

How increased trust and transparency can unlock growth



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Close regulatory scrutiny, disruptive technology and growing pressure from investors are forcing insurers to rethink their priorities.

In brief

- In a time of turbulence, stakeholders want insurers to deliver more value through stronger protections, holistic solutions and personalized experiences.
- Trust can help insurers take advantage of generative AI to reduce protection and savings gaps and satisfy new customer demand.
- The benefits of increased trust include more loyal customers, increased profitability, and productive relationships with partners and regulators.

reasons why trust has fallen, but insurers' recent actions - exiting high-risk geographies, denying business disruption claims during the COVID-19 pandemic, failing to digitize - have certainly played a role.

To be clear, we don't view trust as an end in itself. And we aren't referring exclusively to abstract or high-level "brand trust," though brand value certainly increases trust (and vice versa). Rather, we are describing a more functional sense of confidence and reliability among all stakeholders:

- Customers have no doubt that they are getting value for money and that they can count on insurers during difficult times.
- Investors know insurers' strategic priorities (especially relative to ESG), understand how they measure performance and find reported numbers to be credible.
- Regulators believe that insurers are good-faith partners in addressing critical societal challenges.

These outcomes will help insurers position as "preferred partners," rather than providers of required products, an important consideration as more non-traditional competitors enter the insurance space. InsurTechs, tech platforms and other non-insurers attract customers - especially younger buyers - through intuitive digital solutions that offer clear value, simple purchase processes and optional features and components that are easy to adjust as customer needs change. New players that build trust with every touchpoint are taking market and wallet share from respected incumbents that built their brands on trust.

So how do insurers begin to restore trust? It starts with more transparency in everything from product design and pricing decisions, to technology and data usage, to financial reporting and regulatory disclosures. The goal is to build trust in every stakeholder interaction and instill transparency as the animating force behind everyday operations across the enterprise. The following challenges illustrate how increased transparency can pay dividends for insurers.

Will customers and regulators trust your use of GenAI?

Barely a year from the meteoric rise of ChatGPT, consumers, regulators and senior business leaders express a mix of optimism and concern regarding AI. And while many insurers feel pressure to move quickly in deploying GenAI applications across the business, they must take the time to build the strong governance models necessary for safe and trustworthy implementations of AI in insurance.

Transparency in AI-driven processes - particularly when sensitive customer data is involved - is essential to building trust among customers, partners and regulators. The validation of data model inputs and outputs and appropriate labeling of all outputs produced by GenAI apps and interfaces are top priorities. The main objective is to prevent bias and unfair outcomes in coverage, pricing and claims decisions.

Are you clear and open about how you add value beyond your own bottom line?

Regulators, political leaders, individual citizens, investors and other stakeholders have increasingly looked to industry for support in addressing the complex and urgent challenges faced by countries, communities and customers around the world. There's no better place for insurers to demonstrate a clear societal purpose than in addressing the huge - and still growing - savings and protection gaps. New solutions for climate and cyber risks, low-income pre-retirees and gig workers can help spark growth for insurers even as they alleviate pressure on strained public pension systems.

But insurers can contribute to societal prosperity and stability in other ways. Promoting diversity in the boardroom and across the workforce and offering inclusive environments can position insurers as "post-bias" employers. That includes hiring people of all races and ethnicities, ages, genders and sexual orientations, as well as neurodiverse talent. Lastly, transparency in sustainability disclosures will give investors and regulators more reason to trust that insurers are fully committed to living their purpose. The good news is that, by satisfying the needs of individual customers across all lines of business, which is good for business, insurers can also mitigate pressing societal challenges.

Is the organization ready to satisfy different customer needs?

Trust is a competitive consideration as traditional boundaries between sectors dissolve. More types of firms - wealth and asset managers, financial planners, pensions and annuity providers, and traditional carriers, plus health systems, banks, InsurTechs, tech platforms and other disrupters - are aiming to meet the needs of customers seeking physical and financial wellness and stronger protections. Consumers will turn to providers they trust - that is, those firms that provide the right advice, offer the right solutions and consistently do the right thing.

Simpler and more accessible products, more convenient distribution channels and more personalized service experiences are all key to engaging customers in ways that build trust. The rise of ecosystems and embedded insurance, not to mention the stunning growth of captives, confirm just how rapidly changing customer needs can redefine the market. Restoring trust will be essential for incumbents whose competitive set now potentially includes the strongest brands in sectors ranging from automotive to cloud computing to pharmaceuticals.

Imperative actions for insurers to secure competitive advantage:

- Embrace trust as a critical criterion for every investment in innovation, transformation and partnerships.
- Embrace open communication and transparent information sharing relative to data use and privacy practices for all

processes, especially those that involve GenAI.

- Redesign and simplify products with clearer value propositions and speak directly to customer needs.
- Find creative ways to use new and existing data sets to deliver more value to customers and partners.
- Embrace purpose within go-to-market strategies - clarify how your company delivers value to individual customers and contributes to society as a whole.
- Engage with regulators and government authorities to address the huge protection and savings gaps.
- Commit to measuring trust based on a formalized framework or a combination of multiple numbers.
- Embrace robust security and governance to safeguard data and other valuable assets.

In some sense, reorienting on trust represents a return to the industry's fundamentals. To restore historical growth rates and trust to past levels, getting back to basics may unleash the innovation and performance gains so many carriers have been looking for.

Summary

Trust can no longer be viewed as a secondary, "nice-to-have" outcome for branding and public relations efforts; rather, it must be an essential element of the organizational vision and mission, a living, breathing part of the culture, and an animating force behind everyday operations across the enterprise. Trust can even help insurers generate stronger returns on technology investments and - most importantly - strengthen relationships with customers seeking new solutions and new ways to engage. ■

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As outlined in the 2024 EY Global Insurance Outlook (pdf), trust and transparency have never been more important to the industry's present performance and future prospects. That's true because of widespread macroeconomic uncertainty, technological disruption and proliferating risks. Based on our extensive market research and engagement with many of the leading carriers around the world, we believe that increasing trust and transparency can help insurers navigate these and other critical challenges - from intensifying competition to increased regulatory scrutiny to rising investor expectations for stronger financial results.

This article will highlight how trust and transparency can help guide insurers through this time of market turbulence and as they navigate critical issues and opportunities in the immediate term:

- The deployment of generative AI (GenAI) and other disruptive technologies and the need for a clear ethical framework to ensure all stakeholders benefit
- The pressure to contribute societal value and reduce the protection gap, in line with the demands of regulators, policyholders, investors and customers
- Satisfying changing customer needs and preferences, which have given rise to increased competition from non-insurers, via innovative new solutions, business models and delivery channels - all of which deliver clear value via transparency, personalization and efficiency

Rethinking the role of trust in insurance

Trust has always been at the foundation of the industry, of course; customers buy insurance based on the belief that insurers will honor their commitment to pay out claims promptly and sustain promises over time horizons that can extend across decades. Certainly, high degrees of trust remain a hallmark of the world's top insurance brands. But, today, declining levels of trust in the industry have become a competitive liability. There are many