

Journey into Pandemic? A Day in a “Life”

Rebecca Tan, Generali Life Hong Kong

Background

Having spent my entire career in Malaysia, in Q4 2019 I have accepted a new challenge to relocate to Hong Kong, heading the retail life distribution and marketing function for Generali Life Hong Kong. Generali Life Hong Kong is relatively small and lesser known in retail life space in Hong Kong. There are 25 life insurers in Hong Kong and Generali Life Hong Kong is ranked at 20th. The top 10 insurers account to 88% of life insurance market total annualised premium equivalent (APE).

I was excited to be relocated to Hong Kong but couldn't help to be of concerned on the social unrest which has created adverse social and economy impact in Hong Kong. The 2019-2020 Hong Kong social unrest was a series of protests in Hong Kong in response to the introduction of the Fugitive Offenders amendment bill by the Hong Kong government. The protests began with a sit-in at the government headquarters on 15 March 2019 and quickly ruptured into a large-scale demonstration with conflicts and damages to public amenities. A three-day sit-in at Hong Kong International Airport from 12 to 14 August, forcing the airport authority to cancel numerous flights. At the height of the social unrest, which was in Q4 2019, retail businesses in Hong Kong inclusive of life insurance business were severely impacted.

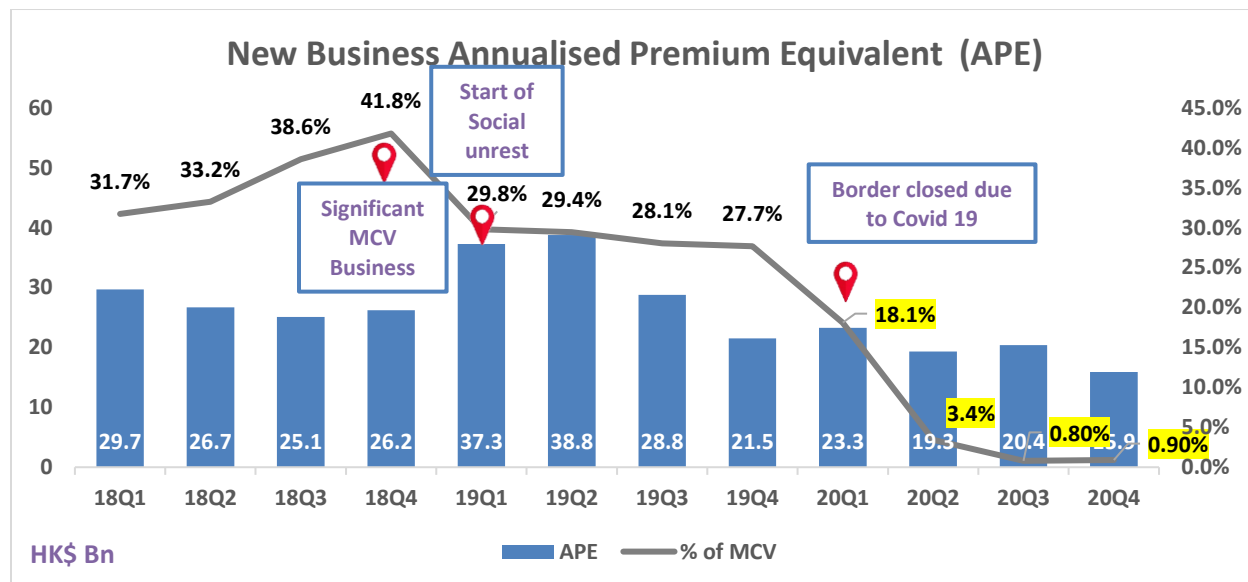
Hong Kong Dependency on Mainland China Visitors (MCVs)

Hong Kong economy is externally oriented and highly dependent on trade with the world. In 2019, the value of Hong Kong's total merchandise trade reached HK\$8,404.1 billion (US\$1,072.5 billion)¹, or around 293% of the Gross Domestic Product (GDP) in that year. Hong Kong was the world's 8th largest trading entity in goods in 2019.

