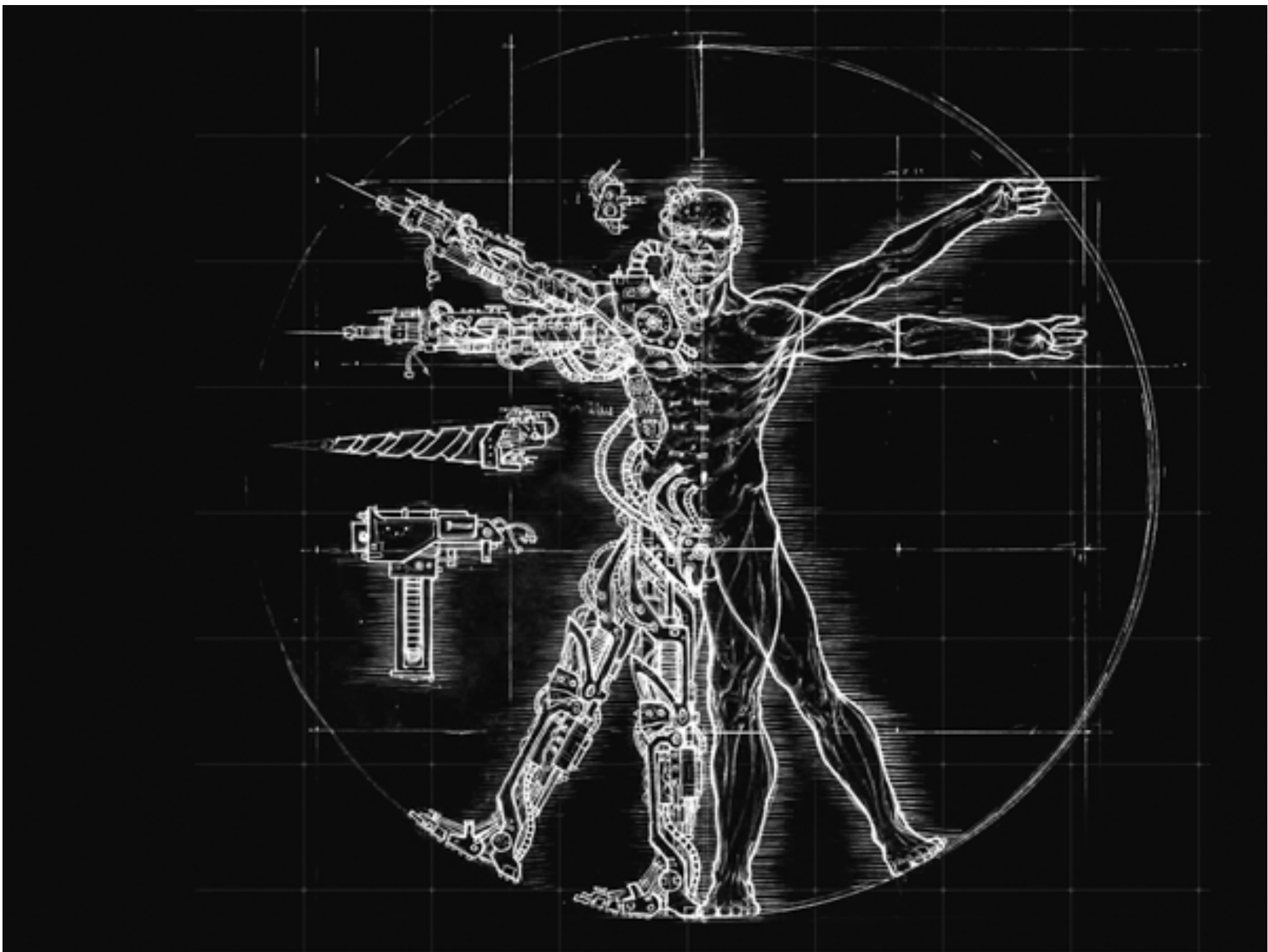


The role of regulation and supervision for enhancing innovative insurance, reinsurance and capital market solutions

