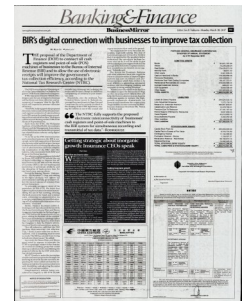


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Getting strategic about inorganic growth: Insurance CEOs speak

Part two

More than one lever to value

WHEN we work with insurers to improve the value of their inorganic growth strategies, we focus on what we call the “Nine Levers of Value”. The process allows executives to not only drive improved alignment between strategy and capability, but also to achieve a more holistic view of the relationships between each lever.

By focusing on the levers of value to evaluate a potential target’s business model and create improved alignment with the potential target’s operating model, insurers could have a much clearer view of how value is created for their businesses by adopting a strategy-driven transactions perspective. The point is to go beyond the traditional deal and transaction metrics to truly understand how value is created and what assets—at what price—will deliver that value.

The nine levers start with understanding your financial and strategic objectives over the next three to five years. The process then challenges executives to think critically about how their current markets, products, brands and customer segments help achieve those goals. With this information, the organization can then start to think about what technology, people and processes it would need to achieve their objectives, and what measurements would be required to ensure that transactions remain on track.

Ultimately, this results in a much more holistic and integrated approach to strategy development and implementation, which, in

turn, significantly improves the probability of successful integration and the achievement of the organization’s financial and strategic objectives. And by framing the discussion within the context of financial and strategic ambition, we are able to help develop a robust plan that fits the company’s risk appetite, competitive landscape and future customer trends.

Seeking long-term growth

EVERY insurer is looking for the next big growth opportunity. And in today’s slow economic growth and low interest-rate environment, it is clear that inorganic growth (via mergers, acquisitions, partnerships and alliance transactions) will continue to be a critical component of any insurer’s long-term growth strategy.

We believe that as the insurance sector increasingly plans and executes its deal activity using a strategy-driven transactions lens that focuses on identifying, evaluating and integrating potential acquisition targets, and innovative partnerships and alliances—all of these will pave the way to make the industry stronger.

The article was taken from KPMG’s publication, titled Getting Strategic About Inorganic Growth: Insurance CEOs Speak, by Ram Menon of KPMG in the US and Mike S. Walker of KPMG in the UK.

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