

Human resources benchmark for insurance Overview



The HR challenge: Complex and quickly evolving external and internal factors

In today's challenging economy, insurance institution's human resource (HR) organization should be more nimble than ever to respond to constantly changing internal and external pressures. These pressures challenge their ability to achieve operational excellence, improve work force effectiveness, develop future leaders, and capitalize on the growth of emerging markets.



Insurance intuition's HR executives are looking to achieve cost competitiveness in an uncertain market

Current state of insurance HR services

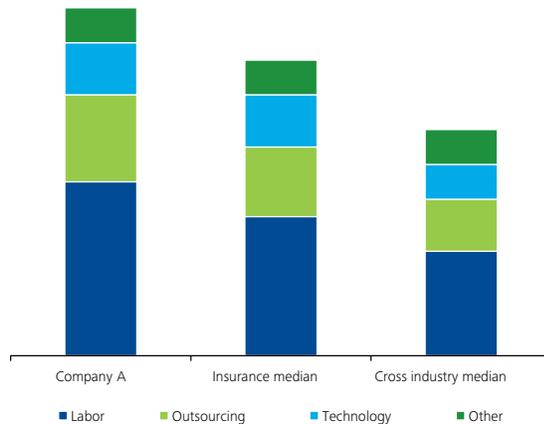
- In today's challenging economy, even some of the top insurance companies are under-performing in the efficiency and effectiveness of their HR services
- Insurance HR organizations should be able to respond to constantly changing internal and external pressures that challenge their ability to achieve operational excellence, improve work force effectiveness, develop future leaders, and capitalize on the growth of emerging markets
- Understanding available opportunities in HR service delivery models is an integral part of driving greater value
- Insurance executives need to know:
 - Do we spend too much to acquire new talent?
 - Does our HR service delivery model align with the company's strategic goal and revenue sources?
 - How do our employee benefit costs compare with other companies in our industry?



Deloitte's Global Benchmarking Center (GBC) delivers invaluable data-centric insight and analysis with benchmark and survey capabilities*

Deloitte's dedicated benchmarking team comprises more than 60 highly-experienced benchmark professionals with deep benchmarking knowledge in finance, human resources, information technology, sales, general, and administrative, procurement, supply chain, shared services, and industry-specific operations functions. Deloitte's Global Benchmarking Center has completed over 1,100 client studies.

HR cost per employee



The median represents the 50th percentile performer

Source: Deloitte Global Benchmarking Center. 2012.

GBC capabilities

- **Relevant:** Tailored peer groups are determined using industry and organizational demographic information, resulting in analysis that is applicable to your specific company
- **Process-based:** Process data is collected where work is performed, regardless of a company's structure to enable effective comparisons
- **Actionable:** Tailored reports detailing individual performance metrics help companies identify and prioritize areas of opportunity
- **Efficient:** Focused question sets are designed to collect information most critical to company and/or industry issues
- **Proprietary:** Deloitte's peer group database is proprietary based on data collected directly from our clients

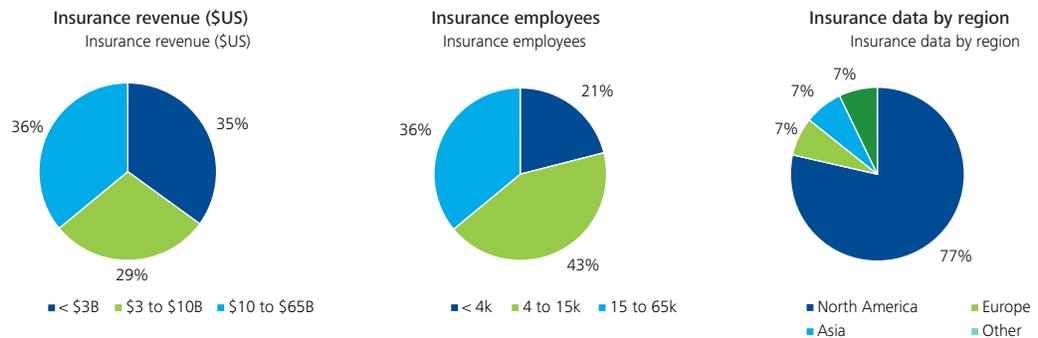
*Global Benchmarking Center services are provided throughout Deloitte's network of member firms.

