

Charles Monat Associates: Staying Ahead in the Global Insurance Brokerage Market

A high-level delegation of company leaders from independent insurance brokerage Charles Monat Associates (CMA) arrived at a recent interview with Hubbis to survey the immensely competitive insurance broking market in Asia, to analyse the opportunities and the challenges, explain the company's offerings and define the firm's strategy for Asia and beyond.



CMA HAS IN THE PAST FIVE DECADES established itself as one of the world's leading brokers for the high-net-worth individuals, and executives of multinational companies. We had the privilege of sitting together with the management team for their first group interview. Those attending the discussion included: Charles Monat, Founder and Chairman; Yves Guélat, Group CEO; Berry Wong, Hong Kong CEO; Martin Wong, Singapore CEO; Simon Lo, International CEO; Klaus Kiessling, Group Chief of Operations; and Nikki Koh, Group Chief Commercial Officer.

As a global premium consultant, CMA has been a pioneer in the development of customised insurance-based solutions since its inception in Hong Kong in 1971 by Charles Monat. The company today has almost 200 staff in international offices spanning Dubai, Hong Kong, Kuala Lumpur, Liechtenstein, Miami, Singapore and Zurich and serves clients in over 50 countries.

The company's strategic partner is Willis Towers Watson (WTW), one of the world's leading global advisory, broking and solutions providers.

Taking the helm of the company is Group CEO, Yves Guélat where he began by introducing Mr Charles Monat himself - who is no longer active in the day to day business but sits as Chairman of the Board and continues to consult and maintain relationships with private clients.

"Yes," said Monat, "I remain highly motivated and have an excellent base of 'direct' clients that I have known over the last nearly 50 years in this business and with whom I have trust and chemistry, which are both so vital for this

business. I remain passionate about providing genuine service and very fair value."

Guélat then introduced the newer members of the team. Simon Lo as International CEO, he said, is the firm's most recent senior hire, having joined in early March 2019 from his previous role as deputy CEO at IPG in Singapore, where he was in charge of the Middle East. Guélat further introduced Martin Wong, the Singapore based CEO who joined the firm in late 2018, where he was previously CEO for JLT Singapore.

"We still today have a great opportunity to provide life and legacy planning insurance products, for people around this region

Guélat reported that in the nearly five decades since the firm was founded, there had been a substantial increase in the number of insurance carriers, as well as far more competition within the insurance business.

Intensifying competition

"We still have only three major brokers in the HNW space," he says, "but they have hired many new people and competition is intense. The growth of wealth creation globally, primarily in Asia in the last few years, created demand for the business to expand."

Of course, he acknowledged that the underlying demand had grown, but less so than the competition,

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and around the world," observed Monat, on opening the discussion to focus on the market dynamics and industry outlook.

Keeping assets liquid

"Liquidity is always essential," he continued, "for example for inheritance tax in many countries, although not in Singapore or Hong Kong where there are no longer estate duties. Liquidity is generally required for continuity of the family, or for keyman insurance in a business. Moreover, as people become wealthier, they usually have more non-liquid assets and insurance creates that necessary liquidity at times of family duress and distress. The market is certainly not saturated, we feel we have great opportunities ahead."

and therefore the numbers were clear. "They underline how we must continuously improve the excellence of our service," he added, "and how we must remain very, very focussed on our partners."

"Every client of ours has unique family, wealth and business dynamics," Monat added. "We aim to develop successful and holistic relationships with our clients and business partners at the world's most respected private banks, accounting firms and insurance carriers."

Beyond CMA's traditional borders

Lo shifted the conversation to opportunities outside the region, noting that while China and other Asian markets grab the headlines, it is often easy to overlook the



EXECUTIVE TEAM
Charles Monat Associates

other opportunities. Centres such as Dubai, Zurich, and Miami have always been traditional hubs that are favoured by the High Net Worth Individuals (HNWI) and ultra-HNWI community, and consequently, the firm wants to invest more resources there, as well.

“The needs of the clients, whether in China or Zurich or Miami are essentially similar,” said Lo. “However, in the Middle East things are somewhat different, for example, there are higher geopolitical risks to be factored in.”

Lo explained that the firm is pursuing an official license from the Dubai International Finance Centre for its Dubai Category 4 license. “We are also focusing on Africa,” he adds, “which when we build our Dubai and Zurich op-

erations further, will be easier to access. Overall, the goal is to turn the international piece of business into the third pillar to complement Hong Kong and Singapore.”

