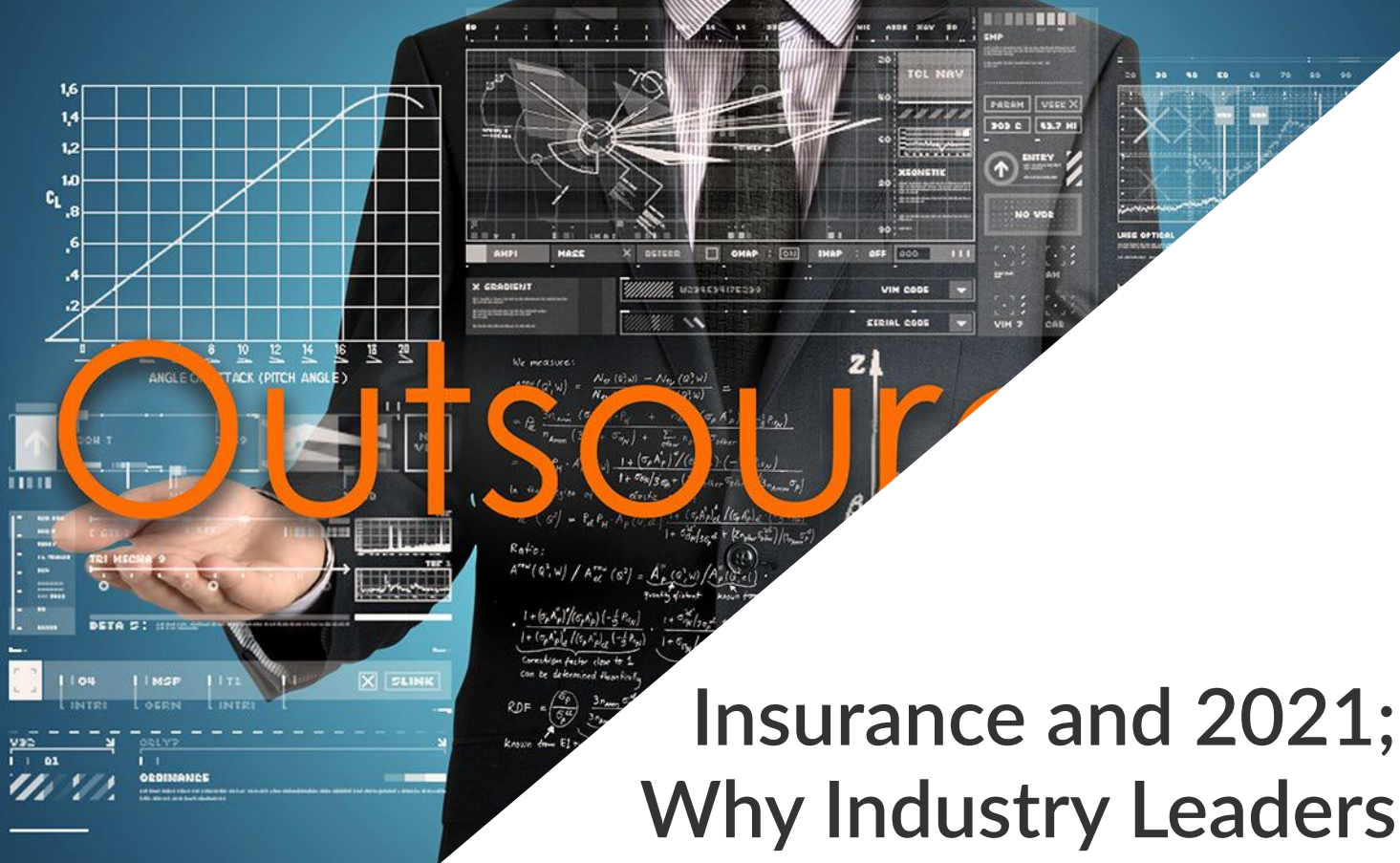




INSURANCE AND 2021; WHY INDUSTRY LEADERS ARE BETTING BIG ON OUTSOURCING

WHITE PAPER



Insurance and 2021; Why Industry Leaders are Betting Big on Outsourcing

The Covid-19 crisis has brought forth massive changes to the insurance industry, compelling it to shed its status quo forever.

