

# China reinsurance realities revealed



Almost 350 delegates signed up for the revamped China Rendezvous 2019 held in Shanghai's Pudong area with the theme of a 'brave new era of reinsurance in China'. Brisk business was conducted in bilateral meetings while on the main stage, revealing new insights were delivered about the fastest-growing insurance market in the world.

By Vincent Liu Liang



The China Rendezvous, once a mainstay in the Chinese insurance and reinsurance calendar, made an impressive comeback this year in early November, marking a return to form as well as a celebration of a bright new insurance future. The China Rendezvous has deep roots that go back almost 20 years.

China Re P&C assistant general manager Wang Zhongyao kick-started proceedings with a timely opening address on the development of CAT models in China – and how these models will help build resilience in China's economy.

China, said Mr Wang, has suffered a growing number of Nat CAT events over recent years – ranging from earthquake to rain storm to typhoon – and he predicted that already events in 2019 “will bring huge economic loss” to China. The dilemma, he said, was that “fast growth in CAT exposure has still not led to higher insurance penetration.”

China Re has positioned itself at the centre of China CAT-modelling as the regional director for the China Earthquake Co-insurance Pool and aims “to help pricing and loss estimation” of catastrophe events through the development of the China Re CAT Risk Platform. This allows for map visualisations, spatial data processing, spatial analysis and spatial information queries.

Mr Wang outlined the need for “an open platform for the whole industry” and indicated that China Re had already launched version two of its earthquake model and as well as version one of its typhoon and flood models. “We can build and iterate a CAT management platform to deal with the challenges brought by more disasters,” he said.

## Overwhelming need for new talent

International Insurance Society president and CEO Michael Morrissey spoke next and said, “The future potential is what makes China so fascinating. The industry is still at a very early stage of maturity.” He then went out to remind the audience that according to Swiss Re estimates, China would overtake the USA as the biggest insurance market in the world by 2030.

Future issues, he said, included cyber, healthcare access, digitalisation of the customer experience and regulation – but the burning issue was “the emerging issue of talent development.”

“For many young men and women, a career in insurance may not appear to be very exciting,” Mr Morrissey said. “But we can’t make an industry out of what’s left. Talent has to be our number one priority.”

### Going global

Munich Re China CEO Steven Chang gave a reinsurance address which focused on the central themes of “globalisation, financial openness and reinsurance.” Mr Chang alluded to the inaugural Lujiazui International Reinsurance Conference (LIRC) which had been held in Shanghai in the preceding days as a part of supporting activities of the 2nd China International Import Expo.

“Next year,” Mr Chang said, “the LIRC and China Rendezvous should be held together as one big event.” He went on to say, “Reinsurance is a very natural link between the financial openness of a country and globalisation” and that is why it will continue to attract the best talent.

“Globalisation has been a long-term success story, raising income levels in both advanced and emerging economies” he said. “Financial openness and trade openness are interlinked and both have contributed to increasing prosperity.” The message from China’s leadership, he said, “is that we will stick to openness and globalisation.”

### Opportunities and challenges

AIG China CEO Lisa Sun gave an industry address in which she acknowledged that “insurance is growing at a tremendous pace in China,” and predicted that it would quadruple in size by the end of the next decade.

“China faces a unique opportunity,” she said. “Belt and Road Initiative (BRI), ageing populations, demand for better healthcare, a growing middle class, digitalisation and innovation all present real opportunities for growth,” she said. “This will require both insurers and reinsurers to innovate and address the new risks that families will

face. It really is a brave new era for insurance in China,” she said, but there would be challenges too.

Making a plea on behalf of foreign insurance companies she said, “An open and competitive insurance market is critical for a healthy future.” The removal of the foreign ownership cap on foreign life companies in 2020 is an important sign – and forms part of phase one of negotiations between the US and China.

In other Asian markets, like Japan, the market share of foreign companies is much larger than it is in China, she said, and there is an acknowledgement that this needs to be able to grow in China, but barriers remain. These include the timely issuance of branch licenses and restrictions on the types of products, particularly health, that can be sold – both online and elsewhere.

Changes to these will be necessary to help the market grow and allow Chinese consumers access to the best possible products and ensure that all insurance players are innovative and responsive. The three biggest areas for growth are in BRI, pensions and health and digitalisation, she said.

### Importance of customer focus

JingDong-Allianz COO Yang Jian followed with an innovation keynote address that focused on how to make insurance simple. “We need to make insurance easier to buy through being customer-centric rather than sales-centric,” he said.

The then said, “How do we establish what customers want to buy? We rely in technology to understand customer demands through automation – the foundation of which is data.”

But he cautioned that “insurers should use AI – rather than investing in it.” Technology, he said, can be used to screen for fraud because, he said, “We need to be able to trust our customers.”

He ended with a plea to ensure that policy wordings were plain and simple and easy to understand for customers so that there are no surprises at claims time.



### Surviving in the future

DXC Technology global head of reinsurance Kent Chaplin built on this theme when he looked at “The future of reinsurance and how we need to reimagine it to be able to survive in the future.”

He focused on the risk value chain and looked at the links of distribution, manufacturing and capital. “You need to be looking at holistic solutions,” he said. “Alternative capital has become an integral part of the industry ... and reinsurance has become an asset class in its own right. The fixed income industry has surged into the insurance-linked securities (ILS) market,” Mr Chaplin said. “This has put pressure on rates and has now become a part of the value chain – and now reinsurers are buying into ILS funds. Alternative capital is here to stay,” he said, “even with the recent massive losses.”

The net result of this is that there is no longer any such things as a pure reinsurers since many are moving into primary insurance too. “The old business model has changed for good,” Mr Chaplin said, “because the sharing of information between buyers and sellers has changed for good. The way people interact has changed for good. The digital conversation of the future is a global conversation.”

### Panel discussions

The morning session ended with two highly informative panel discussions. In the first, experts from China Re P&C, Mitsui Sumitomo Insurance (China) and Labuan IBFC discussed the opportunities for Chinese and international insurers and reinsurers in the BRI.

In the second, experts from HSBC Life Insurance, Marriott International and Smart Thinking Consulting discussed ‘being customer-centric in the insurance market’.

The dates for next year’s China Rendezvous have already been set. The event will take place on 10-11 November 2020.

The China Rendezvous was held at the Kerry Hotel Pudong, Shanghai – organised by *Asia Insurance Review* and sponsored by DXC Technology, Singapore Re, Munich Re, Fairfax and HSBC Life. 