ASIA INSURANCE REVIEW
SIRC DAILY
DAY 3
WEDNESDAY • 31-10-18

Ecosystems are at the core of insurance

Digital ecosystems and platforms will transform the industry in the future but at the centre of it all is still the customer, said Munich Re global head of innovation Tom Van den Brulle during a keynote address on digital platforms and ecosystems.

"The customer is looking for choice, value and trust," he said. "And we have to ensure that we bring in the best services that the customer can have access to. These are the leading principles that ecosystems and platforms are built around."

An ecosystem is an interconnected set of services that allows users to fulfil a variety of needs in one integrated experience, according to Mr Van den Brulle, while a digital platform is essentially a business model that allows multiple participants (producers and consumers) to connect to it, interact with one another and create and exchange value.

Platform and ecosystem discussions are not only about technology, he said. "You need to understand what the customers want. At the end of the day, it's all about people coming together."

Munich Re's ecosystem includes players from Beijing and Tel Aviv to Silicon Valley as, "We're constantly trying to interact with different tech providers in the world in order to understand what progress is being made and how we can introduce it into our value chain, and the services and products that we're building," Mr Van den Brulle said.

He also brought up a challenge with ecosystems we see today, which is the lack of data. "When you talk to risk managers," he said, "they would probably share their feelings that what the industry is offering today is insufficient. Ecosystems will allow us, when structured in an efficient way, to gather more relevant data."

He said that an ecosystem will help bring together different insights and perspectives – and all this with the customer in mind.

Silent cyber risk – a ticking time bomb

Silent cyber risk is here to stay. It is going to grow and it is going to get worse, said Distinction Global co-founder and partner Peter Hacker during his presentation yesterday. "We are at the dawn of a new risk exposure area," he said.

Silent cyber, also known as non-affirmative cyber, is a potential cyber exposure that is covered within traditional P&C policies that may or may not implicitly include or exclude cyber risks. Future trends in cyber, he said, will see more cyber attacks - and more of them will be state-sponsored. "There is a war happening: A cyber war amongst various countries. The important thing for the insurance industry will be around portfolio modelling and predictability; and in order to have that predictability, we need to have strong underlying data, as working with scenarios will no longer be enough."

The bad news is that the world will see more attacks, but the good news is that the data is there, and the modelling capabilities are getting better. "Before you start, you must first understand the risk, then quantify the risk and then offer capacity. Don't start by offering capacity."

He advised insurers in limiting their silent cyber exposure to develop central work assessment streams. "For example, look at your energy book. Look at five scenarios and where a cyber attack could happen and the damage that could result from this. Based on this, you can look at where you potentially have cover."

"You must also understand the loss cost. This means having access to frequency data, which you can get from specific threat intelligence providers. Then you look at aggregates, which comes down to a portfolio approach. How do you price a portfolio risk for cyber? You can either extrapolate from your facultative book, which you can do if you're either Swiss Re or Munich Re, but if you're not then you have to work with loss scenarios," he said.

He also suggested looking at PMLs and correlations between different lines of businesses within P&C.

For affirmative cyber, the only difference in approach is in the severity. "You have access to the best severity data, because you know your PMLs. For example, a cyber attack on a pipeline that causes an explosion has the same PML as an explosion on a pipeline caused by a fire," he said. "Most importantly, you need to have correlation between silent and affirmative cyber risks. This is an approach you must take step by step and if you do it this way, you will have a good understanding of your cyber exposure."

The shift from capital provider to tech company

A panel on day two of the SIRC comprising reinsurers, brokers and a banker examined the changes on the industry wrought by digitalisation, technology and IR4. The speakers concluded that those elements are the 'how' of the future of insurance, but customer-centricity and client experience remain the 'why' at the end of the day.

Data, data, data

Swiss Re Institute managing director and head of insurance risk research Dan Ryan emphasised the importance of collective data in getting to the 'grassroots' of insurance to understand individuals and companies to reduce their risks. The (re)insurer can develop a genuine partnership with the end customer who provides his specific data, to offer him more relevant, direct and appropriate products and services. And digitalisation dramatically reduces the time this takes and makes this process more specific, he said.

Data and the individual

Data is one of those valuable 'unused assets' that is not being used well, he highlighted the utility of crowdsourcing solutions and rewarding individuals for providing their data. "Very soon we'll be at a point where a monetary value will be put on every single piece of data. When you get to a situation where data is recognised for the value it has, then people will get much more comfortable about sharing data and their data being used collectively. And that is the great change, when you have enough data that wasn't possible from smaller data pools," he said.

