The theme of this year’s Global Insurance Forum, held in Berlin and hosted by the International Insurance Society (IIS) and The Institutes, was the ‘Innovation Transformation’. Discussions addressed the hot topics of blockchain and the need for the insurance industry to innovate for the future. Asia Insurance Review was in the German capital to bring you highlights from this year’s GIF.

By Chia Wan Fen in Berlin

Teutonic order: Partnerships to step up protection against climate risk

Public-private cooperation is the strategy for the future of climate insurance, said Germany’s Federal Ministry for Economic Cooperation and Development state secretary Martin Jaeger, who delivered the opening keynote at GIF 2018, where climate risk, insurance for development, PPP to build resilience and innovation were the major themes featured.

Climate risk insurance
Mr Jaeger said that in addition to being a business model, climate risk insurance is also a ‘responsible approach’ towards those vulnerable to extreme weather from a development policy point of view. However, there are often no solutions tailored to the needs of this group, with gaps either in products or legislation. He called for greater involvement of the international insurance industry to partner governments in this. Insurers can provide capital and develop targeted products, while governments like Germany and the UK have been major supporters of climate risk insurance schemes and can also serve as conduits to other governments, partner countries and NGOs. Insurers also provide risk assessments which help states come up with targeted development measures for climate change adaptation and disaster preparedness.

“The insurance industry is looking for new markets and new products. Official development players are looking for new investors. People in our partner countries want to insure themselves against climate risks. This is where our interests coincide and we should seize this opportunity,” said Mr Jaeger.

Risk management and risk signalling
“Of course, climate insurance is not a panacea,” he said. “Insurance solutions have to be embedded in broader financial risk-management strategies and in a comprehensive system of disaster risk management. They have to reinforce social protection systems – they cannot replace them. And they have to provide incentives for climate change mitigation and preparedness.”

Also speaking on resilience was World Bank Group managing director and CFO Joaquim Levy during...
a special address. “The insurance sector plays a critical role in supporting resilient societies and sustainable growth using both the liability and asset sides of its balance sheet,” he said. He noted that climate change is sometimes not perceived as a clear and imminent threat, but it is a risk whose adverse impact remains “under-priced”.

“However, as insurers develop products against climate-related losses and strategically invest their reserves, they will be sending price signals that will affect investor behavior. If you short certain sectors or raise their premiums because they have become too risky in models that look at long term scenarios, markets will notice. This ‘signalling’ can incentivise investments that support sustainability which will enhance both financial and socio-economic resilience.”

Mr Levy also highlighted the value of viable risk-sharing mechanisms in Nat CAT protection that the World Bank is working with the industry and regulators to address the hurdles limiting investments in climate-friendly infrastructure.

**InsuResilience updates**

Mr Jaeger and a later panel discussion of member-partners, also highlighted the role of the Bonn-headquartered InsuResilience Global Partnership, the joint G7, G20 and V20 initiative launched in 2017 at the UN Climate Change Conference. Discussions focused on how initiatives should go beyond financial protection to the need for a comprehensive risk-management approach. Japan Ministry of Finance international bureau director for development issues Munenari Nomura, the Asian and G20 representative, pointed out two particularly useful measures to protect public finance from fiscal risk in the case of disaster.

The first was using quality infrastructure in construction, which can be cost effective in the overall project life cycle as it lasts longer. The second was the use of disaster risk insurance. He also called for new donor countries to join the SEADRIF regional CAT risk pool for ASEAN, whose initial funding is Japan-led. Meanwhile, V20 member Madagascar’s minister of agriculture and livestock Harison Randriariimanana provided the vulnerable-nation perspective of the negative impacts of extreme weather events and the value of climate risk insurance and InsuResilience in coordinating efforts to find solutions. Other initiatives highlighted by panellists included ARDIS, which was launched this year as the largest non-governmental climate insurance programme targeted at African and Asian smallholder farmers, and the growing membership of the Caribbean Catastrophe Risk Insurance Facility.

**Insurance Development Forum updates**

The conference also featured updates on the Insurance Development Forum (IDF). Incoming IDF chair and AXA chairman Denis Duvetne pledged that the IDF would help the InsuResilience initiative achieve its goal of insuring an additional 400m poor and vulnerable people in developing countries against climate risks by 2020, in particular microinsurance for 100m of them. He said that he was in discussion with German officials to develop metrics to track progress, having recognised the need to have a baseline and regular measurements. Mr Duverne added that he would look to expand the IDF to include more members from Asia and Latin America during his chairmanship, and thanked incumbent Mr Stephen Catlin for his contributions.

A panel comprising the heads of IDF member organisations provided updates on projects. One Nat CAT-vulnerable nation of focus is Sri Lanka where the IDF is looking at programmes to strengthen disaster risk reduction and claims management processes and improvements in modelling. The IDF also has plans to increase the use of open data and modelling platforms, expand access to the broader modelling community like academia and create an entity to arrange delivery and funding of new models.
Regulation to do more to bridge protection gap

In a keynote for the session on regulatory reflections on insurance development, IAIS secretary general Jonathan Dixon talked about how the association would move from an eraswhile emphasis on financial stability issues to look also at development and resilience solutions. "Regulation and supervision can support resilience and help close the protection gap. There is strong global consensus among regulators on this ... the challenge now is to scale up and drive the agenda in the next few years," he said.

