

NEAT EVALUATION FOR TCS:

## **P&C Insurance BPS**

Market Segment: Overall

### **Introduction**

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This is a custom report for TCS presenting the findings of the 2017 NelsonHall NEAT vendor evaluation for Property & Casualty (P&C) Insurance BPS in the Overall market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of TCS in P&C Insurance BPS, and the latest market analysis summary for P&C Insurance BPS.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering P&C Insurance BPS. It allows strategic sourcing managers to assess the capability of vendors across a range of criteria and identify the best performing vendors overall.

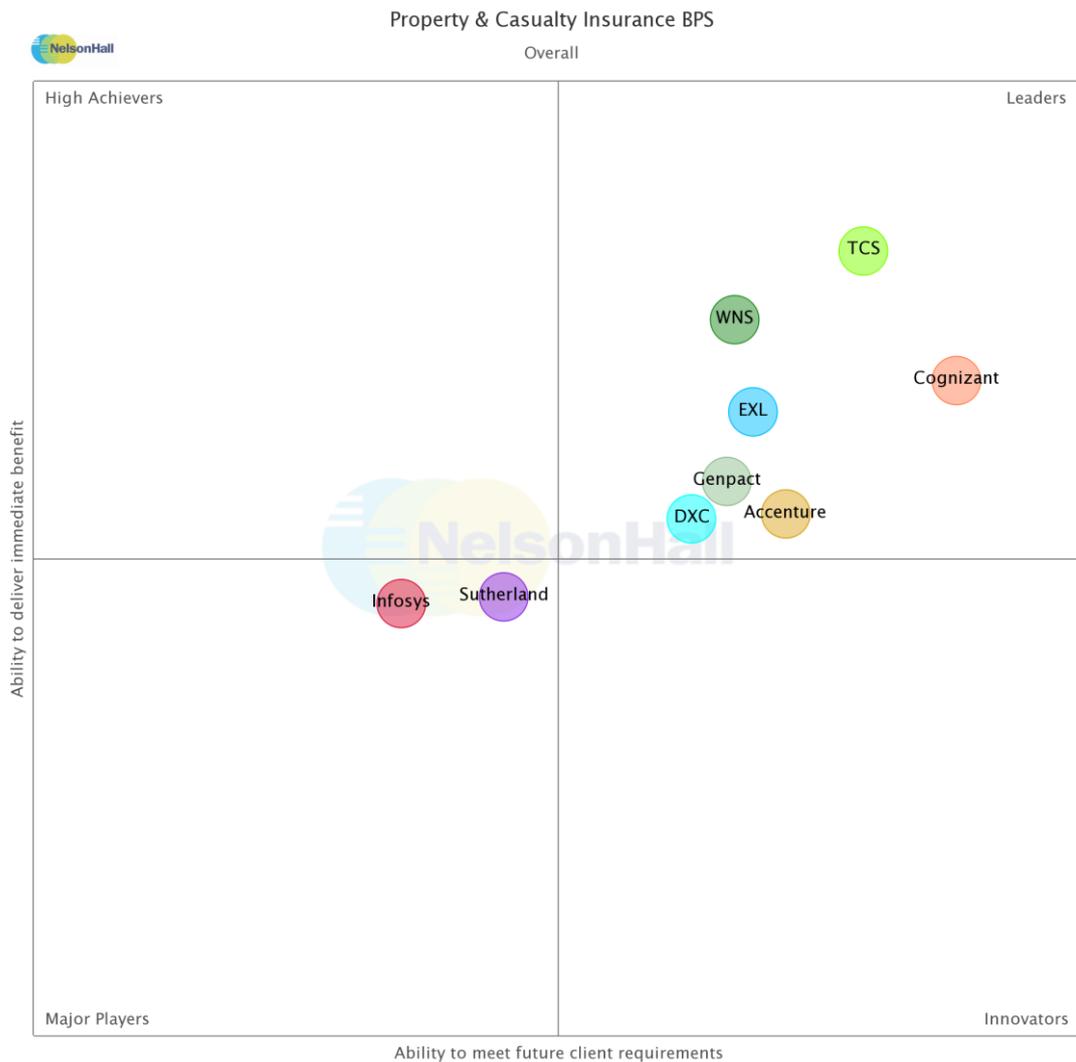
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are Accenture, Cognizant, CSC, EXL, Genpact, Infosys, Sutherland, TCS, and WNS.

