



# Future of Small and Medium Business Commercial Insurance

**KPMG Connected Enterprise for  
Insurance**

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# Foreword



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The COVID-19 pandemic has disrupted businesses of all shapes and sizes around the world. For small and medium businesses (SMBs) it has posed particularly significant challenges, given their typically thin cash reserves and dependence on a small number of routes to market. SMBs also tend to have relatively low levels of business insurance, viewing it as a cash outflow that may not provide them with the benefits they actually need.

However, the pandemic has served as a powerful demonstration of the value of insurance protection and many SMBs are likely to review their arrangements in its wake. This creates significant opportunities for insurers who can provide the right range and choice of cover, through the right channels, at the right price.

Those insurers that can drive a truly differentiated SMB proposition — putting the segment’s business needs and customer experience at the heart of everything they do, and connecting it across the enterprise — have the potential to secure a significant competitive advantage.

It is this notion of becoming a Connected Enterprise that we explore in this report, setting out the hallmarks of Connected Insurance in the SMB context. We explore how this may manifest itself across what we see as the three likely dominant ways of working for small and medium commercial insurance in the new reality we are entering.

The trends we discuss are not new, but they have been significantly intensified by COVID-19. High on the agenda is the need for insurers to bring SMBs more seamless and integrated digital products and services, combining value, convenience and a range of packaged benefits. To do this, insurers need to leverage the power of data to anticipate and meet emerging customer needs, and work fluidly in a wider ecosystem of partnerships and alliances to bring related and complementary solutions.

These abilities all depend on having a Connected Enterprise in which eight key capabilities power a customer-centric approach. Everything is focused on meeting customer expectations and needs. Front, middle and back offices are aligned and create business value, driving sustainable growth.

Becoming a Connected Insurer takes commitment and determination. To truly serve the SMB segment, achieving it has become more important than ever before. It is the key to providing SMBs with the dynamic and flexible value they need.

We hope you find this report valuable in illustrating what the future of small and medium commercial insurance holds. If you would like to discuss how we can help you evaluate and make faster progress on your organization’s connected journey, please contact us.

Throughout this document, “we”, “KPMG”, “us” and “our” refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

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# Signals of change



*The time for change is now.*

The SMB segment is a key market for insurers, but it has historically been underinsured and with sub-optimal experiences of insurance products. Now, with the impacts of COVID-19 heightening the need amongst SMBs for targeted and tailored cover, the opportunity exists for insurers to make new in-roads in the segment if they can evolve their propositions to take account of today's signals of change:



## Economic and regulatory realities

The global impact of COVID-19 has introduced new pressures on the insurance sector. Increased liabilities and exposures, combined with reduced investment returns in a recessionary environment, are squeezing profitability and clouding future prospects. At the same time, insurers face regulatory uncertainty due to an expectation gap over the cover provided by certain products during the pandemic. With regulators in different regions potentially taking different stances, this creates a difficult environment for insurers to navigate.



## Customer experience expectations

The SMB sector is large, diverse and dynamic. But many small and medium businesses have come under intense strain through COVID-19 — facing disruption to business, reduced sales and cashflow squeezes. In the US for example, around a third of small businesses have shut down and half of personal businesses are no longer operating<sup>1</sup>. Historically, SMBs have been reluctant insurance customers — only taking out cover through necessity. They are skeptical of the benefits of insurance, price sensitive and time poor. But COVID-19 has underlined to many small businesses just how essential insurance cover is. This shift opens up new opportunities for insurers who can bring the right offerings, at the right price-points, through the right channels.



## Competitive and technology disruption

The pandemic has accelerated customer adoption of digital channels across retail, banking and most other commercial sectors. Insurance cannot afford to be an exception. Expectations have been raised of seamless digital experiences with insurers who understand customers and deliver products and services tailored to their needs. With a growing influx of insurtechs offering highly personalized and flexible products, the pressure is only increased on insurers to provide more connected, digital offerings to SMBs that keep pace with technological disruption.

<sup>1</sup> Pre COVID-19 Health of Small Businesses, Moody's Analytics, July 2020

# Economic and regulatory realities

The first signal of change is our economic and regulatory reality. A tough economic landscape that could depress SMB income, combined with tightening and uncertain regulatory conditions, raises challenges for insurers.



The need for SMB insurance cover has arguably never been greater. But with economic and regulatory conditions creating challenges, insurers will need to consider changes to their business and operating model — driving value and relevance through more digital and data-driven solutions.

**Economic dilemma:** Insurers face new challenges of different kinds across most market segments in the wake of COVID-19. The challenge is particularly pronounced in the SMB market: how to serve a critical segment that is facing significant pressures of its own, with low cost, sporadic and episodic volumes and uncertain regulatory constraints.

The global economy remains in recession with the timing and path to recovery unclear. SMB and wider consumer confidence is low, with redundancies commonplace and income streams challenged — even if recent vaccine breakthroughs hold out greater hope for 2021.

The SMB customer is critical for economic health across many industries and professions. But in many instances it is SMBs and aspiring entrepreneurs that have been hardest hit and are the most vulnerable to future shocks. Insurers have the opportunity to provide them with extra resilience and stability through cover that enables them to navigate volatility with greater confidence.

Due to this economic uncertainty, insurers are having to balance the opportunity to innovate products and services with the constraints of risk and liability exposures, and downward investment pressures. Digital solutions are likely to hold the key to striking this balance.

