

A Business Processing Outsourcing Perspective

BPO Puts Back-Office Operations Up Front

Strategic Outsourcing Yields Vital Efficiencies

BPO—A Brief History & Primer

Business Process Outsourcing (BPO) provides a flexible, strategic way to do business. At its most basic, it's simply hiring another company to handle certain aspects and processes of your business. Today, organizations outsource human resources administration, call center services, accounting, and diverse insurance and technology processes.

Outsourcing business functions today is an accepted strategy, one with roots close to fifty years old. This business strategy remains viable for a fundamental reason: it brings cost-effective efficiencies and streamlined operations to many insurers. BPO gives property and casualty insurers effective strategies for managing business issues ranging from financial crises to changing marketplaces, staffing challenges, company transformation, and competitive separation. It's become a fundamental way to achieve business goals.

Successfully outsourcing back-office processes demands a partner with comprehensive insurance knowledge. The outsourcer should possess subject matter expertise that covers all insurance operations. Being technologically up to date is critical. You want to integrate knowledge, experience, business processes, and superior technology to make processes more efficient and streamlined.

A Competitive Strategy Rises

As an insurer and insurance service organization with over 100 years' experience, we've seen insurance change dramatically. There was a time when super-successful insurers liked to boast they could meet all their needs with help from no one. Employing an army of clerks was a point of pride. Printing their own marketing materials and declarations were too as was stockpiling tons of office supplies. Things changed. No longer does an insurer bog itself down with unnecessary concerns and materials. Nor do they strap themselves with unruly processes better handled by others.

Property & Casualty insurance is ripe for BPO's benefits. Our BPO operations serve a range of carriers. Some have direct written premium as low as \$10 million; some exceed \$250 million, and some are startups. All desire the same goal: efficient, reliable, cost-

effective operations. BPO meets their demands. It streamlines operations creating agile, slender organizations that respond quickly to business events and marketplace changes. We see and hear how our customers better focus on their core business.

Electing To Outsource

Leading technology is indispensable but it needs to be backed and managed by people who understand the subtleties of insurance. Any organization purporting to be an outsourcer for insurance carriers should have credentials. Share your expectations and schedule with your outsourcing partner.

When deciding to outsource an insurer should approach BPO with key objectives:

1. Reducing Costs
2. Making Costs More Predictable
3. Making Processing Faster, More Consistent, and More Accurate
4. Choosing a solid provider

Insurance Areas Benefiting From BPO

So, which areas to outsource? To start, Policy Administration, Underwriting, Customer Service, and Accounting and Reporting represent fruitful areas. We manage accounting and reporting for carriers, saving them time and cutting overhead. We provide reinsurance processing, generally accepted accounting principles reporting, statutory reporting, quarterly and annual statement support, bank reconciliation services, and monthly and annual premium reports—all of which tie up a client's resources yet do little to grow direct written premium. Outsource these areas and you better focus on growing revenue.

Communications—One area where outsourcing eliminates a lot of headaches is agency and policyholder communications. Why take on the onerous difficulties of managing a call center in an age when specialized call centers exist. Our Customer Service Center, for example, employs insurance-knowledgeable, bilingual staff (English and Spanish) that handle calls 24/7 for our clients.

Policy Administration Services—Third-party providers of insurance administration services should provide insurers excellent point-of-sale capabilities. We do. We manage more than 300,000 policies and handle in excess of 80,000 new policies and the resultant inspections. Your agents can access us online and rate, quote, bind, and issue policies in minutes. Our outsourcing capabilities efficiently manage new business and change requests via online and traditional channels. We process and issue all policy transactions,

i.e. new business, endorsements, and renewals seamlessly. Web-based policy administration handles multi-line, multi-state business, and rules-based underwriting. Our imaging and document management assures secure access to crucial information. We process cancellations, rewrites, non-renewals, and reinstated policies.

Agency Support and Processing Services—We process and manage new business and existing policies online real-time. The seamless integration of policy administration, claims, and billing services lets agents generate quote, rate, bind, and issue policies. Underwriting at point of sale is simple as are policy, claims, and billing inquiries.

Our technology interfaces with Agency Management Systems and permits electronic document access and distribution, electronic bill presentment/payment and commissions.

Billing & Premium Services—We manage company-defined payment plans that include full-payment processing encompassing check, ACH, EFT, credit card, debit card, and agent bank sweeps. We offer customized remote deposit service and post checks on the day of receipt with immediate electronic deposits to banks. As well we provide:

- Month-end processing with reconciliation support and reports
- Cash With Application (CWA) processing
- Execution of daily billing cycles, bill generation, and policy reconciliation
- Daily reconciliation of totals to monthly reconciliation reports.

