

TIN tech

2022 keynotes presentations - executive summary

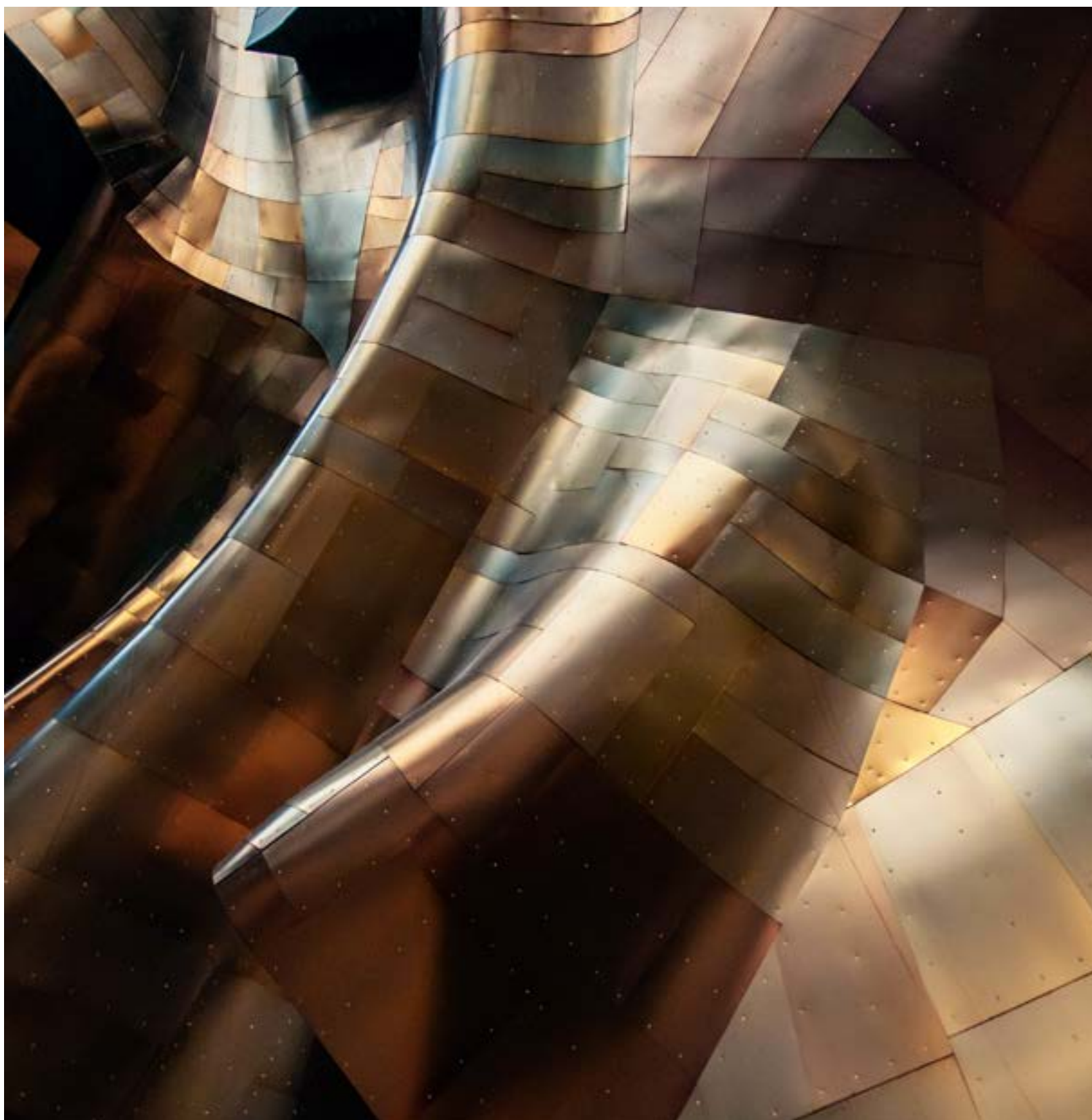
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This is an executive summary of the keynote presentations at TINtech 2022, held on 11th October at 155 Bishopsgate.

The session featured Preetham Peddanagari EMEIA Digital Insurance Leader at EY, Alan Patefield-Smith, Group CIO at Admiral and Steven Zuanella, Group Digital Officer, Generali, and was facilitated by Jeremy Burgess of The Insurance Network.



