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## Three major opportunities for the insurance industry

It is a difficult environment and too much capital is chasing after the same risks in traditional insurance lines. However, there are viable options for growth and here in emerging Asia, especially, there are major new underwriting opportunities, said Mr Tharman Shanmugaratnam, Deputy Prime Minister and Coordinating Minister for Economic and Social Policies, and Chairman of Monetary Authority of Singapore.

Mr Shanmugaratnam highlighted three major opportunities:

### 1 Infrastructure financing

It is a huge opportunity in Asia. In every area of infrastructure, the needs are growing and the needs to remove bottlenecks to economic growth and social development are growing. Traditionally financed by governments and banks, both are facing constraints to do so and would not be able to cope with the financing needs of infrastructure in the future.

This is why long-term institutional investors, including insurers, become very important. For insurers, infrastructure is an attractive asset class – potential diversifier of assets, reliable inflation-linked returns over time and low correlation to other conventional assets.

There is some rethinking already underway globally on the design of capital frameworks for infrastructures to support long-term investment. “European regulators are already in close consultation with the industry on providing some measure of capital relief for long-term investments. But globally, we are going to have to do this amongst regulators. We do need lower risk charges for equity held by insurers for the long term, including investments in infrastructure. I hope globally, regulators will arrive at the position which makes this possible,” he said.

### 2 Catastrophe insurance

The economic cost of natural disasters is growing – a consequence of economic growth, rapid urbanisation, and a higher incidence of natural disasters.

So far, catastrophe insurance has been woefully low. It has to do with a lack of

awareness, but it also has got to do with data gaps. Currently, it is difficult for (re) insurers to price risks, which has compounded the problem.

But the problem of fragmentation of Asia markets and data gaps can be overcome. Data can be pooled to facilitate more efficient underwriting of catastrophe risks, he said, citing the Natural Catastrophe Data and Analytics Exchange (NatCatDAX) Alliance initiative in Singapore is one such platform for Asia. A public-private partnership, it uses high-resolution data from remote sensing technology and combining that with industry data. It has made a much richer database on natural disasters and the ability to better estimate the costs.

### 3 Cyber insurance

Asia is probably the most rapidly growing digital market globally. But it also means an increasing cost from cyberattacks. It is a global problem. The frequency, the sophistication and the sheer audacity of cyberattacks are growing.

The demand for insurance will grow. Not just the need to protect to protect against losses but also the demand from businesses that wish to strengthen their resilience and to be able to recover quickly



when there are security breaches.

But the market for cyber risk insurance is still in infancy and needs development. Data needed for efficient underwriting of risk is still weak and there is a lack of awareness of the importance of insurance as part of the solution to cyber risk.

Collaboration among industry, government and academia is needed to facilitate the systematic collection and modelling of cyber risk data. Citing another initiative in Singapore – the Cyber Risk Management (CyRiM) Project – he said: “We can build reliable databases, methodologies, and analytical tools to enable the efficient underwriting of cyber risk.”

## Data and analytics integral to insurance value chain

Having examined how more than 500 insurance companies fared over a 20 year period, Mr Bill Pieroni, CEO of ACORD, identified four key winning strategies:

- **Operational excellence**  
Competing on price and efficiency.
- **Customer intimacy**  
Designing a customer experience which is truly unique and tailored.
- **Product leadership**  
Offering a quality product which no one else is selling.
- **Disruptive innovation**  
Offering speed to value and “10x” advantage.

Big data and analytics play an important role in all of these, regardless of one’s strategy. Understanding what your strategic intent is will allow you to think about how data and analytics can play a role, but that role varies widely among companies.



# Understanding the consumer is the key to innovation

The discussions during the Global Leadership Panel centred on innovation and how technology catalysed the transformation of the industry.

Led by Mr Greig Woodring, IIS Chairman and RGA CEO, the panel members – Mr Chris Wei, Global Chairman Aviva Digital and Executive Chairman Asia & FPI, Mr David Fried, CEO Emerging Markets, QBE Insurance Group and Mr Brian Duperreault, Chairman and CEO Hamilton Group – highlighted the importance of data, of understanding the consumers' needs and behaviours and what the industry needs to do in order to catch up with the technology that is currently affecting them.

"Innovation is fixing the foundation of what we are," said Mr Wei, speaking of the current changes Aviva is undergoing. "If we don't transform ourselves end-to-

end and rethink our infrastructure, then nothing is going to happen."

