Asia Insurance Review's
IIS Daily
Tuesday • 18 July 2006
Day 3

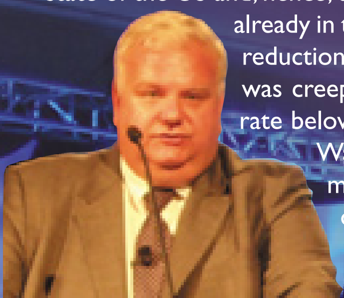
Non-coordination of International Financial Policies Is a Boon to Market

It is neither possible nor desirable for central bankers fortunately to coordinate international financial policies said the keynote speaker, **Mr Lawrence Lindsey**, a former Assistant to the US President and Director of the National Economic Council, at the opening ceremony.

Mr Lindsey, who currently heads The Lindsey Group, said that it is a welcome relief that business cycles around the world are out of sync as, otherwise, global companies can take advantage of the comparative advantages around the world to ride out the bad times in some markets while riding on the good times in other areas.

But from a philosophical and real perspective, he said that it would be impossible to expect any such coordination despite increasing dialogue and meetings among central bankers as each of them have a duty and mandate to respond the to the dictates of the political economy they serve.

In his half-hour presentation which included several questions asking him to crystal ball the state of the US and, hence, the world economy, Mr Lindsey was emphatic that the US economy was already in the throes of a meaningful slowdown in economic growth with a possible reduction to only a 2% growth over the next four quarters. The two leading drivers was creeping inflation beyond Fed's desired range and the fall in unemployment rate below the "magic" 4.9 %. In his statistical and historical analyses of the Fed's War on wage inflation and the housing dilemma, he said that there was a more than six months' glut in inventory and almost US$800 billion taken out of the housing market. He said that the US$300 billion budget deficit being 2.5% of the GDP was not high in international terms compared to Europe and Japan. But he admitted it was hard to imagine the US dollar staying at the current rate with this huge deficit.


Mr Lawrence Lindsey

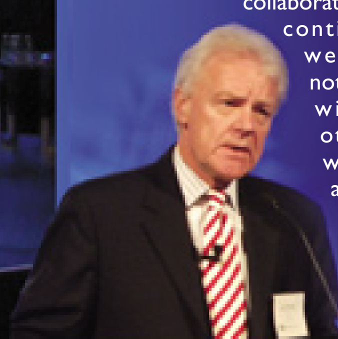
Uniting the World in Insurance

More than 400 delegates from 40 countries were welcomed by various senior insurance executives attending the 42nd Annual IIS in a video footage that featured Chicago icons and its famous skyline. **Mr Ernie Csiszar**, President and Chief Executive Officer of Property and Casualty Insurance, Association of America, USA, played host for the event and welcomed one and all to the fabulous city which he termed "my kind of town".


Mr Ernie Csiszar

Taking a leaf out of the successful hosting of the recent World Cup event by Germany, on how the Germans had managed to unite the world peacefully in soccer, a proud **Mr Karl Wittmann**, Chairman of the Board of Directors, International Insurance Society Inc USA (IIS) and Member of the Board of Management of Munich Reinsurance Company, Germany, said that in the same vein, the IIS can work towards uniting the world in insurance.

"The IIS is evolving, and we recognise that there are needs for collaborative ties and relationships within the industry. We complement our services with other organisations and associations and, as an example, we work with the Geneva Association to do research together. So such collaboration should continue and we should not compete with each other. This will benefit all in the industry," he said.


