

SIRC Daily



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MAS touts blue ocean strategy with new initiatives

The industry can no longer rely on a red ocean strategy; there is a need to “open new horizons” and to “open them together”, said Monetary Authority of Singapore (MAS) Deputy MD Jacqueline Loh in her keynote address yesterday.

Ms Loh noted that cyber risk is the “new catastrophe” and is a risk that is largely underestimated by many corporates. “Busi-

nesses must prepare for this era of cyber risks, with cyber insurance as a critical component of a comprehensive risk management strategy.”

To aid the development, MAS has launched a cyber risk test bed project which aims to be a common data platform to encourage pooling of data; to help corporates understand their potential exposures and losses; and to allow industry players to come together to establish industry standards on definitions of cyber risks, coverage limits and terms & conditions.

To expand the insurability of Nat CATs in the region, MAS also announced the Nat CAT data analytics exchange for Asia Pacific – a common data analytics exchange platform.

Come August 2016, Ms Loh said that a new academic major for risk management and insurance will also be offered as a specialisation in Singapore’s Nanyang Technological University to provide a strong and sustainable talent pipeline to support the industry’s growth.



Industry no longer limited by capital

The industry has historically been limited by its own capital. “But now, if we have a better product or approach, we can access all the capital in the world,” said Mr Albert Benchimol, CEO, AXIS Capital, in his industry keynote address yesterday.

The influx of alternative capital has changed the game in fundamentally important ways. And the future of reinsurance will be defined by the industry’s response to that shift.

Not every risk underwritten needs to be on a reinsurer’s own balance sheet. There is much to be gained by matching risk to the most appropriate capital to support and fund it. Thus, reinsurers no longer need to

be limited by their own balance sheets, he said.

“What matters, is our ability to distinguish ourselves through our ideas and our work.”

“We need to work harder at making insurance more relevant across markets and geographies. We must challenge ourselves to develop new coverages and augment our value to our clients in our products,” he said.



(L-R): Mr Michael Marx, Mr James Beedle, Mr Ian Johnston, Mr Victor Peignet and Mr Hans-Peter Gerhardt

Is regulatory equivalence a pipe dream?

(Re) insurance regulation has increasingly become fragmented around the world and thus have not been as efficient as set out to be. And while the concept of regulation equivalence could be possible in the future, experts at yesterday’s regulatory panel held varied views.

ACR Capital Holdings Group Chief Executive Hans-Peter Gerhardt said: “Equivalence in my opinion is a bit of a dream; it’s a great concept but in implementation, we are far from it.”

He added that it is partly inevitable due to “the specificities of local markets”. While it is not possible to have full equivalence, “some common underlying standards” can be expected.

Mr Victor Peignet, CEO of SCOR Global P&C SE said that to best cope with fragmented regulations, the insurer has built a “patchwork” of operations – a global network supported by central means of capital, where its quantum and fungibility is to be managed both centrally and

locally and business synergies between its treaty and specialty business, amongst others.

Meanwhile, Mr James Beedle, Senior Managing Director, Willis Re Asia called on the industry to embrace global regulations and to use them as an opportunity to compete. In the absence of global equivalence, industry players can still find ways to navigate local versus home jurisdiction regulatory requirements, leveraging on it as a positive way to engage clients.

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Mr Ian Johnston, Chief Executive of the Dubai Financial Services Authority said that there is a need now to focus on standard setters the likes of G20, FSB, IAIS and Basel. With a more international market and increasing cross-border transactions,

he said the regulatory agenda is focused on the wider financial system stability and thus more focus is placed on global standards. The industry will need to build liaison, not just with regulators but also standard setting bodies, he added.

Executive Panel: "Managing Risks in an Uncertain World"



In the panel discussion chaired by Mr Peter Schmidt, Chief Executive Asia Pacific, Latin America and Global Credit & Surety, XL Catlin, panellists spoke on a wide range of topics including Asia's outlook and opportunities from its underinsurance, and the challenges facing the (re)insurance industry adding to the uncertainty of the world.

Improving data quality

"Models give us a basis to articulate our understanding of the risk and build our assessment. Good models need good data to be built on. And the incentive to collect good data is increased when we have good models. This can be a virtuous circle once it is in place."



