

Insurance CFOs look at regulation and reporting standards



From IFRS17 to ESG commitments, there is no shortage of tasks keeping CFOs on their toes under the watchful eyes of regulators. CFOs are also expected to be well-informed about developments in technology. Panellists at the Asian Insurance CFO Summit discussed what it takes to succeed in the role.

By Nadhir Mokhtar

CFOs will have to steer companies through uncharted territory as IFRS17 standards and ESG targets transform the way finances are reported and accounted for. Expertise and talent needed to deal with these changes come from a limited pool. Employment practices also come under scrutiny amid pressure to be more inclusive and diverse in hiring.

“Stakeholder management is very important, especially when we now have an ESG agenda. It is critically important to get someone with the technical know-how as well as all-rounder skillsets,” said Page Executive Asia partner Gabriel Nam speaking at the Asian Insurance CFO Summit about the skills CFOs need today.

“When we talk about ESG, a big part of it is reporting. Data analysis is a big issue for ESG. I think the industry struggles to capture the right data. That’s why the CFO role is getting more challenging in a sense that expectations for IT skills and knowledge are getting higher,” he said

Dealing with changes and stakeholders

CFOs may face issues leading companies through changes as they will need to encourage staff and stakeholders to adapt to new practices. The new reporting standards will test the mettle of CFOs in their ability to communicate changes.

“It really is about the change-management process. How do you persuade stakeholders to accept the new system? How are you going to roll it out? This is what we will consider when hiring a CFO,” said Mr Nam.

“It’s not just a new reporting format - there’s major systems changes for many companies and possibly one of the greater challenges which we’re yet to see play out is communication in terms of how a whole range of stakeholders understand what they’ll be seeing under IFRS17. And it’s a very significant change in terms of how numbers will be presented and how they’ll be communicated. It’s one of the

challenges that we face in terms of how to understand the new metrics and define the new metrics that will reflect company's performance," said AM Best analytics managing director Greg Carter.

Hiring talent for IFRS17

Mr Carter said there is a global talent shortage for manpower to support the adoption of IFRS17, especially when large parts of the world will be adopting the new reporting standards. He said the magnitude of changes required are so great that there are not enough resources available to help implement those for every company.

"We are seeing certain pockets of the world with less-developed regulatory regimes. We've got nascent insurance markets that are still going through a growth establishment phase. There is a shortage of expertise and the reliance on consultants and third-party providers for information is quite significant. IFRS17 came just at the right time for the consulting world after Solvency II had died down. It's been a boom time for consultants. I still think there's a lack of depth of knowledge and understanding across the industry in general," he said.

Keeping track of emerging regulations

While the insurance industry moves to an increasingly intangible-valued world and the regulatory burdens continue to rise, Mr Carter said the challenge for insurers is remaining relevant to the risks that consumers are concerned about.

"I think there is a danger, if you have too much regulation, that you strangle the industry and it no longer provides the cover that insurance was originally invented for. That's one of the fine lines that the C-suite has to thread. And I don't think that falls any more on the CFO than of the other senior management, but it is clearly a big factor for CFOs to be thinking about," he said.

"They should put in place an adequate monitoring regime to allow stakeholders to be well-aware of emerging requirements. There should also be ongoing dialogue with the respective regulators and working with the risk teams and making sure to provide timely updates to the board of directors in the senior management on an ongoing basis to make sure there are no surprises with the emerging developments," said QBE Asia CFO Tay Siang Leng.

CFOs the natural choice for the next CEOs?

Panellists also discussed if CFOs are the best candidates to be future CEOs, a role that requires more than just being adept at managing the financial operations of a company. Mr Nam said a CFO who has demonstrated a strong performance in corporate projects beyond finance will have a better chance of landing the role.

"We are masters of data, numbers and we derive good insight and analysis from figures that come out of it. But what do you do with it? How do you use that data to drive better decisions for the company? How do you use that to better customer relationships? How do you use it to drive a better customer value propositions?," said Mr Tay.

"I can see why the CFO is often a logical replacement for the CEO because in a successful company, those two functions must have worked very closely together. I think there is a great intermingling of those roles, the CEO and the CFO, and to a certain extent, chief underwriting officers as well. They must be on the same page that if the CEO leaves, the CFO is very well-prepared and trained to step into that role," said Mr Carter.

The Asian Insurance CFO summit was held virtually on 30 and 31 May. 

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