

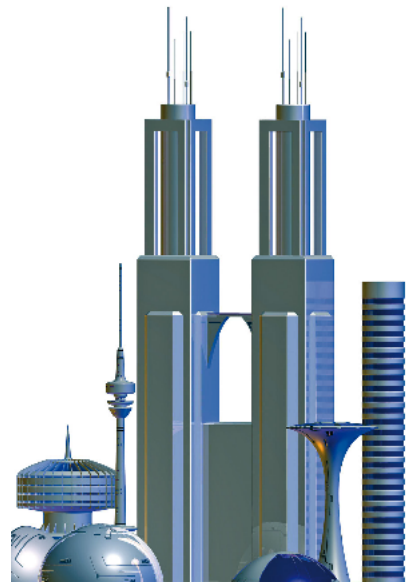
Cross border IT consolidation

October 19th, 2007

ICTI Conference, Brijuni, 18-20 October 2007

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Contents



Basic principles

Key learnt lessons

Insurers operate today under conditions of increasing complexity and unprecedented scale and scope

	From ...	To ...	
Geographies	Few countries with 60%+ home market presence	Worldwide presence	<ul style="list-style-type: none">• Increasing complexity• Pressure to improve operations
Products	Simple standardized products with single tariff	Proliferation of products with multiple tariffs	
Channels	One or two main channels	Multiple channels for customers	
Regulation	Few, local regulations	Many cross-country regulations	

Large insurers are aware of the opportunity, but truly “global” operating models are still nascent

Large global insurers are moving on the horizontal opportunity ...



ZURICH

- “Zurich way” USD 2 bn cumul. benefits 2007 - 2009
- 1 global platform for transactional accounting



- EUR 1 bn profit impact from “Sustainability”
- EUR 500+ m from “German Target Operating Model”



- Cross-country Ops/IT initiatives
- EUR 400+ m expected impact



- “AXA way” phase 2 started
- EUR 300+ m from offshoring and procurement only

... but no truly “global” operating models are in place today

- Economic benefits of global scale not fully exploited
- Lack of real empowerment of COOs
- Overlaps/conflicts between applied levers
- Limited product portfolio management
- No complexity reduction in products, channels and segments

Source: Analyst presentations, company websites, analysts’ reports

Global footprint enables three main sources of value from cross-border synergies

Sources of value

Economies of skills

- Best-practice sharing across countries
- Local accountability for implementation

