Taking on the impossible

Competing insurers collaborate to create new markets and solve global challenges

By **Gary Reader**, Global Head of Insurance, KPMG

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To remain relevant — and profitable — in today's world, insurers need to start tackling some of the 'big issues' facing humankind: poverty, resilience, development and the environment, to name a few. Everyone acknowledges that these issues are too big for any one company to solve alone. And now, a group of insurers have come together to show that — when competitors collaborate — anything is possible.

The consortium (officially branded as Blue Marble Microinsurance) is quickly breaking new ground and creating new models for insurers. It is also overcoming new barriers. To learn more about the experience and successes achieved by Blue Marble, I recently sat down with its CEO, Joan Lamm-Tennant. What quickly became clear is that their experience offers new hope in the fight to solve some of the world's most intractable problems.

When Brian Duperreault, CEO of Hamilton Insurance Group, took to the stage at the International Insurance Society (IIS) Conference in Rio in 2012, he brought a singular message to the insurance sector. "For any of us to succeed, all of us must be involved," he argued. "We must work together." And, in doing so, Brian unlocked a new paradigm of cooperation for the insurance sector.

Just over 2 years later, when eight insurance executives took the stage at the World Economic Forum (WEF) in Davos, Switzerland, they delivered on that call to action.

As Brian noted in his address in Rio in 2012, the delivery of insurance protection to the developing world offers massive dividends. "Insurance can secure increased access to capital, reduce income shocks and stabilize income levels, mitigate catastrophe losses, enhance social protection and mutualize and transfer risk," he said. "And yet only a small percentage of this population has access to insurance products, and there are significant gaps between the products offered and the desired protection."

A new view of the Blue Marble

The insurance leaders who stood up at the WEF aimed to make a measurable difference. Formally rebranded as 'Blue Marble Microinsurance' in June 2015, the consortium demonstrates that competitors can collaborate to achieve global objectives.

As Joan Lamm-Tennant, CEO of Blue Marble told me, "Everyone around the table understood that being able to create a successful and sustainable model for delivering insurance to the underserved wasn't about the size of their balance sheet. It was about the mutualization of knowledge."

The founding members also understood that this would require unprecedented levels of cooperation. The fact is that many organizations had tried to create profitable microinsurance businesses in the past, but few had been able to achieve the right type of scale and even fewer had achieved sustainability. The insurers cooperating in Blue Marble recognized that — more than just creating products — they needed to create a sustainable and viable marketplace.

"By working together, they saw an opportunity to share the innovation costs and uncover new and more efficient distribution channels," noted Joan. "They also recognized that the creation of a transparent and viable marketplace would reduce the regulatory and reputational risks that often come with entering new markets."

From idea to innovation

If you were to ask Joan when her first day on the job was, she would probably tell you it was that day in Rio in 2012. "It was a big day ... it was really the day that the initiative started," she told me. But she also readily admits that getting from the 'call to action' presented at Rio to the Shareholders' Agreement was difficult work. "It took a few years and it took some time for everyone to understand the value we were trying to unlock."

One of the big challenges the Blue Marble team had to overcome related to the ownership of the intellectual property (IP) that would emerge from the venture. At their first meeting, Joan and the unofficial board discussed the story of Tesla and how they opened up the IP on their car batteries in order to create a new marketplace. "The board decided that if we debated over IP, we'd never be able to achieve our goals financially or intellectually; we'd never be able to achieve the innovation necessary to deliver on our mission." Today, Blue Marble runs almost entirely on staff seconded from their members and the IP that is generated remains the property of the marketplace.

Moving the partners from a Memorandum of Understanding (MoU) to a formal Shareholders' Agreement also created challenges (as one might expect when you bring together eight general counsels from eight fiercely competitive organizations to hammer out an agreement). According to Joan, however, the organizations overwhelmingly agreed on the values and mission of what they were trying to achieve which, ultimately, allowed them to overcome any points of debate.

Blue Marble Microinsurance was founded by a host of insurance and reinsurance firms, including: American International Group, Inc.; Aspen Insurance Holdings Limited; Guy Carpenter & Company, LLC; Marsh & McLennan Companies, Inc.; Hamilton Insurance Group Ltd.; Old Mutual plc.; Transatlantic Reinsurance Company; XL Catlin; and Zurich Insurance Group.

> "The insurers participating in Blue Marble knew that, if they wanted to do things differently, they would need the help of partners both inside and outside the industry."

"We had a very clear set of values, and whenever we started to reach an impasse, we just went back to our values: We have to be socially relevant, we have to commit to collaboration, and we have to form lasting partnerships," she added. "Being able to go back to our values and our mission was critically important and ensured that what we did supported what we wanted to ultimately achieve."

No time to go it alone

Like many industry participants and observers, KPMG recognizes that insurance can play a clear and central role in helping manage many of the 'big issues' facing humankind, particularly by helping the world respond to global risk, improve resilience and support economic growth. But we also recognize that sustainable solutions will require smart partnerships and alliances between all players in the insurance and financial services ecosystem.

