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## Classic risks remain biggest disruptors for the industry

At the CEO roundtable yesterday morning, the panel discussed the disruptive threats and opportunities facing the industry, agreeing on the ever-present issues of Nat CAT, over capitalisation and how the industry's risk are becoming more intangible.

By Ahmad Zaki

“Climate change, whether you believe it or not, and rising sea levels are some of the biggest disruptors for the industry now,” said Lloyd’s Asia Pacific CEO Kent Chaplin. He said that rising sea levels contributed an additional 30% to the total losses caused by superstorm Sandy, which hit the eastern seaboard of the US in 2012. “We are seeing the sea levels rise. We are seeing the incidence of natural catastrophes increase and unfortunately Asia Pacific is right at the heart of that.”

The important thing for the industry, he said, is that climate change and its consequences are something that can be modelled, and insurers have plenty of historic data collected on Nat CATs. “It’s what we do. We study and understand these events and we pay natural catastrophe losses.”

The same cannot be said of other emerging risks as the landscape changes. Cyber, for example, exists as a symptom of the intangible nature of the landscape insurers face – from identity theft, to intellectual property theft, to ransomware, cyber extends across a variety of risks that the industry does not fully comprehend just yet.

Bankers Association of the Philippines president Nestor Tan added that the preferred solution for most companies is to self-

insure, as current cyber cover does not meet their needs. “Too expensive, too limiting and too small a coverage. Too much is still unknown,” he said.

Cyber, while certainly the most talked about risk, is also accompanied in the ‘intangible’ portfolio by self-driving vehicles and drones and, particularly, the regulations surrounding them. Willis Re International chairman James Vickers said dealing with these unknowns requires an understanding of where the legal liability lies and figuring out who is actually responsible. However, data privacy laws and similar areas of the law are lagging behind.

This, he said, leaves the industry in an awkward position and the industry needs to do some lobbying with the public sector. “We need to work within some form of legal framework, because insurance is a product that promises to pay – but pay against what?”

He admitted that governments across the globe have been trying to catch up. “Asia Pacific, with the high standards of education it has, and with a good view and understanding of what has happened in the mature markets, can lead the world in this regard,” Mr Vickers said.



L-R: Messrs David Celdran, Kent Chaplin, Mike Reynolds, Nestor Tan and James Vickers

## Reinsurers can't stick to status quo

The second plenary session of the 29th EAIC focused on reinsurance for the future. NMG Group partner Roshan Perera moderated the session with contributions from Asia Reinsurance Brokers CEO Richard Austen, Guy Carpenter & Company regional CEO Tony Gallagher and Starr International Insurance Asia general manager Gary Wong.

By Paul McNamara

Setting the scene for the discussion was a presentation from the plenary’s fourth panelist, Willis Re International chairman James Vickers.

Mr Vickers painted a picture of a reinsurance industry that

was being blinded by the Nat CAT-losses inflicted on the sector in 2017 which were distracting attention away from the real problem: the underlying performance of the sector is still poor.

Expense ratios continue to be problematic and the overall

(continued on page 2)

return on investment for the reinsurance sector for 2017 was an unhealthy 2.9%, said Mr Vickers. "We need to rethink the reinsurance model," he said, "because the amount of capital coming our way is enormous."

It is the changing regulatory landscape that is pushing enormous pools of capital – from insurance-linked securities to pension funds – toward reinsurance because "it is an incredibly efficient use of capital," he said.

Mr Vickers went on to paint a picture of the reinsurance sector trying to adapt to the rapidly changing regulatory and financial landscape. "What is needed," said Mr Vickers, "is a paradigm shift."

In the meantime the protection gap continues to widen slowly. The reinsurance sector is in the position to begin to close this gap. "Our voice has been too quiet on the global stage," said Mr Vickers and urged reinsurers to join the call to take action to help close the protection gap.

"The real game changer," Mr Vickers said, "is the role of regulation." The world changed after the global financial crisis and the tidal wave sweeping through the financial services industry is now breaking on the reinsurance sector. "We have to change. We have to get on with it – to help provide society with the knowledge and capacity to build a more sustainable and fairer world," he said.

