Institute and Faculty of Actuaries

Creating Transformative Change in Your Organisation

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February 15th, 2023

EY

Agenda

- Introductions
- Challenges & opportunities
- Enabling change within your teams
- What is the role of actuaries?
- Case studies
- Innovation insights – how do we get there?
- Q&A

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Objectives of this session

- “Why” - Why is transformation and a transformative culture important?
- “When” - When is the right time?
- “Who” – Who is going to play a role in this?
- “What” – What is the role of the actuary?
- “How” - How can this be made a success?
- “What” – What can you do to make a start?

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Question for you:

What do you think is the most important factor leading to successful transformation projects?

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Challenges & opportunities

Challenges and opportunities within typical organisations

Internal Challenges

- ***Antiquated architecture***:
  - No single source of data
  - Complex web of spreadsheets accompanied by significant key person dependency
- ***Scarce, expensive resources performing low value tasks***:
  - Lots of time spent on data manipulation and routine reporting
  - Results in a high cost function which is unable to meet business demands for insights
- ***Siloed function lacking critical influence:***
  - Tend to offer formal information sharing rather than collaboration
  - Mixed experience of business partnering
  - Communication gap leads to lack of transparency

External Pressure

- ***Regulatory pressure***:
  - Operating in a constantly evolving regulatory environment
  - Most significant examples include IBOR, LDTI, IFRS 17, and Solvency II
- ***Competitive pressure***:
  - Insurers need to keep pace with, or get ahead of, a constantly evolving competitive landscape
  - The race for faster response, hyper-personalisation, granular opportunity identification and cost-reduction is on
- ***War for talent***:
  - The actuarial job market is fierce and hot talent have their pick of opportunities
  - Making the actuarial function an attractive place to work has never been more critical

Technological Developments

- ***Actuarial and wider technologies have developed significantly in the last decade***:
  - Recent developments in off the shelf data and analytics technology now provide cost effective opportunities to significantly enhance actuarial processes
- ***Talent pool ready and eager to work in new ways***:
  - Potential actuaries are graduating with a new set of skills
  - Not only analytical problem solvers but with coding skills to operationalise and discover trends hidden in old processes and techniques
- ***Investment in data and cloud can be leveraged to unlock further value***:
  - Insurers have invested in data and cloud technology which actuaries can leverage to realise significant benefits for marginal extra costs

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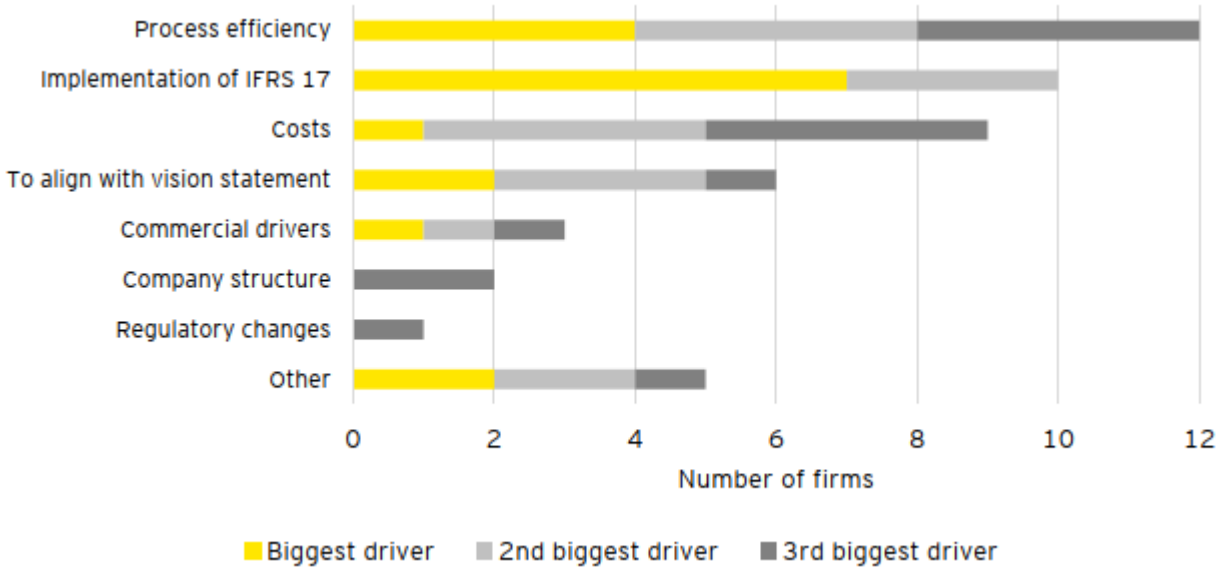
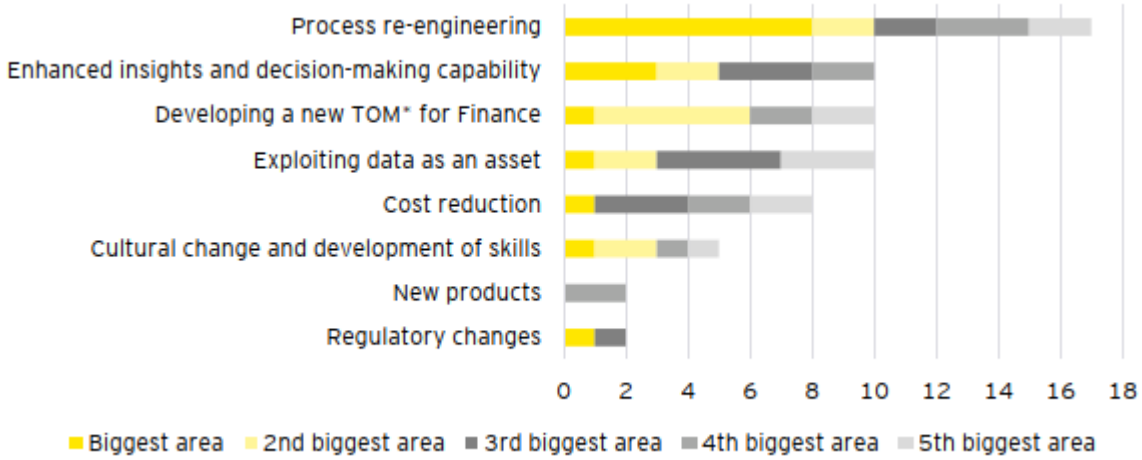
And why is the UK market transforming