Dr. Rodolfo Wehrhahn
ADB Consultant

Manila, The Philippines • 25/26 September 2018

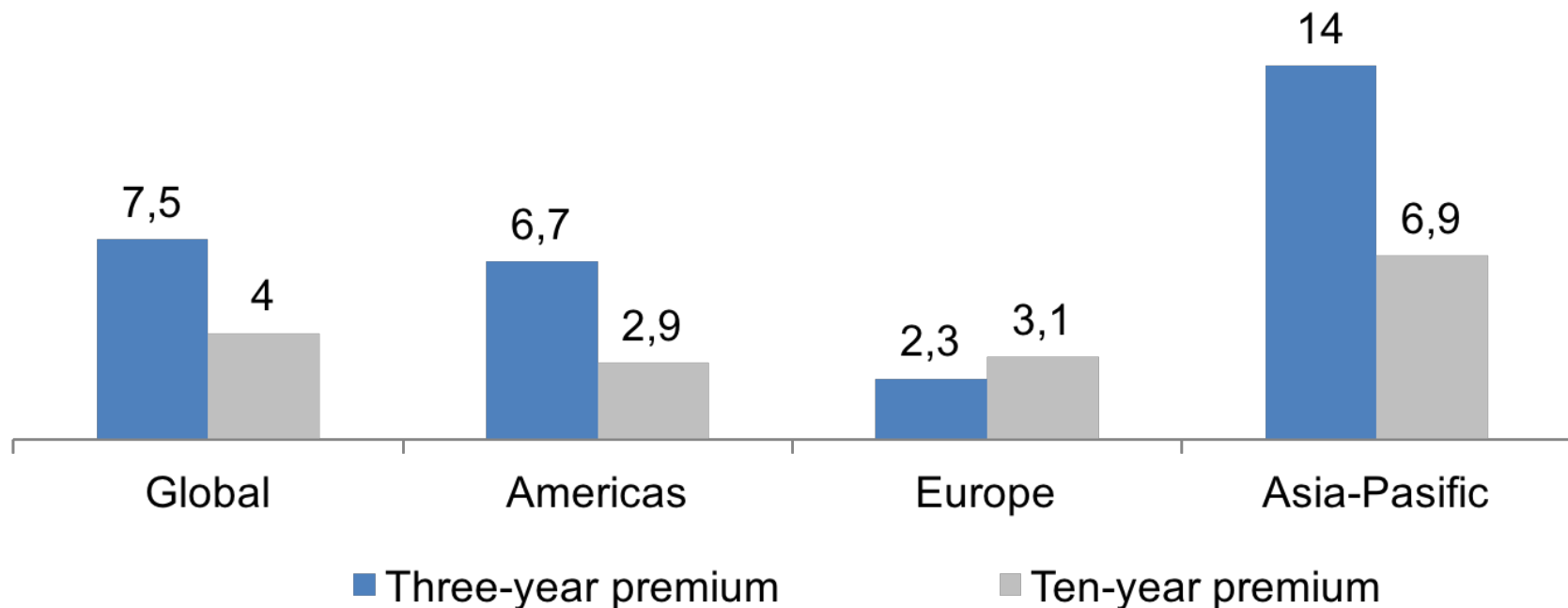
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Innovation pays off with significant higher shareholder returns

Three and ten-year annualized total shareholder return (TSR) premiums of innovative companies compared with their industry peers, by region

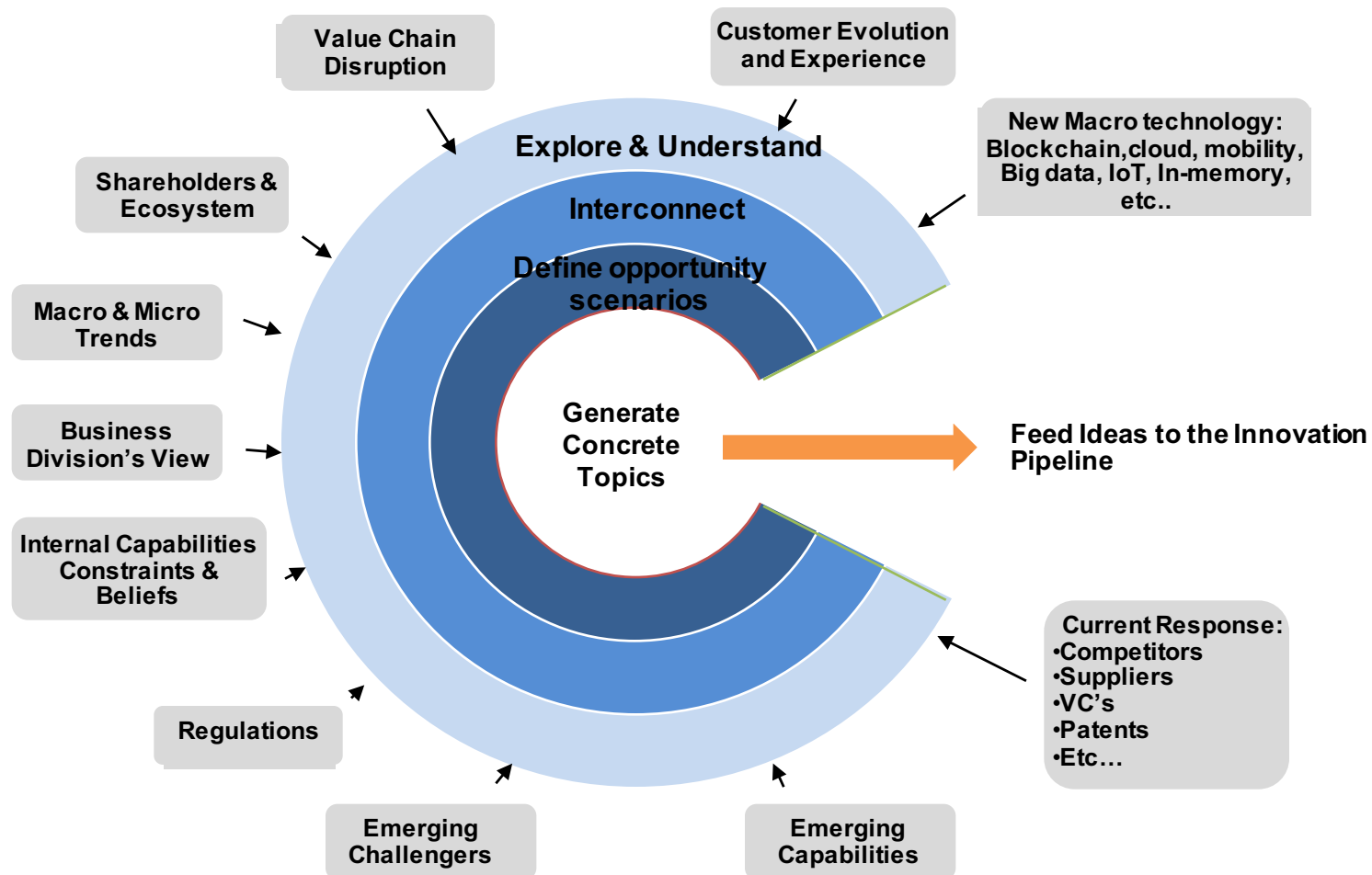
Annualized TSR premium¹ (%)



