

Ovum Decision Matrix: Selecting an IT Service Provider for the Insurance Sector, 2015–16

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Summary

Catalyst

As insurance carriers respond to the major forces reshaping the industry, the role of IT service provider partners will be becoming increasingly important. This will in turn make the task of identifying, assessing, and engaging the most appropriate choice of IT service provider ever more critical.

This Ovum Decision Matrix (ODM) provides a broad and detailed assessment of nine major IT service providers that have established a strong presence supporting insurance carriers in the development and execution of their IT strategies. It aims to provide a comprehensive view of the IT service provider competitive landscape and support carriers as they consider their IT partner options.

Ovum view

The global insurance industry is undergoing a major restructuring as the impact of radically altered customer expectations, changing demographics, shifting market dynamics, increasingly intrusive regulation, new entrants, and highly disruptive technology is being felt across all markets.

An insurance carrier's response to these fundamental market shifts is crucially dependent on having an effective IT and technology strategy that underpins the organization's wider business strategy. Ovum believes that as carriers struggle to meet these technology challenges, a greater proportion will be driven to look at building long-term, strategic relationships with IT service providers. This will in turn progressively change the nature of the relationship expected from service providers by their insurance carrier clients, which will increasingly move beyond the much-vaunted, but rarely fulfilled, "trusted IT advisor" model.

As the support offered by an IT service provider becomes an increasingly critical element in the effective execution of a carrier's business strategy, making the correct choice of partner – or partners – will become one of the most important decisions to be made by insurance executives, with major long-term implications for carriers.

Key findings

- The widespread view of many insurance carriers that core IT systems should be managed in-house is rapidly eroding.
- The pace and complexity of change within the global insurance market is resulting in IT service providers assuming an increasingly critical role.
- The relationship between insurance carrier and IT service provider is becoming more integrated and preemptive in nature.
- IT service providers are playing an increasingly vital role as a key source of technology innovation for carriers.

Market context

The global insurance sector is undergoing a major restructuring

The insurance industry faces a fundamental restructuring over the next five to 10 years, which presents some significant challenges to which carriers must respond if they are to remain competitive and relevant:

- Insurers are having to accommodate radically changing needs and expectations of insurance carriers as the "digital native" customer, who has never known anything but a mobile, "anytime, anywhere" customer-oriented relationship, becomes an increasingly important segment of the insurance customer base.
- Insurers are having to find ways to continue to grow revenues in the world's largest markets as they become increasingly saturated, and in which premium growth has stalled.
- Some insurers are also attempting to build a market position in fast-growing emerging markets such as India, China, and Latin America.
- Advances in sensor technology, autonomous vehicles, and the Internet of Things (IoT) will profoundly change how many risks are assessed, monitored, and mitigated. This level of change presents significant opportunities for carriers, but also threatens to undermine many traditional insurance offerings.
- These same technologies threaten to erode the specialist underwriting and actuarial expertise and capabilities that carriers have developed over decades, potentially allowing disruptive new entrants to compete in the insurance space. This presents a very significant challenge to incumbent carriers.

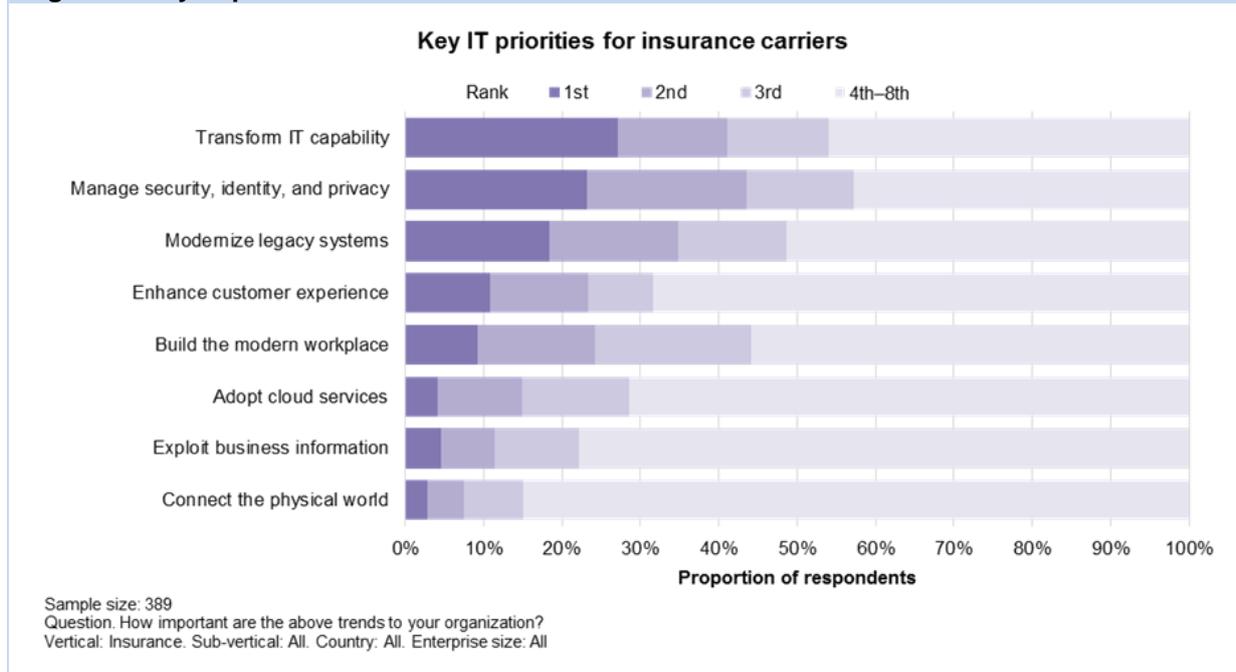
Some of these market forces are not new, but as they come together and combine they are accelerating the pace of change and heightening the urgency with which carriers must respond.

Market challenges are changing the service provider relationship

Although there are numerous examples of carriers developing long-term, strategic partnerships with IT service providers, there has been a tendency within the insurance industry for the development and management of IT systems to be handled in-house. This is particularly the case for those systems deemed as "core," such as policy administration, claims management, and online distribution platforms. However, as the magnitude and pace of the challenges facing the insurance industry become apparent, Ovum is seeing the nature of the carrier and IT service provider relationship change in terms of service requirements, client perceptions, and expectations.

The annual Ovum ICT Enterprise Insight (ICTEI) study, in which nearly 400 senior decision-makers from life and property and casualty (P&C) insurance carriers across key geographic regions were interviewed about the business and IT priorities of their organizations, provides evidence of this changing relationship.

