

Case Study

Indian arm of one of the largest reinsurance company

Service(s) offered: **Interim CFO Services, US GAAP conversion & ERP Implementation**

Sector/Industry: **Insurance**



Interim CFO Services

The reinsurance regulations in India were opened up in 2016 allowing multinational reinsurance companies to open up branches in India. Our client was one of the firsts to get the license to open a branch in India.

While they had already received the registration for the branch, the team faced challenges in handling the onslaught of compliances and F&A function due to the limited on-ground finance team in India. The client appointed us to take charge of the CFO office and handle all the reporting regulations in India.

Challenge

While there was a lack of local F&A team, the regulatory landscape also kept evolving. India moved to the GST regime at the same time when Insurance Regulatory and Development Authority (IRDA) evolved the insurance regulations for reinsurance branches. Moreover, the accounting systems were not in place to provide the required reporting as per the Indian regulations and/or Indian GAAP, thereby adding to the complexities.

Case Highlights

- Setting up of accounting systems for reporting from US GAAP to Indian GAAP in record time.
- Comprehensive support provided with respect to F&A function including designing SOPs, reporting to global and APAC teams, etc.
- Closure of first year audit in a very unusual accounting environment.
- Represented India office in global SAP implementation project.
- Contribution in representations to IRDA in drafting reinsurance regulations.

Solution

SKP deployed an experienced team to handle their complete F&A responsibilities like –

- **Integrating their global accounting system with Indian GAAP**

Our client's systems and sub-systems were based on either the US-GAAP or Swiss GAAP. We assisted them in identifying the differences between these GAAPs and Indian GAAP and

implementing them in the system so as to allow automated Indian GAAP reporting. This resulted in reduction of the reporting TATs by at least 60%.

- **Assisting the implementation of new Indirect tax regime of GST**

While the implementation was done by a different consultant, we provided inputs in terms of reporting and system dependencies since we acquired an in-depth experience of their accounting systems. This allowed the client in identifying the system issues early in the implementation phase.

- **Closing the first-year audit of the branch**

We assisted our client in selection of joint-auditor, preparation of the first year financial statements, liaison with the auditors and finally closing the audit. One of the critical matters in the auditing process was the revenue recognition. Insurance sector in India has always been recognizing revenue which is primarily based on the Bordereaux. Internationally, lot of estimations are built in while recognizing revenue. In our client's case, since this was only two months of operations, majority of the revenue recognized were based on estimates. We not only anticipated this to be an audit-issue at an early stage, but also created documentation to comfort the auditors.

- **Representing the entity to IRDA and RBI for the evolving re-insurance branch compliances**

Since this was the first time that India opened doors for foreign reinsurance branches, reinsurance regulations were still in process. Our team played a key role in preparation representations to IRDA for modifications in the draft regulations.

- **Designing Finance SOPs**

Our team helped the client in designing SOPs and implementing them in a challenging set up phase. This involved adopting the global practices of the client and modifying them to suit the Indian needs.

- **Representing India office in their Global SAP implementation project**

Our client was implementing SAP S4 HANA at a global level. One of the countries in this project was India. Our team not only provided the business user and local needs but also participated in the global workshop representing the India office.

- **Day-to-day F&A activities & Reporting to the global team/ APAC CFO**

Our team also assisted the client in various day-to-day activities like reporting compliances to IRDA, Income tax department, RBI and other statutory authorities; carrying out day-to-day AP management, etc. Our team directly reported to APAC CFO with a dotted line reporting to the Global Finance team. This helped our client in conducting business as usual while there was a regulatory uncertainty.

Impact

Our support in the set-up phase ensured that the business runs seamlessly, without any non-compliance risk for the client. The APAC CFO's efforts greatly reduced since she entrusted us with key decisions, implementation of systems and processes, and handling of audit in India.

The client appreciated that the team, instead of acting just as a consultant, took complete ownership of the F&A function and navigated key initiatives of the client.

For more information on this case study, please contact:

Mayank Lakhani

Senior Managing Director
Consulting and Assurance Advisory
mayank.lakhani@nexdigm.com
+91 22 6730 9000

Krunal Jogani

Senior Manager
CFO Services
krunal.jogani@nexdigm.com
+91 22 6730 9000

www.nexdigm.com