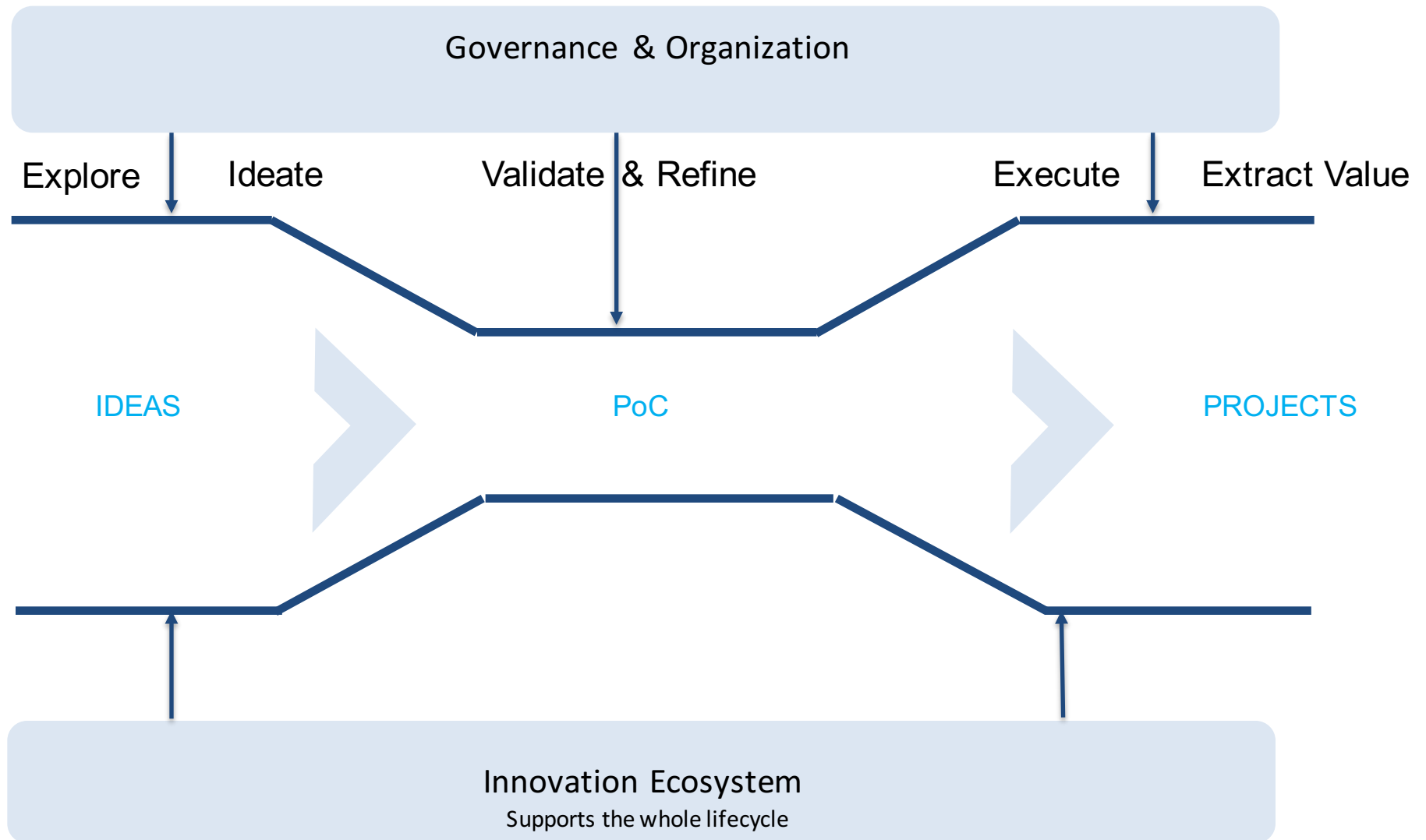
(1) Total shareholder return premiums (%) generated over industry peers
Source: BCG Study: Incubators, Accelerators, Venturing and More

