KPMG 2024 Insurance CEO Outlook

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Foreword

Economic uncertainty may finally be starting to recede, but boardroom uncertainty seems to be at an all-time high across the insurance industry. And for good reason: insurance CEOs are dealing with a complex set of pressures and challenges — growth, digital transformation, talent and sustainability, for example — that require bold decisions and concrete action. Decisions made today will help to shape the business well into the future.

Our survey of insurance sector CEOs picks up conflicting challenges on the minds of insurance executives. They see generative artificial intelligence (Gen AI) as a top investment priority for their business, but they also acknowledge the associated risks. Leadership teams understand that talent gaps will impact their growth but struggle to attract and retain the skills they need. And they are committed to delivering on stakeholder ESG expectations but aren't always sure what those expectations are.

The solutions are often no less conflicting. Insurance CEOs need to be bold in their strategy and actions but create agility and flexibility to navigate the fast-paced environment. Insurance organizations should be looking to rapidly transform the business and embrace AI, but without impacting the customer or employee experience, or creating regulatory challenges. They need to grow without increasing costs and transform without disrupting operations.

Insurance CEOs recognize the role they play — individually as leaders of their organizations and communities and collectively as stewards of risk and protection — as the world strives to solve a range of global challenges in a very short period of time. The risks will be significant but so, too, will be the opportunities.

This report highlights key insights from the *KPMG 2024 Insurance CEO Outlook survey*. To learn more about the topics or ideas raised in this report — or to discuss how KPMG can help your organization thrive — I encourage you to contact your local KPMG member firm or any of the contacts listed at the back of this report.

Frank Pfaffenzeller

Global Head of Insurance
KPMG International

Executive summary

Despite economic headwinds, insurance CEOs are confident that they will be able to grow their business over the next three years — both in terms of earnings and headcount. However, competition is growing, and organizations are pulling a number of levers to drive the growth they require.

This latest survey indicates that insurance CEOs remain highly focused on accelerating their digital transformation, delivering on their ESG agenda and enhancing productivity. At the same time, they recognize they will need to infuse the organization with new talent and embrace new technologies — Gen AI in particular — if they hope to achieve their growth objectives.

Yet more must be done for insurers to keep up with — and get ahead of — the pace of change. In the following chapters, we explore the results of the *KPMG 2024 Insurance CEO Outlook* to take a deeper look at these challenges and interrelated trends and provide a set of recommendations to help insurance CEOs and executives confidently drive growth and accelerate transformation.

> **"The good news is that many insurance CEOs are making strong progress on a range of key topics. This latest survey highlights that insurance organizations are embedding ESG into their strategies, investing into Gen AI and emerging technologies, upskilling their workforces and enhancing their diversity and inclusion. But there are clear challenges that should be carefully navigated to build a business fit for the future."**

Frank Pfaffenzeller
Global Head of Insurance, KPMG International

Driving growth in an uncertain economy

74 percent of insurance CEOs say they are confident in their own company's growth prospects over the next three years.

Enabling the enterprise with Gen AI and digital transformation

81 percent of our insurance CEO respondents say that Gen AI is now a top investment priority, despite ongoing economic uncertainty.

Attracting talent and shaping the workforce

62 percent of insurance CEOs believe that talent gaps could negatively impact their organization's growth over the next three years.

Embracing ESG to achieve measurable outcomes

70 percent of insurance CEOs say they are willing to take a stand on a contentious issue but **54 percent** say that stakeholder expectations change faster than they can adapt.

Key findings

Economic outlook

74% of insurance CEOs are **confident** about their company's **growth prospects**

Top challenges in 2024

#1 Economic uncertainty

#2 Gen AI and other technologies

#3 Geopolitical complexities

Top operational priorities for growth

- Advancing digitalization and connectivity: 21%
- Execution of ESG initiatives: 18%
- Employee value proposition (EVP) to attract and retain the top talent: 15%

Technology

68% think that Gen AI is a **big threat**, but

81% agree it's a **top investment** priority

0% say implementation of **Gen AI** will eliminate more jobs than it creates.

