



Industry Insight Database

Diligenta Awarded \$2.2bn Life & Pensions Administration Contract by Friends Life

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TCS' life and pensions BPO subsidiary Diligenta has been awarded a 15-year closed block policy administration contract valued at \$2.2bn by Friends Life.

From March 2012, Diligenta will assume responsibility for administration of 3.2m policies covering most of the Friends closed book protection business and a significant part of the corporate benefit business. Almost all of the book will be migrated to the TCS BaNCS platform that supports the majority of Diligenta's current 5m policies under management.

Approximately 1,900 Friend Life employees from various locations in the U.K. will transfer to Diligenta.

Friends Life is a subsidiary of Resolution Ltd and was formed in September 2010 from the merger of the former Friends Provident (acquired in 2009) and AXA's Life businesses (acquired in June 2010)

Analyst comments:

This is the largest L&P BPO contract ever awarded, and by a considerable margin - the previous record was the \$1.1bn Prudential contract awarded to Capita in 2007.

It was a hotly contested bid process lasting some 12 months and with Capita already having a significant presence with its existing £523m BPO contract awarded in May 2009 for the management of 3.2m AXA Sun Life policies.

Diligenta's proven utility model operating on TCS' BaNCS platform was the determining factor in this deal. TCS will be migrating Friends Life from a legacy environment that includes Lamda (Pearl's legacy environment also included Lamda). Diligenta completed the migration of all 3.7m policies for the original Pearl (now Phoenix Group) contract this October. The Diligenta proposition does not use wholesale offshoring, instead driving high levels of automation through the BaNCS platform and standardizing process architectures to reduce operational cost. The Friends Life contract will be the same with the offshoring of any operational roles being very unlikely in the early years.

Friends Life will present some different challenges for Diligenta including its relatively distributed structure with operations spread over seven main sites. However, Diligenta are not new to constructing complex L&P BPO contracts and the very large TCV appears to take these complexities into account. The migration to BaNCS is likely to take 2 to 3 years, at the end of which Diligenta will have nearly 8m policies being managed on a single platform. This will place it in a very strong position to offer a proven utility model both in the UK and Europe.

When the formation of Friends Life was announced, Resolution promised annual cost savings resulting from the integration of £112m. Resolution expects these saving to increase by a further £31m annually as a result of the contract with Diligenta.

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Vendor	Tata Consultancy Services
Organization	Friends Life
Industry	Life Insurance
Country	United Kingdom
Service	Life Policy Services
Contract Value (local currency in millions)	2200
Initial currency type (specify local currency used)	US\$
Contract Value (in \$m at that date)	2200
Contract length (months)	180
Contract Structure	Outsource
Contract start date	2012-03-01
Contract end date	2027-02-01
Contract renewal date	2026-02-01
Contract Nature	New/First time outsource
Bid Approach	Competitive Bid
Service Delivery	Multi-Shore
Level of Process Transformation	High
Number of employees transferred	1900
Acquisition of Assets/Personnel	Yes
Application Bundled	Yes

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