

Global Insurance CFO Survey – 2014

Survey results

September 2014



Introduction

- ▶ Conducted during the first half of 2014, this survey of senior executives across 35 global insurers (13 non-life, 9 life, 9 multi-line, 4 specialty/reinsurance) seeks to understand the issues and challenges facing finance and actuarial organizations and the possible activities these carriers intend to implement to respond
 - ▶ Questions cover a variety of issues including key business drivers, finance and actuarial priorities and current and future operating models
 - ▶ Key benchmarks including headcount and expense metrics were collected to better understand the current state of the finance and actuarial functions and to provide survey participants with useful information to gauge their current situation
 - ▶ The survey also sought to understand trends involving shared services and outsourcing programs currently in use and planned in the next several years
- ▶ Survey participants included senior finance, accounting and actuarial executives in life, non-life and multi-line insurance companies across 10 leading insurance markets
 - ▶ Executives interviewed included, but were not limited to CFOs, chief accounting officers, and corporate controllers
 - ▶ Premium volume across all participants totalled more than \$330 billion with per carrier amounts ranging from just under \$2 billion to nearly \$50 billion
 - ▶ Carriers included 10 of the top 25 global insurers as ranked by A.M. Best Company
- ▶ We hope you find the results of this survey informative and thought provoking. EY welcomes the opportunity to discuss these findings in more detail and review potential approaches to improve the finance and actuarial function within your organization.

Executive summary

- ▶ Our new ***Global Insurance CFO Survey – 2014*** highlights major issues and challenges for financial and actuarial functions. Data, technology and people are key focus areas for improvement through 2020

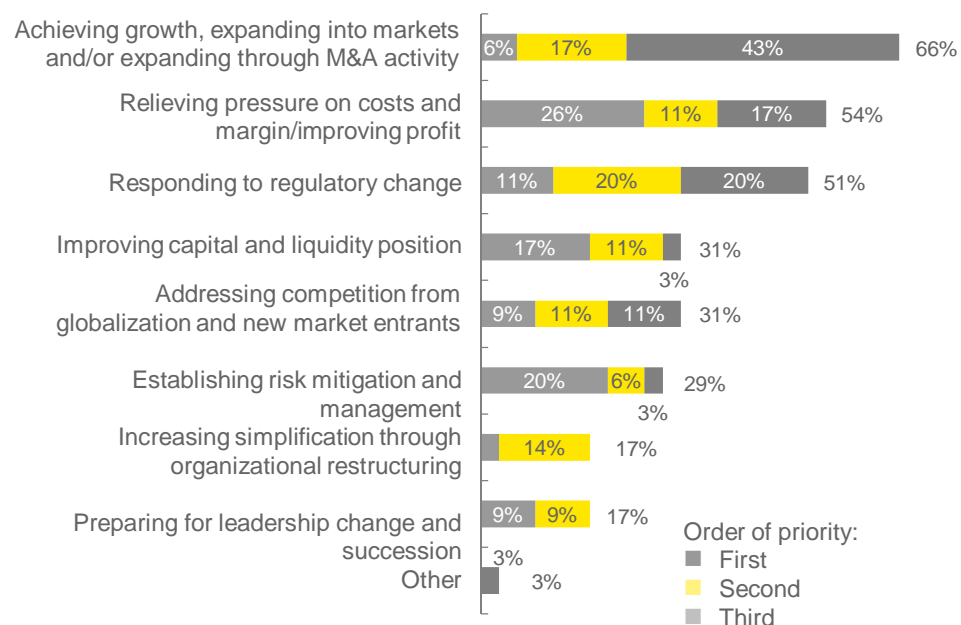
- ▶ **Our major findings highlight:**
 - ▶ Among the most cited business drivers' facing the organization through 2020 – growth was ranked first, followed by Managing Costs and Regulatory Changes
 - ▶ Two-thirds of the respondents ranked data and technology issues among the top three challenges facing the finance and actuarial departments
 - ▶ Preparing for 2020, the biggest shifts in maturity levels by operating model will be in data management and technology capabilities – from current to future state
 - ▶ Onshore shared services are expected to be highly leveraged across transaction processing functions, with outsourcing selectively targeted at payroll and internal audit
 - ▶ Decision support and controls are expected to account for a larger share of total finance and actuarial headcount in 2020

While growth is currently the top business driver, regulation and cost pressures are expected to remain as top priorities for the foreseeable future

Primary business drivers

Question 1: Please rank in order the following business drivers facing your organization through 2020

Percent of respondents ranking the driver among the top three



- ▶ Growth was the most cited driver with 43% of respondents ranking it as the topmost priority
- ▶ Managing costs continues to be a key driver for global insurance companies with more than half of respondents ranked this priority among their top three
- ▶ Regulatory change was the third most cited priority with 51% of respondents placing this in the top three
- ▶ Cost was a key concern for non-life carriers, while regulation topped the list of life companies
 - ▶ 35% of non-life carriers ranked cost as the number one driver whereas no life or multi-line carriers surveyed placed cost as the top driver
 - ▶ 44% of life and 33% of multi-line carriers cited regulation as the number one driver, while no non-life carriers surveyed placed regulation as the top driver
- ▶ Regulation was a top concern for insurers in the Americas and EMEIA, while cost was the top concerns for companies in Asia-Pacific
 - ▶ 88% of Asia-Pacific carriers ranked cost as a top three concern versus 56% of insurers based in the Americas and 27% in EMEIA
 - ▶ Regulatory change was a top concern for both Americas and EMEIA-based carriers with 63% and 64%, respectively, ranking it among the top three

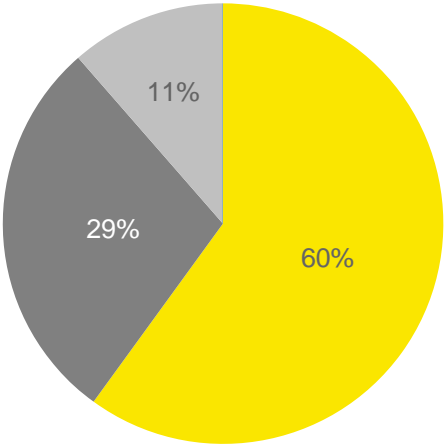
Source: EY Research, 2014

All survey respondents indicated investment in the finance and actuarial organization was required to address these drivers with a majority indicating activity was already underway

Primary business drivers

Question 2: Are you anticipating the need to further invest and undertake improvements in your Finance and Actuarial organizations in order to support these drivers and priorities?

Investment activity, percent of respondents



- Investment required and program underway
 - Investment required and planning underway
 - Investment required but not yet planned
- Have not considered these drivers (*not selected*)
Already 'fit for purpose' and set up to support (*not selected*)

- ▶ All respondents indicate investment is required to meet the demands of these business drivers
 - ▶ A large majority (60%) of respondents indicated that they have launched programs
 - ▶ The rest, while recognizing that investment is required, have not yet or have just begun the planning process
- ▶ Non-life insurers appear further ahead in terms of activity with 71% indicating their program was underway versus multi-line (56%) and life (44%)
- ▶ Insurers in EMEIA also appear further ahead with 73% having a program underway versus those in the Americas (56%) and Asia-Pacific (50%)
- ▶ No respondents said investment was not required

