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CASE STUDY

Vittoria Assicurazioni: news solution for news challenges



Vittoria Assicurazioni

Industry

Insurance

Application Area

VBM & Corporate Finance

Company

Vittoria Assicurazioni is an insurance company from Milan. It was floated in 1921 and it is quoted on Milan Stock Exchange since 1988. The company is managed by entrepreneurs with strong competence in the sector. Amongst its main shareholders there are, apart from private investors, some very important companies such as Ferrero, Pirelli & C, BNP Paribas, Sogersel, Banca Passadore, Generales de France and Münchener Rück.

The company handles every insurance sector from Fire & Accident to Life Insurance operating nation wide through a capillary commercial organization with over 195 self-mandatory agencies with 230 agents, 182 professional sub-agencies and relationship with 13 banking institutes.

Vittoria Assicurazioni has amongst its clients the Italian Army for whom it has provided insurance cover for some peace keeping operations in the world, other important associations such as the Italian Touring Club and well over 300.000 Italian families who every year are renewing their trust in our company. It is through these results that Vittoria Assicurazioni is today amongst the first fifty insurance companies in the scenery of the national market comprising more 210 companies.

Business Challenges

The managing of an insurance company is becoming increasingly complex, with an ever diversifying approach to new clients requirements both in the risk covering field and in the capital investment activity, which have made the managing task extremely difficult.

The research for a lasting economic-financial equilibrium and the need to identify new strategic market segments has called for the development of finer management techniques and of new communication instruments within the company's structure.

The factors that have contributed to the change in the insurance companies sector are many and tied both to the development of the insurance market and to the development of general financial markets.



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Amongst the most important elements we can mention the following:

- the need for a global company risk management;
- the latent but progressive crisis in the public social system;
- the introduction of some community directives on the subject of insurance market access and control;
- the progressive internationalization of the financial and insurance market;
- the introduction of new insurance products to meet clients' requests and the research for a new trade-off between risk and profit;
- the research for new distribution channels and for a complete offer of products and services.

BOARD Solution

On the basis of such premises an internal project has been started to verify the soundness of the information within the company and to design a new management control system aimed at satisfying the needs of the various performers within the process of decision taking and at the same time guaranteeing the coherence of the various analyses results. In particular, given the complexity and the numerous internal information sources, the implementation of the project has supplied the opportunity of normalizing and consolidating within the management control function the many company data banks, assigning to such function the role of main speaker for top management and for sales managers.

The project got under way with the creation of a mixed team comprising the planning and management control personnel and the SDG professionals.

The said work group has undertaken the task of involving various key operators of company's functions both in the Fire & Accident and in the Life sectors, with the objective of designing a new map of requirements whose directives were the company's area, the information typology and the level of detailed analysis. The result of this first phase has highlighted the need for information at management level and within operating processes regarding the following five main project areas:

- *Technical-insurance area* (reporting and planning system on Fire & Accident and Life sectors' technical data);
- *Cost allocation* (allocation process of structural costs by type and cost centers);
- *Economic accounting area* (internal and external reporting for Fire & Accident and Life sectors);
- *Financial analysis and planning area* (analysis and simulation of cash flow through the forecasting of income and expenditures, estimation of source and application of funds);
- *Management area* (KPI's company system and management panel).



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From an operating point of view the project has been planned and it is developing by successive sub stages giving priority to those planning areas whose output could become the input for subsequent stages. The many correlation amongst the processes of the various areas has required a careful planning of the working phases, while the effective development of the stages is motivated by the compromise between the urgency of the various internal needs and the availability of many speakers of the various company's functions. In this way the internal reporting system is gradually getting completed, integrating technical information with economic data and performance indicators, data on final balances, budget and break-even-target forecasting.

The modules completed up to now refer to the technical-insurance area, to economic accounting and to the main management performance indicators. In parallel to a continuous enrichment of the existing analysis, modules connected with the cost allocation area will be implemented shortly improving and detailing the economic accounting area analysis and that of the financial analysis thus completing the assets and liabilities analysis with information concerning the cash flow.

Technical-insurance area

Within the technical-insurance management, which is the insurance companies main critical performance area, an important analysis variable of the Fire & Accident sector is the relationship Claims/premiums being the risk index level of the insurance sectors and, if estimated on the basis of the competent data, it is the main indicator of the working technical result. On these two main variables, therefore, has been built a reporting system about the claims area allowing to pass from top management and sales managers synthesis analysis to the operating personnel detailed analysis.

The reporting system, therefore, has been structured on two main levels. The first one proposes multiple analyses separating the elementary ministerial sectors from those of the vehicle: this allows proposing a different detailed level for the specific requirements of the two businesses. The second integrates the contributions of the two macro sectors with the information relative to the special sectors (atomic risks, exceptional transport, hail and others), offering an overall view of the claims area. An elementary detailed information is guaranteed for both levels and it allows to identify the intermediary, the product and the detailed technical sector.

