Reinventing insurance, one step at a time

A guide for Non-Executive Directors

As the insurance sector goes through a period of profound change, insurance board members have to understand the risks they face and factor them into their long-term planning. It's not enough to respond ad-hoc, board members have to be actively managing these risks, asking their executive teams the right questions and ensuring they have the right oversight mechanisms.

Here, we've taken the top five risks that New Zealand insurers identified in our ***Reinventing Insurance*** publication, and looked at them through the lens of a Non-Executive Director (NED) sitting on the board of a New Zealand insurer.

I hope this report helps you have the important conversations that insurance boards and CEOs need to be having about their future and the future of the industry.

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Chair, PwC New Zealand

Risk 1: Change management

As the sector evolves, so too must today's insurers (and their boards). It's perhaps no surprise then that the greatest risk facing insurers is whether or not they are able to move with the times.

For boards, change management brings with it a new range of governance demands. As insurers transform their core operations, they'll need strong oversight to ensure these efforts are delivered on time and budget.

Questions to ask the executive: ***What risk management efforts are required around a major transformation project? What ongoing checks are in place to ensure your business is future-fit?***

Risk 2: Technology

New technologies are bringing with them new risks around implementation. If we look at Robotic Process Automation, for example, we've identified five key risks internationally that insurers will face. These range from operational and technical risks through to executive ownership.

For board members, understanding the breadth of risks that come with new technologies will allow them to have more robust conversations with the executive about the controls that have to accompany new technologies.

Questions to ask the executive: ***What controls do we have around new technology implementations? When were they last updated?***

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Risk 3: Competition

The rise of insurtech, and increasingly ‘regtech’ start-ups is having a profound impact on the way insurers think about competition, which helps to explain why it’s such a core risk.

For boards, there are numerous risks that come with tech-enabled start-ups, however there are also plenty of opportunities that accompany them. Encouraging your executive team to actively engage with the insurtech ecosystem can help you build a greater picture of the competitive risks your organisation is facing.

Questions to ask the executive: ***Who in the organisation is responsible for tracking and engaging with insurtech and regtech startups? How does this affect the broader organisational strategy?***

Source: PwC June 2017

pwc.nz/cybersecurity-questions

Risk 4: Cyber risk

For insurance boards, cyber risk carries with it a need to invest in new governance mechanisms to keep data secure and minimise the fallout from a cyber breach.

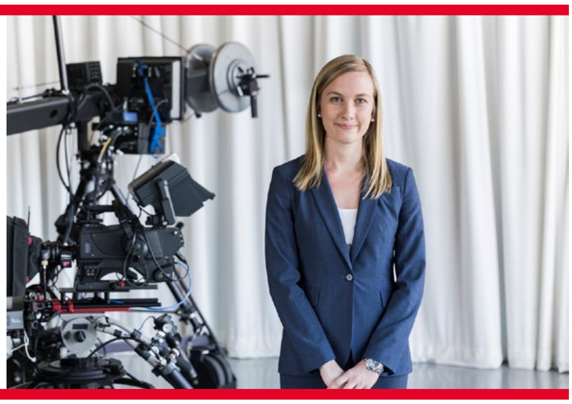
Directors will now be familiar with the challenges that come with cyber security. For those in insurance, the challenge is to maintain customer trust around data storage and use, while still delivering on the broader transformation projects that management are pursuing.

Here’s a video featuring seven questions that boards, regardless of industry, should be asking their executive about cyber.

Risk 5: Reputation

Reputation was the risk where we saw the greatest difference between global and local insurers. Globally, reputation ranked as 17th most important risk compared to 5th locally. It’s a sign that, in a mature insurance market, reputation is an increasingly important differentiator.

Questions to ask the executive: ***How is reputational risk factored into our crisis management planning? Are we treating reputational risk with the same degree of importance in the same manner as operational risks?***



To see the expanded findings for insurers, you can find the full publication here:

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