Global Insurance CEO Outlook 2021

A focus on innovation and purpose to fuel growth

KPMG in Belgium

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COVID-19 has disrupted insurance industries across the globe, but there's an emerging optimism driven by a focus on innovation and a strong connection to organizational purpose which is building confidence in the industry's growth.

These are among the top themes emerging among insurance executives surveyed for the KPMG 2021 CEO Outlook. This annual publication, which includes interviews with CEOs from some of the world's most significant businesses, provides a unique snapshot of the views of more than 1,300 CEOs in 11 countries and key industries. The following draws on the perspectives of 129 insurance CEOs, 77 percent of which have their organization headquartered in the US, UK or Asia Pacific, and offers a lens on how today's connected insurance CEOs are plugged-in, people-first and purpose-led.

The road to renewal

Global insurance CEOs have a renewed confidence in the growth prospects of their organizations, the insurance sector and the global economy. Leaders in the insurance space expect aggressive growth and are looking to expand their businesses and organizations in new ways.

As insurance CEOs look forward, a key focus will be embedding purpose into the fabric of their organizations and, in return, providing long-term value to customers, employees and stakeholders.

Growth prospects picking up

Despite continued uncertainty as a result of the pandemic, most insurance CEOs (93 percent) are confident about the growth prospects of their organizations — a positive shift from this time last year (88 percent). This growth is expected to continue, with 84 percent feeling optimistic about the growth of the insurance industry in the next three years. And this optimism is expected to translate into global growth.

Economic outlook (over the next three years)

Source: KPMG International, 2021.

> Our survey findings suggest CEOs have a renewed confidence in growth and insurers will need to be agile to adapt to a constantly changing landscape that will require stakeholder collaboration and relies heavily on sustainability and digital transformation.

Laura Hay
Global Head of Insurance,
KPMG International

Shifting risks agenda

Business leaders are recognizing a drastic shift in emerging threats to their organizations, fueled by unprecedented pandemic-related risks and new regulations or modifications to existing laws. Among these emerging concerns are regulatory, tax, reputational/brand and cyber security risks — with regulatory and tax as the biggest threats to the industry's long-term growth.

Tax is an emerging risk for insurers, particularly, the Organisation for Economic Co-operation and Development's (OECD) Global Anti-Base Erosion (GloBE) proposal, as well as US tax reform and upcoming new European tax directives, which are causing significant uncertainty. New tax frameworks have a significant impact on how tax functions will manage tax risks on a group level in the future. Insurance groups have to adopt their processes, systems and governance in order to cope with new requirements. They also need to be consistent with environmental, social and governance (ESG) strategies as companies seek to improve tax transparency, governance, and operate with a tax strategy consistent with corporate purpose. The time frame to accomplish all this is extremely tight.

Greatest threats to an organization's growth

2021	2020
1 Regulatory risk	1 Cyber security risk
2 Tax risk	2 Regulatory risk
3 Reputational risk	3 Environmental risk
4 Cyber security risk	4 Return to territorialism
5 Emerging technology risk	5 Emerging technology risk

Source: KPMG International, 2021.

> "The last 12–24 months have been extraordinary for tax directors, company leaders, and their boards. The agreement to a worldwide minimum tax, in conjunction with the increasing scrutiny of tax strategies in ESG, has raised the profile of tax risks and opportunities. And there's more to come as legislation around the world continues to change to keep up with new business models to replenish government coffers drained by the Great Recession and the COVID-19 pandemic."

Phil Jacobs
National Insurance Tax Sector Leader,
KPMG in the US

Embedding purpose for growth

Stakeholder expectations have evolved, and leaders are under increased scrutiny to act. Insurance CEOs recognize the importance of having a clear purpose for their organizations to move ahead on their growth path. Sixty-one percent of CEOs are driven by the purpose of creating long-term value for their stakeholders — growing by eight percentage points from 2020 (53 percent).

There has been a shift in focus and 76 percent of insurance CEOs feel a stronger connection to their organization's purpose since COVID-19 began. Driving value that stems from this purpose and embedding it in their business and operating models is expected to play a vital role, with 73 percent saying they're using corporate purpose to drive action in addressing the needs of key stakeholders.

