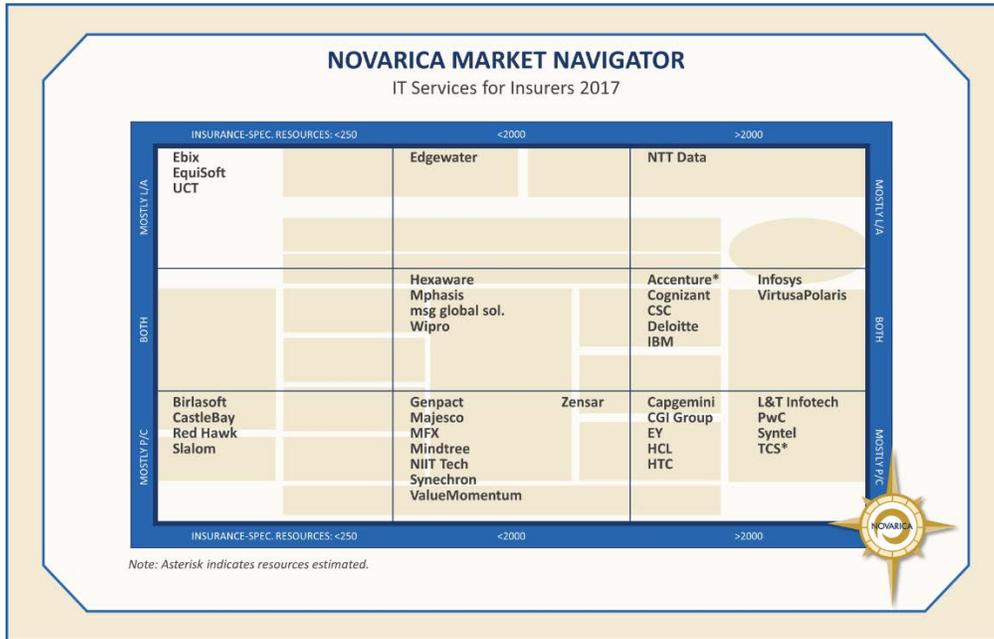


# IT SERVICES PROVIDERS FOR INSURERS

JANUARY 2017



## SUMMARY

This report provides an overview of 37 major IT services providers to 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 L&T Infotech. 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 Service 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 profile of the key senior managers for each provider to provide 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 each provider. 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 90 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.

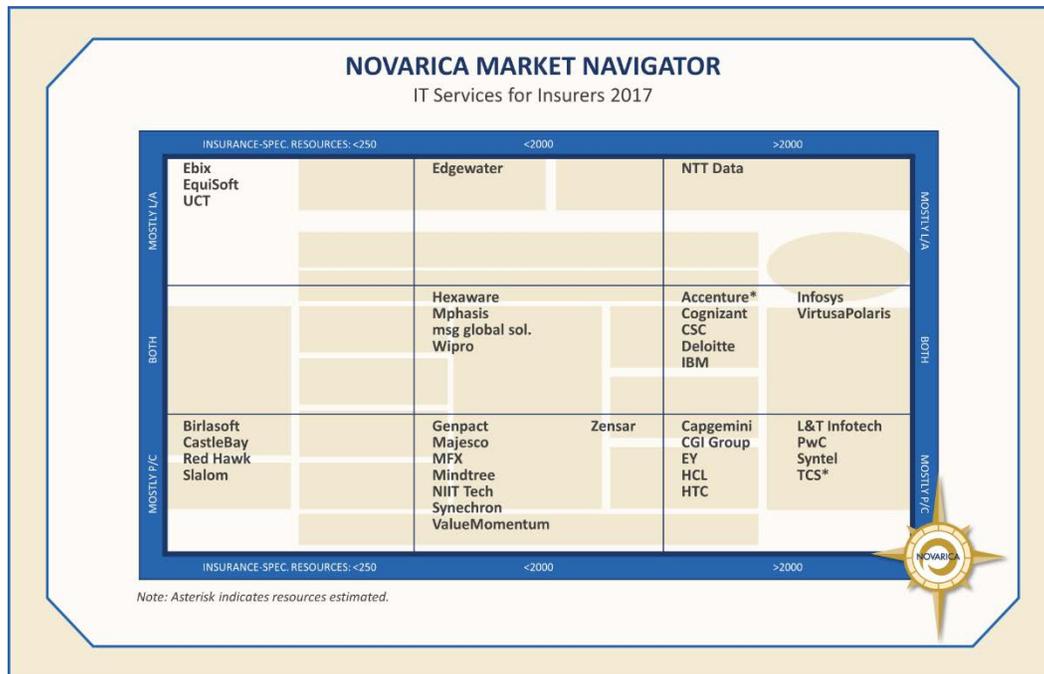


Figure 1: IT Services for Insurers 2017

The background of the map is a watermark of the Novarica Core Systems Map, which is included for branding purposes. This Novarica Market Navigator map graphic was introduced in 2016 to replace Novarica's previous "lollipop" graphic, in which bubbles of various sizes and colors were arranged clockwise in alphabetical order around a central image of the Novarica Core Systems Map.

