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13TH SINGAPORE INTERNATIONAL REINSURANCE CONFERENCE

Managing Risks in an Uncertain World

2 - 4 November 2015

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Cheugugi, the world's first rain gauge, was invented in Korea, 200 years ahead of Western civilization and was used to predict heavy rain and make farming preparations. We at Korean Re are always one step ahead in predicting and preparing for the future.

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SIRC is in town again and this time with a whole troupe of big names and leading lights to wow the audience

The Singapore International Reinsurance Conference has come a long way from its humble origins in 1991 where the theme was on the Challenges of Reinsurance in the 90s which then was about the effects of the world catastrophes (even before Andrew) and their impact on capacity with fears that there just was not enough to go round as run-offs were being whispered in corridors too.

Today, we gleam with no major CATs to moan about and with excess capacity in the market and the capital market players banking on reinsurance as their favoured stand-alone investment play happy with just a 2 to 4% return though insurers are looking at 14% average ROE. Strikingly, reinsurers have also come to accept alternative capital – pensions and hedge funds – as the norm in the RI market though well aware that this "casual but big" money might leave when something hot and new comes along.

Big getting more beautiful

SIRC is in town and it is interesting to note that based on Monte Carlo's figures for 2014, there are now two Asian names in the official list of top 10 global reinsurers – China Re and Korean Re.

With big getting more beautiful, the concentration in reinsurance market has increased with the top 10 accounting for 65%. The top three – Munich, Swiss and Hannover – took more than two thirds of the US$500 billion global reinsurance premiums in 2014.

With China and India being the engines of global growth, the reinsurance scene is shifting too. And with the ASEAN Economic Community set to be launched in December, there will be greater integration and economic dynamism in Southeast Asia adding to the pull of Asia. Asia's share of the global reinsurance market has more than doubled in just three years to almost 20% with an estimated $50 billion in premiums. So is it time Asia set some lead directions and guidance for the rest of the world?

At the Reinsurance Roundtable hosted by *Asia Insurance Review*, there was a consensus that though reinsurance is very much a global market, Asia has much to be proud about though there are still challenges to overcome, least of all getting clients to appreciate a technical price for risks, winning the trust of clients for the long term and improving the quality of data collected and underwriting results. Asia is standing tall.

Managing Risks in an Uncertain World

Coming back to this SIRC in town, the theme of "Managing Risks in an Uncertain World" was specifically chosen to reinforce the unpredictability of risks and the need to inject some degree of risk management and certainty in dealing with the vagaries of the risk game where despite all the odds, real risk carriers have the answers for sustainable profits.

The programme has something for everyone, even regulators on dealing with innovative reinsurers fairly without undue capital charges. Suddenly the worry in the free world of reinsurance is "creeping protectionism". The wisdom of reinsurance and its needs even for balance of payments will prevail when the hard times come.

As an insurance journalist for the past 25 years, I know the CYCLE must go on in all its differing forms. At the 2nd SIRC in 1993 after Andrew and all, cedants and regulators were begging the internationals for "give us more" capacity: And Bermuda was born.

I take this opportunity to wish you all the very best for the SIRC and the renewals. Make the rendezvous count!

Sivam Subramaniam
Editor-in-Chief
Asia Insurance Review

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Welcome to the 13th Singapore International Reinsurance Conference (SIRC).

This year's event promises to be another exciting and thought-provoking gathering and I am delighted that you are able to join us.

The 2015 conference will showcase several talented and highly-respected speakers and panellists covering a vast range of important and relevant topics facing insurers and reinsurers worldwide.

The event has the theme "Managing risks in an uncertain world" and I believe that SIRC provides the ideal platform for us to gather together and debate these issues and others affecting our sector and to learn from one another.

We are joined once again at SIRC by key decision makers and senior management executives within the insurance, reinsurance, broking and regulatory communities.

Staying Relevant

At this conference, we will launch a thought-leadership report, entitled the Asia Reinsurance Pulse. It will give us all unique insights into the market, outlook, and trends on pricing, terms and conditions, retention, capacity as well as profitability and growth expectations.

Looking back, when SIRC was launched in 1991, the aim was to give insurance professionals a forum to meet and discuss issues of the day, while also scanning the horizon for future developments in the market.

That aim is more relevant today than ever.

Over the years, SIRC has attracted a loyal following with speakers including industry icons sharing their views on the trends in the market and helping to shape solutions to challenges.

It has become the premier event for the reinsurance sector in Asia and, as you will be aware, we have announced way back in February that SIRC will be held annually from 2017. This is in response to delegates' feedback and the need for a dedicated and centralised forum to meet in preparation for the renewals.

But SIRC is only a success due to the support of so many people and I believe this critical support will continue as we commit to meet annually.

I hope that you enjoy your time at SIRC and I wish speakers, delegates and guests the best for their discussions, both as part of the main conference programme and also in the bilateral meetings that take place alongside it.

A note on the SRA

When the Singapore Reinsurers' Association was established in 1979, one of the core objectives was to encourage cooperation among companies transacting reinsurance business in Singapore.

Our membership has grown significantly over the past 36 years. With nearly 50 members now on-board, SRA is able to actively facilitate dialogue, encourage healthy market competition and foster strong social bonds within the industry and beyond.

Optimise your time at SIRC

Looking ahead, 2016 already looks set to be another year of change and challenge.

On behalf of the SRA, and our co-organisers, the Reinsurance Brokers' Association (Singapore) (RBAS) and the Singapore College of Insurance (SCI), I hope that SIRC gives you the platform from which to shape your relationships, strategies and ideas for the coming year and beyond.

With best wishes,

Thomas Lillelund
Chairman
Singapore Reinsurers' Association

Welcome to proud Singaporeans celebrating the 50th Anniversary of their successful "Republic of Singapore" and a special welcome to all of you who have made the journey from overseas to join us.

This year is the 13th SIRC being its 25th year and this year also sees the inauguration of the ASEAN Economic Community which it is widely accepted, over time, will have far reaching and positive repercussions on trade, industry and indeed insurance and reinsurance within our vibrant ASEAN region.

On behalf of all members of the Reinsurance Brokers' Association (Singapore) – Aon Benfield Asia Pte Ltd, Asia Reinsurance Brokers Pte Ltd, Cooper Gay (Asia) Pte Ltd, Guy Carpenter & Co Pte Ltd, Ikatan Asia Pacific Reinsurance Brokers Pte Ltd, J B Boda & Co (S) Pte Ltd, JLT Specialty Pte Ltd, Lockton Companies (Singapore) Pte Ltd, Marnix Insurance Brokers Asia Pte Ltd, Miller Insurance Services (Singapore) Pte Ltd, RKH Specialty Asia Pacific Pte Ltd, Willis (Singapore) Pte Ltd – we wish you a wonderful time in our "garden city state".

The Singapore experience

Please take time to sample the Singapore experience, do try the amazing and varied local food and visit our newly renovated national museum, art centres and places of international wonder and fame like the awesome Zoo, Night Safari, Botanic Gardens, Bird Park, Science Centre, countless water parks, go-kart tracks and even the heart stopping rides and entertainment on the fun and historical island of Sentosa.

Why not try something that you haven't tried before, visit Raffles for a sling, ride a bum boat on the Singapore river, stroll over to the spectacular Gardens by the Bay next to the MBS, or down the promenade and take in a musical or a show at the iconic Esplanade theatres or dance and sing till dawn, there is plenty of night life out there.

Experience Singapore's big wheel and for luck even spin the smaller ones at the casinos or test your golf swing at one of our luscious 27 courses, many are world class.

Please enjoy a spin, sling, sing, swing or stroll in Singapore!

The business front

On the business front, over the next three days of conference, we sincerely hope that you will find our style of programme conducive to your needs, great value, interesting and relevant. We welcome your feedback at any time to assist us to improve. May your days be profitable and nights enjoyable.

Competition within the industry is extreme in all sectors. Justifiably for many, greater social, managerial, and shareholder pressure means the tried and tested, traditional values are under close inspection.

The industry finds itself in a moment in time when fiscal liquidity is abundant, a beauty parade of models and actuarial solutions run the books, markets are soft and losing value, and combined with innovation within the business delivery space to challenge investors.

We need to constantly remind ourselves that the real risks of flood, wind, pandemic, seismicity as well as the financial, holistic and less obvious risks associated to major losses in areas of conflagration are "when's" and not "if's" and they loom larger than ever.

A strong risk management policy will help us all be more relevant for the next SIRC! Singapore, a successful multi-ethnic and natural trading cross roads, benefits from a culture of constant change and innovation, please take a look around you and take a moment "to be in the moment" and embrace the many local colourful influences, local customs, surprising sights and delicious flavours that our sensational island has to offer.

Please do not hesitate to contact any one of us on the Organising Committee or a member of RBAS. Allow us to assist you if there is any way that we make your SIRC experience more fulfilling.

Wishing you fond and lasting memories of the 13th SIRC!

Richard N C Austen
Chairman of the Reinsurance Brokers Association (Singapore)

Monday, 2 November 2015	
7.00 am to 9.00 am	**Light Breakfast** Venue: Roselle ballroom, Level 4
9.00 am to 5.00 pm	**Pre-Conference Registration** Venue: Side of Lotus ballroom, Level 4
12.30 pm to 2.00 pm	**Networking Lunch** Venue: Roselle ballroom, Level 4
5.00 pm to 7.30 pm	**Welcome Cocktail Reception** Venue: Roselle ballroom, Level 4
7.30 pm onwards	**Private Cocktail Receptions** hosted by various companies (by Invitation only)

Tuesday, 3 November 2015	
7.00 am to 9.00 am	**Light Breakfast** Venue: Roselle ballroom, Level 4
7.30 am to 9.00 am	**Registration** Venue: Side of Lotus ballroom, Level 4
9.00 am to 9.10 am	(Delegates to be seated by 8.45am) **Welcome Address** **Mr Sivam Subramaniam** **Chairman, 13th SIRC Organising Committee**
9.10 am to 9.45 am	**Official Keynote Address by Guest-of-Honour** **Ms Jacqueline Loh, Deputy Managing Director, Monetary Authority of Singapore**
9.45 am to 10.30 am	**Industry Keynote Address** **Mr Albert Benchimol, Chief Executive Officer, AXIS Capital**
10.30 am to 10.45 am	**Launch of Asia Reinsurance Pulse** **Dr Kai-Uwe Schanz, Chairman & Partner, Dr. Schanz, Alms & Company AG**
10.45 am to 11.00 am	**Tea Break** Venue: Foyer fronting Roselle, Peony and Orchid ballrooms, Level 4
11.00 am to 12.15 pm	**Executive Panel Discussion 1: " Managing Risks in an Uncertain World"** **Session Chairman: Mr Peter Schmidt, Chief Executive Asia Pacific, Latin America and Global Credit & Surety, XL Catlin** **Panelists:** **• Mr Amer Ahmed, CEO, Allianz SE, Reinsurance** **• Mr Eric Andersen, CEO, Aon Benfield** **• Dr Ludger Arnoldussen, Member, Board of Management, Munich Re** **• Mr Emmanuel Clarke, President, PartnerRe Ltd** **• Mr John Dacey, Member of Group Executive Committee, Group Chief Strategy Officer and, Chairman Admin Re®, Swiss Re** **• Mr Vincent Vandendael, Director, Global Markets, Lloyd's**
12.15 pm to 1.30 pm	**Panel Discussion 2: "The Changing Regulatory Landscape – How will Reinsurers Respond?"** **ession Chairman: Mr Michael Marx, Managing Director Treaty Division Asia Pacific, Hannover Re** **Panelists include:** **• Mr James Beedle, Senior Managing Director, Willis Re Asia** **• Mr Ian Johnston, Chief Executive, Dubai Financial Services Authority** **• Mr Victor Peignet, Chief Executive Officer, SCOR Global P&C SE** **• Mr John Tan, Group Chief Executive, ACR Capital Holdings**
1.30 pm to 2.30 pm	**Networking Lunch** Venue: Roselle ballroom, Level 4
7.00 pm to 11.00 pm	**Asia Insurance Industry Awards Presentation Dinner** (by Invitation only)

