

Insurance Processes Outsourcing : Trends in the Domestic Insurance BPO

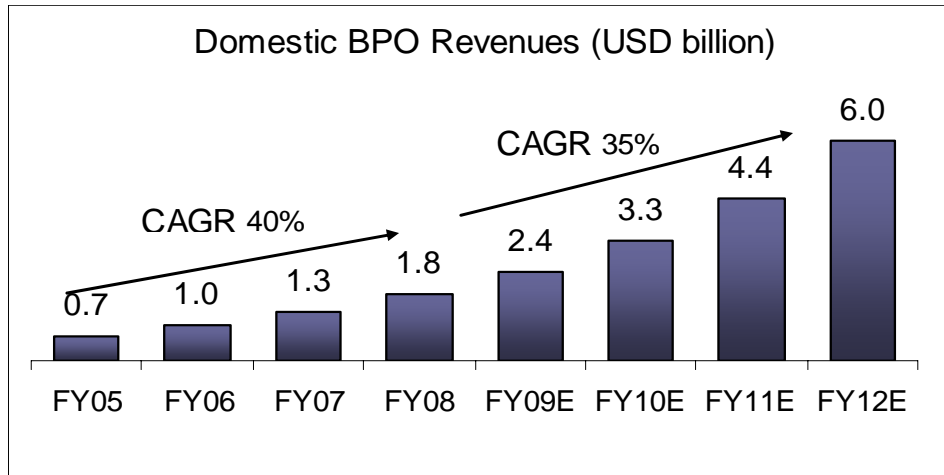
*Arun Jethmalani, Chief Executive Officer,
ValueNotes*

The Insurance Technology Annual Summit 2009

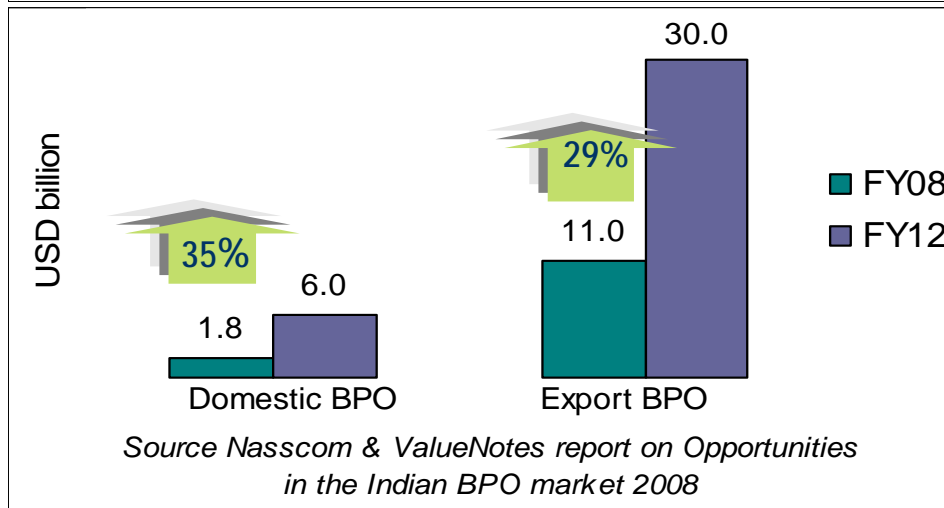
December 14 • Hotel Taj President •

Mumbai

Small domestic BPO market, but growing fast



Export BPO market grew at a CAGR of 37% for the last 5 years, while domestic BPO grew at 50% (smaller base) in the same period.

