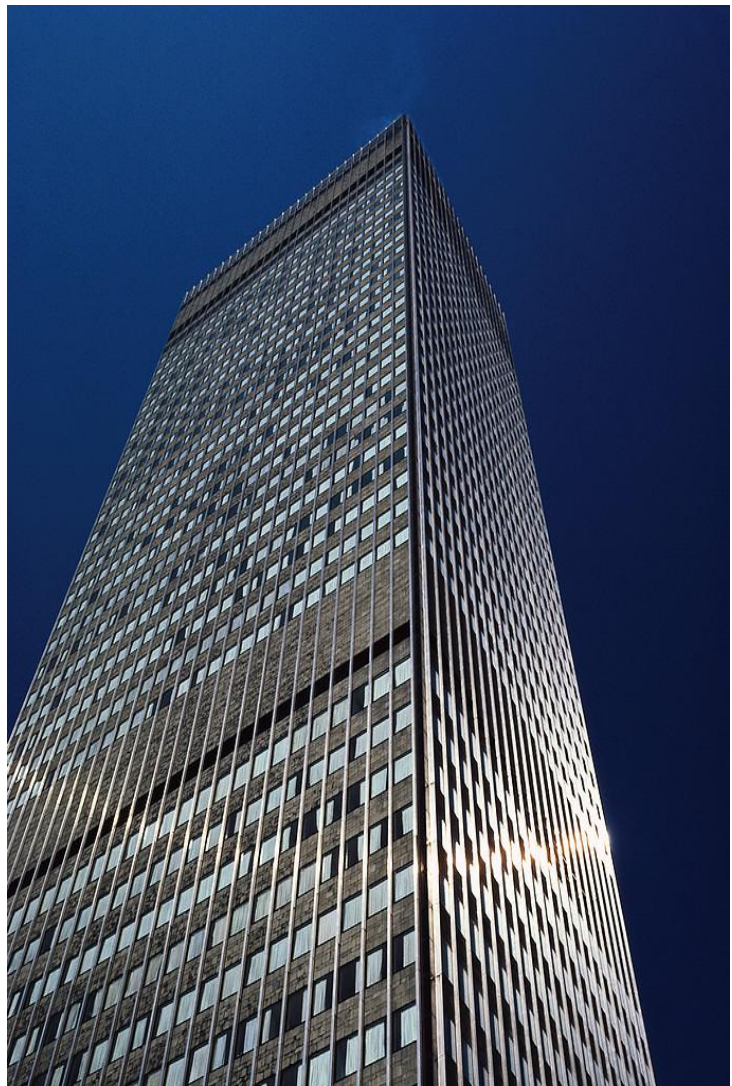


WeiserMazars 2011 Insurance Finance Leadership Study

Finance Department Effectiveness

August 2011



Study results compiled by:

CfEffron
COMPANY, LLC

FOREWORD

In today's global business environment, insurance executives, particularly Finance leaders, face continuous pressure to drive business results and meet financial reporting and regulatory requirements.

Reviewing the performance of peers is a powerful tool that leaders can use to identify performance gaps in the Finance department as well as in the broader organization.

WeiserMazars' **2011 Insurance Finance Leadership Study** was designed to address key areas of interest, including operational efficiency, regulatory preparedness, and the position of Finance within the overall organization.

Leaders from a cross-section of the insurance industry were asked to respond to a series of

targeted questions, and their insights are presented here.

We hope you find the results of our study useful and instructive.

WeiserMazars would like to extend its gratitude to our Advisory Board of current and former Insurance CFOs, with whom we collaborated to formulate relevant topics and interpret results. We thank them for their time and valuable insights.

If you are interested in having your results reviewed against the benchmarked data, please contact Michael Flagiello at 212-375-6639 or via email at (Michael.Flagiello@WeiserMazars.com), or any of the additional contacts listed at the end of this report.



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EXECUTIVE SUMMARY

WeiserMazars' **2011 Insurance Finance Leadership Study** highlights pertinent and thought-provoking trends for today's Insurance Finance leaders.

Our questions focused on the financial close process, data quality, sourcing, technology tools, regulatory issues, and Finance's value proposition beyond transactional processing and reporting.

Here are our top 10 observations:

1. Insurance Finance leaders believe their primary objective is to meet financial reporting deadlines, and the majority of respondents felt this is being performed effectively.
2. Leaders are managing many legal entities and multiple ledgers, which creates significant complexity in traditional processes.
3. Staff and resource levels are adequate to cover the basics of financial reporting and little else, compromising the ability to drive results-oriented analysis.
4. Insurance Finance leaders are guarded with respect to managing risk. Enterprise Risk Management (ERM) continues to develop as a science and most Finance leaders believe there is room for improvement.
5. IFRS and Solvency II remain pertinent topics. Leaders realize that more will need to be done to prepare for global reporting and compliance. US companies are stalled waiting for further directives.
6. Insurance lags other industries in leveraging alternative sourcing solutions, which has created an opportunity for forward-looking leaders to explore new approaches to cost reduction and productivity increases.
7. Excel is the favorite tool of Insurance Finance and Accounting. Teams rely heavily on Excel to compensate for shortcomings in the information flow. Most leaders we questioned do not have plans to change this process.
8. 87% of companies rely on Excel in their planning, budgeting, and other performance management processes.
9. A paradox exists in responses regarding data quality. Respondents were happy with the quality of data feeding the ledgers, yet the majority of detrimental process and control issues can be traced back to poor data quality and integration issues.
10. Companies closing their books faster benefit from superior data quality and can commit more time to results-oriented analysis.

