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Insurers must lead the way in Artificial Intelligence

The insurance industry has to be at the forefront of Artificial Intelligence (AI) in order to stay ahead in managing risk.

Speaking on the InsurTech panel yesterday, Mr Chris Wei, Global Chairman, Aviva Digital, said insurers are under threat of being disrupted from a data standpoint.

"It is rather scary how large incumbent digital players are all wading into our space and I've told my executive team that we've got two years to sort this out to stay ahead, and during that two years we will have to translate our mental intellectual property into AI rules.

"If we don't do that fast enough, then we will be disrupted and we will have that Kodak moment," he said.

Mr Reza Khorshidi, Chief Scientist, AIG, said insurers should adopt an AI-first approach in shaping user experience.

"There is a consensus in the industry that AI can help, and so we need to bring in more AI talent and let them map the AI world to the insurance world and create synergy between the two.

"If AI is going to be a competitive advantage, then relying on vendors is risky so we really need to have the talent in-house," he said.

Connecting with customers

Ms Donna Peeples, Chief Customer Officer, Pypestream, highlighted that it was important that insurers deepen their engagement with customers by being where they are and providing a seamless experience.

"Insurers are adopting an omni-channel approach, but we need to connect the dots and make the experience all the same no matter where our customer goes."

She added that as part of creating a superior customer experience, insurers should look to automate their business processes as much as possible.

Touching on Aviva's case in partnering with Chinese tech giant Tencent in Hong Kong, Mr



Wei said Tencent's approach to creating an integrated and seamless experience for its customers on its ubiquitous WeChat platform is something that insurers can learn from.

WeChat is China's most popular chat app with 900 million users, half of whom spend 90 minutes per day on the app. This is because WeChat serves many functions, including paying bills, ordering goods and services and transferring money to other users.

"If we can deliver a seamless experience for customers, then you have a good chance with insurance," he said.

Mr Matteo Carbone, Founder of Connected Insurance Observatory, urged insurers to build a business model that provides greater ease to customers.

Panel moderator, Mr Nick Martin, Fund Manager, Polar Capital, concluded discussions by saying that InsurTech is not a zero-sum game and that insurers stand to benefit a lot from the nascent industry.



(L-R): Mr Nick Martin, Mr Matteo Carbone, Mr Reza Khorshidi, Mr Chris Wei, Ms Donna Peeples

Cyber: Risk and rewards aplenty

Discussion on the executive panel on cyber risks began on a rather gloomy note, with panellists saying that Lloyd's prediction this week of a US\$120-billion hit to the global economy due a cyber attack was too conservative.

"Right now, cyber attacks are aiming for widespread disruption and destruction. It will reach beyond the computer and the cloud and have a real impact on the physical world," said Mr Michael Bahar, Partner at Eversheds Sutherland.

Mr Peter Hacker, Co-founder of Distinction Global, concurred, stating that future key exposures of cyber will be in non-physical triggers that have physical consequences, such as bodily harm and property destruction. "Like earthquakes, cyber could have real impact on a global scale although unlike quakes, they are man-made and they are systemic," he said.

Even a few hours of disruption in services will be enough to cause devastating consequences on businesses, said Mr Matthew Martindale, Director of Cyber Security at KPMG. "Businesses are very reliant on cloud services now, and if there is a systemic attack that brings down the cloud, some companies might go out of business entirely. They might not be able to last long enough without the cloud to service their clients."

A silver lining

However, there is an opportunity for the insurance industry to help plug the gaps and blind spots that many companies are currently facing. With technology becoming increasingly necessary for the world to run and for businesses to succeed, the exposures are many.

"When you adopt new technology, you need to look at risk differently and build redundancies to protect yourself," said Mr Jamaan

Sane of Beazley.

"This is where insurers can come into play."

Beyond exposures caused by new, possibly untested technology, Mr Bahar also brings up third-party risks, especially for any company that might rely on a supply chain. "Many driverless cars being manufactured now are being built with cyber security inherent in the system, instead of it implemented as an add-on after the car is complete. But are each of the individual components in those cars cyber protected?" he said.

Through insurance, best practices can be encouraged and enforced, the same way it is done in motor insurance or health insurance with Vitality programmes, said Mr Bahar. "We need to get board members involved in order to create holistic solutions. It is not just about IT, it is about judgment and leadership now."

