Human resources benchmark for insurance

Overview

The HR challenge: Complex and quickly evolving external and internal factors
In today’s challenging economy, insurance institution’s human resource (HR) organization should be more nimble than ever to respond to constantly changing internal and external pressures. These pressures challenge their ability to achieve operational excellence, improve work force effectiveness, develop future leaders, and capitalize on the growth of emerging markets.

HR service delivery focus
- Ability to support fast, flexible organizational transformation in response to changing market conditions
- Develop world-class operating efficiency
- Deliver high-quality employee service to support those engaged in front-line customer interaction
- Effectively source and manage an increasing complex and global workforce
- Develop workforce planning strategies that source the leading industry talent/leaders for most strategic positions
- Develop today and tomorrow’s leaders with the skills to drive strategic growth
- Increase support for domestic and global compliance and reporting
- Support partnership/channel due diligence
- Facilitate the organization’s operational performance through an integrated talent management approach
- Align business and HC strategies thru workforce analytics that measure efficiencies and value

External pressures
- Increased government regulation
- Global expansion into emerging countries
- Shifting customer expectations
- Changing employee and customer demographics
- Integration of financial services
- Industry consolidation

Internal pressures
- Product and channel development
- Infrastructure
- Organizational models
- Workforce planning and management
- Globalization of the workforce
- Cost management
Insurance intuition’s HR executives are looking to achieve cost competitiveness in an uncertain market

Current state of insurance HR services

- In today’s challenging economy, even some of the top insurance companies are under-performing in the efficiency and effectiveness of their HR services
- Insurance HR organizations should be able to respond to constantly changing internal and external pressures that challenge their ability to achieve operational excellence, improve workforce effectiveness, develop future leaders, and capitalize on the growth of emerging markets
- Understanding available opportunities in HR service delivery models is an integral part of driving greater value
- Insurance executives need to know:
  - Do we spend too much to acquire new talent?
  - Does our HR service delivery model align with the company’s strategic goal and revenue sources?
  - How do our employee benefit costs compare with other companies in our industry?

Deloitte’s Global Benchmarking Center (GBC) delivers invaluable data-centric insight and analysis with benchmark and survey capabilities*

Deloitte’s dedicated benchmarking team comprises more than 60 highly-experienced benchmark professionals with deep benchmarking knowledge in finance, human resources, information technology, sales, general, and administrative, procurement, supply chain, shared services, and industry-specific operations functions. Deloitte’s Global Benchmarking Center has completed over 1,100 client studies.

GBC capabilities

- Relevant: Tailored peer groups are determined using industry and organizational demographic information, resulting in analysis that is applicable to your specific company
- Process-based: Process data is collected where work is performed, regardless of a company’s structure to enable effective comparisons
- Actionable: Tailored reports detailing individual performance metrics help companies identify and prioritize areas of opportunity
- Efficient: Focused question sets are designed to collect information most critical to company and/or industry issues
- Proprietary: Deloitte’s peer group database is proprietary based on data collected directly from our clients

*Global Benchmarking Center services are provided throughout Deloitte’s network of member firms.

The median represents the 50th percentile performer

Deloitte’s global HR benchmark is designed to provide insurance executives with actionable data to help reduce costs and increase efficiency.

| Process assessment and comparison | • Collects labor and outsourcing costs and number of staff for each process category; data is mapped to Deloitte’s defined HR process taxonomy enabling effective peer comparisons  
|• Submits and analyzes data in the manner that has the most impact for your organization, by external peer and internal organization comparisons (geographic, size, and business unit) |
| Assess the service delivery model | • Captures labor cost and full-time staffing numbers by service delivery model role  
|• Assesses and compares your company’s actual service delivery model by process category against an industry-specific peer group |
| Use of outsourcing and technology | • Captures outsourcing cost and technology cost and profile  
|• Analyzes labor and staffing components related to the outsourcing and technology investment and then compares the results to company peers identifying such items as:  
| – Identify where technology utilization to increase automation can result in a reduction in HR cost |
| Regional data view | • Allows market wage rate comparisons for more effective improvement opportunity identification  
|• Identifies areas to help improve efficiencies & cut costs through detailed insurance HR metrics for three geographic regions; North America, Western Europe, Asia/Pacific |

Deloitte’s benchmark reveals that insurance companies have an opportunity to potentially reduce their total annual HR cost by an average of 45%.

