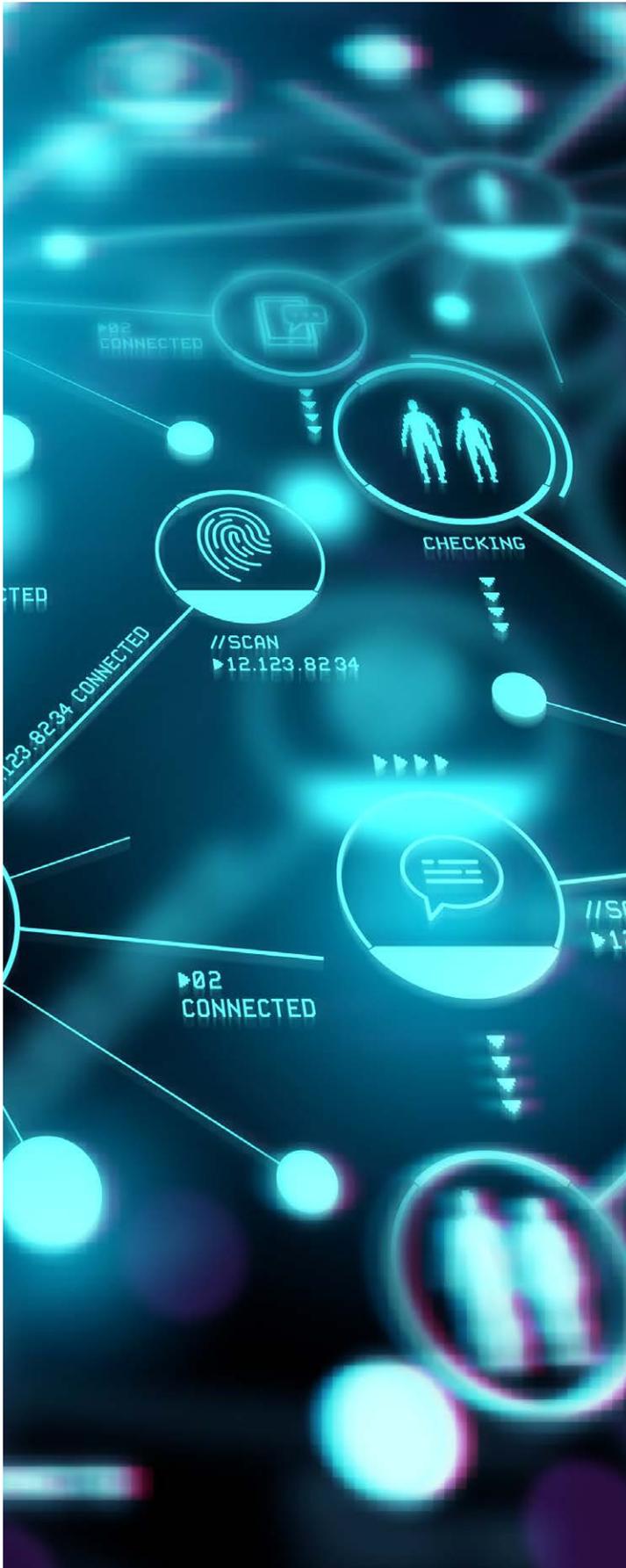




Global Insurance Services

Executive Brief
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We provide insights and guidance on why and how insurers should utilize the strengths of internal auditing to help overcome the challenges to improving and sustaining business momentum and meeting strategic objectives.



In The News

Lauren Cavanaugh Appointed Vice President, Casualty, of American Academy of Actuaries

Lauren Cavanaugh, a Managing Director in the Global Insurance Services practice, has been named Vice President, Casualty of the American Academy of Actuaries. She will serve a two-year term. She most recently was a regular director on the organization's Board of Directors. She also previously chaired the Academy's P/C Risk-Based Capital Committee and participated on the Mass Torts Subcommittee.

