“Insurance is sold, not bought” is a phrase of unknown attribution, but common wisdom for decades. Thus, insurers and most financial services organizations have also, for decades, operated as product-driven distributors. However, the paradox may well be that to grow and thrive in this new age, insurers must move rapidly along the continuum toward becoming more customer-driven. Regardless of the exact balance an insurance company’s strategy strikes, it’s clear that there are new realities for which new strategies and organization capabilities are required. Aon’s holistic approach to organization assessment, restructuring, integration, and business model innovation provides the organization transformation insights required to optimize organization design and deliver the promise of dynamic business strategies.

Lessons learned from recent strategy driven organization design engagements

- Acquiring new business and servicing the existing book is the core of any business, and particularly true for insurance. In today’s market it has never been more important to drive deeper customer, sales representative and agency relationships. Disciplined, consistent sales processes are the business foundation; however, today’s reality demands expanding distribution channels, proactive talent management, lower cost sales models, and a presence in both social media and mobile channels. New and refreshed existing capabilities are needed.

- Increasingly specific risk selection and pricing from more granular market segmentation and predictive modeling based projections of future customer and cost behavior are evolving at a rapid rate. Adverse selection can befall companies that lag the market in these new capabilities. Since 2008, product portfolios have been refreshed and product features and pricing have changed at an increased pace and frequency. Fielding products for growth markets like group and managing margins in mature or declining markets all demand refreshed and new capabilities.

- Setting the investment strategy for the company’s excess cash and reserves and executing it effectively to produce target returns, while being mindful of the company’s risk philosophy and asset liability management (ALM) requirements, has proven treacherous in the post-2008 market environment. Capabilities with new asset classes/geographic markets and trading environments, while adjusting risk/return expectations and adjusting time horizons - all are required - driving new internal capabilities and potential outsourcing of key mandates to maximize investment returns.

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Increasingly, customer expectations for their service interactions, and ultimately satisfaction levels with their experience, are being defined by retail consumer businesses. Operationally these interactions are more and more technology enabled. At the same time, the ongoing expense management environment is forcing expanded customer self-service utilization, expanded speed to issue initiatives, intelligent rules engines/predictive modeling to reduce manual touches – all relying on an increase in technology enablement of traditional operating systems. New technology positions and associated organizational capabilities are the top growth category for new insurance human resources invested. Mastering these issues in key processes within a holistic organization design can be a differentiated source of competitive advantage.

Managing and preserving capital, recognizing, managing, mitigating and laying off risk, quantifying uncertainty and its financial outcomes, as well as, reporting on financial results for the benefit of management, investors, and regulators, are all key functions that are only increasing in their complexity and sophistication. Since 2008 enterprise risk management (ERM), has received additional resources as the impact of highly capable companies was shown to be dramatically different than the less sophisticated in the industry. Actuarial analytics, predictive modeling and learning from the “big data” streams the industry produces have also proved to be capabilities that provide valued differentiation in knowledge, uncovering strategic opportunities and quickening response time.

New regulatory compliance pressures with global changes like Solvency II as well as NAIC’s Solvency Modernization Initiative, combined with evolving privacy and PII security, have translated into additional reporting requirements, a need to manage regulatory and government affairs, as well as a more general need to manage and preserve the industry’s public reputation and special role/consideration in the evolving regulatory, tax and accounting environment.

As a strategic partner to the business, as well as in responding to changes in the workforce, labor markets, and compliance, HR must evolve its capabilities in strategy, efficiency, talent and change management. HR continues to transition from administration. Challenges include refreshing the Employee Value Proposition to attract the best talent, cultivating leadership and engagement in the workforce, and reinforcing a vibrant culture that promotes innovation. At the same time HR must join in finding ways to cut costs but maximize perceived value in big ticket expense items like employee compensation incentives, and healthcare and retirement benefits, requiring new skills daily.

Aon’s Business Transformation services can help your company leverage the insights from these organization design considerations and optimize your immediate and long-term business goals.

