THE OFFICIAL MEDIA PARTNER OF THE SIRC

Difficult conversations to build sustainability

By Ahmad Zaki

With booming populations in metro areas and the tendency to build in high-risk areas such as along shorelines and on floodplains, insurers must engage politically in order to improve resilience and reduce volatility, said Munich Re member of the board Achim Kassow, during his opening speech yesterday.

Following on that point later during the panel, which focused on creating a sustainable future, Lloyd's America CEO Dawn Miller said that there is a very large role for the industry to play in working with state, country, regional and district regulators to have a fact-based discussion about why insurance is available, the cost of capital, drivers behind pricing and legacy issues.

"Building for resilience is possible," she said. "We all live in environments where, over the last 30 to 40 years, whether it's in developing or developed countries, there are building codes and regulations (to support sustainability) and so we know it can happen. The more that our industry can work alongside regulatory bodies to help them understand the efficacy of doing this, the more insurance will be available."

She added that regulation will always lag behind innovation, but if the industry can bridge the gap and show that there are ways to deal with Nat CAT through risk management or resilient construction, people will get the capacity they need. "At the same time, it doesn't take away if someone chooses to rebuild their home in the same zone they were in. That's their choice. All we can do is try to bring some resilience to the fullest extent possible."

Giving up profit for good

Dr Kassow also noted that the industry needs to be prepared as an insurance and reinsurance sector to give up the business it considers profitable.

"Part of the debate will always be political," he said. "If the private sector should have the opportunity to make money on something, or alternatively serve a public good, then that is the choice that should be administered."

While government pools exist and provide the capacity that people require, being silent for fear of government intervention is the wrong attitude, he said. "Even if we might lose business for a certain period of time, it's also pretty clear that these pools will see losses and the taxpayer will then be called to pay for it, and that will provoke the next discussion. Then you get to a sustainable solution."

He also said that the industry shies away from having difficult conversations about habitable and insurable areas. "But I think, as an industry, we must have clear standards based on facts and say, 'no, this isn't going to work anymore'. Even if we could rebuild better, this place is unsustainable. And because we have the relevant information, we can provide that clarity."

Sustainable cyber

An often-overlooked part of building a sustainable future is managing cyber risk. The recent CrowdStrike event showed how vulnerable the world is to a non-malicious event, raising questions about what a black swan event would look like in the modern day.

For investors, the question of cyber is way down the list, said Citizens JMP managing director Matthew Carletti. "Their job is to play devil's advocate, and they want to manage their downside," he said.

Compared to the many decades of

(continued on page 2)

L-R: Mr Clemens Philippi, Mr Matthew Carletti, Ms Dawn Miller and Dr Achim Kassow

(continued from page 1)

advancement and data that CAT models have had, cyber models are relatively new and all of the knowledge gained has been over the past few years.

"That's the scepticism that the investment community has when it comes to cyber, and the industry needs to get past and show that while it actually might not have all the answers, it does know how it's going to manage that risk," he said.

He added that investors are most excited about the addition of cyber specialists in the industry, and the loss mitigation tools that are being introduced as part of cyber product offerings.

Social connectedness and reinsurance as the glamorous side of insurance

By Paul McNamara

'The fight for talent: Transforming perceptions towards (re)insurance' was the subject of an insightful panel at yesterday's SIRC.

The panel was moderated by Partner Reinsurance Asia CEO, Asia Pacific P&C and CEO James Beedle and included AIA Singapore chief executive officer Wong Sze Keed, Guy Carpenter senior VP, global operations Valerie Badcock, Munich Re regional head of HR (Asia Pacific, Middle East and Africa) Moira Roberts and Selion Global founder and global managing partner Thomas Hofer.

Being boring

Mr Beedle kicked off the panel with a preamble about the increasing importance of recruiting and retaining staff as more senior talent is leaving the sector through retirement at a time that it is struggling to recruit younger staff – in part because it is seen as 'being boring'.

