

The Valued Insurer – *leading the pursuit of sustainable growth*



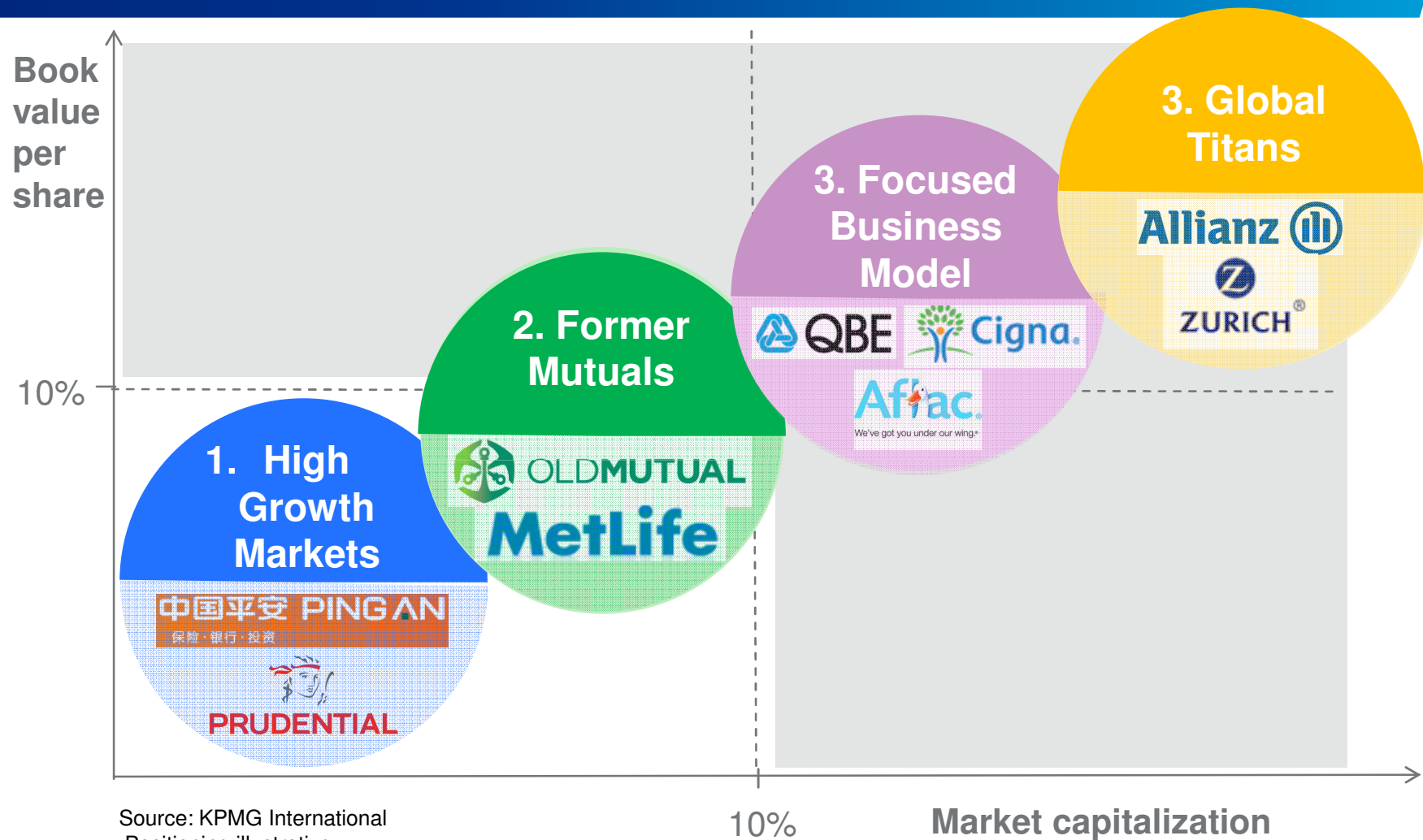
The Intelligent Insurer concerned the search for ***sustainable, profitable growth*** in the face of an ***uncertain economic outlook***

Our research for The Valued Insurer identified commonalities in business strategies and five consistent attributes that set these insurers apart from the competition – Customer Centricity, ***Focus, Efficiency, Agility and Trust.***



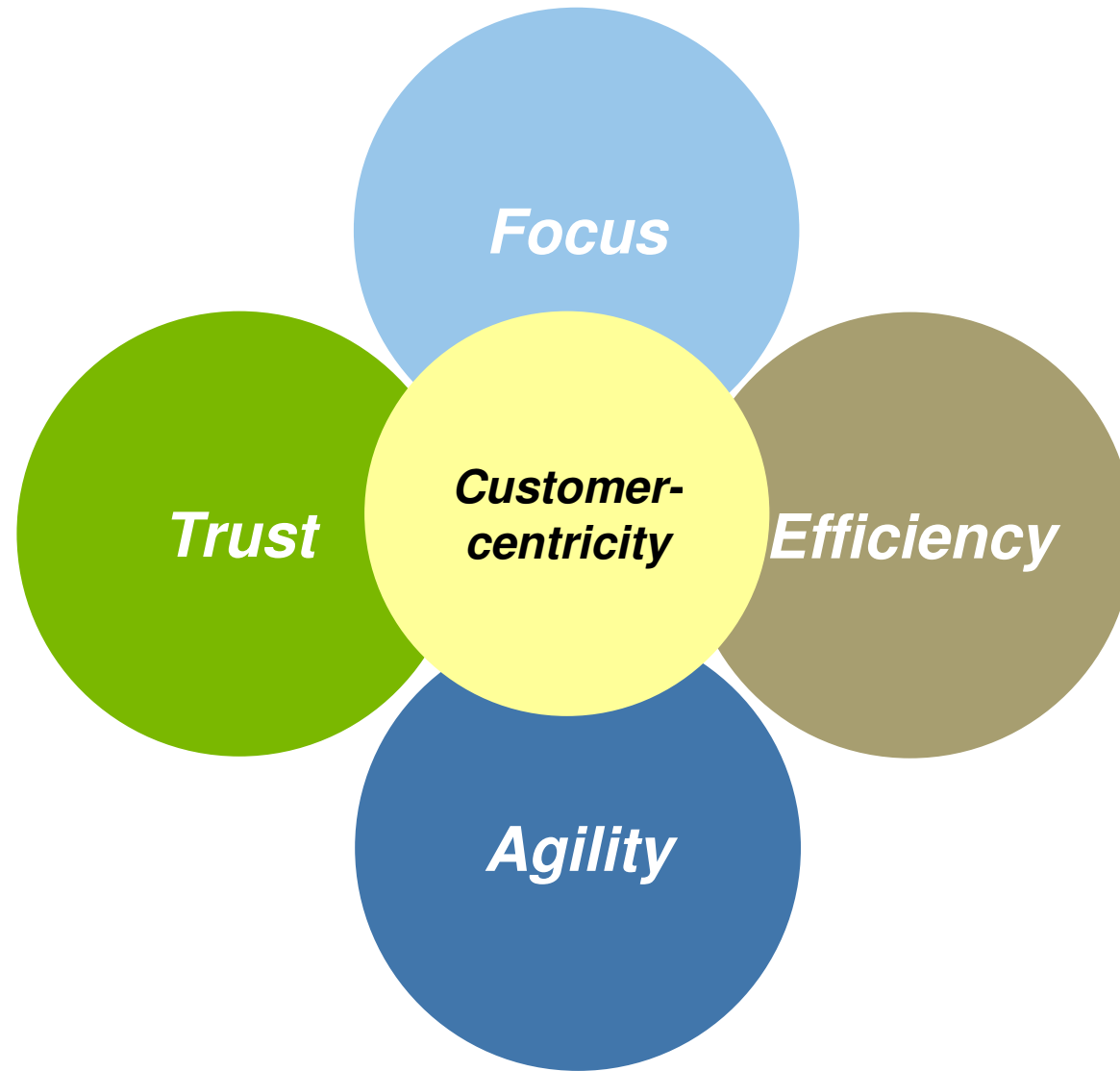
Invariably the most successful insurers have put their ***customers at the heart of their business***

Sustainable profitable growth 15 insurers have significantly out-performed ...