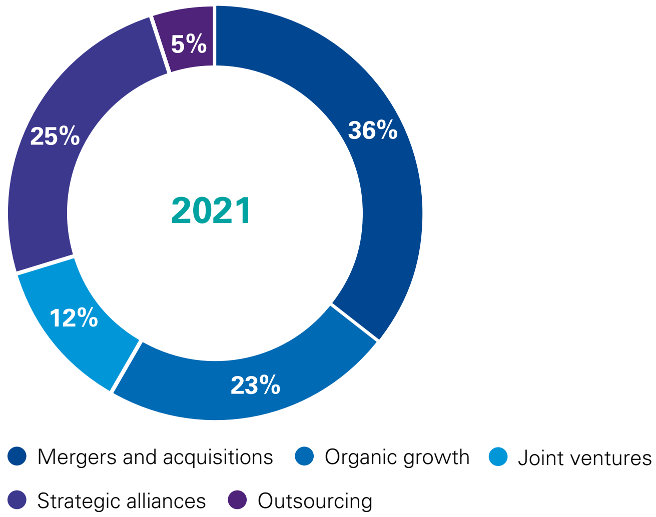
Strategies for growth

As insurance CEOs look to react quickly to how markets have changed — particularly digital-driven changes in consumer preferences — they believe that their inorganic strategies will be key to achieving their growth ambitions. Adapting to the changing trends is the primary focus.

In 2021, mergers and acquisitions have emerged as the primary growth strategy over the next three years among 36 percent of insurance CEOs. In addition, organizations are finding ways to overcome disruption to pursue growth, and 60 percent of insurance CEOs have an appetite for mergers and acquisitions — while in 2020 it was 39 percent. To meet customers' digital engagement demands and support new hybrid ways of working, InsurTech acquisitions are becoming increasingly desirable.

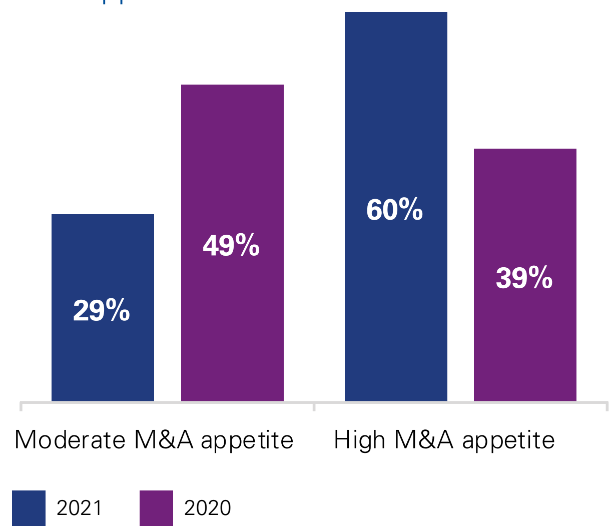
To achieve their long-term objectives, CEOs have their sights set on technology upgrades and innovation as key focus areas to pursue growth. Sixty-eight percent plan to increase investments in disruption detection and innovation processes because of accelerated digitization in the industry. Many leaders believe that this shift will lead to the development of new innovative technologies with a goal of increasing resources and reducing costs.

Insurance sector growth strategies



Source: KPMG International, 2021.

M&A appetite



Source: KPMG International, 2021.

Actions to be taken to pursue growth objectives

68% Increase investment in disruption detection and innovation processes

52% Collaborate with innovative start-ups

54% Assess organization's culture and values

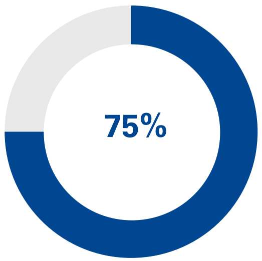
50% Join industry consortia focused on development of innovative technologies

Source: KPMG International, 2021.

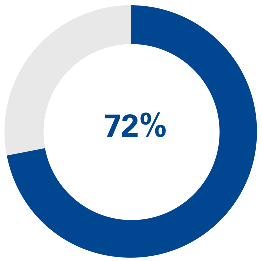
Creating digital resilience

CEOs recognize that a digital-first approach lies at the heart of how organizations can avoid disruption, stay innovative and create new sources of value. Seventy-five percent of insurance CEOs suggest they need to be quicker to shift investments and divest businesses that face digital obsolescence, and 65 percent feel that new partnerships will be critical to continue with pace of digital transformation.

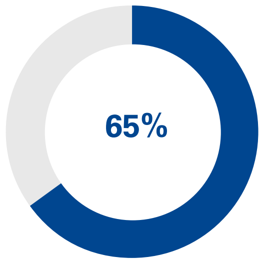
Digital transformation strategy



Need to be quicker to shift investments and divest businesses that face digital obsolescence



Believe their organization has an aggressive investment strategy



Feel new partnerships will be critical to continue with the pace of digital transformation

Source: KPMG International, 2021.

> "In Asia Pacific COVID-19 has emphasized how critical it is for insurers to connect with their agency force in a more digital way. This is driving significant investments and innovation that will hopefully make insurance available to more people more quickly."

