NEAT EVALUATION FOR DXC TECHNOLOGY:

# P&C Operations Transformation

## Market Segment: Overall

## Introduction

This is a custom report for DXC Technology (DXC) presenting the findings of the 2024 NelsonHall NEAT vendor evaluation for *P&C Operations Transformation* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of DXC for P&C operations transformation, and the latest market analysis summary.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering property & casualty (P&C) insurance operations transformation services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific capability in new product set-up, underwriting, customer administration, and claims administration.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Cogneesol, Cognizant, DXC Technology, Genpact, Mphasis, TCS, WNS, and Xceedance. Further explanation of the NEAT methodology is included at the end of the report.

# NEAT Evaluation: P&C Operations Transformation (Overall)



Property & Casualty Operations Transformation 2024
Overall
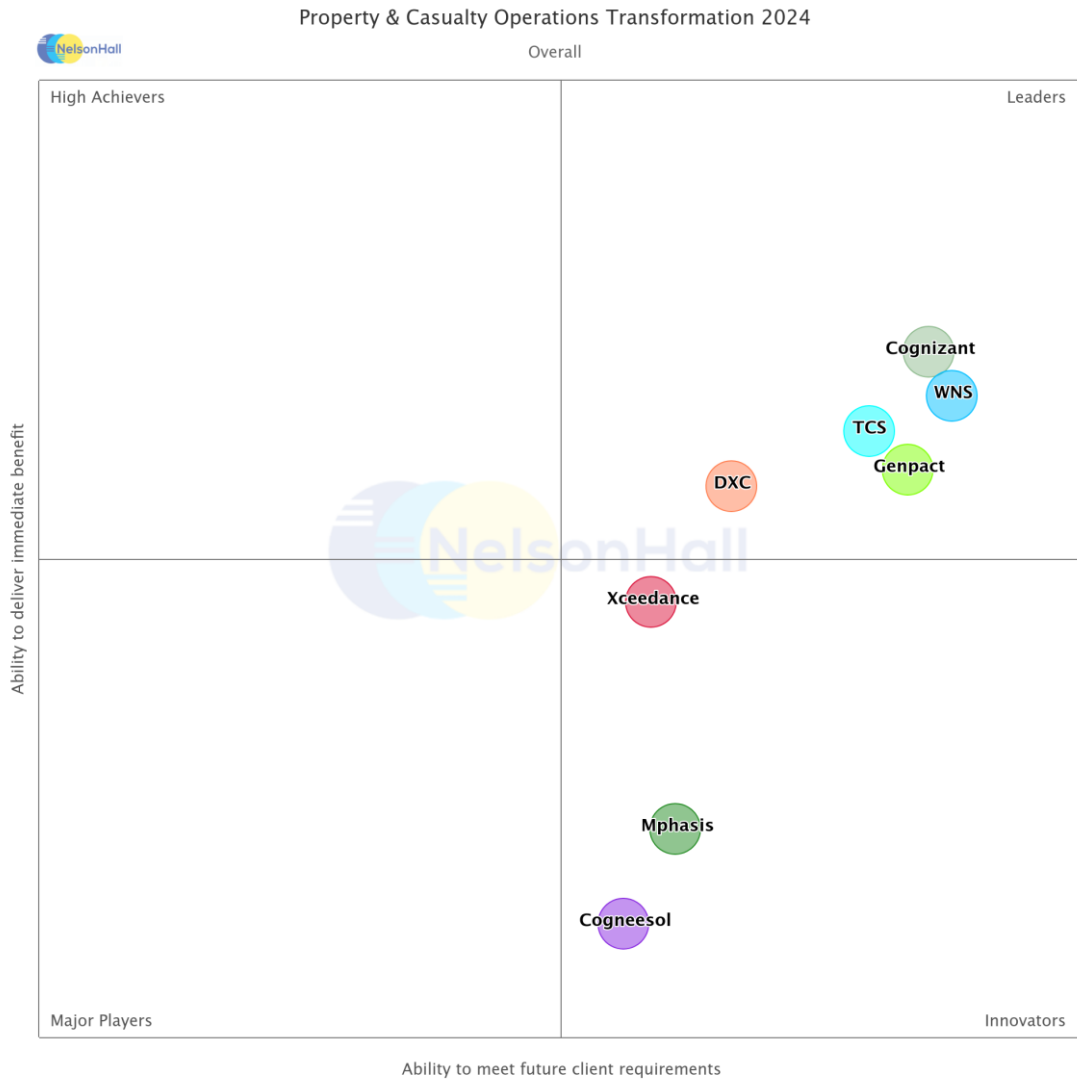
NelsonHall has identified DXC as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects DXC's overall ability to meet future client requirements as well as delivering immediate benefits to its P&C clients. DXC was also identified as a Leader in all of the market segments for specific areas of capability: New Product Set-Up, Underwriting, Customer Administration, and Claims Administration.

