

Insurance Landscape in Asia Pacific

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Overview

- Insurance Landscape in Asia Pacific
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Insurance Landscape in Asia Pacific

Insurance Landscape in Asia Pacific

Asia Pacific Accounts for 30% of the global Insurance Revenues, and is the fastest growing region globally. By 2020 Asia Pacific region will be responsible for 90% of Insurance Premium Growth in Emerging Markets globally.

It is a very diverse region and not monolithic The key Markets in the region can be categorized as follows:



Very High Growth

China and India (China grew 25% in Life and 13% in General, and India grew 13% in Life and 15% in General Insurance during the period 2013-17)



Growth

South East Asia



Mature

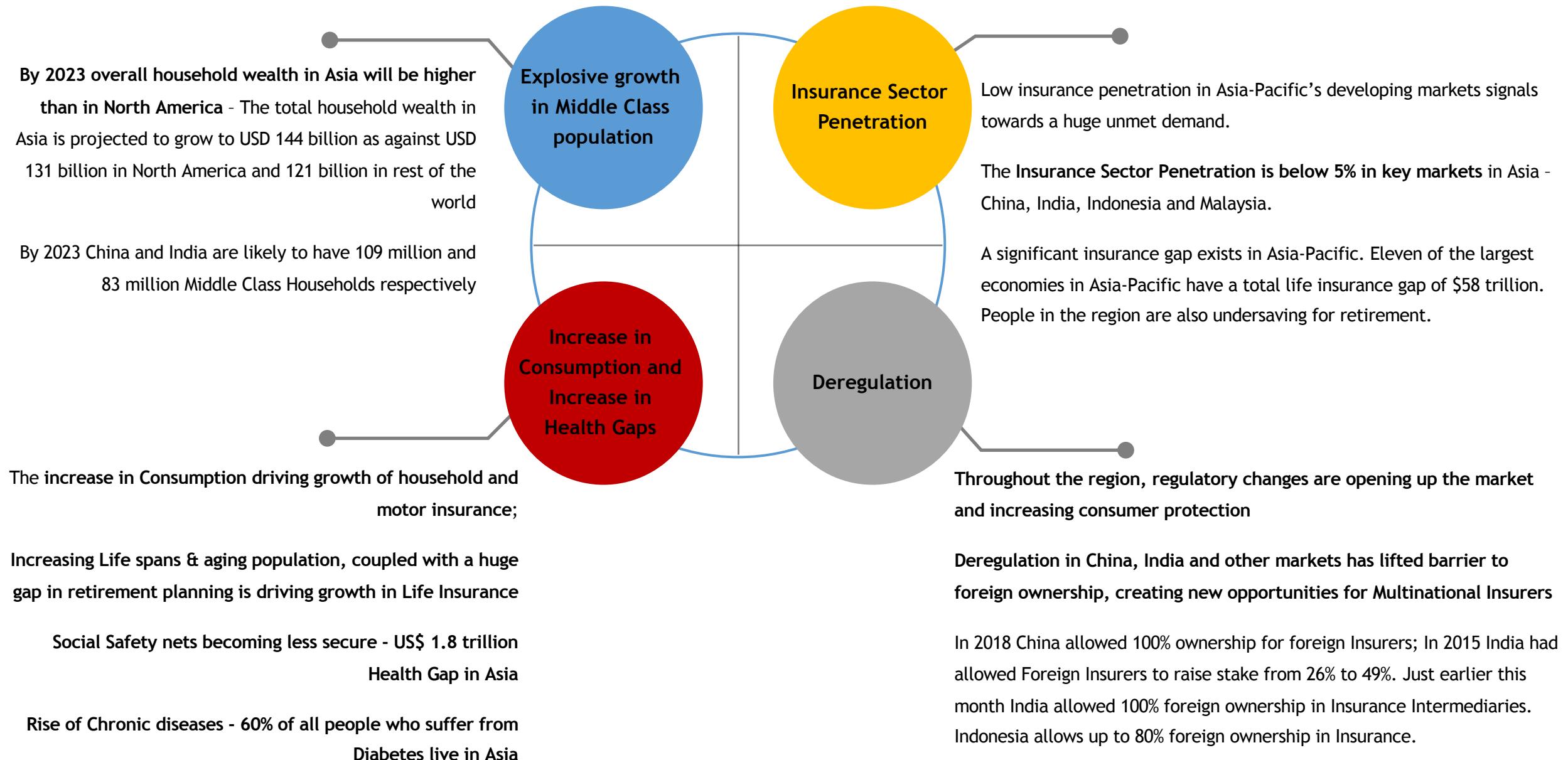
Japan, South Korea, Australia



Hybrid

Hong Kong, Singapore (Developed but Still growing)

Key Growth Drivers



Key Trends in Asia Pacific

□ The evolving Distribution Paradigm

Tied Agency continues to be the biggest channel in most markets. Traditional channels remain dominant in Life Insurance sector in mature markets - Australia, Hong Kong, Singapore and Japan

In developing and growth markets like China, India, Indonesia and Malaysia, digital channels' share is growing fast. With large young & digitally active populations, increasingly the consumers are willing to switch providers, including from outside industry, like retailers, auto companies, Consumer Tech

Rise of Digital Market places for Insurance - ZhongAn in China has 400 million customers and Policy Bazaar in India now delivers almost 24% of life insurance premiums in the country.

Bancassurance as a channel is growing significantly, especially for distribution of General Insurance Products. MNC and domestic Insurers are forming bancassurance alliances, to gain access to distribution networks of banks locally.

□ The Digital disruption in Insurance is supported by a strong enabling environment - regulatory as well as fund-raising



i. Insuretech companies have raised over **USD 3.8 billion from VCs in the last five years**. Most of this funding has gone to Direct Insurers and Digital aggregators/brokers



ii. **ZhongAn in China has raised USD 2.4 billion since 2015**, including USD 1.5 billion from the IPO in 2017. In India. Policybazaar raised US\$365 Million in the same period



iii. Regulators in several countries like Hong Kong, Singapore and Indonesia are **pushing digital innovation and have created government funded incubators called sandboxes**, to encourage Insurers to experiment with new technologies

Key Trends in Asia Pacific

□ Ecosystems as a differentiator for Customer Experience and driving Growth

Across Asia Pacific, Insurers are embracing ecosystems to deliver value to customers across Auto, Home, Health and Life Insurance. Chinese Insurers have taken a lead in developing ecosystems.



