

Strategic dilemmas in insurance

Key:

- Market voice
- Key fact
- Our view

“Most people don’t decide to get into insurance, they fall into it by chance”

ZERO There are no insurance companies in the top 50 of the Universum league of the world’s most attractive employers

The dilemma
How does a necessarily conservative and slowly-evolving industry make itself attractive to its future people?

The central functions of insurers have become significantly more complex over the last decade, particularly in the risk and financial control areas. This is driving cultural change

Millennials want two things from companies: a sound public purpose, and global mobility with a local face. Insurers offer both and still remain unattractive employers for the young

“The days of major cost reduction programmes are over. This is a cost shaving world”

30% There are twice as many outsourcing contracts globally as in 2006 but their total value is only 30% higher⁵

The confidence of the industry in the ability of M&A deals to create significant cost savings is at an all time low

IT spend is more directed towards use of data for pricing and cross-selling, and less towards cost optimisation - so it’s getting harder

The dilemma
How do you use big data cost-effectively in a world of legacy systems?

Infrastructure & cost

People

The dilemma
Is an increase in scale the best way to increase capital efficiency?

Capital & scale

“The most important area of concern is the impact of long term low interest rates on our capital base”

95% of European insurance executives think that Solvency II will increase consolidation²

Solvency II and other enterprise risk management regulations will drive convergence of capital structures pushing innovation into distribution

Insurance linked securities are a genuine innovation in insurance and are disrupting conventional reinsurance business models

“The real issue here is culture. Without that - the right one - we might as well give up”

53% The trust level of the financial services industry is at 53%, lower than any other sector, except media⁴

There is a tension between insurers’ desire for regulatory convergence and regulators accountability to national governments

Because boards flattered in the run-up to the global financial crisis, regulators are very focused on governance

Regulation

The dilemma
How much work should you put into planning ahead when it changes so often?

Customer interface & distribution

The dilemma
In a multi-channel world how do you optimise your portfolio?

“The single biggest threat to our business is the quota share deals being done by the major brokers”

Less than **30%** of insurance customers globally are having positive experiences.³

The penetration of internet usage and purchase is much higher for simple products: This will continue, for both regulatory and pricing reasons

Will direct distribution stage a comeback in developed markets as the internet allows customers to assess prices pre-sale?