"You're not alone," said Mr Hofer. "It's not just an insurance challenge – many people left during the pandemic and never came back."

Ms Roberts echoed this sentiment and said, "The industry is not good at selling itself, branding itself. There is a degree of humbleness in the industry."

"The insurance industry is seen as boring and conservative," said Ms Wong. "People associate life insurance with agents that only hassle you to buy insurance. We don't do enough to create awareness." She went onto point out that AIA is working with Singapore's Institute of Banking and Finance and the Monetary Authority of Singapore to introduce a minor insurance degree at university this year.

The glamour of reinsurance

Ms Badcock said, "Reinsurance is the glamorous side of insurance.

"Rebranding is something we should all be considering. We need to promote ourselves better. We need to open the doors," she said.

In terms of attracting new talent, she said, "We need to be looking at a multifaceted method of getting staff – starting at graduate level – but also introducing an apprentice scheme for 18-19-year-olds. We should always be looking at attracting the best talent from universities – and not just from finance and economics courses.

"We also need to be focusing on female talent," she said.

Ms Roberts indicated that Munich Re had, "started in employee branding" focusing on real staff in real countries showing the diversity of talent it employs.

"It's about personalisation – about selling the benefits of working in insurance. Hybrid working is a huge factor in attracting talent," she said and reinforced that this needs to be part of a long-term plan. It is not a quick fix for a short-term problem – and it can be expensive to implement properly.

"It's not cheap, which is why you need to think it through," she said.

Ms Wong concurred that it requires a long-term solution. "We need to start in schools with internship programmes – and scholarships to create awareness of the life sector being much more interesting. You don't get immediate returns, and you need to make sure that it's sustainable," said Ms Wong.

"Young people don't even know what we do. There's a lot of work to be done."

Retaining talent

Ms Wong was unequivocal about the most important tool available to help retain talent. "The big draw is flexible work arrangements," she said. "It's not just about work-from-home. They want café-style spaces in the office where they can brainstorm with each other."

Ms Roberts said, "73% of our talent is Gen Y or Gen Z and they want to work differently – more flexibly."

Also important is mobility within the company. "Mobility is important so that people can increase their skillsets. Managers don't like it – but people need to be able to move. 'Stickiness' is all about having fun at work. Our staff run sessions by themselves. Staff aged between 25-45 want to be able to socialise at work – perhaps meet a life partner at work."

Social connectedness is of primary importance. "It's important for younger staff to be in the office to learn from older staff, how to do deals and so on," she said.

L-R: Mr James Beedle, Ms Sze Keed Wong, Mr Thomas Hofer, Ms Valerie Badcock and Ms Moira Roberts

APAC reinsurance market shows divergence

On the ground at SIRC, we spoke to **Aon**'s **Mr John Morley** about growth opportunities and trends in the reinsurance market in Asia Pacific. .

By Reva Ganesan

"The market remains incredibly strong in certain areas, even as we see a general softening globally and shifts within the market itself," said Aon APAC CEO Strategy and Technology Group John Morley, addressing the state of the reinsurance environment in the APAC region.

"While some sectors show signs of softening, others continue to experience a hard market, particularly in the Pacific and parts of APAC," Mr Morley said.

"The APAC region, given its diversity, is often viewed in sub regions like North Asia, Southeast Asia, South Asia and the Pacific. Each of these areas exhibits distinct characteristics; some regions are still experiencing hardening, while others like Singapore, are beginning to see softening, especially within ceded impact business," he added.

Opportunities

"We're experiencing a surge of inquiries about growth in the region, particularly focused on specific markets. India is currently a hotspot, with many eager to enter this market. We assist companies not only in understanding how to enter but also in determining which lines of business to pursue," he said.

"Data plays a crucial role in this process, enabling us to provide clarity and confidence through a detailed, data-driven analysis of how and where to enter these markets. Besides India, other areas are also gaining attention, such as Australia, particularly in the renewable energy sector," he said.