## Customer first, always

Understanding the consumer and their digital-first approach is vital to moving to the next level, Mr Wei added. He admitted to having huge swathes of Aviva's customer base being under-served, with the obvious solution being customer engagement on any device of their choice, at any time. "A big part of our strategic focus is in building a relationship with our customer, utilising things like behavioural science and the unstructured data that is available to be able to understand our customer," he added.

Mr Duperreault agreed with the consumer-centric slant. By using digital technology and data analysis to address the inefficiencies in the product delivery systems within insurance, the industry can focus on its most basic function –

providing advice to the customer. "I think there's an absolute need to do this; to get rid of the inefficiencies and the ridiculous expenses, not get rid of what we're good at – servicing the customers."

## Social and cultural disruptions

Speaking of possible disruptions to insurance coming from industry outsiders, Mr Fried said: "The industry is seeing a wall of change. We shouldn't be doomsayers, but as insurers we need to be aware of the effects these changes have on our industry, because they will all be driven by the consumer."

Companies need to move and act a lot faster than before, in transforming their culture and operations and in their data collection and analysis. By understanding what the consumer wants and how much the consumer is ready for change, the industry can react to and even predict the disruptions that will happen, said Mr Fried.



(L-R): Mr Greig Woodring, Mr David Fried, Mr Brian Duperreault and Mr Chris Wei

# Making the ground fertile for innovation

Many insurers will need to refine their organisational culture in order to truly fend off disruptive innovators, according to the general view of participants on the executive panel on "Strategies for success in an era of disruptive innovation", chaired by Ms Mary Trussell, Global Head of Insurance Innovation, KPMG International.

Mr Zach Piester, Co-Founder of Intrepid Ventures, a venture development and innovation firm, said that reward structures should be tied towards innovation in order to drive better outcomes.

"If it doesn't change their bonus, many people would not do it, so linking it to the bonus structure will drive towards innovation," he said. While he acknowledged that millennials are motivated by lofty ideals, compensation is still a crucial push factor.

## Aligning organisational culture

While insurers are vulnerable to disruption, there is enough "re-engineering" happening in the sector to renew itself,

even if it is not inherently innovative as an industry, said Ms Pamela Hurley, Associate Professor of Insurance and Risk Management, University of Houston-Downtown.

Employees of larger organisations on the panel touched on the difficulties of implementing the innovation agenda effectively within huge set-ups.

Mr Tim Thomas, Regional Vice-President, Asia, Prudential Financial, touched on the issue of "channel conflict" in insurance as being a hindrance in a typical insurer scenario.

Mr Mark Inkster, Chief Digital Officer, AEGON Asia, said a degree of separateness within the organisational structure is usually necessary in order for innovative ideas to develop further. "You need to treat this like a VC investment perhaps, and where people would not need to talk to every leader in the organisation for something to move," he said.

Rather than hiving off the innovation component, Mr David Lomas, Global Head, Financial Institutions Group, BlackRock,

said his organisation in turn preferred a more inclusive approach, doing events like "Hackathons" to harness the creativity of its employees.

But to do that, organisations must normalise failures as part of the process to innovate. "We want to stretch individuals in a different way so they are right at the edges of their learning, and acceptance of failure is necessary," said Mr Lomas.

## Diversity of people

Hiring the right people for innovation is important in order to move the organisation in its desired direction.

And it starts with a diverse composition of the board of directors: "You are hiring diversity of thought right at the top of the organisation," he said.

Meanwhile, Ms Rosaline Chow Koo, CEO and Founder, ConneXionsAsia (CXA), said that as a start-up, hiring "game-changers" meant those who question the status quo, have track record in overcoming adversities and are passionate in making a difference.



(L-R): Ms Mary Trussell, Ms Rosaline Chow Koo, Mr Mark Inkster, Mr David Lomas, Mr Tim Thomas, Mr Zach Piester and Ms Pamela Hurley

# Reimagining insurance through innovation



With all things innovation a focus at this year's GIF, we revisit key takeaways and tips from the 16th Asia Insurance CEO Summit, where executives were equally centred on digital trends.

## The 4th industrial revolution: Digital transformation

The digitisation of interaction is widely considered to be the fourth industrial revolution and has ushered in new business models based on a new access to customers and smart data, said Dr Fabian Sommerrock, Deputy Secretary General and Head of Insight, The Geneva Association.



Dr Fabian Sommerrock

He said connectivity, cloud, mobility, Big Data and social are the five key technological forces that can be considered as the "fuel" of this fourth revolution.

Five key aspects in changing behaviours – higher expectations from sharing of experiences among peers; peer advice; information-savvy consumers; comparison and purchase being straightforward and widespread; and the rise of social media platforms allowing consumers an amplified voice.

