



Institute
and Faculty
of Actuaries

Finance Effectiveness

How to free up your time to do more interesting things

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Agenda

- What is Finance Effectiveness?
- Why undergo a transformation programme?
- What does a transformation programme look like?
- Digital change and robotics
- The role of people and culture
- Closing remarks
- Q&A

What is Finance Effectiveness?

What does Finance Effectiveness entail?

- Enhancement of models and systems / Development of processes and controls
- Optimal management between different functions of an insurance business
- Ensuring that your people are improving your business

What are the questions insurers should ask themselves?

- How much time is taken meeting regulatory demands?
- How much of your work adds value to the business?
- What is considered time consuming / resource intensive? Are we using resource wisely?

What should you bear in mind?

- Is a transformation a choice or a prerequisite?
- Not just actuarial!
- People and culture is pivotal to a successful transformation

Why undergo a transformation programme?

Key drivers for undergoing a transformation

- Regulatory timeline
- Regulatory developments
- Cost optimisation
- Risk management
- Competition
- Internal business needs / pressure
- Adoption of new technology
- M&A and legacy business
- Solvency II not smoothly embedded

Why undergo a transformation programme?

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Why undergo a transformation programme?

Regulatory timeline – Annual Solvency II deadlines for solo QRTs

YE 2016		100	WD 100
YE 2017		90	WD 90
YE 2018		80	WD 80
YE 2019		70	WD 70



- Reducing year-on-year until 2020 – From Working day 100 to Working day 70
- Not just annual submissions
- Still getting used to Solvency II reporting and potentially more challenging with impending regulatory developments

Why undergo a transformation programme?

Cost optimisation

- High costs often a key driver for transformation
- Cost savings can be achieved despite spend on transformation programme
- Senior leadership finding actuarial function too expensive

Risk management

- Insufficient controls across end-to-end reporting process
- Lack of confidence in output
- Several risks not being appropriately managed

Typical causes of high costs

Too much effort required for production

Requirement to re-run models and processes

Controls too late in the process to be effective

Duplication of reports / Redundant output

Common risks not adequately mitigated

Key person risk

Manual error

Model risk

Why undergo a transformation programme?

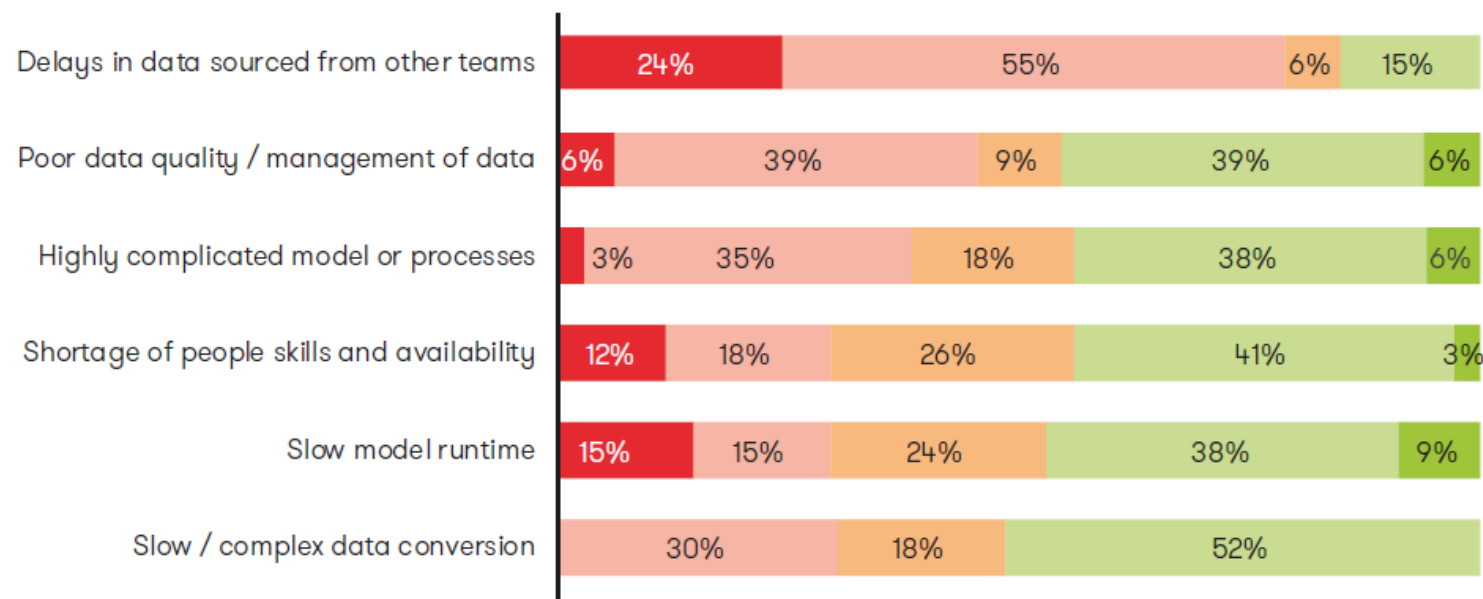
M&A and legacy business

- Flurry of M&A activity in recent years
- Several drivers for increased level of transactions, including scale and cost savings
- Insurers need to focus on integrating acquisitions smoothly into existing BAU / design new Target Operating Model in order to realise full benefits
- Key phase in M&A lifecycle is Post-merger Integration – Finance transformation must occur here
- Legacy systems often operating separately and diverging further from BAU processes

Why undergo a transformation programme?