"However, predicting catastrophe risk is becoming increasingly complex, leading to hardening in certain areas. For instance, reinsurance for offshore wind projects is proving to be exceptionally challenging," he added.

Growing profitability around APAC

When asked about plans to grow profitability around the region, Mr Morley said it is crucial to select the right lines carefully and understand future market conditions.

"India serves as a prime example: While it's currently a 'gold rush' with many looking to enter, it's essential to consider what the market will look like in two years. The current profitability might not hold up, given the high influx of competitors across various lines.

"Aon's goal is to provide insights that empower companies and CEOs to make better, data-driven decisions for sustainable, profitable growth. Some businesses seek immediate profitability, while others focus on long-term growth. For the latter, entering the market now - even with thinner margins - may be strategic, allowing them to establish a presence and gradually increase premiums and margins over time," Mr Morley said.

Trends around the life market

"The life insurance market is increasingly appealing to insurers, especially larger inbound players who are eager to enter this space. Many are adopting a strategy of acquiring composite businesses, retaining the life component and placing the general insurance (GI) segment into runoff," Mr Morley said.

"I always enjoy coming here, especially since I'm based in Singapore. I love welcoming colleagues from around the world to SIRC - some of whom are visiting Singapore for the first time. It's wonderful to share both the conference and Singapore with these colleagues."."

– Mr John Morley

This approach aligns with current economic conditions – interest rates have peaked and are beginning to decline, which enhances the attractiveness of life books - now seen as valuable assets rather than drags on portfolios.

"Large parts of Asia, particularly in life and health insurance, remain underserved in both protection and investment. This creates substantial growth opportunities, although many companies are limited by outdated infrastructure in policy administration, claims management and actuarial systems. Upgrading these systems could enable faster, more efficient and cost-effective service to new markets," he said.

Forecast

In the next 12 months, the market can expect ongoing shifts driven by regulatory changes, leading to further consolidation. A general softening trend is likely, although this will heavily depend on Nat CAT activity in the region. Significant storms or earthquakes – such as a major seismic event in Japan – could cause market hardening, particularly in property insurance.

Korean reinsurers face new challenges under IFRS17 and K-ICS

Under the new IFRS17 and K-ICS frameworks, insurers in Korea are adopting more advanced capital management strategies and exploring diverse capital solutions to optimise their balance sheets. Product innovation, identified as a top challenge by over 90% of insurers, is expected to drive growth, with increased collaboration between insurers and reinsurers. **RGA Korea**'s **Mr Micheal Shin** tells us more.

By Reva Ganesan

In 2024, the Korean insurance industry regained its growth momentum following a challenging 2023. Total premium income for the first half of 2024 reached over KRW114tn ($86bn), marking a year-over-year increase of approximately 4% from the same period in 2023.

RGA Korea CEO Michael Shin, who is also senior vice president for Japan and chief marketing officer for Asia, said that the growth was primarily driven by robust sales of limited pay whole life insurance, which attracted customers with higher returns at maturity in the life insurance sector.

In the non-life insurance sector, health and accident insurance led market growth, with accident and health sales outpacing life insurance sales, Mr Shin said.

"On the downside, market competition has intensified as all insurance companies are focused on expanding protection products to secure contractual service margins (CSM) under the IFRS17 and K-ICS regimes. Insurers have expressed profitability concerns over new products as margins thin under competitive pressures," he said.

Biggest demands and market trends

According to the Korean Statistical Information Service, by 2025, South Korea is projected to become a 'super-aged society' - with over 20% of its population being 65 or older.

As the ageing population grows rapidly, the demand for life and health insurance among seniors has significantly increased, Mr Shin said.

In 2024, RGA conducted consumer market research of the senior segments across eight markets in Asia, including South Korea.

He said that the research showed that a large proportion of seniors have pre-existing medical conditions, such as hypertension, high cholesterol and diabetes, which often leads to them not passing standard underwriting, resulting in either part of the coverage being declined and/or subject to high premium loadings.

