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India as a Global Destination

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India

Meeting the Challenges of Change

14th Global Conference of Actuaries

19th – 21st Feb, 2012 | Mumbai, India

Summary

- Economically, India is reasonably positioned for future growth
- Off-shoring/outsourcing is moving from “bottom of the pyramid” and delivery centre focus to an innovation ... up the value chain
- While talent continues to be a challenge, the demographic dividend is still in India’s favour
- Several challenges though are in our way for long term prosperity, health and growth

India – A Country Snapshot

Key Demographic Data

Key Demographic Data

Population (2010) in Millions	1,173
Population per Sq. Km	325
Population Growth	1.5%
Rural Population	72%
Urban Population	28%
Literacy Rate	65%
Number of States	28
Number of Union Territories	7



GDP (2009)	\$ 1.31 Trillion
Per Capita Income (2009-10)	\$ 947.21
GDP Growth (2009-10)	7.4%
Forex Reserves (2009-10)	\$ 277 Billion
Inflation (January 2010)	8.56%
Cumulative value of exports	US\$ 140.29 billion

- Key player in the Global Knowledge Industry
- Young population with a median age of around 25 years
- A Steady GDP growth rates of 6-8% over the last decade
- Services (56.9%), Manufacturing (28.5%) and Agriculture (14.6%) are the main components of the GDP
- Diversified country with various languages, traditions and cultures

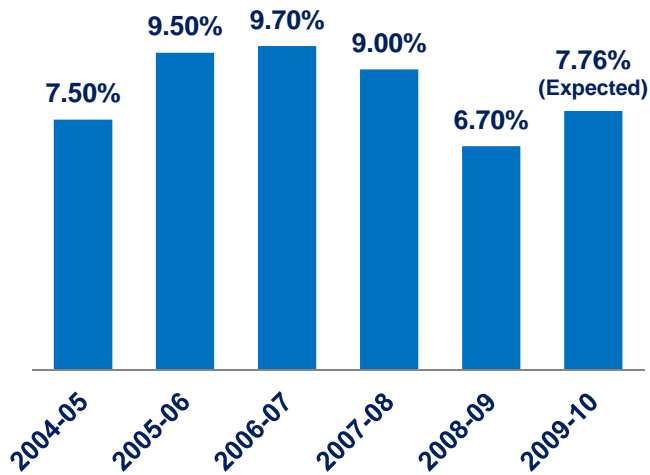
Source:

Census of India, Ministry of External Affairs, India, India Brand Equity Foundation (IBEF), World Bank

India – A Country Snapshot

Macroeconomic Overview

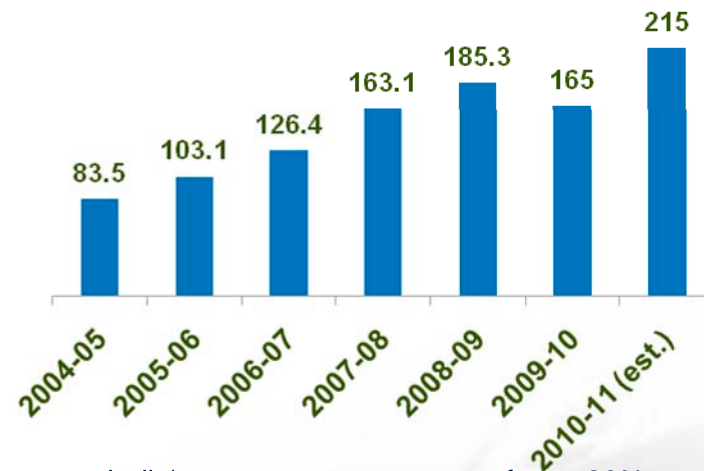
GDP Growth



- Second fastest growing major economy in the world
- During the global economic crisis the economy growth rates slowed down to 6-7%
- Industrial and service sectors have been contributing a major part of this growth

Exports

(Billions of US\$)

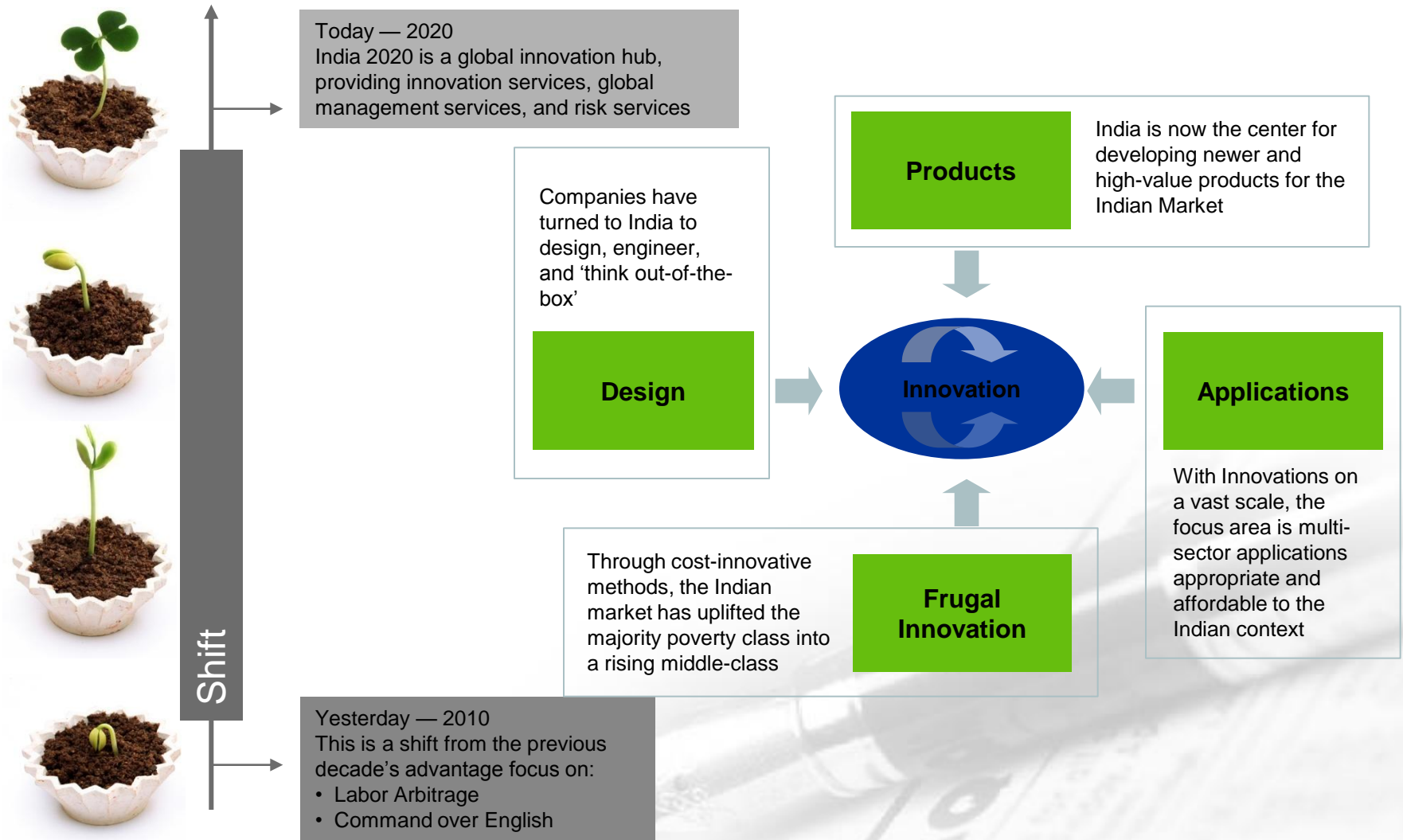


- India's exports grew at a rate of over 30% from 2009-10 to 2010-11
- Major export partners are United Arab Emirate, United States of America, China, Singapore, Hong Kong, United Kingdom and Germany
- IT and BPO exports are major contributors to services' exports

Source: India Brand Equity Forum, National Association of Software and Services Companies (NASSCOM), Federation of Indian Chambers of Commerce and Industry (FICCI)

India is becoming an Innovation vs a pure delivery hub

India has now created an ecosystem which encourages companies/entrepreneurs to take higher risks and focus on creating game changing innovations.



