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East Asia Rising: the Road Ahead

More than 1,200 delegates at the opening ceremony of the 22nd East Asian Insurance Congress in Bangkok, Thailand, were galvanised to work toward establishing stronger global links to ensure greater regional economic progress in the years ahead. These delegates had come from more than 40 countries all over the world, according to Mr Chai Sophonpanich, Chairman of the 22nd EAIC organising committee and EAIC Vice President, to discuss their views on the theme, "Asian Insurers in the New Financial Environment".

Mr Chai Sophonpanich

"Despite the many mergers throughout the insurance world over the past two years, we were pleased to be able to exceed our target of 1,000 delegates with many new countries being added to the list of Observers," Mr Chai said.

The delegates were treated to a rousing speech by Thailand's Minister of Finance Dr Somkid Jatusripitak, who officiated at the opening ceremony and exhorted them to form stronger links with the global financial community. This is a time of rising optimism for East Asia, he said, noting that the 1997 Asian financial crisis had actually motivated the region's successful recovery, growth and stability.

"East Asia is more competitive and connected than ever. The new economic structure is characterised by increasing specialisation and complementary strengths. Expanding intra-regional trade and investment has become a crucial source of long term growth," he said. "Regional domestic demand also plays a much greater role sustaining the region's dynamism, complementing the external demand. The region now enjoys a much stronger financial position with healthy reserves, lower debt and better mechanisms to manage risks. Last but not least, the spirit of cooperation is at all times high for intra-regional initiatives and joint undertakings."

Dr Somkid Jatusripitak

However, despite such positive developments within the grouping, Dr Somkid sees room for improvement. In the era of globalisation, East Asia must also connect with other regions through bilateral and multilateral frameworks, he said.

"Economic integration, however, would not work without proper structural changes in the financial dimension. East Asian countries have spent enormous efforts at fiscal and financial reforms," he said. "At the regional level, governments are combining efforts to broaden and deepen financial cooperation. First, through closer policy coordination, we are strengthening the region's ability to identify and manage financial risks."

He added that governments are also collaborating to upgrade the region's financial architecture, with a key initiative being the Asian Bond market development jointly sponsored by Asean countries, plus China, Japan and South Korea. "A proper Asian bond market can greatly help channel capital from the region's large pool of savings to meet its own rising demand of investment capital. To kick off, the first Asian Bond Fund of US$1 billion has been launched to invest in USD bonds. The second Asian Bond Fund is being organised to invest in local currency bonds. Structural work is underway to facilitate cross-border trading. Necessary mechanisms such as a regional credit ratings agency will also be created," he explained.

Dr Somkid also cited Asean financial integration as another major initiative. Last year, Asean finance ministers endorsed the "Roadmap for Monetary and Financial Integration of Asean". "In sum, we can expect an integrated financial environment to become a prominent feature of future East Asia," he reiterated.

Getting it Right in China – a Reinsurer's Perspective

Munich Re, the world's largest reinsurer, considers Asia as one of the most important markets of the future, and a growth area second to none. Mr Ulrich Trumpp, Chief Executive of Greater China and Southeast Asia, shares several observations about knowledge management and the Chinese market.

Large cities in Asia present opportunities that grow in tandem with their economic progress. The build-up of value in such large markets, the exposures which are subject to natural catastrophes, and the growing risk scenarios resulting from an increasing sophistication of technology, will generate ample opportunity for the insurance industry to act and employ risk capital, believes Mr Ulrich Trumpp, Munich Re's Chief Executive of Greater China and Southeast Asia.

"The transformation of Asian insurance markets will require from all of us intensive research and substantial efforts to raise the standards of professionalism. Integrated risk management tools are also needed to de-risk the balance sheet of our clients, be it on the liability or the asset side," he says. "The future of our industry will very much depend on how knowledge management will be understood as a key success factor in each of the markets we are dealing in."

Building Quality Standards

One of the rapidly growing markets that Munich Re is active in is China, and Mr Trumpp notes that CEOs of primary insurers are facing the challenge of tapping on and financing the tremendous growth that the market is experiencing, and of building up quality underwriting and risk management standards.

