

July 2018

*Introduction <sup>p2</sup> / The importance of improved analytics <sup>p3</sup> / Creating a bionic finance function <sup>p5</sup> / Next steps <sup>p7</sup>*

# The finance function of the future: Use IFRS 17 to build your competitive advantage



# Introduction



**Stephen O'Hearn**  
Global Insurance Leader

Imagine a future in which finance can monitor business performance in real time and provide results to stakeholders where and when they need them. Imagine it can close the books in two days and fully explain what drove the results. And that it can identify profitable customer segments and guide sales to those customers, or scan the horizon, preparing contingency plans to address the impact of things like market volatility. In essence, imagine the business benefits of having a finance function that provides timely, actionable insight and is a key partner to strategic decision making.

Our view is that this future is possible today, and that modernised insurers with this capability will significantly outperform their peers. IFRS 17 (the International Financial Reporting Standard issued in May 2017), if looked at as more than a mere compliance requirement, provides the business case to start building this finance function of the future now.

## Current external pressures on finance



# The importance of improved analytics

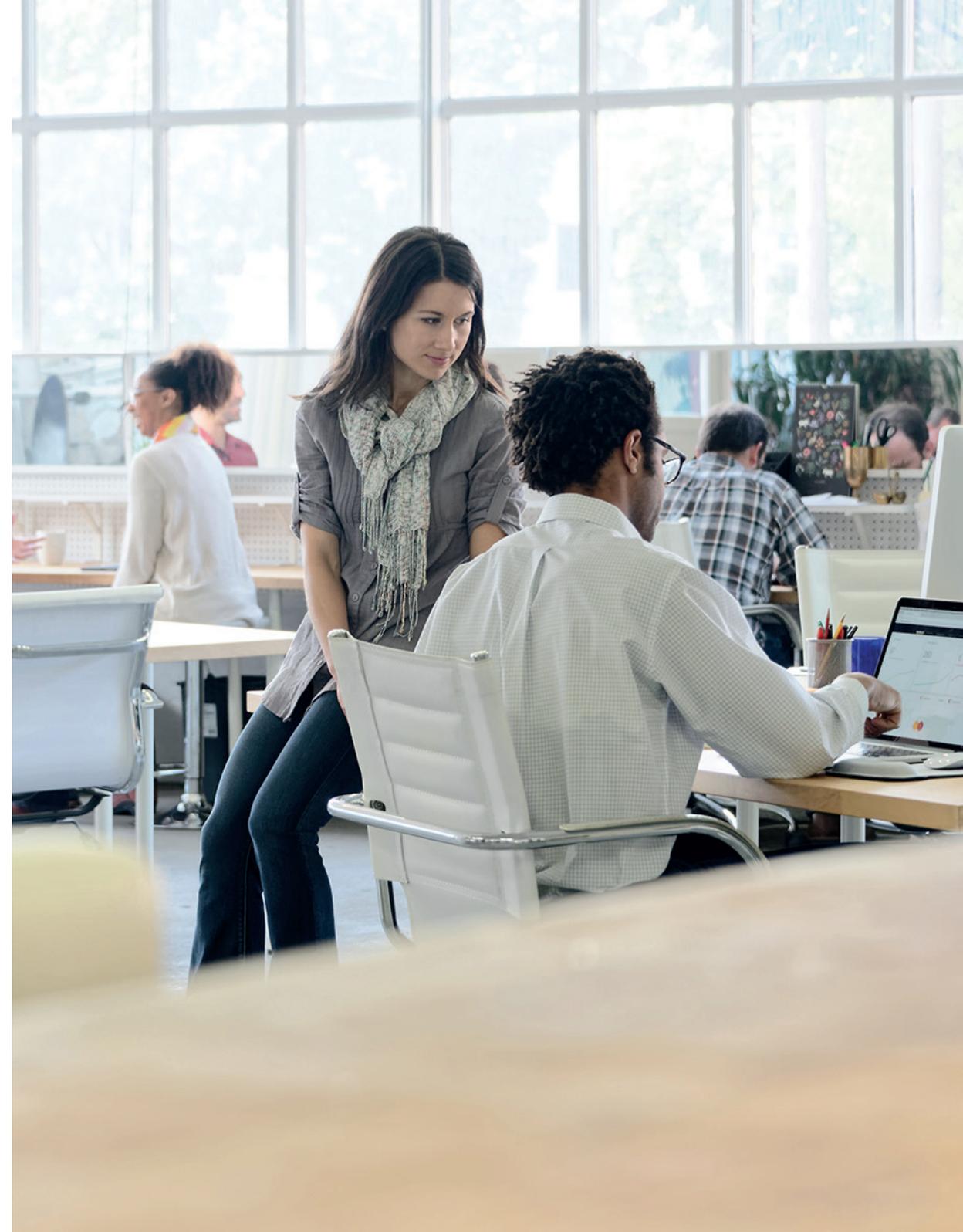
**IFRS 17 is not just a new accounting standard for insurers – the changes it requires will affect almost every stakeholder and functional area, and many systems and processes, which is why it makes sense to use the standard as a springboard for broader change. And when thinking about the functionality the future will demand, highly developed information analytics will become the key determinant of competitive differentiation.**

