THE OFFICIAL MEDIA PARTNER OF THE SIRC

Is global warming shifting the diversification paradigm?

As severe convective storms and other weather-related risks become increasingly synchronised across vast regions, are we overestimating the effectiveness of global diversification, the way we are looking at it, asks **Deutsche Rück**'s **Mr Tarik Aouad**.

Historically, risk managers have relied on dispersing exposure across different geographical zones to mitigate losses, assuming that events in separate locations would occur independently from one another.

However, with storms, floods and other extreme weather events now overlapping in both time and space – in the US, Europe but also across Asia – is the concept of global diversification, as we often use it, still a strong enough defence? Or is this strategy losing its effectiveness in the face of climate change?

With the growing frequency and severity of weather-related risks, from severe convective storms (SCS) to tropical cyclones and floods, are traditional risk models becoming outdated? Climate change is amplifying the volatility of weather patterns across Asia and beyond, leading insurers and reinsurers to face unpredictable loss events that occur in rapid succession.

In this context, it is important to note that global warming – and with it, climate change – are very likely the common denominator behind most, if not all, climate-related events. This, in itself, could be the major source of these growing interdependencies.

More science

Are these not times where we need more science? The industry may need to reassess models that assume risks are independent across time and geography, and instead adopt more advanced frameworks to model the interdependencies between these risks.

In my view, copulas, for example, are increasingly valuable for modelling the growing correlations between weather events - such as SCS that can impact multiple regions simultaneously or in quick succession.

Similarly, other advanced mathematical tools may be very helpful for capturing interdependencies that traditional diversification strategies may have overlooked. These tools, combined with executable formulas, can help in developing precise mathematical models that go beyond value at risk and its related expected shortfall.

This enables a more accurate allocation of capital reserves to cover catastrophic events, such as floods and severe storms, while accounting for the likelihood of multiple events occurring simultaneously. However, these solutions seem currently to be still theoretically complex, requiring deep research before developing sophisticated statistical modelling for the market.

More investment needed

This may be the moment when the industry needs to invest in more experts with specialised knowledge in stochastic modelling – fresh talent from universities eager to tackle these real-world problems, finding new ways to getting more predictability rather than getting sometimes lost in 'useless' abstractions.

In the absence of such expertise and given the challenges of time and geographical diversification, we must ask whether the global insurance market is truly prepared for the cascading impacts of increasingly interconnected weather-related risks. As Asia's storms and floods become more frequent and destructive, the global reinsurance industry is facing the challenge of overlapping claims that exceed traditional event definitions. Are our current risk transfer mechanisms and contracts robust enough to counter these evolving threats?

Mr Tarik Aouad is managing director Middle East, South Asia, Southeast Asia, East Asia markets at Deutsche Rückversicherung.

The revolution will not be televised

The Singapore International Reinsurance Conference (SIRC) just keeps on making headlines.

This year, delegate numbers have exceeded the 3,000 mark for the first time – a testament to the power and attraction of the SIRC – and the quality and depth of debate that participants can witness and take part in.

Never before has the SIRC community been more in need of a crystal ball than it is today – with the myriad threats of climate change, cyber risk, uncertain interest rates and rising geopolitical tensions facing the entire region.

The SIRC has never before had such a compelling theme – 'Revolutionize Reinsurance!' – but you need to be here to soak up the ambiance and watch the frenzy of business activity taking shape before your eyes.

