

EAIC Daily

The Official Newsletter of the 23rd East Asian Insurance Congress

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INSIGHT

East Asia Takes Centrestage

The wait is finally over and the EAIC is upon us. More than 850 insurance executives will descend upon Bandar Seri Begawan, one of the region's smallest markets to attend the premier biennial event in the insurance calendar. This is the earliest meeting ever of the EAIC, in its 46-year history, and takes place during a time of heightened awareness for emerging risks like pandemics and a renewed focus on terrorism.

The Stage is Set

The theme of the 23rd EAIC in Bandar Seri Begawan, "East Asian Insurance at the Crossroads of Growth and Profitability" is especially timely and echoes louder with the growing influence and development of East Asian markets in relation to their industrialised counterparts. According to Swiss Re's Sigma latest statistics, East Asian insurance markets registered the highest growth rates in 2005, with EAIC markets Japan, Korea and Taiwan among the top 10 largest insurance markets in the world.

This focus on growth and profitability is especially necessary with the growing emphasis on underwriting profitability as rates in the region tumble and the industry grapples with new risks and catastrophes.

The challenge for delegates, apart from leveraging on the vital networking opportunities at the EAIC, is to give greater seriousness to the challenges at hand and obtain real value from high-level presentations and panel discussions at the event.

Life Gets More Attention

Life players, who often gripe that the EAIC does not pay sufficient attention to their challenges, and is often regarded as predominately a non-life gathering, would be pleased to note that this year's gathering has a solid offering of life issues that will help redefine distribution dynamics of the business to meet the growing demands of the ageing population and consumer's desire for wealth management.

Defying the Odds

On a lighter note, the Organising Committee from Brunei, headed by the lovely Ms Dorothy Newn must be commended for rising to the challenge and hosting the conference in their tiny market. With more than 850 insurance executives attending the conference in the "dry" land of Brunei, it lays to rest the myth that reinsurers and insurers only meet to booze.



L to R: Ms Wendy Koh (Editor), Ms Irene Yeo (Deputy-Editor), Mr Sivam Subramaniam (Editor-in-Chief) and Ms Wong Mei-hwen (Journalist)

This success in attracting such a large number, reiterates the fact that the EAIC has established itself as a revered institution that has the power and pull of its own to attract delegates in the droves. Since its inception in 1962 in Tokyo, it has established the credibility to be the authoritative body to set the tone of success among the East Asian markets.

So this year, as we gather in the tiny sultanate of Brunei, and engage in interesting discussions over the next four days, let's also think about how to produce enduring initiatives that will continue to invigorate the EAIC movement



EAIC
FACTS AND FIGURES

The **first** EAIC meeting was held in **Tokyo** in October **1962**.



EAIC member cities are:



Mr Chai Sophonpanich is the President of EAIC Main Executive Board for the 2004-2006 period.

Bandar Seri Begawan is hosting its first-ever EAIC in 2006.

Hong Kong and Macau has hosted it once in **1986** and **1998**, respectively.

Tokyo, Manila, Bangkok and Seoul have each hosted the conference **3** times, while Taipei, Kuala Lumpur, Jakarta and Singapore have all hosted **twice**.

More than **1,200** delegates attended the 22nd EAIC in Bangkok in 2004.

This year, Bandar Seri Begawan has attracted **857** delegates.



Coming Out Tops

It's no surprise that Japan and South Korea are the only two of the 11 EAIC markets to be among the top 10 largest insurance markets in the world.

Japan, the world Number 2, raked in US\$476.5 billion in total premium volume last year, although this shrunk by 3.7% from the previous year. South Korea, the world's 7th-largest market, scored US\$82.9 billion in total premiums in 2005, as well as the highest growth rate of 20.5% among EAIC cities.

Other members are not far behind. The third-largest EAIC market, Taiwan, is ranked 13th-largest in the world, having expanded 14.8% to reach US\$49.0 billion last year.

Growing Fast

With all EAIC markets except for Japan belonging to the emerging markets category, more exciting times lie ahead. Except for Singapore and Japan, all recorded double-digit growth in 2005. Following South Korea, Hong Kong (17.9%) and the Philippines (16.9%) registered the highest growth rates.

