The value of purpose

How insurance companies can drive successful transformation through a higher-order approach
The value of purpose

During the last decade, many insurance companies have been forced to focus on the challenges and opportunities right in front of them. From innovation and new technology to new market entrants and the threats they present, insurers have largely been playing defense. Market circumstances compelled them to update age-old ways of doing business and modernize outmoded technology systems.

At the same time, tectonic demographic shifts – such as the longevity of baby boomers and the rise of millennials – and macroeconomic megatrends raise profound questions about the very nature of the insurance business. Some industry analysts and observers even sense existential threats on the horizon.

Given this “new normal” of constant change, insurers must take a step back and rethink their purpose – not just who they are, but also who they want to be relative to what the future holds and what fundamentally different roles they might take on in the years ahead. For many insurers, this challenge will seem daunting. Seizing the opportunity will require new ways of thinking, radically different operating models and entirely new capabilities – especially in the realm of customer experience.
What is purpose?

Purpose has become something of a buzzword in the business press and in management circles. As with many buzzwords, the concept seems to mean different things to different people and companies. This makes sense, given that a purpose can be as diverse and numerous as companies are.

A purpose defines the “why” of a business and is best expressed in the context of fundamental human needs. In that sense, it differs from vision and mission statements, which are more about the “what” and “how” of a business. Consider a few popular examples of corporate purpose:

- In developing driverless cars, the purpose of Alphabet, Google’s parent company, is to allow everyone to “get around safely, regardless of their ability to drive.”
- Consumer packaged goods giant Unilever has a “simple but clear purpose – to make sustainable living commonplace.”
- Australian insurer AIG’s purpose is to “make your world a safer place.”

For more examples, see the sidebar on page four, “Unique businesses require unique purposes.”

Insurers can – and should – consider adopting similarly far-ranging and high-impact visions for the work they do and the services they provide. However, they must recognize that this is not a “me-too” or self-serving exercise, whereby they seek to show how much they care about customers. It shouldn’t be viewed as brand positioning or a public relations campaign. Although these actions may relate to purpose-driven transformation efforts, purpose doesn’t simply equate to a policy for corporate social responsibility or a rewrite of the mission statement.

Rather, defining a purpose can help insurers protect and grow their businesses by clarifying how they can fulfill unmet needs for individuals, communities and society as a whole. To a large extent, the industry’s current reactive posture and the rise of new competitors are evidence that insurers have not been delivering what consumers need, whether for their risk management, preservation legacy or quality of life. Hence, they need to rethink purpose.

For insurers, a purpose can help them connect to what matters to consumers and businesses – coping with risks, protecting what they care about and meeting life, business and financial goals. It’s about having an organizational ambition to meet specific needs or be the industry’s best performer in one area of the business (customer service, for instance, or low-cost products). Delivering better experiences – such as making it easier for consumers to recover from a car accident or illness or to save for retirement – is also a key element in the purpose-driven equation.
Why it matters: purpose can provide an edge

In considering a purpose, insurance companies must take into account the potential business case, based on tangible benefits. Research shows that purpose-driven businesses have a greater ability to deliver revenue growth. Plus, they excel at executing change, according to our research. In a survey of executives sponsored by EY and Harvard Business Review Analytic Services, titled “The business case for purpose”:

- 89% said a strong sense of purpose drives employee satisfaction.
- 84% said it impacts the ability of a company to transform.
- 80% said it helps increase customer loyalty.

Other research has shown that purpose-led brands are more successful at acquiring and retaining customers. Customers seem to expect companies to have a broader purpose: only 6% believe a company’s only purpose should be to deliver shareholder profits. Purpose matters to employees as well. One study found that, beyond having more satisfied and productive workers, purpose-led companies are three times more likely to retain employees — a key consideration for any industry facing a talent war or widespread retirements.

Despite the power of purpose, few companies are currently run in a purpose-driven way. According to EY research, only 46% of executives said their company has a strong sense of purpose, while another 44% said their company is trying to develop one.