Some headlines from a recent capital modelling survey

Fig 15: Significance of challenge to end-to-end Solvency II reporting process



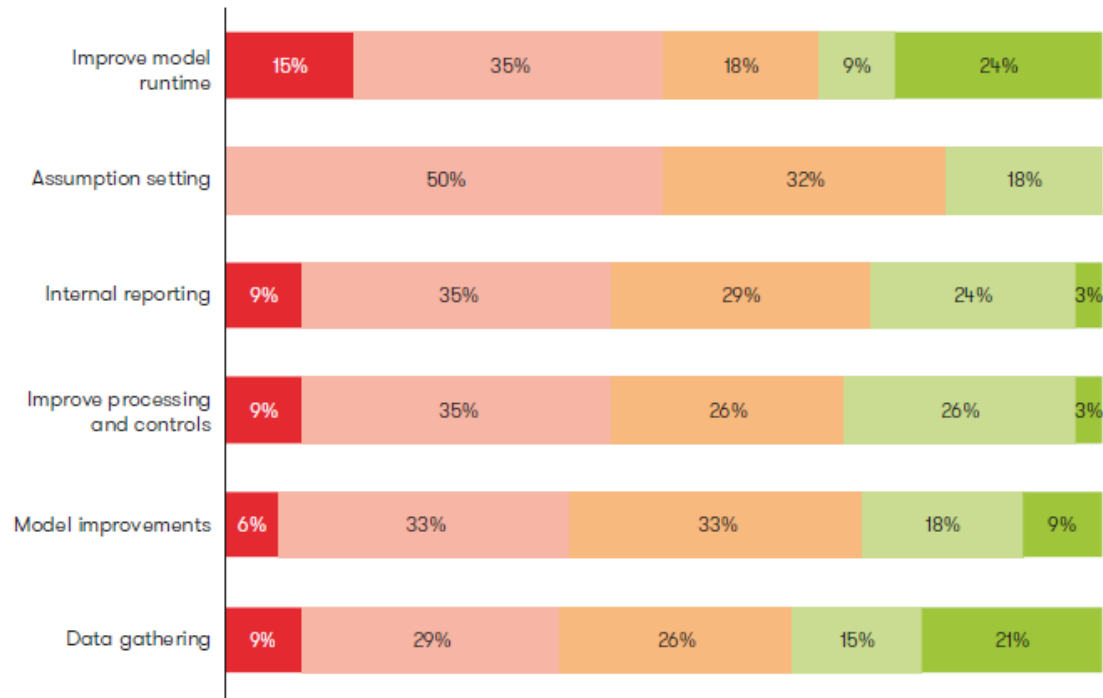
Source: Grant Thornton survey, October 2017

■ Strongly Agree ■ Agree ■ Neither Agree or Disagree ■ Disagree ■ Strongly Disagree

Why undergo a transformation programme?

Some headlines from a recent capital modelling survey

Fig 16: Importance of spending time and resources in the future to enhance the following



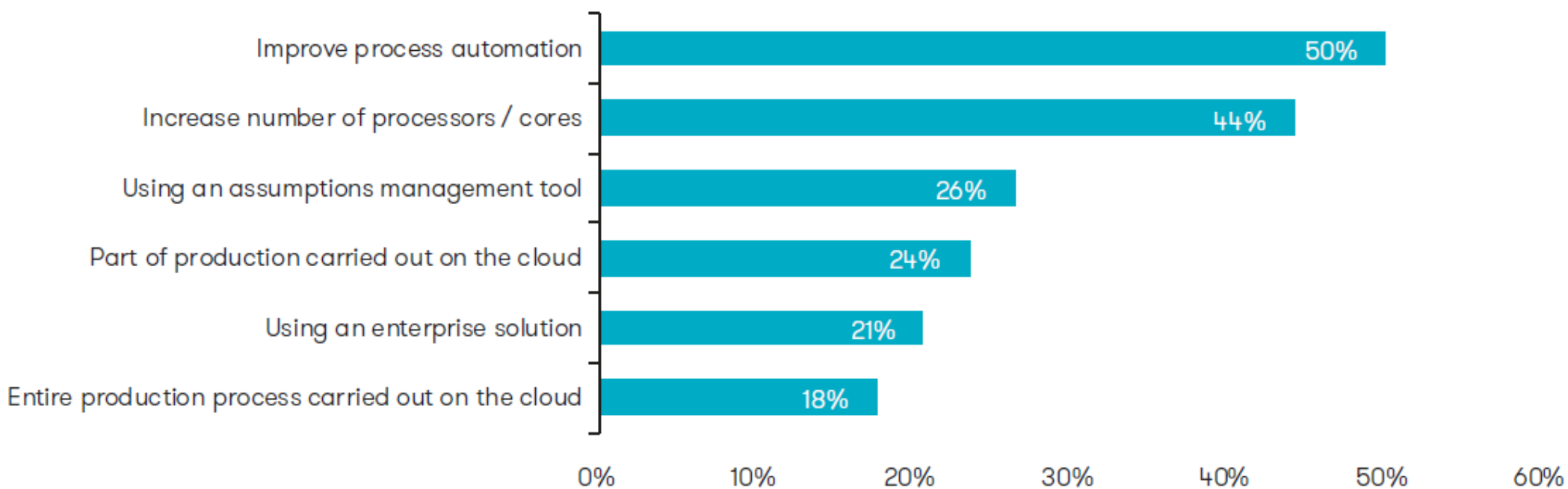
Source: Grant Thornton survey, October 2017

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Why undergo a transformation programme?

Some headlines from a recent capital modelling survey

Fig 17: Solutions likely to be implemented



Source: Grant Thornton survey, October 2017

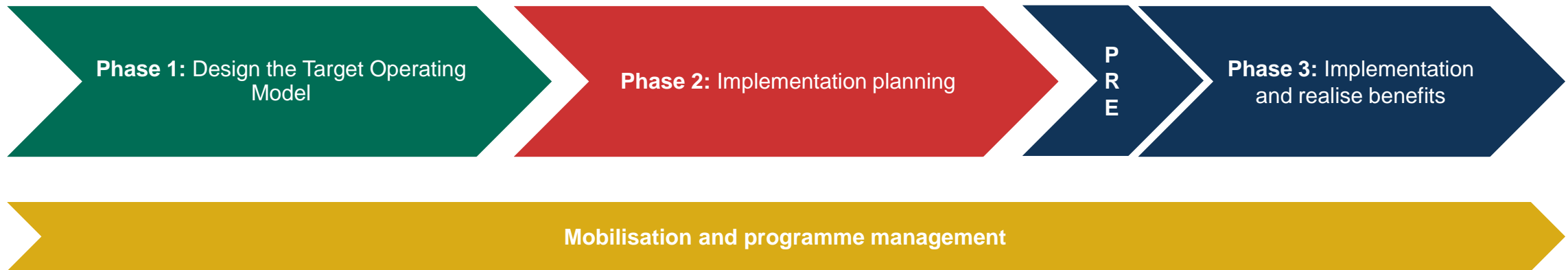
Why undergo a transformation programme?

