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Asian (re)insurers – Time to dream big

Asian insurers and reinsurers have certainly come a long way and it is time to dream big.

Earlier this year, Korean Re announced its ambition to be one of the top three reinsurers in the world, unveiling its Vision 2050 with a three-stage roadmap including a specific set of goals along the way. Eventually, Korean Re aims to be a top-three player in the world with a gross written premium of KRW106 trillion (US\$100.51 billion) and a net profit of KRW6.4 trillion. It also targets to increase the share of its overseas business to 80% so as to become a household name in the global reinsurance market.

Indeed, Asian players are starting to flex their muscles and looking to boost their share and stature in the market.

The Asian advantage

Asia is one of the most important regions when considering the future strategy as a (re)insurer, said **Mr Tomoatsu Noguchi**, Chief Executive, Toa Re. Asia enjoys the most rapid economic growth compared to other regions of the world, and the need for infrastructure is expected to increase going forward. In addition, the low penetration rate of insurance in Asia is expected to increase in future with the progress of urbanisation and industrialisation, he said.



Mr Tomoatsu
Noguchi

Being an Asian (re)insurer has its advantages. **Mr Ashok K Roy**, Chairman cum Managing Director, GIC Re is of the opinion that being close to the cedants matters. "Despite the fact that reinsurance is a cross-border business, it is the relationship, proximity, and credibility about settling claims to the satisfaction of the cedants that matter," he said.

On technical expertise, he also added that technically and professionally, the Asian reinsurers have always been proactive and have measured up to global benchmarks.

Dr Reto Brosi, Chief Executive, Asia Capital Re, said the deeper understanding of local risk landscapes and business cultures means that Asian (re)insurers are able to develop, for example, dedicated insights, products, and models that are more relevant for clients in the region. "Clients will particularly appreciate this as they are looking for solutions that are helpful to them 'here and now', rather than how something is developing in a country at the other end of the world map," he said.



Dr Reto Brosi

Overcoming comparatively smaller capitalisation

As for weaknesses which may stand in the way of Asian (re)insurers' rise, the main issue often cited is the smaller capitalisation when

compared to international players.

While this is generally true, **Mr Jong-Gyu Won**, President & CEO, Korean Re, said that to overcome the challenge of smaller capitalisation now, Asian (re)insurers can take a leaf out of the book of Lloyd's, which is a testament to the old saying of "many drops make a shower". Lloyd's has become a powerful marketplace through a collaborative structure where a number of insurers come together to pool risks and build capacity to cover them.



Mr Jong-Gyu
Won

Asian (re)insurers also stand to gain a lot when working together to make sure that risks in Asia are covered regionally as much as possible, he said. Asian players should seek ways to cooperate in underwriting mega risks so the scope of business and capital base can be expanded. A good example is a nuclear insurance pool, which demonstrates that cooperation enables the insurance industry to pool capacity and jointly cover risks no matter how big the risks are, he said.

"In this regard, it is important to build consensus throughout the insurance community that cooperation can be more effective than competition in achieving growth across the board," said Mr Won.

Cooperation or competition, there is no stopping the rise of the Asian (re)insurers.



**EAIC Executive Board meeting:
First on the menu**

led by EAIC President Vincent Kwo, the EAIC Executive Board meeting yesterday marked the first official activity of the 27th EAIC where discussions include modernising and further improving the organisation, the venue for the next congress, and even a call for doing greater good as an organisation to help the less fortunate in the society.



Mr Vincent Kwo



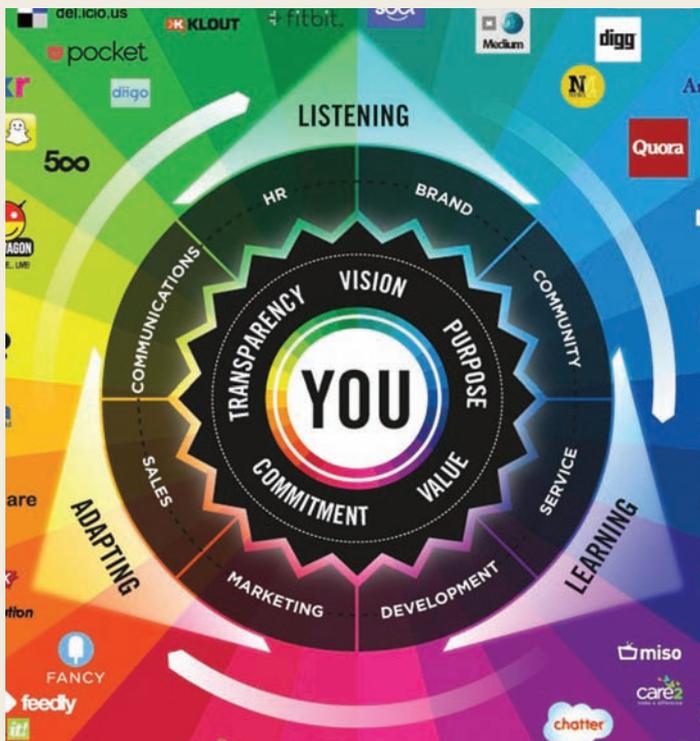
From social media to social commerce:

Dream or reality?

