GIF Daily

Day 1

Tuesday, 18 July 2017

Published by: Asia Insurance Review

Sponsors: ReMark | Singapore College of Insurance

Media Partner: Middle East Insurance Review

A truly global agenda calls for real collective action

By **Sivam Subramaniam**, Editor-In-Chief, **Asia Insurance Review**

This GIF in London, in the throes of a sombre summer with Brexit looming, will stand out for its truly global agenda for the insurance industry, not just in terms of regional spread, but also in its coverage of all issues.

It has something for everyone and touches on everything the insurance industry needs to tackle – from resilience, protection gap, talent, cyber threats, regulations for sustainable development to plain old emerging market issues and beyond to disruptive technology, InsurTech and even genetics and data.

My priority for action goes to value creation – to boost the real value of insurance to people & corporates and economy & society. The real value of insurance still remains unappreciated by the buyer, this despite the old refrain that without insurance no business can be transacted, no ships can sail, no trade can be done, and no loans made.

Running for cover from insurance

Yet, SMEs, the core of most economies are still running their businesses without insurance. Even as governments set aside special SME funding, they do not give many incentives to SMEs to buy insurance. Most governments do not even begin to see insurance as a capacity builder for these SMEs. They see insurance as something that is just a "nice to have" for these SMEs struggling to raise funds for the next big venture.

The insurance industry is all alone and therefore must come together to start from ground up to rebuild the image and value of insurance to the buying public. We must dream of people and businesses gagging for insurance!

Simplify products

CEOs must wake up to the reality that buyers of any product will feel cheated if they got nothing from buying that item. An insured with no claim during that policy period does get that hollow feeling of having been taken for a ride or that the purchase was a wasted investment.

So the industry has to work on making non-claimants still appreciate the value of that insurance even if they made no claims. This is the enlightenment that what they bought is that "peace of mind" – that they paid the premium to be reassured that should that "bad" thing they fear happening occur, they will at least be no worse off financially with insurance to indemnify them.

The second stage of the campaign is to ensure that insureds actually know what they have bought and not leave explanation to exclusion clauses and fine prints.

The impact of denied claims raises the angst and public ire that buying insurance is just money down the drain.

The Asia Claims Management Conference last month revealed

Continued on page 2

Welcome to GIF 2017!

Welcome to the 53rd annual conference of the IIS, the Global Insurance Forum. It's only been three years since we last convened in London, and yet the industry has undergone more change than in most decades of earlier times. The pace at which environmental concerns, cyber risk manifestations, genomic research and insurtech developments, among other issues, have disrupted our industry is unprecedented.

Against this backdrop of challenges and opportunities for both incumbents and newcomers, the IIS is grateful for your presence and participation. Our programme this year begins on Day One with The State of the World, an overview of key global and market sector concerns. Day Two will be The State of the Art, a focused set of presentations on top industry developments and activities. Day Three is devoted to the Insurance Development Forum, and titled The State of the Future, featuring a rich mix of public and private sector leaders showcasing the insurance industry's plans and achievements in reducing the protection gap.

This is my 24th annual IIS forum, and I believe we have put together the best program ever this year. I encourage you to not just attend, but participate actively. The greatest value of our multi-stakeholder membership is that by sharing our diverse ideas and perspectives, we generate new and better ideas.

Enjoy!

Mr Michael J Morrissey, President and CEO, **International Insurance Society**

Charge of the online insurers

China's ZhongAn Insurance and the Singapore unit of FWD are the insurance equivalent of Netflix in the TV industry, Expedia in the travel business and Amazon in retail. Here, the digital players share four tips to getting the online game right.

1 Customer centricity

Consumers, shaped by their highly personalised, self-directed and instantly gratifying digital experiences in other sectors, have come to expect similar service from insurers. Nowhere is this more apparent than in China, where mobile internet and e-commerce rule, especially with the young who operate almost every aspect of their lives via their mobile devices.

Reinventing claims settlement

Automating claims processes and boosting customer convenience are top considerations for ZhongAn when it designs a product. It wants to turn claims settlement from a passive to an active process, through integrating with third-party data sources, said Mr Chen Wei, a head at ZhongAn Insurance who is also CEO of its wholly-owned subsidiary ZhongAn Technology.

For policies where claims settlement cannot be automated within a short time, ZhongAn provides self-service options for trusted customers with a good pre-established credit standing.

Asking fewer questions

For FWD Singapore, inspiring customer demand by anticipating and holistically addressing customer needs and wants, comes in the form of shortening the number of questions that potential customers need to answer online before they can receive a quote on their life and general insurance policies.

