

Are insurers fully aware and prepared for the new responsibilities that the FSA have imposed on them to ensure that all their service providers are compliant? Roger McCorriston sees this as a risk facing insurers which was one of the issues considered at a recent conference on Outsourcing.

Concordia was represented at the Outsourcing conference held at Haberdshers Hall in London on May 17th. The event was entitled "are you missing out?" and aimed to put a balanced view on the merits and pitfalls of what is an increasing popular trend in the insurance business.

Speakers looked at outsourcing from several different perspectives. What came out very clearly was the importance of the strategic decision for the business. Although cost was a key driver speakers were unanimous in recommending a much more rounded process as to whether it was right for the business – in particular which parts of the overall process were best suited and what options were available.

Not surprisingly India as a domicile featured strongly in the presentations and the questions from the floor. But it was clear that there was evidence of the employment cost advantages – whilst still present – were gradually being eroded as the influx of businesses from the UK changed the supply demand dynamics for staff. There was also a distinction between types of work that were suitable for outsourcing to India – or indeed any offshore location – and those which were not.

The establishment of appropriate contractual obligations between the parties was another area for close attention, in particular anticipating what steps would be taken when, not if, things did not work out exactly as had been anticipated.

The whole process of handling claims was examined in some depth. In many ways placing losses in the hands and care of a loss adjuster is the oldest and most frequent form of outsourcing regularly used by insurers. But the relationship between insurers and their adjusters is going to be under a very new type of scrutiny in the future as the FSA regulatory environment takes effect in January 2005. From that point on insurers have a responsibility to ensure that all their service providers – including adjusters – are compliant with good business practices, as defined by the FSA. This oversight role is one which the Compliance Consultancy Division of Concordia is already involved in with insurers – especially helping them to review the nature and quality of the work outsourced to adjusters. For more information contact roger.mccorriston@concordiaconsultancy.com