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Dear regulator: Let reinsurance serve its function

Subjecting reinsurance to regulatory protectionism defeats a fundamental purpose of reinsurance which is to diversify risks globally, said panellists on the global reinsurance panel chaired by Mr Brad Kading, President, Association of Bermuda Insurers and Reinsurers.



Mr Brad Kading

“Regulations which seek to retain reinsurance premiums onshore really fly in the face of the whole concept of reinsurance,” said Mr Malcolm Steingold, CEO, Aon Benfield, Asia Pacific. But a distinction must be made for regulations seeking to protect the consumer by capital requirements, which sometimes differentiates between onshore and offshore reinsurers, he said.



Mr Malcolm Steingold

Benefits local market

It is important to remember that the reinsurance market is only a fraction of the insurance industry, said Mr Ulrich Wallin, CEO of Hannover Re. Regulators should be encouraged to allow unrestricted cross-border trade as only a small fraction of the premium will actually exit the market. It also in turn brings a lot of benefits, particularly as risks such as property and casualty are best diversified on a global basis. It is the most capital efficient way, which brings



Mr Ulrich Wallin



about competitive pricing that ultimately benefits the local insurance market, he added.

Citing the examples of floods in Thailand and earthquakes in Chile, among others, Mr Emmanuel Clarke, CEO, PartnerRe said: “Immediately after the events the insurance markets managed to stabilise and the societies managed to move forward. And that was thanks to the global resilience of the reinsurance system. And none of these would have been possible if it had to be paid only by capital from within.”



Mr Emmanuel Clarke

Beware invisible barriers

Mrs Alice Vaidyan, Managing Director, GIC Re, said visible barriers may be apparent in some developing countries when



Mrs Alice Vaidyan

talking about protectionism or mandatory cessions. But even in developed markets, there are barriers, albeit invisible, she said, citing letter of credit, premium deposit reserve and tax withholding as examples.

It is important for all to work together towards a freer market. “I’m a firm believer in a free and open market,” she said. But it must be understood that for some markets, they are in an evolving stage of regulatory landscape. These countries may “need a little space” to ensure technical efficiency.

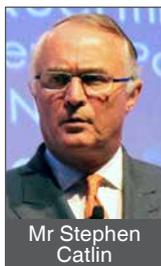
“India’s market has actually opened up. Foreign reinsurers are set to open offices in India. It is only a matter of time. From GIC Re’s point of view, we don’t see this as a threat at all. We welcome foreign reinsurers. The Indian market is growing at a pace of 15-20% growth year-on-year. There is ample room for all to grow in the market,” she said. She cited international best practices, price alignments and innovation as some of the positives she hopes to see come out of foreign reinsurers’ entry.



(L-R): Mr Brad Kading, Mr Emmanuel Clarke, Mr Malcolm Steingold, Mrs Alice Vaidyan and Mr Ulrich Wallin

IDF: Building a resilient partnership

"I've been to hundreds of industry conferences during my career, but the world doesn't know what we talk about," said Mr Stephen Catlin, Chairman, Insurance Development Forum (IDF). "And what I've come realise over the past few months working on the IDF is that this misunderstanding isn't just held by individuals, but also by governments."



Mr Stephen Catlin

Chaired by Mr Catlin, the panel on IDF and building risk resiliency had Mr Bill Churney, President of AIR Worldwide, Mr Rowan Douglas, CEO, Capital Science & Policy Practice at Willis Towers Watson, Dr Nihar Jangle, Director Climate Change Program at Micro Insurance Academy, Mr Quentin Coolen, Senior Political Advisor at UNDP and Mr Samuel Munzele Maimbo, Practice Manager, Finance & Markets at The World Bank discussing the yet-uncharted territory that the IDF plans to tread.



Dr Nihar Jangle

Speaking with one voice

Mr Catlin went on to say that there was a lack of a concentrated effort from the industry to approach the public sector with its unique tools and skillsets and to "speak with one voice". This has led to global

authorities, such as the World Bank, overlooking insurance when seeking solutions.

"If you asked me what I knew about insurance five or 10 years ago – nothing," said Mr Maimbo, speaking on the lack of outsider knowledge about the industry. When it comes to financing recovery from a natural disaster, for example, governments look at banks and international aid as first choices, instead of having good risk protection via insurance.



Mr Samuel Munzele Maimbo

"Looking at 2011 there were several major disasters around the world – earthquakes in Japan and New Zealand, floods in Thailand – and over a \$100 billion in insured losses; yet only one insurance company went out of business. That speaks volumes about the insurance industry's ability to manage risk, and catastrophe modelling is certainly a part of that," said Mr Churney.



Mr Bill Churney

A partnership of policymakers and insurers

The conversation regarding helping governments get a clearer picture of insurance and how the industry can provide the right tools for sustainable development of social and financial resilience is an important

one if IDF is ever to accomplish its goals – and the first step had been taken this past weekend, right here in Singapore. Ninety public and private sector participants engaged in eight working groups over two days of forum deliberations, in conjunction with the GIF.

