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Responding to change:

Insurance is weird!

The reason the industry continues to face the same problems again and again is that the problems are just symptoms. The lack of relevance to the customers is the real issue, said Ms Maria Ferrante-Schepis, Managing Principal of Insurance and Financial Services, Maddock Douglas Inc, at the "Responding to Change" panel discussion.

One of the drivers of irrelevance is consumers' perception that insurance is weird, she said. "If my iPhone dies, I can go to a store and buy a new one. But I cannot buy insurance if I already have a claims situation and need it most," she said. To the industry, it is a case of "Of course.. duh.." but to the consumer, that is weird, she added.

And if the industry does not shift from B2B or B2C to the new world called "B2Me", it could be in for a "Napster Moment – when someone who has no business being in your business reinvents your business and puts you out of business", she said, citing recent startups such as LearnVest, GiveForward, and Friendsurance, to watch.

Age of digital + transparency

Mr Jason Sadler, President, Cigna Global Individual, said the digital age is truly changing the playing field for the business and it is something that has to be considered extremely seriously. It is providing a new level of customer empowerment where customers can provide real-time unfiltered opinions and recommendations on brands and products. "It is not just the digital age, it is also the age of transparency."

Mr Sadler said insurers will have to think:

- **Customer empowerment** – 90% of customers trust peer recommendations over brands;
- **140 characters** – 53% of people on Twitter recommend brands or products in their tweets and 43% of them intend to purchase;
- **User-generated content (UGC)** – 25% of search results for world's top 20 largest brands are links to UGC; and
- **Multiple touchpoints** – 60% of Asian customers use more than one interaction point to purchase insurance (non-life).

To improve is to change

Ms Nirmala Menon, Head of Designated Markets and Health Asia, MetLife Asia Pacific, who chaired the panel, quoted Sir Winston Churchill as saying: "To improve is to change, so to be perfect is to have changed often."

"So let's all go out and try to get closer to perfection as we go about our business," she concluded.



(L-R) Mr Jason Sadler, Ms Maria Ferrante-Schepis, Ms Nirmala Menon

Retirement planning:

Asia's race against the clock

Asian countries are ageing so rapidly they have only one generation to get their retirement system right; hence the industry and regulators have to work together to ensure a conducive environment for the sustainable growth of retirement solutions, said panellists at the panel discussion on retirement savings yesterday.

Given the wealth of experience in other parts of the world, panellists drew many lessons from several developed markets which are currently undertaking pension reforms for a better system.

Drawing on the example of Japan, Mr Tim Schiltz, President, Asia Pacific, AIG Life & Retirement, urged insurers to proactively work with regulators to ensure the stability of regulation. He added companies should also create a balanced portfolio of products that can weather various economic cycles.

Mr Ian Brimecome, Executive Chairman International, Tokio Marine Holdings, took reference from the experiences in Europe, particularly the UK, and suggested that Asian markets should foster regulatory regimes which allow insurers to best meet customer demand

without being inhibited by punitive capital and prudential requirements.

He added regulators should deal with poor market conduct on a direct basis with individual companies, and resist restructuring regulations to deal with largely isolated problems.

Mr Cesar V Purisima, Secretary of Finance of the Philippines, said that the Philippines was in a "sweet spot" for insurance growth, given the favourable economic, political and demographic conditions in the country. Recognising the need for long-term assets to grow a viable life industry, he said the government is looking to capitalise on funds from the insurance sector through the issuance of bonds to facilitate infrastructure development.

Mr Donald Guloien, CEO of Manulife Financial Corp, rallied companies to capitalise on the huge opportunity for the life industry given the massive need for retirement solutions in Asia.

The session was chaired by Mr Donald Kanak, Chairman of Prudential Corporation Asia.



(L-R) Messrs Tim Schiltz, Ian Brimecome, Donald Guloien, Cesar V Purisima, Donald Kanak

Change management process needed to move into digital age

The emerging digital economy demands that insurers transform the way they deliver business, with greater emphasis on enriching customer value through mobile technology. For that, a change management process has to be initiated to allow organisations to transition themselves to be aligned to the requirements of the digital age.

