

Client Value Study

QBE Regional Insurance

Brief Overview

They call it the “insurance” business, but increasingly it’s the information business: A dense constellation of rates, regulations, risk-management formulas and customer databases constitutes the modern insurance industry. So does the breadth of providers. According to the Insurance Industry Institute, more than 2,700 companies participate in the U.S. property/casualty insurance segment.

Among the prominent providers in this sector is QBE Regional Insurance (QBE), a holding company with \$1.5 billion in annual gross premium revenue, and the owner of two well-known regional insurance companies. QBE’s General Casualty brand operates through 1,500 agents in 25 states, insuring homes, autos and businesses of all sizes.

In January 2007, the company, then operating under the name Winterthur U.S. Holdings, Inc., agreed to be acquired by Australia-based QBE Insurance Group, a transaction that significantly expanded QBE’s U.S. presence.

Pending sale of a prominent insurance provider required open dialogue with department leaders to align business strategy with IT through a detailed review of financial drivers.

Situation

When the executive in charge of finance for QBE’s Information Technology group resigned unexpectedly, the organization was left with a void at a difficult time. But with the pending sale of the company, QBE officials recognized that finding a long-term successor right away would be difficult.

Yet the need was critical. The method in which insurance companies manage costs and budgets surrounding IT operations can have a major impact on overall profitability. “You need monthly discipline of spending, forecasts, actuals, capitalization of hardware and software, so it’s a full time job to do it right,” says QBE U.S. Chief Information Officer Peter Logothetis.

Why Tatum

When it came to filling the vacancy created in its IT Finance group, Logothetis wasted no time in contacting Tatum. From earlier experience with Tatum on technology projects, Logothetis was familiar with the firm. “I knew Tatum also had a CFO talent base,” says Logothetis. “Within three or four days, we had an excellent result.”

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SITUATION

IT department managers lack visibility into financial implications of hiring, spending decisions.

TATUM SERVICE

Tatum Governance, Controls and Efficiency Services: Analysis and presentation of economic metrics associated with employee hiring practices and other financial drivers helps IT managers understand linkages that previously were obscured.

SITUATION

IT accountability and contributions to the broader organization were in the process of being refined.

TATUM SERVICE

Tatum Business Strategy & IT Alignment: Tatum’s consultants contributed to the process improvement initiative by bringing to the table their experience from other clients going through a similar initiative.

SITUATION

Clear visibility into key budget and profitability drivers needed to guide better decision-making.

TATUM SERVICE

Tatum Controller Services: Tatum conducts detailed review of thousands of vendor contracts plus ongoing employee and consulting expenditures to produce clear picture of cost drivers making up majority of expenses.

"I needed someone here quickly who could go through a transition with the previous manager. If I'd gone through traditional executive search firms, it would have taken a long time."

Peter Logothetis, Chief Information Officer, QBE Regional Insurance

Two factors influenced QBE's decision to engage Tatum for the IT Finance role. One was the company's confidence in Tatum's abilities overall. A second, as Logothetis stated, was velocity: "I needed someone here quickly who could go through a transition with the previous manager," says Logothetis. "If I'd gone through traditional executive search firms, it would have taken a long time."

Results

Tatum had only a few days to query the departing IT Finance Manager about practices and policies. Hence, the key to forging improvements within the IT Finance function would need be discovered elsewhere.

Immediately, Tatum began visiting face-to-face with IT department leaders who depended on reports and analyses from the IT Finance group. Those early discussions set a precedent for open dialogue that had been absent, and they helped to break down longstanding barriers between IT Finance and other IT units. The conversations between Tatum and IT leaders immediately began to improve perceptions about contributions that could be made by the IT Finance team.

One important discovery turned up during the inquiries was a need for more visibility into the impact of hiring

and staffing decisions on IT expenses. A tendency to fill job vacancies with contractors, rather than full-time employees, had long been assumed to be a preferable, cost-effective way to manage short term staffing. But a deeper analysis Tatum conducted challenged some of those assumptions. Tatum devised a new report that more clearly presented the consequences of hiring full-time employees vs. contractors, allowing managers to see more clearly the relationships between their day-to-day hiring decisions and broader financial results.

Tatum also improved QBE's visibility into other profitability drivers, such as costs associated with myriad vendor contracts, along with the IT department's employee and consultant budgets.

Tatum brought improved visibility to an IT budget variance report that allowed IT managers to align governance decisions with up-to-date information about company operations in a fast-changing IT environment. For the first time, IT leaders could see at a glance how their units were tracking with projected IT costs, allowing them to manage their expenses more deftly.

Signaling QBE's trust in Tatum's capabilities, Tatum became a trusted advisor to the CIO and his staff. Tatum was also asked to help interview and select the

candidate who would permanently fill the IT Finance leadership role. Having the position covered by a Tatum leader enabled a more thoughtful search that yielded a candidate.

Finally, to help focus on broader organizational goals, Tatum's technology consulting practice worked with QBE to re-introduce a key accountability tool: a "balanced scorecard" that tracks and demands measurable improvements in IT contributions. The balanced scorecard approach offers insight into financial success factors, and the organizational and human issues that influence them.

"Tatum has meshed well with our organization's culture—often a tricky task for an outside firm to master," said Logothetis.



About Tatum, LLC

Companies turn to Tatum when critical business challenges arise because we immediately deliver financial and technology operational expertise via solutions tailored to the Office of the CFO. We understand the urgency of NOW and we leverage nearly 1,000 executives and consulting professionals nationwide to accelerate results to create more value.™

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