

white paper

Seven Steps to Successful Insurance Process Outsourcing

by Dan Epstein, Chief Executive Officer, Resource Pro



The Seven Steps At A Glance:

1. Outsourcing is about Growth, Not Downsizing
2. Keep Control of Your Systems and Security
3. Communications are Critical
4. Ease of Implementation
5. Winning Internal Support
6. Due Diligence for Proof of Concept
7. Economics

Following these seven principles, agency owners and managers can generate substantially greater confidence about pursuing outsourcing as a means of making their agencies more, efficient, more competitive and more profitable.

Outsourcing often receives a bad rap, with large corporations using it to reduce staff count, bureaucracy and overheads. For smaller companies, however, outsourcing can be a valuable, even critical tool to facilitate growth and stimulate productivity, particularly when experienced staff are hard to find or expensive to hire.

For small and medium sized insurance agencies, outsourcing is rarely a tool to replace employees who invariably possess valuable experience and skill sets, rather it is a tool to maximize the impact of these employees, by exporting low value, routine tasks, allowing them to focus on the high value, expertise-driven components of their work.

Imagine insurance underwriters and producers spending time on routine data entry, rating, invoicing, ordering and reviewing inspections and MVRs, generating loss runs and issuing policies. Clearly, an agency's knowledge workers are overqualified and overpaid for many of these kinds of tasks. Experience shows that it is far more profitable to deploy them on new business development and renewals, activities that require high-level interpersonal skills and risk control judgment.

The question is how to outsource the routine, repetitive components of an agency's back office in a manner that preserves the integrity and security of the agency, boosts competitive advantage in areas like service quality, promotes staff morale, lowers costs and facilitates growth with minimum disruption to agency operations.

The following seven lessons address these critical issues and represent steps that all small and medium-sized agencies should go through when conducting due diligence on insurance process outsourcing.

1. Outsourcing is about Growth, Not Downsizing

New York Times Columnist, Thomas Friedman said it best in his recent best selling book, "The World is Flat,"

“The best companies outsource to win, not to shrink. They outsource to innovate faster and more cheaply in order to grow larger, gain market share, and hire more and different specialists – not to save money by firing people.”

For agencies where all your people are valued and experienced, your goal is not to downsize and cut costs, but how to make the best use of their time. By outsourcing routine tasks, agency costs are reduced, liberating resources that can be deployed more productively. When Paul Hanson Partners, an MGA operation growing by more than 20% per year, outsourced parts of its back office to ReSource Pro, staff overtime, previously a problem, was eliminated and additional capacity created. This reached a level such that when CEO Lisa Paul was about to begin the search for an additional underwriter to manage her agency’s premium growth, her existing staff approached her with a proposition she could not refuse: given their additional capacity, could they not split the functions of a new underwriter between them and also share the salary between them. “I was of course more than happy to agree to that,” remarked Lisa Paul.

2.Keep Control of Your Systems and Security

In traditional business process outsourcing, companies offer cost savings by shifting you onto their agency management system, which they can operate faster, quicker, cheaper than you could do it yourselves. The problem is that if the relationship falters due to price increases or a decline in the quality of service, your agency is now stuck, lacking both the systems and the people to run your critical back office functions.

A new approach is to have the outsourcing company connect remotely to your system, learn your processes, follow your procedures and essentially become an add-on to your agency. The same way you connect to your server from home, they can do the same from their offices. That way, all the information stays on your server, can be monitored daily by your managers and, should you ever decide to end the relationship, you need only change your password to maintain exclusive control and access to the system. Outsourcing can be a powerful tool for improving efficiencies and costs, but you should always keep control of the keys to your informa-

tion and system security.

3.Communications are Critical

There are a number of key elements to assuring effective communications between your service provider and your home office:

Go with an Industry Specialist rather than a Generalist This means choosing a service provider that understands the operational challenges and objectives specific to your kind of insurance agency.

U.S. Branch/Headquarters: Make sure your service provider has its corporate head office or at least a fully functional branch office located in the United States. If you ever need to troubleshoot issues, or quickly implement new tasks and procedures, you’ll need local support that understands your needs and can act with the speed, efficiency and responsiveness you require.

Quality of Service Provider’s Staff: Your staff needs to work with the employees of your service provider on a daily basis. It is important that these employees approach their tasks with diligence and intelligence and can communicate responsively and professionally with your staff. Always check the education level of your provider’s staff as well as their professional and English proficiency. Reducing E&O from levels current in your organization is definitely possible but depends upon the quality, education and training of your service provider’s employees.

4.Ease of Implementation

Some outsourcing solutions can involve substantial investment in new IT systems, processes and training. Others do not. It often depends on how your service provider connects to your office and whether the solution requires you to migrate to another system or continue to use your own. Often the most painless and effective outsourcing solutions do not require you to change any of your systems or processes, meaning that the learning curve takes place within your service provider, not among your staff. Find out the typical length of time that outsourcing solutions take to implement, compare costs between solution providers and ask for references to learn about other client experiences.

5. Winning Internal Support

Critical to the success of any outsourcing project is the support and buy-in of your staff. This is why outsourcing solutions that involve downsizing do not make sense for small and medium sized agencies.

Staff need to understand the objectives behind the outsourcing project: that it is designed to enhance their positions, making their work more interesting by stripping out the routine, monotonous and low value tasks, and consequently raising their productivity and impact within the organization.

Management needs to provide clear direction, be responsive to questions and concerns and reassure staff that the outsourcing solution is designed for their individual benefit as well as for the agency as a whole.

6. Due Diligence for Proof of Concept

It all sounds great: outsourcing can provide powerful operational and cost efficiencies, but what is the track record of the specific service provider? The first place to start is obviously with existing client base to find out what were the concerns, challenges and solutions that they went through, and whether there has been a net improvement to top and bottom lines since the service has been provided.

Some service providers go a step further and offer to provide no obligation, free trials for prospective clients, to demonstrate how the solution would work specifically for an agency's task requirements. Again, it is important to clarify what is involved in such a trial to determine whether this can be accomplished with minimum inconvenience to regular daily operations, and to set performance metrics. Trial periods are an excellent way to develop comfort with the way in which the service provider operates, the quality and professionalism of its staff, its efficiency, processing turnaround times, error rates and customer service levels. Take advantage of trial periods to set performance metrics that demonstrate to your satisfaction the power and efficiencies of the solution.

7. Economics

Last but not least, the economics have to make sense. In this respect, offshore solutions offer the best returns on investment providing that quality control can be maintained in all the other respects we have covered. Examine what your current fully loaded costs of doing the work in-house are, including salary, benefits, hiring, training, management supervision, attrition, and compare these costs to your service provider's solution.

Besides purely financial gains, there may also be intangible yet significant benefits to outsourcing, such as the greater ease of adding additional capacity to your operation by documenting workflows, and by placing the burden for hiring, management and quality control on the service provider.

By following these seven principles, agency owners and managers can generate substantially greater confidence about pursuing outsourcing as a means of making their agencies more, efficient, more competitive and more profitable.