Published by:
Asia Insurance Review
Member: Beacon International Group, Ltd.

EAIC Daily

DAY 3
THURSDAY
26 SEP 2024

Navigating current uncertainties with technology

By Ahmad Zaki

Five years ago, AI was not a common term, but today it is touted as the main driver of change around the world. The insurance industry is no different in this regard, but Asia Financial Holdings chairman Bernard Charnwut Chan has some questions for the proponents of AI.

"How will it change the industry? Who will regulate it? Where are the transparencies? Who is setting the rules?" he said, during his presentation at EAIC yesterday morning.

"There are no answers to these questions, but one thing is for certain – AI is not going away," he said.

He also brought up the fact that industries today are all married to technology, with terms like fintech, InsurTech, regtech and medtech being introduced over the past decade.

"Industries are no longer siloed. When I first began chairing the committee for the innovation and technology scholarship scheme, it was all science students. Today, we have students from across all disciplines. That's why it's 'fin' plus 'tech' – but the question is, who is leading?" he said.

All this focus on technology, he said, could be an avenue for the insurance industry to attract and retain new talent, to increase excitement for new graduates to join the industry.

Hong Kong's new role

Mr Chan also noted that over the last 40 years Hong Kong had been the gateway for capital to flow into China, but with the rapid growth and reform of the Chinese economy, Hong Kong's role has changed.

"Today, Chinese enterprises can no longer position themselves as 'just a Chinese company'. They must diversify,


Mr Bernard Charnwut Chan

so they are expanding outside of China," he said. "And Hong Kong's new role is helping these enterprises de-risk."

De-risking is the new term *du jour*, he said, and it will be here to stay for the next 10 to 15 years. "We can no longer afford to have a concentration of business in one place, one location. Each country will have to grapple with this issue in its own way, and as a service industry, we have to find a way to help them achieve this goal."

With all of these changes in dynamics, one thing remains true: The insurance industry must remain resilient, adaptable and always be engaged, he said.

Industry needs to build workforce for next generation

By Ahmad Zaki

By 2033, the Asian insurance industry will need a total workforce of 2.3m people. The industry currently has a workforce of about 1.1m, but a large portion of those will be over the age of 60 within 10 years.

"Already in every company across Asia we are saying that we lack talent," said Peak Re CEO Franz Hahn, during his presentation yesterday. "Getting another 1.2m people for our industry is a tall order, and the same even applies to the US and Europe. We need to think creatively about how we recruit people and how we retain them."

At the same time, he also said that the way the industry currently operates is not sustainable, calling


Mr Franz Hahn

the competition for talent between companies 'unhealthy'. "We cannot just fulfil our needs for talent and snatch them from other companies. We have

(continued on page 2)

(continued from page 1)

to learn to get better, to hire and build people from within the company."

He said that it is vitally important for (re)insurers to become 'learning organisations', a place that can attract and develop fresh talent. He also emphasised the importance of 'lighthouse talents', the older generation of workers who are nearing retirement, but can still help develop the newer generation.

He also said that the boomer generation had made a big mistake in failing to create a solid workforce and talent pool from which the industry could draw. "My generation has been failing miserably to bring good people into the industry and to retain them in the industry. And that's why we have the problem we have today," he said.

"We have to broaden our sources of recruitment. Recruiting firms have been helpful for us, but we also have to go into schools and universities and get people who are at the early stage of work," he said.

Between meritocracy and diversity, Mr Hahn said that he would always vote for the latter. Diversity is vital, even for nationally-operated organisations. "This diversity can take a different form, mainly in the form of people who think differently," he said. "You want to get new ideas, new thinking, you want to be challenged as an organisation."

"Diversity is also not just about gender and sexual orientation, but also age diversity and having people from different professional and personal backgrounds," he said. "Our industry is one that deals with all kinds of different professions and industries, so having a nice mix within our organisation will help us be successful."

Customer centricity thrives on technology

By Ahmad Zaki

Insurers used to win long-term clients through coverage, limits and premiums, as clients were mostly interested in the financial advantage, said Nan Shan General Insurance chairman Jason Tsai.

Speaking on the panel on customer centricity, he said that cheaper prices would allow an insurer to win over clients quickly and easily, but it was not a sustainable approach, especially if an insurer was looking for long-term, loyal clients.

"The good news is that we can ride on the rapid development of technology today and reshape the idea of product design – from what we sell, to where we sell and how we sell," he said. "In a sense, we are reshaping the battlefield."

Many insurers have already taken this customer-centric approach by having more diverse and user-friendly methods of buying insurance and developing more 'tailor-made' products. Mr Tsai brought up usage-based insurance and fragmented policies as examples, which would allow customers to deploy their insurance coverage at different parts of their daily life.

