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Special Report on Insurance Companies in Asia 2015

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Foreword

This is the 2nd edition of our annual overview and outlook for the evolution of insurance companies in Asia.

More and more regional and global insurers are looking to make a foray into the wealth management space in Asia.

As they do so, and as they continue to offer a wider variety of products and solutions in line with this, they are striving to find ways to improve their engagement and value proposition across key client segments.

In particular, they seem determined to achieve several objectives.

These include: build on and further grow their offerings in the mass affluent and HNW space; benchmark best practices so they know how to most effectively differentiate themselves; understand more intimately what their peers and competitors are doing in these areas; learn more about what clients want – and create new products and solutions for them; and determine if there is anything innovative or 'out-of-the-box' they can build for each client segment.

With product development relating to retirement, saving, investments – and asset management more broadly – at the forefront of their strategies, insurance companies are positioning themselves to outmanoeuvre traditional wealth management rivals.

Yet they still have much to do in relation to higher levels of competency and advisory standards, greater client awareness about insurance, and an improved customer experience led by digital and other innovations.

This publication highlights some of these trends across the region, plus showcases some of the leading insurers.

I hope you enjoy reading these insights and derive value from them.

ANDREW CROOKE
EDITORIAL AND CONTENT DIRECTOR
HUBBIS

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USD23.9 bn

Total gross premiums reported by the Office of the Commissioner of Insurance in Hong Kong in the first half of 2015
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USD1.2 bn

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314%

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43%

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USD80 trn

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1.5 million

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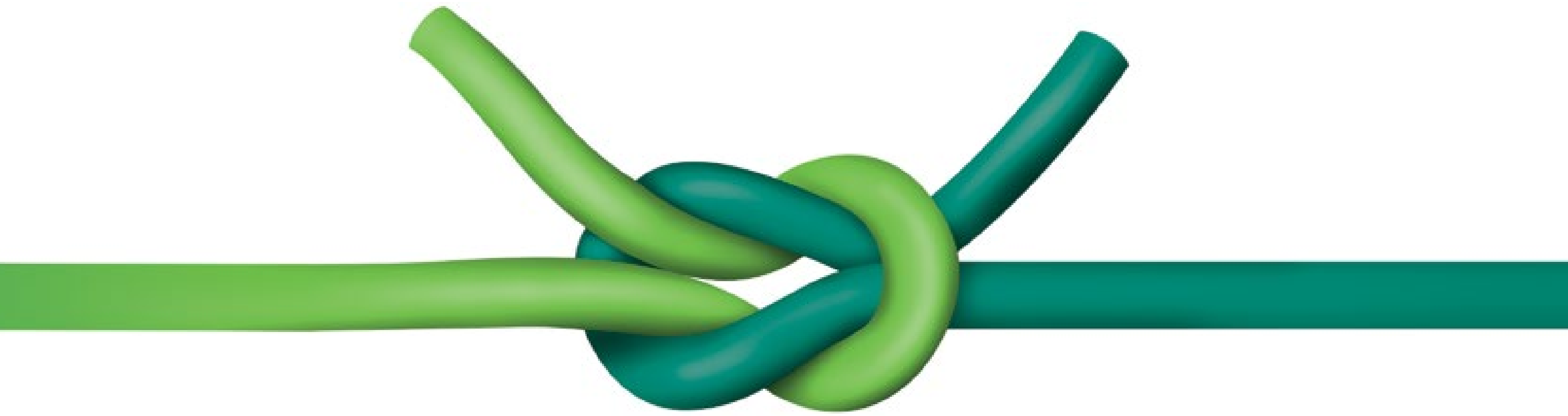
REGULATION & COMPLIANCE	SKILLS
INVESTMENTS	STRATEGY & BUSINESS
FAMILY WEALTH	TECHNOLOGY



A greater engagement in Asian wealth management

Insurance companies are vying to grow their presence, market share and positioning across wealth and asset management in Asia. To do so, they are striving to be smarter about how they identify and target different groups of customers, ensuring they can provide the right solutions accessible via their channel of choice.

The evolution of insurance companies in Asia is seeing a move towards more of a needs-based conversation with clients. This focuses not just on life insurance, but also on investments, savings, retirement and pensions.

So as more insurers enter the wealth and asset management space, they are looking to offer a wider variety of solutions as product manufacturers.

Kuo Loon Loh, partner and managing director of BCG, says those insurance companies most successful to date across the region have focused on a mix of value generation, improving the quality of front-line staff, and growth in the biggest markets.

A further element is embracing digitisation as the next wave of potential success.

“There are a lot of benefits from having exclusivity.”

DARREN THOMSON
AIA Group

UNTAPPED POTENTIAL

There is no doubt the insurance industry in Asia is growing. Recent figures show the growth in the key markets of Singapore and Hong Kong: the Life Insurance Association (LIA), Singapore highlights SGD1.35 billion (USD942 million) in weighted new business premiums in the first half of 2015; and in the same period in Hong Kong, the Office of the Commissioner of Insurance (OCI) reported HKD184.9 billion (USD23.9 billion) in total gross premiums.

However, there still exists a fairly large gap in the products available and the service provided.

“For insurers, protection is the core strength, but they are in a good position to extend their offerings to include wealth management, as well as retirement planning,” says Lance Tay, chief executive officer, Tokio Marine Life Insur-


Friends Provident International
An AVIVA company
We've been making friends in Asia for over 25 years
Your savings, investments and protection partner
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ance Singapore Ltd. This is especially true for HNW individuals. And it is for this client segment where due to their more extensive needs across family and business assets, there is arguably the greatest potential for the type of in-depth and all-encompassing conversations about their needs that advisers should relish.

Many market practitioners say the shortfall has arisen due to a combination of a lack of the right products and limited technical expertise on behalf of some advisers. "One thing holding back the insurance industry is the [lack of] development of new types of products," explains Thomas Henze, chief executive officer at Swiss Life.

To tackle this and make more of the opportunity in a market where more people are getting wealthier all the time, insurance companies are now looking to create more flexible products to cater to specific client needs.

In looking to create value, those insurance companies who perform better than the average focus a lot on protection-related needs.

"A huge protection gap exists, so as wealth levels rise, it is the first time that a lot of families have something they should protect," explains Loh.

RAISING THEIR GAME

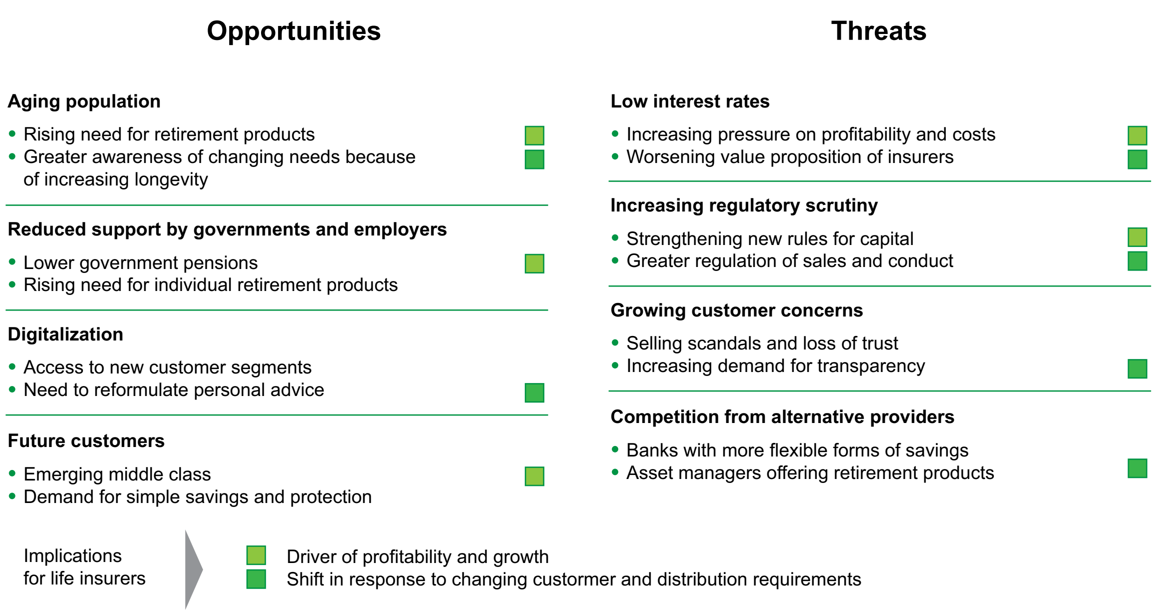
The more successful insurance companies are also looking to raise the quality of their agents.

According to Loh, they are doing this partly by gradually trimming the size of their teams. "Those companies with the largest networks don't want to grow larger year after year. They see they are now at a healthy scale, so want to focus on improving standards and increasing productivity."

From HSBC's perspective, the focus for its Premier clients, for instance, especially those with more complex insurance needs, is to provide them with differentiated support because conversations around insurance are not always straightforward, says Marcelo Teixeira, group head of insurance at the bank.

"We already have in place, an industry-leading relationship manager (RM) led, needs-based sales model that puts our customers front-and-centre. Through teams of RMs and product experts, in our case, insurance specialists, we have rolled out a globally consistent financial planning process that ensures we understand the needs of clients and provide suitable solutions that meet their goals – in retirement, education, wealth planning, protection or legacy planning."

THE OPPORTUNITIES AND THREATS FOR LIFE INSURERS



Source: BCG analysis

Teixeira explains that RMs are compensated for meeting customers' needs and not directly rewarded for what is sold. "So customers can be assured we are looking after their best interests rather than focusing on product sales targets."

The IFA channel continues to hold a lot of promise too. A lot of the IFAs are looking at the Singapore market, for example, and saying 'how can I grow? And where can I get bigger'.

One way is to consolidate and join forces. Other ways include looking outside Singapore to markets like Indonesia, Thailand and Malaysia.

"'Brand Singapore' is held in high regard in the region," says Chris Gill, general manager, South-east Asia for Friends Provident International. "It is referred to as the 'Switzerland of Asia' and 'Monaco of the Tropics'. It's definitely the perception that this is a safe place to hold your wealth," he adds.

"Those companies with the largest networks... want to focus on improving standards and increasing productivity."

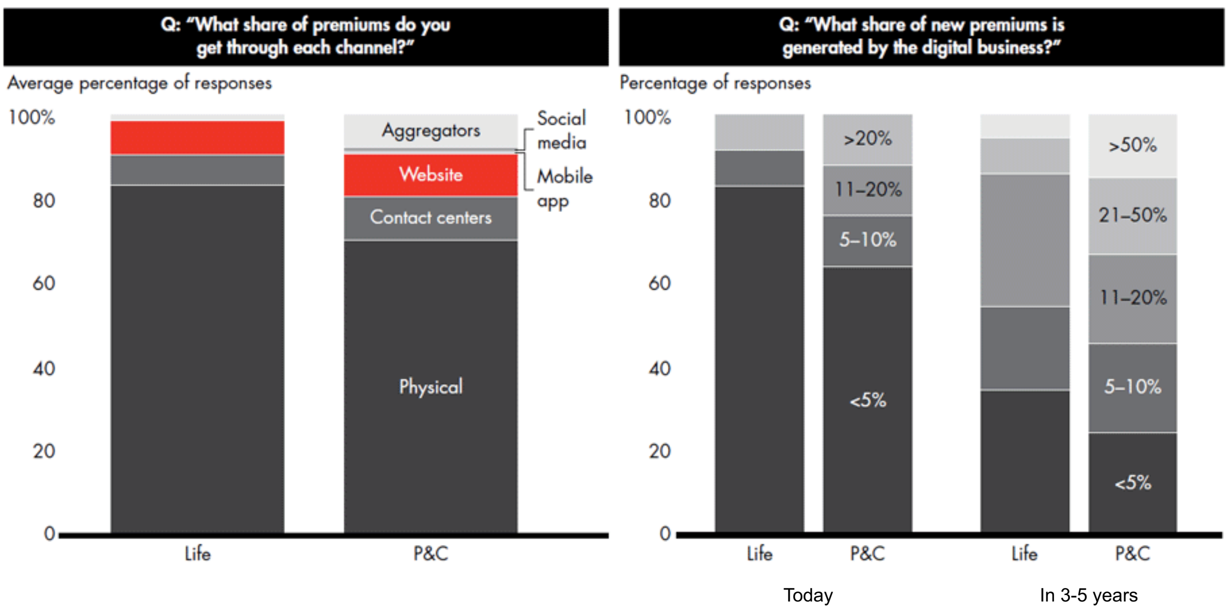
KUO LOON LOH
BCG

In the private banking world, that's been the case for many years, but Gill believes it is starting to trickle down into the affluent and the premium client segments as well.

"When I first came to Singapore nearly 10 years ago, 70% to 80% of the insurance business was distributed through tied agencies and only a small portion through banks, with less than 5% via IFAs. Today, it's roughly evenly split between banks and tied agencies at about 40% each, with IFAs at between 15% and 20%," adds Gill.

This shift reflects the profile of the clients as well. As they become wealthier and

PHYSICAL CHANNELS STILL DOMINATE SALES, BUT DIGITAL SALES ARE COMING ON STRONG



Source: Bain Digital Insurer of the Future Benchmarking, 2014-2015

more sophisticated, they become more demanding – those distributors offering a holistic range of wealth solutions from a variety of providers will be placed to succeed in the long term.

For AIA Group, despite pioneering the agency distribution model in Asia, in more recent times it has built a significant number of exclusive banking partnerships and other partnership distribution channels, in support of its high quality and profitable growth. “There are a lot of benefits from having exclusivity,” explains Darren Thomson, the chief executive officer of group partnership distribution. “For example, such distribution arrangements encourage a more active engagement by the insurance company in terms of training and upskilling banking staff in relation to protection products and services, which ultimately help ensure that the bank’s customers are adequately insured and the bank can help its customers to achieve their long term financial goals and aspirations.”

Meanwhile, to widen its distribution network, Thomson believes affinity marketing is among the quickest ways to attract a large number of clients. “The concept simply means offering insurance products to a large group or an association at a discount and sharing the commission with the organisation.”

GEOGRAPHIC EXPANSION

A third strategy common among leading insurers is putting their biggest bets on the largest markets. They are either looking to markets which already have the volume and size, such as Japan and Korea. Or, adds Loh, some are developing their businesses in emerging markets like China and Indonesia, if they already have the distribution in place.

“One thing holding back the insurance industry is the [lack of] development of new types of products.”

THOMAS HENZE
Swiss Life

Creating a China-related offering also means targeting the potential from the offshoring of Chinese wealth.

“There are opportunities for some quick wins in this segment,” explains Mark Saunders, group chief strategy and marketing officer at AIA Group. “The way we are approaching these is needs based, by understanding what customers in mainland China want and need – which is sometimes the same thing.”

One of the drivers of the demand is the opportunity for these individuals to invest in a currency other than RMB. Another is access to products currently not available in the Chinese market.

The drivers for a mainland Chinese client to buy insurance in Hong Kong are primarily to get access to a better product, and to buy a product in a different currency than RMB. “It is all about offshoring, to get monies in a different jurisdiction,” says Stuart Fraser, the chief executive officer of Ageas Insurance.

The contribution of mainland business to Hong Kong, for example, represents over 30% of the total business being written in Hong Kong, and this is growing.

“If we can provide the service to meet these needs, along with the trust, security and reliability they also look for, then we will have a proposition that appeals to them,” says Saunders.

Another option is to go where they can be profitable quickest, which means Hong Kong and Singapore. “Insurers either want large absolute revenue or a higher margin to translate to the bottom line,” says Loh.

Such strategic expansion is increasingly important, given the acquisitive nature of many Chinese insurers. “I think we will see more activity driven by mainland companies expanding beyond their geographic borders,” predicts Fraser.

These will also be companies from different industry segments which are diversifying for various reasons, he adds. “They have the money and the client database, so it is logical that they will start to take a lot more interest in the Hong Kong market.”

Shaping a winning insurance offering

As insurance companies look to find an opening to tap the protection, savings and retirement needs of Hong Kong's wealthy, Simon Walpole of Deloitte Consulting explains how they are trying to position their offerings and ally with the right distributors.

The growing number of wealthy individuals in Hong Kong presents a vast opportunity for insurance companies.

Over the last five years, for example, new business premiums have doubled in size. And more recent figures show that there are no signs of a slowdown.

The Office of the Commissioner of Insurance (OCI), for example, reported that the first half of 2015 saw a growth of 13.6% compared with the same period 12 months earlier; this brought in HKD184.9 billion (USD23.9 billion) in total gross premiums.

A closer look, however, reveals a polarisation where this performance seems increasingly concentrated among a handful of the top players only.

"When you distil the numbers, you find it is only the big companies that have been growing really quickly, while the medium-sized ones are growing at a much slower rate," says Simon Walpole, partner at Deloitte Consulting.

The widening gap is due partly to the success of the bigger players in being able to create large and effective sales and distribution networks.

By contrast, those companies at the other end of the spectrum either lack scale or the positioning, explains Walpole. To catch up, they need to look at tie-ups, partnerships and alliances with other insurers as well as distributors to fast-track their growth.

From both perspectives, this puts distributors in a powerful position, and they can command a premium to ink a deal with an insurance company.

The USD1.2 billion Manulife agreed to pay for its 15-year bancassurance partnership with DBS Bank, in the four key markets of Singapore, Hong Kong, China and Indonesia, is a good example.

SIMON WALPOLE
Deloitte Consulting

Yet for insurers, these types of deals still make financial sense. "There are a lot of policies being sold in this market, and it is clearly booming," says Walpole.


Social media
Social media is the social interaction people in which they create, share or exchange information and ideas in communities and network.
so·cial me·di·a
noun [treated as sing. or pl.]
SEARCH
Photo
Web·site
a location connected to the Internet that maintains one or more pages on the World Wide Web
THINK
Share
ADD FRIENDS
computer
COMMUNITY

"The opportunity to take more market share simply can't be ignored, which is why insurance companies are willing to pay to ramp up their distribution."

DISTRIBUTION POWER

The double-digit growth in premiums in Hong Kong shows that distributors are definitely doing something right – and, says Walpole, insurers are leveraging the various channels effectively, albeit in differing ways.

"The distribution channels vary considerably, even among the top players," he says. "There is a lot of diversity in how each player approaches the market."

The three major channels are still agency, bancassurance and broker, all of which appear to be growing. Although the biggest change is among agency forces, there has been a dramatic historical rise of bancassurance. Brokers, meanwhile, are holding steady with an 18% share of the market.

"There are some skilled agencies in Hong Kong that connect with their customers in different ways," he says. "They have been especially good at capitalising on the change of profile of policy holders, particularly those from mainland China."

FINDING A NICHE

Amid the race among insurance companies to woo distributors and increase their share of the growing pie in Asia, the objective is to get a step ahead of the competition.

This is driving insurers to strive for differentiation by positioning their offerings in various ways. Some view themselves as protection-based companies via life and health insurance, and offer long-term vehicles for saving for retirement; some see their competitive edge more as wealth management partners, including the asset management side; while others specifically cater to bank customers, and want a HNW element to their business, explains Walpole.

"The distribution channels vary considerably, even among the top players. There is a lot of diversity in how each player approaches the market."

In line with how different insurers are approaching the market, the types of products being offered by certain companies are quite diverse, he adds. There is also an increased focus in Hong Kong on products which appeal to investors from overseas. "More than 50% of their new business premium income now comes from non-Hong Kong residents, in particular Mainland Chinese."

COPING WITH REGULATIONS

Looking forward, the growing market opportunity in relation to distribution capacity, product variety and alliances must be seen in the context of the tightening noose of regulations.

In particular, the creation of the new Independent Insurance Authority (IIA) is expected to drive a tightened focus on intermediaries and sales practices, especially as agents and brokers will in future be directly regulated by the IIA, rather than continue to self-regulate. Plus, conversations are now underway about whether some of the tighter sales practices from Europe could end up coming to Hong Kong, adds Walpole.

At the same time, new Risk-Based Capital reserving, solvency and risk management regulations will be introduced over the next five years. These will help make capital requirements more sensitive to the level of risk that insurers are bearing, as well as enhance overall corporate governance and risk management practices.

To navigate the path ahead, a lot of management agility is needed. Being nimble, diversified and flexible enough to adjust IT and operations to accommodate the changes demanded by regulators will dictate which firms are able to continue to make the most of the market's potential.

Those who do will emerge stronger, and be able to sustain their growth in the long run, explains Walpole.

It is also imperative that anyone who sells insurance policies or products ensures customers not only understand what they're buying, but also that they are making a long-term commitment that will not be easy to exit from in the short term – at least without losing money on the investment. "I think there is a responsibility [among advisers] to explain this more clearly," says Walpole, "because they're selling something that is very closely tied to an individual's future welfare."

Responsible selling certainly shouldn't impact the potential for continued growth in the market, or for insurers to expand further, he adds. ■

Sun Life Financial strives for scalable regional wealth success

Roger Steel of Sun Life Financial reveals to Hubbis the firm's plans to create more value in Asia by developing its offering to compete more significantly in the region's wealth and asset management segments.

Sun Life Financial has gone on a bit of a buying spree around the world over the past year. Perhaps most notable has been the focus on beefing up its presence in the asset management space as a way to diversify its revenue stream.

As part of this, the firm is increasingly expanding its presence in Asia, given that the region is expected to provide higher returns and growth than the North American markets. And senior management has plans to drive CAD225 million (USD168 million) of consolidated operating earnings from Sun Life Asia by 2015.

Here, the firm is shifting its focus toward products like unit-linked insurance and mutual funds that require lower capital and offer more predictable earnings.

For someone in Roger Steel's shoes, these are exciting times. As president of new markets and business development at Sun Life Financial, he is looking at ways to tackle the barriers to growth which all industry players face in a region like Asia.

These include the rising costs of running the business; scalability hurdles; the tightening regulations in relation to upfront commissions to insurance distributors; training and retaining an effective salesforce; and even creating a distinct value proposition. "One of the best ways to overcome these challenges is to really differentiate yourself in the market and create the right tools that can be used to effectively assist everyone across your distribution channel," says Steel.

And to reinforce and complement these, providing digital support is high on the agenda too.

ROGER STEEL
Sun Life Financial

COMPONENTS OF SUCCESS

The two key tools up Sun Life Financial's sleeves are 'Money for Life' and 'Most Respected Agency'. The former is a financial planning initiative used to help clients plan their finances across the different life stages; the latter is a set of core values that help coherently drive the organisation towards a future centred on providing a lot more value to the customer.

More specifically, Steel says 'Money for Life' is a simple financial planning tool which divides a customer's life into four stages. He adds that advisers and clients alike appreciate the fact that the firm can clearly and transparently articulate different needs for each stage – and then map products against them.