Call Center & FNOL Services—An outsourcer understands that insurers accept nothing less than the highest levels of physical and data security. Data back up and recovery systems and redundant systems for Internet, power, and communications are mandatory. And so are insurance-knowledgeable staff who oversee customer service and FNOL processes. To assure fail-safe outsourcing we provide vital call center capabilities:

- Tools that manage call volume, overflow, tracking and call recording
- A responsive IT staff that coordinates support issues
- Internal training programs that focus on high levels of customer support
- Multi-language capability (Spanish)
- Scalability in event of CAT on 24-hour notice; 24 X 7 service

We take care of 400,000 calls a year. We answer 90 percent within 60 seconds with an abandon rate of less than 2 percent. We respond to and handle 20,000 first notices of loss a year. We employ skilled people and use FNOL “smart software” that reduces FNOL time by 50 percent while identifying the earliest possible subrogation, salvage, and loss mitigation opportunities.

Claims Administration and CAT Services—As an insurer we have experience in managing catastrophes and resultant claims. We manage over 45,000 claims transactions a year. Our Catastrophe Management outsourcing services feature centralized claim intake that receives and processes claims 24 hours a day, seven days a week. When notified by phone, fax, email, or online submissions, we quickly process claim assignments and route them electronically to the appropriate adjuster or mitigation service. CAT Management Services provide planning and preparation, FNOL service, file examination staff, and a network of CAT adjusting companies. Rapid response and recovery are hallmarks of our services.

Our Total Claim Management program coordinates call intake, claim triage, field assignment and claim management, and fieldwork review. Our claims services track, review, and report reserves, payments, expenses, salvage, and subrogation activities.

Our dedicated 15,000-square-foot Catastrophe Operations Center supports our BPO services. Catastrophe Management services include 85 examiner workstations on standby (phone, computers, & dual monitors), event-staffing capabilities, and a call center and 50 workstations on standby. Overseeing and supporting our catastrophe management services is a dedicated catastrophe director, an annual catastrophe plan review, and a network of catastrophe adjusting firms. The goal is to anticipate all scenarios and to always have a well-thought-out response.

Accounting Services

As mentioned earlier in this white paper, we manage accounting and reporting for carriers. Outsourcing saves them time and lowers overhead. The accounting services we provide includes accounts payable and accounts receivable processing, fixed asset accounting, premium tax accounting, reinsurance accounting, and treasury management. We also offer annual/quarterly statement preparation and federal and state taxation services.

Application Management/Hosting

At Seibels we recognize that clients face constant pressure to keep costs down. Assessing their IT departments sometimes reveals that not all IT functions are strategic. That's when outsourcing them makes sense. We provide IT outsourcing services that free clients to better focus on operations and conserve resources. Our secure application management and hosting services include:

- Infrastructure and Hosting
- Application Management

- Performance Management
- Network Management
- Security Management
- Account Governance
- Project Management

In the digital age IT services and functions represent an organization's lifeblood. Lowering IT costs while maintaining productivity with a trusted applications and hosting provider makes sense. Ask questions and check references. We answer all questions and provide prospects and clients references.

Outsourcing's Hidden Advantages

Outsourcing obviously is about enhancing business processes, but deciding to outsource carries advantages that aren't always obvious. Why hire when you can outsource. When you assess the time and money involved in hiring full-time staff, outsourcing's star shines brighter. Hire people and you have to train them. They expect benefits and a place to work and equipment to work with. When they miss work, productivity (and sometimes morale) suffers. Outsourcing frees you from these issues and it liberates your managers to focus on core business matters, not on dealing with employees who rack up sick days.

And what about capital? Rather than tying up funds leasing or building office space and equipping it with staff and sundry resources, you can focus finances on core business. Why reinvent the wheel?

When you enter a relationship with an outsourcer you gain access to experience, talent, the latest technology, and proven practices. And one undeniable advantage is a more flexible workforce.

Saving money is great but it's not the sole reason to outsource. It's all about gaining new efficiencies that make your operation leaner, more agile, and faster to respond. It's about harnessing the leading technologies and talent that elevate your competitiveness. Think of outsourcing as outperforming the competition. We do.

Business Processing Outsourcing

Decades of BPO and application services experience have given us specialized knowledge and skills that identify and implement new ideas and technologies meeting

clients' needs. Combining experience in insurance and technology expertise, Seibels provides tailored BPO services that support client's back-office operations:

- Policy Administration
- Rating and Underwriting
- Billing and Collections
- Claims Administration
- Accounting and Reporting
- Financial Services
- Marketing Assistance
- Customer Service Centers with bilingual English and Spanish speaking staff 24/7

A Strong, Strategic Partner

A BPO provider is an insurer's ally, a strategic partner. It should be as close to a full-service claim organization as possible, and its software and hardware should be state-of-art. Moreover it must be a technology and insurance expert. And it should adhere to best practices. Six principles should underlie a well-respected BPO provider's services:

1. Maximize use of product specialists' in-depth knowledge*
2. Communicate with clients to ensure it meets their requirements
3. Integrate technology to provide the highest service level
4. Tailor products to meet client's requirements
5. Adhere to best practices
6. Hold itself accountable to a quality commitment

*At Seibels we've helped clients achieve higher management efficiencies and effectiveness. Our centralized special investigative, subrogation, and reinspection services enable us to hire experts who produce significant improvements in subrogation recoveries and SIU results.

