

McKinsey
& Company

Digital Transformation – Delivering Real Impact

Alexandru Filip, Oskar Sokoliński

FIAR Conference

Sinaia, May 20, 2019

CONFIDENTIAL AND PROPRIETARY

Any use of this material without specific permission of McKinsey & Company
is strictly prohibited



Today's speakers



Alexandru Filip
Partner, Bucharest

Alex has extensive experience serving clients in the insurance industry, helping them tackle issues related to strategy, risk management, organization, and business planning



Oskar Sokoliński
Associate Partner, Warsaw

Oskar advises clients of leading global and regional companies from the insurance sector and is an expert in loss adjustment, sales, pricing and strategy transformation

Contents

1

Taking stock –
a realistic view
of the industry’s
progress

2

Taking aim –
the new
insurance
business model

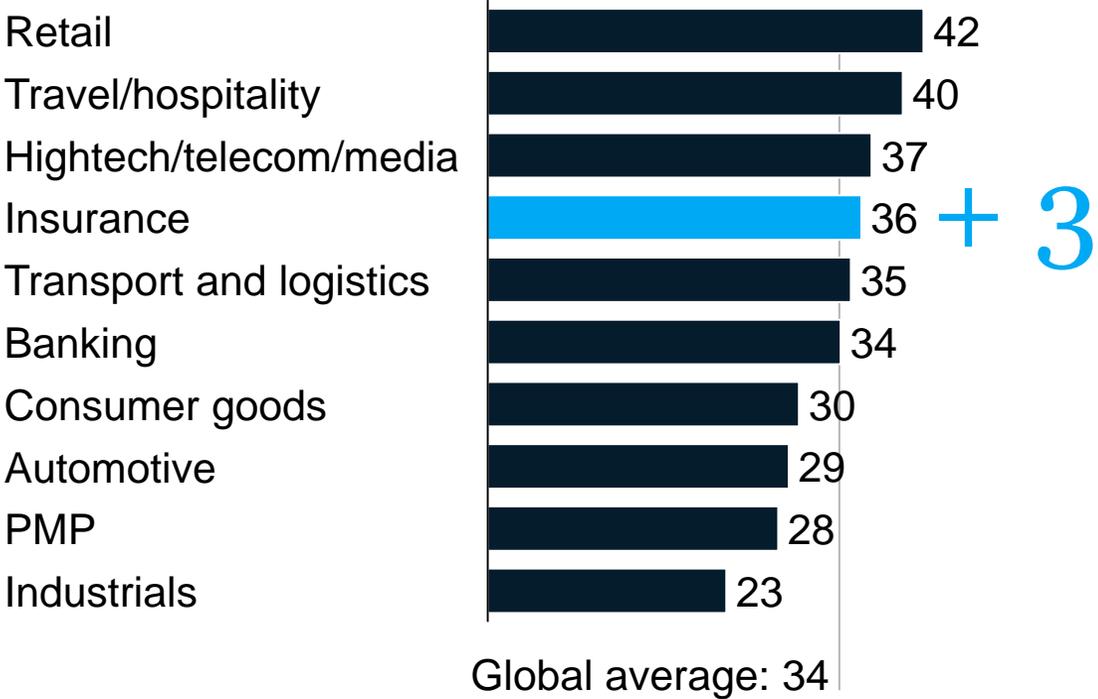
3

Taking action –
the journey
toward real
impact

The industry's digital maturity is progressing

McKinsey's Digital Quotient

(out of 100)



