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Sheared by winds of change

The GIF/IIS always gives us a chance to reflect on the insurance industry at a helicopter level. And this year's simple and direct theme of innovation and transformation can only make the reflections propel higher.

Flying high! First rule is to fasten your seatbelts. So said our venerable and most talented philosopher, economist, insurer and reinsurer, Denis Kessler at the recent GAIF Conference in Beirut. He was not saying "fasten your seatbelts" to stay rooted or boring. He meant that the industry was already being pushed by severe headwinds and cross winds that despite the tailwinds could cause the plane to be wind sheared, shaken left and right. The winds of change are going to cause severe whiplash if one is not prepared.



Mr Denis Kessler

As for tailwinds, he celebrated that the risk universe was ever increasing and there was tremendous opportunity for the innovative insurer. Do not be left behind by being "steady and stodgy". Technology will disrupt the insurance business which is information and data sensitive and intensive.

That very day the Economist Espresso ran a quote from Warren Buffet taking a seething swipe at the industry: "In the insurance business, there is no statute of limitation on stupidity."

A force for good

And we at *Asia Insurance Review*, fervently believe in insurance as a force for good and with the proactive IIS efforts in the Insurance Development Forum, this must come to pass. Insurance must rise to close the protection gap instead of each time heaving a collective sigh of relief that the insured losses were only less than 20% of the economic losses. Staying relevant with the capital needed to help individuals cope with their personal loss is what insurance is about.

The dream song on the roof

But question is how? How to make every kid on the block sing the song of insurance at every rooftop. If insurance is only about paying claims, then the pool of beneficiaries must by definition be small for the model to work. So insurance must be more than just paying claims. To reach out to all, insurance must be about peace of mind that the product brings so that one can live in peace. And no matter what happens – be

it a fire, a flood or quake, a bad accident, a nasty heart attack, or the big C or a death in the family – he is covered.

Is it naïveté that allows one to put insurance on such philosophical pedestal? Surely after all these years, we must have the data to back this up. The value of insurance must be appreciated. A former statesman, Sir Winston Churchill knew this and he put it in such passionate terms:



Sir Winston Churchill

"If I had my way I would write the word 'insure' upon every door of every cottage and upon the blotting book of every public man because I am convinced that with sacrifices which are inconceivably small, families and estates can be protected against catastrophes which would otherwise smash them up forever".

What cause withholds us not to rise to this Churchillian anthem? The industry leaders must believe in it first. And then spread the word. Teach the world to believe that it can live in perfect peace of mind that their risks are being taken care of.

Pollyanna? Or an awakening? You be the judge and juror!



IDF: Unprecedented collaboration for the greater good

Mr Michael J Morrissey, President & CEO, International Insurance Society



The global insurance industry is bursting with pride and sense of purpose, as the Insurance Development Forum (IDF) is officially launched.

This new multi-stakeholder institution is a collaboration led by the insurance industry, the United Nations and the World Bank, and supported by numerous international institutions, governments, NGOs and a broad representation of civil society. The IDF was formally launched 22 April in Washington, DC, on the margins of the Spring World Bank/IMF meeting.

The importance of and support for the IDF was made clear by the announcement of its leadership team. The Chairman is Stephen Catlin, Executive Deputy Chairman of XL Catlin and Chairman Elect of the International Insurance Society. The Vice Chairs are Helen Clark, Head of the UN Development Program and former Prime Minister of New Zealand, and Joaquin Levy, Chief Financial Officer of the World Bank and former Finance Minister of Brazil.

The IDF's mission is to incorporate insurance industry risk management expertise into governmental disaster risk reduction and resilience frameworks, and to build a more sustainable global insurance market in a world facing increasing natural disaster and climate risk.



Mr Stephen Catlin

Optimal coordination of insurance related activities

While natural disasters in developed countries are often largely insured, more than 90% of the economic costs of such disasters are uninsured. This is known as the Protection Gap. The IDF aims to better utilise risk measurement tools to help governments apply that knowledge to better deploy their resources to protect families and their property.

The IDF will thus act as a forum to enable the optimal coordination of insurance related activities: the development of shared priorities among members, the mobilisation of collective resources, the development of operational relationships within and between governments, industry and international organisations, and the avoidance of fragmentation of efforts and resources. These collective actions can help close the Protection Gap.

Four priority work streams

During its inaugural meeting, the IDF established four priority work streams.

The first is Understanding Risk. The IDF will drive a better understanding of hazards and the vulnerability of people and assets to those hazards. By quantifying the risks and potential impacts, governments and communities can make better decisions on insurance, resilience and policy.

Second: Risk and Insurance Regulation, Legislation and Policy. The IDF will promote supportive and inclusive regulation to increase access to insurance by the most

vulnerable populations, and the integration of natural hazard risk disclosure into mainstream financial and accounting systems, and the appropriate adoption of resilience policies around the world.