Deloitte’s global HR benchmark is designed to provide insurance executives with actionable data to help reduce costs and increase efficiency

<p>Process assessment and comparison</p>	<ul style="list-style-type: none"> Collects labor and outsourcing costs and number of staff for each process category; data is mapped to Deloitte’s defined HR process taxonomy enabling effective peer comparisons Submits and analyzes data in the manner that has the most impact for your organization, by external peer and internal organization comparisons (geographic, size, and business unit)
<p>Assess the service delivery model</p>	<ul style="list-style-type: none"> Captures labor cost and full-time staffing numbers by service delivery model role Assesses and compares your company’s actual service delivery model by process category against an industry-specific peer group
<p>Use of outsourcing and technology</p>	<ul style="list-style-type: none"> Captures outsourcing cost and technology cost and profile Analyzes labor and staffing components related to the outsourcing and technology investment and then compares the results to company peers identifying such items as: <ul style="list-style-type: none"> Identify where technology utilization to increase automation can result in a reduction in HR cost
<p>Regional data view</p>	<ul style="list-style-type: none"> Allows market wage rate comparisons for more effective improvement opportunity identification Identifies areas to help improve efficiencies & cut costs through detailed insurance HR metrics for three geographic regions; North America, Western Europe, Asia/Pacific

Deloitte’s benchmark reveals that insurance companies have an opportunity to potentially reduce their total annual HR cost by an average of 45%

Thirty-four financial services institutions have participated in our HR benchmark providing specific geographic data sets



Source: Deloitte Global Benchmarking Center. 2012.

Insurance participants		
<ul style="list-style-type: none"> Achmea Holding N.V. Aflac Incorporated Allianz Global Corporate & Specialty AG AMP Limited AXA Equitable Life Insurance Company 	<ul style="list-style-type: none"> Brickstreet Mutual Insurance Company ICIC Prudential Life Insurance Co. Ltd. ING North America Insurance Corp. Progressive Corporation, The Prudential Financial, Inc. Standard Insurance Company 	<ul style="list-style-type: none"> State Farm Mutual Auto. Insurance Co. Swiss Reinsurance Company Tokio Marine & Nichido Fire Insurance CO.,LTD. Workplace Safety & Insurance Board, The

Banking participants		
<ul style="list-style-type: none"> Ally Financial Inc. Australia and New Zealand Banking Group Limited Banco Galicia Caixa D'Estalvis Pensions De Barcelona Caixa D'estalvis De Catalunya Tarragona I Manresa CoreLogic, Inc. 	<ul style="list-style-type: none"> Credit Suisse Group AG Deutsche Bank AG ING Bank Of Canada Itaú Unibanco Holding S.A. Lloyds Banking Group plc Macquarie Bank Limited Multinational investment bank National Australia Bank Limited Natixis 	<ul style="list-style-type: none"> PNC Financial Services, The Group, Inc. Popular, Inc. Raymond James & Associates, Inc. Royal Bank of Canada Toronto-Dominion Bank, The Westpac Banking Corporation

The standardized definitions in our benchmark taxonomy enable “apples to apples” comparisons among participant process and service delivery model data

Benchmark process taxonomy

Process categories	HR operations	Total rewards	Talent management	Strategy and program design
Processes	<ul style="list-style-type: none"> Payroll, time and attendance Employee data administration and analytics 	<ul style="list-style-type: none"> Compensation Non-retirement benefits plan Retirement benefits plan 	<ul style="list-style-type: none"> Staffing and recruitment Employee relations Career development Learning Employee mobility 	<ul style="list-style-type: none"> HR strategy and function management HR program design

Service delivery model data

In order to assess the HR service delivery model, Deloitte’s benchmark is designed to:

- Capture and report labor costs and number of HR staff within each process category by role:
 - Shared service centers
 - Centers of expertise
 - HR Business partners
 - Site HR generalists
- Capture and report outsourcing costs within each process category

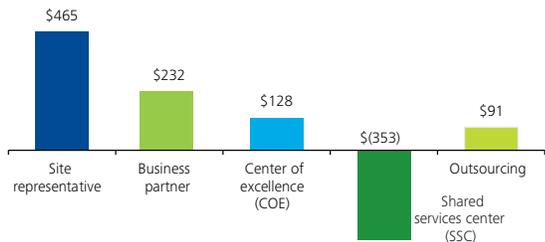
Capturing staff and cost data by process category and service delivery role provides deep insight to your HR efficiency

The insurance low-cost performer (LCP) uses a more cost efficient centralized service delivery model than the median to deliver HR services. In particular, this efficient model results in the LCP having an overall savings of approximately \$514 per employee in HR operations and total rewards

