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Pocketfuls of profitability

The industry is currently “suffering from a typical demand-supply imbalance” and one important thing that must be observed is “risk selection and risk analysis”, said AXIS Capital CEO Albert Benchimol. “Pricing may be down, but not every building is going to go on fire; not every company is going to get sued. We are in a period with likely lower profitability, but that doesn’t mean that we will not be able to generate profitability.”

In such an environment, the key is to go back to the fundamentals of client servicing, taking care to understand clients’ needs and facilitating their strategies, he added, remaining optimistic about the industry’s outlook.

His sentiment was shared by Mr Denis Kessler, CEO of SCOR, who said that reinsurers should focus on looking at “market by market”, as well as “line of business by line of business” and not generalise the global market as a whole.

“There are definitely profitable pockets of growth in the world and profitable lines of business. I don’t like these big sweeping statements on what’s going on in the industry worldwide, because one size doesn’t fit all.”

Alternative capital and collateralised insurance

Turning to alternative capital and collateralised insurance, Mr Urs Ramseier, Chairman of Twelve Capital, said that the Nat CAT business is one of the most profitable business lines for investors and as such that segment is where the challenge lies in the reinsurance industry. However, he said that collateralised insurance is a niche and not all lines will be transferred to the collateralised insurance market “because those lines are simply not suited”.

One example is longevity risk. “It’s almost impossible to transfer longevity risk to the financial market because traditional buyers of ILS are pension funds... so longevity risk

will stay with the insurance industry,” he said.

Mr Vincent Vandendael, Director of International Markets, Lloyd’s said of the excess capital in the market: “There is an underinsurance gap of at least \$168 billion in the Nat CAT space. So if we all agree that we can create more demand in that space, then that will already absorb part of the capital.”

A common standard, please?

On regulations, Mr Kessler bemoaned that though insurance had the same facts, data and tradition across the Atlantic, up till now, US and European regulators have not been able to come up with a common solvency standard for the industry.

And it looks like things are not expected to change soon. A poll on the 300-odd delegates attending the session showed that 30% believe the capital standards that the IAIS was currently working on will never be adopted, and another 35% believe that the standards will be minimal and defer to local conditions.



(L to R): Mr Bradley Kading, Mr Albert Benchimol, Mr Denis Kessler, Mr Urs Ramseier and Mr Vincent Vandendael

5 takeaways to becoming the digital insurer:

- 1) No one knows what the winning bets are, so learn fast.
- 2) Fail quickly, fail cheaply.
- 3) “Test and refine” is more important than “plan and design”.
- 4) Do something different – you’ve not got long!
- 5) Focus on the customer.

“Even in the digital world, brands do matter. If you have a top brand versus a ‘click-and-go’ sort of brand, clearly the customers are prepared to pay more for the stronger brand.”

– **Mr Danny van der Eijk**
Executive Board Member,
Eureko

“I can do my research online, and I can actually decide to choose my product. But where’s my ‘click-to-buy’ button? That just doesn’t exist today on a lot of insurance websites.”

– **Mr Stephen Pendry**
Senior Director, Financial Services
Industry, Salesforce.com



“The digital way of dealing with customers is not just another channel, it is something that is transforming and needs to be embedded within businesses.”

– **Mr David Law**
Global Insurance Leader, PwC

“As long we are offering a fair product for a fair price, and we’ve got transparency on what that product means, regulations shouldn’t get in the way of digital developments.”

– **Mr Paul Jardine**
Chief Operating Officer, Catlin

“CMOs of insurance companies will end up spending more money on technology than CIOs by 2017.”

– **Mr Michael Spiteri**
Partner, PwC



(L to R): Mr David Law, Mr Paul Jardine, Mr Michael Spiteri, Mr Danny van der Eijk and Mr Stephen Pendry

The Future is Now Online

The stage is set and the wait is over; the future of insurance is here, and it is online.



Consider these statistics: The number of email accounts worldwide is projected to grow from 4.1 billion to over 5.2 billion by the end of 2018, whilst the total number of email users is also set to increase from 2.5 billion to over 2.8 billion over the same period; mobile email users around the globe which currently total 1.1 billion, is expected to double by 2018 with the wider availability of email-capable mobile devices at all price points; and social networking will grow from about 3.6 billion accounts globally to over 5.2 billion by end-2018.

In the face of these overwhelming numbers, DirectAsia Insurance Deputy Chairman Anthony Hobrow had remarked that the marketing potential is great. And indeed it is.

Social media and the internet has become a way of life and it is time that insurers keep up and incorporate it in their strategies permanently. Being “sold to” has become unattractive to most consumers; what is in vogue is “connecting” with customers.

Mark Your Diary!

