

Road to Digital Architect

Mission 4-Session 6

“Commercial Modeling of Transformation”



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Mission 4-Session 6

Agenda:

- 2-4 Slides - Deliver A high level commercial estimate for the Digital Transformation & Operation of Safesure during the transformation window (Y1-Y4). Please include-
 - Costs of hosting (On-prem, Cloud)
 - Platforms (integration, Service Hosting, Data, Analytics) – Build & Support
 - Build cost of platforms, applications/services, integration
 - Cost of Migration
 - Cost of BAU support

Costs above should be distributed over roadmap to reflect the time window of the initiatives

Mission 4-Session 6

Agenda:

2-4 slides - Please distribute estimated benefits of the transformation in each year & highlight the RoI/Business Benefit profile of taking up Digital Transformation by Safesure

- Please indicate initial cost, break-even point, benefits scaling
- Please indicate top 5 considerations in establishing the positive/favourable business case

Assumption

License cost of existing applications – £ 5.0 M/year (total)

- BAU Support per year - Hosting – £ 2.0 M, Applications – £ 7.0 M. People - £ 5.0 M
- Typical Discretionary Spend per year – £ 6-8 M

Commercial Estimation - Cost Tree

Technology Infrastructure	
	On Prem Hosting
	Cloud Hosting
	Database Hosting
	Network
	Storage
	Operating System
	Backup and recovery
	Infrastructure Security
	DR
Business Platform	
	Core Business Applications and platforms
	Common Data Platform
	Common AI Platform
	Common Analytics Platform and tools
	API and Marketplace platform
People	
	Engineers and developers
	Analyst
	Project Managers and Leadership
	Trainers
	Auditors
	Consultants
Process	
	Auditors
	Risk Assessment
	License to run
	Product Certification
	Training and Certification
	Compliance and Regulation

Commercial Estimation - Cost Cap

According to various industry reports and analyses, the average IT spending as a percentage of revenue for insurance companies in Europe typically ranges from 3% to 6%. This range may vary based on factors such as the size of the insurance company, its technological infrastructure, regulatory requirements, and strategic priorities.

Low End: Around 3% of their total revenue to IT expenses.

Mid Range: Around 4% and 5% of their total revenue to IT spending.

High End: Closer to 6% of their total revenue to IT expenses

Commercial Estimation - Total Cost of Ownership

Formula of TCO

$$\text{TCO} = \text{Initial cost (I)} + \text{Support cost (S)} + \text{Maintenance cost (M)} + \text{Operational cost (O)} + \text{Retirement cost (R)}$$

Initial cost/ Evolving product cost

1. Infrastructure and networking equipment
2. Software/application development
3. Data migration
4. Technology stack
5. DevOps, FinOps, DevSecOps
6. Security and compliance
7. Employee training

Support cost

1. Help desk setup
2. Incident management and resolution
3. Service-level agreement (SLA)
4. Vendor management
5. Software documentation

Operational cost

1. Data center/hosting cost
2. Monitoring and observability
3. Tech debt
4. Data storage and backup
5. Scalability and capacity planning
6. Reliability and stability
7. Accessibility and usability
8. Third-party licensing
9. Integrations and interoperability
10. Regulatory and legal compliance

Maintenance cost

1. Predictive and preventive maintenance
2. Security upgrades
3. Bug Fixing and enhancement
4. Disaster recovery and backup
5. Downtime management

Retirement cost/ Decommission cost

1. Data export
2. Archived system
3. Inactive licenses
4. Training and knowledge transfer
5. Legal and intellectual property considerations

TOTAL Cost of Ownership
=
RUN the Business
+
CHANGE the Business

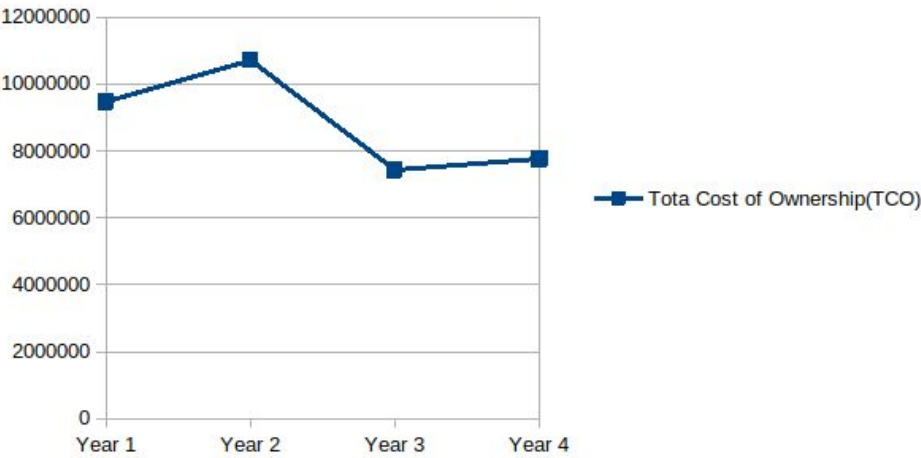
Commercial Estimation - Breakdown (USD)