"If development is not risk-informed, it is not sustainable," said Mr Coolen. "And since we're talking about risk management here, who better than the insurance industry – the people in this room – to contribute to a better measurement of risk?"



Mr Quentin Coolen

Mr Douglas, also the chair of the IDF Implementation Committee, made reference to the welcome address made by Singapore's Deputy Prime Minister, Mr Tharman Shanmugaratnam, on Monday morning, calling it: "A powerful endorsement of the IDF view that risk analytics and risk sharing – essentials of insurance – will be at the mainstream of the debate on resilience in meeting sustainable development goals and closing the protection gap. There is an alignment of economic interests to help achieve social outcomes. This effort will unlock insurance demand."



Mr Rowan Douglas

Closing the gaps for corporate risk managers

Bridging the industry's preparedness to meet the changing needs of corporate insurance buyers remains an ongoing process which requires closer interaction between insurers and insureds.

Yesterday's panel discussion from the insurance buyers' perspective, moderated by Mr Steve Tunstall, Founder of Tunstall Associates, saw panelists argue the case for a better appreciation from insurers of risk in today's corporate world.

Increasing insurance's relevance

Mr Guan Seng Khoo, Director, Risk Management, Changi Airports International, said the prevalent use of e-commerce today and its emphasis on delivering products in

the shortest time lends itself to multiple risks for various stakeholders from suppliers to distributors. And these emerging risks can be better addressed by insurers, he said.

Ms Supaporn Chatchaisaeng, Senior Vice President & Head of Insurance Office, Charoen Pokphand Group, touched on the need for better support in managing reputation risk – a growing area of concern for many corporates. She said the loss triggers on most policies are not very clear, and policies do not go far enough to cover the loss of value to a brand in a loss event.

What is the real value?

Mr Franck Baron, Group General Manager Risk Management & Insurance,

International SOS, said that insurers need to engage much more closely with their buyers. Giving the example of a non-damage business interruption policy, it would not be enough for insurers to meet their clients on just a yearly basis, when in fact risk profiles are evolving every day for many of these corporates, he said.

Insurers can also help corporate risk managers better make the case for risk management to their companies, by boosting the marketing and awareness for insurance, said Mr Saurabh Verma, Chief Insurance Officer, Reliance Industries. He added that insurers can still do much more to improve the recognition of the importance of insurance amongst corporates.



(L-R): Mr Steve Tunstall, Ms Supaporn Chatchaisaeng, Mr Saurabh Verma, Mr Guan Seng Khoo and Mr Franck Baron

Conference takes

We caught up with several participants over the course of GIF to seek their thoughts about the conference and the issues of the day that caught their attention. Here's what they had to say.

Change of era

People say we are in an era of change, but I would say this is a change of era. This means that we are in the middle of a paradigm shift. If we continue behaving according to the old paradigm of the industrial world, we will continue ruining our environment and society. At the World Academy of Arts and Science we are concerned since we already consume at a level that requires 1.6 planet Earths!



We have to immediately change the behaviour and correct damages that we caused. Insurance can play a very important role in the process because of the expertise in risk management as well as the fact that we manage the main source of long term investments. As a member of the World Academy of Arts and Science and insurance executive for many years, I know the future is not ideal unless we make immediate changes. So I take part in these discussions and I attend GIF almost every year for the sake of my children and grandchildren.

– **Professor Yehuda Kahane**
Chairperson and Co Founder, YK center (Israel)

Global influence

I enjoy GIF as there are many senior executives here with substantial ideas to share. Discussions here influence decisions globally, plus there are networking opportunities. I liked the presentation by Steve Leonard from SG-Innovate. I was surprised by all the disruptive technologies which have been happening in Singapore. I asked him a question on how could such developments in Singapore be replicated in a highly-populated country like India and Indonesia, and look forward to further hearing from him and corresponding via email. Singapore is a small country so it's easy to keep track of regulations etc but in a highly populated country where penetration is low, the challenges of such developments are different.



– **Professor George E Thomas**
Insurance Institute of India and IIS Ambassador (India)

Possible solutions and collaborations

I'm interested in the disruption of our business, which is a very common topic nowadays and an objective we are all looking at. The conference is mostly to do with disruptive innovation – that really helps us to see the solutions and possible collaborations that we should really create among ourselves and the insurance community. I have been attending GIF since three years ago, when it was held in Seoul.



– **Mr Michael Shin**
CEO, RGA Korea (Korea)

Meet old friends

We've been to several IIS forums before, and they're always very interesting and we meet interesting people. We've come back to see old friends. GIF is at the forefront of insurance thought leadership and always discusses what's new.



– **Ms Barbara Schurer**
Insurance specialist, Lime Street Guides to Lloyd's (UK)

Priorities of a regulator

I come from a developing country where the level of insurance penetration is very low. So one of my priorities as a regulator is for regulation to be in line with insurance development, be business-friendly and be more open to new ideas.



