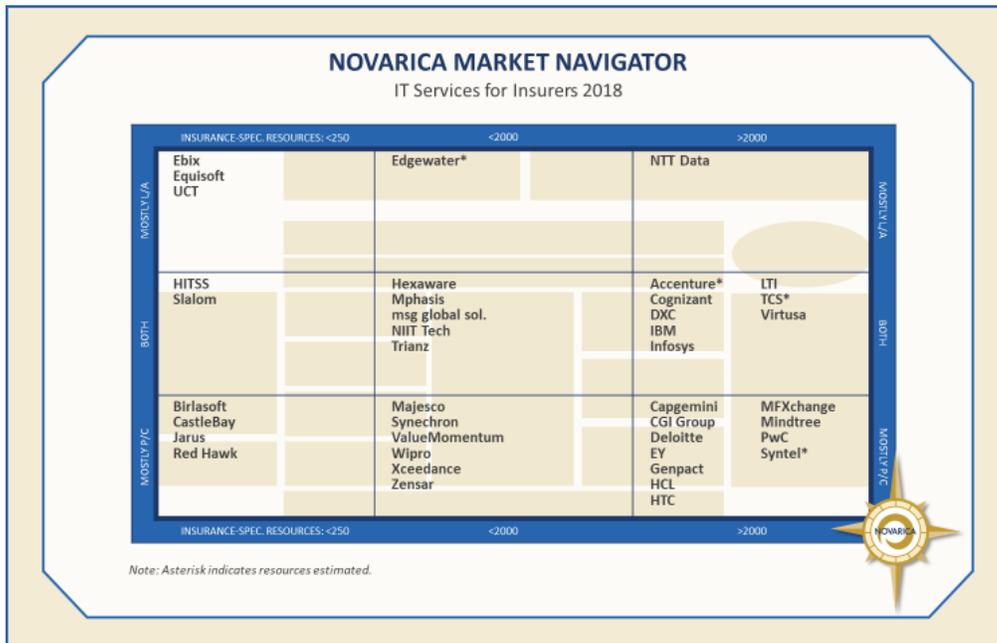# IT SERVICES PROVIDERS FOR INSURERS

JANUARY 2018

SUMMARY

This report provides an overview of 41 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.

This excerpt includes the profile of LTI. The full report includes profiles of all providers listed in the graphic above.

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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.

Novarica Market Navigator™ reports do not provide subjective analysis or render judgment on any providers. They are based on factual responses to a universal RFI distributed by Novarica and subsequent follow-ups with the vendors to validate and confirm responses. These reports do not make subjective judgements, 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.
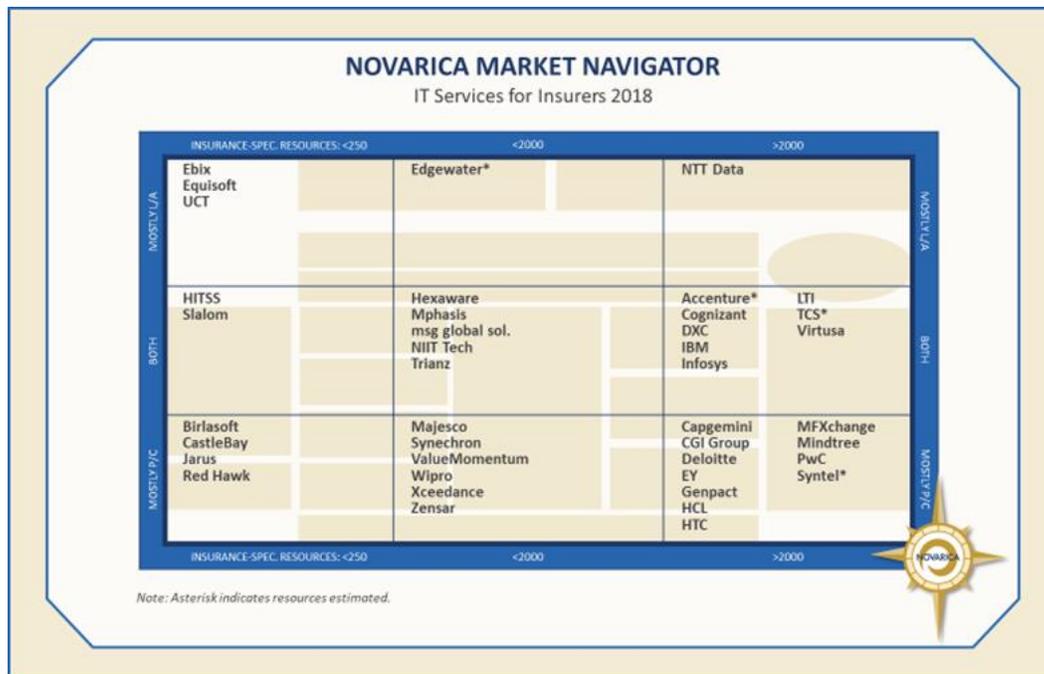
Novarica Market Navigator Graphic