Economies of scale

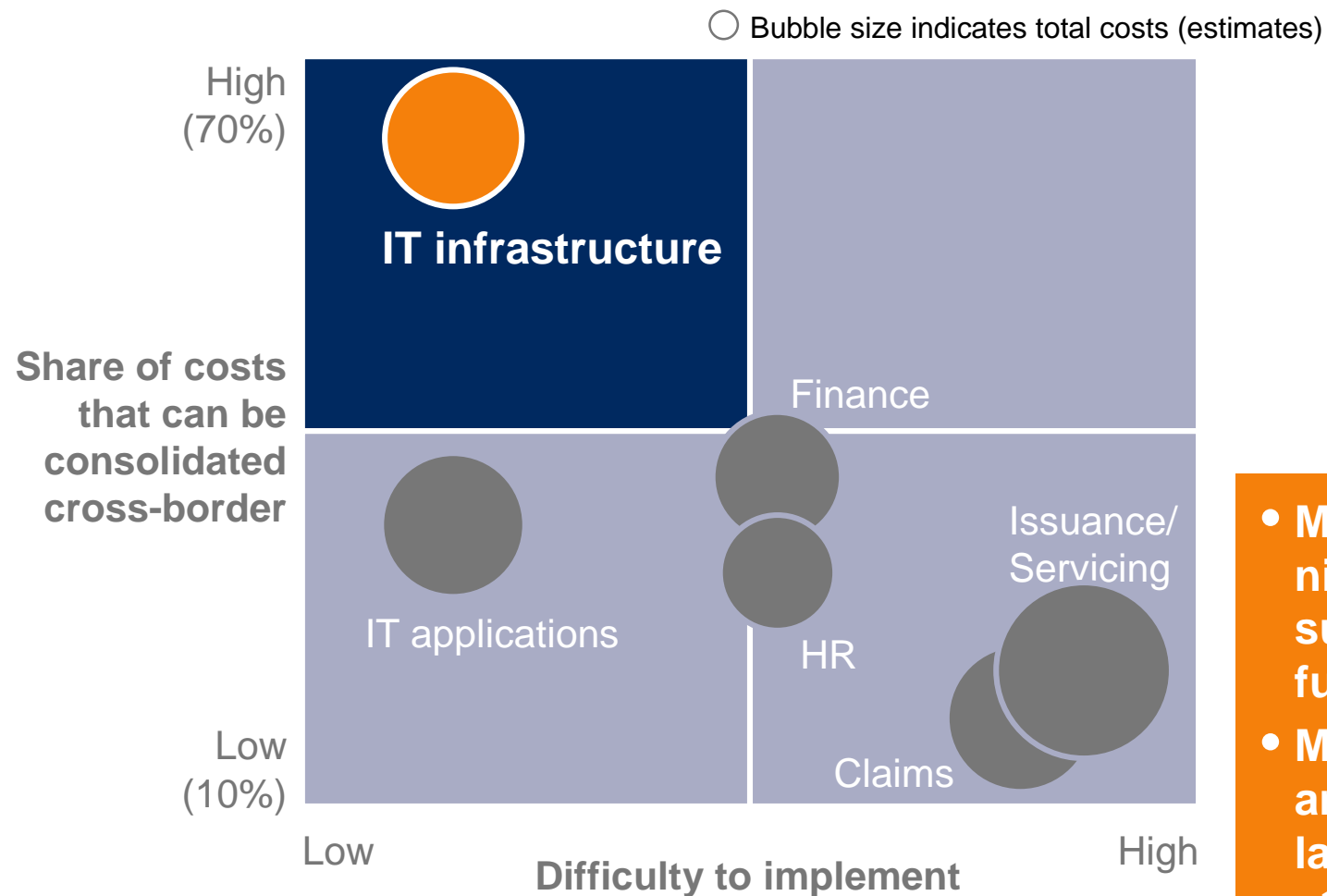
Scale-driven consolidation of selected domains across countries

Global operating models

- Operational strategy as source of competitive advantage
- Operating platforms integrated cross-border

