



GENERATING **INSURANCE** IMPACT



Insurers' operating model evolution: Transforming the finance department through partnerships

Insurers facing tighter regulations, talent shortages, and rising finance costs must allocate their CFOs' existing resources more efficiently. This can be achieved by transforming the finance department's operating model. Today's maturity in insurance outsourcing means that a provider with deep insurance domain experience can efficiently handle most transactional fiduciary work, freeing the finance department to focus on creating value through better business insights.

It isn't news to insurers that low interest rates are putting pressure on their return on equity (ROE) targets. New regulations like Solvency II, additional reporting requirements, and a widening operational scope are adding to the cost of finance, and the need for additional expertise has driven up finance-function hiring costs by more than 40%. Adding to these pressures is a greater demand from CEOs and other executive stakeholders for information required to support effective decision making—and they are increasingly asking the finance group to provide it.

Finance is a logical choice for this request, as it touches every corner of the enterprise, but the function is often stretched, budgets are constrained, and finance processes are too inefficient to provide accurate, timely information to support future-oriented insights. This gives companies, with more efficient fiduciary processes, a distinct advantage since they can allocate more resources to strategic activities such as FP&A, M&A, and tax optimization. These challenges will only increase as geographic diversification, acquisitions and divestitures, and a growing demand for transparency add to insurers' overall operational complexity.

The new role of the finance function

According to HfS Research, half of all enterprises expect to shift the emphasis in finance and core operations from cost to value within two years. Timely and accurate reporting of data is no longer enough; now the expectation is that finance groups will provide more valuable insights into business performance that allow firms to be more agile amid rapidly changing market conditions—and more important, CFOs must provide that insight without additional budget. That requires a new operating model that delivers highly accurate data, timely reporting, significant cost savings, and actionable business intelligence derived from data to provide insight into both the business and the market.

However, many large insurers have built up layers of redundant and nonstandard processes across business units, preventing the realization of an operating model capable of delivering those benefits.

Operations are often distributed in individual profit centers, making it difficult to maintain uniform accounting standards and comply with corporate policies across product lines and business units in a cost-effective manner.

Operations are often distributed in individual profit centers, making it difficult to maintain uniform accounting standards and comply with corporate policies across product lines and business units in a cost-effective manner

To remedy these issues, insurers need an operating model that:

- Leverages Global Business Services (GBS) to standardize processes across business units and product lines, eliminating silos and costly redundancies
- Uses an “industrialized” model and low-cost locations to enhance savings, efficiency, and effectiveness in transactional processes and financial reporting
- Ensures orderly change management while transforming and reengineering processes
- Improves analytical capabilities for deeper insight into operations and customer behavior and expectations
- Frees capacity and allows resources to be reallocated to added-value activities in support of the business in strategic areas
- Provides a more agile infrastructure to adapt to shifting business and regulatory conditions

Experience dictates that this type of model can be most effectively delivered by external providers with significant insurance experience as opposed to providers without domain experience or in-house resources with less process reengineering expertise.

Partnering to realize a target operating model

A major cause of inefficiencies downstream is poor quality and governance upstream that results in data-quality issues, complex reconciliations, and continuous adjustments that negatively affect financial closing times and reporting accuracy. It is any external provider's business to understand how all F&A processes are linked; what controls are needed to ensure speed, accuracy, and minimum revenue leakage; and how to drive effectiveness from end to end. Even greater value can be derived when the provider has the sort of deep insurance domain expertise that comes from handling millions of insurance-related transactions every year.