Structural challenges

Preetham did an excellent job of scene-setting by summarising some of the structural challenges facing the industry, and some of the obstacles organisations are encountering when executing digital transformation. Over the last ten years, growth in mature markets has come from pricing increases, rather than being volume driven or driven through increase in risk coverage. Despite significant investment, productivity improvements have been minimal – indeed 40-45% of European insurers’ productivity declined over that time. From a shareholder return perspective, brokers have delivered far greater shareholder returns than insurers. This structural challenge of flatlining productivity and low/no return on capital in a low growth environment was one that Preetham feels the sector – and by association the audience – should be seeking to address.

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Where is growth coming from?

In more simple terms, one could ask “where is the growth coming from?” Despite what many would describe as a burning platform there is still a lot of inertia to change, and new products and real innovation in service is still slow to emerge in comparison to other sectors. Similarly some would argue that the industry remains complacent to the prospect of disruption, which has been slower and less impactful than some predicted thus far, is without question an emerging threat: ‘big tech’ are making initial moves to leverage their customer relationships and new distribution models and motor manufacturers are threatening to take market share in motor insurance through new business models like embedded and usage-based insurance.

Legacy & cloud

The 'digitization wave' that continues to be the biggest driver of change, and arguably the biggest enabler of change in the sector presents the sector with a different challenge: accelerating the pace of change, and Preetham highlighted 2 areas where change could be faster: legacy modernisation and the shift to public cloud. Preetham argued that if you don't have a plan to solve your legacy estate, it's very hard to build a future ready digital organization and build resilience into the organization. With public cloud adoption he felt too much current activity is still focused on 'lifting and shifting' infrastructure: the industry needs to move on from a 'pure cost takeout play' to leveraging cloud from a business agility and innovation perspective, and using cloud to change business models, find new revenue sources, and design new products.

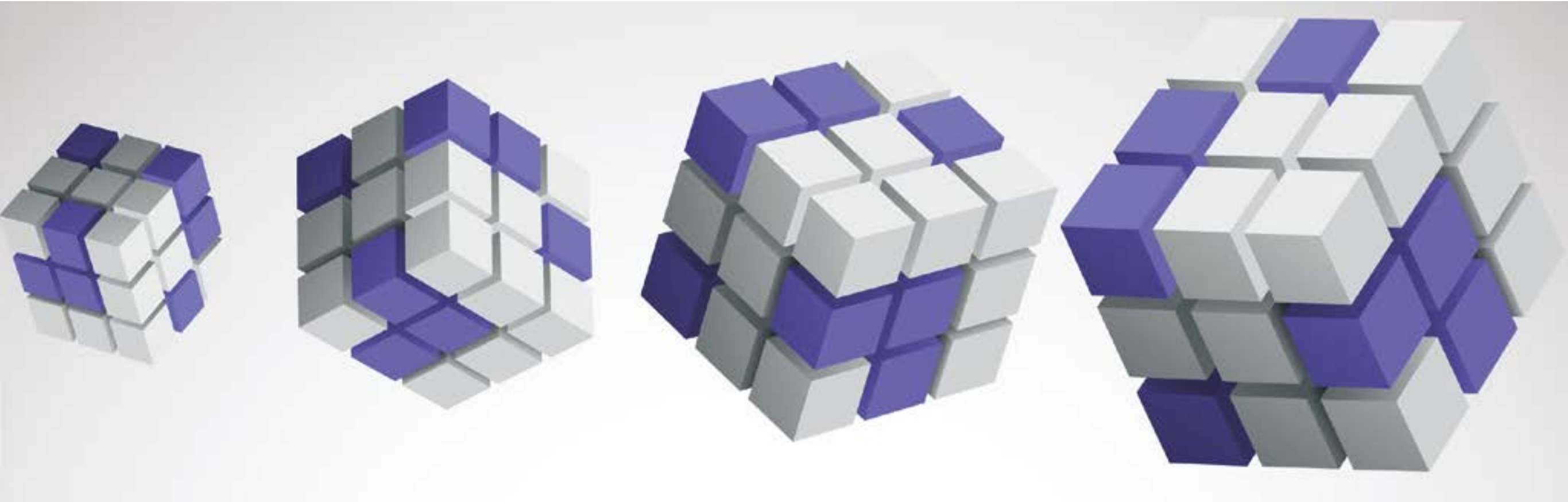
The next structural challenge Preetham explored was ecosystems and embedded finance, which he predicted will be one of the defining trends of the of the decade, not least because the need for more transparency and simpler products is growing.