Digital developments are one of the main drivers of change, reshaping customer expectations, making products, services and prices easier to compare, and opening up the market to a new breed of data-rich entrants and startups. In a market where the depth of customer-centricity is the key differentiator, digital also opens up sharper ways to engage customers, understand their needs and provide customised solutions, according to a recent PwC report on leveraging the potential of the digital age.

Despite these observations, when it comes to the insurance industry, the social media trend may still be a relative puzzle of digital platforms and online interaction. Below is a visual map developed by Brian Solis, a Principal at Altimeter Group, a research firm focussed on disruptive technology, as well as explanation from his website that would hopefully provide a clearer overview of what social media is, and perhaps even spark an idea on your next social media strategy.

The Conversation Prism



Source: Brian Solis, Altimeter Group

The hub of The Conversation Prism is comprised of four concentric circles that visualise a continuous cycle of renewal. There are four halos and each halo builds upon the other to advance strategies and intentions as we experiment, learn and improve.

Halo 1: Bringing it home – the brand “YOU”

The centre of TCP is literally “you”. This is intentional. You have no business creating a presence in every network. You should only manage a presence where it is warranted. Whether you are merely listening or building communities, the idea is to explore your opportunities beyond the usual suspects (Facebook, Twitter, YouTube, Instagram, Pinterest, Vine, et al) and find the networks where you can gain or introduce value. Value is to be defined however as it is not solely relegated to

traditional ROI. Brand resonance or equity, relationships, reciprocity, thought leadership, intelligence etc, are all on the table.

Halo 2: Vision. Purpose. Value. Commitment. Transparency.

Once you have defined the “you” and the role you play or wish to play in social, consider the pillars for meaningful engagement.

- **Vision** – What is your vision for social media and how would you articulate it to your executives and stakeholders.
- **Purpose** – What is the motivation or grounds for social media and how can it be justified against other investment opportunities?
- **Value** – Social and relationships involve more than one party and value must be mutual. What is the value you intend to deliver and how will you assess and communicate value?
- **Commitment** – Before you invest in social, understand the commitment necessary to provide and gain value as you scale. Allocate accordingly.
- **Transparency** – This is an era of business where information is not only democratised; networks and nodes are becoming human. It is essential that all of the pillars above are communicated and enlivened in all you do and say.

Halo 3: Brand, lines of business and corporate functions

Social is not a silo or a function. It is a way of business. It is intended to mature business perspective from a command and control mentality to that of engagement and openness. As such, it is bigger than marketing; it affects employees, customers and all of the processes and systems that exist between them.

Halo 4: Always be improving (ABI) – Listen. Learn. Adapt.

Often, there is what you want to talk about and what they (customers and employees) want to talk about. Mutual value lies somewhere in the middle. It is often said that the best listeners make the best conversationalists. The last stage in the centre of The Conversation Prism reminds us of the importance of listening. In doing so, we learn and adapt to improve all that we do inside and outside the company.

Each of the concentric circles is designed to work together, to help you improve strategies and results to improve the way you work; how you build relationships with employees and customers; the ability to create and improve better products, services and experiences; and overall, the role you play and the stature you earn as a result.

Alternative capital and growth opportunities in Asia: A broker's view



The influx of alternative capital has no doubt made its impact on the global insurance market, and Asia is no less immune to this phenomenon. But what does this mean for traditional insurers in this region? **Mr Malcolm Steingold**, Chief Executive Officer of Asia Pacific, **Aon Benfield**, gives his take on the turn of events, as well insights on the growth opportunities in Asia.

Q: What are the key themes for this year's EAIC?

A: At a macro level, which reinsurer financial model or combination of models really serves client needs best; how do you embed your value in your client; leveraging information for growth, client retention, pricing, deepening relationship and future understanding; central bank actions, inflation and investment environment concerns. More locally, true buying motivations. Product development, be these in the golden oldies – multiclass, multiyear; in the future blockbusters – cyber, health, agriculture; and then certain specialist classes with variable loss experience.

Is this a buyers' market, pure and simple?

In most businesses and lines, that's broadly true – in particular, recent records are good in volatile lines with significant supply available. There are, of course, individual client experiences and classes that belie this trend. Areas of aviation, marine, agriculture and political risks may all require different kinds of attention. New products such as cyber risk and the more contemporary classes demand considerable thought and marketing, depending on the geographic region in which they reside.

Is the traditional reinsurer model threatened by the combination of alternative capital vehicles and ILS?

Alternative capital is an influential force in the market today. It contributes to the challenge of sustainable pricing levels in targeted high-margin classes such as property, excess of loss reinsurance and retrocession. Activity outside of these classes is growing. For some portfolios in which catastrophe business has subsidised weaker margins in other classes, the impact will be acute.

However, it is important for cedants to keep a sense of balance in their relationships. You have to respect the past; you have to think about connections and security. It is worth remembering that while we are in one kind of market today, conditions can change and tomorrow the market might be quite different. It is unlikely that the market will turn as dramatically as it has in the past, but change is inevitable. If your cost of capital is being substantially lowered by a counterparty, in the absence of anything as compelling, of course clients will be at times, understandably tempted.

