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The science of success

To compete and win in the next five years, insurers will not only need an overhaul of their businesses, including engagement, distribution, products – underscored by data – but must also reaffirm their purpose to customers. Disruptors are at the door and the industry needs to study its competition – non-conventional players like Tesla, Amazon, Tencent and Alibaba, which know their customers intimately; reassess its pain points and metrics of success; and make sense of unstructured data, said panellists at yesterday's CEO forum.

The innovation message cannot be overemphasised by Aviva Asia & FPI Executive Chairman Chris Wei, who summed it up candidly: "There's no way you're going to win by being a follower. The laws of nature don't allow it. In the absence of innovation, the default is size; and if you're not large, you're screwed."

While innovating on product is good, experiential innovation is better, as it is harder to copy and is where digital and technology come into play. But a third (and higher) level of disruption, Mr Wei added, is innovating on marketing. Life players have always relied on distribution to do marketing and a change is due. The industry's future success will depend on its ability to accept and translate unstructured data into actionable insights.

The art of engagement

MetLife Insurance K.K. Chairman, President & CEO Sachin Shah offered a sobering point found in a Capgemini study that 40% of millennial consumers would prefer to buy insurance from tech companies, rather than insurance providers. Among other vectors of change he shared, the increasing ubiquity of AI means that intelligence and utility become default expectations in customer interaction. And in a world where frictionless relationships are becoming the norm, experience is everything. Re-thinking the life insurance experience is thus critical, he said.

Insurers also need to connect with and recognise the importance of consumers' wellness and emotional well-being, as the latter expects insurance companies to help improve their quality of life, Mr Shah added. To this, SCOR Global Life CEO Paolo De Martin emphasised that insurers must listen to, and know clearly their purpose to customers, in order to drive authenticity in their engagement. "If a policyholder calls to say her husband died, and your company's script is to ask for her policy number as its first required question, then your company isn't ready to progress."

Mr De Martin also touched on four actionable key consumer themes in the industry. The first is an attitudinal change among millennials in Asia; when it comes to insurance, an overwhelming 98% see its importance, albeit their motivation stems from insecurity rather than desire. Secondly, health is increasingly becoming the new asset to protect; this trend cuts across all social classes, and presents a phenomenal opportunity for the industry. Third, insurers need to facilitate empowerment in customers' lifestyles – and not overwhelm – through choice; so they evolve from negative risk management to positive reinforcement. Finally, the increasing willingness of consumers to share data and their trust in automation – particularly in Asia – will lead to a convergence in automation and advice; insurers must use relevant tech to serve actual consumer needs.

Meanwhile, Sun Life Financial Asia President Claude Accum noted that distribution innovation will be another piece of the winning puzzle. While today's bank and agency distribution models focus on less complex and complex products respectively, tomorrow's distribution landscape will see the digital channel in the mix, offering simple and short-term products with smaller coverage. Digital, he said, will not "take it all", but it would be unwise to pick sides. Instead, insurers need to think about how best to integrate all three distribution models to ensure a continuity of experience for their clients. "There should be no more 'walled gardens'," he added.

From L-R: Mr Sachin Shah, Mr Paolo De Martin, Mr Chris Wei, Mr Claude Accum, and Mr Donald Kanak

Outsiders give their take on value creation

In further exploring the conference theme, a panel of non-insurers gave their views on how the industry could succeed in "Value Creation from the Outside In", both inorganically through M&As and generating value internally through innovation.

