THE FULLCOVER

Sharing MDS's passion for risk and insurance

AIG CEO Brian Duperreault
An industry icon

SUNU
Leading Africa's Life Insurance

A glimpse into the Future of Health Management

José Manuel Fonseca
Broker Leader of the Year
at European RM Awards

Minds & Technology
RCG
Breaking new ground

Sid Garcia
Trinity's Intrepid Entrepreneur

Jayme Garfinkel
At the helm of Porto Seguro

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#12

MDS Group


Time zones,
transcended.

Editor's letter

José Manuel Fonseca
MDS Group CEO

The famous song "When I'm 64", released in 1967 by the Beatles, that went like "will you still need me, will you still feed me, when I'm sixty four?", stated that by that time people were old.

Not anymore. Now, at 64, people are still at their prime, working hard, with teenage children, beginning new relationships, avidly learning and most of all enjoying life.

This is but one of the many issues we will tackle in our Technical dossier about "Health Management". With people living longer – much longer – and a decreasing number of births, we ask ourselves about the sustainability of Health systems around the world; questions to which our panel of experts from Europe, Asia and Latin America have tried to answer. But we have gone further: we will tell you how telemedicine is changing the access to medical care; how insurers and reinsurers are facing these challenges; how the Internet of Things and Artificial Intelligence are changing the Health Management landscape and how during this millennium humankind may well achieve its most sought out desire – immortality.

But you will find so much more in FULLCOVER 12. I had the opportunity, along with Jamie Crystal, to meet and talk to Brian Duperreault, AIG President and CEO about his 40 plus years in the insurance industry, his long history in the company, the centennial anniversary and AIG and Brokerslink long term relationship.

Talking about experience and leadership, we'll share with you a preview of our second "Faces of Insurance" book, on Jayme Garfinkel. You will get to know the chairman of the board of directors of Porto Seguro, one of Brazil's leading insurers. From Brazil we take you to Africa, to meet Pathé Dione, founder and Chairman of SUNU Group, and learn more on his contribution to change the African insurance landscape; and to the Philippines, to tell you the story of Trinity and its founder and CEO Sid Garcia, a dear friend and great ambassador of Brokerslink. Finally, we bring you a dossier on Unit-Linked, still a bit unknown but very interesting savings tool within life insurance solutions.

In a world where disruption has become the norm, knowledge is key more than ever. That's why we bring you the latest news, the best practices and the opinions of renowned experts. Understanding problems is halfway to tackling and solving them. This has always been and will continue to be our mission – to share knowledge about risk and insurance and in doing so contribute to a better mastering of our world and the risks that surround us.

MDS Group
Brokerslink
Partner

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Interview with **AIG President & CEO**

Brian Duperreault

One of the most respected leaders in global insurance shares insights from over four decades in the industry with José Manuel Fonseca and Jamie Crystal

Brian Duperreault
A forty-year career in insurance

Brian Duperreault is President, Chief Executive Officer and a member of the Board of Directors of American International Group, Inc. (AIG). Prior to assuming this role, he served as Chairman and Chief Executive Officer of Hamilton Insurance Group (Hamilton) from 2013 to 2017. Hamilton is a Bermuda-based holding company of property and casualty insurance and reinsurance operations in Bermuda, the U.S. and the UK.
Mr. Duperreault served as President and Chief Executive Officer of Marsh & McLennan Companies (MMC) from 2008 to 2012.
Before joining MMC, he served for two years as non-executive Chairman of ACE Limited, an insurance and reinsurance company, and as CEO of ACE from 1994 through 2004. Prior to joining ACE, Mr. Duperreault held various senior executive positions with AIG and its affiliates from 1973, when he first joined the business, to 1994.
Mr. Duperreault is a member of the Boards of the Bermuda Institute of Ocean Sciences (BIOS), Johnson Controls, Partnership for New York City, the Geneva Association and Saint Joseph's University.
He is the former Chairman of the Board of Overseers of the School of Risk Management of St. John's University, New York and Chairman Emeritus of Blue Marble Microinsurance.
Mr. Duperreault holds a bachelor's degree in Mathematics from St. Joseph's University. He was born in Bermuda and is married with three sons.

Jamie Crystal (Alliant), Brian Duperreault (AIG), José Manuel Fonseca (MDS Group), Ralph Mucerino (AIG) @ AIG New York Headquarters

In May 2017, AIG announced the appointment of its new President and Chief Executive Officer. The role is probably one of the most prestigious, demanding and rewarding there is in the global insurance industry, so it would need an exceptional talent to take it on. The new incumbent already had a long history with the company, although he had spent two decades away from it. In fact, it had given him his first break in insurance. When Brian Duperreault was revealed as the firm's new leader, there was a positive response right across the insurance industry. The rest, as they say, is history. In AIG's centennial year, Mr. Duperreault spoke to José Manuel Fonseca, Chairman of Brokerslink and MDS Group CEO, and Jamie Crystal, Executive Vice President of Alliant Insurance Services, about getting the right mix of people and structure to secure AIG's future, the importance of the broker relationship and putting AIG's regional businesses back on track. He also shared some of the lessons he has learned from 40 plus years in the insurance industry.

AIG's historically wholly-owned global network was legendary. This has been impacted by recent divestitures, in particular in Latin America (in 2016 AIG agreed to sell some of its Latin American and European property-and-casualty insurance operations to Fairfax Financial). Do you plan to rebuild the network with wholly-owned subsidiaries or will you also consider MGA representatives?

We prefer wholly-owned operations as you can better control their quality and activity. This kind of global network is great for multinational business. They are responsive and can deliver a consistent product around the world. Having them as part of your company on a wholly-controlled basis is ideal.

One of the great strengths of AIG is its network and you shouldn't dismantle this lightly, without real thought. These businesses took generations to establish and I would love to get them back but that might also take generations to achieve.

It is important to remember that AIG traces its roots back to Asia. We had an international presence long before we came to the U.S. In fact, we were in Argentina and Brazil before we were in America. During the Second World War, when it was very difficult to transact business in Asia and across Europe, the Latin American countries were especially important to AIG. During that period, Argentina kept this company alive and when the war ended, it remained a very strong country for us. Perhaps our name should have been the International American Group instead!

The global network remains a strong and important part of who we are and what we do, and if this could be made up of more wholly-owned businesses, I'd do it in a heartbeat. But we do not have operations in every country, so have always had partnerships with companies in some countries and we continue to have these. The network's service quality and delivery through these partners is still high and we have made further improvements in how we do that and how we deliver the product.

Let me say, we have no current plans to divest from anything!

AIG and Brokerslink have a long-term partnership. How important is it for insurers and brokers to work together to achieve both local and global goals?

I know that it is part of Brokerslink's DNA to have strong local brokers whose core business is to understand and service their local market. That local presence means everything. You have someone there who understands what you need to do, to basically satisfy how

Cornelius Vander Starr, who founded companies that became AIG, and a potential customer outside of Shanghai, China, 1922.

business is done and the requirements of local regulation, or the particular needs of the insured in that location.

The broker relationship is the most important partnership we have. We understand the broker is representing the buyer of our product and recognise there is a process across the table, but we need each other, too. There is a partnership even in that context. We both recognise that and, if done right, and I think we are pretty good at it, there is an efficiency of interaction that takes place. But you still need to understand who's on the other side of that table. What are they telling you? Can you trust them? And that goes both ways.

By dealing with each other day after day, you cut out a lot of the inefficiencies. Different risks and different problems, solving them together and helping the client. One of the main reasons why AIG has been so successful is that we embrace the relationship with the broker; we don't want to supplant them or go in a different direction. We recognise their value and that goes way, way back. That was true then and is even truer today.

Are there areas where the broker can up their game? Technology is one. If we are going to tackle some of the inefficiencies, we cannot do that alone. It is in both our interests to do that.

"The broker relationship is the most important partnership we have. We understand the broker is representing the buyer of our product and recognise there is a process across the table, but we need each other, too."

What was the rationale behind creating the new business units of General Insurance, Life & Retirement and Blackboard Insurance in September 2017? Is this to do with your ethos of having the right foundations to enable the business to grow?

We were organised along a Personal Lines and Life & Retirement business (which is predominately in the U.S.) versus Commercial and that made no sense to me. The Personal Lines, General and Commercial businesses shared balance sheets, offices, facilities and capabilities and yet they somehow were divided. I believe General Insurance should be General Insurance and Life & Retirement should be Life & Retirement. Both are very important component parts of the company, but they should be managed as unique entities. That was the primary reason for restructuring. The overall structure of these units is a natural division of how the company should be organised.

And it has helped us further organise our specialty capabilities, whether that is globally or by the kind of business we do. AIG has always been noted for its specialisation. Because of the efficiencies we can achieve and because of our size, we could put specialists together that had enormous capabilities on a global scale. Some companies want to be specialist, but they can never really scale up enough to truly deliver a specialty product. Historically, AIG had a whole portfolio of these products, but we got a little too general and blended that all together, and I didn't think this was the best way to operate.

We are now back to standing up units that are specialised, whether it's in high excess, Directors & Officers or Accident & Health: each unit has its own characteristics. We are putting the skillsets together that know the risks so well so that when a broker turns up with a problem, we know how to handle it. The broker may not have seen the problem before, but we have. That's why we started with changing the organisational structure and have then filtered the principles and beliefs down to the units. That's the game plan and, by the way, that was also the plan when I was cutting my teeth in this company in the 1970s. It's getting back to what made us great.

Can you explain more about the driver behind AIG's investments in Blackboard and Attune?

Attune and, particularly, Blackboard Insurance, are exciting initiatives in the digital and technical space. We have lots of business,

particularly in the U.S., which is focused on large, complex commercial risks. We haven't had as much success in the smaller, less complicated risk space. The idea was to look at how we address opportunities in that area. I had had this idea when I was running Hamilton Insurance Group and developed it in partnership with AIG.

Why did I want to bring it to AIG? Well, it started with a company called Two Sigma Investments, a firm that does quant investing using data and analytics to make very efficient decisions on some very complicated things. They are sourcing vast amounts of data and developing algorithms to enable them to take different views. This is exactly what we do as underwriters and insurers: we pull in lots of data from different sources to get a view of risk. Because of this similarity – albeit they are doing it to a much more sophisticated level – I wanted to partner with them to bring this whole world of data science, analytics and decision making and apply it to the insurance space. It has been a labour of love to set the technology up, but we are on our way.

The challenges of servicing these smaller businesses with high frictional costs are shared by brokers and insurers. Most brokers have a minimum premium to address these frictional costs, and the actual loss component of the cost is relevantly small. If the broker is taking in minimum premiums and not making money, they are not happy. If you can squeeze out the frictional components, then everyone is happy.

But by using data and analytics, you can get to a straight-through processing model where you can serve small business more cost effectively. These businesses then benefit from having access to more complex insurance solutions that were not available to them before. Taking advantage of this developing science means you can not only make more effective decisions, but you can make better ones. More effective and efficient decisions – now you are twice blessed.

We are not talking about the machines taking over. But if you have a small and uncomplex risk that can be analysed and a decision made just on the data, without human intervention, then that is fine. However, as soon as you get into the complex world, and of course, SMEs can have some complexity and something different about them, you must have a person involved because it's a harder decision. The machine cannot make the decisions, the technology has to enable humans to make better decisions.

In terms of Blackboard Insurance, we believe that 90% of the business can be triaged with technology assessing and pricing the risk. It then presents the 10% that needs people to deal with. Currently, 100% of these risks are getting the attention of the underwriter and that's inefficient. By marrying the process with data science, you create an efficiency so the underwriter can apply their genius where it's appropriate and not waste their time. We call it the '10x factor'; we want to make them 10 times more efficient.

You have talked about 'having the right people in the right roles pursuing the right strategy'. Since May 2017, AIG has made 30 senior appointments, internal promotions and hires across the company, including attracting back some former employees. What has driven these developments?

The company had lost a lot of talent over the years. But, just to qualify that, there is a lot of talent in AIG. When I came in, I was afraid we didn't have the talent we needed, but, in fact, we had plenty of it. However, we had thinned out the talent base; you could say we had used up 'our bench'.

I also knew we needed to bring in additional talent; people from other places who had seen things done differently and who could share that experience and help create a proper blend of knowledge and expertise, with cultural and institutional knowledge.

I knew why I came and I knew why some people had stayed; we all love the company. However, I wasn't sure if I could convey that level of appreciation to others and I worried about whether this talent would come to AIG.

But there is an amazing energy around this company about what we are doing, and we have attracted a lot of great people. Some had worked here before and wanted to come back because they had the same feelings about the place as I do. Others were saying "what's going on over there? That sounds like a place I want to be." This energy and the interesting group of people we have, makes this a mission worthy of the taking. It really was a very pleasant surprise to see the attraction of AIG to these people.

In terms of what we look for in our people, first and foremost, the skillsets need to fit the job. There is a culture in AIG which we do not want to lose. It is about being hard working, being entrepreneurial, solving problems, being experts and service-orientated. I'm delighted to say the new people we have seen coming into the company very much fit that. As we look at what is needed going forward, I think we can bring in a lot more.

Offices at 17 The Bund, Shanghai, China, 1934

After 21 years at AIG, you left to pursue other senior roles. What attracted you back to AIG in 2017?

I was gone for about 22 years and during that time I did wrestle with the question, what would I do if I was asked, would I agree to come back? And then I was.

The decision was a head versus heart question. My head said, "don't do it". Now, that's not because I shrank from the work. I had a great job at Hamilton Insurance Group. We were innovative, and I was surrounded by very creative people and we were trying to do something different. It was fun going to work every day and I was having a great time. My head said, "you should just do that, why would you want to lose this for something else?" But my heart was saying, "you can't turn this down!" How could I turn down the company that gave me my start? I still had friends there and it needed me, so how can I say no? So, my heart won. If I look at all the decisions I have made in life, the best ones were from the heart, not the head.

When I first joined AIG in 1973 there was American International Underwriters (AIU) and the general insurance operation in the U.S. AIU had long-serving staff. I recall regularly attending 50th and 60th year work anniversaries. But the U.S. operation was still a young business, only having really got going in the late 1960s. It was a melting pot of activity; everyone in the business had come from somewhere else. In fact, I was one of the first trainees. That energy was what created our great domestic operations and it is still one of the strongest assets in the company today.

The cross pollination between the institutional, long-serving and the energy of the new worked. The blending of the energy of the domestic business and the continuity and history of the international business – which I experienced for myself – worked at AIG and made for a great company.

"There is a culture in AIG which we do not want to lose. It is about being hard working, being entrepreneurial, solving problems, being experts and service-orientated"

You've been in the insurance sector for over 40 years, what are the most significant changes you've witnessed over this time?

Technology must be the major change. The insurance industry is far more sophisticated in terms of how we use data and modelling than when I first joined the business.

But perhaps the biggest change I have seen is around market sophistication. When I started, the U.S. was a kind of "Wild West". Regulation was just starting but people were used to cartel-like approaches where the rates were fixed, and the only competition was who could get the broker to give them the business. And then deregulation hit the country. The lack of sophistication meant people were not prepared. There were a couple of big crises and for some, the pricing got so bad that companies were starting to fail. As a result of this cauldron of competitive activity, the ones that survived ended up being very sophisticated.

Then this all went global. Up to that point, most markets globally were not as competitive or as sophisticated as the U.S. Today, their sophistication is global: how business is done, the kind of skillsets you need to bring, and innovation is truly global.

The industry's reputation in some sectors remains an issue to be tackled. We are in a business where most of the time, personal lines and small commercial customers pay us money and they get protection. When the year is over and nothing has happened, they ask "did I make a good trade there, did I actually get a good deal?". The only time they might feel they get a 'good deal' is when they have a loss and a claim is paid, but they experienced the loss and that is not a good day! So, it is hard to get a warm and fuzzy feeling about your insurance policy and your insurance company. It's probably different for the broker – they are the client's best friend.

Jamie Crystal (Alliant), Brian Duperreault (AIG), José Manuel Fonseca (MDS Group), Ralph Mucerino (AIG)

We, in the risk-taking business, are always at a too large disadvantage when it comes to how people perceive us. It has been the same since I started in the industry and there hasn't been any solution to it yet.

However, in the larger and more sophisticated buying community, it is a different story entirely. One of the big questions I had when I walked back in the door here was, "what is the relationship with the risk management community like today compared to when I left"? The answer was it remains strong. We have great relationships with this community, and I was so happy with the reception I received from the buying community when I came back to AIG.

What advice would you give to someone starting out in the insurance sector?

First, there's advice I'd give to anyone going into any business sector. Do something you love and do it with people you feel comfortable around. If neither of those things are there, then don't do it and go somewhere else.

For someone considering a career in insurance, I'd say I cannot think of a more interesting way to make a living. It's fascinating and we touch every element of society. The skillsets required are quite diverse so we welcome all. If you have interest in anything from history to technology or pretty much anything in between, there's a job for you in the company.

The insurance industry does good for society. We put lives back together, we help companies, we take risk off the shoulders of our clients. The world is running away from risk, but we are the ones saying we'll step in for you. We do it in a very interesting way, the intellectual challenge is huge, and we have fun! You can't find that anywhere else.

Like many of us in the industry, I kind of tripped into insurance and I am so glad I did. I didn't realise what I was getting into. But if I'd known then what I know now, I wouldn't have hesitated.

Who in the industry influenced you the most and who do you particularly admire for their contribution?

This is an industry that attracts good people and there have been a lot of wonderful people I have met and known over the years. But at the top of the list is Hank Greenberg. No one else comes close. He's an amazing man and still going strong at 93 (He turns 94 in May 2019). How do you describe Hank? He's a force of nature and incredibly smart. There is a palpable charisma about him; very few people have this. When he walks in to the room, the atmosphere changes.

He was frightening but not because of his will. He starts asking you questions, and it doesn't matter whether you're the actuary, the accountant, underwriter, claims person or technologist, he will know the subject matter better than you do!

He has a drive for excellence, doing it right and, if there was a problem, fixing it before it became one. He was instrumental in creating this place (AIG) and the knowledge base. We learned from him and he made us all better at what we do.

> "This is an industry that attracts good people and there have been a lot of wonderful people I have met and known over the years."

How is AIG celebrating its 100th birthday?

As a truly international business, AIG will mark its centennial this year on a truly global scale. We will be marking this very special milestone with a whole series of events and activities across the world involving our businesses, operations, staff, brokers and clients.

At the heart of the celebrations will be our people: they are our greatest strength and none of this would have been possible without them. We will focus on recognising how our employees, past and present, have delivered for our clients and served our communities. We will be sharing their stories, successes and the many contributions they make each day, excelling at risk, living up to their promises, and helping to make a better world.

The list of "firsts" that have been achieved since Cornelius Vander Starr founded the companies that eventually became AIG opened his is long. It includes becoming the first foreign company licensed in Japan after World War II, the first foreign insurer to open a representative office in Beijing since the Communist Revolution and to gain licenses from former USSR countries after the fall of the Soviet Union. AIG has also had pioneering roles in launching numerous insurance coverages, such as D&O, environmental impairment liability and cyber risk coverage.

The insurance industry will no doubt look vastly different in the future so this anniversary is also an opportunity to consider how we will position the company as a growing, profitable leader for the next century.

There is a dedicated website sharing our centennial stories and celebrations – www.100.aig – which I hope the FULLCOVER readers will find interesting. •

AIG in numbers

Building on 100 years of experience, today AIG member companies provide a wide range of property casualty insurance, life insurance, retirement products, and other financial services to customers in more than 80 countries and jurisdictions. These diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security.

25 Noteworthy Companies for Diversity list (third consecutive year), DiversityInc

100% Corporate Equality Index (seventh consecutive year); Human Rights Campaign

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$49.5 Billion
2017 Total Revenues

Nearly 50,000 Employees
at December 31, 2017

$498.3 Billion
2017 Total Assets

Breadth of Customers Serving

88%
of Fortune Global 500 Companies

83%
of the Forbes 2000 at November 1, 2017

Global Footprint

80+
countries and jurisdictions
serving AIG customers

Balance Sheet Quality and Strength

$65+ billion
in shareholders' equity

$11.8 billion
in AIG Parent liquidity sources at December 31, 2017

Operating from ~160 offices in the U.S. and ~380 offices internationally

$25.43 billion
2017 General Insurance Net Premiums Written

$27.45 billion
2017 Life and Retirement Premiums and Deposits

Listed in Forbes Magazine's "America's Best Employers for New Graduates" for 2018

General Insurance

General Insurance is a leading provider of insurance products and services for commercial and personal insurance customers. It includes one of the world's most far-reaching property casualty networks. General Insurance offers a broad range of products to customers through a diversified, multichannel distribution network.
- Liability
- Financial Lines
- Property
- Special Risks
- Personal Lines
- Accident & Health

Life and Retirement

Life and Retirement is a unique franchise that brings together a broad portfolio of life insurance, retirement and institutional products offered through an extensive, multichannel distribution network. It holds longstanding, leading market positions in many of the markets it serves in the U.S.
- Individual Retirement
- Group Retirement
- Life Insurance
- Institutional Markets

Blackboard Insurance

A start-up backed by the resources of AIG, Blackboard Insurance is a data enabled, digital subsidiary that provides the commercial insurance industry with alternative solutions using digital technology, data analytics and automation.

Diversified Mix of Business

(dollars in millions)

64%

General Insurance

31% North America
33% International

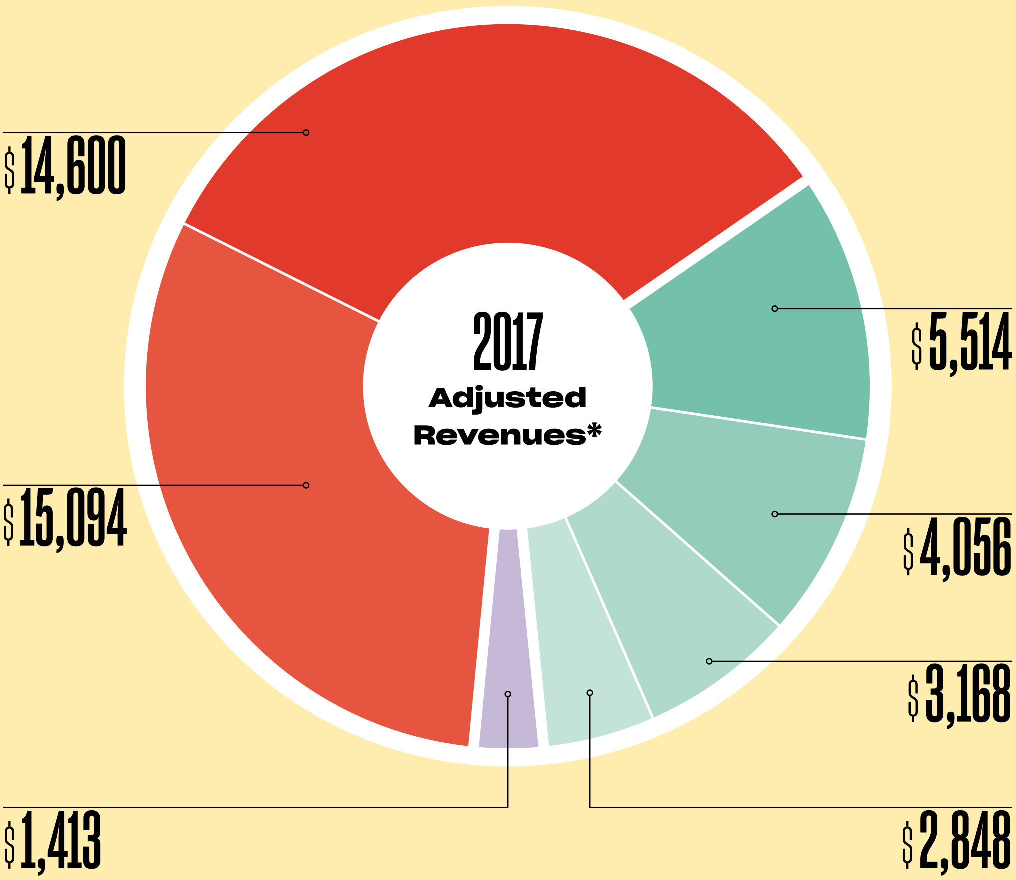
33%

Life and Retirement

12% Individual Retirement
9% Life Insurance
7% Institutional Markets
5% Group Retirement

3%

Other Operations



*Represents Adjusted revenues excluding revenues from AIG's Legacy Portfolio operations of $4.4 billion. Consolidated International Adjusted revenues of $15.1 billion consists of Adjusted revenues from our General Insurance International operating segment. Consolidated North America Adjusted revenues of $31.6 billion consists of Adjusted revenues from AIG's General Insurance North America operating segment and Life and Retirement and Other Operations reportable segments.

A long-standing relationship

FULLCOVER visited the leaders of AIG operations in Iberia and Brazil, markets where MDS has also a strong presence.

Benedetta Cossarini
General manager, AIG Iberia

Fabio Oliveira
CEO, AIG Brazil

Iberia

AIG has a strong history in Iberia – it's been present in Spain since 1954 and in Portugal for over 30 years. Almost 200 professionals service clients throughout the region, working from main offices in Madrid and Lisbon and local operations in Barcelona, Bilbao, Oporto, Sevilla and Valencia.

Through its innovative products and outstanding claims, underwriting and engineering expertise, AIG's developed a strong market presence in Iberia. Globally, AIG has a vast network and supports Spanish and Portuguese clients who expand into numerous continents, from Latin America to Africa.

AIG has more than 20,000 clients in Iberia, from large corporations to small enterprises and individuals, and its portfolio is split 70% commercial insurance and 30% personal products. The company's a market leader for most specialist products such as D&O, cyber and environmental liability and it has strong products for liabilities, trade credit, personal accident, M&A, property and marine.

AIG's main focus is to build valuable partnerships with brokers and the firm has a long history with Brokerslink. Here MDS has been crucial to developing business over the years.

In Iberia, AIG is committed to its diversity & inclusion initiatives; it was given a Best Practice award, for integrating different generations into the workplace, by the Generations Observatory.

As of 1 December, the company started a new journey, as AIG Europe SA – a new entity based in Luxembourg. This is an important milestone, and under the new structure, AIG can guarantee contract certainty for clients, partners and colleagues, regardless of the UK's future relationship with the European Union.

Brazil

2019 is a special year for AIG, both globally and in Brazil. Not only is it celebrating 100 years in business (since first launching in Shanghai), but also a 70-year presence in Brazil. AIG Brazil employs more than 250 professionals across the country, working from their main office in São Paulo and five branches strategically located in Rio de Janeiro, Belo Horizonte, Curitiba, Porto Alegre and Campinas. They serve over 18,000 customers and provide insurance for leading national and international credit card brands, reaching approximately 100 million eligible credit card customers.

Alongside its MDS & Brokerslink partners, AIG has, over this period of time, experienced many phases of Brazilian history. The company's evolved and grown, specialised, innovated and introduced to the country insurance packages like M&A, D&O, environmental, cyber risk and others. Each year, AIG's been rewarded for its performance and in the last two years it received the Cobertura, Segnews, Segurador Brasil and the Gaivota de Ouro awards for work in the D&O, marine, civil liability, environmental and trade credit areas. In addition there was the Amiga do Seguro Award, for AIG's apprenticeship support.

AIG Brazil also leads the way in the insurance sector for its diversity initiatives and work to include and promote women and LGBT groups of people.

AIG's partnership with MDS & Brokerslink in 2018 enabled it to support almost 100 customers across varying lines, particularly in finance, property and liability. Every day, the broker's helped AIG put its mission into practice; to use AIG's professionalism and experience to help people and companies understand the risks they face and make informed decisions that enhance their security. •


wealins.com
WEALINS®
WEALTH INSURER
DON'T LOOK FOR EXCLUSIVE SOLUTIONS, WE CREATE THEM ALL FOR YOU.
FOYER GROUP
WEALINS S.A. is a Luxembourg-based life insurance company with over 25 years of experience in implementing Wealth Insurance solutions. WEALINS works with advisory and financial professionals; WEALINS' offering is designed for a wealthy international client base. We offer solutions for residents of Belgium, Finland, France, Germany, Italy, Luxembourg, Norway, Portugal, Spain, Sweden and the UK.
PIRANHA ET PETITS POISSONS ROUGES

Combining Forces

A vision shared is half way to a sucessful business partnership. Claudio Sonder, Chairman of the Board of MDS Holding, talks to FULLCOVER about the partnership between two major groups in the Portuguese and Brazilian landscape.

How do you see the MDS Group business evolving in the coming years?

The insurance brokerage market has grown consistently in the countries we focus on – Brazil, Portugal and Portuguese-speaking African countries. This is especially around the quality of service and in the broad portfolio developed by the group. MDS, which is held 50/50 by the Sonae Group and IPLF which in turn is owned by Suzano Holding stockholders, has demonstrated a surprising capacity for innovation capacity in this new business environment. This is transforming insurance broking in profound ways.

What kind of innovation do you believe sets the MDS Group apart?

Innovation is essential for any company wanting to succeed. At MDS, we pay particular attention to the digital world. Realised through a policy focused on acquisitions, the group has brought in important assets and operational skills that serve the market in innovative, effective and efficient ways. All our efforts in this respect will take MDS to the next level, offering insurance solutions to customers through modern technology platforms. We want to go beyond brokering, by understanding customers' needs as well as researching and finding new solutions to address future corporate demands. Technology helps us to lead the market, and is a priority on the company's agenda. That priority has already materialised into initiatives like MDS Lab, the innovation lab that creates unique solutions for our partners and customers.

What's behind the success of MDS?

The quality of our people and the breadth of our service, that's what makes the company. We believe you can't innovate or surprise the market with digital solutions capable of transforming the insurance brokerage sector in a meaningful way, without the best people. We work to attract and retain the finest talent in Brazil and from across the world.

There's international research demonstrating that mature markets, like Europe, purchase more policies than emerging countries like Brazil. Do you believe there's future growth potential in the brokerage sector?

Because we operate in Europe, we understand the specifics of a mature market and the differences in other regions. Brazil does not yet rank in the top 10 largest broking markets, but research indicates that premiums per capita have been growing these past years, although the insurance penetration rate in the GDP is still in the low numbers. Just like in Europe, and other markets where we're growing, there is opportunity for more growth. In Brazil and Africa, we have seen organic expansion but also growth through acquisitions, which has been our model over the last decade.

Claudio Sonder

Claudio Sonder is Chairman of the Board of MDS Holding, Suzano Holding and IPFL Holding. With degrees in economics and chemical engineering and a professional masters degree from the Harvard Business School. He has many years of international experience, having participated in management teams at a number of companies and boards in Brazil and beyond.

"The quality of our people and the breadth of our service, that's what makes MDS."

What is the current structure at MDS?

Since it was established in 1984, MDS has grown to become a significant multinational insurance broker. We lead the Portuguese market and sit amongst the largest Brazilian companies in the sector thanks to our expansion strategy. As a leading brokerage group, we operate in Brazil leveraging our international expertise. We have over 400 employees in Brazil (and 230 in Portugal), a premium and insurance volume of about R$ 1.5 bn and 700,000 private customers and 900,000 corporate clients, serviced through nine offices in seven Brazilian states (São Paulo, Minas Gerais, Rio de Janeiro, Paraná, Santa Catarina, Pernambuco e Bahia). In 2009, we pooled our assets with IPLF. In 2017, we became the first Portuguese-speaking Lloyd's broker, operating directly in London with access to the largest specialist insurance market in the world. Lloyd's employs a unique set of highly specialised risk underwriters, enjoys a solid financial rating and is authorised to operate in more than 200 countries.

How does Brokerslink work, and how does the company serve the needs of multinational corporations through its brokerage capabilities?

To service the global demands of multinational companies, MDS created Brokerslink, a global broking business that now owns and manages a network of independent insurance brokers in 110 countries and supported by specialist and wholesale brokers and risk consulting firms – a total of 18,000 professionals.
Our work relies on the participation of these outstanding professionals to develop important global partnerships and create privileged access to highly-specialised services. This enables us to provide integrated international insurance, reinsurance and risk management programmes that meet the protection needs of multinational organisations anywhere on the planet.

What made IPLF enter into a joint venture with Sonae?

We have many synergies and share the same entrepreneurial vision of excellence, innovation and focus on the customer. We decided to combine forces so we could more efficiently and competitively perform in the insurance brokerage and risk management markets, and provide the best high quality services.

What's behind the success of a company like IPLF?

Our management model seeks to balance growth and profitability with competitiveness and sustainability, that ensures the consistent management and quality implementation and execution of our strategies. When we conduct business, we analyse aspects related to corporate risk, sustainability and strategic planning. We believe in Brazil, and we are committed to develop the companies we invest in.

Following the news of Suzano's acquisition of Fibria, how was the acquisition process and what impact will this have?

In March 2018, Suzano announced its intention to combine its assets with Fibria's. It successfully navigated the approval stages with all national and international oversight bodies and the deal concluded in January 2019, with a payment of R$ 27.8bn to Fibria stockholders, who then became shareholders in Suzano. This new company, Suzano S.A., is a leading global cellulose producer with an annual output of 11 million tons of market cellulose and 1.4 million tons of paper. Suzano's competitive edge can also be measured through its global presence, with sales in more than 80 countries and exports of R$26bn per year. The company employs around 37,000 people directly and indirectly. It owns 11 factories in key locations in Brazil.

How did Suzano come about 95 years ago?

Suzano's history started in the 1920s, when Leon Feffer, a Ukrainian immigrant, first set foot in Brazil. He started selling paper and envelopes in the city of São Paulo. Early on, he identified business opportunities that led to him building a paper factory during World War II. Suzano Holding and IPLF Holding are the backbone of our corporate structure. They hold stakes in a number of companies, including Suzano S.A. and MDS.

Brazil has matured through the use of new controls and good corporate practice. How do you rate the benefits of good corporate governance to companies?

Principles like transparency, sustainability, risk management, fairness, accountability and corporate responsibility are important for companies to succeed in any sector. So corporate governance is a fundamental factor in a company's growth. It makes it possible to adopt sound principles in the management of partner relationships, boards, directing bodies, oversight bodies and stakeholders. Good corporate governance preserves and optimises a company's long-term economic value.

Can you elaborate on how corporate governance has evolved at Suzano?

With each generation passing the torch to the next one, Suzano is now led by David Feffer, the third generation of Feffers to do so. Companies are now completely professionalised and follow governance principles as determined by the best practices of the capital markets. The company's preparatory work leading to its induction into the New Market (Novo Mercado) is a good example of that evolution. The New Market is a listing under B3 (Brazil's stock market) of companies that voluntarily undertake to adopt corporate governance methods. These rules broaden stockholders' rights and improve the quality of information reported by companies. The commitment to adopting the highest principles of governance has prepared Suzano for new growth cycles. Thanks to this, the company has fulfilled its dreams of business expansion.

What legacy will these companies leave?

The companies where I serve on the board actively engage all stakeholders and cultivate lasting relationships. They are attuned to modernity and have innovation in their DNA.

What can we expect from Brazil in the future?

Brazil is restructuring and undertaking reforms that should lead to sustainable growth. After years of recession, there's a good chance Brazil will once more attract foreign capital. After indispensable reforms, Brazil will see new growth opportunities and become a leading attractor of business and investment to emerging countries. •

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Argo Group

Technology, talent, and tripartite relationships

by Matt Harris

Matt Harris, Group Head of International Operations, Argo Group International Holdings Ltd, shared with FULLCOVER his vision about the company, how technology is changing the insurance sector, the importance of highly skilled professionals and the benefits of tripartite relationships between client, broker and insurer.

Excitement – and even consternation – about change are never far from the minds (and boardrooms) of the insurance sector these days. There's some justification for this. Although the industry has existed in an almost constant state of change throughout my insurance career, and long before I joined the industry in the early 1990s, the nature of change is different today. It now centres on technology: automation, digitalisation, artificial intelligence, and other new enablers that demand a different type of change from that we are used to managing.

These new technologies and ways of doing business make this a time when insurers need to be clear about their core capabilities. The days when companies can succeed as multiline carriers that cover everything through multiple distribution channels in scores of geographies have ended. Even the largest players now recognise that focus is key. And insurers and brokers that fail to react by making selective, wise investments in technologies that support their key strengths will struggle for survival.

Argo Group's international focus is managing our clients' commercial speciality risks. Those risks are changing with the new technological environment. Brokers and clients need to understand the emergent risks confronting businesses, and be willing to engage actively with insurers, in a tripartite way, to ensure the right solutions are put in place to deal those risks.

Argo is ultimately all about helping to ensure the companies we insure remain in business. We do that by providing them with security and certainty. To achieve that, we require a depth of partnership that allows us to understand the direction of each client's business and the industries in which they operate. That allows us to identify and pre-empt the risks which stand before them. Our core capabilities lie not in transactional relationships, but in the depth and substance we are able to garner from regular and meaningful dialogue.

We possess a great depth of underwriting knowledge and skill and have seen multiple scenarios play out in various industries. When tripartite relationships are strong, we are able to apply that experience to clients' benefit. Relationship management involving a regular meeting of minds between brokers, clients, and ourselves is essential.

Talent acquisition is key to ensuring our own success, and to supporting that of our clients in the changing insurance and risk environments. Across our industry's value chain, demand for highly skilled professionals is greater than ever. In all the jurisdictions in which we operate around the world we will continue to engage individuals with subject mastery. Doing so is one of the core priorities for Argo's international business, which has achieved significant scale in the past three years or so, and now accounts for about half of Argo Group's total gross written premium.

That achievement results largely from our investment in people who possess an outstanding understanding of their speciality.

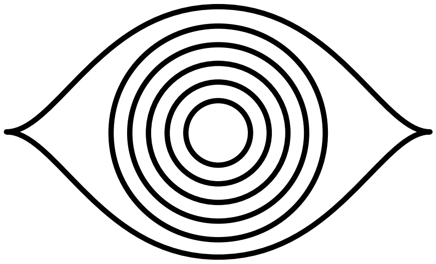
Our primary focus is around providing insurance in classes including professional lines liability, accident and health, marine and energy, property, and, in some markets, surety. We will remain focused on building our leadership position internationally in these lines. Technology will be essential. Argo Group has achieved notable success by introducing proprietary digital solutions in many markets, for example with Protector in Latin America and Argo Pro in the U.S. These web platforms allow brokers to arrange insurance cover digitally, from their desktops. We look to introduce similar solutions internationally in the future. Behind the scenes we are deploying the latest technology to reduce frictional costs.