"In super-aged countries like Japan, Korea and Taiwan, the majority expressed that they are not confident in the level of public healthcare in a critical illness (CI) event, hence they see private health insurance, annuity and CI insurance as valuable protection options.

"Nonetheless, they are often frustrated by the higher premiums and challenges in the underwriting process when purchasing insurance or feel that the products do not meet their needs or are too difficult to understand," he said.

Shift in product design

Mr Shin said due to economic challenges in South Korea, many consumers are facing financial strain and struggling to allocate money to insurance.

This situation underscores the importance of value for money when choosing insurance products.

"To offer affordable prices with wider coverage, there has been a shift in product design from diagnosis-based lump-sum payments to treatment-based continuous payments. This approach has helped provide affordable premiums while covering advanced medical technologies.

"Recently, a new cancer treatment product that offers comprehensive coverage for all types of cancer treatment at an affordable premium has been launched and has quickly become one of the best-selling items in the market, with RGA's support," he said.

"To offer affordable prices with wider coverage, there has been a shift in product design from diagnosis-based lump-sum payments to treatment-based continuous payments."

– Mr Micheal Shin

Regulatory challenges and adjustments

When asked about challenges facing Korean reinsurers in 2024, Mr Shin said IFRS17 and K-ICS "have introduced more discipline and significant changes to business strategies".

"Insurers are now focusing on top-line sales of high CSM products, leading to fierce competition in the protection market. This shift has resulted in an increasing demand for new protection products," he said.

"As regulatory adjustments put pressure on the K-ICS ratio and economic changes add more volatility under IFRS17, insurance companies are seeking diverse capital solutions. These include reinsurance solutions, issuing subordinated bonds and hybrid securities, among others," he said.

Which of the following will be your organisation's top priority in 2025?

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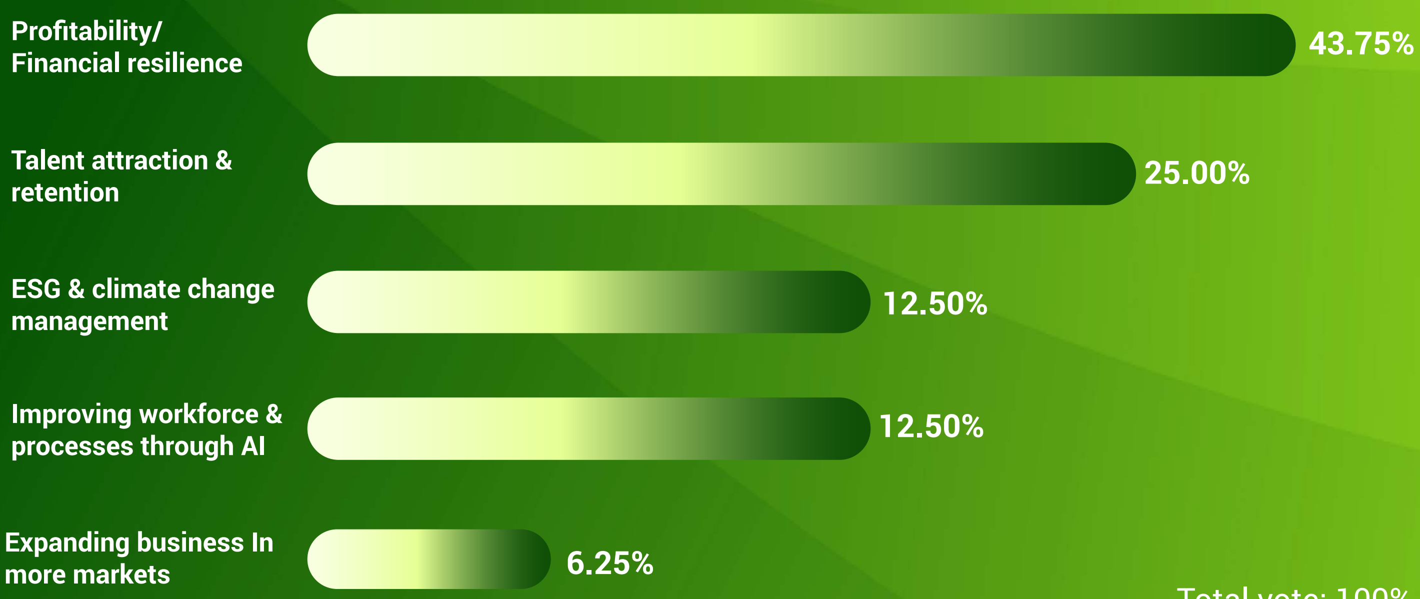