Auto

RACQ auto club and mutual organization in Australia:

- Insurance and roadside assistance
- Travel support and discounts on leisure activities
- Home repair services



Home

AXA and PropertyGuru in Singapore:

- Real estate portal for homeowners/ renters insurance



Chubb and StarHub in Singapore:

- Complimentary 12-month home contents insurance for StarHub's info-communications customers



Health

Partnerships in China:

- AIA and WeDoctor
- Taikang and IHH Healthcare
- China Taiping and Raffles Medical



Life

Taikang's investment in elderly care:

- Chain of retirement communities across China
- Integrated centers for medical consultation, research and education



Key Trends in Asia Pacific

Increase in M&A

There have been M&A deals worth USD 72 billion in the Insurance sector in APAC over the last five years.

- There were 59 completed mergers and acquisitions in the Asia-Pacific insurance sector in 2018, up 40% from 42 in 2017.
- A large number of Insurance companies in Australia have been sold/are on the block leading to acquisition opportunities for Global Insurers.
- The Indian Insurance market is gearing up for consolidation as well. Most recently, **HDFC ERGO General Insurance**, one of the largest P&C Insurer in India; announced the acquisition of **Apollo Munich Health Insurance**. Previously, the company had also acquired **L&T General Insurance** in 2017. Several other smaller, nonperforming players are on the look out for potential buyers/ investors and are working on getting the right valuation for their businesses.
- Technology was a key driver of M&A in 2018, underpinning deals of every size. Examples of insurers taking stakes in insurtech start-ups include **Berkshire Hathaway buying a stake in One97 Communications**, India's largest digital payments company.



BERKSHIRE
HATHAWAY INC.



Key Trends in Asia Pacific

- **China is one such market that benefited from regulatory developments, as these have opened the gates to domestic consolidation, as well as removed barriers for foreign investment.** Chinese re/insurers are also expanding abroad, and recent deals include the acquisition of Chaucer by China Re for US\$940 million.
- **AXA and Malaysian firm Affin Bank are considering selling their life and general insurance businesses in Malaysia.** The two firms are looking to get around 500m and \$150m from the sale of Axa Affin General Insurance and Axa Affin Life Insurance, respectively. AXA owns 49.99% of the general insurance business - one of the top medical and health insurers in Malaysia - and 49% of the life arm. The deliberations are currently at an early stage and the firms are working with advisers on the potential sale
- AXA, however, is not the only foreign insurer looking to make substantial changes to its Malaysian operations. **Companies such as Prudential and Zurich have reportedly started looking at selling stakes in their respective businesses after the Malaysian government started enforcing its 70% foreign ownership cap.**
- **Aviva is also working on the sale of its Asia business, which operates across six countries; China, Hong Kong, India, Indonesia, Singapore and Vietnam.**

