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Nanyang Technological University director, Earth Observatory of Singapore Professor Benjamin Horton

"When I went to talk to the reinsurance industry, I found that when they were looking at risk in Asia, they were using science and data that was coming out of North America or Europe. And you needed Southeast Asian scientists who have knowledge of Southeast Asian data to provide the best solutions for Southeast Asia. Now we have all of this institutional knowledge and Singapore has a great responsibility; the government had to step up and they did. They have invested a lot in research and development. But now that we have this data, we have got to make impact."

Guy Carpenter chairman of global capital solutions, international Victoria Carter

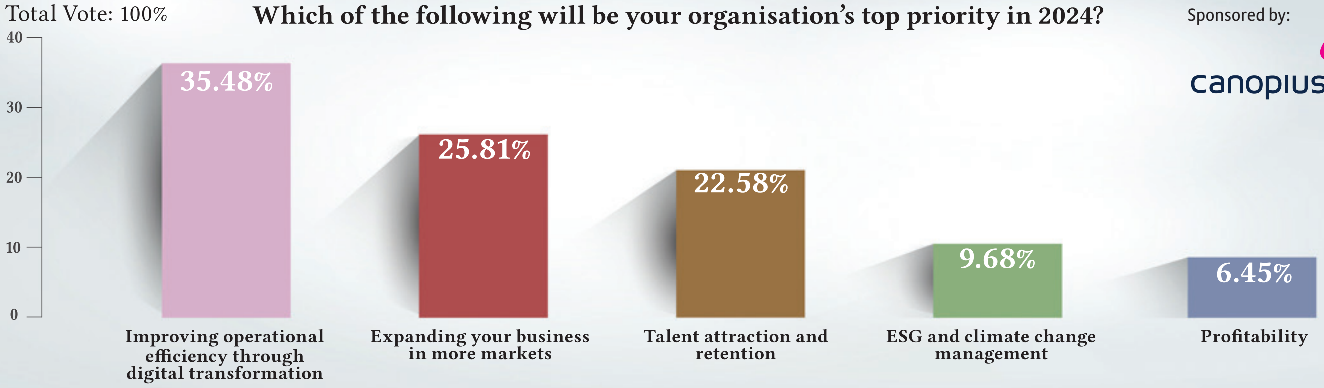
"I think you can be flexible in other ways. I think you can be flexible in terms of vacation time. Do you help young people with things like sabbaticals? Sabbaticals are a great thing. You're loyal to a company for a number of years. Would it not be a great way to reward them rather than have them leave because they want to go travelling and experience the world? Why wouldn't we look at giving them a period of time off to do that and come back to the company? There's a lot of ways you can incentivise people."

Women in Reinsurance sub-committee convenor Aisyah Fuad

"People want flexibility and it's about communicating what that flexibility means between employee and employer. It helps increase the talent pool. There has to be a discussion between the manager and the team and the community at large. Different generations also have different ways of communicating and connecting with each other, of building those relationships that are important in this industry, so we need to set a common expectation between employee and employer."

Total Vote: 100%

Which of the following will be your organisation's top priority in 2024?



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

Climate Armageddon is coming unless we change

The unique value of the SIRC as a forum for debate was highlighted on day three of the conference at the session on climate change. This forum might go down in the annals of the SIRC as one of the most important ever for throwing the spotlight on the main challenge – how to get reinsurers talking the same language as climate scientists.

By Sarah Si

According to Earth Observatory of Singapore's Professor Benjamin Horton, there is a disconnect between what climate scientists are saying and what the reinsurance industry is hearing.

Professor Horton had a blunt message for delegates. "In 2018, I warned the insurance industry that we will soon enter a climate emergency that will have heatwaves and wildfires, torrential rainfall and landslides, impending sea level rise and coastal flooding. I warned that people would lose their lives if we did not act," he said.

The reality is that mankind did not act and today temperatures have risen so much, the ocean temperature is three or four standard deviations greater than the mean.

"Some 20 years ago, climate scientists were tasked with identifying tipping points in the Earth system. Beyond that and the Earth system collapses. We are not talking about a government collapsing, or failures of the automobile industry or financial sector," Professor Horton said.