Wednesday, 4 November 2015	
7.00 am to 9.00 am	**Light Breakfast** Venue: Roselle ballroom, Level 4
9.00 am to 10.30 am	**Concurrent Breakout Session on "Rising Nat Cats in Asia: Managing Emerging Risks and Blind Spots"** **Session Chairman: Mr George Attard, Head of Aon Benfield Analytics, Asia Pacific** **Panelists include:** • Mr Thomas Kessler, Head South East & East Asia, Global Partnerships, Swiss Re • Mr Yoshimitsu Mizui, Manager, Underwriting Team, Underwriting & Planning Dept., Toa Re • Mr Jonathan Paradine, Principal Officer, Singapore Branch, RenaissanceRe • Mr Reginald Peacock, CEO Global Corporate SBU, Japan, Zurich • Dr Frans Y. Sahusilawane, President & CEO, Indonesia Re **Concurrent Breakout Session on "Does Size Matter in Reinsurance"** **Session Chairman: Mr Daniel Wahrenberger, International Executive Coach, CEO, Veromont Ltd** **Panelists include:** • Mr Martin Allain, Executive Director, RKH Specialty Asia Pacific • Mr Robert De Rose, Vice President, A. M. Best • Mr Michael Gourlay, Chief Executive Officer, MSIG Singapore • Mr Stephen Postlewhite, Chief Executive Officer, Aspen Re • Dr Oran Vongsuraphichet, President & COO, Thai Re
10.30 am to 11.00 am	**Tea Break** Venue: Foyer fronting Roselle, Peony and Orchid ballrooms, Level 4
11.00 am to 12.30 pm	**Concurrent Breakout Session on "Impact of the ASEAN Economic Community on the Insurance Industry"** **Session Chairman: Mr Richard Austen, CEO, Asia Reinsurance Brokers** **Panelists include:** • Mr Stephen Blasina, Regional Managing Director, FPG Insurance • Mr Matthew Harris, Chief Executive, AIG Asia Pacific • Mr Augusto Hidalgo, President & CEO, National Reinsurance Corporation of the Philippines • Mrs Alice G Vaidyan, General Manager, GIC Re • Ms Connie Wong, Managing Director, Standard & Poor's **Concurrent Breakout Session on "Innovating Reinsurance Solutions for the Changing Asian Markets"** **Session Chairman: Mr Alain Flandrin, CEO APAC, Partner Reinsurance Asia Pte. Ltd.** **Panelists include:** • Dr Jürgen Dümont, Head of Solvency Consulting, Munich Re • Mr Andrew Flitcroft, Managing Director and Asia Pacific Regional Manager, Gen Re • Mr Franz Hahn, CEO, Peak Re • Mr James Nash, CEO of Asia Pacific, Guy Carpenter • Mr Marcus Taylor, Chief Executive, IAG Re
12.30 pm to 2.00 pm	**Networking Lunch** Venue: Roselle ballroom, Level 4
5.00 pm onwards	**Private Cocktail Receptions** hosted by various companies (by Invitation only)

*Unless otherwise stated, the conference sessions will be held in the Peony function room, Level 4, Sands Expo and Convention Centre, Marina Bay Sands, Singapore.

Members of the Organising Committee

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Editor-in-Chief, Asia Insurance Review &
Middle East Insurance Review

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Singapore College of Insurance

Ms Dawn Sit
Journalist,
Asia Insurance Review

CONTENTS

The year of merger mania?

M&A activity looks set to continue even after a string of deals announced this year. **Mr Paul Melody**, Managing Director, Life Insurance Practice, Asia Pacific, **Towers Watson**, shares the drivers behind the M&A activity, and what it takes to achieve success after the conclusion of a deal.

There has been a string of deals announced in 2015, with the latest the GBP3.5 billion (US$5.32 billion) takeover of UK-listed Amlin by Mitsui Sumitomo. This year is likely to be the biggest on record for insurance mergers and acquisitions, according to data compiled by Dealogic.

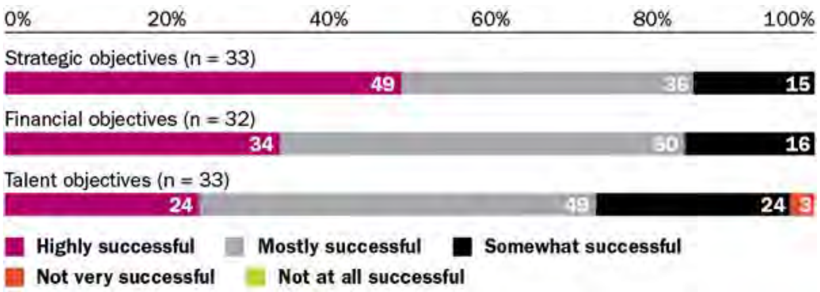
We have selected a number of deals from those announced to date this year to illustrate the range of drivers behind deal-making activity:

- A number of reinsurers have announced deals as increasing competition from alternative sources of capital, combined with the absence of major loss events, has meant that premium rates and, therefore, profitability are under pressure, with deals seen as a way of achieving cost savings, whilst also reducing capacity in the industry.
- The acquisition of Amlin is seen as a way for Mitsui Sumitomo to diversify their non-life insurance operations away from their home country, which is vulnerable to costly natural catastrophes and is experiencing low growth; and
- The Belgian insurer Ageas announced its intention to sell its Hong Kong insurance unit to a Beijing-based asset manager JD Capital for US$1.4 billion, exiting a business it acquired eight years ago. Ageas was quoted as saying that the decision to sell their business in Hong Kong was the result of a realignment of their strategy towards the fast growing emerging markets of Asia.

Deals across the (re)insurance sector appear to be stimulated by an improving economic outlook, as well as low interest rates which mean a low cost of financing for buyers, as in any sector. But how can senior executives ensure deals are successful?

The theory…

In any introduction to corporate finance, we are taught that the price of a company can be computed as the present value of all future dividends. This is more or less a reasonable basis for valuation, as these dividends are the monies that would be received in exchange for an investor's consideration. If we know the value of these dividends with certainty, we can then produce a true estimate of the worth of a company. However, in practice, we only have an expectation of what these dividends will look like, so we can only estimate what a reasonable price might be.



Source: Towers Watson Global M&A Retention Study, 2014

Despite the warning that past performance is not predictive of future performance, last year's net income appears to be a fairly good indicator of the price the market is using to value insurance companies. The question is, of course, will companies be able to grow earnings in line with rates implied by recent deal prices?

…and the difference between theory and practice

There are many plausible reasons why any given deal may fail to deliver on shareholder expectations, but it is notable that when finance executives are asked why transactions fail to live up to expectations, the dominant response is around getting people to work together.

Even with the benefit of hindsight where deals have not lived up to expectations, finance executives tend to remain comfortable with their growth strategy and deal-pricing approaches. They tend to lay the cause of deal failure at the door of broader concerns such as not being able to actually exert management control, the practicalities of implementing change and the reality of merging disparate corporate cultures.

Towers Watson asked HR executives from across all industries to discuss what actions they felt were important during an M&A transaction, and then compared the responses of those that experienced very successful M&A deals to those whose deals were less successful.

The three areas identified as differentiating success from failure were:

- Influencing effectiveness of senior leadership
- Effectively and openly communicating with employees throughout the transition
- Creating and implementing strategies to retain key employees

This study showed that whilst there is no one-size-fits-all approach, successful deal makers focus on people, and particularly, the retention of key talent.

Fail to plan…Plan to fail

Sales volumes and profits are driven by key leadership talent. Although the fundamental mathematics behind how to derive and improve market price is simple in theory, having the vision to achieve this and the tools to successfully merge two people-driven businesses in order to retain talent and generate long-term outperformance is both critical and far less easy in practice.

From a recent Global M&A Retention Study, we discovered that respondents were about half as likely to respond that they were highly successful in meeting their talent objectives (24%) in an M&A transaction, as compared with meeting their strategic objectives (49%) – see figure below.

Back to Contents

M&A successes: About half of respondents believe their transaction achieved its strategic objectives; less so for talent objectives.

From the same study, we discovered that high-retention companies (those retaining 60% or more of their staff post-deal) are more likely to rate their strategic objectives successful (88%) than low-retention companies (67%).

Whilst retention is a key element of success for all transactions, it is particularly important for insurance companies in the context of cross-border deals, where the availability of specific key talent (underwriting expertise among a limited number of individuals in the market, for example) may be scarce.

Our research shows that insurance companies that are either embarking on or considering a M&A transaction are advised to create a talent retention plan based upon best practices and incorporate this into their M&A playbook. Retention agreements are an important part of that plan but should be complemented by other actions such as personal outreach by leaders and managers, strategic promotions and employee participation on task forces.

For those companies considering cross-border or emerging-market transactions, a culture and compensation philosophy that is global but allows for regional and local variations can make key employees feel comfortable and valued in their new environment.

Ultimately, there are no hard and fast rules for talent retention because of the specificity of individual transactions, the distinct cultures of the insurance companies involved in the deal, and the differences in mission and strategy motivating the M&A activity. But, the general concepts outlined briefly above offer broad guidance that we believe is worth incorporating into M&A planning.

M&A to continue apace?

From our most recent M&A survey, performed in conjunction with Mergermarket, insurance executives expect the M&A market to remain active, with four out of five firms planning to make at least one acquisition in the next three years. With only a third of firms planning to make divestments, the market for quality targets is already becoming more competitive, with resulting knock-on effects on valuations.

When combined with many firms' continued focus on top-line growth, an increase in valuations could lead to future challenges for those firms that fail to consider the full economic implications of any deal. This is particularly true in North America and Developing Asia, where competition for assets looks likely to be particularly fierce.

Results from our survey suggest that most firms remain focused on their own region when considering acquisitions and only a minority are prioritising expansion further afield. However, many of the firms based in emerging markets express an openness to considering joint ventures and this could potentially be a route to entry to emerging markets for firms that are currently cautious about exploring these high growth markets.

Whilst a smaller proportion of companies are planning on divestments, we expect that management teams will more clearly identify their core, strategically important markets, and look to withdraw from those that are not. Arguably, the recent sale by Ageas of its Hong Kong insurance unit, having just established a joint venture partnership with EastWest Bank of the Philippines, is an example of just such a strategy in practice. Another example, is Standard Life's decision to close its Singapore office whilst agreeing to increase its stake in its Indian joint venture, HDFC Standard Life Insurance.

If demand for acquisitions continues into 2016, as we expect it will, and if profitability continues to come under pressure for the reasons outlined at the start of this article, there is a risk that acquisition prices will increasingly appear disconnected from the reality of a tough market environment. This adds to the already significant execution and integration risks associated with mergers.

Ensuring you have key talent in place, will become even more important to (your continued) success.

Back to Contents

Could the next Katrina-type event be in Asia rather than in the US?

Hurricane Katrina struck the Gulf Coast of the US in August 2005. It remains the largest-ever windstorm loss and the costliest disaster in the history of the global insurance industry, causing as much as US$125 billion in overall damages and over $60 billion in insured losses. Could this type of catastrophic event occur in Asia? We find out from **Allianz Global Corporate & Specialty SE (AGCS).**

Asia's increasing assets and its booming population clustered around tropical storm hotspots in the face of intensifying storm activity means the potential for larger windstorm losses across the region continues to increase.

This was not the case 10 years ago as the top 10 global cities in terms of assets exposed to coastal flooding due to storm surge and damage due to high winds were Miami, Greater New York, New Orleans, Osaka-Kobe, Tokyo, Amsterdam, Rotterdam, Nagoya, Tampa-St Petersburg and Virginia Beach. These cities contain 60% of the total exposure, but the total exposure comes from only three countries: US, Japan and the Netherlands.

However, based on projections for 2070 – the exposure landscape looks very different with asset exposure forecast to grow dramatically, reaching $35,000 billion by the 2070s; more than 10 times the level around Katrina and rising to roughly 9% of projected global GDP in this period.