A systematic approach to decide where to innovate

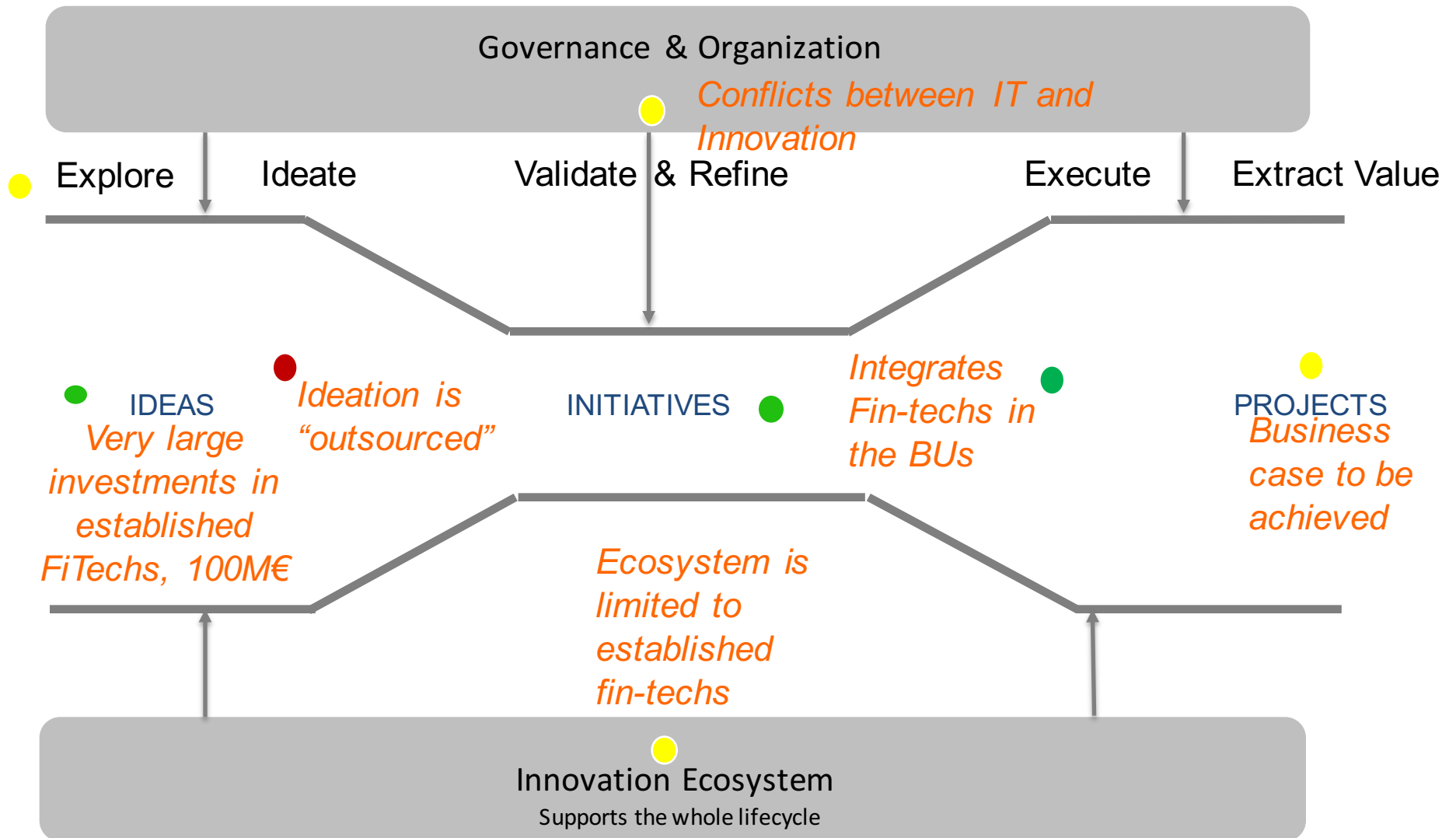
Intral Innovation Discovery Map



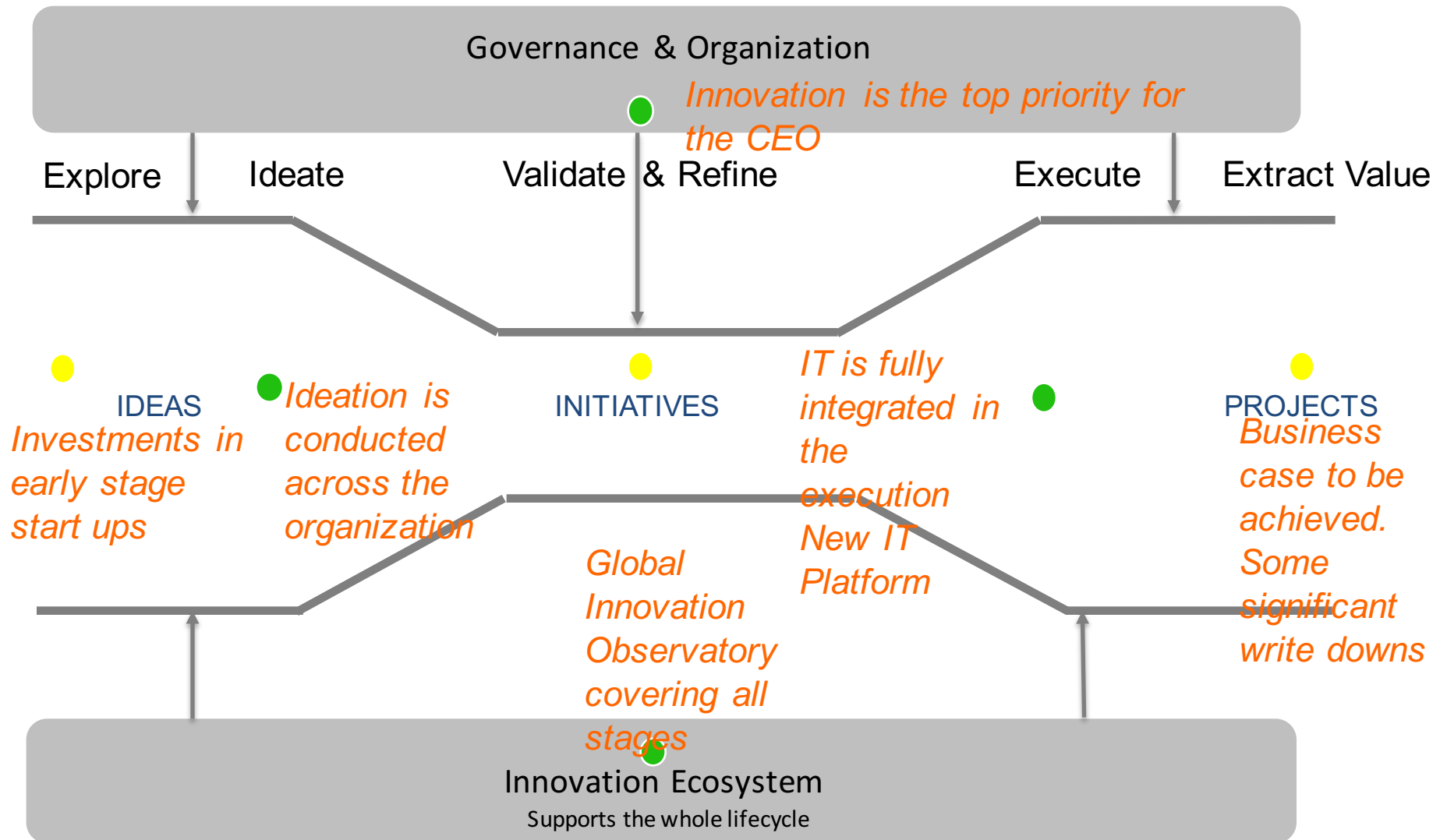
For discussion we follow a simplified Innovation framework