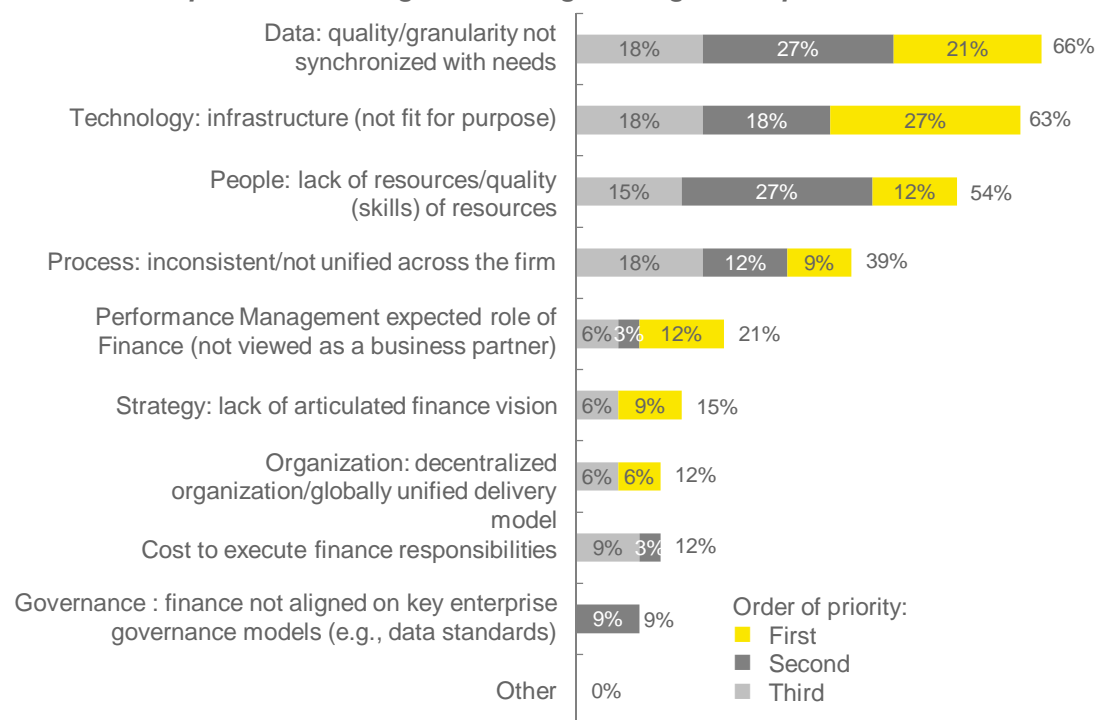
Source: EY Research, 2014

Data and technology issues represent significant challenges inhibiting finance and actuarial departments from achieving their goal of being a better business partner

Challenges facing financial and actuarial organizations

Question 3: Please rank in order the main challenges Finance and Actuarial will need to address in becoming better business partners and fully participating in the execution of the business strategy

Percent of respondents ranking the challenge among their top three



Source: EY Research, 2014

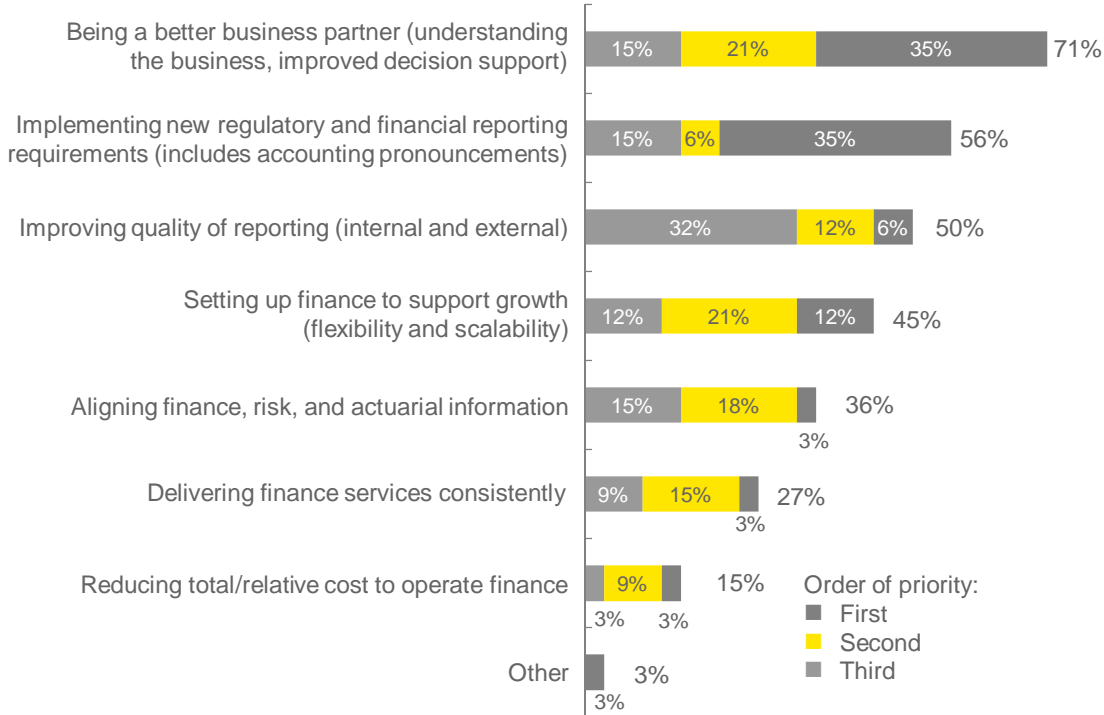
- ▶ Two-thirds of respondents ranked data and technology issues among the top three challenges facing finance and actuarial organizations
 - ▶ Technology was the top most challenge cited by 27% of respondents
 - ▶ 21% ranked data as the number one challenge
- ▶ More than half of respondents indicated the number and skills of people resources was a significant challenge
 - ▶ 12% of respondents rank it as the number one issue
 - ▶ Tied with data as the second most important issue
- ▶ Inconsistent processes were cited by more than 1/3rd of respondents as an important challenge
 - ▶ 39% of respondents indicate inconsistent processes were a top 3 challenge
- ▶ Organization and cost constraints do not appear to be a significant inhibitor for finance and actuarial departments
 - ▶ Only 12% of respondents put organization in their top 3 with 6% indicating it was the top challenge
 - ▶ Similarly, only 12% of respondents ranked cost of finance in the top three challenges

Across the industry, global finance departments are dealing with the need to balance improving their relationship with the business with the tactical demands of meeting new regulatory and reporting requirements

Primary finance and actuarial priorities

Question 4: Please rank in order the following finance and actuarial priorities facing your organization through 2020

Percent of respondents ranking the driver among their top three



- ▶ Being a better business partner was the top most cited priority for finance and actuarial with 35% ranking this number one
- ▶ Dealing with new regulatory and reporting requirements ranked as the second most important priority
 - ▶ 35% of respondents ranked this as the most important priority
 - ▶ 73% of EMEA respondents ranked this as their highest priority
- ▶ Improving reporting capabilities was the third most important priority
- ▶ 88% of Asia-Pacific respondents ranked this as a top three priority alongside being a better business partner

Source: EY Research, 2014

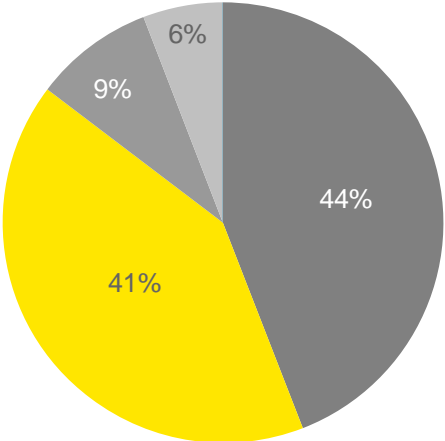


To address these priorities, the majority of respondents have implemented change programs or are in the planning stage while only a small number believe they have the right capabilities in place

Primary finance and actuarial priorities

Question 5: Where are you in your Finance and Actuarial planning to address the top five priorities