Leaders are vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements.

Buy-side organizations can access the *P&C Operations Transformation* NEAT tool (*Overall*) here.

# Vendor Analysis Summary for DXC

## Overview

Headquartered in Ashburn, VA, U.S., DXC is a global IT software and services company that provides business process outsourcing, analytics, engineering, applications, security, cloud, and IT outsourcing. DXC offers industry services across various sectors, including aerospace and defense, automotive, banking, capital markets, consumer and retail, energy, utilities, oil and gas, healthcare, insurance, life sciences, manufacturing, public sector, technology, media and telecommunications, travel, transportation, and hospitality.

Overall, DXC has ~6,000 clients globally with a net revenue of ~$14.4bn for FY 2023 (ending in March 2023). It has ~130k employees and operates out of delivery centers in ~70 countries across North America, EMEA, APAC, and LATAM regions.

DXC's P&C insurance business covers personal, commercial, specialty, and Lloyd's of London. It provides P&C insurance carriers with BPS, BPaaS, software platforms, and technology solutions. It delivers services across new product setup, underwriting, broker management, customer service/administration, claims administration/processing, and subrogation for personal and commercial insurance.

DXC leverages proprietary IP, DXC Assure.

It has ~950 P&C insurance clients overall, with ~300 of these operating personal lines of insurance and 650 operating commercial lines. DXC handles ~2m P&C policies per annum from their BPS operations.

NelsonHall estimates DXC has ~6.3k P&C FTEs globally, approximately one-third of which are working out of delivery locations in India.

Many DXC engagements have outcome-based pricing, calculated on a percentage of direct written premium serviced with DXC platforms. Within the same engagement, a contract may also have other pricing mechanisms such as fixed price, FTE-based, time & materials, transaction or per unit pricing, payment by milestone achieved, and gainshare on cost reduction.

## Financials

NelsonHall estimates DXC's P&C insurance revenue (including software) to be ~$800m in FY 2023.

DXC's insurance revenue is segmented as part of its global business services, including insurance software, insurance BPaaS, and BPS, which was ~$1.49bn for FY 2023. This breaks down as follows:

- Insurance software: $495m

- Insurance BPaaS: $590m

- Business Process Services (BPS): $407m.

## Strengths

- The ability to develop and offer software and software platforms that can deliver business process services alongside the applications

- DXC Assure platform to entail all areas of P&C lifecycle (e.g., policy, claims, brokering)

- Consistently reviewing third-party capability to identify the latest and most advanced technology, DXC will partner if it lacks the necessary built-in ability or if the existing capability is not developed enough

- DXC's innovation community is utilized to enhance core functionality by incorporating new capabilities based on customer feedback and promptly addressing any ongoing issues

- Presence in the London market and ongoing work with Blueprint 2.0.

## Challenges

- Relatively low number of P&C policies administered by BPS operations

- Can increase third-party P&C BPS partnerships; only two partnerships over the past 18 months

- Can develop implementations of microinsurance solutions and models.

## Strategic Direction

DXC positions itself by providing software platform, BPS, and advisory services to address critical challenges clients face in the P&C landscape. Over the next 12-18 months, DXC's top three focus areas for R&D based on feedback from its active customer community are:

- AI

- Cloud foundation

- Customer-focused product advancements.

DXC continues to support multiple types of policies, help carriers increase speed to market with new products, improve customer experience with self-service capabilities that include AI, and reduce overall cost to the carrier.

DXC is completing UX improvement efforts for all software applications to speed workflow across P&C BPS segments. The intended outcome of this UX improvement is to improve response time from the system and ease users in entering underwriting information to provide quotes more quickly.

## Outlook

Through its innovation community, DXC is leveraging its existing customers and partnerships to advance its offerings and upgrade existing clients with newer versions of the DXC Assure platform. DXC has also accelerated its efforts in the London market to expand its footprint with the Blueprint 2.0 initiative.

