

PIC Daily

Day 1

View of Hong Kong from the Peak

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Letting life live longer

Life business rocks; for now at least! But will it get the next generation swinging too?

This is the critical theme at this PIC in Hong Kong, itself a leading life market of Asia with high scores in innovation over the past two decades with the legendary "Smart Lady", then critical illness cover, and investment-linked products and forex hedges.

According to *sigma*, Hong Kong is the world's leader in life mix in the insurance business with a screaming 88% share, followed by Taiwan (82.6%) and Japan (80.2%). And to complete the trivia, only two other countries have a life market share beyond 80% – India and South Africa. In Europe, it is 57%, while in the Americas, it is about 42%.

Another lead score for Asia is that the Taiwan life market has the highest penetration accounting for 15% of GDP followed by South Africa (11.65%), Hong Kong (11.02%) and Japan (9.17%). The world average is only 3.69%.

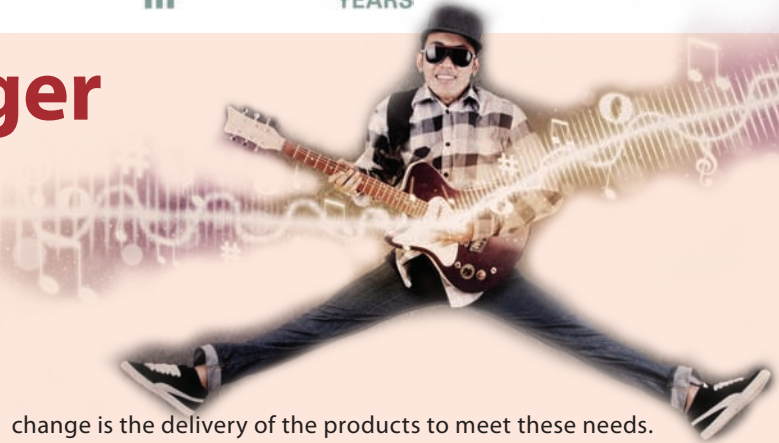
Asia has much to offer in terms of inspiring the life insurers to devise winning strategies to meet the needs of the next generation. So what will they need?

The rocking needs of the day

Today's hype is about catering to changing demographics, ageing populations, pensions, long-term care, healthcare for pensioners with increasing longevity, boosting wellness, unique pampering demands of the rising number of high net worth individuals and riding the wave of changing dynamics in distribution.

Going techno

In insurance, customers' needs will still be the same as Life is Life, and Maslow's hierarchy of needs must always be met. But what must



change is the delivery of the products to meet these needs.

Distribution will become Emperor more than just king. But there will be many Emperors beyond just the agents of the past whose tyrannical dictates then included forbidding insurers from direct communications with policyholders even if just to say; "Happy Birthday".

But things have changed of course, and thanks to technology and the addiction of the next generation to internet, social media, and mobile gizmos, online strategies will be the key to winning the game.

And even outside cyber, the distribution game is being played for high stakes, be it in bancassurance, shop assurance, brand assurance and even direct marketing to reduce the power of agents. But come what may, agents will always be a fundamental rock of insurance given the complexity of the product and the need to push it.

The bedrocks of life

What are the bedrocks of the life sector? Endowments in its various disguises, whole life, critical illnesses, universal life and increasing riders of healthcare. Single premium and investment-linked policies are becoming a staple in several markets. With the current popula-

(continued on page 2)

Welcome to 香港 Hong Kong

Distinguished Participants and Friends,

On behalf of the 26th PIC Organising Committee, I am most honoured and pleased to extend a warm welcome to your participation in the 2013 Conference in Hong Kong.

The conference promises to follow the trend of our successful past conferences, with a tremendous programme in a first class location and more than 300 International and Asian insurance executives. The theme of the programme is highly appropriate: "Winning Strategies for the Next Generation".

We are privileged to have very senior speakers from China, Hong Kong, Japan, Malaysia and Singapore, in addition to the distinguished speakers from the UK, Europe and North America. In this

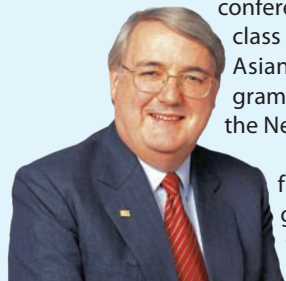
regard, we wish to acknowledge the tremendous efforts of the PIC Chairman, Mr Mel Gottlieb, the Executive Committee and the Board of the PIC Limited.

In addition to a dozen high level presentations, the conference agenda includes ample opportunities to network and exchange ideas with fellow senior executives, and also to experience the energy and buzz that epitomises Hong Kong today – one of the most exciting cities in the world.

Once again, we sincerely appreciate your support and hope you will find your stay in Hong Kong to be a most memorable and rewarding experience.

Mr Vic Apps

Conference Chairman, 26th Pacific Insurance Conference



"I congratulate the Pacific Insurance Conference for its success over the past 50 years in serving as the key biennial platform in the Pacific Rim for industry leaders and practitioners to discuss industry issues and chart the course for future developments. I wish the Conference every success in their future endeavours in taking the industry from strength to strength."

