

GIF DAILY

DAY 2



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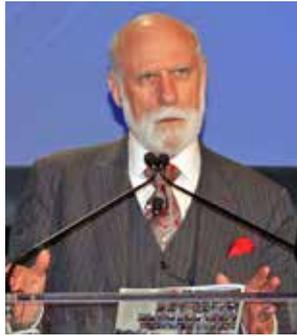


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Help us be better, says Google Internet evangelist

Disruptive technologies are gaining a greater foothold in people's daily lives and software is a large part of it, having "permeated everything", becoming "the mechanism by which we achieve flexibility". But in spite of a 70-odd year history of programming behind the technology industry, Google Vice President & Chief Internet Evangelist Vint Cerf (right) said writing a software without any bugs is a tough feat and that he does not yet know of any programmers who have succeeded in writing a "bug-free code". And that is where he hopes the insurance industry can play a part in pushing technologists to improve their science.



ensure authentication practices are improved".

Food for thought

Notwithstanding, there remain issues to be tackled, such as finding the right balance between legislative measures and innovation. "As we move into a software-rich environment, I hope the insurance industry will create incentives to cause programmers like me to do a better job. And this may mean you'll have to work hand-in-hand with legislators in order to create a concrete sense of responsibility while not completely destroying our ability to innovate."

Citing recent occurrences of major data breaches, he noted that it is software failures that lead to the release of a lot of personal and identifiable information, and that no amount of compensation can make up for the loss of privacy and personal data. Hence, he emphasised hope for insurers to provide "incentives and pressure for programmers not only to write safer software, but also in testing, to make sure they go through a great deal of trouble to

Another issue that insurers need to mull on is their threshold for failure. "One of the things that go along with innovation is the possibility that it won't work. The direction at Google is that we take certain risks for a high payoff or outcome, 'moon shots' if you will, such as driverless cars – they are risky but if they work, then there will be a huge payoff. The question is, at what point do we say we cannot accept anymore failure?"

Global Leadership Panel: Filling the Protection Gap

Gov't involvement leads to market distortions

"The argument for government involvement in any market is a market failure. There are many sources of market failure in the insurance industry like any other. Sadly, the temptation for government to get involved way beyond, has led to many distortions in the industry," said Mr Peter Hancock, CEO, AIG.

The most notable example in the US is probably the Federal flood programme which continues to subsidise the rebuilding of properties in flood-prone areas. Calling for greater private sector involvement, he said this would provide a feedback loop on better construction standards and better locations.

Insurance to drive safer behaviours

The insurance industry can also nudge the economy and individual players to safer behaviours through differentiated pricing. "Ultimately, we all win if consumers and our clients are safer," said Mr Hancock. And the industry has many insights that the governments could

never have with the aid of areas such as underwriting experience, data and telematics.

Mr William R Berkley, Chairman and CEO, WR Berkley, concurred. He said: "Should we pay to rebuild a house that has been washed

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(L-R): Messrs Peter Hancock, Greig Woodring, William R Berkley



China welcomes foreign insurers

The China Insurance Regulatory Commission (CIRC) will open up the Chinese insurance market further. In fact, it is studying the opening up of the market even beyond the mandates of WTO, said Mr Zhou Yanli (right), Vice Chairman, CIRC.



The regulator continues to remove barriers for international insurance companies interested in doing business in China. “I’m here to welcome all of you to do business in China. Foreign insurers are also welcomed to take advantage of new government initiatives such as the Free Trade Zones,” said Mr Zhou.

Values int’l cooperation

CIRC also highly values international exchanges and cooperation, fully supporting the strategic cooperation between IIS and the Insurance Society of China, he added.

Mr Zhou shared CIRC Chairman Xiang Junbo’s remarks on IIS: “This is an important platform for insurance experts exchanging insights, a think tank for the global insurance industry. IIS encourages innovation and research in both insurance theories and practices so as to contribute greatly to the whole industry and its members. We fully believe this global insurance forum is a wonderful platform for international exchanges and research.”

And the survey says...

- In the next 12 months, **about half** of the respondents expect **market profitability** to **stay about the same**, **19%** expect it to **worsen**, and the **remaining** expect it to **improve**.
- The **most significant issue** facing the industry is **regulatory development** followed closely by **technology/data**.
- The top two **risk management issues** are **applying risk analysis in business decision-making** and **understanding/anticipating risks**.
- **New market opportunities, competition from outside the industry**, and **meeting customer expectations** are the **top growth issues**.
- The top primary **regulatory concern** is **multiple inconsistent standards**.
- **Close to half** of the respondents see **competition from outside the industry/non-traditional insurers** as the **greatest threat** to the industry.



