Asia Insurance Review's
SIRC Daily
Thursday • 7 November 2013
Day 3

Published by: Asia Insurance Review
Supported by: 12th SIRC
Sponsors: Aon Benfield, Aspen Re, Swiss Re, Swiss Re 150 Years
Media Partner: Middle East Insurance Review

S'pore aims to be global marketplace by 2020

As a leading insurance and reinsurance hub in Asia, Singapore is well-equipped to serve the growing needs of the region. However, it needs to continually reinvent to establish itself as a global marketplace for insurance, said Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore (MAS), in his official keynote address at the 12th Singapore International Reinsurance Conference (SIRC).

"Our vision is for Singapore's insurance industry to become a global marketplace by 2020, with the capability to accept not just regional, but global risks," he said. And to achieve its goal, Mr Menon outlined the four strategies – with clearly laid-out initiatives – that MAS is pursuing.

The first strategy is to increase the market's supply-side capacity, both in terms of insurance volume and expertise. Secondly, the regulator will strive to promote insurance demand locally as well as in Asia Pacific. Next, there is a need to develop a true marketplace that allows buyers and sellers to come together to negotiate and trade risks. And lastly, the MAS will foster a conducive business environment for the insurance industry.

Mr Ravi Menon

Growth and standards go hand-in-hand

Emerging economies such as those in Asia need not just capital, but also to establish professional standards and expertise to ensure that growth lasts, said Lloyd's Chairman John Nelson during his industry keynote address at the SIRC yesterday.

Such expertise and standards could be in policy wordings, pricing risks, claims payments or other areas, he said – areas where Lloyd's could help with its years of experience.

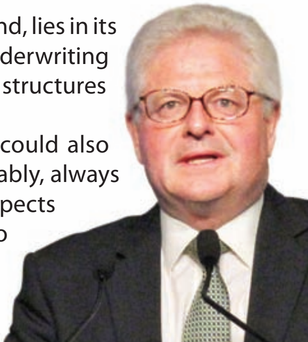
"It is essential that any growth is sustainable and profitable," said Mr Nelson, adding that Lloyd's wants to look for ways for all to participate in the world's only market for specialist insurance.

Risks of new capital structures

He pointed out that short-term challenges to sustainable growth include the low interest rate environment which is driving excess capital into the industry. Raising his concern about the risks some of this capital presents, Mr Nelson highlighted the "need to guard against cheap capital being deployed" which emphasises more on short-term returns than long-term stability, and which could pose risks to high-growth markets such as those in Asia.

The strength of the insurance industry, on the other hand, lies in its ability to measure and price risks and support its own underwriting to satisfy regulatory standards. Some of the new capital structures may not meet these criteria, he noted.

At the same time, he added, new capital resources could also present huge opportunities if used "sensibly and sustainably, always in the interest of the customer". With the huge growth prospects in emerging economies and capital providers looking to diversify, "we have no difficulties raising capital."



Mr John Nelson

Panel Discussion 1: "Managing Growth, Optimising Profitability"

The growth conundrum

Speakers at the first SIRC panel discussion yesterday reiterated the need for growth to be sustainable and profitable, in line with the theme of the conference.

Asked about high-growth markets and how some may sacrifice profitability for growth, Mr Emmanuel Clarke, CEO, PartnerRe Global, said there may be a need for a long-term timeframe and patience, and there may also be a need to take some risks without necessarily having all the proper data and experience. But this has to be done thoughtfully and appropriately with an understanding of the risks and building up of knowledge and experience.

Mr Emmanuel Clarke

It should not be a case of sacrificing profitability for market share. "Growth without profitability is meaningless," said Mr Clarke.

Need for evolution

Tomorrow's products have to look different compared to the products of the last 100-150 years, said Dr Torsten Jeworrek, Member of the Board of Management with Munich Re.

Dr Torsten Jeworrek

The long-term global trends around the world – such as technological change, and the changing demographics – will, over time, influence the risk landscape of the industry as it will change the demands customers will have, he said.

For companies like Google and Apple, a major part of their assets and value creation are intangibles not covered by the industry, added Dr Jeworrek. It is critical that the industry continues to evolve to remain relevant.

Mr Christian Mumenthaler

Looking back on the history of reinsurance, the industry can be confident. The industry has successfully coped with new challenges when they emerged, such as aviation and nuclear reactors, said Mr Christian Mumenthaler, Swiss Re's Global Reinsurance CEO.

Transactional broking no longer enough

On the changing role of intermediaries, Mr Dominic Christian, Executive Chairman, Aon Benfield International and CEO, Aon UK, said clients now want help with understanding their risks better. They also want to transfer

Mr Dominic Christian

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Mr Alastair Speare-Cole

the risks affordably, and they want advice on how to grow. Thus, transactional broking of the past is not enough now.

