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Fit for the future *17th Annual Global CEO Survey*

Key findings in the insurance industry

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Sector snapshot

Insurers are facing as much change over the next five years as they've seen in the past 50. But, as the findings of the latest CEO survey show, many companies have been slow to respond to the transformational changes in the market and risk falling behind their more proactive competitors.

Sector snapshot

An industry in flux

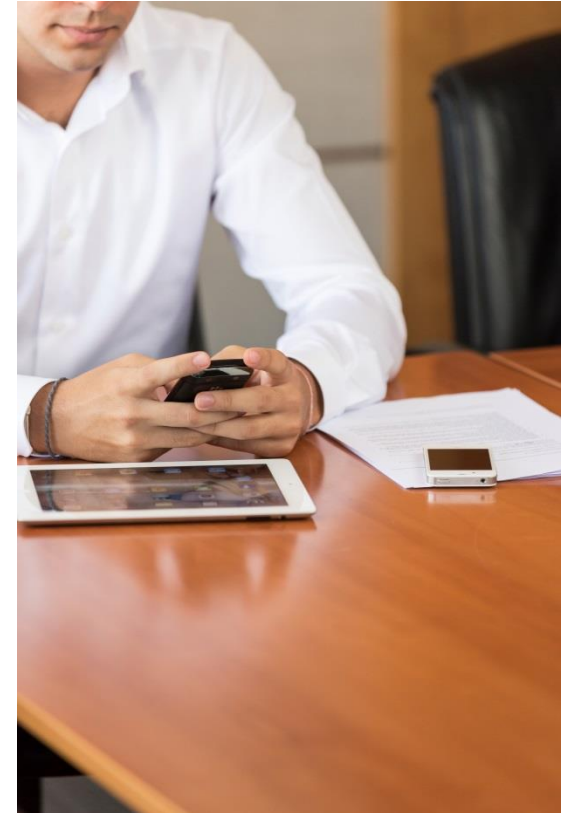
As we've been discussing in our [Insurance 2020 series](#), insurers face the challenges of how to capitalise on the growth potential created by a wealthier and longer living global population, while grappling with the accelerating and potentially disruptive impacts of technology, new regulation and fast-changing customer expectations.

Sector leaders recognise the rapid changes in their marketplace

The latest CEO survey findings strongly echo the themes we've explored in *Insurance 2020*. Insurance CEOs see technological advances, demographic changes and shifts in global economic power as the trends most likely to transform their businesses over the next five years.

Technology is the key driver

86% of insurance CEOs believe technological advances will transform their businesses in the next 3 to 5 years – more than any other factor. As the impact of technology continues to gather pace, sensor, big data and other new analytical techniques could prove to be a critical differentiator by transforming insurers' ability to understand and respond to customers' needs. However, only 31% have completed or are executing change initiatives in the key area of data management and analytics.



Sector snapshot

But new capabilities aren't coming quickly enough

Most insurance CEOs are making plans for change, but most have yet to put them into action. Less than 40% of industry leaders believe that their sales, IT, HR, R&D and customer service are well prepared for the transformational developments ahead. The urgency of responding to these challenges is heightened by the extent to which they're opening the door to aggressive competition from other financial services sectors and a new breed of nimble, tech-enabled entrants. In fact, 50% of insurance CEOs see new market entrants as a threat to growth, far more than in any other FS sector.

Insurance CEOs see over-regulation as a threat

86% of insurance CEOs see over-regulation as an organisational threat. This is a higher percentage than in any other sector, and is far ahead of other perceived threats.

CEOs who see building existing market share as the main opportunity for growth

47%

CEOs who plan to enter into joint ventures or alliances in the coming year

39%

Sector snapshot

How to get ahead of the game

What once seemed to be far in the future is becoming reality in today's insurance marketplace. The digital experience is increasingly defining service standards and new analytical techniques are offering the opportunity to more effectively price coverage and control risks.

The insurers who take advantage of these developments will have clear insights into how the marketplace is changing, where they're best able to compete, and be agile and decisive enough to respond quickly to important challenges and opportunities. They also will use the latest developments in technology to enhance customer profiling, reduce costs, and improve customer experience.

