



## Measuring success



### Württembergische Gemeinde-Versicherung A.G. (WGV)

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Mutual Insurer

#### Deputy Chairman

Mr Klaus Hackbarth

#### 2005 Revenues & Earnings

€511+ Million; €89+ Million

#### Employees

~640

#### ROI Study Highlights\*

- ROI of 311%
- IRR of 35%
- Payback within 42 months
- € 60 M Investment (\$76.7 M)
- € 126 M Net Savings (\$161 M)

#### Strategic Benefits

- More knowledgeable customer service
- Increased visibility; better process optimization
- Easy on-boarding for new ICIS customers and components
- Scalability and flexibility

#### Study Scope

- IT In-Source vs. Outsource
- ICIS platform
  - Oracle components (database, forms)
  - HP Adaptive Infrastructure
  - Shared services with BGV
- ICIS Innovation
  - Multi-channel capabilities
  - Document management
  - Compliance/Solvency II
  - "Pay as You Drive"

## WGV chooses Oracle and HP to propel them to the lowest-cost operating model in the insurance industry—realizes a 311% ROI

### Executive Summary

Starting as a small, local insurer specializing in insurance for public service employees, Württembergische Gemeinde Versicherung A.G. (WGV) has grown to provide a full range of life and non-life insurance products, and ranks among the top insurance providers in Germany. As part of the WGV Swabian Life Insurance Group, WGV develops software for the group, as well as providing insurance technology solutions to other insurers.

With the deregulation of the European insurance industry in 1993, WGV found itself serving a larger, more fragmented, competitive market. Insurance customers were increasingly knowledgeable—able to shop for price, product and service—resulting in greater turnover as customers could now more easily move to another solution.

As WGV examined the impacts from the deregulation of the insurance market, one of the core limitations was its technology, which was an outsourced mainframe-based environment that was costly to maintain, time consuming and difficult to modify or increase automation. While WGV had a history of innovation, it realized information and particularly technology based on flexibility and standards could serve WGV as a strategic tool to propel its business forward in a changing market landscape. WGV recognized the importance of bringing IT in house to control its future while reducing its cost basis and providing a platform for continued innovation and optimization of its core processes.

To meet their goals of generating growth, creating innovative products and increasing profitability—all while enhancing customer service—WGV started by purchasing and adapting a functional data-model from Cap Gemini-NL to integrate all insurance products and capabilities into a single end-to-end solution. In developing ICIS (Insurance Company Information System), WGV then looked to key partners who could collaborate on the new end-to-end insurance solution.

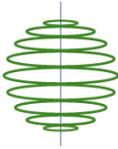
WGV investigated a number of database and tool vendors, selecting Oracle for its industry-leading position and its highly efficient application development tools and integrated and versatile database management system that would reduce WGV's integration challenges while providing a flexible environment for growth. WGV turned to HP for its flexible, adaptive architecture, low-cost operating model, and ability to provide scalable solutions for mission-critical applications. One of the key drivers in HP's selection was the 'can do', collaborative culture that is so similar to WGV's making for a great partnership.

By switching from the mainframe to an in-house, standards-based ICIS solution, WGV reduced IT costs by over 40%. Because of increased productivity, WGV was able to almost double their business while only requiring a 30% increase in staff. Customer service has also improved, with a 30% shift of personnel from back office to front, where they can address customer needs and process requests immediately. The ICIS standards-based platform has also allowed WGV to move to a shared-services model, where they have managed to increase Service Level Agreements (SLAs) to 24x7x365, while at the same time reducing costs, avoiding additional headcount and rapidly rolling out innovative new service offerings that have contributed to their rapid growth.

In addition to the benefits WGV realized by improving their own processes, they are also able to offer ICIS to other insurance companies, helping them to improve their business and creating a significant new revenue stream. Today there are more than 20 live ICIS implementations—some of them up and running in 10-12 months.

