutions?</td>
</tr>
<tr>
<td><strong>Incorporate Regulatory Requirements Quickly and Proactively</strong></td>
<td>How well does the provider incorporate the latest regulatory requirements and proactively integrates future regulatory requirements?</td>
</tr>
</tbody>
</table>
Definitions of Types of Innovation Used By Service Providers

Innovation Value Chain

Operational
New to function or division, but achieved elsewhere in client's company.

Incremental
New to client, but achieved elsewhere in client's industry.

Radical
New to client's industry, but achieved in other industries.

Breakthrough
New to client's industry, and fundamentally new to any industry.
Winners Circle and High Performers Methodology

To distinguish service providers that have gone above and beyond within a particular line of delivery, HfS awards these providers a “Winner’s Circle” or “High Performer” designation. Below provides a brief description of the general characteristics of each designation:

- **Winner's Circle:**
  Organizations that demonstrate excellence in both execution and innovation.
  - From an execution perspective, service providers have developed strong relationships with clients, execute services beyond the scope of hitting green lights, and are highly flexible when meeting clients needs.
  - From an innovation perspective, service providers have a strong vision, concrete plans to invest in future capabilities, a healthy cross-section of vertical capabilities, and have illustrated a strong ability to leverage external drivers to increase value for their clients.

- **High Performers:**
  Organizations that demonstrate strong capabilities in both execution and innovation, but are lacking in an innovative vision or execution against their vision.
  - From an execution perspective, service providers execute some of the following areas with excellence, but not all areas: high performers have developed worthwhile relationships with clients, execute their services and hit all of the green lights, and are very flexible when meeting clients needs.
  - From an innovation perspective, service providers typically execute some of the following areas with excellence, but not all areas: have a vision and demonstrated plans to invest in future capabilities, have experience delivering services over multiple vertical capabilities, and have illustrated a good ability to leverage external drivers to increase value for their clients.
Service Provider Capabilities
HfS Blueprint 2014: Insurance BPO Services

INNOVATION

EXECUTION

Winner’s Circle
- Accenture
- Genpact
- IBM

High Performers
- EXL
- TCS
- WNS
- Capita
- Cognizant
- Infosys
- CSC
- Wipro
- Xchanging
- Dell
- Serco
- iGate
- Xerox

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Major Service Provider Dynamics – Highlights

**EXECUTION**

- **Accenture, Genpact and IBM Lead Overall Execution for Insurance BPO**
  - These service providers have robust global delivery capabilities, demonstrated expertise across the core insurance BPO services value chain, have exceptional account management and client engagement efforts.

- **EXL, IBM and WNS are the Most Willing to Make Investments in Client Organizations**
  - Clients are the most confident of these service provider’s abilities to forge strategic partnerships and invest in the engagement for long term growth. These service providers also exhibited the greatest pricing flexibility in our group.

- **WNS Rated the Most Flexible Provider**
  - WNS accrued the highest ratings in our study for flexibility in delivering both end to end and point solutions to insurance clients.

- **IBM, Capita and TCS Lead L&A Execution**
  - These service providers are the most deeply entrenched in the Life & Annuities market. While the majority of work originated around closed book administration, these companies have since expanded their range of services for open books as well for their insurance clients. While Capita and TCS enjoy regional dominance in the UK, IBM is more entrenched in North America.

**INNOVATION**

- **Accenture, EXL and Genpact Lead Overall Innovation for Insurance BPO**
  - These service providers are committed to investing in the insurance vertical and deliver value beyond cost by consistently engaging with their customers on vertical-specific innovations. Their forward-thinking vision for the future scope of insurance BPO has helped clients realize benefits from the use of emerging technologies, continuous improvements efforts and regulatory compliance vigilance.

- **Accenture and CSC Have the Highest Rated Technology Enablers Embedded in Insurance BPO Processes**
  - Accenture and CSC have the most useful technology enablers (dashboards and other tool kits) that act as value adds to BPO delivery. This is an area where most providers fell short due to outdated/unwieldy/feature-light technology enablers.