Historic…



Moving forward…



Source: 'EY Hot Topics Survey 2022, an annual survey of the largest UK Life Insurers covering regulatory developments, strategy, operations and assumption setting.'

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What makes transformation a success?

Design

Leadership

Process

Empowerment

People

Show value

Data

Technology

Goals and Scope

Flexibility

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And even ChatGPT agrees…

WM What will make Actuarial transformation a sucess?

Actuarial transformation can be a success if it is approached in a comprehensive and strategic manner that addresses the unique challenges and opportunities facing the organization. Here are some factors that can contribute to a successful actuarial transformation:

1. Clear and compelling vision: A successful actuarial transformation starts with a clear and compelling vision for what the organization wants to achieve. This vision should be communicated to all stakeholders, and should be grounded in a deep understanding of the business environment and the organization's strengths and weaknesses.
2. Top-down leadership: Actuarial transformation requires strong leadership from the top. Senior leaders must be committed to the transformation, and should set clear priorities and communicate them effectively to the rest of the organization.
3. Comprehensive strategy: A comprehensive strategy is essential for actuarial transformation. This strategy should include a detailed roadmap for achieving the organization's goals, including a clear plan for addressing challenges and mitigating risks.
4. Skilled talent: A successful actuarial transformation requires skilled and experienced talent. The organization must invest in developing its existing talent, and also attract new talent with the skills and expertise needed to drive the transformation forward.
5. Agile methodology: An agile methodology can be very effective for actuarial transformation, as it enables the organization to be responsive to changing market conditions and customer needs. This methodology should be supported by robust data analytics and modeling capabilities.
6. Continuous improvement: Actuarial transformation is an ongoing process that requires continuous improvement. The organization must have a culture of continuous learning and improvement, and should be open to experimenting with new approaches and technologies.
7. Effective communication: Effective communication is critical to the success of actuarial transformation. The organization must communicate its vision, strategy, and progress to all stakeholders, and should engage in open and transparent dialogue with its employees, customers, and partners.

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People

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People

With the right skills

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Enabling change within your teams

EY Humans@center research

Preparing and managing emotional journeys

The six key drivers of a successful transformation all put humans@center.

01 To Inspire

- Disrupt: look elsewhere to have your thinking challenged.
- Build belief: clearly communicate to people “why” change is needed.

02 To Care

- Acknowledge and plan for the emotional journey of both the workforce and leaders.
- Focus on creating the conditions where people can speak up.
- Manage the stress, keeping it a positive force without leading to anxiety or apathy.

03 To Build

Use technology to bring vision to life:

- Make it real — quickly.
- Invest in your people to develop required mindsets and skills.