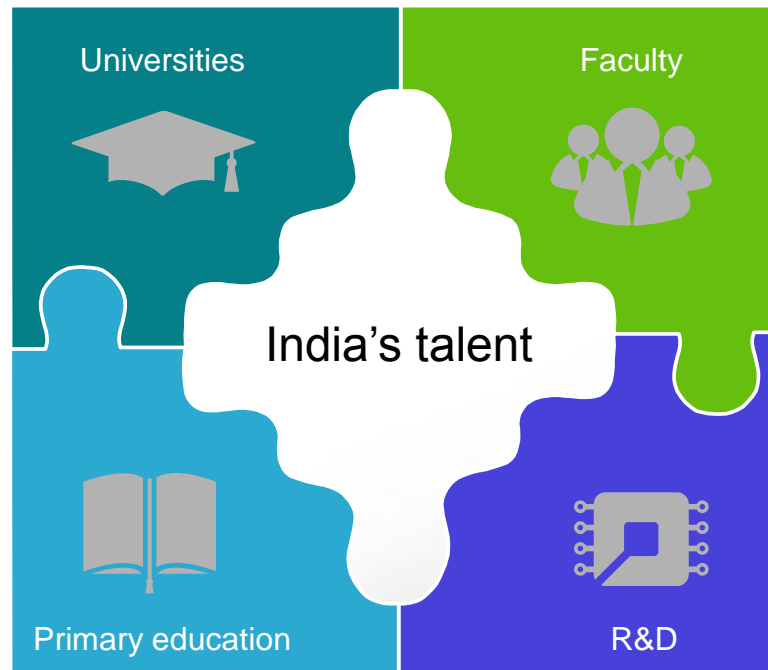
Solved the problem of 'water, water everywhere not a drop to drink' ... India's talent market continues to evolve

While attaining this leadership position, India has solved many critical problems

Talent being the largest issue, it involved several factors surrounding it, including having good universities, teaching faculty, excelling in Research, and even primary education

- Private Institutions Dominate
- Foreign universities investment allowed
- 1000 new universities

- 100,000 new schools opened equally through all regions
- Enrollment and retention rate increased
- Quality of schools consistently good

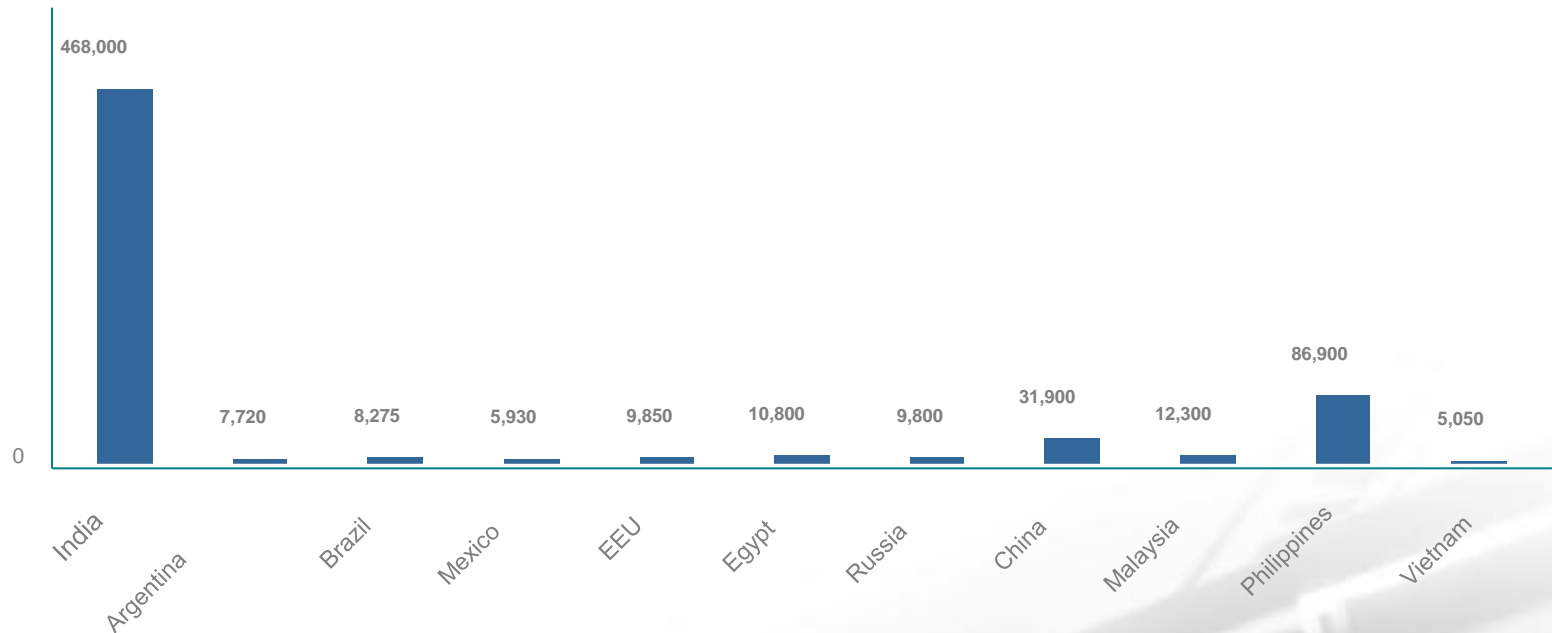


- Higher salaries - attract good faculty
- 200,000 PhDs available
- Size of faculty multiplied by 50 times

- R&D was promoted
- 2% of the GDP now invested into R&D

In the prominent IT and ITES sectors, India continues to dominate the global landscape

