

REINSURANCE

Alive and vibrant

Life reinsurers evolve in response to new and more complex risks. They increase their value by taking advantage of their comprehensive understanding of risks and adopting a positive attitude towards innovation. *Asia Insurance Review* speaks with four global (life) reinsurers to understand their expansion, innovation, risk appetite, technology and market support strategies.

By Anoop Khanna



Life reinsurers are today looking at consumer needs and their clients' desire for new propositions and connection points with customers. They share the objective of improving people's health and longevity through better use of technology.

Life reinsurance is expanding

RGA senior vice president and chief of staff Tim Rozar said, "Reinsurers are expanding their capabilities as clients (insurance companies) are looking to modernise their entire customer experience throughout the value chain. This means developing a customer-centric approach to distribution, risk selection and policy and claims management."

"Life reinsurance continues to be relevant and continues to expand because the basic demand drivers of reinsurance remain," said Partner Re Asia Pacific CEO life and health Jerome Matrudola. "Insurers look to reinsurance for risk services, support for new risks, volatility management and capital management as the demands within each of those drivers are constantly changing and evolving."

Swiss Re head of life and health client markets Asia managing director Robert Burr said, "Traditional areas of support such as capital efficiency, product development and training, are being supplemented with the advancement in technology, data management and behavioural economics. With 60% of the world's population in Asia, there is a big protection gap here and as an industry, we have plenty of work to do."

Expressing optimism for the second half of 2018 and 2019, Mr Burr said, "The life insurance market outlook is promising, with upward global economic prospects and for the most part, steady monetary policies."

"Health is the new wealth and consumers have moved beyond financial compensation when tragedy strikes, to wanting engagement and support on all aspects of their lives from their life and health partner," said SCOR Global Life Asia Pacific CEO Craig Ford. "We see a role in creating the ecosystem of innovation and engagement to support our clients with their customers," he added.

Regulatory changes

Regulatory change is the norm around the world with IFRS17 and Solvency II impacting the reporting and capital standards for global companies and local reserve and capital guidelines, including PBR in the US, C-ROSS in China, SAM in South Africa and LICAT in Canada driving additional requirements for companies serving those markets.

"These changes (regulatory) create opportunities for reinsurers to help direct carriers optimise their capital structure with reinsurance solutions that mitigate the impact of these regulations," said Mr Rozar.

Mr Matrudola said, "Regulations, accounting and tax rules and solvency rules are also driving change with the result that we're seeing evolution and innovation across almost all markets in various facets."

Technology and analytics reign supreme

It is a collective opportunity for reinsurers to improve people's wellbeing through better use of technology. Mr Ford said, "Technology ... is really supporting and enabling the desire



Mr Tim Rozar



Mr Jerome Matrundola



Mr Robert Burr



Mr Craig Ford

to expand the 'risk universe'. Our experience and insight has enabled the insurance coverage of those previously excluded, such as diabetes and cancer survivors and we see this expansion continuing."

Mr Rozar said while reinsurance companies like RGA are expanding their technology and analytics capabilities. "They are also developing expertise in customer-centred design and behavioural science to support clients in these efforts," he said.

"Insurers are increasingly using predictive analytics techniques to detect patterns in historical transactional data, predict trends and behaviour and derive insights that can be used to make better business decisions and improve portfolio performance. In response to this trend, PartnerRe is in the process of expanding its predictive analytics capabilities with the recent acquisition of a predictive solutions provider," said Mr Matrundola.

Mr Burr felt that "with the acceleration of technology that is making access to services easier, consumer awareness higher and bringing public-private partnerships to market faster can only be good for everyone and Swiss Re is very pleased to be part of this journey."

"In April, we launched the first of its kind online dynamic pricing diabetes insurance product BaoWan (Diabetes) Better Care with Muang Thai Life and partners in Thailand.

This unique, pioneering dynamic pricing solution continually incentivises diabetic customers to adopt healthier lifestyle to improve their chronic conditions, essentially making health protection more accessible to those in need.

"We will continue to scale our 'tried and tested' health insurance solutions to reinsure new and emerging risk types as part of our effort to close the protection gaps in Asia," said Mr Burr.

"Our Chairman, Walter Kielholz, has said that he expects more than 50% of Swiss Re's growth to come from Asia, and we will invest our resources accordingly, ready to take advantage of opportunities as they emerge," said Mr Burr.

Product innovation and market repositioning

Challenges and opportunities differ between markets that are at different stages of maturity and with different characteristics. Change is, however, a constant across all markets driven by ageing populations, pressure to reduce social security spends, changing buying behaviours, technology impacting everything from purchase behaviours to underwriting to claims, and a lot more.

Mr Matrundola said, "Reinsurers are investing to keep up with these demands and constantly looking to provide relevant solutions that offer traditional reinsurance support,

innovation and capital management.

"Across Asia, we're seeing a big shift towards morbidity risks and several factors are driving an increased demand for morbidity products including critical illness, cancer, short-term health, fixed indemnity health and even disability and long-term care products. These products are more complex because they respond to customer needs that are much more complex than traditional mortality," he said.

Product innovation and market repositioning to respond to external forces and competitive dynamics, has largely remained consistent for a long period of time. Around the edges, there has certainly been an expansion in the benefits that are being covered, especially in Asia, with multi-pay, multi-stage critical illness products covering an ever-growing number of conditions and an expansion in the target markets that are covered including impaired lives with diabetes, cancer or other serious conditions.

Mr Rozar said, "All of this product innovation is very exciting but also brings with it uncertainty as historical experience may not be relevant for new products, benefits or underwriting processes. As a result, reinsurers must combine their technical expertise in actuarial science, underwriting and analytics with a prudent risk management framework to help direct carriers bring these valuable products to market."

Mr Burr said, "We like to consider ourselves a knowledge company, providing solutions for global problems. One thing we have seen around the world is that these kinds of socio-economic issues cannot be solved by one group alone. It will require partnerships between the (re)insurance industry and others – governments, pharmaceuticals, the tech industry and other emerging players."

"An opportunity to expand the 'risk universe' beyond the historical points of engagement," said Mr Ford. "Consumer demands for preventive lifestyle advice and support are also encouraging the development of propositions supporting well-being and longevity. In terms of preventive care, we see the incorporation of advanced medicine and AI in solution development."

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– Mr Robert Burr, Swiss Re