A Quintant Partners Seminar
London | April 22, 2016

Developing Your Risk & Actuarial Systems Strategy

Guy Shepherd
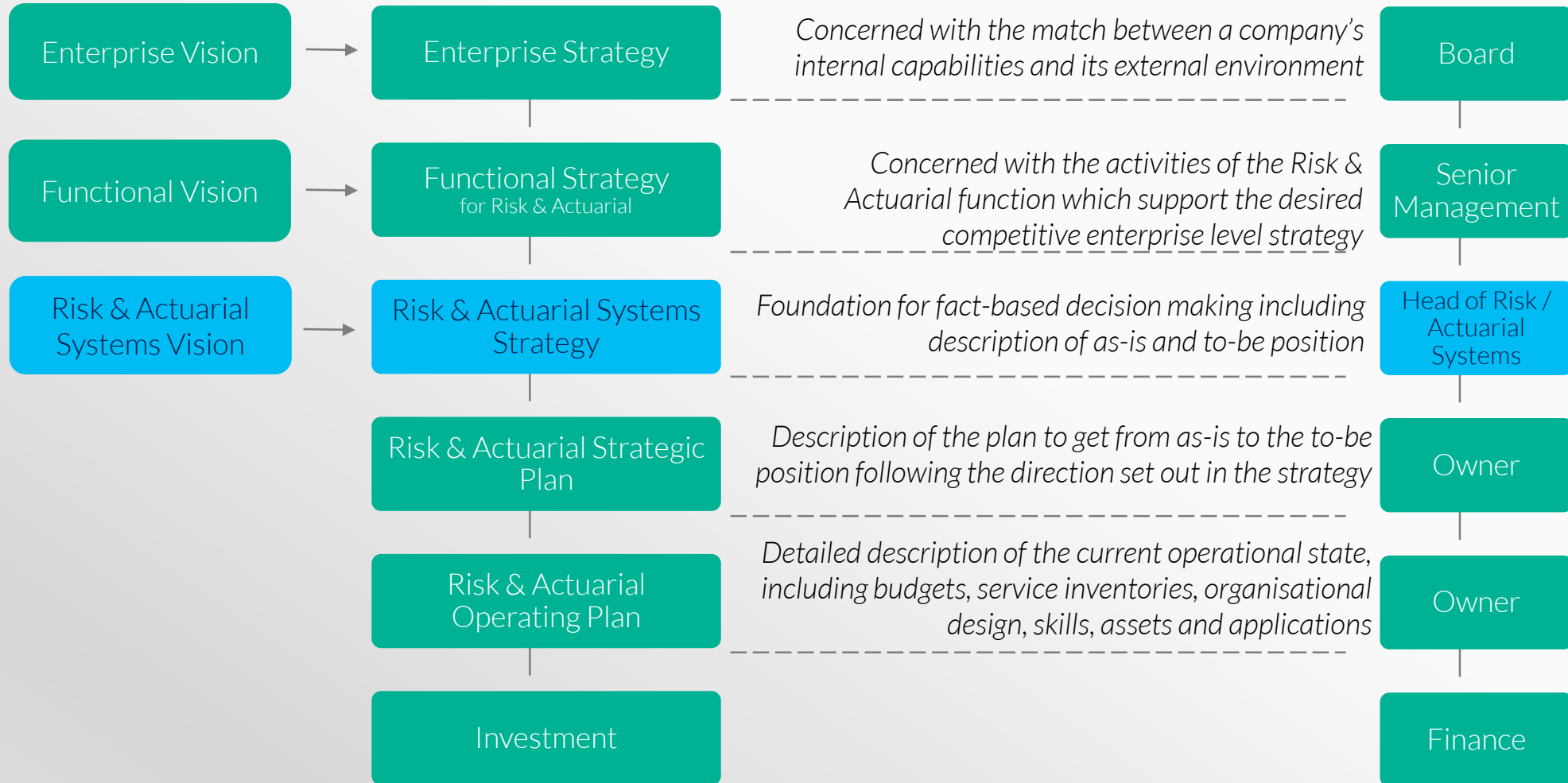Director, Technology & Solution Design

QUINTANT PARTNERS

Agenda

1. Why you probably need a risk & actuarial systems strategy

2. What should a risk & actuarial systems strategy look like?

3. How do you go about developing your strategy?

4. How can you use a strategy to enable business success?

5. Bringing a strategy to life and keeping it alive

6. Checklist for strategy development

7. Recommendations

Introducing the RASS

- Risk & actuarial systems now provide a core business asset in any insurance enterprise