While IFAs have their own planning methods, this tool is particularly effective in the bancassurance and proprietary agency channels. So much so, says Steel, that there has been a spurt in the sales of a broader range of products. This has helped accelerate sales of the firm's health and accident business alongside wealth-related offerings.

In terms of the core values associated with 'Most Respected Agency', meanwhile, the firm is aiming to instil these in all of its agents. The intention is to inspire the agents to do four things: first, properly care for the customer; secondly, be productive and up-to-date on market trends; thirdly, evaluate and meet the needs of the customer; and finally, demonstrate leadership in the industry and broader community.

Importantly from Steel's perspective, 'Money for Life' and 'Most Respected Agency' go hand-in-hand. Through the former, for example, the firm creates a novel and client-centric way to keep those advisers who follow the latter in sync with market demands.

ADDING TO THE PROPOSITION

These two aspects to the firm's offering, however, aren't enough in isolation to be able to ensure great service for clients. Institutions such as his also need to ensure their advisers are able to improve their proposition to clients.

In Hong Kong, for instance, Sun Life Financial is looking to do this via approval for a fund-of-funds asset management company that will help narrow and provide the client with a more realistic number of funds to choose from. "Providing the customer with hundreds of funds makes things more complex and the vast bulk of retail investors can't keep track of them, nor can their advisers," explains Steel. "It's too difficult when the platform is too broad, so we see an opportunity to move towards a fund-of-funds model."

At the same time, differentiating products in a competitive market is an important approach. Solutions like 'Fund Cruiser' is an example of this, he explains, to help Mandatory Provident Fund (MPF) clients automatically decide what the allocation of their portfolio should be.

Steel explains how it works. "You put in your age and risk appetite and it gives you an allocation across the funds and the asset classes that are within the desired scale." He says that around 10% of new customers currently use it. For younger clients, it gives three equity funds with a higher allocation and spreads a bit across the balanced and the bond funds. As they get older, it automatically changes that allocation.

It also takes care of what Steel describes as the 'glide path' for them. "It helps ensure they don't run out of money if they live longer than they expect to."

LOCAL DRIVE

From a geographic perspective across Asia, Sun Life Financial has been active across key emerging jurisdictions. And it has been quick to adapt to local customer trends. "The behaviour of the Chinese consumer, buying products on WeChat and other platforms, is extraordinary," says Steel.

In general, by appointing local chief executives, Sun Life Financial has been able to leverage their expertise of the market and product set. ■

A regional footprint

The Philippines *– its wholly-owned subsidiary, Sun Life of Canada, Philippines Islands, and Sun Life Grepa Financial in which the parent owns 49%, are seeing solid success, fuelled by an inclination towards wealth management and unit-linked products.*

Malaysia *– having opened in this market just over two years ago, business is growing quickly, although the local market appears inclined towards traditional products. The firm has an exclusive distribution partnership with CIMB Bank.*

Indonesia *– with an investment of USD 40 million, Steel says big efforts are being made to leverage the local opportunity via agency distribution.*

China *– the firm is a leader in online distribution of life insurance, achieved by partnering with NetEase. Pop-up ads on the Everbright banking website have contributed to this success.*

India *– the firm has increased its shareholding in Birla Sun Life Insurance from 26% to 49%, in line with new rules regarding foreign insurers.*

Insurers plan ahead for protection gap and ageing population in Asia

Lance Tay of Tokio Marine Life Insurance Singapore Ltd (TMLS) maps out the strategy to tackle Singapore's protection and retirement savings gaps, with a renewed commitment to customer needs.

Across Asia, the elderly population is growing at an unprecedented pace, and the challenge of ensuring adequate care for these seniors looms for many of the region's economies.

The 65-and-above age group in Asia is set to skyrocket by 314% by 2050, according to an earlier study by East-West Center. The health protection gap is widening at the same time, with a multi-billion dollar shortfall projected in healthcare financing by 2020, so says Swiss Re.

The stage is clear for private insurers to lend their weight in supporting the healthcare financing and retirement planning of these individuals.

To do so, they have to address the root of the issue in individuals' coverage and retirement planning.

Despite repeated reminders that financial planning has to begin at an early stage, many lack the required discipline and knowledge.

Insurers will therefore have to adapt their business strategies to reach out more effectively to potential customers – a challenge that TMLS has proven to be good at, says chief executive officer Lance Tay.

UNDERSTANDING THE CUSTOMER

To increase its appeal to the modern customer, TMLS unveiled a new corporate brand identity 'Tokio Marine Insurance Group' along with its sister company, Tokio Marine Insurance Singapore Ltd (TMiS).

The collective brand campaign, 'Ready for What's Next', focuses on connecting with the public in their progress through life, with fresh and forward-looking messaging and designs.

Digitisation is a key focus "We will be providing our customers with a single

LANCE TAY
TMLS

portal, where they can view both life and general insurance policies in a secure web environment," explains Tay. "This will encourage self-service, so

clients can update their personal details online, without the need to fill lengthy forms and print the documents. Over time this will generate behavioural data which will enable data analytics for us to provide customised solutions based on our clients' changing needs."

More importantly, Tay says with the brand unification and a combined digital marketing platform, the firm will be in a prime position to be the trusted provider of both life and general insurance, and can advise customers more comprehensively on their financial needs.

His statement reflects the 30-year veteran's key focus areas for the firm: understanding customers better, growing its sales force, and expanding its range of innovative solutions.

EMPOWERING NEXT-GEN LEADERS

With a multi-channel distribution strategy, TMLS works closely with its distribution partners to draw ideas from customers in order to develop customer solutions.

With its belief in empowering the next generation of leaders, the firm has been nurturing a culture of learning and development internally. This is in line with its renewed commitment to a high-quality customer experience.

For example, TMLS offers the Priorities for Experienced Consultants course to its Agency Force. Held every two months, the objective is to sharpen the sales advisory skills of advisers, to ensure that customers receive high-quality financial advice. Apart from understanding customer's needs, the course also trains advisers on ethics and conduct.

Beyond encouraging internal learning and development, Tay notes the importance of a good foundation in the Agency Force: quality and talent.

In his goal to double the number of agents at TMLS over the next two years, Tay highlights passion, drive and customer-centricity as key factors in hiring.

"The talent pool is becoming increasingly refined, and that is an exciting prospect for the industry overall."

TMLS' increasing focus on younger customers also means that young agents will be well-received at the firm, as it seeks to build on its connection with the younger generation.

The stagnating total agent numbers in Singapore's insurance industry is a challenge, but Tay says the numbers should not be the main concern.

"Quality is more essential for an Agency Force," he explains. "People enter and exit the profession all the time, and that will not change. But the professional standards are higher today, especially with the training and qualifications required. The talent pool is becoming increasingly refined, and that is an exciting prospect for the industry overall."

MEETING THE CUSTOMER'S NEEDS

In delivering on its commitment to customer needs, TMLS demonstrates surefootedness in the growth of its portfolio offerings.

Following the footsteps of parent company Tokio Marine Holdings, who announced in June its USD7.5 billion acquisition of US-based HCC Insurance Holdings to broaden its product offerings, TMLS recently announced its very own tie-up with global asset management firm Russell Investments to boost its range of investment-linked funds.

TMLS' partnership with Russell Investments is the most recent addition to the firm's list of partnerships with external fund managers.

This tie-up comes as demand for multi-asset funds in Singapore continues to grow, and paves the way for TMLS customers to have access to an institutional form of investing through actively-managed, multi-asset portfolio solutions, offered only by a select few asset management firms.

"Our key focus is on providing customers with a well-rounded range of solutions," says Tay.

"This means expanding our portfolio to meet our customers' needs. We are always exploring options that customers may be interested in, and assessing our portfolio's long-term suitability with respect to our business strategy." ■

A refreshed look for a foray into Asia

Graham Morrall of Hansard International explains how the firm has emerged from its restructuring with a clear game-plan for expanding in markets such as Asia. An enhanced product range and advanced technology should help.

The allure of Asia continues to draw interest from global insurance companies which see significant potential from the region's demographics and growth in numbers of wealthy individuals.

Hansard International is among these firms. This Isle of Man-based, 25-year old provider of investment and savings solutions, has a new look-and-feel in terms of its product offering, and has a stated commitment to create a sustainable business in Asia.

"We have restructured our business over the last couple of years from top to bottom, including the people, the organisation itself, the products, the pricing, the marketing, the brand, everything. It's as if we have created a new company," says Graham Morrall, the global sales and marketing director at Hansard International.

The overall goal is better value for customers. This comes, he explains, through being more visible, having the best systems, offering excellent customer service, and striving to be number-one in its market.

Part of the refreshed strategy is to get more licenses around the world. This is where Asia comes into the picture.

The region already accounted for over 40% of the new business Hansard wrote in the last financial year, and it is at the heart of the firm's plans for the future.

Reflecting the importance of this market to its business, it also recently opened a branch in Labuan and is investing in long-term relationships with distributors in the region.

In Malaysia, the focus is on the local market, as it will be in Japan once a local licence is approved. Out of Hong Kong, meanwhile, the firm uses its licence to service a lot of Western expatriates as well as some locals.

GRAHAM MORRALL
Hansard International

"We are trying to get to a point where we have a balanced concentration of distribution around the world, so if one particular region starts to underperform

it won't massively affect the company overall, and if one were to massively outperform it wouldn't then take up a huge proportion of our business as it did back in 2013," explains Morrall.

SOLID STARTING POINT

The firm administers assets of more than USD1 billion for over 500 financial adviser businesses with more than 40,000 clients in over 155 countries.

The products are designed to appeal to affluent international investors, institutions and wealth management groups. They are distributed exclusively through IFAs and the retail operations of financial institutions.

"We position ourselves just below the private bank," explains Morrall. "In terms of lump-sum customers, the majority of them are offshore pension clients where they are moving lump sums from existing pension environments all around the world. Then there are those customers who are just saving."

The distribution strategy going forward is to gain more traction with the top-end of the retail segment. "For the premier banking clients often there is flexibility within the products," he adds.

The firm also has an ambition to start differentiating in a much better way on products. This means engaging with distributors like IFAs and retail banks all around the world.

A ROLE IN EDUCATION

Adapting to Asia will also require the firm to help re-educate local customers about the need to think long term about their wealth.

"Our focus is all about long-term savings," says Morrall. "The majority of our customers will be saving for their retirement in some way."

Key to encouraging this in the Asian context will be helping distributors such as IFAs to better advise their clients around the product and what it is that they want to achieve.

For example, when Hansard launched its new lump sum offering in early 2015 for the pension market, it partnered with a company called QROPS Bureau in the Isle of Man. This firm specialises in providing a raft of technical information and training around Qualifying Recognised Overseas Pension Schemes (QROPS), which has become a popular structure for internationally mobile individuals to use when considering their future in retirement.

"For a client moving a GBP1 million pension fund into an offshore pension scheme, what they invest in is obviously important, but the key thing for them is to make the right decision with their money," says Morrall.

"So we have been working on support services alongside the product that aren't related necessarily to funds and we will continue to do that."

Yet to help clients understand the underlying funds themselves in the schemes, the firm launched some risk-rated portfolios earlier in 2015.

PASSION FOR INNOVATION

The efforts to refresh the business are representative of Hansard's approach to innovation generally.

"Our major point of differentiation is our online capability," says Morrall. This breeds a transparent relationship with customers. For example, the firm has sought to provide online solutions for the past 15 years or so, such as reporting to meet the needs of the advisers which use the firm's platform.

Its online business tools are also focused on trying to facilitate the speedy turnaround of new business with minimum fuss. And no requirement for any manual intervention or re-entry of data.

"Absolutely everything is available online, so if a customer misses a premium payment, instead of having to phone somebody up to try and give them credit card details, for example, this can all be done online," he says. ■

Bulking up in Asia

Hansard's strategy has involved bringing on board a number of senior individuals in the past few months.

This has mainly been with the aim to bolster its international sales and marketing team, to support relationships with IFAs.

- *Norrie Little, who worked for 21 years with Zurich International, is Hansard's new sales development manager*
- *Tommy So, also from Zurich, is the new head of business development in North-east Asia*
- *Michael Wrigley, previously responsible for IFA distribution at Standard Life International in Singapore, has been appointed as the head of sales at Hansard in South-east Asia*

Grooming the right talent for the job

Joe Cheng's vision is to populate AIA Group only with financial planners who are at the top of their game. He explains to Hubbis how he is looking to do that through the right combination and balance of knowledge, skills, attitude and habits.

As of mid-2015, AIA Group accounted for more members of the Million Dollar Round Table (MDRT) than any other company worldwide.

The total membership base of this global association of life insurance and financial services professionals is around 42,000, it says – out of, at best guess, a total community of 4 million planners. So with over 3,750 of its front-line staff earning MDRT status, AIA seems justified in publicly championing its commitment to trying to groom the best agents in the industry to offer outstanding professional services and advice.

But this is a continuous effort that requires time, energy and leadership from the highest levels of the organisation.

As CEO, group agency distribution of AIA Group, Joe Cheng's mandate is to drive the overall development of the AIA Premier Agency as a whole. And as someone with 27 years so far under his belt at the firm, he has a good idea of what is expected of him.

"We want to build a MDRT culture within the organisation."

JOE CHENG
AIA Group

Indeed, the tied agency force has been a cornerstone of the firm over many years. And he has gained good experience more recently. Before his current role, he led the Premier Agency transformation for AIA Hong Kong and Macau for nearly five years. In this time, he spearheaded the launch of AIA

Premier Academy, Gen Y Club, Premier Agency Leader Platform, and the Revitalisation Programme.

As a result, the local numbers of new young recruits, active agents and MDRT qualifiers has shot up, along with the productivity of its agency force.

QUALITY AS THE YARDSTICK

The MDRT benchmark is important to Cheng as it is a universal target within AIA as a group. "The MDRT culture underscores our pursuit of excellence," says Cheng. "We want to build a MDRT culture within the organisation."

The MDRT 'Whole Person' concept is very much part of the firm's 'Real Life' company ethos. This requires several key elements: hard work, quality service, professionalism and continuous learning. Perhaps most important is the discipline to consistently maintain this.

The starting point is recruitment, for which Cheng says the firm has a stringent process to identify, bring on board and then train each individual for the premier agency force. "The mission is to profile candidates with a certain educational background and then, when they join, we will provide them with the 'best-in-class' on-boarding training which enables them to provide professional advice to best fit their customers' needs. We are not only offering them a job but a career where development is important," explains Cheng.

This grooming journey also leverages on AIA's existing group of MDRT financial planners. "We look to them to share their best practices so that others can learn how to reach this level," he says.

There are also other ways that AIA aims to bring its financial planners up the learning curve and ensure they are maximising their potential, in particular its focus on KASH (see box).

ADAPTING TO EACH MARKET

AIA is in 18 markets in Asia Pacific. Working across a wide spectrum of the region inevitably creates different expectations for each location – in terms of the relevant customer segment, products and services, and also the overall culture.

However, living up to its 'Real Life' slogan everywhere it does business is the overarching goal. "Across all markets we want to engage our customers by building our products and services into their life to give them solutions that take care of their financial planning and ensure they have the kind of backing and support they need," explains Cheng.

A standardised approach and applying group office expertise is essential to growth and being able to operate as efficiently as possible across so many markets. But this only goes so far.

To take advantage of opportunities and cater to different appetites and stages

> **"Across all markets we want to engage our customers by building our products and services into their life to provide them with solutions that take care of their financial planning and ensure they have the kind of backing and support they need."**

Boosting productivity

KASH is a way for AIA to ensure its agents tick the required boxes to live up to expectations. It does this in four key ways:

- ***Knowledge** – this relates to the product, sales process, regulatory controls and operating procedures*
- ***Attitude** – the firm strives to build the right mind-set of financial planning being a profession where, done right, it can help clients make their dreams come true*
- ***Skill-set** – this flows from having the right knowledge, from which an agent can learn the skills to sell appropriate solutions to clients, manage their concerns and handle any objections*
- ***Habit** – the aim is to instil positive traits within every financial planner. They are then more likely to meet targets relating to the number of calls they need to make and appointments to go on*

of development in every country, the firm must focus on the needs of each market. “We have recruited local expertise with local experience, and have local partners so that we can understand the culture, language and regulatory environment on the ground.”

DEFINING SUCCESS

If any of the firm’s agents are able to continually upsell, this is a good indicator for Cheng of their abilities. It is an important part of the job, he says. “There are always up-selling opportunities for our financial planners to identify the customers’ protection gap given that a customer’s profile will constantly change according to their life stage and lifestyle.”

Another component to look at objectively is the persistency of the policies being sold.

But being successful isn’t all down to the individual doing things on their own. An important initiative for AIA over the past few years has been the integration of mobile and digital tools in the day-to-day lives of its financial planners.

The firm’s end-to-end interactive point of sale (iPoS) project represented the largest deployment of e-signature technology by a single company when launched in 2014. It enables everything from fact finding, recommending the right proposal to submitting a proposal – all on an iPad.

Not only does this enable clients to see the process in a transparent way. Its proof of worth has been a substantial increase in productivity which Cheng says has followed on from deployment. “It enhances the competitiveness of our financial planners,” he adds. “They can deliver a high quality service and also a unique client experience.”

Further, the firm can more accurately track and monitor the progress of financial planners who used the system versus the quality and size of business they created. Analysis enables managers to identify any gaps from a customer point of view to ensure the offering can be improved where needed.

Above all, living and breathing AIA’s ‘Real Life’ philosophy is critical. “We want to embed the thought-process that we are helping people,” and making a difference in their lives.” ■

Million Dollar Round Table

At nearly 90 years old, the MDRT spans 470 companies in 71 countries. Membership depends on individuals being able to show what the association calls “exceptional professional knowledge, strict ethical conduct and outstanding client service”.

Building better insurance distribution

Since the 2014 integration between Willis Group and Charles Monat Associates, the firm has been refining its focus on life insurance and the high net worth segment, explains Craig Ellis.

The Willis Group's acquisition of specialist life insurance adviser Charles Monat in 2014 shows the potential and accelerated possibilities for expansion and growth of talents in this organisation, and also the product innovation side of this business and development of enhanced services.

CRAIG ELLIS
Willis Group

"The investment Willis Group made in Charles Monat will not only move itself forward in global wealth solutions; it presents many opportunities."

"We are really serious about this [GWS] business," emphatically states Craig Ellis, the newly-installed chief executive officer (CEO) of Willis, Global Wealth Solutions (GWS) for Singapore. "Willis invested in Charles Monat to move itself forward in global wealth solutions, and the merger presents all sorts of opportunities for us as an enlarged organisation, both here and globally."

Ellis has one key message to impart about these corporate developments. He believes in the potential and opportunities that arise from corporate expansions, which was a key factor for his joining Willis, GWS in June 2015 from Old Mutual, where he had been the head of the region and CEO for Singapore and South-east Asia. Certainly, the recent acquisitions have raised the strengths and profile of Willis

– leveraging the expertise of Charles Monat, which focuses on providing life insurance solutions to HNW individuals, while the planned merger of equals with Towers Watson brings further global penetration in addition to its strengths in employee benefits, human resources, risk and financial services.

Ellis believes these additions offer the company key advantages over its rivals in insurance broking. "Willis, is looking to differentiate itself. Our focus remains unchanged and a key component is our continual engagement with our clients through our relationship management capabilities, to bring more value and services to our referral partners."

Ellis recognises the importance that private banks play in the insurance broking business, but also sees the opportunities and needs for insurance broking services in the trust and fiduciary industry.

There are 50 staff in Singapore dedicated to GWS. Ellis was hired to focus on the business expansion in Singapore while Odd Haavik, (the previous CEO for Willis GWS,Singapore) will focus on expanding the business in his role as CEO for Willis GWS, Asia and Europe.

Willis GWS also has offices in Hong Kong, Zurich and Miami with a line-up of new offices with the next operating one in Lichtenstein.

Having recently joined, Ellis shares a few specific business goals. His priority is to expand the services to more distribution partner lines. "Driving the business forward will depend very much on relationship building," Ellis says. "I place importance in constant engagement with senior management of various distribution partners, sharing enhanced service features and how they can leverage from our services but importantly, the commitment and assurance which the Willis GWS' vision, values and services brings."

"The current demands for insurance in the HNW and UHNW [market segments] clearly show that there is growth potential among these individuals."

STRONG CAPABILITIES

Even before the mergers, Willis was a sizable operation with staff strength of over 200-plus people in Singapore, including for Willis Re and the general insurance division that focuses on offering specialised insurance capabilities such as aviation, energy, marine and technology, media and telecoms, amongst other areas.

To further elevate the overall Willis GWS experience, he recognises the importance of growing a team of quality professionals, as Willis seeks to expand its operations in Asia with recent appointments to bolster key areas of the business. These include a head of channel management, head of marketing for Asia, product director, and doubling the number of consultants to its Asia ranks.

PRODUCT FOCUS

Ellis' product priorities are fairly straightforward.

Life protection plans and health solutions remain as the preferred type of life insurance product typically associated with wealth management in Asia.

Yet while they remain popular, Ellis plans to diversify the product offering further including indexed, Variable Universal Life (VUL) products to meet distribution partners' needs.

"We have seen that whole of life [insurance] has become quite popular again, and people are interested in that as an alternative to universal life," he explains.

Willis believes the growth opportunity for more life insurance sales exists in both North and South-east Asia.

Ellis notes that the respective economic drivers of wealth in both regions, plus China and Indonesia, have slowed of late, making asset growth in these areas more difficult.

"A lot of people are biding their time in regard to what they do with their offshore investments in the future."

Ultimately, Ellis believes North Asia could prove to be most compelling in terms of growth.

China might have slowed, but it remains the world's second-largest economy and is still growing at rates higher than in the West, he says. Having said that, there is still a lot of wealth that could potentially be placed into various insurance products.

That isn't to say there isn't ample opportunity in Singapore.

"Everyone sees the Singapore market as a very attractive one, although the penetration rates in the mass market and to a lesser extent the mass affluent segment are very high," says Ellis.

"The penetration rates in the HNW and UHNW [market segments] are low, however there is still a need for insurance among these individuals."

TRAINING REQUIREMENTS

As part of the GWS business expansion strategy, Willis has dedicated resources to differentiated training plans that's customised to both existing and new distributors' needs, with an integrated plan that includes providing referral partners with up-to-date product and market information as well as soft skills handling workshops, to tailored client engagement activities for their referral partners in respect of life insurance.

"We place a lot of emphasis in implementing timely engagement strategies that includes educational sessions for bankers as well as events and seminars for their clients." says Ellis.

Willis GWS essentially uses these sessions to help raise awareness among prospective clients about its products and services, as well as how they can help to complement existing investment portfolios.

Ellis says private banks offer one good example of this.

"If the referral partner is looking at the needs [of their HNW customers] on a holistic basis, then insurance should definitely feature, especially life insurance," says Ellis.

"If they are not doing that they need to first feel comfortable talking to the customers about other types of available insurance."

