BUSINESS PROTECTOR

Jason Hammond, chief executive of QBE Asia, discusses the low take-up of cyber insurance and how his firm aims to take the pain out of the overall claims experience for clients. BY GENEVIEVE CUA

PHOTO: QBE

JASON Hammond began his career as a debt collector for Australia's State Revenue Office, a five-year stint he recalls as "difficult" and "kind of unsavoury". But today, as chief executive officer (CEO) of QBE Asia operations, he says the challenge of tax collection from struggling companies was a proverbial baptism of fire into the "mechanics of business", providing a trove of insights into what makes them tick.

"I started with about 50 other legal and accounting graduates in a pool, collecting money," he shares. "As you can imagine, in a recession that's tough." He graduated from Queensland University of Technology in 1990 with an accounting degree. "There were lots of businesses that were really struggling to cover their taxes. But you learn a lot about business in a job like that, particularly in difficult times. I was actually able to apply a lot of the things I learned in university. It wasn't collection on an individual level, but at a corporate level.

"Understanding what the drivers of businesses are, the financial performance . . . At quite a young age, to get exposure to lots of different aspects of business. Even, as you might say, on the wrong side of it, it's still a really good way to understand business."

He "fell" into insurance in the latter half of the 1990s in the workers' compensation field: "To be honest, working for government wasn't my aspiration. So it was almost like the first job that came up in workers' compensation, which in Australia is a very big business."

He joined QBE in 2004, working his way up from the workers' compensation segment, into broker distribution. By 2018 he had risen to become interim chief executive for Hong Kong, and was appointed CEO for Asia in 2019.

Insurance, he says, is "a great industry". "It's not something I would have thought about in university. But I have three children and I often find myself talking about the opportunities in the insurance industry. To an outsider, sometimes it sounds a bit boring. But it's a big industry with plenty of opportunities."

The QBE group was founded in 1886 by two young Scotsmen and intrepid entrepreneurs, James Burns and Robert Philp. By 1890, the original institution – the North Queensland Insurance Company – had established 36 agencies in far-flung territories, including London, Hong Kong and Singapore. The Singapore branch was established in 1891, bringing its local presence to 130 years. The group took on the acronym QBE in 1973.

Listed on the Australian Stock Exchange since 1973, QBE reported a 10 per cent rise in gross written premiums in 2020 to US$14.6 billion, but a statutory net loss after tax of US$1.5 billion. Asia accounts for under 5 per cent of the total business. In the 2020 results, premium income in Asia contracted by 7 per cent, "primarily due to Covid-19 impacts, particularly in travel insurance, trade credit and marine cargo insurance", said the group.

Addressing SMEs

Mr Hammond says the seeds of Asia expansion are set via broad distribution agreements with partners, including international brokers. QBE product lines run the gamut of simple and commoditised products – such as home and motor insurance – to complex offerings that cover risks in the marine industry, for instance, as well as directors and officers in the corporate sector.

The group's approach is two-pronged: digital capability for simple insurances for the consumer, and a more tailored approach for speciality sectors. "We're really ending up with a bifurcation in strategy – high-volume, low-value businesses transacted digitally with low or no touch. At the other end of the spectrum, it's really technical insurance requiring high-end technical capability and an ability to engage with the market to understand their risk needs."

Overall demand in Asia has been flat, thanks to Covid-19, he says. But one area of potential is cyber insurance. And he expects a resurgence in overall business once economies' pandemic restrictions are loosened. "It's clear that governments are going to start to invest to kickstart economies, and one aspect of that is construction which is going to require insurance."

In Singapore as elsewhere, the pandemic spurred digitalisation among small and medium enterprises (SMEs), but awareness and action on risk mitigation have not grown apace. QBE Singapore's SME market research found that SMEs here expanded their digital footprint by an average of 15 per cent as a result of the pandemic, with 66 per cent saying the pandemic led them to digitalise more quickly than originally planned. As many as 91 per cent of SMEs also said they were currently engaged or willing to invest further in tech.

At the same time, over a fifth (22 per cent) said they did not have any processes or protection against cyber risks. This is despite the fact that 96 per cent have some level of awareness of cyber risks to their business, and one-fifth have been affected by cyber events.

"The take-up of cyber insurance is quite low. The way to improve that is to continue to get the information out to the community through the intermediaries and partners we deal with . . . It's either a lack of awareness, or (that many organisations) feel they can absorb that risk, take on the risk themselves."

Pricing, he says, could be an issue. "With many SMEs, their focus is on the business – like running a restaurant or grocery store. They're trying to cut costs and make decisions about where to spend their money. Insurance is one of those things that's a bit of a grudge purchase. There are things like workers' compensation which is regulated and people take up because they have to, and not because they want to. And there is property insurance which they take because they want to protect their asset.

"Getting the message out to SMEs and educating them about their exposures and the products available are hard work. I think it's only going to happen over time."

As the pandemic forces digitalisation and isolation, the widespread adoption of work-from-home practices has heightened cyber risks. A report by VMware said Singapore has seen the highest average of breaches per year compared to Australia and Japan. The report found that nearly seven out of ten (68 per cent) successful breaches were serious enough to require reporting to regulators. In addition, 52 per cent of respondents know that their current information technology (IT) security was not working but are "daunted by the complexity of the security solutions industry".