In the 2070s, the top 10 cities would be Miami, Guangzhou, New York, Kolkata, Shanghai, Mumbai, Tianjin, Tokyo, Hong Kong and Bangkok. Meaning, Asian cities will account for 80% of the top 10 exposed locations in future with four of these locations in China (including Hong Kong) alone. Tianjin is the seventh top city in the world ranked by asset exposure to coastal flooding and wind damage in future. The impact of a severe windstorm event in the area would obviously be much more widespread and devastating than the Tianjin blasts that occurred in August.

High exposure accumulation

Population growth, socio-economic growth and urbanisation are the most important drivers of the overall increase in exposure. Exposure rises most rapidly in developing countries, as development moves increasingly into areas of high and rising flood risk.

A study by the Texas A&M and Yale Universities found that by 2030 the amount of developed low-elevation coastal land in China would have increased by over 60,000km2 since 2000.

In addition, the population in Asia is set to double by 2050 – particularly in urban coastal areas. An increase in prosperity also means the number of people defined as "middle class" is expected to double between 2009 and 2020. And future increases in income are likely to double tropical cyclone damage even without the impact of climate change, according to "The Impact of Climate Change on Global Tropical Cyclone Damage" report.

Underinsurance a major issue

The situation is exacerbated by the fact that growth of exposures is far outpacing take-up of insurance coverage, resulting in a growing gap in Nat CAT – including windstorm - preparedness and response. For example, Haiyan is the costliest tropical storm event in Asia by overall losses ($10.5 billion) in the past 35 years. However, only approximately $700 million of this was insured. However, AGCS sees a growing trend in rising insured losses from Nat CATs worldwide. The average annual cost of insured claims from Nat CATs has increased eight-fold since 1970 (up from some $5 billion in the 1970s and 1980s to over $40 billion in 2010). The main reason is economic growth: property values are rising, population density and insurance penetration are increasing, often in high risk areas – a trend that is compounded by the fast growth of some Asian economies in CAT-prone regions.

China – biggest flood potential

Based on AGCS data, China has the biggest flood loss potential for industrial parks with estimates suggesting 52% are at risk of river flooding and 25%

Back to Contents

threatened by storm surge. The Pearl River Delta alone which includes cities such as Guangzhou, Shenzhen and Tianjin has higher loss potential than all of Thailand, which in 2011 experienced the largest flood loss in history – costing approximately $50 billion in economic damages and over $16 billion in insured losses.

Ulsan in South Korea is another industrial exposure hotspot in Asia that is highly vulnerable to typhoons. Another example in Asia would be Manila, where 2009 floodwaters from tropical storm Ketsana rose up to 21 feet and inundated more than 80% of the city.

Is Asia prepared?

The likelihood of Asia suffering from a Katrina-style event in terms of significant losses is not implausible. The accumulation of risks in some Asian industrial parks is rising exponentially with greater interconnectedness of the global economy, resulting in business interruption (BI), contingent business interruption (CBI) and supply chain exposures. And if Nat CAT risk management procedures are not in place or have not been regularly reviewed, the magnitude of such losses can increase significantly. One concern is that businesses put a lot of time into assessing direct damage and looking at their own BI impact but probably not as much as they should do in terms of the risks associated with supplies and customers (third party risks).

The events in recent years have resulted in several Asian megacities stepping up their disaster and risk management mitigation efforts. China spends an estimated $50 billion annually to manage risks in the areas of flood management, better defences, early warning systems, evacuation planning and more resilient infrastructure.

For example, Shanghai has installed flood gates and levees to protect the city from major floods. Following the major 2011 floods, Bangkok has also improved waterways and pumping capacity that reduce the extent of flooded areas by some 50%. Japan, which also experienced the triple disaster in 2011 from the Tsunami, currently spends about 5% of its annual budget on disaster and risk management.

The Asian Development Bank has also invested more than $10 billion over the last 15 years to implement important early storm warning systems in Bangladesh and extensive flood control projects in Pakistan and Indonesia that have saved thousands of lives.

Storm surge protection

Adequate preparedness before a storm arrives is key in order to mitigate potential losses, particularly in areas such as construction sites which are extremely susceptible. There are four crucial areas of windstorm loss mitigation:

- Pre-windstorm planning including development of a comprehensive emergency plan and testing it. Inspect roofs and the building envelope; anchor large equipment and prepare for possible flooding.
- During a windstorm, response personnel should monitor for leaks, fire and damage.
- After a windstorm, the site should be secured to prevent unauthorised entry. An immediate damage assessment should be conducted if safe to do so.
- Business continuity management is crucial as just-in-time production, lean inventories and global supply chains can easily multiply negative effects. Property damage and business interruption are usually covered by insurance policies but often there is loss of market share, suppliers, clients and staff. Businesses need a two-fold approach: prevention and cure. So they should prepare with preventative measures to minimise risk up front: for example, risk management, business continuity planning, and key supplier analyses. And for the cure, they need insurance coverage combined with a robust business recovery plan.

Back to Contents

Is the insurance industry keeping up with the rapidly evolving cyber risk landscape?

Messrs Shaun Wang, **Mark Terris**, and **Bradley Schaufenbuel** explain how to objectively evaluate cybersecurity risk and price cyber insurance policies more accurately in the rapidly expanding digital economy.

As the digital economy is rapidly expanding, a diminishing percentage of risk professionals and CFOs feel they have a complete understanding of cyber risk. Insurers also do not entirely understand cyber risk yet. Underwriting processes to quantify controls are not fully developed. Therefore, insurers are not effectively pricing cyber risk policies and charging many customers similar rates without thoroughly evaluating the maturity of the underlying IT programs, which could lead to complacent cyber security processes once insurance is in place. The need for better pricing and underwriting processes for cyber insurance is heightened with the continued expansion of the digital economy.

Objective evaluation and pricing

How can insurers objectively evaluate cybersecurity risk and thus price cyber insurance policies more accurately? We, as insurance modeling, risk, and IT security experts conducted collaborative research resulting in the following insights and observations.

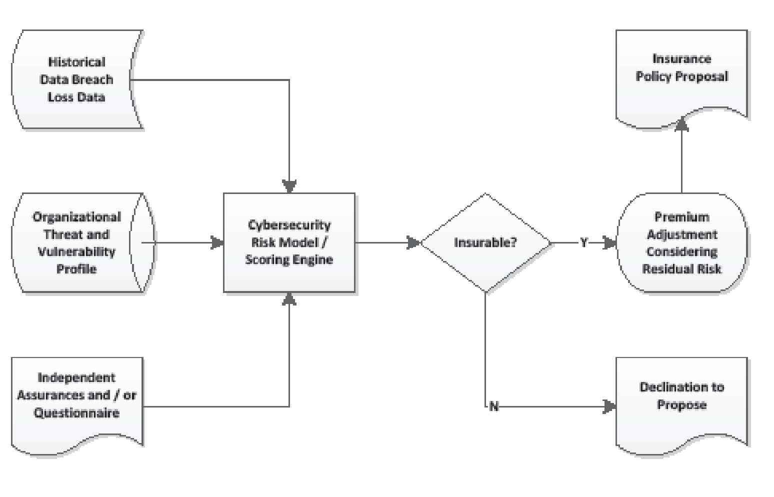
There are clear relationships between an organisation's risk profile, the maturity of its cybersecurity program, and the probability that the organisation will incur losses under a cyber-insurance policy. For the most part, attackers are rational actors. The lower the payoff and the more difficult the target is to compromise, the more likely attackers are to move to an easier and more lucrative target. There are many factors that determine the susceptibility of an insured to incurring cyber losses. These factors include the industry in which they operate, the type, volume, and location of the sensitive information held, the maturity level of the information security program and the inclusion of cyber risk in an ERM program.

We cannot predict with certainty which organisations will suffer a data breach. However, we can certainly determine which organisations are more likely than others to suffer a data breach with a greater degree of accuracy than the rudimentary methods often used by cyber insurance underwriters today. This can be accomplished utilising a more sophisticated and predictive data breach risk model. By marrying the growing body of historical cyber loss data with a model for measuring inherent risk and cyber security program maturity, we can predict likely losses for individual cyber insurance applicants.

Diagram 1 illustrates the model at a high level. The inputs into this model include attributes from three primary sources. Inherent risk is determined using factors that are largely outside of the applicant's control. This includes historical data breach loss data as well as an organisational threat and vulnerability profile. The types of attributes that encompass the organisational profile include the size of the applicant (measured in number of employees, revenues, and market value), the industry the applicant operates in, the number of unique confidential records the applicant has in its possession, etc. Historical loss data is derived from databases of publicly disclosed data breaches and studies conducted by security researchers.

For example, if the applicant maintains 50,000 unique records containing personally identifiable information (PII) and we combine that with the Ponemon Institute's estimate of the cost of responding to a data breach at US$202 per record, the maximum uncontrolled exposure to the insurer in a data breach response scenario is approximately $10 million.

Diagram 1



Program assessment

Controlled or managed risk is calculated by assessing the design and effectiveness of the applicant's cyber security program and the level of inclusion in the company's ERM program. Examples include measures of security governance, resource commitment, technological safeguards, administrative controls, security awareness, and physical security controls. Instead of the brief application form on which many cyber insurers currently rely on to assess managed risk, the insurer could leverage better indicators of cyber security program maturity. This information can be obtained from independent third party audit or certification engagements and/or from a questionnaire.

Examples of independent assessments include the ISO 27001 certification, an SSAE-16 SOC-2 Type-2 audit, HITRUST Common Security Framework (CSF) certification, a PCI

Back to Contents

Data Security Standard (DSS) or a Report on Compliance (RoC).

The review of independent assessments would be similar to those performed by sophisticated enterprises as part of their third party service provider oversight or vendor management program today. If an applicant does not possess adequate independent assurances, then a more detailed cyber security questionnaire may be used that includes questions that are statistically proven to be indicators of the efficacy of an organization's cyber security program.

A combination of an independent assessment and a questionnaire is also an option. Instead of underwriting cyber insurance policies based on general loss history and the contents of the application, lower premiums can be quoted to applicants with above average cybersecurity programs and higher premiums can be quoted to applicants with below average cybersecurity programs. The ability to offer below market premiums to organisations that have invested in building effective cybersecurity programs will result in a competitive advantage to the insurer utilising this model – both in terms of the insurer's ability to land business as well as having a lower than industry average for losses over the life of these policies.

In the absence of existing third party audits or certifications, an insurer may wish to validate the applicant's responses to the questionnaire. They can either add the cost of validating the questionnaire to the premium or give the applicant the option of paying for third party validation. An applicant with an effective cybersecurity program may be happy to pay for the validation if it results in a reduction to the premium that exceeds the cost of the validation.

Furthermore, if insurers (or at least a few major insurers) can agree on the model that is used to assess cybersecurity risk, an entire industry may blossom for independent assessors who complete questionnaires for applications and/or validate them for insurers (or applicants). The emergence of such an industry may be similar to that which arose for Qualified Security Assessors (QSAs) after the Payment Card Industry (PCI) released its Data Security Standard (DSS) for organisations that handle payment card data.

Cybersecurity risk scoring engine

The key element of the model is the cybersecurity risk scoring engine. Each input is transformed into a quantitative value. Each value is weighted depending on its predictive efficacy. Leveraging advanced predictive analytics, an aggregate risk score is derived for the applicant. The risk score is first used to determine whether or not the applicant is insurable. Assuming that a predefined threshold for insurability is met, the risk score can then be leveraged to determine whether the applicant is quoted a higher than average premium (i.e., a risk premium is applied to the cost of insurance) or a lower than average premium (i.e., a risk discount is applied to the cost of insurance).

To monitor that an insured's cybersecurity program remains robust throughout the life of the policy, insurers may tie future premium adjustments to the results of periodic reassessments or some form of continuous audit/assessment process. The underwriting pricing process of cyber risks will continue to evolve as more data becomes available and better underlying models are developed to evaluate loss frequency and severity.

