



# How to Successfully Outsource Your Insurance Back-Office Support



🌐 [info@covenirbpo.com](mailto:info@covenirbpo.com)

☎ (508) 471-5031

Corporate Headquarters 370 Main Street, Suite 500 Worcester MA, 01608



With each passing day, surviving in the insurance industry is getting tougher. Customer expectations have never been higher, so product and service customization is high on the strategic agenda. At the same time, traditional players must pre-empt the risks posed by new market competitors such as Insurtechs while mitigating cybersecurity concerns and data privacy challenges. For many, pre-pandemic issues like legacy technology system constraints are also top of mind.

While they're vital to the success of your insurance business, back-office tasks consume a large percentage of your team's available time.

According to a [new report](#), outsourcing back-office support is increasingly becoming a best practice for insurers looking to cut costs and focus on core competencies, innovation, and growth while providing the level of support loyal policyholders, agents, and partners expect.

That being said, outsourcing your insurance back-office support isn't a decision to be made lightly – there are many factors to consider.

In this eBook, we'll discuss some principles to keep in mind when outsourcing your back-office support and offer some key tips for finding the right Business Process Outsourcing (BPO) partner.

# What Is the Back-Office?

The term “[back-office](#)” was coined in the days when companies structured their physical office space with discrete front and back areas. The front area was where employees who interacted with customers worked. Staff in the back area performed duties that required little or no customer interaction.

Over the years, the role of the back-office hasn’t changed much, and it’s still defined as the part of a company that comprises non-customer-facing administrative and support personnel.



## ► An Overview of Outsourced Back-Office Support in the Insurance Sector



In the insurance industry, the back-office is responsible for much of the administrative heavy lifting. Tasks such as policy servicing, underwriting support, payment posting and deposit, and agent commission processing can pull your best people away from strengthening relationships with your policyholders, agents, and partners and pursuing new business. In addition, employing extensive in-house back-office teams can be a big drain on headcount and training budgets.

Outsourcing back-office functions entails working with a third-party provider to transfer some or all of your back-office operations to their team. When done correctly, outsourcing back-office support can provide access to world-class insurance experts while freeing up internal staff to focus on more strategic tasks like growing and scaling your business.

Outsourcing back-office support functions also ensures you can continue uninterrupted operations, even during the busiest of periods.



## ► Benefits of Outsourced Back-Office Support for Insurers

Let's take a closer look at some of the compelling benefits of outsourcing back-office support to a seasoned BPO partner:

### You Save Money

**Cost is the main driver** for many companies that outsource; it helps them save up to 70% of operational expenses in the long run. Outsourcing certain back-office functions can result in large savings for insurance agencies:

- **Training Expenses:**

The best BPO partners employ people with years of experience in their field and a solid understanding of the wider insurance industry. This means you won't need to dedicate significant budget to basic upskilling. With just a little guidance on your internal processes and ways of working, your BPO team will be ready to hit the ground running.

- **Benefits:**

By law, many insurance organizations are required to provide certain benefits to their full-time employees, such as disability and health insurance. Outsourcing certain back-office tasks to a BPO firm lowers the amount you need to pay in employee benefits.

- **Office Space:**

As many outsourced back-office activities happen remotely, there's no need to pay for extra office space.

### Your Teams Are Less Likely to Get Burnt Out



The insurance sector has been hit particularly hard by the Great Resignation. A [recent study](#) found that 68% of insurance companies are planning to increase their number of employees in the next 12 months, led by the P&C segment at 71%. Only 5% of companies are planning to decrease their number of employees. Companies face an uphill battle in replacing workers who have (and still are) leaving.

When insurance operations are short on staff, it can have a negative impact on overall morale. Employees experience burnout when they're forced to work long hours and take fewer breaks, something that could pose a problem to your company in the long run.

Of course, in any insurance business, there will be times when back-office teams need to work longer hours to meet new and existing deadlines. If this happens frequently, you may want to consider what elements of their workload could be outsourced.

## You're Free to Focus on Strategic Initiatives

Outsourcing back-office support activities frees up in-house employees to concentrate on the core competencies of the business and strategic growth projects rather than mundane, repetitive endeavors such as data entry and clerical work.

So, consider outsourcing when you feel you're losing out on opportunities to scale up or diversify your insurance operations.



## It Builds Resilience and Future-Readiness

The COVID-19 pandemic underscored the need for insurers to adopt new digital technologies and transform their existing business models.

A well-equipped BPO partner can help its clients focus on activities like automating different insurance workflows and enhancing legacy systems, so they're in a stronger position to deal with any pandemic-like situation in the future.

## It Helps Ensure Business Continuity

Outsourcing non-core activities is a great way to ensure business continuity in the event of a calamity or during particularly busy periods (such as after extreme weather events when insurance claims typically spike).

# Compliance Management Is Easier

Insurance regulations are dynamic, which means that policyholder, agent, and partner-facing documents need to be updated regularly while normal business operations continue.

A back-office outsourcing provider can take care of adjusting documents and completing other compliance-related administrative and reporting tasks. This enables your internal team to focus on profit-generating activities.