In comparison, industrialised countries, generating 88% of world premiums, increased premiums by a meagre 1.9% in real terms to nearly US\$3 trillion. This is slight drop from 2004 (+2%) and below the 10-year average (+3.1%).

Insurance Penetration

In terms of insurance penetration, Taiwan came out tops among EAIC cities at 14.1%. Japan stands at number six (10.5%), South Korea just behind at number seven (10.3%), and Hong Kong is number nine (9.9%).

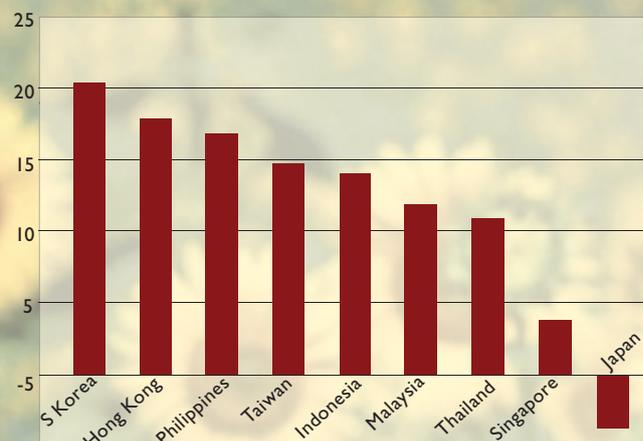
Insurance Density

And in terms of insurance density, Hong Kong leads the way among emerging markets with US\$2,213, followed by Taiwan US\$1,699, Singapore at US\$1,591 and South Korea at US\$1,211. Insurance density in emerging markets increased overall as nominal US-dollar value of premiums grew faster than the population.

Fastest Growing EAIC Markets (Ranked by Total Premium Growth Rate)

Market	World Ranking	Total premium volume 2005 (US\$ million)	Change from 2004 (%)
South Korea	7	82,933	20.5
Hong Kong	24	17,639	17.9
The Philippines	52	1,443	16.9
Taiwan	13	49,005	14.8
Indonesia	41	4,271	14.0
Malaysia	33	7,227	12.0
Thailand	34	6,376	11.0
Singapore	30	10,234	3.8
Japan	2	476,481	-3.7

Source: Swiss Re sigma

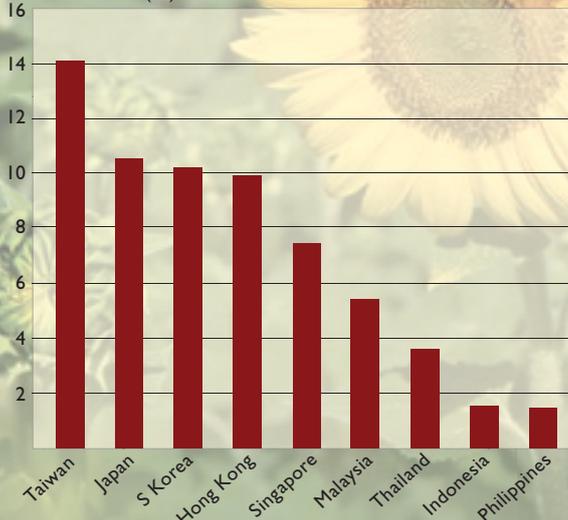


EAIC Markets: Insurance Penetration Premiums in % of GDP in 2005

Market	World Ranking	Total business	Life Business	Non-Life Business
Taiwan	1	14.11	11.17	2.93
Japan	6	10.54	8.32	2.22
South Korea	7	10.25	7.27	2.98
Hong Kong	9	9.93	8.63	1.29
Singapore	20	7.47	6.00	1.48
Malaysia	28	5.42	3.60	1.82
Thailand	38	3.61	1.99	1.62
Indonesia	72	1.52	0.82	0.70
The Philippines	73	1.48	0.91	0.57

Source: Swiss Re sigma

Total Premium as % of GDP (%)



Takaful in East Asia is Big Business

Although just three decades old, the takaful industry is seeing a surge of activity in the region with four new takaful licences issued by Bank Negara Malaysia earlier this year, and a flurry of takaful windows in Indonesia – 25 at last count. Both these countries are important for the region where heightened activity in raising funds and alternative distribution of products and services are also being sought.

