

# Will Asia leapfrog the global insurance industry?

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Willis Towers Watson China/Germany

# About the speakers



- **Evariste Yeung**

- Leader P&C insurance North Asia
- Focus on personal lines product development and pricing
- 20 years of experience in Actuarial and Underwriting across Europe and Asia

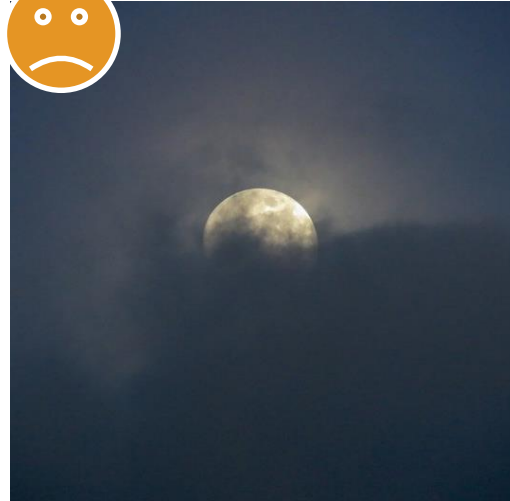


- **Karsten Wantia**

- Director P&C insurance in Cologne, Germany
- Formerly P&C Practice Lead Asia Pacific
- 15 years of experience in Actuarial across Europe, Asia and Australia

# Finally, a chance to insure your happiness

Over the moon during mid-autumn festival?



## A marketing-driven insurance product

- Global carrier had an innovative product idea
- One day personal accident insurance with maximum sum-insured at CNY100K (USD 13K)
- A parametric type rider – If the national weather broadcast station announced rainy or cloudy between 20:00 and 24:00 in the insured person's city, then claim payout would be made through Alibaba e-payment platform (payout around 2 x the premium)

**Chinese Regulator pulled the plug and on the product at the beginning of 2017**

# The how, the why, the what and what's next

Our program for today



How have the markets developed? And why?

What does the market look like now?

What's next and what does this mean for us?

