Preparing for Growth
Insurance Chief Financial Officers Look to the Future with Cautious Optimism
Insurance industry survey respondents who took part in "Preparing for Growth, The Accenture 2013 CFO Study" display cautious optimism about prospects for revenue growth this year. Among insurance industry survey respondents, 89 percent said they are optimistic about future revenue growth, with 63 percent saying they can expect growth of five percent or more and 25 percent saying they can expect growth in excess of 10 percent. Survey respondents from the insurance industry also identified obstacles to achieving growth targets, with 39 percent citing increasing competition and 34 percent citing government leadership changes.

Cash may no longer be king. Insurance industry survey respondents say they realize holding cash can present risks and prefer to refinance debt rather than pay it off. They are also planning selective business investments over the next three years. Insurance industry survey respondents say that, through their investments, they can achieve improved information and analytics for decision making (54 percent), reduced cycle times for core business processes (50 percent) and enhanced product or service quality (46 percent).
“Preparing for Growth, The 2013 Accenture CFO Study” — based on interviews with 1,250 senior finance executives across nine major economies around the globe representing 12 industry sectors — shows survey respondents overall display cautious optimism about the prospects for revenue growth. Among insurance industry respondents, 89 percent said they are expecting revenue growth in the future, with 63 percent saying they can expect growth of five percent or more and 25 percent saying they can expect growth of 10 percent or more by 2015.

Insurance industry survey respondents said that they can expect developed markets to provide most of this growth, but they also said they believe emerging markets will play a significant role.

A large majority (85 percent) of survey respondents from this industry said they consider emerging markets to be very/extremely important to their company’s overall strategy.

While 45 percent of survey respondents from the insurance industry said they are more optimistic about their growth prospects compared to last year, there are barriers to achieving this growth. This year, insurance industry survey respondents said increasing competition (39 percent) and government leadership changes (34 percent) are the greatest hindrances to achieving their growth targets.

**EXPECTED GROWTH BY REGION**
(identified by insurance industry survey respondents)

- **North America:** 27%
- **Europe:** 28%
- **Asia:** 21%
Insurance industry survey respondents said they see themselves as well-positioned to pursue both organic and inorganic growth, with 38 percent saying they anticipate both organic and inorganic growth to drive company growth this year and another 31 percent saying they anticipate just inorganic growth. Just over half (51 percent) said they can expect inorganic growth to increase modestly or significantly.

Although 94 percent of insurance industry survey respondents said they are well positioned to pursue an effective inorganic growth strategy, they identified barriers to inorganic growth including the availability of financing for deals (named by 55 percent of insurance industry survey respondents) and finding attractive targets (named by 50 percent).

In addition to those insurance industry survey respondents saying they anticipate both organic and inorganic growth to drive company growth, another 29 percent said they are expecting to achieve only organic growth. Some barriers to organic growth most commonly named by insurance industry respondents are pricing/cost competitiveness (52 percent), competitive dynamics (41 percent) and product innovation (36 percent). Only 89 percent of insurance industry survey respondents said they are well positioned to pursue an effective organic growth strategy, the second lowest among respondents from all industries surveyed.

38 PERCENT OF RESPONDENTS SAID THEY ARE EXPECTING BOTH ORGANIC AND INORGANIC GROWTH

WHERE WILL THE GROWTH COME FROM?

(identified by insurance industry survey respondents)

- **61%** ENTER NEW PRODUCT OR SERVICE MARKETS
- **44%** ACQUIRE NEW TECHNOLOGIES
- **43%** ENTER NEW GEOGRAPHIES
- **43%** ACQUIRE NEW PRODUCTS AND SERVICES
- **41%** EXPAND PRESENCE IN EXISTING MARKETS
- **62%** EXPAND SALES CHANNELS
- **60%** INCREASE SALES AND MARKETING EFFORTS
- **58%** ENTER NEW MARKETS
- **41%** PRICING
- **38%** INCREASE PRODUCT INNOVATION/R&D INVESTMENT
Most survey respondents from the insurance industry say they find the visibility and predictability of company performance to be insufficient. Only 21 percent, in fact, described such predictability and visibility as complete to nearly all required data.

**FACTORS AFFECTING ABILITY TO FORECAST BUSINESS PERFORMANCE**
(identified by insurance industry survey respondents)

**VISIBILITY AND PREDICTABILITY OF ORGANIZATIONS’ PERFORMANCE ARE INSUFFICIENT, WITH ONLY 21% REPORTING VISIBILITY TO ALL OR MOST REQUIRED DATA**

- 34% ECONOMIC UNCERTAINTY
- 21% VOLATILITY
- 14% COMMODITY PRICES
- 14% SHIFTING CUSTOMER EXPECTATIONS
Survey respondents from the insurance industry say they realize the risks of holding cash and prefer to refinance debt rather than pay it off. They say they are also planning selective business investments over the next three years. The majority of insurance industry survey respondents (61 percent) said they are planning to maintain their current levels of cash as a percentage of revenue this year. Half of survey respondents from this industry cited shareholder pressure as the main reason for maintaining or increasing cash holdings – the highest percentage among industries – with 29 percent citing market and/or business uncertainty.