Asian reinsurers' global ambitions

Speaking about Asian reinsurers' global ambitions, Mr Alastair Speare-Cole, CEO of JLT Re, said three things need to be provided: relevant capacity, credibility through ratings agencies, and returns attractive enough for shareholders.

The panel discussion on "Managing Growth, Optimising Profitability" was chaired by Mr Michael A Butt, Chairman, AXIS Capital Holdings.


Mr Michael Butt

Panel Discussion 2: "Are Insurers And Reinsurers Meeting Each Others' Expectations?"

More to be done in meeting client needs

The industry's attachment to modelling is stifling its capacity to innovate and find solutions to emerging and unforeseen risks, and both insurers and reinsurers need to step out of their comfort zones to provide relevant solutions to today's clients.

This was raised at the second panel discussion yesterday which took on the debate titled: "Are insurers and reinsurers meeting each other's expectations?", chaired by Mr James Beedle, Senior Managing Director, Willis Re Asia.

Covers needed for new risks

Mr Rudi Spaan, Head of Brokerage Distribution & Client Management in Asia for AIG, said that beyond meeting each other's needs, the industry as a whole has been slow in fulfilling client expectations with regards to emerging forms of peril.

While recognising the ingenuity of reinsurers in coming up with solutions, especially in the area of Nat CATS, the industry's reliance on models and historical data inhibits it from proposing forward-looking solutions for new forms of risks such as those related to the loss of reputation or the increased usage of social media.

Room for greater partnership

Dr Ludger Arnoldussen, Member of the Board of Management at Munich Re, said his company was open to finding intelligent solutions to meet real needs, and urged both parties to exchange mutual expectations, beyond just pricing, in order to deepen relationships between the reinsurer and cedant.

Mr Chris Colahan, Regional CEO-Asia for RSA, said there was room for greater cooperation between both sides of the market, and felt that regulatory changes in Asia and its implications present opportunities for reinsurers to help direct players to de-risk.

ACR Capital Holdings CEO John Tan made a distinction between the industry's real needs and wants, and urged both parties to work as partners to make the industry more efficient.

On whether alternative capital in the industry would change the dynamics between insurers and reinsurers, Mr Benedict Ho, CEO of SCOR Asia-Pacific, said reinsurers have continually proven their longevity after major loss events and this has yet to be seen with alternative providers.


L-R: Mr James Beedle, Mr John Tan, Dr Ludger Arnoldussen, Mr Benedict Ho, Mr Chris Colahan & Mr Rudi Spaan

Discussions underway at Lloyd's Coffee House

27th EAIC set for 2-6 Nov 2014 in Taipei

Meeting in Taipei a day after the 6.3-magnitude earthquake hit the island, the East Asian Insurance Congress (EAIC) Board has set the dates for the next insurance biennial event for 2 to 6 November at the Taipei International Convention Centre (TIIC). The same venue was used the last time Taipei hosted the event in 1990.

Mr Patrick Lee, Chairman of the Organising Committee, said that the programme – with the theme, "Insurance at the Crossroads: Coping with Change" – will be designed to equally draw both life and non-life insurance professionals to the event. Some of the key topics to be covered include making insurance a pull factor, managing CAT risks, investment management and looking at whether reinsurers have risen to the challenge of making the industry technical and professional.

Mr Vincent Kwo, EAIC President, said the Taiwanese organising committee (OC) has made headways in making the 27th EAIC next year a remarkable success. The Taiwanese industry, with Mr Jack Tai as the EAIC Board representative and Mr Johnny Li as the advisor, has already set up four sub-committees under the OC – finance, secretariat, programme and public relations. They have chosen the world architectural splendour, Taipei 101, to represent the "I" in EAIC.

The EAIC, a gathering of 12 member cities – Bandar Seri Begawan, Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Macau, Manila, Phnom Penh, Seoul, Singapore, Taipei, and Tokyo – celebrated its 50th anniversary in Kuala Lumpur last year with some 1,014 corporate and 557 individual members. Some 1,155 delegates attended the event.

Re-evaluating the risks

Can major reinsurers pose systemic risk? Regulators are still debating the issue.

The answer was "more or less no" in July 2012, the International Association of Insurance Supervisors (IAIS) effectively said in a policy paper. "Similar to primary insurance, traditional reinsurance is unlikely to cause, or amplify, systemic risk," said Mr Peter Braumüller, Chair of the IAIS Executive Committee.


Mr Peter Braumüller

But he added: "Systemic risk may exist, however, in non-reinsurance activities undertaken by certain entities, and the evolving nature of alternative risk transfer products – as well as their affinity to the financial markets in particular – make it prudent to call for continued monitoring of the reinsurance sector and strengthened macroprudential surveillance on national and global levels."