A key element to expanding their footprint into various markets is to include an advisory consulting component within BPS engagements to add value to client engagements. Exploring

this concept could lead prospective clients to adopt more BPS offerings that may not have been previously considered in parallel with software applications.

Look for DXC to leverage its technology stack to assist clients in transitioning from legacy platforms to more advanced digital media while keeping cost and customer experience at the forefront of all engagements. This includes providing the appropriate integration strategy, componentized digital solutions on the cloud, and API-enabled tools for clients to leverage and optimize business core operations.

# P&C Operations Transformation Market Summary

## Overview

Recent trends underscore a notable reliance on P&C operations transformation BPS services, particularly in customer administration and claims management. There is also an anticipated surge in demand for BPS services in emerging areas such as underwriting, broker management, and subrogation. Tomorrow's consumers are increasingly seeking hyper-personalization across the entire P&C value chain.

These evolving expectations prompt vendors to invest significantly in advanced technologies like generative AI, seamlessly integrating them into their BPS offerings. Concurrently, carriers seek to leverage internal and external data repositories and make informed decisions across different areas of the P&C process, including new product setup, underwriting, contact center, and adjudication.

Regarding operational delivery, offshore centers are expected to remain stable, with a slight increase in demand for onshore and nearshore delivery centers. Both carriers and vendors will witness a growing acceptance of risk-sharing pricing models, accompanied by more robust SLAs. Carriers are set to emphasize the importance of the vendor's innovation capacity and a design-thinking approach in the vendor selection process.

## Buy-Side Dynamics

The demand for P&C BPS services is expected to rise in customer administration and claims management, with a notable increase in demand for BPS services in underwriting. Latest research showcases carriers' limited confidence in their current underwriting capabilities. Carriers expect better suitability over the next three years for claims administration and a higher level of effectiveness in delivering underwriting capabilities.

Research also indicates that despite a low suitability score, a vendor's ability to execute and enhance operational efficiency for the carrier is paramount. Among various P&C operational areas, underwriting stands out as an opportunity area for vendors to enhance their execution, offerings, and delivery capabilities.

Buy-side carriers express a strong inclination to collaborate with P&C BPS vendors who offer a range of services that bring versatility and adaptability to the partnership. The services carriers seek include support for transformation between IT platforms related to customer administration, a collaborative approach for API across P&C business areas, support in FP&A, and risk analytics.

To ensure future success, buy-side carriers are initiating discussions with vendors to shift away from conventional commercial models (e.g., FTE-based pricing or fixed price) towards adopting a risk-sharing paradigm. Furthermore, vendor selection is significantly influenced by two key factors: a design-thinking approach to client engagement and domain expertise.

## Market Size & Growth

The global P&C BPS market is ~$13,041m in 2023, with growth of 6.1% from the previous year. The market is set to reach ~$16,260m by 2027.

North America and EMEA stand out as the primary hubs for P&C demand. North American-headquartered businesses continue to lead other geographies in adopting P&C operations transformation services with ~56% market share, with EMEA regions ~29% market share. Growth in both regions will continue steadily with a heightened need for incorporating automation tools and advanced analytics in addition to traditional BPO services. The full breakdown by geographic region is:

- North America: 56%

- EMEA: 29%

- LATAM: 9%

- APAC: 6%

While we anticipate continued increase in market demand in North America and EMEA in the coming years, demand in the LATAM and APAC regions is expected to remain stable.

## Challenges & Success Factors

Numerous challenges persist within the P&C operations transformation market. The prevailing market trend underscores a heightened focus on integrating generative AI capabilities, notably in customer and claims administration. Further exploration is imperative to pinpoint additional segments within the P&C value chain, such as underwriting, new product setup, and broker management, where generative AI could yield substantial benefits. Notably, subrogation presents a challenge, as vendors currently provide limited solutions, particularly in harnessing data modeling and analytics to recover rightful payments.

In the context of vendor selection, SLA contracts remain pivotal, emphasizing the vendor's crucial task of embedding a lucid future roadmap. The ability to articulate how service will evolve throughout the engagement, expressed in clear language, is paramount. Moreover, the industry is shifting towards a risk-sharing pricing model, with growing expectations for vendors to provide delivery capabilities in nearshore or onshore locations, specifically for areas that require onshore oversight.

