



THE CFO IN INSURANCE

See how the new CFO is adapting to a changing financial landscape, utilizing transformative new technology to disrupt, innovate and generate value for the insurance industry.

#CFOReimagined

“Our new research on the dynamic role of the finance function reveals how the CFO is positioned at the center of the organization, side-by-side with the CEO, turning finance into an engine that can power the entire enterprise.”

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Now is a pivotal moment for CFOs. Our new research on the dynamic role of the finance function reveals how the CFO is positioned at the center of the organization, side-by-side with the CEO, turning finance into an engine that can power the entire enterprise.

CFOs have long been responsible for producing the numbers and managing technology costs. Today, they are continuing to push the boundaries of automation and are increasingly harnessing data to enhance analysis and generate insights. They are also looking beyond the borders of the finance function, proposing and shaping business models throughout the enterprise. Ideally, they are leading the charge in deciding how to invest in digital, guiding their organization into the next evolution.

Based on a large survey of CFOs and up-and-coming finance professionals, as well as interviews with leaders from top global companies across multiple industries, the findings uncover the CFOs' ambitions, priorities and obstacles.¹

The CFO has an expanded remit to:

- Create more revenue streams.
- Manage down total costs.
- Share insights across business functions.
- Advise the CEO.
- Improve risk and compliance.
- Increase enterprise value.
- Steward the digitalization of the entire enterprise.

But CFOs (and the entire C-suite) should seize this moment.

Many CFOs face significant challenges as they take on a broader role. Our research reveals how they can leverage technologies, skills and relationships to transform their companies and prosper.

1. Accenture carried out a quantitative survey of more than 700 CFOs and senior finance executives, including 97 from the insurance sector, as well as a separate survey of 200 up-and-coming finance professionals. We also conducted almost 50 qualitative interviews with CFOs, CEOs and CDOs. The survey is titled "The CFO Reimagined: from driving value to building the digital enterprise."

Driving change in insurance

Insurance is one of the oldest, established and most data rich industries across the business world. Yet it is also one that has not evolved as quickly as others over the past two decades.

But that is all changing rapidly, as even the most established firms are challenging and reimagining their business models—often in response to the new threats posed by insurtech and other “digital native” competitors—and are using disruptive technologies to drive new value through data.

It’s an unpredictable, exciting time to be in the industry—especially for the CFO. Accenture’s “The CFO Reimagined: from driving value to building the digital enterprise” survey reveals that CFOs are operating in an increasingly fast-paced environment and their actions have a broad and far-reaching impact.²

And across regions and lines of business we see finance leaders harnessing the power of data, driving digitalization not only of their own functions but across the enterprise, and developing tomorrow’s finance talent. CFOs are helping shape the future of insurance.

2. The CFO Reimagined: from driving value to building the digital enterprise, Accenture 2018

Above all, the CFO provides the guidance that insurance companies need to pursue their digital ambitions. ***“In the past, some insurers hesitated before embracing digitalization,”*** explains Jim Bramblet, Managing Director and Accenture’s P&C and Digital Lead for insurance in North America. ***“In turn, this restricted the value they could drive from data. But if the CFO defines the economic model supporting investment, and can demonstrate his or her own commitment to change, digitalization seems a great deal more achievable.”***

But how can insurance CFOs provide the leadership and guidance to help their organizations navigate the challenges and opportunities of this traditionally change-resistant, stable industry?