He was involved in a research group that looked at the tipping point of the Antarctic and Greenland ice sheets and concluded that going beyond the 1.5 degrees C threshold would cause the collapse.

"There is no engineering solution that can solve this because the ice sheets melt so rapidly. Climate change is happening fast. It is impacting our economy, ecosystems and being. The impacts could be devastating if we fail to monitor, mitigate and adapt using both local and global strategies. We need to take on this challenge in a holistic way," he said.

L-R: Ms Melissa Hyak, Dr Sibylle Steimen, Ms Winnie Tan, Mr Vipul Shetty, Dr Jayanta Guin and Professor Benjamin Horton

Modelling: The disconnect

"As an industry, reinsurers started to collect data decades ago to assess risk via models, which are derived from scientific insights and integrated into business decision making. However, it is not easy. There are modelling and commercial views and sometimes both deviate quite fast," Allianz Re managing director, advisory and services Sibylle Steimen said.

According to Professor Horton, reinsurers could be using data from the wrong region. "When I talked to the reinsurance industry, I found that for risk in Asia, companies were using science and data from North America or Europe. To provide the best solutions for Southeast Asia, scientists from the region, who have the knowledge and data are needed," he said.

Are reinsurers doing enough?

According to Great Eastern Holdings senior vice president for sustainability Winnie Tan, it is not due to the lack of effort on the part of reinsurance industry. "The question is whether the industry is changing at the same pace and scale," she said.

The main obstacle, she said, is how climate change can be factored into commercial decision making and brought into the boardroom and management office. "The worrisome thing is that the industry did not start early enough," she said.

Taking action against climate change is also very difficult, Verisk Extreme Event Solutions executive vice president and chief research officer Jayanta Guin said. "Climate change is a slow, behind-the-scenes death by a thousand cuts," Dr Guin said.

The way forward

Solving the Earth's climate change problems will involve much closer dialogue between climate scientists like Professor Horton and the reinsurance community – and Professor Horton made it clear that the doors of the Earth Observatory of Singapore are wide open to reinsurers looking to develop meaningful solutions backed by real up-to-date scientific evidence.

Professor Horton was quite blunt: Time has already run out – and we must all act together to have any chance of having a liveable planet to leave to our children.

Reinsurance pricing, capacity retentions

We caught up with Allianz Re's Mr Holger Tewes-Kampelmann to talks about growth opportunities and the year ahead.

By Paul McNamara

We spoke to Allianz Re chief executive officer Holger Tewes-Kampelmann on the sidelines of the annual reinsurance get-together in Monte Carlo about how the business is growing and where further opportunities might be found.

China

Allianz Re has significant exposure to the China market.

"We have quite a sizable business in China and we like that it's a core part of our business," said Mr Tewes-Kampelmann. "The growth has been smaller than expected, but growth is not our primary concern. The margin has been good - or okay - definitely not great. But while we see some need for further strengthening, we think that we end up at an acceptable level."

Most metrics indicate that China's economy has been struggling post-pandemic.

"Therefore, in China growth is lower than anticipated," said Mr Tewes-Kampelmann. "You had a little less economic activity, so that helped a little bit on the loss ratio side. In some European market, with the reopening, you saw some inflation surge which also led to some deterioration of the loss ratios.

"We haven't seen that in China, so therefore, from a margin perspective, China has been in line with expectation. Nevertheless, if you look at the overall margins in China, given that some of the other markets have improved quite a bit, there's a bit of a gap."

But China will remain important for Allianz Re. "Overall, we are a material player in China and we will continue to be there," he said.

Growth markets in three pillars

Mr Tewes-Kampelmann analyses each market on a standalone basis.

"Currently we find India most attractive with the dynamics in the economy and everything," he said. "Our share of the Indian market from our portfolio perspective has been a little bit lower. In our portfolio, one significant pillar is China, one is Japan and we want to build up our Indian business to be a third pillar.

"We have made progress on that and we will continue. Maybe Indian business will grow a little bit over-proportionally for us in order to improve the overall balance of the market and also reflect what we think is the relative attractiveness of the different markets. The government is also focused on the protection gap, so I think the Indian market is really quite attractive. For the Indian economy, we are rather bullish. India is really on a good path," he said.

