



Governance, Risk and Compliance
Packages for Insurance
2011 Deloitte's Market Survey

October 2011



Why a survey about Governance, Risk and Compliance?

From the need of uniformization...

Insurers are subject to more and more legislations and regulations both national (e.g. CBFA circulars in Belgium) and international (e.g. SOX, Solvency II) and to comply with them they need to set up an effective internal control system. This internal control system is strongly interconnected with other activities, controls, systems, etc. (e.g. Risk Management, Actuarial function, Compliance, Internal Audit).

Most generally insurers have already implemented several internal control activities which are however autonomous and operate independently from each other. Several controls may therefore sometimes be redundant or not coordinated.

To the definition of a generalized approach

The preferred approach to address this challenge is the “three lines of defense model” which clearly defines roles and responsibilities, organizes functions and rationalizes controls for coordinating efficiently the activities of a company-wide internal control system.

As they provide support to setting up the processes involved within the three lines of defense model, Governance, Risk and Compliance (GRC) tools might strongly facilitate the implementation of a company-wide internal control system.

Regarding the qualitative requirements of the second pillar, Solvency II is a major opportunity for insurers to look for a GRC package.



Scope of the survey on Governance, Risk and Compliance packages

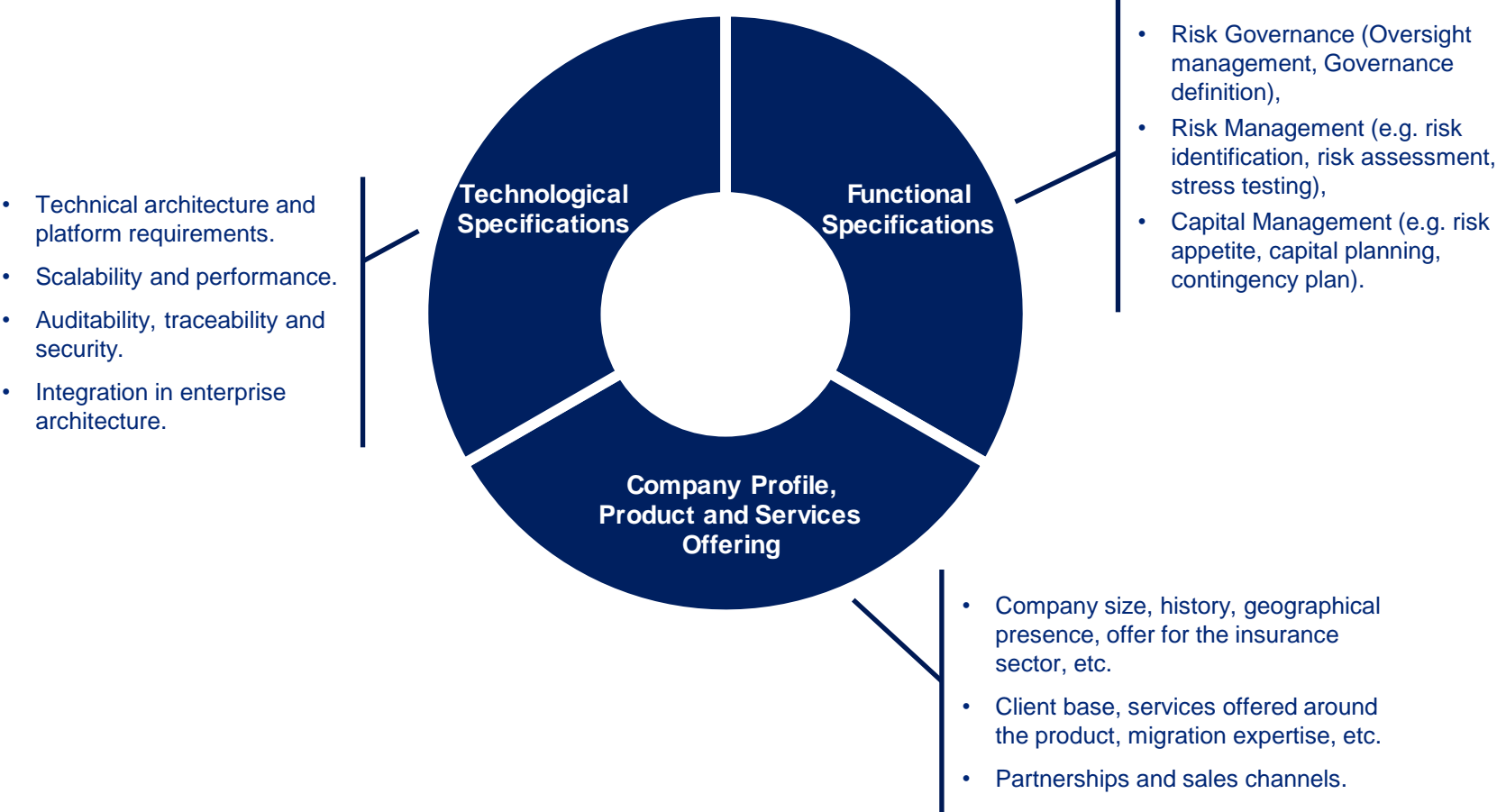
Governance, Risk and Compliance (GRC) is an approach to improve business practices (e.g. streamlining of compliance reporting, risk identification and mitigation, cost reduction, etc.). The market of GRC systems is vast and differentiates several types of solution. Each type provides functionalities for a particular function within the company.