- Access to risk & actuarial systems capability is now being demanded outside the risk / actuarial function

- The RASS should establish how risk & actuarial systems directly enable and support the achievement of functional and therefore enterprise goals

- A robust risk & actuarial systems strategy ("RASS") determines the potential value of risk & actuarial systems to an organisation

- Provides a cornerstone for all risk & actuarial systems change, embracing current / future needs and technology trends

Enterprise context

Enterprise Vision →	Enterprise Strategy	*Concerned with the match between a company's internal capabilities and its external environment*	Board
Functional Vision →	Functional Strategy for Risk & Actuarial	*Concerned with the activities of the Risk & Actuarial function which support the desired competitive enterprise level strategy*	Senior Management
Risk & Actuarial Systems Vision →	Risk & Actuarial Systems Strategy	*Foundation for fact-based decision making including description of as-is and to-be position*	Head of Risk / Actuarial Systems
	Risk & Actuarial Strategic Plan	*Description of the plan to get from as-is to the to-be position following the direction set out in the strategy*	Owner
	Risk & Actuarial Operating Plan	*Detailed description of the current operational state, including budgets, service inventories, organisational design, skills, assets and applications*	Owner
	Investment		Finance

Strategy outline

Elevator Pitch

Executive Summary

Business Context	Enterprise Vision	Scope
Success Criteria	Contribution to Success	Capabilities

Foundation Principles	Systems of Governance	Financial Management
Change Management	Measures and Metrics	Communication Strategy
EUC Strategy	Legacy IT Strategy	Build vs Buy Strategy

People, Skills and Culture	Services & Processes	Systems Architecture
Sourcing Strategy	Testing Strategy	Systems Portfolio
Collaboration Strategy	Research & Innovation	Information Management

Risk Management

Infrastructure

Defined specifically for the RASS. Component of the strategy document.

Enterprise wide core capability.

Inherited from external source. Exceptions are captured in strategy document.

Development approach

- A strategy must be specific to your needs, environment, organisation, culture and ambition

- Needs to reference the current state – not a greenfield environment

Enterprise Vision

Functional Vision

Innovation & New Ideas

Risk & Actuarial Systems Vision

Validation (Stakeholder Engagement)

Current State Analysis

Target State

Roadmap (Start / Stop / Adapt / Evolve / Continue)

Commoditised Processes / Capability

Differentiating Processes / Capability
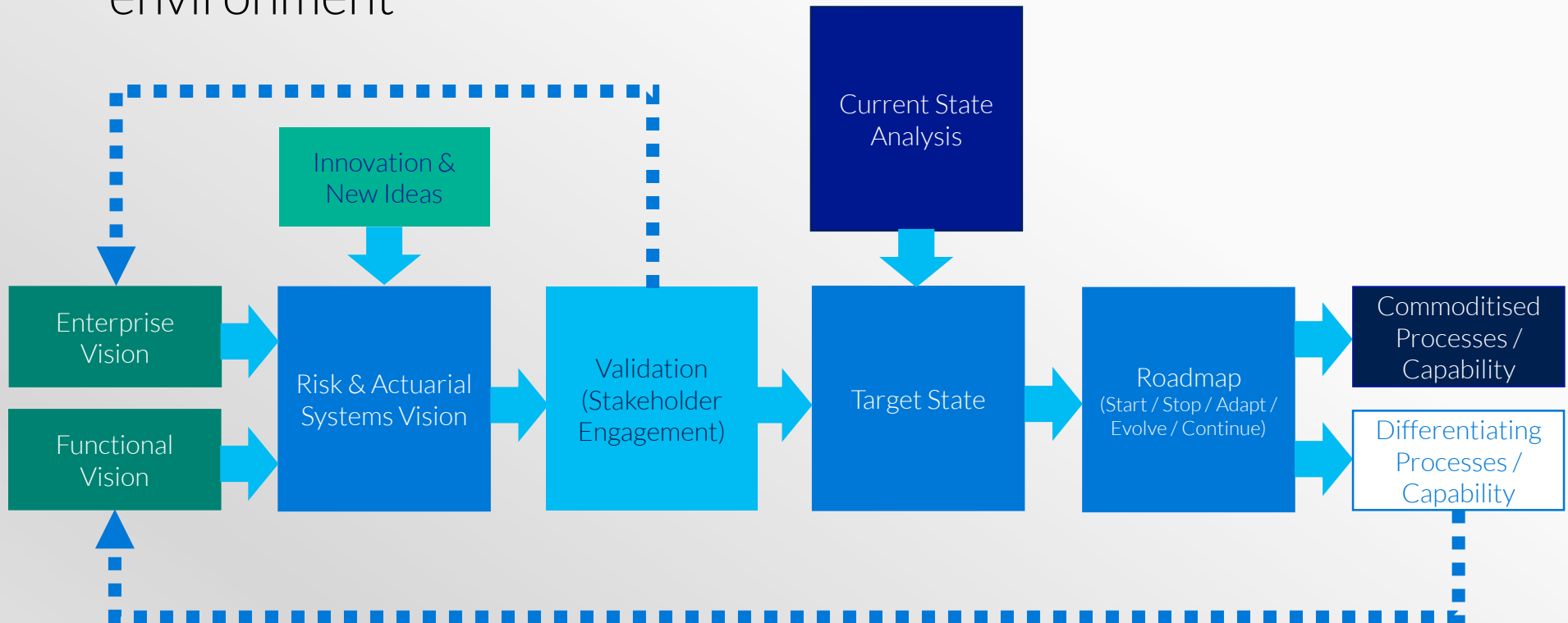
It all starts with the people

