

Office of Finance Consulting

Business Overview

Our client (“TXCo”) is a large farm mutual insurance company offering a full range of insurance services--automobile, property, liability, and life insurance with well over 100,000 members and hundreds of employees.

Business Challenge

Operating a top-rated insurance company results in a large amount of overhead and significant operating costs. On a monthly basis, the TXCo accounting group is responsible for allocating costs to each business unit. Different transactions drive various allocation percentages, some based on policy counts, some based on claim counts and some based on premium dollars.

TXCo had been using an allocation method that used various Microsoft Excel spreadsheets to spread costs across the organization. With this spreadsheet came some challenges. First, the size of the workbook each month became unmanageable. Second, as additions were made to the organization, each formula had to be manually updated and checked for validity. This caused a great deal of unnecessary work and frustration for the accounting group, wasting many days each month.

TXCo wanted a solution that would:

- Replace the Microsoft Excel allocation model with something that could be managed in a distributed environment with many people’s input
- Streamline the allocations, taking manual steps out of the process
- Create automated pulls of data from the TXCo accounting systems so data did not have to be loaded, validated, and manipulated manually
- Have the solution be “user friendly” enough that the accounting group could be trained to be effective at using the new solution and able to solve their own reporting and analytical needs

TXCo looked to LPA to assist them with finding a solution to this problem.

Solution

LPA's consulting team discussed the objectives and needs with management, analyzed the data sources and uses, and talked with the users to assess process and technical capability. We took apart existing reports and worked with management to come up with a solution that met everyone's needs and is efficient to calculate.

After analyzing the information we collected, LPA recommended using the IBM Cognos TM1 tool as a platform for the solution. TM1 is a world-class 64-bit read/write reporting system that can handle large volumes of complex calculations. It works in memory so all calculations and manipulations are lightning fast. It has a very intuitive user interface that accelerates end-user adoption.

After completing the consulting engagement, LPA designed and developed an allocation model using IBM Cognos TM1 that extracts data from the TXCo accounting systems and loads the data via the built-in TM1 ETL (extract, transform, and load) tool. TM1 then loads the data into various cubes and begins the allocation process using a variety of factors and calculations from each business unit and account. TM1 corrects data anomalies, does data comparisons with prior periods, and exports the results to the accounting system for journal entry purposes.

Results

This solution allows TXCo to save many days a month in their monthly process. The application runs seamlessly with their existing systems and automatically pushes and pulls data.

Due to the power of the TM1 tool, the complex calculations required by the business were able to be incorporated directly in the tool. The pre-built reports and views display the results of the calculations. Users can use TM1's trace calculation function to show the entire iteration of calculations TM1 completed to come up with the selected value. And, after simple training, users were able to build their own reports for specialized analysis.