



THE ADVANTAGES OF A DIGITAL-FIRST APPROACH

GAIN A MULTI-DIMENSIONAL VIEW INTO PROFITABILITY AND COSTS

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Introduction

The mature insurance industry is facing challenges and economic conditions like never before—from shifting demographics and increased customer expectations from younger customers that do not see risks in the same way as Baby Boomers to increased claims and reduced revenue from national disasters, pending regulations, and the pandemic. As insurance companies look to grow and navigate the competitive and volatile environment, they need to understand how maximize revenues and control expenses by understanding which customers and products are most profitable—as well as by innovating and embarking on new products and new business models.

CFOs and their teams are tasked with assessing the cost to serve their customers and identifying what opportunities to invest in and what products to divest. Benchmark research on the Office of Finance conducted by Ventana Research reveals that relatively few companies use analytics to manage profitability; only 29% of study participants said they use analytics to manage product profitability, and 26% said they use analytics to manage customer profitability. Without a system that provides multidimensional profitability analytics, finance teams can overlook valuable information that can guide them in nurturing current customers and attracting new ones.

Many insurance companies are facing the following challenges:

Aging business applications: Many banks struggle to consolidate data from disparate, legacy applications that, if not routinely updated, quickly become obsolete. This ultimately leads to an extensive delay in financial insights, poor data quality, and information latency that can affect their ability to meet regulatory demands—and if not routinely upgraded, these systems become obsolete.

1. Aging business applications: Many insurance companies struggle to consolidate data from disparate, legacy applications that have been acquired over time from acquisitions and/or new businesses that, if not routinely updated, cannot be used to support financial management accounting or performance management. This ultimately leads to an extensive delay in financial insights, poor data quality, and information latency that can affect their ability to meet regulatory demands—and if not routinely upgraded, these systems become obsolete and costly to maintain, and insurers also lose an opportunity to modernize their business processes.
2. Outdated business processes: Traditional finance and operational processes are becoming outdated, as they can't quickly deliver the level of data and insight that insurance companies need to operate competitively. These outdated processes are often lengthy and manual, are disconnected across people and functions, lack data granularity, and lack purpose-built scenario planning tools to model potential future outcomes
3. Expanded regulations: Insurance companies are having to adhere to new GAAP / IFRS reporting standards which represent the most significant change to insurance accounting requirements in over 20 years. Insurance companies that let critical data slip through the cracks face costly fines, increased scrutiny, and reputational risk.
4. Lack of adoption of advanced technologies: Many outdated systems lack artificial intelligence (AI) and machine learning (ML) capabilities, hindering innovation and agility by placing a heavier emphasis on manual processes that could be automated. AI and other advanced technologies can help insurers arm them with

better, faster decision-making and insights – enabling them to become a provider that is more intelligent, agile and integral to their customers' lives.

How insurers can turn change into opportunity

Gain a multi-dimensional view into profitability and costs

One of the key goals in insurance is to achieve sustained growth in this digital era. This means adopting a save-to-transform mindset where investments in digital enablement and transformational technologies play a key role. Breakthrough innovations that leverage AI and machine learning through a connected unified platform have the potential to enable new levels of cost savings in the following key areas:

- Procurement management
- Supplier management
- Contract management
- Travel and expense management
- Asset management
- IT cost management and chargeback

Further lack of multidimensional profitability analytics hinders key operational and strategic decision-making. This includes the ability to acquire new customers, cross-sell profitably to existing customers, provide differentiated service to customers based on their profitability, migrate customers to more profitable products and services, and make pricing determinations that will make those products more profitable. Customer profitability analysis requires buy-in from the various business units affected so that they can develop consistent, accurate, and fair cost and revenue allocations.

Customer and accounting profitability in the cloud allows financial institutions to calculate risk-adjusted profitability by product, channel, segment, and individual customer. This allows insurers to better manage profitability, determine which services to upgrade its customers to based on specific customer relationships, and make pricing adjustments as needed. With a full view into profitability drivers and risk-adjusted performance, finance and planning teams can:

- Accurately identify the most profitable customers, products, and lines of business
- Track profitability trends and cost structures based on key dimensions

Success spotlight: Aviva

Aviva Plc is a holding company that provides customers with long-term insurance and savings, general and health insurance, and fund management products and services. It operates its business through the following geographical segments: United Kingdom and Ireland, France, Poland, Italy, Spain Canada, Asia and others. Aviva has selected Oracle's Cloud Financials Application as its strategic tool for P2P. This will be part of a Global Shared Expenses installation which will include Personal Expenses and Expense Accounting. The program's key objectives are: Simplification and standardization of finance processes and IT architecture based on Oracle Cloud's out of the box processes to enable Aviva to be a more agile organization in the future with the customer at the heart of the business.



Lead your business forward with confidence

The time for a digital-first approach is now, and with the right tools in place, your finance team can gain a deeper understanding of profitability and costs, model what-if scenarios, and make more informed decisions.

Learn more about how Oracle is helping insurers break through and move their institutions forward

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