***By partnering with Oracle and HP, WGV has developed a single, end-to-end insurance solution from the ground up. WGV made the transformation from a costly, outsourced mainframe solution to a more flexible, scalable platform that allows it to continually automate and innovate. By building its platform based on industry standards, WGV has achieved the lowest IT cost basis in the German insurance industry—realizing a 311% ROI with a payback in 42 months.***

\* Based on entire investment period: 1994—2006



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**“ICIS has helped WGV achieve the lowest IT cost in the German Insurance Industry”**

— Mr. Klaus Hackbarth,  
Deputy Chairman

**Operational Challenges**

- Inflexible, legacy systems
- Manual-intensive, largely paper-based process
- Multiple-touch points, hand-offs, and information bottlenecks
- Improving straight-through processing of information
- Improving sales channels and reducing cost to serve
- Increasing sales agent productivity
- Implementing change

### **WGV Business Challenge—Build an End-to-End Solution to Transform the Insurance Process**

WGV has evolved from a small, single-product provider to one of the top low-cost insurance providers in Germany. The 1993 deregulation of the European insurance industry was a pivotal time, and WGV was quick to realize that the new competitive model required them to implement change in order to meet their corporate objectives and sustain their market-leading position.

WGV’s existing legacy system involved a largely paper-based process with multiple touch-points and information bottlenecks that resulted in lengthy delays, increasing error rates and IT with little flexibility. The combination of an outsourced solution and a legacy system severely limited integration and further automation possibilities. Operations headcount was high, and WGV knew it would only continue to get worse with the mainframe environment. They decided to start anew, bring their solution in-house, and operate it on a more flexible platform.

In the development of ICIS (Insurance Company Information System), WGV searched for best-of-breed partners who could work with them to provide the next-generation capabilities demanded by customers in this new deregulated market. WGV sought an open standards platform that would enable them to buy versus build where possible, thus minimizing integration and providing flexibility at lower costs—‘pay as you grow’.

Oracle’s strong integration between its powerful database and efficient development tools was exactly what WGV was looking for. WGV had some Oracle database skills in-house, and it was determined that Oracle Designer and Oracle Developer could speed up implementation. Oracle was evaluated as being able to integrate hundreds of services and departments into one fast and reliable database. This was a critical capability as the current solution was fragmented across multiple applications, creating lengthy delays, process bottlenecks, increasing error rates and high IT costs with little flexibility. Oracle was also selected for their experience in developing applications that could easily scale to meet a growing enterprise’s needs, Oracle’s experience was crucial to WGV’s strategy to adapt and meet the needs of its increasingly sophisticated and demanding customers who had grown accustomed to using multiple interaction channels. Oracle has enabled WGV to move into the web-based technology several years later, showing their ability to stay abreast with new developments.

WGV selected HP for its flexible, pay-as-you-grow architecture. With minimal upfront costs, HP’s standards-based architecture could accommodate the anticipated growth of the company. WGV also required a platform that would allow it to further reduce its costs and maintain its leadership as a low cost provider, while providing personalized, quality service. A reliable, secure environment were key requirements and WGV determined that a clustered SAN solution comprised of HP’s integrity servers along with HP-UX Operating Environment met their stringent reliability requirements.

WGV felt that HP had a similar collaborative corporate culture that would result in a strong partnership. WGV also felt confident in HP’s history of innovation and extensive industry knowledge. They looked to HP’s data warehousing experience to provide guidance on data usage, modeling and architecture to solve industry issues such as Solvency II compliance. HP Consulting and Integration (C&I) helped WGV design and build WGV’s highly available (HA) data center architecture. Oracle’s role in the implementation became one of “standards integration”—every application was required to be Oracle compliant. This open architecture has enabled WGV to extend the core solution with plug-in APIs to facilitate the integration of standard 3<sup>rd</sup> party applications, accommodating a multi-channel world.



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**“ We considered other vendors, but chose HP for the combination of their products and service, which was critical for WGV”**

— Mr. Reinhard Stiefel,  
Head of Design and  
Development, ICIS

### Selection Criteria

#### Oracle

- Industry standard
- Technology leader
- Integrated tool set
- Multi-channel, integrated communications
- Met 90%+ of WGV's technical requirements

#### HP

- Flexible, adaptive architecture
- Innovation (“Pay As You Drive”)
- Low cost operating model
- Robust, scalable solutions for mission critical applications
- Deep industry knowledge
- Data warehouse model

### Harnessing Innovation—Achieving the Lowest IT Cost Basis in the German Insurance Industry

In order to make the dramatic process changes they envisioned, WGV knew that eliminating costly and time consuming integration would be the key. WGV's selection of Oracle and HP represents their desire to work with best-of-breed partners, not just vendors, who could help them build a single, end-to-end solution designed with innovation in mind.