Brunei Darussalam and Singapore are also establishing themselves as international financial centres, where Islamic finance and takaful is expected to make significant contributions.

How fast is it growing and where is the potential? Southeast Asia has 250 million Muslims and there are 200 million in Indonesia alone. China has about 39.1 million Muslims. But takaful is more than just insurance for the Muslim market. It is open to all while based on the rules of the Shariah, the Islamic law.

The other potential lies in the insurance penetration in Muslim markets, which is still relatively low as compared their counterparts. The global demand for takaful and retakaful products and services to grow significantly until 2010, when market value is predicted to reach \$10 billion.

Major international players like SALAMA Islamic Arab Insurance and Bahrain's Solidarity, as well as Japan's Millea and international's HSBC Insurance (Asia Pacific) and Prudential Holdings have already made successful forays into regional markets. Most of these are through joint ventures with local players.

Takaful has also grown at 20% worldwide over the last two years, according to industry figures and, as a natural evolution for the industry, standards-issuing boards such as the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic

Insurance Penetration (% of GDP)

Life		Non-Life	
World Average	4.55%	World Average	3.43%
Top 5 (World)		Top 5 (World)	
South Africa	11.43%	United States	5.14%
Taiwan	11.06%	Switzerland	5.02%
United Kingdom	8.92%	Ukraine	4.77%
Japan	8.26%	Netherlands	4.67%
Hong Kong	7.88%	Canada	4.05%
Top 5 (Muslim World)		Top 5 (Muslim World)	
Malaysia	3.52%	Jordan	2.36%
Lebanon	0.95%	Morocco	2.06%
Morocco	0.64%	Tunisia	1.86%
Indonesia	0.63%	Iran	1.18%
Bangladesh	0.37%	Oman	1.10%

Financial Services Board (IFSB) are working with industry players in prudential as well as auditing and accounting standards which will be central to setting up international regulation and accommodating worldwide initiatives and harmonisation.

As the number of players in the market grows, standards regulation will be critical to market sustainability.

The trends for major players are twofold: aggressive expansion into new markets and products, and leveraging networks in domestic markets.

Expertise and capital investment from the Middle East into the region is increasing.

Conventional insurers and reinsurers are also getting into the act through takaful windows, especially in family takaful and marine and aviation takaful which are classes receiving serious attention from multi-national and domestic insurers.

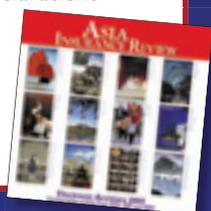
But there are other opportunities in the areas of consulting services, including concept development and testing as well as finance and actuarial services, including mergers and acquisitions.

Additionally, health takaful, which will figure a big part of life takaful, is expected to make a significant contribution to operators' growth over the next five years.

How well do you know the EAIC?

See how well you score on EAIC trivia. The first five to come to our booth with the right answers will be given a copy of the AIR CD-ROM containing articles published by us.

- 1) In which year and city was the EAIC founded?
- 2) What are the top five performing East Asian markets based on total premium income?
- 3) Where and when were the two EAIC declarations made?
- 4) How many times has Brunei hosted the EAIC and when?
- 5) Where will the 24th EAIC be held?



A Renewed Focus On The Market And The Consumers ... The CEO Summit Perspective

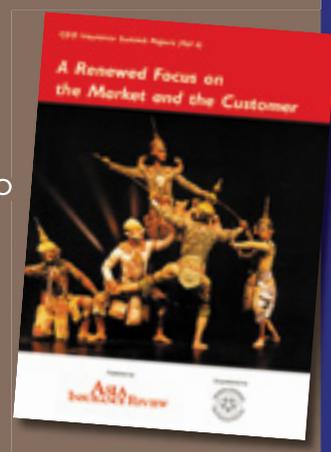
With the growing array of choices offered in the market and increased competition, companies should move away from merely paying lip service to the importance of the customer, and re-look at the ways that they sell.

