



Global Insurance  
Services

Executive Brief  
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EXPERTS WITH IMPACT™

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### Expanding Our Team

FTI Consulting's Global Insurance Services continues its expansion of U.S. and EMEA teams, adding to the deep bench of over 500 professionals globally who support insurance industry stakeholders.

- **Amy E. Stern**, Governance, Risk & Compliance, U.S.
  - **Bob Stephens**, Financial Services, U.S.
  - **David Nichols**, Insurance Consulting, U.S.
  - **Simon Grout**, Actuarial Services, EMEA
  - **Peter Kelly** Insurance Consulting, EMEA
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### In The News

- **Paul Braithwaite**, Senior Managing Director and Co-Leader of Global Insurance Services and **Ian Marshall**, Managing Director, Global Insurance Services EMEA, named WWL Thought Leaders Global Elite 2020 Insurance and Reinsurance.
  - **Jim Toole** Senior Managing Director, Global Insurance Services, authors two papers providing insights related to COVID-19's impact on health insurance payers and steps for updating risk management programs post-pandemic.
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### Special Advisory: Strategic Sustainable Cost Reduction

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## Expanding Our Team

Global Insurance Services Continues Expansion Of U.S. and EMEA Teams, Adding To The Deep Bench Of Over 500 Professionals Globally Who Support Insurance Industry Stakeholders.



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Amy Stern is an analytical former senior executive with robust reinsurance experience and in-depth knowledge gained from 30+ years in the industry, including senior executive positions with a number of the top reinsurance companies. Amy holds a B.A. Economics, Cornell University, with Distinction, Phi Beta Kappa.



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David Nichols has 30+ years of senior leadership experience in building and managing profitable insurance companies. His roles have included President and CEO of Interboro Insurance Company, and Assistant Commissioner of the New Hampshire Insurance Department. David holds a B.A., University of New Hampshire, and a J.D., University of Maine Law School.



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How COVID-19 Will Impact  
Health Insurance Payers



Five Action Steps to Update Your  
Risk Management Program for a  
Post-Pandemic World

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## Special Advisory: Strategic Sustainable Cost Reduction

In addition to challenges such as natural disasters, increased competition and burdensome regulatory and reporting requirements, insurers are now faced with the financial effects of COVID-19. As a result, many insurers are now placing a higher priority on implementing a program of Strategic Sustainable Cost Reduction (SSCR).

### Perspective & Context

The role of the CFO has been expanding significantly since the broad adoption of Insurtech solutions and the ensuing shift from legacy systems to digitally empowered systems. With this shift has come the recognition that the CFO is in an ideal position to play a major role in not only ensuring that the enterprise is financially sound and able to meet its day-to-day objectives, but also to help prepare the company for excelling in the “new normal.” A critical component of preparing for the future is ensuring liquidity of the company, which requires a laser focus on

cost reduction, combined with other measures to enhance cash inflow. In this article we provide an overview of how insurers can implement a successful program.

### Enterprise-Wide Program

First and foremost, you should conduct (SSCR) as an enterprise-wide program with the CFO in a leadership role, with support from the CEO. The program must take its direction from the strategic wobjectives of the company and must constantly reference back to these objectives.

### Methodology – A Phased Approach

#### Phase 1 – Launch and Target Setting

- Establish clear accountabilities through an effective program office structure.
- Ensure that a clearly articulated blueprint for the future operating model has been defined and the complete cost reduction opportunity landscape has been identified.
- Establish your cost “baseline” and ensure that this is communicated to and understood by all stakeholders.

## Phase 2 – Analysis

Undertake a structured analysis of the current state operating environment across key dimensions. Analyze gaps to develop transition requirements to new operating models and ensure investment/reductions are aligned to strategic needs.

Analyze current discretionary, semi-discretionary and non-discretionary spend (regulatory, compliance etc.) and alignment of support (non-revenue producing) functions.

## Phase 3 – Opportunity Identification and Delivery

Identify where costs can be sustainably reduced and test the hypothesis. Develop and agree on an implementation plan and motivate and incentivize the stakeholders to achieve the targets

## Actions For Success

### Focus on the Big Wins not just the Easy Ones

Different tactical and strategic cost reduction levers can be applied to deliver material benefits. The choice of lever often depends on the size of benefit, rate of delivery, sustainability and ease of implementation. Examples include Budget Reductions; Operating Model Optimization; Business Efficiency; Restructure of Cost Base; and Infrastructure Cost Reduction. Also see *“Additional Considerations”*.

### Align SSCR Opportunity With Business Strategy and Objectives

A common mistake that companies make with cost reduction initiatives is to immediately depend on “quick hits” to demonstrate progress. This leads to a number of issues, including focusing on the wrong costs. “Good” costs (that support high performing assets) must be differentiated from “Bad” costs (that support poor performing assets).



## CASE STUDY

# Insurer Achieves \$25M Global Operations Cost Takeout

## THE CHALLENGE

FTI Consulting was engaged to develop and execute a global cost reduction program which spanned 90+ countries and impacted 2,500 FTEs in consumer policy servicing (CPS) operational guidelines.

## OUR ROLE

Each country was essentially operating as a stand-alone team. FTI developed a new operating model which was used to standardize CPS processes, identify further cost reduction opportunities and transition processes to regional shared service centers where possible.

## THE RESULT

FTI established a global program of governance and oversight structure and worked in-country with the execution teams to build internal capability. The client achieved run rate savings of more than \$25m in its first year on a global operating cost base of about \$125m.

## Be Conscious of Culture

Performance effectiveness is directly linked to culture, which is often misunderstood and seldom effectively addressed in a transformation program. Yet managing culture change is possible and vital to achieving a successful transformation. It requires a systematic and adaptive approach.

## Eliminate Siloed Thinking

Don't get stuck focusing on one solution without exploring alternatives, especially those that interrelate wto other business units.

## Develop Forecasting, Scenario Models and Stress Testing

This is a dynamic process that includes marketplace activity. It must be continuously updated.

## Assemble Sufficient Resources

You don't need a cast of hundreds, only a small multidisciplinary team that has the experience and expertise to quickly identify priority opportunities, collaborate with internal resources, and implement a program methodology that gets the job done.

## Drive Execution

This includes realignment of culture with cost reduction objectives and business objectives; program governance to include identification of deliverables, timelines, milestones and measurements; and the incremental and transparent reporting to management on measured progress that tracks with deliverables and accountabilities.



## Additional Considerations

- **Communications:** Conduct frequent, transparent communications with stakeholders, focusing on accomplishments and proactive measures undertaken.
- **Cash Intake:** Assess third party drivers of cash inflows, including customers, to accelerate cash inflow and to develop reliable forecasts.
- **Balance Sheet:** Perform a detailed evaluation of investments and balance sheet to strengthen balance sheet.
- **Future:** Prepare for the future by focusing on productivity improvement, including digital solutions, and allocating resources to higher performing functions.
- **M&A:** Consider smaller acquisitions and divestitures that accumulate to bold moves that enhance capabilities and performance.

## Summary

COVID-19 has created significant challenges for insurers of all sizes.

By following the recommendations and methodology outlined above, insurers will be able to uncover various cost reduction opportunities; establish near-term and long-term goals and objectives that achieve cost reductions of various amounts; and put their organization in a better financial position to face known and unknown circumstances.

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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## **EXPERTS WITH IMPACT™**

FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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