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Finding Ideal Partners

As the world changes so does re-insurance, being a huge global business with more than half trillion in capital.

The strategic thrust to spread risk geographically that pleases rating experts so much, has made the RI business global. Yet, the search for partnerships within each geography is local, and often even reinsurers believe that local presence woos or rues the day. This is where reinsurers hold the key: can they lead the partnership and hence lift their risk partners to higher ideals, or do they follow the lead of their clients? All partnerships drift without a leader, even if we all accept the rule of equal partners.

With industrialisation, globalisation and digitalisation that know no boundaries, the risks get more global too. The risk landscape changes ever so fast, making each renewal more challenging and daunting.

Reinsurance Score Sheet

Where goes reinsurance in this space? Some say the market is shrinking. Growth is stuttering and profit margins are down.

Some say the weight of regulations and compliance are weighing down the market. Some say a few of the new risks, like cyber, are so complex, pervasive and expansive to be critically assessed at any point in time, let alone price it correctly or realistically underwriting it. Some are looking beyond insurance – government or capital market instruments, like ILS, which work in the more advanced markets in Asia, like Australia and Japan.

Leader of the Risk Game

Are reinsurers the leaders of the risk game?

Whatever the answer, the reality is that everyone looks to reinsurers for more support and more partnership, given their market-knowledge, technical savvy, risk exposures and risk awareness.

Yet reinsurers are bound by long-term relationships and ties to their clients and cedants, which sometimes weigh over technical risk considerations.

That's how reinsurance works. Reinsurance is not a transactional business: Pay today and disappear tomorrow; or putting it in the business-sense, cedants cannot

expect to collect today and not allow reinsurers to recoup from them tomorrow, and remain sustainable to be there for you tomorrow. Despite all the Nat CATs they face, because of their Japanese cedants mindset and grace, reinsurers still queue to woo Japanese business on a priority basis.

Long-term Partners

In the search for partnerships, one must be mindful in a long-term partnership, with both parties respecting the survival needs of either party. It is almost like a marriage with an annual renewal clause, said an old timer, who has been there, done that and is still loving all the rejections.

It is not about price, it is about coverage and who is providing the coverage. But all these are linked to the price too. Insurance and reinsurance buyers who buy for peace of mind to know that their risks have been managed, must look beyond price and today's budget. Is there a formula for this? Quarterly P&L and short-termism continue to distract. So we plod along looking for new partners as in today's world no partnership is exclusive.

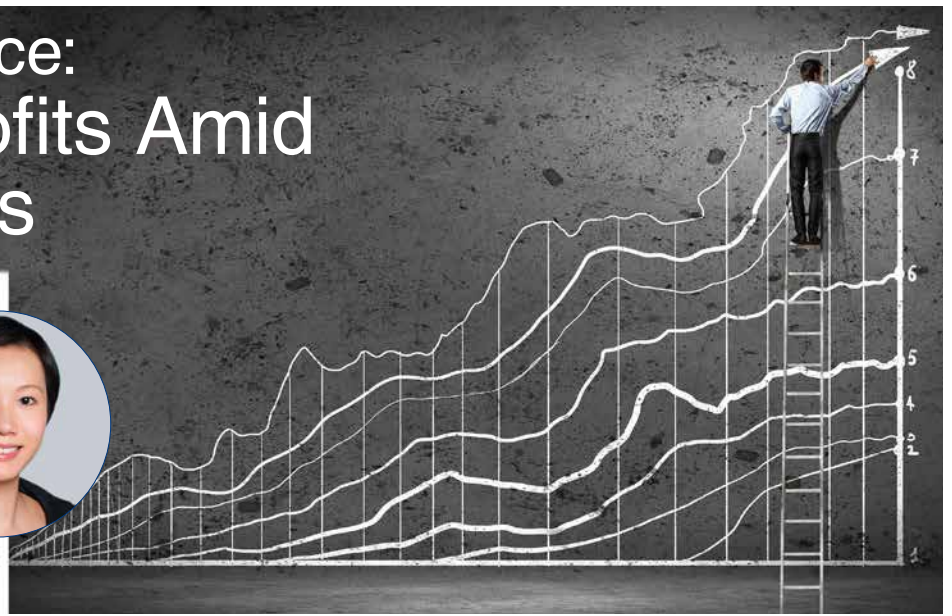
Will the 14th SIRC with the dynamic theme: "New Partnerships in Reinsurance" reveal the secret to success and long-term survival to find the ideal partner? The bewitching hour approaches. Quick, find the perfect red apple to cut to see your ideal reinsurer!