... As well as common characteristics they share some common significant attributes

Attributes of The Valued Insurer



Attributes of The Valued Insurer

Customer-centricity

Successful insurers focus on one or more of:

- scale in their chosen sector
- outstanding solutions to their customers' needs,
- genuine deep pricing and risk management expertise
- ease of customer access

Whatever their situation, they have engineered their business to truly place their customers at the heart of their business

Efficiency

Attributes of The Valued Insurer

Focus

Best-in-class insurers articulate a clear strategy that reflects their vision and focus.

Top firms have charted a precise course focused on a long-term view of their customers' needs.

Attributes of The Valued Insurer

Efficiency

Successful insurers embrace a culture of continuous focus on efficiency.

They invest in scalable systems, processes and delivery channels to resolve legacy inefficiencies.

Attributes of The Valued Insurer

Agility

Top insurers demonstrate the flexibility to innovate and adapt swiftly to a changing environment.

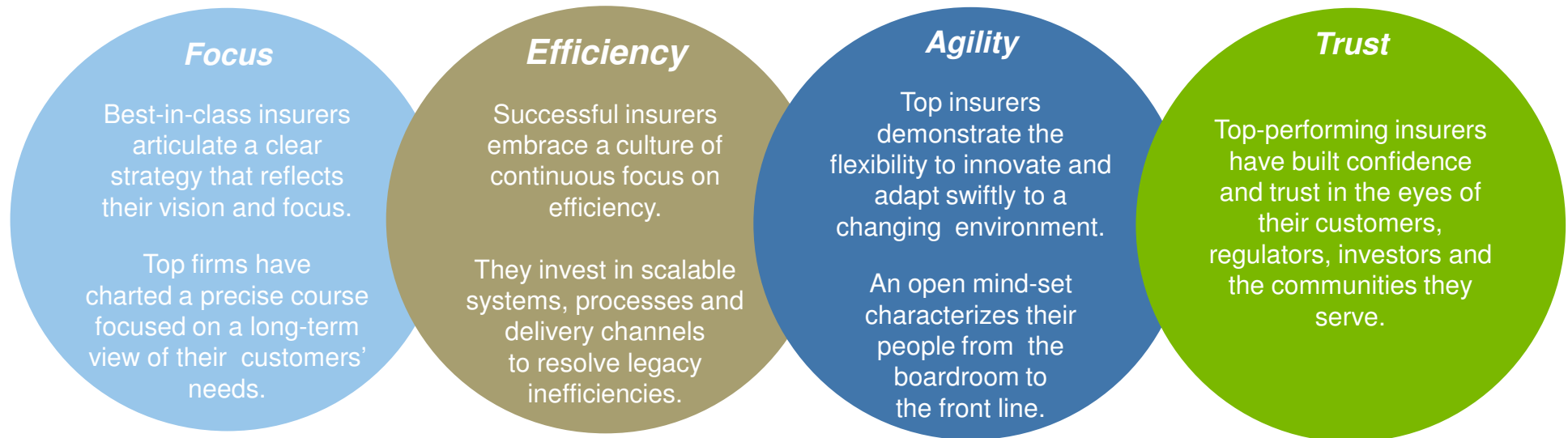
An open mind-set characterizes their people from the boardroom to the front line.

Attributes of The Valued Insurer

Trust

Top-performing insurers have built confidence and trust in the eyes of their customers, regulators, investors and the communities they serve.

Customer - centricity



... High-performing insurers chart highly individual paths, incorporating their own distinct combination of these characteristics

However, many still have a way to go ...

Only 24% of insurers feel their products are developed and marketed with enough transparency to make them understandable to customers.

66% of insurers do not feel their firm's digital strategy adequately supports building trust with clients and investors.

57% of insurers do not feel their organization has an agile business structure that is adaptable to changing customer and market needs.

Only 37% of insurers feel their distribution network generates a consistent positive customer experience across channels.

45% of insurers do not feel their firm fully understand regulations in their local jurisdictions pertaining to the customer agenda.

37% of insurers do not feel their firm's mission statement clearly articulates how it addresses customers needs.

Source: KPMG International, Valued Insurer pulse survey conducted at industry events, June 2013