Mr Amer Ahmed
CEO, Allianz SE, Reinsurance

Globalisation at work

"Globalisation is on display even at this SIRC. You see many people and many international firms here as they try to get closer to their customers and search for growth globally."



Mr Eric Andersen
CEO, Aon Benfield

Region still the growth leader

"Our expectation for the global economic growth hasn't been changed much by the recent slow-down. We expect emerging Asia to continue to outperform other emerging markets in the next decade. The region will remain the worldwide economic growth leader."



Dr Ludger Arnoldussen
Member, Board of Management, Munich Re

Protectionism ultimately detrimental

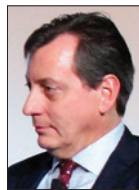
"These motives of protectionism are understandable, yet disappointing because the barriers defeat the main principle of reinsurance, which is providing capital efficiency on the back of well-diversified global risks. Inevitably, over the long run, the reduced competition will increase costs."



Mr Emmanuel Clarke
President, PartnerRe

Segmentation of one

"Big data and digitalisation will mean that companies can make better underwriting decisions individualised to even the segmentation of one. But will the regulators allow it as it goes against the concept of risk pooling?"



Mr John Dacey
Member of Group Executive Committee, Group Chief Strategy Officer and, Chairman Admin Re, Swiss Re

Bridging the gap

"Asia is the most vulnerable region to Nat CATs, and it is also one part of the world which is the most under-insured. Only 5% of economic losses are insured in this part of the world, compared to up to 60% elsewhere."



Mr Vincent Vandendael
Director, Global Markets, Lloyd's

The state of Asia reinsurance

The **biggest trend** is **protectionism**.

Other **challenges** include **lack of quality data, excess capacity, & introduction of risk-based solvency regimes.**

Capacity from **non-Asian reinsurers** accounts for **74%** of the region's total.

Asian reinsurers' capacity is set to grow **2%** next year to 28%, driven by **regulations** requiring **more capacity** from **local reinsurers & additional capacity** from **China**.

APAC generates nearly **30%** of **global cessions**.

APAC's **average cession rate** is **11%**.

The **Philippines** has the **highest cession rate** of **51%**.

APAC's non-life premiums were **US\$467 bln** in 2014, translating to

penetration of **1.7% in Asia & 2.5% in ANZ/Pacific**.

APAC's reinsurance business is **81% treaty** and **19% facultative**.

Japan is considered to be APAC's **most profitable** reinsurance market.

Source: *Asia Reinsurance Pulse*, Singapore Reinsurers' Association market survey Prepared by Dr. Schanz, Alms & Company

28th EAIC set for 11-15 Oct 2016 in Macau



The 28th East Asian Insurance Congress will be held in Macau from 11 to 15 October next year, with the theme "The Future of Insurance – Customer Centricity".

The healthy development of the industry depends largely on whether the industry is able to anticipate what customer needs will be. Mr Chris Ma, Chairman, Organising Committee, 28th EAIC, said: "We will have a full programme to help us gain a better insight into who our customers are, how we can serve them better, what role technology plays, what impact the ageing population may have, and what the ultimate operating model is in an ever-changing market place."

Expect to be inspired by a host of world-class practitioners and speakers. Mark your calendars. See you in Macau!



Managing Nat CAT Risks in the SAARC Countries

Panellists at a GIC roundtable discussed the current Nat CAT insurance gap in the South Asian Association for Regional Cooperation countries where much needs to be done to raise awareness of the benefits of insurance while making it more affordable to the masses.



(L-R): Mr Sanath Kumar, Acting Chairman-cum-Managing Director, GIC Re; Mr Sivam Subramaniam, Editor-in-Chief, *Asia Insurance Review*; Mr Amer Ahmad, CEO, Allianz SE Reinsurance; Mr James Nash, CEO (Asia Pacific), Guy Carpenter and Mrs Alice Vaidyan, General Manager, GIC Re

Joint effort to fight the insurable threat from cyber crime

In addition to IT infrastructure, better risk management and correspondingly coordinated insurance cover are needed to combat cyber threats. **Mr Roland Eckl, Munich Re** Chief Executive for Asia Pacific, Australasia/Japan/India/Indian Subcontinent, elaborates on the huge potential in mitigating cyber risks.



