Oracle Corporation - Senior Vice President and CFO at Amalgamated Life Insurance Company

Interview conducted on August 09, 2023

Topics

Insurance Industry, Life Insurance, Health Insurance, Procurement Module, IT Infrastructure, Cost Structure

Summary

The Tegus Client speaks with the Senior Vice President and CFO at Amalgamated Life Insurance Company to gain insight into the industry background and purchasing workflow. The CFO discusses the company's costs, including losses on claims, operating expenses, and customer acquisition costs. They mention the importance of analyzing loss ratios and industry statistics. The CFO explains that there is no formal procurement team but procurement is handled on a case-by-case basis. They discuss the invoice approval process and plans to use the Oracle module for travel and entertainment expenses. The client expresses concerns about spend visibility and control, and the CFO acknowledges the communication issue between accounts payable and finance teams. They mention the categorization of projects and the implementation of a TPRM system. The CFO explains that they monitor the remaining 400 vendors annually and prioritize the top 100. They use data analytics and automated auditing tools to analyze vendor relationships. The CFO emphasizes the importance of managing expenses and optimizing spend, but mentions resource constraints and competing strategic priorities as challenges.

Expert Details

Current Senior Vice President and CFO at Amalgamated Life Insurance Company. Expert is responsible for leading a large team that includes the actuarial, asset/liability management, cash management, claims, financial operations and systems, financial reporting and analysis, investments, pricing, treasury, and underwriting groups.

Senior Vice President and CFO at Amalgamated Life Insurance Company, a current customer of Gradient AI. The expert is responsible for leading a large team that includes the actuarial, asset/liability management, cash management, claims, financial operations and systems, financial reporting and analysis, investments, pricing, treasury, and underwriting groups. Additionally, the expert is responsible to develop and implement strategic plans to grow revenue/profitability by scaling the business through new product roll-outs, new distribution channels, and strategic partnerships with industry-leading companies.

Q: Can you speak to internal spend?
A: Yes

Tegus Client

Hello, thanks for speaking with me today. Really, the objective of this call is just to sort of understand industry background as you have rich domain experiences through your experience as an executive within the insurance space and also dig into what general patterns of spend profile as well as purchasing workflow looks like for you guys. I think it'd be helpful for you to maybe give a quick background of yourself and then we can dive right in.

Senior Vice President and CFO at Amalgamated Life Insurance Company

Sure. I'm a senior finance and strategic operations executive with over 20 years' experience in the financial services, insurance and reinsurance industries. I've earned a GE Finance and Operations background. Pedigree through various CFO, risk management, Six Sigma quality roles of increasing responsibility in both the U.S. and overseas.

And I've been in CFO roles for the past 12 years in private equity-backed companies, where I've led all aspects of finance, FP&A, technical accounting, budgeting, strategic and capital planning, capital optimization as well as reinsurance structuring, program management and risk assessment. I worked in a lot of small companies.

And as a result, I have to wear a lot of hats and do a lot of nontraditional finance things like in my current role, I'm responsible for underwriting, claims, rating agencies, investments, pricing, for FP&A. So, whatever the requirement, I will do, and I'm also a strategic adviser to boards and CEOs in developing business plan, strategic plans, whatever, where we're going to kind of scale up a business to increase revenue and increase EBITDA and do that as quickly as possible by really focusing on operating performance and productivity initiatives.

And whatever it might be new products, new distribution channels, new customers, strategic partnerships, acquisitions, of course. And so, for the last five years, I've been the CFO for privately held life, health, voluntary benefits and medical stop loss company.

And I lead a 62-person team that includes the gambit of actuarial underwriting, claims, operations, pricing, pretty much anything and everything that would require a finance approval, finance data support, finance analytics, whatever it might be.

Tegus Client

I appreciate it. I'd love to maybe just start with the context that the focus of this call is particularly within your purchasing approval workflow. But particularly within life insurance, are there any unique regulatory or industry specific context?

