

Innovating insurance: the Tokio Marine difference

James Tan, CEO of Tokio Marine Life Insurance Singapore, believes the future of insurance is in innovation and creating financial products that really meet the needs of the client - not just following the competition. Here, he talks to Hubbis about how innovation is driving their product expansion and business, plus what lies ahead for them over the next 12 months.



Executive Summary

As a stalwart of finance, James Tan brings an intricate knowledge of the insurance industry. During his first 24 months as CEO of Tokio Marine business in Singapore, innovation has been at the heart of his strategy to drive the business forward.

And as one of the biggest insurance company in Japan, its ability to think different from the crowd certainly stands out. The latest product launch is **TM Apex VIP** which Tan crowns the new smartphone of insurance.

Aimed at high-net-worth (HNWI) individuals looking for death benefits that require no medical checks is just one product that's turning the insurance world on its head in Singapore.

But Tan has an insatiable appetite to provide market-led products and not follow the crowd. This has resulted in a disability product called **TM Protect 1** – which triggers a claim payout when the policyholder is unable to undertake just one activity of daily living (ADL). In the market, the norm is to pay disability benefits only upon the loss of ability to perform 2 or 3 ADLs, which makes TM Protect 1 the only product that starts paying a claim upon the first ADL.

Now he's got his sights on the investment market. It's all part of a strategic move to pivot towards protection and investment products while maintaining its market leadership as a strong participation policy product provider.

These are interesting times for Tokio Marine, with a CEO who dares to be different for all the right reasons. Whether it's coming up with new product to meet client pain points or introducing chat bots for next generation insurance provision, Tan is driving that competitive edge under the company's creed that profits are a 'natural progression of doing the best for customers, employees and society'.



ESTABLISHED MORE THAN 130 YEARS AGO - Tokio Marine Life Insurance has the proud title of being the first insurance company in Japan. Today, it spans 38 countries and offers insurance products that cover marine cargo, engineering, personal and life.

After 24 months in the role of CEO, James Tan has overseen the innovation of the business' latest product which boasts what he describes as 'the new smartphone of insurance'. It's no small claim.

Launched in July 2018, **TM Apex VIP** is a single premium US dollar investment-linked policy with a few differences. Firstly, no health assessment is required. Secondly, it locks in the highest

address these problems - is what ultimately led to the launch of TM Apex VIP.

It required innovative thinking including how to avoid medical underwriting and the additional loadings and charges. The second problem is the charging structure, says Tan. There is a premium charge, including the actual mortality charges which are part of the ongoing costs.

"On top of that, it's also linked to potentially premium financing. You've got to collateralize the product and work with the bank. This product that we have has a very simple charging structure. It's one single main charge, and then one asset management charge, and that's it. You divide

“A difference between this and a mutual fund is that if anything happens to the policyholder or investor, it is the fund value that gets paid off. In this case, this monthly lock-in is a better proposition for the customer. It sits somewhere between a really high death benefit and a pure investment fund.”

monthly value throughout the lifetime of the policy as death benefits, that is, in a worst-case scenario, Tan says, you get your original investment back.

Understanding customer pain points

With Universal Life being pretty much the only offering in the HNWI space, there was a definite opening in the market. The issue Tan says, is that these products have 'got quite a number of moving parts'. Understanding client pain points - and having spoken to bankers, brokers and agents to figure out how to

it over 12 months, that's what the customers pays. Period. Simple," enthuses Tan.

Locking in upside gains

Another plus point is making sure the customer enjoys the upside gain of the investment but also has a downside protection. "We made this product 100% allocation, so every single dollar that you invest goes into the product itself. There's no 5% bid-offer spread. There's no additional charges on the upfront fee. Nothing."

The downside protection, he says, has been carefully designed with their reinsurer which is one

Key Priorities

Tan says he has three core priorities for the year ahead. Firstly, he aims to gain traction for its TM Apex VIP solution that provides death benefit to HNWI individuals. Tokio Marine will push volume for the new product through all channels including agency sales force, selected FAS, alongside selected banks and brokers.

Secondly, it plans to launch an additional regular premium investment-linked plan by Q1 next year. Tan promises that it will be another very interesting proposition to meet the needs of affluent and HNWI clients, wherever they are based. It has been designed for clients flying across the region to come to Singapore and purchase the product.

Finally, Tan wants to continue to focus on providing more choice to HNWI clients than the current Universal Life offerings, taking a needs-based approach. In line with their shift in strategy this is likely to be protection and investment products.

of the larger asset management companies in Europe [Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München ("Munich Re")]. "What happens is that we talk about the upside gains on the front, 100% being realized. The downside protection is that it



JAMES TAN
Tokio Marine

has this locking feature, so every month it is captured as a certain policy value. It locks that in if it goes up.”

This means, Tan says, that ‘you’re guaranteed to never lose your money’. He continues, “Pick the highest point, that’s your death benefit. You hold the policy for 10 years, you’ve got 120 data points to pick the highest value.”

One simple, innovative product

The beauty of TM Apex VIP is its simplicity and flexibility. “You can withdraw your money at any time. You can do partial withdrawals. The death benefit will be reduced proportionally. But despite the reduction, the policy value will continue to grow, so it’s a very powerful proposition. It’s a simple charging structure, very transparent. Upside gain of investment, downside protection, that’s the death benefit. It’s all wrapped into one very simple product,” says Tan.