Third: Risk Sharing, Transfer and Response. The IDF will fully support the delivery of the G7 InsuResilience Climate Risk Insurance Target and facilitate the availability of climate and natural hazard risk sharing facilities in underserved regions. It will identify and address challenges to broadening insurance coverage in all regions of the world.

Fourth: Risk and Resilience. The IDF will help build the capacity of developing and emerging countries to manage and implement sustainable financing and resilient investing from insurers and other long-term investors. It will support the creation of a Global Adaptation and Resilience Fund to invest in resilience related technologies, facilities and innovations.

This is an ambitious agenda indeed, but the enthusiasm for the IDF's mission has been highly encouraging. This is truly an unprecedented collaboration between our industry and the international institutions that exist to make more people's lives and livelihoods secure.

If this vital public-private partnership is an effort that you and your company find worthy, I encourage you to get involved in our early stages. The Executive Secretariat of the IDF is housed at the International Insurance Society, and I hope you will contact us to find out how you can best participate.

Insurance leaders on IDF's committees include:

Chair, Implementation Committee



Rowan Douglas CBE
Willis Towers Watson



Kathy Bardswick
President & CEO, The Co-operators Group



Inga Beale
CEO, Lloyd's



Albert Benchimol
President & CEO, AXIS Capital



Gregory Case
President & CEO, Aon Corporation



Jean-Louis Davet
CEO, MGEN



Denis Duverne
Deputy CEO, AXA

High Level Steering Committee



Daniel Glaser
President & CEO, Marsh & McLennan Companies



John Haley
CEO, Willis Towers Watson



Denis Kessler
Chairman & CEO, SCOR SE



Christian Mumenthaler
CEO Reinsurance, Swiss Re



Christopher Swift
Chairman & CEO, The Hartford



Maurice Tulloch
Chairman, Aviva Global Insurance



Nikolaus von Bomhard
Chairman, Munich Re

Building core leadership talent for the industry

An industry is not an industry without a distinct knowledge base supported by talented, experienced and professional core leadership. Leadership and the knowledge bank that it possesses is the very essence and foundation from which a profession grows. This is no more so the case than with the insurance industry – a fundamental industry, vital to an individual’s daily life and essential to the smooth operation of global economy.

As with so many things, Singapore presents a unique example with respect to the development of its homegrown insurance industry. Relatively young and carefully developed during the nation’s short history, Singapore boasts a strong base of qualified professionals and well-educated technocrats.

The nation and its insurance industry alike have steamrolled toward an advanced stage of development. However, the establishment of indigenous industry leadership takes time. The Singapore College of Insurance, established in 1974, with a mandate to create world-class educational and professional standards in the insurance industry, has proven the standard-bearer in provid-

ing current and future core leadership in the local industry. Initiating and managing programmes such as the revolutionary Insurance Executive Scholarship Programme (IESP) and the Insurance Management Associate Programme (iMAP), the College continues on its unique path toward establishment of a stable and robust leadership pool to guide the industry today and direct the industry tomorrow.

“Creating great Singaporean leadership for the future entails planning today,” said Ms Karine Kam, Chief Executive, Singapore College of Insurance. Overcoming the triple challenges of acquiring great financial services talent, retaining that talent in the insurance sector, and then developing select talent for leadership is no small task, but for over 40 years the College has remained steadfast.

“We believe that insurance is an industry with myriad unique opportunities, tremendous potential for creative, talented professionals, many of whom will steer a course toward being future leaders. In insurance, no two days are alike and it is



Ms Karine Kam

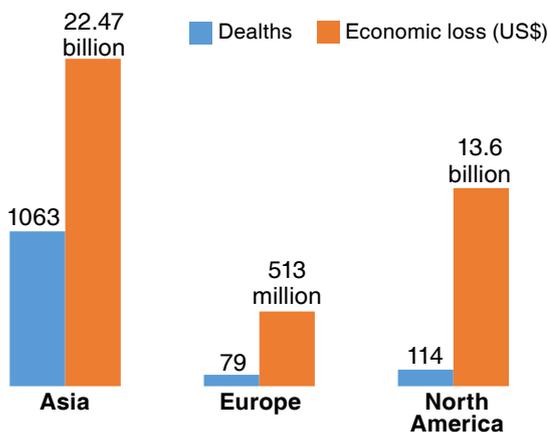


our focus to highlight the broad spectrum of experiences to young professionals, and guide middle management into senior leadership roles,” she added.