**We bring value added capabilities to your organization transformation initiative:**

1. **Proprietary and best-in-class WARD benchmarking data, process, and best practices database**

   **Key organization and structure comparative data for evaluation from performance compensation benchmarking**

   - Management structure and ratio to staff
   - Spans, layers and levels
   - Line, operational and functional expense and staffing productivity comparisons
   - Staff skillsets, job titles, and job descriptions relative to work performed in current business processes
   - Gap analysis with industry best practices
   - Optimal roles and resources
Revenue, expense, and headcount analysis at a granular business level for 33 core functions

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Normalizing different business models

Companies operate with different distribution systems, product focus and operating models, making benchmarking comparisons difficult. Our benchmarking approach produces company specific benchmarks by major operations to make the output meaningful for both internal and external comparisons. When you compare to the benchmark data of other companies, the result is true apples-to-apples performance measurement. We provide very detailed benchmarks by function that are not publicly available and cannot be replicated internally.

(2) Center of excellence for financial services regulatory compliance and risk management

Our organization design approach leverages our proprietary and best-in-class financial institutions (FI) Risk center of excellence (COE) in the Aon Global Risk Consulting (AGRC) practice. The FI risk component of our organization design forms an important part of our current state assessment, gap analysis, benchmarking, and future-state design by bringing forward the best current practices from competitive financial institutions and applying them into your organization. The complex technical requirements imposed by regulatory agencies have changed significantly since the financial crisis of 2009 as demonstrated by requirements such as Basel 3, Dodd-Frank, and stress testing. These new regulatory expectations have a material impact on organization structure (legal, compliance, audit, internal audit, etc.) and governance (e.g., board reporting, independence requirements, etc.) that future-state organizations need to address.
(3) Organization transformation services tailored to your situation

We define success based on the results realized by our clients

- Premier insurance provider with ops in over 50 countries
  - Company sought organization transformation following a business model shift and merger
  - Client partnered with Aon for enterprise design and alignment
  - New organization design is driving client value, cost efficiency, and an engaged workforce

- Third largest insurance company in Europe
  - Client with over 80,000 employees globally, operated in a highly decentralized model
  - Aon worked closely with the new CEO to align rewards and talent programs to the new business strategy, identify opportunities for group-wide cohesion, and adopt best practices

- One of the largest insurers in the United States
  - Claims ops group wished to define jobs and develop job families/career path to align with new org design and comp structure
  - Aon assessed and normalized over 20,000 jobs in all functions across the entire business

- Regional mid-market insurer
  - Client wanted to explore and develop strategies to expand its presence in a local commercial market and assess opportunities for growth outside the existing agency distribution channel
  - Assessed commercial market opportunity by line of business and industry by conducting market sizing, growth potential, and placement dynamics

- Top 5 US insurer
  - CEO of top 5 US insurer wanted to rectify P&C cost / paid loss trending problem that existed in a few states and minimizing low value or non-value added tasks
  - Activity analysis of functional work identified opportunities for realignment and efficiency gains

Organization transformation in times of change
Business Transformation case study

Situation

- Leading health insurance company faced increasing competition, declining revenues, significant cost pressure and misaligned strategy execution

Approach

- Aon worked closely with the CEO and senior leadership team to confirm and focus strategic intent
- Aon designed and supported transition to a new organization structure to enable innovation, growth, and operational efficiency
- New governance processes and structure were designed and implemented from the board/CEO down through the director level
- Developed roadmap to guide implementation and KPIs to align performance management
- Collaborative work teams engaged the organization from top to bottom in designing and implementing an enterprise-wide change program

Results

- A new organization design was approved by the board and the multi-year implementation roadmap was initiated
- Key leadership changes were identified and implemented
- Employee engagement and accountability were improved
- The business was restructured to close a financial gap of $78 million in Net Income – quarterly financial results tracked positive to plan for the first time in 9 quarters
- A strategic portfolio of initiatives was defined, teams were formed, and action initiated to achieve
  - Innovation, cost savings, and revenue growth across health care value chain “boundaries”
  - Operational excellence and efficient cost structure

About Aon

Aon plc (NYSE: AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 66,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world’s best broker, best insurance intermediary, reinsurance intermediary, captives manager and best employee benefits consulting firm by multiple industry sources.

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