



# Lessons from a Reinsurance Ceded Integration

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Shaun Downey, AVP, Reinsurance  
Ceded

# Agenda

- ❑ The Situation
- ❑ The Assessment
- ❑ The Plan
- ❑ Phase 1
- ❑ Phase 1 (a)
- ❑ Phase 2
- ❑ The Result
- ❑ Organization
- ❑ The Future
- ❑ The Lessons

# The Situation

- ❑ Merger of two organizations, one in Boston, the other with operations in Boston and Toronto.
- ❑ Overall, looking for operational efficiencies, system optimization, improved controls.
- ❑ Reinsurance ceded a relatively small part of the overall operation, but recognized as an area that required some focus.
- ❑ Significant reinsurance ceded volumes for both organizations, one based in Boston, one based in Toronto.

# The Assessment

- ❑ Review of overall areas completed – organization, staff, systems, controls, quality, etc.
- ❑ Used external consultants as well as internal staff to assess current situation.
- ❑ Some issues were known, some suspected, some surprises.
- ❑ Different versions of the same system, one highly customized with mostly in-house support
- ❑ Boston system did not have the functionality to process reinsurance ceded accurately

- ❑ Both areas had some backlogs, Boston one was significant
- ❑ Boston business had some serious accuracy problems
- ❑ Large number of direct administration systems
- ❑ Translation programs not well documented or understood – black box
- ❑ Some similarities in organizational structure (administration, claims), some differences (treaties, accounting)
- ❑ Difference in claims processes – netted/non-netted
- ❑ No centralized treaty source for Boston business

# The Assessment

## Options

- Leave everything as is
- Upgrade Boston system
- Upgrade both systems
- Run two separate operations
- Combine in one location
- Some combination of the above

## Decision

- ❑ Put RC Operations in one location – Toronto
- ❑ Put the ceded business on one system
- ❑ Clear the backlogs
- ❑ Improve the quality and controls
- ❑ Improve processes and organization

## Phase One

- ❑ Convert from Boston system to newer version
- ❑ Work on Boston backlog
- ❑ Move staffing from Boston to Toronto
- ❑ Improve data quality

## Phase Two

- ❑ Convert Toronto business on to newer version
- ❑ Complete reorganization
- ❑ Improve data quality

# Phase One

## Convert Boston business

- Conversion or restart?
- Improve data quality first or later?
- Move staff now or later?
- Clear backlog on old or new system?

## Convert Boston business

- ❑ Clear backlog immediately where possible, cleaner for conversion
- ❑ Move staff immediately – hire in Toronto, keep existing staff for training and backlog
- ❑ Improve data quality before, during and after conversion
- ❑ Convert existing data, don't restart
- ❑ Convert asap
- ❑ Use “as long as its not worse” rule

## Development

- ❑ Added project management, BA and developer resources
- ❑ Collaboration between business, IT and vendor
- ❑ Ran monthly file through new system, compare results
- ❑ Investigate results to a point
- ❑ No parallel testing
- ❑ Kept old system as back up plan at conversion

## Complexities

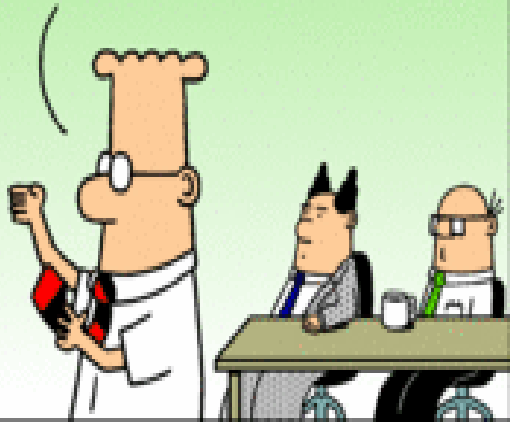
- ❑ Black box makes it very difficult to resolve issues
- ❑ Lack of system knowledge
- ❑ Hard to keep to priorities
- ❑ 152 potentially inter-related data integrity issues
- ❑ Multiple run-off direct systems

## Completion

- ❑ System that had functionality to process business
- ❑ Staff trained in Toronto
- ❑ Better knowledge of business and systems
- ❑ Reduced backlog
- ❑ Better controls
- ❑ List of potential issues
- ❑ MIS Database

# Humo(u)r Break

THE MATH CLEARLY SHOWS THAT OUR PROJECT WON'T WORK, EVEN IF WE DO EVERYTHING RIGHT.



