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A CONVERSATION WITH ANDREAS BRANDSTETTER

GROUP CEO, UNIQA

Interview conducted by Markus Zimmermann
Partner, Oliver Wyman



MARKUS ZIMMERMANN: *Thank you for taking time for this interview with Insurance Insights. My first question concerns the insurance industry's growth prospects. We are experiencing extraordinary/incomparable challenges in the life segment caused by a low-interest environment, and something approaching stagnation in the indemnity and accident segments. Will the insurance industry be able to grow in the coming years?*

ANDREAS BRANDSTETTER: I'm convinced that the insurance industry will grow, and not just on one dimension. Firstly, it will grow vertically, in its core competencies and business models. How will all of us be working in five, seven, or ten years from now? In tomorrow's world, today's insurance companies will then be more than just insurers. The second growth dimension is size. In addition to the mature markets, we have distinct growth regions such as Latin America, Asia, and Eastern Europe. In my opinion, there are opportunities for growth, even in difficult times.

MARKUS ZIMMERMANN: *With regard to Eastern Europe, many of us believed in the big growth story for years. But several companies have had a rude awakening and are experiencing difficulties. How would you assess Eastern European growth prospects in general, and for the insurance industry in particular?*

ANDREAS BRANDSTETTER: I was one of those who, until 2008, believed in endless growth in Eastern Europe, and who also woke up with a headache after the Lehman crisis. However, it was a good lesson, because it showed us that trees don't grow to the sky. Despite all of its current problems, Eastern Europe is the only region in Europe of substantial size with genuine growth potential. We are all familiar with the data – per capita spending for insurances, penetration, and so on. We can compare the EU, where annual per capita spending on insurances comes to approximately 2,500 euros, with the Czech Republic at 450 euros, Albania at 20 euros, or pre-war Ukraine at 30 euros. This reveals the huge potential. It remains to be seen whether or not our generation will live to see the gap with Western Europe being closed. However, in the long term – and I do hope that insurers invest and think in the long term – the opportunities are enormous.

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MARKUS ZIMMERMANN: *At present, everyone is counting on generating additional growth with new digital solutions. What is your perspective on digitalisation in the insurance business? Can digitalisation create new impetus for growth, or does digitalisation, at its core, signify nothing but the next wave of efficiency improvements and cost reductions?*

ANDREAS BRANDSTETTER: Digitalisation involves far more than just optimising procedures and processes. In my view, digitalisation is a different way of understanding the customer. It incorporates two aspects. On the one hand, it makes processes more efficient, clearer, and most importantly better – especially for the customer. But it also offers an option for growth. Consequently, in a digitalised world, where countries everywhere are genuinely coming closer together, it is important to examine the opportunities available to me as an insurer. This opportunity could reside in novel business models which are probably still unfamiliar to us today, but are nevertheless being pioneered by disruptive providers. Or it may well be found by offering Old Economy products and services to customers and sales partners, which, today, we simply cannot provide, or which are not yet part of our vision. Thus, digitalisation spells both efficiency and growth.

MARKUS ZIMMERMANN: *In 2011, UNIQA presented its “Strategy 2020.” What are the cornerstones of this strategy?*

ANDREAS BRANDSTETTER: We need to manage two objectives – maintaining operational excellence in the so-called Old Economy, and investing heavily in the challenges posed by a digitalised world. We have to continue to improve in every aspect that characterises an insurer today: first, in the indemnity and accident segment; second, in the life and health segments; third in the area of IT and operations; and, fourth, in each and every aspect of capital and financial management. Striving for excellence. That is what the Old Economy is all about.

Why? First, because that is what we need to do, especially in the current low-interest environment. And second, because we need operational excellence if we want to be able to afford the second item on the agenda – namely investment in the future, in digitalisation, in innovations. All the more so, because today we don’t yet know exactly where these investments will have to be made over the course of the next decade.

It is a completely new way of managing a business, for my team and for me personally, too. In the past, the main characteristics of our industry have been a large number of long-term plans, and high predictability. Today, things are different. The change taking place not only requires a new type of individual, whom we want to inspire. This change also generates a transformation of the corporate culture. More than ever, we

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will need to enter into partnerships and joint ventures. We are already witnessing such a development in those areas of our company where we have brought in people from the startup scene. This step affects the existing corporate culture, and brings both good results and conflicts. I see this as extremely positive and exciting for both them and us.