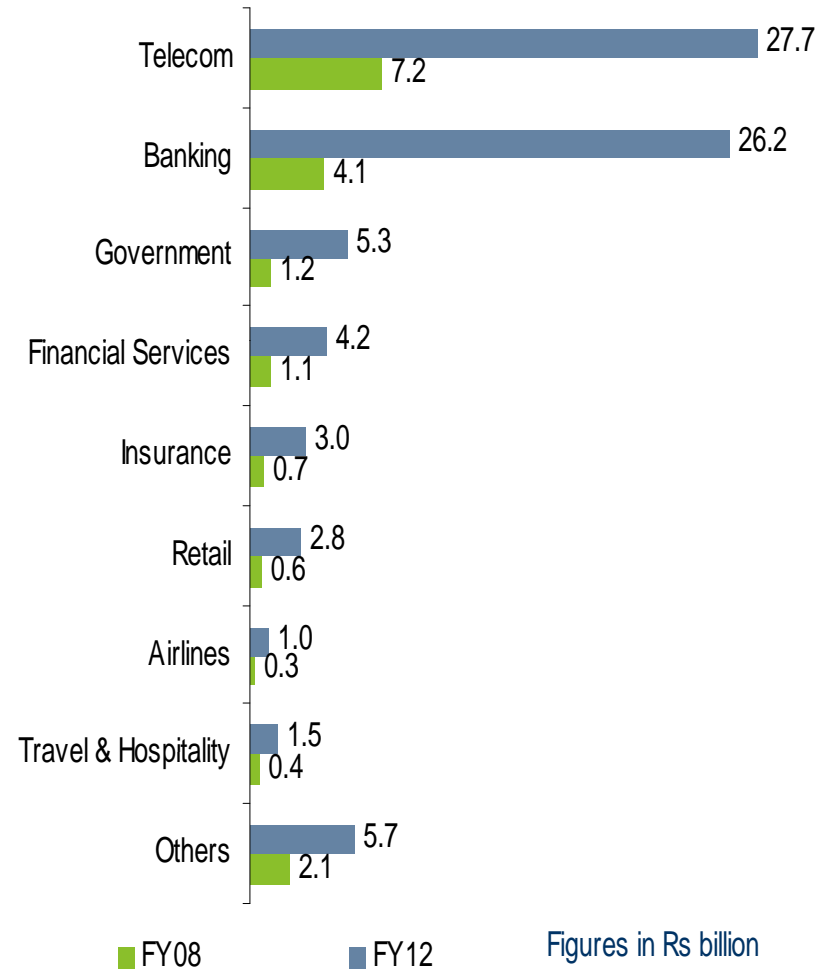
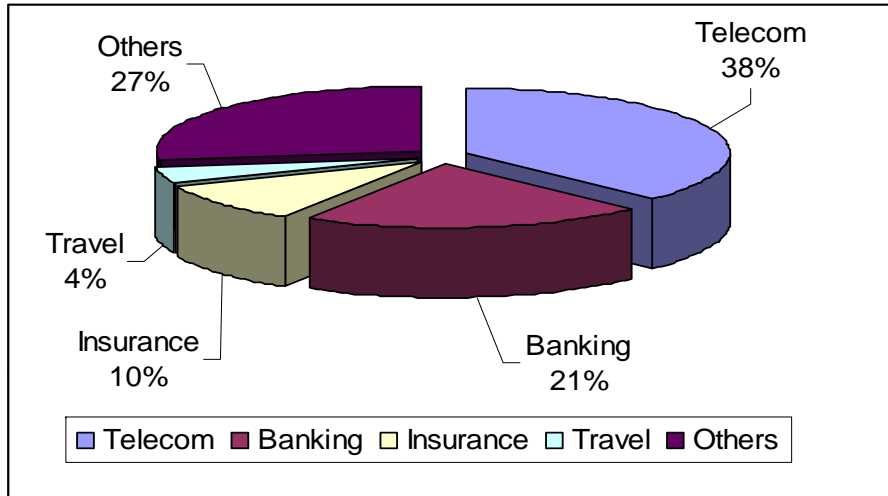


Addressable market opportunity by 2012 for:

