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# Nearshoring Strategies for IT Leaders

Unlocking the power of nearshore outsourcing to drive digital innovation and efficiency





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# Nearshoring: a Hybrid Solution

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# 01. Nearshoring: a Hybrid Solution

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Nearshoring is the outsourcing of business and technology functions to vendors in countries geographically closer to the United States. Insurers can use this hybrid solution to improve cost savings, leverage a high-quality, reliable, and stable workforce with few language barriers or remote time zones, and work in a business environment within a stable, friendly government.





# Requirements Are Growing

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# Requirements Are Growing

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Insurers face huge challenges from the pace of both economic and business changes, as well as the digitalization of their industry, and addressing these top business challenges involves hiring new tech talent that is in incredibly short supply.

Enter the COVID-19 pandemic, which changed many insurers' priorities and continues to propel the need to deploy smart tech-sourcing strategies. In June 2020, then-President Trump temporarily suspended work for H-1B visa holders, adding ongoing pressure to insurers relying on sourcing international workers in the United States, and driving up demand for top-tier tech talent.

# The Call for Digital

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If anything, the past 12 months have highlighted how critical it is for insurers to effectively manage their IT service providers—especially those that offer digital capabilities services—in order to survive what is now considered a long-term crisis. At the same time, insurers must leverage quality tech talent to continue to improve IT delivery, in order to transform and compete successfully in its aftermath.

It makes sense: Given the complexity of macroeconomic changes set in motion by the pandemic and other decisions affecting our U.S. workforce, tech-enabled companies, including insurers, performed better throughout 2020 than their less digitally savvy competitors, notes Forbes.



# The Call for Talent

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The pressure to continue this trend is growing. In fact, the boost that digital transformation-enabling technologies have been given during the pandemic is likely to sustain in the long term, or even accelerate as the global economy pilots out of the pandemic. That's the good news. The not-so-good news is that the growing, yet unmet need for high-quality tech talent will inevitably be reinforced as a result.





# From Onshore to Nearshore

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# Where Is the Talent?

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The need for high-quality, reliable tech talent isn't going away, so insurers are charged with evaluating the best possible options for backfilling their requirements. This includes decisions around offshoring and nearshoring.

Insurers are operating in a changing economic environment where calls for cost reductions are met with the reality that demand for U.S.-based tech positions is at an all-time high, making those positions cost even more. In fact, demand for high-quality tech jobs is growing twice as much as in any other industry, note experts, and within the United States, competition for talent is fierce.



# Mexico Is the Example

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Insurers that understand the importance of tech know-how/savviness as a strategic skill are looking to adapt their tech sourcing strategies. This means thinking outside the box, and replacing expensive, difficult offshoring contracts with a nearshoring model using countries that are closer, stable, and represent financially attractive markets that can fulfill their requirements.

Given the cultural, political, and economic sensitivities so prevalent in many offshore countries, nearshoring in the Latin American sector is taking off. Mexico is the example, with close to one million IT professionals actively working in the market while Latin America accounts for more than three million.





# A Growing Market

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El Economista reports that the number of U.S. tech position vacancies aimed at people residing in Mexico has grown 13 percent as of late 2020 and compared to all of 2019, and thanks to the pandemic, vacancies in the United States for tech workers in Mexico who are able to work from home grew 1,000 percent in 2020 compared to 2019.

"These figures show that the Mexican programming community has become one of the most sought after by U.S. insurers for tech-related positions," notes the report. These figures also suggest why quality tech workers are in such demand: insurers hoping to deliver on their IT promises at a lower cost can do so knowing they face reduced overhead.





# Soft And Hard Benefits

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# Soft And Hard Benefits

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It's no secret that the cost of living in Mexico/Latin America is substantially less than that of the United States, making this area an attractive, cost-effective nearshoring option. Accordingly, wages comprise a chief area of review for U.S. insurers that are evaluating their nearshoring strategies (See chart on the next page).

As one insurer put it, "I want to effectively manage my IT budget, meaning I want to double my capacity at a lower cost, and I want to be able to travel there easily. Nearshoring is the answer to that."