Pricing, capacity, retentions prospects

Mr Tewes-Kampelmann is approaching the 1/1 with a profound sense of realism. "It depends a little bit by market," he said. "We have to wait for some things to develop – like the CAT season in Japan and things like that. To some extent it's too early to say, but overall, it's one thing to look at the actual performance of the contract but in comparison to some of the global trends, on the pricing side, on the margin side, there is a little bit of a gap to be filled.

"Retentions sometimes have still to be looked at because what we see globally, in Europe, we have seen quite a bit of change. These climate-change-driven midsize, but still severe losses, we see more of these and that is a big burden for reinsurers if the retentions are too low. There's quite a push, which started last year, to increase retention in the developed world and that is something that I think will also spill over, but it might take a bit of time until it comes through in the local (APAC) portfolios," said Mr Tewes-Kampelmann.

To read the full interview, pick up a copy of the November issue of Asia Insurance Review.

The reality behind flexibility

Flexibility of work has been a challenging conversation for many organisations, with many still trying to find the right balance. The Future of Work panel on the second day of SIRC saw discussion of what flexibility means and what the working week might look like in the future.

By Ahmad Zaki

Flexible work does not just mean deciding which days people come into the office and which days they can work remotely, panellists at the Future of Work panel agreed.

"It is also about how they work," said SCOR Asia Pacific hub managing director Eric Pooi. "Part of the post-COVID working environment is that managers' roles are also changing. Managers need to learn how to monitor their team, how to trust them and how to recognise what productivity looks like."

He pointed out that just because someone works late does not mean that they are working hard, and conversely, someone who spends less hours 'at work' does not mean that they are lazy. "People work differently, have different methods and can be more or less efficient. We give our people the flexibility to come in earlier or later, or to take breaks in the middle of the day – as long as the work is done, and there are no complaints, the process works," he said.

Remote vs return to office

A big part of the conversation is also between working remotely and coming back to the office. "If you're working in the London market, in Bermuda or Singapore, I think you lose out a lot if you're not physically there, in the market," said Guy Carpenter chairman of global capital solutions, international Victoria Carter. "But if you're in a more remote part of the world, maybe it's not as necessary."

However, there is still great value to be had in mingling with the team, learning from each other and learning from other sectors of the industry, which can be more difficult – or at least less organic – when everyone is working remotely.

"How do we help young people see the bigger vision of this industry? You can go into a company and you can be siloed into a line of business, but then you're stuck in that business. What about all the other amazing things that are going on, everything going on in the world today? Our industry is at the heart of everything," she said.

"I felt that the COVID period was exhausting. It was a different way of working, and you would find yourself in back-to-back-to-back Zoom meetings for 12 hours a day, maybe even more," said Ms Carter. "There was no time to switch off, to have a break. And your employees need that opportunity to switch off, to step away from work and to spend time with their families."

Setting the right expectations

Munich Re head of HR Asia (ex greater China) Michael Danneman also noted that the remote working policy was most important for prospective employees. "It is the first question they ask, and you have to have a good answer. You have to be honest. You have to be transparent about what's your expectation and what you want. And for some it might not work," he said.

Women in Reinsurance (WiRE) sub-committee convenor Aisyah Fuad said that for younger generations, connections are mostly made through digital means – texting, WhatsApp and social media. "We have to set common expectations – why do we want them in the office, what is the value for them being there, and what's the best way to achieve flexibility?"

She also said that associations like WiRE can help the industry collect and share best practices when it comes to flexible work arrangements. "We're all part of one industry. We can discuss things like how do you get underwriters out in the market, while also giving them the option to work remotely. Is there someone who has a creative way of encouraging this that also takes into account flexibility?"

Both Mr Danneman and Mr Pooi also said that downsizing offices meant that teams from different parts of the company began mingling and collaborating in ways they never had before. "Now we have people from life, non-life and shared services sharing the same space, and that brings up new avenues of discussion we didn't have before," said Mr Danneman.

"We also made sure to create an environment that would attract people to come back, to make them want to come to the office," said Mr Pooi. "Sure some people might be unhappy about hotdesking and not having their own space, but that's the give-and-take we need to have in order to have flexibility."

