

Platform rationalisation: Adapting to changing needs of the insurance industry

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The constraints of the past

Historically, Insurance companies have found it difficult to build a strong enough business case for rationalisation with the many intricate benefits seemingly harder to realise than that of a simple outsource model.



 Corporate focus on New Business Little incentive to invest in legacy book	 Intangible benefits Business cases often relied on uncertain future cost avoidance	 Long payback periods Historically 7+ years has been common	 Challenging delivery Industry "war stories" of cost overruns and failed projects	 Available alternatives Outsourcing promises similar benefits
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Seeing legacy in a new light

A changing regulatory and customer environment is creating a new focus on legacy books.



 Growing FCA focus Particularly towards cost transparency and fairness for legacy customers	 Peak wealth The wealthiest generation we have ever known is nearing retirement	 Pension freedoms 600,000+ retiring each year with new options for using or passing on pensions	 Ongoing waves of mandatory change Cost of legacy change is stifling the ability to innovate	 Outsource deals reach maturity Risk of legacy complexity coming home to roost
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What has changed and why now is the time to reconsider rationalisation

With developments in approach and technology, rationalisation has become a realistic option.

<p>Financial pressure</p> <p>Legacy fixed costs are concentrated on an ever-decreasing number of policies</p>	<p>Strategic threat</p> <p>From wealth platform businesses with little legacy and growing economies of scale</p>	<p>Changing customer demands</p> <p>pressure on systems and customer service responding to new customer choices at retirement</p>	<p>Maturity of business cases</p> <p>Combining IT infrastructure, customer service and future cost avoidance benefits</p>	<p>Robust data migration capabilities</p> <p>Propositions to streamline and fix the price of data migration</p>	<p>Recognition that mature, maintainable platforms can be valid targets for migration</p> <p>Reducing reliance on new systems build</p>
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Reasons for change in summary

- ▶ Mitigate future mandatory costs and ever-increasing unit cost of IT and operations
- ▶ Avoid cost increases at the renewal or termination of outsourcing deals
- ▶ Achieve a simplified cost model to compete with platform-based businesses and meet regulatory demands
- ▶ Enable a focus on developing propositions to serve and retain legacy customers at retirement or maturity