

# New tech trends demand more innovation in liability cover



Speciality/Liability insurers urged to think out of the box amid new trends in technology.

By **Ridwan Abbas**

**N**ew technological trends are changing the landscape for liability insurance, thus requiring insurers to look beyond traditional products to meet emerging needs.

Amid the shift towards cloud computing and Big Data, among other technological developments, insurers face a continuous challenge of creating relevance and increasing connectivity with customers, said Mr Douglas Robare, Global Head of Financial Lines Underwriting, Generali S.p.A. He was speaking at the Asia Liability Insurance Conference organised by *Asia Insurance Review* in Singapore recently.

Mr Robare said liability insurers can no longer merely “push” products, but need to find out where customer trends and preferences are shifting.

As an example of moving beyond traditional approaches, the increasing use of cloud computing could prompt insurers to consider data as an insurable asset, similar to that of a property, even though the former is intangible in nature.

He added there is the potential to spawn new products related to the cloud market, which is expected to grow to US\$244 billion by 2017, representing a CAGR of 17%.

Mr Robare also said given the soft market conditions and abundance of capital, there are opportunities to innovate and provide local solutions without resorting to the London market.

## Overview

Another speaker, Mr Ronak Shah, Regional Director, Professional and Executive Risks, JLT Specialty Asia, touched on

developments in financial lines which continues to deliver attractive margins. Hence, the business has attracted new entrants into the marketplace thus generating greater supply than demand.

However, the general profitability of this class across the region has meant that local insurers are beginning to actively write without a proper follow-through – in terms of claims advocacy, underwriting capabilities, dedicated wordings etc.

He added that intermediaries have become too transactional, and need to return to a more advisory approach in order to generate even greater awareness in Asia. Within the broader financial lines segment, Mr Shah likened the current awareness for cyber insurance to that of D&O policies 15 years ago in Asia. However, he said the growth trajectory for cyber would be far quicker than D&O insurance.

## Benign claims environment will not remain for long

Mr Roy Hraiki, Senior Product Manager, Casualty Asia, Swiss Re, said weak economic growth has helped to maintain a benign claims environment for liability insurers, though the improving economic outlook will increase claims severity in the coming years.

He added premium growth will continue to come mostly from the large and mature markets, given the maturity of tort laws there.



Mr Roy Hraiki



(L-R): David Piesse, Mr Jason Kelly, Mr P K Gupta, Mr Douglas Robare, Ms Shirley Ling and Mr Ronak Shah

Globally, liability insurance generated US\$160 billion in premium income in 2013, accounting for 23% of the global commercial lines premiums.

### Increasing cyber laws

One of the most discussed speciality/liability products relates to cyber insurance, which has grown in prominence amid high-profile cyber breaches in various parts of the world.

In Asia, cyber laws and regulations are increasing in scope, and several countries in the region have either added/amended or are in the process of updating the laws or regulations relating to cyber security and data privacy/protection, said Mr Jason Kelly, AIG Asia Pacific's Head of Financial Lines.

One of the most prominent actions has been the introduction of a class action law in Thailand which will be effective from December this year. It has a similar framework to the US, and applies to the breach of contract and other laws including environmental, consumer protection and labour amongst others.

The above development leaves companies operating in Thailand more exposed to class action suits relating to cyber breaches, he said.

When asked during the question and answer session as to how AIG manages its aggregation for cyber risks, Mr Kelly said one of the ways is to issue master policies rather than local policies.

### Forum shopping

On the issue of law suits, Mr Gregor Köhler, Head of Corporate Insurance at Bayer Group, said liability claims are becoming more international and costly as awareness of compensation and US-style litigation continues to spread.

He added there was a growing likelihood for "forum shopping" where plaintiffs choose to file suits in jurisdictions where there are more favourable laws relating to liability claims. Hence, companies are more exposed today and may have to cross borders to defend themselves.



Mr Gregor Köhler

### Risk management

In a panel discussion on cyber, speakers – including both insurers and brokers – felt that cyber policies are priced quite low considering the amount of exposure. Hence, they encouraged corporates to take up cyber policies now before the rates inflate in the future, which will happen when loss figures become clearer.

When asked to glean from their crystal balls as to the likely trends in cyber, Mr Shah expects more Advanced Persistent Threats (APT) to occur, as well as more politically motivated attacks.

Ms Shirley Ling, Head of P&C and Liability Division, AFR Asia-Pacific, said there are likely to be more occurrences of cyber terrorism; while Mr Kelly expects to see more cases of large non-profit organisations being hacked, as hackers move on from government agency targets.

### Buyer's perspective

Another panel looking at the needs of corporates in the speciality/liability space saw Mr Köhler talked about the need for insurers to continue delivering appropriate products. From a pharmaceutical's perspective, he added intellectual property (IP) theft represents a significant risk in an industry which is known to invest heavily in research & development. However, the insurance industry does not yet cater to this risk.

ACE's Regional Head of Financial Lines, Mr Stanley Wong, said from an insurer's viewpoint that the lack of overall loss ratios data for various industries in this area is a challenge. Further, insurers need to diversify their portfolios and attract IP risk from various segments of the value chain, though currently the demand typically lies only amongst huge pharma firms which would require huge limits.



Mr Stanley Wong

In response, Mr Köhler urged insurers to take initial steps to serve this area and work with insureds on an exploratory basis for a start.

The two-day conference had broad participation with 10 countries being represented in the audience.

