

Insuring Asia: The young, the old and the very rich



Mr **Michael S Shin**, CEO, **RGA Korea**, looks at the demographic trends shaping Asia and the need for insurers to adapt their solutions to the tech-savvy millennial, high net worth individual and the senior.



Asia region economies are currently enjoying some of the highest growth rates in the world. Several trends – economic, demographic, technological and more – are ramping up complexity in Asia's many markets, sparking demand for a fuller range of savings, living benefits and protection products.

Demographic trends in Asia

On the demographic front, population shifts due to longevity and urbanisation are spurring substantial changes. Members of the still-sizable Baby Boom generation – those born between 1946 and 1964 – are living far longer than any generation prior—most individuals born in 1900 did not live past age 50. Today, in developed countries such as Japan and Korea, life expectancies are now above age 80 – the highest in the world.

Over the past half-century plus, advances in medicine and, especially in developing countries, improvements in infrastructure and environments (cleaner air and water and more effective sanitation), are all pushing average ages higher. Unfortunately, alongside this trend, especially in developed countries, is declining birth rates, which is yielding shrinking populations at the same time.

Urbanisation is also driving sizable cultural shifts in Asia's developed and

developing markets – shifts that are generating profound changes in savings and protection needs. In several of Asia's developing economies, young people are migrating to cities for educational and job opportunities, driving substantial growth of the region's middle class. This trend is also leaving many of the most vulnerable elders unprotected, as these same younger individuals are not remaining with their families to care for aging parents and grandparents.

Protecting elders and the high-net worth

All of these trends are straining existing governmental systems, especially those for elder cost of living and health care needs. At the same time, however, the trends represent opportunities for insurers to develop ways to protect this population.

Much of the industry has sought to meet this challenge. The senior market today has emerged as a particular focus for innovation, with insurers in several countries now providing living benefits products specifically for senior cancer, critical illness and medical expense needs. Companies have also developed and are selling life products with simplified underwriting that can award standard rates to individuals with one or even two impairments – customers who in the past might have either been turned away or might have declined

cover because of the expense. They are also looking at ways to innovate their long-term care coverage.

One unusually fast-growing market sector in Asia is that of high-net-worth individuals (HNWIs). According to Capgemini's Asia-Pacific Wealth Report 2016, Asia now has the largest, richest, and fastest-growing HNW population in the world. This is an attractive market with substantial needs, and insurers in Asia are increasingly developing asset protection products as well as local capacity for ultra-HNWIs (those with US\$30 million or more in investable assets).

Asia's mass affluent market (those with \$1 million to \$5 million in investable assets) is also growing and developing quickly. Many local insurers have introduced high sum assured single premium whole life products for these individuals, to be sold by agents and through banks.

Difficult economic conditions

Economic trends, however, can still be challenging. Although Asia has long had a strong culture of saving, the continuing low interest rate environment – now in its eighth year – is impacting the ability of consumers to save for the future, and at the same time pressuring the ability of insurers to provide long-term guarantees.

In addition, more laws to protect consumers and strengthen privacy such as Treating Customers Fairly initiatives are also being implemented, raising compliance requirements and costs.

The current economic environment is challenging the effectiveness of offering savings-oriented products as well. Capital, accounting and regulatory frameworks are evolving rapidly as countries in Asia are moving toward risk-based capital regimes that are taking their inspiration from Solvency II. The principal challenge today is integrating the new rules and developing the solutions that will meet the needs elicited by these changes. Demand is increasing for capital and/or financial solutions to support dividends and reduce new business strain. Insurers are meeting this demand by partnering with reinsurers to develop innovative structures to strengthen capital and solvency.

Tech for millennials

Finally, the newest technologies are having a profound impact on competition, collaboration, and client engagement in Asia.

For today's consumers – especially Generation X and Millennials, our future customers – the Internet has already become a primary commerce platform of choice. The technologies that have given rise to the now ubiquitous social media platforms (Facebook, Snapchat and the like) are also rapidly altering how our industry sells and engages with partners and customers.

Innovation and speed to market are key. Consumers expect the process of making a major financial or insurance purchase, from research to the actual buy, to have the same speed and simplicity as buying retail goods online. In essence: transactions need to be simple, fast and right.

Many insurers are already examining how they can leverage new technologies to strengthen their capability to meet current and emerging business needs. Mobile phone technology, for one, has been leveraged in several developing Asian countries as a distribution platform for insurance. Products such as life, auto and travel cover can now be bought via mobile phone apps, which also provide claims filing and management capability. Smart TVs and other electronic devices have and are being leveraged for insurance distribution as well.

Innovation and Big Data

Several insurers have also established in-house think tanks and innovation incubators in order to examine, develop and leverage new ideas, frequently in partnership with insurance innovation start-ups. However, just simply having these centers is not always sufficient. Insurers and reinsurers must use them to forge new ground and ideas, discover new paths, and explore new frontiers. And they must do so without losing sight of business fundamentals and client needs.

Insurers as well are embracing what has become known as Big Data. They are utilising digitisation and the Cloud, investigating the applicability of frameworks such as blockchain, and are leveraging their data in predictive modelling and telematics and usage-

based insurance. They are also mining and leveraging their growing portfolios of data via tools such as predictive modelling and the emerging science of behavioural economics, in order to segment markets and predict consumer behaviour more effectively. Finally, insurers are using data segmentation tools to enhance market and product development. One area where this is increasingly occurring is wellness: wellness programmes are being successfully leveraged by insurers in Hong Kong and Singapore, and insurers in other countries are investigating its possibilities.

All of these technologies are enabling substantial innovation in product design and distribution. They are enhancing the ability of insurers to meet the growing demand for direct-to-customer solutions and other services, while facilitating far greater engagement among clients and customers.

Embracing changes

Asia's evolving environment is, of course, challenging, but it is also sparking opportunities. Competition for each customer continues to rise and companies look for top-line growth and ways to expand distribution.

The industry is currently at an important juncture. Identifying and capitalising on opportunities in a fast-changing insurance landscape presents a significant challenge. Today's business model must account for today's trends while focusing on and evolving for the future.

Insurers and reinsurers must risk being proactive in order to deliver tailored solutions to meet fast-evolving client needs. New generations expect products and purchasing modes to fit their needs and lifestyles, while older generations need the products and services that will enable them to age with the ability to care for their health and conserve their assets.

In essence, life insurers would do well to embrace the future by proactively embracing the many changes and advances that have emerged. The benefits of developing infrastructure and strategies will ensure the right products and services for current and emerging customer needs are being provided via speedy and simple transactional experiences. ■