

FAIR Daily

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Plenary Session: The Need for Innovation in Making CAT Covers Available to the Public

A world CAT fund to help people in need

Although FAIR is grappling with the challenges of setting up disaster relief schemes and making CAT covers available to the masses, there was a distinct call at yesterday's plenary session to set up a world CAT fund to draw on global resources, including capital and expertise to help masses get cover from natural disasters.

Mr Malcolm Steingold, CEO, Asia Pacific of Aon Benfield, noting that the call could fly in the face of political expediency, said the irony is that people who needed the protection the most were the least able to afford the covers. He said reinsurance industry has proven itself in being there after each major CAT, pumping in new capital to the market.



Mr Malcolm Steingold

Making CAT protection more widely available

There were several strong, innovative and spirited suggestions to make CAT protection schemes more available to the masses at the session, where the greater focus was on China, given its increasing CAT exposures. There were also repeated emphases that the partnership should involve insurers, reinsurers and government bodies, as well as educating the public, while stepping up data collection.

Mr Dong Bo, Deputy General Director, Property Insurance & Regulatory Department with the China Insurance Regulatory Commission (CIRC), said the CIRC will take the leadership role to coordinate the official support, resources and schemes to develop a national integrated CAT support system for the country.

Mr He Chunlei, General Manager of China P&C Re, said any potential scheme must offer incentives to the public to buy insurance cover and must also incentivise insurer participation in the scheme. He said such a scheme was urgent and essential bearing in mind that 70% of cities and 50% of the people were located in CAT-prone areas.



Mr Li Yuanxiang

Mr Li Yuanxiang, Senior Vice President and Chief Insurance Business Officer of Ping An Insurance, said there is a need to change the public perception that government will take care of all post-CAT relief schemes.

Mr Steingold also made a spirited defence of the insurance industry's innovative responses in various catastrophes, adding that in 2011 alone when the Asia Pacific accounted for some 61% of the world's insured losses of the world, Aon Benfield helped settle in excess of US\$10 billion in CAT reinsurance alone.



Mr He Chunlei

Consequential losses cannot be underestimated

In looking at the more sophisticated aspect of the CAT market relating to consequential losses, Mrs Burcu Ayten, Head of Local Treaty Acceptances of Milli Re, warned delegates that business interruption (BI) losses alone, even without contingency covers, had the potential to threaten the viability of an insurance market at a time of a large CAT. In that regard, Milli Re has taken the bold initiative this year to impose a 20% event limit for total liability of a treaty against consequential losses. She also urged delegates to get BI modelling as close to probable as possible.



Mrs Burcu Ayten

Room for pools

Mr He said that for any national CAT scheme to be effective and efficient, it must be government-led and must be multi-layered, with government bearing the last risk beyond the reinsurers' limit. Mr Li said the industry should look at pooling cross-province risks within the country as well as trans-risk pooling, which is to pool the exposures to floods, typhoons, earthquakes, and droughts. In that vein, much is expected of the FAIR NAT CAT Pool to be formally launched today.



Earthquake in Sichuan Province, China, 2008



Earthquake in Van, Turkey, 2011 (Photo: Reuters)



Floods in New Delhi, India (Photo: Reuters)



Floods in Bangkok, Thailand, 2011

Innovating through technology

Did you know that cloud computing can reduce power consumption by 40%? Or that by 2020, the amount of data generated by the whole world will be 44 times as much as that today?

Yesterday's session on new technology in insurance uncovered such nuggets, but underscoring all the facts and figures was the topic of how these advancements are affecting the nature of insurance, and how insurers can take advantage of emerging technologies.

Changes in the risk landscape

Mr David Piesse, Managing Director and Head of Asia Pacific with Ultimate Risk Solutions, said the emergence of cyber liability risk represented a "seismic shift" in risk management, and urged companies not to let data breaches go untreated. A new technology which could be considered is keyless signature infrastructure, a digital signature system for electronic data.

Mr Lu Qin, President of Swiss Re China, said that insurers tend to be reactive when designing new solutions, and that insurance innovation usually follows a particular event or more general changes in the risk landscape. "Will the 'information revolution' result in a new generation of insurance products? We should all keep a close watch on it," he added.



The regulatory role

Mr Yao Qinghai, President of the Insurance Institute of China, said that the developments of new technologies will have a significant impact on regulations as well, and there should be regulatory guidance for the insurance industry on building a standard for collecting data and risk-related information.

Mr Meng Zhaoyi, Deputy General Manager of China Taiping Insurance Group, said that as there is no industry standard for technology application, this is something that may need to be addressed. "Insurers need to understand technology trends and identify the ways which they can serve the industry," he noted.

Embracing mobile technology

Sharing on developments in China Pacific Life, Chairman Xu Jinghui said the company has embraced the mobile wave by implementing mobile customer service, mobile sales, mobile claims and other processes. Underlying all these systems is the belief that mobile internet technology complements the importance of face-to-face interactions to its business as a life company.



