

INSIGHTS – SPOTLIGHT ON CFO

Great power, greater responsibilities



Speakers at the 11th Asian Insurance CFO Summit highlighted the rapidly-expanding scope of insurance CFOs' and finance teams in the last few years, especially in the light of the IFRS 17 finalised in May 2017. Amid mounting challenges, they say finance transformation must revisit fundamentals, and pay particular attention to talent development and retention.

By Dawn Sit in Hong Kong



C o-pilot, strategist, risk manager, investment professional. These are just some of the hats that insurance CFOs must wear today, but the list does not stop there. Mr Jason Yao, CFO of Ping An Insurance Group – the largest insurer in Asia Pacific by market capitalisation – also noted the investor relations role that sometimes sits under the CFO function and that CFOs will at times, need to put on the hat of a marketer to “sell” their company to investors too.



And in “marketing” the company, CFOs must not only know their potential investors well, they also need to communicate well in order for interested parties to understand the business better, he added.

Similarly, a panel led by Mr Scott Ryrie, Commercial Director, A.M. Best Asia-Pacific, saw speakers MetLife CFO Lyndon Oliver, A.M. Best Rating Services Chief Operating Officer Matthew Mosher, Zurich Insurance's APAC Head of Finance Peter Hirs and Prudential Hong Kong CFO Nigel Knowles, share that there is an increasing



need for insurance CFOs to be able to communicate effectively to a varied audience, who may or may not possess an accounting or actuarial background.

Not just guardians but change-makers

In her keynote address, Ms Carol Hui, Assistant Commissioner of Insurance, Office of the Commissioner of Insurance (OCI), Hong Kong, said CFOs are no longer just “guardians of numbers”. Instead, they must be invested in the business as growth drivers and change-makers, as well as help lead integration across the company, creating and adding value in the face of increasing competition and the rapidly-changing market.

The insurance CFO's role, she noted, will become more difficult with the recent wave of regulatory changes in Hong Kong; guidance notes 15 and 16, which adopted a cradle-to-grave approach, have brought about unprecedented changes to the life sector in recent years. “Regulatory developments can create some fundamental changes to the well-being of the company. And the CFO who can ride the wave and manage the risks related to these changes will be greatly valued.”

Greater accountability

Ms Hui added that come 26 June, which will



(L-R): Mr Lyndon Oliver, Mr Matthew Mosher, Mr Peter Hirs and Mr Nigel Knowles.

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see the start of the new insurance ordinance in Hong Kong, the insurance CFO will take on statutory responsibility. “Under the Ordinance, the CFO will be considered a key person in a financial control function and will need to be approved by the new IIA, as well as meet the fit and proper requirements under the law.”

It is not only in Hong Kong that more stringent obligations have been placed on CFOs as Mr Peter Cashin, Kennedys’ Head of International Corporate Insurance, expounded the guidelines by global insurance regulators and professional bodies such as the OECD, FSB, IAIS and the International Federation of Accountants, all of which hold the CFO to accountability on par with CEOs.



Mr Peter Cashin

Traditional functions still crucial

Nonetheless, Mr Mosher said that although CFOs’ responsibilities have expanded, the reason they have had to focus more on technical aspects, such as complying with IFRS and solvency standards, was a result of regulatory trends. He and fellow panellists maintained that the importance of reporting and the CFO’s traditional functions must not be discounted even as the CFO is increasingly expected to play a more strategic role alongside the CEO.

Over and above the buzz of disruption, regulation changes and intensifying competition, insurers must dial back down to the basics of the finance function in order to create, transform and realise value, said EY leaders Jonathan Zhao and Martyn van Wensveen.

Mr van Wensveen, Advisory Partner & Finance Transformation Leader, who boiled the finance function down to three key drivers – performance and growth, cost and efficiency, risk and regulation – said it presently faces a “perfect storm” of challenges as a combination of external and internal pressures including disruptive technologies, evolving regulations and legacy systems, add to the already overloaded finance function of traditional insurers.



Martyn van Wensveen

Finance transformation – Back to basics

Traditional finance function must thus transform from its current state of being operations-heavy, entailing mundane repetitive work processes (ie book-keeping), and light on business partnering and analytics capabilities, to a future state that is the inverse.

Sizing up today’s world and business environments, Mr Zhao, EY’s Managing Partner & Asia Pacific Insurance Practice Leader, alluded to an onion and said that regardless of the type of business, the industry’s focus is the customer, and the layers that make up [the onion] are the front, middle and back offices.

Insurers and CFOs must get the front office, which comprises the distribution channels, to work effectively; keep costs low and raise performance in the middle office layer, which deals with claims processing and product development; and internalise transformation with technologies, along with managing compliance and regulatory changes in the back office – in order to create value for shareholders, investors and most importantly, their customers.

IFRS17 implementation

The recent issuance of the IFRS17 accounting standards for insurance contracts was also a key concern, and discussed primarily in a masterclass which included Mr Philip Guo, Partner for Financial Services at Ernst & Young Hua Ming LLP; Mr Rakesh Tanna, Regional Director of Strategic Finance at Prudential Corporation Asia; Ms Ka-Man Wong, Regional Life Chief Actuary & Inforce Solutions at AXA Asia, and led by Mr Tze Ping Chng, Partner for Actuarial & Insurance Advisory Services at EY Hong Kong.

Among other key takeaways, panellists, along with the wider speaking delegation, agreed that the IFRS17 is a game-changer for the industry, to the effect that insurers note its implementation requires almost an entire overhaul of strategies.

Notably, Mr Guo said some Chinese companies even have plans to imple-

ment the IFRS17 as early as 2020 – ahead of the stipulated 1 January 2021 deadline – due to planned IPOs. However, he noted that the implementation of the latest accounting standards must go hand-in-hand with the execution of the IFRS9 standards.

Speakers also highlighted a few of the biggest challenges to operationalising IFRS17. These included ensuring consistency in interpretation across business geographies and units, and detailed budgetary and resource planning of which qualified talent was a significant constraint.

Talent is crucial

Meanwhile, Mr Guo emphasised for companies to hold on to their talent as qualified and experienced personnel will be very crucial in insurers’ operationalisation of the new insurance contracts when the time comes.

Separately, delegates heard from AIA Regional CFO Jon Nielsen and Ms Susanna Sok, Associate Director of Finance Transformation team on the Group’s recent initiative to transform and empower its overall finance function – across all markets – to be “Insightful, Dynamic, and Influential”.

Mr Nielson noted that in the next five years, the biggest challenge to insurers’ finance functions will be people and culture, thus the company decided to embark on a transformation journey to build a next generation finance team that is forward-thinking and a step ahead.

The conference, held in Hong Kong, was organised by *Asia Insurance Review*, and sponsored by EY, A.M. Best, Moore Stephens and MasterCard. More than 130 delegates attended the event, which was supported by the International Insurance Society (IIS), the Hong Kong Federation of Insurers (HKFI) and the Actuarial Society of Hong Kong. ■



Mr Jon Nielsen



Ms Susanna Sok



(L-R): Mr Tze Ping Chng, Mr Philip Guo, Mr Rakesh C Tanna and Ms Ka-Man Wong