**Nearshoring:  
a Low Cost  
Alternative**

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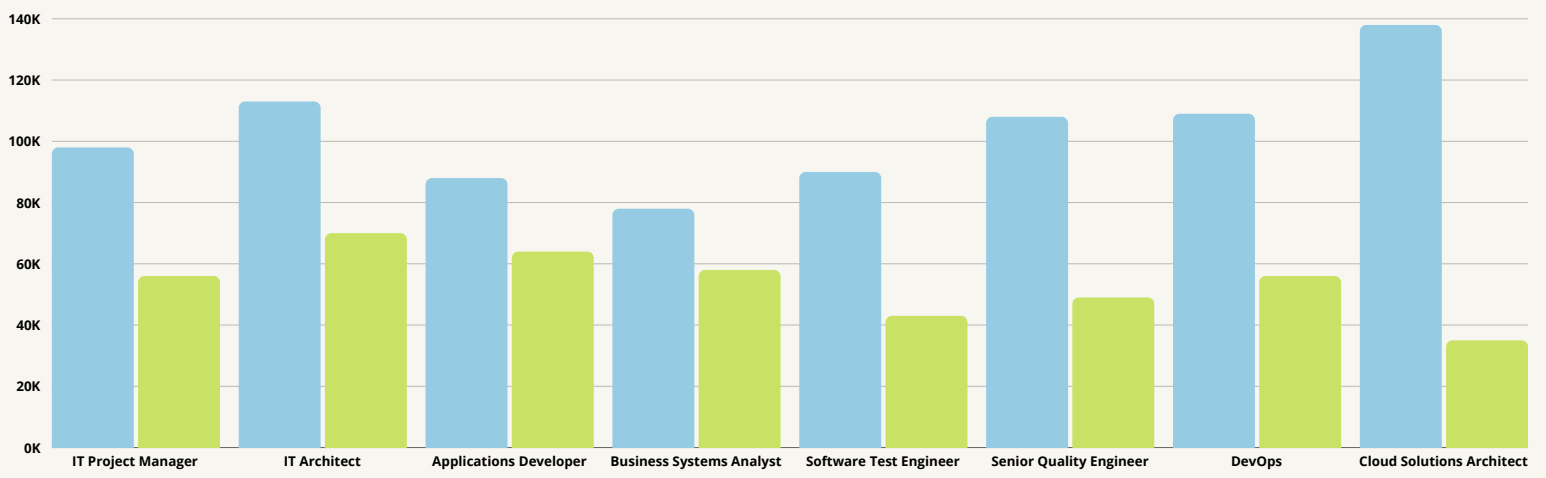


# Soft And Hard Benefits

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Salary ranges can vary widely depending on many important factors, including education, certifications, additional skills, experience, and geographic location.

The following general comparisons are based on intermediate-ranked positions unless otherwise noted, and median based locations (North America and greater Mexico).



This information was aggregated and categorized from Michael Page, Inc., Software Guru, EmpliosTI, Glass Door, Indeed.com, and Salary.com. Figures are in thousands, averaged and rounded up in U.S. dollars.



# Flexibility = Productivity Gains



Once a tech team is hired and in place, soft returns/benefits kick in almost immediately. For example, nearshoring enables the insurer the flexibility to reassign and relocate activities that are higher on the value chain.

For example, a team can develop and test products and services at a faster pace and iterate accordingly, and with the right people placed in the right positions, productivity increases.

# Additional Benefits

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Soft and hard benefits are not the only advantages of nearshoring. Unlike offshoring, nearshoring focuses on locations with closer proximity to the U.S., resulting in better time-zone compatibility between the insurer, and nearshored workers. This enables teams to collaborate and communicate in real-time onsite, virtually via video conference or digital channels, or by using hybrid communications.

We know that English is the unofficial language of the world, although not everyone in the world is fluent in it. The exception, notes Forbes, is the nearshoring countries of Mexico, Peru, Chile, Ecuador, and Brazil, which have all surpassed China in English proficiency. Leveraging the English language is critical for insurers' business relationships, including contract negotiations and day-to-day transactions.



A 3D bar chart with three bars of increasing height from left to right, set against a dark blue background with a grid pattern. A large, dark blue arrow points upwards and to the right, overlapping the bars. A semi-transparent circular graphic is also visible behind the text.

# Case Study: Benefits in Action

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# A Tier-1 Carrier's Transition to Nearshoring

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Soon after a prominent direct-to-consumer personal lines property and casualty carrier committed to hiring 5,000 IT workers from India, the insurer pivoted away from growing challenges of language translation, having to place US-based IT staff on 3rd shift, and having to train some offshore workers in cloud-based development.

