



The Perks of Insurance Back-Office Outsourcing for Insurance Carriers

(with Tips to Get Started)





In the modern insurance landscape, insurance carriers face rising competition and higher policyholder expectations. As a result, there's been a keen focus on innovating insurance products and offerings with greater personalization, quick service, and an omnichannel presence to stand out in the crowded market.

While these advancements are making insurance products more competitive and appealing to policyholders, they're also pushing insurers to operate at a pace that is increasingly difficult to sustain with internal resources alone. In other words, the pressure to maintain operational efficiency while keeping up with emerging trends can leave insurers with a growing administrative burden.

This is why a growing number of insurers are choosing to outsource essential yet resource-intensive back-office support to cut costs and focus on strategic work and growth initiatives. In fact, current estimates show that the insurance outsourcing market is set to grow at a compounded annual growth rate (CAGR) of [4.2%](#) from 2024 to 2031, underscoring its continued rise in demand.

Outsourcing back-office functions can improve insurers' efficiency, give them access to dedicated expertise, and help them leverage advanced technology systems. However, capturing these benefits hinges on finding the right partner which requires careful consideration.

In this guide, we'll cover the important factors to consider when choosing an insurance outsourcing partner, including how to make a smooth transition.

An Explanation of 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 customer-facing employees worked. Staff who had little or no customer interaction sat in the back.

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



Outsourcing Back-Office Functions in the Insurance Industry

For insurers, 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 significant drain on headcount and training budgets.

When outsourcing back-office functions, you'll work with a third-party provider to transfer some or all of your back-office operations to their team. Ideally, 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 periods of peak demand.

The Value of Back-Office Outsourcing for Insurers

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

Greater Overall Cost Savings

Cost is the main driver for many companies that outsource. According to [KPMG](#), over half, or 55%, of outsourcing relationships are initiated to target cost reduction. Outsourcing certain back-office functions can result in large savings for insurance agencies.

Reduced 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 a significant portion of your budget to basic upskilling. With just a little guidance on your internal processes and objectives, your outsourced team will be ready to hit the ground running.

Lower Employee Benefits Costs

By law, many insurance organizations are required to provide certain benefits to their full-time employees, such as disability and health insurance. Thus, outsourcing certain back-office tasks to an external team helps you avoid paying for full-time employee benefits.

Decreased Office Space Overhead

When you hire an outsourcing partner, you won't need to pay for additional office space to accommodate the extra support you receive.

Lower Risk of Employee Burnout

The skilled talent shortage has hit the insurance sector particularly hard in recent years. This is spurred on by the industry's aging workforce, with projections from the [U.S. Bureau of Labor Statistics](#) suggesting it could lose roughly 400,000 workers by the end of 2026.

Thus, insurers face an uphill battle in replacing workers leaving the industry. When insurance operations are short on staff, it can negatively impact morale. This may lead to employee burnout, when workers are forced to work long hours and take fewer breaks, which could pose a serious problem 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. But, if this happens frequently, you may want to consider outsourcing certain elements of their workload.



Higher Capacity for Strategic Work

Outsourcing back-office support activities gives in-house employees more time to concentrate on their core competencies 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 because your team lacks the proper capacity to pursue these initiatives.

Enhanced Resilience and Flexibility

In recent years, insurers have recognized the need to maintain agile and flexible operations that can quickly adapt to surges in demand, more frequent natural disasters, cybersecurity risks, talent shortages, and evolving policyholder demands.

A well-equipped outsourcing partner can help its clients by providing them with extra people power to quickly scale up or down operations as needed. This way, insurers are put in a stronger position to deal with future operational disruptions without overwhelming their team or scrambling to hire more employees in a pinch.

More Seamless Compliance

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 tasks on your behalf. This enables your internal team to focus more on profit-generating activities and less on administrative or reporting tasks.

Quick Facts

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

- ▶ Insurance carriers currently employ about [3.03 million people](#) in the U.S.
- ▶ The insurance industry has an unemployment rate of just [2.3%](#) as of September 2024.
- ▶ [86% of insurers](#) surveyed plan to increase or maintain staff size in the next 12 months.
- ▶ The global outsourcing market is valued at [\\$280.64 billion](#), with the North American Market making up over one-third of the revenue share.
- ▶ The global business process outsourcing market for insurance is currently valued at [\\$7.08 billion](#) and is projected to reach \$8.94 billion by 2029.
- ▶ [60% of organizations](#) are currently or planning to consider an outsourcing strategy in the next 12 months.
- ▶ [Cost reduction is the number one focus](#) for organizations engaged in shared services and outsourcing.
- ▶ A growing demand for cost-effective operations is expected to boost the insurance BPO market throughout the rest of the decade.
- ▶ Increasing regulatory requirements and compliance demands is a major factor projected to boost the market in the next few years.
- ▶ A focus on providing high-quality results and improving policyholder satisfaction is also expected to propel the market.



What to Look for in an Insurance Outsourcing 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 partners:



Scalability

If you are pursuing a growth and diversification strategy, you might see your call volumes quickly increase from a few hundred a month to several thousand. An outsourcing 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 an outsourcing firm whose staff is fluent in your policyholders', agents', and partners' language(s).

Brand Ambassadorship

When your policyholders, agents, and partners deal with your outsourcing partner's team, they must receive the same level of service as when they engage with your own people. Your outsourcing partner needs to be willing and able to learn and embody your brand values.

24/7 Availability

Most policyholders expect round-the-clock support, which your outsourcing partner should provide. Equally, the outsourced team should be ready to step in and help with disaster response and increased call volumes during a catastrophe.

Onshore Service

The best outsourcing companies are staffed by professionals who understand the nuances of American language, cultures, and customs. This is achieved more easily an onshore partner. In addition training an onshore team is less time consuming and costly, and provides more visibility than an offshore team. These small details can make your job easier and your policyholders 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 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 outsourced providers employ people with the depth and breadth of insurance expertise necessary to deliver accurate, high-quality results every time. Choose a 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.



Tips for a Seamless Transition to Outsourced Support

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:

Make a Plan

It's all too easy to get caught up in the rush of things and try to transition functions to your new outsourcing 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 set up properly and staff lacking adequate training. Your project planning process should include identifying your goals and formulating a realistic timeline for the transition. The best providers will offer a range of back-office support services and work with you to determine the ones that best suit your needs. They'll also collaborate with you to develop a detailed plan and ensure a seamless transition.

Involve Key Stakeholders

Your insurance business depends on your people. A successful outsourcing 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.

Encourage Open Communication and Feedback

After the bulk of transition activities are complete, it's important to continue investing in your relationship with your outsourcing 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.

Enhance Your Back-Office with Outsourced Onshore Support

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 position your organization for growth.



Partnering with a Team That Goes the Extra Mile

As a leading, forward-thinking provider of insurance outsourcing 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. Our team of industry experts leverages their years of experience in the insurance niche so you can turn your eye to innovation. Meanwhile, we're able to give your policyholders 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.