Enterprise business resiliency and cyber risks

Future-proofing insurance

Building resilience in insurance

Since the year 2000, the insurance industry has undergone considerable transformations, driven by factors such as rapid internet growth, emerging technologies, e-commerce expansion, Agile development adoption, and an early shift towards cloud computing. These changes have emphasized the need for robustness as a critical component in maintaining business continuity and fostering industry growth.

In order to create and deploy systems or projects more efficiently, organizations must embrace Agile implementation, which plays a vital role in achieving this goal. Concurrently, as the industry evolves, it becomes essential to address challenges associated with Agile implementation, such as business continuity, disaster recovery, cybersecurity, and operational risk.

By establishing an operational resilience framework and streamlining operational risk management, companies can adapt to rapid changes and effectively respond to risks, ensuring successful Agile adoption across the organization. This cohesive approach fosters both agility and resiliency, paving the way for long-term success.

Insurers are placing greater emphasis on fortifying their technology ecosystems to boost flexibility, along with implementing efficient vendor management and fostering insightful employee experiences. These factors are crucial in identifying potential adaptability concerns and ensuring that organizations are equipped to adapt and embrace recoverability as a core aspect of their business strategy.

Focusing on building strong, durable strategies to address evolving regulatory, client, and board demands while tackling increased third-party dependencies and adapting to stakeholder expectations is crucial. This approach aims to strengthen industry positions and ensure long-term success.

> Business continuity, disaster recovery, cyber resiliency–all of them are aspects of enterprise business resiliency, and they all contribute to and build resiliency.
>
> — **Raj Konduru**, Principal, Financial Services and Emerging Tech, KPMG LLP

Agile methodology and its challenges in software development

Agile methodology, an iterative and incremental approach to software development, emphasizes collaboration, adaptability, and customer satisfaction. Its capacity to swiftly adapt to changes makes it attractive for insurers navigating the constantly evolving industry landscape. Nonetheless, while adopting Agile methodologies, insurers need to overcome challenges in striking the right balance between flexibility and standardization to attain resilience. Although Agile methodology has become increasingly popular in the software development domain, organizations often encounter difficulties in aligning agility with a comprehensive, end-to-end value chain approach during new system implementations. Hence, insurers should concentrate on optimizing the balance between agility and tenacity to guarantee the continued success of their initiatives.

Key considerations when implementing Agile methodologies:

- Orchestrating flexible systems with standardized processes: Embracing Agile flexibility while incorporating enough standardization helps ensure better stability.

- Differentiating between Agile architecture and Agile implementation: While product building and release processes can be Agile, designing end-to-end solutions must follow a more traditional, structured approach.
- Focusing on end-to-end value chain for nonfunctional requirements: Engineers and architects must prioritize business objectives over technical capabilities, aligning nonfunctional requirements with end-to-end value chains instead of specific applications.
- Addressing unique service level objectives across product value chains: Ensuring that users achieve a seamless experience, particularly during potential failures or in scenarios where systems may not be available, is essential.

As Agile methodologies continue to evolve, organizations must adapt their practices to ensure both swiftness and adaptability, ultimately delivering improved business value and customer satisfaction.

Operational resilience and risk management in the financial landscape

While operational resilience and risk management are crucial for maintaining business continuity, the insurance industry often lags its banking counterparts in this area. For third-party risk management, organizations must adopt an effective framework for enterprise-level resiliency, adopting technology advancements and aligning stakeholders' understanding of operational risk to facilitate robust communication strategies and drive investments in resiliency measures. A comprehensive view of the value stream is crucial for mitigating and quantifying cyber risk and addressing issues like broken application programming interface (API) engines.

Cyber risk assessment and quantification

Cyber risks pose significant threats to the insurance industry, as they have the potential to disrupt operations, compromise data security, and undermine customer trust. To effectively manage operational risk caused by cyber threats, it's crucial to assess and quantify potential vulnerabilities. Here are some key points to consider in this context:

- Prioritize cybersecurity investments based on the level of risk exposure.
- Focus on managing cyber risk through quantification, measurement, and reduction via protective measures rather than relying solely on insurance coverage.
- Prioritize securing applications and infrastructure that significantly impact data security, especially tier one and tier two data classifications.
- Continuously reassess cyber risk appetite due to the dynamic threat environment.
- Develop a clear understanding of complex system interconnections within the organization and designate responsibility for documenting them, ideally with input from the internal audit team.

As organizations increasingly adopt cloud technologies, managing cyber risk has become a major challenge. Demonstrating resiliency can result in improved insurance rates, coverage, and product development. Insurance providers are exploring ways to link durability to performance via service level agreements. However, developing new insurance products that incorporate demonstrated resiliency requires a comprehensive understanding of cyber vulnerabilities, which is particularly challenging with cloud technologies.

> The only way to understand and respond to emerging risks like cyber and other operational threats is through a constant and ongoing evaluation of the risk landscape.
>
> — **Tyler Williamson,** Managing Director, Technology Risk, KPMG LLP

Building a strong foundation: Implementing enterprise systems for robustness and risk management

A top-down approach that encompasses Agile methodologies and well-planned traditional structures is paramount to maintain enterprise resilience and manage risks effectively. A successful strategy should prioritize the implementation of dynamic risk assessment techniques that tie together various risks such as cyber, environmental, and political. This necessitates investing in the necessary infrastructure to ensure robust data security, quantifying and mitigating risks, and continuously assessing risks.

To create a resilient foundation, companies should adopt a culture of transparency and collaboration, leveraging public-private partnerships to share best practices and facilitate risk reduction. In this pursuit towards robustness, it is vital to maintain a holistic view of cyber risk and build strong vendor relationships for recovery within the insurance industry.

Moreover, implementing enterprise systems requires careful planning, change management, and leveraging emerging technologies like artificial intelligence to ensure robust workflows and proper documentation. Regulators and insurance providers must collaborate to develop best practices and innovative solutions.

Vendor management and resilience in the digital age

Enterprise resilience and risk management are essential factors to consider in the digital age, particularly regarding the increasing complexity of vendor management. It is crucial for organizations to assess their critical services, revenue impact, risk, and threats to build stability in their operations and maintain continued growth.

Focusing on employee pain points enables organizations to address hidden resiliency issues and improve overall resilience. Effective vendor management in the digital age ensures seamless service delivery and enhanced cybersecurity, while optimizing performance, cost savings, and risk mitigation.

Additionally, insurers can consider these moves to stay nimble and achieve growth amid disruptions:

- Prioritize investments in cyber resiliency
- Regularly update business impact assessments
- Employ technology for real-time monitoring and measurement
- Evolve resilience programs throughout the organization's lifecycle.

The insurance industry can enjoy significant advantages by embracing Agile methodologies and innovations. In order to achieve continued success, insurers should harness technological advancements and adopt an enterprise-wide risk management approach to build resilience amid today's changing world.

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