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Happy East Asian Insurance Day!

Does this greeting bring a happy smile to your face? Or do you muse: what's wrong with them? What are they talking about? How does one respond to this greeting – bear it with a stoic face? Retort, “Stop romanticising” or treat it as typical journalistic hype? But the day is upon us. Today is East Asian Insurance (EAI) Day: 18 October!

No prizes for guessing why 18 October was chosen as EAI Day. And I am not going to help you out either. Hit my colleagues to get your curiosity quenched, assuming you, as an insurance professional attending the biggest ever biennial regional meeting in East Asia, will want to know.

The idea of the EAI Day was mooted at the turn of the 21st century with great optimism and hype. Even then, there were many detractors of this compelling motherhood idea to make insurance more popular with the masses. Some thought it was unnecessary as many markets were already promoting insurance to their domestic public throughout the year. Then there were those who thought the common day would not work as East Asia as an entity did not have that emotional clout that a nation had in drawing the interest of the public.

Dreaming of the Day

But the brains behind the idea thought that holding such a common day for all of the 11 EAIC member cities would put moral and social pressures on insurance associations to do something special on EAI Day to keep up with the grouping. *Asia Insurance Review*, as the official magazine of the EAIC, was given the honour and responsibility of reporting what each member city did to mark EAI Day. The forefathers of the idea harboured the secret hope that such a Day would boost friendly competition among members to outdo each other in the various activities to promote insurance and reach out to the masses.

Putting things into perspective, in 2004 in Bangkok, a decision was taken to launch the EAI Insurance Day. It was lauded as a “strategic initiative that must be given top priority”, and “the vision of more than a billion people in the 11 markets of the

EAIC members, knowing the social role of the insurance industry in the country and its extra-business reach to charities and the society is appealing”. Others said it would be “yet another step in getting the business of insurance to be appreciated,” and “the better the image of the industry, the easier it will be to attract real talent into the insurance business”. In 2006 in Brunei, EAI Day was launched with pomp.

Daytime Drama

Today, four years down the road, there are still insurance managers and associations that are not aware that such a Day exists – hence, my call today for more introspection on what this Day should mean to insurance professionals.

To be fair, many associations have gone that extra mile to mark EAI Day in varying ways from fashion parades, tree planting, art exhibitions, seminars, health and driving talks, karaoke sessions, bowling competitions and blood donation drives to charity golf and engaging young insurance professionals. This year in Bali, our Indonesian hosts are even holding a professional seminar for insurance executives and managers to reflect on the profession.

Counting the Day?

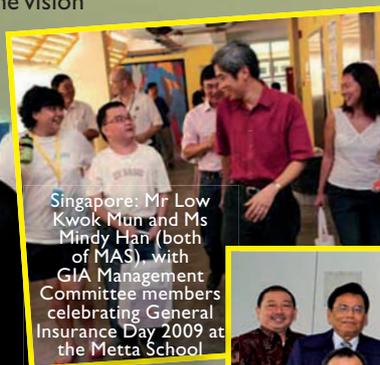
But has EAI Day caught on? Do we dare dream that it will one day reach the 750 million in the East Asian region? Its time will come. But only if insurers are prepared to invest time, effort and investment into making the day work beyond just doing their duty. There must be personal conviction. Insurers and insurance associations within the EAIC should actively exchange experiences on insurance promotion and take advantage of the work done by each other to go that extra mile. There is no need to start from scratch.

The Power of PR

Despite all the steps taken gingerly to promote insurance, it needs better PR and marketing. Although the actual value of the products



Kuala Lumpur: LIAM blood donation drive 2009



Singapore: Mr Low Kwok Mun and Ms Mindy Han (both of MAS) with GIA Management Committee members celebrating General Insurance Day 2009 at the Metta School



Kuala Lumpur: LIAM Charity Bowl 2010



Tokyo / Jakarta: Signing of the MoU between AAUI and GIAJ in the spirit of East Asian Insurance Day

14th Asia Insurance Industry Awards



Roll of Honour 2010

LIFE INSURANCE COMPANY OF THE YEAR
China Pacific Life Insurance Co

GENERAL INSURANCE COMPANY OF THE YEAR
Lonpac Insurance

EDUCATIONAL SERVICE PROVIDER OF THE YEAR

Joint Winners:
The Australian and New Zealand Institute of Insurance and Finance
&
MicroInsurance Academy