Dilbert.com DilbertCartoonist@gmail.com

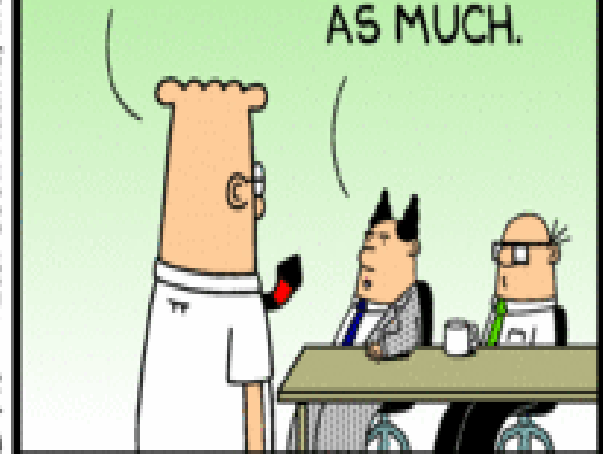
IT'S EMBARRASSING TO CANCEL A PROJECT IN THE MIDDLE. LET'S ACT DUMB AND HOPE SOMEONE IN UPPER MANAGEMENT CANCELS IT FOR BUDGET REASONS.



3-4-10 ©2010 Scott Adams, Inc./Dist. by UFS, Inc.

SHOULD I STOP BUYING STUFF?

YOU SHOULD BUY TWICE AS MUCH.



## Additional deliverables

- ❑ Inter-entity conversions
  - ❑ Treaty Documentation
  - ❑ System separation
- ❑ Subsidiary Reorganization
  - ❑ Treaty documentation
  - ❑ New internal reinsurance arrangements
  - ❑ Additional external reinsurance treaties
  - ❑ New accounting structures

## Convert Toronto Business to newer version

- ❑ Smaller backlog
- ❑ Better data quality and controls
- ❑ Better knowledge of systems
- ❑ New translation program
- ❑ Bigger block of business
- ❑ More customized arrangements and system design
- ❑ Loading onto existing system

# Phase 2

## Development

- ❑ Fewer extra resources
- ❑ Same collaboration
- ❑ Working with vendor due to customization
- ❑ Testing on Toronto business only initially
- ❑ No parallel testing – same file through new system
- ❑ Final combined system implementation

