



The world is undergoing the fourth industrial revolution – digitisation as the latest milestone in economic history with new business models based on access to customers and data. While for insurance, the adoption of FinTech needs to be an evolutionary process rather than a revolutionary one. These were some of the deliberations made at the recent 16th Asia Insurance CEO Summit in Hong Kong which saw more than 150 delegates from 19 countries participating. Here is a recap of the top eight takeaways.

By Dawn Sit



1 Innovation and FinTech adoption is an evolution, not revolution

Contrary to belief that the insurance industry is slow in adopting financial technologies (FinTech), Hong Kong Insurance Commissioner John Leung emphasised that one must bear in mind that the insurance value chain involves complex processes, including product design, distribution, underwriting, claims, risk capital and investment management. As such, the adoption of FinTech involves many dimensions and “changes are likely to be evolutionary rather than revolutionary”.

Mr Moung-Mo Lee, Managing Director, Analytics at A.M. Best Asia-Pacific (Singapore), who used the Korean motor insurance market’s adoption of analytics as a case study, likewise pointed out that innovation is “not an option” but that its impact to the insurance industry would be “rather gradual” though permanent.

Nonetheless, Mr Leung said FinTech’s cumulative impact and potential in five to 10 years’ time should not be overlooked. “Managing the paradigm shift and transition process will be crit-



Mr Moung-Mo Lee

ical to securing business opportunities and ultimately thrive in competition. It calls for insurers’ greater resilience and more investments in technological capabilities,” he added.

2 The 4th industrial revolution: Digital transformation

The digitisation of interaction is widely considered to be the fourth industrial revolution and has ushered in new business models based on “a new access to customers” and “smart data”, said Dr Fabian Sommerrock, Deputy Secretary General and Head of Insight, The Geneva Association.

Connectivity, cloud, mobility, Big Data and social, he said, are the five key technological forces that can be considered as the “fuel” of the fourth revolution. Similarly, society has also developed its evolution marked by five key aspects in changing behaviours – higher expectations from sharing of experiences among peers; peer advice; information-savvy consumers; comparison and purchase being straightforward and widespread and; the rise of social media platforms allowing consumers an amplified voice.

Hence, these factors make the customer interface the core of the new business models and the key battle

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ground in competition, said Dr Sommerrock.

On a similar note, speakers at the conference noted that it was not only insurance companies as a whole, but CEOs too who have to adapt to the technological forces and “be social” in meeting consumer demands.

3 Ready or not, here comes digital

Dr Colin Light, Partner & Experience Centre and Digital Services Leader, Greater China, PwC, said that demographic trends and technology are colliding to shape a “new normal” level of expected insurance experience in Asia, which he described as “once-in-a-lifetime disruption”. Not only are consumers in Asia fast adopters of new technologies, they are also willing to experiment, even if insurers are not quite as ready yet.

While digital may not be a major distribution channel yet for life insurers, consumers shared in a survey that they are ready to buy life insurance products online – with 90% of respondents in China and 89% in India ready, higher than the 65% in the US.

Consumers also recognised the value of personalisation and trust insurance providers with their digital identity, with 63% in China and 77% in India prepared to give additional personal data to an insurer so that relevant services can be sought on their behalf, he added.

Hence, the key to capturing the opportunities will be for insurers to adopt the disrupter mindset and develop a business model fit for a digital age, he said.

4 “RegTech” – Call for regulators to get on the innovation bandwagon

Mr Leung noted that some may view innovation and regulation as adversaries – innovation being disruptive

whilst regulation is seen as being conservative, restrictive, and a barrier to innovation.

While it is true that some FinTech innovations “may challenge existing regulatory rules or business convention” and could also “give rise to questions on how existing regulations and rules should apply to the digital age”, he said that as regulators, there is a need to continually update regulatory and compliance requirements in a timely manner so as to keep up with technology development and to facilitate innovation among market players.

“At the same time, we have to monitor regulatory concerns arising from digital distribution. We are also learning to embrace the combination of technology and regulation – so-called ‘RegTech’, that is the adoption of new technologies that assist insurance services providers to better manage regulatory requirements and reduce compliance costs,” he said.

Regulators, he added, may also benefit from RegTech “with the deployment of technology to complement and facilitate regulatory processes” and welcomed suggestions from the industry on how to help increase the development and adoption of technology for regulators.

5 Agility and dynamism in addressing the customer

Insurers will also have to figure out an appropriate digital strategy to harness and turn data into actionable insights.

Mr Steve Weinreb, Executive Officer, Executive Vice President, Chief Information Officer of Regional Application Development for MetLife Asia, said that in most cases, insurers are pursuing a “string of unconnected initiatives” layered on top of legacy systems, com-

bined with a traditional mindset – this will need to change and insurers “need to be much more nimble”.

He said insurers must leverage data analytics to move from descriptive and diagnostic analysis to predictive and prescriptive analysis – the latter of which will be the “game changer”. Along these lines, he added that dynamic pricing will be crucial – matching customers’ individual usage patterns would make insurance products more attractive to customers.