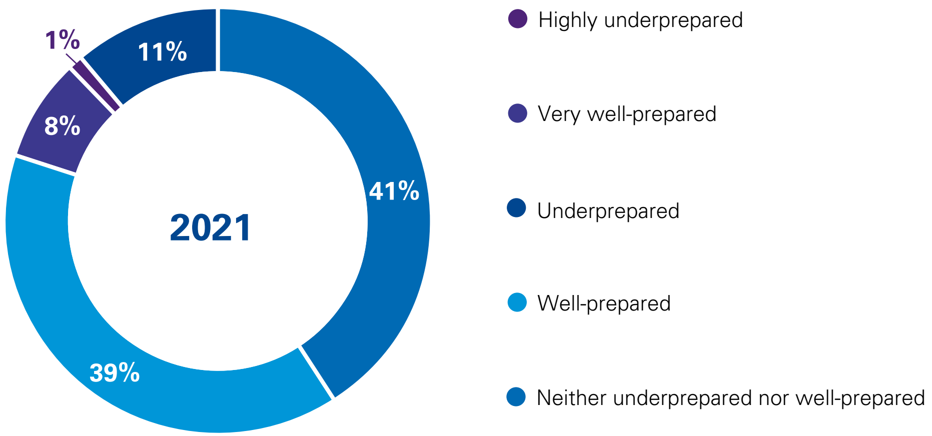
Erik Bleekrode
Head of Insurance
KPMG China & Asia Pacific

Cyber security preparedness

Cyber security threats limit growth and create boundaries to digital development and inclusion. Sustainable cyber security practices help digital ecosystems thrive, bounce back from attacks, and instill confidence that a business is well governed. Eighty-eight percent of insurance CEOs have already prepared or are preparing their organizations to secure them from future cyber attacks.

The need for cyber security has become crucial due to increased digitization, and cyber threats are recognized as a major security issue that can restrict business growth.

Organization preparedness for cyber security



Source: KPMG International, 2021.

> It's critical that organizations develop digital investment strategies that drive growth, improve customer experience and lower costs, but that also increase protection.
>
> **Mark Longworth**
> Global Head of Insurance Advisory

Guided by purpose

From fighting climate change to driving diversity, there's an expectation for organizations to have a positive impact. The principal objective is to embed purpose and create long-term value for stakeholders.

The common challenge for insurance CEOs? How they can turn their purpose from a statement of intent to real measurable action.

Embedding purpose for growth

Stakeholder expectations have evolved, and leaders are under increased scrutiny to act. Insurance CEOs recognize the importance of having a clear purpose for their organizations to move ahead on the growth path. Sixty-one percent of CEOs are driven by the purpose of creating long-term value for their stakeholders — growing by eight percentage points from 2020 (53 percent).

There has been a shift in focus and 76 percent of insurance CEOs feel a stronger connection to their organization's purpose since COVID-19 began. Driving value that stems from this purpose and embedding it in their business and operating models can play a vital role, with 73 percent saying they're using corporate purpose to drive action in addressing the needs of key stakeholders.

Influence of purpose in decision making

Source: KPMG International, 2021.

> "Addressing ESG issues is a critical business priority — and collaboration with key stakeholders is needed to create sustainable business models. Bold ESG programs can help identify key opportunities and challenges that allow organizations to demonstrate how they can deliver their purpose."

Laura Hay
Global Head of Insurance,
KPMG International

Putting people first to drive societal return

CEOs are cognizant of public disposition and the research shows the need to embrace societal return while driving value for stakeholders. Seventy-three percent of insurance CEOs said they will increasingly be held personally responsible for driving progress in addressing social issues. Considering that, 60 percent admitted that with public, investor and government expectations of diversity, inclusion and equity (DEI) on the rise, they may struggle to meet expectations — highlighting the need for comprehensive DEI strategies.

Collaborating to power sustainability

Action to limit climate change and reduce carbon emissions in the race to net zero is crucial now more than ever. Progress that addresses sustainability issues will require strong collaboration between businesses and stakeholders. Failure to address sustainability can impact the bottom line and may result in disengagement from the public and employees. A strong commitment to collaboration is equally important from government, with 74 percent of CEOs suggesting that government stimulus is required to turbocharge climate investments being made by the business community.

Connecting ESG strategy with financial returns

With newly found connections between ESG issues and financial returns, CEOs are taking into consideration the impact of ESG investments. Forty percent believe that ESG programs have a positive impact on financial performance. Seventy-seven percent are looking to lock in the sustainability and climate change gains made during the pandemic, and 81 percent are shifting their focus to the social component of their ESG program.

ESG efforts are relatively new for many, and insurance CEOs feel their organizations are struggling to report on and communicate ESG performance in an impactful way. Measurement is important and getting this right is critical, as investor scrutiny of organizations' ESG performance intensifies. Forty-three percent of respondents suggested they struggle to tell a compelling ESG story.

