

# Digital Transformation in Insurance: A People-centric Approach

February 2024



**In today's fast-paced and technologically driven world, the global insurance industry has been navigating through an era of transformational change. Several emerging trends are driving the need for more rapid digitalisation for insurers to stay competitive and relevant.**

The insurance industry is expected to navigate through a future that looks fundamentally different from the past. According to research on insurance consumers in various APAC countries, over 28% of surveyed respondents envision managing their insurance exclusively online and around 20% of them are considering utilising algorithm-based digital programs for insurance advice.<sup>1</sup> Customer expectations and regulatory frameworks are evolving in the digital landscape, with a demand for seamless and personalised experiences, self-service capabilities as well as enhanced data protection, anti-fraud and cybersecurity measures.

Digital transformation is at the top of the agenda in response to these emerging trends. According to KPMG research, 72% of surveyed CEOs agree that they have an aggressive digital investment strategy; 40% of CEOs will consider digital transformation to anticipate long-term growth,<sup>2</sup> and the number of organisations with leadership buy-in for emerging tech has more than tripled, from 10% in 2022 to 38% in 2023.<sup>3</sup>



**72%** of CEOs say they have an aggressive digital investment strategy



Automation and robotics are revolutionising insurance operations by streamlining repetitive tasks and delivering personalised customer experiences. Collaboration between insurers, banks and insurtech companies are further accelerating the integration of advanced digital tools and capabilities into insurance processes.

However, successful digital transformation goes beyond the mere adoption of technology. Research shows that 80% of APAC business leaders rate cultural change equally important as technology for their innovation strategies.<sup>4</sup> Furthermore, employees' capabilities are ranked as the top barrier to success for digital transformation initiatives, while the lack of senior management buy-in (43%) and lack of time (39%) are also critical.<sup>5</sup>

**80%** of APAC leaders rate cultural change equally important as technology for their innovation strategies



Ultimately, technology is only as good as the people who use it. Enabling clients to embark on digital transformation, and ensuring a people-centric approach that has the right Clarity, Capability, Capacity and Culture in place, are essential to driving a successful digital transformation.

# Clarity

**Clarity is the foundation for driving digital transformation. The change vision must be clear, relatable and actionable to those who will implement the change to build trust, empower decision-making, and accelerate the transformation process.**

However, achieving clarity in digital transformations can be challenging due to their complex and unpredictable nature. Our research shows that insufficient leadership alignment and an unclear vision are the top factors contributing to failed transformations.<sup>6</sup> Insurers should develop a compelling case for change and engage leadership from the beginning to establish a clear and inspiring purpose that drives connection, creates motivation and maintains commitment. It is also important to be transparent; 40% of APAC executives agree that transparency is key for transformation where the change vision and goals are visible to employees.<sup>7</sup>

**40%** of APAC executives say  
transparency is the key for transformation



To sustain clarity during transformation, a clear roadmap with actionable steps and milestones is key. Across the APAC region, 95% of executives say that they have placed an increased focus on digital transformation in their business, but only 40% have enabled a plan to quickly develop and deliver new applications in response.<sup>8</sup> To drive a successful digital transformation journey, insurers should look to understand the impact across their organisational landscape, including lessons learnt from previous projects, before developing a comprehensive plan.