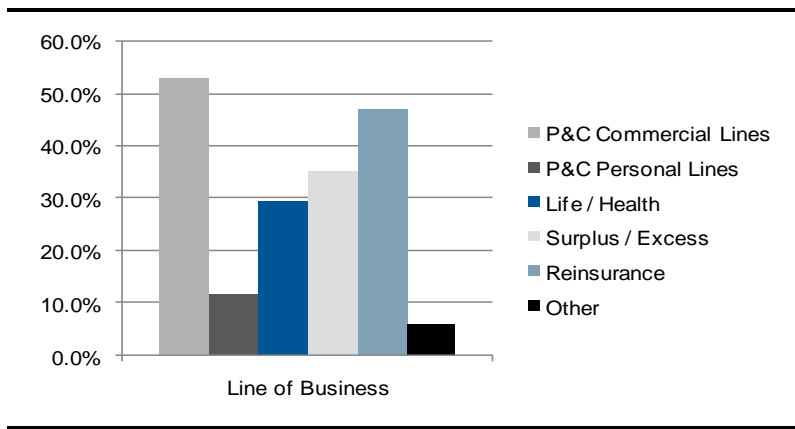
SECTION I – Respondent Profile

The pool of study participants represented a cross-section of the insurance industry. Admitted P&C (both commercial and personal lines), Excess & Surplus, Reinsurance, and Life and Health companies all were featured in the results (Figure 1).

59% of respondents answered from the perspective of the ultimate parent or the holding company, while 41% were group/divisional heads (Figure 2). Approximately 71% of participants in the study were either CFOs or Controllers and 24% were COOs, Chief Accounting Officers or AVPs of Finance.

*Figure 1: Business Lines

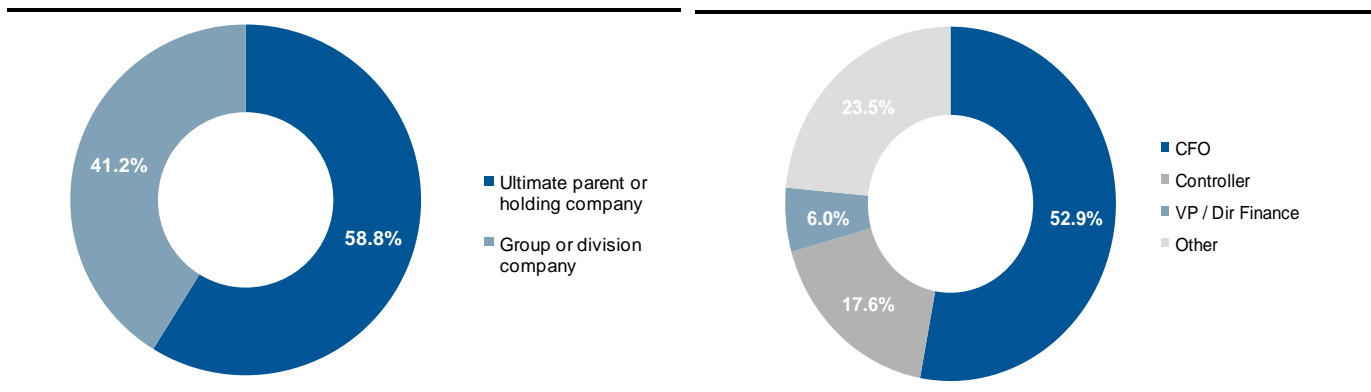
Which of the following lines of business do you write?



* Note that the sum total of percentages is greater than 100% because a single respondent to the study could have indicated multiple lines, or that it acts as a reinsurer in addition to a direct writer.

Figure 2: Respondent Perspective & Current Position

Which of the following best describes the perspective from which you will be responding to the questions and which category best describe your position?



Respondent Profile

Approximately 30% of respondents were from organizations writing more than \$1 billion in gross written premiums.

Approximately 41% of respondents represented publicly-held SEC filers, while 41% represented Mutual companies and the remaining 18% were from privately-held corporations (Figure 4).

The diversity of respondents to the study shows that the desire to increase the efficiency and effectiveness of the Finance function is not limited by size, market, or legal structure.

Across the industry, Insurance Finance leaders are looking for answers.

Figure 3: Approximate GWP

Please indicate the approximate size of the following for the year 2010

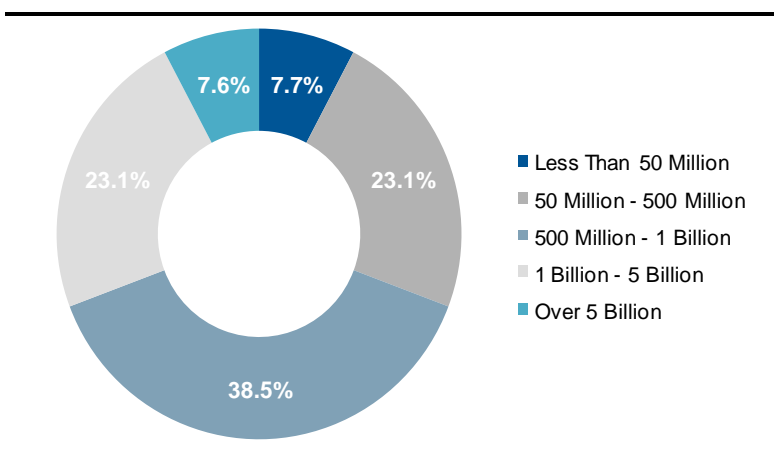
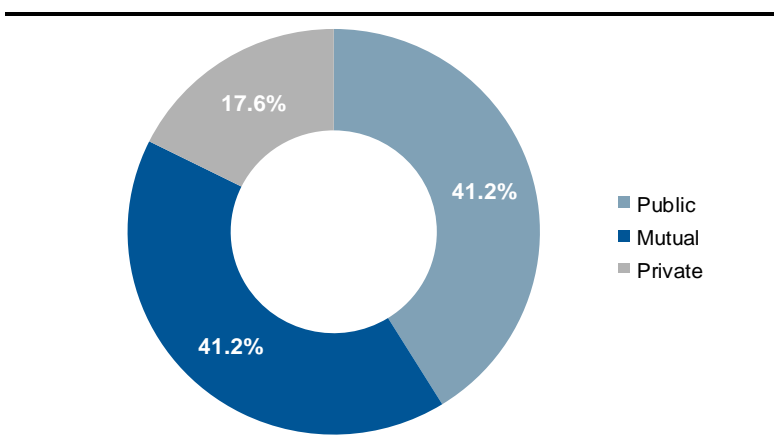


