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**AN ESSAY ON STRATEGIC PLANNING SYSTEMS OF  
INTERNATIONAL INSURANCE COMPANIES**

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## **I. Abstract**

The first section (1.) will present the challenges in the insurance environment, the national as well as the international markets, which executives of "X" (and other insurance companies) have faced during the last decade.

The second section (2.) gives an overview of all definitions and delimitations which can be found in the literature of the terms "corporate planning" (2.1) and "strategic planning" (2.2). In section 3 an overview and categorization into the so-called "primary", "secondary" and "tertiary" methods of the most popular models of strategic planning is given. A detailed list of the most common models is provided in the corresponding appendix (I). Section 4 treats the needs and minimum requirements of the use of methods and computer support in the strategic planning process. In particular, trends in development (4.2), requirements for a method of computer use (4.3) and requirements for strategic planning methods for computer support (4.4) are described here, whereby unsuitable methods for computer use are eliminated (4.5). In section 5 the strategic planning system which is used by the "X" insurance company will be analyzed critically and aspects of planning which are not optimally organized will be revealed. A strategic planning concept will then be evaluated that takes into account all problems and experiences which the author encountered during his work in the corporate planning department of an international insurance company. After an introduction (5.1) all elements of the planning frame will be presented (5.2); especially the quantitative (5.21) and the qualitative (5.22) elements which need closer analysis. Appendix II presents suggested qualitative planning forms.

A red flag system on a PC (5.3), a profitability measurement (5.4) and other quantitative systems (5.5: Linear Programming in EXCEL and 5.6: Regression Analysis / Trend Extrapolation) will be presented afterwards.

Section 6 critically analyses the application of this proposed and partially implemented model. Conclusions are drawn regarding the advantages, disadvantages, strengths, weaknesses and limitations of this model. Chapter 7 presents a view of remaining problems in the strategic planning process and recommendations for future research and developments. The appendix III presents a questionnaire which can be used as a suitable basis for a future research study in this field.

A list of all references consulted and cited will conclude this thesis.

Thomas Peter Renggli

## **II. Acknowledgments**

This essay has been composed in the belief that it is possible to apply the present pertinent methods of corporate strategic planning for insurance companies in a way that is not overly formal and easy to adapt the designed planning system to the needs of all insurance companies worldwide.

The topics covered are those that one would expect to find in a comprehensive introductory course, but very little mathematics is applied and a prior deep knowledge of statistical methods is not a prerequisite.

The author would like to thank all people in Switzerland, U.K. and USA who helped in the various phases of the preparation and execution of this book.

The extensive material processed in this dissertation is largely based in libraries of the Universities of Berne and St. Gall in Switzerland.

Zurich 1993, Thomas Peter Renggli

### III. Introduction

The rules of today's economics, with its quickly changing situations, require Chief Executives to be able to find even more effective and efficient solutions faster and faster.

Yesterday the entrepreneur could rely on his experience, know-how and intuition. These are still important attributes, but they are no longer a guarantee for business success, and apart from this, the manager needs quantitative and qualitative technical tools to help him find a solution (DSS: Decision Support Systems). The harder the competition is in a particular market, the better this DSS has to work. No executive can afford a second-best decision.

"The changes in insurance". This theme dominates discussion among insurance managers. During the past years market realities have changed rapidly because of changed customer behavior, new technological developments and the greater internationalism of capital markets. These unexpected developments overtaxed many top level executives, not only from medium-sized national insurance companies, but also from large international insurers.

Changes in the environment and the competition, which represent a complex challenge to the upper and top level management of insurance companies, have fuelled the increasing interest in strategic corporate planning.

With the help of strategic planning models, these changing situations can be analysed and evaluated. Strategic decisions can be made and supported more easily.

Computer-supported, mathematical and soft, qualitative methods are being used increasingly at the top, where business strategies and strategic plans are made.

This essay will begin by looking at the challenges in the insurance environment in general and the praxis of strategic planning systems of the "X" Insurance Group in particular. Gaps between theoretical (optimal) strategic planning systems and the effectively used systems will be pointed out and methods of research will be presented.

A closer look will then be taken at the general opportunities for using computers for

the needs of strategic corporate planning. In order to do this it was essential to divide all qualitative and quantitative methods which could be found in the literature into two groups: the first group, which is suitable for corporate long-term planning, and the second group, which is not.

First of all, the theoretical background of corporate strategic planning will be established by the relevant definitions in the literature of the terms "corporate planning" and "strategic planning". Based on these terms, which give us a preliminary and very wide frame of how, or rather "where", planning models work, a rough classification of all methods with reference to the degree to which they can support a decision will be made.

From this theoretical basis, an overview of the different planning models found in the literature will be presented and a list with the most suitable quantitative and qualitative methods and their best field of use will be given in an appendix. The classification of all methods into the three parts of application (Diagnosis, Design and Selection) could be considered as a first milestone of this thesis.

In the second, practical part of this report, a planning and reporting system for a multinational insurance company will be presented. This strategic planning frame contains several quantitative (computer-supported) and qualitative parts (reporting forms).

The methodical working patterns of this thesis will follow. The necessary background is not drawn from the literature, but rather consists in empirical observations from the planning department of a worldwide insurer.

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## **Fairfax University**

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Fairfax University is established as a non-profit corporation in the State of Louisiana USA and has met all legal requirements of that state to operate as a university and a degree-granting institution.

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