Change program activity, percent of respondents



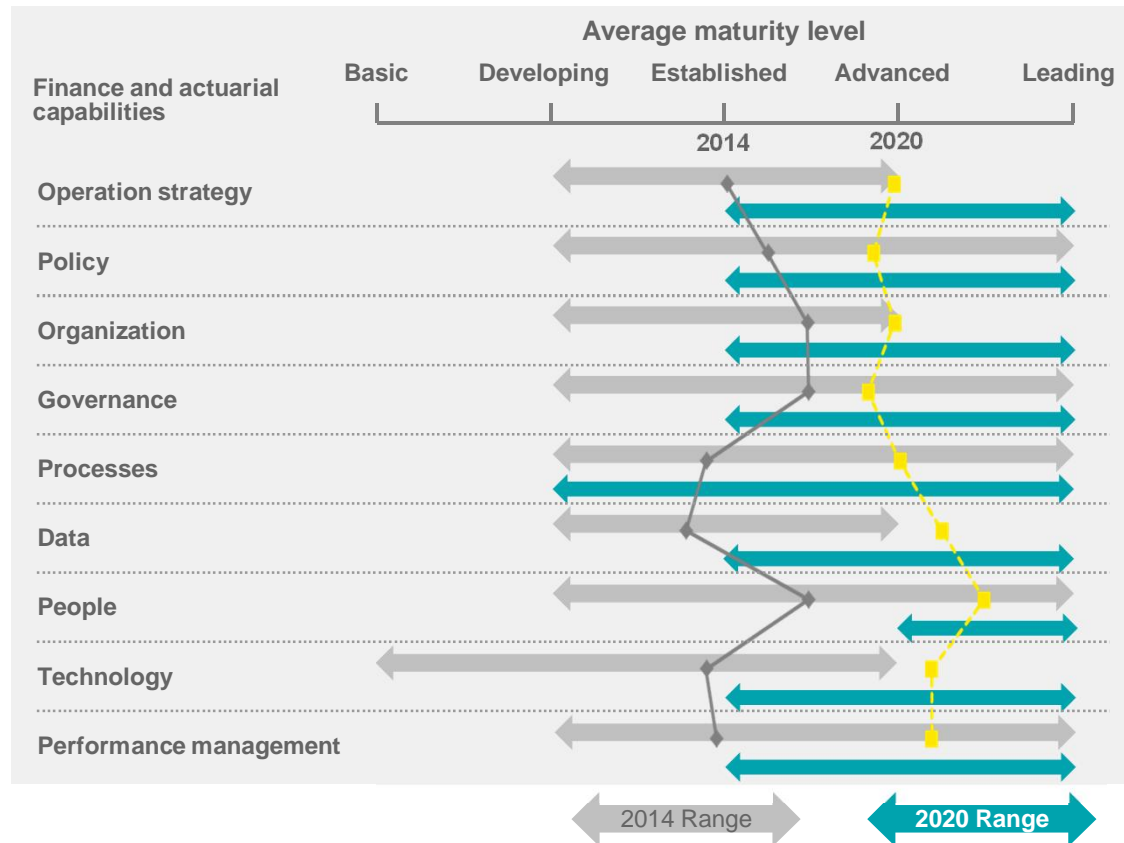
- Plans in place and change program underway to deliver on priorities
 - Priorities considered and planning underway to address
 - Have considered priorities but no planning in place yet
 - All ready 'fit for purpose' and limited improvements required
- Have not considered these priorities (not selected)

- ▶ 85% of respondents have programs underway or are planning change programs
 - ▶ 44% indicated that programs are currently underway
 - ▶ 41% indicated that planning is in progress
- ▶ Less than 10% recognize that investment is required, but have not yet begun the planning process
- ▶ Only 6% believe they have the right capabilities in place
- ▶ No respondents indicated that these priorities have not been considered
- ▶ Non-life companies are more likely to have a program underway (50%) while life companies are more likely to be in the planning stage (56%)
- ▶ 60% of Americas respondents noted that planning is already underway to address the priorities for Finance and Actuarial while 64% of EMEIA respondents already had a change program underway

Source: EY Research, 2014

Data management and technology capabilities exhibit the largest gaps between the current state and future requirements for finance and actuarial organizations looking forward to 2020

Questions 6 and 7: For each capability below, please rate the current level of maturity within your finance and actuarial organizations and the level of maturity that will be required to meet the objectives of your finance and actuarial organizations through 2020.

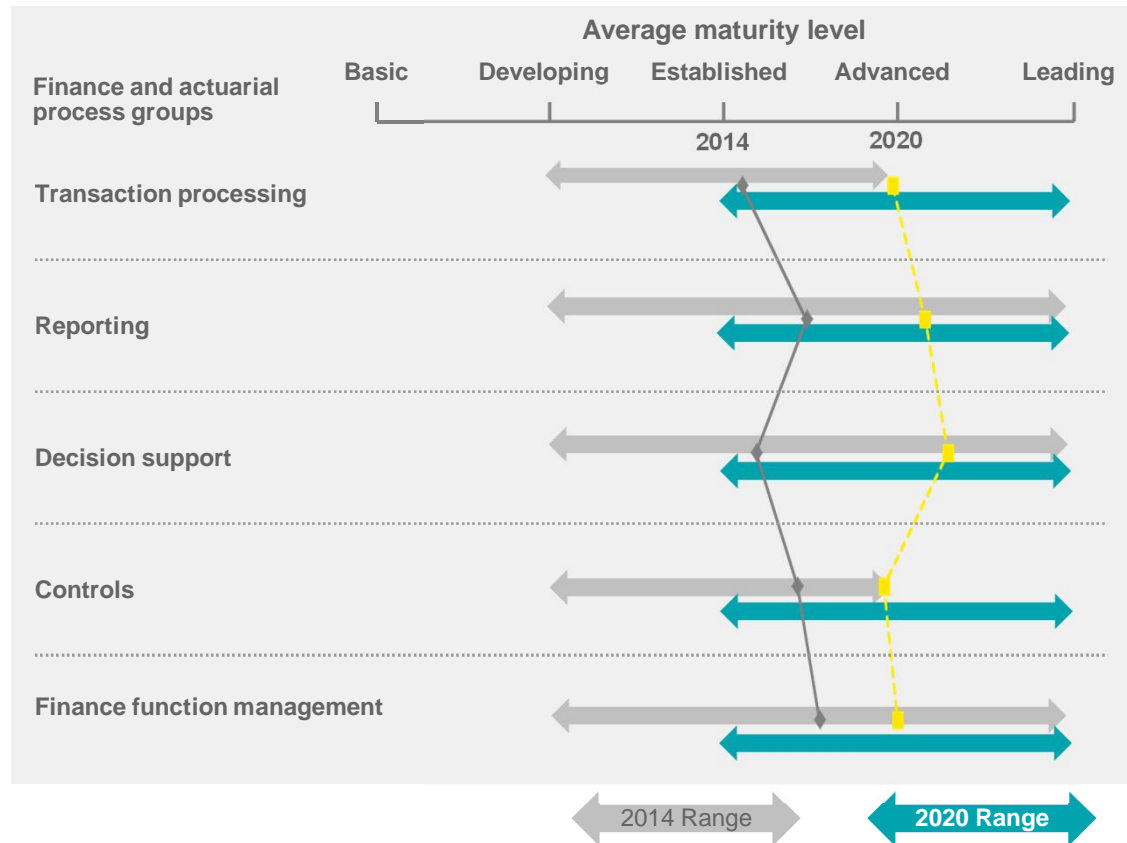


- ▶ In 2014, data is considered the least developed capability on average, while technology shows the greatest range of current state capabilities
- ▶ Processes, data and technology are key focus areas for improvement through to 2020
- ▶ People capabilities are ranked highest in both current state and 2020 states
- ▶ Overall, respondents recognize that 'leading' practice is not necessarily the required target for 2020 – most respondents are targeting 'advanced'.

Source: EY Research, 2014

Decision support functions will require the greatest shift from current to future state

Questions 8 and 9: For each finance process group, please rate the current and expected (2020) levels of maturity within your finance and actuarial organizations.