Guy Carpenter & Company regional CEO Tony Gallagher highlighted the fact that things work a little differently in Asia, and China in particular. China had seen shifts in insurance-buying habits that have been driven by technology and these same habits are leeching into other Asian markets.

This shift could feed through to the reinsurance sector, he said. What Asia needed, therefore, was to "establish an Asian reinsurance model" that was appropriate for this region, Mr Gallagher said.



L-R: Messrs Roshan Perera, Richard Austen, Tony Gallagher, Gary Wong and James Vickers

## An ecosystem for the new millennium

For years, insurers have been struggling to connect with the generation of young adults known collectively as millennials, who have a global spending power of over \$6tn. Members of the panel at yesterday's plenary session on 'Millennials and Insurance' claim that it requires a paradigm shift in how the industry approaches its products.

By Ahmad Zaki

"Insurance must change," said SunLife Financial chief marketing officer Mylene Lopa. "Millennials want an omni-channel and seamless experience, and the message, messenger and medium must be relevant to them."

This also requires insurers to enhance their products by tailoring them to specific individual needs and marketing those products accordingly. For a generation well-known for being impatient, any delay or extra steps in the process between wanting to buy insurance and purchasing can make the difference. This equates to a streamlined underwriting process, or as Muang Thai Life Assurance head of the Fuschia Innovation Center Ruthai Suttikulpanich said, "Less is more."

"We try to explain a whole load of everything, because insurers have been trying to translate the paper process onto the online experience, but that doesn't work. But millennials are not going to go through the whole bible of coverage. In order to be mobile and be digital, you really need to retranslate

and rethink how you approach your products," she said.

Even after moving to an online platform, it is not enough simply to set up an online distribution channel or an app and let it run, said NMG Group principal Nick Li. Speaking from the perspective of a millennial he said, "We want the buying process to be digital. What that means is that insurance must build an ecosystem in order to interact digitally with millennials. If I have a question for an insurer, I want the option of having it answered digitally. I want the option to check my product details or change my account details digitally. If I want to buy a product, I want to be able to see reviews of this product from people in the community, find out what they think of the insurer and the product. That helps me make my decision on whether to buy or not."

He also suggested increasing the interaction with millennial customers over social media, as it helps build a brand and a relationship.



L-R: Messrs Ka-Man Chan, Shinichi Kishi, Nick Li and Meses Ruthai Suttikulpanich and Mylene Lopa



# Claims in the digital age: How insurers can get started

Transforming the claims process should be a top priority in reconfiguring the insurance customer experience, says McKinsey & Company.

The insurance industry is in the midst of a radical, digitally-infused shake-up. With new attackers on the hunt for customers, incumbents must move quickly to integrate digital technologies into their operations.

For the property and casualty (P&C) industry, digitising the claims function holds tremendous potential.

To capture the value of digital, P&C claims functions must embark on a transformation to become a customer-centric, digitally enabled organisation that excels in the three foundational areas of claims – customer experience, efficiency and effectiveness.

In our experience, a digital claims function can boost performance on all three KPIs and generate significant value.

## End-to-end digitisation of the customer claims process

At the core of the claims function's digital transformation is a redesign of the claims customer journey. There is no silver bullet interaction that ensures customer satisfaction, but a successful redesign typically involves considering processes from the customer perspective and optimising back-office processes accordingly to provide simple and fast claims services.

Insurers should start with an 'everything is possible' mindset to unleash truly transformative ideas. Satisfaction surveys in claims consistently show that customers desire a fast and intuitive process as well as transparency on where they are in the process and what happens next.

For example, Lemonade has worked to redefine the customer experience with an innovative, chatbot-based FNOL system that creates automated claims payouts within seconds.

To determine how digital technologies can unlock value and improve the claims customer process from start to finish, managers should examine each step with the following areas in mind and start to develop an aspirational future state for claims that is unconstrained by potential short-term, technological barriers.

### Product simplification

Customers want simple and fast digital interactions, but complex coverage details that include many specific exceptions can create barriers.