Figure 4: Organizational Forms & Statement Filings

Please indicate your organizational form and whether you file annual statements with the SEC or equivalent regulatory body



Respondent Profile

43% of respondents indicated that their Finance organization was managing results of more than ten legal entities, while the remaining 57% of respondents were accountable for ten or fewer. Some respondents indicated responsibility for more than 1000 legal entities.

35% of respondents indicated that the Finance function was a centrally located shared service, while the remaining 65% said that this function was decentralized among business units.

Greater than 50% of the respondents had 26-50 Full Time Equivalents in the Finance Department.

Figure 5: Number of Legal Entities Supported

How many legal entities do you support?

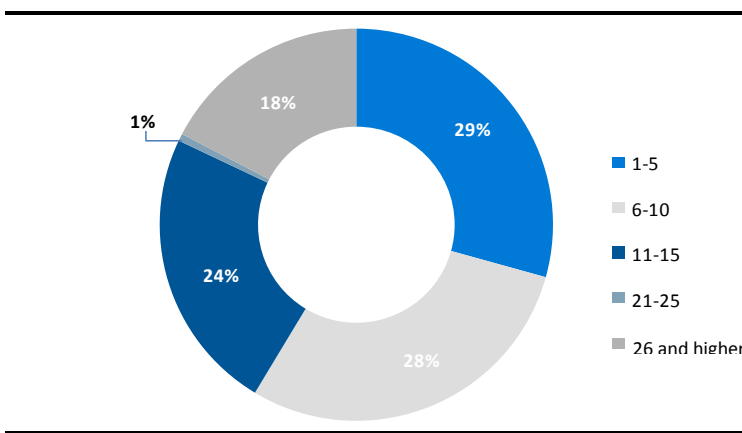
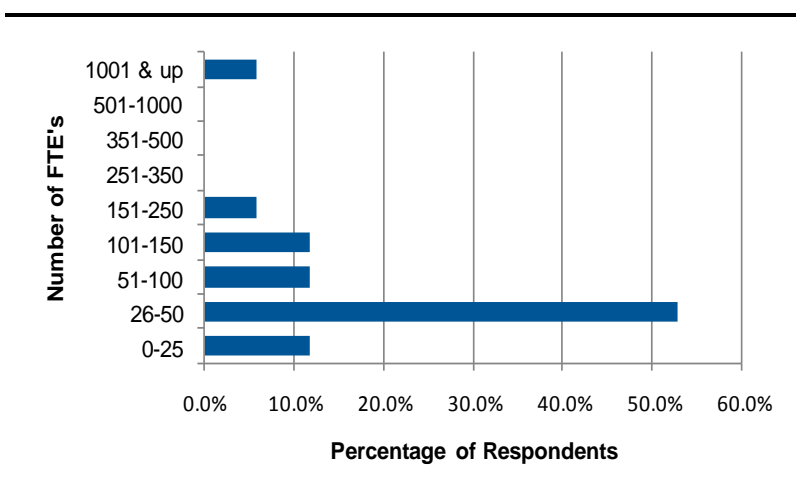


Figure 6: Full-Time Employees (FTEs)

How many FTEs make up the finance department enterprise-wide, including tax, financial reporting, accounts payable, accounts receivable, financial planning and analysis, controllership and actuarial?



SECTION II – Finance Organization

Finance Effectiveness

To gauge overall effectiveness of the Finance function we asked study participants to reflect on four activities – monitoring ERM, managing data quality, conducting action-oriented analysis, and managing capital.

Respondents indicated slightly above average levels of effectiveness in monitoring ERM, signaling room for improvement. Particularly in light of recent economic events – and the increasing levels of regulatory scrutiny that have followed – the importance of Enterprise Risk Management to insurers cannot be understated.

Data quality within Finance-related activities was considered average or better. As insurers continue geographic and line-of-business expansion, the Finance function must accelerate its ability to accurately deliver mission-critical information within increasingly compressed timeframes.

The ability to deliver timely and accurate decision support in value-added areas like strategic planning, forecasting, and modeling is and will continue to be a competitive advantage for leading Finance teams. Respondents considered themselves slightly above average in this area.

Finally, 83% of respondents felt that they were adequately effective in capital management, with an average score of 4.1 on a 5 point scale.

For leading Finance functions, superior performance in one or two of these areas is not enough. The key is to realize high and *balanced* performance levels, with each of the four components working in accord. Capital cannot be managed effectively without a robust ERM program; an accurate ERM program depends on high-quality data inputs; high-quality data loses its usefulness if the Finance team lacks resources, tools, or an analytical approach.

Figure 7: Finance Organizations' Effectiveness and Compliance Reporting

How would you rate the effectiveness of Finance at supporting the business versus pure compliance reporting?