This was one of the main themes highlighted at the 6th Asian CEO Insurance Summit, under the banner of "A Renewed Focus On the Market and the Customer", presented by 32 expert speakers.

The papers present current and upcoming issues that will drive the market towards greater success and is bundled with a DVD version of the presentations made in Bangkok.

Order your copy today!

www.asiainsurancereview.com/ESTore/6thceo-insurance-summit.asp



Ingredients Of A Perfect Insurance Market

By **Mr Marc Haushofer**, Principal Officer & Chief Executive Officer, Munich Reinsurance Company, Singapore Branch

As a passionate hobby-cook, I like to spend time in the kitchen, especially after a long week in the office, trying out innovative recipes or refining traditional ones. Singapore is a perfect place to pursue this pastime as it offers the best of both worlds – Oriental as well as Western cuisine.

A good way to start the weekend is a trip to the wet market. There, you can choose from a wide selection of extremely fresh victuals and the fun already starts with the challenge of spotting of the most tasteful ones. Sometimes, standing in front of the colorful stalls, I wish it would be as easy to create the Perfect Insurance Market as it is to concoct a delicious feast with these ingredients.

No decent meal in Asia is imaginable without rice. We should never forget, when mulling over the often very technical and peculiar concerns of our industry, that, ultimately, without the most important ingredient, ie the client, there would be no business to haggle about.

In Southeast Asia, various markets such as Indonesia or the Philippines are still characterised by a very low insurance penetration. Due to the humble income of the average population, insurance, even of the most essential goods of a human being such as health or home, is out of question. It is one of the challenges facing the industry to react to this need and to create products that provide even the poor with the means to purchase a certain degree of safety for themselves and their families.

As there is no business transaction without someone providing the goods, a meal needs something more than rice – vegetables or, for a larger appetite, some meat or fish has to be added. Direct insurance companies can satisfy the basic hunger of the customer and often retain the risk themselves especially where private lines are concerned.

For a more lavish dish, however, they need a partner to share the portion. And that is exactly how insurers and reinsurers should interact – as partners. While the primary company has to burden all the expenditures and efforts to actually acquire the business, the reinsurer, especially in the developing markets in our region,

can contribute to the knowhow and global experience to do so profitably.

In the same way any meal needs a binding agent to compound the ingredients – be that flour or starch – a functioning insurance market needs certain ground rules to ensure fair and transparent play. These have to be defined and surveyed by the supervisory body in the respective markets. While the regulations should be concise, consistent and competitive, they also need a certain flexibility to cater for changes in today's fast-moving environment.

A good example is the gradual replacement of the rather general and superficial solvency requirements applied in the past with more exposure related risk-based capital models. This process has been set into motion or accomplished in most of the Southeast Asian markets. As a consequence of the quickly spreading deregulation of tariffs in various markets and lines of businesses, companies have started a sometimes even ruinous competition. The new, often stricter, capital requirements will contribute to a better safeguarding of the interests of the most important component of the concoction, the insured.

In Asia, no meal would be considered as savory without some chili. In the same way a tasty dish needs spices, a functioning market requires competition. Sometimes, although I personally feel that it could very well be dispensed with, ultimately, it is the driving force of the market. Living without it would be like being on a very bland diet. There would be no striving for new products, better services or leaner processes. While it is positive if competition achieves a universal standard of quality, both product- and solvency-wise, it should also not be overdosed – the same way chili is used. When price cutting is used to gain market share at any cost, the marketplace becomes unbalanced. Cashflow underwriting or non-risk adequate pricing can only be sustained by any company for a limited period of time, and the subsequent price hikes to compensate prior losses will ultimately hurt all participants. My advice would be a consistent pricing approach based on a sound technical assessment. It is the same with any tasty sauce – you have to keep it simmering without allowing it to boil.

Now, the last recommendation that remains for me to give – serve it hot or serve it cold? In our days, I would like to compare the diners to the shareholders.

Also among those, you can find gourmets and gourmands. By focusing on instant high yields, the substance of a company might be affected and keep it from achieving sustainable positive results in the future. A certain degree of moderation cannot hurt, both when eating an eight-course Chinese dinner or when demanding returns from your investment.