Of course, technology will never be a magic bullet. Before joining Argo Group I spent nearly ten years at AIG. It was there I learned the critical importance of collaboration, especially in an organisation operating in multiple international locations. Achieving ambitious targets and ideal outcomes demands the support of a large number of people. As Argo continues to grow and becomes a significant international player, we must all recognise how important it is to work together, and so avoid a silo mentality. This applies as much to working with brokers and clients as it does to internal operations: the best results are reached by pursuing them together.

Equally important for an international business, and another lesson from my earlier career, is the importance of understanding cultural differences. I have lived and worked in eight different countries, which has taught me the stark reality that one size will never come close to fitting all. Cultural sensitivity – understanding the broader political and economic affairs, as well as the local nuances of doing business and engaging in interpersonal interaction – is critical to success in all markets. As we build Argo's international business, our teams of experts will approach every opportunity with the cultural savvy that clients expect. Argo will localise by adopting disciplines and priorities in every environment where we chose to operate. To succeed there, the right talent and technologies are essential.

Finally, the leadership we seek in our niches of the ever-changing insurance sector requires a willingness to get our heads above the parapet. Only by looking intently will we discover the true, locally led opportunities that will lead us to profitable growth, empower brokers with exciting new products, and bring new and valuable solutions to businesses and other enterprises around the world. •

Looking into the Future



The Future of Insurance – 2018 Insights: Risks, Uncertainty and a Looming Talent Gap

Argo surveyed brokers as well as small and medium enterprises (SMEs) in the U.K. and the U.S. to learn how they perceive the evolving insurance landscape, how they think the changes will affect them and how they plan to respond. A key takeaway? Significant gaps in knowledge have emerged because some areas of risk – particularly cyber and climate change – are evolving with great speed and complexity. A consequence is that these knowledge gaps could lead to inaction. While the insurance industry is positioned to provide leadership, it is facing a looming talent gap and struggling to attract a new generation of those who can analyze and underwrite emerging risks. The challenge for the insurance industry is clear, as is the opportunity for a new generation of talent to help SMEs navigate the uncertainty and evolving risks.

The full digital report can be viewed @ www.argolimited.com/reports/2018-midyear-report.

Argo Group

Argo Group International Holdings, Ltd. (NYSE: ARGO) is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. Argo Group offers a full line of products and services designed to meet the unique coverage and claims handling needs of businesses in two primary segments: U.S. Operations and International Operations. Argo Group's insurance subsidiaries are A.M. Best-rated 'A' (Excellent) (third highest rating out of 16 rating classifications) with a stable outlook, and Argo Group's U.S. insurance subsidiaries are Standard and Poor's-rated 'A-' (Strong) with a positive outlook. More information on Argo Group and its subsidiaries is available at www.argolimited.com.

Key Facts

As a leading global specialty underwriter, Argo does business around the world and continues to set up new operations

12 countries

- United States
- United Kingdom (London)
- Italy (Milan and Rome)
- France (Paris)
- Brazil (Rio De Janeiro and Sao Paulo)
- Belgium (Brussels)
- Spain (Barcelona)
- Switzerland (Zurich)
- Bermuda
- UAE (Dubai)
- Malta
- Singapore

160
Countries where Argo writes **RISK**

Total Assets
2017
$8.76 billion

Book Value per Share
2017
$61.48

Approx.
1.300 employee

GWP 2017
$2.7 billion

Named America's **50 Most Trustworthy Financial Companies** by Forbes Magazine in 2016 & 2017

Argo Seguros was named **Brazil Insurer of the Year** in the annual Reactions magazine Latin America Awards

Lines of Business

General Liability, Property, Inland Marine, Specialty, Surety, Title, Reinsurance, Professional Liability, Auto Liability, Marine, Workers' Compensation

Milestones

Argo Group began as Argonaut Insurance Exchange 70 years ago in California, specializing in underwriting workers' compensation.

1948
Argonaut Insurance Exchange Launches

1957
Argonaut Insurance Company Forms

1969
Argonaut is acquired by Teledyne Inc

1986
Argonaut Group Inc. Forms

2000
Mark E. Watson III named CEO and Trident Insurance Services is established

2001
Argonaut relocation to San Antonio and purchases The Colony Group

2002
Argonaut acquires renewal rights of Fulcrum Insurance Company

2004
Argonaut acquires Grocers Insurance

2005
Argonaut Specialty is established

2007
Argonaut merges with PXRE. The new company is named Argo Group International Holdings Ltd. The reinsurance company Argo Re is formed. Argo Group buys Lloyd's Syndicate 1200

2008
Argo Surety Established

2010
Argo Group acquires ARIS Title Insurance

2011
Argo Seguros Opens

2014
Argo International is rebranded as ArgoGlobal

2017
Argo Group purchases Ariel Re

2018
Ariscom is acquired and rebranded as ArgoGlobal Assicurazioni S.p.A. Argo Group transfers its stock listing to the New York Stock Exchange.

IRB

Pioneering reinsurance in Brazil

FULLCOVER talked with José Carlos Cardoso, chairman of IRB Brazil RE. During the conversation, he outlined the main challenges, opportunities and changes within the reinsurance industry, and drawing upon his extensive experience and accomplishments, shared exclusive market insights.

In the first nine months of the year, the IRB secured 17% more revenue than the same period 2017. Given the expectation for economic growth in Latin America is around 2%, what has the institute been doing to achieve such impressive results?

For the IRB, growth (market share) is the result of delivering excellent service. To do this, we work very closely with brokers and are flexible in our risk acceptance and payment of claims. In addition, we invest in frontline training with insurers to improve underwriting and provide courses abroad, mainly in Latin America, which is our strategic focus.

In brief, our new proactive approach will enable us to grow. Gradually, the market has appreciated our efforts and responded in a positive way.

IRB Brasil RE

Reinsurance leader in Latin America

These outstanding results recently prompted AM Best to change the IRB's rating from stable to positive, evidencing its financial strength and prospects for future growth. Is this rating recognition of the IRB's growth strategy?

Although the rating recognises our work, particularly for overseas activities, the IRB increasingly views it as a consequence of our actions in the market, rather than a main goal. As we provide our customers with greater financial support, results will gradually improve, impacting AM Best's outlook. This rating is part of a long, continual process, influenced by a number of factors.

The industry's laws vary from country to country, is this considered a barrier to the IRB's entry and expansion into other regions?

In Latin America, there are no major barriers or expansion restrictions.

Last year, on 25 and 26 September, it was my honour to be invited to act as one of the Insurance Forum coordinators for G20 regulators and representatives from Latin America and other countries. Here, a paper was shared, raising the issue of these potential major barriers. This was a very important step, since insurance-related topics had never been considered important enough to be included in G20 discussions. I believe this pioneering move will be fruitful.

We have seen other new products enter the market – responding to cyber and parametric risks, plus others – however, it is our belief the end customer does not yet understand the need to source these solutions. In light of this, is the IRB expecting to operate in new markets and if so, where?

The Brazilian and Latin American markets need to extend their product portfolio. Cyber and parametric risk solutions are being developed in a few countries, of which Brazil is one.

In an attempt to improve this situation, the IRB has focused its efforts on sourcing and adapting products for the tropics which are considered new by local consumers. A successful example of this was the P&I product – new insurance for ships – launched in partnership with Banco do Brasil and Mapfre Insurance Group.

José Carlos Cardoso (IRB), Pedro Carvalho & Thiago Tristão (MDS)

In addition, we've increased our involvement in fairs and events to encourage greater demand and purchase of new products and where this happens, this is a joint initiative between reinsurers and insurers.

Parametric insurance, for example, has been heavily promoted in the agricultural sector and with life insurance, term underwriting has been a key focus.

Currently, there's a requirement in the market to give 40% of revenue to local reinsurers. Do you think there's a system that would be more democratic or work better for the insurance sector?

From the start, I have always been in favour of total market freedom. I view the current requirement as a legal whim that offers no advantage or practical benefit at all, and therefore I believe it should be removed.

Nowadays, this ruling is not necessary because customers have begun to realise the importance of having someone in the same time zone who speaks the same language when handling claims and at other times during the process. This is when we demonstrate the real advantage of using a local reinsurer, who can be proactive and make decisions without needing to report to others and translate reports for a parent company located 10,000 kilometres away. This has been a great differentiator for our organisation.

The insurance market has supported investment in new trends. How has the IRB adapted to new business models, for example insurtech?

We follow innovations closely and because of these developments, the reinsurers' future will differ from what it is today. We know technology is here to stay and support this with our own initiatives:

- Our partnership with the Pontifical Catholic University (Pontifícia Universidade Católica – PUC) enables a group of students and IRB representatives to develop their studies and products in the insurtech area
- We're currently developing apps for customers. In the agricultural sector, for example, we've created an app that contacts the insurer in the event of a claim. When activated, a loss adjuster visits the claimant on site and using a tablet or smartphone, downloads the area's coordinates and then via the app, captures and compares satellite photos taken before and after the incident. This not only gives greater accuracy in the loss adjustment process, but mitigates fraud and the possibility of subjective interpretations during the claim's assessment
- Working closely with our insurer partners, we use IT to ensure we can quickly share data and information. This and the use of artificial intelligence, makes the risk underwriting processes faster and more effective.

> “The Brazilian market has 16 local and 39 admitted reinsurers, so I see the country’s transformation into a hub as a natural process.”

How do you think the Brazilian reinsurance market will perform over the next five years?

I think the market has changed, but it needs to adapt. The car industry, for example, will no longer be like it is now, and even with agricultural insurance – a market where we have a significant share – the available products are still very unsophisticated.

Major transformations are coming, mainly to benefit the insured and improve insurance penetration in the country. Our key focus is to help insurers develop solutions that are more sophisticated and profitable, with the right premium.

With legislation, I do not anticipate many future changes. Legal modifications are difficult and lengthy, and as the market continues to evolve, it will deal with issues itself, autonomously. I therefore do not expect any legal changes to significantly impact the industry.

In your view, how can the Brazilian market attract more investment and reinsurers, and become a future hub for Latin America?

The Brazilian market has 16 local and 39 admitted reinsurers, so I see the country’s transformation into a hub as a natural process. It’s worth noting that a large share of the premiums – both ours and those from other market participants – already comes from other countries; last year, IRB was Brazil’s second largest premium exporter, primarily due to that increase in revenue from abroad. We ended 2017 with 36% of premiums coming from overseas.

The Brazilian insurance regulator, SUSEP, recently published a document clarifying some areas regarding the acceptance of foreign premiums. In general, this will bring greater transparency, enabling reinsurers to accept risks more freely and, as a result, generate new sources of income for the country. •

Groupama becomes

UNA Seguros

Portuguese market attracts even more foreign investment

The Portuguese insurance market has gone through significant changes over the past few years, namely with the Fosun Group investing in insurance market leader, Fidelidade. In 2015, the North American group, Apollo, acquired Tranquilidade and, later, Açoreana, creating the insurer Seguradoras Unidas. In 2016, the Belgian insurance group Ageas bought Axa's Portuguese operation.

Despite its relatively small market, Portugal continues to attract attention and interest from foreign investors, thanks to its maturity and proximity to strategic markets.

Una Seguros, a new insurance company

In February 2018, China Tianying (CNTY) acquired the life and non-life operations of French insurer Groupama, creating the new UNA insurance company.

CNTY is a major Chinese environmental protection and energy enterprise and has chosen to invest in Portugal due to its attractive market and strategic location, which allows natural expansion into other Portuguese-speaking and European countries.

The company has been rebranded UNA Seguros, signalling a new beginning for an insurer with ambition to expand internationally. Michael Lee, Member of the Board of Directors of UNA, confirms CNTY has an appetite to invest in the insurance sector, whether in Portugal, elsewhere in Europe or in countries like Angola, Mozambique and Brazil.

João Quintanilha, former UNA CEO who will remain as non-executive vice-president, says: "The rationale behind this development is our equally beneficial and deeply-connected background and history (a near century-long presence in the country), plus the shared modernity and innovation that characterise the CNTY Group, with its strong ties to environmental industries."

The Portugal-China Chamber of Commerce and Industry (CCILC) says CNTY's financial support is the largest Chinese investment in Portugal in 2018. The company has appointed Nuno David, who has longstanding experience in the management of companies in the insurance sector, such as Tranquilidade and GNB Seguros, as the new CEO.

Michael Lee,
Member of the Board of Directors of UNA

João Quintanilha,
Non-Executive Vice-President of UNA

una seguros

Leading Portuguese insurer invests in Peru

Fidelidade acquires 51% of La Positiva

Costing more than €93million, this is one of the largest Portuguese insurance sector investments in Latin America and a turning point for Fidelidade

FIDELIDADE
SEGUROS DESDE 1808

Fidelidade is Portugal's leading insurer – in every channel and line of business – holding a market share of more than 30%.

With Portugal being such a small and competitive market, globalisation was the only solution that would help this Portuguese giant achieve further growth. Investment from the Chinese Fosun Group in 2014 and the privatisation of Fidelidade, made it possible to follow this strategy.

The insurance market in Latin America has long been seen as highly attractive because of its growth potential, increasing economic stability and the freedom of movement of capital. Peru was a natural choice, due to a number of factors: it's a free market with a recently-sustained economic growth rate of 4.5%-5%, it's open to foreign investment and has a stable exchange rate.

La Positiva has a considerable affinity and similarity to Fidelidade, making it the ideal acquisition choice. Various complementary areas that could bring value to each of the operations were also quickly identified. With a market share of 11%, La Positiva is ranked fourth in the Peruvian insurance market and is Bolivia's market leader. The firm also operates in Paraguay and Nicaragua.

Wang Qunbin, ceo of Fosun International, says this investment is of great significance, increasing Fidelidade's global business operations from 8% to 28%.

Peru is the start of Fidelidade's expansion into Latin America and there are plans to move into the Chilean market through a partnership with a local team of insurance professionals. La Positiva's presence in other Latin American countries gives Fidelidade more opportunities to expand elsewhere.

Costing more than €93million, this is one of the largest Portuguese insurance sector investments in Latin America and a turning point for Fidelidade – becoming a multinational company.

Worldwide Presence

On an international level, Fidelidade operates wherever Portuguese companies, the language and culture is present, and directly or indirectly, is in Spain, France, Macau, Angola, Cape Verde and Mozambique. The business recently extended its global reach by acquiring La Positiva in Peru, opening up the Latin American market.

Brokerslink at Peru

MDS and Fidelidade have a long-standing relationship going back to the early days of MDS in the 1980s. And as Fidelidade strengthens its international presence, it will naturally extend its partnership with Brokerslink members.

Giulio Valz-Gen, CEO Contacto

Contacto is part of the Buenaventura Mining Group – one of Peru's largest businesses – and has been operating for over 30 years. Ranked second among the country's brokers, Contacto operates in several areas but specialises in the mining sector. It has offices in the major Peruvian cities: Lima, Piura, Lambayeque, Cajamarca, La Libertad, Arequipa and Loreto, and is led by Giulio Valz-Gen, a renowned professional who's contributed much to the insurance sector's development. Giulio currently chairs APECOSE, the Peruvian Insurance Brokers Association.

Fosun Group

The Fosun Group, a conglomerate of Chinese companies, burst onto the European and international insurance markets in 2014, when it acquired Fidelidade, the market leader in Portugal. This acquisition was quickly followed by major investments in the specialised international insurance companies Ironshore, based in Bermuda, and Meadowbrook, in the United States. These international investments are in addition to Fosun's investment portfolio in Chinese insurance companies.

Don't miss the full article on the Fosun Group in issue 9 of FULLCOVER.

Available online

Cyber risks within Supply Chains

by **Mauro Signorelli**
Aspen Insurance

Cyber exposure is a serious risk not only to the traditional buyer of cyber insurance – large scale data owners and processers worried about their privacy and data protection liability – but to any business relying on a physical supply chain. Mauro Signorelli, Senior Cyber and Technology Underwriter at Aspen Insurance, looks at why brokers have to work with clients and underwriters to avoid unforeseen gaps in coverage and assess how different policies interact.

The way in which organisations protect information assets, corporate networks and manufacturing systems is rapidly evolving to meet the ever-changing threat landscape.

As the complexity of corporate networks has grown, so has the sophistication of cyber attacks. Recent trends suggest a move by criminals away from targeted attacks on large-scale information processers – with the intention to steal trade secrets, credit card numbers and personally identifiable information – toward attacks designed to create disruption in the physical world.

Business supply chains have become a multifaceted and interconnected web of software developers, cloud computing providers, outsourced operations, component manufacturers, raw material suppliers and a plethora of other downstream clients and vendors. Ensuring the control and security of the supply chain has become a matter of ever-increasing significance, with failures capable of crippling business operations – be it an automotive manufacturer reliant on inventory management and just-in-time production, or an application provider dependent on an outsourced cloud solution.

As evidence of this diversification of approach by malicious actors, surveys show that 48 percent of UK manufacturers have been subject to a cyber security incident[1], with half of them suffering financial loss or disruption to business as a result.

These core business operations rely on industrial control systems, which can be broken down into three main groups: Programmable Logic Controllers (PLCs); Systems Control and Data Acquisition (SCADA); and Distributed Control Systems (DCS). These systems have become a focus of recent attacks involving 'CrashOverride' – a malware targeting electrical grid operations which caused a Ukrainian power outage – and 'Trisis', a malware targeted at control units dedicated to safety[2]. Given the highly disruptive capability of these attacks, activity in the Industrial Control System space is only set to increase.

The potential impact has been demonstrated through the multi-million dollar losses suffered by Maersk, TNT Express and Mondelēz, just to name a few, the root cause of which was Not-Petya, an encryption ransomware that exploited vulnerabilities in accounting software used by many multinational organizations to process tax payments for their Ukrainian subsidiaries. Banks, airports, manufacturers and logistic companies across the world were paralysed as a result[3]. In another instance, a software vulnerability in a popular utility tool, CCleaner[4], was exploited to spread malware to more than two million PC users. In a separate case, hackable chips were also implanted into devices and systems via Supermicro production facilities, which ultimately affected the servers of 30 U.S. companies. The examples are numerous and growing in frequency.

Supply chain exploits have traditionally involved software attacks carried out by malicious actors attempting to access a network through third parties' connections to it. However, hardware vulnerabilities being exploited and motherboards and micro-chips becoming a stealth doorway into companies' networks is a more recent trend. The recent Supermicro exploit[5], combined with the fallout of the Spectre and Meltdown hardware vulnerabilities, demonstrates the potential for systemic hardware issues to materially impact the supply chain and physical capabilities of any business.

The cyber insurance market has already taken important steps to address these exposures by helping insureds protect themselves against supply chain risk. Clients are increasingly seeking the extension of Business Interruption cover to include events that occur at third-party IT vendors, resulting in a loss of income and additional expenses incurred to mitigate the impact. A recent challenge has been requests to expand this cover to include non-IT vendors. This opens insurers up to claims arising from a failure of IT infrastructure occurring at the premises of any of its suppliers, regardless of the type of service or product delivered. This is a material exposure which is almost impossible to underwrite adequately.

With the absence of information and lack of direct oversight over third-party controls and procedures, it is as difficult for businesses to protect themselves from third-party risk as it is for underwriters to assess the exposure. However, there are key practices underwriters can look for when considering supply chain exposure within a business and the potential loss scenarios emanating from them. These include businesses conducting appropriate due diligence and vendor audits and ensuring that their security controls are of an equivalent level or exceed that of the insured's. Underwriters can also look for assurances that the insured limits vendors' network access to what is needed for critical business operations, ideally with vendors operating on a segregated part of the network and using a multi-factor authentication method. Securing against hardware vulnerabilities within industrial control units can be more difficult given the fact that systems tend to be older (and therefore harder to patch), have a broader attack surface, are less standardised and are generally not designed to operate in a highly connected environment. As such, businesses should have a good understanding of the risks and consequences before integrating these historically air-gapped systems into an interconnected network.

When transferring these risks to the insurance market, additional complexities must be considered. For example, there is often an overlap between standalone cyber policies and other insurance lines – particularly property and casualty – where, in the absence of a specific cyber exclusion, there is debate over whether cyber cover is provided – so called 'silent' or non-affirmative cyber. This can cause confusion in how different policies will respond and may delay the mitigation and settlement of claims as a result. This situation arose in a recent incident involving a large pharmaceutical company, where, parallel to the cyber policy, there was a property programme in place that did not exclude business interruption coverage relating to a cyber event[6].

Confusion surrounding this issue can materially affect the size of a potential claim given the urgency for response and mitigation demanded by a cyber event. Most cyber policies offer a panel of breach response and forensics firms, which the insured can call upon to mitigate potential breach events. Clients should look for insurers that provide direct access to industry-leading breach consultation and PR expertise to help mitigate further damage to their brand. It is always preferable for the insured to call an expert for advice for a non-event rather than have it go unresolved and grow into a material loss and cause significant damage to their reputation, which is then difficult to recover from and rebuild.

As businesses continue to adapt to the ever-increasing complexities of supply chain exposure and the evolving threat landscape, the insurance market is stepping in to ensure peace of mind and clarity of coverage in a world of increasingly intangible risk. However, brokers have to work hard to ensure the overlap of coverage is analysed and discussed thoroughly at the placement stage, both with clients and underwriters, in order to prevent unintended gaps in coverage and ensure the interaction of different policies does not become an after-thought in the event of a serious issue. •

Mauro Signorelli

Joined Aspen Insurance in February 2017 and is a Senior Underwriter in the Aspen Insurance Global Tech E&O and Cyber team. Based in London, he focuses on the growth of the international cyber portfolio by writing large and complex risks. He has extensive experience as an underwriter in international technology and cyber having insured some of the largest European corporations.
Before joining Aspen Insurance, Mauro spent five years at XL Catlin leading the development of their European strategy in the space. Prior to that, he worked for AIG and trained at Simmons & Simmons as a lawyer.
Having worked in Milan, Paris and London he has an in-depth knowledge of the European market and is fluent in Italian and Spanish.
Mauro has a Masters in Law and maintains a Certified Information Privacy Technologist (CIPT) designation.

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Is cyber insurance relevant for my client yet?

by **David Dickson**
Safeonline

In a word, **yes**! However, one word would not make for an interesting article and you could be excused for branding me as yet another insurance market commentator, espousing the importance of this 'emerging coverage.'

I do believe, however, that the amount of attention that cyber risk is attracting in the media is justified and that we are fast approaching the 'perfect storm' for cyber insurance. Not only are attackers becoming smarter, increasingly agile and more commercial with their dark-trade, but global regulatory frameworks and increased public perception about the importance and integrity of privacy mean businesses will need to proactively respond. Cyber security protocols and protections will need to be prioritised, and businesses will need to also plan for their own version of the perfect storm; which can leave companies vulnerable to irreversible financial and reputational damage.

Luckily for our clients, the insurance market continues to analyse, assess and respond. Despite that, there remains a few growing pains for everyone involved. Here are a few key things for to look out for in 2019 and beyond.

David Dickson

Heads up the technology, cyber and media insurance team at Safeonline; a specialist Lloyd's broker and Brokerslink member based in London, UK. Safeonline remains one of Lloyd's largest independent cyber brokers in terms of GWP into the market and have been product innovators and risk management specialists in this space since 1999. The team that David manages works with brokers and clients from around the world to assist with their cyber insurance placements; from the US and Canada, to Latam, the Middle East and South East Asia. Prior to joining Safeonline in 2015, David managed the international technology and cyber insurance practice at Howden Insurance Brokers in London.
As well as his commitments to Safeonline, David has served as an innovation advisor at Lloyd's Labs since its inception, and is an active committee member on the British Insurance Brokers Association's (BIBA) Cyber Focus Group.

The (continued) rise of Ransomware

Over the last few years, we have witnessed a meteoric rise in ransomware incidents and the propensity of these attacks to spread globally in a matter of minutes. That said, there have not been any incidents that have caused worldwide catastrophic losses – yet! Recent work by the Cyber Risk Management Project ('CyRim' 2019) estimates that global infection by a contagious malware could cost more than $193bn (almost twice the economic damage of Hurricane Katrina in 2005) and affect more than 600,000 businesses, both large and small; 86% of whom would be completely uninsured. Ransomware disseminates via infected emails, quickly spreading through connected networks and devices, encrypting data along the way, often bringing companies of all sizes to a standstill. Gone are the days of when this perpetrator was a human; these attacks are almost entirely done by bots these days. However, the human side of the hacker remains with many of the perpetrators setting up call centres to "help" companies re-gain access to their data via the payment of a ransom; usually via an untraceable cryptocurrency exchange. The costs for a company do not stop here though; the reduced productivity during this down time, the IT-costs involved with repatriation of data and system-integrity, along with the supply-chain disruption and reputational damage all weighs heavy on the mind and balance sheet of the victim's business.

The adage of "it's not a question of 'if' you get hacked, but when" remains true. Businesses need to ensure they are better prepared for ransomware attacks. From preventing the likelihood in the first place, through intensive employee awareness schemes, to ensuring any 'downtime' is minimalised through effective and regularly tested back-ups and by putting the right type of cyber insurance in place to respond efficiently to an attack.

Cyber insurance policies have evolved to include 'pre,' 'during' and 'post' event services. Some policies provide businesses with measures to help quantify the frequency and severity of a company's cyber risk. Other policies come with free or discounted access to other risk management tools, such as military-grade encrypted back-up providers and/or network monitoring tools. It is fair to say that cyber insurance is moving away from just being a response and remediation policy, towards being a more tangible risk management-tool. I expect this evolution to continue in 2019 and beyond.

2018 – a huge year for privacy regulation

The General Data Protection Regulation (GDPR) took effect in May 2018 and has already been instrumental in changing the way people, companies and governments appreciate data privacy. Google (January 2019) has been the recipient of the first major fine under the GDPR (c. €50m) and we can expect further fines and penalties in the near future. It is not just the EU who are changing the dynamics of data privacy though; within the last twelve months, at least ten other countries have moved to implement similar laws, including: Brazil ('GDPL'); Australia ('NDB scheme') and Canada ('PIPEDA'). In the US, California, who are often seen as the pioneers of data privacy regulation, will also implement GDPR-like stringent measures in their Consumer Privacy Act of 2018, when it takes effect in 2020. Cyber insurance often affirmatively offers coverage for regulatory fines, penalties and investigations, where insurable by law. Whilst the insurability of these fines and penalties will likely be established in the courts, cyber insurance is still active in helping companies prepare and evaluate their business practice in light of the new regulatory climate. Mandatory breach notification is likely to affect most companies worldwide, regardless of where they are based or operate, however most businesses are still woefully unaware of what they would and should do, in the event of a data breach: *Who* *to notify? How to notify? Who should we call? Lawyers? An insurer? An IT security company?* Whether businesses like it or not, these are the questions that they will have to answer should they have an issue. Prudent businesses will look to insurance providers to help them to answer these questions and for risk awareness, management and transfer.

> "It is fair to say that cyber insurance is moving away from just being a response and remediation policy, towards being a more tangible risk management-tool. I expect this evolution to continue in 2019 and beyond."

More players, more capacity, more coverage

When our CEO, Chris Cotterell, started Safeonline in 1999, he was one of only a handful of insurance brokers in the world selling cyber insurance; and there were fewer than five insurers offering cyber products. As we have become increasingly reliant on technology, both at home and at work, the opportunity for crime and the vulnerabilities we face have proliferated. The insurance market has responded as the risk emerged and grew. As such, today there are close to 200 capacity providers across the globe, including insurance companies, Lloyd's syndicates and MGAs; most of whom claim to have a 'market leading cyber product.' There are also more brokers (from those who admittedly "dabble" in the coverage, to full on specialists) than I can count. In the last five years or so, the increased competition across the globe has caused the market to dramatically soften, causing prices to drop and coverage to broaden. The average cyber policy of today is incredibly different to the first iteration in the late 1990s; focussing primarily on 'internet liability.' Today, cyber policies continue to evolve at almost the same speed as the threats and crimes against which they are aiming to protect. That said, the industry still seems somewhat undecided on whether 'cyber' should be treated as a product or a peril. What this now means is that some insurers are starting to provide coverage such as contingent property damage and bodily injury in cyber policies, whereby this would usually be considered part of general liability coverage. The same can be said of social engineering and other types of 'digital crime' which can also be found in some broad property and crime policies.

To further confuse policyholders, some traditional business package policies are now extending to provide cyber extensions. This can cause conflict with stand-alone cyber policies; causing issues with sub-limited coverages, the possibility of two sets of breach-response and claims teams being involved in a loss, and potentially triggering 'the other insurance' policy condition. The message to cyber prospects and policyholders in 2019 and beyond needs to be clear. Do not be too prompt in disregarding stand-alone cyber policies in the wake of obtaining cyber extensions elsewhere. Many of these packaged policy providers will be inexperienced in handling cyber claims and might not have in place the rapid and streamlined response services needed.

For prudent companies, cyber insurance should be seen as a 'must have,' especially in light of the increasing and evolving risks, greater privacy legislation and growing number of coverage options. However, our role as client advocates and advisors is crucial and the message is clear; seek specialist coverage from specialist providers, via a broker who understands the client's needs and what the insurance providers can offer. The role of the broker for cyber insurance has never been more important and neither has the message we are communicating. If a business has a presence online, collects or processes data, and/or relies on a system or network to derive an income, then cyber insurance is absolutely relevant. With the tightening of privacy legislation across the globe, the continued evolution of cyber risks posing a threat to all, and premiums being at an all-time low, this is the perfect time for businesses to purchase cyber insurance. •

MDS Publications release 2nd volume of **Faces of Insurance** collection

Jayme Garfinkel

in conversation with
Jorge Luzzi

MDS is launching its second 'Faces of Insurance' book, a compilation of interviews with outstanding industry figures that brings you the story of Jayme Garfinkel, the current chair of the board of directors of Porto Seguro, a leading insurer in Brazil. In this excerpt from the book, Jayme talks to Jorge Luzzi about his childhood memories, how he turned his company into the insurance market leader and his dreams for the future.

For nearly five decades, Jayme has led Porto Seguro, transforming the dynamics of the insurance market, while becoming renowned for his entrepreneurship. What prompted him to take this career path and what decisions had the greatest impact on the success of the company?

"One day I discovered, as an adult, that my best skill was managing people", states Jayme. Despite being one of the key people responsible for turning a small family insurance company into the sector leader in the country, the businessman emphasises he did not do it alone. "I don't consider myself to be enlightened or an innovator", he observes. "The company was innovative in many ways because I had colleagues with great ideas."

During our conversation in the Porto Seguro office in the centre of São Paulo, Jayme recounted his life stories, revealing some inspiring characteristics. He says: "Speak less and listen more, talk to find the best possible solution and firmly defend your opinions, but accept advice with humility. I am not concerned with winning an argument – I want the best decision to prevail."

Jayme believes no one should be self--important. "I learned not to force my opinions on others, but to tolerate and accept. The secret is to know how to take inspiration from various sources and develop different ideas," he reveals, like someone sharing his most precious secret. By following this philosophy, Jayme transformed Porto Seguro into a company that by the end of 2018 had over 18 million customers, R$ 1.1 billion in annual profits and a market value of almost R$ 20 billion.

Father and son determination

Sat in front of me in his office and being the great story-teller he is, it did not take long for the chair of the board of directors and biggest shareholder of Porto Seguro to start sharing his childhood memories. Jayme's family history in Brazil begins with his grandfather who at the onset of the Russian Revolution, lost everything he had in the small Ukrainian town of Mogilev. In 1921, he decided to cross the world and bring his wife and three children to São Paulo.

His grandfather passed away soon after this. It was up to Jayme's father, Abrahão, to take care of the family, even though he had not finished school. While most young people in the Jewish community in the 1930s worked in textiles, Abrahão got a job at an insurance company, Generali. Here, Abrahão would habitually repeat that one day he would become chairman of an insurance company.

During this time, young Jayme never imagined his father would secure such a role and that his family would revolutionise the Brazilian insurance market. "Even though he had little education, my father was cultured, curious and entrepreneurial," he states. "He was my hero from an early age."

> "Speak less and listen more, talk to find the best possible solution and firmly defend your opinions, but accept advice with humility. I am not concerned with winning an argument – I want the best decision to prevail."

Abrahão dedicated his life to the insurance market and by 1970 he was managing director at the second largest insurance company in the country. His dream of being a company chairman persisted and an opportunity arose in 1972. Jayme says his father resigned after feeling aggrieved, in part, for being overlooked as chairman after 30 years with the company. In a single day and without an audit, Abrahão gathered together all his savings and bought Porto Seguro Cia, an undeveloped company founded in 1945 that was adrift and a far-off 44th in the country's major insurers' rankings. "He didn't have the money to buy an insurance company, so he took out a loan, but with a strategy for back-up," Jayme remembers.

Broker care in the company DNA

Brokers from the second largest company in the country were quick to support Abrahão's new company and former colleagues and long-time friends followed him blindly. This act of faith and care was reciprocated between the professionals and customers they introduced to Porto Seguro, becoming the trademark of the insurance company. It was also one of the characteristics that led Porto Seguro to challenge the competition and become so respected.

"We're very grateful to our brokers – imagine what it was like to take your business from one of the market leaders and put it in a 'half--broken' company ranked 44th?" questions Jayme, who watched this all unfold. As soon as his father took over Porto Seguro, Jayme resigned from his job and went to work with the family. This is when he learned about Abrahão's ethos. And still today, Jayme's secretary is asked to prioritise phone calls from insurance brokers above anyone else, no matter how important they may be.

> "But success may only last until today, the question is what happens tomorrow."

The fragility of success

The company invested in car insurance and started to grow; even if the standard tariff imposed at the time hindered profit margins. The solution was to manage accident claims, create repair shops, dealers and even assemble a towing fleet – quite innovative for that decade. In 1974, the family built its own head office in the centre of São Paulo, to be even closer to its brokers.

Contrary to expectations, the first years at the new offices were volatile. Abrahão passed away in 1978, the government changed the rules on compulsory insurance – the DPVAT – which represented 25% of the company's income source and Jayme sold property to create liquidity.

The storm was far from over. In 1986, with the Cruzado Plan freezing prices and fees, the insurer lost the authority to readjust premiums. Investment in loss prevention and technology prevented a larger crisis and it was

> "In 1991, when I was 43, I started to ask myself 'what do I want from life'? The answer was clear: leave a legacy for needy children."

Jorge Luzzi & Jayme Garfinkel

during this time that Porto Seguro launched its third initiative – the break light – a daring move to install the equipment, unannounced, in the cars of around 100 insurance brokers.

Good-natured, even as he remembers those problems, Jayme shares one of the last great challenges. For almost 15 years, Porto Seguro fought to be financially stable, while it paid off debts and launched new services.

At the end of the 1990s, when profits increased, a family crisis shook his relationship with his sister. Jayme's plan was not to distribute dividends among shareholders but use part of the net profit to increase the insurance company's capital. His brother-in-law did not agree. The solution to settle this family impasse, which lasted for years, was to publicly list Porto Seguro.

Family peace was secured when it was the first insurance company to open on the Bovespa in 2004. This move took the company to a new professional and financial level. Shareholdings increased and Porto Seguro entered the national rankings.

"But success may only last until today, the question is what happens tomorrow", Jayme observes. To him, success means doing your best today. "The past is gone: whether it's yesterday or 40 years ago. The future also does not exist – and since I don't know if we will get there, the most important thing is to live in this moment. Everything surrounding success is very fragile."

Leaving a legacy

In 2006, when entering his 60s, Jayme thought he would continue to lead the group for a further three years, but he ended up appointing a new head earlier than planned. "Since my possible successor was ready, I knew changing leadership from someone close to 60 to a 40-year old executive would be good for the company", the businessman, who then assumed the role of chair of the board of directors, recalls.

Even though he works full-time, Jayme sees there are problems around him that need tackling. "In 1991, when I was 43, I started to ask myself 'what do I want from life'? The answer was clear: leave a legacy for needy children."

Since then, Porto Seguro has developed various social projects in the community of Paraisópolis, in São Paulo. Through the programme 'Educação em Parceria', initiatives were carried out to improve the quality of education in state public schools around the region. Such was the impact that in 1998 the Crescer Sempre (Always Grow) Association was established, a not-for-profit organisation providing free services to students in elementary and middle school.

Another social project Jayme is proud of is the Ação pela Paz (Action for Peace) Institute, which works to rehabilitate ex-prisoners into the workplace. In 2010, he gave a speech on this topic and, realising there was not one ex-prisoner among his thousands of employees, decided to take action. "The Brazilian prison system is inhumane, terrible. You don't fix anyone, all you do is increase crime", he protests.

Porto Seguro is also one of the largest sponsors of Brazilian culture. In 2015, it launched the modern Porto Seguro Theatre, hosting theatre performances, children's shows, exclusive productions of great musicals and shows by renowned artists. In addition, in 2016 the company opened the Porto Seguro Cultural Space, hosting national and international exhibitions.

I ask myself if Jayme will ever lead a quieter lifestyle, but that seems far from the businessman's plans. At 72 and full of energy, he's taken some tentative steps towards retirement. "I am scared to stop and think 'why travel, be inspired, seek new ideas', if I have nowhere to apply that knowledge?" Reflecting on what he did of use at the end of the day or week is a habit Jayme will not give up soon. •

> "Porto Seguro has developed various social projects in the community of Paraisópolis, in São Paulo and is also one of the largest sponsors of Brazilian culture."