Financial Company's Effectiveness	Average	Not Effective					Very Effective
		1	2	3	4	5	
Monitoring Enterprise Risk Management (ERM)	3.3	0.0%	22.2%	27.8%	44.4%	5.6%	
Managing Data Quality	3.5	0.0%	5.6%	55.6%	22.2%	16.6%	
Conducting action-oriented analysis	3.4	0.0%	16.7%	38.9%	27.8%	16.6%	
Capital Management	4.1	0.0%	11.1%	5.6%	50.0%	33.3%	

Regulatory Preparedness

The regulatory environment continues to evolve for both domestic and international insurers. The CFO and other key Finance leaders bear the responsibility for adapting not just Finance, but the organization as a whole, to new regulatory schemes.

IFRS and Solvency II directly affect capital valuation, which has material implications on the company as a whole. Despite the importance of these issues the majority of study respondents felt they were currently underprepared for both IFRS and Solvency II.

Many organizations have adopted a wait-and-see approach towards confronting the challenge of IFRS and US GAAP convergence. The potential cost and time commitment required for an IFRS implementation has led many to delay until the rules are finalized.

Solvency II will challenge Finance leaders to manage both risk and capital while satisfying rating agency requirements and shareholder

demands. For many, these are unfamiliar practices and responsibilities, and it is the job of the Finance leadership team to integrate them without sacrificing the quality of traditional services.

On the positive side, many forward-looking companies realize that the underlying key to all reporting is effective and efficient management of data, processes, and personnel. Initiatives targeting these areas will provide immediate benefits to the organization, regardless of reporting and regulatory outcomes.

Meeting these challenges today will save costs in the future by providing a more flexible and responsive platform that is better prepared for changes in reporting rules and business environments.

Over the next 10 to 15 months, Finance leaders should begin to address the changes mandated by IFRS and Solvency II before time becomes scarce.

Figure 8: Regulatory Preparedness

How prepared is your organization for each of the following regulatory challenges?

Preparedness for Regulatory Action	Average	Not Prepared					Very Prepared
		1	2	3	4	5	
IFRS	3.1	0.0%	35.3%	35.3%	11.8%	17.6%	
Solvency II	2.9	5.9%	41.2%	17.6%	29.4%	5.9%	

Meeting Deadlines & Supporting the Business

The majority of respondents indicated high levels of effectiveness at meeting reporting deadlines (Figure 9).

In contrast, almost one in four respondents indicated below average levels of effectiveness in supporting functions outside of Finance (Figure

10). More than 22% said they were not effective and 28% were modestly effective.

These teams are not leveraging their internal reporting strengths to identify opportunities, support business unit decision making, and generate ideas for improvement.

Figure 9: Effectiveness of Meeting Financial Reporting Deadlines

How would you rate the effectiveness of finance at meeting reporting deadlines?

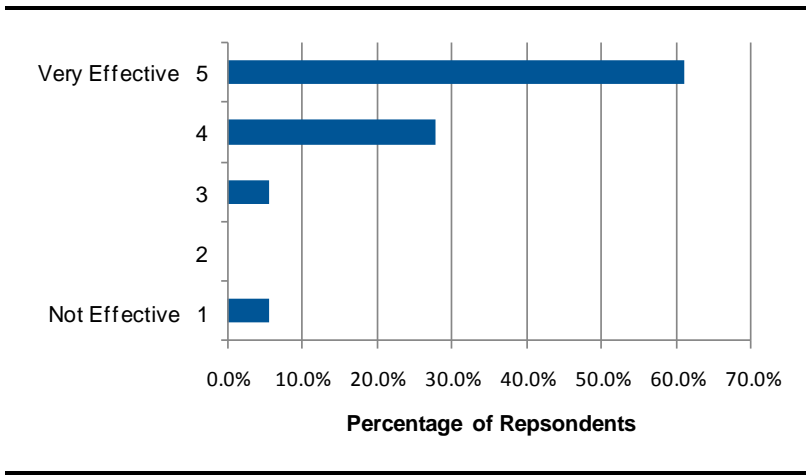
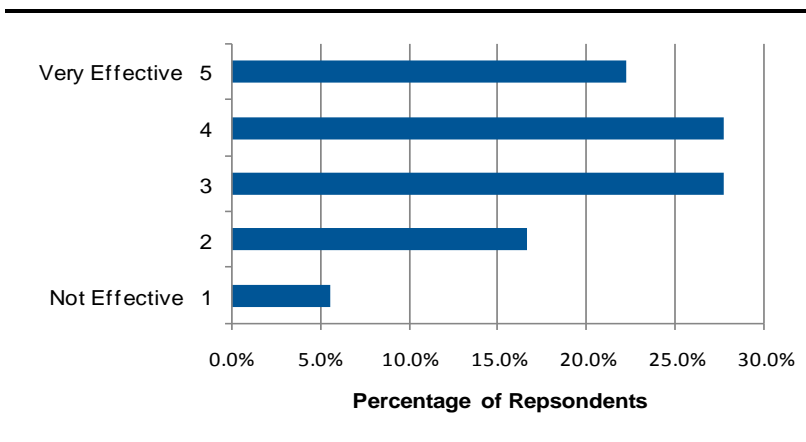


Figure 10: Financial Support Effectiveness vs. Compliance Reporting

How would you rate the effectiveness of Finance at supporting the business versus pure compliance reporting?



SECTION III – Closing Process

The performance of Finance teams during close cycles is a key indicator of operational effectiveness. Time to Close is a simple measure that can speak volumes about execution levels relative to peers.

Approximately 30% of respondents close in fewer than 16 days, 28% close in 16-20 days, and 17% take more than 40 days to close.

