

strategy&

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How insurers can design for agility and embrace uncertainty

Strategy&

2021



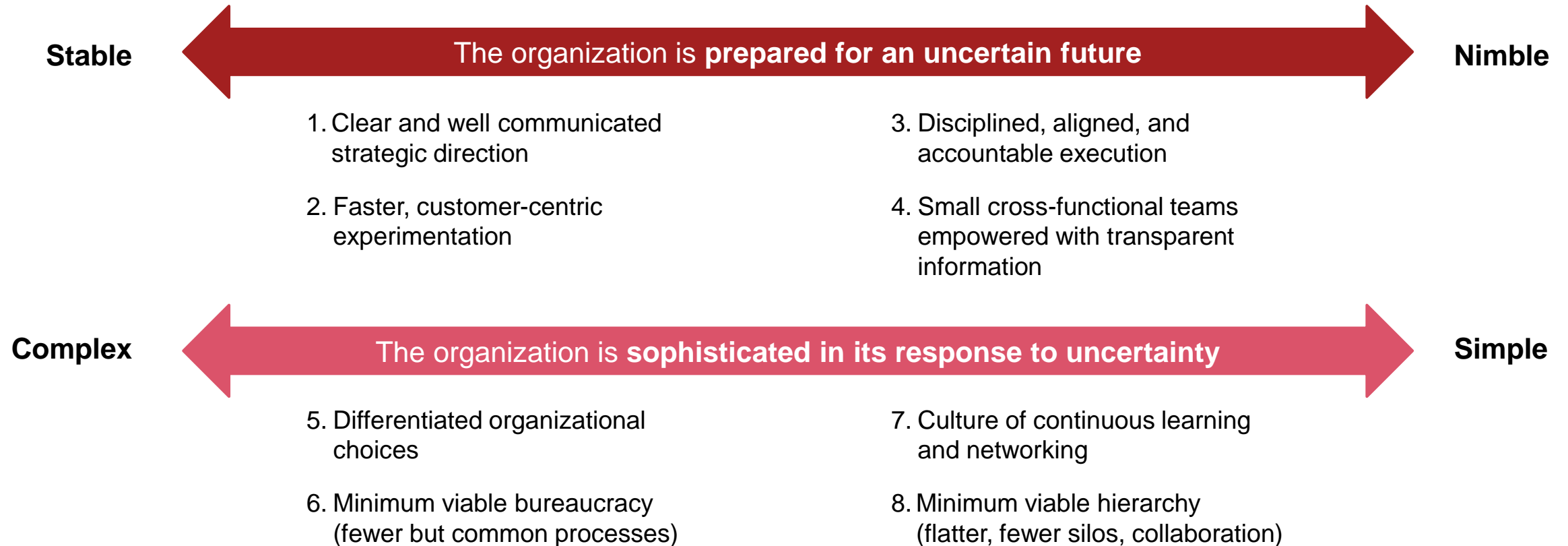
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Why should an insurance company become agile at all?

Insurance companies are, by their very nature, large, established businesses that tend to be rather rigid. As stability is (very) important to them, many insurance companies find it difficult to react to short-term changes in their business environment. This is exactly where agile business transformation can help

The main goal for an insurance company to become agile is to balance stability and agility with complexity and simplicity

Eight fundamental principles of agility



Whereby, our analysis shows a few striking similarities between successful agile companies

Strategy& analysis

The term **agility is currently on everyone's lips**. This has certainly been triggered by the high and still growing valuations of companies such as Google, Amazon, Facebook and Apple (GAFA), Netflix, Spotify, Zappos and more recently Tesla.¹

Whereby, based on our analyses, the more **successful companies have a few things in common**:

- 1** They consistently gear their products and services to the **needs of their customers**.
 - 2** They operate in an increasingly dynamic market environment with **high speed** and very **short time-to-market** cycles.
 - 3** They offer their customers a **seamless and consistent first-class services** in the form of **standardized customer journeys**, regardless of the communication channel.
 - 4** They have **highly satisfied customers** who regularly recommend them to others.
 - 5** They follow an **agile "manifesto"** realign their organizations accordingly
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If we now look at the identified success factors, we unfortunately must conclude that **working according to agile principles is in many respects the exact opposite of the traditional understanding of work in the insurance industry**