Mr Karl Wittmann

Eight Clear Takeaways from the Dazzling Executive Panel

1 Regulators must have consistency in regulatory approaches country-wide if not internationally;

2 Despite globalisation, the world is still a long way away from free trade in thought, and insurers must put pressure for more free trade;

3 Insurance companies must be given special waivers to allow them to develop catastrophe reserves legitimately without having them declared as profits;

4 Despite the cycles, underwriters must write risks at the right price;

5 Despite the corporate strategies, the distinction and differentiation of companies comes from the power of execution and strict discipline to comply with the processes;

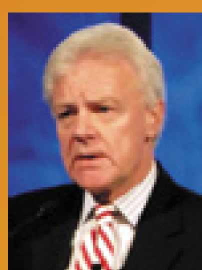
6 Despite increasing severity and frequency of catastrophes, the science underlying the prediction of cats is still vague and under-developed, leaving the insurance industry exposed;

7 Mono-line or multi-line or focused personal lines are all a matter of strategic choice based on one's strengths and risk appetite; and

8 Terrorism per se, no matter what the governments say, is uninsurable, given the complexity and total unpredictability of when and where it would occur;

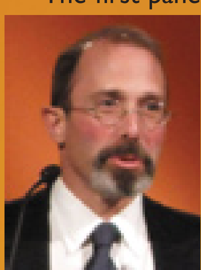
These were some of the gems that emerged very clearly at the dynamic Executive Panel of Global Leaders moderated by IIS Board Chairman Karl Wittmann. Charged with electric brilliance, philosophical, political, business and controversial issues, and brimming with strategic tips and opinions on how to succeed in the insurance business, the Panel more than lived up to its expectations as the highlight of the Annual Seminar, although it was one-man short this time.

The two-man Executive Panel with two strong CEO personalities representing successful leading companies, ACE and Liberty Mutual Group, both with a strong stake in the international markets, was stunning in responding head on to the range and depth of questions raised without fear of being controversial or provocative for a full 75 minutes.


Mr Karl Wittmann

Free Trade and Consistent Regulation

The first panelist, Mr Evan G Greenberg, President and CEO of ACE, which has operations in 50 countries and clients coming from 140 countries and with more than half its business coming from outside the US, said that regulations should be similar in most markets for solvency, governance and accounting globally. He felt that the 50-state regulatory system of the US in insurance was highly inefficient and costly and represented a trade barrier. He said that next to TRIA, the legislation to create a Federal Charter for insurance would be one of the hot issues in the legislative arena. He also said that with minimum global standards of regulation and supervision set, insurance regulators should recognise reciprocity as their banking counterparts have done around the world.


Mr Evan G Greenberg

On the issue of regulatory inconsistency recognition, he felt that the concept of reciprocity should be adopted globally so that a licensing by the host country should be adequate. On the CAT front, he was emphatic that those who chose to live in CAT-prone areas should be prepared to pay higher premiums for the cover, and there was no cause for government to step in to subsidise the cost of CAT protection.

Profitability and Good Times


Mr Ted Kelly

The second panelist, Mr Ted Kelly, Chairman, President and CEO of Liberty Mutual Group, said that the three drivers of profitability are better pricing, reduced frequency of claims, and low inflation, while noting that despite the worst CATS being recorded in the past two years, the insurance industry has been reporting huge profits. In the short term, he felt that the insurance industry was looking at bright skies, "the very anti-thesis to the perfect storm". He was looking at an 18% return on capital as average. He admitted that the cost of distribution and marketing has risen very fast with advertisement spend by personal lines writers reaching US$1.2 billion last year compared to only $123 million a few years ago, a sign of the competitive times and the nature of the business.

Driving the Cycles Away

On the issue of getting rid of the cycles, Mr Greenberg said if everyone deployed capital and wrote business only where it could make an underwriting profit, the cycle will go away. But ACE preferred the cycles as it tended to do better in the cycles as it was prepared to shrink in size rather than maintain the market share with a loss. Mr Kelly felt that the underwriters were often under pressure to write a risk below the acceptable price so as to remain in business. Mr Wittmann said that in Munich Re where they adopted a risk adequate pricing, underwriters could not talk about rate increases or decreases, but whether the price was indeed commensurate with the risk.

Risk Adjusted Capital

On the measurement of companies' performance, the panel discussed at length on the moves towards risk-adjusted capital although no formula was spelt out. It was still at an evolutionary stage. Mr Kelly said that for underwriters the combined ratio still served as a significant guide.