of people doing IT/ITES export work in top 10 firms

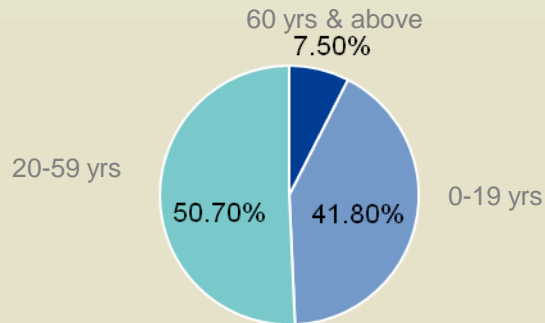


Source: Forrester

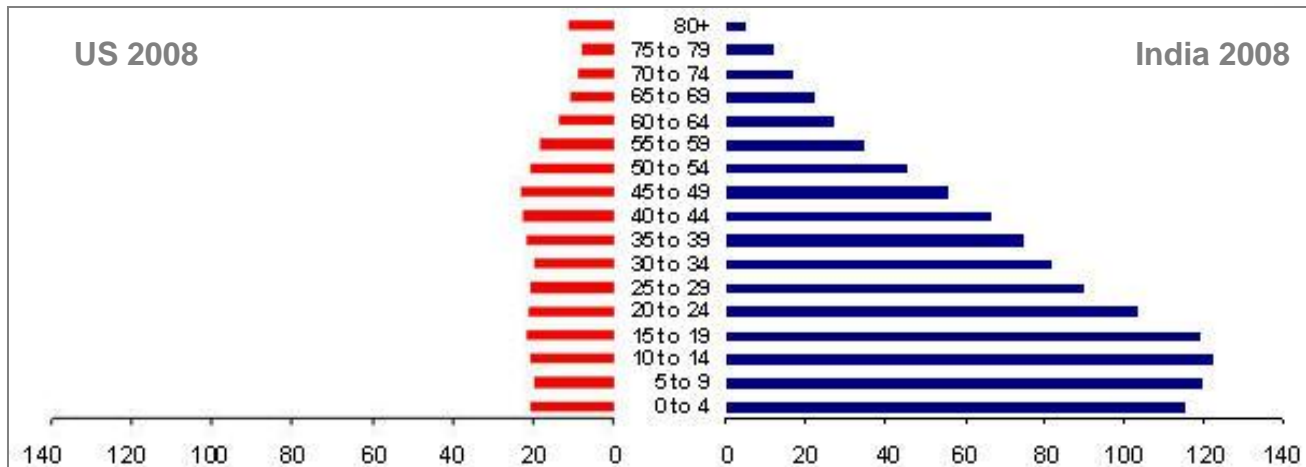
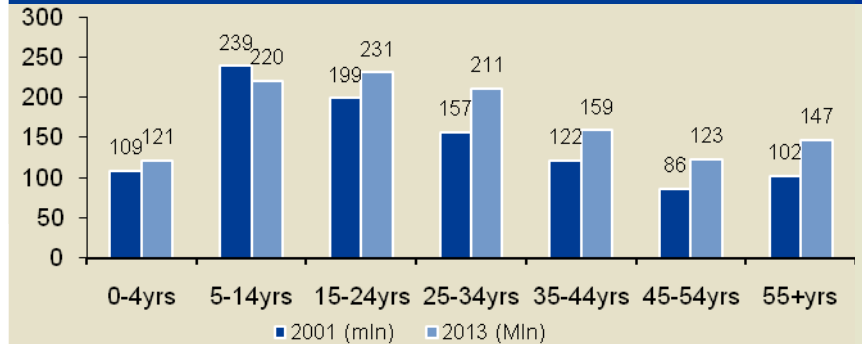
As a result, many organizations are adopting an “India plus one” strategy in terms of off-shoring and labor sourcing

The demographic profile is staggering ...

Demographic Breakdown



Demographic Forecast



Several challenges still lie ahead



Limited Innovation and R&D



Large fiscal deficits



Inadequate infrastructure

- Electricity
- Transportation



Incomplete economic reforms

- Inefficient government dominated financial system
- International trade and investment liberalization.



Stark economic disparity



Corruption



Poor public administration

- Delivery of healthcare
- Housing infrastructure
- Water and sanitation

Five key areas for us to focus ...

Invert the pyramid:
reduce disparity of
income and wealth

Scale our
institutions of
higher learning
while improving
quality

Combat
Protectionism

Innovate and
ride up the
food chain

Become
Global



GENPACT

Global Centre of Excellence

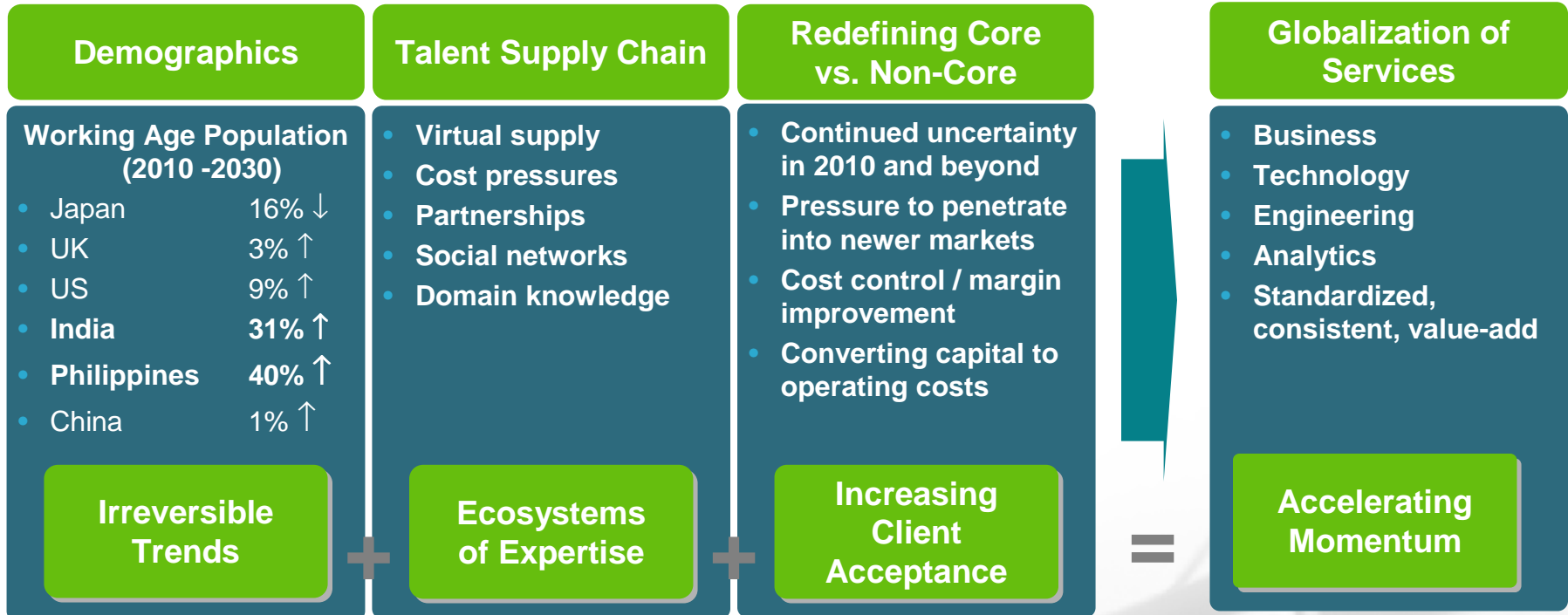
Sameer Dewan
Business Leader - Insurance
GENPACT

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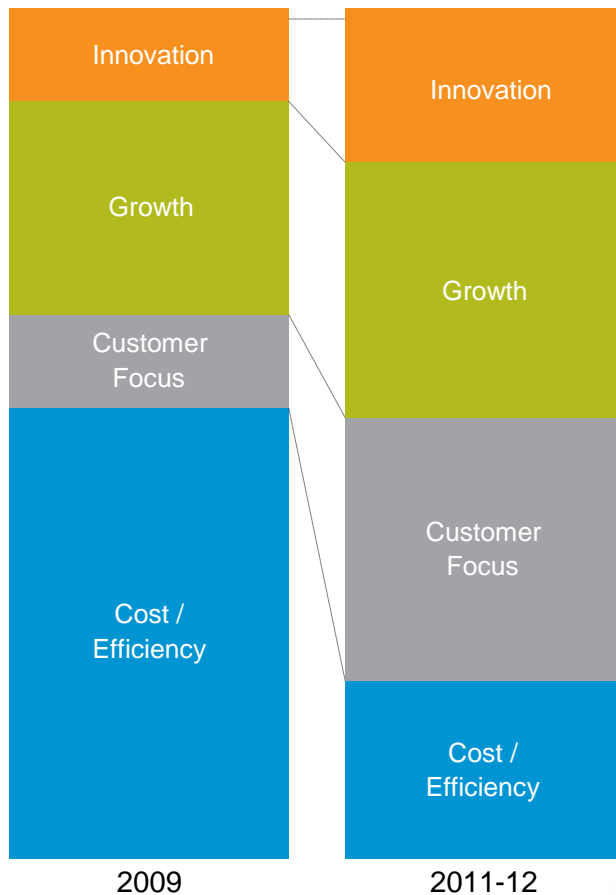
Irreversible Trends fueling Global demand



Market for Global Outsourcing to Triple by 2020 to \$1.6 Trillion

Buying Behavior Undergoing Change

What's on a Customers Mind?



