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ASIA INSURANCE REVIEW
DEDICATED TO ASIA'S INSURANCE INDUSTRY

EAIC
SPECIAL ISSUE

29th East Asia Insurance Congress
"Managing Disruptions, Driving Change"

Being connected

By 'being connected' I mean not just Wi-Fi and through technology but being connected to buyers in word, thought and deed. Is this possible? Or does it go against the very grain of business, based on the law of averages and probability of coincidences?

For centuries we have rested on the laurels that without insurance nothing can function effectively in business as well as in society and that insurance has been the cornerstone of trade and globalisation. Yet today we are hearing an increasing chorus of CEOs saying they must get customer-centric and hear what the customers want. And this is where the scary disconnect is: customers really don't know or understand insurance as it has never been made simple. The buying public, other than in compulsory insurances, wants to see a return on money spent. Exclusions clauses in policies only serve to exacerbate the poor image of insurance.

At this crossroads, the bold and yet cutting-to-the chase theme of 'Managing Disruptions, Driving Change', the 29th EAIC has a chance to make a difference. CEOs of the EAIC should come together to take charge of the image of insurance and drive the future of the business with a clear vision.

Being hip

With so much technology and InsurTech out there, disruption is the order of the day. But insurance has enough 'unique specificities' to give insurers who understand the impact of technology the cutting edge. Only insurers can translate technology into the insurance business. But are enough insurers doing this? The biggest problem seems to be that not enough leaders in the insurance industry understand the impact of technology on their business. Insurance insiders must rally together to cast this WOW! moment.

There are many who say that disruption is just a different, easier, less-regulated way of doing the old business, until the rules catch up. But unfortunately many use this as an excuse to wait it out. This is courting extinction. You have to ride the wave and drive the change to survive.

Being social

Standing still is just not an option no matter how big you are or how backward your market is. With technology, the comparison is global and buyers are not just looking at insurance itself but companies being green, being CSR-minded and doing social good with ESG scores and all.

So we carry on, borne back ceaselessly into the world of risk and how to price risk so that modern buyers can purchase insurance on-the-go, a sure-fire way that will make them feel and understand and even come to love insurance. For if one sits back and recollects in tranquillity that insurance is really about buying peace of mind, who can refuse to do so?

I salute the bravado of our Philippines' hosts who have gone that extra mile to make this EAIC special in May with a focus on content rather than just networking.

The EAIC grouping serves an emphatic purpose in bringing together the 12 cities of Bandar Seri Begawan, Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Macau, Manila, Phnom Penh, Seoul, Singapore, Taipei and Tokyo. Together they account for about 18.66% of the global insurance market. And one day, by definition, EAIC must embrace China, Laos, Myanmar and Vietnam. But one fine day, they say.

In the meantime, all the best for a great EAIC in Manila where traditions are made more fun.

Mr Sivam Subramaniam
Editor-in-chief
Asia Insurance Review

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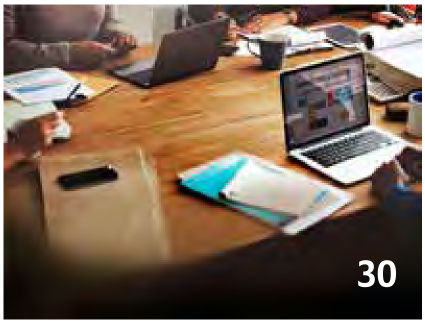


29th EAIC Organising Committee

L to R (on stage):
Ms Marian Albano, Mr Augusto Hidalgo, Ms Herminia Jacinto, Mr Ramon Dimacali,
Ms Esther Tan, Mr Alfredo Tumacder Jr, Mr Rogelio Concepcion, Mr Daniel Go, Mr George Mina

Standing at the foot of the stage:
Mr Reynaldo de Dios

I am honoured to be able to greet the delegates and guests of the 29th East Asian Insurance Congress (EAIC) warmly. The Philippines has been one of the founding partners of the EAIC, and it brings our country great joy to, once again, host this collaboration which continues to grow and be relevant as it fosters learning and sharing of information among its 12-market circle.

In the half century that EAIC has existed, the insurance industry, collectively and individually, underwent tremendous changes, validating the need for sustained connectivity among neighbouring countries.

Among these changes, one with far-reaching effects is that of digital evolution which has overturned (for better, of course) the way our systems and operations work, and is currently transforming the way we market and offer our products and services.

However, like anything else in this world, 'digitalisation' has its setbacks, thus, the theme 'Managing Disruptions, Driving change' is most apt.

Our industry's experience, insofar as online selling is concerned, is still juvenile, with the first few ventures just beginning to pick up. But the value of being able to present insurance products and services to the world, being able to secure applications, and being ready to assist our clients for claims, queries, or any other concerns related to their insurance coverage – all in just one, or a series of, simple clicks of the finger – is indeed, unimaginable. We look forward to learning from experts, through the 29th EAIC, how else to maximise the benefits of the magical tool that electronics have become, and how corporations can manage to survive, in case of disruptions in the digital service. This information is vital as we continue to move towards the realisations of our goals, primary of which is financial inclusion, which we believe is a key factor in uplifting Filipino lives and strengthening our nation.

While there is much to learn, I also hope that our delegates and guests will enjoy the scenic spots of Metro Manila and the hospitalities of our people. The Philippine organising committee had put a lot efforts into making this event possible, and I hope everyone will have much to take home – in terms of information, inspiration and fond memories.

Once again, to the guests and delegates of the East Asian Insurance Congress, Welcome and Mabuhay!

Mr Dennis B Funa
Insurance Commissioner,
Insurance Commission, Department Of Finance,
Philippines

On behalf of the Office of Insurance Commission, Thailand, it is my great pleasure to congratulate the organising committee and the Philippines for organising the 29th East Asian Insurance Congress (EAIC).

For the past 56 years, the EAIC has successfully served as an international forum for all key stakeholders in the East Asian insurance industry, by providing a platform for exchanging valuable experience and sharing perspectives in coping with challenges emerging in the industry across East Asia.

Beyond the valuable information obtained from participants in the EAIC, this is a great opportunity to have fruitful conversations with key players in East Asian countries, from both the government sector as well as the private sector.

The theme of this year's EAIC, 'Managing Disruptions, Driving Change', is essential for all active players in the insurance business nowadays, under the current of mega-change in technology, culture, climate, politics and economy. The congress has captured the up-to-date critical issues in insurance, including transformation strategies for organisations and culture, inclusive protection for growing populations, leadership in disruptive markets, real insights to cyber crimes, and driving change with reinsurance.

Amidst all the challenges, I strongly believe that this congress will broaden our perspective and enable us to develop the insurance industry further on domestic and regional levels with enhanced collaborations among all key players in the East Asian insurance industry.

I would like to take this opportunity to thank the EAIC and the host from the Philippines for organising this productive event. Please also accept my best wishes for a successful conference, and to all delegates, a memorable and enjoyable time in Manila.

Dr Suthiphon Thaveechaiyagarn
Secretary-general,
Office of Insurance Commission, Thailand

On behalf of all the delegates from Bandar Seri Begawan, Negara Brunei Darussalam, I would like to congratulate the 29th East Asia Insurance Congress in Manila 2018 organising committee and express my heartfelt gratitude to them for hosting this event with the exciting theme, 'Managing Disruptions, Driving Change'.

The conference is being held earlier in the year than on previous occasions and without the organising committee's great dedication, committment and team spirit this wonderful event would not be possible.

However, the conference woud also not be complete without the great support and dedication from all the delegates attending and I trust that this promising relationship and support will continue to grow and strengthen as we move forward. I trust that the outcomes from this conference will be far reaching and positive.

For the past five years, the insurance industry around the world has faced various challenges in the midst of financial crisis and technological change. One of the most discussed issues among the industry is the take of digital agenda. The world of insurance has already become digital, whether you are a life insurer trying to understand your interaction with the end-customer or a general insurer assessing your digital sales and services, most industry players have adapted to the digital agenda and these includes efforts in exploring digital opportunities in building a digital platform that can handle disruption and positively change the cost structure.

Aside from the challenges faced in the business, the industry is also impacted by regulations that are becoming more stringent. Around the world, IFRS 17 has been the topic of discussion, where implementers continue to evaluate their accounting policy to gauge the impact of the new standards and how these may impact their management decisions, product design and risk management strategies.

Another issue faced by the industry is talent management where the insurance industry is generally perceived as being less attractive to young graduates while experienced talent is gradually leaving the industry or retiring. Therefore, developing a performance-driven culture that enables recruitment, development and retention of young and experienced talent is more crucial than ever.

As one of the members of EAIC, regardless of the challenges or issues faced by the industry, it is always heartening to know that we are not facing the challenges alone and with great dedication and support from all members, we will always find ways to overcome whatever lies ahead.

I always look forward to the opportunities provided by EAIC in meeting new friends from all over the world and strengthening the bonds with the existing ones.

I wish all the participants of 29th EAIC Manila 2018 a fruitful and memorable time in attending the conference.

Mr Osman MD Jair
Chief Delegate, **Bandar Seri Begawan**

It is my great pleasure to extend my heartfelt congratulations to the Philippine Insurers and Reinsurers Association, the Philippine Life Insurance Association and the organising committee in hosting the 29th East Asian Insurance Congress in Manila this year.

The EAIC is truly the single most important gathering in Asia for the insurance fraternity. Its long history has shown that this rendezvous has achieved the aims of fostering greater regional understanding and cooperation without a break in continuity for the past 55 years. It is a venue that brings all insurance leaders and professionals throughout the region from large and small markets, and companies at varying stages of development to share their experiences and learn from each other.

This year's theme: 'Managing Disruptions, Driving Change' will be another challenging topic of discussion on how to cope with the dynamic challenges we are experiencing in the insurance market in this digital era. All insurers have been facing increasing pressure to evolve and reinvent themselves before disruption, caused by emerging technology and insurance start-ups, hits the bottom line. In this congress we hope to learn and share in various experiences from all of us with the objectives of not only tackling the current challenges of the day, but also offering solutions and strategic tips to cope with issues, guiding industry players to emerge as winners and providing for extensive networking opportunities for delegates.

Furthermore, the full integration of the ASEAN Economic Community will provide a new landscape for insurance once it progressively liberalises and substantially removes all restrictions. Such progressive developments in the region will definitely embrace interesting opportunities within the Asian financial services sector as a whole.

Finally, I would like to thank Mr Ramon Dimacali and the 29th EAIC organising committee for their tremendous endeavours in organising and arranging this gathering. Without their dedication and tireless preparation, this conference would not have been possible. Anticipating the resounding success of this year's rendezvous, I wish all the delegates and participants a rewarding and memorable time in Manila.

Mr Nopadol Santipakorn
Chief Delegate, **Bangkok**

Salam Sejahtera and greetings from Kuala Lumpur.

It gives me great pleasure to commemorate the 29th EAIC with this congratulatory message and to bid a warm welcome to all delegates attending this congress in Manila.

The selected theme of 'Managing Disruptions, Driving Change' is indeed timely in view of the evolution of the insurance industry. As insurance practitioners, we are at a crossroad in facing a disruptive market impacting our industry and challenging us with digitalisation.

This will dramatically transform the way we do business in the future. Insurers are being forced to rethink their strategies with the integration of technologies like artificial intelligence and blockchain. The customer is now looking at digital touch points for a more efficient and satisfactory experience. We are also moving into an era where we have to look at risks arising from advanced technology like autonomous vehicles, medical monitoring and detection using AI and the use of drone technology.

The organising committee has designed and customised an insightful and thought-provoking agenda for this congress that covers both the current situation and future challenges facing the industry. The committee has also put together an excellent line up of renowned, experienced and distinguished speakers and panellists who will share their knowledge with the delegates.

On this note, I would like to congratulate the organising committee for their hard work and my appreciation also goes to all the delegates and sponsors for their support.

I wish everyone a successful and enjoyable congress.

Thank you.

Mr Antony Lee
Chief Delegate, **Kuala Lumpur**

On behalf of the Hong Kong delegation, I would like to extend our heartfelt gratitude to Manila for hosting the 29th East Asian Insurance Congress.

As you may be very well aware, the theme for this year is 'Managing Disruptions, Driving Change', a topic which is deep in the heart of every industry practitioner.