(L-R) Messrs David Piesse, Lu Qin, Xu Jinghui, Ren Xiaobing (Vice President, China Re), Yao Qinghai, and Meng Zhaoyi

Figuring out takaful

Malaysia has the highest average contribution at **\$141 mln** (premium) per operator



In 2012, global takaful contributions reached **\$14 bln** and could hit **\$25 bln** in 2015



As of February 2013, there were **200** takaful operators in **34** jurisdictions

Oman is the latest country to draft a dedicated joining takaful regulation, Bahrain, Malaysia & the UAE



In 2012, takaful operators rated **3** as the biggest risks: Rising competition, Evolving regulations & Shortage of expertise

Expectations for 1 January renewals

“We expect the supply of reinsurance capacity to continue to increase, especially from international players seeking to grow in Asia. With aggregate growth expected in most Asian territories, growth in reinsurance premium should remain stable. We will see a lot of focus on securing adequate natural catastrophe protection and enhancing catastrophe modelling. Recent large risk losses in China and South Korea have highlighted the need to monitor and control per risk accumulation, both within the domestic markets and also interests abroad. Exposure- and experience-based pricing will remain the key drivers during the upcoming renewals.”



– **Mr Desmond Tan**
Chief Underwriting Officer, Treaty, Non-Marine,
Asia Capital Re

“We expect further improvement in terms for pro-rata treaties, particularly from Middle East. North African business may prove far less attractive than heretofore and a continuance of the improvement in quality is required of reinsurers.”

– **Mr Edward Melvin**
Chief Underwriting Officer,
Saudi Re



“Reinsurers will be concerned around their signings and I think that the key reinsurers will build that forcibly into negotiations for lead terms. As ever, the key is to achieve the best terms possible with the lead reinsurer and following markets will be squeezed as the leader protects their line size and others try to increase. Non-lead reinsurers need to stay flexible as the leaders have been pulling in different directions on contract conditions to control issues such as clash from regional facultative reinsurance and natural catastrophe limits.”

– **Mr Christopher Pleasant**
Managing Director MENA,
Guy Carpenter & Co



“The market is expected to be soft during the January renewals. There is excess capacity but still, we will try to hold on to our share if the pricing and terms and conditions are found acceptable.”

– **Mr Ashok K Roy**
Chairman cum
Managing Director,
GIC Re

“The current political tensions in the (MENA) region, especially with respect to Syria and the effects on its neighbouring countries, may be crucial in determining certain terms and conditions. Regardless of these political developments, we can still expect to see increased competition, under-capitalised insurers and the oversupply of capacity in the market. We don't believe that there will be any drastic changes in the rates. Basically, a flat renewal, even a slight rate deduction in loss-free layers can be expected. Still, terms and conditions are getting tighter and more restricted in certain areas, especially after the Arab Spring.”

– **Mr Gökhan Aktas**,
Head of Department, Foreign Inward Business,
Milli Re



FAIR returns home for 50th anniversary

Egypt will host the next FAIR Conference in 2015 as the organisation celebrates its golden jubilee next year.

“The FAIR organisation and the Insurance Federation of Egypt (IFE) decided to hold the next Conference in the same place where this Afro-Asian initiative was launched five decades ago,” said Mr Abd El-Raouf Kotb, President of IFE.

He said FAIR will continue with the same spirit in its endeavours to improve the insurance and reinsurance industry in both continents. “FAIR has been active in serving its member countries and continues to exert great efforts to keep up with the needs of their countries’ societies. ‘Innovation’ has been the focus of this year’s Conference, and we promise to keep innovating and rejuvenating FAIR to achieve its goals in serving the insurance and reinsurance industry in our regions.

“I take this opportunity to congratulate all members in advance on FAIR’s golden jubilee and thank them for their support along the years. I also welcome you all to join us in Egypt in 2015 to celebrate the occasion and witness this important milestone in FAIR’s journey.”



Mr Abd El-Raouf Kotb



Asia Investment Management Summit for Insurance Industry

25-26 November 2013, Marina Mandarin Hotel, Singapore

Theme: “Seeking Better Returns in Current Volatile Climate”

Thinking out of the low-yield box

Register online at

www.asiainsurancereview.com/investment

2nd Asia Insurance CIO Summit

20-21 November 2013, Marina Mandarin, Singapore
Theme: *The Transformational CIO – Delivering New Capabilities in a Digitised Era for the Socially Enabled Enterprise*

Register online at

www.asiainsurancereview.com



1st Asia Agriculture Insurance Conference

10 – 11 October 2013, Marina Mandarin Singapore
Theme: *“Sowing the Seeds for Risk-Free Business in Farming”*

Register online at

www.asiainsurancereview.com/agri

Glimpses of FAIR

We catch glimpses of FAIR delegates mingling along the hallways, during meals and talking business during the first full day of the Conference.



FAIR Daily newsletter team



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