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Innovating and diversifying: Keys to winning



Mr Stephan Rajotte

The highs and lows of the financial tide have pressured CEOs from all walks of life to be at the forefront of change. **Mr Stephan Rajotte**, President of Sun Life Financial Asia and yesterday's plenary session chairman, said that the increased demands at the operational and shareholder levels are much higher. CEOs require increased IQ, EQ and AC "Ability to Change" to stay ahead in the 21st century.



Mr Jim Morris

Kicking off the discussion, **Mr Jim Morris**, Chairman, President and CEO of Pacific Life Insurance Co, noted that in building 21st century customer loyalty, his company leverages on the elements of building and developing deep relationships with customers and distribution partners, using the mantra to "under-promise and over-deliver". He announced that the company's lapse rate was only 6.5% last year and said that "it is a lot more effective

to keep what you have, instead of acquiring new business", emphasising that customer loyalty and retention are imperative. This is much more effective than competing for top-line growth, he said, adding that companies must "look for diversification where you can find it".

CEO of MetLife International **Bill Toppeta**, said their strategy is similarly based on diversification and a focus on the fundamentals. The four basic tenets are to: focus on the middle-market customer; develop a diversified product portfolio; manage multiple distribution channels, and leverage on MetLife's strengths, he said.

Also, with much talk of the death of variable annuity business amid the decline in equity markets, he said



Mr Bill Toppeta

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Picking the chiefs' brains

**Mr Gary Comerford**Executive Vice President and Chief
Marketing Officer, RGA International

Who will be the winners and losers of the next generation? It does not matter if you are a local or an MNC player, but if you do not maintain agility and pay attention to the consumer which is changing very rapidly in the market, you will not succeed.

**Mr Jean-Michel Chatagny**

Managing Director, Swiss Re

Technology will play a much bigger role especially in emerging markets like India and China. Our industry is way too expensive from an administrative point of view. I have seen South Africa and Korea use technology to lower costs and be a lot more lean and effective.

Mr Craig ErringtonChief Executive,
Wesleyan Assurance Society

Many organisations talk about their target markets. When questioned further, they talk about High Net Worth or people over the age of 55. The problem is the needs of this group are so diverse it is hard to build a proposition that will meet a fraction of their needs, or you develop an offering so wide that it looks no different from that of your competitors.



(L-R) Mr Donald Kanak, Mr Gary Comerford, Mr Jean-Michel Chatagny, Mr Craig Errington

that underlying it is a good offering. Rather than reinvent the wheel, companies must find ways to evolve products and create generation 3, 4 or 5 versions to suit the customer.

Furthermore, now is the best time to adapt and increase interaction with customers and really understand what their needs are, in addition to advocating for suitable regulation. "There is a window of opportunity for strong players in our industry to make a difference on the map of insurance. There is a tremendous amount of work to be done with regulations. We must work with regulators and take the opportunity now to reach out to them and ask what is reasonable for all players?"



(L-R) Mr Stephan Rajotte, Mr Jim Morris, Mr Bill Toppeta, Mr Vic Apps.

Adding to the discussion, **Mr Victor Apps**, retired Senior Insurance Executive of Manulife Financial Asia, said one of the vital ingredients going forward is to exercise pricing discipline. "The most common error made has been to assume too high an interest return on the invested premiums," he said, citing Japan and Taiwan which have both suffered from negative spread issues – borne out of errors in the regulatory oversight.



Mr Vic Apps

However, his biggest pet peeve is poorly trained agents, particularly as he hears of Asian life companies boasting of doubling their agency force numbers and maintaining them as well-trained professionals. "They're full of it!" he exclaimed. "The image of the life insurance industry is not good primarily because of these poorly trained intermediaries...our agents need to be professional if we are to offer a sustainable advantage over the banks."

With the dust of the financial crisis settling, it is critical to have a dynamic risk-management programme to be successful and weave a strong risk culture with a focus on diversification throughout every level of the enterprise. By employing sound practices to mitigate risks, companies can not only survive during these difficult times, but the strongest can also thrive, said Mr Toppeta.

The future is bright for well-managed life insurance companies in Asia – if companies can get the basics right.

Bancassurance

On average, **28%** of life insurance products and **2%** of non-life policies are distributed through bancassurance in **Asia***

Bancassurance in the Asia Pacific began in **Australia** in **1986**



In **India**, bancassurance accounts for about **25%** of new business for private insurers.



Banks contributed **9.6%** of **Korea's** total premium income in **2008**.



In December 2007, **Japan lifted all restrictions** on bank sales of insurance.



Thailand's bancassurance leaders are Siam Commercial New York Life (**39%** of total business), Muang Thai Life (**16%**) and Bangkok Life (**16%**).



