



Like all sectors, insurance businesses face a different landscape in the wake of COVID-19. A surge in customer inquiries and claims due to the pandemic, at the same time as the need to move staff and operations to a remote footing, put significant pressure on systems and ways of working. Although the sector proved itself adaptable, traditional insurers have historically lagged behind other sectors in digitisation efforts. Evidence shows that a faster response during COVID-19 overcame many of the typical barriers (risk adverse, capital constrained, legacy systems) traditionally associated with the sector. More recent entries, such as insurtechs, who had already invested heavily in technology that enabled better customer engagement, were better positioned entering the pandemic, however potential claims costs and increased competition through direct to consumer channels could reduce capital and profitability, meaning cost management is a top concern and producing new products for top line growth is an imperative. With the need for operational efficiencies, the ability to deploy new products at market speed, and customers' expectations for digital channels, the appetite for large-scale, impactful innovation has increased.

The IT priorities for the future are clear with 45 percent of companies in this sector planning to accelerate transformation to re-emerge as a result of COVID-19. Insurers need to drive up efficiencies through increasing digitisation and the automation of manual processes such as claims, payments, and assessments (a focus for 41 percent of organisations) — in a way that also improves customer engagement (a priority for 52 percent). Another crucial focus is to leverage data & analytics for sharper insights into market trends, customer behaviours, fraud detection, underwriting risks and the profitability of different insurance lines as insurers create new products to improve the bottom line and maintain liquidity. In the post-COVID world, there will be much for insurance CIOs and their teams to deliver on the digital transformation agenda due to the high level of disruption to the sector.

Board priorities & investment

For insurers of all types (carriers, brokers, agents, MGAs), operational efficiency (68 percent) is the standout priority that leaders are looking for IT to help address — and so perhaps it is no surprise that automation (41 percent) is a higher investment priority compared to the cross-sector average (29 percent). Organisations will need to invest in connected platform technologies and automation throughout their front, middle and back office for their digital transformation. Areas where automation is likely to be a focus include call centers and claims handling — there is potential for these to be reimaged through AI as customers become more comfortable (and expecting of) digitised interactions and greater degrees of self-service. While it may vary in degree across personal and corporate lines, customers are also expected to increasingly be demanding greater flexibility, optionality, and personalised service. Digital investments can improve agility and speed to market and provide data insights for new insurance products and services such as cyber threat coverage, gig-worker policies, usage-based insurance, and disruption policies. Digitisation is mission critical — and must be at the heart of the strategic vision in the new reality.

Top three business issues that management boards are looking for the IT function to address

Insurance vs. Overall

Insurance

1. Improving operational efficiency
2. Improving customer engagement
3. Developing new products and services

Overall

1. Improving operational efficiency
2. Improving customer engagement
3. Enabling the workforce

Three most important technology investments in light of the new reality

Insurance vs. Overall

Insurance

1. Security and privacy
2. Automation
3. Customer experience and engagement

Overall

1. Security and privacy
2. Customer experience and engagement
3. Infrastructure/Cloud

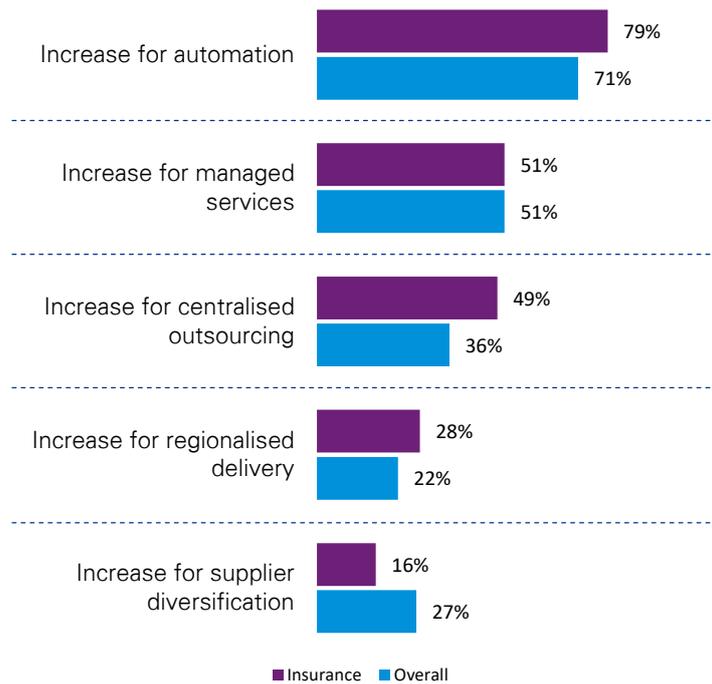
Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Strategy & operating model