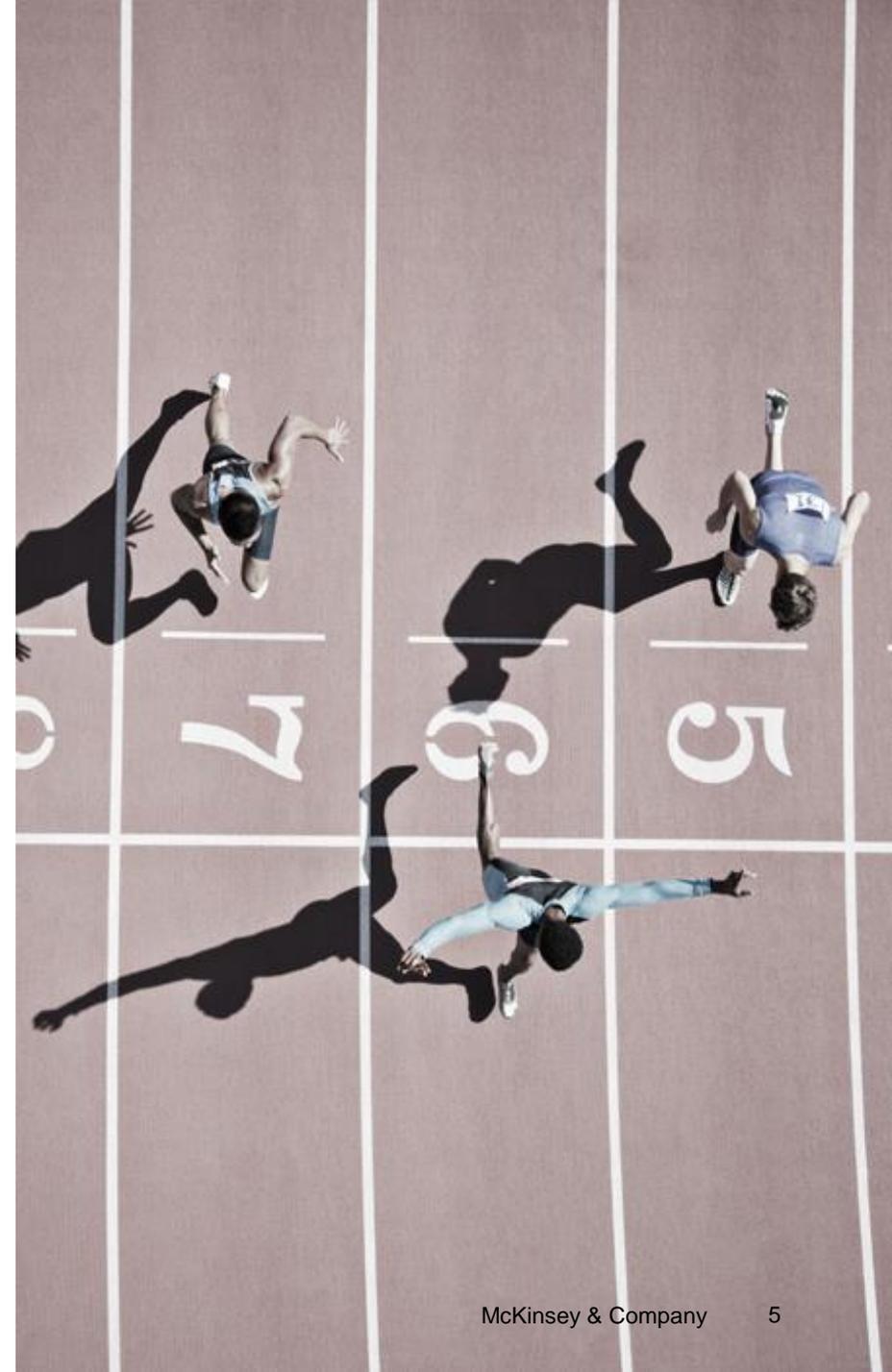
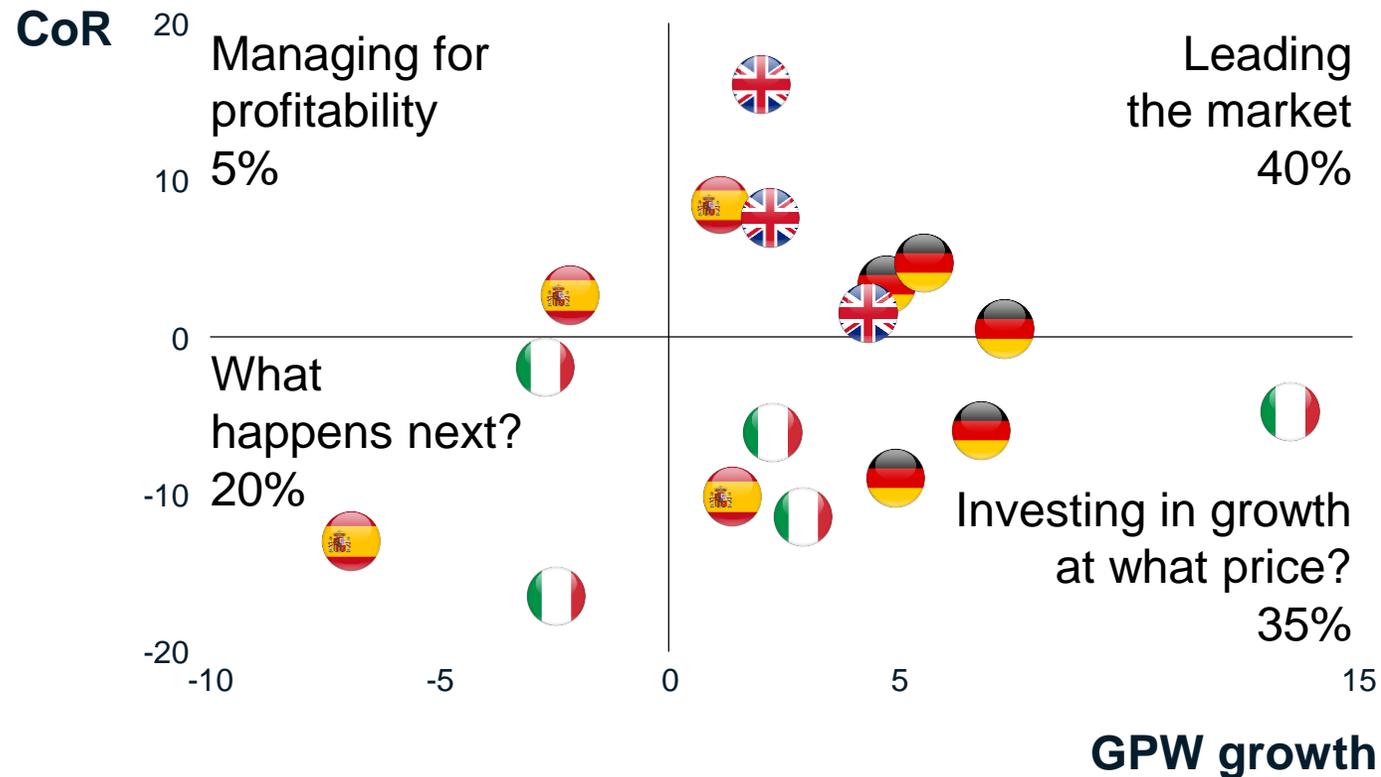
Digital leader: 61

