



Episode 14: Reserving transformation: A look at RenRe's journey

JOSHUA WALD: You can really focus on value-added tasks, so spending less time on turning the handle and getting the process ready. You can immediately go in and perform deep dives, analyze and look at providing insights to management.

[UPBEAT MUSIC]

NARRATOR: You're listening to (Re)thinking Insurance, a podcast series from WTW where we discuss the issues facing P&C, life, and composite insurers around the globe, as well as exploring the latest tools, techniques, and innovations that will help you rethink insurance.

[UPBEAT MUSIC]

PETER ROYEK: Hello, and welcome to the latest edition of (Re)thinking Insurance. My name is Peter Royek, and I will be your host today. Our topic is reserving transformation. Our guests today are Holly Layton from WTW and Joshua Wald of RenRe. Before we get started, could each of you introduce yourselves to our audience with a little background on what you do for your company? Starting with you, Holly.

HOLLY LAYTON: Great. Hey, everyone. I'm Holly Layton, and I lead the reserving transformation proposition in the UK. So most of my role involves talking to lots of clients about what they're currently doing in their reserving and providing advice on where they should be moving to in the future, and also using a lot of our technology internally at WTW to automate the reserving process from start to finish. So yeah, that's how I spend most of my days. Josh.

JOSHUA WALD: Hi, everyone. I'm Josh Wald, and I'm a reserving actuary at RenRe in Bermuda. My main responsibilities would be quarterly reserving and solvency to technical provisions. I've also worked with Holly a few times now on reserve transformations and transforming the reserving process.

PETER ROYEK: Thank you, Josh. And today, we're going to discuss a project where RenRe wanted to engage in a transformation of the reserving process and came to WTW for advice, software, et cetera. And so Josh, I'm going to ask you, why did you decide to transform your process? And what do you think needed to be done?

JOSHUA WALD: Sure. So I think this project came about as we're growing business and our reserving process was initially designed when we were a much smaller outfit. So a lot of the processes and mechanics of how it worked weren't quite relevant now that we were a growing, much bigger business.

And then I suppose why we wanted the transformation, so the original process, there was a lack of self-sufficiency. So a lot of our calculations, method selections, and a lot of the processes involved in getting your results out. So the actuaries didn't own the process end to end, which made it quite difficult to make edits or to build upon the process.

PETER ROYEK: And what led you to contact us on this issue?

JOSHUA WALD: Yes, so we worked with WTW as they provided our external opinion. So I think there was a good relationship there already.

PETER ROYEK: So Holly, when you were first contacted about this, or how did this project fall on your desk then once RenRe contacted WTW?

HOLLY LAYTON: Yeah, so I think we felt like we had good technology, and we felt like RenRe really needed it in order to actually automate their processes. So what we opted for doing was a very short project with them to just showcase what we had available. So we worked for like a period of eight weeks to start with before they opted in for the full solution.

So after that eight weeks, we got them all using the software and made them more familiar with it. And I think off the back of that, they were really impressed and wanted to go ahead into a wider project. So I think that's how we will work with other people going forward, is having like a small sort of demo version of the software on their systems and then basically letting people try before they buy. Yes, that was where the projects came from.

And I think the other challenge for Ren was they didn't really have the time or the resources to actually make some of the changes, so just to get the sort of extra people in to help them. They all had really, really good ideas about what they wanted to do with the reserving process. And that to me is like a wide theme in the market as well. But people know what they want to do but spend their whole year doing their reporting requirements that they don't actually have the time to do it.

So yeah, that was the case here. And off the back of it, we then came in to give them extra support, a few extra pairs of hands to help them achieve what they wanted.

PETER ROYEK: So Josh, what were the key objectives of RenRe to get out of this project?

JOSHUA WALD: Sure. So I think the starting objective was to replicate what we already produced. We wanted to go down this automation route and achieve lots of efficiencies. But as a starting point, the end goal was the same level of reporting and the same method selections that we currently had available to us.

I think then following that key things, so those three, the first being self-sufficiency. So we wanted a process that we would control end-to-end. The actuaries could design, edit, and just own in general. So if there were any issues, we could deal with them ourselves.

The second is a standardized process. So with a growing business and lots of different balance sheets cropping up, there was lots of differences in how things were done in different regions. We

wanted to address that by having a standardized scalable process. So people or actuaries from other regions could go into the process for a different region than their own and would be able to understand what was going on and see things that look similar to them from their own perspective. And then lastly, enhanced diagnostics. So by leveraging off ResQ and Power BI, we're able to analyze different lines of business in more detail and again have that standardized view that you can then show senior management from different regions. But that generally looks the same.

PETER ROYEK: So Holly, you spoke earlier about recognizing a need that RenRe had and talked about getting a team together and in general what would be done for a similar project for any other clients. But were there any key considerations to this project specifically when you first scoped things out?