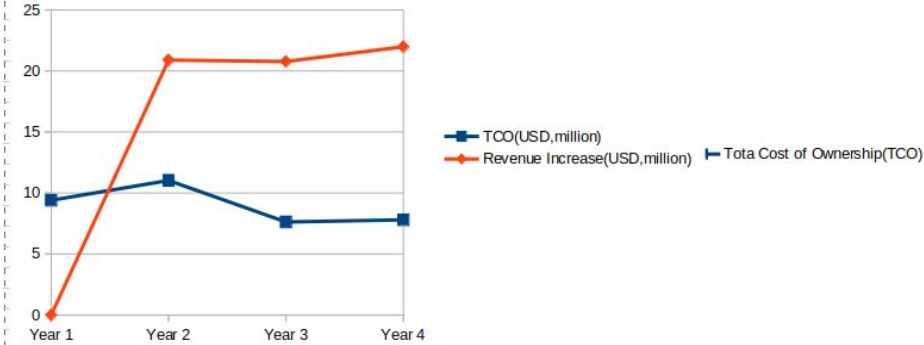
Type	Category	Details	Year 1	Year 2	Year 3	Year 4
Technology Infrastructure (Hosting)	On-Prem	Legacy Application hosting cost for PROD and Non PROD Environments Including Databases	431000	331000	150000	0
	Cloud	New Cloud Infrastructure to host Next Gen application platform for PROD and Non PROD Environments Including Databases	305000	205000	205000	205000
Business Platform	Pension Platform	Application BAU Cost – Run The business	1080000	1080000	400000	400000
	Health Insurance Platform	Application BAU Cost – Run The business	1080000	1080000	400000	400000
	General Insurance Platform	Application BAU Cost – Run The business	1080000	1080000	400000	400000
	Common Data Platform	Setup cost of new data platform	101440	101440	101440	101440
	Common AI Platform	Setup cost of new AI platform	150000	150000	150000	150000
	Common Analytics Platform and tools	Setup cost of new Analytics Platform	150000	150000	150000	150000
	API and Marketplace platform		0	0	150000	150000
Build, Setup & Infra management, BAU, New Development	Infrastructure/Application Setup – Pension	Infrastructure management for Pension	485000	640000	465000	465000
	Infrastructure/Application Setup – General Insurance	Infrastructure management for General Insurance	485000	640000	465000	465000
	Infrastructure/Application Setup – Health Insurance	Infrastructure management for Health Insurance	485000	640000	465000	465000
	Platform Integration	Setup the business delivery pipeline, Integrate new infrastructure, application and platforms	500000	500000	500000	995000
	Migration	Legacy application migration to Cloud and Next Gen platform including data	575000	575000	405000	405000
	Retirement Cost		0	0	200000	100000
Others	Training & Consulting	Skill upgrade, Assessment , planning etc	925000	865000	895000	890000
	CDO-Office Management	Office to Run the transformation as whole	2035000	2885000	2025000	2025000
	Common Regulatory & Compliance Platform	Regulatory and Compliance Cost to run the business	100000	100000	100000	100000
Tota Cost of Ownership(TCO, USD)			9967440	11022440	7626440	7866440

Commercial Estimation - Breakdown

TOC Trend(USD)



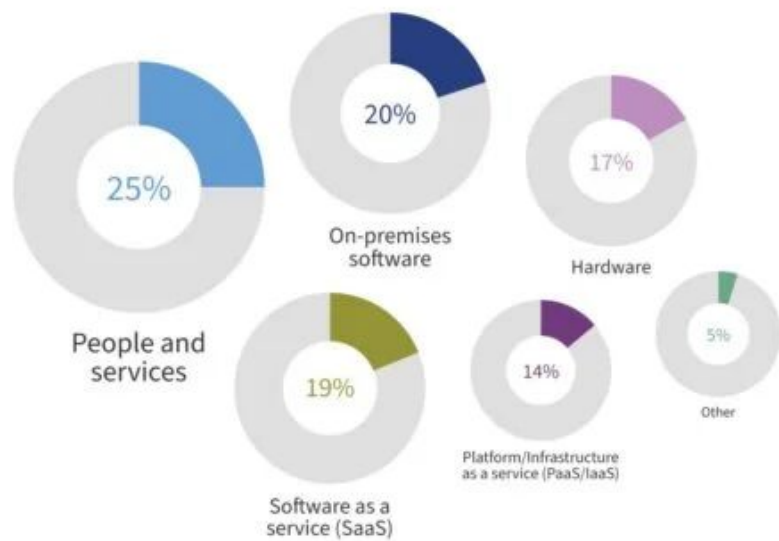
TCO Vs Revenue Increase



Year	TCO(USD,million)	Revenue Increase(USD,million)
Year 1	9.4	0
Year 2	11.022	20.89
Year 3	7.62	20.77
Year 4	7.8	21.98