Note: Total DQ™ score is calculated on a scale of 0 to 100 as the average of the 4 dimension scores. Therefore, Culture, Strategy, Capabilities, and Organization have the same weight in the calculation of the total DQ™ score. To calculate a dimension score, we average the scores of the management practices that pertain to that dimension (as per slide 4)



Digital outperforms the market – yet heterogeneity persists

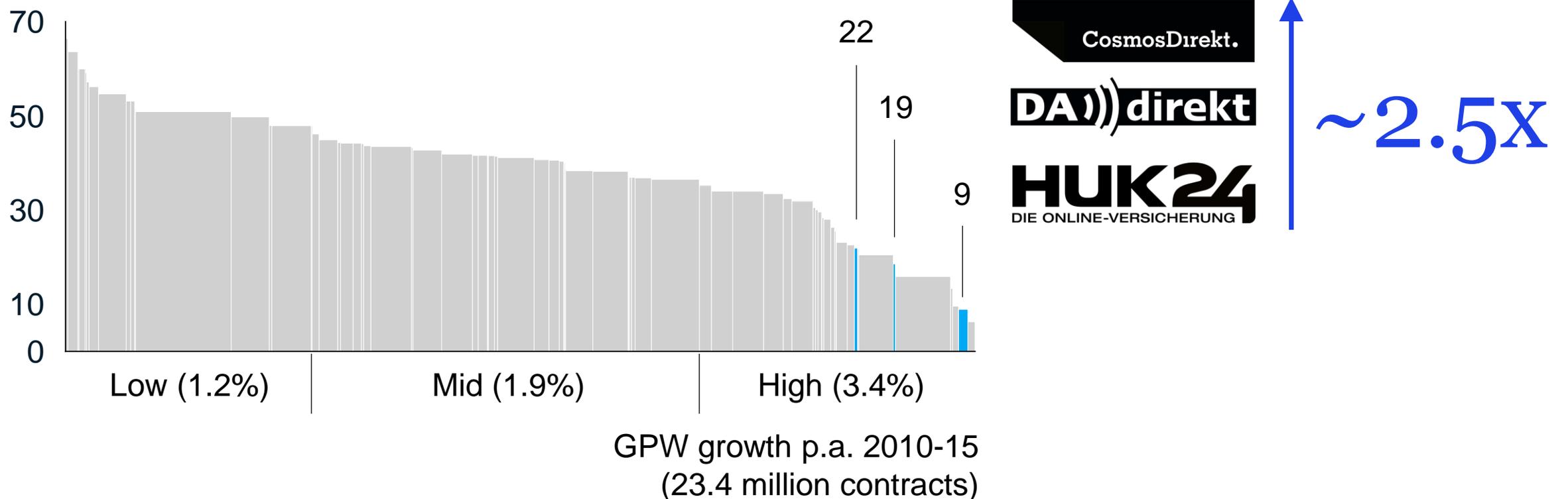
Direct motor performance vs. local market, 2015-16