Hacker attacks on Apple and the German Bundestag show that even IT infrastructure that is considered highly secure is not safe from attack. It is therefore particularly important for operators to be able to limit potential risks. Alongside effective soft- and hardware security, this is achieved by means of appropriate insurance coverage. Estimated growth in primary cyber insurance markets till 2020 is expected to reach US\$3 billion (from \$0.3-0.5 billion in 2015) with a 70/30 split between markets in Europe and Asia. Munich Re sees exponential growth of the cyber insurance market in the region. (See Figure 1.)



Optimum combination of IT security and insurance cover needed

The triumphant advance of digital communication technology seems to be a key driver of many sudden and unexpected cyber threats. To master these risks, it takes the capacity to quickly identify changes in risk and demand, and to develop new products or enhance existing ones. If insurers do not keep up with the pace of technology, they will not be able to adapt their products.

This calls for better risk management and correspondingly coordinated insurance

cover. The management must be extensively prepared for such attacks in order to avert damage to the company – and to protect itself. Good IT security is essential when it comes to protecting a company's systems against hackers. But even companies who have extensively upgraded their security systems must remain alert to the possibility of a successful attack, as total security can never be achieved, not even with the best technical precautions.

Companies' core risks change as communication channels become more numerous, enabling both news and rumours to snowball at ever greater speeds. Focuses and loss potentials shift, and risk managers must ensure that covers are adjusted accordingly. Where hacking is concerned, this means that the cover of both the cyber risks and the reputational risks must be carefully considered. Instead of incorporating these risks into regular property and liability policies, they should be covered through individual

policies tailored to each company's specific situation.

For now we see four main areas of cyber insurance:

- Private lines insurance solutions;
- Data breach insurance for commercial business;
- Data breach insurance for industrial business; and
- Insurance of critical infrastructure.

Huge growth potential

Although insurers are not yet able to relieve every cyber risk and all companies may yet to be convinced of the need to spend additional money on cyber policies, the market has been growing – on both the supply and the demand sides. Cyber insurances cover a wide range of financial losses including related costs and provide support when a loss occurs. Many insurers can also analyse a company's individual risks and make recommendations on how to minimise them. There is still a lot of potential in both preventive protection against attacks and financial cover when damage is suffered.

Intel/ McAfee has estimated the worldwide damage from cyber attacks in 2014 at \$400 billion. Only an estimated 1 per mille thereof was actually insured. That leaves an enormous potential for growth if existing hurdles can be mastered. Insurers have to establish a reasonable pricing and risk assessment. In addition, they also have to set up proper claims handling. All in all quite a challenge in this dynamic and quickly changing environment, but also a great opportunity for sustainable growth in an area where more and more risk management solutions are needed.