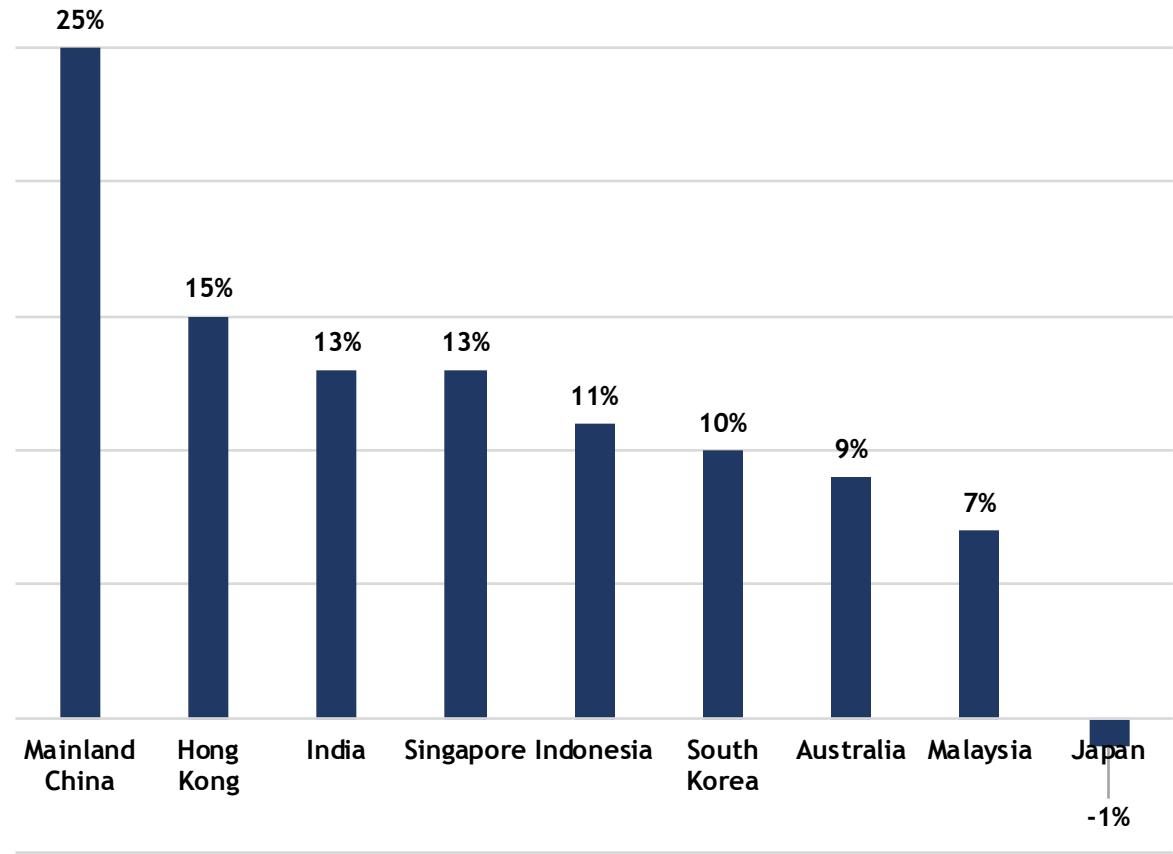


Market Highlights

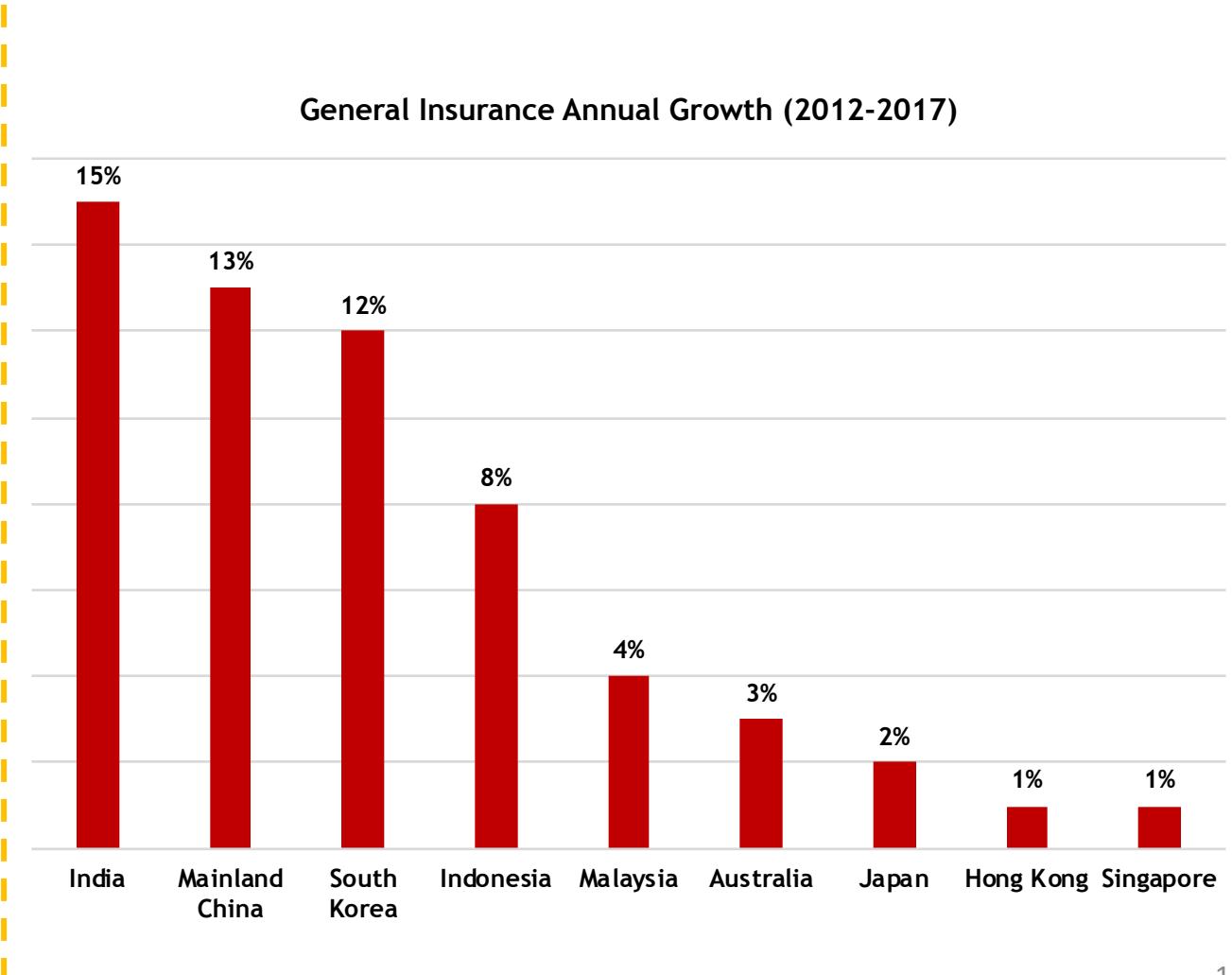
APAC Market Overview

Life Insurance and General Insurance markets in Asia Pacific are in widely different stages of evolution in terms of Economic Growth, Technology & Regulations

Life Insurance Annual Growth (2012-2017)



General Insurance Annual Growth (2012-2017)



Market Highlights

Hong Kong

USD 67.7 billion
gross premiums in 2018

Top Life Insurers



Top General Insurers



Key Trends

- Hong Kong is the 6th largest growing Life Insurance market in Asia and double the size of the Singapore market.
- Life insurance is concentrated; top 5 insurers account for about 65% of GWP. General Insurance is highly fragmented; top 5 insurers account for about 30% of GWP
- Growth driven by high demand for universal life insurance products, given largest proportion of high-net-worth individuals in Asia
- Most Insurance players are investing in AI, IoT and Big Data Analytics. B2B2C model with digital business partners is increasing.

Singapore

USD 26 billion
gross premiums in 2017

Top Life Insurers



Top General Insurers



Key Trends

- Great Eastern Life leads the life market (28% of GWP). General Insurance is fragmented ; top 5 insurers account for 45% of GWP, comprising both domestic and foreign insurers.
- Singapore insurance industry distribution mix was dominated by traditional agents in 2018 although financial advisors are slowly gaining market share amidst a gradual shift in bank channels.
- The retirement policies accounted for approximately 8% of total weight premiums for the year, up from 5% for 2017.

Market Highlights

India

USD 94.48 billion
gross premiums in 2018

Top Life Insurers



Top General Insurers



Key Trends

- Insurance industry is expected to reach USD 280 Billion by 2020, driven by increasing awareness, innovative products & more distribution channels.
- A single large player, LIC, accounts for about 70% of DWP in Life Insurance
- General Insurance is relatively concentrated; top 5 insurers account for 53% of GWP
- Key focus on New distribution channels such as Bancassurance, Online Distribution and NBFCs is observed, to have widened the reach and reduced costs.
- Expanding economy, higher disposable income and increased foreign investors are growth drivers.

China

USD 562.52 billion
gross premiums in 2018

Top Life Insurers



Top General Insurers



Key Trends

- Life Insurance is relatively fragmented; top 5 insurers account for about 50% of GWP. General Insurance is concentrated; top 3 insurers account for 60% of GWP. Auto insurance accounts for 70% of policies written.
- China optimized the environment for foreign investors, enhanced the transparency of market supervision and improved protect foreign companies operating in China.
- The overall outlook for China is healthy and statistics for 2018 show that overall insurance premium income rose 3.92% from a year earlier to USD 562.52 billion
- China has a massive USD 18 trillion “protection gap” that is projected to increase to USD 46 trillion by 2020.