Expanding the net

Nikki Koh joined the conversation, explaining that his role is to identify new opportunities to expand the business model. “The mission is to find revenue potential beyond the traditional business, for example, we now increasingly connect to the commercial banks, wealth management firms, tax advisers, law firms and others, trying to find new ways to collaborate. We also have a new licence for Labuan to conduct Malaysia onshore business, as they have a lot of assets

both onshore and offshore. And there are also other markets that we have identified that would offer really high potential.”

Nearly five decades young

Martin Wong remarked that the firm is well placed to prosper, being almost five decades mature and having had its share of difficult times in the past, as well as the great times. “Today,” he observed, “we are in a very fortunate position to be very clearly focussed on the opportunities ahead, leveraging the strong foundations and aiming at the full actualisation of what the firm is destined to achieve.”

He expanded on these comments by remarking that the challenge now is to remain entirely

relevant to the firm's private bank partners and to the end clients. "Our clients have assets across many borders," he noted, "and it is essential for us to keep developing the capability and talents of our people to handle their needs, not primarily in Asia but on a global basis."

A two-way dialogue

Martin Wong believes a consultative approach with partners and clients is vital to remaining relevant. "These are long-term solutions we offer," he comments, "so our consultants need to have conversations to help them our partners and clients see the long-term, big picture of these liquidity solutions. The market and the product landscape continue

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to evolve, for example, we are already in an inverted yield curve scenario which somewhat foretells what is likely to happen in the next 24 to 36 months, meaning protection and preservation conversations are all more relevant. To cite the old adage, people don't plan to fail, but they do fail to plan."

He also observed that the private banks have the capacity to engage in discussions with the clients on long-term legacy and planning issues, but not all decide to do so, and some do not achieve as much as they could.

"If a bank chooses not to participate in this type of value-added solution and conversation

with clients," he commented, "we think they not only forego the opportunity, but they are giving up this opportunity to another bank. The reality should be that every bank wants to journey with their client, not just through one lifecycle but to the second generation, the third generation and ideally the fourth." And insurance is an excellent product for retaining those family connections.

People make the difference

Martin Wong also noted that the people at the firm offer a major differentiating factor. "And the overall construct of the firm," he said, "provides tremendous agility and the ability to provide tailor-made solutions, both of which offers key competitive advantages."

Berry Wong offered some views on the North Asia business. "Many new external asset managers are being created," he reported, "especially with bankers leaving their roles and opening themselves, which offers us an opportunity to expand with them. As to China, we are looking at the right ways to approach that market, as wealth is growing so fast and long-term planning issues are ever more important. In Taiwan as well, by the way."

Evolving product suite

Berry Wong also highlighted the evolution of the product suite. "There are so many different prod-

ucts in Asia," he remarked. "Hong Kong in the last 12 months has seen a lot of interest in Variable Universal Life (VUL), and Private Placement Life Insurance (PPLI) and the banks seem increasingly interested in these areas. And there are new products, such as whole of life and annuity products, so our view is that the composition of the product mix will keep changing and we see that some clients can take on several different types of product as well, not just one product. It will certainly not be like the old days of 99% plus universal life."

Klaus Kiessling observed how the firm's DNA is to be an intensive, dedicated sales organisation. "If asked, we might say our three priorities for the year ahead are sales, sales, sales," he quipped. "But joking apart, to support those sales efforts, we have invested in our people, our systems, our skills, and our technologies. For example, our new CRM tool offers the market intelligence we need to get the best information to our salespeople and helps to measure performance."

Independent again

Kiessling also commented that Charles Monat's independence is a key feature of the firm's competitive edge. "We are No. 2 in the market, but we are not a super-tanker," he said, "we remain agile and flexible, and while we are fully compliant, beyond the tough compliance framework we have in this business, we try not to get bogged down in processes and procedures."

Margin protection, Kiessling added, also requires the firm to stay lean. "Going paperless is one means of reducing costs and speeding up the interface with the insurers and partners, for example.

Guélat agreed, adding that the firm's independence allows the company to shape its own future,

not to be focused on this quarter or the next quarter. “Of course,” he stated, “we are focused on our margins, and on growth and we are the fastest growing broker in this industry, expanding by 36% last year. Total premium volume placed on behalf of our partners and clients exceeded USD1.3 billion in premium business, through roughly 190 people in seven different locations.”