Insurers need greater business insight from their finance functions, and are increasingly seeking timely, forward-looking analysis to aid in the decision-making process. In addition, many companies are asking how they can leverage both their volumes of historical structured data and emerging unstructured data to support strategic

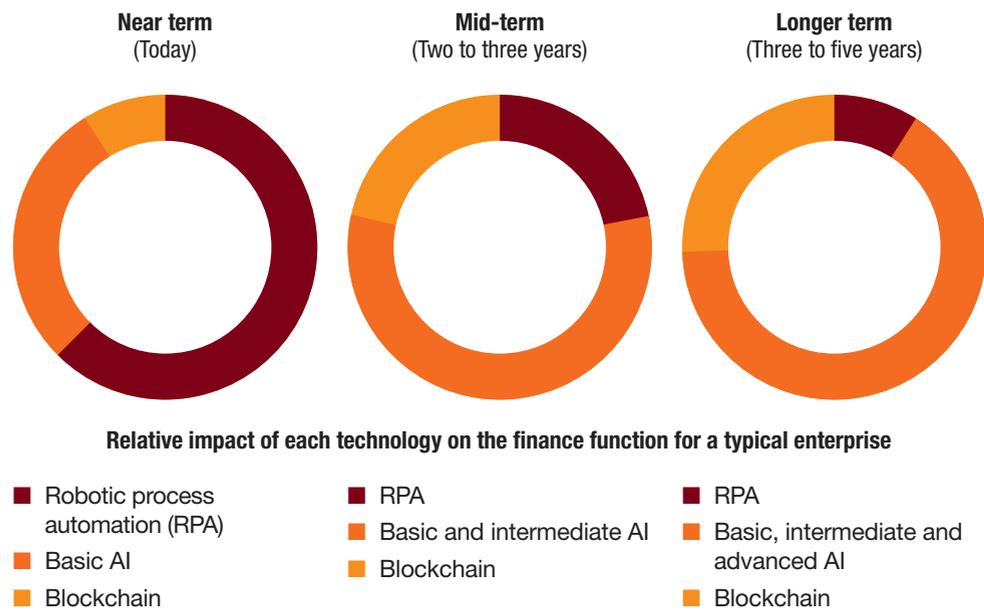
decisions. IFRS 17 is adding to these growing urgencies as stakeholder groups try to understand the implications of the new standard on the profitability of their organisations and the sustainability of profits.

To deliver more analytical power, the speed and sophistication of management dashboards will have to improve. Business users should be able to ‘self-serve’ their analysis and slice and dice data with very little help from finance, actuarial or IT, and results should be presented in a more visual way. It’s also important that users be able to perform ad hoc analysis in addition to periodic management reporting.

