



Time for a Temperature Check?

Actuarial Processes and Controls



Your Partner For What's Next

Actuarial Processes & Controls

Over the past 9 months, the way in which we've worked has changed drastically. Like it or love it, you're no longer facing the daily commute, you're catching up with colleagues over Zoom rather than over coffee and you've swapped out the fancy office wear. Despite all this, the work itself hasn't changed and this fact has, in itself, introduced some challenges.

Ignoring the logistical challenges that many companies faced in managing this transition (sourcing a few hundred laptops, aligning the software and security protocols and distributing them to staff at short notice is no easy task), most have found that working from home ("WFH") has been a relatively seamless transition. However, not all aspects have gone smoothly. For example, in reporting processes, those who leveraged cloud-based computing saw almost no impact

on their model run times. However, those that relied on high-spec hardware and server access faced challenges as either their laptops could not replicate this performance or remote-desktop applications were constrained by broadband capability. Nearly every client we engage with has had some aspect that has not worked smoothly, which meant that they would have loved to be back in the office, if even for a few hours. What we're encouraging you to do here is to note those issues and act upon them. In light of COVID and the rapid changes to how we're working, we'd encourage you to explore some of the practical challenges you now face and consider a message we often pass on to our clients – process improvement is a continuous exercise and there's never a bad time to make things better, faster or easier.



Review Your Process

Clarity of Purpose

What is your process trying to achieve?

Start with the end in mind. Are you trying to produce accurate financial reporting in line with regulatory deadlines, or reprice motor insurance premiums on a daily basis in line with competitors?

Ask yourself what you are doing and why you are doing it.

Often times, the processes we leverage on a day to day basis have evolved continuously over time. When we take a step back and try to achieve clarity of purpose, we can spot the unnecessary steps we are taking (or the steps we're missing altogether).

Create a Map

Highlight each step in your process.

Create an overarching process map. For each step, it is then possible to consider the components of the step and how they contribute to the overall process.

Critically consider each step, its aims and the effort involved.

Ask some questions about each step, for example – what are the controls like at this point? What resources are required at this stage? What are the individual sub-components of each specific process step? What are the critical paths and dependencies? What are the items that can be accelerated (perhaps taking place earlier in the process)? Noting the desired output from the step and the time and effort involved may cause you to question whether it supports your overall aims. Also worth considering are handover points; inevitably these introduce risk to the process. WFH can layer in challenges here, so identify where these points may be.



Reflect

What has worked well and what has not?

Reflect upon your experiences in the past few months.

Set aside some time to think about what you have learned, and, potentially, what has frustrated you and your team. What are you trying to do that no longer works in a WFH environment? Why do these things no longer work? What would you change to make things easier? Ask your team to do the same – collective buy in at this stage can support collective efforts to resolve the issues you identify.



Develop Solutions

Solve

Identify potential solutions.

Given the issues earlier in the process, what are the steps you need to take to actually rectify them? What are the solutions you could implement?



Prioritise and Act

Identify the first step, then act.

What are the activities that will deliver the most impact? What are the items that need to be done first? If you could make only one change, what would it be? Once again, engage with your team, seek out their views and collectively agree on what's important and what you will implement.

When action is taken, ensure you give sufficient time, and resources, to each of the improvements to be made



Implementing Solutions

Potential Focus Area	Potential Issues	Solutions Observed/Implemented by KPMG
Manual Processes	<ul style="list-style-type: none"> Manual processes are a poor use of skilled resources and WFH can increase operational and risk related issues in this space. Free-up skilled resources by giving them the time to develop automated solutions to time-intensive manual tasks. 	<ul style="list-style-type: none"> The use of automated data manipulation tools. Automate processes for model updates/model runs. Redevelop existing platforms.
Simplify	<ul style="list-style-type: none"> Delete unnecessary process steps. What is, and what is not, supporting you achieve what you identified in "clarity of purpose"? 	<ul style="list-style-type: none"> Process review. Peer Review. Control and Risk Assessment.
Tools	<ul style="list-style-type: none"> Consider the tools you are using; what are they? Are better alternatives available? Can you leverage cloud-based, rather than desktop-based systems? Can you switch from Excel to R or PYTHON for data manipulation? Can you use array-based modelling to accelerate model run times? 	<ul style="list-style-type: none"> Model redevelopment. Implementation of array-based modelling. Implementation of data analytics-based software.
Control and Review	<ul style="list-style-type: none"> Consider your controls – what are they? Issues have emerged in that controls are not suited to a WFH environment, or that controls are poorly designed and do not identify or prevent risk 	<ul style="list-style-type: none"> Review design and implementation of controls. Review risk framework.
Documentation	<ul style="list-style-type: none"> Existing documentation may be poor Process improvements may lead to divergence between actual and documented processes Magnifies audit, regulatory and key person risks 	<ul style="list-style-type: none"> Documentation review Documentation enhancement

Of itself, having the discipline to review and reflect upon your processes may highlight improvements. The activities you undertake need not require significant investment; a brief chat with colleagues about how a specific meeting is organised could have sufficient positive impact. The fact is, we're all busy and we're getting busier, so you may not be able to free up weeks of time on such initiatives. However, any action is better than none.

We all want processes that are faster, smoother and less prone to risk, but the fact is that achieving this requires some

effort. There's never a good time to make this effort and most of us will always find an excuse not to do it! However, freeing up a small amount of capacity to even consider it could repay itself in a very short space of time.

Brendan and Dave are actuaries in KPMG Ireland's life actuarial practice, both of whom have been involved in the transformation of reporting processes. Activities undertaken by the team include control review, control implementation, model redevelopment (platform and array-based modelling) and enhancement of data flow processes.

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