Commercial Estimation - Cost Optimization Aspects

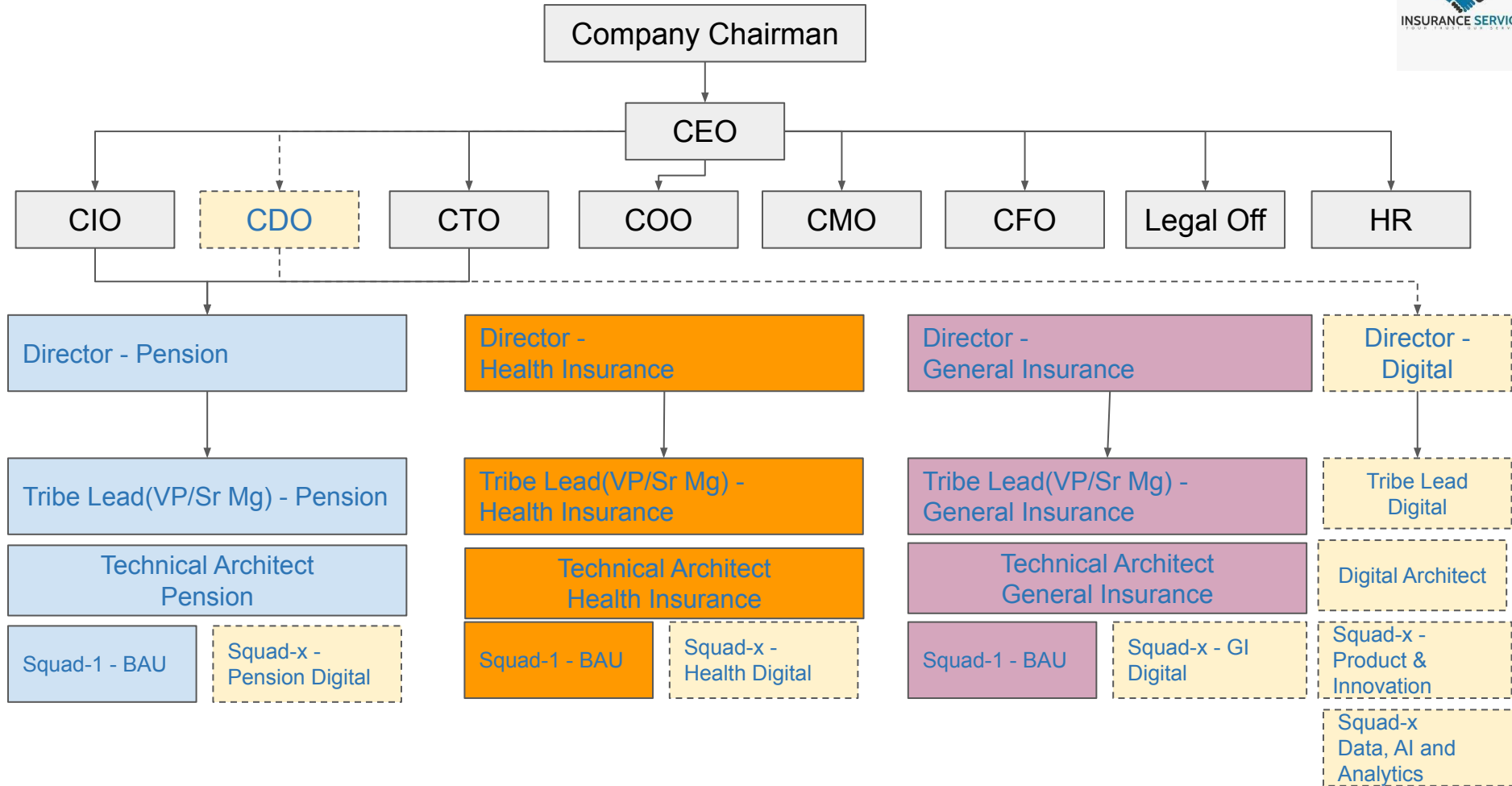
Percent of annual spend in the following categories



Transformation roadmap-Benefits(Measured by KPIs)

	2024	2025	2026	2027
Digital Transformation Program	<ul style="list-style-type: none"> • Leadership Appointment and Team formation. • Digital Strategy, OKR and KPI Developed • Workshop and Training • Prepare for the Digital Initiatives • Due diligence & assessment drafting • Cloud Adoption & Infra upgrade. • Application cloud migration • New product innovation using AI, GenAI and Data Analytics • External SaaS discovery 	<ul style="list-style-type: none"> • Development on new products and Innovation • Parallel Run of New System with Legacy system • Sunset review of legacy systems 	<ul style="list-style-type: none"> • Product Innovation and customization • New product adoption • Data Platform & Analytics • Regulation and Compliance • Parallel Run of the New system. 	<ul style="list-style-type: none"> • Aggregator Integration • Market Integration
Benefits	<ul style="list-style-type: none"> • Setup the strategic direction for digital transformation. • Setup the Data, Analytics and AI strategy and roadmap. • Setting up the stepping stone for innovation and growth. • Setting up the KPI for 	<ul style="list-style-type: none"> • New Product Innovation and product positioning. • New product Marketing ,customer retention and acquisition • Legacy platform sunset review 	<ul style="list-style-type: none"> • Improved customer experience and customer satisfaction. • Operational efficiency • Risk Management and Fraud prevention • Faster decision making. 	<ul style="list-style-type: none"> • Business expansion through business channels. • Growth and transformation, Insurance 2.0

Operating Model- Chief Digital Officer (CDO) Office



Top 5 considerations in establishing the positive/favourable business case

- **Operational efficiency**

- Faster product choosing decision by customer, Faster claim settlement.
- Reducing Manual processes.