## Quick Facts

- ▶ Insurance carriers currently employ about 1.56 million people in the U.S., which is **down about 85,000 jobs** from 2020.
- ▶ Almost **half (48%)** of insurance companies believe the ability to hire talent has become more difficult compared to last year. This is making outsourcing an increasingly popular strategy.
- ▶ Roughly 300,000 U.S. jobs are outsourced each year.
- ▶ The global outsourcing market is valued at **\$92.5 billion**, with the U.S. market bringing in **\$62 billion** of the total international revenue.
- ▶ **66% of businesses** in the U.S. outsource at least one department.
- ▶ **59% of businesses** cite cost as the biggest reason for outsourcing.
- ▶ When it comes to the size of the **BPO market** (covering fields such as banking, financial services, insurance, healthcare, manufacturing, IT, telecommunications, retail, and others), it's expected to reach **\$405.6 billion** by 2027, growing at a CAGR of 8.0%.
- ▶ An increase in demand for cost-effective operations and the need to standardize business processes among organizations is expected to boost the **insurance BPO market** during the period 2020–2030.
- ▶ Increasing demand to manage stringent regulatory compliances effectively is a major factor projected to boost the market in the next few years.
- ▶ A rise in demand to provide high-quality results and improve customer satisfaction is also expected to propel the market.

# Finding the Right Insurance BPO Partner

If you've decided to go down the back-office support outsourcing path, here are some key qualities and capabilities to look for in potential BPO partners:



## Scalability

If your insurance company is pursuing a growth and diversification strategy, you might see your call volumes quickly increase from a few hundred a month to several thousand. A BPO partner can provide scalable support for increased call volumes and the associated administrative tasks that these create.

## Bilingual Services

Language barriers can spell disaster for good customer service. Look for a BPO firm whose people are fluent in your policyholders', agents', and partners' language(s).

## Brand Ambassadorship

When your policyholders, agents, and partners deal with employees of your BPO partner, you need them to get the same levels of service as they do when they're engaging with your own people. Your BPO partner needs to be willing and able to learn and embody your brand values.

## 24/7 Availability

Most customers expect round the clock support, so it follows that your BPO partner should provide it. Equally, a BPO partner should be ready to step up to help with disaster response and increased call volumes during a catastrophe.



## Onshore Service

The best onshore BPO companies are staffed by professionals who understand the nuances of American language, cultures, and customs. These small details can make your customers feel more confident in your processes.

## Diverse Skills Sets

As your business grows, you may need expert support in new or niche insurance fields. Look for a BPO partner that offers a wide range of services, including customer support, FNOL, claims, underwriting, premium services, and more.

## Industry Experience and Expertise

Some of the mechanics of insurance are complex, and there are certain nuances that only those with extensive industry knowledge will understand. Not all BPOs employ people with the depth and breadth of insurance expertise necessary to deliver accurate, high-quality results every time. Choose a BPO partner that's focused exclusively on the insurance industry. Be sure to ask about the kind of insurance training, experience, and qualifications their employees possess.





# Making the Transition to an Outsourced Back-Office

Outsourcing your insurance back-office support can be a big decision for your company. But with the right onshore partner, it can also be a very successful one. Here are a few best practices to keep in mind as you make the transition:

## ► Plan Thoroughly

It's all too easy to get caught up in the rush of things and try to transition functions to your BPO partner as quickly as possible. However, it's vital to take your time and plan thoroughly when preparing to hand over back-office support functions.

Moving too hastily could result in systems not being completely up and running and staff lacking adequate training. Your project planning process should include identifying your desired goals and formulating a realistic timeline. The best BPO providers will offer a range of back-office support services and work with you to determine the services that best suit your needs. They'll also collaborate with you in developing a detailed plan to ensure the transition is as seamless as possible.

## ► Prepare Your Employees

Your insurance business depends on your people. A successful BPO transition engages in-house back-office teams by clearly communicating the benefits they can look forward to from the change. This will reduce the risk of confusion and conflicts.

## ► Manage the Relationship

After the bulk of transition activities are complete, it's important to continue investing in your relationship with your BPO partner and be honest with them about what's working and where there may be opportunities for improvement. Back-office support is a vital and ongoing aspect of your business and therefore requires regular reviews from both parties.

## ► Wrapping Up

Outsourced back-office support is advancing the insurance industry into the future. It's a sound strategy that allows you to significantly reduce operating expenses, streamline back-office operations, and transform your business model.

## Get More Than You Expect with Covenir

As a leading, forward-thinking provider of insurance BPO services, Covenir has the experience and expertise to help your insurance business reach its full potential.

At Covenir, we're an agile team of onshore experts who can help you scale beyond limitations and expand into new markets, all while pleasing clients throughout the entire insurance lifecycle. Our team of subject matter experts brings their years of experience in the insurance niche to bear so you can turn your eye to innovation while still giving your customers the service they expect and deserve. We take the time to get to know your business - and your expansion and diversification ambitions - so we can tailor our services accordingly.



We can offer back-office support in the following areas:

- Policy servicing
- Underwriting support
- Payment processing
- Agent commission processing

We're your strategic partner, not just another vendor. We work with you to identify opportunities, overcome challenges, and achieve your long-term goals. At Covenir, we're part of your team, not just an extension of it. We plug into your model, emulate your brand, and perform to your standards.

You have the vision; we accelerate execution.

Take a moment to [review our capabilities](#), [read what our customers say](#), and [contact](#) us if you'd like to learn more.