The Impact of Disruptive Technology Trends on Financial Modelling

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Much is currently being made about the so-called disruptive technology trends emerging around us and how these changes are likely to be even more fundamental to businesses than dawn of client-server computing in the 1980s. In this research note we review the potential impact of each of these and other related trends on the financial modelling environment of tomorrow's insurance company. After years of limited investment are the existing solutions really ready for the faster, better, and more reliable modelling needs of today's insurance industry? How might emerging technology trends help address these challenges, while at the same time reducing the overall cost base and increasing operational efficiency for the financial modelling function?

Background

Historically financial modelling systems have largely been isolated from emerging trends across the technology, regardless of their potential benefit to the model development or operational community. The significant investments made in existing modelling capability together with the barriers to change in a slow moving business, means the features of financial modelling systems have evolved little since their inception in the mid-1990s. While there is no doubt that improvements in processor speed, addressable memory, and distributed processing have provided tangible benefits in the operational environment, the underlying models while probably more complex, are largely developed and used in the same way, with the same challenges and shortcomings.

Given the critical role which many financial models now play in the operational and regulatory cycle of an insurance company, but with the majority of models still designed, development and used in an environment isolated and largely disconnected from the enterprise architecture and IT function of the firm, can today's insurance companies continue to rely on existing modelling capability to deliver the future needs of the business?

And what of new, non-traditional competitors (e.g. supermarkets or technology firms) entering the insurance market with a backbone of well-integrated, cost effective and scalable technology? How would a traditional insurer with its legacy systems and considerable IT debt compete on level terms with any new players?

Further Information

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The following related research and analysis from Quintant Partners may also be of interest.

- Financial Modelling 2.0 – What Next?
- Actuarial Systems Strategy Development Toolkit
- Total Cost of Modelling Platform Ownership

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