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Opportunities in Asia not just in new markets


Mr Ralph Mucerino

Opportunities in Asia come not just from emerging markets such as Cambodia and Myanmar. While there will be opportunities in both countries as they develop, it is a matter of prioritising where a company places its capital, said Mr Ralph Mucerino, AIG Property Casualty's Chief Distribution Officer, Global Commercial Insurance.

"When you think about the opportunities that are there already in other parts of Asia, it is a matter of ranking your priorities," he said.

For AIG, Cambodia, where it has a presence at a nascent stage, and Myanmar, which has yet to open to foreign insurers, may not necessarily be the top priority at this point. The company watches and invests in such markets and may do more when their demographics become more appropriate for business, he said.


Mr Daisuke Iwase

A testament to the fact that new opportunities are not just in new markets is the online life insurer Lifenet Insurance's success in the mature market of Japan. Experts had told the company's founders that selling life insurance online would not work as the product is sold and not bought, said Mr Daisuke Iwase, the insurer's Co-Founder. And before Lifenet, the Japanese regulator had only granted new life insurance licenses to either foreign insurers or subsidiaries of existing P&C insurers.

In 2008, Lifenet became the first independent life insurer to be granted a license in 74 years after raising JPY13.2 billion (US$139 million) in capital to start operations. The company has continued to grow since then and got listed in March 2012, said Mr Iwase.


Mr Sammy Lau

More broadly, Asia will continue to be attractive. Among other factors, economic growth is expected to continue across all Asian markets, and as a result, the region will see a rise in domestic wealth, consumption, interregional trades and insurance demand, said Mr Sammy Lau, General Manager of Hong Kong's Taiping Re.

The secret recipe to success in the region, he said, is proper use of capital, care in handling diversity of Asian business practices, appreciation of acutely different and diverse cultures, and a customised underwriting bible.

Reinsurers from emerging markets charge in Asia

Reinsurers from emerging markets are increasingly moving to set up operations in Asia, and this trend looks set to continue in the near future. This has further intensified competition in the region as tremendous amount of reinsurance capacity floods the market.

Even with such a scenario, Mr Yassir Albaharna, CEO of Arab Insurance Group, said his company definitely needs to establish its presence in Asia as a form of diversification. Whether competition will be healthy or not will depend on the chosen market, he said.

Industry leaders see two distinct setups of such reinsurers: sovereign-backed players and private capital-backed companies. Of the two, sovereign-backed reinsurers will likely expand their presence internationally in a decade, said Mr Darryl Pidcock, Swiss Re's Head of Korea. Currently, many of these players are still growing within their own emerging markets.

Private capital-backed reinsurers, on the other hand, are more likely to target certain regions or niche markets, in part due to the need to exercise prudence with solvency and capital requirements, said Mr Pidcock.

Mr Shashank Srivastava, CEO of Qatar Financial Centre Authority, foresees more M&A activities in the reinsurance market over the next five to 10 years. Concurring, Mr David Law, PwC's Global Insurance Leader, said such activities may not necessarily be with traditional players, but potentially with other types of organisations trying to broaden their footprint.

Consumer protection now a key pillar of supervision

Consumer protection is growing in importance to financial regulators, as public demand for such protection rose in the wake of the 2008 financial crisis. Financial consumer protection has, in fact, emerged as a key pillar of the global supervisory framework, said Mr Soo-Hyun Choi, Governor of the Korean Financial Supervisory Service.

In Korea, the insurance industry has responded to the call for improved consumer protection and is making fresh efforts to put in place strong consumer protection practices, he said. One such effort is to make insurance products easier to understand to average consumers. From previously having pages of policy documents, insurers have now simplified their policy wordings to make them straightforward and easily comprehensible to customers.

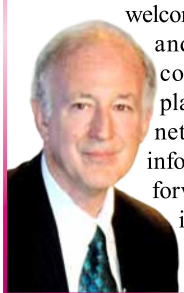
Such an effort sends a strong signal to the financial supervisor that the industry is committed to protecting its customers, which will consequently help boost consumer confidence in the business, said Mr Choi.


Mr Soo-Hyun Choi

A critical enabling role

Today's fast-changing global economic environment requires the insurance industry to be actively engaged in a global exchange of ideas. IIS is well-positioned to play a critical enabling role for the discussion of insurance ideas and to be the promoter of important discussions across geographies and companies.

