

ISSUE 5 | DECEMBER 2017

# Think Asia

A Pacific Life Re Asia Publication



**PACIFIC LIFE RE**

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# LETTER FROM THE MD

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2017 has been a very eventful year for the team at Pacific Life Re, and we hope that you are ending the year on a high note as well.

After receiving regulatory approval to establish a representative office from the CIRC, I am pleased to share that we had a successful turnout at our launch parties which were hosted at the historic Fairmont Peace Hotel in Shanghai, and the Rosewood Hotel in Beijing. We were honoured to welcome our guests of honour from the British Consulate General in Shanghai and the British Embassy in Beijing at these events.

We have also successfully concluded our second insurance innovation seminar in Hong Kong in September. This time, the programme focused on short, targeted sessions, covering a more diverse range of topics that cater to the evolving needs of an insurer. It was heartening to hear from our colleagues that the participants were actively taking part in the interactive group discussions and mindfulness activity.

On top of that, our sister technology company, UnderwriteMe, has recently achieved a significant milestone by expanding its footprint in Asia with Singapore Life secured as their first client. We are excited with the prospect of partnering with insurers who share a common goal with us to harness the power of modern, digital technology to meet the needs of the customers and distributors.

More is in store for 2018. An important milestone is our parent company, Pacific Life's 150<sup>th</sup> anniversary, in which we will be marking it with celebrations hosted in the markets where Pacific Life Re operates in.

On behalf of myself and my team at Pacific Life Re, I would like to wish you a very Merry Christmas, and may the New Year bring you many prosperous opportunities. Thank you and we look forward to your continued support in 2018.

Yours sincerely



**Alex King**  
Managing Director  
**Pacific Life Re | Asia**

## IN THIS ISSUE

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2H 2017 in Review | What You Can Expect From Us in 2018 | Insights | Recent Appointments | Spotlight

### Pacific Life Re partners Singapore Life to launch UnderwriteMe in Asia

We are proud to partner with Singapore Life to be the first insurer in Singapore to offer UnderwriteMe's leading Underwriting Rules Engine to drive its sales via their distribution channels, including online direct to consumer. UnderwriteMe's Underwriting Rules Engine incorporates Pacific Life Re's slick underwriting rules, enabling questions to be customised according to unique customer profiles. Multiple risks can also be assessed concurrently, resulting in a reduced number of questions and a much shorter application process for customers.

We are excited to be working alongside Singapore Life to drive significant efficiencies by delivering high straight through new business process rates, and are looking forward to re-energising the market by bringing the buying process into the digital age.



### 2017 Insurance Innovation Seminar

Back in September, we hosted our second Insurance Innovation Seminar at Discovery Bay Hong Kong. With the room having spectacular views of the South China Sea, participants were treated to a wide variety of up and coming topics delivered by an experienced line up of presenters made up of both our own colleagues and invited speakers from DBS Bank, MetLife Innovation Centre, and Digital Fineprint. Revolving around the theme, 'Do you dare to zig when others zag?', some interesting insights were shared; from; how to build an internal culture of innovation, harnessing the power of InsurTech, global product trends and development, digital trends in underwriting, social data, evolving risk selection and a specially led session on mindfulness.

The event culminated in a half day workshop led by Jeff Cook, where participants applied the insights and knowledge gained from day 1 in order to create a life insurance proposition for an average Asian family of the future.



### The Launch of Pacific Life Re in China

Following regulatory approval from the China Insurance Regulatory Commission (CIRC) earlier this year to establish our Shanghai representative office, we hosted launch parties for our guests at the historic Fairmont Peace Hotel in Shanghai, and the Rosewood Hotel in Beijing. Inspired by a British theme, reflective of the location of our headquarters in London, guests were treated to an extensive array of refreshments, while taking the opportunity to meet with our Shanghai based team, led by Vivian Wei, our China Representative. Aside from the guests who took the time to attend our launch parties, we were honoured to have hosted our guests of honour from the British Consulate General Shanghai and the British Embassy in Beijing, who delivered opening addresses to our guests.

During the evening, guests were treated to a variety of engaging entertainment including; magic tricks courtesy of famous magicians, a caricaturist and a unique opportunity with the Queen's Guards, something usually only found in London. On top of that, our guests in Shanghai enjoyed a world class performance by Shanghai's famous Old Jazz Band. Thanks to everyone who attended our launch parties, and we look forward to working closely with you all in the near future.