Cyber incident data is the most developed for analysis at this time. While a uniformly specific cyber incident repository does not yet exist, incident information is available through public disclosure and operational risk management loss event databases, mostly related to financial institutions. Analysis of this data can provide the foundation for a meaningful loss frequency and severity model.

Insurance claims data is another area rich with information, however, this information is just starting to be culled and organised for usefulness. Due to the lack of a standard policy form for cyber risk and the consequences and impacts of cyber incidents which may be included in other policy cover (e.g. business interruption, liability, fraud, etc.) the timeframe to fully analyse this data will be longer.

Ultimately, through the partnership of expert IT program assessment, meaningful data analysis and model development, the insurance industry can emerge profitably while also creating a more efficient marketplace for cyber insurance cover, and influencing better overall cyber security processes.

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Mr Bradley Schaufenbuel is Principal - Security Services at
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Back to Contents

Materialising the concept "Insurance for Everyone"

Mr Nasir A Choudhury, Advisor and Founding Managing Director, **Green Delta Insurance**, shares that the low penetration rate in Bangladesh means that it is full of possibilities, and that to raise the penetration rate and grow the insurance industry, insurance companies can do more by working together.

The insurance industry in Bangladesh is considered to be an untapped sector. It has one of the lowest insurance penetrations in the world at around 1%. While some may choose to be pessimistic about it, insurance experts tend to view this as an area full of possibilities and opportunities. Lack of awareness regarding insurance is very much visible, which makes it hard to achieve our desired growth in the industry.

Currently we are seeing a consistent 13%-15% growth every year in the insurance industry. If this reaches 20%, this will be a remarkable achievement for the industry.

Raising penetration and market share

Being the market leader and the only AAA-rated insurance company in Bangladesh, Green Delta Insurance believes that when the industry grows the company grows as well.

The market penetration of insurance is currently less than 1%. With our flagship project "Insurance for Everyone" and government's recent praiseworthy initiatives related to safety net insurance to give coverage to the bottom of the pyramid group, we are hopeful regarding the possibility of a 5% market penetration within a 5-10 years' timeframe.

We hold 13-14% of the market share of the insurance industry being the leader of the non-life sector at the moment. In the decade ahead, if our projections work out we will be more aggressive in the market and aim to capture 22-25% of the market share.

Green Delta Insurance was the first non-life insurer from Bangladesh to introduce the retail insurance department. The department was created with the motto "Insurance for Everyone". Ms Farzana Chowdhury was the person who gave birth to the concept. The people in the department are working hard to take it forward. The direct sales team is going door to door to build awareness regarding insurance and convince people about the brighter sides of having an insurance policy.

The main products that the retail insurance department sells are motor, overseas Mediclaim, personal accident, health, all risk, and Nibedita – comprehensive insurance scheme for women. There are few other projects under Retail and SME, they are Niramoy-micro insurance for rural people, Shudin- micro insurance for garments workers, weather index-based crop insurance and Probashi – comprehensive insurance scheme for migrant workers.

The low insurance penetration in Bangladesh reflects the current scenario of the market. There is a negative aura regarding insurance among the general people of our country. People try to avoid buying a policy unless it is mandated by the law. So naturally the job for the Retail Insurance department is very challenging. Green Delta is coming up with innovative branding strategies to create a positive buzz in the market. A wind of change can be felt already. The market is growing slowly but consistently.

Growing the overall sector

Green Delta is not only promoting its own products but also promoting the overall sector. We want to grow with every insurer because this is the only way to materialise the concept of "Insurance for Everyone". It will be difficult for a single company to change the scenario regarding insurance penetration, so the support of the other insurers is necessary.

The number of people who are starting to believe in insurance products is increasing every day, which promises a better day for the industry. Green Delta is leaving no stone unturned to educate the general public regarding the necessity of insurance. Positive results can be noticed through public behaviour on social media.

A country's strong economy is very much interrelated with its insurance market. Bangladesh's economy will grow rapidly once people start realising the importance of insurance in everyday life. Retail & SME department is committed to bring about a positive change in the insurance market.

Back to Contents


LET'S TALK
Risk Taker
to
Risk Taker

Opportunities for international reinsurers in the market

While Brunei's insurance industry is small and faces some headwinds with its close association to the country's economy, **Mr Kolja Klawunn**, Vice Chairman, **Brunei Insurance and Takaful Association**, points out the opportunity for international reinsurers in the market.

Although the business environment for insurers is challenging, Brunei Darussalam's small insurance industry continues to expand gradually. The rapid growth of family takaful especially, points towards an awakening of interest among ethnic Malays in life insurance-related products.

High court awards to accident victims have impacted the profitability of mandatory Motor and Workers' Compensation insurance. Long-standing factors have affected insurance penetration, including the Sultanate's extensive social welfare system, which limits demand for private cover, and the structure of its economy, in which the dominant oil and gas industry needs to insure larger risks than local insurers can handle. The result is a highly competitive industry in which takaful providers seem to continue grabbing market share.

Market update

The year 2014 saw an overall increase in general insurance GWP by 6% to B$193.7 million (US$138.52 million), driven predominantly by Motor business. This sector still represents the biggest share of the insurance market with 47%, while it is also responsible for 65% of gross claims. Other major lines of business are Fire and Workers' Compensation with each representing approximately 8% of the overall GWP. The category Others, which also includes Energy business, adds up to 27% of GWP in 2014, most of that being ceded to reinsurers. In general, claims figures can be described as rather moderate.

The Brunei insurance market currently consists of only 13 insurance companies, one licensed broker and one licensed loss adjuster. Out of the 13 insurance companies six are conventional general insurers, two general takaful operators, three conventional life insurers and two family takaful operators. In a surprise development, Etiqa has recently announced its departure from Brunei. As of 1 August 2015 ,the company has stopped entertaining both new and renewal business.

Governance-related development

The Brunei insurance market has been experiencing quite a few regulatory and governance-related changes in the course of the past two years.

At the beginning of 2014, a new insurance industry association was established. For the first time, all insurance companies, life insurers, property & casualty players as well as conventional and takaful operators are represented within one industry body. The establishment of the Brunei Insurance and Takaful Association (BITA) can be seen as an important milestone. Not only do all insurers in the country have an official voice now, the Authority Monetary Brunei Darussalam (AMBD) also has an appropriate counterpart to discuss both insurance market as well as regulation-related topics.

During the course of 2014, new agency registration guidelines (Property & Casualty) became effective. This requires existing and new agents now to register with the Registrar of Companies (ROC) before officially registering with BITA and AMBD. Individual agents would no longer be accepted.

Moreover, AMBD introduced new Motor vehicle financing guidelines and regulation. The industry expects a reduction in Motor premium income as a result.

BITA also introduced new commission structures effective 1 January 2015; high commission levels are now a thing of the past. However, parallel with this commission reduction, insurance premiums came under pressure as it was common practice among agents to give some of their commissions away as discounts to clients. This is particularly true for Property where rate reductions could reach up to 30% in the first six months of 2015.

In addition to the mentioned regulatory developments, IFRS accounting principles have been introduced to the financial industry. All financial institutions are requested to produce IFRS-compliant accounts with their 2014 financial statements. Due to limited expertise readily available in the

Back to Contents

country, this task turned out to be quite a challenge for most of the industry participants. Nevertheless, the new established standard ensures financial statements are better comparable with peers. And the fair value approach should also ascertain a more accurate representation of the respective financials.

AMBD and BITA are currently working on agency registration guidelines for the life insurance sector. At the same time, common underwriting guidelines and principles for the Motor business are being developed. Both initiatives are expected to be implemented over the course of the coming months.

In another attempt of keeping more general insurance premiums in the country, an industry working group is also looking into the feasibility of setting up a local reinsurance company - Brunei Re. Structure, capitalisation or potential shareholders of such entity are yet to be determined, but this initiative has already triggered some attention in the international reinsurance markets.

Economy and insurance industry outlook

Brunei remains heavily dependent on the oil and gas sector and the sharp drop in oil prices recently has already lead to a slowdown in economic activity and government spending. Only absolutely necessary projects proceed, which leads to further reduction in project insurance.

The ambition of the Brunei authorities to further diversify the economy continues to struggle to gain momentum. In the longer term the Sultanate's insurance sector will continue to grow in line with the broader economy and population.

Some of the expected boost to growth should come from investments in industrial segments such as oil processing and petrochemicals, as well as from planned government expenditure on infrastructure. However, it will continue to be difficult for the sector to significantly accelerate growth given the high level of economic security enjoyed by the Bruneian citizens and the limited ability of local insurers to serve the economy's dominant economic sector.

This limited ability due to sheer size of the local players certainly represents a chance for international reinsurers to grab a share of Brunei's insurance market. Not only through traditional surplus and excess-of-loss treaties, but more so through fronting arrangements for big ticket items.

Local insurers are allowed to pass on up to 100% of the risk to reinsurers, and such use of local insurers with 100% reinsurance has become standard practice for the oil and gas industry and contractors being involved in large infrastructure projects. Local insurers are then offered what is called a fronting contract, in which they earn a fee for being the insurer of record. The local insurer also bears the small but potentially devastating risk of being wiped out by a large claim if the international reinsurer goes bankrupt. Hence, this is a risk worth considering, when deciding on partners.

Conclusion

The long-term future of Brunei Darussalam's insurance industry is closely associated with the general development of the country's economy.

GDP growth in 2015 is projected to be negative and 2016 does not look much more promising. With a continued low oil price and its challenges for the once-so-profitable oil and gas industry, and limited success in diversification into other areas, Brunei will face some tough times to keeping up with its ASEAN friends.

Back to Contents

New normal, new opportunities

Changing growth trends in the Chinese economy have figured prominently in the media recently. In fact, the developments may be part of a larger trend: in 2014, China's economy grew at 7.3% its slowest pace in 24 years. But, to place things in perspective, we must consider that growth at that rate remains the envy of many Western economies. Most economists agree that the long-term outlook for China is good, with some even seeing the slowdown as a healthy correction. With its low insurance penetration, this is music to the ears of our industry, says **Mr Steven Chang**, CEO of **Munich Re China**.

The recent turmoil on China's stock markets and devaluation of the Yuan have triggered jitters in the West. The IMF places China's 2015 growth rate at 6.8%, below the 7% growth target the Chinese government had set for this year, reinforcing concerns over the country's economy. Yet it is important not to generalise. The weak statistics are mainly driven by the slowdown in real estate and manufacturing investment, due to an oversupply problem.

In addition, senior government officials have frequently stated that China has now entered the "new normal" phase, characterised by medium-to-high growth and a shift to quality and efficiency from quantity and speed. This new paradigm involves a structural change in the economy from investment-driven to greater domestic consumption. Although the government must maintain a certain level of investment growth to support job creation, slower fixed-asset investment growth supports the overall plan. The employment market has clearly not been negatively influenced, with 13.2 million new urban jobs appearing in 2015, exceeding the 10 million target.

One potential development that has emerged is deflation, which was unforeseeable a year ago. At around 1.5%, China's inflation rate (CPI) was flat in fourth quarter 2014 and first quarter 2015, due to weak domestic demand and a slump in commodity prices. The People's Bank of China responded with two rate cuts and by lowering the reserve requirement ratio (RRR) in first quarter 2015.

Insurance strong throughout

The insurance industry has clearly remained unworried by Western concerns that a Chinese downturn would hobble the global financial recovery. In the first half of 2015 China's insurance market recorded a premium of CNY1.37 trillion (US$215.56 billion), up 19.3% y-o-y. Non-life premiums increased 10.9% y-o-y to CNY402 billion, while life rose 21.3% to CNY811 billion. Combined profits more than tripled in the same period, reaching CNY230 billion, up by 204% y-o-y. This breaks down into profits of CNY59.6 billion for non-life and CNY157.5 billion for life, up by 149% and 257%, respectively. Total assets for the insurance sector increased by 12.5% from December 2014 to reach CNY11.4 trillion in June 2015. As of June 2015, there were 69 P&C insurers, 75 life insurers and nine reinsurers in mainland China. There were almost one million insurance professionals in the workforce, and 3.8 million insurance agents nationwide.