- ▶ All process groups require an upgrade in capability
- ▶ Transaction processing and decision support are felt to be the least advanced in current state
- ▶ Decision support capabilities are seen as the key focus for improvement

Source: EY Research, 2014

Utilization of on-shore shared services are expected to be highly leveraged across transaction processing functions. Outsourcing will be selectively targeted towards payroll and internal audit.

Questions 10 and 11: Which of the following processes within your Finance and Actuarial organizations (are performed locally, shared service on-shore, shared service off-shore or outsourced today (expected in 2020)?

Location of finance and actuarial functions Percent of respondents*	Shared services							
	Local		On-shore		Off-shore		Outsourced	
	2014	2020	2014	2020	2014	2020	2014	2020
Transaction processing								
Accounts payable and expense reimbursement	47%	31% ↓	34%	50% ↑	19%	16%	25%	25%
Actuarial reserving and valuation	81%	72%	31%	34%	9%	16%	6%	9%
Cost management	84%	69% ↓	31%	47% ↑	0%	6%	9%	16%
Fixed asset accounting	59%	38% ↓	28%	44% ↑	9%	13%	19%	19%
General accounting	75%	44% ↓	41%	56% ↑	13%	19%	22%	22%
Payroll	34%	22% ↓	44%	50%	0%	3%	31%	41% ↑
Revenue accounting	91%	63% ↓	28%	41% ↑	3%	13% ↑	13%	19%
Taxes	66%	50% ↓	59%	69% ↑	0%	6%	9%	13%
Treasury	69%	50% ↓	47%	66% ↑	3%	3%	3%	9%
Reporting								
Internal and external reporting	84%	59% ↓	38%	50% ↑	9%	19% ↑	16%	19%
Communications	59%	50%	38%	44%	3%	3%	0%	3%
Decision support								
Planning, budgeting and forecasting	91%	78% ↓	31%	38%	3%	6%	3%	9%
Performance analysis and decision support	91%	84%	28%	28%	3%	9%	3%	9%
Capital management	69%	63%	44%	47%	3%	9%	0%	3%
Controls								
Policy, procedures and controls	66%	59%	56%	63% ↑	9%	9%	3%	3%
Internal audit	44%	34% ↓	59%	69% ↑	9%	13%	9%	19% ↑
Finance function management								
Finance HR	47%	50%	56%	50%	3%	6%	0%	6%
Finance IT	41%	41%	56%	59%	6%	13%	25%	28%

↓ ↑ Denotes a change of 10 percentage points or more in either direction

*Numbers may total more than 100% as function may be housed/sourced across multiple areas

Source: EY Research, 2014

- ▶ Transaction processing is expected to see the largest shifts to lower cost servicing options with on-shore shared services the more popular option
- ▶ Revenue accounting and internal and external reporting show the largest shift towards off-shore shared services by 2020
- ▶ Payroll and internal audit were the two areas with the largest expected shift to outsourcing

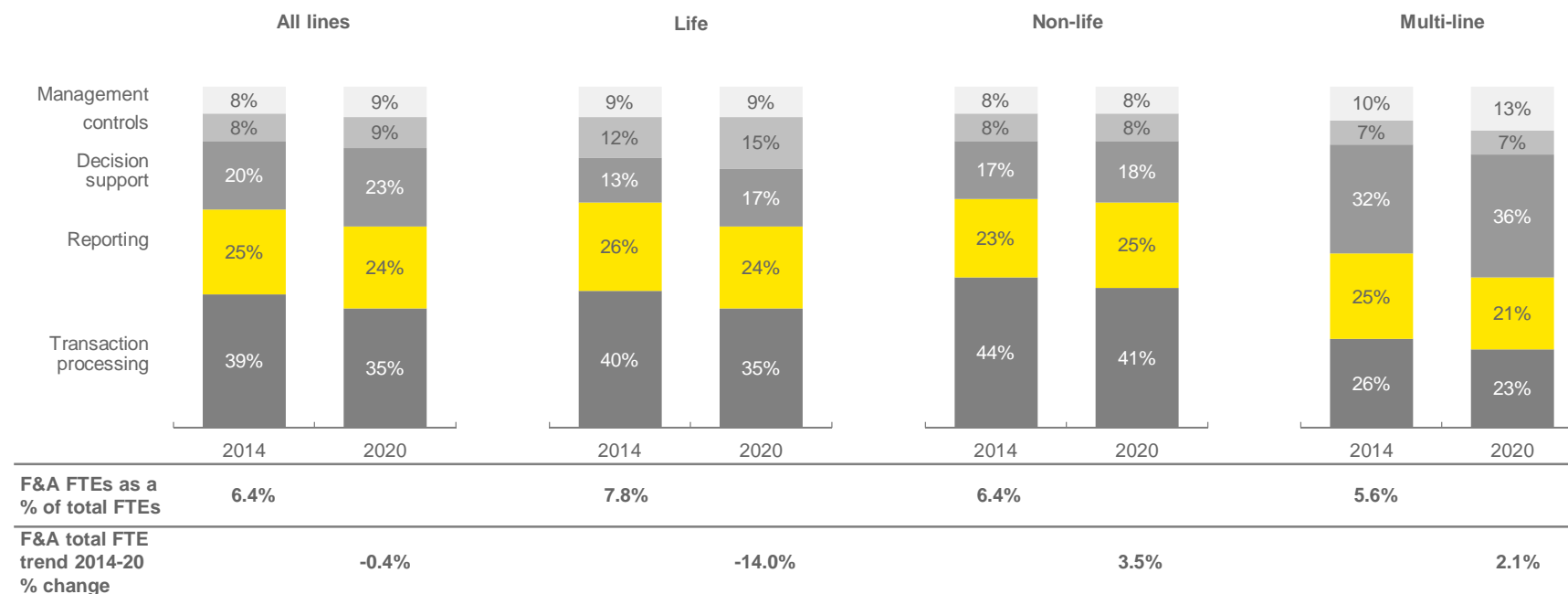
Decision support and controls are expected to account for a larger share of total F&A headcount in 2020

Finance and actuarial employees

Questions 14 & 15*: Please provide the total number of current and expected 2020 full-time equivalents (FTEs) within the finance and actuarial functions and, where known, the number of FTEs by process group.

Percent of total finance and actuarial FTEs by functional area

Average of survey participants



*Note: Questions 12 and 13 are demographic in nature and were used in the calculation of selected metric and/or to segment results

Source: EY Research, 2014

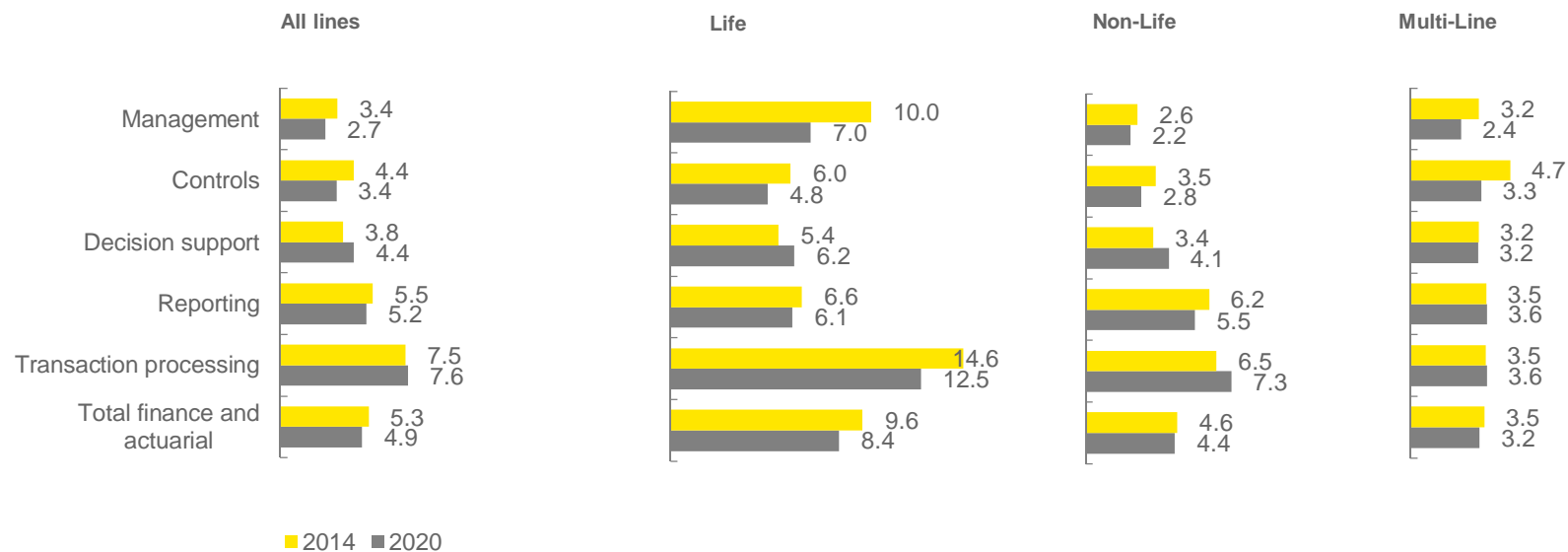
Reduced staff to manager ratios across most functions are expected through 2020