The talent crisis

The fact that the talent crisis and the skills shortage made it onto Preetham's list of structural challenges, and was a recurrent theme across the entire agenda, including the Innovation Stage, is an indication of how critical the problem is becoming. There is no question we need more digital skills in the market, and Preetham had the numbers to prove it. The UK is producing between 300,000 and 500,000 technology graduates a year: nowhere near enough to cope with the demand. In the broader UK technology labour market, the pyramid structure is breaking down, with more people leaving the workforce than entering it. These are issues that will take decades to fix, and we can't just tap into other markets as we have in the past. There are huge changes happening in markets like India and Eastern Europe as well. Preetham pointed out that five or six years ago there was no concept of fintechs in those markets, now there are more unicorns just in Bangalore than in the whole UK. Preetham finished with another stat: 1500 of the largest organizations in the world have tech captives. And increasingly these are not just for back/middle office, but tech and engineering hubs: a 25% increase in the last 12 months.



Focus on the fundamentals

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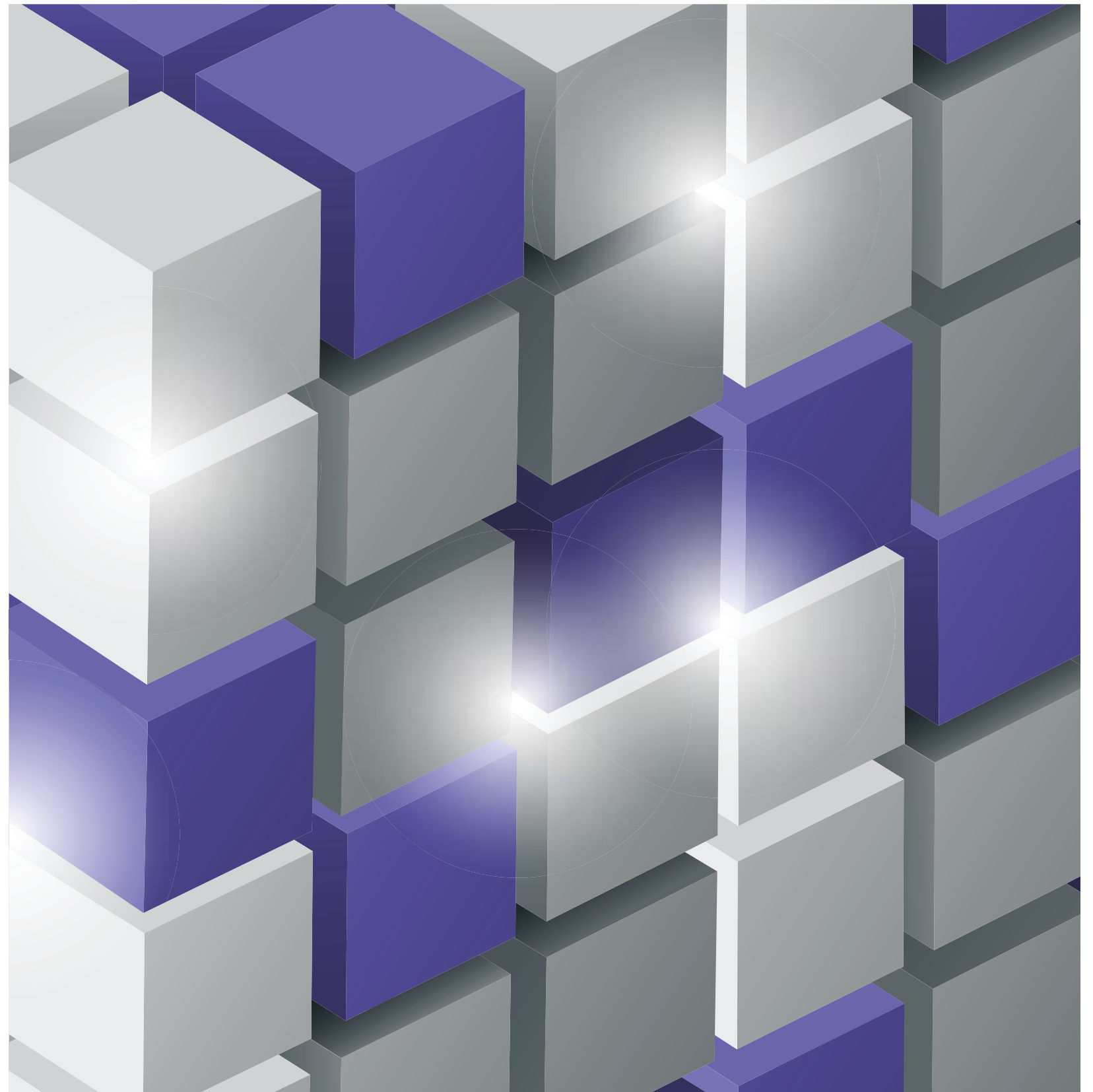
Alan Patefield-Smith, Group CIO at Admiral shared what he modestly described as a few ‘tips’ around building a digital insurance business in uncertain times, and the challenge of managing uncertainty as you transform. Alan started with an exhortation to focus on what he called the fundamentals of digital change, especially now: the more difficult the business environment gets, the more important it is to get the fundamentals right.