Private decisions

He added that investment in people is vital, in up or in down markets. “We can do so in any market conditions,” he said, “whereas perhaps for a company which is part of a major business grouping, it might be tougher for them to invest when their markets are weak. We, for instance, decided that despite any tough market situation, we would continue to increase our numbers and skills to help fuel future growth.”

He added that the firm has major ambitions to realise by the time of its 50th anniversary in 2021. “For example, we have invested in additional capabilities, such as our health and wealth approach, being able to advise clients on the insurance side of any medical issues. We are also investing in our social and corporate responsibility policy; in a world where 1% of the population holds 50% of the worldwide wealth, we are passionate about giving back to society. So, we have decided that we have the ambition to save one life through every life insurance policy we place on behalf of client and partners.”

The tough market draws out the best in CMA

Monat drew the discussion towards a close with some more insights into the market’s evolution, noting that the market has grown, the capacity has grown, the products have become a lot

more competitive, and there is much better reinsurance, the last of which is making the insurance industry considerably more capital efficient.

Nevertheless, he also conceded that the face price of the products had fallen, and the margins had become extremely thin for the insurers, forcing them to make money by huge volumes of new business and by the quest for greater efficiencies.

“All in all,” he concluded, “the insurance market remains huge, worldwide. Even in developed areas like the United States and Europe, the market is certainly not saturated by any means at the UHNWI or HNWI levels. The opportunity is therefore immense, and I am very optimistic and happy for our people who are achieving well in terms of their careers and remuneration. We are all interested in seeing everyone share the benefit.” ■



Private to Corporate to Private Again - How CMA Bought Back its Independence

Charles Monat Associates (CMA), one of the largest independent life insurance practices in the world, was bought over by a Nasdaq-listed firm in 2014 and in May 2017, CMA's top brass announced that it had completed a management buyout (MBO) of CMA to acquire 100 per cent of the business back through the purchase from the 2014 buyer of its Global Wealth Solutions business.

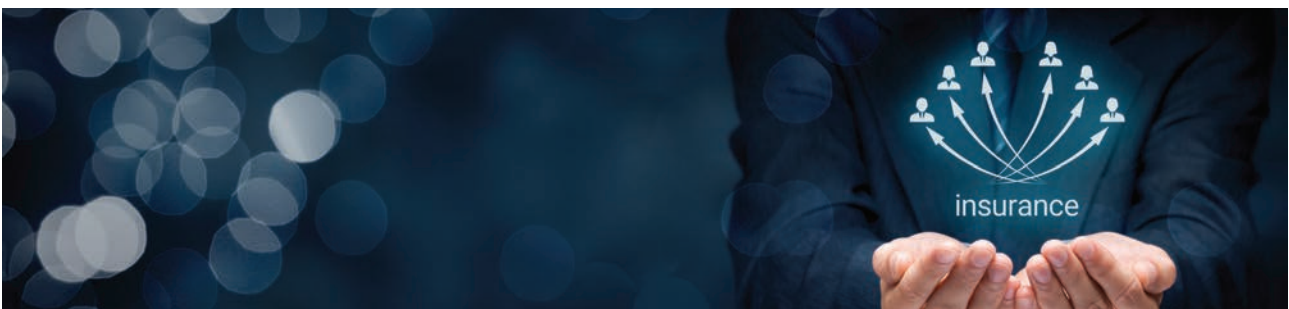
The original purchaser and also the subsequent seller was the U.S. firm Willis Towers Watson, a leading global advisory, broking and solutions company.

Immediately following the MBO, CEO Yves Guelat, said the deal was to create a unique business structure for servicing the increasingly complex financial needs of wealthy families and businesses. Guelat moved with the MBO, having previously been the CEO of the Willis Towers Watson, Global Wealth Solutions business, which he had in fact launched for them in 2012.

"As part of the MBO, CMA then forged - and retains today - an arrangement with Willis Towers Watson for ongoing access to, and sales of, services and insurance products globally. As an independent firm with an ongoing business relationship with Willis Towers Watson, we will be even better positioned to deliver wealth protection strategies catering to the very specific needs of our high net worth individual clients," said Guelat at the time.