Talent

62% of insurance CEOs are worried about **talent gaps** impacting their business

93% expect to **increase the size** of their workforce in the next **three years**

ESG

63% are confident they will meet their **Net Zero** goals by 2030

NET ZERO

54% say **ESG** expectations change faster than they can keep up

Source: KPMG 2024 Insurance CEO Outlook

Section 1

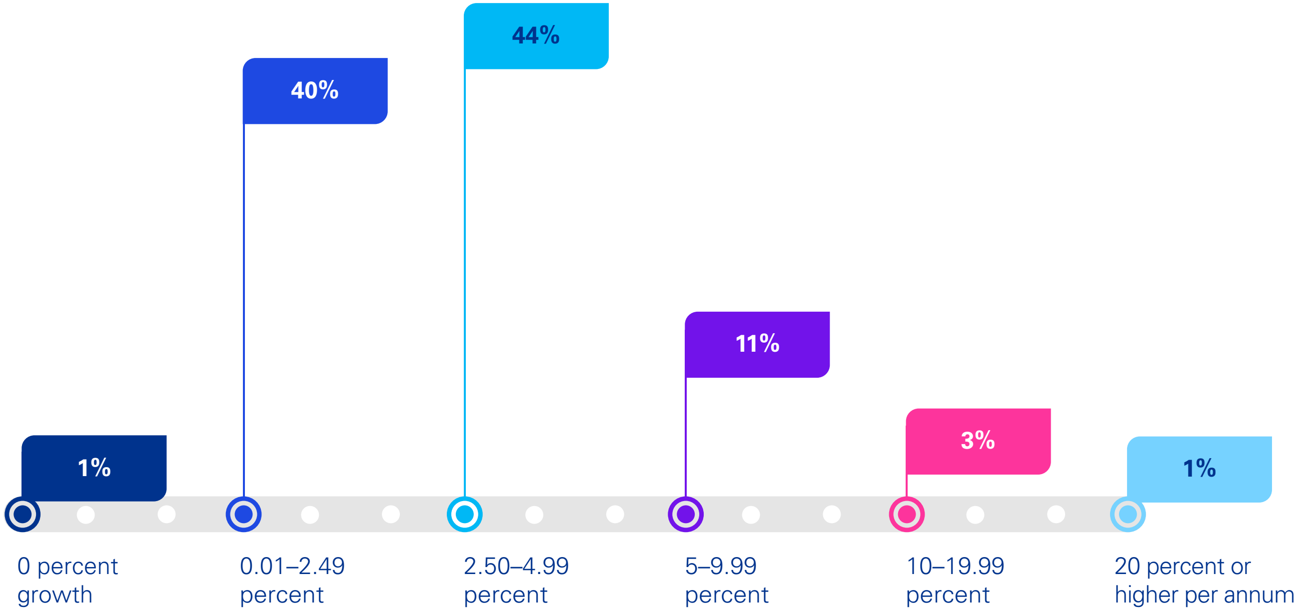
Driving growth in an uncertain economy

With business confidence still stubbornly low,[1] insurance CEOs remain concerned about the direction of the global economy. However, they are confident that the industry will continue to grow over the next three years, with the majority of insurance CEOs expecting earnings to remain robust.

Fifty-nine percent of insurance CEOs predict that their organization will enjoy earnings growth of more than 2.5 percent over the next three years, with fifteen percent expecting earnings growth of more than 5 percent.

At the same time, expectations for headcount growth are on the rise with 93 percent of insurance CEOs saying they expect to increase the size of their workforce over the next three years. Around a third of our respondents say they expect to increase employee numbers by 6 percent or more.