Based in New York, Ms. Cavanaugh works with FTI Consulting clients on a variety of engagements including loss reserve analyses, asbestos liability estimation, dispute resolution support, reinsurance risk transfer testing, reinsurance pricing, due diligence support for mergers and acquisitions and other projects. She has experience in pricing and reserving of nearly all lines of property and casualty business, including workers' compensation, professional liability and reinsurance.

The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice and professionalism standards for actuaries in the United States.

FTI Consulting and ForMotiv Have Entered into a Global Strategic Partnership to Deliver Digital Behavioral Data Capture Technology and Advisory Services to Insurers

ForMotiv is the creator of the first digital behavioral intelligence platform capturing a digital DNA of applicants and web users. The ForMotiv solution provides new insights related to web session data-entry form behavior not currently available with other software methods.

Organizations now have the opportunity to capture and use new data on actions such as hesitation, field re-entry, corrections, cut-and-paste, and hover times to improve their predictive models. The combination of this data capture and the financial services industry expertise of FTI Consulting will deliver significant value to insurers, lenders, credit-card issuers and any firm that uses a digital application to interact with agents or customers. Identifying someone in real-time who is having difficulty completing an application, who might abandon the session, or who may be entering inaccurate data is of huge value to many companies.

ForMotiv's "Digital Polygraph" provides real-time analysis of user behavior and calculates "Intent Scores." This capability helps predict user outcomes such as quote completion, conversion, session abandonment, or application fraud, thus supporting departments such as Marketing, Risk Management and Underwriting in reducing risk, eliminating waste and improving performance.





New Advisory & Service Offerings

Dynamic Planning (DP)

DP is a paradigm shift from customary business planning.

Dynamic Planning (DP) represents a paradigm shift from traditional business planning. DP is an AI-assisted planning and decision support framework controlled through an easy-to-use dashboard that complements an insurers' existing planning by enabling insurers to create "what if" scenario analyses regarding a variety of objectives and plans based on application of any combination of internal data; risk-based data and demographic data from data providers; and data from other disparate sources. The system automatically provides users with ranked outcome options from which to make choices that improve performance in line with objectives and plans. DP decreases decision uncertainty and the resources and time to achieve planning results. Used frequently, DP can help insurers stay ahead of competitors in similar markets.

[Read more](#)

Private Equity (PE) Firm Advisory Services

Optimizing insurance risk management for PE firms and their portfolio companies requires market knowledge and strategic insights into claims management, broker relations, and retention alternatives. At the same time, the current environment provides investment opportunities for those PE firms with access to insurance expertise. Our insurance professionals are distinguished by their depth of insurance expertise and experience, combined with their ability to manage projects collaboratively with clients. In addition, we are able to quickly identify issues and opportunities and to present options to senior management for speedy and effective decision-making. In addition to FTI's full range of consulting services for PE firms, we offer key advisory services specific to insurance, including:

- Portfolio Risk Management Services: Risk Retention Advisory & Broker Relations
- Claims Consulting: Complex Claims, including Property-Casualty and Self-Funding Healthcare
- Buy-Side Support Due Diligence Services
- Reps & Warranties Insurance Advisory
- Pre-Transaction, Transaction Execution, and Post-Transaction Support
- Transformation & Performance
- Governance, Risk & Control

[Read more](#)

Sustainable Cost Reduction

Cost reduction is an essential component of an insurer's arsenal for improving the balance sheet and cash position. Often, however, companies rely on small incremental cost reduction initiatives that are not sustainable. In addition, these individual initiatives may not be aligned with company business objectives and can be counterproductive to achieving strategic goals.

To achieve Sustainable Cost Reduction for clients, we collaborate with client staff to employ a proven methodology, first obtaining support from senior management, including the CFO, to inventory existing and potential cost reduction opportunities across the enterprise. In our second phase, we select those opportunities that are aligned with company objectives and that are most likely to provide sustainable benefits. In our third phase, we ensure that structural components such as financial metrics and processes and controls are in place. Our fourth phase is focused on aligning culture with objectives, driving implementation, and tracking results.





