NOTEBOOK

The biggest issues facing insurance CFOs in 2019

L–R: Messrs Martyn van Wensveen, Philip Jackson, Mahadevan Natarajan, Ms Vanessa Lou and Mr Keerti Chivukula.

Shifting regulatory paradigms, evolving consumer expectations and new technologies have broadened the role of the CFO significantly, especially in the insurance industry in Asia. The 13th Asian Insurance CFO Summit 2019 in Singapore took a close look at how the role of CFOs will continue to evolve in the coming years .

By Ranamita Chakraborty

As the role of the insurance CFO and the actuary continue to blur and merge, Singapore Actuarial Society immediate past president Matthew Maguire said, "The CFO is no longer simply the head accountant … but more the financial CEO."


Mr Matthew Maguire

Explaining this further during his opening address at the 13th Asian Insurance CFO Summit, Mr Maguire said, "The CEO focuses on the overall strategy for the company. The CEO then looks at operational matters to achieve the strategy while the CFO ensures that finances are under control." Mr Maguire also said that all the CFOs he knew came from an accounting background.

He used IFRS17 implementation as a means of illustrating this point. The new accounting regime is intended to apply actuarial concepts relating to the future to the accounting reporting process to understand the present.

"The concept of market-value reporting has been around for a while. Moving away from the value of assets at the time of purchase to the current base is pretty obvious, despite the additional volatility this inevitably imposes plus a high level of subjectivity on some of the assets.

"However, when it comes to the liabilities, especially insurance liabilities, which make up an exceptionally large proportion of insurers' balance sheet - there is a lot more subjectivity in determining their market value. While reinsurers do provide a benchmark on some of the liabilities, for most liabilities - there is no market price so expert judgement is relied upon," said Mr Maguire.

This is where IFRS17 takes us to a whole new level, said Mr Maguire, whose area of expertise has been in general insurance. After attending actuarial conferences over the last couple of years, he has observed an increasing number of presentations, panels and Q&A sessions about the impact of IFRS17 on life insurance companies.

The ripples created by IFRS17

IFRS17 is set to revolutionise the way that financial information is presented – and adoption will require significant planning. All insurance companies reporting under IFRS will be impacted by the new reporting standard when it becomes effective.


Mr Martyn van Wensveen

Commenting on the benefits offered by IFRS17, EY Financial Services Advisory partner and APAC IFRS17 implementation leader Martyn van Wensveen said, "The main point is that it does improve comparability of accounting standards and it does that in a couple of ways notably for evaluating all the different values in a financial statement."

He also pointed out that the new accounting standard requires CFOs to separate the investment component on the asset side of the balance sheet from the liability side. This allows them to see how much the insurer is making from underwriting compared to their asset management activities.

Welcoming the one year deferral to the implementation of the IFRS17 standard, he said, "If it was two years, I think a lot of companies would have decided to stop the project for a little while. That would not have been good. So (in) one year, even the biggest companies will declare a tax free year."

Even though most of the countries in the Asian region are looking to implement IFRS17 in 2022, some countries such as the Philippines, Taiwan, Thailand and Indonesia may take one or two years extra.

Urging companies to speed up their processes, Mr van Wensveen said "You only have 18 or 19 months left if you are among those countries that have to do 2022. Why? Because if you want to have the system ready for the end of 2020 you have less than two years. There is not a lot of time, I can tell you. So if you haven't started, you need to."


Ms Vanessa Lou

"When IFRS17 first came, we thought it was an accounting change so accountants should be looking at it. After a while, accountants said that actuaries should be looking at it," said EY Financial Services Advisory actuarial director Vanessa Lou.

"And I think now everyone's on the same page that we need to work together with the accountants, actuaries and IT teams. The IFRS17 project is not going to be successful if it is just led by one single work stream," she said stressing the importance of collaboration among different work departments in the company.


Mr Philip Jackson

Giving his insights from an actuary's perspective into what the CFO might want to be looking at when it came to IFRS17, Milliman principal and consulting actuary Philip Jackson said, "Maybe we need to change the way that we look at assumptions. Some of those changes are coming from the fact that we are going be very interested in the stability of those assumptions and the reaction to change. So what happens when markets move? What happens when my mortality experience changes? What happens when my customers lapse or do not lapse? How are we looking at that assumption-setting process and is it rigorous enough? Is it ready for the financial statements?"

The new age CFO


Ms Varsha Bipinchandra

In a panel discussion on morphing the new age CFO, Singapore Life chief finance and risk officer Varsha Bipinchandra said that there is no one better than the CFO to understand the levers, cost drivers and profit drivers in terms of communicating and partnering with the CEO and other business partners.


Mr Richard Saggers

Fellow panellist Munich Re regional CFO (Japan, Indian, Korea and SEA) Richard Saggers sees CFOs adding the most value to the management information sphere inside of the business. He encouraged CFOs to be forward-looking and start preparing for the future.

Themed 'IFRS17 – the Real Business Issues', the 13th Asian Insurance CFO Summit 2019 was held from 28 to 29 May in Singapore and was sponsored by A.M. Best. The event drew around 140 delegates from the insurance, reinsurance and related sectors.