The Novarica Market Navigator Graphic is designed to provide an overview of the vendors in a particular market space.

The Novarica Market Navigator map graphic provides a visual mapping of providers, positioned in a three-by-three matrix that indicates the type of insurer they commonly serve and (in this case) the size of the company's insurance-specific resource pool. For other reports that focus on software rather than services, the second axis indicates the number of live clients rather than the size of the provider. Within each section of the map, companies are listed alphabetically. Further details are available in the profiles of each provider.

In this map, providers that have primarily served life insurer clients are represented in the top row, those that have primarily served P/C clients in the bottom row, and those that have served both sectors essentially equally are in the center row. Those in the left column have the smallest insurance-specific teams, while those in the right column have the largest. For companies marked with an asterisk, Novarica estimated the size of their insurance-specific teams in the absence of direct information from the company.

Figure 1: IT Services for Insurers 2018

The background of the map is a watermark of the Novarica Core Systems Map, which is included for branding purposes.

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. 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 service 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. 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 service providers' investments in emerging technologies rather than ramping up skill sets internally.

Usage and Trends

In Novarica's *Insurer IT Budgets and Projects 2018* study, insurers reported that an average of 20-80% of their IT staff consisted of external resources. Few reported plans for expanding ADM outsourcing—only about 10% of midsize life and annuities and large property and casualty carriers. 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.

FACTORS TO CONSIDER IN SELECTING A PARTNER

There are a multitude of factors involved when evaluating and selecting the appropriate IT services partner. These factors vary by insurer requirements, potential partners' capabilities, and everything in between. It's often a helpful practice to categorize selection criteria so that a balanced evaluation of potential partners can be accomplished. At the highest levels, factors such as requirements, capabilities, costs, and administration are often a good place to start.

Requirements

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

Capabilities

Not all IT services partners are created equal, and it's crucial that insurers match the capabilities of any potential partner to their own specific needs. This sounds logical, but it can become a secondary consideration to those of partner costs and reduced expenses for the insurer. That would be a mistake—there's (almost) no amount of IT budget expense savings in the world that will be lauded within the insurer if the services provided by the service provider are subpar. Any savings will quickly be forgotten amidst the cry for better service from IT.

Costs

No matter the other reasons, the potential IT expense savings of moving to the appropriate IT services partner is often one of the driving factors for many insurers. This is all well and good, but not all IT services partners structure their cost models the same way; great care and attention are required by any insurer to find the partner and associated cost model that works best for them. Beyond the cost of the core services provided by the IT services partner, insurers should be mindful of any and all ancillary costs as a result of the ITSM engagement. For example, the services and incumbent IT resources displaced or repurposed as a result of an ITSM agreement can carry unanticipated costs, so it's crucial that insurers create a comprehensive cost model for themselves that projects the implementation and run rate costs of any ITSM initiative.