"If the customer becomes interested and wants to proceed with insurance they will introduce specialists like ourselves who are the experts in providing [insurance product] advice. Associated with that process is the need to continually engage with the bankers about the distinctive key features of different products so as to accurately ascertain client's needs when they review their client's financial objectives," he adds.

OUTSOURCING COMPLEXITY

Willis works with many insurance companies in Asia, including AIA, Sun Life, Transamerica, Manulife, AXA, Swiss Life and HSBC Insurance – all of which have forms of life products that can be distributed to HNW clients.

However, Ellis cautions that from a risk and efficiency prospective, it makes more business sense to utilise specialists who understand and are equipped with up-to-date knowledge and experience to recommend viable business models to ensure successful solutions for clients. "Some organisations have embarked upon vertical integration," explains Ellis. "But there are also others which are turning away from this concept. It seems there is a theme where some companies are focusing on one key element of the value chain, while others are focusing on vertical integration to cover all aspects, from manufacturing to distribution."

Similarly, some insurance companies have tried to directly target their products at banks, instead of doing it via an insurance broker.

However, Ellis is less optimistic about this approach.

"Some banks have considered the model, however the strict governance and compliance issues to address also causes many to outsource this service to organisations that specialise in these areas while they focus on their core specialty," he says.

"The sustenance of any successful business is largely dependent on relationship management, trust and integrity. Investing time, to meet with senior bankers, desk heads and other senior executives, to better understand front-liners' needs is essential."

"It's always a potential risk, but at the moment the insurance companies seem willing to continue using specialists. That is good news for a growing player like us." ■


Willis

How Nexus plans to make its Singapore splash a success

Nexus Financial Services is betting big on its ability to capitalise on the growth prospects Singapore has to offer in the financial advisory (FA) space. Gary Harvey explains the firm's approach, and why he is confident it is in the right place at the right time.

The speed at which Nexus Financial Services is moving in Singapore is startling. In a matter of weeks, it has gone from making its debut in the local market to adding 160 financial advisers and support personnel.

Singapore's appeal to such financial advisory (FA) firms is no surprise.

The ranks of its rich are ever expanding; it has a buzzing life insurance market with potential to further fill protection and savings gaps; and the FA business is at an inflection point, with the regulator pushing for greater professionalism in the industry.

This plays to the strengths of those organisations that have the resources, vision and commitment to take this business seriously.

In particular, credible advisers with professional education are sought after as investors seek to minimise the chances of making a bad insurance or investment decision. "People are becoming more aware about what they should expect in terms of the quality of advice," says Gary Harvey, chief executive officer of Nexus Financial Services, whose parent, Nexus Group, is the largest IFA in the Middle East.

With such a mind-set taking hold, firms like Nexus Financial Services, which do not have a formal connection to a product provider, will be able to promote greater trust, as its independent status means the advisers' interests are more aligned with their clients'.

"We are not owned by a product manufacturing company, so we believe strongly in the value of advice given to clients and the value of advisers," explains Harvey.

COUNTING ON EXPERIENCE

The start that Nexus Financial Services has made in Singapore has certainly been eye-catching. In September 2015, it agreed to take over Zurich Life Insurance's advisory business, comprising of 160 appointed financial representatives

GARY HARVEY
Nexus Financial Services

and support staff. This has given the firm a large enough foot in the door for it to now be taken seriously in the local FA community.

While it will have to face off against many established players in Singapore, who have had to spend the past two to three years re-orienting their distribution business in line with the regulatory overhaul, Harvey believes the firm has a big opportunity to make a real impact, especially given its breadth of international experience.

The ex-Zurich advisers, by extension, have brought their existing client relationships with them, creating an optimistic mood. "With this motivated adviser force that has joined us from Zurich, we are well-placed to achieve great results," says Harvey.

Plus, the firm has experience in other markets, which he thinks is one of the differentiators for the firm.

It hopes to draw on these lessons from its Middle Eastern operations, where it is the largest FA firm. Its product suite runs the gamut from insurance and savings to investment and international clients and corporate solutions.

In addition, it also has a clear-sighted approach to growth, where organic growth of the existing adviser force will be bolstered with other growth options

BUILDING FROM THE GROUND UP

Indeed, over the next six months, his focus is putting together the building blocks to turn Nexus Financial Services into a fully-fledged advisory firm.

"The Singapore market presents a number of exciting opportunities for the growth of the Nexus business outside the Middle East," he explains. "Not only is the dynamic local life insurance market attractive, but Singapore offers a well-regulated and governed marketplace, a growing population of wealth and good geographical access to the rest of Asia."

Advising on a combination of products now in Singapore ranging from protection, savings and investment to personal and business coverage, the firm will initially focus on the mass affluent market, before later looking to expand into the HNW market segment.

In line with this, the offering will be broadened gradually.

"We will be looking at focusing on other products that our new adviser force hasn't been able to utilise before."

A variety of solutions will also make the firm more appealing to the wealthier clients it eventually wants to target.

"Our objective is to have the full range of products that clients can buy," adds Harvey. "We would then look at expanding our client base and will assess how we will enter those segments by utilising the relationships we have."

VALUE PROPOSITION

Where Nexus Financial Services can stand out is simply by using its core competencies to adapt to the needs of clients and the manner in which it provides advice to them.

"I would not say that there is a specific product mix which we are targeting," explains Harvey.

"It will be driven at the client level depending on where they are in their lifecycle," he adds.

The biggest focus for the firm, therefore, is retaining and developing a skilled and competent team of FA Representatives who are able to take clients on a journey of empowerment; they should be able to discover for themselves what their specific requirements are and then determine their future course on investments alongside the adviser.

It matches the firm's definition of advice, explains Harvey.

"For us, this is actually providing a solution to a client to meet their life goals in as objective a manner as possible."

In doing so, however, Nexus Financial Services does not want to lose sight of other important components of an advisory business – such as products or the need to generate revenue.

"It is never going to be a situation where you move from having a total product focus to one where there is a zero product focus," Harvey clarifies.

The over-riding goal, he says, is to be able to help clients achieve their desired financial outcomes regardless of the product manufacturer they give their money to.

The product selection process must also be as transparent and fair as possible, whether it is on the issue of product features or manufacturer selection.

"It is a bad thing if fees and charges are hidden and people don't understand them," explains Harvey.

"But if they understand them and the services represent good value for the client, then whether the adviser is remunerated by fees or commission, it doesn't matter to me." ■

Insuring China's global footprint

Alan Armitage of Standard Life explains the emerging opportunities for international insurance companies from the growth in the offshoring of Chinese wealth.

For at least the last decade, the big ambition of many international insurance companies has been getting into China. Today, the focus is more on how to capture the potential from China going global, says Alan Armitage, chief executive officer, Asia and Emerging Markets at Standard Life.

This is likely to gain momentum. "As the wealth of China's middle-income population increases, their demands for diversification will mean they look for more overseas investments," he explains.

INTEGRATED STRATEGY

For Standard Life, its joint venture with Heng An Standard Life Insurance Company has now been augmented by the focus on how the firm can play a role out of Hong Kong in wealth management, pensions and investment solutions to Mainland Chinese customers.

As a result, the firm now views its business in Hong Kong as part of an integrated China strategy. The longer term plan is to deliver a proposition relevant for this new wave of customers. "Many Chinese wealthy individuals, now in their late 40s to 50s, are starting to think about their family," says Armitage.

This is where the estate planning, wealth transfer and inheritance planning aspects to the firm's offering comes in.

When this will happen, however, depends on overcoming some hurdles. For example, reputation is a challenge. China had some bad experiences when customers lost money in 2008 on investment-linked solutions sold in 2007. Mis-selling was partly to blame, as was the fact that a lot of customers didn't understand what they were buying.

This highlights another big obstacle for growth in China – the maturity and expertise of the advisers. "You really need professional advisers for this business," says Armitage.

ALAN ARMITAGE
Standard Life

Even though the domestic market is liberalising, he expects progress will inevitably be gradual. "We need to be adaptable and play the long game." ■

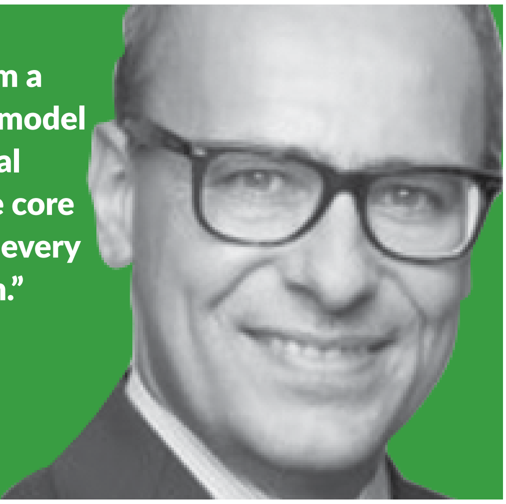
Driving the digital revolution in insurance in Asia

Technology-driven tools and processes are now a pre-requisite for life and health insurers in Asia. It is also creating a business case and roadmap for their much-needed digital transformation.

The Babson Olin School of Business, a US graduate school renowned for its entrepreneurship programme, recently published a sobering statistic. Due to disruptive technologies, such as those relating to the distribution of products and services, 40% of the current Fortune 500 companies will no longer exist in 10 years' time.

"Transformation from a traditional business model towards a truly digital offering is one of the core strategic issues that every insurer is working on."

MARCO KAMERLING
Synpulse



"My reading of this is that those who ignore or not respond quickly enough to the rapid adoption of digital technology and subsequent impact these technologies have on consumer behaviours will risk obsolescence," says Jason Dehni, senior vice president and chief marketing and distribution officer at Manulife Asia.

As a result, the choice for a company to adopt digital distribution technologies or not is no longer an option.

More importantly, some combination of digital and physical – or 'digical' method – as management consulting firm Bain & Company describes it, for putting needs-based solutions and services at the customer's fingertips, is essential to basic company survival, explains Dehni.

As a result, digital distribution is now part of business-as-usual and must integrate seamlessly with traditional methods in order for firms to attract and maintain their customers. "Today's financial services consumers have come to expect that they will have easy access to creative companies which have developed inventive and simple products and that these will be delivered over a host of convenient networks and channels," he explains.

ADDING A NEW DIMENSION TO DISTRIBUTION

For the insurance industry, Dehni predicts agency and adviser channels will always be key to distribution strategies. However, these channels in combina-

"If you are not digitally-enabled going forward, then you will fall behind."

CHRIS GILL
Friends Provident International

tion with digital options will empower advisers who will in turn empower customers by providing value-added propositions that complement existing interactions. "While selling insurance products has to remain a multi-distribution strategy, those companies that connect the dots better than everybody else have an edge," says Chris Wei, executive chairman of Aviva Asia and global chairman of Aviva Digital.

According to Darren Thomson, the chief executive officer of group partnership distribution at AIA Group, a key element of the firm's journey and development is incorporating digital components into its distribution partnerships.

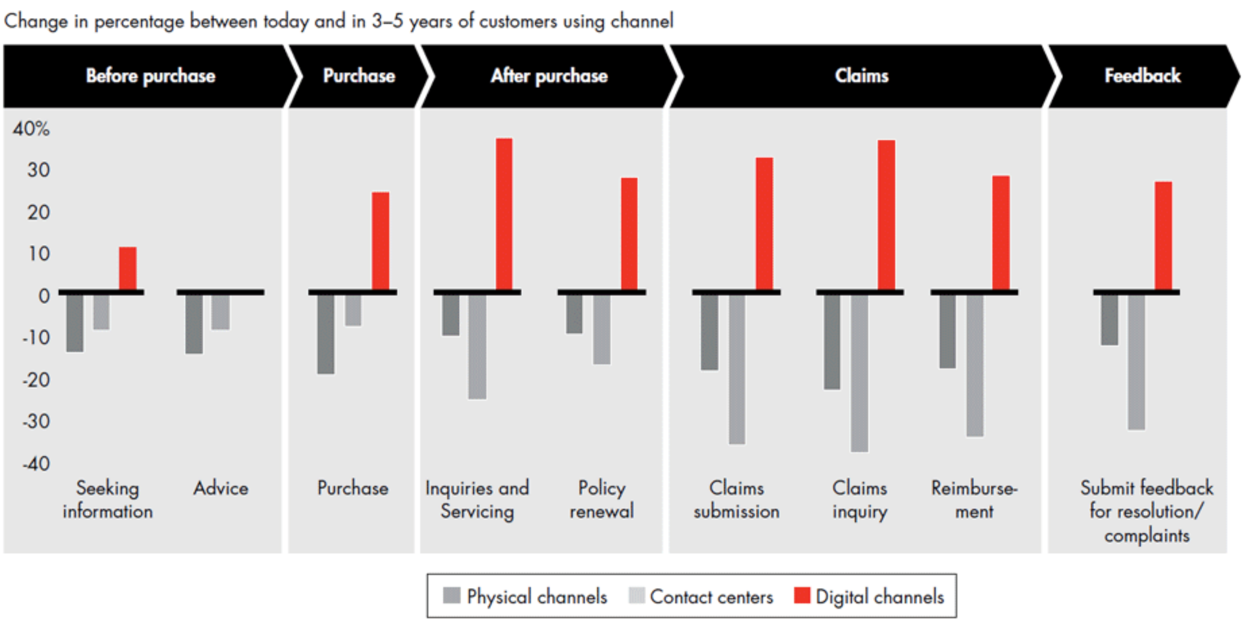
For example, it wants to help its banking partners gain deeper insights into their clients through propensity modelling.

In doing so, Thomson says AIA analyses the customer base of the partner bank in order to identify leads for frontline staff. The philosophy behind the overall focus of the firm on digital, he explains, is to empower clients.

"It is about making sure that clients visiting the website have a number of options and can access information that they may want to without seeing somebody in person. However, if they reach a point where they want to meet an adviser to discuss a more sophisticated product, then that option should also be readily available."

For IFAs, specifically, technology is going to be a key differentiator, predicts Chris Gill, general manager for Friends Provident International in South-east

DIGITAL CHANNELS CONTINUE TO REPLACE PHYSICAL CHANNELS AND CONTACT CENTERS FOR MANY ACTIVITIES



Source: Bain Digital Insurer of the Future Benchmarking, 2014-2015

Asia. "Using technology to support the knowledge and expertise of the business, as well as delivering services to the client, is what clients expect. Technology also needs to play a greater role in helping firms to comply with the ever-increasing levels of regulation."

Plus, firms which are not digitally-enabled going forward will fall behind. "Digital will play a big role in the way we interact with clients. This will affect both in terms of us as an insurance company and our distributors in the way we supply and support our relationship in the affluent and HNW spaces."

"Leveraging the use of analytics, we will be able to have much more effective conversations with our customers and at the right time."

MARCELO TEIXEIRA
HSBC Insurance

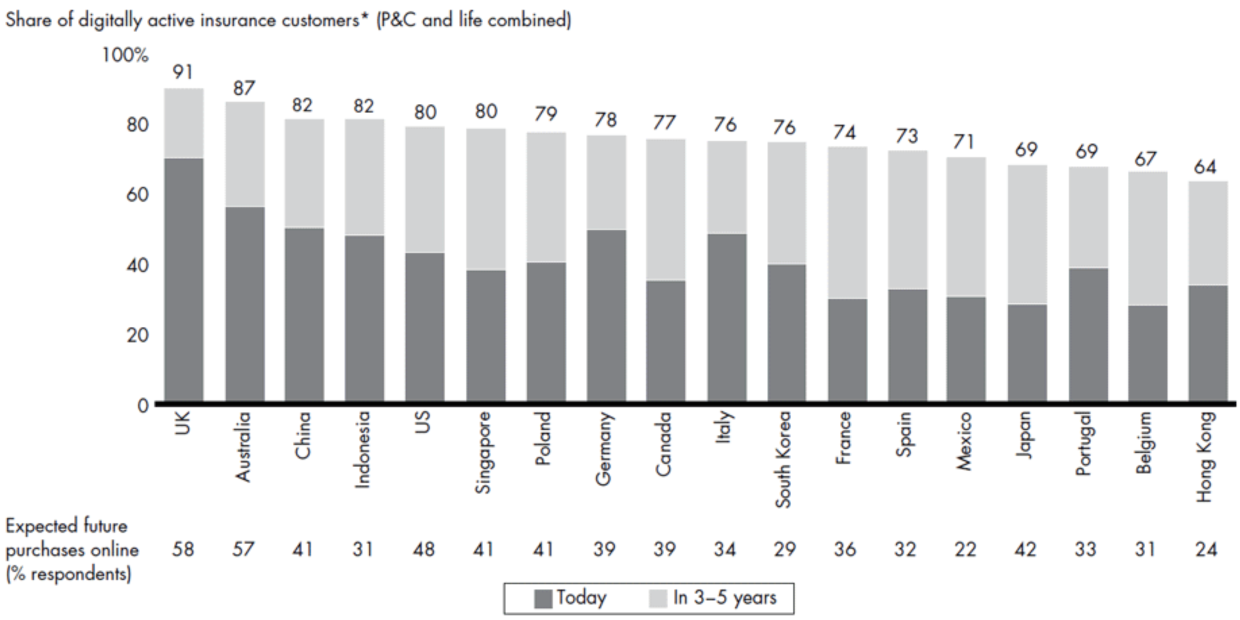
Vincent Ee, managing director of Financial Alliance, agrees that to be well-positioned for growth in the IFA space – and to stay compliant – will inevitably require firms of all sizes to embrace technology. But he believes that IFA firms need to proceed with some caution rather than rush in.

The robo-advisory revolution, for example, is making a debut in all markets, including Singapore. But until artificial intelligence becomes a reality, robo-advisers will be limited to automating certain parts of the workflow of an adviser, but won't be capable of replacing them, he explains.

Other practitioners share this view too, such as Wei. "I don't subscribe to the concept that you can sell existing life insurance products online; it doesn't work fundamentally," he says.

The figures released by the Life Insurance Association of Singapore in August

THE SHARE OF DIGITALLY ACTIVE CUSTORMERS SHOULD RISE SHARPLY OVER THE NEXT FEW YEARS



Source: Bain/ Research Now and Bain/ SSI global NPS surveys, 2013-2014

2015, for example, make interesting reading in relation to this dynamic.

Between early April, when Direct Purchase Insurance by life insurers was launched, and the release of reporting figures on June 30, fewer than 200 policies were in fact sold online – 97% of which were regular-premium term-life policies, with less than SGD 200,000 in new premiums.

The feedback from customers, adds Wei, is that they don't buy the products if they don't understand the contract so they need an adviser.

"To us, being focused on digital doesn't mean we want people to buy everything online," he says.

"It's just recognising that people start their journey online, and given that customers want to feel a bit more empowered, those companies that engage the customer with value-added information are going to be a step ahead. It is at that point we can give customers full choice of how they want to transact with us."

The authorities in Hong Kong and Singapore are responsible for initiating some of the transformation taking place in terms of technology within the insurance companies.

New regulations have not only forced insurers to become more transparent; they have also pushed them to make considerable progress when it comes to educating investors about the different products available.

The significance of deploying technology-driven solutions and processes, therefore, to ensure more sustainability and drive productivity in their businesses is now a way of life for insurance companies in Asia.

Doing this in practice, however, is the tricky part. Plus, an investment in technology is an expensive proposition.

As a result, many insurance companies engage the services of consultants to first review their existing technologies, and then ink a plan to upgrade and integrate their systems in a way that maximises efficiency without unnecessarily disrupting any existing processes or business functions.

"We work with life and health insurance companies in Asia and see that our clients are serious about their technology and digital initiatives and are investing significant resources in developing their digital capabilities," says Marco Kamerling, associate partner and managing director at Synpulse.

"Transformation from a traditional business model towards a truly digital offering is one of the core strategic issues that every insurer is working on," explains Kamerling.

The first decision for insurers when they assess the potential for digital solutions within their business is: which of the front, middle and back-office operations can be digitised? They then need to look at how the system can be set up in a way that is fully integrated.

Essentially, that is how they can increase efficiency and drive productivity, explains Kamerling.
However, one of the biggest stumbling blocks that he sees to the digital aspirations of these companies is trying to integrate key legacy systems with more modern solutions.

In Kamerling's opinion, this makes a digital transformation more complex than it needs to be. "I believe that an online distribution channel cannot completely offset an offline channel. It's about how you integrate the two channels in a meaningful way across an end-to-end sales process."

"Digital will play a big role in the way we interact with clients."

The focus of these organisations generally falls into one of two camps. On the one hand, they might want to look to leverage technology to boost productivity within and across their sales channels. Or, they might look to set up an integrated distribution model that anticipates some of the main trends in consumer behaviour.

While digital distribution isn't expected to be able to compete for the foreseeable future with the sales volume of more traditional channels, it should help to create a stronger sales pipeline.

This can come via online enquiries that can then form leads for agents and financial planners to follow up on. In this way, a well-oiled and implemented digital solution can make distribution more efficient and customer-centric.

Integration is, however, not a smooth thing to achieve in the insurance industry in this region.

Further, analytics and processes to crunch the numbers and be able to present front-line staff with actionable insights to drive more informed conversations with potential customers are noticeable by their absence.

DRIVING A TRANSFORMATION

The Asian insurance sector is certainly playing catch-up where technology and innovation is concerned. But change now seems to being taking place at a relatively rapid rate.

And an integral part of what insurance company's want to achieve with digital is to better understand customer behaviour through analytics.

"What I think insurance companies could do differently is really focus on customer needs. I truly believe that when you are customer centric, it takes a lot of complexity out of the business model," says Kamerling.

This is what Marcelo Teixeira, HSBC's group head of insurance, considers a game changer. "Leveraging the use of analytics, we will be able to have much more effective conversations with our customers and at the right time."

These customer insights help drive more focused and meaningful conversations between the relationship manager (RM) and client, he adds. "This enables us to deliver outcomes that meet our customers' goals. For simple protection solutions, we are seeing increased take up through our self-service, online and mobile channels. The future, especially in Asia, where protection needs are materially underserved, will be about greater access to insurance solutions from the channel or your choice."

In the next two years, HSBC expects in-house insurance specialists to continue to play an important role in the sales process. However, the largest effort, it believes, will come through identifying and then servicing the insurance needs of clients not already looked after by an RM.

HSBC's vision is a bold one. In addition to riding the growth momentum in the Premier segment, the bank plans to focus on catering to the insurance needs of customers in every segment.

This means providing a broad range of products through a variety of distribution channels that are able to complement each other.

HSBC is committed to this transformation, says Teixeira, heavily investing in digital technology to enhance channels, simplify and automate processes and leverage analytics to better identify and address insurance needs across the different clients the bank serves.

Yet for most insurers, Kamerling says they are still not able to really deliver the underlying analytics to structure and guide agents in terms of a customer-centric perspective through the sales process. "We work with insurance companies on activity tracking. Most of them don't know what their agencies are doing on a day-to-day basis."

