

Sample Report

Strategic Profile



ABC

Date

IMPORTANT

This sample report is an abridged and sanitized version of a bespoke project done for one of our clients. To protect client interests, several data points, analysis and key recommendations have not been covered in this document.

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01

Company Overview – ABC

Business Overview

Key Financials

Business Segments

ABC offers range of life, non-life insurance products, retirement solutions, related services in 64 countries

Key Company Facts				Business Description	
Headquarters: 200 Lorem Ipsum Date of Establishment: Month DD,YYYY Employees: XXXX (FY2016) Ownership: Public Ticker: ABC (NYSE) Website: www.ABC.com Tel: +1 111-111-1111				<ul style="list-style-type: none"> ▪ Founded in 0000, ABC, Inc. (ABC) is headquartered in Lorem, Ipsum, serving individuals as well as corporations and other institutions through subsidiaries and affiliates. ▪ ABC listed its shares on the New York Stock Exchange (NYSE) in XYZ 2000, thus transforming from a Lorem Ipsum into a public company. ▪ It has a strong presence in nearly 50 countries worldwide and is the largest life insurer in the US. ▪ Its offerings for individuals include Lorem Ipsum, annuities, property and casualty insurance, and other financial services. ▪ ABC offers group insurance, retirement solutions, and savings products and services to corporations and other institutions. ▪ It is organized into six business segments, primarily based on geography, with the US as its largest segment (contributing X.X% of revenue in 2016), followed by Asia (X.X%), ABC Holdings (X.X%), Latin America (X.X%), EMEA (X.X%), and Brighthouse Financial (X.X%). 	
Key Financials	2014	2015	2016	Business Segments	
Revenues (USD Mn)	XXXX	XXXX	XXXX	<pre> graph TD ABC[ABC] --> US[US] ABC --> Asia[Asia] ABC --> LA[Latin America] ABC --> EMEA[EMEA] ABC --> ABC_Holdings[ABC Holdings] ABC --> Brighthouse[Brighthouse Financial] </pre>	
Operating Margin	X.X%	X.X%	X.X%		
Net Income (USD Mn)	XXXX	XXXX	XXXX		
Net Margin	X.X%	X.X%	X.X%		
Claims Ratio	X.X%	X.X%	X.X%		
Combined Ratio	X.X%	X.X%	X.X%		
Return on Equity	X.X%	X.X%	X>X%		

Source: Annual Reports, Company Website, Bloomberg, Aranca Research and Analysis

*Note: Sum of segment revenues crosses 100% due to adjustments for Corporate & Other

US segment, contributing ~42% of company's revenue, has three businesses; ABC has strong presence in major Asian economies

US

The US segment is divided into group benefits (GB), retirement & income solutions (RIS), and property & casualty (P&C) products.

Products:

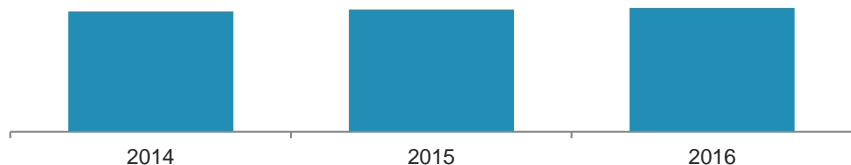
- **GB:** Offerings include insurance products and services such as life, dental, disability, etc. as well as prepaid legal plans.
- **RIS:** This business offers a range of annuity and investment products, structured settlements and post-retirement benefit plans.
- **P&C:** Offerings here include personal and commercial line insurance products, such as those meant for automobile and home owners. The segment also offers small business owners insurance products for property, liability and business interruption.

Sales and Distribution Presence*:



- GB and RIS products are sold via sales forces primarily comprising ABC employees.
- Personal line P&C products are directly marketed to employees at their worksites.

Revenues (USD Mn):



Asia

ABC operates in 11 territories across Asia; Japan accounts for the largest operations. Other territories are Australia, Bangladesh, China, Hong Kong, India, Malaysia, Myanmar, Nepal, South Korea, and Vietnam. The insurer also has a data analytics center of excellence in Malaysia and an innovation center in Singapore.

