

Interview with Jean-Francois WILLEMS, Executive Chairman Octium Group

Octium completes acquisition of Credit Suisse Life & Pensions

Can you tell us about the history of Octium?

Octium was established following the identification of a trend for large international banks exiting the in-house, captive client, Life Insurance market (Julius Baer, HSBC etc). In 2016, Octium agreed to buy the Life Insurance carrier of UBS (UBS International Life) which was based in Ireland. The deal was finalised in 2017 which was the genesis of Octium's dual approach to growth, that of organic and acquisition growth. In 2020, Octium established its own Insurance broker (Tied Agent) in Liechtenstein to support a holistic approach to distribution, while ensuring access to both EEA and Swiss markets and counterparties. Most recently at the end of 2021, Octium acquired the Life Insurance carrier of Credit Suisse in Liechtenstein and established a service company in Switzerland to provide Insurance services to its carriers and potentially 3rd parties.

What is your positioning in Luxembourg?

Octium is headquartered in Luxembourg, with it being the centre of the group's executive leadership and business strategy development, but has yet to acquire a carrier in Luxembourg. There have been a number of carriers in the jurisdiction that we have been involved in the bidding process for, but, we have yet to add to our portfolio of carriers. However, Luxembourg is a leading jurisdiction in the cross-border Life Insurance business, so we will continue to explore other opportunities as they arise to complement our existing set up.

What are the insurance solutions and services offered by Octium?

Octium offers unit-linked Life insurance products for High-Net-Worth Individuals, designed to offer an effective solution



in terms of succession and financial planning. The products are compliant with EU and local regulations while being agile to consider each Client's complex needs. The products are available for European clients although we are looking to expand our target market internationally. With our own Tied Agency, we also provide intermediary services to clients, or support other intermediaries as they establish policies for their clients. Our products provide clients with access to investment strategies which are managed by established and internationally recognised asset managers with a proven background in performance. They also facilitate a structured approach to estate planning which eases the burden on beneficiaries, circumstances that have become more evident during the course of the pandemic over the last 2 years.

What sets you apart from your competitors?

It is very evident to us that in a market where providers have been established

for many years, a blasé approach to customer service, digitalisation and product innovation exists. As our reputation grows as a disrupter of such a settled environment, we are seeing a significant increase in the number of asset managers, custodians and brokers who are proactively contacting us to start new relationships. Our operating platform is one of the most developed within our field and facilitates a more efficient framework for establishing policyholder requirements. We have implemented a client portal which we continually strive to update following direct feedback from policyholders and other stakeholders.

The system also allows for proactive interface with custodians and intermediaries. Our distribution model is unique and we see that our competitors are now looking to implement a similar approach. Throughout the organisation, a spirit of entrepreneurship is encouraged which results in a speed of response and resolution that is significantly ahead of the norm. These are just some examples of why we are seeing a growing interest and admiration in what we have already achieved and has led to the notable increase in counterparties who are looking for a new provider to help their clients.

Octium has just completed the acquisition of Crédit Suisse Life & Pensions AG. Tell us about this acquisition.

Octium has been targeting banks that have been looking to sell their own Life Insurance Carriers. Once we became aware that Credit Suisse was considering this strategy, we contacted them to express an interest in concluding a deal with them. Having previously acquired the UBS Life Insurance vehicle, it was evident that we had the experience, knowledge and infrastructure to manage a very similar transaction. We understood the challenges to both the bank and its clients, we understood the integration that would be required and we

understood the culture that needed to be cultivated with the existing employees who had spent many loyal years with Credit Suisse. This acquisition allowed us to diversify our offerings between different jurisdictions which each have their own attributes, while at the same time having a group approach to products and markets which would avoid any internal competition between carriers. Ultimately when the two largest Swiss banks, who are amongst the largest wealth managers in the world, choose Octium to take over the management of their clients Life Insurance needs, there is no better endorsement of our client-centric approach.

What will this acquisition concretely bring to the Luxembourg market?

Octium is continuously raising its profile internationally in order to have visibility in the jurisdictions it wishes to enhance its presence in. This allows us to have our products distributed to the international clients of Luxembourg banks as an alternative to the local providers. Additionally, while our profile in Luxembourg is not as evident as we would like it to be, this acquisition facilitates the raising of the profile and clearly makes us more identifiable to those organisations who are considering a sale of their Life Insurance entities in Luxembourg. With our track record of successful acquisitions, following rigorous regulatory approval processes with positive outcomes, we are now seen as a viable alternative to the more established acquirers of Life Insurance entities.