04 To Empower

- Create autonomy for the organization to execute.
- Encourage experimentation.
- Incentivize the shift.
- Accept that the pace of progress will ebb and flow.

05 To Lead

Foster leaders who:

- Constantly work on themselves.
- Practice courage.
- Create a culture of accountability.
- Emphasize “we” not “me.”

06 To Collaborate

- Create an environment that fosters connectivity, collaboration and creativity.
- Deliberately co-create new ways of working.

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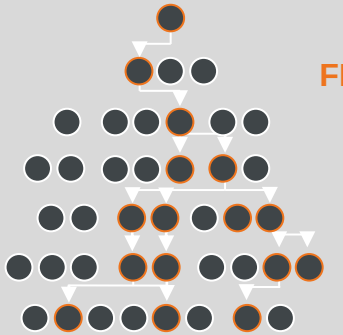
EY Humans@center research

There are three key FROM-TOs to make when driving your people agenda in transformation

1 Drive behaviour change through your influencers



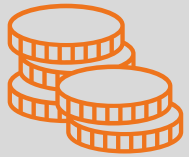
FROM: Top-down

Top-down change activation and communications

TO: Bottom-up

Science-based behavior change with influencers a part of a grassroots bottom-up movement

2 Focus learning on adaptive skills as the currency of your transformation



FROM: Technical skills and hierarchical power

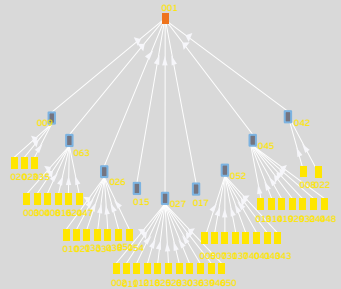
Power through job titles and levels; focus on technical skills in functional roles

TO: Adaptive skills and network position

Power through influence and network position, with focus on adaptive skills

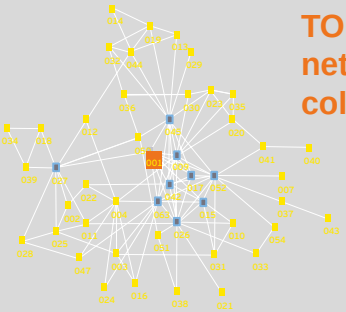
(1) Analytical Acumen, (2) Resilience, (3) Social/Emotional Intelligence, (4) Learning Agility, (5) Creative Reasoning

3 Design your organization to be nimble and networked, reducing friction



FROM: Siloed, hierarchical structures

Push through formal hierarchy and infrastructure, which limits collaboration



TO: Natural, networked collaboration

Design natural collaboration patterns to reduce friction, unlock capacity and increase capability