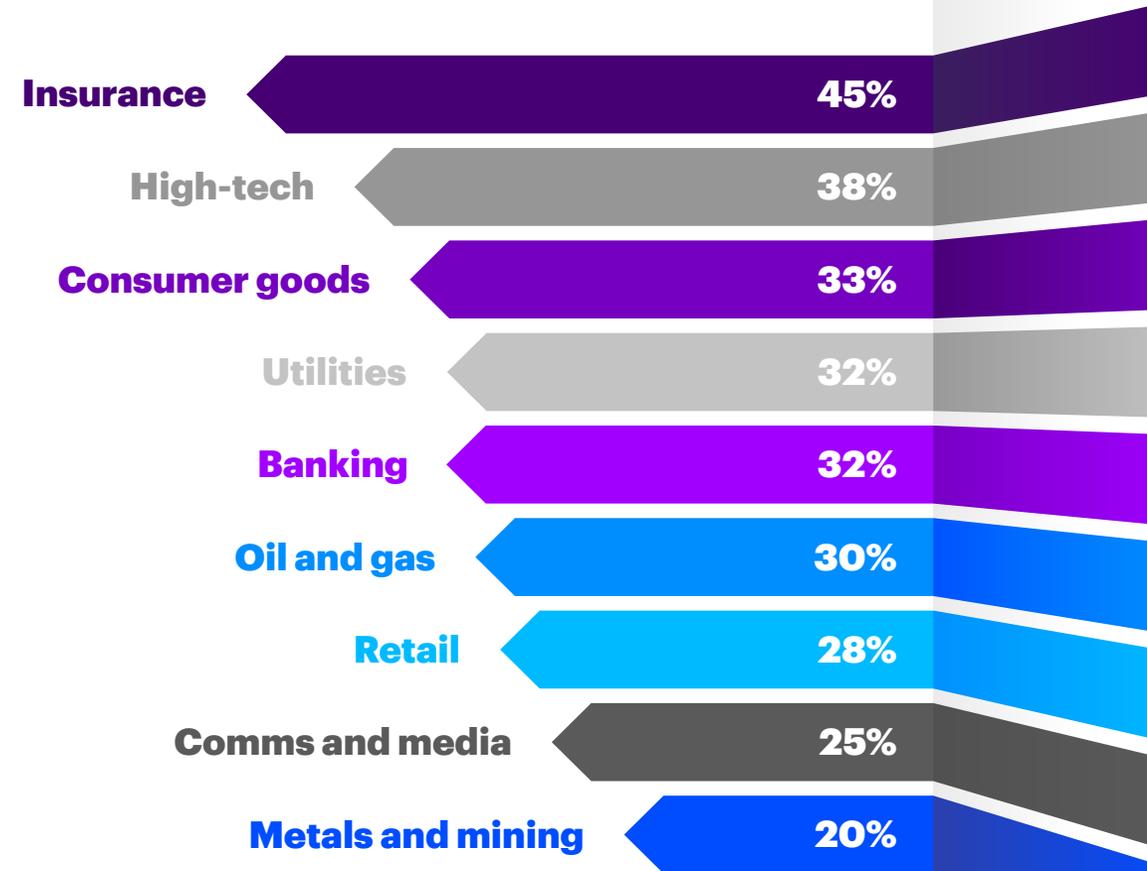
Our CFO Reimagined survey provides some answers. First, while there is still some hesitation, insurance CFOs are spending more and more time coming to grips with new technology. They are also striving to take ownership of data across the enterprise. And we see them grappling with complex issues such as recruiting and retaining new talent.

“In the past, some insurers hesitated before embracing digitalization.”

Enthusiasm for disruptive technology

Insurance CFOs are more likely than their peers in other industries to say that insight into new technologies is a key requirement for their role (see Figure 1). And they are highly likely to set time aside to explore the impact of disruptive technologies on the business. They see this as a growing requirement for their role, and want to get involved in technology initiatives as early as possible.

FIGURE 1
Proportion of respondents who say that insight into and understanding of new technologies is essential for CFOs today, by industry.



Source: The CFO Reimagined: from driving value to building the digital enterprise, Accenture 2018.

“It’s interesting that insurance CFOs are focusing more on technology-enabled innovation than those in other sectors—especially banking,” says Steve Culp, Senior Managing Director, Accenture CFO & Enterprise Value, and Finance & Risk. ***“One explanation could be that the banking sector has been subject to a greater number of regulatory changes in recent years. Insurers may also have unlocked some much-needed innovation after witnessing disruption in their industry.”***

The insurance CFOs who were interviewed demonstrate enthusiasm for new technology, and are keen to embed it both in the finance function and across the enterprise as a whole. However, they also recognize that they will have to overcome organizational challenges.