Further explanation of the NEAT methodology is included at the end of the report.



## NEAT Evaluation: P&C Insurance BPS



NelsonHall has identified TCS as a Leader in the Overall market segment, as shown in the NEAT graph.

The Overall market segment reflects TCS' overall ability to meet future client requirements as well as delivering immediate benefits to P&C Insurance BPS clients.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the P&C Insurance BPS NEAT tool [here](#).



## Vendor Analysis Summary for TCS

### Overview

Tata Consultancy Services Ltd. (TCS) is a tier 1 BPS player, founded in 1968 and headquartered in Mumbai, India. TCS entered the P&C BPS space in FY 2006, under the entity TCS e-Serve Limited, a subsidiary of TCS, which was later merged with TCS in 2013.

TCS offers property and casualty BPS services in support of the following policy lines:

- Personal: automobile, motorcycle, recreational vehicle, water craft, homeowners, renters, dwelling fire, and condo
- Commercial: general liability, worker's compensation, inland marine, umbrella coverage, boiler and machinery, business automobile, and business property.

TCS delivers its services through three types of operating models for insurers:

- Traditional BPS
- Consulting
- IT services.

TCS has ~2.6k FTEs delivering P&C BPS. TCS employs ~100 FTEs with one or more of the following qualifications: AICPCU, IIA, CII, AINS. As of 2016, TCS does not deliver any of its services through a BPaaS delivery model.

TCS' P&C BPS personal lines insurance clients tend to retain consumer-facing operations in-house, as well as complex tasks for commercial lines, such as CAT modeling and actuarial operations. Processes that are mostly outsourced include payments, subrogation and data reconciliation through shared services models. Even though TCS has CAT modeling capabilities, it does not have any active contracts for this service, as of August 2016.

Also, TCS is more active in contacting personal lines insurance consumers through digital channels, especially for younger individuals, while older consumers tend to prefer manual form data intake.

In terms of pricing models, TCS uses the following: FTE-based (the majority of implementations), transaction-based, and outcome based. Contract lengths range from three to five years, with extension clauses.

### Financials

TCS announced revenues of \$16.55bn for fiscal year 2016, of which 11.6% (\$1.91bn) came from BPS services. Of this figure, NelsonHall estimates TCS' property and casualty BPS revenues at ~\$65m for the FY ending March 2016.

TCS estimates the revenue split for P&C BPS to be 60% for personal lines, 30% for commercial, and 10% for specialty lines, while in terms of geography the majority of TCS' P&C BPS revenues are generated out of the U.S. (97%), with the rest distributed across LATAM and APAC.



## Strengths

- Strong software capabilities in P&C, as well as RPA implementation
- Strong IoT capability and offerings in support of auto insurance
- Ability to leverage strong delivery network capabilities
- Wide implementation of analytics across policy lifecycle
- Investing in services in support of new types of commercial insurance offerings.

## Challenges

- Currently highly dependent on the U.S. market
- Lack of current BPaaS clients in P&C BPS.

## Strategic Direction

TCS will look to target insurers that are digitizing their operations for cost reduction takeout and increased scalability, as well as insurers in need of digital communication channels.

Services which TCS will look to enhance include underwriting, analytics, actuarial and decision sensitive processes. TCS will also invest in experienced personnel for P&C in order to support its digital flood risk assessment services and telematics analytics. TCS is also looking to get into the tier 2 insurers market with premiums under administration of less than \$50bn, and insurers that are mostly regional players in their domain.

TCS is shifting its focus to value based P&C BPS offerings by leveraging mobile applications and big data analytics. It is investing in RPA and AI capabilities while monitoring social media for trend identification and improved customer engagement insights, mostly on personal lines of insurance. It is looking to further enhance its Roboextractor RPA capabilities, in terms of auto-populating and formatting data for legacy platforms.

It is also looking to expand its market share in consulting by hiring and retaining certified personnel. TCS will focus on expanding its market share in Europe (Netherlands, Nordics, Germany), where consulting and IoT based projects have seen increased demand, with BPS opportunities arising as well. TCS will look to address changing regulations by creating new consulting offerings for the European market, since insurers need transformational capabilities to adjust to the changing market. TCS will also try to offer bundled services across back-office and voice in Europe.

It also within TCS' plans to transition towards full BPaaS implementations for its P&C clients in the future.