These objectives create a unique opportunity for finance to leverage new technologies, such as virtualisation (e.g., remote data conditioning), cloud high-performance



## Which technologies will have the biggest impact on finance



Source: PwC estimates

computing capabilities (e.g., actuarial calculation engines in the cloud), new analytical tools (e.g., those that couple machine learning with reporting capability) and blockchain architecture. Also, cloud-based computing, by reducing insurers' own fixed costs, can create a variable cost structure for insurance.

All of this not only enhances the customer experience but also generates a considerable amount of new unstructured data that can provide insurers with valuable competitive insights. For example, having real-time operational data enables proactive risk management and loss reduction, which ultimately helps reduce overall claims and expenses. Predictive analysis is not new to insurance underwriting or customer acquisition, but using it across all areas of the organisation is, and so is incorporating unstructured data in real time.

With better data, put to better use, finance and actuarial functions will have an opportunity to cut across organisational and data boundaries to look at opportunities and risks in new ways. Specifically, the finance function of the future can help determine:

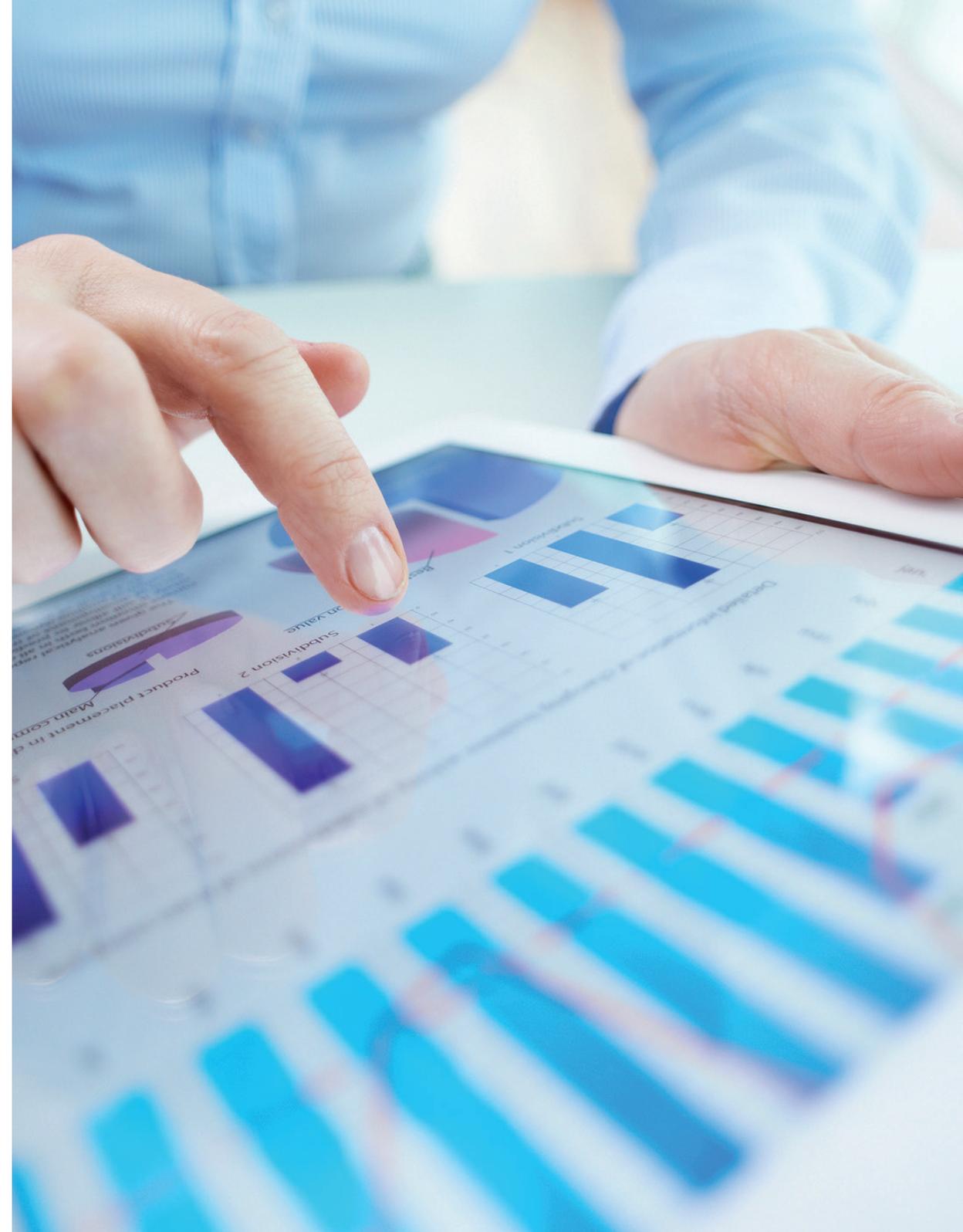
- **Where to grow and invest** by providing real-time data for market inputs, claim assumptions and scenario analysis to more quickly understand potential disruptions and opportunities.
- **How to measure business performance** by understanding key drivers and providing insightful reporting at various levels of the organisation.
- **How to manage risks** by helping to enhance data governance and stress test plans and actuals in order to guide the organisation within defined risk parameters.