While the companies want their agents or brokers to focus on selling products, they are doing a lot of admin in the channels without adding any value either to the customer or to the company itself, he adds. "If you have a very clear view about where your sales force adds value and where it destroys it, it is possible to do activity tracking to come up with areas for improvement in terms of productivity." ■

Tech support in demand

A recent report from Friends Provident International showed that both local and expatriate customers and IFAs expect technological support from international life insurance companies that is equal to the support currently provided by most banks.

A number of IFAs who responded noted that effective technology could assist them in making the sales process easier and as such, to a limited extent, were prepared to forego some commission in return for better technological support and online platforms.

However, the report suggested clients are less prepared to 'pay' for better technology, with many of them feeling that it is the responsibility of the insurance company to provide a more accessible customer experience.

Suggestions for improvements included simpler apps, valuation statements that are easier to obtain and tools to help an IFA explain the offerings of the insurer. Among other channels, the use of WhatsApp was very widely mentioned as well as facilitating payments through smartphone apps.

Meeting HNW expectations with insurance

To provide wealthy individuals with the protection and investment solutions that certain types of insurance can offer, Nicholas Kourteff of UBS Wealth Management says the key is knowing these clients' expectations, and then matching these with professional advice and correct product selection.

The ultimate goal most people have, irrespective of their level of wealth, is protection against life's risks. In seeking to achieve and maintain financial security in this way for themselves and their loved ones, now and in the future, various insurance solutions can help.

But for HNW clients, they need products which do a bit more to reflect their often more complex and multi-dimensional needs.

Business owners, for example, are typically heavily invested into their company. Plus, Asian HNW individuals generally have multiple bank accounts, with investments often spread across different jurisdictions too.

Most of these clients are, however, unaware of the need to create an independent portfolio for lifestyle preservation upon retirement, that is separate from their business assets, and independent of their family's assets. Or, they simply don't think they need protection via the various forms of policies such as Universal Life and others.

As a result, this is the segment where a client adviser (CA) can – and should – make the biggest contribution.

"Their role is to not only know their client but to also review their potential financial needs and discuss the value of seeking expert advice tailored to their selected financial priorities," says Nicholas Kourteff, executive director, wealth planning, product management and distribution at UBS Wealth Management in Asia Pacific.

CLIENT ADVISER AS THE CATALYST

CAs play a key role in helping the client to understand their financial medium- to long-term needs, and assisting to refer the client to the appropriate advice channels. "The client adviser is the key motivator," says Kourteff, who points

NICHOLAS KOURTEFF
UBS Wealth Management

to the future role of individuals at his own bank in encouraging their clients to think about concepts such as risk mitigation, lifestyle preservation, and segmenting their assets to create a pool to provide a lifestyle income which is separate from their legacy plan, and clearly delineates business assets from their retirement assets pool.

"At the end of the day, the client needs to feel the tangible benefits of both the planning service and also implementation of their holistic financial plan," explains Kourteff.

Another important role of a CA in this type of conversation, is helping the client understand the need to have a longer term investment horizon when they consider their options.

"Generally speaking, clients are too short-term oriented when it comes to planning for retirement," adds Kourteff. "It has historically been seen that most people live longer than they anticipate, so they must plan for it."

UBS Wealth Management has a fresh approach to providing its clients with an ongoing, advice-driven service to manage their portfolio around lifestyle preservation and, in turn, give them peace of mind.

Kourteff explains how this is done.

"The way we focus on lifestyle preservation, is understanding when the client is going to retire over the medium to long term, and whether he or she wants to continue controlling the underlying portfolio and their business assets, or to focus on other things."

CREATING THE RIGHT CLIENT EXPERIENCE

According to Kourteff, the typical HNW client wants a solution that creates an experience warranted by the wealth bracket or segment they belong to.

"It's a combination of an effective process, in terms of sales, medical and financial underwriting, documentation and servicing."

What HNW clients don't want, he adds, is to wait three months for an underwriting decision or to have to provide tax returns dating back several years.

The client also seeks transparency in the product they're buying plus a certain pedigree in the product provider.

For instance, clients need to know if the product provides any guarantees and, if so, what specifically those guarantees are. For example, is it a life cover guarantee? Is it a guarantee on the cost of insurance? Or is it a guarantee on the policy administration fees? Also, how do those guarantees work?

"This is all very important in the HNW space," says Kourteff.

Further, clients want to know about aspects such as if the product can be financed, and whether it is what Kourteff calls 'structuring friendly', based on if it can be held within a trust.

For UBS Wealth Management, the focus on due diligence is key to the bank delivering on all of this.

For example, UBS reviews all life insurance carriers and products approved for policy collateralisation and monitors the Cash Surrender Value of each policy.

HNW clients, after all, seek fast, efficient, professional turnaround in terms of the service offering.

They want comfort at the end of the day; to be able to review their plan when a life event happens, and be reassured the plan they put in place five or ten years ago, for instance, is still going to continue to serve their stated purpose.

"This is where the effort that goes in to the review process can pay off in improving the overall client experience," explains Kourteff.

Meeting client expectations, in delivery and service of best-practice protection and lifestyle preservation solutions, is fundamental for private banks.

This is especially important, so that clients know that their holistic financial plan connects with their values, needs and goals. ■

Due diligence check-list

Before presenting any product or solution to a client, UBS Wealth Management runs through a rigorous check-list.

This includes, for example:

- *Whether the product comes from a jurisdiction that is transparent and has strong regulatory requirements in relation to protecting the client*
- *Whether the provider has been rated by a credit rating institution and if that rating is acceptable*
- *How long a product and provider has been in existence*
- *Where the product provider invests the funds it is entrusted*

Avoiding short-sighted strategies to meet long-term goals

As people in Hong Kong and Singapore get wealthier, Friends Provident International (FPI) is encouraging these individuals to take a rational and long-sighted approach to meet future savings and retirement goals, says James Tan.

The latest FPI-commissioned research in Hong Kong and Singapore on sentiment and preferences towards investments and financial security provides a lot of scope for optimism among insurance companies.

In both markets, for example, the view across many of the 1,000 global expatriates and local nationals surveyed is consistent: that retirement is a top saving and investment priority.

At the same time, however, the majority of these affluent and emerging affluent individuals share similar concerns. Having insufficient funds for retirement and serious illness for themselves or loved ones cause most worry.

Tied to these views, the survey also exposes a relatively short-sighted approach to tackling these challenges.

For example, nearly 60% of individuals surveyed in Hong Kong believe that five years or less is the most important timescale for savings and investments.

A combination of the concerns among individuals about their financial future and recent market volatilities, has in some cases caused a short-term focus with a short-sighted approach, says James Tan, managing director for FPI in Asia, of people in Hong Kong.

MEETING LOCAL NEEDS

Ultimately, insights from the research and other sources can help firms like FPI better understand the retirement needs of customers. They can therefore develop solutions that are catered to their demands and preferences.

In Hong Kong, in particular, the continuous inflow of wealth provides great potential for the firm. Not only is this in terms of what the product is, but also what it does for the customer. "It is not always about chasing the highest returns," says Tan. "The wealth [of customers] is increasing and they want a bit more stability right now, so being able to preserve and maintain that wealth is important."

JAMES TAN
Friends Provident International

The 2015 research also highlights this pressing need.

So while Tan says specific solutions are required to grow wealth over time to build up retirement pots, a certain level of protection is also needed.

"These are the areas we are focusing on at the moment," he adds.

This requires expertise, which plays to the firm's strengths and experience over the last 35 years in dealing with expats and other internationally-mobile, affluent customers.

"The wealthy people now in Hong Kong have similar characteristics," he adds.

For example, they are more mobile, so more exposed. Plus, they are increasingly looking for overseas investment opportunities, in multiple currencies, across multiple assets.

Yet Tan wants to steer them clear of short-sighted investment strategies, which are usually associated with taking higher risks.

"Investors should maintain a balanced and diverse portfolio, and look at investment vehicles that can even out their risks over time," says Tan.

"Wealth management and preservation are important elements of retirement planning and they go hand-in-hand. Strategies should be well-planned and carefully crafted to include different tactics to fit the individuals' needs and risk appetite."

In line with this, the latest FPI survey shows that over half of the affluent respondents see insurance as a means of preserving and accumulating wealth.

Another significant – and growing – opportunity is coming from the inflow of Mainland Chinese funds into Hong Kong. This is where about 20% of FPI's new business premiums came from in 2014, reveals Tan.

In trying to understand what these customers want, FPI's approach is to talk to them and the brokers to identify and understand the specific solutions in demand.

As a true offshore company, FPI can offer a proposition that local insurance companies can't compete with.

"The ability for customers to have their assets wrapped in a structure that is offshore in a highly-regulated jurisdiction is appealing," explains Tan.

DIVERSIFYING ITS OPTIONS

To take advantage of the growth in the region, FPI sees opportunities in extending its reach via a broader distribution network.

Its core offering has traditionally been provided through IFAs in Hong Kong and Singapore. But Tan says the firm sees bancassurance as another key distribution channel to explore.

Its experience to date in this space has come from working with a leading bank in Singapore.

"Most customers in Asia have their first financial relationship with a bank, so it's important for us to look into that," explains Tan.

The 2015 FPI research findings also show that there is room for the majority of Hong Kong respondents to seek professional financial advice.

While 14% of the Hong Kong locals seek advice from IFAs or brokers, 43% seek advice from partners, families, friends and colleagues, 15% rely on newspapers/magazines and internet websites, and 13% seek no advice.

By contrast, those individuals who have worked globally are more inclined to seek advice and more so from IFAs or brokers (16%) than those who have only worked locally.

But partners, friends and families are still preferred (39%).

In Singapore, meanwhile, IFAs or brokers are the most relied upon as a source of advice, with 22% of local respondents opting for this channel, according to the research.

Looking more broadly at the overall FPI proposition, Tan says that the firm brings a certain value to the whole wealth ecosystem.

"We have been dealing with the expatriate market for a number of years now, and we are a quite a unique player in this way," he explains.

To add to this brand awareness and overall reputation, he says that Aviva gives the firm more firepower – as a strong player which is clearly committed to the Asia region.

In combination with the continued competitiveness of the region's insurance space, Tan believes this makes FPI more focused on the key aspects of the business which make it successful.

"We will continue to leverage on what we bring to expats and translate that into a meaningful proposition for our customers," he explains. ■

An investment alternative to insurance for HNW clients

For insurance companies eyeing a bigger slice of the HNW pie in Asia, the name of the game is broadening and adapting the product offering, say Glenn Williams and Ernest Low of AXA Life Insurance.

With the ranks of Asia's wealthy growing rapidly, it is no surprise that life insurance companies looking to make their foray into wealth management seem to have a new lease of life.

Winning over HNW individuals, in particular, holds a lot of appeal. In turn, many insurers are re-orienting themselves to service this wealthier segment, in addition to their mass affluent customer base.

However, the road so far has been more difficult than many insurance companies would have liked.

As Glenn Williams, chief executive officer of AXA Life Insurance in Singapore, says, most investors tend to think of wealth management as an investment-related solution to build their wealth. This means they tend to have par (guaranteed returns) products or even non-par ones off their radar. With AXA's products, for example, designed more for protection than investment, the firm has struggled to extend its reach in the HNW segment to date.

But Williams says he is now looking to change that. Later this year, AXA will launch a range of new investment-linked products to stir up interest in life insurance in Singapore.

"We are going to bring out an ILP (investment-linked product) solution which will be targeted more at HNW clients, and which will have very little protection; almost completely focused on investment with a wider fund choice," he says.

It is not the first time AXA has been thinking along these lines. In 2014, it created an ILP which was more similar to products launched by Zurich International Life and Friends Provident International, although the take-up ended up being more among mass affluent customers.

GLENN WILLIAMS
AXA Life Singapore

This time round, Williams has clients worth USD1 million-plus in his sights; plus, they must have the nerve to look beyond short-term volatility.

ERNEST LOW
AXA Life Singapore

MAKING AN ILP INVESTMENT CASE

There are several reasons to invest in ILPs, he explains.

First, these products combine insurance with investment and offer clients the freedom to invest their premium in a range of funds – from stocks and bonds to hedge funds – that are pre-selected by the insurer.

ILPs also tend to offer higher returns than par products, which come with an element of guarantee in terms of returns and therefore might have less appeal.

Another advantage ILPs have over unit trusts, for example, is that customers can use their ILP to switch between different funds or strategies without having to pay a fee of 1.5% each time they do so. This means the investor in an ILP has a certain amount of protection from advisers who might look to change the mix of their clients' portfolios based on fee-driven incentives.

Yet despite an ILP's benefits compared with a traditional insurance product, what will determine AXA's success is its ability to differentiate its product from the other ILPs available.

"If you are looking at the pure investment side, there is no benchmark that investors can look to other than fund choice, ease of service and how they get their advice in the way they need it," says Williams.

So in finding ways to make the advice and service stand out, he needs to ensure advisers are focused on the way they handle customer queries, and on making the process of investing as easy as it can be.

At the same time, digital can play an important role too, by making the process of investing more efficient, believes Williams.

However, this won't have the biggest impact. This is mainly because insurance largely still remains a product which gets pushed to clients.

"We need to change the customer's behaviour, so that when he wakes up he says, 'I must go and buy my life insurance today', rather than 'I will buy in two weeks' time'," he adds.

"That's when we are going to have a greater need for digital advice. Then digital can play an important role."

Such a scenario may still be several years away in such a distribution-driven market as somewhere like Singapore.

"At the moment, a lot of time is spent by distributors in talking to existing customers and finding potential buyers," explains Williams.

PRODUCT MATTERS

On the investment front, achieving differentiation is potentially even harder, given that many products can be replicated quickly.

The real trick, therefore, is to offer a product which can take care of all the investment contingencies a client might want or need.

"The main thing we need is full fund coverage," says Ernest Low, head of investment and wealth management at AXA Life Insurance. "There is no so-called 'best fund' or single asset class that can take care of all seasons."

Yet not all funds make the cut. "End of the day, our products go to the broker and if the funds don't perform, the brokers will complain that the product range is just not good enough for them," adds Low.

As a result, he is very focused on making sure that there are strict criteria on which funds the firm chooses to onboard to its platform.

There is also an effort to differentiate at the portfolio level. Low says as part of AXA's fund-of-funds strategy, many financial adviser firms are working closely with fund managers to manage client portfolios.

"The larger advisory firms which look at asset allocation have been working with fund managers, because if we create a model portfolio and advisers want to make switches for their clients, instead of doing it manually for each client, nowadays representatives can rely on the manager to make the changes automatically for all the clients who are in the same risk profile," explains Low. ■

Finding life beyond Universal Life

Jardine Lloyd Thompson sees significant scope to expand its reach in Asia in terms of product range and geography, in response to greater interest in a broader range of insurance solutions, and ones which are closer to home for clients too, explains Martin Wong.

In Martin Wong's long-term outlook for the insurance business in Asia, expanding the product set and taking more of it onshore are two key elements of things to come.

He has the benefit of seeing trends across South-east Asia in his role as deputy chief executive officer of private client services for Jardine Lloyd Thompson (JLT) in this region. And from his vantage point is the potential for moving beyond the relatively one-dimensional approach of many insurance companies, brokers and private bankers alike – at least in terms of the HNW space.

Although Universal Life (UL) has been a popular option to date, lending thresholds and product concentration on the one hand, combined with a need for other types of products to meet the multi-dimensional risk exposures of HNW clients, have led to innovations.

"We have to think long term in this business. And in a long-term relationship with a client, one needs to look beyond just a single product design to meet the complex risk exposures our clients face."

MARTIN WONG
Jardine Lloyd Thompson

"We have to think long term in this business," explains Wong. "And in a long-term relationship with a client, one needs to look beyond just a single product design to meet the complex risk exposures our clients face."

An alternative product range signifies a move towards really providing more of a holistic approach for clients.

Through this, it means meeting not just clients' personal life insurance needs but also helping them in relation to their family, business and luxury items.

AN EXPANDED PRODUCT OFFERING

Today, there are a host of touch-points to trigger the interest of HNW individuals in terms of their protection and planning needs.

A key driver for clients, inevitably, is to live long to be able to enjoy their wealth.

"We find clients [in China] are not only wealthy but are younger, in their mid-40s, so they are financially justified for big amounts."

As a result, high-end hospitalisation insurance has become an increasingly attractive option for discerning clients.

And as clients in the region today are more discerning and self-directed in the protection solutions they need, Wong sees a growing segment of clients utilising their investment portfolios to access significant death benefits. "With the variable universal life platform, clients have the flexibility to construct a bespoke life insurance policy to meet their specific liquidity planning needs."

For those individuals who travel frequently, especially to more high-risk jurisdictions, other protections are on their list, such as kidnap and ransom insurance, adds Wong.

Sophisticated clients who have collections of valuable paintings, for example, have expressed the need to access Fine Arts & Jewellery cover. Further, it is important to many HNW individuals for them to be able to insure their luxury items such as classical cars, private jets and yachts.

All of this can be covered under a tailored insurance plan, he explains.

Entrepreneurs who lead businesses on a regional or even a global scale would require a variety of risk solutions that JLT can fulfill, such as directors and officers liability, cyber and data risk, and M&A transactional risk, to name a few.

A BROADER VALUE PROPOSITION

In line with the opportunities Wong and JLT see for meeting evolving insurance needs, the firm's emphasis over the next 12 months is on regional growth.

Naturally, Singapore and Hong Kong remain the main drivers of the business. But the firm has plans to use its presence in Asia to tap the potential it sees going forward. As Wong explains: "Where there is wealth, there is a need for protection and planning."

For the time being, the opportunities amongst clients beyond Asia has seen the firm's business expand into Geneva to focus on also supporting clients in Europe and the Middle East.

For the industry as a whole, closer to home in Asia, the demographics present mouth-watering opportunities going forward. Take China as an example. "We find clients [in China] are not only wealthy but are younger, in their mid-40s, so they are financially justified for big amounts," says Wong. ■

Case study - servicing HNW needs

When striving to meet the needs of entrepreneurs in Asia, an example of a comprehensive plan for a client with regional business operations might look like this:

- *Commercial insurance in three countries for his conglomerate – Malaysia, Indonesia and Singapore*
- *Key executive cover for key-man risk*
- *Life insurance for selected family members*

For Wong, this shows the value that JLT can bring as a total insurance solutions provider. This offering also requires a consultative approach to identify risk exposures for clients, as opposed to a pure product focus.

A heightened role for life insurance in wealth protection

Wealth in Asia is changing, but the fundamental need to safeguard it for future generations remains, says Damiaan Jacobovits de Szeged of Transamerica Life (Bermuda) Ltd. (Transamerica Life Bermuda).

Wealth in Asia is changing. Not only is it expected to surpass North America as the world's wealthiest region in 2016, but the nature of the wealth being created, and the people driving it, continue to evolve.

While China and India continue to stand out as key participants in this growth story, HNW individuals in other fast-growing markets in Asia, including Taiwan, Hong Kong, Indonesia, Thailand and Malaysia, have become drivers of wealth with a record USD15.8 trillion of assets.

"A 2013 Private Banker International report estimated that more than 80% of Asian businesses are family owned, and approximately 80% of wealth in the region, which has been created by first-generation entrepreneurs, will be passed on to future generations in the coming 15 years," says Damiaan Jacobovits de Szeged, chief executive officer of Transamerica Life Bermuda and board member of Aegon THTF Life Insurance, headquartered in Shanghai.

"Life insurance is an effective and flexible tool within the broader wealth planning toolbox."

DAMIAAN JACOBOVITS DE SZEGED
Transamerica Life Bermuda

Many in this new generation, as well as emerging young entrepreneurs are well-educated, he explains. And they have an international outlook on business. "They will have vastly different needs and face different risks when looking to safeguard their wealth legacies and that of their businesses," says Jacobovits de Szeged.

A SHARED LEGACY

The concept of wealth is a multi-faceted one. It is measured not solely by one's assets or the lifestyle these assets afford, but also by the wealth legacy that is shared with loved ones and future generations.

Even more important, adds Jacobovits de Szeged, particularly as one ages, is the peace of mind that a legacy plan has been established from which loved ones can enjoy the benefits; benefits not limited to financial assets alone, but also values, memories and philanthropic efforts.

Life insurance is an effective and flexible tool within the broader wealth planning toolbox that plays a key role in ensuring HNW individuals have that peace of mind, he explains.

"It also makes them feel confident that in the event of unforeseen circumstances, their families won't be financially burdened."

SMOOTH TRANSITION OF WEALTH

As family businesses make provisions for succession planning, Jacobovits de Szeged says it is vital they consider how best to transfer their assets and what options are available to ensure their wealth and business success live on with minimal complications.

In the case of HNW individuals in particular, the bigger the deceased's estate the more complicated things are likely to become upon his or her passing.

This is a result of lawyers, frozen assets and all other legal issues that abound following a death.

"The legal wrangling can often take many years to sort out," says Jacobovits de Szeged. "With a life insurance policy that pays out upon death the money is generally readily accessible if you've designated a named beneficiary. In this way it may serve as a real liquidity tool to straddle this transitional period of uncertainty."

"Partners and end-customers expect to interact with service providers and their products via digital channels."

Transamerica Life Bermuda, for example, accommodates these specific needs of HNW clients by carefully engineering universal life insurance plans to offer life protection plus allow wealth accumulation and preservation.

For instance, a HNW individual could use part of his/her wealth to purchase a Transamerica Life Bermuda universal life plan. Upon death, one would benefit from an increase in the value of his/her total estate, and the re-allocation of estate according to one's specific needs.

MOVING INTO THE DIGITAL AGE

As the new generation of wealthy investors emerges, Jacobovits de Szeged believes that life insurance providers must adapt to the forces of change brought about by the transition from traditional to digital models.

"The fundamental need to protect wealth has not changed," he says.

"But partners and end-customers increasingly expect to interact with service providers and their products via digital channels, and the prevalence of digital information has further heightened consumer expectations."

Moving forward, the digital era isn't only defined by distribution channels. It's also creating new efficiencies when applied to internal processes and data analytics, he adds.

This leads to an improved decision-making process and ultimately, better outcomes for customers.

SAFEGUARDING GENERATIONS OF WEALTH

The forces of change currently facing the life insurance industry, both in terms of technology advancements and the changing needs of HNW individuals, require a transformation in the way providers do business to ensure they keep up with consumer demand.

"The mounting challenges facing family wealth – including ensuring a smooth transition of wealth, preventing family conflict, and the increasing internationalisation of assets – remain best served by life insurance," explains Jacobovits de Szeged, "which is fundamentally about safeguarding wealth and preserving the hard-earned assets for future generations." ■

Balancing effectiveness and cost of distribution training

Distribution training is the cornerstone of a professional distribution force. Training effectiveness is key but cost has to be balanced with returns. This entails the need for a flexible training model served by a repertoire of training tools and competencies, among which e-learning solutions feature significantly.