How is digital transforming the insurance world?

Put quite simply, if digital enhancement is not amongst your strategic aims, then you will be left behind. The speed of enhancement of digitalisation and the norm at which we use it in our every day lives is staggering. While invariably digitalisation has some challenges (such as cyber secu-

urity) its constant evolution (such as the Metaverse) is such that companies need to keep up with consumer expectations as to how business will be conducted. That is why we are confident that the systems we use and the IT partners we work with, will allow us to keep up with the pace of digitalisation and the requirements that our stakeholders will have.

What do you think will be the main challenges for the economy in 2022?

You don't need a crystal ball to know that Covid-19 will continue to dominate the global landscape not only in 2022 but also beyond that for a number of years. While other challenges exist (rising inflation rates, an energy crisis, supply chain issues, climate change and escalating political tension) and interest rates are expected to rise, the overall view is that, subject to the impact the length of the war in Ukraine may have on the markets, 2022 will be a year of global recovery leading to growth in consumer and corporate spending which in turn will lead to further positive performance of the markets. Even more reason to consider a Life Insurance policy.

What are your main objectives for 2022?

Growth and consolidation. 2021 was our strongest performance of new business since inception of the Group and it helped lay the foundation to continue that upward trend. We continue to invest in our people, our infrastructure and our systems in order to maintain that growth trajectory. Most importantly we do so in a structured way to ensure that a rigorous control environment exists so that we are not overwhelmed in what we are trying to achieve. That means that we pay particular attention to the newly acquired business, integrating it into the group while bringing added value to its clients. By consolidating the individual parts into a coordinated organisation, we will continue to maintain a platform that will flourish.

Anti-fraud analytics booms as cyber war rages

New research shows insurers' rapid adoption of predictive algorithms and digital identity technology to stem the pandemic-driven fraud deluge.

Insurers' use of predictive analytics to fight fraud has reached an all-time high, according to the latest insurance fraud technology study by the Coalition Against Insurance Fraud and analytics and AI leader SAS. The State of Insurance Fraud Technology study reveals that 80% of insurers use predictive modeling to detect fraud, up from 55% in 2018. In a category new to the 2021 survey, the study also underscores the importance of identity verification software, cited by 40% of survey respondents. Identity analytics is quickly becoming must-have technology for insurers amid an alarming spike in malicious phishing scams, up 600% since the pandemic's onset.

"The shifts we've seen since the 2018 study emphasize the increasingly sophisticated technologies needed to foil insurance fraudsters' criminal exploits," said David

Hartley, Director of Insurance Solutions at SAS. "Predictive modeling is up 25%. Text mining has nearly doubled, jumping from 33% to 65% in three years. These findings prove that, even as COVID has fueled rampant fraud, insurers are agilely stretching their advanced analytics and AI capabilities to counter rapidly changing threats." The study results will be explored in an upcoming insurance fraud webinar hosted by the Coalition and SAS, The State of Insurance Fraud Technology 2022: Trends as the World Reopens, Feb. 16 at 2 p.m. ET and available thereafter on demand.

Gauging insurance fraud technology trends since 2012

Insurance fraud causes more than \$80 billion in losses annually in the United States alone. Fraudsters the world over are using phishing schemes, malware and even social media quizzes to steal sensitive personal information from unsuspecting consumers. The lucrative data is then sold on the dark web for nefarious purposes, such as traditional identity theft or the creation of synthetic IDs using an amal-

gam of stolen and fabricated data. Scammers can use the identities to file bogus claims for cash or collect commissions from insurers for selling fake policies. Since 2012, the Coalition has used its biennial State of Insurance Fraud Technology study to track how technology is augmenting fraud fighters' abilities to thwart fraudsters and criminal rings. SAS has been a partner in the research effort since the inaugural study. Now in its fifth iteration since 2012, the latest study is based on responses to a 20-question survey sent to 100 Coalition members in October 2021. Survey recipients are employed by insurance companies that comprised at least 80% of the estimated property and casualty premiums written in the US insurance market in 2020.