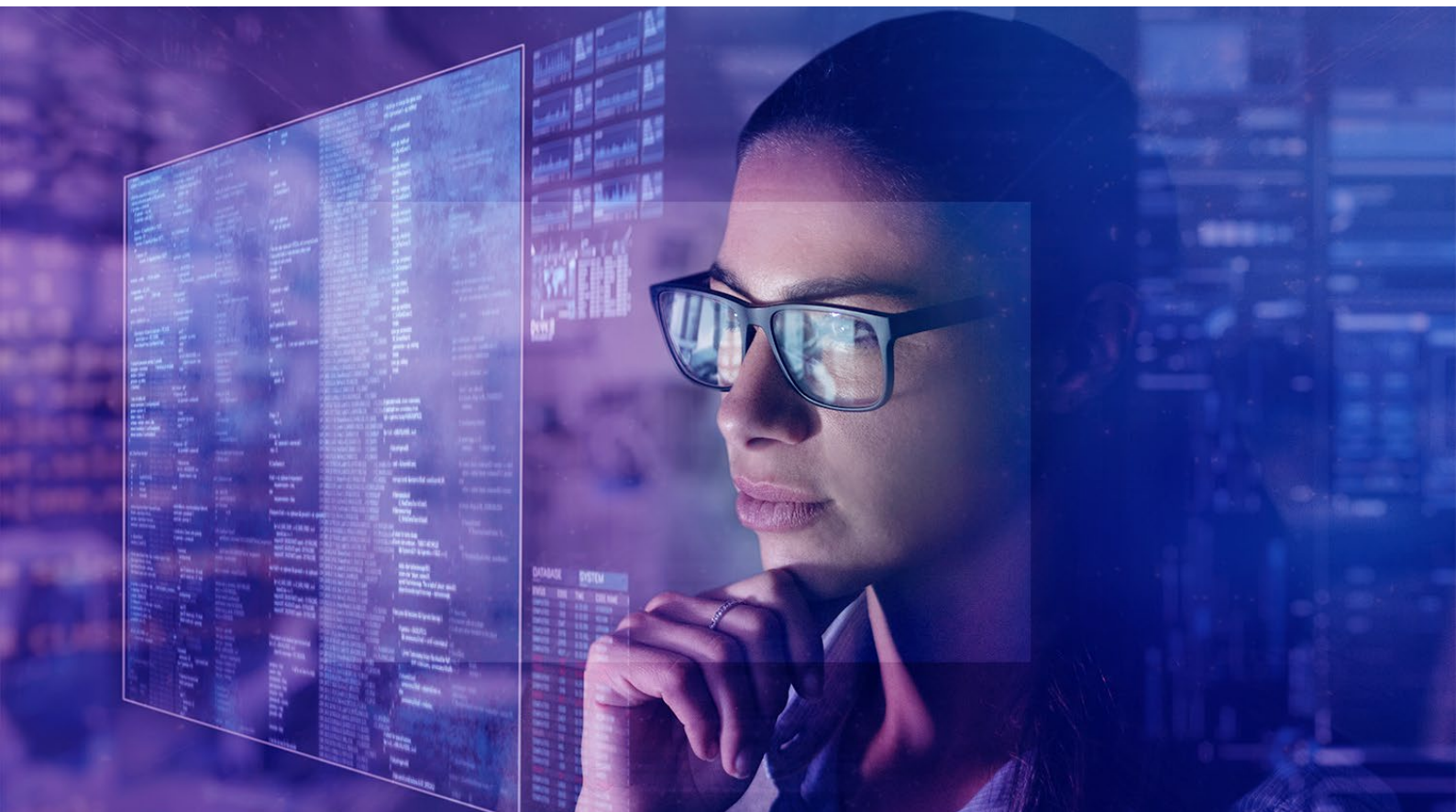
Insurers could consider carrying out transformation impact assessments across the insurance sector to identify the impact of digital transformation on people and operations, enabling the development of clear and action-orientated plans to ensure a smooth transition.

Clarity as the first step to digital transformation serves as a guiding light, ensuring that every decision and action taken aligns with the digital transformation objectives, ultimately leading to long-term success.



# Capability

Digital skills and transformation expertise are critical to support the digital transformation, but take time and effort to build. Insurance leaders report that proper alignment of people and capabilities is the most important factor in a successful transformation. However, they also acknowledge the challenge of getting the right skills and technology in place.<sup>9</sup>



Insurers that fail to build visionary, agile and adaptive capabilities in their leadership teams may find themselves overwhelmed by uncertainty and complexity as soon as transformation work starts. Before building leaders' capability for digital transformation, insurers need to have a clear view on their current strengths and development areas. Insurers should analyse key change leadership capabilities such as creating an enabling environment, driving agility and pacing implementation, to identify any capability gaps and formulate a leadership strategy for the transformation.