John is a seasoned trainer with one of the largest insurers in Asia. He had just completed a half-day training session on a recently launched distributor portal for 40 newly on-boarded agents. As he put the computer room back in order, he reflected on the efficiency and effectiveness of the portal training.

Not only were there latecomers who delayed the session, there were also a few agents who, lacking in IT affinity, struggled to catch up with the pace of the class.

A good handful of the participants did not follow his instructions and stumbled into varying scenarios, disrupting the flow of the class and even creating frustration with the portal.

Noting that there were still agents who complained of unfamiliarity with the portal, John made a mental note to check for resource availability to organise a refresher training.

DISTRIBUTION TRAINING IS REQUIRED FOR PROFESSIONALISM – BUT NEEDS TO BE PRODUCTIVE

The Asian insurance industry values distribution training and seasoned trainers like John are always in demand.

It is a foregone conclusion within the insurance industry that training is pertinent to the professionalism of the distribution force. A professional distributor is expected to provide sound advice and customer-centric services.

The Monetary Authority of Singapore, for example, mandates that representatives providing financial advisory services undergo at least 30 hours of structured continuing professional development (CPD) training annually. The scope of training should focus on ethics, and rules & regulations while not neglecting product and sales competency.

However, effectiveness of training is notoriously difficult to measure. Easy-to-monitor parameters such as number of training hours, assessment grades or sales and complaint indicators, are either unreflective of quality of learning

CLARIE KWA
Synpulse

or entangled with too many variables to pinpoint the effectiveness of training.

Furthermore, training is frequently viewed as face time to build relationships between the product or service providers and distribution force.

Hence traditional classroom training is favoured over e-learning as a delivery mode. The former ensures physical attendance and in-person interaction.

Furthermore, as John has experienced, the effectiveness of classroom training is constrained by the firm's ability to invest in time and capacity. A one-to-one session for 40 agents would have been ideal but impractical. However, John's session is unproductive for agents who face minimal learning curves, have the discipline to arrive on time or follow instructions, as compared to their peers.

In other words, distribution training must not only be effective but also productive.

While it is important to train distributors in the products and solutions they can offer, and the tools of trade to be efficient and customer-centric, it is also important to balance the tangible and intangible costs of training with returns.

To raise training productivity, John needs to consider value and cost from both the individual and insurer's perspectives. How can he ensure that training is customised for each agent's learning curve? What can he do to reduce the need for repetitive classroom training?

More importantly, John needs to know how he can simultaneously uphold the initial intention behind training, which can extend into change management.

CHANGE MANAGEMENT STARTS WITH FIRST-TIME USER EXPERIENCE

Training the distribution force and operations staff in an industry attempting to keep up with the digitisation trend is an unenviable task.

Of customers surveyed, 79% said they will use a digital channel for insurance over the next three to five years.

Insurers also expect increased IT spending per dollar revenue to build end-to-end CRM systems and a digitally enabled customer experience.

As insurers roll out digital platforms such as front-end sales portal and back-end claims system, top management teams are, and rightfully so, concerned about change management.

Of insurers surveyed, approximately 60% see themselves strongly lacking in

Learning Effectiveness

Pain Points	e-Learning Solution	Synpulse Example
• Varied pace of learning among users. • Unable to have refresher training anytime and anywhere.	• Creating structured content enables users to play and pause on demand / as mandated. This allows users to proceed only after obtaining mastery of content. • Content can be broken down into customizable learning nuggets to suit individual needs. • Accessible anywhere, anytime via the online Learning Management System (LMS). This enables users to refresh knowledge of content.	• Synpulse created content that guided users to perform steps in a sequence they would be expected to do in an actual business setting. • e-Learning curriculum was structured into mini modules and localized in terms of language and process. • Integrated e-Learning content into a life insurer's online LMS. Agents were able to access content on the go at any time.

Learning Productivity

Pain Points	e-Learning Solution	Synpulse Example
• Scheduling difficulties across different stakeholders (trainers, trainees, compliance etc.) • Limited time and capacity to conduct classroom training.	• On-demand access to e-Learning content reduces coordination efforts. Users pull the content, reducing admin effort to push. • Frees up time to develop meaningful relationships with partners, rather than spending time on mundane and repetitive training.	• Integrating modules with LMS system enabled pilot content to be pushed to small group of distributors. Enabled faster review cycles and reduced cumulative re-work of content. • During a 'train-the-trainer' session, participants were able to navigate e-Learn modules effortlessly by themselves. Distributors were also able to 'pull' content to create personalized 'playing list', facilitating user empowerment.

Source: Synpulse

one or more areas to successfully execute this change management, according to the Bain Global Digital Insurance Benchmarking Report 2015: Pathways to success in a digital world.

First impression counts. For instance, in order for the local entities to embrace the new tools, first-time user experience must be positive.

Some management teams mistakenly believe that a user-friendly digital platform should not require user training and rather invest in big bang events to create enthusiasm. While tool design and reliability is crucial for user experience, first-time user experience is subject to user profiles.

As John has observed, user profiles and therefore individual learning curves are heterogeneous – even within the same distribution channel and country. Receptivity towards the sales portal varies according to how easy it has been to learn to use it.

ONE SIZE DOES NOT FIT ALL

An insurer's training model for distributors needs to be built for flexibility.

As described above, distribution training serves multiple purposes – instill professionalism, provide providers face time to build relationships with distributors, and facilitate change management to encourage digital adoption.

While fulfilling all these purposes, training has to be effective and productive for individual distributors and insurers too. In markets where customer empowerment is increasingly the norm, the distributors likewise would want control over their own training.

To create a flexible training model for its distributors, an insurer has to assess its true capabilities.

Having a repertoire of training tools is a key enabler of the ability to flex.

Nonetheless, tools may merely be replacing each other in form with no additional value.

Take for example e-learning. While it has often been marketed as a convenient and cost-effective alternative to classroom training, training staff who have neither formal training in instructional design nor sophisticated authoring tools simply upload PowerPoint slides onto a Learning Management System (LMS) and call it 'e-learning'. It is of no surprise that many end-users associate e-learning with 'death by PowerPoint'.

SUCCESS WITH E-LEARNING

In developed and emerging markets, an adaptive training model can tap on technology. While e-learning is no cookie-cutter solution to all training needs, its potential to enhance training effectiveness and productivity cannot be overlooked.

In Asia, the e-learning market has grown 17.3% annually, with growth primarily driven by increased demand for content that needs to be balanced by convenience and affordability.

When used correctly and strategically, e-learning is a very powerful relationship enrichment and differentiation tool that insurers can provide their distributor partners. Since e-Learning can be accessed at all times, it facilitates speedy on-boarding.

It therefore enables distributor partners to be able to meet their regulatory training requirements readily and helps product providers to enhance the stickiness of their relationships with their distributor partners.

Synpulse recently supported a global general insurer in implementing e-learning solutions for its entities in Asia, in conjunction with a new front-end distribution portal launch. To achieve learning effectiveness and authoring productivity in parallel, Synpulse adopted a delayed differentiation approach where the core user process was recorded and used across all entities as the basis to localise in terms of language and peripheral processes.

The e-learning curriculum was structured in a series of mini modules. This gave distributors the option to 'pull' modules and form their own 'playing list', facilitating user empowerment.

During a train-the-trainer session, Synpulse noted that the participants could navigate the e-learning modules effortlessly by themselves. More importantly, the authoring tool's recording ability allowed hands-on learning in a self-paced environment.

Discipline was instilled in the e-learning process where participating distributors had to perform certain steps according to the recorded process and recommended requirements, as they would be expected to do so in an actual business setting.

For a life insurer which was starting to face resource and productivity crunch, Synpulse kick-started its e-learning curriculum transformation. Assessments were incorporated at crucial learning stages throughout the module and the results could be tracked through the insurer's LMS.

This would create a continuous feedback loop to enable content revisions and enhance learning effectiveness.

While the e-learning modules created by Synpulse could be viewed offline, it was advantageous to integrate the modules with the insurer's LMS.

The insurer could run a pilot study by assigning a mini e-learning module to a small group of distributors and review their series of assessment scores.

Such a contained approach would not only minimise cumulative re-work but also provide assurances of positive reception from the distributors when rolled out company-wide.

Encouraged by the integration success, the insurer continued the e-learning transformation, focusing on refresher product training in the next phase.

A COST-EFFECTIVE TOOLKIT

The success that Synpulse has experienced with e-learning solutions validates the relevance of e-learning to train insurance distributors.

Nonetheless, classroom training has its share of benefits which e-learning cannot replace. Clearly coaching and role plays are best done in-person and provide the human touch that no software can replicate, or at least yet, within reasonable efforts and timeframe.

When e-learning solutions and traditional in-person training are combined, the insurers' training model becomes scalable and also learning effectiveness is enhanced.

GAINING TRACTION

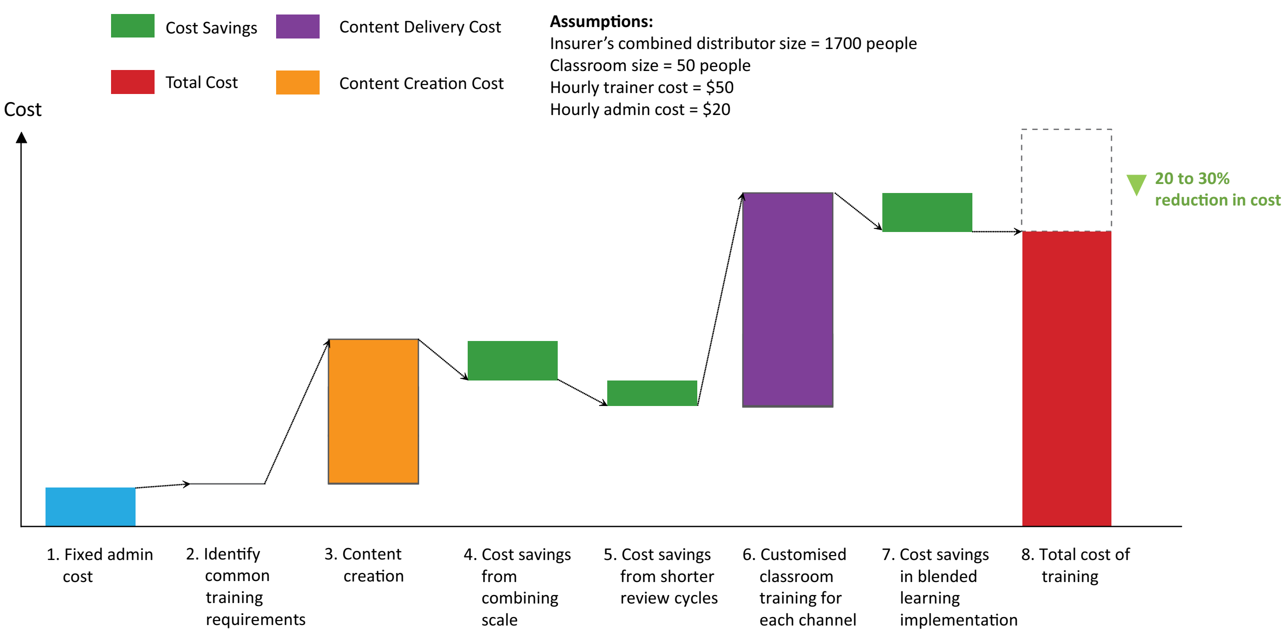
The more forward-looking insurers are picking up speed on swapping out and sharpening their training tools and competencies.

The insurer which John works for has recently reviewed its training model for distributors and made investments to raise its training capabilities and expand its repertoire of tools.

John's role matures from being a trainer and administrator, to becoming a learning specialist. He strategises for an optimal balance among the training tools and delivery modes.

For John and his peers in the insurance industry, the next challenge is to further refine the training model to keep up with the next generation of distributors, the evolving distribution model and regulatory requirements.

BLENDED LEARNING MODEL FOR DISTRIBUTORS



Source: Synpulse

How Great Eastern FA got ahead of the advisory change curve

Great Eastern Financial Advisers (GEFA) was born out of a vision for greater efficiency in the distribution of life insurance and investment products, and higher competency among licensed financial advisory (FA) firms, says Jesslyn Tan.

Established in 2011 in Singapore, GEFA became the industry's first hybrid model that combines the strengths of a major insurance company and an FA firm.

That provided it with a winning formula to not only weather constant changes in the financial landscape in Singapore, but also to future-proof its leadership position in an industry that has no room for mediocrity.

Today, with a consultant force of more than 700, GEFA is Singapore's largest FA firm. This represents manpower growth of more than 220% since inception, unprecedented for this industry.

Its status then of being the only institutionally-owned FA firm had been a key attraction.

Growth continues to date; its top-line revenue, for example, has surged by more than 200% to SGD55 million today; and well on target is the firm's plan to expand its consultant force to cross the 1,000 mark within the next two years.

Such phenomenal growth does not happen by chance.

And carefully charting its strategic course since its founding has been chief executive officer Jesslyn Tan. "The starting point is being able to provide clients with unbiased advice and a bouquet of products and services which is appropriate and sourced from a variety of providers," says Tan.

No doubt doing the above consistently well is essential, but there is more to financial advisory independence.

FA firms also have to optimise the resourcing of key functions such as compliance, training, customer service, IT, operations and product support.

JESSLYN TAN
Great Eastern Financial Advisers

And GEFA believes it has the balance. Wholly owned by Great Eastern Holdings Limited, the firm is backed by the resources and brand of a much larger organisation, yet functions in a way that is robust, compliant and flexible.

GEFA also adapted the model so as to on-board a whole slew of different solution providers to better meet growing needs of the affluent of today.

In addition to solutions from Great Eastern Life, the upshot is that the firm's client-facing consultants are able to distribute products from other insurance providers, as well as a wide range of retail and restricted funds on board the iFAST Financial platform.

It is this unique business model that gives GEFA its DNA of a client proposition comprising strong financials and a suite of wealth management solutions and excellent service delivered by trusted and professional financial consultants.

These are all important steps towards the firm being aligned with recent industry tightening measures such as the Financial Advisory Industry Review (FAIR) proposals.

Although Tan believes there are hurdles to overcome, she foresees a transformed industry within the next decade. And GEFA's contributions towards such a future would not be insignificant – a competent financial consultant force and a discerning clientele owning well-diversified portfolios.

PROVIDING BETTER ADVICE

Being competent and working for a well-known and credible brand might be key to the success of an FA firm, but these criteria alone are not enough to ensure that financial consultants do their jobs effectively.

GEFA's financial consultants are carefully selected with the majority of them possessing tertiary education.

They are also distinguishable, explains Tan, by their rigorous accreditation, their high levels of industry expertise and also their steadfast commitment to their profession.

The extra approach that GEFA takes to stay ahead of the curve, she adds, is to constantly equip its financial consultants with the in-depth product knowledge and key financial planning techniques they need.

"We emphasise a holistic training programme for our consultants so they are taught a comprehensive range of wealth management functions," says Tan.

These include protection and accumulation, to preservation, distribution planning, and everything in between.

"The biggest benefactor of a highly-qualified consultant team is our clients. And that's how we want it, for we believe that when we make clients' interests our focus, our own interests are guarded as well," explains Tan. "That's our policy."

With this in mind, GEFA also recently carved out what it refers to as its Premier Client Group.

It launched this through a strategic partnership with OCBC Premier Banking to broaden the firm's range of wealth management solutions, providing further critical edge for its affluent market segment.

"We want to be able to take a 'total' view of clients," says Tan.

MAKING USE OF DIGITAL

Tan also reveals that GEFA firmly believes in harnessing information technology to help its consultants stay updated and work efficiently.

"With the implementation of FAIR, much resources have to be spent on conducting the balanced scorecard review and the additional compliance processes required," she explains. "It would be a nightmare if everything was done manually."

Also advanced in the pipeline for GEFA is an ongoing project to ensure the continuous enhancement of its sophisticated customer relationship management system.

A multi-million dollar investment, this is designed as a fully-integrated digital solution that will benefit both clients and consultants alike.

"We're looking at an all-encompassing system, where clients and their consultants will have real-time access to information for a holistic understanding of respective portfolios," explains Tan.

"Beyond that, the data analytics being derived from such a system will help determine clients' investment patterns and needs – smart information for us as we want to keep building on product offerings that are relevant, streamlined and innovative."

Such strategic use of information technology will create a lot of potential to make a difference, both in the industry as well as in the lives of its clients.

Further, adds Tan, it again enables GEFA to get ahead of the change curve in Singapore's FA landscape. ■

Planning two steps ahead at PIAS

With Christopher Teo installed at the helm and several key hires since mid-2014, the focus for Professional Investment Advisory Services (PIAS) has been reshaping its offering to stay ahead of the demands of Singapore's transformational financial advisory (FA) landscape.

The last 18 months has been a period of important change for PIAS, in its bid to remain at the forefront of the FA industry in Singapore.

After new arrivals at the firm, from the very top through key product and distribution lines, the upshot has been an increase in top-line revenue since June 2014 by more than 20%. And with earnings now at nearly SGD50 million (USD35 million), the focus has already shifted towards how to strategically continue this growth path during a time of tightening regulations.

"I joined PIAS with a mandate to transform the company," explains Christopher Teo, chief executive officer.

"A key focus was to look into improving our current financial position. In a business with decreasing margins, we need to effectively grow our top-line while at the same time be more efficient to minimise cost components".

In fact, since Aviva acquired PIAS about two years ago, the company now has around SGD820 million of assets under advice. This represents an average yearly growth of about 8%.

Ironically, the tougher regulatory environment in Singapore seems to benefit the firm.

In general, it sees the implementation of initiatives such as the Balanced Scorecard framework, as part of the broader FAIR, as a good step for itself and the industry. It will help ensure proper product recommendations that meet the needs of clients.

"We believe regulatory changes actually help firms like PIAS differentiate ourselves from the smaller players," adds Teo. "We are infrastructurally better equipped and have the necessary economies of scale to meet the increase in regulations and associated compliance requirements."

CHRISTOPHER TEO
PIAS

CHANGING TIRES ON A MOVING CAR

As with its competitors big and small in Singapore, PIAS has had no choice but to adapt and evolve its business model and offering in line with the crackdown on the delivery of advice.

Inevitably, this has been challenging to do while at the same time trying to continue to provide a consistent service to an ever-growing client base. "The general population across Asia is becoming more educated and so their propensity to save and invest will proportionately increase as the shift towards HNWs is a natural progression for us," explains Teo.

large client base, may find it very challenging to migrate their clients' portfolios to any new FA company. They therefore will not be enticed by such "carrots", he explains.

As one of the few institutionally-owned FA firms in Singapore, PIAS is also able to take advantage of Aviva's strong competency in risk management and compliance.

"If we are able to embrace these changes and are ahead of the curve

"In a business with decreasing margins, we need to effectively grow our top-line while at the same time be more efficient to minimise cost components."

In the meantime, as the firm prepares for such growth, it has over the past few months done a number of trial runs on the new Balanced Scorecard framework to better equip itself and be ready for implementation.

The goal is to re-educate its existing crop of close to 500 advisers and staff in terms of mind-set and the way the business has to be done.

With new FA players entering the market, some existing advisers may be attracted by lump sums to join those new companies. Naturally, large FA companies become a 'hunting ground' for those looking to increase their adviser base.

However, in Teo's opinion, successful advisers, especially those serving a

compared with our competitors, then we will be able to win over more advisers to join us and attract more clients in the process as their confidence in us will surely grow," says Teo.

GROWTH STRATEGY

This is also aligned with Teo's mission to grow the business by 50% within his first two years in charge in Singapore, through a mix of organic growth and recruitment.

Teo also expects his advisers' 'take-home' income to grow an average by 15% this year, by enhancing productivity and better training and support.

Clients have also been coming in the door faster than before. PIAS now has over 70,000 clients across the wealth spectrum, ranging from mass affluent to HNW individuals. Most of them fall into the categories of local professionals, managers, executives and technicians, with some small- and medium-sized business owners.

The firm also has a team of expatriate advisers serving clients from other parts of the world such as the UK, US and Australia. Further, there is a potential pool of expats who are also Singapore Permanent Residents. This group is estimated to be around 25% of the entire Singapore population.

Indeed, Aviva saw the changing FA landscape and growth potential as PIAS' majority equity owner; and over the past two years, it has invested heavily in improving the overall infrastructure of the business by way of IT enhancement and also the human capital resources.

MEASURING SUCCESS

According to Teo, the ultimate measure of success in the FA space is the profitability of the FA firm itself. "'Big is beautiful', and we aim to be consistently in the top-three largest distributors for any of the product manufacturers we represent," he adds.

The break-down of the product sales is about 70% in life insurance, 20% investment funds and 10% as a combination of general insurance and other auxiliary services such as wills and trusts.

While a large component of revenue was derived from life/protection product advisory, he believes his advisers are now more detailed and comprehensive than before in their recommendations and support. "I think the mix will continue to adjust according to the segment of clients." ■

A customised future for insurance products

The insurance industry has been starved of any real product innovation for many years. But if Leonteq Securities gets its way, firms will soon be able – and in a digital-friendly format – to create fit-for-purpose policies to reflect the life-cycle needs of clients, says Sandro Dorigo.

Life insurance is a long-term commitment for most individuals, usually spanning a decade or two, sometimes longer.

Further, although policies work as either a savings instrument or retirement planning tool, or a mix of the two, they usually don't allow much flexibility.

So once purchased, a policy can seldom be adjusted to certain events impacting a policyholder.

But all these types of features don't reflect the dynamic and changing elements of the average person's life.

Sandro Dorigo, founding partner and head of pension solutions at Leonteq Securities, says policyholders should be able to do a lot more, given that they can be invested up to 50 years.

They should, for example, be able to increase their allocations, to ensure

SANDRO DORIGO
Leonteq Securities

"The only sustainable way to remain profitable is via individualised solutions."

Most of what is bought today also sets a defined outcome, with the premiums invested with that target in mind.

more aggressive participation when they have the risk appetite to do so, and then be able to switch to a more capital protection-focused approach when they near the end of the policy term, explains Dorigo.

PLATFORM-BASED SOLUTION

Dorigo and his colleagues have been busy working on ways to help give insurance companies such a solution to offer their customers.

"Leonteq offers a platform to enable the creation of bespoke and flexible products for individual clients."

At a glance, the platform offers some key benefits to insurers.

It can help them design products that reduce capital costs by providing third-party guarantees; it also allows them to process the products created on the platform on their own systems.

Yet perhaps most significant about the platform is the dedicated support on offer to insurance partners as they conceptualise and create their products.

VALUE THROUGH CUSTOMISATION

Customising policies for a large number of clients sounds like a lot of extra work. But the Leonteq platform aims to simplify the process for insurers and, in turn, policyholders.

