Mphasis
The Next Applied

# Automation in Insurance Tax Operations

Whitepaper by Dharmesh Kinkhabwala, Business Analyst

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# 1.

# Abstract

In today's digital world where traditional Finance operations are moving in the direction of Digital Agility, Data Analytics, Automation and Robotization; Tax being an integral part of the F&A operations, can't be left behind to its monotonous manual and menial tasks. Global Insurance Tax operations cover a range of taxes, including Sales & Use, Property, Income (state and federal), FATCA, and many other sector-specific taxes in a multi-geography environment including both Back Office operations & Compliance. Currently, there's a lot of manpower being used in this industry due to the voluminous data to be dealt with across a bouquet of applications in use, which could be drastically reduced with the help of digitalization and RPA to minimize efforts and human error with an improved accuracy rate leading to better analytical insights.

# 2.

# Introduction

Global tax insurance operations is a process area well known for being hard to standardize, transform and make efficient because a lot of manpower is involved across the verticals of Sales & Use, Property, Income (state and federal), FATCA, and many other sector-specific taxes in a multi-geography environment. Digitization is forcing companies to find new ways of reducing their operating costs hence more companies are looking to disruptive technologies like Robotic Process Automation (RPA), Artificial Intelligence (AI) and Machine Learning (ML) to realize this in all their functional areas. It might seem to be a costly investment, but considering the value it delivers to the business, it can provide good ROI within months of implementation.

Robotic Process Automation can be applied in every area of the Tax function where manual, repetitive and time-consuming processes are still in effect. For better utilization of the tax professional's time, tax operations should implement automation for processes:

- **Repetitive & Less Manual Decision Making:** Processes that are transactional and repetitive in nature
- **Labor Intensive:** Processes that are high in volume and time consuming
- **Less Business Exceptions:** Processes with low error rates or variations within the process
- **Well Documented & Defined Business Rules:** Processes where detailed documentation is in place and have decision-making processes that can be coded by rules

**Robotic Process Automation will help tax operations to:**

- Expand the value-added tasks in the tax professional's role
- Scale operations easily
- Stimulate innovation & bring analytical insights
- Improve compliance and governance

# 3.

# Problem Statement

Tax professionals spend a huge amount of time and effort on carrying out manual and menial tasks such as reconciliations, pushing same data to different applications, pulling reports, reformatting spreadsheets, distributing results, etc.

Currently, there's a lot of manpower being used in this industry due to the voluminous data dealt with, which could be drastically reduced with the help of RPA to minimize effort, reduce human error and redirect focus to the value-add a professional brings to the operations.

A suggestive tax operations landscape with automation opportunities is as below:

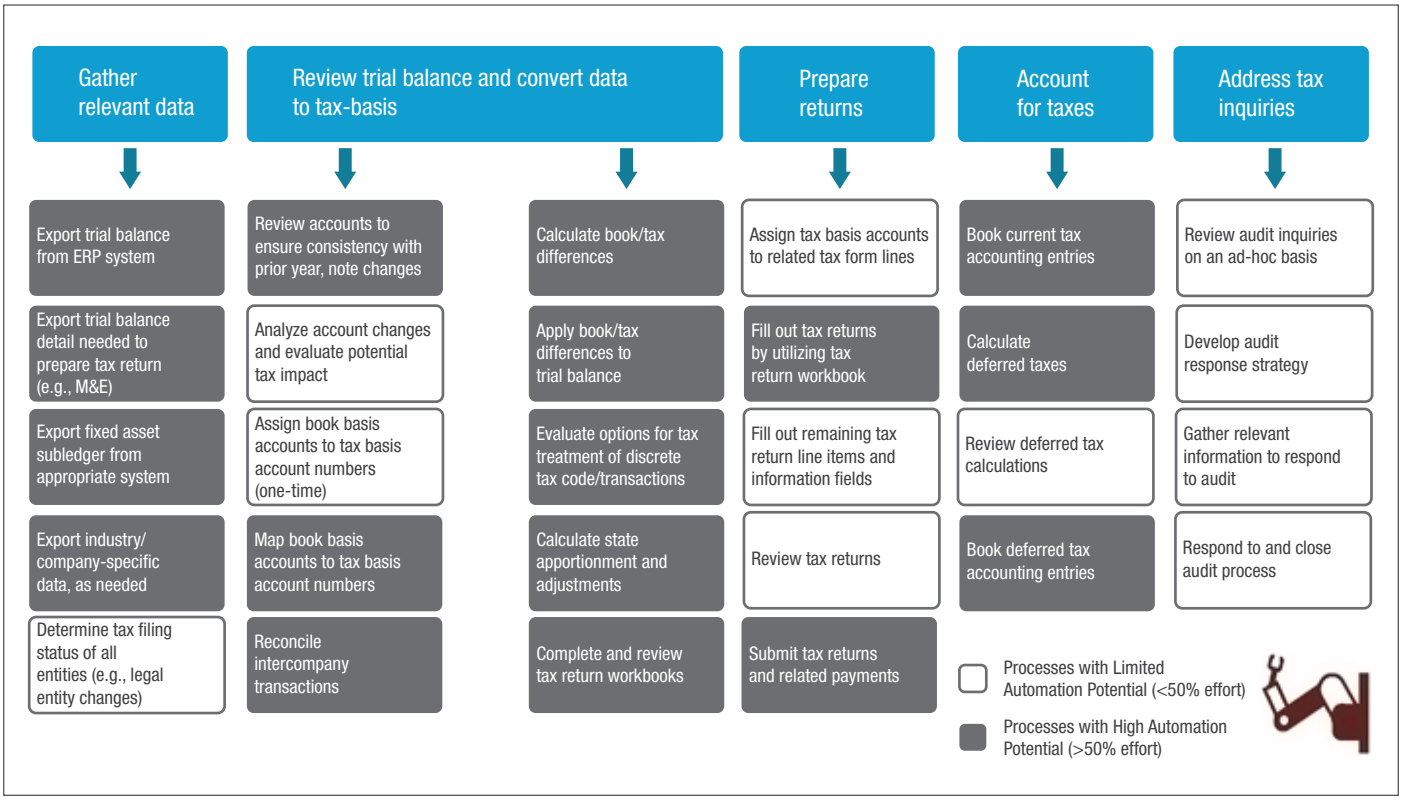


*Fig.1 - Automation opportunities in Tax Operations*

# 4.

# Solution

RPA evokes the greatest value in speed and accuracy combined with the volume of repetitive steps performed for a process. RPA is basically using software or robots to mimic human actions, but at scale by automating the human element of mundane, manual and repetitive tasks. RPA tools integrate with existing applications to interpret interfaces, manipulate data, trigger responses, and communicate across multiple systems without making any changes to the application. Adoption of RPA also leads to enhanced solutions such as AI and Machine Learning which will further transform the automation agenda in Tax operations.

Below points can be considered for identification of processes to be included under the RPA umbrella:

- Data extraction/gathering
- Running reports
- Calculating adjustments
- Workflow management
- Populating work papers and uploading into software
- Transaction taxes
- Transfer pricing/international
- Income tax compliance
- Tax accounting
- Data management

# 5.
# Use Cases

## Use Case 1: Tax Reconciliation

**Objective:** The tax reconciliation process involves preparing a reconciled report based on the tax provisions made in TaxStream - the tax provision application and trial balance in SAP on a quarterly and yearly basis.

**Problem Statement:** Regional tax preparer sends the legal entity details and the corresponding quarter information in an email to the finance center staff. Finance center staff manually runs six tax provision reports in TaxStream corresponding a trial balance report in SAP and update the excel based reconciliation template. Once complete, the finance center staff sends it back to the requestor for review. This process used to take 20-30 minutes for every entity requested.

**RPA State:** Implemented a Robotics Process Automation solution utilizing OpenSpan. A bot is deployed which continuously monitors the email box. Upon receipt of an email from requestor, the bot runs the corresponding reports from TaxStream and SAP, updates the template and sends it back to the requestor. The finance centers receive on an average 200 requests during quarterly closing and 1000 requests during year end closing.