"Above all, the key challenge that these CEOs are facing is avoiding cash-flow underwriting," he says. "For Munich Re, risk-adequate pricing is the key success factor; we are not prepared to sacrifice this at any point in time. And we are hopeful that the curious and most professional minds of Chinese direct insurers do understand this – cash-flow underwriting is not the answer for Chinese insurers, nor is off-loading risks at risk-inadequate prices to reinsurers.

"What risk adequate prices are is determined by the analyses of experts and know-how of carriers in each field of risk management. During our Property Insurance Symposium and Fair, to which we invited the whole market, we offered our expertise on the 10 most-important topics to the Chinese insurance market in Beijing," he says.

"And we will continue to offer expertise of the highest professional level. Only through knowledge management and adequate application of this can our industry survive and face the challenge of the future, including in China," he vows.

He warns that the introduction of short-term oriented foreign investors and practices will continue to remain a challenge in any market – not only in China. Foreign investors, however, will not succeed just by relying on price but only by introducing their expertise to the market for the benefit of the consumer. "Short-term investments will not be crowned by success," he says.

Delivering Quality Expertise

Mr Trumpp also observes that the speed of developments in China is taking its toll as there is a lack of sufficient qualified and experienced insurance trainers and experts to educate and train the vast number of agents in the Chinese market.

"This will threaten the market as consumers are not able to be properly and professionally advised of the promise insurance brings. The danger of creating a negative image of the insurance industry at this early stage is high," he says.

However, he is heartened by the fact that Chinese insurance companies are extremely determined to defend their market position, and to invest in the future of their employees to grow their skills and experience – something that will only spell good news for the burgeoning industry in China.

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Mr Ulrich Trumpp,
Chief Executive of Greater China and Southeast Asia,
Munich Re

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Hitting The Big 50!

It was 50 years ago that Mitsui Sumitomo Insurance Co Ltd obtained its first direct overseas license and since then, the company has grown into an organisation with 67 offices in 37 countries, 25 of which are in 14 countries in Asia.

This year is also the 40th anniversary of the establishment of Mitsui Sumitomo Insurance's Thailand branch in Bangkok, and it has chosen to celebrate the event at the 22nd East Asian Insurance Congress with a cocktail at the Royal Ballroom in the Oriental Hotel, Bangkok, for all EAIC delegates this evening.

Asia Growing in Importance

Asia business outside of Japan is growing in importance for Mitsui Sumitomo Insurance. Mr Yoshio Iijima, Managing Director of Mitsui Sumitomo Insurance (Singapore) Pte Ltd, said: "The percentage of volume in our overseas operations will be much larger than that in 2004. Furthermore, the weight of Asia will be expected to be major in respect of profit from overseas operations. This means Asian operations play a very important role in our business."

Aviva Acquisition

With regard to the company's latest high-profile acquisition of Aviva's Asian units, Mr Iijima said Mitsui Sumitomo Insurance is intending to run its operations and those of Aviva's on a separate and independent basis. "The reason for maintaining operations is to take advantage of the individual strength of each company's different business models, including separate customer segments and distribution channels. In Malaysia, however, the regulator will require us to merge the two separate companies," he explained.

As for further acquisitions in the future, Mr Iijima stated that Mitsui Sumitomo Insurance would be interested if there is a good chance. However, he added that the most important and immediate job is to "achieve our goal through smooth and successful promotion of Aviva business after acquisition."

Technique Transference

Looking ahead, Mr Iijima said that for its long term strategy, the company's immediate plan is to focus on local markets, system technology support, loss control, and technique transference from the Japanese market to other Asian markets.

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> **Mr Yoshio Iijima, MD of Mitsui Sumitomo Insurance (Singapore), on Asia business outside Japan**

Thailand Scores World's First With Bail Insurance

Thailand is the first and only country in the world to offer bail insurance, making this available even through outlying police posts so that those charged with a bailable offence and who need to put up money for bail can have access to this without getting the whole family drawn into greater debt, or pledging on family land or, worse yet, taking on loans for putting up bail.

The insurers win by having a new product to sell. The system succeeds by saving on the bureaucracy and administration required to collect on bail money, or to verify the authenticity of the title deeds put up for bail of the accused.