Implications / Opportunities

Innovation - Top of the Agenda

- Innovation & transformation being accelerated through outsourcing

Contribution to Top-Line Revenue

- Customer growth shifting to Developing economies. Suppliers expanding delivery footprint to cope with demand

Improved Customer Service & Transparency

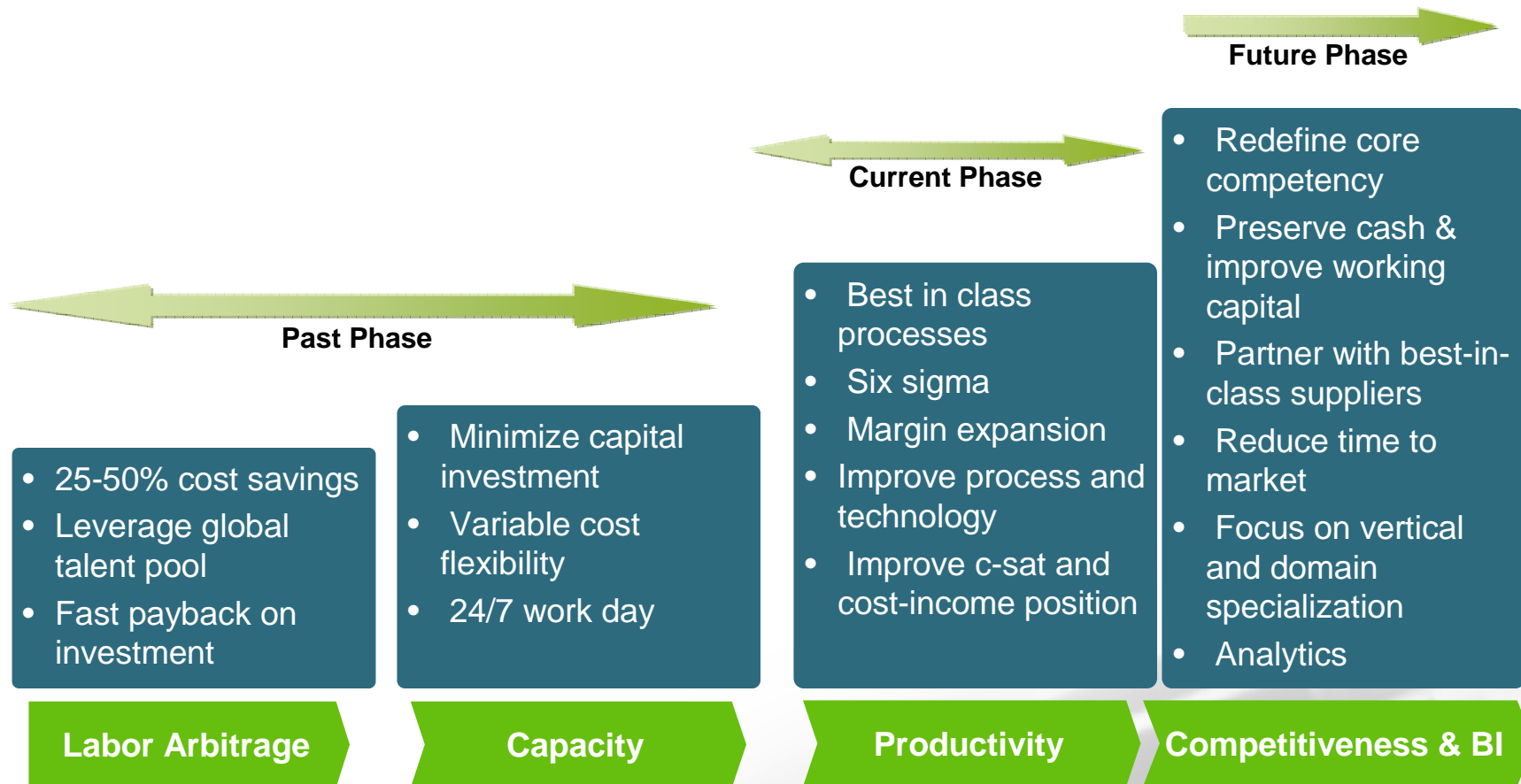
- Services to drive customer loyalty and increase share of wallet

It's not all about Cost

- Cost reduction not just through wage arbitrage but through changes in process and models

BPO landscape is expected to change given the Changing Market Environment

Evolution of Outsourcing: Value

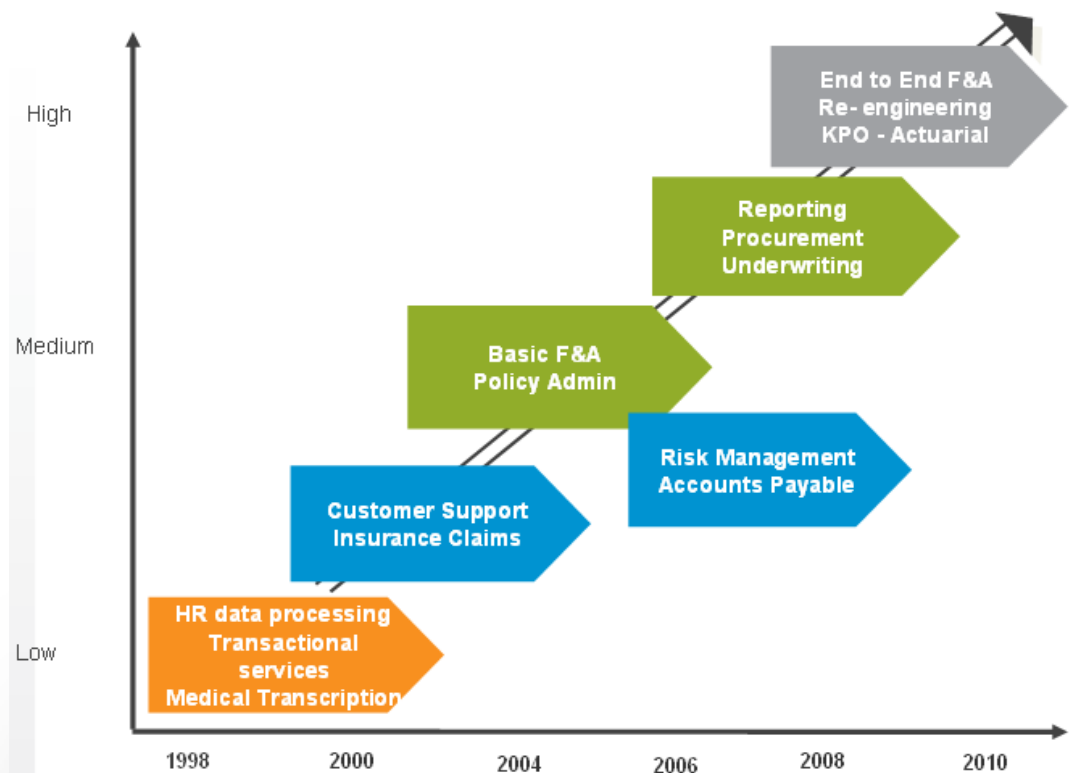


It is not all about cost anymore, outsourcing provides a powerful change-agent

Evolution of Outsourcing: Complexity

- Greater Automation of low skill processes
- Paradigm shift in contact centre role towards enhanced customer retention and service
- Increasing trend towards outsourcing industry specific processes such as Policy admin, claims process & underwriting
- Deployment of information & analysis to improve decision making - Increased use of analytics & actuarial
- Business Process Consulting and advisory services

