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On

Solutions Incorporated

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**TABLE OF CONTENTS**

**LIST OF TABLES ………………………………………………………………............... 4**

**EXECUTIVE SUMMARY ……………………………………………………………….. .. 6**

1. **INTRODUCTION ……………………………………………………………………. .. 8**
2. **RESEARCH DESIGN AND METHODOLOGY ……………………………………. 10**
   1. Research Design ……………………………………………………............... 10
   2. Scope and Limitations ………………………………………………………… 11
3. **MACROENVIRONMENTAL ANALYSIS …………………………………………... 12** 
   1. Economic Forces ……………………………………………………… 12
   2. Political Forces ………………………………………………………… 18
   3. Social/Cultural Forces ………………………………………………… 20
   4. Environmental Forces ………………………………………………… 21
   5. Technological Forces ………………………………………………… 22
4. **INDUSTRY, MARKET AND COMPETITOR ANALYSIS ………………………….. 24**
   1. Value Chain & Waterfall …………………………………………….. 24
   2. Porter’s 5 Forces Model …………………………………………….. 31
   3. Strategic Positioning Analysis & Recommendation ……………… 38
   4. Market Share, Size and Growth Trends …………………………… 41
   5. Market Analysis ………………………………………………………. 44
   6. Competitive Profile Matrix (CPM ……………………………………. 58
   7. External Factor Evaluation (EFE) Matrix …………………………… 82
5. **COMPANY ANALYSIS ……………………………………………………………….. 83**
   1. Company Vision and Mission Statement …………………………… 83
   2. McKinsey’s 7S Framework …………………………………………… 86
   3. Company Internal Audit ………………………………………………. 98
   4. Key Financial Ratio Analysis ………………………………………… 111
   5. Internal Factor Evaluation (IFE) Matrix ……………………………... 116
6. **STRATEGY FORMULATION ………………………………………………………… 123**
   1. Strengths, Weaknesses, Opportunities, Threats (SWOT) ……….. 123
   2. Strategic Positioning & Action Evaluation (SPACE) ………………. 133
   3. Boston Consulting Group (BCG) Matrix …………………………….. 136
   4. Grand Strategy Matrix …………………………………………………. 137
   5. GE McKinsey Model …………………………………………………… 140
   6. Internal-External (IE) Matrix …………………………………………… 141
   7. Summary of Strategies ………………………………………………… 142
   8. Quantitative Strategic Planning Matrix (QSPM) …………………... 142
7. **STRATEGIC OBJECTIVES & RECOMMENDED STRATEGIES ………………… 151**
   1. Recommended Vision and Mission Statement …………………… 151
   2. Recommended Strategic Objectives ……………………………….. 154
   3. Recommended Strategies ……………………………………………. 155
   4. Recommended Departmental Programs & Actions ………………. 165
   5. Financial Projections …………………………………………………. 161
8. **STRATEGY EVALUATION, MONITORING & CONTROL ……………………….. 168**
   1. Strategy Map ………………………………………………………….. 168
   2. Balance Scorecard …………………………………………………... 170
   3. Contingency Planning ………………………………………………... 174
9. **FINAL REMARKS ……………………………………………………………………… 175**
10. **REFERENCES ………………………………………………….................................. 176**
11. **APPENDICES ………………………………………………………………………….. 179**
    1. Tables ………………………………………………………….. 179
    2. Financial Statements …………………………………………. 191

**List of Tables and Figures**

**Tables**

**Title** **Page**

Table 3.1 5-Year Philippine GDP …………………………………………..………. 11

Table 3.2 Some Economic Indicators as they relate to the Insurance Industry… 13

Table 4.1 Number of Licensed Insurance Brokers from 2007 to 2011 ………… 32

Table 4.2 Share and Value of Key Business Lines ……………………………… 49

Table 4.3 Pricing Strategies …………………………………………………………. 52

Table 4.4 Competitive Profile Matrix ………………………………………………. 75

Table 4.5 EFE Matrix of Solutions …………………………………………………. 81

Table 5.1 Company Vision Evaluation ……………………………………………… 83

Table 5.2 Company Mission Evaluation ……………………………………………. 84

Table 5.3 Key Financial Ratios based on Solutions 2012

Financial Statements (Consolidated) …………………………. 107

Table 5.4 Solutions Historical Working Capital and Working Capital

Ratio (consolidated) ……………………………………………. 108

Table 5.5 Liquidity Ratios of Solutions and Key Competitors ……………………. 110

Table 5.6 Activity Ratios of Solutions and Key Competitors ……………………... 111

Table 5.7 Leverage ratios of Solutions and Key Competitors ……………………. 112

Table 5.8 Profitability Ratios of Solutions and Key Competitors ………………… 113

Table 5.9 Year-on-Year Growth of Solutions and Key Competitors …………….. 115

Table 5.10 Solutions IFE Matrix Table ………………………………………………. 121

Table 6.1 Solutions’ Market Share of Main Business Lines relative to Market Leaders 135

Table 6.2 Industry Attractiveness ……………………………………………………. 139

Table 6.3 Brand Unit Strength ………………………………………………………. 139

Table 6.4 Solutions IE Matrix ………………………………………………………… 140

Table 6.5 Solutions: Summary of Strategies ……………………………………… 141

Table 6.6-A Quantitative Strategic Planning Matrix (QSPM) – Cohort 1

(Market Penetration Strategies) ………………………………… 142

Table 6.6-B Quantitative Strategic Planning Matrix (QSPM) – Cohort 2

(Product Development Strategies 1) …………………………… 144

Table 6.6-C Quantitative Strategic Planning Matrix (QSPM) – Cohort 3

(Product Development Strategies 2) …………………………… 146

Table 6.6-D Quantitative Strategic Planning Matrix (QSPM) – Cohort 4

(Market development and Horizontal Integration Strategies) .. 148

Table 7.1 Target Sales in the next 10 years (in Php Millions) ……………………. 153

Table 7.2 Development of a 10-Year Sales Targets……………………………….. 160

Table 7.3 Target portfolio mix (in terms of revenue from new business) ………. 161

Table 7.4 Target number of events and sales people requirements …………….. 162

Table 7.5 Pro-forma Income Statement for years 2014-2018 (in Php Millions) … 163

Table 7.6 Pro-forma Balance Sheet for years 2014-2018 (in Php Millions) …….. 164

Table 7.7 Pro-forma Cash Flow for years 2014-2018 (in Php Millions) …………. 166

Table 10.1 Employment of Major Industry Group, Philippines:

April 2012 and 2013 (in Thousands Except Rates) ……………. 178

Table 10.2 Number of employees by Region and Firm Size (2011) .……………. 179

Table 10.3 Number of Establishments and Total Employment by Industry

and Employment Size (2011) …………………………………… 180

Table 10.4 Affiliations of Top Brokers ……………………………………………….. 181

Table 10.5 Portfolio Concentration of Top Brokers ………………………………… 182

Table 10.6 Ratio to the whole portfolio per line of main competitors …………….. 182

Table 10.7 Total Premiums placed by Insurance Brokers by Line of

Business (in Php Millions) ……………………………………….. 183

Table 10.8 Market Growth per Line of Business (based on Total Premiums

Placed by Insurance Brokers)……………………………………. 183

Table 10.9 Growth of Commission Income per Line of Business ………………… 184

Table 10.10 Average Commission Rate per Line of Business ……………………. 184

Table 10.11-A Industry Ranking in terms of Total Premiums Placed (in Php Million) 185

Table 10.11-B Total Premiums Placed in EB Lines by Top Brokers (in Php Million) 185

**Title** **Page**

Table 10.12-A Industry Ranking and Market Share in terms of Total Premiums Placed 186

Table 10.12-B Industry Ranking and Market Share in terms of Total Premiums

Placed (consolidated) ……………………………………………. 186

Table 10.12-C Market Share in Terms of Premiums Placed in EB Lines and Ratio

to Portfolio by Top Brokers (in Php Million) ……………………. 187

Table 10.13-A Industry Ranking and Annual Growth ……………………………..... 188

Table 10.13-B Industry Ranking and Annual Growth (consolidated) …………….. 188

Table 10.14 Total Commissions and Average Commission rate of

Top Brokers (in Php Millions) ……………………………………. 189

**Figures**

Figure 3.1 5-Year Philippine GDP Growth and Inflation rates …………………… 12

Figure 3.2 Employment by Major Industry Group, Philippines: April 2013 (partial) 14

Figure 3.3 Employment by Region, Philippines: April 2013 (preliminary) ………. 14

Figure 3.4 Number of Establishments in the Philippines (MSME, 2011) ………… 15

Figure 3.5 Philippine Labor Force by Age Group (April 2012, 2013), in Thousands 19

Figure 4.1 Value Chain Map ………………………………………………………….. 23

Figure 4.2 Waterfall chart ……………………………………………………………… 23

Figure 4.3 Perceptual Map for Insurance Broker Industry (Philippines) …………. 37

Figure 4.4-A Market Segments – Small, Medium and Large Enterprises

(SMLEs) by Sector and by Region ………………………………. 45

Figure 4.4-B Market Segments – Medium and Large Enterprises (MLEs)

by Sector and by Region ………………………………………… 46

Figure 4.4-C Market Segments – Small and Medium Enterprises (SMEs)

by Sector and by Region ………………………………………… 47

Figure 4.5 Distribution Channel Map ………………………………………………… 54

Figure 5.1 Solutions Organization Chart .……………………………………………. 89

Figure 5.2 Account Management Team Dynamics ………………………………… 90

Figure 5.3 Solutions Standard Performance Appraisal Program (A Two-Way Approach) 95

Figure 5.4 Solutions Organizational Chart during its early years ………………… 100

Figure 5.5 Solutions Employees’ Perception on Corporate Culture and

Work Environment …………………………………………………. 102

Figure 5.6 Solutions’ Employee Profile in terms of Service years (as of end-2012) 103

Figure 5.7 Solutions’ Employees’ Perception on Job Satisfaction ………………… 103

Figure 5.8 Sample of Solution’s client’s Testimony on Service Quality …………… 106

Figure 6.1 Solutions SPACE Matrix …………………………………………………… 132

Figure 6.2 Solutions BCG Matrix …………………………………………………….... 135

Figure 6.3 Solutions Grand Strategy Matrix …………………………………………. 138

Figure 6.4. Solutions’ GE McKinsey Matrix ………………………………………….. 139

**EXECUTIVE SUMMARY**

Solutions Incorporated is a local insurance broker with a consulting practice, actually composed of two legal entities but managed as one. It is a member of Abelica Global, an international network of actuarial and management consulting firms with offices worldwide. It is also a member of Regional Network alliances (RNA), a network of independent brokers in Asia. Solutions’ expertise is human resources and risk management with a focus in employee benefits. It provides insurance broking services in the areas of Life, Accident and Health, Property, Casualty and Motor Fleet Insurance. As complement, it also provides consulting services in the areas of financial planning, actuarial services with a focus on retirement benefits, and Third Party Administration. It is ranked number 12, 6 and 3 in terms of total premiums placed in all lines, employee benefit lines and Accident and Health lines, respectively. Ninety nine percent (99%) of its current client portfolio is insurance placements for corporate life, accident and health lines and related value-added services.

Due to rising Philippine economy, Solutions is in an industry with a 5-year compounded annual growth rate (CAGR) of 17%. However, due to strong rivalry in an industry dominated by global players, conglomerates and bank affiliates, the growth of revenue (commissions and fees) is not as fast as the premiums placed. In 2011, average commission rate in all lines was at 10% while the top 2 players were charging 5% commission rate on the average. There is also a trend to consolidate purchasing decisions globally where global players are well positioned. Even locally, there is also an increasing trend where cost focused procurement departments are being made part of the decision making process for insurance placements even for employee benefits. This has been traditionally handled by the Human Resources and sometimes Finance Department. There are also quite a number of providers (insurers and HMOs) in the market. These collective phenomena commoditize insurance products, strengthening the purchasing power of buyers such that providers are more than willing to concede on terms and conditions regardless of the intermediary or even directly with the clients. Innovations on technology opened opportunities for faster delivery of quality service and more meaningful and accurate information regarding plan use and industry trends.

Solutions has a moderate competitive profile with a score of 2.46. Its major strength is its strong technical expertise making it easier to negotiate reasonable, rationalized and competitive offerings with the providers as well as provide clients with in-depth analysis and professional advice. It can also leverage its reputation in the industry for quality service especially in terms of assisting clients on their day to day concerns with regards the use and administration of their insurance plans including database administration and audit of processes, documents and other paraphernalia related to the administration of the plan. Its major weakness is its lack of a robust marketing and sales team that could plan and execute strategic marketing activities to increase brand awareness, create unique service offering packages, and explore untapped markets not captured by global players, banks and conglomerates. Because of this internal weakness, Solutions is faced with a large client portfolio concentration risk with clients composed of a few large multi-national corporations (MNCs), which are also at risk of being captured by the global players when global consolidation is eventually imposed by these MNCs.

The CPM score is consistent with Solutons’ EFE and IFE scores of 2.25 and 2.40, respectively. Solutions’ responsiveness to market opportunities and threats will be highly dependent on how they will be able to develop their marketing team which could study the market, segment this properly and design value offerings for these target market while using their technical strength and mature backroom, which should be backed with the latest innovations on technology. As relationship is crucial to success in this industry, strategic alliances and more long-term relationships should be formed. It should be noted that while market share of Solutions has not been increasing, the firm has continued to be very financially stable and profitable.

The various strategy formulation tools point to combined market penetration and product development as most attractive strategies for Solutions. The key element of the recommended strategies is the strengthening of its internal infrastructure through the development of a strong integrated IT system with proper IT support for ease of administration, more real-time interaction with key stakeholders and improvements in servicing quality and time. Additionally for wider reach of communication, Solutions needs to establish a strong marketing and sales team and consider re-focusing efforts to providing services to local companies especially SMEs which should enable Solutions to gain market share and manage a good portfolio mix. Strategic alliances with providers and clients should also be forged.

With these strategies in place, Solutions is expected to gain momentum, increase its sales by 15% annually in the next five year with a target revenue of Php 166M by 2018, have good client portfolio mix with SMEs gaining a portion (around 15% in by end of 5 years) and continue to be profitable maintaining its target net profit margin of 15% to 20%.

1. **INTRODUCTION**

The organization that is the subject of this paper is composed of two legal entities – Solutions, Incorporated – a consulting firm – and Solutions Insurance Brokers, Inc. – an insurance broker, which are managed as one organization, i.e. both have same set of owners, corporate officers, and board of directors. For simplicity, the organization is referred to in this paper as “Solutions” or “the Company” and will be discussed as one, focusing on the insurance broking services as the main service offering while taking in consideration the consulting services as value-added services.

Solutions was started with an aspiration to find services that were not yet available in the market. While brokers were just expected to “place” insurance covers for their clients based on what clients instruct them to do, the owners of the Company envisioned brokers to be more of consultants rather than just “order takers” of insurance policies. In this basic principle the Company was founded with two legal entities: the insurance brokerage firm and the consulting firm complementing it. “The business began with four core lines: insurance broking, employee benefits and actuarial consulting and risk management. The risk management side of the business was expected to complement the non-life insurance broking side while the employee benefits consulting was expected to complement the employee benefits broking.” (Herrera, 2009)

The Company was incorporated in 1993 and started operations in 1994. The first office was in a small condominium studio unit in Legaspi village. The only furnitures were a couple of working desks that also serve as the dining table. One or two computers, a telephone, fax machine. The first employees were the messenger/driver and an administrator who later was offered to become one of the owners herself. The founders are called partners but the Company is a corporation and legally functions as a corporation. On the Company’s first year, three of the partners worked full-time and one worked part-time. It was selected as health care consultants of Procter & Gamble, Citibank, Amkor Technology Phils. and EasyCall Communications. By 1997, the Company transferred out of the Makati Central Business District to its current location at a mixed residential and commercial area in Santiago Village, Makati City. It first rented a house, which the Company turned into an office. By year 2000, the Company was able to purchase the rented office. In 2006, the Company purchased the adjacent lot, which paved way for a major renovation and construction of the current two-story building that now houses more than 50 employees and a data center of its own.

The firm’s approach is client-centered and results-oriented with a bias in favor of long-term partnerships. The firm believes that it provides the best service to clients whose strategic goals and culture the firm understands.

The firm provides insurance broking services in the areas of: Life, Accident & Health – Corporate, Individual, and Worksite (Salary Deduction) Plans; Property, Casualty and Marine; and Motor Fleet. Ninety nine percent (99%) of its current client portfolio, however, is currently on Corporate Life, Accident and Health.

To offer more value to its clients, the Company also provides consulting services in the areas of: Actuarial Services, Health Care Management, Financial Planning Advice, Employee Benefits Advice, and Third Party Administration.

Solutions is a member of Abelica Global, an international network of financially and legally independent consulting and actuarial firms with offices in major cities worldwide. It is also member of the Regional Network Alliance (RNA), an organization of independent, owner-managed insurance brokers in the region, providing creative and cost-effective insurance and risk management solutions across international borders. Representatives are based in China, Hong Kong, Malaysia, Singapore, Thailand, Indonesia and the Philippines.

Currently, in its 19th year of operations, Solutions has a manpower complement of more than 50 employees and three managing directors (also the senior consultants of the firm), who are the remaining three out of four founding partners of the firm. It has invested in its own office space in Makati and has over 60 corporate clients. It has one office in Metro Manila with no operations in other parts of the country. Its target market is employers and organizations, which value their physical and human assets enough to value the professional advice and services offered to them by the Company.

Solutions has a combined revenue of Php 90M with a net worth of more than Php 44M. Solutions is one of the top insurance brokers in the industry with strong presence in the employee benefits lines covering life insurance, accident and health including HMOs. In fact, it has ranked not lower than top 3 in accident and healthcare insurance in terms of total premiums for the past three years while ranking 12th based on all lines. It has 2.8% market share in terms of total premium placed by insurance brokers in all insurance lines, 6% market share in employee benefit lines (i.e. Life, Accident and Health), and 11% market share in Accident and Health.

1. **RESEARCH DESIGN AND METHODOLOGY**
   1. Research Design

Data used in the external analysis were obtained from various sources. Demographic analysis of the population, employee force as well as business establishments mostly refers to the National Statistics Office (NSO), National Statistical Coordination Board (NSCB), Department of Labor and Employment (DOLE), and Department of Trade and Industry as sources. Key economic indicators and trends are based on publications NSCB, Bangko Sentral ng Pilipinas (BSP), National Economic and Development Authority (NEDA) and Asian Development Bank. General news and current events were sourced from articles released by ABS-CBN News, Business Mission, Philippine Daily Inquirer, Chinese Business News, Manila Standard, Manila Bulletin and Philippine Start. International online news publications were also referred to like Forbes.com and CNN.

Most of the industry data were obtained from the Insurance Commission of the Philippines annual reports since 2006, official circulars, and special (and more detailed) reports on broker rankings based on premiums placed and commissions earned. Data was also obtained from publications of the Philippine Insurers and Reinsurers Association.

Copies of the audited financial statements for years 2009 to 2012 of key competitors were obtained from the Securities and Exchange Commission. Other key information are obtained from the IC Annual Reports, websites, and interviews with providers and clients.

Internal data from the Company was obtained with the permission and assistance of the senior management of the Company. An organization climate survey was conducted by the author in coordination with the functional HR of the Company. The President, business development and operations leads were also consulted. Audited financial statements, employee benefit handbooks, historical documents and several other confidential documents were referenced as basis of this paper. Other inference made by the author in this paper are based on the author’s actual observations of the organization and the industry during its course of employment with the Company.

The 13th Edition of Strategic Management Concepts and Cases by Fred R. David was

used as the primary reference for the strategic formulation tools used in this study.

* 1. Scope and Limitations

Majority of the industry data is based on the annual reports available in the Insurance Commission. As of this writing, the most recent consolidated report is for the year 2011. It is also noted that while the insurance broker industry is regulated by the Insurance Commission and that some data are compiled by the regulator for public use, the compilation is not as extensive as what the IC has done for the insurance providers. As such, industry averages, specifically on financials, are just inferred based on the data gathered from the major players composing at least 40% of the whole industry.

Most of the discussions of this paper, specifically on market segmentation, products and strategies are limited to the operations affecting the insurance broking arm since majority of the offerings is coming from this operation. This does not indicate though that such discussions may not be applicable to the consulting arm. It is assumed in this study that the consulting services provided by the consulting arm of the Company are used as value-added service for the broking arm, a business opening opportunity (i.e. foot in the door), as well as for revenue accounting purposes. Internal data are highly confidential and as such, management of the Company has requested that discussions regarding this paper are treated as such and that all written copies are retrieved upon the fulfillment of the author’s academic requirements. All analysis and conclusion derived by the author of this paper does not in any way represent the Company’s views unless specifically indicated.

1. **MACROENVIRONMENTAL ANALYSIS**
   1. **Economic Forces**
      1. Growth in Gross Domestic Product (GDP)

The global financial instability has been staggering for the last years. The most recent Eurozone and US economic slowdown leads to cost reduction measures by corporations. However outlook for the Philippines remains promising.

**Table 3.1 5-Year Philippine GDP**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2013 | 2012 | 2011 | 2010 | 2009 |
| GDP Growth | 6% (forecast) | 6.6% | 3.9% | 7.6% | 1.1% |

Source: National Statistics Coordination Board

Asian Development Banks (ADB), in its ADB Outlook 2013 is forecasting that Philippines could maintain its growth at around 6% for the next 2 years.[[1]](#footnote-1) This is still consistent with its long-term projection of 6% up to 2020 and a little lower at 5.5% from 2021 to 2030.[[2]](#footnote-2)

**Importance:** The growth of the industry is primarily dependent on the growth of its primary providers, which are the insurance companies and HMOs, as well as the growth of different industries evidenced by the increasing number of establishments and employers. The growth of these industries should create demand for insurance coverage for the growing physical and human assets. This poses as an opportunity for the insurance brokers especially in targeting consulting services and insurance placements for the growing number of establishments. For as long as there is growth in the GDP, it is expected that the insurance industry will be able to also maintain its growth. In fact, the insurance broker industry has outperformed GDP by more than 10% in the past. However, it should be noted that ideally, there should be a constant need for insurance and healthcare coverage regardless of economic growth or decline.

* + 1. Inflation rate

Headline inflation is down to 2.8% as of June 2013 from 3.2% in 2012 (refer to Figure 3.1). Long-term forecast by the Bangko Sentral ng Pilipinas (BSP) indicates inflation will be within three to five percent (3 to 5%) target range.[[3]](#footnote-3)

**Importance:** Medical costs, salaries, wages are driven by inflation rate. Generally, as inflation rate stays flat or decreases, prices are tempered and as such there are more opportunities for corporations and individuals to release funds for insurance protection.

Specifically, the main service of the Company is in the Accident and Health lines, and that the commission is usually premium-based. The main driver of the healthcare plan premium is the medical cost. Medical inflation as tracked by the insurers and Health Maintenance Organizations (HMOs) ranged from 10% to 15% in the last three to five years. Future projections stay at around 8% to 10%. Usually, the medical inflation used by the insurance industry and HMOs has been double to triple the headline inflations rate.

**Figure 3.1 5-Year Philippine GDP Growth and Inflation rates (Year-on-Year, all items, 2006=100)[[4]](#footnote-4)**

The Company also uses inflation rate as one of the bases for decisions regarding increases in salaries, wages and benefits, which comprise the major expense by the company, being in a service industry. Most of the projections on other expenses also uses inflation rate as basis. Additionally, the cost of insurance (Health insurances in particular) is strongly driven by inflation as well.

* + 1. Per Capita Expenditure for Life / Non Life Insurance, Life sum insured as %GDP, Insurance Coverage[[5]](#footnote-5)

Per capita expenditure on insurance shows how much is spent for life (includes life, accident and health covered by insurance companies but excluding health premium by HMOs) or non-life insurance as a percentage of GDP. Per capita expenditure for life insurance cover has grown from Php 859 to Php 916 from 2007 to 2011 which is a measly 1.6% growth compounded annually while per capita expenditure for non-life insurance has grown 5.6% compounded annually during the same period from Php 221.6 in 2007 to 275.1 in 2011. Regardless, combined premium is only 1.15% of the GDP and 0.87% of the Gross National Product (GNP) in 2011.

**Table 3.2** Some Economic Indicators as they relate to the Insurance Industry

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2011** | **2010** | **2009** | **2008** | **2007** |
| Per capita expenditure (Php) |  |  |  |  |  |
| Life | 916.6 | 752.4 | 620.8 | 628.6 | 859.2 |
| Non-Life | 275.1 | 247.8 | 224.6 | 230.9 | 221.6 |
| Life sum insured as % of GDP | 30.80% | 25.56% | 27.41% | 25.99% | 26.48% |
| Life sum insured as % of GNP | 23.28% | 19.18% | 20.65% | 20.53% | 21.14% |
| Premiums (Life & Non-Life) |  |  |  |  |  |
| as % of G D P | 1.15% | 1.04% | 1.02% | 0.01% | 1.44% |
| as % of G N P | 0.87% | 0.78% | 0.77% | 0.01% | 1.15% |
| Estimated Life Insurance Coverage | 18.29% | 16.09% | 13.90% | 14.01% | 13.63% |

Source: http://www.insurance.gov.ph

**Importance:** This is relevant in order to see the growth of the insurance industry and its national value. A rising per capita expenditure for insurance indicates the rising demand for insurance. Since the revenue stream of the firm is premium-based, the future of the enterprise is dependent on the growth of the insurance industry.

* + 1. Number of employees nationwide

The DOLE reported that as of April 2013, total employment nationwide is at 37.82M, a little lower than last year’s 37.84M. As shown in Table 10.1, the decrease is mostly because of the 5% decrease of employment in agriculture group, which comprise around 31% of the total employment (11.8M). Industry group (6.1M), which includes mining and quarrying, manufacturing, electricity, gas, water and construction, posed a 3.8% growth. Services group (19.9M) posed a 1.9% growth, most of which came from accommodation and food services activities.

**Figure 3.2 Employment by Major Industry Group, Philippines: April 2013 (partial), all figures in Thousand except rates**

**Figure 3.3 Employment by Region, Philippines: April 2013 (preliminary), all figures in Millions except rates**

*Source: LABSTAT Updates, Vol. 17. No. 10, June 2013, Bureau of Labor and Employment Statistics, Department of Labor and Employment*

On a per region report, Region 4-A gets the highest number of employment at 4.7M (12.5% of total), followed by NCR (12%) then Region 3 at 3.9M (10.4%).

**Importance:** Knowing the potential market size in terms of number of potential employees is significant especially in prospecting for insurance placements pertaining to corporate employee benefits. Data on the specific industries where these employees are and its geographical spread would be helpful in market segmentation purposes.

* + 1. Number of establishments

Based on the statistics on the website of Department of Trade and Industries (DTI), as of 2011 count, there are 820,255 business enterprises operating in the Philippines, of which 99.6% are micro, small, and medium enterprises (MSMEs) and the remaining 0.4% are large enterprises (over 200 employees). Of the total number of MSMEs, 91% (743,250) are micro enterprises (below 10 employees), 8.6% (70,222) are small enterprises (10 to 99 employees), and 0.4% (3,287) are medium enterprises (100 to below 200 employees).

Based on Table 10.2 showing the number of employees per region and firm size, the biggest employee force is in the National Capital Region with 1.44 Million in MSMEs and 1.3 Million in the Large Enterprises. This is followed by Region 4A (CALABARZON) with around 947 Thousand employees, 53% of which come from the MSMEs.

**Figure 3.4 Number of Establishments in the Philippines (MSME, 2011)**

*Source: NATIONAL STATISTICS OFFICE. Micro Industry and Trade Statistics Department. Small Statistical Sampling and Operations Division Medium. (http://www.dti.gov.ph)*

Table 10.3 shows the number of establishments and corresponding employee force by industry. 47% of establishments is coming from the Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles which employs 23% of total employment (1.49M) and 94% of these are micro enterprises. Manufacturing comprises 14% of total establishments employing 1.37M of 22% of total employee force. 89% from manufacturing industry are micro enterprises.

**Importance:** The target market of the industry as a whole are the insurance buying people, most specifically the corporations which need insurance protection for their physical and human assets. Knowledge of how big the number of establishments are, and their spread nationwide is most relevant in decisions concerning distribution strategies, geographical presence and market segmentation. HMOs and Life insurance companies are estimated to have covered around 7M beneficiaries for healthcare coverage. This is only around 15% of what Philhealth is covering for the formal sector alone (which is around 24M by end of 2011)[[6]](#footnote-6). This is indicative of a big opportunity for market penetration.

Specifically for the micro to small industries, while insurers and HMO providers have already started to develop products to cover, the pricing and terms for these products are still prohibitive. In life insurance and health care insurance, pricing for groups under 100 heads would be more like pricing for individual buyers – age-based, limited coverage, stricter underwriting. As such, penetration in these industries should still be small posing a big opportunity to the industry. The experience in non-life insurance is similar. Because of the small size of the micro and small establishments, utilization experience would be more volatile and thus pricing could be prohibitive. Unless there is serious effort to pool the experience of the micro to small industries for a more stable pricing, penetration for these groups would still be low. Moreover, SMEs would need one-stop shops that could cater to all their insurance needs as they do not have capacity and expertise to deal with and negotiate with a different providers making the role of an insurance broker more important in this industry.

* 1. **Political Forces**
     1. Expected signing into law of the Revised Insurance Code by 2013

The Insurance Code of the Philippines (ICP) is the bible of the insurance industry. The current ICP is already 38 years old. The new code (to be signed in August 2013) is expected to usher the industry to become more globally competitive and globally compliant. One of the most important provisions with a big impact to the industry is the imposition of a higher capitalization requirement for insurance companies (i.e. Php 250M in 2013, Php 550M in 2016, Php 900M in 2019 and Php 1.2B in 2022)[[7]](#footnote-7).

The capitalization requirement for insurance brokers was increased requiring new brokers to have paid-up capitalization and net worth of Php 20 Million while existing brokers must have net worth of Php 10 Million. For brokers with both insurance and re-insurance operations, the capitalization requirements are Php 25M for existing brokers and Php 50 Million for new entrants. Table 3.1 in the next section shows the decline in numbers of the licensed insurance brokers in the Philippines.

**Importance:**  The imposition of high capitalization requirements to the providers would pave way to consolidation of the players and in the future, consumers will only deal with big players. This would affect the bargaining power of suppliers and buyers in the future. With big players gaining strength, the bargaining power of suppliers would eventually increase.

Consolidation of the insurance brokers would also be expected. This is already happening as seen in the declining number of licensed insurance broker (in Table 3.1). With this consolidation, competition will be stronger.

* + 1. Retirement Law and Compliance with the Philippines Accounting Standard 19 (PAS 19)

Republic Act 7641 is the law in the Philippines that requires all employers to give mandatory retirement benefit to all regular employees. Since employers need to comply to this anyway, there is an incentive for them to formally set up their retirement plans and fund this as part of their employee benefits package.

PAS 19 is an accounting standard that details the reporting requirement when it comes to disclosures and recognitions of retirement liability to the firm’s financials.

**Importance:** The core offering of the consulting business, which complements the employee benefits positioning of the bigger insurance broking operation, is to provide advice on the retirement plan establishment, maintenance and valuation which is this law ensures that there is a need for this certain offering (at least as part of the whole service offering for employee benefits). Further, there are also opportunities for the insurance brokers to offer some insurance products to supplement the retirement fund of the employees.

Lastly, compliance requirement ensures the demand for the service pertaining to the actuarial valuation of retirement plans, which is the complementary service offering under the employee benefits core competence of Solutions.

* + 1. BIR’s imposition of RMC No. 16-2013 clarifying the tax implications and recording of deposits/advances for expenses by Taxpayers

This particular memorandum from BIR imposes an E-VAT on the all receipted payments of customers including deposits for revolving funds. The only exemption is if the customer a zero-rated and VAT-exempt (on expenses) enterprise.

**Importance:** This tax ruling affects the Third Party Administration business of the Company which involved revolving fund set-up for the client where payment for benefits and administration fees are charged. With the new ruling, the Company should be able to come up with an agreement with its customers on how to set up their revolving fund without having to shell out for more tax expenses than necessary yet still being able to comply with the tax rule.

* 1. **Social/Cultural Forces** 
     1. Managing different generations of the labor force

The most recent labor survey (April 2013) of the Department of Labor and Employment (DOLE) showed that total labor force already reached 40.9 Million, of which 37.8 Million is employed. Almost 50% of the labor force are born post 1980s, which some describes as the Generation Y.

**Figure 3.5 Philippine Labor Force by Age Group (April 2012, 2013), in Thousands**

Employers are concerned nowadays on how to deal with the Generation Y labor force. Jonathan De Santos, in his article “Generation Y Not?” published in Chinese Business Philippines, said that “Generation Y employees no longer subscribe to the old formula of working at the same company until retirement”.[[8]](#footnote-8) This generation is said to be the reason why employers nowadays spends so much in order to integrate work-life balance into their human resource and employee benefits program and hopefully get the retention that they wish.

**Importance:** Since the corporations and employers are the “bulk” buyers of insurance coverage, usually because they provide employee benefits, the volume of the contract (i.e. total contract value) will be based on the number of employees that will be covered by the policy and the range of the benefits covered by the policy. These would be dependent on how employers perceive the value of insurance vis-à-vis its employment policies, which would be dependent on their employee demographic profile. This is also an opportunity for the insurance brokers to provide professional advice on what is the best package for certain demographic profile and match this with the current offerings in the market or negotiate packages with providers.

* + 1. The Filipino “Pakikisama” culture

The Filipinos are known for the values of “malasakit”, “pakikisama” and “utang na loob”. “Malasakit” is seen as going the extra mile. Filipinos appreciate the extra service provided by its providers. In “pakikisama” and “utang na loob”, Filipinos appreciate cultivation of deep relationship that fosters loyalty. As such, a lot of the corporations, when dealing with suppliers, are usually resistant or slow to change.

**Importance:** This aspect of the Filipino culture is important in understanding the significance of the relationships in doing business, most especially in the insurance industry where business relationships are closely connected to personal relationships. Specifically for intermediaries like brokers, there is always the advantage of the incumbent unless there is a strong driver to change the incumbent, usually because of large discrepancy in cost or in value added service.

* 1. Environmental Forces
     1. Increased awareness of effects of natural calamities and recent epidemics

While investment analysts say that the country’s economic fundamentals are robust and as such, the Philippines will still be economically viable, the natural calamities brought about specifically by the typhoons Frank in 2008, Ondoy and Pepeng in 2009, then with Juan in 2010 have had devastating effects in the insurance industry. A lot of claims have been filed.

Recent epidemics (Avian Flu, AH1N1, dengue) as well as increase in lifestyle diseases and diseases linked to pollution encourages employers to offer more comprehensive life and health insurance coverage.

**Importance:** Customers’ increasing awareness of their need order for protection of their properties against the natural calamities like flood and earthquake creates increasing demand for comprehensive insurance coverage like fire and car insurance. Trend on increasing lifestyle diseases and epidemics also creates demand for advice on health and life insurance coverage most especially as part of an employee benefit package.

Increased awareness of the environment degradation also pushes corporations and individuals to step back and review how their operations are using up these scarce natural resources. While there is no legal impediment to electrical and water wastage, for example, corporations put in operational measures to conserve water and energy through more efficient shift scheduling, more stringent protocols for use of air conditioning units, etc.

* 1. Technological Forces
     1. Massively online trend

According to George Satell of Forbes.com, a lot of the activities now are going massively online[[9]](#footnote-9). This has invaded politics, educational institutions, and corporations’ operations that the way of doing things has been re-shaped.

There is an increase reliance on technology when it comes to communication. As such, clients expect faster turn-around times for feedbacks because of emails, cell phones, blackberry, etc. For example, service like claim adjudication may already be crashed to three working days instead of the usual 30 working days because online uploading direct to the employee’s bank accounts are already possible. It is almost a standard that hotlines are available 24/7. In PricewaterhouseCopper’s global insurance industry study, it pointed out that “advances in in software and hardware are transforming ‘big data’ [i.e., real-time data] into actionable insights” enabling the industry to change its business model from reactive to preventive.[[10]](#footnote-10)

**Importance:** This has to be seriously considered during the review and implementation of the Company’s marketing and operations. Because of recent technological trends, clients now are knowledge hungry. The very accessible worldwide web is the first place that the clients go to when researching about a service provider or even for searching for employees and employer. As such, web presence is very crucial. A survey done by Jobstreet.com in September 2011 showed that online job portal is the top preference for job searching followed by referrals and visiting company web pages.

Specifically for Solutions, there was an increased inquiry on its services from prospective clients who look for providers through the internet. Online marketing and selling of services could be considered. Operations should also consider an integrated portal to close the communication gap with clients and providers and facilitate data sharing. Challenges in fulfillment of service level agreement should be addressed because of higher expectations due to technological capabilities.

While the Company would want to use technology as much as possible to ensure almost real-time service delivery to its clients, the Company should also consider securing its data in order to protect data confidentiality, including planning the security and redundancy of its data center and completion of its business continuity plan.

This increased transparency might be seen by some in the industry as the shifting of power from brokers to consumers because of increased offering visibility. This can be considered true in retail and even small enterprise use cases were offerings can be generalized to the general mass market requirements. However, Solutions’ business is essentially dealing with businesses that require a degree of customization. What is cost effective for one customer might be too costly for another. A benefit deemed valuable to one company might not be beneficial to another.

1. **INDUSTRY, MARKET AND COMPETITOR ANALYSIS**
   1. **Value Chain & Waterfall**

**Figure 4.1. Value chain map**

Development of Customized Service Offering

Proposal Preparation

Marketing

Comprise around 5% of gross revenue

Total cost is 10% of gross revenue

Total Cost would most probably be around 10%.

Plan Installation / Project Launch

Total Cost is around 5%.

After-sales Service

Total Cost is around 10%.

Set-up: Market Study, Capability Inventory and Infrastructure Building

Comprise around 40% of gross revenue

Needs Analysis

Plan Administration

**Figure 4.2 Waterfall chart: value per Php 1 revenue[[11]](#footnote-11)**

* + 1. Set-Up: Market Study, Capability Inventory and Infrastructure Building

The core offering of the insurance broker and consultant is the **value of the solutions** that it recommends to its clients. These solutions would include the **professional advice** coming from the consultants backed by **technology**. It is essentially a service industry. To give highly competent advice, consultants are hired and/or developed who are/to be competent regarding the industry, business lines, risk management, and with skills for high customer orientation, critical thinking and innovation. Solutions are also constantly adjusted against changing the market landscape, product innovation and technology. Based on the review of financial statements of various insurance broking firms, total salaries and benefits alone constitute around thirty (40) to forty (50) percent of the revenues (of which, 10% - 15% would usually be coming from for the administrative support).

A study of the market is then done which involves scoping of insurance products available in the market and prospect engagement for initial needs analysis. Service offering is packaged. **Network** is built through accreditation of providers and allied partners to support the service offerings. Finally, **processes** and **systems** (includes new software tools) are put in place to complete the infrastructure.

* + 1. Marketing

Marketing activities are planned and implemented to **communicate the service offerings** to the customers. This could be done through the company’s website, through corporate events and other promotional activities. The primary purpose of these marketing activities is to create awareness of the **company’s service offerings in the context of customer needs, product availability and ecosystem developments**, and build a network that will be tapped. As such, marketing involves prospect mining and appointment acquisition, and then eventually, review of service offerings vis-à-vis customer feedback.

Distribution channels are set up. These usually involve internal sales team directly selling to the customers (individuals or corporations). Branches could be set-up in strategic areas. E-commerce may be used as a distribution strategy, especially for retail products like individual motor car insurance, fire insurance, life insurance and the like. Another channel would be through allied partners which could offer the company’s services to their clients. In this case, revenue share or referral fees may be paid, depending on the agreement with the partners.

* + 1. Development of Customized Service Offering: Needs Analysis and Proposal Preparation

Data is gathered and processed in order to gain further insight on the gap that needs to be addressed and **customize the service offering**. This information will also be used to obtain costing from the provider. For insurance broking, this is done once a broker appointment is acquired. There is a substantial degree of customization. This is one of the important values of insurance brokers and consultants that may not be totally replaced through full automation. This is where consultants analyze the risks unique to its clients and occasionally use industry level proxies. Review of the requirements is done taking into account client’s (corporate) objectives, (business) risk exposures and existing products in the market. This is where **innovative solutions** come in – solutions which may not be off-the shelf solutions available in the market and that needs further negotiation with providers and possibly needing special customized set-up. This is where brokers differ from agents. Brokers or consultants, should ideally recommend the best solution – which may not be necessarily through insurance. These can be other risk management strategies or a combination thereof. Agents, since they represent the insurance provider, would naturally push the insurance products of the company they represent.

This is also where the **network** of the broker and its knowledge of the industry become valuable as it matches the provider and its solution to the needs of its client. A proposal is prepared based on the service inclusions including time, effort and resources expected to be utilized for the project. Under insurance broking, proposal is prepared based on the price, terms and conditions negotiated with various providers. Recommendation is based on the competitive analysis, evaluation of the provider capacity and client-provider matching.

* + 1. After-sales Service: Project Installation and Project Administration

Once the contract is in place, the project is launched. For insurance broking, this involves actual placement of the policy, review of the policy contract and other related administration requirements needed to set-up the account like compliance with Anti-Money Laundering Act (AMLA), set-up of database, enrollment campaign, actual enrollment (if corporate account), development of information materials, release of IDs, certificates, orientation of employees for employee benefit plans and release and audit of billing statements. If necessary, this is when processes and systems may be customized.