Microsoft On Global Insurance Issues

Leading insurance carriers around the world want to align their business and IT in ways that can transform their companies, said Mr Dennis Maroney, Microsoft's worldwide insurance industry manager.

Moving From Mainframes To Servers

"Companies are looking both for new core systems and for ways to reduce costs and improve agility by moving some applications from mainframes to Intel-based servers running Microsoft Windows Server," he said.

Three Initiatives

Microsoft's worldwide financial services group is focused on three key initiatives for insurance: the Microsoft Insurance Value Chain; providing platforms for financial advisors, including insurance professionals; and offering solutions to reduce risk and improve compliance.

Global systems integrators and service providers, such as Avanade, Accenture, Bearing Point, EDS, Fujitsu, HP, and Microfocus, can deliver the expertise carriers needed to move to next-generation systems.

Determining Business And Aligning IT Support

The number-one priority at carriers is growing top-line revenue, said Mr Maroney. The challenge for software companies is to determine what the business wants to do and then align IT to support it.

To assist companies in moving core applications off expensive mainframes, Microsoft is working with the Mainframe Migration Alliance. "Moving off expensive mainframes allows enterprises to save 70 cents of each computing dollar in hardware and maintenance costs," explained Mr Spyros Sakellariadis, Director of the mainframe migration program at Microsoft.

Microsoft-based global insurance solutions underway includes large core processing systems. For example, SunGard's life insurance software being developed in the UK uses Microsoft's .NET Framework and run on Intel Itanium 2 servers. Aimed at the high end of the market, the software is used by carriers with 250,000 to millions of policies.

"It is enterprise-wide and can support multi-country, multi-jurisdictional, as well as multiple business lines," said Ms Clare Porter, head of global marketing for SunGard Insurance.

More Adaptable And Integrated

The .NET Framework will provide carriers with a lower total cost of ownership, a significantly better user experience, and allow them to operate more effectively because it will improve their access to policy and customer information, explained Mr Gordon Ejsmond-Frey, Insurance Industry Manager for Microsoft in EMEA.

"Agility and accessibility are two key principles that insurers have top-of-mind when making IT decisions. Service-oriented architectures, which .NET systems can play a key role in enabling, are helping systems be more adaptable to changing business requirements and more easily integrated with the rest of a complex infrastructure," said Mr Matthew Josefowicz, Manager of the Insurance Group at the research and advisory firm Celent.

Compliance Requirements

Mr Maroney said that risk management and compliance also offer great opportunities in insurance. Wildnet in London has developed a compliance solution for Marsh Ltd based on Microsoft SharePoint that provides end-to-end compliance.

"The demands on compliance teams are growing all the time," commented Mr Mark Birrell, Chief Executive of Wildnet. "In addition to this being a fast-changing environment, there are international as well as national regulations to be considered. Broking houses are looking for a solution that can support the complex needs of an international operation, but that is easy to configure, fast to implement and user friendly. Wild Compliance is designed to do just that."

Microsoft's collaboration software provides a compliance platform that also has a lot of potential for global insurance providers, added Mr Maroney.

"With SharePoint, an auditor can see when the accountant or lawyer comes in. The information goes directly into the server, so you can see what date it went in, and the date when any changes were made. It is all visible, so the underwriter knows he is looking at a complete file and not one that has been modified to make the client look better," Mr Maroney said.

Lower Premium For Companies With Best Practices

Several major carriers are offering reduced premiums on directors & officers coverage if companies can show they are using best practices, Mr Maroney said.

Spending 90% Of Time With Clients

Microsoft and its insurance industry partners can help advisors get out of the office and spend more time in front of clients, and less on administrative tasks, he added. Now the average advisor spends about 50% of his time with clients; through better use of technology leading insurance carriers are trying to elevate that to 90%. Integration and the use of Office are keys to streamlining their workflow and achieving that 90% goal, he added.