Organization's earnings outlook in the next three years



Source: KPMG 2024 Insurance CEO Outlook

[1] OECD, Business Confidence Index (validated September 2024)

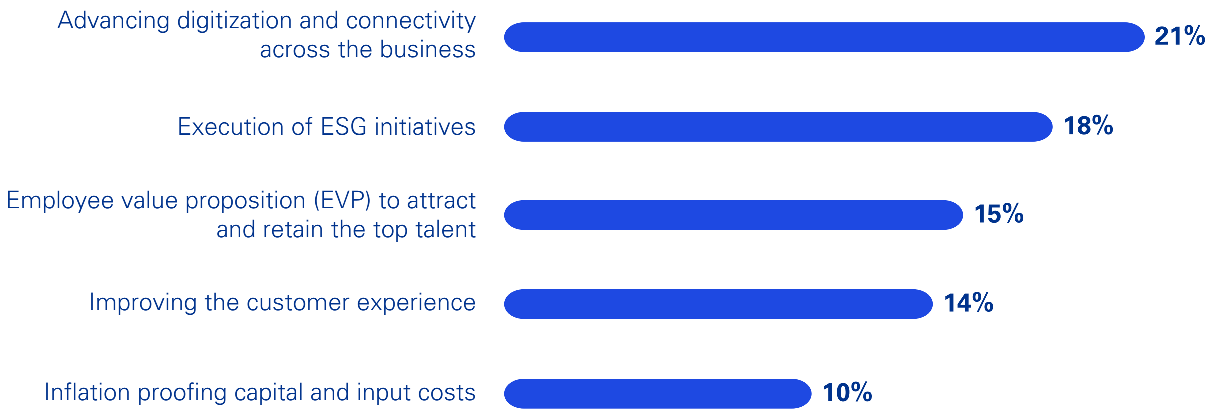
But not every CEO is as confident about their ability to capture an outsized share of the industry's uplift. Seventy-four percent of insurance CEOs say they are confident in their own company's growth prospects over the next three years, versus 76 percent who voice confidence in the growth prospects of the wider industry (compared to last year's survey, CEOs are slightly more confident in the strength of the industry but 5 percentage points less confident in the prospects for their organization). As KPMG's Financial Performance Index illustrates, most companies in the sector have performed well since the pandemic, but there are still some areas of risk in the industry.

Our survey indicates that, to help drive growth, insurance CEOs will continue to progress many of the same strategies they have prioritized in recent years, including the acceleration of digital transformation and connectivity across the enterprise. Organizations will also focus on delivering against their ESG objectives and enhancing the customer experience.

While confidence in the global economy has dropped since last year (67 percent versus 74 percent), priorities related to inflation-proofing have fallen off the agenda (in 2022, 22 percent said they were inflation-proofing; this fell to 15 percent in 2023 and then to 10 percent this year).

And while they may be focused on similar priorities to previous years, the research suggests insurance CEOs' strategies for delivering on those priorities have changed. In fact, 66 percent of insurance CEOs say they have recently adapted their growth strategy to reflect their changing operating and business environment. The remainder plan to do so soon.

Top five operational priorities to achieve growth objectives over the next three years



Source: KPMG 2024 Insurance CEO Outlook

"Many insurers have delivered tremendous results to the markets over the past year. Yet, in some sectors and markets in particular, valuations for insurance companies remain surprisingly low. This represents a significant opportunity for insurance CEOs to really articulate their growth strategy to the markets."

Frank Pfaffenzeller
Global Head of Insurance, KPMG International

Section 2

Enabling the enterprise with Gen AI and digital transformation

As insurance organizations refocus on digital transformation and optimizing performance, new technologies — Gen AI in particular — are at the top of the CEO agenda.

Gen AI offers untapped potential for those willing to embrace change, but it also brings new and evolving risks and challenges. The survey reveals that one of the top challenges on insurance CEO's minds today is the race to embrace and embed Gen AI into their organization. And more than two-thirds say that Gen AI represents a big threat to their organization's growth over the next three years.

That does not mean that insurance firms will remain passive participants. Far from it. In fact, 81 percent of our insurance CEO respondents believe that Gen AI is now a top investment priority, despite ongoing economic uncertainty. Only technology CEOs were more focused on Gen AI (the global all-industry average was just 64 percent) reflecting the significant value that CEOs associate with the emerging technology. To explore how insurance organizations are approaching AI, take a look at KPMG's report, *Advancing AI across insurance*.