"In our new model, they are in my time zone, an hour away by plane, I can sit down with them, and speak Spanish or English, so they can speak to my business. Plus, we can now leverage both AWS proficiency and other new skill sets we didn't have in India," says the VP of IT.

"Our greatest return shows up in the cost of IT—reducing the IT portion of our expense ratio. The second return is in our ability to respond to the business needs and continue to be able to be a first mover. I wouldn't choose anything but nearshoring going forward." Read other success stories here.

# An Evolving Business Climate

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English proficiency is another of the many advantages insurers are recognizing when evaluating Latin America, and Mexico in particular, as its nearshoring alternative.

Once synonymous with danger and inadequate infrastructure, today's Mexican business climate has rallied (See "Mexico at a Glance") under the guidance of government initiatives, private investments, and the drive of local citizens driven to enter the tech race and produce IT talent that equals that of those in first-world countries, notes [Forbes](#).



# Desire for Progress

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And while Mexico rightfully claims a lot of talent, it's the desire to progress that is notable, confirms the EI Economista report. "The programmers are of a high standard, trained and competent, making them the best candidates to be part of any technology development team."

That said, insurers deserve to work with the best possible development teams, and choosing the right partner is paramount to that goal.

# Desire for Progress

## MEXICO AT A GLANCE

Latin America offers a wide range of countries that could be considered “nearshore” to the United States. With its borders touching several states in America, Mexico is Latin America’s third-largest country, with the second-largest economy behind Brazil.

Significant, positive changes are taking place within the business communities of Latin American countries, notably, in Mexico, where the economy relies on services - with trade, transportation, finance, and government accounting for about two-thirds of its \$1.7 trillion gross domestic product. When adding the placement of tech talent, it’s not surprising that Mexico’s “Open for Business” Ranking in 2021 is 57 out of 73, up from 53 out of 73 in 2020.

Perhaps most compelling is news related to a dynamic paradigm shift in the country’s crime rate. Mexico’s level of peacefulness has increased within the last year by 3.5%, according to the 2021 edition of the Mexico Peace Index, a comprehensive measure of national peacefulness with trends, analysis, and estimates of the economic impact of violence.

This improvement, which began prior to the onset of COVID 19, is expected to continue in 2021 and beyond. Today, Mexico is ranked by U.S. News & World Report as the #3 country to start a business and the #1 best country to invest in.



**Mexico is a top destination for business and investment, with growing stability.**





# Obviating Perceived Risk

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When creating a nearshoring strategy, a key concern for insurers is risk and exposure to liabilities. The perceived risks of an outsourcing or nearshoring model include loss of control over data, security, and regulatory compliance.

When placing your trust in your nearshore partner, you are extending your IT team, thereby minimizing risk by contracting with them to manage and take on certain elements of risk. In other words, by choosing the right partner, you can integrate a solid, high productive, and cost-effective workforce that will function to safely and securely improve IT delivery for the short or long term.

# Maximizing Every Resource Dollar

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As one insurer states: "Business continuity is important to us. We combined our own resources (managers and Subject Matter Experts) with a nearshore team that had experience in even newer technologies and development methodologies. We were able to maximize every resource dollar, and keep our operations running while the nearshore team helped us modernize our systems."