2nd Conference on Insurance M&A in Asia

Theme: “Winning Strategies in Insurance M&A Deals”

1-2 Sep 2014, Mandarin Orchard Hotel, Singapore

12th Conference on Catastrophe Insurance in Asia

Theme: “Measuring the Risk Pulse of the CAT Market”

4-5 September 2014, Jakarta, Indonesia

2nd Asia Marine Insurance Conference

27-28 Oct 2014, Mandarin Orchard Hotel, Singapore

China Rendezvous

9-11 November 2014, China

3rd MENA Rendezvous

16-17 Nov 2014, Jumeirah Emirates Towers, Dubai, United Arab Emirates

For details, please visit www.asiainsurancereview.com

Trail blazers

Here are three players that have embraced the trend and made a splash

DirectAsia Insurance

True to its tagline “fast, easy, online”, the general insurer’s operations boast a comprehensive arsenal of platforms such as Facebook and Twitter for interaction; YouTube and blogs for information sharing; as well as direct email which Mr Hobrow said are “targeted, relevant and timely”, to support the company’s advertising and campaigns. As a validation of its success, the insurer was recently acquired by UK-listed insurer Hiscox for US\$55 million – just four years after its startup.

Taikang Life Insurance

The Beijing-based insurer had teamed up with online innovation giant Tencent to leverage on the latter’s mobile social application hit, WeChat. One of its latest initiatives was the rollout of a health policy via WeChat, which has a user base of 600 million as at end-2013. Customers could purchase affordable coverage at CNY1 (US\$0.16) using bank cards or WeChat’s embedded payment functions – simple and fuss-free. More attention-grabbing was al-

lowing customers to increase their coverage (capped at CNY100,000), should they opt to share the promotion with friends on their network. Through this, the insurer’s aim is help people understand the feature of mutual assistance that underscores insurance, said a Taikang spokesman.

Friendsurance

The German insurance startup delivers cheaper insurance to customers using an innovative peer-to-peer method. Customers can connect online and create their own insurance pool. Small claims are paid out of this pool, while bigger claims are still covered by traditional insurance. If the claims do not exceed the pool, the money is then returned to the customers. “The idea is to more efficiently replicate for a group of friends what traditional insurance companies do for a large number of strangers,” said MD & co-founder Tim Kunde. Since its launch in 2010, the business has grown to a size of more than 40 staff and had most recently attracted investment from Hong Kong billionaire Li Ka-Shing and Australia’s VantageFund.

Hyogo Framework for Action

The HFA is a 10-year plan to make the world safer from natural hazards. It was endorsed by the UN General Assembly following the 2005 World Disaster Reduction Conference.

It is the first plan to explain, describe and detail the work that is required from all different sectors and actors to reduce disaster losses. It was developed and agreed on with the many partners needed to reduce disaster risk – governments, international agencies,

disaster experts and many others – bringing them into a common system of coordination.

The HFA outlines five priorities for action, and offers guiding principles and practical means for achieving disaster resilience. Its goal is to substantially reduce disaster losses by 2015 by building the resilience of nations and communities to disasters. This means reducing loss of lives and social, economic, and environmental assets when hazards strike.

Priority Action 1: Ensure that disaster risk reduction is a national and a local priority with a strong institutional basis for implementation.

Priority Action 2: Identify, assess and monitor disaster risks and enhance early warning.

Priority Action 3: Use knowledge, innovation and education to build a culture of safety and resilience at all levels.

Priority Action 4: Reduce the underlying risk factors.

Priority Action 5: Strengthen disaster preparedness for effective response at all levels.

Ensuring Quality Learning in Insurance

As the insurance industry seeks to produce new graduates and fresh talent, a Malaysia-based accreditation body steps forward to ensure the quality of learning standards are being met in order to produce a consistent and skilled talent pool.

In a highly competitive job market, insurers need to double their efforts to engage learning institutions to promote the industry to prospective graduates, said Dr Amat Taap Manshor, Chief Executive of Finance Accreditation Agency (FAA).

Set up in Kuala Lumpur, Malaysia, in 2012 and supported by the Central Bank of Malaysia and Securities Commission Malaysia, the FAA undertakes the quality assurance of learning initiatives within the Financial Services Industry (FSI).

While it is FAA's mandate to ensure that standards for professional development in the financial services sector are of the highest quality, Dr Amat said insurers have to continue competing with their financial services peers to ensure a strong pipeline of talent flowing into the industry.

Collaborations with Schools

A key building block in this effort is sustained collaborations with academic institutions to spread the knowledge of risk management more widely in schools and tertiary institutions.

"Insurers have been preparing talent development programmes, from entry-level to managerial positions, to promote continuous learning for the existing workforce. Some organisations are hiring talent from abroad.

