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Actuarial 20/20
Transform the function

Imagine a world where your organisation's actuaries can address 'what-if' questions and are empowered to provide proactive insights...

Where the actuarial function is fully ingrained in your business...

Where executives call on actuaries to answer burning questions – and get business-oriented, easy-to-visualise responses that inform strategic decision making.

Vision: Tomorrow's actuarial function

Actuaries offer the insurance industry unique capabilities, but they are often put in silos and restricted to non-strategic tasks like compliance reporting and model maintenance. Yet, with the proper organisational design and tools, the actuarial function is capable of so much more.

Empowered by the right data, processes, and technology, actuaries can bring your business strategic insights – in the process expanding their skillsets, increasing the value of their future contributions.

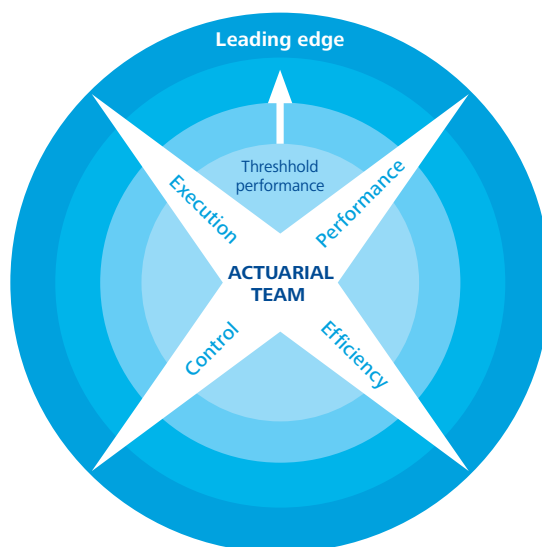
Four faces of the actuary of the future

Catalyst

Catalyse behaviours across the organisation to execute strategic and business objectives while at the same time creating a risk and business intelligent culture.

Steward

Protect and preserve the critical frameworks of the organisation and accurately report and communicate on financial position and condition to internal and external stakeholders.



Strategist

Provide actuarial leadership in determining strategic business direction, and supporting other strategic activities vital to the future performance of the company.

Operator

Balance capabilities, talent, costs, and service levels to fulfil the actuarial core responsibilities efficiently.

The actuarial function is already well established as a Steward/Operator. Tomorrow's actuary should be offering higher value services by taking on roles as Catalysts and Strategists.

Actuarial functions should

- Create **strategic value** for the greater organisation
- Be **agile** and **scalable** to manage and adapt to dynamic risk and regulatory complexity
- Promote **strategic activities** and continuous improvement
- Promote a **collaborative culture**
- Define **capabilities by role** and new capabilities to be developed
- Leverage **enterprise analytical architecture**
- Challenge **the status quo**.

Unlock the power of the actuarial operating model

For actuaries to become Catalysts and Strategists, the actuarial function needs to rethink and transform its responsibilities, technologies and processes.

Actuaries have often assessed people, process and technology issues in isolation. But this approach frequently fails to tackle the root cause of concerns. Unless causes, not symptoms, are addressed, standalone initiatives are frequently unsuccessful in the long term.

When designing a future-state operating model

- Consider the function's organisation, people, systems, tools, processes and governance holistically, as each component has significant influence on the others
- Use an iterative design process to ensure that solutions fit together and are sustainable over the long term
- Be realistic about the fact that services and operations may need be rationalised.

To define a future state actuarial operating model, organisations must consider this portfolio of services from the perspective of:

- How they are delivered
- Where they are delivered
- Who performs the work.

Questions for Chief Actuaries and their key stakeholders

- Does the actuarial function use resources effectively and facilitate the collaboration necessary for success?
- How do we develop and leverage actuarial talent?
- Are our processes efficient and sufficiently automated?
- Do we have the foundations in place to leverage the right technology?
- Where can actuaries add the most value to our organisation?

Transform: How services are delivered

Leverage teamwork and technology to streamline core operations and processes, and invest in tools to transform the actuarial function beyond compliance activities to strategic advice.

Organisational design both influences and is influenced by the underlying processes, information and technology required to deliver services – and needs to be considered in light of all three.