Mr Greg Maciag, President and CEO, ACORD

Insurance industry today: More opportunities, but more threats too – PwC

The pace of change in the global insurance industry is occurring more rapidly than could have been envisaged, according to PwC’s latest CEO survey. Launched at the Global Insurance Forum yesterday, the report titled “Insurance 2020 and Beyond: Necessity is the mother of reinvention”, concluded that the industry is at a pivotal juncture as it grapples with changing customer behaviour, new technologies and new distribution and business models.

“While more than 60% of the insurance industry leaders who took part in our survey said they see more opportunities than three years ago, just as many (61%) see more threats. In fact, insurance CEOs see more disruption ahead than any other commercial sector,” said Mr Jamie Yoder, Global Insurance Advisory Leader, PwC.

As such, the changing market will require considerable product and business model redesign. “This won’t be easy, but it’s the new reality,” he added.

Gov’t involvement leads to market distortions

away three times? “Yes, it has been your family’s house for 150 years, but we’ve rebuilt it three times. How about we move the house to someplace else?”

A judgement call needs to be made – for example, not paying more than twice to rebuild a house. “Whatever it is, there are rules that we can put in place that will allow you to have a much more sensible flood programme,” said Mr Berkley.

Industry’s knowledge is its competitive advantage

Another area where the industry can be most innovative and complementary to governments is in building cities’ resilience against catastrophes, said Mr Hancock.

“There is a lot more we can do to make cities more resilient and less vulnerable. What can we tell governments about the most efficient way to build resilience? Is it to build dykes at huge expense or to put the mechanicals on the roof rather than the basement? There are multiple ways to build resilience in a city and we, as an industry, have learnt a lot through our mistakes. We can share that insight which is probably more valuable than us putting capital to work.”

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“It is the loss prevention and knowledge from data where we, as an industry, have a unique competitive advantage,” said Mr Hancock, who added that alternative sources of capital from capital markets make it clear that capital is a commodity.

Empowering society to grow

The industry also serves an incredibly important role in reducing fear and empowering society to grow for the future, said Mr Hancock.

Quoting former US President Franklin D Roosevelt – “As a society we have nothing to fear but fear itself” – he said the net effect of a well-designed insurance industry is to lower the level of fear, and when people are not afraid, they will invest in the future.

In his closing remarks, Mr Berkley said: “The issues that we face today have never been greater and the opportunities have never been greater. The need for insurance in the developing world offers opportunities that have been made realistic with the advent of smartphones, where we can provide coverage and fund transfers in ways we cannot imagine as recently as 5-6 years ago. There is a huge population that doesn’t know what insurance is, and it offers enormous opportunities.”

Securing talent pipeline is the only way to a bright future

Developing a leadership pipeline is the only sure-fire way to secure the industry’s future. As the general population ages, so does the current generation of industry leaders. With the retirement of industry leaders, this critical leadership knowledge bank will one day diminish, creating a void. While the void can never be completely prevented, leaders today need to source for and prepare the next generation of quality leadership.

The industry understands the issue, with business succession plans high on the priority list. However, for the insurance industry which still struggles to secure top talent in the first place, the concern is doubled. Fortunately, in Singapore at least, rebranding has begun, and established programmes are now in place to groom young talent.

Ms Karine Kam (right), Chief Executive of the Singapore College of Insurance (SCI) – a 41-year-old teaching institute dedicated to develop-

ing and raising professional standards in insurance – said: “With the strong commitment and coordinated efforts by industry stakeholders, we are beginning to attract the best of graduate talent and also retain them. Talented young people are beginning to realise that the industry offers a plethora of diverse and interesting roles. The war for talent will not relent but the industry has a winning employee value proposition to win in this war.”

The SCI has created the Insurance Industry Talent & Leadership Development Framework which provides a suite of programmes designed to groom industry talent, catering to executives ranging from Junior to Board Director level. At each level, the aim is to impart certain desired technical and leadership competencies to help its participants progress along a specific development path.