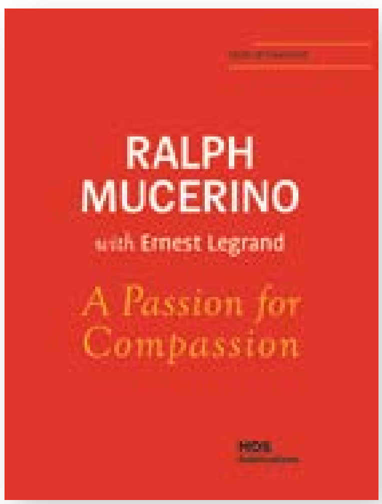
Jayme Garfinkel

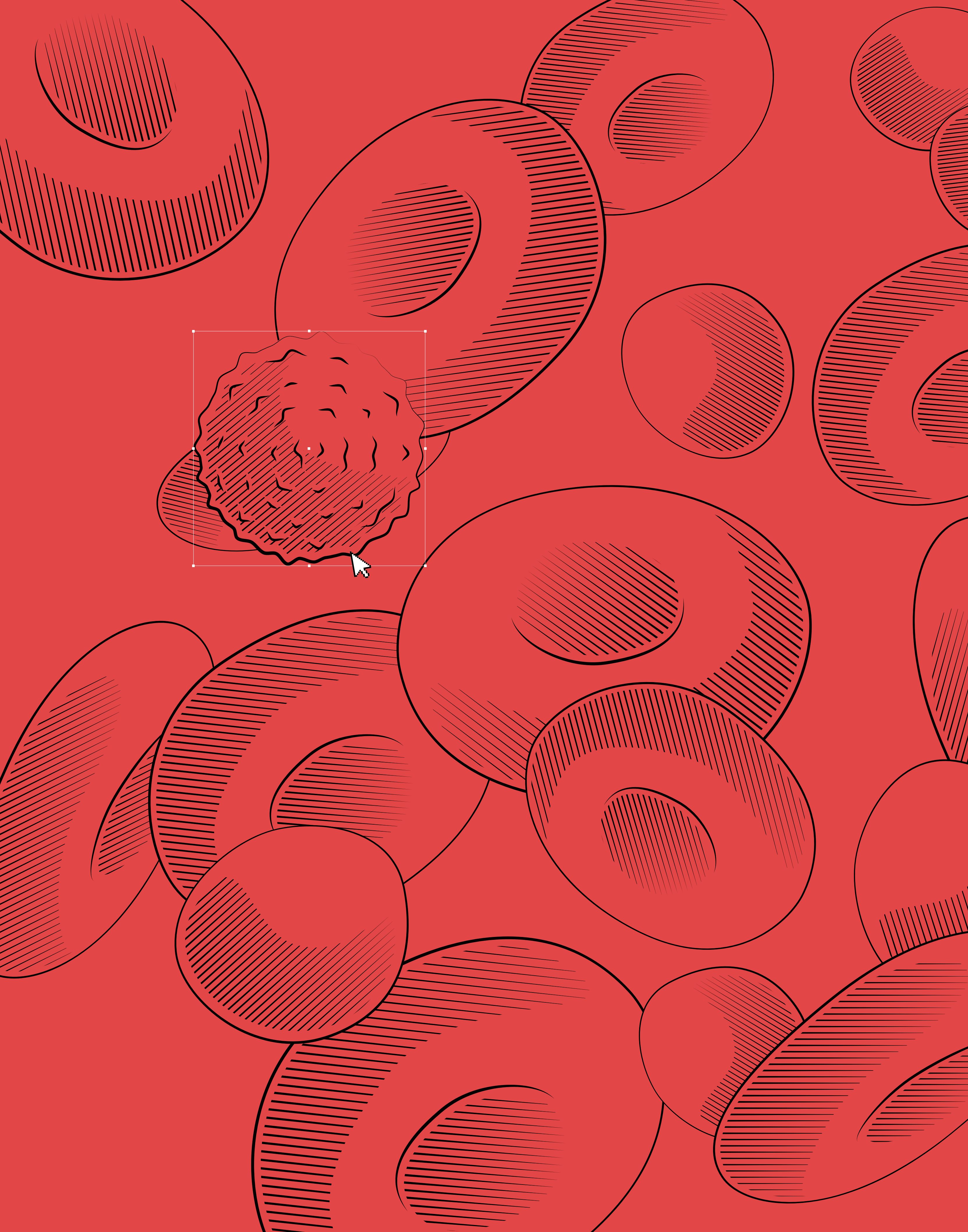
Chair of the Porto Seguro Board of Directors since 2006, Jayme was instrumental in turning the business into the country's leading insurance firm. Founded in 1945, Porto Seguro was bought by his father, Abrahão, in 1972. Jayme has worked at the company since day one, taking over as head in 1978. He managed Porto Seguro's public listing in 2004 and intends to leave a legacy through cultural and social projects.

Jorge Luzzi

President of RCG, a MDS Group company, since 2013, Italian Jorge Luzzi is an expert in developing corporate risk management policies. Having over 40 years' insurance market experience, Jorge has worked in numerous countries, including Switzerland, Ireland, Argentina and Brazil. During his time at Pirelli in São Paulo during the 1990s, he coincidentally worked at the same address where the Porto Seguro building is today.

In the 1st volume of the **Faces of Insurance** collection Ralph Mucerino shares some of the most important moments of his life, and the lessons learned over the years and the human factor behind his business decisions.





HEALTH MANAGEMENT

THE PARADOX OF HEALTHCARE SYSTEMS IN THE 21ST CENTURY

"NO" COUNTRY FOR OLD MEN

ROUNDTABLE

**Unlike the Coen brothers' famous movie *No Country for Old Men*, it seems our world is increasingly becoming a place for elderly people, putting additional pressure on healthcare systems.
Learn how Europe, Latin America and Asia are facing these challlenges through the insights of our experts.**

The worry about how healthcare models will be funded in the near future spans countries and continents with a growing consciousness that public systems must be supported by private solutions. This inevitably draws attention to what is probably one of the most complex political and social issues.
To find out how their regions are coping with these challenges and how they envision the future, FULLCOVER talks to experts from Europe, Latin America and Asia – Ana Mota, MDS Portugal, Gustavo Quintão, MDS Brazil and Julie Lim, Acclaim Brokers, Singapore.

What is the role of the private and public sector in health protection? What services are provided by the State and the private sector?

Ana Mota (AM): In Europe, Docteur & Oxley[1] and the OECD[2] have identified three main healthcare funding models. They base their classification on a public and private financing criteria and the contractual relationship between healthcare service providers and payers. The models are:

- Public integrated – public financing and public healthcare providers (healthcare professionals are for the most part public sector employees)
- Public contract – combines public financing either through taxation or social security funds with private healthcare providers
- Private insurance/provider – public entities contracting private healthcare providers.

In most countries, public and private hospitals coexist in differing proportions. For instance, in northern Europe there are mostly public hospitals, whereas in the south, private services are growing. The service provision is very similar in both sectors, with some care for cases like pandemics, organ transplant or other exceptions, exclusively provided by the State. Recently the private sector has extended its range of services to areas that used to be exclusive to the public sector. This trend is expected to continue and is a direct consequence of private health insurance development.

Gustavo Quintão (GQ): The south American continent has witnessed continual and many recent transformations - namely social (including healthcare provision), political, economic and cultural. Quality universal healthcare for people is an aspiration all countries share, even though they face similar barriers to implementation: resource management, underfunding and significant demographic shifts.
In Brazil we have the largest State-funded health system in the world, a global example of free, universally-accessed healthcare. The 1988 National Constitution established this single-payer health system - *Sistema Único de Saúde* (SUS) - governed by principles of access for all, equity and the provision of a comprehensive service. It declared 'everyone has a right to health and it is for the State to provide it'. Free enterprise can act through *Saúde Suplementar* (complementary health), which covers a quarter of the country's population, about 50 million beneficiaries. Relying on private health plans does not prevent you accessing SUS services.

Julie Lim (JL): Like many countries globally, the healthcare systems in Asia are disjointed and constantly plagued by issues such as: overcrowding in public hospitals, long waiting times (as the patient to healthcare worker/doctor ratio is much higher), highly inefficient and complicated systems and differences in geographical coverage where rural areas have access to only very basic medical facilities. As the population becomes more affluent, the imbalance between the ratio of healthcare workers/doctors at public and private hospital will continue to widen. That said, healthcare models in Asia are diverse in structure but are generally categorised as:

- Universal healthcare provided by public and private sectors
- Subsidised public healthcare for citizens
- Private healthcare offering first-class services.

Healthcare funding also varies, typically from three main sources:

- National and local government
- Mandatory contributions from individuals (under social security legislation)
- Insurance (State or privately managed).

In Singapore, for instance, there's an integrated public healthcare system offering timely, cost-effective and seamless services for all residents with a subsidy for citizens and permanent residents. Services include: primary healthcare, hospitals, dental, mid to long term care and traditional Chinese medicine. Private hospitals and clinics mainly support residents and tourists from other countries.
In China, the public sector provides a fee-based service with limits set by local health authorities. Reimbursement is made

> The role of service mediators, such as insurers, operators, brokers and consultancies, is of the utmost importance due the need to reorganise the system to cope with rising costs.
>
> **GUSTAVO QUINTÃO**

via a State-managed insurance scheme with cost sharing and out-of pocket expenditure for both primary and hospital services subject to maximum limits. The public healthcare infrastructure comprises township and community hospitals, plus village doctors and clinics in urban and rural areas.
Private hospitals and clinics exist mainly in urban areas and private health insurance covers deductibles, co-payments and other cost–sharing gaps.
Indonesia has a different system, offering free healthcare supported by private hospitals and semi-private pharmaceutical industries via a national universal insurance scheme that runs alongside private insurance plans.

How do they work together? Do they offer people alternative options and how do they support/complement each other?

AM: In general, citizens may choose one system or the other, so in most countries the system is complementary rather than alternative. There are, however, significant differences in the level of private sector support within each country, and access to this service is dependent upon having the money to buy private insurance.

GQ: Although it is a complementary scheme (when citizens enrol in a health plan, they don't give up their right to public sector services), Brazil's private health cover has increasing support because, when its performance is compared to the public sector, it has better quality, with shorter wait times and a superior infrastructure.
Private healthcare, however, faces barriers of its own. Corporate health plans, which represent about 80% of this market, face difficulties in offering continual medical assistance as a benefit, because due to inflation in the country, the costs just keep growing (by 8-10%). Yet health plans are among the most sought-after employee benefits, which means companies should continue offering them.

JL: Given the size of Asia's population, it's not surprising healthcare's considered the world's fastest-growing market (fueled by the rapidly-ageing population and a growing affluent middle class) and Governments are either already adopting or looking into insurance plans to support a more integrated universal healthcare system. For any national healthcare insurance plan to be sustainable it will require public healthcare systems to have minimum standards for technical facilities and service delivery.
This enables them to run alongside private healthcare services and avoids over-reliance on private healthcare facilities. As we know, the respective public and private sectors have very different goals making any alliance between both systems challenging.

If health protection is State provided, is there universal access and is it free? Are there costs involved?

AM: In Europe access tends to be universal, including models with higher co-payments than others. In northern Europe the system is almost totally free, while in southern countries co-payments are made in the public and private sectors (for health insurance).

GQ: Brazil's public system is funded solely and exclusively through general taxation. Payments into the public health system are made at a municipal, State and federal level and private health insurance is paid voluntarily by the policyholder (the insured, a legal representative or professional association).
Chile provides a south-American example that differs from Brazil. Chileans pay 7% of their income towards the healthcare system, and this allows them to choose between public and private services. Public services are provided through Fondo Nacional de Salud, 'National Health Fund' (FONASA) and private services through Instituciones de Salud Previsional, 'Provident Health Institutions' (ISAPREs). The latter replaces, not complements, the government-funded system and once you join the private system, you cannot access public services.

JL: It varies according to countries. In Malaysia for instance, universal healthcare is provided under a system of subsidised public care delivered through a network of primary clinics and hospitals. The government is the primary provider of public health services which are funded by citizen's taxes. In Singapore all citizens and permanent residents are covered by the National Healthcare Insurance Scheme, which is paid for by their social security fund (and partly co-funded by employers' contributions). China has a different system altogether as most healthcare facilities are provided by the public sector. Public hospitals are thus heavily-funded by the government. There is no free medical treatment except for life-saving accident and emergency. Health insurance is administered by the government with contributions made by both employee and employer. Citizens must pay an excess and contribute towards the cost of treatment.

What is your operating and financial healthcare model (ie hospitals and health centres vs home care and is it financed via tax, co-payments etc)?

AM: Again, models vary according to geography. In northern Europe it's mainly home care financed by the public system while central and southern Europe is more supported by hospitals, medical centres, public and private clinics etc. As to financing, in the north it's funded through tax/social security contributions whilst elsewhere it's a mix between tax, social security, co-payments and private insurance.

GQ: Brazil's public health system imposes no direct costs on users, as it's funded through taxation. Access is free and universal. Private health funding varies by contract. You could be asked to pay a flat monthly fee, or be subject to moderating factors, such as co-payment models or pay-per-use so that each new treatment brings additional costs.

JL: In Asia, healthcare is delivered through properly licensed and recognised medical institutions. Home care is not common as there are various alternative solutions such as nursing homes, hospices, eldercare and chronically sick facilities. The government's philosophy on healthcare financing has always been that people must be partly responsible for their healthcare costs. Hence, healthcare is funded via taxes, salary contributions and co-insurance with excess payments.

GUSTAVO QUINTÃO

Executive Director of Employee Benefits
MDS Brazil

Gustavo has a degree in medicine from the Federal University of Minas Gerais and trained in general surgery and intensive medicine at Cook County Hospital, Chicago, in the United States.
He completed Brazil's Ministry of Education-accredited Occupational Medicine programme,specialising in corporate health, at the Odilon Behrens Hospital in Belo Horizonte and studied for a Master of Business Administration at the University of Navarra's IESE Business School.
Gustavo has inputted to health management consultancy projects for various sector organisations and companies and has leadership experience with multinational companies (he was head of occupational health & safety at Telefonica and medical director at Sanitas International Group).

What is the role and importance of the insurance sector?

AM: Because of the differences in national health and social security systems, the role of private health insurance differs significantly between countries. In Europe it takes four basic forms:

- Additional – complementary and supplementary – voluntary health insurance comprehensively supports the statutory insured[3]
- Substitute – insurance replaces publicly-funded healthcare
- Duplicate – insurance operates as a private alternative in parallel to the public subsystem (as in the UK and Spain)
- Mandatory – private health regimes, such as the Dutch and Swiss health systems, include some public aspects and fully private complementary cover.

> “Europe is a rapidly-ageing continent, so this subject should be a top priority. Population ageing and rising medical costs, coupled with new medical technologies, pose great challenges for insurers and the community in general.
>
> **ANA MOTA**

GQ: The role of service mediators, such as insurers, operators, brokers and consultancies, is of the utmost importance – given their position in the market and their ability to perform holistic analysis and recommend corrective measures that may mitigate the risks companies are exposed to. Because of the need to reorganise the system to cope with rising costs, consultancies are becoming increasingly important.

JL: Insurers can take on a bigger role in this area; they should study and analyse what State healthcare services and funding are already available and develop insurance products to bridge the gaps in health cover. This eliminates wastage of government funding on national healthcare schemes, employers' spending on corporate health insurance and consumers unnecessarily paying for healthcare services.

Is health insurance based on a managed care system or is it still a reimbursement system? Do insurers have their own health units?

AM: In most countries there's a managed care or mixed system. In some countries, such as Spain, insurers have their own health units and Portugal also tends to do this.

GQ: Brazil's private health plans currently adopt various models. They all provide an assistance network (meeting national standards, privately owned, or a mix of the two) and most offer repayment options if you want to use providers outside the network available to you. As reimbursement generally covers all, or almost all expenses, these plans are more attractive, however they're often only available through high--tier policies. Lower-tier plans make smaller reimbursements and users must pay out of pocket for the remainder.

JL: Health insurance is still largely managed in two ways: through managed care and reimbursement systems. The managed care model is mainly used where low-cost insurance premiums are offered and medical care is closely monitored. The reimbursement system is commonly offered in employer-paid insurance programmes as it allows employees to seek treatments with their preferred medical professionals. Private insurers do not typically own health units or medical facilities. There are well established medical providers and hospital groups in the region offering world-class facilities and services. For example, Fullerton Healthcare headquartered in Singapore operates in four markets in Southeast Asia and Australia. The company offers primary care and has hospitals and clinics charging medical fees lower than general hospitals. KPJ Healthcare, a major healthcare facilities provider in Malaysia, treats patients with insurance in a 'stable' condition. Managing health units is not a core business activity for private insurers. They would rather partner with medical providers and offer consumers first-class services at controlled costs.

Looking to the future - how are countries facing the ageing issue and tackling the healthcare costs associated with long-term care provision?

AM: Europe is a rapidly-ageing continent, so this subject should be a top priority. Population ageing and rising medical costs, coupled with new medical technologies, pose great challenges for insurers and

the community in general. This will most likely result in even more growth in private insurance sector solutions – particularly for long-term care - but these will only be sustainable if there's some public sector contribution. So far there have been no significant developments in this area in most countries. In order to find a sustainable and efficient solution, there must be a political discussion involving all stakeholders.
The few existing solutions are isolated and mostly insufficient.

GQ: If you take technological and medical advancements into account, we're looking at an era of increased life expectancies. So this brings an important concern to the fore: how do we care for people so they age in a healthy manner? Highly complex treatments have a profound effect on health budgets, so if individuals maintain a healthy lifestyle, it will considerably lessen the impact.
With this in mind, primary care strategies focusing on advocacy and prevention are gaining more traction. Family medicine, for example, which lost ground to specialist doctors, is now considered a model that could help turn things around. The main barrier to implementation is, above all, cultural. We have a population that would prefer to see a specialist because they believe specialists provide better service. That's not necessarily true - studies show a family practitioner can resolve more than 80% of cases and, when they need to refer you to a specialist, they do it in an informed manner, considering patients' real needs.

JL: With a population of 4.5 billion and growing (as of December 2018), Asia is the largest and most populous region in the world. Its population almost quadrupled during the 20th century and Deloitte estimates that over 60% of the total global population aged 65 years or older will reside in Asia by 2030. This, coupled with rising affluence creating a wealthy and expanding middle class, is causing an imbalance in the public and private healthcare eco-systems. In fact, Asia's affluent consumers are set to increase this century and they will expect more from their healthcare services. Rising affluence also creates rising healthcare issues; habit changes such as sedentary lifestyles and diet choices contribute to modern day diseases thereby raising healthcare costs. Another effect of consumers' affluence is the over-consumption of insurance. Health insurance products that offer very 'rich' or comprehensive benefits are popular with the affluent, creating an adverse behavioural effect. With generous insurance benefits,

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Benefits Practice Leader
Acclaim Insurance Brokers

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consumers tend to use more healthcare services such as undergoing unnecessary medical tests and failing to set a realistic budget for their medical costs. These costs ultimately increase insurance premiums in the long term.

What solutions are you putting in place and what impact do you think this will have on the insurance sector?

AM: There are currently no appropriate solutions in place, but the insurance sector has an important role to play in finding an answer, together with governments and other stakeholders. Demographic policies might have some relevant contributions to make, but in several European countries (Portugal included) the fertility rates are not much higher than one child per women, giving us the prospect of a very bleak future in this area.

GQ: A good example of technology to support healthcare is the growing implementation of the *Prontuário Eletrônico do Paciente* 'Electronic Medical Record' (PEP). This system logs patients' medical data and shares it with other platforms, raising the quality of assistance as it logs all the care a patient receives. Another technology now gaining ground is remote assistance. Its advantages include: reliability and the provision of a fast service, while once again, improving the quality of health services for those in need. All these solutions, when used, greatly reduce waste.

JL: Looking ahead, the healthcare landscape is largely about partnerships, engagement and innovation. All stakeholders in the healthcare system, including the government, will need to collaborate further to reduce wastage and the financial burden - in areas from formulating policies to product development. Advancements in healthcare and digital technology will bridge the communication gap between all those involved in the healthcare system, accelerating the transmission and accessibility of data for analytics and product innovation.

How will new technologies impact health insurance, particularly from a cost perspective?

AM: We can see this from two different perspectives: on the one hand, new technologies for treatment or surgical and diagnosis procedures are inevitably increasing costs in the short term; but

ANA MOTA

Employee Benefits Director
MDS Portugal

Ana has a degree in economics from the Universidade Nova de Lisboa and a masters in insurance company management and pension funds from the Universidade de Barcelona.
Prior to joining MDS in 2007, Ana was head of life and health insurance for a major insurance company and is a renowned employee benefits' expert and keynote speaker in Portugal.
At MDS, Ana coordinates and manages the life, pensions, health and accident (personal accident and workers' compensation) areas.

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Collaboration with the government and all stakeholders in the healthcare eco-system is crucial to the sustainability of healthcare costs and it is therefore paramount all parties work together to achieve common goals.

JULIE LIM

new technologies that allow for early diagnosis, help prevent future costs that would inevitably occur, due to complicated surgical procedures and costly treatments. Also, telemedicine provides quicker and less costly access to healthcare, for instance preventing patients from using emergency units in around 60% of cases, and in a higher percentage, replacing that second medical appointment. Here, as patients auto-monitor themselves and so are likely to take more preventative measures, technology will contribute to reduce costs in the medium--long term.

GQ: In the private sector, technological tools are enabling us to anticipate future risks, helping to reduce costs and optimise resources. At present, machine learning algorithms can, with high certainty, predict groups of individuals with a high likelihood of developing a given pathology. This type of solution stops us looking at medicine in our rear-view mirrors; we can now look forward and work smartly and efficiently to try to solve or reduce health issues.

JL: The healthcare industry is not spared in this age of digital revolution and digital health innovations will certainly play a significant role. Using data to deliver healthcare efficiently and effectively improves treatment outcomes, prevents health insurers running unnecessary tests and treatments and so minimises costs in the long run. In addition, consumer-friendly mobile apps will get people involved in taking charge of their health. Mobile apps offer a myriad of opportunities, early health intervention and healthcare solutions for consumers and medical providers.

What role have insurers played in health education and how important do you feel this is?

AM: For some time now insurers have understood that being proactive in prevention is very cost effective (rather than paying for treatments after a declared and more advanced disease). Today, for example, health insurance policies cover total or partial regular client check-ups. In our opinion insurers should take a more active role in health education, particularly in promoting healthy habits.

GQ: According to Stanford University, a person’s health is determined mainly by their lifestyle (53%), their environment (20%), genetics (17%) and finally, health services (10%). Technology may bring countless opportunities to improve health systems and service delivery, but people and their choices can make the greatest change. Although health providers are important when it comes to offering tools and resources for people to look after their health, without ownership and engagement from each individual, barriers cannot be overcome. In this context, education - from beginning to end of the health service chain – plays a key role.

JL: Insurers do not play an active role in public health education as no budget is set aside to run country or state-wide campaigns. Public health education is actively promoted by the Ministry of Health in each respective country. In the private sector, insurers partner with independent healthcare providers or sponsor campaigns to run targeted marketing initiatives. These often follow the government’s recommendation for a health programme or are due to the implementation of specific laws or policies. Collaboration with the government and all stakeholders in the healthcare eco-system is crucial to the sustainability of healthcare costs and it is therefore paramount all parties work together to achieve common goals. •

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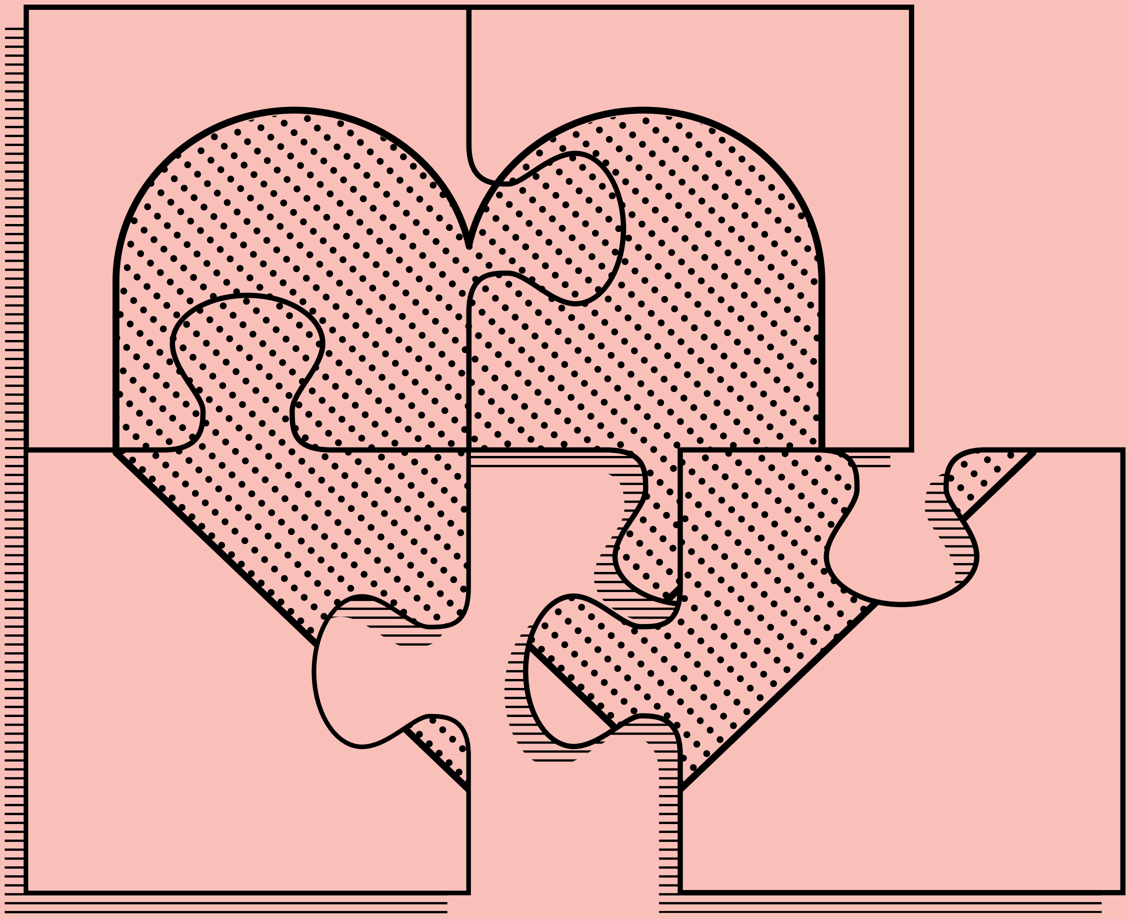
HEALTHCARE AND THE AGEING POPULATION

The past decades have witnessed a significant improvement in living standards across many areas that influence our well being. Such progress is mainly due to economic and social development and the creation of social security and healthcare systems in a number of countries.

BY **ADALBERTO CAMPOS FERNANDES**, NOVA UNIVERSITY



A modern, fair society must, through universally-accessed systems offering general cover, guarantee the right to health in an equitable manner. In a democracy, barriers that prevent citizens accessing timely and appropriate healthcare cannot be tolerated.

Success, for any health system, is dependent upon innovation and technology evolving from knowledge--generating scientific research. Indeed astounding breakthroughs have been made, namely in genetics, because of the work in highly--sophisticated technology-driven fields such as nanotechnology and pharmacogenomics.

The technological revolution has thoroughly transformed global health systems and we see a growing powerful correlation between innovation and development. At the same time, there's also a profound change in disease distribution and demographic patterns.

The paradigm of chronic disease has progressively replaced that of acute illness. Some of the more communicable diseases, such as HIV-AIDS, have gone through significant changes in their epidemiological profile, turning them into controllable chronic diseases, and there are breakthroughs in the prognoses for other communicable diseases with high morbidity and mortality, such as Hepatitis C.

Over the past few years, developed countries have witnessed demographic changes, slowly moving to an aged population with a growing number of dependent citizens. Health systems must now consider factors outside their organisational structure and response models. The costs associated with therapeutic and technological innovation, for example, challenge the sustainability of health systems, making it increasingly difficult to define health policy priorities.

Demographic changes (populations ageing at a notable pace) will have significant social and economic consequences. In 2020, the number of people over 60 will exceed children aged under five, and between 2015 and 2050, the worldwide percentage of people over 60 will almost double, from 12% to 22%.

Since the early nineties in Portugal, people aged over 65 grew to 35% and the number of young people and children under 25 dropped by more than 20%. In 2060 Portugal, the resident population will go from its current 10 million to 8.6 million and the proportion of senior citizens to young people, now at 131/100, will rise to 307/100. During the next 50 years, it's predicted the number of people over 65 will double, with inevitable consequences for healthcare and social security systems.

The world has changed over the past four decades; society has transformed. Health needs have become more complex and there's fiercer competition for resources. The sustainability of health systems is more and more dependent on how national economies perform and, as a consequence, what services can be offered.

It's therefore essential to debate mid to long-term funding and sustainability for national health services (SNS in Portugal). This presents us with a complex challenge: how do we guarantee sustainable and long-term funding for public health systems, ensure they deliver and continue to change with the times, reward and value their staff and enable access to technological innovation?

Health policies concern all of us and impact generations over time. This new dilemma pits ethical and human needs against budgetary limitations. In the main, we have to raise awareness with all stakeholders that if resource--sharing is the single goal, the choices made must be carefully prioritised. As we move to integrated care in this way, we need to 'think globally, act locally' and put our citizens at the heart of the system.

A sustainable future requires considerable infrastructure, equipment and human resources' planning taking into consideration demographic changes, the burdens of chronic illness, access to therapeutic and technological innovation, public health actions and the indispensable participation of people. •

ADALBERTO CAMPOS FERNANDES

Has a PhD in health administration and a medical degree from the University of Lisbon, plus a masters in public health from Nova University, Lisbon. He is currently a professor at the National School of Public Health, Nova University, Lisbon, and was minister of health on the XXI Constitutional Cabinet (2015-2018).

THE LONGEVITY CHALLENGE

Longevity is one of the first words that spring to mind when discussing healthcare systems' challenges. This is primarily due to our ageing population. If I had been born in the 1940s, I would by now, have entered the final stages of my life. But, thanks to a combination of social and scientific advancements, Brazilian life expectancy has grown by a 30-year span over the past seven decades and today it's edging close to 76 years, according to the Brazilian Institute for Geography and Statistics (IBGE).

BY **MARIO SADDY**, AMIL

Although this is an average, the generation that will live over 100 years has already been born. The United Nations estimates that in 2100, there will be 21 million people aged 100+ worldwide and in Brazil there will be 110 times more citizens over this age than it does now, totalling more than 1.5 million people.

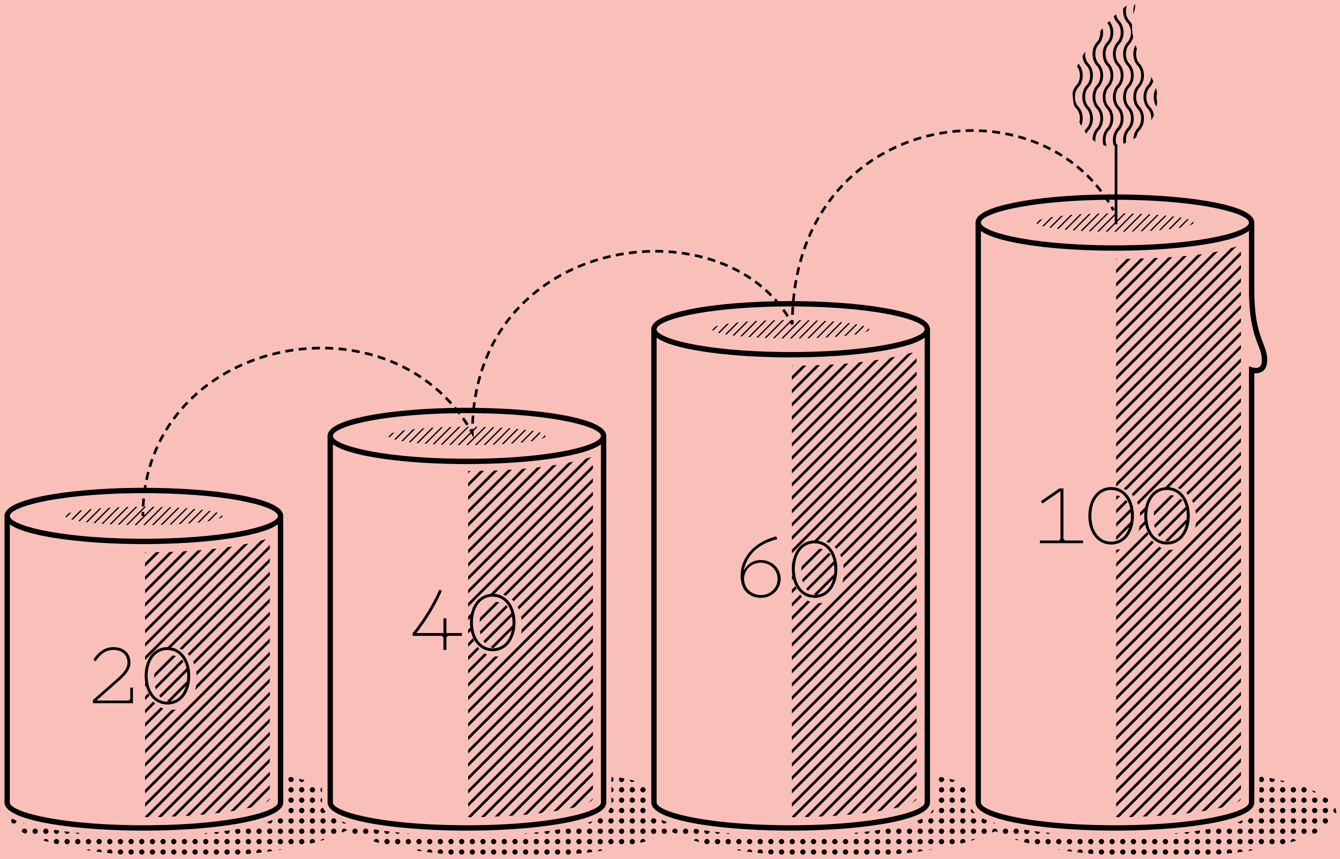
In the 1930s, infectious diseases were the main cause of death throughout Brazil. Since then, the country's epidemiological profile has changed. The leading causes of death in Brazil now are noncommunicable diseases, especially cardiovascular conditions, several types of cancer, diabetes, respiratory diseases and diseases of the digestive tract. Given this new scenario, advancement in new technology/medicine and investment in urban infrastructure/communication will be essential to help people reach old age in better health (particularly as we're in an increasingly interconnected world and false information is easily spread).

Though longevity doubtless comes from progress, an ageing population brings significant challenges, particularly when it comes to how we maintain their quality of life. This is where healthcare system sustainability is crucial. Our current health cover model - where technology is adopted without cost-effectiveness analysis and there are not-so-favourable clinical results - indicates a clear market misspend. It's time for a paradigm shift to the more-favoured assistance model. It took decades for the Brazilian market to incorporate a treatment--centred model and another few years again to realize this is not an ideal way to care for people's health.

One day we'll remember how in the past people submitted to dozens of tests and saw dozens of specialists in an uncoordinated fashion, which made no sense. While we wait for that day to come, some players in the Brazilian insurance-based supplementary healthcare system have taken the lead and brought traditional primary care into their private health offering. Discussed in 1978 at the International WHO Conference on primary healthcare, the Alma-Ata declaration identified primary healthcare as key to achieving good health for all. Although not new, in Brazil

MARIO SADDY

Has been Amil's executive director for growth since 2017, managing distribution channels and corporate client relationships. Between 2011 and 2015, he was Optum ceo for Latin America, a health technology company under the UnitedHealth Group. Mario has extensive health market experience and a PhD in Health from the University of São Paulo (USP), Brazil.



such essential or primary healthcare, particularly in the private sector, has not been widely available. While 67% of Brazilians can access public family health programmes, only 25% are able to do the same within the private health sector.

It's widely agreed further investment in coordinated healthcare is necessary to keep the sector sustainable. However, for a less fragmented approach to succeed, greater engagement with patients is essential; starting by ensuring they understand their responsibilities and their family doctor relationships. Patients also need to appreciate the importance of regular health monitoring and change frequent habits, such as unnecessary trips to the emergency unit. According to Ministry of Health data, about 80% of cases seen by family doctors in medical practices are resolved without referral to other clinical specialists.

Alongside restructuring assistance models to maintain a sustainable market, other areas must be included within the equation, namely: over expenditure, system funding, operational efficiency, transparency and hospital remuneration schemes. Nowadays, most health plan related expenditure comes from beneficiaries' hospital admissions. IESS projections indicate that, by 2030, payouts for this will have reached R$ 260.3 billion, as much as 65% of sector expenditure, funded by consumers themselves.

Currently, hospitals are paid for the services they provide on a fee-for--service basis. In practice, the more CAT-scans, MRIs, X-rays and overnight stays, the more a hospital can charge and the more a health plan must pay. Yet the fee-for-service model, which has been in place for decades, has run its course, and is a key contributor to overspending. According to the IESS, Brazilian health plans have spent R$ 28 billion on unnecessary doctor visits and tests.

There's a growing recognition that payment models for supplementary care in Brazil need to focus more on delivering value. And things are changing. One of Brazil's main hospitals, the Sírio-Libanês, recently signed a contract with Amil (one of the country's largest health operators, with 6.1 million customers), to adopt a fixed monthly remuneration model, based upon the patients' usage history and complexity of services provided. Ten clinical indicators - from the number of complications during hospital admissions and average duration, to general customer satisfaction indicators collected via surveys – determine the value of the care. In order to implement alternative models, there's a need to invest in developing indicators and integrating IT systems (not to mention long periods of negotiation). It's no easy task, but Brazil cannot ignore this trend. Countries like Sweden, the United States and Germany have already adopted this model.

Longevity poses numerous challenges for healthcare systems, none of them trivial. We already know we will live longer. The question is whether we will live with or without health plans. The answer lies with those involved in this demanding supplementary care sector – agencies, hospitals, customers, doctors and all other player – and how innovative and proactive they can be. •

2018 WORLD'S MOST
INFLUENTIAL PATHOLOGIST

CUTTING EDGE RESEARCH

Fátima Carneiro, named the world's most influential pathologist in 2018, talked to FULLCOVER about a lifetime of challenges and achievements, clearly showing a passion for work that has not diminished over the years.

Professor Fátima Carneiro was named the world's most influential pathologist in 2018 by The Pathologist magazine. Born and raised in Angola, then a Portuguese colony, she was studying medicine at university when civil war broke out and like many other citizens, she and her family were forced to leave the country. She came to Porto to finish her studies and although she dreamt of being a pediatrician, she ended up as a pathologist - a decision she has never regretted.
Professor Carneiro never chooses the easiest way; even today when she has to look at a patient's tissue on a glass slide, she will, just for the sake of a challenge, do it before getting additional clinical information.
She is a strong believer that no one knows everything and is passionate about the importance of getting a second opinion, which she does in her role.
Extremely demanding and a perfectionist, but never more with others than herself, Professor Carneiro wanted to have it all – clinical activity, teaching and research – and she achieved this with a career in pathology (even though it's been difficult to balance her professional and personal life and she's lost many hours' sleep).
During her long-standing and brilliant career, she has always strived to share her knowledge and FULLCOVER is privileged to have spent time with her.