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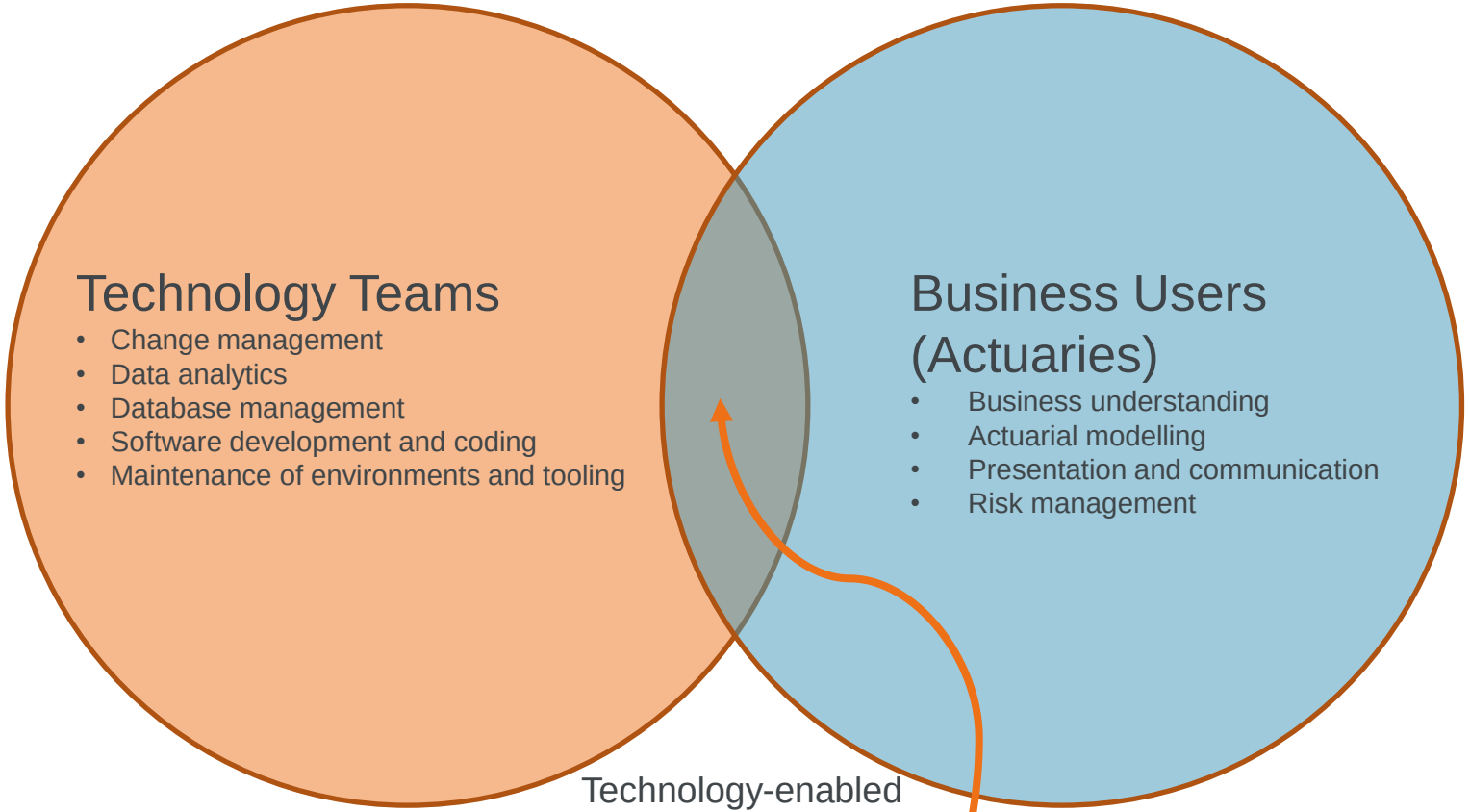
What is the role of actuaries

Where do technology-enabled actuaries sit?



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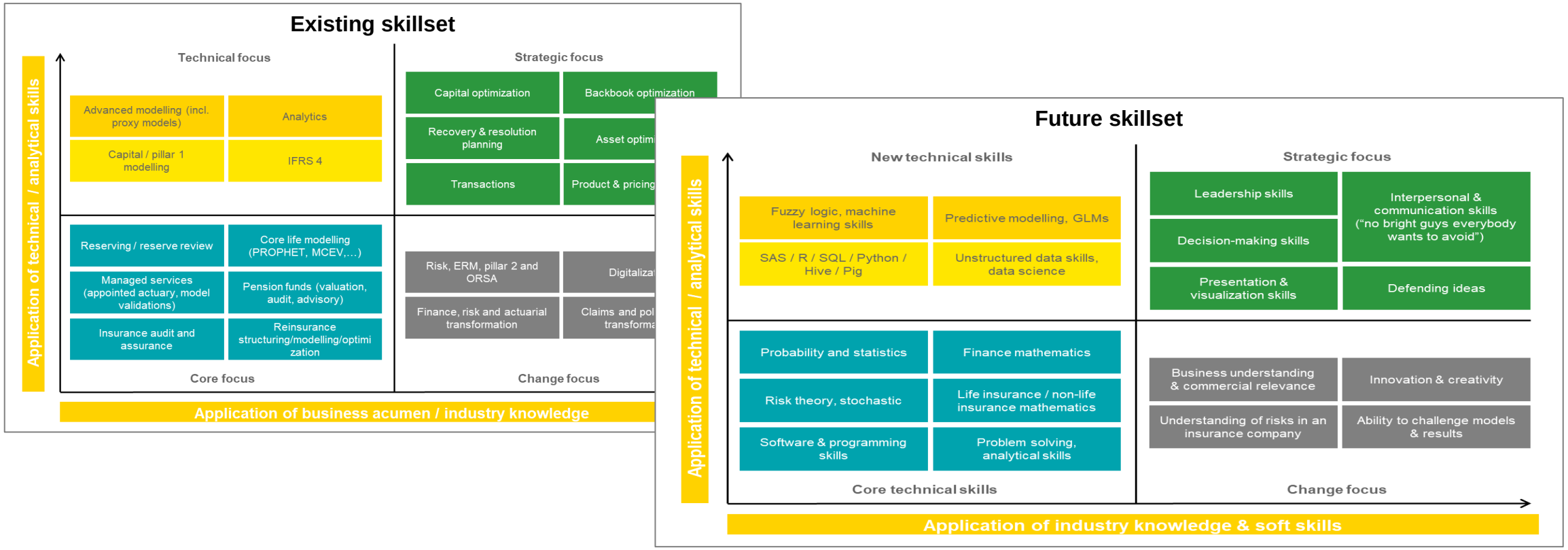
What do changing skillsets mean for actuaries of the future?



