

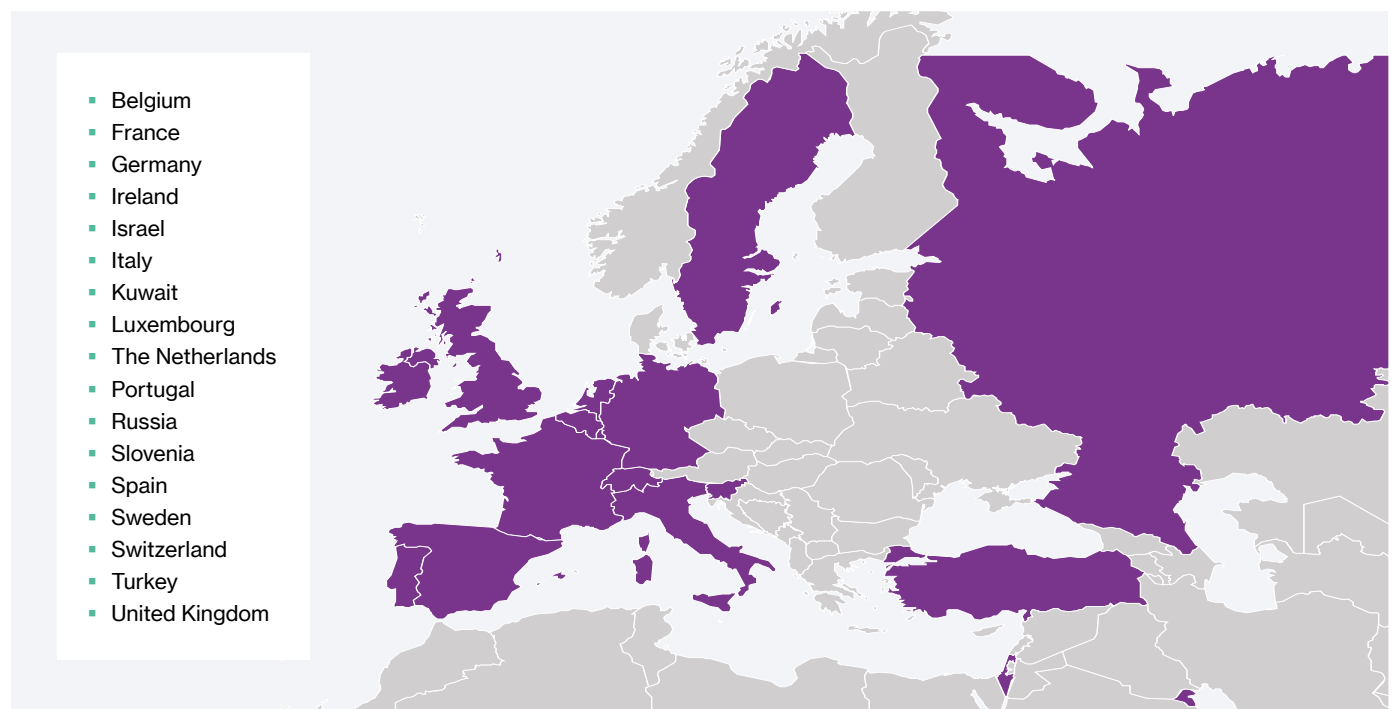
2021 EMEA Life Financial Modelling Survey Results

Insights from the 2021/22 EMEA life financial modelling survey

Towards the end of the 2021 summer, 61 insurers from 17 countries throughout Europe and the Middle East participated in WTW's annual Life Financial Modelling Survey. The results confirmed what many throughout the industry are experiencing and allows participants to rank themselves and their results with those of their peers.

Before going into the results, we would first like to emphasise every company is different, and if you haven't already done so we suggest going through your specific situation compared to these results with your WTW consultant and assess the implications for you.

Figure 1: **17 countries participating in the survey**



The message from the survey was clear.

- We are pleased to note that most insurers are satisfied with where they are, comparing the state of today's modelling and reporting to today's needs.
- However, they saw high pressures for cost control and from both management and regulators to deliver more information in a shorter time. The three key challenges to achieving that were:
 - The **efficiency of their processes**, where automation can help.
 - The **shortage of skilled resources**, particularly where companies were using old, obscure, or bespoke toolsets. Refreshing the tools can unblock this, but also deliver so much more.
 - The need for **governance and auditability**, which are baked into modern tools, and automation.

Most respondents recognised that **technology is the solution** to this – via business process automation, cloud computing and SaaS; but many were cautious of the changes needed to access that.