No longer an IT problem

"Cyber risk is fundamentally a topic for board members to tackle," said Mr Hacker. "But more than 50% believe that it is an IT security matter."

However, Mr Sane was more optimistic: "We are seeing a shift away from that mindset. From our perspective, we want to see the risks and the impact to the business, so we want to talk with the business side of the company, not the IT side. However, we have seen more collaboration within these different levels of a company."

"Finding out what software a company uses is pointless, as that software might be obsolete in six months. We want to look at behaviour and governance within the company," he said.

"Decision makers want to see actionable intelligence and more concrete data that shows them how much money they might lose or save. Insurers can step in to provide this data and these models," said Mr Hacker.



(L-R): Mr Gary Reader, Mr Michael Bahar, Mr Peter Hacker, Mr Matthew Martindale, Mr Jamaan Sane

Using nature as a bulwark against risk

First in IIS history, an environmental organisation took the stage to speak on the value of nature in the insurance and risk management industry. "Natural structures such as coral reefs in Mexico and mangroves in Asia act as a buffer and dampener against coastal catastrophes, so their value in reducing risk is evident," said Mr Mark Tercek, President and CEO of The Nature Conservancy (TNC).

Joined by Managing Director Kathy Baughmann McLeod, TNC has partnered with Blue Marble Microinsurance, led by CEO Joan Lamm-Tennant, and has been urging the insurance industry to make greater efforts in protecting and conserving such coastal natural structures, as they have been proven to have a significant impact in limiting damage of coastal hurricanes and floods.

"Protecting nature is seen as an expense that is in direct opposition to growing the economy," said Ms Lamm-Tennant. "But most governments miss the upside to conservation, and that is the long-term risk reduction nature can provide."

Mr Tercek and Ms Lamm-Tennant are calling for a stronger partnership between the insurance industry and environmental organisations such as TNC. At present, TNC has been working with several insurance

players, including Lloyd's, XL Catlin and Guy Carpenter to examine the role of coastal habitats as natural storm defence.

"Insurance is in the business of protection. In this case, the customer is nature and we don't know this customer. TNC and its team can help us parameterise the models that we use to calculate loss in a Nat CAT event," said Mr Tercek.

He added: "The question for governments and industries that are directly affected by these risks – the hospitality industry, for instance – is 'who is going to pay?'"

"While CSR initiatives do help greatly, there is limited funding in CSR. Insurance can help us and governments find the right strategy to build capital."



(L-R): Mr Michael Morrissey, Mr Mark Tercek, Ms Kathy Baughmann McLeod, Ms Joan Lamm-Tennant

Winning the InsurTech game

Having the right engagement with start-ups is key to staying on top of things amid disruptive forces, said speakers at *Asia Insurance Review's* recent inaugural InsurTech Summit in Singapore.

Engaging the InsurTech start-ups in the right way is a crucial factor in playing a winning game as the industry faces up to disruptive technologies.

"There are six strategies in which insurers can engage with start-ups, segregated by the level of risk and potential return," said Mr Juergen Weiss, Managing Vice President of Global Insurance Industry Research at Gartner. "Purchase technology, acquire company, invest, partner, incubate and insure."

At the lowest end of the risk-return trade-off is partnership, which Mr Weiss said 60% of insurers whom it surveyed are looking to do. The highest-risk, highest-return strategy of engaging with start-ups is investing in them, as many of the bigger companies have done.

Mr George Kesselman, Founder of InsurTech Asia, urged the insurance industry to support InsurTech start-ups in their early stages, as they will stand to benefit from a long-term relationship. He cited the example of Aon Risk Solutions, which came to Uber's rescue during its early years, and is today its preferred insurance broking partner.



Mr George Kesselman

Engage, engage, engage
Mr Zach Piester, Chief Development Officer at Intrepid Ventures, which helps founders scale their blockchain start-ups, said what start-ups



Mr Zach Piester

need from insurers are the latter's customers, capital and brand name.

"Don't come to a start-up and ask them for their next big idea. You should already know the future of your business. Give them a specific case that you have tried but could not solve, and we will tell you if the problem can be solved with our set of technologies," he told insurers. "Even if there isn't a real opportunity to embed the (blockchain) technology in your customer links, start-ups will work with you regardless if it is an interesting problem to solve."