As an example, I think banks and the executives within banks say of course, compliance and risk is always top of mind for them as opposed to our core within high-growth technology, they'll have risk professionals, and it's something they're cognizant of. But I think from a strategic prioritization standpoint, much lower on the docket. Just as an analogy off the top of my head. Just curious about any unique requirements or challenges that you all face that are industry-specific.

Senior Vice President and CFO at Amalgamated Life Insurance Company

Well, when we look at purchasing, we're not a manufacturing company. So, we're a services company. And so, our costs or categories of costs really fall into three big buckets, there's losses that we pay on claims.

So, we're in the risk transfer business. So, we will take on a risk for a premium for revenue for usually an annual period and depending on if it's someone's life, someone's health, health insurance or we do a lot of disability, those voluntary benefits, critical illness and accident. So, there's a risk transfer element there that we're willing to assume the risk based on a policy and based on what's in that policy, what's a loss event or what's an insurable event for lack of a better term.

And so, we spend a lot of time doing analytics on what we think that we call it the loss ratio will be, that's just an expression of the losses relative to the written premium. So, we spent a ton of time, actuarial spends a ton of time looking at that, looking at industry statistics and then looking at what our experience has been in a particular product line or a particular area.

So that's really critical for us because if you put it on a manufacturing kind of equivalency, that's really your cost of goods sold. You're taking your revenue and you're going to pay out claims. And sometimes you pay overtime depending on the line. The life insurance, you could pay that over 10, 15, 20 years, depending on the age of your underlying insured.

Then our second big bucket is regular old operating expenses, SG&A type of things. And that includes the normal gambit of IT, consultants, professional fees, compliance, sales and marketing, promotional, kind of all that a normal company traditionally would have. So, there's not really that much difference there.

The other one that's a little bit different is our customer acquisition cost category. U.S. accounting and most accounting that I'm familiar with other than regulatory accounting, lets you defer a lot of those upfront customer acquisition costs over the expected time period of the underlying policy.

So, for instance, on a 10-year life insurance policy, we can amortize those costs over 10 years. And what the literature is suggesting that we're matching the revenue with the expense over that expected lifetime or the duration of that policy. So that one is a little bit different because that is a lot of work to determine what is really customer acquisition. I mean we use brokers, we pay commissions and things like that.

So that's pretty straightforward, but it also allows for an internal analysis of my time, actuarial time, the underwriters' time, the underwriter is kind of the risk person that makes the decision on the insured and the credit, so to speak.

And then there has to be an internal allocation and a time study done to say how much per product or per product line, those individual spend and then we do an allocation every year to try to match the time that the underwriters spend on life or the health book or the voluntary benefits book or other strategic partnerships or other products that we may do and try to match that time and expense with the expected duration of the new product or renewal.

Tegus Client

Very helpful. So, I'd love to dig into the OpEx line item, the sort of “SG&A” bucket, sort of the most applicable use case. Could we double click in on what the breakdown of that is, both volumetrically as well as in terms of dollars spent, sort of across the gambit of IT, marketing spend, contractor spend. What do the primary buckets look like for you guys?

Senior Vice President and CFO at Amalgamated Life Insurance Company

I think the big primary one is IT. We spend a lot of time developing new software and new technology for our clients. So once again, some of that can be capitalized and deferred over the expected lifetime of that. And some of that also depends, we use consultants, experts to do the coding or to make specifications that we require.

So usually, the way the industry looks at it is they call it an expense ratio, which is really a percent of those expenses relative to your revenue or your premium. So, it depends on the scale of the business and the scale of the company. But usually, as a ballpark, it's usually 5% to 10% of your premium.

So, from my time in 20 years in insurance, once again, it depends where the company is on the life cycle of a lot of their IT work. We're also a third-party administrator. So, we keep that separate, but sometimes the insurance company gets indirect or direct benefits from the work we do on the third-party administrative software as well too.

So, I would say probably 30%, maybe 40% is IT related that would include development, QA, testing, all that kind of work as well as consultants that do the work. And then there's a fair amount spent on professional services. So that would be accounting, auditing, tax, we have a small legal team inside, but on more complex things, we go out to, unfortunately, New York-based attorneys, and they can be very expensive.