- **Cognizant, Genpact and Infosys are Pushing the Envelope on the use of External Value Drivers**
  - These service providers have created dedicated centers of excellence/practices to drive the implementation of SMAC functionalities across BPO operations, including core insurance processes. Our study found great strides made by Cognizant, Genpact and Infosys in applying Digital/SMAC capabilities to improve service areas such as channel management, customer insights, risk management, performance analysis, fraud and claims management.
Key Market Dynamics

- **Closed block administration picking back up in Life & Annuities.** The delay in decision making around closed block administration outsourcing is starting to give way to a host of new contracts in the last two years. North American insurers are the source for the vast majority of these deals since 2011.

- **Gradual expansion of scope to include complex processes, but only with certain service providers.** Insurers are continuing to expand the scope of their processes with service providers to include more high-value, complex and core functions such as actuarial and underwriting support, agency network optimization and analytics across areas such as new product, risk and claims. However, service provider capabilities in these service areas are not consistent. Clients are more willing to entrust execution of complex processes to market leading service providers.

- **Most buyers are unimpressed with technology enablers in use today.** Our primary research with a diverse group of insurers across geographies reveals that most buyers are ambivalent about the performance of technology enablers embedded in their BPO operations today (including reporting dashboards and other tool kits). Bar a couple outperformers, service providers need to address client expectations and improve the standard technology enablers provided to their insurance clients.

- **Buyers most swayed by talent management – at the operations level as well as account management.** Insurers are highly vocal about how critical the talent brought in by service providers is to client satisfaction. Account managers are one such layer where buyers appreciate prior insurance industry experience apart from account management skills. Further, the industry knowledge and local domain expertise of BPO teams is highly valued by clients, and cited as one of the most important reasons for client satisfaction.

- **Service providers enjoy regionalized market dominance, esp. for L&A.** Service providers in our study are mostly all regional players with strongholds in a particular geography (North America, the UK and insignificant coverage across other client markets. This is especially the case for the L&A segment where operating models (e.g. TPAs in North America), regulatory bodies and local laws create the need for regional experts.
Service Provider Profile
Genpact

WINNER’S CIRCLE

Market Share: 3.1%

Blueprint Leading Highlights

- Strong Delivery of Policy Serving
- Strong Delivery of Claims Administration
- Strong Ability to Leverage External Value Drivers
- Flexibility to Deliver Both End-to-End and Point Solutions
- Quality of Account Management
- Vision for Industry-Specific Solutions
- Continuous Improvement Methodology and Capability

Strengths

- **Vertical Expertise**: Genpact caters to both P&C and L&A clients, and also supports brokers and reinsurers with services across the value chain. Clients commended the provider’s demonstrable experience and expertise with virtually all core processes.

- **New business and underwriting delivery**: Genpact is one of the few providers with strong delivery today in helping insurers with new business and underwriting support for all lines of business including risk clearance, setup, issuance, premium booking and audit.

- **Account management and client alignment**: Clients greatly value the company’s commitment to aligning with them, matching changing organization structures, roles, etc. Genpact’s leadership team does this to proactively push ‘one’ team culture and improve relationships.

- **Transformation activities**: The transformational activities that Genpact has performed for insurance BPO clients are valued greatly are cited as a key strength, particularly the service provider’s transformational Smart Enterprise Processes (SEP) framework.

Challenges

- **Global delivery expansion**: The vast majority of Genpact’s insurance BPO delivery capabilities are in India. It will need to expand its delivery locations not only to other offshore locations, but to onshore and nearshore locations as well.

- **Pricing models**: Clients encouraged Genpact to improve its focus on exploring other types of pricing models and service delivery models for non-scalable processes, beyond FTE pricing.

- **Technology integration and innovation**: Clients cited that they don’t currently seek Genpact’s help on technology innovations, an area the service provider needs to improve on in the future.