Figure 1: Key IT priorities for insurance carriers



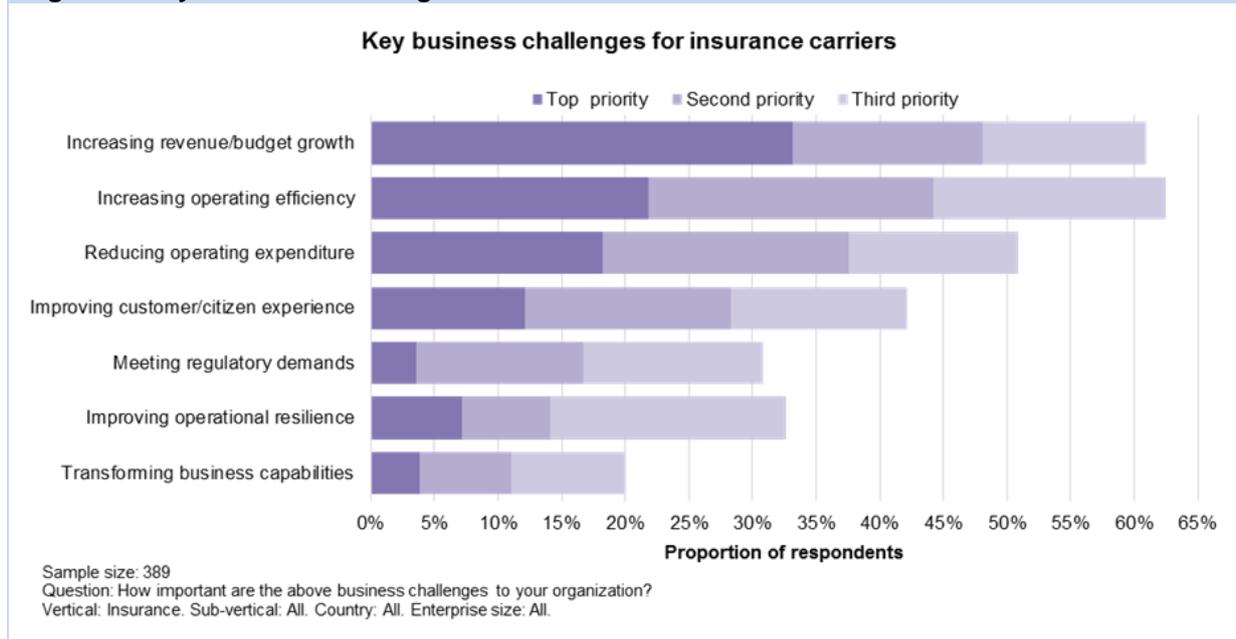
Source: Ovum

Figure 1 shows interviewees' responses when asked to identify their businesses' top priorities. Transforming IT capability emerges as the most important priority, and although this is a broad objective, it does underline the magnitude of the challenges facing carriers. The scale and nature of the organizational change now being demanded of carrier IT groups makes it increasingly unattainable without the active participation and contribution of one or more IT service providers.

The goal of transforming IT capability goes well beyond the traditional IT project often undertaken by an IT service provider. Although these projects, such as implementing a new platform, are technically complex and challenging, they do have a finite scope and clear end point. This is in sharp contrast to a service provider's active involvement in transforming a carrier's ability to compete effectively in a rapidly changing digital insurance market.

Figure 2 illustrates the response when interviewees were asked about the key business challenges facing their organizations. It highlights the complex and often conflicting nature of what carrier CIOs are increasingly being asked to deliver by the business, for example driving revenue growth and improving the customer experience while simultaneously reducing operating costs.

Figure 2: Key business challenges for insurance carriers



Source: Ovum

Figures 1 and 2 illustrate the key priorities and requirements that are driving the changing role of IT service providers in the insurance sector. Although the exact role fulfilled by a service provider will be unique in each situation, Ovum believes a growing proportion of carriers are looking to develop more active and integrated relationships with their service providers.

The increasingly "embedded" nature of the relationship with carrier clients will have some profound implications for IT service providers targeting the global insurance sector. Service providers will need to be able to concurrently address the carrier's cost and efficiency issues within the existing core business while also supporting innovative new business initiatives around products, services, partners, networking, customer interaction, and so on.

As labor arbitrage has ceased to be a differentiating factor, service providers will need to develop a deep understanding of insurance processes to drive major efficiency improvements through the use of tools such as robotic process automation (RPA), machine learning, natural language analytics, and distributed analytics.

Many carriers have struggled to inculcate an "innovation" culture within their organizations; the growing number of carriers directly investing in technology start-ups is an attempt to embed a more innovative, technology-driven mindset within their organizations. Carriers are increasingly looking to service providers to preemptively introduce potential new business initiatives utilizing new technology. Service providers will need to do this within an insurance context, through means such as innovation workshop methodologies, innovation centers, proof of concept (POC) pilots, and jointly funded development.

Ovum Decision Matrix: selecting an IT service provider for the insurance sector

Decision Matrix scope

In this report, Ovum takes a close look at the competitive landscape of IT service providers with a strong focus on supporting insurance carriers from the life, P&C, or health insurance sectors. Although the ODM does not explicitly assess a service provider's capability to support other players in the insurance industry, such as reinsurers, intermediaries (e.g. brokers, managing general agents, etc.) or other groups (e.g. loss adjusters, third-party administrators, or claims management companies), the findings of the report will have some relevance to these types of organizations.

Inclusion criteria

The list of participants assessed in this report is not intended to be exhaustive; however, Ovum believes it is representative and offers readers an in-depth analysis of the leading service providers serving the global insurance sector. A total of nine IT service providers are considered in this report. These are listed in Table 1.

Table 1: Ovum Decision Matrix: IT Service Providers for the Insurance Sector, 2015–16

Market leaders	Market challengers	Market followers
Cognizant	Atos	Dell Services
Computer Sciences Corporation (CSC)	CGI	
Tata Consultancy Services (TCS)	HCL Technologies	
	Infosys	
	Wipro	

Source: Ovum

The decision to include a particular service provider for evaluation in this report is based on the following criteria:

- The service provider must be judged in an initial assessment by Ovum as having mid- to longer-term potential and a sufficient degree of focus on the insurance sector.
- The provider must offer a range of services to the insurance sector that encompasses at least the majority of the following service categories: IT outsourcing; application outsourcing; insurance-specific business process outsourcing (BPO); consulting and systems integration (C&SI) services; and cloud services. Ovum's definition of these service categories is included in the appendix.
- The service provider must be currently supporting at least five insurance carriers as active clients, ideally across more than one of the geographic regions defined in the appendix.
- The participants must provide Ovum with sufficient information to allow an accurate assessment, including the completion of Ovum's request for information (RFI) document, together with a detailed services briefing.

Overall assessment

In this ODM, Ovum provides a summary of each service provider's capabilities based on an assessment of both its overall service offering and its ability to deliver these services in support of insurance carrier clients.

For an insurance client to realize full value from a relationship, it is critically important that the service provider's offering supports the client's overall IT strategy. A decision to select a particular service provider should therefore be based on a broad range of factors, including the degree of alignment between a provider's overall service offering, domain knowledge, and supporting technology on the one hand, and the carrier's own particular project scope, organization size, and location on the other. As a result, Ovum's view should only be taken within the context of a carrier's specific business and IT requirements.