Philippines Insurers and Reinsurers Association executive director Michael Rellosa also expanded on the topic, noting that the workforce of today is increasingly made up of millennials and Generation Z – the digital natives. He said that a lot of insurance is about filing – filing the policy application, filing the claim. "Customer centricity is about removing pain points, so the transition to digital-based transactions makes sense, especially for these digital natives.

"Technology plays a huge part in making this happen and continuing to improve the experience of the customer across the insurance value chain," he said. "If your organisation can work this into your systems and processes, then you're already ahead of the curve."

International Union of Marine Insurers secretary general Lars Lange also said that the ideal client situation is when an insurer can build up expertise and experience, pass on what they have learned to clients to mitigate their risks and insure the remainder of the risk. "That is what our industry is about, no matter what line of business you're in," he said.

Thai General Insurance Association president Somporn Seubthawilkul also said that 'industry disruptors' such as fintechs and InsurTechs were not actually disruptors. "They are the total opposite to me; they only disrupted the insurers who refused to change," he said. "But if we truly want to change, instead of waiting for an outside party to come and disrupt us, we have to set up and disrupt ourselves."

L-R: Messrs Lars Lange, Michael Rellosa, Somporn Seubthawilkul, Jason Tsai and Ms Andrea Keenan

Growth is at the top of the agenda

Capital still remains an issue for insurers all across Asia, with many challenges to overcome. We speak to Guy Carpenter's Mr Justin Ward on what these challenges are, and how Guy Carpenter is helping its clients find the correct solutions.

By Ahmad Zaki

Mr Justin Ward

Growth is the main item on the agenda for Guy Carpenter's clients, either organic or inorganic, said Guy Carpenter managing director and head of capital advisory, Asia Pacific Justin Ward.

"Capital management and reinsurance are key enablers of growth – supporting 'capital recycling' from poor-performing segments/lines of business through reinsurance to access reinsurer capacity and capabilities to launch new product lines," he said.

Alternative business model configurations are also being discussed, which explores the areas where clients can play. This has a significant impact on how in-force portfolios are managed – including the reinsurance implications and how risk capital for new business is generated.

He also noted that volatility remains an issue for most clients during the transition to higher retentions. "This situation is complicated by the evolving risk environment, including perils such as flood and fire, geopolitical tensions and the coverage hangover from COVID-19. Notably, the spectre of inflation in the region has fallen," he said.

Compounding these items is the search for growth, with carriers entering lines of business or segments where internal expertise is limited. Without adequate reinsurance capacity and capability, entry to these lines of business can increase volatility.

Furthermore, balance sheet are currently seeing some strain due to various factors. For instance, many jurisdictions have transitioned or are transitioning to a risk-based capital environment and/or IFRS17. "This has occurred in Hong Kong, while in Indonesia, capital is emerging as a 'hot issue', given proposals to increase minimum capital requirements and the potential to make some liability product compulsory," he said.

Reinsurers see good returns

Guy Carpenter is estimating an RoE of 21.9% for reinsurers and future estimated returns on equity (RoE) are now forecasted to continue to exceed cost of equity in each of the next three years.

"While recent returns have been stellar, we have observed very few new entrants to the market," Mr Ward said. "However, organic capital growth via incumbent reinsurers remains strong and is able to absorb rising demand, while intensifying competition. Unlike previous cycles, investors have a variety of vehicles to enter the sector, with varying degrees of liquidity."

Many reinsurers are also increasing their focus on structured solutions (tactical and strategic) while developing capacity and capability offerings for niche lines of business.