For more information, visit:
www.microsoft.com/insurance
www.mainframemigration.org
www.windowsfs.com
http://blogs.msdn.com/finserv_blog/

Mr Dennis Maroney

Two Major Nightmares for Life Industry

The life industry worldwide faces two major challenges – one manageable and another less so – and more needs to be done by the industry to cope, said Mr Norman Sorensen, President of Principal Financial Group, USA, at the press conference yesterday.

Longer Life Expectancy Places Pressure on Pension Systems

The advancement in medical science has increased life expectancy and, as a result, it is no longer an issue of protecting your spouse and family if you die early but having enough to retire respectfully.

"It's a global phenomenon. Actuaries that 25 years ago put together estimates of 40% of annual salaries were sufficient for retirement were right at that time, but are wrong today," said Mr Sorensen.

Calling for change in pension systems around the world, he noted that the life industry was facing a mountain of pension liability and although emerging markets like Chile, Argentina and China are learning from the lessons from their established counterparts, the danger is not doing enough in time.

"China is the only country that economists warn will get old, before it gets rich."

Viral Pandemic is a Certainty

Turning to the unmanageable nightmare which is of great challenge to the life industry, Mr Sorensen warned a viral pandemic is an issue that's a question of when and not if.

He added that medical science and security programmes currently in place are insufficient to cope with such risks, and it was critical for the industry and governments to rally together to deal with this potentially catastrophic risk.

"Experts have warned that if a pandemic occurs and mortality and health capacity increases by a mere 5% above maximum capacity levels, hospitals and governments won't be able to cope.

"When a pandemic occurs, with extensive global travel of today, the risk and impact to countries around the world be unimaginable, and far worse compared to an earthquake on the P&C sector," he said.

So how prepared is the insurance industry? "There is a limit for insurers to cope with such risks," admitted Mr Sorensen, "But the industry must recognise the extent of impact it will have on their balance sheets and capacity."

"The work is incomplete and insurance industry is half-prepared, but it is working diligently on the issue, as it recognises that it is only a matter of time. Some insurers are more prepared than others with companies insuring larger numbers of lives taking a more active approach. Companies in markets like China, Indonesia and Vietnam where these pandemics are likely to arise, are working more assiduously to cope and manage these issues."

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Mr Norman Sorensen, President of Principal Financial Group, USA

The Groups behind the Numbers

There are more than 400 delegates registered for the event. Not surprisingly, given the location of the Windy City, the US and Canada have the two largest contingents here.

There are 164 from America, with Canada a far second with 22 delegates.

Asia took the next three spots with Taiwan as third, Korea as fourth, and Japan as fifth, fielding 20, 19 and 18 delegates respectively.

Ms Susan Chang, Vice Chairperson, Financial Supervisory Commission, Insurance Bureau, the most senior delegate from Taiwan, seen here together with the contingent from the island

Insurance Hall of Fame

Created in **1957**, the Insurance Hall of Fame honours those who have exercised substantial influence on the industry for the benefit of society.

It is founded by

Dr John Bickley,

Emeritus Professor of Insurance, The University of Alabama, USA.

It is now administered by the IIS.

From **1957** to **2005**, a total of **114** laureates have been inducted into the Insurance Hall of Fame.

The United States has the highest number of members inducted into the Hall at **57**

The United Kingdom and Japan co-share the second spot with **9** members each, and Germany is ranked third with **6** members.

A total of **14** Asians have been inducted into the Insurance Hall of Fame – **9** from Japan, **2** from India and **1** each from Hong Kong, the Philippines and South Korea, respectively.

Monte Carlo Rendez-Vous

Monaco, 9 - 14 Sep

Are we heading towards overregulation? Join top insurance executives at this annual insurance event, Les Rendez-Vous de Septembre to discuss this and many other topics in picturesque Monte Carlo.

For more details, click on
http://www.rvs-monte-carlo.com/rvs.php

Union: A Unique Blend Of Consistency And Innovation

In 42 years, Union Insurance Company has transformed itself from a humble startup operation to the second-largest* general insurer in Taiwan.