BPO supports back-office operations and position an insurer to grow, to quickly introduce new products, penetrate new markets, and employ new technologies that elevate the insurer above its competition. BPO's advantages include:

- Cost Reductions—Process improvements, reengineering, and technologies reduce and control administrative and other costs and eliminate office space
- Core Business Focus—With back office operations taken care of, management concentrates on core business
- Outside Expertise—No need to recruit and train personnel with access to BPO experts

- Flexible, scalable services meet customers' changing requirements
- Revenue Increase—BPO frees companies to concentrate on increasing sales and market share, developing new products
- Enhanced Customer Satisfaction—Customer relationship techniques and software accelerate claims handling to mutually favorable outcomes

Enhanced Customer Satisfaction

Increased client satisfaction plays a pivotal role in client retention and deserves priority as a success strategy. In particular, responsive, attentive customer service can keep policyholders from seeking greener pastures. What we hear from our clients' policyholders underscores BPO's ability to alleviate concerns, particularly among those who have experienced less-than-stellar service from previous carriers.

A customer service event illustrates how BPO can make a critical difference. Among the carriers using our BPO Customer Service Center is a property and casualty insurer writing homeowners, condominium, tenant, dwelling fire, and specialty lines. In the continental U.S., the company writes wind and all-peril business in the Gulf states region.

One of its policyholder had the unfortunate experience of being dropped in a "batch cut" by a previous carrier. This unfortunate incident made him a bit unsure about carriers and suffering hail damage to his home elevated his concern. An email exchange between the policyholder and our CSR illustrates the dividends BPO deliver and how an unheard of provider can quickly earn accolades and references. (Policyholder's name changed for security and privacy.)

From: Thomas J. Cattell <tom.cattell@seibels.com>
To: John and Jane Doe
Sent: Thursday, April 18, 2013 8:39 AM
Subject: Hail Damage Payment

Good morning,

I received your inquiry about the payment status (being sent to the mortgage company). I checked with our home office. They then tracked the certified mail with confirmation # and USPS says it was delivered on April 15, 2013 at 11:23 AM.

(The service rep then provided the policyholder a link to track confirmation of the payment being sent.)

Should additional questions arise please let us know. Thanks!

Sincerely,
Tom

Within three hours a grateful policyholder responded.

Seibels Insurance Technology & Services
White Paper

From: John Doe
To: Thomas J. Cattell
Sent: Thursday, April 18, 2013 11:05 AM
Subject: Re: Hail Damage Payment

Thank you.

I must say you exceed expectations. When we were dropped in a "batch cut" from our other insurance company I got nervous when my agent recommended you, since I had not heard of you. Now I am telling anyone that needs homeowners to contact my carrier. You and your team went out of your way to contact me on the situation. The first lady I spoke with has called me three times to ask if I have received any updates on the check. Most companies would have just left me to fend for myself. Especially since it is money you are paying out. Please continue the effort you are putting out.

Hopefully you won't have a "batch cut."

Again, thank you
John Doe

As we see, BPO's enhanced customer service relieves policyholder concerns and in fact can turn satisfied policyholders into marketing agents.

Put BPO To Work

BPO offers your company sustained advantages. Identify those business processes that represent the best candidates for outsourcing. Select an outsourcer who lives and breathes insurance and don't always go for the large outsourcers. Modest-sized outsourcers commonly go to great measures to please their clients.

Next understand what you stand to gain and what the risks are. One way to mitigate risks is to maintain control over outsourcing. How long do you anticipate needing an outsourcer? Generally an outsourcing contract runs three to five years. You're about to enter into a relationship with a service provider and you want it to be a healthy one. Working together in a harmonious way for the common good is the goal.

Keep housekeeping in mind. Often when a third party enters the picture staff wonder if reductions are coming. Keep your staff apprised of your decisions; reassure them.

A well-advised blend of insurance, technology, and BPO services positions an insurer for growth. The cumulative effect is reflected in enhanced customer satisfaction and well-oiled operations. It's no coincidence that direct written premium increases.

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Seibels BPO & Service Centers

We can help you capitalize on growth opportunities and quickly introduce new products and technologies. We have decades of outsourcing experience under our belt. Our advanced software lets you capitalize on growth possibilities and more easily launch new products. Arrive in new markets fast and with force. We can support your back-office operations with a combination of experience and technology.

We operate Property & Casualty BPO service centers in Columbia, South Carolina and Altamonte Springs, Florida. Service centers geographically dispersed assure business continuity and provide additional on-demand resources to respond to high-volume inquiries and first notices of loss.

Our BPO services use the knowledge and rigorous experience of insurance veterans. Many of our BPO employees hold insurance designations, and their loyal tenure provides you valuable experience and stability. Project managers' long-term service anchors a stable, experienced staff. We have access to insurance software resources and expertise and provide English/Spanish bilingual staffing.

About Seibels

Founded in 1869 as E. W. Seibels & Company, Seibels grew into a prominent insurance group known for information management innovations. Today, its insurance professionals deliver solutions-oriented property and casualty insurance technology and services. Its greatest strengths are insurance and systems expertise, business processes, and customer focus. For more information, visit www.seibels.com.