For the insurers taking part in the survey, we provided a lot of detail, including benchmarking their own performance against relevant peer groups. However a number of main points were clear and common to the wider industry, as shown in *Figure 2*.

The radar graphs show the average, first quartile and third quartile results to give a feel for the spread of the results. These aligned with the following, which rank the areas of most concern to insurers throughout EMEA; with the top three already mentioned above (efficiency, resourcing and governance/auditability).

Figure 3: **Top three concerns with current life financial modelling**

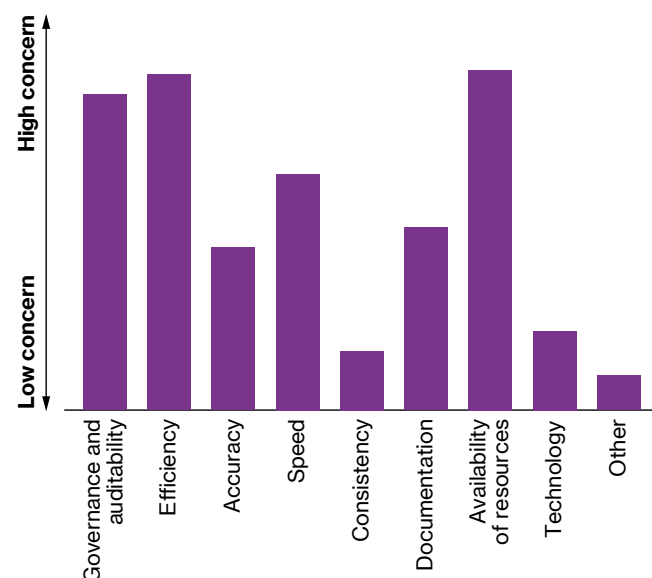
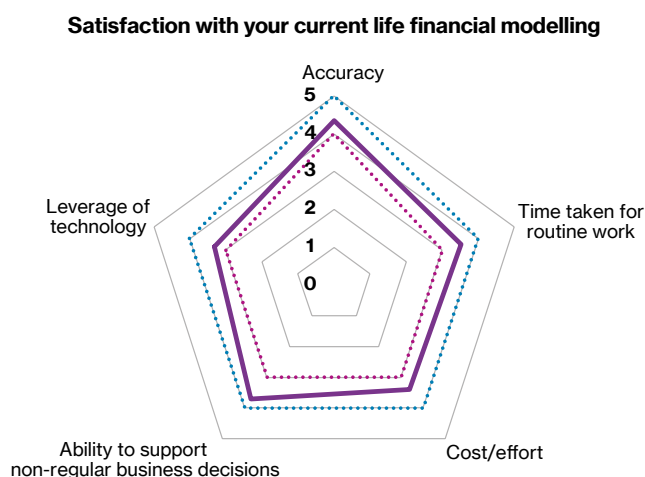
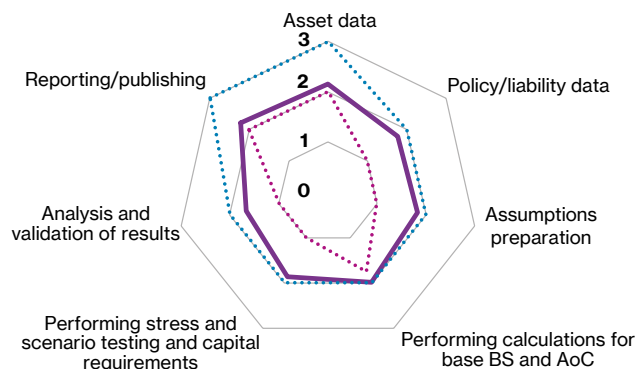


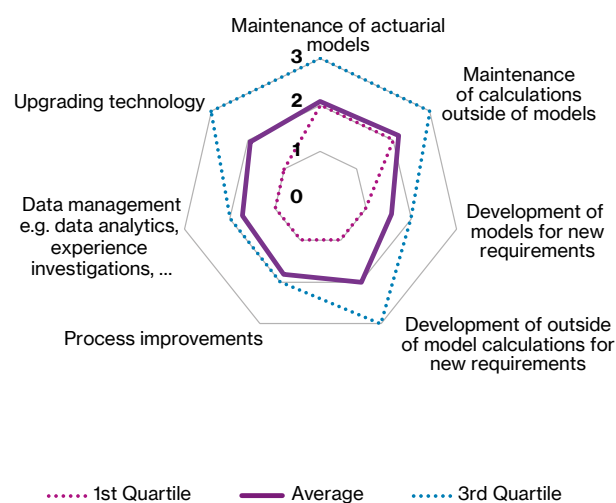
Figure 2: **Current Life Financial Modelling**



