

SAP Insurance Analyzer – The Strategic Solution for Finance and Risk

Solvency II and IFRS 4 Phase II Compliant



The Solvency II Directive is known to significantly change the way in which insurance companies calculate their capital requirements. However, by now, it has become apparent that the Directive entails much more than just a simple change in calculation. It is a complete new way of thinking about and assessing insurance businesses and their risks.

SAP Insurance Analyzer – Meeting the needs of insurers

The extent and scope of the Solvency II Directive affects insurers' core operations such as pricing, underwriting, risk management and asset management. On top of the Solvency II Directive, most insurance companies have to simultaneously make their businesses IFRS 4 Phase II compliant. Hence, in the nearby future, financial, risk and actuarial departments will be confronted with major changes in the type and frequency of financial reporting.

Insurers' stakeholders including customers, employees, shareholders and regulators want to and need to ensure the profitability and solvency of insurers at any point in time. This results in the desire for transparency in the form of timely, consistent and accurate information (which is the rationale underlying the Solvency II and IFRS 4 Phase II regulations). However, so far, no insurance technology exists which is capable of providing this type of information.

Currently, most insurers perform their financial postings in operational systems. Next, insurers transfer these postings into financial systems to create balance sheets compliant with local General Accepted Accounting Principles (GAAP).

However, in addition to local GAAP, insurance companies also have to comply with the accounting and risk ma-

agement principles prescribed by regulatory supervisors in the Solvency II Directive and IFRS 4 Phase II regulation. The key objective of these regulations is to protect the stakeholders, with a focus on shareholders in IFRS 4 Phase II and a focus on policyholders in Solvency II.

While current financial systems used by insurance companies are GAAP compliant, they are often not capable of managing the new reporting requirements set out in Solvency II and IFRS 4 Phase II regulations.

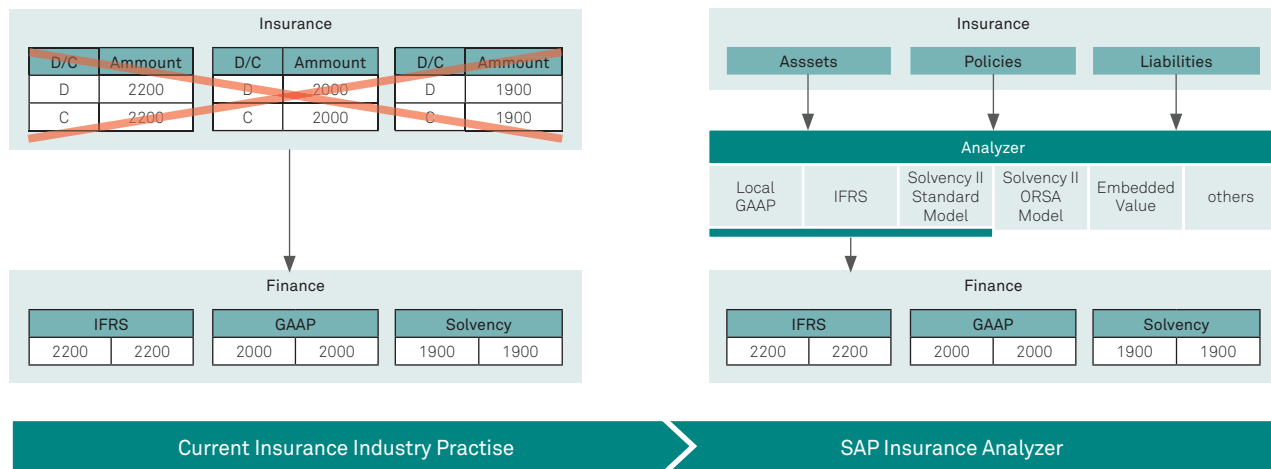
Deloitte's five key requirements for a comprehensive regulatory and statutory reporting solution for the insurance industry

1. Capability to close, consolidate, plan and report
2. Audit traceability future IFRS and Solvency updates must be supported
3. Transparency of current and new performance factors
4. Alignment of IFRS 4 and Solvency II data gathering and reporting
5. Simultaneous closing of IFRS 4 and Solvency II reporting

Meet Regulatory Challenges in the Insurance Industry – SAP Insurance Analyzer Customer Feedback Days – April 2013

The Basics of Data Organization in SAP Insurance Analyzer

Compared against current insurance industry practice of financial system enhancement



In cases where an insurer consists of a large number of branches, each with individual financial systems, complex requirements result which need to be built into the corresponding financial systems. This causes insurance companies to miss out on synergies and efficiency-enhancing measures in the following areas:

- Reduction of time and effort for system enhancement and maintenance
- Availability of complete history
- Seamless traceability and possibility to drill-down from result to source
- Integration and automation of processes where possible

SAP Insurance Analyzer – How does it help insurers?