CEOs who plan to take on more staff over the next 12 months

59%

Gearing up for growth

92%

Insurance CEOs who think
their revenues will increase
over the next three years

Tracking the economy

“The insurance business in general is a business that grows as the economy grows. At the end of the day, it’s only when our customers do well that we do well, because we are the business that makes transactions possible in the world of commerce.”

Dinos Iordanou, Chairman, President and Chief Executive Officer, Arch Capital Group Limited

Opportunities for growth

- 45% of insurance CEOs believe that the global economy will improve over the next 12 months, a big rise from last year. Only 9% think it will decline.
- 47% of insurance CEOs see increased share of their existing markets as the biggest business opportunity for growth. Product and service innovation is second with 26%.
- China is seen as most important geographical market over the coming year, with Brazil tied with the US in second. When the BRICS are excluded, Mexico, Indonesia and Thailand score highly.
- But CEOs do have some worries. Among them are the threats from over-regulation (86%) and government response to fiscal deficit and debt burden (72%).

Preparing for a new world

86%

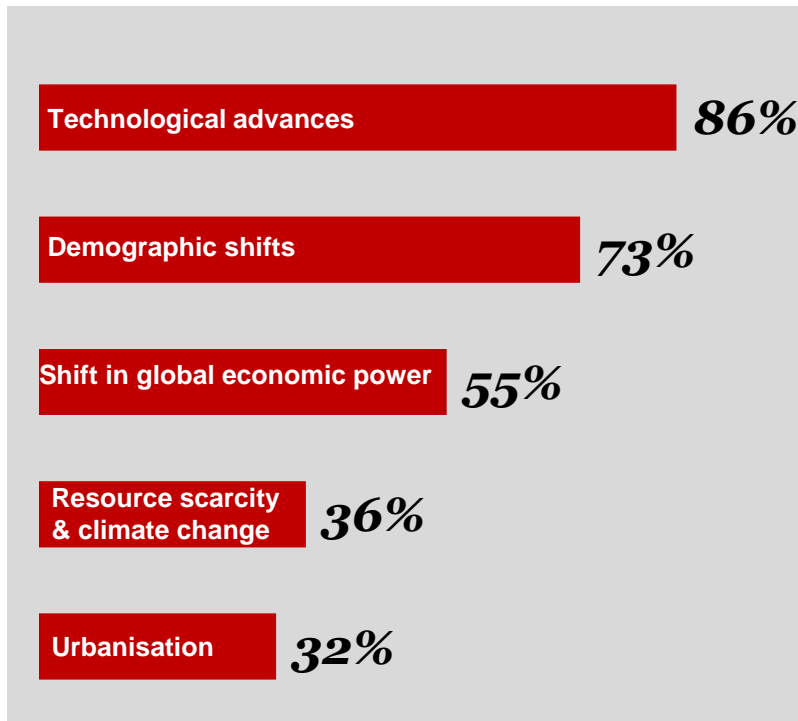
Insurance CEOs who think
technology will transform
their business over the next
three years

Seeking new sources of growth

“When we talk about growth we cannot just consider the emerging markets or the growth markets in the world, you have got to look at the more mature markets as well...We are looking at how we use digital technologies, we are looking at how we package those products together. We are looking at some new and innovative things that we do with real estate and infrastructure.”

Mark Wilson, Group CEO, Aviva

Technological advances will transform business the most, but other trends are vital too



Insurance CEOs told us they think three big trends will transform their businesses in the coming five years. More than four-fifths of them identified technological advances such as the digital economy, social media, mobile devices and big data. More than half also pointed to demographic fluctuations and global shifts in economic power.

Climate change and urbanisation earn surprisingly low scores given their impact on the scale and concentration of global risks.