People

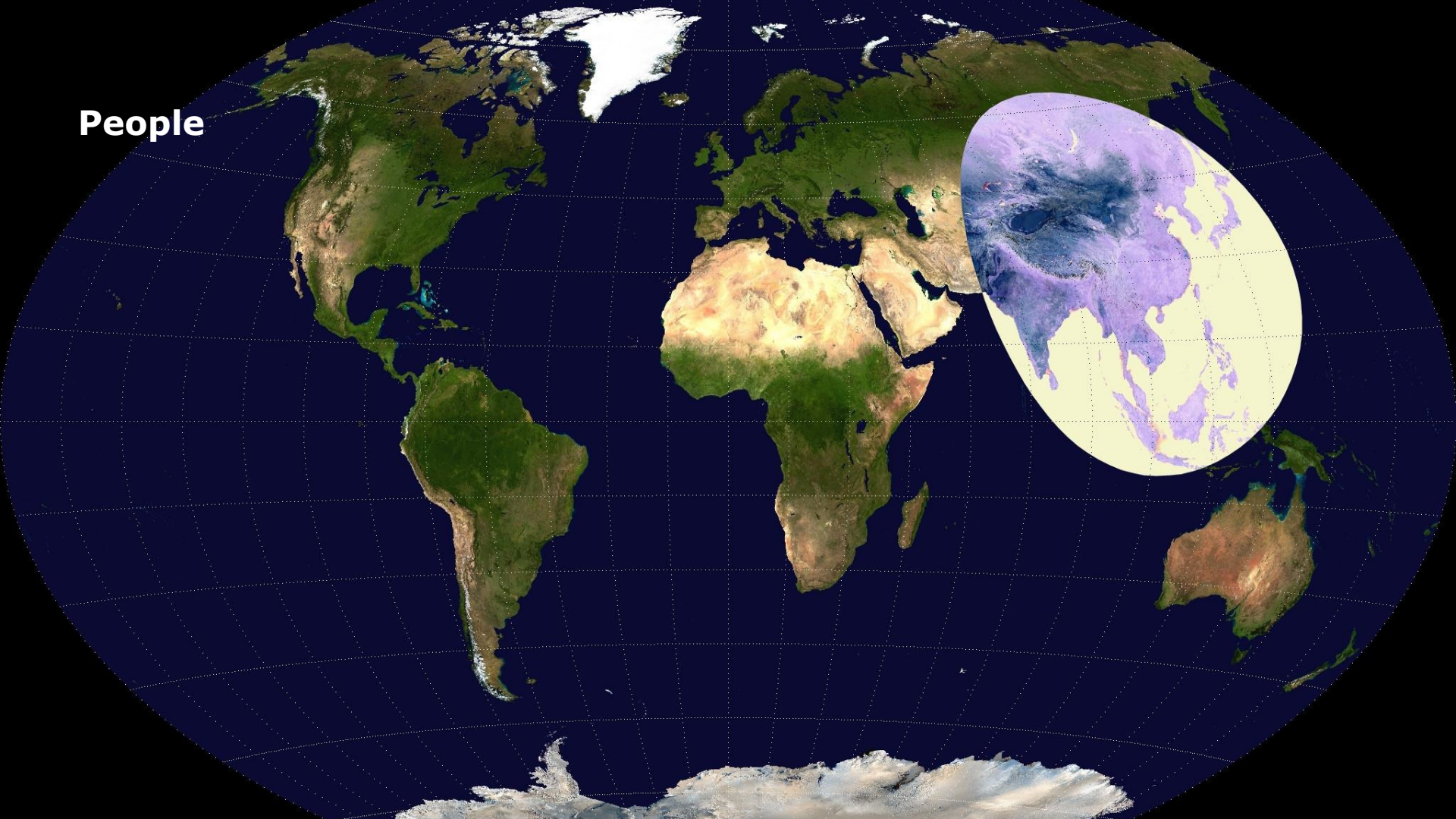
Capital

Technology

Three case studies

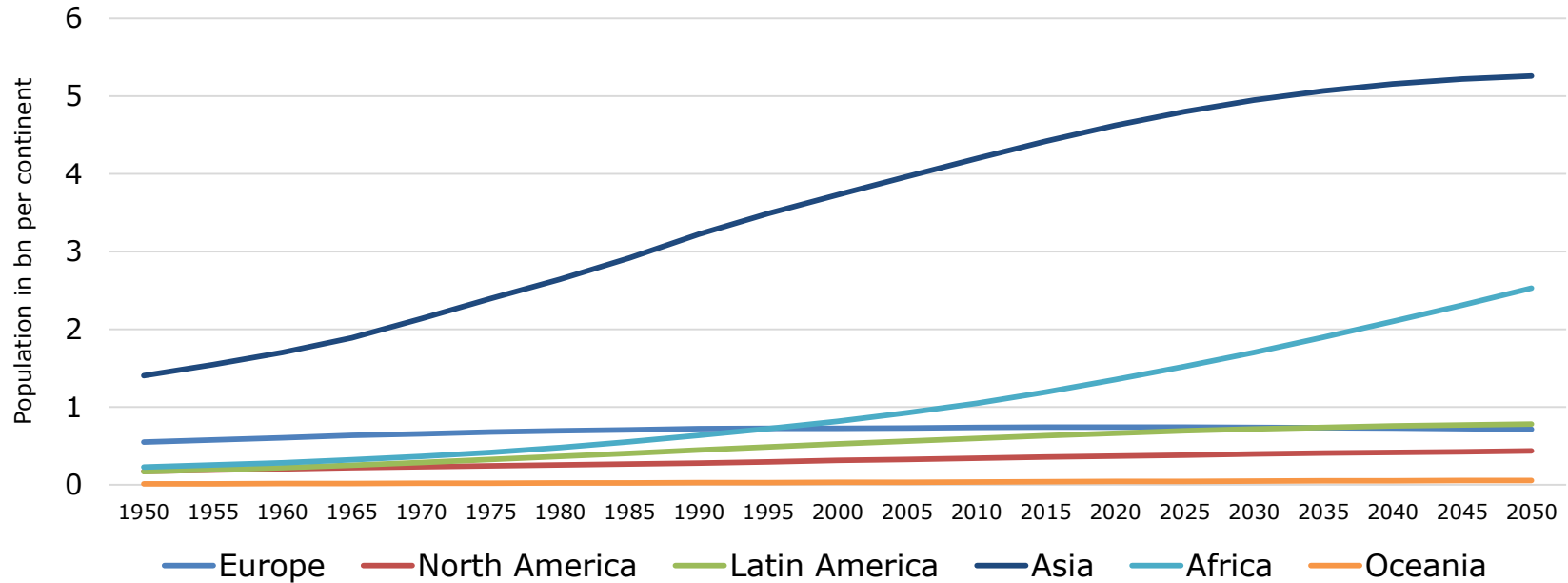
Will Asia lead in bringing the future of insurance?