L-R: Mses Mira Gajraj Mohan and Victoria Carter, Messrs Michael Danneman and Eric Pooi and Ms Aisyah Fuad

Treating cyber as a catastrophe

Cyber business is expected to grow threefold within the next five years owing to a rise in demand as companies become more aware of the risks. In preparation for this growth in the market, and the growth of cyber risk itself, specialist insurer Beazley launched a cyber catastrophe bond, a first for the market. We spoke to the insurer's Mr Paul Bantick about its approach to cyber.

By Ahmad Zaki

In early January, specialist insurer Beazley launched a market-first cyber catastrophe bond. The $45m bond will give the insurer indemnity for all risks in excess of a $300m catastrophic event, with the company saying that there is potential for additional tranches to be released in 2023 and beyond.

The bond is backed by a group of insurance-linked securities (ILS) investors, including Fermat Capital Management. It was structured and placed by Gallagher Securities, the ILS-arm of Gallagher Re.

This catastrophe bond comes at a critical time for the cyber insurance market. The sharp increase in ransomware and sophisticated nation-state activity targeting critical infrastructure have led to a surge in demand for cyber insurance, rising premiums and more rigorous underwriting standards.

"If you look at the cyber market today, it's worth $10bn, roughly. And the one thing that everyone agrees on is that in the next three to four years, it's going to become $30bn. And all of that new buyers who are going to need cyber insurance," said Beazley global head of cyber and technology Paul Bantick.

"That presents challenges for growth as well as a fantastic opportunity. Clients will want cover for catastrophe events, cyber events and we have to have tools like this available to us to be able to grow and evolve and expand and keep meeting the rising demand."

From the insurer's perspective, there are two types of cyber events – attritional and systemic. Attritional is handled by traditional reinsurance and mainly involves a single company getting hit by a cyber attack. Systemic events involve a service provider or supply chain getting targeted and spreading the vulnerability to a whole host of other organisations. It is the second type that the catastrophe bond is meant to address.

Current risk trends

He also spoke of the current risk trends facing the market. According to its own threat intelligence, the ransomware threat has been quieter and the frequency of events have come down. "When we think about the attritional losses, ransomware is still the main cause of loss, but the frequency is down now over 30% on a on a per policy basis," he said.

He attributed the majority of this decline to underwriting action to control the impact of a ransomware event and the have clients improve their cyber security standards.

"There's a little help from the Russia-Ukraine war, because the criminal gangs and such are more focused on that right now. There's a lot of hacking in Ukraine and vice versa. So, there's just a lot of time being consumed there," he said.

There is another peculiar impact to Russia president Vladimir Putin's invasion of Ukraine and how it is affecting ransomware gangs. Historically, there were probably five to eight prolific gangs that targeted all sorts of companies across the globe. However, Mr Bantick pointed out that the nature of these gangs is changing.

"What we're seeing is lots of new gangs. They tend to be a little bit smaller in nature. They tend to be more specialists and have certain industries, countries or clients they like to target, whereas that wasn't the case before. At certain points in the past, it was possible to see 80% of all ransomware attacks coming from one criminal. It's going to be much more spread and it's going to be trickier to track," he said.

Chinese automakers venture into insurance intermediary market

In 2022, amidst challenges, insurance intermediaries exited the market in large numbers. Concurrently, Chinese automakers entering the insurance sector have shown a rising trend.

By Vincent Liu Liang

The China Banking and Insurance Regulatory Commission (CBIRC) in 2022 cancelled or planned to cancel over 2,000 insurance intermediary business licenses. Notably, a large portion of China's insurance intermediaries specialises in auto insurance. Due to chaos in the insurance intermediary market, regulatory bodies in various Chinese regions have initiated clean-up drives.

Insurance intermediaries, an integral part of China's insurance market, saw a premium income of CNY4.2tn ($622.48bn) in 2021, accounting for nearly 88% of the country's total premium income. However, despite being a significant sector, it's riddled with issues, from fraud and misappropriation of retained premiums to selling unapproved products.

While many insurance intermediaries have exited the market, diverse capital groups strive to establish themselves in the insurance intermediary sector. Notably, eight state-owned enterprises completed their preparations for entering the insurance intermediary business in 2022.

New Energy Vehicle (NEV) manufacturers display heightened interest in joining the insurance intermediary sector. Companies like NIO, BYD, Li Auto, and even BMW's China branch have ventured into the field, with BMW (China) Insurance Brokers being established with a registered capital of CNY50m.