# 2018

## WHAT YOU CAN EXPECT FROM US

### Pacific Life's 150<sup>th</sup> Anniversary Celebrations

To celebrate our parent company (Pacific Life) 150 years of existence, we will be commemorating this milestone with plenty of anniversary celebrations which will be hosted throughout 2018. We have enjoyed plenty of successes since Pacific Life Re Asia was first established in 2008, and we look forward to sharing this special occasion with our clients who have made it possible for us to get to where we are today.



### Thought Leadership

We continuously strive to be your go to reinsurer. In order to support this commitment to you, we will be hosting a number of thought leadership activities, as well as engaging in knowledge sharing with you. Follow us on [LinkedIn](#) to be kept updated, or look out for our emails coming through your inboxes for more details. We also welcome suggestions on topics that interest you, or if you'd like to be kept updated of such activities, please [drop us an email](#).



# Weaving Social Needs into Protection Innovation - Are We Doing Enough?

**David Wright** looks at innovation opportunities in existing product propositions that have the potential to address Thailand's increasing gap, making insurance more accessible to everyone.

The Thailand life insurance industry continues to grow with premiums increasing by 6% in IQ 2017 as compared to the corresponding period last year. This is amid an environment of conventional products that continue to be impacted by low interest rates. The continuing low interest rates provides a strong mandate for insurers to develop innovative new products for their customers.

Even though the industry has demonstrated resilience in adapting in order to sustain growth, this growth is not without its own set of challenges. In order to realise this growth, insurers and the regulator need to work closely together so as to enable innovation.

## Innovating with digital

Smartphones are the dominant means of internet access, with over 90% of Thai internet users using their smartphones to go online. With 19.8 million current smartphone users in 2016 expected to increase by over 30% in the next five years, we have seen a number of insurers investing in digital initiatives with brand marketing via social media and other digital avenues gaining increasing traction.

Digital innovation has the potential to form a valuable source of new business revenue for insurers. We are likely to see new digital propositions introduced over the next 12 to 24 months following the release of regulatory guidelines which will apply from August 2017. This provides a clear framework to operate where InsurTech companies may partner with insurers under regulatory guidance to create a fresh outlook on life insurance customer engagement and experience.

Products will need to be repackaged such that they are simple, easy-to-understand, and affordable. The marketing of such products would ideally need to trigger a need inside consumers that aims to attract and convert interest.

The initial phase may involve a 'hybrid' approach whereby the marketing is primarily used to increase consumer awareness. It also acts as a lead generator with the sale converted directly by the insurer.

A key capability for a complete online solution is the ease of fulfilment to avoid a high "drop-out" rate of applicants. As digital propositions mature, automated underwriting is likely to play an increasingly important role in this area.

Innovating with digital will allow insurers to meet the needs of the increasing proportion of consumers who wish to engage differently based on their individual preferences. This move ensures that they constantly take steps to remain relevant to the evolving consumers' behaviours.

## Protection innovation in the senior segment

In 2016, over 10% of Thailand's population of 68 million is over the age of 65. The United Nations projected that this will increase to over 20% of the total population by 2035, and to 30% by 2050, making Thailand one of the world's fastest growing ageing populations.

Products for the senior segment have historically been most successfully distributed via direct TV marketing. However, most recently, there has been a reduction of activity via this channel, giving insurers the opportunity to redefine their senior protection proposition and distribution considerations.

This requires a review of alternative distribution channels to effectively reach out to this segment. This may involve broadening the marketing approach to include targeting customers who will most likely be bearing the financial and emotional responsibilities associated with ageing parents suffering from serious or chronic medical conditions.

Secondly, it is also worth reviewing the protection benefits for

the elderly, taking into consideration the likely medical trends that will impact their future. For instance, the Ministry of Public Health (MoPH) announced in September 2016 that the number of people with Alzheimer's disease had reached 600,000. With 95% of cases diagnosed over the age of 65, Thailand is increasing its medical development and patient care infrastructure in an effort to accommodate this increasing need. The MoPH forecasts the country will reach a million people affected by this disease by 2029.

Innovating in the senior segment requires more than just financial coverage. Support services are a must in order to manage varying requirements; from facilitating medical appointments and transportation for treatment, home care, and rehabilitation services, just to name a few.

It is hoped that through the coverage of these areas, insurers can contribute towards minimising the burden of serious or chronic medical conditions on the individual, family, and the community.

## Cancer Innovation

Cancer products are currently being offered by both life and non-life insurers. This poses the following question – why the need to innovate in this area?

There are several reasons why we believe that there is a need to innovate in this space. Firstly, current products utilise standardised definitions with coverage for non-invasive and invasive cancer only. The pace of medical advancements for diagnostics and treatment protocols means that the current definitions may become increasingly irrelevant over the longer term. The medical inflation impact on coverage levels are presently at 8% per annum, and there is a general underinsurance situation where a majority of the cancer plans available in the market have maximum sum assureds below the cost of treatment for an invasive cancer.