While the motivation to acquire an insurance product remains the same, panellists on "Technology Tuesday" were unequivocal that to remain successful in the future, insurers require a paradigm shift to develop the new models required to better serve the needs of today's customers.

Move away from just selling products

The digital insurer business model means companies have to move away from just selling products to looking at the customer proposition, which requires understanding their needs and visualising the customer experience. It is also characterised by high-speed transactions and service as well as highly automated decision making.

The digital revolution provides new opportunities as well as challenges, and hence require new approaches and capabilities on the part of insurers. For instance, the richer information on customers allows for better segmentation and individualisation.

It could also lead to more effective marketing and lead generation via social networks or communities.

Further, it can also help reduce claims handling costs and pay-outs through prevention and improved fraud detection.

On the flip side, increased transparency could threaten product profitability and client retention.

What was evident from the panel discussion is that technology has changed the way customers transact and insurers should position themselves to profit from the digital revolution or cease to survive.

Panellists

The panel discussion, moderated by Mr Hugh Terry, Principal of The Digital Insurer, featured Messrs Benjamin Li, Chief Health & Employee Benefits Officer, AXA Hong Kong; Peter Miller, CEO of Tune Insurance Holdings; Matthew Dooley, Managing Director, Connected Thinking; and Raphael P Young, Managing Principal, Global Financial Services Transformation Office, SAP.



(L-R) Messrs Benjamin Li, Peter Miller, Matthew Dooley, Raphael P Young & Hugh Terry

What value-add do reinsurers bring to the life business?

Adding value to the chain

Reinsurers offer several benefits to life businesses throughout the value chain.

Life businesses can benefit from the education reinsurers provide, based on their knowledge and experience in areas such as sales effectiveness, actuarial studies, underwriting and claims management, or the implementation of economic frameworks such as Solvency II.

On the risk side, reinsurers also provide robust and extensive ERM experience. Life businesses can draw on this experience in the set-up and review of a holistic ERM system, or when it comes to pandemic risk modelling capabilities, for example.

Another area is product development and helping life businesses to maintain a constant stream of new products. A professional reinsurer can be a leading provider of product knowledge, drawing from its global experience in areas such as mortality, disability income or critical illness. This knowledge allows life businesses to create products that perfectly meet their customers' future needs.

Reinsurers can also help life businesses to create extra capacity through financial solutions that can either relieve the pressure of new business strain, or free up capital for more productive and profitable opportunities."

Mr Robert Burr, Head of Life & Health Asia, Swiss Re



Providing stability as the bedrock

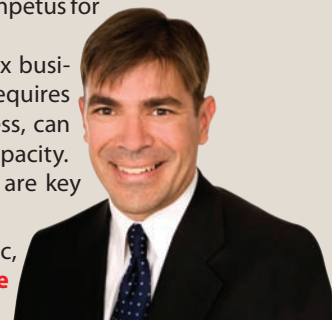
The stability provided by a financially-strong reinsurer is the bedrock life insurers need to develop and grow their business profitably.

Achieving profitable growth in a fast-changing global economy is a constantly moving target. The ability to access global expertise via a local presence you know and trust is a valuable asset in this environment. Learning first-hand about regulatory developments, product trends and innovations in other markets provides impetus for both new business and risk management measures.

Assessing and accepting increasingly high and complex business in a demanding marketplace is a challenge which requires a competitive local partner who understands your business, can swiftly provide expert risk consultancy, and high, secure capacity.

Financial stability, global expertise, and high capacity are key benefits life insurers need from a professional reinsurer."