While the policies which the platform can create are re-evaluated on a monthly basis according to a number of potential changes in the needs or investment objectives of each policyholder, a batch 20,000 policies that cumulatively amount to over USD1 billion, for example, takes less than two hours a month to evaluate and process, explains Dorigo.

Inevitably, that keeps insurance companies happy.

Further customising policies can help insurers grapple with challenges they have been facing in terms of retaining assets. Whether a policyholder is in a phase of accumulation, evolution or decumulation, providers can now tweak what they offer these customers to give them the best options for them at any point in time.

For insurers which persist in selling standardised solutions, margins are likely to shrink. "The only sustainable way to remain profitable is via individualised solutions," says Dorigo.

Using Switzerland as an example, Dorigo says big insurance companies have been seeing huge outflows every year from accumulation products.

They are losing 80% of these funds to investment products while only 20% is in the form of annuity purchases. "Effectively, the retention rate is even less than 20%," he says. "Being able to have accumulation, evolution and decumula-

"Being able to have accumulation, evolution and decumulation products rolled into one should massively increase the retention rate."

tion products rolled into one should massively increase the retention rate."

DRIVING DIGITAL SOLUTIONS

Being able to offer a multitude of such policies requires a certain degree of automation in the process. But while the potential of digital platforms in facilitating better lead generation, sales, client education and customer engagement is clear, this is still a way off for most in the insurance space, it seems.

On the one hand, insurance companies are struggling to create digital platforms that integrate with their own systems. On the other side of the equation, many industry players don't think customers today are ready to purchase high-grade insurance products online.

The next step, therefore, needs to be about using digital solutions and platforms to assist advisers in their interactions with customers, and provide real-time access to account information once a sale is made.

Insurers certainly see the value in providing clients with such insights into their portfolio. It is aligned with their focus on trying to retain clients by helping them manage and adapt their investment options.

"The industry believes that whatever digital solution is created, in the form of a mobile application or being web-based, it should have a method to first support the sales process and then the maintenance process," explains Dorigo.

"The client can definitely go online, choose a product and buy it, but we believe it will take a few more years, especially in the life insurance business."

How profitable this offering will be, will depend on the volumes managed on the platform. "It is not about the number of transactions; it is really about assets under management," says Dorigo.

All investments are held by the insurers for practical reasons, and they remain as bearers of the assets, he adds.

The concept of paying only for volumes on the platform instead of paying an upfront fee is the key to success, according to Dorigo.

This model ensures a longer-term alignment between insurer and Leonteq. "Only if the life insurance product is successful will Leonteq earn its fees," explains Dorigo. "Hence, Leonteq aims at doing whatever the market requires to make each product on the platform a complete success." ■

LIFE CYCLE AND CHANGE OF GENERATIONS
FLEXIBLE DIGITAL PLATFORM IS KEY TO COPE WITH THEIR NEEDS

	CHILDHOOD	FAMILY	GENERATION 50+	RETIREMENT
				
LIFE CYCLE PHASE	• No income • High financial dependence	• Increasing wealth, loss of second income • Reduced appetite for risk and shift towards more conservative investments	• High wealth with high double income • Regained appetite for risk due to changed family circumstances	• High savings, no or low income • Low risk tolerance
CLIENT GENERATION	GENERATION Z • Strong attachment to social-/mobile-media • Purchasing decision strongly influenced by peer group	GENERATION Y • Constantly online • Mainly online purchasing	GENERATION X • Technology affine • Gather information of products online	BABY BOOMERS • Expect suited technical assistance • Television remains the primary medium

WHAT DOES IT MEAN FOR INSURANCE COMPANIES?

- The challenge is to provide products that address the needs of your clients linked to their risk tolerance as well as their changing generational behavior.
- Only a state-of-the-art platform enables digital mass customization of flexible and individual products.

Aviva's digital drive to reshape the client experience

Embracing the digital revolution is the only way traditional insurance companies can keep up with client expectations for a brand new experience when looking for solutions. Chris Wei explains how he is spearheading change at Aviva.

After almost 320 years globally, and with 34 million customers and counting, Aviva is turning a new page via a digital transformation so far-reaching that it has been recognised at the highest levels of the UK and Singapore governments alike.

"We have set out to redesign our fundamental platform; something that will change the customer experience, and leverage digital to build on our core business," says Chris Wei, executive chairman of Aviva Asia and global chairman of Aviva Digital.

"The industry is well-known for lacking much real innovation in terms of addressing people's pain points."

CHRIS WEI
Aviva

The idea is to create new ways to engage clients. And two words form the backbone and epitomise the philosophy: convenience and transparency. In fact, the extent of the UK insurer's commitment has meant that it has carved out a separate business, Aviva Digital, to drive the change.

To take everyone on this journey, he wants to make the value proposition of the digital offering so compelling that customers, distributors and IFAs will also want to move to digital platforms.

This is long overdue. The industry is well-known for lacking much real innovation in terms of addressing people's pain points. "While there is a lot of attention on products, products themselves are focused on basic components that are based on price, and that price component can literally be the premium," explains Wei.

The idea, however, is not to create disruption for the sake of it, he adds. Instead, the intention is simply to make buying and investing in insurance as simple as possible.

A GLOBAL MARCH TOWARDS DIGITAL

The scope of a digital future, believes Wei, extends beyond mere distribution to a wide range of technologies.

These include mobile, social media and analytics – all with the objective of mining consumer data in order to identify trends that can be turned into actionable insights.

On some of these fronts, work is already well under way. Take the UK, where

devise insightful products. Wei cites the example of an offering from the local business that has been designed to take care of the needs of a single person in a big city as an indication of what's most likely to come.

The particular focus in this instance is combining health, accident and tenancy insurance in one cover, and with a personalised touch, for young working professionals without partners. So if the person falls ill and is hospitalised, for example, the insurance cover is designed to take care in the interim of matters such as looking after a pet.

Further, if the person is too weak to cook for themselves after returning from hospital, for instance, the insurer would arrange to temporarily do housekeeping until the situation improves.

Progress is also being made in Asia.

"We have set out to redesign our fundamental platform; something that will change the customer experience, and leverage digital to build on our core business."

Aviva has a dominant market position. The focus there is to get customers to register on the digital platform, from where the firm can underwrite once, recognise what the customer might need, and make relevant offers and loyalty discounts, explains Wei.

Or look at Poland, where Aviva has seen some success in using analytics to

In China and Indonesia, for example, via its joint venture partnerships, the company is testing the effectiveness of social media and gaining insights from business data.

Also in China, joint venture firm Aviva-COFCO Life Insurance launched in mid-2015 a health and wellness platform to digitally offer health and wealth management advice and services for existing and new customers. A standout feature is the Chunyu Online

Digitising product selection

One of Aviva's big success stories on the digital front to date has been is platform called Navigator.

This is designed for customers who want to collaborate with their advisers on product selection.

Wei says that once an individual, in conjunction with an IFA, has decided on their investment goals, the Navigator platform makes it simple to structure a suitable portfolio by accessing an extensive range of funds.

Customers just have to decide which funds to pick depending on specific needs and risk profile.

The platform also offers an economical benefit for customers. Regardless of the number of funds they choose, they get charged on the basis of a consolidated portfolio, not on the basis of individual funds.

The rationale here, contends Wei, is to make the process of tracking funds and asset allocation easier for advisers, especially in markets where the role of distributors and fund managers are overlapping.

"It is hard for an adviser or anybody to track hundreds of funds," he says.

"So such platforms make the process of asset allocation as transparent as possible in terms of the nature of the funds and the model outcome."

Doctor, the first 24-hour online medical consultation service in China.

But this goes beyond just being a new milestone for the domestic insurance industry and for the rollout of Aviva's 'digital first' strategy.

This one-stop-shop can harness the power of multi-channel distribution by enabling the firm to understand – and then respond to – the needs of each and every customer.

"This new space will help Aviva deliver revolutionary digital products and services," explains Wei.

British prime minister David Cameron along with Ravi Menon, managing director of the Monetary Authority of Singapore, for example, praised such an initiative for promoting the use of innovative ideas and new technologies to provide customised insurance solutions at affordable prices in key areas such as health, wealth and retirement.

Eyeing the Asian opportunity – in numbers

- *4th – China's life insurance market is the fourth-largest in the world*
- *12% – the average annual rate of growth of new business in Singapore*
- *245 million – the population of Indonesia, one of the world's fastest-growing life insurance markets*
- *0.6% – the current level of insurance penetration in Vietnam*
- *1.8 billion – the combined population of Asia (ex India)*

"Digital is part of our distribution strategy, but it doesn't mean we are not committed to our IFA partners."

Meanwhile, in Singapore, Aviva announced plans in July 2015 to set up what it calls a 'Digital Garage'.

The concept has evolved to create a dedicated space where technical specialists, creative designers and commercial teams explore, develop and test new insurance ideas and services which make financial services more tailored and accessible for customers.

The initial team of 30 is supported by a further 200 technology specialists based in Singapore.

And the building is designed to support a different working style from traditional insurance offices, in a bid to drive greater collaboration and at the same time project-based working, and to encourage fresh thinking.

In line with all this, the firm's digital initiative also involves research and development into new models for achieving data collection and research based on analytics. "We are interested in leveraging digital to provide a better customer experience," Wei urges.

A HUMAN SIDE

He is clear to add, however, that Aviva's growing focus on digital is not intended to do away with the human aspect of selling insurance.

"Digital is part of our distribution strategy, but it doesn't mean we are not committed to our IFA partners," he says.

"Frankly, we would like to build more tools for financial advisers to make their life easier and help them add value to their customer relationships as well."

This approach also recognises the fact that life insurance products are a relatively complicated proposition.

As a result, they require a two-way dialogue between customers and advisers to fill any gaps in understanding, and also assess how different solutions can meet certain needs.

At the same time, those advisers which start to properly use digital as a platform to bring together distributors and customers, will have an edge over those who don't.

This will also enable them to take advantage of tools which make their life easier. Some of them which have started to prove effective include the process of documentation through better e-submission tools and mobile apps, among other things, adds Wei. ■

Adapting to a new landscape in Hong Kong

Insurance companies now need to plan and position both their product offering and distribution strategy in Hong Kong's ever-more transparent landscape. The regulatory overhaul on Investment Linked Assurance Schemes (ILAS) is also fundamentally changing how advisory firms operate and what they sell – and they must either adapt or get out.

Nearly half-way into a two-year transition period in Hong Kong, practitioners already seem to be looking forward to it being 2017.

The regulatory overhaul on ILAS is fundamentally changing how advisory firms operate and what they sell. A new chapter for the market has come. And both ILAS providers and IFAs, in particular, have to quickly adapt to the new environment to bring enhanced propositions for customers.

"Everybody says the agency model [in Hong Kong] will die away…. But I think agents have got a greater opportunity."

STUART FRASER
Ageas Insurance

In another 12 months or so, the insurance and advisory communities will have caught up with the flurry of new regulations in the form of Guidance Notes 15 and 16 – and IFAs will have put in place the required changes to their business models.

These are needed, says Alan Armitage, chief executive officer, Asia and Emerging Markets at Standard Life, because their entire cash flow has diminished significantly in the wake of the revised remuneration structure.

"Either they have to diversify their business or change their business model."

Essentially, new regulations in Hong Kong are leaving few options for IFAs other than to trade-in their traditional approach of commission-driven selling for advice which is more transparent and genuinely caters to clients' needs. The change-driver was an increase in negative consumer feedback, coupled with mystery shopping in recent years. This all highlighted that sales were very transactional, not very transparent, and also that the quality of the sales process was not up to the standards the regulator wants.

"The main purpose of the reforms was to change the behaviour [of FAs]," says Ben Worthington, chief distribution officer of Zurich Life Insurance (Hong Kong), "to try and make them become less focused on transactions to generate commission, and more on the needs of the client by treating them fairly with regards to product charges."

Indeed, it seems Hong Kong's insurance regulator, the Office of the Commissioner of Insurance, initially focused on the sale of Class C products because these have traditionally generated the largest amount of commission.

"There's going to be change, but it is needed."

BEN WORTHINGTON
Zurich Life Insurance
(Hong Kong)

Essentially, with commission to now be paid over six years, instead of the IFA receiving it on day one, firms need to align their cash income to either their assets under administration or the business they are receiving on an ongoing basis from customers. They also need to focus more on customer retention as well as to continue to evolve to enhance propositions for customers.

NEW SOLUTIONS

For the time being, from the perspective of the insurance companies, they have been focused on trying to reshape the product offering.

This has been essential in the wake of the greater disclosure requirement on fees and key risks and the abolition of indemnity commissions imposed by GN15, implemented by the Insurance Commissioner at the start of 2015.

It was driven from what is called 'ICP" – Insurance Core Principles. These are about treating the customer fairly and managing the policyholder's expectations in a realistic way, explains Stuart Fraser, the chief executive officer of Ageas Insurance.

In practice, GN15 has required everyone operating in the ILAS space to adapt and evolve their product offering for Class C (unit-linked insurance) policies.

While it is difficult to argue with the focus on transparency and trying to remove certain financial incentives in the interest of clients, the challenge has come from the rapid timeframe in which the regulations were enacted.

Fraser believes Ageas, for instance, has been quicker than other players to respond and get it right. "We are one of the first insurance companies to create an ILAS product which is attractive to the customer and protects them, and is compliant with GN15."

The focus now is on Class A product. This requires getting ready for GN16 and the changes that will be imposed. For example, firms will be required to provide illustrations which are more representative of what the client can expect at maturity.

So rather than these products being positioned simply as ones which guarantee returns, there will be clearer disclosure required to show where the customers' money is actually being invested, in order to justify projections of the stated return.

"We have reinvented ourselves in the Class A space, to be a bit more innovative in the way we manage our investments for our par business," says Fraser. His overall business today is split roughly 80:20 in favour of Class A products over Class C ones.

From Standard Life's viewpoint, Armitage says the dynamics and realities of the Hong Kong market today reflect positively on the firm's business decision and continued focus on the single-premium ILAS market.

"We value our brokers as key business partners to serve customers, so relationship-building with them will continue to be our main focus; and to help them succeed," he says.

For example, the firm's internal statistics show that over 70% of its customers' assets are placed in equities. "We are committed to doing more investor education with brokers to help customers better utilise the wide asset classes on our ILAS platform to help them manage risk and deliver return," he adds.

ALIGNING INTERESTS

One of the positive outcomes of the wave of regulations in Hong Kong is the reduced risk that ILAS and other products will be sold based on any self-interest from distributors.

The introduction of the Independent Insurance Authority, expected by late 2016, will also support efforts to ensure people selling life insurance act and behave in the right way.

"This will create a regulator which is independent of government, will have a lot more teeth and will be a lot stricter on intermediaries which mis-lead or mis-sell, or are responsible for any acts of misconduct," explains Fraser.

Growing consumer savviness is also playing its part in keeping the market in check, he adds. The greater transparency, along with more information available in the media, has raised knowledge and understanding about the need for insurance and how ILAS and other policies work.

In particular in Hong Kong, Fraser says there is an increasing awareness of long-term care, and the government is placing more of an onus on the private sector to come up with medical schemes, or what he refers to as "quality of life products".

DISTRIBUTION SHAKE-UP

The impact of GN15 more broadly has been a market in a state of flux. Along with insurers scrambling to reinvent themselves and their products, many IFAs have suffered materially because of their previous over-reliance on ILAS.

The fall-out from is expected to be quite extensive. Worthington predicts the number of FAs in Hong Kong will drop drastically. From the current number of around 4,000 individuals, he wouldn't be surprised to see only 10% of them still standing – or even less – before the industry can grow again.

In general, he says this is a good thing for the market, and for clients, in the long run. "There's going to be change, but it is needed," adds Worthington.

James Tan, managing director for Friends Provident International in Asia, also agrees. "These changes in regulation mean we will be working with a better quality, leaner distribution sales force that can serve the customers a lot better. This will weed out those individuals who are pushing products based on commission."

More specifically, this might have positive longer term implications in terms of portfolios, adds Fraser. "I think the IFA market had too many eggs in the ILAS basket. Now they need to ensure portfolio diversification for their clients through a stringent financial needs analysis process, rather than just selling ILAS."

Ultimately, advisory firms in Hong Kong need to decide where they are going to play in the overall customer landscape.

According to Armitage, many have been more focused on the retail, mass market side due to the cash flow they have earned to date through indemnity commission from savings products.

But with virtually no income left to pay an adviser through that type of product, he recommends a shift in focus to wealthy individuals.

Why ILAS still have a place

With a view to long-term investment and savings, Investment-Linked Assurance Schemes (ILAS) play a role for affluent and wealthy individuals to meet their investment horizon.

According to Alan Armitage of Standard Life, The various benefits include:

- *Access to a wide spectrum of investment choices offered by multiple, reputable underlying fund managers*
- *Simplified wealth transfer and assignment of policies for family members and others*
- *Estate planning and inclusion of death benefits*
- *Tax-free growth of their investment with no capital gains or income taxes in Hong Kong*
- *Tax optimisation as any tax liabilities only apply to chargeable events arising from product flexibility should you move overseas*
- *Added benefits including flexible charging structure, unlimited free switching of investment choices, loyalty bonuses, services and digital capabilities*

"With a lump-sum product, or estate or family planning solution, that type of customer is going to invest a large amount of assets," he explains. "They are also willing to pay for that because their need is not to seek the cheapest product, it is for something they are prepared to pay for."

FINDING THE RIGHT SEGMENT

It is a bit early to tell which approach will be most successful.

"The industry is still in the midst of the shift," says Armitage.

But based on discussions that he says he and his colleagues have had with advisers so far, for example, different IFAs and brokers are at different stages of development in their planning.

Around 15% of firms know where they are going and how to get there, explains Armitage.

For many of these, they want to deal with single premium, lump sum business. This way, they can derive their income based on AUM.

At the other end of the spectrum, about 20% of them are still trying to get as much business as they can in the short term, without much of a plan after that.

Yet any hopes they have of another regular premium product coming to market that gives them the same levels of cash flow they have seen in the past, will not come to fruition.

"The only way they can make it work is through significant volumes of sales, because the margins are going to be so thin," says Armitage.

"The only people capable of doing this in our business are agency forces and, probably in the future, online channels."

The majority of IFAs, meanwhile, or around two-thirds, are still working out what strategic shift they need to make.

There is also expected to be a different reaction among IFAs according to the two broad groups of client segment they focus on.

Given that the reforms in Hong Kong are along similar lines as those that were implemented in recent years in Australia and the UK, Worthington believes expat-focused FAs will be less affected.

Over the last two to three years, he has seen a large portion of these firms diversify their income streams away from investment-linked strategies that yield indemnified commission.

Instead, they have been selling more general insurance such as life cover and living-related policies. Plus, they have built into their businesses a more holistic approach to their advice by honing in on the needs of individual clients.

It is among the local FAs where Worthington thinks there will be the biggest after-shock. Within these firms, there is much more of an embedded sales-oriented culture.

As a result, the scope of the regulations and the speed at which they were introduced came a shock to many.

"By legacy and culture, the local FA business is much more transactional," he explains. "Financial planning products tend to be sold to the client more than they are bought."

The choice of which product to sell to a client has typically governed by how much commission the product provider was offering.

All of these changes also create an opportunity for agents, adds Fraser.

"Everybody says the agency model [in Hong Kong] will die away because that's what has been seen in other jurisdictions like the UK and Australia. But I think agents have got a greater opportunity," he explains.

For instance, he explains, they can take more time to get to know their customers in comparison with someone working in a retail bank who has to focus on multiple product lines that include deposits, mutual funds, structured products and more.

PLATFORMS IN FOCUS

To take advantage of some of the emerging appetite for new channels of distribution, six months ago Ageas launched an online wealth management platform called 'i-Invest'.

The goal is "to facilitate access to a range of diversified investment instruments from which holistic wealth management solutions can be delivered."

The platform enables this to be done in a highly-transparent way in terms of what the customer sees, including what the broker charges.

Investors can access ETFs, bonds, mutual funds and securities. It also supports multiple languages, currencies and account set-up structures.

"It is very much technology-driven in terms of the placement of investments and the transparency," explains Fraser.

Ageas initially began by offering this through IFAs, but now it has approval to extend that through other distribution channels. ■

MetLife sets ball rolling on disruption in insurance

MetLife's goal is to breathe new life into Asia's life insurance sector via disruptive business models. And its first-of-its-kind innovation centre in Singapore is a bold step towards achieving this, explains Zia Zaman, who is spearheading these efforts.

ZIA ZAMAN
MetLife

To keep up with the ever-changing technology that is shaping and reshaping how consumers seek and consume financial services, insurance companies are finally responding by reinventing their offerings.

"If we don't create a pull in the market, many of the young people today, even as they age and acquire the resources, they won't think to turn to us for insurance anymore."

They have been looking, in particular, at how they can influence the ways in which consumers converse, buy products and even select their portfolio. But it seems that much more still needs to be done to create a sustainable proposition.

Instead, success is more likely to come to those insurers who are creating new business models – ones to help consumers achieve richer and more fulfilling lives. And in doing so, it is ever-pressing to innovate in how they relate to them and understand their needs with the help of data.

"Consumers are becoming increasingly demanding," says Zia Zaman, chief innovation officer for MetLife in

Asia, and also head of LumenLab, MetLife Innovation Centre.

"If we don't create a pull in the market, many of the young people today, even as they age and acquire the resources, they won't think to turn to us for insurance anymore."

His views are based on the notion that they are unlikely to pay a premium to prepare for a future event, unless they are convinced that the insurance provider has a fair idea of their lives.

"When choosing between companies' solutions to their real jobs-to-be-done, they might pay for whichever one knows them best," says Zaman.

As things stand today, this is more likely to be an Alibaba, Rakuten, Google or Amazon than it is an insurance company which tries to assess the individual's risk profile or needs on the basis of a set of seven or eight standard questions.

Such a scenario calls for a departure by insurance companies from the traditional ways of engaging with existing and prospective customers.

For one thing, Zaman believes there is an inevitable case for using data that might create a better picture of the customer as an individual to gain insights into their life needs.

CHANGE IS COMING

At the heart of this transformation is the search for new business models.

For MetLife, the work has already gotten underway.

At the LumenLab in Singapore, which was launched in July this year, the focus is to leverage weather-beaten processes to develop new ways of thinking in the areas of wellness, wealth and retirement.

"The Asiafication of Demand means that the demand curve in insurance is bending towards Asia. We want to build new businesses in Asia, for Asia."

"The idea is to leverage these new business models over the next decade to serve the needs of Asian consumers and then eventually across the enterprise," says Zaman.

Creating disruptive innovation, instead of adding value to existing products and distribution channels, is certainly new as a concept to a very traditional industry such as insurance.

For example, most companies in this space use words like 'digital' and 'innovation' interchangeably.