The ownership and management restructuring in 1985 marked a milestone, when its President, Mr Frank Wang, carried out various corporate initiatives. These initiatives, based on the principles of "2 Best, 2 Fast, 3 Centers and 5 Rates", were aimed at enhancing administrative efficiency, improving service quality, strengthening financial structure and broadening underwriting capacity, resulting in 20 consecutive years of growth and profit.

The principles characterises "best business, best quality, fast premium collection, fast payment of claims, customer center, information center, cost center, growth rate, achievement rate, loss rate, cost rate and collection rate", respectively.

Based on the above principles, Union has successfully tackled the challenges of the rapidly changing market of today.

Leader in Innovation

As a leader in innovation, Union was one of the first companies in Taiwan to develop packaged products which are tailored to the domestic market, such as a 3-in-1 cover, which provides public liability, employer's liability and money insurance for small to medium retailers, or householder cover that includes property, public liability, personal accident and burglary cover.

Union also introduced the "Bodyguard" plan for motor clients, which provides a theft alarm and successfully reduced its auto theft rate compared to the industry.

Though Union has been responsive to the market, it has also been prudent in developing products. When the market suffered from products such as residential mortgage and consumer credit, which nearly bankrupted a few local companies, Union was one of the few companies that did not provide these products and avoided loss ratios that ran as high 200% - 300%.

Unique Balance Of Consistency And Innovation

Union has a track record of consistency and innovation, two seemingly contradictory characteristics. The company has recorded an unsurpassed profit of 20 consecutive years, a testimony of consistency, while leading the market as an innovative leader through bold initiatives such as being the first publicly-listed general insurer, first successful merger and first Taiwanese insurer to setup operations in London.

This unique balance of consistency and innovation has driven growth and maintained profits over the past 20 years. Though domestic market conditions have been difficult over the past few years, 2006 promises to be an even greater success as first quarter premium income reached a new high of NT$3.58 billion, placing Union second in the industry.

Promoting Better Relationships With Neighbours

Finally, the company has been active to promote better relationships with neighbours, such as China and Hong Kong. Union is the only domestic insurance company that has actively contributed to the success of the Cross-strait Insurance Conference from its conception 13 years ago.

Based on its excellent profitable track record, groundbreaking and innovative actions and services, Union embodies a unique blend of consistency and innovation.

Mr Frank Wang

Union Insurance Company						
NT$'000	**2006 1Q**	**2005**	**2004**	**2003**	**2002***	**2001**
Total premium	3,589,880	10,467,904	9,402,482	8,481,308	5,990,706	4,636,572
Net Income	84,037	179,821	251,391	270,764	205,408	251,902

* Merged China Mariners' Assurance in October 2002

* Union is the 2nd largest insurer in terms of Capital and premium income in the first quarter of 2006.

Takaful Insurance: Friend or Foe? Threat or Opportunities? Or Both?

Suddenly across the world, many takaful companies are sprouting up offering protection to Muslim individuals and communities. Some traditional insurers are rediscovering themselves and tapping into the opportunities offered by takaful, while some are afraid that takafuls will eat into their traditional business.

Although the movement started almost 30 years ago, it was only in the last decade that the numbers have grown rapidly in line with the successful development of Islamic banking institutions providing capital and Islamic financial instruments for asset management and investment.

Today, there already about 100 takaful companies writing a business of US$3 billion with promising prospects estimated at 20% per annum conservatively. The trend will only become more significant in the coming years with the growth of the predominantly Muslim Middle East and North African markets and the markets in Southeast Asia where there are big pockets of Muslims communities.

What Is Takaful?

"Takaful" is the brand name for the Islamic alternative to conventional insurance. The basic principles are very similar in nature to co-operative and mutual insurance. Takaful endorses the basic principles of solidarity and profit-sharing, while retaining a capitalistic base (shareholders) and, above all, ensuring compliance with the Islamic Shariah rules and principles. This Shariah compliance, an essential element in takaful, is ensured through a Shariah Board within each company.