Market Highlights

Thailand

USD 322 million
gross premiums in 2017

Top Life Insurers



Key Trends

- Lacks Asia's dynamic growth, as the assets of Thais are mainly tied up in bank deposits (45% of total financial assets), followed by securities, stocks & bonds (39.3%) & the rest in life insurance & pensions.
- Thailand is moving towards an aging population with decreasing population growth and climbing aging population. The old-age dependency ratio is set to escalate from 17% at present, to 29% in 2030, then 50% in 2050. The industry is hence witnessing an emphasis on health, protection, and UL products

Top General Insurers



Malaysia

USD 13.6 billion
gross premiums in 2017

Top Life Insurers



Key Trends

- Life Insurance is concentrated; top 5 insurers account for 80% of GWP, dominated by foreign players. Life insurance recorded a moderate growth in 2018, registering an increase of 9.6%.
- General Insurance is fragmented; top 5 insurers account for 45% of GWP, comprising both domestic and foreign insurers. General Insurance registered a growth of 1.5% in 2018 on the back of higher premiums from its 2 largest segments; Motor & Fire.
- Urbanization, growing working class & increasing ageing population are growth drivers.

Top General Insurers



Market Highlights

Philippines

Top Life Insurers



Top General Insurers



Key Trends

- Forecasts for the Insurance industry continue to be optimistic with growth range expected at 9-13% in 2019.
- The InsurTech landscape is evolving with significant investments made in Philippines based InsurTechs by foreign investors
- Low protection content in mainstream products, Difficulties in expanding and enhancing distribution capabilities and Shallow bond markets that limit investment options are major bottlenecks for growth.

Indonesia

Top Life Insurers



Top General Insurers



Key Trends

- 2018 represented a mixed year for the insurance market in Indonesia. Economic growth rates stayed buoyant at above 5% but there were difficulties with market confidence as the Rupiah suffered depreciation, largely dragged down by other global emerging currencies.
- Life Insurance is fragmented; top 5 insurers account for 49% of GWP. General Insurance is highly fragmented; top 5 insurers account for 35% of DWP
- Bancassurance is playing a very important role in the insurance distribution, mainly in relation to investment products, such as unit-linked products.

Market Highlights

Vietnam

USD 5.76 billion
gross premiums in 2018

Top Life Insurers



Top General Insurers



Key Trends



- General insurance companies contributed US\$1.96 billion, while life insurers brought in US\$3.78 billion. The insurance industry also poured in US\$ 13.75 Billion into the economy, almost 30% higher than 2017.
- Insurers are competing in customer acquisition via new channels such as partnerships with banks (bancassurance) and e-commerce. The application of big data, AI and robotics is expected to improve the market's efficiency, especially for cost management.
- Major growth drivers are : Economic development has expanded the middle class, leading to increasing demand for savings and investments & Environmental pollution, aging population and increasing hospital fees are factors that boost the demand for healthcare insurance.



Key Talent Trends

APAC Talent Trends

- While the Asian Insurance markets continue to evolve and change at an unparalleled pace; the growth and evolution of the **local leadership talent in the sector, is not aligned to the business growth and the potential that the region offers**. As a result most growth markets in this diverse region are talent short - especially China, India, Indonesia, Malaysia, Philippines, Thailand etc.
- Most Insurers in Asia have generally been resistant to hiring from outside the sector, especially for CEOs and CXOs in business roles. This, coupled with lack of investment by most Insurers in developing leadership talent for a high growth geography, has led to a continued shortage of talent.
- The talent gaps are plugged; both by lateral hiring from within the region (leading to a constant game of Musical Chairs), or movement of executives from the Global HQs (often delaying and deprioritizing the agenda of developing local talent for leadership succession).
- The average tenure of the Regional CEOs of the top 10 Global/Regional Insurers is less than 2 years - this is due to a variety of reasons - retirement, growth into global roles, performance, global realignment etc.
- There continues to be significantly higher levels of turnover at globally rather than regionally headquartered insurers.

Composition of Asia Regional Teams

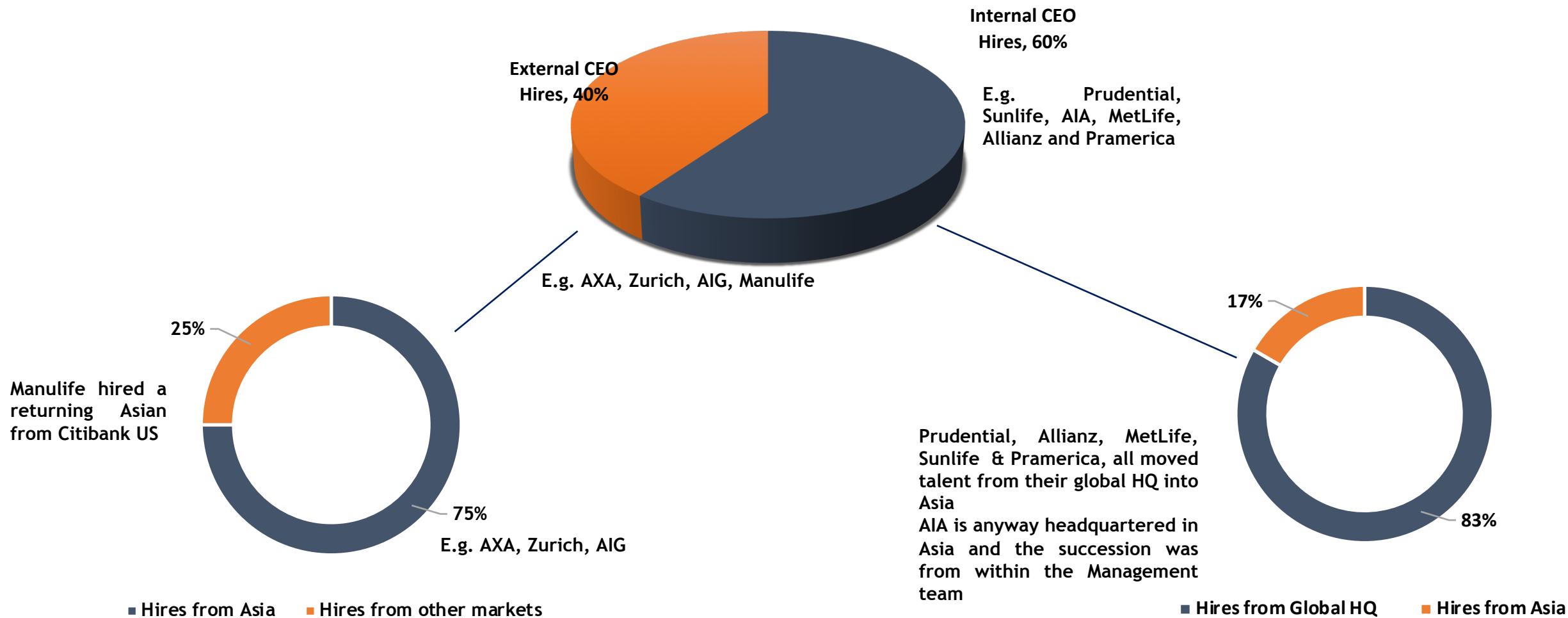


Regional CEOs



Trends in Regional CEO Hiring

Given the shortage of high quality local leadership talent in the insurance market, most Insurers have moved talent from other global markets, into their Asia operations.