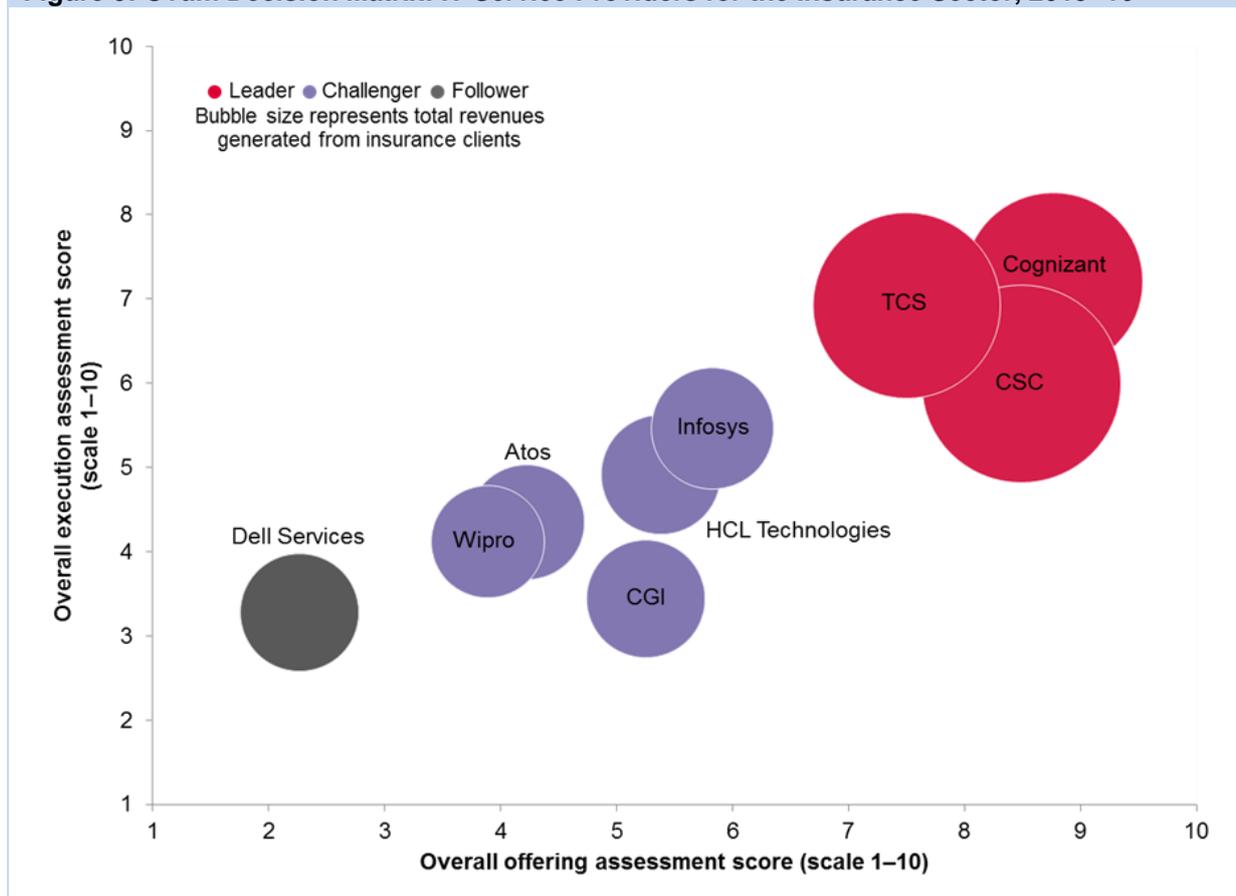
Assessment methodology

Ovum's view as to a service provider's relative positioning in comparison with the group being considered in this report is based on a number of sub-criteria that are combined to derive an "offering assessment" score and an "execution assessment" score. These assessments are based on the following methodology:

- Based on Ovum's initial assessment of service providers with a strong insurance sector focus, a number of service providers were invited to respond to a detailed RFI that required them to provide data and supporting documentation on the primary offering and execution criteria.
- Analysis of the primary offering and execution assessments was based on a scoring scheme derived from a number of sub-criteria examining individual aspects of the overall service offering.
- Weightings are used in the analysis to calculate scores for both sub-criteria and primary criteria. The relative importance of the weightings is informed by Ovum's interactions and discussions with various players in the insurance industry.

The overall position of each vendor considered in this report is shown in Figure 3, which plots the offering score along the horizontal axis, and the execution score on the vertical axis. The size of the bubble in Figure 3 is proportional to the service provider's total revenues generated from its insurance clients.

Figure 3: Ovum Decision Matrix: IT Service Providers for the Insurance Sector, 2015–16



Source: Ovum

Cognizant, CSC, and TCS are the market leaders in support of the insurance industry

Cognizant, CSC, and TCS emerge as clear market leaders within the insurance sector among the service providers assessed. All three vendors offer a strong, comprehensive service portfolio that is very relevant to the requirements of the insurance sector. All have the scale and capabilities to meet the most complex, pan-regional requirements of the largest insurance clients.

Service mix and regional footprint are key factors when selecting a market challenger

All the service providers within the market challenger group (Atos, CGI, HCL Technologies, Infosys, and Wipro) exhibit a similar size and presence within the insurance sector, with offering and execution scores lying within a relatively narrow range. The slight exception is CGI, which has a lower execution score, reflecting its smaller service delivery scale relative to some other vendors.

Each vendor in this group has a varying service category focus and regional profile, and should be a strong consideration for insurance carriers, particularly if these align with the client's requirements. All service providers in the market challenger category have proven capabilities to support insurance carriers, especially large regional or pan-regional players.

Dell Services is a market follower due to a less comprehensive services portfolio

Dell Services is positioned as a market follower because its portfolio of service offerings is less balanced than those of the other vendors assessed in this report.

Dell Services has established a credible position within the insurance sector, generating services revenues on a par with many of the vendors assessed. However, the majority of these revenues are generated from insurance-focused BPO, and almost exclusively within North America. This does make Dell Services a strong candidate for consideration by carriers with service requirements that include significant BPO.

Primary assessment criteria

Evaluation categories

Because the competitive landscape varies significantly across the offering and execution evaluation categories within the ODM, it is important to consider these elements separately to develop a more complete understanding of each service provider's particular strengths and challenges. A summary of the individual ratings against the sub-criteria making up the offering and execution score is shown in Figure 4. Please note that the numeric scores for the sub-criteria are provided in the appendix.

Figure 4: Offering and execution assessment sub-criteria

		Atos	CGI	Cognizant	CSC	Dell Services	HCL Technologies	Infosys	TCS	Wipro
Offering score	Service maturity									
	Services roadmap									
	Partner ecosystem									
Execution score	Client base									
	Delivery scale									

Source: Ovum

Offering assessment

The sub-criteria for the offering assessment are derived by considering a number of factors:

- **Service maturity:** This sub-criterion assesses a service provider's offering by examining factors such as range and number of the service categories that are being consumed by current clients within the insurance sector. It uses revenues generated from insurance clients as a relative proxy, together with other factors such as:
 - Insurance domain knowledge within the service provider, which is assessed by examining factors such as the number of staff drawn from insurance industry and the proportion of staff with recognized insurance accreditation.
 - Examples of insurance-specific IP to support service efficiency, such as accelerators, templates, tools, and so on.
 - Range of insurance sectors from which current clients are drawn, for example life, P&C, or health.
 - Range of insurance client profiles, for example local carrier, regional, multi-national, or global.
 - Range of insurance client engagement structures, for example SLA-based, outcome dependent, joint venture with mutual investment, and so on.
- **Services roadmap:** This sub-criterion assesses a service provider's recent initiatives and future plans regarding the ongoing development of its service offering to the insurance sector. The score is derived by examining factors such as:
 - Does the service provider have a well-articulated and detailed overall service development roadmap?
 - How relevant is the roadmap to current and emerging business priorities within the insurance sector?
 - Have there been examples of actions supporting the development of the service roadmap? For example, the number of new services introduced in the last 12–24 months, acquisitions, or partnerships to augment service offerings.
 - Does the service provider actively identify future technology and service needs, both across all verticals and the insurance industry?
- **Partner ecosystem:** This sub-criterion assesses a service provider's ability to offer insurance clients a comprehensive range of technology and services through partnership working. Partnerships can include vendors of both general and insurance-specific software and technology, technology and/or insurance industry alliances, industry bodies, research organizations, academia, or joint initiatives with insurance clients. Factors considered when deriving the partner ecosystem score include the number of partners, partner profile (e.g. market leader, start-up, or specialist/niche player), type of partnership (opportunistic, informal, formal/accredited, joint investment), and level of commitment (such as number of staff trained on the partner's offering).

Service maturity

All of the market leaders (Cognizant, CSC, and TCS) have high service maturity scores, driven by the significant revenues generated across all the service categories from the insurance sector, which demonstrates these providers' proven ability to support most carriers' current IT service needs.

CGI also ranks well on the service maturity dimension, aided by its strong market position as an information service provider to the North American P&C insurance sector.

The implications of Atos's acquisition of Xerox ITO in terms of revenue contribution and additional insurance clients are not yet fully clear, but will almost certainly enhance the company's service maturity score in 2016.

Those service providers with lower service maturity scores generally have a more focused service portfolio, for example Dell Services' BPO focus or Wipro's strong application management services offering.

Services roadmap

Both Cognizant and CSC score highly on the services roadmap sub-criterion due to service development initiatives that are currently being implemented. Cognizant has established three highly insurance-specific practices focusing on the P&C sector, the life sector, and digital transformation within insurance carriers. All of these practices are heavily leveraging software-as-a-service (SaaS), business-process-as-a-service (BPaaS), cloud, and preconfigured templates and tools to allow carriers to begin migrating core operations to a cloud environment.

CSC is utilizing the ServiceMesh platform, rebranded as the CSC Agility Platform, to allow carriers to adopt hybrid, cloud-based IT operating models. Both initiatives have the potential to impact the most urgent issues facing insurance carriers – significantly reducing operational IT cost, increasing operational flexibility, and addressing the constraints imposed by legacy systems.

Although other vendors also have cloud-based offerings, those of CSC and Cognizant were rated as the most developed and clearly articulated of those assessed.

Partner ecosystem

TCS scores the highest on the partner ecosystem sub-criterion due to its high number of partners, their range, and its commitment to its partners. Having such a comprehensive partner network is possible due to TCS's scale and ability to devote sufficient resources to maintaining and managing it. However, it does mean that TCS can leverage a wide choice of vendor offerings to address insurance client needs without the client incurring the overhead of managing multiple providers. For organizations wanting to adopt a single strategic partner approach without restricting solution choice, the provider ecosystem is a key consideration.

HCL's partner approach is also worthy of note, although it is based on a client relationship. HCL has established a number of dedicated centers of excellence jointly with clients, focused on key technology areas, with both partners investing in each center's creation and staffing. An example is the recently opened customer experience studio cXstudio, which was established jointly with AEGON Insurance in the Netherlands.

Execution assessment

The sub-criteria for the execution assessment are derived from the following:

- **Delivery scale:** This sub-criterion assesses a service provider's ability to deploy a range of IT services in support of its insurance clients. A high score indicates an ability to support complex and large-scale insurance service delivery needs across most geographic regions. Factors assessed within this sub-criterion include

- scale of service delivery capabilities, by looking at the number of staff, number of centers, and location of delivery centers across the service provider's entire organization
- the numbers and level of expertise of insurance-specific service delivery staff and where they were located
- the service provider's ability to support various service delivery models, including offshore, nearshore, onshore, and at client premises.
- **Client base:** This sub-criterion assesses the range, profile, and geographic footprint of a service provider's insurance client base. A high score indicates that a service provider has a mix in terms of the size, sector, and geographic location of its clients.

Client base

Unsurprisingly, all of the market leaders in this report rank the highest on the client base sub-criterion, indicating that these players have a significant number of insurance clients, including global tier-1 carriers. Both TCS and CSC provide IT services to insurance clients located in all major regional markets. Although Cognizant does have a very significant insurance client base, it is strongly biased toward the North American market. Broadening its presence in regional insurance markets beyond North America, particularly Europe, is a key objective for the company.

Delivery scale

Cognizant and TCS achieve high scores for the delivery scale sub-criterion, with very significant services resources able to support the largest tier-1 carrier clients on a comprehensive global basis.

The other market leader, CSC, at an overall corporate level is sub-scale in terms of offshore delivery resources compared with some of its service provider peers. However, this disparity is far less significant within the insurance-specific service delivery units, with the company clearly able to support major global carriers such as Zurich. In addition, the strategic partnership announced between CSC and HCL in 2015 will boost CSC's access to offshore delivery resources.

A number of service providers assessed in this report, including Atos, CGI, Dell Services, HCL, Infosys, and Wipro, generate similar IT service revenues from insurance carrier clients (in the range of \$450m to \$550m per annum). This in turn dictates the scale of their insurance-focused delivery capabilities. For many medium-sized and large multinational insurance carriers, the scale of service delivery resources among this group is sufficient to meet their needs, and it is the alignment of the regional service delivery footprint and typical delivery model (pure offshore, hybrid, onshore, etc.) that is the critical determinant, rather than scale.

Vendor analysis

Radar charts

Each vendor profile within this section of the report includes three radar charts. The services profile and regional profile charts for each service provider use an index of one to 10 to show the relative magnitude of revenues generated from the insurance sector by service category and geographic

region respectively. The "average" in each chart shows the mean index value across all the vendors for the particular category or region.

The services profile charts give a visual indication of the composition of a provider's service offering, for example a narrow focus or a broader, more comprehensive offering. Similarly, the regional profile charts allow readers to quickly understand a service provider's current geographic presence within the insurance sector.

The services summary radar chart provides a simple visual representation of the score achieved by the service provider for each sub-criteria, together with the average score across all of the vendors assessed.

TCS

Tata Consultancy Services (TCS) is the fourth-largest IT services provider globally and the largest India-based IT services and outsourcing company, with more than 319,000 employees. TCS generated total revenues of \$15,454m in FY 2015 ended March 31 2015, an increase of 15% on the previous year.