For Alan this means 4 key areas of focus:

1. Architecture: building for the future
2. Methods: the right tools in the toolbox
3. People: creating an environment that helps manage uncertainty
4. Impact: the role of the CIO in the executive team

Enterprise architecture

Alan started with enterprise architecture and insisted that the fundamental of architecture is business value add, and that understanding exactly where the value is in your organization over the medium to long term is essential to delivering that. For example, for an at-scale direct digital player, a customer and data stack buried in the legacy system is likely to inhibit transformation and would therefore be a focal point for transformation in enterprise architecture





Methods

Alan's next big pillar was methods. This is not about which tools you use (everyone has their own favourites, and Alan's 'few to consider' were Horizons of Growth, Scenario Planning, Enterprise Agile, Lean and CPM). It's about really thinking through how you go on the transformation journey, and it is unique to each organization: "It has to be your way". This means it's not about universal rules and textbook learning, it's about building up mastery in your team and giving yourself time to test and learn and continuously and incrementally improve. Defining and refining these methods requires a continuous attention to results, breaking processes down into bite sized chunks and measuring and tracking how you're doing to find the small changes that make a big difference. Alan pointed out that we can learn from sportspeople on how they do continuous improvement: its about little and often.



People

There was much head nodding in the audience when Alan painted a picture of a world where you have the best architecture in the world, investment is flowing, everybody is happy with where you're going, you've got the tools and the methods to deliver, and then "you throw the people in and it all goes sideways".

Alan had a refreshingly pragmatic approach to the 'structural challenge' of talent:

if people don't like working in your team, then you've just got a leaky boat... you can go a long way to solving the shortage if you don't have an attrition problem.



Alan argued that an overlooked aspect of the talent discussions is “are you working on yourself?”, and 3 of his top 10 lessons for creating an environment that helps manage uncertainty were about personal rather than team development:

1. Understand your blind spots: through coaching, mentoring, your personal network: “if you don’t have a personal boardroom, if you don’t have an advisory network, if you’re not getting challenged, then that’s something to think about”
2. Be known for results (not just delivery): be known not just for delivery but also for the outcome and the things that you make happen
3. “Join the dots” of why, where, what, who, how: differentiate yourself and be present in the conversations about what’s right for the business and what’s right for the customer.

Alan’s closing thought on people was to reference Covey and advocate ‘sharpening the saw’: continuously sharpen yourself and the team and spending time to do it.

ALAN’S TIP FOR TEAM DEVELOPMENT:

1. Build the best team: Pay for Behaviours - skills come and go and you can grow them internally. Behaviors are far more difficult to get right.
2. Create a safe environment: do you really have an environment where you can test and learn and where it’s safe to do so? You have to publicly accept uncertainty and embrace test & learn.
3. Relish contribution and be open to challenge
4. Play it like elite sport: build on transparency, trust and honesty.
5. Take the shortest route and be absolutely transparent about where you are
6. Leadership Edge: Invest time on tech and leadership skills



Impact: the role of the CIO

Alan closed his presentation with some thoughts on the role of the CIO, and some personal reflections on senior roles and their evolution. He described the fundamentals he had thus far discussed - culture & environment, methods and capabilities as 'Entry Ticket' and wanted to focus on what he sees as the CIO's opportunity (and obligation) to deliver 'Additional Value' through Purpose (the why); vision (the where) and Strategy (the what). The real value comes in "joining the golden thread" which starts with the purpose of your organization (why you're there, what you do for customers) and translating that into strategy and working it through to the "hard mechanics"

