



Preparing for Digital Disruption: a Strategic Approach for P&C Finance Leaders

By Bill Greene

In 2019, the [property and casualty \(P&C\) sector's net premiums](#) reached a record-setting \$639 billion, capping an economic success story built on decades of consistent growth. However, the next 10 years will be very different from the last.

Within the rapidly evolving risk landscape that characterizes the P&C industry, first movers are embracing technology, innovating traditional offerings and venturing into new markets to capitalize on emerging opportunities. At the same time, customer needs are evolving quickly as their expectations shift to reflect the heightened levels of personalization and usability they experience in other facets of their lives (e.g., social media, mobile banking, etc.). As a result, P&C growth rates are slowing, productivity is declining and investors are increasingly shifting assets into industries with stronger expectations of steady growth.

Over the past 10 years, banks, the automobile industry and many other sectors have all wrestled with disruptive forces and the subsequent digital transformations that are required to survive and thrive in a technology-first culture. The P&C industry, on the other hand, has had partial immunity to many of the effects of digital disruption, protected by favorable demographic trends and a protracted bull run in the markets.

With the seismic shifts caused by the COVID-19 pandemic, however, most insurers now see the warning signs that change is on the horizon. While the future is still uncertain, the industry is overdue for a trend toward digital transformation. In 2019, a [Gartner survey](#) of insurance chief information officers found that only 17% of them believed their organizations were “highly effective” in integrating digital solutions with business strategy and only 5% said they were achieving desired results from those efforts.

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To move beyond these benchmarks and [achieve true digital transformation](#), businesses should start with a clear strategic vision for the future, inclusive of both external and internal analyses. This will allow leaders to break free of the present-forward fallacy, agnostic of their current state, then operationalize that information into an action plan for today that includes an intentional focus on people, process and technology. Many chief financial officers (CFOs) focus on short-term concerns, but forward-thinking CFOs actually develop a road map for transforming the finance office by rooting it in the future needs of the business. This synchronization of business functions will help P&C companies navigate the disruption of the current moment to find firmer footing in an uncertain future.



5 Questions to Help P&C Leaders Navigate Digital Disruption

P&C business leaders who want to navigate digital disruption must chart a course toward the future — one that is grounded in a rich understanding of exactly how a digital transformation will help them to address their customers' future needs. They must avoid the temptation to simply digitize existing business models, instead working with their leadership teams to define their distinct value propositions and how technology can support that goal.

To do this, leaders should consider five questions.:

1. What will the competitive environment look like in the next five years?

Many industries are already feeling the effects of changing consumer preferences, the emergence of would-be disrupters, and shifts in distribution. As these trends continue, P&C insurers in particular are at risk of seeing their investors pull funding and reallocate their assets to sectors that are better prepared to capitalize on digital transformation. The future for the P&C industry is also likely to include [increased mergers and acquisitions \(M&A\) activity](#) as traditional carriers seek to expand their footprints and accelerate their digital efforts by buying insurance technology startups. Amid rapid technology advances (including artificial intelligence, robotic process automation and machine learning), increasingly stringent regulations and new partnerships, P&C insurers looking to remain viable must understand and align their leaders to a shared vision of the future that puts into perspective the need and urgency for digital transformation. Finance leaders will play a critical role in facilitating these discussions, and shaping the role that their organizations will play, as the strategic choices that each firm might make will be determined by where they choose to deploy capital, and the needs of their investor base.

2. In this future state, who are the target customers and what are their “jobs to be done”?

As P&C insurers seek to assess and understand what the future holds for their businesses, they will likely come to find that their target customer has already changed and will continue to do so in the coming years. The rise of digital natives (i.e., millennials and Generation Z) has intensified consumer expectations about experience. This core demographic is accustomed to on-demand, easy-to-use, personalized service in most of their interactions (e.g., Amazon delivery, TikTok, DoorDash, etc.), making it more and more difficult for businesses to deliver what they want. Still, some P&Cs are trying to break out of legacy delivery models to innovate their offerings with these critical stakeholders in mind. For example, in 2018, [Farmers Insurance launched Toggle](#), a mobile renter's insurance alternative with a focus on transparency and customization, to meet the evolving needs of the millennial market.

The challenge for finance leaders is that many of these markets don't yet exist or aren't fully mature. Finance leaders will need to ensure their organizations are equipped to provide the appropriate strategic and financial lenses in order to assess the value of making potentially transformative bets for the role of agents, digital channels, claims experience or even partnerships with nonfinancial services organizations.

What Are Jobs to Be Done?

In essence, customers' jobs to be done drive them to purchase or engage with a particular product or service offering. These needs often revolve around a specific outcome the customer is trying to achieve and have complicated, multifaceted functional, emotional and social dimensions. For P&C customers, for example, their jobs to be done likely focus less on reimbursement for damages and more on safety and security for themselves and their families.

Businesses that adopt a jobs-to-be-done framework are better positioned to drive growth by creating products and services that meet consumer expectations.

3. How do we need to evolve our business model to meet the needs of the future world?

As P&C companies develop a more comprehensive understanding of how the future environment and customer demands will be different, they must work to determine how those insights should affect the way they do business to meet those needs. For example, increasingly, people are looking to use new technologies and predictive analytics to prevent damage to their property, rather than simply accept the loss and file a claim. Forward-thinking organizations might choose to see this as an opportunity rather than a threat and move into market adjacencies where they can create and capture value by focusing on proactive protection. The manifestation of this shift in thinking is inherent in the partnerships between traditional insurance companies and Google Nest, wherein many providers offer incentives and discounts

for owners of Nest Protect (a smoke and carbon dioxide monitoring system) who voluntarily share information that proves their system is operational and functioning properly. Forward-thinking CFOs must take a portfolio lens and think carefully about the portfolio of legacy and new business models and the necessary transformation of their own cash flow, earnings and balance sheets.

