

EAIC Daily

Day 2

Wednesday • 31 October 2012

Published by:

Media Partner:

Sponsors:

ASIA INSURANCE REVIEW

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Internalising new realities will help ensure growth



Governor Tan Sri Zeti Akhtar Aziz

Insurers' ability to internalise the new realities of the business and to carry out strategies aligned with these realities will give them the strongest assurance for growth as the industry looks ahead to the future, said Bank Negara Malaysia Governor Tan Sri Zeti Akhtar Aziz in her keynote address yesterday.

"With a clear view of the important role that insurers have in serving and supporting the economy, there is every potential for this to be realised," she said, noting that the trends shaping East Asia's socio-economic landscape suggest continued good growth prospects for insurers.

"Indeed, the insurance industry will assume a much larger role in providing the essential financial underpinnings for economic activity and social development in Asia by addressing the wide range of risks that businesses and individuals face in this new and more challenging environment," she said.

She identified the much faster pace at which forces of change are taking place in East Asia, the significantly more demanding regulatory environment of insurers, and the impact of climate change as factors East Asian insurers need to pay attention to. "This thus calls for a greater urgency in responding to these developments," she said.

Noting that while East Asian insurance markets face different challenges and priorities, she said that they share three important common goals: sustaining growth and performance under challenging economic and financial conditions, boosting capacity to support and drive economic transformation, and building resilience to withstand future shocks and economic cycles.

A dream for an insurance world that is a pull...

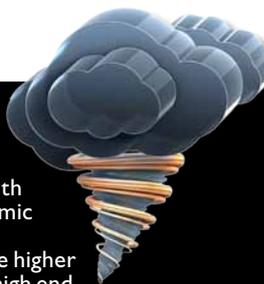
"I have a dream that the insurance world becomes a 'pull' rather than a 'push,'" said Mr Mark Saunders, Towers Watson's Managing Director, Asia Pacific, Insurance Sector and Risk Consulting & Software Practice Leader, in his keynote presentation yesterday. "I am sick and tired of the old adage that insurance is sold. I know it's true, but it doesn't mean it has to be true. It can be changed," he said.

Believing that collectively, the industry can change it, he said that in changing insurance from push to pull, insurers need to provide what customers "want". "And we need an industry which we can be proud of, so that at the end of this conference when we go out of this room, the staff are lined up outside and they applaud us because of the great industry we work in. What a lovely world that will be. But the problem is, we are too change-averse."

In moving minds in the industry, he urged insurers to focus on awareness + appreciation of insurance, customer centricity and the issue of ageing, and to work with governments to build public-private partnerships.

He then went to remind the delegates of three objectives people and businesses should have:

- Do well by doing good.
- Live long and live well.
- We can make a difference – so let's move minds.



Hurricane Sandy kills at least 16; insured losses could hit US\$10 bln

Hurricane Sandy's death toll reached at least 16 yesterday, with the insured losses estimated at \$5-10 billion and total economic damages at \$10-20 billion, according to EQECAT.

Even at the low end of EQECAT's estimate, insured losses will be higher than the \$4.3 billion losses from last year's Hurricane Irene. At the high end of the estimate, Sandy's damage will exceed 2004's Hurricane Charley's inflation-adjusted insured losses of \$8.8 billion, and rank as the fifth-most expensive hurricane.

Delegates urged to learn from CATs like Hurricane Sandy

Saying that insurers in East Asia should transform snow after years of talk about going back to basics, EAIC President Teddy Hailamsah called on the industry to learn from catastrophes taking place all over the world, particularly from Hurricane Sandy, which he said served as a timely reminder to delegates as it hit the US east coast right before the EAIC's opening.

"Everybody is competing with one another and offering cheap rates. We have to learn a lesson, with catastrophes taking place one after another," he said. "It is a strategic direction for us to really look into what is happening in the world, with the rapid growth of developments."

He also noted the challenge of meeting the needs of today's customers, who are becoming increasingly demanding. "It is difficult to serve the clients now. You need to have innovation, to come up with new things, to do things earlier, and to offer all kinds of services."

He then urged the East Asian insurance industry to look at future issues, such as the next or young generation.