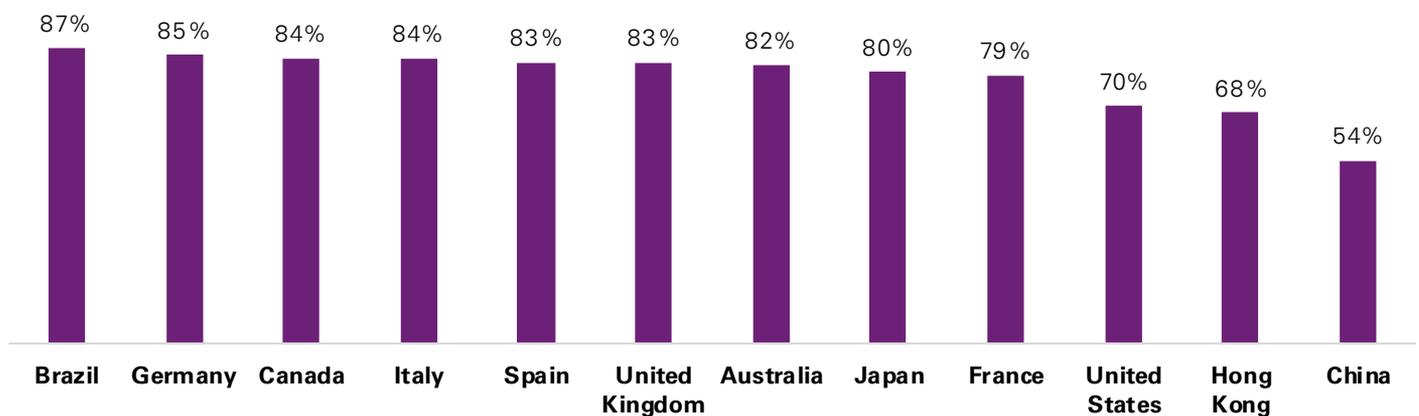
Regulatory realities: Insurance is still largely a locally regulated industry, which creates business and operational complexity for those operating in multiple jurisdictions. The uneven industry response to business interruption insurance as a result of the pandemic is a topical example of the expectation gap this can create. In the US, different state regulators are taking different approaches that will impact an insurer's ability to structure and sell various products and services.<sup>1</sup> Further regulatory complexity can be expected to arise as insurance becomes increasingly bundled into other products, with cross-sector compliance implications. The general regulatory direction is 'upwards' — raising requirements that protect customers and tightening rules over reporting, compliance, and resilience and financial strength.

<sup>1</sup> Making sense of solvency, capital and COVID-19 for the insurance sector, KPMG International, April 2020.

# Economic realities influence customer purchase behavior

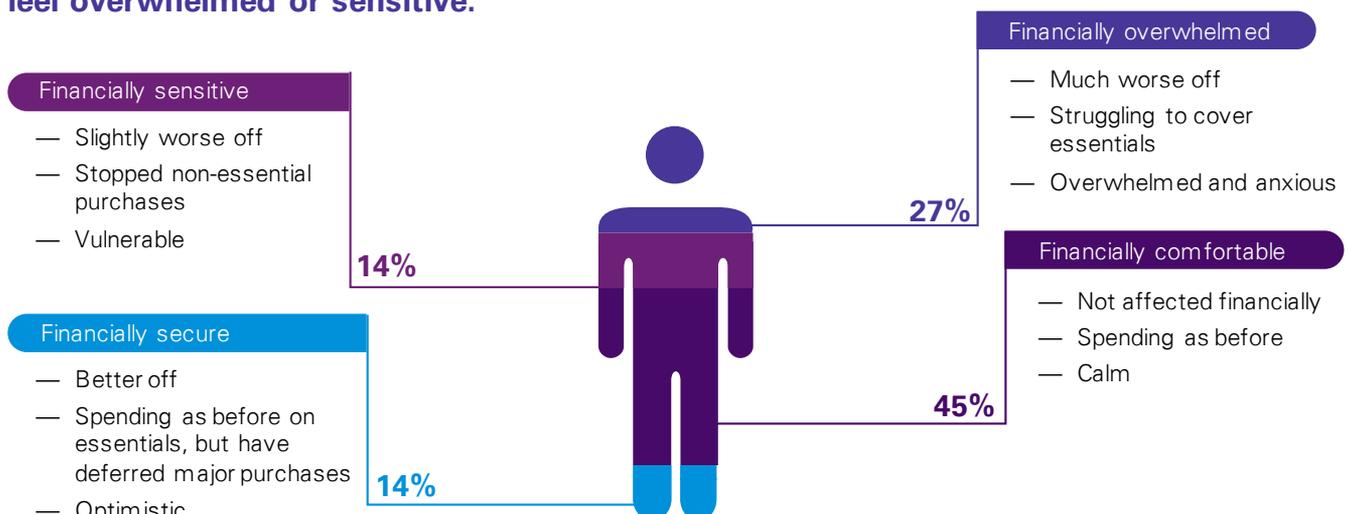
**Seventy-eight percent of consumers said value for money is the most important purchase driver, with forty-eight percent saying it has become more important as a result of COVID-19. Different industry sectors had different impacts and different kinds of disruptions.**

## Value for money as a key purchase driver by country



Source: Responding to consumer trends in the new reality, KPMG International, November 2020.

**Over half of consumers feel financially comfortable or secure versus 41 percent who feel overwhelmed or sensitive.**



Source: Responding to consumer trends in the new reality, KPMG International, November 2020

While the overall picture is undoubtedly challenged, 59 percent of respondents nevertheless say they are comfortable or secure — representing a growth opportunity for insurers to support those segments of customers who are better off and will look to accumulate wealth or continue their spending. This is also likely to apply to many key decision-makers in the SMB segment.

# Customer experience expectations

COVID-19 has had an immediate and widespread impact across all countries and demographics, and a disparate impact on different business sectors. This heightens both the challenge and the opportunity for the small business customer.



Assessing the value of coverage vs. the costs has always been a trade-off that the small business customer wrestles with. For insurers, helping small business owners overcome the perception that business insurance is too broad, too hard to understand, and cannot be trusted to cover them when they need it, is both the challenge and the opportunity. The disruption of COVID-19 has simultaneously:

- added economic pressure to this segment
- clarified insights into the segment's real commercial needs
- accelerated digital ways of working to lower the costs of sales and service.