TCS offers a range of IT services, categorized as follows:

- Digital services: service offerings utilizing digital technology, including mobility, big data, social media, cloud, machine learning, and robotics.
- Application development and maintenance: services covering customer application development, application management, application modernization, systems integration, open source platforms, and systems integration services.
- Enterprise solutions: includes consultancy, development, and implementation services for key enterprise platforms including SAP, Oracle, SFDC, Infor, and Progress.
- Infrastructure services: encompasses data center management services, end-user computing, IT service desk, converged network services, managed security services, IT service management, and IT infrastructure transformation services.
- Cloud services: provision of cloud-based service offerings including infrastructure-as-a-service, desktop-as-a-service, and both insurance-specific software-as-a-service and business-process-as-a-service.
- Business process services: provision of horizontal business process management services, covering collections, customer interaction management (CIM), finance and accounting, human resources, legal process services, master data management, and supply chain management. Also offers a range of domain-specific business services in the banking, financial services, clinical services, insurance, manufacturing, media, retail, telecom, and utilities industries.
- Assurance services: software testing, evaluation, and consulting services.
- Engineering and industrial services: product development, plant solutions services, product lifecycle management, geospatial technology, integrated asset management, and electromechanical manufacturing services.
- Global consulting: IT consulting services covering business and IT architecture, IT strategy, cloud advisory, IT performance, service integration, and IT process and service management.

- Asset leverage solutions: encompasses the range of TCS-developed software product offerings, including TCS BaNCS, a financial service processing platform utilized in both the life and P&C insurance sectors.

Table 2: TCS key revenue data

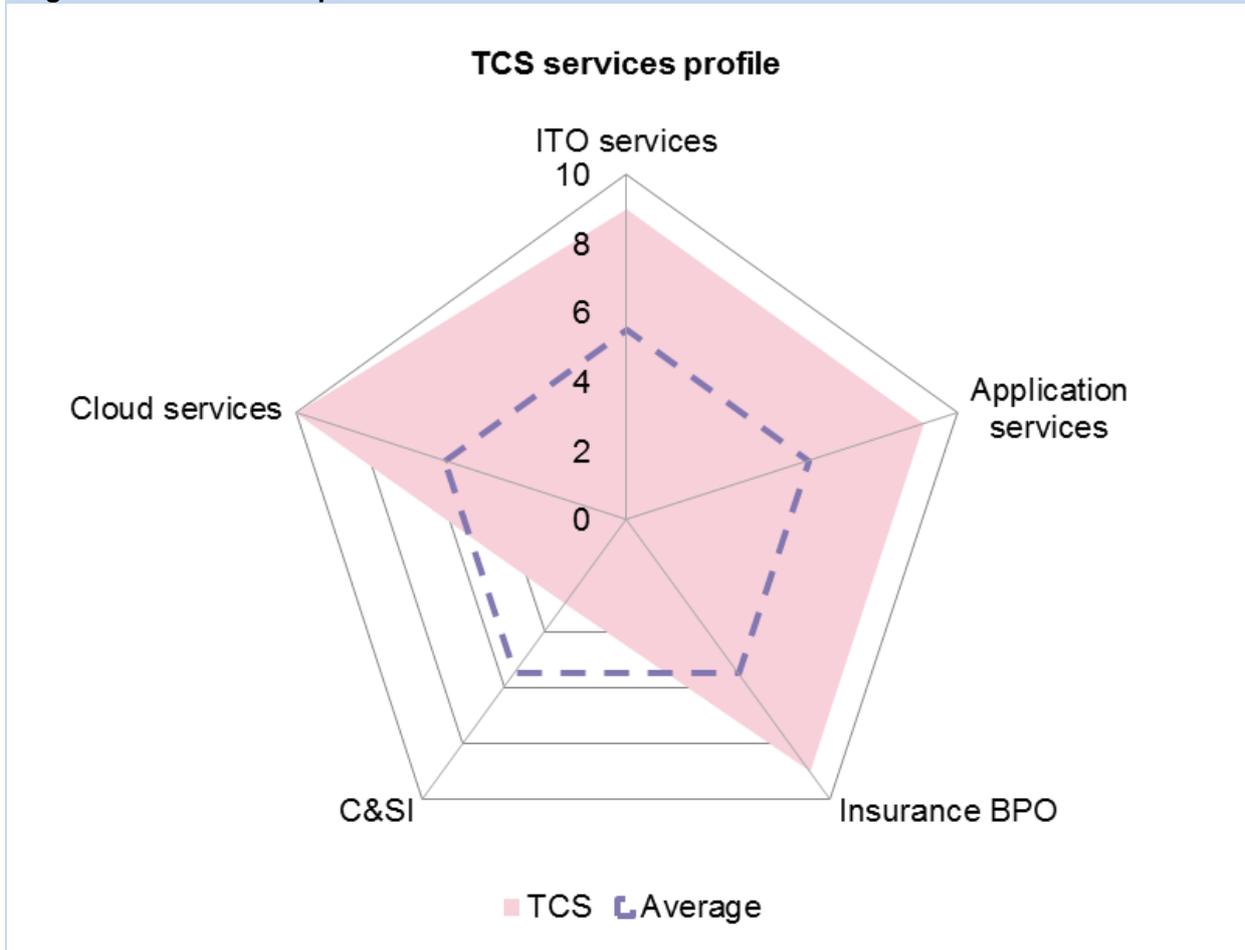
By Service Line	Revenue FY2015(\$m)	Share(%)
Application Development & Maintenance	6,213	40
Enterprise Solutions	2,411	16
Infrastructure Services	2,133	14
Business Process Services	1,808	12
Assurance Services	1,314	9
Engineering & Industrial Services	695	5
Global Consulting	510	3
Asset Leveraged Solutions	371	2
Total	15,454	
By Vertical Industry	Revenue FY2015(\$m)	Share(%)
BFSI	6,290	41
Retail and distribution	2,102	14
Manufacturing	1,514	10
Telecom	1,360	9
Life sciences and healthcare	989	6
Hi-tech	896	6
Others	711	5
Energy and utilities	634	4
Travel and hospitality	541	4
Media and entertainment	417	3
Total	15,454	
By Region	Revenue FY2015(\$m)	Share(%)
North America	8,021	52
UK	2,581	17
Rest of Europe	1,793	12
Asia-Pacific	1,437	9
India	989	6
Latin America	325	2
MEA	309	2
Total	15,454	

Source: Ovum

TCS targets a wide range of vertical industries, of which banking, financial services, and insurance (BFSI) is the most significant, accounting for more than 40% of its revenues.

Application development and maintenance (ADM) is the most significant service line, accounting for approximately 40% of TCS's revenues. Although ADM remains the largest service line by a considerable margin, TCS has been attempting to build a more balanced service mix in the last few years, with the relative revenue contribution from ADM falling from more than 58% in FY 2006 to its current level.