So maybe another 1/4 of that is professional services, but that would also include consultants that we use for specific projects that we did. So, we've done detailed product analysis or market analysis to enter a new product or to offer a different risk transfer mechanism.

So as an example, sometimes our products are just for an individual. So, you and I, you may have life insurance, everybody has car insurance, we don't offer a car insurance, but then we change that from an individual basis to a group basis.

So, it's just the two of us individually, it's 2,000 member or a 200,000 member either association or some affinity group that has a similar cohort of interest and that can be from we've done bicycle clubs to homeowners associations to university or college groups as well too. Or it could be we do some trade unions as well, so a big 100,000- or 150,000-member trade union. We will spend time working with them. So that consultants cost is all kind of wrapped up there. So that's another quarter.

And then the rest is pretty much compliance. There may be specific projects that we have to do for new projects or most of the times, our business is regulated by a specific state. And so, as part of that regulation, you have to send your policy, they call it the form and you have to send your pricing, they call it the rate to the jurisdiction for approval and especially if you change the pricing or we review the pricing annually, so we'll send that for a rate increase to selected states.

Usually, we change rates across all products and say, maybe 10 to 15 states a year. And so, there's outside compliance costs as well as internal compliance costs just to monitor and to make sure we're following the regulations of our cited state.

And then the rest is kind of all other. A big piece also for us is real estate. We lease building space, we've cut back on that dramatically over time as I think a lot of companies have. But other than our people expense, which is also in there, then it's your operating expenses for your real estate and your office footprint.

Tegus Client

That makes sense. Could you walk me through what the procurement team looks like? I don't know within the team you managed if there is a formal procurement team, if not, just curious what the scoping, how it's disaggregated across other departments?

Senior Vice President and CFO at Amalgamated Life Insurance Company

No, there is not a formal procurement team because we're less than 400 employees. So, procurement, it depends on what it is. So let's go back two years or three years when we decided to shrink our footprint in our building. So, what we did, we had an existing relationship with the landlord. And so, we went to the landlord and said, hey, we're willing to renegotiate this lease, but we want to give you back about 1/3 of the space.

And so there is no formal procurement. So, it was largely my team working with outside counsel. First, we determined what business we wanted to do in terms of space requirements. And knowing that we're in the space, it was very easy to figure out what we didn't want and how we wanted to reconfigure it.

And then we worked with outside counsel to determine how we would do this from a legal perspective, a document perspective. And then we proposed an arrangement to the landlord. And then I, senior management negotiated directly with the landlord and then got to kind of final terms.

And maybe that's not the best one, but there is no formal procurement it's mostly upfront. There's a business need and whoever's requirement. So, if we bring on a new broker, the sales and marketing team would be involved. And then every financial aspect has finance review, every legal and compliance aspect has a legal and compliance review, just to make sure we're not doing anything illegal or it's clear on what we're doing from a legal document perspective.

A lot of times, then we run that by our outside counsel just as a high-level sanity check. And then we negotiate the business terms as best we can. That's either I, depending on the dollars or it's based on a lower-level person if it's, say, less than $100,000 or less than $0.5 million in cost.

And then if it's IT related, clearly then the IT team gets involved and negotiates the spec and all the related aspects to that. And then once that's all done, then that will get entered into our contract management system, which also has a contract approval system.

It's funny you bring that up on the purchasing or the procurement, we've always thought we could add that, but that system doesn't allow it right now, and it's one of the major contract management approval system. So, we use that for deal approval as well based on delegated approval authority. So, we thought we could just use that for operating expenses as well, too, but it isn't as accommodating to do that, unfortunately.

And then it just gets all bound up from a legal perspective. We'll let accounts payable now as part of my team. And then if it's a new vendor, we set it up in the AP system in Oracle. We use Oracle EBS, and we use the Oracle accounts payable module to help us do that. Once again, Oracle is very robust, as I'm sure you know, we do have a procurement module in Oracle, and it's embarrassing to say, just we've never turned it on.