After-sales service extends to customer service during the rest of the policy period. This involves plan administration, going concerns like database management, problem solving, claims facilitation and monitoring especially for difficult (out of the box) claims, day to day liaising and audit of the service level agreement (SLA) with providers. Insurance brokers could leverage its portfolio and personal relationship with providers in order to **arrange for better** claims settlement, sometimes ex-gratia settlement (i.e. claims not payable by the policy but is settled for business consideration), longer payment credit term and other **special concessions** which may not be approved without the broker’s intervention.

Another value of the broker in after-sales is the regular report/s that it provides its clients that show **analysis** of the client’s utilization of its plan (usually for employee benefit accounts like healthcare, life and motor car fleet). Pertinent analytics are done in order to usage behaviors and recommendations are done to institute cost control measures or modification of the plan design, if necessary. This is where technology could prove valuable – technology that is capable of churning out analytics and technology that is capable of sharing these information and reports to the clients when they need them.

* + 1. Key Findings and Insights
       1. Set-up

The key elements to the sales of the service in this industry are the talents. The broking industry is very reliant on the consultants and the most value comes from the advice of these consultants. Based on interviews with key personnel of the Company, “advice” has been the value proposition and point of differentiation of Solutions when it was founded as other players then were just doing insurance placements. However, more and more brokers now are also positioned as consultants. Solutions hire and develop its account officers and consultants.

There is no formal team in the firm that scouts the market for all the product offerings by the providers and insurers. In Solutions, this is done ad-hoc by account management teams as instructed by the business development head.

IT infrastructures are in-housed developed. However, in Solutions, these IT softwares are all separated with their separate results integrated manually. The data centers as well as the in-house developed softwares are huge investments by the firm.

Solutions’ provider accreditation process is not yet formal and standardized.

**Relevance.** The largest investment of the firm is its talents. Next is its IT infrastructure. As the market (clients, products, providers) grows and matures, there is a need for the firm to continually update and upgrade its talents and infrastructures.

Most clients are now heavily reliant on technology for communication and sharing of data. The Company should move towards integration and fully optimization of its IT infrastructure.

Finally, to be able to give complete advice to the clients, there is a need to be able to study all the products available in the market. A repository of such information should be developed and regularly updated. A separate product development team or marketing team should be established and developed to do this full time.

* + - 1. Marketing

The Company’s has little investment in marketing and sales. It does not even have a formal marketing and sales team to support the marketing plan of the firm unlike its multinational counterparts like Marsh, Aon and Jardine which have substantial spending on promotions through sponsorships of local corporate events like (PMAP, BPAP conventions, etc.). These global players also have strong global and/or regional marketing team that pushes the sales of its services globally. Institutional collateral business are big revenue stream for brokers with captured market (e.g. Anchor as subsidiary of San Miguel gets all the San Miguel firms, most big banks have their own broker firms) . Most local brokers like Solutions rely more on network through own relationships, network of key investors, referrals of clients or key contact person transferring to other firms.

**Relevance.**  Just like commodity products, awareness of the broker is one of the keys to getting prospective clients to consider the firm as a broker. Marsh, Aon and Jardine which usually set up booths in HR conventions get to inform prospective clients of their existence and their services. While there is no data as to what are their close rates based on these efforts, there are anecdotal evidence that accounts are captured through these activities.However, it should be noted thateven with close to zero marketing investment (less than 1% of revenues) by Solutions, it has acquired accounts through referrals and was able to hold on to its top position in the EB market. There is a big opportunity to grow if formal marketing plan and efforts is exerted.

The Company should consider investing in developing a marketing support team which can do regular market research and analytics to support the business development team. Another not so expensive strategy is to enhance the Company website. This should aim to give as much information to prospective clients about the services of the firm, for them to be able ask and receive proposal as quickly as possible, and to educate them.Partnership with other firms could be used for below the line marketing strategy like partnership with wellness centers, clinics, pharmacies and event organizers.

* + - 1. Development of Customized Service Offering

Those with consulting practice get ahead most especially those with risk management and employee benefits consulting offerings like Aon and Marsh. For example, Marsh can hedge on partial use of Mercer’s industry benchmark survey with regards compensations and benefits in which companies from different industries pay to join. It also uses this capability to offer free (but limited) benchmark “surveys” through professional associations like PMAP and BPAP. Prospect firms nowadays are particular with the competitiveness of the benefits they provide their labor force which makes these benchmark studies valuable.

Solutions, in particular, has technical capability to process and analyse company data because of its in-house actuarial team led by a healthcare and retirement expert. Its reputation is good with the top providers most especially with HMOs and Life insurance providers. Because of this technical capability, it is able to provide unique solutions, check provider pricing and negotiate a reasonable, rationalized and sustainable deal for the client.

**Relevance.** The Company currently has no capability to run industry surveys. However, it has competence to run benchmark studies using its own portfolio while supplementing it with surveys from providers. Prospect companies who currently have no benchmark data may prefer competition with benchmark data. Industry-specific (global and local) knowledge is crucial in this stage. Large companies, however, usually already participate in Towers Watson regular survey.

One possible solution to address this gap is to participate and buy industry data, or to build capability for this. The Company may start with building an analytics team to process all internal data which are currently decentralized to different account management teams.

This is also an opportunity for the Company as only one other firm has an internal actuarial team. In fact, it is the only firm with an actuarial team which is actively involved and tapped in the negotiations for HMO and insurance policies. This should be the selling point which could be emphasized in the Company’s future marketing efforts.

* + - 1. After-Sales Service

Here, companies should strongly build competence which are essential to servicing the clients like risk management, problem solving capabilities, critical thinking and innovation and operational efficiency.

The reputation of Solutions in the industry is that it has the best placement and after-sales service. Not a lot of brokers have backroom operations set-up to efficiently support the client needs through-out the contract and fulfill SLAs which are above industry standards. This is where brokers have opportunities to intermingle its operations with its clients’ and create dependency that would hopefully make it hard for the clients to transfer to competition.

**Relevance.** This is the stage where aside from advice, speed and accuracy is crucial in delivering service. It is also noted that the Company’s differentiation has slowly shifted from “the best advice” to “speed and accuracy”. Right now, the Company is investing on people to ensure SLAs are met and proper audit of the SLAs is done. This is crucial as “speed and accuracy” can be addressed with full automation. The Company should already consider fully automating processes which do not need a lot of judgment call so it can focus on building its expertise through developing more capable industry experts. The challenge now is how to innovate the service delivery to address new concerns like paperless transactions, cyber security, and business continuity, to name a few.

The Company should also consider completion of its standardization of its practice and processes in order to reduce its ramp up time, when needed.

* 1. **Porter’s 5 Forces Model** 
     1. Industry Definition

The Insurance Code of the Philippines defines an insurance broker as follows:

*“Any person who for any compensation, commission or other thing of value acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance, on behalf of an insured other than himself, shall be an insurance broker within the intent of this Code, and shall thereby become liable to all the duties, requirements, liabilities and penalties to which an insurance broker is subject.”* (Insurance Code of the Philippines (ICP), Sec. 301) This means that insurance brokers are not exclusive “agents” of any provider rather they are intermediaries that look for the best provider in the market for their clients, i.e. "the broker acts completely autonomously and represents the interests of its customers"[[12]](#footnote-12).

In contrast, an insurance agent works for compensation (also in the form of commission) through soliciting insurance contracts on behalf of any insurance company. (ICP, Sec. 300) They are contractually obligated to represent one insurer or to represent several in the case of a general agency for non-life insurance.

What is common to both (insurance agents and brokers), at least in practice here in the Philippines, is that while agents and brokers represent opposite parties to the insurance contract, both get compensation in terms of commission from the insurers and HMO providers (hereafter called “provider/s”). In addition, as insurance brokers and agents are regulated by the Insurance Commission (“IC”), there is a code of conduct which may or may not be explicitly written in the Insurance Code but are highly expected to be upheld by the agents and brokers. In fact, Section 305 of the Code allows the Insurance Commissioner to suspend or revoke the license of any agent or broker based on various reasons if he finds that the insurance broker/agent “has been guilty of fraudulent or dishonest practices”.

Through the years, insurance broking has evolved from just mere negotiating with providers on behalf of the clients to a more proactive and high-level consulting business as well as providing many other value-added services, not captured by the original definition of the ICP. Broker’s compensation have already been flexible such that it can be paid on a fee for service basis and may not necessarily be included in the traditional pricing of the insurance product premium anymore.

* + 1. Rivalry of Competition: Strong

There is decreasing number of competitors. Based on the IC reports, number of licenses insurance brokers has been decreasing in the last 5 years from 93 in 2007 to 63 in 2011. The Insurance Commission has set substantial capitalization requirement, raising this to Php 10 Million for existing brokers, forcing those who cannot meet the requirements to downgrade to agency status or close shop or be bought out by larger players. IC has also set an initial capitalization requirement of Php 20M paid up capital for new entrants so few new players are expected. In fact, the industry may see more consolidation or more global players to enter the local market through acquisition.

The market leaders are either the top global players (Marsh, Aon) or backward integrated insurance brokers of financial institutions (HSBC, Citicorp, BDO) or conglomerates (Anchor of San Miguel, Unicon of JG Summit), which have captured market.

The demand for insurance brokers is still on the upside. The average growth in total premiums place in the last 5 years is 17% (22% in Life, 16% in Non-Life) from Php 18.6 Billion in 2007 to Php 36.2 Billion in 2011. (IC Report, 2011)

Undercutting commission rates are being done by both big and small players alike. However, big players have more capacity to undercut commission rates as most of their client portfolio as global accounts, which are usually jumbo accounts. In 2011, average commission rate in all lines is 10% while the top 2 players are charging 5% commission rate on the average.

Buyers can switch brokers easily but usually tends to stay with the existing ones unless there is a compelling reason to shift. However, active global activities compel local firms to comply should global appointment of broker is done.

Insurance products being sold are not highly differentiated and as such, price competitiveness plays a big role in the success of the capturing clients. Brokers now differentiate through their own service offering.

Engagement is based highly on reputation and relationship. Majority of the licensed brokers are headquartered in Metro Manila.

**Table 4.1 Number of Licensed Insurance Brokers from 2007 to 2011**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2011 | 2010 | 2009 | 2008 | 2007 |
| Number of Licensed Insurance Brokers | 63 | 69 | 75 | 80 | 93 |
| (Decrease) | -8% | -8% | -6% | -14% | -7% |

*Source: Insurance Commission*

* + 1. Potential for New Entrants: Weak

The insurance industry is highly regulated. Insurance brokers need to apply for an insurance license from the Insurance Commissioner. The capitalization requirement for insurance brokers was increased in 2006 as indicated in the circular issued by the Insurance Commission (IC) in April 24, 2006 (IMC No. 1-2006) requiring new brokers to have paid-up capitalization and net worth of Php 20 Million. To function as both an insurance and re-insurance broker, capitalization was increased from Php 25 Million to Php 50 Million. Another requirement by the IC is that representative by the brokering firm should have at least 10 years of experience in the industry or it must attend a seminar and pass a licensing exam.

The number of insurance brokers did not increase in the last 6 years. From 100 in 2006, it is down to 63 in 2011 (IC Reports 2006-2011) which is an average of 9% decrease per year in total number of licensed brokers. As mentioned in the previous section, those that cannot fulfill the capitalization requirement are either demoted to agency or general agency status or get bought out or get liquidated.

In the Philippines, small brokerage firms may compete with larger ones especially if target market and competence is highly focused and specialized. Brokerage, however, is a relationship business more than anything else. As such credibility and reputation is slow to build. Current players leverage on current relationships, networks and sometimes, captured market.

Moreover, current players (especially the small ones) are focusing more on customer service, retention, innovation in service and new ways to bring in business, as global players are very active in increasing its market share through aggressive marketing activities. In pricing, differentiation would only be on the amount of commission tucked into the premium. Technical expertise in pricing may also be used as leverage although there are limited number of brokering firms with this competence.

Commission rates have gone down from double digit 14% on the average for all lines to 10%. For EB lines, this is lower (9%). The top 2 players covering around 32% of market share is charging 5% commission of total premiums booked, on the average.

* + 1. Bargaining Power of Suppliers: Moderate

The major suppliers are the insurance companies and the HMOs. As of 11 February 2013, there are 30 licensed life insurance companies, 76 non-life insurance companies and 4 composite (i.e. offering both life and non-life products)[[13]](#footnote-13).

HMO providers are less than 20 and still consolidating with the top 3 HMOs covering around 50% of the market. Ten (10) years ago, there are fewer players that could dictate the industry pricing. Now, there are small players which could dive prices for the sake of gaining market share. There are ample choices of providers and that insurance, seen as cost, is slowly being commoditized, especially by large companies. With this phenomenon, providers are more willing to negotiate policy terms, conditions and pricing with or without a broker, sometimes even unmindful of who the broker is.

In the Philippines, HMOs and Life insurance companies usually hire actuaries to head their pricing team. Pricing model is usually actuarially developed, usually based on utilization. As such, providers usually have little lee-way to deviate from the pricing model. For Non-Life insurance companies, a lot of the products are already tariff-based as imposed by the Philippine Insurers and Reinsurers Association (PIRA) making the non-life market more conducive for reciprocal business. For non-tariffed products, pricing is more arbitrary although portfolio experience may still be a reference. Non-Life insurance companies are not yet required to hire casualty actuaries to help them do the pricing of their products.

Brokers usually maintain relationship with the providers. Providers, in return, provide incentives like awarding of top brokers, special trips abroad, etc. In healthcare, brokers may “compete” with HMOs and insurers by providing Third Party administration service.

There is currently increased activity of provider direct sales force. Based on interviews with key personnel of two major providers, number of accounts by the direct sales are a little higher than the brokers but in terms of volume (in terms of premium), the total from brokers is higher indicating the bigger size of accounts brought in by insurance brokers. Moreover, since brokers are supposed to be “neutral” in terms of loyalty to any provider, this makes the bargaining power of broker strong, in terms of leveraging its portfolio with the providers.

As this business is highly dependent on the use of technology to improve the servicing accuracy and turnaround time to improve customer perception, IT service providers are also a major supplier to the business. These service providers provide the key technology solutions and ensure their availability and performance to ensure that the brokers meet their customer KRA/KPIs. Switching cost is usually high because training of IT staff and other user of the systems is high for acquiring new systems.

* + 1. Bargaining Power of Buyers: Moderate

There are many buyers in the insurance broking industry. In the Philippines, large customers of insurance brokers are corporations, and other special groups like NGOs, cooperatives, home owners association etc. There are also many individual clients but these, most probably would be coming from high net worth individuals especially for buyers of individual life and property insurance.

There is current trend of consolidating activities of global and multinational firms which is a threat to local players as local counterparts of the global firms (client) would normally comply, i.e. they would appoint the local partner of the global broker regardless of value offering. Large corporations also usually leverage their size (i.e. premium volume) to get premium discounts. There is increasing trend for procurement department being part of the decision making insurance placement even for employee benefits, when in the past, only are only decided by the Human Resources and sometimes Finance Department.

While large corporations have strong bargaining power, smaller ones have no such volume that they can use as bargaining leverage. As such, smaller corporations would still rely on insurance brokers to negotiate for them and use the broker’s expertise to recommend to them solutions that could address their risk management and/or employee benefits concerns.

However, regardless of size of the establishment, while the clients can always acquire insurance policies from insurers and HMOs directly, the brokers use their **expertise** and **provider network** to negotiate and acquire proposals from different providers and compare the packages and combinations thereof that would be the best fit to their customers. Brokers with technical expertise may even do their own pricing of the plan/product that could validate the basis and assumptions of the proposed price of the providers and use this as point of negotiation. Customers may also need other services like recommendation of solutions that may not necessarily need insurance, and **after-sales support** by the brokers, which they may not be able to get by directly dealing with providers like review of contract/policy, assistance in interpretation of the contract provisions from an “impartial” consultant, negotiating difficult claims and audit of provider SLAs, amongst any others.

Lastly, switching cost is usually low as initial engagement is usually free of fees and the fees of insurance brokers are usually premium-based, i.e. commissions are released after the premium is paid as a percentage of the premium. Overall, the bargaining power of the buyers is assessed as moderate.

* + 1. Potential for Substitutes: Moderate

Alternatives to getting an insurance broker is to directly engage the providers or go through their insurance agents. For individual buyers, going through an insurance agent is practical since agents can give more personalized service in terms of account handling (products are not personalized since this should be off-the rack products) for the volume of servicing requirement of an individual buyer. For corporate buyers, where service requirements are resource-heavy, agents would not be a real threat.

Meanwhile, insurance companies and HMO are also building their own direct sales people. When insurers and providers are technology-enabled, going direct will be made convenient. This is specifically true for mass consumers buying off-the rack products like motor car insurance, fire insurance and the like. There will be more transparency, e.g. during claim settlement, real-time monitoring of claim could be made possible. However, for corporate buyers, servicing requirements go beyond transaction services that automation may not be able to address like customer-specific solutions, personalized service, negotiations and mostly technical advice. Integration of multi-line solutions may not also be available if dealing with just one provider, which may be done by the broker.

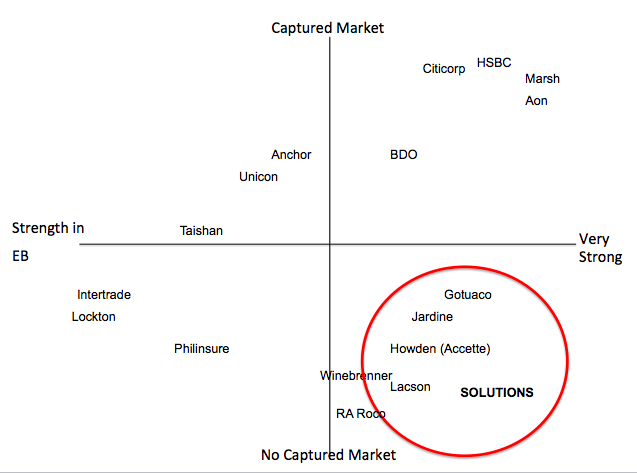
Based on IC, total premiums placed by the brokers comprised only of around 34% of the total market in 2011. This means that the rest, about two-thirds, are either direct or placed by agents.

The value of going through a broker is that clients (buyers) may have access to different insurers or providers through them. The brokers have the expertise to conduct a thorough review of the comparison of the providers and the merits of each plan and/or solution.

* 1. **Strategic Positioning Analysis & Recommendation**

Most meaningful strategic group is the mix of captured market and strength in Employee Benefits (EB) lines. A perceptual map for the Insurance Broker Industry is shown in the Figure 4.3

**Figure 4.3: Perceptual Map for Insurance Broker Industry (Philippines)**



The x-axis shows the strength of the firms in placing insurance coverage pertaining to employee benefits as evidenced by a mix of its market share and client portfolio concentration. Weak means the firm’s core competency does not include EB lines. Very strong means they are the top of mind firms when you ask corporations and providers about who they know as brokers for HMO, Life and Accident. EB advice is the core competency of Solutions. Just as the primary insurance market is mainly segregated by the type of insurance they are selling, it is also possible that brokers concentrate in a few types of product lines to sell depending on their resources. As such, it is meaningful to look at a strategic group using the mix of just a group of lines (e.g. EB only or non-EB only) and captured market. It should be noted that EB market is Solution’s strength and original positioning.

The y-axis indicates the captured market through affiliations. This indicates to the size of the market acquired by the firms mainly because of their affiliations. Low means the firm has no captured market such that marketing and selling efforts are crucial to gain market share. High position means that the firm has a captured market, usually because of vertical integration strategy of mother firms. Trickle down to local market due to global/regional appointments is also considered as captured market, in this positioning. Captured market is the main value of being affiliated with a global or regional network. Specifically for global players with operations in the Philippines like Marsh and Aon, headquarters primarily initiates marketing and selling efforts. In addition, industry figures show that local institutional relationships also gain market share like what banks did with their backward integration strategy (i.e. putting up an insurance broking to sell bancassurance products and capture their clients). Some big conglomerates also follow the same strategy like San Miguel with Anchor Insurance Brokers and JG Summit with Unicon Insurance. Table 10.4 shows the list of top brokers (in terms of premiums placed) in the Philippines and their affiliations.

Using the captured market - strength in EB variable mix, Solutions is strategically positioned in the strategic group along with Gotuaco Del Rosario and Lacson who are local firms and with concentration lies in selling EB Lines and along with global players like Jardine and Howden (Accette) whose captured market because of its global affiliations is not as strong. Table 10.5 shows portfolio mix of the main competitors in terms of premiums placed.

The advantages of such positioning are:

1) **Focus on resources.** Training the staff to be competent in all lines of business would entail resources. While the basic insurance elements are the same for all lines, the business model, selling techniques and relationship investment are different. They have different markets too. In order to capture all lines and be strong in all of them, usually, different lines are handled by separate departments. Solutions is currently not structured for this.

2) **Provider relationship.** There are 76 non-life insurers, 30 life insurers, 4 composite life/non-life and around 30 HMO providers. Dealing with all of them needs more diverse expertise, and as such more resources especially people. Strategic partnership with a selected few would be beneficial to the Company. Continuous market study on provider offerings, and capabilities as well as continuous dialogue with providers is needed to ensure that wide array of products are introduced to the clients that would fit their requirements.

3) **Client relationship focus.** Naturally, EB lines are handled by the Human Resources department who is the buyer. For Non-EB, these are usually handled by purchasing or finance. Although there is a growing trend right now that even EB lines go through purchasing, it is still the HR department, which is the decision makers, sometimes with a concurrent approval of Finance which handles the enterprise’s budget. Focusing in building relationships with the HR contacts is strategic. There are a lot of networking venues where brokers may be exposed to HR people like People Management Association of the Philippines (PMAP), HR Philippines and Business Processing Association of the Philippines, which are among the big and known ones.

One of the weaknesses of this positioning is the lack of capability of the firms to **maximize its client potential** once they only concentrate with one side of the business. It is intuitively logical for a client to integrate suppliers for ease of negotiation. Volume of business would give them leverage. As such, having wide offering of services would be strategic in this sense. Another disadvantage is the threat of losing business to strong provider of other lines, which is related to maximizing client potential. If client is dealing with several brokers handling different lines in the company, it is natural for the stronger broker to outbid the other in order to get the other lines. Non-EB lines usually are handled by the finance department, which also handles the purse and who usually has a strong influence in the decision making of the company. It would be a strategic move if brokers could cultivate strong relationship with both the Finance and HR, and if necessary the Purchasing head of a firm.

**Recommendation:** Over the medium to long term, it would be strategic for Solutions to do the following:

1. Beef up the development of its Non-EB team more specifically on the high level placements that requires risk management advice. It could start with capturing that business from its current client pool to maximize the profitability of its clients.
2. Create a targeted marketing plan to penetrate the local industries: specifically **large and medium enterprises**, and if sales team is large enough, it could penetrate the small industries.
3. Consider strengthening its regional network and maybe even tap a global network that would provide a possible pool of captured market through global appointments in order to protect its multinational clients (MNCs) and capture other MNCs when opportunity arises.
4. Develop and strengthen partnerships with allied partners that could offer related valued services to clients. Allied partners could be wellness centers, dentals networks, pharmaceutical companies, pharmacies, or car shop networks. Solutions should be able to come up with a mutually beneficial partnership that is cost effective. This strategy could also help in making the Company’s marketing efforts cast a wider net in terms of geography and industry reach using the partner’s collaborative marketing activities.
5. Consider e-commerce as a distribution strategy. Develop an online site where costumers may interact by providing the information needed for proposal generation. Solutions could create a “consumer” product together with a partner provider (to underwrite), which could be sold easily on-line. Consumers could compare products features and prices online. With this, the firm could take advantage of the electronic channels, mostly through social media. The target market for this strategy are individual buyers, micro and small enterprises.
   1. **Market Share, Size and Growth Trends**

According to IC Report 2011, insurance brokers placed a total of Php 36.2 Billion (15.6B from EB and 20.6B from Non-EB) in premiums which account for around 34% of the total market premiums. This is not inclusive of the premiums booked by direct sales and agents with the HMOs. HMOs are currently not regulated although there are discussions of putting them under the Insurance Commission like the rest of the life and non-life insurers. This makes the 34% overstated as premiums reported by insurance brokers include premium placed with HMOs while the IC have no such similar report coming from the HMOs. Table 10.7 shows the total premiums place by line of business.

Table 10.8 shows the market growth in terms of premium place by insurance brokers in 2007 until 2011 based on IC reports during this period. The table shows that the industry is growing in double digits in the last 5 years (13% in 2007, 23% in 2008, 37% in 2010 and 25% in 2011) except in 2009 where it shrunk by 9%. Average growth in years 2007 to 2011 is 18% p.a. (33% A&H; 22% in EB; 16% in NEB) with a five (5) – year compounded annual growth rate of 17% (22% A&H; 20% in EB; 15% in NEB).

While the total premium volume is growing in double digits, the growth in commission income (i.e. main revenue stream for insurance brokers) is slower. Growth in total commissions is 11% on the average for the last 5 years. It is declining in the last 3 years (14%, 12%, 11% for years 2009-2011). Table 10.9 shows the growth in total commission income per line of business. In 2011, total premiums grew by 25% but commission income only grew by 11%. During the same year, total premium for EB lines grew by 43% (57% for Life, 33% for A&H) but corresponding commission income only grew by 9% (23% for Life, 0% for A&H). Total premiums for NEB lines, on the other hand, grew by 14% in 2011 while commissions grew 13% during the same year.

Total commission in 2011 is Php 3.7 Billion for a total premium placement of Php 36.2 Billion or an average of 11% commission rate as shown in Table 10.10. Commission rates have decreased for most lines. For EB lines, it has decreased from 14% (Life – 18%, A&H – 13%) on the average in 2009 to 9% in 2011 (Life – 9%, A&H – 9%). For Non-EB lines, commission rates also decreased on the average from 13% in 2009 to 11% in 2011.

Solutions has declined in rankings in terms of total premiums placed from number 6 in 2007 down to number 12 in 2011. Top 3 are Marsh Philippines, HSBC Insurance Brokers and AON Philippines. All other firms in top 10 in 2011 are either global players, affiliates of banks or conglomerates or have strong institutional ties like Gotuaco del Rosario as noted in Table 10.11-A. The fastest growth came from HSBC Insurance brokers, which is ranked below top 10 in 2009 to Number 3 in 2010 and number 2 in 2011.

Thefive (5)-year compounded annual growth rate (CAGR) of whole market for EB lines is 20% as of 2011. Top 1 and 2 (Marsh and HSBC) have 5-year CAGR of 49% and 99.5%, respectively as shown in Table 11-B.

There are 69 licensed insurance brokers in 2011, and as such market share is expected to be spread thinly among all the players. Market leaders Marsh and HSBC Insurance Brokers are the only firms that breached the 10% level with markets shares 19% and 12%, respectively as shown in Table 10.12-A.

The industry is consolidating. Market share of the market leaders is growing and gaining market share. Market share of the top 3 grew from 25% in 2007 to 41% in 2011; Top 5 from 50% to 56%; Top 10 from 65% to 75% while total of all firms ranked below 10 shrunk from 35% to 25% as shown in Table 10.12-B. Even globally, consolidation is happening as Marsh & Mclennan just finished its largest purchase in 2012 of Alexander Forbes in South Africa.[[14]](#footnote-14)

Consolidation is more apparent in EB lines as top 2 players, Marsh and HSBC, get 18% and 29% market share respectively. The rest have market share below 10% as shown in Table 10.12-C.

The top players are experiencing double digit growth (in terms of premiums placed) while smaller players have decreasing growth, which are mostly lower than the total market growth. The 5-year compounded annual growth rate of the market is 17% as of 2011 while Solutions’ is slower 7.7%, the reason that it lost market share. Gotuaco, a key competitor has grown 14.1% (5-yr CAGR), still lower than market although in 2011 it has grown by 30% while market’s growth is at 25% as shown in Table 10.13-A. In 2011 alone, the growth of Top 3/5/10/below 10 are 32%/38%/33%/7% as shown in Table 10.13-B.

The average commission rate of top 2 market leaders with total market share of 32% is 5% undercutting the rest of the market which averages 12.5%. Average of total market is 12%. On the average, commission rates dropped from 14% in 2007 down to10% in 2011 with. Total commission income has a 5-year CAGR of 10.9% as of 2011 as shown in Table 10.14.

**Relevance:**

The measly 34% share of insurance brokers in total premium of the insurance industry shows there are still opportunities for brokers to get a larger share of the market. This also points to scale as opportunities are available due to growth. Solutions must be able to respond to this opportunity and should be poised to scale as promptly as it can. The Company may need to review partnerships and alliances and review potential Mergers & Acquisitions (M&A) opportunities.

Consolidation of market players and double-digit growth of bigger players is a sign that scale (in terms of technology and internal processes) is necessary to continue to grow. The larger brokers are in a position to handle these potentially large accounts particularly in the BPO space. This emphasizes the scale requirements.

Industry growth is mostly driven by the growth of the employee benefits lines, which are very dependent on the employment situation of the country as well as the growing need of the corporation to put importance on employee benefit packages due to competition on hiring and retention of employees.

The continuing reduction in commission rates reflects the need to align with customer expectations with respect to premiums particularly for non-EB (that does not require too much servicing). The firm must review its cost structure to ensure it can still be profitable in this new regime. This also reflects that deals are now larger in value and therefore customers expect to pay a low percentage in premium but still payout a substantial payment because of their size. As such, scalability of operations is crucial.

* 1. **Market Analysis** 
     1. Market Segments

One of the ways to segment the market for insurance brokers, whose target market are mostly corporations and employers, is to break down the establishment population based on its size in terms of employee base then further break this down to its industry group and by its geographic location.

Referring back to Figure 3.4 and Tables 2 and 3, micro enterprises comprise 91% of the total establishments while the rest are shared by small, medium and large enterprises (SMLEs). Of the 77 thousand SMLEs, 28% is from Wholesale and Retail Trade including Repair of Motorcycles and Motor Vehicles, 16% is form manufacturing, 15% from Accommodation and Food Services and the rest are less than 10% each. In terms of geography, 43% of the SMLEs are in NCR, 12% in Region 4-A, 9% in Region VII and 30% in the rest of the regions.

Figure 4.4-B and 4.4-C show the breakdown by sector and by region of MLEs and SMEs, respectively. MLEs numbering to 2,448 are comprised of 28% Manufacturing, 14% Wholesale and Retail Trade, 14% Administrative and Support Services (where BPOs are grouped), 8% Education and 36% Other sectors. Geographically, 46% of MLEs are located in NCR, 16% in Region 4-A, 9% in Region VII, 7% in Region III, 5% in Davao Region and 18% scattered in the rest of the regions. SMEs numbering to 17,900 are comprised of 29% Wholesale and Retail Trade, 16% Accommodation, 15% Manufacturing, 9% Education, 7% Financial and Insurance Activities and 24% from the rest of the sectors. Geographically, 43% of the SMEs are in NCR, 11% in Region 4-A, 9% in Region III, 7% in Region VII, 5% in Region VI, 5% in Davao Region and 20% in the rest of the regions.

**SMEs –** All eyes are on the growth of the SMEs which comprise 9% of the total establishments in the country and employ around 2.1M, which is 33% of the total employed population. The SMEs are vulnerable of losing employees to large companies, with a more well-benchmarked compensation and benefits package. This will be aggravated by the upcoming regional market integration. While SMEs would want to give a better package, they would need information and advice on how to do this. In terms of negotiation with the providers, they cannot leverage on their size to negotiate better and sustainable rates. Also because of their size, their utilization experience would mostly be volatile year on year because of the small size of the premiums that they would pay their providers.

**Figure 4.4-A. Market Segments – Small, Medium and Large Enterprises (SMLEs) by Sector and by Region**

SML per region

SML per sector

**Figure 4.4-B. Market Segments – Medium and Large Enterprises by Sector and by Region**

**Figure 4.4-C. Market Segments – Small and Medium Enterprises (SMEs) by Sector and by Region**

**Business Process Outsourcing (BPOs)** – The fast emergence of the BPOs in the Philippines helped boost the employment sector. This is part of the Administrative and Support sector seen in previous graphs. According to World Bank, the BPO industry grew by 18% in revenue in 2012 (USD 18 Billion) and provided about 800,000 direct jobs and over 3 million indirect jobs.[[15]](#footnote-15) The outlook of IT & Business Process Association of the Philippines (IBPAP) is that the industry will sustain its growth at an average rate of 15% per annum that will generate 1.5M new jobs by 2016[[16]](#footnote-16). In employee-benefits, healthcare and life insurance is part of the hiring package and applicants are already sophisticated enough to demand for such coverages.

**Manufacturing** – The growth of manufacturing in the Philippines has accelerated to 5.4% in 2012 mostly coming from strong demand for food, wearing apparel and tobacco products (World Bank, 2013). According to Philippines Economic Zone Authority (PEZA) Promotions and Public Relations Group Manager Elmer H. San Jose, the growth in PEZA investments during the first five months of 2013 is primary driven by the **electronics** sector coming from Japan.[[17]](#footnote-17) Growth in infrastructure developments between Clark Freeport (CFZ) and Subic Bay Freeport Zone (SBPZ) opens up more opportunities for investment in manufacturing[[18]](#footnote-18).

Growth is faster for labor-intensive manufacturing. For labor-intensive group, compensation may be of more value to the employees over employee benefits except if the benefit is positioned to be immediately visible like . In healthcare, cost may be differentiated when geographical location is considered.

**Accommodation and Food Services** – Based on the 2010 Annual Survey of Philippine Business and Industry, 79.1% (11,815) of the total establishments under accommodation and food services come from restaurants and mobile food services activities, which accounts for 74.4% (215,033) of total employees under this sector. However, the same subsector has the lowest revenue to cost ratio of Php 1.32 :Php 1 while average for the industry is Php 1.35. [[19]](#footnote-19)

**Other Trends**. Global firms are slowly consolidating its processes, mostly with global purchasing. Even for local industries, even employee benefits are now commoditized such that healthcare and insurance coverage are placed through procurement.

**Relevance to the Company:** Solutions, being a local company would be well positioned to target the local industries, specially the small and medium enterprises, and maybe some local large ones. Solutions could use its current membership with a regional and global network as a branding strategy in terms of the scope and depth of advice it can provide its clientele.

While the businesses are essentially fragmented, there are efforts to unite them as several associations are organized to capture common and best practices, experiences and sentiments of a specific sector or subsector and gain more insights on how the sector or subsector would move forward and be competitive. With proper resource allocation and capability building, Solutions should be able to approach the specific target sectors through these associations (e.g. SEIPI, BPAP, etc.). For micro and small enterprises, Solutions could consider approaching several providers to support an insurance package that would cover Solution’s portfolio as a whole while Solutions enroll these enterprises as part of the portfolio. This could be done per industry or per general location.

* + 1. Key Products and Services

**Table 4.2. Share and Value of Key Business Lines**

|  |  |
| --- | --- |
| **Business Line** | **Value** (in terms of Premiums\*), **% Share** |
| Life Insurance (EB) | Php 6.86B , 19% |
| Accident and Health (EB) | Php 8.76B, 24% |
| Motor Vehicle (NEB) | Php 3.066B, 8% |
| Fire (NEB) | Php 7.742B, 21% |
| Third Party Administration (TPA) | *-consolidated data not available-* |

*\*Premiums based on 2011 figures as reported by the Insurance Commission*

**Life Insurance.** The five (5)-year Compounded Annual Growth Rate as of 2011 for this line is 18%. For corporate accounts, the increase in premium is dependent mostly on increases in benefits or salaries. A large part of the market though is coming from individuals and bancassurance clients as evidenced by the big market share of brokers with bank affiliations (i.e. total market share of BDO, Citicorp and HSBC Brokers combined is 86%).

Relevance to the Company: The life insurance line may not be the target product to push except as an extension service for corporate clients that the firm is handling. While servicing is easy, the rates are also low and as such, there is little to maneuver in terms of commission. The margins are higher but volume is needed in order to become profitable.

**Accident and Health Insurance.** The five-year CAGR as of 2011 for this line is 22% for this line. This could mean two things: 1) more employees and individuals are getting accident and healthcare coverage, or 2) price for accident and healthcare insurance is increasing fast. It is safe to conclude that most of the premium is coming from HMO and health insurance or corporation as part of their employee benefits. As corporations grow and more corporations are set up, the market for this product will grow with it.

Relevance to the Company: As this is the core service offering of the firm, it is important that the market for this product is captured and/or exploited by the firm. It should be noted though that while the market for this product grew by 33% in 2011 and 22% CAGR in the last 5 years, Solutions have only grown the line by 22% in 2011 and with 5-year CAGR of 8% as of that year.

**Motor Vehicle Insurance.** The five-year CAGR as of 2011 is 11% for this line. There was a decrease in 2009 which may have been the effect of Ondoy but it is growing in double digits ever since. The top three brokers with highest market share shares around 50% of the market. The broker with highest market share is BDO insurance broker, which is probably due to its captured market from car loans offered by its affiliate bank. Market for this product will continue to grow as expanding middle class encourages the growth of the automobile industry.

Relevance to the Company: There is only one broker with affiliate bank in the top three. This means that a great majority of the motor car insurance policies are still being place by independent brokers or directly procured (in case of BPI M/S for BPI car loan clients). The firm may be able to capture some market share if it pushes a group motor car insurance policy with preferential rates to its current clients.

**Fire Insurance.** CAGR in the last 5 years is 17%. There was also a decrease in 2009, which is also the effect of Ondoy but it has grown 61% in 2010 (right after Ondoy) and 29% in 2011. Typhoon and Flood coverage have the biggest loss in terms of claims. After Ondoy and Pepeng, medium- to large- sized companies started to purchase property insurance. The IC is currently proposing mandatory fire insurance for SMEs as requirement for business permit. In addition, rising construction activities in the real estate will also drive the sales for property insurance including fire insurance.

Relevance to the Company. Rising number of construction projects for condominium units and townhouses opens a huge opportunity for selling fire insurance that covers contents only to “renters” and owners of these units. This can also be packaged as group insurance with preferential rates and sold to employees of corporations and to corporations that provides in-house home financing assistance to their employees.

**Third Party Administration.** There is a growing trend of enterprises shifting from insured plan to self-insured plan most especially in healthcare in terms of financing the plan. The Third Party Administrator will be paid an administration fee to administer the fund and claims of the members. Based on informal interviews with key personnel of two major HMOs in the country, TPA as a form of financing is growing based on the growth of their TPA accounts.

There are also companies that supplements HMO and health insurance plans for their employees with coverage for outpatient medicines, maternity benefits or other top-up benefits that are not covered by the HMOs and insurers, and which needs Third Party administrators. With the advent of “paperless” transactions, there is also a trend that claims settlement can be directly credited to member’s bank accounts.

Relevance to the Company. For brokers, administration fee charged in placing TPA accounts with providers have typically lower returns with almost the same service requirements. If this is the trend in the market, the firm needs to review its revenue and cost model.

The firm may offer TPA services for these types of requirement as it has already developed an IT software and processes to support the service offering. It can develop partnerships with banks in order to address the paperless transaction requirements of the clients. Partnerships with other allied providers like clinics and drugstores may also be considered to enhance the value-added benefit of being a Third Party Administrator. These partnerships may also be used to push the service to the market.

* + 1. Competitor’s Pricing Strategies

Pricing of the insurance products are mostly based on the risk of the interest insured, and these are determined by the insurers (life or non-life) and HMOs. For none-life products, most of the basic products have either minimum rates imposed by the Insurance Commission or tariffed rates agreed with the PIRA. For life products, basic pricing model is pre-approved also by the IC. HMO rates are more flexible with its pricing model. Negotiated prices by brokers would theoretically just vary depending on the commission that the broker is charging on top of the premium. In practice, aside from the commission assumption, pricing could vary based on the ability of the broker to negotiate the price of the plan. Some brokers have technical capability to argue the basis of the pricing as well as the pricing model itself.

**Table 4.3 Pricing Strategies**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Competitor** | **Pricing Strategy** | **Price** | | |
|  |  | **All Lines** | **EB** | **NEB** |
|  | Market Average (based on 2011): | 10% | 9% | 11% |
| Gotuaco | Commission rates are generally lower than market average | 9% | 8% | 10% |
| Lacson | Commission rate for EB generally lower (most probably because it has its own TPA offering) | 11% | 8% | 15% |
| Howden | Commission rate generally higher than market | 13% | 10% | 17% |
| *Jardine\** | *Commission rate higher than market* | *11%* | *11%* | *11%* |
| *Marsh\** | *Lower commission rates for jumbo accounts (goes for volume)*  *Consulting fee instead of commissions*  *Net of commissions (global settlement)* | *5%* | *6%* | *5%* |
| *Aon\** | *Lower commission rates for jumbo accounts*  *(AON can go lower than 5% for big accounts in EB.)* | *9%* | *13%* | *7%* |

*\*For benchmark*

The standard practice is for commissions to be computed as a percentage of the basic premiums. Variations to this practice would be to impute a fix commission per head or per account in the pricing of the plan. Premiums paid by the customers already include the commissions of the brokers, which is paid by the insurer or HMO providers when the policy is paid. Some may require payment of consulting or service fees directly to them by the customers while waiving the commissions on the premium.

**Relevance to the Company:** Market average commission rate is 10% to 15% for EB lines and higher for non-EB lines. At 5%, the Company needs to scale its operations and find operational efficiency in order to sustain the profitability of the enterprise. The Company may also consider a fee-based revenue model (in contrast with commission-based model) to add flexibility to the pricing of its service offerings.

* + 1. Distribution Channels

The industry standard it to push the service offerings directly to the market through its own sales force, and most of these have presence in just one geographical area, i.e. Metro Manila. There are players which have already branched out to key cities in the country like Cebu, Davao and Bacolod. Global players also have global or regional sales team that does the selling in the global or regional headquarter level. When the business is closed in that level, the local partners will only do placement and after-sales.