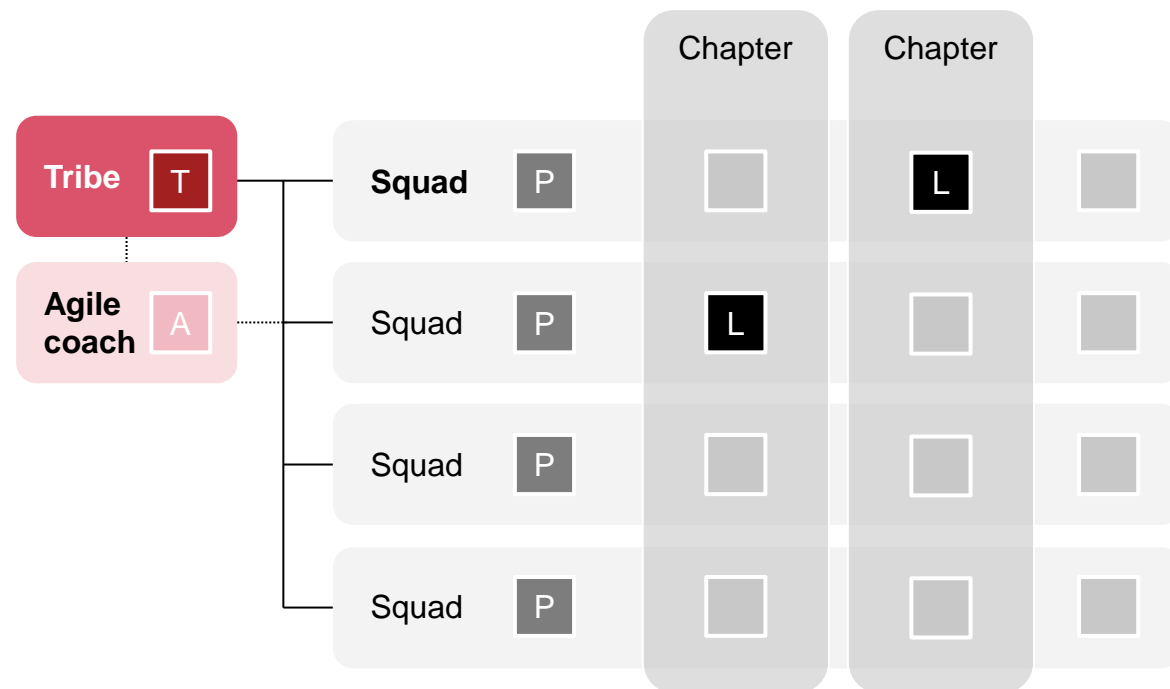
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Successful agile transformations

Even though working according to agile principles is in many respects the exact opposite of the traditional understanding of work in the insurance industry, there are nevertheless several examples of successful agile transformation projects, such as ING in the Netherlands or SIGNAL IDUNA Group in Germany, which are very well suited to learning from

Exemplary concretization based on ING's constantly evolving market leading agile organizational model

The ING model¹



Structural elements

Tribe: Multiple squads that work on a common mission, includes max. 100 people

Squad: Core element within agile model

- Multiple squads in an organization
- Each squad consists of 7 +/-2 people
- Autonomous and self-organized
- Free to choose its agile methodology
- Comprises all needed functions
- Focus on E2E-delivery
- Released after mission

Chapter: Specialists from different squads, e.g., IT developers

Personal roles

T Tribe Lead: responsible for creating a productive and innovative environment

P Product owner (squad member, not its leader): defines vision of the squad and coordinates activities accordingly³

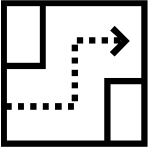
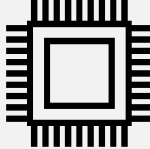
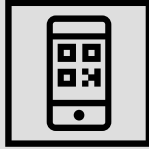


A Agile coach: Coaches individuals and squads and conducts retrospectives

L Chapter lead: "Line" manager for its squad members, supporting them in their personal growth and specific challenges²

With Spotify as a role model, SIGNAL IDUNA transforms from a classic insurance company into an agile corporation

The five most important changes

It is one of the most ambitious reorganizations in the German insurance industry: In the past four years, Signal Iduna has not only almost completely converted its head office to agile work processes. The once proclaimed strategic plan "Vision 2023" is now also showing economic success. The premium income of the former craftsmen's insurance company has risen from five to 6.1 billion euros. The target of seven billion euros in two years is within sight

<p>1 </p> <p>The Strategy</p>	<p>2 </p> <p>The IT</p>	<p>3 </p> <p>The App</p>	<p>4 </p> <p>The Investment vehicle</p>	<p>5 </p> <p>The Partnerships</p>
<ul style="list-style-type: none"> • Iterative, constantly repeating process • Thinking in squads, tribes and chapters • Transparent team organization • Mini start-up approach¹ 	<ul style="list-style-type: none"> • IT modernization (started in the middle of the last decade) • Foundation of an IT service platform SDA SE together with Allianz and Debeka 	<ul style="list-style-type: none"> • First step: provision of a customer invoice app for private health insurance² • Successively further developments, only in areas of high customer interaction 	<ul style="list-style-type: none"> • “Closed to the heart” venture capital company SIGNALS focusing on cross-industry software solutions • 15 investments so far (only two of which in the insurance sector) 	<ul style="list-style-type: none"> • Designated agile teams to develop innovations together with SIGNAL IDUNA clients for defined target groups • Unconventional and very fast implementation