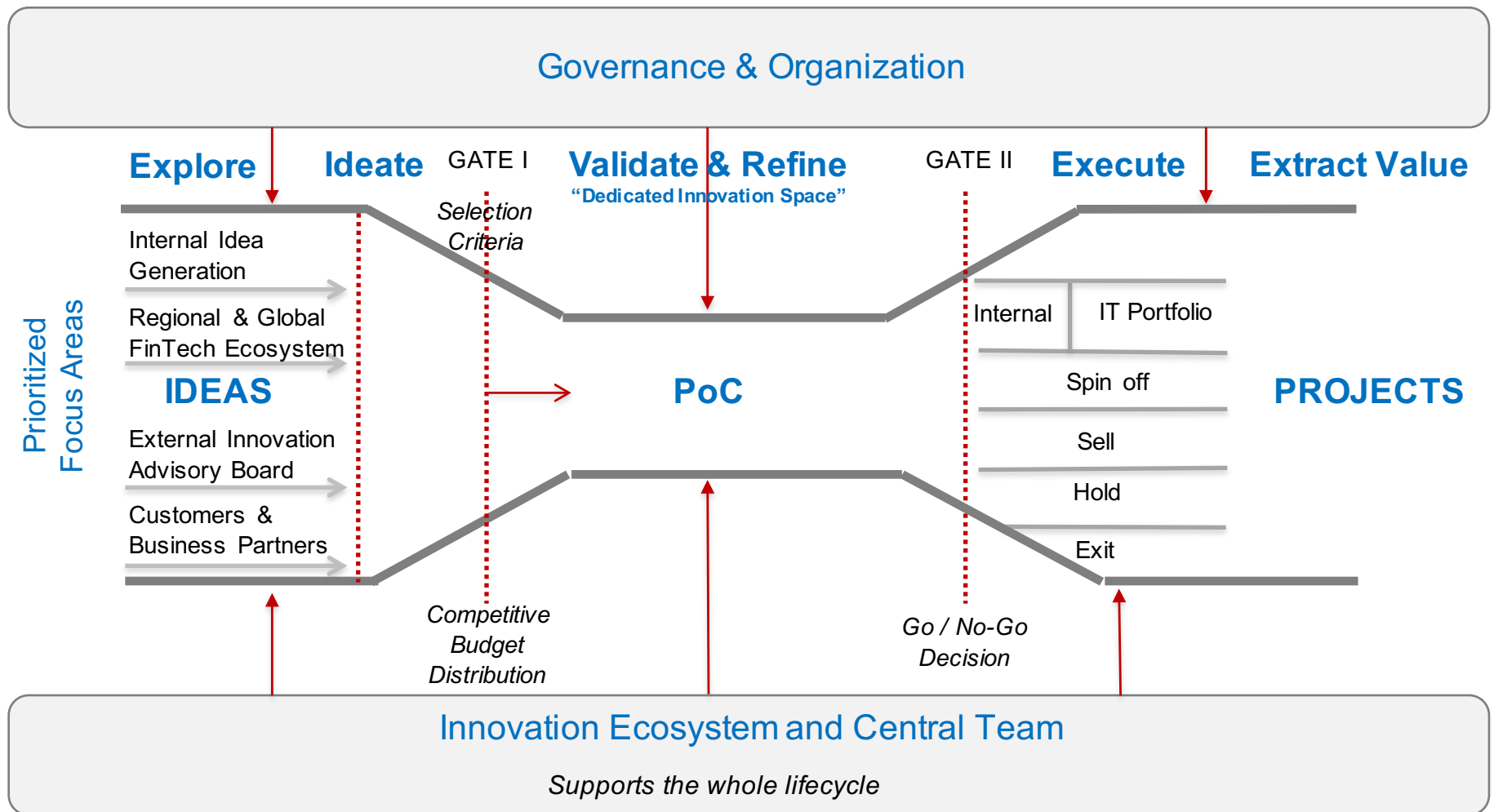
Case 1 -



Case 2 -



An Innovation Model based on global best practices is mandatory

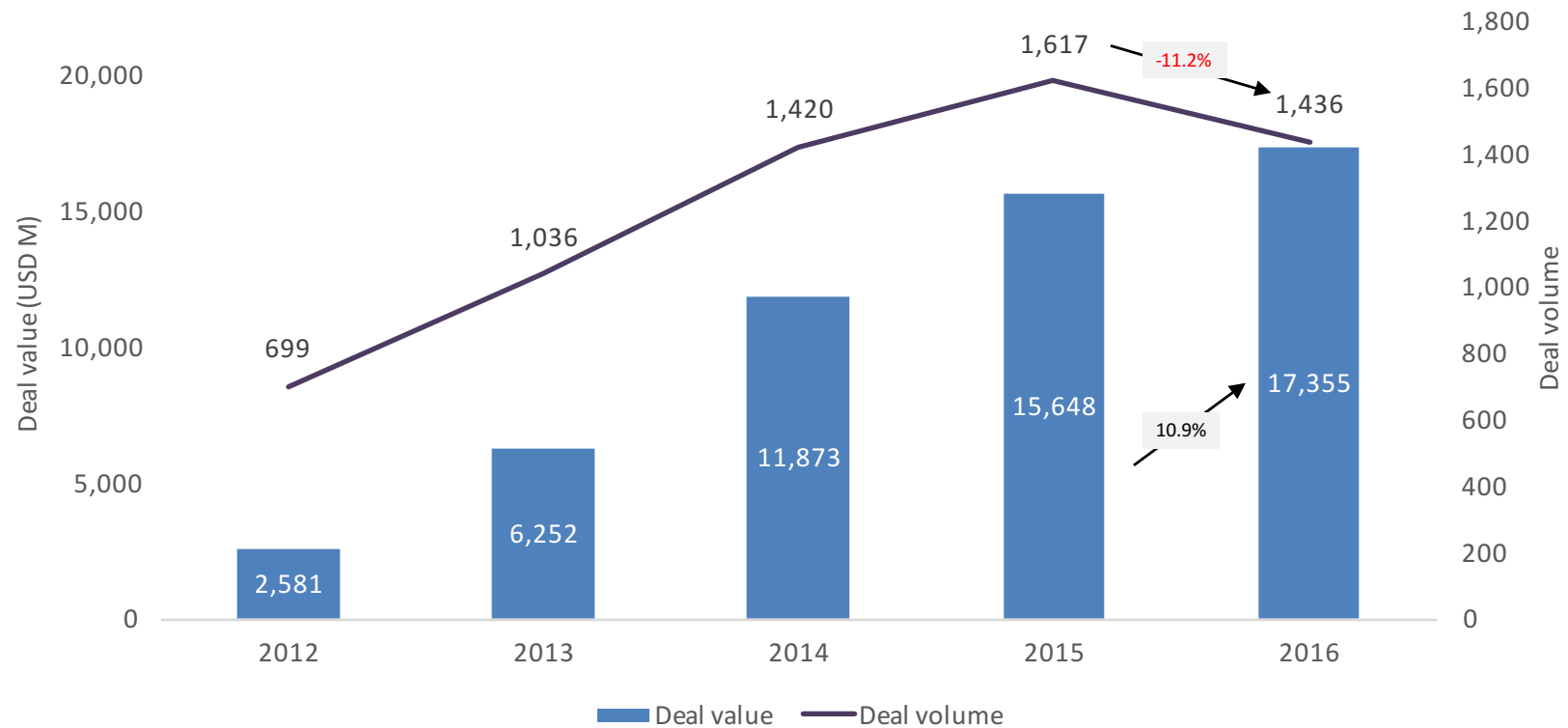


Strategic questions for insurers in the Innovation Journey

- Expand their business model with Fin-Techs?
- Rebuild the value chain with FinTech components?
- Offer white label insurance services to fin-techs and web champions?