Recent Regional CEO Hires



MetLife promoted Kishore Ponnavolu as the Regional CEO for Asia in September 2018. Kishore was previously MetLife's Auto & Home Business Head in the United States.



Earlier this year, Sunlife appointed Leo Grepin into the newly created role of CEO for the ASEAN Markets.

Grepin was previously the senior vice-president for individual insurance and wealth based in Canada.

Grepin has recently been announced as the successor to the current Asia CEO, who is slated to retire in December 2019.



Solmaz Altin took over as the Asia CEO earlier this year for Allianz - he was previously the Chief Digital Officer based in Germany.

Gender Diversity in Asia

- The representation of Women in the Regional Leadership teams has improved significantly in the last few years - **however at 25% it is still relatively low. Almost 40% of these women leaders are in business roles**
- Though still low, we are seeing the emergence of strong Women CEOs in the region. Some notable examples -
- Global insurer Allianz has appointed Ms Claudia Salem as its new CEO, Property & Casualty for Asia Pacific, with effect from 1 March.



Anusha Thavarajah, CEO, Malaysia, AIA now moving to Allianz as Regional CEO APAC, Life & Health



Claudia Salem
CEO Property & Casualty, Asia Pacific
Allianz



Jayne Plunkett, CEO, Asia, Swiss Re now moving to AIA as Chief Risk Officer



Rebecca Tadikonda,
CEO, Strategic Growth Markets, Asia, MetLife



Lilian Ng, CEO, Asia, Insurance, Prudential Corporation



Lisa Sun, CEO, AIG, China



Vibha Padalkar, CEO, HDFC Standard Life Insurance Company, India (One of the top 5 Life Insurers in India)



Elin Waty, CEO, Indonesia, SunLife



Kai Zhang, President & CEO, Manulife Sinochem Life Insurance, China One of the best performance CEOs in Manulife Asia and in the Life Insurance sector in China



Angela Hunter, CEO, Chubb Life, Thailand



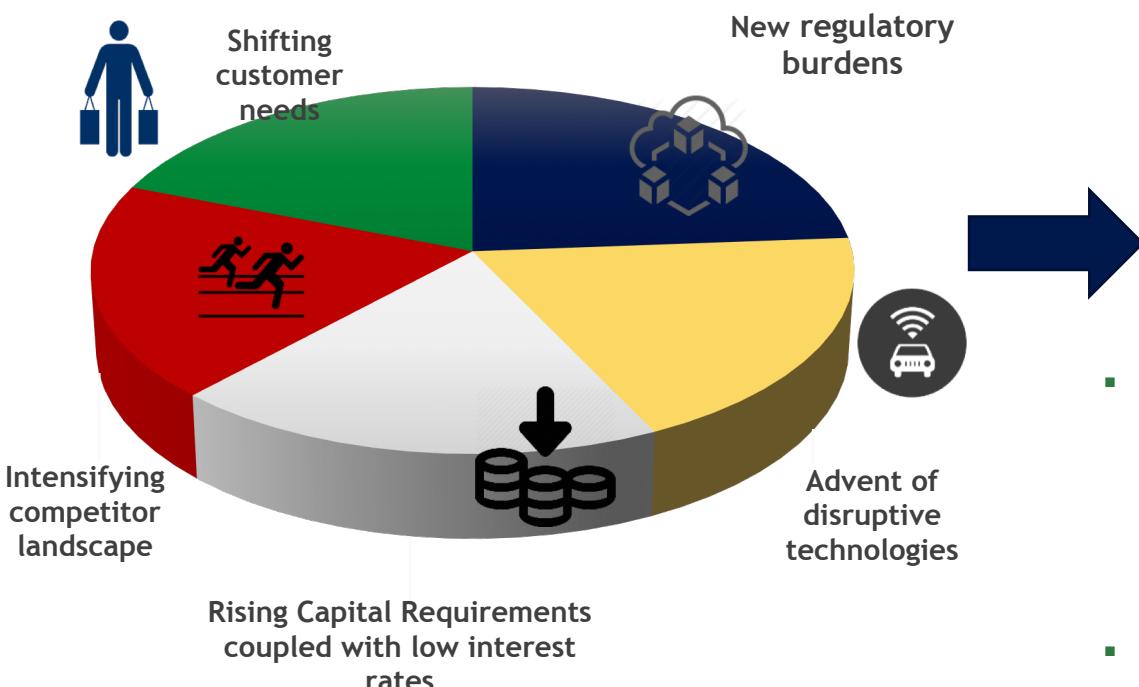
Sally O'Hara, CEO, Krunthai-AXA Life Insurance, Thailand



Assistant Professor Chayanna Siriprirom, Chief Executive Officer, Sompo Insurance, Thailand

Disruption & Change

Forces Disrupting the Insurance Ecosystem



These forces are disrupting the role, structure, competitive environment and the markets in which Insurers operate.