**Looking Forward**

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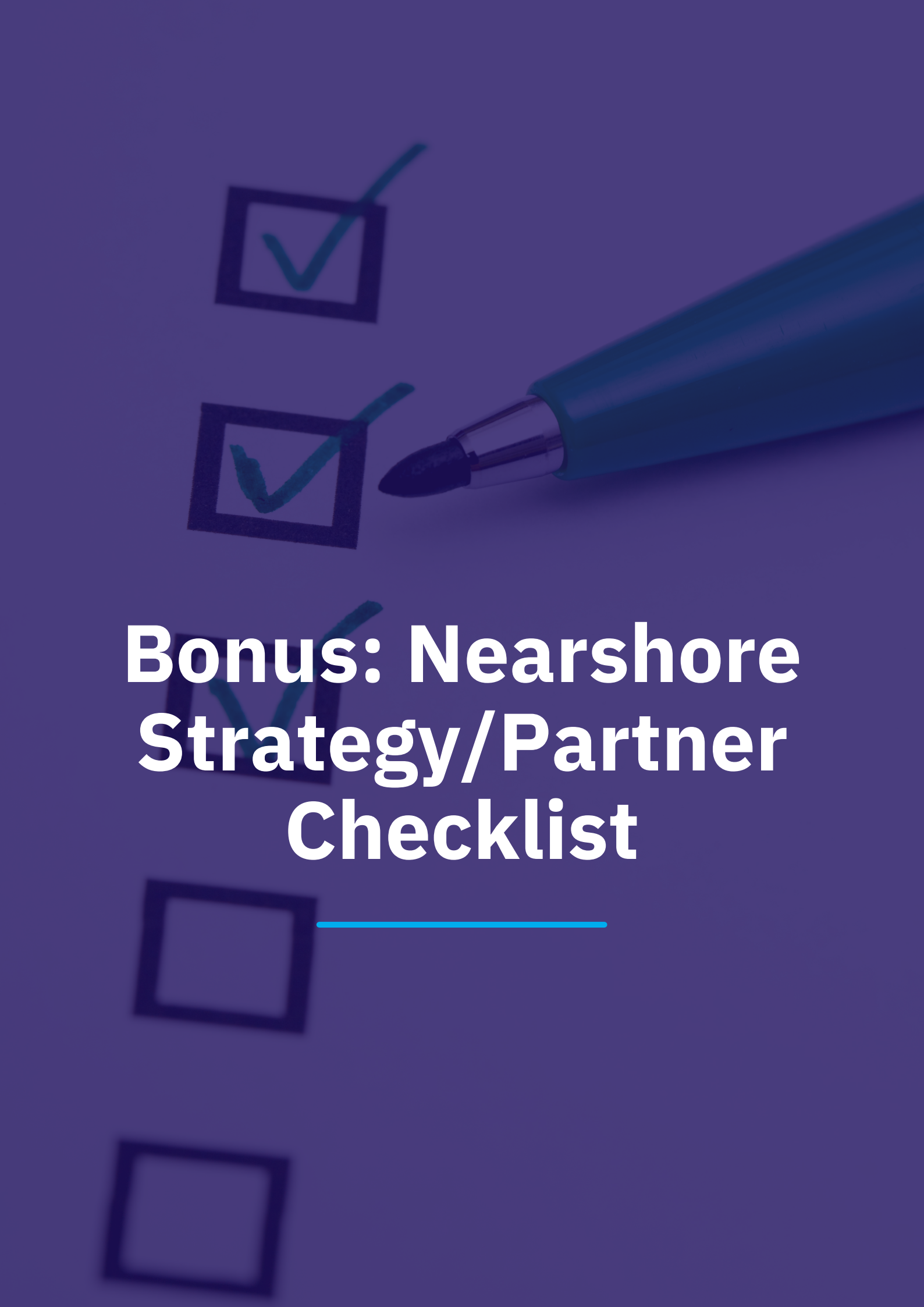
# Looking Forward

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With the ongoing economic and technological shifts in 2024, insurers are increasingly recognizing the need to reassess and optimize their IT sourcing strategies to remain competitive and cost-effective. Over the past few years, insurers have faced challenges in restructuring their IT budgets, with many shifting away from traditional offshoring. This has led to a strong trend toward nearshoring as companies discover its benefits, such as improved collaboration, closer time zones, and reduced geopolitical risks.

As this trend grows, “first movers” in the industry must act swiftly to secure the best nearshoring partners to ensure business continuity, meet client demands, and stay agile amid rapid digital transformation.





**Bonus: Nearshore  
Strategy/Partner  
Checklist**

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# Nearshore Strategy Checklist

- ✓ **ARE OVERALL COSTS REDUCED?**
- ✓ **ANY FIXED OVERHEAD?**
- ✓ **ARE THERE TIME-ZONE BENEFITS?**
- ✓ **DOES IT TALENT INCLUDE SPECIALISTS, WITH THE SKILL SETS IN WHAT I NEED?**
  - CMMI-DEV® 5, ISO/IEC 27001, ISO, PMI, ITIL & Scrum Certified?
  - Does the Team work with Agile tools and frameworks?
- ✓ **DOES IT TALENT INCLUDE SPECIALISTS, WITH THE SKILL SETS IN WHAT I NEED?**
- ✓ **CAN I HAND OVER TACTICAL AND NON-STRATEGIC TASKS?**
- ✓ **ARE THERE LANGUAGE BARRIERS OR COMPATIBILITY?**
- ✓ **WILL THE IT TEAMWORK IN A LOCATION THAT IS ACCEPTABLE TO MY BUSINESS NEEDS?**
- ✓ **IS CULTURE A GOOD FIT?**
- ✓ **WILL I BE ABLE TO FOCUS ON MY CORE BUSINESS?**
- ✓ **WILL I BE ABLE TO MEASURE SUCCESS QUICKLY AND EASILY?**





