

There are only a few industry organisations in the insurance landscape that have a tradition in gathering high-level executives and thinkers, as IIS- International Insurance Society does. Therefore, one might say that interviewing its President & CEO represents not only a leap forward into the future of this business, but also a great honor granted to the XPRIMM Publications. Find out why, only in an interview with...

Michael J. MORRISSEY

President and CEO

IIS – International Insurance Society

XPRIMM: I would like to start by saying that IIS - International Insurance Society is well known and recognized around the world, with offices in New York, London, Singapore, but in CEE financial markets there is still room for promotion. Can you tell us a little bit about the role of IIS for the insurance market and especially for this region?

Michael MORRISSEY: I think the most important way to define IIS is by defining our structure and our mission. Our mission is to use what we consider the three pillars of driving an improved insurance industry up of the world: knowledge, innovation and resilience. These are three things that the industry can contribute to the world – we study them, we exchange ideas on them, we try to help companies, governments and organizations to evolve in order to help protect more people. The structure of the organization is also important, because, unlike most industry organizations, who represent specific groups of companies, like insurance companies in a country, or reinsurance companies, or mutual insurers, or Bermuda insurance companies, we represent the entire industry. Our members, of course, include life and non-life insurers from the developed countries, but insurers from the emerging markets in the developing world. So, we are very proud to have in our membership and our leadership companies like AXA, ALLIANZ, TOKIO MARINE, and companies like Green Delta Insurance Company from Bangladesh and the Nigerian Provident Life Insurance Company and the Royal Insurance Corporation of Bhutan. We do not think the best ideas always come from the biggest companies in the largest countries, we consider good ideas could develop from everywhere, from Central and Eastern Europe, as much as from US and England. And so, we are determined to have the most robust and inclusive dialogue on important issues with regulators, associations, actuaries and accountants, consultants, asset managers and lawyers. This is why anyone who spends their career focused on the insurance industry, any professional is welcome to be part of our association. Our goal is to have diversity and inclusivity through all industry's stakeholders.

XPRIMM: We understand that you are not focusing only on big companies and big global players, but you also want to attract small players that can contribute with ideas. Are any InsurTech among your members or do you plan to attract also this type of companies?

M. M.: This is a very good question. Just this year, we have developed a new membership category for InsurTech organizations. Recently, during a discussion with the Head of a new InsurTech company using Artificial Intelligence to underwrite motor risks, we have agreed that these companies are interesting to the industry incumbents – either as competitors or as potential acquisitions. At the same time, we have also recognized that they tend to be early-stage companies and they can not afford to pay as much to be a member of the IIS, as the big insurance companies, so we have a less expensive fee to attract as many InsurTech companies as we can, to exchange ideas with our existing members. We think this is a very important part of the industry future. The InsurTech companies are not going to take over the industry, but we think that, for the most part, their ideas will be absorbed into the industry. We consider that they will be more enablers than disruptors.

In our dialogue with regulators, we certainly don't want to make prudential regulation weaker, we don't want to make consumer protection weaker, but we do want to try to help promote regulation that gets more people covered against more risks.

XPRIMM: Coming back to the Global Insurance Forum that will take place this year, in Singapore, after 2 years in Europe (last year – Berlin, two years ago - London), what can you tell us about this edition? What is the main topic? What will be the focus of the conference?

M. M.: I believe that, right now, our industry is not just experiencing incremental changes, for the most of the last 25 years, but is evolving very rapidly with a whole different look at what risks mean and what consumer interaction is all about.

And, so, our theme is “insurance reimagined” - global issues with Asian insights. The main idea is that the Asia Pacific region is not only the global leader in economic and insurance market growth right now, but it is also a hot bed of innovation. We think that, by addressing the global issues, while highlighting the Asian perspective, it will be of interest to insurers all around the world. In this respect, we will have sessions based on a research study we conducted focused on what keeps seniors executives up all night and a session on big changes in the consumer experience. The insurance policyholders do not any longer simply measure their satisfaction compared to the service the other insurance companies provide, they now quantify their satisfaction against what Amazon or Google or Ali-Baba provides, so insurers have to raise their game to give customers a satisfying experience. We will have a session on InsurTech, one on the role of the insurance industry in the global trade, especially with some of the exciting things happening in Asia, like the “one belt one road initiative” and the Greater Bay initiative in China. The insurance industry has a major role in this. And, of course, we will devote one day to the Insurance Development Forum - IDF and other activities of the industry in promoting resilience and sustainability.

XPRIMM: Coming back to the number of the challenges in the global insurance industry that you mentioned during your public appearances -, what can you tell us about these? What are, from your point of view, the main challenges for the insurance industry?

M. M.: Certainly, dealing with technology is at or near the top. Technology, of course, presents opportunities – opportunities not only for faster processing and expense saving -, also opportunities to underwrite better, make better loss reserves decisions, better investments decisions, but, at the same time, technology is a two-edge sword and it presents challenges, and mainly expenses related ones. Not every company can afford to have the technology that makes a successful competitor in this environment. We have already seen that spending more money on technology does not necessarily produce better results. So, technology can help companies or make them lose market share and lose stature in the industry. Also, how companies manage the technology challenge is very important. I have mentioned the customer experience because, if the insurance companies do not provide a better experience, they will lose business to companies that do so, whether these are insurance companies or InsurTech companies that relate to customers on a different level. Of course, the low interest rate environment means a different mix of underwriting profitability versus investment profitability. Not every company understands that or can manage that. These are some of the main challenges of today. And, of course, outside the industry, climate change looms over us. Climate change is producing more severe storms and natural catastrophes, climate change is affecting every line of business – like health insurance classes of business, non-life insurance, commercial, personal and reinsurance. These are the key challenges of the industry right now.