The reality is that everyone looks to reinsurers for more support and more partnership, given their market-knowledge, technical savvy, risk exposures and risk awareness.

Asian Reinsurance: Narrowing Profits Amid Stable Markets

Shifting from an operational model that relies on domestic proportional business to one that provides value-added consulting is a challenge that many Asian reinsurers will have to work through for future growth, says **Ms Christie Lee**, Director, Analytics – **A.M. Best**.



The Asian reinsurance market has shown remarkable stability in recent years. In fact, since the catastrophes of 2011 weighed down reinsurers' results in 2011 and 2012, the market has been quite stable, with only limited volatility. As well, many Asian reinsurers have very strong home markets, which has allowed them to expand overseas through reciprocal business, especially in the early stages of an overseas expansion.

Lurking behind this stability, though, is the worrying trend that Asian reinsurers are finding it difficult to grow both their top and bottom lines. A glut in reinsurance capacity and growing retention by the direct industry are obvious threats. An even greater challenge is the weakening value proposition of Asian reinsurers' business models. It is clear that these companies will have to revisit their strategies for their own long-term survival.

Another concern is that the industry's stability has come hand-in-hand with a narrower profit margin. Moreover, Asian reinsurers' stability could be viewed as stagnation when their major cedants grow faster in terms of premiums and capital size, due to oligopolistic market structures and a trend towards personal lines. That means that, even as their risk-adjusted capital remains steady, Asian reinsurers are being increasingly dwarfed in size and scale by those they are supposed to protect.

China and India

Among reinsurers in the region's fastest-growing markets – China and India – GIC Re of India posted very strong growth over the last year, owing to the country's government-sponsored crop insurance program coupled with relatively weak solvency capital at GIC Re's cedents. China Re, on the other hand, saw a slow-down in top line growth (on a local currency basis), due mainly to a decline in its non-life reinsur-

ance premium, which came about because of an increase in reinsurance capacity across China, as well as a decrease in reinsurance demand because of solvency regulation changes that alleviated pressure on the company's cedents.

Regardless, long-term growth prospects for reinsurers in China and India remain high in both absolute and relative terms. That's good for companies in those markets, though it also means that more players are likely to enter, bringing intense competition to both markets.

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Reinsurance Industry Outlook

A.M. Best's outlook for the reinsurance sector worldwide is negative, due to the significant and ongoing market challenges that will hinder the potential for positive rating actions over time and may eventually translate into negative rating pressures. The sector is in the later stages of a soft market, with strained risk-adjusted returns as compression continues to bear down on underwriting margins. Investment yields, meanwhile, offer little help. The current market headwinds present significant longer-term challenges that industry participants need to work through – and those companies that are not proactive will not lead their own destiny.

In Asia, one way reinsurers can remain relevant is by providing value-added consultancy and services in exchange for the ceding premiums, rather than just capital. The major challenges that cedents face is not a lack of (reinsurance) capital, but rather issues such as developing cost-efficient personal lines, pricing, segmentation and product innovation in detariffed environments, and realising expense savings. However, they will be competing against major global reinsurers that offer such ancillary services and have significant resources at their disposal.

Strong and increasing competition will be a challenge not just in the big markets of China and India, but all across Asia, exacerbated by the fact that while the domestic book comprises the main portion of business for many Asian reinsurers, only a few of them actually enjoy dominant positions in their domestic markets. Regulatory protection of the growth in domestic retention may buy time, but it won't reverse the persistent growth in competition. Some reinsurers might try to increase premium retention to offset top-line pressure and spread expenses over a higher premium base. With competition in their own markets increasing, they may want to venture into smaller markets that are overlooked by the large players.

Over the past year, new reinsurers have been attracted to the China and India markets. Regionally, though, the number of potential start-ups currently being discussed has declined from previous years, which somewhat reflects current market conditions. Moreover, given the need to shift from an operational model that relies on domestic proportional business, to one that provides value-added consulting paid for by ceded premiums, smaller domestic reinsurers may also seek out alliances with mid-sized global reinsurers. However these reinsurers may have the appetite, but not the scale, to efficiently expand into the Asian markets.