- Right people (resources)

- With the right skills (capabilities)

- In the right roles (organisational design)

- Doing right things (processes)

- In the right way (governance)

- At the right time (priorities, schedules and dependencies)

- With the right technology (tools and technology)

- Creating the most value (contribution to functional and enterprise objectives)

Optimising environment
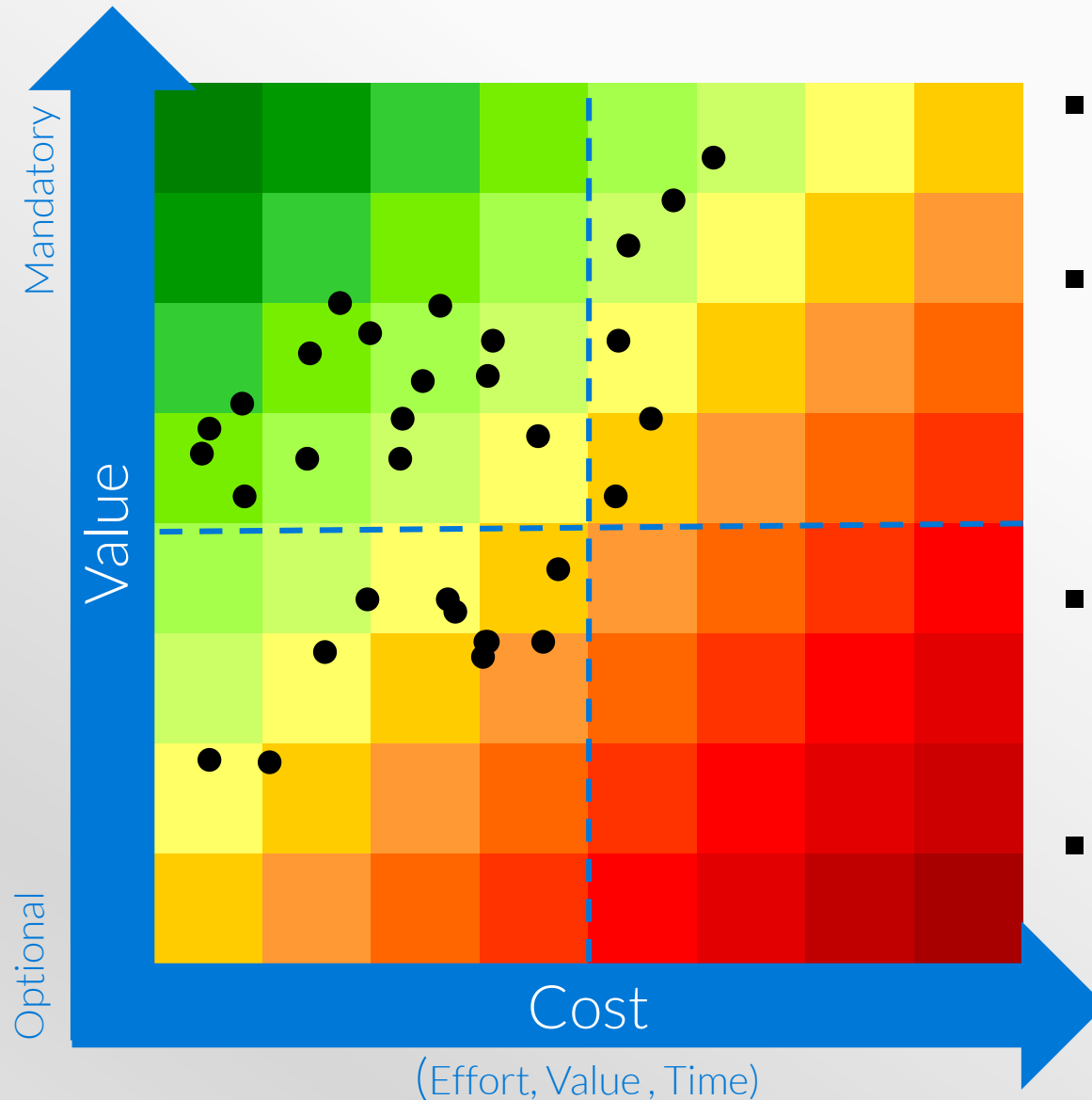
- Low value processes are stopped