Base: 74 insurance CEOs

Source: PwC 17th Annual Global CEO Survey 2014

The next big thing

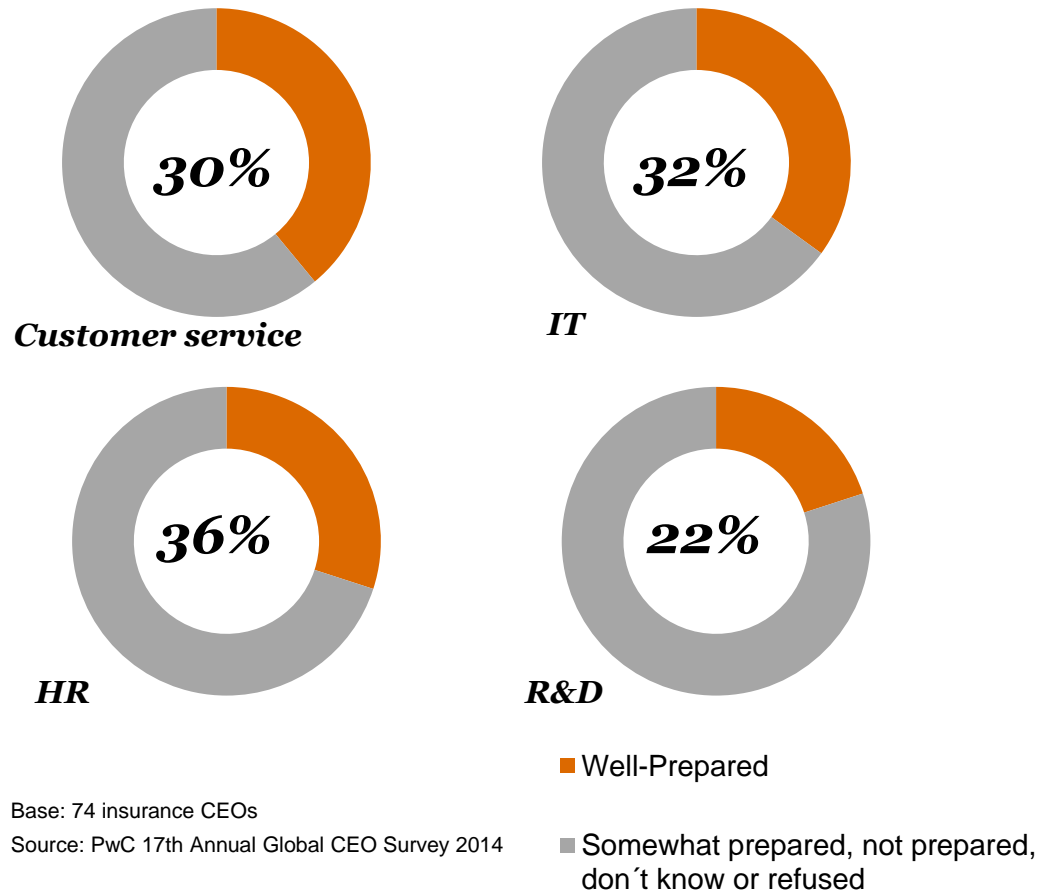
“The next big thing in my mind is clear, it's all about data. When you look at data, the amount of data that we're getting even from social media, from public forums is fundamental to a business, particularly in a business like ours. We're a data driven organisation and when you underwrite policies, when you underwrite both property or personal, the more data you get the better.”

Mark Wilson, Group CEO, Aviva

But many departments aren't yet well prepared for change

The Customer Service, IT, HR and Marketing departments will all be intimately involved in addressing global trends, but less than two-fifths of insurance CEOs feel their teams are well-prepared for the task.

Q: Thinking about the changes you are making to capitalise on transformative global trends, to what degree are the following areas of your organization prepared to make these changes?



To make the most of technological advances, insurers will need to ramp up investment

- While recognising the significant transformational potential of technology, 64% of insurance CEOs also see the speed of technological change as a threat to growth – much higher than last year (43%).
- As digitisation allows customers to dictate how they want to do business and strips away the barriers to market entry, insurers can no longer wait for rivals and incomers to make the first moves.
- Even if plans are in place, such is the enormity of upgrading a complex ‘industrialised’ infrastructure that this could take several years to complete, by which time the market will have moved on. One way to achieve digital competitiveness is to establish start-ups that run alongside existing capabilities (look out for our latest Insurance 2020 report, ‘Forcing the pace: The fast way to becoming a digital front-runner’).

We think CEOs will need to increase investment in technology and data management to maximise distribution opportunities and benefit from sharper risk and customer insights.