So much thought has gone into this scheme, which is part of Prime Minister Thaksin's avowed aim to help people in need, that the policy distinguishes between crimes based on strict liability and negligent acts, and those with criminal intent. And with no statistics or actuarial data to fall back on, the rates have been pluckily set at 0.5-1% of bail amount as premium for those who buy policies in advance before committing crimes based on negligence or non-intent, and a higher 5-20% for those who buy policies after charges are laid on accusation of criminal offences either through negligence or other criminal intent including gambling.

In line with Thailand's strict policy against drugs, the bail insurance will exclude drug related offences. The rates will be reviewed as more experience is gained in the process.

GLOBAL TRENDS IN NUMBERS

On a worldwide basis in 2003, non-life insurance premium income grew by 6% while life insurance premium fell by 0.8%

The top 5 insurance markets in the world are US, Japan, UK, Germany and France

Non-life insurance premium in emerging markets grew by 8.5% against 5.7% in industrialised countries.

Life insurance premium in emerging markets grew by 6.6% against a decline of -1.7% in industrialised countries

In 2003, global real premium growth rates (%) were: -1.7 (life) & 5.7 (non-life) for industrialised countries, 6.6 (life) & 8.5 (non-life) for emerging markets

Global premium income in 2003 totalled US$2,491 billion, with life insurance premiums hitting US$1,673 billion and non-life insurance premiums recording US$1,268 billion

In 2003, the average amount spent on insurance was US$2,764 per capita in industrialised countries, and US$59 per capita in emerging markets

Total insurance premiums of Asian countries make up 23.32% of the global market share *(Sigma)*

95% of the world's insurance business is done in countries belonging to the Organisation for Economic Co-operation and Development (OECD)

Highlights from

Bandar Seri Begawan

Ms Dorothy Newn, Senior Operations Manager, National Insurance

Brunei's insurance industry remains one of the smallest in the region. While the General Insurance sector recorded a year-on-year drop of 4.5% in 2003, the Life and Takaful (Islamic insurance) sectors grew by 20% and 18%, respectively. ◆ Through mergers and cessations in the market, the number of players in the non-life insurance market has declined to 14 from 18 in the preceding five years. ◆ In 2004, the life insurance sector saw the first batch of 47 graduates from the Chartered Financial Consultants (ChFC) course offered in Brunei Darussalam by the Singapore College of Insurance. ◆ Competition is intense among the three Takaful operators for a bigger share of the motor market. The main attraction for customers to the three Takaful operators is the concept of Al-Mudharabah or profit sharing (which essentially is a discount that can go up to a maximum of 40%, depending on the operators).

Bangkok

Mr Suchin Wanglee, Chairman, The Navakij Insurance Public Company Limited

Growth is picking up in the Thai economy, and the regulatory environment is becoming increasingly responsive to market conditions and the needs of insurers and consumers. Companies are continuing to focus on the development of HR, technology and technical skills. ◆ The Thai non-life industry achieved a premium growth of nearly 14% in 2003 to Bht 71 billion (US$1.8 billion), bringing premiums above pre-1997 crisis levels. The life industry saw impressive growth in H1 2004 as total premium income grew by 17.6% to Bht 69 billion (US$1.7 billion). ◆ Products continue to be distributed predominantly through intermediary channels, agents and brokers. However, bancassurance is growing as recent regulations have allowed banks to act as brokers for insurance products. ◆ The future for the non-life sector looks bright as the demand for products from a large untapped market steadily increases, and the economy continues to post fairly strong growth.

Hong Kong

Mr K P Cheng, Chairman, Hong Kong Federation of Insurers

The performance of the whole insurance industry is progressing well, but the main threat lies in the fierce competition in both the life and general insurance segment. Overall underwriting profit for the non-life insurance market increased by 7.99% to HK$1.3 billion (US$173 million), but severe competition and disappointing results from motor and employees' compensation businesses still plagued the industry. ◆ Individual life and annuity (linked) business recorded the highest growth in terms of revenue premiums, which increased by 34.1% to HK$13.8 billion (US$1.8 billion), and the major source of growth of new business came from linked and non-linked individual life and annuity businesses. Non-linked business recorded 35.6% annual growth in office premiums. Linked business recorded 42.6% annual growth. ◆ The number of long term insurers and composite insurers had remained stable over the past five years but the number of general insurers had significantly reduced from 142 four years ago to 116 in 2004.