Products:

- The Asia segment provides life insurance; accident, and health insurance; fixed and variable annuities; and hospital indemnity.

Sales and Distribution Presence*:

Japan



Other Asia



Revenues (USD Mn):



Source: 2016 10-K

* Figures are as on December 31,2016.

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Enterprise Strategy

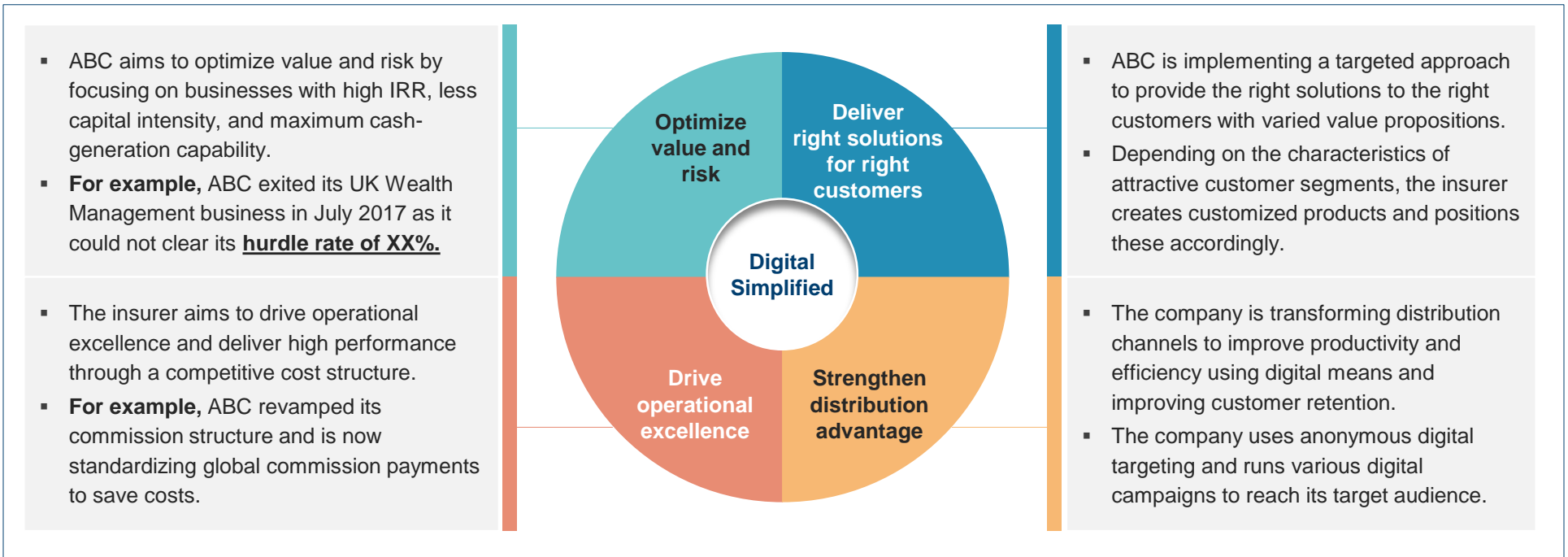
Strategic Initiatives

Business Focus Areas

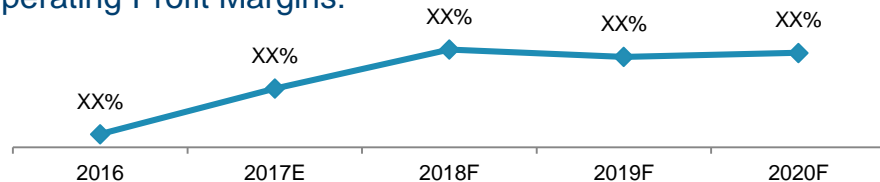
Product Launches and Modifications

In line with its Accelerating Value strategy, ABC is realigning investments to digitalize business processes, and optimizing value for shareholders and customers

ABC altered its enterprise strategy in 2016 prompted by external factors such as lower interest rates, changing customer expectations, and evolving competitive scenario; the change is meant to create value for shareholders and customers.