Another channel is to sell its services through the web. There are “commodity” products like motor car insurance, travel insurance, and the like in which pricing considerations may already be automated and can be easily sold via e-commerce. HSBC Insurance Brokers are doing this now through the HSBC portal. The target market for this distribution channel is usually individual buyers or small enterprises. The advantage of using this channel is its geographical reach and lean sales personnel requirements. The disadvantage is its lack of personal touch and as such, after-sales customer service support should still be in place for the customers to talk to when needed. “Commodity” insurance products are usually sold by insurance agents.

**Figure 4.5 Distribution Channel Map**

Regional / Global Sales

Consultants /

Insurance Broker

Direct

Allied Partners

**Own Sales People**

E-Commerce

Another channel that the industry may consider is to push its products through its allied partners, if available. For example, a partner multi-specialty clinic could sell some off-the rack products of the company to its clients. Currently, this is not yet done in the market.

It is also important to note it is market practice that employee benefit lines and non-employee benefit lines are sold by separate teams. As already mentioned in previous sections of this paper, the technical expertise and relationship/network requirements for these lines are different, and as such, most companies have separate teams doing different lines.

Relevance to the Company: Currently, all of Solutions’ sales are coming from direct sales from its own business development team. In fact, Solutions does not have formal sales personnel whose only job is to sell. The business development team also wears an account management hat which has direct involvement with the administration of account during the whole policy period. With the market growth possibilities and the way the market is re-shaping, the Company should consider investing in a real sales team to do the selling and separate the sales job from the fulfillment job. Solutions could also consider branching out to other cities which are currently growing either through putting up a sales representative office or through merger and acquisition of broker firms with presence in these areas.

Solutions should also consider enhancing its website to provision for e-commerce. This channel would be apt for the Company’s mass marketing products that are in-house developed.

Furthermore, it would still be advantageous for Solutions to continue its practice of managing client per account regardless of the lines. Selling may be initiated by any consultant regardless of specialty in collaboration with practice leaders for such lines. This would make cross-selling efficient.

* + 1. Marketing and Promotions

Generally, insurance brokers rely on the sales though strong personal and institutional relationships with clients, usually the key decision makers in corporations and other enterprises. Insurance brokers connected to banks and conglomerates rely on placements made for their own captured market. Brokers connected to conglomerates like Anchor (San Miguel) and Unicon (JG Summit Group) do not need external marketing and promotions. Brokers connected to banks use the infrastructure of their parent company to sell insurance products to the bank’s clients. Most of the marketing efforts are targeted to corporations, which bring in volume business and which usually need the value-added services of the brokers in terms of advice, scope or range of provider connection and after-sales service.

**Gotuaco.** Most of the marketing and selling efforts are made through meeting prospects face to face leveraging on the business relationships of its patriarch Ambassador Albert Del Rosario (Metro Pacific Group). In the past, Gotuaco launched a TVC in youtube casting children who role played a group of business people discussing what an insurance broker does. GRA also launched its Purple Cow productfor SMEs and created a standalone website for this.

**Lacson.** Similar to Gotuaco, marketing and selling efforts are for face to face meeting with prospects. Additional promotions are made through their accredited hospital, clinics and dental network as well as car shops. It has used social media by putting up a facebook page where it posts their services and company events. Amongst the key competitors, Lacson has the most robust website in terms of content. It even has a facility to gather data for key products (motor car and fire insurance) which enables them to release a proposal within 24 hours.

**Howden.** Formerly Accette and recently bought by the Howden Group based in UK, Howden is poised to ramp up its operations in the Philippines through massive global and regional marketing and sales efforts similar to what other strong global players like Marsh and Aon do. Locally, the Zuellig group still owns a substantial minority stake in the company, the network of which still provides most of the revenue stream for Howden.

**Jardine / Marsh / Aon.** Most of the global players have invested in more “mass marketing” strategy like sponsorship in major corporate events like PMAP / BPAP and SEIP conventions. Here they set-up booth where they can ­­­­­­­­­­­­­collect prospective clients’ contact details, do some promotional advice. They also have expanded their sales branches outside Metro Manila and now have presence in Cebu and Davao.

Marsh uses its Mercer connection to co-sponsor seminars that discuss industry trends targeted to corporations. Marsh/Mercer has partnered with P&A Grant Thornton in these endeavors. Globally, Marsh has twitter account that releases industry news.

**Relevance.** Currently, Solutions has not done any formal marketing campaign to push its service offerings to the market. In fact, Solutions does not even have a sales team. For the longest time, it has just dependent on referrals and key contacts calling in for assistance when they transfer employers. In the past, it has organized seminars that discuss trends on Human Resources like setting up of flexible benefit plans and retirement plans.

The Company need to take into consideration geographical presence as corporations with dispersed sites would want that their suppliers would have presence where most of their sites are located for easier servicing.

In order to compete with the big player like Marsh and Aon in the same market space (i.e. large Multinational Corporations), Solutions needs to have stronger global alliance. However, Solutions may also consider leaving that market space to the global players and concentrate marketing and promotion efforts to target local medium to large-sized firms. These are the firms which need not comply with the directions/mandate from global headquarters. As such, Solutions should beef up promotional activities in order to re-introduce itself to the public and create brand awareness. There is value to strategic partnership with training and event organizers that target local companies in their corporate seminars and workshops. These activities could be used to mine prospects and do some below the line marketing activities like targeted email blasts, mail and post cards and flyering.

Some local advertising and media coverage may be done. As the company is nearing its 20th anniversary in 2014, it may be apt time to start releasing press releases about the company during contract signing with clients, and other corporate event leading to the anniversary.

The Company should also consider enhancing its website capacity for e-commerce where it can push its mass marketing products.

* 1. **Competitive Profile Matrix (CPM)**
     1. Key Competitors

The three main competitors of Solutions are Gotuaco del Rosario Insurance Brokers, Inc., Lacson and Lacson Insurance Brokers, Inc. and Howden Philippines (formerly Accette Insurance Brokers, Inc.). These three are in the strategic group determined by the strength of the firm in Employee Benefits line as well as the presence of a captured market due to the firms’ affiliation. Gotuaco and Lacson are both local, similar to Solutions. Accette was then part of a regional player until it was bought by the Howden group in 2011. For benchmark purposes, the CPM analysis also shows the ratings of the other (global) players which are currently strong in EB lines as well. In actual experience, the global players are the usual direct competitors of Solutions during bidding for clients.

* + - 1. Gotuaco Del Rosario Insurance Brokers, Inc. (Gotuaco)

Market Share, in terms of total premiums placed

(Total Premiums / Total Commissions):

* Rank 7 in terms of Premiums placed
* 3.9% all lines (Php 1.41 B / Php 123 M)
* 5.2% EB lines (Php 0.819 B / Php 65 M)
* 2.9% NEB Lines (Php 0.591 B / Php 59 M)
* 7.6% A&H (Php 0.761 B / Php 60 M)

Like Solutions, GRA is a local insurance broker. It is a member of several global network of brokers (Assurex Global, Globex International) and global employee benefits consulting network (International Benefits Network). It is the only local insurance broker, which is not part of a local conglomerate, and which is in the top 10 (in terms of market share). It is also known that through the business connections of its founder and president, Ambassador Albert del Rosauro, that they were able to acquire a lot of their current big clients including PLDT, SMART, and Meralco.

* + - 1. Lacson & Lacson Insurance Brokers, Inc.

Market Share, in terms of total premiums placed

(Total Premiums / Total Commissions):

* Rank 17 in terms of premiums placed
* 1.3% all lines (Php 0.478 B / Php 52 M)
* 1.7% EB lines (Php 0.27 B / Php 21 M)
* 1% NEB Lines (Php 0.21 B / Php 31 M)
* 3% A&H (Php 0.263B / Php 20 M)

Lacson and Lacson is also local insurance broker which has been in the industry for 40 years. It is a member of a global network of brokers, Worldwide Brokers Network. It has developed its own network of Hospitals and Clinics to support its Third Party Administration offering. It has also developed its own network of accredited car shops in order to support its car insurance package. It is well capitalized at Php 50 Million, one of the highest in the industry. It also has a re-insurance license.

* + - 1. Howden Insurance and Reinsurance Brokers (Phils.), Inc.

Market Share, in terms of total premiums placed

(Total Premiums / Total Commissions):

* Rank 15 in terms of premiums placed
* 1.6% all lines (Php 0.56 B / Php 74 M)
* 1.9% EB lines (Php 0.30 B / Php 30 M)
* 1.3% NEB Lines (Php 0.27 B / Php 44 M)
* 2.7% A&H (Php 0.236 B / Php 20 M)

Howden was formerly the Singapore-based broker Accette Insurance, which is part of the Zuellig Group. Accette was bought by Hyperion Insurance in 2011 as part of its growth strategy and to push Howden broking (its insurance broking arm) to become of Asia Pacific’s leading insurance broker. As a local player, Howden has been in top 10 brokers of the major HMOs in the Philippines. HMO premiums is more than 50% of the A&H portfolio. It differentiates itself through its IT-based service management. It provides self-insurance solution supported by Howden Technology Services.

* + - 1. Other players (for benchmarking purposes)

a) JLT Philippines

Market Share, in terms of total premiums placed

(Total Premiums / Total Commissions):

* Rank 10 in terms of premiums placed
* 3.5% all lines (Php 1.27 B / Php 142 M)
* 3.3% EB lines (Php 0.51 B / Php 57 M)
* 3.7% NEB Lines (Php 0.756 B / Php 85 M)
* 5.5% A&H (Php 0.48 B / Php 53 M)

Jardine Lloyd Thompson is also a global broker, ranked top 7 globally. Locally, JLT offers insurance and reinsurance broking. Like Solutions, it has also positioned itself as “consultants” and thus offer risk and claims management advice. In the past, JLT has been visible as corporate sponsor in HR events like PMAP and HR Philippines convention. It has also been consistently awarded as top broker of major HMO and insurance companies in the Philippines.

b) Marsh Philippines

Market Share, in terms of total premiums placed

(Total Premiums / Total Commissions):

* Rank 1 in terms of premiums placed
* 19% all lines (Php 6.938 B / Php 359 M)
* 18% EB lines (Php 2.775 B / Php 159 M)
* 20% NEB Lines (Php 4.193 B / Php 200 M)
* 30.5% A&H (Php 2.666 B / Php 145 M)

Marsh Philippines is number 1 broker with largest market share not only in all lines but specifically in the employee benefit lines (i.e. life, accident and health) which is the main service offering of Solutions. In addition, Marsh is top global broker which in the past has acquired accounts through global appointment. It has taken over several multinational and big accounts of Solutions through global appointments. Because of its size, it has the capacity to undercut commissions in order to provide prospects and clients with lower cost.

c) Aon Insurance and Reinsurance Brokers, Inc.

Market Share, in terms of total premiums placed

(Total Premiums / Total Commissions):

* Rank 3 in terms of premiums placed
* 9% all lines (Php 3.273 B / Php 306 M)
* 8% EB lines (Php 1.274 B / Php 161 M)
* 10% NEB Lines (Php 2.000 B / Php 145 M)
* 13.1% A&H (Php 1.143 B / Php 140 M)

Just like Marsh, Aon Philippines is top 3 broker and also part of a top global broker that in the past has acquired accounts through global appointment. It is also capable of undercutting its commission structure in order to protect and acquire corporate accounts. It has currently acquired a multinational firm account from Solutions through global appointment.

* + 1. Critical Success Factors (CSF)

CSF #1: **Strength of International Corporate relationship / Network**

Importance Weight: 5%

This refers to the strength of the network globally and its influence to local decision making.

Global network is very important for global players like Aon, Marsh and Jardine where global firms with large physical and human assets are captured through international/global appointments. For local firms looking for insurance advisers or brokers, the advantage of having a global broker is more on the perceived “reputation” because they are global. Of course, there is value to having access to global practice that could be used and customized locally. For local brokers with global firms as clients, the challenge is how to retain the local appointment in the face of the threat of global appointment. However, if the value proposition and service differentiation is strong and compelling, it would help build a case for the local partners to use to defend against the global mandate. While the volume of premiums that is usually attributed to global firms is high, for local brokers like Solutions, it would matter more if efforts are concentrated in pushing the services to the local firms which have no bias towards brokers without strong international network although going with an international “brand” could be a bonus.

CSF #2: **Strength of** **Local institutional relationship including reciprocal business**

Importance Weight: 13%

This refers to formal connections and business relationships to organizations and institutions.

As insurance brokerage is mainly a relationship business, it is important that a broker firm establish formal business relationships with organizations that will eventually become loyal clients mainly because of these connections. Reciprocal businesses usually are strong bonds that are rarely broken unless there is a compelling reason to do otherwise. This is important in retaining and acquiring corporate clients, which have big impact in the premiums because of volume.

CSF #3:  **Strength of** **Local personal relationship**

Importance Weight: 10%

This refers to relationships with key contacts, which may be decision makers or influencers in the purchase of insurance policies.

Personal relationships with key contacts like HR, finance and even the executive positions like CEOs or director are also crucial to client acquisition. These key contacts may appoint the broker of their choice whenever they transfer firms. This is also a key factor, most especially for local brokers like Solutions. The impact may not be as strong as an institutional relationship as corporations tend to stay with the current broker unless there is a compelling reason to do otherwise but this is key in growing the network base. At least for Solutions, strong personal network has brought in more than 90% of its current revenues.

CSF #4:  **Marketing and Sales Team Geographical Reach including presence in different industries**

Importance Weight: 15%

This refers to extent of which the marketing and sales activities reach the target market geographically. This factor is assigned one of the highest weights because the growth possibilities of the current market are large and there is a large untapped market (i.e. SMEs) just because nobody seek them out and sell the services to them.

There are more than 60 brokers in the market. The top ones have either captive market or have strong global connections. For local players, in order to compete and get a sizable market share, there has to be active marketing activities all throughout its lifetime in order to expand its network. A strong sales forces which are doing field work, visiting prospects and planting seeds for long-term relationships is crucial to client acquisition.

In addition, while most of the local industries are still in the National Capital Region, key cities in the country are also booming and may need expert advice from consultants with regards management of their risk and employee benefits.

CSF #5:  **Track Record and Reputation**

Importance Weight: 10%

This refers to historical experience of the clients of the service and technical advice rendered by the firm. This is also an indication of the Company’s brand equity and strength.

Consulting and Insurance broking are mainly service selling. The product being sold is offered by the primary insurance or HMO provider. Reputation in this industry is based on consistent delivery of quality service through professional (and usually technical) advice given and assistance in the day to day administrations of the policy or project.

In corporate purchasing, it is rule of thumb that there should be at least three proposals being compared and considered. As there are currently more than 60 brokers in the Philippines, a broker firm or consultant with a strong brand recall should be able to get that one slot in the comparative matrix. Being the top-of-mind advisor is important for initial engagement. However, track record may be important to large firms but not as important to smaller ones.

CSF #6:  **Price competitiveness**

Importance Weight: 15%

This refers to the cost usually negotiated by the broker firms for their clients or cost of the consulting project.

As insurance policies are mainly a cost component of a business enterprise, cost is one of the most crucial factors in closing an account. The importance of this factor is highlighted even more as corporations integrate all purchasing activities to their procurement team, the main key performance indicator of which is usually to acquire products and services at lowest cost and at best quality. This is crucial as commissions (revenue for the brokers) or consulting fees are taken into account when pricing an insurance offering or project.

CSF #7:  **Service & Capabilities – Technical Advice**

Importance Weight: 12%

Insurance, which is a risk management tool, involves policies and contracts that are very technical. The consultants giving advice should be technically competent on how to package the coverage in order meet the needs of its clients. Technical expertise is also needed in interpreting the provisions of the policy. Technical expertise should be a core competency of a consultant. In the past, this could have earned a higher weight as technical advice could be used as a differentiation point. However, a lot of the players already claim that they too can offer valuable advice to the client. The challenge now to the client is to determine how good (quality – relevance, local applicability, practicability, long-term effect) the advice they will be getting from their brokers.

CSF #8:  **Service & Capabilities – Range of Services**

Importance Weight: 10%

This refers to the richness of the offerings that can be done the broker firm. There are non-life or non-EB lines under which, policies for motor car, fire, fidelity and surety, engineering, marine insurance and a lot more are sold. Life or EB lines cover life, accident and health.

There are a lot of insurance lines which can be sold in the market. These can be sold to institutions or individuals. While the basic insurance principles apply to all lines, provisions, technicalities, even claims handling as well as selling strategies differ depending on the line. Some brokers offer limited products while some offer the whole spectrum of insurance products as well as other auxiliary services like Third Party Administration, Risk Management and Employee benefits consulting and many other specialized consulting services. The range of products or services offered can be a strength of a broker although depending on the strategy, niche marketing may also work.

CSF #9:  **Service & Capabilities – Transaction Competence, Innovation and Information Technology**

Importance Weight: 10%

This refers to how the broker handles day to day transactions like enrollment of members, inquiries, claims, etc. This includes innovation on the processes and information technology used to support the processes.

Apart from the initial market study and insurance placement, bulk of servicing in insurance broking is done after the sale is made, i.e. day to day maintenance of the account. Especially under employee benefits, members are enrolled and disenrolled each time there are changes in hiring and/or life changes in the members status. In property insurance, property database should be updated each time upgrades or new insurable item is purchased. Claims processing including settlement should be handled efficiently. The broker firm should be competent in handling these transactions and innovation mostly in the use of information technology is crucial in achieving efficiency in these operations.

* + 1. Solutions’ Critical Success Factor Ratings

CSF #1: **Strength of International Corporate relationship / Network (1)**

Solutions is part of two networks: Abelica global which covers employee benefits and Regional Network Alliance (RNA) which is a network of independent brokers in the Southeast Asian Region. The reach of Abelica is global while RNA is regional. Abelica is known in the US as Milliman, which is strong in its EB practice, which is aligned to Solutions’ strength. Membership to this network is used by Solutions as a branding strategy more than a selling strategy. However, the current trend for most global firms right now is to consolidate decisions on the headquarters level, which shifts the importance of a global network from branding to selling.

CSF #2: **Strength of** **Local institutional relationship including reciprocal business (1)**

Solutions do not have strong institutional relationships although one of the directors is now a director in PMAP, one of the largest associations of HR in the Philippines. However, it is yet to be seen whether this particular relationship would enhance the firm’s client portfolio.

CSF #3:  **Strength of** **Local personal relationship (3)**

Solutions rely more on personal networks in acquiring clients since the firm does not have a strong institutional relationship nor it acquired accounts through global referrals and/or appointments. Most of the accounts acquired are through key contacts who transfer firms and bring Solutions with them as their insurance broker or through personal connections. So far, the strength of its local personal relationships has sustained the business even without a formal sales force. The rate is 3 because the local personal relationships are limited to the network of its three owners, only one of which is actively selling.

CSF #4:  **Marketing and Sales Team Geographical Reach including presence in different industries (1)**

Two (2) to Three (3) senior consultants are assigned to do business development but there is no team to plan and support marketing activities. Since the inception of the business, Solutions has just relied on its personal relationships with key people in the industry to grow its business. No formal marketing and sales activities is done.

CSF #5:  **Track Record and Reputation (3)**

Feedback from various providers indicate that they prefer working with Solutions because of Solution’s technical expertise especially in understanding provider’s pricing as well as the structure of our support team which corroborates with the provider’s administration and account management team. However, Solutions as a boutique firm has a minimum to none press releases and marketing activities such that it maintains its exclusivity and thus the brand is not as known and widespread in the market.

CSF #6:  **Price competitiveness (3)**

Solutions is able to negotiate pricing because of its technical (actuarial) team. This is basically Solutions main strength. It also has fiscal control over its expenses which makes the business profitable even when industry’s strong rivalry are pushing down prices. Its average commission is 7%, just a little above the market leaders (Marsh and HSBC at 5%) and below the market average of 10%. However, for consulting projects like Retirement Plan, Solutions is pricing above the market (at least for local companies where only compliance is the requirement).

CSF #7:  **Service & Capabilities – Technical Advice (4)**

Solutions has a strong technical team which includes actuaries. Its team has more than 100 years of healthcare and insurance experience in the insurance industry although its size and original positioning has limited its advice to employee benefits, which earns it a rating of 3.

CSF #8:  **Service & Capabilities – Range of Services (2)**

Service offering is strong in EB lines, i.e. Life, Accident and Healthcare. Market share in A%H is 11%, Life is 1% while market share for other lines are below 1%. There are major accounts for Motor Car fleet insurance but not much in terms of market share (i.e. less than 1%). Despite this, Solutions is ranked 12 with 99% of its portfolio with A&H lines. Other offerings consist of Employee Benefits Consulting, Third party Administration, and Actuarial Consulting. Solutions has also done health policy projects as part of its advocacy for helping the government uplift public health care. The limited and focused range of services is due to its original boutique positioning which is why the rating is 2.

CSF #9:  **Service & Capabilities – Transaction Competence, Innovation and Information Technology (4)**

Solutions, as an organization, is structured such that the account management and support services team comprise almost 90% of the manpower. Investments on data center and technology is also substantial in order to have capability for data storage and processing however there should be a move to full automation in order to re-focus training of personnel from transaction management to high-level consulting.

* + 1. Gotuaco’s Critical Success Factor Ratings

CSF #1: **Strength of International Corporate relationship / Network (1)**

Gotuaco is a member of three global networks (International Benefits Network, Assurex Global, Globex International). However, these three networks are not as know and strong in terms of branding and corporate relationship. Like Solutions, it is part of alliances of independent brokers in contrast with Marsh, Aon and Jardine which are owned by the multinational firm. Global appointments for independent broker networks usually are rare. Referrals from a network co-member would be more standard.

CSF #2: **Strength of** **Local institutional relationship including reciprocal business (4)**

Gotuaco has benefited through the institutional connections of its founder and president Ambassador Arthur del Rosario the biggest of which is its connections with the Metro pacific group (i.e. A. del Rosario is one of the directors in PLDT). Its local jumbo accounts include PLDT, SMART and Meralco.

CSF #3:  **Strength of** **Local personal relationship (4)**

The strength of Gotuaco’s personal relationships also springs mainly from the connections of its patriarch. In addition, Gotuaco is one of the pioneers in the industry, and as such, has built a substantial network that it can tap. Despite being a purely local company and not part of a bank or a conglomerate, it ranked number 7 indicative of the strength of its personal relationships and the business it brings in.

CSF #4:  **Marketing and Sales Team Geographical Reach including presence in different industries (3)**

Gotuaco has sales representatives in key cities while concentration of its business development is still in Metro Manila.

CSF #5:  **Track Record and Reputation (3)**

Gotuaco is not known for its consulting practice and after sales service. However, the brand is quite strong by the virtue of being the pioneer in the industry (close to 50 years) and its connection to Amb. Del Rosario.

CSF #6:  **Price competitiveness (2)**

Gotuaco has no actuarial team that is technically capable of negotiating rates with the providers. However, it does use its strong relationship with providers for competitive pricing. Pricing is close to market standard. Ave. commission is at 9%

CSF #7:  **Service & Capabilities – Technical Advice (2)**

Gotuaco has no known technical team that supports its operations. However, it does bring in global experience through its three global network.

CSF #8:  **Service & Capabilities – Range of Services (2)**

Gotuaco has at least 5% market share in 5 lines (Fire – 5%, Ocean Marine – 7%, Marine Hull – 6%, Fidelity & Surety – 6%, A&H – 9%). Its portfolio is around 42% EB and 58% EB. However, its capabilities are only limited to insurance placement. It just launched a 3-in-1 employee benefit package targeted for SMEs. So far, this is one of its kind in the market.

CSF #9:  **Service & Capabilities – Transaction Competence, Innovation and Information Technology (1)**

Per anecdotal accounts from common clients and providers, Gotuaco employees are more marketing and selling rather than support services. Based on provider feedback, Gotuaco usually just transfer to providers the handling of day-to-day transactions.

* + 1. Lacson’s Critical Success Factor Ratings

CSF #1: **Strength of International Corporate relationship / Network (1)**

Lacson and Lacson is a member of the Worldwide Broker Network. Like Solutions, it is part of alliances of independent brokers in contrast with Marsh, Aon and Jardine which are owned by the multinational firm. Global appointments for independent broker networks usually are rare.

CSF #2: **Strength of** **Local institutional relationship including reciprocal business (2)**

Lacson has developed institutional relationships with its network of hospital and car shops nationwide.

CSF #3:  **Strength of** **Local personal relationship (2)**

Lacson is also one of the pioneers in the industry (around 40 years). Similar to Gotuaco, it has built an adequate personal network that it can tap. Despite being a purely local company and not part of a bank or a conglomerate, it ranked number 17 out of more than 60 brokers.

CSF #4:  **Marketing and Sales Team Geographical Reach including presence in different industries (3)**

Lacson has offices in Cebu and Bacolod which extend its reach to the bustling South and the only local insurance broker with its own accredited hospital, clinics and motor car shops nationwide.

CSF #5:  **Brand Equity- Track Record and Reputation (2)**

Lacson, by virtue of being one of the pioneers in the industry has established some reputation and some brand awareness but not as strong as Gotuaco’s and the global players.

CSF #6:  **Price competitiveness (2)**

Average commission is around 11%, a little higher than the average market rate. Lacson has large placements for Ocean Marine Insurance, in which it averages around 25% in commission which pulls up the revenue of its client portfolio even if its A&H line, which is still the majority of its portfolio only averages 7.5% in commission rate.

CSF #7:  **Service & Capabilities – Technical Advice (1)**

Lacson has no known technical team that supports its operations.

CSF #8:  **Service & Capabilities – Range of Services (3)**

Lacson has a wide range of offering including TPA service with its own network of providers. It also has its own accredit shops supporting its own Motor Car policies. It is one of the few insurance brokers that can place Kidnap and Ransom cover, mainly because it also carries a reinsurance license and can place this directly with the reinsurers.

CSF #9:  **Service & Capabilities – Transaction Competence, Innovation and Information Technology (3)**

Because of its TPA business (offering almost the same service as medical insurance and HMO), Lacson has created its own internal system to support its transaction-heavy service offering.

* + 1. Howden’s Critical Success Factor Ratings

CSF #1: **Strength of International Corporate relationship / Network (3)**

Howden Philippines is one of the newest member of the Howden insurance group which is looking at strengthening its presence in Asia Pacific region. Currently, global appointment of global clients is not yet maximized but the global outlook is that it would be in the future.

CSF #2: **Strength of** **Local institutional relationship including reciprocal business (2)**

Howden still retains its reciprocal business through its connections with the Zuellig group, which remains the big minority shareholder of the firm.

CSF #3:  **Strength of** **Local personal relationship (2)**

The heads of Howden’s non-life and employee benefits divisions have more than 50 years of combined insurance experience but all of them are with insurance providers. What relationship they have would mostly be through brokers and/or their own sales force. Stronger network from personal relationships would most probably come from their CEO, Augusto Toledo which came from the finance industry.

CSF #4:  **Marketing and Sales Team Geographical Reach including presence in different industries (3)**

Howden currently has operations in Metro Manila and Cebu. Its marketing group are divided into four (4): 1) non-life insurance, 2) employee benefits, 3) Reinsurance – Government, and 4) Reinsurance Industrial.

CSF #5:  **Brand Equity - Track Record and Reputation (2)**

The group has provided broking service in the Philippines for around 36 years since it was still known as Zuellig Insurance Brokers. Then it changed its identity to Accette before it was purchased by the Hyperion Insurance Group in 2011. The new brand is still in its building stage in the Philippines.

CSF #6:  **Price competitiveness (1)**

The firm has no actuarial team that is technically capable of negotiating rates with the providers although its key people have underwriting background and came from insurers which should provide them stronger relationship with current providers. However, based on the IC report, their average commission rate is above market standard at 13%. Even for EB lines which comprise 53% of its portfolio, Howden’s average commission rate is 10%, which is a little bit higher than market’s 9%.

CSF #7:  **Service & Capabilities – Technical Advice (2)**

Howden brings in the capability of its global firm in terms of technical expertise. However, this is not as strong yet as Marsh’s and Aon’s.

CSF #8:  **Service & Capabilities – Range of Services (3)**

Howden has balanced portfolio with at least 1% market in almost all lines except Marine Hull and Engineering. Its portfolio is around 47% EB and 53% EB. It offers all lines of insurance line including Medical Malpractice, Commercial Crime and Crisis & Security Risk Management. It also has Reinsurance capacity.

CSF #9:  **Service & Capabilities – Transaction Competence, Innovation and Information Technology (3)**

Howden is not yet known for its backroom capability that support its after sales service. However, it is pushing to the market an online solution (from its parent company) that allows members access to data and information about their healthcare benefits. If Howden will be able to successfully link this system to the providers’, this automation solution would be a big differentiator in terms of speed in data sharing with the clients.

* + 1. Benchmark Critical Success Factor Ratings of other Global Players

|  |  |  |  |
| --- | --- | --- | --- |
| **CSF** | **JLT** | **Marsh** | **Aon** |
| #1. Strength of International Corporate relationship / | **(3)** Jardine is one of the top brokers globally although acquisition of global clients is not as strong as the top 2 (Marsh and Aon) especially those with presence here in the Philippines. | **(4)** Marsh is one of the top brokers globally. A lot of their global corporate clients in the Philippines are acquired through global appointments. | **(4)** Aon is also one of the top brokers globally. Like Marsh, a lot of their global corporate clients in the Philippines are acquired through global appointments. |
| #2. Strength of Local institutional relationship including reciprocal business | **(1)** Like Solutions, Jardine does not have strong institutional relationships. | **(3)** Marsh is very active in working with various organizations. As an example, it has partnered with P&A Grant Thornton in offering Seminars in Employee benefits and taxes in order to capture corporate clients. It also has a strong presence in various HR and BPO groups. | **(4)** Aon was part of the Ayala group in the past before it was fully merged to the global Aon group. As such, corporations affiliated with the Ayalas are their captured market. Aon has also used reciprocal business deals with their local and global providers. |
| #3. Strength of Local personal relationship | **(3)** Like Marsh, it uses its large sales team to cultivate its network and make its presence felt in the market. | **(3)** Marsh through its wide marketing and selling group should be able to exploit their personal connections in order to acquire clients. | **(3)** Similar to Marsh, it uses its large sales team to cultivate its network and make its presence felt in the market. |
| #4. Marketing and Sales Team Geographical Reach including presence in different industries | **(3)** Aside from Metro Manila, Jardine has branched out in Cebu which became their hub for the South provinces. | **(4)** Marsh not just has provincial reach but its regional and global marketing and sales team are aggressive in selling to global companies and “hand-over” to the local partners the business of the local counterparts. | **(3)** Similar to other global players, Aon is able to set up its provincial branches. It also has a strong global and regional marketing team but not as strong as Marsh. |
| #5. Brand Equity - Track Record and Reputation | **(3)** None to minimal after sales service and not so strong technical advice. Although they are also one of the top global brokers so they have also a strong brand recall with key contact persons in the firms. | **(4)** Currently, the reputation of Marsh is that they bring in big accounts but with minimal after sales service. However, they do have a strong employee benefits team in terms of technical expertise as well as ample portfolio in order that enables them to benchmark study. Since they are a top global broker, they are always top of mind in intermediaries circle. They have also merged with Mercer which is a top employee benefits consultant globally and in the Philippines. | (4) Same as Marsh. In addition, their past connection with the Ayala’s have also helped strengthen their brand. |

Critical Success Factor Ratings of other Global Players (cont.)

|  |  |  |  |
| --- | --- | --- | --- |
| **CSF** | **JLT** | **Marsh** | **Aon** |
| #6. Price competitiveness | **(2)** No known actuarial team that is technically capable of negotiating rates with the providers. Pricing is close to market standard. Ave. commission is at 11%. | (4) Marsh is able to undercut its commission to as low as more than half the market standard commission due to volume, i.e. 5% commission vs. Industry 10%). Marsh has also used “retainer” structure instead of commissions in order to take out the commissions portion in the insurance product pricing. Lastly, there are instances where fees are paid out globally so Marsh is able to get proposals from providers net of commission. | (3) Same as Marsh but not as aggressive (comm. At 9%). However, there are instances, especially when the account is global, that they can dive its commission rates and give up part of their commissions just to retain the account. |
| #7. Technical Advice | **(3)** Jardine brings in the capability of its global firm in terms of technical expertise. However, this is not as strong as Marsh and Aon. | (3) Marsh brings in the capability of its global firm in terms of technical expertise. It also has Mercer as its consulting arm. | (4) Aon brings in the capability of its global firm in terms of technical expertise. Most of the high-level technical advice and decisions are made either by their senior consultants or the global practice leader. |
| #8. Range of Services | **(4)** Jardine has at least 5% market share in 4 lines (Ocean Marine - 6%, A&H - 5%, Engineering - 10%, Miscellaneous - 8%). Its portfolio is around 60% NEB and 40% EB. It has non-life international pooling and reinsurance capabilities and can place insurance against risks from petrochemicals, power and refining and crime. | (4) Marsh has double digit market share in 5 lines (Fire – 11%, Ocean Marine – 14%, A&H – 30%, Engineering – 62% and Miscellaneous – 15%). Its portfolio is around 60% Non-EB and 40% EB lines. In addition, they have strong Employee Benefits arm in Mercer. | (4) Aon has double digit market share in 3 line (Fire – 18%, Ocean Marine – 20%, and A&H – 13%). Its portfolio is around 61% Non-EB and 39% EB lines. It has insurance and reinsurance placements and HR consulting and outsourcing services. |
| #9. Transaction Competence, Innovation and Information Technology | **(1)** Same feedback as Marsh. | (1) Based on informal feedbacks from providers and former clients, Marsh employees are more marketing and selling rather than support services. According to some providers, Marsh usually let the providers handle day-to-day transactions while they do minimal audit (if any). It rides along the global Information Technology innovations which they use as competitive advantage in selling to their clients. | (1) Same feedback as Marsh. |

* + 1. Competitive Profile Matrix (CPM)

‘

The CPM shows that Solutions is above average (2.46) in terms of the critical success factors of the industry. Its major weakness is the sustainability of its network as well as its marketing reach. Its major strength is its service capability, expertise and reputation for quality service.

It is shown in the CPM that market leaders are able to capture big market shares because of they are strong in the areas where Solutions is weak.

Solutions needs to review its primary target market (implicitly suggested by the CPM, i.e. go local corporations), develop a unique value offering for this PTM and build capacity by developing its marketing team to execute the marketing plan. Solutions also has to decide if it needs to branch out to have nationwide coverage or focus on the already saturated Mega Manila market. Its internal operations already have systems in place but it just needs to ensure that it can scale fast to be able to move with business growth. Solutions has to be careful in not losing its advantage in price competitiveness, technical know-how and after-sales service (transaction competence). Currently, Solutions can promise speed and accuracy to its clients because the backroom is fully supported by human assets. In the future, the Company should seriously move to automation of processes and services that can be automated so it can concentrate in building more capacity for selling and technical expertise which are more valuable and more critical.

**Table 4.4. Competitive Profile Matrix**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  | ***benchmarking purpose only*** | | | | | |
|  |  | **Solutions** | | **GRA** | | **Lacson** | | **Howden** | | ***Jardine*** | | ***Marsh*** | | ***Aon*** | |
| **CRITICAL SUCCESS FACTORS** | Wt | Rate | Wtd Score | Rate | Wtd Score | Rate | Wtd Score | Rate | Wtd Score | Rate | Wtd Score | Rate | Wtd Score | Rate | Wtd Score |
| **Relationship / Network:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Corporate International | 5% | 1 | 0.05 | 1 | 0.05 | 1 | 0.05 | 3 | 0.15 | *3* | *0.15* | *4* | *0.2* | *4* | *0.2* |
| Local Institutional including reciprocal business | 13% | 1 | 0.13 | 4 | 0.52 | 2 | 0.26 | 2 | 0.26 | *1* | *0.13* | *3* | *0.39* | *3* | *0.39* |
| Local Personal | 10% | 3 | 0.3 | 4 | 0.4 | 2 | 0.2 | 2 | 0.2 | *3* | *0.3* | *3* | *0.3* | *3* | *0.3* |
| **Marketing and Sales Team reach** | 15% | 1 | 0.15 | 3 | 0.45 | 3 | 0.45 | 3 | 0.45 | *3* | *0.45* | *4* | *0.6* | *3* | *0.45* |
| **Brand Equity:** Track Record / Reputation |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Includes Historical Service & | 10% | 3 | 0.3 | 3 | 0.3 | 2 | 0.2 | 2 | 0.2 | *3* | *0.3* | *4* | *0.4* | *4* | *0.4* |
| Technical Advice and communication of these to the market |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Price competitiveness** | 15% | 3 | 0.45 | 2 | 0.3 | 2 | 0.3 | 1 | 0.15 | *2* | *0.3* | *4* | *0.6* | *3* | *0.45* |
| **Service & Capabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Technical (e.g. Risk Management Competence, Medical Expertise, Problem Solving, Company-, Industry- Knowledge) | 12% | 4 | 0.48 | 2 | 0.24 | 1 | 0.12 | 2 | 0.24 | *3* | *0.36* | *3* | *0.36* | *4* | *0.48* |
| Range of Services / Products (including strength in each) | 10% | 2 | 0.2 | 2 | 0.2 | 3 | 0.3 | 3 | 0.3 | *4* | *0.4* | *4* | *0.4* | *4* | *0.4* |
| Transaction Competence, Innovation and Information Technology | 10% | 4 | 0.4 | 1 | 0.1 | 3 | 0.3 | 3 | 0.3 | *1* | *0.1* | *1* | *0.1* | *2* | *0.2* |
| **TOTAL** | **100%** |  | **2.46** |  | **2.56** |  | **2.18** |  | **2.25** |  | ***2.49*** |  | ***3.35*** |  | ***3.27*** |
| **RANK** |  | **5** | | **3** | | **7** | | **6** | | ***4*** | | ***1*** | | ***2*** | |
| **Industry Ranking** |  | ***12*** | | ***7*** | | ***17*** | | ***15*** | | ***10*** | | ***1*** | | ***3*** | |

*Notes:*

*Weight: 0% - Least Important, 100% Most Important Critical Success Factor*

*Rating score: 4 - major strength, 3 – minor strength, 2 – minor weakness, 1- major weakness*

* 1. **External Factor Evaluation (EFE) Matrix**
     1. Opportunities and Importance Weight

**O1. Increase GDP growth drives more businesses which are the primary purchasors of insurance.** (Macro - Economic); Weight – 10%

Historically, GDP growth shows a corresponding market growth. It is very conservative already to target at least growth equal to GDP. Market is growing by 13% more than GDP growth in years 2007 to 2011. Even if market just grows the same as the GDP growth rate, that would translate to around Php 3 Billion in premiums or around 300 M in commissions. If market continues to grow by 17%, that would be a growth of more 6 Billion per year in premiums and 600 M in commissions. For Solutions, a 6% growth (same as GDP) would translate to 5.4M of revenues but if it wants to keep up with the market growth at around 17%, revenue target growth would be around at least 15M year on year.

**O2. Large presence of SMEs (Around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations.** (Macro-Economic); Weight – 15%

For every 1% capture of SMEs in NCR is estimated to produce Php 50 to 70M in premiums and around Php 5 to 7M in commissions for employee benefits placement alone. This could double for nationwide penetration. If the industry makes 10% penetration (e.g. top 10 will get 1% each), this should translate to Php 50 to 70M in commissions for NCR alone. This is the space where local brokers can thrive as most SMEs would be from local industries and would have no pressure from global counterparts to appoint global brokers. This is also the less served market because of the size and effort to reach out to this market. For Solutions, it could start targetting 1% penetration in the next 2 years then increase to 5 to 10% penetration in the NCR in the next 3 to 5 years (10 to 20 M in revenues).

**O3. Increased activity of Global Players (EB consultants and brokers) means increase in demand for broker services locally.** (5 Forces, Market Analysis); Weight – 10%

Global players with large corporations employing around 700-800 on the average could contribute around 50M of premiums and 0.5M of commissions for employee benefits alone for one firm. For a 10% nationwide penetration of large companies, assuming most of these are global, this should translate to more than 150M in commissions. However, while the impact to the industry is high, most of the large global players would go through global brokers or have enough muscle and capability to go direct. This is the reason why, for local brokers like Solutions, this opportunity could be exploited using existing network and strong relationship but further marketing expense may only be advisable if this is targeted and well thought of.

**O4. Increase in perceived value of employee benefits as HR acquiring and retention tool** (Market Analysis, Value Chain); Weight – 15%

There is a large need of providing healthcare and life insurance plans (some would provide motor car plans), and retirement benefit to the employee force. This should maintain or increase premiums as benefits are enhanced. Right now, the average premium hovers around 7,000 to 8,000 per employee for employee benefits. Just a 5% increase in premiums will translate to around 35 to 40 commission income per employee. For an account of 500 employees with around 2 dependents each, that would generate around Php60,000 more in commission. For Jumbo accounts of more than 1,000 employees, that would be more than 100K per account. Based on current market share of EB, this opportunity should translate 60 - 75M in total commissions. For Solutions, this has a big impact most especially that the company is focused in offering Employee Benefits-related services. For insurance broking alone, 11% market share for Accident and Health, would translate to more than 8M in revenue. This could be more with a targeted marketing strategy.