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Insurers seeking purpose: understanding the opportunities

For insurers, purpose can take many forms. A purpose can be defined in terms of demographic segments (such as age or gender) or currently underserved groups (middle-market pre-retirees). In all cases, the purpose should address fundamental human needs, as well as provide a road map for transformative change.

A range of megatrends offers insurers opportunities to find purpose:

- Managing health care costs and increasing access to health care as populations age in some regions of the world and grow dramatically in others
- Increasing the financial well-being of citizens in emerging economies and generating retirement income for huge numbers of middle-class citizens in mature economies

The insurance industry is central to helping make the planet a healthier, wealthier and safer place, provided it uses its unique societal position to take a leadership role. Such leadership will be abetted by a clearly articulated purpose. Further, all of these issues could have a major business impact. Whether it is primarily positive or mostly negative depends largely on the action of industry leaders in the relatively near term.

Naturally, some insurance companies will not be willing or able to take on some of these trends. More targeted purposes can be just as meaningful. Becoming easier to do business with and offering more efficient, effective and satisfying experiences can serve as appropriate early or interim purposes. Pay-as-you-go insurance models that let consumers buy policies specifically tailored to their needs (such as travel insurance) are one such trend. Specific FinTech companies are highly focused on removing transactional friction so it's easier for young people to save for retirement, for instance. A US-based health insurance start-up is seeking to improve how consumers interact with the health care system. USAA is focused on the financial and insurance needs of members of the armed forces and their families. These are all highly targeted purposes that have led to fully viable – and in some cases wildly successful – businesses.

Whatever a company’s stated purpose, well-designed end-to-end experiences are essential to bringing it to life operationally. These experiences are especially important to the most critical customers and distribution partners. For example, recent carrier investments in agent portals that provide “everything agents need to be successful” demonstrate a purpose that embraces the agents rather than merely focusing on an (important but tactical) outcome such as “increasing quotes.” At the same time, the overall experience “operationalizes” the company's purpose.

Unique businesses require unique purposes

Business purposes are by necessity various and diverse. They are unique because they should reflect a company's individual culture, industry and products and services. Some examples include:

**New York Life**: “To be here when our customers need us.”

**Southwest Airlines**: “To connect People to what’s important in their lives through friendly, reliable, and low-cost air travel.”

**Kellogg’s**: “Nourishing families so they can flourish and thrive.”

**Ben & Jerry’s**: “To make, distribute and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment.”
Transformation through purpose

Having a clear sense of purpose is only a first step. To most organizations, the bigger challenge will be to activate the purpose and deliver truly transformative change. Broad-based organizational change isn’t easy, but an articulated sense of purpose gives insurers a powerful tool for driving through resistance to change.

There are several strategies, depending on the pace and level of change required. One is to use the voice of the customer as the driving force to challenge entrenched organizational thinking. This will help inspire new views of core value propositions, fundamental relationships or specific products and operations. The voice of the customer can be a catalyst for both finding purpose and driving transformation via step-by-step change programs.

Insurers must listen to their customers and internal stakeholders, watch how they interact with products and services, and involve them in the change process. Carriers and their agents touch customers through marketing, sales, onboarding, claims and other ongoing services.

Already, some carriers are showing how close attention to the voice of the customer can yield substantial benefits. A regional carrier in the US has developed a single product to protect almost anything consumers want to insure – homes, vehicles, jewelry and other personal items. From the point of view of customers, they now have only one policy, one bill and one agent for all their needs.

The incubator approach is another method for purpose-driven transformation. It allows legacy insurance providers to work in ways that mimic start-ups by establishing teams to address specific problems and build specific experiences. In these protected problem-solving or ideation environments (internal think tanks or labs, for instance), failure is a welcome means to foster innovation. The approach lays the foundation for designing and testing solutions for ultimate scaling across the enterprise.