In this dynamic age, we are faced with numberless challenges – ageing populations, severe climate change, the growing dependency on technology, etc. Not only do they bring our industry new opportunities, but they also disrupt our traditional ways of business operation.

In the face of this disruption, it is all about how we reposition ourselves and lead the way for our businesses, or even our industry, change with leadership, technology, and most important of all, the invaluable experience you possess and the innovative ideas in your mind. In this regard, I believe our industry experts from across the region will have plenty to share, and I am confident that you will be fascinated by the robust information flow and lively discussion here at the EAIC.

Hong Kong has always been a steadfast supporter of the EAIC over the years. The comprehensive package the EAIC offers, for instance, the excellent programmes, quality presentations, prominent participants and abundant opportunities for business networking, is definitely the reason for our loyalty.

In addition, the personal touch and the home-coming feeling which the EAIC conveys also keep delegates joining it year after year. Rekindling many old friendships as well as meeting more new delegates from different cities are what I expect at this year's EAIC. Wishing you all a very fruitful and joyous time in Manila.

Mr P L Chan
Chief Delegate, **Hong Kong**

The biennial East Asian Insurance Congress provides not only an excellent platform for networking, but also a meaningful opportunity to share our region's thoughts and ideas addressing current issues of the industry. Against this background, the EAIC has undoubtedly contributed a great amount to the cooperative development of the region's insurance industry since its founding in 1962.

It is indeed my great pleasure to be invited as one of the chief delegates. On behalf of Seoul, I wish to extend my warmest congratulations to the city of Manila and the organising committee on hosting such a remarkable event.

Driven by constant growth, the Korean insurance industry, both general and life, has become the seventh-largest market in the world based on premium income. Since our market has reached its mature stage, (re)insurers are exploring new opportunities that would ensure sustainable growth.

In this period of transition, we are seeking two things: plans to create new markets rather than to expand the old one and ways for cooperative growth together with society.

In the general insurance industry, we are planning on strengthening our risk-protection roles in our property and casualty sector. A few examples would be: covering new risks brought by new technologies such as drones and autonomous vehicles; and covering risks of our daily basis through products such as pet insurance. This way we hope the industry would discover opportunities in new markets, while improving its role as a safety net.

Moreover, promoting the healthcare services sector is one of the common interests both general and life insurance industries share. The development of such services should improve both profitability and the policyholders' health, providing ways for cooperative yet sustainable growth.

Considering today's rapid technology developments, now is the best time for us to get together and discuss 'disruptions and changes' within our industry. I am certain that the congress would provide us with valuable chances to share insight, together with respected speakers and participants across the region.

Once again, I would like to congratulate the organising committee for this successful event, and to ask for your much-appreciated support and interest to the succeeding host city, Seoul. Hope you all have a wonderful experience in Manila.

Mr Jae-Koo Lee
Chief Delegate, **Seoul**

On behalf of the General Insurance Association of Singapore, I warmly congratulate the Philippine Insurers and Reinsurers Association and the Philippine Life Insurance Association on the 29th East Asian Insurance Congress and also take this opportunity to extend warmest wishes to all delegates attending the convention.

In many ways, the 29th EAIC has come full circle by returning to the Philippines – one of the first few host countries of this significant biennial event. In continuing the EAIC's founding aim of furthering and developing international collaboration, the congress remains a keystone event for member cities within the region and beyond to engage in vital discourse and dialogue.

At the last EAIC, we looked ahead at the future of insurance and emerging developments in the advancement of the industry. As we forge ahead, we bear witness to the many challenges and uncertainties that undertow these waves of change.

In the past year, global sentiments were muted in light of rising geopolitical tensions and uncertainty. This year's theme for EAIC, 'Managing Disruptions, Driving Change', comes at a felicitous juncture as we examine the opportunities and growing complexities of this dynamic environment.

Singapore's general insurance market performance in 2017 tells the same narrative. Increasing market pressures and headwinds have impacted underwriting performance, but these challenges have also prompted the industry to look towards greater innovation and value creation.

It is through platforms such as the EAIC where the meeting of minds can spur knowledge exchanges and catalyst important initiatives that will allow the collective insurance industry in this region to scale greater heights.

Together with the Life Insurance Association of Singapore and the rest of the Singapore insurance community, the General Insurance Association of Singapore wishes the 29th EAIC organising committee every success in this forum.

I look forward to further enhancing our longstanding ties and continuing our warm partnerships and collaborations.

Thank you and I wish everyone a fruitful congress.

Mr Karl Hamann
Chief Delegate, **Singapore**

On behalf of the Taipei delegation, I would like to express my heartfelt appreciation to the Manila organising committee for putting tremendous effort into organising and arranging the 29th EAIC. Without their contribution and tireless work, this conference would not have been possible. Warmest congratulations to the Manila team.

Since its inception in 1962, the EAIC has grown to become one of the world's biggest forums in the field of insurance, attracting delegates not only from the East Asian region, but also from London, Europe, America and elsewhere in the world. It has provided industry practitioners with a unique platform to share knowledge and expertise in preparing for the future. It also provides an excellent networking opportunity for insurance professionals, helping establish new friendships and cementing existing acquaintances.

The theme of 29th EAIC, 'Managing Disruptions, Driving Change', is most timely and addresses issues covering the challenges and opportunities lying ahead for the entire insurance industry.

In Taiwan, for example, apart from tackling the emerging risks of climate change and extreme weather, it is envisaged that the insurance sector will face disruptions and challenges brought about by insurance technology (InsurTech).

The advent and use of technology has brought changes to the playing field, and we need to rethink and improve our models. I have no doubt that the discussions at the conference will provide valuable insights and solutions for both current and potential threats facing the industry.

I take this opportunity also to wish the participants a rewarding and memorable time at the 29th EAIC in Manila.

Mr Steve T H Chen
Chief Delegate, **Taipei**

EAIC markets in numbers

EAIC: Insurance premiums by country 2016

Country	Total			Life			Non-life		
	Premium volume (US$ million)	% growth over previous year	Share of world market (%)	Premium volume (US$ million)	% growth over previous year	Share of world market (%)	Premium volume (US$ million)	% growth over previous year	Share of world market (%)
Japan	471,295	5.1	9.96	354,053	3.9	13.53	117,243	8.8	5.54
South Korea	170,862	3.6	3.61	104,169	2.8	3.98	66,694	4.8	3.15
Taiwan	101,445	5.7	2.14	84,493	6.1	3.23	16,952	3.7	0.80
Hong Kong	56,448	23.4	1.19	51,940	25.9	1.98	4,508	0.3	0.21
Thailand	22,044	1.1	0.47	15,131	2.6	0.58	6,913	-2.1	0.33
Singapore	21,029	6.6	0.44	17,557	7.6	0.67	3,472	1.7	0.16
Indonesia	20,038	24.2	0.42	15,299	29.2	0.58	4,740	10.2	0.22
Malaysia	13,930	1.4	0.29	9,189	2.6	0.35	4,741	-0.9	0.22
Philippines	5,407	–2.9	0.11	3,742	–7.2	0.14	1,665	8.5	0.08
Macau	1,390	12.3	0.03	1,058	12.3	0.04	332	12.3	0.02
Brunei	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cambodia	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total EAIC	883,888	5.8	18.66	656,631	5.8	25.10	227,260	5.4	10.73
Total World	4,732,188	2.9	100.00	2,617,016	2.8	100.00	2,115,172	3.1	100.00

Insurance density 2016 (premiums per capita in US$)

Country	Total	Life	Non-life
Hong Kong	7,678.8	7,065.6	613.2
Taiwan	4,320.7	3,598.7	722.0
Singapore	3776.8	2,894.5	882.4
Japan	3,731.7	2,803.4	928.3
South Korea	3,361.9	2,049.6	1,312.3
Macau	2,328.5	1,772.2	556.4
Malaysia	452.2	298.3	153.9
Thailand	323.4	222.0	101.4
Indonesia	76.8	58.6	18.2
Philippines	52.8	36.5	16.3
Brunei	NA	NA	NA
Cambodia	NA	NA	NA
World	638.3	353.0	285.3

Insurance penetration 2016 (premiums as a % of GDP)

Country	Total	Life	Non-life
Taiwan	19.99	16.65	3.34
Hong Kong	17.60	16.20	1.41
South Korea	12.08	7.37	4.72
Japan	9.51	7.15	2.37
Singapore	7.15	5.48	1.67
Thailand	5.42	3.72	1.70
Malaysia	4.77	3.15	1.62
Indonesia	2.15	1.64	0.51
Macau	1.86	1.42	0.45
Philippines	1.78	1.23	0.55
Brunei	NA	NA	NA
Cambodia	NA	NA	NA
World	6.28	3.47	2.81

Source: Swiss Re, sigma No 3 /2017

Munich Re and InsurTechs: Embracing digital disruption

Digital disruption has the potential to reshape markets faster than perhaps any force in history, says **Mr Andrew Rear** of **Munich Re Digital Partners**.

There can be no denying: digitalisation is revolutionising industries all over the world and insurance is no exception. Digital technologies have already lowered entry barriers in the risk-transfer business and enabled new business models, such as usage-based insurance (UBI). Established insurers are asking how far-reaching the disruption will be. Are traditional business models soon to become obsolete?

After all, InsurTech start-ups have a major advantage in that they work with dedicated teams towards a single goal: to change the customer experience of insurance. But what they do not have is a trusted brand and a history of settling claims and keeping long-term promises. Digital disruptors can gain a great deal by partnering with established insurers, while incumbents can learn a lot about creating superior customer experiences in the digital sphere.

"Insurance won't be disrupted by a big bang," says Munich Re CEO Dr Joachim Wenning. "The change in the insurance industry will be brought about by the industry itself, which will incorporate all data and digital possibilities into its products and processes." In line with this view, Munich Re places great importance on cooperation with InsurTechs and other start-ups.

Dr Joachim Wenning

Munich Re is committed to adding digital components to traditional products and services as well as to developing new digital business models. The company has adopted a three-phase approach to unlocking the business potential of digitalisation.

The first step was to initiate efforts aimed at creating the infrastructure for innovation involving internal and external stakeholders.

These still-ongoing activities continue to yield abundant ideas and projects, which are subsequently vetted to determine which concepts are worthy of further investment and promotion.

The third phase focuses on scaling up the most promising initiatives and bringing them to market.

Partnering with newcomers

Projects successfully launched by Munich Re include Digital Partners (DP), a globally-operating company designed to partner with digital disruptors. DP's business model is based on the fact that InsurTech start-ups and digital verticals are creative technology companies at heart, not necessarily equipped with a profound knowledge in insurance matters.

"As a consequence we established DP as an enabler for InsurTech businesses that are changing the way insurance works, or making insurance fit for the new sharing, gig and mobile economy", says DP chief executive Andrew Rear. "That includes those looking to engage customers online, through mobile or social media and those who are developing new approaches to insurance products which are a better fit to the way people live their lives in today's world."

DP's services are geared toward concepts that utilise new technology to create outstanding customer experiences and increase efficiency in the insurance industry. By partnering with DP, InsurTechs and start-ups can gain easier entry into an industry known for its complex regulations and daunting capital requirements. DP also facilitates access to resources for scaling and expanding across borders.

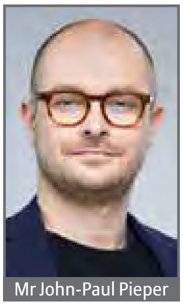
The service portfolio covers four areas: product development (design, pricing), international insurance capacity, technology and venture capital funding. Partners especially value DP's global capabilities and willingness to experiment as well as its technological capacity to provide automated interfaces. This enables companies to communicate directly with partner systems, allowing policy servicing and access to DP services such as data analytics.

Fully digital motor insurance

Munich Re's primary insurance group ERGO has launched an entirely digital insurance provider called nexible. Initially offering motor insurance, nexible allows customers to apply for cover, choose options and calculate premiums online via smartphones, tablet and other devices.

Damages are also reported using the nexible app. Based on this information, nexible estimates repair costs and, in many cases, pays the claim immediately.

> "The change in the insurance industry will be brought about by the industry itself, which will incorporate all data and digital possibilities into its products and processes."
>
> Dr Joachim Wenning, CEO, Munich Re


Mr John-Paul Pieper

"Our customers benefit from a simple product at an attractive price and a flexible insurance cover that adapts to our customers' ever-changing life circumstances," nexible CEO John-Paul Pieper said. "Promptly regulating the damages incurred by our customers is especially important to us. Generally they receive an individual offer within two hours."