The capital efficiency gap – the key to addressing the global underinsurance crisis



Paul Mang, global CEO of Analytics at **Aon**, offers his views on how the industry should frame the global underinsurance challenge and strike a path forward

Aon Benfield's most recent Annual Global Climate and Catastrophe Report highlighted a familiar theme: total economic losses from worldwide natural disasters continued to be many times greater than insured losses. This so-called "protection gap", which stood at US\$156 billion in 2016, is prevalent globally; even in the United States, which accounts for 56% of global insured losses but only 28% of global economic losses, the protection gap was nearly 50% in 2016.

The protection gap seemingly presents many opportunities for (re)insurers, but while underinsurance is indeed a problem, stakeholders need to take a more comprehensive approach to risk management to ensure that losses are being spread in the most efficient way.

At Aon, we view the challenge of underinsurance through the lens of a "capital efficiency gap" – we build on the concept of the protection gap metric, but advance the dialogue with a more nuanced framework that looks at the total cost of the risk in the context of natural catastrophes.

Using a total cost of risk (TCOR) approach, the sum of insurance premiums, administrative risk control costs, and retained losses, are all instrumental in calculating the capital efficiency gap and identifying the most cost-effective ways to manage and reduce risk. TCOR is not

a new concept, but it has yet to be widely applied to systemic problems. The 2017 Aon Global Risk Management Survey indicates that even for businesses with more than \$25 billion in revenue, just 57% use TCOR to guide their risk management and insurance decisions. By integrating TCOR into disaster risk and resilience, governments and businesses will be able to allocate capital more efficiently.

Adequate coverage

When looking at different scenarios from a capital efficiency gap perspective, the use of not only insurance, but also financial tools beyond insurance – such as development finance, derivatives, and sovereign debt – can help economies and societies better mitigate potential losses from natural disasters. An understanding of these dynamics can help elected officials, finance managers, policymakers, and business executives take a more prudent approach to safeguarding their interests.

Quantifying the true financial impact of natural disasters is a complex challenge in the context of the capital efficiency gap. For example, The University of California, Davis, estimated that the agriculture industry's economic losses during the 2015 California drought totalled \$2.7 billion, but less than \$500 million was insured. Of the total, direct losses accounted for \$1.8

billion, of which \$1.25 billion was from sources such as crop yields and associated revenue losses that were insurable.

However, \$590 million was incurred due to increased costs from pumping water and job losses, which were partially absorbed by rising food prices. While the increases were significant for certain crops, the US Department of Agriculture estimated total food price inflation at only 3.5% for the year. Job losses would be partially absorbed by the state through unemployment claims and a drop in demand from employers. Assuming output losses were fully insured, operational costs would still increase to continue production. Coverage also wouldn't lower food prices, as the lost output still exists. Instead, insurance would mitigate employment losses by helping farmers stay in business and keeping money in local economies. In agricultural markets where derivatives play a role, these products can also reduce the risk of price volatility through hedging.

Efficient use of capital

So in looking at the capital efficiency gap, (re)insurers need to harness the full range of products and options, understand how uninsured losses affect economies of different scales, recognise where other financial solutions have value, and educate clients on TCOR. SMEs and households in particular need more engagement from the industry to help them think about TCOR on a smaller scale.

Better engagement with financial institutions and governments at every scale is needed, and the Insurance Development Forum, established in 2016 to address the issue of the protection gap, represented a good start in the process. Insurers are well-placed to focus on chronic risks and find new ways to offer financial protection to infrastructure.

Technology and innovation are creating new ways of pricing and transferring risk, and analytics can help assess risk and determine where insurance makes sense. Only through innovation can economies and societies absorb the economic losses of disasters in an efficient way. Closing the capital efficiency gap is critical not only to our industry but also to the lives and livelihoods of individuals, households, and business owners across the globe.

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Walking down the SIRC memory lane

With the SIRC becoming an annual affair this year, we take a walk down memory lane right from its humble beginnings in 1991.

This year marks the 14th SIRC. A biennial affair since its humble origins in 1991, the event has grown into a must-attend, now annual stalwart of the annual reinsurance calendar. As we embrace this year's theme of "New Partnerships in Reinsurance", we look back at some of the discussion points from past milestone editions of the SIRC.