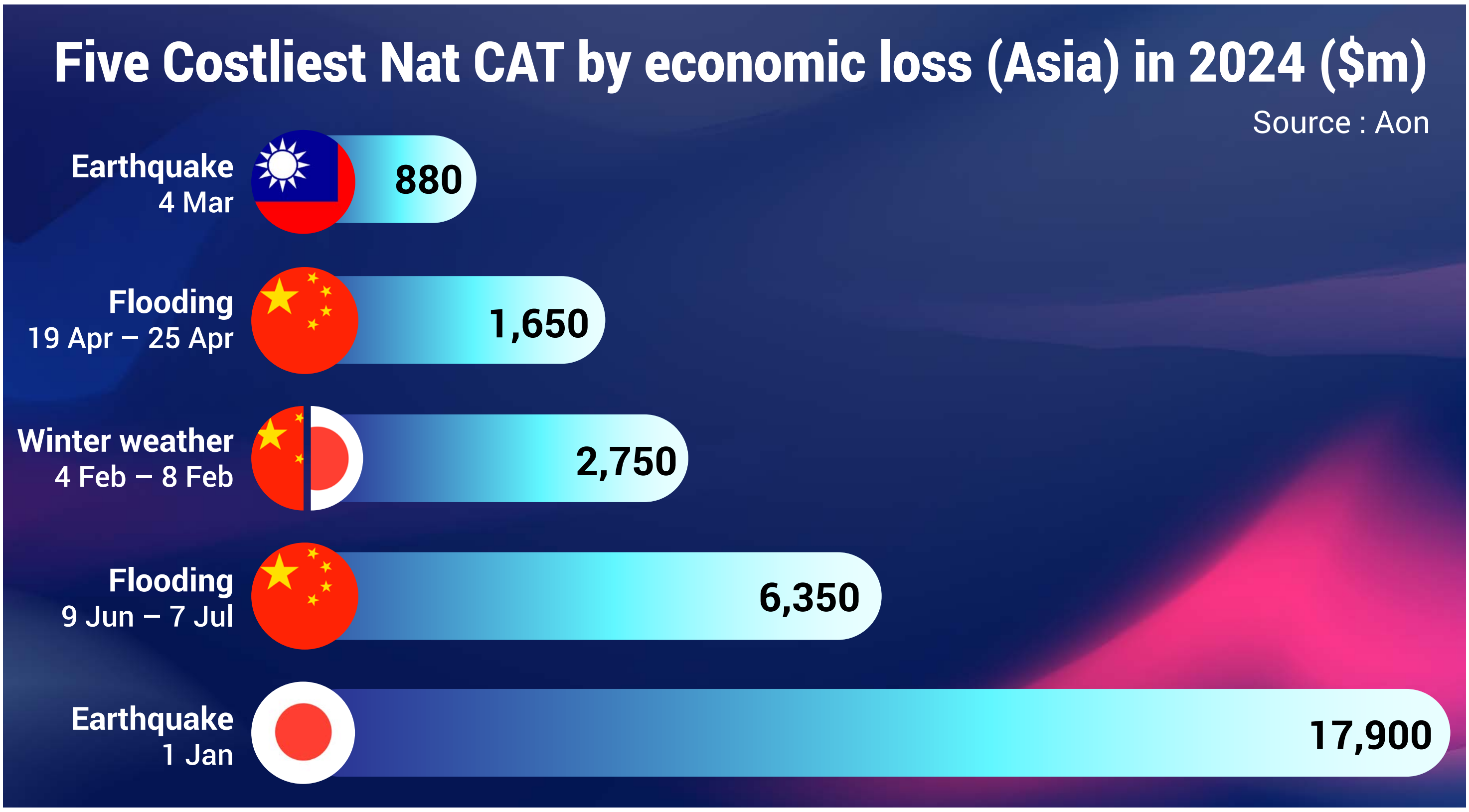
The days ahead are bursting with 'must-attend' sessions guaranteed to get delegates thinking and offering insights for winning insurance strategies. Delegates are sure to leave the conference with a real competitive advantage over those who have missed out.

Each day, *Asia Insurance Review* through its official media partner status with SIRC, will offer delegates a recap of what's been discussed – and some fascinating insights of our own – in this daily newsletter, available both in print and digitally.

Every single major risk and technological development to face the insurance community in APAC will receive a thorough airing in the days ahead – insights from some of the brightest minds and smartest thinkers that the sector has to offer.

If future success is awarded to those who are best prepared, there can be few forums more geared to arming with all the weapons they need to win the competitive battle that looms ahead over the next decade as AI begins to take centre stage.

Mr Paul McNamara
Editorial director, *Asia Insurance Review* and *Middle East Insurance Review*



Advancing beyond the traditional

With Nat CAT losses on the rise, the (re)insurance industry must redouble its efforts to improve resilience, going beyond traditional risk management and underwriting. We spoke to **Swiss Re**'s **Mr Urs Baertschi** about what the industry needs to do to adapt.