Adam Garrard, Head of International at Willis Towers Watson, said at that time: "Willis Towers Watson supports the CMA management team's vision for its future growth. CMA is a leader in this unique client segment because of its rich history in Asia and beyond. Willis Towers Watson is pleased to have agreed on an ongoing business relationship with CMA which we believe gives our respective clients access to one of the most unique insurance offerings in the market."

In the recent interview, Mr. Charles Monat himself looked back on that entire chapter of the firm's long history and renewed independence with a cheerful perspective. "We are again proud to be independent," he said, "but the 2014 deal was a great opportunity and WTW did add resources, it added Yves who is here with us today leading the firm, it helped us with systems and procedures, professional management and expertise. The MBO made absolute sense, and as an independent operator, we continue to maintain very favourable partnerships with numerous partners and major companies. I reiterate just how optimistic I am to keep delivering on promises and providing the service long-term."



Insights: Charles Monat Associates' Leaders Shine a Torch on Road Ahead

Hubbis also posed several questions to the business leaders of Charles Monat Associates, and this is what they said. Those answering our questions included: Charles Monat, Founder and Chairman; Yves Guelat, Group CEO; Berry Wong, Hong Kong CEO; Martin Wong, Singapore CEO; Simon Lo, International CEO; and Klaus Kiessling, Group Chief of Operations.

How is the HNW insurance business in Asia developing? What are the opportunities and challenges?

Berry Wong - Hong Kong CEO: Asia Pacific's high-net-worth market is dynamic, active, and growing rapidly over the past 15 years. The world's high-net-worth market today totals approximately 12.4 million individuals, all of whom have investible assets of more than USD1 million. Asia Pacific comprises 4.3 million of those individuals, or equivalent to more than one-third of the total.

As for opportunities, I see that life insurance can be a powerful, cost-effective tool in wealth and estate planning solutions, and HNW market represents a broadening range of opportunities for product development and the provision of value-added services. Insurers must craft innovative ways to expand and enhance their offerings to target new entrants.

Clearly, substantial opportunities exist to expand the HNW onshore market in many Asia Pacific countries, creating new customers and new markets. Companies, be it private banks, insurers or brokers like us who can understand the range of clients that currently qualify as HNW will be the ones best positioned to serve the needs. In terms of challenges, the rules and regulations of insurance are getting tougher as we all know. Insurance practitioners should be aware of updated regulatory and compliance requirements set out by Insurance regulators to ensure clients' interests are safeguarded.

To what extent should insurance products form part of a holistic wealth structure?

Charles Monat - Founder and Chairman: Life insurance should be the fundamental basis of every HNW individual's wealth structure. It creates umbrella protection to the individual's assets and businesses in good and bad times. As the individual's assets flourish, life insurance could complement legacy building for generations to come. While especially in volatile financial times, life insurance protects those assets and helps prevent major losses.

Clients continue to need liquidity in their estates to provide cash for their families, in some jurisdictions for estate and inheritance taxes, for the businesses and charitable bequests. We have a strong team of professional consultants with proven capabilities and in-depth knowledge, serving complex needs across many jurisdictions hence, our clients are in safe hands.

How important is service and flexibility in the HNW Insurance market?

Berry Wong: Tremendously important - Charles Monat has always strived to be the broker of choice for high net worth clients, affluent families and executives of multinational companies who are seeking the best advisory service on wealth planning solutions. Not only do we provide exceptional service to our partners and clients, we also listen and look deep into the needs of our clients so that we can address them swiftly.

To me, processes are rigid, but people should be flexible. Why do I say this? Our brokerage business model heavily relies on people, and we have always been people-oriented to counter and adapt to changes, new situations and ad-hoc requests. Therefore being flexible is immensely critical to allow a buffer and room for foreseeable circumstances to cater for better solutions to our clients.

Which are the hot HNW insurance products in the market and why?

Martin Wong - Singapore CEO: Plans that can provide high capacity liquidity continues to remain relevant in today's market. The aspirations of wealthy clients to preserve and protect their legacies is a core theme and concern. As such, planning ahead to mitigate exposures such as business risk, estate issues, and assets in multi-jurisdictions are some examples that support the relevance of such high capacity solutions.

Where is the HNW market heading - onshore, or offshore?

