

# TOWN HALL ON OUTSOURCING

*Mid-year meeting panel shares experiences, challenges and opportunities*

By Elisabeth Boone, CPCU

The use of outsourcing for insurance transactions has been in play for some time. But recent advances in technology along with other changes have brought it front and center for more and more businesses, including Target Markets members and colleagues.

That's why the recent TMPAA Mid-Year Town Hall session convened a panel of experts to address outsourcing challenges, opportunities, and interesting innovations and advice on how to apply those innovations to help make attendees' businesses stronger.

The town hall panel session was moderated by Dave Springer, president of NIP Group. Panelists were Kirby Hill, president of special industries programs at Skyward Insurance Group; Terri Moran, chief underwriting officer of Paul Hansen Partners, which specializes in transportation risks; and Lenny Waldhauser, chief executive officer of Riverton Insurance Agency, a boutique MGA with 31 employees.

## Experiences

Panelists led off the session sharing their experiences with and observations of outsourcing. "Outsourcing is a strategic advantage for us, and we couldn't do what we're doing without it," observed Waldhauser.

"My organization has expanded our use of outsourcing," noted Springer, "and it's an integral part of our underwriting operations, our transactional base, and our project base. They're our business partners, and I can't imagine our organization operating without them."

Said Hill: "Outsourcing lets us create an entire portfolio for our underwriters so they aren't doing busy work; they're doing the analytics that they're paid to do. During the day when submissions come in, they're onboarded, and data is processed at night so it's ready for underwriters when they come in.

"Outsourcing is a great strategy to grow our business, and without it we couldn't do what we do," he added. "The savings are significant, and we can stay



on top of our brokers so we don't have to leave business on the floor because we can't get to it fast enough."

Added Moran: "Thanks to outsourcing, our quote turnaround time has been reduced dramatically. We don't have to wait three days to get the information to an underwriter; they can make a decision and get that quote now."

## Understanding

Waldhauser injected a note of caution about outsourcing. "I suggest that people tap the brakes and figure out exactly what they mean by outsourcing. Most people think of business process outsourcing or BPO, a model that is rule based and scalable with a specific set of tasks.

"BPO has a strong place, but it's not all of outsourcing," Waldhauser said. "We went to a model where we embed workers as employees, so we're using outsourced employees instead of outsourced processes.

"If I post a job position here, I struggle to get anyone to respond to it," he explained. "If I post an opening in the Philippines, I'll have 20 candidates within 24 hours. So, to us, outsourcing is less about the money than about the ability to fill our bandwidth."

Springer mentioned another dimension: data analytics and tools. "We work

with our partners to build underwriting workbenches that pull information from multiple locations in our organization to present it to our underwriters to give them an advantage. They receive consistent, ready-made information so they can make decisions even across underwriting desks."

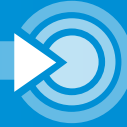
## Considerations

Panelists stressed the importance of recognizing cultural differences as they approach the practice of outsourcing. "Not only do we have to identify cultural differences, but we also have to disseminate them throughout our domestic team," said Waldhauser.

"I've observed that outsourced employees from a country like the Philippines are reluctant to say 'no,'" he added. "We need to emphasize to them the importance of getting the right answer, even though that may not feel comfortable."

His firm outsources four kinds of positions. "First is our entry-level team that report to our ops team here," he said. "Next is our core operations support team, who have the most interaction with our domestic underwriters.

"Third is our core functions team, who call and email brokers under their own names. Finally, we have a business support team. My chief information



*“Thanks to outsourcing, our quote turnaround time has been reduced dramatically.”*

—Terri Moran  
Chief Underwriting Officer  
Paul Hansen Partners



officer is an outsourced employee in the Philippines.”

Springer pointed to another factor to consider when deciding on outsourcing. “We need to consider whether to outsource or use technology to do those tasks,” he explained. “If we can’t automate a process or use other technology to do it, then we turn to our outsource partners.”

Added Hill: “Each segment leader goes through a cost-benefit analysis, and the team makes the decision.”

Waldhauser pointed out that he runs a much smaller company. “I talk to my developers, many of whom are outsourced, and get a quote for a project that’s between \$50,000 and \$70,000. The average cost I’m paying an entry- to mid-level full-time outsourced employee is between \$19,000 and \$20,000.

“At my former employer, we started out by asking what we could handle ourselves and what needed to be outsourced,” he remarked. “I’ve completely inverted that process because it reduces my up-front capital investment and allows me to deploy more of my capital into underwriters and others who are going to drive business.

“If I’m going to pay \$100,000 for a workflow that’s probably going to change in five years, I’ll need to depreciate that investment,” he explained. “If I could hire one or one and a half full-time employees in the Philippines and get that process up and running faster, suddenly on a spreadsheet my decision becomes clear.”

Moran noted: “We have people in China who have underwriting authority, and they handle our small business—anything under \$60,000. Two underwriters over there do the whole life cycle, and we audit them. They get monitored and managed the same way as our U.S. employees.”

Waldhauser shared factors to consider when deciding whether to outsource: “First is technology,” he said. “Microsoft has introduced a virtual desktop, which is an excellent solution and is available for \$50 per month per user.

“Second is licensing; make sure that no one is doing anything that would require licensing because international workers cannot be licensed.

“Third,” he said, “is your program administrator agreement. Some PA contracts are quite strict, and most carriers will allow you to outsource, but they may have a disclosure requirement, so go back and read through that.”

### Objections

A question arose as to whether any of the panelists experienced resistance to outsourcing, and if so, how did they resolve it? “At first we experienced a lot of resistance,” Springer said, “but after several weeks of working on the project, people began to understand what we were creating.

“We were creating better jobs for our underwriters because they were able to focus on the work they wanted to do,” he explained. “They weren’t worried about data entry or calling people for additional information.

“When we started to shift some of the less desirable tasks off our underwriters’ desks and focus on how we could deliver information to help them be successful, they saw the benefits fairly quickly.”

Added Moran: “So far we’ve talked mostly about underwriting, but we also outsource claims, intake, accounting,

reports, data analysis, and other functions.”

Waldhauser offered advice to anyone who may be thinking about outsourcing. “First, go to Google and type in ‘population pyramid’ for whatever country you’re considering. The pyramid drives long-term wage trends.

“You want to see a true pyramid rather than a column, which is prevalent in Western countries. The pyramid indicates a constant inflow of young people who will keep wages down.

“Second is the level of English competency. The ability to speak in real time in an embedded employment situation is crucial.

“Finally, consider political stability. Make sure there is a long-term favorable trend toward the United States in terms of its trade practices.” ■

*(Note: Quotes in this article have been edited for context and brevity. For a recording of the Target Markets panel discussion, go to <https://bit.ly/2023TMTownHall>.)*

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