By Ahmad Zaki

Local market dynamics might vary, but insurers are fundamentally focused on similar issues, which have remained consistent for some time, said Swiss Re CEO of P&C reinsurance Urs Baertschi. "In APAC, for example, the increasing severity of natural catastrophes and the protection gap continue to be high on the radar. Globally, we are increasingly surrounded by an uncertain and volatile environment in areas like geopolitics and macroeconomics."

As such, insurance companies are looking for support with traditional earnings protection, balance sheet and capital management, and the right data and analytics to underwrite and operate more efficiently.

Increased CAT losses

"One of the biggest challenges for the entire industry is the growing protection gap which calls for greater risk awareness and prevention. For example, in 2023, only 38% ($108bn) of global economic losses from natural catastrophes of $280bn were insured; in APAC, the protection gap is even more stark with just 19% ($10.6bn) of economic losses of $56bn insured," he said.

With more frequent and more intensive weather-related hazards, there have been growing losses, mainly driven by economic growth, urbanisation and associated accumulation of assets. "For example, we continue to see building and economic development in areas prone to hazards, such as coastal regions," he said.

The solution requires a multi-faceted, coordinated and comprehensive approach beyond risk assessment and increased premiums. This includes adaptation measures such as enforcing building codes and mitigation measures that reduce or prevent losses in the first place, such as building flood barriers.

Modelling needs to keep up

This increase in Nat CAT losses has meant that CAT modelling has had trouble keeping up, especially with the variables that climate change has introduced.

"For CAT modelling to stay ahead of the rapidly evolving risk landscape, it requires a more forward- looking approach. This contrasts with the traditional approach where CAT modellers adjust once losses have materialised, resulting in an optimistic bias," he said.

"At Swiss Re, we have a team of more than 50 Nat CAT experts who manage 200+ proprietary Nat CAT models to support underwriters. We continuously update our models to better reflect the full range of evolving risks and their underlying drivers. We see the main reasons for the recent rise in loss severity to include increased urbanisation, GDP growth, wealth accumulation in disaster-prone areas and inflation of claims costs."

For example, with greater urbanisation, the accumulation of risk has increased while the vulnerability of assets is also rising. For example, cars and houses have more technology, which is more expensive. Solar panels are becoming ever more abundant and will make a roof far costlier to replace.

"And with increasing severity, we see things like hailstones the size of tennis balls instead of golf balls. All this needs to be considered in our models and depends on improved data quality and granularity," he said.

> **"For CAT modelling to stay ahead of the rapidly evolving risk landscape, it requires a more forward-looking approach."**
>
> – Mr Urs Baertschi

Getting the full picture

"Based on what we see so far in macro trends, our view is that increased CAT losses are largely driven by issues such as increasing and more concentrated property values. Therefore, the importance of accurate underlying valuations, full knowledge of what is covered and more timely and transparent flow of information throughout the insurance value chain are more critical than ever," said Mr Baertschi.

"We've also seen a growing trend of loss creep – where losses dramatically exceed initial estimates. One example is the succession of record-breaking hailstorms in northern Italy at the end of last summer. Initial losses were estimated by industry data organisation CRESTA at $2.2bn, but costs continued to climb for months after the event and in the end, losses were nearly triple the first estimates at close to $6bn.

"As an industry, we need to get the basics right from the start, including being diligent about insured risks from the beginning of the value chain to the end. This includes valuations that represent true replacement costs and regular reassessment of sums insured. A forward-looking approach to CAT modelling with more frequent model updates to capture present-day risk is essential."

APAC reinsurance sector transformation

The reinsurance market in APAC is evolving rapidly, fuelled by new regulatory frameworks, climate challenges and tech-driven exposures. As reinsurers adjust structures and pricing to meet emerging risks, insurers are navigating tightened capital regimes and higher retention levels, presenting both challenges and growth opportunities across the region. **Aon's Mr George Attard** tells us more.

By Reva Ganesan

The reinsurance landscape in the APAC region is undergoing rapid transformation, driven by a combination of emerging risks, regulatory changes and technological advancements.

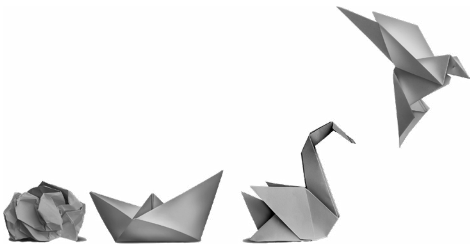
As markets across APAC strengthen their capital regimes - such as the introduction of risk-based capital frameworks and increased minimum capital requirements – insurers are facing new challenges in managing risk and meeting growth targets.