The pandemic has made it indubitable that affairs in the arena cannot continue in the way prevalent in the pre-Covid days. Insurers have already paid heavily for their under-preparedness for any eventuality of that scale, neither operationally nor structurally, and are doomed for worse if they continue to ignore the need of the hour. As the world strides toward the new way of life, it is about time insurers shifted their focus to the recalibration of their ecosystem to sync it with the ongoing evolution.

However, it's not all bad news here. Amidst the chaos, there exist encouraging signs too. In the current context, leaders and influencers of the industry have already started spearheading the change that seems imminent in the new decade. The most striking and noteworthy among these is their unprecedented inclination toward digitization and process outsourcing. At a time when events are turbulent and most things uncertain, one fact remains intact – the exponential growth of insurance process outsourcing in 2021 and beyond.

By 2025, the insurance BPO market is expected to grow at over 20% CAGR.



Outlook of the Industry in 2021: Key Trends, Opportunities, and Action Items

Testing Market Conditions

With forecasts hinting at limited growth and mediocre sales, 2021 will not be an easy year for insurers. This, coupled with the losses incurred last year, will force insurers to think out of the box to regain their lost traction. A way out is to consider offering new coverage limits with revised terms on policies so that added protection can be offered from any further waves of the virus. Experts believe this will help them get a steady footing this year.

However, the challenge lies in ensuring that when premium rates rise, customers do not move away. This is only possible by some tempting value-additions to existing cover plans and the introduction of new and attractive products. The key here is to facilitate and incorporate the feedback of the market and the expectations of the customer and leverage those as an anchor to maximize the customer retention rate.

Data-driven Story

The failure to leverage data to their advantage has boomeranged on insurers. With the market so unpredictable and stakes so high, the next year or so can determine the success or failure of insurance companies. Hence, they are left with no way but to embrace the prowess of data analysis and evaluation to stay in the race.

Fortunately, possibilities such as big data and machine intelligence are very much within the operational ambit of insurers. In fact, most major players have already invested in such technologies and are reaping handsome dividends. Big data is being pursued by insurers to tailor policies to the needs and preferences of prospects. In 2021, insurers must focus on harnessing relevant data to make their workflows robust and immune to all future crises.





Tailored Products and Fairer Premiums

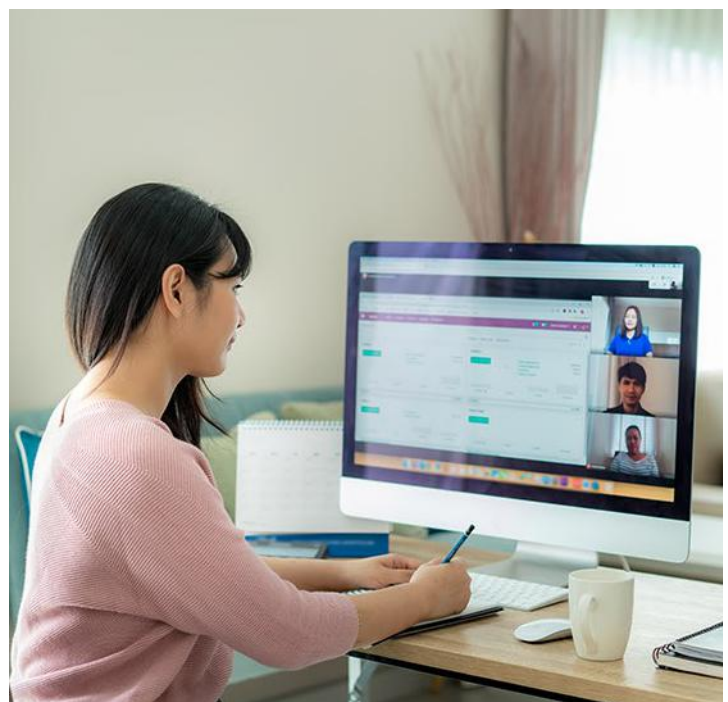
The insurance consumer has always been the biggest factor that determines the success of insurers. Today, the millennial consumer forms the biggest population group, and is more demanding than ever, seeking personalized insurance products and engagement. To cater to their towering desires, insurers must shift their attention from the traditional offerings to the sophisticated ones backed by technology.