This year our research **"Consumers and the New Reality"** has found that the top 4 drivers for purchasing insurance are: value for money, range of products, trust, and ease of buying. We believe these drivers will apply equally to the SMB segment where the personal and the corporate are often closely entwined (in owner managed businesses and entrepreneurial start-ups for example).

## Insurance key purchase drivers



Source: Responding to consumer trends in the new reality, KPMG International, November 2020

- The majority of SMBs operate in 12 key industries: construction, personal services, healthcare, real estate, high tech manufacturing, maintenance, high tech services, restaurants, machinery, retail, wholesalers, and other professional services.<sup>1</sup>

**||** *Serving this market segment means resolving the most fundamental insurance dilemma: attracting enough volume and income to be viable for insurers and agents, while offering enough value to sustain customer interest and willingness to buy. ||*

<sup>1</sup> Cash is King: Flows, Balances, and Buffer Days, J.P. Morgan, September 2016



In the commercial arena, business interruption insurance is an acute example of the need to re-examine, re-imagine, and re-design products and services that work for customers, agents and carriers. Despite its enormous potential value to businesses, penetration tends to be low especially amongst SMBs. A KPMG survey\* recently uncovered the key features likely to encourage them to buy:

### Drivers of acquisition – Business interruption insurance



\*\*And thinking about the next time you choose a policy, which of the following do you think will be most important in your selection?  
Source: Responding to consumer trends in the new reality, KPMG International, November 2020

The importance of business interruption insurance is underlined by the fact that, despite general positive economic growth in 2019, **only 35 percent of US small businesses were considered "healthy"** at the end of the year.<sup>2</sup>

Of these businesses, **only one in five healthy firms had sufficient reserve funds<sup>3</sup>** to continue normal operations if they experienced a two-month revenue loss. Many businesses reported they would need to rely on personal funds.

Meanwhile, **global average commercial insurance premiums increased 14 percent in the first quarter of 2020, followed by 19 percent in the second quarter**, amounting to the 11th consecutive quarter of average price increases — these increases are only likely to serve as a further deterrent to SMBs taking out cover that could be of such high value and importance to them in their time of need.

New solutions are needed. Every aspect of the insurance value chain is likely to be impacted and must be considered in the transformation approach.

\*A consumer pulse survey of 75,000 consumers across 12 markets, 4 sectors in 6 separate waves over 4 months 29 May to 21 September 2020.

<sup>2</sup> Can small firms weather the economic effects of COVID-19?, Federal Reserve Bank of New York, April 2020

<sup>3</sup> Ibid.

<sup>3</sup> Global Insurance Market Index, Marsh, August 2020

# Competitive and technology disruptions

Insurers must embrace digital models and leverage data to bring tailored, preventative solutions to SMBs that solve their business needs. This has implications across the value chain (product and service deployment, sales & distribution, policy administration, claims and underwriting) — connecting key capabilities across front, middle, and back office. Engineering the servicing and operations to deliver against the customer promise is key to maintaining trust.



Insurers need to leverage the power of emerging technologies and data analytics to bring their SMB customers solutions that are **tiered** (offering flexible pricing options), **packaged** (bundled with other products for greater value) and **proactive** (anticipating risks before they hit).



Customer expectations of seamless digital products and offerings have risen across the board, and this has been heightened by COVID-19. Insurers must embrace this and expedite their value propositions. Platform retailers already offer banking and some insurance services bundled with traditional offerings under one convenient platform; a new wave of insurtechs is bringing highly digitized and flexible products to market.

Traditional insurers can generate a novel value proposition by focusing on SMBs' unique market needs and re-bundling products into tiered, packaged and proactive offerings. In this way, multiple needs can be addressed at cost-effective price points: such as cyber protection bundled with privacy liability insurance to target threats before they hit.

To provide the tailored and preventative products that are needed, data is key. It is quickly becoming the most valuable currency of all for an insurer. It is by accessing and leveraging data through AI and machine learning applications that insurers can predict customer needs and match them with the most relevant protections. For example, IoT and sensors can provide insurers with real-time data and insights through a customer's supply chain and offer proactive solutions — particularly relevant for perishable goods or other time-limited items.

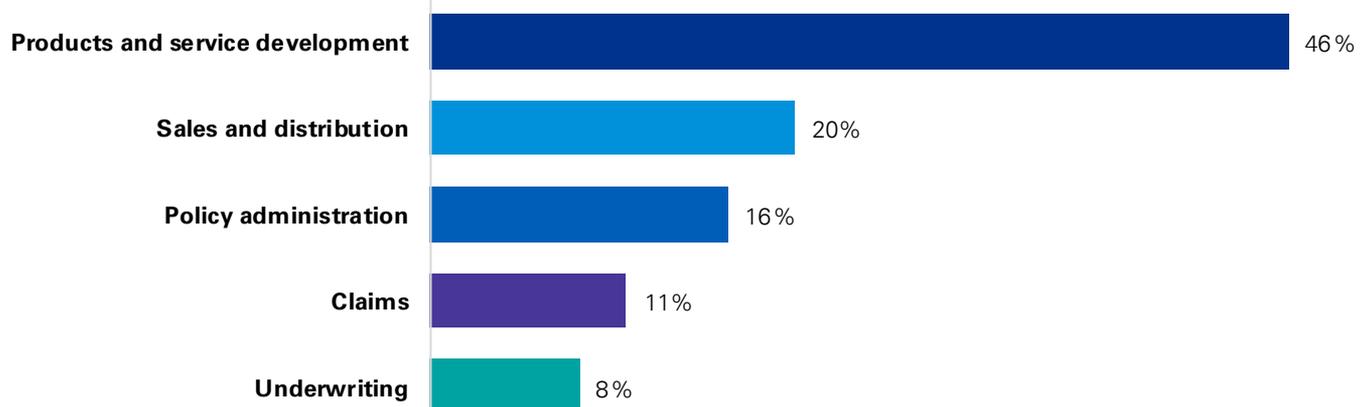
Within insurers' own back and middle office processes, technology such as Distributed Ledger Technology can remove repetitive data entry and facilitate data sharing between carriers, increasing efficiency and speed. Technology enhancements also can help address strains on operations, claims and underwriting — making them faster, more customer-responsive and better able to predict demand.