At the same time, the rising demand for solutions to address climate risk, cyber, renewable energy transition and emerging technological risks such as EV related exposures, presents a significant growth opportunity for reinsurers.

"In 2023, the property catastrophe reinsurance market experienced a major reset. After several years of reinsurers not meeting their cost of capital - compounded by several significant Nat CAT losses - substantial adjustments to structures and pricing were made," said Aon CEO APAC for Reinsurance Solutions George Attard.

"This included higher retention levels and reduced capacity for frequency covers, which resulted in insurers retaining a larger share of catastrophe losses. Pricing also saw sharp increases, with risk-adjusted rates rising as much as 50% in some cases," he said.

"Reinsurers have since reported stronger results and while risk-adjusted pricing has stabilised with decreases in some regions, structural discipline has remained firm. Insurers continue to bear more risk, but the market appears more stable overall," he said.



Trends in the region

Looking ahead to 2025, Mr Attard expects current trends in the property catastrophe reinsurance market to continue.

"While there will likely be considerable discussion around recent events like hurricanes Helene and Milton, we don't anticipate any meaningful impact to pricing for 2025 given they are expected to fall within reinsurers' expectations," he said.

"For example, in 1H2024, losses exceeded the decade-long average, yet reinsurers still posted strong results. This is largely due to the shift in risk burden to insurers, a result of the structural changes made in recent years. This demonstrates how the balance has shifted," he said.

Going into the 2025 renewals, Mr Attard said he anticipates a continuation of current conditions.

"Based on our market analysis and reinsurer results, we continue to expect a disciplined market with momentum shifting towards insurers. This will result in increased pricing competition and greater flexibility," he said.

"Of course, outcomes will vary with each individual client's pricing and underwriting strategies, loss experience and view of risk.

Consistent growth across segments

When asked about how reinsurance demands have shifted, Mr Attard said there was consistent growth across various segments - whether by geography, product or client type.

Underlying exposure is increasing, driven by macroeconomic factors, particularly in this region resulting in increasing demand for both treaty and facultative reinsurance solutions.

> "Clients are seeking stronger partnerships with reinsurers to support the expansion of these product areas, reflecting the ongoing market dynamics."
>
> – Mr George Attard

"When we focus on specific products, such as property, the 2023 market reset and increased retentions have left clients absorbing more risk. As a result, they're now seeking reinsurance partners to help manage this retained volatility.

"We anticipate growing demand for frequency protections, such as buy-downs, structured solutions, or the use of facultative reinsurance to mitigate that volatility. Reinsurers have already shown early interest in exploring such solutions on the property side," he said.

On the casualty side, as cyber risk awareness grows across the region, he said there is expected to be rising demand for cyber insurance. Similarly, with the energy transition underway - particularly in North Asia and the development of offshore wind farms – demand for renewable energy insurance is increasing, he said.

"In addition to property and casualty, we're also witnessing increased demand in the life and health sectors, signalling broad growth across the board. Clients are seeking stronger partnerships with reinsurers to support the expansion of these product areas, reflecting the ongoing market dynamics," he said.

India rolls out the red carpet for foreign players

India is today one of the fastest growing economies in the world and the insurance sector has a crucial role to play in this growth story. We spoke to the **IRDAI**'s **Mr Debasish Panda** about his vision to insure every Indian by 2047 and the opportunities for insurers in the Indian market.

By Jimmy John

India is experiencing remarkable growth and optimism and is the fifth-largest economy, soon set to become the third largest.

Insurance Regulatory & Development Authority of India (IRDAI) chairman Debasish Panda said that at the heart of this transformation is the financial ecosystem, with the insurance sector playing a crucial role by providing risk protection, long-term capital and financial security that underpin economic resilience and sustainable growth.

"By providing protection against various risks spanning across life, health, property, MSMEs, Nat CAT, it enhances the resilience of individuals and businesses during economic shocks and crises, by not only providing protection, but also promoting financial inclusion and contributing to long-term savings and capital formation," said Mr Panda.