To that end, insurers must adopt new ways of conducting business, such as digital marketing, data sourcing from social media platforms, automating customer-facing processes such as customer service, underwriting, etc. In view of the new world in the post-Covid era, it's imperative for insurers to develop and nurture a consumer-centric approach and make consumer expectations a priority.

New Risk Models, Shifting Capacity

In 2020, the world saw age-old insurance risk models upended by the onslaught of the virus. Instances of claims skyrocketed while operations came to a halt owing to the unavailable/subpar remote work infrastructure. Furthermore, the rising number of cyber-attacks gave sleepless nights to insurers while they struggled to keep the revenue wheel spinning. The combined effect has forced insurers to initiate and drive structural changes pertaining to their fundamental business frame.

In response to the tumultuous times, the industry has begun exploring options that lead to financial resilience. The goal is to establish steady streams of revenue that would facilitate enough cash reserves needed to keep operations running for at least a year even in the face of pandemic-like situations. Insurers must rigorously value sustainable ways of underwriting and put processes in place to launch new product lines that offer a definitive edge in the market. This would consequently lead to substantial shifts in their operational capacity and product pricing.





Digital Distribution/ Channel Revolution

Insurers that still resist digitization are on the verge of missing the boat forever. With the world riding on technology, they cannot operate in isolation and must go with the flow. Digitization in processes such as underwriting, finances, policy issuance and renewals, and claims management are just the tip of the iceberg. In the coming days, automation is set to trigger a complete transformation of the erstwhile reliable ways of conducting business.

In 2021, customer-facing digital innovations should be the priority, particularly in insurance distribution. Already a battleground for insurers, the brewing revolution in the distribution channels will only intensify the game further. Insurers must cash in on the rapid proliferation of insurtech firms that are being backed by aggressive venture capitalists. This battle for improved digital sales and service would see the borrower as the biggest gainer in 2021 and beyond.



It's estimated that digital claims can reduce claim expenses by **25-30%** and boost customer satisfaction scores by **20%**.

Factors Powering the Growth of Insurance BPOs in 2021

The above section elucidates the substantial changes the insurance sector is undergoing; it also paints a picture of how the insurance equation would look once the transformation is complete. One significant trend grabbing eyeballs is the soaring involvement of insurance BPO (Business Process Outsourcing) firms in the operational aspects of the sector. The pandemic has once again underscored the role BPOs play in the success of insurers.

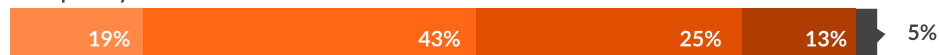
In 2021, the role of insurance outsourcing partners would further intensify as the industry transitions to the new realities of doing business. The growth of insurance BPOs would largely be fuelled by unrestrained customer demands, insane market competition, rising opex, and insurers' need to stay crisis-proof in the future.

Tech Investment Priorities for Insurers in 2021

Cybersecurity



Data privacy



Data analytics



Digital channels



Robotic process automation



- Expect a large increase in spend
- Expect a slight increase in spend
- Expect no change
- Expect a slight decrease in spend
- Expect a large decrease in spend

BUSINESS

PROCESS

OUTSOURCING



Brutality of the Covid-19 Pandemic

While the disaster caught most insurers off guard, the ones having the backing of an external partner to keep operations running, were the least affected. With most employees forced to remain confined to their homes for months at stretch, running operations without the help of an expert insurance services provider turned out to be an impossible feat.



Insurance BPO firms specialize in offering high-quality back-office services such as policy management, insurance reporting, data processing and mining, claims administration, etc.



They offer services at prices that are just a fraction of the expenses associated with in-house teams, enabling insurers to save substantially, particularly in tough times like these.



Insurance BPOs are known to deploy cutting-edge technologies. This helps the client get their hands on the best IT infrastructure without having to invest heavily in it.

Sixty-one percent of insurance personnel surveyed say that over the **next 12-to-18 months**, they expect to reduce expenses between **11% and 20%**.