Innovation in this space would therefore assist to address a number of areas. These include increasing the number of tiered cancer definitions with varying payment percentage levels to align financially with the clinical diagnosis associated with the severity of the cancer. This helps to manage the client's expectations to be paid on diagnosis as with increasing consumer awareness of the advantages of screening, this is likely to lead to an increase in the rate of 'earlier' cancers diagnosed.

## Income Protection

Apart from that, it is beneficial to include income protection benefits for time off from work associated with treatment and recovery. When a consumer determines the need for cancer-related products, considerations are generally based on the cover for treatment costs, debt exposure, and affordability. Depending on the nature of the cancer and the treatment undertaken, the length of time away from work will vary.

The loss in income may not be fully covered by their employers, or for self-employed people, the ability for their business to continue producing the same income levels. Adequate income to

cover the loss of earnings would therefore enable the individual to fully focus on his recovery. This peace of mind relieves one from the financial stresses that would normally occur with the inability to work and provide for one's family.

## Increase in cover and value-added services

Lastly, there needs to be in place medical inflationary measures with long term product coverage. Maintaining appropriate levels of cover is a difficult area to manage. Options include increases in cover on a periodical basis without further underwriting or future insurability features, enabling an individual to increase coverage at specific ages or life stage events where there is a greater need for coverage.

Value-added services can be packaged together with cancer products in order to improve the overall proposition and customer experience. Some examples include lifestyle and preventative care programmes such as screening, access to concierge teams to ensure the quality of medical referral, expert second medical opinions, and counselling services for both individuals and their families.

## Conclusion

The Thailand life insurance market presents a number of opportunities to grow protection sales with innovative product and service solutions.

Digital initiatives will require an agile environment to test and learn to be successful. Innovating protection products in traditional channels is not without its own set of challenges. New products will require longer implementation timeframes with key development areas including best estimate incidence rates and regulatory engagement for approval.

Reinsurers are well-placed to support life insurers in these areas with the ability to collaborate with new ideas from global markets and support efforts for provision of realistic incidence rates, development of definitions, policy terms, and regulatory filing. For digital propositions, experience in digital underwriting outcomes and use of data can be leveraged to maximise investment in technology.

Insurers constantly face pressures to realise new business sales from product development efforts in any given year that has a tendency to result in a short-term focus. Maintaining a long-term outlook balanced with shorter initiatives is likely to reward insurers with superior growth in excess of industry expectations. At the same time, innovation in areas like the above create real value for consumers, addressing social needs and the way they wish to engage with insurers. This will ultimately benefit both the insurer's brand and our industry's reputation, ensuring that we remain relevant always.



**David Wright**

Director, Product Development & Marketing  
**Pacific Life Re Asia**



# The Life Reinsurance Evolution

Reinsurance as it is known today has expanded significantly from when the first contract was transacted back in the year 1370. Since then, the role of a life reinsurer has evolved in response to emerging new risks and more complex risk scenarios. In this article, we explore how reinsurers are increasing their value-add to the insurance value chain by taking advantage of their comprehensive understanding of risks, and adopting a positive attitude towards innovation.

Previously, reinsurance was used mainly as a risk management tool to create financial stability, and was rarely considered to be a business enabler. Most reinsurance decisions revolved around capacity, price, underwriting support, and the relationship between the insurer and their reinsurer.

However, we are now seeing more emphasis on how life reinsurers can better support their clients through product development and their partnership mind-set. Beyond price competitiveness, the 2017 NMG report has shown these as the top two reinsurer selection factors in Asia.

## Product Development an important driver of new business growth

Product development has been one of the most important drivers of new business growth for insurers in Asia. In order to continue staying relevant to the changing and emerging needs of their consumers, insurers need to constantly evolve their product and service offerings.

Life reinsurers have been playing a proactive role in bringing new ideas to insurers, enabling them to tap the untapped opportunities and taking on new risks. This is made possible due to their broad research capabilities and diverse global

experience, which in turn allows them to experiment with creative ways to manage risks.

## Holistic proposition

In navigating today's changing industry and social landscape, insurers are actively looking out for fresh approaches to reach out to their target customers and engaging them through the policy lifetime.

Reinsurers can play an important role in helping insurers achieve this objective. They can do this by providing a holistic proposition that combines product with tailored marketing messages, a well-defined customer journey and value-added services to make the customer proposition more tangible and relevant.

