REALIZE YOUR POTENTIAL

Insurance Solutions – Pragmatic Paths to Cost & Transformation Efficiency
LOSING WEIGHT AND GETTING FIT AT THE SAME TIME IS TOUGH – STAYING HEALTHY IS THE REAL GOAL
EXTERNAL FORCES MASSIVELY CHALLENGE CFROs IN MANAGING FINANCIAL PERFORMANCE AND HEAVILY TRANSFORM THEIR BUSINESSES

THE CHALLENGE

KEY DRIVERS:

- Regulatory changes
  IFRS 9/17, Solvency II, EU GDPR, ...

- Market dynamics
  Low interest rates, fierce competition/margin pressure, new (digital) players

- Technological advancements
  Digitalization, automation, cloud computing, big data

EXEMPLARY RECURRING KEY CHALLENGES FOR CFROs

1. Identify and manage additional financial levers to improve financial results (short, mid and long-term)

2. Guide business in a new and dynamic environment by providing relevant & meaningful management information

3. Manage a holistic and focused transformation roadmap, including dependencies, costs, risks, benefits and flexibility

4. Maintain full control over operating model changes (harmonization, standardization, centralization, digitalization, flexibilization in sourcing)

5. Ensure harmonized and efficient process, data management & external reporting
The analysis is anchored around **4 core levers**

1. **Effective expense management and cost efficiency**
2. **Effective management information (MI)**
3. **Process and data management efficiency and automation**
4. **Optimized project/development portfolio**

**Savings - Impact / horizon -**

- **Short**
- **Mid**
- **Long**

**Transformation Efficiency & Effectiveness**

* Based on experience, a realization project covering activities such as zero-based budgeting, sourcing/procurement optimization, LEAN, process excellence, process automation, development portfolio reviews can yield more than 20% savings of the total cost base.
In the coming years, **more challenges** will hit the insurance industry **than over the recent decades**.

### INTERNAL
#### Business Imperatives & Ambition Level (CEO Agenda)
- Demonstrate healthy economics while transforming
- Ensure top-class customer service in fast evolving environment and demand
- Be innovative and establish value-adding partnerships
- Keep up with digitalization
- Maintain technology roadmap to keep pace

### EXTERNAL: Regulatory Change
- Financial Reporting (IFRS 9/17)
- Solvency II / G-SII
- EU GDPR (EU General Data Protection Regulation)

### EXTERNAL: Economics & Market Dynamics
- Low interest environment and cost pressure
- Fierce competition and new digital players entering the market
- High-demanding customers across channels

### EXTERNAL: Technological Advancements
- Cloud computing
- Big Data/Analytics
- Standardization
- Digitalization
- Automation (Robotics)
- Artificial Intelligence
- Blockchain, Machine Learning

**A multitude of drivers heavily impact the insurance value chain and will lead to essential changes in the insurance industry.**

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**Examples HOW Accenture helps Insurers ...**

- Making use of our proven track record on cost efficient end-to-end delivery for complex projects and transformations
- Providing examples, benchmarks, best practices and a balanced pragmatism
- Technology and innovation is at the heart of our DNA
- Offering real partnership: risk sharing models with ‘skin in the game’ to generate value

**Examples WHERE we recently helped to ‘stay healthy’ and save money**

<table>
<thead>
<tr>
<th>Business Imperatives &amp; Ambition Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IFRS 9/17 (2021):</strong> Assessing / streamlining masterplans, roadmaps, generating synergies with other finance &amp; risk initiatives, finding hidden cost drivers in IT and data! <em>(European Insurance Group)</em></td>
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<td><strong>EUDPR (2018):</strong> Pragmatic approaches helping you to comply without boiling the ocean <em>(Global Insurer / Financial Service Provider)</em></td>
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<tr>
<td><strong>IDD (2018):</strong> Managing challenges at low cost, e.g. automation approaches and implicit controls <em>(French Insurance Group)</em></td>
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<tr>
<td><strong>Lifting efficiencies and substantial savings by process digitalization, automation, robotics and AI</strong> (e.g. for accounting, controlling, reporting and many more!) <em>(Global Insurer)</em></td>
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<tr>
<td><strong>Application of focused cost saving approaches:</strong> realigning organization &amp; adjusting cost base <em>(Global Fin. Service Provider)</em></td>
</tr>
<tr>
<td><strong>Bringing your big data / datalake investments to generate real money</strong> - after many ‘Use Cases’ – Prove-of-Concepts and costly research exercises... <em>(Financial Service Providers)</em></td>
</tr>
<tr>
<td><strong>New products AND lower operating cost:</strong> Automatic underwriting for ‘risk baskets’ <em>(Leading Global Insurer)</em></td>
</tr>
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</table>
FOCUS

