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Drastic measures needed if insurance sector is to reinvent itself: KPMG

Majority of insurers admit challenges extracting value from transformation initiatives; most say their transformation efforts have been less than ideal

Faced with disruptive economic, demographic and technological change, most insurers are struggling to reinvent their organisations for the future. According to *Empowered for the future: Insurance reinvented*, a report released today by KPMG International, only half of the insurers polled believe they are capable of extracting and sustaining value from business transformation initiatives. Fifty-seven percent admitted that their transformation efforts to date have been less than ideal.

“Insurers have been trying to ‘transform’ their organisations for decades– yet very little has actually changed,” notes Ms Mary Trussell, KPMG Global Lead Partner for Insurance Innovation & Change and lead author of the report. “If insurers are to truly ‘reinvent’ their business and position themselves for success in a world of disruptive innovation – they will need to make more fundamental changes to their business and operating models than ever before.”

The report was launched during the International Insurance Society’s Global Insurance Forum 2016 in Singapore where industry leaders and executives gathered to discuss innovation and industry transformation.

Putting the customer first

According to the KPMG report, insurance executives clearly understand the urgent need for transformation. However, it finds many insurers are more focused on the implications of regulatory policy and may not be placing enough attention on changes in customer preferences and needs. Less than a quarter of respondents expect their operating model to be disrupted by changes in customer behaviour.

“As customers become more educated and sophisticated, their expectations of how they want insurance services and products to be delivered will change,” says Mr Lau Kam Yuen, head of insurance at KPMG in Singapore. “Insurers will need to bear that in mind to look at how their offerings can be more customer-centric.”

Strengths to build from

It’s a given that many insurers possess the skills and capabilities required to bring about incremental change in their organisation. More than half (53 percent) said they were capable of achieving short-term transformation wins.

But there is a big difference in achieving a sustainable transformational outcome, finds the report. “When it comes to enterprise-wide strategic change – the type that truly leads to companies being reinvented – it takes a much broader view and a much more strategic approach than most insurers have needed for past initiatives,” says Mr Gary Reader, Global Head of Insurance, KPMG International.

Applying technology to transformation

The report finds that insurance executives increasingly view technology as a catalyst for change. Forty-seven percent said that new mobile platforms and apps were forcing change in their business and creating new opportunities for transformation. Forty-five percent said the same about social networking and collaboration and 41 percent said the same about data and analytics.

“In some cases, technology can act as a catalyst as the introduction of telematics did for usage based insurance -- you can’t let technology drive the bus, but you also don’t want it to overtake you,” notes Ms Trussell.

Looking for new ideas

Around a third of respondents to the KPMG survey noted that they were watching organisations outside of the insurance sector, and those with disruptive technologies in order to find inspiration to help them reinvent their organisations. The report finds that insurers are increasingly taking ideas, approaches and even talent from other sectors to help improve their effectiveness.

“It is heartening that insurers are facing the challenge head-on by proactively seeking new ways of doing business, including working with fintech start-ups,” adds Mr Lau. “This will enable them to compete effectively for consumers, who are increasingly more tech-savvy.”

Notes to editors

About the survey

For *Empowered for the future: Insurance reinvented*, KPMG International, through Forbes Insights, surveyed more than 70 insurance executives, from around the world, to find out about their recent transformation initiatives, their existing capabilities and their perceptions of the biggest risks and barriers they face. Nearly half of respondents from the insurance sector originated from Europe (48%), followed by the Americas at 33 percent and Asia Pacific at 19 percent. The report combines the findings of that survey with the insights and perspectives of KPMG’s global network of insurance professionals as well as insights and ideas from industry and transformation experts.

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The KPMG network operates in 155 countries, with 174,000 people working in member firms around the world. In the ASEAN region, member firms operate across all 10 countries of this regional grouping providing professional services supporting the growth, compliance and performance objectives of our clients.

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