We are an inclusive organisation that welcomes people from all countries and all disciplines. We will continue to provide a good platform for communication, networking and exchange of information opportunities. I look forward to working with other insurance leaders, regulators and scholars to further the IIS mission.


Mr Greig Woodring
Chairman, IIS
President & CEO, Reinsurance Group of America

Looking outside-in crucial for future


Mr David Law

Insurers' ability to look outside-in, rather than focussing on what their competitors are doing, is key to overcoming threats to their business and to making the most of these threats, said Mr David Law, PwC's Global Insurance Leader, yesterday.

Keeping an eye on who is coming up under their radar screen is vital for their survival and moving forward. "I believe what happened to Kodak in the digital camera world can possibly happen to insurers," he said as he pointed out that there are many companies that have not looked from the outside in and suddenly find themselves with new and unexpected competitors.

He encouraged insurers to look at the cultural aspect of their organisation, saying that people and the culture they operate in have to be at the core of the business. Traditionally seen as a soft driver, especially when compared to more tangible influences, culture needs to be tackled. And to win in the increasingly competitive insurance space, insurers must focus on four dimensions of culture – one of them being customer centricity.

Being customer-centric

Successfully making a sale, said Mr Law, does not mean being truly customer-centric. "Most insurers say they are customer-centric, but I'm not sure they are. In my view, insurers tend to be more product-centric than customer-centric," he said.

Smart companies are beginning to have a thorough understanding of what their customers need and then they work backwards to try to create solutions, he said. This may not fit some of the existing traditional products though, and hence may require the development of new ones and bringing in products from outside.

Being informed and engaged

The other side of a more customer-centric culture is a more informed one. By knowing more about its customers, an insurer is more likely able to service their needs. "Big data and other sources of information help enormously in customer profiling, but unfortunately, particularly in the life industry, insurers have not been very good in mining that data," he said.

Being risk aware and accountable

If being customer-centric defines where the company is going, risk awareness and accountability shape the way the business is driven, said Mr Law. Risk management needs to be seen by the company's frontline teams as a crucial component of how they run the business.

Risk awareness, risk-based decision making and accountability for risk will give insurers a better and more assured understanding of their risks, he said.

Being innovative and agile

Finally, a culture that embraces innovation and agility will get insurers to where they need to be, said Mr Law. By embracing the newest advances in risk analytics and other developments in underwriting, insurers will have an opportunity to improve their risk understanding, manage exposures better and price products more keenly.

Ageing problem calls for industry to step up to the plate

Population ageing is here to stay, and this calls for the insurance industry to step up to the plate and play its part as it becomes increasingly difficult for governments to sufficiently fund the retirements of its people, said panellists at yesterday's executive panel on changing demographics.

In Korea, not only does the urgency come from the speed of ageing, but also from the speed of cultural change, said Mr Kichool Park, Director of Retirement Research Center at Samsung Life Insurance.

In a survey conducted by the Korean government in 1998, more than 90% of the respondents believed they should support their parents in their old age. But in a similar survey done last year, only 35% believed so.

So parents who had planned to count on their children for support in their retirement years now find that there may be a change in their children's mindset, said Mr Park.

As it becomes increasingly difficult for governments to fund the retirement of their aged populations, they are diversifying the burden away to the private sector and individuals, said Mr Lorenzo Savorelli, Head of Research and Development at Generali Assicurazioni.

When the costs of healthcare and long-term care are added, the requirements become even bigger. This is an issue that cannot be solved without the joint efforts of the private providers and the authorities, he said.

And as the survey conducted during the panel showed – with 78% of the participants saying the combination of public, private and corporate pension systems in their home country does not adequately cover the average citizen in retirement and 67% saying insurers in their home country are not taking a leadership role to address the shortfall – more needs to be done by the insurance industry.


(L-R): Mr Kichool Park and Mr Lorenzo Savorelli

Building trust is key


Ms Mary Trussell

Successful companies have demonstrated their agility and ability to re-orient their businesses to circumstances, nimbly responding to disruptive challenges. But it is a company's ability to build customer trust that underpins it all, said Ms Mary Trussell, Partner at KPMG UK, at a panel discussion.

Mr Gary Reader, Global Insurance Advisory Lead of KPMG UK, said it is essential to build trust on all levels – customers, shareholders, regulators and employees. "Showing connectivity between servicing a customer and bringing them what they want adds value to the customer, adds value to your organisation, adds value to your investors," he said.