The scope of the study concerns all GRC systems being able to support insurers in implementing the processes involved within a company-wide internal control system.



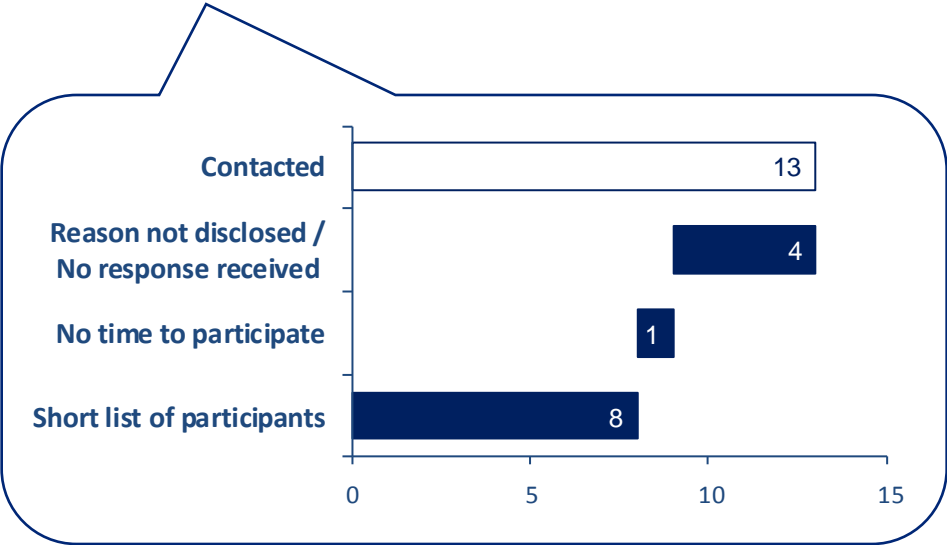
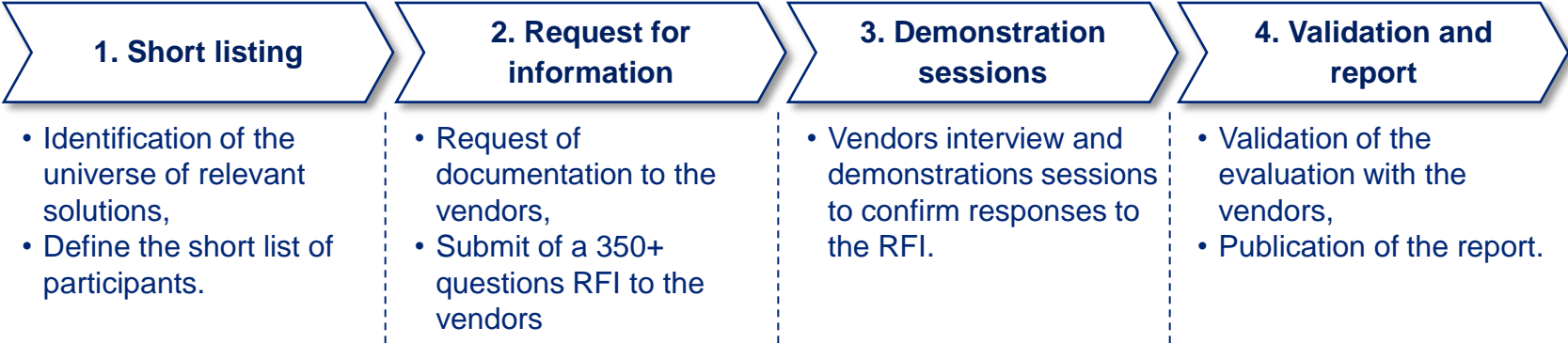
Analysis of the packages available on the market