1st Singapore International Reinsurance Conference

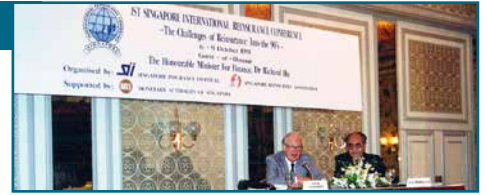
1991

6 - 9 October

Theme:
"The Challenges of Reinsurance into the 90s"

The first-ever SIRC was hailed a success and attended by around 316 participants from 28 countries, defying an initial cool response from those who thought there were too many meetings close to renewal season. In fact, many felt that the SIRC thus served as an effective marketing forum to make contacts. The jury was still out then on whether there are too many reinsurers in the region, with local authorities promoting Singapore as a regional centre, while others felt that the insurance cake was too small to share with foreign players. Asian reinsurers were advised to venture very carefully into overseas markets only after enhancing their capitalisation, or "stay in your own market".

There was recognition that all reinsurers have significantly increased their real exposure, as they have to accept risk against capital and not against a retrocession programme, with the shortage of capacity forcing many reinsurers to use supporting non-catastrophe business to access further retrocession capacity from reinsurers, who do not actively participate in the retrocession market.



4th Singapore International Reinsurance Conference

1997

5 - 8 October

Theme:
"Riding the Wave of Competition in the Wake of Greater Market Liberalisation and Consolidation"

Reinsurers were asked to grant Singapore offices more autonomy at the 4th SIRC, with the Second Finance Minister saying that in his view, those who established their Singapore offices as the regional centre of excellence "have a valuable competitive edge over others."

Discussions that year also highlighted the rising threat of "alternative risk markets" to traditional insurance, and called for insurers to come up with more innovative products to meet customer expectations to hold their own. Soft rates at the time and low returns caused some concerns about underwriting profitability, particularly in Japan in the wake of "Big Bang" reforms. Then-Chairman and Chief Executive of SCOR Jacques Blondeau predicted that the Big 4 would grab a larger slice of the reinsurance market.



8th Singapore International Reinsurance Conference

2005

25 - 28 September

Theme:
"Can Reinsurance Cycles in Asia be Managed?"

The four C's – Catastrophes, Cycles, Capital and Capacities took centre-stage at the 8th SIRC, shortly after Hurricanes Katrina, Rita and Typhoon Damrey wreaked havoc in the US and Asia, and with the Indian Ocean tsunami occurring just the year before. With the growing number and severity of Nat CATs, then-Executive Director of the Insurance Supervision Department at MAS, Low Kwok Mun called for reinsurers to reconsider their pricing models and risk management strategies to ensure that they meet their obligations.

Discussions also highlighted the need for modelling and strategic risk management, and for risks to be simulated and priced properly. The tsunami brought lessons on clearer policy wordings and pointed to larger issues concerning coverage and moral obligation towards the insured.

Tackling the conference theme, participants also said that reinsurance cycles can and must, be managed and it is the responsibility of management to implement and ensure the sustainability of a consistent market for all.



11th Singapore International Reinsurance Conference

2011

30 October - 2 November

Theme:
"Asia's Growth - Are We Capitalising On It?"

2011 was the first time SIRC was held at the Marina Bay Sands, which had just opened in 2010. The key message in the official MAS keynote address was that reinsurers need to work with regulators, and one area that needs the collaboration of both parties is in their collective understanding of Asian risks in order to quantify and price these correctly. These risks include not only Nat CATs, but must also include a deeper understanding of pandemic risks, mortality trends, cross-border risks and changing production chain patterns.

Meanwhile, industry keynoter Dr Nikolaus von Bomhard of Munich Re said that disciplined financial steering and a responsible management culture must be the foundation of profitable growth. He viewed Asia as having the potential to pull the world economy out of the gloom, with the insurance industry an enabler in this process. Other issues discussed included diversification, Thai floods and the "stinking" pricing of Nat CATs amid higher capital costs.



Is blockchain the new transformational tool for reinsurers?

Mr Paul Brenchley, Insurance Advisory Partner at **KPMG Singapore** briefly discusses the transformation benefits of blockchain technology for the reinsurance industry.



