

Riding Asia's Wave, Keeping the Focus and Being Relevant

Mark Saunders, a member of the group executive committee and chief strategy & corporate development officer for AIA Group, has enjoyed three exciting and productive decades in Asia. There are few business leaders in the region today with his broad perspective on Asia's dramatic growth, and of the growing role that insurance is playing in people's daily lives. He met with Hubbis to outline some of the critical developments he foresees for the insurance industry and to delineate some of AIA's central strategies to stay ahead of the pack.

SAUNDERS BEGINS BY FOCUSING ON technological and digital developments and how they can impact the AIA business, AIA's customers and its people. "In setting our strategy, we looked at how the world may change, how people, and so our customers, may change, and as far as game changers go, technology is by far the most dynamic driver of the fast-paced change we are currently experiencing in the world. Our strategic approach to prepare for the now, what's next and what's after what's next, has been to consider three horizons: base, base-plus, and future proofing, three different stages, depending on the level of maturity of our various businesses, their markets, and various aspects thereof."

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As to the more basic improvements, Saunders explains that technology and digital can drive operational efficiencies across the business and all aspects of the back office through process automation and development of technological tools. "For example, we set ourselves an aspiration of becoming 'paperless' within three years to the extent possible, although noting that some regulatory regimes still require hard copies and wet signatures. The goal in this regard is not actually driven by becoming paperless per

se, or sole focus on cost reductions, it is really about efficiency, automation and improved service and experience."

Saunders elaborates, explaining that the associated step is to increasingly utilise advancements in machine learning and artificial intelligence, for example for relatively fundamental tasks such as processing claims and, in general, improving customer and employee experience.

AI to free up human involvement

"When I say cost is not the most important motivator, I mean that if we can use machines to do the more mundane tasks, we can actually have people's time freed up for the tasks requiring more human skills. In the area of claims pro-

cessing, some aspects of which are currently relatively manual, we might require fewer people for those tasks and free those to actually connect to customers who are suffering and who need claims expedited and genuine care. The machine can do the processing, and the people can connect with the customers on a human level, possibly for example, in the case of illness, to go and visit them in hospital or through the case management journey and provide counsel and support, to make the whole experience far more posi-

tive for everyone. Much of the current processes are typically too impersonal."

The result of what would be a considerably more empathetic approach and a more human connection to clients and their families should, Saunders believes, result in positive customer experience which in turn should lead to improved retention and more new business resulting in sustainable value-creating growth.

Boosting agent capacity

Another advantage of technology, he explains, is to further enhance the skills and efficiencies of the distributors. With better technology, our distributors can sell even better, they can handle the regulatory requirements even more efficiently, governance is improved, and AIA can provide more support and has greater influence and control over the whole sales process to the extent necessary. This can include supporting and monitoring how the distributors assess customer needs, then match those to products and services, and even getting ahead in terms of propensity modelling and predictive modelling.

"On this last point," Saunders elaborates, "the experienced agents currently think forward in their head as to what the customer next needs and they do this very well, but technology can help, for example it can act as a reminder, a prompter, it enables a more robust, systematic and structured process."

Improved efficiencies and greater customer engagement, as well as the drive to enhance the skills, professionalism and capabilities of the distributors should both then naturally lead to step three.

The AIA future-proofing lab

“The third frontier,” Saunders explains, “is what we call future-proofing, so we are testing out protocols in safe environments via sandbox type approach, for example testing out what might happen if business was conducted through technological interface, direct digital, through mobile in the future. Will that possibly happen? To date we’ve only seen isolated and fragmented cases, but none really proven materially commercially viable or at scale, but that doesn’t mean it never will succeed, so, we are testing it out in a ‘safe’ environment. In any case we need to be

to the customer’s emotions, providing professional valuable counsel and advice, detailing why they need life insurance and what good it can do, that is much more powerful than the rather non-human interaction that people may achieve from the digital interface as things stand at the current time.”

“However,” he added, “linking to my earlier comments on AI, we are not complacent as there are fascinating technological advancements, for example, in applications of facial coding such as ‘Emotion AI’ which focuses on emotion recognition technology where ultimately, through AI, machines could potentially have empathetic

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relevant and be able to provide omnichannel access and service to customers.”

