

## RESEARCH & DEVELOPMENT TAX CREDIT CASE STUDY: INSURANCE INDUSTRY

Brown Plus helps businesses determine their eligibility and maximize their strategy for Research and Development (R&D) Tax Credit benefits.

The R&D Tax Credit rewards companies that pioneer innovation, which allows our society and our economy to flourish. The credit provides a tax break for certain Qualified Research Expenses (QREs) incurred from investing in Qualified Research Activities (QRAs), including wages, supplies and qualified contract expenses.

### THE R&D STUDY PROCESS

- 1 Technical and financial data is obtained regarding the Company's processes and procedures in order to substantiate QRAs and QREs for the tax years included in the report.
- 2 The involvement and contribution of eligible employees towards QRAs is determined, and interviews are conducted with management and employees involved with the research and experimentation process.
- 3 QREs are quantified and funding sources are reviewed to determine the possible impact on R&D tax credits.
- 4 Schedules and supporting documentation are prepared.

### QUALIFYING BUSINESS ACTIVITIES

The insurance industry may be well-positioned to qualify for the credit by implementing or improving technology or processes, including those that:

-  Assess risk, calculate premiums, underwrite policies or process claims.
-  Collect and report customer behavior data to use as inputs for risk calculations, trend identifications and marketing strategies.
-  Improve a client's experience when contacting the company's call center or logging in to an online portal.
-  Automate historically manual internal processes, such as billing or accounting.

## INSURANCE COMPANY R&D CASE STUDIES

### INSURANCE COMPANY A

**ANNUAL PREMIUMS EARNED: \$112,000,000**

#### QUALIFYING ACTIVITIES

Insurance Company A introduced numerous process improvements and custom software solutions to automate its reinsurance management, billing, claims, workers' compensation, Business Owners Policy administration and other systems. Additionally, the company captured and analyzed accidents, violation and loss information to provide more competitive rates for clean businesses and reduce the risk of adverse selection. The company also transitioned its on-premises claims system into the cloud, increasing its functionality, reliability, performance and quality.

**TOTAL R&D TAX CREDIT: \$306,000**

(Annual)

**INSURANCE COMPANY B**  
**ANNUAL PREMIUMS EARNED:**  
**\$201,000,000**

#### QUALIFYING ACTIVITIES

Insurance Company B implemented a systems modernization initiative focused on standardizing methodologies and processes by integrating internal and external customer specifications. As part of this, the company built a special server that was tasked with replacing and building new optimal processes. A strong focus was assigned to replacing manual steps with software automation. The company also modernized its claims system and provided the functionality for automatic payments. A lot of time was also invested in a new data model for acquiring better insights into opportunities for improving operational efficiency and enhancing the overall customer experience.

**TOTAL R&D TAX CREDIT: \$255,000**

(Annual)

## BROWN PLUS INSURANCE PRACTICE



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