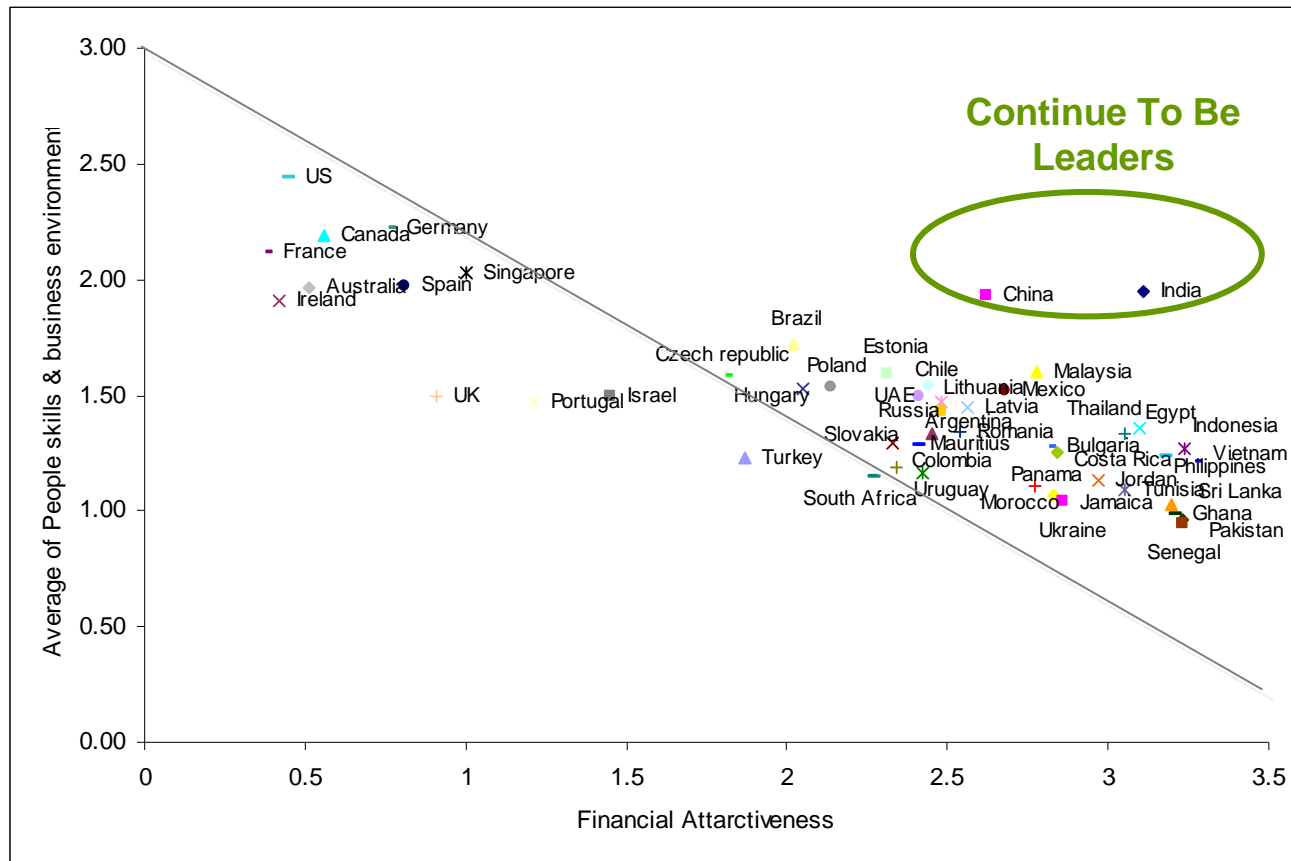
Maturity of Outsourced Processes



Changing complexity of work and focus on higher value addition

India Remains As The Top Off-shoring Destination

Global Services Location Attractiveness



India continues as Top destination in the AT Kearney Global Services Location Index

Competition From Other Off-shore Destinations



- **Philippines** - voice based work from US due to cultural affinity
- **South Africa & Egypt** voice center for Europe given its European language proficiency & proximity



- **Philippines** US GAAP F&A given its own accounting standards are based on US GAAP



- **China** software & product development
 - 20 cities have been designated as China Outsourcing Model Cities
- **Malaysia** CoE for service desk, remote infrastructure monitoring and support

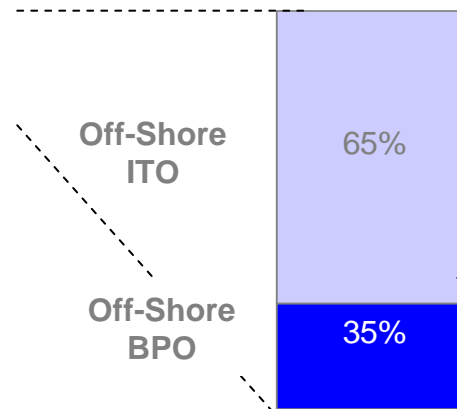
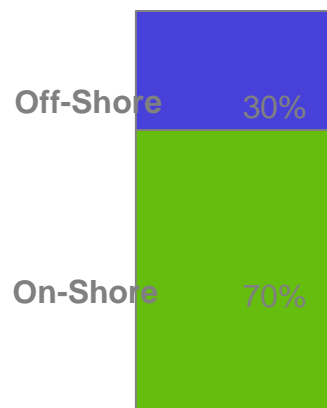


- **India** still competitive position for Transaction based BPO work and KPO

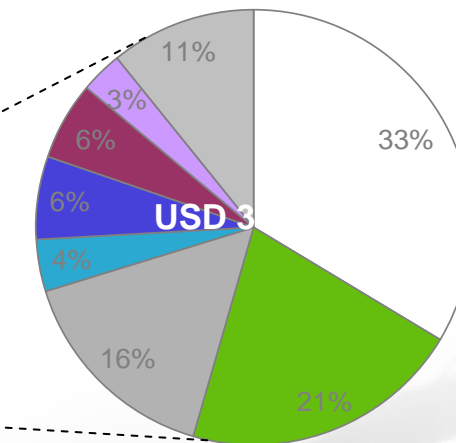
New Rising Stars will change The Outsourcing Landscape

