

SAP Solution Brief

SAP Solutions for Governance, Risk, and Compliance

SAP® SOLUTIONS FOR GOVERNANCE, RISK, AND COMPLIANCE

COPING WITH THE REQUIREMENTS FOR THE INSURANCE INDUSTRY

The SAP® solutions for governance, risk, and compliance can play a key role in helping insurance companies like yours achieve corporate accountability in the face of stakeholders' high expectations and strict regulatory requirements.



Your insurance company must maintain corporate accountability and comply with today's tightening regulations for the insurance industry while remaining profitable. SAP® solutions for governance, risk, and compliance (SAP solutions for GRC) can help you achieve these objectives as part of your daily business.

From the business side, the software helps you prevent incidents and losses by streamlining cross-enterprise risk management processes. It creates new value through its support for risk-adjusted forecasts and plans – which increases the likelihood that your strategies will execute successfully – and helps improve performance. By keeping business units operating within the appropriate risk appetite, the software helps increase enterprise transparency. It aids in improving governance by aligning business processes, risks, and controls.

From regulatory side, you can better fulfill insurance regulatory requirements because the software interlocks enterprise risk management with internal control systems and the activities of internal auditing. You have greater transparency of your business processes because the software embeds the underlying core processes of your insurance business in the context of overall corporate performance and strategy management. You can implement an effective risk strategy in daily business by specifying tolerance levels for risks, risk appetite, and time horizons, thereby defining risks on an operative level. With the framework for organizational and operational risk structure the software provides, you can regulate internal

communication, monitor workflows, and perform informative risk reporting. In addition, you get support for process control; access control; global trade compliance management; and environment, health, and safety compliance management.

Customer Needs

Risk management is a core business process of insurance companies for very good reason: dealing with risk is their major business. This holds true for the liability side of the business – with insurance-specific risks coming from life and property and casualty business lines – as well as for the asset side of the business with its market and credit risks.

The insurance industry is subject to strict regulation. Numerous regulatory requirements from national and supra-national supervisory authorities – like the National Association of Insurance Commissioners, Financial Security Assurance Inc., Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) – demand close consideration, as do the related processes for managing risk. These supervisory, risk-oriented processes are subject to change, and that is driving insurance companies to professionalize their risk management, including their internal control systems.

Furthermore, rating agencies and board-level concerns about corporate mismanagement scandals have intensified focus on transparency of business processes, infrastructure security, and data privacy.

THE BEST-RUN BUSINESSES RUN SAP™



As a result, effective GRC processes have become top priority for insurance companies more so than for companies in other industries.

Key Functionality

The SAP solutions for GRC support compliance through a holistic approach that is unified and proactive. They promote business viability by unifying corporate strategy, control initiatives, opportunity discovery, and loss mitiga-

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tion across your enterprise. By aligning your business processes with your governance, compliance, operational, and reporting processes, the software helps you achieve proactive transparency and understand the true exposure resulting from risk correlation. With automatic risk monitoring and end-to-end risk and control processes across the value chain, the software becomes a driver for business change.

Risk Management

Managing risk is one of the key responsibilities of insurance companies. The life and nonlife insurance business brings liability risks with it. Insurance companies have to deal with market risks on the asset side of the business. These can have real impact on business

success, as can a company's operational risks – as recently evidenced in the banking industry.

With the SAP GRC Risk Management application, you can identify, analyze, respond to, and monitor risk across your enterprise. Automation and standardization of the risk management process through definition of roles and workflows helps ensure that you will always have the information you need to make risk-adjusted decisions for your particular business strategies and objectives. Automation helps reduce costs, allowing staff time to be shifted from data consolidation to risk analysis.

Because the software supports continuous control and compliance management, you can detect and deal with business process and performance risk across key financial activities and compliance initiatives. The software also helps you better identify, value, and mitigate these risks.

You can monitor the overall risk portfolio and alert management immediately when high-impact and high-probability risks exceed company-specific thresholds. Managers can analyze risks in terms of severity and likelihood of impact and monitor GRC activities and time frames at the most granular level. This information is automatically aggregated to create higher-level views – including executive-level dashboards and reports – that deliver visibility into key risks and policy compliance for all risk-related activities.

In addition, the software gives you a centralized, portal-based risk manage-

ment tool that is integrated into the enterprise performance management activities and linked to the operative systems to facilitate compliance with insurance-specific regulatory requirements.

Process Control

The emergence of regulatory requirements has reinforced the importance of the internal control and internal auditing processes at insurance companies. In contrast to other industries, the requirements affect not only financial and accounting processes but all risk-relevant internal processes. Insurance-specific processes come under special focus and include policy, claims, and reinsurance management as well as investment management.

With support from the SAP GRC Process Control application, you can integrate end-to-end compliance activities – from documenting business processes and identifying risks to deploying the right controls, testing them, and providing the information required for management certification.