Innovate from within

But **Dr Till Böhmer**, CEO of Southeast Asia P&C and Regional COO of Munich Re Singapore, said that in a business where mitigating and controlling risk is a major influencer of business culture, introducing a culture of innovation has been "the most difficult". Rolling with the punches required attracting and assembling talent with diverse profiles who could come up with creative solutions, and working with partners who have the luxury of looking at the industry from the outside, he said.



Dr Till Böhmer

While casting a critical eye on the "crazy" insurance innovations in China, such as insuring against the moon's no-show or your relationship with your girlfriend,



Dr Woody Mo

Dr Woody Mo, President & CEO of eBaoTech Corporation, said that out of these innovations, some will become viable, prove useful to society and then become mainstream products, although others will be cut.

"Because if you don't try, you'll never know," he said. His company provides shared middleware for insurance APIs that help insurers rapidly connect with other channels and partners.

Transforming from two fronts

Mr Zia Zaman, Chief Innovation Officer, MetLife Asia, asked insurers to adopt a "two-speed" strategy of dual transformation. "The first is to transform who you are today – your "Being" – by continuing to work on your core business. The second is to make yourself "Become" the future – where you need to be."



Mr Zia Zaman

He shared with the audience that MetLife's innovation unit, Lumenlab, was started because the company recognised that it was not sufficient to "incrementally innovate", but that it had to look at innovation from a "disruptive point of view".

MetLife has reimagined insurance and the perspective of the customer, by identifying "a lot of change" that has to happen in 150 different parts of its value chain, with each InsurTech tackling two or three points of friction.



Staying rooted in humility

The IIS recognised the achievements and service to industry of Mr Nikolaus von Bomhard, former Chairman of the Board of Management at Munich Re, by inducting him into the Insurance Hall of Fame at the Global Insurance Forum 2017.

Mr von Bomhard served Munich Re for 30 years, 12 of them as Chief Executive. His entry into the Hall of Fame commemorates his many years of service to the company and the industry, and his hard work in bringing Munich Re back to its position as a market leader, by returning the focus of the company to its underwriting capabilities. Through this, Mr von Bomhard helped rebuild client trust in the company.

Despite his achievements and his many accolades, Mr von Bomhard remains, to this day, a humble, unassuming man, well-deserving of the Insurance Hall of Fame.

The other award recipients of the night were:



Insurance Hall of Fame:
Nikolaus von Bomhard
Former Chairman of the Board of Management, Munich Re



John S. Bickley Founder's Award:
Georges Dionne
Professor, Department of Finance,
HEC Montreal



**Kenneth Black Jr.
Distinguished Service Award:**
David Piesse,
Chief Risk Officer, Guardtime



Mr Thomas Holzheu and Ms Ginger Turner of Swiss Re
receiving the **Shin Research Excellence Award**
for their paper on "The Natural Catastrophe Protection Gap"



Recipients of the IIS "Leaders of Tomorrow" Award

A gala occasion

Delegates dressed in their very best as they came together to celebrate excellence in the insurance industry.



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1st SME Insurance Summit
22-23 Aug, Marina Mandarin Hotel, Singapore
"Using Insurance to Manage Your Risks & Grow Your Business"
www.asiainsuranceview.com/conferences



6th Asia Insurance CIO Technology Summit
4-5 Sep, Four Seasons Hotel, Singapore
"CIOs as Drivers of Growth in InsurTech Era"
www.asiainsuranceview.com/conferences



The Takaful Rendezvous 2017
20-21 Sep, Mandarin Oriental, Kuala Lumpur, Malaysia
"Takaful 2.0: To Soar to Greater Heights"
www.asiainsuranceview.com/conferences



11th Middle East Healthcare Insurance Conference
25-27 Sep, Shangri-La Barr Al Jissah Resort & Spa, Muscat, Oman
"Making Compulsory Health Insurance in the Era of Disruptive Innovation"
www.asiainsuranceview.com/conferences



Federation of Afro-Asian Insurers & Reinsurers (FAIR) 25th Conference
9-11 Oct, Manama, Bahrain
"Insurance Transformation in FAIR-land"
www.fairbahrain2017.com



14th Singapore International Reinsurance Conference
31 October – 2 November, Singapore
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