Special Advisory

Improving & Sustaining Business Momentum & Meeting Strategic Objectives

The Critical Role of Internal Auditing

Consider what it would be like if your company lacked an Internal Audit function.

- The natural tendency of people to take the course of least resistance would most likely kick in.
- Changes in company objectives and processes may not be properly documented or adhered to.
- Compliance with regulatory requirements and company policies and procedures may deteriorate.
- Fraud may not be uncovered in time to prevent damage to company reputation.

Although there may be specialized risk management functions that may fill some of these gaps, they are not focused on the broad range of potential risk factors as are fully dedicated internal audit teams. In addition, the performance of internal auditing provides feedback to risk management functions and senior management as to whether risks are being sufficiently addressed within an organization.

In sum, business momentum, including meeting strategic objectives, would be negatively affected if there were no internal auditing function.

How Internal Auditing Helps Improve Business

Keeping Pace with Change and Addressing Uncertainty in the New Environment

The insurance industry is changing rapidly as it copes with the impact of COVID-19; addresses increasing damages from natural disasters; and responds to the demands of social media.

Internal auditing has risen to these challenges within the industry by remaining flexible and agile, adapting quickly as necessary to changing requirements while maintaining its principles, standards and ethics to govern behavior. Internal auditing also provides a resource of knowledge and insights to be shared with others in the company.

What Internal Auditors Do

Internal Auditing is the heart of a company's Governance, Risk and Compliance (GRC) practice. Internal auditors are essentially experts in risk management and compliance, which typically involves being proactive in providing process and control improvements. The sum of what internal auditors do helps companies overcome deterioration in performance, thus helping sustain business momentum.

Internal Auditing is generally accomplished through the execution of individual projects or audits, which are designed to provide assurance that all key risks such as strategic, operational, financial and compliance are being addressed by management. Such audits are typically ongoing, with a frequency that assures that there are no significant gaps occurring. Auditing execution involves:

- Reviewing documents and data
- Evaluating business processes
- Identifying key risks to achieving the goals of business processes
- Determining that existing controls are adequate to ensure that process objectives are met
- Identifying control gaps
- Designing and executing testing procedures to ensure that existing controls are working effectively

The output of each project is a report containing audit team findings, recommendations, and management agreement on action plans to address issues.

Internal audit can also provide consulting services and other special services that help management with the execution of special projects on an as-needed basis.

A key example is assisting with internal investigations requiring forensic accounting and analysis skills.

The Internal Audit Function Holds a Unique Position Within Companies

Internal audit is a function of the company, yet Internal auditing is professionally bound to maintain its independence from management in order to ensure objectivity in its reporting. For this reason, internal audit, while part of the company, ultimately reports to the board of directors.

Chief Auditor Role

Internal auditors are led by the Chief Auditor (sometimes referred to as the Head of Internal Audit or General Auditor) who reports to the board. The Chief Auditor is responsible for designing and implementing an effective annual internal audit program and is accountable for assuring that recommendations put forth in the audit reports are implemented by management on a timely basis. Aside from technical and professional acumen, a Chief Auditor's most important skill is the ability to communicate effectively with key stakeholders, such as corporate management and boards of directors.

Takeaway

Internal auditors are risk management and compliance experts who uncover control deficiencies, process inefficiencies and provide assurance that key risks are sufficiently addressed. They also help improve processes that enable management to address key risks in meeting strategic objectives. Internal auditors help create a solid and trustworthy foundation supporting the objectives of senior management and the board. As such, internal auditors are a valuable asset, helping the company improve and sustain business momentum and improve the overall governance, risk and controls of an organization.

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As a leading independent advisor and consultancy to the insurance industry, Global Insurance Services helps clients identify opportunities and define strategies to manage risk, improve operational and financial performance, and drive growth.

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