



Business Outcomes and Key Measures in Insurance Companies

Clarity Thru Simplicity



Overview

Every insurance company has its own set of 'Business Outcomes'. These business outcomes are utilized for various purposes such as setting goals and objectives, aligning strategies and plans, communicating what needs to be accomplished to the workforce, understanding the health of the business, and communicating to the company's stakeholders how the business is doing.

Each business outcome has accompanying 'Key Measures' which serve to quantify and quality the degree to which a business outcome has been achieved, or missed.

Industry analysts, regulators, investors, and other interested parties utilize some of these insurance business outcomes and key measures to compare how an insurance company is performing compared to other insurance businesses selling similar lines of insurance products in the same market, and/or geography. Business Outcomes and Key Measures are analogous to 'Scorecards' or 'Report Cards' because they provide a means of understanding how an insurance business is performing.

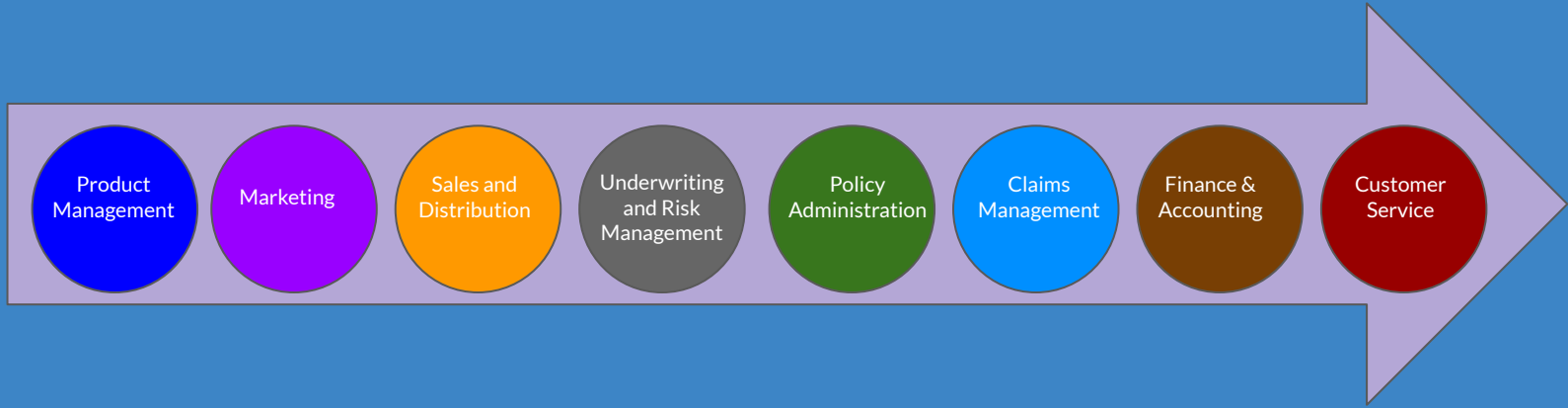
This document describes in detail the business outcomes and key measures for the Insurance Finance and Accounting Function.



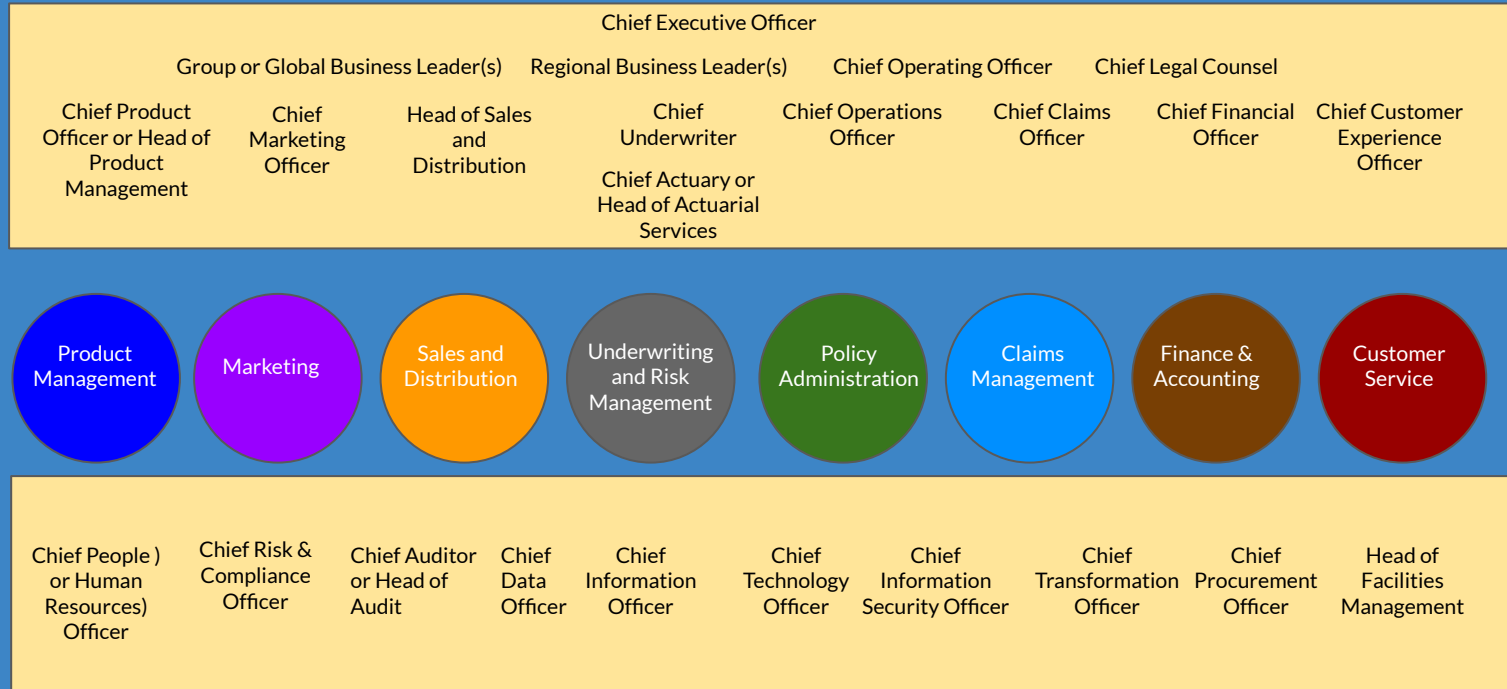
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Value Chain in a Typical Insurance Business



