



ISE Northeast Executive Forum and Awards Nominee Showcase Presentation

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XL Group plc
IT Sourcing Strategy
Thomas Dunbar
SVP, Information Risk Management





Company Overview



- XL Group plc
- Insurance / Reinsurance
- 3600 employees
- 77 offices in 27 countries
- Annual revenue 2009 - \$6.2B
- Specializing in complex corporate risk solutions



Presentation Overview

- Create and implement a global IT sourcing strategy in a federated IT model
- Include an effective global IT vendor management strategy



IT Sourcing Strategy Goals

- Allow IT to focus on core capabilities
- Outsource or offshore non-core functions
- Consolidate vendors to focus on strategic partnerships
- Improve operational expertise
- Improve capacity management
- Enhance innovation
- Reduce overall IT costs



Overview of Business Challenge

- Current strategy developed horizontally but implemented vertically
- Provide optimal mix of employees and external providers to deliver integrated and seamless IT services
- Classify and engage vendors by type of service
- Consolidate vendors to improve pricing, terms, and control of engagements
- Minimize number of strategic vendors



Business Demand – Both Horizontal & Vertical

Insurance
Sourcing
Implementation

Reinsurance
Sourcing
Implementation

Enterprise
Application
Sourcing
Implementation

Infrastructure
Sourcing
Implementation

Risk & Security
Sourcing
Implementation

Sourcing Strategy

Vendor Management



Optimal mix?

Employees

- Typical sourcing model
- Collocated with/near the business

Staff Augmentation Consultants (Contractors)

- Used as a sourcing model to avoid permanent headcount additions
- Provide resource leveling and/or knowledge acquisition

Outsourcing

- Contractual agreement for vendor to provide services.
- Typically involves the management of service levels or project deliverables by Company but not resources.

XL Global IT Sourcing Vendor Classification



IT Sourcing Vendor Classification

<u>Classification</u>	<u>Description</u>
Strategic Considered first for all sourcing needs	<ul style="list-style-type: none">▪ Offer wide range of services in line with Company portfolio▪ Continue to build scale and concentrate spending▪ Expand relationship for financial leverage and improved vendor management
Emerging Tested to validate their capabilities	<ul style="list-style-type: none">▪ Continuous review for potential to be strategic▪ Engage for specific assignments to assess capabilities▪ Keep current partners innovative
Ingrained Vendors at an inflection point	<ul style="list-style-type: none">▪ Ingrained in Company Operations▪ Seek opportunities to eliminate or transition to strategic▪ No new engagements planned beyond existing footprint
Point Solutions Selected only for their areas of expertise	<ul style="list-style-type: none">▪ Preferred for their niche expertise▪ Leveraged for projects related to their expertise
Onshore Staff Augmentation Engaged as a last resort	<ul style="list-style-type: none">▪ Provide services outside of expertise of other vendor classifications▪ Fill immediate needs if there are gaps in the services from other vendor classifications





Project Results

- Some strategic partnerships formed
- Transitioned production and maintenance support for a number of major applications
- Engaged strategic vendors to partially offset projects and replace 'boutique' consultants
- Contributed to expense reduction of 11% over two years
- Contributed to 30% FTE reduction over two years



Lessons Learned

- Transition management is critical
- Processes need to be strengthened to support outsourcing/offshoring
- Failures can be blamed on outsourcers when a management and/or process failure
- Need to build greater scale with selected strategic vendors
- Building personal relationships with the outsourcers and their teams enhances performance
- Monitoring vendor compliance is mandatory



Thank you and Questions

- Questions?