#### Low Cost

With ICIS, WGV reduced IT costs by 40% when switching from a mainframe solution to the server based solution using two HP EVA8000 with Metrocluster, which was architected with HP. Subsequently, WGV has been able to get its cost basis down to less than 1% (0.55%) of revenue and expects to meet their goal of reaching 0.40% by end of 2006. An incredible accomplishment when you consider the overall German insurance market shows an average cost basis of 3.8%. ICIS has helped WGV achieve greater productivity with only 30% more staff supporting almost double the volume of insurance contracts and customers.

#### Data Integrity

WGV's end-to-end solution employs HP's data warehouse, which features a uniquely designed, insurance industry specific data model. This unique data model improves data quality and availability—data is stored once to eliminate redundancy and requires little manipulation—which ensures higher-quality data, improves processing speed and facilitates compliance.

#### Scalability, Multi-Channel Customer Support

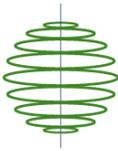
WGV has been able to extend the core application with plug-in APIs to accommodate a multi-channel world; leveraging digitization and workflow to automate the traditional paper-based, manually-intensive processes. Today, 30% of automotive insurance sales come via the web, of which a large portion can be processed without human interference. The Call Center is also integrated to provide enhanced customer support and immediately resolve customer requests. Through the unique data model, WGV has a single view of all transactions for each customer. With the capability to shift resources to front office roles, customer needs can be addressed immediately. The overall shift from back office to front office was 14%.

#### Compliance

WGV is now more easily able to address compliance and Solvency II issues. With HP's data warehousing architecture and the single-source data model, WGV can provide transparent reporting directly to auditors, without the need for manual data manipulation and resourcing from multiple sources that had been inherent in their legacy architecture.

#### Pay As You Drive (PAYD)

Another innovation made possible by the standards-based platform is “Pay-As-You-Drive.” WGV will introduce Pay-As-You-Drive insurance in Germany, based on the HP solution and technology. Pay-As-You-Drive consists of an appliance that plugs into the data warehouse, plus a monitor in the vehicle that allows WGV to provide dynamic risk analysis and detailed profile information based on actual behavior versus demographics. The data warehouse design allows the appliance to be plugged in, without data manipulation or costly integration.



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**“Despite extremely low insurance premiums, we are able to leverage our administration efficiency fueled by technology to provide considerable refunds of fees to our mutual customers”**

— Mr. Klaus Hackbarth, Deputy Chairman

### Business Benefits

- Reduced IT cost basis to lowest in industry
- Streamlined business processes
- Able to shift resources to customer facing positions to drive increase customer satisfaction
- Greater visibility across value chain
- Faster time to market
- Single customer view

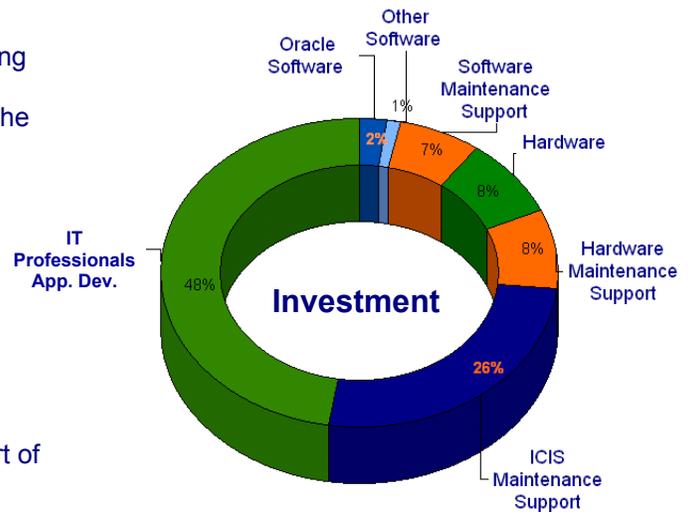
### Growth and Profitability

Today, ICIS is a completely integrated solution supporting all relevant business processes for the insurance industry in a homogenous system landscape—from quotation and contract administration to claim adjusting, document production, bookkeeping system, MIS, CTI, e-Archive-Mailbox, POS, CRM, and WWW. Its adaptive architecture also allows easier on-boarding of new ICIS customers and offerings, which represents new revenue streams for WGv. ICIS can be sold via an ASP or outsourced, and today there are more than 20 live ICIS implementations—some of them up and running in as little as 10-12 months.