HOLLY LAYTON: Yeah, I think the nice thing about working with RenRe is they had a really clear vision of what they wanted to achieve. They had specific workstreams and areas where they wanted to apply more automation, and they had very, very clear objectives from the start of the project. One of those was to significantly reduce the reliance on Excel. And having those clear objectives meant it was very easy for us to work together.

For us, when we saw the objectives and what they wanted to achieve, we off the back of it really thought that our focus should be on tooling and technology. And that was really how we approached it. And was one of the key areas of where we added value to Ren's process. So our Unify with ResQ technology allowed them to have that sort of full end-to-end automation.

As Josh said, we very much focused on what they are currently doing. But I think the feedback off the back of the project was, oh, now, we understand that we can do a lot more with that software. So the software is going to be a big enabler for them to do more and more reserving, get more diagnostics out, feedback into the wider business.

And so when we were considering the project, we decided, let's focus on what is currently better with the aim to free you up in the future to then do more and more and more with the software that we've embedded. So those are the main key considerations.

I think the other thing was we really wanted Ren to be completely self-sufficient off the back of the project. We really, really didn't want to have them dependent on us for any additional changes. So we were focused on handover and knowledge transfer of how to actually use our software rather than just developing a solution ourselves that we're delivering over. So it was that collaboration in that handover that was key.

PETER ROYEK: Josh, you had mentioned earlier what your objectives were in entering into this project with WTW. You already talked about what the key benefits might be. But are there any other benefits you have realized maybe in other areas of what you do because you have a transformed reserving process?

JOSHUA WALD: Yes. So I think one thing that comes to mind is with the automation and the scalability and our increased or better visualizations that we now have our fingertips, we can have those dynamic conversations with management. And we have now the ability to perform ad hoc tasks, to answer ad hoc questions quite quickly. Whereas before, that could be a lengthy process of running everything through, maybe taking a day here, a day there.

Now having the robustness of the platform and the ability to do something like, what does the BF look like for all class of business versus our selected result now? Answering questions like that in minutes as opposed to hours and days is really helpful and it creates insightful conversations much earlier and quicker in the quarter.

PETER ROYEK: So Holly, I'd be remiss if I didn't ask you a similar question. But what were the key benefits to the solution from the WTW perspective?

HOLLY LAYTON: The key thing for me was just removing the amount of Excel from the process. I think we've historically used a lot of Excel because we're all very familiar with it and it was the tool that we first ever did reserving in probably. But actually, there are just better ways of working, funner ways of working. And I think what we've developed with Ren is just providing a better working environment for them as well.

I think the other key thing would be the increased flexibility they have around using their data. And this actually wasn't necessarily, the WTW software solution aspect. But as part of the project, Ren embedded a new data warehouse. And that data warehouse, again, gives the control back to actuarial to really use the granular data that they are receiving. I think that's a key thing and what lots of people are trying to do in the market. And I think Ren has done that really successfully.

Previously when you're linking back to core data systems, IT and Navigator give you the ability to actually go in and query and change that core data system. But now with the data warehouse layered on top, Ren are able to go in and make queries and look at their data whenever they want. So to me, that was a huge benefit of what the new reserving process includes.

PETER ROYEK: I'm going to ask both of you now, from your perspective, what advice would you give to someone embarking on a project like this? And let's start with you, Josh.

JOSHUA WALD: For me the first and probably seems obvious, but really understanding the data requirements before jumping into the project. So given often each company has its own unique bespoke data and nuances of any legacy systems generally quite specific to that individual company, really understanding that and how that's going to work throughout each stage of the process I think is just time that's invaluable spent.

And almost starting at the end, thinking of what you want, and then working backwards with the data that you have and how you design each part I think in hindsight would have been great for us.

Because we spent quite a lot of time building things and then realizing, oh, actually, there's this field that we don't have or this is in a different structure. So you have to go back and change. So I think that for me is a big one.

PETER ROYEK: Holly again, from the WTW perspective, what advice would you give for someone embarking on a transformation project?

HOLLY LAYTON: Anyone embarking on a project needs to think about three things, which is, processes, people, and technology. And so processes in terms of having those clear objectives. Like I said, Ren had, I think, that key to setting out from the start so you know what you're trying to achieve. Also making sure that you can prioritize which areas you want to actually transform and in what order. Yeah, and what you actually want to look at. So what processes are you going to be automating and

what's the timeline for doing those and what's the value add? How are you going to get the benefits and the transformation and when?

Then under the people category, I would say try and understand what the skills are in the team that you need, in the project team, and what gaps there are in your team, and also to make sure that you involve all stakeholders across the business.