Mr Abhishek Bhatia, CEO of FWD Singapore, said that requiring consumers to answer close to 30 questions just to get a quote often leaves a bad taste in customers' mouths.

Thus, FWD scrapped questions on personal details which only served to feed insurers' intentions for cross-selling, and questions on risk factors that did not significantly affect pricing.

"If the five extra questions helped to refine pricing by just one more percent, we would give up that one percent and not ask those questions," he said. That helped to bring the number of questions for a motor policy quote to 10, and travel policy, to five.

2 Talent

The online insurers are also sector-agnostic when it comes to drawing talent, frequently plucking hires from disparate sectors in the belief that digital competency matters more than industry knowledge.

Among ZhongAn Insurance's hires, a third are top IT and digital talents, and another third are hired from outside the finance sector.

Only one third of its employees are from the financial sector. Most of its digital talents hail from top technology companies such as Alibaba, Amazon and Facebook.

3 Technology

Online insurers leverage high-speed, agile technology infrastructures that focus on customer engagement systems and that can support digitisation. For ZhongAn, the first company in China to build an open-source core system on a cloud, the fragmented, high-frequency nature of its insurance business model poses high demands on its IT infrastructure.

For instance, during the Alibaba Singles Day shopping event, ZhongAn's proprietary systems facilitated a heavy volume of nano insurance, processing to the tune of 10,000 transactions per second. By comparison, Visa, at peak trading volume, clocks 14,000 transactions per second.

ZhongAn's FinTech strategy is anchored on five driving forces, which the company has coined its "ABCD Strategy". "A" stands for artificial intelligence, which has the ability to draw the business closer to the activities of everyday life; "B" denotes blockchain – to optimise data collection cost and increases data processing efficiency; "C" for cloud computing, to augment finance costs and efficiencies; and "D" for data, to improve risk management and drive business."

4 Culture

Successful digital firms are distinguished by more than technical expertise. They invariably have a corporate culture and an organisational model that create the conditions for digital excellence.

For FWD, this means cultivating an internal environment that constantly encourages its people to push towards the future, even at the risk of failure.

"The tone is set straight from the top, that if you try 10 different things, but only three work, it is within the risk appetite. Failure is not frowned upon," said Mr Bhatia.

A truly global agenda calls for real collective action *(from page 1)*

that denied claims really hurt the image of not just that denying insurer but the whole industry. And even if the denied claim is fully legitimate, the sympathies are with the insured.

The solution is logically to sell a simple product that both buyer and seller know are covered or not-covered. Imagine selling a cancer product whose cover only kicks in at Stage 3 while the customer has gone to pieces at his Stage 1 cancer diagnosis. Can any claimant see the denial as legitimate? Can any human sympathise with the insurer, legitimate though it is in denying the claim?

Simplify the product. Make it bite size and offer it in modules in unequivocal words.

Engaging the customer

In the era of social media and Gen Y dominance, insurers, even at the highest level, have started talking of customer engagement. So there is hope yet. We are on the right track to win over people who will truly appreciate the real value of insurance. They buy because they need that protection so badly and know that only an insurer can help them manage that risk!

Engage the client. Keep him engaged to see you as his friend. And the industry would have found a PR representative in him. This can become a compelling collective global action. Learn from the IIS and its Ambassador network to get your customer engaged as your brand Ambassador.

The world will then be your oyster beyond all borders.

Planting the seeds for the future of insurance

Singapore College of Insurance's (SCI) CEO Karine Kam says creating the right talent infrastructure is critical in attracting new blood into the insurance industry.

How should insurers approach talent management?

Technological innovation and disruption, the growing use of data analytics to drive decision making, and changes in consumer behaviour will impact all kinds of industries, not just insurance. Business models will change, there will be mismatches in skill sets, new jobs will emerge and old jobs will fade away. Plus the rise of the millennials with entrepreneurial mindsets and a technologically-savvy new generation will present both opportunities and challenges in talent management.

A multi-pronged coordinated approach with involvement from all the stakeholders, companies, regulators, and training providers is needed. Whilst in-company talent initiatives are still lauded, there is synergy and a greater impact if HR practitioners can come together and partner with the SCI in attracting and developing new talent.

How has SCI adapted to meet the growing challenges faced by the industry, and what are the upcoming talent programmes that SCI is developing to fill the gap?