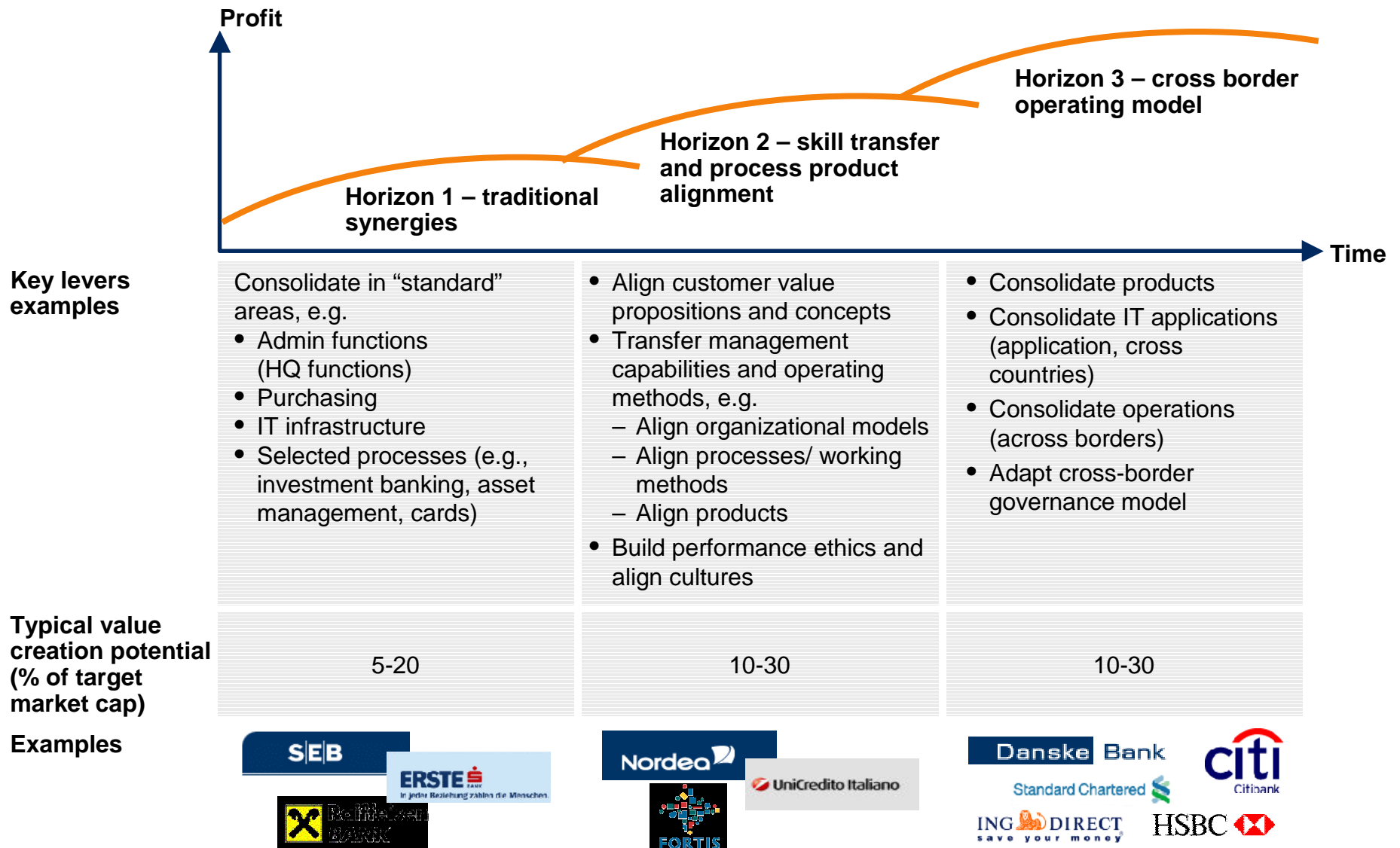
Increasing complexity

Scale-driven consolidation in selected domains is another area in which many insurers are active today



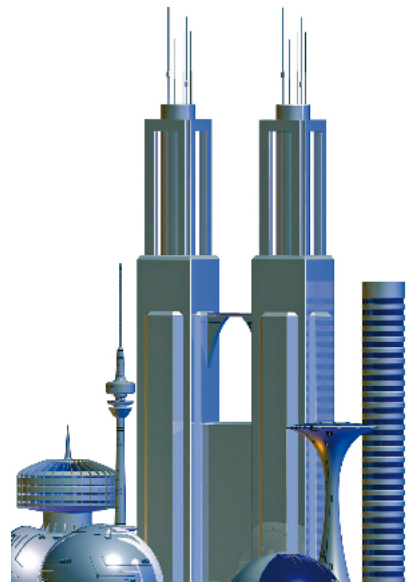
- Main opportunities in IT and support functions
- Many players are moving, large potential still to be captured