- **Improved customer experience and customer satisfaction.**

- Empowered Customer to buy product with better transparency and trust.
- Faster processing of the claim settlement
- Instant communication by Support Bot

- **New Product Innovation and competitive advantage for business expansion.**

- Faster decision making through Analytics and AI, New Product innovation through the Data Analysis, personalised product innovation and customization

- **Risk Management and Fraud prevention.**

- Better monitoring , preventive approaches and process automation through digitization

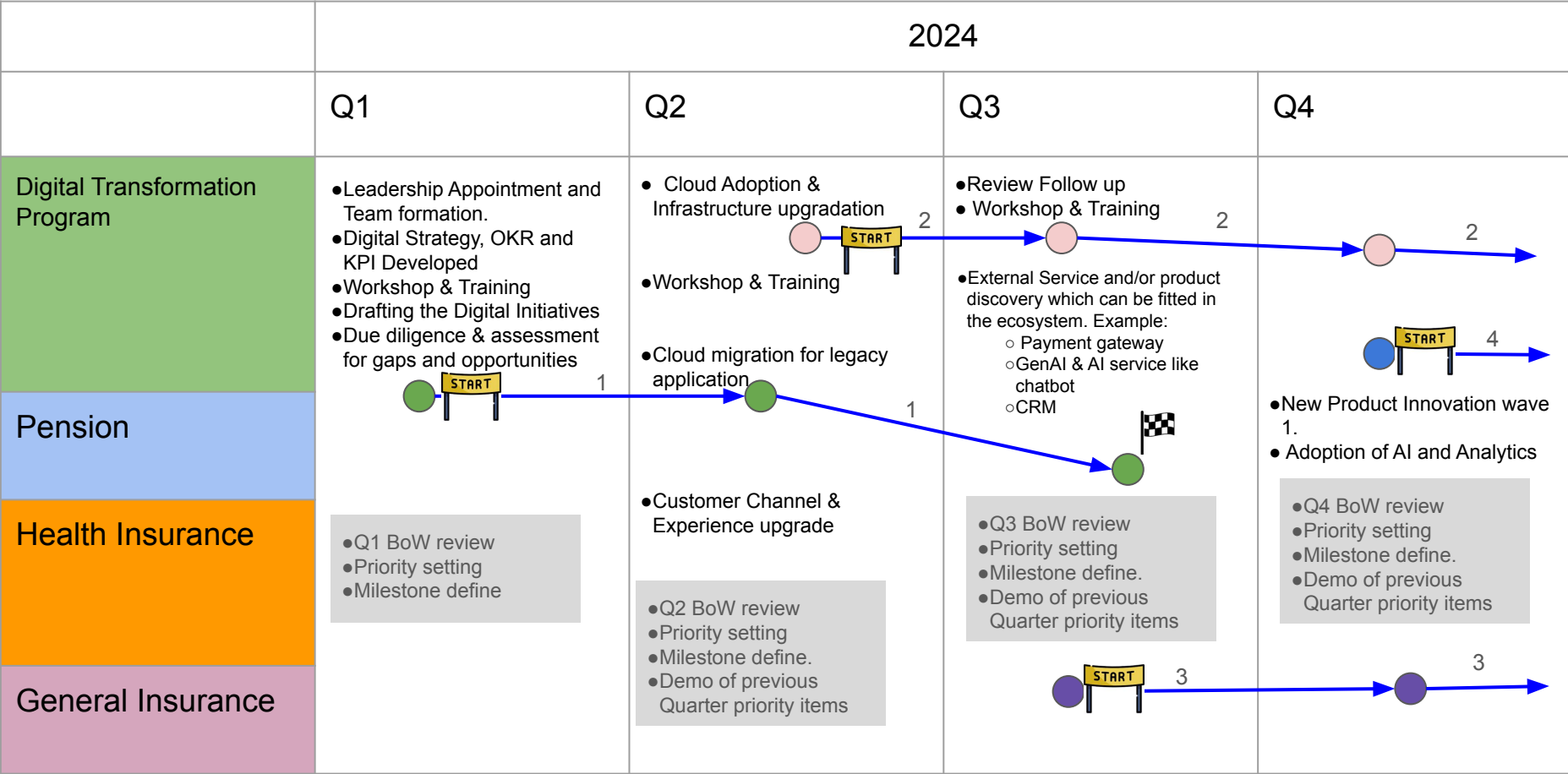
- **Improved Regulatory and compliance framework establishment and trust building.**