We separated our pool of respondents into two groups – those closing in 15 days or fewer, and those taking more than 15 days to close – and compared responses to specific study questions. We chose 15 days as the cutoff based on published industry benchmarks, as well as our own experience working with industry leaders.

Viewing the overall data from the lens of the 15-day close produced several interesting insights.

When asked specifically about the level of effectiveness at supporting the business, 70% of respondents from the under-15-day group rated themselves highly, versus only 35% from the over-15-day group. This conclusion makes intuitive sense: a department spending excessive time closing the books – or caught in a “perma-close” cycle – lacks the bandwidth to engage in strategic analytical activities.

100% of respondents from the under-15-day group rated themselves at the highest level of effectiveness at meeting reporting deadlines, while only 70% of the over-15-day group rated themselves highly. So in addition to taking longer to close they are missing deadlines more often.

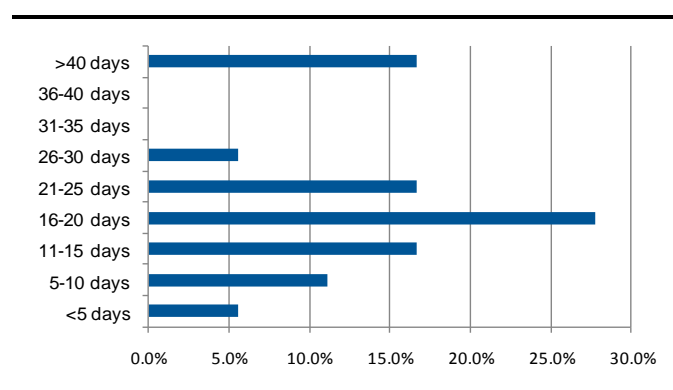
The top three process areas for Finance teams of both groups were Compliance & Regulatory Reporting, Financial & Management Reporting, and Transactional Processing. The percentage of

time spent on each of these processes was relatively similar for the two groups. Notable divergence occurred in two areas: Strategic & Forward Planning, and Process Improvement. The under-15-day respondents spent approximately 20% more time in each of these areas, confirming that highly effective performers spend more time planning ahead and improving their systems and processes.

Finally, when asked about the level of data warehouse integration in their processes, respondents indicated similar levels for Management Reporting. However, respondents from the under-15-day close group showed much higher levels of data warehouse integration in the Actuarial and Financial Reporting processes. The conclusion is that better performers leverage data warehouses for more than just Management Reporting, which increases both efficiency and control.

Figure 11: Length of Primary Financial Close

What is the estimated length of your primary financial close process, defined as the number of business days between the sub-ledger close and the point at which the CFO signs off on the final earnings numbers?



Time Usage

Finance's primary goal is to ensure timely and accurate reporting and filings. Respondents indicated that approximately 48% of their teams' time was spent on financial and statutory reporting and compliance, while 23% of their time was dedicated to transactional processing.

Finance is also increasingly being called on to deliver the added value of in-depth financial analysis. Our respondents' remaining time was split about evenly between financial analysis, strategic planning, and process improvement (8-12% each).

Overall, then, our respondents indicated a 70/30 split between traditional reporting and strategic & analytical activities. The optimal mix of these two broad categories is a topic for debate and will vary by organization. We can say with certainty, however, that increased demands for more timely and accurate business intelligence will continue to tip the scales to a more even split.

Managing this trend requires two resources that are scarce for many Finance leaders: **Time and Capital.**

The former can be obtained by shortening cycle times of traditional Finance reporting activities in order to create capacity for value-added activities. However, this often requires additional capital for increased staff levels, or better talent, which may be difficult to realize in this era of tightened budgets.

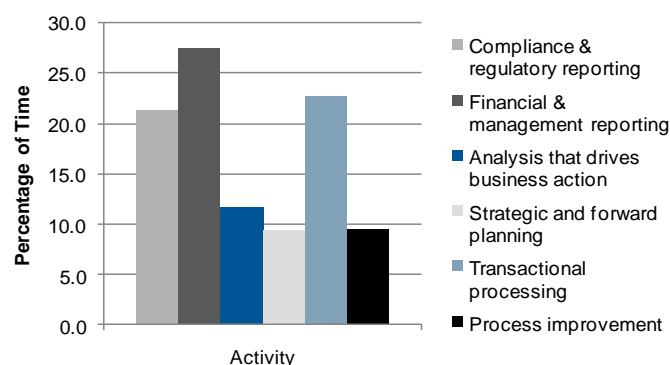
An alternative solution for many Finance leaders is to develop strong business cases for process and technology improvement initiatives that can reduce both cycle times and headcount while providing clear positive net present value for the organization as a whole. Financially speaking, the choice often comes down to an upfront investment with a reasonable payback period, versus a gradual increase in variable labor costs.

One area that many respondents have targeted for efficiency initiatives is transactional processing. This work often involves manual, labor-intensive data manipulation that can be improved upon markedly through reengineering and automation. Adopting a "get it right the first time" approach to transactional processing leads to significant efficiency gains in downstream Finance processes, by reducing reconciling items and corrections during the close.

An additional area that is often overlooked when addressing process efficiency is communication and workflow. Workflow tools can provide the accountability, visibility, and control necessary to efficiently perform processes that cross multiple units and geographies. Communication and change management are often the "secret weapons" that turn an effective but not widely understood initiative into a well-socialized, highly impactful solution.

Figure 12: Time Usage

Please indicate what percentage of your team's time is spent on the following activities during a typical month.



SECTION IV – Data Architecture

While fewer than 10% of respondents indicated that their financial data architecture included more than five general ledger systems (Figure 13), 25% said that the financial consolidation process was a challenge for their organization (Figure 14).