To support finding the adequate solution, the packages on the market have been evaluated on all aspects:



Overview of the evaluation process

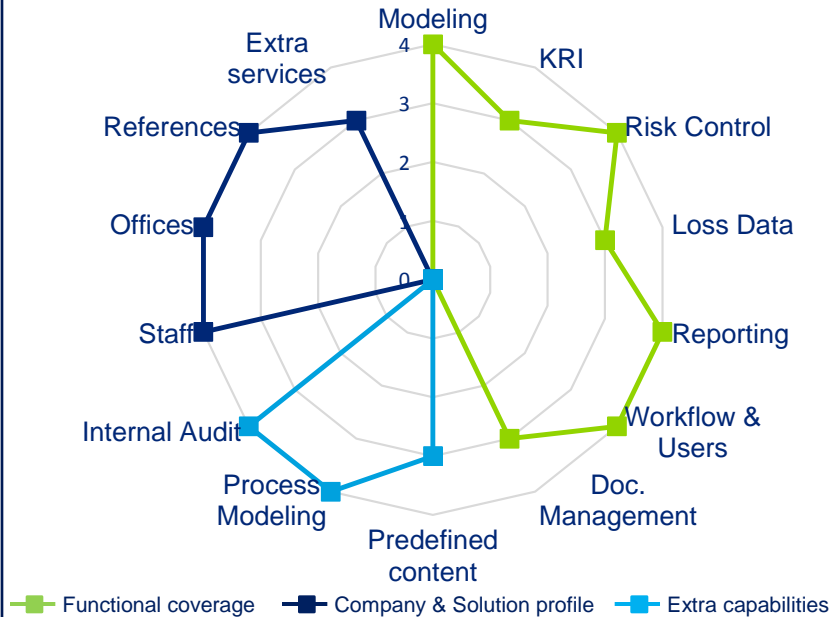
The survey started in May 2011 and the evaluations ended in October 2011.



Software AG – ARIS GRC Solution

Overview & Highlights

Overview of the evaluation



Highlights

Software AG is a Business Infrastructure software provider who acquired, in 2009, IDS Scheer and its platform ARIS. Mainly focused on Business Process Modeling, the system has been enhanced to build an extended platform providing functionalities in Risk and Compliance Management.

Strengths

- Integration with ARIS Business Designer creates a deep link between strategy, processes and risks,
- Library of high level content linked to standard regulations which however requires prior work for translating it into concrete elements of the model.
- Advanced dashboarding capabilities thanks to MashZone.

Challenges

- Performing advanced statistical analysis (e.g. calculating V@R) would require to interface with an external tool.

Company Profile

- **Main activities:** Software provider,
- **Headquarters** in Darmstadt (Germany) and **founded in** 1969,
- **Offices:** in almost all EMEA countries,
- **#employees worldwide / Europe:** 5500+ / 2000+,
- **2010 revenues:** €1.2b,
- **Other insurance software:** Adabas (Data Management), webMethods Platform, ARIS platform.