- Efficient system and faster decision making through process improvement

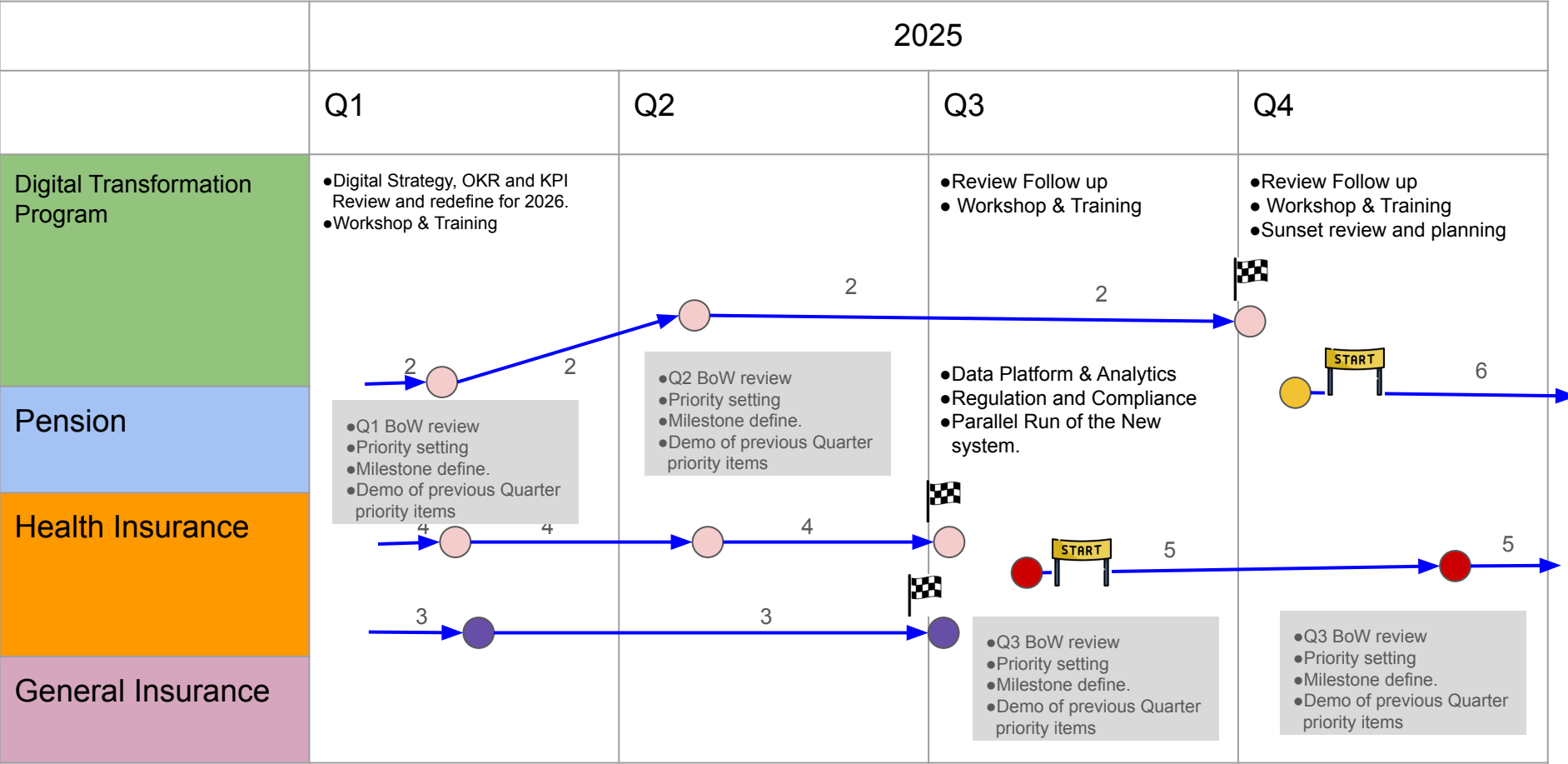
Rol/Business Benefit

SI No#	ROI	Products	Time scale	Measure
1	<ul style="list-style-type: none">Improved Customer Engagement.Improved Customer Satisfaction.Personalised product offering	Customer Hub, AI Bot	Post Transformation starting from year 2	YoY 16% Increase in customer segment
2	<ul style="list-style-type: none">Cost saving on Platform modernization, cloud & AI adoption.System resiliency and Scaling	AI and Analytics products, Cloud adoption	Post Transformation starting from year 2	Year 3 cost saving close to 3.0 million USD and onwards at least 1-2 million USD on process improvement, license cost.
3	<ul style="list-style-type: none">Risk Assessment and Fraud Control via operational intelligence.Risk Modeling.Transparency and Visibility through Data	Analytics and AI adoption, Data driven decision making	Post Transformation starting from year 2	2-3 million additional cost saving in Insurance segment
4.	<ul style="list-style-type: none">Business scaling and expansion through technology adoption and modern AI tool	Data Products , Analytics Products, Innovative strategy adoption, Aggregator	Post Transformation starting from year 3	Untapped potential to scale into new region and segment