4



Branding is all about perception.
Whatever people perceive your brand to be, that is what it is.

2 **The power of being first.** Nobody remembers who came in second, even if he is better, so many companies use the “better and cheaper” strategy because they are not the first in the market. However, how many companies have actually succeeded using this strategy?

3 **Create a new category.** If you are not the first, then create a new category where you can be the first.

4 **Narrow your focus.** Focused brands are seen to make more money.

5 **Differentiate your brand.** You must differentiate your product or brand, if not, you have to sell cheap. While there are companies such as Dell and Walmart that succeed on the low-price principle, it is advisable to do this only if you can sustain the price advantage in the long run.

Get a Breakthrough

Insurance is a heavily commoditised market today and brand can work towards being the fundamental driver of choice. There is a lot that can be done to improve the brand value of an insurance company, but most brand owners and managers fail to realise these potential benefits for their shareholders.

Dispelling the myth that branding is only for big companies and is the job of the marketing department, here are 10 fundamental rules of branding, shared by experts at the first Asian Conference on Branding for Insurance held in Singapore recently:

in Insurance Branding!

6 **Build your brand with public relations (PR).** PR is what the media say about your brand.

7 **The power of a great name.** This must be short, unique, memorable, easy to pronounce and English-sounding.

8 **Be absolutely consistent.** Inconsistency results in a loss of quality and allows competitors to catch up.

9 **You need an arch enemy.** Without competitors, a category has no credibility.

10 Sometimes, you need a **second brand**, but launch this only after the first one is successful.

5

The Battle For Talent

The most valuable asset of a 20th-century company was its production equipment. But in today's 21st-century institution, the most valuable asset lies in its knowledge workers and their productivity, so said the late management guru Peter Drucker.

The war for talent has become more pertinent for a company today, and competition for this talent does not only occur within the insurance industry, but also in the banking, media, advertisement,

marketing and IT industries where they are perceived to be more dynamic than the “boring” insurance industry.

The insurance industry has the pertinent role of educating the public on what the industry stands for, explaining that the world does not move without insurance and, contrary to popular belief, the insurance industry is competitive, dynamic, widely diverse, international in nature, provides opportunity to learn something everyday, performance-based, strategic, unpredictable – basically all things that the younger people are looking for in a career.

Attracting Generation Y

Getting to know these young people – Generation Y – is important to draw talent into our industry:

- People born between 1980 to 1995;
- Self confident;
- Optimistic;
- Independent and goal-oriented;
- Blunt;
- Savvy;
- Contradictory;
- Masters of the Internet and personal computers;
- Think education is cool and integrity is admirable;
- Do not tolerate intimidation;
- Value work-life balance.

Recruiting & Retaining Talent

So how does one recruit and retain the best from this generation? Here are some recommendations:

Bosses needs to:

- Be open-minded;
- Be experts in their field, even if not tech savvy;
- Lead by example;
- Be teachers, trainers and mentors;
- Give a lot of praise;
- Be not intimidators;
- Be respectful of their generation.

The Company needs to:

- Be understanding of their need for work-life balance;
- Provide challenging daily work;
- Provide training;
- Provide opportunities for growth.



**“Understanding risk is one thing.
Understanding my business is another.
I need someone who can do both.”**



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Insight Forms JV with Arab Loss Adjusters in Middle East

Insight Loss Adjusters, a leading Pan-Asian loss adjuster, has signed a wide-ranging joint venture agreement with Arab Loss Adjusters International LLC (ALA) of the Middle-East.

Announcing the move, Singapore-based Insight's Managing Director Mr Nehemiah Neo Lian Sun said the two companies had agreed to form a new joint venture vehicle to be based in the Middle East and named Insight Arab Loss Adjusters International subject to approval by the authorities.

The new company will soon be incorporated in the UAE and have a presence in every country in the Middle East region and many in Asia via its links to its two parent companies.

The chairman of the new entity is to be Mr Walid Jishi, who is the chairman of ALA and the Managing Director will be Mr Nehemiah Neo.

Mr Neo said: "I am delighted to be teaming up with Walid Jishi and his company ALA. We believe they share the same values as Insight in terms of the international loss adjusting business.