Spreading Geographically

Geographically, South and East Asia account for 56% of the global takaful business with life takaful business being stronger. The Middle East has a 36% share, with general takaful business being more important. Africa has a 7% share, while the rest of the world only has a 1% share.

Markets like Europe, North and Latin America, Central Asia, Australia which have large Muslim communities, represent huge untapped reservoirs especially with the birth of takaful windows (traditional insurers offering takaful products as a niche alternative). The recent opening of takaful-dedicated syndicate (Creechurch) in Lloyd's is yet another signal.

Regulatory Issues

Malaysia, the first country to formally adopt a Takaful Act laying down the regulatory framework, is widely seen the as the leading promoter of takaful. The regulatory issues are still unclear in most markets. Some countries, like Malaysia, have special rules and guidelines. Others take the view that takaful is a niche product line offered by traditional insurers and insist that even takaful insurers observe all the regulatory requirements of traditional insurers.

The Appeal to Non-Muslims

The threat and opportunities to traditional insurers come from the very basis that takaful products are not exclusive to Muslims. Competitively priced and sold through the right channels, takaful products offering returns can attract any consumer regardless of faith.

Likewise, takaful business is not restricted to only Islamic institutions. Any insurance business can offer takaful products as long as they invest the premiums collected in Shariah-approved funds, that is, funds that do not earn interest, as interest is considered illegal under Islamic dictates.

The Challenge Ahead

While the demand is there especially with the revival of Islamic religious interest, the success of takaful will depend to a large extent on how quickly the Islamic financial bodies forge strategic alliances and stronger co-operation at an international level and how quickly a better legal and regulatory environment is nurtured with best practices guidelines.

The Numbers Say It All

The bottom line is that despite the remarkable growth, penetration is still far below the potential offered by the 1.5 billion Muslims around the world (about 23% of world population). Out of these, more than 95% come from Asia and Africa.