**O5. Fast growing BPO segment and improving status of the manufacturing industry** (Market Analysis); Weight – 5%

Increase in BPO industry means more jobs and an increase in purchasing power. Opportunity for the company to earn more sales. Growth of around one (1) million more workers in the BPO industry would mean around Php 7 Billion in additional premiums from this sector alone or 700M in commissions by 2016. (potential 70M in revenues by 2016 at 10% market share)

* + 1. Threats and Importance Weight

**T1. Market leaders undercutting commissions would drive commission rates down** (5 Forces, Market Analysis); Weight – 15%

Currently, Solutions is averaging 7 to 8% commission per account. If market leaders continue to drive down commission rates, Solutions may be forced to cut down its commissions in order to stay competitive. The effect would be around 20-25 M potential loss in revenue. There could be ways to maintain its current commission rate if customers would agree that the value offering of Solutions is worth the premium that it would be paying. This means that Solutions needs to enhance its bouquet of offerings and ensure that its value proposition and differentiation are well communicated to its target market.

**T2. Increased Consolidation of Multinational Clients** (5 Forces, Market Analysis); Weight – 20%

This has the highest importance weight since 87% of the current client portfolio of Solutions are Multi-national Companies (MNCs) in terms of revenue generated. Service offering should be really compelling for the local management to be able to defend its preference to stay with a local broker and not participate with the global appointment, should international appointment is done as a global initiative. This has been done in the past.

**T3. Increased activity of Provider direct sales force competes with intermediaries** (5 Forces); Weight – 10%

Usually, those that could afford to go direct are also the big clients, usually the MNCs, which can leverage their size and their name in order to strong arm providers to do the value added service provided by the brokers by themselves. These are also the companies in which the procurement department and its HR are very strong with industry expertise already. Currently, around 50% of the portfolio of the top HMO providers is placed by intermediaries.

* + 1. Opportunities and Responsiveness Ratings

**O1. Increase GDP growth drives more businesses which are the primary purchasors of insurance.** (Macro - Economic); Rating – 1

The Company has no formal marketing and sales team to be able to go out to the market and make the market aware of its presence.

**O2. Large presence of SMEs (Around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations.** (Macro-Economic, Market Anaylsis); Rating – 1

Current network of the business development team comes from MNCs. More effort should be made in order to cultivate relationships with local companies and their key decision makers. In addition, to be able to make the SME portfolio profitable, volume of business is key which means more SMEs to sell to that needs a bigger pool of sales force in the field that Solutions current has none.

**O3. Increased activity of Global Players (Risk and EB consultants and brokers) means increase in demand for broker services locally.** (5 Forces, Market Analysis); Rating – 2

The strength of the current global network (Abelica Global) where Solutions is affiliated with is on Employee Benefits Consulting. In terms of reciprocal business, the network has not yet produced a substantial increase in revenue. In terms of insurance broking, the RNA network where Solutions belongs to covers only the Southeast Asian region. Most of the Global players in the Philippines would have headquarters in North America, India and even Japan. The default behaviour of these global players would be to partner with global consultants and brokers too, the mandate of which usually comes from the headquarters. Solutions always need to leverage on their reputation for technical expertise, service delivery and strong personal ties in order to overcome global appointment challenges.

**O4. Increase in perceived value of employee benefits as HR acquiring and retention tool** (Market Analysis, Value Chain); Rating – 4

Solutions has top notch consultants who are technically trained and known to be experts in the industry. As consultants, this is a big differentiator in terms of credibility of advice. However, Solutions need to beef up the upgrade of expertise of its second generation leaders and consultants in order to scale better and for better succession plan as its current senior consultants are already planning their retirement.

**O5. Fast growing BPO segment and improving status of the manufacturing industry** (Market Analysis); Rating – 2

Solutions currently has a good portfolio of big BPOs and manufacturing firms which can vouch for the service quality by the company. However, there are no formal networking activities in the pipeline that is aimed to mine and take advantage of these current relationships. This sector also expects 24x7 servicing capabilities, which Solutions should consider building.

* + 1. Threats and Responsiveness Ratings

**T1. Market leaders undercutting commissions would drive commission rates down** (5 Forces, Market Analysis); Rating – 4

Solutions has the capability of countering this threat. It currently has its own internal actuarial team that could validate provider pricing and thus negotiate a better price without sacrificing the profitability of the account. On top of this, Solutions should strive to be more efficient in its operations and automate processes, whenever possible.

**T2. Increased Consolidation of Multinational Clients** (5 Forces, Market Analysis); Rating – 1

Current network of the business development team comes from MNCs. More effort should be made in order to cultivate relationships with local companies and their management.

**T3. Increased activity of Provider direct sales force competes with intermediaries** (5 Forces, Value Chain); Rating – 3

There is a need for the intermediaries to maintain efficient operations that could delivery value offering to the clients in order to compete with the direct sales team of the providers. Solutions has to maintain a substantial portfolio with its provider network and maintain its long-term partnership in order to ensure provider cooperation. Solutions is constantly reviewing and enhancing its processes and systems in order to maintain its target operational cost.

* + 1. EFE Matrix

**Table 4.5. EFE Matrix of Solutions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Opportunities** | | **Source** | **Importance Weight (0% to 100%)** | **Responsiveness Rating** | **Weighted Score** |
| **(1 to 4)** |
| O1 | Increase GDP growth drives more businesses which are the primary purchasors of insurance. | Macro Economic | 10% | 1 | 0.10 |
| O2 | Large presence of SMEs (Around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations | Macro Economic, Market Analysis | 15% | 1 | 0.15 |
| O3 | Increased activity of Global Players (EB consultants and brokers) means increase in demand for broker services locally. | 5 Forces, Market Analysis | 10% | 2 | 0.20 |
| O4 | Increase in perceived value of employee benefits as HR acquiring and retention tool | Market Analysis, Value Chain | 15% | 4 | 0.60 |
| O5 | Fast growing BPO segment and improving status of the manufacturing industry | Market Analysis | 5% | 2 | 0.10 |
| **Threats** | |  | **Importance Weight (0% to 100%)** | **Responsiveness Rating** | **Weighted Score** |
| **(1 to 4)** |
| T1 | Market leaders undercutting commissions would drive commission rates down | 5 Forces, Market Analysis | 15% | 4 | 0.60 |
| T2 | Increased Consolidation of Multinational Clients | 5 Forces, Market Analysis | 20% | 1 | 0.20 |
| T3 | Increased activity of Provider direct sales force competes with intermediaries. | Value Chain, 5 Forces | 10% | 3 | 0.30 |
|  | Total |  | 100% |  | **2.25** |

Solutions is moderately responsive (with a rating of 2.25) to the opportunities and threats posed by the market environment. Perhaps, its strongest weapons are its consultants who are experts in their fields as well as its continuing activities to standardize operations for easier scaling. The Company, however, should accelerate its training and development program to produce more technically competent consultants or hire them soon. The Company is definitely lacking in its efforts to respond to the expanding market opportunities because of its very thin support for its business development team in terms of human resource capacity, formal and measurable performance indicators and marketing and sales activities. It is clear that there are opportunities with SMEs and companies outside NCR that can be further capitalized with better coverage.

1. **COMPANY ANALYSIS**

* 1. **Company Vision and Mission Statement**
     1. **Solutions’ Vision Statement**

The inward focused vision statement of Solutions has already evolved since it started its operations almost 20 years ago. It was noted that the vision statement is not found in any company collateral including its employee manual. The vision is sometimes mentioned during the Company’s annual kick-off during the first month of each year attended all its regular employees. The current (ten-year old) vision statement is:

*“To be the incubator for the best minds in employee benefits advice and insurance placement in the country.”*

* + 1. **Solutions’ Mission Statement**

Unlike the vision statements, the Company’s mission statement is often found in Solutions’ brochures, corporate profiles and employee manual:

*“Our mission is to help our clients in achieving their corporate goals by providing services of the best possible value in the areas of: actuarial services, employee benefit advice and insurance placement.”*

* + 1. **Review of Vision and Mission Statements**

**Table 5.1 Company Vision Evaluation**

|  |  |  |
| --- | --- | --- |
| **Parameter** | **Yes / No** | **Why** |
| Does it clearly answer the question: What do we want to become? | Yes | It states that the firm wants to be the incubator of best minds…  The vision adeptly describes the kind of relationship it wants to develop with its clients, business partners and employees. |
| Is it concise enough yet inspirational? | Yes | The vision inspires the employees of the firm as it describes how the Company values its employees – it wants to incubate the best minds. The best minds to give advice. |
| Is it aspirational? | Yes | The firm challenges itself to be able to continue gaining expertise to be able to impart to all its stakeholders, i.e. to be the incubator of best minds. This is a big challenge. |
| Does it give clear indication as to when it should be attained? | No | The vision is not time-bound and it does not have to be. It is also is not bounded by how many minds are to be incubated which it should not limit itself to as well. |

**Table 5.2 Company Mission Evaluation**

|  |  |  |
| --- | --- | --- |
| **Parameter** | **Yes / No** | **If yes, which part of the statement** |
| 1. Customers | Yes | The mission states that the clients have corporate goals, which means that the target customers of the firm are corporations. |
| 2. Products & services | Yes | The mission states that the services provided will be on the areas of actuarial services, employee benefit advice and insurance placement. |
| 3. Markets | No | While the mission refers to corporations as its clientele, it does not clearly define what kind of corporation it wishes to tap. This is likely because every company will have employees and likely need some form of employee benefits. |
| 4. Technology | No | There is no explicit reference to how technology will be used in its mission. |
| 5. Concern for survival, growth, profitability | No | Being the advisor of choice does not necessarily translate to highest market share or that the firm will grow. It only means that the company wants to be top of mind when it comes to the services it offers. It is vague on how this translates to actual clients. |
| 6. Philosophy | Yes | “… services of the best possible value”. The standard, value and expectation for excellence are clear. |
| 7. Self-concept | Yes | In order to provide service of best value (i.e. advise), it is inherent to the mission that the competitive advantage of the firm is its strong expertise. This is a clear description of what it aims to be – “provider of best value”. This also ties in neatly into the vision statement. |
| 8. Concern for employees | No | How employees are value is not explicitly mentioned in the mission statement rather it is stated in the vision statement. |
| 9. Concern for nation building | No | There was no reference to how the firm would be instrumental to building the nation. |

* 1. **McKinsey’s 7S Framework**
     1. **Strategy**
        1. **Client retention strategy.** Entrench business process with client’s to strengthen dependency of the client and increase value.

**Conclusion.** This is helpful and effective as this strategy creates the rationale of why client would want to retain its relationship with the Company. Better integration of processes with the use of the appropriate proper people, processes and technology allows Solutions to cleanly fit into its customer’s workflow. In order to maintain this, Solutions should periodically do satisfaction surveys and Focus Group Discussion (FGD) with clients to gather more insights on how to match its service offerings including technology to its clients’ business processes and plans for the future. As there is increasing risks of losing multinational clients to global brokers or provider’s direct sales, there is a need to strategize on how to cultivate new business from prospective clients that are from different markets.

* + - 1. **Client growth through product development.** Solutionswas able to develop mass market products (particularly motor car and fire insurance) that are priced lower than the market but with more benefit features. This is done in close partnership with the customer. In the end, these offerings are additional business for Solutions and also serve as additional benefits granted by the customer to its employees.

**Conclusion.** While the packages are attractive, there are minimal sales because there is no integrated marketing strategy on how to push this to the market. The business development team should make targets and action plans on the implementation of this program. The company should consider promotional activities like flyering or on-site FAQs during one of client’s company-wide activities or roll-outs.

* + - 1. **Market Penetration.** Do networking activities through participation in Association like PMAP, Finnex, etc. Data mining for prospects is also done using contacts from the membership directories of some associations following this through with cold calls to establish a foot in the door.

**Conclusion.** Networking activities can be effective in building network but this is currently not fully utilized. Instead of just joining as a member, it might be more strategic if Solutions, instead, partner with this organizations, lend its technical expertise in coming up and/or sponsoring seminars, workshops and events. Greater visibility for its key consultants should be created as speakers and resource persons for these activities.

In this industry, where trust is the foremost basis of the business relationship, doing a cold call will not be effective. It may be more effective to demonstrate the expertise rather than sell it. Solutions should consider sponsoring talks, trainings and workshops with its primary target market as audience.

* + - 1. **Other Product / Service Offering development activities.** Solutions developed a new line of offering through its TPA services which addresses some of the servicing needs of the clients in terms of administering some of its healthcare and/or car loan benefits on top of the regular plan covered by the insurers/HMOs.

**Conclusion.** This is effective. This give more value added service to the client and this is an additional competency / service offering in the portfolio. This should be strengthened, grown and more technological and process innovation should be incorporated. A primary driver for customers to move into TPA services is scale. Solutions is able to provide the required scale with the key of enhance people, processes and technology.

* + 1. **Structure**

Solutions has around 3 to 4 hierarchical level from the ranks to the President. It is fairly a flat organization as shown in Figure 5.1. Since the organization is relatively small, one person may assume one or more functional roles (e.g. Business Development may also be Project or Account Management Lead, or Operations Lead may also handle Account Management, or the IT Function lead may also be handled by one Account Management Lead). Depending on the functional role of the employee, he or she could have more than one immediate superior.

The way the organization is structured now, it has three (3) major divisions:   
1) Business Development, 2) Account Management Team and 3) Shared administrative services. Business Development is in charge of selling to prospects. Once a sale is closed, the account is turned over to an account / project lead who is provided by the operations lead with an account management team that will service the account. The Account Management Team Leader (which is a coordination function, hence the dotted line in Figure 5.1) will assign the account to one Account Officer / Technical Associate and a back-up Account assistant. The Support Services Team Leader, who handles the central pool of administrative clerks, will assign a staff to support the account.

The rest of the Shared administrative services teams are cost centers.

The service offering and operations were structured in such a way that the Company is organized with heavy backroom complement but with very thin business development (marketing and sales) team. Currently, more than 95% of the organization is composed of backroom support (account management teams, support teams, shared services like accounting and administration teams). Less than 5% of the organization is into business development or marketing or sales. In addition, Business Development leads (i.e. the closers) are also the Account Management Leads (i.e. fulfillment) with their involvement in fulfillment mostly in relationship management, management of high-level concerns and renewal of business.

Accounts are assigned depending on the team’s current load with considerations on the preference of the account lead. As such, an account management team may handle different accounts headed by different Account Leads. This is where the reporting line get complicated most of the time. It could happen that simultaneous tasks may be required by different account leads, in which the account management team, especially the Team Leader would have difficulty managing. The Operations Lead, who is the direct and functional manager of all Team Leaders, would ideally intervene. Figure 5.2 is a graphical representation of the dynamics of the Account Management Team.

**Conclusion**

The relative flatness of the organization is theoretically effective in terms of efficiency in communication lines. Being a flat organization, the firm has the advantage of being able to cascade its implementation plans rapidly. Its line managers (the Team Leaders) are empowered to plan and decide on its team’s performance while being guided by the company-wide standards. At least, at this level alone, decision-making is fast.

One of the challenges of a flat organization is the career development of its employee. This creates challenges in terms of communicating to the employees in terms of career progression and their place in the company.

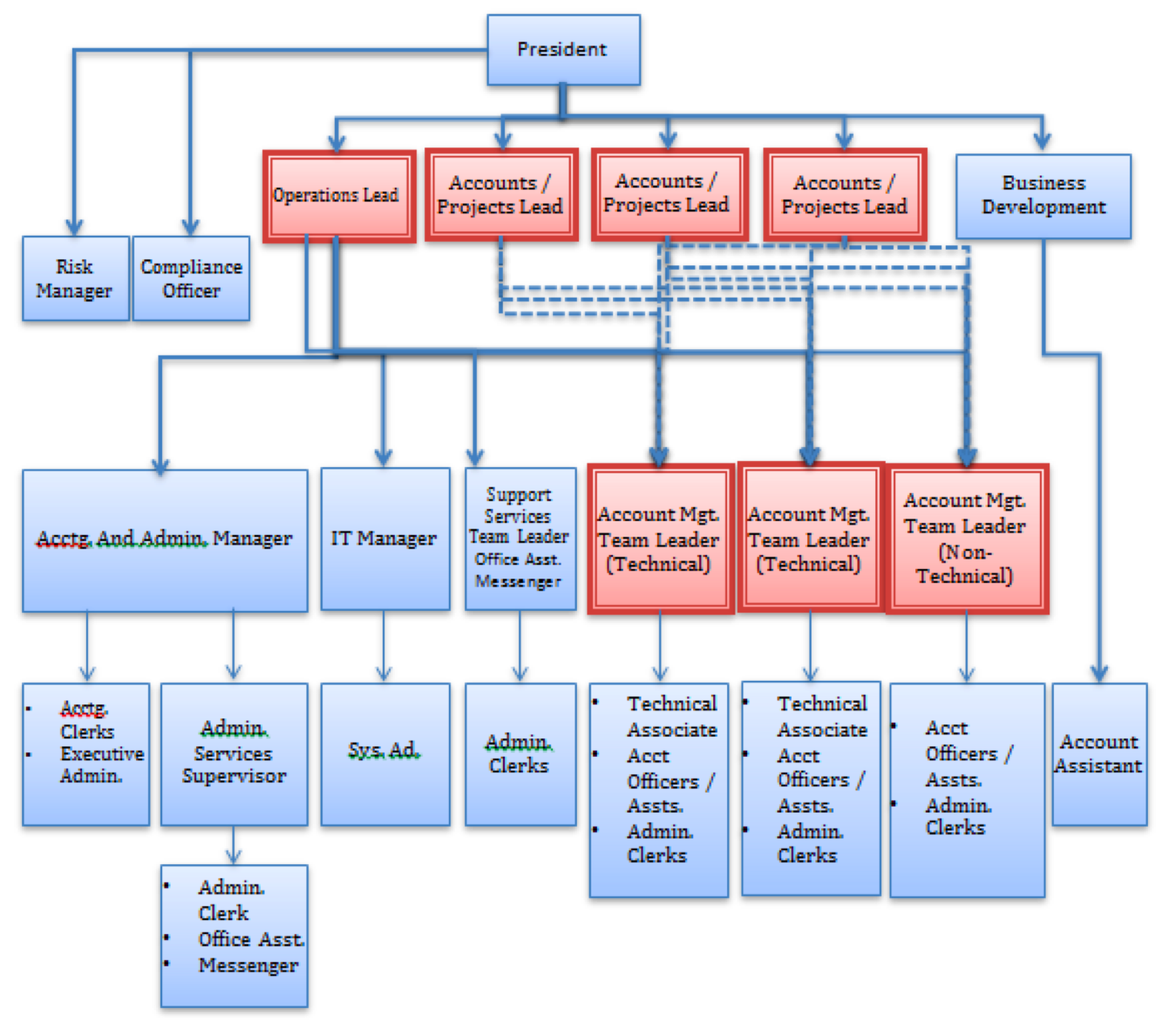
Multi-functional roles in matrix organizations, especially for key employees, may seem efficient in terms of man hours but may not be as effective due to lack of focus. It would still be ideal to minimize multiple reporting lines, if this cannot be totally avoided. This is to ensure that miscommunication is minimized. This should also take the burden from the employee for choosing which project/task to prioritize without anybody questioning his/her loyalty. Responsibility is difficult to share.

A robust backroom is necessary to support the major offerings of the firm, which is placement of healthcare and life insurance and retirement plan valuation. This structure is ideal in order to create value in terms of high quality and fast turnaround for after sales service. For non-life insurance (the lines that the firm is not actively pushing), after sales support could be leaner. However, Solutions should consider automating as much processes as possible so administrative servicing would be leaner in terms of clocking man-hours and focus human assets in relationship management and high-level technical consulting.

Since the business is mainly based on relationship with clients, it is helpful that the person who closed the deal is visible all throughout the project or contract. However, there have been organizations which could successfully transition their new projects/accounts to a different “fulfillment team” whereby focusing the resources of its new business / business development team. The Company should carefully consider and review the viability of this structure and formally create a business development team that does product development, marketing and sales to support the strategy of the firm.

Finally, a full-time HR manager should be hired in order to meet the demands of recruitment and full HR services including but not limited to training and development of personnel and payroll.

**Figure 5.1 Solutions Organization Chart**



**Figure 5.2. Account Management Team Dynamics**

President

OPS Lead

Account Lead 1

Account Lead 2

**More than 2 “bosses” per Team Leader**

Account Lead 3

* + 1. **Systems**

The Company currently has no integrated enterprise wide resource planning system. It has in-house developed sales reporting systems for both the commission-based revenue business and the fee-based business, which are separate systems. Accounting systems are also not integrated. The HRIS and payroll systems are also separate. Likewise, payrolls are done by different processors depending on the level of the staff.

Standard procedures and templates for major processes like proposal generation, plan placement and launch and plan maintenance was developed for the EB business while the Company is currently documenting the standards procedures for the NEB lines. Full manualization of procedures and standards for the business lines is ongoing. Other administrative processes are not yet documented like standards and criterion for procurement and accreditation of business partners and suppliers.

The Company has its in-house data center, which stores all the electronic files pertaining to business operations and clients. There is a move for more secure data storage and redundancy to comply with the new data privacy law as well as the information security standards of the clients.

**Conclusion.** Existing systems in place may not be adequate anymore most especially if operations should scale fast to support the business needs. Using separate systems could also lead to inefficiency. In-house developed systems are ideal for ease of customization when needed. However, the current reporting systems need a lot of improvements in terms of adequacy in the reports generated, absence of built-in analytics, ease of cascading to the people, support as well as regular update of the system.

Sales reports, Account Receivables, Account Payables and other pertinent reports that could aid in cash planning, capital budgeting and sales reporting should be made available not just to the managers but down to the ranks to foster company-wide acknowledgement of responsibilities and measurable and objective Key Performance Indicators (KPIs).

Documentation of standards are encouraged. Backroom procedures (i.e. accounting, admin.) need to be documented and put into a manual for regular review and update for ease of cascading, scaling and auditing.

While procurement practice is fairly controlled by virtue of the authority matrix, the undocumented standards and policies would eventually be inadequate. Standard supplier screening / accreditation should be developed and implemented together with the procurement standards.

Lastly, the Company should consider outsource the data center. Regardless of the physical location of the data center, the Company needs to periodically test and evaluate the security policy implementation as well as perform crisis simulation.

* + 1. **Style**

Senior management can be autocratic or participative depending on the situation. When the situation is urgent and need crisis management, they are autocratic. Otherwise, they usually ask inputs from the middle / line managers to reach to an agreement or consensus.

There are activities like during annual kickoffs where senior management needs to be charismatic or transformational to inspire the staff.

Middle managers, especially those in the support teams use bureaucratic and transactional styles of leadership because their processes are already defined and they can seldom deviate from these processes.

**Conclusion.** The current style is adequate. However, the Company should review how to accelerate leveling up of management and leadership capabilities of the middle managers to poise for possible ramp up of business operation as well as for succession planning purposes. The most effective style, at least in terms of building confidence, developing people and empowering people is the participative style. Bright ideas can sometimes spring from the people from the line. Line managers should also be transformational to inspire commitment and full engagement from their staff.

* + 1. **Staff**

Solutions has a manpower complement of around 50 with an average turnover rate of 9.8% in the last 5 years.

***Training and Development***

As mentioned in the previous sections, the organization is relatively flat. Horizontal promotions are normal especially for line and middle managers. Promotions in these positions would oftentimes be in the form of additional line function or role.

The Company provides various learning opportunities as follows:

* On-the-job training vis-à-vis Coaching and mentoring.
* In-house training and Learning sessions.
* External Seminars and conferences like annual conventions by a professional association, short course seminars and workshops
* Membership in professional association like People Management Association of the Philippines and Actuarial Society of the Philippines
* Continuing education programs like short courses offered by the Insurance Institute of Asia and the Pacific (IIAP)
* Financial and study leave incentives for accreditation exams (e.g. Certified Investment Solicitor, Licensed Agent, Associateship and Fellowship exams for actuaries, etc.)

The Human Resource has identified standard training modules for the employees, more specifically for the account management personnel. Team leaders are given the recommendatory authority to identify the skill sets (technical and soft skills) needed for their people. Individual employees are encouraged to suggest the training and/or classes that they believe they need for their development. Final recommendation will come from HR with approval of the management.

One observation is that there is a tendency to set aside training because of the volume of work.

**Conclusion.** The training and development program is effective but development program need to be formalized and documented for proper implementation. Strict implementation is encouraged in order for the training needs of the employees are not compromised because of work load and team load balancing concerns.

The current training and development is conducive for people who are motivated and understands his or her value in a flat organization. Sometimes, it is difficult to retain good and valuable employees if there is no explicit promotion in terms of elevation of title and/or roles. “Implicit” promotions have to be carefully communicated. Also, with a flat organization, it is sometimes difficult to see things beyond a possible red circle unless communication of the career development is clear and timed correctly.

***Performance Appraisal / Evaluation***

All appointments into the Company are made subject to a probationary period of six calendar months. After three months a review meeting takes place between the post holder and his/her direct supervisor or line manager to discuss progress. At the end of the probationary period, and subject to a satisfactory report by the direct supervisor, employee is notified in writing that he/she successfully completed his/her probationary period.

Performance evaluation for regularized employees is done annually, with a provision to do mid-year evaluation, as deemed necessary by the management. All employees self-rate based on how they believe they have performed for the year against the Key Result Areas and Objectives planned and agreed upon at the start of the year. Standard rating is provided. Employees are also given the opportunity to evaluate their competencies vis a vis requirements for their position or for possible promotion. A simple diagram of approach to performance appraisal is shown in Figure 5.3.

The immediate supervisors or managers rate their subordinates. A one-on-one interview with each staff is done to communicate the rating and explain the development plan and expectations for the coming year. The outcome of the performance appraisal would include the following:

* Evaluation of the employee’s current level of performance
* Establishment of the employee’s performance rating
* Stated performance expectations and goals for next year
* Identification of key performance areas needing improvement or enhancement
* **Assessment of training and development needs**

Specifically for the account management team including the support service team, forced ranking is done for similar positions like Administrative Clerks, Account Officers, Account Assistants and Technical Associates, which is done in order to align rating standards across teams. This is done in a series of meetings by the Account Management Team Leaders including the Support Services Team Leader. They also do peer review amongst themselves. The peer review process involves each team lead giving each of the other team leads rating for each Key Result Area (KRA). The rates are consolidated and presented to all team leads and each has the opportunity to defend and question each rating, in which time a benchmark activity and performance for each KRA is agreed upon. Alignment of rates is done until all team leads agree to all the ratings given to them.

Consolidated ratings are submitted to the senior management for further validation and approval. Account Leads incorporate their inputs to the ratings of the employees based on their experience with the how the accounts are managed.

The senior management also does their own self-appraisal and peer review.

**Figure 5.3 Solutions Standard Performance Appraisal Program (A Two-Way Approach)**

**Employee Self-Rating & Supervisor Validation and Assessment**

**Key Result Areas**

Customer Service and Relationship Management

Business Development

Compliance including Data Management

Analysis and Report Preparation

Learning and Supervision

**Competencies**

Customer Focus

Business Line Expertise

Learning, Flexibility and Innovation

Applied Technical Skills

Interpersonal and Communication Skills

Critical Thinking and Process Management

Strategic Alignment including Organization Management

Outcome

Evaluation of the employee’s current level of performance

Establishment of the employee’s performance rating

Stated performance expectations and goals for next year

Assessment of training and development needs

Identification of key performance areas needing improvement or enhancement

**Conclusion.** The Company needs to standardize the key performance indicators and measures of the staff. Quantity and quality measures should be equally present and evaluated. Performance Appraisal for the company plays a vital role as it does not only discusses the current performance of the member of staff but it also talks about the necessary actions needed to be done by that particular employee to improve more regarding his/her performance. In this way employee is aware what he/she needs to do if she wants to be promoted or if she’s already on the verge of losing her job.

* + 1. **Skills**

Solutions’ core competency is the technical expertise of its consultants and well-known customer service by the whole servicing team. As such, the competencies where the staff are measured, as shown in Figure 5.3, are the following: 1) Customer Focus, 2) Business Line, 3) Expertise, 4) Learning, Flexibility and Innovation, 5) Applied Technical Skills, 6) Interpersonal and Communication Skills, 7) Critical Thinking and Process Management, and 8) Strategic Alignment and Organization Management. Naturally, there is bias towards Technical Skills and Critical Thinking.

During performance appraisal period, the staff are required to indicate their development plans for the competencies where they need improvement.

**Conclusion.** Recruitment is key in making sure the skills appropriate for the job fits the new recruit. It is imperative for the HR in charge to take time to craft clear, detailed job responsibilities and skill requirements, which would give the applicants more clarity and incentive to apply if they perceive a possible job fit. While the Company values technical skills, its current structure allows 95% of its staff to be involved in backroom instead of doing high-level consulting advisory. This should be seriously reviewed. As mentioned in previous sections of this paper, the Company should seriously consider automating as much processes as possible in order to slowly shift the structure to “expert”-heavy rather than backroom heavy.

Furthermore, while the rating scale is partial towards technical competencies, the company should also be able to craft a career managerial path for personnel with excellent customer service and relationship management skills.

* + 1. **Shared Values and Superordinate Goals**

The mission of the Company is regularly communicated during the annual kick-off as well as during employee orientation. Supporting this mission are the four basic principles which have become the basis of why the Company was established and how this is currently managed. These principles are:

**Caliber of Consultants.** This articulates how Solutions values expertise based on academic credential, industry experience and reputation.

**Professionalism.** It is highly important that advice coming from the consultants is free of any conflicted interests and as such, the Company is managed by its own employees to maintain this independence.

**Creativity and Flexibility**. The Company offers unique solutions for each client using the latest and appropriate technology and industry best practice.

**Results-Orientation.** Servicing is focused on the results, i.e. the corporate objectives of the clients. As such, Solutions is present from the get-go until the conclusion of the project.

In addition, each employee is also encouraged to review their own personal goal in life and evaluate the alignment of these to the company’s. This is done during the annual kick-off, usually during the time that tactical plans are done.

**Conclusion.** Articulation of the Company’s values and constant reminder of such to the employees are helpful. This encourages alignment of the employees to the organization.It is an unwritten philosophy of the senior management / owners of the company that it wants to promote the happiness of their employees and as such, it would support their endeavor towards their life goals, regardless if it is done within Solutions or outside Solutions. It would be more helpful if specific objectives of the company will be regularly shared as well.

* 1. **Company Internal Audit**

**Management Audit.**

**Strategic management.** The Company has a strategic planning process in place. This is done three-prong. Every three to five years, the directors of the company convene for a strategic planning review and creation of new directions for the Company. Annually, the managing principals of the Company meets to review and update the long-term strategy set by the board of directors. The last leg is the tactical planning done company-wide involving all regular employees during the Company’s annual kick-off during the first month of the calendar year. The planning involves review and update of the existing strategic plan and alignment of team goals as well as personal goals to the Company goals. The supervised life planning helps in the alignment and also serves as apt intervention tool, the ultimate objective of which when done Company-wide is to drive Company performance.

The Company-wide planning fosters employee empowerment. It is also a venue for employees to affirm their roles in the future of the firm and nurtures their sense of ownership and responsibility for the firm.

By third quarter of the year, the Company reviews its client portfolio aiming to identify which of the current accounts are at risk and plan on how to retain them.

During its past strategic planning sessions, the management did some environment scan by looking at major economic indices like GDP growth and inflation rates. It review growth of major industries and identified which industries it want and can penetrate. It discussed updates on regulations and business trends.

During the last two to three strategic planning sessions, Competitive Profile Matrix was used to evaluate the performance of the organization with respect to the identified competitors. The senior management identified key critical success factors, which were used to rate the organization and competitors.

Ansoff model was also used in order to prioritize the strategies for implementation.

**Company Objectives and Goals.** At the top management level, target revenues and bottom line are set during the strategic session and reviewed for final presentation to the board during the board meeting. The targets are reviewed quarterly and presented to the board again during its 1st quarter meeting. Revenue targets are cascaded down to the Account Management Team Leader level who are responsible for monitoring and updating the revenue targets.

On the quality targets, standards are set, and specially customized per client, if applicable. Regular monitoring schedules and reports are in place. Performance is being reported during the regular operations meeting where causal review of non-compliance is done and special interventions are discussed and agreed upon, if necessary for organization-wide implementation. There is no institutionalized reward or sanction system for compliance or non-compliance to standards but performance is reviewed annually and incentives are given to performers.

On the team level, weekly meetings are done for reporting of the status of services of each account or project. The team meetings cover day to day concerns that are pending, special transactions that have been handled, learnings, discussion of solutions on the team level. Decision whether escalation is needed is also done at this level.

**Management planning.** Broad implementation plan for the identified strategies are done on the senior management level. The plan involves resource plan (which includes staffing, IT / MIS support, other resources) needed to implement the strategy. For example, in the 2012 Strategic Planning, it was discussed how to increase the capacity of each in terms of positions to be filled, training needed, re-organization needed to come up with a shared services team. There was a discussion on how to introduce a more customer friendly, and customer-empowered web system as a competitive advantage.

Tactical plans are usually done during the company’s annual kick-off held every 3rd or 4th week of January. There is no formal written plan required from the teams.

On the team (line) level, the team leaders have a certain lee way to plan on how to manage their teams. The team leaders are given free hand in planning the individual team member load in terms of complexity of accounts, with a final approval and confirmation by the project manager or consultant in charge. Based on the most recent organization climate survey done in 2013, 54% of the employees agree that their workload is appropriate. There seems to be a big chunk of the work force that perceived that they are over loaded.

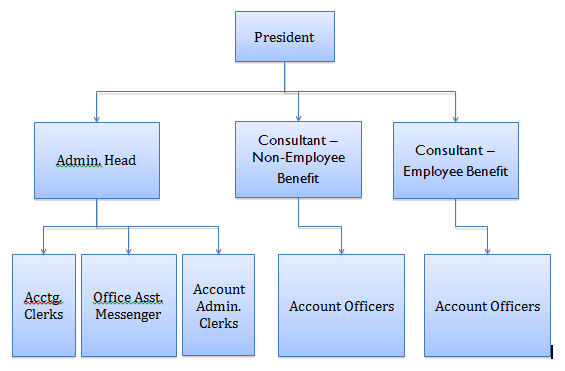
In addition, in terms of quality of the work done by the teams, it is left to the team leaders to implement the company-wide standards (whether formally written standards or unwritten but understood standards based on the corporate values and principles). Based on the recent employee survey, 85% agree that the work processes implemented are efficient however only 42% agree that work is completed on time. It goes back to the work load problem.

**Delegation of Authority.** Authority is delegated well although managers and team leaders, including senior management, in some level, still micro-manage the individual tasks of the employees. Organization wide, an authority matrix was set up, which was presented and approved by the board of directors. The authority matrix defines specific decision processes and the level of participation of the different functional roles and hierarchy to complete the process. Since the organization is small, a manager could be assigned to have multiple functions, e.g. an account team leader could also be the IT manager, or the Compliance officer, etc. The established authority matrix is useful in clarifying roles, responsibilities and authority of the employees, most especially those with cross-functional responsibilities. It also serves as a guide on how to delegate authority properly.

**Organizational structure.** The current structure is heavily skewed towards the backroom support which makes sense as one of the main value propositions of the company is unparalleled service. However, a review of the current structure may be timely for purposes of 1) focusing resources of business development and marketing lead consultants, and 2) ease of reporting for fulfillment teams (i.e. account management teams).

The organization structure of the Company has evolved as its strategy and vision evolved. Since the firm was established until its 19th year in 2013, it already underwent several reorganizations while maintaining its mission. When the firm started its operations, its consultants only handle the accounts of their own line expertise. The two major lines are Employee Benefits (under which are Life Insurance, Accident and Health) and Non-Employee Benefits (under which are Motor Care Fleet, Property and Casualty Insurance, Marine, etc.). Each Consultant – expert would have a team of account officers under them that service the clients. All clerical tasks like billing and ID cards validations are done the account administrative clerks who are under an Admin. Head. This simple organization structure is shown in Figure 5.4.

**Figure 5.4. Solutions Organizational Chart during its early years**



However, as clients’ requirements become more sophisticated and the services they require from the firm span across lines, handling of the account became more cumbersome for the client. For example, if a client requires insurance for healthcare (under Employee Benefit) and motorcar fleet (under Non- Employee Benefit), the client would be talking to at least two (2) consultants and consequently, two account officers.

Moreover, growth in employee benefits servicing has been phenomenal as employers compete in terms of robustness of their employee benefits. Couple this with the boom of the Business Processing Operations (BPO) industry, management felt that while the profit margins for the Non-EB lines are high, growth would be in the EB lines. The consultants were challenged to cross-sell and learn other lines. As such, the organization structure was revamped and training scheme for account officers were developed to enable them to handle all lines.

The concept of “Account Management” was born. The idea is for the client to be able to be serviced by just one account management team in order to develop professional relationship, loyalty and confidence. Each account officer is now trained and expected to handle all insurance requirements of the client he or she handles. As the business grew, the need to scale was apparent. At some point, team leaders were appointed to lead different account management teams. The latest organization chart is shown in Figure 5.1 in the previous section.

The current structure is heavy on backroom support. Business development team is thin and not currently prioritized in terms of staffing, training and development. The current structure supports business retention strategy more than business acquisition. Management needs to review this.

**Human Resources**

**Job specification.** The currently filled positions have clear job descriptions and job specifications. Senior management is currently reviewing and evaluating the job positions.

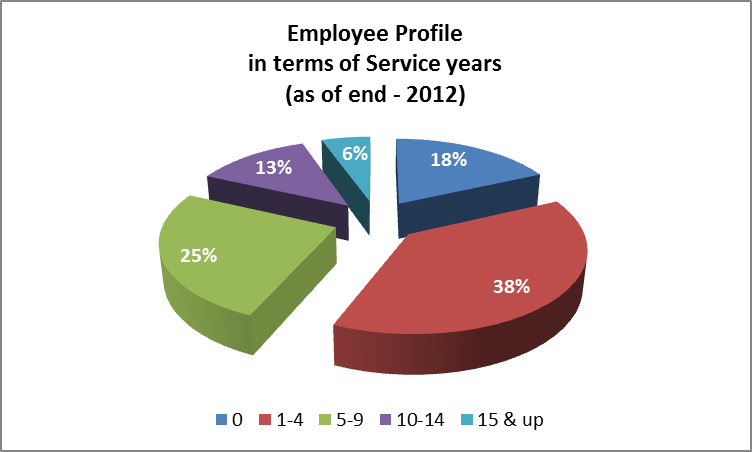
Based on the most recent employee survey, 84% agree that roles and responsibilities within the team are understood. The rest have neutral response. However, only 2 of 3 employees perceive that employees of Solutions have the right skill sets to perform their job functions. This has to be addressed in the recruitment process as well as training and development.

**Employee morale.** Based on the most recent organizational climate survey, 77% believe that morale is high in Solutions with 23% having neutral responses. Figure 5.5 below shows that responses of employees regarding questions on the company culture and work environment are most skewed to the right, i.e. high scores of 4 and 5 (agree and strongly agree) to the positive statements about the corporate culture.

**Figure 5.5 Solutions Employees’ Perception on Corporate Culture and Work Environment** (Scores: 5 Strongly Agree, 4 Agree, 3 Neutral, 2 Disagree, 1 Strongly Disagree)

**Employee turnover and absenteeism**. Current turnover is high. There is growing concern on how to retain employees in key positions (i.e. management trainee material). The average turnover rate in the last 5 years is 9.8%. For an organization of around 50, this means around 5 separations per year. Based on DOLE survey, separation rate under finance and insurance is only 2.28% during the last quarter of 2012. The turnovers are mostly on the first 2 years of stay in the company. Currently, more than 40% of the workforce has completed more than 5 years with the company and around 12% has completed more than 10 years. In a sense, the company is able retain its employee force enough to age the workforce.

**Figure 5.6. Solutions’ Employee Profile in terms of Service years (as of end-2012)**



There are indications though that a review of the training and development program as well as the recruitment standards should be done in order to keep key personnel. While the most recent satisfaction survey is still generally skewed favorable scores, Figure 5.7 below shows that there are items which are flattening which indicate that employees are not as satisfied with their current job anymore. This should be a signal to management with regards turnover expectations.

**Figure 5.7. Solutions’ Employee Perception on Job Satisfaction**

(Scores: 5 Strongly Agree, 4 Agree, 3 Neutral, 2 Disagree, 1 Strongly Disagree)

While the company has strict rules in filing vacation leaves and sick leaves, there is a growing concern regarding absenteeism most especially on the key account officer level. Unscheduled leaves and increasing number of sick leaves have negative effects on team capacity. This should partly explain why 46% of employees scored 3 and below when asked if workload is appropriate.

**Organizational Reward and Control Mechanism.** Bonuses and Merit increases are based on the Annual Performance Review, Corporate performance and future expectations. The system for reward can still be improved. Senior management is currently reviewing the job competencies which are compensable taking into account corporate philosophy, values and competitive strategy.

**Marketing Audit**

**Market Segments and Positioning.** The Company, specifically its business development team does not formally follow the STP (segmentation, targeting, positioning) process in segmenting its target market although efforts have been made to identify which industries will be approached and which size of the company is acceptable. Solutions has always maintained its primary target market, which is employers and that account growth strategy will be to tap the employees of these employers.

In terms of expertise, Solutions consultants are known in the industry. However, there is a need for the experts to grow in size in order to service more clients. Currently, these experts are both developing new businesses at the same time overseeing management of each account closed (i.e. the closers are also the fulfillers). They may be spreading themselves too thin. In terms of revenue per senior consultant, this is around 30M per senior consultant or 23M per principal. For the longest time, Solutions, a local company, has battled head on with global players like Marsh and Aon which are much bigger in size and with stronger network.

Based on total premiums placed for all lines, Solutions’ market share has decreased from 4.4% in 2007 to 2.8% in 2011. Based on total premiums placed for EB lines, Solutions’ market share decreased from 10.1% in 2007 to 6.4% in 2011. Based on total premiums place for Accident and Health, Solutions’ market share also decreased from 20% in 2007 to 11% in 2011.