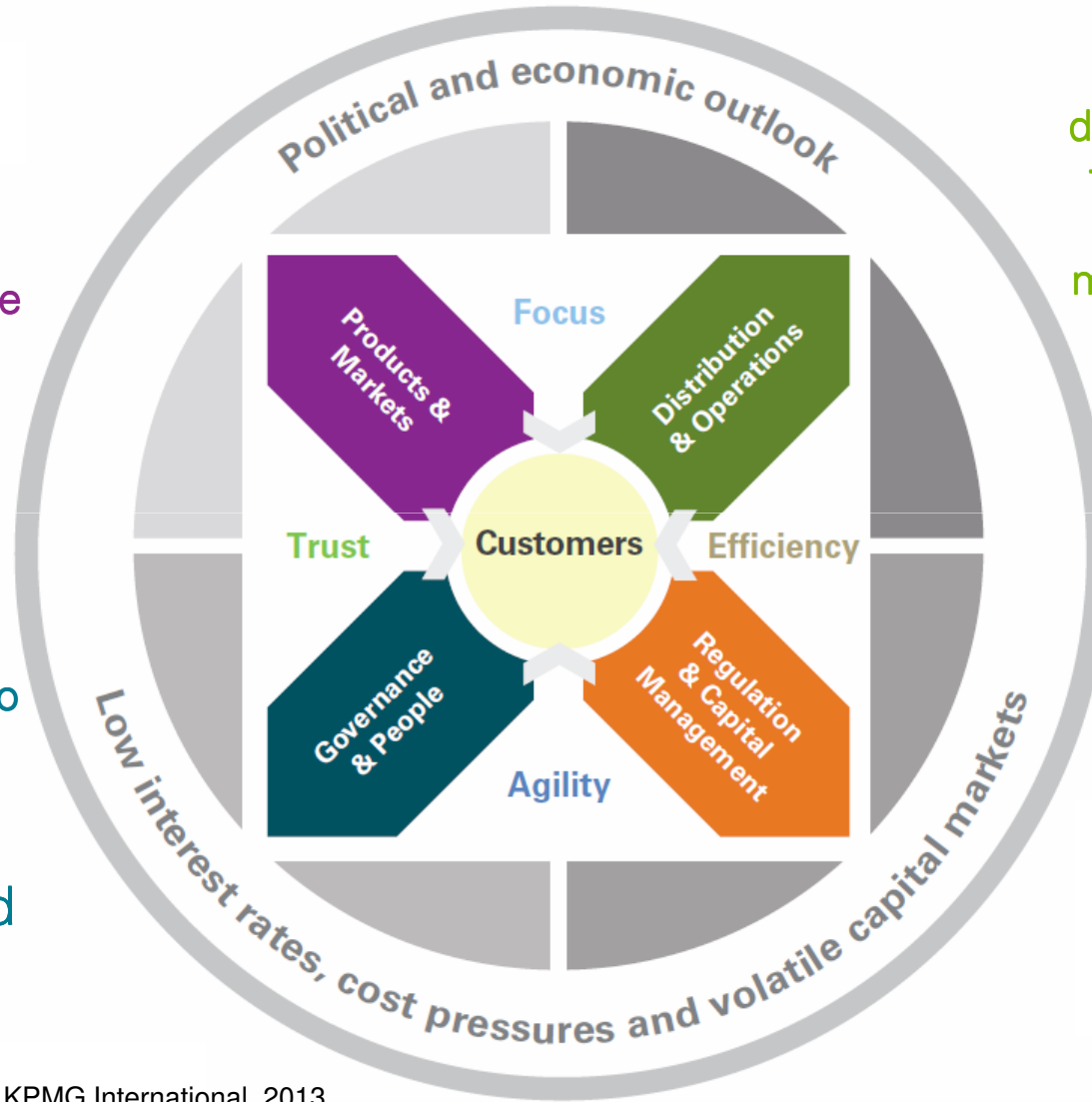


**Experience,
insights and
action**

The Valued Insurer - a vision for success

Building propositions with customer experience at the core and genuine insight into the true 'voice of the customer' – Product Development

Empowering its people to respond to unfolding opportunities and threats – Governance and People



Optimizing distribution channels to reflect customer demands and maximize efficiency - Distribution

Adapting to regulatory change without stifling innovation - Regulation

Source: The Valued Insurer, KPMG International, 2013

The Polish perspective ... Some thoughts

What should modern financial supervision look like?

Managing the limits of insurability

Investment policy given low interest rates

Good legal regulation and its influence on the business

Target model for health insurance in Poland

What should modern financial supervision look like?

Focused connection with stakeholders



“Good regulatory relations means being proactive and making the customer fundamental to the business”

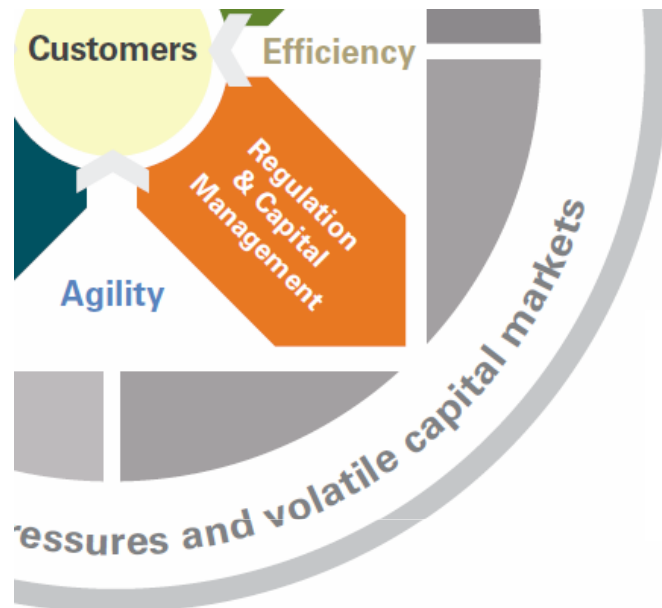
Gabriel Bernardino, Chairman, EIOPA

We see:

- Regulators stepping in to the insurer/customer relationship to protect consumers from the risk that sales are primarily motivated to profit the insurer or sales agent rather than benefit consumers
- Supervisors are now intervening earlier, shifting their focus from scrutiny at the point of sale to focus on the sustainability of insurers' business models and preventing poor product design
- Business processes and compliance frameworks require re-modeling and remuneration and reward schemes need to change to reflect the changing environment

What should modern financial supervision look like?

The insurers' perspective



KPMG says ...

“Insurance executives increasingly need to be responsive to customers while balancing cost reduction and regulatory compliance. Successful insurers need to craft strategies to address all three”

Insights and actions:

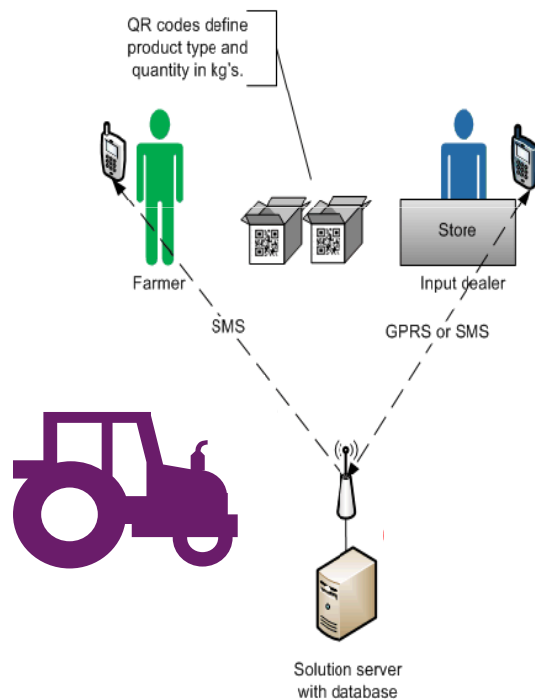
- The complexity of regulatory change can no longer be managed solely by the compliance function
- Ensure regulation is discussed in the boardroom as well as the back office – focusing on strategic as well as operational issues
- Invest to get ahead of the curve of regulatory development and assess the impact for your business model
- Insurers need customer relevant management information to drive strategy, sales and product design and steer the business

Managing the limits of insurability

Use customer insight for informed conversations and delivering value

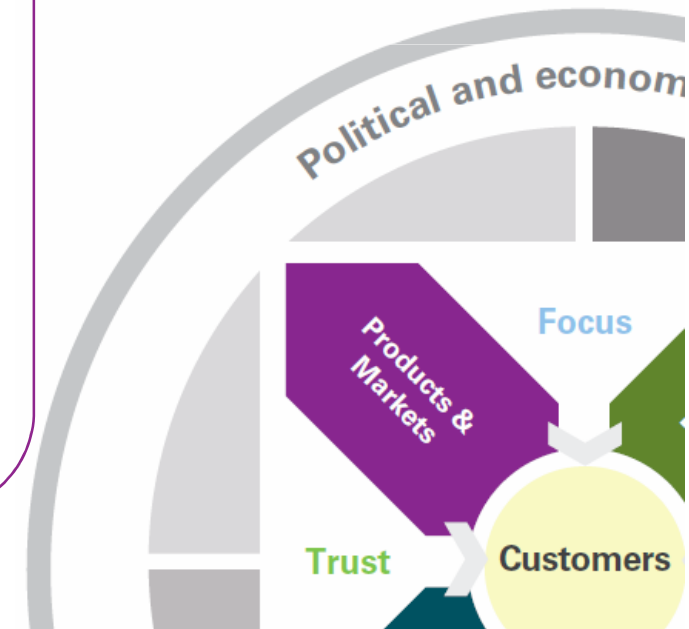
We see:

- Insurers innovating to help customers manage risk e.g. **Kilimo Salama** “Safe agriculture”



This 'pay as you plant' type of insurance allows farmers to 'try out' insurance, a product they have never bought before and which has a negative reputation in Kenya. Experience shows that as farmers learn to trust insurance, they expand their coverage and are comfortable investing more in their farm, raising their productivity and increasing their food security

Syngenta Foundation



Managing the limits of insurability

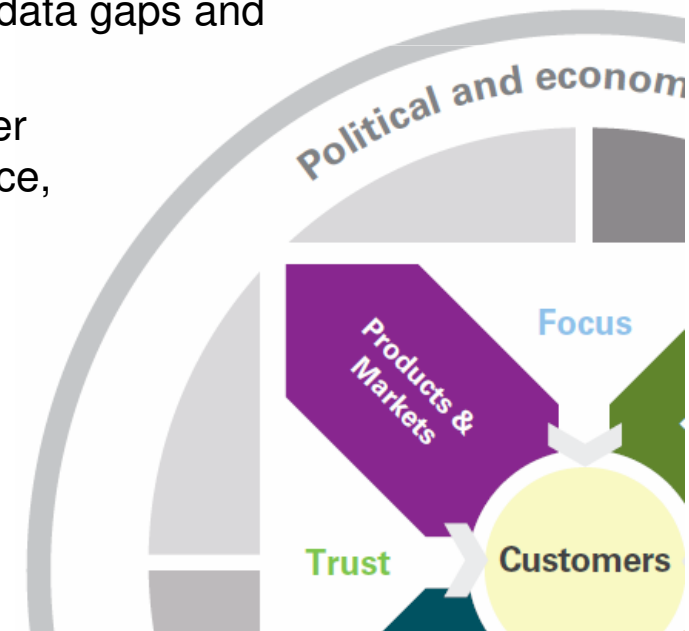
Use customer insight for informed conversations and delivering value

Insights and actions:

- Customer expectations are increasing. Insurers need to raise their game to match how consumers interact with service providers such as Amazon, Google and Ali Baba
- Customers' desires extend beyond the products insurers traditionally provide to encompass a wider experience and a broader range of interactions – autos, home, health?
- Develop a 360° view of customers, identifying customer data gaps and prioritizing correction by value and importance
- Position customer insight as a Center of Excellence rather than separate data collection points for Marketing, Finance, customer service etc

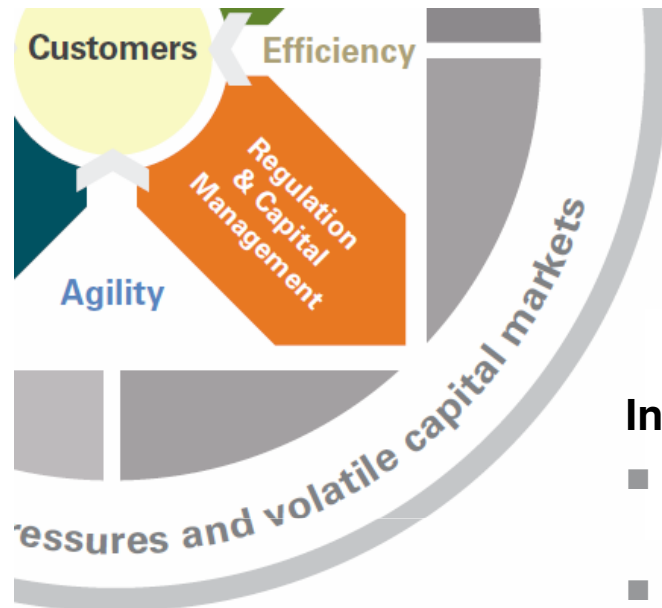
“The critical issue is not the availability of data, but how to analyze it effectively and apply the results to the business”

KPMG says ...



Good legal regulation and its influence on the business

Adapting to regulatory change without stifling innovation



“Invest to get ahead of the curve of regulatory developments and assess the impact for your business model. Lobbying activity is likely to be more effective if coupled with high levels of compliance with current standards ”

We say ...

Insights and actions:

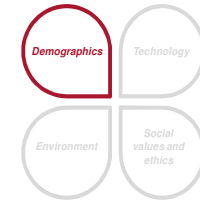
- Greater focus on consumer issues and the conduct agenda is only one dimension of the current round of regulatory reform
- The Valued Insurer manages regulatory obligations efficiently at both a local and group level with a simple operating model and decision-making processes
- Those charged with governance have a clear line of sight over its compliance with local law and regulations and the application of consistent minimum standards across its world-wide operations

“The reality is that regulatory concerns need to be on the Board agenda in order to evaluate their potential impact and inform strategic decision-making”

KPMG says ...

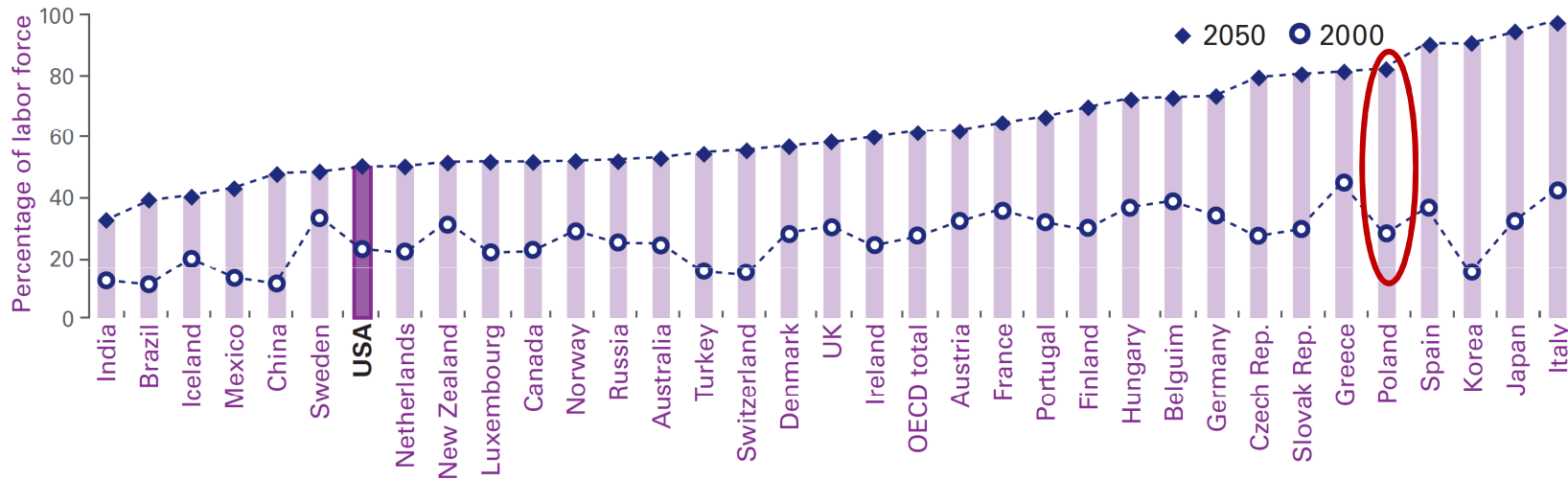
Target model for health

Strain on public finances



Ratio of inactive elderly population (>65 years) to the labor force (percentage)

Populations are aging at dramatically different rates.