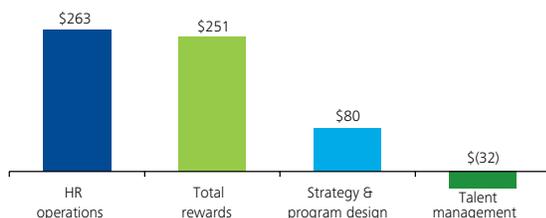
Key findings in the insurance sector

- Vital areas of focus include:
 - Staffing inefficiency** in the site representative and business partner roles, particularly in the areas of:
 - HR operations: The median has 12 times the number of Site HR staff
 - Total rewards: The median has 8 times the number of Site HR staff
 - Underutilization** of the centralized Shared Services Center
 - Manager span of control:** The insurance LCP manages 22% more staff per manager across the service delivery model roles

SDM role cost gap per employee between Insurance median and Insurance LCP (\$US)



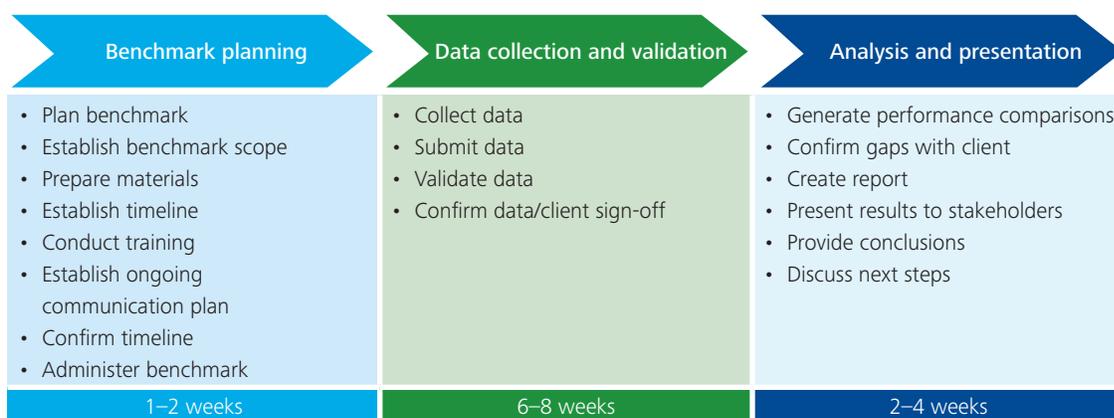
Process cost gap per employee between Insurance median and Insurance LCP by process category (\$US)



Source: Deloitte Global Benchmarking Center. 2012.

For consistency, Deloitte uses a time-tested approach and methodology from planning to the final results presentation

The focused questionnaire addresses issues most critical to executives, making data collection fast, analysis valuable and relevant. The benchmark contains approximately 55 questions.

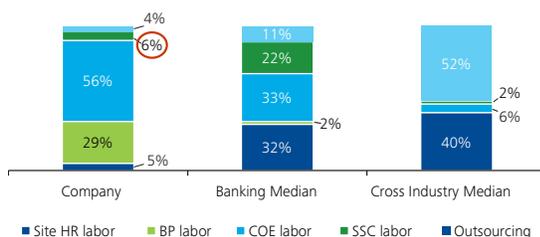


Insight into service delivery model roles highlight key cost and performance improvement opportunities for executives

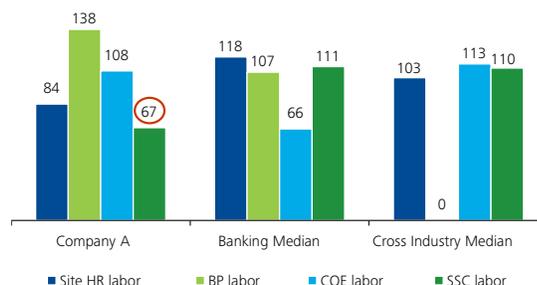
Service delivery model role

- Data is collected by service delivery model role, allowing analysis of role-based costs within process categories. This role-based view can provide insight into:
 - Process fragmentation and full-time staff distribution
 - The potential benefits of moving activity to more efficient, lower cost parts of the organization (e.g., shared services) or leveraging outsourcing

Talent management SDM process cost distribution



Talent management labor rate per SDM role (\$US 000)



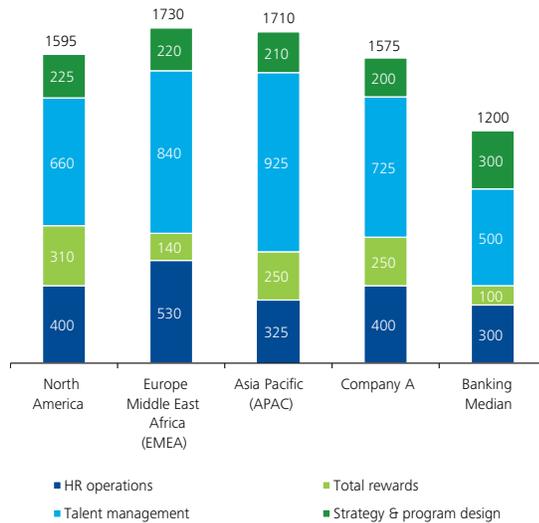
Source: Deloitte Global Benchmarking Center. 2012.