– **Ms Annie Choi**, Commissioner of Insurance, OCI



"Congratulations to the PIC as it celebrates its golden anniversary. I am honored to be the Chairman of the Organising Committee this year. Over the past 50 years, the PIC has become a bi-annual event for senior leaders of the industry to gather and share their insights. Today, it is one of the world's largest and most important insurance conferences. I look forward to an even more successful conference this year."

– **Mr Michael Huddart**, Chairman, Organising Committee, 26th PIC

"ReMark congratulates the PIC on your golden anniversary. It marks 50 years of enlightening and groundbreaking seminars with ideas and experiences freely shared among members of the insurance industry. Without a doubt, our industry is stronger as a result, and more able to meet the needs of our customers."

– **Mr Sean Rowley**, Managing Director, Asia, ReMark



"On behalf of Allianz in Asia, I wish to extend our warm congratulations to the conference on the occasion of its Golden Anniversary. Your conference theme of "Winning Strategies for the Next Generation" is particularly timely. Demographic shifts, changing customer behavior and price competition present insurers with both opportunity and threat to growth. Looking ahead the pace of change is set to accelerate further. One thing is for sure – insurers which anticipate and plan for change will set themselves apart from the competition. I wish the conference every success."

– **Mr Rangam Bir**, Regional General Manager, Allianz Asia Pacific

"It is with great pleasure that I congratulate PIC on your fiftieth anniversary. You have established an unrivalled platform to promote the sharing of experiences and ideas with professionals across the industry. In celebrating the golden anniversary of PIC this year, I would like to extend my best wishes for your future endeavors."

– **Mr Christopher Townsend**, President, MetLife Asia



"Prudential is honoured to be participating in the 26th Pacific Insurance Conference celebrating its golden anniversary. The PIC has been pivotal in facilitating the development of the insurance sector in Asia, and serving as the primary platform for networking and knowledge-sharing. Congratulations on this anniversary, and we look forward to greater collaboration in the years ahead."

– **Mr Barry Stowe**, Chief Executive, Prudential Corporation Asia



"Swiss Re is delighted to sponsor the Pacific Insurance Conference in its golden anniversary year. The conference is one of the most important events for the insurance industry in the region and we are proud to be involved during such an important milestone in its history."

– **Mr Robert Burr**, Head of Life & Health Asia, Swiss Re



Heartiest congratulations to PIC on its Golden Anniversary

Hong Kong in numbers

In 2012, Hong Kong's life penetration was **11.02%** almost triple the global average of **3.69%**.

In 2012, Hong Kong's life premium volume was **US\$28.97 bln**, ranking it **19th** in the world.

For the first half of 2013, Hong Kong's total gross premiums amounted to **HK\$143.7 bln (US\$18.5 bln)**, an increase of **14.5%** y-o-y.

On direct business, gross premiums **11.1%** HK\$17.3 bln while net premiums **12.6%** HK\$13.0 bln, compared with the corresponding period in 2012.

With an area of **1,104 km²** and a population of about **7.2 mln**, Hong Kong is the world's **4th** most densely populated area.

Hong Kong has the **most** number of skyscrapers in the world numbering about **1,250**, more than double that in **New York City**, which only has **583**.

Source: Office of the Commissioner of Insurance, Swiss Re sigma, Emporis

(from page 1) Letting life live longer

tion living longer and outliving their savings, and with governments privatising pensions and healthcare, the next generation will face the burden of looking after their elders (who might themselves be rich). So products aimed at insuring elderlies and their potential ailments including cancer covers etc, and offering long-term care, will be hotly sought.

The next generation will be all about returns on investment. Insurers should capitalise on the double that insurance gives peace of mind, protection and yet also returns which other financial products cannot. So insurance must be sold as a convenient saving mechanism for the risk-averse busy hotshots.

Insurers must find the right strategies to rise above the low interest rate environment and the volatile investment markets to seek avenues to deliver attractive returns to policyholders, who will always readily make comparisons on aggregator sites and are ready to ditch one insurer for another for a dollar more.

Counting on friends

Brand loyalty is still lacking in insurance and will remain so unless

insurance companies can make themselves indispensable in related service offerings that will bind clients to them with a passion.

It is happening as some life insurers are reinventing themselves as lifestyle or wellness companies rather than just vanilla insurers. This trend must catch on to appeal to the next generation.

In the drive on the fast lane, can life companies count on reinsurers? Will reinsurers be able to play an active role in rolling out these new-fangled products to appeal to the next generation? Reinsurers have been on the cutting edge, but the latest statistics from Monte Carlo Rendezvous shows that reinsurers were only involved in 5% of life premiums in 2012. There is scope yet, including in investment management and product innovation, drawing from their vast expertise.

Lastly in catering to next generations, will life insurers be better off ditching their brothers in general insurance? Boost life on its own steam as a brand new industry without being bogged down by the negatives coming from the poor image of general insurers? The challenge is to keep Life rocking for generations to come!