In July 2013, the decision to label major reinsurers as global systemically important insurers (G-SIIs) was deferred for a year "to provide more time to evaluate the circumstances of the individual reinsurance companies in question", said the IAIS. The Financial Stability Board (FSB) is expected to make a decision next year.

Obviously, no one wants the G-SII label, not least because of the additional capital requirements that come with it. Writing in the Journal of Risk and Insurance, Mr Denis Kessler, Chairman and CEO of SCOR explained why reinsurance is not systemic:


Mr Denis Kessler

- By its very nature, (re)insurer failures pose very limited systemic risk. A failing (re)insurer continues to settle its claims in an orderly manner and this is guaranteed by its assets;
- (Re)insurers tend to diversify rather than concentrate risks;
- (Re)insurers keep most of their risks on their balance sheet; and
- Reinsurance and retrocession have an overall stabilising effect by shielding insurers from financial difficulties when large losses occur.

"The fact that the FSB has postponed the decisions on reinsurance to 2014 is testimony to the fact that reinsurers do not pose any acute or urgent risk to the financial system," concluded Mr Kessler. "Regulators should use this additional lead time to rethink their approach through an ongoing, in-depth dialogue with the industry."

Asia reinsurance market outlook

Rating agencies give their takes


(L to R):
Mr Moung Mo Lee
Ms Sally Yim
Ms Reina Tanaka
Mr Philip Chung

"Although net risk retention level is generally low for many Asian reinsurers, increased focus is given to managing underwriting volatility after the unexpected high losses from the Thailand flooding in 2011. While there are margin pressures, Asian reinsurers will continue to show a stable performance in 2013.

The reinsurance market will continue to expand in the growing economies such as China, India and the ASEAN countries. With the economic integration of the Asian region, direct companies are starting to write more cross-border or regional business. Utmost attention must be given to accumulation control for Asian reinsurers.

As many markets in Asia have recorded very strong growth for some years but also very mild growth for other years, companies have difficulty with capital management. As the capital market is not yet well developed, demand for reinsurance capital solutions is high in selected Asian markets."

Mr Moung Mo Lee
General Manager – Analytics,
A.M. Best Asia Pacific

"The Asian reinsurance market went through a calm 2012, with the number of catastrophes returning to within historic norms. Accordingly, reinsurance pricing softened in 2012 and 2013 as capacity continues to flow into the region. We expect the trend will continue as there have not been any significant catastrophes this year.

The generally soft market in Asia has raised questions about the adequacy of rates. Given intense competition and the deregulation of rates in certain markets, primary writers face negative pressure on profitability, which in turn puts further negative pressure on reinsurers' underwriting performance. Combined with low investment returns, this suggests that the overall return of reinsurers is down.

Nonetheless, the fall in overall return does not seem to have discouraged new capacity from flowing into Asia. As a result, this has undermined reinsurers' efforts to raise prices and challenged them to maintain their pricing on the non-catastrophe exposed lines."

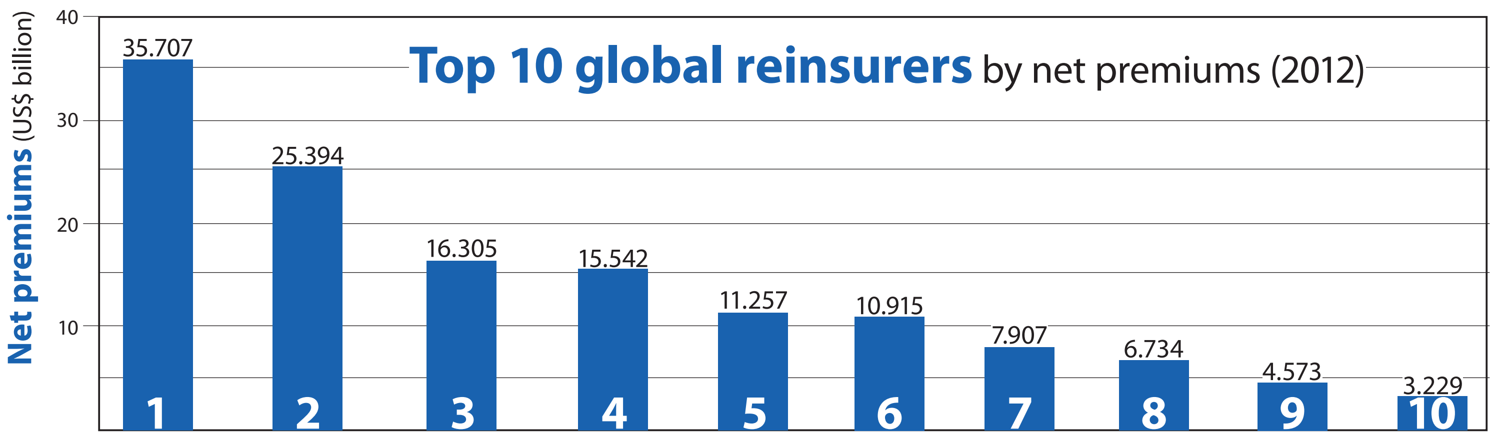
Ms Sally Yim
Vice President – Senior Credit Officer,
Financial Institutions Group,
Moody's Investors Service

"Credit trends for the Asia-Pacific reinsurance market have improved over the past year after the record catastrophe losses in 2011, amid stabilised capital positions and stronger earnings generation. In 2012, the sector's earnings were weak, partly hurt by deteriorating loss estimates from catastrophe-related events in 2011. However, weighted average combined ratio (105%) and return on revenue (1.5%) improved in 2012 from the previous year (127% and -7.3%, respectively).

