

## Insurance BPO: Delivery & Service Line Trends for 2017

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The insurance outsourcing industry is moving at a fast pace in response to the need for rapid deployment of digital platforms and offerings, as well as advancements in new distribution models that are emerging via 'insurtech' start-ups. Here I take a look at some of the key trends driving the insurance BPO market in 2017, both in terms of delivery and transformation, and by individual service line.

### **New distribution models, analytics & automation**

Health insurance start-ups (Oscar Health, Clover Health, Bright Health, etc.) have been flourishing, followed by property & casualty insurance (Lemonade, Verifly, Metromile, Wrisk, etc.) and life & annuities insurance (Ladder, League, InforcePro, etc.), who are also seeing an increasing amount of investment. Outsourcing vendors will be actively looking to partner with, or potentially acquire, such companies in order to leverage their capabilities on an add-on basis, or using a completely transformative approach. And the insurance start-ups that will be most targeted by vendors are those investing in new distribution models.

Insurtech developments will bring more regulations at federal level in the U.S., as the application of new operational models will overtake the current state-level regulation framework of insurance companies. It is also possible that the new regulations will allow for the fostering of further innovation compared to current state regulatory frameworks.

Big data and analytics in insurance will see further growth, stemming from the vast amounts of data stored by insurance carriers. Vendors will either develop offerings to leverage such information, or will acquire companies in order to do so. It is still commonplace to find old-school insurers who are unable to analyze and leverage their clients' and prospective clients' data.

In terms of operating systems, vendors will continue to optimize legacy platforms with add-on proprietary or third party software, as well as retire dysfunctional and costly systems for newer ones that have modern distribution model capabilities. Digital transformation will increase among insurers, with larger numbers of insurance carriers shifting their operational model towards emerging market segments (millennials, middle-market consumers, etc.).

In the area of automation, the insurance sector has been at the forefront of RPA adoption to date, and this will continue in 2017. Meanwhile, AI technology is taking small steps towards greater adoption within insurance offerings, mostly in policyholder-facing applications. Policyholders will continue to request better, more personalized, engagement by their carriers through omni-channels, with a digital approach, with the policyholder engagement market segment seeing growth of more than 10% per annum.

Elsewhere, wider application of telematics offerings among passenger vehicles and industrial devices will allow for more accurate and individualized calculation of premiums.

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## **Trends for 2017 by insurance service line**

*Property & Casualty* BPO trends include:

- Launching new digital products and services in untapped markets for traditional insurers
- Emergence of fully digitally-operating carriers with a Bermuda-style regulatory framework, backed by PE/VC firms
- Emergence of new products for traditional insurers (drone insurance, on demand insurance, etc.)
- Wider application of analytics for process improvement and trend identification among policyholders.

*Life & Annuity* BPO trends include:

- Insurers outsourcing more responsibility to vendors that are able to provide specialized actuarial and predictive analytics services targeting customer retention
- Insurers requiring guidance on regulatory product adjustment from Solvency II implementations
- The middle-income and millennials market in the U.S. will see increased growth, as investments in digital channel communications expand
- Vendors will continue to improve customer service levels, CSAT scores and customer retention rates.

*Healthcare Payer* BPO trends include:

- The future of Obamacare and health insurance exchanges in the U.S. is uncertain after the Trump election. There will definitely be changes in the ACA care models and payers will most probably bear some of this cost of change in healthcare policy
- Consolidation among lower-tier healthcare payers will continue its momentum in 2017, creating opportunities for legacy platform retirements and updates from outsourcing vendors, eliminating disparate assets in newly-formed organizations
- Population health management and wellness programs through innovative delivery and distribution models will see significant growth, as well as engaging with patients through omni-channels, improving retention and satisfaction
- Applying analytics that identify opportunities for process improvement, as well as reducing fraud, waste, and abuse will be a top priority for payers
- Distant monitoring of patients and telemedicine will also see increased growth
- Preventive care and wellness offerings, in conjunction with traditional healthcare insurance, will see a rise in demand.

To find out about NelsonHall's extensive research plans for Healthcare & Insurance BPO in 2017, contact [Guy Saunders](#).