More than just insurers, CEOs too should adapt to "be social" in meeting consumer demands.

## Innovation and FinTech adoption is an evolution, not revolution

Managing the paradigm shift to FinTech will be critical to securing business opportunities and staying competitive – this calls for greater resilience and more investments in technological capabilities, said Hong Kong Insurance Commissioner John Leung.



Mr John Leung

He said that FinTech adoption is likely to be evolutionary rather than revolutionary.

## Digital distribution

Dr Colin Light, Partner & Experience Centre and Digital Services Leader, Greater China, PwC, advised insurers to develop a business model for a digital age! Asia's consumers are early tech adopters.



Dr Colin Light

Around 90% of respondents in China and India are ready to buy life insurance products online.

Insurers are trusted with their digital identity. Consumers recognise the value of personalisation, with majority in China and in India prepared to give additional personal data to an insurer to seek relevant services on their behalf.

## "Regtech" – Regulators, get on the innovation bandwagon!

Regulators, get ready for RegTech – the marriage of technology and regulation! Update your regulatory and compliance requirements. FinTech may challenge existing rules, so regulators need to keep up to facilitate innovation, said Mr Leung.

While new digital distribution channels may require new rules, regulators themselves may also benefit from the deployment of technology to complement and facilitate regulatory processes.

## Agility and dynamism in addressing the customer

Insurers need to figure out an appropriate digital strategy to harness and turn data into actionable insights.

Be nimble, leverage data analytics to move from descriptive and diagnostic analysis to predictive and prescriptive analysis – the latter will be the game changer, according to Mr Steve Weinreb, CIO for Regional Application Development for MetLife Asia.



Mr Steve Weinreb

Dynamic content caters to today's consumers, who seek simpler and personalised services based on usage patterns. Hence, listen to their needs and wants, use meaningful insights and rapid delivery so they find insurance attractive, said Mr Marnix Zwart, Co-founder of GoBear.com.



Mr Marnix Zwart

## A numbers game?

Process automation and digitisation of sales and service channels will improve efficiency, productivity and customer experiences. Manual work processes, which insurers have relied heavily on, will not be able to compete competitively, said eBaoTech's President Dr Woody Mo.



Dr Woody Mo

Insurers' focus should shift from the 80/20 rule to a long-tail focus, where the aim is to have as many customers as possible; to welcome "all contract sizes"; to have high-frequency interactions; and to have as many sales channels as possible.

## The agent will prevail

Insurers' relationships with their clients need to be a tripartite one, inclusive of the distribution channel. And while choices should abound so customers can choose the channel they prefer, do not dismiss the role of the agent. Support and advance them instead, said Mr Weinreb.

Consumers still value interaction with traditional intermediaries for complex products. Thus multiple distribution channels can be complementary rather than conflicting, said Mr Leung.

Personal line brokers beware! – It gets increasingly hard to compete, so focus on large corporates, helping clients slice and dice risks and use analytics to add value, advised Mr Geoff Riddell, Adviser, APMEA for Zurich.



Mr Geoff Riddell

## Bridging the digital talent gap

Use new technologies to transform employee experience – recruitment apps, game-based assessment and selection tools, customised training, gamification and simulation training through mobile channels, suggested Dr Sommerrock.

Reshape your talent pool through innovative collaborations, certification programmes and internships, he said.

# From "Failure" to Fame

Mr Donald Kramer, Chairman and CEO of ILS Capital Management, was formally inducted into the Insurance Hall of Fame at last night's Awards Gala Dinner.

Mr Kramer formed and led several successful (re)insurance companies over a 54-year span and has been a leading innovator in several fields.

He recounted his initial years where he failed at his venture. Instead of being deterred, he said: "Obviously the failure taught me so much more about the business." And all the subsequent companies "were enhanced by the 'Doctorate in Failure' that I earned". Indeed, a true visionary and entrepreneur!



The other award recipients of the night were:

## Kenneth Black Jr. Distinguished Service Award



**Mr Gary Comerford**  
Consultant, and Retired SVP and Chief Marketing Officer, RGA Reinsurance Company

## John S. Bickley Founder's Award



**Dr Yasushi Morimiya**  
Emeritus Professor, Meiji University

## Leaders of Tomorrow Award



**Mr Donal Corcoran**  
Head of Consumer Insurance, AIG Canada

## Shin Research Excellence Award



**Dr Pamela R Hurley**  
Associate Professor of Insurance and Risk Management, University of Houston-Downtown



**Dr Nihar Jangle**  
Director Climate Change Program, Micro Insurance Academy

# Shangri-La shimmers with GIF stars

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



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