Despite continuously strong growth, the Chinese insurance market is still at an early stage. Its low penetration and density coupled with increasing affluence within the population point to huge growth opportunities.

C-ROSS and what it means

As the market gears up for the C-ROSS regulatory regime, large and diversified players are in a position to benefit. Not only are they better prepared for C-ROSS due to the superior risk and capital management practices and systems they have in place, they will also be rewarded through lower capital requirements for diversification across lines of business (LoBs), assets and geographies.

By contrast, small insurers, mono-liners and multinationals may face challenges. Insurers that are more concentrated in particular lines or regions could come under capital pressure, as they will not enjoy the diversification benefit afforded their larger counterparts. Multinationals, which usually write a bigger proportion of property business due to their limited service/distribution capability on motor segment, may come under pressure due to the higher capital charges on property.

Back to Contents

affords reinsurers opportunities to partner with regional insurers, the CIRC and local government authorities, to develop insurance schemes and products to provide Nat CAT protection to municipalities.

C-ROSS will generally reduce the risk capital requirement for motor business, improving the capital positions of large insurance companies. At the same time, China's top 25 insurers may need more capital as their assets expand and their investment appetites become more aggressive in response to options widened by the regulator in recent years. We expect more P&C insurers to replenish their capital through subordinated debt issuance and equity issuances to increase their regulatory solvency ratios and to support growth.

The still low penetration in conjunction with ongoing governmental reforms, which are making certain types of insurance such as food safety liability and environmental liability virtually mandatory, will continue to drive the insurance market. New personal product development opportunities will open up for Chinese insurers, and those with access to in-depth knowledge and experience in this area will benefit most. Accordingly, reinsurers that are able to provide personal product know-how and adapt it to local market conditions will be in a strong position.

A further trend shaping the market is multichannel sales. Online insurance can complement bancassurance and agency channels, addressing different target groups with straightforward financial products aimed at the younger generation. At the same time, the middle-aged or older consumers who make up the majority of bancassurance policyholders will continue to expect the personalised services and products provided by insurance agents. Here again, reinsurers have an opportunity to cooperate with primary insurers to develop innovative solutions and achieve an ideal mix, including tailored products that fit the emerging online distribution channel.

In property business, recent growth in credit guarantee insurance is another important trend. As the market for this type of product expands, competition can be expected to heat up. Primary insurers that can rely on their reinsurers for technical and international expertise in this segment will enjoy a decisive advantage.

To sum up, China's economy is no longer growing at the dizzying pace seen over the past two decades, but this in and of itself is no cause for concern. In fact, there are good indications that it is entering a period of somewhat lower yet healthy and sustainable development. This is good news for the insurance industry as a whole, and in turn for reinsurers able to serve the market and its unique needs.

With its more stringent requirements on risk management and governance, C-ROSS creates strong incentives for all insurers to improve their Enterprise Risk Management (ERM) practices. The requirements, specified in Pillar 2, define a "control risk" for insufficient risk management and governance, which translates into additional capital requirements. As a recognised and up-to-date methodology for tracking and measuring risks and opportunities, ERM is likely to be the system of choice.

Insurers may also be compelled to reconsider their growth strategies and business portfolios, for example, writing more motor/liability business but less property/marine or, in the case of mono-liners, expanding into other lines to diversify.

Risk management challenges

In response to the different risk charges for different LoBs under C-ROSS, insurers can be expected to alter their ceded portfolio mix. There will likely be more cession on high-cost lines like property and less on motor. There might also be more demand for Nat CAT relief because of the new Nat CAT charge in the model. Also, due to the huge difference in credit risk charge between onshore and offshore reinsurance, insurers should revisit their programmes to reduce offshore cession.

Strong insurers will be able to further increase their lead through improved pricing of risks and M&A activities to diversify or expand. Weaker or subscale insurers who consistently achieve return below their capital costs might need to rethink their business models to divest, merge or even exit the industry.

C-ROSS discourages excessive risk taking on the asset side by including market and credit risk charges. Insurers with a large proportion of risky assets might have to restructure their investment portfolios to de-risk. This would have the biggest impact on insurers who rely heavily on investment income to offset underwriting losses.

Positive implications for reinsurers

The new solvency regime should be positive for reinsurance related to P&C business, as it raises awareness of the need for property protection to prepare for catastrophes. This will support insurance penetration and premium growth for primary insurers, with a knock-on effect on reinsurance. The China Insurance Regulatory Commission (CIRC) has named promotion of local Nat CAT insurance plans as one of its key focuses. This

Back to Contents

Asian reinsurers' drive to internationalise – The importance of a strong home base such as Hong Kong

Over the past 10-15 years Asia's reinsurance markets have changed beyond recognition. International reinsurers, whilst still dominant, are facing more vigorous competition from regional players. In addition, as regional cedants are becoming more demanding and sophisticated, these reinsurers increasingly offer capacity and services from regional hubs rather than from their domestic head office locations. **Mr Franz Hahn**, CEO, **Peak Re,** shares the importance of a strong home base such as Hong Kong in Asian reinsurers' drive to internationalise.

Asian reinsurers have grown in stature as a result of regional or even global expansion. This is also true for most carriers who started off as national reinsurers after World War II when Asian countries regained their independence. Their capital bases were small and primarily designed to focus on domestic business only, with their key mission being the generation of funds for national development and the conservation of foreign exchange. This has changed. Once dominant domestic positions were eroded by fierce competition from other reinsurers and improving risk retention capabilities of local primary insurers, limiting the growth prospects for local reinsurers. Therefore, also encouraged by stronger capital bases, many of them made the strategic decision to expand abroad, first within the Asian marketplace, later globally.

Today, reinsurers from Asia's high-growth markets play a significant role, also on a global scale. In 1995, Korean Re was the only reinsurer from the region featuring among the global Top 50. By now, based on 2014 data, this number has grown to 8, with 3 among the Top 15, according to A.M. Best.

The new global economic order

This sea change reflects the new realities in the global economy. Since the beginning of the century, the share of the emerging world in global GDP has grown continuously. Despite the current slowdown in high-growth markets, most experts still expect their combined GDP to outgrow the mature markets' during the course of the 2020s.

As a result of their economic rise, in combination with trade surpluses, emerging markets have accumulated enormous amounts of capital – and to a much lesser degree have to rely on mature market capital to support the local insurers' growth and balance sheets. Many countries have even evolved from capital importers to capital exporters, embarking on major acquisitions of mature world assets.

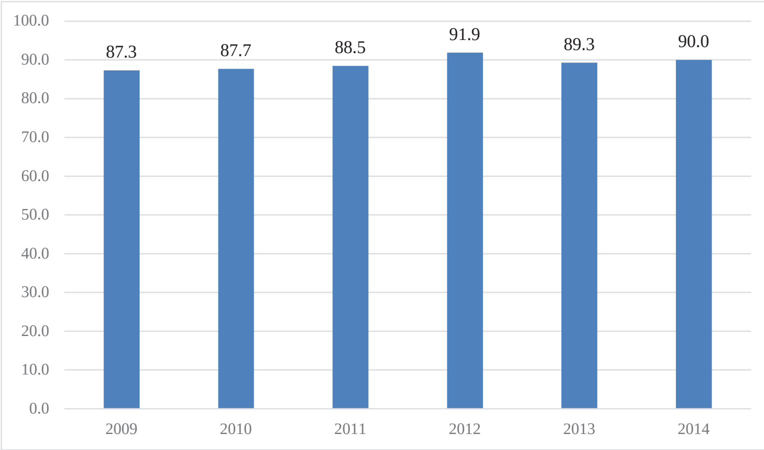
This is also increasingly true for (re)insurers and their investors domiciled in high-growth markets. Following in the footsteps of other industries and major brands such as Lenovo and Tata, they are making inroads into "Western" markets by acquiring assets and operations from established (re)insurance brands.

Back to Contents

Beware of the pitfalls

While, in the long run, the rise of emerging markets-based reinsurers might be capable of challenging the regional and global dominance of traditional "Western" players, there are major challenges for these players to overcome. For instance, building a profitable global portfolio and adopting a global approach to recruiting talent can be daunting challenges. In addition, adapting to a different culture of doing business and communicating with stakeholders can prove difficult, too.

Chart 1: Hong Kong non-life combined ratio in % (net claims incurred, net commissions and management expenses as a share of net premiums earned)



Source: Office of the Commissioner of Insurance, 2014 combined ratio based on provisional figures

How local cedants benefit

If designed carefully and executed diligently, such strategies can significantly benefit local cedants. First, by diversifying geographically, Asian reinsurers enhance their capital efficiency and, as a result, their competitiveness. Second, by venturing abroad, they obtain a broader and deeper understanding of the global risk landscape. This expertise and experience can be shared with local cedants who themselves are increasingly affected by global developments. Third, on the back of successful moves towards internationalisation, Asian reinsurers reduce their vulnerability to local and regional shocks, for example large catastrophe events, an unexpectedly sharp slowdown in economic growth or currency depreciations.

A dynamic home market as a key success factor

Experience shows that internationalisation strategies tend to be most effective when based on experience in a dynamic and competitive local environment. Hong Kong is a widely recognised case in point. It is one of the most open insurance centres in the world. With more than 150 authorised insurers, including more than half of the world's top 20 insurers, Hong Kong exhibits an insurance spend per capita of more than US$5,600, ranking first in Asia and fifth globally.

2014 was another good year for Hong Kong's insurance industry. According to Office of the Commissioner of Insurance (OCI), total gross premiums expanded by more than 13%, with life insurance accounting for 15% growth, and the non-life sector for some 4% - an impressive performance for a mature market.

Even more important: The local market is technically profitable. From 2009 to 2014, Hong Kong's non-life insurers displayed healthy aggregate combined ratios ranging from 87% to 92% (see chart 1). Accident & Health and General Liability are the two biggest lines of non-life business, accounting for 51% of the total (see chart 2). This is another indication of the market's maturity and advanced stage of development. Finally,

Back to Contents

no single or any group of players enjoys a dominant position. The combined market share of the Top 5 non-life insurers in the territory is a mere 27%.

As always, Hong Kong does not rest on its laurels. A number of major strategic initiatives are currently underway which are expected to sustain the market's prosperous development well into the future.

Modernising the regulatory and supervisory regime

The passage of the Insurance Companies (Amendment) Bill 2014 in July 2015 was a key milestone towards establishing a modern and state-of-the art regulatory framework. This legislation will pave the way for setting up an Independent Insurance Authority (IIA), financially and operationally independent from the government, and a statutory licensing regime for insurance intermediaries. The existing self-regulating bodies will be dismantled and Hong Kong's institutional approach to insurance regulation will be on par with other mature and highly developed markets. By the end of 2016, the IIA should have achieved operating status.

Another major initiative kick-started in 2014 is the development of a risk-based capital (RBC) regime for the insurance industry. It will replace the current rule-based capital adequacy framework for insurers operating in Hong Kong. As of today, capital adequacy is assessed on the basis of an insurer's solvency margin, with no consideration of the specific risk factors pertinent to the company's book of business.

Going forward, the RBC framework will offer a more risk-sensitive approach to capital adequacy, with capital requirements for an insurance company being determined by the level of risk that the company is bearing. The proposed RBC framework does not only cover quantitative capital requirements. As Solvency II, it features two additional pillars. Pillar 2 sets out qualitative requirements, including corporate governance, Enterprise Risk Management and an Own Risk and Solvency Assessment (ORSA). Pillar 3 focuses on risk disclosure towards the regulator and the public.

Both the establishment of the IIA and the development of a comprehensive RBC framework will align Hong Kong's insurance regime with international standards as defined by the International Association of Insurance Supervisors.