A large number of insurance industry survey respondents (42 percent) said they prefer to refinance debt at lower rates and maintain cash in order to be more flexible, given economic uncertainty. Within the next year, the majority of these survey respondents (52 percent) also said they plan to use their cash mainly to reinvest in the business or fund acquisitions (also 52 percent). They said they expect to make selective investments in areas that can add significant business value (86 percent) and modest cost/productivity improvements (88 percent) over the next three years.

**TOP SIX RISKS OF HOLDING CASH**

(identified by insurance industry survey respondents)

- **51%** LIMITS INNOVATION
- **49%** LIMITS VALUE CREATION FOR SHAREHOLDERS
- **46%** LIMITS GEOGRAPHIC EXPANSION
- **45%** LIMITS GROWTH OPPORTUNITIES
- **44%** LIMITS NEW MARKET ENTRY
- **41%** LIMITS MARKET SHARE EXPANSION

**CASH PLAN**

(identified by insurance industry survey respondents)

- **75%** THREE-QUARTERS OF RESPONDENTS WOULD REINVEST IN THE BUSINESS AND FUND ACQUISITIONS WHEN THEY USE THEIR CASH HOLDINGS
- **57%** OVER HALF OF RESPONDENTS WOULD INCREASE CASH RETURNED TO SHAREHOLDERS
- **27%** JUST OVER A QUARTER OF RESPONDENTS WOULD REPAY DEBT
- **13%** ONLY 13 PERCENT OF EXECUTIVES PLAN TO HOLD ON TO CASH
INVESTING IN TECHNOLOGY, BUT CHALLENGED BY UNCERTAINTY

Insurance industry survey respondents say they are investing in a range of systems over the next two to three years, both to support transaction processing (at 51 percent, the highest among industries) and increased visibility into revenues and expenses to support business growth (39 percent).

The majority of survey respondents from the insurance industry say they are already using a variety of finance tools and techniques to support analytics and processing and lower costs, including scenario planning (61 percent); predictive analytics (56 percent); rolling forecasts (50 percent); activity based costing (at 39 percent, the lowest among industries); zero based budgeting (at 31 percent, also the lowest among industries); and BPO (at 31 percent, lowest among industries).

51 PERCENT OF RESPONDENTS SAY THEY ARE INVESTING IN A RANGE OF SYSTEMS TO SUPPORT TRANSACTION PROCESSING

39 PERCENT SAY THEY ARE INVESTING IN INCREASED VISIBILITY INTO REVENUES AND EXPENSES TO SUPPORT BUSINESS GROWTH

FACTORS IDENTIFIED AS AFFECTING INSURANCE FINANCE ORGANIZATIONS’ DECISIONS ON TECHNOLOGY INVESTMENTS
(identified by insurance industry survey respondents)

Most insurance industry survey respondents (88 percent) are at least somewhat confident their current technology can support their business strategy over the next three years.

Insurance industry survey respondents say that, through their investments, they expect to achieve improved information and analytics for decision making (54 percent), reduced cycle times for core business processes (50 percent) and enhanced product or service quality (46 percent).

88 PERCENT OF SURVEY RESPONDENTS FROM THE INSURANCE INDUSTRY CLAIM THEY ARE AT LEAST SOMEWHAT CONFIDENT THEIR CURRENT TECHNOLOGY CAN SUPPORT THEIR BUSINESS STRATEGY OVER THE NEXT THREE YEARS

HIGH PRIORITIES FOR TECHNOLOGY INVESTMENT OVER THE NEXT THREE YEARS
(identified by insurance industry survey respondents)

73% EXTENDED E-COMMERCE
71% SOCIAL MEDIA
71% ANALYTICS
71% ENTERPRISE SYSTEMS
71% SALES AND MARKETING
68% MOBILITY-SALES AND CUSTOMER FOCUSED
Survey respondents from the insurance industry say they will move forward with inorganic and organic growth strategies supported by technology investments over the next three years. Over a third (35 percent) of survey respondents from this industry said they give equal consideration to cost reduction and growth. However, among those who chose one or the other, cost reduction was the predominant strategic priority for 42 percent.

Nearly all insurance industry survey respondents (98 percent) say they use business process outsourcing (BPO) to support a variety of growth objectives. These include improving controls (46 percent), service quality (41 percent) and enabling business strategy (40 percent).

As is the case with other industries surveyed, insurance CFOs may need to balance competing priorities for investment, cost reduction and debt repayment, as well as the continuing pressure to return cash to shareholders.
References


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