Competence in Handling Hard Market Conditions

Although the vaccination drive is gaining pace, there's no denying that the market is still far from recovery by any measure. It's undebatable that 2021 is going to be an uncertain year for insurers as they toil to regain their lost glory. In this pursuit, any mistake could cause them dearly. Hence, having an expert in the form of a back-office service provider is a non-negotiable requisite for insurers.



Considering the volatile circumstances, every plan must be backed by data. To that end, insurance BPO services leverage data analytics tools, helping their clients to zero in on the right offerings.



Insurers have to be ultra-sensitive in deciding on the pricing models and coverage benefits. BPOs can help them target the right customer based on demographics, risk profiles, etc.



Most insurers are operating understaffed while the workload is piling frighteningly. They should rely on BPOs whose services can be scaled at will as per their operational requirements.

Costs and Scalability Conditions

The pandemic inflicted unprecedented financial losses on insurers in the form of higher claims, policy discontinuation, non-payment of premiums, etc. On the other hand, insurers were forced to curtail their plan of expanding operations to new geographies and business verticals owing to the havoc in the market. While exploring growth opportunities is vital, in 2021, insurers should focus on steadying their rocking financial boat.

Processing costs and claims payments usually form about 80% of the policyholder's premium.



With the manual tasks taken over by the outsourcing partner, the client is relieved of the need to hire employees on the payroll, particularly when they are fighting a severe cash crunch.



With the digitization of the insurance universe in the post-Covid era, resources can be saved by reducing the need for paperwork and manual follow-ups by human agents.



Insurance back-office services employ experts who can cut down on the time on tedious processes such as claims verification and settlement, saving enormous costs.

Technically Equipped for the Post-pandemic Setting

The insurance space is no longer the one it used to be before the crisis rattled the world. With prospects more demanding, the market more competitive, margins tighter, and risks higher than ever, it seems like fiction has turned into a common place reality for insurers. For them to tighten up their controls on such variables, technology is the best bet.



The application of Artificial Intelligence enables insurers to tailor personalized policies and tackle the rising instances of claims, two desperately-needed abilities in the current times.



Insurance BPOs can harness blockchain technology to help their clients realize a never-seen-before degree of transparency and accountability in their operations.



The demand for ready-to-use insurance platforms would peak in the coming days, making it a no-brainer for insurers to join forces with a competent insurtech firm.



Advantages of Outsourcing Insurance Processes in 2021



Minimizes Risks of Exposure

At present, the highest priority of insurers must be to safeguard their workforce from contracting the wildly spreading virus, particularly in its second phase. As insurance processes mostly involve field jobs such as underwriting, the chances of the executives contracting the virus are high. At a time when employees are already in a panic regarding their wellbeing and finances, health risks of any sort to the employees are the last thing the management wants.

Competent insurtechs have found an effective way out of this catch-22, owing to their technological supremacy. Most service providers are taking to virtual inspections using technology such as drones and video calls. For real-time data access by the insurers, they use custom mobile apps that can pull data from cloud servers, process and analyze it, and present it for drawing relevant insights and conclusions, all while working from their office or homes.

A survey of insurance executives reveals that just **25% of them agree that their firm had a clear vision and an action plan for financial resilience during the Covid-19 crisis.**

Enhances Management

The sudden need for remote working has caught insurers on the wrong foot, as they were not half ready for it. The staff struggled to adapt to the new norm and coping with the increasing claims even by working extra hours produced lukewarm results. The management found themselves in deep waters with mounting problems and complexities surrounding distribution channels, monitoring offshore centers, tackling fraud risks, and managing customer support, among others.

The biggest benefit of roping in a reliable partner is that while it assumes the responsibility to take on the challenges of the back-office operations, the core team can put its mind to the organizational recovery and growth roadmaps. Insurtechs can enable clients with a seamless mass shift to remote working, setting up the foundation to help them fortify their operational engine.





Re-envisioning Time and Expenses Strategically

The pandemic has triggered and amplified a terrifying financial crisis in the industry. It stemmed from premium lapses, plummeting interest rates and equity valuations, decreased sales, and reduced investment opportunities. Also, it seems like today insurers are racing against the clock with agents multitasking but ending up being less productive, owing to the lack of infrastructure and expertise.

