



Institute  
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Grant Thornton

# Potential Implications of a Changing World

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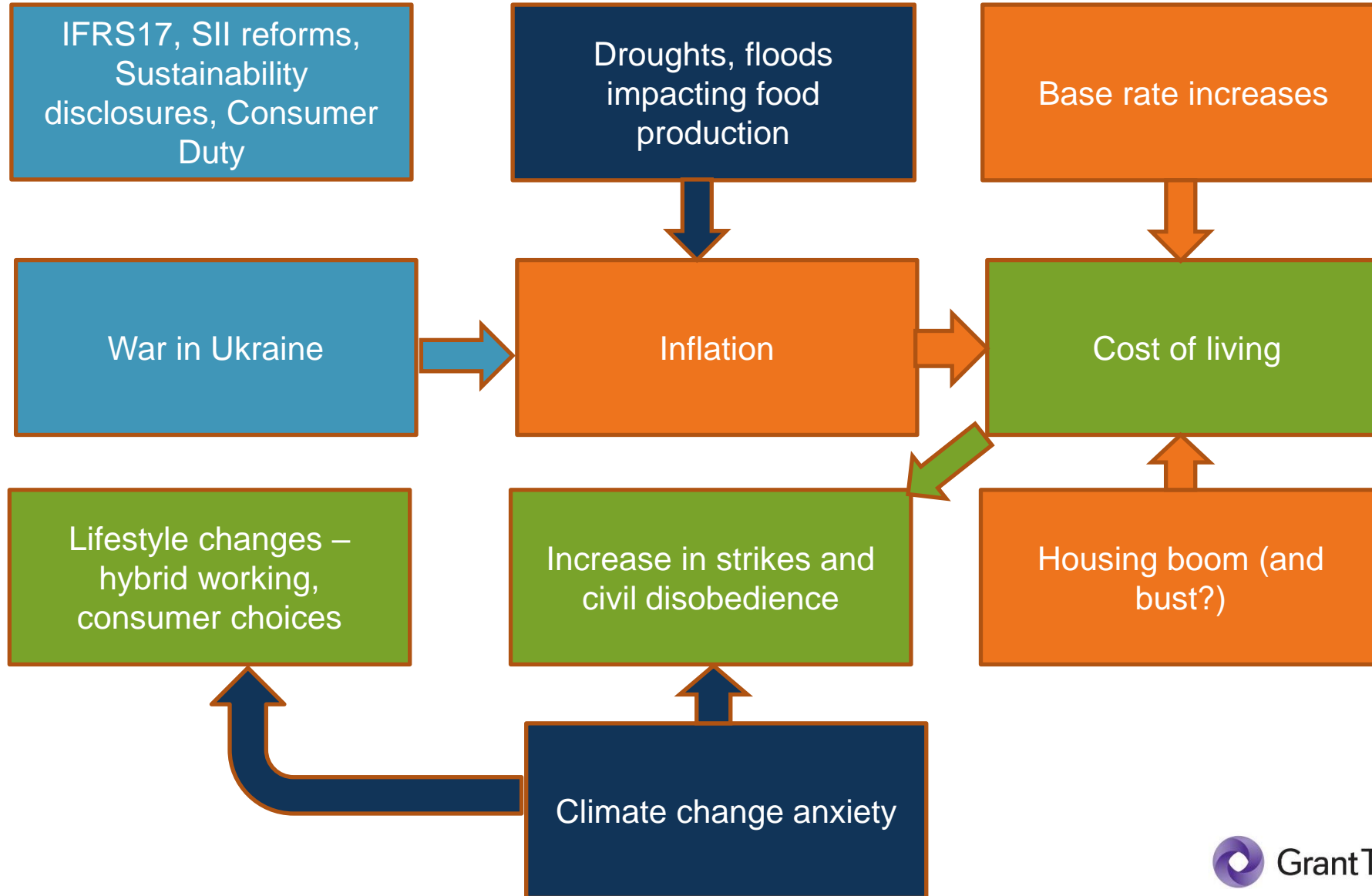
**#LifeConf**



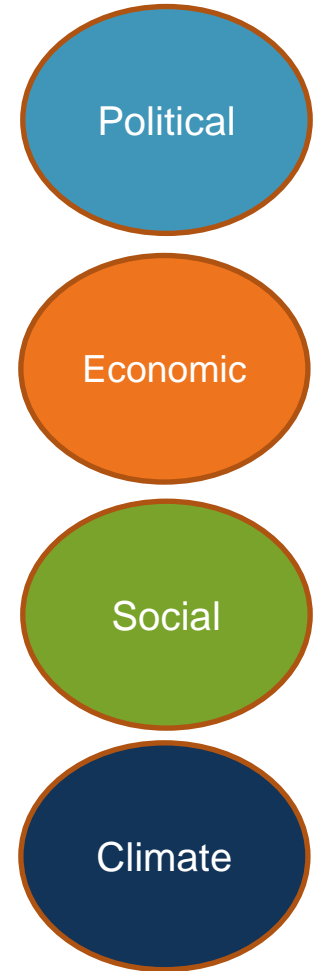
# What we are going to cover

- The main current drivers of change and the links between them
- How these could impact insurance companies
- The corresponding risks and opportunities
- How insurance companies can better cope with change

# A Complex World



## Original Source



# What's your biggest concern?

- Consumer driven changes
- Political uncertainty
- Regulatory changes
- Economic uncertainty

# Consumer Driven Changes

- **Potential implications:**
  - Cost of living
  - Environmental awareness
  - Advancing technology
- **Risks:**
  - Reputation
  - Profitability – lower new business, higher lapses
  - Loss of business to competitors
- **Opportunities:**
  - Innovate products and technology
  - Strong ESG story
  - Mutuals have the basis for a good story to the public.