### Investment and Benefits Breakdown

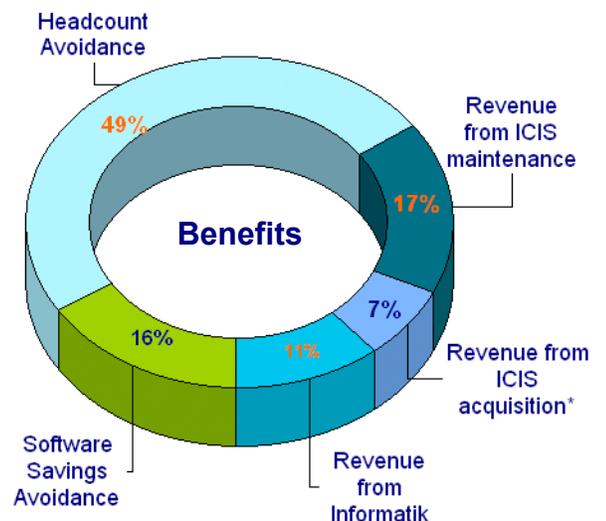
Thoughtware Worldwide, LLC. conducted an extensive analysis of WGv’s investment and the resulting benefits:

- Labor (including consulting and implementation resources) represented the lion’s share of the investment at 48%
- Hardware and software components (e.g., Oracle, Mega, Fuzzy, etc.) combined make up 26% of the overall investment
- 26% is dedicated to the maintenance and support of the ICIS platform

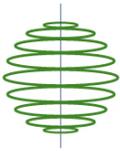


### Benefits Breakdown

- Among the economic benefits achieved by WGv, headcount avoidance (49%) and ICIS revenues (24%) are the key drivers
- Of the total headcount avoidance (49%), over half of this value comes from sales force optimization (no sales force growth even as business doubled), with productivity gains in IT, front office, back office and claims processing contributing the balance
- Software savings of 16% come from associated cost of running OLAV (previous mainframe solution)



\* Actual percentage is 009167%



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### FINANCIAL MEASUREMENT EXPLAINED

#### ROI (Return on Investment)

- Quantifies how much profit or cost savings will be achieved as a result of the investment
- Discount any future costs/benefits by the Weighted Average Cost of Capital (WACC)
- WACC is an average cost of capital using a combination of equity and debt borrowing
- Demonstrates the overall value of an investment; e.g., is breakeven achieved (100%) or is positive value achieved (101%+; investment plus value)

#### WACC (Weighted Average Cost of Capital)

$$WACC = E/V \times Re + D/V \times Rd \times (1 - Tc)$$

- Re = Cost of Equity
- Rd = Cost of Debt
- E = The market value of the firm's equity
- D = The market value of the firm's debt
- V = E + D
- E/V = Percentage of financing that is equity
- D/V = Percentage of financing that is debt
- Tc = The corporate tax rate

#### IRR (Internal Rate of Return)

- Discounted cash flow measure of valuation and investing. IRR is the true interest yield of an investment
- Net benefits restated as an interest rate
- IRR demonstrates how quickly an investment generates positive net benefits