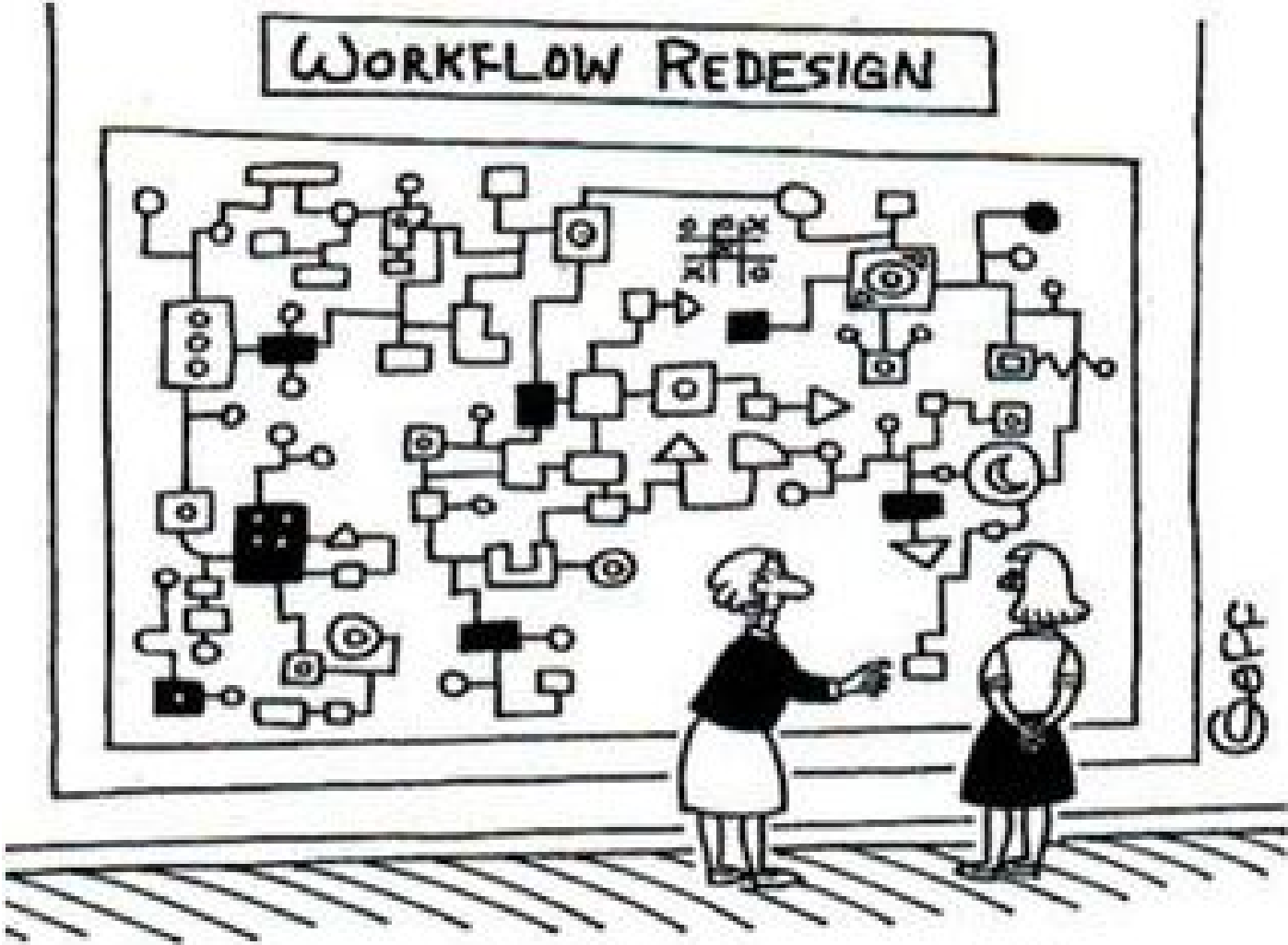
## Results

- ❑ All business on a single system
- ❑ Successful new subsidiary structure
- ❑ System that has functionality to process business
- ❑ Identification of data issues
- ❑ Better controls
- ❑ MIS Database
- ❑ List of additional system enhancements

## Keys

- ❑ Additional resources for conversion not regular staff (except one BA)
- ❑ Clear priorities to allow issue decisions
- ❑ Communication, communication, communication
- ❑ Clear project structure/accountabilities
- ❑ Committed senior level support

# Humo(u)r Break



*"And this is where our ED workflow redesign team went insane."*

## Roles

- ❑ Reinsurance Administration
- ❑ Reinsurance Claims
- ❑ Financial / Accounting analysis
- ❑ Business Analysis
- ❑ Control Management
- ❑ Treaty Management

## Issues

- ❑ Work division structure gone
- ❑ 18 staff and 10 job descriptions
- ❑ No review in many years
- ❑ No career progression
- ❑ New roles added/significant changes