Technological disruption is gathering pace — to optimize the customer experience in the SMB market and bring them real value adds, insurers must keep up.



A recent KPMG survey of 200 insurance professionals globally found that product and service development remains the insurance value chain top priority area for investment with 46 percent of insurers saying they are most likely to invest in this area over the next two years.

### Investment areas of the insurance value chain

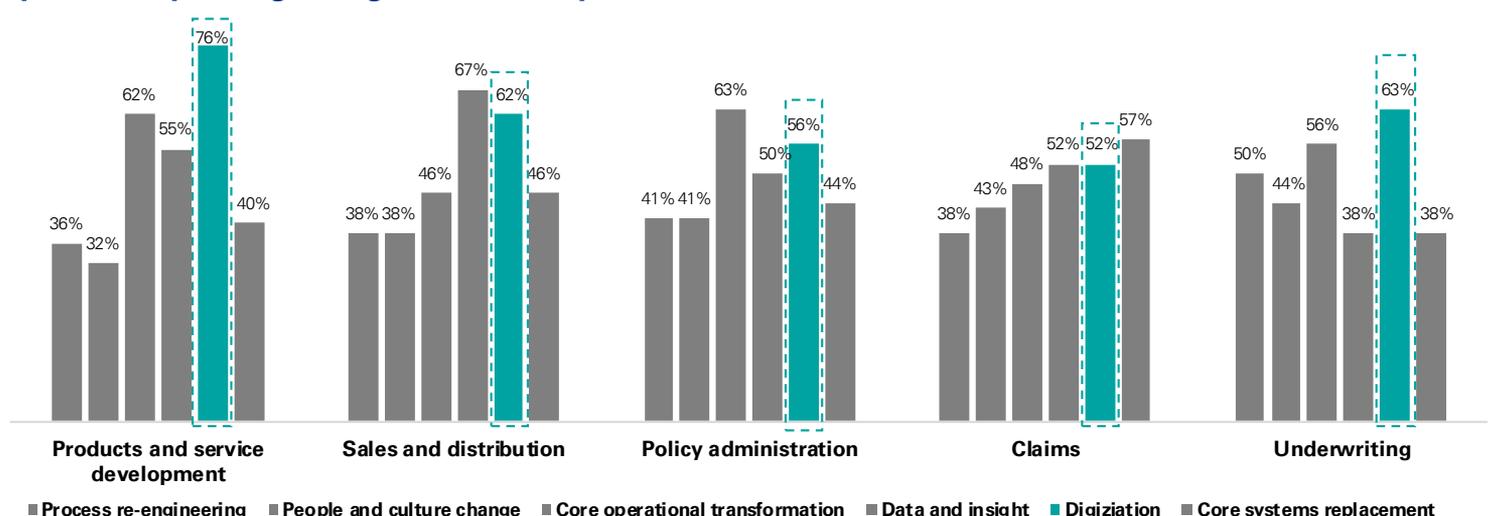


\*In which area of the following five areas of the insurance value chain are you most likely to invest over the next two years

Source: Global Insurance Operations Research, KPMG International, October 2020.

Furthermore, digitization is a standout investment priority across the value chain, with 76 percent of insurers prioritizing spending on product digitalization. Thus underscoring the relevance of disruptive technologies.

### Digitization is an investment priority across all areas of value chain - 76 percent of insurers prioritize spending on digitalization for product



\*In which of the following areas will you prioritize spend to improve performance for:

Source: Global Insurance Operations Research, KPMG International, October 2020.

# Impact and role of regulators

The signals of change and pervasive influence of emerging technologies may lead to a wider role for regulators. That can potentially impact future business and operating models for small commercial insurance.

Evolution of the role of regulators in small business commercial insurance		
		
Regulators may consider cross sector implications of compliance requirements as sectors converge into “bundles”	Regulators will leverage “regtech” solutions powered by AI and analytics to enable more efficient and effective supervision	Regulators will focus more on regulating industry activities in order to ensure customers are treated fairly

Source: KPMG 30 Voices on 2030

Regulators would need to address more complex challenges resulting from use of advanced technology solutions by insurers. This may include issues pertaining to AI ethics, data privacy or workforce automation e.g., discriminatory outputs in pricing or claims optimization due to inherent data biases, algorithm issues or inadequate management processes.

Examples of using emerging technology in SMB insurance	
<b>Artificial Intelligence &amp; Machine Learning</b>	<p><b>Artificial Intelligence and Machine Learning</b> will remove repetitive tasks, freeing up insurers to have genuine, emotive conversations with their customers.</p> <p><i>E.g. Layr Insurance uses ML to rapidly sift customer data and compare customers with similar profiles to automatically predict needs and match customers with the most relevant policies.</i></p>
<b>Internet of Things</b>	<p><b>IoT and sensors</b> are providing more real-time data to address a SMB’s evolving needs as they arise.</p> <p><i>E.g. Parsyl incorporates sensor technology to provide insurers with accurate data and insights about their customer’s supply chain (particularly relevant for perishable retail goods).</i></p>
<b>Digital Ledger Technology</b>	<p><b>Digital Ledger Technology</b> can remove repetitive data entry and facilitate data sharing among carrier-customers or carrier-carriers in a more secure and efficient manner.</p> <p><i>E.g. Tradle uses KYC on blockchain to secure verify clients and safely transfer personal data.</i></p>



# Approach to change: outcomes and winning business models

# Approaching change means embracing known obstacles

What are the key obstacles that prevent customers and organizations from adapting in a changing business environment?

