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2015 CRO Assembly Review

by Jeffrey Barnes¹

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Is the insurance industry keeping pace with technological and societal change?

In a world where individual consumers are the focus of digital development, the population-scale adoption of new technologies has resulted in new working patterns and business models. The future holds out opportunities for insurers, especially in the retail area, but new approaches, new offerings, for example in financial services, and new partnerships will be needed.

Various platforms exploit the possibilities offered by computers and smartphones to organise communities connecting providers of goods and services to consumers. Well-known examples are Uber, offering point-to-point transport through a smartphone app, and Airbnb, providing short-term accommodation. Already starting to rival incumbent firms in terms of market capitalisation, the new platforms are becoming an ever larger part of our economy. Since they do not conform to conventional corporate and organisational norms, however, they encounter some resistance. In addition, they are creating, and are themselves confronting, big challenges in the areas of regulation, taxation and social funding.

Addressing the data privacy and protection challenge

Advancing digitalisation involves the collection of vast amounts of data on individuals. Some people are easy-going about this; others are wary. Even when the data is anonymised, it is essential for the organisations concerned to explain that their customers'/members'/patients' information will not be used to their disadvantage. If trust is not established in this way, it only takes a few suspicious individuals to unleash a storm of adverse publicity, as TomTom experienced a few years ago.

In the context of universal digitalisation, the question of privacy is fraught with difficulties. The European approach is restrictive and fundamentally different from the USA's more open view, and the two systems have clashed on the internet for years. Data protection law in Germany is especially strict and extremely complicated. Drafted largely in the 1970s, how can it be applied now to Web 2.0 or the Internet of Things?

Cyber security will enable growth

Related to the issue of data protection is the growing threat of cyber risk. Since companies are attracted to locations where it is safe to do business, strong cyber security can be a key enabler for growth. Cyber hazard is just one of the risks that the world's energy sector is acutely aware of as it goes through a triple transition taking in decarbonisation, changes in market design and thinking on resilience.

The demographic challenge

This rapid transformation of technology and working patterns is taking place against a background of ageing working populations worldwide. By 2050, only India among the emerging economies and the USA among the wealthy countries will have growing working age populations. The associated challenges regarding provisions for

¹ Former Head of Swiss Re's Group Language Services.

old age and long-term care are daunting. There is a danger, in Europe certainly, that a desire for the old stability and prosperity will result in attempts to block even beneficial societal change.

Envisioning the future of the insurance industry

How does the insurance industry fit into this world under transformation? At present, the global importance of insurance is undisputed. It is a mainstay of economic growth, contributes to financial stability and social cohesion, acts as a shock absorber and aid to recovery after adverse events, and it aids decision-makers as a credible provider of price tags for global hazards like climate change. But will it maintain its current relevance in the shifting landscape of technological and societal change? It has tough challenges to face. The property protection gap is enormous and growing. China's reform agenda slow-down presents a major tail risk, and Europe's political uncertainty also has tail-risk potential. Given the financial markets' dependency on liquidity, diverging central bank policies also constitute a key risk.

Some insurance products will be called directly into question. When robocars come onto the market, motor insurance will change radically as personal liability probably becomes an issue of product liability. Google, Mercedes and Volvo have already expressed their willingness to take on this responsibility. Big players are quite likely to self-insure, though for regulatory reasons they may still need reinsurance.

The future holds out opportunities for insurers, especially in the retail area, but new approaches, new offerings, for example in financial services, and new partnerships will be needed. The deployment of the latest technology, including optimal use of the smartphone, will be key. For some young people, this is already virtually the only acceptable means of communication.

EARLY "SAVE THE DATE" for 2016 CRO ASSEMBLY

Next year's CRO Assembly will be held in Munich and hosted by Munich Re on 28–30 November 2016. We are currently working on an overall topic, agenda and keynote speakers and will provide updates through the *Risk Management Newsletter* and The Geneva Association website.