Source: OECD Factbook 2009: Economic, Environmental and Social Statistics

“As populations in mature markets age and the taxpayer base shrinks, stretched public finances will be unable to match increasing expectations, increasing a need for self-reliance”

KPMG says ...

Lots of things have been growing in healthcare ...



Source: KPMG, data for the Netherlands

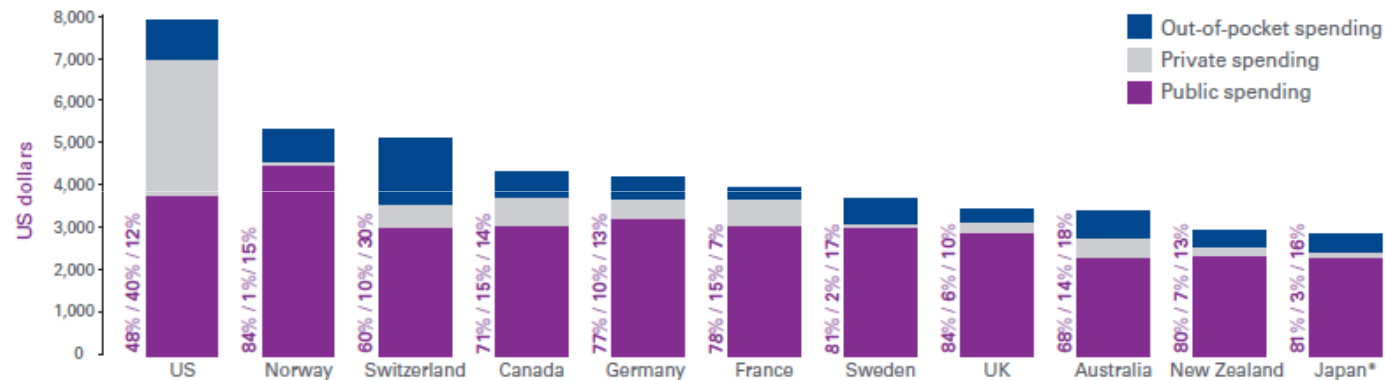
Target model for health insurance in Poland

We see

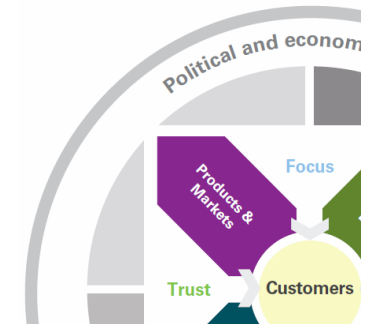
- Extremely diverse levels of private versus state healthcare provision around the world, including significant divergence in health spending per capita.

For example

Percentage of healthcare spending per capita by source of funding



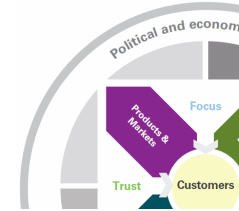
Source: OECD Health Data 2011 (June) * 2008



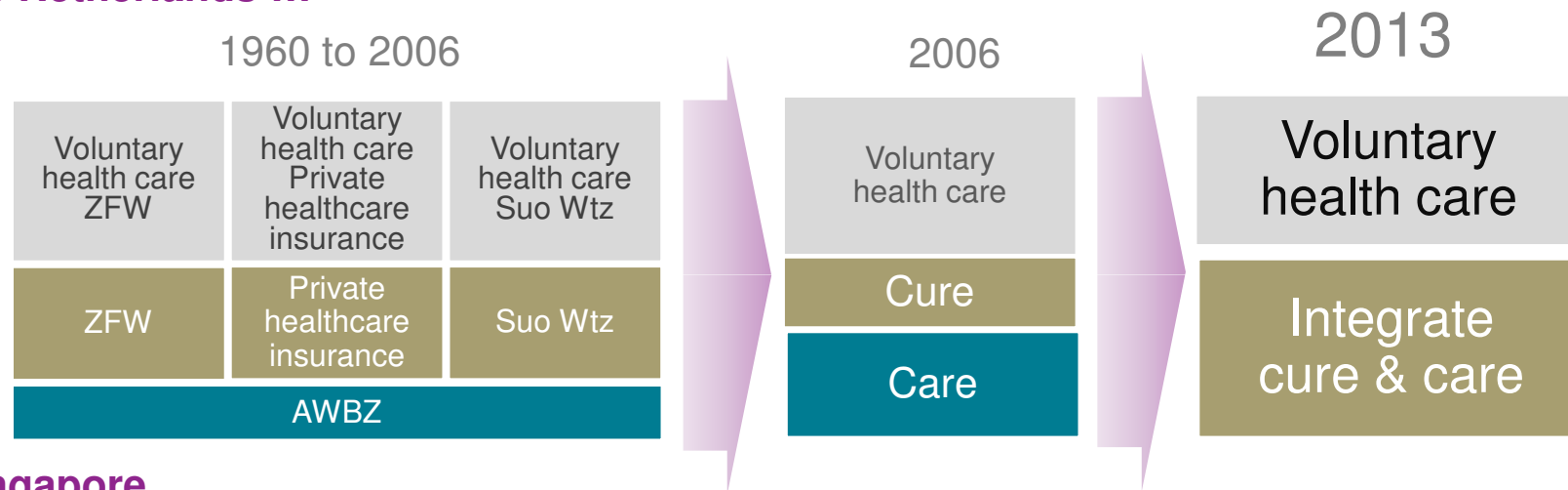
“Some insurers seem much more focused on products than on their customers. Have they got to grips with retirees’ fluctuating needs throughout the various phases of retirement? Boomers and successive retirement groups are looking to protect quality of life rather than wealth accumulation. Maybe we need to think in terms of insurance in kind – a combination of housing, health and pensions rather than traditional insurance services.”

KPMG says ...

Target model for health insurance in Poland



The Netherlands ...