- Become the “Apple of Insurance” build excellent user experience?
- Other?

Huge investments in global fin-tech VC funds

2016 has seen 1,436 deals globally attracting \$17.4bn of VC investment, a 10.9% increase YoY



Deal value 5 year CAGR: 46.4%

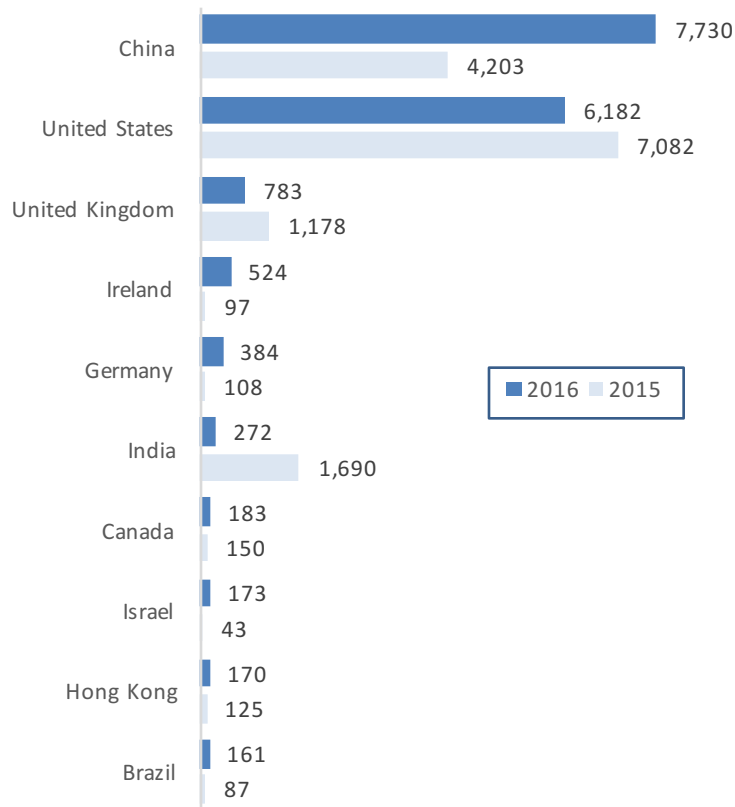
Deal volume 5 year CAGR: 15.5%

Source: Pitchbook (as at 30/01/17)

