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Q&A with Marjorie Ngwenya, Past President of the IFoA

By Sonia Sequeira

Marjorie Ngwenya, FIA, is past president of the Institute and Faculty of Actuaries (IFoA). She has worked across a number of disciplines including strategy, reinsurance and consulting. Marjorie was the first IFoA President based outside the U.K., the third female and the first person of color. She is based in South Africa where she serves as a freelance consultant and nonexecutive director on a number of boards in the insurance and not for profit sectors. She is the executive director at African Leadership University's School of Insurance.

Marjorie's reinsurance experience includes marketing, product development and risk management.

SS: The insurance industry is grappling with vast amounts of change. In this context, what's your view on role of the reinsurer?

MN: Reinsurers continue to play a vital role as global citizens. The principles of risk pooling that gave rise to 'modern' reinsurance contracts in Europe in the 1300s remain valid today.

Reinsurers are supporting primary insurers, helping to manage concentrations of risk and giving insurers more flexibility to provide cover across a range of risk areas.

Those insurers, less constrained by the heavy burden of risk, are also better positioned to try new ways of working to ensure they remain competitive and can provide cover even at the more extreme end of the market.

The role of the reinsurer is often more prominent when natural hazards give rise to high levels of insured losses. In 2018, tropical cyclones caused billions of dollars of damage across the globe, including two direct hurricanes making landfall on the U.S. mainland. The estimated total insured losses for Hurricane



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Michael are \$1bn and \$5.5bn for Hurricane Florence, with total economic losses \$25bn and \$24bn respectively.

Reinsurers not only relieve the burden on the direct risk providers but also in turn bolster the resilience of economies. They provide a backstop, which allows insurers to explore new opportunities and enable access to insurance where it may not previously have been available.

SS: You describe reinsurers as global citizens. Could you give an example of where their expertise helps to provide solutions?

MN: Reinsurers support diverse participants in the industry and to that end, have a broader perspective. By observing a variety of different practices across insurers, it is possible to identify and promote cutting edge practices.

In its recent digital strategy, Hannover Re pointed to the need by primary insurers for automated decision-making but acknowledged that not all insurers are able to build these systems on their own. Cost, capability or availability of data can all be barriers. Reinsurers often have access to the scale and expertise to help provide solutions in a way that benefits both sides.

APA Insurance is an insurance provider in Kenya and Uganda, underwriting general insurance. The company won a Government

of Kenya tender to design and deliver large-scale insurance to rural farmers in arid and semi-arid areas of the country.

APA's agriculture insurance products cover smallholder maize and wheat farmers against poor yields due to poor weather and natural catastrophes. They also covers farmers for crop damage as a result of deficit or excesses in weather conditions such as temperature, sunlight, wind speed, or rainfall resulting in losses during the full crop growth cycle.

Farmers with as little as one hectare of land can use mobile handsets to insure themselves against extreme weather conditions. The insurance was informed by research delivered by the International Livestock Research Institute, using satellite-imaging processes to inform algorithms to assess loss and make payouts.

The original solution was based on satellite imaging and cattle count. Improvements that have since been made to the model build on this by adding bundled products built around the supply chain of inputs and markets to deal with price sensitivity.

APA sells traditional insurance such as asset protection and life insurance alongside its agricultural products. It also bundles the product through association with credit products and supply credit methods such as seed and fertilizer in-put providers. Since it started delivering this insurance in 2014, APA has covered over 5,000 Kenyan and Ugandan farmers with crop and animal insurance to date.

APA's ability to create new and accessible insurance products addressing the risks associated with agriculture was supported by Swiss Re. Often, the reinsurers' role in these areas of innovation is less visible but crucial for the insurer to be able to diversify risk.

SS: What can reinsurers do to support innovation in the insurance industry?

MN: When we think of change in the context of the insurance industry we can tend to focus on evolving regulations or the uncertain political and macro-economic environment. How will we approach the IFRS17 treatment of reinsurance contracts? How will the next election impact on our economy and our business?