**Sales Organization.** For the current capacity of the organization, whatever informal sales team it has had to be adequate, otherwise it could have not gotten new business at all since it does not have any captured market. The limitation of the current sales / business development team is its scalability. With the cutthroat competition in the market and aggressive marketing of the market leaders, the sales team may lack manpower and other resources to catch a wider net.

Based on the current organizational structure, the “sales team” in Solutions is the business development team. At any given time, there are only two to three consultants selling who have concurrent account management / project lead functions. As of end-2012, average gross revenue per sales people is Php 30 M. Average number of Corporate Account per sales people is 24. Average revenue from new business per “sales people” in 2012 is around Php 7 to 8 M.

. As mentioned in the section under organization structure, the business development team in charge of acquiring new business is the same team that oversees the fulfillment of the service level agreements which limits the team’s capability to sell actively. This is evident in the client portfolio mix of the organization which currently has a large concentration risk, i.e. 30% of the revenue stream comes from just one group of company and the top 3 clients could account for almost 50% of the revenue stream. This concentration risk could be addressed by a more active sales team bringing in more new business, diluting the concentration risk of the current portfolio.

**Pricing and Quality.** For broking services, the average commission rate for the industry is 10% of whole portfolio. Solutions’ average is lower. There are accounts where the company is forced to absorb a larger or standard scope of services with reduced commission in order to protect the current accounts from competition. For services pertaining to retirement plans, this is currently always above market and is positioned against global players like Towers Watson and Mercer. For compliance projects, pricing is not acceptable. The Company should consider packaging its retirement plan services with the broking services.

In terms of quality of service delivery, while the organization is quite known for its excellent service in the market, it currently experiences lapse in delivering these services on time. This is an indication that the current manpower loading may not be adequate anymore since processes are already in place. This also indicates a need for more automation in the process due to the volume of tasks.

Regularly, the company asks its top clients to write a testimony on the quality of service delivery by Solutions. A sample testimony is shown in Figure 5.8 below.

**Figure 5.8 Sample of Solution’s client’s Testimony on Service Quality**



The most recent organizational climate survey also showed how employees perceive the quality of services delivered to the customers. 92% agree that the company is focused on delivering high-quality service while 72% agree that the company’s services meet its customer’s expectations. However only 51% agree that customers regularly feedback to the company about the good services delivered to them. In addition, only 59% of the employees agree that services are delivered on time (41% is neutral about this issue while 5% says that services are not delivered on time).

**Other Marketing Activities.** The firm does not have a formal promotion, advertising and publicity strategy. The firm has a static website which has information about the company, its services, description of its selected projects and network/partners. The website is found in www.solutions-phils.com.

The only “promotional” collateral the firm has is the corporate profile that it gives out to its clients and prospects. The firm seldom gives sponsorships in events, which offers opportunity for advertisement of the company’s services.

In the past, the firm has organized seminars regarding topics about recent employee benefit trends (e.g. seminar on flexible benefits, retirement benefits, etc.). Historically, these activities showcase the expertise of the company’s consultants and broaden the network of the company. However, it has been more than five years since the company has held one.

Budgeting is effective. Solutions has always been conservative in terms of budgeting and in its actual spending for its operations. What it does is to budget using conservative estimates of the sales, usually not even taking into account organic growth of its clients. The budget is reviewed at least quarterly.

Marketing plan lacks action plans and close monitoring of the implementation of these plans. The company has difficulty in the implementation of its marketing plans because it currently has only two (2) sales people (business development team) without a support team.

The firm’s marketing managers are the heads of the business development team. They have no formal training in marketing but they have some experience in selling and developing business relationships. The educational background of the business development team is management and science courses. Only one has training in selling. The other has technical training.

**Finance / Accounting Audit**

The firm has strong financial ratios most especially its liquidity ratios, profit margins, Earnings Per Share (EPS) and Return On Equity (ROE) as shown below:

**Table 5.3 Key Financial Ratios based on Solutions 2012 Financial Statements (Consolidated)**

|  |  |
| --- | --- |
| Liquidity ratios: | Current - 5.18; Quick- 4.65 |
| Activity ratios: | Asset Turnover- 1.8; AR T/O -104.8 |
| Profitability Ratios: | Gross profit margin: 62%; Net profit Margin – 29%; ROE – 239%; EPS – 320+ |

In 2012, Solutions’ retained earnings is 4 times the total liabilities and 5 times the current liabilities (40.2M Retained Earnings, 10.5M Total Liabilities, of which 8.3M is current). Solutions has not incurred any debts yet from any financial institutions. For equity, its capitalization is currently sufficient (Capital - 10M Broking, 1M Consulting) with a net worth of more 44M (combined). This is in compliance with the Insurance Commission regulation of 10M in net worth for existing insurance brokers. In fact, Solutions, if it decides in the future, could re-apply for its re-insurance license (the requirement is at least 25M net worth). The organization has more than sufficient working capital. Historical working capital ratios is shown in Table 5.4.

**Table 5.4. Solutions Historical Working Capital and Working Capital Ratio (consolidated)**

|  |  |  |
| --- | --- | --- |
| Year | Working Capital  (in Php Millions) | Working Capital Ratio |
| 2012 | 34.7 | 5.18 |
| 2011 | 26.1 | 5.83 |
| 2010 | 18.9 | 5.03 |

The Company has no formally written policy on capital budgeting. Any capital budgeting expense is discussed and approved by the senior management vis-à-vis the Company’s sales and expense forecast and reported to the Board. The Company’s financials are being reviewed at least quarterly.

The firm’s president is currently assuming the function of Chief Finance Officer. She is well trained in Finance. The internal support is an accounting supervisor who is still being trained for more finance-related responsibilities.

**Operations**

The most important asset of the Company is its human assets. As such, supply of these assets should always be sufficient and development should be continuous. Current recruitment capabilities are not as robust as there is no dedicated recruitment team in the Company. On the average, it takes the Company 14 working days to fill out the rank and file level and one to two months to fill supervisor to manager level.

The property and the building where the office resides is owned by the firm. There are no warehouse facilities. Equipment pertains to the air conditioning units, central servers in the on-site data center, personal computers in each of the employee’s work stations, other electronic equipment for productivity like photocopying machines, printers, scanners, etc. All these have standard replacement cycles and service maintenance cycles. There is no inventory of goods being sold. Inventory pertains to supplies used and fixed assets acquired by the company. The firm has a standard for monitoring the inventory of fixed assets.

Solutions’ head office is in Makati where most of the business is, right now. However, there more dispersal of the businesses, i.e. more office space rising in Taguig, businesses branching out to the South and major key cities, growth of the Ecozones in the South – Laguna, Cavite, Cebu, Bacolod, Iloilo and the North – Bulacan, Pampanga, Baguio where the Company’s presence is absent.

The Company is currently developing its in-house IT team although there might be a need to hire an IT manager with a formal IT training since this role is being assumed by a technical person who is concurrently doing account management and business development.

**Technology and Information Systems**

For the Company’s current service offering and purpose, the present technology support is adequate and somehow competitive but this can be improved. There is already increasing clamor of more accessibility of information (information sharing) as well as more stringent security to protect data confidentiality and data redundancy. If Solutions can address this in the near future, this could be used as a differentiation strategy.

In terms of budgeting and forecasting, the current sales reporting system is being used by managers to crunch actual sales data (amount and timing per account) but other information needed to put in details are crunched separately from different and separate monitoring tools (outside the current information system). This has to be integrated in the future.

Sales data (invoicing and payment) are recorded as they come. Solutions may need to review the operations and might need to consider batch updating if and when the volume requires this.

Other information like client and supplier information are updated (in the database) only during special occasions when gifts are sent out to the key contact personnel. Regular update is done separately by the Account Management people in their own client information sheets. Concerns about the scope of information being captured by the information system and the timing are discussed during the operations meeting where all functional managers attend.

Currently, the information systems were designed as solution to speed up transactions. Majority of the users of the information system are on the clerical level. Reports generated by the system are used by supervisors and managers. However, the system’s capabilities should be enhanced based on the changing requirements of customers which demand for more transparent and available data with access to reports and some analytics. Based on client feedback, Solutions is able to glean at the technology support that is being offered by the competition to the market vis-à-vis current requirements of the client. Most of those capable to offer more sophisticated automated solutions, however, are global players. They obtain the IT tools from their global partners. However, local players may also develop their own solution.

As discussed in previous sections, there is no dedicated Chief Information Officer as this role is assigned to one manager with other functions. This has to be addressed in the near future especially when the Company decides for more sophisticated information technology systems to support its operations and service offerings.

* 1. **Key Financial Ratio Analysis** 
     1. **Liquidity Ratios**

**Table 5.5 Liquidity Ratios of Solutions and Key Competitors**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Solutions | | | Key Competitors | | | Key Competitor's Ave. | Industry Ave.\* |
|  | 2012 | 2011 | 2010 | Gotuaco (2012) | Lacson (2012) | Howden (2011)\*\* | (2011) | (2011) |
| Current | 5.18 | 5.83 | 5.03 | 0.996 | 1.23 | 1.12 | 1.09 | 3.86 |
| Quick | 4.67 | 4.64 | 3.52 | 0.962 | 1.21 | 0.89 | 0.99 | 1.97 |

*Notes:*

*\** *Industry Average is based on financials of key competitors and benchmarked competitors (global players) which account for around 40% market share, weighted by revenues in 2011*

*\*\* 2012 F/S of Howden is not yet available*

Solutions is highly liquid compared to its key competitors and to the rest of the industry. Overall, the industry seems to have a lot of cash readily available.

***Possible Strategy or Action.*** Since almost 50% of the expenses are in salaries, wages and benefits, the timing and amount periodically may be projected almost exactly. It is strategic for Solutions to come up with a cash position policy in order to free up cash for possible investments that could maximize interest income.

* + 1. **Activity Ratios**

**Table 5.6 Activity Ratios of Solutions and Key Competitors**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Solutions | | | Key Competitors | | | Key Competitor's Ave. | Industry Ave.\* |
|  | 2012 | 2011 | 2010 | Gotuaco (2012) | Lacson (2012) | Howden (2011) | (2011) | (2011) |
| Fixed Assets turnover | 11.0 | 13.8 | 24.5 | 46.1 | 2.1 | 22.4 | 18.7 | 38.2 |
| Total Assets turnover | 1.8 | 1.9 | 1.7 | 0.3 | 0.1 | 0.3 | 0.2 | 0.9 |
| AR turnover | 104.8 | 47.6 | 41.8 | 0.4 | 0.3 | 0.5 | 0.4 | 4.8 |
| Average collection period | 3.5 | 7.7 | 8.7 | 947.6 | 1397.0 | 693.2 | 1024.9 | 392.7 |

*Notes:*

*\** *Industry Average is based on financials of key competitors and benchmarked competitors (global players) which account for around 40% market share, weighted by revenues in 2011*

*\*\* 2012 F/S of Howden is not yet available*

Solutions has lower Fixed Assets Turnover as it owns the property where its office is located. This was a strategic move for the company to prove to the public its commitment to stay active in the industry and continue its value offering. It was also a practical move in order to stabilize the Company’s operations. Solutions also owns its own data center where all the data is housed and stored. This is also a major investment for the company.

Solutions has better turn over ratios than competitors and industry. This could be attributed also to its policy to only collect the commission income and fees rather than collect the whole premium payment from the clients. As such, booked account receivables are the account receivables pertaining to the revenue excluding the portion of the premium which are due to the insurers and providers.

Even the average collection period is better than key competitors and industry because of the policy. However, this number (for Solutions), may not show the actual A/R scenario with the clients. Solution's numbers show only the A/R collection period in collecting the commission income from the providers as majority of the revenues are from commission income.

***Possible Strategy or Action.*** One option for Solutions is to outsource its Data Center in order to free up resources which is not its core business. However, this option should be studied thoroughly especially in handling security issues and data confidentiality issues.

It would also be strategic for Solutions to invest heavily in an integrated IT solution that has a tool in monitoring both the A/Rs from the client as well as A/Rs from the providers. The IT solutions should have a facility to come up with a periodic report of all collectibles per client consolidating all existing lines of business. This could also be used as a differentiation against going direct to different providers.

* + 1. **Leverage Ratios**

**Table 5.7 Leverage ratios of Solutions and Key Competitors**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Solutions | | | Key Competitors | | | Key Competitor's Ave. | Industry Ave.\* |
|  | 2012 | 2011 | 2010 | Gotuaco (2012) | Lacson (2012) | Howden (2011) | (2011) | (2011) |
| Debt to total assets ratio | 0.19 | 0.24 | 0.26 | 0.89 | 0.78 | 0.81 | 0.82 | 0.54 |
| Debt to equity ratio | 0.24 | 0.45 | 0.35 | 8.06 | 3.51 | 4.36 | 5.03 | 2.42 |
| Long term debt to equity ratio | 0.05 | 0.27 | 0.18 | 0.09 | 0.74 | 0.07 | 0.29 | 0.08 |

*Notes:*

*\** *Industry Average is based on financials of key competitors and benchmarked competitors (global players) which account for around 40% market share, weighted by revenues in 2011*

*\*\* 2012 F/S of Howden is not yet available*

Solutions also has very few liabilities, which can be easily paid off because it is cash rich. It has no long term obligations aside from the retirement plan of its employees which currently has its own retirement fund. Compared to key competitors and the rest of the Industry, Solutions benefited from its policy to let the clients pay directly to the providers, doing away with the liability of remitting collected premiums to the provider. There are only few exceptions to this policy. Instead, Solutions was able to maximize its collection efforts by also using the collection arm of the providers. Solutions was also able to avoid booking large liabilities pertaining to premiums payable to insurers since these go direct to them per Solutions policy.

***Possible Strategy or Action.*** Solutions may use its financial strength as leverage for future capital infusion requirements, if needed.

* + 1. **Profitability Ratios**

**Table 5.8 Profitability Ratios of Solutions and Key Competitors**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Solutions | | | Key Competitors | | | Key Competitor's Ave. | Industry Ave.\* |
|  | 2012 | 2011 | 2010 | Gotuaco (2012) | Lacson (2012) | Howden (2011) | (2011) | (2011) |
| Operating profit margin | 41% | 28% | 24% | 6% | 31% | -22% | 1% | 24% |
| Net profit margin | 29% | 14% | 8% | 5% | 33% | -7% | 6% | 18% |
| Return on total assets | 53% | 27% | 15% | 1% | 5% | -3% | 1% | 28% |
| Return on stockholders' equity | 70% | 37% | 19% | 13% | 21% | -12% | 3% | 51% |
| Dividends per share | 59.1 | 72.0 | 110.0 | 30.0 | 8.0 | - | 8.5 | 208.1 |

*Notes:*

*\** *Industry Average is based on financials of key competitors and benchmarked competitors (global players) which account for around 40% market share, weighted by revenues in 2011*

*\*\* 2012 F/S of Howden is not yet available*

Not all brokers monitor the gross profit margin. A lot do not segregate the direct cost from the operating expenses. In this industry, direct cost would usually include salaries, wages and benefits by the servicing personnel and usually this includes senior consultants. Solutions is outperforming competitors (at least for those who track this). This could mean that competitors may have higher compensation or higher number of senior consultants / key personnel.

Solutions has also outperformed key competitors and the industry in terms of operating profit margin. This could show that Solutions’ operations is as efficient as it gets. For those with regional presence, cost for travel is around 3 to 5% of sales. Gotuaco has unusually high travel expense which covers more than 10% of sales. They could be really beefing up their international alliance. It is also unusual that not all brokers show a separate item for its marketing expense that includes advertising and promotions. Solutions' marketing expense is less than 1% of the revenues and even with representation and travel expenses, these amounts to less than 2% of sales.

Similar to previous discussion, Solution has high asset turnover and consequently, high ROA because its assets is not bloated with premium receivables from clients which are payable to the providers.

Solutions has higher ROE than key competitors although it currently has the lowest capitalization. Key competitors have higher capitalization because they carry both insurance and reinsurance licenses and as such, they are required by the Insurance Commission to maintain at least a net worth of Php 25 Million. Solutions, having only an insurance license, while having a net worth allowing it to also carry a re-insurance license, is only required to maintain a net worth of Php 10M.

The industry average is weighted towards high dividend paid out by the global players to its shareholders, usually to the parent company. Amongst the local players, Solutions has outperformed its competitors.

***Possible Strategy or Action.*** In the long run, it would be strategic for Solutions to invest in a management training program that would produce future leaders and senior consultants of the company. With the way the market is growing three to four senior consultants in any given time may not be enough to build the capacity and expertise that the market needs. Solutions should at least double the number of consultants in the next two to three years and triple in the next five to ten years.

Solutions should budget at least 5% of its sales to beef up its marketing activities in order to capture more clients, especially those which are outside its existing personal network and create long-term partnerships and strategic alliances with providers what would add value to its product/value offerings.

Solutions might want to also re-consider carrying a reinsurance license in the future (it has carried this in the past but dropped it because it is not actively selling this service).

* + 1. **Growth Rates**

**Table 5.9 Year-on-Year Growth of Solutions and Key Competitors**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Solutions | | | Key Competitors | | | Key Competitor's Ave. | Industry Ave.\* |
|  | 2012 | 2011 | 2010 | Gotuaco (2012) | Lacson (2012) | Howden (2011) | (2011) | (2011) |
| Sales | 19% | 11% | 7% | 17% | 30% | 74% | 24% | 12% |
| Net income | 144% | 89% | -46% | 32% | 130% | -189% | -66% | -8% |
| Earning per share | 200% | 89% | -46% | 32% | 130% | -122% | -43% | -3% |
| Dividends per share | -18% | -35% | 267% | 71% | 0% | na |  |  |

*Notes:*

*\** *Industry Average is based on financials of key competitors and benchmarked competitors (global players) which account for around 40% market share, weighted by revenues in 2011*

*\*\* 2012 F/S of Howden is not yet available*

Solutions sales growth is not as high compared to key competitors despite it being the most profitable. As shown in the market analysis, Solutions' revenue growth is lagging as the market is already growing by 17% compounded in the last 5 years. Further analysis of Solutions client portfolio reveals that revenues from one group of companies (global) comprise around 30% of its current sales. The situation is similar in the past which makes the revenue stream volatile due to high concentration risk. This is shown in the growth of net income over the years.

***Possible Strategy or Action.*** Solutions should invest heavily in the development of its business development (marketing and sales) team in order to develop new market which is not vulnerable to global appointments. This new market (most probably the local industries) would be medium to large sized local companies. Penetration of such markets should dilute the concentration risk of the current client portfolio of Solutions.

* 1. **Internal Factor Evaluation (IFE)** 
     1. **Strength Ratings and Importance Weight**

**S1.** Good Servicing reputation; Weight – 15%; Rating - 4

This is one of the highest in weight. This is a core competency in the service industry most especially for business where after sales service is active and contact with the clients has lasting effect and meaning during after sales.

This is a major strength of Solutions as it is reputed to have strong service oriented processes and people. Base on both providers and clients’ feedback, Solutions is one of the broker firms (if not only) who is able to administer the plan effectively and really adds on value in terms of servicing the needs of the clients in collaboration with the providers. Value-added services that are visible to the clients and providers include audit of all documents, materials and agreements from both providers and clients. It also include technical advice on policy provisions, negotiation with the providers for difficult claims and policy terms and conditions. There was even one MNC client of Solutions which was able to convince global to retain a local broker because of Solutions servicing capabilities.

**S2.** Strong technical team (in terms of industry reputation of consultant’s expertise including availability of technical team); Weight – 15%; Rating - 4

This is one of the highest in weight. This is also a core competency in this industry where technical advice is ideally the value that is offered and paid for by the clients. The stronger and more expansive the technical knowledge offerings are, the more it would be easier to differentiate against the competitors. It should be noted that unlike transactional expertise, development of technical expertise may not be as easily developed and imitated. Not even full automation can compete against real people with real talents and know-how.

Solutions’ founders and senior consultants have reputation as experts in the field of employee benefits, risk management and actuarial consulting. The staff's training are also geared towards technical training. The training just needs to be policized and formally and regularly executed. Solutions should also grow the technical team’s capacity through targeted recruitment.

**S3.** Presence of Broking and Consulting practice; Weight – 5%; Rating – 3

With flexibility that this gives, not only in pricing but also in service offering, the presence of these major lines of business could give more value on the service offerings and an as such, differentiation by the company.

This is just a minor strength of Solutions. While there is expertise by the senior consultants in a wide range of areas in management, most specially in Human Resources, Employee Benefits and Risk Management, capacity was not built in order to support large numbers of clienteles to be able to service concurrent projects.

**S4.** Market leader in one of the major lines (employee benefits, commercial, individual); Weight – 5%; Rating – 4

As a market leader, at least in a major line of business, brand equity and reputation is solidified. This makes it easier to venture to different lines when existing expertise operations supporting the main line of business is already in place, efficient and effective.

This is a major strength of Solutions as it is one of the market leaders (for local, independent brokers) in the placement of employee benefit plans like healthcare and life insurance plans. This makes the company attractive not only in the client perspective but also in the provider space. Usually, more concessions are made available for large portfolios. The values of these concessions are transferred to Solution's clients.

**S5.** With access to global knowledge through international alliance while maintaining independence; Weight – 5%; Rating – 3

As a local company, affiliation with a global network can be a brand promise. This indicates broad repository of knowledge and customized innovative advice incorporating local circumstances.

International alliance is a minor strength which should be improved and maximized in the near future. Sharing of knowledge and best practices must be regular and possible solutions and support of these solutions is not yet operationalized.

* + 1. **Weakness Ratings and Importance Weight**

**W1.** Under-utilized international alliances; Weight – 5%; Rating – 2

The value of international alliance for local brokers positioned to capture the local market is more on branding but valued services and presence locally is more important. However, with globalization and upcoming ASEAN market integration, there is opportunity to grow the business through these alliances.

This is a minor weakness. So far, the firm's portfolio has grown even with under-utilized international alliance. However, there are big opportunities for differentiation in terms of product/service offering development if these alliances are maximized. Further, business opportunities could open if international network is also strong specifically for corporations with global connections.

**W2.** Absent institutional relationship with under-utilized personal network; Weight – 10%; Rating - 1

While the choice of a consultant and/or insurance broker is based on trust, the market is slowly professionalizing the choice of the broker/consultant based on rationalized criteria. As such, communication of the value proposition and service offerings become more important than strength of institutional relationship or personal network but current industry practice based on relationship should still prevail at least in the next 3 to 5 years.

Similar to strength of international alliance, so far, the firm's portfolio has grown even with the absence of institutional relationship. However, there are big opportunities for differentiation in terms of product/service offering development if these relationships are cultivated and developed. Sales reach could also be maximized with the help of institutional partners.

**W3.** Weak support for business development team and no formal marketing and sales plan and activities; Weight – 10% ; Rating – 1

This is assigned with relatively high weight because targeting local companies, which is bigger in number but smaller in size, would need more physical persons to reach out as well as careful market segmentation and product/service package development.

This is a major weakness of Solutions. While the organization structure provisions for marketing staff to support the business development efforts, there is none for the longest time. As such, there is no regular data mining for possible prospects, no formal market segmentation and marketing plan is done and executed.

**W4.** Limited range of services; Weight – 5%; Rating – 2

A wide range of service offerings could give flexibility in terms of packaging services based on client needs and requirements and thus, client acquisition. Further, it could cement client relationship when they are more dependent on the service provider.

Currently, the Company's portfolio is composed of more than 90% employee benefits consulting and/or broking-related revenues and most of these is coming from placements of healthcare plans of employees. There is a big opportunity to mine the current client pool for more businesses under different line of businesses but operations is not fully built to address such requirement and no firm strategy is planned and executed to do this. However, it should be noted that the current structure is based on the original positioning of the Company as boutique firm focused on employee benefits services. This positioning gave the Company focus that it needs while it is growing.

**W5.** Risky client portfolio mix; Weight – 20%; Rating – 1

This is assigned with the highest weight since internally, concentration risk in terms of portfolio mix is high. Currently, around 30% of the portfolio is accounted for by just one group of companies, which is also a global company. There is a big challenge to retain this account or grow the business by around 20% annually in the next 5 years just to dilute this risk.

This is a major risk to the Company and as such, a major weakness. More than 80% of the portfolio is composed of accounts from the MNCs. Since there is already a trend for MNCs doing global appointments, this is a real threat to the Company unless there is a viable move to affiliate with another strong global player.

**W6.** Limited geographical scope; Weight – 5%; Rating – 2

This is assigned a minimal weight for now. However, since most of the insurance brokers and consultants are in Metro Manila, it would be a differentiating factor to actually have presence in the rest of the key cities of the country in order to capture the growing market in those areas.

Solutions only operates in Metro Manila. This is just a minor weakness for now since the current portfolio of the company are all Manila-based and most of these are multi nationals. However, operationally, it might already be strategic to slowly set up operations in the Central Luzon and the South starting with the locations where current geographically dispersed clients are located.

* + 1. **IFE Matrix**

The scores in Table 5.10 show that Solution’s rating of 2.40 is consistent with its market position in the industry. While the company enjoys a good reputation based on the quality of service delivery, customer service and technical expertise of its consultants who gives relevant and timely advice, its market share has not grown as much because of its limited capacity to push its service offering to the market. This is also consistent with its CPM score.

Solutions also has to decide which market it want to focus on growing as currently, it is not positioned to capture the global players anymore based on its current capacity and strength of its global affiliation.

To maintain its profitability, protect its current client base and grow it, Solutions must consider several market penetration and product development strategies and by developing a strong marketing and sales team and unique service offerings to push to the market. It should also use its global, regional network and consider alliances with strategic partners to develop and introduce new product offerings in the market.

**Table 5.10. Solutions IFE Matrix Table**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Internal Factor** | **Source** | **Importance**  **Weight (%)** | **Firm's Rating**  **(1 to 4)** | **Weighted**  **Score** |
| Strengths |  |  | (3 or 4) |  |
| S1. Good Servicing reputation | Internal Audit  and 7S | 15% | 4 | 0.60 |
| S2. With strong technical team | 7S | 15% | 4 | 0.60 |
| S3. Presence of Broking and Consulting practice | 7S | 5% | 3 | 0.15 |
| S4. Market leader in one of the major lines (employee benefits, commercial, individual) | Internal Audit and 7S | 5% | 4 | 0.20 |
| S5. With access to global knowledge through international alliance while maintaining independence. | 7S | 5% | 3 | 0.15 |
| Weaknesses |  |  | (1 or 2) |  |
| W1. Under-utilized international alliances | 7S | 5% | 2 | 0.10 |
| W2. Absent institutional relationship with under-utilized personal network | 7S | 10% | 1 | 0.10 |
| W3. Weak support for business development team and no formal marketing and sales plan and activities | Internal Audit, 7S and Financials | 10% | 1 | 0.10 |
| W4. Limited range of services | Internal Audit and 7S | 5% | 2 | 0.10 |
| W5. Risky client portfolio mix | Internal Audit and Financials | 20% | 1 | 0.20 |
| W6. Limited geographical scope | Internal Audit and 7S | 5% | 2 | 0.10 |
| **Total** |  | **100%** |  | **2.40** |

Ratings: 4 = Major Strength, 3 = Minor Strength, 2 = Minor Weakness, 1 = Major Weakness

The Company should be able to use its technical expertise as leverage and release sales people to the field to seriously sell its service offering

In order to address limitation on geographical reach, the Company could consider merger and acquisition with local players already in the target cities where it want to have presence. It could also utilize any strategic alliance with providers that it can develop.

1. **STRATEGY FORMULATION**
   1. **Strengths, Weaknesses, Opportunities, Threats (SWOT)** 
      1. Strength – Opportunity Strategies (S.O. Strategies)

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| S1: Good Servicing reputation  S2: With strong technical team; senior consultants ‘ expertise are known in the industry  S3: Presence of broking and consulting practice  S4: Market leader in one of the major lines (employee benefits, commercial, individual)  S5: With access to global knowledge through international alliance | O1: Increase GDP Growth drives more businesses which are the primary purchasors of insurance. These new businesses, in fact, are springing, not only in Metro Manila but in major cities nationwide.  O2: Large Presence of SMEs (around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations.  O3: Increase in demand for broker services locally due increased activity of Global players (EB consultants and brokers) .  O4: Increase in perceived value of employee benefits as HR acquiring and retention tool.  O5: Fast growing BPO segment and improving status of the manufacturing industry. |

**S.O. Strategies**

**SO1.** Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers. (S1, S2, S4, O1, O2, O3, O5)

**SO2.** Develop unique service/product packages to cross-sell and upsell to existing customers. There is a need to strengthen alliances with providers that will support these packages. (S3, S4, S5, O1, O4)

**SO3.** Create “global” packages through existing and/or new international networks to sell to local companies (with decision makers here in the Philippines) who are global or plans to go global (e.g. RFM, Unilab, etc.). (S3, S5, O3)

S04. Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availability of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning. (S1, O2, O5)

* + 1. Strength – Threat Strategies (S.T. Strategies)

|  |  |
| --- | --- |
| **Strengths** | **Threats** |
| S1: Good Servicing reputation  S2: With strong technical team; senior consultants ‘ expertise are known in the industry  S3: Presence of broking and consulting practice  S4: Market leader in one of the major lines (employee benefits, commercial, individual)  S5: With access to global knowledge through international alliance | T1: A lot of brokers especially the Market Leaders are undercutting commissions would drive commission rates down  T2: Increased consolidation of multinational clients.  T3: Increased activity of provider direct sales force competes with intermediaries. |

**S.T. Strategies**

**ST1.** Invest in a regular marketing study in order to periodically review the company’s value proposition vis-à-vis market needs and trends. As needed, review and revise all marketing materials and focus communication on increasing emphasis of the value (financial and non-financial impact) provided by servicing, particularly with respect to on the ground support and value added technical analysis offerings. (S1, S2, T1, T2, T3)

**ST2.** Intensify brand-building efforts through advertising, PR events including developing a more long-term CSR program. (S1, S3, T3)

**ST3.** Consider merger and/or acquisition with a local broker with strong NEB portfolio, which also affiliated with top global broker, e.g. Winebrenner and Iñigo affiliated with Willis (3rd global), or Philinsure affiliated with Peter Gallagher (S4, T2)

* + 1. Weakness – Opportunity Strategies (W.O. Strategies)

|  |  |
| --- | --- |
| **Weakness** | **Opportunities** |
| W1: Under-utilized international alliances  W2: Absent institutional relationship  W3: Weak support team for business development and no formal marketing plan / activities  W4: Limited Range of services  W5: Risky customer portfolio mix  W6. Limited geographical scope | O1: Increase GDP Growth drives more businesses which are the primary purchasors of insurance. These new businesses, in fact, are springing, not only in Metro Manila but in major cities nationwide.  O2: Large Presence of SMEs (around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations.  O3: Increase in demand for broker services locally due increased activity of Global players (EB consultants and brokers) .  O4: Increase in perceived value of employee benefits as HR acquiring and retention tool.  O5: Fast growing BPO segment and improving status of the manufacturing industry. |

**W.O. Strategies**

**WO1.** Create “global” packages through existing and/or new international networks, and look at potential for supporting Philippine multinationals (e.g. RFM, Unilab, etc.) within the region with a alliance offering. (W1, O3)

**WO2.** Form strategic alliances with providers that offer complementary services like Car Dealers to sell motor car insurance, Stock Brokers to sell Insurance Life policies, Real Estate Brokers for property insurance, Real Estate Developers for engineering insurance, HR consultant for EB placements, Travel agents for travel linsurance, or Auditor and CPAs for retirement plan consulting, Training and Seminar Institutes which hosts seminars and workshops. (W2, W4, W5, O1)

**WO3.** Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers. (W3, W5, O2, O5)

**WO4.** Develop partnerships with service providers which could add value to the present service offerings like partnership with pharmaceutical companies or pharmacies, optical shops, dental clinics, multi-specialty clinics and wellness centers (like discounts, or preferred rates, or cash-less availments). (W4, O2, O4)

WO5. Design offerings/packages specifically for SMEs, which value one stop shop services. (W4, W5, O1, O2)

**WO6.** Increase business development particularly aligned to new product areas with focus on using EB as a hiring and retention tool like co-branding membership cards with certain customers and providers (ie. additional benefits outside of standard HMO). (W3, W4, O1, O4, O5)

**WO7.** Consider merger and/or acquisition with a local broker with strong NEB portfolio, which also affiliated with top global broker, e.g. Winebrenner and Inigo affiliated with Willis (3rd global), or Philinsure afiliated with Peter Gallagher (W4, W5, O3)

**W08.** Consider setting up a sales branch in Central Luzon and/or in the South where a lot of economic zones are being developed (Clark, Subic, Laguna or Cavite, Cebu, Bacolod, Davao) or consider merger and/or acquisition with a local broker firm with presence in these cities. (W6, O1)

* + 1. Weakness – Threat Strategies (W.T. Strategies)

|  |  |
| --- | --- |
| **Weakness** | **Threats** |
| W1: Under-utilized international alliances  W2: Absent institutional relationship  W3: Weak support team for business development and no formal marketing plan / activities  W4: Limited Range of services  W5: Risky customer portfolio mix  W6. Limited geographical scope | T1: A lot of brokers especially the Market Leaders are undercutting commissions would drive commission rates down  T2: Increased consolidation of multinational clients.  T3: Increased activity of provider direct sales force competes with intermediaries. |

**W.T. Strategies**

**WT1.** Create “global” packages through existing and/or new international networks, and look at potential for supporting Philippine multinationals (e.g. RFM, Unilab, etc.) within the region with a alliance offering. (W1, T2)

**WT2.** Revisit relationship with providers and consider partnership in creating certain products targeted for particular market segments, particularly local SMEs and High Net Worth Individuals. (W2, W5, T3)

**WT3.** Develop a strong business development team which willrevisit current product pricing strategy to align with current offering levels at an institution business development level. Focus on providing more value added components into the product mix and unbundling service offerings. (W3, W4, T1)

**WT4.** Consider merger and/or acquisition with a local broker with strong NEB portfolio, which also affiliated with top global broker, e.g. Winebrenner and Iñigo affiliated with Willis (3rd global), or Philinsure affiliated with Peter Gallagher. (W4, W5, T2)

**WT5.** Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availablity of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning. (W3, W4, T1, T3)

**WT6.** Consider setting up a sales branch with skeleton support in the South where a lot of economic zones are being developed (Laguna or Cavite, Cebu, Bacolod, Davao) or consider merger and/or acquisition with a local broker firm with presence in these cities. (W6, T1, T3)

* + 1. Grouping of SWOT Strategies
       1. Market Penetration Strategies

***SO1/WO3.*** *Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers. (S1, S2, S4, O1, O2, O3, O5, W3, W5)*

Solutions has always focused on gaining audience through referrals and most of them are with large corporations, and incidentally these are Multinationals companies. With its trophy clients (80% of portfolio are MNCs), Solutions is poised to enter the local market space through more active marketing of its services. Advertising could be made during a co-sponsored event like seminar on PFRS for SMEs together with Accounting Compliance for Retirement Plan valuation or Trends on Employee benefits or Healthcare plan and financing, etc. It would be beneficial for Solutions to co-organize the events with established organizers like Center for Global Best Practices (CGBP) or ARIVA in order to maximize their network.

There is a need to build the business development team capacity through hiring marketing and sales professionals. In the past, business development has always been done by the principals and senior consultants with just a budget/target in mind. Solutions has to consider whether it would impose variable incentives for the sales team. Because of the rising rivalry of competition, market segmentation and targeted marketing activities must already be done. These activities need a robust support team.

***ST1.*** *Invest in a regular marketing study in order to periodically review the company’s value proposition vis-à-vis market needs and trends. As needed, review and revise all marketing materials and focus communication on increasing emphasis of the value (financial and non-financial impact) provided by servicing, particularly with respect to on the ground support and value added technical analysis offerings. (S1, S2, T1, T2, T3)*

There are comments from prospects that when they read the corporate profile of Solutions at the company’s website, they have a hard time determining what Solutions really is. It would be easier to sell a service of the company if the value proposition is clear and this is usually made real clear if it can be quantified. This should be the first order of the day.

***ST2.*** *Intensify brand-building efforts through advertising, PR events including developing a more long-term CSR program. (S1, S3, T3)*

Currently, Solutions is banking on word of mouth by current clients and accredited providers in disseminating its brand equity. With the way the market is expanding, it would be strategic for Solutions to start advertising its value offerings through development of a market-sensitive website and through promotions in the events where target market is usually found. It would also intensify Solution’s brand equity if its CSR program is more compact, long-term and grassroots-centered with the aim of nation-building unlike its current annual outreach program. A strategic social entrepreneur partner or corporate partner could be considered.

***WO2.*** *Form strategic alliances with providers that offer complementary services like Car Dealers to sell motor car insurance, Stock Brokers to sell Insurance Life policies, Real Estate Brokers for property insurance, Real Estate Developers for engineering insurance, HR consultant for EB placements, Travel agents for travel insurance, or Auditor and CPAs for retirement plan consulting, Training and Seminar Institutes which hosts seminars and workshops.* ***(W2, W4, W5, O1)***

Since Solutions has little to none Sales team, it would be beneficial for it to have strategic alliances with institutional partners which would multiply its “sales force” through them without having to build a very large sales force by itself. With a favorable forecast on the economic growth in the future, there is a market for individuals with high net worth and SMEs which could be captures through these alliances. Solutions just have to strike a mutually beneficial agreement for this collaboration in order to preserve its values and reputation as well as intellectual assets.

* + - 1. Product Development Strategies

***SO3 / WO1 / WT1.*** *Create “global” packages through existing and/or new international networks to sell to local companies (with decision makers here in the Philippines) who are global or plans to go global (e.g. RFM, Unilab, etc.).* ***(S5, O3) / (W1, O3) / (W1, T2)***

In anticipation of the ASEAN Economic Community in 2015 and its possible effect to the globalization or regionalization plans of the local companies, it is a good time for Solutions to finally sit down with its regional network (RNA) and collaborate on how to package a “regional” or “global” insurance plans especially for employee benefits and sell this to the local companies going regional/global. The idea is to package plans that can be supported anywhere in the ASEAN or eventually globally. For global package, Solutions could tap Abelica Global. The key here is that the decision makers would be local, i.e. selling is outbound since Solutions cannot (for now) compete with inbound selling, i.e. global appointments where decisions are made outside the Philippines.

***SO2.*** *Develop unique service/product packages to cross-sell and upsell to existing customers. There is a need to strengthen alliances with providers that will support these packages. (S3, S4, S5, O1, O4)*

Since over 80% of Solutions portfolio is MNCs, which is very vulnerable to global appointments and most probably in favor of global competitors, it would be strategic for Solutions to increase the client’s dependency on their advice through cross-selling other products of value to the clients like a motor car insurance or property insurance for their individual employees with preferred fleet rate and favorable paying scheme. Solutions could also develop in-house wellness packages (spa, annual check-up, discounts in optical shops, etc.) through strategic partnerships with these providers.

***WO4.***  *Develop partnerships with service providers which could add value to the present service offerings like partnership with pharmaceutical companies or pharmacies, optical shops, dental clinics, multi-specialty clinics and wellness centers (like discounts, or preferred rates, or cash-less availments).* ***(W4, O2, O4)***

As briefly mentioned in SO2, Solutions could develop a “loyalty card” for its clients through partnerships with service providers. The cards may be co-branded with the corporate client (i.e. logo of Solutions and Corporate client is shown in the card) for stronger branding and value to the clients. Solutions need to explore acceptable deals with these service providers that is both mutually beneficial. Solutions need to consider the cost of doing this (on top of printing of cards). Several “packages” that could be developed and offered to clients depending on the amount of placement.

***WO5.*** *Design offerings/packages specifically for SMEs, which value one stop shop services* ***(W4, W5, O1, O2)***

Solutions can use its technical and business development team to brainstorm with providers (especially healthcare, life and property insurers) to make a special package only for Solutions to sell and targeted to SMEs. Solutions could consider 1) EB package covering healthcare, life and personal accident insurance and retirement package, 2) Business package that covers, CGL, Fire, Motor car and Appraisal, 3) Wealth package that covers individual life insurance and mutual funds package.

***WO6.*** *Increase business development particularly aligned to new product areas with focus on using EB as a hiring and retention tool like co-branding membership cards with certain customers and providers (i.e. additional benefits outside of standard HMO). (W3, W4, O1, O4, O5)*

Solutions currently has a Third Party Administration service. Solutions could enhance this offering through talking to the major banks to arrange for a paperless and check-less transactions when settling claims. A cost-effective deal could be arranged with a promise of volume portfolio. Similarly, WO4 strategy may be packaged accordingly and used as a retention tool if also positioned as Corporate branding for the client.

***WT2.*** *Revisit relationship with providers and consider partnership in creating certain products targeted for particular market segments, particularly local SMEs and High Net Worth Individuals.* ***(W2, W5, T3)***

Solutions can use its technical and business development team to brainstorm with providers (especially healthcare, life and property insurers) to make a special package only for Solutions to sell and targeted to SMEs and High Net Worth individuals.

***WT3.***  *Develop a strong business development team which will**revisit current product pricing strategy to align with current offering levels at an institution business development level. Focus on providing more value added components into the product mix and unbundling service offerings.* ***(W3, W4, T1)***

Another differentiation strategy is to veer away from the common commission based revenue stream. This could be done by packaging the broking end-to-end services to smaller scopes to empower the clients to choose which scope of services they want to pay for. With this, valuable insights on client preferences and needs may be mined to study for future product development and adjustments on the operations.

