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# Q&A With Mary Forrest

By *Reinsurance News*

**M**ary Forrest, FSA, FCIA, is president and CEO, North America (Life) of Munich Re. She is responsible for Munich Re's Life and Health reinsurance operations in Canada, the Caribbean and the United States. Under her leadership, Munich Re has become the largest mortality risk taker in the Canadian market, and a market leader in the United States. These units are the two largest life reinsurance business units within the Munich Re Group, with more than 400 employees in North America.

Mary joined Munich Re in 1991 and was a member of the executive leadership team for a number of years before assuming her current role. She holds a Bachelor of Science from the University of Toronto, is a fellow of the Society of Actuaries and of the Canadian Institute of Actuaries.



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Mary is a passionate member of the insurance community, serving as the chair of the board of directors of the Canadian Life and Health Insurance Association (CLHIA) from 2015 to 2016 as well being a participating member of the association for many years. She is the past chairman of the Munich American Reinsurance Company board and past director of the Munich Reinsurance Company of Canada, and Temple Insurance Company boards.

Mary was recognized for her accomplishments as a Women's Executive Network (WXN) Canada's Most Powerful Women: Top 100 award winner in 2014 and 2015.

**Q: WHAT ARE THE GREATEST CHALLENGES THAT FACE THE LIFE REINSURANCE MARKET IN NORTH AMERICA RIGHT NOW?**

**A:** In my view, the greatest challenge for the life reinsurance market right now is growth. The primary market is not growing, interest rates are at historic lows and expenses across our industry are under intense pressure. Clients are staffing up to look for innovative ways to do business so that they can not only expand their market share, but also grow the market by making it easier to buy insurance in the future.

**Q: ARE THERE ANY GROWTH OPPORTUNITIES ON THE HORIZON?**

**A:** Certainly. The best opportunity to grow is to find new ways to help our clients with their challenges. I feel the industry is ripe with challenges: the life insurance products are too complex; the sales process is not customer friendly; the capital requirements may be too onerous. We are creating solutions by partnering with our clients through innovative and simpler ways

of underwriting and distributing products. Specifically, we are (1) partnering with startups who have new means of distribution, (2) investing in automated underwriting methods and technology, and (3) staffing up a new predictive analytics unit to analyze data in a more sophisticated way than we have done in the past.

As for driving solutions in the financial challenges our clients face, we are also innovating in the capital management field through building up strong talent and resources in areas like structured reinsurance and reinsurance of variable annuities.

**Q: CAN YOU GIVE MORE INSIGHT INTO HOW YOU ARE DRIVING INNOVATION WITHIN YOUR ORGANIZATION?**

**A:** Within our business, I don't see innovation as anything new—we have been developing incremental innovations for years, and that will continue. For example, in the U.S., we worked with a client to develop the first insurance product available for those who are HIV positive. We connected a startup and its distribution platform to a client, and together we developed and launched a comprehensive program to offer life insurance to this previously uninsurable group. In Canada, we have created a dedicated innovation team that is focusing on leveraging technology advancements in developing new products and services in partnership with our clients.

For disruptive innovation, which I do see as something new, Munich Re has employees on the ground in innovation hubs all around the world. From Silicon Valley, to London, Berlin, Tel Aviv, and Singapore, we are deeply engrained in the innovation ecosystems and are bringing new ideas, concepts, and opportunities to our business every day. As a corporate sponsor at the Plug and Play accelerator in Silicon Valley, earlier this year Munich Re was the founding sponsor of their new InsureTech vertical. InsureTech has been their most successful vertical, with more corporate sponsors after two months than most get after two years. This is a big achievement, as Plug and Play has a great track record of success, being the accelerator that launched PayPal, Dropbox, and many others. We are working with startups that are developing ways to underwrite faster and less intrusively, ways to use data to drive sales and find new highly qualified consumers.

**Q: YOU MENTIONED PUTTING MORE RESOURCES IN STRUCTURED REINSURANCE. HOW HAS THE DEMAND FOR THIS CHANGED IN RECENT YEARS?**

**A:** While structured reinsurance has been around for a long time, traditionally this covered capital relief transactions for small to midsize companies to help them manage in times of growth. Over the last few years, larger companies have increasingly turned to reinsurers—particularly for redundant reserve

financing transactions. This specialty area of reinsurance and increased capital costs at banks in the post financial crisis world has made bank solutions less attractive.

**Q: WHAT DOES REDUNDANT RESERVE FINANCING DO?**

**A:** It allows us and other reinsurers to assist our clients in managing their financial objectives through structured reinsurance. It is another tool, in addition to bank financing and capital markets, that life insurers can use to improve balance sheet efficiencies, raise capital and provide liquidity.