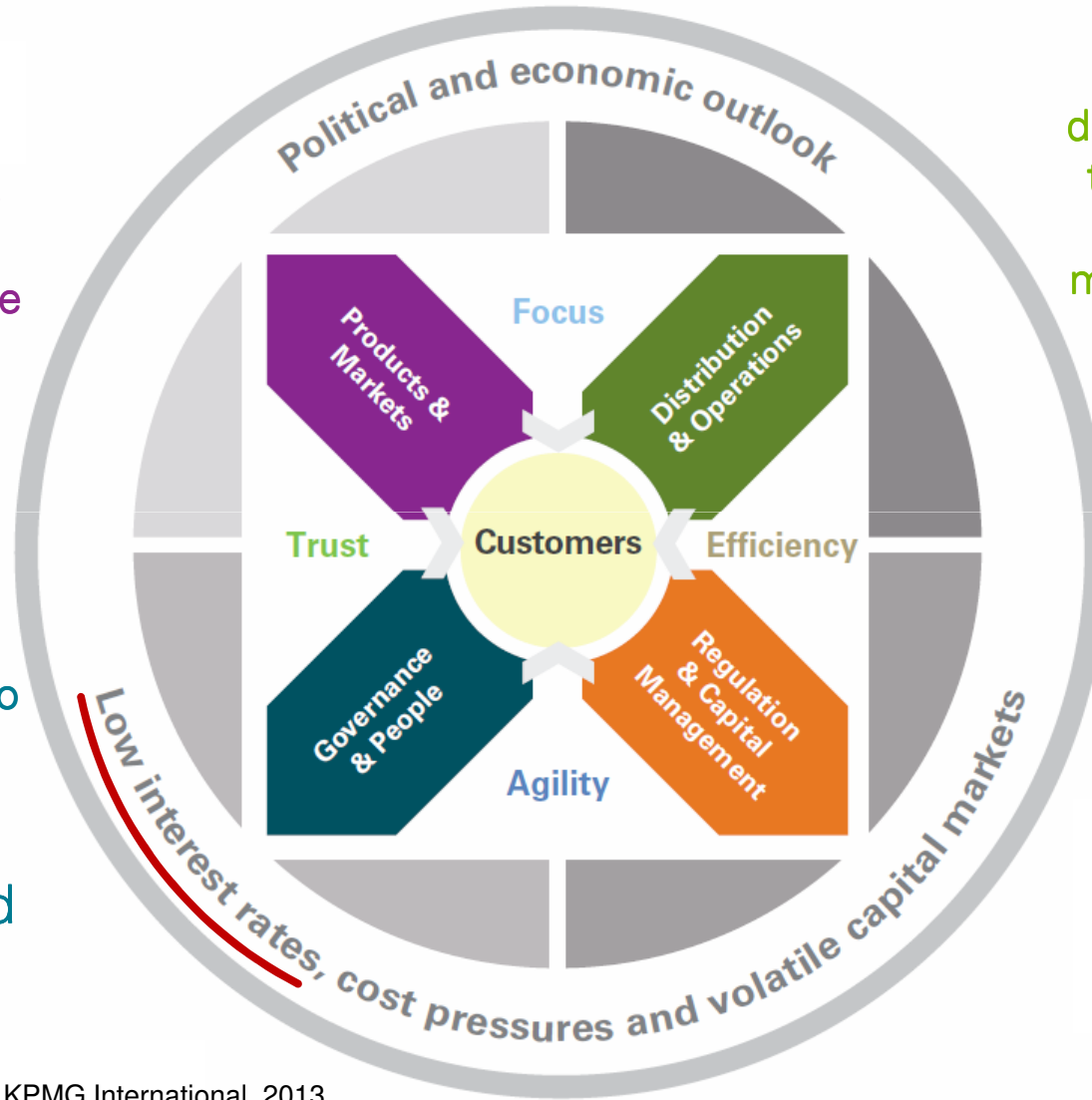
Singapore ...

“Singapore offers an intriguing model. The aim of the country’s healthcare system is to get patients to face some of the costs of their own treatment. Healthcare is part-nationalised and somewhat subsidised. Individual citizens have a compulsory savings account to build up a nest egg for medical expenses, and there’s an insurance programme to deal with the most expensive treatments. But, broadly, the idea is that you have money in a healthcare account, and it’s up to you to decide how you want to spend it. This makes healthcare more like a regular consumer market.” Source: www.ft.com Healthcare: the final reckoning 3-4 May, 2014

The Valued Insurer - a vision for success

Building propositions with customer experience at the core and genuine insight into the true 'voice of the customer' – Product Development

Empowering its people to respond to unfolding opportunities and threats – Governance and People



Optimizing distribution channels to reflect customer demands and maximize efficiency - Distribution

Adapting to regulatory change without stifling innovation - Regulation

Source: The Valued Insurer, KPMG International, 2013



**Delivering
customer insight**

Customer-centricity starts with genuine insight into the true 'voice of the customer'



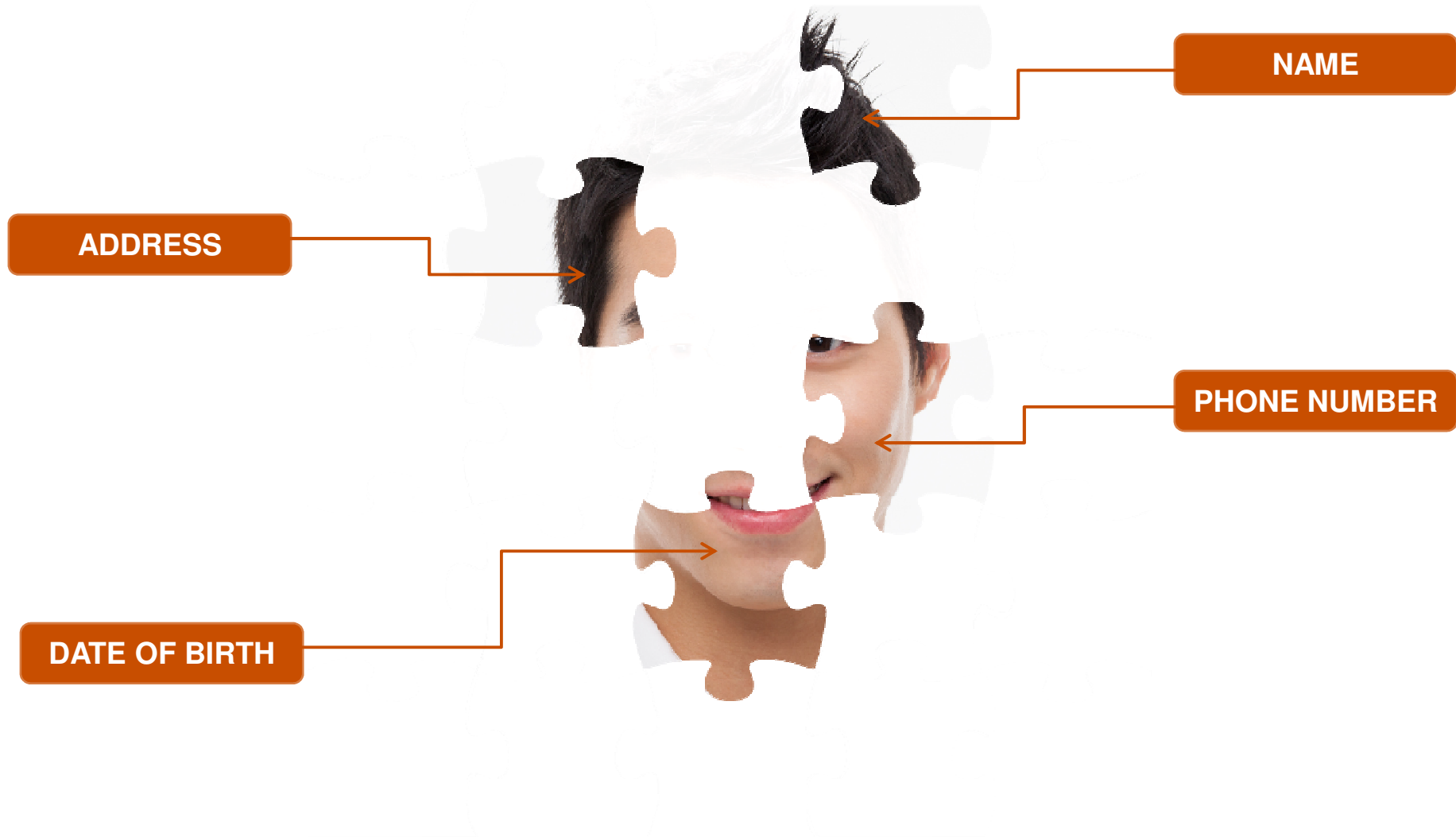
To our shareowners:

As regular readers of this letter will know, our energy at Amazon comes from the desire to impress customers rather than the zeal to best competitors. We don't take a view on which of these approaches is more likely to maximize business success. There are pros and cons to both and many examples of highly successful competitor-focused companies. We do work to pay attention to competitors and be inspired by them, but it is a fact that the customer-centric way is at this point a defining element of our culture.