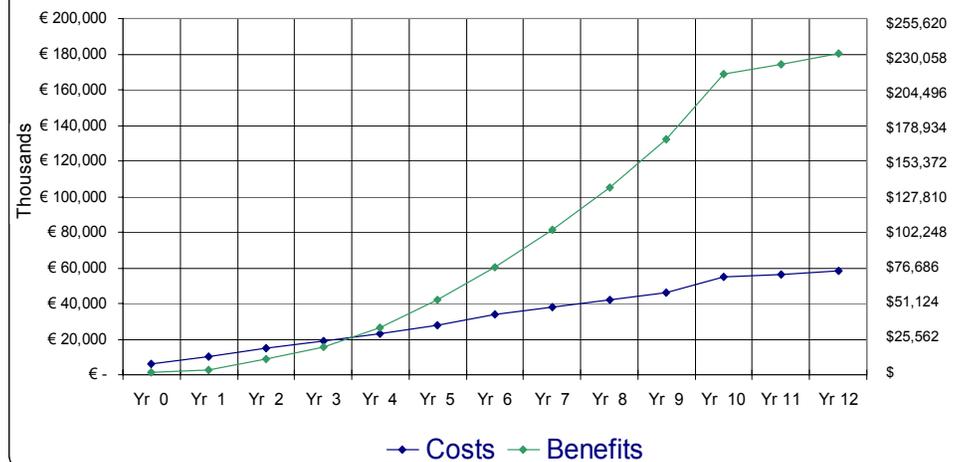
### Operational Benefits

- Lower IT costs
- Greater productivity
- End-to-end process improvements
- Greater flexibility, multi-channel support

### Return on Investment Summary

WGV's journey began in 1994 when it purchased a data and function model from Cap Gemini-NL. Once that initial step toward innovation was taken, WGV has not stopped. The ICIS platform achieved payback within 42 months. In 2005, WGV began testing Pay-As-You-Drive (PAYD) and implemented Solvency II and a Customer Service Center.

### Break Even Analysis Overall

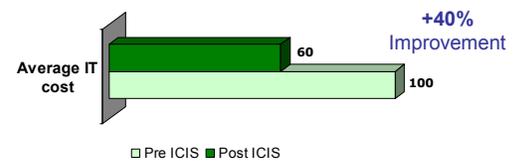


### Business and Operational Benefits

In addition to the financial returns, the Thoughtware Worldwide study revealed numerous strategic, operational and technological benefits.

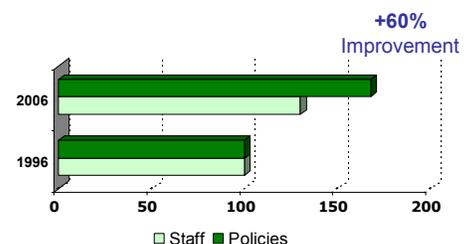
#### Lower IT Costs

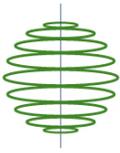
WGV has reduced IT costs by 40% by switching from a mainframe to the HP and ICIS solution. With the overall German Insurance Industry experiencing an average IT cost basis of 3.8% of revenue, WGV is the Industry leader with 0.55% with a goal for further reductions to 0.4% by the end of 2006



#### Greater Productivity

While almost doubling its business over the past 10 years, WGV staff has increased by only approx 30%. In addition, user training for productivity was reduced from 6-12 months to 6-8 weeks, an 83% improvement





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**“Before ICIS, customer service consisted of 3 switchboard operators who routed traffic to the back-office, now we have 15%+ FTEs who are skilled in the business and are able to assist customers at the first point of contact – this was not possible previously”**

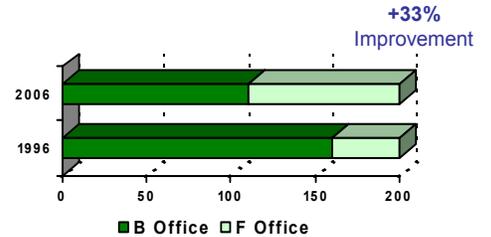
— Mr. S. Baumann,  
Head of  
Customer Service

### Technology Benefits

- Standards-based platforms facilitate innovation and shared-services model
- Support for multi-channel solutions
- Plug-n-play for easy component selection
- Streamlined maintenance

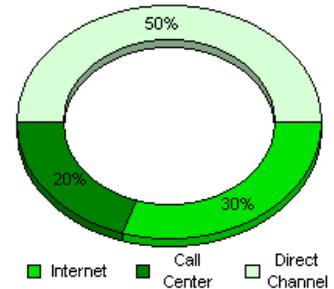
### Improved Customer Service

The user-friendly features of the Oracle interface enabled WGV to shift approximately 30% of its personnel from back office functions to front office. With ~50% of its business in automotive contracts, WGV has been able to compress contract delivery from 2 weeks to 1 or 2 days. Turnaround time for customer quotes has been improved 99% (from 5 days to 15 minutes)