In Jan 20, 2020, the months social unrest was halted when Hong Kong recorded its first Covid 19 positive case. As part of the measures to curb the spread of Covid 19, Hong Kong closes its border to the world, only allowing its residents to return to Hong Kong. With the absence of visitors in particular visitors from China, Hong Kong retail sales contracted 14 per cent in January, extending sector's two-year decline that took hold during 2019 protests. Retail sales in Hong Kong has been falling for two years in a row, fuelled

¹ <https://www.tid.gov.hk/english/aboutus/publications/factsheet/china.html>

by the ongoing Covid 19 crisis and 2019 social unrest. With only 7.5 million population, Hong Kong is heavily dependent on Mainland China Visitors (MCVs) for life insurance business.



²The above chart depicting the significant of MCV business to Hong Kong life insurance space. The highest contribution from MCV was in Q4 2018 at 41.8% of total new life insurance business. As a measure to control the distribution of life insurance to MCVs, the sales and marketing of Hong Kong insurance products in the Mainland China is prohibited and MCVs must purchase life insurance in person in Hong Kong. After 1 year of border closure, in 2020 total new business in Hong Kong has contracted significantly and share of wallet of MCV business is less than 1% in Q4 2020.

Generali Life Hong Kong Review (2019)

Generali started in Hong Kong in 1975. Despite being one of the largest insurers in the world, Generali Life Hong Kong is better known in high-net-worth segment, corporate business, namely employee benefit and reinsurance. In retail business, the main distribution for Generali Life Hong Kong is broker channel. Broker channel accounts to 17% of the total new life insurance business in Hong Kong and Generali Life Hong Kong was ranked at 15th position (2019) with a low single digit share of wallet. The top 5 brokers account to 80% of the sales in broker channel. Generali Life Hong Kong positioned itself as a “challenger”, focusing on offering niche, unique and differentiated products.

² <https://www.ia.org.hk/en/infocenter/statistics/market.html>

External Challenges

Being a small life insurer with dependency on single distribution, namely broker channel which accounts to only 17% of total new business in life insurance market, all external challenges are amplified for Generali Life Hong Kong.

Political Tension and Social Unrest: The imposition of the National Security Law by Beijing in July of 2020 has created a level of uncertainty regarding the business and investment climate that could affect Hong Kong's long-term attractiveness as an international business hub. Some MCVs are shying away from Hong Kong and started to explore new opportunity from Macau and Singapore.

Covid-19 and Border Closure: Hong Kong has fewer COVID-19 cases, due in part to the voluntary adoption of anti-contamination measures by Hong Kong residents and in part to the Hong Kong government closing its borders and adopting other social distancing precautions. The absence of MCVs business has significant impact on Hong Kong life insurance market. Domestic consumption of life insurance business is limited and saturated with only 7.5 million population and a market with 25 life insurers.

Low Interest Rate Environment: The low and uncertain interest rate environment is putting pressure on insurer balance sheets. The low interest-rate environment has largest consequences for life insurers with long-term guaranteed business, exacerbated by asset/liability duration mismatches. Insurer's overall profitability will be suppressed by higher reserving and lower investment returns. This will "force" insurers to push price increases and cut expenses, in addition to shifting towards capital light products. This puts pressure on Generali Life Hong Kong and the urgency to revamp its existing product to have minimum guarantee. Generali new business guaranteed at 1.6% and 10-years US government bond is 0.65%.³

Internal Challenges

Absence of Leadership in Retail Life Broker Distribution

The head of brokerage position was vacant for months and a manager with slightly longer tenure was "caretaking" the sales team while the "caretaker" is serving resignation notice. Sales team structure was flat with a mixed of sales executives with few months to few years' experience in broker distribution were reporting to the "caretaker". There was no distribution and activity management and the team was in low morale, missing the sales target and the ongoing social unrest further aggravated the internal challenges.