***SO4/WT5.*** *Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availability of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning.* ***(W3, W4, T1, T3)***

As more and more companies go paperless, and Service Level Agreements become more stringent, it is crucial for Solutions to an integrated IT solution that could streamline processes and give more value to the client in terms of consolidating pertinent information and reports, easier liaising between client and providers. The solution could also be a tool to mine customer preferences, prospects, etc.

* + - 1. Market Development Strategies

***WO8/WT6.*** *Consider setting up a sales branch with skeleton operations in the South where a lot of economic zones are being developed (Laguna or Cavite, Cebu, Bacolod, Davao) or consider merger and/or acquisition with a local broker firm with presence in these cities.* ***(W6, O1) / (W6, T1, T3)***

Around 55% of SME establishments are situated outside Metro Manila. For Medium enterprises alone, this translates to more than 200 thousand employees outside Metro Manila. It would be easier to reach out to the market when Solutions has presence there. Solutions could consider building branches or sales office in Central Luzon or down south or acquire/merge with a broker firms already there. Currently, top local firms with presence in the South are Lacson and Lacson and Philinsure.

* + - 1. Horizontal Integration Strategies

***ST3 / WO7 / WT4.*** *Consider merger and/or acquisition with a local broker with strong NEB portfolio, which also affiliated with top global broker, e.g. Winebrenner and Inigo affiliated with Willis (3rd global), or Philinsure affiliated with Peter Gallagher (S4, T2) / (W4, W5, O3) / (W4, W5, T2)*

Even if the strategy will be focused on penetrating the local market, Solutions still need to protect its current portfolio, more than 80% of which are MNCs. As such, it would still be strategic for Solutions to intensify its global network. However, since Solutions value proposition included global knowledge but with independence in advice, Solutions may only tap networks of independent brokers like Willis and Peter Gallagher. These top global broker networks, however, already have representatives in the Philippines. Solutions could either push for them to change representatives (which is hard to do unless the value proposition is compelling) or consider merger and/or acquisition of these Philippine representatives.

Also, these local brokers have rich portfolio in the Non-EB lines while Solutions is strong in EB lines. Together, the range of services and capabilities would be richer and stronger.

***WO8 / WT6.*** *Consider setting up a sales branch in Central Luzon or in the South where a lot of economic zones are being developed (Laguna or Cavite, Cebu, Bacolod, Davao) or consider merger and/or acquisition with a local broker firm with presence in these cities. (W6, O1) / (W6, T1, T3)*

Around 55% of SME establishments are situated outside Metro Manila. For Medium enterprises alone, this translates to more than 200 thousand employees outside Metro Manila. It would be easier to reach out to the market when Solutions has presence there. Solutions could opt to build branches down south or acquire/merge with a broker firms already there. Currently, top local firms with presence in the South are Lacson and Lacson and Philinsure.

* 1. Strategic Positioning & Action Evaluation (SPACE)

**Figure 6.1 Solutions SPACE Matrix**



* + 1. Internal Strategic Position

|  |  |
| --- | --- |
| ***FINANCIAL STRENGTH (FS) –*** *Rating: +1 (worst) to +6 (best)* | RATINGS |
| **Liquidity:** Solutions has better liquidity than the competitors as Solutions benefits from its policy to let the clients pay directly to the providers, doing away with the liability of remitting collected premiums to the provider and carrying premiums which are not its real assets. Solutions' liquidity and quick ratios are 5.18 and 4.67 (2012), respectively compared to key competitors which are just above 1:1 on the average. It's working capital in 2012 was more than Php 34M. | 6 |
| **Net worth:** Solutions has net worth of more than Php 44M complying to the minimum requirement of the Insurance Commission of Php 10M for existing insurance brokers. The rest of the key competitors have net worth of more than 60M while global players have net worth of more than 100M. Most of these have higher net worth because they also carry re-insurance license which requires them to have at least Php 25M net worth per IC rule. | 5 |
| **ROE:** Solutions has ROE of 37% and 70% 2011 and 2012 while key competitors have 3% on the average in 2011 and 17% in 2012. This is almost at par with ROEs of global players. | 6 |
| **Ease of Exit:** Solutions has allied products and services (i.e. TPA, consulting) of its own. The customers, network, process, tools and systems for these customized products are already in place. This makes it attractive to potential acquirers who want to enter these areas. Purchasing Solutions is a quick way to enter that space. | 6 |
| Total | 23 |
| Average | 5.75 |

|  |  |
| --- | --- |
| ***COMPETITIVE ADVANTAGE (CA)*** *– Rating: -1 (best) to -6 (worst)* |  |
| **Customer service:** Technical Advice and Service Quality: Solutions founders and senior consultants have reputation as experts in the field of employee benefits, risk management and actuarial consulting. Solutions is also reputed to have strong service oriented processes and people. There are anecdotal evidences coming from both providers and clients about how Solutions, as one of the brokers (if not only) who is able to administer the plan effectively and really adds on value in terms of servicing the needs of the clients in collaboration with the providers. There was even one MNC client of Solutions which was able to convince global to retain a local broker because of Solutions servicing capabilities. | -1 |
| **Information Technology:** Solutions has in-house developed systems customized for it unique organization structure and operations. However, there is a need to review and enhance these systems in order to comply with new trends in data management as well as security. Solutions also has to explore providing clients integrated tools for data accessibility and communication. | -3 |
| **Strength and sustainability of network (global, institutional, personal):** Solutions, for the longest time, has no formal marketing and sales team and yet it has breached top ten in EB and A&H lines after 10 years in the industry with players with at least 10 to 20 years head start. This is a testimony of the strength of its personal relationship. However, this needs to be backed up with more formal marketing activities for sustainability. | -4 |
| **Range of services / expertise:** Solutions has focused on consulting with regards human resources and particularly employee benefits including placement of insurance aligned to such lines as shown in its portfolio which 99% EB lines. It is slowly developing its TPA offering. | -4 |
| **Strategic location and Market/Sales Reach:** Solutions has located itself in the Makati area where most of the businesses are. However, key competitors have already branched out in key cities nationwide to capture the growing business in these cities. | -4 |
| Total | -16 |
| Average | -3.20 |

* + 1. External Strategic Position

|  |  |  |  |
| --- | --- | --- | --- |
| ***ENVIRONMENTAL STABILITY (ES)*** *– Rating: -1 (best) to -6 (worst)* | | |  |
| **GDP Growth and Economic Stability:** Future market growth would be rapid as more businesses are set up due to economic activities. GDP was 6.6% in 2012 and is forecasted to maintain around 6% for the next 2 years. (ADB, 2013) This would mean more opportunities for insurance coverage that could be brokered by the insurance brokers. | | | -1 |
| **Technological changes:**  There is growing reliance on technology not only in terms of efficiency in the internal operations to address challenges in fulfilment of service level agreement that is becoming steeper, but also in the way marketing and selling of the services as well as sharing of information between all stakeholders. | | | -4 |
| **Global integration of procurement:** There is growing trend for an integrated global procurement decision which makes global positioning strategic in terms of capturing global clients which also includes Filipino companies going global. | | | -4 |
| **Large number of establishments in the Philippines:** In 2011 alone, there are more than 820 thousand establishments all over the Philippines. In the employee benefits business, there is value in giving advice as to how employers could pay for and/or cover the benefits of their employees and be more competitive. On the non-employee benefits area, there is value in providing advice on risk management most especially the appropriateness on when and what to cover through insurance. | | | -2 |
| Total | | | -11 |
| Average | | | -2.2 |
| ***INDUSTRY STRENGTH (IS) –*** *Rating: +1 (worst) to +6 (best)* | | |  |
| **Regulated by Insurance Commission:** The regulating body (IC) gives credibility to the industry as IC enforces standards, requirements and Corporate Governance compliance by all licensed brokers. | | | 6 |
| **Profit Potential:** Insurance broking and consulting does not require huge capital investment in terms of fixed assets except for the capital requirement imposed by the Insurance Commission. As such, profit potential is high. Based on 2011 experience and companies comprising 40% of market share, net profit margin is averaging more than 15%. Traditional revenue stream for pure insurance placement has no exposure to claims from the customers/policyholders, passing on all risk to the HMO provider and insurers. | | | 4 |
| **Entry barrier:** The capitalization requirement imposed by the IC poses as an entry barrier to the industry (20M for insurance or re-insurance broker license, 50M for insurance and re-insurance licenses). IC also requires certain number of years of professional experience for the soliciting agent/s representing the broker firm. | | | 5 |
| **Growth potential:** As the insurance industry grows driven by more economic activities, there is always opportunities for the brokers to offer their value added service in terms of advice, placement and after sales customer service to the consumers. Broker placement is around 34% of the total market premiums (IC Report 2011). This shows opportunity to get a larger share of the market. However, brokers need to differentiate in its value offering in order to compete with the direct sales and agents of HMOs and insurance providers. While premium grew by 17% (CAGR) in the last 5 years, growth in commission is lower (11% 5-year CAGR). | | | 4 |
| **Competitive intensity:** The industry is consolidating. Despite the growth in premiums placed and commissions. Licensed insurance brokers shrunk from 93 in 2007 to just 63 in 2011 based on the IC Report. Licensed re-insurance brokers were recorded at 23 in 2011 from 32 in 2007. Market share of the market leaders is growing, eating up the market share of the small players. Top 3 market share grew from 25% in 2007 to 41% in 2011; Top 10 from 65% to 75% while total of all firms ranked below 10 shrunk from 35% to 25%. | | | 4 |
| Total | | | 23 |
| Average | | | 5.75 |
| X - Axis (CA average + IS average) | 2.55 |
| Y- Axis (ES average + FS average) | 3.55 |

Based on the analysis, Solutions falls within the Aggressive profile quadrant. Solutions is in an excellent position to use its internal strengths to take advantage of external opportunities, overcome internal weaknesses and avoid external threats. Feasible strategies are market penetration, market development, product development, backward integration, forward integration, horizontal integration, diversification, or a combination strategy. (David, 2009)

* 1. **Boston Consulting Group (BCG) Matrix**

**Table 6.1 Solutions’ Market Share of Main Business Lines relative to Market Leaders**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Name | Brand Market Share | Leader Market Share | Relative Market Share | Brand Sales Value | Brand % Profit Share | Market Growth Rate |
| A&H | 11.79% | 32.50% | 36.26% | 65.66 | 77.6% | 21.8% |
| Life | 4.55% | 15.82% | 28.77% | 4.28 | 8.5% | 17.9% |
| Motor Vehicle | 0.26% | 28.28% | 0.91% | 1.26 | 4.8% | 10.8% |
| Fire | 0.02% | 22.01% | 0.09% | 0.21 | 0.7% | 16.7% |
| Inland Marine | 0.11% | 34.93% | 0.33% | 0.10 | 0.5% | 10.4% |
| TPA\* | 10.00% | 50.00% | 20.00% | 4.00 | 7.0% | 20.0% |

*Notes:*

*1. Total Market Size was adjusted to exclude Banks*

*2. Similarly, Market Leader also exclude Banks*

*3. \*Figures for TPA are estimates. This is relatively new service offering by Solutions.*

*4. The rest of the products have negligible sizes.*

**Figure 6.2 Solutions BCG Matrix**

Cash Cow

Dog

Star

Question Mark

**Question Mark to Stars: A&H**

This is Solutions' best long-run opportunity for growth and profitability. Investment should be focused on this service to strengthen capabilities and plans for differentiation and strengthen dominance in the market.

*Strategies:* Backward, Forward or Horizontal Integration, market penetration, market development, product development

**Question Marks: Life, TPA, Motor Vehicle, Fire and the rest of the lines**

Since the industry is growing in double figures, it is understandable that most of the product lines' growth is also on the upside. Specifically for Solutions, it has bigger chunk of the pie for Life insurance placements (which come from corporate clients) and TPA (mostly adjudication and management of claims for top up medical benefits provided by corporate client to their employees).

*Strategies:* Market Penetration, Market Development, Product Development, Divestiture.

Solutions would have bigger market share in all product lines if market size is limited to local players, which is not part of a conglomerate (i.e. set-up as backward integration strategy of the parent company). If this is done, A&H, Life and TPA would probably be the stars and the rest are question marks.

* 1. **Grand Strategy Matrix**
     1. FUTURE MARKET GROWTH: RAPID

Future market growth would be rapid as more businesses are set up due to economic activities. GDP was 6.6% in 2012 and is forecasted to maintain around 6% for the next 2 years (ADB, 2013). In the past, the insurance broker industry has outperformed GDP by more than 10%. Analysis of the market growth as of end 2011 alone shows that the total premiums placed by insurance brokers grew by 17% compounded annually for the past 5 years because of more than 25 to more than 30% growth in 2011 and 2010, respectively. In Employee benefit lines, Accident and Health is seen to grow at an annual rate of 22% (CAGR) in the last 5 years. This should come from rapid hiring or employees by growing industries, specifically the Business Processing Operations and some manufacturing industries. In the non-employee benefit lines, aviation insurance and engineering insurance tops the growth with a 5-year CAGR of 42% and 24% respectively. New entrants in the airline industry and real estate growth are driving the growth of these two lines.

However, while the total premium volume is growing in double digits, the growth in commissions (revenue) is slower. Growth in total commissions is 11% on the average for the last 5 years. It is declining in the last 3 years (14%, 12%, 11% for years 2009-2011). This indicates that the market is highly competitive. In fact, market study shows that the industry is consolidating. Market leaders are gaining market shares while small players share has gone down. In the last five years, the number of licensed brokers has gone down from 93 to barely 63 in number. Entry of new players is not as rampant as a new regulation on steeper capitalization requirement was imposed by the Insurance Commission.

There is current trend of consolidating activities of global / multinational firms that creates volatility in the client portfolio of local players when global appointments of global broker are done. On the other hand, there are opportunities for local players partnering with local companies who are poised to go regional because of the ASEAN Economic Community in 2015 and eventually global. Most of the insurance placement and consulting activities are in Metro Manila while key cities outside Metro Manila are currently growing. There are also opportunities for the value offering outside Metro Manila.

* + 1. COMPETITIVE POSITION OF THE FIRM: WEAK

Solutions is currently in a weak competitive position, with a market share of 3%. It is ranked 12 in terms of premiums placed although there is only one local player (Gotuaco Del Rosario) in the top 10 which has no captive market due to vertical integration strategy by the parent company. The rest are either global players, subsidiaries of banks or conglomerates.

Solutions also lags behind in terms of market growth with a 5-year CAGR of 7.7% compared to market's 17%. Gotuaco's market share of 4% has been growing 14.1% (5-Year CAGR) in the last 5 years. Jardine also has 3% market share with growth of 13.2 in the last 5 years. However, in terms of financials, Solutions seems to have the strongest ratios and highest profit ratios with net profit margin of 29% compared to 19% average of the key competitors in 2012 and 14% over 6% un 2011.

This is also supported by the Company's relatively average EFE and IFE scores of 2.25 and 2.40, respectively. The CPM analysis shows that the company falls behind the top key competitor Gotuaco in terms of total score (2.12 versus 2.69), specifically in strength of institutional networks, sales and marketing reach, and range of services offered to the market.

**Figure 6.3 Solutions Grand Strategy Matrix**



The company falls under the second quadrant, with a rapid market growth but a weak competitive position. The recommended strategies are market development, market penetration, product development, horizontal integration, divestiture, and liquidation.

* 1. **GE McKinsey Model**

**Table 6.2 Industry Attractiveness**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Factor** | | **Importance Weight** | **A&H** | | **Life** | | **Motor Car** | | **Fire** | | **TPA** | | **Other Non-Life/EB Lines** | |
| **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** |
| 1 | Industry Growth | 25% | 4 | 1.00 | 3 | 0.75 | 2 | 0.50 | 3 | 0.75 | 3 | 0.75 | 1 | 0.25 |
| 2 | Industry Size | 25% | 4 | 1.00 | 3 | 0.75 | 2 | 0.50 | 4 | 1.00 | 2 | 0.50 | 4 | 1.00 |
| 3 | Competition Intensity | 15% | 2 | 0.30 | 3 | 0.45 | 3 | 0.45 | 2 | 0.30 | 4 | 0.60 | 1 | 0.15 |
| 4 | Industry Profitability | 25% | 2 | 0.50 | 4 | 1.00 | 3 | 0.75 | 3 | 0.75 | 3 | 0.75 | 4 | 1.00 |
| 5 | Industry Life Cycle | 10% | 4 | 0.40 | 2 | 0.20 | 2 | 0.20 | 3 | 0.30 | 4 | 0.40 | 2 | 0.20 |
|  | Total Score | 100% |  | 3.20 |  | 3.15 |  | 2.40 |  | 3.10 |  | 3.00 |  | 2.60 |

Attractiveness rating scale: 1-least attractive, 2-attractive, 3-more attractive, 4-most attractive

**Table 6.3 Brand Unit Strength**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Factor** | | **Importance Weight** | **A&H** | | **Life** | | **Motor Car** | | **Fire** | | **TPA** | | **Other Non-Life/EB Lines** | |
| **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** | **Rate** | **Wtd. Score** |
| 1 | Brand Equity: Track Record, Reputation, Historical Service | 10% | 4 | 0.40 | 4 | 0.40 | 3 | 0.30 | 2 | 0.20 | 4 | 0.40 | 1 | 0.10 |
| 2 | Service Capabilities - Technical, Product/service portfolio, Transaction competence, Innovation | 31% | 4 | 1.24 | 4 | 1.24 | 3 | 0.93 | 3 | 0.93 | 4 | 1.24 | 2 | 0.62 |
| 3 | Strength of Network | 22% | 3 | 0.66 | 3 | 0.66 | 1 | 0.22 | 1 | 0.22 | 2 | 0.44 | 1 | 0.22 |
| 4 | Marketing & sales capability / reach | 17% | 1 | 0.17 | 1 | 0.17 | 1 | 0.17 | 1 | 0.17 | 1 | 0.17 | 1 | 0.17 |
| 5 | Price competitiveness | 20% | 4 | 0.80 | 4 | 0.80 | 4 | 0.80 | 2 | 0.40 | 4 | 0.80 | 2 | 0.40 |
|  | Total Score | 100% |  | 3.27 |  | 3.27 |  | 2.42 |  | 1.92 |  | 3.05 |  | 1.51 |

Competitiveness rating scale: 1-major weakness, 2-minor weakness, 3-minor strength, 4-major strength

**Figure 6.4. Solutions’ GE McKinsey Matrix**

The current position of each line of business is as follows:

A&H Strong Business Unit, Attractive industry

Life Strong Business Unit, Attractive industry

Motor Car Average Business Unit, Average industry

Fire Weak Business Unit, Attractive industry

TPA Strong Business Unit, Attractive industry

Others Weak Business Unit, Average industry

The desired future position of each line of business is as follows:

A&H Stronger positioning with growth in market share

Life Stronger positioning with growth in market share

Motor Car Stronger positioning, with growth in market share

Fire Stronger positioning, with growth in market share

TPA Stronger positioning, with growth in market share

Others Short to mid-term: Need not sell aggressively but maintain portfolio for clients and/or prospects who need the product or service

Long term: Can build more capacity (like train personnel) if future market becomes attractive in order to sell aggressively.

*Strategies:* To grow the business lines, recommended strategies are market penetration, product development, market development and horizontal integration. For weak positioned offerings, while the strategy is not to sell actively, these can be packaged together with stronger products.

* 1. **Internal-External (IE) Matrix**

**Table 6.4 Solutions IE Matrix**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **TOTAL IFE RATING**  **2.40** | | | |
| **TOTAL EFE RATING**  **2.25** | **IFE = 2.40**  **EFE= 2.35** | **Strong**  **3.0 to 4.0** | **Average**  **2.0 to 2.99** | **Weak**  **1.0 to 1.99** |
| **High**  **3.0 to 4.0** | **I** | **II** | **III** |
| **Medium**  **2.0 to 2.99** | **IV** | **V** | **VI** |
| **Low**  **1.0 to 1.99** | **VII** | **VIII** | **IX** |

Based on the matrix, Solutions should hold and maintain its strategies. Recommended strategies are market penetration and product development.

* 1. **Summary of Strategies**

**Table 6.5 Solutions: Summary of Strategies**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| STRATEGY OPTIONS | SWOT | SPACE | IE | GRAND | BCG | GE McKinsey | TOTAL |
| Forward Integration |  | x |  |  | x |  | 2 |
| Backward Integration |  | x |  |  | x |  | 2 |
| Horizontal Integration | x | x |  | x | x | x | 5 |
| Market Penetration | x | x | x | x | x | x | 6 |
| Market Development | x | x |  | x | x | x | 5 |
| Product Development | x | x | x | x | x | x | 6 |
| Concentric Diversification |  | x |  |  |  |  | 1 |
| Conglomerate Diversification |  |  |  |  |  |  | 0 |
| Joint Venture |  |  |  |  |  |  | 0 |
| Retrenchment / Cost Improvement |  |  |  |  |  |  | 0 |
| Divestiture |  |  |  | x | x |  | 2 |
| Liquidation |  |  |  | x |  |  | 1 |

Based on different strategy formulation tools, the most pertinent and suitable strategies for Solutions are: Market Penetration, Product Development, Market Development and possibly Horizontal Integration techniques.

Based on the QSPM (refer to Table 6.6), the most attractive strategies are market penetration and product development techniques. With the kind of industry and market as well as the situation of the company, both market penetration and product development may be implemented simultaneously upon building the capacity requirements of such strategies.

* 1. **Quantitative Strategic Planning Matrix (QSPM)**

Based on the recommended strategy techniques in Table 6.5, there are 14 possible strategies (4 market penetrations, 8 product development, 2 market development and horizontal integrations strategies) identified from the SWOT analysis that may be considered and evaluated for their attractiveness in terms of feasibility and ease of implementation. These 14 strategies were grouped into four cohorts (grouped by similarity of strategies) and forced ranked within its cohort. Table 6.6-A, -B, -C and -D show the rates within cohort 1 (market penetration strategies), cohorts 2 and 3 (product development strategies), and cohort 4 (market development and horizontal integration strategies), respectively.

**Table 6.6-A. Quantitative Strategic Planning Matrix (QSPM) – Cohort 1 (Market Penetration Strategies)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Market Penetration** | | | | | | | |
| **KEY FACTORS** |  | *SO1/W03. Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers. (S1, S2, S4, O1, O2, O3, O5, W3, W5)* | | *ST1. Invest in a regular marketing study in order to periodically review the company’s value proposition vis-à-vis market needs and trends. As needed, review and revise all marketing materials and focus communication on increasing emphasis of the value (financial and non-financial impact) provided by servicing, particularly with respect to on the ground support and value added technical analysis offerings. (S1, S2, T1, T2, T3)* | | *ST2. Intensify brand-building efforts through advertising, PR events including developing a more long-term CSR program. (S1, S3, T3)* | | *WO2. Form strategic alliances with providers that offer complementary services like Car Dealers to sell motor car insurance, Stock Brokers to sell Insurance Life policies, Real Estate Brokers for property insurance, Real Estate Developers for engineering insurance, HR consultant for EB placements, Travel agents for travel insurance, or Auditor and CPAs for retirement plan consulting, Training and Seminar Institutes which hosts seminars and workshops. (W2, W4, W5, O1)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** |
| ***Opportunities*** |  |  |  |  |  |  |  |  |  |
| •O1: Increase GDP Growth drives more businesses which are the primary purchasors of insurance. These new businesses, in fact, are springing, not only in Metro Manila but in major cities nationwide. | 10% | **4** | 0.4 | **2** | 0.2 | **3** | 0.3 | **1** | 0.1 |
| •O2: Large Presence of SMEs (around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations. | 15% | **4** | 0.6 | **2** | 0.3 | **3** | 0.45 | **1** | 0.15 |
| •O3: Increase in demand for broker services locally due increased activity of Global players (EB consultants and brokers) . | 10% | **4** | 0.4 | **2** | 0.2 | **3** | 0.3 | **1** | 0.1 |
| •O4: Increase in perceived value of employee benefits as HR acquiring and retention tool. | 15% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •O5: Fast growing BPO segment and improving status of the manufacturing industry. | 5% | **4** | 0.2 | **2** | 0.1 | **3** | 0.15 | **1** | 0.05 |
| ***Threats*** |  |  |  |  |  |  |  |  |  |
| •T1: A lot of brokers especially the Market Leaders are undercutting commissions would drive commission rates down | 15% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •T2: Increased consolidation of multinational clients. | 20% | **3** | 0.6 | **4** | 0.8 | **2** | 0.4 | **1** | 0.2 |
| •T3: Increased activity of provider direct sales force competes with intermediaries. | 10% | **4** | 0.4 | **1** | 0.1 | **2** | 0.2 | **3** | 0.3 |
| Total Weight | 100% |  |  |  |  |  |  |  |  |
|  |  | **Market Penetration** | | | | | | | |
| **KEY FACTORS** |  | *SO1/W03. Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers. (S1, S2, S4, O1, O2, O3, O5, W3, W5)* | | *ST1. Invest in a regular marketing study in order to periodically review the company’s value proposition vis-à-vis market needs and trends. As needed, review and revise all marketing materials and focus communication on increasing emphasis of the value (financial and non-financial impact) provided by servicing, particularly with respect to on the ground support and value added technical analysis offerings. (S1, S2, T1, T2, T3)* | | *ST2. Intensify brand-building efforts through advertising, PR events including developing a more long-term CSR program. (S1, S3, T3)* | | *WO2. Form strategic alliances with providers that offer complementary services like Car Dealers to sell motor car insurance, Stock Brokers to sell Insurance Life policies, Real Estate Brokers for property insurance, Real Estate Developers for engineering insurance, HR consultant for EB placements, Travel agents for travel insurance, or Auditor and CPAs for retirement plan consulting, Training and Seminar Institutes which hosts seminars and workshops. (W2, W4, W5, O1)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** |
| ***Strengths*** |  |  |  |  |  |  |  |  |  |
| •S1: Good Servicing reputation | 15% | **4** | 0.6 | **2** | 0.3 | **3** | 0.45 | **1** | 0.15 |
| •S2: With strong technical team; senior consultants ‘ expertise are known in the industry. | 15% | **4** | 0.6 | **2** | 0.3 | **3** | 0.45 | **1** | 0.15 |
| •S3: Presence of broking and consulting practice | 5% | **4** | 0.2 | **2** | 0.1 | **3** | 0.15 | **1** | 0.05 |
| •S4: Market leader in one of the major lines (employee benefits, commercial, individual) | 5% | **4** | 0.2 | **2** | 0.1 | **3** | 0.15 | **1** | 0.05 |
| S5: With access to global knowledge through international alliance | 5% | **4** | 0.2 | **2** | 0.1 | **3** | 0.15 | **1** | 0.05 |
| ***Weaknesses*** |  |  |  |  |  |  |  |  |  |
| •W1: Under-utilized international alliances | 5% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •W2: Absent institutional relationship | 5% | **3** | 0.15 | **1** | 0.05 | **2** | 0.1 | **4** | 0.2 |
| •W3: Weak support team for business development and no formal marketing plan / activities | 10% | **4** | 0.4 | **2** | 0.2 | **3** | 0.3 | **1** | 0.1 |
| •W4: Limited Range of services | 10% | **3** | 0.3 | **2** | 0.2 | **1** | 0.1 | **4** | 0.4 |
| •W5: Risky customer portfolio mix | 20% | **4** | 0.8 | **3** | 0.6 | **1** | 0.2 | **2** | 0.4 |
| •W6. Limited geographical scope | 5% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| Total Weight | 100% |  |  |  |  |  |  |  |  |
| **Sum Total Attractiveness Score** |  |  | **6.05** |  | **3.65** |  | **3.85** |  | **2.45** |

AS score: 1=not acceptable, 2=possibly acceptable, 3=probably acceptable, 4=most acceptable.

**Table 6.6-B. Quantitative Strategic Planning Matrix (QSPM) – Cohort 2 (Product Development 1)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Product Development** | | | | | | | |
| **KEY FACTORS** |  | *SO3 / WO1 / WT1. Create “global” packages through existing and/or new international networks to sell to local companies (with decision makers here in the Philippines) who are global or plans to go global (e.g. RFM, Unilab, etc.). (S5, O3, W1, T2)* | | *WO5. Design offerings/packages specifically for SMEs, which value one stop shop services (W4, W5, O1, O2)* | | *SO2. Develop unique service/product packages to cross-sell and upsell to existing customers. There is a need to strengthen alliances with providers that will support these packages. (S3, S4, S5, O1, O4)* | | *WT2. Revisit relationship with providers and consider partnership in creating certain products targeted for particular market segments, particularly local SMEs and High Net Worth Individuals. (W2, W5, T3)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** |
| ***Opportunities*** |  |  |  |  |  |  |  |  |  |
| •O1: Increase GDP Growth drives more businesses which are the primary purchasors of insurance. These new businesses, in fact, are springing, not only in Metro Manila but in major cities nationwide. | 10% | **2** | 0.2 | **3** | 0.3 | **4** | 0.4 | **1** | 0.1 |
| •O2: Large Presence of SMEs (around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations. | 15% | **1** | 0.15 | **4** | 0.6 | **2** | 0.3 | **3** | 0.45 |
| •O3: Increase in demand for broker services locally due increased activity of Global players (EB consultants and brokers) . | 10% | **3** | 0.3 | **2** | 0.2 | **4** | 0.4 | **1** | 0.1 |
| •O4: Increase in perceived value of employee benefits as HR acquiring and retention tool. | 15% | **3** | 0.45 | **2** | 0.3 | **1** | 0.15 | **4** | 0.6 |
| •O5: Fast growing BPO segment and improving status of the manufacturing industry. | 5% | **4** | 0.2 | **2** | 0.1 | **3** | 0.15 | **1** | 0.05 |
| ***Threats*** |  |  |  |  |  |  |  |  |  |
| •T1: A lot of brokers especially the Market Leaders are undercutting commissions would drive commission rates down | 15% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •T2: Increased consolidation of multinational clients. | 20% | **4** | 0.8 | **3** | 0.6 | **2** | 0.4 | **1** | 0.2 |
| •T3: Increased activity of provider direct sales force competes with intermediaries. | 10% | **3** | 0.3 | **4** | 0.4 | **2** | 0.2 | **1** | 0.1 |
| Total Weight | 100% |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Product Development** | | | | | | | |
| **KEY FACTORS** |  | *SO3 / WO1 / WT1. Create “global” packages through existing and/or new international networks to sell to local companies (with decision makers here in the Philippines) who are global or plans to go global (e.g. RFM, Unilab, etc.). (S5, O3, W1, T2)* | | *WO5. Design offerings/packages specifically for SMEs, which value one stop shop services (W4, W5, O1, O2)* | | *SO2. Develop unique service/product packages to cross-sell and upsell to existing customers. There is a need to strengthen alliances with providers that will support these packages. (S3, S4, S5, O1, O4)* | | *WT2. Revisit relationship with providers and consider partnership in creating certain products targeted for particular market segments, particularly local SMEs and High Net Worth Individuals. (W2, W5, T3)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** |
| ***Strengths*** |  |  |  |  |  |  |  |  |  |
| •S1: Good Servicing reputation | 15% | **2** | 0.3 | **3** | 0.45 | **4** | 0.6 | **1** | 0.15 |
| •S2: With strong technical team; senior consultants ‘ expertise are known in the industry. | 15% | **4** | 0.6 | **3** | 0.45 | **2** | 0.3 | **1** | 0.15 |
| •S3: Presence of broking and consulting practice | 5% | **2** | 0.1 | **3** | 0.15 | **4** | 0.2 | **1** | 0.05 |
| •S4: Market leader in one of the major lines (employee benefits, commercial, individual) | 5% | **1** | 0.05 | **2** | 0.1 | **4** | 0.2 | **3** | 0.15 |
| S5: With access to global knowledge through international alliance | 5% | **4** | 0.2 | **2** | 0.1 | **3** | 0.15 | **1** | 0.05 |
| ***Weaknesses*** |  |  |  |  |  |  |  |  |  |
| •W1: Under-utilized international alliances | 5% | **4** | 0.2 | **2** | 0.1 | **3** | 0.15 | **1** | 0.05 |
| •W2: Absent institutional relationship | 5% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •W3: Weak support team for business development and no formal marketing plan / activities | 10% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •W4: Limited Range of services | 10% | **1** | 0.1 | **3** | 0.3 | **4** | 0.4 | **2** | 0.2 |
| •W5: Risky customer portfolio mix | 20% | **1** | 0.2 | **4** | 0.8 | **2** | 0.4 | **3** | 0.6 |
| •W6. Limited geographical scope | 5% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| Total Weight | 100% |  |  |  |  |  |  |  |  |
| Sum Total Attractiveness Score |  |  | **4.15** |  | **4.95** |  | **4.4** |  | **3** |

AS score: 1=not acceptable, 2=possibly acceptable, 3=probably acceptable, 4=most acceptable.

**Table 6.6-C. Quantitative Strategic Planning Matrix (QSPM) – Cohort 3 (Product Development 2)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Product Development** | | | | | | | |
| **KEY FACTORS** |  | *WO4. Develop partnerships with service providers which could add value to the present service offerings like partnership with pharmaceutical companies or pharmacies, optical shops, dental clinics, multi-specialty clinics and wellness centers (like discounts, or preferred rates, or cash-less availments). (W4, O2, O4)* | | *WO6. Increase business development particularly aligned to new product areas with focus on using EB as a hiring and retention tool like co-branding membership cards with certain customers and providers (ie. additional benefits outside of standard HMO). (W3, W4, O1, O4, O5)* | | *WT3. Develop a strong business development team which will revisit current product pricing strategy to align with current offering levels at an institution business development level. Focus on providing more value added components into the product mix and unbundling service offerings. (W3, W4, T1)* | | *SO4/WT5. Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availability of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning. (S1, W3, W4, O2, O5, T1, T3)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** |
| ***Opportunities*** |  |  |  |  |  |  |  |  |  |
| •O1: Increase GDP Growth drives more businesses which are the primary purchasors of insurance. These new businesses, in fact, are springing, not only in Metro Manila but in major cities nationwide. | 10% | **4** | 0.4 | **3** | 0.3 | **1** | 0.1 | **2** | 0.2 |
| •O2: Large Presence of SMEs (around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations. | 15% | **3** | 0.45 | **1** | 0.15 | **2** | 0.3 | **4** | 0.6 |
| •O3: Increase in demand for broker services locally due increased activity of Global players (EB consultants and brokers) . | 10% | **2** | 0.2 | **3** | 0.3 | **1** | 0.1 | **4** | 0.4 |
| •O4: Increase in perceived value of employee benefits as HR acquiring and retention tool. | 15% | **3** | 0.45 | **4** | 0.6 | **1** | 0.15 | **2** | 0.3 |
| •O5: Fast growing BPO segment and improving status of the manufacturing industry. | 5% | **3** | 0.15 | **2** | 0.1 | **1** | 0.05 | **4** | 0.2 |
| ***Threats*** |  |  |  |  |  |  |  |  |  |
| •T1: A lot of brokers especially the Market Leaders are undercutting commissions would drive commission rates down | 15% | **2** | 0.3 | **1** | 0.15 | **3** | 0.45 | **4** | 0.6 |
| •T2: Increased consolidation of multinational clients. | 20% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •T3: Increased activity of provider direct sales force competes with intermediaries. | 10% | **3** | 0.3 | **2** | 0.2 | **1** | 0.1 | **4** | 0.4 |
| Total Weight | 100% |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Product Development** | | | | | | | |
| **KEY FACTORS** |  | *WO4. Develop partnerships with service providers which could add value to the present service offerings like partnership with pharmaceutical companies or pharmacies, optical shops, dental clinics, multi-specialty clinics and wellness centers (like discounts, or preferred rates, or cash-less availments). (W4, O2, O4)* | | *WO6. Increase business development particularly aligned to new product areas with focus on using EB as a hiring and retention tool like co-branding membership cards with certain customers and providers (ie. additional benefits outside of standard HMO). (W3, W4, O1, O4, O5)* | | *WT3. Develop a strong business development team which will revisit current product pricing strategy to align with current offering levels at an institution business development level. Focus on providing more value added components into the product mix and unbundling service offerings. (W3, W4, T1)* | | *SO4/WT5. Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availability of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning. (S1, W3, W4, O2, O5, T1, T3)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** | **AS** | **TAS** |
| ***Strengths*** |  |  |  |  |  |  |  |  |  |
| •S1: Good Servicing reputation | 15% | **3** | 0.45 | **2** | 0.3 | **1** | 0.15 | **4** | 0.6 |
| •S2: With strong technical team; senior consultants‘ expertise are known in the industry. | 15% | **1** | 0.15 | **3** | 0.45 | **4** | 0.6 | **2** | 0.3 |
| •S3: Presence of broking and consulting practice | 5% | **2** | 0.1 | **3** | 0.15 | **4** | 0.2 | **1** | 0.05 |
| •S4: Market leader in one of the major lines (employee benefits, commercial, individual) | 5% | **3** | 0.15 | **1** | 0.05 | **2** | 0.1 | **4** | 0.2 |
| S5: With access to global knowledge through international alliance | 5% | **1** | 0.05 | **3** | 0.15 | **2** | 0.1 | **4** | 0.2 |
| ***Weaknesses*** |  |  |  |  |  |  |  |  |  |
| •W1: Under-utilized international alliances | 5% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •W2: Absent institutional relationship | 5% | **4** | 0.2 | **3** | 0.15 | **1** | 0.05 | **2** | 0.1 |
| •W3: Weak support team for business development and no formal marketing plan / activities | 10% | **3** | 0.3 | **2** | 0.2 | **4** | 0.4 | **1** | 0.1 |
| •W4: Limited Range of services | 10% | **4** | 0.4 | **3** | 0.3 | **1** | 0.1 | **2** | 0.2 |
| •W5: Risky customer portfolio mix | 20% | **0** | 0 | **0** | 0 | **0** | 0 | **0** | 0 |
| •W6. Limited geographical scope | 5% | **4** | 0.2 | **2** | 0.1 | **1** | 0.05 | **3** | 0.15 |
| Total Weight | 100% |  |  |  |  |  |  |  |  |
| Sum Total Attractiveness Score |  |  | **4.25** |  | **3.65** |  | **3** |  | **4.6** |

AS score: 1=not acceptable, 2=possibly acceptable, 3=probably acceptable, 4=most acceptable.

**Table 6.6-D. Quantitative Strategic Planning Matrix (QSPM) – Cohort 4 (Market Development and Horizontal Integration)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Market Development / Horizontal Integration** | | **Horizontal Integration** | |
| **KEY FACTORS** |  | *WO8/WT6. Consider setting up a sales branch with skeleton operations in the South where a lot of economic zones are being developed (Laguna or Cavite, Cebu, Bacolod, Davao) or consider merger and/or acquisition with a local broker firm with presence in these cities. (O1, W6, T1, T3)* | | *ST3 / WO7 / WT4. Consider merger and/or acquisition with a local broker with strong NEB portfolio, which also affiliated with top global broker, e.g. Winebrenner and Inigo affiliated with Willis (3rd global), or Philinsure affiliated with Peter Gallagher (S4, T2, O3, W4, W5)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** |
| ***Opportunities*** |  |  |  |  |  |
| •O1: Increase GDP Growth drives more businesses which are the primary purchasors of insurance. These new businesses, in fact, are springing, not only in Metro Manila but in major cities nationwide. | 10% | **2** | 0.2 | **3** | 0.3 |
| •O2: Large Presence of SMEs (around 32,000 in NCR / 73,500 Philippines) that could be captured even without global affiliations. | 15% | **3** | 0.45 | **2** | 0.3 |
| •O3: Increase in demand for broker services locally due increased activity of Global players (EB consultants and brokers) . | 10% | **2** | 0.2 | **3** | 0.3 |
| •O4: Increase in perceived value of employee benefits as HR acquiring and retention tool. | 15% | **0** | 0 | **0** | 0 |
| •O5: Fast growing BPO segment and improving status of the manufacturing industry. | 5% | **3** | 0.15 | **2** | 0.1 |
| ***Threats*** |  |  |  |  |  |
| •T1: A lot of brokers especially the Market Leaders are undercutting commissions would drive commission rates down | 15% | **0** | 0 | **0** | 0 |
| •T2: Increased consolidation of multinational clients. | 20% | **1** | 0.2 | **3** | 0.6 |
| •T3: Increased activity of provider direct sales force competes with intermediaries. | 10% | **2** | 0.2 | **3** | 0.3 |
| Total Weight | 100% |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Market Development / Horizontal Integration** | | **Horizontal Integration** | |
| **KEY FACTORS** |  | *WO8/WT6. Consider setting up a sales branch with skeleton operations in the South where a lot of economic zones are being developed (Laguna or Cavite, Cebu, Bacolod, Davao) or consider merger and/or acquisition with a local broker firm with presence in these cities. (O1, W6, T1, T3)* | | *ST3 / WO7 / WT4. Consider merger and/or acquisition with a local broker with strong NEB portfolio, which also affiliated with top global broker, e.g. Winebrenner and Inigo affiliated with Willis (3rd global), or Philinsure affiliated with Peter Gallagher (S4, T2, O3, W4, W5)* | |
| **WEIGHT** | **AS** | **TAS** | **AS** | **TAS** |
| ***Strengths*** |  |  |  |  |  |
| •S1: Good Servicing reputation | 15% | **2** | 0.3 | **3** | 0.45 |
| •S2: With strong technical team; senior consultants ‘ expertise are known in the industry. | 15% | **2** | 0.3 | **3** | 0.45 |
| •S3: Presence of broking and consulting practice | 5% | **2** | 0.1 | **3** | 0.15 |
| •S4: Market leader in one of the major lines (employee benefits, commercial, individual) | 5% | **3** | 0.15 | **4** | 0.2 |
| S5: With access to global knowledge through international alliance | 5% | **0** | 0 | **0** | 0 |
| ***Weaknesses*** |  |  |  |  |  |
| •W1: Under-utilized international alliances | 5% | **0** | 0 | **0** | 0 |
| •W2: Absent institutional relationship | 5% | **0** | 0 | **0** | 0 |
| •W3: Weak support team for business development and no formal marketing plan / activities | 10% | **0** | 0 | **0** | 0 |
| •W4: Limited Range of services | 10% | **2** | 0.2 | **3** | 0.3 |
| •W5: Risky customer portfolio mix | 20% | **2** | 0.4 | **3** | 0.6 |
| •W6. Limited geographical scope | 5% | **3** | 0.15 | **1** | 0.05 |
| Total Weight | 100% |  |  |  |  |
| Sum Total Attractiveness Score |  |  | **3** |  | **4.1** |

AS score: 1=not acceptable, 2=possibly acceptable, 3=probably acceptable, 4=most acceptable.