Sequence transformation smartly – Plan impact and work against three horizons



Source: McKinsey analysis

Contents

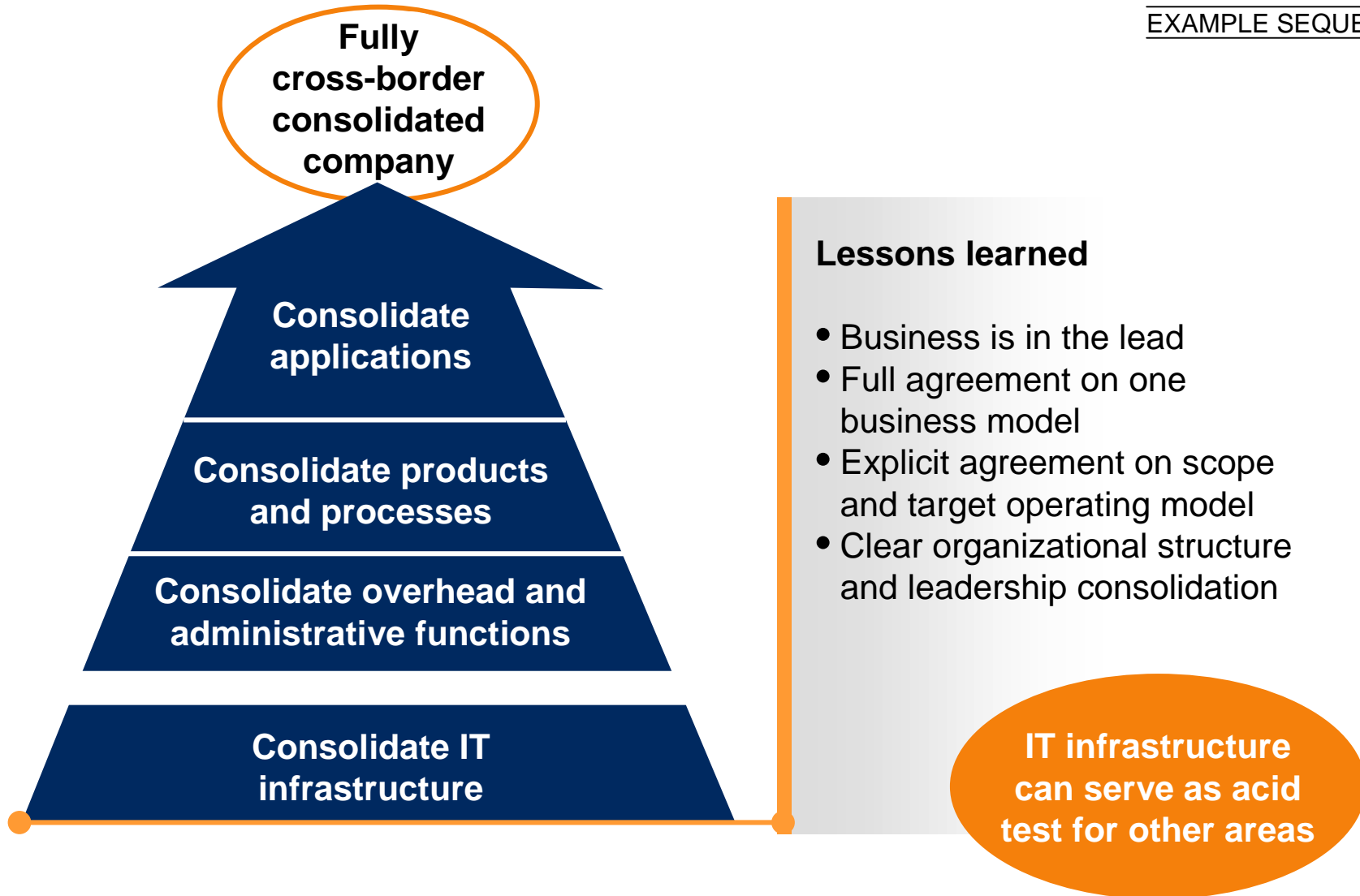


Basic principles

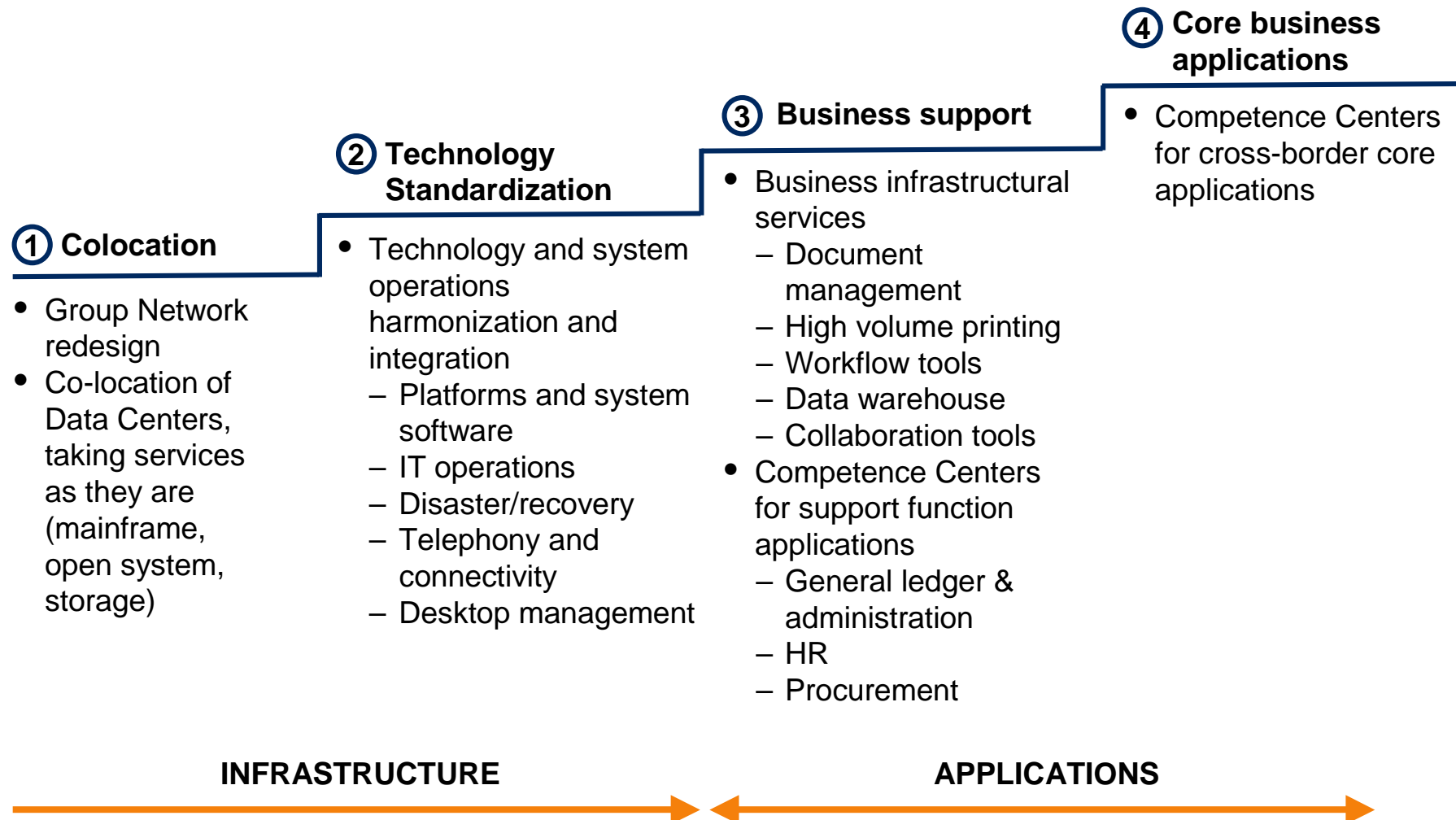
Key learnt lessons

IT infrastructure consolidation is typically the first step for IT and cross-border optimizations

EXAMPLE SEQUENCE



Implementation plan



Major levers for cross border IT-consolidation

EUR million

	Description	Top-down expected impact on net profit after 2 years
Scale levers		
Data center consolidation	Leveraging scale effects for consolidation of mainframe and servers from countries to one of the 2 core data centers	- 30-40% (of consolidated country spending)
Global procurement	Unification of global contracts (e.g., IBM, BMC) Leveraging scale effects of higher contract volume	-15% (of purchasing)
Global network	Standardization of technologies and provisioning of geographical network services by single provider	- 15-25% (of total voice and data spending)
Global Windows platform	Centralization of desktop management and outsourcing of provisioning, deployment and assistance to one single global provider	- 10-25% (of total desktop spending)
Standardization levers		
Harmonization and integration of core data centers technologies	Set up competence centers for selected functions Standardization of platforms, systems and tools	To be defined in deep dive analyses
Opportunistic application opportunities	Optimization of selected applications (e.g., SAP, content management, asset management, mail servers, ...)	
Total expectation from first actions		-15-25%

Successful management of multicultural teams is major challenge to ensure successful it consolidation program

1

Different working styles

Observed situation

- Client team members from different countries have very different working styles
 - Respect of meeting time/ agenda and commitment towards deadlines
 - Usage of mobiles in meetings

Action to be taken

- Schedule meetings and deadlines on **regular basis**
- Establish meeting minutes and key decisions taken lists for each meeting
- Track completion of tasks based on **pending activities list**

2

Language barriers and lack of shared information

- Common definition of business terminology is difficult (e.g., “thin client”)
- Cross-cultural share of information may be difficult

- Agree on terminology and ensure **clearly defined scopes** for different teams
- Agree on common cost structures
- Realize a common shared **information repository** to increase information accessibility

