

# Leveraging Global Sourcing in your Life Underwriting Process

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# Definition of Outsourcing

- The use of a subcontractor to manage certain functions, service, service, underwrite or maintain a maintain a book of business

Known as TPA's, Subcontractors, Temps, Vendors or BPO's

# Outsourcing: Requirements

- ❖ **CONFIDENCE IN ABILITY TO DELIVER**
  - ❖ **MIRRORED AFFECT**
    - ❖ **QUALITY**
- ❖ **EFFICIENCY GAINS/TIME SERVICE ADVANTAGES**
- ❖ **CONFIDENTIALITY AND SECURITY OF DATA**
  - ❖ **INDUSTRY KNOWLEDGE**
  - ❖ **CONSISTENT PRODUCTION**
  - ❖ **COMMUNICATION**
  - ❖ **REPORTS/TRACKING**

# Reasons for Outsourcing

•Hiring Challenges

•Cost savings

•Economies of Scale

•Short-term needs

•Improve TAT

•Expertise

•Fluctuating Volumes

•Improve Service Level

•System Challenges

•New Product  
Maintenance or Closed  
Product POS

•Cost Arbitrage

# • Arbitrage

- In economics, **arbitrage** is the practice of taking advantage of a state of imbalance between two or more markets: a combination of matching deals are struck that capitalize upon the imbalance, the profit being the difference between the market prices.

**From Wikipedia, the free encyclopedia**

# Outsourcing: Domestic vs. Offshore

## Similarities:

- Cost savings
- Faster TAT
- Training/Knowledge Transfer
- Increased Production Goals
- Staffing models considerations
- Frees up underwriter time
- Pricing strategies: Rates are per FTE or or work item

# Outsourcing: Domestic vs. Offshore

## What's different:

- Cost saving is greater (cost arbitrage)
- Time Zone difference
- Training and ramp-up time is longer
- Requires research
- Employee concerns
- Multi-discipline and department involvement

# Outsourcing: Involvement

- Project/Relationship Underwriting Manager  
Manager
- IT dedicated resources
- Legal Department advice/research
- Procurement Governance
- Accounting coordination
- Dedicated staff to assist with measurements  
measurements
- Dedicated auditor
- HR: Proactive change management
- Six Sigma understanding

# Outsourcing: Know Your Process

- Understand *your* process and workflow
- Have detailed knowledge of your own metrics and baselines:
  - Production level – case handling, requirements
  - Quality stats – be precise
  - Time Service – measurements

Before you can define desired service levels you have to have to know your own standard deviations

How specific are your underwriter audits ?

- measure investigations/decisions/compliance?
- audits based on specific standards?
- how many activities do you measure?

# Off-Shore : Decision Points

- What are your goals and long-term plans? Financial, Financial, reconstructing your department, modifying modifying your staffing model?

- Do you know enough about the BPO market to market to benefit from arbitrage?

- Are your staffing models healthy, do they take into take into consideration new products, retirees, the retirees, the underwriter market, your location? location? general attrition?

# Off-Shore : Specific Goals

- What do you want to accomplish?

- How much business are you looking to outsource?

- What period of time are you considering?  
What's the trigger?

- Your goals will dictate which functions you choose to outsource... that, that, and your IT capabilities

# OFF SHORE: Engagement Focus

- Full or partial underwriting?

- Final requirement – serial review?

- Or just the APS?

- Summary only or debit assignment?

- Who makes the final decision?

- MIB Coding?

- Appeals?

# Outsourcing Stages: Define

- Define your goals and expectations
- Involve your staff
- Select a Project Manager (COE)
- Shop for a vendor - Review their abilities
- Map a process *with* them
- Communicate frequently
- Always run a pilot

# Outsourcing: Nitty Gritty

- Involve IT
  - what are your system windows?
  - what are the data security requirements?
  - what are the technical requirements?
  - what licenses are required?
  - what is the method of connectivity?
- Research licensing for other tools and reference material you will provide (3<sup>rd</sup> party software, usage agreements)
- Migration Methodology – Transition Activities
- Start to draft a Service Level Agreement and Statement of Work

# Scope of Engagement

- Map the Process Flow
  - Use a phased approach
  - Define specific service to to be provided
  - Define required skill set
  - Determine cost arbitrage: arbitrage: FTE / Item Pricing
  - Production levels, TAT, Quality, Service level
  - Define Key Performance Performance Indicators
- Agree on number of FTE's—Hours worked per per day
  - Hours of Service, Holiday Holiday Balancing
  - Job-aides and training material
  - Agree on engagement management
  - Agree on invoicing frequency and currency to currency to be used

# Key Pilot Activities

- Pilot Duration:  
Depends on Scope
- Meeting time
- Daily Communication  
Communication
- Time Line
- Detailed Operational  
Definitions
- Knowledge Transfer
- Baseline Studies
- Status Reports
- Targets by Week

- Action Items
- Tollgates
- Productivity and  
Accuracy Reports
- Touch time Analysis
- Trends
- Variations – Stability  
Factors
- Key Findings
- Dashboards
- Ramp-up
- Steady State

# Key Pilot Activities

- Tour *their* site
  - Security/Data Privacy
  - Work Environment
  - Meet your contracting staff
  - Meet the Project Managers
  - Metrics: Design, Adjust, Monitor
  - Communicate Regularly

# Offshore Outsourcing & Change Management

- Employee A
- Discomfort
- Reluctance
- Rejection
- Destructive Criticism
- Refuses to participate

- Employee B
- Personal opinions separate
- Will participate willingly or by request
- Constructive criticism

- Employee C
- Initial reluctance
- Participates willingly
- Actively Accepts
- Strong change agent

# Change Management cont'd

- UW's – Managers - Other personnel
- Change management strategies:
  - Communication: Regular status updates
  - Share pictures: Names and Faces
  - Meetings: Reiterate purpose/goals
  - Involvement : Audits, ask for feedback
  - Lunch and learn: Discussions
  - Share results: Successes/Failures

# CHALLENGES

- Dedicated resources
- Planning period and Ramp Up time
- Level of Cooperation
- Lack of data on in-house performance
- IT limitations
- Complex Processing
- Employee Acceptance
- Complexity of Issue Resolution

# BENEFITS

- BPO Maturity – Knowledge Level
- Process Improvements
- Long Term Benefits
- Time Service
- BPO Support
- Six Sigma Ability
- Offshore Management Tools
- Backup Resources

# Comments/Questions.....