India is the most dominant off-shore market

Global Outsourcing Market



Global Offshore BPO Market`

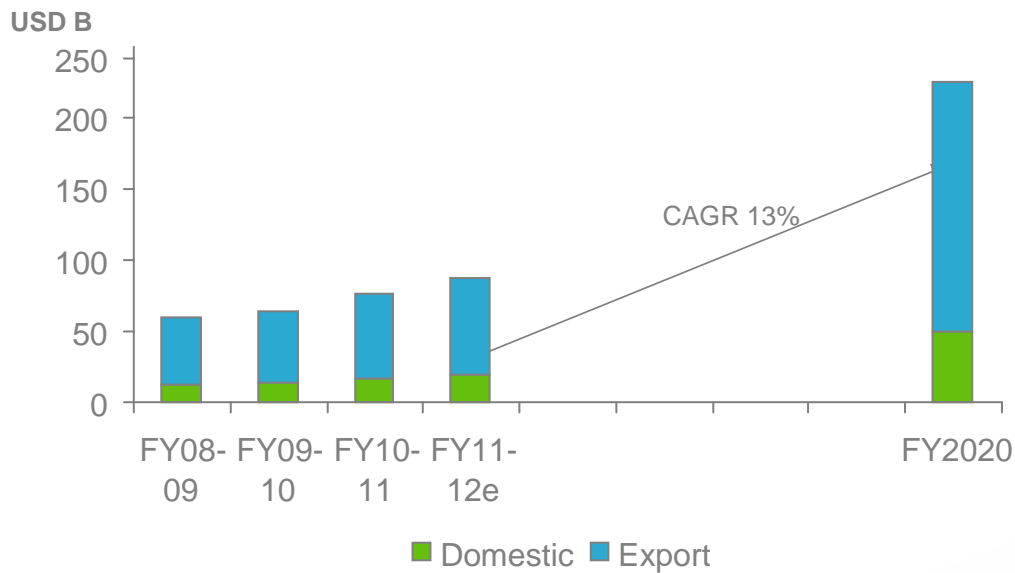


- India
- Canada
- Philippines
- Ireland
- Mexico
- CEE
- China
- Others

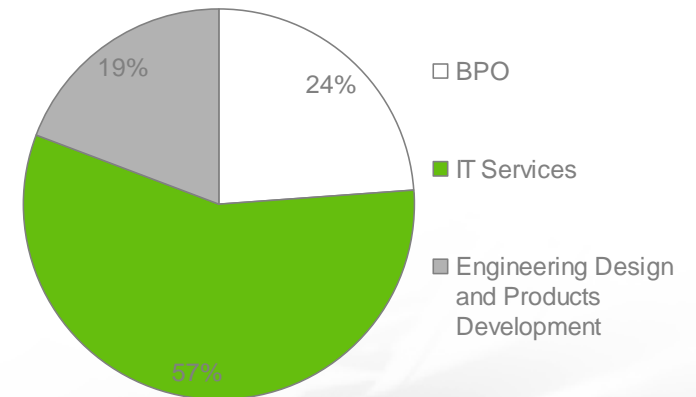
India is servicing 1/3rd of the Global Offshore BPO market. Other destinations are growing as strong competition to India

India IT-BPO Market Is Export Oriented Industry

India IT- BPO Market



IT- BPO Exports by Sector



IT Services currently dominates the market but BPO services growth is expected to outpace the IT Services Growth

Constant Endeavor To Overcome Challenges

	Challenges	Measures to Address
Talent Pool Availability	Only 20-25% graduates are readily employable. Huge competition for trained workforce	Companies engaged in improving quality of education in Tier 2/3 cities. Training efforts & academia tie-ups
Attrition	High attrition rate between 20-40%: Voice-based 55-60% and Non voice at 20%	Right skilling, benefits, career pathing, employee engagement, Discourage job hoppers, talent management strategies
Wage Inflation	Competition causing inflation. India expected to lead increases at 10% compared to others in APAC at 2 to 7%	Set up centers in tier 2/3 cities. Around 58% of the workforce from tier 2/3 cities. Just in time hiring to reduce bench
Cost	Inflation is at its peak at over 7 to 8% reducing India's position as a low cost destination	Moving to Tier 2/3 cities with cheaper infra and lower cost workforce. Hiring trained v/s fresh to reduce training costs
Infrastructure	Insufficient infrastructure bottleneck in growth Need to accelerate the pace of expansion to Tier 2 and Tier 3 cities	Recent rollout of 3G licenses. Augmenting budget for improving basic infrastructure – roads, Power, Airports.
Data Security	Lack of adequate measures and legislation on data security and privacy. India ranked low on cyber security	Nasscom & Govt. are working towards laws around data security. Security Council of India has been set up

Source: Gartner, Hewitt, Goldman Sachs, Journals

Emerging Trends in Insurance

1. Outsource more end to end, core, complex work
2. Leveraging Global talent for Analytics and BI
3. Shift to transaction & outcome based pricing models
4. Upstream Downstream linkages to drive process efficiency and effectiveness
5. Right location and partner strategy to get best in class service while minimizing risk.
6. Changing Regulatory environment driving demand for Risk and Compliance outsourcing



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Analytics and Actuarial Outsourcing

Debashish Banerjee

Actuarial Risk and Analytics leader, Deloitte Consulting
India

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Actuarial Offshoring Services

Life Insurance

- Underwriting
- Pricing and profitability testing
- Statutory Valuation
- Experience analysis
- Statutory reporting

Life Insurance

General Insurance

- Loss monitoring
- Reserving
- Statutory reporting
- Pricing

General Insurance

Health and Care Insurance

Actuarial offshoring services

Health and Care Insurance

- Claim analysis
- Reserving
- Fraud detection analysis
- Trend and variation analysis

Pensions and other Retirement benefits

Pensions and Other Retirement Benefits

- Funding valuation
- Accounting valuation
- Benefit calculations/statements
- Discrimination testing

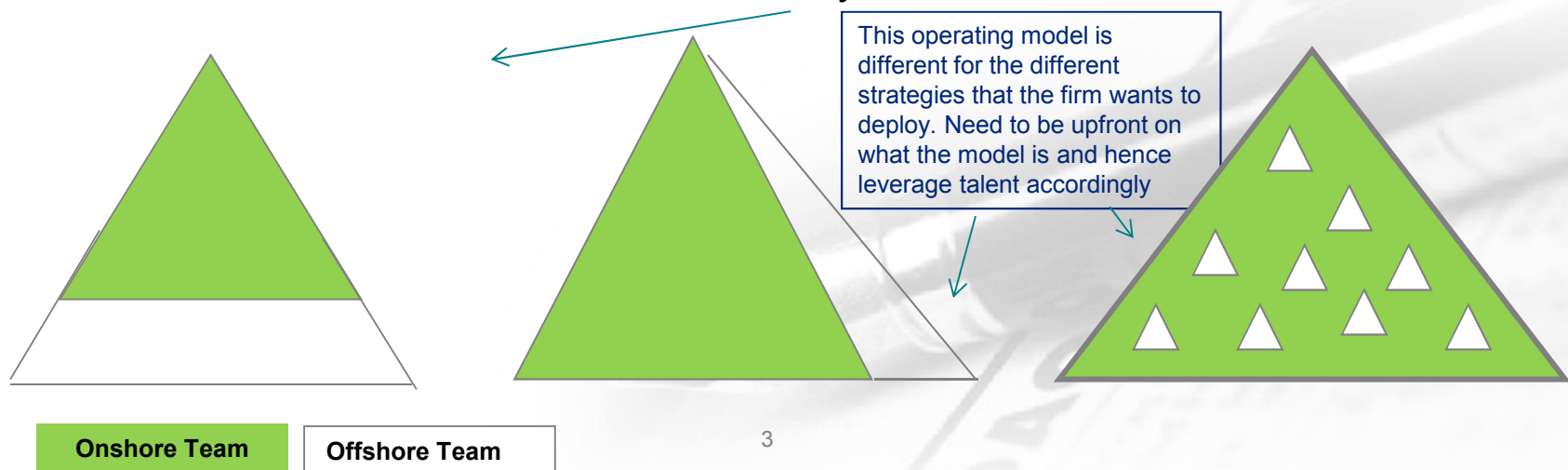
From **Data Entry** and **Process Driven** to high end **Advanced Analytics** and **Actuarial Modeling**

Establishing Actuarial off-shoring Strategy

Actuarial Outsourcing Representative Road Map



Potential Delivery Models



Key Pillars of Outsourcing

Cost Gains

Outsourcing to countries like India will allow for additional resources at less than market cost. The fact that the base salary and billed amount per FTE for an actuary in India are much lesser when compared to one in US or UK says it all