On the customer side, small businesses have a number of characteristics that commonly create barriers to their take-up of insurance products:

## Perspective of small and medium businesses as customers



On the organizational insurance side, our research shows that there are a number of obstacles that commonly make it harder to take a customer-centric approach:

## Perspective of insurance companies: top obstacles

Security and compliance concerns	Technology and data silos	Strategy misalignment	Business silos	People/process misalignment
<ul style="list-style-type: none"> <li>Concerns around data security and privacy (37%)</li> <li>Regulatory requirements/compliance (20%)</li> </ul>	<ul style="list-style-type: none"> <li>Legacy systems (33%)</li> <li>Inability to track individual customers across interactions (30%)</li> <li>Difficulty sharing end customer data/analytics between channels, countries, or locations (29%)</li> <li>Lack of system integration across channels (22%)</li> <li>End customer data housed in multiple databases (20%)</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient budget (24%)</li> <li>Lack of change-readiness culture (14%)</li> <li>Lack of strategic alignment between executives and middle management (12%)</li> </ul>	<ul style="list-style-type: none"> <li>Siloed business units (20%)</li> <li>Inconsistency in pricing across channels (13%)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of qualified staff (32%)</li> <li>Lack of a cross-functional end customer experience team (19%)</li> <li>Internal processes that don't align with our strategy (17%)</li> <li>Lack of alignment with third-party partners (16%)</li> <li>Brokers/agents who want to minimize any interaction between us and the policyholder (15%)</li> </ul>

Base: 300 professionals involved with customer-centric strategy decisions at commercial insurance organizations  
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, October 2019

# Approaching change means focusing on experience expectations

Sustainable growth depends on a fundamental understanding of where to focus and what to adapt to be more relevant, accessible and affordable. This requires understanding market signals, competitive insights and translating them into tangible products, services and ease of interactions.

## Customer expectations have been driven by experiences in other sectors:



As online experiences with banks and retailers progress, customers expect seamless digital experiences with businesses that **understand them and deliver products and services tailored to their needs**

## E.g. WeChat, Alibaba, and Amazon blurring lines between retail and insurance



Many platform retailers have drawn on their advanced technology and established customer base to offer insurance services bundled with traditional offerings under one convenient platform

## Translating purchase drivers into customer experience expectations<sup>1</sup>

— Value for money

— Quality and range of products

— Ease of use

I receive the benefits I expected, you know me, and value my relationship

I trust you to help me understand my product and service options as my needs and circumstances change

I easily interact in different ways — online, on the phone, or working with your employees and third party partners

**Maintaining relevance and trust** — Am I really covered? Am I being treated fairly? Will my information be safe? Is my coverage what I actually need for my specific business and can I rely on the provider to cover claims the way I expected?

- Identify new or modified products/service/advice offerings based on recent events
- Clarity on what is/isn't covered and precision to a customer's profession will help insurers build and re-establish trust
- Simplifying the language used to describe policy coverage and terms is key. e.g. Three by Berkshire Hathaway<sup>2</sup> provides a 3-page policy that aims to clarify coverage by removing unnecessary jargon

**Meeting customers where they are** — Can I access products and services that work with my daily reality and is it easy and simple for me to access, upgrade/downgrade and manage my insurance needs?

- Make it easy to get information, maintain a relationship, and provide options to interact and buy products and receive advice — anywhere and through many methods
- Insights on how to move from reactive options to proactive value — Innovative products, services and advice that help anticipate and protect my business from future shocks and economic volatility

<sup>1</sup> Cash is King: Flows, Balances, and Buffer Days, J.P. Morgan, September 2016

<sup>2</sup> Artemis, 'Berkshire Hathaway targets the small business insurance value-chain', 12 February 2019, <https://www.artemis.bm/news/berkshire-hathaway-targets-the-small-business-insurance-value-chain/>.

# Approaching change means adapting the business model for sustainable growth

There are many reactions and approaches that different companies are taking, and we have summarized three of the most effective adaptations and shifts in business models.



**01**

## Modular and tailored business models

Unbundle general liability and business insurance policies to provide more modular options that are aligned with specific professions and sub-industries.

Include more wellness, planning, and prevention services related to the policies.

Innovative products designed to be more modular that customers can select and opt-in for coverage and features they require, at price points that suit them, building their own bespoke packages.



**02**

## Digital first ways of working

Easier to understand and more accessible products and services. Provide options for seamless automation or access to personal help and advice across the relationship purchasing, maintaining, renewing, and receiving services and resolving claims.

Make it easy, make it quick, and help me keep track. Better integrate marketing, sales and operations. Make the most of automation platforms, process efficiencies, data insights, and aligned and empowered workforce.



**03**

## Affiliate embedded products & partnerships

Offer insurance products at point of purchase or specific point solutions for expanded sales channels and ease of purchase.