A rallying call for the insurance industry is to show people the genuine value of their data.

Munich Re global head of innovation Tom Van den Brulle pointed out that people need to be enticed to share their data and the challenge for (re)insurers was to make them understand what they would get in return. "You need to make sure their lives are going to be better than before."

A means – not an end in itself

In the 'frenzy' for data and analytics, Axis Re CEO Steve Arora noted that the industry is making progress in extracting better insights. Taking a cautious stance to differentiate hype from reality, he said the (re)insurance industry should ensure that it is an enabler, not a blocker for tech change – especially for new risks without data. The challenge is to keep moving the agenda forward.

"The common trap is all these new and exciting things that say, 'That's great. How can I adapt that to my business?' The way we should look at that is to ask what is our business strategy and how do we let this digital, tech, data, innovation support its execution?" he said. In that vein, he said they must translate into speedier interactions with the customer, better insights and pricing, and hopefully improve distribution to resolve the widening underinsurance and protection gap.

Democratisation and adaptation

Sharing an outsider's perspective, DBS Bank head of innovation and ecosystems Bidyut Dumra talked about sector democratisation and how low barriers have become. With trends like 'nugget-sized' products, and even logistics companies (Grab, AirAsia) jumping on the banking and finance bandwagon, he said the key to riding digital transformation and its waves of change is adaptability.

"We don't even know which competitors may be around the corner. It's about creating adaptability, digital leadership, a sense of awareness and the ability to understand the implications and translate that into value. Change and IR4.0 is the 'how' - but the customer remains the 'why'," he said.

Disintermediation?

Asked about whether digitalisation or InsurTech would cause broker disintermediation, Guy Carpenter global strategic advisory vice chair Victoria Carter said it was 'absolutely not' a concern, as brokers are needed to help clients navigate the current global complexity and volatility.

"It's really about understanding the client's needs, and the incumbents have the advantage," she said. "Being able to help the clients develop tools for future is vital, so there's an even greater role for the broker now than ever before."

InsurTech partnerships are a solution. The broker launched InsurTech Alliance to bring academic and engineering capabilities to clients, thus helping clients to navigate partnerships and distinguish the 'fluff from the fact' is part of a broker's value proposition.

Ms Carter noted that exciting part of digitalisation and IR4.0 are new opportunities for product development – like for fast-evolving cyber and autonomous vehicles and the systemic risks they bring.

Human differentiator

Mr Arora expressed concern that the industry was not investing enough in the human element. While tech and digital would be a "huge part of everyone's stories going forward," he pointed out the new differentiator would thus be the companies best at being human. This means (re)insurers should invest in two parallel tracks – tech and human. Because humans will never go away.

"Customers will still be human, and we have to make sure that's a big part of our story too," he said. "We mustn't lose sight of the client … It all comes down to client experience. They want to see things clearly and save costs," said Ms Carter. "That is an imperative we shouldn't move away from."

From insurers to tech companies

Mr Van den Brulle said that Munich Re, and probably the rest of the industry, would move from being a capital provider and a (re)insurance company to becoming a tech company.

"I don't think anyone in this industry can afford not to be a tech company anymore. And that's going to be the challenge. Now, it's about creating things and new customer journeys. That's going to be a tech play and we want to be part of it."

Panel discussion: "Reinsurance Reloaded – Industrial Revolution 4.0"
(L-R): Moderator: Mr Rico Hizon, Mr Dan Ryan, Mr Steve Arora, Ms Victoria Carter, Mr Bidyut Dumra and Mr Tom Van den Brulle.

Seeking growth through partnership

Sompo International Singapore branch chief executive **René Lamer** talks about the organisation and its regional operations 18 months after its acquisition of Endurance.

With increasing consolidation, many reinsurers in the region are under pressure, especially with capacity still plentiful. However, beyond the available capacity, success stems from having meaningful partnerships with clients across a broad range of tailored products, said Sompo International Singapore branch chief executive René Lamer, who has observed a rising trend toward more significant partnerships between reinsurers and their clients.

"It's not necessarily seeking growth just because the Asia-Pacific market is growing, but really growth through strategic relationships," he said, in the lead up to the SIRC, where Sompo International (SI) is on the lookout for new opportunities. "The companies that have the desire, expertise and capability to grow these relationships will succeed."

