Building partnerships that transform insurance operations

Explore how leading insurers are using strategic partnerships to drive innovation, manage complexity, and enhance operational efficiency.

The strategic partnership landscape in insurance is undergoing a fundamental shift. What once was primarily a cost arbitrage play has evolved into something far more strategic. Today's insurers are seeking partners who can help them innovate faster, manage complexity more effectively, and build capabilities that would be difficult or impossible to develop in-house.

A recent KPMG LLP survey of insurance industry executives affirms this shift. While 83% said they've maintained steady outsourcing levels over the past 12 months, 64% plan to somewhat increase outsourcing within the next year. This measured approach reflects a maturation in how insurers think about partnerships—moving beyond tactical cost reduction toward strategic capability building.

Balancing strategic priorities in partner selection

The question of where to partner has become more nuanced than simply choosing nearshore versus offshore. In the KPMG survey, 79% of insurance leaders said they now balance both approaches based on specific project needs—a pragmatic recognition that different initiatives require different solutions.

What drives location decisions? The top factors reveal how partnerships have evolved beyond cost considerations. Regulatory compliance ranks first at 72%, followed by risk management (62%) and cost optimization (54%). This hierarchy suggests that partnerships that save money but create regulatory exposure or operational risk ultimately destroy value rather than create it.

> **Insurers are quite focused on selecting the right partners and the right locations. We're finding that [they're] looking for long-term alignments with their partners—not 'flashier' partnerships that might work for the short term.**
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> *–Anam Khan,*
> *Partner, KPMG in Bermuda*

The emphasis on long-term strategic alignment marks a departure from previous approaches. Insurers understand that changing partners frequently creates its own costs and risks. Consequently, they're willing to invest more deeply in fewer, more strategic relationships that can evolve as their needs change

From cost arbitrage to strategic capability

The evolution from tactical outsourcing to strategic partnerships has accelerated with recent technological advances—particularly in AI and automation. Partners who bring not just cost efficiency but also innovation capability are increasingly valued.

> **Insurance companies are asking, how do you find a partner who can help you not only be more agile in the moment, but also innovate? Delivering the desired outcomes includes assessing the best path to execution. Leveraging the capabilities of strategic partners in the right moments can help organizations arrive where they want to go - on time and with a focus on innovation and continuous improvement, while maintaining capacity for other opportunities.**
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> *–Sean Vicente,*
> *US Sector Leader, Insurance, KPMG LLP*

This shift is evident in which functions insurers are willing to entrust to partners. Finance-as-a-service concepts are gaining traction, with partners managing everything from reconciliations to reporting and tax. These aren't peripheral activities. Rather, they're mission-critical functions that historically stayed in-house. Insurers' willingness to partner in these areas reflects both confidence in partnership models and recognition that specialized partners can often execute more effectively.

Yet even as outsourcing expands into strategic areas, insurers remain concerned about retaining intellectual property. When partnerships help build something new, insurers want to ensure that IP remains within their organization. This creates a balancing act: outsource enough to gain speed and expertise while structuring relationships to retain ownership of what's created.

Geographic patterns in this evolution are revealing. While most insurers plan steady partnerships in North America (64%), Latin America (53%), and Europe (66%), 44% are increasing partnerships in Asia—reflecting both talent availability and the importance of serving the world's fastest-growing insurance markets.

Keys to partnership success

What's the key to successful partnerships? Based on extensive work with insurers, several factors emerge consistently.

Before selecting partners, successful insurers define what they're trying to achieve. Are they seeking to reduce costs in non-core activities? Are they trying to access capabilities they lack? Are they looking to accelerate innovation? Different objectives require different partnership structures and partner profiles.

Once established, successful partnerships require ongoing governance and performance measurement. Service level agreements matter, but so do regular strategic reviews that assess whether the partnership is delivering on its objectives and whether those objectives remain relevant. The ability to evolve the partnership as needs change separates long-term success from short-term gains followed by disappointment.

KPMG. Make the difference.

Strategic partnerships have moved from the periphery to the center of insurance operating models. At KPMG, we help insurers manage partnerships end to end—from selecting the right partners and setting strategy, to establishing governance models and performance measurement, to managing integration and enabling the right technology infrastructure.

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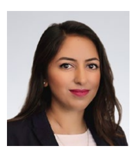

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