What do you typically expect to see at the end of a programme?

- Reduced working day timetable
- More efficient and controlled end-to-end process
- Faster and more robust models
- Better platform for ad-hoc reporting
- Potential cost savings
- Improved platform for scale
- Full integration of businesses
- Individuals undertaking value-added tasks – Less time producing numbers and more time positively influencing the direction of the company

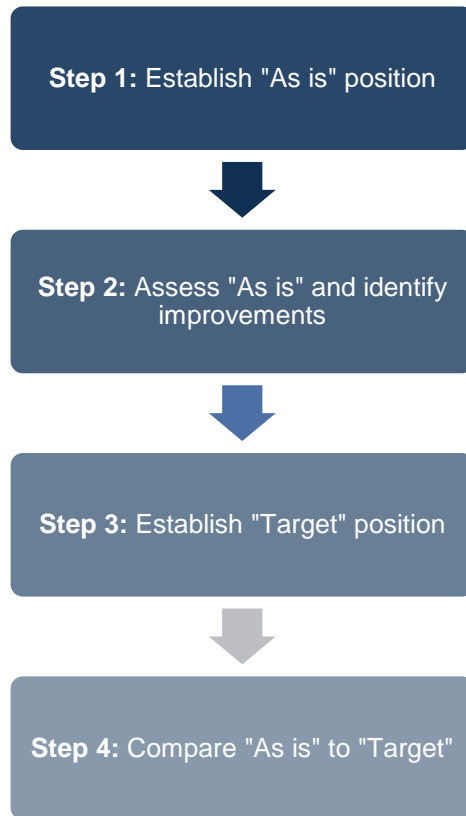
What does a transformation programme look like?

How might a transformation programme be structured?



- Can be broken down into three distinct phases
- Each phase will have a number of steps
- Programme management is pivotal to the success of a transformation
- Programme will vary from business to business

Phase 1: Design the Target Operating Model



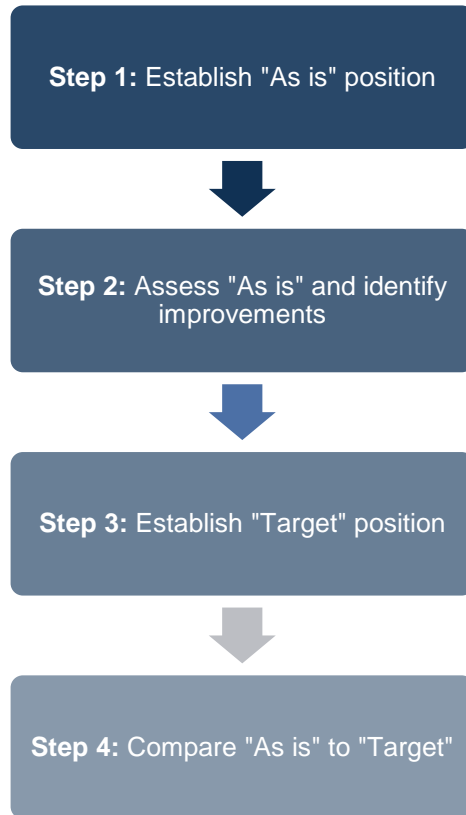
Step 1: Establish "As is" position

- Identify key stakeholders across end-to-end process
- Map out existing processes, capturing teams / models / systems
- Produce current working day timetable

Step 2: Assess "As is" and identify improvements

- Identify weaknesses in existing process
- Spot inefficiencies / bottlenecks
- Understand challenges across the overall business
- Scrutinise current working day timetable and identify reasons for delays

Phase 1: Design the Target Operating Model



Step 3: Establish "Target" position

- Understand all required / desired reporting outputs (internal and external)
- Consider methods of addressing weaknesses / inefficiencies, along with other business requirements
- Design optimal end-to-end process
- Produce desired working day timetable, showing acceleration from current working day timetable

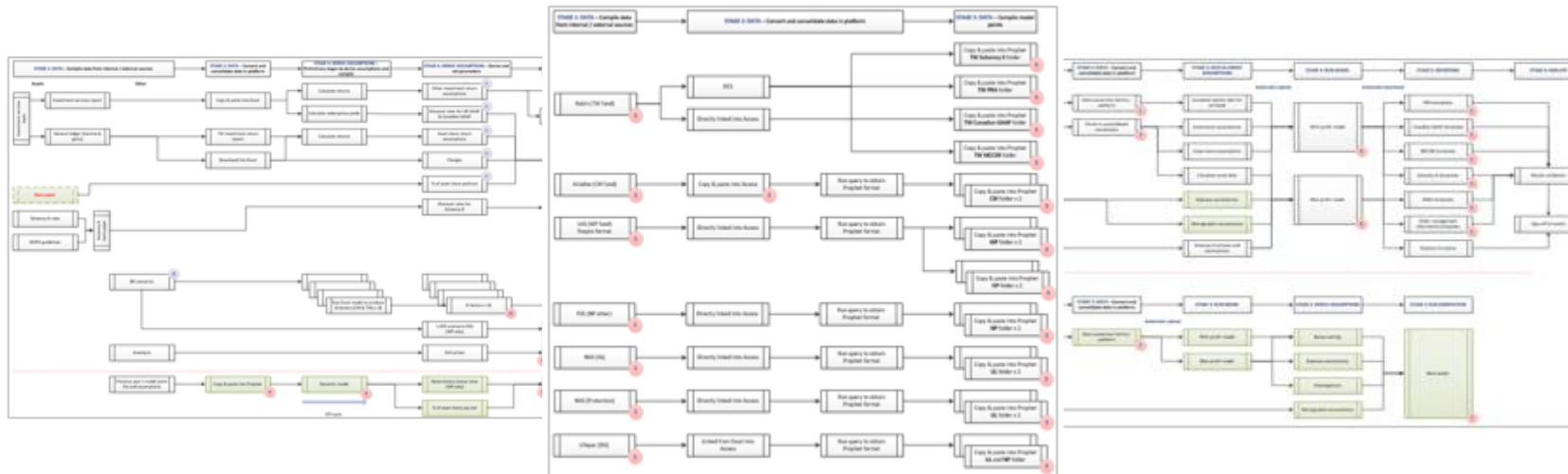
Step 4: Compare "As is" to "Target"