CEPA – Towards a closer economic integration with the Mainland of China

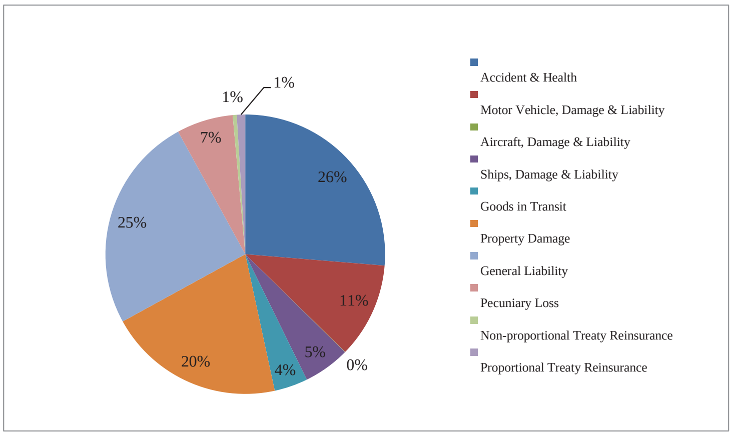
Since the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) came into effect on 1 January 2004, Hong Kong's insurance sector has benefited from various gradual measures of liberalisation. Hong Kong insurers who meet the required access conditions are allowed to conduct insurance business in the Mainland.

Hong Kong residents who possess the requisite qualifications and are appointed by a Mainland insurance institution may engage in insurance related business across the border. Hong Kong insurance agency companies are able to set up wholly-owned enterprises in the Mainland to provide insurance agency services to Mainland insurers and Hong Kong insurance brokerage companies are allowed to set up wholly-owned insurance agency companies in the Guangdong Province (including Shenzhen) on a pilot basis to facilitate cross-border RMB reinsurance business between Guangdong and Hong Kong.

In addition, in respect of establishing a commercial presence, Hong Kong service providers may enjoy national treatment in the Guangdong Province, with effect from 1 March 2015. All these measures have created additional business opportunities for the Hong Kong insurance industry in the burgeoning insurance market of Mainland China. Many Mainland Chinese are already coming to Hong Kong to buy insurance policies, accounting for about 20% of total premiums in the territory. They are particularly interested in competitively priced health insurance coverage and other longer-term products.

Against this backdrop, it is not surprising that Hong Kong hosts the largest pool of RMB liquidity outside the Mainland, amounting to over CNY1 trillion (US$157.58 billion). This pool is able to support a full range of RMB products and financial activities. This is a unique feature of the Hong Kong insurance market in international comparison. RMB insurance business, since its introduction in 2010, has become one of the major drivers behind the long-term growth of Hong Kong's insurance industry. Through the concerted efforts of the Hong Kong government and the insurance industry, the People's Bank of China is allowing an increasing number of Hong Kong insurers to participate in the Mainland inter-bank bond market for matching their long-term RMB liabilities.

Chart 2: Hong Kong non-life business mix, 2014



Source: Office of the Commissioner of Insurance

Attracting new players and products to Hong Kong

By modernising the regulatory regime and promoting economic integration with Mainland China, the Hong Kong government also intends to attract new players, new products and services, and more liquidity to the market, with a view to reinforce Hong Kong's status as a regional insurance hub. Additional specific measures include tax and regulatory concessions, and launching promotional efforts to encourage more enterprises, especially those from the Mainland, to set up captive insurers in Hong Kong. This would help the risk management of Chinese enterprises, offer new business opportunities to Hong Kong insurers and support the ecosystem of support services available in the territory.

The bottom-line: A strong home base as a prerequisite for successful internationalisation

The internationalisation of Asian reinsurers is a reality. This trend reflects both macroeconomic shifts and commercial logic from an individual company's point of view. From Peak Re's experience, the importance of a dynamic, vibrant and sophisticated domestic environment can hardly be overestimated as a key success factor. A world-class business environment at home is the best preparation for succeeding and excelling abroad.

Back to Contents

4th Asia Insurance Brokers' Summit

Asia Insurance Brokers' Summit 2016, with APPARINDO and Indonesia as host, looks at the unique Value Add that brokers bring to the business as well as the greater expectations they face in a world of changing risk exposures, with Asia becoming a leader in insurance and a hot spot for Nat CATs.

There will be sessions on working with corporate risk managers; working with insurance carriers as well as need for greater expertise to be injected into the market; a code of conduct for brokers; and coping with the M&A, technology and changing regulatory trends in the world.

Global, Regional and Local Brokers' Issues will take centre stage! Don't miss a great opportunity to meet old friends and make new ones!

Key Topics To Be Discussed

- Brokers Keynote Address: Getting regulators to Promote and Protect Brokers in the insurance value chain
- Special Address: Critical Issues in the World of Broking Today
- Insurance Audits and Identifying the Clients Protection Gap
- Keynote Address: A Value Added Approach to Broking: Finding Buyers for the Risk to be placed
- Broking Profession – The Road Ahead
- Forging a partnership with Risk Managers & Corporate Commercial buyers
- World of M&As and Broking: The way forward
- Being a Niche Broker: The Next Gen Broker as a Specialist
- Survival Tips for Niche Brokers (specialty risks)
- The Digital Challenge to Brokers
- Telematics and brokers
- Being Cyber Resilient: Overcoming threats and exposures
- Managing Risks Faced by Brokers
- Is there an insurance panacea to Liability Exposures of Brokers

Panel Sessions

- Special Panel on Broking in Indonesia
- Special Panel: the Role of a Broker in the ASEAN Economic Community
- Panel on Asia Brokers' Association Leaders: What more can associations do for Brokers
- Special Debate: Can Brokers Lead the Industry
- Panel on Changing Operational Dynamics for Brokers:
  - Do Brokers have a Real Role in Claims Management?
  - Can brokers expect to be paid fees for services beyond commissions
  - Setting Best Practices to succeed
  - Raising the Bar for Brokers
- Session on Broker Networks
  - Joining a Global Brokers' Network as a Defensive Strategy
  - Competition Among Broker Networks to staying Relevant
  - Cost Benefit Analysis of Broker Networks
- Women in Broking: Is there a Glass Ceiling
- The Chief Executives' Forum in Placing a Risk
- Young Brokers Panel

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Adapting to tap the enormous potential

Mr K Sanath Kumar, CMD, **GIC Re**, shares about the enormous potential in India market, and the need for the (re)insurance industry to adapt to the changing landscape.

The India Story is not yet complete. It is still being written. The Indian economic landscape currently offers a very optimistic picture, occasional hiccups due to various global issues notwithstanding. The overall sentiment is very positive. It could be a harbinger of more realistic and balanced growth and development.

Enormous potential

The Indian insurance industry, however, has a long way to travel in terms of providing some kind of insurance cover to every citizen of our country. Yes, the potential is enormous. The sector has registered a growth rate in double digits y-o-y ever since 2000 when the sector was opened up for private players. However, something somewhere is not clicking.

During 2014-15, we wrote a gross general insurance premium of INR86,000 crore (US$13 billion) and for 2015-16, we are optimistic of touching the magical figure of INR1 lac crore ($15 billion). However, almost 70% of these impressive figures is contributed by motor and health portfolios, much of which is mandatory or corporate driven. The track record of house-holders' policies, products for the small and medium enterprises which can be a real determinant of insurance penetration and Nat CAT protection and much more, is very unsatisfactory.

Reaching customers at the last mile

The challenge ahead of us is to continue to grow at this rate or do even better and reach out to the person at the last mile. It is not that the Indian insurance industry does not have products to offer to the various sections of the society. If I recall correctly even before liberalisation of the industry we had over 500-odd general insurance products. The awareness about these was however, totally lacking.

During the last decade and a half since 2000 when the foreign direct investment (FDI) in the sector was limited to 26%, we have had 28 companies operating in the non-life insurance sector. Now with the limit for FDI raised to 49%, the number of players is bound to go up further.

Also, with the growth of Indian economy, living standards have gone up, incomes have risen, health awareness has increased and people are investing more. But all this progress has not translated into actual growth in the general insurance penetration in India. It is not that we do not have customers or the potential customers do not have the wherewithal to provide enough business for the players in the market. The essentials for a very pulsating and vibrating insurance industry exist, but in isolation, and they need the proverbial Big Bang to collate into a live molecule.

Simple products and administration

To achieve that Eldorado, the industry needs to develop products that are easy to understand, simple to administer, and if the need arises, easy to claim and then reach out to the potential customer. We would be only fooling ourselves if we expect the customer to walk over to our offices and buy insurance off the shelf so to say. In an emerging market like India where insurance awareness and penetration is still far below the global benchmarks, the focus should be the customer and the customer should be one who is at the bottom of the pyramid.

The new players, to build up their customer base and wiser from the experiences of their seniors in the field, will offer simple and conveniently-administered products in the market. This will also boost the insurance penetration in the country. Growing awareness about natural catastrophes that are growing in frequency and ferocity due to climate change will also spur insurance penetration.

Over the last year, the Government of India has taken up our role. It has introduced a limited variety of simple yet very effective general insurance products for the masses. It has created an ecosystem that can enable a quick jump in the insurance penetration in the country. I am sure we can pick up a thought or two from these schemes.

Our guiding principle should be that India needs insurance and that Indian people need insurance, and we need to provide them this in the most acceptable form. Hence, the success of these government-initiated schemes, though these are in the very initial stages of their life cycle, should be an eye opener for the existing players and a lesson to keep in mind for those who are planning to start their innings here. But this would complete just half the run. The other half would be complete only when we are able to reach out to the customer at their place.

"Marrying" insurance and tech

The online retail industry, the telecom operators and various other online aggregators have embraced technology whole-heartedly but for variety of reasons insurance and technology are yet to "marry". The Indian insurers need to develop innovative and cost-effective IT-enabled delivery systems to reach out to customers at Tier II, III cities and villages. The mobile-based payment systems, the new breed of payment banks, the Digital India Initiative of the Government of India and social media all need to be exploited. Out of 310 million

internet users, more than 60% access it through mobile phones and it is for us insurers to use these platforms to reach out to those not included.

To be successful in the Indian market, any insurer will need to innovate simple and need-based standardised products. While integration of these with existing channels of distribution with a human face and online mode will create a winning combination, neither of the two alone will be able to make any impact on the customer. Further, the focus should be on "to catch them young" so that we are able to develop the first generation of insurance-savvy Indians. Hence, the focus should be not only to promote financial inclusion but also to create financial awareness amongst common Indians.

Adapting to the changing scenario

It is not only the retail commercial lines that we should be looking at. Infrastructure expenditure by the government is also going up, giving a boost to the industries. This should also give a boost to our corporate books. As we get more globally integrated, a variety of insurance covers would become mandatory for the industry. We should be prepared for that too.

Climate change and its consequences are another hot-spot for the insurance industry and especially in a country like ours which is prone to natural catastrophes. These events will affect us, the insurers and reinsurers drastically, as we take upon ourselves the risks of others. To maintain our health in this scenario would be our biggest challenge, especially in India where insurance culture is yet to take off in a big way.

We are an emerging insurance market, still to plant our feet firmly. Catastrophic events will continue and given the past trend will increase in frequency and ferocity. If we are unable to adapt to the changing scenario, it would be difficult to survive.

Very often we speak about risk-based pricing but I always take it with a pinch of salt. As risks continue to increase, it is a very distinct possibility that the risk-based pricing of insurance could become unaffordable and hence counter-productive.

To wish that all risks are obliterated would be to push ourselves out of business. However, we can work to arrest the deterioration of the risk scenario, but it will have to be a concerted effort by all stake-holders in the game.

Challenges and opportunities – What this means for reinsurers?


Mr Clarence Wong


Ms Adeline Chua

Swiss Re's **Mr Clarence Wong** and **Ms Adeline Chua** share that Indonesia's economy is resilient despite rising headwinds and the non-life sector outlook remains favourable with reinsurance having a key role to play.