As COVID-19 forced an accelerated stress test for companies in this sector, increased digital transformation became a necessity overnight. The economic pressures of the pandemic forced reduced liquidity for companies in this sector due to high volumes of claims and the already existing low interest environment. A successful digital transformation in insurance means delivering a digital platform that reduces customer and agent onboarding and the cost of claims processing and handling through automation while seamlessly integrating data, processes, and technology in order to deliver insights and opportunities for new insurance products. Barriers — such as siloed structures and systems, inability to scale enterprise cloud, unclear product strategies, or lack of advanced skill sets — pose a challenge for insurers who have not previously invested in their digital transformation. Insurers may look to outside partners to take advantage of innovative solutions and infrastructure — with an expectation of increased managed services (51 percent) and centralised outsourcing (49 percent). Across key performance metrics, digital leaders in the sector are significantly better positioned than their counterparts, and perform at least twice as better in operational efficiency (54 percent vs 20 percent) and the customer experience (71 percent vs 35 percent).

Expected change to service delivery model:

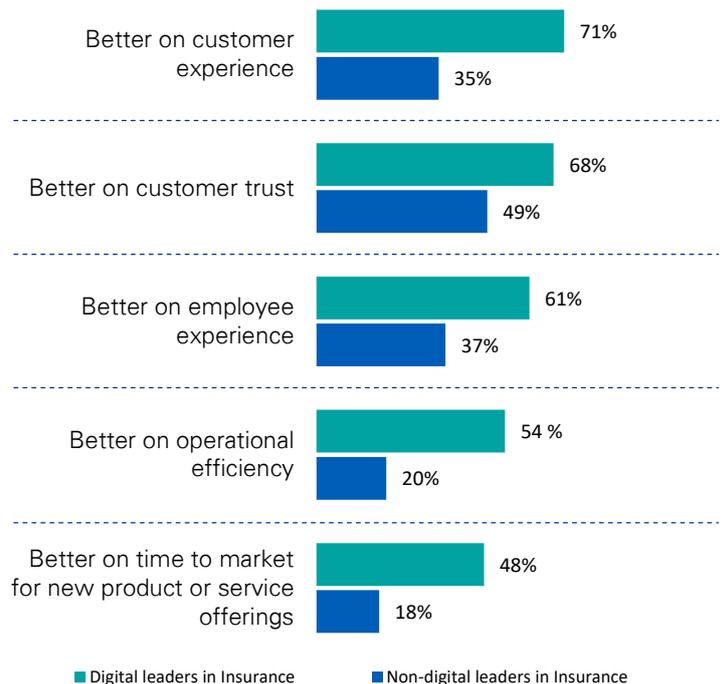
Insurance vs. Overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Organisations performing better or significantly better than competitors on the following metrics:

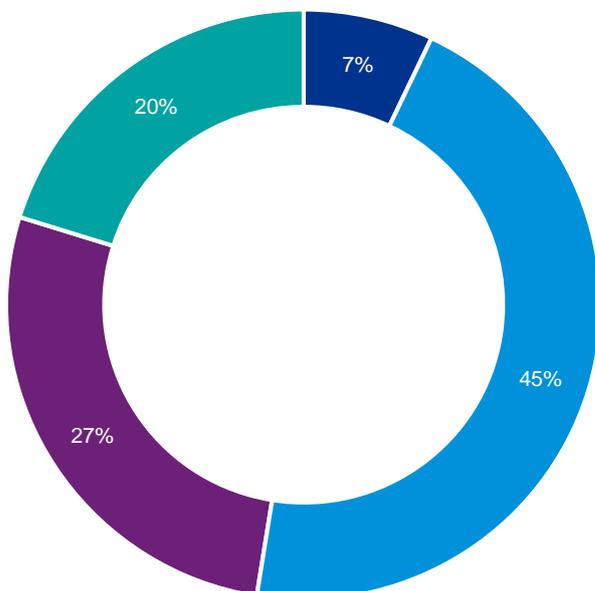
Digital leaders vs. Non-digital leaders in Insurance



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Four economic recovery paths that best describe organisations' business technology strategy:

Insurance



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Digital Leaders are respondents who report being "very" or "extremely" effective at using digital technologies to advance their business strategy

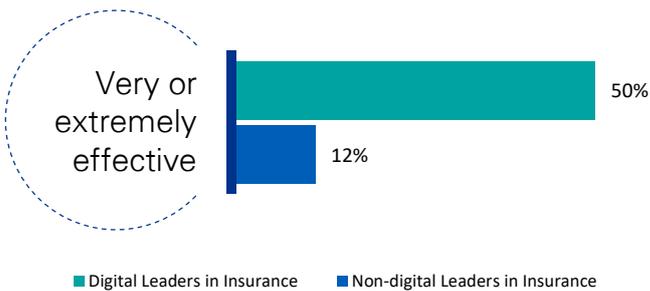
- **Hard Reset** — companies that struggle to recover from COVID-19 due to 'permanently' lowered demand for offerings, insufficient capital to ride out extended recession, and/or poor execution of digital transformation.
- **Transform to Re-emerge** — companies that will recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changed consumer priorities.
- **Surge** — companies that scale post-COVID-19 as consumer behaviour that was altered during the crisis is sustained in their favour. Investors sense their potential to lead and provide capital to scale aggressively during recovery.
- **Modified Business-as-usual** — companies seen as daily essentials will suffer effects of the consumer shutdown recession but are expected to recover more quickly as consumer demand returns in similar volumes.

Delivering value at speed

Amid so much change and disruption, innovation leaders may use this moment to accelerate their value propositions and leapfrog their peers. Making the right bets may help insurers to capture market share and move into new markets — and this could include forming alliances and partnerships with start-up insurtechs or other businesses through whom digital and AI capabilities can be embedded. Digital leaders in the sector are significantly better at pivoting and scaling digital channels than their competitors (50 percent vs 12 percent) and use their digital offerings much more effectively to improve the customer experience and collect valuable data. It is no accident that they are also much more likely to be making large scale investments in distributed cloud, AI and intelligent automation. Those trailing no longer have 5 years to realise the benefits of their cloud journey as the competitive landscape has fundamentally shifted.

Organisations that are 'very effective' or 'extremely effective' at pivoting and scaling digital channels to meet new customer demands and expectations:

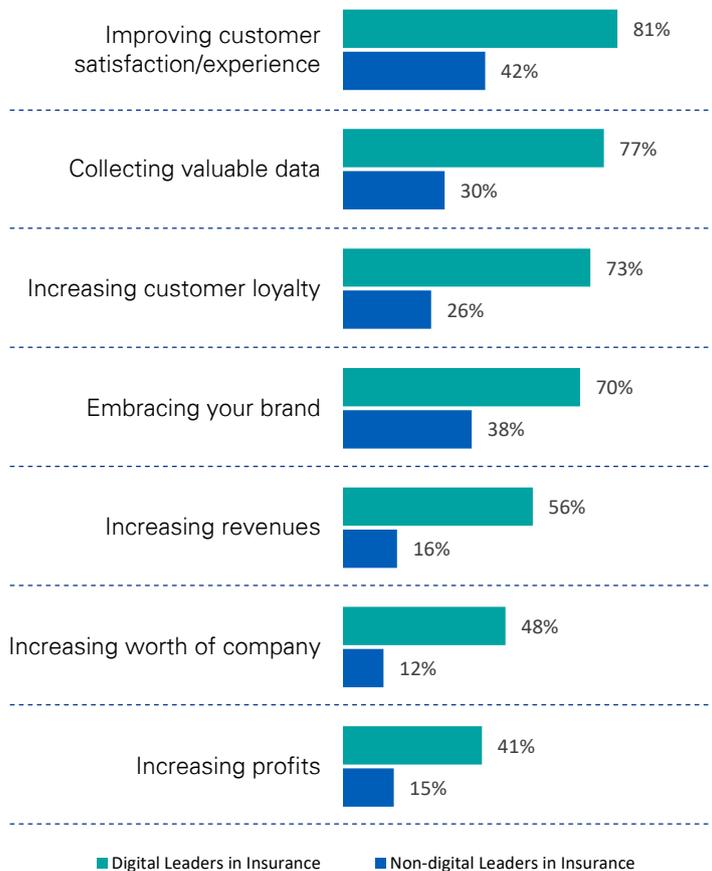
Digital leaders vs non-digital leaders in Insurance



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Digital offerings to customers that were 'very effective' or 'extremely effective' at the following:

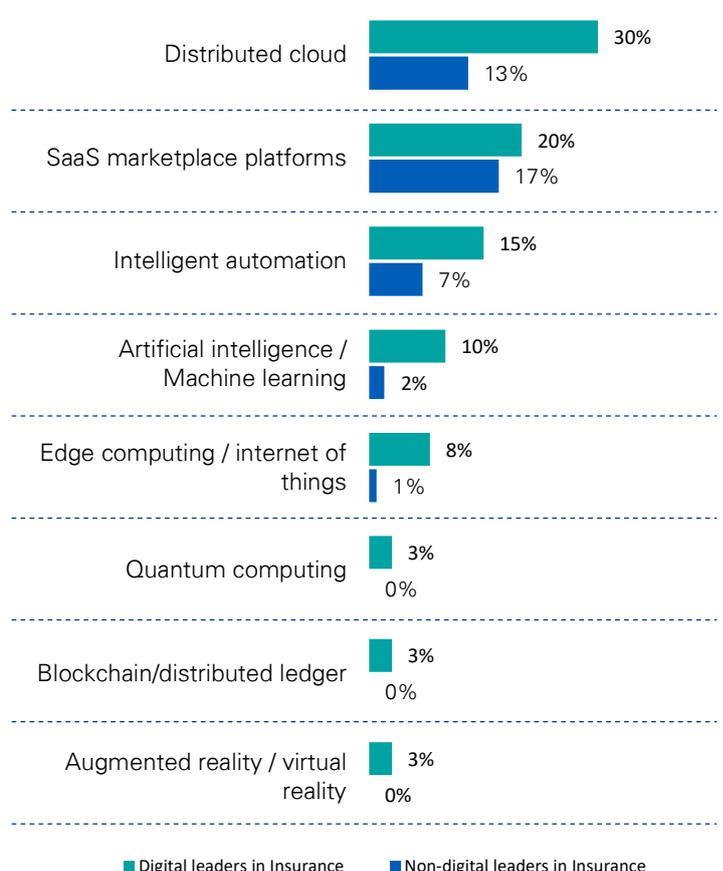
Digital leaders vs non-digital leaders in Insurance



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Large-scale implementations of emerging tech:

Digital leaders vs non-digital leaders in Insurance



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

People & culture

With so much resting on technology, addressing skills shortages in the IT team must be a key priority. In common with the cross-sector picture, cyber security is the number one skills shortage for insurers (48 percent), a sign of their awareness of the heightened need for resilience and security to retain client trust with the new risks that the digitisation agenda brings. It is also noticeable that agile and organisational change management skills also feature heavily: insurers are undergoing significant transformation to their operating models to catch up on digitisation in financial services. 57 percent of CIOs in the Insurance sector report increased collaboration between their teams and the business with digital leaders in this sector reporting being 71 percent better on customer experience, 68 percent better on customer trust, 61 percent better on employee experience and 48 percent better on time to market for new products and service offerings. After so many months of running above capacity, IT professionals are exhausted and, in many cases, feeling disconnected and demoralised. During challenging professional and personal times, IT leaders in Insurance are recognising the strain and are clearly committed to looking after their teams, with over six in ten putting formal mental health and well-being programs in place.