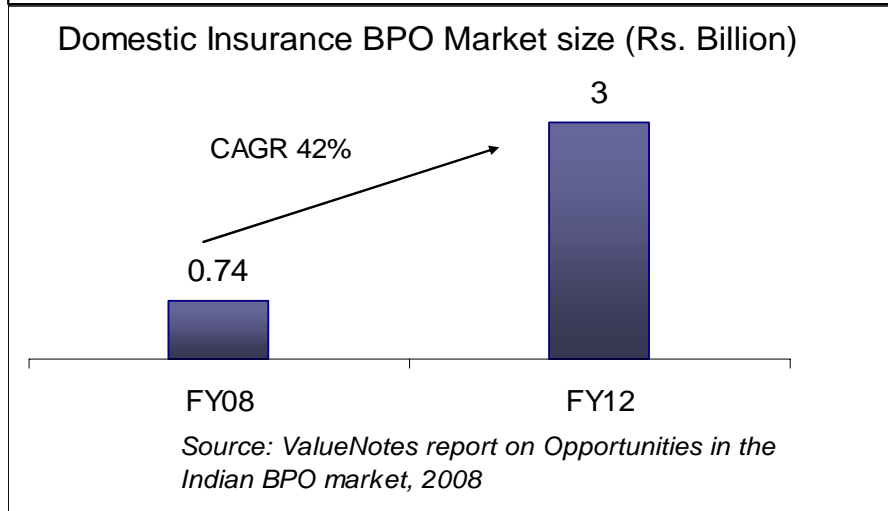
- Export BPO market is USD 220-280 billion
- Domestic BPO market is USD 15-20 billion

And is insulated from problems in global financial sector

Insurance is 10% of total domestic BPO market..