Outsourcing has always been a strategic tool for smart insurers to keep their operational time and expenses in check. With a reliable services firm, insurers can adjust claims remotely and efficiently with the assurance of meeting normal claims handling time frames. They must focus on the application of robotics and cognitive technologies to boost operational efficiencies, which also cuts down on their reliance on the human workforce, thus reducing their expenses.

History of Providing Quality Services

When reflected on the chain of events in the last fifteen months, it's easy to conclude that while the virus has been ruthless on the insurance industry, some level of forethought and preemptive actions could have kept the damage to a minimum. When all is said and done, it cannot be refuted that the industry deserves some share of the blame. While the rest of the world was preparing for testing times well in advance, most insurers preferred sticking to their legacy systems and processes, leaving their weaknesses unguarded.

Outsourcing has always worked magically for insurance companies. This time too, BPO services are fighting it out for their clients on all fronts from customer service operations to the complex industry regulations to cybersecurity. In the future, when everything normalizes, players will need the helping hand of their partners to manage the heavy workload, stand up to prospects as a customer-centric company, maintain healthy margins, and most importantly, future-proof their business.



In a survey, **79% of respondents** said that the pandemic exposed the shortcomings in the digital capabilities and transformation plans of their company.

Critical Insurance BPO Services to Start With

As the quest for a utopian operational framework in the post-Covid era goes on, insurers can start cautiously by delegating common back-office tasks. While outsourcing is the magic wand of successful insurers around the world, starting the engagement with relatively simpler processes and moving gradually to the complex and mission-critical ones help try out different models. Below are some of the most popular processes to begin the journey to operational efficiency.

Policy Administration

As insurers make a comeback in 2021, they will be welcomed by complex policy administration issues. Aspects that would make policy management critical include massive documentation needs, slow-moving workflows, massive backlogs, and other operational challenges. When repetitive tasks such as creating quotes, executing renewals, checking and issuing policies, preparing loss run reports, etc. are taken care of by the outsourcing partner, the client realizes the following benefits.



A strong policy administration system helps insurers with their investment decisions. It helps ensure that investments are properly utilized, an essential in the post-Covid age.



Accurate policy administration services leading to better relations with clients and agents, thus favoring business success. Prospects have a good experience while applying for policies.



Increased process accuracy and lower customer-reported errors, leading to accurate identification of customer needs and hence, fewer customer grievances.

Loss Run Processes

Going forward, insurers have to be cautious to avoid business risks as the pandemic has already left them bruised. Loss run processes deserve special focus as they are instrumental in spotting and assessing business risks. In the cost-sensitive post-Covid era, insurers would need to fine-tune their loss run reporting for readjusting their pricing and policy terms in-line with the market dynamics. Common loss run tasks widely outsourced to assist the internal team include filing of loss run reports, extraction of loss run information, analysis of reports, preparation of claims reports, and others.



Loss run service providers process reports using special software, saving time and money for the client. They can review the reports and draw insights about risk management and loss control.



The loss run team can establish close coordination with the in-house underwriting team to help them with their queries, thereby helping in an accurate evaluation of risks.



The client gets access to digital solutions that ensure accurate loss run processing. Such solutions send auto requests and follow-ups for easy reporting and better stakeholder communication.

Certificate of Insurance

Managing certificates is a tedious process and requires substantial resources. Since insurers and insurance carriers are aiming for resource optimization, it's best to call on the expertise of an external service provider. As the volume of daily coverage transactions is on a steady rise, outsourcing would give insurers a breather to plan their approach in the new era. This is possible when a well-grounded BPO firm holds the reins of the cumbersome procedures, additional insured requirements, and specific languages associated with the certificate of insurance.



Specialized COI management partners are well trained to maintain relationships with all stakeholders; they can explain the client's requirements to each party to ensure compliance.