Most in demand skills:

Insurance vs. overall

Insurance

1. Cyber security
2. Agile methods
3. Organisational change management
4. Technical architecture

Overall

1. Cyber security
2. Organisational change management
3. Enterprise architecture
4. Technical architecture
5. Advanced analytics

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Top factors in engaging/retaining technology talent in the new reality

Insurance vs. overall

Insurance

1. Strong culture & leadership
2. Good remuneration
3. Career progression opportunities
4. Training, development, & reskilling opportunities
5. Work location and remote work opportunities

Overall

1. Strong culture & leadership
2. Good remuneration
3. Career progression opportunities
4. Work location and remote work opportunities
5. Training, development, & reskilling opportunities

43 percent in insurance believes **COVID-19 created a culture** of inclusivity in the **technology team**

More than half in insurance believes **promoting diversity** improves **access to the right skills, trust and collaboration, engagement with the business, creating customer focused products, and innovation**

Proportion of enterprise that will remain predominantly working from home post COVID-19:

Insurance vs Overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

The rise of cyber

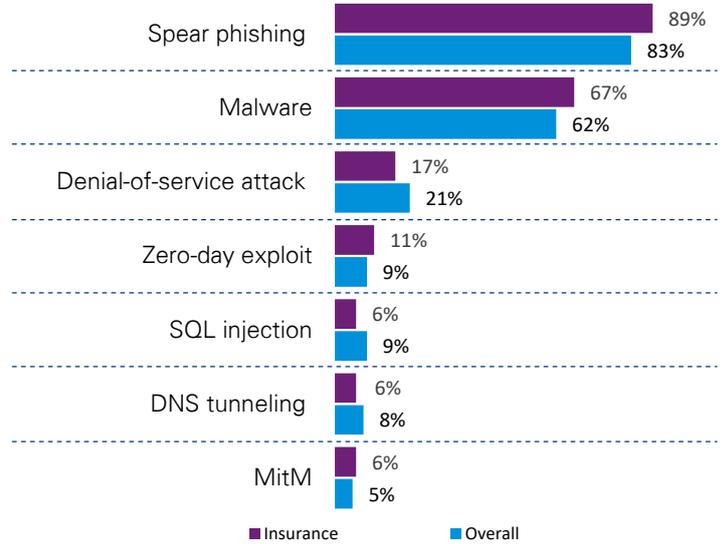
With 91 percent of the workforce in this sector moved to remote working during COVID-19, organisations' exposures also dramatically grew. As a result, more than four in ten organisations report an increase in cyber security incidents with phishing (89 percent) and malware attacks (67 percent) the most prominent for insurers — and somewhat higher than the cross-sector average. More broadly, resilience and sound long-term risk management are key — insurers need sustained resiliency in the face of uncertainty. In light of COVID-19, an increased focus on internal threats stemming from a largely remote workforce and new suite of applications as they strive to increase the digitisation of their services, must be a priority into the future.

Organisations that experienced an increase in security or cyber incidents due to remote working: Insurance vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Increase in types of attacks due to remote working: Insurance vs. overall