"Capturing these trends over time enables us to understand how, and to what extent, insurance companies use anti-fraud technology," said Dave Rioux, Coalition Co-Chair and Chair of the organization's Research Committee. "This research also provides important insights into emerging use cases and common challenges, helping the entire industry discern the tech-

nologies that are proving most effective against these unprecedented fraud attacks."

Additional takeaways from the latest study include:

- Anti-fraud technology is flourishing. The study identified automated red flags (88%), predictive modeling (80%), text mining (65%), reporting capability (64%), case management (61%), exception reporting (51%), and data visualization/link analysis (51%) among insurers' most used anti-fraud technologies.

- Insurers are diversifying their data sources. Beyond relying on their own internal data, insurers are turning to industry fraud-watch lists (88%), public records (79%), third-party data aggregators (55%), social-media data (48%) and data from personal devices (15%). Notably, the use of unstructured data soared from just under half in 2018 to 81% in 2021.

- A picture is worth a thousand data points. Insurers are flocking to photo analysis technology (up from 49% in 2018 to 81% in 2021) to authenticate claim damage, identify digitally altered images, and index pictures submitted in other claims.

- Investigators are clamoring for more resources. New anti-fraud technology is creating efficiencies in investigative processes, but the resources insurers are dedicating to internal and external investigative teams are insufficient to keep pace with the billions in fraud committed each year. Limited IT resources was the top anti-fraud challenge, cited by 68% of respondents.

"We know that criminals are using advanced technology at scale to steal personal information and plunder billions of dollars from insurance companies each year," said Kim Kuster, Principal Business Consultant in SAS' Global Security Intelligence Practice. "Wider adoption of emerging technologies and deeper investment in human- and machine-powered fraud fighting capabilities will help turn the tide of fraud flooding the domestic and international insurance markets."

The State of Insurance Fraud Technology study and similar Coalition research efforts are aimed at preparing fraud investigators and their leadership teams for the threats that lay ahead.

Strengthening Europe's resilience through a growing social economy

The Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), the voice of mutual/cooperative insurers in Europe, on 17 February 2022, participated in an informal ministerial conference of European ministers responsible for the social economy.

The conference, hosted by Olivia Grégoire, the French Secretary of State for the Social, Solidarity and Responsible Economy, brought together European ministers responsible for the social economy, alongside Commissioner Schmit, European Commissioner for Jobs and Social Rights. "The social economy, the future of Europe" event was organised by the French Presidency of the European Union. The discussions will feed into the exchanges of the Council of Ministers

as part of its aims of strengthening Europe's social economy. Mutual/cooperative insurers empower their policyholders through ownership and democratic representation, and as such are key players in the social economy. The publication of the Social Economy Action Plan towards the end of 2021 recognised the role of mutual/cooperative insurers in providing certainty and security for policyholders across Europe. Mutual/cooperative insurers are responsible for more than 30% of insurance business in the EU.

Grzegorz Buczkowski, CEO of Saltus TUW, Poland, provided a written question to Commissioner Schmit about the lack of knowledge of the mutual/cooperatives insurance models, and lack of awareness of their importance in providing financial security to millions of policyholders across Europe. He pointed to the diversification of market and com-

petitive elements of having a thriving mutual/cooperative insurance community in the EU, and highlighted the long-term nature of the core models, with sustainability embedded into their activities. As well as heading up Polish mutual insurer, Saltus TUW, Mr Buczkowski is the President of AMICE. "I welcomed the opportunity to communicate the contributions that European mutual/cooperative insurers are making to develop Europe's social economy," said Mr Buczkowski. "From the provision of risk coverage supporting individuals, families and companies, to showing how the long-term investment approach of mutual/cooperative insurers nurtures sustainable growth, our sector has a vital role to play as Europeans emerge from the health crisis.

"I also believe that the core model of long-term relationships with policyholders clearly demonstrates a

strong commitment to a sustainable future both for insurance policyholders and wider society. It leads from this that mutual/cooperative insurers are core European social economy contributors", he said. "I am looking forward to receiving the Commissioner's response to my question, and look forward to working with the European Commission and other European institutions to implement the Social Economy Action Plan."

The European mutual/cooperative insurance sector as represented by AMICE was pleased to see a first step in the recognition of its sector as an important social economy actor with the publication of the European Commission's Social Economy Action Plan for Europe in December 2021. In 2022, the key challenge is the practical implementation of the plan's ambitions and goals.