**People**



# People

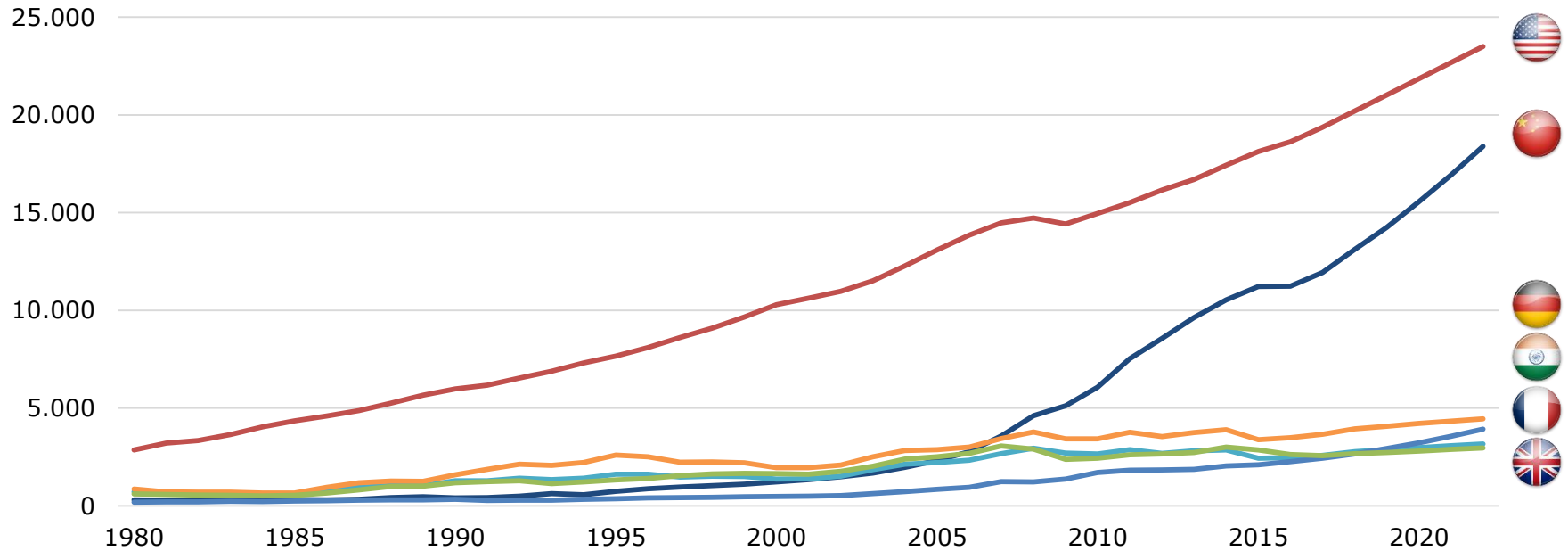
## Population development and forecast to 2050