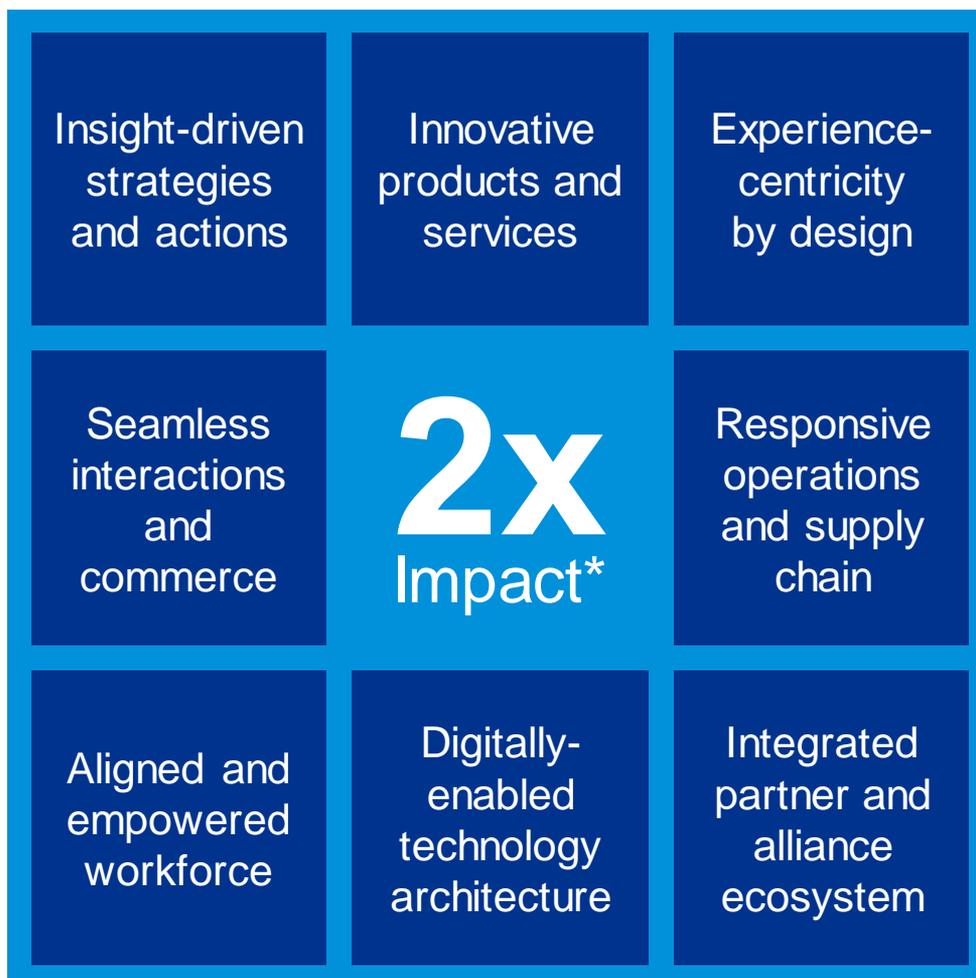
Expand and integrate agents, service providers, and partners across the ecosystem to focus on core competencies and optimize sourcing.

In order to deliver on these strategic themes, KPMG professionals have identified eight capabilities that insurers will need to embed within their operating model.

# Approaching change means adapting to a connected operating model

Extend the positive impacts through the wider market ecosystem. In KPMG's experience, success comes from investing in the right capabilities that together create a more Connected Enterprise. There are eight key capabilities that help to deliver significantly greater impact and higher ROI.

## The eight capabilities of KPMG Connected Enterprise



\*Base: 1,299 professionals involved with customer-centric strategy decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2018

With the need for more connected and seamless digital offerings, what does good look like?

- Investing in the right capabilities to drive effective digital first ways of working operating models
- Connecting and applying them across the functional value chain
- Making the most of technology with a platform mindset

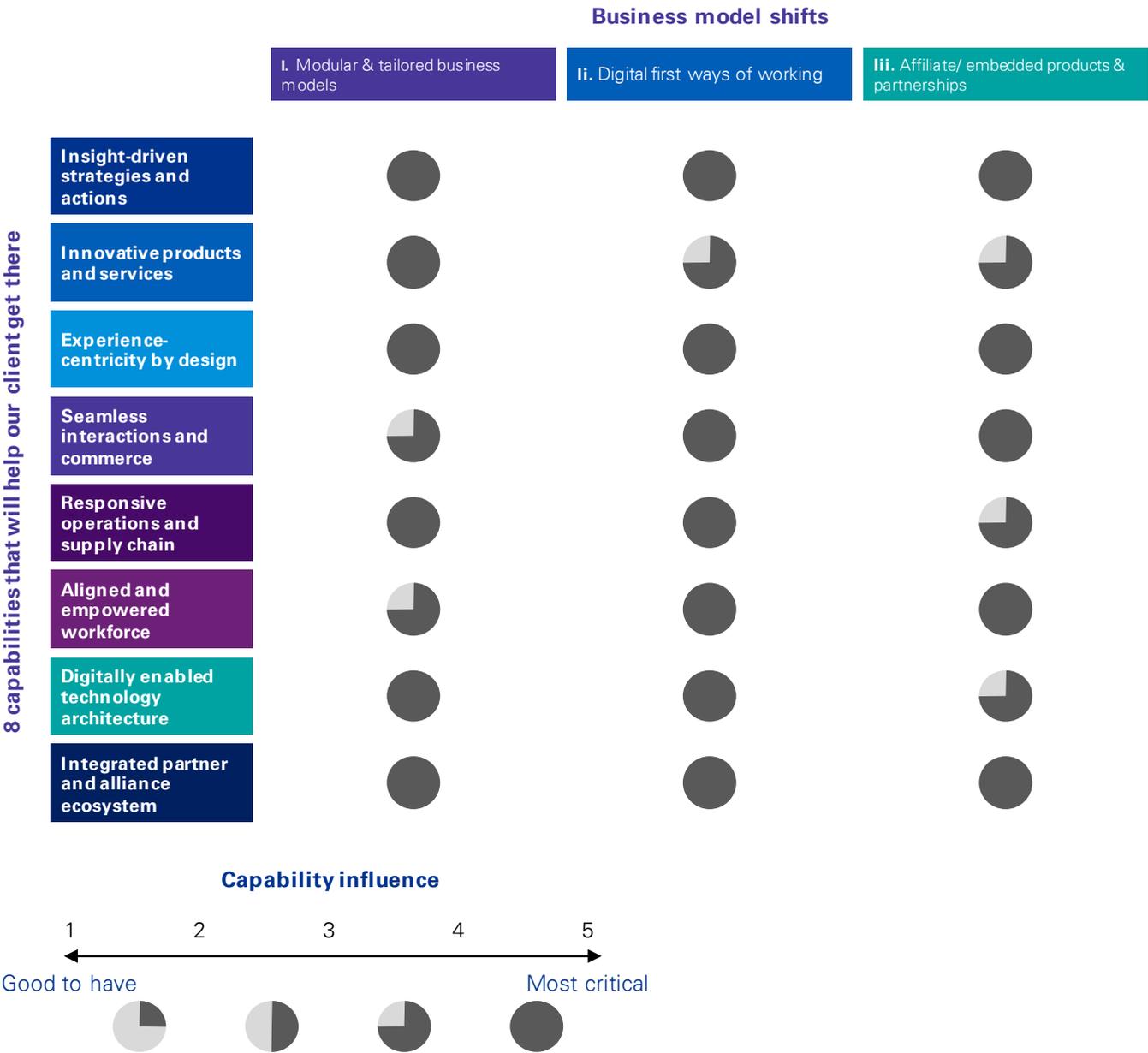
# Connected capabilities can enable a winning operating model

The winning operating model will require maturity in eight connected capabilities. These are cross-functional and apply across the operating model. Insurers who are investing in these are twice as likely to see overall success.