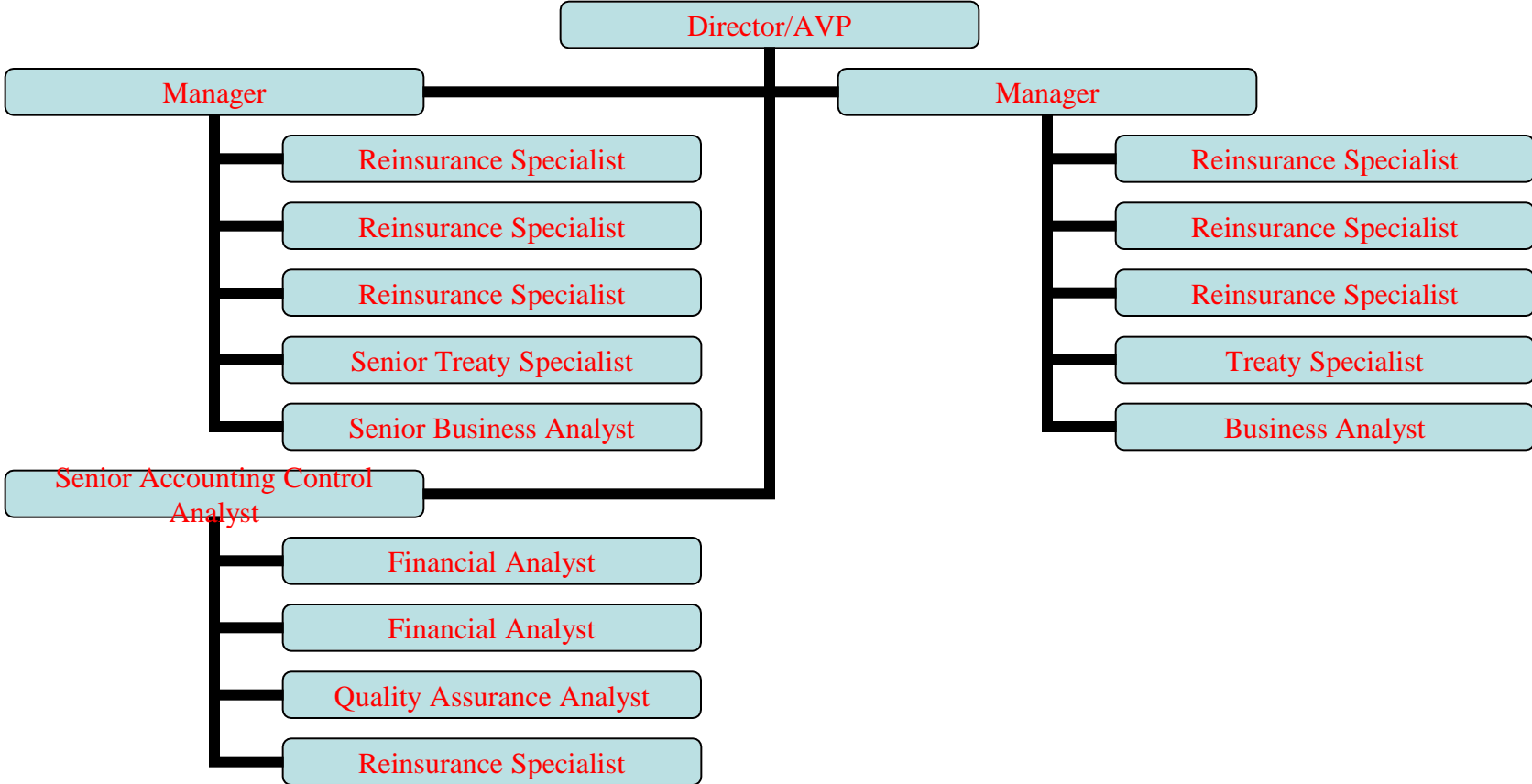
## Plan

- ❑ Reinsurance Administration and Claims were a priority
- ❑ BA roles had corporate job family
- ❑ Complete Process Review first
- ❑ Complete project before implementing changes
- ❑ Staff involvement
- ❑ Use other roles in company as a start
- ❑ Talk to other companies on their structure

## Development

- ❑ Move to a “pool-based” approach
- ❑ New job family created
  - ❑ Re-levelling of positions
  - ❑ Clear career progression
  - ❑ Flexibility in roles
- ❑ New roles documented and levelled
- ❑ Work still in progress