Insurance for all Indians by 2047

Mr Panda said that that through the 'Insurance for all by 2047' initiative, it envisions a future where every individual in India is covered, and every business is protected by appropriate insurance solutions and achieving this goal requires a multi-dimensional strategy.

"Towards this end, a robust regulatory framework has been put in place, which is not only supportive, progressive and principle-based but also enhances ease of doing business and fosters innovation through effective use of data and technology, while keeping the interest of policyholders central," he said.

Since insurance penetration in India is low, it presents a huge growth opportunity. Mr Panda believes that it is not just about addressing traditional gaps in life, health, property, motor and crop, but the focus should also be on underserved markets like the MSME, 'missing middle' in health and new and emerging risks such as climate change and cyber threats.

"This would require more insurers, a wide range of personalised and customisable products, supported by an extensive distribution network that blends physical and digital channels, reducing costs and increasing affordability, and ensuring that we reach the last mile, last house and the last person," he said.

Technology, he believes will be the critical driver in achieving this vision. The regulator's upcoming Bima trinity initiative focuses on inclusion, availability, accessibility and affordability and it includes:

- **Bima Vistaar:** A simple, benefit-based parametric product designed to meet the needs of those at the bottom of the pyramid and to bring more populace into the insurance fold
- **Bima Vahak:** A women-centric localised insurance distribution force
- **Bima Sugam:** An e-marketplace that will democratise and universalise insurance access.

> "A robust regulatory framework has been put in place, which is not only supportive, progressive and principle based but also enhances ease of doing business and fosters innovation through effective use of data and technology."
>
> – Mr Debasish Panda

Mr Panda said that to make inclusive insurance a reality, collaboration among a wide range of stakeholders, including government at all levels, regulator, insurers, InsurTechs, NGOs, self-help groups, community organisations, microfinance institutions, local businesses, healthcare providers, educational institutions, among others, is crucial.

To further this effort, a state-level insurance plan has been introduced, assigning insurers the responsibility to increase insurance inclusion within specific states. "All of these efforts, put together, are stepping stones towards realising the vision of Insurance for All, ensuring that no one is left unprotected," he said.

Specialised insurance

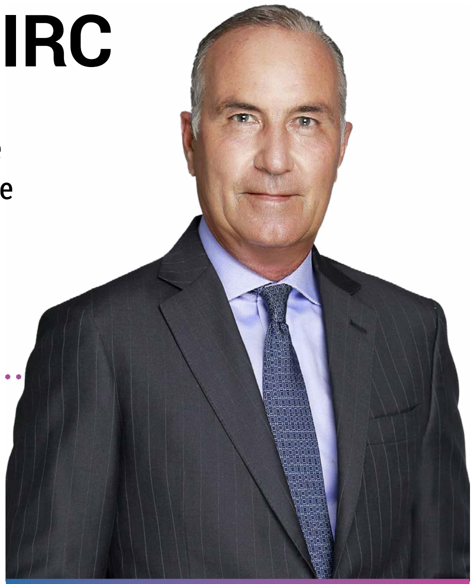
Mr Panda feels that specialised insurers can address India's unique risks, like in the agriculture sector, which employs nearly half of the workforce in India, that presents a massive opportunity. "The increased frequency of extreme weather events is creating demand for tailored crop insurance solutions," he said.

"So, with a rapidly growing market, increasing demand for specialised products and a supportive regulatory framework, India's insurance sector offers substantial opportunities for new entrants, making it a compelling arena for growth and innovation," he said.

Poised for the future with the SIRC

The Singapore International Reinsurance Conference has changed markedly over the years, becoming one of the primary 'unmissable' events in the industry's calendar. We caught up with one of the main catalysts behind this change, **Singapore Reinsurers' Association**'s **Mr Marc Haushofer** to talk about some highlights of this year's event.

By Paul McNamara



"This year, we decided to have an Asia forum on day three."

– Mr Marc Haushofer

The Singapore International Reinsurance Conference (SIRC) continues to attract ever-increasing numbers of delegates from around the world each year.

While many use SIRC as a platform for their reinsurance renewal discussions, there is a growing perception that the quality of debate and insight at the conference remains unparalleled in this part of the world. Much of the credit for this metamorphosis goes to Singapore Reinsurers' Association (SRA) chair Marc Haushofer and the supporting executive committee.

