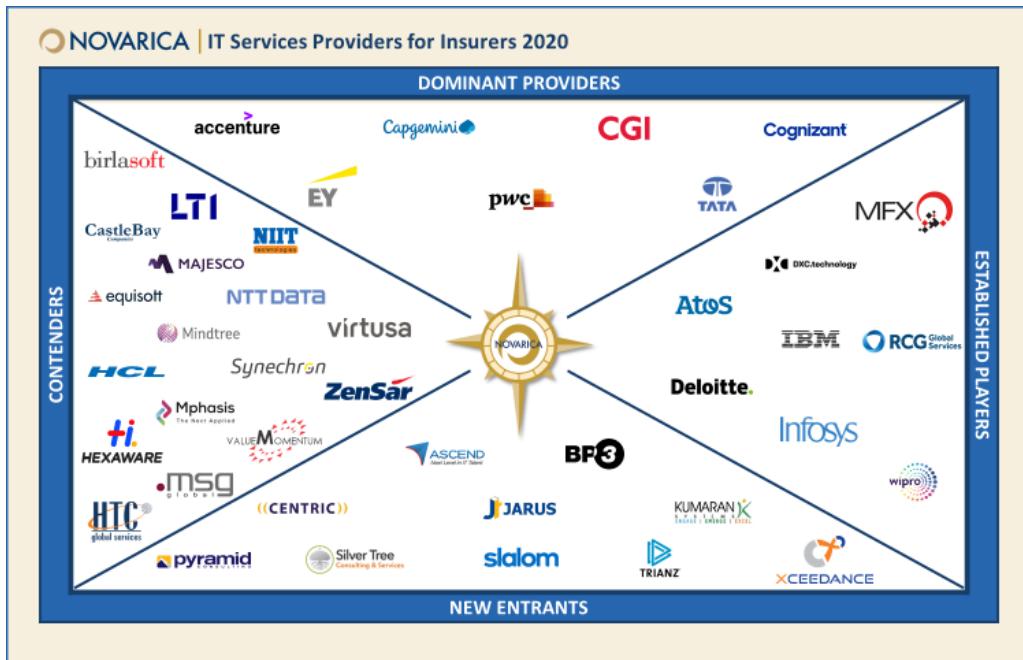


IT SERVICES PROVIDERS FOR INSURERS

FEBRUARY 2020



SUMMARY

This report provides an overview of 42 major IT services providers for North American insurers, with a focus on their experience levels in key functional areas. The information in this report was collected directly from the providers using a proprietary Novarica RFI. The report contains a brief profile of each vendor, including a chart detailing the provider's experience levels in specific, targeted functions.

Providers include: Accenture, Ascend, Atos, Birlasoft, BP3, Capgemini, CastleBay Companies, Centric, CGI, Cognizant, Deloitte, DXC, Equisoft, EY, HCL, Hexaware, HTC, IBM, Infosys, Jarus Technologies, Kumaran Systems, LTI, Majesco, MFXchange, Mindtree, Mphasis, msg global solutions, NIIT Technologies, NTT DATA, PwC, Pyramid Consulting, RCG Global Services, Silver Tree, Slalom, Synchroan, TCS, Trianz, ValueMomentum, Virtusa, Wipro, Xceedance, and Zensar Technologies.

Primary Report Contacts



Tom Benton
VP, Research & Consulting



Nancy Casbarro
VP, Research & Consulting

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INTRODUCTION

About This Report

This report is focused on IT services providers for insurers, including both ongoing application development and maintenance (ADM) services and project-based services.

It is designed to allow insurer CIOs and their teams to quickly familiarize themselves with each provider's organization, market position, client base, and areas of service. Where possible, each profile also provides a link to the LinkedIn profiles of each provider's key senior managers to give a more in-depth view of the personal experiences associated with their teams.

The solution provider profiles included within Novarica Market Navigator™ reports do not provide subjective analysis of each vendor's solution. They are based on direct responses to a universal RFI distributed by Novarica, technical discussions with each vendor to verify the RFI responses, and subsequent follow-ups with the vendors to validate and confirm responses. These reports do not make subjective judgments, since the fit between a potential provider and an insurer will be determined by the specific situation and needs of that insurer. Novarica provides these types of advisory consultations to more than 100 insurer clients through its retained advisory services.