In 2022, over 2,000 insurance intermediary business licenses were revoked by the CBIRC, with auto insurance intermediaries being the primary target. This purge occurred due to a combination of stricter supervisory measures and pandemic-induced performance pressures. It's noteworthy that while 30 insurance intermediaries were once listed on the National Equities Exchange and Quotations (NEEQ), only 12 remain today.

Auto manufacturers' interest in this sector dates back to a decade ago. For instance, in 2011, Shanghai Automotive Industry Corporation's (SAIC) subsidiary INSAIC was formed to handle insurance products sales, premium collections, loss investigations, and claim settlements. Furthermore, NEV manufacturers have been consistently making their foray into the insurance sector in recent years.

Though car companies have secured insurance licenses, operational complexities present significant challenges. China Cheche Technology's founding CEO, Zhang Lei shed light on the trends in China's auto market. He remarked that automakers like BMW, NIO, XPeng, and Li Auto have been vying for insurance sales service licenses, but they face service capability challenges.

According to Mr Zhang, regulatory requirements mandate separate licenses for each Chinese province, which could span three to five years. He added that the intent of car companies, especially NEV firms, to enter the insurance sector is clear. However, challenges related to system capabilities and establishing long-term stable relationships with insurance companies are obvious. Additionally, the localised nature of car insurance, requiring localised underwriting and operations, poses logistical challenges.

In conclusion, while car companies are keen on tapping into the insurance sector, they need to overcome regulatory, operational, and logistical barriers to find success.

Third-party tools pose major cyber insurance risk

Cyber insurers have become more cautious in making sure businesses have put safeguards in place to protect themselves before providing coverage. Open-source tools and third-party software vendors may also pose significant vulnerabilities.

By Nadhir Mokhtar

Cyber insurance prices continue to harden in the Asia-Pacific region and insurers are making sure that businesses have sufficient protocols in place to protect themselves from cyber threats. Phishing attacks are expected to be more frequent as they target employees through sophisticated email scams.

"Social engineering attacks will continue to occur at a very high pace. As long as there are emails and passwords, people will try to breach systems by getting someone to click a link and sign in before taking all their credentials and compromising the system," Cyber Sierra co-founder Pramodh Rai told us.

Mr Pramodh Rai

Another frequent risk is insecure software communication when businesses do not monitor the software they develop and use. This can lead to security flaws if they fail to secure communications using a token.

"One of the more frequent reasons why companies get compromised is because somebody shipped something in 2018 and it gets compromised in 2023 because it wasn't maintained or upgraded or patched."

Third-party risks

The SolarWinds hack in 2020 continues to serve as a lesson for many cyber insurers as they look out for similar vulnerabilities in businesses before providing cover. A critical flaw in the Log4j framework, a library for logging error messages, allowed hackers to compromise systems.

"Insurance forms include SolarWinds and Log4j as exceptions. In the application form, the insurer will ask if you have done a scan of your system and ensure that you are not using Log4j. If you're using it, have you contained or addressed it and have controls in place? That's how the insurance industry evolves after every major cyber supply chain attack," said Cyber Sierra co-founder Subhajit Mandal.

Businesses not only have to assess how secure their software vendors are but also be aware of using open-source tools available in public.

Mr Mandal said certain third-party risks do get covered in technology errors and omissions insurance and many enterprises are requesting both cyber insurance and errors and omissions coverage, especially in the software industry.

Ransomware

Ransomware is another frequent risk that cyber insurers must deal with. Eighty-three per cent of businesses in Asia Pacific were breached by ransomware at least once between 2017-2022 according to a survey by cyber security firm ExtraHop. Businesses will need to ensure that critical data is encrypted and backup systems are in place to mitigate the impact of ransomware attacks.

Mr Mandal said, "A lot of insurers are looking into ransomware. From our industry knowledge, around 50% to 60% of claims of certain portfolios tend to be ransomware. From an insurance perspective, if they don't cover this, claims cost goes down and they have a profitable business to run but at the same time, it is at odds with the customer interest to see how much ransomware coverage they can buy."