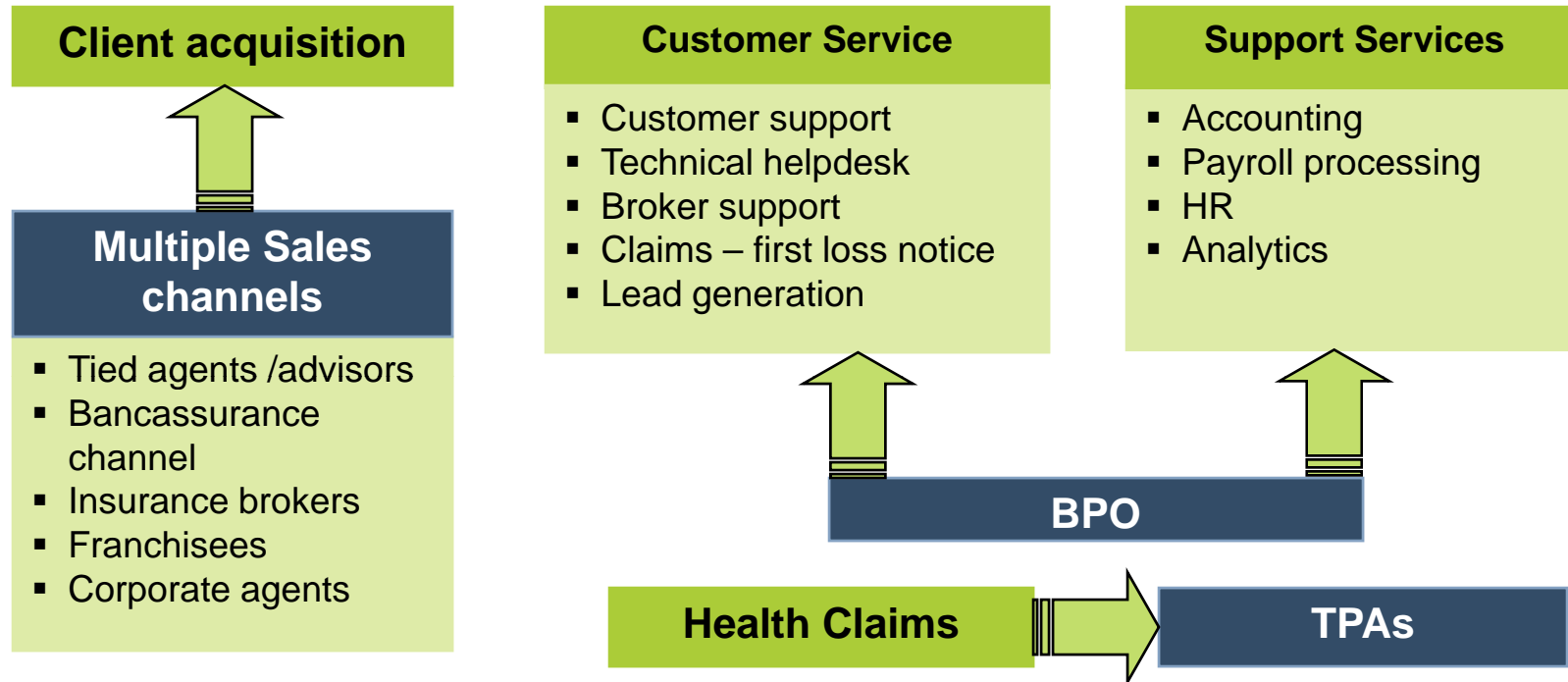


Figures in Rs billion



Insurance outsourcing to grow faster than overall domestic BPO

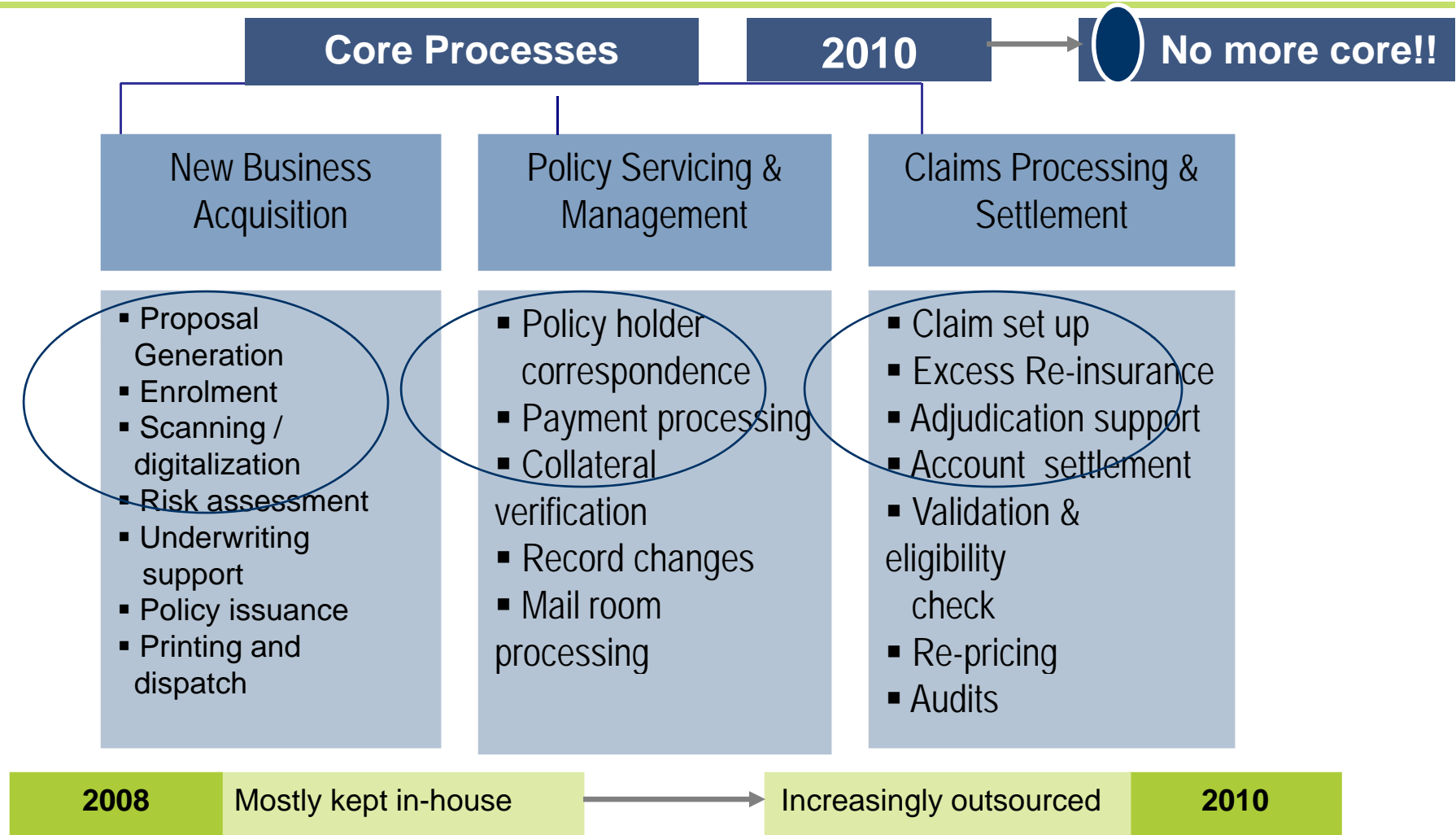
Outsourcing in insurance not a new concept...



