

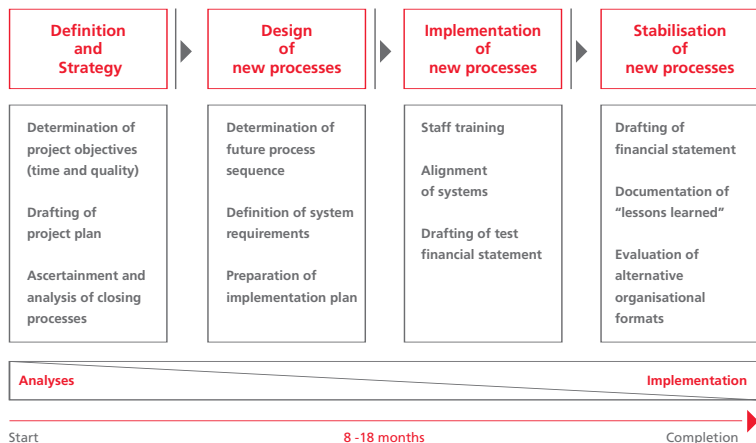
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# Fast Close – Attractive Opportunities for Insurers

## Fast, transparent financial reporting strengthens the market position

Capital market pundits are increasingly viewing the timing of corporate results publication as an indicator of the financial organisation efficiency of a company. Investors and analysts expect first-class financial information to be available at the earliest possible stage. Indeed, public corporations in Switzerland are required to publish their financial statement within a period of four months; in Germany the Corporate Governance Index imposes a maximum period of three months and the US Securities and Exchange Commission (SEC) has reduced the period for publication from 75 to 60 days. Fast Close initiatives have responded to this development by accelerating closing processes, improving efficiency and increasing the quality of reporting data. Consequently, the Fast Close topic has now become an important item on the agenda of all insurance company CFOs.

Weak stock exchange periods from 2000 to 2002 sparked off a dissolution of reserves and losses running into the billions within the insurance industry. Against this background, questions regarding the solvency and soundness of individual companies were inevitable. The market value of insurance securities fell, dramatically in part, and to this day a number of price quotations remain well-below peak levels. The capital position of companies and the situation on the financial markets may well have eased as a whole, but the pressure on results remains as fierce as ever within the sector. Providers are placing increased focus on actuarial business in order to attain the best possible combined ratio. Resolute cost management, higher risk premiums and efficient claims handling are improving ratios in both life and non-life business. For the future, investors, rating agencies, the public and supervisory authorities alike are insisting on quicker, more transparent financial reporting in addition to mid-term reporting of intermediary results in order to further strengthen trust in the efficiency of the industry. Mutually decisive for the success of individual market participants in this respect is a





corporate and business sector controlling system that is capable of rapidly and cost-effectively applying high-quality reporting data. As a consequence, far greater demands are being placed on insurers' consolidated accounting and reporting systems.

#### *Potential benefit of Fast Close*

Streamlined closing processes are an invaluable contribution to improving added value. In the interests of targeted efficient business, the thorough evaluation of reporting data is afforded broad scope. Staff motivation improves. The accelerated ascertainment of results also plays a key role in developing control mechanisms based on the requirements of the Sarbanes-Oxley Act (SOX), in implementing Solvency II processes and optimising corporate controls. Alongside rapid access to up-to-date and detailed ratios, Fast Close guarantees clearly defined and documented closing processes. Additional requirements, such as those resulting from implementation of SOX processes, can also be efficiently fulfilled through the realignment of the closing procedure.

#### *A tried and tested operating model*

Based on experience gained during Fast Close initiatives carried out in insurance companies, ifb group consultants have developed an operating model that guarantees efficient and effective project implementation: Following determination of the project objectives regarding quality and future cut-off dates for financial statements, analysis of current closing processes begins. This serves to highlight potential and defines the focus of activity for modifications. The next step is to design the new procedure for compiling results, which includes application of streamlined actuarial closing processes, increased use of methods of estimation, a reduction in the autonomy of domestic and foreign operating units and improved coordination with the auditor etc. Changes to the structural and procedural organisation are then implemented with the aid of a detailed plan of operation. Finally, the new processes are stabilised and optimised.

#### *Critical factor for success – integration of expertise*

Our experience tells us that successful optimisation of closing processes in the insurance sector can only be guaranteed by integrating the following:

- Professional know-how of both internal and external accounting to enable restructuring of the relevant procedures within the accounting area
- Insurance and actuarial expertise in order that the specific processes and procedures within the insurance sector can be covered
- Know-how of both procedural and organisational areas and change management to ensure that process changes are effectively implemented

Only under such conditions can a Fast Close project be optimally implemented in the insurance industry and sustainably contribute to increasing corporate value.

*Insurance*