Our experience in the insurance industry has made clear that many insurance companies are struggling to provide timely, consistent and accurate information, especially between different business departments including financial, actuarial and underwriting business departments.

Also, different stakeholders impose different types of information requirements on insurers. Executive management requires correct financial figures originating from a single source of truth. Accurate data reconciliation is necessary to ensure that the records sent from operational systems to financial systems match and that poten-

tial discrepancies are properly explained. Thin ledgers are required as current ledgers within many insurance companies have been over-expanded over the years due to augmentation in an attempt to include more and more information. Often migration to one single general ledger might also be necessary, as over time a wide variety of general ledgers has come into existence.

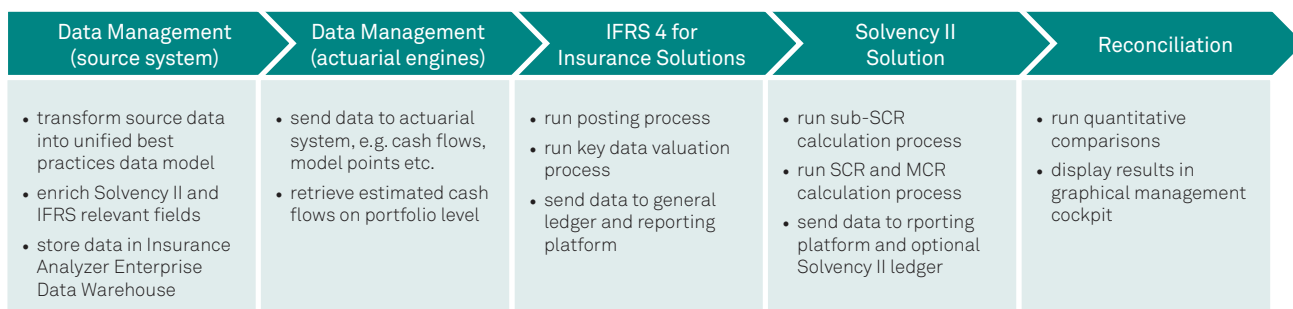
On top of the requirements described above, another layer of complexity will be added to current insurance industry technology practices when solutions for the Solvency II Directive and the IFRS 4 Phase II regulation have to be implemented.

Not only is SAP Insurance Analyzer capable of helping insurers overcome the struggle of providing timely, consistent and accurate information, it also is fully compliant with the Solvency II Directive and the IFRS 4 Phase II regulation.

Specifically, SAP Insurance Analyzer will help insurance companies to:

- Connect insurance, financial and actuarial data sources
- Provide a best practice data model for both financial and non-financial data
- Ensure data reconciliation
- Streamline to a thin ledger
- Migrate to a single general ledger
- Comply with IFRS 4 Phase II and Solvency II regulations

High-Level Overview of Processes Covered by SAP Insurance Analyzer



SAP Insurance Analyzer – What makes it unique?

SAP Insurance Analyzer is a strategic long-term solution compliant with Solvency II as well as IFRS 4 Phase II regulation.

SAP Insurance Analyzer allows CFOs and CROs to comply with regulatory obligations and COOs to provide accurate analytics in different areas such as client analysis and management reporting.

SAP Insurance Analyzer’s main advantage is its ability to provide consistent data coming from different source systems containing amongst others policy and asset data.

SAP Insurance Analyzer – Its added value

SAP Insurance Analyzer is a future-proof software solution that provides a single, auditable architecture suitable for all types of financial reporting, including regulatory financial reporting.

SAP Insurance Analyzer adds value to insurance companies in the following ways:

Update service

SAP Insurance Analyzer is compliant with the most recent IFRS 4 Phase II and Solvency II specifications.

However, updates to these specifications are to be expected in the future. Anticipating these regulatory updates, SAP Insurance Analyzer comes with an update service. Specifically, the update service entails regular updates of SAP Insurance Analyzer’s business content to accommodate for regulatory changes.