Further InsurTech products that Munich Re has successfully launched include the non-life insurance solution FlexiSafe in the Chinese market. Based on the social-media platform WeChat, it enables policyholders to adjust various insurance covers as desired at any time. Also in China, Cindy Renminby allows policy buyers to invite friends and family to contribute to premium payments for better insurance coverage.

An ongoing commitment

Munich Re is a major supporter of the InsurTech Hub Munich, a federal government-back initiative to connect start-ups with corporate partners, research centres, universities and investors. As an entrepreneurial platform, the InsurTech Hub seeks to attract, inspire and organise key players across industries and technologies to revolutionise the future of insurance.


Mr Tom van den Brulle

"InsurTech Hub Munich is a golden opportunity for smaller players with a regional focus," Munich Re global head of innovation and InsurTech Hub board member Tom van den Brulle said. "They can cooperate with partners to leverage their superior customer intimacy and develop winning InsurTech concepts."

The commitment Munich Re has made to this topic is reflected in its investments, with EUR160m allocated since 2015 and a further EUR60m dedicated to company acquisitions and shareholdings. The company currently has the equivalent of around 300 full-time staff members dedicated entirely to innovation topics, more than 200 of whom have a data science background.

At the same time, it bears mentioning that innovation is costly and risk-heavy: only a fraction of the projects currently being explored will reach market maturity. Munich Re has implemented more than 20 innovation projects in the market, but has abandoned roughly 200 ideas and halted more than 90 projects. Success calls for patience and resilience.

Munich Re's willingness to invest and long-term perspective regarding innovation, partnering with InsurTechs and the transformation of global insurance markets has been recognised by the industry. In a recent survey by Willis Towers Watson, respondents placed Munich Re among the top four innovators in the marketplace.

This is, above all, the result of a future-oriented approach that favours cooperation and partnership. By working together rather than competing, digital disruptors and incumbents have the potential to advance the insurance industry to an entirely new level of convenience and attractiveness for new generations of consumers.

Mr Andrew Rear is Munich Re Digital Partners chief executive

Asia: Primed for digital disruption

New technologies such as artificial intelligence, machine learning, connected devices and blockchain hold the potential to modernise and transform the insurance process in Asia, a region with many high-potential markets driven by growing populations, an expanding middle class, low insurance penetration and ageing populations. **Aviva Asia**'s **Alex Kimura** highlights some potential opportunities.

When the ancient Babylonians carved into stone the world's first insurance policy in 1,755BC, they transformed civilisation with a concept. Fast forward to today, insurance is now undergoing one of its biggest transformations since its inception – digital disruption.

Demographic changes, a shift in consumers' needs and a rethink of the way companies interact with customers and their workforces have created huge opportunities.

At the same time, the emergence of new technologies such as artificial intelligence, machine learning, connected devices and blockchain, hold the potential to modernise and transform the entire insurance process.

This is especially true in Asia, which has many high-potential markets driven by mega-trends such as large and growing populations, an expanding middle class, relatively low insurance penetration, as well as ageing populations with multi-generational families.

China, in particular, tells a fascinating story of what can happen when a country quickly embraces the digital wave. China is home to Zhong An, the country's first fully digital insurer, which has reached a valuation of $8bn since its launch in 2013.

This phenomenal growth was possible due to a number of factors. Digital penetration is high in China. As of end 2017, it boasted an internet population of 772m (out of which mobile internet users made up 97.5%) and 455 online payment users. The country clocked a record CNY81bn spent in the US.

Furthermore, the Chinese government allowed ample space for innovators to experiment prior to enacting official regulations for the digital sector and later went on actively to support digitisation by building world-class infrastructure.

Together, these factors created a favourable environment for digital insurers like Zhong An to take root and grow.

China's InsurTech market has continued to flourish since, with total InsurTech premiums predicted to reach over CNY1.1tn ($174bn) by 2020.

Apart from Zhong An, traditional players such as Ping An Insurance and

Disruption is no longer just a theoretical concept – it is real and happening around us now.

China Life are also investing aggressively on this front – both companies have announced $1bn funds to accelerate InsurTech development.

Asia's underinsured sparks ripe opportunities for disruption

China's story points to a changing picture for insurance across Asia and suggests a future with ample opportunities for innovation and disruption.

Take distribution for example. In the past we have relied on the traditional model of agency forces, brokers and banks. However, this can prove inefficient and costly, especially in markets such as Indonesia, India and China.

Indonesia is the largest island country in the world with over 18,000 islands, whilst India and China are home to a combined 2.7bn consumers, over a third of the world's population.

In terms of both geographical reach and population numbers, it would be no easy feat to reach, educate and sell to consumers in these markets. What insurers need is a more convenient and scalable means to engage – and this is a gap that technology can effectively fill.

Driven by rising smartphone adoption in countries like India, Indonesia and the Philippines, insurers now have a powerful and direct channel through which to reach consumers in these underinsured markets.

Furthermore, Asia is increasingly powered by digital-savvy millennials. A report by Accenture found that millennials account for more than 45% of the region's population. They are projected to have more spending power than any previous generation – an estimated $6tn in disposable income by 2020 – and are more likely to be comfortable sharing personal information in exchange for perks such as convenience, financial incentives and personalised services.

As the generation that grew up with the internet, today's millennials should be early adopters of InsurTech and help pave the way for greater innovation in the future.

Millennials are not the only ones demanding change. Following technological advancements in other aspects of financial services, customers have come to expect the same from insurance – be it digital on-boarding, one-stop shopping, personalised solutions or seamless end-to-end experiences, insurers are now held against the same benchmarks.

Insurers need to be at the forefront of change

Faced with these fundamental shifts, insurers need to embrace transformation in the industry and enhance their capabilities in areas such as data analytics and new technologies, as well as invest significantly in innovation, talent and in becoming more agile.

In recent years, the industry has seen a surge of competition from new entrants – innovative disruptors that have identified existing gaps in the insurance sector and are harnessing technology to create new solutions. A joint report by CB Insights and Willis Towers Watson Securities stated that global investment in InsurTech jumped a significant 36% from $1.7bn in 2016 to $2.3bn in 2017.

Insurers should recognise that these disruptors present an opportunity, not a threat. Beyond making internal improvements, there are also synergies to be gained by partnering disruptors to accelerate the transformation process. In short, we both bring something to the table.

Insurers take action

Generally, incumbent insurers have been responding to the disruptors in three ways. One, establishing innovation labs to enable more organic innovation, often by providing start-ups with 'space', mentorship and small amounts of seed funding.

Two, partnering with complementary disruptors to form mutually beneficial strategic alliances. And three, launching corporate venture funds, which enable insurers to take stakes in a number of start-ups that could eventually become commercial partners and potentially disrupt the industry.

Rethinking the future of insurance

Disruption is no longer just a theoretical concept – it is real and happening around us now, whether that is transforming insurance advice, underwriting, or claims processes. However, room remains for more.

Innovation has so far been concentrated on certain parts of the value chain: customer experience, to simplify the user journey; enhancing lead generation and distribution through digital tools to make processes seamless and more efficient; and data analytics, to transform the wealth of data that insurers have into actionable insights with which to enrich customer propositions.

In future, we need to prime ourselves for 'InsurTech 2.0' – the next phase of transformation as we disrupt ourselves, rethink insurance and reimagine traditional models.

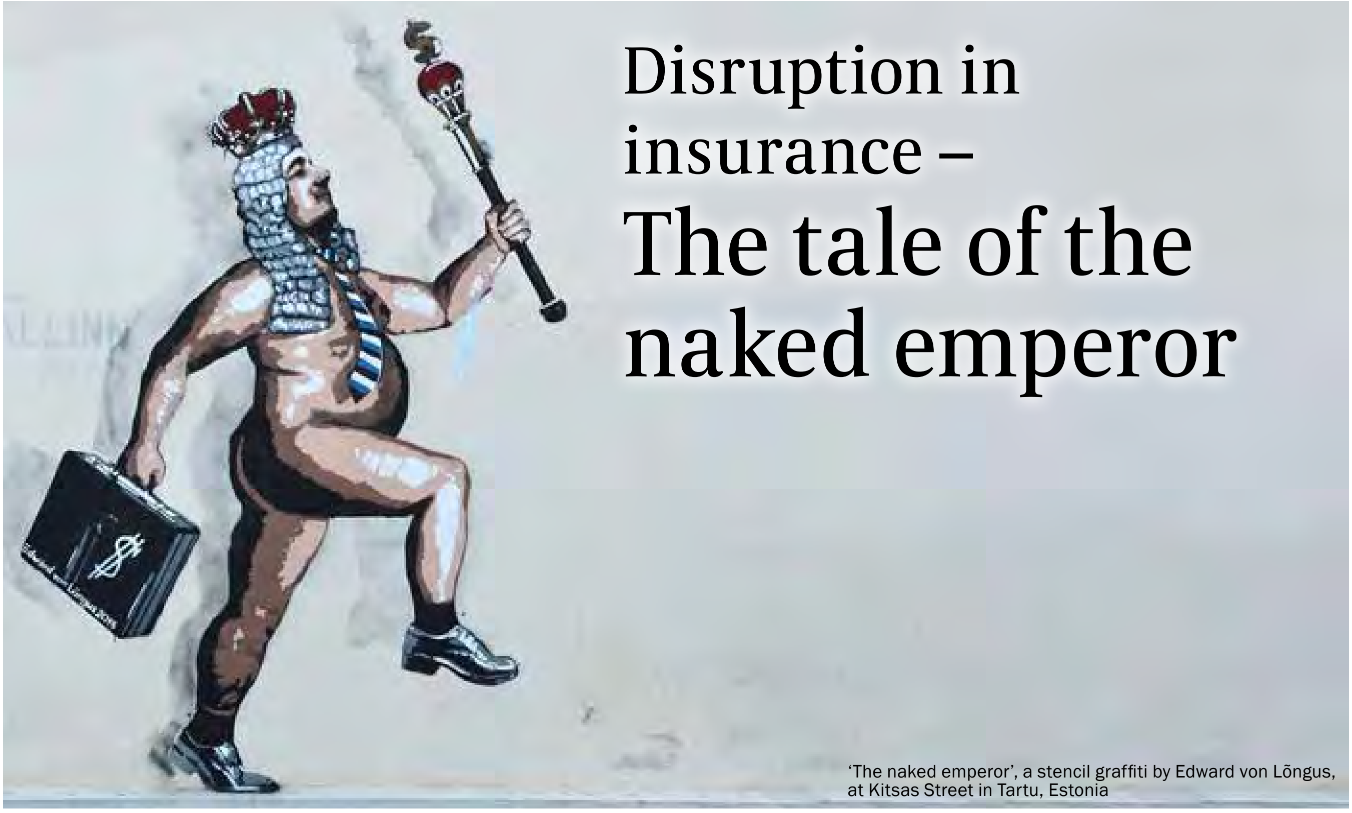
Going beyond pricing or improving products, the next era of analytics will create truly intelligent customer propositions that solve problems even before one realises the need. Imagine a future where cancer could be detected from breath samples, or if medical staff could be alerted even before an illness progresses. These may sound far-fetched, but are just two of the technologies that Aviva Ventures has invested in.

In the millennia since the Babylonians, insurance has continued to keep societies protected from life's greatest uncertainties. As insurers, we play a critical role in societies' welfare, working alongside governments to enable better health and retirement, which are high on the national agenda.

Instead of trying to fight disruption, the successful insurer of tomorrow will embrace the inevitable, source innovation, create an environment that nurtures it and then tap into it. Ultimately, innovation needs to be open and inclusive to take flight.

Mr Alex Kimura is chief strategy officer of Aviva Asia.

Disruption in insurance – The tale of the naked emperor



'The naked emperor', a stencil graffiti by Edward von Lõngus, at Kitsas Street in Tartu, Estonia

Dr Kai-Uwe Schanz of **Dr. Schanz, Alms & Company** cautions against the disruption debate raging across the global insurance landscape taking on a life of its own. Time to pause, recap a few facts and question a few things.

This article is slightly contrarian as it pours some cold water on the disruption hype that appears to have taken hold of the global insurance community.