SIRC changes over the years

Mr Haushofer is quite clear about what he thinks the main changes to SIRC have been under his guidance.

"What we definitely achieved is that the market value of this conference has grown significantly," he said. "The last one before I took over had around 940 attendees, of which around 700 came from overseas. Last year we had 2,800, of which more than 2,000 came from overseas.

"We have positioned this conference very strongly as a forum for showcasing the strength and diversity of our industry, whilst also facilitating discussion and stimulating debate, and promoting leadership around the critical developments that are shaping, challenging and advancing the reinsurance market," said Mr Haushofer.

Diversity

Huge strides have been made in achieving greater diversity.

"This year, we made further progress in this context. We are having Andreas Berger on day one as the opening conversation and with a female moderator. Without exception, we also have women in every panel this year. We have achieved a balance of something like 40/60 now in terms of panellists' gender mix."

"These days, there is so much going on at SIRC," said Mr Haushofer. "It is not just the on-stage conferences that is the main highlight, companies are actively holding meetings on the sidelines and professionals are mingling and networking throughout the four days. There is an endless flow of conversation and ideas exchanged, which truly is the spirit of the SIRC.

"The whole concept over the past eight years during my time has completely changed. It's a highly interactive event today. The degree of interaction we find at the SIRC now is very concentrated and this, in my opinion, is almost second to none," said Mr Haushofer.

Changes for 2024

There is also a much broader geographic spread of speakers this year.

"We have attracted voices of the industry from very far away," said Mr Haushofer. "Without having built such a great brand, I'm sure that would not have been possible.

"While there are more global perspectives brought into the conference over the years, we are also mindful to keep to our roots. Hence, this year, we decided to have an Asia forum on day three. This is something new that we have, to spotlight the issues that are unique to the Asia context," he said.

Conference theme

By necessity, this year's conference theme, 'Revolutionize (Re)insurance!', was decided some months ago. How has Mr Haushofer's thinking developed in the meantime?

"I'm still very happy with this theme of 'revolutionize'," he said. "It is a theme that encapsulates the times we're in and drives urgency that the sector needs to evolve to keep pace."

The revolution will encompass many areas – including AI.

"AI is and has already changed how we are doing business. Companies across industries are now looking to see how we can fully maximise the power of AI. This will mean huge changes not just on the business fronts, but also on the climate and how we live, work and play.

"If we fully utilise the outcomes of AI, I don't think we can do that without also revolutionising our reinsurance sector," he said.

Responsible AI and workforce upskilling imperative for insurers

In recent years, the insurance industry in India has increasingly digitalised data, enhancing AI-driven models. Insurance companies are developing AI models for claims adjudication, risk-based pricing, fraud detection and customer service. We spoke with **ICICI Lombard**'s **Mr Chirag Bhojani** to find out more about AI adoption in India.

By Reva Ganesan

In a recent news article, Mark Zuckerberg claimed that India has become the largest market for Meta AI usage. Rapid advances in AI accessibility, cost benefits accrued from automation of major processes and the flexibility of embedding AI into standard off-the-shelf business applications are leading to this rapid adoption.

The insurance industry in India continues to be predominantly a high-touch industry where customers can buy insurance through dealers, agents, brokers, bancassurance sales representatives. Barely 5% of customers buy insurance through digital channels, according to ICICI Lombard head of data science and analytics Chirag Bhojani.

"Having said that, the interactions driven through these physical channels are digital and its adoption rapidly accelerated during and post-pandemic. At the same time, the Indian consumer has become increasingly digital as is evident from the increase in digital payments driven by UPI and the heightened usage of food delivery apps in India such as Swiggy and Blinkit," Mr Bhojani said.

Over the last several years, the insurance industry has started seeing a lot more digitised data, which will help build and strengthen AI driven models.

"We are seeing insurance organisations building AI-driven models around claims adjudication for better claims experience, risk-based pricing and segmentation models that help in the identification of fraudulent customers and channel partners and AI-driven bots for better customer experience," he said.

With the advent of gen AI, insurance organisations are also looking at newer methods of serving customers as well as in increasing productivity of employees across marketing, technology, customer service and other functions and processes, he said.