Beyond the leadership team, a thorough assessment of current workforce skills is required to identify the capabilities for successful transformation, in order to implement training and development initiatives. Developing digital literacy in areas including artificial intelligence (AI), machine learning and regtech is critical as processes such as policy application, claims submission and policy renewal are gradually being digitalised and AI is increasingly being used to enhance cost management, customer retention and operations.

By cultivating and leveraging the right transformation capabilities, insurers will have the necessary skills to navigate the complexities of digital transformation, drive successful transformation execution, and adapt to the continuously evolving digital landscape.

# Capacity

**The success of digital transformation initiatives relies heavily on the capacity of the organisation. Organisational capacity means the priority, focus and attention given by leaders, workforce and stakeholders to drive and support the entire transformation process on top of business operations.**

A focused and engaged workforce is vital to implement and sustain digital transformation initiatives. Apart from creating a supportive and empowering environment for transformation, there is an increasing trend for organisations to build capacity through partnerships and alliances. 42% of CEOs view this as an important driver for their digital transformation journey in achieving their growth initiatives.<sup>10</sup>

As the insurance industry continues to evolve, many insurers are seeking to increase the use of actuarial technologies for advanced analysis and business partnering; however, they face a significant talent shortfall to support this digital transformation.<sup>11</sup> Insurers should reconsider their talent strategies to hire new talent, develop current talent, engage temporary or gig workers, and leverage automation

and AI. Insurers should define their workforce strategy to achieve their organisation's strategic ambitions, as well as establish operating models that facilitate digital transformation execution and agility in driving tangible organisational benefits.

Understanding an organisation's capacity is an important step for digital transformation planning. By prioritising digital transformation and optimising capacity, they can unlock new opportunities and reshape the APAC insurance industry for the digital age.



# Culture

**Digital transformation also relies on fostering a culture that embraces, supports and prioritises transformation above all else. Organisations need to think, feel and act collectively to drive a smooth and successful transformation.**

It is crucial to build a digital mindset across the organisation, where people and technology are closely linked, to succeed in digital transformation. Carrying out a digital mindset assessment can help insurers to assess their current digital mindset maturity and understand the strengths and opportunities as the first step to build a transformation culture. Insurers should be able to connect their digital transformation efforts end-to-end, considering all aspects from employee experience to customer experience and from current to future. Employees are then empowered to innovate, encouraged to act, and embrace a growth mindset.