**Benefits:** Fully automated, scalable 24x7 solution led to 4 FTEs reduction (savings of USD 192K) and elimination of manual errors, turnaround time reduction from 20 minutes to 10 minutes.

## Use Case 2: Investment Accounting

**Objective:** Automate Quarterly Report Download process from Reporting & Analytics application for Investment Accounting and SEC Reporting groups.

**Problem Statement:** As part of quarterly closing process, Investment Accounting and SEC groups run “Fixed Maturity Investment Reports” and various schedules. Significant manual effort was spent in running and downloading these 150+ reposts/schedules.

**RPA State:** Deployed a bot which automatically downloads SCC and IA reports based upon the email request containing the report name and the quarter information.

**Benefits:** Avoidance of manual effort and reduced time for completion of business processes by 30%.

## Use Case 3: Invoice Generation

**Objective:** Generate 80,000 invoices from an archived billing system and make them available at a centralized location to meet any audit requirement/clarification about these historical invoices. Unless this is achieved, the archived system cannot be shut down and the respective cost center would continue to incur associated infrastructure and software cost.

**Problem Statement:** In the manual process, the user needs to log on to the application, select the entity and the month information and generate the invoice. Subsequently, the invoice would need to be named as per the naming convention and then save it at a centralized location. This will take approximately 5 minutes per report and 40-person months of effort for all the reports.

**RPA State:** Deployed multiple bots to run 24x7 and thus finished invoice generation, appropriately tagging and saving these invoices in centralized location within five weeks.

**Benefits:** Achieved the objective within five weeks with complete accuracy. Savings of approximately USD 150K. Referenceable and available repository to meet any audit requirements.

# 6.

# Conclusion

The virtual workforce can be of significant impact and help in effectively transforming the abilities of tax professionals as a tangible benefit in the form of job satisfaction to focus on activities that create value addition and improvements. This in turn will translate into faster processes and efficiency gains. Provided the processes and workflows are mapped with accuracy and foresight, RPA and AI (or other new technologies) can have huge benefits for its adopters without interfering and investing in underlying infrastructure. RPA and AI can also be enabled to meet the gap between increasing workload and reduced funding. Thus, adoption of disruptive technologies like RPA can help financial institutions to focus on further improving their value chain as an enhancement of speed, accuracy, availability and auditability of collecting, processing and submitting data.

# 7.

# Resources Used


- https://www.ey.com/in/en/services/tax/ey-tax-technology-transformation
- https://www.ey.com/Publication/vwLUAssets/EY-what-role-will-robots-play-in-your-tax-function-rpa/$FILE/EY-what-role-will-robots-play-in-your-tax-function-rpa.pdf
- https://www.pwc.com/gx/en/tax/publications/assets/pwc-tax-function-of-the-future-focus-on-today-robotics-process-automation.pdf
- https://www.grantthornton.com/library/capabilities/tax/robotic-process-automation.aspx
- Detailed study and work performed for Internal Client
- pwc-tax-function-of-the-future-focus-on-today-robotics-process-automation


# Author


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Software product & services specialist with 15+ years' experience in strategic planning, problem-solving and decision-making skills combined with technology background. Hands-on experience in managing RPA project life cycle initiatives by identifying, analyzing and delivering various automation scopes in the form of efficiency & productivity. Excels in consulting & optimizing business solutions and leading troubled projects in recovery plans.

## About Mphasis

Mphasis (BSE: 526299; NSE: MPHASIS) applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back™ Transformation approach. Front2Back™ uses the exponential power of cloud and cognitive to provide hyper-personalized ($C = X2C^{2}_{TM} = 1$) digital experience to clients and their end customers. Mphasis' Service Transformation approach helps 'shrink the core' through the application of digital technologies across legacy environments within an enterprise, enabling businesses to stay ahead in a changing world. Mphasis' core reference architectures and tools, speed and innovation with domain expertise and specialization are key to building strong relationships with marquee clients. To know more, please visit www.mphasis.com


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