

A View From the Top With Neil Sprackling

By Christine Luzano

Neil Sprackling is president of Swiss Re's Life & Health US Business and has held this position since early 2012. He is also a member of the firm's Americas Management Team. In his previous role, Neil was head of Swiss Re's Life & Health Australia and New Zealand (ANZ) business and a member of Swiss Re ANZ's management team. He was appointed to this role in 2009, having previously led Swiss Re's New Business Origination team in that market for two-and-a-half-years. With over 30 years' reinsurance experience spanning the UK, Spain, Latin America, Australia and New Zealand, Neil's background includes client management, underwriting and marketing. He managed Mercantile & General's Spanish branch office prior to moving to Australia in 1997 to join Swiss Re. Neil has led various business and industry programs on behalf of Swiss Re. Foremost among these is the protection gap initiative addressing the issue of underinsurance. Neil is currently a member of the ACLI CEO Steering Committee on Prudential Regulation along with a variety of additional ACLI Committees.

You've been in the reinsurance business for over 30 years. What key changes have you seen in the life and health space?

I think it is fair to say that the life (re)insurance industry has not been one of the fastest moving over the last three decades. I have worked in many different markets in my career, both developing and developed, and the most notable difference is the pace of change. The underlying fundamentals of life insurance hold good almost everywhere (e.g., products, distribution), however, the element that has the most influence in the degree and pace of change is how we engage with the end consumer. Slowly but surely we are seeing some significant strides in this area as the industry embraces new distribution channels and acknowledges the different buying preferences and behaviors of the consumer. I will be bold enough to say that I expect more change in the next five years than we have seen in my 30+ years to date. Where will this change occur? Firstly, in risk selection as we combine our knowledge of medical underwriting with the power and insight of consumer data sources. Secondly, in the widening of consumer access channels. The traditional intermediary will remain important, however, we will see (and already are to some extent) the emergence of

diverse direct-to-consumer channels that respond proactively to the changing buying behaviors I referred to earlier. Prepare yourselves for the revolution.

What new technologies have the greatest potential to help our industry, and how can they help? How is your company using these technologies?

As with all industries, technology is impacting (re)insurance and those companies that quickly and successfully make the digital leap will prosper more than slower adopters. Advances in technology will change the (re)insurance business model in the future.

Catalysts for those changes include mobile-first preference from end consumers (e-distribution) and more natural interaction with computers. In combination, those technologies will have an impact on the whole of society and thus shift risk pools and create new opportunities. However, they will also make some current offerings of the insurance industry obsolete. We've already seen an exponential increase of data on people and objects. The digitization and analysis of data and the further development of cutting edge technology such as wearable devices will give us the power to understand and anticipate consumer needs like never before. Why is this so important in the world of life insurance and so different to other consumer goods and products that use data and technology? It's their combined ability to increase the relevance of life insurance to the average consumer. Despite its importance, few people actively seek life insurance. Together, data and technology can anticipate a consumer's needs and proactively conduct much of the risk assessment process. It's a powerful combination and can significantly enhance the relevance of life insurance.

As we gain a better understanding of the environment around us and how our clients, competitors and related industries are adapting and changing, we're also looking at how the technologies impact each part of the insurance value chain and what that could mean for Swiss Re and our clients. Swiss Re is actively seeking partnerships, making investments and exploring areas that will help us strengthen our "digital DNA."

We've established a global big data and smart analytics unit—currently the fastest growing team in the firm. This includes a team in our U.S. headquarters in New York that didn't exist two years ago. Combine this with our predictive modelling studies, like our non-smoking propensity model, and you can see that this is at the forefront of our strategic agenda.

How can the industry attract and develop the kind of employees it needs to be successful?

It's our goal as insurers to keep up with technology so that we can leverage it to build the ideal customer experience, to effect

change, and to help build better lives. But to make change happen, to break into new markets and create new products, we need the right mix of talent. We need data scientists, technology gurus and behavioral experts to sit alongside the squadrons of existing insurance technicians. The challenge, however, is that we have allowed a generation gap to form. By 2030, nearly half of the current workforce in our industry will retire, largely in part because the number of insurance professionals aged 55 or older has increased by 74 in the last 10 years. By 2020, there will be 400,000 vacant positions. Add to this that in all industries—not just in insurance—organizations are fighting to attract a scarce technical talent pool. In the next year alone, global demand for technical and managerial talent will exceed supply by 50 percent to 60 percent.

With the tremendous shifts underway in our industry, we need to up our efforts in promoting the huge value of our products to consumers at large—just as much as we need to do a better job of “selling” the benefits of working in our industry as a whole to attract new talent.

At Swiss Re, we’re making strides in recruiting future-ready candidates who demonstrate not only leadership or tech capabilities, but those who are attracted to limitless challenges and a desire to do good for society.

To attract the next generation of employees—millennials and Generation Z—Swiss Re offers attractive internships and training programs around the globe. We understand that they are looking for flexible working schemes, want to serve a larger purpose, have career opportunities with vast learning opportunities and technological progress—all of which our industry clearly offers. In fact, our fastest growing pool of talent are data scientists—a clear indication of the future direction of our industry.

We have an effective campus strategy and close collaboration with target universities, like St. Johns University in New York, in addition to holding career fairs, presentations at schools and in class, like the captive insurance program at Butler University where we’ve held sessions in the past. We’re also a sustaining partner of Gamma Iota Sigma to support the investment in the insurance industry to ensure Risk Management Insurance courses are offered at various schools. As a result of our efforts, the amount and quality of candidates interested in job postings have increased exponentially.

What is your prediction for sales, premiums and profits for our industry as a whole in 2017? What products look particularly strong or weak?

While I don’t predict rocketing sales and significantly higher profits in 2018, I do believe that returning consumer confidence and genuine strides to reach a wider population will

continue the more positive trend that we have seen these past two years. We have a unique opportunity to bridge the protection gap—and I’m not talking about small, incremental growth, but growing the size of the insured pie in a big way. As predictive analytics and segmentation continue to evolve, this may impact our industry and may help us target consumers with greater precision. Moreover, as we move to a more consumer-centric approach to the way we market our offerings, we have the opportunity to reduce the friction of buying life insurance and increasing its relevance.

How can actuaries turn uncertainty into opportunity?

The Society of Actuaries has a slogan of “Risk is Opportunity.” The core of actuarial practice is risk management, which involves working with events that are highly uncertain. External forces such as political, regulatory and economic environments adds to the uncertainty that Actuaries face in their day-to-day work. Actuaries have an important role to play in helping policymakers understand uncertainty and how it can be turned into opportunity if managed appropriately. The financial crisis and uncertainty in financial markets also brought a spotlight on enterprise risk management, and this has given actuaries the opportunity to lead the way in helping identify key risk areas, assess, quantify, propose mitigation measures, and monitor these risks that impact organizations at the enterprise level. Finally, the advent of big data and advanced analytical tools has provided the actuary with new ways (new data sources and tools) to evaluate, and price for risks in a more robust fashion. The key to success will be the increasing collaboration between the actuarial profession and the data science community. ■



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