Automated underwriting technologies offered by life reinsurers enable insurers to design customer-friendly interfaces, thus making the underwriting process more efficient. Through the reinsurers' partnerships with various third-party providers (eg second medical opinion services, wellness rewards programmes, etc), insurers can save time in searching and selecting the best provider and at the same time benefit from the economies of scale that will effectively be passed on to the consumers.

In short, life reinsurers who have a comprehensive understanding of the insurers' overall business objectives, their strategy, and work closely with them from the start will find themselves in a good position as a long-term strategic partner.

## Redefine underwriting and distribution

Insurance underwriting and distribution were and still are separate functions for most insurers. With the recent introduction of automated underwriting technology, the industry has been able to make positive changes in the way customers are engaged and how insurance is bought.



Built upon the comprehensive underwriting rules created by reinsurers, the system allows multiple risks to be assessed at the same time in accordance to a customer's answers to a tailored set of health questions, saving insurance application time and increasing up-sell and/or cross-sell opportunities for the insurers.

Whilst a reinsurer's underwriting expertise and support remains important to insurers (this ranked number three in reinsurer selection factors beyond price, according to the 2017 Asia NMG report), the differentiation is in their capability to create a strategic value that impacts the insurers' business in the following areas:

- Simplifying the underwriting process
- Making use of non-traditional predictive factors in selecting risk
- Agility to tailor the product offer by customer segment and design differentiated customer journey to support various sales channels using the automated underwriting system

The recent InsurTech wave has expanded the horizon of ideas on how insurers can reach out and interact with the customers. We have seen some technologies such as the chatbot being adopted to service existing policyholders and agents. In China, insurance is sold via the WeChat messaging app. Selfie and social media underwriting are being tested and it is just a matter of time before all of these become the new norm.

Collaborating with InsurTech companies and incumbent insurers to form collective partnerships, reinsurers will play a big part in these value chains by providing their breadth and depth of understanding in risks, bridging the knowledge gaps and working with the relevant stakeholders to design solutions that make the most positive impact to the society and industry.

### Translating know-what/why to know-how

It is common for most insurers to perform regular claims investigations using a comparison against their own expected experience – the A/E (Actual versus Expected) ratio. This traditional method involves a fact-based analysis that provides the “know-what” – for instance, claim experience by customer profile, product, distribution channel, etc. It is common for correlated risk factors to impact the experience and can potentially mislead the interpretation of the results and the real cause of adverse experience is not accurately identified.

Having access to aggregated industry data across various countries, reinsurers have built up the necessary know-how in processing and analysing huge data sets for actuarial pricing, assumption development, benchmarking and trend setting.

In order to handle such massive amounts of data, they use powerful data analytics tools that allow them to appropriately dissect and interpret data to gain meaningful insights including emerging trends and behaviour.

Generalised linear modelling (GLM) is one of the advanced techniques that helps to unbundle the correlation between risk factors to identify those that are truly influencing the experience

(“know-why”). Through this analysis done by reinsurers, insurers will also benefit from anonymous benchmarking against others, allowing them to get the insights that they would not have obtained by conducting analysis on their own.

The value life reinsurers can bring to an insurer that goes above and beyond comprehensive data analysis lies in the “know-how” – the capability to translate these results into clear recommended actions.

Such knowledge could be used to optimise the product design to increase take-up rates, modifying the underwriting approach to minimise early claims, targeted marketing messages to improve the business mix, and enhancing the distribution management programme to motivate the right sales behaviour.

One real example involves a critical illness business that has shown the agency channel with a markedly lighter experience than other channels. Through fitting the data into GLM, it was found that the lighter experience was driven by the agency selling lower sum assured. Coupled with another observation that the sum assured was also increasing over time, this triggered the reversion of the insurer's decision to adjusting the assumption down for agency channel. With the agreed set of actions or remedies, some reinsurers will be prepared to provide advanced credit from the expected improvement of the emerging experience in their reinsurance rates.

### Bringing it all together

The role of life reinsurers has indeed been evolving with the changing needs of the stakeholders within the insurance value chain, but there is a potential to evolve at a much faster pace.

It is predicted that InsurTech will displace some of the insurance jobs in the near future, but what about reinsurance jobs? Imagine a world where traditional reinsurance transactions and communications were done via a reinsurance aggregator supported by chatbots. Reinsurance rates and terms for standard risks were compared and transacted instantly without having to go through many rounds of negotiations. Reinsurance could be arranged and customised for an individual and on a usage-based rather than a long-term coverage on a treaty level.

It is a truth universally acknowledged that reinsurance exists because of insurance, which then exists because of the needs of the end consumers, and so on. Whichever wind of changes coming to the reinsurance industry will be as a result of the same order.