United Nations World Population Prospects  
<https://esa.un.org/unpd/wpp/>

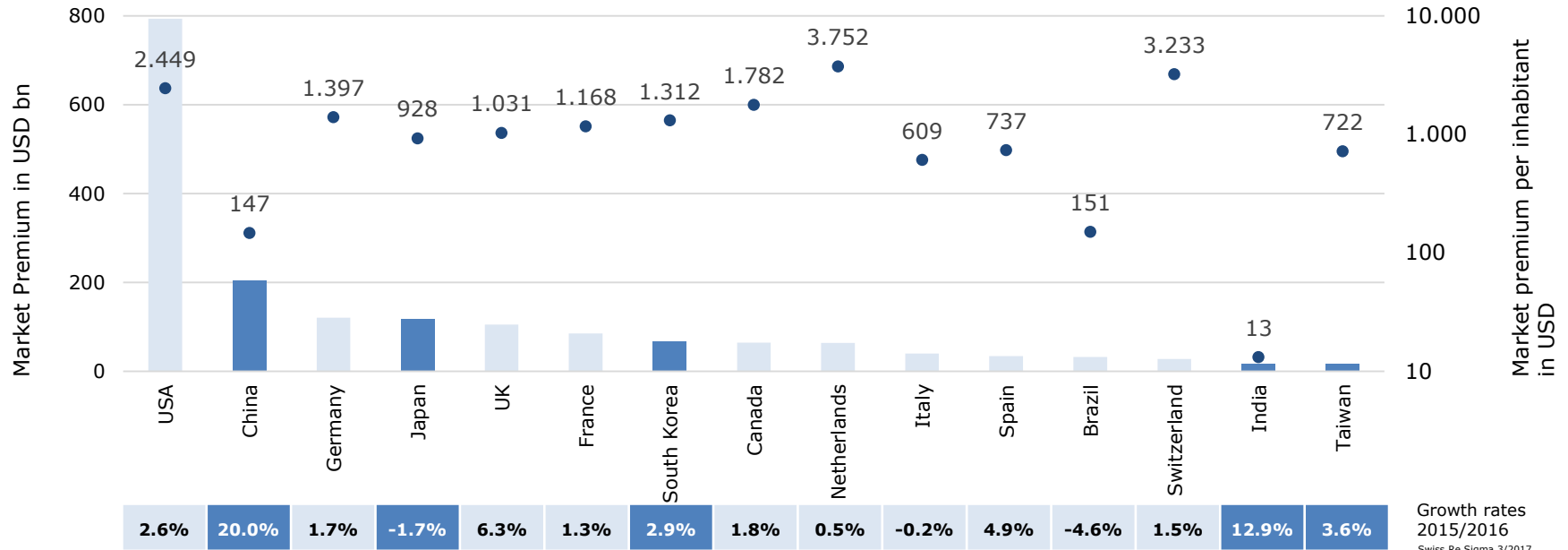
# Value creation is lagging, but catching up fast

GDP in USD trillion - with forecasts to 2022



# The spectrum of Asian countries in the global P&C market

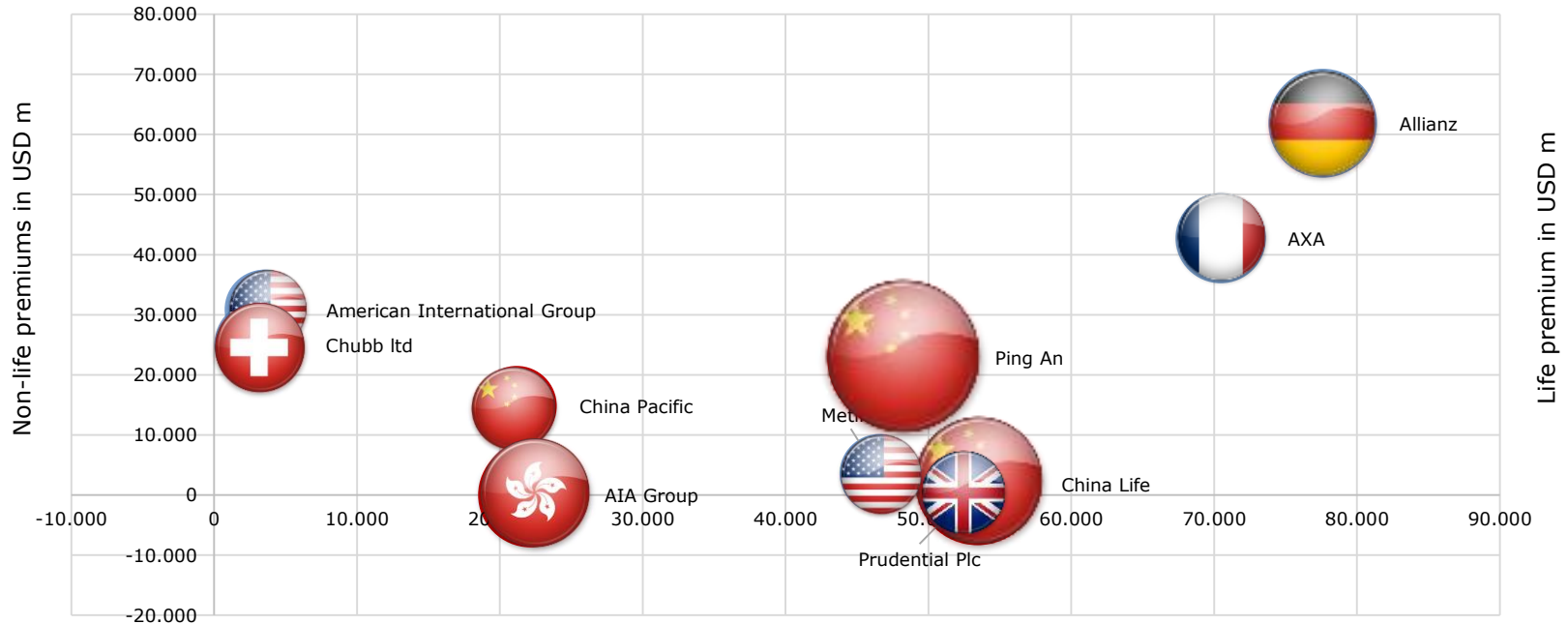
Market premium, premium per capita and growth rates in comparison