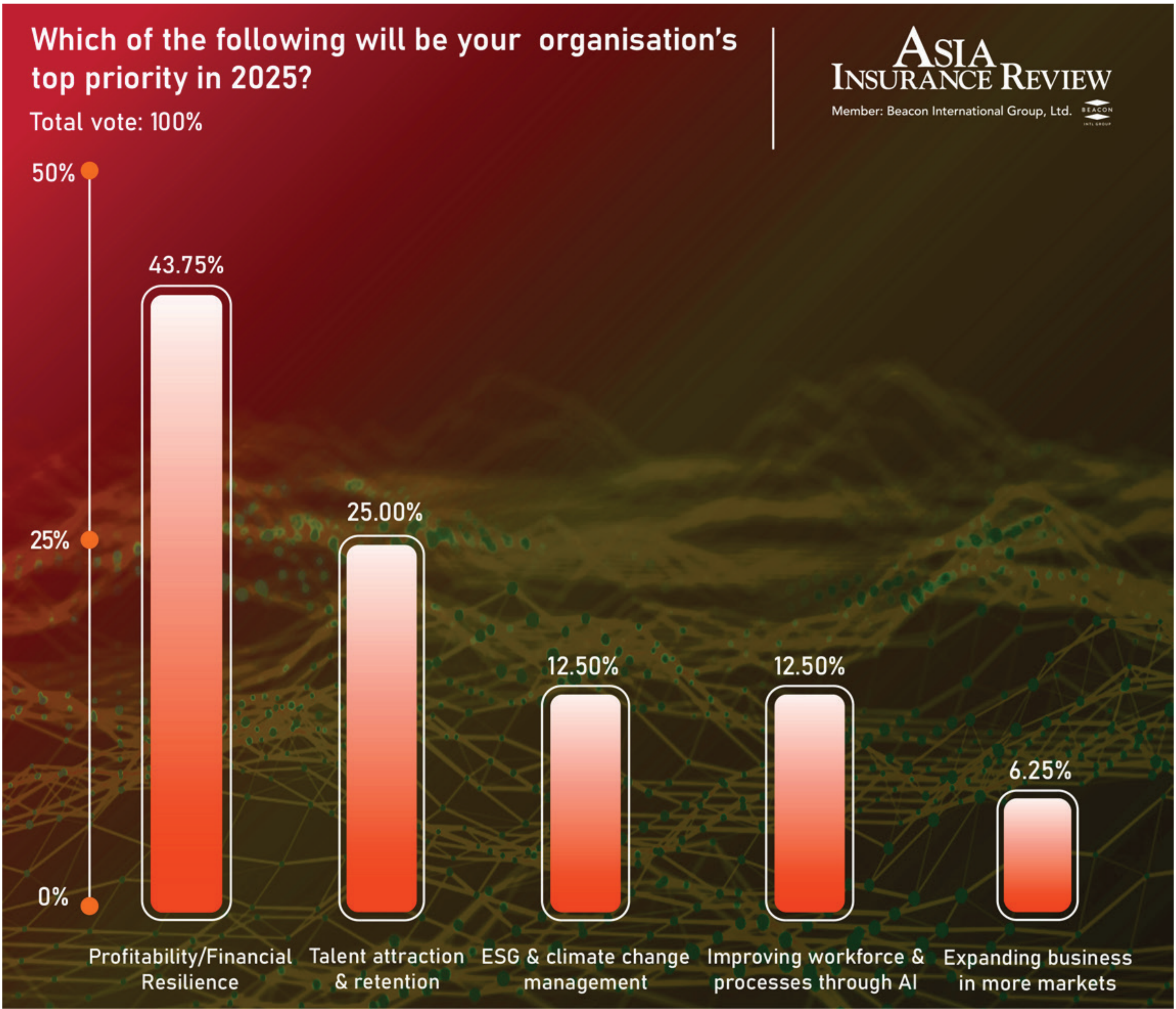
Looking ahead, Guy Carpenter expects catastrophe bond activity to remain strong, with a record first half in 2024, and the second quarter being the most active recorded. "We expect the second half of 2024 to be active, given a heavy maturity schedule of catastrophe bonds. However, available capital will be heavily influenced by North American wind activity," he said.

Changing reinsurance narrative

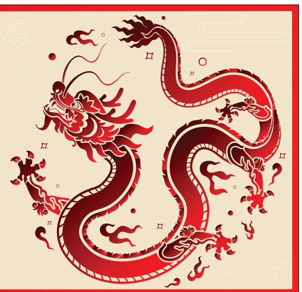
Driven by various external factors and shareholder pressure, the view on reinsurers is changing. Traditionally, many insurers saw reinsurance as an underwriting and capacity support tool. However, the broker is now having more conversations about reinsurance as a core source of capital – complementing debt and equity – in improving preparedness for regulatory change, taking advantage of growth opportunities and managing volatility from the evolving risk environment.

"Similarly, we are seeing capital – that would like exposure to the insurance – being increasingly segmented. Investors' appetite has widened significantly for distribution-orientated assets, life exposure, emerging lines of business and data/analytics suppliers," he said.

Over time, insurance risk and capital markets will become increasingly linked. Integrated debt and reinsurance opportunities will become increasingly popular, while some features of life reinsurance (with an investment component) are likely to permeate P&C reinsurance.



This infographic was produced by surveying *Asia Insurance Review's* website users.



Published by:
Asia Insurance Review
Member: Beacon International Group, Ltd.
www.asiainsurancereview.com

Sponsors:
Peak Re
www.peak-re.com
SOMPO
www.sompo-intl.com

Scan this code to find out more about our sponsors.

AIR team (L-R)
CEO: Sheela Suppiah | **Editorial Team:** Paul McNamara, Ahmad Zaki, Reva Ganesan and Sarah Si | **Business Development Team:** Koh Earn Chor, Jonathan Yaw and Junaid Farid Khan
www.asiainsurancereview.com