Operating Profit Margins:



- The strategic measures adapted would lead to optimization of risk, growth in businesses with higher returns, and improvement in efficiency, which would be reflected in expanding operating margins.

Source: Primary Research, Company Websites, Aranca Analysis

To improve ROE, ABC focuses on business areas satisfying risk-adjusted minimum hurdle rate, reduces exposure to market-sensitive businesses



Optimizing value and risk

Striking balance between free cash flow and reinvesting profits

- ABC is moving towards freeing up capital in the near term, while remaining focused on promoting businesses that offer attractive returns in the long term.

Pursuing pure insurance, focusing on fee-based businesses

- ABC is concentrating on pure insurance business and restricting capital investments in Lorem Ipsum Lorem Ipsum Lorem Ipsum enables the company to reduce risk, improve profitability, and lower the cost of equity.
- The company is attempting to grow fee-based businesses, both organically and through acquisitions.

Expanding GB presence

- ABC plans to expand its presence in mid-size and small markets in the US, capitalizing on its market-leading position in the GB business and a share of over XX% in the large employer market. It also aims to expand the GB business into key international markets.

Expanding voluntary benefits market

- The company aims to benefit from its leading market share and strong tenure in the large cases market, thus driving growth through increased employee elections of voluntary benefits.

Optimizing capital allocation

- ABC launched the Accelerating Value strategic initiative in 2015 to improve shareholder returns through efficient capital allocation. ABC directs capital to businesses where it can gain significant competitive advantage based on economic and regulatory factors.

Revisiting investment criteria

- The approach considers factors such as Lorem Ipsum Lorem Ipsum. Accordingly, ABC only signs strategic deals that clear a risk-adjusted hurdle rate. Additionally, it is open to divesting those businesses that do not fit into this approach if the capital could be better deployed elsewhere.

Source: 2016 Investor Day Presentation, Primary Research, Chairman's Letter, Analyst Reports