Despite challenging economic headwinds, the Indonesian economy still managed to grow by an average of 4.7% in real terms in the first half of 2015, close to the recent trend growth rate of around 5%. A more prosaic assessment of economic fundamentals have helped to remove Indonesia from the list of fragile markets that are believed to be most vulnerable to the Federal Reserve's "lift-off" in policy rates.

The near-term economic outlook though remains testing, given low commodity prices and elevated financial market volatility. The Indonesia rupiah has lost 16.4% in the first three quarters of 2015 against the US dollar, hinting at fragile investor sentiments over the near-term outlook of emerging markets.

Non-life insurance growth remains sanguine

Insurance in Indonesia has nonetheless continued to expand healthily. According to the General Insurance Association of Indonesia (AAUI), the non-life insurance industry in Indonesia posted gross premiums of IDR28.1 trillion (US$1.97 billion) in the first half of 2015, an increase of 10.1% from the same period of 2014, and faster than the 7.1% seen in 2014. Property insurance, which increased by 18%, was the main growth driver supported by government efforts to accelerate infrastructure development.

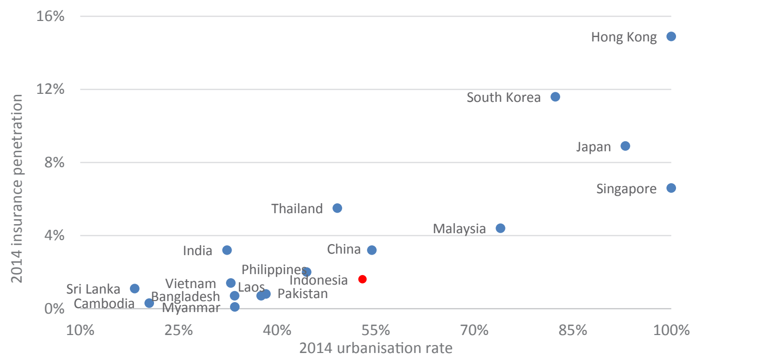
Growth of motor insurance premiums on the other hand dipped to 7% due to more sluggish car sales. The number of cars sold dropped 19% y-o-y in the first eight months of 2015. Property and motor insurance were still the two largest business lines, accounting for close to one-third of total non-life premiums respectively in the first half. Meanwhile, gross claims in January to June 2015 amounted to IDR13.5 trillion, up 37.3% from the same period of last year. The surge in claims mainly reflects higher aviation losses as a result of large pay-outs related to the crash of an AirAsia aircraft in December 2014.

As it turns out, the cyclical downturn in global, and in particular the slowing Chinese economy, has only minimal impacts on the growth of Indonesia's non-life insurance markets, which corresponds more closely with domestic consumption and investment activities.

Outlook continues to be underpinned by strong fundamentals

The outlook of the non-life sector remains favourable. The modest slowdown in economic growth has not dented the attractive fundamentals of Indonesia. These include a young workforce that will help to uplift productivity and economic growth, increasing use of technologies (Indonesia has 71 million internet users in 2014) that comes with both challenges and opportunities, and rising risk awareness that is essential in narrowing the insurance protection gap. Government policies to improve infrastructure and attract foreign investment will also help to keep non-life premiums at a high growth trajectory.

Figure 1: insurance penetration and urbanisation rate in 2014



Source: United Nation World Urbanization Prospects: The 2014 Revision, Swiss Re Economic Research & Consulting

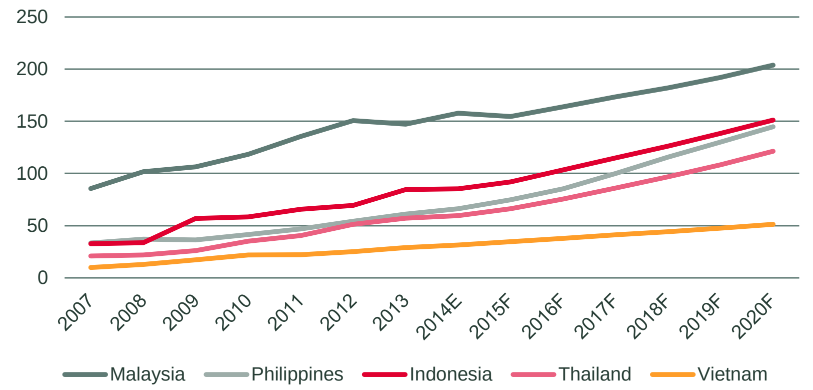
- Urbanisation in particular will have a strong positive impact on the growth of non-life insurance in Indonesia. Empirical evidences from regional markets (see Figure 1) shows a positive correlation between the level of urbanisation and insurance growth. Indonesia is lacking behind many Asian markets in terms of the urbanisation but signs are favourable for the country to catch up with its peers. Urbanisation, especially in small and mid-sized cities of outer island regions is expected to continue into the next decade and will be a major driver of economic growth.

The process of urbanisation will bring in more insurance opportunities for the non-life insurance sector, as increases in income and financial assets alongside urbanisation will generate new need for risk protection solutions. Premiums in commercial lines will be supported by infrastructure construction and industrialisation. Personal lines will benefit too as more private individuals can afford and seek risk protection, including motor, household content, personal liability and travel insurance. There will also be increasing concentration of risks as a result of urbanisation, which will challenge insurers in their risk management framework and strategies.

- Of particular importance is the large property protection gap in Indonesia. Based on model simulations, Indonesia faces

Back to Contents

Figure 2: Liability premiums in Southeast Asia (USD million), 2007-2020



Source: Liability insurance in Asia, Swiss Re, September 2015

an annual expected Nat CAT property damage of US$2.5 billion and is ranked ninth globally. Most of the expected losses will be coming from uninsured earthquake losses but there is also a significant gap in protection against flood losses. For instance, a one-in-250-year earthquake will result in economic losses of over 2% of GDP in Indonesia. Efforts to raise awareness and close the gap will be important in underpinning the non-life insurance outlook of Indonesia.

- Apart from under-penetration in the property insurance, liability penetration is also very low in Indonesia though this line of business has registered strong growth in the past decade (see Figure 2). In Indonesia, liability has underperformed other insurance lines, mainly due to lack of regulation and low claims consciousness. The market is small, with premiums of just US$85 million in 2014. Limits have remained low and even so, with low losses companies tend not to buy liability covers above the limits. Underwriting profitability is high with loss ratios in the single digits since 2007.

In recent years, demand for liability insurance has been driven by exporters and contractors to major corporations or multinationals, and also by infrastructure projects. Rising regulatory scrutiny and increasing consumerism will help to underpin further growth of liability premium in Indonesia, as well as in many regional markets in the ASEAN community.

- Furthermore, the coming inauguration of the ASEAN Economic Community will also impact the outlook of insurance business in Indonesia. The promise of freer flow of capital and the removal of trade and non-trade barriers will likely add to intra-regional trade and investment flows. Regulatory convergences will be an increasingly important driver in helping to align regional insurance regulations and facilitate foreign participation in the Indonesian insurance market. While free flow of services including insurance is a long-term objective, the ability to tap into regional markets and greater insurance integration bodes favourably to the outlook of Indonesia.

Reinsurance has a key role to play

Reinsurers always have a role to play in the current changing environment of Indonesia. Our role is to continuously help to bring up the technical knowhow of the insurance industry, to provide reinsurance solution that is effective in risk transfer and to improve capital efficiency of Indonesian insurance companies.

Reinsurers can also help to bridge the gap in technical knowhow. The increasingly complicated risk landscape in Indonesia will inevitably require insurers to put in place more sophisticated underwriting and risk management approaches. Reinsurers can leverage on their global expertise and capacity to support Indonesian insurers. Additionally, reinsurers are conducive in helping to raise awareness of risks. This is of particular importance given the country's large protection gap and significant under-insurance of property risks.

In this regard, it is important to safeguard the protection offered by reinsurance to primary insurers despite a heavy pipeline of impending regulatory changes. For instance, the current formula to compute the capital requirement under RBC considers that a company is getting protection with a proportional treaty (either quota share or loss portfolio transfer/adverse development cover), but not with a non-proportional programme.

Proportional programme is in fact not the most efficient way to transfer risks to reinsurers. Although proportional treaties cover losses from ground up but when there is big loss like a one-in-20-year flood event, the net loss ratio can be very high and threaten the solvency of the primary insurers. For instance, during 2011/12 floods in Thailand, it was observed that some proportional programme have net loss ratio of over 2000%! A non-proportional program would in this case be able to limit the impact to net loss ratio. The primary insurers would be even better protected if the non-proportional programme is structured and tailored to the needs of the ceding companies.

This highlights the importance of conducive regulations in facilitating risk transfers and ultimately consumer protection. At the same time, regulatory changes such as increasing the retention by insurance companies, while being beneficial as a collective action to improving market conditions and quality of risks, could result in domestic insurers being short of adequate protection.

The future of the market is promising though which way it goes will still be hinging heavily on policy actions by the government. For instance, we see that Indonesia has not yet taken up alternative risk transfer which can have positive impact on risk diversification through the use of prospective and retrospective finite solutions. This can help to protect increased retention, and facilitate mergers and acquisition. A supportive regulatory environment that enables the take up of these alternative risk solutions will help Indonesia to realise its strong potential.

Mr Clarence Wong is Head of Economic Research & Consulting, Asia, Swiss Re; and Miss Adeline Chua is Head of Initiatives and HGMs, Asia, Swiss Re.

Back to Contents

Current challenges, opportunities and dynamics of Japan

Mr Tomoatsu Noguchi, President and Chief Executive of **Toa Re**, shares about the solid results of non-life insurers, the overseas expansion in search of growth, and the increasing role of reinsurance in the promotion of ERM in Japan.

Business results of non-life insurers for FY2014

Fiscal 2014 results for Japan's non-life insurance companies were solid. An overview of the results of the 26 non-life insurers follows.

Net premium income in all lines of business increased to JPY8,083.1 billion (US$67.59 billion), up JPY311.8 billion from the previous fiscal year, due to factors including higher premium income from automobile insurance due to the effect of revised premium rates and the increase of household insurance premium.

On the other hand, the loss ratio improved by 1.8 percentage points to 62.3%. Despite an increase in payout of claims associated with heavy snowfall in the Kanto region, claims paid due to natural disasters decreased in fiscal 2014 and automobile claims paid decreased as a result of fewer automobile accident claims. Expenses rose by JPY96.8 billion to JPY2,605.8 billion because higher premium income had led to increased agency commissions.

Net expense ratio decreased slightly by 0.1 percentage points to 32.2%. The underwriting result improved by JPY277.7 billion to an underwriting profit of JPY143.3 billion, because premium income increased and loss ratio improved. Major non-life companies enjoyed better combined ratios compared with the previous year, reflecting profit for the year.

Investment profit was solid, increasing JPY48.9 billion to JPY644.0 billion. Although an environment of low interest rates continued, a weaker yen and high stock prices contributed to the solid investment profit.

As a result of the above, results for both underwriting and investment were strong, supporting an increase in ordinary profits of JPY332.2 billion to JPY746.8 billion. While the reduction of the corporate tax rate resulted in the reversal of deferred tax assets, net income increased JPY164.5 billion year-on-year to JPY378.8 billion.

Trends in the non-life industry

Overview

The integration of four companies in 2010 – Mitsui Sumitomo Insurance with Aioi Nissay Dowa Insurance, and Sompo Japan Insurance with NIPPONKOA Insurance – began a cycle of business integration that established an oligopoly in Japan's non-life insurance market. As of 31 March 2015, the top three non-life insurance groups (MS&AD Insurance Group Holdings, Tokio Marine Holdings, and Sompo Japan Nipponkoa Holdings accounted for approximately 85% of net premium income for the industry as a whole.

In addition, AIU Insurance Company and The Fuji Fire and Marine Insurance Company of the American International Group are integrating their businesses through a merger that will establish a new company, AIG General Insurance in July 2016 or later.

Thus, the non-life insurance industry is promoting increased operating efficiency through mergers, functional consolidation and cost reductions. At the same time, the industry is seeing initiatives to secure profits from new sources through business collaboration with non-insurance companies. In addition, non-life insurers are targeting increased earnings by investing in growth areas other than domestic non-life insurance, including the life insurance business and overseas operations such as those discussed below.

