

solartis™

EBOOK

P&C Insurance Challenges that Encourage Business Process Outsourcing

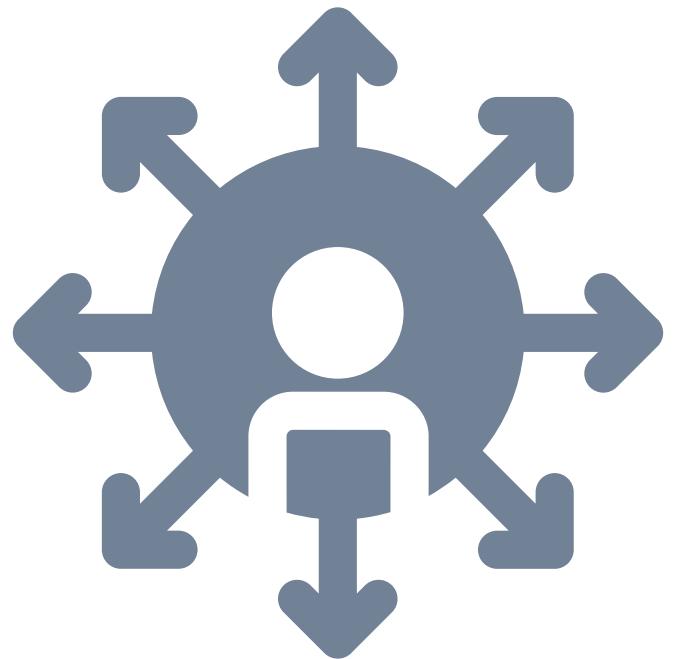


Insurers and Managing General Agents leverage business process outsourcing to streamline operations, maximize profits, gain competitive advantages and install administrative best practices.

Gross written premiums of property and casualty insurance in the United States have risen each year dating all the way back to 2009¹. Despite this positive trend, P&C insurers face many challenges including decade-high incurred catastrophe losses, high employee turnover, and inefficiencies introduced by legacy technologies. To maximize profits and competitiveness in today's market, insurance carriers and their administrators should consider working with a business process outsourcing (BPO) partner.

When looking for a BPO partner, look for a partner that:

- specializes in the business and technology processes of insurance administration
- offers on-demand staffing to support your fluctuating business volumes
- bases pricing on transactions processed, versus FTE rates, so you only pay for the work performed and completed



Let's take a look at three administrative challenges and how a qualified BPO partner can help you solve them.



BPO Limits the Impact of High Employee Turnover Rates



BPO Can Reduce Administrative Costs with Transaction-based Pricing

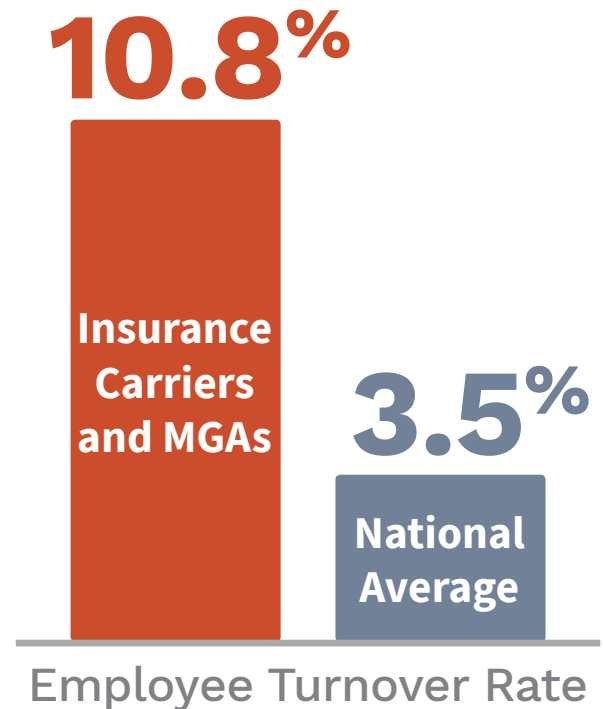


BPO Mitigates the Influence of Legacy Technology on Customer Service and Underwriting

BPO Limits the Impact of High Employee Turnover Rates

The property & casualty insurance industry is facing an extremely competitive job market as insurers look to fill positions resulting from growth. According to The Insurance Journal, over 60% of carriers expected their hiring to increase from 2018 to 2019 when polled in January². Executives attribute this increase in hiring to anticipated increases in business volume, expansion into new markets, and the opportunity that greenfield products present.

In addition to finding the right candidate for the job, insurers are also challenged by what Solartis calls “the revolving door” problem. Insurance carriers and managing general agents (MGAs) battle a 10.8% employee turnover rate³. Comparing this to the national average of 3.5%, it’s clear that property & casualty insurers have to deal with a lot of coming and going by their team members. This rapid turnover introduces many operational costs associated with interviewing candidates, as well as onboarding and training new hires. Not only that, but economies of skill and expertise are only gained through hands-on experience with the work itself. When the revolving door starts spinning, insurers lose valuable assets that they’ve already heavily invested in.



The Solution

Business process outsourcing services allow P&C administrators to scale effortlessly with on-demand staffing solutions. It’s a much less expensive solution compared to hiring a full-time, salaried employee and limits the risk of making that investment in someone who eventually cuts ties with the organization. For administrative, clerical, or manually repetitive tasks, BPO offers an affordable and effective way to limit the impact of high employee turnover rates. What’s more, trusted business process outsourcing partners typically develop their own processes and procedures which outperform in-house P&C insurer strategies to achieve the same results.