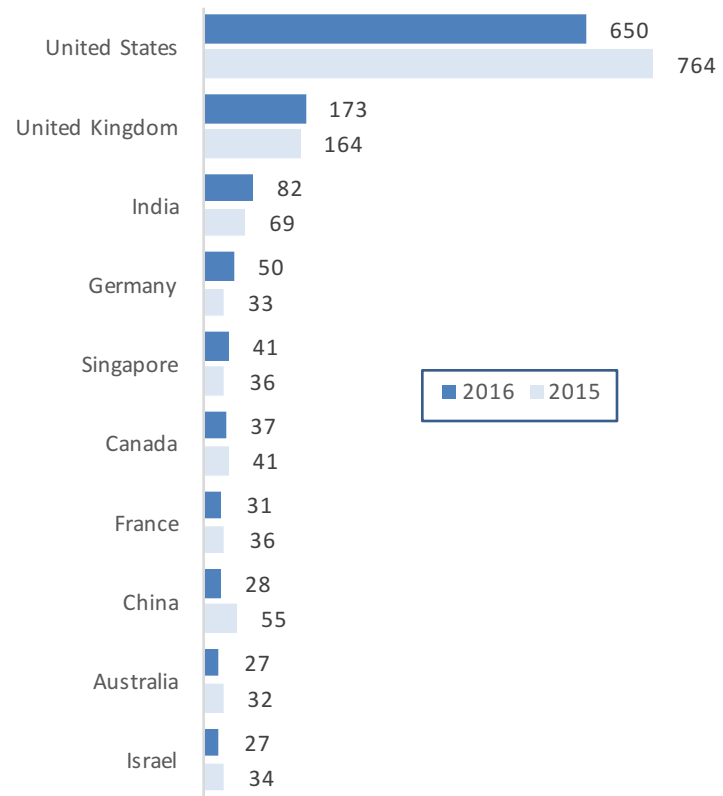
Global Fintech VC Investment is highly concentrated

China, for the first time, attracted the most investment at \$7.7bn over 28 deals, beating the US which attracted \$6.2bn over 650 deals

Top 10 countries by deal value (\$M)

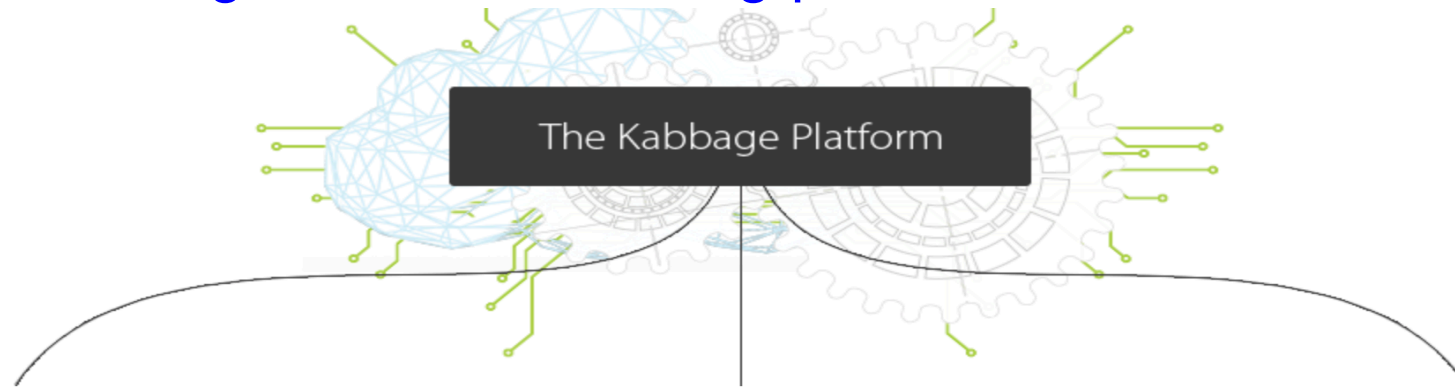


Top 10 countries by deal volume



Source: Pitchbook (as at 30/01/17)

Case – Kabbage, the SME lending partner of Santander in UK



Small Business Lending

Kabbage approves small and medium-sized businesses for lines of credit up to \$100,000 using real-time business data.

Your Brand

Powered by Kabbage

The platform that has originated more than \$1 billion in just four years can deliver business and consumer loans to your organization using your



Consumer Loans

Karrot offers personal loans up to \$35,000 for expenses such as debt consolidation, weddings, or medical bills.

