



Swiss Re



Actuarial Outsourcing

Jeremy Benson, FCAS, FSA

CAS Annual Meeting

November 17, 2008



Agenda

- History
- Motivation
- Structure
- Type of Work
- Issues
- Key Learnings
- Other Considerations



History

- 1997 – GE Capital International Services (GECIS) was founded by General Electric in Gurgaon, India
- 2000 – Employers Reinsurance Corporation (part of GE) contracts with GECIS for actuarial services
- 2004 - ERC renamed GE Insurance Solutions (GEIS)
- 2005 – General Atlantic and Oak Hill Capital acquire a combined 60% interest in GECIS – Name changed to GENPACT
- 2005 – Berkshire Hathaway acquires Medical Protective from GEIS
- 2006 – Swiss Re acquires GE Insurance Solutions



Motivation

- Started as a lower cost solution mainly for process work
- Was mandated by GEIS management that actuarial students were to be hired in India
- When Swiss Re bought GEIS, each department was able to assess whether we wanted to keep staff at Genpact (outsourcing), move to our Swiss Re Bangalore office (offshoring) or eliminate offshoring/outsourcing all together
- Commercial Insurance uses the outsourcing model



Structure at Genpact

- Genpact has a hierarchical structure where the managers are physically located in India.
- Leader for Swiss Re Center of Excellence
- Leader of Analytics (Supports Actuarial)
- Leader of Product Development and Strategy (Supports Commercial Insurance Pricing)
- Leaders of each individual team within Commercial Insurance
 - Data Management (I lead this team)
 - Modeling
 - Professional Liability Pricing
 - Rate Filings/Actuarial Support
- Swiss Re Actuaries manage all aspects of the work , but don't manage Human Resources aspects



Type of Work

- Originally the work was process work like Price Monitoring, preparing reports, updating databases, etc.

- Now the work is divided into 6 categories
 - Reporting
 - Application/Database Development
 - Data Quality
 - Predictive Modeling
 - Actuarial Filings Support
 - Actuarial Analysis



Issues

- Technology
 - Phone Lines
 - Screen sharing software
- Attrition
 - Has been very high. Only 1 of 7 that started with me at beginning of 2007 is still with me. (Overall, 25% - 30% yearly attrition rate).
- Communication
 - Language differences can make it difficult to understand at times for both them and us.
- Time Zone differences
 - I start my day at 6 a.m. many days.
- Managing Remotely



Key Learnings

- Flexibility is required. They are willing to stay late – be willing to start early.
- Be prepared for long distance training. You may have to sometimes work in parallel with offshore resources to properly train– sometimes seems like duplication of effort
- Regular monitoring is important. Otherwise, they might give you results that are very different than you are expecting
- Best suited work is either regular repeatable processes or longer-term projects. Ad-hoc analysis that needs to be done quickly is best left onshore.
- Outsourcing doesn't replace home office actuaries
- They want to know how their work impacts the business



Other Considerations

- A low-cost solution will not always be low cost. Evaluate all of the costs including attrition, training, hiring, travel, lack of face-to-face time, etc.
- Be prepared to spend time abroad or bring them to home office. Figure the expense in the cost benefit analysis.
- Make sure that you have your true “goals” in mind before setting up.
- Even though they are not your official employees, treat them like they are. In India, the relationship with the Process Owner is very important.
- For some countries (e.g. Canada), you need to get permission from the regulators for certain types of work to be outsourced
- Spend time understanding their culture
- Sick leaves do increase (quality of medical care/medicine, travel to office, weather)