"We have to change the paradigm of how we do our business. In those markets where players are not obeying the parent (regulator), you have to change the paradigm. In those markets that are already obeying the parent, bow down with sense and heart," he said, adding that EAIC members should also look into the important issue of building talent for the industry.

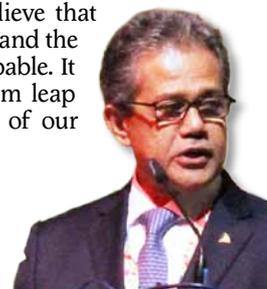


Time to take a quantum leap

"I believe that many of us, especially in East Asia Pacific region, have witnessed the growth of our respective industries together with the EAIC. Many of us believe that we have arrived at a crossroads, and the need for transformation is palpable. It is time for us to take a quantum leap to meet the future challenges of our unique industry."

Mr Hashim Harun

Chairman,
26th EAIC Organising Committee



EAIC Market Reports



The non-life sector recorded a drop of 7.99% y-o-y in gross premiums due to lower premiums from Contractor's All Risks in 2011. The life sector also recorded lower gross premiums, declining 2.2%. For takaful operators in the life sector, gross premiums also decreased by 10.4%. But their non-life gross premiums recorded a jump of 31.18%

Ms Helen Yeo
Bandar Seri Begawan



The life sector in the Philippines recorded a jump of 22% y-o-y to PHP86.3 billion (US\$2.09 billion) in total premium income last year, while the non-life sector posted a growth of 7.5% in total gross premium income. The sectors are expected to continue their growth in 2012 by 16% and 8%, respectively.

Mr Peter Coyuito
Manila



Following the 2011 floods, the general insurance industry was greatly affected by the drastic shrinking of reinsurance capacity and increase in reinsurance costs. In response, the government established a main flood protection plan with a budget of THB350 billion (US\$11.38 billion) as well as the Natural Catastrophe Insurance Fund in January 2012 with a budget of THB50 billion to provide reinsurance support to the non-life sector.

Mr Jiraphant Asvantanakul
Bangkok



The Cambodian insurance market consists of one reinsurer, six non-life insurers, one broker and one agent. Two life insurers – Manulife Insurance Co and Cambodia Life Insurance Co – were given the green light in the middle of this year. Since year 2000, the insurance market has grown at an average rate of 26% per annum.

Mr Chhay Rattanak
Phnom Penh



Around 9% of new life business in Hong Kong was sold to Mainland residents. Last year, office premiums of new policies issued to Mainland visitors amounted to HK\$6.3 billion (US\$812.88 million). This upward trend has been observed in the past decade. In the last three quarters of 2005, these policies accounted for only HK\$1,820 million.

Mr Alex Chu
Hong Kong



The inflation-adjusted growth rate of Korea's total premium income stood at 5.3% in FY2011. The country's insurance penetration rate remained the sixth highest in the world, increasing by 0.4 percentage points from 2010 to reach 11.6% in 2011, thanks to the recovery of the non-life business whose penetration went up by 0.3 percentage points.

Mr Nam-Deuk Chun
Seoul



The Indonesian insurance market offers great potential as the current penetration rate remains low at 2% of GDP. With a population of over 240 million and the development in various industries such as infrastructure, the market will continue to grow substantially. And with OJK as the new regulator, the industry is expected to develop faster and more robustly.

Mr Kornelius Simanjuntak
Jakarta



There are now 13 life, 51 general, five composite insurers, as well as 32 reinsurers in Singapore. The Lloyd's platform in Singapore now has 25 service companies. There are also 59 captives in the country, and general insurance agents and insurance brokers now number 8,697 and 94, respectively.

Mr Derek Teo
Singapore



Over the next 10 years, Malaysia's Financial Sector Blueprint is expected to shape the development of the insurance industry. A strategic action plan had been mapped out for Malaysia to become a high-income economy by 2020. Among other things, the government continues to raise the standard of governance and risk management to strengthen the country's financial institutions.

Mr Vincent Kwo
Kuala Lumpur



Taiwan continues its strong cross-strait cooperation with China and as of May 2012, the FSC has approved nine applications for equity investments as JVs in China, with six of them already approved by the CIRC. So far, 12 Taiwanese insurers have set up 14 representative offices in mainland China.