- Consider differences between "As is" and "Target", including individuals / teams involved in process, systems etc
- Challenge "Target" to ensure that it addresses all weaknesses / inefficiencies and meets needs

Phase 1: Design the Target Operating Model

Step 1: “As-is” position

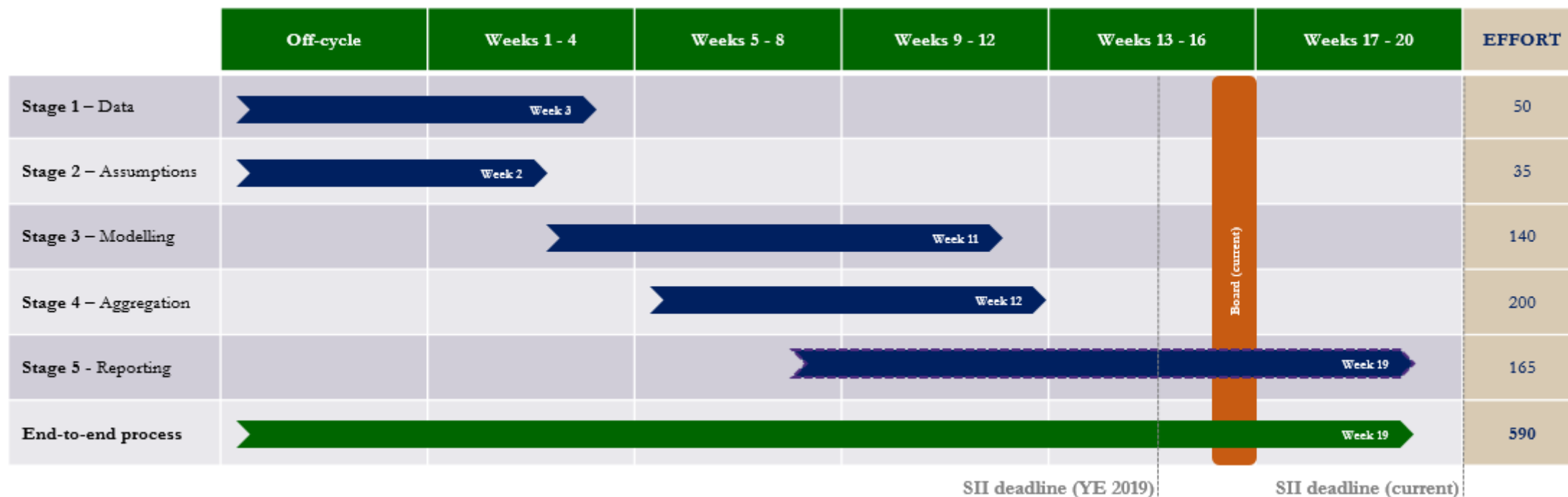
- Process mapping should be carried out to understand what goes on in current process
- Should capture all of the key steps across the various stages of the end-to-end process
- Gauge understanding of dependencies
- Include stages of review / sign-off



Phase 1: Design the Target Operating Model

Step 1: “As-is” position

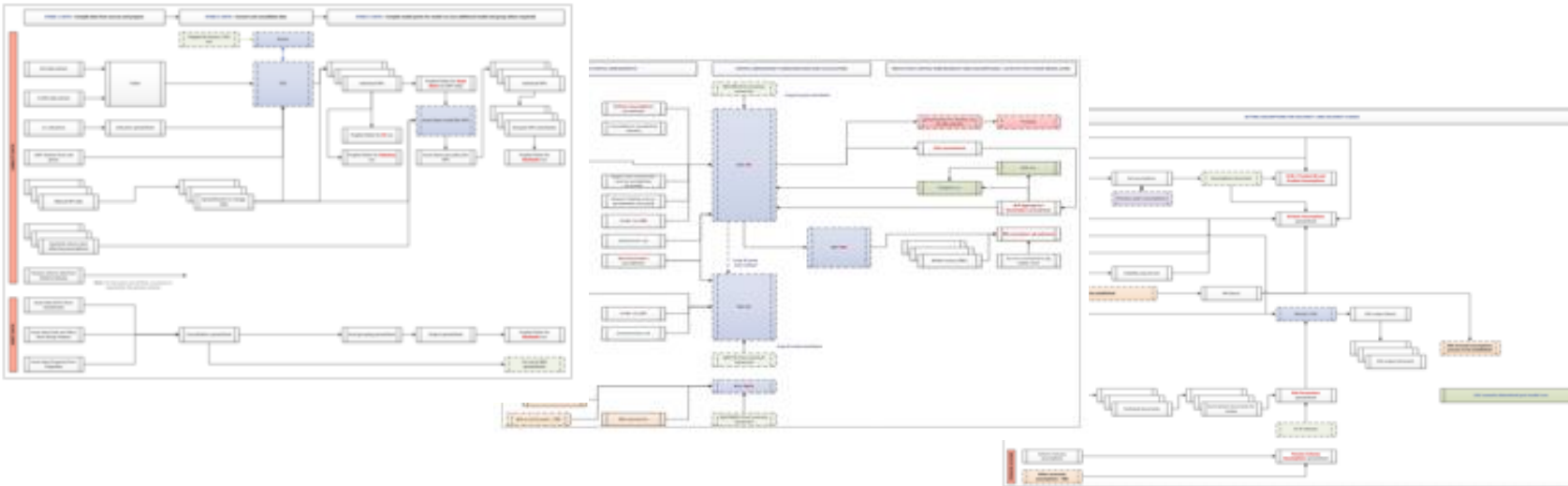
- Understand what the current working day timetable looks like, along with associated effort
- Capture key deliverables and deadlines within the timetable



