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The Changing Role of an Insurance Industry CFO: From Accountant to Strategic Consultant

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Accounting, budgeting, auditing, taxes and more have always been the traditional building blocks of the finance function. But today's business landscape is rendering those blocks insufficient to the big picture. These elements are foundational to the health of the enterprise, but the role of the CFO has broadened significantly. Especially in the insurance industry, where regulatory upheaval and evolving consumer expectations are top concerns, CFOs must fulfill a more strategic position in order to drive enterprise-wide value.

Evolving from a Historic to Future View

Traditionally, the CFO focused primarily on numbers that had already come to fruition. Even now, the finance team is still in the weeds with highly transactional responsibilities. But accounting activities, financial reporting, tax audits, and all the other functions that go hand-in-hand with managing historical data have become just a fraction of the CFO's responsibilities. A [McKinsey survey](#) reveals that a massive 41 percent of a CFO's time is not spent on either traditional or specialty finance duties, but on other areas such as strategic leadership, performance management, and big data and analytics.

New technologies make it easier to predict the financial impact of business decisions, requiring CFO's to become more technically savvy and innovative. The more data an organization can gather, organize, and analyze, the more strategic the CFO can be. This also requires that a CFO is intimately familiar with all aspects of the enterprise, from the frontlines on up to the C-suite, evaluating performance metrics of each function and adjusting as necessary to fit with evolving objectives. A deep understanding of risk management and the ability to model multiple scenarios are equally critical factors in helping to make fully informed business decisions.

In essence, today's CFO is a co-pilot to the CEO of the organization, providing key insight and advising on the potential outcomes and growth opportunities of each business initiative.

What Today's CFO Needs to Know About Technology

Financial technologies – commonly known as FinTech – are transforming the enterprise, impacting more than the finance department alone. Many of these tools have existed to some extent for many years but are now becoming broader in focus and more streamlined to use, allowing CFOs and other finance leaders to build greater insight about the state of the business.

Technologies like big data, predictive analytics, robotic process automation (RPA), AI, digital

dashboards and more are instrumental in enabling the insurance CFO to be more proactive and strategic. At the very least, [digitalization in the insurance industry](#) can lead to optimized capital allocation, automated transactions, streamlined accounting, and integrated platforms. Furthermore, driven by real-time advanced analytics, machine learning and pattern recognition, and predictive and prescriptive analytics, CFOs can help insurers recognize higher returns, decreased risk, increased accuracy and transparency, improved forecasting, and overall better business decisions.

However, in an industry such as insurance, data has traditionally been highly siloed and regulations have been slow to catch up with technical innovation. As a result, many CFOs are challenged by their organization's lack of digital finance capabilities or are faced with roadblocks that impede digital transformation. For some, it's a matter of cost; for others, it's an issue with data privacy and integrity. On top of that, many are faced with unstructured data, incompatible data sources and platforms, and highly manual processes.

An additional consideration is how the entire finance department will evolve as more digital tools are integrated into the insurance workplace. Technical training will be a key component, but it also may be necessary to reevaluate the job descriptions of each staff member, molding and building the team accordingly.

Overall, until businesses get strategic about their digital finance capabilities, the CFO will struggle to deliver the level of insight needed for the organization to rise to the next level.

How Today's CFO Is Challenged by the Insurance Industry

As the CFO's role becomes more strategic, the challenges facing the insurance industry become more pronounced. In particular, regulatory demands are a significant burden. Ever-changing regulations can be a major distractor from the strategic work of the CFO but are nonetheless critical to the health of the organization. For example, the details of cyber regulation are far from set-in-stone but will nonetheless heavily impact just how insurers implement, use, and protect their data from the growing presence of cyber threats. Other areas of regulation on the CFO's radar are the DOL's Fiduciary Rule regarding consumer best interests, corporate governance disclosures, market conduct, and much more. Today's CFO is faced with achieving the fine balance of maintaining compliance while optimizing the enterprise from a digital and financial perspective.

The second major challenge facing the strategic CFO in the insurance sector is evolving consumer expectations. Today's insurance customers are much more savvy, researching their

options thoroughly before making a decision, and yet still crave a personal connection with whomever is doing the selling. This evolution is impacting [insurance distribution models](#), forcing many companies to adapt to [direct-to-consumer insurance channels](#). In these scenarios, it's the CFO who provides key insight on how the bottom line will be impacted and where an insurer can create greater value.

As digitalization becomes more widespread in the insurance sector, the strategic CFO will also have to face the challenge of building the right team to support the financial function. A [recent PwC survey](#) revealed that 32 percent of jobs in the insurance and financial fields will be rendered obsolete as a growing number of tasks become automated. As transactional roles get phased out by technology, more complex roles will be needed to support the strategic initiatives of the finance department. CFOs need to adjust their hiring profiles and practices accordingly, supporting these new roles with training and development programs as the field continues to evolve.

The Changing Role of the Insurance Industry CFO

As the insurance sector catches up to digital trends, organizations will need to reevaluate the profile of the CFO. Whether they are promoting from within or hiring an external resource, companies must recognize that as this role becomes more strategic, the traditional career path of a CFO becomes increasingly outdated. Companies should look for a [cross-functional leader](#) with exceptional communication skills and a unique vision for addressing complex situations. It is this type of individual who can genuinely help insurers achieve higher growth, reduce risk, and uncover greater opportunities.

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