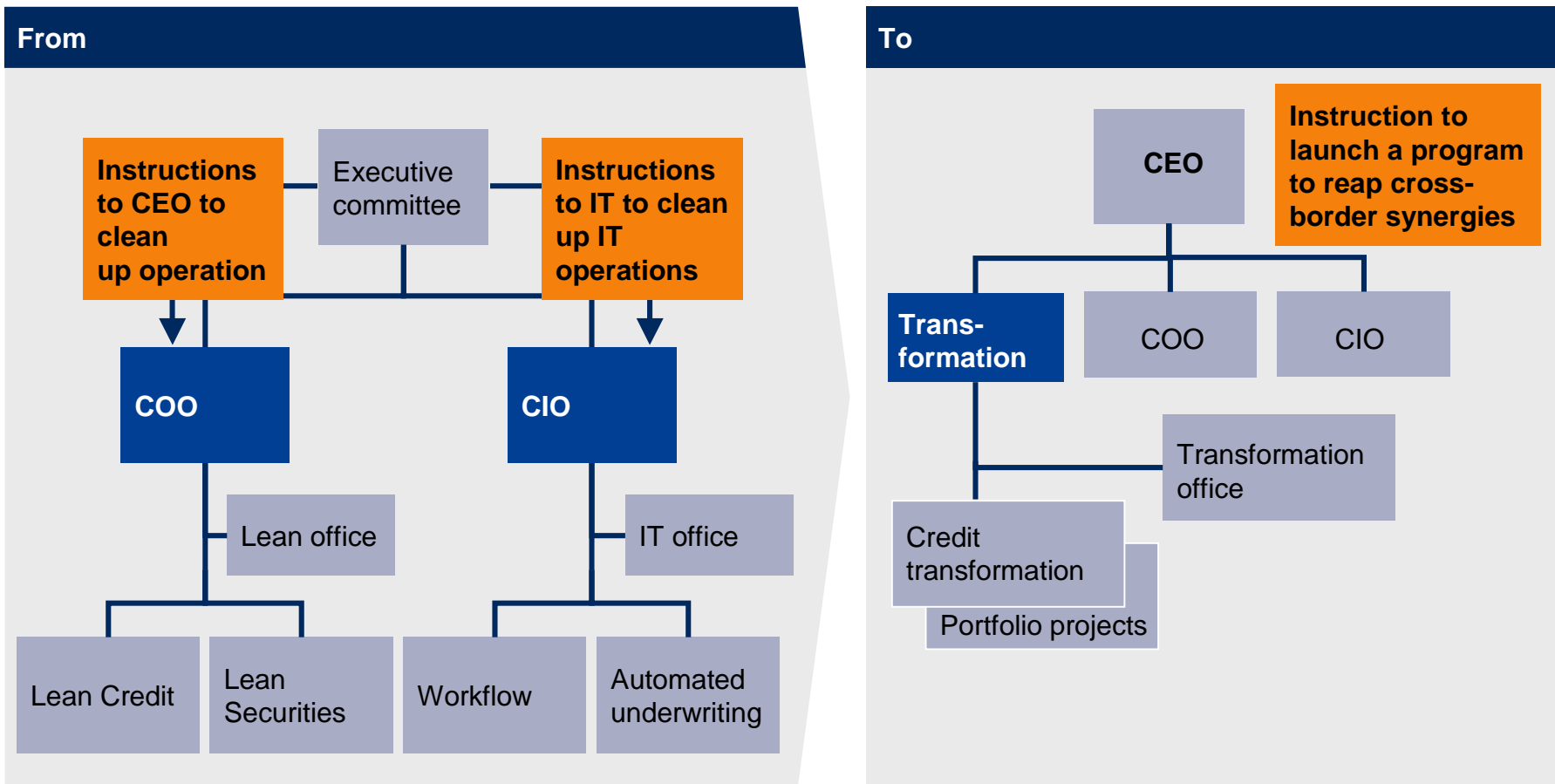
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Lack of trust