Jakarta

Mr Frans Y Sahusilawane, Chairman, The General Insurance Association of Indonesia

Gross premiums collected by the insurance industry in 2002 reached Rp34.1 trillion (US$3.8 billion), increasing by 13%. Meanwhile, the insurance industry's contribution to GDP in 2003, as measured by a ratio of gross premiums to GDP, decreased from 1.87% in 2002 to 1.64% in 2003. Within the past five years, the average gross premium annual growth was around 19%. ◆ The insurance industry's balance of payment from 2000 to 2003 suffered a deficit, with 2003 registering a deficit of Rp3 trillion (US$334 million). This was mainly caused by the increase of reinsurance premiums abroad. ◆ In a plenary session on Sept. 22, 2004, the Indonesian Parliament ratified the Amendment Bill on Bankruptcy as Bankruptcy Law, where an insurance/reinsurance company may be declared bankrupt only by the Minister of Finance. Such change is expected to encourage more interest from domestic and foreign investors to invest funds in insurance business in Indonesia.

Kuala Lumpur

Mr Ezamshah Ismail, President, Life Insurance Association of Malaysia

The Financial Sector Master Plan, introduced by Bank Negara Malaysia in 2001, achieved a number of its initiatives toward preparing the insurance industry to be more resilient, competitive and dynamic. The initiatives included, among others, the strengthening of consumer protection, enhancement of the supervisory framework and corporate governance. ◆ The combined life and general premiums rose by 21.5% to reach RM10.6 billion (US$2.8 billion) during the first six months of 2004. Total income of the life insurance industry increased by 18.4% to RM16.7 billion (US$4.4 billion) in 2003, while the general insurance industry in 2003 registered a premium growth of 9.9% to RM8.2 billion (US$2.2 billion). ◆ The Life Insurance Association of Malaysia once again proposed to the government to develop the private pension industry. A working committee at the National Economic Action Council level has been formed to look into the country's pension reform.

Chief Delegates' Reports

Macau

Mr Ivan Cheung, General Manager, Macau Insurance Company

The total market gross premium generated was MOP1.6 billion (US$198 million) in 2003, reflecting an increase of 10.4%. Life insurance business, which makes up 75.1% of the total insurance market, achieved a healthy growth of 12.5% to reach MOP$1.2 billion (US$149 million) in 2003, while non-life insurance business maintained positive growth in the past three years: 16.7% in 2001; 11.6% in 2002; and 10.4% in 2003. The total gross premium income rose from MOP379 million (US$47 million) in 2002 to MOP395 million (US$49 million) in 2003. ◆ The future development of the insurance industry in Macau is expected to grow, undoubtedly with the Macau GDP recording a 47.5% increase in the second quarter due to the starting up of large-scale infrastructure projects and the continuous increase in the number of visitors, especially from Mainland China.

Manila

Mr Armando Cuyegkeng Trinidad, President, Fortune Life Insurance Company, Incorporated

In 2003, the combined life and non-life premium account increased by 7.7% from a year ago to P65.5 billion (US$1.2 billion). Premiums earned by the non-life sector reached P13.1 billion (US$233 million), a growth of 8.7% compared to a year ago; while the life insurance sector generated P40.2 billion (US$715 million) in premium income, an increase of 10.8% compared to the prior year. ◆ As the country lies within the Pacific Rim of Fire, which has several active volcanoes, and the concentration of high-value risks in urban areas, the industry is taking steps to ensure that all companies are protected by catastrophic treaties. ◆ The growth of the general insurance sector in the Philippines is at a crossroads; a lot will have to depend upon the policies to be set by the regulators – inefficiencies should be addressed and an environment conducive to growth enhanced.

Seoul

Mr Brian O'Brien, Executive Vice President, Samsung Fire & Marine Insurance Co., Ltd.

The Korean insurance market recorded an overall growth rate of just under 4% in 2003, generating KRW66,642 billion (US$62.5 billion) in premium income. Life premium income for this period grew 3.8%, whereas non-life premium income grew at 3.5%. ◆ Challenges for the insurance market revolve around regulation, low interest rates and globalisation. ◆ Come August 2005 the market will be opened up to allow life and non-life companies to compete for "third insurance area" products, which include personal accident and long term care. The second of three phases of the government's introduction of bancassurance to the market is scheduled for implementation from April 2005. If the schedule is maintained then the personal auto and long term protection products may be distributed via banks.