The costs associated with maintaining multiple ledgers can be significant. As the number of ledgers increases, so does the cost and risk of consolidating them, reconciling them to their source systems, documenting and testing their SOX controls, and supporting them with IT overhead.

Additionally, 30-40% of respondents indicated that data analysis, financial planning, and tax provisioning were all challenges to their organization. Much of the challenge stems from an inability to extract information from the ledger and other components of the financial data architecture in a timely fashion. If they are unable to obtain accurate, timely, and consistent data through the Finance group, the Actuarial, FP&A, and Tax teams will source it on their own. This creates duplicative effort and often leads to business decisions that are based on inaccurate information.

Figure 13: General Ledger Systems

Globally, how many General Ledger systems or independent instances of a GL system does your company utilize?

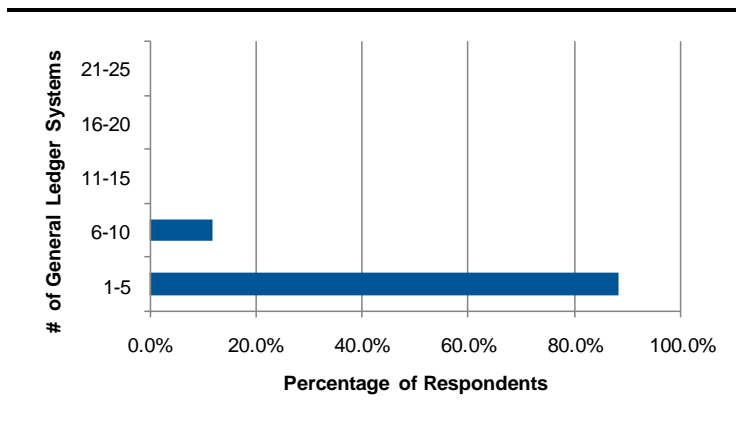


Figure 14: Impact of Multiple Ledgers or Instances

What is the impact of multiple ledgers or multiple instances of a ledger on the following?

Impact of multiple ledgers or multiple instances of a ledger	Average	Not an Issue					Very Challenging
		1	2	3	4	5	
The consolidation process	2.1	50.0%	25.0%	0.0%	18.8%	6.2%	
Data analysis	2.3	37.5%	25.0%	12.5%	18.8%	6.2%	
Planning & Forecasting	2.3	56.3%	6.2%	0.0%	25.0%	12.5%	
Tax provisioning	2.3	46.7%	20.0%	0.0%	20.0%	13.3%	

Chart of Account Consistency & Data Quality

Growth in the number of ledgers often leads to a reliance on multiple and inconsistent charts of account. Almost a third of respondents saw this issue as moderately to very challenging.

Expansion through acquisition exacerbates the problem, as targets have mature ledgers that are not easily remapped to the consolidating organization. Integration challenges often lead to patchwork manual workarounds in Excel, which create control weaknesses, financial misstatements, and data quality issues.

Insurance Finance leaders should address legacy charts of account issues to extract greater efficiencies from teams that are increasingly spread across the globe.

Responses to the question of data quality raise some consistency questions within the study results. The majority of respondents seemed satisfied with the quality of their data, yet they rely heavily on manual spreadsheet processes and lack the time to generate significant volumes of analytical work during critical evaluation periods like the close.

Reconciliations and manual spreadsheet processes are challenges for Insurance Finance leaders. Often, Finance is forced to play a goal-keeper role, catching transactional data errors that could have been prevented with more rigorous control over front-end processes and systems.

Figure 15: Inconsistency in COA Across All Reporting Platforms

How great of a challenge is lack of consistency or standardization in the charts of accounts across all reporting platforms?

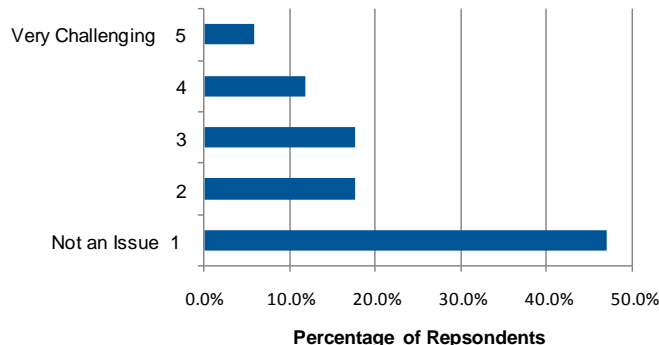
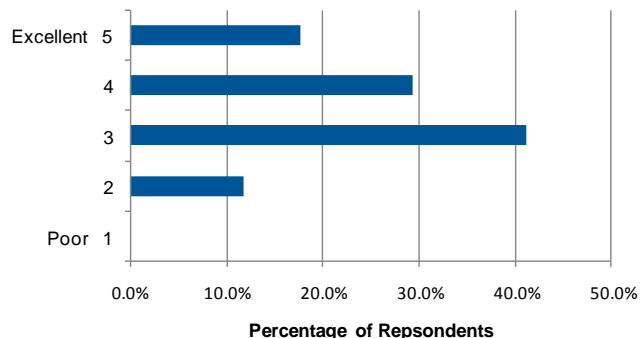


Figure 16: Quality of Data Feed

How would you rate the quality of the data feeding your financial systems?



Manual Spreadsheets

Over 80% of respondents indicated moderate to heavy reliance on manual spreadsheet processes.

Performance gaps in the primary financial data architecture, coupled with the challenge of managing complex financial processes across multiple ledgers, geographies, and business units leads many teams to perform key tasks with Excel.