03

Sales, Distribution and Customer Centricity

Marketing Strategy

Regional Strategies

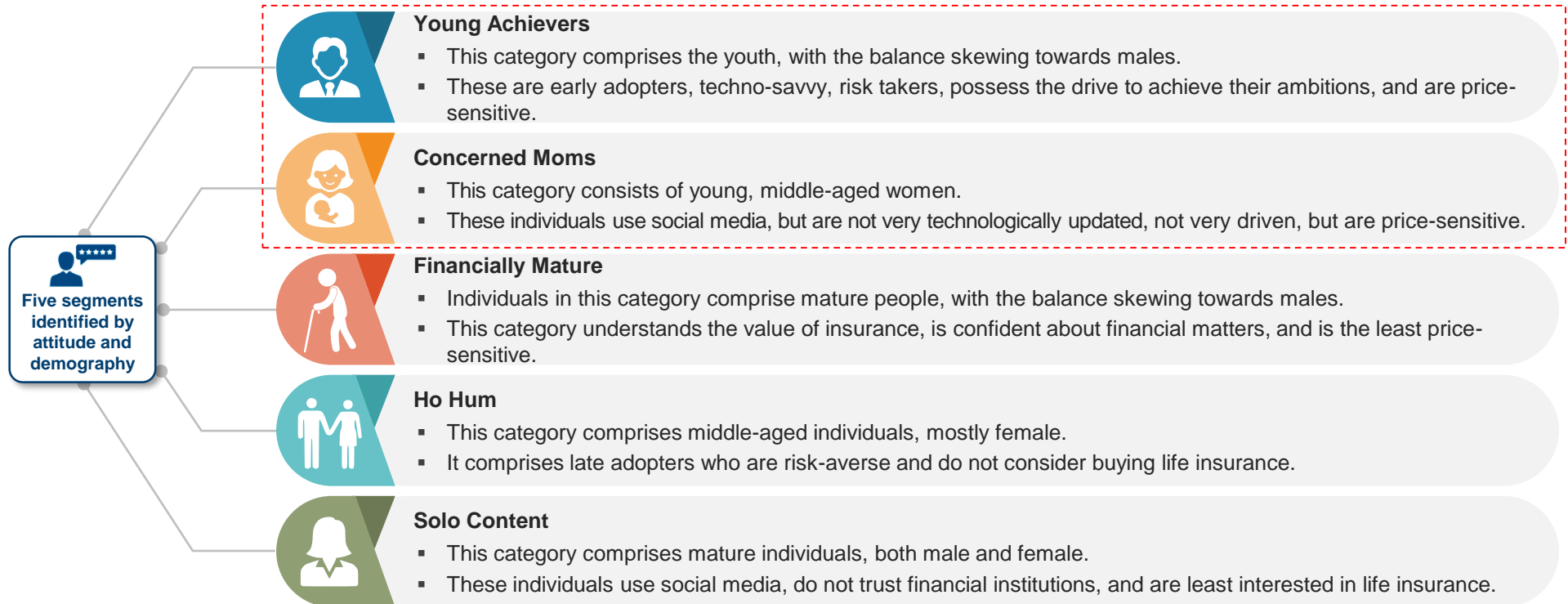
Enhancing Customer Experience

Key Initiatives

NPS

ABC targets two demographically underserved sections – Young Achievers, Concerned Moms – to grow its business in US, which contributes more than XX% of total revenue

ABC identified an underserved market comprising individuals 25–45 years old with an annual income of USDXXXX or less; this market was traditionally neglected by agents and brokers who instead focused on affluent audiences.



- The categories Young Achievers and Concerned Moms make up ~XX% of ABC's market. While Young Achievers have a low lapse rate and high customer value, Concerned Moms have a high lapse rate and medium customer value.
- Depending on customer value and the attitudinal differences, ABC launched custom strategies for the two segments. The remaining three segments have less value and lower conversion rates. Consequently, ABC aims to minimize the cost to serve these segments.

Source: Primary Research, Aranca Research and Analysis

ABC's customer-centric initiatives such as advanced data analytics, persistency-based commissions help drive persistency; NPS used to measure quality of service provided



Advanced Data Analytics

- ABC uses advanced data analytics to collect and analyze customer data. This data is used to Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum.
- ABC's Wall initiative allows customer service representatives to access data from over 70 administrative systems. This enables them to answer customer questions quickly and efficiently, suggest new services, offer promotions, or handle claims, all while reducing wait and call times.



Persistency-based Commissions

- ABC revamped its commission structure by Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum.
- Benefits of the new structure include Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum.



Lapse Notification System

- ABC implemented a system that sends lapse alerts to agents. Agents can accordingly follow-up with clients and thus improve client persistency.



NPS

- In 2016, ABC implemented NPS 360, an all-round customer feedback system, to collect NPS data. Two of the system components help improve customer satisfaction:
 - Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum.
 - Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum.

Source: ABC Website, Investor Day Presentations, Primary Research, Aranca Research and Analysis

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Technology

Key Focus Areas

In-house Initiatives

Technology Partners

Company implemented various internal initiatives to explore emerging technologies such as AI, IoT to drive revenue growth, deliver value to customers

Internal Initiatives

1 Global Technology Campus

- ABC set up its Global Technology campus in North Carolina in June 2015.
- The campus is tasked with Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum.
- The enhanced Lorem Ipsum Lorem Ipsum has helped ABC expand its GB customer base.

Impact

Revenue

Value *

Efficiency

2 Easing Customer Interaction

- ABC launched **mobile applications** customized for geographies, such as **MULAN** for South Korea. The applications and other digital channels enable customer self-service and provide secure access to customers through dashboards.
- ABC's Indian JV launched Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum that enables customers to interact with a virtual life-insurance expert to address their queries.

Impact

Revenue

Value *

Efficiency

3 IoT and Big Data and Analytics

- ABC is exploring the use of technologies such as **machine learning, IoT, and big data and analytics** through an internal team.
- The areas of possible applications include Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum.
- ABC launched **My Journey** insurance program in May 2017, which utilizes data from a smartphone app to monitor customers' driving patterns and price the policy accordingly.