Cost is one obstacle. ***“AI, blockchain, machine learning—we’re looking at it all,”*** says a divisional CFO at one of the world’s largest insurance companies. ***“The barrier with these technologies is the cost. As helpful as they are, right now they are either cost prohibitive or I don’t see the return on investment being what it needs to be to invest.”***

Another challenge is information security. Respondents in insurance are more likely than those in other sectors to say that information security is a principal barrier stopping them from adopting the automation tools that would free up their time.

Security concerns are also likely to be holding insurers back from implementing cloud solutions, which are key to digital transformation. Many advanced analytics programs already require super-computing power, and our experience indicates this is most efficiently applied via cloud services. As the volume and significance of data grow, the role of the cloud should become the norm, rather than the exception in the infrastructure.

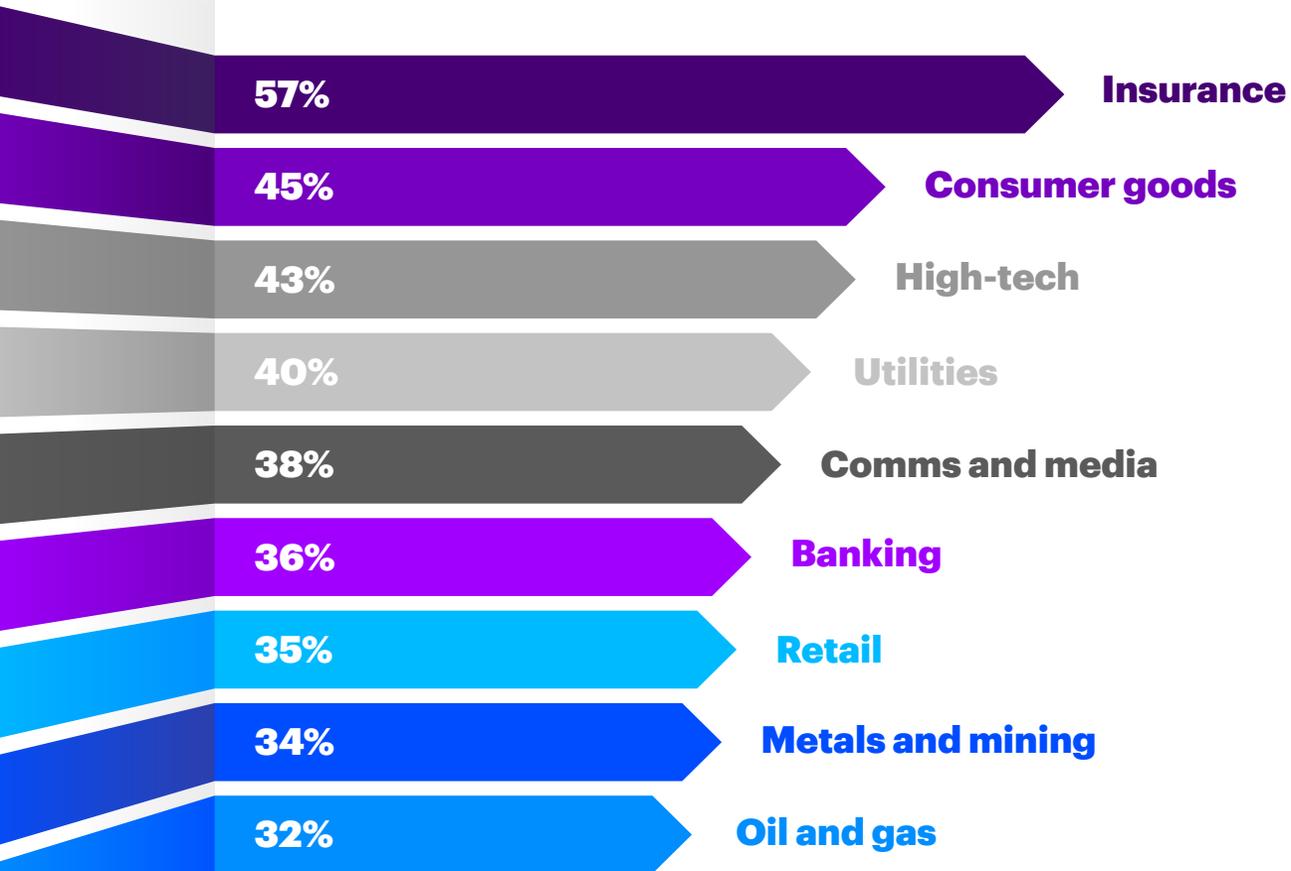
Finance is taking control of data and analytics