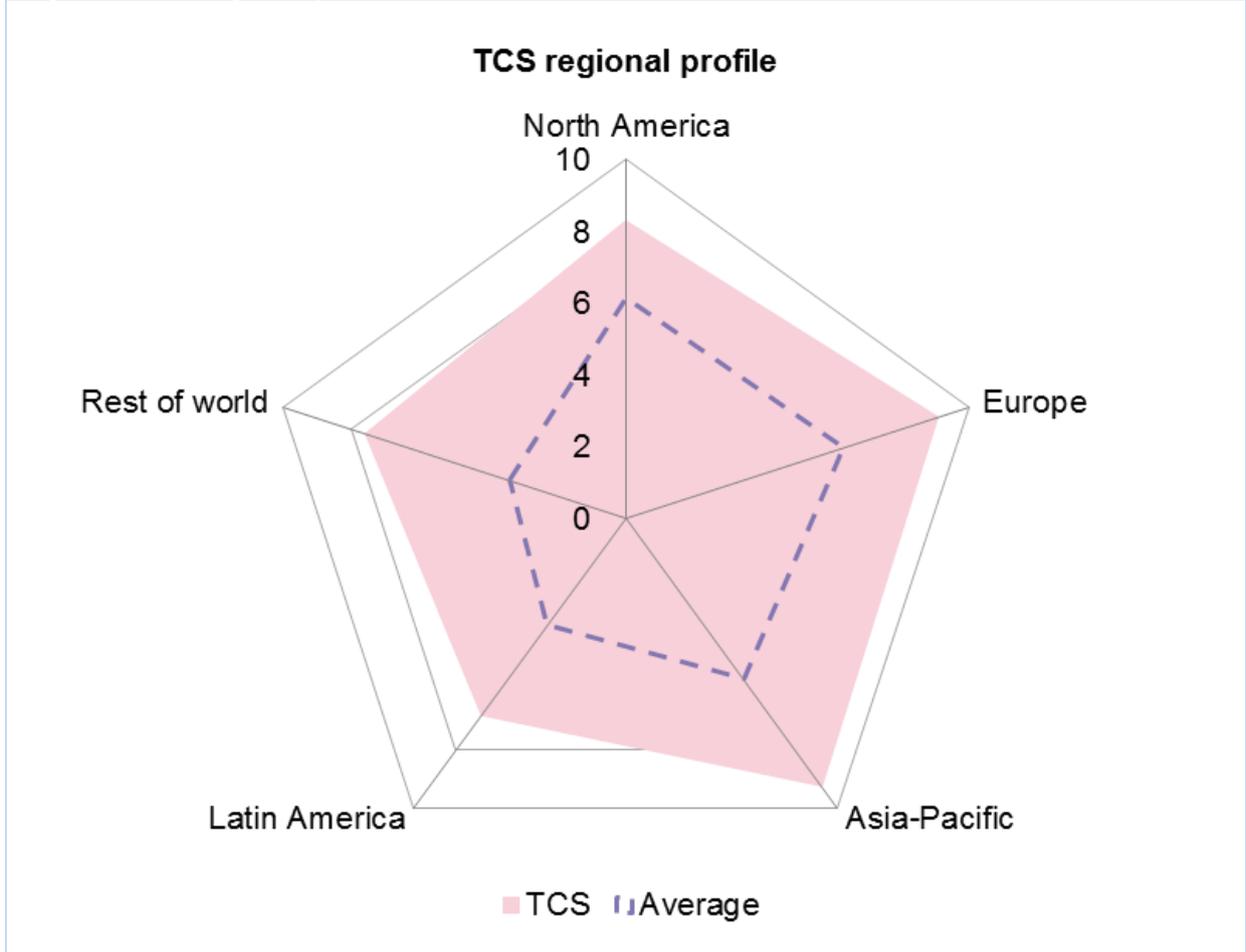
Figure 5: TCS services profile for the insurance sector



Source: Ovum

North America is TCS's most significant geography, contributing more than 52% of total revenues and returning year-on-year growth of more than 13%. Although currently a relatively small region for TCS, Asia-Pacific showed nearly 50% year-on-year growth in FY 2015, resulting from significant investment in market development by TCS and the acquisition of a controlling interest in IT Frontier Corporation (ITF). ITF, a JV with Mitsubishi Corporation, provides TCS with a significant foothold in the Japanese IT market. TCS has also shown strong growth in continental Europe (excluding the UK), where it is expanding by nearly 20% year-over-year.

Figure 6: TCS regional profile for the insurance sector

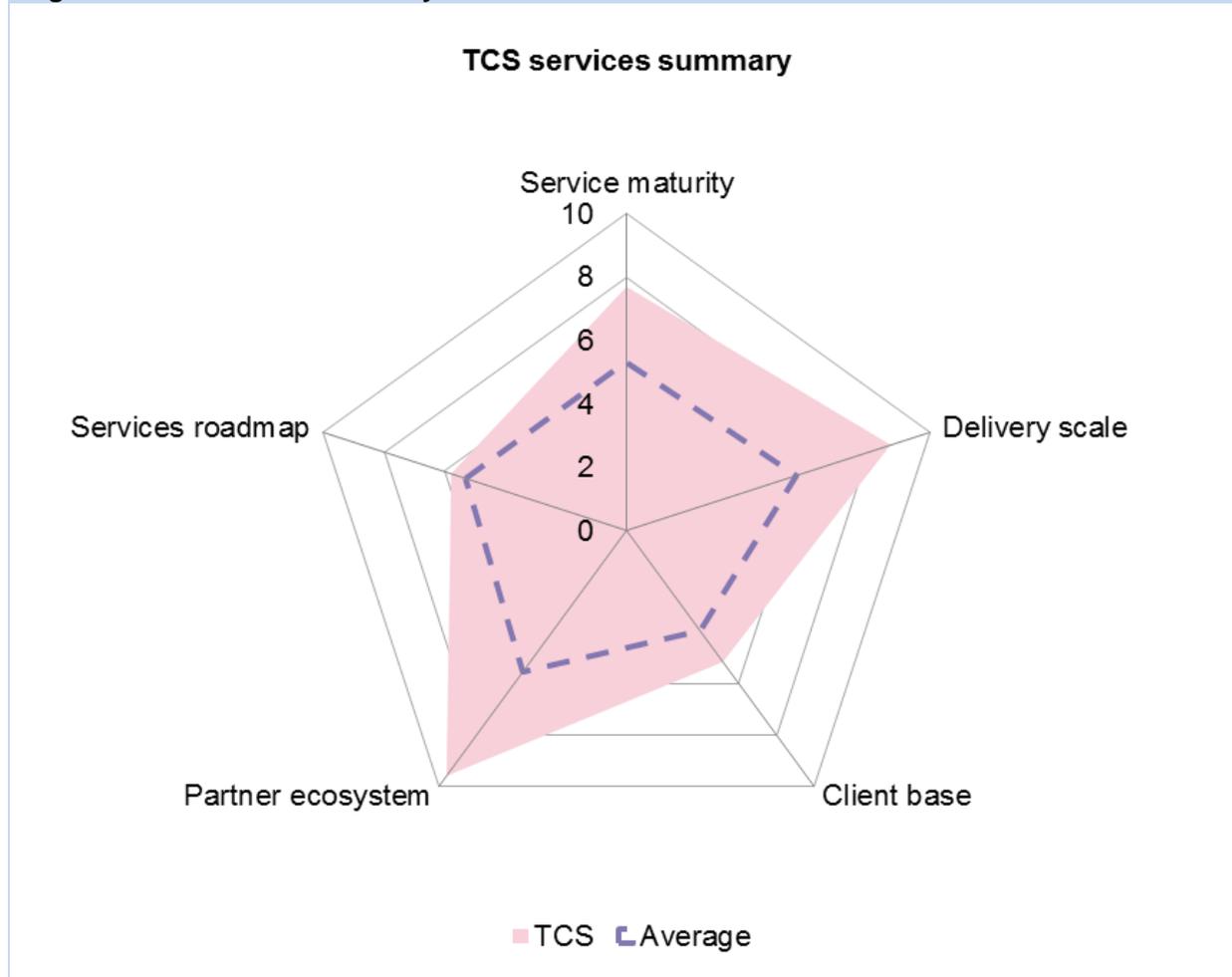


Source: Ovum

TCS had a total workforce of 319,656 employees at the end of FY 2015, a year-on-year increase of more than 67,000 people, of which Ovum estimates more than 200,000 are based at TCS delivery centers, with approximately 25,000 principally focused on the insurance industry.