Two years ago, we conducted a "talent needs survey of Asian insurers, now and in the near future", in collaboration with LIMRA. Not surprisingly, the results show that analytics/modelling, risk management, FinTech, specialist underwriting, compliance and claims came up as top skills areas needed by the industry. A resounding 90% of the respondents listed Leadership Skills as very important to the growth and success of their companies.

In 2014, the SCI unveiled a structured and comprehensive Insurance Industry Talent & Leadership Development Framework. At the heart of this framework are pieces that focus on Young Talent, Specialist Talent and Leadership Talent.

Our Young Talent initiative-Insurance Management Associate Programme, supported by the Monetary Authority of Singapore – attracted more than 150 top young talents from disciplines ranging from economics to mathematics to fill positions in 56 companies across the different segments. The retention ratio has been more than 80% for these fresh graduates that we had brought in since 2009 for the industry through the Programme.

This goes to prove that if a proper talent infrastructure is built, they will come. Insurance is increasingly gaining greater consideration in the mind-set amongst our school-leavers looking for fulfilling careers, and I urge more insurance employers in Singapore to support the initiative and together help build a sustainable long-term pipeline of talent for the industry.

Our Specialist Programmes focus on new skills areas that have emerged, such as catastrophe management, terrorism and cyber risk and other specialist areas of underwriting, risk management, compliance, data analytics, InsurTech, as well as deepening the expertise of practitioners in the traditional fields. As the industry restructures and remodels itself, existing practitioners will need to be re-skilled and up-skilled as job demands will change.

On the Leadership front, we are working with world-class universities to deliver two industry-relevant leadership programmes – the NextGen Insurance Leadership Programme and the Global Insurance Leadership Programme. Our experience in driving the Young Leadership and Advanced Leadership Programmes for the ASEAN Insurance Education Committee has deepened our domain knowledge in shaping a leadership curriculum that is attuned to the needs of insurers operating in the larger Asian context.

ASEAN (Association of Southeast Asian Nations) as a whole will undoubtedly remain as the main engine of growth in Asia, where business opportunities abound for insurers with the right mix of strategy and resources.

How do you expect the role of an educational service provider like SCI to change?

Fundamentally, the role of SCI will not change. What will change is the way programmes are delivered, driven by changes in the way today's learners want to learn and the intense pressures on their time that make it difficult for them to be in classrooms for long periods of time.

Some insurance segments are also seasonal in their business cycles and can send their employees for training and development only during certain periods of the year.

So what SCI needs to do is to restructure the way it delivers its programmes, using more e-learning and just-in-time, bite-sized learning modes. However, the benefits of cross-fertilisation of ideas and networking opportunities afforded in a classroom setting cannot be overlooked, so SCI has to find innovative ways of opting the various elements of a training programme.

SCI was a winner of the Educational Service Provider of the Year Award at the 20th Asia Insurance Industry Awards (AIIA) last year.

A better world through insurance

With new risks constantly emerging, it's up to the global insurance industry to help safeguard society. We talk to some leading industry figures to get their take on how insurance can help the world become more resilient.

"Insurance can play a vital role in providing safety, security and stability across the globe as the world faces an ever-changing risk landscape. With increasing urbanisation and the concentration of populations and infrastructure in major urban centres and economic hubs, businesses and governments need to ensure they remain resilient to the challenges and threats they will face. Whether that be from natural catastrophes or man-made events – it is important that the risk is transferred through international insurance and reinsurance markets, enabling countries and economies to get back on their feet quickly in the face of disaster.

"Our work on the City Risk Index, which looks at over 300 of the world's most important cities, revealed there was still significantly high levels of underinsurance in some of the faster developing economies. The role for insurance is to help those cities understand the value of risk diversification in protecting their long-term economic growth."

Ms Inga Beale, CEO, **Lloyd's**

"Insurance is a financial cushion for all walks of life and particularly vital, in rebuilding efforts post natural catastrophes. The industry has already undertaken significant measures, with respect to encouraging resilience, such as innovative financing and risk transfer mechanisms. Where insurance can do more is with better cat modelling, establishment of data collection and monitoring systems, promotion of climate resilient technologies and related infrastructure and encouraging appropriate policy initiatives.

It is also important for communities to understand that climate insurance cannot be considered in isolation and must be part of a broad composite adaptation strategy where it can serve to complement local community based defence and first-response mechanisms".

Mrs Alice Vaidyan,
Chairman-cum-Managing Director,
GIC Re

"As an industry, we need to help close several gaps to increase resilience. At the economic level, we need to close the gap between total losses and insured losses when disasters strike. At the environmental level, we need to work with government and outside bodies to tackle climate change and related issues going forward."