The efforts of most are largely concentrated just on revamping existing processes and offerings by digitisation, instead of them seeking out new revenue streams.

Creating a testing ground for the future

MetLife's new 7,800 square feet facility in Singapore houses a working space and business incubator staffed with dedicated innovation experts.

Many of these individuals either have a background in start-ups, or come from outside the insurance industry.

Zia Zaman says that LumenLab's remit extends beyond the traditional life and health insurance industry.

"Our innovation strategy focuses on consumers as the source of insights and inspiration; it goes beyond just technology innovation," he explains.

"To respond to the fact that the demand curve is bending towards Asia, a phenomenon we call the 'Asiafication' of demand, the centre is based right here in Singapore."

Also key to the innovation centre is the partnership that LumenLab and NUS Business School have forged.

This provides students with resources and data for management practicum field work, as well as jobs.

In exchange, LumenLab is granted access to a strong talent pool and differentiated brand, both on the NUS campus and within the university's research community.

Zaman, however, says such an approach could undermine a company's long-term prospects as it could risk losing out on new avenues of growth.

As a result, he is determined to ensure the changes for MetLife are more than just cosmetic.

"We will sell new products for new channels with a new business model that will leverage new business capabilities," explains Zaman. "That's what we are focused on."

But it is important to note that his efforts are not intended just to be isolated attempts at new inventions.

Once a business model is sufficiently tested, he will also leverage partners to go to market.

SPURRING CHANGE

MetLife seems to be embarking on a game-changing mission for a company almost 150 years old with roughly 100 million customers, and operations in nearly 50 countries worldwide.

Yet innovation is not a goal in itself for the firm.

Given that not all companies currently working on creating disruptive models may eventually succeed, Zaman explains that the point of creating centres like LumenLab is also to help MetLife as an organisation to become "a little bit more experimental, curious, closer to the customer and, perhaps, even more agile".

In other words, the ball has been set rolling on an internal cultural shift where serving the customer genuinely comes first.

"We are trying to build a contagious consumer mind-set that will lead to questions like 'what are the businesses that we could create? What are the customers' jobs-to-be-done? And how can we serve customers better?'" says Zaman.

"Such a mind-set will improve the competitiveness for all our businesses and for the organisation as a whole," he adds.

Now, he and the firm await the first wave of pioneering ideas.

"I come from the technology industry, where I saw innovation that wowed me every day, or at least every week," explains Zaman.

"After a year in the insurance industry, I am still waiting to be 'wowed'."

"Such a mind-set will improve the competitiveness for all our businesses and for the organisation as a whole."

Not a start-up

LumenLab's innovation model is slightly different from financial technology start-ups, or fintechs.

In the case of fintech start-ups, a key goal for large financial companies is to keep an eye on innovation trends by going to conferences and supporting enterprising ideas with the aim of acquiring the fintech behind the business at a later stage.

In practice, however, LumenLab's business model might look more akin to a technology solutions company where different components or aspects of the service get sourced from different places.

"For instance, a product developed by LumenLab might have a key component relating to data coming from a professor at the National University of Singapore," explains Zaman.

"That professor might get 10% of the revenue on every product sold and other components from somewhere else."

Further, when MetLife brings in insurance professionals from across its business to incubate businesses, it calls them 'entrepreneurs-in-residence' or astronauts.

"They develop skills such as pitching, customer insights, and pretotyping, which are useful back in their business-as-usual," explains Zaman.

In fact, he adds, they become evangelists with a contagious customer mind-set, spreading the word about innovation.

How Manulife is redefining its Singapore proposition

Naveed Irshad has spent 15 months reshaping the product-set, processes, senior management and customer experience at Manulife in Singapore. He is now confident of competing with conviction across all distribution channels in the local market.

NAVEED IRSHAD
Manulife

Just over 15 months after landing in Singapore to take control of Manulife's local business, Naveed Irshad has made a deep impression.

The life insurance business has a very different look and feel today than when he arrived: many of the senior management are new; it has its own financial advisory firm; the insurer now offers direct purchase products; it is working on implementing the Singapore aspects of its reported USD 1.2 billion bancassurance partnership with DBS Bank; and it has a broader and comprehensive set of solutions across the mass affluent and HNW segments.

"My initial objective was to focus on the basics and get the foundations in order," says Irshad, president and chief executive officer. "This included the products, the new business processes, the customer service experience, and the incentives to ensure the right distributors were on board.... By focusing on these pillars, there is no reason why Manulife can't be a market leader in Singapore." And after emerging towards the end of 2014 with a business he

"My initial objective was to focus on the basics and get the foundations in order.... the products, the business processes, the customer service experience, and the incentives to ensure the right distributors were on board."

considered capable of meeting this ambition in the local market, he has been methodically putting in place new initiatives that have already started to have a positive impact.

"If you look at our sales results, our value of new business and our earnings, they are all on a good growth trajectory," explains Irshad.

The kicker for Manulife is that the DBS deal gives the insurer the potential to take this performance to the next level.

"It now allows us the opportunity to transform the business, with DBS likely to be the majority of our sales next year once the partnership takes effect," explains Irshad.

"We are an insurer that any potential customer in Singapore can go through, via any channel they want, to access our solutions," says Irshad.

The performance in terms of revenue and profitability have so far justified the time and energy spent on the multi-channel initiatives – with second-quarter results from Singapore, across all channels, showing double-digit growth.

BROADER OFFERING

A key step to achieving the expansion of its insurance and asset management distribution capabilities has been launching Manulife Financial Advisers (Manulife FA). The aim is to raise standards and professionalism in the industry in Singapore, in line with the outcomes of the Financial Advisory Industry Review (FAIR).

The 300 advisers on this platform, initially comprising representatives from three of Manulife Singapore's agency groups, can access a wide range of offerings – from Manulife as well as third parties – in trying to meet the combination of a customer's life insurance, savings and retirement needs.

Speaking at the time of the launch in April 2015, Koh Hoe Shin, chief executive officer of Manulife FA, said the firm combines the flexibility of a financial advisory group backed by the financial strength and expertise of a leading international financial services group.

Further, there is more transparency of products and customer value in this sort of environment, adds Irshad. "We want to make sure customers always get the best solution, and if Manulife products cannot offer this, we will make sure we source it from someone else."

To segment its offering to different customer groups, whether by net worth or domestic versus expats, Manulife has

> **"If you look at our sales results, our value of new business and our earnings, they are all on a positive growth trajectory."**

A USD 1.2 billion example of commitment

Among Manulife's key strategic goals, the agreement it struck with DBS Bank to forge a 15-year regional life bancassurance partnership across four markets in Asia, for USD 1.2 billion, is among the most significant.

The exclusive distribution arrangement in Singapore, Hong Kong, China and Indonesia is attractive to the insurer given the multi-trillion US dollar insurance protection gap across the region.

Plus, the trend towards customers buying insurance through banks is increasing.

More broadly, the deal also forces Manulife to raise its game in the digital arena, giving it the opportunity to apply across its agency force in all aspects of its business some of the technology and process-led innovation being developed with DBS for the bancassurance deal.

MULTI-CHANNEL IN THE MAKING

The upshot of Irshad implementing the steps to steer Manulife along this path, and spearheading new components to the offering, is the creation of what he believes is the only true multi-channel life insurance company in Singapore.

While many of his competitors, especially the larger ones, have big tied agencies and a sizeable bancassurance deal or two in place, none of them are really operating with conviction in the bancassurance agency or broad financial advisory space, especially in terms of local advisers.

also brought some new solutions to the Singapore market.

At the more local and mass affluent end of the offering, Manulife Singapore recently launched Manulink Enrich, a new, regular premium investment-linked plan that aims to help customers grow their wealth faster.

It works by helping customers to invest 100% of the premium they pay right from the beginning.

Customers also get an increase in the unit allocation rate after three years of regular premium payment to boost their investment, with 102% of premiums allocated to their selected investment-linked funds from the fourth to sixth year of premium payment and 105% from the seventh year onwards.

Further, there are three protection options for customers to personalise their coverage.

Further up the wealth pyramid, Manulife launched the ManuSignature Series in early 2015. This is designed to cater to the financial needs of HNW individuals via a choice of solutions relating to family protection, estate creation, wealth preservation and distribution, and business succession planning.

There are three products currently available for these clients.

First is Heirloom, focused on legacy planning and wealth transfer needs via a flexible premium US dollar-denominated universal life.

The second is ManuSignature Term, helping HNW clients boost their protection coverage at minimal cost, with a high sum insured of S$1 million and above upon death and terminal illness.

And the third product is ManuSignature One, a Singapore dollar-denominated single premium whole life insurance plan that offers its target market high protection coupled with a high guaranteed cash value.

"We have also redesigned our underwriting process in that space by putting more experts on the ground and increasing wholesale support," he adds.

"We want to make sure customers always get the best solution, and if Manulife products cannot offer this, we will make sure we source it from someone else."

One of the Manulife investment-linked funds customers can invest in is also a new kid on the insurer's block. Manulife Income Series – Global Asset Allocation Growth Fund adopts a dynamic asset allocation strategy with a global portfolio to help investors achieve diversification and manage downside risk.

Growth hires

Five new senior appointments to help spearhead the Manulife business in Singapore:

- *Tan Lay Hoon, chief operations officer*
- *Carlos Vazquez, chief product officer*
- *Wendy Walker, chief marketing officer*
- *Neil Boyer, chief bancassurance officer*
- *Arijit Chakraborty, chief legal and compliance officer*

Meanwhile, as of April 2015, Manulife also created direct purchase insurance products for the first time in Singapore.

In line with proposals under FAIR, the firm decided to launch DIRECT- ManuAssure Life, and DIRECT- ManuAssure Term. The former is a whole life plan that provides lifetime financial protection for death, total and permanent disability (up to age 65), or terminal illness up to S$200,000.

The latter also protects against death, total and permanent disability, or terminal illness, but for a specified policy term and up to S$400,000.

And to provide consumers with product information that is easy to understand, especially for self-directed clients, the company recently obtained the Crystal Mark for the contracts and brochures of both plans to ensure their clarity and simplicity. ■

How AIA balances stability and disruption to stay ahead

Making the most of the opportunity in Asia is at the forefront of everything AIA Group does. According to Mark Saunders, this means sticking to its core proposition, but also being forward-thinking enough to explore ways the firm can adapt and innovate.

One of the key ingredients of AIA Group's success to date has been the focus and clarity of its value proposition – life insurance in Asia.

Rather than succumbing to the bright lights of Asia's economic growth story and spreading itself too thinly as a result, AIA has succeeded in keeping its laser-sharp focus on the region's greatest need: the projected USD80 trillion or so protection gap for Asia ex-Japan by 2020.

"There is more than enough to play for in our core business of providing life insurance protection to consumers in Asia," explains Mark Saunders, group chief strategy and marketing officer at AIA Group. And it is the needs of such customers which drives the culture.

"We are about building a sustainable business," he explains. "You won't see AIA chasing top-line; we are about creating value."

In this way, the firm sees itself as a steward in its role in the life insurance field.

"It is about leaving something strong, sustainable and successful – which we can be proud of for the next generation and the ones after that," says Saunders.

ASIA IRRESISTIBLE

The structural drivers of growth in Asia are fundamental to AIA's future.

Underpinning these is the region's population, not just in terms of absolute size, but also the rapid urbanisation and growth in wealth, driven by many strongly-performing economies.

Yet the generally low level of protection makes the potential for private insurance a mouth-watering opportunity and, as Saunders sees it, a responsibility too, for any life insurer.

This is further fueled by the projections that by 2020, the region's population will be four times larger than, the number of urban dwellers double of, and the new spending power created will be eight times that of, the G7 countries.

MARK SAUNDERS
AIA Group

Against this backdrop, there is also the global issue of ageing.

By 2050, one in four people in Asia Pacific will be over 60 years old. The population of people over 60 in the region will triple between 2010 and 2050, reaching close to 1.3 billion. It is all about making sure people don't outlive their savings – which cuts across the various solutions that AIA can offer. These include: life and health protection, savings, investments and pensions.

However, Saunders says it is important to differentiate between investments and savings.

"Typically, when you talk to people [in Asia] about investments they automatically think of quick-win, high returns and high risks. To us, the focus is long-term savings."

This is where AIA sees an opportunity – and one which fits naturally with insurance with the long-term nature of the business in the way that the firm looks to match assets and liabilities.

This is not investments per se, but instead a way to create a nest-egg for protecting and benefitting from in the future. "Our focus is regular premium, long-term savings," urges Saunders.

SPURRING INNOVATION

A specific component of the firm's core proposition that highlights its relevance to the issues of today, meanwhile, is AIA Vitality.

This is a science-backed wellness programme that works with customers to make real change to their health. The firm keeps individuals motivated by adding up the benefits of every healthy choice they make, however small.

In practice, it saves customers money with discounts as they get healthier. These range from money off on gym memberships and airfares to health screening packages, for example. Plus, customers can save via discounts on their premiums or, equivalently, enhanced benefits.

This goes to the heart of the firm's 'Real Life' mantra and the overall desire to create shared value. "What we want to do as an insurance company is help people live longer, healthier, better lives," says Saunders. "A programme like Vitality is a classic win-win."

In itself, this then creates a legacy, based on a sustainable business where the firm can play a leadership role and drive socio-economic development, he adds.

DISRUPTION FROM WITHIN

Being big, however, does not lead to complacency in AIA's language. Despite operating across 18 markets in Asia Pacific, being disruptive is a necessity, and it runs through the culture.

The firm's commitment to this saw it create a division called 'Edge' in 2014, which scans the market for various disruptors to traditional business models in financial services. The team focuses on moving the business to the next generation in terms of its engagement of customers and instilling a passion for continuous improvement.

"We look at disruption as a positive. Because we are committed to being the pre-eminent life insurer in Asia Pacific we have to be aware of what disruption is and could be," Saunders says.

This means that while the firm has a powerful business today, it will need to continuously improve on the journey ahead. And that means thinking about the changes which are required now.

Just over five years since listing its business, Saunders says the firm has big ambitions for the next five. "Our priority is to move on even further from where we are now to achieve our purpose of playing a leadership role in driving economic and social economic development across the region," he adds.

BUILDING ON SOLID FOUNDATIONS

Growth, however, won't come as easily as it might sound.

Getting the right talent in place is one of the key challenges to overcome, especially given the ongoing industry-wide race for the best people.

While there is a large number of people across the industry, Saunders says a sustainable business is only viable if it is built on quality foundations. "One of the constraining factors is finding the right people," he explains. "You can implement quality recruiting policies, which is what we do, and you also need to ensure you have the right people doing the right things in the right way."

One of Saunders' mantras is that "a key to success is that the greatest teams have the 6P's: proud passionate professional people performing positively."

Aptitude and attitude are critical characteristics, in his opinion. "People need to have the right skills for what you want them to do, but the difference is the attitude," he explains. "People are driven by purpose."

Among AIA's staff, this translates to them wanting to help people and make a real difference, he says. ■

Advisory firms at a tipping point in Singapore

Byron Murphy of Globaleye explains how the firm is tackling the market's challenging regulatory and business environment to ensure it is among those financial advisory (FA) firms still standing after the current wave of consolidation.

Singapore's FA community is starting to look like a very streamlined version of itself.

The challenges to business models driven by the regulatory reforms initiated by the Financial Advisory Industry Review (FAIR) have, as predicted by practitioners, led to consolidation.

As a result, FA firms with the intent to be serious players have been reviewing their operations, infrastructure and resources to be able to respond accordingly and ensure they are well-positioned to prosper in the new environment in Singapore.

Essentially, there is now a much greater compliance burden and level of oversight required going forward. This, among other requirements, makes it harder for smaller firms to cope.

"Quite a few FA firms in Singapore have either left the market or merged with others because of FAIR and the new capital adequacy requirements to raise standards," says Byron Murphy, vice president of private wealth management at Globaleye.

With more expected to come, he expects to see further pain for certain players in the market.

GETTING THE MODEL RIGHT

For Globaleye, it has undertaken an expansion drive as part of a concerted effort to differentiate itself.

For example, the firm has doubled its headcount in its regional office in Singapore from 20 to 40-plus staff over the past two years. It also recently moved offices in a sign of its ambition to be able to grow further. "Clearly we are here to compete," confirms Murphy.

More practically, this involves preparing its advisers to meet the needs of more

BYRON MURPHY
Globaleye

demanding customers on the one hand, and a higher regulatory bar on the other. For example, the increasing influence of digital marketing and social media is forcing financial advisers to adapt how they promote themselves and create awareness about their products and services. "[Customers today] are cognisant of everything that's available," says Murphy.

"We continue to distance ourselves from the indiscriminate direct marketing and product-pushing model of old."

Instead, the firm relies almost entirely on client introductions and tailored marketing events to expand its business.

To do this, and at the same time comply with the obligations to ensure more transparency, the firm's advisers must demonstrate a deep-rooted commitment towards full disclosure thus ensuring best and impartial advice.

They should also be able to put information in the context of how it applies to their customers – and what the implication of an investment decision might be in terms of estate, legacy and tax planning, for instance.

Murphy is supportive of this direction in the advisory process. He says such transparency could be the industry's best marketing tool, given it will create a new band of more-aware consumers who want to be doubly sure their advisers are really competent before seeking – and paying for – their services.

"Clients want to know what they are paying for and what they are getting," he explains. "The market is slowly moving towards fee for service."

Indeed, fee-based models will be integral to survival for FA firms going forward, adds Murphy. "Companies won't be able to afford to have clients who expect free advice."

Further, the drive via FAIR to place much greater emphasis on non-revenue generating criteria to evaluate advisers is forcing the hand of more FA firms towards this direction.

This framework also now requires these firms to keep track of the entire sales process to avoid creating problems for themselves down the track.

"The newly-established compliance unit is obligated to check the pre-, during and post-advisory process," says Murphy.

"Earlier, this was discretionary but now it is mandatory."

"Quite a few FA firms in Singapore have either left the market or merged with others because of FAIR and the new capital adequacy requirements to raise standards."

A NICHE PLAYER

As it looks to get the concept of advice right, Globaleye also wants to become a preferred provider to the specific segment of clients it wants to service within the expatriate community.

"We do not limit our advice to those individuals seeking private banking services, but expats with real needs," he says. "These people are almost certainly going to move on or go back to their home countries, so the advice we need to give them is about longer-term holistic planning, even though they might be here for a longer period of time than in the past," he adds.

Such tailor-made solutions also help these individuals address needs arising from marriages where spouses are of a different nationality.

This expat group of clients already accounts for around 90% of the firm's client base in Singapore.

One of the ways it ensures that it appeals to these individuals is by making sure its advisers, who are expatriates too, are well-integrated in this community and stay in one country for a relatively long period.

More fundamentally, advising these types of clients calls for an approach which focuses on more comprehensive financial planning.

In turn, FA firms like Globaleye look for broader support from third-party product providers. "We have always utilised the full spectrum of providers," says Murphy. "We are not tied to or reliant on any one institution; independence and impartiality remain amongst our core differentiators." ■

Manulife FA aims to create new advisory equation in Singapore

Six months since launch in Singapore, Manulife Financial Advisers (Manulife FA) has been intent on bringing a more progressive proposition to an industry in flux.

A licensed FA offering is essential in an environment where regulators have been tightening how financial services firms operate, with the mission of providing investors with the essential information they need to make more informed decisions.

In Singapore, for example, initiatives like CompareFIRST, in the case of insurance, is a web portal which enables consumers to more easily compare pricing, benefits and other features of similar life insurance policies.

At the same time, more media attention surrounding the need for professional, unbiased financial advice has played its part in gradually increasing financial literacy and sophistication amid an increasingly complex regulatory environment. And there is a reported increase in the number of investors now seeking the help of financial advisers before they purchase an insurance product.

The Life Insurance Association of Singapore, for example, says comprehensive planning grew by 8% in 2014.

This was one of the catalysts for the creation of Manulife FA, launched in April 2015.

"We noticed that tied agencies were looking to enter the FA space, and instead of them setting up their own company, we thought it would be a good idea to partner with them on a long-term basis and set up an FA firm where they're all stakeholders in the business," explains Koh Hoe Shin, the firm's chief executive officer.

A NEW APPROACH TO FINANCIAL PLANNING

An important advantage for Manulife FA is its ability to combine the flexibility of an FA firm backed by the financial strength and expertise of a leading international financial services group.

KOH HOE SHIN
Manulife Financial Advisers

Ultimately, the aim is to raise standards and professionalism in the industry in Singapore, in line with the outcomes of

SARAH SOH
Manulife Financial Advisers

"They are able to provide a much more holistic comparison because of a broader spectrum of products and services that we can provide," explains Koh, "so are much more focused on placing our clients' needs at the center of everything we do."

They also have processes to follow that help them document the needs of the client, their current circumstances, their aspirations and the types of products and services they need.

CREATING WIN-WIN PARTNERSHIPS

Manulife FA aims to engage with two kinds of partners on a daily basis: the first are the advisers who help them connect with clients and distribute products; the other are the strategic partners they've selected and brought onto the platform, to broaden the range of products on offer.

Aviva Ltd, Tokio Marine Life Insurance Singapore, NTUC Income, RHI-BUPA Global, iFAST Financial, Phillip Securities, represent some of these strategic partners at this stage. "The core strategy is about delivering the right insurance products," says Sarah Soh, the firm's head of product development. "A one-size fits all strategy doesn't work."

The choice created by the combination of the firm's own products is augmented by what is offered by its partners. "This helps our advisers select products best suited to their clients' needs. This set up is an unique proposition that we offer and our advisers appreciate the opportunity this gives them," says Soh.

In striving to capitalise on the growing trend of HNW individuals in Asia, the firm also organises a Legacy Planning Seminar every month. It invites clients along, to educate them on the importance of legacy planning and transfer.

Another example of the efforts being made is a tie-up with a premium international distillery and also a house of luxury horologists. Both of these initiatives help the firm's advisory teams to organise events and socialise with potential clients.

A CAPTIVE AUDIENCE

For all of the products and solutions the firm can offer, the underlying belief among Manulife FA's senior management is that the dynamics and demographics that exist in Singapore are right for the firm to succeed.

For instance, there is a low insurance penetration rate in the domestic market yet strong growth in wealth and the numbers of individuals getting richer.

This is supplemented by the regular inflow of expatriates and affluent individuals from neighbouring countries.

The Manulife FA business model also suggests that the firm is well-placed to be a contender in the local landscape; after all, such an owner-operator platform has been proven to be more successful in many markets.

Next on the list for the firm strategically is gradually moving into the retirement and HNW space, adds Koh. ■

"The core strategy is about delivering the right insurance products. A one-size fits all strategy doesn't work."

the Financial Advisory Industry Review (FAIR). "We have a mature set of partner-advisers who've earned their experience on the field as tied-agents and know what is best for their clients," explains Koh.

Further, there is more transparency of products and customer value in this sort of set-up.