## Outlook

TCS is an established P&C BPS vendor with a strong relationship with its clients. In order to gain further new business wins, it will need to distinguish its position with offerings in the digital spectrum of personal lines and new commercial products offerings that will replace old-type insurance premiums, which are declining in volume in certain commercial lines (e.g. auto). Its investments in RPA and analytics are on a par with its competition, while further customization and optimization regarding its BaNCS platform for P&C clients is needed, if it wants to win the new type of commercial insurance players that will emerge in the coming years.

## P&C Insurance BPS Market Summary

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### Overview

- Vendors are increasingly being asked to step in to retire legacy platforms or input add-on components, since the consolidation of insurers through M&A is creating disparate assets that hinder operational efficiency through a centralized platform
- P&C BPS vendors are increasingly automating processes in policy admin and claims management in order to reduce manual errors, turnaround time and costs for insurers
- Within personal insurance, there is an increased emphasis on on-demand insurance through mobile applications
- P&C BPS vendors are seeing increased demand for new business and distribution management offerings from mid-market U.S. insurers in need of new operational models as they expand globally
- Approximately 70% of property and casualty BPS is offshored, with India, the Philippines, and Mexico the principal offshore delivery locations
- The majority of services relating to policy servicing and claims that are not client-related can be offshored in India, with particular concentration in the Bangalore and Chennai regions. Processes which are partially retained by carriers onshore include underwriting policy issuance, risk assessment, and independent agent audit
- An estimated 70% of services are delivered from offshore by vendors, with certain voice-related services remaining in the U.S., as clients are likely to prohibit undertaking these processes outside of the country
- Vendors are leveraging centers of excellence predominantly located in Bangalore, as well as partnerships, to further innovate and enhance their offerings in product development and distribution management for new business offerings
- Choice of delivery location stems from vendors' labor arbitrage capabilities, as well as the ability to find experienced and specialized human capital supply concentration, such as analytics experts in India locations
- Spanish speaking FTEs in Latin American countries are increasingly being used in Mexico and Costa Rica
- Cooperation with start-ups is not yet prevalent from a vendor perspective, but is expected to increase in future, as new operational models and capabilities shape this market (e.g. drone insurance, driverless cars, on-demand insurance distribution, and fully digitally operational insurers)
- Analytics are used predominantly in marketing and distribution offerings, as well as in performance metrics for claims and subrogation procedures
- RPA is mostly implemented in data transfers, extraction/enrichment, and rules based processing, wherever there is a manual intensive procedure that is also prone to errors.



## Buy-Side Dynamics

### Drivers for outsourcing policy admin services

P&C insurers need to reduce their combined ratios, either by increasing premium intake with new business initiatives or by reducing incurred losses and expenses, since investment markets are not yielding profits as they used to.

More specifically, main drivers for outsourcing to P&C BPS vendors include:

- Need for cost takeout through process optimization in policy administration and claims management. In addition to traditional labor arbitrage services, companies need to utilize analytics to identify processes which are eligible for optimization
- Need to reduce underwriting costs, through underwriting support so that underwriters can focus on more important parts of their business which involve judgment
- Need to use analytics that can categorize claims and identify cases for increased potential of subrogation recovery
- Need to deploy RPA in order to streamline processes and tackle high turnaround times and backlog issues in claims handling and policy administration, and to increase processing accuracy
- Need to use add-on software on top of legacy administration platforms in order to optimize processes
- Need for data extraction and aggregation tools.

### New business and distribution management outsourcing drivers

Drivers for outsourcing new business origination services include a need for better policy distribution, as well as:

- A need to identify potential market segments for targeted assistance campaigns through analytics, as well as policyholder retention, by analyzing behavior on a case by case basis
- Need to increase and adopt digitization of operating models, with insurers minimizing paper based steps and transactions in new business
- Need to offer new mobile distribution models targeting millennial policyholders in on-demand personal lines
- Need to modernize and personalize policyholder experience/approach through omni-channel customer service.



## Market Size & Growth

NelsonHall estimates that the global property and casualty BPS market was worth ~\$10.1bn in 2016, and is set to grow at a CAAGR of ~5.7% through 2021, reaching ~\$13.3bn in 2020.