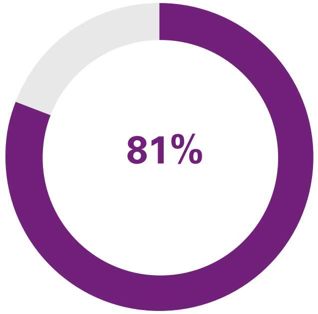
Key challenges in communicating ESG performance

43% Struggle to articulate a compelling ESG story

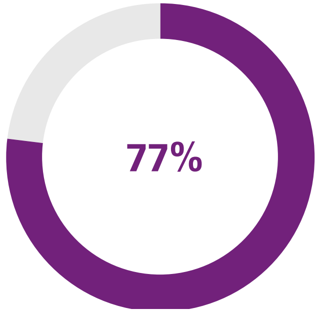
25% Struggle to meet the ESG reprorting needs of different investors and other stakeholders

Source: KPMG International, 2021.

Focus on ESG during the pandemic



Agree that COVID-19 has caused their focus to shift to the social component of their ESG program



Want to lock in the sustainability and climate change gains made during the pandemic

Source: KPMG International, 2021.

Adapting to new realities

CEOs are recognizing the demands created by a rapidly evolving future of work. The core focus is on providing flexibility to the workforce.

Building a flexible future of work

With people returning to places of work and governments increasingly looking for businesses to lead a return to normal, global CEOs have indicated a focus towards investing in digital tools and preparedness for a hybrid work environment that offers flexibility. Sixty-three percent of insurance CEOs are recognizing the demands created by rapidly evolving ways of working and will be looking to invest in shared office spaces, whereas only 19 percent plan to downsize (or have already downsized) their physical footprint or office spaces. In addition, 51 percent said their organization will have most employees working remotely at least two or more days a week.

Engaged, motivated and productive employees

With a hybrid work environment becoming increasingly common, it is important for insurers to come up with ways to keep employees motivated. Forty-seven percent of insurance CEOs believe it is important to address big issues such as climate change, racism and rising inequality as it brings a sense of togetherness in the workforce and 44 percent intend to focus on employee mental health and well-being (see chart on next page).

Probable impact of COVID-19 on work culture in the next three years

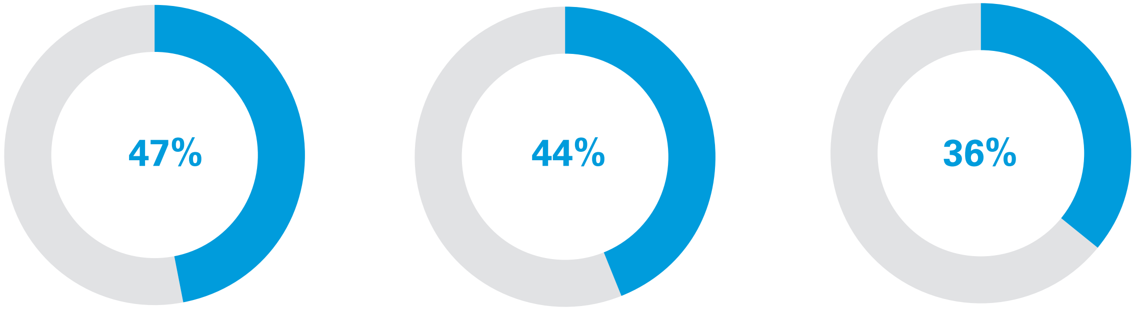
63% Are looking at shared office space to allow employees more flexibility

51% Will have the majority of their employees working remotely at least two or more days a week

19% Will downsize (or have already downsized) their organization's physical footprint

Source: KPMG International, 2021.

Employee engagement success factors



Address big issues (i.e. climate change, racism and rising inequality)

Intend to focus on employee mental health and well-being

Intend to invest in digital training, development and upskilling

Source: KPMG International, 2021.

Top of the CEO agenda

KPMG's 2021 Global Insurance CEO Outlook highlights a new sense of optimism in the boardroom. CEOs feel a strong connection to their organization’s purpose and are looking to expand their business to emerge stronger than ever before.

There’s a need for sustainable transformation that encourages long-term growth and the insurers of the future should be agile and innovative while collaborating with stakeholders to help ensure resilience and continue on their paths to growth.

> “Insurance CEOs are rethinking their operations and the role their employees play in the future of the business in light of the pandemic. They are engaging with their workforce and investing in digital tools to rewrite their operating model to position their business for growth.”

Laura Hay
Global Head of Insurance,
KPMG International

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Designed by Evalueserve.
Publication name: Global Insurance CEO Outlook 2021
Publication number: 137763-G
Publication date: November 2021