"At the product level, we also need to close the gap between awareness and usage and increase penetration of many vital covers. The increasing exposures related to cyber-attacks or terrorism, for example, will most certainly result in further fundamental shifts in how insurance premiums are determined and structured. As an industry I think we still have a lot to learn about the full extent of cyber risk."

Mr David Fried, CEO, Emerging Markets, **QBE Insurance Group**

2017* Nat CATs by the numbers

Severe/winter weather
Number of deaths: 474
Economic losses: $22.5 billion

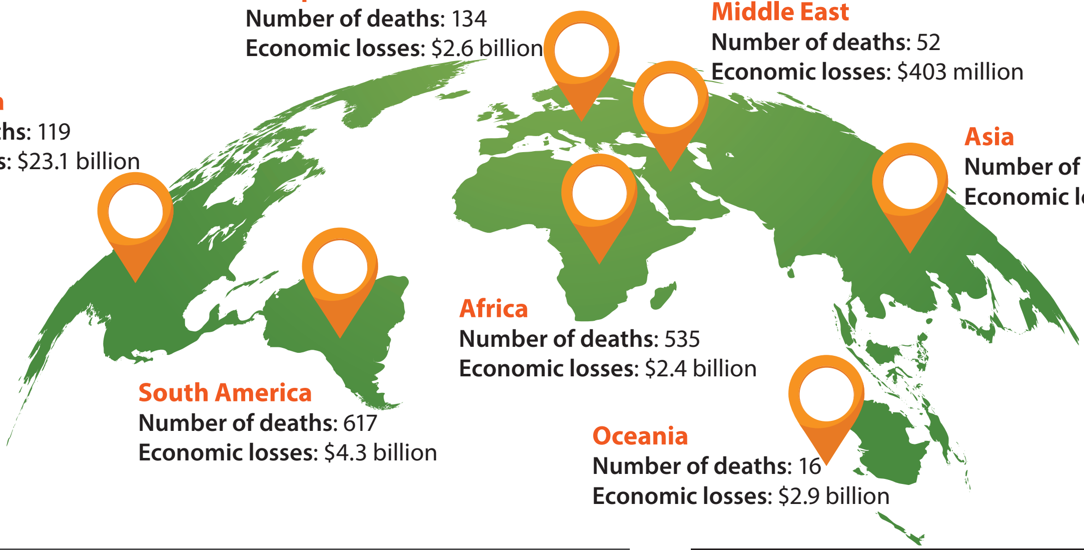
Cyclones
Number of deaths: 133
Economic losses: $2.0 billion

Flooding
Number of deaths: 1,462
Economic losses: $8.5 billion

Earthquakes
Number of deaths: 51
Economic losses: $916 million

Drought
Number of deaths: 110
Economic losses: $2.0 billion

Others (eg, wildfires & European windstorms)
Number of deaths: 27
Economic losses: $2.7 billion



North America
Number of deaths: 119
Economic losses: $23.1 billion

Europe
Number of deaths: 134
Economic losses: $2.6 billion

Middle East
Number of deaths: 52
Economic losses: $403 million

Asia
Number of deaths: 784
Economic losses: $3.1 billion

Africa
Number of deaths: 535
Economic losses: $2.4 billion

South America
Number of deaths: 617
Economic losses: $4.3 billion

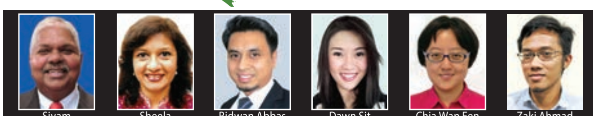
Oceania
Number of deaths: 16
Economic losses: $2.9 billion

All figures in US$

*Jan-May 2017

Source: Aon Benfield

Published by: Asia Insurance Review — www.asiainsurancereview.com
Sponsors: ReMark — www.remarkgroup.com; Singapore College of Insurance — www.scicollege.org.sg
Media Partner: Middle East Insurance Review — www.meinsurancereview.com



Sivam Subramaniam · Sheela Suppiah-Raj · Ridwan Abbas · Dawn Sit · Chia Wan Fen · Zaki Ahmad

Editor-in-Chief: Sivam Subramaniam • *General Manager, Business Development*: Sheela Suppiah-Raj
Editorial team: Ridwan Abbas, Dawn Sit, Chia Wan Fen and Zaki Ahmad • *Design & Layout*: Charles Chau