Taking the business forward

99%

Insurance CEOs who believe
it's important to promote
ethical behaviour

Fostering innovation

“Now the quality of that decision making is what differentiates one corporation from another in performance. So the new is not new, but decision-making tools are evolving rapidly. All these technological breakthroughs allow us to have not only the ability to assimilate information faster and analyse it faster, but also to have access to that information and distribute this knowledge-based product called “insurance” to the customer. That’s the new innovation, in my view, and companies who don’t spend time and resources will be left behind.”

Dinos Iordanou, Chairman, President and Chief Executive Officer, Arch Capital Group Limited

Insurers risk falling behind in the innovation race

There's no such thing as gradual change anymore. Developments that would have taken years to impact the market can now take hold in a matter of months. Once customers see that something more intuitive, more user-friendly is available, they switch very quickly.

Therefore, wherever your market is now, you need to be out in front – even fast following could leave you marginalised.

But only around a third of insurance CEOs have initiated or completed plans to upgrade innovation capacity and closely related data analytics to capitalise on the transformational trends ahead.

Insurance CEOs who have initiated plans to upgrade R&D and innovation capacity to capitalise on the transformational trends ahead

34%

Opening the door to new entrants

Failure to prioritise innovation is leaving the door open to new entrants, both from other financial service sectors and data-rich and tech-enabled incomers from the telecoms and internet sectors.

Half of insurance CEOs – more than in any other financial services sector – are concerned about the threat from new entrants.

Insurance CEOs who are concerned about the threat from new entrants

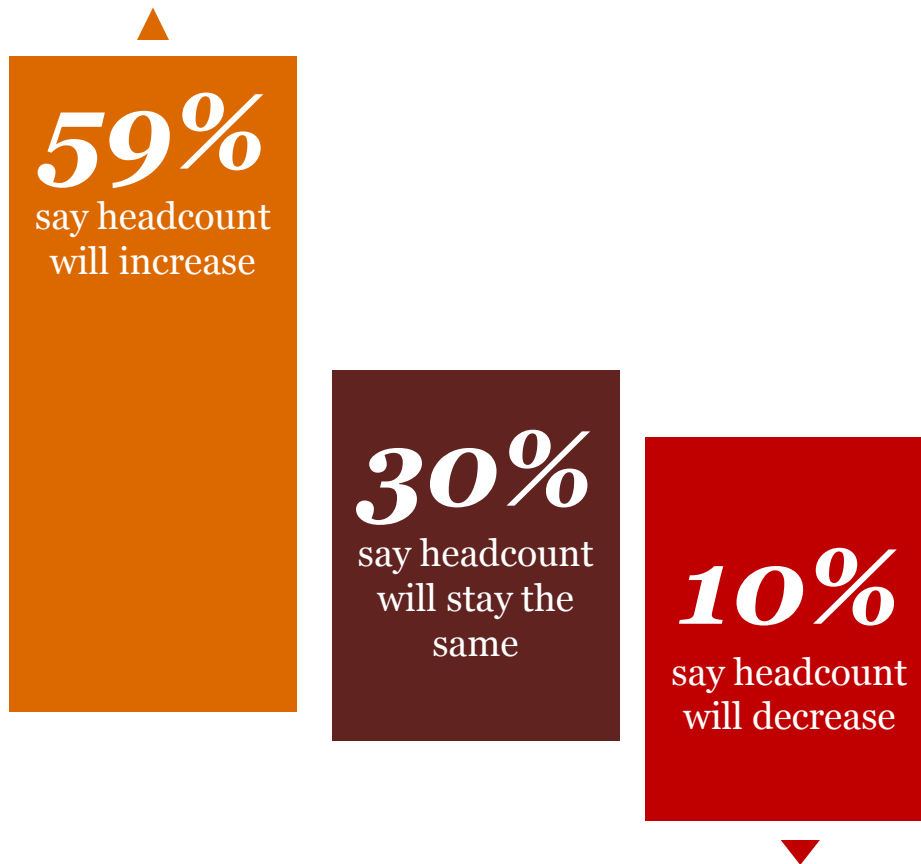
50%

A people business

“The number one threat to the insurance business is your ability to attract and retain knowledge. It’s a knowledge-based business. If your resources are not knowledgeable and they’re not willing to work for you, that’s a big threat.”