As in Hans Christian Andersen's short story 'The Emperor's New Clothes', some executives, professionals and pundits focus on disruption as a notion they desperately want and perhaps need to see. The emperor, however, may not be wearing the clothes that you believe you see. He may be naked.

Let us start with the ubiquitous notion as such. The word 'disruption' has been overused to an extent that any clear meaning has all but evaporated. In addition, it is not new and hardly different from Joseph Schumpeter's definition of capitalism, coined in 1942, as a permanent process of 'creative destruction'. Many proponents of disruption may never have heard of Schumpeter but they will certainly take note of Jeff Bezos' view: "At Amazon, we've had a lot of inventions that we were very excited about, and customers didn't care at all. And believe me, those inventions were not disruptive in any way. The only thing that's disruptive is customer adoption".

For insurance executives who have to perform the art of the possible, this approach may serve as a more effective guide to change than fancy consulting mantras.

In the context of disruption, technologists immediately refer to Airbnb and Uber which are shaking up and fundamentally threatening the travel accommodation and taxi industries.

Why insurance may not be as affected by disruption as one may think

Despite the dramatic changes brought about by big data, the internet of things, autonomous cars and peer-to-peer (P2P) insurance, the insurance industry is unlikely to be prone to disruption as defined by the technology industry.

Here are six specific arguments to support this proposition.

1 First, insurance customers are buying contingent rights to access cash, frequently in situations of severe distress. It goes without saying that the scope for disrupting this business model is fundamentally different from transportation or temporary accommodation.

And coming back to Amazon: It sells products with a known cost. Insurance is fundamentally different. One single event can be financially catastrophic for

> "At Amazon, we've had a lot of inventions that we were very excited about, and customers didn't care at all. And believe me, those inventions were not disruptive in any way. The only thing that's disruptive is customer adoption"
>
> Jeff Bezos, CEO of Amazon

either or both insurer and insured. As a process that begins with an individual risk exposure analysis, continues with identifying the proper risk management approach and then moves to legal complexities once a loss event has occurred, insurance probably does not lend itself to an Amazon-like 'one-click' purchase.

Insurance is not a commodity distinguished only by price. If you don't like what you buy on Amazon you face the inconvenience of a return. If, however, you choose the wrong insurance product, you may soon be in very serious trouble. Insurance is set to remain a complex process the true test of which is whether it covers a claim – rather than speed, ease and convenience of buying.

2 Second, insurers already embrace many innovative technologies in order to enhance each and every link in the value chain. This includes the formation of non-actuarial, big data teams using various non-traditional predictive models. Kept in perspective, digital technologies are a great opportunity for innovation rather than a source of disruption. Lemonade, one of the best known licensed InsurTech start-ups, posts a combined ratio of close to 800%. It might be still early days, but doubts are growing as to whether its underwriting and distribution model will ever work. And the question remains how quickly digital only business models can reap cost and pricing benefits over legacy systems that incumbents are currently digitally reshaping aggressively.

3 Third, insurance requires massive amounts of capital to cover catastrophic scenarios. It is hard to see how P2P insurers, for example, would be able to build the level of scale needed to accumulate capital and use it efficiently. Such startups will inevitably be reliant on reinsurance for – literally – wholesale backing. Lemonade's reinsurers currently assume $5 in losses for every $1 in premium ceded to them. However, do not expect those reinsurers to walk away soon. In dollar terms their losses are negligible compared with the learning and public relations benefits of working with an innovative non-traditional player, even though critical observers may consider the latter a mere broker with uninspiring long-term profitability prospects.

4 Fourth, an online-only insurance customer relationship may not survive critical situations arising from (major) claims payments or the sudden emergence of complexity requiring human interaction. Removing any alternative option for interaction may backfire. What the insurance industry is all about is assisting individuals, families and organisations in identifying their exposures to loss and implementing the most cost-efficient risk management techniques to minimise the potential for serious or even catastrophic financial loss.

5 Fifth, the rise of autonomous vehicles would shift risk from personal lines to commercial lines. Whether overall risk pools and the associated premium volumes will ultimately shrink is debatable and not predictable as the underlying risk landscape will not evolve in a linear way. Certain heavy personal lines motor insurers would certainly face tremendous pressure to adapt – with many years available to do so – but probably not outright disruption.

6 Sixth, regulators may simply kill any 'disruptive' venture as soon as issues around customer protection, mishandling of personal data or perceived unfair price discrimination emerge – which could be a matter of time only. The sudden change in public sentiment and the prospect of a massive regulatory backlash against 'big tech' following the Facebook/Cambridge Analytica affair is a case in point. With people losing trust in technology platforms and the ability of their governments to protect them, insurers could establish themselves as trusted third parties. This scenario is quite different from the mainstream according to which technology companies can use their informational and branding advantage over traditional insurers to enter market segments promising the highest margins (ie, cherry-picking low risks) – a bleak prospect for incumbent insurers' portfolios.

In conclusion

InsurTech founders and investors need to be prepared for a long and bumpy road to profitability with tens of millions of dollars sunk in before it becomes clear whether their digital insurance business model can produce sustainable returns. Those who think they can simply disrupt a centuries-old industry based on an app here and a bot there might fundamentally misunderstand what the industry is all about – and run out of venture capital before they realise.

Having said all this, even if insurance avoids disruption in its literal sense, there is no doubt that it will (have to) undergo a full-blown transformation. There will be no alternative to a fully digitised value chain. And there will be no alternative to partnering with companies that originate and analyse real-time data or provide superior customer access. Once the respective strategies are in place, insurance executives should keep their minds firmly focused on what will remain the key performance indicators: Underwriting margin and customer retention. But let us not get carried away be the disruption craze. Let us rather have the courage to use your own understanding (sapere aude), to quote the great 18th century philosopher Immanuel Kant.

Dr Kai-Uwe Schanz is chairman, Dr. Schanz, Alms & Company AG, Zurich.

The yin and yang of One Belt, One Road

Pegged as the most ambitious infrastructure megaproject of all time, China's One Belt, One Road initiative (OBOR) will stretch from the very edge of East Asia to East Africa and Central Europe, connecting nearly two thirds of the world's population. Through continuous networks of highways, railways, ocean routes and ports, the scheme will open up cross-border connectivity and encourage a further integration of international markets.

Aside from kickstarting economic growth across China and many developing nations, many have have questioned the true political intentions behind Beijing's masterplan, fearing potential renminbi internationalisation to world domination. Whatever happens, with $1 trillion-worth of infrastructure works planned or already underway, OBOR will transform the Eurasian land mass and reshape global trade as we know it. How China will fund the works still remains to be seen, but a need for private capital involvement is certain, along with co-financing with member governments along the route.

KEY INVESTORS

- Asian Infrastructure Investment Bank (multilateral organisation)
- Asian Development Bank (multilateral organisation)
- China Development Bank
- Bank of China
- Other state-owned banks
- Silk Road Fund (funded mainly with Chinese capital)
- State-owned companies
- World Bank

65 countries affected

35% of global trade

31% of global GDP

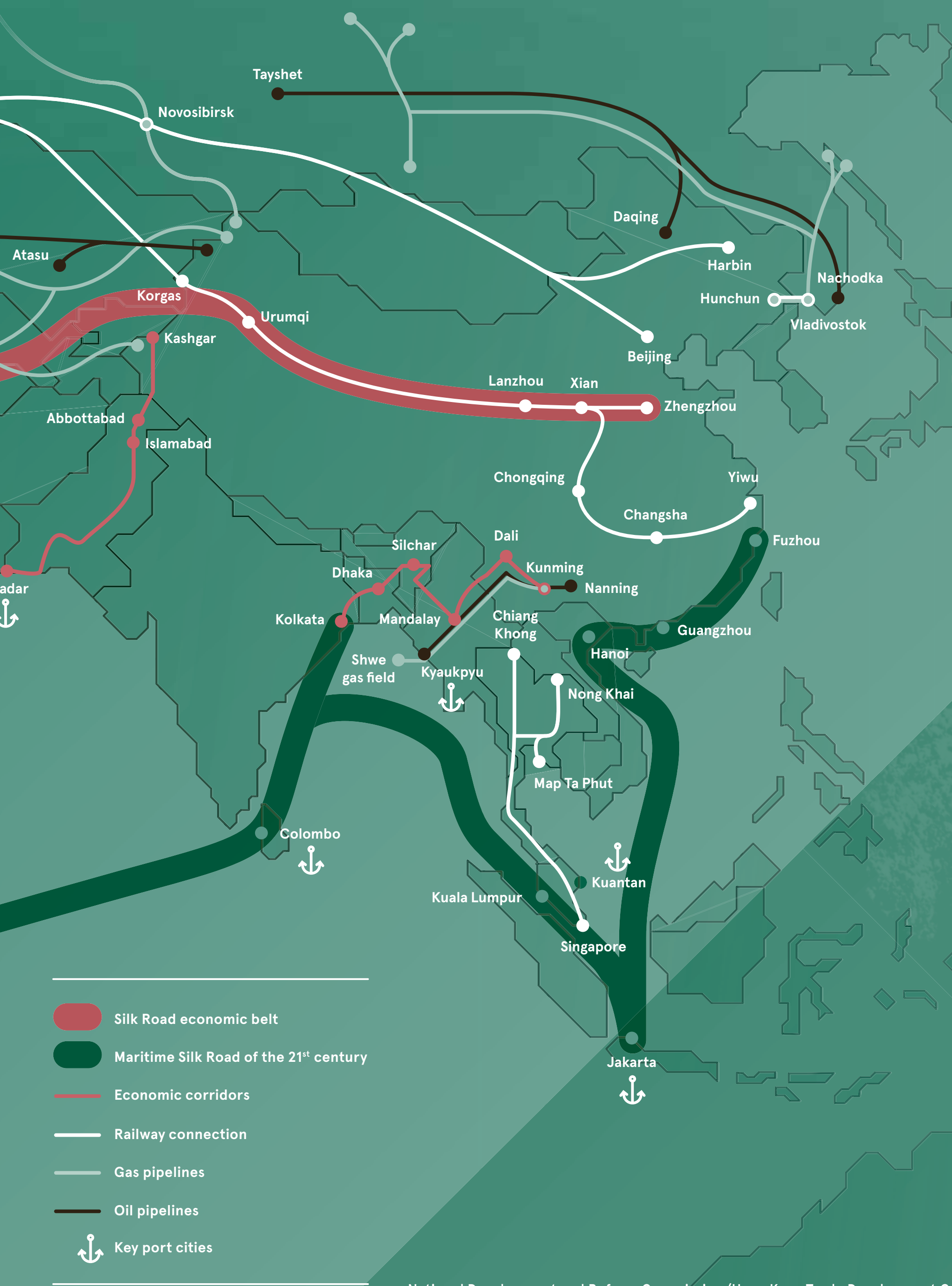
62% of the world's population

$4-8TRN estimated capital needed for the project

"The glory of the ancient silk routes shows that geographical distance is not insurmountable. If we take the first courageous step towards each other, we can embark on a path leading to friendship, shared development, peace, harmony and a better future"

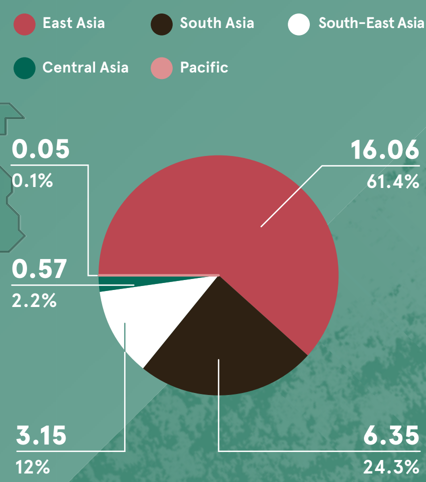
Chinese President Xi Jinping

Indian prime minister Narendra Modi has been an outspoken critic of the plan, notably the China-Pakistan Economic Corridor passing through the disputed Pakistan-occupied Kashmir. India has labelled the project "a colonial enterprise, leaving debt and broken communities in its wake", and was a notable boycotter of the OBOR summit last year



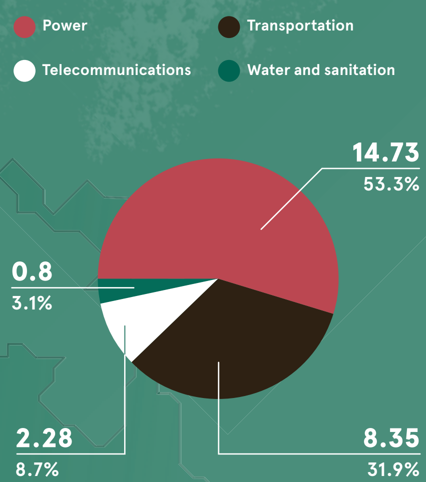
ASIAN INFRASTRUCTURE NEEDS BY REGION

Economic infrastructure investment needed between 2016 and 2030 by region ($trn)



ASIAN INFRASTRUCTURE NEEDS BY SECTOR

Economic infrastructure investment needed between 2016 and 2030 by region ($trn)



National Development and Reform Commission/Hong Kong Trade Development Council/South China Morning Post/Asian Development Bank

Infographic courtesy of Raconteur • Source: www.raconteur.net/infographics/one-belt-one-road

IFRS 9 to drive modest rise in insurers' income volatility

Insurers are likely to see a moderate increase in investment income volatility following the implementation of IFRS 9 accounting standards for financial instruments at the start of 2018, as more financial assets will be valued on a fair-value basis. IFRS 17, the new standard for insurance contract accounting that is due to be implemented in 2021, is likely to pose a greater challenge to insurers, both operationally and financially, say **Messrs Christopher Han** and **Jeffrey Liew** of **Fitch Ratings Singapore**.

