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CAN'T SOMEONE ELSE DO IT?

Outsourcing administration can ease the pressure on staff, allowing them to focus on the jobs they were hired to do

By Sam Barrett

Routine administration is an important part of many insurance roles, especially as regulatory requirements become more onerous. But, having to spend time dealing with paperwork can demotivate employees and is an inefficient use of their time.

Being able to outsource these tasks can bring benefits. “One of the reasons for outsourcing services is to reduce costs but it can also be to deliver the flexibility of additional capacity or capabilities,” explains Amanda Flynn, senior manager at Baringa Partners.

While the advantages to a large insurance firm are principally cost savings and filling gaps in their offering, such as adding call centre capabilities or a new product line, for a small firm outsourcing can bring additional benefits, including greater control over workflow and headcount.

One firm that has outsourced its administration is Plum Underwriting. The firm developed Plum Open Market – an online centre for brokers – and decided to outsource some of the less business-critical elements.

“We’ve brought the important parts in-house so we can have more control and ownership over them as we grow but it made sense for

us to outsource some of the administration,” explains Mahben Quddus, head of operations and marketing at Plum Underwriting.

Financial benefits

For small firms there is a powerful financial argument behind the outsourcing of administration. With a smaller workforce, there is less likely to be a dedicated administration function within the organisation with each employee required to do their own paperwork.

This can mean, especially as the firm grows, that less time will be spent on the role they were actually employed to do while more is consumed by administration. ▶ 16

◀ 15 Quddus says this was a determining factor behind Plum's decision to outsource such tasks. Although many personal lines insurers have moved out of the City in the last five to 10 years to reduce their overheads, Plum remains a London-based firm that solely writes personal lines business.

"In comparison with other firms in the City that write commercial business, personal lines premiums are much smaller but staff salary costs are no different," he says. "We realised that we needed to maximise the skills of the underwriters by allowing them to focus on underwriting only. It's business sense: they're paid a salary for underwriting not for administration."

By allowing employees to focus on their key skills rather than being sidetracked by administration requirements, they should build their knowledge and experience more quickly, increasing their importance and contribution to the company.

Managing workflow

It can also be easier to manage workflow when administration is outsourced. This is particularly the case for smaller firms where there may only be a few people handling paperwork and, if someone is on holiday or sick, it can have serious implications for processing and turnaround times.

At Plum, although most of the administration is outsourced, one in-house employee handles urgent requirements, allowing the firm to keep control without being reliant on a full team. "The salary and running costs of an administration team in London are prohibitive, especially when you have to increase headcount to ensure you have cover for illness, holiday and increases in workflow," says Quddus.

The advantages of outsourcing can become even more pronounced during times of growth. As the volume of business increases, Paul Tomlinson, partner in insurance consulting at Deloitte, says an outsourcing partner can offer

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the benefits of scale and consistency. "You're buying a service as a utility. As your needs fluctuate you can increase or decrease provision as required without having to worry about any declines in the standard of service," he explains.

Conversely, increasing an in-house team would require expenditure on recruitment and training as well as fixed staff costs, without the certainty that the increase in work will match the new headcount. Furthermore, service standards could not be guaranteed from the outset as new employees would not necessarily have the experience required.

Employee satisfaction

As well as benefiting the business, outsourcing administration tasks can help improve staff satisfaction. "If you have employees that have trained to be underwriters but they're spending half of their time on administration, it's not only an inefficient use of your resources but you're also going to have HR and self-motivation issues," Quddus says.

As well as affecting productivity levels, increased staff turnover attracts additional costs in the form of recruitment and training, not to mention issues with continuity of service.

Although the arguments for outsourcing are compelling, they are not without a number of caveats. If standards aren't high enough, there are ramifications for the business, and its reputation; firms must carefully assess the risks first. "There are benefits but you need to consider the long-term strategy. Once you're committed, it can be difficult to get out of an arrangement so make sure you're very clear on what's expected," says Tomlinson.

Regular reviews

As well as establishing a framework before work is outsourced, once the arrangement is in place it must be closely monitored

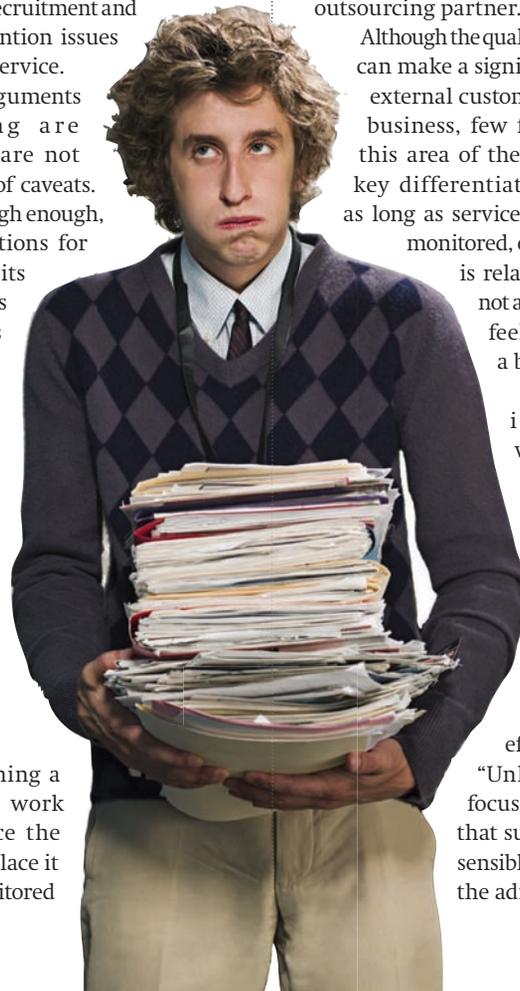
“ The salary and running costs of an administration team in London are prohibitive

