



Generali Germany Case Study – Being in Control

Europe's life insurance sector currently faces two significant challenges: Firstly, there is increased competition among providers, which leads to more sophisticated and complex product development. Secondly, companies are required to comply with increasingly stringent regulatory requirements, including International Financial Reporting Standards (IFRS) and Solvency II.

For a large insurance group such as Generali Germany, these challenges are even more pronounced. A long-term user of SunGard's iWorks Prophet, Generali Germany work closely with SunGard in order to keep abreast of all the recent system developments and benefits from SunGard's experience of large-scale IT projects, when extending the Generali Germany models in order to fulfil the ambitious new requirements.

Generali Germany

Generali Germany Holding is the holding group for a number of German insurance companies, such as AachenMünchener, Generali, Cosmos, Central and Dialog, making it the third largest insurance group based in Germany and the second-largest life insurance group. It is part of the Italian-based Generali Group, which is the third-largest European insurance group.

Background

Generali Germany originally installed the Prophet system back in 1999 to cater for its life, health and pensions business' asset liability modelling. Since then the use of the system has grown considerably in terms of the tasks it performs and the number of users. Laszlo Hrabovszki, Generali Germany's Chief Life & Health Actuary, realises just what an important role Prophet plays in managing the financial health of the company. "It is not just a typical actuarial tool," says Hrabovszki, "We use it for asset liability modelling, financial control, internal risk modelling, cash-flow projection, fulfilling regulatory requirements for IFRS and Solvency II and for product development."

Generali Germany has grown through consolidation and as a result of this growth, and in order to exploit the synergies of the various businesses, the company embarked on a centralisation strategy in 2003. Part of this project involved standardising the use of Prophet on a global basis throughout all of Generali Germany's companies, and creating a direct link to Prophet and the various operational systems to collect data, such as number of policies sold.

Standardisation

"We have gained a significant advantage through the standardisation process," says Hrabovszki. The reporting requirements of IFRS mean that life insurers have to compile their financial reports on a more regular and more comprehensive, company-wide basis and the standardised use of Prophet throughout Generali Germany's network has helped the company to meet these demands.

Furthermore, Generali Germany have created a Prophet module for advanced profit testing calculations, which can be run deterministically or stochastically. These calculations are carried out across the Generali Germany companies by using the same process and the same actuarial methodology.

"The IT support received from SunGard has been particularly important because of the regulatory changes here in Germany. The regulations have influenced every product we have and they have all had to be changed in Prophet." says Hrabovszki.



Generali has iWorks Prophet licences for 9 countries:

- Austria
- Channel Islands
- China
- France
- Germany
- Hungary
- Italy
- Poland
- UK

Partnership

From an IT point of view, the regular updating and standardisation of Prophet has been accelerated by the involvement of SunGard, since it acquired Prophet in 2005, due to its greater experience and informed view of these types of projects, says Hrabovszki. As the biggest user of Prophet in Germany and German-speaking regions, Generali Germany has been able to work particularly closely with SunGard in developing new capabilities within Prophet.

For example, Generali Germany is one of the first insurance groups in the German-speaking regions to implement iWorks Prophet's new Asset Liability Strategy (ALS) library. "It is a large change that will make our asset liability modelling faster and more sophisticated in its calculations," says Hrabovszki. "Through our partnership with SunGard, we feel that we are able to state exactly what we want from the system."

Extra functions have been developed, both on the asset and the liability side in order to reflect the nuances of market-specific issues in the model. The involvement of an IT firm as opposed to an actuarial firm has helped to overcome some of the practical issues involved in developing a truly enterprise-wide IT system. Prophet is now better-placed to meet the ever-changing compliance requirements of the life insurance sector and also become the standard actuarial tool in Generali Germany's growing branch network.

"The system can also be used on a company or branch-specific basis for some of the more complex stochastic simulations or to cater for some of the compliance requirements that are unique to the German life insurance market," says Hrabovszki. "These are factors that are not often considered in software development."

A Parallel Process

Prophet also has a large influence on Generali Germany's product development. The external influence of the reporting requirements of recent regulatory developments within Germany and across Europe has obviously been a motivating factor for the development of a more timely and sophisticated reporting process, along with the internally developed strategy of having a company-wide view of Generali Germany's cash flow and financial health.

"It has been a parallel process and Prophet has been used in many different areas of the business," says Hrabovszki. "We are able to provide the cash-flow reports for IFRS and the fair value calculations for accounting purposes. But we are also able to gain more information about the pricing of our options

and guarantees for various life and health insurance products and to have a more informed picture when considering launching new products."

The Future

The future use of Prophet at Generali Germany is now centred on advanced stochastic modelling in line with the new regulatory reporting and accounting requirements.

"Our relationship with SunGard means that Generali Germany will have a lot of future benefits from Prophet," says Hrabovszki. "It is faster, more robust, flexible, standardised and able to be controlled from head office. It has proved to be a very successful investment."

About SunGard iWORKS Prophet

SunGard iWorks Prophet is an enterprise-wide actuarial modeling system. It helps insurance and other financial services companies to meet their reporting responsibilities and improve risk management. Actuarial libraries engineered separately from the modeling system deliver solutions which can be customized and deployed around the world. Visit www.sungard.com/iWorks.

About SunGard

With annual revenue of \$5 billion, SunGard is a global leader in software and processing solutions for financial services, higher education and the public sector. SunGard also helps information-dependent enterprises of all types to ensure the continuity of their business. SunGard serves more than 25,000 customers in more than 50 countries, including the world's 50 largest financial services companies. Visit SunGard at www.sungard.com.

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