Finance and actuarial employees

Questions 14 and 15: Please provide the total number of current (expected 2020) full-time equivalents (FTEs) within the finance and actuarial functions and, where known, the number of FTEs by process group.

Ratio of staff to manager

Average of survey respondents



Source: EY Research, 2014

Transaction processing and decision support account for the largest share of finance and actuarial (F&A) expenses

Cost of finance

Question 16: What was the amount of General and Administrative expenses across the enterprise for 2012 (USD)?

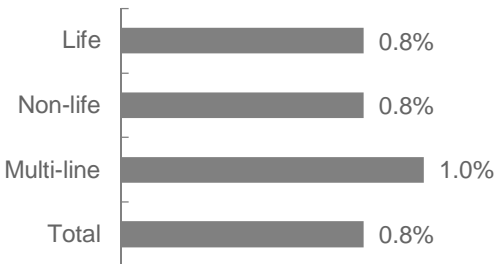
Finance and actuarial as a percent of general and administrative expenses

Percent



Finance and actuarial as a percent of total premium

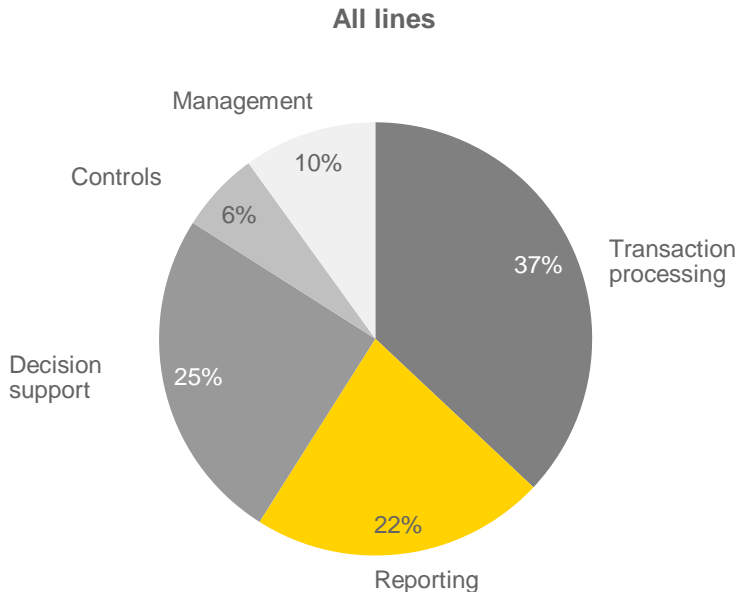
Percent



Question 17: Please provide the total cost of finance and actuarial and, where known the cost by process group.

Cost of finance and actuarial by function*

Percent of total



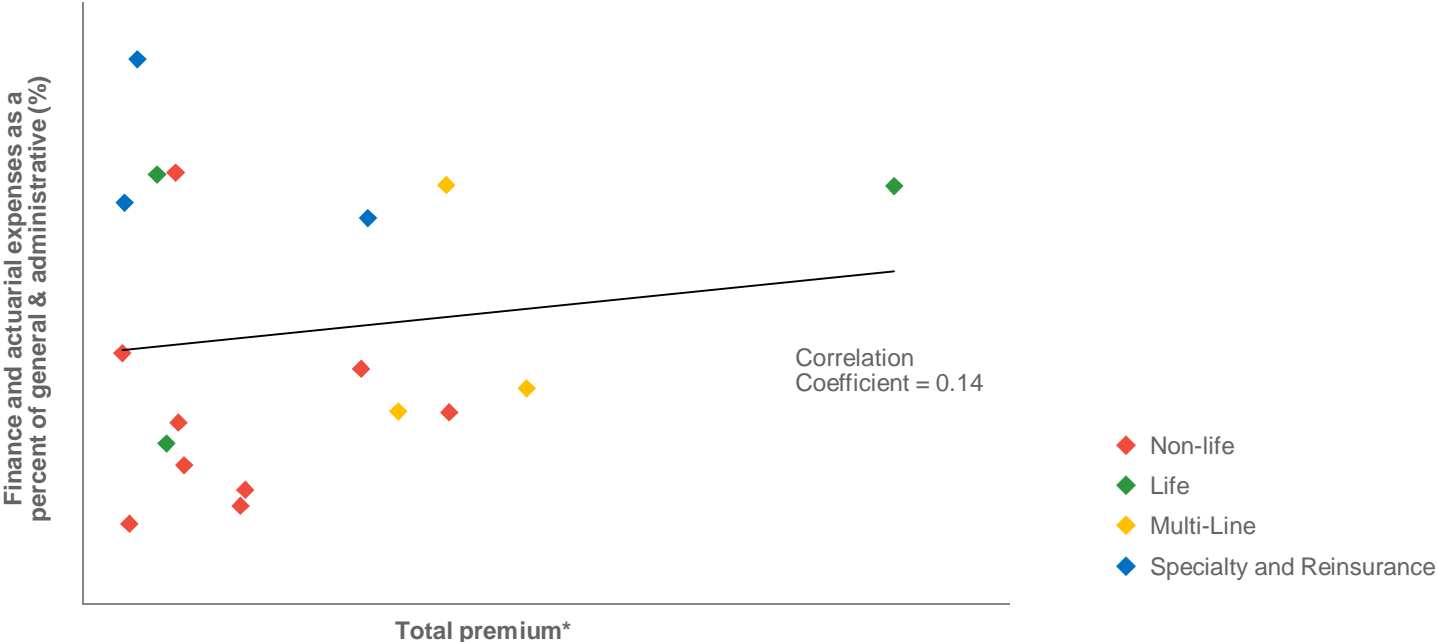
*Cost is defined as personnel cost, systems, outsourcing, overhead, and other expenses

Source: EY Research, 2014

Insurer size is not an indicator of the level of finance and actuarial spend in relation to total administrative expenses. Non-life insurers typically have lower cost finance and actuarial functions compared to life, specialty and reinsurance carriers.