What are the implications of all this competition for the longstanding reinsurers?

The current climate has energised messaging around the value represented by the longstanding reinsurers in terms of their consistency and continuity and the multi-class capability they possess. Expressing this more forcefully and really determining what a key client is to them will be of huge importance to the established reinsurers. I am still of the view that strong platforms with dynamic leaders, with history of substantial investment in their businesses, will prevail.

What aspects of Aon Benfield's service are particularly emphasised in the prevailing environment?

Being attentive transactionally, spotting market opportunities before anyone else, caring more than our competitors, bringing new products to market – for instance, exporting products from one region of the world to be deployed in another. Advancing our risk knowledge through increased investment in our data analytics capability, and advising clients on growth strategies, remains central to our proposition.

Outside the property-casualty segments, I think we will develop

our life business further and also grow our health business where we have a tremendous advantage through our association with Aon Hewitt.

Where are you seeing growth opportunities across Asia in terms of countries and lines of business?

Growth in the reinsurance sector is driven substantially by three factors. Economic growth, losses and regulatory changes. We see growth opportunities across all the economies of Asia. The scale of the opportunity varies substantially from country to country and is a function of a combination of factors including GDP growth, level of insurance penetration and size of population.

Taking these factors into account China and Indonesia are the obvious standouts. The Philippines economy is starting to show some promise and is certainly not a market to be ignored in the short to medium term. Thailand also has potential but has recently been held back because of political instability.

Where the growth opportunities lie in terms of lines of business is very country specific. In countries with healthy GDP growth and burgeoning middle classes, Life and Health will continue to offer growth opportunities.

The P&C sector in most countries in the region is subject to strong competition in the “vanilla” motor and property lines of business. Specialist classes like Marine, Engineering, Agriculture and Financial lines insurance will continue to provide growth opportunities for those insurers who have both specialist expertise and are able to offer innovative products. Engineering insurance, for example, provides scope for specialist insurers to grow in those economies that are investing in big infrastructure projects. A standout in the near future with its new government must be Indonesia.

What can “emerging” insurance industries in countries such as Vietnam and Malaysia learn from markets such as Singapore and Australia?

Firstly, I would not call Vietnam or particularly Malaysia “emerging” insurance industries. These markets have been around for quite some time. The Malaysian insurance market has already undergone a significant amount of consolidation with the introduction of risk-based capital requirements. Vietnam on the other hand, has yet to face the challenge of a risk-based capital regime as sophisticated as Singapore and Australia, So I guess the one area the industry there could learn from these markets is disciplined capital management. Vietnam also would benefit from these markets by secondments to develop underwriting expertise and product development.





EAIC reunites

Delegates turned out in full force at the welcome reception last evening to renew old friendships and foster new ones. The warm hospitality of our Taiwanese hosts was the perfect start to this year's conference.



Winners of Asia Insurance Industry Awards unveiled

The annual Asia Insurance Industry Awards (AIIA) has announced this year's list of winners in the 15 categories contested.

The AIIA, hosted by *Asia Insurance Review*, is now in its 18th year and has become a much sought-after mark of excellence and peer group endorsement for insurance players and professionals in the market.

A total of 33 distinguished judges, drawn from a cross-section of industry leaders, regulators and experts, presided over the selection process, which included meeting the shortlisted finalists for face-to-face interviews in the final round of judging in Singapore.

Kudos to all participants this year, and congratulations to our worthy winners!



18th Asia Insurance Industry Awards 2014

Roll of Honour

- Life Insurance Company of the Year**
- ◆ **Muang Thai Life Assurance Public Company Ltd**
- General Insurance Company of the Year**
- ◆ **Bajaj Allianz General Insurance Co Ltd**
- Educational Service Provider of the Year**
- ◆ **Australia and New Zealand Institute of Insurance & Finance**
- Innovation of the Year**
- ◆ **Apollo Munich Health Insurance Co Ltd**
- Service Provider of the Year**
- ◆ **MDIndia Healthcare Services (TPA) Pvt Ltd**
- Corporate Risk Manager of the Year**
- ◆ **Mr Franck Baron, International SOS Singapore**
- Broker of the Year**
- ◆ **Mahindra Insurance Brokers Ltd**
- Reinsurance Broker of the Year**
- ◆ **Aon Benfield**
- General Reinsurer of the Year**
- ◆ **Swiss Reinsurance Company**
- Life Reinsurer of the Year**
- ◆ **Swiss Reinsurance Company**
- Corporate Social Responsibility Award**
- ◆ **Prudential Vietnam Assurance Pte Ltd**
- Technology Initiative of the Year**
- ◆ **Bharti AXA General Insurance Co Ltd**
- Employer of the Year**
- ◆ **Swiss Reinsurance Company**
- Personality of the Year Award**
- ◆ **Dr Jagath Alwis, Ceylinco Insurance PLC**
- Lifetime Achievement Award**
- ◆ **Mr Nasir A Choudhury**



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