- High value processes are decoupled from low value / high-cost dependencies

- Automation of stable / repeatable processes is enabled

- Overall value proposition increases

Focus on value

Traditionally low value but high cost

High potential value

Commoditised processes, capabilities and services

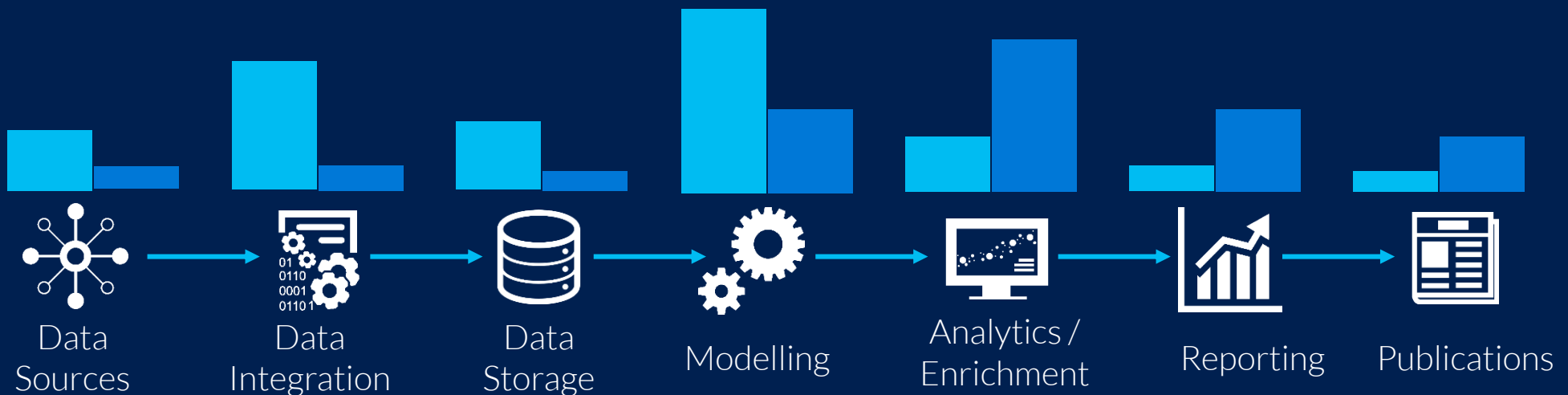Stable, well-understood, and highly-repeatable

Target for automation

Candidates for off-shoring / outsourcing (if that's an enterprise strategy)

Delivering day-to-day service

Differentiating processes, capabilities and services

New techniques and technology

Reliance on skilled resources / expert judgement – actuaries earning their rations

Data Sources → Data Integration → Data Storage → Modelling → Analytics / Enrichment → Reporting → Publications

Modelling competency centre

- Exploit variety of skills across the enterprise

- Bring business, change, technology and actuarial / risk / finance skills together