Productivity differs to an extreme

Home content insurance, Germany

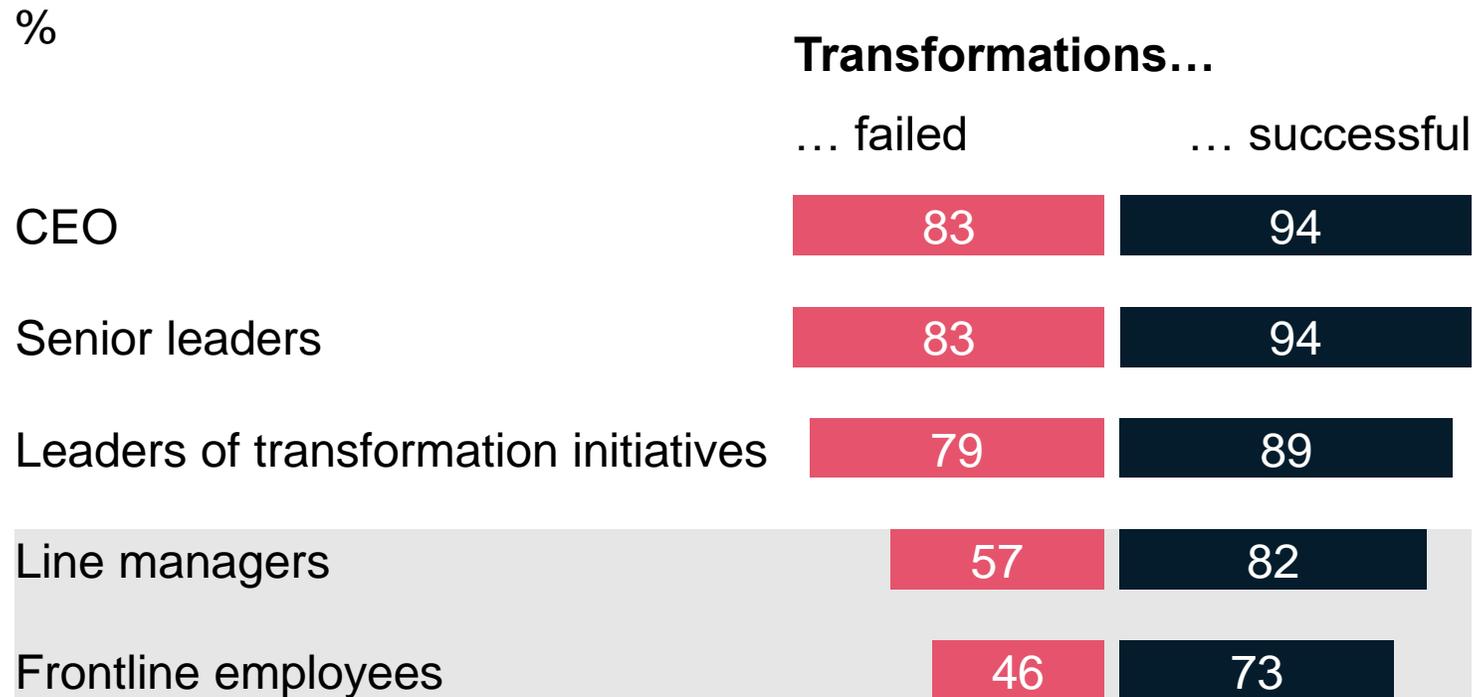
Unit costs¹, EUR



1. Average costs (administration and acquisition) per in-force policy

The team needs to follow

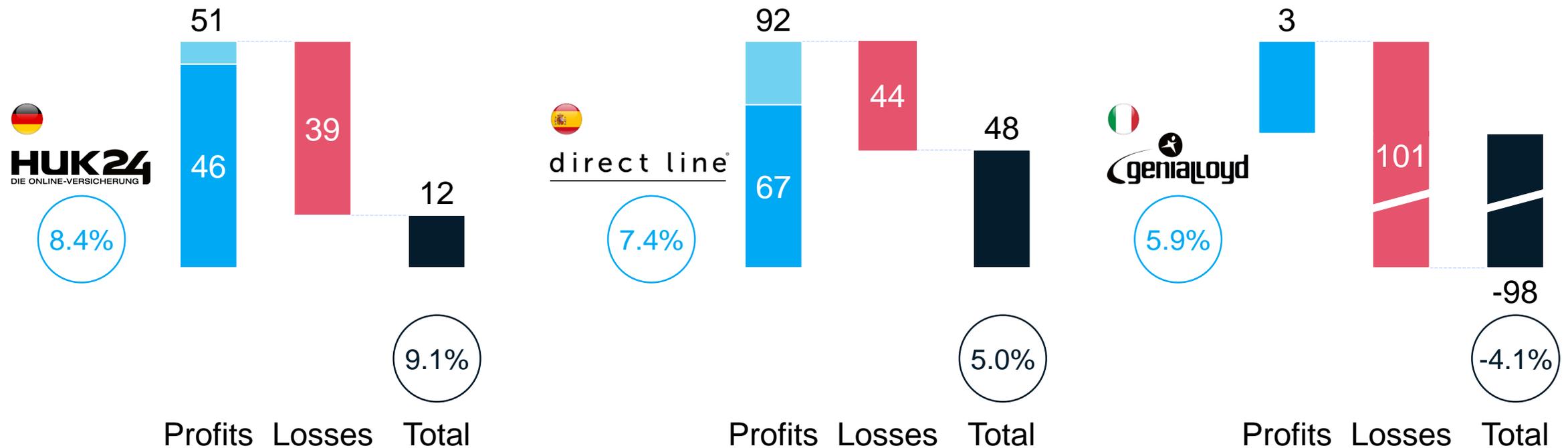
Engagement throughout the hierarchy



The winner takes all – profit and growth

Direct motor insurance underwriting profit¹, 2017

EUR m



■ Market leader
 ■ Profitable players
 ■ Rest of industry
 ○ Premiums CAGR, 2015-17