Dinos Iordanou, Chairman, President and Chief Executive Officer, Arch Capital Group Limited

Insurance CEOs are more likely to be hiring than letting employees go



But limited availability of skills continues to be a concern, with 59% of insurance CEOs seeing it as an organisational threat.

Simplifying the business: digitisation is both driver and enabler

“I believe the world’s going to get more and more simplicity. The clients are telling us, our customers are telling us they want simplicity. They want to be able to tick the box. They want to be able to know that we’ll pay under certain situations. They don’t want 30 pages of contracts, what they want is simplicity. Many people want it to be digital. I think they want it to be packaged and that’s where we’re going. Now, the glue that ties this together is technology and data and you need both of those things.”

Mark Wilson,
Group CEO, Aviva

“Killing complexity is so fundamentally important in a digital world. It’s about making things simple, it’s about packaging products. It’s about when you do things online having simple tick the box options. It’s about having one number to call up. It’s about having one monthly statement if someone owns 10 of our products.”

What governments do could have a big impact That's reflected in many of insurance CEOs' top concerns

Regulation

Insurance CEOs are concerned that regulation could put the brakes on their growth. It's a consistent worry over the past several years.

Percentage who are concerned about over-regulation

86%

Slow growth in developed economies

In spite of their rising optimism, insurance CEOs are wary about growth prospects.

Percentage who are concerned about slow or negative growth in developed markets

72%

Fiscal austerity

Insurance CEOs are also concerned that the government response to fiscal debt could postpone or limit recovery.

Percentage who are concerned about government response to fiscal debt burden

72%

Vital role in society

“On the whole issue of trust and the relationship with the customer and the relationship with the stakeholders it really comes down to what is the purpose of your company. Now, the purpose of the company isn't making money that is the outcome of what we do for our shareholders. The purpose of a company like us is remarkably simple. It's about freeing people from the fear of uncertainty. What we do is free people from that fear.”

Mark Wilson, Group CEO, Aviva

Doing the right thing by customers, governments and society as a whole

- 59% of insurance CEOs see lack of trust in business as a threat to growth. 43% believe that government and regulator trust in them has deteriorated.
- A key part of insurers' contribution to society will be helping to overcome underfunding in health and retirement and enabling communities to deal with the impact of climate change.

“This is a very transparent world. I think it makes for a better environment to operate in. What has changed is you can't hide. At the end of the day, your true performance is going to be at the surface for everybody to see.”

**Dinos Iordanou, Chairman,
President and Chief
Executive Officer, Arch
Capital Group Limited**

About PwC's 17th Annual Global CEO Survey



Insurance
respondents

74

In countries across
the world

39

We surveyed 1,344 business leaders across 68 countries around the world, in the last quarter of 2013, and conducted further in-depth interviews with 34 CEOs.

Our overall survey sees a leap in CEOs' confidence in the global economy – but caution as to whether this will translate into better prospects for their own companies. The search for growth is getting more and more complicated as opportunities in both developed and emerging economies becomes more nuanced, leading CEOs to revise the portfolio of overseas markets they will focus on.

In 'Fit for the future: Capitalising on global trends', we also explore three forces that business leaders think will transform their business in the next five years: technological advances, demographic changes and global economic shifts. We show how these trends, and more importantly the interplay between them, are creating many new – but challenging – opportunities for growth through: creating value in totally new ways; developing tomorrow's workforce; and serving the new consumers.

We also show how, in responding to these trends, CEOs have the opportunity to help solve important social problems.

In short, the demands being placed on business leaders to adapt to the changing environment are increasing exponentially; CEOs are having to become hybrid leaders who can successfully run the business of today while creating the business of tomorrow.

This sector key findings report takes a closer look at responses from insurance CEOs. It is based on 74 interviews, conducted in 38 countries around the world. We also cite more in-depth conversations with two sector CEOs.

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Download the main report, access the results and explore the CEO interviews from our 17th Annual Global CEO Survey online at www.pwc.com/ceosurvey

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