Cost/effort in the end-to-end financial reporting process



Cost/effort to maintain your life financial modelling



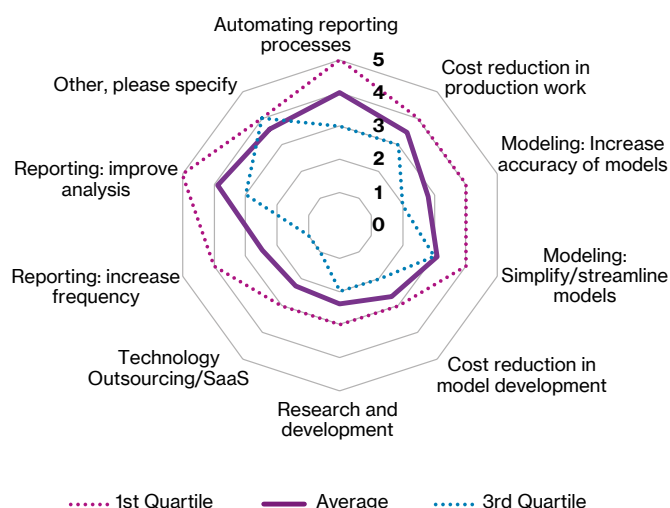
While the analysis is useful to benchmark insurers against their peers, it also gives significant insight into where the market is moving in the short term. The important part for insurers, though, is how they can benefit from these findings to adapt their focus and to remain competitive.

Figure 4 shows what Insurers throughout the region were planning.

The areas that insurers are wanting to focus for financial reporting are areas where other departments within their company, and other insurers, have already taken that journey. This makes the changes significantly more accessible, both in terms of internal tools and approvals, but also in terms of there being mature solutions in the market to assist them.

The case study below shows how one company has taken advantage of the opportunities identified.

Figure 4: **Key priorities for future improvement**



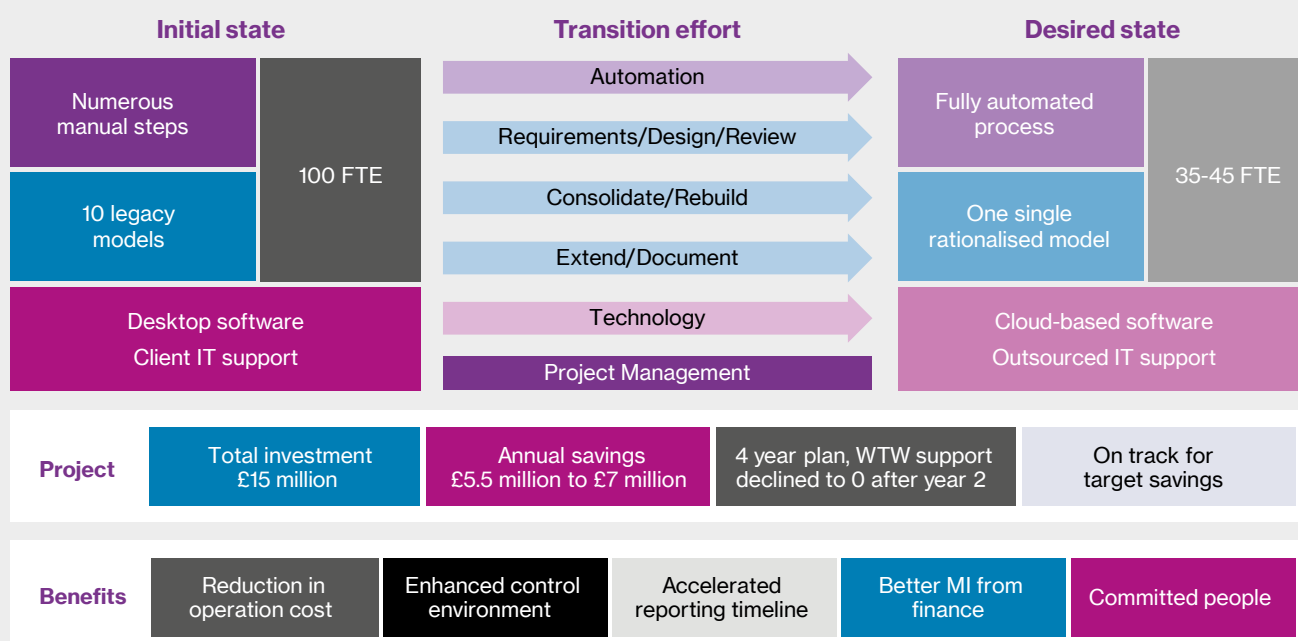
Case study – Actuarial transformation for a FTSE 100 company

What was the challenge?