Single point of truth

SAP Insurance Analyzer offers a single point of truth for both raw data and transformed data. Due to the existence of a centralized source data layer, raw data records are stored in one single place only. Therefore, the underlyings of all financial reports resulting from SAP Insurance Analyzer can be easily tracked down. Transformed data are also stored in one centralized place, the results data layer, thereby ensuring one single point of truth for the outcome of calculations. A single point of truth for data facilitates maintenance, auditability and comparability.

NEXONTIS began the development of SAP Insurance Analyzer in 2010 by leveraging the technical platform, SAP Integrated Finance and Risk Architecture (existing since 2001). Specifically, business content for IFRS 4 Phase II and Solvency II were added to ensure regulatory compliancy. Since September 2012, after being thoroughly tested by a major auditing firm, SAP Insurance Analyzer is fully available.

Data quality

SAP Insurance Analyzer's reconciliation solution checks whether data records sent from operational systems correspond to data records received by SAP Insurance Analyzer. In this way SAP Insurance Analyzer helps insurers meet the requirement of data quality assurance.

Standard interfaces

SAP Insurance Analyzer comes with standard interfaces and connection templates enabling easy communication with other financial and operational systems at insurers. Examples of currently supported systems are SAP Financials, SAP Policy Management and SAP Reinsurance.

Flexibility

Although SAP Insurance Analyzer has a lot of embedded functionality, it is still flexible. For example, SAP Insurance Analyzer comes with functionality for the Solvency II standard model, but when an insurer has an internal model it also wishes to use, this internal model can be easily accommodated by SAP Insurance Analyzer as well.

Global activity coverage

SAP Insurance Analyzer is well capable of supporting international insurance companies with a large number of branches. Different currencies and different legal entities are easily covered.

SAP Insurance Analyzer – Partners

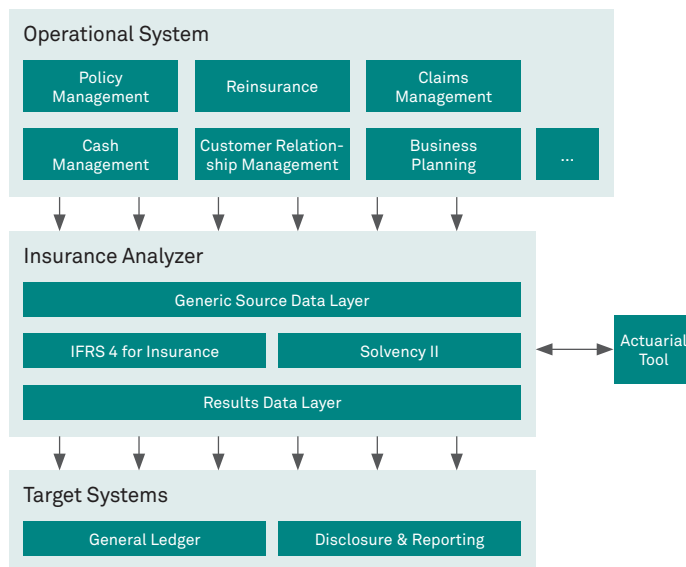
SAP is a global leader in business standard software and the developer of SAP Integrated Finance and Risk Architecture (IFRA). SAP IFRA and in particular SAP Bank Analyzer has extensively proven itself with over 150 implementations in the banking industry over the last decade.

NEXONTIS is part of msg group, a global market leader for insurance IT solutions, with more than thirty years of experience in insurance finance and risk and SAP IFRA and employing over 4.000 developers and consultants. NEXONTIS has 40 experts in insurance risk management, Solvency II, IFRS 4 Phase II and SAP Insurance Analyzer.

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Integration of SAP Insurance Analyzer



A leading European insurer selected SAP Insurance Analyzer to receive these key benefits:

- SAP Insurance Analyzer is conceived, developed and supported by SAP.
- SAP Insurance Analyzer is Solvency II and IFRS 4 Phase II compliant. Also, calculations relevant to Solvency II and IFRS 4 Phase II are supported, for both assets and liabilities.
- SAP Insurance Analyzer comes with an update service ensuring that Solvency II and IFRS 4 Phase II business content is kept up to date.
- SAP Insurance Analyzer provides standard reporting templates consistent with Solvency II.
- SAP Insurance Analyzer offers the possibility to reuse current investments by insurers in Solvency II projects, such as the development of internal models.
- SAP Insurance Analyzer contains interfaces and accelerates with source systems, both SAP systems and other systems.
- SAP Insurance Analyzer is fully capable of handling various local regulatory reporting requirements.
- SAP Insurance Analyzer is designed to evolve with the development of new regulatory standards.