	I. Modular & tailored business models	ii. Digital first ways of working	iii. Affiliate/embedded products & partnerships
 <p><b>Insight-driven strategies and actions</b></p>	Use insights to create <b>tailor made SMB client experiences</b> — personalized policies, riders, local language communication.	Develop insights captured at discovery phase to create <b>additional value on bundling/ unbundling</b> . Keep it real-time.	Leverage insights to <b>drive cross-sell and up-sell opportunities</b> . Benefit from maximizing sales efforts.
 <p><b>Innovative products and services</b></p>	<b>Leverage 'connected data'</b> to curate, recommend and modify optimal insurance packages.	<b>Bundle products</b> with strong affinity <b>complemented by insurance</b> to drive innovation and meet demand.	Create <b>innovation within individual sectors</b> . Innovation in communication channels for carriers or innovation in payment methods for distributors.
 <p><b>Experience-centricity by design</b></p>	<b>Deliver more efficient omnichannel services</b> to enable a frictionless purchase journey.	Offer <b>bundled products that solve an end-to-end need</b> to optimize customer time and minimize concerns.	<b>Ensure an integrated experience</b> across the ecosystem — product to customer ownership.
 <p><b>Seamless interactions and commerce</b></p>	<b>Develop digitally enabled, engaging and personalized interactions</b> across the value chain — purchase approvals to claims reporting.	Offer a <b>unified purchase experience</b> through the bundling of relevant <b>products and value added services</b> ; within a <b>single price point</b> .	Provide for <b>seamless interactions and commerce across ecosystem touchpoints</b> — distribution and/or carrier entities.
 <p><b>Responsive operations and supply chain</b></p>	<b>Develop digital reporting</b> and straight through <b>processing of claims</b> across the value chain.	Ensure <b>value chain includes collaboration of all bundled products</b> , and not standalone insurance.	Develop a <b>unified virtual platform</b> for retailers and insurance carriers. Independent value chains to exist for specific set of carrier-led service functions.
 <p><b>Aligned and empowered workforce</b></p>	<b>Digitize processes to augment employees</b> to improve experience, accuracy and productivity.	<b>Collaborate</b> (digital in post COVID) <b>across businesses</b> to deliver the right bundled product experience to clients.	<b>Invest in skill augmentation to repurpose, retrain and redirect resources</b> to sell and service non-core products.
 <p><b>Digitally enabled technology architecture</b></p>	<b>Develop digital business capabilities</b> to meet the SMB customer needs any time, anywhere — web/app/ voice based purchase, digital processes, AI/ML based automated decisions.	Build key digital capabilities to offer <b>real-time bundling and pricing enabled by API based architecture and micro-services</b> .	<b>Define and prioritize digital enablement</b> across customer journey and <b>basic customer touchpoint preferences</b> .
 <p><b>Integrated partner and alliance ecosystem</b></p>	Build <b>one common digital platform</b> to integrate partners in the insurance value chain — distribution, TPA, underwriter, etc. Ensure a <b>rapid and secure experience</b> .	The partner ecosystem is <b>critical to bundle together</b> the required <b>offerings and move from Protection to Prevention + Prediction</b> .	<b>Identify suitable ecosystems</b> to enhance customer stickiness and improve acquisition of new customers through cross-sell.

# Prioritizing connected insurance capabilities

The business model of the insurance organization will dictate the relative value and priority of each of the connected capabilities. The eight capabilities are enterprise-wide and will align the operating model to focus on delivering value to the customer and the business.



# Investment in key digital capabilities drives better performance

Compared with their less-mature peers, high-maturity companies who are investing in the eight capabilities are:

2.6x

More likely to harness data, advanced analytics, and actionable insights with a real-time understanding of the customer and the business to shape integrated business decisions.

2.6x

More likely to build a customer-centric organization and culture that inspires people to deliver on the customer promise and drive up business performance.

2.5x

More likely to develop compelling customer value propositions on price, products and services to engage the most attractive customers and drive profitable growth.

2x

More likely to operate the business with efficiency and agility to fulfill the customer promise in a consistent and profitable way.

1.8x

More likely to engage, integrate, and manage third parties to increase speed-to-market, reduce costs, mitigate risk, and close capability gaps to deliver the customer promise.

1.7x

More likely to design seamless, intentional experiences for customers, employees and partners, supporting the customer value propositions and delivering business objectives.

1.7x

More likely to interact and transact with customers and prospects across marketing, sales and services, and achieve measurable results.

1.6x

More likely to create intelligent and agile services, technologies and platforms, enabling the customer agenda with solutions that are secure, scalable and cost-effective.