PROUD PARTNERS OF KABBAGE

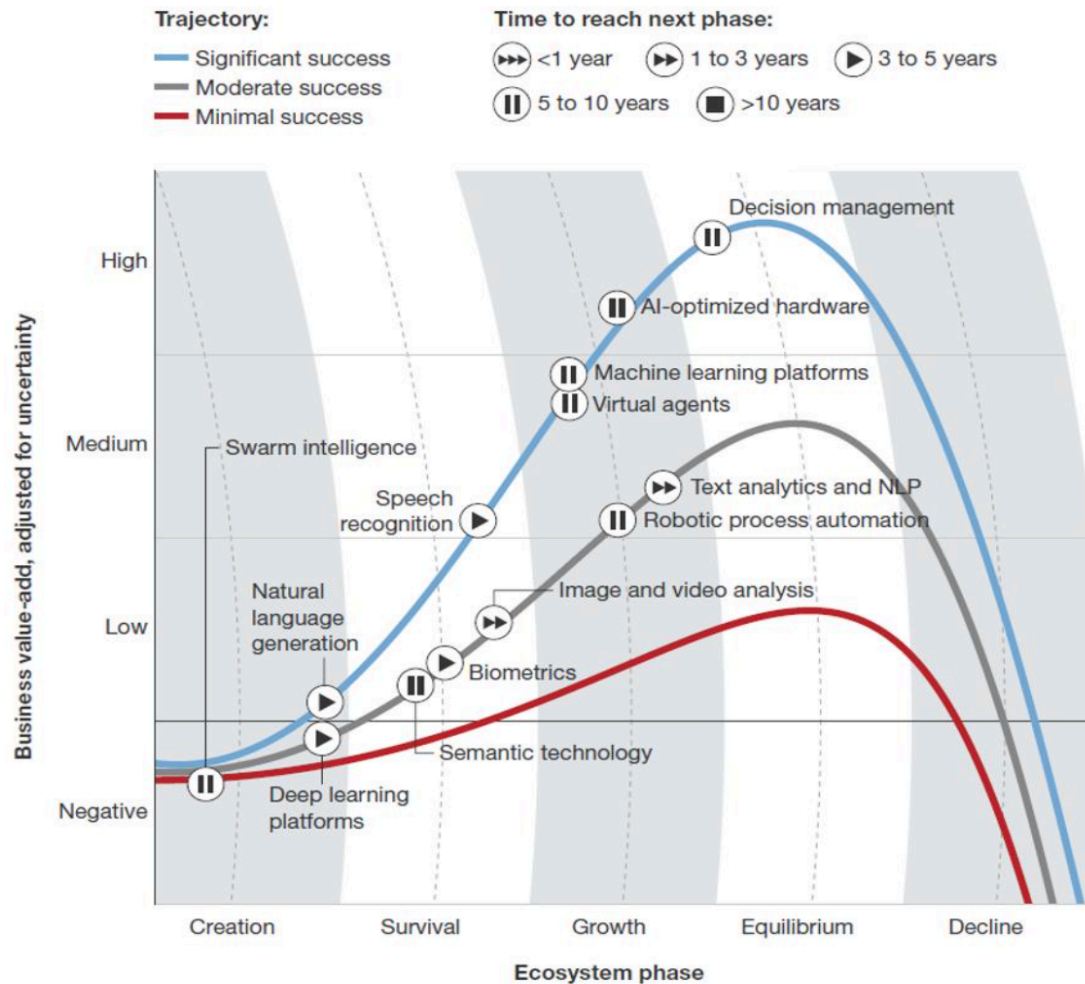


Case – Data ownership – Telefonica Platform 4



Case - Top Spanish banks are investing heavily in AI and big data

FIGURE 4 TechRadar™: Artificial Intelligence Technologies, Q1 '17

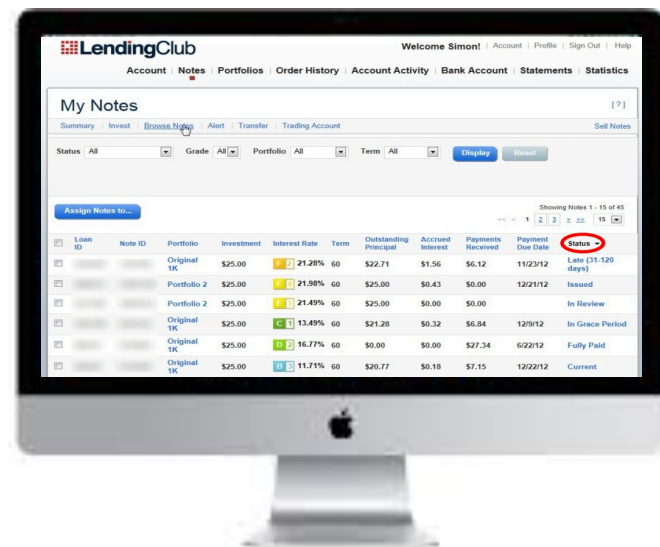


- Top priorities are: Biometrics, Speech recognition, Chatbots, Decision Management
- Caixabank has launched this year a chatbot for imaginbank
- BBVA has offered an automated agent for years with mixed results
- BBVA offers 100% digital onboarding with a selfie
- Telefonica is testing Robots for back office automation

Fin-techs are having strong impact in collaborative business models with financial institutions

But they are very different than an insurer:

- not regulated
- cloud based
- fast mover
- reluctant to invest
- have limited resources
- very short term focused
- and sometimes arrogant...
- ...



Regulation

Protection

- Scams
- Privacy
- Cyber theft

Level playing field

- Investments protection
- Principle based requirements

Development

- Product approval
- Legal framework

Protection

Scams

Level of
understanding

Size of
exposure

Who pays

Privacy

Transparency

Usage rules

Compensation

Cyber theft

Limiting the
exposure

Level playing field

Investments protection

Approval process

Disclosure vs
patent

Competition
issues

Principle based requirements

Advice

Operational risk

Risk capital

Reserving

Development

Product
approval

Expertise

Time sensitivity

Legal
framework

Contract law

Consumer rights

Privacy

The role of regulation and supervision for enhancing innovative insurance, reinsurance and capital market solutions

**MANY THANKS
for your attention**

Manila, The Philippines • 25/26 September 2018

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