Source: Interview with Johannes Rath, Chief Digital Officer of SIGNAL IDUNA, (Handelsblatt, 12. July 2021), publicly available information

1. Small teams made up of different experts should reach their goals in small steps, but more creatively and quickly, the interconnected teams work self-determined and get feedback from customers in between to correct mistakes quickly 2. Top 100 in the finance section of Apple's App Store (400,000 downloads, 120,000 active users)

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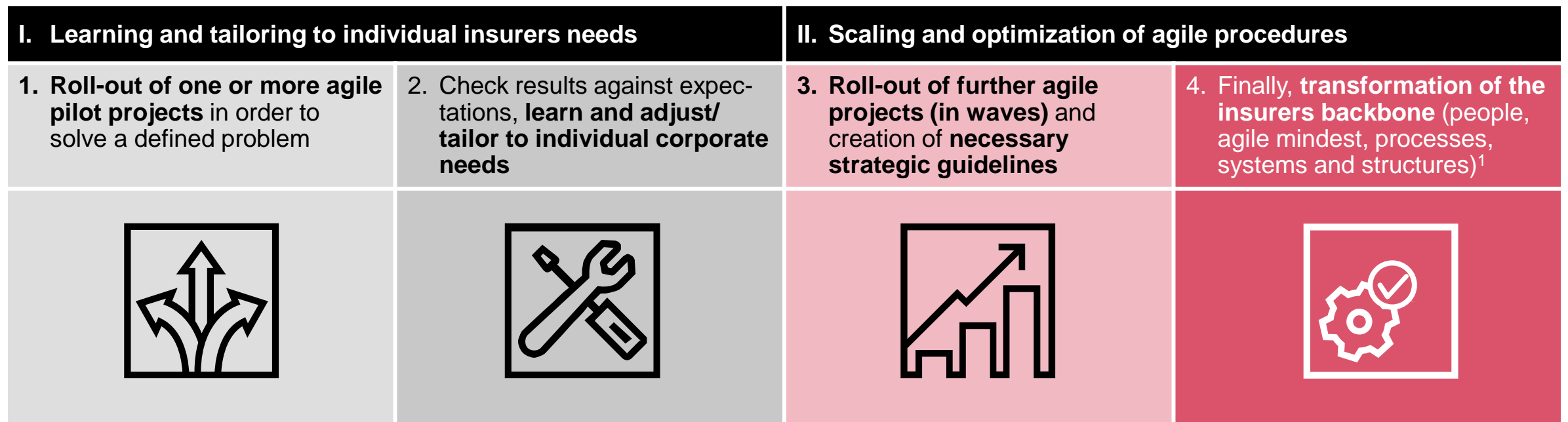
But where and how to start your agile journey?

Introducing agile methods into your daily operations is particularly about creating a trusting and highly productive working environment in which insurers can change over time and respond to uncertainty in a way that aligns who they are with who they want to be

Ideally, the transition into an agile insurance company starts with the implementation of one or more agile projects