Cost of finance

Cost of Finance as a Percent of Total G&A
By Insurer Size



*Total premium includes life annual premium equivalent plus non-life net earned premium
*Note: Questions 18, 19 and 20 are demographic in nature and were used in the calculation of selected metric and/or to segment results

Source: EY Research, 2014



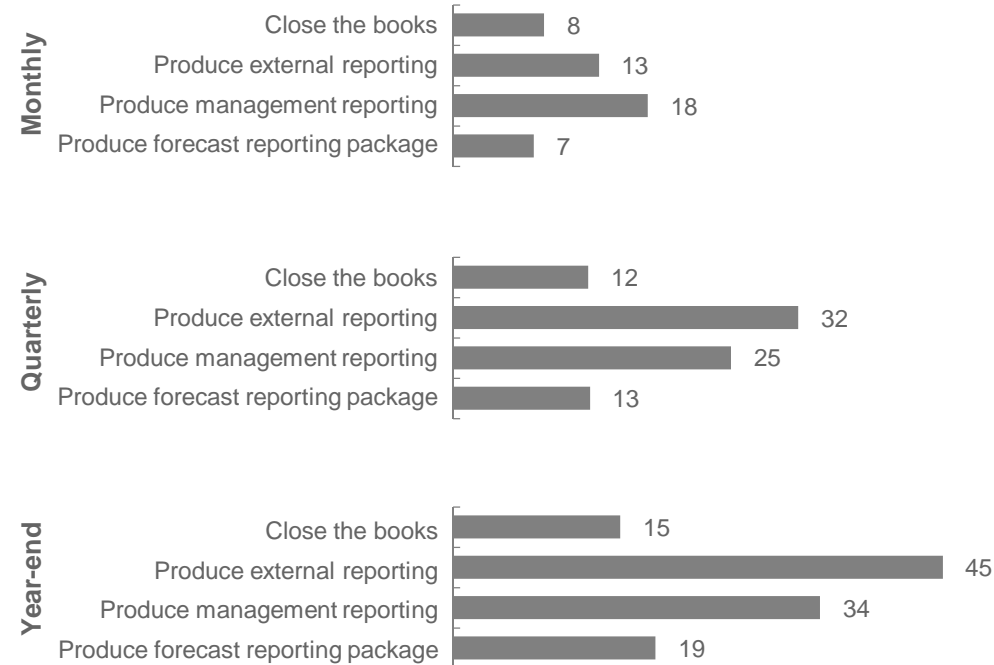
The time to complete given tasks within a reporting cycle varies, with management reporting taking the longest within the monthly reporting cycle

Finance and actuarial cycle times

Question: 21 Please provide the number of working days to complete the following activities monthly, quarterly and at year end

Number of days to complete activity

Average number of working days



- ▶ On average, the number of days to complete a given finance activity is correlated to the timing of the reporting cycle (monthly, quarterly, annually)
 - ▶ Monthly activities were completed in 18 days on average
 - ▶ Quarterly activities took 32 days to complete
 - ▶ Year end activities totaled more than 45 days
- ▶ Management reporting consumes the most time among monthly activities

Source: EY Research, 2014

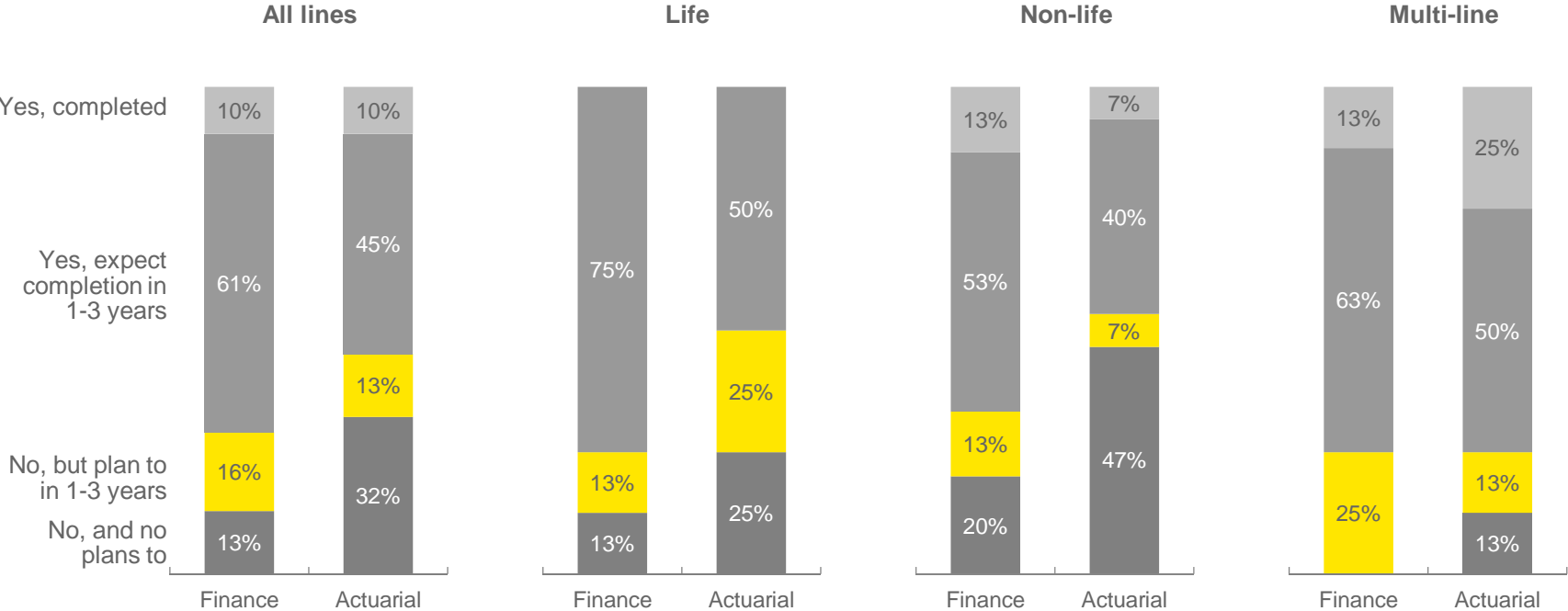


Transformation programs are more likely for finance operations than actuarial with 71% planning or completing an project in the next three years. Nearly 1/3rd of respondents do not expect to transform the actuarial function.

Finance and actuarial transformation programs

Questions 22 and 23: Has your company undergone a transformation of its Finance and Actuarial functions?

Percent of respondents
Percent



Source: EY Research, 2014

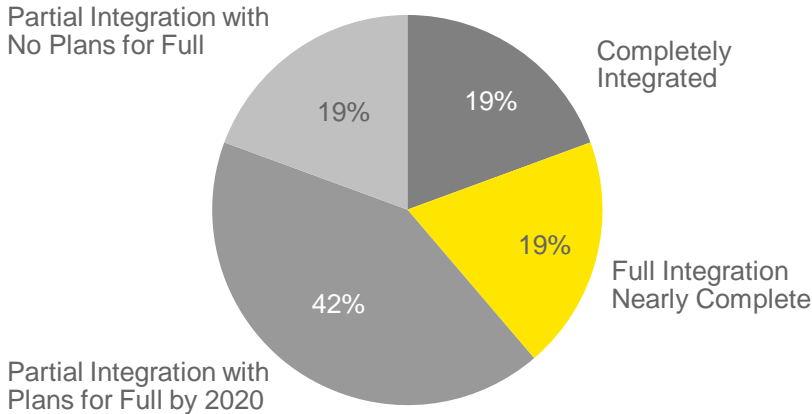


All respondents indicated some level of integration between the finance and actuarial functions with 81% indicating full integration completed or expected by 2020

Integration of finance and actuarial functions

Question 24 How aligned are Finance and Actuarial in the planning, budgeting and forecasting areas?