So that's something we're looking at doing. Actually, that was a project for like two years ago, and it just never got the attention and IT attention to do it because they're spending a lot of time on customer portals and other more friendly customer interfaces with our customers.

So, we're probably because of our size, and we're not a leader. I mean I hate to say that we're not a leader in IT and we'd rather see what the market does and then either beg, borrow, or steal or convert or take from there and then customize whatever it might be needed for us or for our customers.

Tegus Client

Very helpful context. I guess just turning on the procurement model within Oracle. As we think about pain or process inefficiency, it seems like the process largely seems to work. Perhaps there's some point inefficiencies such as consolidating everything within a CLM that obviously creates limitations in terms of using it to approve OpEx spend more broadly. What would you identify as perhaps the largest point failures or pain within the existing system?

And I think also layering on top of that, it is a helpful data point to understand that there was an initiative to operationalize the Oracle procurement module two years ago, but it's just you are CFO, you have, I imagine, an infinite list of priorities that's just continually got pushed down.

Senior Vice President and CFO at Amalgamated Life Insurance Company

Yes, I mean I think to the second question, that's the issue, is there were other needs. As I said, we have a third-party administrative company. We also have a medical care management company. There were other more customer-facing requirements and needs. And even though we're not sophisticated, we do a very intensive budget discussion, and we have to force rank all the projects, one, two, three; one is priority and three is not.

So, it always seems like the business invested a lot in Oracle EBS, and now we're doing things more practical like moving it to a cloud with Oracle's help. And clearly, Oracle is always hounding us to come on and spend more and spend more.

And at this point, let's get it to the cloud, let's get it stable and efficient and working and why break something that's not broken today. And our business is an old-fashioned kind of insurance company. So, there's some reluctance to change other than if it's for a customer, either a new customer or a customer has said, specifically, I need customer portals where I can access my billing or I can access my payments or I can access whatever I might need to access without getting too specific.

So, a lot of that, it's more the front end is driving the requirements in the spend versus the back end. The system itself works. There would be some modifications and customizations required to kind of turn it from just a contract system into more spend system.

It's doable, but it would take some time. And it's always the issue, well, the business has to provide the spec because IT doesn't know. And then the business saying, oh, no, well, IT, you should do this and give us a prototype and then we can enhance or change or modify.

So, it's one of those who has the chicken, who has the egg and where do we start and they'd rather do the more exciting things like portals and moving things to the cloud and spend where there's a stronger business case, there's a stronger ROI for that versus, oh, let's just enable the purchasing function or the AP function in Oracle. That doesn't really have a huge return, even though it would make our life from a finance, AP's perspective, much easier and much simpler.

What I think we're going to do to prove it to the business is we're going to start doing travel and entertainment and living expenses through that module to start and just to show the business that, hey, salespeople or anybody who travels, this will be really easy.

And it won't be as slick as Concur or other systems that I've used. But hey, all you have to do take a picture or post us to wherever on a website and your expenses are all done. But once again, there's a lot of work in the coding of that to build in approval authorities, to build in exceptions, to say, okay, well, if you stay in New York City, the hotel price should be X versus if you stay in L.A., it should be Y, or if you stay in Chicago, it should be Z. And that all has to be done based on our internal guidelines and our policies and procedures for lack of better word.

So once again, it's who's got the time to do that, and we really don't want to hire a consultant because it's pretty straightforward to do. It just never makes it to the one or the two bucket in terms of the priorities.

Tegus Client

For sure. If you all use POs, from a downstream standpoint as you think about your AP team, how do they handle incoming invoices? It sounds like initially, there's a budgetary approval process. If it's several $100,000, it seems the request gets routed to the BU leader if it's above that or above $500,000, then it might get routed directly to you for budgetary approval. Is there also an invoice level approval? How does AP handle matching to assign it to the right vendor, and the right line item, et cetera?

Senior Vice President and CFO at Amalgamated Life Insurance Company

No, there is at the invoice level approval, and I'll even approve invoices depending on if I'm the business unit owner of that, say, consultant or that vendor or that third-party provider. So that's what we try to do is have the invoice sent directly to the business owner for lack of a better term. So, for consulting or for marketing, it goes to either the department head or the second in command.