Mr Gary Reader

On building trust with regulators, he said it is about working with them, rather than confrontation. And with employees, the reality of delivering services requires people; if employees do not believe in the leadership, there will be no trust within the organisation, he said.

Trust and brand go hand in hand, said Mr Greig Woodring, IIS Chairman and President & CEO of RGA. "Trust is key to a brand; a brand without trust is without any value," he said, adding that a good strong brand connotes dependability, integrity, providing value and having something to deliver. And building a brand – starting from employees – translates to building trust.

For NTUC Income, the aim is to reinvent a social enterprise. "It led us to coin the phrase 'honest insurance', which of course has the foundational element of trust," said its Chief Executive, Mr Tan Suee Chieh. Elaborating on how the company competed differently by focussing on customer centricity, he said: "The way we see trust and honest insurance, instead of uninformed customers, we want to promote customer education and advocacy."


Mr Tan Suee Chieh

CAT bonds: Poised for growth in emerging markets

Although gaining increased traction, much of the CAT bond business comes from the US. But with the growing awareness and appreciation of insurance in emerging markets, CAT bonds will see greater use in them.

2012 was a banner year for the ILS market, with approximately US$6.3 billion in CAT bond issuance, according to Swiss Re. This year, 15 non-life CAT bonds have been issued so far, with some covering more than one risk, amounting to approximately $3.6 billion. In its recent update on the CAT bond market, GC Securities expects the market to approach, if not exceed, the record for annual issuance of $7 billion set in 2007.

An emerging trend that reflects the increasing popularity of ceding risks to the capital market is CAT bond upsizing. Since 2009, the issued volumes of CAT bonds have consistently exceeded the initially planned volumes. Bond issuance volume in 2012 was an average of 57% more than initially planned, according to a Munich Re report.

However, majority of CAT bonds are attributed to the US, with non-US exposure coming mainly from Japanese insurers and from reinsurers seeking protection for European windstorm via multi-peril bonds, noted Munich Re.

Emerging markets have small share

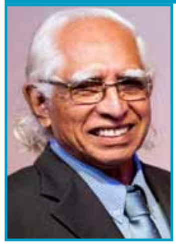
Emerging markets' share of the business has been small, as under-penetration and scant experience in insurance impede progress. In some relatively penetrated markets, risks taken on by insurers are sufficiently reinsured, and there is no urgent need for insurers to find alternative ways to hedge risk with low levels of insured losses.

And while parametric triggers work well for hurricane and earthquake risks, they are much trickier to devise for floods that cause immense damage in Asia, said an ADB financial specialist.

Despite this, the use of CAT bonds is expected to grow as emerging markets increasingly understand the value of protection. The World Bank has also encouraged the growth of emerging markets CAT bonds with its own MultiCat Program, designed for governments seeking CAT cover via the capital market.

A word from winners

A business like no other



Our business, as I have often said, is a noble profession. It teaches us so much that we should admire and emulate. It is a business which is like no other. It asks you for one thousandth of the value of an article, and pays you without demur the full value a week later, if that article is destroyed. Who else in the world does that? Nobody.

Mr Chandra Thomas Adolphus Schaffter
Founder, Janashakthi Insurance
Lifetime Achievement Award winner, 2012 Asia Insurance Industry Awards

Change requires strong leadership

Enterprise transformation entails a fundamental change of an organisation. It is a time-consuming and painful process, requiring strong leadership from top management. I have always made my best endeavours to learn, put learning into practice, and persuade and motivate employees so that they engage in the change process.

Dr Chang-Jae Shin
Chairman & CEO, Kyobo Life Insurance
Personality of the Year, 2012 Asia Insurance Industry Awards

Pulling it off in Asia

They are among the region's most successful industry players: one is a global P&C player with deep roots in Asia and another is an international life insurer with a well-recognised name in the region. Two are homegrown players that are fast growing and gaining clout in Asia's insurance markets. How are they pulling it off amidst the region's ever-growing competition?

Understands demands

Our competitive advantage in the region is a result of the quality of our people, our network (both local and global), our breadth of product lines and tenure in the region. The last two points are instrumental factors – we have deep roots in Asia and a strong understanding of both individual and corporate demands.

