



Industry Perspective

Future-Ready Insurance Leaders

Defining the Next Generation



Risk is at the heart of the insurance business.

While disasters and disruption can lead to massive payouts, new and greater risks create consumer demand for new products and services as well. In a more complex threat landscape, insurance companies need to be able to read market signals—and respond quickly—if they want to compete.

One thing is clear: organizations that are digital leaders coped with the disruption of COVID-19 better than the competition, and these companies are looking for ways to leverage their tech investments for continued growth. What are they focused on? According to KPMG’s [2020 CIO Survey](#), the top three business priorities for global technology leaders are to improve operational efficiency, enhance customer engagement, and enable the workforce. And this maps to the needs of the insurance sector.

To boost profitability in a time of unprecedented uncertainty, insurers must increase cost-efficiency and innovate to produce more profitable products and services. They need to understand what customers want and deliver the experiences they expect. Insurers should focus on identifying top talent and doing what it takes to keep them on board.

Perhaps most importantly, insurers need to put systems in place that will make their operations more resilient as they face future waves of disruption.

“We’ve seen events that left some of our insurance clients disconnected and unable to be productive—especially those that were still operating on legacy, on-premise systems,” says Tony Alejo, principal, Advisory, KPMG. “These unfortunate events helped our clients see the benefits of being in a digital environment, especially on a cloud-based platform that lets them keep their business going efficiently and effectively.”

Key challenges facing forward-looking insurers.

Charting a successful course to the future starts with understanding the obstacles that lie ahead. From shifting regulations to evolving workforce demands, insurance companies need to be flexible to navigate what’s beyond the horizon. Easy access to data is one of the primary factors that will enable agility as challenges arise.

Compliance activities could be a major roadblock for insurers that can’t easily access, analyze, and report their internal data. How much information insurance companies need to provide—and how frequently they need to report it—is evolving, and insurers should be prepared to adapt as rules change. Upcoming adjustments to FASB and IFRS-17, for example, will require accounting teams to make big changes in the way they work.



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“You’re basically updating the value of your insurance liabilities and the profitability of your insurance contracts every quarter,” says Angela Borth, senior director of Product Strategy for financial services at Workday. “That involves opening up the front-to-back office integration, getting more detail, and creating cash flow models of future premiums and claims.”

Environmental, social, and governance (ESG) risk factors will also create a need for greater transparency. As natural disasters and other climate risks continue to intensify, [KPMG expects](#) regulators will ask financial services companies to identify and refine ESG and climate-specific risks, with particular attention paid to stress testing and scenario analysis, credit risk, and due diligence monitoring.

Insurance companies need user-friendly internal systems to keep up with shifting requirements, as well as the advanced analytics and reporting capabilities that improve process efficiency. They also need tools with predictive power to make strategic decisions for the future. Planning for future market shifts, assessing and delivering on customer expectations, and recruiting and training talent to fill skills gaps are just a few of the ways insurance companies can use their data to stay nimble in the face of change.

“Overall, it’s really about treating data more as a connected asset versus a siloed asset,” says Alejo. “A common pitfall is not recognizing that there’s great value in the interconnectedness of data. It’s not just about the back office or the front office—it’s across the entire enterprise value chain where our clients have the greatest opportunity to make a significant financial impact when data is done right.”

Enabling long-term remote work is another major challenge insurance companies must grapple with to remain competitive. Now that companies—and employees—have seen what’s possible in a virtual environment, remote and hybrid work environments are here to stay.

Most organizations have the basics of remote work figured out, but expectations and opportunities related to who works where will continue to evolve and change. Organizations that have more visibility into HR data can respond to shifts in the talent market more proactively and manage the workforce they have more flexibly.

From accommodating the unique scheduling requests of specific employees to quickly adapting assignments and work locations in response to change, insurance companies need to deliver a better employee experience in a volatile environment in order to retain people with in-demand skills. They should also focus on increasing transparency around diversity, equity, and inclusion and regularly reporting on key metrics, such as the composition of their leadership teams and boards of directors.