Phase 1: Design the Target Operating Model

Step 3: “Target” position

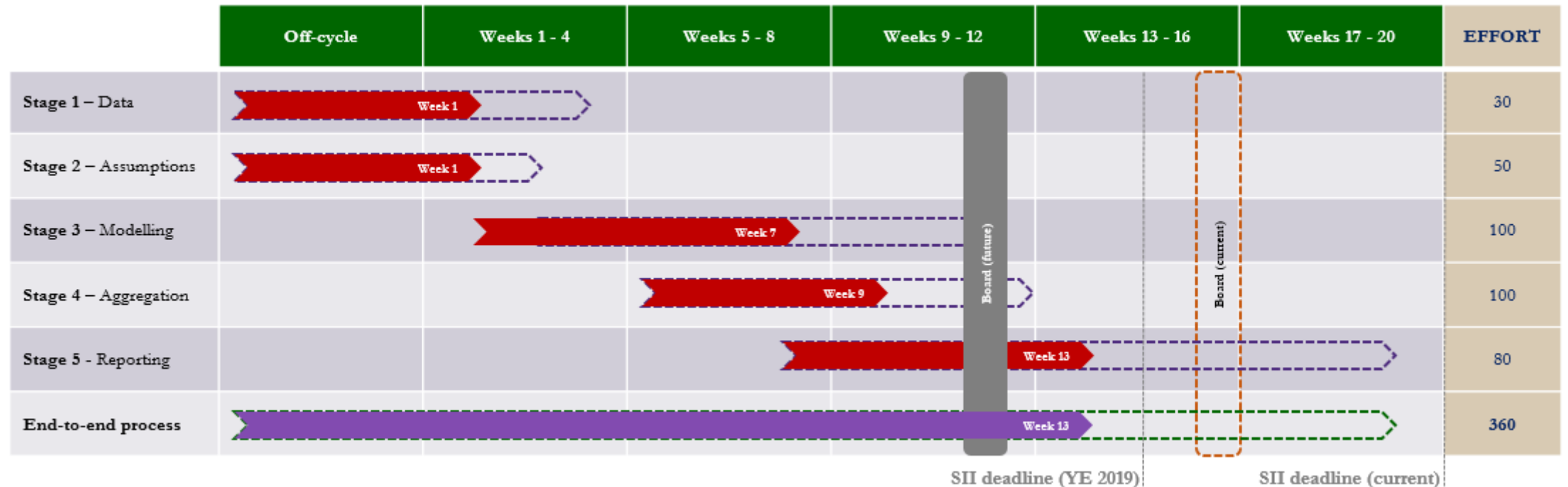
- Consider ways in which the weaknesses / inefficiencies can be addressed
- Process mapping to capture optimal position
- Should capture all of the key steps across the various stages of the end-to-end process, including reviews / sign-offs



Phase 1: Design the Target Operating Model

Step 3: “Target” position

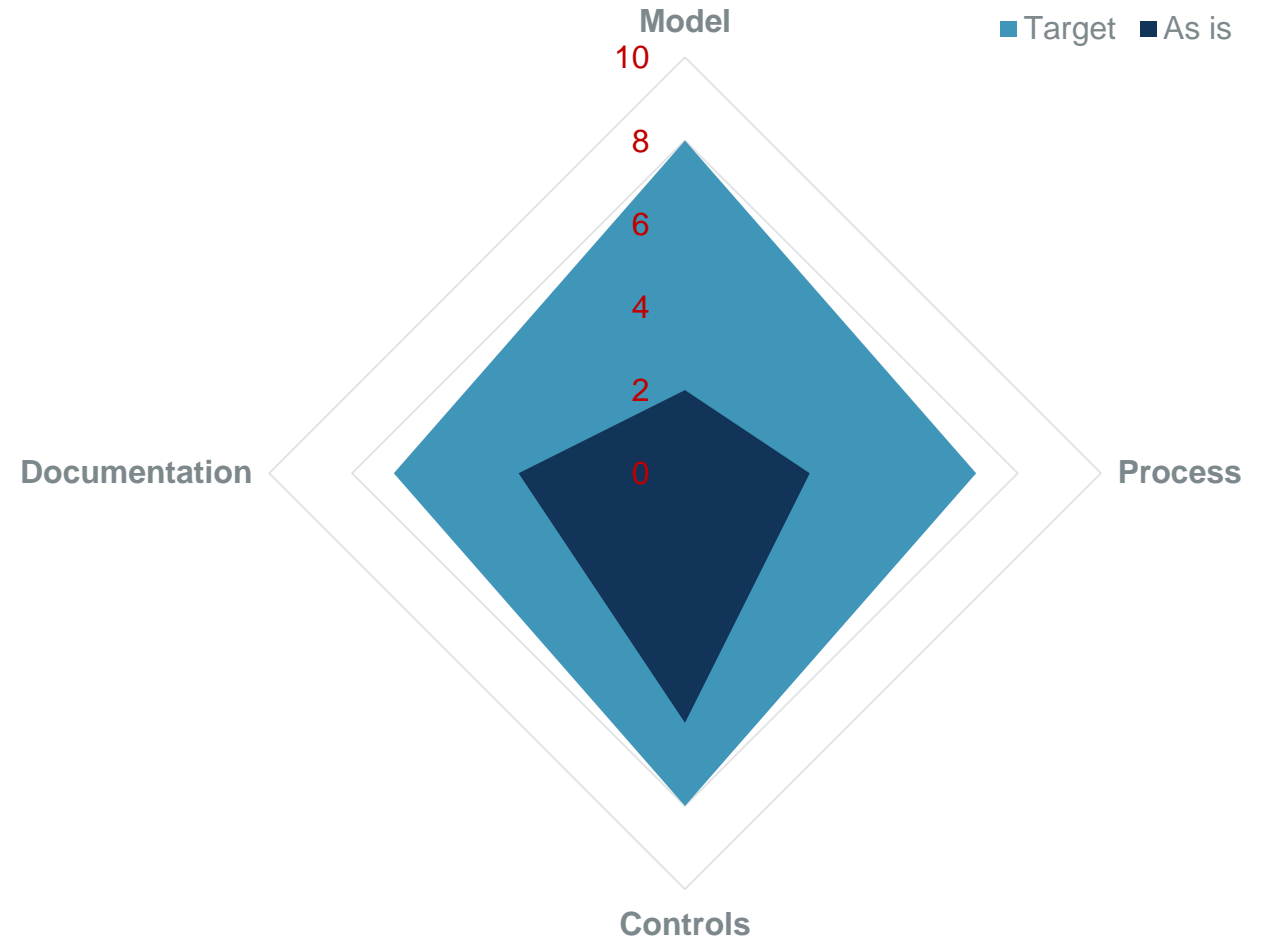
- Outline what the future working day timetable looks like, along with associated effort
- Ensure that the future process is swift and comfortably meets future regulatory deadlines



Phase 1: Design the Target Operating Model

Step 4: Compare “As is” to “Target”

- Challenge the “Target” design to ensure it is ambitious enough and meets your business requirements
- Check that all weaknesses / inefficiencies identified earlier have been addressed
- Is the “Target” as least as robust as the “As is”? Does it address all of our drivers for transformation?