TCS has approximately 150 delivery centers in 23 countries. Just under 52% of service delivery is performed at India-based locations, with 48% being provided from either non-Indian centers or at a client location.

Figure 7: TCS services summary for the insurance sector



Source: Ovum

TCS has a very strong presence in the insurance sector, particularly in the key North American, UK, and Continental European markets; it has more than 120 insurance clients, of which a proportion are large, tier-1 carriers. TCS has undertaken a number of complex modernization and transformation projects, utilizing a range of insurance platforms including Guidewire, Genius, and Pega, across the life, P&C, and health insurance sectors.

It also has a very strong presence in the insurance BPO sector through its Diligenta subsidiary, which was established following TCS's win of a 12-year contract valued at £486m with Pearl (subsequently acquired by the Phoenix Group), in April 2006. Diligenta subsequently secured additional life insurance BPO contracts, including one with Friends Life in November 2011 with a total contract value of £1.4bn, the largest insurance BPO contract awarded to date. As part of the original contract, Diligenta undertook the migration of 11 legacy core processing platforms and consolidated them onto the TCS BaNCS platform. Diligenta currently manages approximately eight million policies.

TCS continues to develop its insurance-focused services portfolio, with a number of domain-specific offerings being introduced within the last 24 months, including

- CX360: an insurance-focused consulting framework designed to assess and enhance the customer experience for insurance clients

- governance, risk management, and compliance advisory: advisory services tailored for insurance and healthcare providers focused on IT security and risk management
- TCS Digital Insurance: a range of tools, products, and services targeting telematics analytics and insights and mobile risk assessment for agents, brokers, and virtual advisors.

Further near-term service developments will focus on

- further development of connected health, auto, and home offerings
- additional advanced analytics offerings specific to the insurance sector, leveraging the capabilities of TCS's Advanced Analytics Center of Excellence
- Pega upgrade offering.

Ovum recommendation: TCS is a market leader

TCS ranks as a market leader due to its very significant service delivery scale, strong offering across all service categories, very considerable partner ecosystem, and insurance industry expertise.

TCS should be considered as a service provider by all potential insurance clients, particularly large global players.

Appendix

Vendor sub-criteria scores

Table 3: Vendor sub-criteria score

Service provider	Service maturity	Delivery scale	Client base	Partner ecosystem	Services roadmap
Atos	3.9	5.0	3.7	5.7	3.9
CGI	6.7	2.9	3.9	2.2	4.8
Cognizant	8.6	9.3	5.1	7.8	9.6
CSC	9.6	6.2	5.8	5.5	8.6
Dell Services	2.0	2.9	3.6	3.5	2.0
HCL Technologies	5.8	6.2	3.6	2.4	6.7
Infosys	4.8	7.1	3.8	5.5	7.7
TCS	7.7	8.7	5.1	9.6	5.8
Wipro	2.9	4.8	3.4	7.8	2.9

Source: Ovum

IT services definitions

IT outsourcing

Business continuity/disaster recovery

Disaster recovery services vendors provide clients with back-up office, IT, and network facilities as an insurance against catastrophes such as fire, flood, or systems failures disabling the business.

Business continuity differs from disaster recovery by playing a more active role in preventing major IT system failures. Vendors provide services on top of a basic disaster recovery package, offering data backup, mirroring, replication, and monitoring services to ensure that the business and IT systems get up and running again quickly and with data loss kept to a minimum.

Data center outsourcing

This is where a service provider takes over the management of a client's data center(s). In most cases, the service provider acquires the human and physical assets associated with the client's data center(s). Often referred to as strategic outsourcing, the service provider is typically responsible for not only maintaining agreed levels of service, but also for optimizing and enhancing service delivery. Most data center outsourcing contracts cover the management and day-to-day running of data center equipment, including mainframes, servers, storage, and networking. Application management may be included, or may be retained in-house or subject to a separate application outsourcing contract.

End-user outsourcing

This typically includes asset management, procurement and deployment, remote hardware and software management, deskside support services, break/fix maintenance, service desk, and network services. As well as supporting desktop PCs and laptops (and the remote usage of the latter), end-user services increasingly include services designed to enable the secure use of mobile devices such as smartphones and tablets to access enterprise networks, applications, and data. Similarly, unified

communications software and devices are also supported by end-user services. In very large contracts, the client's end-user support staff may transfer to the service provider.

Helpdesk management

This is where a service provider takes over the day-to-day running of the client's helpdesk, where user enquiries are received and referred to the relevant technical staff for resolution. To achieve economies of scale, most large service providers transfer their clients' helpdesks to remote, off-site call centers.

Infrastructure management

This includes activities when a service provider takes responsibility for the day-to-day running, management, and availability of the client's infrastructure, covering the hardware, operating systems, storage, and network. The service provider does not typically acquire any of the client's IT operations staff. Infrastructure management services are typically delivered remotely, and performance is measured against service level agreements.

Managed security services

All systems integrators and IT outsourcing (ITO) providers manage IT security as part of their large ITO contracts. In response to the increase in mobility, digitization of front-office processes, and exposure to threats and vulnerabilities, a growing number of vendors is offering managed security services. These services are designed to augment the client's security operation or, in some cases, take over the design, management, and 24/7 operation of the client's IT security through their security operations centers (SOCs). In addition to SOCs, third-party services companies manage all areas of IT security, including firewalls, intrusion/threat detection, content filtering, ID and access management (IAM), biometrics, threat mitigation, and application design.

Testing Services

This covers testing the security, robustness, operability, and durability of systems, including both existing installations and pre-release new products and services, with the aim of avoiding subsequent costly reworks or user dissatisfaction. Offerings encompass consulting, project-centric work, and outsourcing, delivering functional, regression, integration, performance, and user acceptability testing, as well as test automation and specialized testing services (including SOA, ERP, cloud, and mobility).

Network services

Network services can include the following service elements:

- Network consulting: Similar to IT consulting, but incorporating elements such as network planning and network design.
- Network integration: Includes activities associated with the planning for and building of data networks. Network integration includes services such as installation, configuration, custom software development, testing and debugging, project management, staging, and security implementation activities. Network technologies include computer network infrastructure equipment (communications processors, interconnect controllers); data communications equipment (multiplexers, WAN data switches); network interface cards; LAN switches and routers; and remote access equipment.

- **Network management:** Network management includes the installation and management of network tools that automatically monitor active nodes, traffic, revision management, and security. The service supplier also assists with fault isolation and resolution, and enables the business to optimize the efficiency of the network and avoid any downtime. As part of the network management contract, the service provider installs and configures the network management system and manages additions or changes of users on the network, as well as network software and hardware upgrades.

