

The Insurance Scenario and Opportunities for CAs

It was in the year 2000 when the Government of India, after a decade long debate, threw open the Insurance Industry to private players. The Government agenda was simple— to provide an impetus to the hitherto unexploited insurance market and thereby increase insurance penetration in India, making it more competitive under the macro agenda of liberalisation and leverage the insurance players towards long-term development, including infrastructure.

With insurance premiums contributing approximately 2% to GDP and the immense success of Insurance Industry in matured western markets, it was clear that India was a market waiting to happen. The Industry saw a frenzy of activity with foreign players making a beeline for Indian shores and entering into alliances with Indian partners. Insurance firms grew in triple digits; went into frenzied expansions with branches opening first in metros, and then in B & C class towns.

The consumer never had it better. The agent now has to focus on understanding customer needs and offer products which suit the same. Private players have been very innovative in designing different products for various

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The insurance game has barely begun in India. The Insurance market is still growing at 17%, with the private companies growing at 3-4 times that rate. In the present scenario, the Insurance sector is offering exciting new opportunities to Chartered Accountants. More and more of them are joining this sector in various capacities. It is estimated that in the past 5 years about 15,000 new employees have joined this sector and the CAs are in significantly high proportion among them. This article provides an overview of the opportunities for the CAs in this sector.

needs; this has led to some of the best product innovations in the Financial Services sector in terms of pension products and retirement solutions, as well as Insurance solutions which offer opportunities for returns, in line with the risk bearing capacities of various classes of consumers.

Private players have also taken a lead in identifying newer distribution channels, like, alliances with Banks and Corporate agencies to enable these new companies to reach a wider distribution base, as well as provide a one stop shop to the consumer for his financial needs.

If industry watchers are to be believed, the insurance game has barely begun. The Insurance market is still growing at 17%, with the private companies growing at 3-4 times that rate. Industry growth is expected to continue at this pace for at least a few years, a potential shared by ITES & Telecommunication in the country. Insurance firms are gearing up to meet these challenges. While the expansion to newer geographies continues to leverage the distribution structure, there is a strong focus on creating and sustaining strong internal processes, build sound risk and investment framework, manage acquisition costs, focus on building capability within firms; all factors that will decide the second generation winners in the Insurance space.

Opportunities

The employment market has discovered the opportunities

provided by the sector in terms of the experiences and challenges offered. This has resulted in a significant movement of talent from the old economy to the sunrise sector into challenging assignments and larger roles. Insurance firms are also gearing up to attract and build talent from a variety of sectors to meet the everyday challenges of exponential growth and the rapidly changing business landscape.

These factors together make the life insurance industry one of the most exciting industries to be in from an employee's perspective. It is estimated that in the past 5 years, 12-15,000 new employees have joined this sector, and the Chartered Accountants form a significantly high proportion of this compared to other industries.

CAs can grasp new concepts quickly, and also have the ability to look into the details along with an overall perspective. Moreover, the rigorous training and examination process builds an inherent sincerity towards tasks along with a high level of integrity.

The emerging sector has thrown open challenging jobs for the Chartered Accountants in the Finance, Risk Management, Planning and Operations functions in Insurance Companies.

The present scenario offers exciting learning opportunities in Insurance Companies, in diverse areas such as:

- Effective financial management,
- Financial reporting,
- Planning & forecasting and,
- Building & maintaining strong Governance Standards.

The person could be adding value to the Corporate Planning and MIS which would involve development of Strategic and Operational plans for the business. Initiatives in this area would include:

- Detailing business plans in line with strategic objectives
- Engaging with various business functions for evaluating and defining budgets in line with forecasts
- Identifying information needs of the Company, evaluating data sources and using analytical software tools for publishing the same
- Developing the key performance drivers for the business and monitoring them
- Tracking the market developments and competition to support business strategy.

The other area which is a hot favorite with fresh Chartered Accountants is Financial Accounting and Investment Operations, which involve:

- Financial Accounting
- Liaisoning with Statutory Auditors
- True & Fair Financial Reporting, through process controls and review of financial ledger heads
- Monitoring account and financial reconciliation's to ensure accuracy of reporting and plausibility of leakages
- Monitoring Compliance with Sarbanes Oxley Act requirements wherever necessitated
- Investment Deal closures with broking intermediaries
- Monitoring & Reporting on compliance with investment regulations and policies
- Calculation/Verification/

Reporting of Net Asset Values

- Preparation of Cash Flow statements, etc.

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Expense management is critical to Life Insurance Companies as they are currently in the gestation period and have not reached a break-even stage. The Cost Control function performs continual monitoring, ideates as well as tracks and implements best practice ideas to enable the Company to meet efficient expense targets.

In detail, the role involves:

- defining expense ratios,
- Monitoring actual vs. planned ratios
- Identifying expense items for evaluation of optimisation opportunities
- Liaisoning with vendors and buyer functions to optimise deals/negotiation

A role in Corporate Governance, whether through Internal Audit or other Risk Management or Compliance activities provides vast learning opportunities.

These roles have retained their timeless popularity with Chartered Accountants and Finance specialists as it provides

an opportunity for cross-functional learning of operational as well as strategic concerns facing an organisation and regulatory mandates. This function requires a consulting approach at one level to advise

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top management on adequacy and effectiveness of controls, and a hands-on approach on another level in terms of driving risk management framework across the firm. This is a unique responsibility given the high rate of expansion across geographical locations and markets in a retail scenario, and includes;

- Risk Assessment of operational concerns facing the organisation vis-à-vis strategic objectives and initiatives
- Creating an audit framework and ensuring audit across organisation for processes, systems and compliance related issues & providing feedback
- Defining a risk management framework which includes management of Information

Security, Data privacy and Business Continuity concerns and actioning the same

- Reviewing performance vis-à-vis the framework
- Implementing a framework for managing risks in the sales processes, especially considering the large distribution reach through an agency force
- Compliance with regulations and legal requirements
- Communication of Compliance requirements to the Organisation
- Handling Compliance related queries, including participation in product design and vendor contracting

This role requires an understanding of business, understanding of processes and deliverables and ensures efficiencies through Audit. The job also involves educating the larger organisation on risk related issues and audit frameworks.

Finance plays a critical role in Corporate Governance, whether through Internal Audit or other Risk Management or Compliance activities.

Insurance companies employ a significant number of Chartered Accountants in their Operations functions. Due to cost management pressures coupled with exponential growth, life insurance companies are in a process of continually redesigning their business operations, evaluating efficiency and incremental control opportunities through technology deployment & outsourcing as well as using best practices for

process evaluation and design, e.g. the Six Sigma approach.

A Chartered Accountant, fresh out of campus, could join in an operational role to begin with where he would manage operations and the challenges would include managing an ever-increasing scale as well as changing business processes. Alternately career opportunities exist in business process reengineering teams which act as consultants to the organisation and continually evaluate processes from the efficiency perspective as well as based on changing business needs.

The role of CFO has also undergone a change in the current business scenario. The CFO is seen as an organisation leader who provides strategic inputs to the CEO apart from performing financial management. This translates into greater opportunities for the finance team to influence business strategy or participate in business decisions.

Apart from this, Operations is the backbone of any retail organisation and provides fantastic opportunities to Chartered Accountants who are focused on process design and implementation. Insurance Companies provide a great learning opportunity due to the skewed demand vs. supply of critical business skills, forcing the Companies to focus on development opportunities for employees; and Chartered Accountants are in a fantastic position to leverage the opportunities it provides. □