MARKET OVERVIEW

The Case for IT Services Partners

Insurance IT organizations and those that run them face several challenges in the foreseeable future, including the need for IT resource capacity and talent, finding resources skilled in innovative technologies such as RPA and AI, core and peripheral systems modernization, operational effectiveness and efficiency, and the ability for IT to lead and deliver technological and market-competitive advantage. Additionally, as experienced IT resources in the Baby Boomer generation continue to retire in increasing numbers, resources are needed to quickly fill the void that is left—even for legacy technologies. The macro trends driving modernization, innovation, and change in the industry are also driving the need for insurance IT organizations to invest in skill sets that are often in short supply. At best, this is a heavy tax on even the most well-run IT organizations. At worst, it's a burden that many IT organizations are (and will continue) struggling with. One way to begin addressing some of these challenges is for IT organizations to enlist the help of a service partner; IT services partners can be useful—if not vital—in this effort.

At their core, the capabilities that IT services partners provide, collectively referred to as IT services management (ITSM), are about implementing best practices policies through organized, structured processes and supporting procedures. These best practices policies should be performed by an organization (or part of an organization) to plan, design, deliver, operate, and control IT services offered to customers and other key stakeholders. These capabilities can play key roles in some of the challenges faced by insurance IT organizations suggested above:

- **IT resource capacity and talent.** Used properly, IT services partners can effectively create IT capacity for insurers by performing tasks, processes, and services that incumbent IT resources normally perform or to fill the void for retiring IT professionals. This allows insurers to repurpose valuable and scarce IT talent to the kinds of projects and initiatives that add more direct value to the overall operational and strategic goals of the insurer. It also allows insurers to tilt their best internal IT talent toward the kinds of work that best optimize their talents and institutional knowledge.
- **Systems modernization.** IT services partners bring robust IT processes and practices with them, many of which are essential for supporting and optimizing any insurer's systems modernization efforts. Chief among these are the change management practices essential for the smooth transition from old systems to new. This capability should not be underestimated, as many insurers struggle with the complexities and nuances of complex change management, particularly when multiple systems are in play simultaneously.
- **Operational effectiveness and efficiency.** Besides change management capabilities, IT services partners bring myriad best practices. In addition to a mature ITSM framework, many IT services partners employ the Information Technology Infrastructure Library (ITIL) framework, a globally recognized collection of best practices for IT services management. Additionally, most IT services partners use an Agile approach for implementing and executing these frameworks, providing operational efficiencies that benefit insurers.

- **Competitive advantage.** The reason for doing any of this, and for just about anything else IT does, is to enable an insurer to be more competitive and profitable in its chosen markets. Choosing and successfully integrating a good IT services partner into any insurer's core IT capabilities can contribute to its competitive advantage. The key is finding a partner that can take the day-to-day operational IT activities—valuable as they are—off the table for the incumbent IT staff, allowing them to be provisioned more effectively.
- **New capabilities.** The ability to acquire a new operational or functional capability in a low-cost, frictionless fashion can be an attractive way to enter a new business or provide a new service. Carriers can leverage IT services providers' investments in emerging technologies rather than ramping up skill sets internally.

Usage and Trends

In Novarica's [Insurer IT Budgets and Projects 2020](#) study, insurers reported that an average of 20-40% of their IT staff consisted of external resources. Few reported plans for expanding ADM outsourcing, but 30% are planning to expand their use of blended staffing to supplement internal staff during periods of high demand or for needed skill sets. However, IT spending on external staffing remains between 15 and 25%, with growing acceptance of outsourcing among midsize firms, where demand for specialized skills can increase beyond the ability to cost effectively meet demands. IT services can play a key role in meeting these challenges.

Vendor Trends

Since last year's report, some new trends have emerged in how IT services vendors meet the needs of the insurance technology market.

Some vendors have grown their focus on providing tools and services to enable full digital transformation, including development of tools that use AI, RPA, and other emerging technologies. In some cases, this has been in response to competitors' failed system integrations that, whether well-implemented or not, didn't solve carriers' key pain points. Vendors also continue to expand offerings to focus on more strategic opportunities, engaging with carriers at the point of planning rather than coming in for project execution.

IT services vendors are also acquiring or partnering with InsureTechs to gain capabilities or decrease the development time of their own solutions by leveraging InsureTech resources and intellectual property. Some vendors have also increased development staff to better address new technology use cases, e.g., AI for analytics and fraud detection use, RPA for integration and operational issues, chatbots and other technologies for improved customer service.