Application outsourcing

The following application outsourcing subcategories can be either generic (i.e. supporting applications that are not specific to the insurance sector, such as human resources, accounting, or call center systems) or insurance-specific (i.e. services in support of specialist insurance applications, such as policy administration, claims management, or underwriting systems)

Application development and maintenance (ADM)

Focuses on custom application development or modification of existing custom applications and interfaces and their maintenance. ADM services include support, application enhancement and maintenance, addition of new functionality, troubleshooting, problem isolation, change management, and installation of patches and fixes.

Application hosting

Involves the running and management of commercial applications (such as email, ERP, and collaboration tools) by a service provider. The service provider is the licensed owner of the software, and applications are delivered as a hosted service from the service provider's remote data center(s). Services may be either shared, "multi-tenant" services or dedicated, private services, hosted on servers specific to the customer and with private network connections. The service provider is responsible for the support, maintenance, helpdesk services, and guaranteed uptime of the hosted application.

Application management

Covers the outsourcing of the support, day-to-day management, planning, and ongoing maintenance of commercial software, licensed and owned by the customer, to a third party. Usually, the applications reside in the customer's data centers and are remotely managed by the service provider. Alternatively, licenses may be transferred to the service provider's data centers and the applications managed on the service provider's infrastructure. Sometimes, typically in multi-sourced ITO contracts, the applications may be hosted in the infrastructure provider's data centers.

Business process outsourcing (BPO)

Customer relationship management (CRM) BPO

Services typically include customer direct services, contact center management, contact center outsourcing (incorporating customer care, sales and marketing, and technical product support), customer intelligence services, customer self-service, accounts receivable management, and warranty services. This area can include both voice and non-voice delivery.

Finance and accounting (F&A) BPO

Spans both the operations and IT required for transaction management and financial support functions, such as accounts payable and receivable, purchase order processing, general ledger, accounts reconciliation, and management reporting. F&A functions are often grouped into end-to-end processes such as procure-to-pay (P2P), record-to-report (R2R), and order-to-cash (O2C).

Human resources (HR) BPO

Includes benefits administration, HR outsourcing services, payroll services, recruitment outsourcing, relocation and assignment services, and workforce development services/talent management.

Procurement BPO

The outsourcing of the management and execution of purchasing to a services provider. This service includes relevant underlying infrastructure and IT resource as well as actual procurement operations. The primary focus remains on the procurement of goods and services that are not core to the overall operation of the client; however, this service also covers "direct" supplies (i.e., those that are core to the client's production supply chain).

Insurance-specific BPO

Covers the outsourcing of work that requires insurance domain expertise and includes a client's core operations, such as policy administration, claims processing, and first notice of loss (FNOL).

Consulting and systems integration

Business consulting

This function includes strategy assistance, process improvement, capacity planning, business process re-engineering, and change management services.

IT consulting

IT consulting activities include the planning, specification, and design of systems, architectures, and roadmaps/plans.

Systems integration

Includes the development, customization, and implementation of software and information systems. This includes bespoke and off-the-shelf systems integration and development projects.

Cloud services

Business-process-as-a-service (BPaaS)

The provision of standardized business processes using a cloud service model. Services are often automated, and typically billed on a pay-per-use basis.

Desktop-as-a-service (DaaS)/workplace-as-a-service (WaaS)

The delivery of virtual desktop images from a public cloud, a service provider's data centers, or other private cloud. DaaS/WaaS may be included as part of an end-user services contract and used to deliver remote on-demand access to the user's desktop and workplace applications when working remotely, and to enable smart devices to access desktop services. Another form of usage growing in popularity is for application development and project work. Services are usually billed on a pay-per-use basis, although SLAs may be incorporated into an overall end-user outsourcing contract.

Infrastructure-as-a-service (IaaS)

IaaS providers offer compute and/or storage resources combined with network resources and associated services, such as internet addressing, directory, and security services. These resources are virtualized. IaaS consumers may take charge of creating, deploying, integrating, maintaining, and managing the components of the software stack they run on top of the IaaS resources, and of defining and configuring the IaaS resources they require (to the extent allowed by the service provider), but in most ITO contracts the outsourcer will be responsible for the managed service. IT service providers may deliver IaaS as a managed service from their own data centers, or they may add a service wrapper to a third-party public or private cloud (such as Amazon Web Services, Microsoft Azure, or Rackspace Cloud).

Platform-as-a-service (PaaS)

PaaS supports and/or delivers technology and ecosystem cloud services to help create, test, deploy, run, manage, maintain, and/or monetize applications, application programming interfaces (APIs), and/or data assets. In most ITO contracts involving PaaS, the outsourcer will be responsible for delivering a managed service. IT service providers may deliver PaaS as a managed service from their own data centers (e.g. IBM Bluemix), or they may add a service wrapper to a third-party cloud (such as Amazon Web Services, Microsoft Azure, or Oracle).

Software-as-a-service (SaaS)

SaaS combines application functionality delivery via web browsers and APIs with data encryption, transmission, access, and storage services. Where SaaS is part of an application management ITO contract, the service provider will be responsible for managing the SaaS resources. Service providers may deliver their own software and services from their own data centers as SaaS, or they may deliver third-party software under a service provider license from their data centers. Alternatively, they may deliver a service wrapper or migration, customization, and onboarding services for an independent software vendor (ISV) SaaS service (e.g. SAP HANA, Oracle, or Salesforce.com).

Insurance-specific software-as-a-service (SaaS)

Insurance-specific SaaS is defined as above, but the application functionality provided will be specific to the insurance sector, such as policy administration, underwriting, claims processing, and so on.

Insurance-specific business-process-as-a-service (BPaaS)

The provision of insurance-specific business processes using a cloud service model.

Geographic region definition

The following countries are included in Ovum's regional definitions. Any countries not included in this table should be placed in the "all other regions" category.

Table 4: Regional definitions

North America	Europe	Central and South America	Asia-Pacific
US	Albania	Argentina	Afghanistan
Canada	Austria	Bolivia	Armenia
	Belarus	Brazil	Australia
	Belgium	Chile	Azerbaijan

	Bosnia and Herzegovina	Colombia	Bangladesh
	Bulgaria	Costa Rica	Cambodia
	Croatia	Cuba	China
	Czech Republic	Dominican Rep.	Georgia
	Denmark	Ecuador	Hong Kong
	Estonia	Guatemala	India
	Finland	Honduras	Indonesia
	France	Mexico	Japan
	Germany	Nicaragua	Kazakhstan
	Greece	Panama	Kyrgyzstan
	Hungary	Paraguay	Malaysia
	Ireland	Peru	Mongolia
	Italy	Uruguay	Myanmar
	Latvia	Venezuela	Nepal
	Lithuania		New Zealand
	Macedonia		North Korea
	Moldova		Pakistan
	Montenegro		Papua New Guinea
	Netherlands		Philippines
	Norway		Singapore
	Poland		South Korea
	Portugal		Sri Lanka
	Romania		Taiwan
	Russia		Tajikistan
	Serbia		Thailand
	Slovakia		Turkmenistan
	Slovenia		Uzbekistan
	Spain		Vietnam
	Sweden		
	Switzerland		
	UK		
	Ukraine		

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