Even though blockchain technology has been around for a number of years, it has not been until recently that we have seen significant interest from financial institutions in the adoption of this technology. Banks have been leading developments in the financial services space, with the insurance industry now rapidly playing catch-up as they start to fully appreciate the potential uses of blockchain technology.

Blockchain is essentially a permanent and immutable record of transactions within a network. At the root of the blockchain are “digital ledgers” that are distributed amongst all network participants to serve as a common source of truth. When a transaction occurs, it is recorded in sequence in the digital ledger and these “blocks” are then tied together into a blockchain. Since the system relies on references to other blocks that are cryptographically secure within the digital ledger, it is viewed as almost impossible to falsify. The system is believed to be immensely more trustworthy and transparent than many traditional approaches to sharing data.

Is blockchain the great enabler?

Tremendous opportunity is perceived within the reinsurance industry as many processes are still highly manual and complex, involving multiple parties. As blockchain provides a mechanism to establish a single version of the “truth” that is shared in near real-time, it creates conditions to enable faster, more accurate and more efficient processes.

At KPMG, we see a number of uses of blockchain technology within the reinsurance industry that have potentially significant transformational benefits.

These include using blockchain technology to:

1 Enable fast and efficient information sharing between multiple parties. As an example for large complex claims, all claims assessment information produced and collected could be shared instantaneously with relevant brokers, insurers and reinsurers to the contract, to provide an indisputable record when verified by the network.

Using blockchain increases information transparency as all parties would be privy to the same information; reduces operational costs associated with information distribution and storage; and can speed up the assessment of the estimated cost of a claim and payment.

2 Develop smart contracts that automatically trigger claims payments or premium adjustments with the primary insurer leading to improvised workflow automation for policy creation, claims notification and pay-outs between brokers, insurers and reinsurers. To add on, the digital automation of the associated bordereau reporting would reduce associated operational costs.

A number of more proactive reinsurers are exploring the benefits of blockchain technology across their own businesses. In doing so, many have seen not only transformational benefits in a number of areas, but also wider benefits in the development of a broader insurance blockchain-based solutions with multi-party involvement.

Some of KPMG’s blockchain use cases in Singapore

Through KPMG’s Digital Village innovation ecosystem in Singapore, we have been active in the development of blockchain use cases for the financial services industry, by undertaking a number of blockchain related projects including:

- **Blockchain-enabled shared KYC platform for banks in Singapore**

KPMG is supporting an initiative that includes sharing KYC data between a number of banks, to explore how a common KYC standard can be instituted with a particular focus on performance, reliability, and data security through blockchain technology.

- **Smart contract enabled usage-based travel insurance**

KPMG has developed a value proposition for a single sign-up, usage-based, pay-as-you-travel insurance model with automatic claims validation and pay-outs given at specific events. KPMG explored how smart contracts using blockchain technology with a variety of publicly available and customer-provided data sources, could be bought together in one travel product.

- **Streamlined hospitalisation claims payouts for a life insurer**

KPMG is developing a hospitalisation insurance product concept, which aims to provide immediate pay-outs through smart contracts to support families and individuals during hospitalisation periods.

What insurance executives expect from the ASEAN Economic Community (AEC)

The following article is based on the recently launched ASEAN Insurance Pulse 2017, prepared by **Dr. Schanz, Alms & Company** and exclusively sponsored by **Malaysian Re**. Based on in-depth interviews with executives from 35 companies and organisations from 8 different ASEAN countries, **Dr Kai-Uwe Schanz** and **Mr Wan Murezani Wan Mohamad** summarise the insurance-specific opportunities and challenges anticipated from AEC.



Dr Kai-Uwe Schanz



Mr Wan Murezani Wan Mohamad

The ASEAN Economic Community (AEC) was formally launched on 31 December 2015 as a major milestone in regional economic integration with the aim to ultimately create a single market with minimal economic barriers in order to facilitate the movement of goods, services (including insurance), investment, capital and skilled labour.

2020 has been identified as a potential milestone for the ASEAN insurance industry; even though there is no specific timetable yet, cross-border trade in insurance services is set to be liberalised first. It usually covers relatively simple and commoditised insurance products, such as motor or term life insurance. The member states have repeatedly reaffirmed their commitment to open marine, aviation and transit (MAT) insurance, reinsurance and retrocession, as well as catastrophe insurance markets first.