So what Josh was talking about on the data side, another thing that maybe didn't go as well as it could have in the Ren project was we did spend a long time on data and then actually, we had to sort of last minute get a group of data experts in to come and help us with the implementation of this new data warehouse.

Now if we sort of could have caught that upfront, it might have saved us a bit more time because there was a huge dependency on what we could build without that data system in place. So actually knowing we need a whole load of data experts here to help us on this project and knowing that upfront means we could have got them sooner in the timeline.

JOSHUA WALD: That's something to add on the people side. So I completely agree with having all stakeholders involved. But especially within the actuarial team, I think having a champion in an area that was going to be running the process is really beneficial as well. So you have that build up, that knowledge from day one and have that actuarial champion that once the sort of consultants handed over, you've got someone in there with the required knowledge that can then teach and upskill other members of the team and region makes that transition a lot smoother.

HOLLY LAYTON: On technology, just the last three, is there are so, so many solutions out there. So really trying to think about what is the best technology for a very specific purpose. Because there is not a single platform that's going to meet all of your needs. So thinking about what technology you need and make sure that it's got the right governance and controls and robust features in it to make sure that it's scalable for your business.

PETER ROYEK: Kind of leads me into our last question here. And Josh, you also mentioned when asked about what having the transformation allows you to do more. But really for both of you, each of you from your own perspective, because of the technology comparing where you were to where you are now, where do you think reserving is going in the future? And Josh, from a company reserving standpoint.

JOSHUA WALD: With the flexibility and the efficiency of a process like this, you can really focus on value-added tasks. So spending less time on turning the handle and getting the process ready. You can immediately go in and perform deep dives, analyze, and look at providing insights to management.

And one area that I think the automation can help with is targeting areas of review. So as your reserve base increases and you have more and more reserving nodes, I think it becomes harder and harder to have a blanket approach and just review everything every quarter or if you're doing an assumption review, review everything annually.

So I think with technology like this, we can leverage off of it providing insights and information to the actuaries to actually target where and what areas they're going to review. So for example, having indicators in the process that would identify a reserving node to review if the actual versus expected

was over a certain threshold. Things like that. And just give the actuary guidance into, OK, I'm going to focus my review here and then work down the list in terms of materiality and priority.

And then sort of following on from that using the technology to help identify not only cohorts where you might need to change a method or re-review, but actually giving you indications of, do I need to re-review my assumptions? So a lot of quarterly processes will run with assumptions already there, and they might be reviewed on a less frequent basis.

And having something that identifies, OK, the reporting pattern for this particular class might need review because of recent reporting trends identified in the data. Things like that. Just helping the actuary on where to actually focus their review I think is going to be really beneficial.

PETER ROYEK: Holly, as a provider of solutions as WTW is and given what we discussed today about how this transformation has really done wonders for the process, where do you see WTW's role in the future?

HOLLY LAYTON: Yeah, that's a good question. I think for me, I want WTW to make sure that we're very agile in the solutions that we can provide clients. As I said, technology is changing. And what we know about it and how it affects and impacts people is changing. And because of that, we need to make sure that the technology we're selling is up to scratch and is also adapting in line with what the market needs.

So really making sure that on the technology side, our products are meeting the requirements that people actually need. And similarly, on the consulting side, to be very innovative in the way that we think that transformation should happen.

And really, what we've spoken about today is very focused on reserving transformation. But what we've done and how we've worked together with Ren is just a model of how actuarial teams could be working. So it's not really just reserving that needs to go on this transformation journey and actually in some way, both reserving, pricing, capital, claims, all the other functions that are very much based on using data to provide some sort of business insights could actually all be combined in some way and transformed together.

So I think really where I see us going is rather than consulting on a siloed individual, actuarial-specific task and function, we should be consulting on the wider piece because I think the same sort of things we've discussed today would apply wider.

PETER ROYEK: Appreciate your use of the word journey when discussing this because with the solutions we've provided and where we've all talked about going into the future, it really is a journey, toward the future and toward more automation and better solutions for our clients. But this is the end of our journey for today. We are out of time.

Thank you to both Josh and Holly. Josh, we were very fortunate to have you here. Do you have any last words to say to our audience?

JOSHUA WALD: Yeah, no, just a pleasure being here. And then, thank you very much for having me.

PETER ROYEK: And Holly, as always, thank you for joining us. Any parting words for our audience?

HOLLY LAYTON: It's been great to be here and talk about my favorite subject.

PETER ROYEK: Thank you both, again. And join us next time for our next edition of (Re)thinking Insurance. Have a great day.

[UPBEAT MUSIC]

NARRATOR: Thank you for joining us for this WTW podcast featuring the latest perspectives on the intersection of people, capital, and risk. For more information, visit the insights section of wtwco.com.

[UPBEAT MUSIC]