# Organization



**Administrative Specialist**

	<b>JUNIOR ADMIN SPECIALIST H</b>	<b>ADMIN SPECIALIST J</b>	<b>SENIOR ADMIN SPECIALIST K</b>
<b>Summary</b>	<ul style="list-style-type: none"> <li>Under the guidance of the RC Manager and Senior Admin Specialist, works on ceded business that has basic to moderately complex admin issues</li> <li>General influencing and negotiation skills as demonstrated with peers, junior employees and RC team members; may need to rely on RC Manager for more complex influencing and negotiating situations</li> <li>Provides advice to other reinsurance team members and other employees on admin processes and procedures for assigned ceded business</li> <li>Under the guidance of the RC Manager, works under general supervision when handling client questions, inaccuracies and report reviews</li> </ul>	<ul style="list-style-type: none"> <li>Works on ceded business that has moderate to complex admin issues</li> <li>Strong influencing and negotiation skills as demonstrated with peers, junior employees and RC team members</li> <li>Provides consultative advice on admin processes and procedures for assigned ceded business to RC team and other employees</li> <li>While performing day-to-day responsibilities, seeks enhancements to existing processes and brings these to the attention of management</li> <li>Under the guidance of the RC Manager, manages small projects</li> </ul>	<ul style="list-style-type: none"> <li>Solid influencing and negotiation skills as demonstrated with peers, junior employees and cross-functional team members</li> <li>Provides training and basic coaching to new and junior employees on admin practices and procedures and treaty provisions, as it relates to assigned ceded business</li> <li>While performing day-to-day responsibilities, continuously seeks enhancements and/or implements new processes to rectify inaccuracies or information gaps</li> <li>Independently manages small projects</li> <li>Provides subject matter expertise on admin processes and procedures</li> </ul>
<b>Knowledge</b>	<ul style="list-style-type: none"> <li>General understanding of reinsurance principles and practices</li> <li>Fundamental understanding of reinsurance ceded operations and the supporting business applications and procedures</li> <li>Well-developed planning and organization skills</li> <li>Limited knowledge of one or more blocks of ceded business, processes and treaty provisions</li> <li>Basic understanding of insurance accounting principles and business impacts</li> </ul>	<ul style="list-style-type: none"> <li>Good understanding of reinsurance principles and practices</li> <li>Strong knowledge of reinsurance ceded operations and the supporting business applications and procedures</li> <li>Well-developed planning and organization skills with the ability to delegate structured assignments and monitor others; may lead small projects with management supervision</li> <li>In-depth knowledge of one or more blocks of ceded business, processes and treaty provisions</li> <li>Understanding of insurance accounting principles and business impacts</li> </ul>	<ul style="list-style-type: none"> <li>Strong understanding of reinsurance principles and practices</li> <li>In-depth knowledge of reinsurance operations and the supporting business applications and procedures; assists management with coaching junior/new employees</li> <li>Exceptional planning and organization skills with the ability to delegate structured assignments and monitor others; may lead small client projects with minimal supervision</li> <li>Comprehensive knowledge of one or more blocks of ceded business, processes and treaty provisions; may provide subject matter expertise to management on business processes and treaty provisions as it relates to admin issues</li> <li>Strong understanding of insurance accounting principles and business impacts</li> </ul>
<b>Skills</b>	<ul style="list-style-type: none"> <li>Under the guidance of the RC Manager, handles the reinsurer relationship for their assigned ceded business</li> <li>Well-developed analytical and problem solving skills</li> <li>Under the guidance of the RC Manager, balances knowledge of assigned ceded business with general knowledge of financial implications</li> <li>Well-developed oral and written communication skills</li> <li>General influencing and negotiation skills, and ability to work effectively with cross disciplinary team</li> </ul>	<ul style="list-style-type: none"> <li>Ability to work with a high degree of autonomy in managing the reinsurer relationship for their assigned ceded business</li> <li>Strong analytical and problem solving skills</li> <li>Ability to balance detailed knowledge of assigned ceded business with broad knowledge of financial implications</li> <li>Strong oral and written communication skills</li> <li>Good influencing and negotiation skills, and ability to work effectively with cross disciplinary teams</li> <li>Solid proficiency and aptitude with technical reporting</li> </ul>	<ul style="list-style-type: none"> <li>Ability to work with a high degree of autonomy managing the reinsurer relationship for their assigned ceded business</li> <li>Strong analytical and problem solving skills; provides recommendations to management based on trends and issues identified</li> <li>Ability to balance detailed knowledge of assigned ceded business with broad knowledge of financial implications and recommend solutions accordingly</li> <li>Exceptional oral and written communication skills</li> </ul>

## Practicalities

- ❑ Workload balancing
- ❑ Cross training
- ❑ Some tasks not pool-based
- ❑ Reinsurer contacts
- ❑ Team A vs. Team B

## Next steps

- ❑ Implement new organization completely
- ❑ Fully develop control environment
- ❑ Attain maintenance levels on control points
- ❑ Further automate processing
- ❑ Review and improve internal cross department processes
- ❑ Complete all documentation

# The Lessons

- ❑ Be realistic
- ❑ Set some simple rules
- ❑ Stick to the simple rules
- ❑ Communicate, communicate, communicate
- ❑ Senior management support
- ❑ Execution is the key