



# How we helped a leading insurer achieve compliance and build resilience: Creating exit plans for material third party arrangements

With third parties playing an ever-greater role in their business, this leading multinational insurance company wanted to create robust exit plans for their most material and complex third party arrangements. Here's how KPMG helped.



## Key findings

- ▶ We assisted the client in defining an operating model with clearly delineated roles and responsibilities for the development and testing of exit plans. Exit planning and testing activities can easily become complex and unmanageable, demanding significant effort from internal stakeholders.
- ▶ We aided the client in identifying and capitalising on synergies between exit planning efforts and existing business continuity and operational resilience activities.
- ▶ Our approach facilitated the consolidation of key information scattered throughout the organization and, at times, revealed missing data points necessary for formulating an effective exit strategy.
- ▶ We supported the client in developing a forward-looking roadmap to address gaps in exit plans and establish a regular testing cadence.



## The challenge: Ensuring compliance and continuity

**What would happen if your most material third party went bankrupt overnight, or experienced significant large-scale disruption to its services? That's the question this leading multinational insurance company asked themselves.**

They knew that – in order to be fully compliant with the PRA's Supervisory Statement SS2/21 on Outsourcing and Third Party Risk Management (TPRM) and to operate the business with confidence – they would need much more robust exit plans for their most material third party arrangements.

What they needed was a trusted advisor with deep experience managing third party risk. They needed a proven playbook of leading practices tailored to their unique situation. They needed a framework, process and operating model that would allow them to create, review and test third

party exit plans quickly and easily. And they needed to move quickly, leveraging accelerators and tools where possible. For all of this – and more – they chose to work with KPMG.

**KPMG came in the door on day one with the templates, accelerators and experience we needed to help us quickly and confidently enhance our exit planning understanding and approach. They had done the same thing for other financial services players in the past and they clearly understood the complexity and importance of the task we were facing."**

Client's Head of Third Party Risk Management

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## The approach: Leverage what works

KPMG got straight to work reviewing the client's existing exit planning processes and maturity levels. What they quickly found was that – while the company had done a good job thinking through some of the implications of a 'managed' exit – there was an opportunity to add much more rigour around potential 'stressed' exits.

Hand in hand with the client's TPRM professionals and third party relationship holders, KPMG professionals looked at each of the organisation's ten most material third party agreements to gain a deep understanding of the relationship, interaction points and the implications of failure. They started by piloting one exit plan so that learnings could be applied iteratively, with templates and process updated as required.

KPMG then worked with the insurer's subject matter experts from IT, Legal, Enterprise Architecture, Cloud and Operational Resilience to create detailed contingency plans and exit options for both managed and stressed exit scenarios. For each third party, the team identified which exit options would work best.



**We don't need to reinvent the wheel for each third party. We started with what we know works at other similar organisations and then we adapted and tailored the approach to suit the client's needs. At every step, we leveraged our experience and learnings to rapidly accelerate the project."**

Rohit Nag, Director, KPMG UK



## The outcome: Resilience and confidence

Ultimately, KPMG's work enabled the client to demonstrate that they were meeting regulatory expectations, with a suitable exit plan framework, template, development standard, testing standard – and importantly, executable and practical exit plans that could be invoked should anything happen to their material and critical third parties.

Exit plans must be continuously managed. And KPMG wanted to ensure that the client was prepared to sustain a high level of rigour with each new material third party they onboarded. At every step of the engagement, the KPMG team helped to upskill, train and share knowledge with the client's TPRM team, with deep dive training and shadowing sessions for key professionals.

The client is now able to create and test exit plans on their own to a high level of quality. And they have deep insight into how their third party arrangements impact various parts of the organisation. Simply put, they now have the knowledge they need to operate and manage their material and complex third parties with confidence.



**The KPMG team have been essential in developing our exit plans, given the complexity of some of our material third party services. KPMG provided us with detailed guidance on developing the exit plans as well as an established framework and operating model for us to take the exit planning and testing forward."**

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