

Headline	Preparing to disrupt and grow		
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Preparing to disrupt and grow

New concerns emerge

INSURANCE CEOs may be confident in their current market position, but they also recognize that they face an uncertain future where new innovations, technologies and operational risks will upset the status quo and catalyze further disruption.

As insurers start to transform their organizations and embrace new models and technologies, the risk landscape is changing. In fact, according to insurance CEOs, the most concerning risks today are those related to people, processes and emerging technology.

Thirty-six percent of CEOs participating in this year's survey admitted they are concerned about emerging technology risks (up from 29 percent in 2016), ranking this as the top risk for CEOs this year. And 45 percent of respondents said they expect technological innovation to create significant disruption in the sector over the next three years. At the same time, a third of the insurance CEOs we surveyed also noted significant concerns about rising operational risks (up from 19 percent in 2016), suggesting that CEOs are worried that their transformation initiatives may be straining their risk appetites.

"Most insurers are now undertaking multiple change programs across the business and that's putting a lot of pressure on business and operating models," Gary Reader noted. "In this environment, CEOs need to be increasing their focus on governance and controls while boards and executive committees must allocate enough time to reviewing progress, risks and issues."

Interestingly, many of the traditional insurance risks seemingly have fallen down the CEO agenda. Cyber risk, ranked the top risk by insurance CEOs in 2016, tumbled to seventh place this year (even as European-based firms prepare for the European Union's General Data Protection Regulation).

Yet, in discussion with our clients around the world, we see strong signals that many are mov-

ing beyond a generic view of cyber risk to develop risk, resilience and mitigation plans in the context of the parts of their business that could be most seriously affected. We believe the risk remains very much top of mind.

Another interesting change is that just one in five CEOs said they are concerned that regulation will inhibit their growth over the medium term.

In response, insurance CEOs seem to be shifting their strategic priorities to focus on innovation, emerging technologies and data.

The top 2 priorities—cited by 25 percent of CEOs—were to foster greater innovation and become more data-driven. Twenty-four percent said their top priorities include implementing disruptive technologies.

"Many CEOs recognize that—over the long term—their traditional evolutionary approaches of achieving select and systematic improvements will no longer work," said Laura Hay, national insurance leader, KPMG in the US. "They understand that they will need to take an approach that revolutionizes their relationship with customers, their use of technology and their business models."

"The problem is that the vast majority of these efforts are happening at the functional or project level rather than the enterprise level," Reader noted. "If insurers truly want to reinvent their customer proposition, they need to take a much more fundamental approach to their transformation and innovation initiatives."

The article, "Preparing to disrupt and grow" by Gary Reader, KPMG in the UK, was taken from KPMG International's annual CEO Outlook survey.

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