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Voices of SIRC

On the ground at SIRC, *Asia Insurance Review* spoke to industry executives for their thoughts on innovation, the future of the industry and renewals.

Specialty reinsurance: A need for talent

Dr Anne Lohbeck
Chief underwriting officer specialty P&C insurance, Swiss Re

"The reinsurance and insurance markets today are characterised by a lot of instability and a lot of change," said Swiss Re chief underwriting officer specialty P&C insurance Anne Lohbeck. Catastrophic losses have been driven by events in the US, Central Europe and Asia, as well as record-breaking floods in the Middle East. She said that these events are reshaping the industry and pressuring insurers to adapt to a higher frequency of major natural disasters globally.

"These political dynamics mean more complexity in modelling and assessing risk," she said. Dr Lohbeck identified Asia as a prime example, where the Nat CAT protection gap remains substantial. Specialty lines are also stretched by a growing gap in areas like cyber risk, which she said was another growing sector for protection.

"Specialty lines give insurers tools to adapt to and mitigate these complexities," she said.

Attracting top talent to specialty reinsurance is critical for managing complex emerging risks that Dr Lohbeck said was a subject close to her heart.

"If I look at some of the knowhow demands that come with the green energy transition, where we need to know more about things such as solar, such as wind offshore and onshore, where we need to know more about energy storage, about grid construction, about lots of these more emerging technologies, we need to be able to attract that next generation. And there I think the entire industry needs to step up their game and explain better just how rewarding and how interesting and how multifaceted a career in this space can be," she said.

Specialty insurance relies on experts with deep, niche knowledge – engineers, data analysts and renewable energy specialists - to assess diverse exposures in areas like cyber risk, Nat CAT and energy transitions.

"Without that technical talent, we cannot effectively assess and price emerging risks," she said.

The industry needs to draw in talent with new skills to respond to evolving markets, adding that career rewards and opportunities in this 'hairy' space of complex risks must be clearly communicated to attract future experts. Of SIRC 2024, she said, "It's an important check-in point and milestone enroute to 1/1 renewals."

SEA reinsurance market sees capacity boost and parametric solutions rise

Mr Ben Qin
Underwriting head of North Asia and Australia, Descartes

"We are seeing increased capacity returning to the reinsurance market, particularly across the SEA region. Additionally, there's growing traction for alternative risk transfer solutions, specifically parametric reinsurance," said Descartes Underwriting head of SEA Robert Drysdale.

"This trend is evident from the number of brokers establishing competency centres focused on parametric insurance and reinsurance. We're also seeing broader adoption across various sectors and geographies in Asia Pacific, where parametric reinsurance is becoming more mainstream," Mr Drysdale said.

On a separate note, Descartes Underwriting head of North Asia and Australia Ben Qin said, "One of the biggest challenges we face is climate driven and it is increasingly exceeding the models that traditional insurers and reinsurers rely on. This is leading to an impending adjustment in pricing, especially for catastrophe perils."

"In the ANZ market, we're expecting greater adoption of alternative risk transfer solutions at the lower end of treaty programmes, as retentions are being pushed up and cedents are required to retain more risk. This impacts their bottom line and increases earnings volatility following such events," Mr Qin said.