With regulatory pressure on commissions, channel structure is likely to see massive disruption

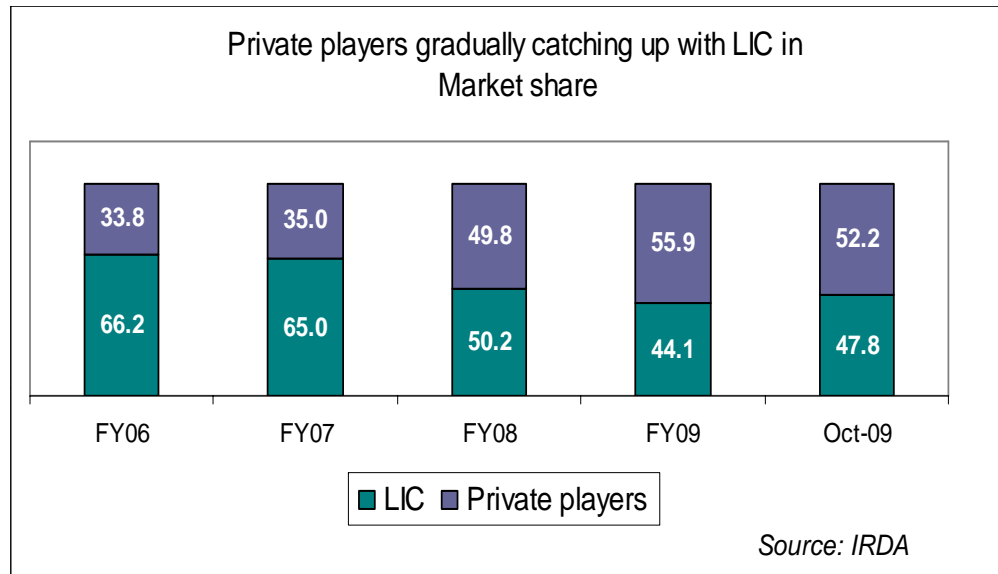
But much of this does not go to typical “BPOs”

What's being outsourced and... ... and what's kept in-house?



Outsourceability of processes is not a constant!

Outsourcing opportunity in insurance... ...not restricted to the private carriers



Indian insurance market is expected to be around USD 52 billion by 2010 and growing at a CAGR of 30%.

PSU companies continue to dominate the general insurance market and account for about 58%.

- ✓ The big 4 PSU general insurance players are in talks to jointly outsource and centralize their outsourcing
- ✓ National Insurance outsourcing its front office to Caretel, has opened the doors for the traditionally closely held process of the PSU giants.

PSU companies in the Indian insurance industry are tough competition, unlike in Telecom where PSU incumbents were displaced by strong private players.

Industry analyst

PSUs will also outsource to retain competitive advantage

What's driving Insurance outsourcing?