Marketing Was Not the Focus in Generali Life Hong Kong

Generali Life Hong Kong retail life business was set up in 2018 as a diversification strategy to reduce dependency on high-net-worth business. As a lean "start-up", marketing discipline was not the focus as opposed to other disciplines such as product development, investment, and operations. Advertisement

³ <https://www.marketwatch.com/investing/bond/tmubmusd10y?countrycode=bx>

spending in Hong Kong runs into billions of HK dollars, competing fiercely for attention and space. The absence of marketing discipline is one of the key disables for growing retail life insurance business in Hong Kong. Generali Life Hong Kong needs to market the brand and products to the intermediaries and their customers, convincing them that we are here to stay and deliver as life insurance business is long term.

Limited Products and Lacking in Scale

35% or USD17b life insurance business is dominated by participating savings products. Generali Life Hong Kong has limited product range and was absence in participating savings products space.

Broker Channel Total Market Sales by Product category (2019)

Product Category	Contribution to Market	Generali's Products (2019)
Participating Savings	35%	No
Universal Life	23%	Yes
Endowment	11.5%	Yes
Annuity	3%	Yes
Coupon Plan	8%	No
Critical Illness	12.8%	Yes
Other Savings	5%	No
Medical	0.3%	No
Unit Linked	1.4%	No

Generali Life Hong Kong presents in 50.3% of product category

Vision - Top 5 Insurer in Life Broker Channel

Generali Life Hong Kong defined a clear vision to be a top 5 insurer in life broker market (was ranked at #15). Pursuing a product led growth strategy is the overarching strategy, aims to guide Generali Life Hong Kong to deliver 100% increase in life business net profits in the next 5 years and 50% reduction in capital requirement.

The strategy focuses on developing a core retail product range that covers primary customer needs. Evolve offers to target underpenetrated segments and promote rider strategy as second phase. Align with market diversification strategy to address product needs for domestic, international market and MCVs. Objective is to diversify and reduce dependency on single market. Develop and launch core product range in protection, critical illness and savings.

Product Strategy

A move towards more capital-light business where the focus is on savings and protection products such as participating long-term savings plan, critical illness and term. Product strategy aimed at the following 4 key deliveries:

- Enhancing value generation
- Increasing Scale
- Diversifying Risk
- Reducing Cost of Guarantee

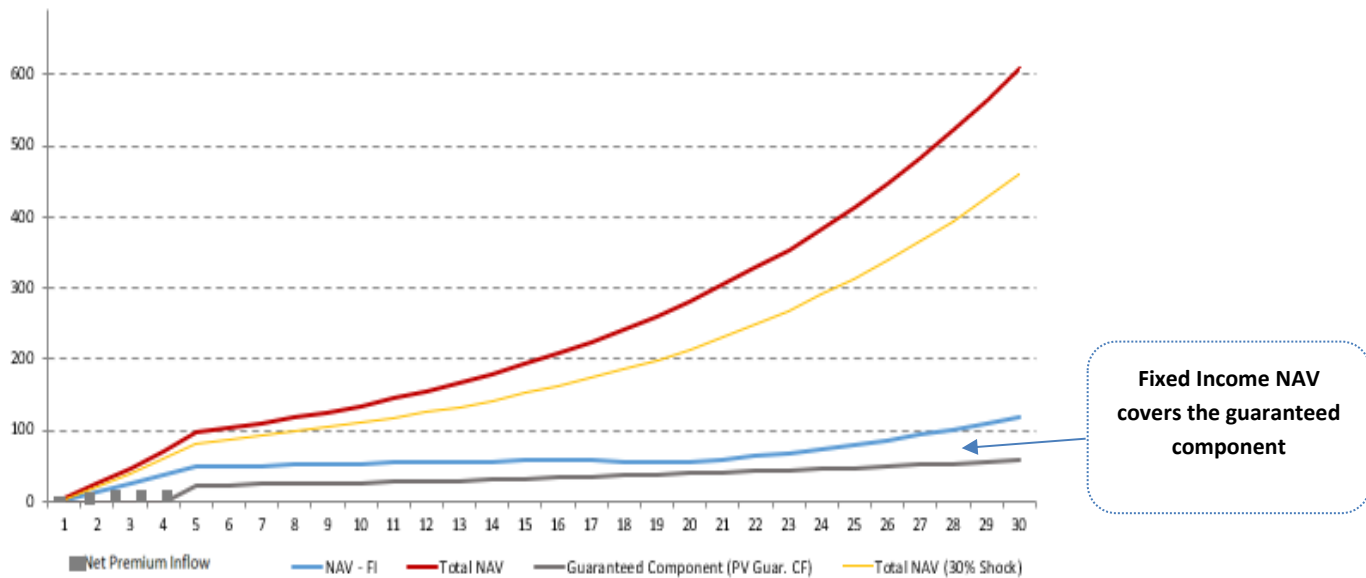
Launch of Return of Premium (“ROP”) Par Savings Product in 2020