Against this backdrop, according to our research, 49% of executives polled believe that AEC will be a positive development for their respective companies in the next five years. Most executives expect AEC to grow the available insurance pie in their markets by promoting competition,

innovation and governance. The most immediate benefit is expected to arise from the cross-border provision of motor, health, marine, aviation and transport (MAT) and engineering insurance.

Fairly positive on liberalisation

Sixty-three percent of participating executives anticipate AEC to benefit their domestic insurance markets at large. Innovation and improved customer awareness and satisfaction are set to present opportunities to all market participants. However, the impact is expected to be evolutionary, not revolutionary.

Fifty-one percent of executive interviewees believe that non-life insurance penetration (premiums as a share of GDP) will increase as a result of AEC. This effect is particularly likely in lower income countries.

Fifty-seven percent believe that AEC is a major opportunity for global multinational insurers in particular, based on their superior experience with cross-border expansion, in-depth expertise, strong balance sheets and well-known brands.

Almost all interviewees expect Singapore to benefit most from the AEC as the Lion City is likely to further consolidate its position as a regional (re)insurance hub for the provision of cross-border services.

Almost all (94%) executive interviewees consider regulatory differences a major obstacle to AEC insurance integration. The most frequently mentioned specific items

include varying minimum capital and solvency regimes, significant differences in reinsurance regulation, divergent insurance and tax laws, as well as inconsistent approaches to product filings and policy wordings.

Eighty-six percent of interviewees consider a common regulatory framework across ASEAN very useful. Improved governance was most frequently mentioned as a key attraction, followed by the prospect of greater consistency of regulatory, legal and taxation frameworks as well as the opportunity to conduct business abroad in a cost-efficient (cross-border) way.

Sixty-nine percent of executives believe that, medium-term, AEC will result in higher solvency capital requirements in their respective home markets. One key driver is the expected convergence of solvency regimes towards Risk-Based Capital (RBC) models.

Seventy-four percent of polled executives do not consider AEC a threat to their respective insurance business over the next five years, even though 95% expect that the liberalisation measures envisaged will increase the degree of competition in the region's insurance markets. This is generally viewed as positive as long as effective regulatory oversight counterbalances increasing competition.

Having said all this, 83% of survey participants miss a clear direction for the AEC insurance integration initiative, in particular, a reasonably meaningful timetable or industry-specific blueprint which would support strategic decision-making at company level. There is clearly a need for additional communication efforts in order to maintain the region's insurance industry's positive and open-minded stance to the proposed liberalisation measures.

Dr Kai-Uwe Schanz is Chairman of Dr. Schanz, Alms & Company AG. Mr Wan Murezani Wan Mohamad is Head of Research at MNRB Holdings Berhad.

63% of participating executives anticipate AEC to benefit their domestic insurance markets at large.



China's Belt and Road initiative – Growth and opportunities



China's Belt & Road Initiative (BRI) is a development strategy proposed by China that focuses on connectivity and cooperation – with investments of US\$4 trillion including infrastructure, highlights **Dr Shen Yiming**, Senior Vice President, Head of China Client Services, Asia at **Marsh**.

The land-based “Silk Road Economic Belt” and the ocean-going “Maritime Silk Road” will affect 4.4 billion people with a collective GDP contribution of US\$2 trillion. BRI underlines China's push to take a larger role in the global economy, and the desire to coordinate manufacturing capacity with other countries. President Xi has pledged to funnel an additional CNY100 billion (US\$14.5 billion) into the Silk Road Fund, while the China Development Bank and the Export-Import Bank will set up new lending schemes of CNY250 billion (US\$36.2 billion) and CNY130 billion (US\$18.8 billion) respectively.

The most obvious winners from China's new strategic move are banks, construction companies, infrastructure investors, consultants, professional services firms, equity fund managers, and exporters. Asian companies will get more opportunities as the Chinese government, banks, and enterprises invest in B&R countries, especially for infrastructure projects.

Opportunities for ASEAN

B&R strives to promote Chinese capital and technological investment into ports, transport routes, and other infrastructure in order to improve resource distribution, market integration, and allow for better facilitation of trade and investment within ASEAN. For example, B&R will take China's rail expertise into Southeast Asia. On 1 November 2016, China Communication Construction Company (CCCC) signed a business contract with Malaysia Rail Link for a railway project on the east coast of Peninsula Malaysia, with a contract value of some MYR46 billion (US\$10.8 billion), its largest overseas project ever.

