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CASE STUDY

Strengthening Re-Insurance Operations: A Review for Improving Data Accuracy and Automating Profit Commission Process

ABOUT THE CLIENT

- Our client is a leading health insurance company in India. The client has achieved a 3.5x growth in Gross Written Premium (GWP) and doubled its market share in the health insurance segment over the past five years.
- The company operates through a robust multi-distribution network of over 70,000 agents and 500+ partners, with a strong presence in 400+ cities and access to 9,000+ hospitals across Tier I, II, and III locations, ensuring wide healthcare reach for its policyholders.

BUSINESS CONTEXT

- Re-insurance involves significant financial transactions and is subject to regulatory oversight. Due to the complexity of treaty structures and reliance on system accuracy, even minor lapses can lead to revenue leakage, compliance issues, or financial misstatements. This underscores the need for a well-controlled, transparent, and efficient reinsurance function aligned with internal policies and IRDAI regulations.

BUSINESS REQUIREMENT

1. **Complex Treaty Structures:** Implement structured documentation and automated validations to ensure accurate execution of treaty arrangements.
2. **Manual Dependencies:** Automate profit commission and policy update processes with system-based maker-checker controls to reduce error risk.
3. **System Gaps:** Strengthen system configurations and conduct periodic reconciliations to align treaty terms with actual policy data.
4. **Timeliness of Ceding and Approvals:** Establish defined timelines and escalation protocols to ensure timely ceding and approval processes.
5. **Regulatory Scrutiny:** Develop a robust compliance framework with periodic internal reviews to ensure adherence to regulatory requirements.

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OUR APPROACH

Understanding of Existing Function & Processes

- Conducted detailed walkthroughs with key stakeholders to understand the end-to-end reinsurance process, including treaty execution, premium ceding, claims recovery, and periodic reporting to insurer.
- Mapped the roles and responsibilities of various teams involved, including finance, actuarial, and operations.
- Reviewed key documents, program approvals, standard operating procedures (SOPs), internal guidelines, and IRDAI circulars to assess alignment with policy and regulatory requirements.
- Analyzed the core insurance and accounting systems used for premium allocation, claims processing, and reporting to evaluate system dependency and automation level.
- Identified key controls in place, including maker-checker validations, reconciliation practices, and exception handling mechanisms, to assess control design and effectiveness.

Review of Reinsurance Process

- Reviewed the process for **preparing, approving, and renewing reinsurance programs.**
- Verified the **accuracy of premium calculated for** ceding to reinsurer through sample testing.
- Reviewed **reinsurance claims recovery computations and reconciliation of payouts** received from reinsurers.
- Reviewed **adherence to internal policies and procedures**, including documentation and approval controls.
- **Identified manual intervention points** and evaluated the adequacy of maker-checker controls.
- Verified **compliance with applicable IRDAI regulations, circulars, and reporting requirements**.
- Reviewed reports submitted to the Board and regulatory bodies for completeness, accuracy, and timeliness.
- **Maintained effective coordination with client management** and auditee teams.
- Recommended **automation opportunities, control enhancements, and data integrity** measures to improve operational efficiency and compliance readiness.

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BUSINESS IMPACT & VALUE CREATION

- Recovered unreported profit commissions by identifying manual calculation errors.
- Prevented excess premium payments by correcting misclassified active policies, reducing financial leakage.
- Enabled timely premium cession through real-time uploading of facultative approvals.
- Strengthened accuracy and accountability via maker-checker controls in profit commission calculations.
- Reommended exception reporting dashboards to identify delayed cessions, under-reported commissions, or duplicate treaty mappings.
- Improved Treaty Compliance Monitoring enabling better alignment with reinsurer expectations and regulatory norms.

ABOUT US

Headquartered in Gurgaon, Valueonshore Advisors is a specialized professional service firm managed by the Big 4 alumni and industry executives. Our portfolio includes multi-billion-dollar companies, mid-cap public, and pre-IPO companies that range from late stage to early stage. We are a trusted, preferred partner for various multinational and Indian clients who engage us for our functional expertise, industry knowledge, and for our objective solutions for complex problems.

If you need any further information on our services, please contact us:

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