By automating your compliance processes, the software can make your financial close processes and reporting more timely and accurate, offering controls for key risks with a combination of automated control monitoring, manual control tests, and self-assessments. Control libraries automatically monitor a virtually unlimited number of critical system configurations, business transactions, and IT controls across applications. This can help increase efficiency, reduce costs for internal and external auditing, and speed time to value.

An easy-to-use dashboard helps you pinpoint control violation risks, prioritize corrective actions, and avoid critical weaknesses in the control environment. The software automatically creates remediation cases for each control exception, quickly alerting control owners and managers so that they can immediately address the related risk.

Access Control

Typically insurance companies have heterogeneous IT landscapes. Authorizations have to be managed over enterprise resource planning (ERP) software as well as over core insurance software such as claims or policy management applications. This makes reliably segregating duties over all relevant applications a complex task.

With the SAP GRC Access Control application, you gain market-leading support for monitoring, testing, and enforcing access and authorization controls. The software is specifically designed to help companies address compliance with the Sarbanes-Oxley Act and other regulatory mandates. You can rapidly identify and remove access and authorization risk from your IT landscape and embed preventive controls in your business processes that can avert segregation-of-duties (SoD) violations. The result is a dramatic reduction in the time, risk, and cost associated with compliance. The software also lets you:

- Embed controls directly into key financial and business processes across multiple applications
- Automatically identify control violations by continuously monitoring software and business processes

Rating agencies and board-level concerns about corporate mismanagement scandals have intensified focus on transparency of business processes, infrastructure security, and data privacy.

- Enable management by exception using automated alerts, notifications, and escalation procedures

You can identify and remediate potential risks (such as conflicting authorizations within a single user's access profile) as well as actual risks (such as business functions executed in conflict with SoD mandates), resulting in real-time compliance for your business.

Global Trade Compliance Management

Mergers, acquisitions, and the extension of coverage to customers – especially industrial customers – who expand into new countries are forcing insurance companies to globalize. In addition, insurance companies – in common with financial services – are vulnerable to money laundering. The result is that compliance with international regulations is of ever-increasing importance for insurance companies.

By introducing the SAP GRC Global Trade Services application into your

software landscape, you can comply with increasingly stringent trade regulations, screen business partners against sanctioned-party lists, and manage licenses and embargoes with unprecedented efficiency. By centrally managing complex import and export processes, the software mitigates financial risks for global transactions – while presenting opportunities for you to take full advantage of preferential international trade agreements such as NAFTA and those of the European Union.

Key Benefits

By following a unified approach to GRC, you gain the transparency and accuracy you need to improve your insurance business. Specifically, the software can help you:

- Gain transparency for processes, risks, and controls; reduce risk exposure; and more effectively predict and prevent risks by synchronizing corporate strategies, control initiatives, and risk management activities
- Optimize your compliance processes; enhance operational effectiveness and efficiency through the continuous and automated monitoring of controls; and save time for improved risk analysis
- Reduce the cost and burden of compliance and reduce internal and external auditing costs through automated information consolidation and reporting
- Increase your competitive advantage, improve your business processes, and enhance your relationship with stakeholders with GRC processes that are proven to be effective, unified, and automated

Summary

The SAP® solutions for governance, risk, and compliance can play a key role in helping insurance companies like yours achieve corporate accountability in the face of stakeholders' high expectations and strict regulatory requirements.

Challenges

- Fulfill regulatory requirements applicable to the insurance industry
- Implement an effective risk strategy for daily business operations
- Interlock enterprise risk management with internal control systems and internal auditing activities

Supported Business Processes and Software Functions

- **Risk management** – Monitor policy compliance for all risk-related activities through executive-level dashboards
- **Process control** – Pinpoint control violation risks, prioritize corrective actions, and detect and avoid critical weaknesses in the control environment
- **Access control** – Identify and remediate potential risks, such as conflicting authorizations within a single user's access profile, as well as actual risks – for example, business functions executed in conflict with segregation-of-duties mandates
- **Centralized global trade compliance management** – Comply with increasingly stringent trade regulations, screen business partners against sanctioned-party lists, and manage licenses and embargoes with unprecedented efficiency

Business Benefits

- **Improved governance** through alignment of business processes, risks, and controls
- **Greater transparency for processes, risks, and controls** through synchronization of corporate strategies, control initiatives, opportunity discoveries, and risk management activities
- **Optimized compliance processes** by aligning risk-based processes with corporate strategy and through continuous and automated monitoring of controls
- **Reduced costs** through the automation of the risk management process

For More Information

To learn more about the many ways SAP solutions for governance, risk, and compliance can maximize the value and integrity of your enterprise, visit us at www.sap.com/grc.

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