Talent

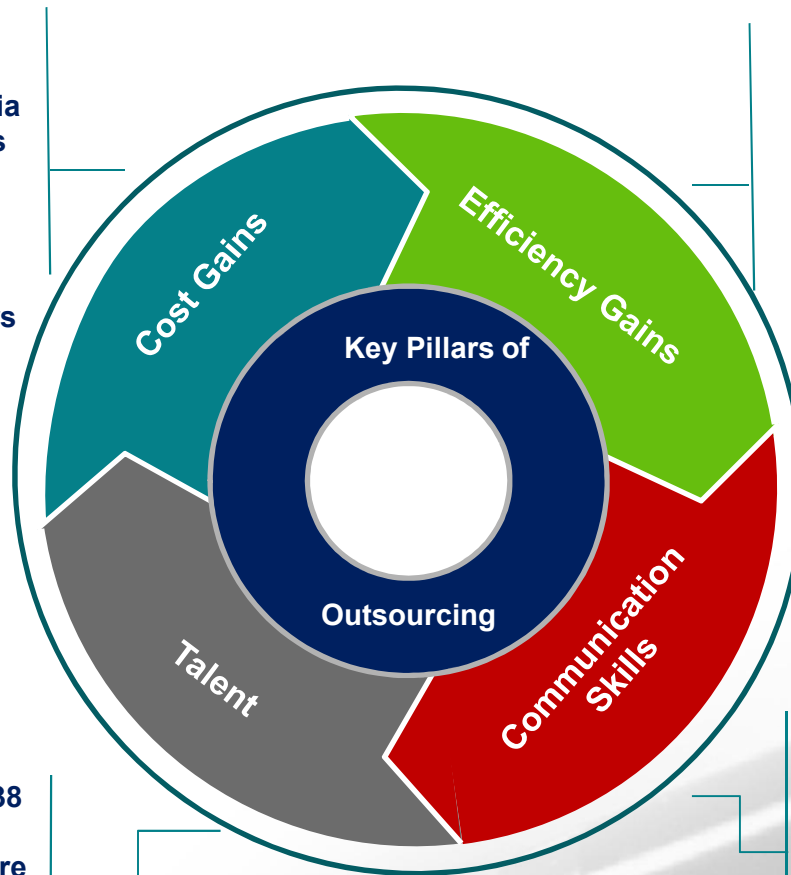
India currently has got around 238 actuaries and many others on verge of becoming actuaries. More than 12000 students aspire to become actuaries in coming years.

Efficiency Gains

India has a large pool of individuals working on actuarial outsourcing work from other countries. These individuals do complement well the limited in-house capabilities of the outsourcing company.

Communication Skills

India's assets include numerous institutions of higher learning and an impressive array of research centers. These academies and publicly funded institutions have provided a steady stream of educated, multi-lingual, mainly English-speaking, manpower.



How can we close the Gap?



1. Most Actuarial staff in the country is at the student level (1-5 years experience). We need to give them the right exposure and develop them into future Actuaries. Responsibility of both existing actuaries in the country as well as insurers/consultants/offshore companies who employ them
2. Exam travel time (time taken between first exam and qualification) need a look in- far too many students and few actuaries amongst them. Many students pull out midway. Why? What can we embed into the examination process to keep students interested? Higher pay? A more balanced study program?
3. General and Health insurers in the country have been relying on life actuaries so far. There is a need for students to get exposure to developed general insurance markets to grow as Health and General Insurance specialists. Encouraging them to take relevant exams would also be a step in the right direction.
4. Greater say for Actuaries in the UW, Claims, IT infrastructure(what data to capture etc.)of an insurer to deliver quality results with increased complexity in the insurer's future.