Growth opportunities in Asia-Pacific

Mr Lamer heads SI's Singapore office, which serves as the regional reinsurance hub for Asia-Pacific from North Asia including Japan down to Oceania. And the region is growing in SI's global book of business. The largest markets, as one would expect, are China, Japan and Australia, with agriculture, property and CAT the dominant lines of business. He noted, however, that CAT, property and marine are not growing as fast as other burgeoning opportunities in the region; namely casualty, professional lines (D&O, E&O), financial institutions, credit and surety and cyber.

"In some parts of Asia, the casualty product has been slow to develop but there's definitely a growing need as financial markets pick up momentum," said Mr Lamer. Cyber is another area that has everyone's attention, and products need to be developed specifically for each insured's needs. "While this is happening, there's still some very broad policy wordings being issued that could lead to unexpected losses and accumulations."

Tailored solutions to local needs

Another strong growth trend in Asia-Pacific is in agriculture, as existing regions continue to expand and new regions look to develop products. To meet the global and local market needs, SI launched AgriSompo last October, an integrated platform that offers agricultural solutions tailored to local market needs, leveraging shared expertise and technology from SI's insurance, reinsurance and weather teams.

Products include protection against yield and revenue shortfalls from single or multiple perils. AgriSompo also draws on Sompo Global Weather's innovative pricing system and expertise to offer additional customised weather driven products that are delivered on a global basis as either derivatives or (re)insurance products.

Building on AgriSompo, SI recently introduced SomPro, a global financial and professional lines platform that similarly leverages expertise from both insurance and reinsurance teams to provide tailored solutions to clients.

Technology and transformation

When asked about technology and the potential impact on the way the reinsurance market conducts business today, Mr Lamer said, "While there is certainly a buzz in the air regarding innovation, I think it is also good to remember that the basic reinsurance product has been around for a while, and has proven to work well in the risk transfer space. That being said, there is always a better way of doing things. We need to be thinking of how our world and our market is changing and what that change means for our clients. We need to be one step ahead.

"Pairing traditional reinsurance with broader access to the capital markets has also proven successful. Through Blue Water Re, our special purpose insurer, we provide fully collateralised or fronted reinsurance to the global marketplace. Our ILS strategy, aligned with or own, is to give investors access to our market leading reinsurance businesses including agriculture, CAT and weather."

Industry challenges

While Mr Lamer finds the reinsurance market generally challenging, with rating environments getting thinner and returns on investment 'quite modest', SI has weathered these storms with a disciplined underwriting approach, experienced underwriting teams operating in key markets worldwide, a wide range of reinsurance products, and a depth of understanding of local markets and cultures. And pricing should improve further with the recent spate of Nat CAT in Asia. "Rates have come off quite a bit in the past few years and now we expect to see an increase in renewals in Japan and in China," he said.

Are there any regulatory changes which may help business? "Regulators need to be mindful about how protectionist their policies are simply because the purpose of reinsurance is to spread risk globally, so that when you have large events, whether they are manmade or Nat CAT, that the loss is not largely retained within the local market."

Mr Lamer acknowledged this by highlighting as a positive example the New Zealand earthquakes, where most of the risk was borne by global reinsurers and enabled the country to cope with the disaster.

Looking ahead

SI's vision is to build the first truly global integrated insurance and reinsurance business to meet the evolving needs of the global (re)insurance market. SI has assumed the management of all 45 operating entities outside of Japan spanning 32 countries and will fully integrate these operations by 2020. "With our geographic spread, broad product offerings and global platforms like AgriSompo and SomPro, we can offer our clients the service and expertise they need," Mr Lamer said.

Overall, it has been a very good year for SI, said Mr Lamer. "Discussions with our brokers and clients have been well received and with an A+ rating and a strong balance sheet, we believe that we are well positioned for future success."

A snapshot of SIRC

A record turnout means even greater hustle and bustle than ever before. Insurers, reinsurers and brokers show off their goods, make deals, discuss hot-button issues and SIRC once again proves itself to be one of the most important industry events in Asia.










Talking heads

Many topics have been discussed at SIRC, both onstage and off. We asked a select group of people what they considered to be the most important issues of all.

"I think one of the key issues is how we should close the protection gap in Southeast Asia, especially given the recent earthquakes in Lombok, Indonesia and the tsunami in Sulawesi. With climate change, it's going to get worse over time. You will have more typhoons and more flood risk in the region and the reinsurance industry has a responsibility to contribute to how we can mitigate the losses."