OUR APPROACH IS STRUCTURED AROUND 4 KEY LEVERS WITH VARYING IMPLICATIONS ON COST EFFICIENCY AND TRANSFORMATION ENABLEMENT

Core Levers

1. Effective expense management and cost efficiency
2. Effective management information (MI)
3. Process and data management efficiency and automation
4. Optimized project/development portfolio

Rational

Create room for higher investment demand and partially counter low interest and price pressure
Establish MI for sound decision making and value generation from insightful analysis
Drive data management/ processes efficiency to facilitate real-time decision making and cost benefits
Divert investments into seminal programs; rationalize legacy maintenance/ optimize cost

Impact assessment based on Accenture SME judgement and recent client experience

Impact level:
- = full impact
- = heavy impact
- = clear impact

Suggested focus areas as starting point for Quick View Assessment
A ‘QUICK VIEW ASSESSMENT’ IDENTIFIES HIGH-LEVEL GAPS, KEY POTENTIALS AND PROPOSALS THAT SET THE ‘LINE OF ATTACK’

**KEY OUTPUTS / BENEFITS**

- Consolidated assessment analysis per module
- Measurement catalogue to harvest potential benefits (short-, mid-, long-term)
- High-level business case and risk assessment for dedicated/ high impact measure
- Direct input for client-specific prioritization for budget neutral investments/changes and strategic transformation

**QUICK VIEW ASSESSMENT**

1. Cost Efficiency
2. Management Information
3. Process/ Data Management Efficiency
4. Project Portfolio Optimization

**REALIZATION**

Approx. 6-8 weeks

Short-term measures - compensating spend for Quick View Assessment

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Cost savings and improved management steering capability by:

- Remove irrelevant reporting
- Slim down reporting to management essentials
- Overhaul KPIs/ methodology

Savings on total cost of up to 10-20%:

- Remove redundant/ irrelevant activities/ outputs
- Improve organizational efficiency
- Optimize sourcing
### Process/ Data Management Efficiency

- High-level data management/reporting assessment (focus: standardization, centralization, automation)
- High-level data and reporting processes representation
- Process Digitalization & Automation Diagnostics
- Process Excellence Diagnostics

### Project Portfolio Optimization

- Portfolio cluster analysis (areas of expenditure, rational/benefits)
- High-level portfolio gap/completeness, consistency, budget & planning assessment
- High-level risk impact assessment

### Quick View Assessment - Key Analysis -

- Harmonization of reporting processes
- Reduction of interfaces
- RPA Robotics and process automation
- BPM Business Process Management
- Process Excellence

### Realization - Exemplary Measures -

- Portfolio additions, adjustments
- Budget reviews
- Legacy system strategy/optimization

### Outcome/ Benefits

- **Affected cost with savings of up to 60%** and clear data management roadmap:
  - Automate and optimize processes & interfaces
  - Integrated data mgmt. development plan/strategy

- **Savings on total cost of up to 10-20%**:
  - Optimize/reduce legacy system spend
  - Removal of non/low value-added spend (risk assessed)
  - Optimize portfolio planning for new technologies
APPENDIX
Prerequisites and success factors

- Availability and active involvement of functional experts
- Clarity on strategic imperatives/cornerstones
- Clarity on top management target/objectives and risk taking approach
- Clarity on top management implementation/realization approach and boundaries

QUICK VIEW ASSESSMENT
Project

Historic flaw/non-value adding spend (predominantly non-staff expenditure)

