ACORD Forum Asia 2014:
Built for change

The ACORD Forum Asia was recently held for the second consecutive year in Singapore, and delegates shared their willingness to embrace new technology and standards in pursuit of business efficiency and growth.

By **Ridwan Abbas**

Social media and data analytics are set to transform current business models, and the insurer of tomorrow ultimately has to be built for change. It was one of the key messages which came out from the ACORD Forum Asia recently held in Singapore.

In his opening address, Mr Kent Chaplin, Managing Director of Lloyd's Asia, painted a positive outlook for Asia, which also underpins Lloyd's future vision of a greater presence in emerging markets.

He highlighted that Singapore is currently the second largest market for political risk and trade credit insurance globally, which bodes well for the city-state's ambitions to be a global insurance marketplace by 2020.

In positioning Lloyd's Asia to take advantage of the region's growth, Mr Chaplin listed several strategic goals for this year, including pursuing growth in Southeast Asia and expanding insurance services for Lloyd's Asia in areas such as claims and contract certainty.

CAT risk and exposure

While Asia abounds with opportunities, it is also a region fraught with catastrophe risks. Mr James Nash, Regional CEO, Asia-Pacific, Guy Carpenter said that between 2009 and 2013, Asia incurred US$427 billion in economic losses from natural catastrophes - with 21% of it insured. Within the insured figure, 41% of the losses were borne by reinsurers.

He added that interestingly, reinsurance limits for catastrophes in Asia-Pacific have not kept pace with economic growth since 2006. Further, XL limit has only moved in Japan and New Zealand and falls short in non-peak territories.

On a whole, reinsurance products have done well to mitigate CAT risks and the market is seeing a more rational pricing approach. Alternative capacity from the capital markets have also complemented the traditional reinsurance products, and these are all backed by increased analytics and use of technology unlike anything in the past, said Mr Nash.

He added as the region grows at a rapid rate, authorities have an important role to stimulate alternative ways to attract latent capital available to support risk across Asia.

Technology fit for purpose

Mr Guy Mills, President, Manulife-Sinochem Life Insurance spoke about how consumer needs, rather than distribution needs, are driving investments in insurance IT. Discussing today's consumers, he said that customisation is something valued by buyers who also have high service expectations.

As far as buying preferences are concerned, he said there is a discernible shift away from the traditional insurance agent towards greater use of e-commerce. It proves that consumers are becoming more self-led, and that the traditional decision-making process for purchased would not hold for long. Given the expectations of present-day customers, providers would have to focus more on customer experience, the effect of word of mouth and affinity marketing, he added.

Looking at the preferences for younger customer segments, Mr Mills reminded the audience on the strong reliance on digital technology for this group, and that they value uniqueness in their purchase. Hence, the ability to customise their purchases can be a very powerful tool which businesses can utilise.

So what does this mean for insurers when deciding on

their technological capabilities? He noted five things which include the capability to customise products; the need to have everything online and available via any interface; the capability to aggregate customer portfolio and bundle product features; having the tools needed to shape and monitor reputation on social media; and having customer analytics capabilities which is crucial for distribution success.

Navigating coming changes in Asia

Looking at the insurance landscape in Asia, Mr Russel Lok, Partner, Advisory Services at EY, said regulations will continue to feature prominently for industry executives. In particular, there is an increasing level of consumer protection and sales regulatory control in Asian markets such as Singapore, Malaysia and China.

On top of that, there is also a "second wave" of risk and capital regulations in markets across the region. All this points to a clear trend towards a more risk-based approach to supervision and to prudential regulation, aimed at prevention rather than remediation.

All this bodes well for the region's industry which will emerge stronger and more stable, and with less "irrational" competition. But he cautioned that ensuring compliance, which also means tackling capital scarcity and increased competition, will be challenging.

The 2nd edition of the ACORD Forum Asia was sponsored by Xchanging, Equinix, Capita, Ebix, Steadfast, Web Connectivity and Endava.

Talking technology

Asia Insurance Review spoke to organiser ACORD and its conference partner Equinix on the sidelines of the event on how technology is shaping the insurance business.

Among the technology terms bandied about, "big data" is one that arouses both excitement and questions for many businesses. Likewise for the insurance industry, insurers would be keen to leverage on big data and obtain information such as insurance buying behaviours and the level of risk individuals expose themselves to.


Mr James Maudslay

Mr James Maudslay, Global Head, Insurance for Equinix, feels that insurers are for the most part still trying to find their way around leveraging big data to gain a competitive edge.

"I think the retail and personal lines players have a better handle on big data and are beginning to learn that they need to attract more of it and analyse it. On the whole, the impact of big data on segments like reinsurance is less because they're dealing with a much more predictable set of information. But big data is going to have a huge impact on retail customers and it will flow from there," he said.

How technology is transforming the business


Mr Greg Maciag

The abundant use of technology today is also shaping the way insurers conduct their business. Mr Greg Maciag, President of ACORD felt technology should be at the forefront of how insurers operate.

"In the past, people thought technology was only to support the business, it had a back office type of function. But I'm hearing more and more people now saying technology is not about just supporting the business, it is the business," he said.

"It's become more involved in every facet that you do. For example many brokerage firms do a lot of the same things, so why do I prefer you from the other? It's because of your technology, good technology changes what your business represents," he added.

Role of CIOs

Touching on the role of CIOs today, Mr Maudslay said there is considerable pressure for CIOs to manage costs, which may even distract them from the bigger picture.

"There is increasing expectation to do more for less, and there are statistics available that suggests CIOs spend a lot of time looking into this issue. I think their biggest struggle is to find the time and budget to look at new technologies like Cloud, and this is where we can help them," he said.

Standards become ever critical

Being a data standards developer for the insurance industry, ACORD's standards have proven to be cost-saving for the industry, according to Mr Maciag.

"People ask what it costs to implement these standards. They feel the need to justify this to the CFO. Our research shows industry standards saves the industry billions and billions of dollars," he said.

Mr Maudslay added: "As we see insurance becoming a more global business, as more companies move into Asia for example, it means that increasing amounts of data is being shifted around the world and if there weren't any standards then it would be impossible".