Phase 2: Implementation planning

What do you do under Phase 2?

- Getting from “As-is” to “Target” – Design an implementation plan
- Key workstreams with activities and associated effort
- Establish requirements – “Must have” and “Nice to have”
- Quick wins, tactical and strategic changes
- Determine when the core decisions need to be made – model development / platform, robotics etc
- Integration within BAU and decommissioning
- Key stakeholders

Phase 2: Implementation planning

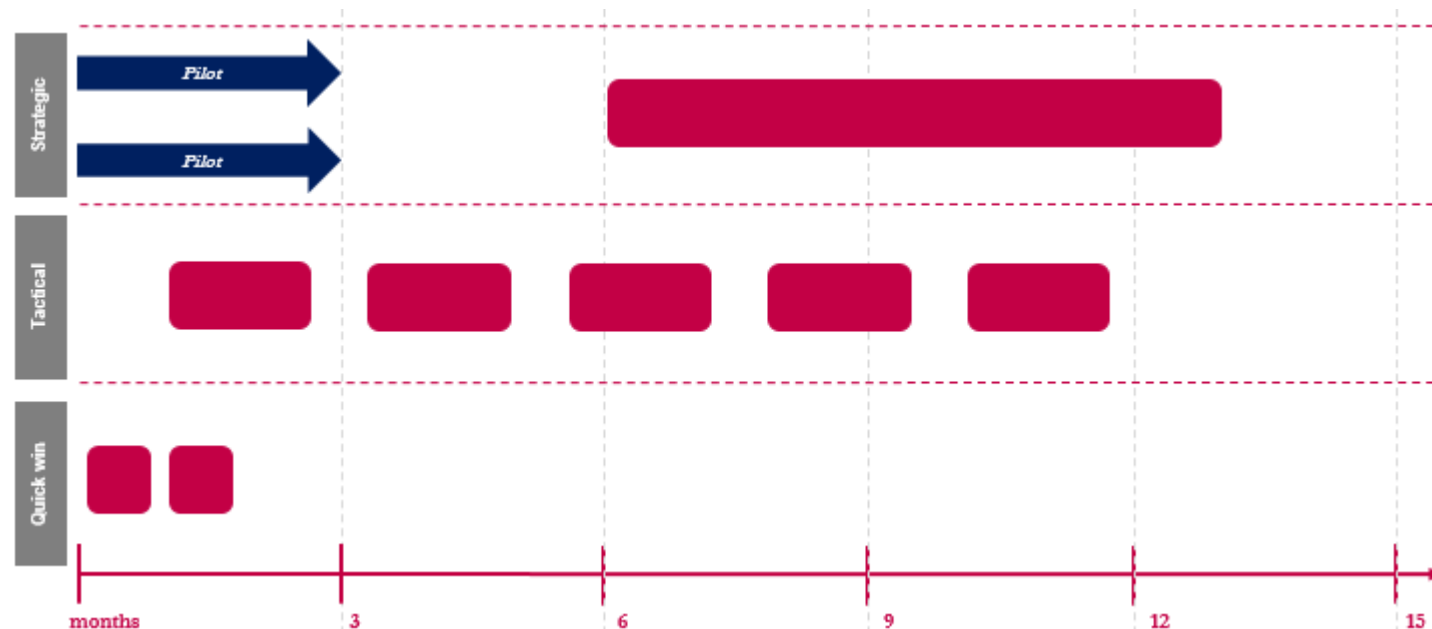
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Phase 2: Implementation planning

Quick wins, tactical and strategic changes

- Quick wins can be implemented very quickly and realise immediate benefits (eg omit onerous step due to immateriality)
- Tactical changes take longer to implement but will bring about more improvements to the process (eg automation of manual steps)
- Strategic changes are more long term and can bring about larger change (eg machine learning, process controller etc)



PRE Phase 3: Implement and realise benefits

What else to do before commencing with Phase 3?

- What pilots should be run (if any)?
- Do we go ahead with wider implementation post pilot? How does the implementation plan change?
- Do we have the IT infrastructure to carry out the implementation?

Phase 3: Implement and realise benefits

How can the implementation be structured?

- Might be broken down by core workstreams
- These might include **Model development** and **Process enhancement** among others

Model development

- Faster, better models
- Re-platforming if deemed appropriate
- Address manual spreadsheets
- Cloud-based solutions
- Documentation

Process enhancement

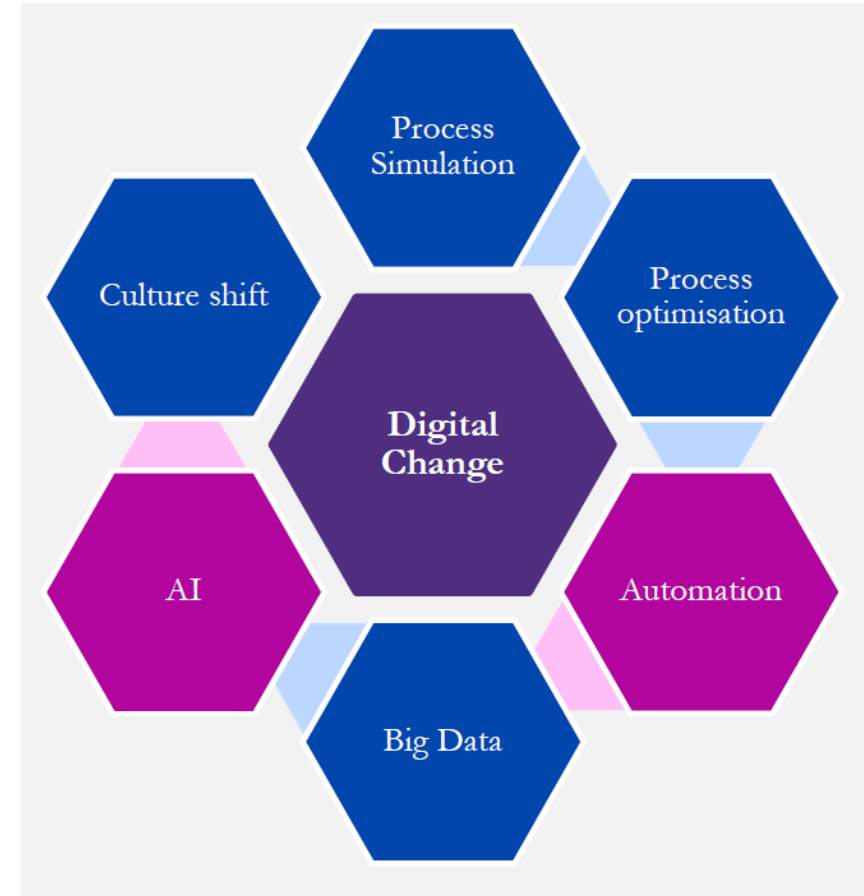
- Increased automation
- Consolidation of workbooks
- More activity off-cycle
- Introduction of robotics
- Documentation