- Promote cross-functional fertilisation of ideas

- Drive efficiencies and better funding of change

- Collaboration is a reality

- Shared / common goals – beyond project timelines

- Creative / delivery tension

Technology adoption

- Target state should not be constrained by legacy technology capability

- Proprietary and closed systems not helpful

- Tightly coupled systems and processes – difficult to change / evolve / replace

- Lack of innovation from vendors – no incentive to change

- Customers are prisoners of technology – processes defined by the technology available

- Limited adoption of major technology trends by risk & actuarial system vendors over last 20 years

Run, Grow, Transform

- The "run" burden needs to be reduced by managing the legacy debt
- Focus on grow and transform

Run
(Systems of Record)

Grow
(Systems of Differentiation)

Transform
(Systems of Innovation)
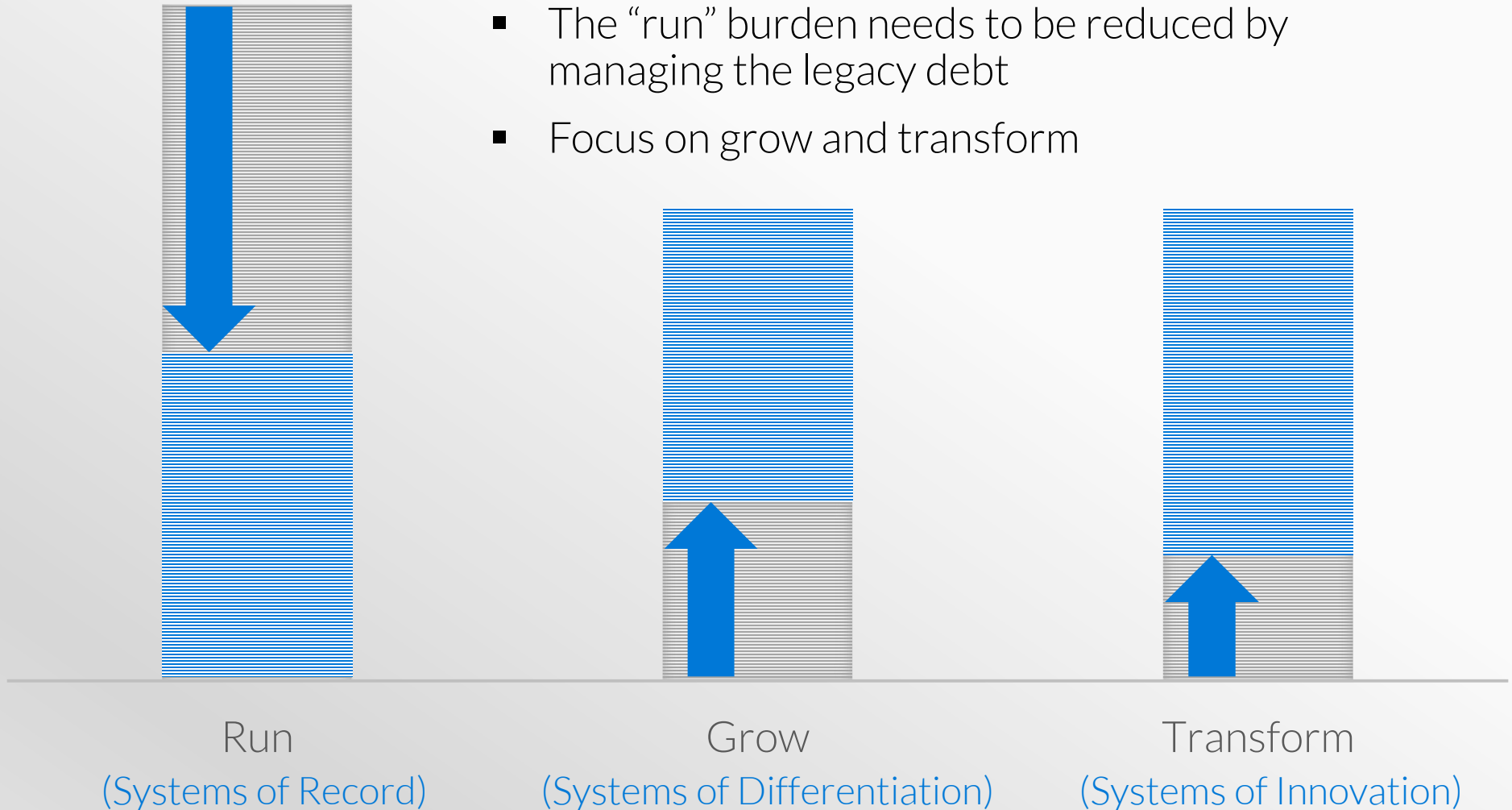
Enabling business success