### Relevant Acquisitions/Partnerships

- EmPower Research, 2011
- Headstrong, 2011
- Kofax, 2012 (Partnership)
- Recall, 2012 (Partnership)

### Key Clients

- Leading US Life, Health, Investment and Mortgage insurance provider
- Leading US based provider of P&C Insurance products
- Leading Global Insurance Brokerage firm
- Leading Global Reinsurer
- Top 10 Fortune Global Life Insurance Company
- Ironshore - Top 15 P&C surplus lines provider in the world

### Global Operations Centers

- **Headcount**: 4,800-5,800 (HfS estimate)
- **Locations**: Primarily India, small presence across China, US, Europe and Middle East

### Technology Offered

- Genpact has developed proprietary insurance industry-specific workflow solutions (ProFlow) on BPMS platforms like Appian, Savvion
- FNOL, Dynamic Case Management (toolkits)
About the Author
Reetika Joshi
Research Director, BPO & Analytics Strategies, HfS Research – Pune, India

Overview
• Tracks the BPO and Analytics services markets with a special research interest in verticalized BPO trends.
• Regularly contributes to HfS’ research content in the form of reports, rapid insights and blog posts.
• Supports custom research and strategy projects; analyzing data, supporting client inquiry, conducting regular discussions and briefings with both buyers and providers, providing consultative, analytical and expert support to HfS clients.
• Conducts Blueprint reports on service providers across service areas in global sourcing.

Previous Experience
• Project Manager at the sourcing research wing of business research and consulting firm ValueNotes, encompassing a range of responsibilities including research product design and development for the outsourcing community, managing custom research engagements, developing thought leadership through targeted content and community interaction, and supporting the business development team.
• Research assignments across global sourcing including niche BPO and KPO areas such as analytics, medical transcription, market research and e-learning.
• Served clients through bespoke research engagements including in-depth competitive intelligence studies, market and investment opportunity assessments, demand-side surveys and marketing communication optimization for outsourcing buyers, providers, consultants and investors.

Education
• Reetika holds a Bachelor’s in Business Administration degree from Symbiosis International University, India and a Master’s in Marketing Management degree with Beta Gamma Sigma honours from Aston University, UK.
About HfS Research

HfS Research is the leading independent global analyst authority and knowledge community for the business and IT services industry.

HfS serves the research and strategy needs of business and IT operations leaders across finance, supply chain, human resources, marketing, customer management, and core industry functions. HfS provides detailed and thoughtful analyst coverage of the various areas that impact successful business outcomes, namely, process automation and outsourcing, global business services frameworks, mobility, analytics, and social collaboration. HfS also focuses heavily on talent acquisition, development, and motivation strategies. HfS applies its acclaimed crowdsourced Blueprint Methodology™ to evaluate the performance of service providers in terms of innovating and then executing against those business outcomes.

In addition to researching business operations strategies and their technology enablement, HfS educates and facilitates discussions among the world's largest knowledge community of enterprise services professionals, currently comprising 140,000 subscribers. HfS Research facilitates the HfS Sourcing Executive Council, the acclaimed elite group of sourcing practitioners from leading organizations that meets bi-annually to share the future direction of the global services industry and discuss the future enterprise operations framework. HfS provides sourcing executive council members with the HfS Governance Academy and Certification Program to help its clients improve the governance of their global business services and vendor relationships.

In 2013, HfS was named first in rising influence among leading analyst firms, according to the 2013 Analyst Value Survey, and second out of the 44 leading industry analyst firms in the 2013 Analyst Value Index.

In 2010 and 2011, HfS was named “Analyst of the Year” by the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals, and achieved the distinctive award of being voted the research analyst industry's Most Innovative Analyst Firm in 2012.

Now in its seventh year of publication, HfS Research’s acclaimed blog “Horses for Sources” is widely recognized as the leading destination for unfettered collective insight, research, and open debate about sourcing industry issues and developments.

To learn more about HfS Research, please email research@HfSResearch.com.