

The evolving role of the reinsurance CFO



It has been quite the year. COVID-19 has impacted many aspects of our lives and jobs, and it is not going away anytime soon. Nothing has been left untouched; the way we interact with friends and family, the way we work and commute and the way we consume and spend, says **Allianz Reinsurance's Ms Olga Petrenko**.



“The coronavirus has hit the insurance industry like a meteorite impact,” said Allianz CEO Oliver Baete.

The situation has ‘forced’ many of us to move out of our comfort zones and to take on greater responsibilities in our current roles. For today’s CFOs, the pandemic has reinforced their broader strategic role as an adviser as organisations are reaching out to them not only for financial numbers, but for their advice to forecast and drive future growth.

Expanded role

Traditionally, the CFO’s primary responsibilities are managing and running all financial activities. These responsibilities are still valid till today.

However, the role has expanded as innovation and digitalisation are

accelerating significantly during the pandemic. The acceleration of digitalisation has not only impacted front-office areas such as product development and interaction with customers but has also spilled over the finance areas as well.

In addition to maintaining their traditional responsibilities, today’s CFOs need to possess unique competency in their leadership qualities to steer and even lead technological transformation. This requires being creative, agile, forward looking and having the aptitude to make quick decisions whilst under stress.

With so many competitive forces and challenges in the market place, it is paramount that the finance function is positioned to support the business strategically. Dynamic forecasting tools and capabilities play a much larger role than

previously to fortify the decision-making process.

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Expectations and demands

Naturally, the CFO is expected to deliver reliable financial figures and reporting on time. However, at present, it is not enough only to produce figures. These financial figures are not just numbers.

They have to be translated and explained comprehensively to support business-strategic decisions and drive transparent communications based on the short and long-term implications to the management, board and stakeholders. Especially in the current COVID-19 environment, the CFO has a vital role in promoting trust, not only within the company but to other stakeholders as well.

Given the shifting market dynamics and rising complexity in the world today, there are a variety of topics that the CFO has to examine holistically in order to present effective solutions to the management and board.

Whether it is in the areas of liquidity, forecasting and stress testing, supporting product development, reacting to volatile financial markets and new hedging strategies, a CFO's advice has to be efficient, effective and realistic.

Interestingly, change is another topic that today's CFO has to possess the skill to manage and support with a clear focus on long-term returns, whether it is the new way of working digitally, ESG, new capital management solutions or consolidation initiatives.

The new way of connecting

Nowadays, where we work is no longer important. Before the pandemic, offices were thought to be critical to productivity, culture and managing talent. Most companies would compete for prime office spaces in central business districts just to be in the right place at the right time.

However, during the pandemic,

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many of us were surprised by how quickly and effectively we successfully adopted new technologies and forms of digital collaboration.

The expectations between employees and management has changed too. Previously, it took a high level of trust to allow an employee to work 100% from home. Now, both parties have to appreciate each other's needs, strengths and limitations.

Managers have to show that they are ready to support and take care of the mental and physical wellbeing of their employees, continuously motivating and instilling a positive spirit whilst working remotely.

At Allianz Re, we connected virtually with our employees quite extensively during the pandemic. Physical meetings with customers and business travel are now considered a thing of the past, as meetings can be made possible via digital solutions. To compensate for the lack of personal interaction, we held informal team calls on a regular basis just to catch up on private and social matters.

At Allianz Re Finance in Singapore, we switched from office to home environment almost immediately. Everyone adapted quickly and effectively toward this virtual working environment. The change has been successful as we were able to meet all our timelines and deliver quality financials on time.

At the same time, with the global COVID-19 pandemic making working-from-home a permanent feature of business models, we observe that process and documentation improvements combined with digitalisation are becoming more important than ever

before, adding value in the finance environment for both companies, authorities and other stakeholders.

There are still uncertainties with regard to the future development of economies and markets as COVID-19 is still looming. The risk management aspect, protection and health of our customers will gain importance. The focus is to understand the changes in our customers' expectations and demands and how we can develop the products and relationships accordingly.

Evolution

The role of the CFO has evolved especially during and post COVID-19 era. It is no longer about number crunching.

The CEO expects the CFO to be a strategic adviser in all aspects of running the organisation, especially facing highly volatile markets and macroeconomic conditions. At the same time, a CFO today is expected to deliver the most effective measures based on long-term perspectives and also to be the enabler of change for the organisation to adapt for the future.

Given the recent developments, there will be more changes in the reinsurance industry over the next few years. It is possible that the COVID-19 crisis may have accelerated this process. The success of innovative transformation for the organisation has also impacted the way CFO's welcome and embrace these changes.

The CFO of tomorrow needs to act as the business enabler and supporter in order to balance the old and new roles whilst being the strategic adviser for the organisation. ■