To assess, calculate, and transfer risk, insurers have always relied on access to robust data.

Today, as technology allows organizations to conduct more sophisticated and forward-looking analysis, opportunities are opening up to create new value and strengthen processes within the existing business.

FIGURE 2

Proportion of respondents who say that finance should take a leading role in identifying and managing control of the enterprise's most critical data.



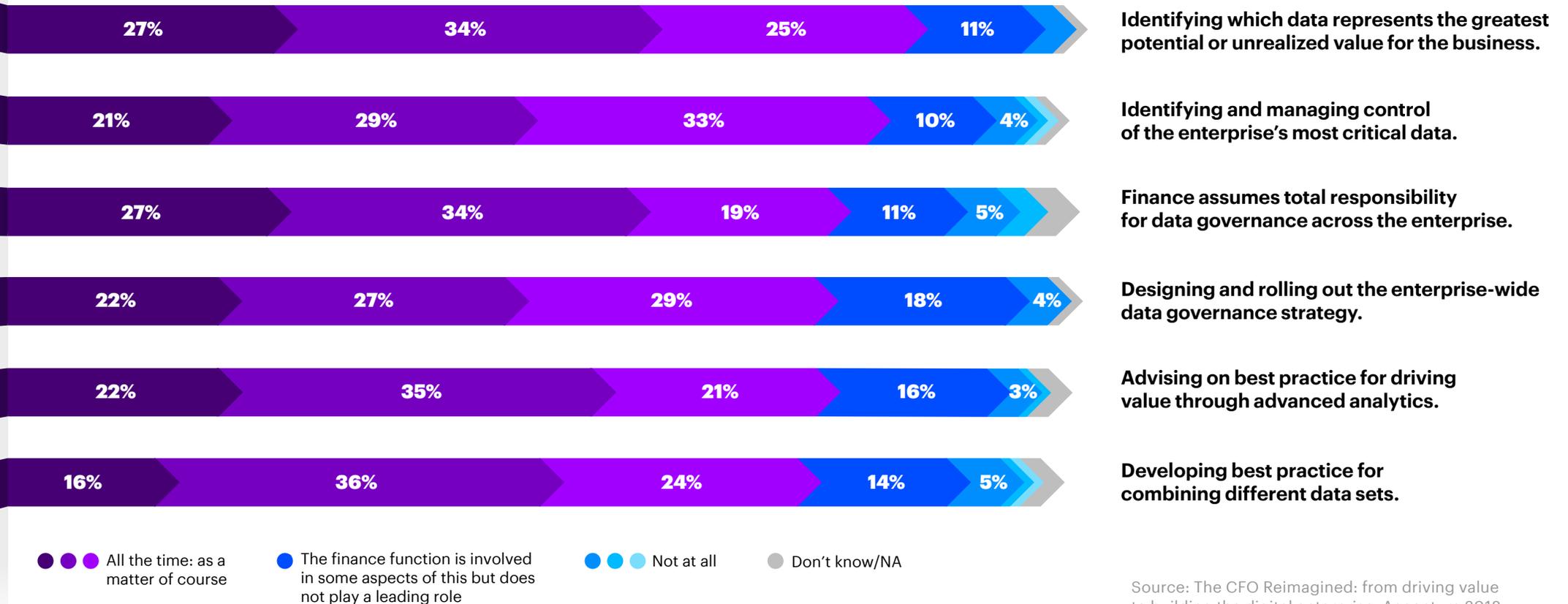
Source: The CFO Reimagined: from driving value to building the digital enterprise, Accenture 2018.

