

Time to Evolve with Agile and Innovative Ways

Peter Huber, Chief Executive Officer of Zurich International (Zurich Insurance Group) is at the cutting edge of the international life insurance market's evolution. He told the audience at the Hubbis Middle East Wealth Management Forum that the global economic environment remains challenging, regulation is intensifying, digitalisation is advancing, however at the same time that the growth of private wealth globally offers outstanding potential for firms that can forge and maintain their own unique identity with customers.

HUBER BEGAN BY REMARKING that he had flown from the winter weather in Europe to the sunnier climate in Dubai. “And if I were to make an analogy for the insurance industry, I can say that we have several of the key components for a perfect storm, as the world is changing and challenging in so many spheres.”

Continual assessment

He explained that Zurich spends a lot of time thinking about new market opportunities, trends and also the threats to the business, in doing this the firm continually assesses the economic, financial and business environment it finds itself in.

“Regulation is intensifying,” he noted, “and this will only continue across the world, so we all need to find business models that survive beyond this. A tighter solvency regime, greater demands on distribution transparency and elevated data protection rules can be overcome partly with the aid of a greater focus on the customer. We must offer what they demand, namely better, more transparent, more fit-for-purpose solutions.”

Challenges to the value chain

Huber also observed that insurance distribution is changing, with brokerages eating into the value chain of insurers and at the same time insurers eating into the value chain of brokers. For example, Zurich observes a decline in the large brokers' revenue share from insurers via commissions, and at the same



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[Link to Content Summary page](#)

[Link to Article on website](#)

[Link to Presentation](#)

[Link to Event Homepage](#)





time sees aggregators increasing in importance and agents being challenged by digital/direct distribution. Meanwhile, the banks are also competing more aggressively and in a more innovative manner in the insurance arena.

Huber added that hyper-fast connectivity is another key driver of change. “With the development of 5G networks across the globe,” he observed, “we are going to see exponential growth in connectivity and that will also bring immense opportunities, for example in smart, interconnected solutions for the home and other environments, and in many other areas.”

Consumer-centricity

He shifted his focus again to the customer, noting that retail clients are becoming much more autonomous, with far greater control over what they want, where they buy, when they purchase and what sort of experience they demand.

“Unless you provide convenience to consumers,” he commented, “they will go somewhere else, which is why names such as Amazon and Alibaba are so successful, or Uber and Uber Eats. And firms like Starbucks have created a unique, predictable environment for people across the globe.

Meanwhile, our types of business are still far behind, so we all need to stay in command of our future, by creating, adapting and expanding our USPs.”

By way of example of the new type of nifty, tech-enabled leader in the banking and financial services space, he highlighted the success of the UK-originated digital banking platform Revolut. “It has taken that market by storm,” he reported, “and in Germany, another highly customer-oriented start-up, N26, is also eating into the value chain of the banks.”

Facing up to intensive competition

“This background,” he said, “shows the intensifying competition and greater demands on firms like Zurich, which is why it is essential to develop a business model that clearly and distinctively differentiates us from others. And that is what we have been focusing on so intently over the past 18 months at Zurich.”

Huber commented that the insurance industry, in general, has been too remote from its customers. “We are therefore working hard to ensure that we ultimately increase something called customer intimacy because once you earn the trust of the customer the relationship

will evolve and also tend towards greater longevity.”

Partners for the future

To help achieve corporate goals, Huber advised the audience not to go it alone. “We at Zurich believe the future also involves partnering, because we know we cannot do everything on our own,” he said. “We know we can generate the synergies of skills and scale by working with partners.” Smart acquisition strategies are also advisable to build scale and skills, because size, Huber argued, matters in this world.

Despite the challenging global economic environment for life insurers of sluggish growth, low interest rates and also the continued geopolitical uncertainty, Huber therefore believes Zurich’s initiatives place the firm in a strong position to prosper in an industry that has a generally very positive medium-to long-term outlook.

“This is a great business to be in,” he concluded, “and will be driven by rapid wealth creation across the globe, dynamic population growth and the shift of wealth to rapid growth areas such as Asia, the Middle East and other regions. And for the insurance industry and for firms that adapt and evolve, this spells huge opportunity.” ■