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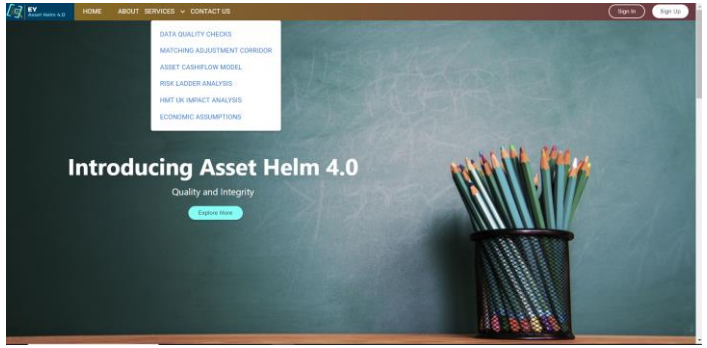
Case studies

Case study: ALM Analytics

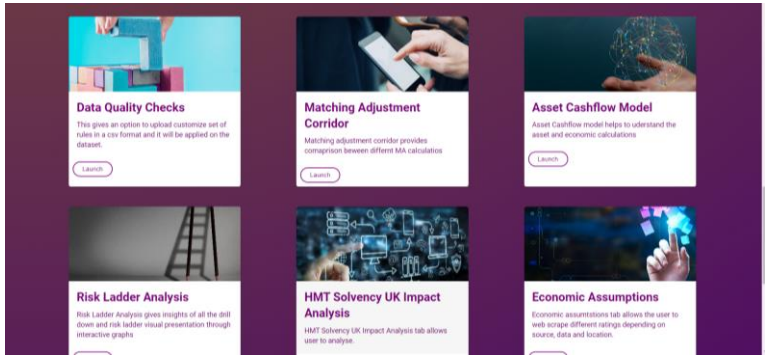
Problem statement:

- **Increasing requirement** on ALM teams to support Investment teams to **deliver value** through **investment strategy and capital optimisation** exercises
- **ALM teams** are being asked to provide further, and **more granular**, **management information (MI)** and provide **robust and efficient scenario analyses**



Examples of key challenges within current processes:

- Cashflow matching not executed in real-time -> difficult to monitor risk exposures on a more frequent basis
- Existing systems and processes do not adequately support the requirements of collateral optimisation
- Time-consuming to explore different investment and hedging strategies due to limited automation
- Processes often contain limited control and governance leading to uncertainty and concern over the credibility of the analysis
- Data underpinning the analysis is not necessarily reliable and can contain errors -> leads to material efforts to validate the data



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Case study: ALM Analytics

Benefits delivered by the ALM Analytics tooling to one of our clients include:

An estimated saving of **c.5 man days per month** for monthly reporting within the ALM team

An estimated saving of **c.2 man days for each new investment strategy scenario that is considered and quantified**

