

Business growth remains top priority for insurance CFOs despite additional challenges of COVID-19 pandemic

12 Oct 2020

Data taken from a survey of 15 Chief Financial Officers (CFOs) from across major insurers operating in the UK

- Business growth remains the top priority for 8 out of 15 insurance CFOs over the next twelve months, and five see it as the main focus over the next three months
- Business planning and cost reduction also remain high on the agenda: 11 CFOs and eight CFOs respectively ranked these in their top three priorities
- More than 60% of respondents updated their Solvency Capital Requirement (SCR) in H1 2020 as a result of COVID-19 and 86% of insurance CFOs are monitoring their solvency position more frequently
- 62% of insurance CFOs are planning to automate up to 20% of their finance controls in the next 12 months due to the increased move to remote working
- Insurance CFOs to increase focus on sustainable finance in line with regulatory requirements; 54% are at developing phase of integrating climate risk into annual report disclosures; 62% at developing phase of integrating climate risk into stress and scenario testing and 46% into governance

Yolaine Kermarrec, UK Insurance Partner at EY, comments: “For much of this year, as expected, insurance leaders have been concentrating on mitigating against the impact of COVID-19, but perhaps surprisingly the majority remain focused on business growth. However, the pandemic has changed industry thinking on a number of fronts and has forced firms to think differently about their strategies; some moving into new sales channels, others looking at different product lines to increase market share.”

Business planning and cost reduction remain high on CFOs agenda

“Business planning is another top priority, and arguably more important than ever before given the complexity of the current environment. There’s been an acceleration of technology-led transformation as insurers have refocused on agile, virtual processes as a means of responding tactically to the challenges brought by COVID-19.

“Cost reduction also remains high on the agenda and will continue to be a key focus over the next twelve months. Expense ratios are under increasing pressure as claims have risen amid COVID-19 and CFOs will be keen to ensure cost reduction programmes deliver on time and within budget.”

Solvency position more critical now post-pandemic

“Insurers’ risk profiles have undoubtedly changed due to the pandemic, with an increased emphasis on protecting the capital position. CFOs are taking a number of measures to

maintain strong solvency ratios within the target zone and are monitoring this more frequently than pre COVID-19, driven by both management demand and increased regulatory reporting requirements.”

Greater automation of finance controls following move to more remote working

“Controls have also become increasingly important with the overnight move to remote working, and many CFOs are planning to automate a proportion of their finance controls over the next year. In addition, we expect insurance CFOs to progressively increase their focus on sustainable finance and climate change with regulators requiring financial services firms to integrate Climate Risk into their business, including financial reporting, by the end of 2021.”