Multiple reporting locations provide essential insight and highlight key cost and performance improvement opportunities for executives

Multiple reporting locations

- Multiple reporting locations enable internal benchmarking comparisons by geography, business unit, etc., in the results presentation
- Identify such opportunities as:
 - The lack of common processes and leading practice implementation across units or the enterprise
 - Cost gaps between business units, regions, or other locations
 - Specific cost drivers, allowing relative prioritization

HR process cost per employee (\$US)



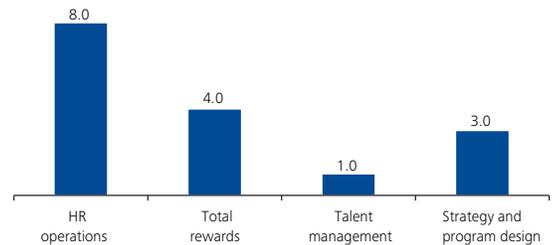
Source: Deloitte Global Benchmarking Center. 2012.

Gap analysis of human resources process categories helps pinpoint where to focus efforts

Quantify cost gaps

- Cost gaps begin at the overall functional level and then drill into process category
- Allows prioritization of key areas of opportunity and focus

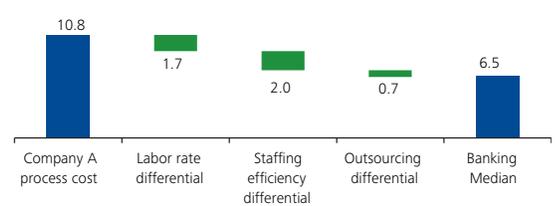
Total process gap to industry top performer (\$US M)



View cost gap components

- Begin by identifying where the costs gaps exist — in process (labor and outsourcing), technology, or other
- Process cost gaps can be quantified in two ways
 - Labor rate differentiator identifies the gap based on labor rate differences with peer comparison
 - Staffing efficiency identifies the gap based on staff size differences with peer comparison

Total process cost gap to top performer (\$US M)



Source: Deloitte Global Benchmarking Center. 2012.



Our heat map tool is designed to help efficiently identify large process category gap opportunities

Process category gap analysis (\$US M)

Company A	HR operations	Total rewards	Talent management	Strategy and program design	Total
Centers of expertise	0.6	0.9	0.8	1.0	3.3
Shared services	(0.4)	(0.1)	(0.5)	0.1	(1.0)
Business partner	0.1	0.2	0.9	(0.3)	0.8
Site representatives	(0.0)	(0.0)	(0.8)	0.0	(0.8)
Outsourcing	0.6	0.4	(0.2)	(0.1)	0.7
Total	0.8	1.3	0.3	0.7	3.1

■ Company A — cost advantage of at least 10% of total positive gap (\$7.0M)
 ■ Company A — cost opportunity of at least 10% of total positive gap (\$7.0M)

Source: Deloitte Global Benchmarking Center. 2012.

Contact Deloitte’s Global Benchmarking Center today for engagement details to begin achieving HR cost competitiveness

Contact information

Global Benchmarking Center
 Deloitte Consulting LLP
 +1 866 897 4413 (U.S. toll free)
 +1 404 220 1006 (International)
benchmarking@deloitte.com

www.deloitte.com/us/benchmarking



Richard T. Roth
 Principal
 Deloitte Global Benchmarking Center
 Deloitte Consulting LLP

Rick leads Deloitte’s Global Benchmarking Center, responsible for overall benchmark methodology and operations. Rick has extensive experience working with Fortune 100 companies across all areas of SG&A, including finance, information technology, procurement and human resources. Rick is a sought-after speaker, and is frequently quoted by media such as CFO Magazine, CNBC, Financial Times and Business Week.

Most recently, Rick was a President at The Hackett Group. Prior to Hackett, he was a partner at KPMG responsible for co-founding the World-Class Finance Practice. Rick is also a member of the Cognos Innovation Center Advisory Board.

This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.