And we're still very paper driven. We're trying to get away from the paper, but still a lot of this is either done via e-mail or for our sales team is all remote across the U.S, so they'll do scan things in, and we'll copy, we have a dedicated mailbox for AP, and then it's still very manual.

They'll match it to what we thought we were going to spend on this project or what was approved in advance. And then if it doesn't match it kicks out and then they'll go ahead, resolve any difference and then send it for processing depending on the terms. And then to answer everything into the system based on all of that.

Tegus Client

That makes sense. Do you feel like there's a lot of “rogue” or shadow or unaccounted spend? We've heard a lot of spend visibility comes from the invoice approval level, but as a consequence, a lot of finance teams and not really getting granular detail on the vendors.

For example, not knowing specifically what product-wise, we're purchasing from vendors, everything build in aggregate. There's also obviously a time delay between when the spend actually occurs from a cash flow perspective versus, you know, when all post all the approval processes happen. What's your sense of the degree of perhaps spend visibility and spend control you have using the existing process?

Senior Vice President and CFO at Amalgamated Life Insurance Company

I'm not sure it's rogue. I just don't think there's a lot of visibility because accounts payable always complaints to me that, oh, I didn't know about this one, or I didn't know that you were doing a special project with an outside consultant. And if it's a new consultant, then I got to clear them and do all the with the W-9 process and all that. So, I get them involved there, but it's more for recurring expenses where maybe we haven't used this vendor in two years, and then we do another project with them or it's a one-off because it's something that's changed or is different.

And it will depend on a lot of different variables, but it's more a communication issue upfront. And our simple solution to that was just let AP know upfront and they'll either go to my controller or they'll go to me and say, hey, what is this? And where should this go?

And then based on that, it's either similar to or this is a vendor from two years ago or it's a new vendor. So now you got to go through all your onboarding process and get all the documentation and then set it up in the AP system. But they always complain they're not being told upfront about it and all of a sudden, they know when there's an invoice to process, and they'll be like, what's going on?

So yes, some of that is on me as a business unit owner, but I don't communicate with AP every day, and I try to be inclusive as possible to let copy them on e-mails or let them know this is coming. For the bigger ones we usually do, if it's millions of dollars and especially for the software ones, where there's a piece that could be amortized over time because that can be very big, and we need to set that up right. But if I'm just doing a one-off $50,000 consulting project, yes, I probably don't let them know until either I got to send a first payment or at the end when I got to pay for the consulting project.

Tegus Client

That's helpful. How do you control budgets? I imagine at the initial fiscal planning session, there's sort of a budget allocation by department, it sounds like a one, two, three prioritization of the level of importance of each project. How do you ensure that these are adhered to, and there's no cost overrun?

Senior Vice President and CFO at Amalgamated Life Insurance Company

Well, we break the projects into two, and there always is. So, we just do that for the IT projects because they tend to touch a lot of different areas. I mean we do prioritize other projects, but there's just a discretionary amount to use.

So, what we traditionally do is every like October, we sit with IT for multiple days and go project by project and break the projects into new projects, meaning the project has not started. And so this is a new need, this is a new project, and we may or may not have a scope yet from the business. We may or may not have costs or we have a range. So, this could be, say, $50,000 to $100,000. And so those get a lot more scrutiny than do the recurring projects.

So, we actually set them up based on that in the system to say, okay, this is a recurring project, and it was supposed to be, I don't know, $100,000 and we've spent like $50,000, and we're going to spend another $50,000 in 2024 based on the $50,000 we spent in 2023.

So, if the project is kind of on track. We have a PMO, project management office from the IT perspective that reviews those monthly, especially the big ones, so usually, it's $50,000, I like to see over $100,000.

And then the bigger projects, I mean management is just more curious about where are we, both from a scope perspective and are we over on budget and over on budget in terms of requirements. So that's kind of the informal way that we do it.