Improved, streamlined and traceable MI

Significant cost savings – built in open-source technology

7 areas of new and enhanced functionality throughout the reporting process

Many news ideas for future developments

Improved controls and analysis to facilitate understanding

Self-service MI, automated hypothecation strategies

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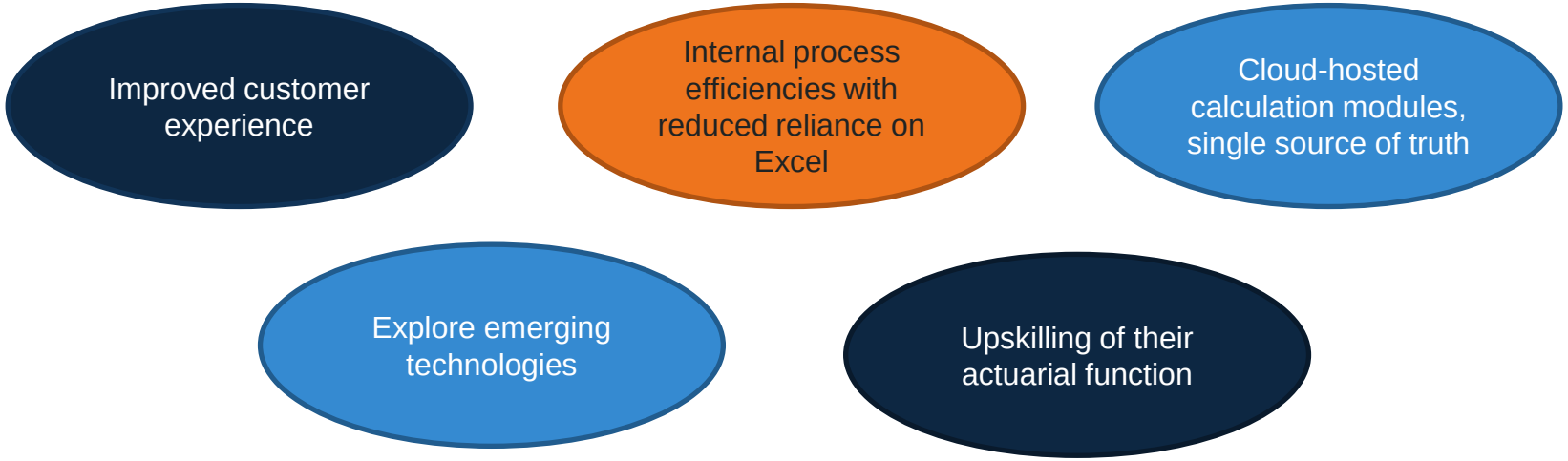
Case study: Member options for a large pension scheme

What did the client have?

- A process which required members to phone the scheme administrator to discuss options
- Options would then be evaluated manually using an Excel-based model before being relayed back to the member

What did the client want?



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Case study: Member Options within DB Scheme

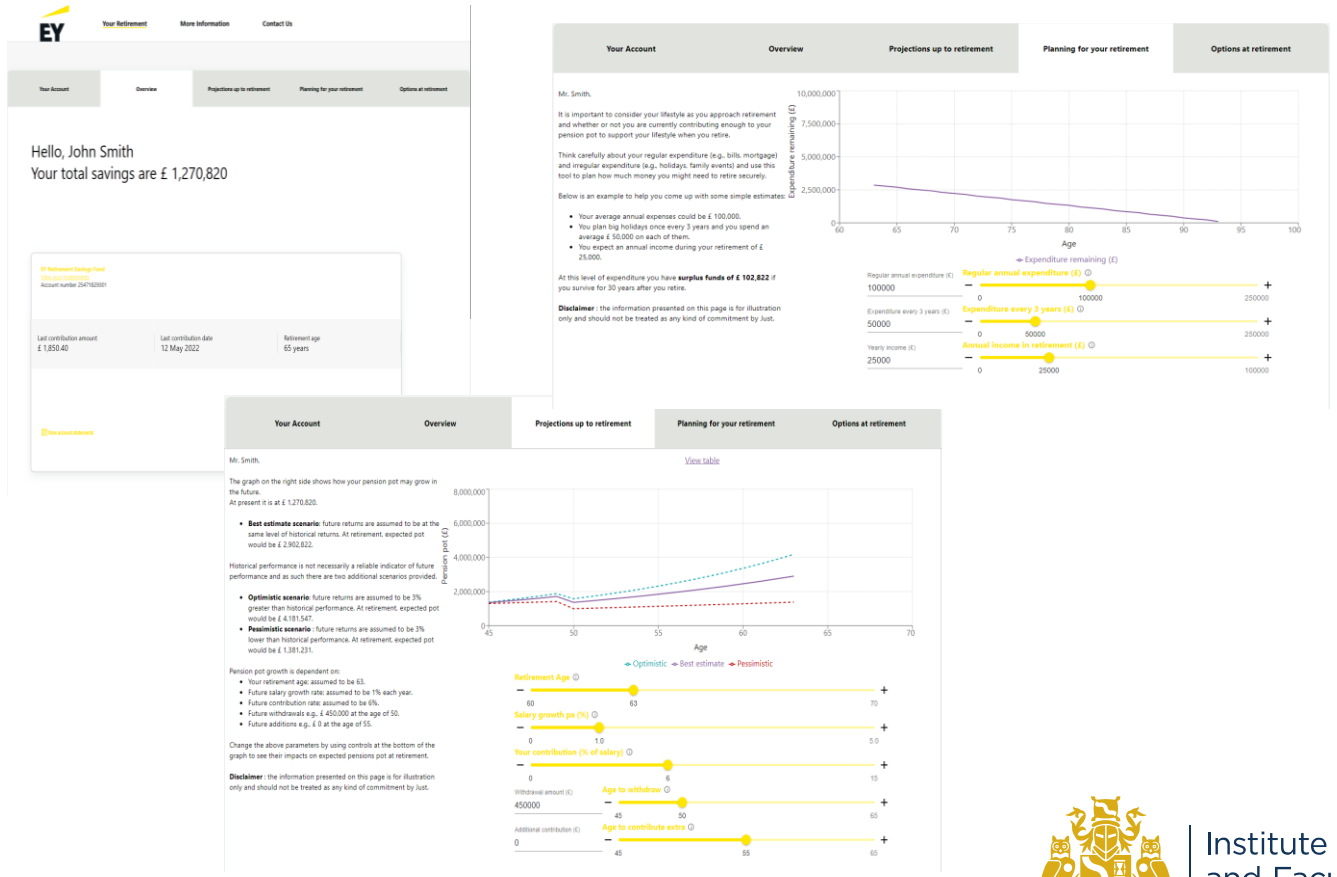
EY partnered with the large pension scheme to develop an online member-facing calculator which allows members to understand their current pension benefits, simulate their pension benefits under various scenarios, and engage in further learning