Tokio Marine is effectively competing in a league of its own. “We don’t necessarily see this

as a head-on competition with Universal Life products. I think we developed this product to complement what’s already out there. There are some customers who’s looking for pure estate planning, 100% estate planning,” he comments, highlighting the fact that the product specifically addresses the challenges of wealthy clients with health conditions who may be precluded from a favourable quote or policy.

This separates it from what’s already out there in the market making it an attractive option for some. “A difference between this and a mutual fund is that if anything happens to the policyholder or investor, it is the fund value that gets paid off. In this case, this monthly lock-in is a better proposition for the customer. It sits somewhere between a really high death benefit and a pure investment fund,” explains Tan.

“If you buy a term policy, obviously you need to go through medical underwriting. You do have some companies who offer non-medical (underwriting), but those are quite low amounts. That’s one thing. In term products, you have no cash value as well. You buy a separate investment fund, and it’s the same thing. You can have the funds invested into this instrument, but at a point of demise or death, it is that computational value of the funds. It isn’t logging anything. This kind of combines both plus no medical underwriting”

New avenues, better balance

TM Apex VIP is just one of several products in the pipeline. Tan explains, “We’ve gone through a strategic process to evaluate our overall product mix. We have been known to be a PAR product provider (which refers to participation policy product provider), for some time, so I think it’s important for us to strike a better balance.

“For the last year, we’ve been making that strategic pivot towards protection products and investment products. The first phase of our transformation is about moving into protection products, which we talk about term, disability income. We have this product called TM Protect 1, which is the first product in Singapore that will pay out claims if you are unable to perform just one activity of daily living.”

“We’ve got to come up with something with a little bit of differentiation but still it’s innovative and it’s also a value proposition for the customer.”

All competitor products require the claimant to be unable to do two activities to receive a pay-out.

“It’s the first of its kind. The reviews are great,” enthuses Tan. But he is keen not to stop there. “Phase two of our transformation is launching investment products,” he muses, explaining that Tokio Marine’s strategy is to look to market need and not to blindly follow competitors.

“We’ve got to come up with something with a little bit of differentiation but still it’s innovative and it’s also a value proposition for the customer,” he says.

Digital initiatives

It's certainly been a busy 12 months and Tan is keen for the business not rest on its laurels. In addition, to creating market-led products, Tokio Marine has also been busy on the technology front with a series of digital initiatives. "We launched the industry's first AI chat bot in Singapore," says Tan - which they've continued to improve on ever since.

"I'd like to say we're one of the more progressive companies out there when it comes to AI chat bots. We continue to innovate, and we continue to make sure that the chat bot serves a very good purpose for the market.

"We also did a couple things with the chat bot," he continues. "The Protection Gap Study that was published by LIA a couple months ago; as the advisor on this particular project, we were able to look at that, understand what the gaps are, and we've been doing a lot of internal and external communication to raise the awareness of this protection gap for Singaporeans.

"What we found in Singapore is that the mortality gap is still at 20%," says Tan. This time round he says they also added in a critical illness gap. "

That is a whopping 80% gap for Singaporeans. Together with The LIA, we are going out there to raise the awareness because people need to have adequate protection cover.

With the rising medical health costs that's happening everywhere, it's important that we simplify protection coverage for the public."

Tokio Marine - At a Glance

As one of the world's most globally diversified and financially secure insurance groups, Tokio Marine is Japan's largest insurer with around US\$204 billion in total assets and close to US\$32 billion in market capitalisation (as at end of March 2017).

The firm prides itself as a customer-first organisation creating market-led products. Working with a broad distribution network based on multiple

partnerships, joint ventures and collaborations with agency channels, brokers, intermediaries and banks, Tokio Marine provide a range of policies for marine cargo, engineering, personal and life.

It focuses on eight areas of financial need, including education funding, wealth accumulation, wealth enhancement, living with impaired health, income replacement, retirement funding, legacy planning and business continuation. ■

Getting personal

James Tan has held the position of CEO of Tokio Marine since June 2016. A veteran of finance and insurance, he has more than 20 years' experience in the sectors. His career includes ING Asset Management, First Union Bank (now Wells Fargo), Standard Chartered Bank and AIA, having worked across the US and Asia and sitting on the board of several financial firms.

A former tank commander and production analyst for a polyester fiber manufacturer, Tan holds an undergraduate degree and masters in actuarial science from Georgia State University and an MBA from the University of California at Los Angeles (UCLA) and an MBA from the National University of Singapore .

He is currently the deputy president of the Life Insurance Association (LIA) in Singapore, an advisor for the Protection Gap Study, and the advisor for Tokio Marine's Actuarial Subcommittee and its newly formed Digital Subcommittee.

The focus on innovation and the future of insurance is at Tan's core. "With digitisation at the forefront disrupting the Financial Industry, we need some level of representation for the Life Insurance Association because there are so many things going on. There are projects or activities that we can work together as an industry to benefit consumers."

Alongside his devotion to supporting the industry, Tan also likes to spend time with his wife and three children, aged 15, 11, and 9, as well as working out when he can.