"These values include transparency, honesty, and the highest standards of professionalism and integrity which our clients demand," he said.

The new joint venture company will seek opportunities both in the Middle East and the Asia Pacific region across a wide spectrum of adjusting and surveying disciplines and expertise.

ALA, which has a strong track record in the fields of finance, engineering and law, has offices in Bahrain, the United Arab Emirates (UAE), Saudi Arabia, Syria, Jordan, Yemen, Kuwait and Qatar.

Insight Group, South-east Asia's leading independent adjuster, has offices and joint venture operations in Singapore, Malaysia, Indonesia, Philippines and China.

It is also the Asia Pacific Office of the vrs Universe global adjusters' network which has 303 offices in 70 countries. Insight is the Lloyd's Agent in Singapore and jointly Lloyd's Agent in Malaysia with its local partner. The group also represents CESAM of France and AIMU of the US, the two leading marine underwriting associations in those countries.

Mr Nehemiah Neo added: "As an independent adjuster, we have long been attracted to the Middle- East because of its growing economies and its vital role as an East-West meeting point and trading centre.

"As a client-led company, Insight will seek opportunities in the Middle East and in ALA, we are sure we have found the right partner.

"With their unrivalled network of offices and relationships in virtually every major business centre in the Middle East, Arab Loss Adjusters was a natural partner for us."

He added that, like Insight, ALA has expanded in recent years to provide a pan-Arabic service to clients which demanded independence.

"We can see similarities, but the main similarity is the clarity of business purpose which we immediately saw with ALA," Mr Neo said.

He noted that the Arab adjuster also had clients which were expanding in the Asia Pacific region and there was scope for Insight to assist with this expansion in its home territories.

Mr Walid Jishi, chairman of ALA, said: "We are pleased to be linking up with Insight, a company which shares our view of professional standards, independence and integrity and also of giving the customer the best possible value.

"We look forward to expanding our business with Insight, not just in the Middle East but in Asia and in other parts of the world."

About ALA: ALA was founded in 1981 to bridge the gap between the market needs for loss adjusters who understand the business environment of the region and the international dimension of the industry.

Over 25 years of diligent efforts and dedication, ALA has become a major provider of claims handling services, employing a team of qualified professionals in the field of Insurance, Finance, Engineering and Law, that have sustained a longstanding presence of unprecedented performance through out the Middle East.

ALA provides full coverage of the Middle East utilising the support of strategically located branch offices in the region and associate offices in major business centres around the world.



THE EAIC IN RETROSPECT: A Pictorial Journey

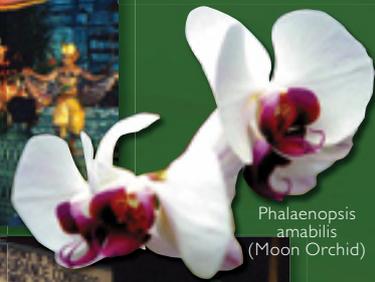


Prunus mei
(Plum blossom)

1990 Taipei



1992
Jakarta



Phalaenopsis
amabilis
(Moon Orchid)

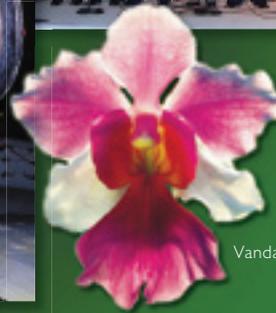
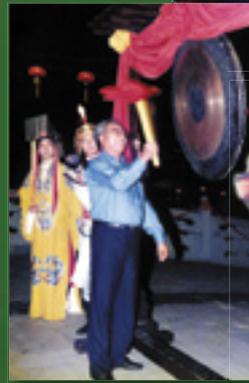


Hibiscus Syriacus L.
(Rose of Sharon)

1994 Seoul



8



Vanda Miss Joaquim

1996
Singapore



1998
Macau

2000
Manila



Nelumbo nucifera
(Sacred Lotus)



Sampaguita Jasmine
(Arabian Jasmine)



2002 Tokyo

2004
Bangkok



Dendranthema
(Chrysanthemum)



Cassia fistula linn
(Rathaphruek)

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