Mr Warren W J Tseng
Taipei



There is a continuing and accelerating economic cooperation and integration between Macau and the Mainland. The opening up of Hengqin Island in Zhuhai to Macau is a significant step towards the integration of Macau and the Mainland economically, socially and culturally. These developments will greatly benefit not only the insurance industry, but Macau as a whole.

Mr Chris Ma
Macau



Following the Great East Japan Earthquake, life insurers used every available resource to contact over 2.9 million customers in three affected prefectures, and as of March 2012, they had succeeded in reaching out to 99.97% of the customers. In the non-life sector, 92.5% of reported claims were either settled or investigated just 100 days after the earthquake struck, with more than JPY1 trillion (US\$12.52 billion) of claims paid.

Mr Katsutoshi Saito
Tokyo

Transforming the East Asian insurer The Game Changer

Living in a time of sophisticated customers, unstoppable rise of social media, volatile investment environment, ageing population, and increasing Nat CATs, the East Asian insurer faces a sea of change. But what stands out as today's game changer?

Social media – A fertile ground for innovative ideas

The key for an insurer in East Asia is to invest in innovation and intelligence and in doing so tackle the emerging opportunities and potential challenges currently faced. While there will always be a significant place in distribution for professional agents and brokers, a forward-looking insurance company will exploit social media.

Going forward, I anticipate East Asian insurers will find social media a fertile ground for innovative ideas, while at the same time a place to listen more closely to what the consumer is saying and wants. In return, insurers will have a responsibility to use social media as a platform for educating customers on the importance of risk management and the value of insurance.

Volatility, ageing population and Nat CATs are in many ways the *raison d'être* for our industry. The catastrophes in this region have seen an increase in recent years and this may be something of a "wake up call" for insurers. I believe better catastrophe modelling and a renewed emphasis on science, with a deep focus on analysis of historical claims data, will reshape the way the industry approaches pricing and underwriting in future years.

Mr Leslie Mouat
Chairman, Asia Pacific, Chartis Asia Pacific

Customer centricity is the way to go

Asia will undoubtedly present significant opportunities, and challenges in the coming decade; only those who adapt will thrive in this environment.

What are the game changers for re/insurers? Being customer-centric is certainly the right way to go – listening more intently to clients, understanding their needs, and crafting more effective solutions to meet their evolving needs will help differentiate industry leaders.

The global macroeconomic outlook and its related implications, including a low interest rate environment, mean that the balance between investment returns and underwriting performance will become more important. While regulatory concerns, among other things, will place a premium on capital management, the frequency and severity of Nat CAT events will also remain a top priority for all stakeholders in the industry, including governments.

Lastly, we have to move further and ask: How can we make ourselves more relevant to society? The challenges and the changing risk landscape are not just affecting our industry; they are relevant to society as well. I believe re/insurance can play a greater role in our changing society.

Mr Moses Ojeisekhoba
CEO Reinsurance Asia, Swiss Re

Trust Re eyeing a greater slice of the Asian market



With the discussions at the EAIC today focussing on “Being the Preferred Choice”, we bring you an interview with **Mr Fadi Abunahl**, CEO of **Trust Re**, whose vision is to be the “Reinsurer of Choice”. As the 24 year-old Bahrain-based reinsurance company, with branches in Malaysia and Cyprus, eyes a greater slice of the Asian reinsurance business, we look at what is drawing more Arab reinsurers to the region as well as Mr Abunahl’s assessment of the Asian marketplace and what added value Trust Re can bring to clients in the region.

Q What is drawing you to Asia?

I would say we are being drawn further to Asia. Trust Re has been writing business in Asia for over a decade now and the region contributes to a significant portion of our income. Asia continues to see economic growth in the various sectors and directly contributes to its insurance industry’s growth. Our strategy is to be closer to our clients and to the markets we operate in, and this requires that we further enhance our presence in the region.

Q How has your experience in Asia been so far?

We look at Asia as a professional lead market. Our experience with it has been very good. Trust Re has been one of the well-received reinsurers in the region and has experienced good partnerships and relations with the local insurers and clients. Our underwriting experience has been good overall, despite the increased Nat CAT frequency in the past few years.

Q What added value does Trust Re bring to its clients in Asia? What makes you different?

