



# Embracing disruption: a fundamental rethink is critical for Insurance CEOs



Insurance CEOs think the next 3 years will be more critical to the industry than the past 50 years combined. Not surprisingly, most are deeply concerned about disruption.

## Feeling the pressure

There is certainly nothing boring about today's insurance sector. Disruption is all around and unavoidable. On the one hand, change is being driven by nimble InsureTech startups and bold new ventures that leverage entirely new business models and technologies to disrupt the traditional insurance value chain.

At the same time, changing customer preferences and the introduction of cutting-edge technologies are disrupting the way insurers interact with consumers and sell products. Across the sector, we are seeing incumbents competing to introduce new technologies, from slick apps and automated advisors at the front end of the value chain through to robotic process automation and cognitive computing at the back.

The value chain is being disrupted, not only by new players entering the market, but also by traditional players trying to capture a greater share of the market. We are also seeing reinsurers taking steps to move further up the value chain and "play direct". And as they seek out new partners and routes to market, traditional insurers are starting to feel the pressure.

## Fighting fire with fire

Insurance CEOs are justifiably concerned about all this disruption. In a recent survey of more than 100 insurance CEOs conducted by KPMG International, two-thirds admitted they were concerned or very concerned about the threat

from new entrants. Seven-in-ten said that the next 3 years would be more critical to the industry than the past 50 years.

The risk is also clear to insurance execs. Almost 80 percent of our respondents said they are concerned they might not be staying competitive when it comes to new technologies. A similar number said they were worried their products may not be relevant in the next 3 years.

Recognising that the best defence is often a strong offence, most insurers are now investing into new and disruptive technologies. In fact, all but one CEO in our survey boasted they were already using disruptive technology in some way. The majority – two-thirds – said they were using these new investments to improve their product offerings and enhance customer interactions.

## From pilot to profit

While Insurance executives should be applauded for encouraging experimentation and innovation, our experience suggests that few have been able to convert these discrete projects into tangible value for the organisation. With so much change underway across the sector, most are struggling to make any decisions at all about how to adapt to, or adopt, disruptive technologies and business models.

Our experience suggests that the underlying problem is one of clarity. Insurance CEOs are struggling to articulate a clear future vision for

their organisations. Those that have some clarity are unsure what steps to take to remain relevant to their customers and their value chain.

The problem is that – without clarity of purpose – insurance organisations risk repeating mistakes of the past. Too much money has been poured into 'transformation' initiatives that deliver no real transformation; too much time has been spent experimenting with disruptive technologies without anything being disrupted; too much effort has been put into incubating technologies without a clear view of how these investments will help drive future growth.

## What will you be famous for?

We believe that insurance CEOs need to start by understanding the trends now disrupting the market and assessing where their organisation will 'play' in the next 5 to 15 years. What role do they want to play in the lives of their clients? Which markets and segments should they focus on? And what will it take to 'win' in the future environment?

With a clear vision for the future and a sharp focus on their target client segments, insurers will then need to fundamentally deconstruct their current client journey to truly understand how clients are being served all the way through the value chain and the business. This will require the C-Suite to look across the traditional silos and functions to take a much more client-centric view of their current processes, technologies and business models. We are entering the

era of enterprise wide thinking with greater significance on getting it right than ever before.

Only then should the focus shift towards technology – disruptive or otherwise – and how it can be harnessed to enable the organisation to achieve its future vision. The winner will not be the one with the newest tools – it will be the one who knows how to bring the right capabilities together to execute on their business and customer outcomes.

### 5 steps to success

Understanding where you want to go is one thing – and often takes longer and requires organisations to look deeper than they have before. Clarity of direction, of starting point and of design are fundamental.

Taking the right steps to achieve that vision has a greater chance of success in this context.

Based on our experience, here are five tips that should help insurance CEOs make the most of disruption in the market.

- 1. Build broad consensus for your vision and ambition:** Make sure the c-suite, respective leadership groups and all stakeholders – shareholders, employees and regulators in particular – understand and buy in to your vision.
- 2. Drive enterprise wide design of solutions:** Assign senior executives with responsibility for creating and continuously improving the end-to-end client journey.

**3. Get into the trenches with employees:** Go to the front line to understand the real barriers facing your employees as they strive to better serve customers.

**4. Move from design to delivery with a manageable slice of the business:** Don't focus on wholesale change; start by mapping the client journey within a smaller part of the business and scale up from there.

**5. Continuously connect signals to solutions:** Maintain a long-term outlook but be willing to adjust as new opportunities and technologies emerge that enable your strategy.

### Set the pace or risk falling behind: Insurance CEOs speak

This article is from our *Set the Pace or Risk Falling Behind* article series.

In 2016, KPMG interviewed more than 100 CEOs at some of the largest insurance companies around the world. We asked them about their greatest challenges and their business strategies. We talked about their investments into growth and innovation, and explored their greatest risks.

In our article series we present the findings of our research and provide context and ideas to help insurance executives make the most of the changing environment. The series of unique articles focuses on key themes such as transformation, data and analytics and customer-centricity and offers new ideas and actionable tips in emerging areas such as automation, partnerships and cyber security.

To read other articles in the series visit [kpmg.com/au/insuranceceos](http://kpmg.com/au/insuranceceos)

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