“It’s about being able to understand where the organization is now and what the aspiration is, and then taking measurable actions in order to achieve those goals,” Alejo says.



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Keeping private data secure and ensuring operational resilience are two key challenges that insurance companies will need to manage hand in hand. As companies expand their use of digital platforms, they should consider all potential vulnerabilities and make sure they're partnering with companies that take a simple yet mature approach to cybersecurity.

"The primary area that digital technology is going to impact is around security," Alejo says. "Especially with the increase of people working remotely, it becomes more and more important to ensure that technology is locked down, that it has the appropriate level of security to keep bad actors out of an environment."

Capabilities that will drive future success in insurance.

How well insurance companies can keep pace with tech advancement will be a key driver of competitiveness in the future. In fact, KPMG's [2020 CIO Survey](#) found that nearly half (47 percent) of CIOs say the pandemic permanently accelerated digital transformation and the adoption of emergent technologies.

The top areas where organizations are investing include security and privacy (47 percent), customer experience and engagement (44 percent), infrastructure and cloud (35 percent), automation (29 percent), and business intelligence systems (25 percent).

This ranking shows that insurers recognize a need to rethink their security practices in a landscape of evolving cyber threats. In this environment, companies must be more proactive, especially when it comes to their mission-critical operations. They also need to identify these key areas—such as policy administration systems—and make sure they are taking all necessary steps to protect these invaluable assets.

"It's about assessing those possible vulnerabilities and then putting plans in place in order to address them," Alejo says.

Protecting sensitive customer data is an imperative, but it's hardly the finish line. Insurance companies need to use that information to create a better customer experience. Innovative insurers are using internal data to stay ahead of trends in consumer demands and target the most profitable customer segments to drive growth in a competitive market.

Customers give insurance companies personal data, from where they live to what their interests are, which insurers can leverage to anticipate trends and introduce new products that customers want to buy. For example, on-demand and usage-based insurance products can offer customers greater personalization and convenience—as long as insurers can use technology to target those offerings appropriately.

"This data really provides insurers with insight around how to continue to evolve their own business," says Alejo. "Because insurers are data rich, but at times insight poor."



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Automation also helps leaders access those strategic insights faster and more efficiently. Rather than relying on manual processes to aggregate data, technology can help insurers automate reporting and analysis activities. Some cloud-based systems also offer machine learning capabilities that help companies identify patterns, gaps, and anomalies—signals of potential opportunities—that human analysts may have missed.

There are also aspects of accounting operations that can be automated by cloud-based systems to make companies more efficient. Automating the rebooking of insurance policies, for instance, can assign the right portion of each premium appropriately while also enabling analytics around profitability.

“You can automate all of that, as opposed to having to do it in code where it’s not transparent and/or easily changed,” Borth says.

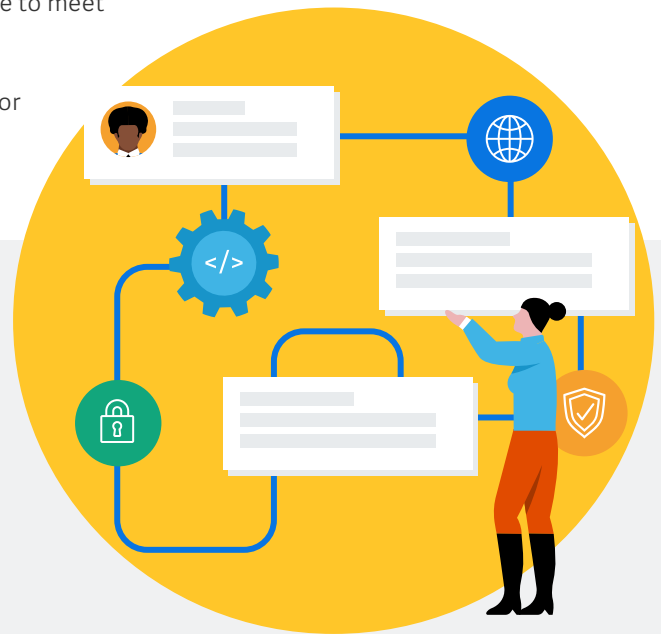
Better business intelligence can go a long way toward helping insurers meet their strategic goals. Connected data can help leaders assess how many new clients or what types of pricing adjustments they need in order to achieve their revenue targets, or estimate how underwriting costs will change based on staffing decisions. It can tie an individual agent’s performance to financial results, or determine how many people with a specific skill it will take to meet the market need.