FACTORS TO CONSIDER IN SELECTING A PARTNER

Selecting the appropriate IT services partner involves many factors that vary by insurer requirements, potential partners' capabilities, and everything between. It's often helpful to categorize selection criteria to accomplish a balanced evaluation of potential partners. High-level factors like requirements, capabilities, costs, and administration are a good place to start.

Requirements

Many an ITSM initiative has faltered due to the lack of a clear set of requirements and expectations of the partnership's goals, objectives, and outcomes. It's imperative that insurers develop a clear vision for what they need from an IT services partner and that they communicate this vision to all key stakeholders. The vision should be pliable if conditions change—either by opportunity or challenges—so that services can flex with changes in the insurer's technology and services environment.

Capabilities

Not all IT services partners are created equal. Insurers must match the capabilities of any potential partner to their specific needs. This can become a secondary consideration to partner costs and reduced expenses for the insurer. However, if services are subpar, there's (almost) no amount of IT budget expense savings that insurers will laud. Any savings will quickly be forgotten amidst cries for better service from IT.

Costs

Often, one driving factor for insurers to move to an IT services partner is potential IT expense savings—but not all IT services partners structure their cost models the same way. Finding the partner whose cost model works best for an insurer takes great care and attention. Beyond the cost of core services, insurers should mind any ancillary costs related to ITSM engagement. For example, the services and incumbent IT resources that an ITSM agreement can displace or repurpose may carry unanticipated costs; it's crucial that insurers create a comprehensive cost model that projects implementation and run rate costs of any ITSM initiative.

Administration

This is another important consideration that can impact all else mentioned thus far. It is essential that insurers and their IT services partners have a comprehensive plan to administer not just day-to-day activities and services a potential partner will provide, but also a comprehensive plan for administering the entire relationship. The plan should contain everything from daily, to weekly, and monthly service levels and should establish annual key performance indicators to measure the overall insurer/IT services partner relationship.

Leadership and Management

Partnerships require IT leaders to manage relationships and develop metrics to measure the work at hand. It is critical to motivate the partner team to achieve the organization's goals and objectives. Partners often come with offshore staff; these relationships can require more attention and oversight than those at home. IT leadership should get to know offshore leaders and should make periodic visits to foster a sense of being part of the team. Likewise, IT leaders should keep in mind that they are accountable for the entire team, even if they delegate responsibility for these relationships to senior staff.

NOVARICA MARKET NAVIGATOR GRAPHIC

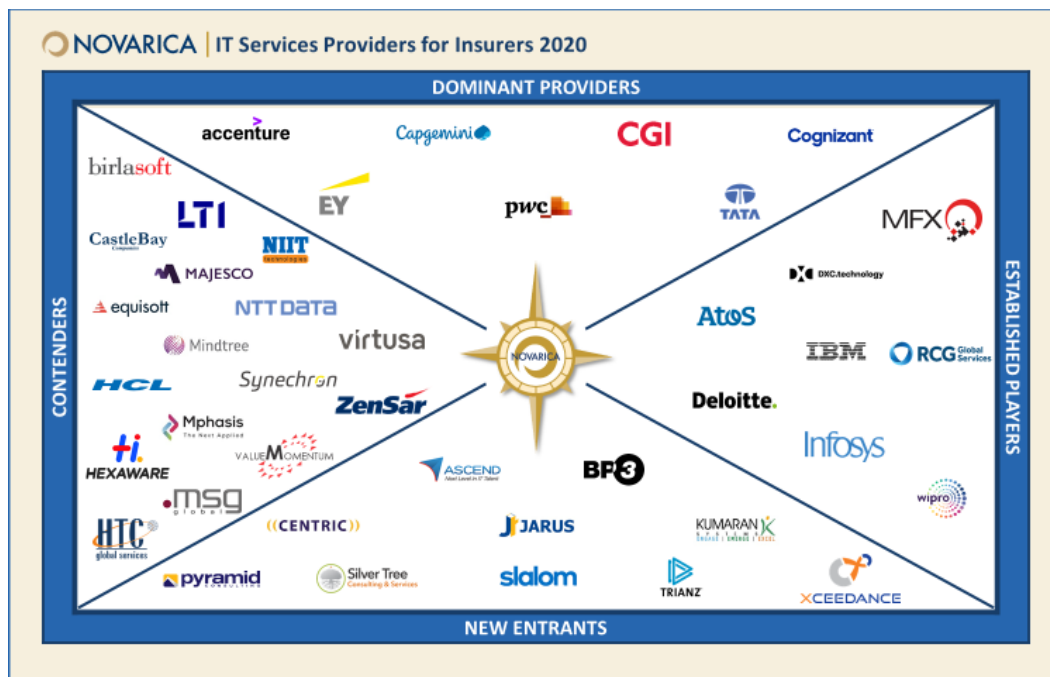
The new Novarica Market Navigator Graphic provides an at-a-glance overview of major providers in a specific segment. It is intended to help insurers quickly understand who is active in the space and their approximately relative market positions. Each provider is shown in one of the following four categories:

- **Dominant Players** have strong market position and momentum. Their solutions in the segment are well-known.
- **Contenders** have substantial customer experience and momentum.
- **Established Providers** have generally been in the market longer and have substantial customer experience.
- **New Entrants** are emerging providers in this segment. This might include both new companies and established companies with newer solutions. These typically have limited existing customer bases.

Note that the categories refer specifically to this solution area. A company may be a Dominant Player in one segment, but a New Entrant in another based on the maturity of the solution and depth of market experience. Positioning on the graphic within each segment is alphabetical.

Also note that a provider's category does not imply a subjective judgment on solution quality, delivery, or fitness for any specific company's needs. Companies should carefully evaluate individual solutions relative to their specific needs, as well as consider the company's delivery capabilities and organizational bandwidth in addition to recent customer experience.

Figure 1: IT Services Providers for Insurers 2020



CONCLUDING THOUGHTS

The IT services market for insurers has many solution providers with insurance domain expertise and a variety of capabilities. Insurers can look to providers to meet needs for resource capacity and talent, systems modernization, operational effectiveness and efficiency, competitive advantage, and rapid implementation of new capabilities.

Insurers should also keep in mind the following points:

- **Assessing the depth and breadth of solution providers' domain expertise can be crucial.** Long, on-the-job training cycles can diminish an engagement's anticipated financial or operational gains. These types of engagement may need to be longer to achieve the desired outcomes, which may run counter to the idea of creating greater levels of organizational flexibility.
- **Understanding the geographic location of resources and their respective access models for determining best options.** At times, this may indicate a carrier's process maturity. If the internal processes are well-defined, well-documented, and mature, they can act as a powerful offset to concerns about geographic dispersion. Less maturity may increase the value of a visible, local presence.
- **The nature of the work contemplated can also impact a selection decision.** Highly repetitive work may have a different set of parameters than new product deployments. Once again, understanding these elements and avoiding confusion over the differences between "low-cost" and "value" metrics can also be crucial for long-term success.
- **Vendor track records remain valuable. In some cases, providers reflected in these records have been able to share client names.** Whether carriers garner clients from records or independent pursuits, it is crucial that carriers ensure that vendor experiences were both relevant and appropriate. When the client in question is a large organization, it is also advisable to drill further into that information to ensure relevance for aspects such as project scope, size, and line of business impacted.
- **It is important for insurers to consider with care the type of relationship a vendor's body of work implies.** A known quantity of work that can easily (in terms of cost and risk) be moved between vendors is very different from one focused on a long-term, strategic effort with high costs and attendant risks related to transitions. Similarly, something that is effectively a utility associated with commodity pricing differs from an engagement that carries high expectations for creativity, innovation, and thought leadership.

In a rapidly changing insurance marketplace, and with a range of high-priority initiatives that can reshuffle based on market demands and regulatory requirements, it is crucial for insurance carrier CIOs and their teams to be able to apply the right resources at the right time. An effective mix of full-time skills that can respond to a wide range of needs can be expensive and impractical given the forward march of technology tools and channel touchpoints.

Now more than ever, it's important for IT organizations to position and prepare themselves to respond to the needs of their business partners; this means engaging with technology partners that complement and supplement internal resources. In effect, this multiplies the resources that may be a part of a CIO's full-time organization. The ability to deploy resources quickly and with confidence in their capabilities is becoming a hallmark of the IT organization of today and the future. CIOs and their teams will need to be able to deal with escalating demands for capabilities and shrinking delivery timelines. Changes in direction to respond to market pressure, innovation, and the InsureTech ecosystem are also likely to increase, creating a premium on flexibility and creativity.

Opportunities to create competitive advantage can be fleeting; technology organizations that are prepared for change and flexible enough to support that change with the necessary resources and capabilities will be the ones to capture competitive advantage. The ability to support and lead the response to competitive opportunities is a critical capability for IT leaders and their staff.