Approach taken

1. Initial ideation
2. Hackathon
3. Focussed proof of concept phase
4. Stakeholder demonstrations
5. Fail fast approach - Incremental agile build and deployment
6. Increasing internal capabilities
7. Fully functional, web hosted, member-facing, pension calculator

Technology that enabled this

- This calculator was developed entirely by actuaries using Python and React JavaScript



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Why Innovate?

- Near instantaneous results, scenarios and what-if analysis
- Single source of truth
- Agile change approaches and tooling
- Real-time automated processes with a robust control framework
- Enable people to learn new skills and own new ideas

- Faster decision making and deeper understanding of results
- Foundations for rich data analytics and data innovation
- Digitization and optimization of change management
- Risk and trust management by design
- Culture change and talent retention

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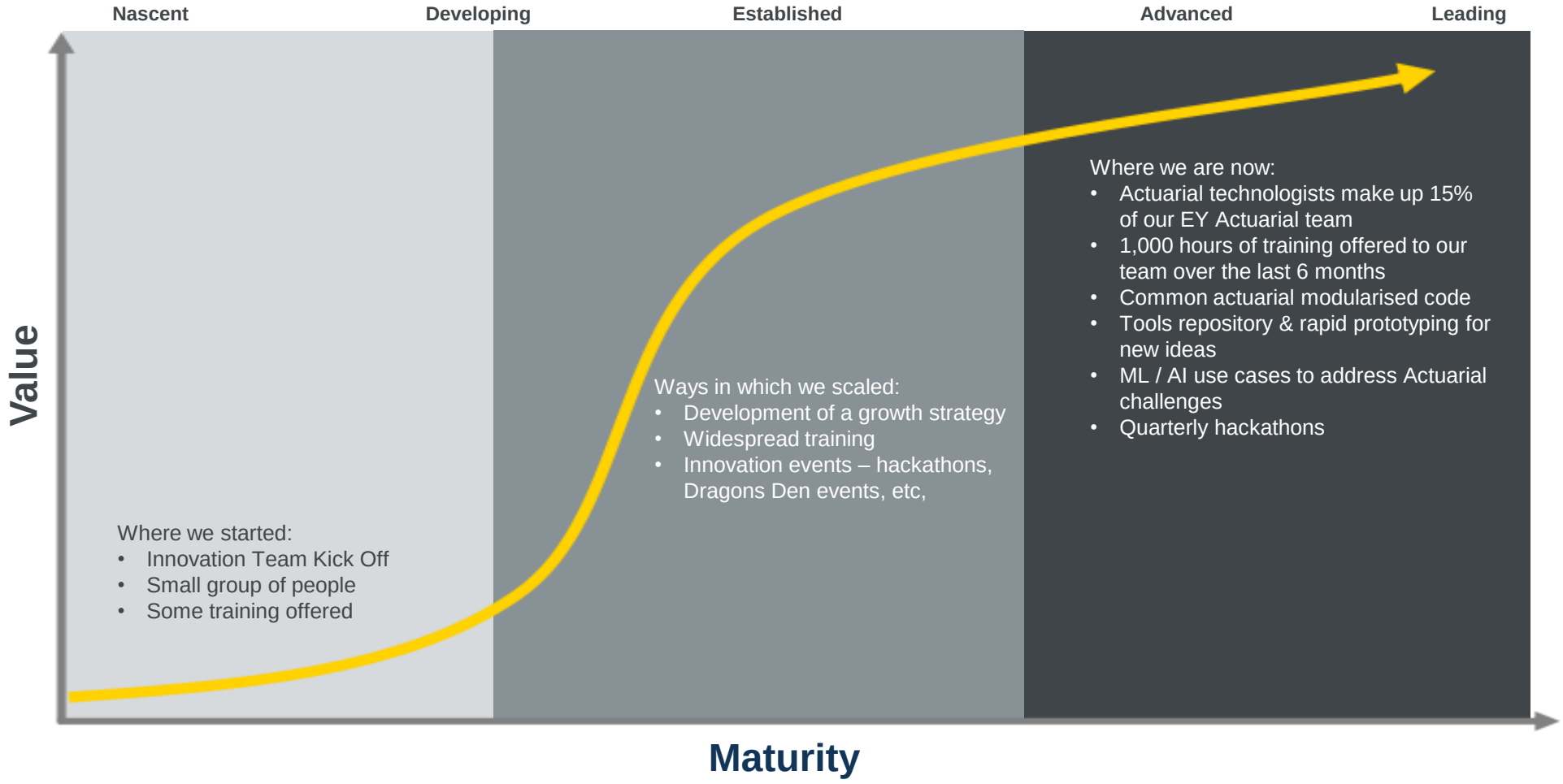
Innovation insights – how do we get there?

