



Francisco Valério, CEO

## Eurovida reduces per-policy operational costs by 48 percent with SAS® Activity-Based Management

### Industry

Insurance

### Business Issue

Reorganize resources and increase profitability by identifying all costs – direct and indirect – associated with each product, customer and corporate process.

### Solution

SAS® Activity-Based Management

### Benefits

- 48 percent reduction in per-policy operational costs.
- 13 percent reduction in annual complaints.
- 56 percent reduction in length of enrollment process.
- Increased ability to respond to demands and competition.

Eurovida, one of the largest life insurance companies in the Portuguese market, relies on SAS Activity-Based Management for a detailed picture of the direct and indirect costs associated with its processes as well as with its 47 product families and 66,000 customers. Using the information gained through activity-based costing, the insurance company reorganized its business processes, reduced operational costs by 48 percent per policy and enrollment-process length by 56 percent, and saw the number of customer complaints decline by 13 percent annually.

The highly competitive nature of the insurance sector means that, for Eurovida, reducing costs while maximizing profits is an indispensable strategic objective. To accomplish this goal, the company implemented the SAS Activity-Based Management (ABM) solution, which enabled it to identify the real costs of each product, customer and business activity. This, in turn, allowed the company to streamline tasks and processes in ways that optimized every stage of the business' operations.

“SAS provided us with effective tools for managing our business,” says Francisco Valério, CEO of Eurovida. “By meticulously analyzing the costs involved in product development and the processes involved in service delivery, along with the ‘real’ profitability of each product and customer, we were able to identify, for example, which procedures could be eliminated or automated in order to reduce overhead and respond more

quickly and appropriately to the needs of our policyholders.”

### Calculating ‘hidden costs’

Eurovida knew how much it was earning as an organization, but it needed concrete information about the internal costs of each product, given that there is always a margin (indirect costs) that is not directly associated with the value of the product: for example, the costs of the human resources, legal and finance departments.

This same logic was applied to the expansion of Eurovida’s offerings. The insurer wanted to know the precise costs that the organization would incur when introducing new products, in order to decide which products would offer the greatest value for its business, and therefore, which would be worth investing in.

SAS Activity-Based Management addressed these concerns, allowing Eurovida to create reports on profitability, broken down by product and customer, as well as to access precise information on the costs associated with each contributing factor, the resources needed to develop each activity, and even a forecast for the resources required in the future. Using a detailed analysis of all operations and expenses within the organization, the SAS solution also made it possible to establish the cause-and-effect relationships between the variables in each process and the corresponding alignment of resources.

“During this less-favorable economic climate, by using SAS’ ABM solution we were able to increase customer satisfaction, significantly reduce internal per-policy costs, and acquire a deep understanding of our operations, all of which allowed us to improve our bottom line.” **Francisco Valério, CEO**

### Detailed business analysis streamlines costs and enhances business performance

Using cost analysis broken down by department and product, Eurovida was able to identify the expenses associated with each of the insurer’s activities, from agencies to independent brokers. Based on this information, the company could compare the costs of each product against defined expectations, as well as monitor the product’s lifecycle as a function of changes introduced into the business plan or unanticipated circumstances that could put the operational plan at risk. The insurance company thus managed to calculate the actual cost of earnings and create an improved pricing policy as a means to better respond to customer needs.

It was also able to optimize the business’ tasks and processes. “Adopting SAS’ ABM solution allowed us to identify all direct and indirect business costs. This enabled us to reorganize our processes and manage costs much more effectively,” said Valério.

With SAS’ help, Eurovida reduced operational costs per policy by 48 percent. Using an automatic risk-acceptance system that employs a risk scoring analysis, policies up to a certain threshold amount could be issued at the point of sale itself, without having to be processed through the organization’s central back office. These competitive advantages, together with a reorganization of resources, cut the length of the enrollment process for risk insurance by more than half (56 percent). This allowed Eurovida to provide quicker and more comprehensive service, all the while improving overall customer satisfaction and reducing the number of complaints by 13 percent.

These improvements, according to Valério, “are fundamental in the insurance sector, due to its high level of competitiveness and low profit margins.” He finished by noting that “during this less-favorable economic climate, and at a time when the majority of insurance companies have been increasing their premiums, by using SAS’ ABM solution we were able to increase customer satisfaction, significantly reduce internal per-policy costs, and acquire a deep understanding of our operations, all of

which allowed us to improve our bottom line.”

### Eurovida’s ABM methodology

SAS Activity-Based Management is based on an analytical methodology that goes beyond simply the evaluating costs by category, in order to focus on the breakdown of costs/profits/investments by process and by activity. In the case of Eurovida, this approach allows the company to structure its activities into a framework divided along three dimensions: 142 activities, 10 macroprocesses, and 100 processes. Then, for each of the insurer’s activities, it defined cost drivers, the associated end cost objects, the resources consumed by the activities, and their relative performance.

### About Eurovida

Eurovida – Companhia de Seguros de Vida, S.A., part of the Banco Popular group, offers a range of insurance and financial solutions and services for the life insurance sector. The insurer is among the 10 largest life insurance companies in the Portuguese market, with more than 66,000 customers and a portfolio consisting of 47 product families.



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