Growth rates  
2015/2016  
Swiss Re Sigma 3/2017

# The capital markets are on board

Global top 10 insurers in terms of market capitalisation



# Why are the new Asian markets different?

## Five key drivers

### Economies of scale

- Even niches are big
- Fixed costs versus unit costs
- Quicker amortization of investments
- Traditional growth takes too long

### Technological adaption

- 53% internet penetration, but 96% of them mobile
- WeChat with 924m active users, Alibaba with 529m
- Shopping is mobile

### Platforms and ecosystems

- WeChat offline pay: 93% in cities
- 83% use WeChat professionally
- Alibaba: turnover of USD 25bn in one day!

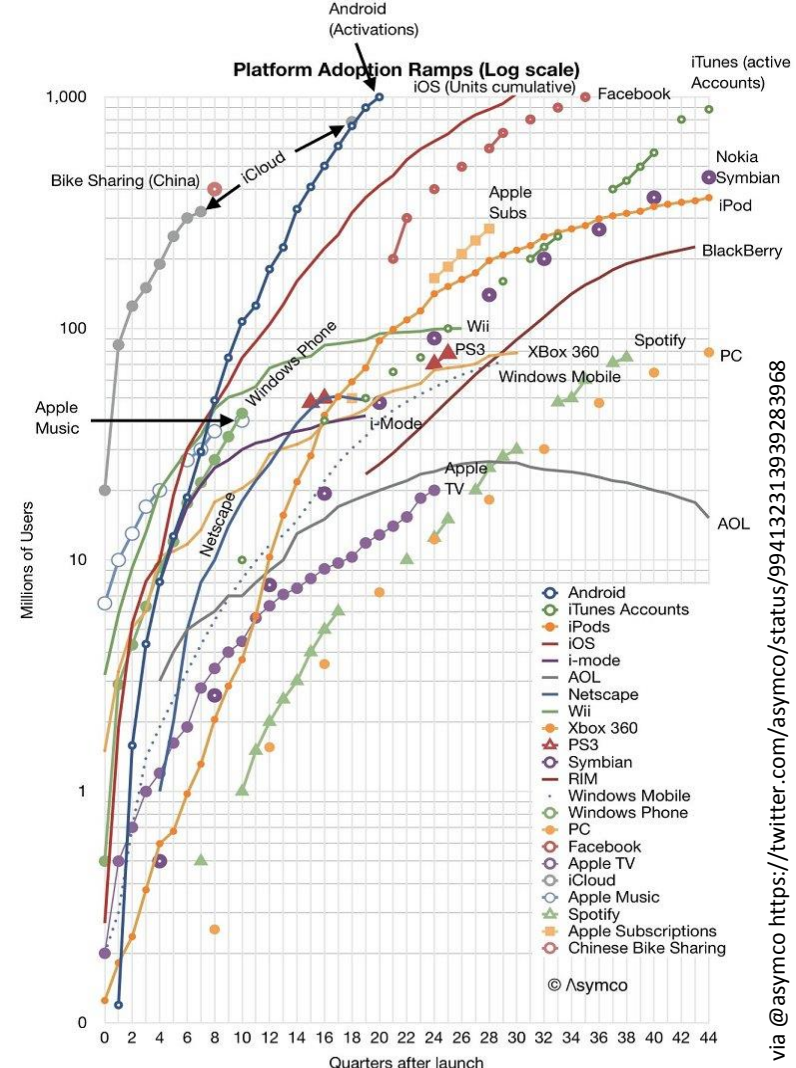
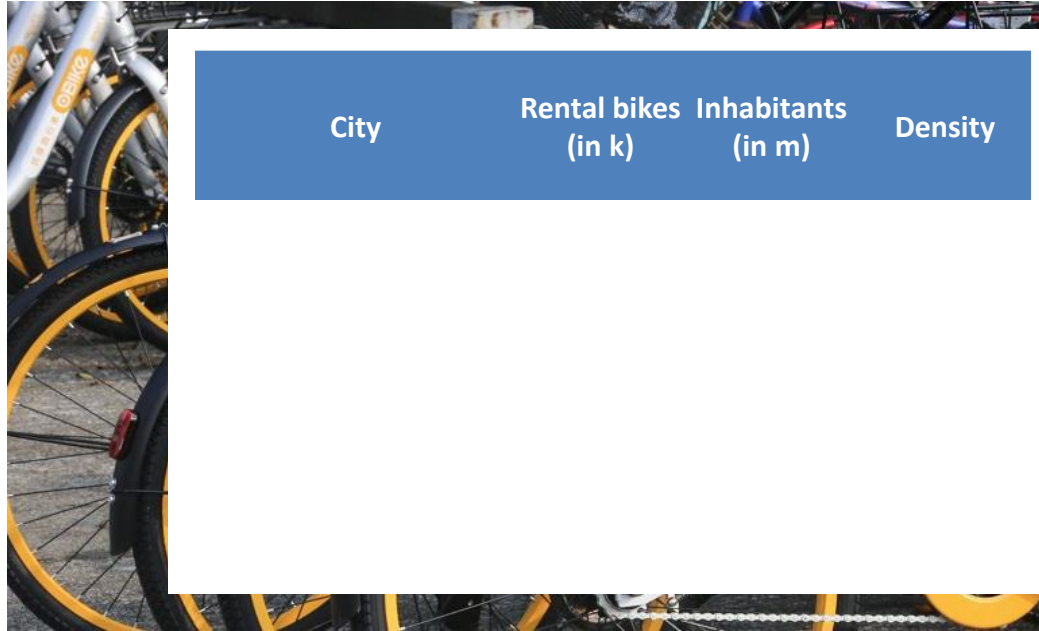
### Different needs