Based on the scores from the QSPM, the top five (5) most attractive strategies are the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Rank** | **Cohort** | **General Strategy** | **Strategy** | **Score** |
| 1 | 1 | Market Penetration | *SO1/W03. Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers. (S1, S2, S4, O1, O2, O3, O5, W3, W5)* | 6.05 |
| 2 | 2 | Product Development | *WO5. Design offerings/packages specifically for SMEs, which value one stop shop services (W4, W5, O1, O2)* | 4.95 |
| 3 | 3 | Product Development | *SO4/WT5. Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availability of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning. (S1, W3, W4, O2, O5, T1, T3)* | 4.60 |
| 4 | 2 | Product Development | *SO2. Develop unique service/product packages to cross-sell and upsell to existing customers. There is a need to strengthen alliances with providers that will support these packages. (S3, S4, S5, O1, O4)* | 4.40 |
| 5 | 3 | Product Development | *WO4. Develop partnerships with service providers which could add value to the present service offerings like partnership with pharmaceutical companies or pharmacies, optical shops, dental clinics, multi-specialty clinics and wellness centers (like discounts, or preferred rates, or cash-less availments). (W4, O2, O4)* | 4.25 |

1. **STRATEGIC OBJECTIVES & RECOMMENDED STRATEGIES**
   1. **Recommended Vision and Mission Statement** 
      1. Recommended Vision Statement

*“We want to be an incubator of the most innovative solutions and best minds in risk management, employee benefits and insurance placement in the Philippines –through developing our people and through our collaboration with our clients and providers.*

*We want to be the preferred consultants of the employers, organizations and individuals that recognize the value of expertise and quality service.*

*We want to lead in quality of service and business relationships at all times.*

*We will be the preferred partner of the top five (5) reputable insurance and healthcare providers by year 2020.”*

The revised above is bolder and affirms the Company’s confidence in its expertise and caliber of consultants. The timeline makes the goal more real and establishes a sense of urgency. The first three vision statements reveal how the Company plans to achieve its mission, i.e. to be the top of mind choice consultant, to be known for its excellent service, and to develop its stakeholders.

Evaluation:

|  |  |  |
| --- | --- | --- |
| Parameter | Yes / No | Why |
| Does it clearly answer the question: What do we want to become? | Yes | For it customers: as a preferred consultants  For its people and partners: as incubator of most innovative solutions and best minds  Also – to be the leader in quality of service and business relationship and to consequently be the top broker of the top providers |
| Is it concise enough yet inspirational? | Yes | The vision inspires the employees of the firm as it describes how the Company values its employees – it wants to incubate the best minds. The best minds to give advice.  This is also inspirational to the customers as well, as it states how it values its clients through collaboration and education. |
| Is it aspirational? | Yes | The firm aims to be the advisor of choice. It aspires to be always ahead in terms of knowledge and wisdom to come up with the most innovative solutions (in terms of technology, process, acceptability). |
| Does it give clear indication as to when it should be attained? | Yes | It gives the company 7 years (until 2020) to build a strong portfolio partnering with equally strong providers. |

* + 1. Recommended Mission Statement

*“Our mission is to help our clients in achieving their corporate goals and enhancing their business by providing advice and services of the best possible value based on strong local expertise with global support in the areas of: risk management, human resources and insurance placement with focus on employee benefits. We are the preferred partner leading the industry in terms of innovation, quality service, long-term alliance and profitability.”*

Evaluation:

|  |  |  |
| --- | --- | --- |
| Parameter | Yes / No | If yes, which part of the statement |
| 1. Customers | Yes | The mission states that the clients have corporate goals, which means that the target customers of the firm are corporations. |
| 2. Products & services | Yes | The mission states that the services provided will be on the areas of risk management, human resources and insurance placement with focus on employee benefits. |
| 3. Markets | Yes | The revised mission statement already describes which market segment the Company wishes to tap. The implication is that the Company will not involve itself on a price war if cost alone is the criteria of the customer. The aim of the Company is to deal with no-nonsense customers who would appreciate the value of the advice provided to them by professional consultants. |
| 4. Technology | Yes | The statement mentions that it will lead the industry in innovation. The use of technology is already implicit. |
| 5. Concern for survival, growth, profitability | Yes | The statement mentions that the company will also lead the industry in profitability. Further, it mentions long-term alliance which addresses its commitment for the survival of its business enterprise and its business partners. |
| 6. Philosophy | Yes | “… services of the best possible value”. The standard, value and expectation for excellence are clear. |
| 7. Self-concept | Yes | The mission statement affirms that the basis of its value proposition is its strong local expertise with global support, pointing to its global network. |
| 8. Concern for employees | Yes | The mission, by saying that the value is delivered by “strong local experts” gives testament to how it sees and values its employees. This is strengthened by the vision statement saying that the firm will be the incubator of minds. |
| 9. Concern for nation building | Yes | In a way, the Company addresses the concept of nation building by making it their mission to “enhance the business” of their clients and affirming that it will stay profitable. |

* 1. **Recommended Strategic Objectives**

The following are the recommended strategic objectives of the Company:

* To grow sales revenue by 13% to 15% p.a. in the next 5 years, and 19% to 20% p.a. afterwards (i.e. achieve sales revenue of around 150M by 2018 and 370M by 2023) while maintaining its net profit margin or around 15% to 20%. Exposure for any one client should be maintained at 10% as a long-term objective. This is to be executed by expanding product portfolio offerings, market reach (regional/international) and existing customer coverage. (Financial)

This is a critical objective for company in order to address its client portfolio concentration risk (currently one group of companies contributed to 30% of total revenues), which is one of its major weaknesses and at the same time grow its sales as fast or faster than the industry is growing.

**Table 7.1 Target Sales in the next 10 years (in Php Millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Period | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Year | 2013 | 2014 | 2015 | 2016 | 2017 | **2018** | 2019 | 2020 | 2021 | 2022 | **2023** |
| Projected Revenue | 80.9 | 93.4 | 106.8 | 122.8 | 144.6 | 166.3 | 193.4 | 222.5 | 261.1 | 310.8 | 370.1 |
| Renewal |  | 82.5 | 95.2 | 108.8 | 125.1 | 147.4 | 169.5 | 197.2 | 226.7 | 266.1 | 316.8 |
| New Business |  | 10.9 | 11.6 | 13.9 | 19.5 | 18.9 | 24.0 | 25.3 | 34.4 | 44.7 | 53.2 |
| Growth |  | 15.3% | 14.4% | 15.0% | 17.8% | 15.0% | 16.3% | 15.0% | 17.4% | 19.1% | 19.1% |
| *Revenue from group with highest concentration* | *25.0* | *26.0* | *27.0* | *28.1* | *29.2* | *30.4* | *31.6* | *32.9* | *34.2* | *35.6* | *37.0* |
| *Concentration exposure* | *31%* | *28%* | *25%* | *23%* | *20%* | *18%* | *16%* | *15%* | *13%* | *11%* | *10%* |

* To maintain market share (around 2.2% based on estimated 2013 revenues and market size) by creating and developing go to market strategies involving better use of partnerships and channels, brand building and A&P initiatives and working with allied industries. (Marketing)

The continuing economic growth (especially spreading this nationwide) and growing sophistication and competition in employee benefits as well as technological advances open up a lot of opportunities for product and service innovations as well as capturing existing and new markets. The results will definitely tie up with the financial objectives. This should also address a lot of identified weaknesses and complement the company’s strengths.

* To strengthen and increase capacity and expertise of all teams. Emphasis shall be placed in key areas like: sales and marketing teams to support new go to market activities and expanded market coverage, information technology to enhance capabilities that take advantage of new technology, and business development to support the development of products and services. (People)

This should reinforce the strengths of the company especially its technical expertise. Since the core competency is the selling of advice, in order to differentiate from the market, an off the rack training program should be supplemented heavily by in-house and customized formal training and development program. High retention, especially with technical personnel, which includes marketing and sales, should be targeted. This strategy should also address capacity building to support the marketing objectives.

* 1. Recommended Strategies

Based on the QSP Matrix, the most attractive strategies for the Company come from market penetration and product development strategies. The top 3 strategies are listed below.

**SO1/W03.** Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers. (S1, S2, S4, O1, O2, O3, O5, W3, W5)

People properly trained in executing go to market activities have to be developed in order to fulfill market expansion objectives. Continuous cycle of creation, review and enhancement is necessary to keep the product portfolio mix up to date. The necessary people need to be up to speed with the basics of the current offerings, competitive offerings, offerings of allied industries/partners/downstream participants and various market specific customer/upstream participant needs and expectations.

Awareness of the company's brand is still pretty low and there is room to improve this. With better awareness, more opportunities can be generated and reputational recall can improve existing closure rates. Insights from PR activities in corporate events will allow us to create appropriate and customized offerings (more relevant) targeting our areas of market expansion which include SMEs and HNW individuals. Together with these allied industries, Solutions can offer enhanced products and services aligned to their common customer base better utilizing their combined strengths.

**WO5.** Design offerings/packages specifically for SMEs, which value one stop shop services (W4, W5, O1, O2)

Targeted offerings to SMEs are strategic in growing revenues as they are a key growth area in the economy who are increasingly considering Solutions' products as total compensation enhancers or retention tools.

In addition, collaborating with SMEs could be a kind of advocacy for nation building. A strong reputation related to the advancement of this industry could enhance the Company’s brand equity.

**SO4/WT5.** Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients by enhancing organic IT capability. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availability of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning. (S1, W3, W4, O2, O5, T1, T3)

Today's discriminating customer continues to expect more and more within a shorter and shorter period of time from their providers. The use of information technology and the proper people to build and maintain them is critical to fulfill these customer needs and maintain a competitive edge in the industry.

* 1. Recommended Departmental Programs & Actions

**Strategy #1**. Invest in developing a strong marketing and sales team of at least 5 consultants with as much support personnel including at least 2 technical people to ramp up marketing activities focusing resources in gaining audience with the local industries. Beef up networking activities like providing seminars targeted to these local industries. Seminars could be co-organized with established events/seminars organizers.

**Business Development – Product Development, Marketing and Sales**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Develop concrete business development activities, performance measures and evaluation. | Bus. Dev't Head | 3Q 2013 |
| 2) Together with HR, develop a training and development program for the bus dev't team. | Bus. Dev't Head | 3Q-4Q 2013 |
| 3) Line up networking activities. Measure effectivity and efficiency of these activities by monitoring closure rates. | Bus. Dev't Head | 3Q-4Q 2013 |

**Human Resources**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Recruit marketing and sales team. | Recruitment Head | 3Q-4Q 2013 |
| 2) Define retention and incentive programs aligned with the new go to market strategies (ie. territory/new segment based incentives) | HR head | 3Q-4Q 2013 |

**Finance, Accounting and Admin.**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Ensure availability of suppliers and vendors for go to market activities (ie. events, speakers). | Admin. Head | 1Q-2Q 2014 |

**Strategy #2.**  Design offerings/packages specifically for SMEs, which value one stop shop services

**Business Development – Product Development, Marketing and Sales**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Do FGD with SMEs coming from different industries to get insight as to their requirements and circumstances. | Bus. Dev't Head | 4Q of 2013 |
| 2) Scope available products in the market. Design an all-in-1 business product based on available prducts packaged into 1. Discuss with partners for support. Test Market. Adjust offering based on feedback from Test Market. | Bus. Dev't Head | 1Q-2Q of 2014 |
| 3) Indicate sales objectives. Launch Product through promotional event/s. Do monthly review of sales and market penetration. Review product/service offering annually. | Bus. Dev't Head | 3Q of 2014 |
| 4) Adjust sales target as necessary. Coordinate with Human Resources for increasing capacity. | Bus. Dev't Head | 2015 - 2016 |

**Human Resources**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Hire at least 2 marketing assistants and 1 technical staff to do market analytics. Consider hiring 1 to 2 more sales people (with prior experience in the industry) to build sales support capacity. | Recruitment Head | 3Q 2013 / Sales people - 1Q-2Q 2014. |
| 2) Coordinate with Bus. Dev't Team for the training and development program for the new team. Plan on incentive and retention schemes for the sales people. / Coordinate with the Operations Team for a review of the measurement of after sales support performance. Consider an incentive scheme for this aligned with the sales. | HR head | 3Q-4Q 2013 |
| 3) Coordinate with Bus. Dev't and Operations Heads for plans in ramping up capacity. Consider development of high level consultants as sales people - at least 2 more (for a total of 3 to 4). Increase technical staff to support market analysis and analytics requirements. | HR head | 4Q 2014 - 2016 |

**Operations - Account Mgt. and Support**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Complete standardization of all operational areas for faster ramp up time. | Ops Head | 1Q 2014 |
| 2) Review and consider simplifying authority matrix for different groups aligned with product / service areas to allow specialization (ie. breaking sales function from fullfillment function). | Ops Head | 1Q 2015 |
| 3) Coordinate with Business Dev't regarding backroom capacity requirements aligned with sales targets to ensure compliance with SLAs. | Ops Head | 4Q 2014 - 2016 |

**Finance, Accounting and Admin.**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Allocate budget for sales and marketing expense including incentives. | Finance Head | 4Q 2013 |
| 2) Allocate budget for capex to cover IT system development and upgrade. | Finance Head | 4Q 2013 |
| 3) Create a cash management system to ensure cash flow is managed by coordinating with Business Dev't and Operations regarding revenue and expense timings and also to plan placement in various investment vehicles to maximize interest income. | Accounting Head | 4Q 2013 |

**IT Support**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Improve / upgrade Sales recording/reporting system to be able to generate reports on Sales and Collection targets and if possible Prospect penetration. Eventually upgrade information management capabilities from reporting to analytics. | IT Head (in coordination with all Unit Heads) | 1Q 2014 |
| 2) Create a web tool that will support marketing activities focusing on ease of data gathering, online FAQs and customer feedback. Create facilities for customer self-care that allow for greater scalability. | IT Head | 2Q 2014 |
| 3) Review data center capacity including security measures. Consider alternatives for redundancy and business continuity plan. | IT Head | 1Q 2015 |

**Strategy #3.** Invest on an integrated IT system to address more efficient and simplified processes as well as security requirements by clients by enhancing organic IT capability. This should focus on 1) bridging communication between provider and clients and closing the geographical challenges, 2) accessibility and availability of information and reports considering growing concerns in data confidentiality and security, and 3) business intelligence mining for business development and operations planning.

**Human Resources**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Recruit skilled IT personnel. Emphasis to be placed on analytics. | Recruitment Head | 1Q 2014 |

**Operations**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Create performance measures for sub-contracted services and solutions particularly for IT. | Ops Head | 1Q - 2Q 2014 |

**Finance, Accounting and Admin.**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Ensure availability of IT sub-contractors for various sub-systems necessary to execute planned programs and strategies. | Admin. Head (with IT Head) | 1Q-2Q 2014 |

**IT Support**

|  |  |  |
| --- | --- | --- |
| Action / Program | *Who* | *When* |
| 1) Ensure proper quality and delivery management programs are in place particularly for monitoring sub-contracted work. Software development should be sub-contracted when possible. However, business design and analysis must be done in-house to ensure appropriate level of domain expertise is present during development. | IT Head | 2014-2015 |

* 1. **Financial Projections**
     1. Sales Projections for 2014-2018

As pointed out from previous sections, the major weaknesses of the Company are its lack of a robust and well-trained marketing and sales team and a well-defined target market which is aligned to the capability and positioning of the Company. As such, the three major strategies outlined in the previous section are expected to address these.

Sales targets were computed with the initial goal of addressing the large concentration risk in the Company’s client portfolio. The target is to dilute the 30 to 31% concentration to at most 10% in the long-term while maintaining its market share. To do this, the Company needs to grow by 15% compounded annually in the next 5 years to decrease the concentration to 18% at the end of five years then growth by 17% compounded annually in revenues to further reduce the concentration to 10% by the end of ten years as shown in Table 7.2 below.

**Table 7.2 Development of a 10-Year Sales Targets**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Estimate | Projections | | | | |
| Period | 0 | **1** | **2** | **3** | **4** | **5** |
| Year | 2013 | **2014** | **2015** | **2016** | **2017** | **2018** |
| Sales (in Php M) | 80.9 | 93.4 | 106.8 | 122.8 | 144.6 | 166.3 |
| Revenue from 1 jumbo account | 25.0 | 26.0 | 27.0 | 28.1 | 29.2 | 30.4 |
| as a %age of Total Sales | 30.9% | 27.8% | 25.3% | 22.9% | 20.2% | 18.3% |
| Target sales growth |  | 15.3% | 14.4% | 15.0% | 17.8% | 15.0% |
| Estimated Market Share | 2.2% | 2.1% | 2.1% | 2.1% | 2.2% | 2.2% |
|  |  |  |  |  |  |  |
| Period |  | **6** | **7** | **8** | **9** | **10** |
| Year |  | **2019** | **2020** | **2021** | **2022** | **2023** |
| Sales (in Php M) |  | 193.4 | 222.5 | 261.1 | 310.8 | 370.1 |
| Revenue from 1 jumbo account |  | 31.6 | 32.9 | 34.2 | 35.6 | 37.0 |
| as a %age of Total Sales |  | 16.4% | 14.8% | 13.1% | 11.4% | 10.0% |
| Target sales growth |  | 16.3% | 15.0% | 17.4% | 19.1% | 19.1% |
| Estimated Market share |  | 2.2% | 2.2% | 2.2% | 2.3% | 2.4% |

While the market has grown 17% annually as of 2011, the assumption in this projection is that it would taper down a bit to around 15% in the long run (maybe even lower) as competition even with direct sales and agents gets stiffer. Deferring the more aggressive sales growth in years 6 onwards gives time for the Company to develop its marketing and sales team. Strategy #1 recommends capacity building of the marketing and sales team.

Accounts are classified in terms of employee size of establishments. A portfolio mix was assumed. Strategy #2 targets development of an SME portfolio. Naturally, in order for the SME portfolio to contribute considerably to the whole portfolio, the sales should be able to catch a wider net for most of its marketing activity because of smaller size of accounts. Strategy #3 which involves development of an integrated IT system that includes possible e-commerce capability should be able to support such activities.

**Table 7.3. Target portfolio mix (in terms of revenue from new business)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Classification | Ave. Employee  Headcount | 2014 | 2015 | 2016 | 2017 | 2018 |
| Jumbo | 2000 | 20% | 10% | 10% | 10% | 10% |
| Large | 500 | 50% | 50% | 40% | 40% | 40% |
| SME: |  | **30%** | **40%** | **50%** | **50%** | **50%** |
| *Medium* | *150* | *27%* | *36%* | *45%* | *44%* | *43%* |
| *Small* | *25* | *3%* | *4%* | *5%* | *6%* | *7%* |
|  |  |  |  |  |  |  |
|  |  | Target number of Accounts (new business) | | | | |
| Classification |  | 2014 | 2015 | 2016 | 2017 | 2018 |
| ALL |  | **44** | **56** | **76** | **110** | **109** |
| Jumbo |  | 1 | 1 | 1 | 1 | 1 |
| Large |  | 10 | 10 | 9 | 12 | 11 |
| SME: |  | **33** | **45** | **66** | **97** | **97** |
| *Medium* |  | *17* | *23* | *34* | *45* | *41* |
| *Small* |  | *16* | *22* | *32* | *52* | *56* |

Other assumptions are as follows:

Ave. Family Count: 1.5 (i.e. participation rate of one dependent per 2 employees)

Ave. Premium per Person: Php 7,000 for Medium to Jumbo, Php 5,000 for Small

Commission Rate: 7.5% for Jumbo, 10% for Small to Large

Strategy #1 also indicates how the team should be able to ramp up its prospecting and selling activities, i.e. to hold events that capture mass audience. Usually, these would be corporate seminars, trainings and workshops. Table 7.4 below shows the number of events needed to be launched with mass audience assuming a close rate of 10% for medium to jumbo accounts and 5% for small accounts. The strategy is to divide the sales efforts and as such, the sales team to Large-Jumbo and Small-Medium accounts. A target number of prospects per event is assumed.

The capacity of a sales person is measured in terms of the number of prospects met in a month. The assumption in the projection four (4) for large to jumbo accounts and twenty (2) for small to medium accounts.

**Table 7.4 Target number of events and sales people requirements**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Number of Prospects (Annual)** | **600** | **707** | **897** | **1230** | **1152** |
| *Jumbo* | *10* | *10* | *10* | *10* | *10* |
| *Large* | *100* | *100* | *90* | *120* | *110* |
| *Medium* | *170* | *230* | *340* | *450* | *410* |
| *Small* | *320* | *367* | *457* | *650* | *622* |
| Number of Sales Person Needed | **6** | **6** | **7** | **8** | **8** |
| *Large-Jumbo* | 3 | 3 | 3 | 3 | 3 |
| *Small-Medium* | 3 | 3 | 4 | 5 | 5 |
| Number of Prospects per event |  |  |  |  |  |
| *Large-Jumbo* | *20* | *20* | *20* | *20* | *20* |
| *Small-Medium* | *100* | *100* | *100* | *100* | *100* |
| Number of Events in a year | **11** | **0** | **0** | **0** | **0** |
| *Large-Jumbo* | *6* | *6* | *5* | *7* | *6* |
| *Small-Medium* | *5* | *6* | *8* | *11* | *10* |

* + 1. Projected Income Statement

**Table 7.5 Pro-forma Income Statement for years 2014-2018 (in Php Millions)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Period** | **0** | **1** | **2** | **3** | **4** | **5** |
| **Year** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
| Revenues | 80.94 | 93.36 | 106.77 | 122.76 | 144.58 | 166.27 |
| Expenses |  |  |  |  |  |  |
| Salaries, wages, benefits | 43.38 | 51.35 | 58.72 | 67.52 | 79.52 | 91.45 |
| Retirement Benefit | 2.91 | 3.44 | 3.93 | 4.52 | 5.33 | 6.13 |
| Marketing Expense | 0.06 | 3.80 | 3.20 | 3.68 | 4.34 | 4.99 |
| Depreciation and amortization | 1.28 | 2.09 | 2.70 | 2.87 | 2.81 | 2.98 |
| Training and Education | 0.76 | 0.93 | 1.07 | 1.23 | 1.45 | 1.66 |
| Other General Expenses | 11.60 | 10.52 | 11.88 | 13.49 | 15.66 | 17.82 |
| **Total Expenses** | **59.97** | **72.14** | **81.50** | **93.30** | **109.09** | **125.02** |
| Operating Income | 20.97 | 21.23 | 25.26 | 29.45 | 35.49 | 41.25 |
| Other Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Income Before Tax | 20.97 | 21.23 | 25.26 | 29.45 | 35.49 | 41.25 |
| Taxes | 6.28 | 6.36 | 7.56 | 8.82 | 10.63 | 12.35 |
| **Net Income** | **14.69** | **14.87** | **17.70** | **20.63** | **24.86** | **28.90** |
| Net Profit Margin | 18.1% | 15.9% | 16.6% | 16.8% | 17.2% | 17.4% |

The income statement for the base year, 2013, is based on the internal projections by the Company. The assumption for increases in salaries, wages and benefits as well as professional fees and director’s fees is 5% each year. Significant increases are in the budgets for salaries, marketing expense and training. For salaries, this is higher of 55% of revenues and the 5% increase from previous year. This is to ensure that human resource capacity grows as sales grow. Marketing expense is assumed at 3% of target sales except for 2014 where additional marketing expense is booked to provision for the 20th anniversary of the Company. Training and education is also increased to at least 1% of the sales. The Company does not pay rent, unlike its competitors, since it owns the building where its office is located. Retirement expense is estimated using the current ratio of the expense to the salaries, wages and benefits. The rest of the expenses are projected with the same ratio as the average ratio of the expenses in the past 3 years over the revenues.

The resulting net income margin is above 15%, which is the target margin for the Company.

* + 1. Projected Balance Sheet for 2014-2018

The balance sheet for year 2014 to 2018 is shown in Table 7.6.

**Table 7.6 Pro-forma Balance Sheet for years 2014-2018 (in Php Millions)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Period** | **0** | **1** | **2** | **3** | **4** | **5** |
| **Year** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
| **Assets** |  |  |  |  |  |  |
| Current Assets |  |  |  |  |  |  |
| Cash | 32.63 | 21.45 | 16.60 | 22.77 | 31.18 | 41.58 |
| Trade and other Accounts Receivables | 1.55 | 1.79 | 2.05 | 2.35 | 2.77 | 3.19 |
| Financial asset at fair value through profit or loss (FVPL) | 1.62 | 1.62 | 1.62 | 1.62 | 1.62 | 1.62 |
| Creditable withholding taxes - net | 1.29 | 1.48 | 1.70 | 1.95 | 2.30 | 2.64 |
| **Total Current Assets** | 37.09 | 26.35 | 21.97 | 28.69 | 37.87 | 49.04 |
| Non-current Assets |  |  |  |  |  |  |
| Property and Equipment - Net | 7.36 | 11.67 | 20.01 | 17.99 | 16.03 | 13.90 |
| Deferred Tax Assets | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 |
| Other Non-Current Asset | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 |
| **Total Non-Current Assets** | 11.04 | 15.34 | 23.69 | 21.67 | 19.70 | 17.57 |
| **Total Assets** | **48.13** | **41.69** | **45.66** | **50.36** | **57.57** | **66.61** |
|  |  |  |  |  |  |  |
| **Liabilities and Stockholders Equity** | |  |  |  |  |  |
| Current Liabilities |  |  |  |  |  |  |
| Accrued Expense, Accounts payable and other liabilities | 6.65 | 7.67 | 8.78 | 10.09 | 11.88 | 13.67 |
| Non-Current Liabilities |  |  |  |  |  |  |
| Retirement benefit Liabilities | 1.99 | 0.43 | (0.64) | (1.12) | (0.79) | 0.34 |
| Total Liabilities | 8.64 | 8.10 | 8.14 | 8.97 | 11.10 | 14.00 |
| Stockholders' equity |  |  |  |  |  |  |
| **Share Capital** | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| Treasury shares | (6.16) | (4.92) | (3.69) | (2.46) | (1.23) | 0.00 |
| Retained Earnings / (Deficit) |  |  |  |  |  |  |
| Beginning Balance | 40.22 | 33.31 | 26.18 | 28.88 | 31.52 | 35.38 |
| Cash Dividends | (21.60) | (22.00) | (15.00) | (18.00) | (21.00) | (24.00) |
| Net Income/(Loss) After Tax for the Year | 14.69 | 14.87 | 17.70 | 20.63 | 24.86 | 28.90 |
| **Total Retained Earnings** | 33.31 | 26.18 | 28.88 | 31.52 | 35.38 | 40.27 |
| Accumulated Comprehensive Income | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 |
| Total Equity | 39.49 | 33.59 | 37.52 | 41.39 | 46.48 | 52.61 |
|  |  |  |  |  |  |  |
| **Total Liabilities and Stockholders' Equity** | **48.13** | **41.69** | **45.66** | **50.36** | **57.57** | **66.61** |

The Account Receivables is projected using an average collection period of 7 days. This is lower than industry average because of the Company’s policy to let the clients pay directly to the providers. As such, the Company does not carry any assets which are not its real assets. With this policy, AR turnover is higher because the average settlement of commissions by the providers is around 7 days. The Account Payables is computed assuming days payable of 30 days and using revenues instead of cost of goods sold. Property and Equipment is net of depreciation and amortization. This already include capital investments on IT infrastructure amounting to around Php 9.78M in the next 5 years and building renovations of around Php10M to build more office space as shown in the Cash Flow Position in Table 7.7.

The rest of the non-current assets and liabilities are maintained except for the net retirement liability which was computed based on target contributions to the retirement fund (refer to Table 7.7 for the cash flow position), assumed retirement expense recognized in the income statement and zero gains and losses recognized in the other comprehensive income.

Treasury shares are assumed re-purchased at cost in the next 5 years. Dividends are assumed paid to minimize tax exposure to the Company (i.e. retaining 100% paid up capital based on Revenue Memorandum Circular 35-2011, dated August 17, 2011). The Company has the option to increase its paid up capitalization and pay out stock dividends instead of cash dividends. This should most likely be the scenario when the IC would eventually increase the capitalization requirements are it has done in the past.

* + 1. Projected Cash Flow for 2014-2018

**Table 7.7 Pro-forma Cash Flow for years 2014-2018 (in Php Millions)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Period** | **0** | **1** | **2** | **3** | **4** | **5** |
| **Year** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |  |  |  |  |
| Income before income tax | 20.97 | 21.23 | 25.26 | 29.45 | 35.49 | 41.25 |
| Adjustments for: |  |  |  |  |  |  |
| Retirement benefits | 2.91 | 3.44 | 3.93 | 4.52 | 5.33 | 6.13 |
| Depreciation and amortization | 1.28 | 2.09 | 2.70 | 2.87 | 2.81 | 2.98 |
| Operating income before working capital changes | 25.15 | 26.76 | 31.90 | 36.84 | 43.62 | 50.35 |
| Decrease (increase) in: |  |  |  |  |  |  |
| Receivables | (0.47) | (0.24) | (0.26) | (0.31) | (0.42) | (0.42) |
| Creditable withholding taxes | 0.14 | (0.20) | (0.21) | (0.25) | (0.35) | (0.34) |
| Increase (decrease) in accounts payable and |  |  |  |  |  |  |
| other current liabilities | (1.66) | 1.02 | 1.10 | 1.31 | 1.79 | 1.78 |
| Net cash generated from operations | 23.16 | 27.35 | 32.53 | 37.60 | 44.65 | 51.37 |
| Contributions made to the retirement fund | (4.08) | (5.00) | (5.00) | (5.00) | (5.00) | (5.00) |
| Income tax paid | (6.28) | (6.36) | (7.56) | (8.82) | (10.63) | (12.35) |
| Net cash provided by operating activities | 12.81 | 15.99 | 19.97 | 23.78 | 29.02 | 34.02 |
| **CASH FLOWS FROM AN INVESTING ACTIVITY** |  |  |  |  |  |  |
| Additions to property and equipment | (0.36) | (6.40) | (11.05) | (0.85) | (0.85) | (0.85) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |  |  |  |
| Acquisition of treasury shares | 2.84 | 1.23 | 1.23 | 1.23 | 1.23 | 1.23 |
| Dividends paid | (21.60) | (22.00) | (15.00) | (18.00) | (21.00) | (24.00) |
| Cash used in financing activities | (18.76) | (20.77) | (13.77) | (16.77) | (19.77) | (22.77) |
| **NET INCREASE IN CASH** | (6.31) | (11.18) | (4.85) | 6.17 | 8.41 | 10.41 |
| **CASH AT BEGINNING OF YEAR** | 38.93 | 32.63 | 21.45 | 16.60 | 22.77 | 31.18 |
| **CASH AT END OF YEAR** | 32.63 | 21.45 | 16.60 | 22.77 | 31.18 | 41.58 |

1. **STRATEGY EVALUATION, MONITORING & CONTROL**
   1. **Strategy Map**

**VISION**

* We want to be an incubator of the most innovative solutions and best minds in risk management, employee benefits and insurance placement in the Philippines –through developing our people and through our collaboration with our clients and providers.
* We want to be the preferred consultants of the employers, organizations and individuals that recognize the value of expertise and quality service.
* We want to lead in quality of service and business relationships at all times.
* We will be the preferred partner of the top five (5) reputable insurance and healthcare providers by year 2020.

Grow sales by 15% p.a. in the next 5 years (~166 M by 2018)

Target net profit margin of 15%-20% p.a.

Maintain market share in the next 5 years

Penetrate SME industry. Design packages specific to this market.

Grow current portfolio through designing products for cross-selling and upselling.

Improve client retention rate to 98%.

Increase customer confidence in our advice.

Intensify brand building efforts

Increase targeted marketing efforts

Develop and strengthen partnerships with allied industries and providers to provide value-added features for customers

Improve SLA and Service Delivery quality and response time.

Increase capacity: Improve competencies by developing and growing high-level consultants and their range of expertise and developing the business development team

Create an open culture that encourages innovation and promotes empowered employees.

Invest on an integrated IT system to address more efficient and simplified processes and security including recruitment of skilled IT personnel.

**Financial Perspective**

**Customer Perspective**

**Internal Processes Perspective**

**Learning and Growth Perspective**

**Financial –** The Company’s vision entails that the Company continue to be financially viable in order to continue to deliver quality advice and service to all its stakeholders. The financial strategies should be able to address the large client portfolio concentration risk that the Company is currently facing while maintaining its target margins.

**Customer –** It is time for the Company to actively seek our prospective customers in untapped market which could help in increasing its market share. It also has to mine more revenues from its current client base, which has large potential for more organic growth in terms of cross-sold service offerings. Client retention should also be a major goal in order to build much deeper and long-term relationship with client partners.

**Internal Processes –** The Company needs to enhance its infrastructures especially its internal processes and strategic partners to be able to support its strategies of giving more value to its clients. It has to address its current structural weakness of having no formal marketing and sales team that takes of growing the portfolio as well as ensuring that the market gets to know the Company’s service offerings.

**Learning and Growth –** Intensifying the Company’s infrastructure boils down to the development of the Company’s talents and technology that will the core supplier of the Company’s solutions offered to its clients.

* 1. **Balance Scorecard** 
     1. Financial Perspective

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Objective | Key Performance Index or Measure | Target | Resp. | When |
|  | Meet Target  Warning  Below Target |  | D = Driver  A = Accountable  C = Consulted  I = Informed |  |
| 1. Grow sales by 15% p.a. in the next 5 years (~166M by 2018) | Measure: **Sales Growth**  15% and Up  10% to below 15%  Below 10% | 15% | D = Bus. Dev’t  A = Operations  C = Management  I = Finance | 2014-2018  (Check Quarterly) |
| Measure: **Revenue from New Business from New Accounts over Total Revenue**  10% and above  5% to below 10%  Below 5% | 10% | D = Bus. Dev’t  A = Bus. Dev’t and Operations  C = Management  I = Finance |  |
| 2. Target net profit margin of 15%-20% p.a. | Measure: **Net Profit Margin**  15% and Up  10% to below 15%  Below 10% | 15% to 20% | D = Management  A = Operations  C = Finance  I = Bus. Dev’t | 2014-2018  (Check Quarterly) |

* + 1. Customer Perspective

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Objective | Key Performance Index or Measure | Target | Resp. | When |
|  | Meet Target  Warning  Below Target |  | D = Driver  A = Accountable  C = Consulted  I = Informed |  |
| 1. Maintain Market Share in the next 5 years | Measure: **Market Share**  2.2% and Up  2% to below 2.2%  Below 2% | 2.2% | D = Bus. Dev’t  A = Operations  C & I = Management | 2018  (Check Annually) |
| 2. Penetrate SME industry. Design packages specific to this market. | Measure: **% of revenues from SME over total client portfolio**  10% and Up  5% to below 10%  Below 5% | 10% | D = Management  A = Operations  C = Finance  I = Bus. Dev’t | 2018  (Check Quarterly) |
| 3. Grow current portfolio through designing products for cross-selling and upselling. | Measure: **Cross-selling & Upselling rate** (additional revenue / previous year’s revenue )  1% and Up  0.5% to below 1%  Below 0.5% | 1% | D = Bus. Dev’t  A = Operations  C = Management  I = Finance | 2018  (Check Quarterly) |
| 4. Improve client retention rate to 98%.Increase customer confidence in our advice. | Measure: **Retention rate** (revenue from renewals (exclusive of organic growth) / previous year’s revenue)  98% and Up  90% to below 98%  Below 90% | 98% | D = Operations  A = Operations  C = Bus. Dev’t and Mgt.  I = Finance | 2015  (Check Quarterly) |
| Measure: **Customer Satisfaction Rate** (0 to 4 rating)  3 and above  2 to below 3  Below 2 | 3  (through annual survey) | D = Operations  A = Operations  C = Bus. Dev’t and Mgt | 2014  (Check Annually) |

* + 1. Internal Processes Perspective

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Objective | Key Performance Index or Measure | Target | Resp. | When |
|  | Meet Target  Warning  Below Target |  | D = Driver  A = Accountable  C = Consulted  I = Informed |  |
| 1. Intensify brand building efforts | Measure: **Number of PR Events inc. seminars and Ad campaigns in a year**  12 and above  6 to below 12  Below 6 | 12 (at least once a month)  *(Adjust based on sales target)* | D = Bus. Dev’t  A = Bus. Dev’t  C = Management  I = Finance | 2014-2018  (Check quarterly) |
| 2. Increase targeted marketing efforts | Measure: **Number of new products/packages launched in a year**  2 and Up  1  0 | 2 and up | D = Bus. Dev’t  A = Bus. Dev’t  C = Management and Operations  I = Finance | 2014-2018 |
| Measure: **Number of qualified leads from PR events / Close Rate**  120 and above / 10% MLE, 5% Small  100 to below 120 / Less than 10%/5%  Below 100 / Less than 10%/5% | 120 *(Closure rate may be adjusted depending on size of closed accounts)* | D = Bus. Dev’t  A = Bus. Dev’t  C = Management  I = Management | 2014  (Check monthly; with yearly adjustments) |
| 3. Develop and strengthen partnerships with allied industries and providers to provide value-added features for customers | Measure: **Number of MOAs signed with allied partners**  5 and above  1 to 4  0 | 5 | D = Bus. Dev’t  A = Bus. Dev’t  C = Management  I = Management | 2014-2018  (Check monthly) |
| 4. Improve SLA, Service Delivery quality and response time | Measure: **SLA hit rate** (i.e. %age TAT SLAs are achieved)  99% and Up  90% to below 99%  Below 90% | 99% | D = Operations  A = Operations  C = Bus. Dev’t and Mgt. | 2014-2018  (Check Quarterly) |
| Measure: **Mean response time for customer concerns**  Within 24 hours  Above 24 hours to 48 hours  Above 48 hours | With 24 hours | D = Operations  A = Operations  C = Bus. Dev’t and Mgt. | 2014-2018  (Check quarterly) |
| Measure: **Number of Customer complaints per Month**  1 and below  2 to 4  Above 4 | 1 and below | D = Operations  A = Operations  C = Bus. Dev’t and Mgt. | 2014-2018  (Check monthly) |

* + 1. Learning and Growth Perspective

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Objective | Key Performance Index or Measure | Target | Resp. | When |
|  | Meet Target  Warning  Below Target |  | D = Driver  A = Accountable  C = Consulted  I = Informed |  |
| 1. Increase capacity: Improve competencies by developing and growing high-level consultants and their range of expertise and developing the business development team | Measure: **Ave. Length of Promotion of key employees**  2 – 3 years and below  more than 3 to 5 years  More than 5 years | 2 to 3 years | D = HR  A = Operations  C = Management | 2014-2018 |
| Measure: **Number of man-hours for employee training per employee per year**  100 hours and above  75 hrs. to below 100 hrs.  Below 75 hours | 100 hours and above | D = HR  A = Operations  C/I = Management | 2014-2018 (re-evaluate quarterly) |
| Measure: **Number of accounts per consultant**  10 and below  11 to 20  20 and above | 10 and below | D = Management  A = Operations  C/I = Bus. Dev’t / HR | 2014-2018 |
| Measure: **Number of accounts per account officer**  5 and below  6 to 10  Above 10 | 5 and below  *(to be adjusted based on size and complexity of accounts)* | D = Operations  A = Operations  C/I = Mgt / HR / BD | 2014 – 2018 |
|  | Measure: **Number of suggestions from employee**  1 idea per week  1 idea per month  Below 1 idea per month | 1 idea per week | D = Management  A = Operations  C = Finance  I = Bus. Dev’t | 2014-2018 |
|  | Measure: **Over-all employee satisfaction** (0 to 4 rating)  3 and above  2 to below 3  Below 2 | 3 and above (through annual survey) |  |  |
|  | Measure: **System on-time completion rate** (in terms of % on-time achievement)  90 to 100%  75 to 90%  Below 75% | 90 to 100% on-time achievement of milestones | D = Operations  A = IT  C = Management  I = Finance | 2014-2018 |

* 1. **Contingency Planning**
     1. **Downside Potential Events**
  + Fall short of establishing target number of prospects
    - Increase marketing activities through more participation in corporate events. It is critical that a good distribution of events is selected. It is common to have the same groups of prospects attend particular clustering of events. It is critical to find as many events outside the typical clusters.
    - Increase number of sales person in the field. It is also crucial to select the sales person depending on her assigned market segment. Different kinds of sales people are more appropriate for different segments.
  + Close rate (10%) is not met
    - Increase target prospects and improve deal qualification process.
    - Review package and selling spiels through post-mortem analysis of unclosed accounts. Adjustments must be segment conscious and should avoid adjustments against outliers.
  + Client retention rate is not met
    - Increase new business targets.
    - Do post-mortem analysis for lost accounts. Determine rationale for churn and review process against this data. Adjustments must be segment conscious and should avoid adjustments against outliers.
    - Plan for client ‘buy back’ based on the post-mortem analysis. Strategies must consider rationale for churn.
    - Ensure operations are as efficient and lean as it gets. Use IT systems effectively. Constantly, review people, process and technologies.
  + Target revenue not met
    - Provide additional sales and market development program. Also determine additional events and activities to execute. Sales plans should also be reviewed.
    - Consider M&A strategy for wider sales reach.
    - Review which portfolio is underperforming and possibly change portfolio targets.
    1. **Upside Potential Events**
  + Participation rate for corporate sponsored events higher than expected
    - Mine more possible clients. If necessary, hire more sales people to capture all possible prospects.
    - Apply stricter deal qualification to allow better prioritization. Lower qualified leads can always be revisited later.
  + Close rate is higher than expected
    - Ramp up operational scalability to ensure infrastructure is ready and capable when new business are closed. Review existing SLAs.
    - Accelerate training and development program of human assets.
  + Client retention is higher than expected
    - Cross-sell more products / service offerings to current clients.
    - Ramp up operational scalability to ensure infrastructure is ready and capable when new business are closed. Review existing SLAs.
    - Develop client loyalty incentives.
  + Target revenue more than expected
    - Assess profitable portfolio.
    - Reallocate sales and marketing efforts to key serviceable segments. This should have factored in operation capability.
    - Continue balancing portfolio across industries and account sizes.
    - Consider going global or regional.
    - Party!