Alan finished by demolishing the distinction between technology and "the business"

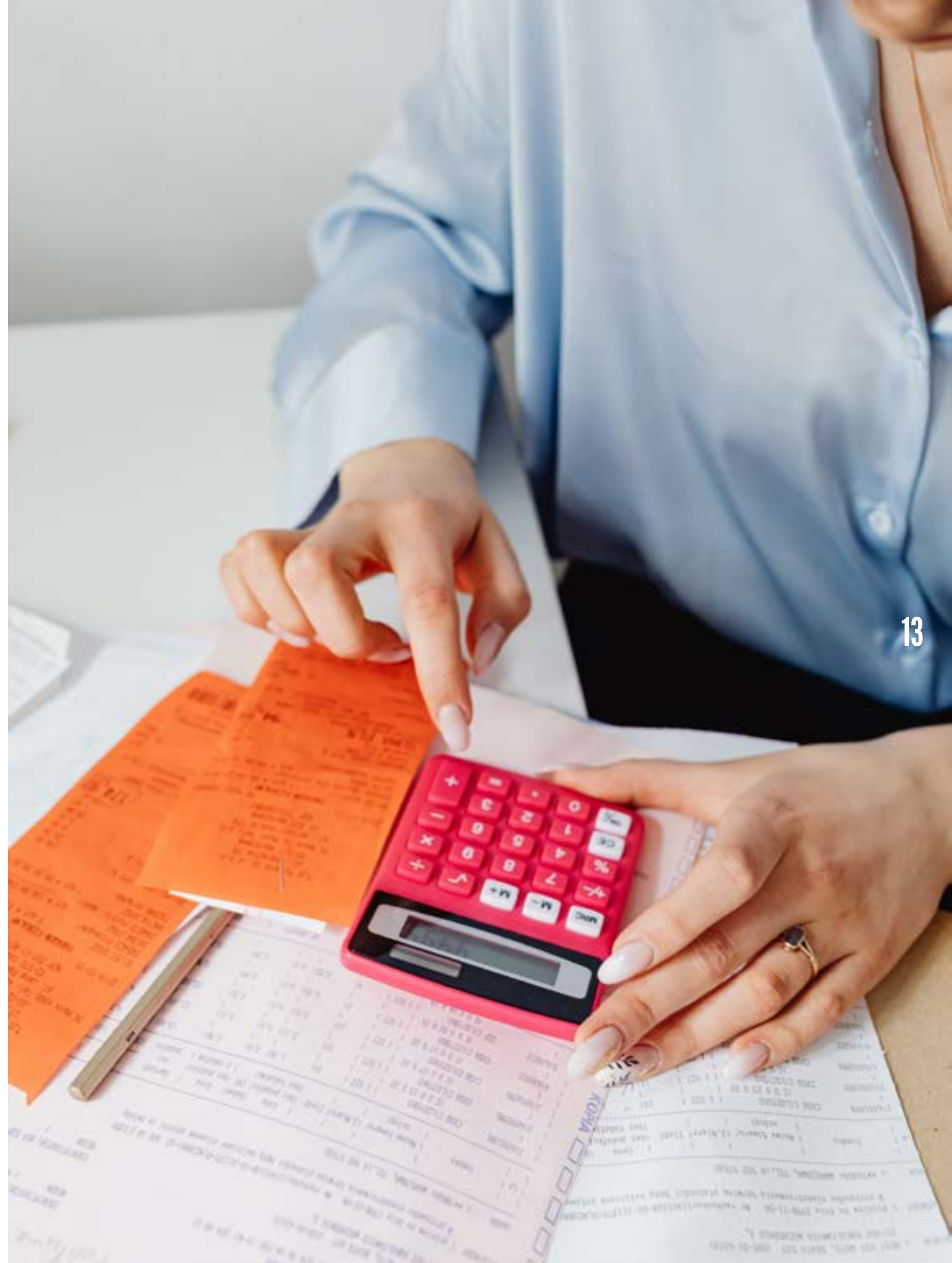
whenever there's a problem, you start a sentence with 'them' or 'they' or 'The Business'. We're the business... It's 'we'. It's always 'we'.

Adding value in a VUCA business environment

Alan was followed by Steven Zuanella, Group Digital Officer, Generali who summarised some broad challenges facing insurance and some examples of how they are responding. Steven started by describing the VUCA business environment as “the backdrop to all decisions we have to take to be competitive”. The pandemic and two years of WFH followed by the war in Ukraine have combined to trigger a global economic crisis which is affecting our customers, and therefore our businesses.