- Few compulsory insurance products
- Motor often dominant
- Little tradition of personal lines
- 80-90% of medical still paid out of pocket

### Less legacy constraints

- Less reliance on stability
- Little legacy "Old Economy"
- Less loyalty to employers and providers
- More dynamic changes in supply/demand

# An example for explosive adoption



## On the other hand: The markets tend to overheat



# Ping An – A short overview

## Structure

- The largest insurer worldwide in terms of market capitalization (> USD 180 bn)
- Founded in 1988 with focus on P&C
- Since the 1990s, expansion into all areas of financial service
- Listed in HK, but ownership structure partially unclear

## Figures

- € 130 bn sales in 2017 (H1)
- € 749 bn assets
- Approx. 140m customers, 370m online, 260m App-accounts
- Credit history of 65% of the Chinese population
- SKQ of 96.1%
- RoE of 10.6%

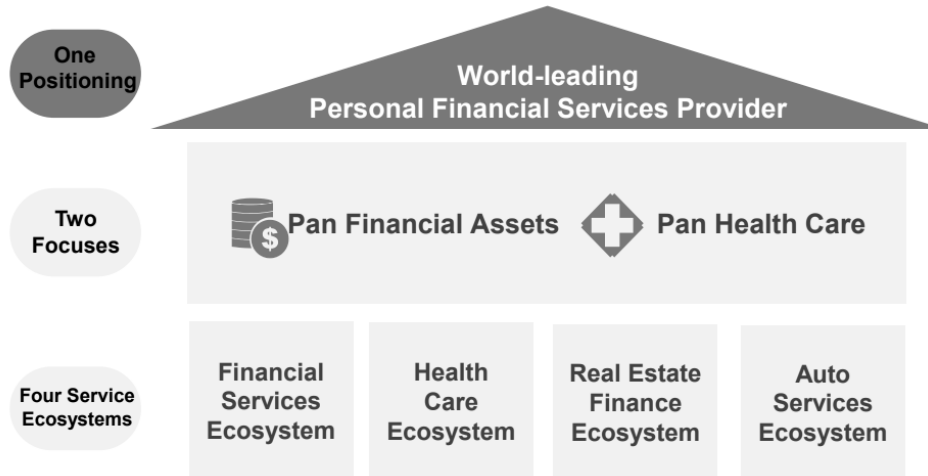
## Products

- Started as a retail insurer with a focus on motor
- Grown to a 360° financial services provider focusing on health and asset management
- Ecosystem owner for finance, car and health