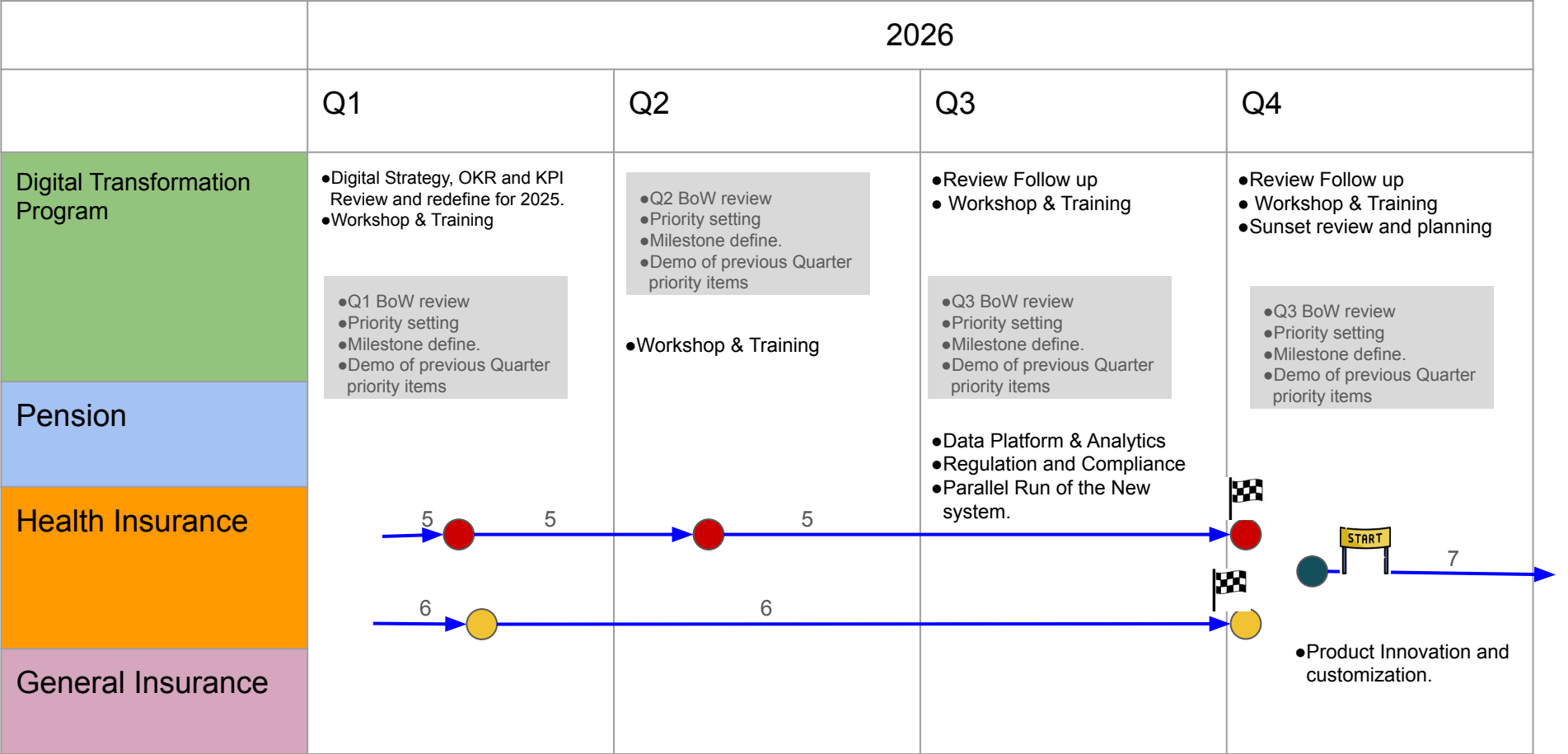
Transformation roadmap-2024



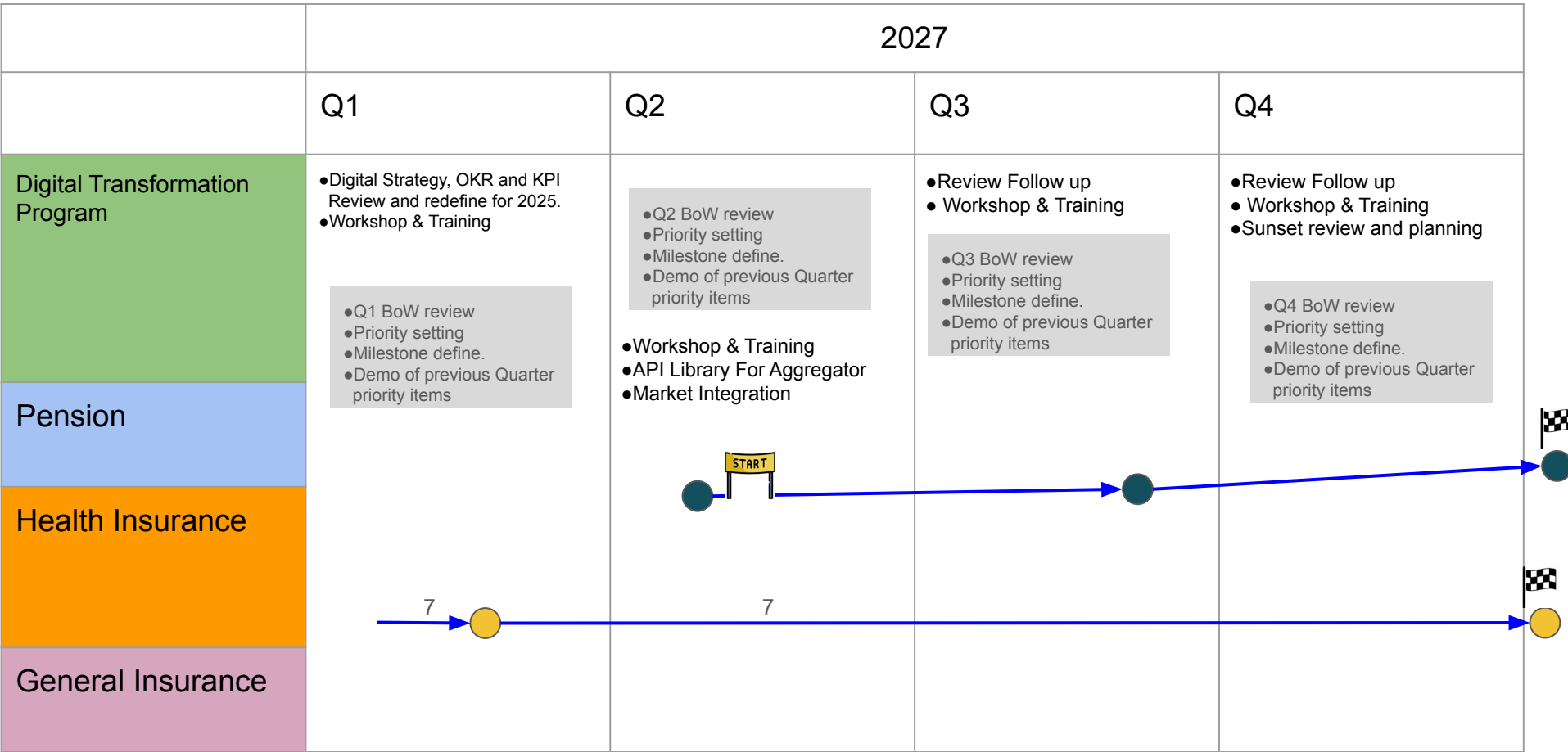
Transformation roadmap-2025



Transformation roadmap-2025



Transformation roadmap-2027



Chief Digital Officer (CDO) OKR - General Insurance

OKR#1: Enhancing Customer Satisfaction