We expect most of the region's reinsurers to return to underwriting profitability in 2013. However, we anticipate pricing in the Asia-Pacific property catastrophe reinsurance market to soften after the spike in premium rates in 2011-2012 which buoyed opportunistic capacity availability. We believe the abundance of reinsurance capacity in the region is depressing pricing in non-catastrophe lines.

We also note an improvement in the sector's risk management framework and controls, partly driven by regulatory requirements and incurred losses in 2011. However, we remain concerned about un-modelled risks in the Asia Pacific. Global economic uncertainty may also slow growth and increase investment volatility for reinsurers in the region."

Ms Reina Tanaka (Tokyo) and
Mr Philip Chung (Singapore)
Analysts, Standard & Poor's



Sources: SCOR (based on annual reports), S&P, Argus

Far East shines in Asia Insurance Industry Awards

Insurance players from East and Southeast Asia have emerged winners in several categories at this year's Asia Insurance Industry Awards, held in conjunction with the SIRC.

Bagging the Life Insurance Company of the Year award was Great Eastern Life Assurance, the oldest life insurance group in Singapore and Malaysia, which impressed judges by constantly evolving to meet market demands. The General Insurance Company of the Year award went to Cathay Century Insurance of Taiwan, whose solid financial performance, product innovation and community contributions made it a worthy winner.

China-based companies received two accolades: the Risk Manager of the Year award went to China Pacific Property Insurance for its comprehensive understanding of risks and sophisticated risk management techniques, while the Service Provider of Year award went to MSH China for its achievements in the high-end health insurance market.

Southeast Asian companies shone in several categories, including Innovation of the Year, which was awarded to AIA Singapore for its interactive Point-of-Sales (iPos) system. The Corporate Social Responsibility Award was awarded jointly to Dai-ichi Life Vietnam and Muang Thai Life Assurance for their contributions to local communities.

From Indonesia, Mrs Evelina Fadil Pietruschka, President Commissioner of WanaArtha Life was honoured as Personality of the Year, while Mr Hwang Soo Jin, Emeritus Chairman of Singapore Re and Mr Charles C T Wang, Chairman of Zurich Insurance Taiwan were jointly awarded the Lifetime Achievement Award.

International bigwigs in the region were also recognised for their achievements. Swiss Re repeated its winning streak by clinching both the General and Life Reinsurers of the Year for their excellence in delivering client-focussed solutions, while Aon Benfield's industry leadership following the catastrophes of 2011 placed it in the lead as Reinsurance Broker of the Year. Meanwhile, MetLife Asia Pacific's mobile application providing customers with 24/7 real-time self-service was recognised as the Technology Initiative of the Year.

The winners, honoured yesterday at the Marina Bay Sands, were selected from a shortlist of 40 finalists by 31 distinguished leaders serving on the Panel of Judges.

Roll of Honour

Life Insurance Company of the Year
★ **Great Eastern Life Assurance**

General Insurance Company of the Year
★ **Cathay Century Insurance**

Educational Service Provider of the Year
★ **Australian & New Zealand Institute of Insurance & Finance**

Innovation of the Year
★ **AIA Singapore**

Service Provider of the Year
★ **MSH China**

Risk Manager of the Year
★ **China Pacific Property Insurance**

Broker of the Year
★ **Unison Insurance Broking Services**

Reinsurance Broker of the Year
★ **Aon Benfield**

General Reinsurer of the Year
★ **Swiss Re**

Life Reinsurer of the Year
★ **Swiss Re**

Corporate Social Responsibility Award
★ **Dai-ichi Life Vietnam**

Technology Initiative of the Year
★ **MetLife Asia Pacific**

Personality of the Year
★ **Mrs Evelina Fadil Pietruschka**

Lifetime Achievement Award
★ **Mr Hwang Soo Jin**
★ **Mr Charles C T Wang**













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(L-R): Editor-in-Chief: Sivam Subramaniam • General Manager: Sheela Suppiah-Raj • Deputy Editor: Wong Mei-Hwen • Journalists: Benjamin Ang, Dawn Sit, Ridwan Abbas
Design & Layout: Charles Chau, Angeline Tsen