Generali Life Hong Kong is absent in the par savings space where it accounts to 35% of life market share. To reduce cost of guarantee, we have structured the product to be a ROP (return of premium) par product. It is capital efficient and attractive to both policyholders and shareholders.

Product meeting policyholders’ needs:

- Unlimited upside passed to policyholders with high IRR in longer term, supported by back testing
- Excellent retirement planning and investing vehicle
- ROP protected under equity stress scenario (stringent stress being a responsible insurer)
- Guarantee limited to 100% of premium paid from Year 16
- Guarantee component supported by fixed income investments
- Non-guaranteed terminal bonus supported by diversified multi-asset investment strategy
- Non-fixed-income assets increase as a proportion of assets from 40% to 80% over 20 years

⁴NAV at 4.5x of Premium in 30% stress scenario



Product attractive for shareholders:

- Low market risk exposure
- Low guarantee cost
- Under current Hong Kong non-RBC regime, earnings emerge in early years and product is capital light
- Under forthcoming Hong Kong RBC regime, capital requirements largely mitigated by non-guaranteed Terminal Bonus

Pandemic coverage for brokers

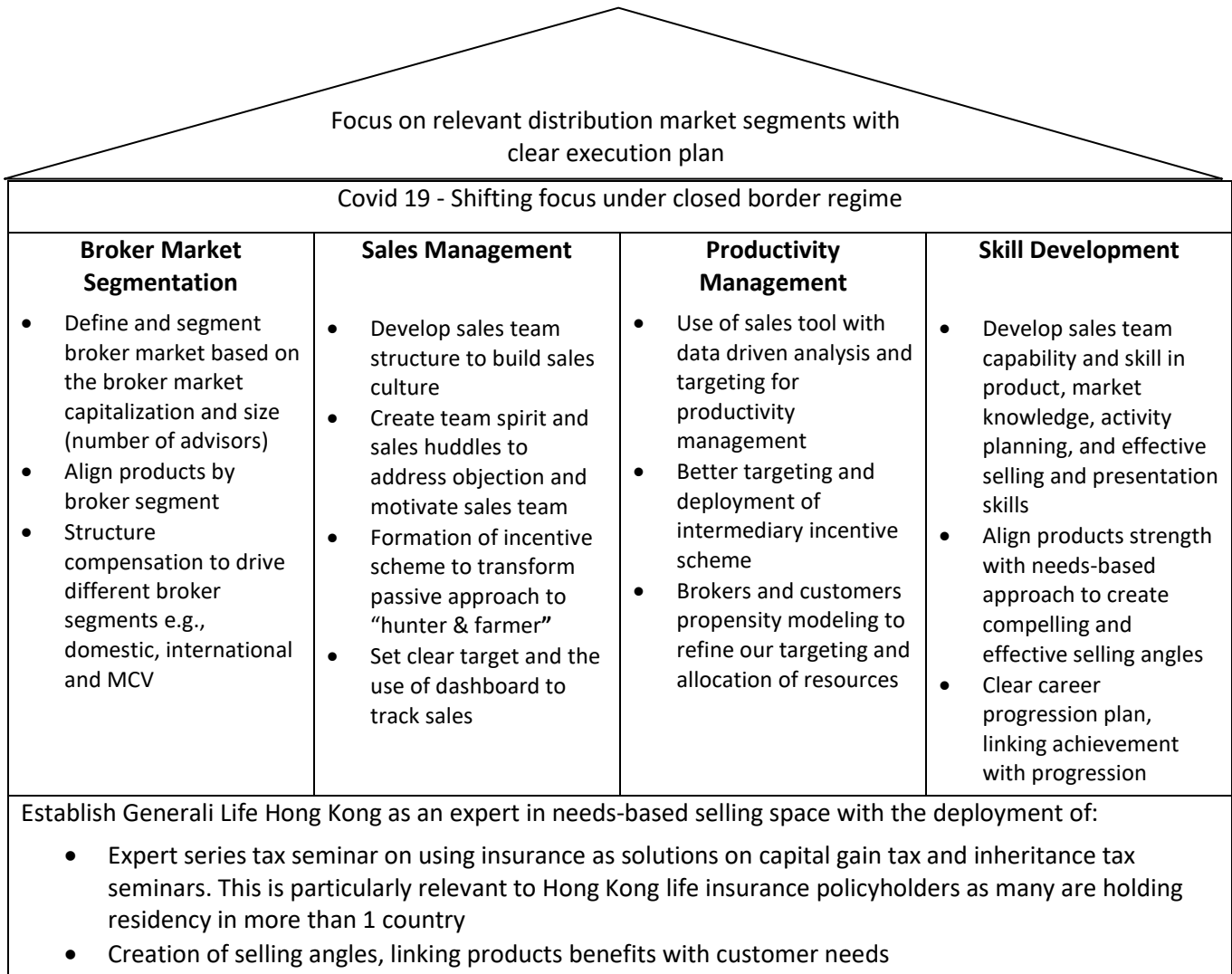
To create differentiation and impact on core distribution, namely brokers, Generali Life Hong Kong structured a complimentary Covid-19 coverage which covers hospitalisation and protection to the brokers and their immediate families. This is a first of its kind coverage being extended to business partners and their families. This move resonates well with Generali's ambition to be the LifeTime Partner to our business partner and won the heart of the brokers in supporting the flagship launch of PAR savings product.

⁴ Generali Life Hong Kong Document

Distribution Strategy

It may sound cliché, but insurance is sold and not purchased, more so for life insurance. Regardless of the strength of the products and no matter how the insurers tried to simplify the design of the product and communicate in B1 language to the target audience, life insurance is still too complicated for general public to understand therefore the role of intermediary is important to enable the distribution of life insurance products. Building and strengthening retail life distribution team is critical in ensuring the execution of strategic action plan, to be the top 5 insurer in broker channel in 5 years.