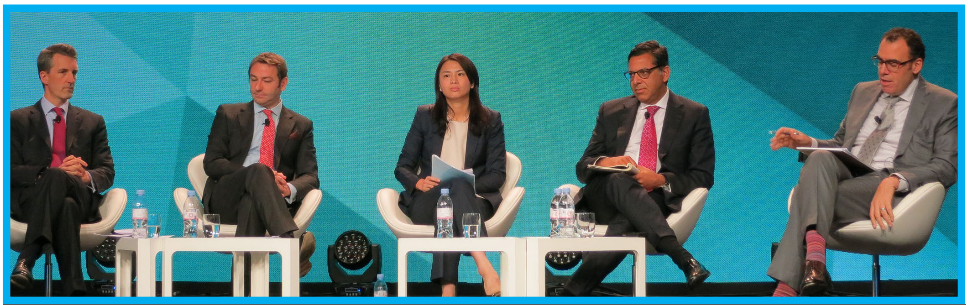
Moderated by Mr Alain P. Néemeh, Senior EVP, COO, RGA, panellists included JP Morgan Managing Director Charles-Everard de T'Serclaes; Mr Edwin Northover, Partner, Debevoise & Plimpton; Ms Sally Yim, Senior VP, Moody's Investors Service; and Mr Gautam Chawla, Global Co-head of Insurance, Citi Corporate & Investment Banking.

M&As

M&A prospects continue to be strong as insurers, driven by regulatory pressures, low interest rates and a rising equity market, are putting surplus capital to work, while some banks in the region have been divesting their insurance businesses. In Asia, Japanese and Chinese insurers are notably hungry, driven by strong currencies. The Japanese, recognising lower growth potential at home and active in the US market, focus on strong niche players with high dollar values, while the Chinese lare inclined to value-backed acquisitions in US$1-3 billion range, but it is their "non-traditional" insurers which are more active. Meanwhile, there are new players like alternative investment managers, SWFs and private equity firms entering the market, not just acquiring companies but also providing capital to support them.

But as M&As have seen mixed successes and new hurdles, panelists advised caution. Mr de T'Serclaes emphasised the exercise of discipline and not over-paying, noting some have gone on "buying sprees". Ms Yim noted the increasing regulatory scrutiny and capital controls on Chinese firms heading overseas. Chinese acquirers need to engage regulators in dialogue and should have some confidence of the latter before proceeding, advised Mr Northover, who also highlighted the Trump administration's growing protectionist measures in the name of security, which may have a large effect on US insurers. Mr Chawla suggested that potential acquirers should "be creative" and distinguish themselves from others, such as through a bilateral discussion on what value they could bring.

On tapping the vast Chinese market potential, panellists agreed it has to be a long-term effort to build a presence, and expressed hopes for the regulator to further relax rules, like foreign ownership and branch licensing limits. Ms Yim was bullish about China as a market big enough to accommodate foreign capital, and noted that domestic players would also benefit from technical expertise transfer.



From L-R: Mr Charles-Everard de T'Serclaes, Mr Edwin Northover, Ms Sally Yim, Mr Gautam Chawla and Mr Alain P. Néemeh

Organic growth

Moving on to seeking growth through increasing distribution and innovation, speakers agreed on the direction of digital distribution, but it was not the panacea. Digital, Ms Yim said, is only suitable for certain products, as customers still like face-to-face interaction when buying a protection product. Mr Northover highlighted bancassurance deals as a way to access banks' huge customer base, such as in new markets like Vietnam, with Mr Chawla agreeing that it is a quick way to ramp up growth compared to M&A. Mr T'Serclaes pointed out that the desire for distribution had led some insurers to even consider markets they were not interested in previously, once they started to run out of major banking partners.

Seguing into a discussion on innovation and InsurTech, Mr Chawla pointed out that many insurers have set up corporate venture arms to explore plugging InsurTech platforms into their businesses. Many of these players do not want to take on insurance risks, yet they want to distribute their product, thus creating potential for a partnership. Some players have access to Big Data that helps in the underwriting of risks. The crux is for insurers to find a model that makes sense.

This changing, disrupted landscape, has varying effects across the insurance industry, said Ms Yim. Large players have more of an advantage in the midst of tightening risk management and capital regimes compared to smaller players which have fewer resources, and which tend to rely on third parties for distribution. Meanwhile, non-life players are more vulnerable to tech disruption, yet have the most potential to be game-changers if they find the right path.