The CFO Reimagined survey suggests that insurance CFOs are taking steps to exert greater control over data across the enterprise. They are significantly more likely than those in other sectors to say that finance should take a leading role in identifying and managing control of the most critical data (see Figure 2).

As seen in Figure 3, insurance CFOs also see finance as fully engaged in data governance across the enterprise.

And compared with those in other sectors, they are more likely to think of the finance function as the rightful owner of the organization's "crown jewels": its data. More than eight in ten insurance respondents (82 percent) are already starting to take ownership in this way, compared with 75 percent in banking.

FIGURE 3
Extent to which the finance function is currently playing a leading role, when it comes to data governance across the enterprise.



Source: The CFO Reimagined: from driving value to building the digital enterprise, Accenture 2018.

The trend toward finance taking greater ownership of data is likely the result of the heritage nature of data's importance in the industry combined with the complexity of accounting in insurance. With the finance function overseeing the responsibility for data it can make sure it is high quality and detailed enough to improve reporting and forecasting for the business decisioning needs as well as of the right quality for industry-specific accounting challenges such as deferred acquisition costs.

As insurers increasingly look to non-traditional data sources to develop innovative business models and compete against insurtech rivals, however, new challenges will arise. For example, they should combine their heritage internal data with new external data sources, including that generated by application programming

interfaces, wearable technologies, the internet of things, and telematics-related "black boxes" as examples. Doing so raises new questions of governance—especially as much of this data may be unstructured, in unfamiliar formats, or of uncertain veracity.

Finance can play an essential role here by making sure that any data-combinations are carried out effectively and with a focus on business outcomes. The CFO Reimagined survey finds that insurance respondents are increasingly recognizing this. More than one in three (35 percent) believe that the finance function should be responsible for developing "best practices" for combining different data sets. We expect this proportion to increase as insurers start to work with larger and larger volumes of external data.

35%

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Using technology to unlock new insight and collaborate with other functions

Insurance CFOs see themselves as natural leaders when it comes to driving new value from analytics. Intelligent automation tools are critical here.

Among the industries in our CFO Reimagined survey, insurance scores among the top three for adopting artificial intelligence (AI) in the finance function. It is also, on average, more likely to be using machine learning on data sets, which facilitates real-time analysis.

“Like many insurance companies, we sit on mountains of data,” says a corporate finance director at a large mutual insurance firm based in the U.S. **“We’ve never before used that data to our advantage, and one of the many reasons for that is the tools weren’t available.**

That has now changed, and we can more effectively analyze data to get a much better understanding of what’s going on out there.”

If finance can adopt AI and other technologies, which make processing data easier while taking care of routine tasks, it can provide greater guidance and become a more proactive partner to the organization as a whole.

Bob McGee, CFO and Head of Operations at ATB Financial® (Alberta Treasury Branches), explains how collaboration is becoming more

prevalent in his business. **“What finance is doing more of is sitting side by side with the folks running the business as they face their different challenges, truly understanding the tactical and strategic things they are working on and advising them on what will help them better achieve their short-term and long-term objectives,”** he says.

The talent struggle

This kind of sophisticated data analysis calls for specialist skills, and it is here (as seen in Figure 4) that our research has flagged a key challenge for the industry: hiring and upskilling talent to execute the advanced analytics enabled by additional data and advanced tools.

Insurance CFOs tell us that they are struggling to recruit and retain the talent they need. They are generally more likely than those in other sectors to describe talent shortages as an issue that could prevent them from achieving their strategic ambitions.