For example, actuarial functions can minimise Steward/Operator time by streamlining processes, adopting more efficient work steps and leveraging data and technology. However, to ensure this additional time is used for strategic activities, actuarial staff need to be equipped with enhanced tools and capabilities that will assist management teams in running the company.

Ideally, **actuaries should be users of tools** – not maintainers of systems and processes – **and consumers of data**. This means actuarial functions should partner with IT and other functions to gain access to the tools and data required to offer the business timely, strategic advice.

Actuaries should drive



Pricing, ALM, Bonus Setting



Methodology Design



Assumption Setting



Business Requirements



Analysis of Results & Commentary



Control Report Reviews



Data Analytics

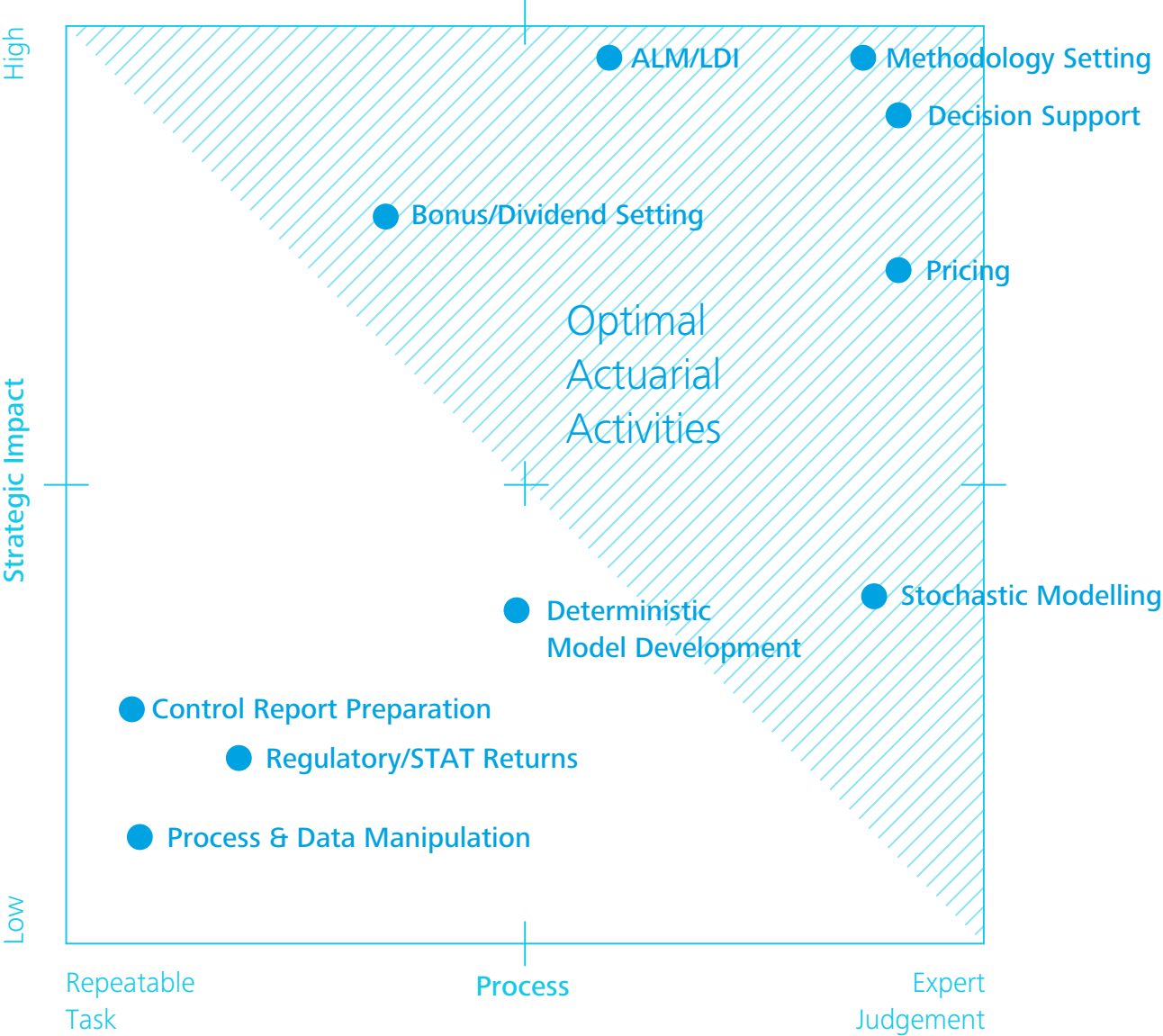


Strategy Development



The core of what actuaries do should be focused on tasks that have high strategic impact and require expert judgment.