Process Enhancement: Digital Change

Digital Change Model

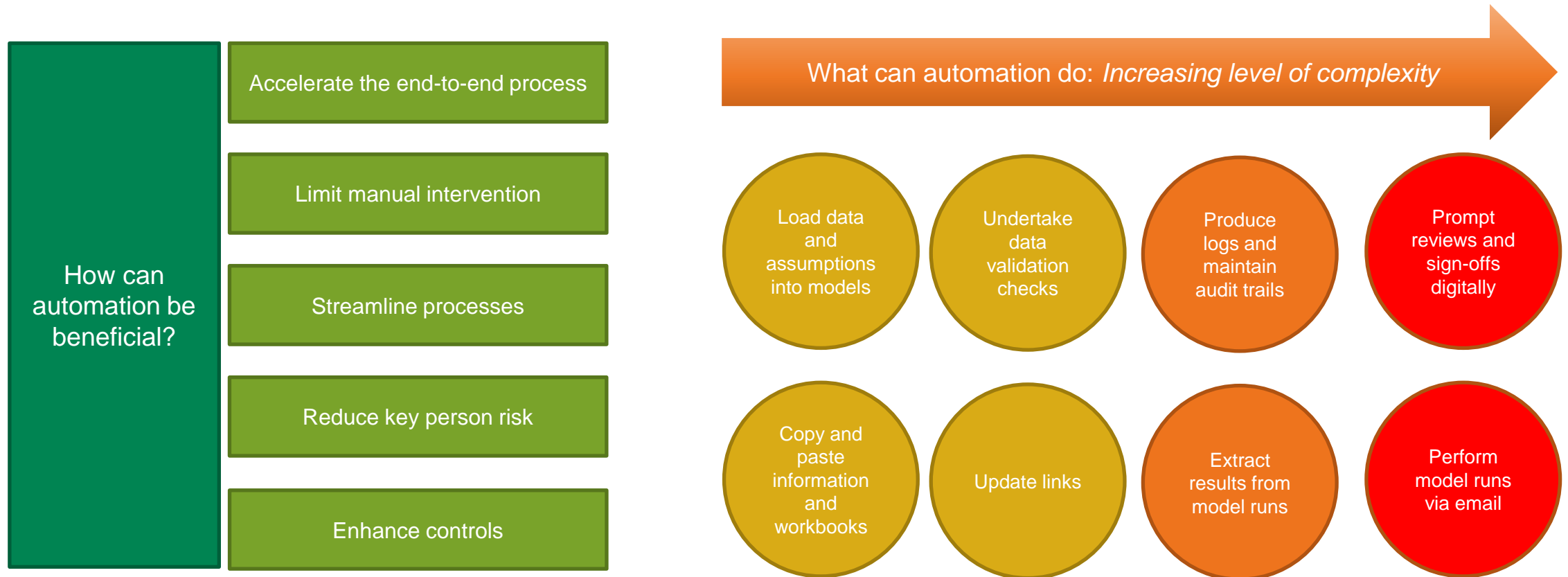
Layers of enhancements

- 1) **Process simulation:** articulate the current and future state
- 2) **Process optimisation:** streamline processes and identify areas suitable for automation
- 3) **Automation:** deploy a digital workforce using RPA solutions
- 4) **Augment with AI software:** replicate human decision making
- 5) **Culture:** ensure a digital shift in culture of your organisation