Axco reinsurance manager
Felix von Studnitz

"The main concern, globally, is pricing. The market is soft and in 2018 we haven't seen huge losses in the market. There is still a lot of capacity and the rates are going down, so this concern will remain."

Trust Re head of retrocession
Malcolm Fonseca

"Three years ago, the discussion around InsurTech and FinTech was about how the industry was unsure about it. But now, everyone has embraced it. It shows a level of maturity, but at the top of my mind, I'm wondering if the industry has gone a little bit too far and whether the industry should rethink their approach. It's great there is an acceptance for InsurTech and there are a lot of savings to be had using technology, be it blockchain or AI. But the question is whether the human touch in insurance will then be lost. Insurance is about protecting people. It's not just all about algorithms and machines. We shouldn't lose sight of that human element that is required, especially in an industry like insurance."

Labuan IBFC CEO
Farah Jaafar-Crossby

"I'm sure Mr Duperreault's fireside chat provoked quite a lot of conversation around the topic of innovation and whether the disruptors are looking at being risk takers or intermediaries. For me, that was a question that was well worth debating. Conversations we've been having with our clients have been around the state of their businesses, solutions they are looking for from us, how we will remain relevant to their business needs. There are clearly concerns over profitability and those concerns have been amplified over the past couple of days and I don't see that changing over the next couple of days."

Asia Capital Re CEO
Bobby Heerasing

"I think the topics of discussion have been really relevant for this part of the world, particularly the role reinsurance pools can play in emerging markets and developing economies protect and build resilience, especially against things such as natural disasters. We also have some important man-made threats that are evolving, such as cyber. Different ways of using capital to protect against these emerging risks is also coming through as a very strong theme. I think it's important for us to look at things like ILS to find different ways to protect against emerging exposures."

Lloyd's Singapore CEO
Angela Kelly

"One of the concerns a few companies have been having at the moment is about the protectionism, in countries such as India and Indonesia that have mandatory cessions for their local reinsurance companies. A few European markets believe that this is diluting competition. The other concern is about the operational costs coming with IFRS 17. It is assumed that the operational costs will be comparatively higher in the next few years."

Aon associate director, reinsurance solutions
Mansi Jain

Reinsurance:
In the quest to deliver value

Leading up to Monte-Carlo and the SIRC this year, *Asia Insurance Review* organised its annual reinsurance roundtable discussion with diverse participation from reinsurers, insurers, brokers, a banker and a risk modeller. Below are some of the highlights of the discussion on the theme of how reinsurers can sustain and enhance their relevance well into the future.

While reinsurance has had a good run for many years, many investors now view the sector's growth prospects as rather flat. And so one of the main thrusts of the roundtable discussion was how reinsurers can continue to maintain or increase their relevance in the coming years in the face of a rapidly changing environment – both internally and externally.

In taking stock of the present situation, the influence of the capital markets in dramatically altering the dynamics in reinsurance cannot be denied, said Asia Capital Re CEO Bobby Heerasing.

"There is obviously the convergence of capital markets and reinsurance and the blurring of lines. The pressure that has been exerted on traditional reinsurance has been tremendous and that has fundamentally altered the old model," he said.

However, participants recognised that alternative capital is just a fact of life and not necessarily a threat.

PartnerRe Asia CEO James Beedle noted how fast capacity was restored within the industry on the back of the HIM typhoons last year.

"Today there are few physical barriers to the inflow of capital, which happens almost instantaneously," he said. "And equally, if you look at the areas of the business that consume a lot of capital, such as CAT risk in Florida, that has become very commoditised due to the inflow of capital and consequently returns are no longer as high.

"So as a reinsurer, we certainly look at where the barriers to entry are higher, and where the value-add and expectations are higher, and that is where we can achieve returns and be more relevant."

Diversification and cross-subsidisation

Certainly, the premise for reinsurers has shifted over time and the future is going to look quite different from the past.

"Historically people have been happy to come to Asia and build for the future, because it is strategic, And so we were prepared to take a lower return and we can support it from the margins we are making from the North American and European business. But could that be no longer the case?" he said.

Mr Beedle said, "CAT is still very important and remains the biggest purchase for most clients, but are we reaching a point where, for a reinsurer, we are saying CAT has become less important? As mentioned earlier, it's now more commoditised yet it's a class of business which we have to do and which provides access to other lines.