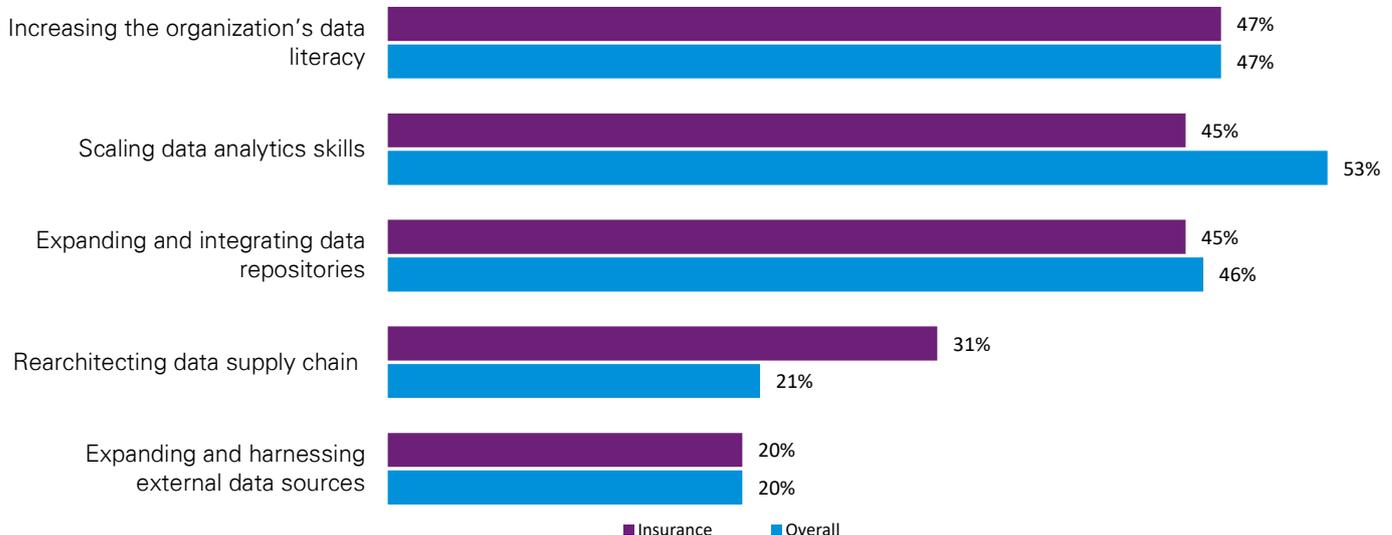


Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Analytics & insight

A rapid response to an uncertain environment is expected to become a new core competency — and this can be founded on data & analytics insights. Use of more advanced models and algorithms leveraging more complex internal and external data signals will likely be key in areas such as underwriting and claims, with an increased need for scaling AI to conduct continuous scenario planning and analyses to gain real-time understanding and prediction of trends. Financially, close monitoring of low interest rates, equity markets and credit issues will be essential through the downturn in financial markets. Increasing data literacy across the organisation (47 percent) and scaling data analytics skills (45 percent) are seen as key priorities.

Top priorities for your organisation's data strategy: Insurance vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Expedited timelines to transformation

COVID-19 has changed the landscape. With technology more important than ever to organisations' ability to survive and thrive, the opportunity has never been greater for CIOs to work as strategic partners with the business. Seven in ten IT leaders report increased collaboration between the business and technology teams — this relationship is something that CIOs must build on to ensure their organisation's digital transformation success. As digital leaders create more competitive distance from the pack, CIOs in insurance must move quickly and holistically, addressing the critical layers of the IT operating model to move the needle beyond point solutions. In the immediate term enhancing operational efficiency through automation, improving the customer experience through digitisation and self-service options, and embedding emerging technology innovations for greater responsiveness and market speed, are critical objectives to deliver against.

How KPMG can help

While KPMG member firms are some of the largest providers of services to insurance organisations globally, we take a boutique approach to client issues with a focus on flexibility, adaptability, and innovation. We recognise that there are many on-ramps to supporting IT transformation and we've tailored our services accordingly:

Transform the business

- Strategy and operating model
- Organisational design
- Enterprise architecture
- Portfolio planning
- Merger and acquisition
- Integration and separation

Run the business

- Scaling agile
- Product management
- DevOps tooling
- IT financial management
- IT service management
- IT asset management

Modernise and protect

- Cloud strategy
- Data center strategy
- Continuity and resiliency
- Workplace transformation
- Network modernisation
- Cyber, risk, and compliance

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