INNOVATION OF THE YEAR
EQECAT, Inc

SERVICE PROVIDER OF THE YEAR
ReMark International

BROKER OF THE YEAR
Marsh

LIFE REINSURER OF THE YEAR
Swiss Re

REINSURANCE BROKER OF THE YEAR
Guy Carpenter

GENERAL REINSURER OF THE YEAR
Allianz SE Reinsurance Branch Asia Pacific

CORPORATE SOCIAL RESPONSIBILITY AWARD
Aviva Life Insurance Co India

GREEN COMPANY OF THE YEAR
Sompo Japan Insurance

TECHNOLOGY INITIATIVE OF THE YEAR
Financial Information Network and Operations Ltd

PERSONALITY OF THE YEAR
Leslie John Mouat

LIFETIME ACHIEVEMENT AWARD
Alfonso T Yuchengco
&
Bernie Fung (1953 - 2010)

Congratulations to all winners!

Happy East Asian Insurance Day! (continued)



Singapore's GIA celebrated General Insurance Day 2008 by planting trees

and services offered is great and incredible in the eyes of the industry, the sales pitch is not compelling because the product is for a "rainy day" which consumers hope will not come or for use when they are gone, another prospect no one revels in. So the industry needs a new angle to fire the minds of the public. What better way than to show the world what

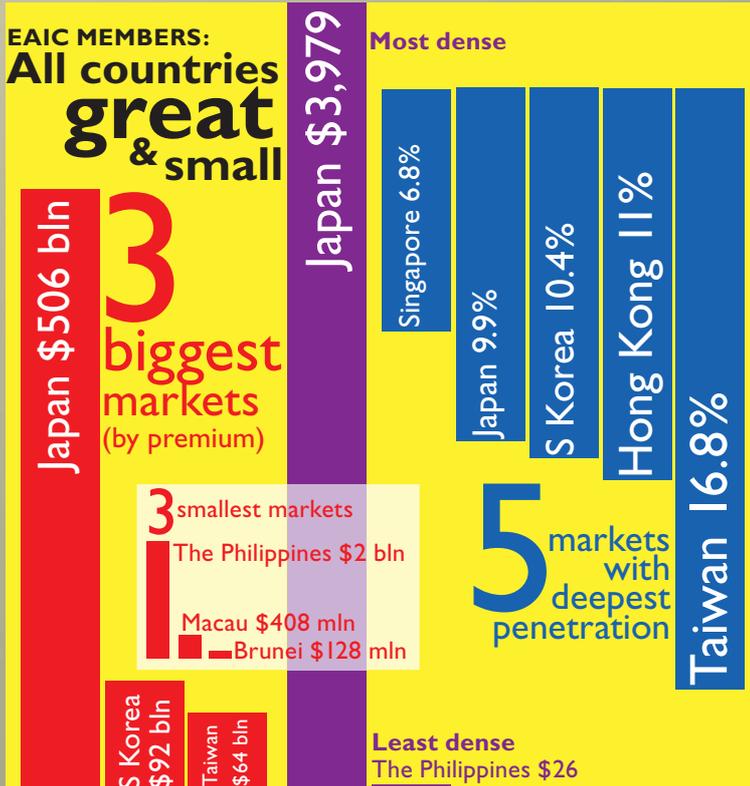
insurance can do in their lifetime: splash the newspapers with stories on what insurance is doing for the public now, how it has given peace of mind to a bereaved family or a clan ravaged by a storm or an earthquake. Show actual proof now of what their policies can actually deliver when the rain comes. After Aetna announced that it would adopt all children made orphans by the 1999 Chi-Chi Earthquake in Taiwan just days after the disaster, eyes opened and people started taking note of insurance and insurers.

CSR is the way to go for insurers to promote the industry. In Australia, there are many companies which give their staff official time off each month to do charity. There, CSR has become such a hotbed of competition among insurers that they even look at its triple bottom-line. Go figure.