Strategic Priorities in the Changing Paradigms

- **Rethinking traditional organization structure**
 - Strategic success hinges around a structural response that forces insurers to rethink their organization structure; creating more fluid, agile and operationally efficient organizations.
 - In the last couple of years, global insurers have undergone extensive restructuring, both globally and at a regional level; for creating future ready organizations.
 - The Regional offices are getting leaner, with their role changing from 'Control' to 'Value add'; Countries/Entities being empowered.
- **Stay ahead of the curve - Technology, Data and Digital capabilities**
 - Insurers are Building an ecosystem and culture to constantly adapt and leverage the rapid advances in Emerging Technologies, Data/ML/AI and Digital to build a future ready Organization
- **Customer Centricity**
 - Sharp focus on becoming a true partner to the customers, simplifying customer journey
- ***The above factors have led to creation of several new roles and structures within organizations, that aide the businesses in their transformation journey.***

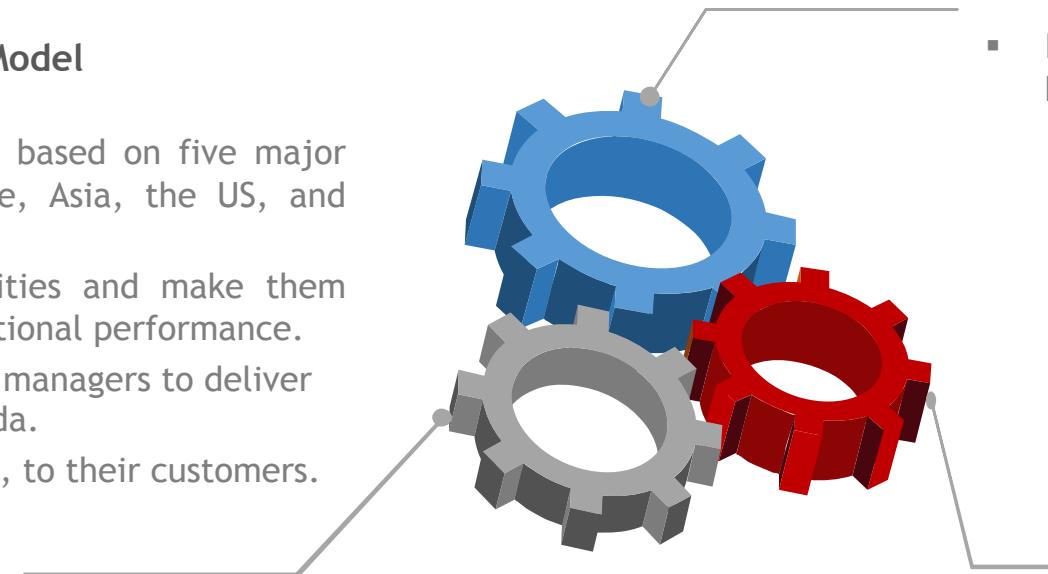
Case Study: Moving towards an Agile Organization

In 2017, the Group Chief Executive at AXA embarked on group wide transformation aimed at simplifying the operating model, doing away with complex regional & global hierarchies.

Key Elements of AXA's Simplification Journey..

Simplification of Operating Model

- Simplified Operating Model based on five major geographies France, Europe, Asia, the US, and International.
- Designed to empower entities and make them accountable for their operational performance.
- More autonomy to the local managers to deliver on the transformation agenda.
- Operate as close as possible, to their customers.



- Post global restructuring, the Asia Regional Office has all of 70 resources from the initial 250. Almost all regional CXO roles have been done away, save the regional roles for Risk, Legal & Compliance.
- From having Regional CEOs for Life & P&C businesses, who reported to the Asia CEO, the regional office today, only has the overall Regional CEO with governance oversight of all markets and no real P&L ownership.
- There is a small HR team managed by the Regional CHRO. Additionally, the regional team has two Strategic Development Officers.
- The Strategic Development Officers are responsible for the Finance & Distribution portfolios respectively and work as advisors/ business partners to the entities and provide strategic oversight on key issues.

Creation of a Single Refocused Corporate Centre

- Reduced from the three layers - head office, global business lines, regions - that existed in the past.

Focus on Costs and Building Efficiency

- Part of wider programme aimed at saving up to €2.1bn from the company's costs between 2016 and 2020

Redefined/ Emerging Roles

Amongst the many redefined/ emerging roles that have come up in the business, the following have become strategically important with a strong and transformational impact, in most regional / country leadership teams -



Chief Risk Officer

Evolved Role

- The role of the CRO has evolved and continues to move from the traditional risk types that were and are still mandated by the regulator, to other types of risk that are more forward-looking, or emerging.
- *From focussing purely on a underwriting/risk role, the role has expanded to include a broader spectrum covering enterprise risk, financial risk, operational risk, technology risk, compliance etc.*
- *The CRO is instrumental in aligning business with balance risk/ reward approach for effective business decisions*

Key to the Insurer's Success

- Having the right Chief Risk Officer, who can balance business priorities & performance with the regulatory requirements; has become core to an Insurer's success.

Jayne Plunkett,
CEO, Asia, Swiss Re
now moving to AIA
as Chief Risk
Officer



Changing Risk Paradigms Shaping the role

- In the face of geo-political risks, cyber risks, and technology risks, businesses today face greater challenges and therefore require more, from the senior executives in managing them.

Nicolas Fauvarque,
Chief Risk Officer and
Head of Insurance
Office for Asian
Markets, Axa Hong Kong



Renaud Guidee,
Managing Director,
Goldman Sachs -
France. Now joining
Axa as Global Group
Chief Risk Officer



Chief Transformation Officer

Evolved Role

- This role has the agenda to develop and implement a strategic roadmap for the company, and drive all transformation programs across all business and functions*

Hired Internally/from diverse sectors

- In most cases the Chief Transformation Officer is a senior Business leader moved internally or hired from a company which has run large scale transformation programs with effective outcomes; Another alternate is to hire from Consulting Companies.

Factors shaping the role

- In an attempt to make the biggest impact on both the bottom line and the top line, underwriting improvement is top-of-mind for most insurance executives.
- Claims has been identified as the other opportune focus area for insurance companies to improve efficiency and reduce costs.
- Superior Claims service has become the key differentiator in a fiercely competitive insurance market.

Damien Green,
Chief Strategy and
Transformation
Officer, Asia,
Manulife
Former
President & CEO
MetLife Korea &
Regional Executive
for Malaysia,
Vietnam and Hong
Kong



Alp Altun
Chief
Transformation
Officer, Asia-
Pacific at Allianz
Former Executive
General Manager -
Transformation &
Customer
Operations - IAG

Chief Technology Officer

CTOs can be hired from diverse sectors

- Sectors and companies which have been going through Technology and data driven transformation - like Telecom, Retail, Banking etc.
- Technologically developed eco systems like Fintech companies, Internet/E-Commerce companies etc.
- IT Services Companies and Consulting companies with a strong Technology practice

Evolved from the role of CIO or Head of IT

- *The role is focused on building a data eco system, scalable & agile platforms, and products & digital interfaces for the customers (Mobile, Web etc.) - both, for buying Insurance as well as claim processing.*

Biswa Prakash
Misra
Group Chief
Technology and
Operations Officer,
AIA - Hong Kong.
Former CTO at AIA
Hong Kong.