Product profile

- **First released in 2006 & current version is** V4,
- **Partnerships:** None,
- **References:** 230,
- **#employees working on the product:** 170+ staff,
- **Services offered around the product:** Maintenance, support, specific enhancements, training.

Software AG – ARIS GRC Solution

Detailed capabilities – Functional coverage

Risk Modeling

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- ✓ The risk dictionary is managed as an arborescence,
- ✓ Possibility to define risk categories,
- ✓ Predefined attributes are available for risk definition.

Key Risk Indicators

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- × There are no predefined KRIs provided with the system,
- ✓ Possibility to import KRIs from an external source,
- ✓ Possibility to define thresholds for delimitating tolerance areas,
- ✓ Possibility to send notifications when a threshold is reached.

Risk Control & Self Assessment

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- ✓ Possibility to customize the scales used for evaluating the impact and likelihood of a risk and to use non-linear values,
- ✓ Possibility to define different types of impacts,
- ✓ Possibility to evaluate different scenarios,
- ✓ Possibility to take into account controls and remediation plans,
- ✓ Possibility to score a risk by applying a customizable formula combining impact and likelihood,
- ✓ Possibility to aggregate risks based on their types or entity to which they are attached.

Loss Data Collection

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- ✓ Possibility to encode different types of amounts,
- ✓ Possibility to do some stat. analysis on loss data via MashZone,
- × Not Possible to perform Value at Risk calculation,
- ✓ Possibility to export loss data for calculation in an external system.

Reporting & Dashboarding

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- ✓ Dashboards are customizable,
- ✓ Possibility to drill-down or filter data,
- ✓ Possibility to present results globally or on a specific entity,
- ✓ Possibility to view different risks on the same report (e.g. inherent, residual and target risks),
- ✓ Possibility to group results by type of impact,
- ✓ Possibility to subscribe to a report for receiving it automatically when updated and to share a report with other users,
- ✓ Predefined reports are provided with the system.

Workflow & Users management

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- ✓ Possibility to associate several roles to a user and to determine the specific area of the model where a role is applied,
- ✓ Possibility to assign tasks to users,
- ✓ Possibility to define backups or nominate substitutes,
- ✓ Possibility to send alerts or notifications via email,
- ✓ Predefined roles and workflows are provided with the system.

Document management

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- ✓ The platform includes a content management module,
- × The module does not contain advanced functions such as versioning, lock mechanism or metadata management,
- ✓ Possibility to send links to documents via email and to manage access rights to them,
- ✓ Possibility to interface with an external content management system.

- ✓ Functionality fully supported by the system.
- × Functionality partially or not supported by the system.

Software AG – ARIS GRC Solution

Detailed capabilities – Other characteristics

Predefined content

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- × Predefined content is available only for some elements of the model,
- ✓ This predefined content is linked to standard regulations such as Solvency II or Basel II,
- ✓ Possibility to import external content.

Business Process Modeling

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- ✓ Built-in Business Process Modeling component,
- ✓ Possibility to import external process definitions and process models,

Internal Audit Management

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- ✓ Built-in Audit Management component,
- ✓ Possibility to interface with an external tool.

Company Staff

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- ✓ Very Large company (more than 5000 staffs).

Company Offices

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- ✓ Many offices all around the world.

Product References

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- ✓ More than 100 references and a large percentage of them is related to the financial services industry.

Services offered around the product

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- ✓ Maintenance, support, trainings and specific enhancements are available,
- × No consulting services offered.

- ✓ Functionality fully supported by the system.
- × Functionality partially or not supported by the system.

Overview of the technical characteristics of the system

Technologies:

- Code is written in Java using Software AG Development Framework, an internal framework,

Architecture & User interface:

- Based on a 3-tier architecture the system is fully web-oriented with support of all common web-browsers,

Auditability & Traceability:

- Data modifications and users' actions traceability,

Database:

- Oracle and SQLServer are supported.,

Operating system:

- Windows Server 2003 and 2008 at the server side and any Windows system at client side,

Application server:

- Apache Tomcat.

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