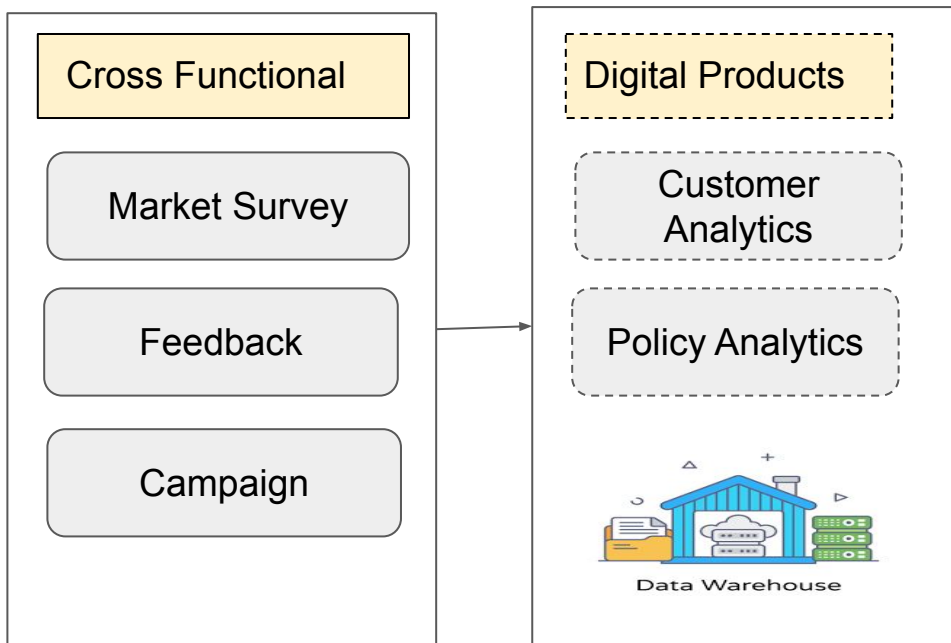
Description: This objective helps in gaining increased customer retention by reducing the customer churn, decreasing policy lapse ratio and providing customer appreciation dinners to retain the customers for a longer run.

