



cutting through complexity

KPMG 2015 Insurance Industry Conference

Recap

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The insurance industry is going through enormous change—from the regulatory environment and the need to comply with new and existing regulations to the changing demographics and needs of the customer, to technological changes. But while today's insurers have started to make inroads, we believe there is a need to continue the advancement at a quicker pace, thus our theme for this year's conference, "Driving Momentum." This annual conference brings together industry professionals across all levels to discuss key challenges they face in today's environment.

The two-day conference featured an interactive session with renowned author Nassim Taleb and keynote addresses from Khanh Tran, president of Pacific Life Insurance Company, and from Matt Winter, president of The Allstate Corporation.

In addition, attendees heard from various speakers discussed topics about cybersecurity, operational excellence, risk and regulation, autonomous vehicles, and other topics that are relevant in our industry today. We also heard updates about the happenings at the FASB, SEC and NAIC.

An evening reception allowing for networking and relationship building concluded our first day.

Opening remarks

Laura Hay, national sector leader for KPMG's Insurance practice, opened up the conference. In her opening remarks, she focused on how **insurers must navigate a new course** and build momentum for transformation.

Laura believes that keys to transformative growth include the following, highlighting that the first three are focused on customers:

- A product mix based on customer needs
- Making meaningful connections with broader segments of the population
- Improving customer loyalty
- Using data and analytics to make strategy/product/pricing decisions

Customer focus "is at the heart of many of the transformations that companies are looking at today."

— Laura Hay

- Exploring M&A/joint venture opportunities
- Operational transformation/excellence
- Creative management of investments
- Hiring talent that can accelerate innovation.

Risk theory and complexity: A discussion with Nassim Taleb

Our panel discussion with Nassim Taleb, author of *The Black Swan*, and Constance Hunter, KPMG economist, focused on how insurance companies can operate going forward. Historically, insurers have been able to use its excess return to subsidize the underwriting business.

Now with the world complexity and state of the global financial markets, utilizing the excess for underwriting may no longer be possible. This session discussed/covered possible approaches for insurers.



Journey to operational excellence

Insurers lack an agile and scalable “growth vehicle” and “navigation tools” to achieve profitable growth. They struggle to obtain transparency and basic insights on their operations, including launching new products and businesses quicker, becoming more customer-centric, exploiting data and technology to grow and improve results, and achieving

Strategic direction-setting

If you move quickly, it could be a material differentiator for your organization. We will guide you through the complexities of RPA. It is something your competitors may still be pondering and may not know much about—act fast and capture the “first-mover” advantage.

Integrated solutions

We can leverage existing relationships with RPA toolset providers and ITO/BPO service providers to help you design and fully implement RPA solution sets or lead you integrated through the automation of existing services.

The opportunity is substantial and, if strategically designed and implemented, can result in significant operational improvement margins, as well as deliver transparency and data intelligence critical to driving profitable growth.

sustained operational improvements. John O’Connor, partner in charge, Insurance Strategy & Operations, and Sophia Yen, Head of U.S. Insurance Strategy & Operations, offered some valuable insights into how robotic process automation (RPA) enables “better, faster, cheaper” operations with scalability, reliability, and a focus on profitable growth.

Business impact

This is the practical application of trends in digital, analytics, big data, and cloud computing. KPMG can help you navigate at a pivotal moment in time.

You need to prepare for the possibility that this technology may disrupt many elements of your core businesses—effective change management is key.

It is a complex and massive “landscape.” Do not underestimate the complexities and do not become enamored with the marketing—not all RPA solutions “are created equal.”

Thriving in the coming insurance industry transformation

The U.S. insurance industry is facing unprecedented change. New technologies are reducing losses and costs and driving digital customer interactions while increasing risks and driving new business models in the industry. To thrive through this transformation, companies must align on how these changes will impact them and develop clear strategies to evolve and win. Tom Nodine, KPMG’s Insurance Strategy leader, provided five actions insurance companies can do to thrive in the transforming insurance industry.

Five actions for thriving in the transforming insurance industry

- Develop your own view of when and how technology will impact your company.
- Develop new strategies to thrive as the industry transforms.
- Leverage new technologies in your current business as appropriate.
- Mitigate key risks by investing in cybersecurity and experimenting with new business models.
- Decide what role you will play in industry consolidation.



Accounting updates

Given the vast volume and significance of the topics currently under deliberation, accounting change and far-reaching, new regulatory requirements will likely be forthcoming or are already here. These changes will likely significantly impact how insurers are or will be accounting for various transactions.

Our three accounting sessions—FASB Insurance Contracts and Revenue Recognition, NAIC and SEC developments, and Overview of FASB/EITF developments, looked to provide accounting updates on the standards and upcoming regulation and encouraged insurers to take action now.

Cybersecurity

Cybersecurity threats are one of the most significant risks for the insurance industry. With increasing demands for cybersecurity insurance coverage, it is essential that insurers enhance their own capabilities, credentials, and credibility.

In this session, Kyle Kappel, KPMG principal, and James Wilhelm, KPMG managing director, focused on how controlling risks requires a senior executive at the top.

Insurers need to understand the critical data that they have in their environments and the protections that are needed and how to safeguard those protections. Kyle and James provided five cyber tips for insurers to consider in their organization.

Five cyber tips to consider

- 1 Challenge your entire organization to increase cyber capabilities.
- 2 Continuously evaluate the maturity of your cyber program.
- 3 Identify your critical electronic assets and where they are located.
- 4 Validate cyber risk program for vendors, contractors and partners.
- 5 Create a Cyber Incident Response plan and **test** it.



Regulatory and Risk Issues

Insurance regulation continues to evolve at the global and national level, which will likely have a greatly impact on the industry. This session focused on how international and national regulations are changing, and how those changes will interact with local requirements. Moderating the panel was Matthew McCorry, KPMG Advisory Insurance leader. Joining Matt was KPMG Partner Ken Albertazzi, Partner Stacey Guardino, and Regulatory Practice Director Bob Kasinow. In addition, the panelists discussed how the level of preparedness varied greatly between insurers, and encouraged insurers to be proactive today and understand what regulators are saying.



Regulatory: What should the industry do now?



Participate: Be involved in shaping the debate; understand how regulatory changes affect your products and systems. Stay ahead of the rapidly changing regulatory agenda.



Review: Affects on products and processes and possible incurred costs from change.



Plan: Changes may be effected from mid- to long-term. Be prepared for various contingencies in capital planning to respond quicker and appropriately to outcomes.

Breakout Sessions

Concurrent 75-minute breakout sessions were offered to attendees. These in-depth sessions offered actionable ideas to meet current challenges and explore ways in which organizations can navigate various areas of the changing insurance landscape.

Our issues specific breakouts were:

- Data and Analytics
- Autonomous Vehicles
- Global Accounting
- Tax
- Model Risk Management

Save the date

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1535 Broadway, New York, NY 10036

Contact us:

Laura Hay

**KPMG National Sector Leader,
Insurance**

212-872-3383

ljhay@kpmg.com

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