

The subcontinent smart set



India is fast becoming *the* location of choice for the modelling and analytics arms of re/insurers in the know. But is the big attraction merely cost, asks **Ruth Lythe**

THE BRIEF

- ▶ One head in Bermuda equals four in India, says Flagstone chairman
- ▶ But time zone and highly skilled workforce also massive attractions
- ▶ Staff turnover a key challenge

In a sleek technology park in one of India's biggest cities, a team of analysts is busy crunching the data surrounding a hurricane brewing 8,000 miles away in the Atlantic Ocean.

Eight hours later on the other side of the world, another team arrives in its office, starts their computers and watches the information from the India office, pinging into their inboxes.

As re/insurers and modelling companies continue to hotfoot it to India this scene is occurring with increasing frequency.

The lure of the subcontinent's highly educated and ambitious workforce, time difference advantages and of course, top notch cost savings is proving irresistible for a number of companies.

But according to Mark Byrne, the chairman of Flagstone Re, which last year opened a Hyderabad office, the latter is not the chief reason why foreign companies are setting up shop in India.

"People always seem to think you are talking about cost with a move to India but that is not the only reason. Of course, there are cost advantages but the main reason is being able to access a deep labour pool of people with talent."

The Bermuda-based reinsurer runs Flagstone Underwriting Support from a newly opened multi-storey flagship office in Hyderabad.

TIME ZONE ADVANTAGES

The operation covers pre underwriting analysis using cat models, as well as software and IT services for the rest of the company.

In addition the favourable time zone

difference between India and the US, Bermuda and Europe can also help to speed projects along, says Mr Byrne.

"You can give a job to the Indian office at the end of your day and have it back and completed in the Bermuda office by the next morning," he adds.

John Williams, the global head of business operations at Bermuda-based energy start-up Torus, which is in the process of setting up an office in New Delhi, focused on catastrophe and actuarial modelling, agrees:

"We want to become known for service and speed and being in India helps with that," he says.

But Flagstone's Mr Byrne acknowledges that the savings, compared with those similar operations in Bermuda, make the prospect of launching an Indian operation too good to refuse.

"If you have a position of the same level in Bermuda or India, even including the cost of the new office and travel, you save around three quarters of the cost of having that position in Bermuda. One head in Bermuda equals four in India," he says.

"We were operating in Bermuda and we found that it was not particularly effective to build the entirety of the team on the island, due to practical concerns such as office space and expense."

"We didn't object to importing CEOs to get the skills for our local operation but to import everyone for the back office, didn't seem like a logical move."

IMPORTANCE OF INTEGRATION

Of course, basing vital aspects of a company's modelling and analytics operations 8,000 miles away can cause some logistical issues. However companies are at pains to point out that their India operations are not out on a limb.

Mr Byrne believed that making Flagstone employees around the world work on the same project, plays a vital part in integration.

"We often have a person in Bermuda, a

person in India and a person in Canada working on the same project," he says.

Meanwhile Mr Williams adds that Torus employees with talent in the re/insurer's India office can move into underwriting or any other role in another location.

"It is a Torus office rather than outsourcing. If there are people showing aptitude in their jobs then we will move them into another role," he says.

Matthew Grant, global head of client development at modelling company RMS, which has a long established presence on the subcontinent in the form of subsidiary RMSI, says that a first hand encounter works well to erase any concerns for both clients and RMS staff.

"Everyone who goes out to India is always incredibly impressed by the level of talent and expertise," he says.

Economists warn that India's rocketing overall growth levels of 8% to 9%, fired by urban consumption and a boom in the services and manufacturing sectors, may slump to less than 7% this year.

However the prospects for growth in rural India are defying this gloomy outlook.

Although it boasts offices in Mumbai and New Delhi, RMS is also planning to launch a new office in a more rural part of the country.

"There is something to be said about being somewhere that is not a big existing centre, which increases the risk of losing people," says Mr Grant.

TURNOVER ISSUES

Praveen Sandri, managing director, India operations, AIR Worldwide expands further: "Retention is a key element – especially after spending a significant amount of time and effort in training staff in cat modelling."

Mr Williams adds: "The biggest problem is making sure we have the right people and making sure we have the right mix of experience. We want to make sure that we are positioning ourselves for growth in the future." ®