Saunders elaborates by explaining that life insurance still requires humans explaining the concept and realities to other people. “It remains today about human touch,” he says, “the old adage that people don’t wake up in the morning thinking they want to purchase life insurance still rings true so they need to be encouraged to act, and by appealing

interaction with humans. Clearly, if successful, that paints a very interesting picture of the future with myriad implications that we need to be prepared for.”

In his multi-faceted role at AIA Group, and given his three-decade working life to date in Asia, Saunders has a remarkable perspective on the growth of the region and of AIA’s positioning. It seems little wonder therefore that he is responsible for the group’s strategy, M&A,

corporate development and transactions and groupwide corporate solutions (including employee benefits) as well as its healthcare businesses.

Vast opportunity still beckons

Saunders surveys the landscape in Asia. “The opportunities are immense,” he reports., “We are riding those structural waves of growth, which include of course demographics, faster-growing populations than the G7 countries combined, rapid urbanisation and private wealth creation increasing faster than the G7 combined. The result of all this is a rising need for insurance to preserve wealth, to maintain lifestyles for themselves or loved ones, for financial protection in the event of death, illness, accident, and general uncertainty.”

Saunders adds that social welfare support in Asia is only about 16%/17% of the G7 countries and the mortality gap is literally trillions of dollars and growing. “We quote the Swiss Re figure of USD72 trillion as the mortality protection gap, that is what people are deemed to need in the event of death against what they have in terms of savings and assets available. It could actually be even higher, perhaps USD100 trillion or so and while AIA is the biggest across our markets, our total sum assured is ‘only’ just over USD1.5 trillion, so there is a truly vast opportunity and responsibility.”

Staying focused on the target

Saunders extrapolates from all this opportunity - market and technology driven - to remark that the biggest challenge faced in Asia is simply therefore to be focused and to execute supremely. “That is exactly why AIA has succeeded,” he reports,

Key Priorities

When asked to name 3 priorities, Saunders reports without any hesitation. "We must continue to deliver on our distinctive and differentiated value" is his first named priority for driving AIA's strategy forward in the foreseeable future. "We must keep building, further professionalising and enhancing our distribution capability, all of which have long been key strengths of AIA."

He elucidates on the word professionalism. "To me," he explains, "this means maintaining the distribution, our agents, as professionals, not part-timers. We need full-time people making a career out of life insurance and meeting the needs of customers. Take China as an example, where our agents are largely very highly qualified, smart graduates. Being an agent with us offers a full-time career with good remuneration, where people can be highly entrepreneurial and generally drive social impact and do good."

Saunders' second named priority focuses more acutely on propositions. "We want to enhance our customer offerings," he reports. "AIA is the leader, dare I say it, in the evolution of the life insurance industry, and we want to move beyond being transactional to service-orientated value-add; truly becoming a partner for life of our customers. For example, we want to challenge the norms, to demonstrate that we keep people healthier for longer. To successfully do this we need to build an eco-system of partners to help people on all steps of the health journey through predict, prevent, diagnose, treat and recover stages. So, for example, we have our 'AIA Vitality' programme, which utilises behavioural economics to encourage better lifestyle choices driving long term behavioural change to help people maintain healthier, longer, better lives through improving their physical and mental well-being and of course their financial security by integrating with our protection products. People being healthier for longer is good for them, their families, their employers, our business, economies, and society at large. Improving the wellbeing of people is a pure form of creating shared value."

Saunders' third named priority, and he stresses all three need to run in parallel, centres on embracing new technology, digital, and innovation. "We have to change our mindset," he observes, "to become more agile. We have to accept that in this fast-paced world of change certainly not all technology that we are going to implement is going to be cutting-edge forever with the advances out there. Accordingly, we must change our approach to investing in technology, to see it as an area of continuous investment, partnership and continuous improvement. Our ability to innovate in this space is key to us achieving sustainable value-creating growth and future-proofing our business. That is a bit of a mindset change I think for many organisations and one that we are embracing." ■





MARK SAUNDERS
AIA Group

“and that is why I say the biggest challenge is staying focused and executing well, as we know that not everyone successfully does that.”

Amongst other challenges, Saunders acknowledges increased levels of competition but notes that none have yet found what he describes as truly differentiated and distinctive way of creating value. “We are leaders at what we do and enjoy robust operating experience and a relatively low expense ratio” he adds,” and at the current time we do not see any material squeeze on levels of margins.”