Make it count

So, on this EAI Day, make CSR count. Make insurance promotion a measurable index, beyond just lip service! Let each insurance professional reflect on the true value of insurance. Let him feel the pride of this incredible service insurance offers each individual and each enterprise, and the industry's role in the bigger societal system. Look at the bigger picture, beyond the narrow "business as usual" thinking with eagle eyes on ROI. Get people engaged in the big picture – you will be surprised at how many will sign up as voluntary angels of the industry to spread the word. And don't forget to use the best resources we have – supervisors and regulators with whom the insurance industry partners.

Happy EAI Day! Are you proud to be in the industry? Are you in or are you out?



Source: sigma, Swiss Re; All figures are in US\$ and for 2009



Insurance Executives' Summit for Strategy, Operations & Technology 2010

Taipei, Taiwan, 22-23 November 2010

New dates

Hurray to M&A!

What a year 2010 has been for Asia's insurance M&As! From big to small deals, players have been trying to cash in on the bids – some scoring with great buys, others going home empty-handed and still others lining up for the next big offer.



SIGNED AND SEALED

China

- **Bank of Beijing** took over **Beijing Capital Group's** 50% stake in **ING Capital Life Insurance** for US\$99.87 mln

Japan

- **AIG** is selling its Japan-based units **AIG Star Life Insurance** and **AIG Edison Life Insurance** to **Prudential Financial Inc** for a total of \$4.8 bln
- Alico Japan will be renamed as MetLife Alico following the global sale of **Alico** to **MetLife** for \$15.5 bln

Malaysia

- In a \$484.3 mln deal, **Hong Leong Assurance (HLA)** merged 100% of its general insurance business with **MSIG Malaysia** in exchange for 30% stake in the newly enlarged MSIG entity. MSIG also bought a 30% stake in HLA
- **AXA Affin General Insurance** bought over local non-life insurer **BH Insurance**
- **AmG Insurance** is buying MAA Holdings' non-life business, **MAA Berhad**, for around \$58.3 mln
- Great Eastern Group's **Overseas Assurance Corp (Malaysia)** is acquiring the general insurance business of **Tahan Insurance** for \$4.7 mln
- **ACE Group** acquired general insurer **Jerneh Insurance** for about \$200 mln

Singapore

- **Sompo Japan Insurance** acquired **Tenet Insurance** for \$68 mln
- British insurer **Prudential** bought **UOB Life Assurance** for \$307 mln



FAILED DEALS

Asia

- UK's **Prudential** withdrew from an agreement to buy **AIA** after AIG rejected Pru's revised offer of \$30.4 bln

Australia

- **National Australia Bank** terminated the deal to acquire **AXA Asia Pacific's** Australian and New Zealand businesses for \$12.42 bln after the competition regulator opposed it for the second time

Taiwan

- **Nan Shan Life Insurance's** sale to **Primus Financial Holdings** and **China Strategic Holdings** fell through after the Financial Supervisory Commission (FSC) rejected the proposed \$2.15-blbn deal
- The FSC also turned down **Waterland Financial Holdings'** \$116 mln bid for **MetLife's** local unit



STILL BREWING

Asia

- **ACE** is reportedly in talks to buy **New York Life Insurance's** Hong Kong, Taiwan and South Korea units

Malaysia

- **PacificMas** is in talks with **Fairfax Asia** on the sale of its general insurer **Pacific Insurance**
- **Prudential Holdings**, a subsidiary of UK's Prudential, was reported to have received regulatory approval to start talks to buy a stake in **Pacific & Orient Insurance**

Asia IPOs hit fever pitch

Asia is leading the global IPO recovery, with insurance companies at the forefront.

According to Ernst & Young, IPOs in this region have already raised over US\$17 bln.

There is more to come, with AIA's expected record offer this month and other insurers waiting to be listed.

