News release

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Insurance CEOs turn disruption into opportunity, play active part in InsurTech development, reveals PwC survey

Insurance CEOs are *more concerned than those in any other sector* about the combined threats to their growth prospects from over-regulation, the speed of technological change, changing customer behaviour, and competition from new entrants.

Despite this and soft premium rates, low interest rates, and subdued economic growth in many developed markets, insurance CEOs are fairly confident their companies can grow revenue over the next twelve months and they are among the readiest to embrace disruption. Over a third (35%) are very confident they can achieve revenue growth over the next year and more than 80% are at least somewhat confident.

These are the main insurance industry findings from **PwC's 20th CEO Survey of 1,379 CEOs, including responses from 95 insurance CEOs in 39 countries**. The industry summary 'Embracing possibility, boosting innovation' looks at how insurers and reinsurers can emerge stronger from another pivotal year in the strategic and operational transformation of the industry.

Insurance CEOs' concerns about competition from new entrants are *notably higher* than other FS sectors facing similar incursions from FinTech firms. The threat has been heightened by a fivefold increase in annual investments in InsurTech start-ups in the three years up to 2016, with cumulative funding since 2010 reaching $3.4 billion.

Arthur Wightman, PwC Bermuda leader and insurance leader, says InsurTech companies could open up valuable opportunities for insurers, and enable them to make the leap from incremental to breakthrough innovation.

> "Partnerships with lean and agile InsurTech entrants can help insurers improve their processes, strengthen efficiency and reduce costs," Mr Wightman said. "They also can help insurers improve their analysis of the huge amounts of data at their disposal, which can lead to better customer understanding, higher win-rates, and more informed underwriting.
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> "Playing an active part in the development of InsurTech is one of the key elements of the 'fit for growth' platform we believe will enable insurers to compete on cost, innovation and customer-intimacy."

Robo-advice and pay-as-you-go
Insurance CEOs are also acutely aware of the disruption and change facing their industry, the transformational impact of which is now evident in areas ranging from robo-advice to pay-as-you-go and sensor-based coverage. Concerns over regulation, competition from new market entrants, the pace of technological change and especially shifting customer behaviour have continued to rise from their already high levels in previous years.

Insurance CEOs' concerns over potential barriers to market entry and development are also growing. 60% believe that it's becoming harder to compete in an open global marketplace because of moves toward more protectionist national policies. A further 74% of insurance CEOs – more than those in any other industry PwC surveyed – see lack of trust in business as a threat to growth.

The good news is that many insurers are taking action and seem to be ready to face up to their challenges, said Mr Wightman: "This is evident in the fact that 67% of industry leaders see creativity and innovation as very important to their organisations, more than any other financial services sector."

Insurance CEOs are also ahead of their FS counterparts in exploring the benefits of humans and machines working together (61%) and considering the impact of artificial intelligence (AI) on future skills needs (49%).

Customer intelligence most valuable asset
The cost and disruption of regulation continue to be industry leaders' paramount concern, but the sharp rise of concerns about shifting customer behaviour is particularly striking. In last year's CEO Survey, already 24% of insurance CEOs stated they were extremely concerned about changing customer behaviours, but this year saw a 21% increase to 45%. To keep pace, insurance CEOs recognise that customer intelligence, along with the quality of the client insights and interactions that underpin it, is their most valuable asset and surest foundation for profitability and growth.

Confidence, upheaval and competitive relevance
Apart from the market in which their organisation is based, the US is the country insurance CEOs are most likely to be targeting for growth, followed by China. While London and New York remain the most important commercial centres within their growth plans, Hong Kong has seen a notable rise up the rankings to third place. But insurance CEOs' concerns over potential barriers to market entry and development are growing. Sixty per cent believe that it's becoming harder to balance competing in an open global marketplace with trends toward more protectionist national policies.

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Notes to editor:

PwC's report 'Embracing possibility, boosting innovation' is based on a summary of findings in the insurance sector, based on the response from 95 CEOs in 39 countries. To see the full results of PwC's 20th Global CEO Survey, please visit ceosurvey.pwc

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