Overall, NelsonHall estimates the following growth for the personal lines and commercial lines property and casualty markets in 2016-2020:

- The global personal insurance lines outsourcing market will grow from ~\$3.3bn to ~\$4.9bn with a CAAGR of ~10.2%
- The global commercial insurance lines outsourcing market will grow from ~\$6.7bn to ~\$8.3bn with a CAAGR of ~5.4%.

## Success Factors

Critical success factors in property and casualty BPS include:

- Ability to reduce the cost of distribution through technology offerings (in competition with rising start-ups which have the same goal)
- Ability to redesign operational structures so that insurance carriers can adapt to new business demands and consumer drivers
- Ability to help carriers launch new digital products and services in new markets
- Ability to jointly leverage proprietary BPS and IT capabilities in order to create synergies in a bundled service for full policy lifecycle administration
- Ability to devise new products for carriers whose premium intake volume will go down due to a lesser need for insurance in certain policy lines (auto, aviation, etc.)
- Ability to use analytics for process improvement with examples including reducing average policy handling time, increasing accuracy and savings through RPA
- Ability to increase subrogation recovery through process restructuring and 'best claim case' identification through analytics
- Ability to identify trends in consumer demand through analytics that will increase premium writing and higher per sale/ lead conversion
- Ability to increase CSAT scores and improve retention of existing personal lines policyholders.

## Outlook

- The use of analytics in commercial policy lines will become easier, as alternative operating models emerge
- Automation of processes is moving beyond RPA, with NLP and cognitive technologies increasingly removing manual intervention within exception handling
- New offerings will be rolled out by P&C BPS vendors targeting autonomous car usage, drones, disrupting the norm of commercial insurance in terms of premium calculation, adjudication and subrogation among the involved parties



- P&C BPS vendors will provide more offerings around IoT connected devices that transmit data into both personal and commercial auto policy carriers; this will help them to make more informed decisions based on metrics for premium calculations and adjustments
- Pricing of policies will be carried out through more dynamic models by P&C BPS vendors; with models encompassing algorithms.



## NEAT Methodology for P&C Insurance BPS

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NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.



*Exhibit 1*

**'Ability to deliver immediate benefit': Assessment criteria**

Assessment Category	Assessment Criteria
Offerings	<ul style="list-style-type: none"> <li>Consulting services</li> <li>Claims management</li> <li>FNOL</li> <li>Subrogation</li> <li>Loss adjusting</li> <li>Investigation settlement</li> <li>Policy administration</li> <li>New business</li> <li>Underwriting</li> <li>Agency &amp; broker administration</li> <li>Analytics operations</li> </ul>
Delivery	<ul style="list-style-type: none"> <li>Ability to benchmark your operations &amp; establish a roadmap for driving process excellence</li> <li>Ability to apply design thinking to your P&amp;C operations</li> <li>Ongoing lean/six sigma/process improvement</li> <li>One-off lean six sigma exercises</li> <li>Methodology for property &amp; casualty process transition &amp; change management</li> <li>Application of robotics process automation (RPA)</li> <li>Application of analytics and AI for process improvement</li> <li>Application of analytics and AI for improved consumer insight and outcomes</li> <li>Platform consolidation</li> <li>Use of BPaaS</li> <li>Increased digitalization of processes</li> <li>Application of IoT for policy premium reduction</li> <li>Use of low cost locations for labor arbitrage</li> </ul>
Benefits Achieved	<ul style="list-style-type: none"> <li>Administrative cost reduction</li> <li>Claims cost reduction</li> <li>Reduced leakage due to fraud, waste, and abuse (FWA)</li> <li>Increased customer/policy retention</li> <li>Improved new business conversion rates</li> <li>Improved customer satisfaction</li> <li>Improved (new product) speed-to-market</li> <li>Ability to handle volume fluctuations (peaks and troughs of demand)</li> <li>TAT reduction</li> <li>Enhanced customer insight</li> <li>Improved compliance</li> </ul>



## Exhibit 2

### 'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Suitability as a strategic partner	<ul style="list-style-type: none"> <li>Digitalizing your operations</li> <li>Applying design thinking to your operations</li> <li>Applying robotics process automation (RPA) to your operations</li> <li>Applying BPaaS to your operations</li> <li>Applying analytics and AI to your operations</li> <li>Ability to be proactive with ideas for change</li> <li>Innovation and creativity</li> <li>Applying IoT to your business</li> </ul>

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



[research.nelson-hall.com](http://research.nelson-hall.com)

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