By outsourcing administrative work to an expert third-party, insurers can reallocate their internal resources to more critical work functions such as customer service or underwriting. These insurers can make cost-effective investments in BPO programs to mitigate staffing inefficiencies and high turnover costs.



BPO Can Reduce Administrative Costs with Transaction-based Pricing

Business process outsourcing is intended to be a cost-effective way for insurance administrators to streamline operations, refocus on core competencies, and collaborate with a third-party they trust to execute administrative tasks. But, in-house resources and the typical BPO provider usually resort to an FTE-based model for pricing work. FTE stands for “full-time equivalent” and prices work as if it was being done by a full-time employee. This results in insurers signing service level agreements with BPO providers whose pricing figures include estimates for what it would cost to cover salary, benefits, insurance, and other direct costs for a full-time employee.

FTE calculations are often based on industry standards and do not reflect the insurer’s own compensation and benefits packages. As such, the cost of FTE-based BPO services tends to be inflated. Just as crucially, FTE-based models don’t account for an insurance organization’s seasonality or business growth over time. For a simplified illustration of this principle, imagine an auto insurance business that experiences an increase in policy administration requirements around the holidays due to new cars being bought followed by seasonal lows in the summer. An FTE-based model would result in the same costs accrued by the insurer even in the summer months, regardless of the actual amount of work being done.

“
... Outsourcing support and administrative P&C activities using cost-effective models can contribute to an overall cost reduction of **21%**

The Solution

Transaction-based pricing models avoid FTE complications and make it so that the administrator only pays for the work that is done. In fact, outsourcing support and administrative P&C activities using cost-effective models can contribute to an overall cost reduction of 21% due to streamlined operations and improved turnaround time⁴. Trusted BPO partners will employ transaction-based pricing to ensure third-party costs scale with actual business volumes. Instead of paying the same rate based on FTE calculations year round, an administrator’s business seasonality will automatically be accounted for using this friendly pricing model.

When vetting business process outsourcing service providers, pay close attention to their pricing models. FTE-calculations inflate costs to the insurer and don’t adjust based on business growth or seasonality. Transaction-based pricing ensures insurance organizations pay only for the work actually processed.



BPO Mitigates the Influence of Legacy Technology on Customer Service and Underwriting

According to a recent report co-authored by Salesforce and ACORD, 61% of the top 100 insurers are “in the early stages of digital transformation”. Measured by revenue, many of the top performing insurers still rely on monolithic policy administration software that impacts customer service and underwriting. Differentiated customer service experiences have a profound effect on insurer profitability. In fact, according to a 2018 survey of 300 C-Level insurance executives, the main driver for establishing a competitive advantage in the market was by delivering a refined customer experience.

“

... The main driver for establishing a competitive advantage in the market was by

delivering a refined customer experience

The Solution

Many carriers aren't in a position to simply abandon their monolithic policy administration system, no matter how badly they want to or recognize the need. Given this situation, BPO services can become a short-term, stop-gap solution. By working with a trusted provider, a carrier's employees can refocus their efforts away from burdensome administrative and clerical work and focus more on customer service initiatives. Collaborating with a BPO partner can become a competitive advantage as the administrative backlog will be reduced while their customers receive more personalized services and attention.



Consider Solartis, a qualified insurance BPO partner when:

- You are experiencing high employee turnover
- You are looking to reduce administrative costs
- You are in transition to a new technology platform and need a short term processing solution
- The size of your book or program doesn't justify a full technology build
- You are tied to a legacy system and your administrative activities are impacting customer service, quality or your ability to grow.

Solartis has both the people and the tools to ensure your insurance organization is ready for maximum impact and profitability. We offer best-in-class insurance BPO services which will eliminate your backlog in weeks and provide you with on-demand staffing resources which account for fluctuating business volumes.

Request a consultation today!

Speak with a BPO Expert



Sources:

- ¹ Insurance Information Institute. "Direct Premiums of Property and Casualty Insurance in The United States from 2004 to 2018 (in Billion U.S. Dollars)." Statista, Statista Inc., 31 Aug 2019, <https://www.statista.com/statistics/407741/gross-premiums-written-by-us-property-and-casualty-insurance>
- ² "Insurance Industry Facing Competitive Labor Market." Insurance Journal, 1 Apr. 2019, www.insurancejournal.com/magazines/mag-features/2019/04/01/521800.htm.
- ³ Petrone, Paul. "See The Industries With the Highest Turnover (And Why It's So High)." The Learning Blog, LinkedIn, 2018, learning.linkedin.com/blog/engaging-your-workforce/see-the-industries-with-the-highest-turnover--and-why-it-s-so-hi.
- ⁴ Freysoldt, Tonya. "Evolving Insurance Cost Structures." McKinsey & Company, 2018, www.mckinsey.com/industries/financial-services/our-insights/evolving-insurance-cost-structures.
- ⁵ "New Report: Three Surprising Insurance Industry Trends Shaping Customer Experience." Salesforce Blog, Salesforce & ACORD, Feb. 2019, www.salesforce.com/blog/2019/02/insurance-industry-trends-report.html.
- ⁶ "Empowering Consumers and Agents: The New Basis of Insurance Competition." Salesforce, Vlocity, Salesforce, Deloitte, 2018, c1.sfdcstatic.com/content/dam/web/en_us/www/documents/industries/financial-services/insurance_competition.pdf.