Other factors to succeed in Asia are the ability to adapt to the fast pace of change and the willingness to invest in future developing markets. We must continue to anticipate changes in consumer needs and be part of the development of the region by supporting investment and risk taking.

Mr Jose Hernandez
President & CEO, AIG Property Casualty Asia Pacific

Puts customers at heart of everything

We put customers at the heart of everything we do. Our customer experience lab – "imaGEnation studio" – regularly conducts focus groups with key segments to obtain better customer insights and generate ideas on how the role of insurance can be further enhanced.

Customers must also be provided with a differentiated and unique value proposition. We have gone beyond the traditional role of an insurer to provide more value through our "Live Great" Programme, an integrated health and wellness programme. It has enabled us to reach out to new target customers and re-engage existing ones.

Mr Chris Wei
Group CEO, Great Eastern Holdings

Respects region's diversity

We respect market diversity. Asia has populations that are among the world's oldest (Japan) and youngest (Philippines); economies among the most developed (Hong Kong) and fastest-developing (Cambodia); and customer needs varying from investments (Singapore) to microinsurance (Vietnam). Even within one country, there is huge diversity.

The industry has traditionally focussed on distribution or product. That approach is fast running out of road. Technologies, consumer expectations and economic transformation mean we have to work much harder to take an outside-in approach, from the customer's viewpoint. We will also need to be open to drawing ideas from other, more customer-focussed industries.

Mr Philip Hampden-Smith
EVP & Chief Marketing Officer, Manulife Asia

Promotes risk-based management

More opportunity comes with more uncertainty. With increasing market volatility and climate changes, we aim to further promote risk-based management. We seek to further enhance risk accumulation control and Nat CAT risk modelling techniques.

We are also focussing on further expanding our personal lines and life business while maintaining robust financial strength through our ERM framework.

We believe personal lines in emerging markets are full of growth potential. We are confident our efforts and investment in new channel development, operational efficiency and loss ratio control will continue to enable us to offer desirable products and services to meet the demands in these markets.

Ms Joanne Huang
Vice President, Tokio Marine Asia

1 winner, 63,000 reasons

2013 Insurance Hall of Fame awardee Robert Benmosche paid tribute to his team at AIG as he accepted the award, saying that the recognition was an honour for the 63,000 people of AIG. "I am proud to be part of the team, and I am proud to be part of this industry," he said.

Mr Benmosche's appointment as President & CEO of AIG is recognised as one of the most important steps in the company's turnaround since finding itself in a crisis in 2008 and being subsequently bailed out by the US government. The company had since repaid the government and has returned to consistent profitability. He has from day one articulated a clear strategy for AIG's emergence as an independent company that preserves and creates shareholder value, inspiring AIG employees to improve each day to help build the world's most valuable insurance company.

A worthy winner, indeed!

Hall of Fame awardee
Mr Robert Benmosche

Congratulations to Mr Benmosche and these other winners at the 49th IIS Annual Seminar:

A Dr Wolf Becke, Retired CEO, Hannover Life Re – Winner of the John S Bickley Founder's Award;

B Mr Alexander Bohnert, Friedrich-Alexander-University of Erlangen-Nürnberg – Winner of the Shin Research Awards for Excellence;

Ms Nadine Gatzert, Chair for Insurance Economics and Risk Management, Friedrich-Alexander-University of Erlangen-Nürnberg – Winner of the Shin Research Awards for Excellence; and

C Mr Jean Kwon, Faculty Chair and Professor, School of Risk Management, St John's University – Winner of the Shin Research Awards for Excellence.

It's London for the golden milestone

We are bringing the 50th IIS Annual Seminar to London, where the birthplace of modern insurance, Lloyd's of London, is. And being in London, we will take advantage of the opportunity to discuss and highlight the global reinsurance and speciality commercial sectors. While the focus this year has been more on the life, health and pensions sectors, people logically expect next year's seminar to be geared more toward the non-life side because of Lloyd's.

And London being not only a major city but also a convenient transportation hub, we expect to have more countries represented than usual. We are reaching out to some of the Eastern European and Central Asian countries, so with the London location next year, there will probably be a slight change in the geographic mix of the delegates. And that will influence the topics.

We are very proud of achieving 50 years and we will definitely make the event special. And being an insurance organisation, we feel London is the perfect place to mark such a major anniversary.

Mr Mike Morrissey
President & CEO, IIS

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