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2. **APPENDICES**
   1. **Tables**

**Table 10.1. Employment of Major Industry Group, Philippines: April 2012 and 2013 (in Thousand Except Rates)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2013p | 2012 | Growth |
| Agriculture | 11,844 | 12,468 | -5.0% |
| Industry | 6,083 | 5,859 | 3.8% |
| Services | 19,893 | 19,513 | 1.9% |
| **Total** | **37,820** | **37,840** | -0.1% |

*P - Preliminary*

*Source: LABSTAT Updates, Vol. 17. No. 10, June 2013, Bureau of Labor and Employment Statistics, Department of Labor and Employment*

**Table 10.2. Number of employees by Region and Firm Size (2011)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **REGION** | | **EMPLOYMENT SIZE (MSME)** | | | | | | | | | |
| **TOTAL** | **Number of Establishments** | | | | **TOTAL** | **Total Employment** | | | |
| **MICRO** | **SMALL** | **MEDIUM** | **LARGE** | **MICRO** | **SMALL** | **MEDIUM** | **LARGE** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Philippines |  | 820,255 | 743,250 | 70,222 | 3,287 | 3,496 | 6,345,742 | 1,778,353 | 1,642,492 | 451,561 | 2,473,336 |
| National Capital Region (NCR) | | 213,594 | 180,183 | 30,313 | 1,478 | 1,620 | 2,743,094 | 496,685 | 740,981 | 201,609 | 1,303,819 |
| Cordillera Administrative Region (CAR) | | 15,311 | 14,459 | 796 | 29 | 27 | 73,678 | 29,818 | 16,948 | 3,978 | 22,934 |
| Ilocos Region | | 43,495 | 41,457 | 1,933 | 66 | 39 | 157,711 | 88,599 | 42,631 | 8,805 | 17,676 |
| Cagayan Valley | | 24,281 | 23,263 | 969 | 29 | 20 | 79,908 | 48,808 | 19,574 | 3,826 | 7,700 |
| Central Luzon | | 83,476 | 76,827 | 6,187 | 265 | 197 | 463,297 | 174,998 | 141,765 | 37,109 | 109,425 |
| CALABARZON | | 123,173 | 114,293 | 7,805 | 464 | 611 | 947,500 | 251,208 | 190,549 | 64,377 | 441,366 |
| MIMAROPA | | 22,822 | 21,749 | 1,033 | 23 | 17 | 73,570 | 44,689 | 20,400 | 3,028 | 5,453 |
| Bicol Region | | 26,772 | 25,034 | 1,647 | 55 | 36 | 120,866 | 60,708 | 35,509 | 7,653 | 16,996 |
| Western Visayas | | 47,300 | 43,394 | 3,608 | 164 | 134 | 270,527 | 104,386 | 79,689 | 22,033 | 64,419 |
| Central Visayas | | 50,411 | 45,138 | 4,692 | 248 | 333 | 480,745 | 113,141 | 110,885 | 33,986 | 222,733 |
| Eastern Visayas | | 18,405 | 17,285 | 1,051 | 43 | 26 | 80,644 | 41,742 | 21,405 | 5,774 | 11,723 |
| Zamboanga Peninsula | | 27,272 | 25,751 | 1,421 | 53 | 47 | 111,449 | 53,413 | 30,137 | 7,302 | 20,597 |
| Northern Mindanao | | 29,873 | 27,085 | 2,564 | 115 | 109 | 200,738 | 66,315 | 56,100 | 16,206 | 62,117 |
| Davao Region | | 40,327 | 36,748 | 3,263 | 159 | 157 | 274,930 | 90,994 | 72,467 | 22,271 | 89,198 |
| SOCCSKSARGEN | | 31,637 | 29,716 | 1,788 | 57 | 76 | 163,266 | 65,001 | 39,074 | 8,147 | 51,044 |
| Caraga |  | 13,892 | 12,893 | 933 | 31 | 35 | 73,580 | 30,075 | 19,281 | 4,288 | 19,936 |
| Autonomous Region in Muslim Mindanao (ARMM) | | 8,214 | 7,975 | 219 | 8 | 12 | 30,239 | 17,773 | 5,097 | 1,169 | 6,200 |

*Source: NATIONAL STATISTICS OFFICE. Micro Industry and Trade Statistics Department. Small Statistical Sampling and Operations Division Medium. (http://www.dti.gov.ph)*

**Table 10.3. Number of Establishments and Total Employment by Industry and Employment Size (2011)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2009PSIC INDUSTRY** | | **EMPLOYMENT SIZE (MSME)** | | | | | | | | | |
| **TOTAL** | **Number of Establishments** | | | | **TOTAL** | **Total Employment** | | | |
| **MICRO** | **SMALL** | **MEDIUM** | **LARGE** | **MICRO** | **SMALL** | **MEDIUM** | **LARGE** |
|  | Agriculture Forestry and Fishing | 5,124 | 3,559 | 1,277 | 140 | 148 | 175,547 | 13,027 | 36,216 | 19,074 | 107,230 |
|  | Mining and Quarrying | 570 | 356 | 162 | 18 | 34 | 42,682 | 1,354 | 5,059 | 2,353 | 33,916 |
|  | Manufacturing | 112,789 | 100,837 | 10,029 | 899 | 1,024 | 1,373,367 | 253,945 | 270,123 | 124,524 | 724,775 |
|  | Electricity Gas Steam and Air Conditioning Supply | 753 | 212 | 344 | 101 | 96 | 75,793 | 991 | 11,149 | 14,633 | 49,020 |
|  | Water Supply; Sewerage Waste Management and Remediation Activities | 1,058 | 533 | 466 | 34 | 25 | 34,984 | 2,441 | 13,322 | 4,870 | 14,351 |
|  | Construction | 2,994 | 1,602 | 1,140 | 119 | 133 | 143,902 | 6,382 | 34,431 | 16,338 | 86,751 |
|  | Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles | 384,031 | 362,159 | 20,920 | 557 | 395 | 1,487,681 | 806,164 | 430,900 | 75,987 | 174,630 |
|  | Transportation and Storage | 6,248 | 4,243 | 1,758 | 129 | 118 | 154,229 | 16,298 | 46,532 | 17,300 | 74,099 |
|  | Accommodation and Food Service Activities | 105,208 | 93,690 | 11,243 | 190 | 85 | 575,978 | 241,907 | 272,452 | 24,960 | 36,659 |
|  | Information and Communication | 19,630 | 18,085 | 1,340 | 103 | 102 | 167,170 | 33,836 | 38,434 | 13,753 | 81,147 |
|  | Financial and Insurance Activities | 28,742 | 23,435 | 5,023 | 120 | 164 | 411,198 | 85,883 | 91,323 | 15,875 | 218,117 |
|  | Real Estate Activities | 6,486 | 5,094 | 1,304 | 49 | 39 | 69,462 | 15,857 | 30,477 | 6,801 | 16,327 |
|  | Professional Scientific and Technical Activities | 18,356 | 16,287 | 1,913 | 77 | 79 | 155,723 | 42,908 | 44,353 | 10,307 | 58,155 |
|  | Administrative and Support Service Activities | 19,118 | 15,884 | 2,303 | 281 | 650 | 756,600 | 41,102 | 63,431 | 39,119 | 612,948 |
|  | Education | 15,227 | 8,371 | 6,327 | 301 | 228 | 332,483 | 33,583 | 158,971 | 41,840 | 98,089 |
|  | Human Health and Social Work Activities | 30,878 | 29,145 | 1,480 | 122 | 131 | 168,275 | 50,568 | 38,705 | 17,367 | 61,635 |
|  | Arts Entertainment and Recreation | 13,223 | 12,163 | 997 | 30 | 33 | 72,881 | 28,354 | 19,467 | 4,091 | 20,969 |
|  | Other Service Activities | 49,820 | 47,595 | 2,196 | 17 | 12 | 147,787 | 103,753 | 37,147 | 2,369 | 4,518 |
|  | Total | 820,255 | 743,250 | 70,222 | 3,287 | 3,496 | 6,345,742 | 1,778,353 | 1,642,492 | 451,561 | 2,473,336 |

*Source: NATIONAL STATISTICS OFFICE. Micro Industry and Trade Statistics Department. Small Statistical Sampling and Operations Division Medium. (http://www.dti.gov.ph)*

**Table 10.4. Affiliations of Top Brokers**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Ranking** | | **Company** | **Affiliation** | **Reach** | **Remarks** |
| **ALL** | **EB** |  |  |  |  |
| 1 | 2 | Marsh Philippines, Inc. | Marsh & McLennan | Global player | Merged with Mercer Consulting, Number 1 Global (Based on 2012 Revenues) |
| 2 | 1 | HSBC Insurance Brokers (Phils.), Inc. | HSBC Bank |  | Captured market |
| 3 | 4 | Aon Philippines Inc. (Ayala Aon) | AON Hewitt | Global player | Number 2 Global (Based on 2012 Revenues) |
| 4 | 7 | BDO Insurance Brokers, Inc. | BDO Bank | Local | Captured market |
| 5 | 3 | Citicorp Fin. Services & Ins. Brokerage Phils. | Citibank N.A. | Global affiliation | Captured market |
| 6 | 9 | Anchor Insurance Brokers | San Miguel Corp. | Local | Captured market |
| 7 | 6 | Gotauco Del Rosario Ins. Brokers, Inc. | International Benefits Network, Assurex Global, Globex International | Global network | Institutional relationships |
| 8 | \* | Lockton Phils. | Lockton Global | Global network | Captured market |
| 9 | 11 | Unicon Insurance Brokers Corporation | JG Summit Group | Local | Captured market |
| 10 | 8 | Jardine Lloyd Thompson Ins. Brokers, Inc. | Jardine Lloyd | Global player | JLT Group - #7 global |
| 11 | \* | Intertrade Insurance Brokers | Westcourt General Insurance Brokers | Asia and Pacific | Based in Australia |
| 12 | 5 | Solutions Insurance Brokers, Inc. | RNA Regional Alliance and Abelica Global | Regional and Global | Affiliation with RNA is more NEB / Abelica is for consulting |
| 13 | 18 | Philpacific Ins. Brokers & Managers, Inc. (Philinsure) | Wells Fargo Global Broker Network and  Arthur Gallagher | Global network | With regional offices (Manila, Cebu, Davao); With reinsurance license  Gallagher - #4 global  Wells Fargo - #5 Global |
| 15 | 10 | Accette Insurance Brokers, Inc. (Howden) | Howden Broking Group | Global player | Local player acquired by global player |
| 16 | 12 | Lacson & Lacson Insurance Brokers, Inc. | Worldwide Broker Network | Global network |  |
| 17 | 13 | Winebrenner & Inigo Insurance Associates, Inc | Willis Group | Global network | with Captured market  Number 3 Global (Based on 2012 Revenues) |
| 18 | 14 | Taishan Insurance Brokers (Phils.), Inc. | Kuok Group | Regional affiliation | with Captured Market |
| \* | 15 | Ra Roco Insurance Brokers, Inc. | None | Local |  |

*Ranking based on Total Premiums placed in 2011 (IC Report, 2011)*

*\* not part of top 20*

**Table 10.5. Portfolio Concentration of Top Brokers**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Ranking** | | **Company** | **Portfolio portion of:** | |
| **ALL** | **EB** |  | **EB** | **Non-EB** |
| 1 | 2 | Marsh Philippines, Inc. | 40% | 60% |
| 2 | 1 | HSBC Insurance Brokers (Phils.), Inc. | 100% | 0% |
| 3 | 4 | Aon Philippines Inc. (Ayala Aon) | 39% | 61% |
| 4 | 7 | BDO Insurance Brokers, Inc. | 32% | 68% |
| 5 | 3 | Citicorp Fin. Services & Ins. Brokerage Phils. | 63% | 37% |
| 6 | 9 | Anchor Insurance Brokers | 37% | 63% |
| **7** | **6** | **Gotauco Del Rosario Ins. Brokers, Inc.** | **58%** | **42%** |
| 8 | \* | Lockton Phils. (Alexander Forbes) | 2% | 98% |
| 9 | 11 | Unicon Insurance Brokers Corporation | 22% | 78% |
| **10** | **8** | **Jardine Lloyd Thompson Ins. Brokers, Inc.** | **40%** | **60%** |
| 11 | \* | Intertrade Insurance Brokers | 1% | 99% |
| **12** | **5** | **Solutions Insurance Brokers, Inc.** | **99%** | **1%** |
| 13 | 18 | Philpacific Ins. Brokers & Managers, Inc. (Philinsure) | 11% | 89% |
| **15** | **10** | **Accette Insurance Brokers, Inc. (Howden)** | **53%** | **47%** |
| **16** | **12** | **Lacson & Lacson Insurance Brokers, Inc.** | **56%** | **44%** |
| 17 | 13 | Winebrenner & Inigo Insurance Associates, Inc | 32% | 68% |
| 18 | 14 | Taishan Insurance Brokers (Phils.), Inc. | 48% | 52% |
| \* | 15 | Ra Roco Insurance Brokers, Inc. | 88% | 12% |

*Ranking based on Total Premiums placed in 2011 (IC Report, 2011)*

*\* not part of top 20*

**Table 10.6. Ratio to the whole portfolio per line of main competitors**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **EB** | | **NEB** | | | | | | | | |
|  | **Life** | **A&H** | **Fire** | **Ocean Marine** | **Inland Marine** | **Marine Hull** | **Aviation** | **F&S** | **MV** | **Eng.** | **Misc** |
| Solutions | 4% | 95% | 0% | 0% | 0% | 0% | 0% | 0% | 1% | 0% | 0% |
| Gotuaco | 4% | 54% | 26% | 3% | 1% | 2% | 1% | 4% | 4% | 1% | 2% |
| Lacson |  |  |  |  |  |  |  |  |  |  |  |
| Howden | 11% | 42% | 14% | 1% | 1% | 0% | 2% | 1% | 19% | 2% | 7% |
| Jardine | 2% | 38% | 1% | 3% | 0% | 2% | 0% | 0% | 4% | 33% | 17% |
| *Marsh\** | *2%* | *38%* | *12%* | *1%* | *0%* | *0%* | *0%* | *1%* | *3%* | *37%* | *5%* |
| *Aon\** | *4%* | *35%* | *42%* | *3%* | *1%* | *1%* | *1%* | *2%* | *4%* | *2%* | *7%* |
| **TOTAL** | **19%** | **24%** | **21%** | **1%** | **1%** | **2%** | **2%** | **2%** | **8%** | **12%** | **7%** |

*Notes:*

*1) Ratio based on Total Premiums placed in 2011 (IC Report, 2011)*

*2) \*Only here for benchmark purposes*

**Table 10.7. Total Premiums placed by Insurance Brokers by Line of Business (in Php Millions)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2011** | **2010** | **2009** | **2008** | **2007** |
| **EB:** |  | **15,613** | **10,927** | **7,974** | **10,053** | **7,961** |
|  | Life | 6,858 | 4,356 | 2,196 | 5,416 | 4,131 |
|  | A&H | 8,755 | 6,571 | 5,778 | 4,637 | 3,830 |
| **NEB:** |  | **20,597** | **18,012** | **13,193** | **12,860** | **10,634** |
|  | Fire | 7,742 | 5,994 | 3,720 | 4,508 | 3,653 |
|  | Motor Vehicle | 3,066 | 2,743 | 2,276 | 2,374 | 2,142 |
|  | Ocean Marine | 543 | 644 | 445 | 497 | 403 |
|  | Inland Marine | 331 | 130 | 266 | 125 | 175 |
|  | Marine Hull | 553 | 686 | 566 | 454 | 410 |
|  | Aviation | 798 | 732 | 651 | 670 | 100 |
|  | Fidelity & Surety | 851 | 671 | 525 | 507 | 512 |
|  | Engineering | 4,189 | 4,983 | 2,883 | 2,105 | 1,852 |
|  | Misc | 2,524 | 1,430 | 1,862 | 1,619 | 1,388 |
| **ALL** |  | **36,209** | **28,939** | **21,167** | **22,913** | **18,595** |
| Growth |  | **25%** | **37%** | **-8%** | **23%** | **13%** |

*Source: Insurance Commission Reports 2007-2011*

**Table 10.8. Market Growth per Line of Business (based on Total Premiums Placed by Insurance Brokers)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **CAGR**  **(5 years)** | **Annual Growth** | | | | |
|  |  |  | **2011** | **2010** | **2009** | **2008** | **2007** |
| EB: |  | ***20%*** | ***43%*** | ***37%*** | ***-21%*** | ***26%*** | ***27%*** |
|  | Life | 18% | 57% | 98% | -59% | 31% | 37% |
|  | A&H | 22% | 33% | 14% | 25% | 21% | 17% |
| NEB: |  | ***15%*** | ***14%*** | ***37%*** | ***3%*** | ***21%*** | ***4%*** |
|  | Fire | 17% | 29% | 61% | -17% | 23% | 2% |
|  | Motor Vehicle | 11% | 12% | 21% | -4% | 11% | 17% |
|  | Ocean Marine | 10% | -16% | 45% | -10% | 23% | 22% |
|  | Inland Marine | 10% | 155% | -51% | 112% | -28% | -13% |
|  | Marine Hull | 0% | -19% | 21% | 25% | 11% | -25% |
|  | Aviation | 42% | 9% | 13% | -3% | 572% | -29% |
|  | Fidelity & Surety | 12% | 27% | 28% | 3% | -1% | 7% |
|  | Engineering | 24% | -16% | 73% | 37% | 14% | 30% |
|  | Misc | 8% | 76% | -23% | 15% | 17% | -19% |
| ALL |  | **17%** | **25%** | **37%** | **-8%** | **23%** | **13%** |

**Table 10.9. Growth of Commission Income per Line of Business**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Ave. in the last 5 yrs.** | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Total Commissions (in Php Million)** | | | **3,690** | **3,296** | **2,899** | **2,938** | **2,524** |
| EB: |  | ***11%*** | ***9%*** | ***12%*** | ***-6%*** | ***22%*** | ***19%*** |
|  | Life | 14% | 23% | 31% | -29% | 17% | 31% |
|  | A&H | 11% | 0% | 2% | 13% | 28% | 10% |
| NEB: |  | ***11%*** | ***13%*** | ***15%*** | ***2%*** | ***13%*** | ***12%*** |
|  | Fire | 9% | 16% | 25% | -9% | 19% | -4% |
|  | Motor Vehicle | 12% | 13% | 19% | -3% | 4% | 26% |
|  | Ocean Marine | 11% | 5% | 40% | -26% | 23% | 12% |
|  | Inland Marine | 18% | 76% | -37% | 73% | -9% | -11% |
|  | Marine Hull | 4% | -31% | 7% | 63% | 9% | -26% |
|  | Aviation | 40% | -12% | 16% | 9% | 154% | 32% |
|  | Fidelity & Surety | 20% | 36% | 24% | -8% | 5% | 43% |
|  | Engineering | 20% | -14% | 24% | 71% | -2% | - |
|  | Misc | 3% | 46% | -21% | -7% | 29% | -35% |
| ALL |  | **11%** | **12%** | **14%** | **-1%** | **16%** | **15%** |

**Table 10.10 Average Commission Rate per Line of Business**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Ave. in the last 5 yrs.** | **2011** | **2010** | **2009** | **2008** | **2007** |
| EB: |  | 12% | ***9%*** | ***11%*** | ***14%*** | ***12%*** | ***12%*** |
|  | Life | 12% | 9% | 12% | 18% | 10% | 11% |
|  | A&H | 12% | 9% | 11% | 13% | 14% | 13% |
| NEB: |  | ***11%*** | ***11%*** | ***11%*** | ***13%*** | ***14%*** | ***15%*** |
|  | Fire | 13% | 8% | 9% | 12% | 11% | 11% |
|  | Motor Vehicle | 10% | 22% | 22% | 22% | 22% | 23% |
|  | Ocean Marine | 22% | 20% | 16% | 17% | 20% | 20% |
|  | Inland Marine | 19% | 15% | 22% | 17% | 21% | 17% |
|  | Marine Hull | 18% | 8% | 10% | 11% | 8% | 9% |
|  | Aviation | 9% | 4% | 4% | 4% | 4% | 10% |
|  | Fidelity & Surety | 5% | 24% | 22% | 23% | 26% | 24% |
|  | Engineering | 24% | 6% | 6% | 8% | 7% | 8% |
|  | Misc | 7% | 12% | 14% | 14% | 17% | 15% |
| ALL |  | **12%** | **10%** | **11%** | **14%** | **13%** | **14%** |

**Table 10.11-A. Industry Ranking in terms of Total Premiums Placed (in Php Million)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **CAGR** | **2011** | | **2010** | | **2009** | | **2008** | | **2007** | |
|  |  | **Rank** | **Premium** | **Rank** | **Premium** | **Rank** | **Premium** | **Rank** | **Premium** | **Rank** | **Premium** |
| **Market Size** | 17.0% |  | **36,209** |  | **28,939** |  | **21,167** |  | **22,913** |  | **18,595** |
| **Solutions Insurance Brokers, Inc.** | **7.7%** | **12** | **1,013** | **12** | **833** | **10** | **759** | **11** | **589** | **6** | **811** |
| **Marsh Philippines, Inc. (g)** | 28.7% | **1** | **6,968** | **1** | **5,314** | **1** | **3,037** | **3** | **2,490** | **2** | **2,298** |
| Hsbc Insurance Brokers (Phils.), Inc. (b) | 90.4% | 2 | 4,469 | 3 | 2,664 | \* | 547 | \* | 380 | \* | 245 |
| **Aon Philippines Inc. (g)** | 7.1% | **3** | **3,273** | **2** | **3,207** | **2** | **2,351** | **2** | **2,563** | **3** | **2,181** |
| Bdo Insurance Brokers, Inc. (b) | 12.6% | 4 | 3,231 | 4 | 2,439 | 3 | 1,700 | 1 | 4,617 | 1 | 2,517 |
| Citicorp Fin. Services & Ins. Brokerage Phils. (b) | 7.4% | 5 | 2,262 | 10 | 963 | 4 | 1,404 | 4 | 1,803 | 4 | 2,066 |
| Anchor Insurance Brokers (c) | 24.8% | 6 | 1,701 | 9 | 992 | 12 | 584 | 9 | 658 | 9 | 565 |
| **Gotauco Del Rosario Ins. Brokers, Inc.** | 14.1% | **7** | **1,410** | **7** | **1,083** | **6** | **1,032** | **7** | **841** | **5** | **812** |
| Lockton Phils. (Alexander Forbes) (g) | 17.6% | 8 | 1,310 | 6 | 1,132 | 7 | 952 | 12 | 489 | 11 | 474 |
| Unicon Insurance Brokers Corporation (c) | 45.8% | 9 | 1,301 | 8 | 1,027 | 8 | 886 | 8 | 792 | \* | 223 |
| **Jardine Lloyd Thompson Ins. Brokers, Inc. (g)** | 13.2% | **10** | **1,266** | **5** | **1,666** | **5** | **1,036** | **5** | **1,073** | **7** | **731** |
| Intertrade Insurance Brokers (g) | 9.7% | 11 | 1,069 | 11 | 914 | 9 | 845 | 6 | 988 | 8 | 715 |
| Philpacific Ins. Brokers & Managers, Inc. | 17.8% | 13 | 724 | 13 | 789 | 11 | 674 | 10 | 637 | 10 | 518 |
| Others | 8.0% |  | 6,212 |  | 5,914 |  | 5,359 |  | 4,992 |  | 4,438 |

*\*not in top 10; (g) Global; (b) Bank affiliate; (c) Conglomerate*

*Source: Insurance Commission Reports 2007-2011*

**Table 10.11-B. Total Premiums Placed in EB Lines by Top Brokers (in Php Million)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **CAGR** | **2011** | | **2010** | | **2009** | | **2008** | | **2007** | |
|  |  | **Rank** | **Premium** | **Rank** | **Premium** | **Rank** | **Premium** | **Rank** | **Premium** | **Rank** | **Premium** |
| Market Size for EB | 20% |  | 15,613 |  | 10,927 |  | 7,974 |  | 10,053 |  | 7,961 |
| **Solutions Insurance Brokers, Inc.** | **8.1%** | **12** | **1,005** | **12** | **822** | **10** | **744** | **11** | **578** | **6** | **803** |
| **Marsh Philippines, Inc.** | **49.0%** | 1 | 2,775 | 1 | 1,641 | 1 | 1,016 | 3 | 676 | 2 | 535 |
| Hsbc Insurance Brokers (Phils.), Inc. | 99.5% | 2 | 4,450 | 3 | 2,643 | \* | 510 | \* | 340 | \* | 163 |
| **Aon Philippines Inc.** | **19.1%** | 3 | 1,274 | 2 | 1,102 | 2 | 951 | 2 | 742 | 3 | 636 |
| Bdo Insurance Brokers, Inc. | -10.9% | 4 | 558 | 4 | 400 | 3 | 214 | 1 | 3,129 | 1 | 1,694 |
| Citicorp Fin. Services & Ins. Brokerage Phils., | -2.1% | 5 | 1,422 | 10 | 954 | 4 | 1,403 | 4 | 1,802 | 4 | 2,065 |
| Anchor Insurance Brokers | 14.0% | 6 | 412 | 9 | 301 | 12 | 239 | 9 | 322 | 9 | 261 |
| **Gotauco Del Rosario Ins. Brokers, Inc.** | **20.8%** | 7 | 819 | 7 | 642 | 6 | 577 | 7 | 421 | 5 | 380 |
| Lockton Phils. (Alexander Forbes) | 27.6% | 8 | 32 | 6 | 49 | 7 | 14 | 12 | 14 | 11 | 12 |
| Unicon Insurance Brokers Corporation | 53.2% | 9 | 288 | 8 | 152 | 8 | 117 | 8 | 105 | \* | 9 |
| **Jardine Lloyd Thompson Ins. Brokers, Inc.** | **26.8%** | 10 | 510 | 5 | 395 | 5 | 374 | 5 | 335 | 7 | 221 |
| Intertrade Insurance Brokers | 10.2% | 11 | 10 | 11 | 8 | 9 | 8 | 6 | 9 | 8 | 7 |
| Philpacific Ins. Brokers & Managers, Inc. | 7.6% | 13 | 80 | 13 | 77 | 11 | 76 | 10 | 65 | 10 | 58 |
| Others | 11.0% |  | *1,978* |  | *1,741* |  | *1,732* |  | *1,512* |  | *1,117* |

*Source: Insurance Commission Reports 2007-2011*

**Table 10.12-A. Industry Ranking and Market Share in terms of Total Premiums Placed**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2011** | | **2010** | | **2009** | | **2008** | | **2007** | |
|  | **Rank** | **MS** | **Rank** | **MS** | **Rank** | **MS** | **Rank** | **MS** | **Rank** | **MS** |
| **Market Size (in Php Million)** |  | **36,209** |  | **28,939** |  | **21,167** |  | **22,913** |  | **18,595** |
| **Solutions Insurance Brokers, Inc.** | **12** | 3% | **12** | **3%** | **10** | **4%** | **11** | **3%** | **6** | 4% |
| **Marsh Philippines, Inc.** | **1** | **19%** | **1** | **18%** | **1** | **14%** | **3** | **11%** | **2** | **12%** |
| Hsbc Insurance Brokers (Phils.), Inc. | 2 | 12% | 3 | 9% |  | 3% |  | 2% |  | 1% |
| **Aon Philippines Inc.** | **3** | **9%** | **2** | **11%** | **2** | **11%** | **2** | **11%** | **3** | **12%** |
| Bdo Insurance Brokers, Inc. | 4 | 9% | 4 | 8% | 3 | 8% | 1 | 20% | 1 | 14% |
| Citicorp Fin. Services & Ins. Brokerage Phils. | 5 | 6% | 10 | 3% | 4 | 7% | 4 | 8% | 4 | 11% |
| Anchor Insurance Brokers | 6 | 5% | 9 | 3% | 12 | 3% | 9 | 3% | 9 | 3% |
| **Gotauco Del Rosario Ins. Brokers, Inc.** | **7** | **4%** | **7** | **4%** | **6** | **5%** | **7** | **4%** | **5** | **4%** |
| Lockton Phils. (Alexander Forbes) | 8 | 4% | 6 | 4% | 7 | 4% | 12 | 2% | 11 | 3% |
| Unicon Insurance Brokers Corporation | 9 | 4% | 8 | 4% | 8 | 4% | 8 | 3% |  | 1% |
| **Jardine Lloyd Thompson Ins. Brokers, Inc.** | **10** | **3%** | **5** | **6%** | **5** | **5%** | **5** | **5%** | **7** | **4%** |
| Intertrade Insurance Brokers | 11 | 3% | 11 | 3% | 9 | 4% | 6 | 4% | 8 | 4% |
| Philpacific Ins. Brokers & Managers, Inc. | 13 | 2% | 13 | 3% | 11 | 3% | 10 | 3% | 10 | 3% |
| Others |  | 17% |  | 20% |  | 25% |  | 22% |  | 24% |

*\*not in top 10*

*\*\* Rank based on total premiums – all lines*

**Table 10.12-B. Industry Ranking and Market Share in terms of Total Premiums Placed (consolidated)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2011** | **2010** | **2009** | **2008** | **2007** |
| Market Size (in Million Pesos) | 36,209 | 28,939 | 21,167 | 22,913 | 18,595 |
| Top 3 | 41% | 39% | 28% | 24% | 25% |
| Top 5 | 56% | 50% | 43% | 52% | 50% |
| Top 10 | 75% | 71% | 64% | 69% | 65% |
| Below top 10 | 25% | 29% | 36% | 31% | 35% |

**Table 10.12-C. Market Share in Terms of Premiums Placed in EB Lines and Ratio to Portfolio by Top Brokers (in Php Million)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2011** | | | **2010** | | | **2009** | | | **2008** | | | **2007** | | |
|  | **Rank** | **MS** | **RP** | **Rank** | **MS** | **RP** | **Rank** | **MS** | **RP** | **Rank** | **MS** | **RP** | **Rank** | **MS** | **RP** |
| Market Size of EB Lines (in Php Million) |  | 15,613 | 43% |  | 10,927 | 38% |  | 7,974 | 38% |  | 10,053 | 44% |  | 7,961 | 48% |
| **Solutions Insurance Brokers, Inc.** | **12** | 6% | ***99%*** | **12** | **8%** | ***99%*** | **10** | **9%** | ***98%*** | **11** | **6%** | ***98%*** | **6** | **10%** | ***99%*** |
| **Marsh Philippines, Inc.** | **1** | **18%** | ***40%*** | **1** | **15%** | ***31%*** | **1** | **13%** | ***33%*** | **3** | **7%** | ***27%*** | **2** | **7%** | ***23%*** |
| Hsbc Insurance Brokers (Phils.), Inc. | 2 | 29% | *100%* | 3 | 24% | *99%* | \* | 6% | *93%* | \* | 3% | *90%* | \* | 2% | *67%* |
| **Aon Philippines Inc. (Ayala Aon)** | **3** | **8%** | ***39%*** | **2** | **10%** | ***34%*** | **2** | **12%** | ***40%*** | **2** | **7%** | ***29%*** | **3** | **8%** | ***29%*** |
| Bdo Insurance Brokers, Inc. | 4 | 4% | *17%* | 4 | 4% | *16%* | 3 | 3% | *13%* | 1 | 31% | *68%* | 1 | 21% | *67%* |
| Citicorp Fin. Services & Ins. Brokerage Phils., | 5 | 9% | *63%* | 10 | 9% | *99%* | 4 | 18% | *100%* | 4 | 18% | *100%* | 4 | 26% | *100%* |
| Anchor Insurance Brokers | 6 | 3% | *24%* | 9 | 3% | *30%* | 12 | 3% | *41%* | 9 | 3% | *49%* | 9 | 3% | *46%* |
| **Gotauco Del Rosario Ins. Brokers, Inc.** | **7** | **5%** | ***58%*** | **7** | **6%** | ***59%*** | **6** | **7%** | ***56%*** | **7** | **4%** | ***50%*** | **5** | **5%** | ***47%*** |
| Lockton Phils. (Alexander Forbes) | 8 | 0% | *2%* | 6 | 0% | *4%* | 7 | 0% | *1%* | 12 | 0% | *3%* | 11 | 0% | *2%* |
| Unicon Insurance Brokers Corporation | 9 | 2% | *22%* | 8 | 1% | *15%* | 8 | 1% | *13%* | 8 | 1% | *13%* | \* | 0% | *4%* |
| **Jardine Lloyd Thompson Ins. Brokers, Inc.** | **10** | **3%** | ***40%*** | **5** | **4%** | ***24%*** | **5** | **5%** | ***36%*** | **5** | **3%** | ***31%*** | **7** | **3%** | ***30%*** |
| Intertrade Insurance Brokers | 11 | 0% | *1%* | 11 | 0% | *1%* | 9 | 0% | *1%* | 6 | 0% | *1%* | 8 | 0% | *1%* |
| Philpacific Ins. Brokers & Managers, Inc. | 13 | 1% | *11%* | 13 | 1% | *10%* | 11 | 1% | *11%* | 10 | 1% | *10%* | 10 | 1% | *11%* |
| Others |  | 13% | *32%* |  | 1% | *29%* |  | 1% | *32%* |  | 1% | *30%* |  | 1% | *25%* |

*MS – Market Share; RP – Ratio to the whole portfolio*

**Table 10.13-A. Industry Ranking and Annual Growth**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **CAGR** | **2011** | | **2010** | | **2009** | | **2008** | | **2007** | |
|  | **5 yr** | **Rank** | **Growth** | **Rank** | **Growth** | **Rank** | **Growth** | **Rank** | **Growth** | **Rank** | **Growth** |
| **Market Size (in Php Million)** |  |  | **36,209** |  | **28,939** |  | **21,167** |  | **22,913** |  | **18,595** |
| **Market Growth** | 17.0% |  | **25%** |  | **37%** |  | **-8%** |  | **23%** |  | **13%** |
| **Solutions Insurance Brokers, Inc.** | **7.7%** | **12** | **22%** | **12** | **10%** | **10** | **29%** | **11** | **-27%** | **6** | **16%** |
| **Marsh Philippines, Inc.** | 28.7% | 1 | 31% | 1 | 75% | 1 | 22% | 3 | 8% | 2 | 16% |
| Hsbc Insurance Brokers (Phils.), Inc. | 90.4% | 2 | 68% | 3 | 387% | \* | 44% | \* | 55% | \* | 37% |
| **Aon Philippines Inc. (Ayala Aon)** | 7.1% | 3 | 2% | 2 | 36% | 2 | -8% | 2 | 18% | 3 | -6% |
| Bdo Insurance Brokers, Inc. | 12.6% | 4 | 32% | 4 | 43% | 3 | -63% | 1 | 83% | 1 | 41% |
| Citicorp Fin. Services & Ins. Brokerage Phils., | 7.4% | 5 | 135% | 10 | -31% | 4 | -22% | 4 | -13% | 4 | 30% |
| Anchor Insurance Brokers | 24.8% | 6 | 71% | 9 | 70% | 12 | -11% | 9 | 16% | 9 | 0% |
| **Gotauco Del Rosario Ins. Brokers, Inc.** | 14.1% | 7 | 30% | 7 | 5% | 6 | 23% | 7 | 4% | 5 | 11% |
| Lockton Phils. (Alexander Forbes) | 17.6% | 8 | 16% | 6 | 19% | 7 | 95% | 12 | 3% | 11 | -19% |
| Unicon Insurance Brokers Corporation | 45.8% | 9 | 27% | 8 | 16% | 8 | 12% | 8 | 255% | \* | 13% |
| **Jardine Lloyd Thompson Ins. Brokers, Inc.** | 13.2% | 10 | -24% | 5 | 61% | 5 | -3% | 5 | 47% | 7 | 8% |
| Intertrade Insurance Brokers | 9.7% | 11 | 17% | 11 | 8% | 9 | -14% | 6 | 38% | 8 | 6% |
| Philpacific Ins. Brokers & Managers, Inc. | 17.8% | 13 | -8% | 13 | 17% | 11 | 6% | 10 | 23% | 10 | 63% |
| Others | 8.0% |  | 5% |  | 10% |  | 7% |  | 12% |  | 5% |

**Table 10.13-B. Industry Ranking and Annual Growth (consolidated)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2011** | **2010** | **2009** | **2008** | **2007** |
| Market Size (in Php Million) | 36,209 | 28,939 | 21,167 | 22,913 | 18,595 |
| Market Growth | 25% | 37% | -8% | 23% | 13% |
| Top 3 | 32% | 88% | 9% | 15% | 6% |
| Top 5 | 38% | 57% | -21% | 23% | 18% |
| Top 10 | 33% | 51% | -14% | 30% | 14% |
| Below top 10 | 7% | 11% | 6% | 11% | 10% |

**Table 10.14. Total Commissions and Average Commission rate of Top Brokers (in Php Millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **CAGR** | **2011** | | | **2010** | | | **2009** | | | **2008** | | | **2007** | | |
|  | **(5 yr)** | **Rank** | **Com.** | **ACR** | **Rank** | **Com.** | **ACR** | **Rank** | **Com.** | **ACR** | **Rank** | **Com.** | **ACR** | **Rank** | **Com.** | **ACR** |
| **Market Size** | 10.9% |  | **3,690** | **10%** |  | **3,296** | 11% |  | **2,899** | 14% |  | **2,938** | 13% |  | **2,524** | **14%** |
| **Solutions Insurance Brokers, Inc.** | **6.3%** | **12** | **72** | **7%** | **12** | **65** | **8%** | **10** | **55** | **7%** | **11** | **45** | **8%** | **6** | **59** | **7%** |
| Marsh Philippines, Inc. | 17.2% | 1 | 359 | 5% | 1 | 305 | 6% | 1 | 258 | 9% | 3 | 226 | 9% | 2 | 176 | 8% |
| Hsbc Insurance Brokers (Phils.), Inc. | 50.3% | 2 | 238 | 5% | 3 | 121 | 5% | \* | 49 | 9% | \* | 41 | 11% | \* | 33 | 14% |
| Aon Philippines Inc. (Ayala Aon) | 10.4% | 3 | 306 | 9% | 2 | 295 | 9% | 2 | 277 | 12% | 2 | 251 | 10% | 3 | 228 | 10% |
| Bdo Insurance Brokers, Inc. | 31.5% | 4 | 510 | 16% | 4 | 379 | 16% | 3 | 241 | 14% | 1 | 337 | 7% | 1 | 177 | 7% |
| Citicorp Fin. Services & Ins. Brokerage Phils., | -5.1% | 5 | 242 | 11% | 10 | 319 | 33% | 4 | 358 | 25% | 4 | 449 | 25% | 4 | 410 | 20% |
| Anchor Insurance Brokers | 13.3% | 6 | 78 | 5% | 9 | 64 | 6% | 12 | 46 | 8% | 9 | 42 | 6% | 9 | 47 | 8% |
| Gotauco Del Rosario Ins. Brokers, Inc. | 9.0% | 7 | 123 | 9% | 7 | 133 | 12% | 6 | 117 | 11% | 7 | 98 | 12% | 5 | 88 | 11% |
| Lockton Phils. (Alexander Forbes) | 13.9% | 8 | 111 | 8% | 6 | 98 | 9% | 7 | 76 | 8% | 12 | 59 | 12% | 11 | 47 | 10% |
| Unicon Insurance Brokers Corporation | 26.9% | 9 | 160 | 12% | 8 | 119 | 12% | 8 | 97 | 11% | 8 | 76 | 10% | \* | 59 | 27% |
| Jardine Lloyd Thompson Ins. Brokers, Inc. | 6.8% | 10 | 142 | 11% | 5 | 122 | 7% | 5 | 135 | 13% | 5 | 117 | 11% | 7 | 98 | 13% |
| Intertrade Insurance Brokers | 10.9% | 11 | 362 | 34% | 11 | 309 | 34% | 9 | 286 | 34% | 6 | 334 | 34% | 8 | 229 | 32% |
| Philpacific Ins. Brokers & Managers, Inc. | 7.5% | 13 | 85 | 12% | 13 | 75 | 9% | 11 | 69 | 10% | 10 | 67 | 11% | 10 | 518 | 100% |
| Others | 4.8% |  | 902 | 15% |  | 893 | 15% |  | 833 | 16% |  | 798 | 16% |  | 353 | 8% |

*ACR = Average Commission Rate*

*Ranking based on Total Premiums Placed*

*Source: Insurance Commission Reports 2007-2011*

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