“The life insurance industry is a tough industry to recruit for,” explains the divisional CFO at a global insurer. **“Most people with the skills we need would be more interested in working for Google or Amazon.”** Retention

is another problem. **“It’s also difficult to hold on to the talent we build,”** he adds. **“If you develop someone and they turn into a superstar, they want to throw their hat in the ring for a job with Apple.”**

As the finance function implements AI and machine learning, it may be able to derive crucial insights without relying so much on specialist skills, but it still needs talent that is comfortable working with these technologies.

In the short term, we see insurance CFOs dealing with capability gaps by focusing on breaking down silos and encouraging cross-departmental collaboration. They are also more likely than their peers in other industries to be using external sources of talent, including consultants.

FIGURE 4

How the finance function of the future expects to access new and essential capabilities (e.g. data science) while retaining core/traditional finance skills.

Create a collaborative and agile environment to ensure connectivity and cross-departmental sharing of ideas/insight.

52%

Empower/enable of existing workforce to develop new skills.

46%

Remove traditional finance silos, pool resources across functional departments.

43%

Use of external experts (consultants).

42%

Engage with tech ecosystem (through accelerators, etc.).

27%

Acquire start-ups.

23%

Source: The CFO Reimagined: from driving value to building the digital enterprise, Accenture 2018.

Another solution may be to bring in talent through acquisitions. At present, one in four (23 percent) insurance respondents say they are looking into acquisition as a way to source specialist talent.

“We did an acquisition in December and picked up about 50 new data scientists,” says a U.S.-based corporate finance director.

“Our aspiration is to add those data scientists to our existing pool of data scientists and deploy them on very specific projects which are essentially reinventing several of our very labor-intensive processes.”

Conclusion: harnessing the new

Our CFO Reimagined survey shows that CFOs in insurance are pivoting to a more dynamic way of thinking and working,” observes Niccolo Bergamini, Accenture’s Global Finance & Risk Lead for insurance. “This should be an inspiration for carriers that are still deciding on the best course to take. The sector won’t wait: it’s time to seize the future today.”



The survey findings suggest there are four priorities for these CFOs:



Create a powerful case for emerging technologies—

CFOs are trusted stewards of the enterprise. If they can fully understand the potential of new technology and articulate its benefits to the rest of the organization, that potential can rapidly translate into momentum and scale. And, even if the organization is not ready for digital transformation, the CFO should be leading planning initiatives to direct the path of change.



Leap-frog, don't dabble—

insurance businesses are accelerating their adoption of new technologies in finance, but some are reluctant to move beyond small-scale applications. For new technologies such as AI and machine learning to fulfill their promise, the CFO should encourage the function to adopt a new mindset—one that is willing to experiment and adapt quickly to change. Taking an informed leap to the next destination is preferable to being left behind.



Collaborate for data—

many insurance CFOs also see themselves as natural stewards of data within the business, but this can only be possible with the cooperation of other functions, the creation of more holistic ecosystems, and/or the purchase of third-party data. Collaborating is key, but it requires focus: finance can derive insights from a more complete data set, but it requires clear connection with the business leads and alignment with strategic direction.



Rethink the skills challenge—

little is possible without the right talent, yet the industry is struggling to get the skills it needs. Adopting AI and “borrowing” talent can help to overcome this challenge, but to compete with other industries CFOs in insurance should consider how they can inspire a wider range of talent to enter the industry.

Insurers are undergoing a transformation.

In order to compete with dynamic new industry players, they are seizing new data-driven opportunities, reinventing heritage business models, and rebooting their workforces.

And in the middle of that transformation is the finance function. Perfectly placed to steer their organization through a time of rapid upheaval, CFOs and finance executives are directing the overall investment in digitalization, evaluating the portfolio of strategic initiatives from the start, and taking a leading role in managing critical data to support the desired outcomes. This forward-looking function is key to the successful insurance organizations of the future.

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