And then the PMO is using not very sophisticated tools to track those but is effective because we have someone who has been with us for 20-plus years. They know all the projects inside and out, and they know where the scope creep will be or he knows where there's cost overruns or what we've seen a lot, and I'm sure other companies, too, someone gives notice and then we're going to lose this resource. And so, we need to backfill quickly and keep the project on track.

So, it's a combination of the PMO, and it's really an IT PMO, it's not a business-wide PMO and then the larger, more strategic projects for lack of a better term, usually get my attention or the CEO's attention just to make sure, once a quarter, we look at everything that it's meeting customer requirements, it's on plan financially, and it's on plan for delivery.

Tegus Client

Makes sense. How do you manage third-party risk? I was surprised to hear that the carrier is held responsible for all essentially third-party vendors and that extends to agents as well. Just curious what does the TPRM process look like? Which team is responsible? Is there a dedicated vendor risk team? Or is that pushed on the InfoSec or another team?

Senior Vice President and CFO at Amalgamated Life Insurance Company

Prior to like 1.5 years ago, we didn't have anything. And then we used an outside internal audit function. And as part, I had brought them in four years ago. The leading kind of risk initiatives, they're like, we got to do something on TPRM.

So, we finally just bit the bullet maybe last fall, and then implemented a specific system to monitor and measure all those risks. Well, the way it fell out, nobody wanted the hot potato. I didn't think it was a finance requirement. Compliance didn't want it. So unfortunately, our CISO got stuck with it, which kind of makes sense because there's a significant amount of IT requirements and validation and verification that has to be done for those vendors.

And then working with the outside vendor, we prioritize the vendors across the entire business. So, if you have 500 vendors, there's no way you're going to run 500 vendors through your TPRM system. So, the TPRM vendor had a great tool to help us prioritize and kind of rank, rack and stack, which we ended up doing 100 of the 500, which I thought was pretty good.

And then we just assigned responsibility across those business owners. So, for instance, I have the large brokers, I have our reinsurance companies. And there's a very rigorous data requirement template that you have to go out religiously and then put the exposure and everything else in there.

And then based on the TPRM vendors experience, they kind of decide which were top 50, and which were the next 50, and we focused on the first 50 first, and then the second 50 second. We've made good progress, especially on the top 50. We have not done all that well on the bottom 50. But we know now that there is a process with existing vendors, and they don't like it, especially on the professional services side.

And then for any new vendors, there's a specific requirement that the software mandates that has to be done with any new vendor, especially one that's deemed critical, mostly it's IT vendors or it's other consultants that may have significant expertise.

So, we're not perfect on that, but we're much better than, say, where we were two years ago. We have a process, a system and a tool, and we're tracking it. And it's part of our annual internal audit review that internal audit will look at it.

Tegus Client
Do you all use a platform like a Venminder or Panorays to conduct TPRM? Do you know, if it's sort of a general platform or industry-specific to insurance?

Senior Vice President and CFO at Amalgamated Life Insurance Company
It's a general platform that's been a little bit customized for insurance. For us, the insurance piece wasn't really that important because we still have vendors and consultants and IT projects, and we can put in our brokers, we can put in our reinsurance providers. We can put in related only insurance company partners that you would have. But the goal was, well, we know the big brokers and we know the big reinsurance vendors, or we know the other parties from a third-party or a credit risk perspective, let's get all the other kind of traditional stuff. And really, the focus was on the IT side.

So, it was with more like all our security firms, all the vendors that our CISO has, and we use certain vendors to do testing every year and desktop audits and things like that. And we didn't want to spend on customization with this vendor either.

So, there was minimal customization, and we could use about 90% or 85% of what they already had done. So, we're like, let's just use that, and then we'll spend a little money on customization, but it was more important just to get us up to a certain level, and then we can deal with the insurance specifics later.

But those worked fine because I had most of those nontraditional vendors like brokers and big reinsurance providers that we use or other specific insurance partners, and we were able to kind of squeeze the circle into the square box and get it to work.