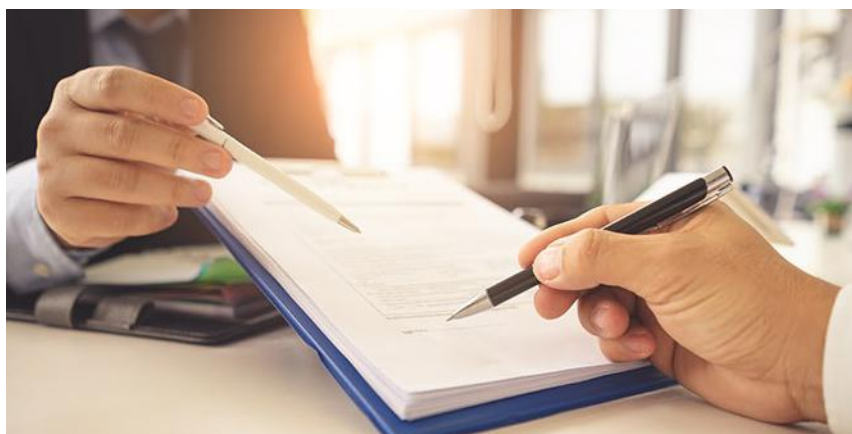
A quality COI partner proactively manages cancellations and reinstatements. They help the client with accurate information on policies, in an easy-to-comprehend format.



The client gets operational flexibility as the partner tracks policy expiration dates and staff according to the fluctuations, relieving the client of the coordination task.

Policy Issuance and Renewals

Among various resource-hungry processes, policy issuance and renewals demand special attention. With the average insurer handling a multitude of renewal requests at the same time, the concerned team is likely to be swamped with paperwork, implying high chances of errors. This underlines the need for a competent partner to review and validate policy paperwork, liaise with underwriters for missing details, verify customer information, handle data, etc.



The BPO service provider streamlines and standardizes the issuance and renewal processes, enabling the client to improve their underwriting and produce cleaner policies.



The service provider can evaluate the associated risk(s) in renewing a policy and help the client make adjustments to the policies to mitigate the threats.



They can help the insurance clients to avoid business loss by ensuring that policy modifications (if any) are factored in while revising the policy premiums.

Back-office Support for Insurance Underwriting

As the insurance ecosystem steps into a new world of risks and opportunities, a lot rests on the underwriters as they are the ones who determine the risks and chances of success for all policy sales. Underwriting, pre-underwriting functions, in particular, are the most critical as they are used to determine both risk exposure and the bottom line of the insurer even before the actual underwriting commences. For insurers to try out new offerings, accurate underwriting is crucial, hence outsourcing it is prudent.



Tech-savvy underwriting firms employ automated workflows and advanced predictive analytics to handle cases based on their probability indices, enhancing the chances of profitability.



To expedite the process, they reduce the manual load by leveraging technology for automated document intake, multi-departmental hand-off processes, task prioritization, etc.



The client's team can get account-level guidance based on prospects and target rates. The use of AI helps them with real-time corrective actions for better outcomes.

An insurance survey claims that 74% of respondents feel that the employees' fear of coming to the office will affect their organization's post-COVID-19 success.

In the pre-Covid days, insurance was merely viewed as a safeguard by consumers. The popular practice was to purchase the cheapest plan covering the maximum scenarios. However, everything has changed, rather transformed, with the strike of the pandemic. Today, the consumer desires tailor-made policies and personalized engagement from insurers and is being more cautious than ever in their decisions.

On the flip side, insurers are eyeing the opportunities that the new world promises; however, the road to those passes by fundamental changes in their way of functioning. With the world getting digital and the count of tech-savvy customers rising by the minute, carriers have got no option but to join hands with a capable and trustworthy insurance services provider. As another decade unfolds, insurers would see both the ecosystem and stakeholder expectations evolving, and most of the changes, if not all, would have technological implications, which necessitate external help.



Who We Are And Why You Can Count On Our Insurance Services



The insurance landscape is undergoing a rapid transformation and the industry players must stay on top of the changes to ensure survival. At Insurance BackOfficePro, we master the kinetics of this evolution and are helping our clients reimagine their workflows from design to execution. At a time when the entire industry is in distress, our solutions are turning out to be a game-changer, delivering resource and cost optimization, improving process accuracy, and providing a clear view of the future.

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