Cyber insurance hardening

Cyber insurance pricing in the Asia-Pacific region increased by 22% in 4Q2022 according to Marsh, with Taiwan, Singapore and Thailand experiencing highest price increases (35%, 30% and 27.5% respectively). Price increases may hinder smaller businesses from buying coverage.

"Insurers are getting more comfortable underwriting risks when safeguards are in place. An insurer doesn't have the time or resources to vet a small business looking for $4,000 coverage. For a $100,000 coverage, the insurer will perform an audit before they give the insurance. The comfort level increases for the insurer because they are doing manual due diligence through questions and tools. But that leads to hardening because they're underwriting a certain type of risks and the SMEs get left out. So that's a balance that the insurance industry is trying to figure out," said Mr Mandal.

Agriculture insurance in Asia

Asia has one of the highest exposures of any region in the world to natural hazards. Weather-related risks such as hurricanes, flooding and drought are a frequent occurrence and can have a devastating impact on farmers.

By Reva Ganesan

In recent years, there has been a growing recognition of the importance of agriculture insurance in Asia. According to a report by Allianz Re, agriculture remains the backbone of many Asian economies with 70% of Asia's population living in rural areas and more than a third involved in agriculture.

However, a large protection gap still exists with many farmers still facing numerous challenges, including extreme weather events, natural disasters, pest outbreaks, livestock epidemics and diseases that threaten food security and the stability of local communities, the report said.

China and India are two of the most important agriculture-producing countries in the region. More than one third ($37bn) of the estimated global agriculture insurance premium in 2021 was from Asia Pacific.

Plans to hone agricultural insurance in India

Bajaj Allianz General Insurance head of agriculture business Ashish Agarwal said, "Climate-resilient agriculture, along with suitable risk mitigating options like crop and parametric insurance, is very crucial to protect our agriculture system and ensure food security in the country".

The government had set a target to bring at least 50% of the gross cropped area under the ambit of crop insurance within three years of the launch of PMFBY, the world's largest crop insurance scheme, in the year 2016.

Mr Agarwal said, "Mobile apps and technology are being used for monitoring not only crop health but also for monitoring the health and nutrition level of livestock, which is extremely useful in managing the changing climatic conditions."

Agriculture insurance in China

According to Allianz Re, China has become the second largest agriculture insurance market globally.

The original premium income has raised from $700m in 2007, when government resumed subsidy on agriculture insurance, to $17bn in 2022. Over 70% of the major crops and livestock are covered by insurance.

It has been reported to be estimated that the protection gap for China's agriculture sector to be around US$200-250 billion, indicating the difference between the total economic losses related to agriculture sector caused by natural disaster and the insured loss, said the report.

Taiwan: Agricultural insurance grows in coverage rate and range of products

The agricultural insurance coverage rate in Taiwan has increased year by year from 5.79% in 2017 to 51.58% in June this year, according to statistics from the Agricultural and Financial Services Administration.

Agriculture insurance penetration remains low in Thailand

Thailand's government-developed rice and maize crop insurance scheme has been successful thanks to its included premium subsidy.

In 2015, rice crop insurance penetration was 3% but since the implementation of the scheme, penetration rose to 72% in 2021, according to data from the Thai General Insurance Association (TGIA).

"However, insurance cover and penetration for other agricultural sectors like livestock, forestry and aquaculture remain lacking, given demand and supply side constraints and the lack of government premium subsidies," said Swiss Re senior underwriter for agriculture Jay Bae.

Agricultural insurance growth in Thailand continues to hold potential albeit this is dependent upon the support of both the private and public sectors, as well as the need for ongoing efforts to educate farmers and raise awareness on risk management.

InsurTech aids agriculture sector across Asia

With growing populations, increasing food prices and natural calamities, Asia's agricultural sector faces a raft of challenges and InsurTech is rising to the occasion to provide high-end insurance solutions to farmers to mitigate risks.

Australian InsurTech startup Hillridge has made inroads into Vietnam's agricultural insurance sector to help cover farmers against the region's volatile weather while the Indian government-owned Agriculture Insurance Company of India (AICIL) has tied up with InsurTech Wingsure to strengthen the accessibility of insurance products and services to farmers.