The path analysis chosen for both levels has been studied in order to offer in primis an overall view of the different technical formations (generating premiums e claims, claims ratio claims - premiums, frequency, securities portfolio) and subsequently to widen singly the analysis on the premiums (trend, preceding work comparison, average premium, etc.) and on the claims (frequency, average claim cost, analysis of serious claims, etc.). In every type of analysis is then possible to choose whether to visualize the progressive monthly datum, running over a period of 12 months, or to



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evaluate the overall progressive trend on the work in progress and on that of the previous one.

A different approach has been adopted for the analysis of the data concerning the Life sector due to the diversity of client's investment objectives and to different logic for capitals collection-handling, and the creation of profit. Pin-pointing analyses have been planned in the Life area due to the premium typology (one only or yearly) of the insurance contract (individual or collective), on the mix of the guarantees underwritten (internal detail of the Ministry sector - ISVAP) and of the policy expiry modality (revenue or capital).

In particular the analysis of the data is concentrated on the collection of new policies trend and of the securities portfolio, in the composition and on the trend of mathematical reserves, on the profitability of the application funds and on that of the capitals that are expiring and redeemed. Furthermore, for every analysis typology there is available, an information detail which allows to identify the whole distributing structure from the area managers, to the sales inspectors up to the single selling intermediary.

Finally, in concluding the module relative to the accounting-economic area, a further residual analysis level has been completed dedicated to the planning and management control and to the top management and in which all technical information with financial-economic data are integrated (among which there are claims handling costs, cashed and arrears, settlements).

Therefore, for every insurance sector and for every intermediary there is an indexed prospect which, by using a graded scale with different colors, it underlines the comparison between current values and historical data.

Accounting-economic area

Insurance companies are required to show in their balance sheets the economic results, even if partial, concerning the various company's divisions. Over and above the profit and loss account for Fire & Accident and for Life, as many partial profit and loss accounts as there are single claim insurance sectors handled must likewise be shown.

Due to these requirements, therefore, the need to define management prospectuses for company's profitability analysis is becoming more and more significant.

The accounting-economic module, therefore, has been created to satisfy two main requirements: the external one concerning the presentation of documents which insurance companies are obliged to show, as demanded by the insurance controlling bodies, and the internal one concerning performance analysis of results achieved by the performers within the company's organizational and selling structure (sales channels, sales managers, intermediaries etc.) and the many products offered to clients.

The first phase of the project within the economic area has been that of



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identifying a suitable plan for the company's accounts which would guarantee the many requirements to re-classify the monthly profit and loss account both for claims and for the Life sectors.

The result of such work allows today to offer three different re-classifications of the economic entries, offering, therefore, three analysis models aimed at identifying various productivity margins regarding the company's single function objectives.

The subsequent phase has started with the setting up of a suitable reporting system which would allow detailed information analysis regarding the various analysis dimensions (intermediary, product, ministerial sector, direct activity, re-insurance, withdrawals, etc.) It is obvious that as for the technical area, so for the profitability analysis by intermediary-product, a two level analysis system has been structured: the first synthesis level is integrating claims data with those of the Life's; a detailed second separates the contribution of the two sectors, but with a deeper and wider analysis dimensions.

Management Area

The completion of the analysis system for the technical-insurance and for the accounting economic areas has created the premise and an efficient data bank for the proposal of a synthetic management panel which could allow, through the evaluation of key performance indicators, the evaluation of the trend and of the direction of company's growth.

The objective of the analysis system through indicators is that of supplying a constant performance monitoring of the various company's areas regarding historical data rather than regarding prefixed targets. In particular its has been tried to build an indicators' system which would allow top management to evaluate their own distribution network performance starting from the results of the various territorial area managers or of sales channels and subsequently going down to the single intermediaries/agencies.

The indicators system has been planned by identifying three utilized information source areas: the technical area (premiums and claims generation, securities portfolio, incoming and outgoing policies, etc.), an economic area (premiums and claims reserves, mathematical reserves, structural and sales costs, technical and business balance, etc.) a financial area (cashed, arrears, settled, arrears payments, expiring capital and others).



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Business Benefit

The use of this information has allowed for the construction of a series of indicators which could allow the supplying of a synthetic evaluation of:

- client's behavior regarding products' offer - services;
- intermediary's efficient action on the market;
- profitability of the intermediary, of the product and of the insurance sector;
- securities portfolio composition trend regarding company's target.

For every indicator there is, during the phase of yearly planning, a definite target value at company's level or by insurance sector. The comparison between target and final balance values activates a "scale system of normalized evaluations" which duly weighted, allow to highlight the contribution of the single to the total company's' result and to formulate an overall judgment at the level of the single intermediary/agency, territorial area, sales manager, product or insurance sector.