Percent of respondents
Percent



- ▶ The majority of respondents have integrated or nearly integrated their finance and actuarial functions for planning, budgeting and forecasting purposes
 - ▶ 38% of respondents have completely or nearly completely integrated their finance and actuarial functions
 - ▶ Nearly half (42%) of respondents indicated that they expect full integration by 2020
- ▶ Less than 20% do not expect to fully integrate their finance and actuarial functions
- ▶ No respondents indicated that these functions are not at all integrated
- ▶ 83% of Asia-Pacific respondents noted that they had no plans to further integrate finance and actuarial by 2020

Source: EY Research, 2014

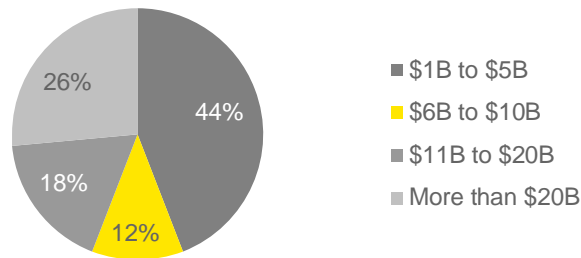
Appendix 1 – Participant demographics



Study participant demographics

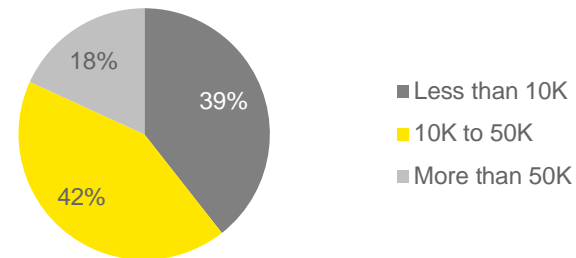
Question 12: What was your organization's level of premiums that were written in 2012? Please provide in USD.; Total Life Premium Volume (Annual Premium Equivalent) and Total non-life Premium (Net Earned Premium)

Percent of respondents by 2012 total premium size



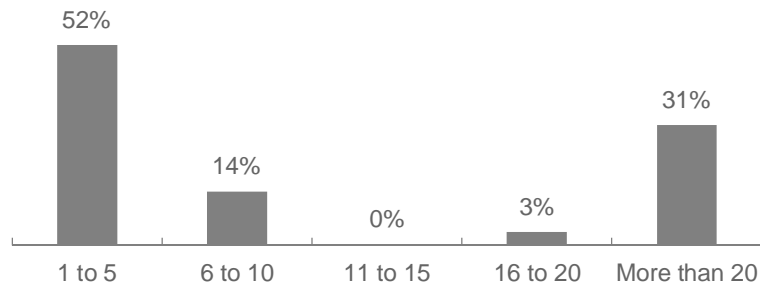
Question 13: How many employees are employed by your company worldwide, across all functions?

Percent of respondents by number of employees



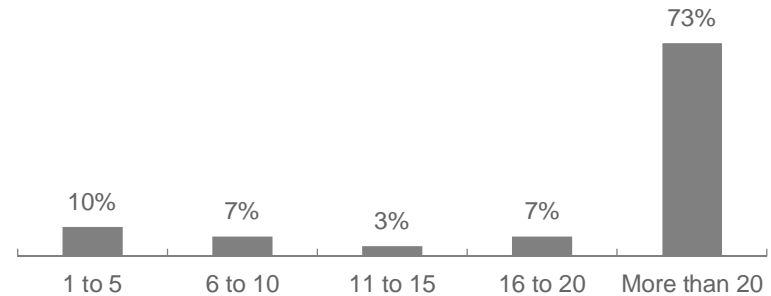
Question 18: How many geographical locations does Finance and Actuarial operate in across your organization?

Percent of respondents by number of F&A locations



Question 19: How many legal entities in your company are supported by your Finance organization?

Percent of respondents by number of entities supported by F&A

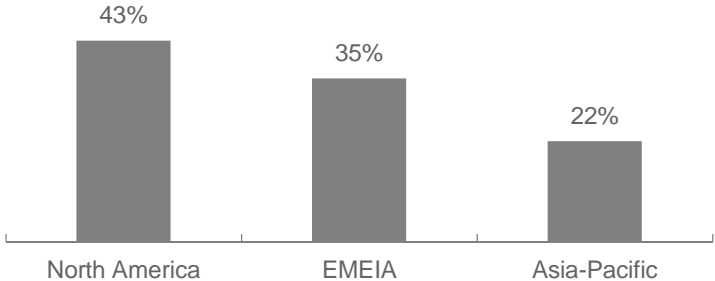


Source: EY Research, 2014

Study participant demographics

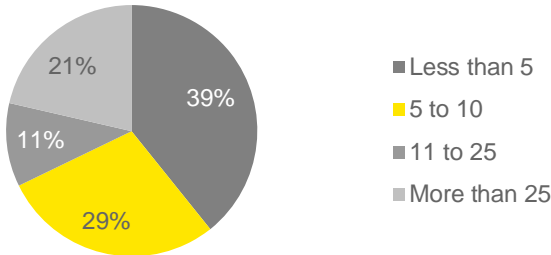
Question 25: Country of domicile

Percent of respondents by geographic region



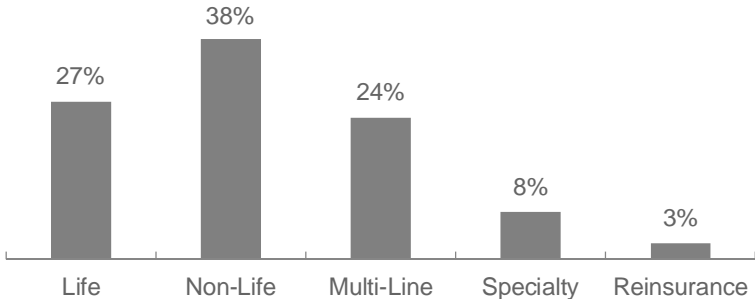
Question 27: Number of countries company operates in

Percent of respondents by number of operating countries



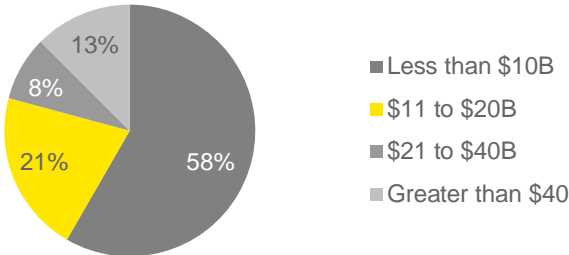
Question 29: Primary line of business

Percent of respondents by primary line of business



Question 30: Total business unit revenue (the total amount of direct written premiums, excluding net investment income)