Objective: Improve overall customer satisfaction in general insurance.

Key Results:

- Increase customer satisfaction scores by 15% within the next year.
- Reduce the average claim processing time by 20% within the next six months.
- Achieve a 25% increase in customer retention within the next quarter.

Target Date: Annual-2024



Chief Digital Officer (CDO) OKR- General Insurance

OKR#2: Expanding Digital Channel Presence

Description: Reach more customers in the different sectors and categories

Objective: **Accelerate the adoption of digital channels in insurance operations.**

Target Date: Annual-2026 Visibility: All Employees

Key Results:

- Increase the percentage of policyholders using digital channels to 80% within the next two years.
- Enhance the functionality and user experience of the online claims portal by 80% within the next semester.
- Achieve a 30% decrease in manual paper-based processes within the next quarter.

Target Date: Annual-2024

Chief Digital Officer (CDO) OKR- General Insurance

OKR#3: Strengthening Underwriting Practices

Objective: **Enhance underwriting practices to optimize risk assessment and pricing.**

- Reduce the underwriting loss ratio by 10% within the next year.
- Implement 3 advanced data analytics models to enhance risk assessment within the next six months.
- Achieve a 95% accuracy rate in underwriting decisions within the next quarter.

Target Date: Annual-2024

Chief Digital Officer (CDO) OKR- General Insurance

OKR#4: Improving Claims Management Efficiency

Objective: **Optimize claims management processes to improve efficiency and customer experiences.**

Key Results:

- Decrease the average claims settlement time by 20% within the next two years.
- Implement 100% automated claims processing systems to expedite claim resolution within the next semester.
- Achieve a 15% reduction in claims leakage through improved fraud detection within the next quarter.

Target Date: Annual-2024

Chief Digital Officer (CDO) OKR- General Insurance



OKR#5: Enhancing Product Innovation

Objective: **Foster product innovation to meet evolving customer needs in general insurance.**

Key Results:

- Launch 2 new innovative insurance products within the next year.
- Develop 10 customized coverage options to cater to niche markets within the next six months.
- Achieve a 30% increase in premium revenue from new product offerings within the next quarter.

Target Date: Annual-2025

Chief Digital Officer (CDO) OKR- General Insurance



OKR#6: Strengthening Risk Mitigation Strategies

Objective: **Enhance risk mitigation strategies to protect against emerging risks in general insurance.**

Key Results:

- Implement 3 proactive measures to mitigate cyber risks and data breaches within the next year.
- Enhance 5 disaster recovery plans to ensure business continuity during catastrophic events within the next semester.
- Achieve a 100% compliance rate with regulatory requirements related to risk management within the next quarter.

Target Date: Annual-2025

Chief Digital Officer (CDO) OKR- General Insurance

OKR#7: Optimizing Distribution Channels

Objective: **Optimize distribution channels to improve market penetration and customer reach.**

Key Results:

- Increase the number of active agents and brokers by 15% within the next year.
- Develop 3 online partner portals to streamline collaboration with distribution partners within the next six months.
- Achieve a 20% increase in policy sales through digital distribution channels within the next quarter.

Target Date: Annual-2025-27

Chief Digital Officer (CDO) OKR- General Insurance

OKR#8: Enhancing Customer Education and Engagement

Objective: **Improve customer education and engagement in general insurance.**

Key Results:

- Launch 5 educational campaigns to increase insurance literacy among customers within the next year.
- Implement 3 customer engagement initiatives through personalized communication and rewards programs within the next semester.
- Achieve a 90% satisfaction rate among customers with the level of insurance knowledge within the next quarter.

Target Date: Annual-2024 - 27

Chief Digital Officer (CDO) OKR- General Insurance

OKR#9: Embracing Telematics and IoT

Objective: **Leverage telematics and Internet of Things (IoT) to enhance risk assessment and pricing.**

Key Results:

- Implement 3 telematics-based insurance products to promote safe driving habits within the next year.
- Integrate 100% IoT devices for real-time monitoring and prevention of property-related risks within the next semester.
- Achieve a 25% reduction in claims frequency through telematics and IoT-enabled risk mitigation within the next quarter.

Target Date: Annual-2026-27

Chief Digital Officer (CDO) OKR- General Insurance

OKR# 10: Strengthening Industry Partnerships

Objective: **Establish strategic partnerships with industry stakeholders to drive innovation and growth.**

Key Results:

- Collaborate with 7 insurtech companies to leverage technological advancements within the next year.
- Establish partnerships with 3 other insurance providers for cross-selling opportunities within the next semester.
- Achieve a 90% satisfaction rate among partners with collaboration and innovation initiatives within the next quarter.

Target Date: Annual-2027