Singapore

Mr Terence K S Tan, President, The General Insurance Association of Singapore

Affected by the slowdown in the domestic economy, business growth for general insurers dwindled to 5% in 2003, compared with the 24% growth in 2002 following the September 11 World Trade Center losses. However, the general market is expected to produce satisfactory operating results with a stable outlook supported by underwriting discipline and on the back of an RBC framework and an improving domestic economy. ◆ With strong signs of economic recovery, the outlook for the life insurance industry for 2004 appears upbeat. In Q1 2004, single premium life insurance business grew by 99.1% over the corresponding period in 2003 to S$1.8 billion (US$1.1 billion), of which the investment-linked business registered a surge of 194.8% to S$845.4 million (US$514 million). It is estimated that about 86.5% of the Singapore population is covered by life insurance.

Taipei

Mr Warren Tseng, President, Insurance Institute of the Republic of China

Total premium written by the life insurance industry in 2003 was NT$1.1 trillion (US$33.3 billion), an increase of 27.4% over the previous year. Profitability of the life sector improved because of a recovery in the investment market, and better asset and liability management by firms. ◆ In 2003, premiums for non-life insurance amounted to NT$109.5 billion (US$3.4 billion), an increase of 8% over the previous year. The slowdown in growth was mainly due to reduced premium rates arising from market competition despite a growth in new business. The market is competitive with the largest companies holding a dominant market share; the top 5 in 2003 held 50%. Foreign companies have limited penetration rates (3.8% in 2003) due to comparatively late market entry and limited business networks. ◆ A new Financial Supervisory Commission was formed in July 2004 to replace the Ministry of Finance as the authority supervising the banking, security and insurance sectors.

Tokyo

Mr Koji Hanaoka, Managing Director, Sumitomo Life Insurance Company

Premium income for the life insurance sector in 2003 was ¥25.9 trillion (US$251 billion), an increase of 1.8% over the previous year and the first time in six years since that an increase was recorded. ◆ In the non-life insurance sector, net premium income of 23 member companies of the General Insurance Association of Japan reached ¥7.4 trillion (US$71.7 billion), a 2.1% increase from the previous year. ◆ Amid a backdrop of economic recovery and deregulation, the insurance industry is making shifts toward a new growth market – medical and long term care insurance – to provide for the now apparent ageing population. Correspondingly there is a growing need for insurance with living benefits, including medical insurance, long term care insurance, and individual annuity.

An Asian Ratings Agency in the Making?

There has been growing calls for a new Asian Ratings Agency for Asian reinsurance companies. Africa already has its own. The Asian Reinsurers' Summit (ARS), led by some of the leading Asian reinsurers including Toa Re, GIC of India, Korean Re and China Re of PICC, MNRB, ReIndo, and Singapore Re, have been actively promoting this idea to facilitate a greater exchange of business among Asian reinsurers without having to be dependent on the global ratings agencies to give them a secure "A" grade.

US-based but global players Standard & Poor's, Moody's Investor Services, Fitch Ratings and AM Best dominate the ratings market. They wield a tremendous influence in the business with the stature of ratings agencies having grown in the past few years as greater attention is being paid to security.

In Asia, the number of ratings agencies has grown, with some 28 credit ratings agencies operating across 12 countries. But most of them tend to be national and do not enjoy the free acceptability across Asia, which means that the global credit ratings agencies still enjoy predominance.

The main concern with the global agencies is sovereign ceiling on ratings that are perceived to be rigid, unrealistic and masking the true financial strength of the insurer. Standard & Poor's and Moody's, in general, follow the policy of sovereign ceiling owing to which ratings of Asian reinsurers are capped regardless of their intrinsic strength. And most Asian countries having low sovereign credit rating.

With insurance regulations in most of the countries limiting the insurers/reinsurers from ceding business to reinsurers having a rating of not less than a particular secure grade, the Asian reinsurers are not able to maximise risk retention among themselves.

The ARS had decided that despite sound fundamentals and available capacity, Asian reinsurers were not able to maximise risk retention within Asia because of the lower claims paying ability rating from global ratings agencies to Asian reinsurers.