Traditional AI relies on programmed rules and focuses on analyzing, classifying, and predicting outcomes based on existing data.

Gen AI utilizes machine learning and deep learning models such as natural language processing (NLP) and computer vision technology to generate new content.

In 2024, insurance CEOs were more than twice as likely as the all-industry average to agree they were utilizing AI to help speed up data analysis. Less surprisingly, given the nature of the business, they were also much more likely than the average to say they were expecting benefits in their fraud detection and cyber security.

At the same time, the survey reveals key risks that may be slowing down the adoption of AI in the insurance sector. Eighty-six percent of respondents say they are concerned about the ethical challenges of using AI. Nearly three-quarters are worried about security and compliance — particularly given regulators' scrutiny of new technologies. And 72 percent specifically say that the pace of progress on Gen AI regulations will be a barrier to their organization's success.

Top five benefits of implementing Gen AI

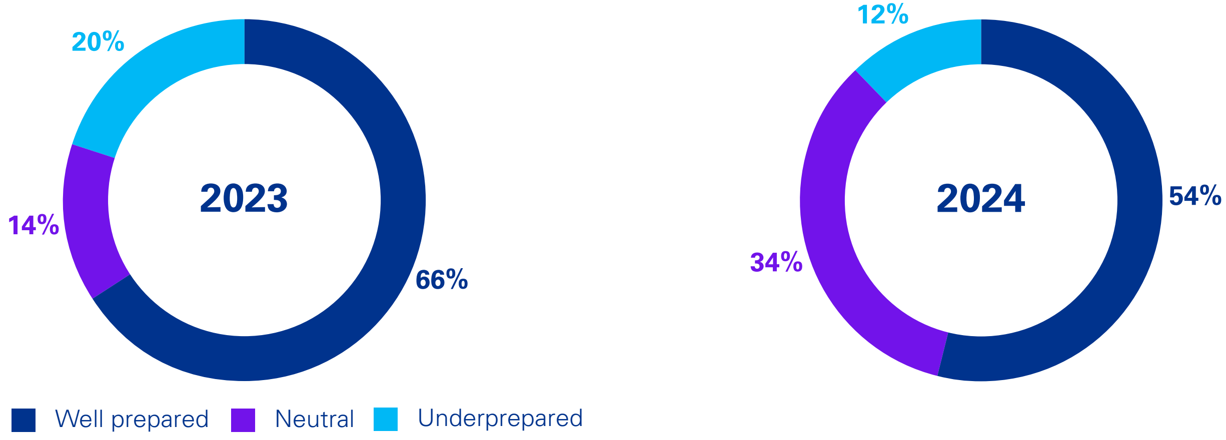
Source: KPMG 2024 Insurance CEO Outlook

> **The potential for Gen AI is immense. But point solutions will only deliver marginal returns. Gen AI really enables is a fundamental rethink of process and practice. That's where the truly transformative value of the technology lies."**
>
> **Mark Longworth**
> Lead of Global Advisory for Insurance and Partner
> KPMG China

As noted in our *Financial Services top risks forecast 2024*, developing a strategic AI framework — one that comprehends both the technical and ethical risks of AI — should be a top priority for financial services firms in 2025, particularly because of AI's rapid advancement.

Cybercrime is also a top consideration. Against a backdrop of a number of high-profile cyber-attacks over the past year, insurance CEOs are reassessing their cyber security posture. Only 54 percent of our respondents say they are 'well prepared' for a cyber attack (down from 66 percent last year). And just 43 percent think their cyber strategy can keep up with the rapid advancements enabled by AI.

Cyber-attacks' readiness



Source: KPMG 2024 Insurance CEO Outlook

"The AI product offering is growing exponentially. And employee appetite for tools that can help them save time and enhance their creativity is increasing as well. CEOs will need to help the organization find the right balance between innovation and risk by selecting the right use cases and technologies while ensuring the safe and ethical use of technology within the organization. It will take a deep understanding of AI and robust governance frameworks to mitigate the risks."