Lessons from the 2022 Sri Lankan political crisis

Sri Lanka was rattled by its worst economic and political crisis in early 2022 that led to massive chaos and strife across the country. The crisis dealt a major blow to businesses in the island nation and will have a long-term impact on the country's economic progress. We spoke to Ceylinco General's Dr Jagath Alwis on the impact of the crisis on the insurance industry and the road ahead for the sector.

By Jimmy John

Sri Lanka's foreign debt increased substantially, going from $11.3bn in 2005 to $56.3bn in 2020. While foreign debt was about 42% of the GDP in 2019, it rose to 119% of its GDP in 2021. The country's economic crisis accelerated from March 2022, causing several high-level political casualties over the next few months, and culminating in a regime change. The IMF's $2.9bn bailout package enabled the country to partially recover but staying the course on reforms while managing fiscal risks is crucial to restore confidence and growth. Ceylinco General executive chairman Dr Jagath Alwis said that the economic crisis was the worst to hit Sri Lanka in its history and was so much worse than the impact faced during the terrorist activities that the country experienced for 33 years prior to 2009.

High inflation impacted insurance sector

The country's annual inflation rate surged to over 70% in August 2022 which greatly impacted the lives of the citizens and resulted in prolonged power outages, long queues for fuel, and shortages of essential commodities. Dr Alwis said that since inflation had sky rocketed, the insurance industry had to advice clients to increase the insured value of their properties which was a very difficult task. The government also imposed a ban on various items which included motor vehicles and motor spare parts. "Due to shortage of various imported items the cost of replacement value went up and insurers were compelled to impose the average condition for which the response of the insuring public was very negative," he said.

Reinsurance premium payments delayed

Dr Alwis said that the economic crisis had a direct impact on all classes of insurance significantly motor, cargo and the construction industry which came to a standstill. Another major issue that the industry faced was the lack of foreign currency that resulted in a delay in remitting reinsurance premiums. However, the insurance industry benefited by high interest rates offered by financial institutions.

Strong fundamentals helped survive the storm

The UN reports that at least 107 countries worldwide face the risk of rising food prices, energy costs and huge debt burden, with 69 countries facing all three risks. Unless urgently addressed and corrective economic measures taken, many of these countries could face a Sri Lanka like situation. The insurance industry is also likely to face potentially huge losses to their political risk covers. However, the insurance industry in Sri Lanka remained active and relevant throughout the economic crisis. "Fast claim settlements were certainly helping customers and insurers did not retrench their staff and in terms of outlook the industry seems to be very strong in all financial aspects," said Dr Alwis. He believes that the economic and political crisis was an eyeopener for everyone in the industry. "If you maintain fundamentals, ratings and impose proper conditions and strict claim management it could help you to survive," he said.

A brittle reinsurance market

Asia Insurance Review caught up the Convex Group's Mr Paul Brand to talk about the big issues facing the (re)insurer.

By Paul McNamara

We caught up with Convex Group CEO Paul Brand to talk about performance over the past year, the drivers of the business in the medium term and the outlook for the January renewals.

Pricing and renewals

Mr Brand's expectations for pricing, capacity and retention at the 1/1 renewals are based on decades of experience.

"It's too early to say definitively," said Mr Brand. "People shouldn't underestimate how brittle this market is. There was a significant improvement in terms, but that doesn't necessarily mean you'll make money. You could very easily see scenarios between now and the end of the year where you have significant hurricane or other types of losses.

"When you hear the brokers talk, it's almost as though the money's in the bank already. And it's 'hang on a minute - we're midpoint of the wind season, guys, and you're telling us how well we've done?' It's just too early and I think that expectations from the shareholders stakeholder is that we absolutely need to demonstrate that we can make very decent returns over more than one year. This can't be, 'we make a great return for one year and assuming there aren't major losses and then we give it all back immediately'. That's not the way this is going to play out," he said.

Mr Brand also has a considered explanation for why demand has increased.

"You see demand grow because the world feels quite risky to people and there's a lot of losses already in 2023," said Mr Brand. "Those claims are being paid and it's pushed through both into increased demand to buy insurance and increased prices because people's risk perception is quite high.

"You look at the long-term, you've got higher interest rates, which helps, but at the same time you've got inflation and you've got new theories of liability coming around the corner. Climate litigation would seem to me to be something that the industry might be talking about a bit more as you go a couple of years into the future," he said.