Mr Daniel Cossette, Head of Life Asia Pacific, Munich Re



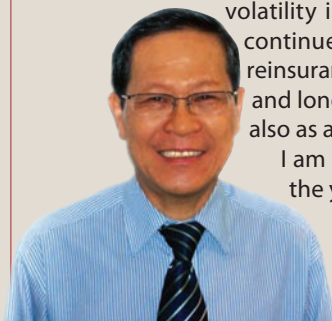
Driving product innovation

Given the relatively lower sums assured in life insurance as compared to P&C risks, many have questioned the value that reinsurers bring to life business. Perhaps the answer lies with the fact that the concept of life reinsurance has been around for over 100 years and this is testament enough to the enduring role it plays.

Life reinsurers have continued to evolve over time. Beyond just protecting against volatility in a life insurer's underwriting results, life reinsurers have continued to drive product innovation and develop new uses of reinsurance. These include, the introduction of critical illness covers and long term care benefits to meet the needs of the insureds, and also as alternative temporary capital support.

I am positive that the industry will still be as vibrant as today in the years ahead."

Mr Lawrence Yew, Regional Director – South East Asia and Indian Sub-Continent, SCOR Global Life SE



Asia is M&A hotbed

In the last few years, the insurance industry has risen to become one of the hottest sectors for M&A, with deals amounting to a record US\$30.5 billion in 2012, according to S&P Capital IQ data.

One of the key factors sparking the M&A spurt is Asia's undoubtedly strong economic growth, particularly in China and Southeast Asia. With low penetration rates and growing affluence of the massive populations, China and Southeast Asian countries have proven to be and will continue to prove attractive for insurance investments.

Earlier reports cited Swiss Re's estimate that life insurance premiums in Asia's emerging markets will grow 9.8% in 2013, more than four times the forecast for industrialised countries overall (2.2%), and almost double of the 5.2% growth that the reinsurer had forecast for developed Asia (which includes Australia, Japan and South Korea, among others).

Bancassurance is choice route to tap region

As such, insurers have sought to gain market share through entering into bancassurance agreements. In fact, many transactions have involved the acquisition of a life or non-life insurer coupled with a long-term bank distribution agreement, said Mr Dustin Ball, Country Manager, Vietnam, MetLife, at the recent 7th Asian Insurance CFO Summit in Hong Kong.

Recent acquisition targets had been owners looking to offload insurance companies that had become non-core operations, offering distribution and a tied customer base, but it is becoming increasingly rare to find such partners, said Mr Damian Delaney, Head of Business Development, Asia at Manulife Financial, who also spoke at the CFO Summit.

The next big deal

To capitalise on insurers' eagerness to tap the fast-growing Asian market, Citibank had announced its plan to allow life insurers to sell their products through Citibank branches in the region, according to a recent industry report. The banking giant would ideally allow a "small number" of life insurers to sell their products through its more than 600 branches in Asia.

Citibank's plans are among the most ambitious for ratcheting up the revenue and profits it receives as bancassurance sales are expected to continue growing robustly, according to industry observers. In its attempt to capitalise on growing sales of basic life insurance and savings products to a burgeoning middle class in many Asian countries, sources also said the division of Citigroup Inc hopes to haul in billions of dollars over a span of 15 years by signing exclusivity agreements that will deliver commissions and other fees.

Top 3 M&A deals in 2013

1 Acquirer: MBK Partners
Acquired: ING Life Insurance Korea
How much: \$1.65 billion

ING GROEP's agreement to sell its wholly owned life insurance business in South Korea is part of its plans to divest the group's Asian insurance and investment management activities. The deal is expected to close in 4Q13.

2 Acquirer: Meiji Yasuda Life Insurance
Acquired: Thai Life Insurance
How much: \$713 million (15% stake)

Slated to close by the end of the year, Meiji Yasuda's purchase of a 15% stake in Thai Life – one of the top three life insurers in Thailand – underscores the growing appetite of cash-rich Japanese companies to expand beyond their home market.

3 Acquirers: Sun Life Financial and Khazanah Nasional
Acquired: CIMB Aviva Assurance
How much: \$595 million

Both Sun Life Financial and Khazanah Nasional had jointly acquired 98% of CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad. With the deal, Sun Life Financial will have access to CIMB Bank's network of 312 branches which serve approximately 8 million customers, and an exclusive right to distribute insurance and takaful products across Malaysia.