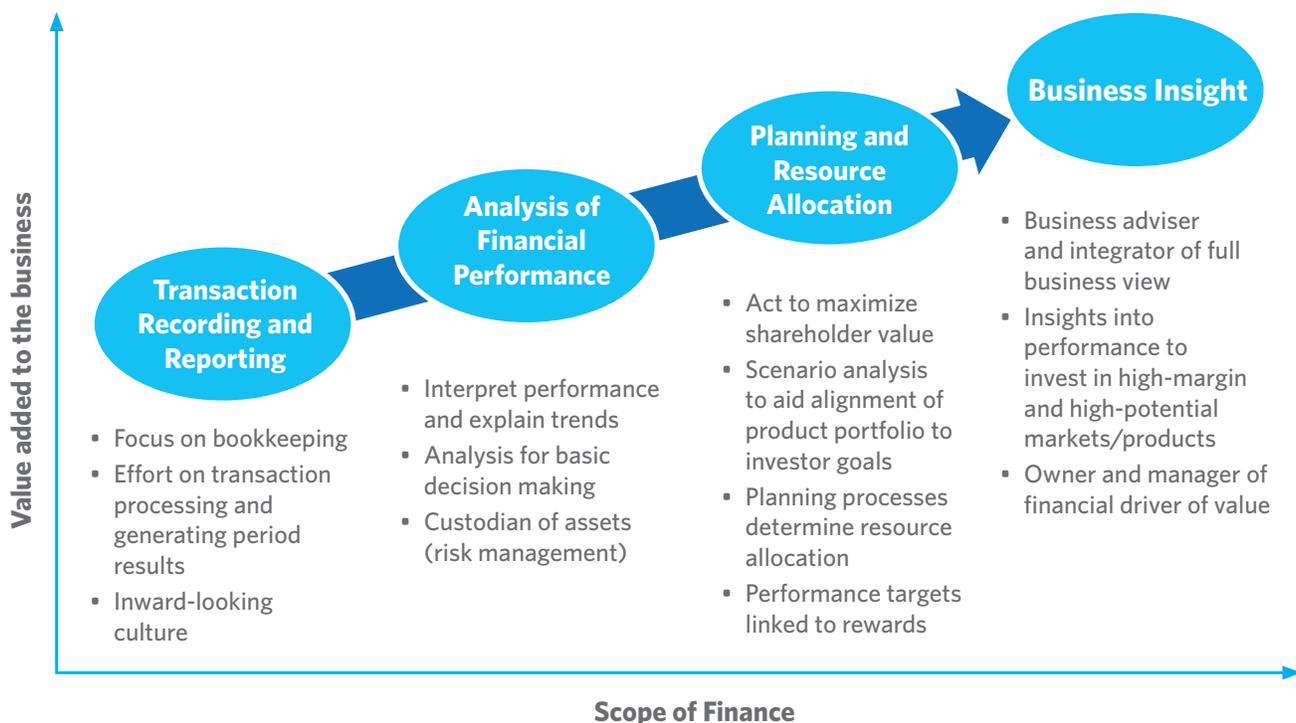
Some examples illustrate the strategic impact of these choices. When a large global insurer adopted scalable global finance centers of excellence, it provided business leaders with greater financial visibility across regions and a projected \$175 million in cost savings. In another case, a specialty insurer embraced an operating model that standardized transactional F&A and core operations, cutting the expense ratio in half while allowing the business to focus its resources on growing premiums by 35%

without adding additional operational headcount. In the case of a life and annuities carrier, a new operating model streamlined the reconciliation process, reducing exposures by \$3 billion and freeing up \$83 million in additional capital. In all cases, the true value of better operations is realized through not only cost but also simplified policies, reduced risk, and freed-up capacity and capital to focus on greater value-adding activities.

Value that can grow over time

Insurers that have shifted to an outsourcing model for F&A activities see value continue to build over the course of an engagement in an F&A target operating model as they allocate their own finance resources from transactional to strategic activities. Shifting the focus from mere cost savings on transactional activities to developing better forecasting and business insights drives continuing, measurable impact across the entire business.

Finance organizations continue to be elevated in visibility and are tasked with providing more valuable insights into business performance and intelligence necessary to adjust to rapidly changing market conditions.



The long-term benefits of fast, accurate transactions; timely, high-quality data; and increased customer satisfaction together contribute to greater and faster growth, tighter regulatory compliance, and greater profitability. Greater cost savings and efficiencies come from leveraging the expertise of a partner well versed in the insurance domain to make transactional processes such as record keeping and reporting more innovative and the support organization leaner and more effective. Instant access to the provider's experienced staff, best practices, and technologies targeted specifically to the finance function also improves data quality, streamlines transactions, and increases productivity.

In this increasingly competitive age, it no longer makes sense to forge into the future alone. Expert help is not only an advantage but also a smart investment, and for insurers, the finance function is a great place to start.

About Genpact

Genpact Limited (NYSE: G) is a global leader in designing, transforming and running business processes and operations, including those that are complex and industry-specific. Our mission is to help clients become more competitive by making their enterprises more intelligent through becoming more adaptive, innovative, globally effective and connected to their own clients. Genpact stands for Generating Impact - visible in tighter cost management as well as better management of risk, regulations and growth for hundreds of long-term clients including more than 100 of the Fortune Global 500. Our approach is distinctive - we offer an unbiased, agile combination of smarter processes, crystallized in our Smart Enterprise Processes (SEPSM) proprietary framework, along with analytics and technology, which limits upfront investments and enhances future adaptability. We have global critical mass - over 65,000 employees in 25 countries with key management and corporate offices in New York City - while remaining flexible and collaborative, and a management team that drives client partnerships personally. Our history is unique - behind our single-minded passion for process and operational excellence is the Lean and Six Sigma heritage of a former General Electric division that has served GE businesses for more than 16 years.

For more information, contact, insurance.solutions@genpact.com and visit, www.genpact.com/home/industries/insurance

Follow us on Twitter, Facebook and LinkedIn.

© 2014 Copyright Genpact. All Rights Reserved.