GIF, as one of the most important insurance gatherings where you have stakeholders ranging from academia, regulators to industry is good for exchange of views on where insurance develops in future, given the current technological developments and challenging low interest rates environment. As the Deputy Prime Minister of Singapore said, the community needs to think about asset opportunities where long term investors can invest their money to finance infrastructure projects.

– **Mr Klime Poposki**
President of the Council of Experts,
Insurance Supervision Agency (Macedonia)

Make connections around the world

I've been to IIS conferences many times. We get to meet a lot of very interesting people and make interesting connections around the world which are very helpful in giving us insights into the industry and we can bring some of these ideas back home. I have quite a bit of interest in distribution, as we have a lack of insurance penetration in Canada and we have to do something about it.



– **Mr André Gaudreault**
Senior Vice President, Optimum Reassurance Inc. (Canada)

Learning about what other countries face

I liked the leadership panel on innovation and industry transformation. It's good for me to come to GIF to get new ideas and learn about issues and challenges faced by other countries. I am from Brazil and we have a long way to go where many of these issues are concerned, and it is also interesting to find out what other countries grapple with. The panel mentioned the cyclical nature of the insurance market. We debate a lot about this back home, on how we can be transparent and clear to the customer as it is difficult for them to understand such cycles.



– **Ms Maria Helena Monteiro**
Director of Technical Education, Brazilian School of Insurance (Brazil)

From a buyer's perspective

Singapore's DPM gave us really good points about ageing societies and the low interest and low yield environment. He gave us good ideas about how the industry can turn these new challenges into new business opportunities. This is the first time I'm attending the GIF as I was invited by the Pan-Asia Risk and Insurance Management Association (PARIMA) to speak at a panel discussion. I'm glad to be able to share the insurance buyer's perspective.



– **Ms Supaporn Chatchaisaeng**
Senior Vice President, Insurance Office, Charoen Pokphand Group (Thailand)

See you in London!

Mark your diary. The next edition of the Global Insurance Forum will be held in London from 18-21 June 2017. "Having celebrated our 50th anniversary in London, IIS is looking forward to returning to the major city for our 53rd annual conference and developing the themes of the Insurance Development Forum and other current advances in the global industry," Mr Mike Morrissey, President & CEO, IIS.



Mr Mike Morrissey



ASEAN: Towards a single market economy

The ASEAN Economic Community was launched on 31 December 2015 in Kuala Lumpur, with the aim of integrating ASEAN's diverse economies into a single market with 625 million people and a combined gross domestic product of US\$2.5 trillion in 2014.

It is to be defined by a few key characteristics – a single market and production base, a highly competitive economic region, a region of equitable economic development and a region fully integrated into the global economy.

In short, the AEC will transform the ASEAN economy into a region with freer movement of goods, services, investment, skilled labour and capital.

How it will benefit the insurance industry

The ASEAN Economic Blueprint will encourage an increase in cross-border trade within ASEAN, and will directly boost demand for commercial lines such as trade-credit, marine and surety insurance business.

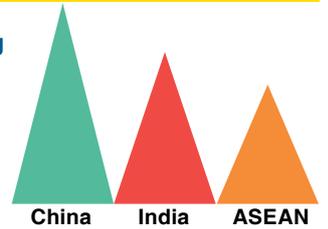
Insurance penetration rates in ASEAN markets are generally low (less than 6% according to Swiss Re *Sigma* Report, 2013). With increasing awareness, low penetration rates and strong economic growth prospects, analysts expect the demand for life and accident and health insurance products to grow.

Increased digitalisation in the region may also change the distribution landscape from the traditional agencies and brokerage models to digital mass distribution of insurance products.

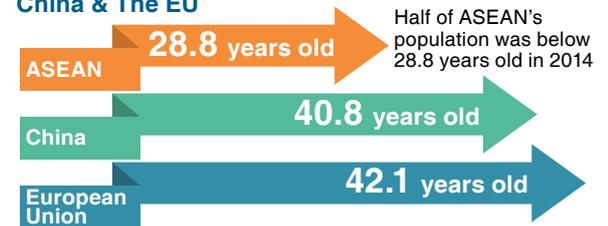


The AEC in numbers

The ASEAN grouping has the third largest labour force in the world, behind China and India.



ASEAN's demographic dividend vs China & The EU



Half of ASEAN's population was below 28.8 years old in 2014

ASEAN's population will

reach **670 million** in **2020**, up from **625 million** in **2014**.

The number of **middle-class** households will more than double to **80 million** in **three years'** time.

Source: The Straits Times

Mark your Diary! Visit www.asiainsurancereview.com/Conferences



6th Asia Life Insurance Summit

Theme: "Reinventing the Life Business in the Smart Era"
11-12 Jul 2016, Singapore



5th Asia Insurance CIO Technology Summit

Theme: "An Innovative CIO as the Game Changer"
5-6 Sep 2016, Singapore



Asia Anti-Money Laundering Summit

Theme: "Combating Money Laundering Effectively"
13-14 Jul 2016, Singapore



12th Asia Conference on Pensions and Retirement Planning

Theme: "Planning for A Smart Retirement in A Disruptive Era"
14-15 Sep 2016, Singapore

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