Insurers will have to re-assess their business models through the lens of the new standards, as their business models will determine the classification of financial assets.

IFRS 9 prescribes three classification categories: fair value through profit and loss (FVPL), fair value through other comprehensive income (FVOCI) and amortised cost. The FVPL classification will be the least favoured by insurers, as it requires changes in fair value to be recognised in profit and loss as they arise, potentially increasing earnings volatility.

IFRS 9 also replaces incurred-based credit losses with an expected credit-loss model. The previous standard was less forward-looking, with losses recognised only upon objective evidence of impairment. The new model may create more loss-provisioning volatility for insurers with loan portfolios, as it is based on macroeconomic forecasts.

The bulk of insurers' investments remain in traditional fixed-income-type securities and most of these are likely to be initially classified as FVOCI or amortised cost. As such, we expect the impact on insurers' financials to be manageable. However, most equities could now be classified as FVPL, although insurers may separate a proportion as FVOCI owing to IFRS 17 considerations. Overall, the amount of financial assets measured by FVPL will increase compared with the previous standards.

Life insurers are likely to see a greater impact on income volatility than non-life insurers due to the long-term nature of their businesses and higher exposure to non-fixed-income investments. This is especially so for life insurers in Asia-Pacific's developed markets, which have been shifting towards equities and alternative investments in search of higher yields amid a low interest-rate environment.

Different accounting principles, similar conclusion

The new accounting standard is likely to have the most impact on the investment portfolios of insurers. Based on the criteria for classification and measurement described above, this means that only plain vanilla, fixed-income instruments are eligible for the amortised cost classification – all other financial assets will either fall under FVPL or FVOCI.

While the classification categories are similar to the classifications under IAS 391, the process and principle through which this is determined is different – under IFRS 9, the basis on which assets are measured determines their classification, whereas the reverse is true under the previous standard.

Assessing the impact

We expect investment income to be more volatile in the future as the amount of financial assets that will be measured using FVPL will increase. However, as the bulk of insurers' investments remain in traditional fixed-income-type securities, we expect the impact on insurers' financials to be manageable. Fundamentally, nothing has changed in terms of the intrinsic value of the assets; rather it is the format and underlying principles of financial reporting that have evolved towards a more fair-value approach.

In addition, transition measures were introduced to the current accounting standard for insurance contracts (discussed below), and offer insurers the option to smooth out any accounting mismatches in the years to 2021 when IFRS 17 is implemented, and at the same time provide investors and users of financial reports alike a preview of what is to come in 2021 through additional disclosures.

Thinking ahead, potential accounting mismatches could arise as IFRS 9 and IFRS 17 adopt different bases for classification into profit and loss or OCI. The former is driven by the characteristics of the underlying investment, while the latter is driven by decisions made on a portfolio basis. This would result in potential accounting mismatches and would look to account for this in our analysis, where possible.

We expect investment income to be more volatile in the future as the amount of financial assets that will be measured using FVPL will increase.

Transitional arrangement for insurers

To the extent that insurers currently measure contract liabilities on an amortised cost basis, the increased fluctuation in asset values under IFRS 9 may lead to more severe accounting mismatches than under IAS 39 in the interim, because there is no corresponding change on the liabilities side. These mismatches would therefore reduce the comparability with financial statements from previous years.

To address this, IASB has allowed two approaches to address the effects on insurance entities that have chosen the option to delay the implementation of IFRS 9.

Overlay approach

Differences in profits or losses arising from the introduction of IFRS 9, relative to IAS 39, may be recognised in other comprehensive income and therefore reduce any incremental volatility in the income statement.

Deferral approach

The application of IFRS 9 is deferred until 2021, ie, the effective date of IFRS 17.

Pros and cons: Deferral approach is the preferred option

While the overlay approach may provide temporary relief from the volatility in profit and loss and help transition towards full implementation, companies that choose to adopt this method would have to undergo two rounds of major accounting standard change and abide by both IFRS 9 and IAS 39 simultaneously up to 2021.

The deferral approach is the more common approach adopted by insurers and may be a more efficient option as all necessary transitions are done in 2021. However, the disclosure requirements are more onerous, and may put a strain on operational costs, especially if substantial efforts are required for the additional reporting and disclosure.

Notwithstanding the above, insurers that are part of a larger non-insurance group or conglomerate (ie, activities that are not predominantly from insurance) are unlikely to benefit from this, and therefore have to start implementing IFRS 9 with effect from 2018.

IFRS 17: Eye on the greater challenge

For insurers, the next few years represent a significant challenge to transition to a new accounting era of increased transparency, granularity and comparability.

In line with a concerted effort to better reflect the impact from changes in the economic environment on book values, IFRS 9 should be viewed in tandem with the imminent introduction of IFRS 17, which is expected to have a more significant impact on insurers, both operationally and financially.

Investment assets and insurance contract liabilities are often managed together in the business model of insurers. Consequently, the interactions of the two new reporting standards may potentially have effects on their financials, and insurance companies will have to consider carefully their implications.

Mr Christopher Han is associate director, financial institutions and Mr Jeffrey Liew is senior director, financial institutions of Fitch Ratings Singapore.

Insurance Summit on Belt and Road Initiative

12-13 June 2018, Singapore

Theme: "Getting Ready for a New Risk Landscape: An Insurance Dream"

The opportunities arising out of the Belt and Road Initiative (BRI) are tremendous for all especially with the insurance landscape being so dramatically reshaped. Comprising the land-based "Silk Road Economic Belt" and the ocean-going "Maritime Silk Road", BRI aims to strengthen economic ties across Asia, Europe and Africa to create business opportunities, promoting connectivity and unimpeded trade for over 65 economies and 4.4 billion people along the BRI region.

According to Swiss Re's report, BRI projects outside of China will generate an estimated USD28 billion in commercial insurance premiums in the years to 2030. Engineering and marine insurers in particular stand to benefit, taking most of the estimated USD14 billion during the construction phase of BRI projects. After construction, assets/facilities in operation in countries outside of China are forecast to generate another USD14 billion in premiums, mostly for property insurers. So there is plenty for all.

Asia Insurance Review, as the voice of the insurance industry in Asia, is hosting a two-day **Insurance Summit on Belt and Road Initiative** with the theme focussed on looking at whether the insurance industry can rise to the challenge. The Summit provides the key platform bringing together leading experts and industry leaders to provide a comprehensive analysis of the insurance landscape in Asia to capitalize on these growth opportunities, be it through new partnerships, strategic alliances or industry-wide pools and co-operation. These are exciting times for the insurance industry globally.

Senior decision-makers and influencers including insurers, reinsurers, brokers, consultants, as well as service providers will want to be at this premier event to explore the potential BRI has to offer.

Key Topics include:

Market Overview

- The Grand Vision of BRI: Reshaping the Insurance Market
- One Belt One Road: Modern Risks Along an Ancient Trade Route
- Key Regulatory Developments Impacting BRI
- A New Regional Legal Landscape for Belt and Road Initiative
- BRI Investment Opportunities – Prospects for Insurers

Practical Issues and Lessons

- Political Risks and Trade Credit – Insuring Foreign Direct Investment
- Issues in Cross-Border Insolvency and Dispute Resolution
- Cyber Risk: How Cyber Threats Transform the Risk Landscape
- Corporate Governance – How They Affect Business Conduct
- Negotiating for BRI Business

Strategies for Successfully Living the BRI Dream

- The Real Opportunities in BRI for (Re)Insurance Markets
- New Partnerships in Insurance: Brokers, Risk Managers and Insurers
- Maximising Benefits to Insurers and Customers through Broker Services
- Insurers and Reinsurers as Partners in Business – Rising to Market Needs
- Nurturing the Right Business Models Geared for Growth
- Advancing the Market Through Reinsurance Know-How

Keeping Pace with Innovation and Technology

- Managing Risk With AI
- Big Data - Dynamic Data Underwriting for Success
- Predictive Analytics and Applications in the Insurance Business
- Harnessing Technology – The Digital World and Insurance

Roundtable Discussion: Getting Ready and Strategic for BRI

The opportunities that BRI brings results in risks and challenges also result in risks and challenges.

Strategic Panel: The New Dimensions of Political Risk Today

BRI passes through the continents of Africa, Asia, and Europe, exposing participating companies in the respective countries to political and security risks.

Infrastructure Risk Panel

The top priority of the Belt and Road Initiative is infrastructure development. Estimates indicate that BRI infrastructure projects in Asia alone will require investments of US$1.7 trillion yearly through 2030.

Marine Panel: The Future of Trade

Demand for marine insurance is expected to rise with an increase in the number and value of overseas projects under the Belt and Road Initiative.

Hong Kong Panel: A Key Link for BRI

ASEAN Panel: Insights on Insurance Experience with BRI

Insurance association key representatives and domestic key players give an overview of the opportunities.

Regional Panel: Other BRI Markets' Insurance Experience

Discussion of developments in insurance along the BRI region.

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Revolutionising the Indian insurance industry through big data and data analytics

Bajaj Allianz General Insurance's **Sourabh Chatterjee** believes that in order to be relevant to customers of today, insurers in India need to get past the old way of selling, buying, underwriting and pricing insurance and embrace the new mindset of connectivity and data processing.

In the increasingly hyper-connected digitised world that we live in, businesses have access to voluminous amount of data or big data, which is reshaping businesses globally. The Indian insurance industry is no different. It is undergoing a paradigm shift in the way products are designed, engagement with customers, customer service and processing claims.

Insurers are in the business of pricing and covering risks. Historically, insurers hire actuaries who assess the risk by looking at the history of loss and claims on each portfolio to derive an appropriate premium for customers. However, in today's interconnected world, underwriting insurance is undergoing a radical transformation. We are gradually moving towards a predictive and prescriptive age where machine, artificial intelligence and algorithm are becoming stronger to bring out a new age prescriptive model.

Earlier insurers had mainly relied on precedents to predict the cost of future property damage claims, now real-time weather and sensor data can alert the company to an impending probability of snow, ice, or flooding in low-lying areas through digital channels to warn their customers and employ loss minimisation resources.

Traditionally, an insurer looks at the make and model of a vehicle to arrive at the cost of a policy. However, these factors are largely generalised and an impersonal method of determining premium. With the advent of technology and the ability to monitor different types of data feeds, insurers now have substantial internal and third-party data.

Such real-time data gives insights into behavioural aspects which static data cannot provide. This will pave way for granular/modular/personalised/customised pricing, thereby enabling insurers to offer the most competitive premium rates based on actual usage and customised products based on customer's need.

Connected devices

Today, we have connected vehicles and smartphone applications that can track driving habits and share them directly with an insurer. Connected devices installed in the car that use telematics monitor speed, acceleration, braking and cornering to provide driving summary and real-time information on driving behaviour. This gives insurers a lot more data to work with when underwriting insurance policies.

In India, telematics not only help save on fuel costs, maintain the engine health, etc, but also help make roads safer by incentivising good driving habits. Additionally, real-time information transmitted to the insurer ensures risk-based pricing on actuals and prevents fraudulent auto and personal injury claims.