# Creating a bionic finance function

If you believe that the finance function must change, the next question is how to make it happen. How exactly can the finance function of the future satisfy various stakeholders, and also gather, analyse and explain metrics – both traditional inputs and new data – and participate in more complex planning and budgeting?

Delivering on this vision of the future will require a strategic modernisation of finance, actuarial and risk into an integrated model with some of the following characteristics:

- **Integrated reporting/management information (MI) capability** for financial, risk and operations.
- **Shared data or sources of data** that limit the need to reconcile across functions.
- **Cloud and cloud-based finance applications** versus on-premise solutions.
- **Highly automated processes and workflows** to speed up close, improve governance and minimise manual handoffs.
- **The right skills** allocated to the right processes rather than organised by qualification.



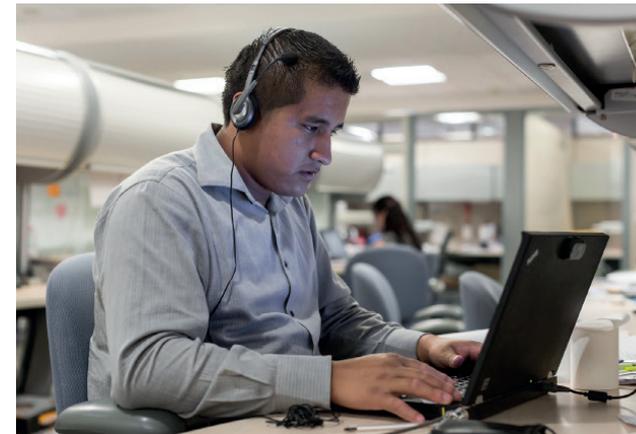
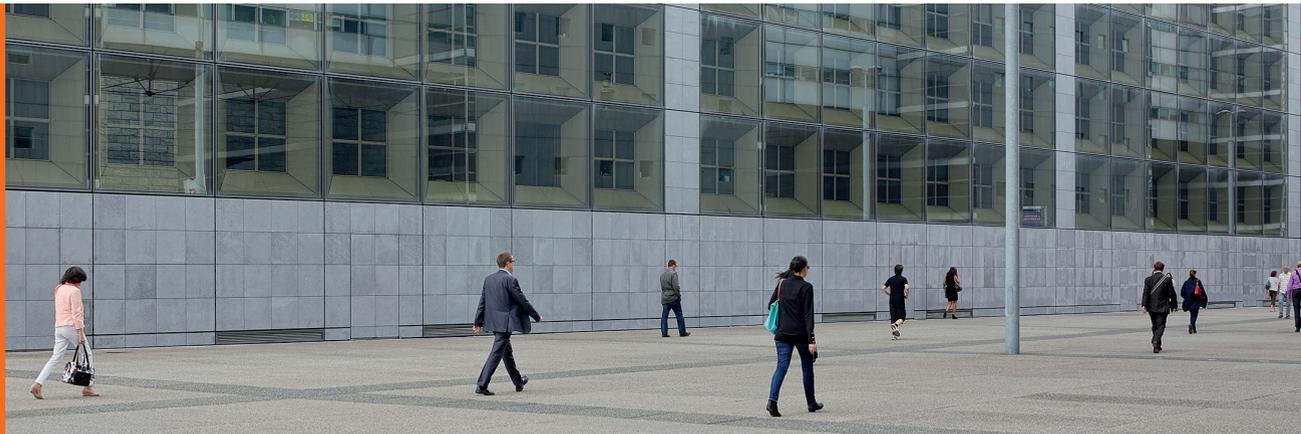
- **Role rotation and career paths** across the integrated function and within the business.
- **'Para' roles**, such as 'para-actuaries' with basic skills to do a high-quality job with low-value data analytics and actuarial work.
- **Change capability** built to maximise the effectiveness of change agents.