Chief Customer Experience Officer

Evolved Role

- *Evolved largely from the role of Chief Marketing Officer*
- *This role is focused on Marketing and improving customer experience by building a culture of customer centricity*
- Brand Strategy, Marketing, Communication, Customer Analytics, Digital Marketing - Including Performance Marketing, D-to-C with effective SEO, SCM etc.

Hired from diverse sectors

- Some of the hires in this role are from outside the Insurance sector - like Internet, FMCG, Banking etc.

Paradigm shift in customer expectations

- Evolving consumer behavior, advent of disruptive technologies, big data and an intensifying competitor landscape continue to create business pressures on the Insurers.
- Customers are moving from having “siloed” needs to having combined needs that they want satisfied through seamless, personalized service experiences.



Anthony Shaw,
Regional Chief
Customer & Marketing
Officer, Prudential
Corporation Asia.



David Schillmoeller,
GM Financial Services,
APAC, DataRobot
Former, Chief Customer
Officer at Prudential.



Conny Kalcher, Chief
Customer Officer , Zurich
Insurance Company,
Former VP BD &
Marketing at Lego Group



Theng Kiat Goh, Chief
Customer Officer, Prudential. (Has a strong background in
Marketing with Banks & FMCG
companies). Former CMO at
OCBC Bank



Sanjeev Kapur, Chief
Customer & Marketing
Officer (APAC incl Japan),
Metlife. Former Regional
Head of Marketing & Digital
Sales (APAC & MEA) at Citi

Chief Digital Officer

Evolved Role

- *In most parts an 'outside-in' role starting with customer; In most cases this encompasses digital channels & partnerships, Data/analytics, Web/Mobile products etc*
- The role focusses on creating an entire Digital ecosystem - Digital as a channel & business, Digital Innovation, and most importantly for activation, execution and implementation of large scale digital partnerships.

Hired at both Regional and Country level

- As most insurers continue to make progress in their Digital transformation journey, the onus of driving the transformation ceases to be the sole ownership of global teams.
- Increasingly, several insurers are creating the role of Chief Digital Officers, both at a regional level and more at country levels for implementing the digital agenda on the ground and fast tracking the digital transformation.



Hired from diverse sectors

- Due to shortage of digital skills sets within the industry, most of the hires in this role are from outside the Insurance sector - like Internet, IT, Banking etc.



AIA's Chief Digital Officer, Daisuke Iwase was the President & Co-founder at Lifenet Insurance, a Japanese online insurance company.

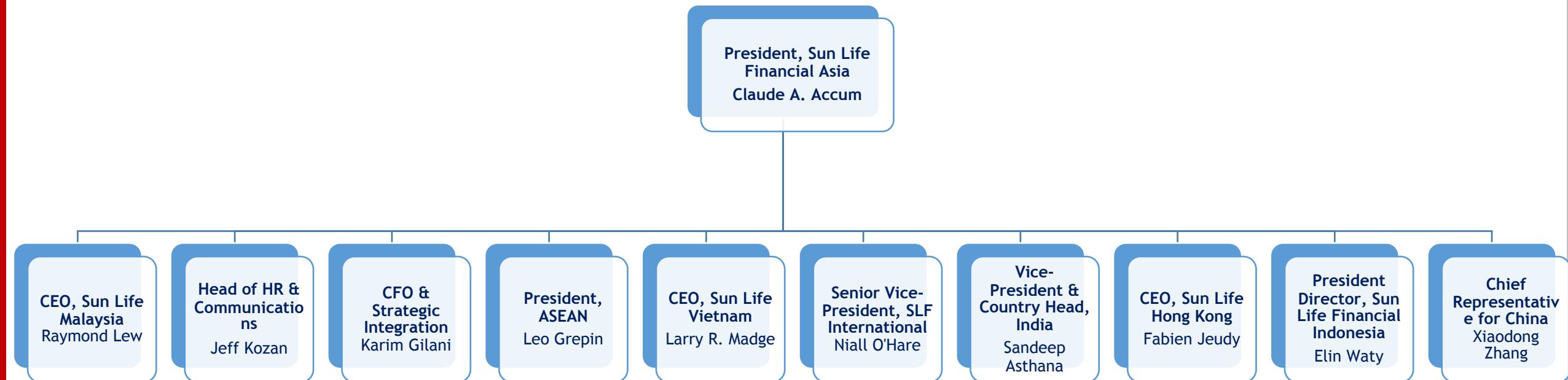


FWD's Group Chief Digital Officer, Ryan Jonghoon Kim, has been identified from Standard Chartered Bank.

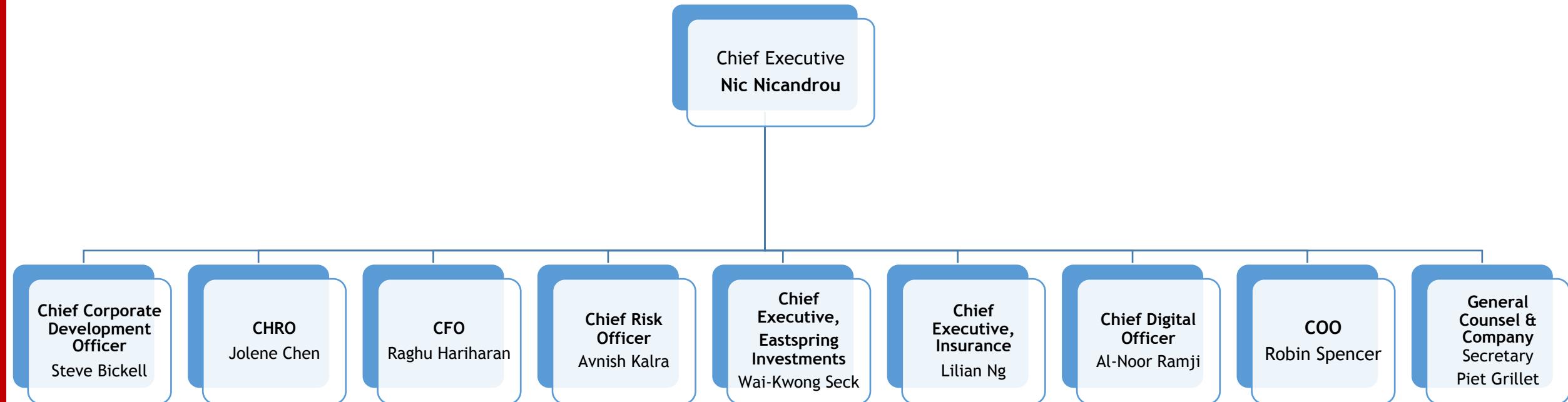
The Chief Digital Officer for Manulife Asia, Josianne R, comes from retail and banking background.