"We're seeing similar trends in the China market, where typhoon activity has been above average for the past two years. As these unexpected events emerge, we're here to provide support and capacity for risks that cannot be fully covered in the traditional market, particularly through parametric solutions," he said.

"The reinsurance industry needs to stay relevant, not only for those within the industry but also for consumers and the broader community. Building resilience is key to bouncing back after major events and addressing immediate challenges like climate change, inflationary pressures and economic strain. We all need to take a close look at potential innovations in the market and be open to embracing change," Mr Qin said.

"This is my seventh year attending SIRC, with one year held virtually. It's much better to have it in person and to see the event growing stronger each year. Last year was busy and I hear this year will have around 3,300 delegates. It's a fantastic opportunity to catch up with everyone in one place over the course of a week."

– Mr Robert Drysdale
Underwriting head of SEA, Descartes

Scan this code to watch an interview with Aon APAC head of actuarial, strategy and technology group Tony Atkins and Aon senior director impact forecasting for APAC Himavant Mulugu.

APAC insured losses remain below average despite intensifying typhoon activity

Mr Brad Weir
Head of analytics – APAC, AON

"Aon recently released its 'Global Catastrophe Event Recap' report for the first three quarters of this year, revealing that global insured losses have risen above the long-term trend, reaching around $100bn. This increase is primarily driven by significant activity in the US, including three hurricanes, severe convective storms and flooding in Central Europe," said AON head of analytics for APAC Brad Weir.

"In the APAC region, however, insured losses are trending below the long-term average, despite notable typhoon activity fuelled by warmer-than-normal sea surface temperatures. Several typhoons made landfall across the region, with typhoon Yagi, for example, reaching Category 4 intensity and making landfall in Hainan, China and northern Vietnam. This storm caused extensive flooding and highlighted a challenge in managing catastrophe risk in APAC," he said.

Challenges

Addressing climate change within our current understanding of risk requires a nuanced approach, said Mr Weir.

"When developing models, it's essential to incorporate recent historical data to reflect the impact of climate change that has already occurred. However, from an insurance and reinsurance perspective, most decisions are made with a 12-month outlook."

"This makes it important to consider carefully how much weight to give additional climate change factors, especially as climate variability introduces significant short-term fluctuations that need to be accounted for," he said.

"Beyond these short-term considerations, we face additional challenges in understanding long-term trends in climate-related losses. Often, we might hastily attribute these trends solely to climate change, overlooking a critical factor: The increase in exposure, particularly in rapidly-urbanising areas of Asia. This growing exposure is a driver of loss trends and is within our control to address," he said.

Southeast Asia: Life reinsurance faces stiff competition

Mr Patrick Cheah
President and CEO, Malaysian Life Reinsurance Group

Malaysian Life Reinsurance group president and CEO Patrick Cheah spoke of a highly competitive pricing environment, noting that, unlike the hardening non-life sector, life and health reinsurance remains under intense pressure. "Every reinsurance company is chasing after the same piece of pie," he said, pointing to the need for product innovation and differentiated offerings.

Mr Cheah said that regulatory reforms have been a game changer, especially in Malaysia.

"Malaysia is going through a new risk-based capital regime change," he said, emphasising that this shift has been creating uncertainties around solvency requirements and capital levels. These revisions, while challenging, could also open up new business opportunities for reinsurance firms that can adapt effectively.

Despite these hurdles, Mr Cheah said innovation was vital in maintaining competitiveness, especially in life and health insurance. He said that many products designed for specific demographics, such as prenatal and postnatal protection for women had been introduced as well as an expansion in critical illness plans.

"In Malaysia, [coverage] has gone from 36 illnesses to over 100," he said, reiterating the potential for creative approaches in a traditionally conservative market.