1. 2016 for Italy

Contents

1

Taking stock –
a realistic view
of the industry’s
progress

2

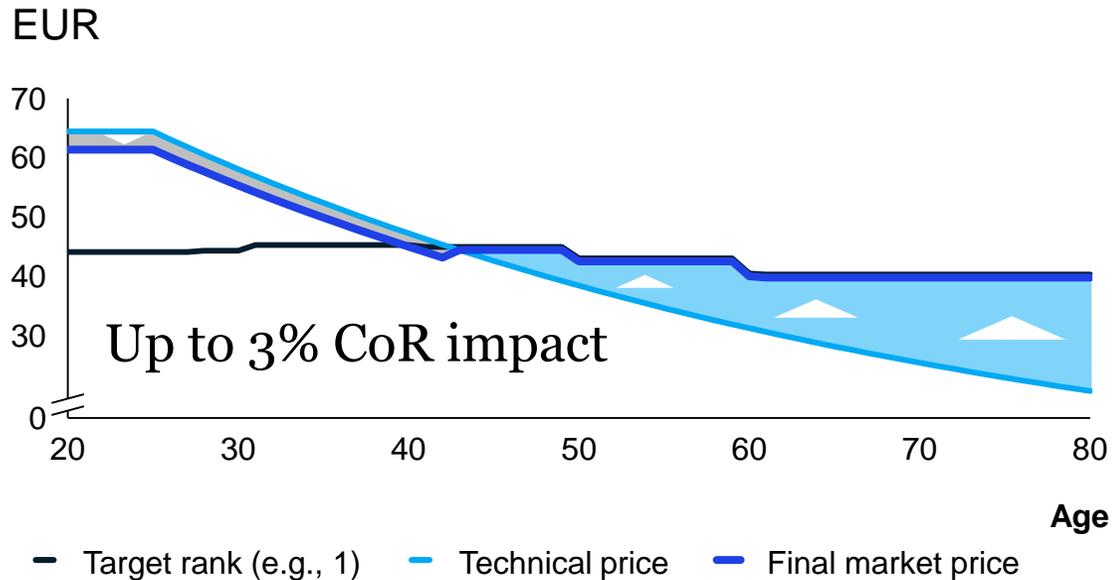
Taking aim –
the new
insurance
business model

3

Taking action –
the journey
toward real
impact

Analytics-powered pricing creates flexibility beyond CoR uplift...

