

SYNOPSIS

How the Life Insurance Industry Adapts and Survives in the Face of a Domsday Scenario *Dion Russell, Nicole Marshall*

Key words: Emerging risks, innovation, life insurance,

Purpose of your paper:

We plan to present a thought exercise in innovation within the life insurance industry:

- Sketch out an extreme, yet plausible, scenario based on our Emerging Risks view for the global insurance industry – for example antimicrobial resistance or a Eurozone breakup
- Show how this scenario impacted the insurance market, with a particular focus on the Australian life insurance industry
- Describe how successful life insurers adapted to this scenario, focusing on the key winners and losers, and what actions they undertook
- We will conclude with some lessons learnt and our suggested key characteristics of successful innovators

Synopsis: This session will have a key focus on innovating and adapting to a changing world.

We are living in a time of change. Risks are materializing in new ways and the consequences are becoming broader reaching given increasing globalization. Climate change is becoming more evident in the increasing frequency of natural disasters and water shortages, we have entered into a new age of fragmentation of societies given the increasing terrorist activity and disenchanted members of communities and the global economy continues to struggle in its recovery from the GFC.

At the same time, positive changes are occurring too given the advances in technology which are changing the way businesses operate and people live their everyday lives. This brings about further emerging risks such as those related to cyber-attacks.

This session will deal with and consider such emerging risks. An emerging risk is characterized by a very high degree of uncertainty and includes new but also evolving risks. Emerging risks are often pre-existing to their appearance on radars of organisations and governments and are frequently ignored by society. An emerging risk, if it occurs, can cause significant negative across countries and/or industries over considerable time.

As actuaries, we are well equipped to think about these risks and will likely be involved in finding solutions if any of these do eventuate.

Throughout this session, we will present a thought exercise by discussing an extreme, yet plausible scenario and considering how this would impact the insurance market, with a particular focus on the Australian life insurance industry. We will consider the flow on effects and the issues faced by the industry. We will then paint a picture of how successful life insurers adapted and what the future may look like as a result of this as well as the opportunities that can arise from being innovative and thinking differently through the situation.

We will conclude this session with some key lessons learnt and takeaways which can help actuaries think differently in the face of emerging risks or day to day business and operations.