— because bringing the work back in-house can be a difficult and lengthy process. For example, as well as a regular quarterly review of his firm's outsourcing arrangements, Quddus also runs a daily cost-benefit analysis to measure the value of outsourcing compared to hiring employees to complete the tasks.

Tomlinson says this continuous management information is fundamental to the success of an outsourcing relationship. "We see plenty of companies that have handed over some of their administration processes and never bother to monitor what's going on," he says. "This can be damaging to the business but also to the relationship with the outsourcing partner."

Although the quality of the administration can make a significant difference to an external customer's perception of the business, few firms would hold up this area of their operations as their key differentiator. This means that, as long as service standards are closely monitored, outsourcing these tasks is relatively simple and will not affect the way customers feel about how you run a business.

Quddus says this is something he wouldn't change at Plum Underwriting. "It's easy to train someone to complete administration tasks on your behalf and it doesn't matter where it happens or by whom so you can go for the most cost-effective option," he says. "Unless you're absolutely focused on building a team that supports itself, the only sensible option is to outsource the administration." ■

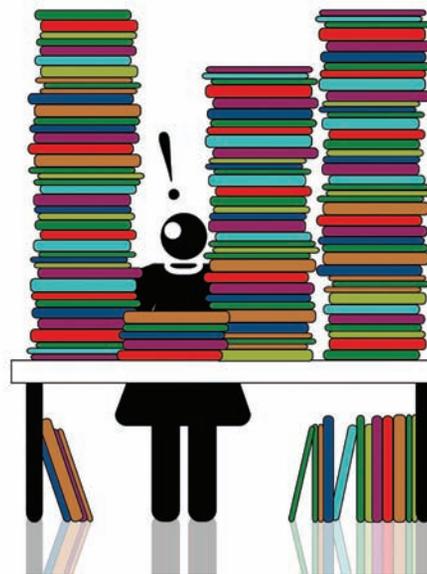
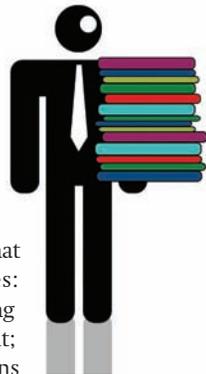


CLEAR THE DECKS

Having underwriters carry out administration tasks wastes time and doesn't make business sense

By Paul Firkins

Small to medium-sized firms operating within the insurance industry – such as brokers, managing general agents and Lloyd's syndicates – will typically house functions that are split into two categories: technical roles like underwriting and new business development; and the administration functions linked to servicing the company.



Different skill sets are required for each, and staff are remunerated accordingly. For technical roles, the organisation is paying for experience and skill. In the case of underwriters, it will be their ability to assess and price a risk, while for new business development it will be their client-facing skills in generating new and repeat business.

But are the technical and administration functions always kept separate? Are technical

employees freed up to focus all their time on their core role, or do they get bogged down by routine administration tasks? Recent discussions with various SMEs have found that technical staff can often spend a disproportionate amount of time doing administration.

For example, the underwriting team of one firm was spending almost 50% of its working day on administration tasks associated with

underwriting risk. This involved manually keying the case details onto its platform; managing its broker inbox and sending out status notes to brokers; requesting and chasing additional information to help assess an individual risk; and even re-entering the risk details onto a separate system once a quote was accepted.

While these tasks are necessary, does it make sense for them to be undertaken by a technical underwriter? And what is the true cost of this administration if it is being undertaken by a City-based underwriter on a City-rated salary with City-office overheads? If an organisation was freed up from these tasks, what impact could it have on its financial model? Would it be able to generate and write more business?

Outsourcing administration to a specialist third party with a capability in the insurance market is an option to consider. An outsourcing firm will be experienced in managing processes efficiently. And when these outsourced services are branded, an organisation can seamlessly offer its brokers and other clients a wider range of email and telephone services within agreed service levels.

Ultimately, it comes down to playing to your respective strengths – and if some of the scenarios mentioned here resonate within your own organisation, perhaps outsourcing is an option worth exploring. ■



Paul Firkins, group sales and business development director, Plus One Services

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