Impact

Revenue

Value *

Efficiency

4 InsurTech Programs

- ABC launched two InsurTech investment programs – **ABC Digital Accelerator** and **ABC Digital Ventures** – in January 2018, backed by a USD XX million co-investment fund.
- ABC's Singapore-based innovation center, LumenLab, launched InsurTech support programs Lorem Ipsum Lorem Ipsum Lorem Ipsum Lorem Ipsum. The programs provided an opportunity to **product-ready start-ups** to get their products live at ABC.

Impact

Revenue

Value *

Efficiency

Source: Web Articles, Earnings Call Transcripts, Primary Research, Aranca Research and Analysis

*Note: Value from customer perspective

05

Risk Management

Types of Risk

Risk Management Process

Risk Measurement

ABC has implemented Three Lines of Defense Framework to manage enterprise-wide risks effectively, allocating responsibilities from the employee to the management level



Global Risk Management

GRM maintains and communicates ABC’s enterprise risk policies in addition to monitoring and analyzing all material risks.

GRM’s key responsibilities include the following:

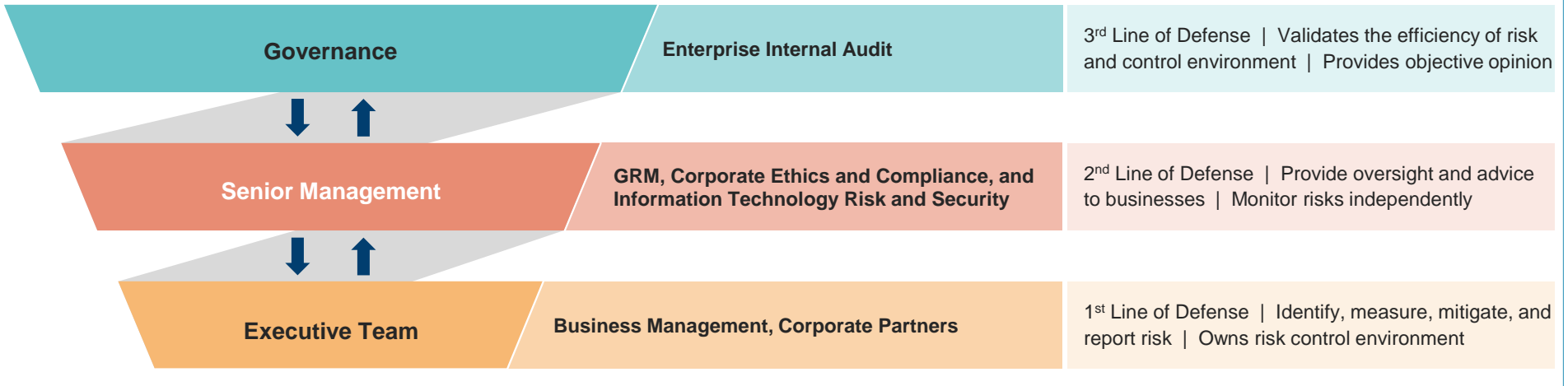
Implementing a corporate risk framework outlining the enterprise approach for risk management; laying out the Enterprise Risk Appetite Statement

Devising procedures and policies to manage, measure, monitor, and control risks per the corporate risk framework

Defining corporate risk tolerance levels, co-ordinating risk assessments, and recommending capital allocation to the management and the Board

Three Lines of Defense Model:

- ABC adopted a ‘Three Lines of Defense’ model to manage risk in 2016; this enables and requires employees at all levels and in all departments to manage risk.
- In 2016, ABC employees underwent training to understand the framework. The training included role-specific learning to help manage risk. By the end of 2016, 98% of employees successfully completed the course.
- ABC mitigates the risk of corruption with a zero-tolerance policy. Its Global Anti-Corruption Policy lays down enterprise-wide procedures and guidelines for anti-corruption compliance.