- The company was working with one of the Big 4 accounting firms to help it develop a vision and solution design to transform its Actuarial and Finance function with a bold ambition. The company believed that lots of time and costs were incurred on mapping existing process with limited practical insights.
- The company was sceptical of solution design work including the generation of a detailed implementation plan, so they invited WTW to help review and challenge their plan and provide an independent perspective.

Objectives?

- Full automation
- A single model for all lines of business
- Cloud-based with savings on IT costs and increased speed and flexibility



Case study – Actuarial transformation for a FTSE 100 company ...continued

What happened?

- We leveraged our actuarial process transformation capability, including our outsourcing experience, to review and challenge the proposed plan.
- We reviewed the overall organisational design and governance processes within the actuarial function to identify improvements, including increasing the transparency of decision making and accountability.
- We packaged up the proposed plan into core workstreams and made the distinction between pure speed improvements from improvements that had the potential to change the reported results. We also sequenced these activities in a logical way, so that speed benefits were realised quickly, and checkpoints introduced to determine best next steps once this was achieved.
- The company could see the value we brought through the solution design work in working closely with its people and bringing them on the 'transformation journey'. We were subsequently asked to lead on the actuarial transformation part of the overall finance transformation programme. The Big 4 firm was appointed the lead partner for the overall programme.
- Using our automation technology, Unify, we were able to deliver tangible benefits quickly, so gave the company confidence that their money was being well spent. The company ultimately parted ways with the Big 4 firm, since what it was proposing was not realistic/ executable and too costly for the company, whilst they still kept us on as the Actuarial transformation partner as they could see value in the benefits we were delivering.

What was the outcome?

- **Faster:** we supported the company in significantly improving its WDT so that it could meet the demands of Solvency II reporting and create resilience for IFRS 17.
- **Controls:** our work helped the company meet one of the key objectives of the transformation programme, in improving the control environment and delivering 'one version of the truth'.
- **Costs:** the process improvement, automation and orchestration work also helped the company to re-deploy its resources from Actuarial reporting to other priorities as necessary.

Transition planning

Adopting change in the way many insurers are can be a daunting and disruptive project. From supporting many clients through such changes, we recommend:

- Identify and keep the best of what you have.
- Target the ultimate goal, but work in small milestone projects and deliver regularly on those.
- Improve the information you use to take decisions, ensuring Management Information packs are focussed and tailored to their audiences.



For further information, please contact your local WTW consultant or the authors of the survey:

Mark Brown

mark.brown@wtwco.com

Ozay Yarkin

ozay.yarkin@wtwco.com

Neil Lawrence

neil.lawrence@wtwco.com

Reliances

We have relied upon the content of the survey responses submitted by participants in producing this summary of survey results. Except where we explicitly asked follow-up questions of respondents (where it seemed a response was highly likely to be erroneous), we have not verified that there were no errors in the submissions.

Limitations

This report is neither intended to be a factual summary of survey responses and does not convey any opinion of Willis Towers Watson on any subject, nor should the report be interpreted to be advice to any participating company. Willis Towers Watson makes no representation or warranty that the content of this report is appropriate for any purpose. No reliance should be placed on its content. This report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. If reliance is placed contrary to the guidelines set out above, Willis Towers Watson disclaim any and all liability which may arise.

This report has been prepared for use by persons technically competent in the areas covered. Members of Willis Towers Watson staff are available to explain and/or amplify any matters presented herein and it is assumed that the user of the report will seek such explanation and/or amplification to any matter in question.

Except with the prior written consent of Willis Towers Watson, this report and any written or oral information or advice provided by Willis Towers Watson must not be reproduced, distributed or communicated in whole or in parts to any other person, or be relied upon by any other person. In the event that Willis Towers Watson agrees that the report may be distributed to a third party, the report may not be distributed unless and until that third party has executed a disclaimer and release letter. Any reference to Willis Towers Watson in any report, accounts or other published documents is not authorised without our written prior consent.

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success – and provide perspective that moves you. Learn more at wtwco.com.



wtwco.com/social-media

Copyright © 2022 WTW. All rights reserved.
WTW-HP-2022-0591

wtwco.com