## MARKET OVERVIEW

### The Case for IT Services Partners

Insurance IT organizations, and those that run them, face several challenges into the foreseeable future. The macro trends that are driving the modernization, innovation, and change momentum in the industry are also driving the need for several things that are often in shorter supply in most insurance IT organizations. Those things include the need for IT resource capacity and talent, core and peripheral systems modernization, operational effectiveness and efficiency driven by technology, and the ability for IT to lead and deliver technological and market-competitive advantage. 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 to struggle with. One of the several ways to begin to address some of these issues is for IT organizations to enlist help as a way to "create" IT capacity and operational effectiveness and efficiency. IT services partners can be useful—if not vital—in this effort.

At its core, the capabilities that IT services partners provide, collectively referred to as IT services management (ITSM), is the implementation of best practice policies, organized and structured in processes and supporting procedures, that are 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. In total, these capabilities can play key roles in supporting 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 optimizes 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 insurer's 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 a myriad of other best practices to an insurer. 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 after all, 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 the competitive advantage effort. 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, thus allowing them to be provisioned more effectively for the benefit of the insurer.

### **IT Outsourcing Trends Continue**

Novarica's 2016 [Insurance IT Outsourcing Update](#) report continues to correlate to the trend toward IT services partners and the value they can bring to insurer IT organizations. Based on a survey of 104 insurer CIOs, the report found that:

- **Outsourcing is directly related to insurers' top IT challenges:** improving operations, managing talent, and controlling budget and costs.
- **Few insurers rely exclusively on in-house staff.** Fewer than 10% of insurers do not use some form of outsourcing. All large carriers rely on some level of external staffing.
- **The outsourcing paradigm is shifting to blended models.** Carriers are placing more value on variable staffing models to increase agility and cost-effectively provision for peak capacity.

Consistent with last year's forecast, the largest growth in IT outsourcing has been among midsize P/C firms as acceptance of outsourcing grows, and as the demand for specialized skills increases beyond the ability of midsize firms to cost-effectively meet those demands. This is where IT services partners can play a key role.

## 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. Importantly, 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 simple and logical, but it can become a stepchild 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 hue and 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 in the same way, so great care and attention is 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 IT incumbent resources displaced or repurposed as a result of an ITSM agreement can have unanticipated costs associated with them, so it's crucially important that insurers create a comprehensive cost model for themselves that projects their implementation and run rate costs of any ITSM initiative.

### Administration

This is another important consideration that has the potential to have an impact on all of the other considerations 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 different 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 that the provider has completed project work (not ADM) over the last 5 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 under-sell 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		
Midsized P/C		
Large Life/Annuity		
Midsized Life/Annuity		
Other N. American Insurance Clients (Not ADM), Last 5 Years		
Large P/C		
Midsized P/C		
Large Life/Annuity		
Midsized 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) = Midsized Insurers  ■ = More than 5 Clients □ = At Least 1 Client ○ = Offered But No Current Clients Blank = Not Offered		

## PROVIDER PROFILE

## L&T Infotech

### Company

L&T Infotech is part of the Larsen & Toubro Group, a \$16B company headquartered in Mumbai, India, with 23 delivery centers spread across Europe, North America, India, the Middle East, South Africa, and the Asia-Pacific. The company has over 19,000 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

L&T Infotech reports that as of June 2016 its North American insurance IT services team consisted of over 700 onshore and 2,300 offshore resources with 27 senior subject matter experts. The US team is led by [Anil Vazirani](#) (Chief Business Officer, Insurance) and [Amit Unde](#) (CTO, Insurance), and the insurance domain practice is led by [Kamlakar Tendolkar](#) (VP and Head of Consulting, Insurance), [Mohan Bharatia](#) (Partner, Insurance), and [Nilesh Lohia](#) (Principal Consultant, Property/Casualty Insurance).

### Vendor Relationships

L&T Infotech has formal partnerships with Insurity, Duck Creek Technologies, and Pegasystems. It also has experience working with the following product vendors: Guidewire, Adaptik, Ebix eGlobal, VRC Insurance System, AQS, Xchanging—Brokasure, IDIT, CSC—GraphTalk, Ingenium, Oracle (Revenue Management and Billing), SAP (FSRI, Camilion), Unirisx, Stratacare, Edlund, and Transactor.