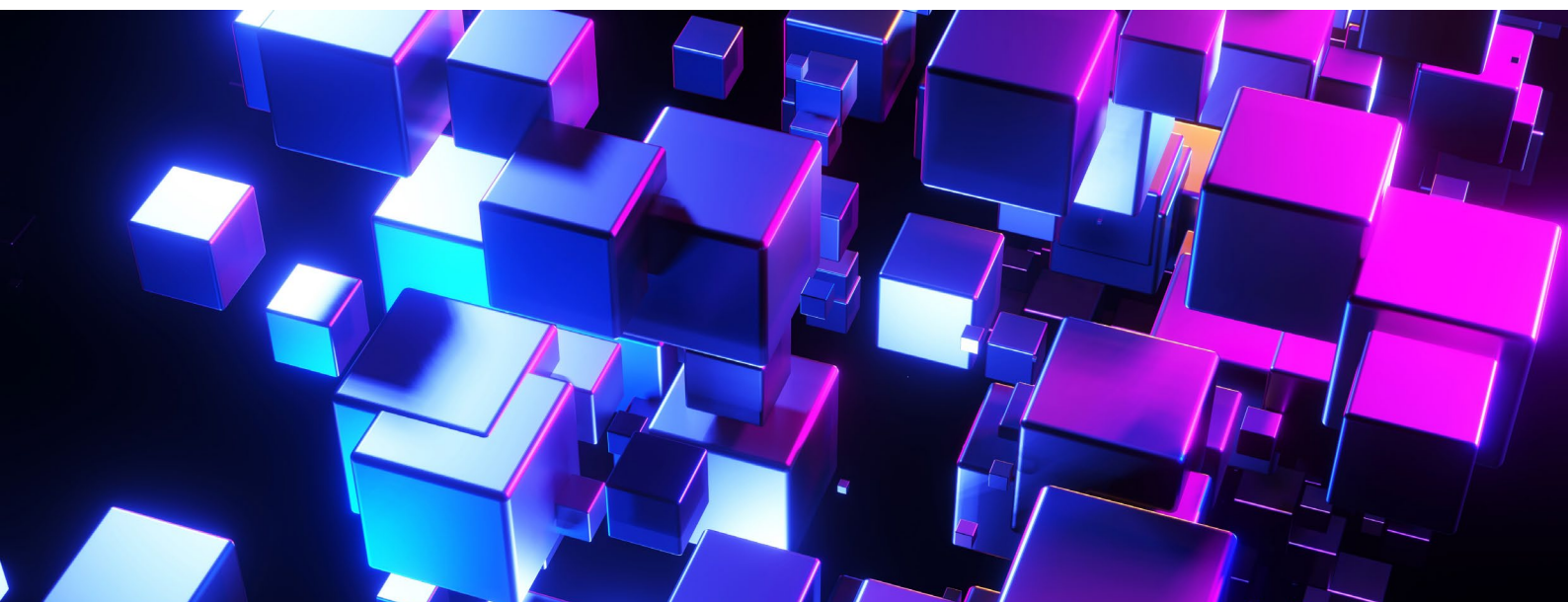
However, in leading APAC markets, only 2% of employees within organisations regard themselves as innovators when facing digital change.<sup>12</sup> To instill employees' ownership to help drive transformation, one successful method is to establish a network of change agents within their organisation. This allows insurers to empower their people, to engage and inspire, and drive change from within, increasing ownership and minimizing employee resistance. There is also a better alignment on initiatives, behaviours, contributions and mindset across the organisation, which brings everyone along on the transformation journey and working towards the same goals.

Cultivating a transformation culture is one of the most challenging aspects when driving a digital transformation. Understanding the organisation's cultural readiness for change is a good starting point when planning the transformation agenda.

Only **2%** of employees within organisations regard themselves as innovators when facing digital trends and change



Achieving the right Clarity, Capability, Capacity and Culture are the first steps on the road to a successful digital transformation. The realisation of desired outcomes in any transformation journey necessitates a people-centric transformation approach. An effective path to digital transformation acknowledges that people are instrumental in conjunction with technology, as their active involvement and collaboration drive business results.



# How KPMG can help

We work closely with clients at every step in their transformation journeys. With deep industry knowledge and experience, we partner with them to deploy an integrated, people-centric transformation approach designed to optimise transformation performance and drive growth while navigating the challenges that come with the journey. We bring the right mix of capabilities to thoughtfully address an organisation's concerns, avoid pitfalls and ensure success.

## The KPMG approach

**Unlocking value** from your people. Understanding what makes people tick is fundamental. We will focus on understanding how to build sustainable behaviours, attitudes and habits — underpinned by data and analytics. This is achieved by:



**Shaping an operating culture that enables the transformation**



**Focusing on embedding behaviours, attitudes and habits**



**Using real time data, insights and feedback to inform decisions**

Being people-centric, we take a **change by design** approach. People are the key to operationalising the transformation “north star”, so managing change throughout the transition and ensuring that people are at the heart of the approach is important. This is achieved by:



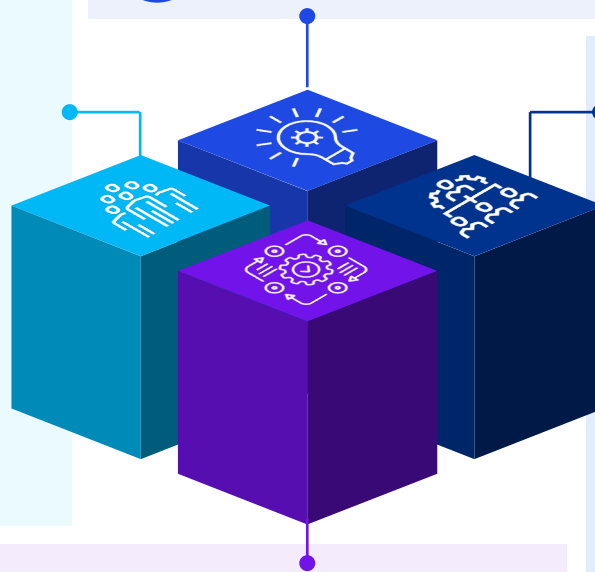
**Putting people experience at the heart of the transformation**



**Providing clarity on direction of travel and opportunity to engage in developing the future**



**Communicating with the person not the business**



Planning for the unknown by building a **workforce of the future**. The fast-changing world of work demands a constant evolution of the workforce: our approach enables organisations to have the right people and skills to drive the best business outcomes. This is achieved by:



**Having a clear People Strategy, Organisational Design and Employee Value Proposition**



**Optimising the workforce with the right shape, and delivery model**



**Consistently measuring employee sentiment to inform transformation**

Building critical capabilities by **upskilling through transformation**. At the centre of this disruption is one constant — learning. We support organisations to build a transformation muscle to ensure the business delivers sustained value. This is achieved by:



**Developing change leaders to act as sponsors**



**Skilling, upskilling and re-skilling across all levels**



**Purposeful talent management to meet short- and long-term goals**

# Contact Us



## Kate Munroe

Head of People and Change,  
Hong Kong  
KPMG China

E: [kate.munroe@kpmg.com](mailto:kate.munroe@kpmg.com)

T: +852 3927 5654



## Abhishek Kumar

Head of Insurance, Hong Kong  
KPMG China

E: [abhishek.kumar@kpmg.com](mailto:abhishek.kumar@kpmg.com)

T: +852 2522 6022



## Adam Scriven

Head of Finance Transformation,  
Hong Kong  
KPMG China

E: [adam.scriven@kpmg.com](mailto:adam.scriven@kpmg.com)

T: +852 2826 7185



## Dana Chaput

Head of ESG, Insurance, Hong  
Kong  
KPMG China

E: [dana.chaput@kpmg.com](mailto:dana.chaput@kpmg.com)

T: +852 2833 1675



## Aditya Mahindroo

Head of Actuarial Transformation,  
Hong Kong  
KPMG China

E: [aditya.mahindroo@kpmg.com](mailto:aditya.mahindroo@kpmg.com)

T: +852 2685 7698



## Olivia He

Head of Data and Analytics, Hong  
Kong  
KPMG China

E: [olivia.he@kpmg.com](mailto:olivia.he@kpmg.com)

T: +852 2847 5108



## Henry Ding

Associate Director,  
People and Change, Hong Kong  
KPMG China

E: [henry.ding@kpmg.com](mailto:henry.ding@kpmg.com)

T: +852 2685 7853

## References

<sup>1</sup> Statista. Global Consumer Survey 2023

<sup>2</sup> KPMG 2022 CEO Outlook

<sup>3</sup> KPMG global tech report 2023

<sup>4</sup> Harvard Business Review. Understanding APAC's Success in Digital Transformation

<sup>5</sup> Statista. Hurdles preventing organizations worldwide from progressing with digital transformation initiatives, Veeam, February 22, 2022

<sup>6</sup> KPMG US new transformation agenda

<sup>7-8</sup> Harvard Business Review. Understanding APAC's Success in Digital Transformation

<sup>9</sup> KPMG The new transformation agenda

<sup>10</sup> KPMG 2022 CEO Outlook

<sup>11</sup> KPMG Insurance transformation Modernizing the actuarial function

<sup>12</sup> Statista. Global Consumer Survey 2023



[kpmg.com/cn/socialmedia](https://kpmg.com/cn/socialmedia)

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