# Consumer Driven Changes



## The trends

- Generational behaviour changes
- Less 'in person' purchasing
- Online shopping around
- Increasing willingness to share data for lower prices
- Fewer complaints, voting with feet
- Rising environmental awareness

# Political Uncertainty



- **Potential implications:**

- Political - pensions freedom, tax changes, Solvency II reform
- Medium to Long term uncertainty

- **Risks:**

- Changes in legislation

- **Opportunities:**

- Diversifying Investments
- Diversifying abroad
- Mergers and JVs with other companies who have complementary businesses.

# Political Uncertainty

## Areas of high uncertainty

- Pensions tax relief
- The future of health and social care
- Scottish independence
- EU relationship





# Regulatory Changes



- **Potential implications:**
  - Inevitable change
  - Complex projects
- **Risks:**
  - Resources stretched
  - Complicates strategic projects
  - Expensive and extensive implementation
  - Regulatory compliance
- **Opportunities:**
  - Greater trust and transparency
  - New product innovation

# Regulatory Changes

## Areas of cross- financial services focus

- Consumer Duty
- ESG
- Vulnerable customers
- Culture
- Operational resilience
- Outsourcing and third-party risk
- Financial crime prevention
- Fintech
- Future regulatory framework
- Data collection, regulatory reporting and reg tech



# Economic Uncertainty



- **Potential implications:**
  - Stock market volatility
  - Unexpected shocks/fiscal events
  - Inflation, Stagflation
- **Risks:**
  - Reduced revenue
  - Increased costs
- **Opportunities:**
  - Increased demand for certain insurance products
  - Hedging and liquidity programmes

# Economic Uncertainty

## Possible market developments

- Change in retirement trends
- Increase in appetite for product guarantees
- Shift in assets and asset class preferences



# The need for change



- Relevance
- Competitiveness
- Meet customer needs

# What do you see as main barriers to change?



- Regulatory processes
- Systems
- Lack of skilled resources
- Risk aversion
- Other?

# Insurance company change projects - issues

Legacy systems

Complicated products

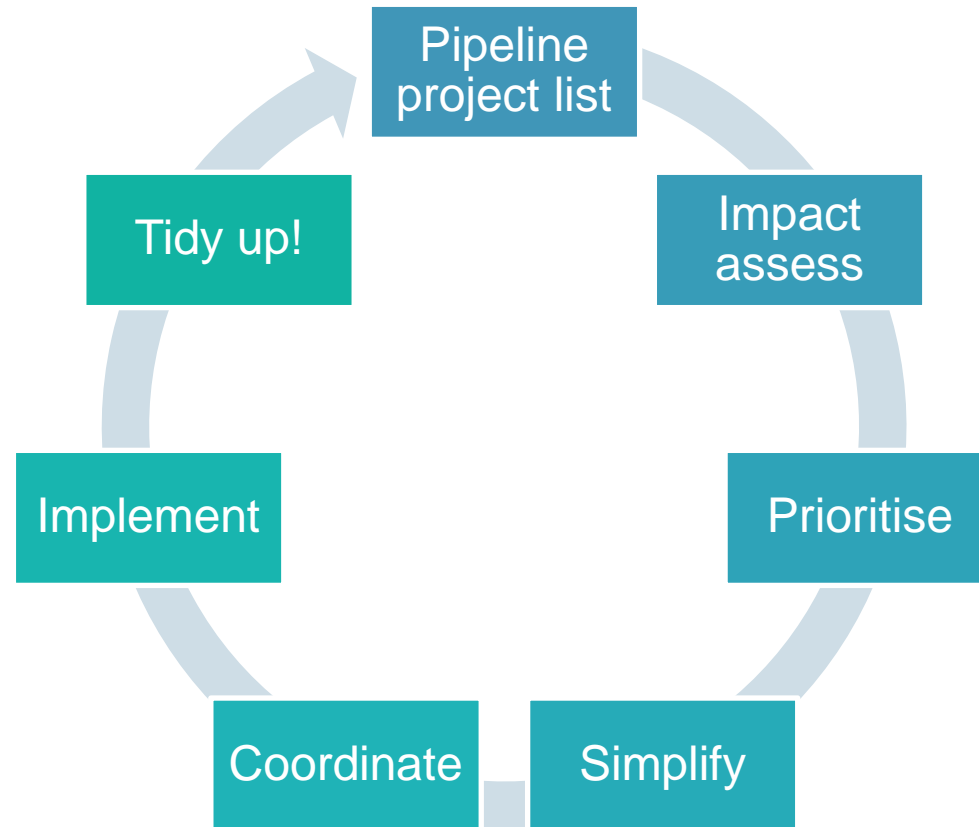
Financial reporting

Too many projects

Project silos

Regulatory hurdles

# Insurance company change projects – making this work





# Summary

- Multiple sources of change
- Complex interactions between drivers
- These can present significant risks to insurers.... But also opportunities
- The insurers of the future need to be agile, diversified, have a good environmental story, and be engaged with their customer base
- BUT change is often difficult and slow due to complexity of systems, legacy products, a shortage of skilled resources and regulatory hurdles
- How can insurers speed up their rate of change to stay profitable and relevant in an ever-changing world?
- Impact assess, prioritise, simplify, coordinate and tidy up.

# 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 presenters.



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# Thank you

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