~0.5-2%

Realization Phase
Based recent client experience

Percent savings in % of total cost base

- Improve processes, stop activities (~3%)
- Optimize sourcing (~2-3%)
- Realign capacity (~3%)
- Consolidate organization (~3-4%)
- Rationalize infrastructure (~3%)
- Total (~20%)
**General Reporting Value Analysis**

- Verify utilization and required content/scope
- Requirements/reports are added over time; often inventory is not frequently reviewed for need/demand

**Abolish/trim down up to 5-35% of reports (pages)**

**Reporting Quality**

- Data vs. insights
- Often qualitative performance driver analysis and recommendations for action missing
- Little/no review of content between receiver and subject matter expert

**Reshape/trim >25% of mgmt. reports; harvest available insights**

**KPI Relevance**

- Value impaired by historic (expense) allocations methods, experience data, etc.
- Little visibility on ‘current’ profitability (early warning)
- Inconsistent sources/data/definitions

**Install more relevant management information**

**Governance and Regulatory Oversight**

- Vet necessity for report compilation governance/review processes
- Review alignment of top management and management reporting provided to regulator

- Optimize governance
- Optimize top mgmt. reporting (regult.view)

**Prerequisites and success factors**

- Reporting inventory within and across functions (provider, compilation effort, content, recipient, purpose)
- Clarity on decision makers, respective remit and specific information/data need
- Clarity on strategic imperatives/cornerstones and implications of data/information/granularity need

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**Delivering Simplification and Cost Savings through a Rigid Value Analysis Covering MI and Underlying KPIS**
# Process Automation (e.g. Robotics)

- Brief, cost effective and quick pay-back implementation (six insurance projects in Germany/ CH so far)
- Strong benefits in areas of repetitive, rule-based processes* in terms of: cost, output quality, staff satisfaction, auditability
- Processing times/ costs reduce by 50-70%
- Quality improvement

# Process Excellence

- Interplay of three key modules: LEAN/ Six Sigma, continuous improvement and business process modelling
- Eliminating non-value adding activities and establishing transparency and performance management tools
- Cost savings of up to 20% in manageable and short initiatives (18 weeks)

# Reporting Efficiency

- Improve quality, speed and transparency in data processes (automation, interface reduction/ source systems, standardization, dedicated data quality measures)
- Making use of state-of-art reporting technologies
- Affected cost base with savings of up to 30%

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* Examples: accounting (reconciliations, intercompany, allocations), claims, client administration

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**Prerequisites and success factors**

- Process inventory across functions (time/ effort, complexity/ standardization, level of digitalization)
- Solution components, data, interfaces and reporting inventory
- Clarity on ‘must have’ & ‘optional’ data requirements

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Prerequisites and selected success factors

- Business and operating model principles provide the basis for well focused project portfolio
- Transparency on projects, impact/contribution and risks
- Embedment of PPM into organization and company governance
- Effective and standardized quantification of cost, benefits, risks & consideration of measurement of ‘qualitative’ factors

Accenture Project Cost & Portfolio Diagnostic (tool-based)

Projects & Portfolio
- Strategic alignment and completeness of projects portfolio
- Qualitative & technical expert review
- Review of capital budgeting and project funding approach
- Assess cost/benefits measurement approach, business case (scoring and ‘hard-linking’ to value (EUR!))
- Comparability and standards
- Quantitative minimum hurdles and company limits/constraints

Risk Reduction
- Review methods for quantification and cost(!) for project risk and portfolio risk
- Standardized reflection of risk in budgeting process & port-folio risk impact assessment
- Assess risks linked to sourcing & procurement
- Risk deep-dive for high-risk projects (sensitivity analysis, stress testing)

Operationalization!
- Engage: Organization/governance process for capital budgeting
- Transparency/controlling: Dashboards for overview, cost/risk drivers and reporting for PPM and capital budgeting;
- Collect: “Project encashment”/tracking harvested benefits
- Cut: “Project cost elimination” catalogue

* Based on our diagnostic we are ready to offer also value-based support approaches which can be neutral to your budget