"So will there be some tension there as there's a cost to that capital?" he said.

Staying nimble with a strong value proposition

Given the huge amounts of capital available, it is crucial for reinsurers to develop a strong value proposition beyond that of a capacity provider, said Willis Re Asia Pacific managing director Mark Morley. "You need to know what your value proposition is and you have to be nimble. You need to be able to move capital out of low-margin business into high-margin business."

AIR Worldwide managing director (Southeast Asia, Australia and New Zealand) Ashish Jain concurred, saying that "the focus for reinsurers is about value proposition, what non-price value can they add to their customers because having good products and good service is a given these days."

Synergistic relationship

In the search for a value proposition, Allianz Re Asia CEO Kenrick Law believes that data could potentially be a differentiator going forward.

"Cash won't just be the only king. There is data too. At Allianz, we are trying to centralise our data because we have lots of data around the world and they are not always fully utilised. And so the data and knowledge aspect that reinsurers can provide is going to be important."

Picking up on the theme of collaboration, Mr Beedle believes building strategic partnerships both within and outside the industry will allow companies to create greater value.

"We have seen a number of industry and non-industry partnerships formed in recent years to establish new carriers and I believe you will see more of these types of partnerships. However, I think insurance companies will still be our client base with partnerships built around them," he said.

The full version of this article can be found in the November edition of *Asia Insurance Review*.

Shielding against terror

With terrorism cover and risk pools active since the turn of the millennium, we look at how they are maintaining their relevance in the face of cyber threats and the changing nature of terrorism.

Deaths resulting from terror attacks have been on the decline over the past year, especially in Asia. However, the spread of the influence of terrorist organisations has increased, as has the spread of attacks.

In (re)insurance, the terrorism and political violence market remains mostly over-capitalised, although profitable. Several terrorism risk pools operate in Asia, namely in Indonesia, India and Taiwan. All three risk pools have reported an excess of capital. According to a representative at GIC Re, the Indian Market Terrorism Risk Insurance Pool (IMTRIP) has a "growing corpus built up during the course of more than 15 years. IMTRIP has copious resources available to meet liability arising out of any unfortunate incident." Combined with a decline in claims ratio, risk pools such as IMTRIP have a comfortable premium reservoir.

Formed after the events of 9/11, IMTRIP has only had to invoke its protection programme once, in the aftermath of the 2011 Mumbai attacks. The total claims paid out amounted to approximately $56.3m. "The current protection programme is an excess of loss protection programme for $536.7m with an excess of $59.6m. Hence, IMTRIP is well funded to protect another loss of the same intensity as that of Mumbai terrorist attack. The current protection programme ensures availability of funds at any time if two simultaneous terrorism incident takes place with limit of liability of INR20bn each. This protection is additional to the premium proceeds collected by pool members over the years," said the representative.

Risk pools triggered by events

Marein Re's risk pool, the Insurance Industry Development Consortium of Indonesia – Terrorism and Sabotage (KPIAI-TS), was established in 2002 after the Bali bombings in the previous year. According to the KPIAI-TS chairman of the executive council Robby

Loho, "After the terrorist attack in Bali in 2001, the local and overseas capacity almost disappeared. The risk pool was created in response to that. Right now, we cover per risk losses of material damage, including business interruption under the Indonesia Standard Terrorism and Sabotage Policy."

He added that the wording of the policy was drafted specifically to suit the Indonesian market, which has seen a recent upswing in terrorist activity. In 2018, he said, the pool's capacity to provide cover for any one risk is about $13m. Since its inception, KPIAI-TS has had almost no claims.

As it stands, the risk pools in Asia are very proactive. Both IMTRIP and KPIAI-TS conduct semi-annual meetings with all members. Said GIC Re, "This forum provides platform to the members to debate on the adequacy of the current coverage and also to flag requirement of additional inputs for coverage enhancement as per market necessity."

The changing nature of terrorism

In Asia, active assailant and loss of attraction policies are gaining interest. Active assailant covers property damage, business interruption (including non-damage business interruption) and extra expenses following a premeditated malicious physical attack by a person armed with a weapon.

Loss of attraction covers any business interruption caused when a terrorism event occurs at a location within 1km of the insured's premises or at a pre-specified attraction property, without any property damage to the insured's premises.

Traditional active assailant products have now been broadened to include all 'hand-held' weapons, including explosive devices worn on the body and motor vehicles.