### Customer and intermediary self-service

Insurers have the opportunity to shift simple, routine transactions from claims handlers to intermediaries, such as agents and brokers, or customers themselves. Examples include an intuitive online tool for FNOL and an online self-scheduling tool for claims adjuster appointments.

Further, seamless handoffs across channels are critical: customers who start their claim online but want to talk to a claims handler or agent halfway through should be able to do so without having to repeat steps or information. This functionality requires that all system interfaces follow an identical structure and logic.

### Intelligent case management

Supporting the entire process with automated, intelligent case management is critical to establishing truly end-to-end digital customer journeys. With the help of AI, a digital evaluation automatically identifies the best next step in a specific customer journey, reduces manual touchpoints, and significantly speeds up the claims process.

### Frontline and back-office process digitisation

Claims handlers and adjusters manually carry out often-complex tasks, leading to significantly divergent results. Digital tools and systems can simplify and standardise manual processes.

This results in higher customer satisfaction and a leaner process with reduced follow-ups and recalculations or litigation.

### Back-office automation

Insurers can achieve the greatest efficiency gains by fully automating back-office processes.

### Communication

Providing customers with the necessary information in digital channels offers customers the sense of control they desire. One US insurer, for example, implemented a digital case-tracking tool and reduced the number of status request calls by more than 50%.

### Digital integration of the claims ecosystem

For competitive differentiation and ownership of the customer in a claims case, insurance carriers need proactively to manage more (ideally all) processes related to a customer's claim – including those involving third parties.

For example, German claims solution provider ControlExpert digitally integrates with insurance carriers and repair shops to automate its invoice-verification process.

Insurers don't need to start from zero. In many markets, InsurTechs have started to lead the digital integration, for example, by digitally connecting car repair shops and enabling digital cost estimate and invoice transmission. Insurers should explore partnerships with existing offerings to digitise and integrate the claims ecosystem further.

### New operating model for digital age

Those insurers that move swiftly and decisively to transform the claims function can equip themselves to deliver against the new, higher customer expectations – while increasing efficiency and improving claims handling accuracy in the process.

This article is by Pia Brüggemann, Tanguy Catlin, Jonas Chinczewski, Johannes-Tobias Lorenz, and Samantha Prymaka of McKinsey.





# The night is young!

Reinsurers showed their hospitality to the industry with various cocktails throughout each night of the EAIC. Drinks flowed, relationships were formed, bonds were renewed and once again we are reminded why EAIC is such an important event for the industry.



## Welcome to 2020 EAIC Seoul

I would like to extend my congratulations on the success of the 2018 EAIC Manila.

This year's event served as a venue to share knowledge, insights and thoughts from various perspectives under the theme of Managing Disruptions, Driving Change.

Taking this opportunity, it is my privilege to invite you to the 30th EAIC Conference in Seoul.

Seoul is one of the most dynamic markets in the world having achieved tremendous growth and change in the insurance industry, not to mention in economy, politics, society and culture. I am also glad to see that the Korean peninsula is becoming a symbol where talks can ease tensions and secure peace.



In the next two years, the General Insurance Association of Korea (GIAK) and Korea Life Insurance Association (KLIA) will cooperate closely to make another round of successful events in Seoul.

The world's seventh largest insurance market is witnessing active discussions on fundamental change of the insurance industry, in such areas as Industry 4.0, consumer trust, financial inclusion and innovations in regulatory reform. Likewise, Seoul is the right place to gain insights into the future direction of your management strategies and to expand your business.

GIAK and KLIA look forward to seeing you in Seoul.

Thank you.

**Mr Jae-Koo Lee**  
Chief Delegate, Seoul



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29 October - 1 November 2018  
Sands Expo and Convention Centre, Marina Bay Sands Singapore  
Theme: "Reinsurance Reloaded"

[www.sirc.com.sg](http://www.sirc.com.sg)

## Have you sent in your nomination?

### 22<sup>nd</sup> Asia Insurance Industry Awards 2018



#### Deadline for Entries

16 May 2018 (Third-Party Nominations)  
31 May 2018 (Self-Nominations)

#### Gala Awards Presentation Dinner

29 October 2018  
Marina Bay Sands Expo & Convention Centre, Singapore

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