Personal liability pricing



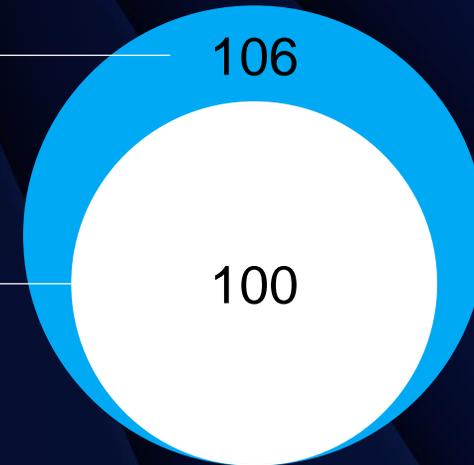
Market-based pricing

e.g., tariff optimized for aggregator rank, dynamic adjustment

... while loyalty is an often neglected profit-booster



Market



Despite high share of aggregator customers

Service and retention analytics

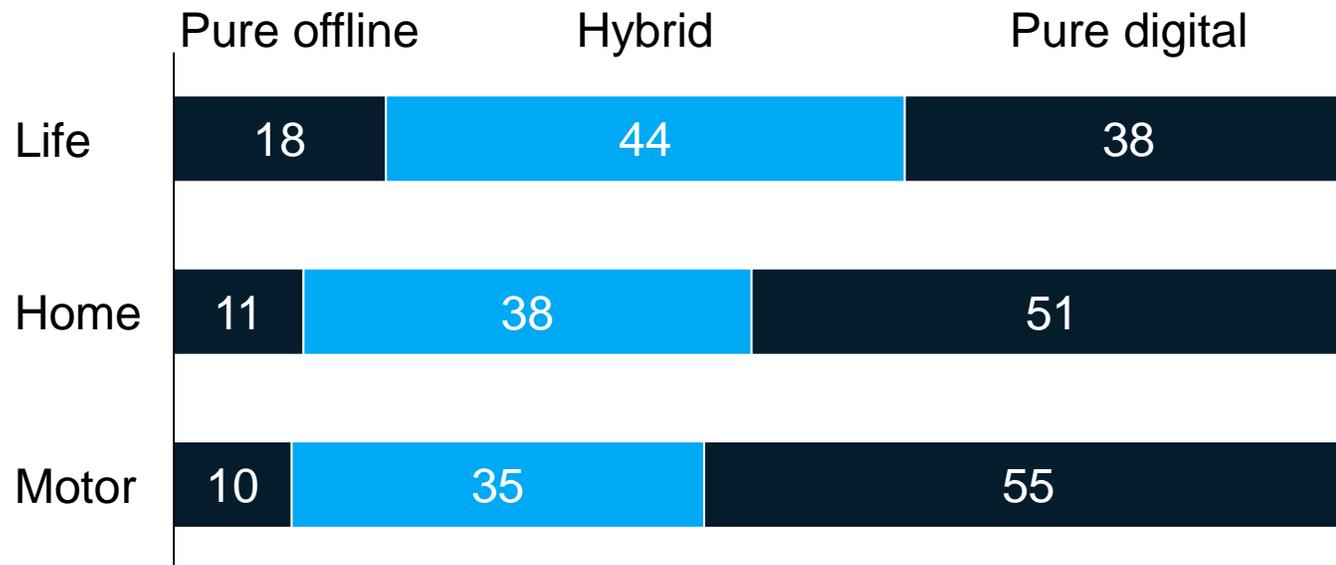
Well-known risks

Higher yield from CPOs

Hybrid is the future of personal advice

Customer journeys in the UK, 2018

%



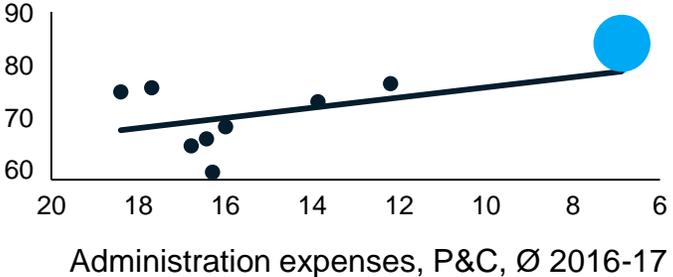
Personal advice here to stay

Upside from “push & pull”
Seamless journeys

The engines are mutually reinforcing

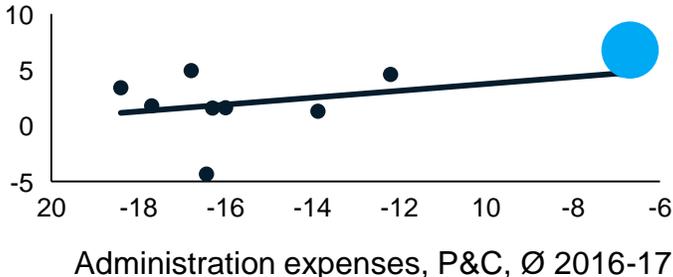
1

Customer satisfaction, Life/Non-Life, Ø 2016-17, %



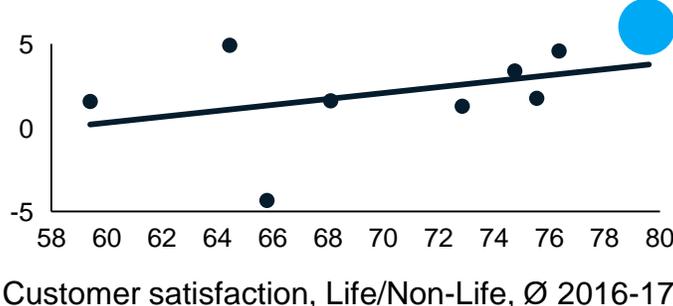
2

Premium growth, P&C, CAGR 2015-17, %

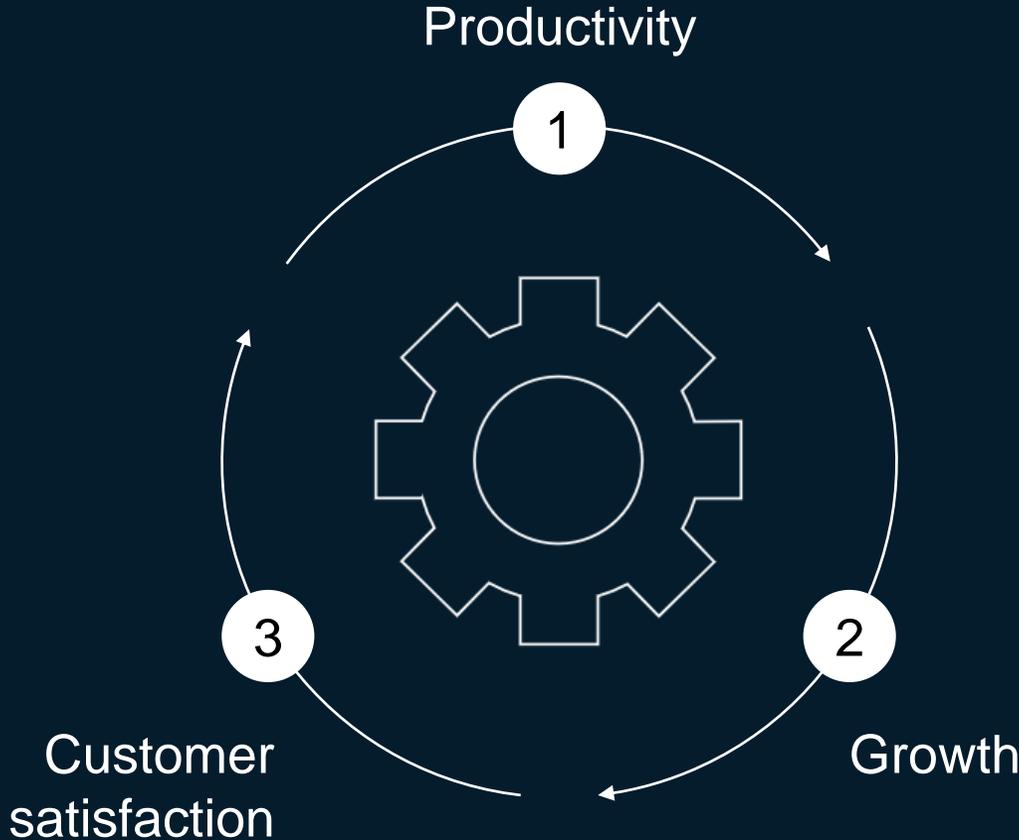


3

Premium growth, P&C, CAGR 2015-17, %



● Huk-Coburg



Contents

1

Taking stock –
a realistic view
of the industry’s
progress

2

Taking aim –
the new
insurance
business model

3

Taking action –
the journey
toward real
impact

There is an increasing shift towards digital in insurance

Market push

Digital insurance is significant...