4. What are our internal stakeholders' jobs to be done?

Only after businesses determine what their future business model should be, can they change the way they serve their internal customers. With the democratization of data and improved user functionality that comes with new technologies, many of the more manual aspects of employees' and leaders' jobs (underwriting, claims management, etc.) are likely to be handled digitally, freeing them up to contribute more meaningfully to higher-value activities. This often requires intentional re-skilling or upskilling to help staff perform well in a digitized landscape. Digital transformation may also bring with it a new set of internal customers who represent new functions, new business models and new markets. With these shifts, internal customers' jobs to be done will also change, and businesses must position themselves to respond appropriately.

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The P&C Value Chain: From the Finance Leader’s Perspective

INTERNAL STAKEHOLDER	LEGACY JOB	FUTURE JOB	IMPLICATIONS
PRODUCT	Optimize product design to strengthen financial performance, within constraints of existing product strategy.	Support the evaluation of new customer segments, new products and new business models.	Provide insight from new and enhanced sources of data to support proactive decision making. This may include: <ul style="list-style-type: none"> • A trusted single source of comprehensive information at the lowest level. • Real-time product data, including derived economic cost and value metrics. • Advanced capabilities for modeling and analytics leveraging emerging technologies in data science..
UNDERWRITING AND PRICING	Manage risk for well-understood market and product segments under established pricing models.	Understand the risk of new populations and how to underwrite and price them effectively.	Support the dynamic data analysis and decision making for modern pricing with new forms of data and analytics. This may include: <ul style="list-style-type: none"> • Artificial intelligence or machine learning to support quoting and pricing. • The use of nontraditional and unstructured data sets that support the analysis of new risk pools.
MARKETING	Drive the return on investment of marketing investments.	Support the digital transformation of marketing.	Amalgamate and model the data required to increase personalization and marketing efficiency for new products and segments. This may include: <ul style="list-style-type: none"> • Lifetime value assessments. • Funnel analyses. • Marketing effectiveness for new products and channels.
DISTRIBUTION	Manage and incentivize a network of agents to optimize revenue and support the growth of new digital channels and virtual agents.	Proactively manage the dual transformation of the business by optimizing legacy channels, footprints and incentives, while rapidly growing the direct-to-consumer channels to protect or take share.	Provide real-time performance data to support dual transformation. This may include: <ul style="list-style-type: none"> • Real-time, forward-looking analytics inclusive of incentive management. • Omnichannel insights to support digitalization and automation initiatives. • Assessing the strategic value and implications of partnerships.
CLAIMS AND SERVICE	Manage costs while improving customer satisfaction.	Support the digital transformation of claims and servicing.	Achieve closer collaboration with claims and drive superior customer satisfaction and cost leadership. This may include: <ul style="list-style-type: none"> • Advanced modeling capabilities to measure service performance. • Analytics for detailed service cost structures and cost takeout.

5. What are the implications of these jobs to be done? How can we best serve our internal customers in this future state?

One of the primary implications of these previously discussed shifts is that P&C CFOs must evolve to embrace digitalization and become strategic business partners who play a role in the enterprise's overall transformation. As technology plays a larger role in everyday operations, it is incumbent upon the finance department to optimize these tools and also expand their skill sets beyond data collection and dissemination. As they break out of traditional molds, CFOs with access to more and improved data can and should be using it to help the business make strategic investments that will help them grow today and in the future. Additionally, CFOs must recognize that the roles and skills within the "office of the CFO" must also undergo a parallel transformation. In a future in which there is a greater degree of automation, as well as a greater need for proactive, strategic finance partners to support the business, finance leaders must ensure that they arrive at their transformation destination with a team that is equipped to address the business challenges they will face.

When digital transformations are undertaken without a clear vision or agnostic of business synchrony elements, the implementation of new technologies may occur but will rarely lead to lasting change.

Aligning leaders to the answers to these five questions will help P&C insurers to future-proof their businesses in a landscape characterized by disruption. But digital transformation will not be achieved by this exercise alone. To ensure long-term sustainability and success, businesses must turn these insights into action and balance any decisions made with regard to the critical

components of business synchrony — people, process, technology and strategy.

When digital transformations are undertaken without a clear vision or agnostic of business synchrony elements, the implementation of new technologies may occur but will rarely lead to lasting change. This paradigm can be likened to a surgical procedure. If an operation is completed but kills the patient in the process, can it be considered a success? Of course not. The same is true for digital transformation. If, at the end of an initiative, new technology is installed but it does not support organizational goals or the teams that use it are disengaged, the project is a failure. Successful transformations are synchronous; they are technology-informed but strategy- and people-led.

Key Takeaways

To prepare for digital disruption, P&C leaders should:

Think differently.

Align leaders to a shared vision of the future environment and customer needs.

Plan differently.

Use insights about the future to create a comprehensive strategic plan for digital transformation that integrates all the elements of business synchrony — people, process, technology and strategy.

Act differently.

Evolve offerings to meet the needs of internal and external customers.



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