Tegus Client
That's very helpful. Sort of the remaining 400 vendors, does that present any material risk to the business? Or do you feel fairly comfortable prioritizing? So, the top 100, which I imagine are more IT related, there's more sensitivity around data access controls and security. Just curious how you feel about the tail 400?

Senior Vice President and CFO at Amalgamated Life Insurance Company
We're okay. We monitor those though, and we'll do a once-a-year kind of update, it really falls off the cliff. I

mean it goes down dramatically because now you're talking a consultant that you may use once a year for $50,000. Well, okay, we've known this consultant for 20 years, and we're comfortable with the risk. So that was part of what the business had to do.

And we do look at those annually. We look at probably the next 100 down. And especially, we look at fluctuations. Is anything moving? Are we doing more business with this vendor? Or is it going down? And then some do come up, but usually, it's pretty static year-over-year.

And we're a private company, there's no SEC or other issues like that. And we do look at it as part of the TPRM annual audit that's done. So internal audit, we'll look at it and say, oh, did you notice this, and especially now they're using a lot of data analytics and a lot of other automated auditing tools where in like two or three hours, we can have an analysis of which vendors potentially could be breaking through versus having the PMO or the CISO go and do that.

So, we're comfortable, we watch it. And if there's fluctuations, we'll go to the business unit owner or the business owner and say, okay, what's going on here. Why is it going up or down, and it's more, if it's gone up, then we may need to move it up.

Tegus Client

Yes, I'm just curious sort of stepping back as you look across, we're chatted through a lot of items and I think, covered end-to-end of what your procurement as well as what your purchasing workflow looks like. From the vantage point as CFO, what would you say are the largest pain points or areas of opportunities within this? And among the list of priorities you have, where does any pain fall sequentially?

Senior Vice President and CFO at Amalgamated Life Insurance Company

Yes, I guess my concern is if you have a tool like we have with Oracle EBS, and I'm not advocating Oracle is the best system or whatever, let's use what's there already and let's turn it on or turn it off. So, that's a very selfish thing, but I think that there is a lot of business impact to be had. I mean, my goal is to grow revenue and to minimize the losses and then control expenses.

So, every two years, we do an audit of our expenses by a third-party firm as well. And so, we find the areas there that we all know about that we should just be doing better. But like the rent or the real estate footprint, we took care of that two years ago in COVID, so we know that's been done.

So it really then just comes down to managing the people cost and the benefits, and then all of these other types of kind of SG&A type of expenses. So, our view is we don't have a huge budget for new projects that we have to really optimize that spend, if that makes sense, and be thoughtful and deliberate about where we want to spend for that. And then it really needs to have a real business impact the customer need.

So, a lot of things, as I said, just don't make the cut. And it isn't just a finance, there's a lot of IT projects as well. And so, we have to focus on the top 10 projects for the business and then just monitor those and really knock those out of the park in terms of performance and getting it done. Those are kind of my priorities as CFO and then just enhance the controllership of it, but I'm pretty comfortable with that having been in the role over five years, I kind of know where all the risks and potential issues are.

Tegus Client

For sure. Out of curiosity, what are the current strategic priorities for the business, whether it's on a project perspective or like a higher-level standpoint?

Senior Vice President and CFO at Amalgamated Life Insurance Company

I mean we want to grow the business as prudently as we can. We're not going to grow 20% to 25% a year, but we want strong mid-teen growth, and we got to do it in a risk-adjusted way, making sure we're not taking outsized risks. And if we do, then we want an outsized return.

And then the claims, the loss ratio, we need to manage that with a lot of detail and almost like a maniac, we review it monthly. And we developed software to help us do that. So, within a couple of days of the close, we can see by customer, by program, by product for the last five years what those loss ratio trends are. And that really helps us to identify where there's issues or where things are going well and then that's a feedback loop to sales and marketing.

And then it's just monitoring and managing expenses as much as we can. IT does not report to me. So, I don't have to get involved in it other than I just see the results of it. And so, since it's a private equity backed investment and we want to make sure we meet the private equities requirements as well too.

