REDUCED TOTAL COST OF OWNERSHIP (TCO) AND INCREASED SCALABILITY WITH A NEW ACCOUNTING SOLUTION

Abstract

Infosys partnered with a global specialty insurance and re-insurance company to implement a new financial accounting solution. The new and efficient solution was aimed at supporting growing business volumes and handling their expansion into new business lines and geographies. It helped increase scalability and operational efficiency, reduced total cost of ownership (TCO), and saved time and effort by at least 20%.

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Client Details

The client is a global specialty insurance and re-insurance company with assets valued at over US$19 billion and market capitalization of over US$7 billion. Headquartered in Bermuda, the client has over 1000 employees handling operations across Bermuda, United States, Europe, Singapore, Canada, Australia, and Brazil.

Business Context

Owing to numerous business processes, diverse product lines, and expanding global operations, the client was struggling with a complex IT environment to manage its rapid business growth. They needed a scalable and efficient IT solution that would support growing business volumes and handle their expansion into new business lines and geographies. The business and legacy technology drawbacks and challenges of the existing system were:

Drawbacks	Challenges
Generating accounting entries: The legacy accounting system architecture used a hardcoded solution	Highly degree of inflexibility and lack of scalability required to enhance accounting logic functions such as adding a new account segment value chart or integrating a new policy administration system
Reconciliation and auditability: Due to limitations in the legacy solution design, the integration between summarized accounting entries and enterprise general ledger (GL) took place on the first day of the following month	Insufficient visibility for the finance department into accounts and ledger numbers until the month was over, resulting in longer timelines for ledger closure
Revenue recognition: The data warehouse calculated the premium and acquisition costs on a daily basis instead of over the risk period	The staff had to rely on off–system tools to forecast earnings
Reporting challenges: Inflexible design, disparate applications, and multiple reporting requirements posed several challenges	The existing system only supported US Generally Accepted Accounting Principles (GAAP) standards and could not be modified to meet evolving requirements such as the US statutory accounting principles (applicable for US-based insurance companies) and International Financial Reporting Standards (IFRS)
Solution platform: The client had an unreliable platform that required frequent manual intervention. Controls around accounting entry generation were custom-built, creating reconciliation issues and sub-optimal architectural integration	Foreign currency journals could not balance in transaction currency and the platform was unable to support rapidly growing transaction volumes

Infosys Solution

Infosys replaced the existing accounting system with a new solution based on Oracle Financials Accounting Hub (FAH). Oracle FAH provides a robust, best-of-breed, rules-based accounting engine that enables configurable automation of six accounting processes including front-end premium writing and claims processing systems.

We also implemented the Oracle e-Business suite to provide flexible and scalable architecture with automated controls to optimize the claims closure process, driving higher efficiencies and savings.

Infosys solution	Results
Generating of accounting entries: We provided a configuration-based solution to replace the hardcoded one.	• **Higher scalability** owing to the integration of FAH with multiple front-end applications that support various types of transactions (premiums, cash, claims, reinsurance transactions) to generate the required accounting entries.
Reconciliation and auditability: Enabled daily summarized FAH accounting entries to be fed into Oracle general ledger (GL) that is connected to the enterprise GL through a strategic interface. It also provided a web applications desktop integrator (ADI) to upload manual journal entries into FAH with approval workflow.	• **Better visibility** for the finance department into accounts as transactions occur each month. • Reduced **reconciliation time** for sub-ledger transactions with general ledger (GL). • **Better turnaround time** for error corrections and issue resolution.
Revenue recognition: Leveraged the FAH Multiperiod Accounting feature (revenue recognition) to calculate and account for earnings / amortizations over the risk period. It calculates the earnings for each month in the risk period at the inception of the contract.	• **Early and reliable insight into monthly performance** by tracking revenue from contracts executed in the past.
Reporting challenges: Delivered a new, scalable Global Chart of Accounts for regulatory requirements.	• **Regulatory compliance** with US GAAP, Insurance Statutory, multi-currency and IFRS reporting requirements. This enabled the client to produce different accounting entries for any given business transaction under multiple / different accounting conventions — US GAAPs, local country GAAPs, and US Insurance Statutory requirements.
Solution platform: Automated the accounting system for source transactions and linked cash receipt transactions to their respective parent premium transactions.	• **Best-in-class accounting tools** ensure that journals are balanced in all currencies and ledgers under all accounting conventions. • **Enhanced usability** for users to compare journals under different accounting conventions and drill down from a summarized journal line in GL to detailed journal in FAH. • **Robust platform** for transport and integrity control management and exposure of control test outcomes.

Implementation Methodology

Our team followed an iterative implementation methodology that involved short iterations of 4-6 weeks. Besides ensuring quicker deliveries for the client, this approach:

- Provided regular progress updates to all client stakeholders – sponsors, IT teams, and users

- Built user confidence in the solution and yielded timely feedback on key solution areas
- Addressed potential technical and functional issues in advance
- Allowed business users to successfully design and operate

desired business processes after solution rollout in a live environment
- Enabled risk mitigation during the rollout phase of the project

Challenges Encountered

Challenge 1	Solution
The lack of 'as-is' documentation for the existing systems and processes was a significant challenge during the requirements gathering phase. Users were reluctant to accept the end-state solution design due to lack of knowledge of the architecture and features of the new applications.	We adopted an iterative development approach with close client involvement to ensure transfer of knowledge related to the target architecture. This built confidence among the user community that the applications were properly configured, thereby reducing the gap between the project scope and client expectations.
Challenge 2	Solution
Along with the Infosys program, the client was rolling out another project to migrate existing applications data warehouse to an enterprise data warehouse (EDW). The simultaneous changes being made to the underlying applications created several bottlenecks.	We enforced focused governance and project management processes that ensured stringent accountability for each dependent track.

Benefits Delivered

1. Scalability: The FAH solution was designed to be useful across our client's insurance and re-insurance business and not around individual front-end policy administration systems. This ensured that the existing solution could be leveraged during future integration with other policy administration systems, thereby saving costs and time by at least 20%.

2. Reporting and compliance: The new Global Chart of Accounts accommodates two additional sets of financial and statutory reporting. It also provides a platform to incorporate future reporting requirements like IFRS and Solvency II with 18% less effort.

3. Increased operational efficiency: The automation capabilities provided by FAH reduced the number of errors compared to the earlier solution. The introduction of automated data controls, cleansing and normalization reduced manual intervention in the end-to-end accounting process. This reduced the reconciliation and ledger month-end close process time by at least 2-3 working days (the period close process activity in ledger used to take 4 days).

4. Cost savings and Total Cost of Ownership (TCO): A combination of out-of-the-box solutions such as the earnings / amortizations calculation and accounting as well as automation initiatives such as automated journal approval resulted in further annual savings. Moreover, the TCO for supporting the transformed applications environment is expected to reduce by 10-20% and yield yearly cost savings of up to US$300,000.

5. Improved security controls: The use of advanced features such as role-based access controls, data access sets, multi-organization access control etc., improved the overall security of the finance environment, enabling the client to streamline roles and responsibilities.

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