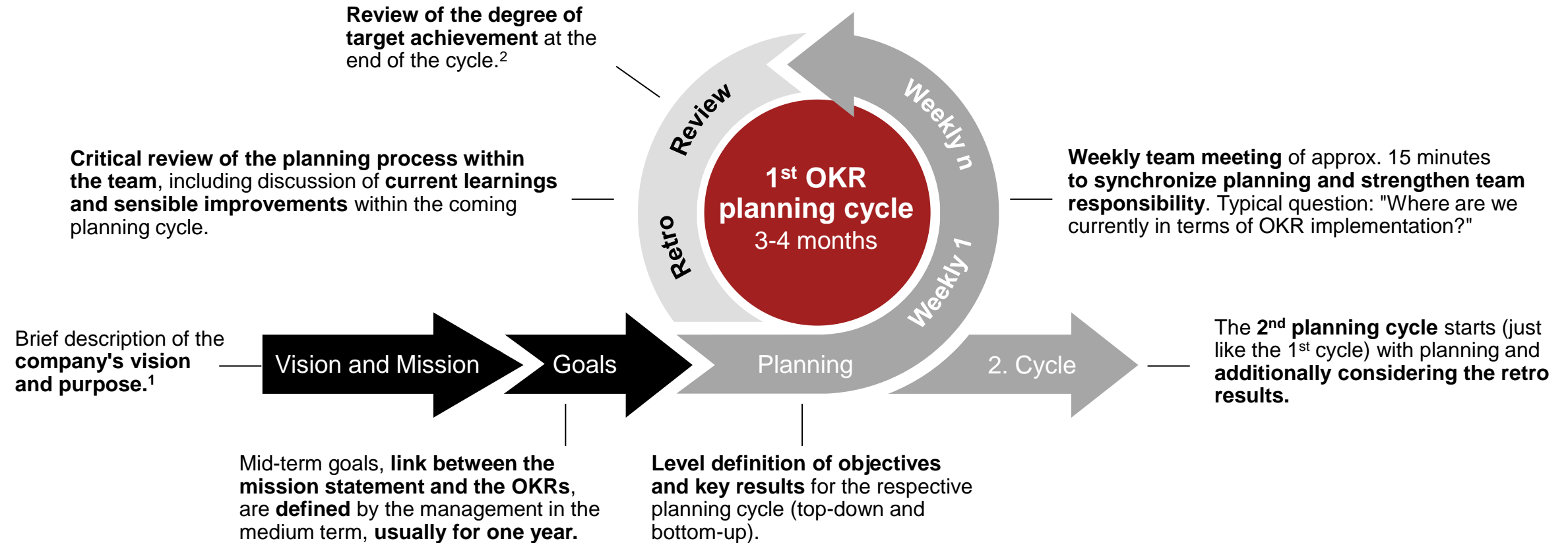
Step-wise approach, starting with one or more agile projects

Based on our experience, there is usually only one path to agile business transformation for insurance companies, and that is the **step-by-step approach, starting with one or more agile pilot projects**. With the help of these first pilots, agile **procedures and methods must be checked for their usefulness in the respective area of application, to learn from the results and to adapt/ tailor the procedures where necessary**.



Because the agile transformation is a journey, corresponding management tools are needed from the beginning

Goal setting and management with the help of objectives and key results methodology (OKR)



1. Including a brief explanation of how these are to be implemented.

2. Ideally, the scoring of the teams' target achievement levels should take place according to uniform standards

4

Expected benefits

Agile transformation is about revolutionising the way insurance business is done and future-proofing it for ever-changing internal factors, external competitors, industry trends and new technologies. With this in mind, agile transformation ensures that teams adapt quickly to change and deliver short-term value – which is a key success factor for innovation and survival in a rapidly changing world

An agile change approach encourages continuous innovation and enables insurers to shape the future of their industry

Typical benefits of agile transformations¹

<p>Flexibility +</p> <p>At the heart of agile is the flexibility it offers. The agile process, however, accepts change, and even expects it</p>	<p>Business value +</p> <p>The agile methodology ensures you always start with the “why” and the entire approach is aligned and responsive to “business” needs</p>	<p>Continuous improvement +</p> <p>Agile teams are always learning, collaborating and adjusting throughout regular iterations, reviewing what is working well and what can be improved</p>	<p>Frequent deliverables +</p> <p>Working in an agile manner ensures valuable outcomes are delivered in smaller chunks (sprints), more frequently</p>	<p>Cost control +</p> <p>For each sprint, the team knows exactly how much work can be done and what the corresponding costs are</p>
<p>Risks –</p> <p>An agile project approach (if done right) practically eliminates the chance of failure¹</p>	<p>Communication and engagement +</p> <p>Agile encourages regular communication between business and IT, constant collaboration and feedback sessions</p>	<p>Transparency +</p> <p>Daily updates and progress charts offer concrete, tangible ways to track progress and manage expectations at every level</p>	<p>Quality +</p> <p>Quality of work improves within an agile environment because testing and optimization starts from the very beginning</p>	<p>Team morale +</p> <p>Self-management, the encouragement of creativity, time to reflect, regular knowledge sharing and continuous learning – all of which are advantages of the agile process</p>

Source: Taya Vernon, 10 Benefits of Bringing „Agile“ ...

1. Daily updates, constant communication, regular testing and collaborative feedback at the end of each sprint ensures nothing is missed and every issue is captured and dealt with early

Contact us to learn more about how to transform into an agile insurer



Tim Braasch

Partner

+49 171 149 7118

tim.braasch@strategyand.de.pwc.com



Tim Sutor

Director

+49 151 571 657 85

tim.sutor@strategyand.de.pwc.com



Tim Lietz

Manager

+49 151 571 658 08

tim.lietz@strategyand.de.pwc.com

Thank you

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