Focus actuaries on high value activities



Case Study

A life insurer was using hundreds of spreadsheets and MS Access databases for valuation. Recognising the need to modernise its valuation function, the insurer implemented a single vendor-based system solution combined with an automated end-to-end process. As a result, statutory and GAAP valuation results were produced more reliably, in less time, and with three times the analysis available prior to this transformation.

Transform:

Where services are delivered

Expectations of the actuarial function and its capabilities are continuing to rise. But resources are scarce and teams are being asked to do more with less. Actuarial teams must embrace operational and process efficiency.

Delivery model decisions are unique to each company and situation. The right resourcing model – the function's organisational structure, reporting structure, and location of resources – will depend on a number of factors, including: existing geographies, business partnering options, internal stakeholder demands and local regulatory differences.

Organisations should consider opportunities to implement shared service centres to gain efficiencies, but this may not necessarily be the right way to go.

In defining an organisational structure and resourcing model, the actuarial function needs to identify guiding principles that promote efficiency while sustaining quality and integrity. Such principles will help to identify the right model for a particular situation and can help establish protocols to address concerns about outsourced or offshoring models.

The right answer is often a matter of moving the needle between service centres and decentralisation for each process, product, or business function.

Sample guiding principles

- Actuaries to focus on data requirements and analysis rather than data extraction and production
- Actuaries to delegate roles that do not require technical actuarial skills
- Work efforts rationalised to eliminate redundant processes or procedures
- Processes to be established to address any reliance concerns
- Processes that need consistency should be considered for centralisation.

Which delivery model is right for your actuarial function?

Decentralised

- Ideal when processes are highly unique and consistency is not required
- Good for high-complexity tasks requiring significant business knowledge and insights.

Service Centres

- Ideal to address consistency concerns
- Relies on the organisation to provide local business requirements and product knowledge – and to analyse results.

Offshoring

- Addresses cost considerations
- Ideal for low-complexity tasks with high levels of automation
- Works best in a stable environment requiring limited changes.

Outsourcing

- Ideal to address temporary needs
- Can also be used to manage costs
- Requires sufficient knowledge transfer to the vendor throughout the establishment process.

Case Study

A multi-national insurance company moved its data readiness and production tasks to an offshore operation. This meant outsourcing low-complexity tasks with high levels of automation to an offshore shared service centre, leaving high-complexity tasks to be done by the onshore actuarial team. Cost savings were realised from both cost arbitrage and process improvements. In addition, time zone differences have enabled the team to cover an extended 13-hour working day.

Transform:

Who performs the work

Actuarial functions need to begin to identify and develop strategic leadership talent through experience, exposure and education in other parts of the business.

An actuarial function will always require actuaries who serve in a technical steward capacity. But, in the future, it will also require actuaries who are strategic visionaries with the ability to lead, communicate, and interact in broad capacities.

To develop strategic skills, actuaries should be encouraged to collaborate and team across entities, business units, product lines and business functions regardless of where and how services are delivered. For example, they should be blended into broader teams by being partnered with:

- Finance professionals in reporting and FP&A functions
- Technology resources to deliver actuarial data, technology, and environments
- Internal audit functions.

Identifying and developing actuaries with strategic skillsets will improve succession management and help to elevate the role of actuaries throughout the organisation.

