Intelligent Insurance
An Imperative for Procurement Modernization
The Opportunity for Efficient Procurement and Supply Networks

As one of the most regulated industries in the world, insurance companies face a wide range of challenges. They include an unpredictable economic environment with low interest rates, cost-conscious consumers with high expectations and digitally savvy insurtech entrants with similar products cluttering the market.

Due to low margins and a restrictive pricing environment, managing operating costs and optimizing resources are critical for a stable and profitable insurance sector. By digitalizing the procurement process, insurers work more effectively with their suppliers, integrate their planning process and value chain, and automate tasks no matter the circumstance.

Procurement organizations do not take this responsibility lightly. They constantly challenge themselves to view relationships within and beyond the organizational firewall as elements that must function together as part of a cohesive strategy. More importantly, these organizations seek every potential opportunity to move the business forward with higher productivity, more efficient operations, and cost controls.

According to Oxford Economics research, this level of systems thinking is a critical part of strengthening business performance.1 The study suggests that insurers using procurement-specific technologies are more successful at meeting critical targets for sustainability, compliance, and efficiency. Furthermore, these organizations share data more fluidly both internally and with trading partners and integrate processes with other functions such as HR, operational services, and procurement.

With this point of view, we will examine how insurers like yours can stay one step ahead of the competition with agile procurement processes that are flexible, transparent, and collaborative. More importantly, you’ll know how to safeguard your business while responding to changing customer expectations and financial and cost containment challenges.

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Six Best Practices for Procurement Agility and Control

Responding to changes in the insurance industry requires a strategic approach to procurement that optimizes cost containment and focuses on supplier performance. For leading insurance businesses, such an edge is acquired by adopting six fundamental best practices.

1. **Indirect Procurement**

A vital tactic for easing financial pressure is having one source for purchasing goods and services. By combining a modern procure-to-pay process and an integrated back-end system, you gain insights into supplier performance and cost reduction, initiate and govern purchase orders across the business, and automate compliance of contracted prices and terms.

Take, for example, your claims processes, which may account for upwards of 80% of your total spend. You can streamline supplier management by operationalizing and analyzing supplier performance and spend in ways that free up resources and increase investment in new business models. Through a resilient spend strategy, insurers can manage and help ensure their multiple tiers of suppliers are meeting key performance metrics to support both the claims process and the customer experience.

The buying experience can also be streamlined and simplified with a guiding buying capability. Doing so increases operational flexibility, generates significant and repeatable cost savings, and enhances procurement visibility, control, and compliance.

More importantly, spend under management and compliance with standardized procurement processes are improved. This outcome is best enabled with fast access to data, analytics tools, internal and external business rules, and the world’s largest business network.

2. **Talent Acquisition and Retention**

Many insurance executives view talent as a critical part of transforming the industry with new technologies and innovative business models. With the latest solutions and modern processes for hiring and retaining top talent, you can create a compelling culture supported by a best-fit infrastructure and acquire highly skilled people, including actuaries.

You can also streamline the procurement of a flexible labor workforce to gain clear, 360-degree visibility and control, automate payroll and compensation, manage compliance, and govern global spend. This scenario enables you to find, engage, and manage the right contingent labor to close the gap between emerging challenges and demand with the right talent and resources.
3. Services Procurement

Insurance companies procure a set of technical and special service agencies that perform specific tasks and roles related to claims processing. Managing these external partners requires detailed visibility into skills, compliance, and performance for anyone – from a construction contractor repairing a home, retail store, or office building to a mechanic performing auto repairs.

With access to the world’s business network, you can control services spend by enforcing contract terms, selecting preferred suppliers, and predefining rates. Additionally, your entire company is equipped to track project milestones, deliverables, and overall quality at the time of completion to help ensure suppliers deliver services on time and according to plan.

4. Supplier Relationship Management

As insurance companies struggle with the volume of suppliers and their performance, fragmented onboarding processes, and unscalable risk and compliance management, you can connect your business to critical suppliers through a unified network. This approach breaks down the barriers of siloed systems and creates new opportunities for collaboration.

By managing supplier performance and contracts, you can drive compliance and reduce risk while reducing supplier onboarding, increasing transparency, and saving time and money. In addition, you can monitor the customer experience through tools such as Experience Management solutions from SAP and Qualtrics.

5. Financial Supply Chain to Capture Savings

With early and mature payments handled through a single integration with SAP® Business Network, you can eliminate costly and time-consuming manual processes and help ensure compliance with tax regulations for all invoices.

SAP Business Network gives you the capabilities to transform your payables from liabilities into strategic assets. The network automates invoice capture, workflow, and approval for improved cost efficiency. It also helps optimize days payable outstanding and increase free cash flow to improve working capital metrics and lower costs and liquidity risk across your supply chain.

6. Predictive Analytics

Evaluating the impact of rising threats, such as climate change, is critical for protecting policyholders and their assets. With access to cloud technology embedded with artificial intelligence and process automation capabilities, you can address policyholder risk with targeted changes to policy premiums and terms. Agreements are further optimized by managing all forms of spend, including indirect procurement and costs related to the acquisition of external talent and the services workforce.

How SAP Customers Succeed

Australia Group Limited (IAG) created an internal diversity marketplace to channel their spend toward indigenous, women-owned, and social businesses.

American International Group Inc. (AIG) reduced the total cost of its technology infrastructure by 25 to focus more on innovation.
SAP® Solutions Unlock Practices for Intelligent Procurement

The speed and complexity of change continues to increase across the insurance industry. And for your procurement organization, this reality requires intelligent spend management practices that empower your business to respond to every customer need in extraordinarily engaging, adaptable, and resilient ways.

This is not the time to think about spending in silos. That mind-set only leads to limited control, disconnected experiences, frustrated employees, and slow operational progress. You need to rethink your procurement strategy with intelligent spend management, and SAP is uniquely positioned to help.

Procurement and supply chain solutions from SAP are ready to enable your organization to fulfill those promises. The portfolio provides the foundation for integrated and intelligent experiences that guide compliant indirect procurement, cost management, indirect spend, services procurement, and contingent workforce management.

With our solutions, you can shift how your company thinks about every spend category, buying channel, and goods and services necessary to get the job done – from suppliers and claims vendors to external labor and services.

Key Facts

- **5,600** insurers across 107 countries are innovating with SAP solutions
- **88%** of insurance providers in Forbes’ Global 2000 are SAP customers
- **15** of the top 15 most admired life and health insurance companies in the world run SAP solutions
- **10** of the top 10 reinsurance providers in the world run SAP solutions

Source: SAP internal data
Lower operating costs, while optimizing resources through strategic sourcing

Access the largest business network of suppliers in the world

Transform procurement into a strategic partner of the supplier network

Govern services procurement, contingent labor, and all remaining resources with one solution

Improve process speed, ease, and efficiency, freeing talent to focus on strategic initiatives

Reduce and mitigate risk through effective supplier management

Ready to Get Started?
Discover how procurement and supply chain technology from SAP, including SAP® Ariba and SAP® Fieldglass solutions, can help your procurement organization become a force in your insurance company’s success.

Learn more