What drove you to a career in medicine?
My dream was to become a pediatrician as I loved children and the clinical activity. I decided to become a pathologist after I graduated in medicine. It was 1978 and I'd just finished medical school (at Porto University). Manuel Miranda Magalhães, professor of cell biology whom I'd met at the University of Luanda, invited me, at the end of the academic year, to join his team. It was an unexpected invitation and, after some hesitation, I told him cell biology was too quiet a field for my expectations.
It was then his turn to be taken by surprise (as such an invitation should have been considered a compliment), and he asked about my expectations. These were clear in my mind: to be clinically active, to participate in teaching (I loved to do this while still a medical student in my third year) and to have the opportunity to undertake research (quite ambitious, I have to admit). He then just said: "That is pathology." I'd never thought about this (my experience in this area had not been particularly good, it was at the time of civil war that forced me to move from the School of Medicine, Luanda, Angola, to the University of Porto). All of a sudden, this field sounded attractive and, refusing his offer to introduce me to the pathology department director, I decided to go and see him on my own. There I was, in front of Professors Daniel Serrão and Manuel Sobrinho Simões. The latter, well-known for his affability and with some curiosity (I guess), advised I could start work with him the next day. This was the first day of a lifelong experience that I have never regretted. Pathology has allowed me to cover all the areas I was interested in – clinical multidisciplinary work, teaching and research - and it is also clinical activity at a crucial moment – that of diagnosis. Because I don´t have a queue of patients lined up waiting, it gives me some freedom to work in all the areas I enjoy, without time restrictions.

You were named by "The Pathologist" magazine as the 'world's most influential pathologist' in 2018. What research work/ activities led to you being given this prestigious title?
Besides my major involvement in pre and post-graduate teaching (nationally and abroad) and diagnostic activity in histopathology and molecular pathology, I think my work with international organisations played a role. This includes many years supporting international institutions such as the European Society of Pathology (I progressed from member of the Executive Committee, to president, chair of the Working Groups and chair of the Advisory Board) and the World Health Organization (WHO), writing and co-editing editions of its 'blue book' on digestive diseases.

You've contributed to multiple discoveries in the field of gastric cancer; what are these latest discoveries and how did you achieve them?
I would select my contribution in the field of hereditary cancer(s) affecting the stomach. It was fascinating to be involved with the International Gastric Cancer Linkage Consortium and study and characterize the pathological features of Hereditary Diffuse Gastric Cancer (HDGC). More recently, I completed similar work to characterise the histological profile of the GAPPS (Gastric Adenocarcinoma and Proximal Polyposis of the Stomach) syndrome. Countless hours of work were needed to study the whole length of gastric mucosa in stomachs - removed from carriers of germline mutations of the *CDH1* gene (in HDGC) - and hundreds of digital images of GAPPS. The help of Dr Xiaogang Wen, a Chinese pathologist who has been working with us for several years now, was invaluable in these projects.

Sobrinho Simões (Medical Faculty of Porto), Fátima Carneiro, José Neves (MD), Paula Rios (MDS)

Are you using any new research and treatment methods, what are they and will they evolve in the future?
As I am an anatomic surgical pathologist, I do not clinically practice in the sense of observing and treating patients. Currently, my research focuses on characterising the immunological environment of gastric cancer, aiming to better identify patients with gastric cancer who may benefit from immunotherapy. This type of treatment aims at stimulating the patient's immune cells, enabling them to kill, or at least help to kill, the neoplasic (tumour) cells.

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> Currently, my research focuses on characterising the immunological environment of gastric cancer, aiming to better identify patients with gastric cancer who may benefit from immunotherapy.
>
> **FÁTIMA CARNEIRO**

What's the rationale behind personalised medicine and what impact is this having in the prevention, diagnosis and treatment of cancer? Is there a new paradigm within this area?
In its broadest context, since clinicians have been working to provide care tailored to people's individual health needs, all types of therapy are personalised. Within our area, personalised medicine is a move away from a 'one size fits all' approach to the treatment and care of patients with a particular condition, using new strategies to better manage patients' health (prevention, early diagnosis) and to achieve the best outcomes in the treatment of patients (precision therapy targeted to molecular biomarkers).

Are pathologists progressing in understanding the cause and effect of cancer and other life-threatening diseases? Are we nearing the breakthrough stage for cancer?
There is a better understanding of cancer development and a deeper knowledge about predisposing factors that increase the risk of developing diseases, more specifically, cancer. It is now clear cancer is much more than a disease caused by alterations of the genome (mutations in the broad sense). Regulation of the gene expression, by epigenetic mechanisms, is increasingly important. Furthermore, the tumour's environment is a key factor, mediated by inflammatory and immune cells, as well as the external environment, such as lifestyles, obesity and diet.

Is technology changing the delivery model of medicine? Is virtual medicine being increasingly used to provide patients with a more personalised approach and bespoke treatment?
The so called 'virtual medicine' will increase, hopefully supporting a more personalised approach and a move towards individual clinical treatment (while we continue to show compassion for every patient). The role of biobanks, with clinical annotations, is crucial to analyse genetic and molecular features of the patients and their tumours and to correlate with patient outcomes, enabling us to study the outliers (specifically positive, rather than negative ones).

How would you like to see medical services delivered in the future?
Instead of focusing on treating advanced diseases, we should focus more on promoting healthy living, prevention and early diagnosis.

What do you feel are the great advances in medicine over the last decade?
Understanding the influence of lifestyles in the development of diseases and improvement of general health education, getting people more involved in prevention and early diagnoses. Greater use of high--throughput "omics" technology (genomics, transcriptomic, proteomics, metabolomics, etc), that may be applied to the individuals, their tumours and the microbioma, for the better understanding of biological processes and diseases. One of the challenges now is how we deal with 'big data' generated by "omics" methodologies and to make sense out of it.

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The healthcare industry is not spared in this age of digital revolution and digital health innovations will certainly play a significant role. Using data to deliver healthcare efficiently and effectively improves treatment outcomes, prevents health insurers running unnecessary tests and treatments and so minimises costs in the long run. In addition, consumer-friendly mobile apps will get people involved in taking charge of their health.

FÁTIMA CARNEIRO

You're involved in many societies and committees in Portugal and across Europe, how does this greater collaborative approach benefit participant countries?
All the countries have access to shared knowledge through our meetings, benefiting over the years, hundreds of students, residents and pathologists. Publications (scientific articles and books) are also distributed worldwide.

What are your greatest accomplishments and biggest challenges?
There are more than a few, but I'm proud of my seniority in my main field of interest – gastric cancer. This has resulted in many collaborations with several scientific societies, (co)authorship of around 200 papers on gastric cancer (and over 350 peer--reviewed publications on h factor-64) and authorship of chapters in renowned books by the WHO and the Union for International Cancer Control (UICC)[1]. I'm also very proud of my international networking activities.
My professional (in the strictest sense) teaching and research initiatives have lead to collaborations on four continents: North and South America, North and Sub-Saharan Africa, Asia (China, Japan and Singapore), Australia and New Zealand, and Europe (the latter mainly related to work with the European Society of Pathology).
As for challenges, the pathologist of the future must be able to understand the mechanisms of disease and to translate new knowledge to patient care.

What advice would you give to anyone considering a career in pathology?
Pathology offers opportunities for research, clinical work, and teaching – so for those who want all three, there's no need to compromise. Pathology is an amazing discipline, and one that plays a pivotal role in clinical medicine and in all of our efforts to better understand disease. It's a profession and integrative discipline and now is an excellent time to join this field.
As a university professor, I believe there are many talented young people joining the profession, but they have a very different mindset. They want to accommodate all the different facets of their life: personal, professional and social – something my generation was not very good at doing. This will mean a clearer definition of their contract roles, as exists in other countries like the Netherlands.

Fátima Carneiro’s team @ Anatomic Pathology, São João Hospital

Do you have any hobbies/interests?
I do not currently have much free time, so I spend it with my family and travelling (bringing my children whenever possible). We have spent great times in Africa, Brazil, US, China and Japan, and many places in Europe (from southern to central and northern). I`m now a devoted grandmother to a baby boy and we are soon to have another addition to the family. I strongly suspect my son and daughter agreed between themselves to have children at the same time, but I’m thrilled at the prospect of having two babies in the family. •

FÁTIMA CARNEIRO

Fátima Carneiro has a medical degree from Porto’s Faculty of Medicine and a doctoral degree from the University of Porto. She is a professor of anatomic pathology at the Medical Faculty of Porto, head of anatomic pathology at São João Hospital and senior investigator at the Institute of Molecular Pathology and Immunology at the University of Porto (IPATIMUP). She was president of the European Society of Pathology, she is coordinator of the Portuguese Network of Tumour Banks and council member of the International Gastric Cancer Linkage Consortium (IGCLC) and the International Gastric Cancer Association (IGGA).
She is renowned for her contributions to gastrointestinal pathology, including research on the molecular pathology of sporadic gastric cancer and hereditary gastric cancer syndromes.

1. IARC (“Pathology & Genetics of Tumours of the Digestive Tract”, 2000; “WHO Classification of Tumours of the Digestive System”, 2010; World Cancer Report 2014; “WHO Classification of Digestive System Tumours”, 2019 - in press)” and UICC (Handbook on “Comprehensive Tumour Terminology”, 2001).

Marc Subirats & Carlos Nueno @ Advance Medical Head Office in Barcelona

TELEMEDICINE AT A TIPPING POINT

Advance Medical is part of the Teladoc Health group, the global leader in the provision of telemedicine and expert medical opinions. Through its virtual health care services, it connects patients to doctors best-suited to help them; making the right diagnoses, developing the right treatment plans and identifying the best facilities for patients to receive care.

Inspirational business plan
Advance Medical was founded in 1999 by Marc Subirats and Carlos Nueno. They came up with the idea while completing an MBA programme at IESE, Barcelona. The pair put together a business plan for an entrepreneurship class which was then selected as one of the best business plans. A year later Marc and Carlos left their jobs and set up the company from scratch.
In 2018 Advance Medical was bought by the American telehealth giant Teladoc, that intended to grow its global market outside the US – into Europe, Latin America and Asia Pacific – and deliver a virtual care service in 20 or so languages. Today the company is a global virtual care leader with offices in eight countries and over 500 doctors providing services in 125 countries.

Using technology to access medical services
It's widely acknowledged there's a long-standing problem with our current health insurance models – whether private, public or mixed systems – all critically impacting each country's economy. Costs as well as demand are rising and there's a shortage of doctors. Often in a normal consultation, most time is spent gathering the patient's clinical history, reviewing and updating information, listening, interacting and assessing the best treatment options. Technology can make consultations easier and faster. Telemedicine is already being implemented in some countries as a way to save costs, reducing hospital waiting room numbers and enabling doctors to spend more quality time with their patients.
Telemedicine is also starting to play an important role in making it easier for patients in remote locations, with disabilities and/or mobility difficulties, even the ageing population, to access medical care. Marc opines: "Imagine if you're living in a remote area without access to doctors. With telemedicine you can talk to a doctor 24/7 from the comfort of your home or when abroad on business. You can ask a doctor any health question – from minor issues or injuries to critical cases – and secure the opinion of a global expert that speaks your language, understands

your background/culture and can relate to your situation."
The industry is at a tipping point and technology is helping create new ways to deliver healthcare services. Advance Medical is investing heavily in technology to build scalable platforms that can support high volumes of patients using their telephone/mobile app platforms and health portals. It's also investing in recruiting the best medical teams & clinical expertise.
"In the end, on top of having a nice app with nice technology, what's important is the doctor you're talking to has the right medical training and experience follows the right protocols and can access the right information in order to answer your question correctly."

Supporting public healthcare

Telemedicine can equally contribute to the efficiency of the public health system, as an average of 60% of patients who use telemedicine will not need to go to emergencies. Due to the increasing amount of work and volume of patients, doctors tend to have less time to spend with patients. Marc continues: "In Europe today, a public health doctor may need to visit six or seven patients in one hour. Telemedicine can help triage, assist patients, and make improvements in the area of emergencies.
The company has also been licensing its technology and telemedicine services for wider public use in some countries and developing specific projects such as a recent one in Spain which was successfully used with oncology patients.
However there are still sceptics who say telemedicine cannot replace that face-to-face experience. Marc replies: "We agree, but people need to understand telemedicine is not replacing, it's complementing and helping to improve the healthcare system. It exists because patients and doctors like it. Our doctors love telemedicine - they see it is a much better and easier way to help patients for some cases."

Clients

In the beginning, Carlos states: "The biggest challenge was to find the right model for what we were doing. You can have great technology and medical support, but you need to find a way to finance the model so patients can benefit from it." Marc and Carlos developed a model that was accepted and covered by employers and health insurers: "The patients we're talking to are not paying for the service - it's covered by health insurers or employers."
Advance Medical and Teladoc work mostly with insurers and big employers. In the last years, there has been a big increase in multinational clients - companies looking to looking to cover the health needs of its international employees. "Companies must ensure employees are secure when travelling and/or working in foreign countries and give them access to the right medical services, " says Carlos. "This is something that will continue to grow in the future."

Connecting virtual doctors with patients

Carlos continues: "Our database comprises over 50,000 experts with more than 450 specialities, allowing us to identify and review the best care whenever we have critical cases. Last year, more than two million people downloaded our mobile apps to do video consultations or telemedicine through their mobile telephone. This is 24/7 global virtual care."
Marc and Carlos are clearly passionate about their lives' work and Advance Medical's mission to help patients make better decisions, and are adamant the company can meet its goals through a combination of technology and an outstanding team of healthcare professionals working together to provide the best service and care for their patients.

The future

Advance Medical believes telehealth will increasingly grow in the future and as the industry continues to expand, new technology tools and solutions are being developed and in some situations, artificial intelligence is already helping doctors to screen cases. Marc concludes: "Artificial Intelligence gives us access to in-depth data and information, ensuring patients and doctors have the best insight they can. When this sophisticated technology is given to talented, engaging physicians, it can only deliver further benefits and when accessed by patients, it will change their healthcare experience." •

A SUCCESS CASE

A patient, a 37 year old female and mother of 2 kids, who lives in Dubai, went to the doctor after having recurring pain in her right eye. Her ophthalmologist found a retinal mass with localized retinal detachment in the left eye. After further tests performed by the treating team in Dubai, Laura was diagnosed with Choroidal Melanoma. This is a rare type of cancer with a high risk of loosing the eye.

Advance Medical assigned one of their Physician Case Managers to help Laura to gather all the relevant medical files. In one day, a comprehensive clinical summary of the case (including images and scans) was sent to two leading international doctors in ocular oncology, one based in Boston (United States), Professor at Harvard Medical School, and the other based in Oxford (England), Consultant Ophthalmic Surgeon at the Oxford Eye Clinic.

Both experts confirmed the diagnosis of Choroidal Melanoma and identified 2 medical teams in Boston and Liverpool that where currently conducting successful treatments for this very rare type of cancer combining Surgery and Proton Beam Radiotherapy.

ADVANCE MEDICAL

Unrivalled services

- Expert medical opinion
- Expert behavioural Care
- Wider virtual medical support
- On demand global care
- Specialty pharmaceutical management
- Enterprise solutions

Key facts

- **350+** clients
- **900** employees (including **350+** general practitioners)
- **35,000,000** covered lives
- **50,000** experts
- **125** countries and more than **20** languages in-house
- **8** global offices

ARTIFICIAL INTELLIGENCE: THE NEW PREVENTION TOOL

As technology continues to develop at an increasing pace, it's becoming an invaluable tool for those working within and accessing healthcare – professionals, companies and patients.

BY **GUILHERME SALGADO**,
3778 HEALTHCARE

Everyone's talking about Artificial intelligence (AI), yet globally it's looked upon with a mix of wonder and dread. In order to prepare for AI and use it in the best possible way, we need to adopt some critical thinking.

The theory behind AI began in the 1940s, meaning we're discussing a technology that has evolved over the past 70 years. AI is defined as 'a computational model that simulates an intellectual task'.
In general, AI is an excellent tool to categorise and perform predictive tasks. In academic terms, AI is a subdomain of computer science and like so many other areas of knowledge, it has many disciplines. One of the most prominent is machine learning.

AI applications are successfully used in a number of human endeavours, from games and simulations to credit analysis. Nobody can now doubt its relevance.
Since the advent of AI, much has been discussed about the future of work, professions, customs and even humanity itself, and this technology has prompted a spread of negative rather than positive ideas.

I'd rather liken AI to being a 'glass half full'.
For example, within the healthcare sector, we know that 40% of a professional's time is spent on bureaucratic tasks. In the meantime, patients are waiting in need of care.
AI gives us more time to deal with what matters most: human beings in need.

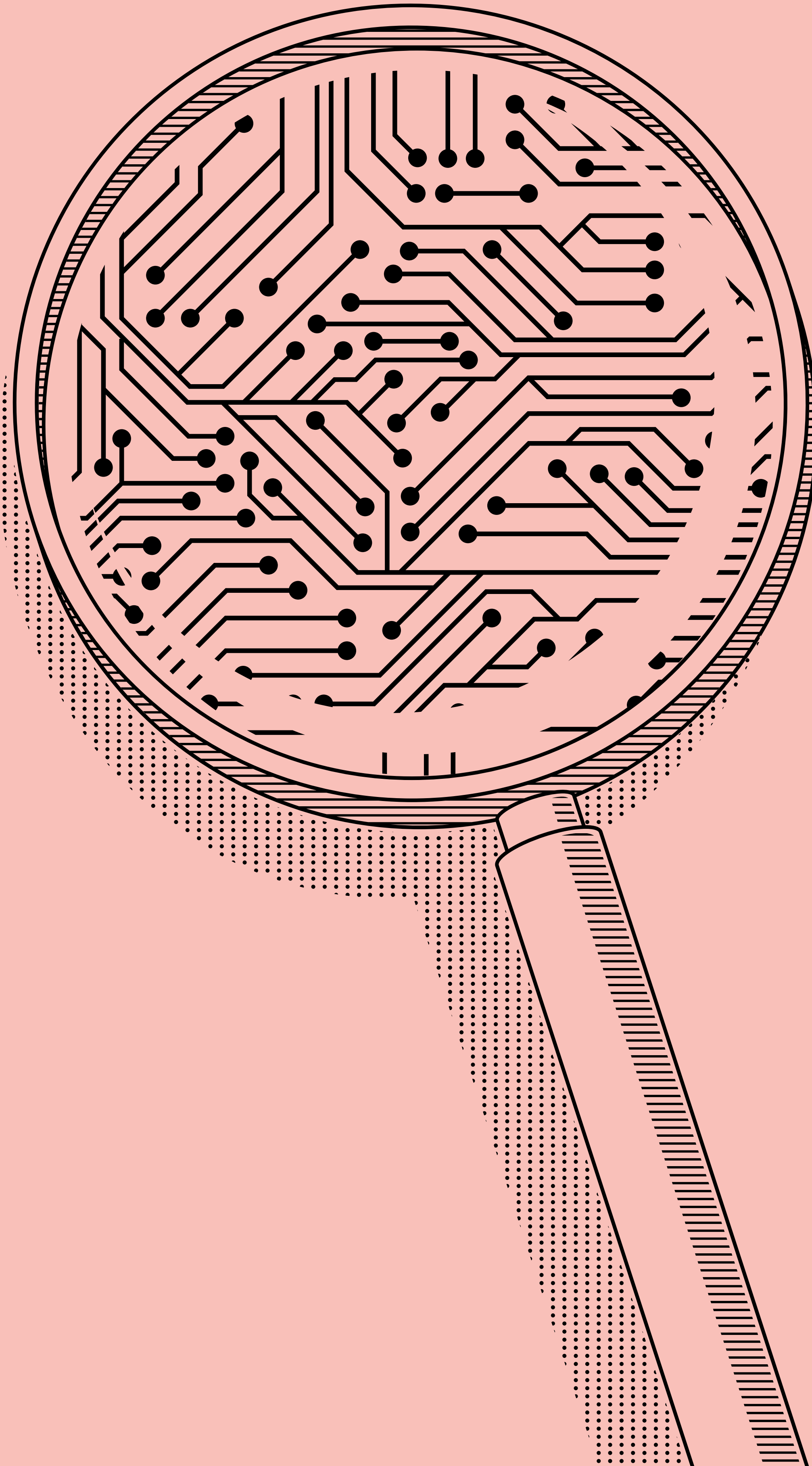
Several models are already safely and successfully used; one technology, for example, identifies skin cancer on a photo taken through a specific lens you attach to your phone camera!
A Google-developed application can run over 50 sight-related diagnostics from a single eye examination and a start-up specialising in radiology has algorithms that diagnose lung cancer from a chest X-ray. Imagine the positive impact such applications can have in communities located far away from major specialist centres, communities so numerous in Brazil.

There are other examples of technologies that assist remote patient care: an American start-up uses AI to analyse smart watch data to diagnose diabetes without using a single drop of blood, with 85% accuracy. Even for primary care there are solutions like ADA, a Canadian chatbot that discusses symptoms with users and suggests possible diagnoses with daunting assertiveness.
Whether you consider the clinical, experiential or financial impact, AI gives scalable access to quality health services!

At 3778 Healthcare, we are a driving force behind AI research.
Among the projects we've already implemented is a predictive model for high-risk patients. Based on the health history of an organisation's members, our model predicts and indicates who may become a high-risk patient over the next 12 months. Anticipating possible health events and undertaking a preventative approach could have a huge impact on the health of individuals and populations.
In a clinical context, we have meaningful data which allows us to predict the duration of a hospital stay for a given patient, starting three hours from admission. It's hard to believe we can estimate how many days a patient will stay in hospital and brief whole clinical teams on possible complications and areas that demand attention.

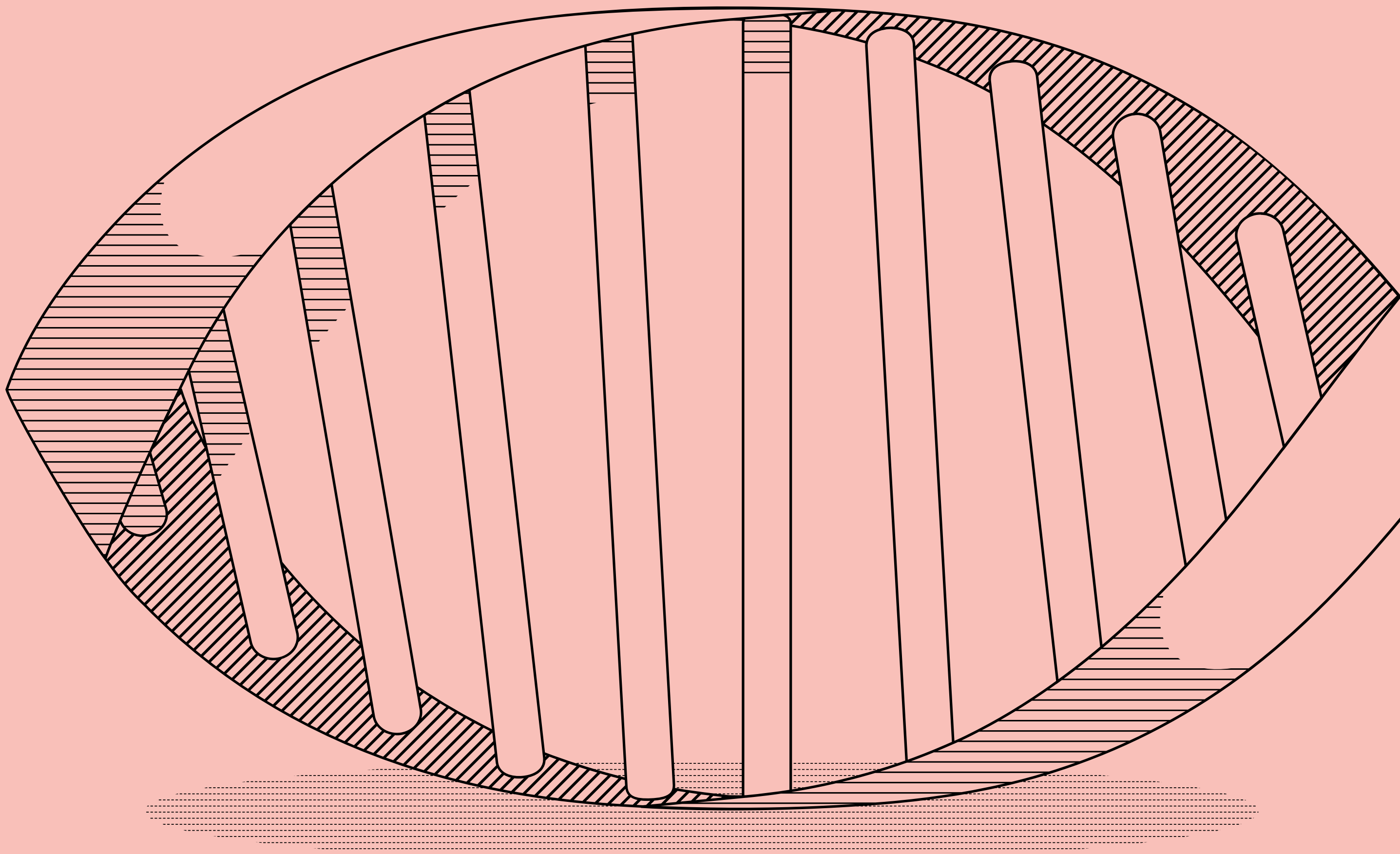
No less challenging are some of our new projects. The first is a joint project with Latin America's largest public radiology service, where we use neural networks to estimate brain age through magnetic resonance imaging; forming a basis to predict the onset of dementia. Another is a system of predictive algorithms to increase patient engagement, tailoring and advancing recommendations and continually learning better ways to relate, taking into account patients' preferences and clinical needs.

Amidst the hype however, there is need for a word of caution: AI isn't always the best tool for every situation, even when it's analysing or classifying statistics within a large data set.
Technology does not drive innovation. A restless, questioning mind leads to new solutions – and we sometimes reinvent old tools to deliver these.
Cutting-edge technology can make us soar, true. But the desire to fly must come from within ourselves. •



GUILHERME SALGADO

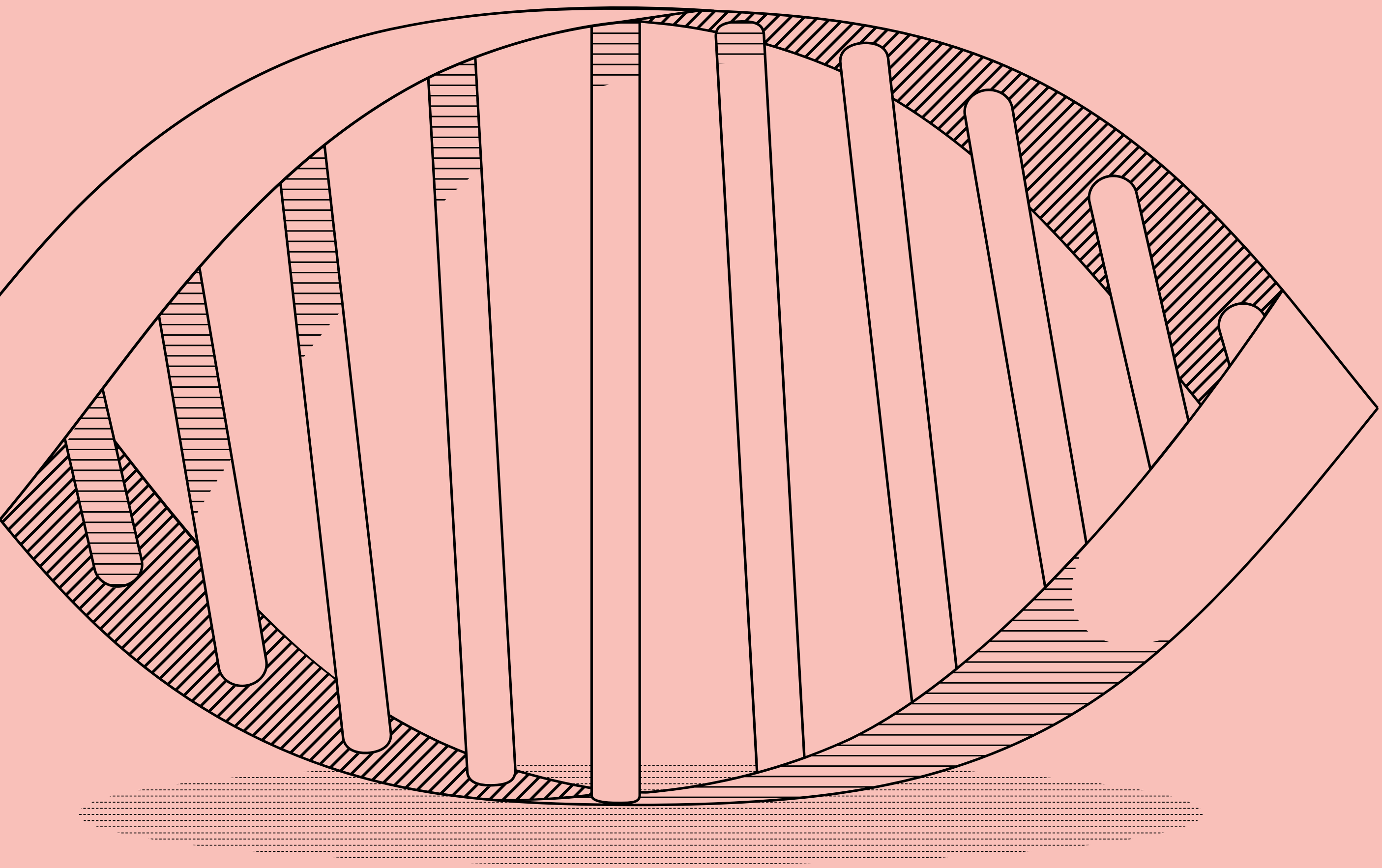
Is a medical doctor in Brazil. He graduated from the Universidade Federal de Minas Gerais (UFMG / Federal University of Minas Gerais), with a Medical Residency in Occupational Medicine from its Clinics Hospital and an MBA in Executive Management from INSPER. In the book, Patologia do Trabalho (Work Pathologies), he is co-author of the chapters 'Princípios e Práticas de Promoção da Saúde no Trabalho' (Principles and Practices to Uphold Occupational Health) and 'Tensões por Trocas Térmicas: Calor' (Thermal Exchange-Related Tension: Heat). His extensive professional experience includes working as associate consultant at Rene Mendes Consultoria, consultant to the International Labour Organization, benefits superintendent at Safra bank, consultant to the Health Cesar Institute, new business consultant at Sírio-Libanês hospital and head of business development at Kunumi Artificial Intelligence. Guilherme co-founded TEG Saúde and is ceo at 3778 Healthcare.



IMMORTALITY: FACT OR FICTION?

Having read articles discussing how there's a strong possibility mankind will conquer its oldest and ultimate battle – that against death – FULLCOVER talked to one of Portugal's most renowned genetic scientists, Maria do Carmo Fonseca, about her views on this and other matters concerning medicine in the future.

Precision not genetic medicine
Her first point is to make it clear the expression 'genetic medicine' is incorrect. According to Professor Fonseca, the proper term is 'precision medicine' - a concept developed by the current director of the National Institutes of Health in the United States, Francis Sellers Collins. This clinical geneticist believes a greater understanding of the human genome will result in a new way of doing medicine, which he calls, 'precision medicine'. It allows us to identify what's chemically wrong with our body and causing disease, with a precision that has up until now, been unavailable. Such knowledge allows us to use medication that prompts the right molecular alteration, which, in most cases, results in a genetic change. So genetics underpins precision medicine.
Precision medicine will not resolve every health problem, but it is already saving lives, as is the case of cancer, for example. As cancer is a disease that results from genetic alterations, the knowledge the scientific



community is gaining about the cancer genome has led various scientists to develop methods to attack that molecular change.

Old battles, new techniques

New techniques for diagnosis, such as liquid biopsy (blood analysis), give us an insight into molecular changes. Professor Fonseca cites an example: “Here in the hospital we’ve had cases of patients with advanced breast cancer who had already exhausted all the available treatments. We did a liquid biopsy, which allowed us to detect specific alterations that could be treated with an alternative medication, which was tried with positive results. Liquid biopsy demonstrates the advantage of precision medicine.”

When it comes to eradicating cancer, she’s optimistic: “Although there are those who say we are losing this battle, I don’t agree; we’ve been winning more and more battles. We’re able to treat a growing number of cancers and keep people alive for longer periods of time. I believe we’re going to see new victories; immunotherapy is a new weapon we already have, which consists of teaching our own immunological system to destroy cancerous cells. And then, more radical is the idea a person can live forever without their body, linking biology to the machine…”

Biology vs technology

Will human beings attain immortality, as the doctrine of transhumanism teaches, foreseeing the end of death? Professor Fonseca answers by saying that although we keep ageing, we are already adding years to our lives, and the major challenge now is how to prolong youth:

“The scientific community and great thinkers are convinced that during this millennium, humanity will succeed in attaining immortality. The *how* is still a big question mark; there are two approaches and we don’t know which one will be the first to win the race, or if they’ll arrive together.”

Professor Fonseca believes all the different specialisms should join forces – biology, related to our ability to make genetic changes, engineering, robotics and artificial intelligence: “Currently, technology is advancing faster and I find the reason for this fascinating. Everything technological is built and controlled by human beings, and we know all the variables. In biology, we try to manipulate and control something that evolved over millions and millions of years - the human body- and this has so many variables it becomes impossible to foresee the consequences of manipulation. All the experiments undertaken in this area demonstrate this is something extremely risky. That’s why it appears to me, the technological part – modifying our body with devices we manufacture and control - will advance more rapidly than a biological transformation.”

But then, we ask, will humans achieve what they have always sought - to be immortal? Professor Fonseca’s answer is clear: “We’re working in that direction, but it’s a matter of time! The type of ‘help’ we’ve already been able to give the human body will certainly keep us more active and enable us to do more for longer. For example, we'll replace our eyes with sensors and our legs with prosthetics that run faster etc."

What about the role of ethics? She agrees this subject is going to raise completely new issues for ethics and risk management: 'Suppose someone wants to amputate their legs; there's no health problem, but they want to do it to become a top runner achieving the best performance possible. Is this acceptable? And how will we deal with the risk involved in this type of intervention?' Professor Fonseca then suggests that instead of using our hands to work computers and mobile phones, we'll implant chips in our brain and use our own brain to directly control the computer or smartphone.

A new approach – proactively preventing disease

Today we talk about physical and chemical biosensors that will enable the early detection of 'defects' in our body, warning us to the probability of contracting disease and allowing us to take preventative action. Professor Fonseca agrees this area is rapidly expanding: "There's already a number of devices that give us detailed biological information about our body – our heart rate, blood pressure and temperature are a few examples.

The big question is, how are we going to translate this information into something useful? This is where artificial intelligence and big data come in. In order to associate certain patterns of change with a set event, such as the appearance of diseases, we need a history of and data on many people over time. When we have this information, we'll be able to prevent diseases. Here too, we're talking about technological development."

But none of this will be possible without the active involvement of people who are willing to use sensors and share their data during their lives, helping scientists identify and analyse patterns. She comments: "People will need to participate in the health discovery process and we have to think about how we can find incentives for them to do so."'

Professor Fonseca acknowledges insurers have a very important role in this process, both in promoting campaigns for good life styles and rewarding customers who have positive health indicators.

The future's here today – for everyone

Will the general population have access to this new medicine or can only the rich become immortal? Professor Fonseca believes the latter will be unacceptable, and in the same way mobile phones and then smartphones are now generally used, there'll be strong social pressure for these advances in medicine to cross divides and become widely accessible. If they don't, we risk a social breakdown. The great advantage of shared information is that if someone is able to be immortal, everyone will know about it.

Professor Fonseca leaves a final message for FULLCOVER readers: "It's essential the general population's prepared to face the new world technology promises us. We cannot however allow ourselves to be dazzled by innovation; we must promote a critical spirit of analysis, because many will come to nothing. The educational system should not be so focused on information, but rather on developing the students' capacity for critical thinking, stimulating them to compare and analyse the benefits offered by an innovation, alongside the risks involved. It's essential to open up a debate on these subjects, but a debate based on reasoned arguments and not thoughts. With the proliferation of blogs and opinion leaders, more than ever we need arguments based on scientific facts, because we're going to be confronted with a world that's increasingly technological. And this isn't five or 10 years down the road, it's already happening. We must act quickly, because the future's already arrived, it's here now, today." •

MARIA DO CARMO FONSECA

Is Professor at the University of Lisbon Medical School and President of the Institute of Molecular Medicine João Lobo Antunes (IMM). She is member of several scientific organizations such as the European Molecular Biology Organization and the Portuguese Academy of Sciences, and she is editor for the Journal of Cell Science and the RNA journal. She currently chairs the Scientific Advisory Board for GenoMed, a spin-off company of IMM dedicated to molecular diagnostics. She was visiting Professor at Harvard Medical School (2011 to 2013), and Director of the Harvard Medical School-Portugal Program (2009 to 2015). She has received the Comenda Ordem de Sant'Iago da Espada Distinguished Career National Award (2001), the Iberian DuPont Science Award (2002), the Gulbenkian Science Award (2007), Prémio Pessoa National Award in Arts, Science and Culture (2010), and Prémio D. Antónia Ferreira Portuguese award for Entrepreneurial Women (2013). Professor Fonseca has authored more than 150 scientific publications with a total of approximately 10 thousand citations. Her lab is known for studies on RNA biology. Her work has contributed to a better understanding of how perturbations in RNA metabolism regulation contribute to genetic diseases, including cancer.

THE INTERNET OF THINGS

Although everybody may think the term the 'Internet of Things' (IoT) is a novelty, in reality it was first used publicly in 1999. Kevin Ashton, a Procter & Gamble executive, used it in a speech to explain ways to manage the company's product distribution, discussing attempts to somehow connect physical packages to the Internet.

BY **CESAR RODRIGUEZ**, AXISMED

Put simply, the IoT is defined as a gigantic network of 'things' (including people, buildings, cars, airplanes etc) interconnected individually or collectively. Such a network allows any object to generate useful information and share it in real time (or with some latency) with other 'things' or people on the network (wherever they access the Internet). With this information, people can make concrete decisions about problems or needs immediately.

Let's look at a real example so we can put the theory into practice. The IoT currently allows an enologist at a wine lab in Barcelona decide in real time whether to generate more humidity in the soil of an inland Australian vineyard where the next harvest is growing right now.
At present we're witnessing the start of many transformations the IoT will bring to the world economy and existing social structures. It's safe to say we haven't seen 10% of the transformation it will bring into our lives over the next 20 years! Specialists agree that in the coming years, artificial intelligence and the IoT will accelerate a radical transformation in our society. These changes will be the most profound in the history of mankind, well beyond the Internet or industrial revolution or the invention of writing.
But what kind of an impact will it have on the insurance industry? The IoT will be crucial to maintaining competitiveness and efficiency. It also presents a massive growth opportunity for the industry, helping to define new business models with greater flexibility, better suited to individual customers. Some insurers can already change your car insurance premium based on your driving profile (pay as you drive), relying on information transmitted by a sensor built into your car. It monitors your driving time and speed, and whenever you brake sharply. The same already happens with health care. Connected devices enable us to see just how healthy a patient's lifestyle is, basing the premium on this (pay as you live). Insuretech companies are now a reality and unless traditional players speed up their digital transformation processes, they will miss out on new opportunities.