Thirty-four financial services institutions have participated in our HR benchmark providing specific geographic data sets.

- Achmea Holding N.V.
- Aflac Incorporated
- Allianz Global Corporate & Specialty AG
- AMP Limited
- AXA Equitable Life Insurance Company
- Brickstreet Mutual Insurance Company
- ICIC Prudential Life Insurance Co. Ltd.
- ING North America Insurance Corp.
- Progressive Corporation, The
- Prudential Financial, Inc.
- Standard Insurance Company
- State Farm Mutual Auto. Insurance Co.
- Swiss Reinsurance Company
- Tokio Marine & Nichido Fire Insurance CO., LTD.
- Workplace Safety & Insurance Board, The

The standardized definitions in our benchmark taxonomy enable “apples to apples” comparisons among participant process and service delivery model data

### Benchmark process taxonomy

<table>
<thead>
<tr>
<th>Process categories</th>
<th>HR operations</th>
<th>Total rewards</th>
<th>Talent management</th>
<th>Strategy and program design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processes</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Payroll, time and attendance</td>
<td>Compensation</td>
<td>Staffing and recruitment</td>
<td>HR strategy and function management</td>
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<tr>
<td></td>
<td>Employee data administration and analytics</td>
<td>Non-retirement benefits plan</td>
<td>Employee relations</td>
<td>HR program design</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retirement benefits plan</td>
<td>Career development</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Learning</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Employee mobility</td>
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</tr>
</tbody>
</table>

### Service delivery model data

In order to assess the HR service delivery model, Deloitte’s benchmark is designed to:
-Capture and report labor costs and number of HR staff within each process category by role:
  - Shared service centers
  - Centers of expertise
  - HR Business partners
  - Site HR generalists
- Capture and report outsourcing costs within each process category

### Key findings in the insurance sector

- Vital areas of focus include:
  - **Staffing inefficiency** in the site representative and business partner roles, particularly in the areas of:
    - HR operations: The median has 12 times the number of Site HR staff
    - Total rewards: The median has 8 times the number of Site HR staff
  - **Underutilization** of the centralized Shared Services Center
  - **Manager span of control**: The insurance LCP manages 22% more staff per manager across the service delivery model roles

<table>
<thead>
<tr>
<th>SDM role cost gap per employee between Insurance median and Insurance LCP (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$465</td>
</tr>
<tr>
<td>$232</td>
</tr>
<tr>
<td>$128</td>
</tr>
<tr>
<td>$(353)</td>
</tr>
<tr>
<td>$91</td>
</tr>
</tbody>
</table>
For consistency, Deloitte uses a time-tested approach and methodology from planning to the final results presentation.

The focused questionnaire addresses issues most critical to executives, making data collection fast, analysis valuable and relevant. The benchmark contains approximately 55 questions.

**Service delivery model role**

- Data is collected by service delivery model role, allowing analysis of role-based costs within process categories. This role-based view can provide insight into:
  - Process fragmentation and full-time staff distribution
  - The potential benefits of moving activity to more efficient, lower cost parts of the organization (e.g., shared services) or leveraging outsourcing

**Insight into service delivery model roles highlight key cost and performance improvement opportunities for executives**

**Data collection and validation**

- Collect data
- Submit data
- Validate data
- Confirm data/client sign-off

**Analysis and presentation**

- Generate performance comparisons
- Confirm gaps with client
- Create report
- Present results to stakeholders
- Provide conclusions
- Discuss next steps

