

Draft Guidelines for Business Plans To Be Submitted to the Financial Services Commission On an Annual Basis

The formulation of a business plan should be an integral part of the management and oversight of an insurance company. The business plan should set out the future aims and objectives of an organization, the resources required to achieve the stated goals and how the company will achieve those objectives. The plan should demonstrate a realistic assessment of risk in light of economic and competitive conditions in the market to be served and show that the company will have adequate capital to meet its obligations.

The business plan should contain but no limited to the following key elements:

I. Cover Page

This should state the business name and address of the company and the relevant period of the plan and the date the plan was approved by the board.

II. Table of Contents

This should list the title of each section of the document and indicate the page number where each is located. It should also list specific support items (appendices) by name.

III. Executive Summary

The summary should provide highlights of the business plan, for example, a discussion on the existing opportunities in the insurance market, the company's objectives and a plan to capitalize on those opportunities by meeting specific needs within the market.

IV. Business Description

Briefly describe:

1. the company's existing business products and services. If part of a group of companies, discuss any planned financial interaction between the company and its affiliates;
2. any competitive advantages the company may have - how are its products differentiated from the competitors products;
3. the specific mission the company is trying to achieve - define the short term and long term objectives of the company. Outline the sales, market share and profitability objectives of the company;

4. potential new products or services and any resultant growth or expansion plans such as additional branches, acquisitions or mergers.

V. Marketing Plan

The marketing plan should provide support that the company has reasonable prospects to achieve the revenue projections, customer volume and key marketing and income targets. The analysis should be based on the most current data available. Major planning assumptions should be stated. Include the time frame for the introduction of any new products and services and the anticipated costs associated with each. In the case of life insurance companies, the expected regulatory approval time should be included in the time frame.

Market and Product Analysis

Briefly describe:

1. the current state of the insurance industry and any industry trends or growth trends;
2. the insurance products that are in demand by the market that your company will satisfy;
3. the target markets and the company's estimated market share and its main competitors;
4. the effect of the new policies and services on profitability;
5. the yearly sales milestones for 1-3 years;
6. the process for evaluating the effectiveness of the company's advertising and promotions strategies;
7. the pricing strategy and its forecasted effect on profitability; and
8. the proposed reinsurance strategy including the extent to which the new and existing products will be supported by reinsurance.

Economic Analysis

Describe the likely socio-economic state of the country for at least the next three-year period and provide an analysis of the likely impact on the company over the three year-period; stating assumptions. Include any international and local economic factors which may negatively or positively affect the company.

VI. Management Plan

Assess the company's organizational structure for appropriateness and effectiveness to deal with the risks faced by the company and state plans to change (if any) and the reasons for the change. Refer to the company's succession plan indicating how any skill-set gaps which would interfere with the success of the business plan will be filled. Examine corporate governance (structure of board committees and the relationship between the board and management) to determine if there should be improvements to deal with certain operations and management risks.

Describe how the education, experience and skill sets of the board, staff and consultants will help the organization to achieve the goals outlined in the business plan.

If the company currently out sources or plans to outsource certain functions, provide an analysis of the advantages and disadvantages of the current arrangement and the reasons for considering future outsourcing.

VII. Controls and Operational Plan

Describe any necessary changes to the records, accounting or internal control systems which may arise as a result of the new business plan.

Briefly describe plans for both internal and external audits of the organization. Discuss any relevant licensing, governmental or regulatory compliance issues unique to the business plan.

VIII. Critical Risks

Discuss and analyse the results of the company's latest Stress Test and provide the strategy for addressing the consequences of adverse outcomes relating to your company. Describe plans for mitigating all risks exposures (not mentioned elsewhere) and minimizing the impact of unfavourable developments.

IX. Financial Plan

Capital and Earnings

Describe:

- the company's capital goals and the means to achieving them

- any plans for raising capital and for financing growth with particular emphasis on conformance with regulatory capital requirements such as the MCCSR and the MCT.

Discuss:

- the adequacy of the proposed capital structure relative to external and internal risks and planned expansion.
- the earnings goals in terms of return on assets, return on investments, return on equity and other profitability measurements and summarize the strategies to achieve those goals.
- the company's plans to achieve the regulatory solvency standards.

Liquidity

Assess and discuss the company's exposure to liquidity risk. Discuss the company's plan to monitor and control liquidity risk and to meet regulatory liquidity requirements.

Market Risk

Discuss the impact of market risk (interest rate, pricing, customer care etc.) on the operations of the company and state how the company will identify and measure this risk.

Credit Risk

Discuss and analyse the company's exposure to credit risk and state the company's plan to monitor and control credit risk and to meet regulatory receivables standards.

X. Financial Projections

Drawing on data based on the company's own past performance and that of comparable businesses and incorporating the revenue and expenses brought about by the business plan, provide a three year projected:

- balance sheet,
- income statement, and
- cash flow statements.

accompanied by the appropriate schedules and analyses.

XI. Monitoring of the Plan

Milestones and deadlines should be established and monitored on an on-going basis and each objective broken down into specific milestones with a projected completion date. Additionally the company should develop a balanced scorecard or critical success factors which will measure the success of the plan.

Discuss how the board of directors and management will monitor adherence to the business plan and how they will adjust the plan to accommodate significant or material variances.

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