Hence, they had adopted the concept of developing a new ratings system for Asian reinsurers, which does not follow the policy of sovereign ceiling. They have, after looking around, accepted the concept proposed by Credit Analysis & Research Ltd (CARE), a credit ratings, advisory and information services company recognised by Indian regulatory authorities. It is a founding member of Association of Credit Rating Agencies of Asia assisted by Asian Development Bank (ADB).

CARE's proposed rating methodology provides an opinion on a reinsurance company's financial strength, and therefore its ability to pay policy claims in local currency. It applies the "RAMELS" framework (R: Risk Underwritten, A: Asset Quality, M: Management, E: Earnings, L: Liquidity, S: Solvency) to assess the financial strength of a reinsurance company.

With the broad ratings concept accepted by the ARS, CARE will initiate dialogue with other ratings agencies of Asia to find congruence to develop a pan-Asian rating methodology for reinsurance companies, which the ARS will have to adopt and recommend to the regulators and market to adopt. The roadmap is there but how fast they move will depend on their hunger for a credible, viable alternative to the global credit ratings system.

A Cedant's Guide to Renewals

Mr Andrew Harris, CEO of Guy Carpenter's South East Asia Treaty Reinsurance Operations, highlights key issues likely to arise in the upcoming renewal season.

The casualty reinsurance market appears to be emerging from a relatively volatile period into an environment characterised by relatively stable pricing. The dramatic hardening of rates between 2002 and 2004 was accompanied by coverage restrictions and a renewed emphasis on achieving transparency of information.

As original rates flatten or decline, reinsurers' internal analysis may adjust loss ratio picks downward, causing a tightening of terms or a reduction in capacity outlay. Cedants who get the best terms and conditions may be those providing reinsurers with the measures to evaluate their portfolio and associated underwriting strategy. These typically include rate and exposure change information, valuation of original policy restrictions, and evaluation of the macro economic and regulatory environment.

While new reinsurers are being drawn to international casualty books, we expect that ongoing risk-based capital (RBC) disciplines will require clarity of exposure analysis. Overall, we anticipate that reinsurers seeking growth in this market will maintain their actuarial discipline but react positively to well-presented and highly prepared renewal presentations.

Accounting Changes

Insurance companies are evaluated by regulators and ratings agencies with respect to the adequacy of their capital. In general, regulatory systems tend to determine capital adequacy in absolute terms, whereas ratings agencies generally evaluate capital relative to certain thresholds as part of their determination of the company's creditworthiness.

With many Asian insurance market regulators having already introduced more elaborate regulatory and accounting requirements, varying RBC solvency measurement models now exist in countries across Asia, with developing markets about to adopt these techniques.

Terrorism

For insurers with exposures in major urban centres in Asia or near target risks, terrorism coverage is limited but available, typically through a standalone cover or separate coverage section within an existing all-perils contract. The premium charged correlates directly to the actual and perceived severity of exposures, and capacity is limited up to a maximum of US$200 million in any one risk.

Asian markets have a variety of terrorism pools in place (see table) but the take-up rate from original insureds purchasing this extension of coverage in Asian markets has been relatively low to date. However, falling prices have generated more enquiries in this area during Q2 and Q3 of 2004.

Primary Insurance

Australia

Personal Lines – Not covered under stated perils policies and currently excluded under all risks covers.

Commercial/ Industrial – Excluded by all major insurers, other than run-off of existing exposures.

Mainland China

Property Insurance – There are two sets of forms: one for foreign investments, the other for domestic insured. The form for foreign investment is being used increasingly for domestic policyholders in recent years because of its broad coverage. There is an exclusion clause in the foreign form that excludes war and war-like activities, but no specific mention of terrorism.

Hong Kong, China

The Motor Insurance Bureau (MIB) in Hong Kong has established a limited facility of up to HK$200 million to provide cover for the claims of innocent third parties in the event of bodily injury caused by a terrorism act through the use of a motor vehicle on Hong Kong's roads.

India

Terrorism cover will be available as a buy-back. There will be a separate rate for the cover depending on type of risk and sum insured, but in the area of 0.03-0.05% of total sums insured.

Japan

Personal lines – Terror not excluded from most property policies.

Commercial property – In general, terror excluded for risks with TIV greater than ¥1 billion for commercial and ¥1.5 billion for industrial.