Percent of respondents by total revenue



Source: EY Research, 2014

Appendix 2 – Maturity models



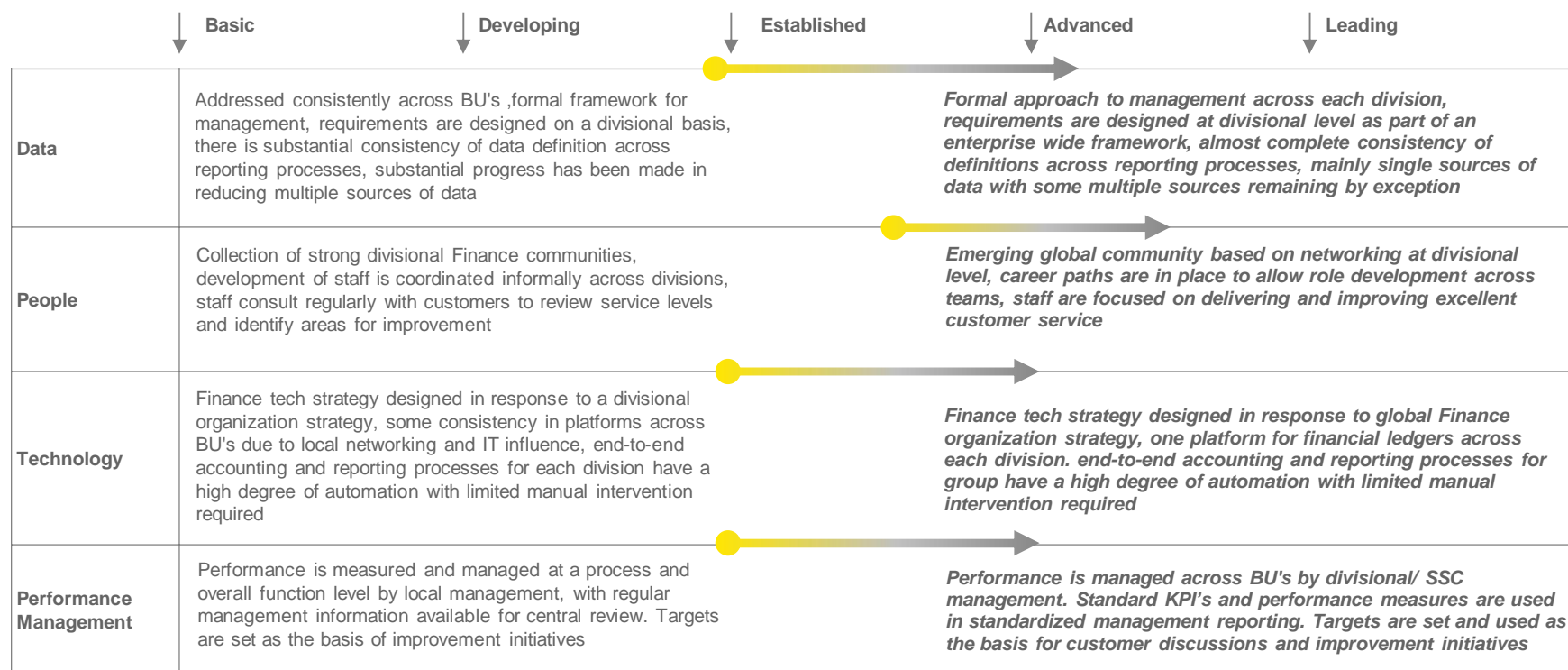
Q6 – For each capability below, please rate the current level of maturity within your Finance and Actuarial organizations. Q7 – For each capability below, please indicate the level of maturity that will be required to meet the objectives of your Finance and Actuarial organizations through 2020.

	Basic	Developing	Established	Advanced	Leading
Operation Strategy	Some services moved off shore, no globalization strategy in place; Small number of roles w/ individual goals, performance measurement aligned to process performance objectives, measures resulting in matching goals and priorities in some parts of the organization; Limited number of staff w/ adequate knowledge of industry, marketplace, business environment				<i>Formulated, implementing strategy to globalize service delivery model to realize labor arbitrage opportunities; large number of roles w/ individual goals, performance measurement aligned to process performance objectives, measures; Most staff has adequate knowledge of industry, marketplace, business environment</i>
Policy	Policies are set at BU level ensuring that division policies are complied with, policies are regularly reviewed and updated within Finance, responsibility for execution of policies is clear within divisions				<i>Policies are defined centrally and are mandated in all divisions, regularly reviewed and updated with consultation, responsibility for policy execution is clear across divisions and is formally documented</i>
Organization	Organized on a divisional with divisional / regional shared services. Business area teams primary focus is production of reporting with value adding commentaries and insight				<i>Organized on Regional basis driven by a global strategy or approach and some global functions, shared services and global services</i>
Governance	Corporate finance steering committees w/ cross-functional representation established for main finance service delivery areas; High-level definitions of roles & responsibilities in place, some accountability gaps; Global process ownership concept accepted at enterprise level, impacting some finance processes				<i>Use of multiple governance methods to gain cross-functional alignment; Clear definitions of roles and responsibilities, accountability for performance; Global process ownership successfully implemented in some areas of the business, crossing functional boundaries, impacting the majority of finance processes</i>
Processes	Identified, standardized and managed formally within divisions and regional shared service centers, divisional process owners exist covering all business unit level processes				<i>Identified and managed formally across divisions and regional / global shared service centers, process owners exist globally covering all divisions and BU's</i>

Legend: Current state **2020 target**

Source: EY Research, 2014

Q6 – For each capability below, please rate the current level of maturity within your Finance and Actuarial organizations. Q7 – For each capability below, please indicate the level of maturity that will be required to meet the objectives of your Finance and Actuarial organizations through 2020.



Legend: Current state ● **2020 target** →

Source: EY Research, 2014

Q8 – For each finance process group below, please rate the current level of maturity within your Finance and Actuarial organizations. Q9 – For each finance process group below, please indicate the level of maturity that will be required to meet the objectives of your Finance and Actuarial organizations through 2020.

	↓ Basic	↓ Developing	↓ Established	↓ Advanced	↓ Leading
Transaction processing	SLs pull from systems require manual intervention; SL data transferred to GL electronically; top-side JEs required; manual & automated processes exist; account analysis is common; electronic document storage exists not user friendly not integrated with system; KPIs defined, established & reporting available; processes regionally centralized not standardized; common COA in use, limited rationalization; receipt and distribution of electronic documents being tested			<i>Automated processes with improved first time match rates; common close calendar in place; transactions standardized, centralized by region; workflow approvals exists; automated reconciliations; Standard COA, governance in place; sub-ledger data electronically transferred to GL, web-enable interfaces, automatic data capture; few JEs needed; KPI are reported to management and effectively utilized; majority originating transactions submitted electronically</i>	
Reporting	Preparation of the BS and P&L automated; Cash Flow manual: established limited set of report types; Adequate and consistent finance technical skills; uneven business acumen within finance; Single master data system within BUs; some manual procedures to interface; consolidation done primarily in ledger with some Excel reporting			<i>All Financial Statement preparation is automated; adequate and consistent technical skills and business understanding within finance; rotation programs and leadership training is available for select individuals; streamlined consolidation using a dedicated consolidation tool</i>	
Decision support	Budget/forecast somewhat models the business; consistent timeframes across org; Execs responsible target setting, achievement, and motivated to set realistic budgets; Most leaders understand the process; Tech platform is implemented, off-line data analysis, use of spreadsheets, and ineffective use of data common; data correctly mapped; moderate confidence in the data; tools relatively easy to use			<i>Components of rolling forecast utilized; BF is a fairly accurate model of business; incentive comp motivates behaviors; leaders understand the process; confidence among leaders; tech implemented to achieve integration of key metrics in BF, decision making; sources of data traceable, confidence in the data, issues exist; tools' functionality easily understood</i>	
Controls	Enterprise & departmental policies, procedures documented, communicated; IA's coordination w/ other risk functions recent; plan developed on dynamic basis, annually, includes subject matter specialists; on major change initiative teams; deployed globally, cost effective structure, leverage local knowledge, presence; co-sourcing showing effectiveness; data analytics not used extensively; tools deployed, not fully integrated, for planning, repository, not internal controls			<i>Enterprise & departmental policies, procedures reflect values of the org; audit plan created in dynamic, flexible format, years' work planned/forecasted, auditee input; key member of change initiative teams; rotational program; leverage off-shore/low cost areas for talent; establishes data analytics to facilitate real-time auditing; tech integrated w/other risk activities; integrated tool automates performance, monitoring risk data capture</i>	
Finance function management	HR has a functional relationship w/ BUs, input on strategic people-related initiatives; IT org has formal plan/approach to ensure alignment of IT with the key business drivers and corporate strategy, effective IT leadership, addresses overall IT governance issues; IT org has formal service delivery plan/approach to dealing w/ issues, problems and risks of delivering IT support services, infrastructure, applications			<i>HR operates efficiently, seamlessly w/ BUs, consulted on people-related initiatives; provides process improvement, controls recommendations: IT org fairly advanced, sophisticated experience, expertise ensuring IT aligns w/key business drivers, corp. strategy; effective leadership, addresses IT governance issues; Fairly advanced service delivery model, sophisticated experience, expertise dealing w/ issues, concerns delivering IT support, infrastructure, applications</i>	



Source: EY Research, 2014



EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2014 Ernst & Young LLP.
All Rights Reserved.

1409-1314868 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com