The plan starts with a strategic hiring of an experience senior sales manager who has vast experience and good track record in the market, may not necessary a senior leader as Generali Life Hong Kong has yet to able to attract a season leader in distribution due to its size and lack of track record in retail life business. Having a slightly junior leader enables quick on boarding on our distribution strategy, and the recruitment of sales executives to fill the vacancies. The objective is to develop a scalable retail life portfolio through strategic hiring of sales head to create leadership and clear execution of distribution management strategy. The execution of distribution strategy focuses on the following:



Devil rests in execution and action!

To introduce Generali Life Hong Kong products to the intermediary, the team focuses on activities as follows:

- Conducted >100 training sessions
- Quality and effective training tool, focusing on product uniqueness and competitors' benchmarking
- "Sell" Generali's Brand by leveraging on Generali Group's financial strength, global footprint and 190 years of proven record
- Investment story supported by back-testing to support projected return (in lieu of fulfilment ratio)
- Consumer survey to confirm the product is addressing customers' needs and to support our product proposition
- International market expansion, on boarding of more overseas broker channels
- Streamline application procedures and workflow to enhance ease doing business with Generali Life Hong Kong
- Re-segmentation of potential brokers to gain commitment
- Re-allocation of account managers to activate more local/non-MCV focused brokers
- Selective broker programs to secure the commitment

Marketing Organization

Similar to distribution management, the formation of marketing agenda in Generali Life Hong Kong starts with the creation of marketing team and development of marketing objective. The objective is to build a minimum viable team that will translate Generali's brand strength and products strength to Hong Kong market, specifically to the intermediary and target audience.