Simona Scattaglia
Lead of Global Technology for Insurance and Partner
KPMG in Italy

Section 3

Attracting talent and shaping the workforce

Insurance CEOs want to grow their workforce. And they recognize that a lack of talent could constrain their growth in the future. Many are hoping that a focus on ESG, technology and diversity and inclusion will help increase their appeal in the talent marketplace.

With 93 percent of insurance CEOs saying they plan to increase headcount over the next three years, it is perhaps not surprising that talent is near the top of the priority list for growth. Sixty-two percent believe that talent gaps could negatively impact their organization's growth over the next three years.

In particular, insurance CEOs are concerned about their ability to replace retiring talent with appropriately skilled workers. They see a widening expectations gap between generations. And CEOs are concerned that — even if they do find enough people — The ability to transfer knowledge between employees may be a challenge.

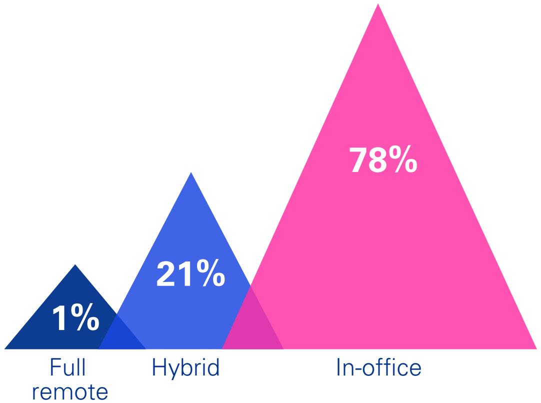
There may be a growing concern on the impact of AI on the workforce. However, none of our respondents think that AI will eliminate more jobs than it creates,

and 85 percent of respondents in our survey say they do not believe it will impact the number of jobs, but it likely will require upskilling of existing resources.

Our survey suggests that many insurers are looking to differentiate themselves on purpose and work experience. Sixteen percent expect their ESG strategy to help them either attract the next generation of talent or strengthen the employee value proposition. Twenty-one percent say they offer employees a form of hybrid working (down from 41 percent who said the same last year). Forty-two percent say they are placing more capital investment into developing their workforces.

Based on the survey responses, it seems that insurance CEOs are hoping to expand their talent pool as a way to attract new skills into the organization. Nearly two-thirds say that progress on diversity and inclusion has moved too slowly in the business world and an equal number believe that workforce diversity starts at the senior level. For more on this, check out *Reshaping DEI in Insurance*, a report by KPMG in the UK and the Association of British Insurers.

Choice of working environment



Source: KPMG 2024 Insurance CEO Outlook

Factors that have the largest impact on the organization

Source: KPMG 2024 Insurance CEO Outlook

> **“Insurance leaders need to break out of their traditional mindsets and think more like the talent they want to hire. You aren’t going to attract a 2030s employee with 1980s ways of working.”**
>
> **Frank Pfaffenzeller**
> Global Head of Insurance
> KPMG International