Singapore will also benefit by attracting businesses to operate out of this trading and investment hub and tap on growth opportunities in the Asian region. The island-state has also established itself as the second leading offshore hub for RMB trading. The country is expected to rise in prominence as the shipping and aviation hub of Southeast Asia, in addition to witnessing an increase in trade and personnel exchange across the region as a result of the construction and development of ports, airports, and other facilities.

Challenges

The opportunities that the B&R initiative brings also result in some risks and challenges, as it will pass through diverse countries spanning Africa, Asia, and Eu-

rope, exposing participating companies to political, credit, and security risks. Numerous countries receiving Chinese financing already bear elevated debt levels and B&R will weaken their sovereign credit position further.

Insurance

B&R could benefit many classes of insurance. The more than 60 countries that are to be connected by land and sea, together with their 4.4 billion inhabitants, are for the most part developing markets with great economic potential. This could throw a new focus on both Chinese and other insurance markets concerned – particularly in the area of marine insurance. B&R could translate to an estimated commercial insurance premium of US\$10.6 billion in the Southeast Asian region till 2030 (Swiss Re estimates). In terms of lines of insurance, this is broken down to \$5.3 billion in Property, \$3.9 billion in Engineering, \$1.3 billion in Marine and \$0.2 billion in Liability.

Chinese firms more aware of Insurance

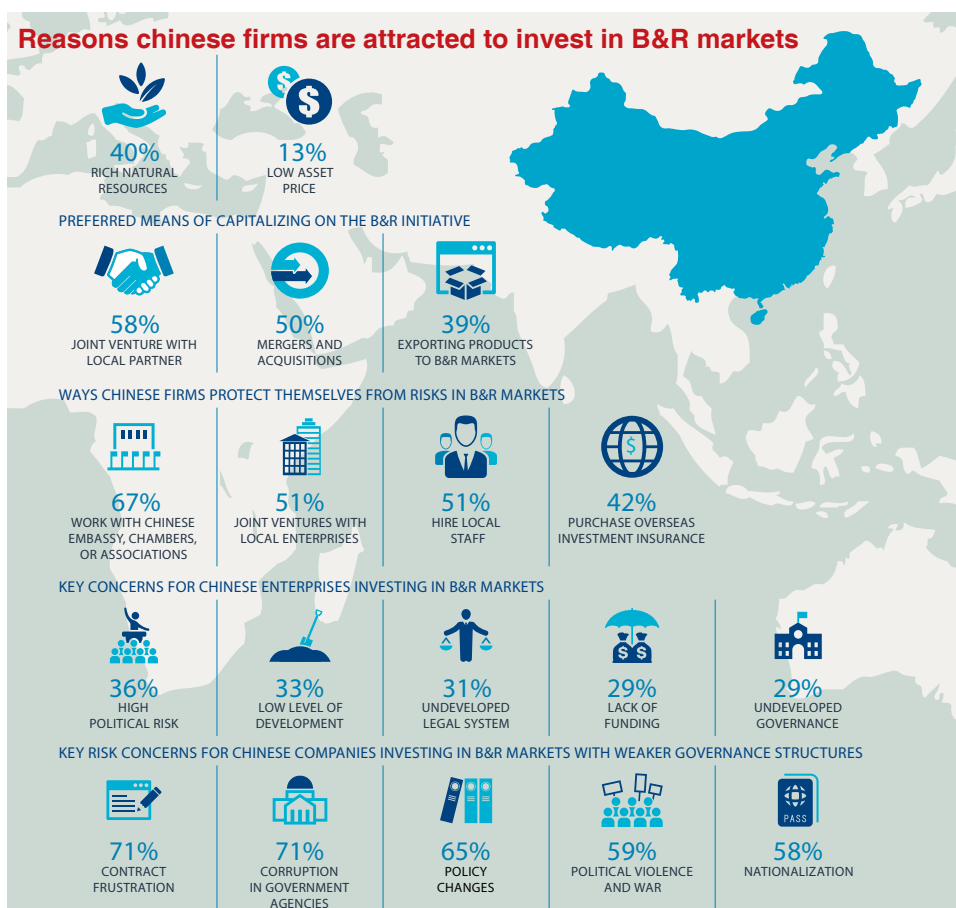
Chinese firms are learning quickly and their risk awareness and insurance pur-

chase behaviour has been changing in recent years, from reactive to proactive. For public-listed companies, a robust risk and insurance programme is part of good corporate governance. Many stakeholders in large infrastructure projects (project owners, contractors, and lenders) also require a comprehensive insurance programme covering a wide range of risks.