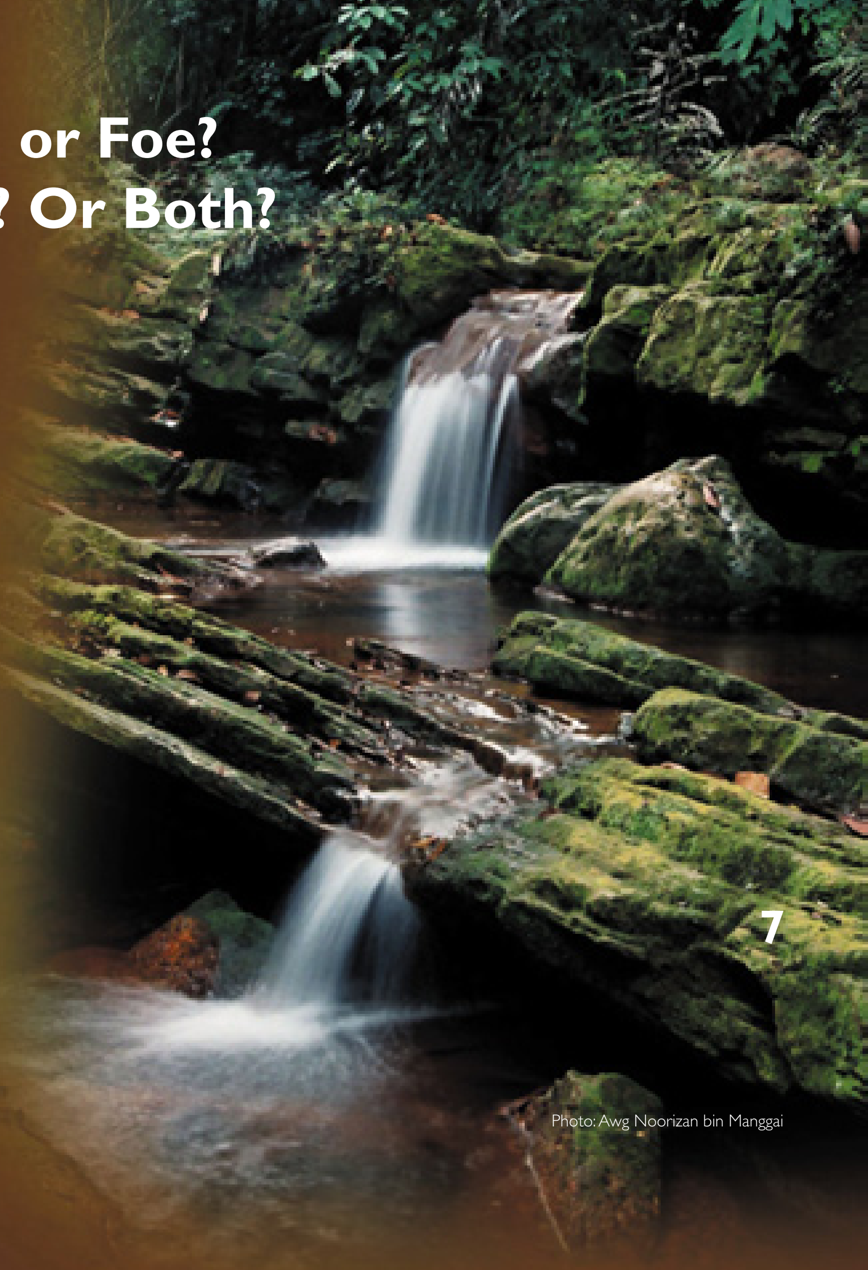


Photo: Awg Noorizan bin Manggai

A Chicagoan Welcome

Chicago icons – White Sox, hotdogs, jazz and tumblers – took centrestage at the IIS' Welcome Cocktail as delegates were treated to a dazzling performance of cartwheels and air spins by youngsters from The Jesse White Tumblers. A stomp-like duo enthralled delegates with their feet-tapping and drumstick manoeuvres, while a jazz quartet entertained.

Here, we bring you some highlights of the evening.







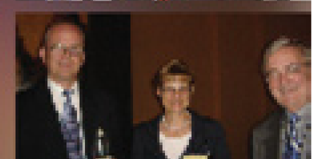




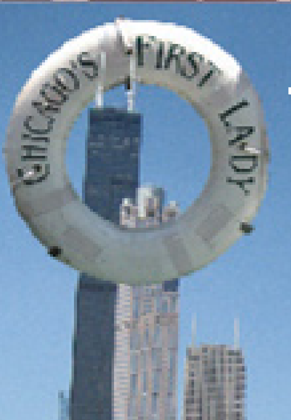




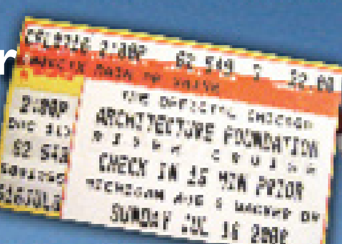


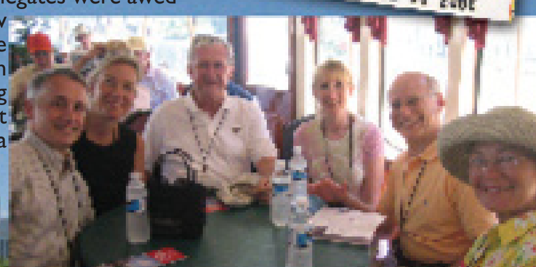


Jewels by the River



More than 200 delegates and spouses braved the scorching summer heat on Sunday to take the Architecture Cruise down Chicago River and experience the city's rich architectural legacy. The cruise passed through 22 bridges and delegates were awed by the breathtaking view of the city's 77 concrete gems that adorned both sides of the river, ranging from the ornamental Art Deco styled to the ultra modern.





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