

# The consumer revolution, insurance and wealth management

*Peter Huber, CEO of Zurich International Life, opened the Hubbis Middle East Wealth Management Forum on January 24 with a thought-provoking address that highlighted the multiple challenges and great opportunities that the insurance industry faces.*

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**H**UBER'S TALK FOCUSED ON TWO CORE TOPICS, namely insurance trends, and the implications these trends have for leading insurance firms such as Zurich. Peter also touched upon the topic of the rapidly evolving regulatory environment, noting, "We have a duty to work with the regulators to find good framework conditions, so everyone can prosper in a world that needs growth quite dramatically."

## Five key insurance trends

Huber first established the five key trends Zurich has identified. "What we see is a 'perfect storm' for insurers which will fundamen-



**PETER HUBER**  
Zurich International

tally challenge all previous dogma,” he reported.

The first such trend is the global economic and geopolitical environment of slow growth, low-interest rates and continued geopolitical uncertainty. The second trend is intensifying regulation, with a tighter solvency regime, greater transparency required for distribution and elevated data protection rules.

The third trend concerns innovation and technology, with Fintechs entering the insurance industry, new business models appearing and the new paradigm of digital and mobile interface. On the demand side, Zurich sees another trend in the customer revolution. He explained that Zurich had identified about seven key trends. Of these, he highlighted the growing customer expectations for a new level of transparency. “Regulators are demanding more transparency, but so indeed are customers. We might not want to disclose, but realistically as an industry, we need to engage with this development.” Huber also focused on the growing power of the consumer, with reputational risk paramount in a world dominated by real-time information, social media, customer re-

views and so forth. Other demands from the consumer include a seamless, high-speed experience.

The fifth element is the evolving distribution system where distribution partners form part of the insurance value chain. We observe a decline in the large broker’s revenue share from insurers (commissions). At the same time, we see aggregators increasing in importance, agents being challenged by digital/direct distribution and banks/affiliates accelerating innovation. Huber elucidated: “New distribution forms are being driven by technology and by the huge amount of capital out there that needs to be deployed.”

### **Global growth, worldwide risks and the universe of change**

Stepping back to look at the global scene, Huber highlighted a major annual report that Zurich publishes in time for the World Economic Forum in Davos. The Global Risk Report interprets observations from the 900 members of WEF as to what they see as the biggest risks for the business and the world overall. “Interestingly enough this year,” Huber reported, “those 900 leaders across the globe appear to

believe the global economic prospects are good.”

Despite that, the world does, however, remain rooted in a low interest rate and low inflation environment. “This presents insurers such as Zurich with major challenges as we prefer higher rates and inflation as an industry,” Huber commented. “But this does not appear likely in the near term.”

Faced with all these elements in play, Huber commented that firms such as Zurich must, therefore, focus their efforts on the core business. “Cost cutting, efficiency and understanding what really drives value are all important, as we in this industry cannot rely on other sources of income outside our core businesses as we have done in the past.”

Huber closed his talk on an upbeat note. “This industry remains a great one to be in, driven by rapid wealth creation across the globe, dynamic population growth and the shift of wealth to rapid growth regions such as Asia, the Middle East and other regions. And for the insurance industry this spells vast opportunity, for example, one estimate shows India is facing a protection gap of about seven trillion US dollars. The potential is vast.” ■

## **Zurich International (ZINT): consumer revolution**

**Peter Huber – CEO Zurich International**

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