Process Enhancement: Robotics

Robotics and Automation

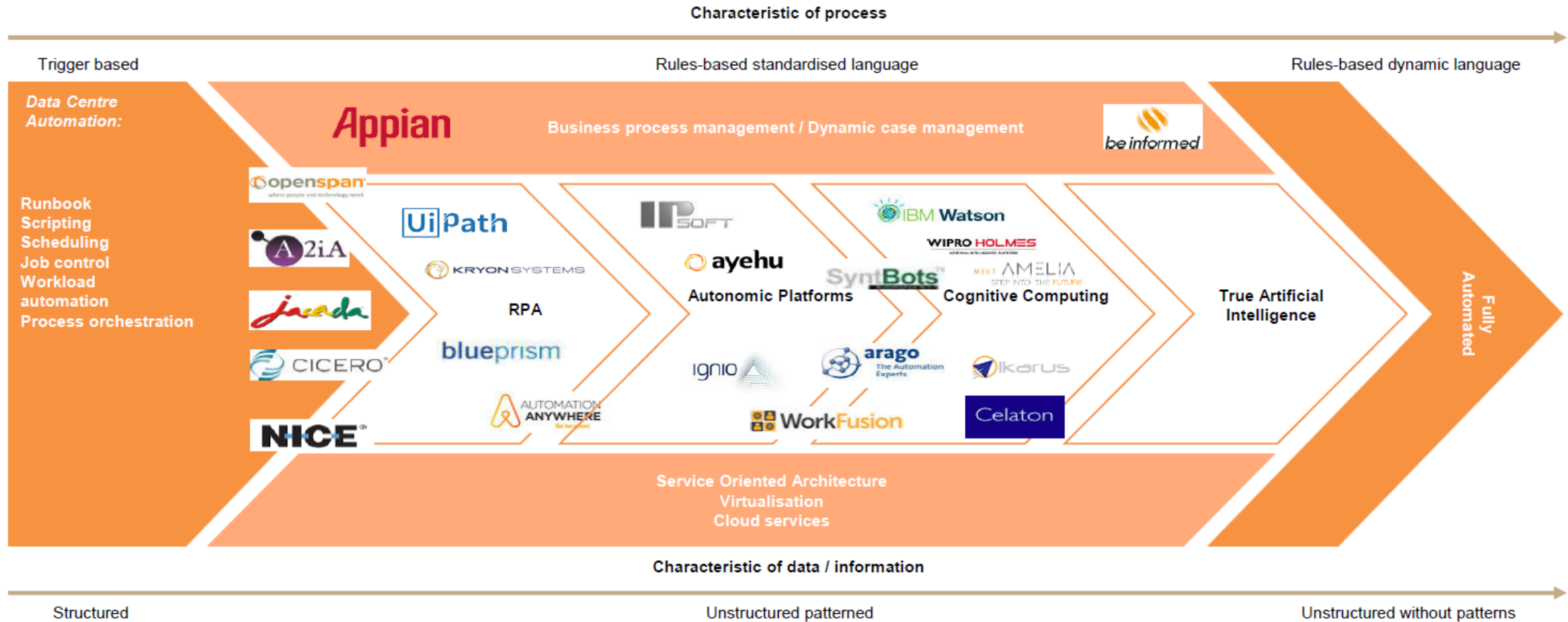


Process Enhancement: Robotics

Robotics and Automation

- More easily applied to simple and consistent processes
- Risk of 'black box' process => documentation and frequent review important
- Should be scalable and future proof
- Staged implementation
- Focus on quick wins

Process Enhancement: Robotics



1) http://www.horsesforsources.com/intelligent-automation-continuum_121015

Mobilisation and programme management

How to hit the ground running and maintain momentum

Right team profile

Balance between experience and expertise

Clear mandate

Roles and responsibilities

Availability

BAU / Holidays

Budget

Understand the financial and resource constraints

Track progress

Project management and regular touchpoints

Clear KPIs and milestones

Assess whether deliverables are being met

Stakeholder management

Identify key stakeholders in transformation

Issues and escalation

Set out how to resolve issues and how they are escalated appropriately

Risks

Understand what can threaten a successful transformation and manage accordingly

Dependencies

Manage key dependencies across the transformation and BAU

Communication

Maintain clear and open communication throughout the team

Committees

Set up and manage committees appropriately

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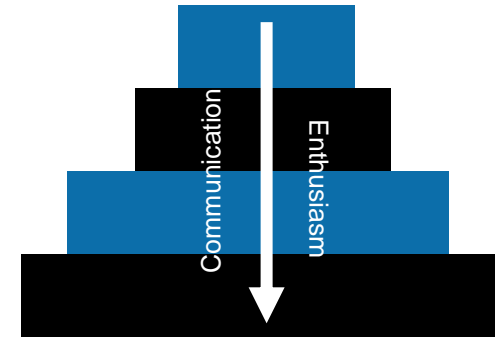
People and culture

What do you need to think about with regards to people and culture?

- One of the most vital yet underappreciated aspects of a transformation
- Aspect 1: Involvement in a transformation
- Aspect 2: Transforming people and culture

How should your people be involved in a transformation?

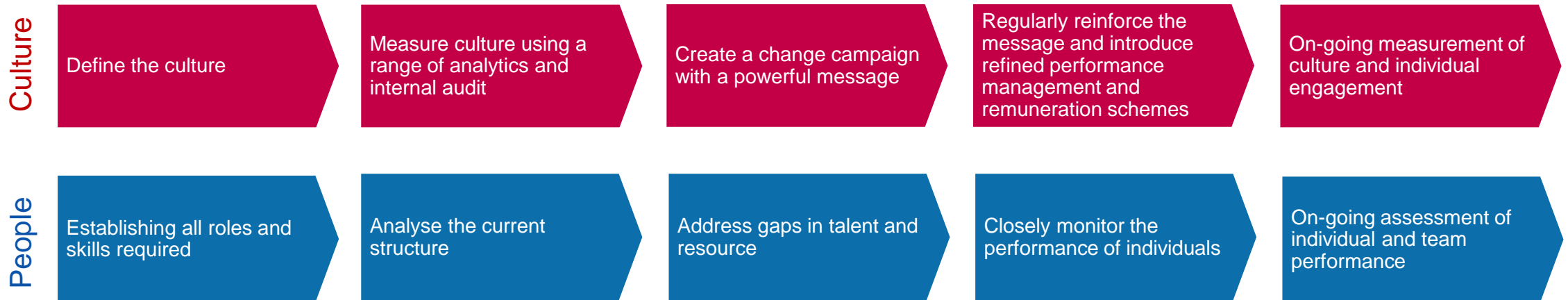
- Actively engaged in the transformation – It is your reporting process which is being transformed!
- Buy-in of key individuals
- Engagement from senior leadership
- Actuaries can play a significant role



People and culture

Transforming your people and culture

- Is the existing culture aligned to your desired operating model?
- Are the right people doing the right roles?
- Does the existing reward scheme promote the desired behaviours?
- Is there clear communication on what is expected of your individuals?



Reasons for a poor transformation

Why do transformations fail?

- Poor design of Target Operating Model
- Not radical enough to bring about required change
- Unrealistic planning of implementation
- Delays in commencing transformation
- Poor team profile selection – inappropriate mix of experience and expertise
- Failure to acknowledge systems limitations
- Failure to maintain core business
 - Transformation too draining on resource – Have you ring fenced the core business?
 - Too much distraction

Closing remarks

Summary

- Finance transformation can bring about a wealth of benefits to a business
- Transformations are a requirement in many cases
- Many aspects to a transformation, including Model development, Process enhancement etc
- We are seeing more and more automation and use of robotics
- People and culture is pivotal to a successful transformation

Key things to remember when undergoing a transformation

- Identify your key drivers
- Planning, planning and more planning
- Be ambitious!

Questions

Comments

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