Hong Kong – where the modern and traditional strike a balance

From a dazzling skyline to a bustling harbour and one of the world's tallest bronze seated statues of Buddha, the modern and traditional strike a fine balance in Hong Kong.

The Peak

No visit to Hong Kong is complete without a trip to the Victoria Peak, known to locals simply as "The Peak". With an altitude of 552 metres, it is the highest point on Hong Kong Island and offers breathtaking views of the city's dazzling skyline, Victoria Harbour and Kowloon.

The best way to get to The Peak is to ride the Peak Tram, which has served Hong Kong for the past 125 years, since 1888.

www.thepeak.com.hk



The Tian Tan Buddha, Lantau Island

The Tian Tan Buddha, also known as the Big Buddha, is 34 metres tall, weighs 250 tonnes, and took 12 years to complete. Devotees and tourists have to climb 268 steps to reach what was once the world's tallest outdoor bronze seated Buddha.

The statue's right hand is raised to represent the removal of affliction, while its left hand rests on his lap in a gesture of giving *dhana*.

In one of the halls in the three floors beneath the statue is a relic of Gautama Buddha.

The statue is an extension of the Po Lin Monastery. Founded in 1906, the main temple houses many Buddhist scriptures as well as three bronze statues of the Buddha – representing his past, present and future lives.

www.np360.com.hk

Victoria Harbour

The vibrant Victoria Harbour is considered Hong Kong's heart and soul. With the continuous coming and going of vessels and awe-inspiring scenery, taking a harbour cruise is possibly one of the best ways to take in the stunning sights of Hong Kong and its surrounding areas from up close.

What's more, cruises are on offer from early morning till late night, so they are easy to fit into a busy itinerary.

www.dukling.com.hk



Gala Extravaganza

Delegates took in a night of extravaganza at the gala dinner which served up great delicacy and a fusion of east and west music. The event was co-hosted by RGA and HSBC Insurance.



Pacific Insurance Conference 2015

It's more fun in the Philippines 

"Almost two years ago the Philippines launched a tourism campaign with a tagline that today has been transformed as the country's official descriptor: It's More Fun in the Philippines.

As the "More Fun" campaign's creator said, "...the country weaves various influences and cultures into one wonderfully colourful whole". These innate differences have made the country a treasure trove of music, food, festival and art.

And the numbers show that we have plenty of reasons to celebrate.

An economic turnaround towards robust GDP growth, and successive investments upgrades from Fitch, S&P and Moody's. According to a CNN report, the local bourse was ranked as the fifth top-performing stock market globally. The Philippines is also ranked top three in global outsourcing destinations.

Be part of the "Fun in the Philippines" as we gear towards hosting the 27th PIC in 2015. It will be an opportunity for Filipinos to let our colleagues and friends experience the marriage between business and great fun. The Philippines is ready to do what it takes to bring its development to the next level, and it's an honour to be host to the best minds in the world.

Mabuhay and Welcome to Manila, Philippines!"

Mr Peter Coyiuto

27th PIC Organising Committee Chairman




The Takaful Rendezvous 2013
11-12 November 2013,
Grand Hyatt, Kuala Lumpur, Malaysia
Theme: *Using Retakaful to Grow your Business*

2nd Asia Investment Management Summit for Insurance
25-26 November 2013,
Marina Mandarin, Singapore
Theme: *"Seeking Better Returns in Current Volatile Climate - Thinking out of the low-yield box"*



2nd Asia Insurance CIO (Technology) Summit
20-21 Nov 2013, Marina Mandarin, Singapore
Theme: *The Transformational CIO - Delivering New Capabilities in a Digitised Era for the Socially Enabled Enterprise*

7th India Rendezvous
22-24 January 2014
Taj Mahal Palace Hotel, Mumbai, India
Theme *"Lessons from the Basics for a Sustainable Future"*



PIC Daily newsletter team



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