“You can even apply that concept to which customers are profitable or which types of customer demographics are more likely to cross-sell and buy multiple products,” Borth says.

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“Having a single system that connects front-office operational data with back-office data from HR and finance gives insurers the insights they need to get the most from the resources they have. But it also gives them the ability to better predict the future—and find new ways to fill market gaps and gain a competitive edge,” says Alejo. “Insurers need to have information at their fingertips in order to continue to grow and evolve with the changing needs of their organizations and their client base.”

The business case for cloud.

Cloud-based management systems give insurance leaders the ability to develop a CEO mindset and think more broadly about the business. Rather than just reacting to change, the data gathered from these systems enables leaders to anticipate market shifts and see the bigger picture, which is key to not just pivoting—but pivoting in the right direction.

Digital platforms help insurance companies ensure business continuity in an uncertain future by enabling agility. They provide layers of security and redundancy that boost resilience and deliver the streamlined experience employees have come to expect, says Alejo.

Digital platforms make employees' jobs easier by automating data entry and reporting, giving them more time to focus on tasks that add greater value to the organization. And when given the choice to either pull data manually from a mainframe or work for a company with state-of-the-art tools, future top talent won't be willing to settle for the former.

“By giving users a world-class user experience, one set of data, and no manual effort—just getting to the analytics right away—that's the biggest way Workday is helping insurance companies,” Borth says.

As insurance companies face more burdensome regulatory requirements, cloud-based platforms also offer the flexibility to change report formats and frequency without reimplementation. They can offer more granular data and pull information from multiple areas of the business, leveraging a single source of truth to provide valuable insights.

But it's not just about satisfying regulations as they evolve. To set themselves up for future success, insurers need to leverage connected data to understand the trends influencing these changes, and analyze the performance of different products for insights that will drive business decisions. By mapping actual performance to plan in real time, technology such as Workday gives insurers the intel to identify deviations from plans and create a rapid response to get back on track.

“Insurance experts are really the predictors of the future based on great volumes of information,” says Alejo. “It's taking that to the next level to anticipate customer needs, drive innovation of new products or services, and integrate with third parties that help drive the speed to market and reduce costs for the enterprise.”



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Catalyzing innovation in a time of change.

Change is the only constant in the business landscape. And as insurance companies prepare for a future defined by disruption, they need to develop the capabilities that will drive innovation and agility.

It may seem like a big adjustment to adopt the cloud-based technologies that will enable greater flexibility and creativity, but according to Alejo, the evolution doesn't have to be overwhelming.

“Unfortunately, this is an area that scares a lot of large organizations because they think it’s going to be an overwhelming commitment of resources,” Alejo says. “We are helping our clients define journeys to the cloud that are tailored to their needs and capacity; in many cases, we employ a phased approach to achieve the desired business outcomes.”

Organizations can start by understanding the strategic goals of the business and prioritizing projects that will deliver the most value. From there, future-focused insurance companies can develop broader platform business models and extended ecosystems that drive innovation.

But regardless of where they start, insurers need to develop a cohesive strategy that defines what they should own, what they can share—and how to manage the risk that comes with the approach they choose. As digital transformation continues to accelerate, insurance companies must future-proof their business by developing the capabilities that will allow them to use the rich stores of data available to them—or risk being left behind.



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