Convergence of Sales and Marketing Strategy

Life insurance business is traditionally a face to face and somewhat "push" business model. Operating under the Covid 19 regime where mobility is limited, the adoption of digital marketing strategy to market a brand and its products is key.

Advertising expenditure in Hong Kong is high with more than 500 million U.S. spending in digital advertisement⁵. Banking and Financial accounts to 39% of total market spend. To create differentiation and to support the launch of a long term participating saving product , we leverage on our uniqueness, Generali's heritage. Generali was established in 1831 and with 190 years of solid track record. We created an integrated sales and marketing campaign, leveraging on Generali's heritage to build strong brand awareness and to communicate the strength of our product.

⁵ <https://www.verizonmedia.com/hk/insights/hk-advertising-spending-projections-survey-2021-highlight>

The campaign aimed to drive strong brand awareness and consideration in the upper customer funnel and drive leads and sales at the lower funnel. The integrated marketing campaign was primarily conducted on multiple digital platforms. Leveraging online to offline strategy, heavy distribution activities were deployed to optimise this window of opportunity and to introduce Generali's brand and its flagship par savings product to the intermediaries.

- Focusing on **digital marketing strategy** to cope with the limited mobility in the city due to pandemic and to optimise marketing spend
- **Strong product proposition** of flagship savings product together with **the uniqueness of Generali's heritage** to create strong marketing message - **Excel through the times together to build next generations of wealth**
- Build digital contents which can be reused by intermediaries to support sales
- **Virtual launch event** targeting business partners followed by a series of online product proposition episodes generated extensive reach from brokers across different geographical locations
- Online broker training session to create noise in the market and reaching out to overseas market
- **Press engagement** with press releases and interviews to promote Generali Life Hing Kong
- **Sales tools** with product case study videos on wealth accumulation, legacy planning, and wealth allocation in multi languages to cater to domestic, international and MCV market.

6PAR Savings Product Advertisement Positioning

The careful creation of product key visual was aimed to deliver the following:

- Depicts cross generations wealth accumulation through legacy planning, consistent with product proposition
- 190 years of Generali's track record to support the lack of "history" of Generali life Hong Kong as the product is a long-term savings plan
- Strong branding with unique WING to establish unique visual cue, to different Generali from others



⁶ Property of Generali Life Hong Kong

Formation of Customer Centricity Agenda and Culture

Another key milestone for Generali Life Hong Kong is the formation of customer experience function. One of the immediate actions of the function was to identify primary customer touch points which are important to the business and follow by customer journey mapping on these touch points. Embarking into B1 Language and T-NPS are the cornerstone for recognizing the importance of customer centricity as a core pillar for business growth and retention. While knowledge, skillset and the adoption of modernization in operations are key in enabling the implementation of customer centricity agenda, mindset change and customer centricity culture will determine the success on customer centricity agenda. Buy in and clear communication from the leadership team was demonstrated to add volume to the importance of T-NPS and upskilling in customer centricity management were conducted in ensuring all the stakeholders are well equipped to tackle the customer centricity agenda and closing the loop on detractors. This is a start of an important and evolvement journey which will support the delivery of Generali Life Hong Kong's strategy.

2020 Performance Review

Guided by targeted distribution model and marketing strategy with strong execution, Generali Life Hong Kong delivered a **growth of 24%** over 2019. **In 2020**, impacted by the effect of prolong social unrest and absent of MCVs business due to border closure, there are **only 5 Life insurers delivered a YOY growth and Generali Life HK is one of the 5 insurers.**

More importantly, Generali Life Hong Kong is moving towards the right trajectory to deliver the vision of being the top 5 insurers in broker channel. Generali Life Hong Kong **ranking in broker channel improved from #15 in 2019 to #11 in 2020.** This is achieved under the adverse impact created by Hong Kong social unrest and Covid 19 border closure landscape.