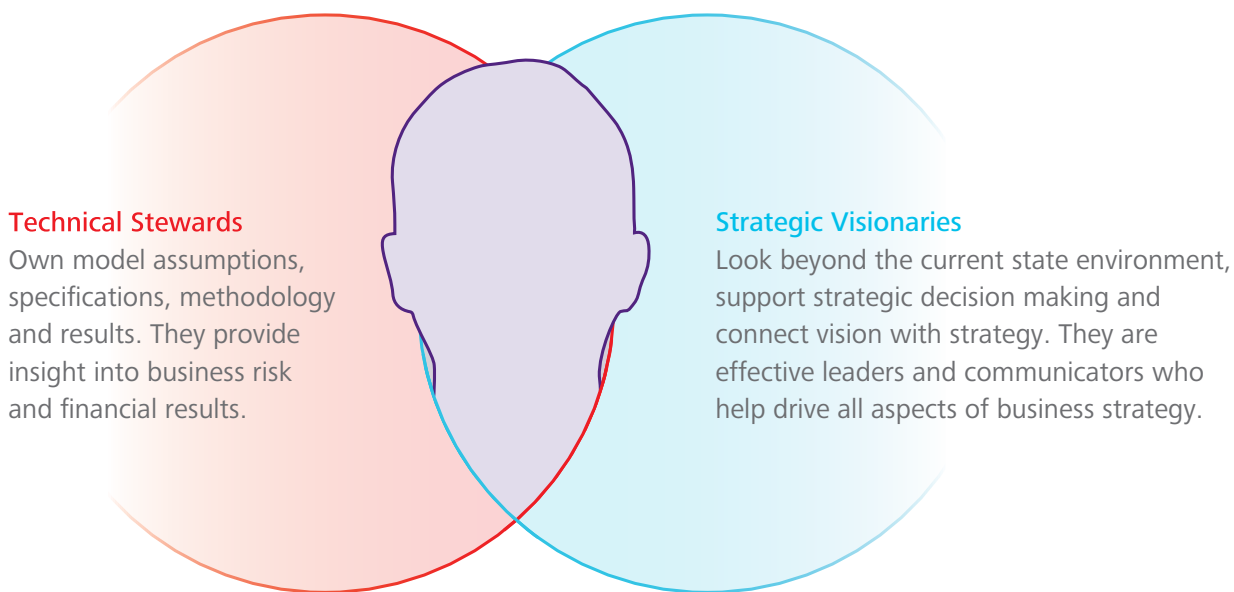
A great talent development framework

- Clarifies what is expected at different levels in the 'leadership pipeline'
- Underpins succession planning and career mobility planning
- Spots specific high potential/talent pools
- Improves the diversity of the talent pipeline
- Distinguishes between performance and potential at performance review
- Supports self-assessment and self-development
- Creates learning curricula for generic leadership development programs.

Future-proof the actuarial organisation

The successful actuary of the future will need to blend skillsets to become a key strategic business partner. The business will expect actuarial qualities to go beyond high standards and excellence and include leadership and strategic insights.

To develop skillsets to meet these future business demands, actuarial functions need to start creating 'purple people' – those with a mix of business and technical skills.



Case study

Some insurers require actuaries to spend a one-year rotation in a non-traditional role before being promoted to manager levels. This helps actuaries to hone their business acumen and encourages them to be more vocal in strategic leadership meetings – and contribute beyond technical actuarial topics.



Given the right operating model, actuaries of the future will take a seat at the strategy table.

Empower your actuaries

Actuaries were once accepted as the guardians of financial strength and equity by setting premiums, reserves and capital. But increasing workloads and short-term solutioning combined with outdated organisational structures and roles have prevented actuarial teams more recently from achieving their full potential.

Now, actuarial functions that embrace change have an opportunity to improve efficiency and increase capacity. With a new operating model, tools and processes, actuaries can ask new questions, offer new insights – and be given a seat at the strategy table.

Questions around how and where work is done – and who does what – all need to be addressed while deciding on the actuarial operating model of the future. In doing so, Chief Actuaries should consider:

- Automated data manipulation and reconciliation – allowing actuaries to focus on setting methodologies and assumptions and interpreting results
- Talent development – rounding out actuarial personnel with skillsets beyond technical and analytical acumen by pairing actuaries with the rest of the business
- Investment in updated systems architecture and data visualisation capabilities – giving actuaries the tools to offer real-time strategic insights to support the broader business.

By empowering actuaries to do what they do best, insurers can harness the full range of their capabilities – creating a strategic advisory resource to boost competitive advantage.

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