One advantage – perhaps a somewhat subtle one – of a customer-driven focus is that it aids a certain type of proactivity. When we're at our best, we don't wait for external pressures. We are *internally* driven to improve our services, adding benefits and features, before we have to. We lower prices and increase value for customers before we have to. We invent before we have to. These investments are motivated by customer focus rather than by reaction to competition. We think this approach earns more trust with customers and drives rapid improvements in customer experience – importantly – even in those areas where we are already the leader.

Source: Amazon 2012 Letter to Shareowners

Most insurers only have a basic understanding of their customers...



Grasping the role of customer data in other industries illuminates the possibilities within Insurance

GAMING AND HOSPITALITY



- **Collects data on 40M members** across touch points...
- Uses data analytics to **differentiate based on the travel experience, rather than price** in predicting preferences...
- **Yielding counterintuitive strategies**, like spending more to incent a customer who visits only once, versus one who comes back again and again

TRAVEL AND TOURISM



- SPG hotel chain collects data and **creates member personas**
- Finding it is more important to target based on **when the customer may buy, not just who the customer is**
- Timing outreach to customers **who are about to go on a trip** using offers from relevant brands within the Starwood Family

Big Data Is Everywhere

WHAT IS BIG DATA ALL ABOUT?

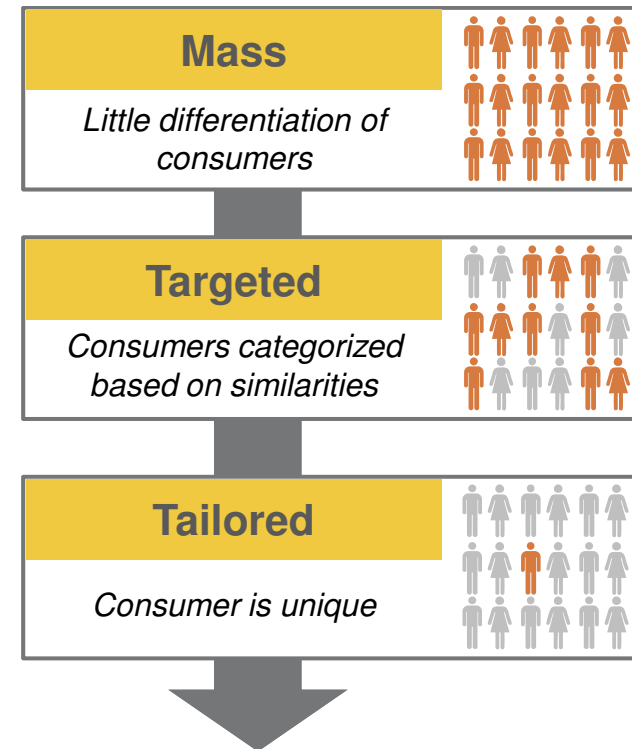
What is it? *Massive data stores to which algorithms are applied to derive insights on consumers, behaviors, etc.*

Who is it for? *Big Data is **within the reach of all companies...** not just Google and Facebook*

Why the excitement? *New technological possibilities will make it critical to winning*

WHAT ARE THE BENEFITS?

Big data enables a shift to one-to-one customer interactions

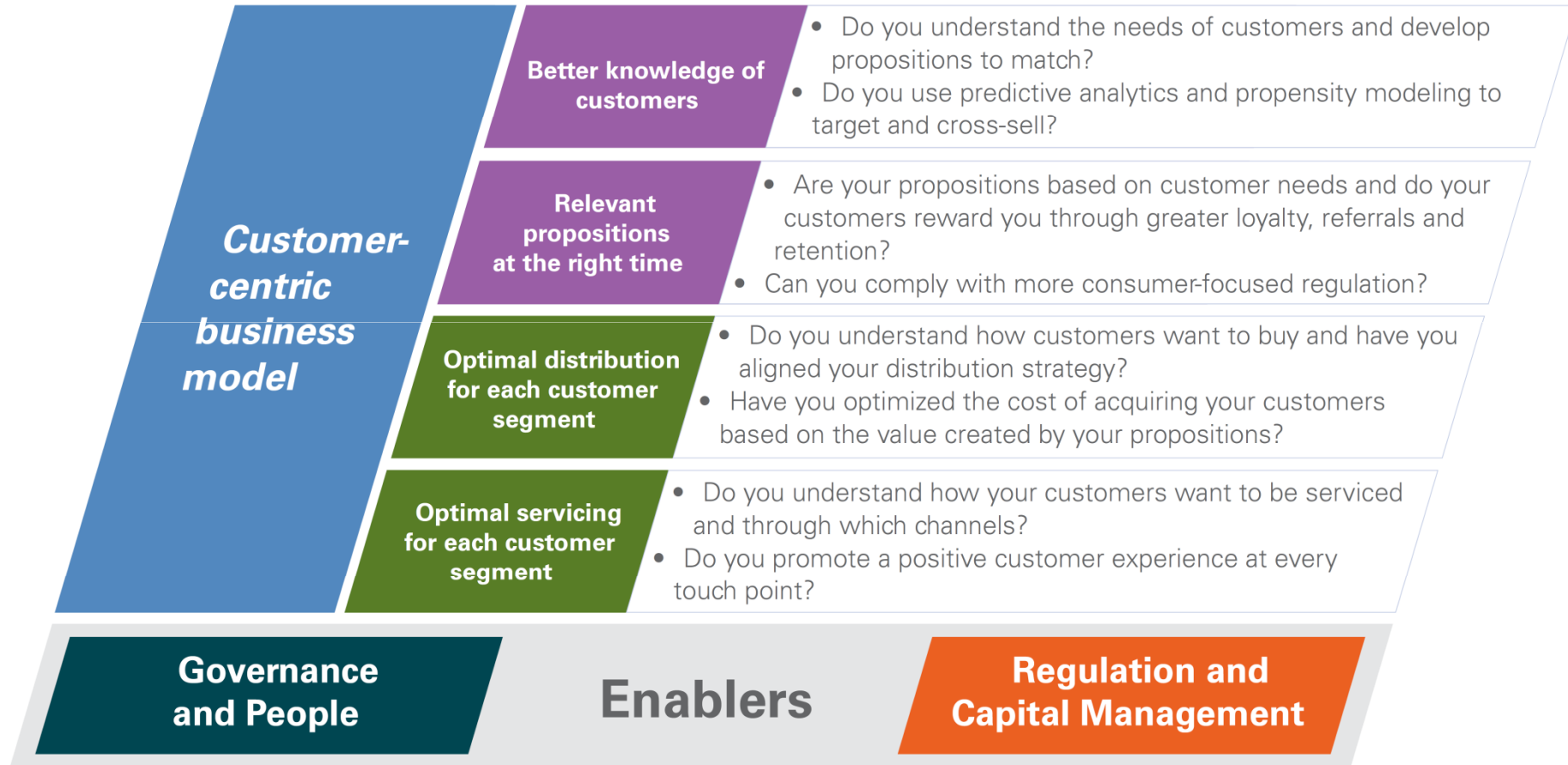


Digital Analytics are opening up a host of new customer insights – product design and distribution