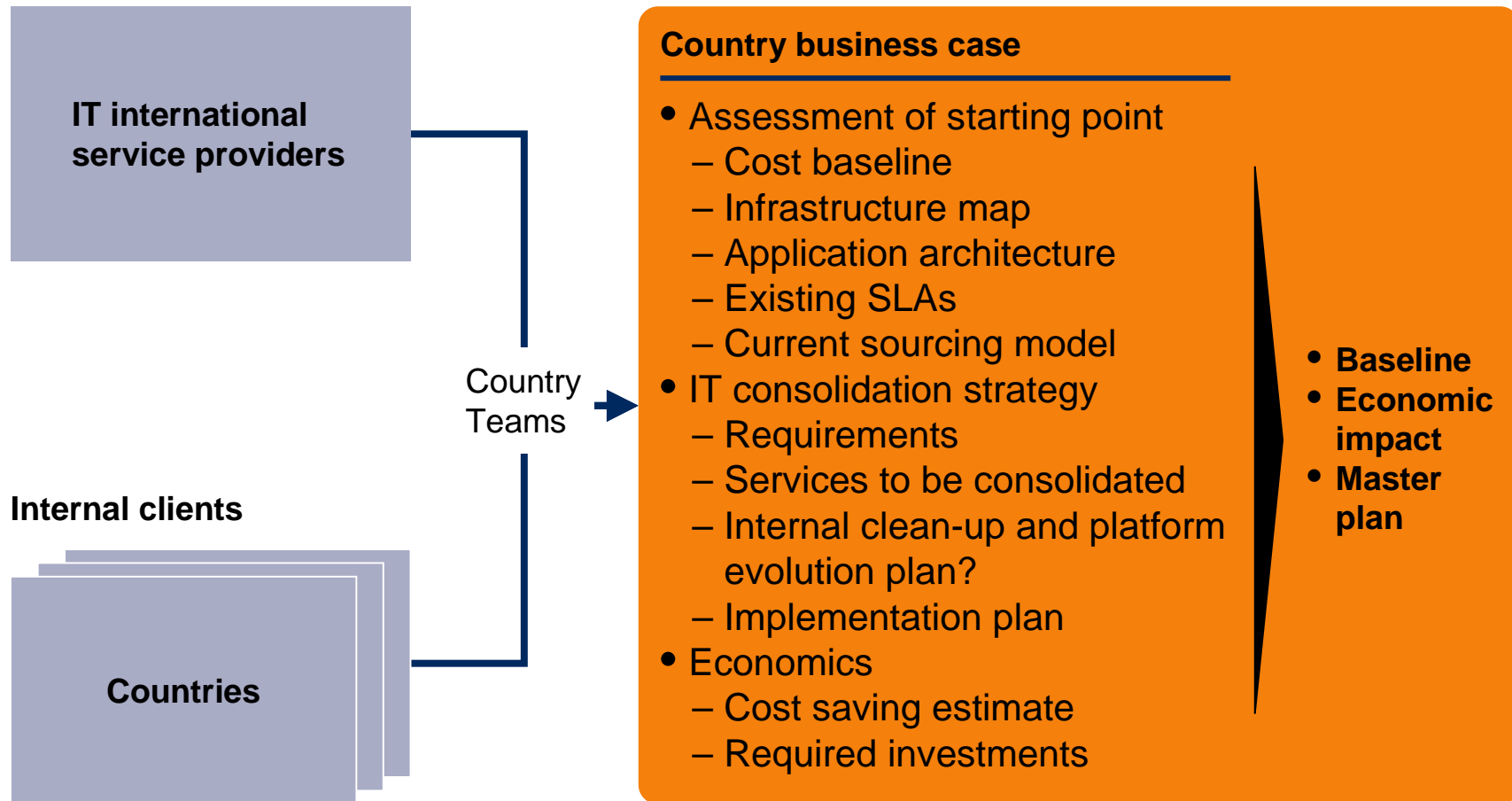
- Client team members may show lack of trust towards each other
- Client team members may be reluctant to share their best or worst practice

- Schedule common **in-person** project days or workshops to reinforce cooperation
- Schedule **joint events** with all client team members (e.g., having dinner, watching soccer)

Drive change from the top – Business is in the lead as Ops/IT models are developed, governed and managed in parallel



Country business case (demand management)



Proposed interaction model with ICT Group Procurement

IT Consolidation Mgmt Body

- ① Define technical standards and specifications for HW/SW infrastructure components
 - Identify list of providers with solution compliants to the defined technical requirements
- ③ Verify technical content of contract draft and alignment of economics with program objectives

Renegotiate global contract that can be reviewed from now without waiting for infrastructure consolidation team input



Group ICT Procurement

- ② Complete shortlist of providers if other market opportunities are available (with IT management body approval)
 - Prepare and manage tenders and requests for proposal
 - Negotiate prices and service levels with providers
 - Prepare contracts
- ④ Close the deal
 - Manage providers from administrative point of view