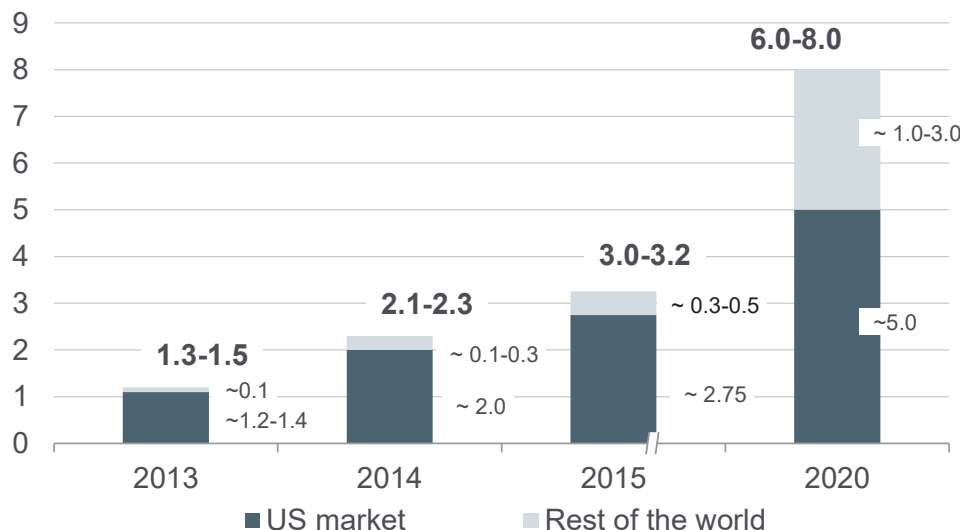
Munich Re supports

To assure that these newly emerging loss trends are identified at an early stage, every bit of market intelligence is needed, which requires very close collaboration between all stakeholders. Munich Re is working together with the industry to ensure risk assessment, pricing and claims handling are up to date.

Be it knowledge-sharing in terms of legal developments worldwide, the transformation into distributable products, the collaboration with high-quality IT Service Providers or accumulation management, we have established several services to support the business and the business development of our clients.

Figure 1:
Estimated Primary Insurance Cyber Market

(2013, 2014 & 2020, in USD bn.)



Source: RID market estimate based on different external sources (Marsh & McLennan, Advisen, Barbican Insurance, Allianz, Betterley)

Honouring the region's best at the 19th Asia Insurance Industry Awards



Roll of Honour

Asia's insurance industry celebrated its very best at the 19th Asia Insurance Industry Awards gala dinner last night to honour the achievements of outstanding industry members in 15 categories.

The Life Insurance Company of the Year award went to Sun Life of Canada (Philippines) Inc for its commitment to help Filipinos achieve lifetime financial security. The General Insurance Company of the Year award went to MSIG Insurance (Malaysia) Bhd for its pioneering role in Enterprise Risk Management (ERM).

Aon and its reinsurance intermediary Aon Benfield won big, garnering the Broker and Reinsurance Broker of the Year awards respectively for thought leadership, resulting in its continued growth in the region. Meanwhile, Munich Re swept both General Reinsurer and Life Reinsurer of the Year honours for being a voice for key issues at global platforms.

Sri Lanka's Asian Alliance Insurance PLC and AIA Malaysia's fine efforts in innovation and technology won them the Innovation of the Year award and Technology Initiative of the Year respectively.

Meanwhile, Tata AIG General was recognised with the Employer of the Year

accolade for its efforts in career development for its staff, while Dai-ichi Life Insurance Company of Vietnam Limited was honoured with the Corporate Social Responsibility award for its construction projects in rural Vietnam.

Paying tribute to the service providers without which the insurance industry cannot operate, ReMark International bagged the Service Provider of the Year award by helping its clients achieve greater efficacy in distribution efforts, while the Australian and New Zealand Institute of Finance was awarded Educational Service Provider of the Year.

For individual honours, Mr Chai Sophonpanich, the elder and leader of Thailand's insurance market is this year's Lifetime Achievement Award winner. Ms Aruno Rajaratnam is the industry's Personality of the Year while Mr Ryan Tan, Head of Strategy and Risk Management at Singapore transport operator SMRT Corporation was awarded the Corporate Risk Manager of the Year title.

The winners were selected from a shortlist of over 40 finalists via a process involving over 20 international judges. Kudos to all participants and congratulations to the worthy winners!

- Life Insurance Company of the Year
Sun Life of Canada (Philippines) Inc
- General Insurance Company of the Year
MSIG Insurance (Malaysia) Bhd
- Educational Service Provider of the Year
Australian and New Zealand Institute of Insurance and Finance
- Innovation of the Year
Asian Alliance Insurance PLC
- Service Provider of the Year
ReMark International
- Corporate Risk Manager of the Year
Mr Ryan Tan, SMRT Corporation, Singapore
- Broker of the Year
Aon
- Reinsurance Broker of the Year
Aon Benfield
- General Reinsurer of the Year
Munich Re
- Life Reinsurer of the Year
Munich Re
- Corporate Social Responsibility Award
Dai-ichi Life Insurance Company of Vietnam Ltd
- Technology Initiative of the Year
AIA Malaysia
- Employer of the Year
Tata AIG General Insurance Co Ltd
- Personality of the Year Award
Ms Aruno Rajaratnam
- Lifetime Achievement Award
Mr Chai Sophonpanich



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