

# FAIR Daily

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## Globalisation is Fair Game: But Is FAIR Game for It?

The tide of globalisation is irreversible. Yet, many countries in FAIR are still not ready to tap into globalisation. Some have yet to even strengthen their local market conditions – a pre-requisite before reaping the benefits of globalisation. But, there are many success stories in globalisation and deregulation within the FAIR grouping. Here, we bring you a quick wrap of what several of the leaders are saying about the world getting smaller or the markets getting globalised at the 20th FAIR Conference which opened with vibrant traditional music, singing and dancing along the corridors.

Insurers and reinsurers must change their old-fashioned mindsets and strategise to exploit the opportunities of globalisation, said the Guest of Honour, **Mr Loudyi Abdelatif**, Secretary General, Ministry of Finance and Privatisation, who called for a greater dialogue and “rapprochement” between the public and the private sector and between the private sector and the government too.



Mr Loudyi Abdelatif

With that keynote message, the Conference had to take a higher philosophical ground. FAIR members were urged to buy into the new world business deal and seek out opportunities to get ahead of the game. They were repeatedly reminded to forget the old third-world polemics on the threats, pitfalls and challenges that globalisation bring.

Afro-Asian insurers and reinsurers must step up their comparative advantage in the global market to increase their capacity to retain more risks, said **Mr Ahmed Zinoun**, Chairman of the Organising Committee, who pledged that SCR was ready to contribute to this regional cause by continuing to play an active role.

### Building Blocks to Globalisation

**Mr Ezzat Abdel-Bary**, Secretary General of FAIR, said that the challenges facing the Asian and African markets are as real today if not more critical than when FAIR was set up in 1964. Despite globalisation being irreversible, regional co-operation across the world has been enhanced. Hence, he called on FAIR members to co-operate with “goodwill, vision and concerted effort” to move towards greater regional integration. He felt that the rich diversity of the FAIR was an additional competitive edge to be exploited.

### Working on the Human Capital

In his opening address as outgoing President of FAIR, **Mr Joseph Lohiya**, Chairman of GIC of India, said that skills development is the key ingredient to making Afro-Asian insurers and reinsurers boost their competitive edge. Agreeing, **Mr Mustapha Bakkoury**, President of host SCR, said the Afro-Asian countries should co-operate to beef up the skills and talent needed to make the FAIR insurers and reinsurers a strong force in the global scene. He called for the setting up of a formal mechanism



From left: Mr Ahmad Zinoun, Mr Ezzat Abdel-Bary, Mr Joseph Lohiya, Mr Mustapha Bakkoury

to be set up to exchange competencies and skills among members to enhance the partnership and synergy within the grouping.

### The Convincing Campaign- Real Steps

In the session on globalisation and deregulation, **Mr Albert Nduna**, Chairman, Zim Re, urged FAIR companies to be properly positioned to benefit from the tide of globalisation, including seeking new forms of business entities, strategic alliances and thinking. He said: “Players in FAIR markets have to run faster in terms of building competitiveness in product development, marketing in order to catch up with counterparts in developed world.”



Mr Albert Nduna

He urged reinsurers in FAIR markets to expand operations and invest in other markets, while lobbying for preferential co-operation agreements between members in order to develop inter-regional reinsurance investment and trade.

Likewise FAIR members should be open to international re/insurers who are willing to invest in local skills development and technology transfer.

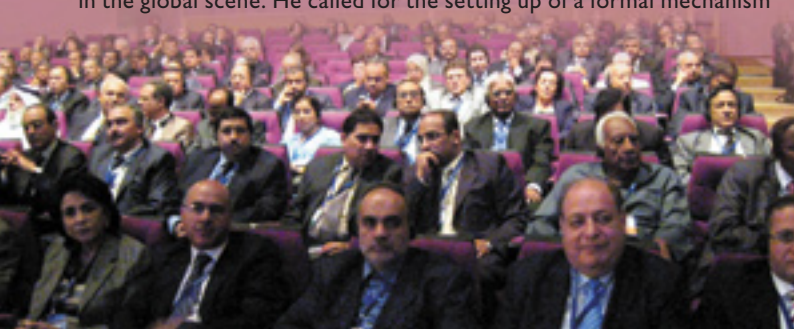
### The Unsinkable China Story

Giving a ringing endorsement of the process of deregulation, China, which, with only one insurer in 1980 doing premium of RMB400 million, is today seeing a market with 98 insurers and doing a roaring trade of RMB564 billion. **Mr Zhang Hong**, Vice President China Re Group, said: “The opening-up of the market has brought forth unprecedented opportunities.” The entry of foreign players has brought advanced managerial expertise and innovative ideas too. However, it is not just milk and honey as there are strains, too. In China, the players are still struggling with the low level of insurance awareness of the people, undeveloped techniques and the lack of trained insurance staff to meet the dramatic growth.



Mr Zhang Hong

Although China is now one of the top-10 insurance markets in the world, he said: “China’s insurance companies still have a long way to go in beefing up its capital strength and underwriting capacity, increasing profitability and profit sources as well as strengthening its risk prevention.” But speaking as a reinsurer, he felt that the opening up of the local market has put pressure on the reinsurance company not to lag behind and be ready to compete on a fair and orderly basis internationally.





# Managing Relations with Key Stakeholders: A Critical Strategic Challenge in Insurance

**Dr Kai-Uwe Schanz, Managing Director, Dr Schanz Consulting AG, Zurich, looks at the compelling logic that makes stakeholder management, including listening to them, a critical driver of success.**

**H**ow a company manages its relations with clients, investors, employees, government entities and other key stakeholders is the single most important driver of corporate success. This sounds trivial. In practice, however, the correlation between stakeholder management and corporate performance is poorly understood and hardly reflected in corporate organisation.