Finally, legacy insurers may also foster change and embrace new thinking by partnering with or acquiring start-ups and adopting their disruptive ways. Entrepreneurs from these start-ups are often millennials, with a fail-fast mindset and an abundance of fresh ideas. One such collaboration involved the start-up creating software to help carriers take better advantage of data from wearable devices (a common component in pay-as-you-go insurance business models).
Partnering with these kinds of businesses allows more established insurance providers to leverage the assets of a start-up to develop improved products and services while still relying on strong customer relationships built by the existing brand. For example, an innovative digital broker provides a complete solution for customers centered on the purpose of “everything you need to grow and protect your small business.” By partnering with an innovative digital broker, legacy carriers get faster access to digital technology that might take them a long time to develop themselves.

Given that there are hundreds of insurance-oriented FinTech companies (not all of which will succeed), assessing the partnership opportunities is no small task. However, some insurance companies are working on their own to disrupt their age-old ways. Typically, that work involves digitizing manual, paper-based business processes or expanding the use of digital channels across the business. Some reluctance to partner with start-ups remains, as some insurers hold tight to the idea that they can build the same products and tools in-house. The “make or buy” decision relative to technology is likely to be a common issue for insurers considering purpose-driven transformation.

The legacy insurance companies of today still have one major competitive advantage in the marketplace: consumer trust of their established brands. The vast majority of consumers are more comfortable with insurance policies from known entities rather than from smaller, newer companies.

But these market positions are not fixed, and there is some evidence of change. The EY’s 2014 EY Global Consumer Insurance Survey found that customers are willing to provide information to carriers if they get something of value in return. The nontraditional players in the insurance market seem to grasp the idea, even if legacy carriers have demonstrated success in the area, too. One of the largest US carriers provides a solution around the purpose of helping insurers lead longer and healthier lives. Specifically, the carrier offers discounts and loyalty benefits to life insurance customers in exchange for information about their lifestyle and exercise activities that is delivered via wearable devices.

**EY’s Horizon Scanner**

EY’s Horizon Scanner is a robust research platform for exploring and assessing the disruption being generated by FinTech and InsurTech firms. The scanner allows innovation teams to manage their response to FinTech and InsurTech by:

- Maintaining constant awareness of the InsurTech and FinTech landscape and be poised to adapt
- Reviewing the full competitive landscape and customer value chain to identify where and how disruptions are likely to occur
- Understanding investment activity and behaviors of key players
### EY's Horizon Scanner

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<tr>
<th><strong>Opportunity</strong></th>
<th><strong>Opportunity</strong></th>
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<tbody>
<tr>
<td>Source new FinTech investments, view investment trends, perform analysis and vet venture capital (VC) funds for new investment</td>
<td>Identify customer opportunities for FinTechs within organization and integrate FinTech solutions with department needs</td>
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<td><strong>Opportunity</strong></td>
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<td>innovation team</td>
<td>Execution team</td>
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<tr>
<td>Initiates and vets potential venture capital funds and FinTechs for investments; makes VC introductions to the innovation team</td>
<td>Integrates FinTech’s products and services into the organization to drive value</td>
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<td>Innovation team</td>
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<tr>
<td>Determines how the FinTechs they’re invested in can help further the organization’s business objects via innovative solutions and products</td>
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<tr>
<td>Execution team</td>
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<td>Solution requests</td>
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**Investment decisions**

- Innovation recommendations
- FinTech solution recommendations
- Solution requests

**Opportunity**

- Become a more informed VC partner, research new FinTechs, identify trends
- Build relationships with new FinTechs based on solution requests
The bottom line: the time is now for purpose-driven transformation

Given the market and regulatory megatrends that are reshaping the insurance industry, insurers can and should view purpose-driven transformation as a catalyst for badly needed and long-overdue change. An extraordinary number of transformation programs are already underway, many of them approaching “Big Dig” proportions or “moonshot” scale. Defining a clear purpose to link these programs and creating rich experiences to operationalize the purpose are essential to maximizing returns on these large-scale investments.

Further, from the perspective of customers, agents and partners, purpose gives them a clear and compelling sense of why they are engaging with one insurance company versus another. In the end, strengthening that sense of engagement and loyalty will enable first-moving and early-adopting insurers to advance their market positions through purpose-driven transformation.

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SCORE No. 02729-161Gbl
1607-1982589
ED None

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