IRDA regulations like mandatory maintenance of client records for last 7-10 years will drive volume of data and is a driver for industry back office outsourcing:

Sudip Banerjee, Reliance General Insurance

- **Cost saving:** Tough competition → Focus on margins
- **Focus on core processes:** What is core competitive advantage?
- **Speed to market:** Near real-time launch of products & variations
- **Manage high growth (scalability):** For new entrants, managing scale is critical
- **Product innovation focus**
- **Raising FDI limit:** new entrants, more investments
- **De-tariffing:** Increase in complexity of processes and higher data volumes

With most of the private insurance players tied-up with global insurance majors processes would be standardized, which will make them easier to outsource. There will be some in-country process design changes in India though:

Mandatory medical tests, before issuing life policies, increases volumes of data in the Indian insurance scene as against the developed world where such data is available on the click of a mouse: *CEO, Leading Insurance BPO*

Speed to market, managing growth, core focus, product innovation and market expansion will drive outsourcing

Where are the headwinds coming from?

In developed markets, non-life constitutes a big share of the total insurance pie. Some regulatory bottlenecks still remain.

- **Relatively small industry:** Insurance density in India at 46.6 still low compared to world average of 607.7. In general insurance segment, penetration at 0.6 is way below the world average of 3.10
- **Low IT penetration:** PSU insurers have been slower adopters of IT and this investment is required before true BPO can take off
- **Private carriers** still small to drive volumes for outsourcing

Indian Banking and Telecom are quite matured as industries and can be said that they are at par with the global players. But Indian insurance is yet to mature as an industry:

Vice-President, Leading general insurance company.

***Regulation, Scale and IT investments must fall in place...
for significant volume growth in insurance BPO (post 2012?)***

Changing Vendor landscape

<u>Key players</u>	<u>Capability</u>	<u>Insurance plans</u>
Genpact	The largest BPO in terms of revenues. Scale, BPO knowledge and process maturity make Genpact a formidable competitor.	Aggressively bidding for insurance contracts after attaining third party status.
EXL Service	Player with a strong BFSI focus; Has recently bought Inductis.	Has been scaling up in Insurance research and analytics.
Intelenet	Strong domestic client base and is the largest vendor in the domestic market in terms of employees (post Sparsh acquisition).	Aggressively bidding for Insurance contracts and current client list includes Tata AIG and ICICI Prudential.
TCS BPO	Backing of the largest Indian IT company and large business house.	Is acquiring companies focused in BFSI and leveraging its capabilities such as offshoring knowledge and process maturity very aggressively.
Wipro BPO	Pioneered into the Insurance BPO segment in 2003 and with over a dozen BFSI customers across the globe.	Have been scaling up their insurance practice. The company is diversifying into non-voice business, and insurance transaction processing will be an area of focus.
WNS Global Services	One of the largest Indian insurance BPO players. Has very strong insurance focus.	We expect WNS to continue to scale up aggressively in the insurance vertical.
IBM Daksh	Although not very focused on insurance as yet but has the backing of global IT giant IBM in terms of funding and client base.	Daksh is likely to build up strong insurance capabilities in the near future.