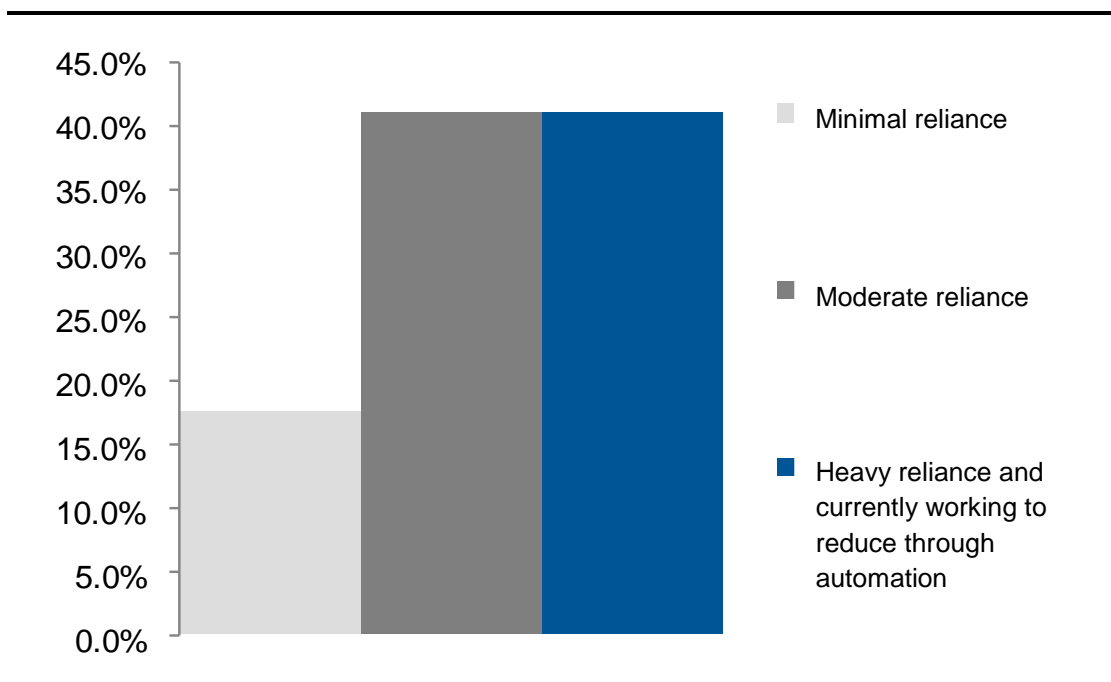
While undoubtedly a powerful and convenient tool, Excel often becomes the gateway to a quick-fix addiction within Finance that causes costly long-term deficiencies.

These include: recurring manual efforts that balloon close cycle times, misstating financials due to multiple versions of the truth flowing across units, and allowing marginal resources to become critical ones because they own a particular model or workbook.

Insurance Finance leaders who undertake meaningful efforts to decrease the use of spreadsheets in their processes will see equivalent or greater gains in operational effectiveness. Such efforts often involve new technology and process reengineering.

Figure 17: Reliance on Manual Spreadsheet Processes

Which statement best describes the degree to which your finance department relies on manual spreadsheet processes?



Data Warehouse

In recent years Insurance Finance leaders have made significant investments in their financial data architecture by integrating data warehouses.

Over 80% of respondents said that a data warehouse was integrated with their management reporting and actuarial processes. A lower percentage incorporated the data warehouse into their financial reporting activities. A significantly higher percentage of Finance teams closing in under 15 days had integrated a data warehouse with their financial reporting activities versus those closing in more than 15 days.

In addition to speed and control, relying on a data warehouse for financial reporting allows senior level decision-making to be based on a single version of the truth. It eliminates much of the manual work required to reconcile management and financial reporting information.

Performance Management

The market for corporate performance management tools is robust, with numerous competitors offering powerful tools.

However, our results indicate that most insurers are hesitant to invest in these new solutions, preferring to conduct analysis on spreadsheets.

Excel is the primary tool used by most of our respondents to deliver critical performance insights to the business. Oracle Hyperion was a distant second. The listing of software under “other” encompasses nine different systems including the use of internally developed tools.

Figure 18: Data Warehouse Integration

If applicable, please indicate whether your organization’s data warehouse is integrated with the following:

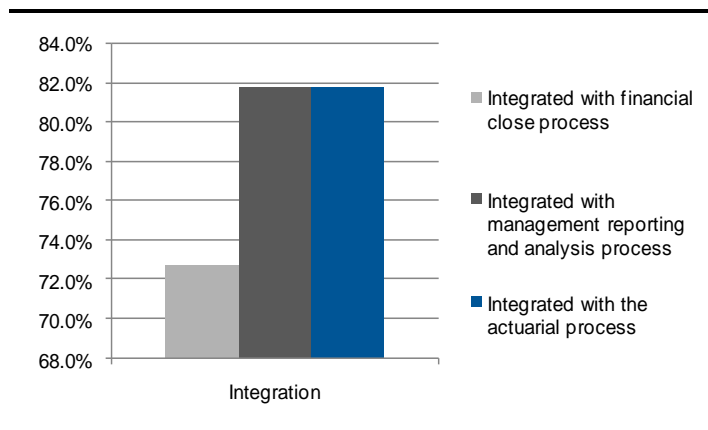
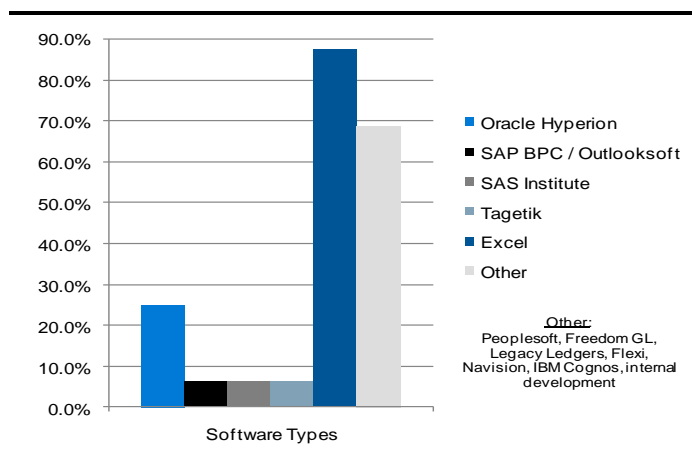


Figure 19: Performance Management Software

Which of the following software or tools support your performance management processes?