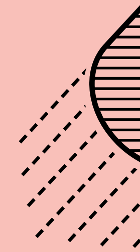
But the IoT also raises a big question: how invasive is it of your privacy? Will our entire lives fall under surveillance when people, and everything we use day-to-day, exchange information about us and our families? Who will hold such information and how will they use it? We need to properly regulate the use of personal information floating around the networks and with the IoT becoming part of our lives, we need a new legal and ethical framework for this digital world.

The dawn of a new era
We are merely at the dawn of a new era. GSMA data forecasts show that in 2025 there will be 25.2 billion 'things'" connected across the world and we will have communications networks with capacities exceeding fibre optics or 5G. This will make the dream come true: smart cities, planes that fly themselves, control over food growth and weather to fend off storms and protect agricultural operations, or to generate rain over drought-afflicted regions, smart vehicles to predict accidents and chip implants to detect health issues. In short, new social, business and lifestyle models we don't yet know. •

CESAR RODRIGUEZ

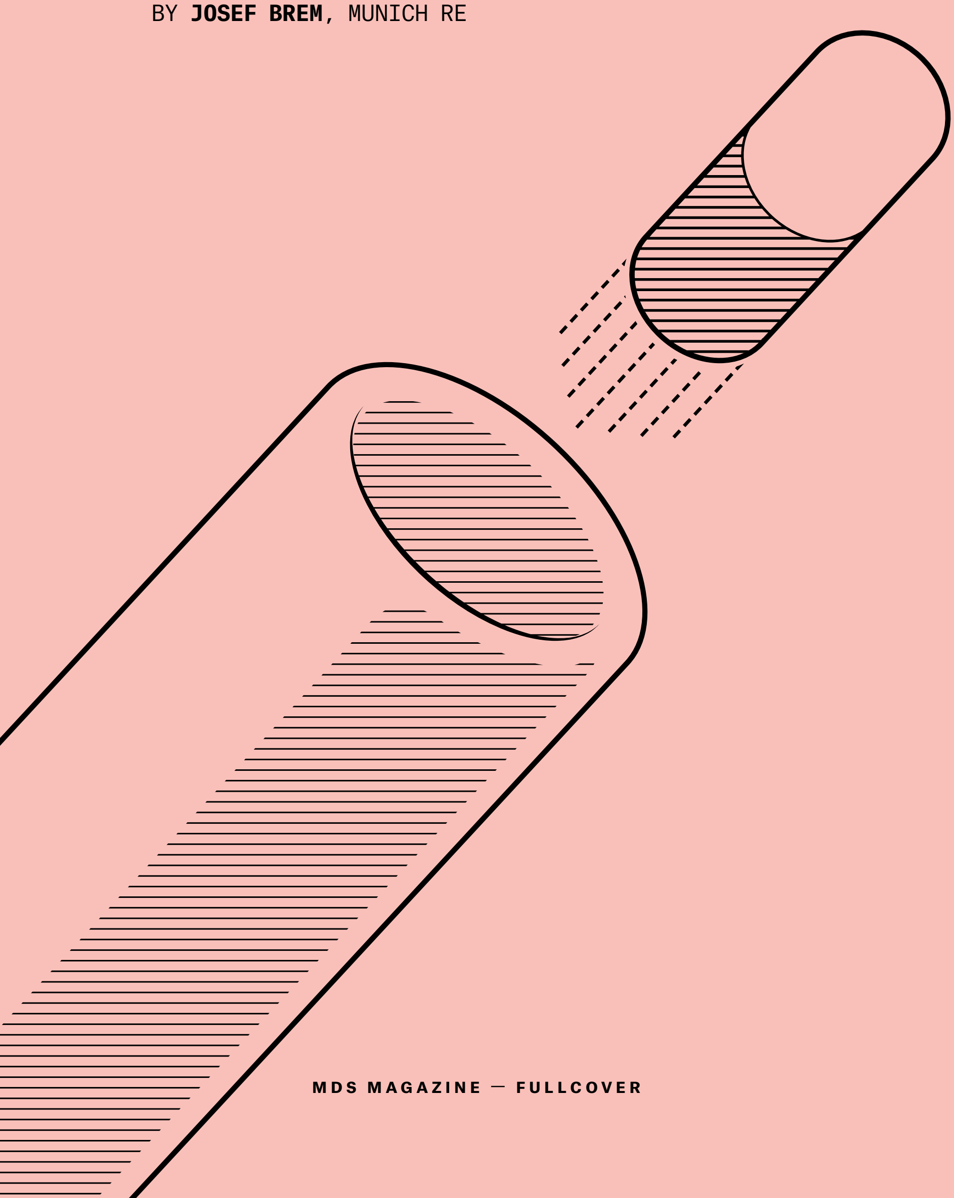
Born in Barcelona in 1975, Cesar Rodriguez is a telecommunications engineer with an MBA from the ESADE Business School, and a diploma from the Advanced Management Programme at the Kellogg Business School. Much of his career has been with Grupo Telefónica, where he has spent 10 years as an executive in several digital development roles in Spain, Colombia and Brazil, and in the Corporate Global Division. He is ceo of Axismed, a Grupo Telefónica affiliate, focusing on developing more efficient health management tools for the wider population. Cesar speaks Spanish, Catalan, English and Portuguese.

AGEING – A CHALLENGE OR THREAT TO PRIVATE HEALTH INSURANCE?



An ageing population is doubtlessly one of the trends having the greatest impact on Western society, both at a demographic and a socio-economic level. Portugal and Spain in particular are being affected by an ageing population and research suggests both countries are close to Japan's average.

BY **JOSEF BREM**, MUNICH RE



Japan currently has the most aged population in the industrialised world with one in four people predicted to reach 100 over the next 20 years. There are however, a number of aspects to consider in order to better understand the causes of longevity and its context – for the insurance sector and the insured.

Firstly, do we live longer because we are now fitter or because our health has improved significantly? These factors are certainly contributors. On the one hand, we're more aware of health and well-being; and this is something that will continue to grow. On the other hand, there's a growth in the number of people with diseases, mainly chronic ones, being cared for by the public and private healthcare systems. Our bodies are similar to machines; the greater the investment in maintenance, the longer the lifespan. In short, we will be able to live longer if we maintain fitness levels and care for our bodies.

In this context, we should be mindful we're ageing in an ever-changing and complex environment. Medical, technical and pharmacological treatments are progressing rapidly

JOSEF BREM

Holds degrees in English Literature and Business Science from Regensburg University, Germany.
He has worked for Munich Re for already 33 years, both in London, Munich and Madrid in various functions. Starting as a Casualty Underwriter for the London Market, he headed the Casualty Underwriting in Madrid for more than 12 years. For another 7 years he headed the Capital Management Unit in Madrid and for the last 6 years he is Director of the Centre of Competence Health for Spain, Portugal and Latin America in Madrid.

and increasing life expectancy. Such developments however, result in higher costs for health service providers, and the impact of spiralling medical inflation creates greater sector uncertainty and concerns for the sustainability of the current business model.

Technology is similarly changing the traditional relationship with the insured. E-Health or Digital Health embraces a wide range of new concepts and tools, redefining the parameters of healthcare provision, and, quite probably, the business model as well. Identifying what developments will have the biggest impact –mainly for the eldest of the population pyramid– poses one of the biggest challenges and investment risks for the sector. Upon reflection, rather than wait to see what happens and then react, would it not be better to disrupt the traditional business model?

As I see it, the position our sector currently adopts regarding the ageing issue is still defensive; waiting and gradually adapting to changes in order to avoid little-known future outcomes. The reality is, as the policyholder ages and cost of healthcare service increases, it impacts on the premium cost. In order to continue to be able to afford health insurance cover, policyholders turn to cheaper insurance that offers more limited benefits. This dilemma illustrates the clear imbalance between the value we add as a sector and how we meet the needs and expectations of this part of our population. Our solutions do not seem to be completely satisfactory for our eldest policyholders.

In light of these factors, we should focus on changing some of the widely-accepted business practices, particularly for this ageing segment of our population. Policyholders are ever more independent in their decision-making, they're better informed and, above all, more aware of their health. The insured, or patients, want to get actively involved in the decision-making process, they want to be offered –through new technologies– access to doctors' contact information and they want to be supported with self-care and have their specific age-related needs met.

Prevention is also a key to successfully manage the risks associated with ageing. For every Euro invested in prevention, the public health system estimates it will save around 25€ (Dr Carles Blay, at the 10th insurance leaders meeting, Barcelona: ESADE / Medical School, UVIC, 2 October 2018). A continuous medical follow-up for elderly patients is a vital component of prevention so it would be advisable to strengthen the role of the general practitioner to that of a 'managing doctor'.

Our traditional approach to insuring elderly people fails to appreciate their overall well-being or social influences. Such is our focus on treating a physical problem, we fail to consider their emotional well-being. A doctor, for example, may focus on treating high cholesterol, but not pay attention to that patient's environmental or social influences. Emotional well-being is crucial for everyone, particularly ageing people. By having a general practitioner as a 'managing doctor', it would result in a closer patient or insured relationship, a greater focus on prevention and fewer physical issues. We currently have the tools and the technology to do this; it's basically how we approach it.

In addition, public and private healthcare providers must work more closely together. This ageing phenomenon challenges both health systems and society as a whole. It is therefore vital to collaborate more, particularly as the private sector will need to provide cover and services after people retire.

The ageing trend in Portugal and Spain is unrelenting and although the traditional concept of health insurance is facing important challenges, medical advances and technological developments –along with a greater emphasis on prevention and well-being– will open new windows of opportunity. Furthermore, a high percentage of our elderly population holds considerable purchasing power – this should encourage all sector agents to adapt their offer to meet their needs.

Looking at our current policies, we could extend them with new service concepts (maybe franchisees), focus more on emotional and well-being care or introduce the 'managing doctor'. Such elements would add value to the core proposition for this section of the population. And last but not least, it will improve our relationship with the elderly so it becomes less transactional and more humane. •

IS THERE ANY FUTURE TO HEALTH INSURANCE?

The question points to the major upheavals coming to the health insurance industry. Societal megatrends, the promise of new technology, shifts underway in healthcare, technological leapfrogging by developing countries, regulatory shocks and many other disruptions are reshaping the health industry at an unprecedented pace.

BY **JEAN-LOUIS DAVET**, VYV GROUP

Population aging, increased healthcare expenditure, rising inequality contributing to global instability are among the major societal trends with expected far-reaching economic and socio-political consequences.

The convergence and combination of new technologies and scientific progress is reshaping the health care system and the health insurance sector.
Genetics allows the identification of genetic predispositions for certain diseases. Gene therapy, the design of personalized treatments. Nanotechnology holds enormous potential with its promise to optimize the precision of drug delivery. In the cognitive sciences, research on brain-machine interfaces, which decode physiological signals from the brain and convert them into outputs, already enables the restoration of bodily movement and function. Quantum computing, which opens new possibilities in data processing, accelerating the process by a million-fold or more, could provide breakthroughs in many disciplines, including drug discovery and artificial intelligence.

Shifts in the healthcare system toward patient-centred and outcome-based delivery models rely on patient empowerment and connected health technologies. The patient's growing power, thanks to unprecedented access to health information and the need for an overhaul of the patient-provider relationship for active patient involvement, is creating new models of care that lead toward more holistic and preventative medical care. The availability of massive volumes of health data has laid the foundation for personal data-intensive processes, which makes data privacy and ethics highly pressing concerns.

Regulation and ethics at stake in the insurance industry
With the globalization of the sector, we observe trends converging worldwide into prudential measures for insurance and reinsurance. The triptych Data-Algorithm-Machine is about to destabilize our anthropological, societal, legal, and ethical frames of reference. The developing, but not yet harmonized, regulation of personal data protection will reshape the way in which data is handled in healthcare and in the insurance industry. Even if the benefits of personal genomics are evident, they do raise ethical, legal and social issues, knowing that regulations on the use of genetic information are not yet standardized across the world.
New competitors are disrupting the health insurance industry: non-traditional operators, whose business and products leverage technologies such as analytics, artificial intelligence (AI) and the Internet of Things (IoT), break with sector business processes across the entire value chain.
New forms of work and economic organization, new communities are reshaping traditional insurance markets, opening up new market segments such as peer groups or interest communities. For example, Facebook counts more users than the population of China, Twitter twice the population of the USA.

Is there any future to health insurance?
Yes, there is. But it is less clear for health insurers... There may be much more accurate health risk assessments, but risk could still materialize, so uncertainty remains. Progress in Epigenetics has proven that external, environmental and behavioural factors affect gene expression, debunking absolute genetic determinism.
Insurance companies must go beyond quantifying and pricing risk, from a curative business model based on reimbursement to more preventative and personalized offers: developing non-insurance offerings such as healthcare services and prevention programmes as a way to change the relationship with their insurees, from short-term transaction to long-term partnership, aiming at improving their health outcomes and behaviours.
The health industry should be able to seize business opportunities. With increased globalisation, international private medical insurance registers an annual growth rate of about 11%. Generating and influencing new communities of interest and making them into new markets and distribution channels might also be future marketing opportunities for companies and brokers.
Insurance companies could also be part of the healthcare system, operating healthcare facilities in an holistic approach to the patient-insuree.
Prerequisite to the future of the health insurance industry is adopting an ecosystem perspective focused on consumers' needs and addressing health determinants. Insurers must build a platform strategy with IT interoperability, acting as gatekeepers to their customers' needs, because ownership of a customer relationship is the only way to reduce the risk of disintermediation by other stakeholders.

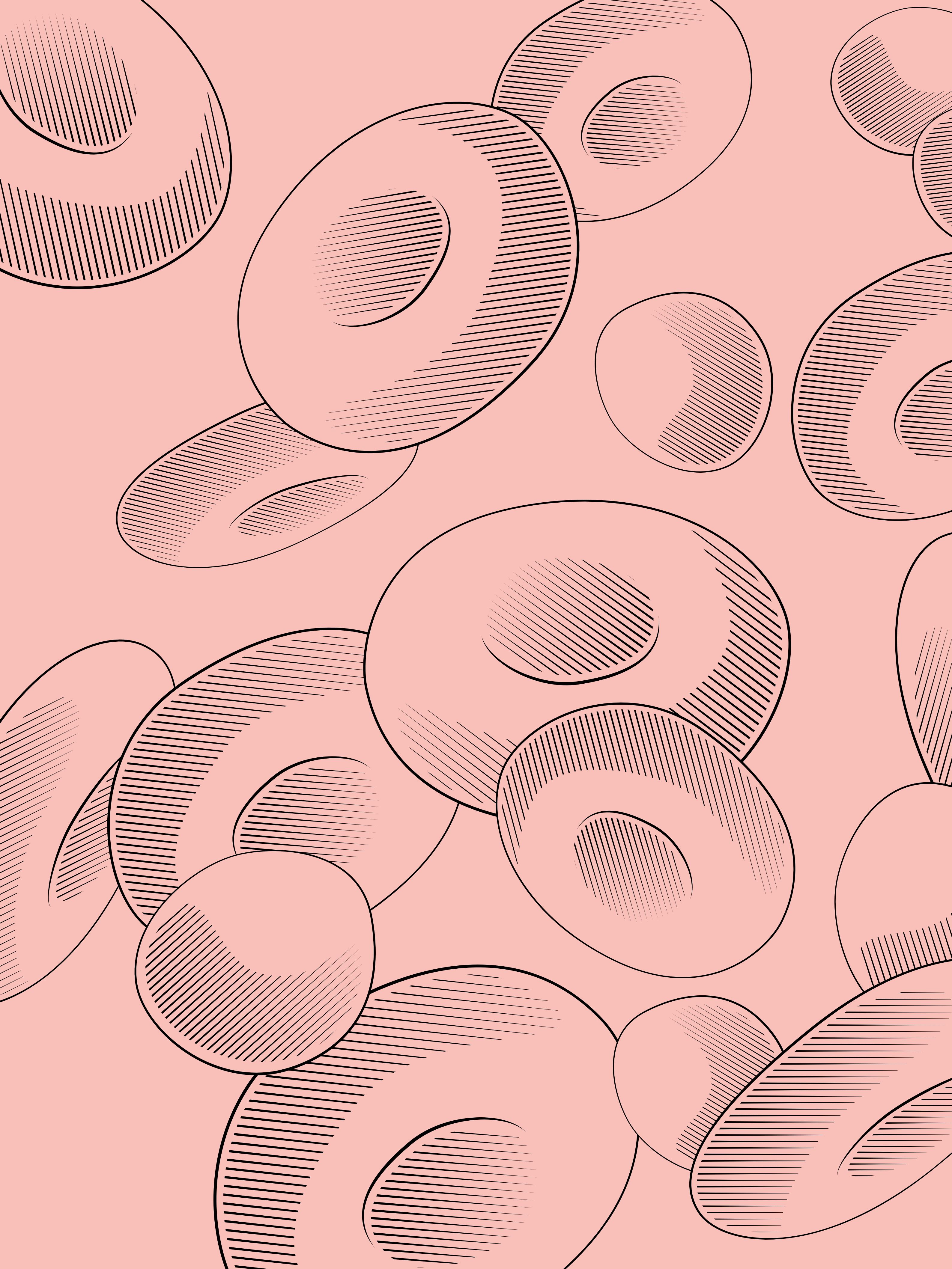
The health industry has entered the age of data
New tools and analytics, giving companies and brokers a much deeper understanding of their customers, will allow the delivery of an enhanced customer experience, resulting in increased revenue and improved customer loyalty. To turn collected data into a valuable asset, insurers must break down data silos, connect disparate databases, organize data governance and consider algorithmics as core business. Insurers have to strengthen trust and invest in data privacy & AI ethics because if there is no trust there will be no business. Therefore data protection in the health insurance industry is crucial for the sustainability of the sector. •

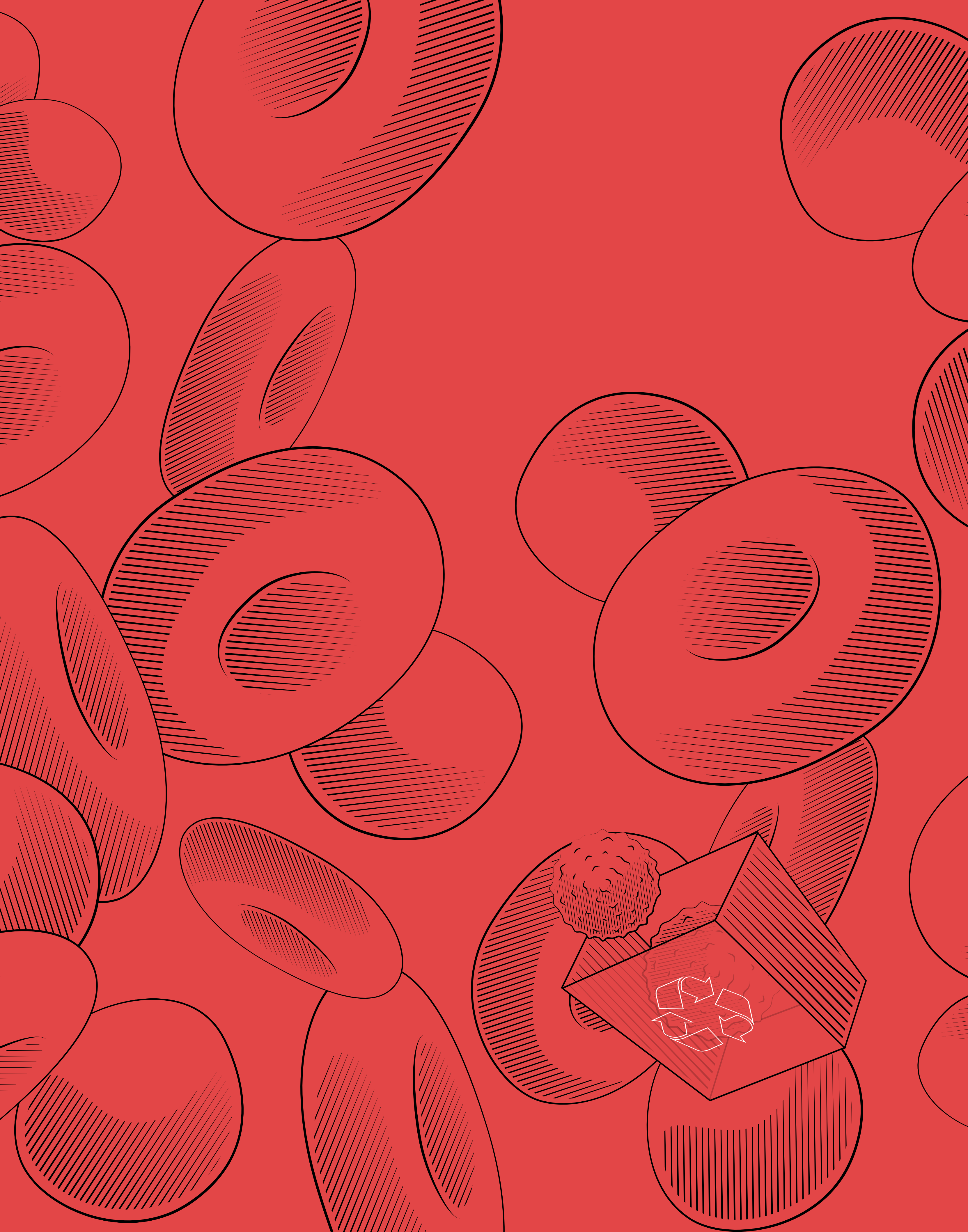
JEAN-LOUIS DAVET

Is deputy CEO of VYV, the largest French health insurer in France, covering more than 10 million people (15% of the population), operating more than 1000 healthcare facilities. Jean-Louis has been the initiator and leader of the group's digital transition, data and platform strategies.
He has also served as VP of ICMIF Board (International Cooperative and Mutual Insurance Federation) and President of the Health Committee of the Insurance Development Forum.
He has been the main driver in the implementation in France of the new EU prudential framework for the insurance industry (Solvency II) and in the development of the mutualist model of health insurance in China.

THE GROUP VYV

French leader in health insurance and services, the Group has developed an ecosystem strategy addressing major health determinants and covering a large range of their customers-patients-residents--insurees' needs.
They have implemented health education programmes including physical activity, exercising and sports adapted to all ages and health statuses. They also developed a service marketplace for their insurees. VYV operates a large network of healthcare facilities in various medical specialties: medical and rehabilitation centres, hospitals, clinics, dental and eye clinics, residential care homes and nursing homes for the elderly, psychiatric institutions and centres for people with disabilities.
Additionally, they own nationwide optical and hearing aid centres, pharmacies, medical transport agencies, medical equipment stores, funeral service agencies, networks of in-home care services and in-home nursing care services.
They have made investments in social and student housing, and innovative projects related to smart, healthy and safe homes and smart cities.
To act as a true ecosystem player, VYV builds partnerships with, and invests in, operators from other industries.





White Labelling

Expertise and Speed to Market

by **César Silvestre**
Beazley

Developing a new insurance product requires both a serious investment and deep product expertise. For many insurers this high barrier to entry deters them from expanding their product portfolio. However, reinsurance backed 'white labelled' products, which have been popular in the US for many years, are generating interest from insurers across Europe, in particular for products such as cyber insurance aimed at SMEs. César Silvestre, Specialty Treaty Underwriter at Beazley explains how 'white labelling' products work and the benefits they offer.

What is white labelling?

White labelling in this context, described in a very simple way, is the process whereby a reinsurance company develops a specific insurance solution, based on their own products, that can be added to a cedant's product offering and branded with the cedant's own name. The reinsurer becomes the risk carrier by reinsuring that book of business, and usually provides claims management services. While not a new practice, white labelling is being adopted by insurers in Europe as a means of enabling them to cost-effectively offer tailored, specialty line products without having to invest heavily in their own product development capabilities. The advantage for the cedant firm is that the reinsurer firm assumes the risk by reinsuring the book of business, sometimes up to 100%, while the cedant retains and manages its relationships with its clients and offers them 'new' products with a reduced level of risk.

For reinsurers, fundamentally, this is a distribution play. Not only do they gain access to new markets, but also to distribution networks and customers that they would otherwise not access such as mutuals and bancassurance groups, where customers tend to be loyal and inclined to buy new products through their trusted, existing insurance company relationships.

Speed to market

An advantage offered by white labelling is that products can get to market more quickly, allowing insurers to compete in their local market place and respond faster to client demand. This speed to market is one of the biggest drivers of interest in white labelled products in Europe as well as the rise in popularity of cyber insurance for SMEs. Since the implementation of GDPR, small business owners are aware of the importance of data privacy management and the role that cyber insurance can play in helping to mitigate this risk – both pre and post a data breach.

Via traditional models cyber insurance product development requires a lot of in-house technical expertise and, in this burgeoning insurance line, underwriting expertise is at a premium. Cyber products are also the vanguard of service-led products, which offer insureds a range of pre and post breach services in addition to financial recompense should a claim occur. Building up relationships and the requisite teams of specialists needed to assist a breach scenario, takes time and financial investment. In addition, the lack of loss history and the fluent nature of cyber risk, make modelling cyber risk difficult. As a result many insurers are currently not able to offer cyber cover – despite their clients demanding it.

César Silvestre

Is a Specialty Treaty Underwriter at Beazley. Focused on developing long-term partnerships with insurance carriers that are based not only on the reinsurance transaction itself but on providing support in new product development to help a carrier grow its business. César joined Beazley in March 2018 from Hiscox, where he spent seven years in different roles including Underwriting with a focus on Specialty Commercial lines. This included underwriting Professional Indemnity and Management Liability. He has worked directly in the Portuguese, Spanish and UK markets and currently has an international focus. Before joining the insurance industry in 2010, César was a practicing Psychologist based in Lisbon and Barcelona.

Comprehensive services

For white labelled products to work well, cedants and reinsurers need to develop a good long-term working relationship. This requires a lot of upfront relationship building where the reinsurer invests time to meet the cedant, their clients and brokers, to better understand their business, systems and product requirement. The two firms then form a partnership and agree the tailored product development in every area from policy forms, through to claims services.

Working closely with the cedant firms, reinsurers will look to embed the product into its portfolio of products. This involves developing pricing structures, underwriting guidelines and supporting marketing collateral, and training underwriters and business development managers where required.

Reinsurers can advise and/or assist with any system technology build out as, typically, the insurance company will need to develop an appropriate platform to host the new line of business.

The reinsurer will also analyse and adapt wordings to local jurisdictions and customs where the cedant wishes to offer cover. This is particularly important in areas where there are restrictions on how and where reinsurance contracts can be applied, to ensure that all parties are operating within the requirements of local legislation.

Areas of focus

The growing demand for cyber and data breach insurance is grabbing the headlines, but white labelling lends itself to the provision of a number of other specialty lines such as professional indemnity, directors & officers liability, employment practices liability and environmental liability. As cedants start to see the benefits of white labelled products they are looking to expand the range of products they offer, and we are experiencing interest across all these speciality lines.

For these partnership relationships to thrive, it is vital that cedants and reinsurers do their due diligence before entering into a 'white labelling' agreement to ensure success and long-term profitability. This includes checking financial integrity, the knowledge of each other's business, and management systems and underwriting controls.

In our view, white-labelling, operated effectively, offers an approach which works well for reinsurers, insurance companies, brokers and of course most importantly, policyholders. It is a tried and tested solution that could transform access to specialist insurance for cedants and their SME clients. •

> "An advantage offered by white labelling is that products can get to market more quickly, allowing insurers to compete in their local market place and respond faster to client demand."

Thriving in the digital age

by Stefano Bellandi
PwC

In order to thrive in our 24/7 digital age, businesses should focus on their service provision and enriching the customer experience. In this piece, Stefano Bellandi, PwC leader for digital transformation in the insurance sector, discusses how the industry needs to evolve.

In the future, clients will increasingly want to buy experiences alongside products; anytime, anywhere and with any device. Clients buying cars for example, want more than mobility; they expect an experience that goes beyond the basic vehicle provision.

As a result, producers are competing to sell an experience. They're moving away from the pure product and embracing other potential collateral elements, breaking down sector barriers to do so. Going back to the mobility example, car producers now focus more on connectivity and services than on their cars' technical specifications.

Bill Ford, president of Ford international commented: "All are saying we will be destroyed as car producers by the digital companies. I affirm that we, as car producers, have to scrap ourselves and develop a completely new business – changing from car producers to mobility service providers."

To be able to sell experiences, different sectors that were completely separated and where every producer was characterized by a specific part of the value chain, now have to join together. Collectively the single elements can offer an experience to the market.

This new phenomenon is called digital disruption, however I prefer the definition of sector convergence.

Digital disruption or rather the potential offered by new technologies: digital, Enterprise Service Bus (a communication system between interacting software), de-structured data base and open architecture (marketing software enabling you to add, upgrade and swap components), etc, will destroy sector barriers, facilitate a new value chain proposition and alter how clients approach us and what they ask us to do.

Continuing the mobility theme, insurers are only one of the stakeholders within this value chain; we're seeing more and more players becoming component parts and contributing to the experience (car producers, financial companies, car sharing companies, telecommunications, etc).

The impact on our world

The impact could be huge on the insurer that fails to view its business as a commodity and integrate within the wider value chain. In contrast, if the choice is to maintain the client relationship, the insurer must become the aggregator of other value chains. This will however, affect all its processes:

Product packaging and pricing
- New packaging to reflect the new services that change the nature of the product
- New marketing and communication
- New pricing approach based on a premium adjustment at the end or during the year (using data/telematics).

Underwriting
New policy issue processes to focus on immediately delivering the service and managing any delay between premium payment and policy inception.

Post sales and billing
- New internal services structure/ processes – providing a real new management function
- Focus on prevention and not reaction
- New structure/processes to manage third-parties; the external value chain components that characterize the product
- New Quality Assurance processes – quality depends on the calibre of the external value chains

Claims (services in the post-sales component)
- New way to prevent and manage fraud
- Proactive First Notice of Loss and claims services, relying more on telematics
- New claims processes reflecting computer science rule-based machine learning.

“In the future, clients will increasingly want to buy experiences alongside products; anytime, anywhere and with any device.”

The insurance market’s reaction

We are starting to see some initial movement with big players either becoming aggregators or commodity producers.

Examples have until now been limited, essentially to increasing flexibility around health care where insurers have a mission, ‘to take care of the client’s health’. ‘Take care’ means prevention and consequently telematics, but also gyms, spas, etc – services that can impact the health of a client.

It is clear technology will be a consistent and fundamental enabler. A large majority of European insurers (86% according to PwC research) are starting to change their core system platforms and the IT landscape in Property & Casualty is ready to support these changes. Insurance carriers are making unprecedented investments in modernizing their policy administration systems and processes.

Those who successfully transform and deliver their policy administration programmes will be the winners, altering the competitive landscape.

This new IT landscape is characterized by:
- A flexible system using rule-based machine learnings and a workflow package that connects to and manages other value chains
- An omni-channel approach able to surf or cope with digital disruption and the needs of a digital client
- A data analytics approach; data enables us to learn and continually improve.

We see in the market, a growing awareness that these elements are interconnected and collective components of larger core transformation. Similarly, more and more of our clients are defining their transformation journey before investing/ starting a large IT project.

This is fundamental to successfully delivering this type of project. Recent PwC research shows that while implementing a new policy administration system is likely to be the largest single project investment a carrier will ever pursue, historically, most projects are challenged, with only a small percentage optimizing their outcome.

The goal of a policy administration programme is not merely to implement another legacy application, but to deliver transformative capabilities to the business.

Only 30% of policy administration projects meet the traditional definition of success in terms of time, budget and scope delivery. And of that 30%, less than one in three realize the full business benefits.

Those carriers that do optimize and achieve this rare level of success will be able to leapfrog the competition, leaving around 70% of projects challenged or likely to outright fail. •

Stefano Bellandi

Is PwC’s EMEA insurance core transformation leader.
Stefano manages one of the largest insurance advisory practices in EMEA – a specialist centre supporting general insurance and life projects in this region. He has over 25 years' insurance industry experience and during this time, has led large-scale transformation projects including the merger of four insurance businesses, creating and managing one of the top insurance companies in Italy, and developing the first Italian aggregator in the insurance and mortgage sector. Stefano has also held senior roles with EY, IMB, Allianz and Andersen Consulting. Stefano has a degree in business administration from the University of L. Bocconi, Milan.

Nazaré's big waves

Surf's up with João de Macedo

FULLCOVER talked to João de Macedo, a renowned and charismatic Portuguese big wave surfer about his career, how Nazaré came to be the mecca for surfing and what it takes to control the staggering power of gigantic waves.

João de Macedo@Praia do Norte, Nazaré (photo: Ricardo Bravo)

Tides and currents, breakwaters and rocks, coral, fog, algae, sharks, boats, nets, flotsam, chemicals, eddies, these are but a few of the risks surfers can run into. With big-wave surfing you also need to cope with the staggering power of gigantic waves.

João de Macedo fell in love with surfing early on and this passion turned into a career on the ocean. João was the first pro surfer from Portugal – and Europe for that matter – to compete in the Big Wave Tour of the World Surf League, finishing among the top five in the 2012/2013 season.

How it all began

The ocean has always been a part of his life. When João was a child, he would spend the summer at his grandmother's house at Praia Grande, Sintra. Here grew his passion for the ocean and the drive to conquer his fears. “I developed a routine of trying to swim beyond the point where the waves broke, overcoming my fear of going out into the water and pushing through the power of the waves.”

He started bodyboarding at the age of seven with a group of friends, which included the future European and world bodyboarding champion, Gonçalo Faria.

The summer of 1989 marked a turning point in João's life and career. At age 12, he bought his first surfboard – a birthday present – at his uncle Pedro Martins Simões's store. As João began to explore surfing, he met one of his mentors, Bruce Hopping, head of an American surfing team who was in Portugal through an exchange programme. “Bruce gave me a lot of support and helpful tips. He taught me how important it is to persevere and never give up when you fall or come up against an obstacle. Failing, taking a fall, that's all part of the human learning process.” This personal and professional relationship would last for years.

Big-wave surfing

Nazaré beach made world headlines when Garrett McNamara achieved a Guinness world record. In November 2011, he surfed a 78ft. (23.8m) wave – that's as tall as a six-storey building!

Before Nazaré rose to worldwide fame, Praia Grande – with its exposure to strong Atlantic waves – had already proved a popular destination for surfers. Praia Grande is known for its challenging ocean strength. "Even in summer, the sea would get angry and we had to adapt and face the waves. This helped to put us at ease with big waves, handle their churns and rolls, control our breathing and, naturally, overcome our fears. We could then decide whether we really wanted to persevere in this sport."

It was at the famous Pipeline beach in Hawaii that João surfed his first big wave. "I have a vivid recollection of that day. I was with Gonçalo Faria and unlike everybody else, he wanted to go in the water. 'The ocean's perfect, we have to go in!' At that moment I realized I had to overcome my fears and take a chance."

Preparation

Although they're portrayed as adrenaline junkies, big-wave surfers calculate risk.

Preparation is a critical success factor and it takes time. "It takes a surfer at least 15 years to acquire the skills and poise to compete in the big-wave circuit. Learning never stops. You gradually expose yourself to the ocean's demands and its ruthlessness."

In addition to ocean training, surfers need to work out at the gym, focusing on cardio and muscle-building, to minimise the risk of injury.

"Apnoea training helps you cope with difficult situations." Learning how to deal with oxygen deprivation, "shutting all systems down", is crucial for a surfer trying to survive the ocean's merciless power. In truth, something as simple as breathing needs work. "I practice yoga because it's important to know how to breathe. It's about being aware of, and in control of your breath, and increasing your lung capacity. Meditation helps in this process and helps keep your stress levels under control."

A mental workout educates your brain so you can make counterintuitive decisions under duress. When you face the awesome power of a wave, you must remain calm and fight survival instincts which would lead you to panic and breathe in too much oxygen. "You can drown if you panic." But that's not all. Going in the ocean under adverse conditions is a leap of faith. You accept risk, relying on your preparation and ability to read the water.

João also practices Muay Thai (Thai boxing) with master Nuno Neves. "It helps me keep that competitive edge." Because it's a martial art, it helps the cardiovascular system and stimulates aggression within controlled parameters.

João de Macedo

"Take risks but choose them wisely"

"A surfer is a bit of a gambler. You take chances without fear of failure, although you do consider safety."

After the death of big-wave surfer Sion Milosky in 2011, Danilo Couto and Kohl Christensen gathered a group of friends together to discuss the worrying lack of risk management in the sport. This was the start of the Big Wave Risk Assessment Group (www.bwrag.com). Its goal is to increase safety in big-wave surfing, sharing knowledge on first-aid methods, means of rescue, safety protocols, equipment and technology.

"These concerns are taken very seriously. Only recently I joined the Big Wave Risk Assessment Group in Hawaii and invited them to put a workshop together in the Azores, at Ribeira Grande, with Marco Medeiros, a local surfer and firefighter, who has been in the EDP Mar Sem Fim (Endless Ocean) expeditions.[1]"

1. A project focused on the discovery of big-wave surfing, self-awareness and a passion for the ocean and surf culture. Covering unconquered oceans, it reveals a new frontier for big-wave surfing in Portugal.

> “
> Preparation is a critical success factor and it takes time. “It takes a surfer at least 15 years to acquire the skills and poise to compete in the big-wave circuit.” Learning never stops. You gradually expose yourself to the ocean's demands and its ruthlessness.”

Illustration by Mário Belém, from the book *How to be a Surfer*

A way of life

“Maybe this sounds like a cliché, but I see surfing as a way of life. It's taught me to live life to the full, overcome my fears and limitations but also to respect nature. I’m currently working on a documentary Way of Life[2] which reflects my experience.”

Although not a very financially-rewarding project, João’s desire to share his knowledge and experience drove him to create the Surf Academia at Praia Grande, Sintra, in 2000. You can almost say he followed in the footsteps of his father and grandfather, both university professors. “It is so gratifying to see the difference you can make to your students. After 18 years and lots of ups and downs, it is still one of my life's passions. You can teach a lot using the ocean as your tool.”