Key to making this modernisation work is a new approach to connectivity, not just among siloed groups but between man and machine, to create a bionic function. This is essential because people need machines to quickly understand new data and metrics.

There is real potential for automated front-to-back transaction processing, which would drive costs for these activities close to zero. Machines would be able to complete routine tasks that don't require judgment, emotional intelligence or perception. This would allow finance specialists to remain focused on relationships, interpreting the future requirements for the organisation and figuring out how to encode these requirements as evolving business rules for the machines to use in execution.

This marriage of man and machine will enhance quality of life for employees, too. Technology will continue to increase access to the workplace and to its data, allowing

finance processes to take place at any time and location and by means of several interface platforms. Digital convergence and digitisation have made a powerful range of tools available in the office, on the road, at home or on the train. The mobile device, the tablet, the cloud, virtual meetings, and software and hardware offer a real alternative to finance employees always being at their desks or in their traditional places of work.



## Next steps

**The data, system and process changes required for IFRS 17 create leverage for finance functions to deliver more value and insight for their business partners.**

With less than three years before adoption, and many companies already embarking on implementation, we recommend that CFOs challenge their teams to address four key questions:

- Do we have a clear vision for our finance function of the future, and are our IFRS 17 investments getting us closer to realising that vision?
- Does the scope of our IFRS 17 data and system change capture the full capabilities finance will need in the future?

- Have our technology decisions for IFRS 17 been aligned with the needs for a digital finance function?
- Are we modernising our operating model and processes to leverage people and machines to achieve a more bionic finance function?

Gaining a competitive advantage and maximising the value of your IFRS 17 spend will depend on satisfactory answers to these four questions.



# Contacts



**Stephen O'Hearn**  
Global Insurance Leader  
PwC Germany  
+49 89 38 00 69 688  
stephen.t.ohearn@pwc.com



**Alex Bertolotti**  
Global IFRS 17 Insurance Leader  
PwC UK  
+44 207 213 1253  
alex.bertolotti@pwc.com



**Richard de Haan**  
Principal  
PwC US  
+1 646 471 6491  
richard.dehaan@pwc.com



**Alwin Swales**  
Partner  
PwC UK  
+44 207 212 2032  
alwin.swales@pwc.com



**Ruud Sommerhalder**  
Partner  
PwC Hong Kong  
+852 5506 4004  
ruud.s.sommerhalder@hk.pwc.com

[pwc.com/insurance](https://pwc.com/insurance)

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](https://www.pwc.com).

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2018 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](https://www.pwc.com/structure) for further details.