Administration

This is another important consideration that has the potential to impact all those mentioned thus far. It's essential that insurers and their IT services partners have a comprehensive plan for administering not just the day-to-day activities and services provided by any potential partner, but also a comprehensive plan for administering the entire relationship. Everything from daily, weekly, and monthly service levels should be a part of this plan, along with the establishment and measurement of annual key performance indicators upon which the overall insurer/IT services partner relationship can be measured and, if necessary, adjusted.

ABOUT THE PROFILES

Each of the profiles on the following pages includes descriptive information about the company, its offerings, and its customer base.

Each profile also includes an at-a-glance table that provides a quick look at the company's experience with different types of clients in various functional areas.

This includes:

- The number of insurance resources that support North America
- Current insurance ADM clients in North America
- The number of North American insurers for which the provider has completed project work (not ADM) over the last five years
- The number of North American insurers by area

Unfortunately, much of IT services vendor marketing focuses on demonstrating scale, which is of limited utility for insurers choosing new partners where specific experience tends to be more important. Vendors frequently undersell or under-communicate specific abilities that may relate to a CIO's needs.

This at-a-glance table is an attempt to present what companies are most effective at so that CIOs can understand the specific experience offered by each vendor.

Insurance Resources for North America		
Onshore		
Offshore		
Senior Subject Matter Experts/ Client Partners		
Current Insurance ADM Clients (North America)		
Large P/C		
Midsize P/C		
Large Life/Annuity		
Midsize Life/Annuity		
Other N. American Insurance Clients (Not ADM), Last Five Years		
Large P/C		
Midsize P/C		
Large Life/Annuity		
Midsize Life/Annuity		
Clients by Area	**P/C**	**L/A**
General App Development and Maintenance		
Digital Channels		
Data: Repositories and Consolidation		
Data: Analytics and Reporting		
Data: Predictive Analytics and Modeling		
Core: Rating, Underwriting, or PAS		
Core: Billing		
Core: Claims		
IT Security		
QA and Testing		
Help Desk and End-User Support		
Top Rows (White) = Large Insurers Bottom Rows (Blue) = Midsize Insurers ■ = More than 5 Clients □ = At Least 1 Client ◯ = Offered But No Current Clients Blank = Not Offered		

PROVIDER PROFILES

LTI

Company

LTI, a $1B company of the $17B Larsen & Toubro Group, is headquartered in Mumbai, India, with 23 delivery centers spread across Europe, North America, India, the Middle East, South Africa, and Asia Pacific.

The company has over 20,000 employees serving a multitude of industries that include insurance in addition to banking, oil and gas, auto and aero, plant equipment and industrial machinery, high-tech and consumer electronics, consumer packaged goods, retail, pharmaceutical, utilities, media, and construction, among others. North American operations constitute 69% of the company's annual revenue.

Staff

LTI reports that as of October 2017, its North American insurance IT services team consists of over 750 onshore and 2,450 offshore resources, with 30 senior subject matter experts.

The US team is led by Anil Vazirani (Chief Business Officer, Insurance), Rajeev Jain (Head of Delivery), and Amit Unde (CTO, Insurance). The insurance domain practice is led by Sujay Sen (Head Digital, Domain Consulting and Product practice), Mohan Bharatia (Partner, Insurance), Nilesh Lohia (Principal Consultant, Property/Casualty Insurance), and Vinay Bhale (Head Insurance Product practice).

Vendor Relationships

LTI has experience working with Duck Creek Technologies, Guidewire, Insurity, VRC Insurance System, and eBaoTech, among others.