However, margins are not really what AIA focuses on, he

clarifies. “We look at the overall absolute value that we are creating. That’s value for our customers, our partners, our distributors, employees and shareholders. Indeed, consistent with our corporate purpose of creating societal and economic value. For us, as life insurance is a long term business with profits emerging over time, it is the VONB - the Value of New Business - number that is our key metric, as that shows us the present value of the future profits that we believe, based on our best estimates, will, in reality, be generated over time from sales that we make.”

Still motivated, still optimistic

Saunders closes the discussion by defining his motivations at AIA. “This is a major organisation with a great platform, capacity, tremendous foundations and people, and the opportunity to make a difference,” he comments. “The biggest social and economic issue facing the world today is ageing, and paradoxically the potent combination of ageing and ill health, with people making too many poor lifestyle choices. We can keep people alive

a lot longer now, but we can’t necessarily keep them healthier, so people have longer lives and massive challenges for their well-being and their savings. We’re facing the unattractive potential future of substantially more elderly people in poor health for many many years and likely outliving their savings. Old, ill, running out of money and becoming an unbearable burden. Nobody wants that!”

This somewhat worrisome picture of the future of the world needs tackling head-on, he concludes. “The AIA Group has the platform, foundations, the people, capacity, presence and the potential to start doing something about that and one of my biggest passions here is helping AIA to be part of this worthy evolution of our business. Aligned with my involvement with industry committees, charities, NGOs and governments, we are aiming to make a real difference by equipping people with the knowledge, tools and providing the encouragement for them to make the right choices to be healthier for longer with brighter futures and live healthier, longer, better, wiser and financially more secure.” ■



Getting Personal

Saunders hails from Hereford, close to the Welsh borders in England and then moved to Teignmouth in South Devon early on in life, where he enjoyed success in academia and sports, as well as captaining football, rugby and athletics teams he was a champion schoolboy boxer and also a chess and "mathematics olympiad" captain, before attending the University of Manchester to study Mathematics.

His early career was as a teacher at Poynton in Cheshire, in the north of England, having completed a post-graduate certificate in education following his Maths degree. "I enjoyed it, but at that time there was teachers' industrial action in the UK which ran contrary to my principles and the reason I went into teaching; so my life as a maths, IT and PE teacher lasted just three years whereupon I decided to further my mathematics and apply it to the actuarial profession."

Having joined the insurance industry, and swiftly qualifying as an actuary, an opportunity to move to Asia quickly presented itself. Saunders seized that opportunity. "I was lucky to become a fairly young business development and finance director in the region - and later CEO - for the company that deployed me to Asia and based me in Hong Kong in 1989," he reports. The company that helped launch his multi-decade Asian adventure was Clerical Medical and General Life Insurance Society (CMI), which at the time also had a joint venture in Korea, Coryo-CM.

As CEO, Saunders turned around the Asian business to profitable growth and recounts that, like many insurers, CMI went through demutualisation in the 1990s. Instead of returning to the UK with CMI, after its 1996 demutualisation, he decided to stay in Asia and took on the role as Managing Director of the Asian arm of global actuarial firm Tillinghast which was the premier actuarial consulting firm.

Although the Asian arm of the firm was initially relatively small, Saunders oversaw a twenty-fold increase in the business to become the undisputed leading insurance consulting company in Asia. Tillinghast was then owned by Towers Perrin, which later merged with Watson Wyatt to become Towers Watson in 2010, where Saunders was appointed Managing Director of the merged organisation's insurance consulting Asia Pacific business as well as Managing Director of Hong Kong, the firm's oldest and largest business in Asia Pacific. After sixteen and a half enjoyable and productive years there, although he had not initially intended it to be so long before returning to the corporate world from consulting. "Time flies," he says with a smile, he joined AIA almost precisely five years ago in April 2014.

On the personal front, Saunders who classifies himself as "a late father" has an eight-year-old son and a daughter who has just turned six. He shares that how, together with his Hong Kong born wife, their children are thriving from being raised in a multi-cultural environment with different perspectives "which is certainly a world away from my own upbringing in South Devon!" he adds with a smile. He enjoys all sports and these days primarily football and rugby with his children. He fervently believes in the power of sport and outdoor activity for health and mental well-being. As such, he has encouraged AIA to sponsor and support junior soccer and mini rugby in Hong Kong. "Getting my children and other kids out and about in Hong Kong to exercise and have fun together with their mums and dads, that is certainly one of my passions," he remarks. ■