In an attempt to promote his Method 7 technique, developed at his surfing academy, João wrote the book *How to Be a Surfer.*

He was recently invited to give a speech at the new campus of the Nova School of Business & Economics in Carcavelos, by the sea. “I had an opportunity to discuss the projects I’m involved in and work with some of the university's researchers to learn how to safeguard nature reserves and help attract more support. Fortunately, there are a few organisations and companies, like MDS, that share my values. It would be impossible to go on this adventure without them.”

When we ask João to give advice to anyone looking to follow in his footsteps, he says, “Don't give up or be afraid to fall. Be patient. It's a long trek.” These were some of the words of wisdom from his mentors: Bruce Hopping, Álvaro Pereira, his first influence, José Seabra, team manager and training buddy, and Mark Massara, surfer and well-known lawyer with an environmental law practice.

João defines big-wave surfing as a “Sport of self-discovery. In Mavericks, I had a bad fall, but I remember the satisfaction I felt that I’d powered through a difficult situation. I was scared but I managed to maintain self-control. I realised big-wave surfing was my world. Injuries are opportunities to reflect on what you're doing and how to improve your preparation. When you make a good recovery, you come back even stronger.” •

2. A short film from Portuguese director, Blaze Runner, on João de Macedo. Filmed over six months, it covers the best-known, fundamental basics of big-wave surfing. Available at www.vimeo.com/247792599

MDS is surfer João de Macedo's insurance partner and main sponsor. This partnership stems from shared values with the athlete, as Ricardo Pinto dos Santos, MDS ceo, confirms:

“This partnership with João reflects our business principles – to be competitive and achieve excellence in everything we do. It is all the more special because of our shared belief in the need for risk management, which entails knowledge, preparation and hard work.”

Watch the video

Risk Consulting Group

Building its global reputation

with Jorge Luzzi

Herco Consultoria de Riscos was created in 1971 as a risk management and loss prevention business for the Hering Group, a textile manufacturer in Brazil. Its name – Herco – is taken from the initials of the **Her**ing **Co**mpany.

Herco soon devised innovative risk management strategies and started to expand activities outside its parent group. Realizing there were few processes for operational and industrial risk analysis and as a result, little communication with the insurance sector, Herco introduced risk management techniques and processes that could apply to varying risks across many sectors.

Their expertise and knowledge secured them major clients, such as CSN, Usiminas, Caixa, Açominas, Itaipu, Telemar, Cosipa, Copel, Petrobras, Heineken, ArcelorMittal, Pirelli and Prysmian.

A significant investment in technology in 1996 enabled Herco's specialist business to move forward and pooling resources with Petrobras and CETESB (Environmental Company of the State of São Paulo), it acquired PHAST, a leading quantitative risk analysis software tool.

In 2018, Herco rebranded as the Risk Consulting Group or RCG and is considered unrivalled in its reputation for risk analysis, loss control and risk management programme implementation.

Entering new markets

This rebrand represents a step change for the company, giving it a renewed focus on global risk consultancy. RCG currently operates in 11 countries and is looking to move into new markets and position itself as the premier provider of risk management and insurance solutions within the logistics and transportation, security & cyber, enterprise risk management and terrorism areas.

Expertise, experience and innovation

RCG is led by Jorge Luzzi, one of the best-known risk managers in the world, and has a multidisciplinary 20-strong team of consultants with vast risk management experience covering many areas. This ensures the company can provide a global service to diverse industry players.

"This is an important move towards strengthening our position in five continents. It clearly identifies us as a risk consultancy and underlines our expertise and efficacy. Our new brand name repositions us, confirming our multinational scope, attracting potential customers in new markets. We want to demonstrate that, as a company, we speak multiple languages, can adapt to different circumstances and share our expertise and innovative resources, while being responsive and flexible to customers' needs, regardless of their business or location," says Jorge.

RCG
Risk Consulting Group
POWERED BY HERCO

Reliable, trustworthy and innovative

Interview with **Jorge Luzzi** RCG President

For Jorge, risk management is a key element of any company's business and there's a need for specialist support to ensure continuity and sustainability. RCG has a reputation for being reliable, trustworthy and innovative and collaborates with clients, working efficiently to identify, evaluate and mitigate risks. "The outcome of this process is security. After all, when you improve a client's physical and material security, you drastically reduce the likelihood of incidents and, even if bad things do happen, the damage will surely be minimised," Jorge affirms.

Is risk management important to every company?

Every single company, no matter how big or where it operates, must carefully assess its risk exposure and define strategies for risk mitigation and/or risk transfer.

Risk management is essential to a business and it should form part of any company's strategy. Large corporations and multinationals already have risk managers in their teams and additionally rely on risk consultancies to complement their in-house work.

As SMEs often have limited human and financial resources, it's unlikely they'll employ a risk manager. Instead they outsource this function to specialist risk consulting and enterprise risk management companies like RCG.

This solution gives clients continual monitoring by a specialist team who understands the business and can share their latest knowledge and best practice examples. Clients also have access to state-of-the-art software, making risk management easier.

Is Risk Management the same in every country?

Risk Management is a technical process that's applied in the same way across varying locations. The general concept is similar everywhere, as is a person's concept of risk. However, every market presents its own challenges because each one has its own economic, social, legal, regulatory and political environment. Some places in the world face the threat of terrorism, while others, like California, Chile or Peru face greater danger from earthquakes.

Multinational companies however require a more complex analysis. There's a need to design a structured, focused, tightly-controlled strategy that crosses international boundaries and covers every market where a multinational company operates. A global programme ensures compliance with national legislation, cohesiveness, worldwide consistency and a greater control over risk management, which in turn brings more cost efficiency.

How do you see the role of risk managers in the future?

I believe that companies from whatever background (even state-run businesses) will want to implement sustainable risk management solutions. I'm talking about all kinds of risks, not just the kind you transfer to the insurance market. Risks that cannot be transferred will require carefully-developed contingency plans, as well as crisis management teams.

Risk management associations, both national and international, play a very important role in contributing to the development of excellence in this field and advancing knowledge and information-sharing.

Currently, risk management is a field in which many professionals, like lawyers and engineers, want to specialise in as it complements their original training. I don't doubt risk management will be included on more university curricula in the future which means we'll see a substantial increase of professionals in this area.

I firmly believe risk management as a profession is here to stay. So service providers (such as RCG) and other specialists that prepare for the future will help companies be stronger and more sustainable. •

> "Risk management is a key element of any company's business and there's a need for specialist support to ensure continuity and sustainability."

Keep It Simple: a new MDS collection

The Challenges of Risk Management

Inspired by Jorge Luzzi's interview with RISCO magazine, MDS Group has launched the first book in its Keep It Simple collection, entitled The Challenges of Risk Management.
With this new collection, MDS intends to share information and knowledge to establish and advance a culture of insurance. To do so MDS relies on the support from some of the world's best-known specialists. Its aim is to publish clear, readable and objective content that's well-designed, giving sector professionals and society at large a deeper understanding of topics relevant to both professional and everyday life.
In the first book, Jorge Luzzi, President of RCG, an MDS Group company, and one of the greatest risk consultancy specialists, discusses the growing importance of risk management in the strategic plans of organisations and how it's fundamental to successful management in today's deeply unstable, complex world.

Coming next in the Keep It Simple collection: **Reinsurance and D&O**

QR code to download book, or request from: mds.comunicacao@mdsinsure.com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Environmental Liability in Angola

by **Mário Xicato**
ENSA

No-one can now deny that the exploitation of natural resources is essential to our survival. The Industrial Revolution of the 19th century changed the dynamics of how we produce goods, creating new consumption habits. A significant part of said goods' production relies on natural resources and history shows that the more we consume, the more intensely we need to change our environment. Due to increasing environmental degradation, the UN ran its first conference on the environment in Stockholm in 1972. The conference called for greater awareness of how human actions were causing serious destruction, gravely threatening our survival.

Protecting the environment

This new global awareness of the environmental implications of human-related destruction motivated governments to develop better stewardship of the environment. Angolan environmental legislators, through Presidential Decree nº 194/11 of 7 July, announced, among other laws, that liability guidelines for environmental damage (RRDA – "Regime de Responsabilidade por Danos Ambientais") would be based upon the polluter-pays principle. According to polluter-pays rules, polluters must bear the costs to repair environmental damage. This means that any and all agents who, as a result of their actions, cause damage to, or degradation, destruction or dilapidation of the environment, must provide reparation and/or indemnification for the damages caused. If there's no damage, the agent is not held accountable. However, where the environment is concerned, even non-compliance with a protection rule leading to possible environmental damage, could render the agent accountable.

Environmental damage

The RRDA defines environmental damage as 'adverse change of environmental characteristics, including among others: pollution, desertification, erosion and deforestation'. However, this is a very broad definition, creating uncertainty and insecurity around the legal consequences. Whatever the human action against the environment, all the available legal means will be brought to bear on economic agents. For this reason it is agreed that by adding the adjective, 'significant' at the beginning, it gives the wording greater clarity, enabling it to be more effectively applied within an environmental responsibility context. The general consensus is that environmental damage should be categorised as subjective and ecological.

Damage is subjective when a tangible environmental component is harmed – soil, undersoil, air, water, light, flora and fauna – negatively impacting a person and their property. Ecological when it alters, spoils or destroys the components of a natural asset.

Mário Xicato

Mário Xicato has a law degree from the Catholic University of Angola, and post-graduate studies certificates in applied management from ABS, Nova University of Lisbon, and insurance law from AIDA, Lisbon Law University, Portugal. He completed post-graduate studies in banking, stock exchanges and insurance at BBS, Coimbra Law School and has a master's in law and management from the Catholic University of Portugal. Mário joined the insurance sector in 1998, working in the motor department at ENSA. He started in customer service, learning how to forensically assess vehicle body and material damage, and attended self-development and skills' training courses. He was then appointed to head of Auto Claims, utilising his critical and analytical skills. Mário devotes his free time to writing articles that promote the growth of an insurance culture in his country.

Accountability guidelines

In order to prevent environmental harm and to ensure the person causing such damage is accountable and pays for their actions, Angolan lawmakers introduced RRDA guidelines covering subjective and objective responsibility.

For subjective responsibility, agents who, with or without intent, cause environmental damage, must remedy such damages and/or indemnify the government and citizens for losses and harm caused, through compensatory measures and environmental reparation. Instead of reimbursing the government however, the funds would be channelled into an Environmental Fund, financing studies and programmes to preserve natural resources, guaranteeing a healthy environment for citizens. This is particularly important when the person causing damage does not have the resources to prevent it worsening and/or for remediation.

Oddly enough, Angolan lawmakers have categorised oil-related activities – the ones causing the most ecological damage in Angola – under subjective responsibility. Establishing a causal nexus or connection between pollutant emissions that have caused thousands of fish to die and harmed citizens' health is, environmentally speaking, an onerous, complex and difficult task. Placing the burden on those that have been harmed is not an ideal solution as it's difficult to hold the agents who caused the damage to account.

In response, the RRDA guidelines have changed and in a preamble statement it's confirmed they 'revoke all legislation that's contrary to them'. Oil-related activities will now be categorised under objective responsibility.

For objective responsibility, an agent harming an environmental component, no matter what size, rights breached or third-party interests, must repair and prevent further environmental damage, regardless of culpability or intent.

So, even if the agent invests in and adopts the necessary measures to prevent environmental damage, the agent will always, 'ope legis', be compelled to repair and/or indemnify for the harm caused. This solution appears not only economically inefficient but restrictive to economic enterprise. To improve efficacy, there should be categories for objective or subjective responsibility according to a list of activities that respectively pose a high environmental damage risk (and therefore fall under objective responsibility). Lower-risk activities fall under subjective responsibility.

The RRDA guidelines do not specifically cover Directors & Officers' liability, however, such liability arises when an agent breaches an administrative regulation intended to protect the environment, and as a consequence, fines will be meted out. Within this context, Angolan lawmakers do not have an objective criteria for fines, the value of which ranges from a Kwanza equivalent of US$1,000.00 to US$1,000,000.00. When issuing a fine, the regulators do not make an accountability distinction between neglect and a wilful act, nor have they separated natural person from legal person.

This oversight may stimulate arbitrary fines and cause uncertainty among economic agents; a situation incompatible with modern democratic governance. Despite the mechanisms in place, environmental damage of the ecological variety is frequent. Some destruction is of a magnitude that results in extremely high fines, leads agents to insolvency and curtails their ability to repair the damage and/or compensate others for their actions. Therefore, it is mandatory for agents operating in Angola to have one or more of the following financial instruments: insurance policy, bank warranty, participation in environmental fund or provision of dedicated capital reserves. All agents must only have the above contracts, funds cannot be diverted elsewhere nor have other obligations imposed upon them due to administrative liabilities.

It is worth noting that, among the instruments above, purchasing an insurance policy meets environmental policy goals; it is the most cost-effective and gives agents risk assessment mechanisms to help them adopt the necessary damage prevention measures. Contrary to the stipulations of Angolan lawmakers however, insurance should not be mandatory. First, because these insurance policies hold inflexible clauses and demands for capital and second, environmental risks can be hugely complex, some of which are not yet fully understood by insurers (the risk of gradual pollution, for one). It is therefore preferable to adopt a case-by-case purchase model. This avoids the dilemma of adverse selection and ensures policies are designed – capital and coverage-wise – to meet the real needs of each agent. •

SUNU GROUP

Leading the way in Africa

The African SUNU Group was created in 1988 by Pathé Dione. His dream was to create a pan-African insurance group that could offer insurance solutions which met clients' needs and provided project security.

Mr Dione launched his first insurance company, CSAR-Vie, in Senegal. He later changed its name to UASEN-Vie and on 1 January 2015, the company became SUNU Assurances Vie Senegal.

There are 22 companies in the SUNU Group – offering life and non-life insurance solutions – and it's the life insurance market leader in 14 countries. SUNU operates within: Benin, Burkina Faso, Cameroon, the Central African Republic, the Ivory Coast, Gabon, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Senegal and Togo.

The calibre of its team and their professionalism and commitment to customer service puts SUNU ahead of its competitors, ensuring it remains the African market leader. With almost the whole African population using technology - smart phones, laptops etc – technology is fundamental to SUNU's growth, enabling it to reach all markets and provide insurance solutions for all.

Mr Dione believes insurance companies play an important social and economic role and SUNU has been key in creating awareness about the importance of insurance and increasing insurance penetration by making cover more widely available to people with low incomes and small businesses.

SUNU Assurances

In this interview with **Pathé Dione**, founder and president of SUNU Group, FULLCOVER finds out more about the man behind the company, his role in developing the African insurance industry and economy, and his vision for the future.

20 years ago you founded SUNU Assurances. What led a mathematics professor to set up an insurance company?

I'd been teaching mathematics for five years and decided I wanted to change direction, otherwise known as a 'career break'.

I opted to study economics and insurance at the École Nationale d'Assurance (National School of Insurance) in Paris in 1974 and then onto the Centre des Hautes Études d'Assurances (Centre of Higher Studies of Insurance), which trains insurance executives. Here I achieved the equivalent of a MBA. I completed a PhD in economics at the Panthéon Sorbonne in 1980. I still continued with mathematics, but it was no longer the focus of my daily life.

You're commonly referred to as one of the 'African champions' due to your contribution to Africa's development. Do you believe the insurance industry and every entrepreneur has an important role in the development of the continent's economy, education and literacy?

All organised economies want to develop and protect themselves, primarily the people and property. And insurance companies play an important role here; they support a country's development by collecting and investing peoples' savings and premiums, closely monitoring where they're invested and their performance.

Insurance companies also have economic and financial functions; they support almost all businesse sectors and so finance their own economies. They also contribute to the African countries where the insurance industry is still in its infancy, educating and raising awareness on the importance of insurance products to all social groups. To be insured, even with a low income, is to take precautions and prepare for the future and that of your family. Zero risk does not exist; no one is immune to natural hazards or accidents.

You've been a major contributor to the Insurance Code, which was adopted by 14 African countries. What's the purpose of this regional authority, how did you support its development and what effect does the Code have on the insurance sector in Africa today?

Yes, I am a supporter of the CIMA Code (Inter-African Conference of Insurance Markets). But the Code is only an appendix to the CIMA Treaty which applies to African French speaking countries. Each country has passed partial authority over to the

Regional Commission for Insurance Control, and it is this body that allocates or withdraws agreements, based on a defined criteria. The 14 States within the CIMA zone have a legislative body, known as The Council of Ministers and this is something unique in the world.

The CIMA Code has helped regulate and develop this sector, ensuring insurance companies – particularly in countries with no previous legislation – observe and follow the rules of governance.

SUNU has been the leading life insurer in the CIMA region since 2014. Can you explain how you've maintained this position?

It's due to our people and the work we've undertaken in this area. In order to meet peoples' growing needs, help prepare them for retirement and protect their loved ones, we've focused for a long time on developing our life portfolio. The CIMA markets do not all have the same level of maturity, but we've observed a general trend regarding life business. One of the key elements was to diversify our distribution channels, namely in developing bank insurance and alternative channels. Creating innovative products was also a major factor, and this was achieved by our team of professionals – our people – who are our strength. We have more than 20 actuaries in the Group, in various countries, who have studied to international standards at the best schools in Africa, Europe and North America.

SUNU currently operates in 14 countries. Do you plan to expand elsewhere?

Of course, but first we prefer to focus on our organic growth. We are present in 11 countries in west Africa and three in central Africa, including three English-speaking ones, and will consider any opportunities for external growth, whether starting a new business or by acquisition.

In 2017, we acquired our first banking corporation, the Banque Populaire de l'Epargne et du Crédit (Popular Savings and Credit Bank) in Togo. This followed our strategic objective to develop and control our distribution channels, increase availability and provide better digital access across all our product lines.

We're currently working on a project to create IARD – a fire, accident, and general risk (non-life) company in Mauritania, with a banking partner - and SUNU Assurances IARD RDC (Democratic Republic of Congo), which we created two years ago and are waiting for approval. This will give us a presence in 16 African countries.

Africa has become a beacon for investors. What are the advantages of working with Brokerslink?

It's a partnership we're very happy with as it gives us international opportunities. It enables us to present the SUNU Group to African continent investors and outline all the areas we cover.

Since 2017, we've participated in the annual Brokerslink conferences, and in 2018 we sponsored the first Brokerslink Africa Forum in the Ivory Coast, bringing together all the African brokers that are members of Brokerslink.

Brokerslink brings to our continent specialist and modern insurance broking expertise. The successful collaboration between Brokerslink and the SUNU Group companies allows us to offer optimal and innovative solutions that guarantee the security and protection of our insured clients and their projects.

Osée Quenum (SUNU Assurances IARD Burkina); Déborah Gnagne (SUNU Group); Mohamed Bah (SUNU Group) @Brokerslink Conference Hong Kong

Mohamed Bah (SUNU Group) & Ansou Ndiaye (Filhet-Allard) @Brokerslink Conference Marrakech

After 20 years and so many successes, what would you still like to accomplish in the future?

As far the African continent is concerned, insurance is only in its infancy. There is still much to do to develop and improve the insurance sector in Africa.

What's your vision for the future of the African continent and, of course, the insurance market?

My vision is very optimistic. I believe in this continent, and that's why I've invested everything here; my insurance knowledge, skills and finance.

As I said earlier, the insurance industry is still young in Africa; the penetration rates of insurance remain low, even though they're growing. Many efforts have been made to popularise insurance products among our populations and to educate them to appreciate the need for insurance.

To further develop the insurance industry and the continent we must increasingly use digital technology – this will be the main driver.

What has been the most satisfying moment of your career?

Let us say that I'm satisfied with the progress of the SUNU Group over 20 years, and I'm delighted to be surrounded by African expertise. It is the proof that, for the African continent, if we want success, we can achieve it.

What advice would you give to someone starting out in the insurance sector?

For the sake of modesty, I prefer not to give advice. I prefer to explain what I've done and what we are doing. We did not have an easy start, but with hard work, we've moved on step-by-step, and our results are currently pleasing. •

“The successful collaboration between Brokerslink brokers and the SUNU Group companies allows us to offer optimal and innovative solutions that guarantee the security and protection of our insured clients and their projects.”

SUNU Group

SUNU Finances Holding SAS

SUNU Participations Holding SA

SUNU Assurances

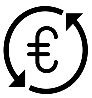
SUNU Services

SUNU Investment Holding SA

SUNU Santé

Key Facts

3302 employees

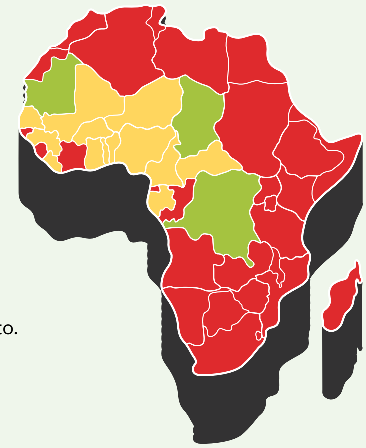


Turnover €150 million

Net profit of €2.3 million with €366 million assets under management

Source: SUNU Group Annual Report 2017

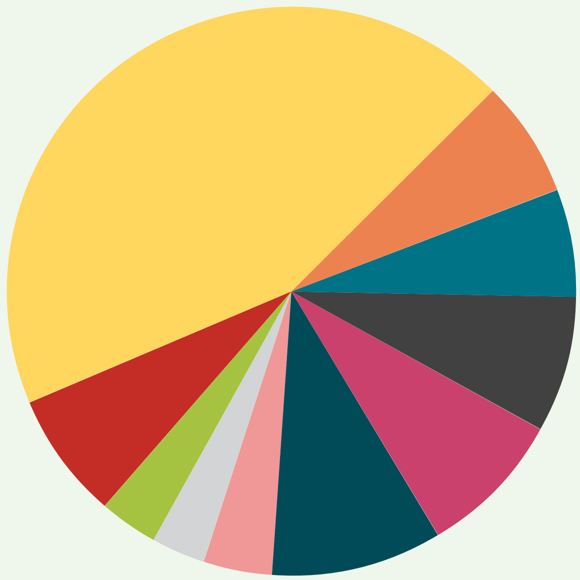
SUNU GROUP



Countries of operation

Countries where the SUNU Group is moving into.

Breakdown of Gross Premium Per Country



Côte D'Ivoire 43.83%

Others* 7.22%

Ghana 3.18%

Nigeria 3.09%

Benin 3.99%

Togo 6.76%

Niger 6.03%

Gabon 7.93%

Cameroon 8.39%

Senegal 9.60%

*Others

Burkina Faso **2.53%** • Central Africa **1.86%** • Guinea **1.33%** • Mali **1.22%** • Liberia **0.27%**

Community Initiatives

- The Anne-Marie Dione Foundation cares for children with cancer at the Aristide Le Dantec hospital in Dakar
- Educational packs are donated to schools and universities in Burkina Faso and the Ivory Coast
- Sporting events are sponsored in Nigeria, Cameroon, and Benin to support HIV and cardiovascular diseases and in the Ivory Coast to care for children with kidney failure.

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Trinity

Brokerslink @Philippines

Epic Journey

The Philippines Insurance Market

Kumain Ka Na Ba?

José Manuel Fonseca & Sid Garcia – Trinity 30th Anniversary

I met Sid Garcia for the first time in May 2007 in Shanghai, during a meeting of the PanAsian Alliance, a regional Asian network of brokers that was subsequently integrated into Brokerslink.

At the end of the meeting Sid announced the next venue for 2008: the Boracay islands in the Philippines, with Trinity hosting and organising. This was a fabulous event, not only for the location, which was a kind of paradise, but also because I immediately appreciated Sid's great personality, as a human being, a leader and a professional. Sid is the type of person who has a natural authority and empathy that fascinates all who meet him.

It was here we first discussed the word 'merge'. At the time we were different regional networks, with different brands, but we had a similar culture. And this was the trigger for an important meeting in November 2008, in Bangkok, where we decided to merge all the different organisations, forming the Brokerslink global network.

Since then, Sid has been a strong enthusiast of our project and a real ambassador for Brokerslink. In fact he's a great diplomat – bringing sincerity, proactivity, empathy, dialogue and new ideas to the group.

Our paths crossed often; I can never forget the very special performance given by the Garcia family at the first Brokerslink global conference gala dinner, held in Hong Kong in June 2009. What a wonderful – and gifted – family Sid has.

I went again to Manila, with other Brokerslink friends, two years ago for the 30th anniversary of his company. Here I witnessed the enormous and heartfelt respect Sid, his family and his company have in the business community and Philippine society.

Sid is a great friend and partner, and I can only thank him for that. My vision for Brokerslink has been greatly influenced by his views and attitudes.

José Manuel Fonseca
MDS Group CEO
Brokerslink Founder & Chairman of the Board

Sid Garcia's and Trinity's Insurance Brokers

Epic Journey

Most EPIC stories start with humble beginnings. Star Wars begins with a farm boy in the desert planet of Tatooine, wishing only to attend pilot training in the Imperial Academy. The Lord of the Rings begins with a young Hobbit, just wondering what adventures await him in the future. Even the story of Moses starts with a foundling floating in a wicker basket along the Nile. The story of Isidro G Garcia, Sid, to his friends and family, and Trinity Insurance Brokers, pretty much mirrors these beginnings.

Special performance given by the Garcia family @1st Brokerslink global conference gala dinner, Hong Kong, 2009

The Setting

It was in the midst of the Philippines' troubled times, in 1987, when Sid ventured into the world of insurance brokerage, founding a company he called Trinity Insurance Consultants. The country was rediscovering democracy after more than a decade of dictatorial rule in the hands of Ferdinand Marcos. Corazon Cojuangco Aquino, the gentle widow of assassinated opposition leader Benigno Aquino, had a tenuous hold on power, fending off coup attempts by factions of the military still loyal to the old regime. The economy was reeling, businesses were closing, unemployment led to the rise of communist insurgency and the government was at wits end trying to keep peace and order. It was not an ideal time to start a business, particularly one specialising in insurance and dependent on certainty and stability. However, it was also a time of hope. The birth of a new democracy led to renewed interest in rebuilding the nation. Filipinos started to believe that under the mantle of freedom, it was now possible to invest in the Philippines. It is in this context that Sid, the intrepid entrepreneur, gambled on a vision to be the best insurance broker in the country.

> "Sid, the intrepid entrepreneur, gambled on a vision to be the best insurance broker in the country."


Sid Garcia

Sid Garcia and the Birth of Trinity

Sid always had that entrepreneurial spirit. Shortly after graduating from the University of the Philippines, Manila, with a degree in social sciences, Sid set up a business distributing BF Goodrich tyres in Nueva Ecija, a province north of Metro Manila. He did this for 10 years at the height of Martial Law. In 1984, he decided upon a huge career change; he closed down his tyre distribution business and worked for Gotuaco del Rosario and Associates in Makati City, one of the leading insurance brokers in the country at that time. Under the guidance of managing director, and former US ambassador, Albert del Rosario, he learned the ropes of the business and the industry, with an eye towards launching his own company one day.

Armed with barely more than a great belief in himself, significant knowledge from his short stint at Gotuaco Del Rosario and Associates, an unwavering faith that the future for the country remained promising (despite evidence to the contrary) and a unique understanding of where he could carve out his niche in what was a very competitive brokerage industry, Sid founded Trinity Insurance Brokers. He started with a capital outlay of only P200M – a little less than US$10k – and two employees. His market analysis, despite the troubled times, was that the key to survival was to meet the needs of the then under-served small and medium-sized companies. He targeted entrepreneurs who, like him, still believed the country could rise from these troubled times and again enjoy economic growth. Sid cites as an example the story of Red Ribbon, a bakery that grew from just one store when Trinity started managing its insurance to 100 stores in a few short years. He also talks about CF Sharp which began as a manning or employment agency for seafarers but then expanded to recruitment for shipping and other travel-related service providers. His most successful relationship though, remains with Andrew Tan at Megaworld.

Megaworld was a new property developer in the 1990s and Trinity insured its first building in Ortigas Center, Pasig City and later its first commercial building, the World Trade Center, in Makati City. Eventually, Trinity was recognised as Megaworld's preferred insurance broker and Andrew looked to the firm to handle most of its requirements. He then asked Trinity to provide insurance


Trinity Directors

brokering services, locally and abroad, for all his other companies such as Emperador. Today, Megaworld is a corporate giant. In 2017 it had US$47.8B in revenue and a net income of US$12.77B. Andrew Tan is ranked #887 in the Forbes list and ninth in the Philippines Richest in 2017. More importantly, he continues to trust Sid and Trinity to meet his and his company's insurance needs in the Philippines and abroad.

From the beginning, Sid has always run the business with his customers in mind. He prides himself in creating personalized, cost effective and bespoke insurance products and because of this, was able to push forward, expanding his client base and building a reputation for tireless service. In his first year, he achieved P3M premium income. Over the next 10 years, he reported annual growth rates of nearly 50% and by the end of the decade, hit the P100M mark in premiums. Starting with purely non-life products, Trinity moved onto providing employee benefits and life insurance for individuals and groups and by 2015, the business finally reached the P1B mark. On its 30th anniversary last year, Trinity reported to investors, partners and customers that it has P1.5B or close to US$30M in today's exchange rate, in booked premiums. Sid proudly says that as their clients grew, Trinity grew along with them, evidencing the profound synergies it has with its partners.

The Philippines

More importantly, Sid sees only a bright future for his company and the country. The Philippines, with 7,100 islands and the fifth longest coastline in the world, has undergone an economic resurgence over the past decade. Among Asian countries, its growth rates are consistently high and the Philippines is now experiencing growth in construction, infrastructure, business process outsourcing and tourism. These industries are the main targets of Trinity which has its headquarters is a seven-storey building aptly called the Trinity Insurance Centre, in the heart of the Philippines' business and entertainment capital.

Traditionally known for its pristine beaches and friendly people, the Philippines is becoming a desired location for business process outsourcing. The country's ranked seventh in the 2016 AT Kearney Global Services Location Index, contributing around 9% of GDP and employing some 1.3M people. Some studies have shown that by 2020, the Philippines will have cornered as much as 19% of this global market. In tourism, the Philippines has seen a consistent rise in visitors over the past few years. People are now discovering the many wonders of this country and consider its beaches to be the best in the world. Being a group of islands, shipping is a vital connection tool and shipping companies are hard-pressed to meet people's increasing demands. With these sectors growing, the government is now in 'build, build, build' mode, boosting the construction industry.

With so much happening in the country, Sid reminds us of the key areas he believes are the foundations for future company growth: the courage to innovate, the importance of providing an outstanding service and the need to follow your core values.

Innovation

Trinity is proud to have pioneered some of the Philippines most innovative car insurance programmes. Trinity's worry-free insurance products reduced the many steps and processes customers had to go through to claim from their insurance providers. With the submission of just an affidavit, a claim estimate and the driver's licence, Trinity was able to instantly process claims and provide funds to repair covered cars.

Trinity was also the first insurance broker to provide healthcare cover for seafarers and their dependents. Filipinos are reputed to be some of the most sought-after and in-demand sailors in the world. According to the Philippine Department of Labour and Employment, 25% of the 1.5M mariners in the world are Filipinos. Until Trinity came along however, healthcare cover for this huge market was sorely lacking. In the early 1990s, Charlie Salinas from Philippine Transmarine asked Trinity to create a package to provide healthcare cover for seafarers. Given they were always abroad, seafarers at the time were considered to be an undesirable market and high risk. Despite concerns, Trinity packaged an insurance product for them and soon many of the country's major manning agencies looked to Trinity to cover their seamen. Today, Trinity provides cover for around 37,000 Filipino seafarers and their families.

Service

Asked what sets Trinity apart from their competitors, Sid, without batting an eye, says it's their customer service. Sid realises that as clients grow, they sometimes fail to appreciate their relationship with their insurance brokers. They start commoditizing insurance and choose products based solely on price, ignoring the value of their brokers' services. Sid considers this to be the greatest threat to the company, and firmly believes in the importance of finding the right combination of product, prices and people, with emphasis on the latter. Sid says clients choose Trinity as their primary broker because they see the company as not only a seller of insurance products, but as an advisor to help solve their growing problems. According to Sid: "Our value is advisory. We identify the problems of our clients, then suggest and implement solutions. Brokers offer the same product; it is our service that differentiates us."

Realizing its capacity to serve not just the people of Metro Manila, Trinity went onto establish a sister company in Cebu, the shipping centre of the Philippines. Cebu is the second biggest market in the country and Trinity's presence there gave the firm nationwide access to a whole new market and a gateway to the nearby Visayas islands and the southern provinces in Mindanao.

Being a national player however, is only the tip of the iceberg. Recognizing the world's getting smaller, in 2005 Sid helped found, with other brokers, the Pan Asia Alliance of independent insurance brokers. In May 2008, Sid was privileged to host the Pan Asian Alliance conference in Boracay Island; an event that provided the springboard for talks between the Pan Asian Alliance, Brokerslink (Europe) and Alinter (South America), to merge the three networks. This became a reality later that year when Brokerslink as a global network was born.

Aligning with Brokerslink allowed Trinity to service clients all over the world. Trinity was also able to harness insurance and risk management resources and make them available to clients in the Philippines and abroad. Being part of Brokerslink allows Trinity to be a global player. It will not shy away from the challenge of a moving into a bigger more vibrant market, particularly as its service proposition has no boundaries.

Core Values

During Trinity's 30th anniversary celebrations, – a glittering affair at the Marriot Hotel grand ballroom in Resorts World Manila – Sid's brother, Professor Edmundo G Garcia, spoke on behalf of his family. When describing his sibling, he said: "Sid has followed the lessons learned from our parents: he is honest and works hard, he's loyal, he has a loving heart
he shares with those whose lives he's touched, he gives generous service to others and puts service above himself, throughout his lifetime." He added: "Trinity also exhibits these qualities when dealing with partners and clients. You can trust the people of Trinity, they will never let you down."

Every Trinitarian (as Trinity employees are called) knows what lies at the core of the company. Its values follow the mnemonic devise – **EPIC** – Excellence, Passion, Integrity and Courage. All employees believe excellence begins with them and this is shared with customers, clients and partners. Passion describes their full commitment to put their heart and soul into their work. They follow a strict ethical code and are guided by their moral principles (as without integrity their work means nothing). Lastly, they challenge themselves to have the courage to innovate, to move beyond mediocrity, and take a leap into the unknown.

Led by these core beliefs Trinity has rocketed to the upper echelons of the insurance brokerage industry. Today, Trinity is among the top 20 industry players and in December 2016, was ranked one of the top five independent brokers in the country.

These beliefs define Trinity. They're the vision of a man driven by the call to serve, shared by 120 hard working, innovative men and women.

Anthony Lim (Acclaim), Sid Garcia (Trinity), Patrick Chan (Nova Insurance)

"Aligning with Brokerslink allowed Trinity to service clients all over the world. Trinity was also able to harness insurance and risk management resources and make them available to clients in the Philippines and abroad. Being part of Brokerslink allows Trinity to be a global player."

"Technology is the way to go, there is no option – our clients should be able to reach us at the touch of a button and we should reach our clients faster."

Iñigo Garcia, Kevin Tan, Maui Garcia

The Future

Despite its many successes, Sid and Trinity are not complacent. Technological advances, the growing inter-connectivity of countries and people, regional developments like ASEAN Integration, the continuing growth of the Philippine economy and the improving sophistication and education of its markets, means Trinity cannot stagnate and must constantly strive to improve.

When asked where he sees the company going in the near future, Sid says: "Within the next five years we want to be a top 10 industry player and the leading independent broker. We are strengthening our global reach – creating customized and cost-effective products for clients – and as they grow, even outside the country, we will strengthen our ability to serve them." In order to develop leaders who can lead Trinity in the future. Sid has set up the Trinity Academy, providing employee training programmes.

In addition, Trinity is undergoing a digital change. Sid continues: "We're transforming the company, using technology to improve our service capabilities, whether for renewals, risk management or claims handling, and developing mobile applications and our website to perform basic transactions. Technology is the way to go, there is no option – our clients should be able to reach us at the touch of a button and we should reach our clients faster."

In response, Trinity launched its new website in 2018 with the aim to make it an interactive space where clients can address their insurance needs from the comfort of their homes. Trinity is moving into the virtual marketplace.

Recognising the need to prepare for the next generation, Sid has brought his two boys into the company, Iñigo and Immanuel, who are responsible for different areas of the business. He has also appointed independent board directors and management professionals into key positions. This growing complement of young energetic employees, means while Trinity is anchored to its tried-and-tested principles, it has sails billowing towards future progress.

While EPIC stories may start humbly, they grow in breadth and stature to become larger than life. Trinity is poised to take the next step in its journey and become even bigger and better. With the help and support of its stakeholders, partners, customers and people, Trinity is on the road to success. •

The Philippines' Insurance Market

The Philippines is an archipelago comprising 7,100 islands grouped into three major island groups; Luzon, Visayas and Mindanao. It's the third largest English-speaking country in the world.

The Philippines is a free market economy with a Presidential form of government. It's the 34th biggest economy in the world and in March 2018, Business Insider ranked it number one in 'the 20 best countries to invest in now'. It has a population of 105million Filipinos and is the 12th most densely populated country in the world. While still primarily agricultural, the country's other economic sectors are growing. The Philippines is known as a business process outsourcing giant, rivalling countries like India. Slowly industrializing, its export industries – especially semi-conductors – is one of the largest in the world. With a relatively young population, the Philippines is seen as a vibrant new economy with great potential for growth and expansion.

Insurance was introduced to the Philippines in the Spanish era of 1829 when Lloyd's of London appointed Strachman, Murray & Co as its representative in the region. In 1898, the first life insurance company, Sun Life Assurance of Canada, was established and the first domestic non-life insurance firm, Yek Tong Lin Insurance Company, was founded in 1906. The insurance supervisory authority – the Insurance Commission – was instituted by Presidential Decree on 18 December, 1974 – the same time the Insurance Code was written. Four years later, all insurance laws were consolidated into the single Insurance Code of 1978.

	2013	2014	2015	2016	2017
number of licensed companies	**101**	**99**	**99**	**98**	**98**
direct – writing	**100**	**98**	**98**	**97**	**97**
composite	**4**	**4**	**4**	**4**	**4**
Domestic	3	3	3	3	3
foreign*	1	1	1	1	1
Life	**26**	**27**	**27**	**27**	**29**
Domestic**	20	21	20	18	20
Servicing Companies					2
Foreign*	6	6	7	9	9
Non-Life	**70**	**67**	**67**	**66**	**64**
Domestic**	63	60	60	58	53
Servicing Companies					6
Foreign*	7	7	7	8	11
Professional Reinsurer (PR)	**1**	**1**	**1**	**1**	**1**
Domestic	1	1	1	1	1

* per PSA National Income Account (base year 2000)

** Philippine Statistical Authority

Source: Key Statistical Data, 2013-2017 Insurance Commission. Available online www.insurance.gov.ph/statistics/key-data

Insurance companies play a vital role in the Philippine economy. The Philippines' insurance sector has grown in recent years and this is due to several factors: a competitive landscape, innovative products and solutions and a growing middle class that is investing and consequently seeking to protect its assets. However, the country still has a large number of citizens who are still underinsured.