# Ping An – Expansion by diversification and opening

## Ping An's strategy: A World-leading Personal Financial Services Provider



## Technology-driven expansion

- Largest asset management platform Lufax
- Platform for car dealers and car services
- ALM platform for regional administration
- Private and corporate loans

# Ping An – Expansion by diversification and opening

## From proprietary to open

- Individual and institutional investors
- Open to products from other insurers and asset managers
- More than 200 banks on board
- App first, open APIs, FinCloud

### Ping An 1.0



Self-operated  
model



### Ping An 2.0



Open  
marketplace



### Ping An 3.0



Integrated Finance + Internet  
Internet + Integrated Finance

Open platform  
+  
Open marketplace

# Zhong An

The three Ma's founded China's first online insurer



阿里巴巴   
**Alibaba.com**

E-commerce  
**Jack Ma Yun**



**Tencent** 腾讯

Social networks,  
e.g. WeChat  
**Pony Ma Huateng**



中国平安  
**PING AN**

Financial Services  
**Ma Mingzhe**

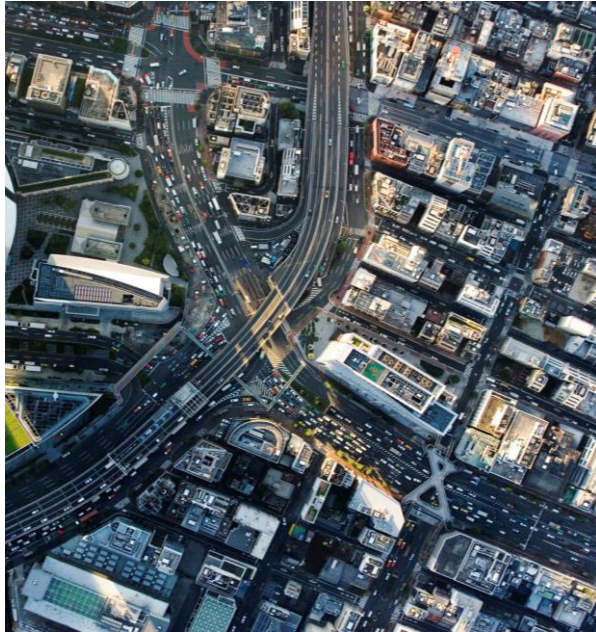
## Insurance with incredible economies of scale

- 2013: Start with shipment insurance
- Customer interaction only online
- More than 180 sales partners, more than 240 products
- Try-and-fail approach
- Integration in all important online ecosystems
- More than 7.2 bn policies, of which on Singles-Day 13,000 per second

众安保险  
ZhongAn Insurance

# Zhong An – an insurtech unicorn?

Unique, quick and flexible – but depending on partners



## Size and speed

- Impressive scaling - with largely self-developed stack
- Unparalleled speed (product design, pricing)
- Easy integration into all relevant e-commerce platforms
- Innovative and efficient customer interaction (Chatbots, covers with immediate payment)
- Growth also in more traditional sectors

## Role in the value creation

- Underwriting not (yet) profitable
- Restrictions by the service model
- High costs for technology
- 86.5% platform business, 68.5% deriving from the top 5 business partners
- Who will „own“ the future customer?
  - "Lifestyle covers" vs. existential risks
  - Competitions through the platforms
- Regulatory environment is not stable

# Do-it-yourself weather insurance

Technology meets business acumen in new ways



中国天气 预报 雷达 云图 临近预报 专业产品 资讯 生活 交通 产研平台 北京站 更多

天气保险 首页 行业资讯 创新技术 精品推荐 政策法规

## 自己定制自己的天气保险

DIY your own weather-insurance

天气保险 + 保险服务

一分钟定制您的天气保险 随时随地避免天气变化造成的损失

- 善用大数据，设计农业巨灾保障方案
- 你想要的台风保险来了！！
- 黑龙江财政专员办：我国农业保险发展现状及思考

精品推荐



中国首个台风保险案例



合作伙伴



## From data to insurance revenue

- Monetisation of data assets is more common and integrated
- In this example, weather data collector directly provides an API for insurers
- In the past, regulation on use of personal information more lax than in the west

# Summary

## Asia remains the engine of the world economy

### More than 60% of the global growth

- Generates consumers, assets and need for protection
- Global insurance market will shift along the macro developments

### China will continue to lead

- Mass affluency and changing needs
- Near infinite financial resources and ambition
- Regulatory environment may be a challenge

## China as an testing ground for new business models

### Speed and scale of innovation

- Less inertia in consumers and insurers
- Environment will be difficult to replicate in mature markets

### Ecosystems dominate

- A world of digital market places?
- Who will be owners, partners, dependents?
- Trend is inexorable globally, but pace is different

## What should the rest of the world do?

### Watch and learn (fast)

- Regulatory, political and cultural hurdles will prevent global roll-out
- Business models might still be replicable
- What happens when growth slows down?