Outsourcing

Most respondents currently do not outsource their Finance processes, and their willingness to consider outsourcing in the future is low.

Although other studies show that over half of insurers have at least one BPO relationship, our results are consistent with findings that insurers as a whole are adopting outsourcing at a much slower pace than other industries.

Outsourcing and shared services have grown to a \$200 billion a year industry. Executives in other industries are proactively blending shared services and outsourcing strategies to achieve more cost-efficient and flexible service delivery models.

Beyond labor cost arbitrage, several other factors including access to new talent pools, risk

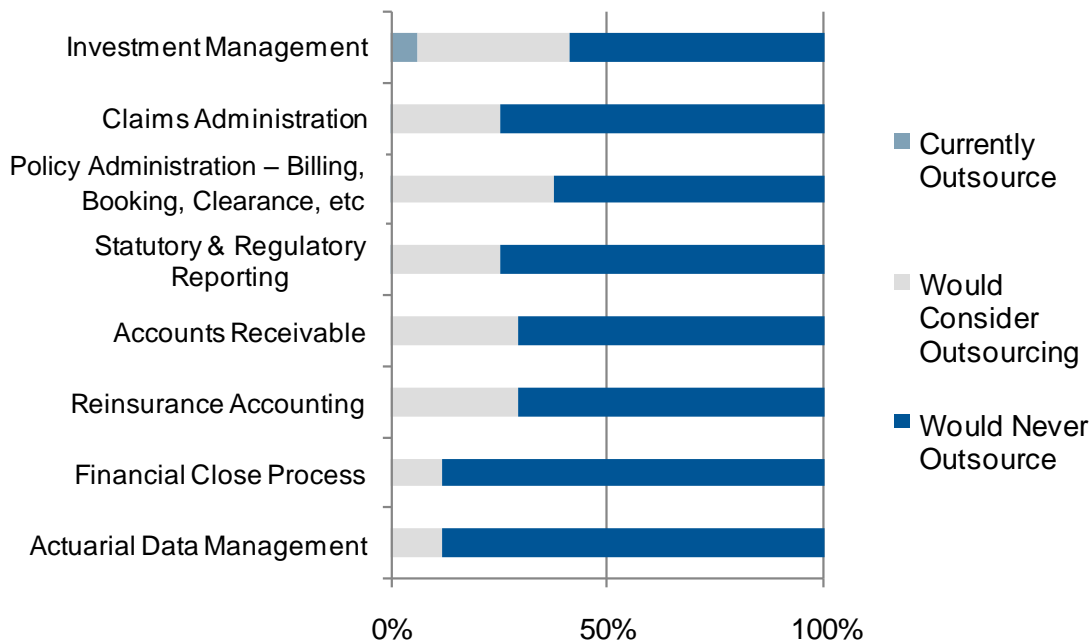
diversification, greater data visibility, and operational flexibility are driving organizations to push the global sourcing envelope.

Given the ever-increasing need to derive incremental value from operations, a shift towards more sizable and focused investments in shared services and outsourcing is inevitable in the Insurance industry.

Forward-looking Insurance Finance leaders will view shared services and outsourcing as relatively untapped strategic options with the potential to yield a distinct competitive edge if implemented correctly and managed effectively.

Figure 20: Financial Process Outsourcing

Do you currently or are you considering outsourcing any of the following financial processes?



CONTACTS

If you have questions regarding the content of this report or would like the opportunity to benchmark your Finance team's effectiveness against the results of our survey please contact one of the individuals listed below:

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About WeiserMazars, LLP

WeiserMazars, LLP the independent U.S. member firm of Mazars Group, provides a unique combination of foresight, experience and know-how to our clients in fulfilling their accounting, tax and advisory needs. Our team of partners and professionals bring their technical expertise, industry knowledge and an integrated, customized approach to bear on the critical issues and competitive challenges facing a wide array of clients including owner-managed businesses, complex, multi-national organizations and high net worth individuals in a multitude of industries.

Built on a framework of tradition since 1921, WeiserMazars is dedicated to turning the science of business into an art, and turning that art into a broad range of services that will meet each of our client's specific needs. Whether on the local level or internationally, we have helped guide clients through their day-to-day operations and work with them to help ensure they have the right financial structure in place to meet their business goals.

WeiserMazars has over 90 partners and more than 650 professionals in seven U.S. offices with additional locations in Israel and the Cayman Islands.

About Mazars Group

Mazars is a prominent international accounting, audit, tax and advisory services organization. With more than 13,000 professionals located around the world, Mazars offers accounting, audit, tax and advisory services in more the sixty countries on five continents. Mazars has implemented this professional services model with the principal objective of assuring consistent quality to its clients.

About C F Efron Company

C F Efron Company LLC is an independent management consulting and research firm which focuses on insurance and banking. C F Efron Company is responsible for the analysis of the data in this Study. For questions on services please contact; Carmen@cfeffroncompany.com or 203.226.2645.