The success factors for P&C BPS vendors hinge on their proficiency in differentiating generative AI capabilities for specific processes, substantiated by comprehensive use cases and demonstrations. Carriers not only expect vendors to possess domain expertise but they also seek partners capable of infusing innovative ideas into the engagement. Vendors are expected to demonstrate competence in aggregating and analyzing substantial volumes of both unstructured and structured data sets. This capability enables carriers to extract actionable insights affirming the vendor's value proposition in this dynamic landscape.

## Outlook

P&C operations transformation services are poised for continued growth. Carriers, in their pursuit of operational enhancement, will look for P&C BPS vendors to curtail administrative costs, support the expansion of their existing footprint, and augment operational efficiency, ultimately improving the overall customer experience.

In response to the escalating demand for generative AI capabilities, vendors are expected to accelerate these portfolio offerings. This extends beyond existing use cases of conventional areas of customer administration and claims administration. Buyers have requested a collaborative approach with their vendors, fostering increased cooperation. Vendors will leverage their existing innovation labs, engaging in pertinent research, creation, and deployment of offerings in tandem with client feedback and input, as buyer preferences shift.

Long-term success transcends mere demonstration of domain knowledge. It encompasses a holistic evaluation of the vendor's capabilities, including an assessment of their existing technology stack, which incorporates cutting-edge technologies such as AI, ML, and RPA. Success will also hinge on the vendor's ability to leverage existing and new technologies to introduce innovative ideas and create a comprehensive roadmap. The roadmap should be designed to not only guide the carrier in understanding the vendor's approach and strategy but also map out long-term solutions that align with the carrier's strategy.

# NEAT Methodology for P&C Operations Transformation

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet future client requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet future client requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders**: vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements

- **High Achievers**: vendors that exhibit a high capability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet future client requirements

- **Innovators**: vendors that exhibit a high capability relative to their peers to meet future client requirements but have scope to enhance their ability to deliver immediate benefit

- **Major Players**: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.

*Exhibit 1*

## 'Ability to deliver immediate benefit': Assessment criteria

| Assessment Category | Assessment Criteria |
| --- | --- |
| Offerings | New product set-up transformation capability<br>Underwriting transformation capability<br>Broker management transformation capability<br>Customer administration transformation capability<br>Claims administration transformation capability<br>Subrogation transformation capability<br>Personal insurance transformation capability<br>Commercial insurance transformation capability |
| Delivery | Use of multi-channel capability<br>Digitalization of claim assessments<br>Use of advanced analytics<br>Use of proprietary platform(s)<br>North American delivery capability<br>U.K. delivery capability<br>Continental European delivery capability<br>MEA delivery capability<br>APAC delivery capability<br>LATAM delivery capability |
| Customer Presence | North American presence<br>U.K. presence<br>EMEA presence<br>APAC presence<br>LATAM presence<br>Corporate stability |
| Benefits Achieved | Administrative cost reduction<br>Improved customer experience<br>Reduction in new business turnaround time<br>Reduction in claims handling time<br>Reduction in fraud and leakage<br>Improve new business success<br>Agility and ability to scale<br>Increased business through brokers<br>Increased accuracy of underwriting |

*Exhibit 2*

## 'Ability to meet client future requirements': Assessment criteria

| Assessment Category | Assessment Criteria |
|---|---|
| Future Service Capability | Roadmap for P&C operations transformation & BPS services |
| Service Culture and Proactivity | Proactivity |
| | Service culture |
| Roadmaps | Roadmap for new digital process models for property LOB |
| | Roadmap for new digital process models for auto LOB |
| | Roadmap for new digital process models for casualty LOB |
| | Roadmap for new business setup & underwriting operations |
| | Roadmap for claims processing including subrogation services |
| | Roadmap for customer service administration and multi-channel communnication |
| | Roadmap for broker management |
| | Roadmap for analytics, AI, RPA, Intelligent Automation |
| | Planned investment in process redesign services |
| | P&C Platform(s) roadmap |
| | Planned investment in R&D of new technologies |
| | New partnership |
| | Depth of platform partnership |
| Market Momentum | New client win(s) |
| | Existing client expansion of capabilities |
| Ability to Deliver Innovation | Client perception of value for money |
| | Client perception of future suitability |
| | Client perception of flexibility |

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

### Sales Inquiries

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NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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