This on track performance is possible due to clear strategy in structuring the distribution and marketing team that transforms a team with clear objectives and ownership. Supported by strong execution in distribution, effective integrated sales and marketing campaign and led by unique product proposition. In addition to top line performance and improvement in market ranking, other business key performance indices are delivering positive momentum:

- New product is capital light
- Diversification to local and international market
- **Top 25 brokers' production doubled in 2020 vs 2019**
- Deepening penetration into quality brokers and formed strong partnership
- Developed new brokers where 4 top 10 brokers are new to Generali Life Hong Kong
- Resilient in activity management with strong sales team
- Digital marketing campaign launched Generali brand and the flagship product to Hong Kong market.
- The **integrated campaign** was well received with our brand/product video **viewership exceeding 10 million views** vs our target of 5million.
- The launch generated interest among the press with more than 26 print / digital media coverage, enabling a **reach of close to 80 million combined circulations**

Awards and Recognition

Generali Life Hong Kong received accolades from within Generali Group and industry.

Generali Asia - The Asia Lifetime Partner Awards

This award recognises the ‘best of the best’ performers in Asia for the significant contribution and impact on the business. The integrated sales and marketing campaign for the launch of flagship high yield participating savings plan won the award. This is an inaugural win for Generali Life Hong Kong.

Industry Recognition

1. BENCHMARK Awards -a prestige industry awards recognising companies with outstanding performance in insurance sector in Asia. Generali was recognised as Outstanding Achievers in:
 - Product Propositions - Qualifying Deferred Annuity Policy
 - Product Propositions - Retirement Product
 - Client Journey & Experience - Client Support



2. 2020 International Finance Awards – this international award recognises industry talent, leadership skills, industry net worth and product on an international platform.
 - Generali Life Hong Kong was awarded the “Most Innovative Life Insurance Product – Hong Kong”
 - Generali Life Hong Kong was awarded “Juvenile Health Insurance Initiative of the year-Hong Kong”.

Generali Life Hong Kong Next 5 years

2020, a foundation year where Generali Life Hong Kong has clearly defined and started executing the strategy in product, distribution, marketing, and customer centricity. The next few years will be critical for Generali Life Hong Kong to gain scale and accelerate. Generali Life Hong Kong needs to deliver both organic growth and new market expansion, supported by investment strategy, efficiency and modernisation / transformation initiatives.

- Deepening market penetration with product expansion and build strong partnership with brokers to cement the business relationship
- Market expansion to capture international customers through strategic alliance with international brokers
- ⁸Greater Bay Area with total population over 86 million and the GDP is USD 1,668.8 billion in 2020. It was accorded the status of key strategic planning in the country's development blueprint offers enormous opportunity for Generali Life Hong Kong to expand footprint and enlarge scale. Deep study and early actions are necessary in ensuring Generali Life Hong Kong captured this opportunity
- Channel expansion with strategic intention to identify suitable bank / partnership and winning exclusive deal. This enables Generali Life Hong Kong to access to new market segments
- Transforming operational capabilities with digital technology to improve customer experience, internal process robustness and efficiency will support the acceleration of Generali Life Hong Kong to be a significant contributor to Generali Asia
- Strengthening investment strategy with asset diversification, invest in diversified US\$ Fixed and Non-Fixed Income Assets, balancing risk and reward will offer substantial return to policyholders and deliver the targeted fulfilment ratio

The valuable lesson that I have learned from the pandemic is to expect the unexpected as new challenges will unfold. Generali Life Hong Kong has clearly mapped out its strategic intend and horizon, its future is heavily rested on its ability to execute, its agility and its ability to manoeuvre the action plans considering the headwinds, known and unknown challenges. What Generali Life Hong Kong has achieved during this unprecedented pandemic period is not an end in itself but a means to an end. To my personal experience, it is a journey into pandemic and a day in a life (pun intended for Generali Life) but with a great outcome so far, perhaps the best has yet to come.

⁸ <https://www.bayarea.gov.hk/en/about/overview.html>