Thinking about the reality of an ageing population - Working together to tackle tomorrow's big challenge

Mr Robert Burr, Head of Life & Health Asia of **Swiss Re**, says that by combining world-class research with a more client-centric approach, (re)insurers and their partners are able to provide viable and needed solutions to tomorrow's big challenge of funding an ageing population.



Young and dynamic populations are one of the key drivers behind Asia's remarkable economic success. But for many Asian countries, the elderly population is set to rise dramatically, presenting the region with perhaps its biggest challenge yet.

Today, as much as one third of the Asia's rapid growth can be attributed to its large young workforce, with China, India and Indonesia reaping the most benefits. But by the year 2050, Asia's population will have dramatically altered. Changing demographics will see Asia's workforce peak in 2015, before entering a long-term decline. China has already passed its optimal demographic peak in 2010.

Understanding risk perceptions

Our perceptions of this challenge and how we can best cope with it differ by region, gender and generation. However, there is also a surprising level of consistency, according to Swiss Re's latest Risk perception survey, a unique insight into how everyday people, of different generations, see risk.

As part of Swiss Re's 150 Years Anniversary activities, we asked 22,000 people across five continents what concerns them most – including funding an ageing society.

In fact, awareness of the risk of an ageing population was high in a number of Asian markets. For those in Singapore and Japan, it was said to be the single biggest risk they face, an even bigger concern than the economy, natural catastrophes and food and energy security.

In China, the vast majority say the growing proportion of elderly is likely to be a major issue in 20 years' time. Some 47% of 15-29 year olds in China see the ageing population as an important risk, the highest proportion of any market after Singapore (48%).

Affirmative action

Encouragingly for insurers, the study shows that self-reliance is seen as key to coping with the risks of the future – 70% of respondents worldwide are prepared to take personal responsibility for their own retirement costs.

Asian countries are also among the countries where individuals are already making some preparations. Of the 19 markets covered, Singapore, Indonesia and China are markets with highest percentage of people already saving for retirement.

Over half of those surveyed in Indonesia and Singapore take out

insurance to finance their long-term healthcare needs, although people in China and Japan have the lowest take-up (perhaps reflecting the finding that 31% people in Japan think they will never retire!).

Time to ReThink

In 2012 we decided to take a more client-focussed approach to our business, establishing dedicated client managers backed by specialist solution groups. In addition, we are turning our globally recognised research and development, consumer insights, product development, and risk management expertise on Asia.

For example, as part of our ReThink Health campaign, we undertook the first study to compare the health financing landscape across 13 Asia-Pacific markets. Health Protection Gap: Asia-Pacific identified a staggering \$197 billion shortfall in healthcare financing by 2020 – India and China would account for the largest gap at US\$43.6 billion and \$73 billion respectively.

This is a wake-up call for the industry, but also a tremendous business opportunity.

Building better solutions

Given the size of the challenge, it is clear that individuals, the private and public sectors and even big pharmacies, will all have a role to play in providing for our needs in old age. In many Asian countries, the emphasis is likely to be on the individual, aided by insurers and other financial institutions.

This presents the insurance industry with an obvious opportunity, if not a duty to step-up.

To capture this opportunity, the life insurance industry is now having to change its strategic focus – from one being concerned with the consequences of premature death to that of extended life. Insurers can grow their business by offering products that close the health gap, although many will first need to upgrade their strategies to improve how they deal with target markets, customer needs, distribution channels, new products, risk management and price.

Pioneering partnerships

As a reinsurer, the ageing population has been on our radar for some time. But in recent years, we have been looking at how we can team-up with our clients, government and other parties to help them with the inevitable change and the emerging opportunity.

By combining world-class research with a more client-centric approach, we are able to add tangible value to our client's business.

For example, Swiss Re worked with LINA Korea, a CIGNA International company, to launch the first simplified cancer care product of its kind in Korea. Designed for people aged 60 and above, the product offered cancer care insurance to a segment of the market that previously had only limited access to such protection.

In another example of what can be achieved by working in partnership, Swiss Re worked closely with China Pacific Life Insurance Co (CPI Life), and Roche, a pharmaceutical company, to jointly introduce a cancer insurance product to Chinese customers. The unique product provides consumers with guaranteed access to drugs and treatment from their chosen pharmaceutical brand, Roche, and according to treatment needs.

Here for the future

Finding solutions to complex issues like ageing populations require long-term commitment, knowledge and expertise. Founded in 1863, Swiss Re has been serving its clients in Asia for 100 years, providing just such market insights and a global perspective.





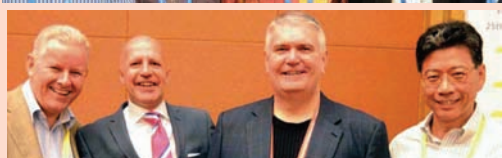
Recipe for a great reception

On a cool October night, delegates enjoyed a heartwarming welcome reception that featured scrumptious dishes and delightful cocktails, topped with an entertaining trio of dancers on water – generously sponsored by Swiss Re which is celebrating its 150 years anniversary.



25th PIC 2011 • Singapore

Theme: Back from the Brink – Seizing Today's Opportunities; Conquering Tomorrow's Challenges



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