Section 4

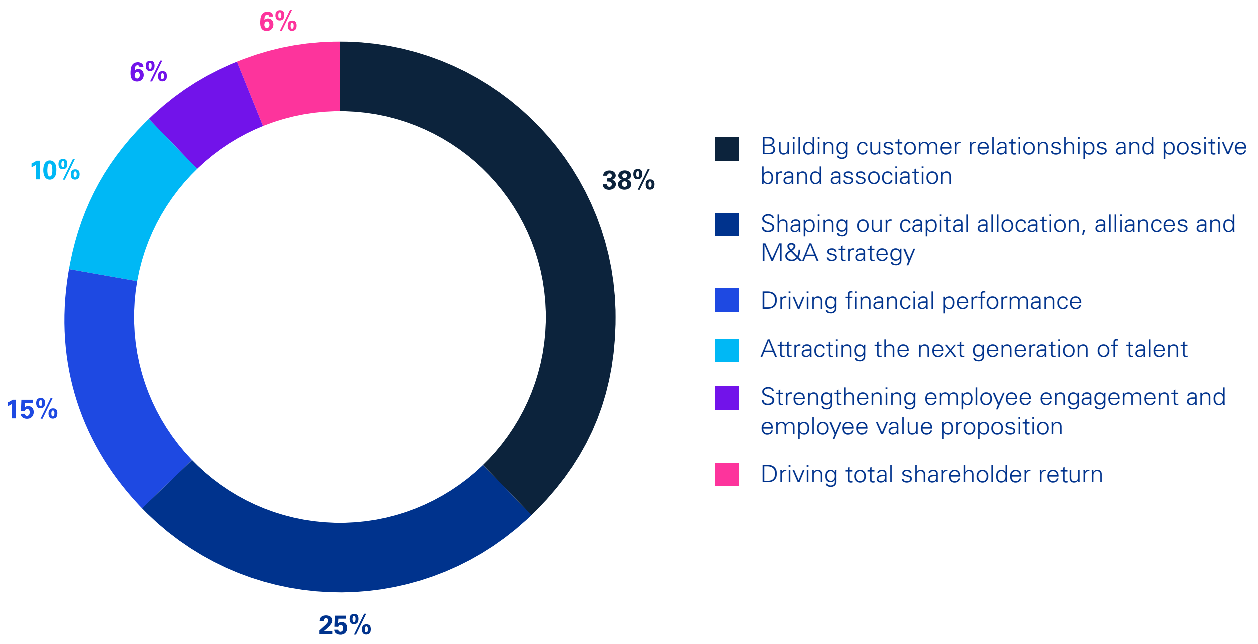
Embracing ESG to achieve measurable outcomes

Insurance CEOs remain committed to ESG, but many now appear to be reassessing their strategies to ensure they are aligned with stakeholder and employee expectations.

In our survey, nearly one-in-ten insurance CEOs say that climate change represents the greatest potential risk to their organization's growth over the next three years. More than half think their future prosperity could be weakened by a (global) failure to adapt to climate change or the growing potential for natural disasters. Recognizing the importance of action, 63 percent of insurance respondents say they are confident their organization will meet their Net Zero goals by 2030 — the highest level of confidence across all industries in our research.

If they deliver on their ESG strategy, insurance CEOs expect to reap significant benefits. Many see ESG as an opportunity to build customer relationships and brand. More than a quarter say their ESG strategy is helping them financially — either by helping shape their capital allocations or by driving financial performance. Two notable sets of statistics jump out of this data.

Greatest impact of ESG strategy



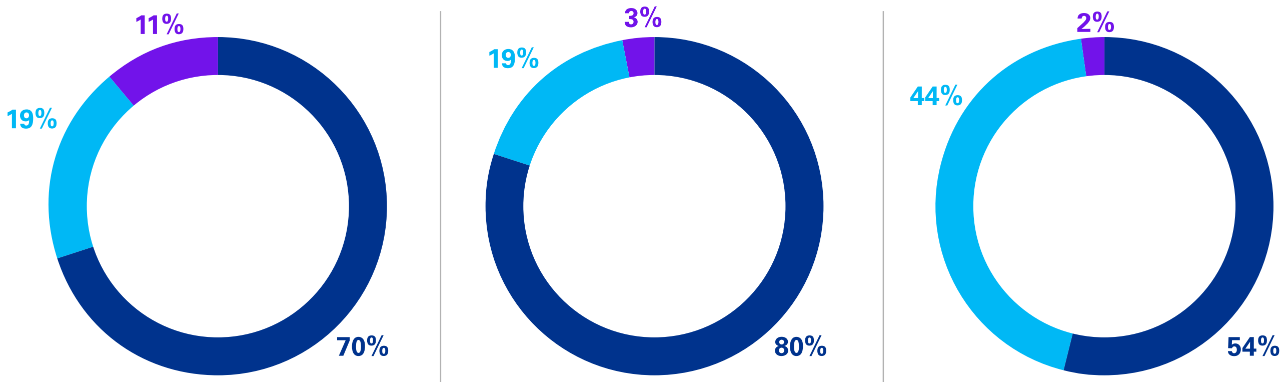
Source: KPMG 2024 Insurance CEO Outlook

The first is that 70 percent of insurance CEOs suggest they are willing to take a stand on a contentious issue and 80 percent say they would divest a profitable part of the business that was damaging their reputations. However, 54 percent say that stakeholder expectations with regards to ESG change faster than their ability to adapt their strategy. Simply put, they want to do the right thing, but some aren't completely sure what that might be.