24%

of European motor insurance sold via digital channels

x2

higher interaction frequency between digital customers and their insurer than in the past

... and Insurtechs are setting the pace

\$7B

investments into InsurTechs since 2012

57%

of InsurTechs enable the value chain and cooperate



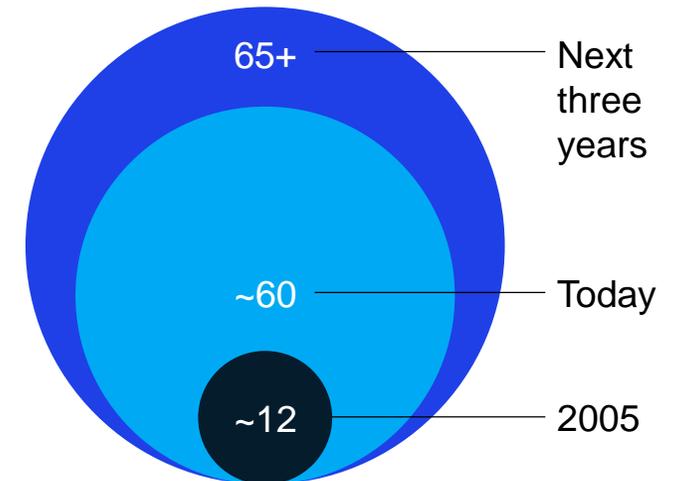
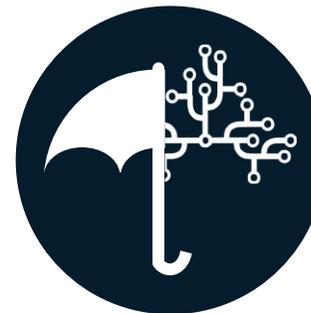
Increasing shift towards digital in insurance



Customer push

Customers increasingly rely on online channels for research and purchase

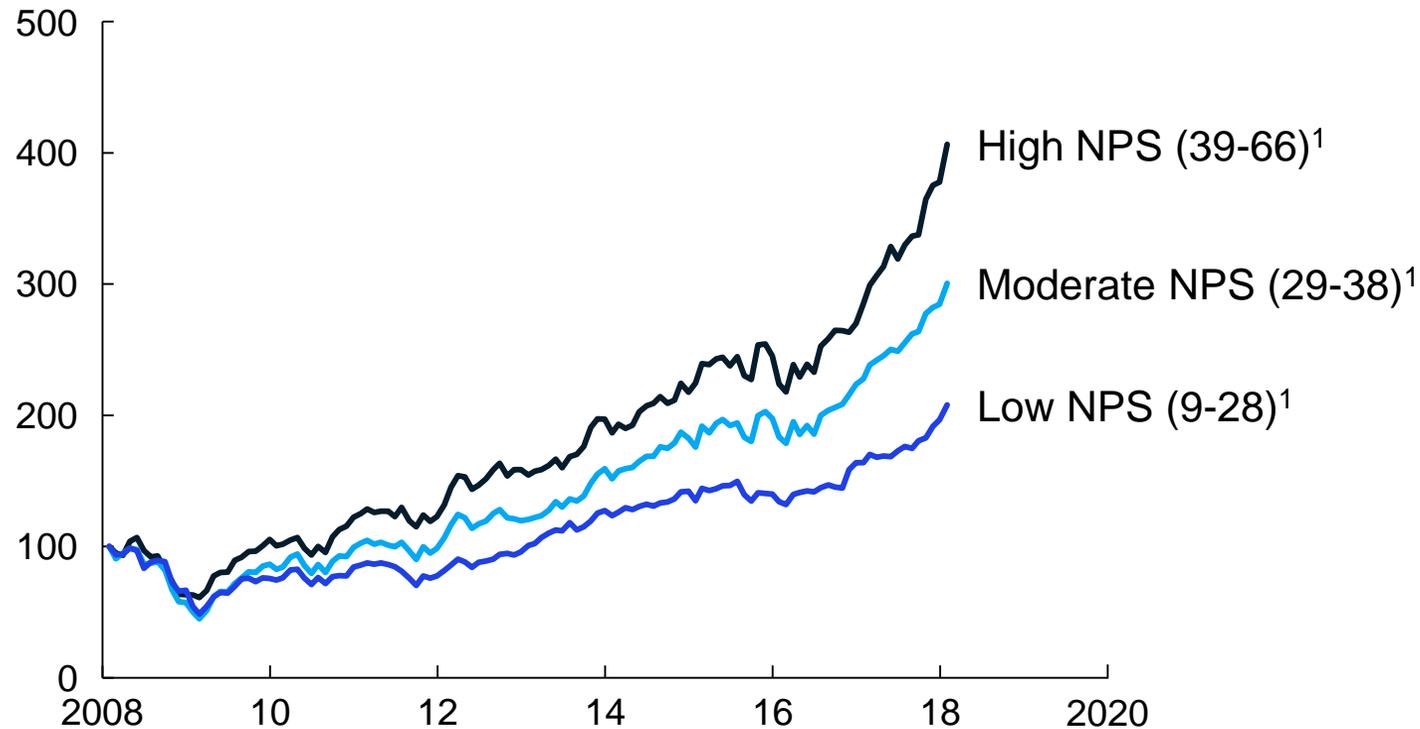
ROPO¹ and Pure online customers
%



1. Research online, purchase offline, e.g. just seeking information or comparing prices online

Great customer experiences win in today's competitive battleground

Value growth of customer experience for companies with high, moderate and low NPS scores