Base: 74 professionals involved with customer-centric strategy decisions at high-maturity commercial insurance organizations

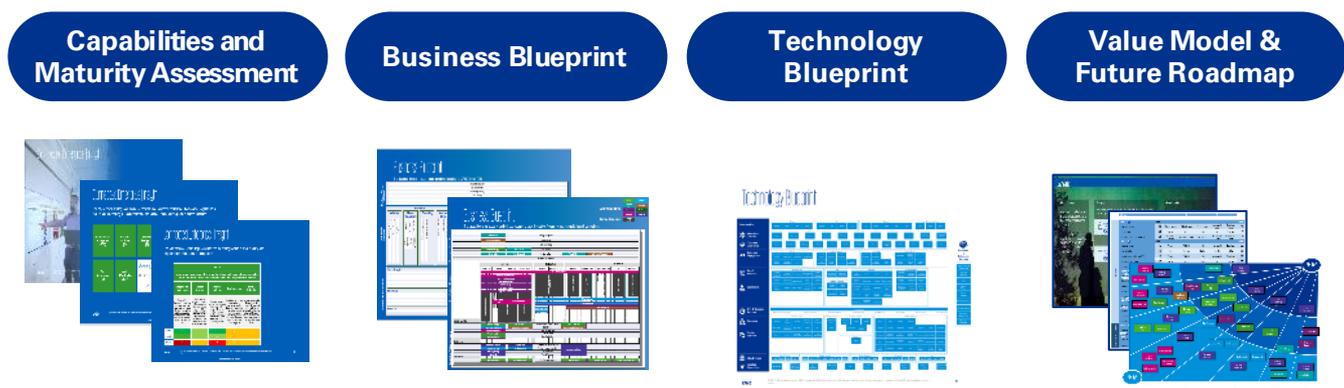
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, October 2019

# Evaluating your capability maturity

Each of the eight enabling capabilities are underpinned by a set of five sub-capabilities. The first step in defining a winning model is understanding your relative maturity in each sub-capability against the required maturity to deliver your winning business model. KPMG firms offer three levels of maturity diagnostic depending on the needs of your business.



KPMG professionals work with clients to shape and define their digital transformation vision, using the 8 capabilities to inform and evaluate their plans, prioritize the roadmap, and align investment with value creating activity that enables the desired future operating model.



# Case studies



1

## Creating a Connected insurer through enterprise transformation

A KPMG firm worked with a large, multi-national insurance business that had grown through multiple acquisitions but never fully integrated its systems and processes. We helped the business become a digital insurer with maximum standardization on the inside while still being able to differentiate on the outside through omni-channel and multi-label customer journeys.

The client had many of the same capabilities and comparable products across its organization, with as many as 1,800 legacy systems, 20,000 interfaces, 8,000 suppliers and multiple data centers. KPMG worked with the business to realize an integrated target operating model (TOM) as the foundation for its multi-year transformation program, running 10 work streams across areas such as procurement, Lean processes, a new IT platform, data center migration and the workplace of the future. We managed interdependencies between the work streams, implementing standard ways of working and providing subject matter expert support for an accelerating effect. We successfully set up the program and then were able to transfer ownership to the client, maintaining a close relationship to provide further support on specific issues and areas. The client is on track to realize significant savings within 3-4 years of implementation — and to become a more connected and digitally enabled business.

2

## Connected capabilities create high-impact customer experience

A large insurer was focused on digital innovation and transformation in order to enhance the customer experience (CX). It wanted to optimize its internal capabilities to create a truly customer-oriented and digital organization, with high-impact CX that would differentiate it from its peers.

To help it achieve this goal, a KPMG firm conducted a full assessment of the organization's maturity against the eight capabilities of the Connected Enterprise framework. An exhaustive internal evaluation was supplemented by an external analysis evaluating the perspective of the organization's clients — through customer journey mapping by type of customer, analysis of interaction channels, customer expectations and evaluation of CX metrics such as NPS, CES and CSAT. The main 'pain points' and 'gain points', were identified, prioritizing high impact CX and digital transformation initiatives accordingly with a full implementation plan for each one. The client now has a full maturity assessment and diagnosis, value propositions by customer archetype, a design of the future desired experience, and a roadmap for how to implement it. The business is on course to become a fully connected and customer-centric insurer.

# Making it happen



## KPMG Connected Enterprise for Small and Medium Commercial Insurance is an insight-led, customer centric approach to digital transformation.

In KPMG professionals' experience, there are a number of key considerations that can help insurers make faster progress on the connected journey:

- 1) Keep close to what your customers want.** The ability to think, outside in, is key in building a customer-centric business. Ensure you know and act on what your customers want, need and value; keep continually looking up and outside of the organization and industry to ensure alignment with the best customer experiences in day-to-day life.
- 2) Do things in an agile way.** Break changes down into specific steps, sequence them and implement. Keep standing back to assess whether the change has been successful in a 'test and learn' approach. It's about a series of small changes that together add up to a significant and impactful transformation.
- 3) Build in resilience.** Take on today's challenges with resilience and determination, and be prepared to expect the unexpected, fail fast and learn along the way. By developing a connected enterprise architecture, you will find your ability to change course at speed is significantly enhanced.
- 4) Keep it human.** While embedding new technologies such as AI and automation are likely to be critical in developing more seamless interactions for customers, remember that you also need to keep the experience 'real'. Great organizations remain defined by the quality and passion of their people and their sense of purpose.
- 5) Make use of new technologies.** Continually look at what new technologies are becoming available that could help you serve customers better or connect your business more seamlessly. Experiment with the opportunities available through cloud, machine learning and advances in data science.

Our approach is centered on improving all eight connected capabilities across the enterprise to the level that provides the greatest value. These connected capabilities map to the operating model of an insurer and will allow you to prioritize, shape and execute your digital transformation.

KPMG firms help insurers to evaluate their maturity across these connected capabilities, and to then shape their transformation agenda and plans, and deploy improvements in the capabilities across the enterprise with the aim of providing the greatest value.

KPMG professionals' experience of working in digital transformation has informed a set of accelerators, including a range of configurable SaaS solutions from leading technology providers, which enable us to deliver a faster option to delivering transformational outcomes.

### With the customer at the core, there are five critical questions insurers should ask themselves:

1. Are you connecting your customers with compelling value propositions, opportunities and interactions?
2. Are you connecting and empowering your employees to deliver on the customer promise?
3. Are you connecting your front, middle and back offices to execute the customer growth agenda?
4. Are you connecting your ecosystem of business partners to jointly deliver on commitments to customers?
5. Are you connecting to market dynamics and digital signals?

**To learn more, contact us or visit:**  
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