Starting with the customer “the most important stakeholder of all”, Steven described “a real sense of fear in our customers’ lives”, and shared recent Generali research across 55 markets in Europe, Asia, Americas and South America that showed fear is the dominant emotion: across the globe customers don’t know if they will be able to pay their utility and food bills, as well as insuring and protecting the things they love the most, presenting a real challenge for insurance because

we’re now pitching ourselves against food, energy and heating the house.





And at the same time the sector is raising prices because we have to. Steven argued that when that happens, the most important thing for our customers - and therefore for our investments in technology - is providing additional value in return for those higher prices. Steven outlined three top value adds for customers where Generali are focusing investment in technology and solutions:

1. Expanding our services beyond just the plain coverage, for example by adding bolt-ons,
2. Enabling the agent to deliver empathy: Generali customers really value personal advice, particularly at times of difficulty.
3. Digital tools that enable customers to interact whenever, wherever and however they want with Generali and with their insurance partners to do the things they want to do.

Digital Enablers

Steven went on to outline 5 core 'digital enablers' that drive delivery of the digital strategy:

1. Innovation

To give inspiration and the means to best exploit new business and technology opportunities

2. Agile organisation

To become lean, flexible and focused on moving faster. A future ready organisation, with change-agility as the new 'North Star' for business (and digital) transformation.

3. Customer relationship management (CRM)

To transform customer journeys, expand customer knowledge, and improve touchpoints, transparency and interactions

4. Smart automation

To automate processes that bring a benefit to the bottom line in terms of FTE saving or other cost efficiencies at the same time as improving the customer experience.

5. Data, analytics & AI

To guide business decision-making, empower employees and enhance competitive advantage. Steven explained that 'trustworthy AI' will play an increasingly important role in achieving transformation at Generali. This is becoming a very sensitive topic, both from a legislative and ethical perspective: data scientists have abundant ideas on how to maximize the use of AI but Generali are applying some guardrails and barriers to protect the best interests of the customer.

Measuring the value that data brings

Generali measure effectiveness, efficiency of data and look at that through the different stakeholders lenses: not just customers but also agents, staff, investors, the environment, community and future generations: they define a good win as one where they can combine benefits for more than one stakeholder.

Here are some of the examples Generali are rolling out across the group

1. global image analytics platform. all of Generali businesses can put all their images in one place: images are the one data artifact that is consistent globally.
2. an AI-driven algorithm for optimising media spend that enabled Generali in Germany to achieve the same results despite a cut in spend of 70%.
3. a quick cash settlement using analytics to settle motor claims for low or medium levels of damage very quickly streamlines processes and removes frictional costs





How do you create a digital and data mindset across a large, diverse and dispersed organization?

This starts with making sure you have the capability in each market. For example, there's a shortage of data and digital talent in many markets at the moment, in mature as well as emerging markets. This is when group head office can intervene, for example by supporting specific markets through the Analytics Solution Center, which is a global center of excellence that can provide capability and expertise in the short to medium term, but always with the long term objective to develop capability in the business. By segmenting business units into different levels of maturity based on capability, the role of the centre changes based on their level of maturity and capability. They have also identified areas where they can get some wins in terms of commonality. Two examples were CRM where they've so far standardized the technical solution, the business solution and the processes across 27 different countries out of 55; and a Smart Automation Platform



Conclusion

Steven concluded by imploring the audience, now more than ever, to maintain investment in technology, arguing that this is the time where we can make the difference for the next commercial cycle. For Steven this means focusing on those areas where you can make the biggest difference by combining benefits to customers, to your efficiency, to the bottom line, or other benefit in the organization:

if you are making tough decisions, invest in those areas where you get the best bang for your buck. Focus on the areas that give you the best customer outcomes as well as an efficiency kick or an effectiveness kick.

All 3 of our keynote speakers underscored the importance of focusing as much on people and culture as technology and process when responding to the current volatile and uncertain business environment. As well as new technology, new ways of thinking, new ways of working, and new ways of engaging with all stakeholders – customers, partners, staff – are required to navigate a market beset with structural challenges and threatened by both internal and external disruption.

A final takeaway would be that if you are undertaking a modernization or transformation programme that ends up in a fixed state, you're probably wasting your time. What you need to be doing is transforming and modernizing in order to reach a place where your organisation can respond to any future change.



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