XPRIMM: You have mentioned before that you consider InsurTech to be more like an enabler than a disruptor for the insurance industry. Do you think that there are still situations that can act as a disruptor for the insurance industry?



M. M.: Yes. Although I do believe the most part of the InsurTech companies will be bought by insurers or invested in by insurers to help their own existing operations, I think there are some InsurTech innovations that will blossom and glow and take business away from the traditional industry. So, I am glad you asked this because I don't think all the InsurTech companies will disappear inside big insurance companies, I believe some will be true disruptors and change the way the industry does business.

XPRIMM: Can you give us an example taking into consideration what we know at this moment regarding InsurTech companies that appeared until this year? What do you think will act as a disruptor? Have you identified one of them?

M. M.: I do not want to name a company, but I will talk about types of companies. The most complex risks, from the underwriting point of view and where the advice to the customer is important, such as major reinsurance treaties and complicated commercial risks, these will probably be aided by InsurTech innovations, but remain within the insurance market. At the same time, regarding high frequency, low severity in simple business, like personal motor insurance or home insurance – I think InsurTech companies using Artificial Intelligence, machine learning and heavy data analytics capabilities can succeed in actually writing large amounts of that business. That's where I see, in the near term, InsurTech companies not only helping existing insurers, but actually developing significant books of their own business.

XPRIMM: Will the autonomous driving change the motor insurance industry as we know it at the moment?

M. M.: I had a meeting with a CEO of one of the largest insurance companies of the world, recently, and I asked him if he thought this is a major threat to their business and he said yes, he thought it was. He said that the personal motor insurance, which is the largest single line of insurance in the world, would shrink, would be reduced considerably over the next 10-15 years because of driverless cars/autonomous vehicles (trucks as well as cars). So, yes, I think it's real, not a threat in the next 2-3 years, but a very big one 5-10 years threat.

XPRIMM: Coming back to another challenge that you mentioned earlier – the protection gap. I know that both IIS and you personally, as a UN Consultant, are involved in several projects aiming at bridging the protection gap. From this angle, what can a global society do in order to increase the penetration level – and I'm referring here also to Central and Eastern Europe, where the penetration level for insurance is extremely low?

M. M.: As you know, the IIS was instrumental in creating IDF - Insurance Development Forum, launched in 2016 and, although the IDF has a distinguished group of leaders and participants, we cannot do everything at once. The first challenge was related to natural catastrophe losses and the organization has launched several regional reinsurance pools, we've conducted major expansion of risk modelling and mapping, to produce quality underwriting information for parts of the world that were not previously mapped, we have worked with policymakers to enable changes in investment regulations, to permit more infrastructure investing by the insurance industry, to support developing around the world. And, on the horizon, we see an expansion of the Insurance Development Forum into the life and health sectors of the industry, because the protection gap that exists on basic life insurance coverage and basic health insurance are every bit as important as the kind of protection gaps that you think of this idea first addressed in a non-life world. So, there is a lot to do, we are off to a good start, but still just a good start. We are not only even 3 years into this and there are parts of the world where we have already produced a concrete help - in South Pacific, the Island nations, in parts of Africa, but in the CEE, parts of India and South Asia there is a lot more to do. We do understand that and we are attracting more members, we have our first Asian members in the IDF's leadership, TOKIO MARINE AND FIRE. At the same time, we are looking for more participation in South America and we're trying to expand our global activities, because we know that there are people in need in many more places that we have enable to help in the short time we've been in existence. So, there is a lot more to do.

XPRIMM: Who should have, in your opinion, the main role in creating these projects for bridging the protection gap - the industry players, the governments, the regulation authorities?

M. M.: The formation of the IDF rose out of a recognition that the industry cannot solve these big social problems alone, and governments cannot solve these problems alone, but by working together we can achieve a lot more. We have been successful in helping governments understand that they are effectively the insurers of last resort. If governments do not use the insurance industry and the capital markets to augment their own capabilities, they are going to end up paying for things that they

do not have the ability to pay. And that means they are going to have to reduce governments services or they are going to have to raise taxes, to reduce something unpleasant. So, if they work together with the industry and the capital markets, more can be achieved and from the industry's stand point, by working with governments, to provide more protection to more people, our business can grow. So, we do really think this is a win-win situation, where both governments and the industry benefit.

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XPRIMM: Especially in Europe, there are big debates these days regarding the fact that the insurance market is overregulated. Do you think this is a fact? How would you think the regulators should treat this issue?

M. M.: Regulation always tries to strike a balance between consumer protection and the development of the market. In some countries, the balance is heavier on consumer protection and in some places, as a consequence of that, market development is inhibited or limited. In our dialogue with regulators, we certainly don't want to make prudential regulation weaker, we don't want to make consumer protection weaker, but we do want to try to help promote regulation that gets more people covered against more risks. That is what we are trying to do, to find that balance between adequate protection and extension of markets in covering more people against more perils.

XPRIMM: Do you think it is fair to say that we are living in a time of structural changes for the insurance industry?

M. M.: I started this conversation by saying that for the last 25 years or more the industry has experienced what I call incremental change and now it feels more like a revolution. So, the answer to your question is definitely yes. I have been in the insurance for more than 48 years, so I have a rather long perspective on this industry and I have never seen anything like the accelerating rate of change from the last couple of years. There has really never been anything like this. I am a student of the industry's history back to of the start of the insurance industry in China and Babylonia and change comes slowly to this industry, but it is accelerating now in a scope and a pace unlike everything it's ever happened before, so it's a challenging time to be in the industry, but it's an exciting time to be in the industry, because, referring back to our conversation just a couple of minutes ago, all of this has resulted in more people, more communities, more businesses and even more governments being protected against more risks. And, ultimately, that's a very good thing.

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