In addition to telematics, India is witnessing fast growth in the usage of smart devices which run on the internet of things (IoT). These range from smart watches, TVs, smart fridges, fitness devices, smartphones to almost any device used today which can be connected to the internet to manage and improve our lives. Actuaries can use IoT to assess the data that they receive from these devices and track the individual's lifestyle and choices for more precise pricing of insurance policies. For example; a smart fridge could help assess the quality of food being ingested, remind users of expiry dates of packaged food, etc.

A major revolution is also underway in the Indian health insurance sector due to the growing prevalence of wearable technology that can keep tabs on levels of activity and diet. Insurers can use the data from these devices to reward healthy and fitness-conscious customers and offer differential personalised health insurance rates to them.

Insurers today have set up large data analytics teams consisting of a mix of data scientists, actuaries and statisticians looking into the opportunities and challenges that new age risks and these wearable technologies bring in.

To summarise, the world of connected devices is the world of sensors, and the right mechanism to read, store and analyse the data these sensors generate. IT architecture must be looked at from a different perspective, where stacking, storing and active business intelligence algorithms need to be on the forefront. Only this will help companies from descriptive, to diagnostic analytics as the AI learns. Once the AI-based business intelligence has enough data and patterns, it can churn out results which can predict customer behaviour (predictive analytics) and ultimately move towards favourable responses or how to get customers to engage in a way, ie, prescriptive behaviours using prescriptive analytics.

Fraud detection

Beyond helping insurers set more efficient and accurate usage-based premiums, big data has also proven itself to be useful for insurers in cracking down on fraud.

Indian insurers have increasingly started to deploy big data to tackle fraudulent claims. This is done through profiling and predictive modelling of claims by actuaries and statisticians, text mining from police reports and identification of anomalies in a large group of similar cases. Predictive modelling guesses the probability of an outcome given a set amount of input data, while text mining turns text into numbers or meaningful indices, which can then be incorporated into other analyses such police data, witness statements and so on. Variables within each claim are matched against the profiles of past claims which were known to be fraudulent.

For instance, in the future, by using blockchain and smart contracts, an insurer can manage claims in a responsive and transparent manner, where in it can help record and verify the customer data on the occasion of claims. Once a claim is lodged by an insured, blockchain can ensure that only valid claims are being paid. It will be able to identify a trend when multiple claims are submitted for the same accident, thereby detecting if there's any fraud. If the criteria for the claim is met, blockchain can trigger the payment, thus, increasing the speed to claim settlement.

The Indian insurers' claims departments are progressively analysing information for more significant data points and connections. Text mining can interpret claims adjusters' handwritten notes and scan a claimant's social media accounts for suspicious activity in nearly real time. This extensive information helps insurers in not only identifying consumers/entities that are potential moral hazards but also helps prevent anti-selection of risk within the insurance industry.

Usage in marketing

The other major use of big data in insurance is in marketing for insurers. Gaining a complete understanding of a customer by analysing all of the available data, insurers can offer new types of products and cross-sell products based on the customer interest. Thus, offering dynamic need-based insurance which will 'precisely' meet their needs. Data is already being used extensively to draw up personas of customers online to target them with specific products, and even more so on retargeting of customers for cross-sell and upsell. It gives insights into a customer's propensity to buy and channels through which he/she will buy. Indian insurers are leveraging this practice to move beyond offering 'one-size fits all' annual policies to offering personalised policies specific to a customer's need.

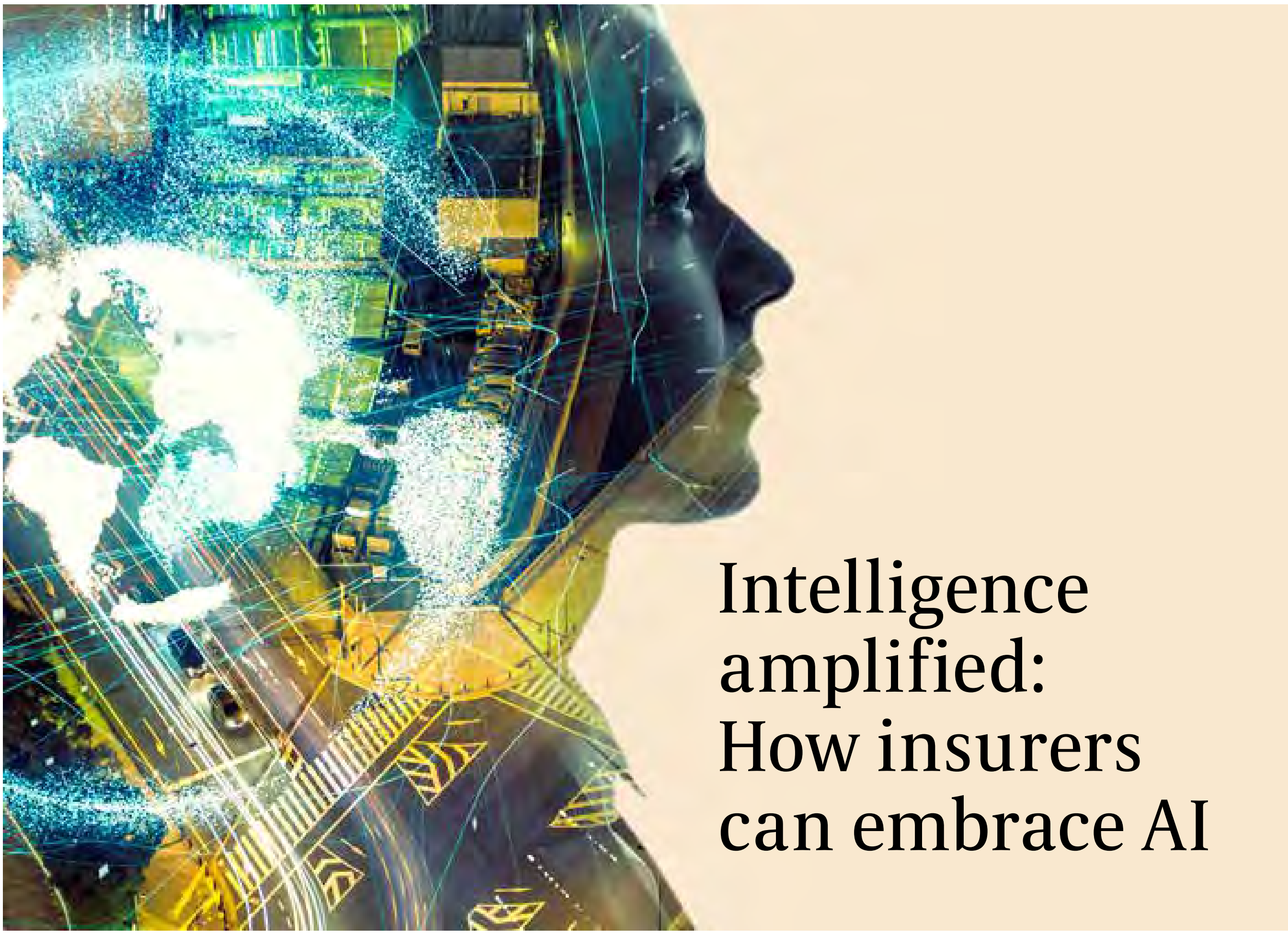
While the use of big data in insurance brings about a unique set of challenges in dealing with securing customer data and concerns over privacy, it is undoubtedly a tool that can alter the insurance industry in a positive manner.

Privacy must be a major point of consideration, with requisite client permissions in place. Insurers must focus on risk rather than personal profile of the customer in the long run.

The Indian government and the regulatory authorities have introduced various digital initiatives such as linking Aadhaar to insurance policies, eKYC, digital lockers, unified payments interface, and also a mandate for e-insurance accounts, which are creating enabling systems for simplification of transactions. The India Stack, will enable insurers to reach hitherto untapped customers throughout the country and especially in the hinterlands providing them customised products as per their need.

The insurance industry of India is nearing a tipping point with big data in the form of offering smarter customer service and products, and more efficiently priced premiums. In order to be relevant to the customers today, the industry needs to get past the retrograde way of selling, buying, underwriting and pricing insurance and embrace the new mindset of connectivity and data processing. I believe the day is not far away when the insurer will change from being purely a source of claims payments to a trusted adviser.

Mr Sourabh Chatterjee is president & head - digital & technology at Bajaj Allianz General Insurance.



Intelligence amplified: How insurers can embrace AI

Mr Vincent Branch of **Accelerate** (XL Catlin's internal innovation team) discusses how artificial intelligence is helping his organisation and others to scale their best ideas.

Innovation is a key focus for insurers and reinsurers as they adapt to the changing risk profiles and needs of clients. The use of artificial intelligence (AI) is one way that the (re)insurance and industry can streamline certain processes and improve efficiency. This, in turn, enables us to focus our efforts on delivering innovative coverages.

AI algorithms and machine learning are extremely powerful tools for insurers and reinsurers as they allow us to process huge amounts of data faster and more accurately than a human could.

AI can also allow insurers and reinsurers to access data that is locked in spreadsheets, for example, to give a better picture of the risks and exposures clients face.

It is important to remember this will always be a people business. And that is why we are looking to use AI to deliver intelligence amplified (IA).

As insurers and reinsurers, we can use AI to enhance and support our insights and decision making. AI and machine learning techniques can help us to process vast amounts of data quickly, and at a level of granularity that simply isn't possible using linear models and they also can help us to unlock new risk profiles, business models and market opportunities.

XL Catlin has entered into a partnership with AI firm Cytora to give us powerful insights into risks (see InsurTech box on next page).

Take claims as an example. At some point, insurers may automate about 80% to 85% of claims. But we would never want to take human judgement out of that process altogether. Insurers and reinsurers need to learn from claims and we need to harness the real skills that people have to analyse and take away lessons from claims so that we can adapt and develop innovative insurance coverages.

AI and machine learning will enable insurers and reinsurers to scale their best ideas and their best people.

This requires people to adapt to changes, train and take on more strategic roles.

In the large commercial insurance and reinsurance market, the skill set required may shift and the types of people working in the market will have a keen interest in data science.

The use of AI also will be extremely valuable to risk managers and insurance buyers in enabling them to gain a better insight into their organisation's risks.

For example, we recently ran a proof-of-concept exercise that examined thousands of loss reports to identify and understand trends that a human reading the same documents physically could not have identified.

This, in turn, gives risk managers – and insurers – intelligence that we simply otherwise could not gain.

InsurTech innovation in Asia

Asia is a very exciting region in terms of technology innovation and development.

XL Catlin recently became a founder member of InsurTech Asia Association, an independent industry initiative that aims to advance insurance in Asia through the impactful application of InsurTech.

A recent study by UBS noted that advances in InsurTech could create cost savings of about $300bn a year for the Asian insurance industry by 2025. And the relatively low insurance penetration in many Asian markets means there is potential for InsurTech initiatives to be developed first in Asia, before being deployed in other markets with more traditional incumbent players.

And regulators in the region have been taking positive steps to create an environment that supports innovation and the development of InsurTech. These moves include allowing for sand-boxed experiments, for example, which allow companies to test their ideas in a low regulatory environment.

This also provides the perfect opportunity for insurers and reinsurers to use new technological advances to amplify the skills of humans in order to deliver new risk transfer solutions – IA.

The Asian market will play a key role in the technological evolution of our industry, and we are excited to be involved.

Mr Vincent Branch is chief executive of Accelerate, XL Catlin's internal innovation team.

InsurTech in action

Last year, XL Catlin began working with Cytora, a UK-based Insurtech start-up that uses AI and open-source data to improve the way insurers quantify, select and price risk. **Mr Vincent Branch** discusses how AI and external data are affecting and changing the insurance industry.

Q How are artificial intelligence and external data impacting the insurance industry?

A The use of technology means the world around us is changing at a fast pace. For example, mobile and cloud technology is now commonplace in society, as is more advanced technology such as AI, neural computing and 3D printing. This technology revolution is rapidly changing the assets we insure and our clients' risk profile.

By 2020, there will be 20bn connected devices in the world. This creates huge amounts of data. Insurers need to find new ways to harvest, capture, store and analyse that data. AI and machine learning are part of the toolkit that we as insurers can use to enrich our decision-making and to create new solutions for clients.