RECORD BREAKERS

Samsung Life's IPO in May raised **\$4.4 bln** in the world's second-largest IPO so far this year

Dai-ichi Life currently holds the record of the world's largest IPO. It raised **\$11.1 bln** when it listed in March 2010

Korea Life Insurance raised **\$1.57 bln** from its March IPO, which was earlier targeted to raise \$2 bln

AIA's IPO is expected to raise up to **\$15 bln** when shares start to trade on the Hong Kong Stock Exchange at end-October

WAITING IN IPO WINGS

Among Asian insurers reported to be waiting in the wings are:

- **ING's** Asian life insurance business
- China's **New China Life, Taikang Life, Tianping Auto Insurance, China Reinsurance Group, and The People's Insurance Co (Group)**
- South Korea's **Kyobo Life Insurance** and **Mirae Asset Life**
- India's **Reliance Life Insurance, ICICI Prudential, HDFC Standard Life Insurance** and **MetLife India Insurance**



Aon Benfield: Bringing unique value to clients



Mr Malcolm Steingold, Aon Benfield's CEO- Asia Pacific, discusses the opportunities in Asia as well as the company's value proposition and its priorities going forward.

Although Asia comprises a mix of mature and emerging markets with vastly different levels of sophistication, there are some features common to most of its insurance markets, says Mr Steingold.

He explains: "Most are over-serviced and ripe for consolidation. There remains an overabundance of capacity resulting in fierce competition and consequent softening of rates. Focus until recently has been primarily on growth in revenue rather than on operating income. Frictional costs remain high, with many markets still dependent on traditional forms of distribution accompanied by high commission rates."

Staying nimble and looking for opportunities

Despite the similarities, "each country in Asia offers its own unique opportunities for reinsurance intermediaries," he says. "The key is to be nimble and to invest in the specialist expertise required of specific markets."

Five years ago, as the Chinese government started assigning a high priority to agriculture, Aon Benfield began investing heavily in developing reinsurance expertise in this sector. "Premiums in this segment have grown in the past few years from virtually zero to US\$2 billion. The lesson is to focus on the priorities of specific economies – this gives a clear view on what opportunities are available to reinsurers in specific countries."

In future, he adds, the real opportunities in Asia will lie with reinsurance intermediaries that are able to offer quality financial and risk profile analysis to support capital management strategies in addition to strong deal execution capabilities.

Initiatives built around talent and model development

"Our high level key strategy is to simultaneously ensure we are able to respond to current client needs, while investing in their future needs. We take a long-term view on investing in future resources where we develop talent to maximise opportunities over a five year horizon," shares Mr Steingold.

Aon Benfield has developed a five-year roadmap of initiatives which focuses on specialisation and analytical capability. Its capital is largely human resource, backed by sophisticated analytical tools – hence, these initiatives are built around talent and model development, he said.

The success of reinsurance intermediaries is totally dependent on the capability and quality of its talent base. The challenge

On what keeps him awake:

"There are two things that keep me awake at night. The first is compromising current service levels to clients in order to develop new business; and the second is finding out in five years' time that we do not have sufficient resource to maximise available opportunities. This is the challenge for any CEO driving growth in a rapidly developing market."

therefore is to ensure human capital continues to meet the needs of clients. "The demand for good talent is currently outstripping supply. We can live with this as long as other players in the region take the same view as us 'to grow our own'. My concern is the lack of investment in people by the market in general, which includes the short term approach of some players to acquire rather than develop their own talent."

Redefining value

Most clients in Asia today still place the highest value on reinsurance intermediaries that are able to achieve best terms available in the market, says Mr Steingold.

"Our scale places us in the optimum position to achieve this. Our unique value, however, lies in the breadth of advisory capability within Asia, whether in the area of dynamic financial analysis, reinsurance optimisation, catastrophe modeling or rating agency advisory," he notes.

He says this expertise is supported by a multi-model approach, which comprises a combination of proprietary catastrophe models as well as in-house catastrophe and financial models – in particular, ReMetrica, Aon Benfield's flagship financial modeling tool, which is used by more than 200 insurance, reinsurance and consulting firms.

"My priorities are to redefine client value through the continued refinement of our understanding of our clients' needs, so that our service offering remains relevant. This involves focusing on investing in and developing talent in the region, continual development of regional analytical tools and capability, efficient and cost effective access to reinsurance markets and efficient service delivery," he concludes.

On the upcoming renewals:

"While I would anticipate rates to be flat to down by as much as 10%, there may be some experience-driven increases. In other words, companies that have impacted their reinsurance programs are more open to experience rating. Also, companies with substantial growth in aggregates and material changes in underwriting philosophy will be dealt with on their own merits."

"The key is to be **nimble** and to invest in the specialist expertise required of specific markets."