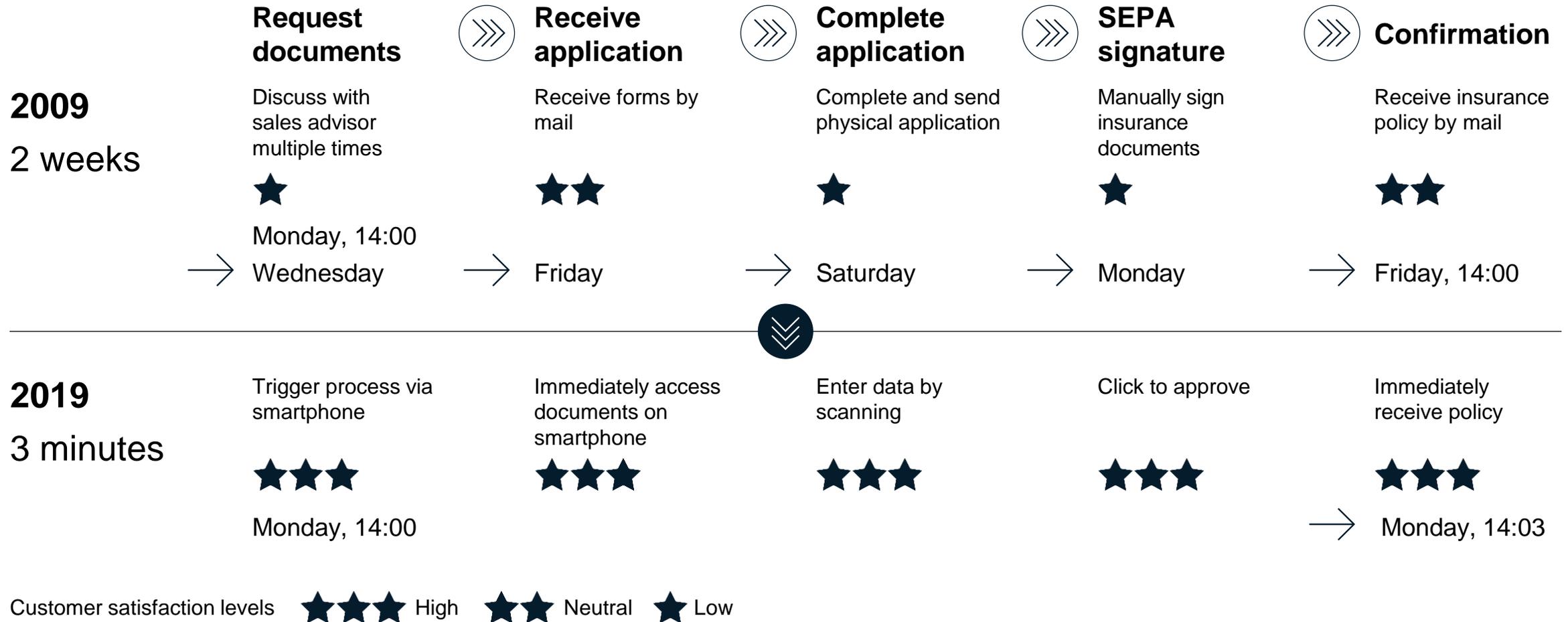
We live in the experience economy

Curated experiences – and the business models, products and services, and types of engagement that create them – are increasingly driving loyalty, differentiation, and value

1. TRS information is only available for publicly listed companies

Customer journeys must be radically rethought for higher customer satisfaction

Example of key customer journey in insurance: Onboarding



Delivering a journey requires a holistic transformation

Customer centric UX design

Create unique customer experience using research, ideation, proto-typing and iterative testing

Clean sheet business transformation

Radically simplify business requirements and scale fast using a clean sheet approach
Define branch choreography and operating team

Rapid technology delivery

Define target solution architecture, IT roadmap and build minimum viable product quickly using Agile/scrum and DevOps

New ways of working & capabilities

Mobilize operational team, instil and embed new “digital native” ways of working and culture across business and technology through capability building

Impact is typically delivered in 18-20 weeks



Leveraging our capabilities...

We are the leading digital consultancy

We take the number 1 position in independent global rankings

We have the talent to develop and grow digital businesses

850+ developers, designers, data scientists and more

We have a broad range of internal tools to facilitate the ramp-up of the business



Dedicated pricing unit and experts
Dedicated frontend development units with leading designers and state-of-the-art methods

... we have delivered an unmatched record of helping market leaders capture value from digital transformations

1,200+

Companies served on digital and analytics transformation topics in the last year

\$20B+

Client impact delivered in the last year from transformations

10+

Built digital attackers in insurance

9 of 15

world's largest Internet companies served

80%

Fortune 500 Global Clients served on digital and analytics

9 of 15

largest U.S. retailers served

7 of 10

largest U.S. banks served

6 of 10

world's largest auto companies

7 of 10

world's largest tech companies served

If there is one thing you should remember...



re-invent

McKinsey
& Company

Thank you!