According to statistics from the Insurance Commission[1], in 2017, the insurance industry reported a total premium of ₱259,820.4 billion, 12.5% higher than 2016. The life sector accounted for 78% of this and the non-life sector, 22%.

In 2017 the insurance penetration as a percentage of Gross Domestic Product (GDP) rated at 1.65%, showing an increase of 1.61% from 2016.
The insurance density (average amount spent on insurance per person) also increased from ₱2,254.10 in 2016 to ₱2,482.3 in 2017. •

1. Key Statistical Data, 2013-2017 Insurance Commission. Available online www.insurance.gov.ph/statistics/key-data/

Penetration/Density

Market premium as a percentage of GDP and expenditure on a per capita basis expressed in USD are shown below for the year 2017; comparisons are made with Hong Kong, Indonesia and Malaysia.

	Life Including riders		Non-life (P&C)		Personal Accident & Healthcare*		Total	
	%	per capita	%	per capita	%	per capita	%	per capita
Philippines	**1.29**	**38.29**	**0.55**	**16.34**	**n/a**	**n/a**	**1.83**	**54.63**
Hong Kong	16.59	7,692.32	0.81	377.05	0.54	250.97	**17.95**	**8,320.33**
Indonesia	1.35	52.04	0.40	15.47	n/a	n/a	**1.75**	**67.52**
Malaysia	2.75	273.67	1.14	113.38	0.17	16.43	**4.06**	**403.48**

Note: *PA & Healthcare data represents PA & Healthcare business other than life riders, whether written by life, non-life or specialist healthcare insurers.
Due to rounding some totals may not equal the breakdown above. Source: Axco global Statistics / Industry Associations and Regulatory Bodies

Gross Domestic Product

2017 — 313,595,21 Billion Dollars[2]

Growth	Industry	Services	GPD per capita
6.7%	7.3%	6.8%	5.1%[3]

Population[4]

2017 — 105,3 Millions

2. The World Bank
3 & 4. The Philippine Statistical Authority (PSA)

Kumain ka na ba?

by SID GARCIA

Boracay

Please allow me the pleasure of sharing with you some of my personal recommendations, should you happen to find yourself visiting the Philippines – this pearl of the Orient and archipelago of 7,100 islands.

RESTAURANTS

Every Filipino appreciates the value of dining. In most countries people are greeted with "How are you?", "Welcome, what can we do for you?", "Glad to make your acquaintance" or simply "Hello." In the Philippines, while we have similar greetings, it is not uncommon when invited to someone's house, to be welcomed upon arrival with, "Kumain ka na ba?" which translates to "Have you eaten?"

Filipinos love to feed their guests. If you happen to go to a fiesta in even the smallest provincial town, it's likely you'll be invited into a complete stranger's home and given a feast. In some towns, it's customary for visitors to go from house to house sampling each home's different specialty. Talk about a buffet! During my Rotary work, I usually find myself in some very economically-challenged areas and yet residents offer biscuits, coffee or rice cakes whenever I visit. If guests leave our homes hungry, it appears it is an affront to our sensibilities.

Given this, it's no wonder eateries can be found in every nook and cranny of the country. Personally, I love places which serve really good traditional Filipino food. My top choice is Milky Way, a long-time restaurant found in Makati City. It serves food I have grown to love since my youth. The pancit luglug (rice noodles with a rich shrimp-based sauce) is an all-time favourite and being partial to fish, I always order the crispy hito (mudfish), eaten best with atchara (preserved papaya strips) and rice.

Then there is Via Mare, another well--established restaurant. Its breakfast menu of tapa (marinated beef strips), tocino (sweetened pork), longganisa (breakfast sausages) or crispy adobo flakes (soy sauce and vinegar marinated pork and chicken) provides comfort like no other. Regular visitors to Via Mare though readily recommend its bibingka and puto bumbong. These rice cakes served with cheese, salted eggs, shredded coconut and unrefined sugar are perfect with coffee anytime of the day.

I've recently started to frequent Conti's, a family restaurant that opened its first small branch in the suburbs of Paranaque and has since expanded across the Philippines. Its baked salmon, prawn thermidor and salpicao are must-haves and cakes/pastries are amazing.

Last in my food recommendations is Balay Dako in Tagaytay. The food really makes this place. Try their breakfast buffet and a choice of native Filipino dishes. One distinct pleasure is the 'make your own fried rice' station where you can choose the ingredients of your morning fried rice. Only your imagination limits what you can do.

Masungi Georeserve

GETAWAY

When asked where I go to 'get away from it all', I readily say Terrasas de Punta Fuego. This gated community in the Province of Batangas is where my second home, my rest house, is located. Here, I have access to a peaceful private beach with clear blue waters. I often rent a boat and go around the waters of Nasugbu town and when I have an urge to hit the greens, I go to Club Punta Fuego for a quick round on an executive course. Then when hunger pangs strike, I order the freshest catch of the day and enjoy a sumptuous meal. I can think of no other place I would rather be when I need to recharge.

Then of course there is Tagaytay. Found in the ridge of an active volcano, Tagaytay opens up to a majestic view of Taal Lake. The weather in Tagaytay is several degrees lower than in metro Manila which makes this area an ideal getaway from the heat and humidity. You can stay in hotels along the main road or rent private homes to relax in. The food in this area is wonderful; it boasts many restaurants providing different kinds of dishes. It is also home to various museums and parks. Tagaytay is on the route to and from my rest home and I often make a pit stop here to just enjoy the atmosphere.

HISTORY

The Philippines has a very rich history. It was colonized by the Spanish from 1521 to 1898 and then by the Americans until the end of World War II (with a three-year period under Japanese rule). The country is a mix of cultures, sharing its indigenous ways with those inherited from colonizers. To get a feel of life during the Spanish era, visit the ruins of Intramuros and join one of the many walking tours. Intramuros was the location of the old city of Manila with thick garrison walls to protect it from attackers. The walled city was historically the centre of power and once housed the seven famous churches of Manila (only two survived after World War II).

Manila just happens to have one of the oldest China Towns in the world. Crossing the bridge into the Binondo district transports you into a seemingly different country where Chinese culture rules. This place is of course renowned for its food and a Binondo Food tour is a must.

To learn more about Philippine history, visit the Ayala Museum in Makati. Presented through dioramas, it shares the entire written history of the Philippines from our pagan ancestors to modern times. Walk through and discover the significant moments and exhibits that made us the country we are today. Of particular interest is the virtual reality presentation of the execution of our national hero, Jose Rizal, seen from three view points; from him, the firing squad and the on-lookers.

I have always been a man of very simple tastes. I do however have food, places and sites I like to share with foreign friends when they visit the Philippines. Perhaps I can play host to some of you one day. Should that time come, expect me to wonder first if, "Kumain ka na ba?" •


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DE SEGUROS BRASILEIRO E LÍDER
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EM 2017 E 2018.
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Somos uma equipa formada por peritos altamente qualificados com ampla experiência na gestão de sinistros internacionais através da nossa rede de escritórios em Londres, Munique, Zurique, Madrid, Porto, Dubai, Israel, Buenos Aires, México e Gabinetes Associados.

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10th Brokerslink Global Conference

Hong Kong, Asia's world city, welcomed more than 250 representatives from 72 countries, for the 2018 Brokerslink Conference – an event that is widely recognised as one of the most important in the insurance industry.
The conference brought together a broad range of expert guest speakers from around the world, who shared their insights on many of the key issues facing the industry.

Conference Highlights

For the 10th Global Conference, Brokerslink returned to Hong Kong, the city that hosted the first conference in 2009. Since then the organisation and the conference have grown significantly:

250+
participants

72
countries

23
sponsors

13
new affiliates

23
expert and industry speakers

2nd
Risk Management Forum

28
risk managers and market leaders

Hot Topics

“We have to maintain an open line of communication about strategies and appetites, if we communicate and listen to each other we will better understand the needs of Brokerslink and marry those needs to the capabilities that AIG can provide.”
Ralph Mucerino
President, distribution partners and multinational clients at AIG

“This is a long-term relationship and one that we want to build with other members and insurers. It’s in our DNA.”
José Manuel Fonseca
MDS Group CEO & Brokerslink founder

“The idea is to increase connectivity by building infrastructure; this will involve policy, trade, finance and people. The main objective is to build markets and create investments for further economic growth.”
Clement Cheung
CEO of the Insurance Authority Hong Kong

“China’s consumer growth is still strong, and the country is driving global imports; by 2040 China’s consumption may, potentially, match the US.”
Mahamoud Islam
Senior economist at Allianz-owned trade credit insurer Euler Hermes

"We are not on the same planet as those under 18 – we cannot understand their needs and behaviour in the future; they are 'mutants' and we need to reinvent our business model for them."
Jean-Marc Pailhol
Head of Group Market Management at Allianz

"Is the future depressing for health insurance? No! Although there will be better ways of calibrating and predicting risk, and you can improve predictions through health assessments each year, it is still a risk – which is good news for insurers."
Jean-Louis Davet
Chief Executive of Health insurer VYV

"Climate change and global warming problems are upon us, we need to prepare now for any typhoons that may come in future."
Ivan Cheung
Executive director of Fidelidade Macau

"We have innovated and are a disrupter in certain markets. We have been described as the Airbnb of the travel assistance space."
Greg Pearson
President & CEO of FocusPoint International

“If you want to be an industry pioneer and differentiate yourself among clients and peers, now is the time to start embracing blockchain!”

Hélène Stanway
Global digital leader at AXA XL

“The paradox of yachting is that the more you sell the higher the risk of failure”.

Michele Gavino
CEO of Baglietto

“The customer is at front and centre; it is a matter of survival. Today’s customers have a huge amount of power, they can easily Google you to learn more about you, and then listen to the opinions of their friends and families.”

Philippe Danielski
Zurich’s Asia-Pacific Head of customer focus

“All of our teams use the mantra ‘team first’. You have to be selfless. The ideal is to be ruthless on the field but humble off it.”

Mike Anthony
Head of High Performance for New Zealand Rugby

2nd Risk Management Forum

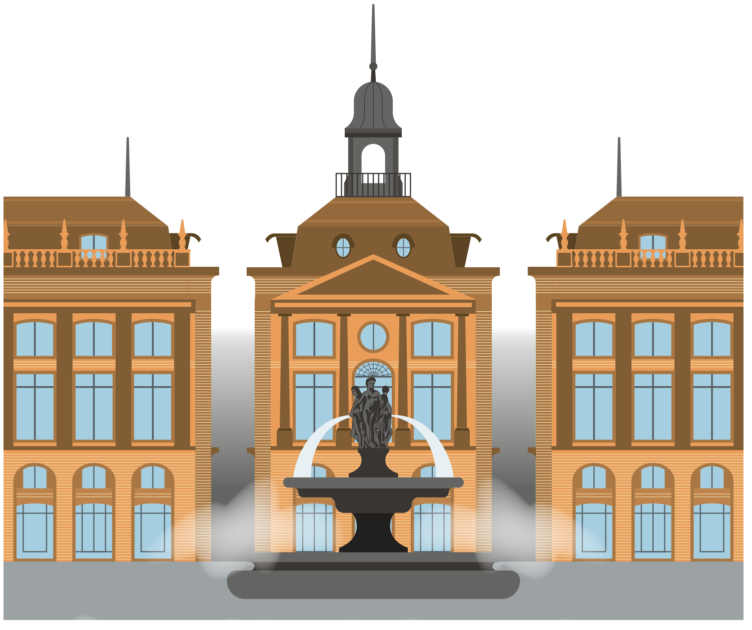
The 2nd Risk Management Forum took place during the conference in partnership with the Pan-Asia Risk & Insurance Management Association (PARIMA). The Forum, sponsored by SUNU Assurances, brought together 28 senior risk professionals and insurance market leaders from across the globe. The Forum encourages lively and interesting debate and those attending shared their thoughts and insights on some of the key challenges and opportunities currently facing risk managers.

The Forum was chaired by Franck Baron, group deputy director, Risk Management and Insurance of International SOS and chairman of PARIMA. It provided a great platform for discussion across a broad range of topics, from the risk manager's relationship with the corporate c-suite, to the relevance and responsiveness of the insurance market to supporting risk managers. Also on the agenda were insurer and broker consolidation, Brexit and the need for innovation.

Next Forum:
Bordeaux, 17 October 2019

2019 Conference

Bordeaux, 17 - 18 October



José Manuel Fonseca & Steve Hearn

New chairman and vice chairman

In January 2019, José Manuel Fonseca was appointed Brokerslink chairman, replacing Grégory Allard who stepped down after completing his 2-year tenure at the end of 2018. He is being supported by Steve Hearn, Brokerslink board member and group ceo of Ed, as vice chairman. On his appointment José Manuel said: "When Brokerslink was founded in 2004, the aim was to create a global network supporting local independent brokers to maximise multinational opportunities for their own clients and become a credible alternative to the large alpha house brokers. With the commitment and dedication of a fantastic team over the years, I have seen this vision become reality."

Christos Gavriel

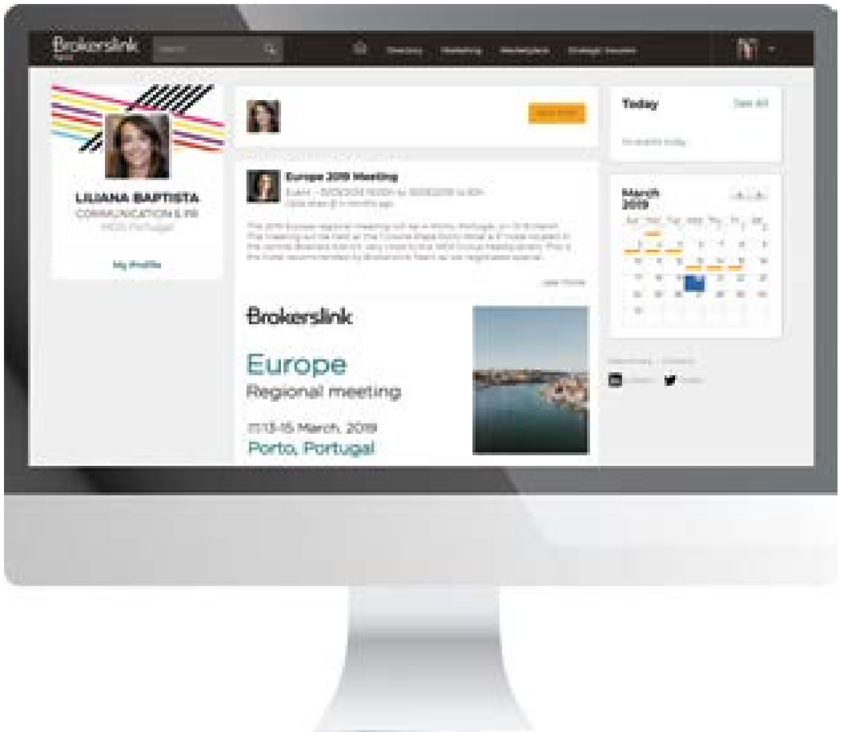
New regional manager for Europe

Christos Gavriel has been appointed regional manager for Brokerslink Europe.

Gavriel has a strong background in insurance having previously held various international roles at AIG before setting up and managing his own business, Renaissance Insurance Brokers Ltd, a Brokerslink affiliate based in Cyprus.

Through his role, Gavriel will provide a connection between Brokerslink partners and affiliates in 35 European countries and the rest of the global network, helping independent brokers in the region to find and develop new opportunities for their clients.

Agora



A new relationship management platform

Brokerslink launched an innovative technology solution designed to support its partners and affiliates around the world.

Called Agora, it is a relationship management platform that also features the Brokerslink online Marketplace where partners & affiliates can access dedicated insurance products and services, HR and employee benefits, risk management software and the open market via TradEd. These dedicated products have been developed with strategic insurer partners, specialist brokers and risk and insurance services providers.

Agora will also host marketing collateral, training material and a global contact database which will support business development and marketing opportunities by enabling partners and affiliates to quickly access the specialist local knowledge of colleagues across the world and enable the network to easily collaborate on new business opportunities and market Brokerslink to its full potential.

Brokerslink Marketplace

Technical Information
Marketing Brochures
Commercial Presentations
Quote Forms


5D
Innovarisk
UNDERWRITING
ACREDITAR
HONRAR
SUPERAR
ESPECIALIZAR
CORRESPONDER
UMA NOVA DIMENSÃO
DOS SEGUROS

Unit-Linked

Dedicated life insurance solutions based on investment funds

An overview

A flexible and transparent solution

A wealth structuring solution

The new distribution regime

An efficient investment

Unit-Linked
An Overview

In some specific situations that we will discuss in this dossier, one should consider the creation of a dedicated fund, widely known as unit-linked or, under a technical approach, a life insurance based investment product. In some jurisdictions, these life insurance solutions are also known as fonds dédies or life bonds. Whatever the nomenclature, they all represent the same concept. This concept, as well as its legal framework, are described in the following article of this dossier.

Flexible, able to attract sophisticated private customers and address particular needs, these solutions can be tailored to the specific needs of policyholders, insureds or beneficiaries, both in terms of the contract itself and the underlying financial assets. It is, furthermore, a product that can comprise domestic or multijurisdictional approaches. It is ideal for solutions aiming for wealth planning and long-term savings in a suitable and regulated manner, compliant under the applicable legal frameworks and regulations.

Hence, duly adapted to the specific customer needs and supported by professional legal and tax advice, the exact solution to be achieved, in each specific case, can and shall represent trust and peace of mind, features of any proper long-term financial commitment.

The term dedicated fund is, therefore, quite accurate in the sense that the word 'dedicated' sets the pace for further customization and orientation to the customer needs. Our approach on the subject and our concept of the product is not of an 'off-the-shelf' retail investment product but, in fact, of a custom-made solution that fits the specific needs of an individual person or his or her family.

We address the topic of meeting customer needs in two different articles: the topic of the Portuguese legal framework non-habitual residency regime is discussed in the article by Espanha e Associados, whilst the benefits and solutions for high net worth individuals relocating from Brazil to Portugal are the focus of the article by Taiza Ferreira.

Finally, Inge De Wolf addresses the relative stability (now with strengthened professional and information requirements under the, recently implemented, insurance distribution directive) of the applicable legal and regulatory framework.

Everything is in place for this market to become increasingly popular to meet the needs of a specific and small – yet significant – set of investors.

Notwithstanding, this type of insurance can effectively tackle more than just the needs of high net worth individuals. It may and shall also be used as a critical instrument to improve the relationship between companies and human capital.

> "Flexible, able to attract sophisticated private customers and address particular needs, these solutions can be tailored to the specific needs of policyholders, insureds or beneficiaries, both in terms of the contract itself and the underlying financial assets."

Nuno Leitão

Is senior advisor at MDS, working with individual and corporate customers, structuring bespoke unit-linked life insurance solutions.
Before joining MDS, Nuno held the position of sales and distribution manager in asset management companies, thus being a well-rounded professional in devising solutions aimed at high net worth individuals.
Nuno has a background in communication and holds a specialist course in tax law (Portuguese Catholic University, Lisbon).

When an employee negotiates a position, whether domestic or abroad, commonly the employee will take into consideration the full package of the company's compensation and benefits plan. Access to death and disability, as well as health insurance, pension funds and other incentives may favour one offer over another upon selecting a new challenge. Employees value both access to such benefits, as well as the fact that its continuation should prevail, even if they embrace a new challenge later on. In such situations, regardless of the tax regime, portability of vested rights comes into play, that is how and where do you transfer the vested rights.

In multi-jurisdictional life insurance solutions, portability is the feature that allows one to 'carry over' a given benefit from one country to another. Specialist advice should be sought after to determine the actual tax and legal regime in the destination country, so that no personal, professional or family detail is overlooked. For example, one of the main concerns for life insurance policy holders is the beneficiary clause. Such clause, if defined properly, allows pay-outs to the designated beneficiaries, regardless of the fact that several jurisdictions are to be considered.

Some occupations are not in the scope of the Portuguese legal framework non--habitual residency regime, as mentioned in the second article, but these type of insurance solutions are superlative due to the portability feature. Professional football players with international careers, to whom multi-jurisdictional solutions are fit for purpose, are living proof of the concept.

In Europe, two countries rank higher in the specialization and development of this insurance subsector. Luxembourg and Ireland have developed multi--jurisdictional solutions that fit most legal and regulatory frameworks.

Seven insurance carriers operating under the EU Freedom of Services in Portugal are to be considered, some of which include European solutions in their portfolios. We refer concisely to such solutions in this brief but shall revert to the subject in the near future, given their potential to centralise and reduce administrative costs. •

"This type of insurance can also be used as a critical instrument to improve the relationship between companies and human capital."

Unit-Linked

A flexible and transparent solution

In simple terms, a unit-linked is a life insurance contract that is linked to one or more investment funds (not technically, but in the sense of an autonomous group of assets). Unlike a conventional pure risk insurance policy, it may provide investors with both insurance and investment under a single integrated contract. As a life insurance contract, it covers the risk of death or survival of a given insured person; as a contract that is linked to an investment fund, it offers the advantages of an investment vehicle.

The nature of the contract, however, is that of an insurance policy. Albeit linked to investment funds, the contract (insurance policy) is underwritten by an insurance company authorized for this type of product. The investor is the policyholder, who can either be the insured person himself/herself or appoint a different insured person whose life is covered by the policy. It is also the policyholder who appoints the beneficiaries of the insurance, whether in case of survival whether in case of death, depending on the policyholder's purposes.

In addition to the insurance company, this type of product typically involves several other parties subject to professional and compliance rules, like the asset manager, the custodian bank and the insurance intermediary – feature that provides confidence and legal certainty to the unit-linked policy vis-à-vis other investment products.

How does it work? Whilst part of the premium paid by the policyholder may be used to provide life insurance coverage, the whole or the remaining part is invested in one or several investment funds, at the policyholder's choice, taking into consideration his/her investment objectives, risk tolerance and investment horizon. Premium can be single, regular or flexible depending on the product in question.

The type of fund that is linked to the insurance policy will depend on the products offered by each insurance undertaking. Some specialized insurance companies offer tailor made products built according to the investor's needs.

It's up to the policyholder to choose the investment fund (or funds) linked to the insurance policy, based on his/her risk tolerance and preferences. The fund's portfolio may include different types of assets, such as shares, fixed-interest securities, money market instruments, property, derivative instruments, etc. The policyholder typically has a choice of funds having different characteristics to which premiums can be allocated. The information on the funds' portfolio and investment rules is mandatorily provided to the policyholder previously to the policy subscription.

The premium invested by the policyholder, after deducted any applicable fees or charges, is converted into a given number of fund units, each of which has a net asset value that is stated on a regular basis, depending on the chosen investment funds. In simple terms, the cash value of the policy corresponds, at each moment, to the total value of the investment fund times the proportion of the number of units held by the policyholder to the total number of units in the investment fund. This means that the value of a unit-linked policy directly depends on the value of the investment funds to which it is linked, which in turn depends on the value of the assets kept in the fund's portfolio.

The portfolio allocated to the investment fund underlying the unit-linked policy does not give the policyholder any right of ownership over the portfolio. The fund remains the sole property of the insurance company; nonetheless, the allocation grants to the policyholder a contractual claim against the insurance company in accordance with the provisions stipulated in the agreed insurance policy.

Policyholders are usually allowed to make changes or to switch funds throughout the duration of the unit-linked policy, which confers flexibility to the investment, depending on the policyholder's investment needs or objectives at each moment. Policyholders are also allowed to "transport" their policies to another EU member State when they change of address, which ensures maintenance of the investment notwithstanding any changes in the client's personal or professional life.

From a client perspective, unit-linked policies can be designed to do almost anything a conventional risk policy can, with the advantage that they can also offer more flexibility. The major disadvantage of conventional risk policies lies in the fact that the cash value of the policy at a particular time is not always clear to the client. The transparent nature of a unit-linked policy has a major appeal to policyholders who wish to monitor the progress of the value of their investment. Further advantage of unit-linked policies is that the policyholder has control over the degree of investment risk, by directing premiums to the investment funds most appropriate in relation to his/her risk tolerance.

Unit-linked products can be structured in many different ways and have a wide range of application, like family protection, inheritance or tax planning, saving for retirement, mortgage or loan repayment, employee pension, executive benefits, etc. In addition, these products typically benefit from a tax deferral regime, depending on the tax regime applicable in each country.

Insurance intermediaries have a key role in advising the client – among a range of products available at the market – on which unit-linked policy is more suitable to the client's objectives, as they have the ability (and responsibility) to explain the main features of the product, including commission terms and conditions, and to explain how the product meets the client's needs.

Under the recent EU Insurance Distribution Directive (IDD), insurance intermediaries became subject to reinforced obligations in terms of disclosure of information and professional requirements, which necessarily increased the level of client protection and ensured a higher quality of service to investors that search unit-linked policies, when in comparison with other types of products. •

João Espanha

With 30 years of career behind him – and appointed as Tax Specialist by the Portuguese Bar Association –, his work consists on providing legal and tax advice to individuals and businesses, with emphasis on tax advice on life insurance. João often represents clients in disputes with the tax authorities and in judicial proceedings and he is also a tax arbitrator at the CAAD, where he is frequently appointed by the taxpayer in large-scale complex disputes.
His large experience affords him an overall view of the problems, thus contributing to offering effective solutions to clients. João is founding Partner of Espanha e Associados Law Firm.

Leonor Futscher de Deus

Has worked at Espanha e Associados since 2005, providing ongoing assistance to national and foreign clients from insurance and banking sectors. She is very focused on practical solutions and has excellent understanding of client's needs. Her work involves providing legal advice on day-to-day activities (new products, commercial partnerships, drafting documentation related to products, etc.) and on more complex transactions, such as setting up foreign undertakings in Portugal (through branch offices or through freedom to provide services) or assisting on the internationalisation of Portuguese companies. She has a wide experience in what concerns life insurance, in particular unit-linked insurances. Leonor is Senior Associate of Espanha e Associados Law Firm.

Unit-Linked

A wealth structuring solution

Latin America's sleeping giant

When it comes to Latin America, Brazil is the giant of the region. Its prominence is the result of a combination of many factors including its size, diversified natural resources and a huge consumer market. In the 2000s, the economy profited from global growth and high demand for its commodities. In 2008, the global financial crisis put such prosperity under threat, although the country was able to partially contain its effects. Unfortunately, Brazil did not view its commodities boom as an opportunity to tackle important issues that have been challenging sustainable economic growth for decades. Instead, it kept the same mediocre policies. It did not push forward with the necessary fiscal and political reforms, nor did it make essential investments in infrastructure.

Furthermore, the country has been gripped since the beginning of 2015 by an endemic corruption scandal known as Operation Car Wash. It dominated international headlines and impacted on people at the highest levels of business and politics, including former presidents Lula and Dilma. This widespread corruption scandal has been testing Brazil's institutional and democratic limits. As a result, many have claimed the country suffered its worst recession. Despite hints of a recovery underway and a new president elected, the quality of life is still not improving for Brazilians. The jobless rate is high and violent crime is on the rise due to drug-related activities and widespread police corruption. Access to quality public services such as education and health care is still a huge challenge. Despite its potential and size, Brazil is a sleeping giant intoxicated by its socioeconomic challenges and corruption scandals.

Portugal's many advantages

Amidst the political and economic uncertainty, over the past few years a Brazilian diaspora has been spreading and one of the favorite destinations so far has been Portugal. Among its attractions are: a great quality of life, no language barrier, cultural proximity and a low cost of living. In addition, Portugal is very much 'in vogue' nowadays and even Madonna has been extolling the delights of living in the sunshine capital of Europe!

At the meeting point of three continents, the Iberian nation boasts an advantageous geographic location and excellent transport connections both to the rest of Europe and overseas destinations. Once the hub of a colonial empire, it offers touristic sites full of history and impressive architecture redolent of past imperial glory. Whether in the northern Douro Valley wine region or on the southern Algarve coast, the country offers an excellent affordable lifestyle and a very attractive fiscal regime with no wealth or inheritance taxes. Portugal also has an extensive double tax treaty network to mitigate the risk of double taxation of income earned in multiple countries. In addition, the government has stimulated inbound mobility by creating the Non-Habitual Resident regime (NHR) and the Golden Visa program.

An individual may qualify as a NHR by registering as a tax resident in Portugal, as long as they have not been tax-resident in any of the previous five years. Individuals meeting this condition may benefit from the special regime for a 10-year period, involving a special tax rate of 20% applicable to work-related income from high added-value activities as well as tax exemption for foreign-source income.

The Golden Visa programme offers a special residence card for foreigners meeting an investment criterion, including a minimum €1 million capital transfer or the purchase of real estate worth at least €500,000, allowing investors to live and work in Portugal. The residence permit also allows visa exemption for travel within the Schengen Area and the opportunity to apply for permanent residence or citizenship.

Once they decide to move to Portugal, Brazilian HNWI's[1] must meticulously assess the most efficient and compliant way to structure their wealth.

Benefits of a foreign unit-linked life insurance product

Unit-linked life insurance is a product fully recognised and compliant in Portugal. Since it entails a savings regime for individuals, it enjoys favorable tax treatment. By comparison with traditional fiduciary structures, it can be a more effective means of investing and transferring wealth in a flexible and tax-efficient way. Although many people in Portugal are not yet very familiar with this cover, demand has been increasing in recent years as the high net worth community and its advisors learn about the product and its benefits for wealth structuring and asset protection.

This enterprising product offers the unique security of a contract issued in Luxembourg, a leading investment jurisdiction that offers the protection of a rigorous regime popularly known as the Triangle of Security. In addition, Luxembourg offers tax neutrality since taxation is based on the policyholder's country of residence.

Moreover, contracts can be tailored to provide portability if individuals relocate between various jurisdictions during their lifetime. They also have access to a flexible and wide range of underlying assets, including external investment funds and internal collective funds, as well as dedicated funds that offer discretionary management according to the policyholder's personal objectives. Another interesting feature is that clients may withdraw a portion of their original investment if needed.

Regarding taxation, the attractive treatment of unit-linked life insurance in Portugal provides a broad scope for inheritance and tax planning. For death claims, life insurance benefits are tax-free, not being subject to either income tax or stamp duty. In the case of surrenders, only the portion exceeding the amount initially invested is subject to taxation. If at least 35% of the total premiums are paid in the first half of the policy lifetime, either one-fifth or three-fifths of the income may be excluded from taxation in cases where the surrender takes place after five or eight years respectively of the contractual period, which could result in an effective taxation rate as low as 11.2%.

All these factors mean that unit-linked life insurance may be the best option for Brazilian individuals resident in Portugal to hold financial assets that can produce income to be distributed throughout their lifetime. If properly structured, it can be the most efficient wealth management tool, since it offers great flexibility in terms of investment and a more attractive tax regime than other options.

In a changing world where transparency is 'de rigueur' and control is a priority for investors, unit-linked life insurance facilitates compliance with the evolving legal, regulatory and fiscal environment, at a time when certain traditional structures risk losing competitiveness and relevancy. •

1. High Net Worth Individuals

Taiza Ferreira

Is a qualified lawyer registered with the Brazilian and Portuguese Bar Associations. Taiza graduated from Law School at Pontifical Catholic University, Rio de Janeiro (Brazil) and has a master's degree in international and European business law from Université Jean Moulin Lyon III (France). Experienced in international tax advisory with a six-year 'Big Four' background in both LatAm and Europe, she has been working for the past years as a wealth structuring expert in the Luxembourg life assurance industry. Taiza is Senior Wealth Planner at OneLife.

Unit-Linked

The new distribution regime

IDD came into force on 1 October 2018. It introduces new rules enhancing client protection in the insurance industry, in parallel with similar rules recently adopted in other sectors of the financial industry. IDD is an European Directive and applies therefore to the interests of European resident clients.

In this article we focus on the distribution of insurance based investment products (IBIPs or unit-linked insurance contracts).

The creation of a level playing field

For the first time in insurance history, sales performed directly by insurance companies have been identified as distribution activity and require insurance companies to align with distribution obligations applicable to insurance intermediaries (tied or independent). Everyone involved in the 'intermediation' activity is now considered a 'distributor' and as such affected by the provisions.

The client at the heart of the product development process

Insurance companies as product manufacturers have to ensure that throughout the product development process the clients' interests are considered as a priority, adapting the product and distribution to the target market. This involves the need to describe the product's risks, to comply with prudential requirements, to respond to the general good provisions of the client's country of residence. Whilst insurers have already implemented most of this, the product development process has to be formalised with an embedded distribution strategy for each product including a regular review of the processes. Manufacturers and distributors will have to work together to ensure that the expertise and feedback from the distributor are reflected in an appropriate and suitable product offering.

Any distributor has to take a holistic view of the client's needs and personal situation. Moreover an independent intermediary is also to know the offering available in the market, to be able to compare it in the client's interest, and finally to identify together with him the offer that best suits his personal situation and requirements.

Inge De Wolf

Joined Swiss Life Global Solutions as Legal Director in 2017. Inge looks back on more than 20 years experience in cross-border life insurance both as Legal & Tax Director and Head of Compliance, leading an international team of lawyers. She started her carrier in a small law firm before she integrated the insurance sector in Luxembourg. In 2000, she joins a leading international insurer where she heads the Legal Department for a number of years before being appointed Legal & Tax Director.
Inge has also founded consulting and brokerage structures in Luxembourg.
She is a Belgian lawyer with a degree in both Belgian and French law, a French master in Private and Banking law, and certification in investment products and international taxation. She is a London Business School graduate in Leadership & Management and a certified PNL Practitioner.
Inge is International Head of Legal Swiss Life Global Solutions.

The key provisions and what it means for insurance professionals

The product development process needs to be laid down in a Product Oversight and Governance process (POG). All relevant POG information must be made available to each intermediary, depending on the products that he is authorised to distribute in the relevant markets.

IDD also imposes increased disclosure requirements. The distributor must be transparent about costs and charges and the intermediary has to disclose the cost for the distribution service and what the service is composed of.

Each distributor has to ensure a proper needs-analysis of the client. Where advice is provided by the distributor regarding an IBIP, the latter will have to complete an appropriateness and suitability check. This will be a kind of in-depth 'Know-Your-Customer' process, to obtain information on the knowledge, experience, financial situation and investment objectives of the client. Subsequently, the distributor must ensure that the contract sold corresponds to the client's needs and to the advice given to (and accepted by) him.

Insurance distributors shall act honestly, fairly and professionally and put procedures and controls in place to avoid causing any detriment to the clients and to be transparent about costs and services. •

> "Insurance companies as product manufacturers have to ensure that throughout the product development process the clients' interests are considered as a priority, adapting the product and distribution to the target market."

Unit-Linked

An efficient investment

Being very versatile for financial planning and an important wealth protection instrument, unit-linked insurance is also a very efficient investment vehicle for individuals, from a Portuguese tax perspective. In fact, under Portuguese Personal Income Tax (PIT) Code no tax is due upon the growth of the policy during its term, meaning that if no surrender occurs, no tax will be due on income or gains in the assets held within the policy (this being an important advantage when compared to direct investment). Also, in case of partial surrenders, the positive difference between the amounts paid and the income derived from the policy will only be subject to PIT if and from the moment the amounts withdrawn from the policy exceed the sum of the premiums paid.

In case of surrender, advance disposal or maturity of the policy, the positive balance between the amounts paid under the form of premiums or amounts invested by the beneficiary, and the amounts withdrawn shall be considered, for individual taxation purposes, as investment income (capital income). In order to encourage these savings instrument, the Portuguese legislator established a regime provided to which, where the sum of the premiums paid during the first half of the term of the policy amounts to, at least, 35% of the total premiums paid during the term of the policy, the taxable income will be reduced as follows: if the maturity occurs (i) between the 5th and the 8th year of the duration the policy, only 80% of the above difference will be subject to tax, (ii) on or after the 8th year of the duration of the policy, only 40% of the above difference will be subject to tax. In the remaining cases, the total amount of the income shall be subject to tax. The taxable income (i.e., 100%, 80% or 40% as applicable) shall be subject to 28% flat rate (resulting in effective tax rates of 28%, 22.4% and 11.20%, respectively). Alternatively – even though it is generally less favorable – the taxpayer has the option to include (aggregate) such income with other sorts of ordinary taxable income (e.g., business, employment, pensions). In that case the income will be subject to tax at progressive rates up to 48%, plus additional solidarity surtaxes.

Under the special Non-Habitual Residency (NHR) regime, taxable persons who meet the conditions to qualify as residents under Portuguese law and have not been tax residents in this territory in the five preceding years may benefit from the special scheme for a period of 10 years. The granting of NHR status allows taxpayers to obtain tax advantages in respect of the following income sources: (i) employment and self-employment income obtained in Portugal from high added value activities as listed in a ministerial order; (ii) employment income; self-employment income from high added value activities; passive income and pension income, whenever, in any of these cases, the income is earned abroad.

As far as passive income is concerned, it includes interest, dividends, other investment income, rental income and capital gains. This class of income will be exempt from Portuguese taxation as long as (i) It may be taxed in the source state in accordance with a double taxation agreement made between Portugal and that state, or in case no tax treaty exists, if: (a) this income may be taxed in the source state in accordance with the

OECD Model Tax Convention; (b) the same is not deemed earned in Portugal under the PIT Code; and (c) the country, territory or region that is the source of the income is not on the Portuguese list of tax havens.

Therefore, when derived from a Portuguese source, the income originating from unit-linked insurance will not benefit from NHR scheme but will be taxed in accordance with the advantageous regime described above. When the insurance company is not located in Portugal, the exemption of the income received under NHR status depends on whether the tax treaty entered into force with the source country refers to the definition of interest of each of the signatory countries and the income is qualified as such under such source country legislation. Hence, in most cases, although income will not be exempt under NHR and will be subject to PIT according to the general rules applicable to this instrument although we are aware that in certain jurisdictions and under certain circumstances this status quo may be about to change very soon. Finally, note that there is no inheritance tax in Portugal. Gifts and transfers upon death are subject to Stamp Tax (at a 10% rate), although gifts and transfers upon death between spouses and between parents and their children are exempt from Stamp Tax for both the donors and the recipients, regardless of their tax residency. Nonetheless, credits arising from life insurance policies, notably death benefits, are not subject to Stamp Tax regardless of who the beneficiaries are and what is their family relationship with the policyholder or the life assured.