Organization Structure - Sun Life



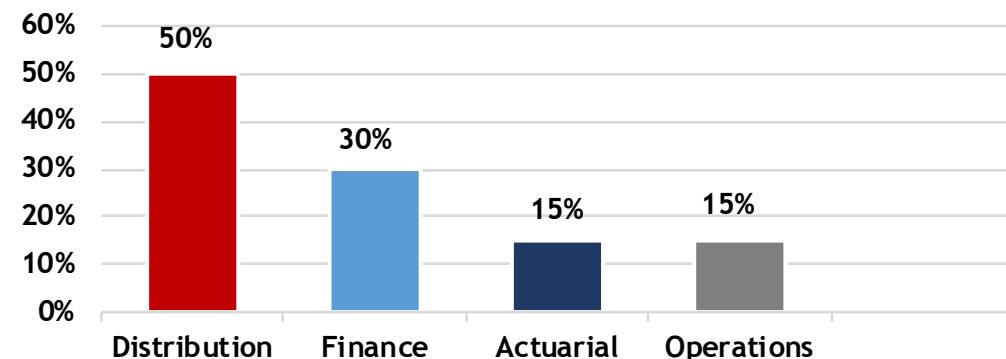
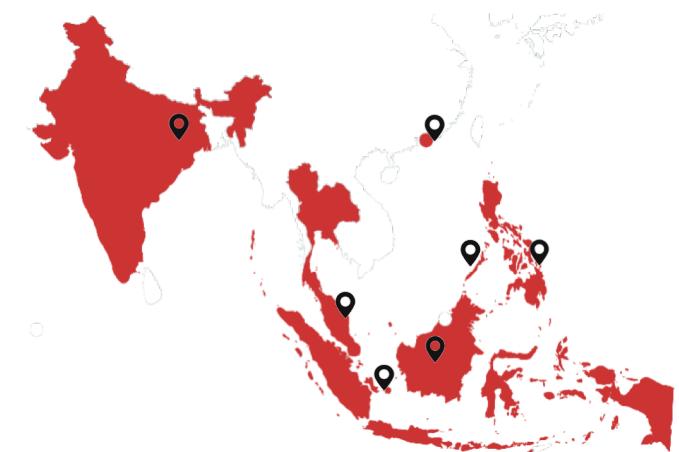
Organization Structure - Prudential Corporation Asia



Country Talent Trends

- Basis a study of leading MNC insurers across 7 Asian Markets, we found that over 70% of Country CEOs across insurers are of Asian ethnicity.
- AIA, Prudential & Sunlife have the maximum number of Asian origin, country CEOs.
- Thailand, Philippines and Singapore had the highest number of expat (Caucasian) CEOs across players.
- Thailand as a market had the highest number of women CEOs, followed by some representation across Hong Kong, Indonesia and Philippines.
- The country leadership teams across most markets comprised of 20-30% expat leaders and the balance team was made up of Asian origin CXO
- With regards to diversity ratios, almost 30% of the country leadership teams had women leaders in CXO roles (largely across enablement functions)

Representative sample of companies studied



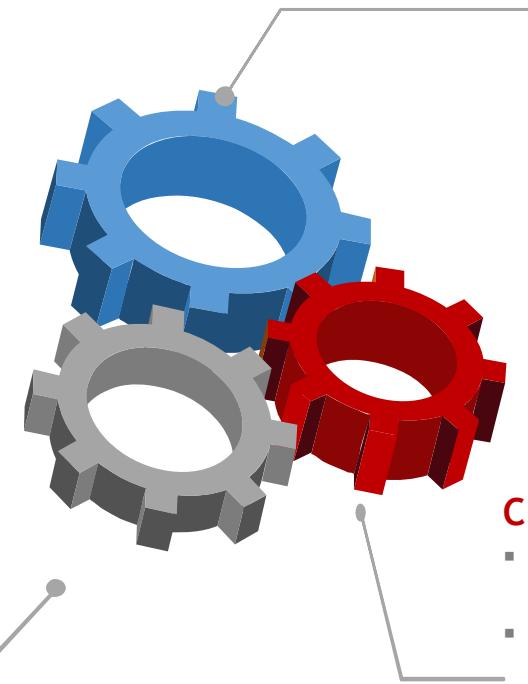
Markets : India, Thailand, Malaysia, Hong Kong, Indonesia, Singapore, Philippines

Talent Challenges for Asian Insurers

The insurance industry is in the midst of a “perfect storm”. The Asia insurance market is facing unprecedented levels of change , forcing insurers to take a hard look at their talent paradigms. Only those insurers who are able to address the talent challenges and build a future ready organization, can successfully adapt their business models to meet the changing demands of the market.

Lack of Sustainable Talent Pipeline

- Global insurance companies continue to send high performing leaders to Asia.
- However, there is visibly higher levels of turnover at globally rather than regionally headquartered insurers.
- There is a big gap between most Asia insurance CEOs and their team's capability
- Shortage of leaders is one of the biggest impediments to growth, and insurers are acutely aware of this risk.
- Focused action needs to be taken to identify, retain, and develop enterprise leaders who can successfully execute against an organization's strategy and vision.
- Urgent need to for insurers to invest in grooming and developing talent locally, particularly Asian talent at CXO levels, for ensuring a sustainable pipeline of talent for future roles.



Emerging Skill Gaps

- The advent of disruptive technology and rapid pace of change, has also resulted in several new skill sets which are much coveted and in short supply.
- Skills such as data sciences, advanced analytics are becoming absolutely crucial for the success of the business.
- Analytics have always been core to the insurance sector, however, with emerging technologies such as big data and automation, it has become even more fundamental to how businesses function and make decisions.

Closing the skill gap

- Imperative for insurers to build capabilities to address industry disruptors and trends
- They need to think beyond the traditional ways of hiring & grooming talent, and create innovative opportunities to target, attract and retain new age millennial leaders, who can drive the business agenda forward

Thank You