However, terrorist organisations have grown increasingly savvy in their use of technology and the internet. Social media is their main recruitment and propaganda tool, especially for organisations such as ISIL and Al-Qaeda when attempting to spread their influence in Asia. The use of the 'dark web' amongst these organisations, especially for their money-laundering and funding purposes are fast becoming a spiralling problem.

It is not a stretch of the imagination to assume that these organisations would be able to employ cyber attacks in the near future. The events of WannaCry, Petya and NotPetya of 2017 revealed major vulnerabilities in city and government infrastructures, and the cyber protection gap seems to be ever-widening. The next big terrorist attack might not be a bombing or a shooting, but the interruption or shutdown of vital infrastructure in our cities, or simply a large theft of funds or cryptocurrency that can be used to underwrite the next major terrorist attack.

In 2017, North Korean hackers broke into at least two South Korean cryptocurrency exchanges and stole $24.2m worth of cryptocurrency. Earlier in the year, one of Japan's largest cryptocurrency exchanges was hacked and some $529,000 in virtual coin, the largest cryptocurrency theft to date.

Alternative investment and private assets

Chief investment officers within insurance companies in Asia, like other institutional investors, have been having a tough time in recent years thanks to quantitative easing. **Aviva Investors' Iain Forrester** thinks help could be found in an outsourced solution that offers bespoke investment solutions for global insurance companies.

By Paul McNamara

Aviva Investors is the investment arm of the UK's largest insurer, Aviva, and has been managing assets since 1972. In 2008, Aviva Investors became the trading name for a group of asset-management businesses owned by Aviva under a single management structure and brand.

Aviva Investors' head of insurance investment strategy Iain Forrester spoke to Asia Insurance Review about how the firm helps to design and customise investment solutions for their global insurance clients.

"We help insurance companies achieve their desired outcomes by investing in a wide range of assets including alternative income and private assets," said Mr Forrester. "This is a big theme and a big strength of ours - meeting the various regulatory and accounting constraints that the insurance companies have and delivering the transparency of reporting that those companies need in order to manage their balance sheets."

Pedigree, chum

As outlined above, while the Aviva name might be relatively new, the asset management capabilities of the group stretch back many years. "We have been investing assets for insurance companies for many, many years," Mr Forrester said. "On the alternative income side we have been doing real estate finance for over 30 years and we manage over $400bn of insurance assets. Recently we have been consolidating that expertise and capability, building out our insurance solutions team, and increasingly working with external insurance companies as well as our Aviva clients."

While the business has its roots in Europe, it is becoming an increasingly global concern, and matches the geographic growth of Aviva itself. "Our primary area of expertise for real assets is within the UK and Europe but we operate globally in public markets and have an investment team in Singapore managing around S$7.38bn in assets. And through Aviva's presence in Asia, we have a lot of experience in working with Asian clients," Mr Forrester said. "Some of the topical issues for insurers in Asia are new regulatory capital regimes and the introduction of IFRS9 and IFRS17."

A new breed of assets

Alternative income assets for Aviva Investors typically include private debt, infrastructure debt, real estate finance, structured finance and private corporate debt but also infrastructure equity investments including whole-project and unleveraged equity and real estate long-income solutions.

Mr Forrester said, "What we are seeing is that European insurers are looking to increase their allocations from around 6.5% up to over 9% over the next one to three years. That trend into private assets is a global trend that we are seeing across insurance investments."

It is a truism to say that most investors have been searching for yield ever since the Federal Reserve decided to tackle the fall-out of the global financial crisis by making money cheap. Insurance CIOs have not been immune to the macro environment. "Reducing levels of yield are one key driver," said Mr Forrester. "This has encouraged insurance companies to look at a broader range of investments.

"Traditionally they would have focused on public fixed income, equity and some insurers used alternatives but the yield environment has allowed insurance companies to broaden those investment horizons. As banks have withdrawn from some of the longer-term financing market, there have been more opportunities for insurance companies in that space."

The reality, of course, is not quite so simple. "It is not solely a search for yield," Mr Forrester said. "In many cases insurers are also investing in assets that provide better diversification - both in terms of the issuers themselves but also in the underlying drivers of credit risk – or assets that have more security – so assets that are secured on individual properties or operating projects such as toll roads.

"There has definitely been a focus on diversification and downside protection as well as illiquidity premia. What we found from our survey was that those three factors were the key drivers for insurers investing in these types of assets. So we are seeing a range of drivers for insurers moving into alternative incomes and private assets."

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