Korea

Terror excluded from all the policies except Personal Accident Cover.

Malaysia

Prior to January 1, 2002, terrorism cover was on a run-off basis for both commercial and personal lines. After January 1, 2002, terrorism cover was excluded from all commercial and personal lines policies. Extensions, however, may be granted.

Philippines

Sabotage & Terrorism (S&T) excluded on all policies.

Reinsurance

Australia

The Terrorism Insurance Bill (TIB) establishes the Australian Reinsurance Pool Corporation (ARPC) through which insurers are able to reinsure their exposure to liability, under eligible insurance contracts, for losses arising from declared terrorist incidents. Insurers who seek terrorism reinsurance through ARPC will retain part of the risk of liability from a declared terrorist incident. The Treasurer will set the retention by issuing directions to the ARPC. Initially, it is anticipated that the retention will be set at AU$1 million per insurer per annum, and AU$10 million across the industry per event.

Japan

Terror risk being excluded from reinsurance contracts on renewal, normally using NMA 2930b.

Korea

Reinsurance is not available currently.

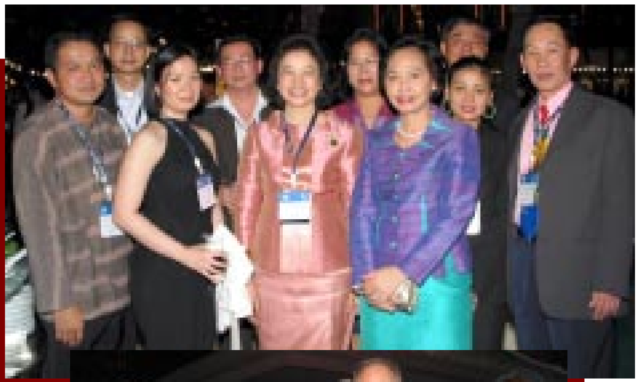
Malaysia

A Quota Share facility by Malaysia National Reinsurance Bhd (MNRB) for RM100 million per policy, with an event limit of RM400 million and RM800 million in the aggregate, is jointly led by Hiscox and Catlin Syndicates.

Philippines

Property – Sabotage & Terrorism (S&T) excluded unless with special arrangements on big industrial risks.

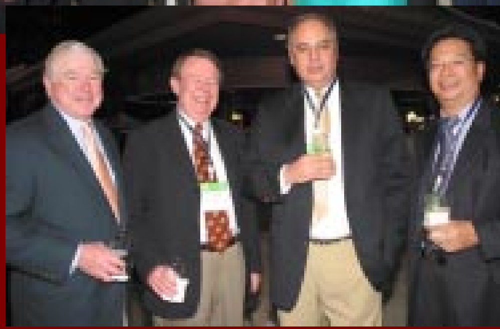
Full text of this publication is available from Guy Carpenter's website: www.guycarp.com



Welcome Cocktail

at the 22nd EAIC in Bangkok, Thailand

Delegates to the 22nd EAIC were welcomed with true Thai hospitality in an evening of music, food and drinks at the garden and pool area of the Shangri-la Hotel, the venue of the conference. As people mingled and made new friends while meeting old ones, we at AIR bring you a sprinkling of these happy faces.



Munich Re's Bavarian Night

Delegates were also treated to a night of plentiful German food and entertainment as Munich Re hosted its Bavarian Night, held at the Royal Orchid Sheraton Hotel. The view of the Chao Phraya was stunning and the company hale and hearty. It was a great opportunity to catch the Munich Re men in their national dress!

We Dare You

The EAIC is such an institution that everyone pretends to know all about it. But we have been following the mob for all these years and know many still feign knowledge. So to dare you, we are offering in this daily quiz five questions to prove that you are as hip as ever about the EAIC. And for the first five to come to our booth with the right answers, we will give away the AIR CD-ROM containing all articles published by us in 2003 so that you can be just as hip about the insurance markets in Asia. And for that one person who wins for all the four days of our Quiz, a Very Special Prize awaits you.

1. Which city will host the 23rd EAIC?
2. Where is the EAIC Secretariat House?
3. Which country is likely to join the EAIC?
4. Which country hosted the largest number of EAIC delegates?
5. When did *Asia Insurance Review* become the official magazine of the EAIC?