Hence, even if NHR do not benefit from an exemption on income derived from unit-linked, this instrument allows for a very efficient tax planning, providing for policyholder to determine when (and if) liability to tax arises, benefitting from a tax saving (under circumstances described) and allowing no Stamp Tax to arise on payments to beneficiaries of insurance policy irrespectively of the degree of kinship with the policyholder. •

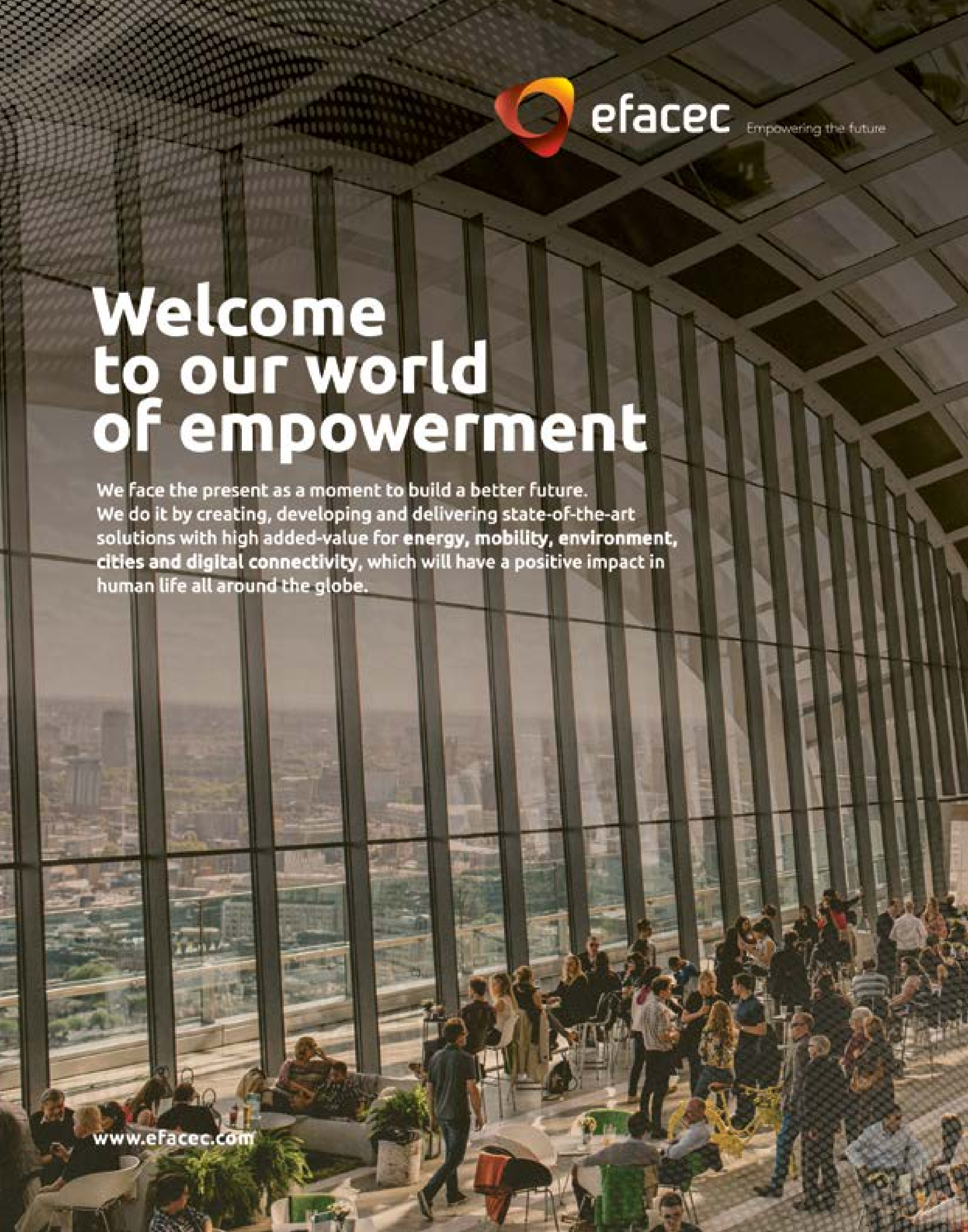
“
unit-linked insurance is also a very efficient investment vehicle for individuals, from a Portuguese tax perspective.”

Mafalda Moreira

Is a senior associate of PLMJ’s tax team, based in Porto. Mafalda has over 10 years’ widespread experience in tax advice and litigation and works within all areas of tax law (direct and indirect taxes), dealing with national and international corporate and individual taxation, estate planning and structuring for high and ultra-high net worth individuals. Mafalda is part of PLMJ’s French team.

Miguel C Reis

Heads PLMJ’s tax team, based in the firm’s Porto office. Miguel is one of Portugal’s leading tax lawyers with over 30 years’ extensive experience in advising clients on high-profile domestic and international tax matters in M&A, corporate restructuring and foreign investments and financial transactions. He also advises on estate planning and structuring for high and ultra-high net worth individuals and gives day-to-day tax advice to companies and financial institutions. Miguel is a member of PLMJ’s board of directors and part of its UK team.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MDS NEWS

José Manuel Fonseca

named 2018 Broker Leader of the Year by FERMA

José Manuel Fonseca was named Broker Leader of the Year by FERMA at its European Risk Management Awards in Brussels, Belgium, in November last year. The judging panel – comprising chairpeople from a number of national risk management associations – recognises personalities for their meaningful contributions to the sector. This is the first time a Portuguese citizen has been given the award which acknowledges the work undertaken to advance and introduce new dynamics to risk management. During the awards ceremony, Brian Duperreault, AIG chairman and ceo, was named Insurance Leader of the Year.

The European Risk Management Awards acknowledge the work of leading entrepreneurs and thought leaders within the European risk management community, rewarding excellence and innovation among the sector's main players: insurers, brokers and professional service providers.

Paul Obolensky with MDS

Paul Obolensky became MDS group advisor for specialty risks. Since 2018, Paul has been a consultant on insurance and reinsurance projects in Europe, the US and Latin America. During his 40-year insurance career, Paul has worked with brokers and insurers around the world, including AWAC, AIG and Willis.

MDS Holding boosts executive committee

MDS Holding has recently strengthened its executive committee with the appointment of José Diogo Araújo e Silva as cfo; a professional with a distinguished international track record in investment banking and venture capital.
Having secured a distinction in business management at the Portuguese Catholic University, José has worked with companies such as BPI, Accenture, JP Morgan and Magnum Capital, gaining experience in European merger and acquisition processes and investment company management (all relevant to the MDS Group's plans for international expansion).
Ricardo Pinto dos Santos joined the executive committee, teaming up with José Manuel da Fonseca, ceo and José Diogo, cfo. As holding company coo, Ricardo will take on this new role alongside that of MDS Portugal ceo.

Enhancing Reinsurance

reinsurance solutions, s.a.
sociedade corretora de resseguros

MDS has consolidated its position in the reinsurance sector by acquiring a majority stake in **Reinsurance Solutions**, a company operating in the Portuguese market since 1993 that specialises in areas such as facultative and treaty reinsurance, as well as bespoke solutions for transferring industrial group risks.
Fernando Brito and Renato Capote, renowned specialists and founders of **Reinsurance Solutions**, teamed up with MDS, enhancing the group's reinsurance expertise.
The acquisition, which awaits approval from the Portuguese Insurance and Pension Funds Supervisory Authority (ASF), will strengthen MDS's reputation as a key reinsurance broker in Portugal and Africa.

New player in real estate solutions

MDS Finance is working in partnership with a leading real estate and financial Group to explore synergies and business development opportunities via a new customer insurance distribution channel.

MDS Finance will use its expertise to support real estate developers and design tailored solutions to meet customer's individual needs. By offering products that complement developers' portfolios, it will drive new business opportunities.

Through a dedicated channel, competitive solutions to cover real estate and liability, namely life and multi-risk homeowners' insurance, will be offered. This is in addition to other lines with terms that set them apart from the competition, optimising coverage, premiums, fees and pricing.

MDS Finance will use a specialist team to advise customers on the purchase of cover, portfolio management and claim resolution and because it is part of the wider MDS Group, can innovate its processes, ensure access to multi--specialist skills and by anticipating customer's needs, offer the best coverage solutions in the business.

Ariel Couto

Joins MDS Brazil

Ariel Couto joined MDS Brazil in 2018 as ceo and is proud to lead what he considers to be 'the most complete broker in the market'. He sums up his hopes for the future in three words: growth, margins and innovation. "This is the goal for the entire Group and something we must pursue in order to turn MDS Brazil into the largest business in the country."

Ariel began his insurance career in 1995, managing a family-owned broker, Elecê. He went onto work with a number of companies including the Brascan Group (a broker and now Brookfield), RSA Seguros (now Sura Seguros) and QBE, gaining extensive experience in Brazil's corporate insurance market.

Jorge Leitão
@ MDS Africa

Jorge Leitão joined MDS in 2017 and since August 2018 has been MDS Africa's general manager. He's keen to contribute to the active role MDS plays in developing Africa's economy, adding value with his experience, knowledge and international network of partners, not only in Angola and Mozambique but also expanding to other countries in the future.
During his career, Jorge has managed top-performing multinational companies. His first role took him to the Pão de Açúcar Group (now Auchan) where he stayed for 15 years; he later joined INAPA as deputy director and in 2000, became ceo of Prosegur, a security company.

Getting stronger in Health Management

MDS has acquired **Ben's**, a Brazilian broker specialized in the Employee Benefits area, with over 21 years in business. **Ben's** manages insurance policies for 200-plus companies and 300,000 people, and is a pioneer in the development of technological solutions to help customers efficiently manage their benefits portfolios. This acquisition strengthens the MDS service portfolio in the health management area, an increasingly important and ever growing industry in Brazil.

Gustavo Quintão (MDS), Benivaldo Ferreira Jr. (Ben's), Ariel Couto (MDS)

MDS @ Madeira

MDS has extended its presence in Madeira, an autonomous Portuguese province, with the acquisition of WinBroker, one of the region's main brokers with over 20 years' experience. This investment increases MDS's presence on the island; strengthening the technical skills, solutions and services on offer to customers and partners in this valued market. Further investments are planned.

MDS acquires EB tech company

838 Soluções, a company breaking new ground in the automated management of employee and flexible benefits, is now part of the MDS Brazil portfolio. The brand is known for its software tools which enable employees to choose benefits best suiting their personal and professional life stages and the perks they wish to receive alongside their salary.

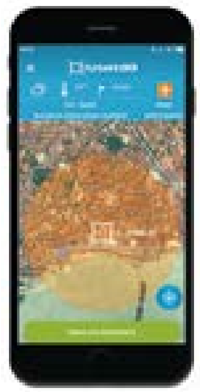
This acquisition reaffirms MDS's commitment to embracing the latest trends in the benefits market: customization, modernization, agility and autonomy.
The goal is that ultimately, 838's tools will improve the well-being, quality of life, performance, employee engagement and other factors which go well beyond financial gains.

838 SOLUÇÕES

New office in Blumenau

On 29 January, MDS Brazil opened a new office in Blumenau, Santa Catarina. Located on the 25th floor of the Ibiza Trade & Financial Centre, it's within one of the most innovative and prestigious urban developments in the Velha borough of the southern Brazilian town. This new home – designed to offer the best customer experience and bring employees, customers and partners ever closer together – gives the company a modern, bold look. Situated on the top floor of the building, the expansive office is the company's newest addition, following the Recife office opening in January 2018 which maximises the north-western city's potential for health management and P&C.
MDS Brazil now boasts three offices in the state of Santa Catarina – Blumenau, Jaraguá do Sul and Joinville. Not only does this reaffirm its position as the largest insurance broker in southern Brazil but it also confirms the company's strategy to support local markets and continues its expansion across Brazil.

Innovative product for drones



With innovation a key strategic focus, MDS has developed a pioneering solution that allows customers to take out drone civil liability insurance online via a new app, FlySafeGo. The application highlights restricted areas, the permits needed to fly and flight conditions. As it's a pay-per-use solution, customers only pay for the time they fly. Currently available in Portugal, the app's coverage in other European countries is under development.

Diversity in the Corporate World

Ricardo Sales, one of Brazil's most prominent diversity specialists, talks to FULLCOVER about the challenges companies face and successes they achieve in their fight against prejudice and battle for inclusion.

'Companies with diversity policies are more innovative and successful'.Many statements like this now grace magazine covers and are used in varying communication vehicles. Supported by behavioural and market research, this theme goes beyond the news and into workshops, conferences and gatherings such as the RD Summit digital marketing event in Fortaleza, north east Brazil on 8-10 November 2018. On one of the panels, which advocated female leadership, entrepreneur and founder of the Black Money movement, Nina Silva, made some hard-hitting statements: "Companies need equity as one of their founding principles... We are not the same... understand that and be happy. We will only have equal opportunity when we have an equal environment."

Although there's a current surge of attention on the topic, the definition of diversity and the debate around it are long-standing and more complex. Taking a macro view, early public discussions on the subject date back to the 1960s and 1970s, when protestors took to the streets. From its birth in the United States, the movement for diversity gained traction in Brazil with the *Movimento dos Direitos Civis Afro-Americanos no Brasil* (Movement for African-American Civil Rights in Brazil) and in the mid-1990s, demonstrations prompted social pluralism discussions.

Diversity gives a workplace distinction. In his article 'Nine trends in diversity and inclusion'[1] Ricardo Sales, founder of the *Mais Diversidade* consultancy and a research fellow at the University of São Paulo, associates the term with demographic representation. The word inclusion means taking a step further, it 'guarantees people with different profiles in companies will have the same opportunities for development and promotion'. But why is it that certain groups which, until recently were perceived as marginalized, have now gained the attention of the corporate world?

Social and financial value

The Diversity Matters report[2], published in 2015 by McKinsey & Company, is one of the most popular studies on the positive effects of diversity policies, particularly financial benefits. According to the survey, companies that employ a mix of races and ethnic groups are 35% more likely to achieve above-average returns. Likewise, more gender-diverse corporations tend to perform 15% above their sector average. These findings mention profit, persuading even the most sceptical and inflexible on the power of changing dynamics in the corporate world. "Companies can't ignore this any longer. They're losing money," Nina adds.

Although capital can be a strong motivator to put companies on the path to diversity, the topic uncovers a few issues deeply connected with day-to-day workplace dynamics. *Innovation, engagement and competitiveness* are but a few.

Ricardo explains: "*Innovation* because groups with different perspectives, training, genders, races and sexual orientations tend to have alternative views on the environment in which they work and, therefore bring fresher, more innovative ideas. "*Engagement*, in turn, is about giving employees the opportunity to be who they are, being their true selves at work." He concludes: "When a work ecosystem is inclusive, people tend to produce more, do better and feel happier. *Competitiveness* comes as an indirect consequence of their participation."

Another factor pushing diversity from an ideal to the real world is social change: "New generations entering the labour market bring new expectations about companies and, in parallel, employers have come to realise business cannot operate separately from their social environment. These two worlds coexist and interact," says Ricardo. "This interaction has shown organisations they need to align themselves to society's demands; acceptance, freedom and pluralism among them," he adds.

Deep-seated conservatism

Typically, initiatives to recruit diverse profiles are still competing against traditional, time-honoured ideals. Sometimes a conservative attitude isn't part of the company ethos, instead it comes from social pressure – in the area it operates within. "The community could be responsible for bringing backwards ideas into corporations," Ricardo explains.

Brazil is a nation founded on more traditional viewpoints and is not that open to new social perspectives. According to research from the Ipsos institute, published on 25 June 2018, and then picked up by the newspaper, *O Povo*, the country ranks 15th in its acceptance of diversity, behind all Latin-American nations. It reports 'Brazilian society faces specific difficulties handling these matters because Brazilians, as a people, reject conflict and, among other traits, they have this tendency to deny the existence of prejudice'.

Ricardo continues: "We've nurtured this idea about ourselves that we're already diverse and inclusive. Now we have the chance to rethink and make it happen." This statement, fieldwork, academic research and official reports, causes Ricardo to ponder how Brazil's moved forward: "Over the past five years, we've seen encouraging growth in the number of discussions on this topic and now magazines, school curricula and even legislative bodies devote more time to it. We've learnt more and developed bolder policies around gender and disability, even if they do only cover what Brazilian society finds more palatable."

Although Brazil fails to lead the global conversation on gender, race, sexual orientation or nationality, it is ahead in advertising. According to data from a Shutterstock/Censuswide partner study, ads produced in the country try hardest to represent diversity in their campaigns. The PropMark portal[3] says the study shows this effort has prompted positive feedback from the international advertising market. For example, 32% of sector professionals say they already understand the importance of representing disabled people in their work. A high percentage when compared to figures from the United Kingdom (25%), United States of America (20%), Australia (18%) and Germany (13%).

Diversity: how companies can turn strategies into action

Although it's possible to try and build a diverse and well-structured culture within an organisation, processes have yet to be fully identified and rolled out. Often, many of the measures companies put in place stem from isolated initiatives that lose sustainability in the long term or priority over managerial, financial and political issues. Recognising this failing, Ricardo refers to the study mentioned above, highlighting the difference between a slight interest in the matter and having the resolve to work it through it: "An affinity for the topic is important, but not enough. When dealing with diversity issues, there's a vast body of literature and complex processes to work through." In light of this, he advocates for dedicated roles to be created, such as chief inclusion officer and diversity inclusion managers and analysts. "Professionals in this area should be prepared to handle the various problems that arise, but they also need to learn more about the subject, connect with the people involved in the issues and listen to their stories," Ricardo says. Perhaps such formal structures, although efficient, aren't viable in small to medium-sized companies, or more specific segmented lines of business. This doesn't mean other, equally effective, actions cannot be taken:

1. **Plan before you act.** Because it currently enjoys attention, diversity can be seen as a bandwagon to jump on straight away. Ricardo confirms: "If you asked me about the biggest mistake organisations make regarding diversity, I'd say it is an over eagerness to plan the tactics – interventions, events, isolated initiatives – without the underlying strategic planning. Before skipping steps, it's vital companies can clearly answer such questions as, Why am I talking about this? How do I view this topic? What issues am I going to address? What are my short and medium-term goals? What are my KPIs and metrics to measure progress? Who are my strategic partners? Who are the key stakeholders?"

2. **Recognize and combat prejudice.** Whenever prejudice is discussed, it typically raises the idea of unconscious bias. "Biases are patterns established in our childhood and they determine the way we act, react, judge, interpret and communicate with people. So we work with stereotypes and have preconceived notions about groups of people or activities that might influence our decision-making processes. Following these strict ideas and patterns could cause us to make highly biased decisions," Ricardo explains. However,

1. Available at www.aberje.com.br/blogs/post/nove-tendencias-em-diversidade-e-inclusao
2. Available at www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters/pt-br
3. Available at www.propmark.com.br/mercado/brasil-puxa-a-fila-das-campanhas-com-diversidade-no-cenario-global

not everything is unconscious bias. "That said, in order to fight our biases, we should separate them from conscious judgment and prevent them becoming actual discrimination," he affirms.

3. **Top-down vs bottom-up.** Companies also face a challenge when sharing their initiatives with offices in other regions, factories and the rest of their value chain (customers, investors, partners and other groups). Part of this challenge lies in the idea that diversity is something implemented from the top down. Ricardo argues: "Diversity does need support from the top, but bottom-up initiatives help decentralise the process, reinforcing calls from top management, enabling inclusive discussions to filter up. Employees have a right to engage with their wider corporate community and they should routinely share social and business information, plus success stories."

4. **Consistency and staying power.** Policies, benefits and processes deliver greater value and more sustainable benefits when diversity is a key focus at the outset. "You cannot achieve tangible diversity & inclusion results in six months. To ensure actual inclusion, the process should be monitored and data collected/measured on a yearly basis. A focus on diversity matters – it ensures those in marginalized or multicultural groups are not prevented from joining an organisation or progressing their careers," Ricardo opines.

5. **Respect is a given.** No matter what the business, respect is crucial to an inclusive strategy. "Can you even argue against this?" Ricardo adds. More important than any disagreement, ideological or cultural difference, the term encourages acceptance and coexistence, inviting different communities to live in a harmonious, tolerant manner. •

Ricardo Sales

Is a communication and diversity consultant and a research fellow at the University of São Paulo School of Arts and Communication, where he earned his BA, his MA and now reads for a doctorate on diversity policies in organisations. Ricardo has studied the topic since 2005 and is recognised as one of Brazil's top specialists on the subject.

Diversity & Inclusion at MDS Brazil

In Brazil, there are more meaningful conversations about diversity. Gradually, as organisations have a clearer understanding of what this means, they're embracing this concept, as has happened with MDS.

Guided by its ethos of collaboration, creativity, customer focus and professionalism, MDS endeavours to follow the best diversity-related practices, understanding that, as well as addressing the issues connected to social justice and legal compliance, diversity gives businesses a new perspective and competitive edge, significantly impacting innovation and growth.

HR and Marketing teams are using the nuances of diversity & inclusion to attract, retain and stimulate talent, improve employee satisfaction and encourage the sharing of experiences with customers. Breaking with workplace homogeneity, organisations are asking employees to be more aware of their potential biases, such as their set values and how they operate, and how they could cause errors in their decision-making. Bringing this logic into stakeholder relationships, practically, a diverse, multi-skilled team creates more solutions for the varied customer profiles, while introducing new phraseology and ways of communication that add value.

Although sharing knowledge and mitigating widespread unconscious biases is a long process, MDS is committed to creating a workplace for employees who take pride in belonging to an organisation where respect is paramount.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FULLCOVER Legal Corner

Indemnity on termination of the insurance agency agreement

by Maria Inês Martins
Coimbra University

The legal requirements of the recent Insurance Distribution Directive (IDD) have put Insurance distribution under the spotlight. Attention is mainly focused on the relationship between distributors and insured parties and the greater responsibilities imposed upon distributors.

In contrast, other aspects of insurance distribution – particularly the relationship between mediators and insurers – fell under the radar and were not addressed by the IDD. This raises important questions, which are handled differently across member states, and in some cases have not received a satisfactory answer so far.

One question concerns the right to indemnity or compensation conferred to insurance agents after their agency contract with the insurer is terminated.

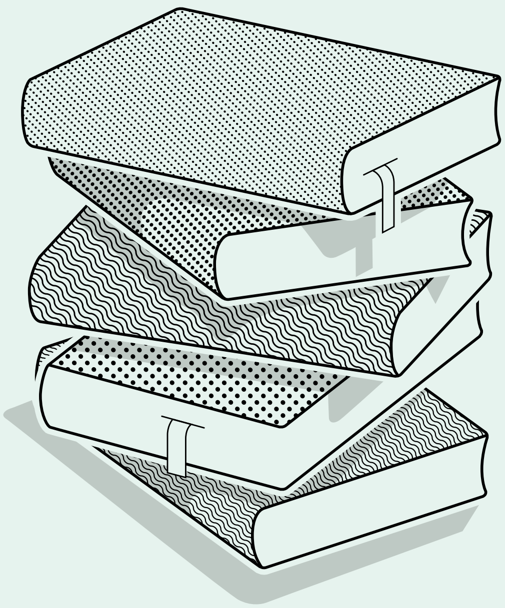
The Agency Directive (Council Directive 86/653/EEC 18 December 1986) handled this issue in regard of commercial agents with authority to negotiate the sale or purchase of goods on behalf of the principal (art. 1). Under its provisions, member states must put in force a system that protects commercial agents after termination, either granting them a right to indemnity or a right to compensation (art. 17). The Agency Directive does not apply to contracts for the distribution of services and therefore leaves out the relationship between insurers and their agents.

Nevertheless, some member states specifically use the framework of the Agency Directive to regulate the insurance agency contract but adopt differing interpretations. This is the case of Portuguese and German Law, where both opt for an indemnity system, but set it out in quite different terms.

In Portugal, the issue is handled by the Insurance Mediation Act, which decrees that 'the insurance agent is entitled to an indemnity if and to the extent to which s/he brought new customers to the insurer or significantly increased the volume of business with existing customers, and the insurer benefits from this activity after termination of the contract' (art. 45.º). The same term is included in the proposed Insurance Distribution Act, that will transpose the IDD (art. 55.º). This criterion is exactly the one set out in the Agency Directive, art. 17.2.

The German norms are part of the provisions of the Commercial Code on commercial agents (§89b HGB), adapting the criterion set out in the Agency Directive as follows 'where insurance agency is at stake, the insurance agent is entitled to an indemnity if and to the extent to which s/he brought, instead of new customers, new insurance contracts to the principal-insurer or enlarged the scope of an existing insurance contract in such an extent, that it is economically equivalent to the procurement of a new insurance contract, and the principal retrieves relevant benefits from this activity after termination of the contract' (§89b,(5) HGB).

The difference between these terms is very telling in the clarification of the goodwill an insurance agent can provide to his/her principal, after termination of the insurance contract.



In fact, where the sale or purchase of goods is at stake, the economic gains brought by the agent rely on the acquisition of new customers, since it is expected someone who has become a customer of the principal, will in the future repeatedly purchase those goods from the same provider.

This economic rationale cannot, however, extend to the procurement of insurance contracts, since in this case a new customer cannot be expected to repeatedly enter into different insurance contracts with the principal-insurer in the future.

On the contrary, in this context, the closure of each new insurance contract with the same customer demands the same amount of effort as any previous insurance contract entered into with the same customer. The goodwill generated by the insurance agent does not rest upon new customer acquisitions, but on new contracts acquired (or eventually upon the broadening of the scope of existing contracts), even with insured parties that were already customers of the insurer. The goodwill from which the insurer benefits after termination of the agency contract consists of the future insurance premiums paid under insurance contracts acquired by the agent.

It logically follows that to apply the terms of a Directive for the procurement of goods does not do justice to an agent that procures insurance contracts. The point is the acquisition of new contracts, not of new customers. The German norm, mentioned above, provides a satisfactory criterion to access the continuing benefits to the principal after termination of the agency contract, as a result of the agent's work.

The Portuguese legislator, regretfully, is less keen to profit from the revision of the insurance distribution framework brought about by the IDD in order to establish a satisfactory criterion in this matter. The inertia probably comes from a lack of awareness of this subject, which probably also explains the state of affairs in other member states. It is my expectation that this short notice helps to strike some of the needed discussion.

Maria Inês Martins

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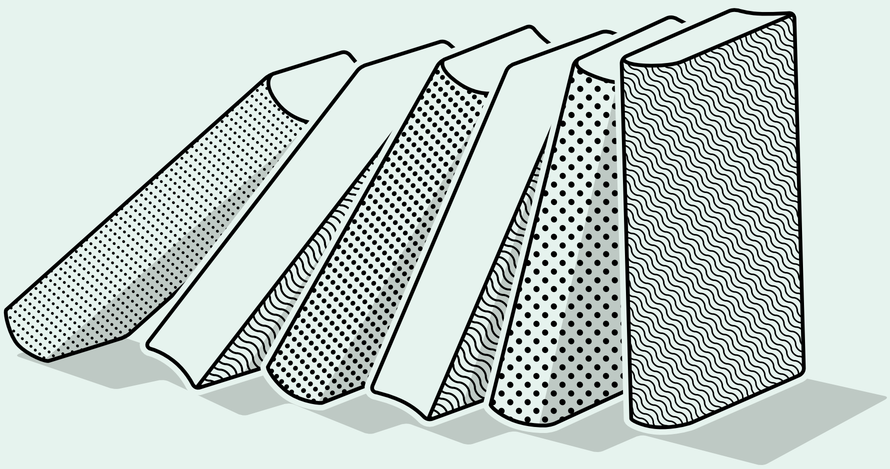
FULLCOVER
Legal Corner

A New Legal Framework for Insurance in Brazil

by **Angélica Carlini**
Carlini Partners



Brazil is about to pass a new insurance law to replace the 1966 Decree 73, which currently governs private insurance in the country. Brazil undoubtedly needs new legislation; what is now in place is insufficient to govern a sector that accounts for 6.5% of Brazilian GDP (data supplied by the CNSeg – National Federation of General, Welfare, Life, Health and Capitalization Insurance)[1].

The draft law has been discussed by legislators since 2004, approved by the Chamber of Delegates and is currently subject to approval from the Federal Senate. It will then go onto presidential vetting before coming into force. While there is no exact date for its introduction, it's likely to be January 2019, when the new Government is sworn in.

This new legislation comprises 129 articles, subdivided under six titles (General, Damage Insurance, Insurance on Life and Physical Integrity, Mandatory Insurance, Statutes of Limitation and Final and Transient Conclusions), and was hotly debated by insurance professionals in Brazil and Portugal with members of the AIDA – International Insurance Law Association inputting during the drafting stage.

Everyone agrees Brazil needs to revise its legal framework for insurance and this update, while imperfect, may serve the sector's needs at this historical time.

Key points

One of the main goals of the draft law is to protect the insured, (whether a person or business), which at times may prove inadequate. As a matter of fact, Brazil has a consumer protection/advocacy law – no. 8.078, 1990 – and this is often invoked by individuals and consumer protection governing bodies, and consequently the courts. For commercial policyholders, federal administrative regulation is overseen by the Superintendência de Seguros Privados, a private insurance body reporting to the Treasury. This has been effective in preventing poor practices

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and damages' payouts. The new legal text would therefore not need to protect policyholders, as it may in practice, conflict with pre-existing legislation.

New rules within the draft, state reserves and provisions originating from paid premiums shall now be considered 'assets under management' by those carrying out insurance activities and, as such, must be defined as 'allocated assets'. The new law requires the assets and rights associated with each contract to be held separately from the assets/rights of the business, until the policy expires or its terms are met. If the insurer goes into liquidation, the business can still meet its contract obligations.

The draft law defines an insurance contract as 'a contract that obliges the insurer to guarantee the insured's or beneficiary's legitimate interest against predetermined risks pursuant to payment of a matching premium' and states the parties, beneficiaries and stakeholders must abide by principles of 'probity and good faith' from pre--contract to post-contract stage. This consolidates what historically is already embraced by Brazilian society, namely, the contract of insurance requires good faith and truthfulness on all sides.

The new law enshrines 'legitimate interest' as the primary foundation of an insurance contract; its effectiveness dependent upon the proven existence of such an interest. Legal experts however are concerned the draft law suggests only a supervening legitimate interest will test the effectiveness of a contract. In practice, it will be difficult to identify the exact moment when 'legitimate interest' becomes a tangible situation and this may lead to litigation between contract parties.

There's a requirement for policyholders to report to insurers any relevant increase of risk, as soon as they become aware, including when the cause is outside their control. How many policyholders have the technical capability to identify a relevant risk increase? Why burden the insured with this duty, an eminently technical concept that should only be assessed by insurers – those familiar with the contract's technical elements? This too, may cause conflict between parties.

There is also an obligation to clearly and unequivocally describe excluded risks and excluded interests in contracts. While this supports the insurance relationship, in Brazil contract wording is strongly controlled by the oversight authority who, in practice, supplies the text for varying lines of business. To properly implement this requirement, the oversight authority will have to give insurers more latitude in contract drafting.

These are some aspects of the draft law awaiting approval. Following an overall agreement, it will be possible to further reflect upon and assess its detail.

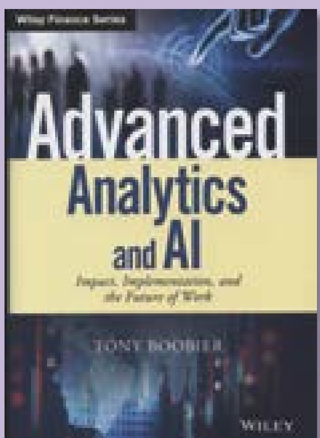
Conclusion

According to 2017 data, Brazil currently has 118 insurers, 1053 healthcare providers and 90,000 insurance brokers. In the same year, the insurance sector paid out R$ 277 billion in benefits, damages and redemptions. These numbers clearly demonstrate a new insurance law is very welcome, and necessary for a robust sector that continues to grow, even through economic upheavals.

These numbers evidence the need to update insurance law so it meets contemporary demands and reduces litigation among contract parties. It is the wish of every Brazilian jurist that this draft law will effectively serve the needs of the sector and all insurance policy stakeholders. •

1. Available at http://cnseg.org.br/cnseg/estatisticas/mercado/dados-basicos/. Accessed November 28, 2018.

Readings



BOOBIER, Tony
London: Wiley, 2018
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Advanced Analytics and AI

Impact, Implementation, and the Future of Work

"It seems that almost every time we pick up a newspaper or read an online article, there is some reference to AI. It's difficult not to reflect on how it may – or may not – change the way we live or will work in the future.....so don't we have a duty to all be part of the discussion about our future, that is, your future?"

In his introduction to his second book *'Advanced Analytics and AI: Impact, Implementation and the Future of Work'*, veteran insurance executive Tony Boobier sets out his aim in this book, which is to bring readers up to a level of understanding which helps them join that important conversation. It's not a book for the technical purists or for those with advanced knowledge of the topic, but rather for the general reader who wants to cut through the hype and gain a better understanding of what's going on.

If we are to consider how AI will affect us at work, and maybe even replace us, then the starting point is to understand what we mean by 'work', a topic which many of us take for granted. Many of us describe ourselves by what we do at work – 'an insurer', an 'underwriter' etc. The author's point of view is that if we understand what we mean by 'work', then we can better understand how we will cope when the nature of work changes in the future.

In the comprehensive appendix, he usefully provides a list of those roles and responsibilities which will be least and greatest affected – with telemarketers, underwriters and auto-appraisers being amongst those highest at risk.

Boobier says that almost all professions and industries will be affected, and sets out what he believes to be the leading industries, and which are followers, saying that knowledge transfer will very rapidly narrow the gap between the two.

He believes that the insurance industry is especially set for major change in the areas of risk management, improved customer retention, and operational optimisation.

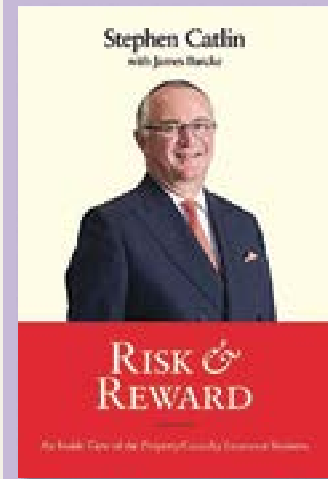
The need for new personal competences are discussed, as is the impact of AI on new business models. Beyond this, he considers issues of implementation, with the text supplemented by some useful flow charts in the appendix.

Overall, this is a comprehensive and well-researched book which is independently described as being 'indispensable', a 'must-read for leaders', and one 'which no executive can afford to be without'. •

Risk & Reward

An Inside View of the Property/Casualty Insurance Business

In this book, Stephen Catlin, founder of Catlin, shares his experience of more than 40 years in the insurance sector. In the four sections of the book he takes us through insurance fundamentals, giving his opinion on the essential elements of commercial property and casualty insurance and reinsurance, plus an insight into how the insurance business operates. Stephen then proceeds to tell us the story of Catlin, from his beginnings in the industry in 1973, to the company's creation in 1984 and ultimately its acquisition by Xl in 2015. Stephen shares his views on Lloyd's and the London Market, taking us through Lloyd's history of the past 40 years and finally, discusses several issues he considers relevant to business in general and insurance in particular. These include: leadership, corporate culture, regulator relations, corporate responsibility and last but not least, closing the protection gap (where he reflects upon his involvement with the Insurance Development Forum). In the preface, Nikolaus von Bomhard, former chairman of the Munich Re board and a friend of Stephen's, says he cannot agree with his friend when he says the insurance industry is 'doing a poor job explaining what it does and why'. He advises us to read this book for proof that it is exactly the opposite, as Stephen Catlin very clearly outlines the very important role the insurance industry plays on our lives. •

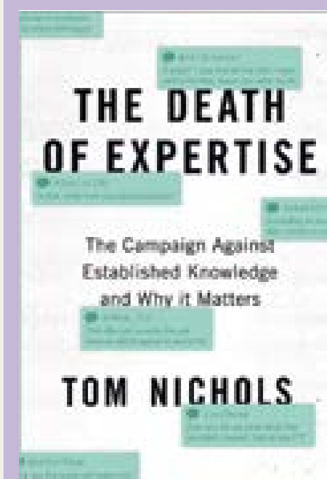


CATLIN, Stephen &
BURCKE, James
London: Iskaboo
Publishing, 2017
ISBN: 978 0957559554

The Death of Expertise

The Campaign Against Established Knowledge and Why it Matters.

The internet has changed the way we acquire and interact with knowledge. Having ready answers at the click of a button doesn't necessarily mean they are reliable, but the truth is people tend to trust them more and more, believing they can do without expert opinions. Other factors contribute to the US population becoming less knowledgeable than before, in spite of the amount of information available, or perhaps because of it (this is the book's main focus, but it can be applied in a more general context). The fact that university-level education is now generalized and schools treat students like clients rather than students, universities seem to be more focused on training than education and the availability of a flood of information of varying quality – where people can 'Google' virtually anything; all of this and more leads the author to conclude 'unlimited information is making us dumb'. Even recognizing experts can be wrong – the author offers a hard debate about the role of experts and educated elites in America democracy, engaging citizens, experts and policymakers. In *The Death of Expertise,* Tom Nichols gives us a pointed view about the reality of American life, with a sense of humour that will leave no one indifferent. •



NICHOLS, Tom
New York: Oxford University
Press, 2017
ISBN: 978 0190469412


campaign

WHY **RCG**?

During almost half a century of unique history throughout Brazil, RCG has supported Brazil's infrastructure; it's roads, industries, companies, buildings, cultures and people. We continue to grow, move into new markets, overcome challenges and expand our operations overseas. From Brazil to the world - we've become a global company.

We turn risks into strategic growth opportunities. We have accuracy in our DNA. We offer innovative solutions for different risks, segments and companies. We protect assets. We protect reputations. We protect people. We protect the future.

We live a new challenge. With a new identity, the RCG brand extends our global presence, reinforcing our core values of: efficiency, proximity, strenght and confidence. Moved by creativity and sophistication. Always with precision and technical rigor.

"Risk Management is a fundamental element for all companies."

Jorge Luzzi // Global Executive President

We are Minds & Technology.
We are the Risk Consulting Group.

RCG
Risk Consulting Group