QBE's cyber and data security insurance provides first-party protection and end-to-end support should there be a breach. The covered claims include regulatory defence and penalty costs, public relations costs, business interruption as well as forensics and credit monitoring costs, among others.

"Before digital became so ever-present, there was less focus on (cyber protection). Now because of the exposures we're requiring it to be explicitly covered," Mr Hammond says. "Ours is a combination of a financial response, and a response to mop up the mess caused by cyber attacks . . . It's becoming a huge issue, and among SMEs there is definitely under-coverage."

QBE Asia's digital strategy has focused on building a platform to facilitate partnerships and enable end-to-end transactions. "We've spent a lot of money and time building up a suite of digital assets," he says. "Our digital assets span the entire insurance value chain. We've invested in partner and customer portals that enable our partners to better understand customer needs, customise insurance quotes, have seamless policy transactions as well as perform various self-servicing activities."

Creating capacity

QBE's digital ecosystem has so far focused on commoditised products such as home, motor, domestic helper, travel and personal accident covers. "We built the systems to be able to transact the products right from policy inception to claim lodgement. It's a complete digital ecosystem for the partners we deal with," Mr Hammond shares.

"The aim of that is threefold. First it's about improving service delivery. I think increasingly with small transactions people just want a response really quickly. But (secondly) we also have cost imperatives. So improving the efficiency of our internal processes to be able to manage our costs down over time is important."

"It's about giving people more time to be able to do things that add greater value, whether it's stronger engagement with partners, with customers, or thinking about products, or spending more time to get the pricing right."

JASON HAMMOND
Chief Executive Officer
QBE Asia

EDUCATION
1986-1990: Bachelor of Business, Accounting, QUT
2004-2010: MBA, Mt Eliza Business School, Melbourne

CAREER
Various roles (Debt collection at State Revenue Office; technical advice in State Taxes, underwriting leadership roles within the Victorian Workers Compensation field) – 1991 to 1995
State Underwriting Manager, MMI Insurance – Jan 1995 to Aug 1997
Vic Claims Manager, MMI Insurance – Aug 1997 to Jun 1999
State Manager, Allianz, Australia – Jun 1999 to Jul 2002
Scheme Manager, Suncorp/GIO, Australia – Aug 2002 to May 2004

With QBE
State Manager, Workers Compensation, Australia – May 2004 to Sep 2006
General Manager, Workers Compensation, Australia – Sep 2006 to Dec 2015
General Manager, Broker Distribution, Australia – Jan 2016 to Feb 2018
Interim CEO, Hong Kong – Mar to Dec 2018
Asia CEO – since Jan 2019

The third aspect, he says, is to create capacity. "It's about giving people more time to be able to do things that add greater value, whether it's stronger engagement with partners, with customers, or thinking about products, or spending more time to get the pricing right."

The claims process, for instance, has in the past been a customer pain point. "We needed to understand the decision points in order to be able to automate that," he says. "For some clients we've built systems that enable claims to be lodged digitally and assessed without human intervention, and to be paid automatically into bank accounts."

This, he says, is the moment of truth – that is, "delivering on the promise when you issue a policy and taking the pain out of it (so as to) improve the customer experience". For something as innocuous as travel insurance, for instance, by entering a flight number, QBE is able to ascertain a flight delay, for example, and payment can be channelled to a client's bank account within hours.

Investing in the future

Meanwhile, like the industry at large, QBE is grappling with the impact of climate change which manifests itself in Australia's bush fires, for instance, and typhoons. "Insurance is, in many respects, looking in the rear view mirror to understand claims performance, to be able to set prices for what happens in the future. Given that things are changing quite rapidly, it's quite hard to predict what is going to happen in the future. We factor in the historic experience and the increased frequency of things such as typhoons, cyclones and fire. The frequency of severe incidents is being built into our pricing."

QBE is a member of the Net-Zero Asset Owner Alliance and has pledged to achieve net-zero greenhouse-gas emissions in its investment portfolio by 2050. Within the group it has committed to source for 100 per cent renewable energy for its operations by 2025.

A key plank of its sustainability efforts is Premiums4Good, an innovative impact investment programme that channels a portion of customers' premiums into investments with social and environmental benefits, at no extra cost to customers. The group aims to expand its impact investments to US$2 billion by 2025. As at end-December, it has invested US$1.11 billion in 68 securities.

Up to 25 per cent of client premiums are invested in Premiums4Good across the Australian, North American and European operations. QBE is looking to launch the programme in Asia in the second half of the year.

"Premiums4Good started in a relatively small way five or six years ago. It has really gathered momentum over the past couple of years, and that's because the community is more aware and looking into ways to improve the community or the environment," says Mr Hammond. "As we launch it in Asia, we'll need to find areas that match the criteria for the programme, and we (can) then start to divert some funds into investments."

Assets in the Premiums4Good portfolio include social impact bonds, social bonds, green bonds and infrastructure. The programme has identified 11 impact areas such as resource efficiency, sustainable energy and financial inclusion, all of which support 17 United Nations Sustainable Development Goals (UN SDGs).

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