Leadership Structure in a Typical Insurance Business



Sample Insurance CEO Scorecard

| | | | | |
|--|---|--|--|--|
| Overall <ul style="list-style-type: none">Revenue per PolicyholderAverage Cost per ClaimPolicy Lapse RatioAverage Policyholders SatisfactionAverage Agents, Brokers, Advisors SatisfactionNew Business Sales | Customer & Agent Satisfaction <ul style="list-style-type: none">Overall Policyholder Satisfaction (Net Promoter Score)Time to Fulfill Policyholder Request by Type of Product and ServiceAgent Satisfaction (Net Promoter Score)Time to Fulfill Agent/Broker Request by Type of Product and Service | Service Delivery <ul style="list-style-type: none">Avg. Time to Settle a ClaimUnderwriting Speed and QualityAvg. Time to Issue a PolicyAvg. Time to Complete a RequestCall Center Avg. Handling Time by Type of Request | Financial Management <ul style="list-style-type: none">ProfitabilityCapital AdequacySolvencyAccuracy and Timeliness of Financial Reporting | Major Initiatives and Programs <ul style="list-style-type: none">Mergers and AcquisitionsPartnerships & AlliancesSupply ChainBusiness Transformation ProgramsOperations ProgramsInformations Technology Programs |
| Products <ul style="list-style-type: none">Time to MarketRevenue per PolicyholderProduct AwardsContribution to Brand Recognition | Markets <ul style="list-style-type: none">Overall Market Penetration by ProductAvg. Policy Size per Product by MarketTotal # of Policies per MarketTotal # of Renewals and Retentions by Product and by Market | Distribution <ul style="list-style-type: none">Total # of Policies per Product Sold by Market and Time PeriodAvg. Amount of PoliciesTotal # of Channels and Avg. Amount by ChannelTotal Cost per Channel | Regulatory Compliance <ul style="list-style-type: none">Product FilingsMarkets & Distribution LicensingConsumer ProtectionSolvencyData Privacy and Cyber Security by State/Country# of Penalties and Penalty Amounts by Regulation | Employee Satisfaction <ul style="list-style-type: none">Employee SatisfactionWorkforce EnablementWorkforce Learning and DevelopmentOrganizational Enhancements |



Sample Business Outcomes by Functional Area



Anatomy of a Typical Insurance Business





Detailed Business Outcomes and Key Measures for the Insurance Finance and Accounting Function



Insurance Finance & Accounting Function

- Pretax profit margin
- ROA
- ROI
- General Expenses Ratio
- # of Write offs and Policy Terminations
- Billing and Collections Cost
- Unclaimed Policy Benefits
- Accounting Accuracy & Timeliness
- Accuracy & Timeliness of Financial Reporting
- Total number and amount of fines from regulatory compliance violations
- Finance and Accounting Operations
 - Accuracy of Financial Books
 - Accuracy of the Financial Close Process
 - Timeliness of Financial Close Process
 - Accuracy and Timeliness of Sub-ledger Updates
 - Accuracy and Timeliness of General Ledger Updates
 - Effectiveness and Efficiency of the Following Services
 - Accounts Payable
 - Accounts Receivables
 - Treasury and Cash Management
 - General Ledger
 - Budgeting and Expense Management
 - Escheatment
 - Billing and Collections
 - Bank Reconciliations
 - Policy Transaction Reconciliations



Financial Statements (Generation and Reporting)

- A. Balance Sheet
- B. Income Statement
- C. Cash Flow
- D. Notes and Disclosures



A. Balance Sheet

Assets

- Investments:
 - Bonds
 - Stocks
- Cash
- Premium Balances
- Reinsurance Recoverables
- Deferred Acquisition Costs

Liabilities:

- Policy Liabilities
- Unearned Premiums
- Unpaid Claims
- Unpaid Adjusting Expense
- Insurance Expense
- Policyholder Surplus
- Surplus



B. Income Statement

| | | |
|---|-------------------------------------|--|
| + | Earned Premium | |
| - | Claims Incurred | |
| - | Claims Adjustment Expenses Incurred | |
| - | <u>Underwriting Expenses</u> | |
| = | Net Underwriting Income/(Loss) | |
| + | Investment Earnings | |
| + | <u>Net Capital Gains/(Losses)</u> | |
| = | Net Income | |



C. Cash (Inflow & Outflow) Flow Statement

- Operating Activities
- Financing Activities
- Investing Activities

Note: The nature of the insurance business is such that revenues are received (e.g. premiums) in advance of expenses.



D. Notes and Disclosures

- Supplementary Information
- Accounting Policies
- Estimations Utilized
- Projections or Forward Looking Statements
- Risks and Uncertainties



Thank You!

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