And I'm sure you work with private equity, you know what those requirements are to scale a business as quickly as possible and scale it profitably and then monitor and manage the daylight out of expenses and then forward opportunities for M&A or for tuck-in acquisitions or for book potential exits in a reasonable period of time.

That's probably not going to happen here because they're committed based on the equity that's there. But either way, if someone makes us an offer, we want to be able to potentially sell or sell a portion of the business if needed.

Tegus Client
Definitely. And what's the sense of the volume of invoices that your AP team sees monthly?

Senior Vice President and CFO at Amalgamated Life Insurance Company
I think it was a little around $10,000. And some people bill quarterly, some people don't. And that would include employee expenses for travel and things like that as well, too. We pump all those together.

Tegus Client
Is that $10,000 a month or $10,000 per annum?

Senior Vice President and CFO at Amalgamated Life Insurance Company
No, it's $10,000 per month.

Tegus Client
Got it. It sounds like what we term “upstream” at intake, there's honestly not a lot of pain for you all, I think it's largely a question of strategic priority, but I mean, you all have a relatively efficient system, it seems like currently. Obviously, there will inevitably be areas for opportunity, but workflow optimization doesn't seem super high on your list of priorities largely because the existing process works so well.

It seems like if there were to be pain, it's more centralized downstream, likely your controller has a bit more exposure to it. And it seems to manifest in lower than perhaps wanted spend visibility.

It's curious to see the level of invoice volume that you all deal with and the need to staff up against it. I guess I'd love to dig in here and understand downstream from an AP standpoint, what is painful and what is highly manual about that process? I think adding FTEs and throwing bodies at a manual problem is never optimal.

Senior Vice President and CFO at Amalgamated Life Insurance Company
Right. And that's why I think if we have the functionality sitting there in Oracle, let's turn it on. And I know that it's a hackneyed expression, but it's just not a business priority. And it's not even a strategic priority. It's a finance priority, but then finance would get moved away because I have an Oracle expert, and I would have to move them away from what they do every month and supports the close and supports audits and support regulatory audits and supports statutory requirements and the state of domicile were being audited by now on a multiyear basis, I would have to move them away to spend three months and they can do it.

They’ve done it in other jobs, and I'm confident that they can do it, but they would have to spend three months writing requirements and testing and taking time away. So that's really the pain point is we can't continue to add people so we're trying to do this via a little bit of setting something up so it can catch the invoices faster. But I think that's the issue. If I had to take the team away for three months, that would just rack the rest of the business and especially the lead Oracle IT person, internal person.

So, I just can't do that for them to write spec and right code and then they have to work with Oracle and get all that done. It's doable. We have a plan. But sometimes it's easier just to hire another AP clerk to handle volume, especially at a quarter or year-end to do it.

I mean, I know that sounds really bad, but we're restricted on resources and costs, and I just can't take a team away for a quarter or more to do that and then to test it and then you got to do it at the right time. So, there's only like a once or maybe twice a year period, you could do it because then you're going to put everything else at risk.

And we've had the discussion and the debate and the fights over it, and I get it. I'm like, well, you can just do both and unfortunately, they don't like that answer either. And they're like, well, what are you going to do? And I'm like, well, I'll review it on Saturdays, but, you know, things like that, it becomes like two jobs. And I get it. They got to do their current job and then they got to do this incremental job. And then there's other projects as well too.

That's the struggle when you have resource constraint and you don't have an unlimited budget, and that means then it just goes back to the bottom of the barrel and then maybe we'll start it again next February and see if we can get traction by, say, June and then that's kind of it.

Tegus Client
Yes. Any other last things that are top of mind that might be helpful for us to know that perhaps we haven't talked about?

Senior Vice President and CFO at Amalgamated Life Insurance Company
No. I think a procurement system is what we would need. It's just getting that to be a business priority when there's other things that we talked about that have more front end, even from a middle office perspective, I still can't get people convinced to do it. So, the more tools and the more automation, it's clearly a case to do that, but it's the business case when there's other things that are strategic priorities.

Tegus Client
Great. Well, thanks again for your time and help today. Take care.