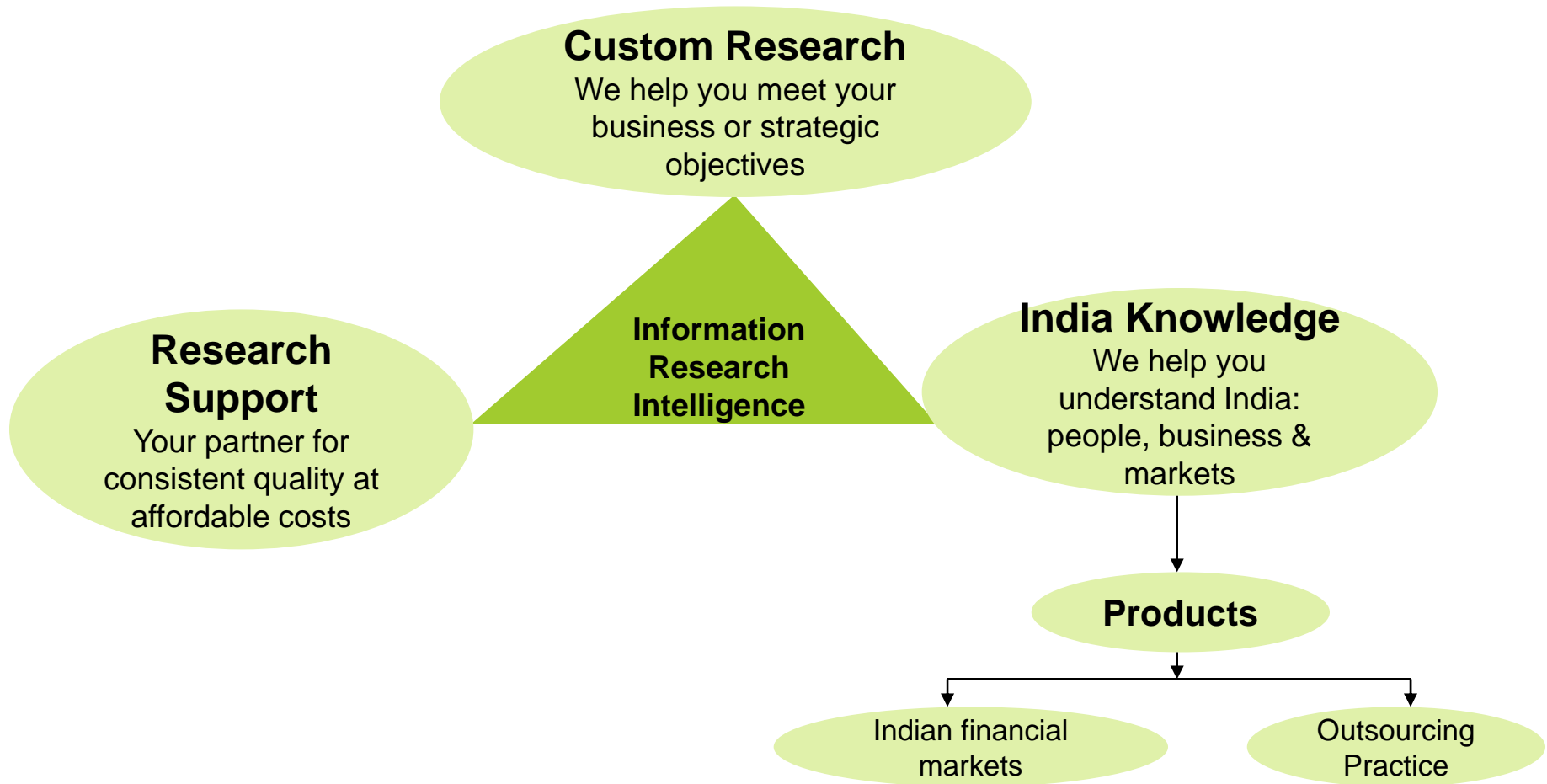
Experienced vendors are drivers in themselves!

Indian insurance BPO seems like a small market today...

- Addressable market in the Indian Insurance industry estimated at Rs. 35-40 billion by 2012.
- But significant growth requires aggressive adoption of IT (Wipro-LIC 5-year IT outsourcing deal) and centralization of operations by PSU carriers to serve as a key enabler to processes outsourcing. Post 2012.
- De-regulation is crucial
- Other factors such as industry growth, increasing competition and consolidation will also drive outsourcing of business processes
- Entry of private and foreign re-insurers will result in more customers & volumes

...but post 2012, growth will kick off, and we will see close to a decade of solid volume growth

From data to decisions...



...we manage information

Thank You

ValueNotes



ValueNotes

1, Bhuvaneshwar Society,

Abhimanshree Road,

Pashan, Pune 411008

Tel: +91 20 25881164 / 65

URL: www.valuenotes.biz

Email: jetu@valuenotes.com

Namaste..!!

Feel free to get in touch with us