

The changing insurance landscape

Customer focus

Insurers handle large amounts of data but few have yet to use that information to both excel in customer service and develop a greater understanding of customer needs.

47% see investing in data and analytics to help develop innovative propositions to meet changing customer needs as a top priority.¹



Only **34% & 30%** of UK general and life insurance customers rate their customer experience highly. Vital lessons can be learnt from the e-retailing sector.⁴

27% think that data/cyber security will be their most important area of investment.¹



Technology

The industry will invest more in technology. Legacy systems will be overhauled and technology will play a crucial role as insurers promote digital channels and self-service options.

69% have a digital strategy beyond a website.¹



35% believe integrating data technology into existing systems and operating models is the biggest challenge to capturing data.¹



Corporate activity

We predict further insurance mergers and acquisitions – especially amongst the large international insurers, life insurers, brokers and London market firms.

There was a **47%** increase in the number of transactions in the insurance market between 2012 and 2014 with the value of these deals increasing from **£1.6 bn to £7.7 bn.**³



The UK pensions insurance buyout market is set to grow significantly in the next five years reaching

£20bn per annum by 2020.⁶



Regulation

Increased regulation and disclosure requirements mean greater transparency for the customer but are a huge challenge for the insurer.

65% consider that the regulatory environment does not yet support product and channel innovation.¹



The cost of implementation of full quarterly reporting on Solvency II is estimated to be between **€418-696m** for the European insurance sector and the on-going costs around **€38m** per year.²

Business model change

Insurers will have to embark on bold business model transformation to succeed. Redesigned target operating models, risk transformation and having the right talent to deliver change are crucial.

Financial change programmes can reduce operational costs by up to **30%**⁷



61% believe that risk management is essential for adding value to their business.⁸

An insufficient pipeline of future leaders ranks as **#1** talent risk.⁵



Source: ¹Transforming Insurance, KPMG International, 2014. ²Solvency II, European Commission, 2014. ³Thomson Financial. ⁴Customer Experience Barometer, KPMG International, 2014. ⁵Time for a more holistic approach to talent risk, KPMG, 2013. ⁶Bulk Annuity Market Insight report, KPMG UK, 2014. ⁷KPMG International, 2015. ⁸KPMG International, 2013.