How are you developing AI capabilities?

Innovation is a top strategic priority for us and we believe that the cross-pollination of ideas and skills is critical to innovation. In order to achieve that, we try to foster ideas by building new partnerships and investing in AI ventures, as well a running a portfolio of innovation experiments and proofs of concept. To support this work, we have a team dedicated to leveraging technology to develop business opportunities.

Why did you decide to work with Cytora and what have been the benefits of the partnership?

We were looking to enter a new segment of the insurance market for which we had no data. So we needed to find a way to leverage open source data to be able to understand the risks and trends for that line of business.

Cytora had an interesting solution that uses open source data which enabled us to recreate the claims history for the business line using public records and enrich that with open source data.

As a result, we were able to create risk selection and pricing factors from scratch, share those insights with our distribution partners and begin underwriting this new business line.

One of the great benefits of our partnership with Cytora has been that it comes from outside the insurance industry, it brings fresh thinking. This enables us to 'explore the art of the possible'.

M&A in the digital economy

EY looks at new trends in insurance M&A and examines the opposing forces of economic uncertainty and the need for transformation alongside the new types of deals that we may see in 2018.

Last year was not a stellar one for insurance M&A in terms of the overall number or value of deals – with both being broadly comparable to 2016.

However, deal activity in 2017 contained signs of the M&A trends that we expect to see accelerate as more insurers seek to transform, using business acquisitions or disposals as elements of that transformation.

The long-term nature of many insurance risk types means that a process of rationalising legacy commitments is a critical early step prior to more forward-looking transformation.

In 2017 we saw many examples of such 'portfolio optimsation' or simplification of existing legacy businesses. Moving beyond such activity, we have seen continuing investment into new technologies (whether via investment into InsurTech or the acquisition of key capabilities from incumbents). We have also seen early signs of convergence, with technology-oriented businesses starting to invest in insurance.

Insurance deal activity in 2017

The total valuation of deals in 2017 was $48bn, 27% of which took place in Asia Pacific. This was comprised of 458 deals, 11% of which happened in Asia Pacific.

Last year saw a fall in interregional capital flows, with a significant drop in value of deals from Asian bidders into Europe or the US compared with previous years. This is partly a confirmation of the impact of the tightening of regulations in China on outbound M&A combined with increased scrutiny on non-core acquisitions.

FinTech company Yunfeng's acquisition of MassMutual's business in Hong Kong was an early indication of increasing technology-driven investments in the sector, while Aviva's partnership with Tencent in Hong Kong to form a

Table 1: M&A in Asia – Biggest deals in 2017

Date	Target	Target market	Acquirer	Acquirer market	Stake (%)	Value ($ m)
September	Colonial Mutual Life	Australia	AIA International	Hong Kong	100	3,051
August	MassMutual Asia	Hong Kong	City-Scape Pte; Yunfeng Financial Group	Hong Kong	100	1,641
August	First Capital Insurance	Singapore	Mitsui Sumitomo Insurance	Japan	98	1,600

digital insurance joint venture further underscores the trends in insurance transactions toward digital ecosystems and partnerships (Table 1).

M&A in a period of sector transformation

Phrases like 'portfolio optimisation' and 'simplification' appeared frequently in investor presentations through 2017, explaining the basis for a number of business disposals by major insurers looking to focus both capital and management effort on critical forward-looking business initiatives. For many insurers, such streamlining of their businesses is a critical step in the journey towards creating new target operating models and propositions, generally centred around digital capabilities.

The insurance sector, like so many sectors, is going through a period of clear and rapid transformation. Indeed, the industry is facing up to the reality that its products, customer engagement and overall propositions need to change radically while operations and costs need to be fundamentally streamlined.

Sector transformation has driven M&A activity in 2017 in a number of ways and we believe that there is a clear likelihood that transformational deal activity will continue through 2018 and beyond.

We see a range of likely M&A activity forming part of the overall transformation of the sector in the short-to-medium term. The majority of recent M&A activity has been in respect of traditional deal types – portfolio optimisation as well as mergers aimed at accessing or sharing the cost of development of key capabilities.

If insurers are to operate effectively in a world of rapid technology innovation, convergence between sectors and the growth of emerging digital ecosystems then we expect to see a corresponding shift in the nature of M&A.

Insurance M&A markets and solutions are evolving rapidly

We are seeing the creation of ever more sophisticated insurance M&A markets in response to ongoing sector transformation.

Every seller needs a buyer, and the sale of non-core legacy businesses by major insurers has been facilitated by the increasing scale and complexity of the closed life and non-life markets.

Such legacy consolidation is further facilitated by effective reinsurance markets which enable selective de-risking as well as by sophisticated investment allocation strategies.

Given the long-term nature of insurance risks, cost efficiency becomes a critical element of valuation. Advances in IT, particularly in areas such as robotics, provide hope that the insurance sector can finally address the key issue of managing down the cost of administering old legacy insurance products. This will add a vital further component in the ongoing evolution of the closed life and non-life consolidation model.

InsurTech and other emerging transactions

In 2018, InsurTechs will continue to move from proof of concept to proof of scalability, demonstrating the ability to achieve scale across multiple insurance lines, components of the insurance value chain and geographies. Emerging winners can be expected to be the target of M&A interest from a range of potential investor types (including incumbent insurers, large technology companies and institutional and retail investors).

Investment in InsurTech disruptions (such as sensors, AI, wearables, analytics) will increasingly be a medium to build and access emerging consumer-centric digital ecosystems. This will in turn accelerate convergence through business partnerships between innovative companies in very different sectors.

How incumbent insurers are investing in InsurTech

We have seen continuing investment in emerging InsurTech businesses, often via venture fund structures established by major insurers. The use of dedicated venture funds goes part of the way to addressing a number of the challenges that insurers face when investing into (and partnering with) emerging and start-up businesses:

- The investment approach to innovative companies requires very different skills to 'traditional M&A' by major institutions.
- The funds can apply metrics that may be very different from classic return on equity type models, recognising the strategic value of an investment as opposed to the short term financial return.
- The venture funds can apply a variety of different investment structures. Many InsurTech businesses do not want to be fully acquired by a single financial institution, as that would limit the number of industry counterparties with which they can interact. Insurers can use venture funds to take strategic stakes in innovative companies (perhaps combined with wider commercial arrangements) as a way of strengthening long term collaboration and alignment of interest.

The challenges require ongoing flexibility and innovation on the part of the insurer. Simply setting up a venture fund does not create innovation, so it is critical that the venture fund is supported as part of the wider approach to innovation and transformation.

Digitalisation in insurance – Not all roads lead to Rome

Insurers are working intensively on digitalisation, but there is often a poor correlation between expenditure and actual value. As such, comprehensive multi-channel strategies are what is needed, say **Dr Dirk Schmidt-Gallas**, **Mr Jan Weiser** and **Ms Stefanie Grunert** of **Simon-Kucher & Partners**.

Insurers are putting considerable effort into their digitalisation initiatives, setting up new units and digital innovation labs. However, there is often no clear plan or comprehensive digitalisation strategy, which is why the hard work they put into digitalisation frequently ends in an incoherent mess: processes are not consistently defined and channels are not integrated. This is why the effort insurers put into digitalising their processes doesn't translate into comparable revenue increases and has almost no impact on their final result.

Digitalisation is not a new topic for the insurance industry – online channels have been used for sales and communications for decades. In the last few years, price comparison websites have completely transformed the insurance market. Implementing changes always takes longer in the insurance industry than in other sectors, and this is no less true for digitalisation. Customers' purchase behaviour is changing and insurers are racing to catch up.

New buying norms

Today, it is has become normal for customers to buy a wide range of products, such as books, shoes, and airline tickets, through the internet.

Naturally more and more insurance sales reps are worried about their jobs and managers are becoming increasingly anxious. They recognise that when buying insurance, customers expect a similar buying experience to the ones other industries provide. There is a clash between the different sales channels, as savvy customers are finding their own information and comparing it for themselves.

Price differences between online and offline channels are making it even more difficult, particularly as sales staff are unable to justify these differences during one-on-one conversations.

In order to overcome this hurdle, providers need to develop effective multi-channel strategies. This begins by having a clear vision of where they should be positioned in an ever-changing digital world and how channels should be integrated. It is vital to prioritise which customers need to be reached.

Different strokes for different products

It is a commonly held belief that the reason many customer journeys end without a sale is because not every product is available everywhere and channels are not all linked with each other; however, this is not the full picture. It is unwise to offer the same product portfolios with the same tariff calculations on every channel. The key is to differentiate between transactional and consultation-intensive business.

Transactional business consists of the easy-to-understand, comparable pull-products, such as car insurance or pet liability. It is precisely here – and only here – that the online channel works.

Key objectives

- Attract the attention of new customers and lead them to complete the sale on the company's homepage, or for the more complex, transactional products, such as health insurance, direct them seamlessly into a personal sales call.
- Target existing customers with personalised advertising and encourage cross-selling.

For the company's homepage, insurers should offer recommendations early on, instead of leaving the customer to find the most suitable product by themselves. It is also important to develop a sales process that actively leads the customer. The design of every product description, info pop-up, or alternative suggested offer needs to be given due consideration. The length of the process and the number of decisions that the customer has to make should also be chosen deliberately.

Unfortunately, in most countries, today's customers find it almost impossible to make this kind of decision without the help of comparison websites. It is essential for insurers to identify target customers that have good up-/cross-selling potential and are expected to show a high level of loyalty, and create a targeted communications exclusively on these customers.

In addition, they should analyse the interplay between market value and positioning on comparison websites and develop basic products according to the principle of target pricing.

Personalised digital sales should focus on products that require intensive consultation. The aim is not just to appear up-to-date and offer an interactive buying experience, it is also about alleviating the increasing complexity that sales staff are burdened with.

It is clearly not possible to turn every sales rep into an expert on every product in the portfolio, strategically develop the sales process, and still incorporate all the legal requirements. Achieving this requires digital tools that not only analyse customer needs, they must actually support the sale.

A good digital offline process should complement and expand upon the skills of the sales team, without making sales reps obsolete.

Ideally, content and work flows should incorporate these five steps:

- Simple, motivating conversation starters with topics that are relevant to the customer and not related to a specific product, eg, a short interactive survey about pensions.
- Only request customer information that is necessary for the process and make it easy to enter, eg, using a slider.
- Display product logic with graphical support and make it possible for sales reps and customers to alter every parameter by sliding and clicking, eg, "What happens to my expected payout if I defer the end date of the product by five years?"
- Make it possible to show products details, conditions, alternatives, and additional options with automatic explanations exactly as the customer requires but without the sales rep having to be an expert on all the details.
- Conclude the sale and move on to another product with the next highest likelihood of sale completion, providing the rep with the relevant argumentation.

The two key challenges are not letting technology dictate the design of the process and not letting the customer's perspective dominate. Experience has shown that insurers that are too customer-oriented often throw the baby out with the bathwater. The latest Simon-Kucher Insurance Study found that in the last few years, many insurers have chosen to develop modular products in order to cater for customers in a more individualised way and better emphasise value drivers. This change was implemented successfully, but unfortunately, sales processes were not considered and the goals of the sales team and the company were overlooked.

As a result, providers of modular products have realised that customers are buying less because they are able to cherry pick and sales teams are becoming less motivated to offer flexible products over fixed packages.

Taking customer perspectives into account means designing sales processes that increase the likelihood of customers completing the purchase, thereby increasing the amount they buy. Providers that strive to develop the perfect process and implement it on a large scale will find themselves at a serious disadvantage for many years afterwards.

Small teams should be formed consisting of sales, product and IT experts to develop robust, strategic, well-thought-out processes.

Furthermore, it has to be possible to optimise these initial solutions using flexible testing and adjustment methods.

Summary

Much more energy should be put into selecting which digital initiatives to launch and setting suitable targets. Digital customers are not all the same as target groups differ greatly. Digitalising an insurance company is not one, all-encompassing task. In order to make digital transformation a success, insurers should consider the following points:

- Define digital strategies that involve all channels but also prioritise exactly which customers should be contacted, how they should be contacted and how they should be led to complete the sale.
- Follow the example of the retail industry's online sales processes, ie, self-explanatory websites, fast recommendation logic, dynamic sales paths that are tailored to the customer's characteristics and a greater use of buying psychology
- Set up personalised digital processes for face-to-face sales that allow the top sellers' know-how to be utilised by the whole team. Transferring old premium calculations onto a tablet computer is simply not enough.