For many insurance IT organizations, services partners are a critical tool for meeting these needs. When selecting partners, insurers should consider more than pricing, even for commodity services. In the evolving insurance landscape, the right services provider can make a major difference and as such should be treated as a partner, not just a supplier.

NEXT STEPS AND RELATED RESEARCH

- Contact Novarica at client-support@novarica.com to set up a conversation to discuss this topic.
- Read related reports:
 - [Establishing Solution Provider Relationships: Systems Integrators](#)
 - [Insurer IT Budgets and Projects 2020](#)
 - [Novarica New Normal 100: Digital, Data, and Core Capabilities for Life/Annuity Insurers](#)
 - [Novarica New Normal 100: Digital, Data, and Core Capabilities for Property/Casualty Insurers](#)
 - [InsureTech for Insurers: 200 Startup Profiles](#)

ABOUT NOVARICA

Novarica helps more than 100 insurers make better decisions about technology projects and strategy through research, retained advisory services, consulting, and special programs.

We serve clients in life/annuity/retirement, property/casualty, workers' compensation, and reinsurance. Our clients range from Fortune 100 insurers to small regionals and specialty companies. Although most of our clients prefer we keep their names confidential, a partial client roster includes Amica, AXA XL, GenRe, Grange, Hanover, Penn Mutual, Principal, ProSight, SECURA, SunLife, and more than 100 others.

Our senior team has direct experience as senior IT executives at firms including AIG, Arbella, AXA, Guardian, Liberty Mutual, MetLife, Marsh, Progressive, Prudential, Travelers, and others.

We publish frequent, independent, in-depth research on trends, best practices, and vendors. Our research projects are directed by our senior team and leverage our relationships with the more than 300 insurer CIO members of our Research Council. We conduct more than 2,000 conversations with insurer executives every year.

Our retained advisory services provide enterprise access to our research, unlimited phone and email consultations with our team, facilitated 1-on-1 conversations with other CIOs in our network, an annual trends and best practices workshop, and an optional annual IT strategy review.

Our consulting services include assessments, strategic blueprints and roadmaps, benchmarking, business process visioning, and vendor evaluation across digital, data/analytics, core systems, operating model, and innovation.

Our special programs include our Silicon Valley Innovation Tour, InsureTech Summits, Executive Leadership Development with Brown University, an online learning course in *Foundations of Insurance Technology Strategy*, and more.

More information at <https://novarica.com>

AUTHORS



Tom Benton is a Vice President of Research and Consulting at Novarica with expertise in IT strategy, business process reengineering, core systems implementation, and project management, primarily for life and annuities. Prior to joining Novarica, he served as VP, Technology and Systems at Navy Mutual, where he led a multi-year strategy to transform the core systems, which included a rapid-deployment policy administration system implementation. Tom has broad experience as a senior IT executive, serving as CIO/CTO at two medium-sized nonprofits in the Washington, DC area and has held positions in IT project management at PG&E and General Electric. Tom holds a BS from Cornell University and an MS from MIT. He can be reached directly at tbenton@novarica.com.



Nancy Casbarro is a Vice President of Research and Consulting at Novarica. She has over 30 years of insurance technology experience. Most recently, Nancy served as the IT Solutions Delivery Vice President for the Group Benefits business at MetLife supporting products, claims, underwriting, distribution development, and national accounts. Nancy also has extensive experience in property/casualty, supporting data warehousing, business intelligence, financial reporting, agent commissions, document management, policy administration, claims processing, and image and workflow applications at the MetLife Auto & Home company. Nancy holds a BS in Management Information Systems from the University of Rhode Island. She can be reached directly at ncasbarro@novarica.com.



Ebony Hargro is an associate at Novarica. Prior to joining the firm, Ebony worked in education as a researcher for the Duke Talent Identification Program. She has a BA in International Studies from Duke University. Ebony can be reached directly at ehargro@novarica.com.



Emerson Davis is a senior associate at Novarica. Prior to joining Novarica, Emerson held roles in asset management and international trade. He has an MSc in Economic History from the London School of Economics. He also holds BAs in Economics and Political Science from Bucknell University. He can be reached directly at edavis@novarica.com.



Emily Lecaque is a senior associate in content development and editorial at Novarica. Prior to joining the company, Emily worked as an editor at Influence & Co. Her previous experience also includes two years teaching English in South Korea. Emily graduated magna cum laude with BAs in Classics and English from Truman State University. She can be reached directly at

elecaque@novarica.com.

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