Look to the future

How the business is going to change and grow in the year ahead is also illuminating.

"We think our addressable market is about $150bn," said Mr Brand. "Today we're about 2.5% of that. Whether it's another three years or five years, we'd like to see that market share increase broadly to 5%. We see that as something that might be possible. It's market dependent - it's lots of things dependent - but Convex the carrier has the capability of that type of growth over the medium term."

The growth is underpinned by having the right people with the right relationships.

"That largely happens by having the right teams and having the right expertise, the right capabilities and the knowledge of the individual business lines to say, 'this is the business we want to underwrite, and this is how we go about it'," said Mr Brand.

"Building those relationships with those clients is a big focus. So how do we continue to create the right culture in the business so that people want to stay? People enjoy the environment. People find it supportive and want to build their careers at Convex. It is super important how we do that," he said.

Retaining talent

Mr Brand keeps a close watch on the competitive environment.

"We use a number of surveys just to help us check the temperature of that, but we also hold unique staff events that are quite different to the types of things you'll see other companies doing," said Mr Brand. "We did two training models this year. One was on diversity and inclusion and another training module on data. The whole company does each of them. Everyone is involved, including senior executives.

To read the full interview, pick up a copy of the November issue of Asia Insurance Review.

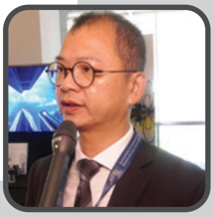
Bigger. Better. Business.

Delegates at this year's SIRC were thrilled to be back meeting friends and clients in person once again.

"It's been incredibly busy. It's a very popular event this year, and it's a great opportunity to meet the clients and other participants in the industry."

– AM Best managing director for analytics Greg Carter

"This event offers the opportunity for all the market participants to sit together and discuss the developments of the market situation and to also exchange views. Most importantly, SIRC provides the opportunity for them to do business together".



– Fitch Holdings senior director, secondary ratings analyst Terrence Wong

"It's been very good. This is the first time the group has come to SIRC. We look to be more involved with SIRC. Because SIRC is a reinsurance event, you see a lot of reinsurers, brokers, a lot of intermediaries, a lot of channels."

– Lexasure Financial Group CEO and Founder Ian Lim

"Fantastic, I love the event. I have been coming for many years and while the virtual event was fantastic, nothing really replaces that face-to-face contact meeting with clients and our other partners, such as brokers and really engaging and understanding what their needs are, what's going on in their business, what they see as the challenges going forward."

– Swiss Re head of P&C structured solutions Alison Drill

"SIRC has always been an important event. Meeting clients from the region and friends from all over the world in one location is always good. This year, I'm especially glad to see the opportunity that the SIRC is offering complimentary entry to the conference for the under 35s. I think this is a great way for the next generation to immerse themselves in a meaningful conference such as this."

– Milli Re Singapore CEO Kwok Choong Chew

It's just a great event where all our clients and prospects from the (re)insurance industry come together. The insurance industry is still very much about relationships and being a part of the insurance community. It's great to get together with our colleagues from around the industry to talk about the latest initiatives within the industry, the drivers of their business and engage with them on their overall strategy. It's one of the things I enjoy most about my role – the opportunity to engage with customers and really understand what's going on with their businesses".

– Moody's RMS general manager Michael Steel

It's good, very exciting after four years and I see a lot of good friends, old friends and refresh our business relationship. It's fantastic. And the organisation is good. Of course, this is a big event for the whole industry, especially for our regional market. We got a lot of clients from London and from the other continents outside of Asia. And it's important for us to catch up with the clients, with the people and to find more new business opportunity."

– Jiangtai Reinsurance Brokers chairman and CEO Alan Zhang

I would say visually, I already can tell the difference from last year. The first day when I came up to the second level, I was just stunned by the amount of people queuing to get their registration done. It is really a vibrant event and a lot of people are attending. We see not only the local players but also international players as well. It's not only a Southaast Asia conference, but a global one as well. Singapore, being the hub of reinsurance and P&C reinsurance, it is a very interesting event for clients to speak to various providers and exchange ideas and discussions."

– Allianz Re P&C client manager Li Yan

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