Insurance Resources for North America		
Onshore	700+	
Offshore	2,300+	
Senior Subject Matter Experts / Client Partners	27	
Current Insurance ADM Clients (North America)		
Large P/C	14	
Midsize P/C	9	
Large Life/Annuity	10	
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**

L&T Infotech has ongoing ADM relationships with 37 North American insurers and has completed projects for 7 other North American insurers over the past 5 years. The client base is spread out over midsize and large P/C and L/A insurers. L&T Infotech's client base includes 2 of the top 5 insurers, 3 of the top 10 brokers, and one of the world's largest reinsurers. However, the company does not disclose client names.

### **Offerings**

L&T Infotech 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.

### **Differentiators**

The company cites its primary differentiators as parental leverage, a strong client base, and its digital transformation assets. In nesting itself under the larger Larsen and Toubro Group organization, L&T Infotech can move towards IoT-based products and services. Finally, the company leverages its MOSAIC platform to develop assets that help insurance companies navigate their digital transformation initiatives.

## CONCLUDING THOUGHTS

The following represent experiential thoughts, caveats, and lessons learned from the world of IT services providers and those who use them:

1. When evaluating companies, assessing their depth and breadth of domain expertise can be crucial. Accordingly, long "on-the-job training" cycles can substantially diminish the expected financial or operational gains to be achieved from an engagement. In order to achieve the appropriate lift, these types of engagement may need to be longer in order to achieve the desired outcomes, which may run counter to the idea of creating greater levels of organizational flexibility.
2. Understanding the geographic location of resources and their respective access models can help CIOs determine a best "fitness to purpose" for provider options. At times this may actually become a function of process maturity at the carrier. If the internal processes are well defined, strong, well documented, and mature, they can be a powerful offset to concerns about geographic dispersion. Less maturity may place increased value on a visible, local, presence.
3. The nature of the work contemplated can also impact a selection decision. Highly repetitive maintenance work may have a different set of parameters for proximity than process engineering or new package deployments. Once again, understanding these elements while avoiding confusion over the differences between "low cost" and "value" metrics can also be crucial to long-term success.
4. Considering past track records for vendors remains a high value activity. In some cases, the providers reflected here have been able to share available client names. Regardless of whether they are shown here or pursued independently, ensuring that the experiences are both relevant and appropriate are very important. Where a large organization is shown as a client, it is also advisable to drill into that information further to ensure relevancy for things like project scope, size, and line of business impacted.
5. It is also important for CIOs to consider carefully the type of relationship implied by a specific body of work. A known quantity of skill and work which can easily (in terms of cost and risk) be moved between vendors is very different than something that is focused on a long-term strategic effort that has high costs and attendant risks related to transitions. Something that is effectively a utility that can be associated with commodity pricing is very different from an engagement that carries with it high expectations for creativity, innovation, and thought leadership.

In a rapidly changing insurance marketplace, and with a range of high priority initiatives that can quickly be reshuffled based on both market demands and regulatory requirements, being positioned to apply the right resources at the right time is a crucial skill set for insurance carrier CIOs and their teams. Having an effective mix of full-time skills that can respond to a wide range of needs can be both expensive and impractical, particularly given the steady march forward of both technology tools and channel touch points.

It's now more important than ever for IT organizations to be positioned and prepared to respond to the needs of their business partners by engaging with technology partners that can both complement and supplement internal resources, effectively giving CIOs a multiplier on the resources that may be part of their own full-time organizations. The ability to dynamically deploy resources quickly and with confidence in their capabilities is quickly becoming one of the hallmarks of the IT organization of today and of the future. CIOs and their teams will need to be able to deal concurrently with both escalating demands for capabilities and shrinking timelines for delivery. Changes in direction, to respond to market pressure, innovation, and the InsurTech ecosystem are also likely to increase, creating a premium on both flexibility and creativity.

Opportunities to create competitive advantage can be fleeting; technology organizations that are not only prepared for change, but are flexible enough to support the changes with the resources and capabilities needed, will be the ones capturing the competitive advantage. The ability to support and lead the response to competitive opportunities is a critical capability for IT leaders and their staffs.

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

## NEXT STEPS AND RELATED RESEARCH

- Contact Novarica at [client-support@novarica.com](mailto:client-support@novarica.com) to set up a conversation to discuss this topic.
- Read related reports:
  - [Insurer IT Budgets and Projects 2017](#)
  - [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 90 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 to 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 knowledgebase, 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](http://www.novarica.com).

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