The Manulife FA advisers on this platform, initially comprising representatives from three of Manulife Singapore's agency groups, can access a wide range of offerings – from Manulife as well as third parties – in trying to meet the combination of a customer's life insurance, savings and retirement needs.

High-end health cover a way to woo HNW clients

Evacuation and global access to the right health care are among some of the big opportunities for high-end medical insurance companies in Asia. Banks and other wealth managers see the value too in broadening their offerings to their clients along these lines.

There seems to be a growing number of touch-points to trigger the interest of HNW individuals in terms of their protection and planning needs.

A typical HNW customer might look for several things from such insurers: for example, immediate cash; directions to the right doctor or hospital without medical profiling; and even moving to another country with better medical facilities, in case of an accident.

"Roughly four in five [mainland Chinese] already use healthcare services when they are overseas and two in three pay for it themselves."

RAINBOW PAN
Bupa Global

And for insurance companies, as well as the many banks and other wealth management firms on the hunt for new revenue streams, medical and healthcare plans that offer global coverage are potentially an interesting add-on to existing services.

Given the international nature of the lives of HNW and other wealthy customers, such cross-border coverage could be offered as part of a comprehensive solution, or within an overall portfolio. In some cases, customers are even asking for it. "The banks see medical plans as part of a holistic way to address the needs of their customers," says Derek Goldberg, managing director for Aetna in South-east Asia.

Traditional distribution of these products has been through brokers, agents and direct sales via the firm's website.

Now, Goldberg says there is growing interest from private banks and other wealth managers.

Firms like Aetna are looking to make in-roads in this space.

"In Asia, we are currently a niche player at the higher end of the market," explains Goldberg.

> **“The banks see medical plans as part of a holistic way to address the needs of their customers.”**
>
> **DEREK GOLDBERG**
> Aetna

CARE ACROSS BORDERS

A growing number of insurers have already set themselves up to cater to those individuals who travel a lot, or spend a lot of time overseas for work.

A typical expat customer, for example, might not always be eligible for local services, depending on where they have been assigned.

At the higher end of the local market, meanwhile, there is growing interest from HNW individuals and senior executives which have extensive travel and short or long-term trips.

Amid all this, China represents a significant opportunity. The escalating numbers of wealthy individuals in the country have created an ever-larger upwardly mobile group who are also more focused on their own health, wherever in the world they may be.

For example, a lot of mainland Chinese want to go overseas to seek international medical care. “Roughly four in five already use healthcare services when they are overseas and two in three pay for it themselves, so the market has a lot of potential to grow quite quickly,” says Rainbow Pan, general manager of Greater China for Bupa Global.

Plus, a large and growing number of wealthy Chinese have business interests elsewhere around the world, or their children might be based overseas.

Having more options for their healthcare is another driver, adds Pan. “They also look for more choice in what they can get. They would rather go to the US if they need cancer treatment, for instance, as they can afford it. They don’t really seek local services anymore.”

As a result, Bupa Global has a clear 2020 vision for its Greater China business.

In the international private medical insurance (IPMI) market segment on which Pan’s team is focused, the company expects that the increasingly wealthy urban population in China will generate a market of 1.5 million potential customers in the next five years. A decade after that, in 2030, Bupa Global hopes to see a potential target customer base eight-times larger still.

This reflects a broader plan going forward. “IPMI has traditionally been focused on the market for international expats, but today more and more people in countries around Asia have become globally minded,” says Pan.

Firms like Aetna are also looking to find clear points of differentiation. As a monoline health insurer, for example, it offers comprehensive healthcare policies which typically provide coverage for in-patient or out-patient treatment with optional features such as eye care, dental and others. These treatments might either be preventative, or in response to conditions where an individual requires medical treatment.

Eyeing the affluent

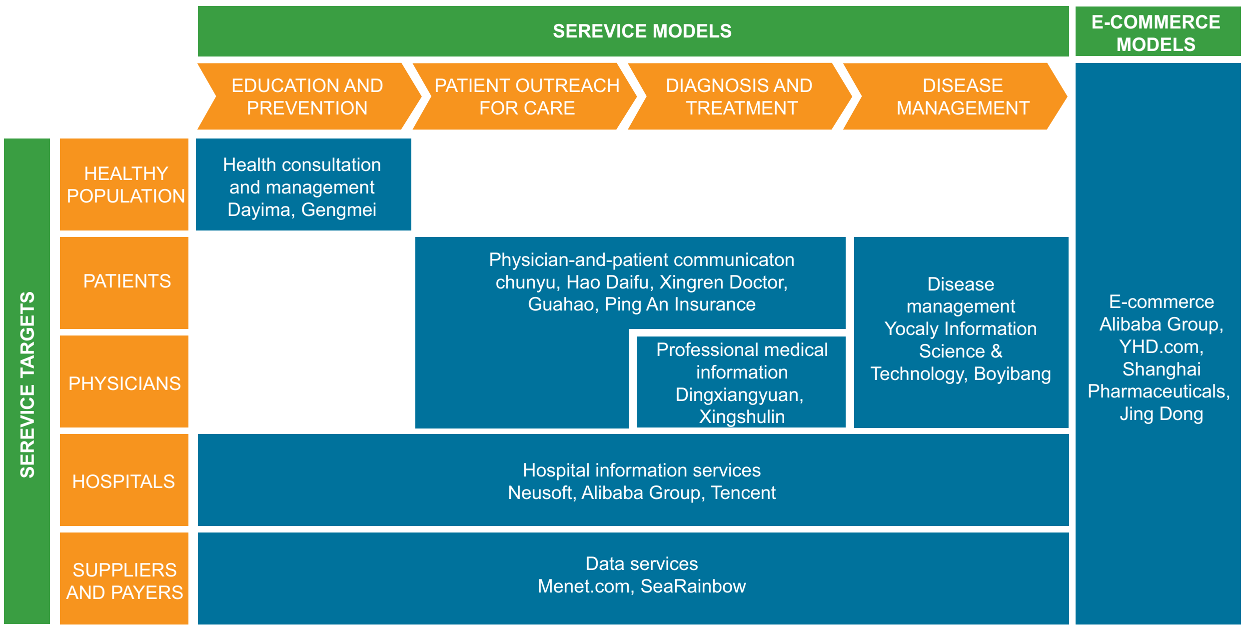
One of the most appealing things about developing a business in this space in Asia is the emergence of the middle class segment as part of the growing mass affluent population.

This is where some health insurers are plotting their future in the years to come, given that these consumers are looking for services to supplement local medical coverage.

In Indonesia, for example, the recently-introduced national health insurance programme (JKN), run by BPJS Health, should help to raise awareness among the general population. But many people will likely find that the coverage is insufficient.

“They will then want access to local private hospitals not covered under the scheme. Or they will look to go to Singapore or other countries in South-east Asia for certain treatments,” predicts Goldberg.

NEW BUYSINESS MODELS IN DIGITAL HEALTH CARE



Source: BCG analysis

According to Goldberg, these plans are relatively different from what else exists in local markets, due to the nature of the cross-border coverage on offer.

Medical evacuation is a key feature, he adds, in cases where an individual cannot get suitable care in the country at the time. Further, when there is an emergency, he says that the firm works directly with a hospital in order to guarantee payment.

"The banks have a large existing customer base that might be underserved for their health insurance needs. This gives us access to customers directly in our space."

SIMPLIFYING UNCERTAINTY

An important requirement customers have with such medical coverage seems to be a policy or plan which is simple to understand, rather than modularised.

To cater to this, Bupa Global, for instance, created four plans, each of which offers a package designed on broad needs. Every one of these plans also offers cover for in-hospital care, health checks, mental and holistic therapies, evacuation, treatment for cancer and other serious illnesses, hereditary, congenital and chronic conditions, and transplants and rehabilitation.

But this only goes so far in helping people deal with situations that they would rather not arise in the first place.

So the firm provides medical concierge services for its high-end customers.

"Once they have insurance, they want to get the best service possible, but they really don't know who is best for certain things," explains Pan. The service effectively provides a second opinion on what action is necessary, and potentially offers alternative treatment.

Another element is booking a specialist or hospital for a customer. After giving them choices to visit a few well-known options in the local area.

For Aetna, meanwhile, key to its differentiation in South-east Asia is the localised aspect to the service, with operations in Thailand, Singapore, the Philippines, Vietnam, Indonesia and

Malaysia, either directly or in partnership with local insurers.

"It is important to be close to the customer," says Goldberg.

"We can tailor our plans more to expectations and nuances of these local markets, to help customers understand how best to navigate healthcare on the ground, based on how it is practised in that specific location."

popular. A 10-year exclusive partnership with Hang Seng began in Hong Kong September 2014, and Pan says it is performing well.

In China, a similar venture got off the ground in September 2015, also with Hang Seng. Through this arrangement, a range of bespoke Bupa medical insurance products and services are available to Hang Seng Bank's personal and corporate customers via existing branches.

"We can tailor our plans more to expectations and nuances of these local markets, to help customers understand how best to navigate healthcare on the ground."

NEW PACKAGING FOR NEW PARTNERS

The attraction of the wealth distribution channel for high-end providers of healthcare is an obvious one.

"The banks have a large existing customer base that might be underserved for their health insurance needs," says Goldberg. "This gives us access to customers directly in our space."

He notes that wealth managers are often consulting in real time with customers who have visited them in their offices, so offering up solutions that are quick to quote and easy for customers to understand is important.

Given the target market for Bupa Global, it also looks to intermediaries like private banks and IFAs to help reach this audience. The bancassurance channel is also proving increasingly

In catering to banks and other wealth managers as intermediaries, the key is to be able to package products and solutions according to customer needs.

For some banks and wealth managers, this has meant focusing on in-patient-only plans.

"These firms find that some of their HNW customers don't mind self-funding the routine, low-cost out-patient services. But they want to be protected against catastrophic or high-cost treatment," explains says Goldberg.

"They look at it as part of their financial planning," he adds.

For firms like Aetna, whose providers all over Asia and globally recognise the medical card and will bill the firm directly, this has certainly caught the banks' attention. ■

A need for more proactive tools

An important part of the strategy of medical insurers is to build on current service models and online capabilities.

This ultimately comes down to being able to offer customers quicker and easier ways to access the information they need.

With Bupa Global, for example, policyholders have access to a members' website where they can find the relevant medical provider network for various countries. This enables them to identify who has been authorised to be associated with Bupa, based on their quality.

Given the firm's global scale and diversification, this might come in handy.

For instance, says Pan, Bupa also runs hospitals, clinics, retirement villages and dental surgeries, depending on which country a customer might be in.

Separately, customers can also search more easily for information on their own policy. This helps them to see more clearly what it covers, up to what amount, and how much they have claimed so far. They can also request a pre-authorisation letter when overseas.

Within the HNW category, in particular, the focus is to enhance the proposition. This means doing more digitally in an attempt to make the entire customer experience electronic.

"There shouldn't be any paper or plastic cards, and we need to enable them to do everything they need online," explains Goldberg.

How Financial Alliance is readying for next phase of growth

Becoming one of the largest IFAs in Singapore in just 13 years hasn't made Financial Alliance complacent. In spearheading growth, Vincent Ee has a clear approach to compliance, processes and innovation to capitalise on exciting times for the local industry.

With over 250 advisers and more than 60,000 clients, Vincent Ee, managing director of Financial Alliance, looks back 13 years to when the firm had just two partners, five Financial Advisor (FA) representatives (Reps) and less than SGD500,000 (USD355,000) in revenue.

Today, leading one of Singapore's top-ranking FA firms, Ee has set his sights on the next phase of growth.

He can start to see more clearly now that the dust is starting to settle following far-reaching regulatory changes in Singapore's advisory landscape.

To build a sustainable business in this segment of the wealth management industry requires the right technology, compliance infrastructure and manpower as three pillars of growth over the next few years, explains Ee.

"How swiftly we comply with regulations, how well we adapt to technology and how effectively we attract and train new FA Reps will determine our competitiveness in the next phase of our growth," he says.

WELL PLANNED

To achieve this vision, Ee and his management team understand that planning for growth requires foresight. For example, he says the firm has been spending a lot of money on technology, which he believes has been helping it make good progress.

This has also enabled the firm to meet the growing requirements in relation to managing commission payments, in a more automated way, and with a lot more precision.

This is essential given Financial Alliance has a complex commission structure; it pays its FA Reps twice a month and two employees manage this entirely in-house. This is thanks to a robust IT system that makes all the difference.

VINCENT EE
Financial Alliance

"Companies that put-off this type of investment in a bid to keep their costs low will find it tougher to compete [in the near future]," adds Ee.

KEEPING A STEP AHEAD OF REGULATION

A clear focus of the sweeping FA regulations in Singapore in recent years has been to ensure that all FA Reps act in the best interests of their clients.

However, this has to be balanced with the FA firms' need to survive as businesses, explains Ee, so aligning to the long-term interests of the clients becomes paramount.

This is reflected in the win-win attitude that Financial Alliance promotes among its FA Reps. The firm insists that they always put clients' interests first, and any conflict of interest should be resolved with this in mind, he explains.

According to Ee, FA Reps should align their interests with those of their clients' in order to build a sustainable business in the long term.

At the same time, the firm takes strong measures to ensure compliance among all of its FA Reps.

This is achieved not only through education and training about new compliance and regulatory requirements, but also by helping them to understand and be ready to comply with the new norms, much before they are implemented. For example, Financial Alliance started hiring independent sales auditors in 2013, to help its FA Reps understand the requirements of the balanced scorecard framework that only recently entered force.

The auditor's role was to scrutinise the work of the FA Reps and then identify any mistakes for management to be able to take action.

The FA Reps could then make necessary changes ahead of time.

With the balanced scorecard now officially in trial mode across the industry, Ee believes that his FA Reps are making fewer mistakes and doing a better job at complying with the laws than many of their counterparts. "As a firm, it is not enough to only educate the FA Reps; enforcing the changes are just as important," he urges.

"Our unique selling proposition has always been our systems, infrastructure, support for FA representatives and stability of the company."

ATTRACTING THE RIGHT TALENT

With better technology and a strong compliance culture, Ee is optimistic that this lays the foundations for growth in the coming years in terms of headcount.

He says there are simply not enough FA Reps in the region, given that there is only one IFA adviser for every six or seven advisers who are tied to insurance companies and banks.

While there are challenges growing the number of FA Reps in the IFA channel in general, the future remains very positive for those who focus on the right things.

"I think our unique selling proposition has always been our systems, infrastructure, support for FA Reps and stability of the company," says Ee.

He isn't, however, resting on his laurels.

Continued efforts to train, educate and prepare his staff seem to be part of the firm's DNA.

This also includes helping his FA Reps cater to the estate planning needs of those HNW clients that the firm currently has on its books. ■

The 5 pillars of wealth

This FA model at Financial Alliance covers all the essential elements of an individual's financial planning needs.

It encompasses all aspects of wealth management, with a mission to ensure that the financial advice it delivers is comprehensive and coherent.

The pillars are:

- *Wealth protection*
- *Wealth maintenance*
- *Wealth accumulation*
- *Wealth enhancement*
- *Wealth distribution*

What it takes to build a more competent IFA offering

There are three stages of evolution to take the role of an IFA from product salesperson to all-encompassing adviser, according to David Pugh of The Fry Group.

Compliance, credibility and competency in wealth management have been under the spotlight in recent years, especially for IFA firms.

The pressure from regulators and customers alike has been focused on the products and services IFAs deliver, and how they get paid. Some of this has been effective in changing business and advisory models, but measuring the extent to which these firms have been able to adapt and evolve depends on the region in which they operate.

In Singapore, for example, the financial advisory (FA) industry is moving itself through a period of regulatory reform with a longer term vision of providing genuinely client-centric advice.

But this still seems some way off.

Many players in the local market are still working on enhancing their offerings, says David Pugh, director of The Fry Group in Singapore, amid what he refers to as a three-stage development path that he believes any wealth management industry, anywhere in the world, needs to go through more broadly.

"We work with clients to devise and manage their financial planning strategy."

DAVID PUGH
The Fry Group

The first of these is characterised by firms offering relatively low standards of advice, including cold calling, with advisers interested largely in their commission, and minimal qualifications required to enter in the first place.

Stage two, explains Pugh, involves the influence of regulations, with the objective of enticing product providers to improve their offerings and the sales process to become more transparent. This leads to the third stage, where FA firms are client-centric and give high-quality and holistic advice.

it hasn't done so as much as was expected. "More regulatory changes are required in order to clean up the industry further," he explains.

In line with this, Singapore needs low-cost and transparent investment platforms, he adds. Pugh says that the options available today cost up to SGD5,000 to set up an account. By contrast, wrap platforms like Nucleus Financial, Transact and Hargreaves Lansdown in the UK charge clients custody fees which are just fractions of their overall assets.

"If a client is pleased with the advice and service they get, they are likely to bring in more money and refer friends and family."

MOVING TO THE NEXT LEVEL

In Singapore's case, efforts to enhance the quality and competency of FA firms and help the industry evolve have been underway via the Financial Advisory Industry Review (FAIR).

Initiatives to cap and spread commissions, as well as to assess adviser performance across more balanced criteria, should help rid the industry of any complacency, says Pugh.

This transition into stage two will also reduce the number of practitioners operating in the market.

Yet while he believes that FAIR is moving the market in the right direction, it hasn't done so as much as was expected.

The mind-set of a fee-based approach, driven by regulation, also enables firms and advisers to move towards the third stage of the evolution of wealth management – one that centres on the client and on providing a more holistic and transparent form of advice.

This also creates a win-win for all parties, explains Pugh.

"If a client is pleased with the advice and service they get, they are likely to bring in more money and refer friends and family," he says.

FINDING A NICHE

As Singapore's FA landscape continues to evolve, it creates a gap in the market that Pugh is positioning The Fry Group to be able to fill.

This exists between the homogenous, expat-focused IFAs selling contractual saving plans, for example, and private banks, which are really looking to target UHNW individuals.

Pugh wants his advisers to be able to provide high-quality holistic planning, which comes from understanding client needs and building relationships lasting from the medium to long-term.

The firm's sweet-spot is investments around GBP 500,000 to GBP 1 million-plus – a level where Pugh believes the firm can provide much better service and advice.

"We work with clients to devise and manage their financial planning strategy," he explains.

To do this, involves expertise on various matters relating to tax, simple legal structuring, mortgages, wealth planning, and investments.

"It's not about selling an investment return, it's not selling a product," says Pugh. "It's about coming up with a financial plan."

This is what is required to put in place an offering which is aligned with the third stage of the wealth management model that he follows.

His ambition is to add value to clients in this way by focusing on the quality of his advisers, rather than quantity.

The Fry Group is now looking to take the same model to other markets within the region. ■

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Hubbis offers a unique platform that brings together content, thought-leadership and collaboration - to challenge and provoke conventional thinking, with an aim to innovate and improve the Asian wealth management industry across the following segments: Private Banks, Independent Wealth Management, Retail Banks, Asset Management, Insurance, Technology, Professional Services. Through our events and content channels, we reach senior management, business heads and other key stakeholders from the top international, regional and domestic organisations.

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JANUARY

Forum
Compliance in Asian Wealth Management Forum
Thursday 21st January, Pan Pacific, Singapore

Publication
Asset Management Yearbook

FEBRUARY

Forum
Middle East Wealth Management Forum
Tuesday 16th February, Ritz Carlton, Dubai

Forum
Asian Wealth Management Forum
Tuesday 23rd February, Conrad, Hong Kong

MARCH

Forum
Independent Wealth Management Forum
Thursday 10th March, Pan Pacific, Singapore

High-Impact Briefing
Commodities
Tuesday 15th March, Hong Kong

Publication
Independent Wealth Management in Asia

Publication
Wealth Management in the Middle East

APRIL

Forum
Indian Family Wealth Forum
Wednesday 6th April, Sofitel BKC, Mumbai

High-Impact Briefing
Income strategies
Thursday 14th April, Singapore

High-Impact Briefing
Real assets
Tuesday 26th April, Hong Kong

Publication
Family Wealth in Asia

Publication
Digital Wealth - Asia

MAY

High-Impact Briefing
Commodities
Tuesday 10th May, Singapore

Forum
Asian Wealth Management Forum
Thursday 12th May, Pan Pacific, Singapore

Forum
Thailand Wealth Management Forum
Thursday 19th May, Conrad Hotel, Bangkok

Forum
Philippines Wealth Management Forum
Thursday 26th May, Shangri-La Hotel, Manila

Publication
Indian Family Wealth

JUNE

Forum
Structured Products Forum
Thursday 2nd June, Pan Pacific, Singapore

High-Impact Briefing
DPM
Tuesday 14th June, Singapore

Forum
Digital Wealth - Asia
Thursday 16th June, Pan Pacific, Singapore

Publication
Swiss Private Banking & Wealth Management

Publication
Wealth Management in the Philippines

JULY

Forum
Malaysian Wealth Management Forum
Tuesday 12th July, Le Meridien, Kuala Lumpur

Publication
Wealth Management in Asia

Publication
Wealth Management in Malaysia

Publication
Islamic Wealth Management

[redacted]

AUGUST

Forum
Indian Wealth Management Forum
Thursday 25th August, Sofitel BKC, Mumbai

SEPTEMBER

Forum
Structured Products Forum
Thursday 1st September, Conrad Hotel, Hong Kong

High-Impact Briefing
Income strategies
Tuesday 6th September, Hong Kong

Forum
Vietnam Wealth Management Forum
Thursday 8th September, Melia Hotel, Hanoi

Forum
Wealth THINK
Tuesday 20th September, Pan Pacific, Singapore

OCTOBER

High-Impact Briefing
Alternative investments
Thursday 13th October, Singapore

Forum
Indonesian Wealth Management Forum
Thursday 20th October, Shangri-La Hotel, Jakarta

Forum
SWISS-ASIA Wealth Exchange
Tuesday 25th October, ConventionPoint, Zurich

High-Impact Briefing
DPM
Wednesday 26th October, Hong Kong

Publication
Special Report on Insurance in Asia

Publication
Wealth Management in India

NOVEMBER

Forum
Asian Family Wealth Forum
Thursday 3rd November, Pan Pacific, Singapore

Forum
Digital Wealth - Asia
Thursday 10th November, Four Seasons Hotel, Hong Kong

Forum
Taiwan Wealth Management Forum
Tuesday 22nd November, Le Meridien, Taipei

Forum
China Wealth Management Forum
Thursday 24th November, Grand Hyatt, Shanghai

Publication
SWISS-ASIA Wealth Exchange

Publication
Wealth Planning

DECEMBER

High-Impact Briefing
Real assets
Thursday 1st December, Singapore

High-Impact Briefing
Independent wealth management update
Tuesday 6th December, Hong Kong

High-Impact Briefing
Independent wealth management update
Thursday 8th December, Singapore

Publication
Wealth Management in China