There have been calls for life reinsurers to break away from the notion of being perceived as just risk management experts, and to be more involved in the evolution and revolution of the industry as a whole, whether it be in areas such as product development, underwriting, distribution channels, or technologies.



Mike will be working closely with the team to gather market insights into greater China which will be developed into reinsurance solutions. He has over 15 years of relevant industry experience, having worked in both insurance and reinsurance extensively across China and Singapore, and throughout the region.

**Mike Yao**

Director, Product Development



Eddy plays a key role in expanding the business collaboration with our clients in Malaysia through innovative product development as well as bancassurance and affinity propositions. He is equipped with extensive experience in both the life insurance and reinsurance industry, during which he held various management positions in Product Development, Agency, Bancassurance, and Business Development.

**Eddy Lim**

Director, Business Development





Get to know our Underwriting and Claims Director

### My Life Philosophy

*Be contented with what you  
have and be grateful for  
every new day.*

#### If you weren't in underwriting & claims, what would you be doing?

If I weren't in my current role, I would be doing Marketing. It looks like a lot of fun!

#### What's your favourite thing about working at Pacific Life Re?

The open communications approach that the company believes in. We are always encouraged to have open conversations with the managers and are free to ask them anything on any aspects of the business. There is also regular communications between the local offices and the Division office in London, so I can feel that there is a lot of support from there as well.

#### Describe the company in 3 words

Enterprising. Driven. Unconventional.

#### What's your most memorable memory since you started at Pacific Life Re?

During my second week in the office, I was asked to represent the company to see a client in Thailand. There were lots of preparation done to get me up to speed, and it was great that I had the full support of the team to ensure that I did not say anything that I wasn't supposed to! I'm glad it turned out well!

#### Are you a member of any industry bodies? If so, which ones?

I am a Fellow of the Academy of Life Underwriting (FALU) and the Life Management Institute (FLMI).

#### Which Pacific Life Re office would you want to work in, if you had a choice?

At the moment, relocation isn't on my radar because of family commitments. However, if I had to do a secondment, I would love to work in our London office! I've never been there, and I think I would fit in very well with the culture, given that I used to work for another European company, so in a way, it does make the transition a lot easier.

#### Which is your favourite social event since joining Pacific Life Re?

Art jamming! That was fun. Oh, but I would say that the recent Summer Party would rank quite highly too. I enjoyed the massages, activities... so that made quite an impression on me.

#### How do you wind down?

I exercise. No matter what's going on, I always try to set aside an hour at the gym at least twice or thrice a week. I practise mindfulness too. It clears my mind and keeps me relaxed before going to bed.

#### If a penguin walks into the office wearing sombrero, what would be your first thought and what would the penguin say?

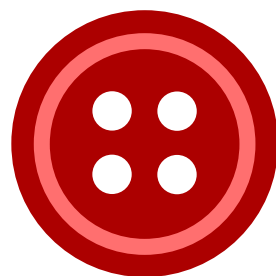
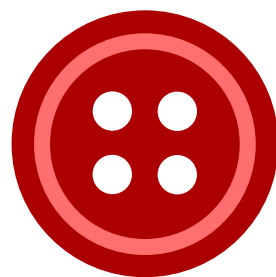
My first thought would be, "Am I seeing things?!" I know penguins exist, but they can't exist in sunny Singapore! The penguin would say, "Brr..... it's cold in here!" And he'd waddle his way to the cupboard to take our Pacific Life Re jumper (which by the way, is really snuggly!).

#### If you're on a deserted island, what would your 3 essentials be?

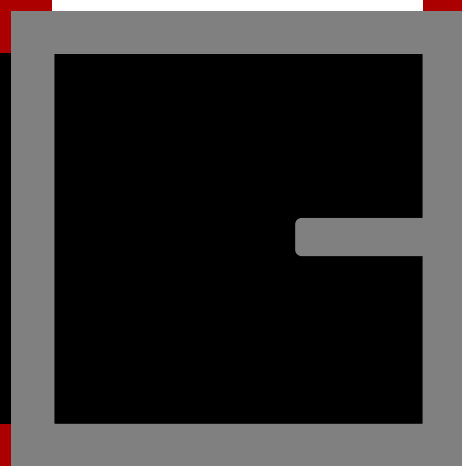
Any book by Mitch Albom, sunblock, and a water filter.

# MERRY CHRISTMAS

and a Happy New Year



*Sending you glad tidings of comfort &  
joy this festive season*



*From all of us at*



**PACIFIC LIFE RE**



**For more information, please reach out to**

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