We are a company that looks for partnerships and ways to develop opportunities beyond insurance and reinsurance. For example, we are highly active in reinsurance in the Middle East & North Africa (MENA) region and a part of an insurance group that has direct insurance companies in several countries that currently enjoy the presence of Asian contractors, oil and gas operators, and property developers. We are able to assist these clients in terms of exchanging information, reciprocating business, servicing and assisting their clients that are operating overseas, etc.

Despite the difference in our time zone from that in Asia, we are proud of our turnaround time and ability to close a deal, perhaps before another underwriter does in Singapore. We have the ability to lead, especially in oil and gas, and we are one of the most active players in Asia in this sector. Recently, we have also started writing

Renewable Energy, which is one of the expanding industries in Asia. Simply put, we are a company that keeps up to date with its clients’ needs locally and abroad. We have a proven track record of being the first to pay after proof of loss, and our promise is a 24-hour turnaround for quotations.

Q What are your expansion plans for Asia?

In the short term, we will continue to grow our Asian operation from our Kuala Lumpur office. Recently, we have completely shifted our Asian treaty book (including China, South Korea, and Taiwan) to our Labuan operation. We are currently seeing a significant growth in our Chinese book, which would entail a long-term presence. Asia will also act as our base as we further expand our geographical footprint into Australasia in the coming years.

Q What would you say is the secret of Trust Re’s success to date?

We have done an amazing job in the past few years. The secret of our success is definitely the team at Trust Re which believes in success and stands with its leadership and board. We have built a highly qualified team of claims experts with a professional cash flow management system, which gives us the ability to settle claims promptly. We continue to work hard to transform and evolve the company to be the reinsurer of choice in the markets in which we operate.

Trust Re

Paid -up Capital	: US\$100 million
Shareholders’ Equity	: \$211.8 million
GWP in 2011	: \$306.4 million with 23% growth (Asia GWP: 50%)
A.M. Best Rating	: A- (Excellent) effective 30 August 2012



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IAIS 2013
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CHINESE TAIPEI
October 16-19, 2013

M&A scene buzzes and bustles



Led by the boom in Malaysia, East Asia's insurance M&A scene bustles with activities this year. We list the deals that have been sealed so far.

East Asia

- ▶ ING is selling its life, non-life, pension and financial planning units in Hong Kong and Macau, and its life operation in Thailand to Pacific Century Group for a total of US\$2.14 bln in cash.
- ▶ HSBC sold its non-life businesses in Hong Kong, Singapore and Mexico to AXA for \$494 mln. It also sold Hong Kong-based Hang Seng General Insurance to QBE.

Indonesia

- ▶ Mitsui Sumitomo Insurance acquired a 50% stake in life insurer PT Asuransi Jiwa Sinarmas for IDR7 tln (\$800 mln).
- ▶ ACE bought non-life insurer PT Asuransi Jaya Proteksi for about \$130 mln in cash.
- ▶ Japanese insurer Meiji Yasuda Life Insurance raised its stake in PT Avrist Assurance to 23% from 5% for reportedly JPY8 bln (\$100.3 mln).

Japan

- ▶ Nippon Life took a 1% stake in regional insurer AIA for about \$430 mln.

Korea

- ▶ Tiger Holdings LP acquired Korea Asset Management Corp's 9.93% stake in Kyobo Life Insurance at KRW230,000 (\$197.94) a piece to raise a total of KRW468 bln (\$402.9 mln).
- ▶ AXA SA bought motor insurer Ergo Daum Direct for an undisclosed amount.

Malaysia

- ▶ ING is selling its Malaysian life insurance unit, employee benefits business and 60% stake in ING Public Takaful Ehsan to AIA Group for a total of EUR1.3 bln (\$1.67 bln).
- ▶ AmG Insurance bought Kurnia Insurans for MYR1.627 bln (\$538.18 mln).
- ▶ Tokio Marine Insurans took over domestic insurer MUI Continental Insurance for MYR180.23 mln.
- ▶ Tune Group acquired a 77.9% stake in Oriental Capital Assurance for MYR153.13 mln.

Thailand

- ▶ Canadian insurer Fairfax bought a 25% stake in Thai Re for approximately \$70 mln.

Sounds of the night

Delegates to the 26th EAIC were treated to the beautiful music of drums and gongs, and the sounds of hammers and mallets as delegates relived the experience of pewter-making in Kuala Lumpur's olden days.



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