

## INTERVIEW

# Staying ahead of the game

Asia is on the brink of many big changes as the global stage continues to evolve. We speak to **Mr Kenrick Law**, Asia Pacific Regional CEO of **Allianz Re**, to get his thoughts on the future of the industry in the region.

By Ahmad Zaki

Waves of global regulatory complexities, technology, digital disrupters, innovation, Nat CAT, persistent soft market, tougher reinsurance trading conditions, volatile interest rates, BREXIT and now Trump, have been rattling the world. Is the shift to a Republican president the much needed impetus for growth and shake-up that the (re) insurance industry in Asia has been waiting for? Mr Kenrick Law, is of the opinion that this might be the main event the industry is waiting for. “With the inflationary policy the Republicans tend to adopt, it’s likely to increase the interest rate at least in the mid-term.”

From the other side of the world, Mr Law noted that there had been multiple promises on policies to expand and invest in infrastructure, as well as implementing new laws on immigration and protectionism on trade, which will eventually lead to an increase in wages for the US workers. He thinks that prices might ultimately increase as well.

“If you look at all these elements, the common theme is inflation and an increase in interest rates. It might change the whole environment,” he said. The possibility of an increased interest rate will upsurge the opportunity costs of investing in the (re)insurance industry.

## Lots of interest in Asia but environment is challenging

Asian markets have often received different perceptions from key industry players. Mr Law said while there are several global players setting up in the region, ironically, despite the growth potential, there have been certain players closing down and pulling out from the Asian markets.

“On one hand, the growth potential and the opportunities lead to people coming to the market but at the same time, certain companies find Asia rather challenging as the rate is low. If you don’t have the critical mass, it’s quite difficult to sustain operations here in Asia for some companies,” he said.

He also pointed out that despite all the complaints on soft market and low interest rates, the industry as a whole is producing relatively positive results. Even though there are losses, these do not have any significant influence on the market. He pointed out this is due to lower Nat CAT activities, and positive run-off from prior years’ reserves, although this may not be a sustainable model.

As the operating environment is



becoming more difficult resulting in thinner margins; especially with the increase in Nat CAT activities and uncertainty of exposure, it will not be easy to fully understand the underlying exposures, for example, the Tianjin incident.

## Getting “sticky” with the clients

Due to Allianz Re’s key client strategy, it is not as heavily impacted by excess capacity when compared to their competition. “We’re not a market player so we don’t write across the market. Through our global network and expertise, we bank on building long and trusting partnerships with our clients.”

He also said that the fact that Allianz Re is under-represented in certain markets is a boon for the company, as this means it has new markets to expand into. While the soft market environments will be challenging for them to break into, he is certain that the company’s AA rating will prove beneficial. “If you look at the RBC environment, companies are placing more and more focus on strong security rating so this will put us in a stronger

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position.”

Allianz Re’s ability to tap into the larger Allianz network will also help them to enter new markets. “We apply the knowledge from different markets and share with our clients. It helps them see what the issues and how they can develop their portfolio. With our extensive global network, that’s the strength we have, to bring knowledge and expertise from different parts of the world and share it with our clients,” said Mr Law.

#### Talent hard to come by

Over the past years, the Asian (re)insurance industry has been facing with the issues on retaining the limited (local) talent pool, having to adapt to the demands from the new generation of workforce (the Gen Z and Millennials), focussing on skills enhancement and leadership gap, amongst other challenges. Key industry players have

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pushed themselves to improve ways of hiring, retaining, training and searching for the right business models to attract new talents, as well as structure their workforce for the future.

Understanding the local market dynamics and regulations is critical in succeeding in Asia, and having local expertise is a great boon. However, there is a shortage of talent within the Asian insurance industry, especially in the fast growing markets such as

China, Vietnam and India.

“Allianz is aware that this trend has become critical. Hence, we have been developing our own talents within Allianz through Management Trainee Programme whereby we hire and lead on-the-job training for fresh graduates and internship from distinguished universities. We want to create, develop and retain our own pipeline of talent fit for the future,” he said. ▀



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