Networked society – a game changer



The networked society, where everything is moving digital, online and more connected, is a game changer for the insurance industry. **Mr Stefan Jung**, Head of Product Line, Cloud Security, **Ericsson**, looks at the development, the role of insurance, and the partnership with Guardtime for data and systems integrity.

Everything is moving digital, online and more connected. From trains, planes and automobiles to our own lives, our own health and our own business future. Ericsson calls this the Networked Society. For the insurance industry, this is a game changer. Ericsson believes a completely new solution is required to manage risk in real time, leveraging the latest advances in blockchain technology. With this comes the opportunity for the insurance industry to accelerate new products in new areas, mitigate underlying risk and build the foundation for next generation digital business growth, the same way it has successfully helped growth in the physical world.

Larger role for traditional Telco networks

Enterprises, governments and society are all becoming more and more reliant on IT systems and critical infrastructure. Powerful and robust communications networks are a foundation of the global economy. Ericsson sees the traditional Telco networks playing a larger and larger role in these environments and users, enterprises, governments and organisations of all kinds must be able to trust that networks are robust and reliable and that the information carried over them is secure.

Security can be defined as the activities necessary to predict, detect and counter threats to the availability, integrity and confidentiality of information and key assets such as an enterprise data carried over the communication networks. The amount of data and information that needs to be handled and protected is growing exponentially.

A harmonisation is happening in the Telco networks where the networks are becoming flatter, all IP and covering multiple access technologies. In 5G networks all types of traffic will flow. Industries and critical society functions are becoming dependent on the availability and integrity of these networks. More and more industries are in the need to develop higher levels of automation and higher levels of remote control. The Internet of things is happening and things like cars, trucks and other vehicles are also reliant on the integrity of the underlying infrastructure to support this evolution.

Insurance key to evolution towards networked society

For an enterprise today that makes use of IT-systems, cloud services, connected industrialised control systems, there is a concern when it comes to managing the risks of cyber threats and destructive attacks. Another concern is of around the liability question. For example, if a connected car is to be tampered with and an accident occurs, who is liable? The car manufacturer, the software suppliers, the driver, the service provider, or/and the car component manufacturer?

Today, the insurance industry is struggling with how to quantify the risks and, hence, there is a challenge to provide insurance products and solutions that meet the enterprises risk exposure and limit needs, hampering the adoption

and growth of societies.

Ericsson, being the world leader in telecom infrastructure, takes this situation seriously. If the industry does not find ways to address and mitigate the threats from cyber attacks, the evolution towards the networked society will be threatened.

Partnership with Guardtime

As a means to mitigate this situation, Ericsson has taken a decision to invest in a partnership with Guardtime to provide a global available service to sign and verify the integrity of data and systems. The proof of the authenticity, time of creation, and identity (man or machine) will be published in a public ledger, a blockchain. The blockchain will bring widely witnessed evidence so there is no need to trust a third party. This will have large implications to any industry that is under any form of regulation since it will be possible to independently prove what is true and what is not, without having the need to trust a third party. Another interesting characteristic of the blockchain is that it will be impossible to tamper with history without being exposed.

Immediate awareness and its implications

Ericsson believes that this will enable enterprises to have immediate awareness if there is a cyber attack. Countermeasures can then be taken immediately, reducing the average time of 205 days from when an attack is launched until it is discovered, down to sub second levels.

The implications of this will be that cyber risks will be manageable, and insurers and auditors can all provide and verify products that is necessary for the enterprises risk management and business continuity assurance needs.



The party continues!

Picking up from the weekend's festivities, delegates gathered at the Waldorf Astoria's Grand Ballroom, where they unwound from the day's discussions amidst much chatter and delicious drinks at the prelude to last night's honours celebration for the industry's leading minds.



Serving the industry with pride

Since the idea of *Asia Insurance Review (AIR)* was first conceived in April 1990, we have always strived to serve the industry. Here's a look at some of the key initiatives over the years:



1991 AIR becomes Permanent Observer and PR Manager of ASEAN Insurance Council.



1992 AIR becomes the Official Journal of East Asian Insurance Congress (EAIC).



1995 AIR launches Reinsurance Directory of Asia, subsequently adding Insurance Directory of Asia and ASEAN Insurance Directory to its offerings.



AIR makes history by launching the Asia Insurance Industry Awards.



AIR joins in the launch of Australia New Zealand Insurance Industry Awards as founding partner.



Singapore's then-President SR Nathan graces AIR's 20th Anniversary Dinner.

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