Dr Dirk Schmidt-Gallas is a senior partner and global head of insurance at Simon-Kucher & Partners. Mr Jan Weiser is a partner of the Simon-Kucher Singapore, and specialises in insurance practice. Ms Stefanie Grunert is a director at the Simon-Kucher & Partners Koln.

Time is Running Out

Categories at a Glance

Life Insurance Company of the Year

Awarded for market leadership, product innovation, customer service, and encouraging the growth of insurance as a core component of the financial landscape.

General Insurance Company of the Year

Awarded for outstanding performance in the area of general insurance through product innovation, dealing with end-users, intermediaries and business growth.

Educational Service Provider of the Year

Awarded for leadership in the education field, serving both new entrants to the insurance industry, as well as more experienced executives looking for additional skills and knowledge.

Innovation of the Year

Awarded for an innovative product or service that has helped improve insurance in Asia in a unique and scalable way.

Service Provider of the Year

Awarded to the firm that demonstrates dedication in looking after its customer base, while maintaining healthy margins.

Corporate Risk Manager of the Year

Awarded to the individual who has effectively enhanced his/her organisation's risk management and/or contributed to the promotion of risk management in Asia

Broker of the Year

Awarded for excellence and innovation in broking services, utilising methods and channels best suited to clients' individual needs.

Reinsurance Broking Initiative of the Year

Awarded for an innovation in reinsurance broking initiative that has added value to the reinsurance process and expanded the horizon of the business.

General Reinsurer of the Year

Awarded to the firm that demonstrates excellence across a wide range of general reinsurance activities, including the integrated use of technology, customer service, marketing and business development.

Life Reinsurer of the Year

Awarded to the firm that demonstrates excellence across a wide range of life reinsurance activities, including the integrated use of technology, customer service, marketing and business development.

Corporate Social Responsibility Award

Awarded to the firm that demonstrates its commitment to the community through social, economic and environmental initiatives as a good corporate citizen.

Winners of the 21st Asia Insurance Industry Awards 2017


Life Insurance Company of the Year
Muang Thai Life Assurance PCL


General Insurance Company of the Year
Apollo Munich Health Insurance Co Ltd


Educational Service Provider of the Year
Australian and New Zealand Institute of Insurance and Finance


Innovation of the Year
MetLife Asia


Broker of the Year
Willis Towers Watson


Reinsurance Broker of the Year
Aon Benfield


General Reinsurer of the Year
Lloyd's Asia


Life Reinsurer of the Year
RGA


Technology Initiative of the Year
Bajaj Allianz General Insurance Co Ltd


Digital Insurer of the Year (Joint-Winner)
Bajaj Allianz General Insurance Co Ltd


Digital Insurer of the Year (Joint-Winner)
Cathay Life Insurance Co Ltd


Personality of the Year
Mr Chris Wei
(AVIVA)

to Enter

ASIA INSURANCE INDUSTRY AWARDS

22nd Asia Insurance Industry Awards 2018

Technology Initiative of the Year

Awarded for an innovative product or service that uses technology to meet a new or existing demand in the insurance sector.

Digital Insurer of the Year

Awarded to the firm that has integrated digital solutions seamlessly into its business processes.

InsurTech of the Year

Awarded to the best insurance technology initiative from a start-up that drives new products and solutions, improves efficiency of processes and operations, and enhances customer experience and satisfaction.

Woman Leader of the Year

Awarded to the leading executive whose actions best demonstrate the crucial contribution that women make to the future of the insurance industry in Asia.

Young Leader of the Year

Awarded to the insurance executive under 40 years of age who has shown outstanding leadership qualities, while contributing to the advancement of the insurance industry in Asia.

Personality of the Year

Awarded to an individual who has made an outstanding contribution to the insurance sector: an ambassador for the industry who also serves as a role model for new entrants.

Service Provider of the Year
Medix Global

Corporate Risk Manager of the Year
Mr Roland Teo (Eastern Health Alliance)

Corporate Social Responsibility Award
Allianz Ayudhya Assurance PCL

Lifetime Achievement Award
Mr Mark Tucker

Deadline for Entry

16 May 2018 (Third-Party Nominations)
31 May 2018 (Self-Nominations)

Gala Awards Presentation Dinner

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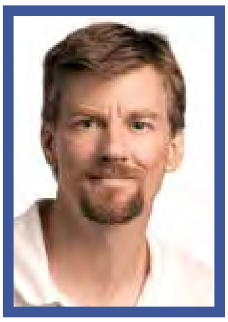
The edge will eat the cloud

Cloud computing has given us access to massive centralised computing and storage power. But it does not deliver on the front-end agility and physical and digital convergence needed at the edge, says **Mr Thomas J Bittman** of **Gartner**.



Cloud computing, as delivered today, will not meet the needs of digital business. It cannot centrally scale to meet the needs of billions of things that are 'turning on' digitally. It will not meet the needs of people, who will be shifting from textual browsers and apps to more interactive and immersive technologies. It will not enable the hyper-interactivity that both the explosion of the internet of things (IoT) and immersive technologies will drive. The 'cloud' is too far away; the bulk of data will not be created in the cloud, but at the edge.

While centralised cloud computing at the back end will remain an important part of the digital business architecture – especially for coordination, aggregation, archiving and machine learning – its role will be dwarfed by the upcoming explosion of the more autonomous, more intelligent edge.

IT-led growth and opportunity will move to the edge. Today's focus on centralised cloud computing will shift to a focus on edge computing and managing the architecture of applications and data from the cloud to the edge. The location of computing and data centres will be important. Enterprises and vendors that don't focus on new demands driven by edge computing will become non-competitive. The edge will 'eat' the cloud.

What is 'the edge?'

The edge is where things and people connect and start to converge with the digital world – using a communications network. The edge today is your smartphone, your router, your game console, your set-top box, a local cell tower, your smart speaker, your laptop, a micro data centre in the plant or intelligence embedded into your connected car.

Edge computing provides processing, storage and services for things and people far away from centralised cores, and physically close to things and people.

There are many edges and many forms of edge computing providing services for a wide variety of things and people. Edge services will be delivered by software that is provisioned on a wide variety of hardware for a wide variety of use cases. And there can be a hierarchy of computing services provided throughout a topology from the edge to the central processing cores.

The edge is not new. What's new and changing is what will be happening at the edge. Instead of being the way to connect to computing and data at centralised nodes, the edge is becoming a primary source of data from an explosion of things. And these things need to connect to each other, and with people. Also, how humans interact with data is changing – from transactional (which can take place at a distance) to immersive (which requires data and compute to be physically closer to the person, due to latency requirements).

Digital business, digital society and the blur

Digital business is about much more than using new digital channels to engage customers (that's digital marketing) or executing transactions digitally (that's e-business).

Digital business is not simply about using digital technology to automate or replace existing processes. Digital business is about the implications of the 'blur' – the convergence – of the digital and physical worlds, creating entirely new industries and business moments (transient opportunities in which people, data, businesses and things work together dynamically to create value.

The blur is about convergence, agility and velocity – not just connection through the internet. A major part of digital business is the blurring and converging of what's at the edge.

Much like the consumerisation of IT, digital business is evolving in the context of a broader evolution to a digital society. Digital society is also more than just using digital channels to engage or interact – it's about the broader implications of immersive and interactive engagement between people and things, and between the physical and the virtual.

We are nowhere close to the promise of digital business today because our convergence, to date, has mostly been centralised in back-end data centres.

We are nowhere close to the promise of digital business today because our convergence, to date, has mostly been centralised in back-end data centres. Only a small percentage of endpoint things are connected digitally right now. And today, people interface with the digital world through very remote browsers and apps. But that will fundamentally change in the next few years.

The internet of things is inevitable, growing, noisy and needy

More and more physical objects are becoming networked and contain embedded technology to communicate and sense or interact with their internal states or the external environment. By 2020, 20 billion 'things' will be connected to the internet. As the number of connected things grows, the cost of connecting and the prices for sensors and cameras will continue to drop, creating a virtuous circle – further accelerating the growth of connected things and parts of things.

Things need to interact with each other, and with people, and they will have a lot to say. As an example, sensors and cameras in self-driving cars could produce more than three terabytes of data per hour – which not only will be used within the car, but also might be needed by a smart stoplight and nearby self-driving cars to make real-time decisions.

The amount of data will also enable – and, in fact, require – machine learning and training at the edge. Learning will be hierarchical, starting with processing and machine learning based on raw data at the edge and closer to real-time, and ending with filtered and pre-processed data handled centrally, later.

Physical/digital convergence will also drive more real-time communication and collaboration between things. While many of these things will be static within a larger thing (a manufacturing plant, a home, or a workplace), many others will be mobile, dynamic, even fleeting (cars, pedestrians with wearables, drones, private things that are only occasionally connected, etc.).

Likewise, the edge will need to accommodate a continually changing population of things and their requirements. Gartner predicts that one million new IoT devices will be sold every hour by 2021, all needing to connect, all with things to say.

The human interface will become more interactive and immersive

The human-machine interface is becoming more interactive and multimodal. Immersive technologies will be an important way that people will want to engage digitally. The cost of computing continues to decline and everything eventually computes.

A more interactive, immersive human-machine interface will force data and computing to move closer physically and to live in the world with people.

Today, smartphones are already used as augmented reality (AR) devices, and by 2020, 100 million consumers will shop in AR, mainly using their phones.

But as technology continues to improve, immersive technologies will also become more integrated through various forms of wearables.

In addition to wanting more real-time and augmented information faster, the explosion of connected things and the need to interact with them in real time will drive immersive interactions with things. Homes, workplaces, public buildings and stadiums will light up with things that people will want to interact with as they walk, drive, work or play. Rather than searching in a browser for digital information about something or someone, we'll point the phone at it, or we'll just look at it. And we'll engage with it. And they will engage with us.

The technologies to immerse more fully are improving rapidly. From expensive and niche just two years ago, the AR and VR markets (and headsets and glasses to support them) are expected to grow 10-fold from 2017 to 2020. Immersive technologies will become the expected way that humans will want to interact with businesses, things and other people – and this will create a profusion of new interactive business moments that enterprises must leverage to be competitive.

Who will build the edge?

For enterprises, the growing requirements at the edge will turn strategies of simply 'going to the cloud' upside down and create completely new 'business moments' at a low-latency edge. Rather than from the cloud-out, the edge will more likely grow from outside-in, based on what's already in place at the edge, with entrenched vendors and products.

The diverse field of players will include enterprise IT, gaming vendors, telecom and cable operators, smartphone vendors, and consumer appliance vendors. Software vendors skilled at dynamic provisioning, machine learning and analytics will find rapidly growing opportunity at the edge.

User interfaces will require massive investment as immersive technologies and ambient user experiences become the premier and eventually the predominant way that workers and consumers will want to interact with businesses and each other.

What does edge computing mean to business?

Edge computing will be a necessary requirement for all digital businesses by 2022. Forty per cent of large enterprises will be integrating edge computing principles into their 2021 projects, up from less than 1% in 2017. Successful businesses will identify and compete for smaller and more fleeting business moments that depend on ambient user experiences and immersive relationships with customers and things (capturing a moment when a customer 'looks' at a thing with their phone, when they walk by a location, when a thing measures a change, etc.). IoT and more immersive, interactive UIs will drive one third of large enterprises to create or use edge locations by 2021.

Automation at the edge, together with machine learning, will be critical in customer relationships. Application architectures will need to factor in latency, location, federation and autonomy in their designs – and technologies and services to manage sprawling computing on the edge will thrive – as well as balancing what takes place on the edge, versus the cloud, and everything in between.

Latency and/or bandwidth requirements will become critical application deployment factors for 30% of workload deployments by 2021.

Competition for edge computing will be intense and confusing, as vendors from the consumer world (and newly connected things) collide with the enterprise computing world – and businesses should expect to place a number of bets.

Over time, the "shape" of edge computing will settle into specific different, overlapping technologies and use cases – it's unlikely that one size will fit all, and some vendors won't survive the transition or new competition.

A successful business will have edge computing strategies (it may have several, depending on its different uses of edge) by 2020. It's time to start thinking about the next fundamental IT architecture trend after cloud computing.

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