- ✓ Optimise the core

- ✓ Understand where value emerges from and cost is consumed

- ✓ Minimise costs and maximise value – *two separate things*

- ✓ Strategy to move the bar and focus scarce resources on value adding activities

- ✓ Understand the value chain

- ✓ Senior level buy-in / evangelists – need to lead internal / external messaging

- ✓ Understand the reality that not everything will be possible – the strategy requires trade-offs between high value / low value activities

Making it real for people

- Making it relevant – people having a stake in the delivery of it

- Making it personal

- Regular "strategy moments"

- Buy-in / champions / benefits realisation

- Project alignment / power of veto / cornerstone of business change

- Communication is key

- Common reason for failure

Checklist

Covered (✓ / ✗)

Key Questions / Considerations

WHO?
Who is the strategy primarily for?
Who are the other key stakeholders?
What roles will each of the stakeholders play?
Who is supportive and who is not?

WHY?
What exactly is the strategy designed to achieve?
What are the burning issues to be solved / decisions to be made?
What does the enterprise / functional vision demand of actuarial & risk systems?
How will everyone know if the strategy has been successful?
How will success be measured?

WHAT?
What entities / functions will the strategy cover?
What functional / non-functional areas will be covered?
Any specific areas to be excluded that might have been anticipated?
What is the time horizon for change? Detailed and direction
What is the current value / cost of the actuarial systems operation?
What's the target state capability that supports the vision?

HOW?
What are the relationships with other strategies / processes?
Who is going to create the strategy and how much of their time is required?
What if any external input is required?
How long will the strategy development / outline planning take?

Total

Actions

Monday morning

- Find your existing enterprise and functional visions and associated strategies
- Understand the contribution that risk & actuarial systems should make to these visions

Next 30 days

- Begin to understand / document the as is environment – starting with primary business processes – and understand existing resource constraint
- Develop an initial heat-map to highlight cost / value proposition of key processes / systems
- Determine scale of costs associated with run, grow and transformation activities

Over the next 90 days

- Open dialogues with key business, change and technology stakeholders to develop potential target state options and value / cost propositions
- Establish competency centre to support ongoing programme of prioritised change
- Understand the value of risk & actuarial systems on functional and enterprise value

Summary of discussion points

"We have a strategy document, but it doesn't count as a strategy by your definition"

"Too many strategies from the rest of the company to have time to create one specifically for our team"

"More innovation and better kit is required – some libraries are 2-3 years out-of-date"

Existence of RASS

Vendor Issues

"We have an idea of what we want and how to get there, but it isn't written down"

"There is an interest to see demonstrations of new tools, but where do we find them?"

"Small innovative vendors may be a big risk to insurers, how do we know they won't go out of business in a few years?"

Summary of discussion points

"More a case of staying up-to-date with tech, rather than being disruptive"

Emerging Tech & Trends

"If another part of the business is trying something new, we may have a go (if they share it with us!)"

"Sometimes it might be better to keep actuaries out of validation / stakeholder engagement"

Development Approach

"Stigma around becoming a Systems Developer (*often failed actuaries*) but this should be a standard career path for those interested

"Costs tend to spiral out of control. A lot of money is spent on nice-to-haves at the beginning"

People Issues

"Retirees – nobody wants to become an expert on the older systems"

How we can help

Quintant Partners
Services, Solutions and Support
January 2016

Modelling Platform Selection Toolkit
Making an Informed Decision
March 2014

Considerations for Enterprise Financial Modelling Platform Adoption

Total Cost of Modelling Platform Ownership
Understanding the True Cost of Modelling
January 2014

Actuarial Systems Strategy
Foundations for the Future
May 2014

Financial Reporting Platform Selection Toolkit
Making an Informed Decision
September 2014

The Impact of Disruptive Technology Trends on Financial Modelling

Quintant Partners is a consulting firm working with insurance clients on the use and strategy of modelling tools and technology to support key business processes such as statutory economic capital calculations, external financial reporting and other capital, risk and financial metrics used to support management decisions.

www.quintantpartners.com
@quintant

Quintant
PARTNERS