Impact of AI on employment

"Increased digitalisation and data are helping us understand consumers a lot more than before," he said.

"The computing power of the Cloud is helping us to deploy large scale AI models quickly and efficiently. AI is helping in automating repetitive tasks and in the creation of automated responses, images, videos and in deciphering complex problems faced by us," he said.

He said, in order to build such models, organisations are having to upskill and, in many cases, reskill workers to be able to feed data to such models.

"Core skills that are required to perform a job today are different from 10 years ago and will not be the same in the next 10 years hence continuous learning and skilling are required for the skillsets of tomorrow," he said.

According to a recent OECD report, he said, "We are seeing AI help in higher productivity, improved job quality and stronger occupational safety and health."

"Overall, organisations are investing time and money in upskilling of workers to ensure that they have the skillsets required to harness the power of AI and machine learning (ML) in years to come," he said.

"Organisations are continuing to experiment using data and it will not be long before we see an AI underwriter that assesses risk, an AI driven claims adjuster that helps in straight through processing of claims or an AI driven bot that helps answer queries in real-time," he said.

"While AI is helping make sense of the volume and the variety of big data, explainable or interpretable AI is still a relatively new field but will help explain the rationale behind the complicated AI and ML models that are built."

He said it is expected that complex neural networks that are behind a lot of such AI models will be simplified by explainable AI as it will help in identifying and interpreting the predictions made by such models.

> "Overall, organisations are investing time and money in upskilling of workers to ensure that they have the skillsets required to harness the power of AI and machine learning in years to come."
>
> – Mr Chirag Bhojani

Ensuring mental health wellbeing in reinsurance

Mental health wellbeing in the workplace has become more important than ever, as remote offices have increased social isolation and combined workplace and home stress into a tangled knot for many employees. We spoke to **Marsh Mercer Benefits' Dr Kanupriya Jain** to find out more.

By Ahmad Zaki

COVID-19 began a period called a 'polycrisis' – where several different crises interacted in such a way to have a greater overall impact that exceeded the sum of each part. These crises included war, environmental disasters, ongoing climate change, political instability and rising inflation levels alongside the major health concerns that the virus brought.

While all of this went on, the workplace began to change. Companies transitioned to remote offices and employees adjusted to the home and the workplace being the same place. These external and internal factors affect employees' health and wellbeing, especially in vulnerable groups such as low-paid employees and those who are unwell, said Marsh Mercer Benefits (MMB), in its 2023 Health on Demand report.

Asia faces more pressure

Asian workers managing growing work, home and social pressures, stigma surrounding mental health and the impact of COVID-19 pandemic have contributed to the deterioration of mental health. Public and self-stigma is an overwhelming problem for workplaces and society across Asia.

However, there's a positive shift as more people in Singapore are willing to seek help from health professionals in 2022 (56.6%) compared to 2019 (47.8%), said the MOH survey.

According to MMB's report, employees are twice as likely to talk about mental health concerns with their managers if they feel that their employer cares.

"Leaders need to set a culture of trust, empathy and care. Managers should create a safe environment where employees feel comfortable having open and unbiased conversations. They are also encouraged to provide a suitable action plan with periodic check-ins," said MMB Regional Consulting, ASEAN and HK workforce health and sustainability leader Kanupriya Jain.

She also suggested that managers should be proactive and stay informed about wellbeing resources provided by the company, like employee assistance programmes (EAP), mindfulness apps, workshops, on-site medical support and telehealth.

They should also attend training such as the mental health first-aider programme to understand the complexities and discretion required to support and detect mental health issues appropriately.

"However, managers should refrain from giving medical advice to employees. Instead, they should direct them to the right medical specialists," she said.

Employee response

Many insurers are also trying to find the right solutions to address mental wellbeing, and thus, not all introduced solutions are received with the same enthusiasm.

"Responses of employees vary depending on their state of wellbeing, income levels, and caregiving responsibilities," said Dr Jain.

"Mental health strategies should therefore cater to employees' unique needs, prioritising care for those who are vulnerable. ."

Currently, (re)insurers are also partnering with clients to provide education, resources and tools to build resilience, provide access to the right support systems and enable self-care. MMB's report found that virtual mental health counselling is provided by nearly half of employers while one-third of them offer training to recognise and address mental health challenges.

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