



# Asia Insurance Review's PIC Daily

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## Welcome Message From General Chairman 23rd PIC

**LET THE SHOW BEGIN!**

On behalf of the Life Insurance Association of Malaysia (LIAM), I am delighted and deeply honoured to welcome all of you to the 23rd Pacific Insurance Conference (PIC) based on the theme “New Solutions for Traditional Challenges: Winning Ideas from Industry Leaders”.

### Life's Challenges

There are a number of continuing challenges and issues facing the life insurance industry in the Asia Pacific, including Malaysia. Solvency and capital management continue to be among the key issues particularly as capital is scarce, but at the same time essential for the industry to meet solvency requirements and to instil public confidence. Companies need to constantly evaluate the risk-return tradeoff and position themselves to capitalise on their strengths.

Similarly, talent and human resource management have become another key element facing top management. With globalisation, the world has become much flatter and talent has become more mobile than ever. It is a challenge to recruit and retain good talent leading to more companies relying on IT centres, outsourcing service centres and call centres to cope with their resource challenges.

The other pressing concerns are the perennial issues relating to distribution, marketing, customer service and technology. With more enhanced distribution channels and customers becoming increasingly sophisticated nowadays, insurers have to manage potential channel conflict while at the same time continue to provide cost-efficient service.



**Mr Ng Lian Lu**  
General Chairman  
23rd Pacific Insurance Conference

### Platform for Engagement with Industry Peers

The life insurance industry has evolved over the years to become more comprehensive and encompassing. It has moved beyond simple risk management to become a very important component in financial planning and wealth management. This evolution is exactly the essence of our discussion which you will be involved in for the next few days. The Conference aims to create a platform for colleagues and friends to share experiences in dealing with the obstacles the industry has faced over time. The Organising Committee and the PIC Executive Board have painstakingly developed the topics and selected the speakers that we believe will shed light on how creative solutions can turn everyday problems into opportunities.

Besides listening to the prominent speakers, one of the very distinctive features of the PIC is that it encourages sharing of information among delegates. In this regard, on behalf of the Organising Committee, I would like to encourage you to actively participate in the audience discussion sessions as well as the interactive workshops. I can assure you that you will gain unexpected value from these interactive sessions that you will be able to bring home and impart within your own organisations.

### Malaysia, Truly Asia

In addition to the conference programme, I hope you will also enjoy the social activities organised for you. I wish you a pleasant and comfortable stay in Kuala Lumpur and invite you to soak in our rich culture and enjoy the city's attractions.

Finally, I wish to express my sincere appreciation for all the effort by the PIC Executive Board and our Organising Committee for putting together this conference. My gratitude also goes out to the sponsors that have supported this conference, as well as all the individuals, companies and organisations that have extended their assistance in making this event possible.

Thank you.

## Life Insurance IN NUMBERS

Asia's life insurance industry registered **US\$602,266 million** in premium income in **2006**, an increase of **4.1%** from the year before and accounts for **27.26%** of the world market.

Only **2** domestic insurers remain in Malaysia's life industry comprising **16** life companies. Within these companies only **4** CEOs have been in their job for more than **4** years.

**47%** of mass affluent in Hong Kong  
**41%** of mass affluent in Singapore & Malaysia  
**36%** of mass affluent in Malaysia have started planning seriously or taken action for retirement planning.

Hong Kong mass affluent start planning for retirement at **age 35**  
Singapore at **age 34** & Malaysia at **age 37** compared to the regional average of **39**.

Source : Swiss Re, sigma No 4/2007; AXA Life Outlook Index 2007

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## Insurance Industry Growing Up in Asia:

# THE TERRIBLE TEENS IN LIFE

Widely known in Asia and globally for anticipating industry trends, **Mr Gordon Perchthold** and **Ms Jenny Sutton** of The RFP Company highlight some key management issues for insurance executives in Asia.

As delegates to the 23rd Pacific Insurance Conference (PIC) gather in Kuala Lumpur, many will look fondly on the 20th century as much simpler times similar to how we often view our carefree childhood years. In many ways, the insurance industry in Asia is “growing up”, which means there will be many management challenges ahead as the industry enters the equivalent of “the terrible teens”.

For almost one hundred years, only a limited number of Western-based multinational insurers in Asia competed with traditional, usually family conglomerate-owned, domestic insurers. As the 20th century came to an end, the number of multinational companies and their business operations across Asia exploded as Asian insurance markets opened up at the same time as many Western insurers awoke to the opportunities.

### Managing with Less Talent

Given the limited number of insurance businesses during the 20th century, the pool of talented executives experienced in the combination of insurance, Asia and modern management practices was quite shallow. With the recent explosion of new insurance operating entities across Asia, an acute shortage of management talent has developed. Except for those few companies with very strong cohesive organisational cultures in Asia, insurers will find it difficult to build and sustain strong management teams and departmental capabilities. Talent and skill constraints will become the primary issue for insurers over the next decade to be addressed not only through human resource management practices, but also changes to the business model.

### Architecting a Robust Business Model

The simpler times in the 20th century were characterised by a single channel, limited protection product set, and a basic backoffice. In contrast, the 21st-century insurer is characterised by a growing range of distribution channels, a proliferation of product categories, many with critical market-linked time sensitivities, a complex configuration of application system components, and expanding backoffices trying to make sense of all the variability.

This while regulators and shareholders demand a growing volume of information in a variety of formats with little to no tolerance for operational failures. In reaction to the demands of the day, most insurance companies have incrementally built these new capabilities upon rudimentary 20th-century platforms without sufficient consideration to architecting the complete business model. Exacerbated by the difficulty of securing the necessary talent, operational failures as well as negative press will emerge as a more significant issue for the industry to contend with.

### Achieving Sufficient Leverage

For multinationals, the role of regional offices has begun to broaden from simply governance and compliance to including more value-added roles by actively transferring knowledge and expertise as well as identifying and realising synergies across countries. Investments in high-priced talent as well as infrastructure in the tens of US\$ millions that previously could never have been contemplated by individual country units are now being pursued and leveraged across multiple country operations in Asia.

Over the next decade, Asia will no longer be managed as a collection of discrete country entities, but as a single “regional system”. The broader issue for domestic insurers as well as those multinationals that continue to operate as discrete country units is how to compete given that they are no longer competing with country-centric competitors, but with regional business models.

For teenagers, there is no limit to dreams – indeed, the opportunities appear endless. Through a period of self-discovery, experimentation and mistakes, they progressively come to grips with what they want to be when they grow up. Some emerge brilliantly, a few fail to make the transition, with the majority achieving normality. And similarly it will be for companies – multinational and domestic – within the insurance sector in Asia.



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# Flashback on Past PIC Events

As we gear up for the 23rd PIC event in Kuala Lumpur, Malaysia, we take a pictorial tour of the past three PIC gatherings in Taiwan, Hong Kong and Singapore.

## Taiwan 2005



### Hong Kong 2003

### Singapore 1999