Mr Dixon highlighted the importance of partnerships, like the IAIS' work with the UN Environment Programme on the Sustainable Insurance Forum to address climate risks, and the increased attention given to insurance's unique role as a 'risk signaller'. On the asset side, the IAIS is also looking at regulatory treatment to look at how it may support long term infrastructure investments for resilience.

A panel with representatives from insurance, a legal firm, the OECD, and the Access to Insurance Initiative (A2ii) shared their observations of regulatory challenges to be improved on. Some of these included the need for new regulations in emerging areas like parametric insurance, taking into consideration new industry players who are not insurers, the need to educate and build trust among uninsured consumers through collaborations with local insurers, and gaps in data inhibiting regulators from making informed decisions.

Mr Dixon also heard some of their wish lists – the need for more granular regulation to encourage areas like microinsurance, where distribution can be over mobile-only channels, the need for compulsory motor third-party liability insurance in more countries and bridging gaps in sovereign risks, given that some countries still do not have regulatory frameworks allowing for cross-border reinsurance.

Ageing and retirement – a global challenge

The forum addressed the globally prevalent problem of providing security for ageing populations, for which there is no one-size-fits-all solution, according to a panel discussion which shared views of insurers, pension experts and case studies of China, India and Japan. Some prevalent global trends include growing longevity but also increasing morbidity, increasing old-age dependency ratios and insufficient savings.

Speakers emphasised the importance of innovation in retirement solutions, looking at successes in US wealth management products that can be replicated elsewhere, and collective defined contribution schemes which pool risks and provide economies of scale. Insurers and pension providers also need to cater for increasing job mobility and changes in the future of work, as gig economy staff need solutions offering more portability and liquidity. In Japan, insurers like Sompo have gone beyond insurance to provide complementary services in healthcare and nursing.

The message for consumers at large is clear: Start early, save enough and diversify your risks. Meanwhile, governments need to raise awareness and incentives to change consumer behaviour to make them help themselves to save, while the insurance industry has the responsibility to communicate the need for urgent reform of pensions systems.

Duty of care innovations

The need to tap innovative solutions also extends to duty of care, with globalisation having led to an increase in mobility and the need to travel to operate a business. The growing complexity of risks that employees are exposed to, ranging from illness to terrorism and Nat CAT, along with technological developments, creates new opportunities for insurers, risk managers and security experts to come together and provide a comprehensive approach, according to a panel discussion.

Technology has enabled firms to be more 'proactive rather than reactive', to reach out to staff at risk, said Willis Towers Watson head of insurance Clive Clarke. AIG EMEA regional security manager James Morton highlighted the use of tech tools for 'data-scraping', including travel tracking systems to manage the flow of employees and tapping sources of information like social media, which can provide firms with valuable alerts on the whereabouts and movements of clients and can be shared quickly with insurers and relevant duty of care partners. The latter can then provide the clients on the ground with timely updates. Many of these tools are based on open-sources, which can provide a wealth of information, though insurers are also investing in new tech.

Mr Clarke expressed concerns about firms having to be prepared for the emerging risk of the 'no fear' attitude of well-travelled millennials who are entering the workforce as...
business travellers. “Millennials have an outlook on life where they don’t see danger and don’t sense it like the older generation does,” he said.

Blockchain
One specific innovation in the spotlight at the forum was blockchain. “In an increasingly complex and ever-evolving risk landscape, global businesses will use blockchain-based technology to transform how they manage across their organisations and how they work with brokers, reinsurers and insurers,” said EY global insurance section leader Shaun Crawford, moderating a panel discussion on the topic of building a blockchain strategy.

Ultimately blockchain solutions will automate, and in some cases, remove manual processes. They will eliminate a range of inefficiencies and frictional cost and drive innovation across the market, said Mr Crawford, who is leading Insurwave, a blockchain-based marine insurance platform.

Blockchain is now well beyond the stage of proof of concepts, and the industry is now ready to move on to solutions and applications, which industry consortiums like The Institutes RiskBlock Alliance are working on. The panelists focused on sharing practical applications and solutions, as well as the benefits of the technology, in particular business outcomes like decreasing costs, increasing efficiency, deeper connection with clients, wealth of data and the ability to disrupt how the industry operates.

IIS introduces new chairman and offices
During the GIF forum, IIS president and CEO Mike Morrissey announced that Aviva Asia executive chairman and Aviva Digital global chairman Chris Wei has been appointed to be the IIS Executive Council’s next chairman, succeeding Mr Greig Woodring who is stepping down this autumn, having served in the role for the last four years. The IIS management team will continue to be led by Mr Morrissey as CEO and Ms Colleen McKenna Tucker as executive director.

Mr Morrissey also announced the opening of two regional offices in 4Q2018 – one in Singapore to expand the organisation’s presence in the Asia Pacific region, and the other in London to focus on the EMEA region and support the society’s role as secretariat of the Insurance Development Forum.

The next Global Insurance Forum will be held in Singapore from 16-19 June 2019. Asia Insurance Review hopes to welcome all of you next year on our home turf! 

Asia Insurance Review was an official media partner at the Global Insurance Forum. For more exclusive coverage, please view our live reports at www.asiainsurancereview.com/Archives/Conference-Dailies/GIF/GIF2018