MARKUS ZIMMERMANN: *What role will Eastern Europe play for UNIQA in the next few years, and what other growth areas can your company tap into?*

ANDREAS BRANDSTETTER: From a geographical standpoint, Eastern Europe, which is just next door, is the only relevant and domestic market that we can develop in a sensible way. Eastern Europe has been part of our corporate culture since 2002. A large number of employees from Eastern Europe work at our headquarters. Today, all our functional teams are composed of colleagues from the whole range of East European countries, and from Austria, too. This shows what Eastern Europe has already contributed, besides mere revenue. We have already addressed the growth potential of Eastern Europe. In today's world, the old analog world, the only other domestic market apart from Austria is Eastern Europe.

However, the digital world holds almost boundless opportunities. In this new world, financial service providers around the globe who think digitally and have an innovation mindset have very few limitations, with the exception of regional or local financial market regulations. This makes it all the more important to be alert and to keep evolving rapidly the whole time, because that is what disruptive providers, in particular, are doing.

This disruption is much stronger than when, for example, Austria joined the EU. There are no longer any barriers. Theoretically, anyone with a completely innovative business design could become established in any part of Austria tomorrow, just as much as in the wilds of Siberia. Although this carries a certain risk, it is a wonderful impulse/push, because it encourages us to work and think faster and more out of the box than in the past.

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MARKUS ZIMMERMANN: *Over the last few months, you established two new roles – that of Innovation Officer and that of Digital Officer. What is the idea behind this step, and what changes do you expect at UNIQA as a result of this measure?*

ANDREAS BRANDSTETTER: We have taken a very close look at what other companies do, including outside financial services, and could therefore draw our conclusion: The Chief Digital Officer is primarily responsible for the digitalisation of the Old Economy's processes. Not only of the existing processes, but also of everything that takes place in connection with the target operating model, IT, operations, as well as customer and sales partner interfaces. All this is part of the Chief Digital Officer's role. That is why we deliberately positioned this function in close proximity to IT.

The Chief Innovation Officer is the group's free thinker. We made the decision to place him and his team on the company's premises. Not at a Future Lab, which is detached from the organisation, but specifically inside the company. Because, to me personally, it is extremely important that the existing team should be inspired by innovation topics. The Chief Innovation Officer, who reports directly to me, is truly a free spirit. He does not have any other operational obligations. His task is to think ahead and pursue multiple opportunities. Even if this may lead to a higher number of mistakes.

MARKUS ZIMMERMANN: *Where do you think UNIQA will be in 2025 in terms of strategy, new roles, digitalisation, innovation?*

ANDREAS BRANDSTETTER: UNIQA 2025 will be a company that has succeeded in playing a truly important role in the customers' lives, in the digital era, thanks to two of its customer brands, UNIQA and Raiffeisen Versicherung, which are by far the strongest in the region. Moreover, UNIQA will have become a platform firm in at least one segment. This means that, in a particular area that is relevant to people, UNIQA will be more than just an insurance company.

MARKUS ZIMMERMANN: *To conclude, I have two questions that have nothing to do with the operational business. Since 2011, you have been head of UNIQA, and the Group has repositioned itself in most segments since then. What was the biggest personal challenge you have faced during the transformation process taking place over the last couple of years?*

ANDREAS BRANDSTETTER: The answer that I won't give you, but which many probably expect, is the issue of impatience. Right? The world is full of CEOs who say that their major weakness is impatience. I think this is rather funny, because it means that you are surrounded by employees with limitations, who cannot keep up with you. In my opinion, that is incredibly arrogant and out of touch with the real world.

For me, the biggest challenge is to find the right teams. Individuals who, not only because of their expertise, but also because of their personality, are able to engage as many of the company's employees as possible in the journey. "If you want to go fast, go alone. If you want to go far, go together." There is also the issue of leadership style. The goal is to make as many employees as possible feel thrilled about the journey with the help of a clear strategy – a strategy, which needs to be repeatedly communicated and, to a certain extent, challenged. To use soccer lingo: to develop a playing style that guarantees a certain degree of independence from the main players in the company, including from myself, because all of us are replaceable. This has been, and still is, my biggest challenge.

MARKUS ZIMMERMANN: *Assuming you were given an extra hour a day as a gift. How would you most like to spend this time?*

ANDREAS BRANDSTETTER: All on my own, reading.

MARKUS ZIMMERMANN: *Thank you Andreas, for taking the time to speak with us.*

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For more information please contact the marketing department by email at info-FS@oliverwyman.com or by phone at one of the following locations:

EMEA

+44 20 7333 8333

AMERICAS

+1 212 541 8100

ASIA PACIFIC

+65 6510 9700

www.oliverwyman.com

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