*Sigma 2007

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Pensions

Total value of **pension fund assets** in the **Asia Pacific** jumped from **US\$1.25 tln** in **2003** to **\$2.95 tln** in **2008**.

5 largest sovereign pension funds in **Asia Pacific (2008)**:

Country	Fund	Assets (US\$ mln)
Japan	Government Pension Investment	1,284,612
Korea	National Pension	190,352
Taiwan	Postal Savings Fund	154,160
Singapore	Central Provident Fund	105,338
Malaysia	Employees Provident Fund	98,844

Source: Watson Wyatt



Next stop: Singapore

Mr Darren Thomson, President of the Life Insurance Association of Singapore (LIA), said: "The LIA is honoured and delighted to be given the opportunity to host the next Pacific Insurance Conference in 2011 – 11th to 14th September to be exact. We last organised it in 1999, so we are excited and committed to making the next PIC a truly memorable 25th Conference, celebrating 25 years of the PIC brand.

"LIA Singapore will do all it can to deliver on the notable and unique strengths and value of the PIC series, worth reiterating here:

- A specialised focus on life insurance;
- An ideal number of top-level participants (not exceeding 350) fosters interaction and networking;
- Thought-provoking themes and insightful topics covering a mix of global and local issues; and
- Speakers of the highest calibre who are themselves seasoned practitioners."



Mr Darren Thomson

With further developments in alternative distribution, how do you view the role of agents?

Despite alternative distribution's fast development, the role of agents remain a key distribution channel of any life insurance company that values "high touch", tailor-made service for their customers. Of course, this requires a high quality agency force that consistently keeps up with the level of professionalism. This can be achieved through many traditional approaches. Perhaps there are more innovative ways – for example, converting agents to in-house staff as a statutory requirement – an idea being tested in China.



Mr John Lee,
Executive Vice President,
King Dragon Life Insurance (China)

Although alternative channels are growing fast, especially bancassurance, agents will remain important. However, since the bank can have multiple financial products to respond to customer needs, the agent should play a more sophisticated role. Instead of being only an "insurance sales agent", the agent needs to improve his skills to be a "financial advisor" and offer a variety of financial products. Agents who are nimble enough to improve their customer approach are likely to emerge as winners.



Mr Winyou Chaiyawan,
Executive Director, Thai Cardif Life Assurance

The tied agency remains the main distribution channel for the insurance industry in Singapore. The business is very much based on the trust and confidence that the customers have in their agents. The customers need the advice of agents to help them analyse their financial status, prioritise their financial needs and goals and recommend suitable solutions. The agents have the unique capability of providing customers with this level of service because of their close and trusted relationship with their customers.



Mr Tan Hak Leh,
Managing Director, Great Eastern
Life Assurance (Singapore)

Customers want a choice of how they do business with insurance companies. Some want to do business through agents, some through bankers, and others through direct or telemarketing. Our role as an insurance company is to facilitate whatever way they want to make contact with us. I do not believe this will lead to a diminishment in the value or contribution of agents to our industry, I think it will lead to the overall growth of the industry.



Mr Robert Cook,
Senior Executive Vice President
and General Manager,
Asia, Manulife Financial

Where life knights congregate

With more than 31,500 members – more than half from Asia – the Million Dollar Round Table (MDRT) is an independent association of life insurance and financial services professionals from 464 companies around the world. Its executive members share how the group continues to enrich the life industry.

Ms Jennifer Borislow, CLU, MDRT's 2nd Vice President



Critical role the MDRT plays in the industry

"What makes our organisation unique is that our members are willing to help each other grow to the next level. MDRT connects members to generate new ideas and share best practices.

MDRT helps the industry by making sure members meet production qualification, adhere to professional expectations and abide by a strict code of ethics."

"From just 5,000 members in 2000 to almost 17,000 now, we have seen exponential growth over the years in Japan, South Korea and many South Asian countries due to the MDRT Experience. The MDRT Experience has been held biannually and from this year onwards, we are going to hold this meeting annually."

Success of MDRT in Asia

Mr D Scott Brennan,
Secretary to the 2010 MDRT Executive Committee



Support from life insurers and mentoring process

"Life insurers want their agents to be productive and this is the main reason why they support us.

From our mentoring process, good agents become great as they partner members who have lots of experience."



A night of good cheer

Some floated the *krathong* for the novelty, while others did it for peace and good luck. The rest were content to enjoy the breeze and company of friends. Whichever way Loi Krathong was celebrated, the lyrics of the traditional song aptly describe Monday night's festivities: "Loi Krathong is here and everybody's full of cheer".

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