The Chinese government, through the State-owned Assets Supervision and Administration Commission (SASAC), has also issued guidelines governing State-Owned Enterprises' (SOEs) overseas investments from an enterprise risk management perspective. Previous mistakes committed in overseas investments, and lessons learnt have pushed Chinese firms to elevate their risk awareness.

Today, Chinese firms and their Asian JV partners are more proactive and mature in risk management and risk transfer. They are not only protecting their assets, but also liabilities, people, and returns on investment.

This article has been edited for brevity from a contribution to the October 2017 Asia Insurance Review issue.



Source: Center for China and Globalization (CCG)

Bringing new partners to the table

Leveraging on the best of digital technology be it for new products, better processes or more effective distribution is the order of the day, and reinsurers will have an important role to help insurers accelerate a digital-led transformation. The following is a snippet of a recent roundtable discussion among reinsurers and RI brokers, hosted by *Asia Insurance Review*.



The reinsurance sector can remain a rich source for innovation and new ideas for the insurance industry, said Mr Philip Hough, Managing Director for Asia Pacific at Aspen Re in a recent roundtable discussion.

He said the next big innovation may likely follow a similar track to that of alternative capital into the CAT space – for which reinsurers and reinsurance brokers have played an important role by acting as a distribution channel.

“You have highly talented people sitting in places like Silicon Valley with no access to our industry and I see reinsurers being a type of distribution for them as well to bring them into the (re)insurance space, particularly in the area of new technologies, big data and analytics.”

“I see our role as facilitating that process and who knows, in five to ten years that could become part of the norm.”

Although for that to happen, reinsurers would have to make the necessary adjustments to better align themselves with the changing landscape, he said.

“Our industry is ripe for disruption and we should look at how we can be more efficient, relevant and valuable.”

He said that as there was a lot happening in the (re)insurance space, “reinsurers generally need to modernise ourselves as the reinsurance model is still rigid for many of the market players”. He made the call that “reinsurers need to see how we structure our distribution and tailor our products to align ourselves with the

opportunities and needs in the (re)insurance space.”

Investing in Fintech Start-ups

Like many leading industry players, reinsurers have also been actively investing in and/or partnering with fintech startups. But it has led some to question if reinsurers are in a way betting against their traditional client base.

“Do you believe that your existing client base are going to be the ones that collaborate and survive, or do you believe that there is a fundamental conflict in terms of capability and offering?” wondered Mr Mark Morley, Managing Director at Willis Re (Asia Pacific).

Ms Jayne Plunkett, Regional President and CEO Reinsurance (Asia) at Swiss Re said she sees many traditional insurers working in the same direction as fintech firms.

“I don’t see it so black and white. Some of the insurance companies are quite advanced in the technology field and they are playing a big role and driving a lot of the innovation.”

Mr Roland Eckl, CEO for Asia Pacific (Japan, Korea, India & Southeast Asia) at Munich Re, added: “There are companies who share with us that they’ve set up an

innovation unit and handpicked certain people to lead it. We clearly feel that embracing the change is definitely the right approach to the market changes we currently see, and those are the players we are keen to collaborate and partner with. On the other hand, we see other clients who still have a lower level of engagement.”

“It’s ultimately every client’s decision on how much they want to invest, where they set their company goals in five years’ time and how they want to position themselves.”

Engaging the energetic young

However, Mr Eckl believes that disruption is bound to occur in the industry – with it being a matter of when, rather than if. He summed up the energy at Silicon Valley as amazing, with young potentials having both smart ideas and the financial backing to disrupt the industry. “And one of them will eventually do it,” he said.

Ms Ann Chua, Head of Northern Asia & Operating Director, Asia Reinsurance at XL Catlin Re said: “It’s about engaging this new avenue, they have creative minds and we need to engage them.”

The full version of this story is available in the November 2017 edition of Asia Insurance Review.

5th Asia Marine Insurance Conference

Theme: “Finding Anchorage in the Perfect Storm”
20-21 November, Hong Kong

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