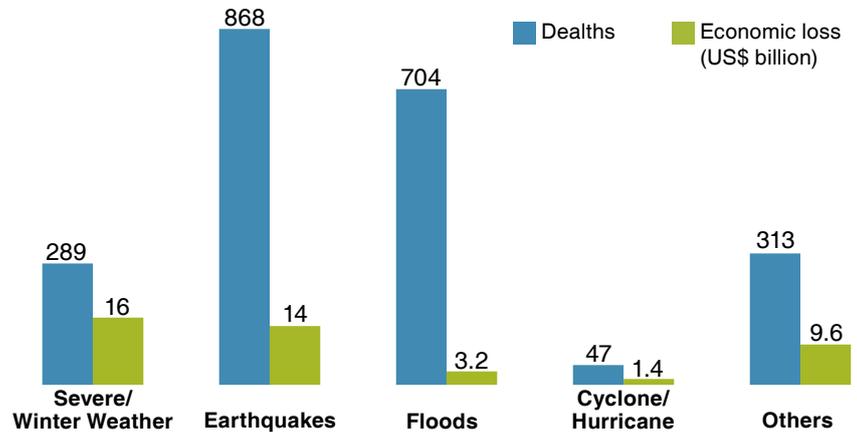
The College’s Insurance Industry Talent and Leadership Development Framework, now in its third year, is a broad suite of training and educational programmes designed specifically with developing core leadership in insurance. Designed to cater to all professionals from new graduates to board members, the Framework is focused not only on driving technical skills, but on imbuing professionals with highly customised leadership skills to ensure that Singapore remains the regional knowledge leader in insurance.

Impact of global disasters in 2016 (Jan-Apr)

Disasters by selected region

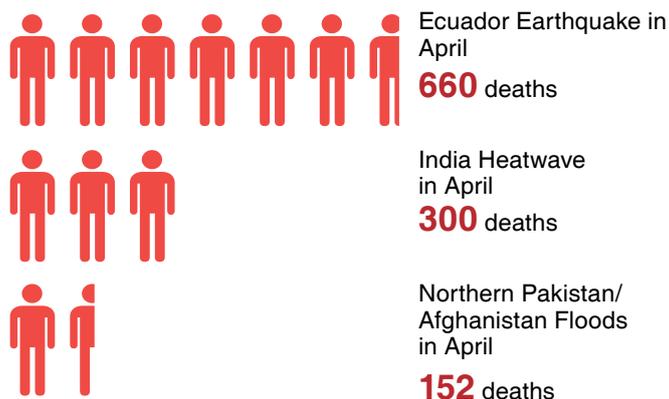


By class of disaster

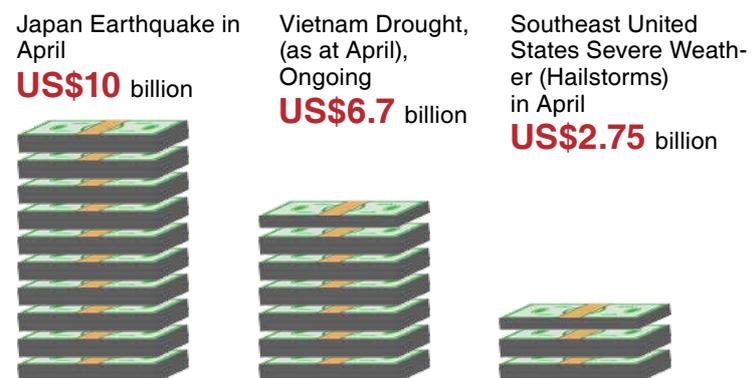


Most impactful events of 2016

Casualties



Economic Losses



A taste of Singapore

Drinks and conversations flowed freely, accompanied by a blend of traditional music and dance that displayed the multiracial society of Singapore, host to the 2016 Global Insurance Forum. The island nation played host to new friends, old colleagues and long-time partners before discussions of the most pressing issues in insurance begin with the forum proper.



Brexit's impact on insurance



With the referendum regarding Britain's continued participation within the EU to take place on 23 June, several experts within the insurance industry have already expressed their concerns in a Brexit scenario.

A vote to leave would lead to a period of uncertainty and instability within the financial world, as Britain negotiates the conditions of its exit – a period that could take at least two years.

Lloyd's of London's Chief Risk Officer Mr Sean McGovern said: "A vote to leave will create very real risks and uncertainties that we must be prepared for. It is also, on balance, hard to see that any relationship the UK might have other than membership of a reformed EU offers the London insurance market something that is better than we have today."

The single market and regulatory concerns

The impact of losing access to the single market is also an issue that has been brought up repeatedly by insurers. The cost of resources and manpower to retain access to this market is significant.

Lloyd's, the International Underwriting Association of London and Fidelis Insurance said in a joint paper that about 16% of London's insurance business currently comes from the continental EU nations. The paper concluded that British insurers would have to lodge large sums of money in EU states, report to local regulators and comply with tough regulations in the bloc if Britain votes to leave.

Mr Paul Clarke, PwC's global insurance regulatory leader commented, "Potentially the biggest impact on the insurance indus-

try will be on regulation. The EU drives the regulatory environment, Solvency II being a classic example. Not being part of the EU would hand more discretion to domestic authorities over rule design."

Not a cause for concern?

However, not everyone seems to be as worried. A reader survey conducted by Life Insurance International (LII), revealed that 75% of respondents believe that Brexit would lead to an improvement in the life and health market.

Similarly, Willis Towers Watson CEO John Haley said that Brexit would not make much of a difference, while Ageas CEO Bart de Smet said its UK operations would not be impacted.

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