**Source:** Deloitte Global Benchmarking Center. 2012.

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**Process cost gap per employee between Insurance median and Insurance LCP by process category ($US)**

**Benchmark planning**

- Plan benchmark
- Establish benchmark scope
- Prepare materials
- Establish timeline
- Conduct training
- Establish ongoing communication plan
- Confirm timeline
- Administer benchmark

**Data collection and validation**

- 1–2 weeks

**Analysis and presentation**

- 6–8 weeks

**Insight into service delivery model roles highlight key cost and performance improvement opportunities for executives**

**Service delivery model role**

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**Talent management SDM process cost distribution**

**Talent management labor rate per SDM role ($US 000)**

Multiple reporting locations provide essential insight and highlight key cost and performance improvement opportunities for executives.

**Multiple reporting locations**
- Multiple reporting locations enable internal benchmarking comparisons by geography, business unit, etc., in the results presentation.
- Identify such opportunities as:
  - The lack of common processes and leading practice implementation across units or the enterprise.
  - Cost gaps between business units, regions, or other locations.
  - Specific cost drivers, allowing relative prioritization.

**Gap analysis of human resources process categories helps pinpoint where to focus efforts**

**Quantify cost gaps**
- Cost gaps begin at the overall functional level and then drill into process category.
- Allows prioritization of key areas of opportunity and focus.

**View cost gap components**
- Begin by identifying where the costs gaps exist — in process (labor and outsourcing), technology, or other.
- Process cost gaps can be quantified in two ways:
  - Labor rate differentiator identifies the gap based on labor rate differences with peer comparison.
  - Staffing efficiency identifies the gap based on staff size differences with peer comparison.

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**HR process cost per employee ($US)**

**Total process gap to industry top performer ($US M)**

**Total process cost gap to top performer ($US M)**

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**Source:** Deloitte Global Benchmarking Center. 2012.
Our heat map tool is designed to help efficiently identify large process category gap opportunities

Process category gap analysis ($US M)

<table>
<thead>
<tr>
<th>Process Category</th>
<th>HR Operations</th>
<th>Total Rewards</th>
<th>Talent Management</th>
<th>Strategy and Program Design</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centers of Expertise</td>
<td>0.6</td>
<td>0.9</td>
<td>0.8</td>
<td>1.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Shared Services</td>
<td>(0.4)</td>
<td>(0.1)</td>
<td>(0.5)</td>
<td>0.1</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Business Partner</td>
<td>0.1</td>
<td>0.2</td>
<td>0.9</td>
<td>(0.3)</td>
<td>0.8</td>
</tr>
<tr>
<td>Site Representatives</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>(0.8)</td>
<td>0.0</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>0.6</td>
<td>0.4</td>
<td>(0.2)</td>
<td>(0.1)</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.8</strong></td>
<td><strong>1.3</strong></td>
<td><strong>0.3</strong></td>
<td><strong>0.7</strong></td>
<td><strong>3.1</strong></td>
</tr>
</tbody>
</table>

Company A — cost advantage of at least 10% of total positive gap ($7.0M)

Company A — cost opportunity of at least 10% of total positive gap ($7.0M)


Contact Deloitte’s Global Benchmarking Center today for engagement details to begin achieving HR cost competitiveness

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Rick leads Deloitte’s Global Benchmarking Center, responsible for overall benchmark methodology and operations. Rick has extensive experience working with Fortune 100 companies across all areas of SG&A, including finance, information technology, procurement and human resources. Rick is a sought-after speaker, and is frequently quoted by media such as CFO Magazine, CNBC, Financial Times and Business Week.

Most recently, Rick was a President at The Hackett Group. Prior to Hackett, he was a partner at KPMG responsible for co-founding the World-Class Finance Practice. Rick is also a member of the Cognos Innovation Center Advisory Board.

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