How have we inspired innovation within our own team?



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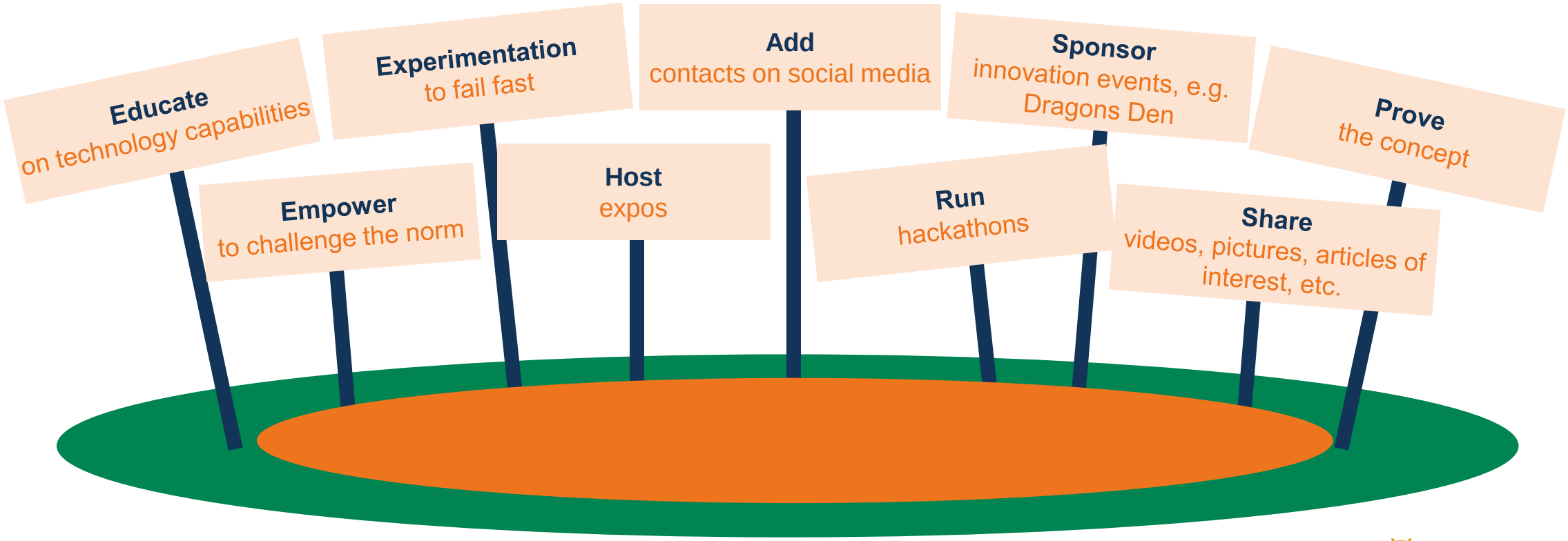
Tactics to inspire innovation



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Example: Hackathons

We have held a few hackathons over recent years, and found them really helpful in inspiring our teams:

- Machine learning
- BPA pricing
- Retirement planning
- ESG competitive apps
- Blockchain for life insurance

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Do you have any other ideas on how to inspire change within your organisation?

Mentimeter

36

What will you take back to your organisation after this session?

Mentimeter

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Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

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Get in touch

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Thank you