Mr Cheah remained cautiously optimistic on the outlook for 2025. With Malaysian regulators supporting digital insurance initiatives, he expects greater insurance penetration among lower-income segments, which are currently underinsured. "There's going to be a launch of digital insurance from next year … better coverage for the mass market," he said, viewing it as a promising shift for the industry.

As Mr Cheah wraps up his first SIRC conference, he remains focused on gathering insights, particularly on AI, a tool he sees as valuable for the future but not yet fully utilised in his home market.

"There's a talk on AI tomorrow, so I'm here to see what I can bring to the market," he said.

Bringing the market back into balance

By Ahmad Zaki

Mr Stefan Holzberger
Chief rating officer, AM Best

Market conditions for global reinsurance are in the best state they have been in 20 years, said AM Best chief rating officer Stefan Holzberger, while on-the-ground at SIRC.

"We have a positive market segment outlook for the global reinsurance industry, and that is a combination of the prospect for reaching a good level of profitability and maintaining strong overall fundamentals in the market," he said.

This positive outlook is not typical for the ratings agency, as competition within the industry tends to temper growth potential. However, with investor demands for sustained returns at or above the cost of capital, reinsurers will report good performance for 2024, despite some recent and significant CAT activity in the US. "But those events, if anything, will maintain hard market conditions, make it less likely that you're going to see an erosion of terms and conditions," he said.

Reinsurers in Asia could show a smoother performance compared to their European and US counterparts, due to the nature of insurance and reinsurance that is purchased here. "Reinsurers across Asia Pacific typically are writing a lot more proportional covers," said AM Best managing director of EMEA and Asia Pacific Gregson Carter. "Globally, we're seeing that positive pressures and the pressure to maintain pricing discipline, but that's less evident in Asia Pacific. But reinsurance is a global business. So many of the capital capacity providers here are global players and they're feeling the pressures elsewhere. We're not expecting to see a huge differential in those pricing pressures and pricing trends."

Investor pressures

Hurricane Ian in 2022 marked the beginning of the current hard market and contributed to several consecutive years of $100bn insured losses. "The reinsurance industry was reading the signals from their investors, and that signal was, if you want us to continue to back your business, you need to produce a better return in line with your cost of capital," said Mr Holzberger.

This investor pressures carried across the entire industry, from traditional reinsurance investors to the ILS markets. "Now, while there have been very significant CAT losses, they're mostly being borne by the primary markets. Reinsurers have moved out of income state protection. They're protecting that tail event balance sheet volatility, and it's proven to be a pretty good recipe for the reinsurance segment in terms of growth," he said.

He added that most global reinsurers are also involved in the primary market and several big markets in North American and Europe have seen good underlying rate increases, which has only benefited these reinsurers.

Sustainable cycle

The primary insurers also have to bear these increased losses at a time when their customer base is facing rising cost-of-living prices. This negatively affects their ability to reprice and to let the market know that they are facing increased losses, putting them in a difficult position.

"There is a balance to be had here," said Mr Carter. "The reinsurance industry is holding firm in its stance of not wanting to become an earnings smoothing tool. But even if you just keep the attachment points where they are, inflation means that losses will start to creep up into those reinsurance layers relatively soon. And there may be some of that tension between the reinsurers not having losses, and the primary markets bearing the losses, which will force the market to come back into balance."

At the same time, reinsurers had seen an extended period where they were showing very poor returns for their investors and something had to change.

"It is a question of at what point are investors happy with the returns but also willing to entertain more risk and to take on more of the working layers?" he said. "Right now, we don't see signs of that just yet."

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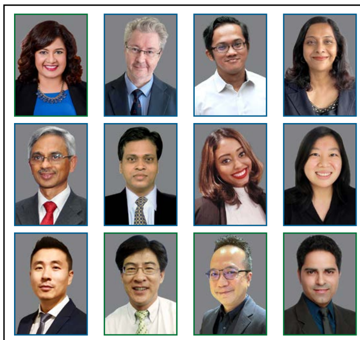

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