Mr Marnix Zwart, Senior Vice President, Product & Business Development of metadata search site GoBear.com also highlighted that both dynamic content and dynamic pricing are key in catering to consumers today.

In his company’s experience, he said consumers seek simpler insurance offerings and personalised services rather than just mobile access. Hence, listening intently to customers’ needs and wants, combined with meaningful insights, useful technologies and rapid delivery are key to business survival.



Mr Marnix Zwart

6 A numbers game?

eBao Tech President & CEO Dr Woody Mo made the case for process automation and digitisation of insurance sales and service channels to improve efficiency, productivity and customer experiences.

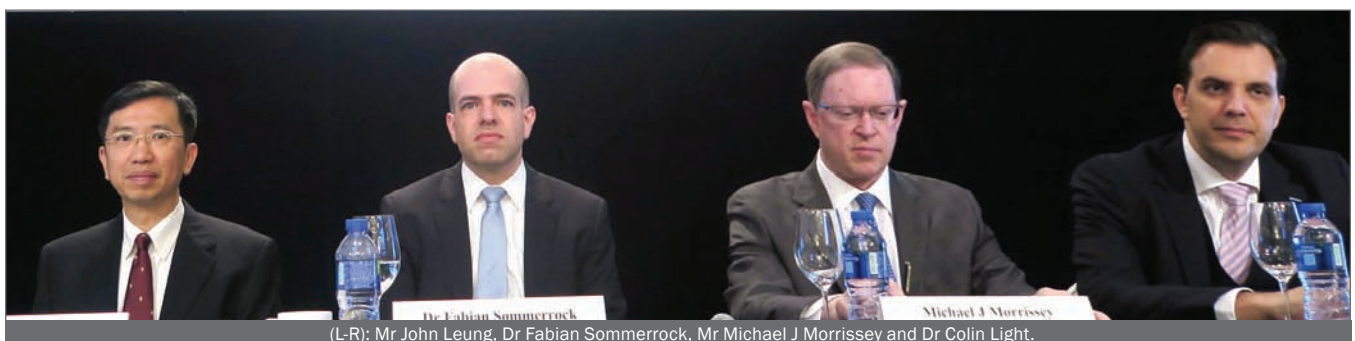
The accumulation of digital and technological developments in recent years, he said, have drastically reduced the cost of connections and service provisions to almost zero per unit, and manual work processes, which



Dr Woody Mo



Mr Steve Weinreb



(L-R): Mr John Leung, Dr Fabian Sommerrock, Mr Michael J Morrissey and Dr Colin Light.

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insurance companies are heavily reliant on, will not be able to compete competitively.

In the digital era, he said insurers' focus should shift from the 80/20 rule to a long-tail focus, where the aim is to have as many customers (or users) as possible; to welcome "all contract sizes"; to have high-frequency interactions; and to have as many sales channels as possible.

7 Agent role remains relevant

Mr Weinreb said that insurers' relationships with their clients need to be a tripartite one, inclusive of the distribution channel. And while there needs to be choices so that customers can turn to the distribution channel they prefer, the role of the agent "cannot and should not be underestimated", he said.

"The agent forms a critical part of the equation and what we need to focus on is how we use data and technology to support and advance agents so that they can provide the best possible service to the customer."

Likewise, Mr Leung said new distribution platforms will not replace the traditional distribution channels of insurance agents and brokers. "For more complex products, customers still tend to value the personal interaction and expert advice from traditional intermediaries more than online sources. Multiple distribution channels can be complementary rather than conflicting, if each channel is providing a valuable service to customers."

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Brokers however, may find it increasingly hard to compete and add value in the personal lines business. Mr Geoff Riddell, Adviser, APMEA for Zurich Insurance Group said that instead of personal lines, the brokers' role in the long term should focus on servicing large corporates, helping clients to "slice and dice" risks, and analytics to deliver value-added advice.



Mr Geoff Riddell


8 Bridging the digital talent gap

Amidst the clarion call and rousing enthusiasm for the industry to break new ground in products and services, Dr Sommerrock noted that one of the challenges that the industry will have to overcome in its digital transformation is to close the digital talent gap.

This will also have to be done innovatively, he said, through the use of new technologies in transforming the employee experience, such as recruitment apps, game-based assessment and

selection tools; re-inventing on-the-job learning by offering customised training at the point of need, such as gamification and simulation training online and through mobile channels; and rethinking talent acquisition and retention strategies through innovative collaborations, certification programmes and internships to reshape the talent pool.

Zurich Global Corporate Asia-Pacific CEO Keith Thomas said insurers, particularly top management, need to stay relevant by keeping an ear to the ground and listen for new ideas and insights. In order to attract talent, whether from within or outside of the industry, companies must first create a compelling and clear vision of what they aim to achieve, he said.

The Summit was jointly organised by *Asia Insurance Review* and The Geneva Association and sponsored by PwC, MetLife, A.M. Best and Zurich Insurance. 



Mr Keith Thomas