Insurers urged to tackle disruption with technology and R&D

"Disruptive technology does not only alter or destroy. It brings opportunities as well," said Hong Kong's Acting Financial Secretary, **Mr Edward Yau**, exhorting the insurance industry to move forward in the face of change and disruption through leveraging on technology and R&D.

Mr Yau, who officiated the 28th PIC Opening ceremony, congratulated the industry for its good performance in 2016, where gross premiums increased by more than four-fold to over HK$450 billion (US$58 billion). He highlighted the territory's regulatory measures to support the industry through disruption, and its active engagement with the industry through the Future Task Force and other forums to seek new ways to boost development.

While customer service remains key to insurance, he said Insurtech, or technology application, will catalyse the development of personalised insurance solutions, especially in meeting individual risk-management needs. And two elements in this are artificial intelligence (AI) and data analytics, which will help insures enhance their offerings and to make suitable recommendations for different risk scenarios.

Highlighting the InsurTech Sandbox's and InsurTech Facilitation Team's introduction this year, he added that the development and application of Insurtech must be pursued in close collaboration with professionals in the industry, as well as technology providers.

Hong Kong will also double domestic expenditure on R&D to about HK$45 billiona year (an estimated 1.5% of its GDP by 2022, doubling current levels) and reduce taxes for R&D expenditures to boost innovation and technology, on top of the HK$2 billion Innovation and Technology Venture Fund launched in September to stimulate investment in startups.

He urged the industry to engage the government's high level Steering Committee on Innovation and Technology to identify areas of needs and potential for development. "Standing still means falling behind. Hong Kong is not one for standing still – in insurance or any other business or industry, pursuit or occupation. Never has been and never will be."

Crucibles of change

In his keynote speech yesterday, McKinsey Asia Chairman **Kevin Sneader** identified nine major trends that are set to change the face of the life industry. Broadly classified into three categories, they are:

Global growth shifting to Asia

1. From globalisation to "glocalisation", where the new normal is such that trade will increasingly be conducted regionally, rather than globally;
2. The rise of ICASA – India, China, Africa and Southeast Asia will power global growth;
3. Availability of resources;

Accelerating industry disruption changing the way business is conducted

4. Combinatorial tech explosion;
5. C2B (Customer-to-business) – the customer is now in driver's seat of sales;
6. Ecosystem revolution;

A new societal deal

7. The dark side, where cyber risks and incidences are rising;
8. Economic growth experimentations (such as Abenomics, cryptocurrencies), but growth is not guaranteed;
9. Middle class progress and their ensuing needs.

Referencing a Chinese proverb about change and adaptability, Mr Sneader urged the industry to "find new ways to harness the winds of change". And instead of building walls to keep change out, insurers should "build windmills" in order to improve both the industry and the world.

Human advice in the age of the rise of machines

Can it be possible that one day, Artificial Intelligence (AI) progresses to a stage where it is able to tell individuals specifically what their financial needs are and become their personal financial adviser?

This may sound like science fiction, but it is becoming increasingly possible for learning machines to synthesise large pools of data points on human behavioural patterns and enable them to identify individual needs. AI may soon find its way into devices that we now rely on in our daily lives, and act as our virtual financial assistants.

That said, one thing we may have overlooked in this fear-inflicting scenario is that the human need for emotion and choice will prevent machines from total domination. People generally still prefer to seek out another human whom they trust to share their logical and emotional needs. So consumers will continue to prefer getting personalised feedback on their choices—as opposed to emotionless algorithmic responses generated by machines.

But advisers will also need to leverage digital tools, including AI, to provide more holistic, independent and tailor-made advice to customers. They will have to rely on these tools to provide ongoing advice as consumers enter different stages of their life cycles. Subsequently, advisers' mindsets will have to change so that they move away from making one-off sales pitches to being able to provide long-term services to their customers.

Humans were created to rule over other species on earth. So instead of letting machines dictate how we live our lives, we will need to know how to better use the machines.