Public–private partnerships (PPPs) would need to be formed, particularly with developing world governments, international development groups and intergovernmental bodies. And partnerships with non-traditional — often even disruptive — players would be critical in order to drive and encourage innovation.

Given the historic distrust between the public and private sectors, the group faced a number of challenges when creating PPPs. "We speak different languages, but we each bring something really important to the table," noted Joan. "The key is really in being humble in knowing what role you can play and having respect for those that play different roles."

Somewhat untraditionally, Blue Marble also focuses on identifying and partnering with insurance technology start-ups and industry disruptors. As Joan points out, to be successful and sustainable, the venture needs to discover new distribution channels and new approaches to product development.

> "Announcing the launch of a consortium aimed at incubating microinsurance ventures, the group boldly took the first concrete steps towards helping solve one of the world's most difficult challenges: poverty."

"Some of these insurance technology start-ups are creating really novel operating models, interesting ways of collecting and analyzing data, and new ways to reach customers," she added. "It's also allowed our board to look at these companies as enablers and, in some cases, has created a really interesting triad between traditional industry players, Blue Marble and non-traditional insurance tech players."

At KPMG, our experience suggests that these types of partnerships are key to driving innovation and new approaches within the insurance sector. Indeed, we often find that traditional insurance organizations are structured in ways that actually discourage innovation and the vast majority will need to reconsider how they integrate new partners, talent and ideas into their culture in order to achieve real and sustainable innovation at the product and operational level.

Measuring success

While most private sector companies would be highly focused on achieving the traditional financial and market metrics — premium volume, margins, profitability, loan losses and so on — Blue Marble's participants believe that product relevance must come ahead of premium volume and margins. "We need to really figure out what is important to our customers and help them achieve those goals — that's how we'll be successful in building a market, and that's how we'll create loyal customers as people move from poverty into the middle class," she added.

As such, the Blue Marble leadership team measures their success against four key metrics. The first is sustainability and the team focuses on finding ways to reduce their frictional costs in order to improve the venture's overall sustainability. The second measure is customer validation. "Even though microinsurance is often mandatory in nature, we look at ways to create optionality around it so they can signal to us if we are doing the right thing," noted Joan.

To ensure the initiative is continuously looking for new approaches, Blue Marble also measures the value and innovation that they are delivering to their partners. And, last but not least, the team looks at whether the ventures are creating the expected social impact. "You need to be patient when measuring social impact," she warned. "It can often take years to start to see measurable impacts flowing from your initiative, particularly in terms of economic growth and development."

A new model emerges

While it may take some time for Blue Marble Microinsurance to build a truly viable and sustainable microinsurance market, I firmly believe that the group's cooperative approach offers the best opportunity we have seen to date to make a real impact in the fight against poverty.

At KPMG, we have been very active in helping clients in the financial services sector build new relationships and partnerships with traditional and non-traditional players. When forming any type of new partnership or alliance, we often advise our clients to think through five key considerations before jumping into a new relationship:

1. **Motivations:** Take the time to fully understand the objectives, motivations and exit strategy of your potential partners before getting into the details.

2. **Alignment:** Ensure that the partnership aligns to — and helps advance — your corporate and growth objectives.

3. **Willingness to commit:** While long-term tie-ups can lock down competitive advantages, they can also lead to long-term challenges.

4. **Operational realities:** Carefully consider how the relationship will operate at a functional level and what governance and operating models will be required to support that.

5. **Success factors:** Understand what it takes to sustain a mutually beneficial relationship over the long term.

We recognize that — in today's environment — few companies have the capacity, capability and resources to truly tackle the issues that are fundamental to our industry, our customers and our continued social cohesion. Clearly, partnerships like Blue Marble will be key.

KPMG strongly supports the goals and objectives of the Blue Marble consortium. We believe that the experience represents a strong and compelling new model for financial services organizations of all types to truly engage with the world they work in, renew their relevance in the market and help solve some of the world's most intractable problems. ■

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Gary leads KPMG International's global insurance practice. He is the coordinating Partner for the European, Middle East and Africa region. His area of expertise is in financial management services/ Gary has led a number of financial transformation projects for our firms' insurance clients worldwide.

About Joan Lamm-Tennant

Joan Lamm-Tennant is the CEO of Blue Marble Microinsurance Inc., a corporate entity formed by six leading insurance and reinsurance groups along with Marsh & McLennan Cos. and reinsurance intermediary Guy Carpenter to create markets delivering risk protection to the underserved in developing countries. Prior to taking her role as CEO of Blue Marble, Joan was the Global Chief Economist and Risk Strategist of Guy Carpenter & Co. LLC, the reinsurance and risk advisory operating company of Marsh & McLennan Cos., where she served as an advisor to C-suite executives and board members of Guy Carpenter's most significant clients. Her expertise includes emerging market strategy, enterprise risk modeling, implementation of risk-based decision processes and high-value strategies resulting in capital efficiencies and profitable growth.