Insurance Resources for North America		
Onshore	750+	
Offshore	2,450+	
Senior Subject Matter Experts / Client Partners	30+	
Current Insurance ADM Clients (North America)		
Large P/C	16	
Midsize P/C	9	
Large Life/Annuity	11	
Midsize Life/Annuity	4	
Other N. American Insurance Clients (Not ADM), Last 5 Years		
Large P/C	2	
Midsize P/C	2	
Large Life/Annuity	2	
Midsize Life/Annuity	1	

Clients by Area	P/C	L/A
General App Development and Maintenance	■	■
	■	□
Digital Channels	■	□
	■	□
Data: Repositories and Consolidation	■	□
	■	□
Data: Analytics and Reporting	■	□
	■	□
Data: Predictive Analytics and Modeling	■	□
	■	○
Core: Rating, Underwriting, or PAS	■	□
	■	□
Core: Billing	■	□
	■	□
Core: Claims	■	□
	■	□
IT Security	□	○
	□	○
QA and Testing	■	■
	■	□
Help Desk and End-User Support		

Top Rows (White) = Large Insurers
Bottom Rows (Blue) = Midsize Insurers

■ = More than 5 Clients
□ = At Least 1 Client
○ = Offered But No Current Clients
Blank = Not Offered

Client Base

LTI has ongoing ADM relationships with 40 North American insurers and has completed projects for seven other North American insurers over the past five years. The client base is spread out over midsize and large P/C and L/A insurers. L&T Infotech's client base includes two of the top five insurers, three of the top ten brokers, and one of the world's largest reinsurers. However, the company does not disclose client names.

Offerings

LTI offers services for product engineering and implementation (including specialized Centers of Excellence for Duck Creek, Guidewire, and Insurity), workflow virtualization, real-time loss monitoring, underwriting, employee benefits platforms, digital sales enablement, claims management, predictive analytics, and business capability analysis. The company also provides services for BI, testing/QA, mobile applications, enterprise integration, infrastructure management, enterprise resource planning, system integration, and domain solutions. The company reports that it also offers end-to-end digitalization services for its insurance clients, leveraging the latest transformational technologies and areas like AI, analytics, robotics, IoT, blockchain, cyberinsurance, etc.

Differentiators

The company cites as its primary differentiators its parental leverage, a strong client base, and its digital transformation assets. In nesting itself under the larger Larsen and Toubro Group organization, LTI can move toward IoT-based products and services. Finally, the company leverages its MOSAIC platform to develop assets that help insurance companies navigate their digital transformation initiatives. LTI also believes that its focus on core systems modernization, enabled by the investment in maturing the Product Competency Center (PCC) model, is a unique differentiator that enables LTI to become the partner of choice for its customers.

NEXT STEPS AND RELATED RESEARCH

- Contact Novarica at client-support@novarica.com to set up a conversation to discuss this topic.
- Read related reports:
  - *Insurer IT Budgets and Projects 2018*
  - *The Novarica New Normal For P/C Insurers: 100 Data, Digital, and Core Capabilities*
  - *The Novarica New Normal For L/A Insurers: 100 Data, Digital, and Core Capabilities*
  - *Insurance IT Outsourcing Update*

ABOUT NOVARICA

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

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 us to keep their names confidential, a partial client roster includes Amica, GenRe, Penn Mutual, ProSight, SECURA, SunLife, and XL Catlin.

Our senior team has direct experience as senior IT executives at firms including AIG, Arbella, AXA, Guardian, Liberty Mutual, Marsh, Progressive, Prudential, 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 the knowledge of more than 300 insurer CIO members of our Research Council. All reports are available to our clients without seat license restrictions.

Our Strategy-as-a-Service advisory services provide on-demand phone and email consultations on any topic in insurance or technology (as well as full access to our library). Our clients have told us it's like having a team of experts down the hall for a flat annual fee that is a small fraction of the cost of a single employee.

Our consulting services include vendor selection, benchmarking, project assurance, and IT strategy development. They are based on our deep knowledge base, extensive relationships, personal experience, and proven methodologies. Our clients get rapid, actionable insights and guidance delivered directly by our senior team.

More information at www.novarica.com.

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