Stakeholders supply resources that are vital to a company. In doing so, they place something of value “at risk”, eg equity capital. And stakeholders wield sufficient power to influence the performance of the company, either favourably or unfavourably.

## A New Idea to Insurers

Only recently has the insurance industry woken up to the concept of stakeholder management. This shift was largely driven by industry trends such as deregulation. As a consequence, the volatility of rates and available coverage has increased dramatically. Since the beginning of the 21st century, the sensitivity of key stakeholder relations has further heightened because of shaky financial markets, surging insured catastrophe claims and a multitude of regulatory reforms and investigative pressures, eg the Spitzer “crusade”.

## The Compelling Logic

In view of this rapidly changing business environment, favourable interactions with multiple stakeholders are developing into a strategic imperative. An effective management of these relationships has the potential of enhancing corporate value by strengthening a company’s competitive position and favourably influencing the fundamentals of its business environment.

To substantiate this reasoning, we draw on Michael Porter’s “iconic” concept of competitive advantage.

Porter basically argued that competitive advantage is a function of either being cheaper or different. The choice depends on the configuration of the corporate value chain, ie the way a company designs, produces, markets, delivers and supports its products or services.

On this basis, an organisation competes either through cost leadership or differentiation which allows it to command a premium price.

Our proposition is that an effective management of a company’s core constituencies serves as a “lubricant” of the value chain. This effect is expected to support both strategies for gaining and sustaining competitive advantage, ie being cheaper or being different. How cost-effectively a company can manage its value chain crucially depends on the quality of its stakeholder relationships.

## The Example in Practice

Take product development as an example. An insurer’s leeway in this area is a function of the regulatory framework. Smooth and harmonious regulatory relations obviously pay off for any insurer eager to bring its specific competitive advantages in product development to bear.

Effective stakeholder management can, therefore, help maximise a company’s strengths. But the relevance of the concept goes much beyond the corporate context. It has the potential of favourably shaping a company’s business environment, ie its external opportunities and threats.

The overall framework is defined by political-legal, economic, socio-cultural and technological factors.

The more specific industry environment is determined by supplier, customer and competitor dynamics.

A thorough analysis of the relevant developments and their conditioning by stakeholder interests and activities can help companies exercise some control over these factors which are traditionally regarded as outside their sphere of influence.

As credible experts on risk and capital management insurers are well-positioned to make their voice heard by customers, investors as well as political and regulatory decision-makers.

Managing key topics (such as climate change, public-private partnerships and changing demographics) vis-à-vis relevant stakeholders enables insurers to influence their operating environment – rather than just accepting it as a given.

## The Corporate Reality

What does all that mean for corporate reality? From my professional experience in global reinsurance, two “quick-wins” are worth mentioning:

- First, the establishment of a corporate key messaging process on executive board level. It is of utmost strategic importance that corporate views on relevant topics are constantly formulated, communicated and reviewed. When establishing such a process, the balance between financial and non-financial messages needs to be maintained, in line with the “trail-blazing” Balanced Scorecard performance management concept introduced in the 1990s. This approach promises a highly effective communication with and influencing of key stakeholders;
- Second, stakeholder-focused corporate functions such as marketing, public relations and human resources management should be more closely aligned with corporate strategic planning. The quality, relevance and prospects of corporate strategy can be significantly enhanced by systematically capturing and incorporating the views of clients, investors and employees. Most companies develop their business strategies from a primarily internal perspective and thereby forego enormous commercial opportunities from more carefully and systematically listening and talking to key stakeholders.

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# The Early Delegates



## Morocco TRIVIA

Morocco's capital city is **Rabat**.

Its largest city is the main port of **Casablanca**.

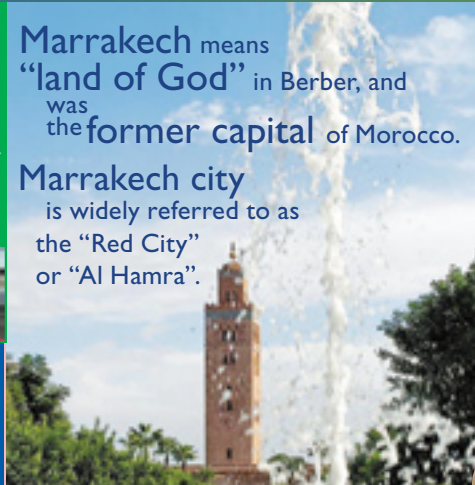
**Marrakech** is the third-largest city in Morocco.



**Marrakech** means "land of God" in Berber, and was the former capital of Morocco.

**Marrakech city** is widely referred to as the "Red City" or "Al Hamra".

Morocco's indigenous people are called **Berbers**.



Morocco's largest industry is the mining of phosphates.

Its 2nd largest source of income is from nationals living abroad who transfer money to relatives living in Morocco.

The country's 3rd largest source of revenue is tourism.



On **18 November 2006**, Morocco celebrated its **50th** anniversary of independence.

In 2006, Morocco's **Total insurance** US\$ **1,675** million premiums totaled

**Non-life** premiums amounted to **US\$1,206** million & **Life** premiums was **US\$469** million

# Welcome Cocktail

## Under the Skies

With the vibrant walk-in music, 20th FAIR started as a resplendent garden party replete with the various colours of Marrakech. The setting raised several exhilarated expressions of awe among obviously impressed delegates who stayed on till very late. Here, we bring you some souvenirs of the most important opening moments, where old friends had a chance to renew acquaintances, while others mingled freely to make new friends and business contacts in an atmosphere that was most convivial, with almost 700 delegates and guests.



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