"Despite these initiatives, industry experts agree that greater collaboration and coordination amongst various agencies beyond the financial services industry is critical to ensure the development of what many would call, a 'highly-competent, cognitively demanding' profession," he said.

Hence, Dr Amat said the industry must work closely with schools and tertiary institutions to promote risk and insurance literacy.

Sustaining a Competent Talent Pool

While it is important to enlarge the pool of talent in insurance, it is equally vital to ensure the level of competence amongst insurance professionals is maintained.

In this regard, FAA is one of the few agencies in the world that accredits non-academic and professional programmes offered to practitioners in the FSI, in the areas of capital market, banking, insurance and Islamic finance.

"Accreditation ensures that the learning programmes related to insurance provided by insurance companies and training institutions meet globally-accepted levels of quality, thus enabling them to access a pool of competent individuals who have completed the accredited learning programmes irrespective of location and jurisdiction," said Dr Amat.

Aside from accrediting learning programmes, the FAA has also established a Finance Qualification Structure (FQS) to harmonise, integrate and streamline professional qualifications in the FSI into a single qualification framework.

The FQS enables equivalency of the different levels of professional qualifications to be mapped against various qualification frameworks and industry standards. This facilitates the ability for a financial institution to "chart a clearer career and development path for its employees," said Dr Amat.



Dr Amat Taap Manshor

International Outreach

Since its inception in 2012, the FAA has been collaborating with regulators, training providers, academicians and industry professionals across the world in promoting its quality standards and practices.

"We have been receiving applications for learning programme accreditation from training providers in Europe, the Middle East and Asia.

"Due to the overwhelming response, the FAA is planning to set up an offshore office in Dubai in 2015, followed by offices in the United Kingdom and Hong Kong," he said.

Engagement with the Industry

In order to maintain the highest standards, the FAA continually seeks to increase its engagement with industry experts. In this regard, it maintains a panel of international moderators and assessors, along with industry technical experts, who provide a global perspective of learning content and best practices.

Moving forward, Dr Amat said it will continue to build "high-impact collaborations" with professional bodies, financial institutions and regulators in various regions.

Since 2013, the FAA has accredited more than 100 programmes and is expecting that number to increase four-fold in due course. It will soon see the implementation of the e-Certification programme which is essential as FAA reaches out to certify its programme assessors globally.

"This will bring more opportunities as FAA finds new ways to promote quality learning amongst financial services institutions internationally," said Dr Amat.



Soaring with SCOR

In 2002, Mr Denis Kessler was appointed Chairman of SCOR when the Group was going through a severe crisis and teetering on the brink of collapse. He rescued SCOR from its near-collapse and transformed it into one of the leading global reinsurers – currently the fifth largest in the world.

Now in 2014, Mr Denis Kessler, Chairman and CEO of SCOR, has been inducted into the Insurance Hall of Fame.

But other than just personal achievement and pride in the Group, the man commended for his lasting contribution to the industry also said: “We should all be very proud of what our industry has been able to achieve for the last 50 years. We have been able to absorb incredible shocks – terrorist attacks, quakes, industrial explosions, floods, storms, hurricanes, typhoons; and we should also be very proud of the resilience of the industry during the financial crisis.”

Truly a deserving winner!



Congratulations!

1. Mr Denis Kessler, Chairman and CEO, SCOR – Inducted into the Hall of Fame;
2. The Late Mr Robert Kiln, Founder, R J Kiln & Company – Inducted posthumously into the Hall of Fame;
3. Mr Martin Eling, Mr Christian Biener, and Mr Jan Wirfs (not present) from the University of St. Gallen – Recipients of the Shin Research Awards for Excellence;
4. Mr Rowan Douglas, CEO, Capital, Science & Policy, Willis Group – Recipient of the Kenneth Black Jr Distinguished Service Award;
5. Dr Qixiang Sun, Dean, School of Economics, Peking University – Recipient of the John S Bickley Founder's Award; and
6. Mr Randy Dumm, Florida State University; Mr Mark Johnson, University of Central Florida; and Mr Charles Watson, Jr, Watson Technical Consulting (not present) – Recipients of the Shin Research Awards for Excellence.

See you in New York!

Mr Michael Morrissey, President & CEO of IIS has said that the next installment of the annual conference will be held at the Waldorf Astoria in New York, 14-17 June. Helming the Organising Committee is industry veteran Ralph Mucerino, Senior Vice President, AIG & CEO of Consumer Insurance Americas at AIG Property Casualty.

“Over the next few months, Ralph will be overseeing the committee and coming up with themes, panel topics as well as formation of the sponsorships. And we will always try to present a combination of timeless issues like regulation, reinsurance, and hot topics of the moment. We will be determining what the hot topics are for the 2015 seminar in the coming months – though it may be something we probably have not recognised yet,” Mr Morrissey said.



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