Customer-centric business model

Components of a customer-centric business model



Source: The Valued Insurer, KPMG International, 2013



Recap

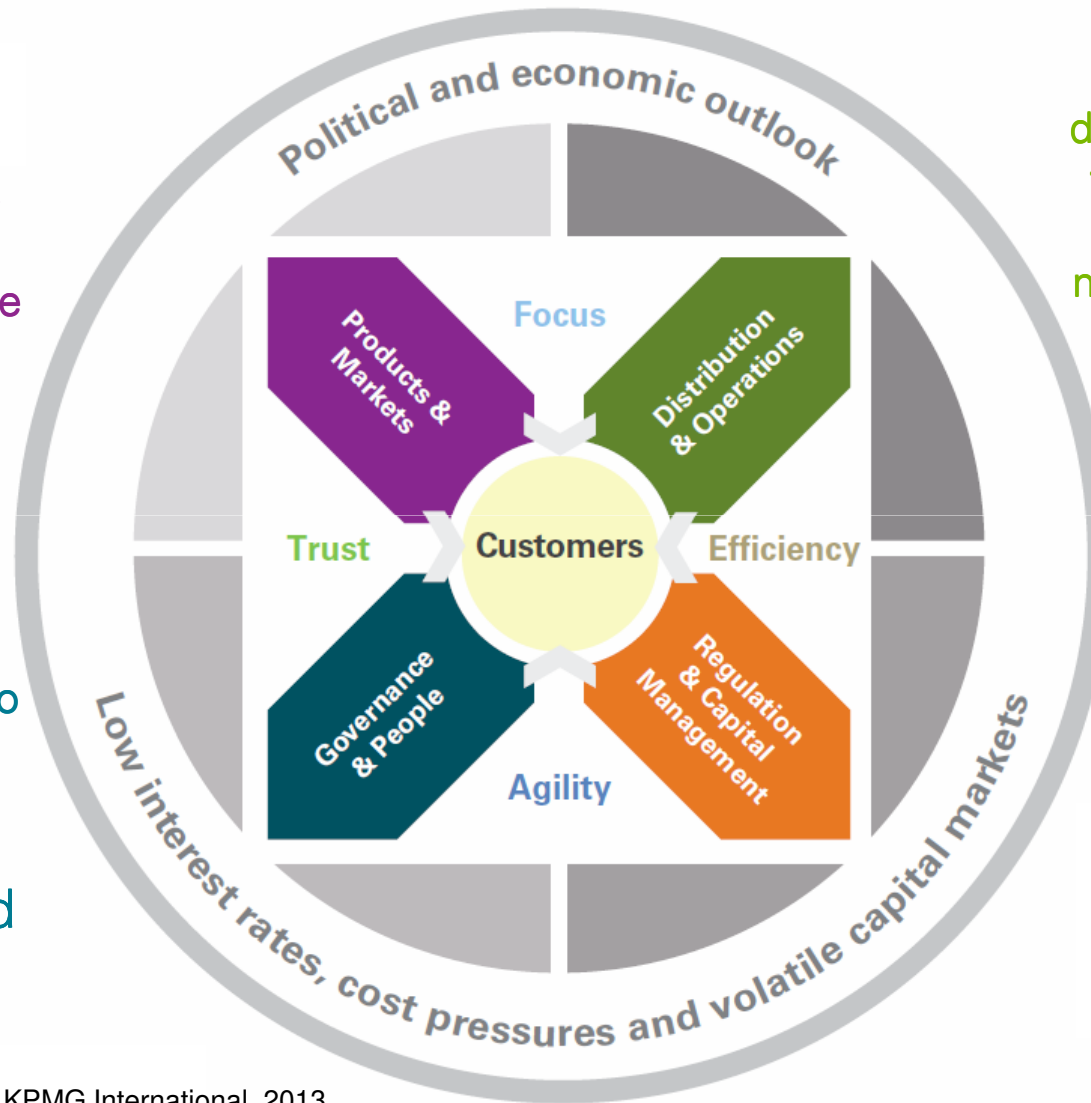
The Valued Insurer - a vision for success for Japanese insurers in Europe

Building propositions with customer experience at the core and genuine insight into the true 'voice of the customer' –
Product Development

Empowering its people to respond to unfolding opportunities and threats –
Governance and People

Optimizing distribution channels to reflect customer demands and maximize efficiency -
Distribution

Adapting to regulatory change without stifling innovation -
Regulation



Source: The Valued Insurer, KPMG International, 2013

Key customer and market trends

We see a number of key trends impacting the industry now and over the medium term ...

We see

Opportunities

1. Customers face an uncertain retirement & healthcare costs	<ul style="list-style-type: none">■ Political and regulatory change is a fact of life■ Current savings are not enough to provide for a secure and healthy retirement
2. Customers want to feel they are a “segment of one”	<ul style="list-style-type: none">■ Proposition and products need to appeal to a diverse customer base■ Requires deep customer insight and analytics
3. Obtaining advice and guidance is changing dramatically	<ul style="list-style-type: none">■ Shift to digital interaction■ Requires integrated multi-channel approaches to research, and service
4. The value chain is under pressure	<ul style="list-style-type: none">■ Margin pressure is a catalyst for transformational change■ Players searching for sustainable growth■ New talents needed to succeed
5. Customers demand value for money and ‘right first time’	<ul style="list-style-type: none">■ Customers want transparent products that meet clear needs and provide value for money

Thank you

Presentation by Mary Trussell

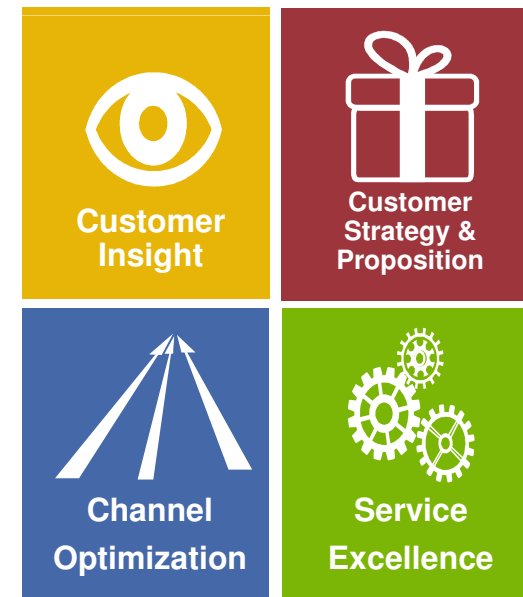
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