**Thank you very much for your attention!**



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**Thank you very much for your attention!**



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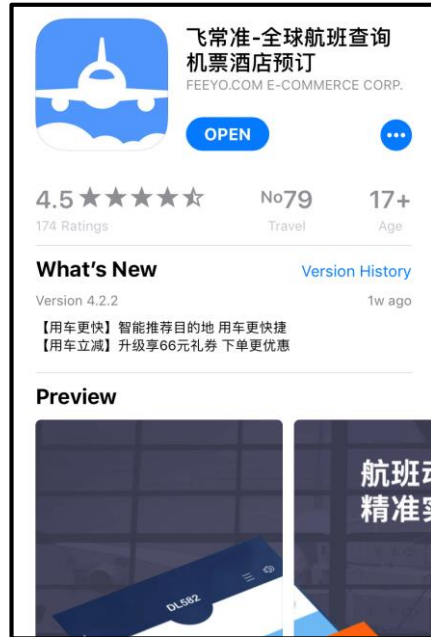
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# Leverage big data for parametric insurance

From an app for flight delay early warning system to flight delay insurance



**A Chinese app called “Very Accurate” were developed and soon gained popularity among frequent flyers in China. As China flight times were notoriously inaccurate**

## The app’s main attractions

- Users can check the latest flight schedule, often times updated well before Airline companies
- Users can check previous 7 days flight schedule accuracy, influencing users’ purchase decision
- Various airport traffic information and weather related information
- All basic information is provided at no

# Leverage big data for parametric insurance

From an app for flight delay early warning system to flight delay insurance

After several years of operation and attracting a sustainable size of customer base the app started to branch out to various fee based service, including flight delay insurance

## The main ingredients:



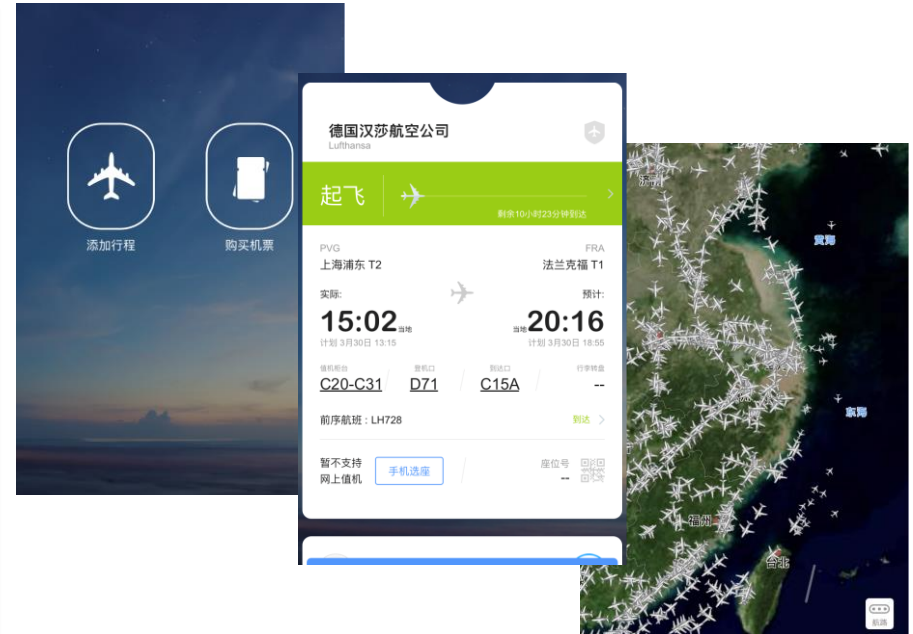
A sustainable and returning customers base



Big data that are reliably and objectively available



A business partner that understands and willing to underwrite the risk



## Enough growth for everyone?

Does a rising tide really lift all the boats?



Between 2015 and 2035,  
**320m** additional vehicles  
are expected in **China** –  
compared to **40m** in the **US**