Dr Khoo Kah Siang is Former Senior MD, Strategic Business Development & Regional Bancassurance, Great Eastern Life.He was also honoured with the title of Executive Champion of the Year at the 2nd Asia Trusted Life Agents & Advisers Awards.

Half of APEC CEOs expect rise in investment activity – PwC survey

Global growth is on a positive trajectory across both advanced and emerging economies, while the IMF's regional economic outlook for Asia and the Pacific, estimates growth for the region to hold steady – upwards of 5% – in 2018. Overall investment sentiment appears to mirror global macroeconomic trends, with 50% of APEC CEOs hoping to increase their global investments in the next 12 months, according to PwC's recent APEC CEO Survey, which polled 1,400 business leaders for their perspectives on the business landscape. It is expected that 71% of the increase in investment activity will go to APEC economies.

Despite the generally upbeat sentiment, market observers have also called for caution as pockets of economic uncertainty persist. One concern is the inflation pickup in the US, which could prompt the US Federal Reserve to accelerate its pace of rate hikes. A sudden tightening of global financial conditions could adversely impact Asian economies with high external financing needs and weak private sector balance sheets, including by triggering capital outflows and unwinding of productive investment projects.

Insurers, likewise, while looking for enhanced yields for their policyholders and/or their reserves, need to be attuned to the economic activities and scenarios unfolding every day. Shifts in regulations, business climates, occurrences of natural catastrophes, all affect the business scenarios and hence investment prospects.

It is thus imperative for insurers to understand the investment scenario in the region better, to maximise their yield from investments. The 5th Asia Investment Management Summit for Insurance, which is supported by Hong Kong's Insurance Authority will be held in Hong Kong from 30 November to 1 December 2017, will offer insurance investment managers a headstart in understanding the likely investment climate in 2018 and provide expert insights into the latest developments and trends that can affect the fortunes of insurance companies and insurance fund managers. Find out more at www.asiainsurancereview.com/conferences

Rest and recharge

After an intense lineup of discussions, delegates unwound over charged glasses and delectable canapes, readying for a new day.









Celebrating the true heroes of the life industry

The 2nd Asia Trusted Life Agents & Advisers Awards Presentation Dinner was held on 12 July 2017 to honour the very best in Asia's life insurance industry. The region was well represented across winners, with individual and corporate champions coming from seven markets—China, India, Malaysia, Vietnam, Hong Kong, Thailand and Singapore.

Competition for the Awards was stiff with some 350 entries whittled down to about 50 finalists, by a panel of 23 distinguished judges from Asia's life market. At the second stage of judging, the judges reviewed video clips from the finalists and selected the winners in a secret ballot held in Hong Kong in May.

Winners included agents and agency leaders from AIA Singapore, AIA Thailand, Manulife (Cambodia), Great Eastern Life Assurance (Malaysia). AIA Singapore also walked away as the Insurance Company of the Year for Agents award.

"These Awards remind us of the wondrous role that agents play in the insurance industry. Their sales efforts are the stuff of Oscars in the CSR annals. They serve the industry each and every day in a million little touching ways. And it is during the Awards that we are all reminded to count these little and great strides that agents and advisers make in the insurance business," said Mr Sivam Subramaniam, Editor-in-Chief of Asia Insurance Review, co-organiser of the Awards alongside LIMRA.

Mr Robert A Kerzner, President & CEO, LIMRA, LOMA and LL Global, said: "Congratulations to all! LIMRA is honoured to play a role in recognising the best and the brightest financial professionals in Asia at the second annual Asia Trusted Life Agents & Advisers Awards ceremony. Your professionalism, knowledge and commitment to the financial services industry are exceptional."

The Awards enjoy the patronage of Mr Mark Tucker, industry veteran and Group Chairman at HSBC, formerly of AIA. AIA is a strategic partner and Sun Life Financial is the sponsor of the Awards. The judging panel comprised personalities from the life insurance industry and was chaired by Mr Mark Saunders, Group Chief Strategy & Corporate Development Officer, AIA Group. Judging was audited by EY.



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