Considerations for Enterprise Financial Modelling Platform Adoption

Over the last five years a number of apparently enterprise-ready financial modelling platforms have appeared on the market. While at first glance the features of these platforms seem to align to the increasingly demanding requirements of the end-user community, how useful and relevant are they really in the operational environment of a modern insurance company? This guide outlines some of the most important factors when considering the adoption of such a package.

Background

The majority of today's financial modelling software first emerged in the early-to-mid 1990s when personal computers emerged onto the desks of knowledge workers. In the days when most actuaries still used a calculator, pen and paper for the majority of their work, PCs presented an opportunity to boost productivity and explore a previously off-limits degree of detail or range of scenarios. As a consequence, the more creative actuarial minds quickly turned their intellect to the development of small programs to simplify the most repetitive and time consuming tasks. These solutions were often developed out of sight of the IT community using the programming languages of the day, such as FORTRAN, COBOL and APL.

Soon spreadsheets in the form of Minitab, Lotus 1-2-3 and eventually Excel provided something of a framework for the budding developers to work within, although these packages were soon hindered by the lack of extensibility and relatively poor performance for anything but the simplest actuarial tasks. This left an opening in the market for a range of flexible, efficient and extensible tools focused on the needs of the actuarial population, providing the power & flexibility available in the primitive programming environments combined with the standardisation and ease of use offered by spreadsheets.

By 2000, the majority of life and non-life actuarial departments were actively developing and using their own customised or bespoke models developed using these packages. The vast majority of those platforms and descendants of the original models are still in use today.

Further Information

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The following related research and analysis from Quintant Partners may also be of interest.

- Financial Modelling 2.0 – Where Next?
- Financial Modelling Platform Selection Toolkit
- Total Cost of Modelling Platform Ownership

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