# Nearshore Partner Checklist

- ✓ **BACKGROUND/EXPERTISE CHECK?**
- ✓ **ANY FIXED OVERHEAD?**
- ✓ **VIABLE REFERENCES?**
- ✓ **FACE-TO-FACE INTERVIEW (NOT JUST RFP)?**
- ✓ **COSTS WITHIN BUDGET?**
- ✓ **CULTURE/VALUE SYSTEM COMPATIBILITY?**
- ✓ **IS PARTNER BASED IN THE UNITED STATES?**
- ✓ **DOES PARTNER OFFER A RAPID START?**
- ✓ **INSTANT RESPONSE?**
- ✓ **TRANSPARENCY?**
- ✓ **SEAMLESS KNOWLEDGE TRANSFER?**
- ✓ **ADHERENCE TO DELIVERY PROMISES?**

# What Does Your Nearshore Partner Offer?

- ✓ **A MULTI-SHORING STRATEGY?**
- ✓ **QUALIFIED/CERTIFIED TALENT?**
- ✓ **COMPLETE SYSTEMS TRANSFORMATION PLANNING?**
- ✓ **SYSTEM MODERNIZATION PROJECT MANAGEMENT?**
- ✓ **INFRASTRUCTURE MANAGEMENT SOLUTIONS?**
- ✓ **ENTERPRISE ARCHITECTURE & FULL DATA MANAGEMENT SOLUTIONS?**
- ✓ **CORE APPLICATIONS DEVELOPMENT?**
- ✓ **WEB & MOBILE APPLICATIONS DEVELOPMENT?**
- ✓ **INTEGRATION SERVICES?**
- ✓ **TRANSPARENCY?**
- ✓ **RISK MANAGEMENT?**
- ✓ **SOFTWARE MAINTENANCE?**
- ✓ **QA TESTING?**
- ✓ **CERTIFIED DELIVERY CENTERS?**
- ✓ **ON-PREMISES SUPPORT?**
- ✓ **VIRTUAL/MOBILE COMMUNICATIONS?**
- ✓ **NETWORK SUPPORT?**
- ✓ **CYBER SECURITY?**
- ✓ **REGULATORY COMPLIANCE REPORTING (EDI)?**



# About Us

**Ascend Management Consulting is a leading provider of IT solutions for the insurance industry, with over 20 years of expertise.**

We specialize in helping insurers modernize their infrastructure, expand capabilities, and accelerate digital transformation. Our tailored solutions are designed to meet the unique needs of the insurance sector, ensuring efficiency and growth through advanced technology.

## **PIONEERS IN NEARSHORE OUTSOURCING**

We connect U.S. companies with top IT talent in Latin America through nearshore outsourcing. This model offers cost-effective, high-quality solutions with seamless collaboration, enabling insurers to innovate faster.

## **EXCELLENCE & INNOVATION**

Our commitment to excellence drives long-term partnerships built on trust and collaboration. We empower clients with cutting-edge technology to stay competitive and achieve sustainable growth.

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# What We Do

## **Software Testing & QA for Insurance Applications**

Ensure flawless performance with our rigorous testing methodologies. We identify and eliminate bugs before they impact your operations.

## **Data Analytics and Testing for Insurers**

Enhance your decision-making capabilities with precise, reliable data. Our data testing services ensure the accuracy and integrity of your information systems.

## **IT Staffing for Insurance Companies**

Expand and enhance your IT team with our expert staffing solutions. We provide skilled professionals who seamlessly integrate with your existing team.

## **Application Management Services for Insurance Software**

Optimize your insurance applications with our comprehensive management services. We ensure your software runs smoothly, efficiently, and securely



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# Companies we have worked with

**esurance**<sup>®</sup>

**STATE**  
COMPENSATION  
INSURANCE  
**FUND**





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