Martin Wong: There will continue to be an important role for offshore planning and offshore solutions. Concurrently, there will also be scope for onshore planning and onshore solutions to develop. Generally, wealthy clients have a diversified portfolio of assets and business across territories. A key factor therefore in driving our strategy is to remain relevant to the needs of our clients in sourcing for expert advice and issuers of solutions which could be offshore demand, or onshore demand. For example, Singapore is largely regarded as a regional hub for insurance and reinsurance transactions in Asia. The offshore insurance business in Singapore has become a major driver of industry growth. For China, growth is expected to moderate in 2018-19 as compared to the sharp increase seen in 2016 and 2017, which is attributed to the regulatory changes around restrictions on the sale of short-term savings products and sales quality improvement initiatives.

Are you adding more business partners to the mix beyond private banks?

Yves Guelat - Group CEO: Yes, we have seen a fundamental shift in the way Asian families are partnering with Wealth Management companies. Charles Monat is actively pursuing new opportunities outside the traditional private banking space. For the first time last month we reached the level of 200 active partners, one-quarter are global financial institutions and three quarters are wealth management boutiques such as single- or multi-family offices, independent financial advisers but also law firms and tax professionals.

What is the impact of digital and online insurance?

Klaus Kiessling - Group Chief of Operations: Digitalization (as in all aspects of our lives) will play a much more important role in the future. Standard products in the insurance world (life and non-life products) will increasingly be offered via online platforms to the mass market.

However, in our niche market catering to HNW and UHNW individuals, building rapport through personal advice will continue to be the focus. It is through our bespoke and customized solutions offering that provides the best solutions for our clients at Charles Monat. With that said, we are working on more technical support, improving end-to-end solutions for internal processes, such where manual paperwork will no longer exist any longer.

What are the three main priorities for the company in the year ahead?

Yves Guelat: CMA is the fastest growing HNW insurance broker in Asia and globally with an increase of the premium volume of 36% in 2018. In 2021, Charles Monat will celebrate 50 years serving our clients. Our vision is to become the preferred insurance broker for HNW individuals in Asia and globally. To support this vision, we have defined five strategic growth initiatives to further differentiate Charles Monat. These are: growing our people; enhancing our sales and advisory capabilities, transformation aimed mainly to diversify our business; operational/service excellence; and corporate identity/corporate social responsibility.

How do you continue to differentiate yourself and add further value?

Yves Guelat: We have a great legacy as Charles Monat with an exclusive partnership with Willis Towers Watson, a unique culture focused on People and we are now the only independent HNW broker which allows us to be very entrepreneurial, fast moving and agile. On top of that Charles Monat sets itself apart with our "Health and Wealth Approach" where we have a specialised health insurance team and we are actively working to expand our value proposition to support our clients on health and medical issues.

Finally, in a world where 1% of the population holds 50% of the worldwide wealth and at the same time almost 800 million people suffer from malnutrition, we are passionate about giving back to society. As an example, for our 50th anniversary in 2021, we have a vision of saving one life for any life insurance policy we place on behalf of our valued clients and partners.

What are your expansion plans beyond Asia?

Simon Lo - International CEO: Without a doubt Asia is a tremendous growth engine, with stories about China and India often dominating the headlines. However, there are other regions that are steadily growing where the estate planning and life insurance needs of UHNW and HNW individuals are not adequately met or fully addressed.

Regions such as the Middle East, Africa, Latin America and the Indian Sub-continent all represent substantial opportunities for the life insurance industry. UHNW and HNW individuals operating or residing in these regions share similar family protection, liquidity planning, and business succession planning needs with their counterparts in Asia, however many also face additional challenges such as geopolitical risk, multi-jurisdiction tax obligations, complex family business arrangements and culturally influenced heirship rules or expectations.

The onshore life insurance solutions and estate planning tools in the region may often be limited in both choice and scope, thus creating a service and solution void for the UHNW or HNW individuals. Aside from those regional opportunities, there are numerous traditional business and travel hubs outside of Asia that are favoured by UHNW and HNW individuals. Locations such as Dubai, Zurich, Miami, London, and Geneva are prime examples. Naturally, global financial institutions, independent financial advisors, and multi-family offices are all drawn to these hubs. These locations create an abundance of opportunity for international brokers and life insurance companies to engage UHNW and HNW individuals from around the world to address their estate planning and life insurance needs.