In the unpredictability of change lies many opportunities and to keep the industry relevant, innovation is vital. The possibilities for disruption are numerous; leveraging advances in technology, gleaning new insights from analytics and catering to adapting consumers needs, to name but a few. Reinsurers are well placed to partner with industry players.

Digitalization is having a transformative effect on the market. Reinsurers realize they can't be complacent and many are looking for ways to harness new technologies to create efficiencies and improve processes.

InsurTech has been the biggest disrupter and has spawned a range of InsurTech start-ups. Many reinsurance companies have seen the opportunity to support these start-ups, providing expertise and funding. In return, InsurTechs can offer new ideas such as different ways to use data to better model risk and customer behaviour.

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In February, Nassau Re announced plans to establish an InsurTech incubator to help start-ups, based in Hartford, Connecticut. The project is part of a wider initiative by the city to become an InsurTech hub. Nassau Re is committing significant resources to help start-ups with practical considerations like office space, business development and networking within the industry.

Gen Re launched its NOW app which uses facial analysis technology to offer a novel way to purchase life, hospital cash or accidental death insurance. The technology works by uploading a selfie from a smartphone that provides an estimate of the user's age, gender and BMI. Using this expedited analysis means that policy can be issued to applicants in minutes. Through the app, policyholders can also manage aspects of their insurance.

The NOW app is powered by Lapetus Solutions' JANUS facial analytics technology. It is being tested in a variety of languages and it is one of a suite of Insurtech-based solutions that Gen Re is currently developing in collaboration with technology companies around the world.

These are just a couple of examples but there are many others where reinsurers and InsurTech start-ups are working in partnership, to the benefit of both sides.

We are well aware that new technology and innovation introduce new levels of risk. In 2018, the IFoA's Risk Management in a Digital World Working Party conducted a survey of insurance and risk management professionals. 80 percent of the respondents thought that InsurTech would have a significant impact

on the industry, but only 16 percent thought that they or their colleagues had the right skills to assess the accompanying risks.

Risk assessment is a crucial part of the insurance ecosystem and it's important to create an environment where Insurtech solutions are subject to a robust assessment process. To this end, the working party released the report, "Improving the success of InsurTech opportunities."

SS: What role did reinsurance experience play in your own career?

MN: My experiences working for reinsurers provided significant development opportunities, not only from observing different practices between companies but also learning from exposure to diverse geographies.

I started my career in consulting, learning how to manage projects and to interact with clients. Communication, quality and efficiency are heavily emphasized in the advisory world. These fundamental skills served me well in a reinsurance context where I was dealing with clients' commercial needs.



I like to think of reinsurers as global talent incubators. The global footprint of many reinsurers offers the opportunity for career mobility. Many of these companies also have in-house "universities" that offer a bespoke business school experience.

I am currently championing ALU School of Insurance, which was created to meet the need of Africa's rapidly evolving need for insurance solutions for the 21st century. Africa has long been the most underinsured region of the world, but with the fastest growing population in the world, a quickly emerging middle class and burgeoning new economies. It is the next frontier for insurance and we want to prepare students and professionals from across the continent to address the need.

Swiss Re is the anchor partner of the initiative supporting the school in its mission to attract and empower talented individuals, and develop them into leaders who can pursue meaningful careers in a vibrant and growing African insurance industry. The end game is high social and economic impact.

SS: Do you have any final thoughts you wish to share with readers?

MN: The examples I have shared demonstrate the continued need for the participation of reinsurers in the insurance industry as well as being an important contributor to public good.

In 2018, the IFoA launched a campaign to explore how actuaries could contribute in helping to meet the United Nations Sustainable Development Goals. In a global call for evidence, we sought input from actuaries all over the world to submit a proposal of how they would address the campaign's key questions. Some of these examples show the vital role reinsurers can play and we would be delighted to receive more through policy@actuaries.org.uk. ■

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