Source: 10-K 2016, ABC Website, Aranca Research and Analysis

ABC measures market risk using various internal models; investment risk managed through multi-level VaR limits



Market Risk Management

- ABC's market risk exposure, through its insurance operations and investment activities, to interest rate, equity market price, and foreign currency exchange rate risk is regularly analyzed by the investment risk management teams and the ALM unit.

Risk Measurement Using Sensitivity Analysis

- ABC calculates market risk as the risk of loss resulting from a hypothetical 10% change in interest rates, foreign currency exchange rates, and equity markets. This sensitivity analysis estimates the possible changes in fair value of investments and liabilities in the event of an upside or downside change for each of these risks separately.
- ABC uses sensitivity analysis as a tool to complement the management's experience and judgment for managing market risk.



Investment risk

Management Strategies

VaR Limits

- ABC follows a limits system where there are investment limits based on sectors and security issuers. The risk management team measures risks using economic capital and value-at-risk (VaR) models.
- The team determines VaR limits for managing investment risk. Limits are determined at various levels in a top-down manner: total portfolio risk, sector risk, asset class risk, and issuer risk.

Stress Testing

- The team conducts stress testing based on historical experience, worst-case scenario, and Monte Carlo simulation.

Source: 10-K 2016, Analyst Reports, Primary Research, Aranca Research and Analysis

Currency matching, hedging used to mitigate foreign currency exchange rate risk



Foreign currency exchange rate risk

Management Strategies

Enterprise Foreign Exchange Risk Policy

- ABC follows an established Enterprise Foreign Exchange Risk Policy to ensure the management of foreign currency exchange rate exposures within the company's defined risk-tolerance limits. The management of each of the business segments establishes limits and manages foreign currency exchange rate exposure. ABC's Foreign Exchange Risk Committee oversees foreign currency exchange risk management across business segments.

Currency Matching

- Generally, investments backing certain liabilities are currency matched either through direct investments in the same currency or through currency derivatives.

Hedging Strategies

- To minimize the currency risk, local surplus in some countries is held partially or entirely in USD-denominated assets, in addition to hedging strategies that use derivative instruments such as foreign currency swaps, forwards, and options. The company hedges its earnings in Japan. It has fully hedged earnings for FY 20XX and FY 20XX at JPY XXX and XXX, respectively. For FY 2019, it has hedged about XX% of its earnings at JPY 109.

Source: 10-K 2016, Analyst Reports, Aranca Research and Analysis

06

US Group Business Insights

Segment-wise Strategy
Competitive Advantages

ABC leads US large-case group benefits market; plans to grow in fragmented entrepreneurial market through investments in technology

The GB business, invented by ABC, is regarded as a capital-light operation with solid cash flow generation. ABC leads the US large-case market with a market share of XX%.

Large-case Market (> 5,000 Employees)

- The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.
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Mid-case Market (100–5,000 Employees)

- The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.
- The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.

Small-case/Entrepreneurial Market (< 100 Employees)

- The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.
- The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.