Work profile development & Outlook

Alok Kumar

Swiss Reinsurance Company

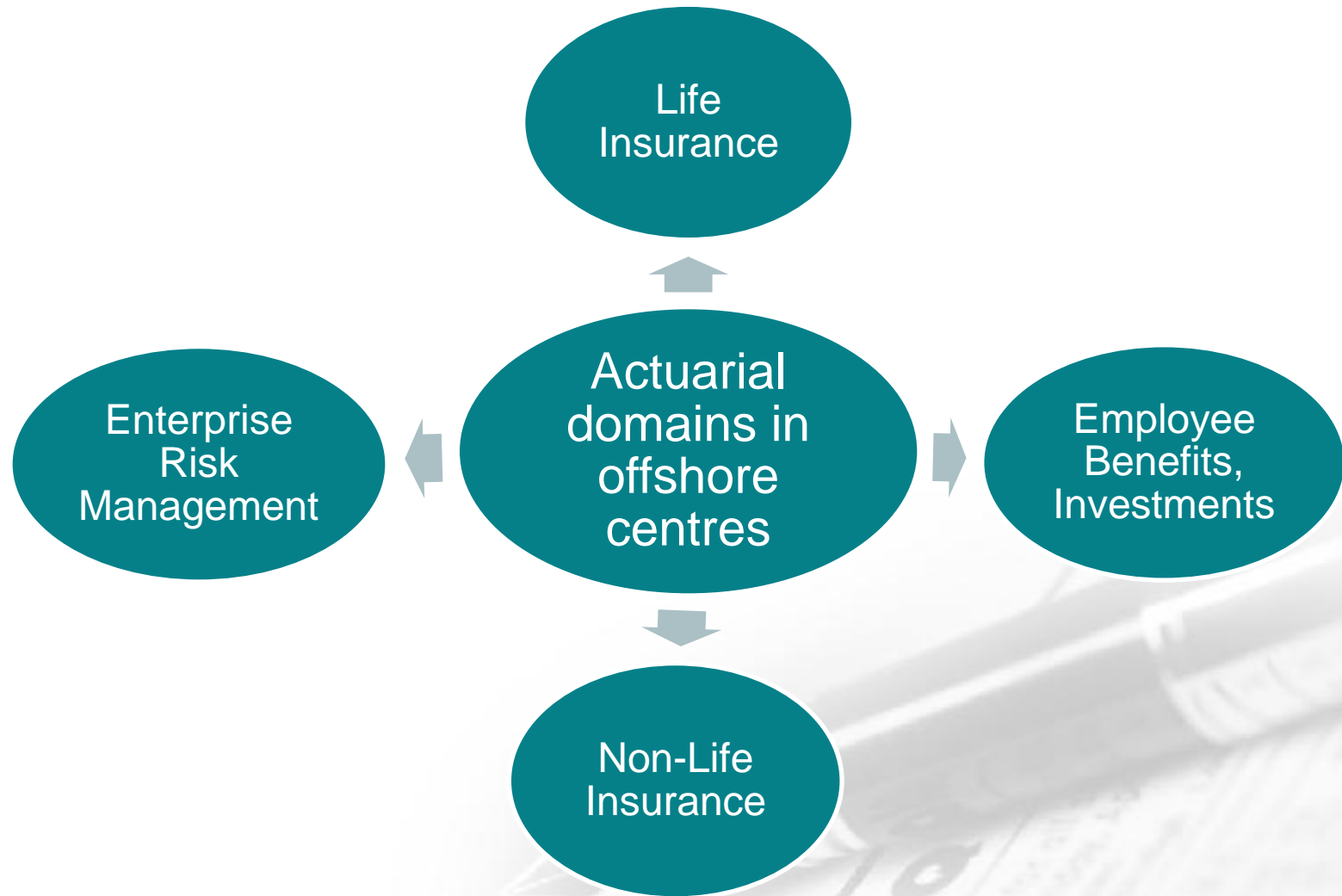
Bangalore, India

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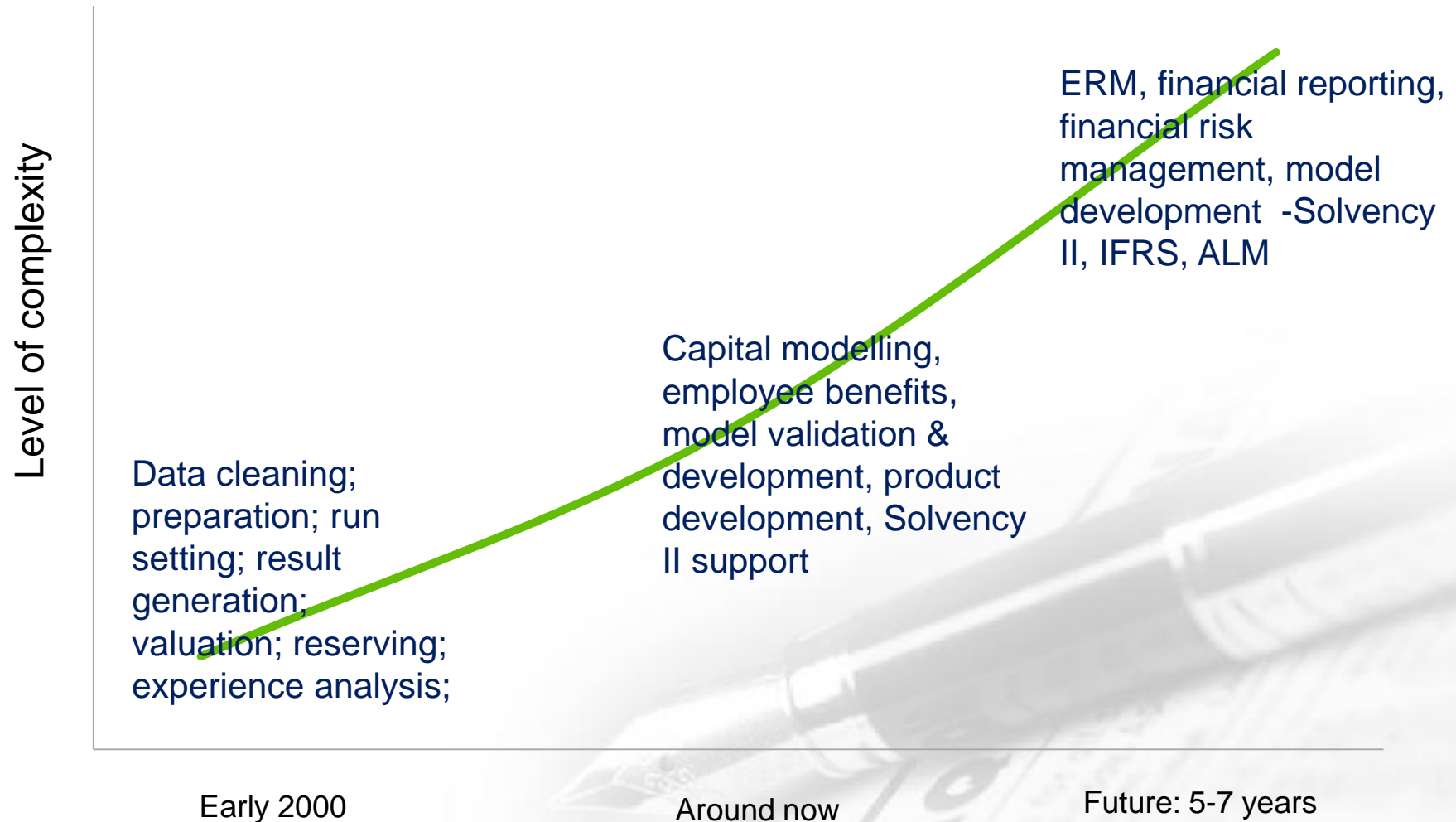
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Current offshoring scope touches almost all actuarial domains

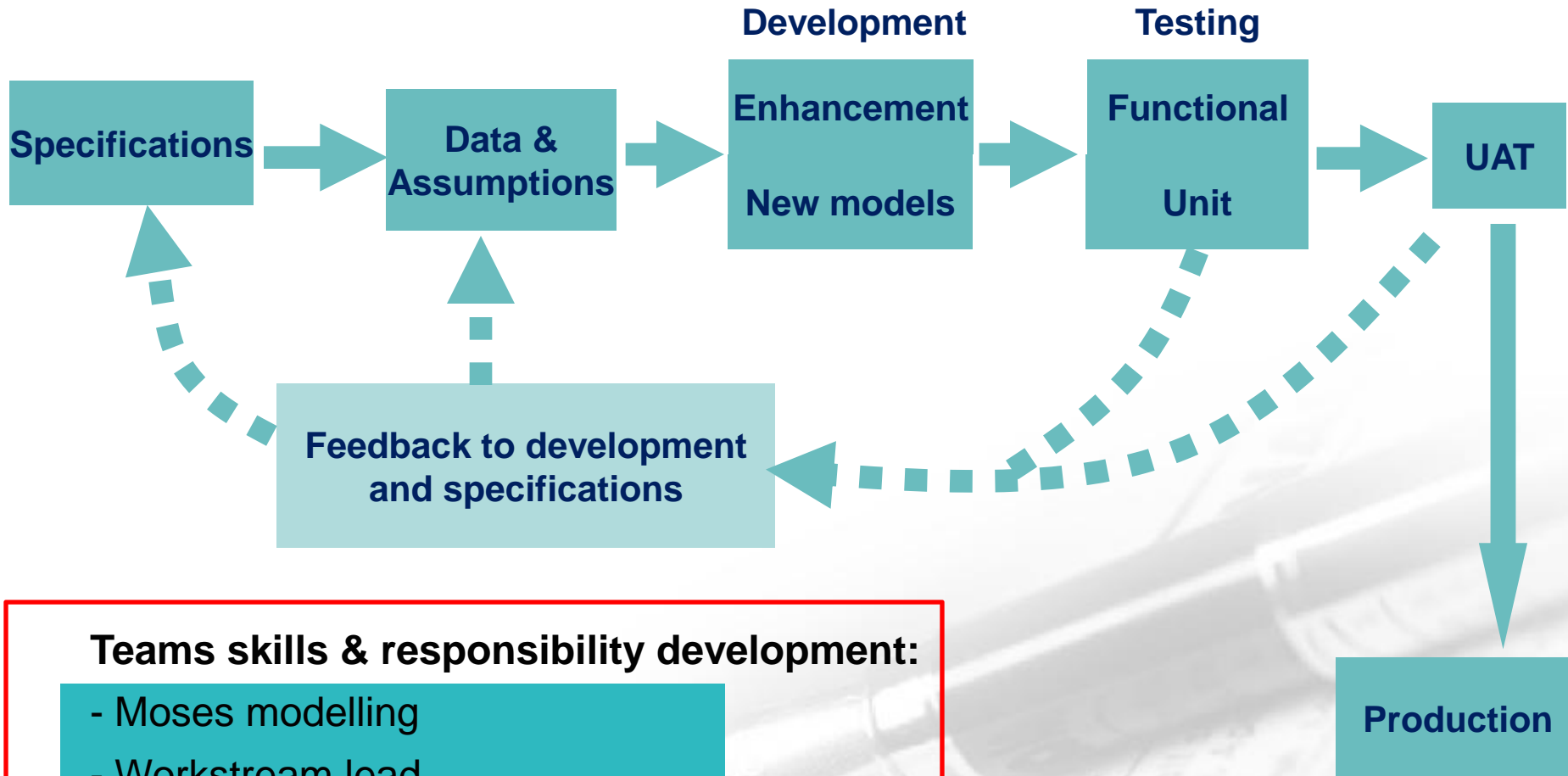


Work profile continues to evolve.....

Development of actuarial work scope



Example - modelling life cycle



Teams skills & responsibility development:

- Moses modelling
- Workstream lead
- Global business understanding

Outlook – further development of actuarial roles in offshore set-ups

- Functional ownership than resource support
- Product development for global markets
- Product costing and renewal support
- Involvement in ERM in broader context beyond valuation of liabilities.
- Solvency II impact – providing opinion and input to internal capital models and risk management processes
- Financial risk management: applying insurance risk modelling techniques to financial risk problem, particularly expertise on heavy tail distributions.
- Linking insurance business decision to financial risks which are critical input for ALM process
- Expanding geographical footprint of the work scope

What is in it for me?

- Opportunity to learn global best practices
 - involvement in large global projects.
 - business practices in developed markets & wider geographical context
- Exposure to actuarial roles in broader functions
 - enterprise risk management
 - financial risk management
- International exposure
 - short term job rotations
 - long term/permanent transfers in other exciting functions

Swiss Re



Thank you



Question time?



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