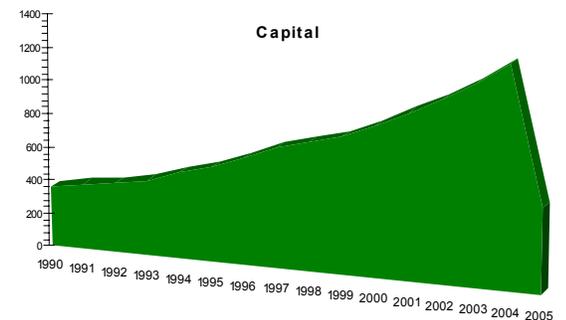
### Greater Flexibility

Flexibility of the ICIS solution has allowed multi-channel support. Today, 30% of business comes via the Internet, and 20% via the call center, which is significant given that almost 50% of WGV's business consists of car insurance contracts, and previously customer could only interact with agents in person or via the call center. This new capability now provides greater ease and benefits to customers while further reducing WGV's cost basis.



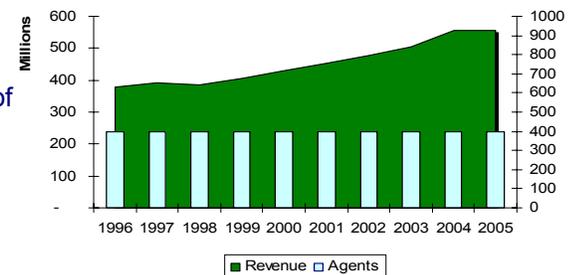
### Increased Profitability

WGV has increased capital by 289% since 1996, while at the same time reducing premiums in a more competitive market



### Increased Revenue

Over the course of 10 years, WGV revenue has increased by approximately 48% while the number of sales agents has stayed the same





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### About the Value Measurement Series

This study is one of a series of investigations into the business value companies have derived from their investment in Oracle Technology and Applications and HP Adaptive Enterprise solutions. It is intended to serve business executives and managers who are evaluating Oracle or HP Solutions to improve the way they operate their business leveraging technology.

This case study was commissioned by Oracle and HP, and is based on original research and analysis conducted by Thoughtware Worldwide, LLC., an independent research and information services firm. Thoughtware Worldwide's research included on-site interviews with members of Württembergische Gemeinde-Versicherung A.G. (WGV) management team and reviews of company financial and planning documents.

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For more information about this study, please visit [www.ThoughtwareWorldwide.com](http://www.ThoughtwareWorldwide.com) or contact your local Oracle or HP office

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## Opportunity for Additional Value

Moving forward with its successful ICIS implementation, WGV has the opportunity to harvest additional value in the following areas:

- **Analytics for improved vendor relations/negotiations**
- **e-Invoicing for auto-repair:** increase Straight Through Processing (STP) and reduce processing costs
- **Increase Customer Self-service** and claims business processes
- **Optimize IT support** for cross-selling and outbound functionalities
- **Increase cross-departmental collaboration** by using analytics to optimize processes and harness operational learning, moving work effort upstream to front-office for improved interactions, data quality and processing time

### Summary

WGV adopted a change model for their organization that has helped them achieve their corporate goals of improving business processes and increasing automation to create innovate products that will generate growth and profit—while at the same time providing high-touch, high-quality customer service. Bringing IT in-house and developing the ICIS solution on HP's flexible architecture and low-cost operating model leveraging Oracle technology and applications was a game change event that has allowed WGV to achieve the lowest IT cost basis in the insurance industry. While increasing functionality and support for their specific business processes, WGV's IT expenditures have been reduced to less than 1% of their premium income .

Leveraging technology to automate paper-based processes has achieved significant results. WGV has streamlined business processes, increasing throughput time for contracts and customer requests (now less than 50% of business is conducted with paper-forms). With ICIS, WGV was able to re-engineer its organization and processes to move more emphasis on the front-end resulting in better service, fewer errors, and faster turn-around time. WGV has gained greater visibility across its value chain, is better able to analyze data and has increased its time-to-market for new products.