Source: Analyst Reports, Primary Research, Aranca Research and Analysis

07

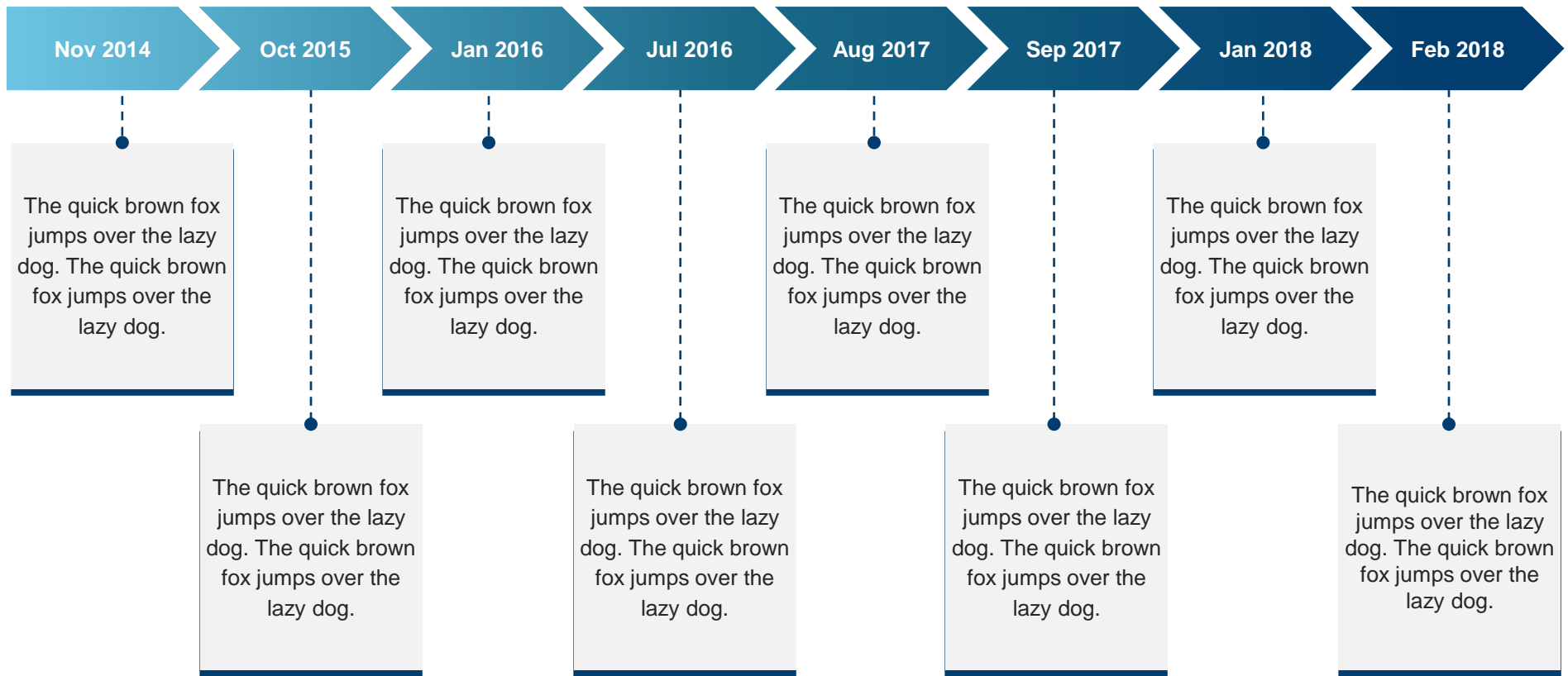
Inorganic Growth and Partnerships

Acquisitions and Joint Ventures

Spin off

Divestitures

ABC focuses on businesses that fit its enterprise strategy, restructures operations accordingly



▪ As of January 2018, ABC was reported to be seeking buyers for its Hong Kong business valued at ~USD XXX million.

Source: Press Releases, Aranca Research and Analysis

Subsidiary Consolidation

Subsidiary Consolidation

Date	Surviving Entity	Merged Entity(ies)	Restructuring Details	Restructuring Benefits
01/16/2018	Metropolitan Tower Life Insurance Company	General American Life Insurance Company	<ul style="list-style-type: none"> ABC announced its intent to merge its subsidiary, General American Life Insurance Company, into another subsidiary, Metropolitan Tower Life Insurance Company, which would be domiciled in Nebraska. 	<ul style="list-style-type: none"> ABC's corporate and operational structure would be simplified and streamlined with this restructuring.
11/17/2014	ABC Insurance Company USA	<ul style="list-style-type: none"> ABC Insurance Company of Connecticut ABC Investors USA Insurance Company ABC Investors Insurance Company Exeter Reassurance Company Limited 	<ul style="list-style-type: none"> ABC merged four of its subsidiaries and rechristened the merged entity as ABC Insurance Company USA, domiciled in Delaware. 	<ul style="list-style-type: none"> The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog. The quick brown fox jumps over the lazy dog.

Source: Press Releases, Web Articles, Bloomberg, Thomson Banker



**DECIDE
FEARLESSLY**