**Q: SHIFTING TO THE UNDERWRITING CHALLENGE FACING THE INDUSTRY—AS A REINSURER, DO YOU BELIEVE UNDERWRITING NEEDS TO CHANGE?**

**A:** Most definitely. At one month average underwriting time for an insurance policy, underwriting takes far too long and we need to make dramatic changes to our entire process. As a reinsurer, we need to ensure that we really understand how mortality selection works—what causes of death are we selecting out during the traditional underwriting process and how long does this benefit persist. Second, we have to use new sources of data to replace the benefits of the collection of fluids. Lastly, we are going to have to diligently manage anti-selection. Predictive analytics ties it all together and provides us with the tools to answer these questions. This is an area of investment for us, and many of our clients.

**Q: GENETIC TESTING IS A TOPIC THAT INSURERS AND REINSURERS ARE TAKING AN INTEREST IN. WHAT IS YOUR VIEW ON THIS CONTROVERSIAL TOPIC?**

**A:** I am a big proponent of genetic testing. Personally I believe that everyone should have access to information that can help people be more proactive regarding their health. There is huge value in knowing this information early enough to be able to make either lifestyle changes or to take preventative steps. The issue is that the insurance industry simply wants to be in the position of having the same health information that the applicant has. If an applicant knows they have a gene which makes them a much greater risk and they do not need to disclose this to the insurer, individuals can purchase excess coverage which will eventually lead to higher than average insurance premiums. This asymmetry of information completely goes against the basic tenet of insurance. Insurance premiums already use medical and family history information when setting premiums so this shouldn't be treated differently.

**Q: SOME PEOPLE DON'T SEE THE INSURANCE BUSINESS AS EXCITING ... BASED ON ALL WHAT YOU ARE TALKING ABOUT, IT SOUNDS LIKE ANYTHING BUT. HOW DO WE GET THAT MESSAGE OUT?**

**A:** I think that message is already starting to get out. The number of startups and demand for venture capital funding in the



insurance space (both life and property and casualty) is booming. You cannot pick up an industry publication or attend an industry conference where innovation and new ideas are not one of the biggest topics being covered. But we need to do more. We need to hire more and more from outside of our industry when we consider new and innovative ways of doing business or trying to figure out an unmet insurance need. It's not that people who have spent their careers in insurance cannot be innovative, but their thinking is shaped by the environment they have worked in before. What's exciting about talking to startups is that they typically don't come from our industry. Once they learn of a problem we have in insurance, they bring a very different mindset to the solution. In Silicon Valley, failure is celebrated. If you haven't failed at a startup or two, you are seen as not being innovative enough. We need to bring some of this mindset into our industry. But we need to figure out how to fail small, learn from that failure and then move on.

**Q: TALENT IS A BIG FOCUS FOR YOU. WHAT ARE YOUR KEY CHALLENGES IN THE AREA OF TALENT?**

**A:** Talent is a key issue for everyone. In the reinsurance business, as in some other industries, we have a disproportionate amount of highly skilled experts who are highly marketable. This means

that attracting as well as retaining talent is key. Although compensation is important, it is also important that you excite people about the work they are doing and give them enough accountability and responsibility to make an impact on the business. In order to attract a greater pool of talent we also recently opened an office in New York. Although we have been successful attracting talent into our Atlanta, Toronto, Montreal and Chicago locations, we thought that having a presence in the largest actuarial talent markets in North America is key to delivering on our future plans.

You also need to challenge people, push them out of their comfort zone, give them development opportunities to stretch beyond their current role. Our North American life operation is relatively small when compared to some of our competitors. What this means for us is that when a large opportunity or new idea in innovation comes up, we allow our current staff to work on these initiatives. This gives them a chance to see new things, develop new skills or work on a deal that might be outside of their current responsibilities. The big challenge for management in this scenario is to make sure they help to balance the talent's day-to-day workload, which is easier said than done.

**Q: WHAT ACCOMPLISHMENT ARE YOU THE MOST PROUD OF?**

**A:** I'm the most proud of the teams that we have built in both Canada and the U.S. Our accomplishments in Canada and U.S. are very different and both markets have had very different challenges. I have been very fortunate to work with very smart and dedicated individuals and I am very proud of our accomplishments.

**Q: WHAT MAKES A LEADER SUCCESSFUL?**

**A:** There are very different types of leaders and one cannot say what type of leader is better than the other. Personally, I am very passionate about the business, very demanding of myself and others and very persistent in my beliefs. I think no matter what kind of leader you are, you cannot go very far unless you have a high performing team. Hiring great people and ensuring that you give them full support to be successful is key.

**Q: WHAT ADVICE WOULD YOU GIVE SOMEONE STARTING A CAREER?**

**A:** I think that most people that look for employment try to impress the interviewer and do not ask enough questions themselves—especially regarding the corporate culture of the company. You will likely change positions and work with different people in a company, but a corporate culture does not change very easily. I think it's critical that you work for a company where you can be yourself and you can fit in easily. Sharing common values with your employer makes for a far more pleasant working experience. ■