Mr Malcolm Steingold



When stormy winds blow, let's put them to good use.

In this tough economic climate, the instinct is to run for shelter. But what if that meant missing out on fresh opportunities? At Swiss Re, our position is clear. Yes, these are uncertain times, but confronting uncertainty has been our business for over 145 years. We're here to shoulder the risk and enable our clients and brokers to look beyond the immediate challenges. Because at Swiss Re, risk is our raw material; what we create is opportunity.

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EAIC: Blasts from the Past

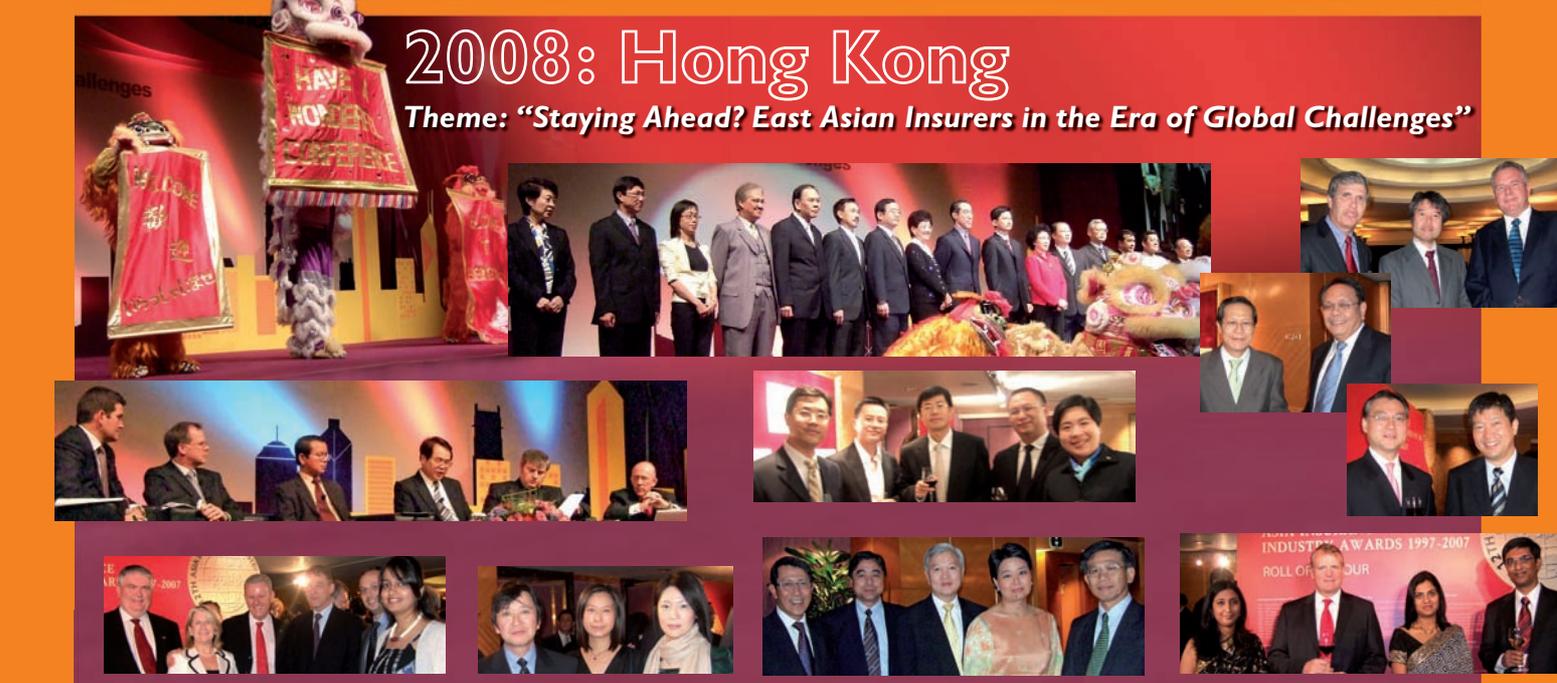
2004: Bangkok

Theme: "Asian Insurers in the New Financial Environment"



2006: Bandar Seri Begawan

Theme: "East Asian Insurance at the Crossroads of Growth and Profitability"



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