At the same time, they also see the risk in not delivering. Insurance CEOs worry that missing their ESG expectations may harm their competitive position and hurt their efforts to recruit new talent. Senior leaders fret about the impact on their ability to raise finance in the future and 14 percent believe they might lose their job if the organization fails to meet expectations (that's up from 10 percent who thought the same last year).

For more on the risks and opportunities, check out ESG in Insurance: A practical guide to sustainability reporting, a recent publication by KPMG International.

CEOs willingness to take actions to demonstrate personal integrity



70 percent of insurance CEOs were willing to take a stand on a politically or socially contentious issue, even if the Board was concerned about the risks of taking a public stance.

80 percent of insurance CEOs agreed they would divest a profitable part of the business that was damaging our reputation.

54 percent of the CEOs agreed that the stakeholders' expectations with regard to ESG change faster than their ability to adapt the strategy.

Agree | Neutral | Disagree

Source: KPMG 2024 Insurance CEO Outlook

"Insurers and brokers are both exploring how they can build ESG capabilities — particularly in relation to climate adaptation and the energy transition — to support their clients. Competition will drive innovation. But nobody will win unless financial institutions work together to solve the challenges ahead. It will be an interesting market to watch going forward."

Roger Jackson
Lead of Global ESG for Insurance and Partner
KPMG in the UK

Key recommendations

Be bold. Big objectives require big ambition and bold action. While some value will come from transforming discrete processes and activities, the real transformational benefits are achieved when processes, workflows and operating models are fundamentally reimagined.

Build a culture to attract talent of the future. To attract and retain the capabilities you require to transform and sustain your operating model, consider how you can create a culture and employee value proposition that resonates with younger generations and allows you to compete in the war for talent.

Embrace automation. AI and automation can drive efficiency and enhance productivity. It can also help unlock new business and operating models and attract new talent. While there are important risks to consider, also think about the broader benefits of adopting AI and automation.

Pivot costs towards the customer. As insurers look to better manage costs in the back office, some of that capital should be refocused back into the front office to improve the customer experience and create additional customer and ecosystem value.

Create flexibility. With significant structural changes now underway around the world, insurers will need to remain flexible and agile in order to adapt to new technologies, respond to customer expectations, shape their workforce and drive growth.

How KPMG can help

The pace of change has quickened and the challenges facing the insurance sector have become complex and acute. The future is more uncertain than ever and insurance leaders will likely need to make some difficult decisions to navigate an evolving landscape.

At KPMG, our global network of experienced insurance professionals brings clients deep industry knowledge, actionable insights and implementation expertise to help them realize the full potential of their people and technology so they can better respond to emerging industry and regulatory challenges. Because when people and technology are in harmony, great things can happen.

Please contact your local KPMG firm to discuss your transformation requirements.

Methodology

The KPMG 2024 Insurance CEO Outlook, part of the 10th edition of the KPMG 2024 CEO Outlook, is compiled from the views of 120 insurance chief executive officers, which was conducted between 25 July and 29 August 2024, providing unique insight into the mindset, strategies, and planning tactics of CEOs.

All respondents have annual revenues over US$500M and a third of the total companies surveyed have more than US$10B in annual revenue. The survey included CEOs from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 11 key industry sectors, including insurance. NOTE: some figures may not add up to 100 percent due to rounding.

In the insurance sector research, the two largest sub-sectors were Auto, Home, Property and Casualty with 31 percent of respondents and life insurers with 30 percent. The best-represented countries based on organizational headquarters are the US and the UK, followed by China, India and Canada.

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