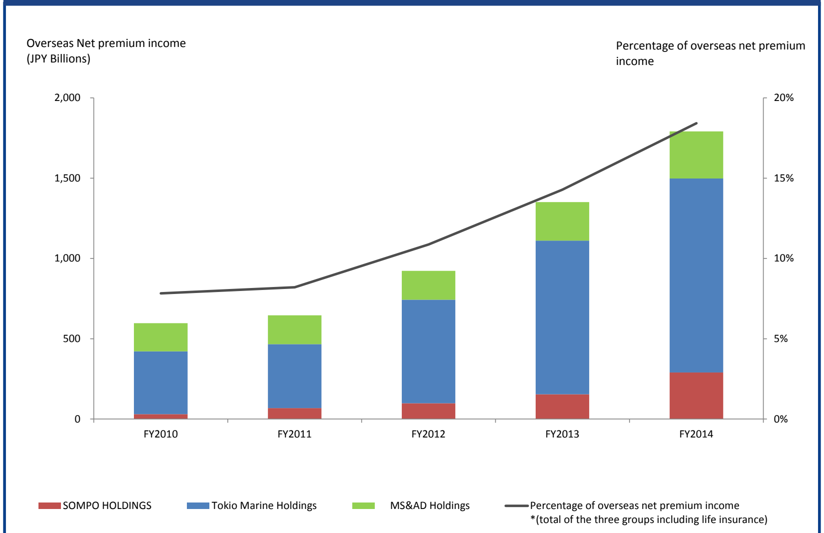
Expansion of overseas business

The Japanese non-life insurance market is not likely to expand significantly, due to the low birth rate and ageing of society. Non-life insurers are therefore expanding their business base in overseas markets that are expected to grow. The top three non-life insurance groups have positioned overseas business as a group growth driver, and are aggressively implementing initiatives such as forming business alliances with local insurance companies and engaging in M&A.

Figure 1 shows overseas premium income for each of the groups. Since 2012, overseas net premium income for the top three non-life insurance groups has been trending upward, and fiscal 2014 overseas net premium income was over twice that of fiscal 2010. In addition, the overseas businesses of the top three groups are now reaching close to 20% of total net premium income.

The medium-term management plans of the top three non-life insurance groups target overseas business expansion through M&A and organic growth, giving rise to expectations for further growth overseas.

Figure 1: Overseas Net Premium Income for the Top Three Non-Life Insurance Group



Source: Toa Re

Back to Contents

Product and regulatory trends

Automobile Insurance

As a continuous trend of the Japanese market, profits in Japan's automobile insurance business had decreased due to factors including an increase in accidents among the elderly drivers and lower automobile use among the young.

Non-life insurers have therefore moved to improve profits since 2008 through rate increases. These rate increases and change in discount system enhanced the profitability of automobile insurance and contributed to the solid results of non-life insurers in fiscal 2014.

In recent years, competition in the existing automobile insurance customer sales cycle has intensified because of the growth of direct automobile insurance sold with lower premiums via the internet. Under these circumstances, some major non-life insurers have announced plans to introduce new discount products this fall that specifically target young drivers. Each company is expected to leverage its unique features in ongoing initiatives to secure stable profits.

Revision of household earthquake insurance rates

The Japanese government and non-life insurance companies jointly maintain the household earthquake insurance system. Household earthquake insurance in Japan is included in fire insurance policies as an optional addition, and covers catastrophe losses from earthquakes, volcanic eruptions and resulting tsunami. The system limits the liability of the government and non-life insurance companies to JPY7 trillion per incident in light of the limits on the ability of non-life insurance companies to pay claims.

Rates for this insurance increased an average of 15.5% nationwide in July 2014 to accommodate the increasing risk of a major earthquake in the aftermath of the Great East Japan Earthquake. However, the latest risk assessment has indicated the need to increase rates again.

The General Insurance Rating Organization of Japan, which comprises non-life insurers, and the Japanese government are currently implementing a rate increase so that the government and non-life insurers can secure sufficient funds to cover the latest estimation of earthquake losses.

Numerous natural disasters and revised industrial & commercial fire rates

Heavy snowfall centered in the Kantokoshin region during February 2014 esulted in insurance claims paid of JPY322.4 billion, which was on par with the claims paid for past major typhoons. In recent years, claims paid as a result of natural disasters such as typhoons, torrential rains and heavy snowfalls have been trending upward in Japan. Given these circumstances, direct insurance companies raised industrial and commercial fire insurance premiums from October 2015. The increase will average 1% to 2% nationwide, with a maximum of 40% in some regions. The premium rate for industrial and commercial fire insurance has not been significantly revised in 8.5 years.

Sophistication of ERM promoted and the role of reinsurance

In the revised Insurance Core Principles (ICPs) adopted by the International Association of Insurance Supervisors (IAIS) in October 2011, one of the provisions introduced requires the authorities to supervise insurance companies and groups to ensure they implement enterprise risk management (ERM) and their own risk and solvency assessment (ORSA) practices. The Japanese Financial Service Agency (FSA) in February 2014 revised its Comprehensive Guidelines for the Supervision of Insurance Companies and aligned enterprise risk management system guidance, which formed the basis for conducting enterprise risk management system hearings.

At these hearings, the regulatory authority requested 25 life and non-life insurance companies to prepare and submit an ORSA report on a trial basis. Then, ORSA went into effect from 2015 onwards; Insurers are now required to submit an ORSA report once a year.

Field tests conducted in 2014, in which insurance companies calculated the economic value of insurance liabilities and other items on a trial basis, were conducted for the second time since their initial implementation in 2010. The calculation method and confidence level (VaR 99.5%) are being fundamentally coordinated with studies by organisations including the IAIS and the European Union. The construction of a regulatory and supervisory framework for enhancing the sophistication of risk management among insurance companies is steadily proceeding based on the direction of international studies.

Japan is exposed to natural disaster risks such as typhoons and earthquakes. Natural disasters also account for a significant percentage of the risks that insurance companies in Japan underwrite, and represent a market in which insurance companies needs for reinsurance for risk management is pronounced. The direction that supervisory authorities may take is not yet clear, but tentatively, insurance companies would likely need to manage risk to further reduce it, should the calculation methods and confidence levels employed in the 2014 field tests be used.

While capital markets have recently gained prominence as a means to transfer risks, Japan's insurance companies rely on traditional reinsurance as their primary technique for transferring risks. The insurance industry as a whole is projected to raise the sophistication of risk management, which suggests that the function of reinsurance in insurance companies risk management is likely to increase further.

Back to Contents

Seeking growth in the new normal

While Korea's insurance market is unlikely to repeat its remarkable growth of the past decades, there are still plenty of growth opportunities in the new normal, says **Mr Jong-Gyu Won**, President & CEO, **Korean Re.**,

Overview of Korean insurance market

Premium income

The Korean insurance market grew by 4.4% in 2014, with both the life and non-life insurance sectors delivering better performance than in the previous year (See Diagram 1). The life insurance market recovered from a contraction in 2013, backed by a robust growth of group life insurance and retirement annuity. The total life premiums increased by 1.9% to KRW110.6 trillion (US$92.6 billion). The non-life insurance market recorded an 8.3% increase in premium income due to an improvement in long-term and motor insurance. The retirement annuity business of non-life insurers also showed a notable performance, contributing to the overall growth of the non-life insurance market.

In 2015, the insurance market is expected to grow by 7.5% as it will likely gain further momentum from the retirement annuity market. Life insurance premiums are projected to increase by 7.9% due to the government's drive to develop the private pension market. As for non-life insurance, a 7% growth is expected on the back of a strong performance of the long-term, motor and retirement annuity markets.

Loss ratio

In 2014, non-life insurance claims totaled KRW58 trillion, up 5.6% from the previous year. The loss ratios increased in all lines of business except for marine and guarantee insurance, and the average loss ratio rose by 1.1%p to 85%. As for life insurance, the total claims paid increased by 4.9% to KRW43 trillion, with the loss ratio going up by 2.1%p to 56.3%.

Net income

Insurers recorded KRW5.6 trillion in net income, up 16.9%, driven by an increase in investment income. The net income of non-life insurers grew by 18.5% to KRW2.4 trillion, driven by a 16.3% increase in investment income. Due to rising motor insurance loss ratios, underwriting income decreased 15.8%. The net income of life insurers increased 15.7% to KRW3.2 trillion. Amid decreasing new business and increasing interest rate risk, their underwriting income dropped, but non-operating income increased due to one-off factors like a refund of fines imposed by the Fair Trade Commission.

Insurance penetration

Korea's insurance penetration is expected to increase by 0.4%p to 13% in 2015 as premium income growth will likely exceed the nominal economic growth rate. The insurance penetration rates are estimated at 7.7% for life and 5.3% for non-life, up 0.3%p and 0.1%p respectively from 2014 (See Diagram 2).

Diagram 2: Insurance penetration trends

	FY 2012	FY 2013	FY 2014	FY 2015 (E)
Life Insurance	8.3%	7.1%	7.4%	7.7%
Non-life Insurance	4.9%	4.9%	5.2%	5.3%
Total	13.3%	12.0%	12.6%	13.0%

Solvency

The insurance industry in Korea remains fairly strong in terms of solvency. As of June 2015, the average RBC ratio of insurers was 278.2%, far above the regulatory minimum of 100%. The ratio of life insurers averaged 291.9%, down 28.2%p from the first quarter of this year while non-life insurers recorded 250.9%, down 14.4%p. The decreases reflect a decline in mark-to-market gains following an increase in bond yields in the second quarter (See Diagram 3).

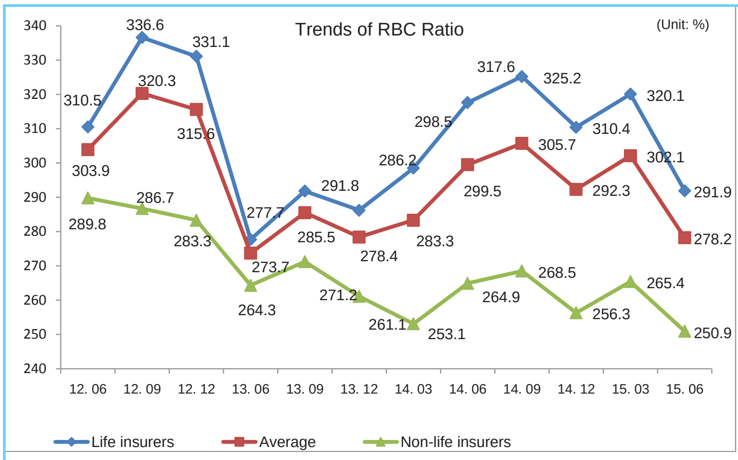
Diagram 1: Premium income trends

	FY 2013*		FY 2014		FY 2015 (E)	
	Premiums	Growth Rate	Premiums	Growth Rate	Premiums	Growth Rate
Life Insurance	77.2	-8.0%	110.6	1.9%	119.4	7.9%
Non-life Insurance	53.8	4.2%	76.6	8.3%	81.9	7.0%
Total	131.0	-3.4%	187.2	4.4%	201.3	7.5%

*FY 2013 covers nine months from April to December as the fiscal year was shifted from the April-March period to the January-December period.

Back to Contents

Diagram 3: Trends of RBC ratio



Source: Financial Supervisory Service

Changes in insurance business environment

New normal

Slowing economic growth, ageing population and tightening regulations are becoming the new normal for the Korean insurance industry. Industrial output and consumer spending remain sluggish amid falling potential growth rates of the economy. Low interest rates are putting upward pressure on insurance prices, aggravating negative spreads and dampening investment income growth.

Population ageing and low birth rates may pose a threat to premium income growth, but at the same time it can push up demand for retirement savings and healthcare services.

Meanwhile, insurers increasingly feel pressured to strengthen their capital position due to regulatory changes such as the implementation of IFRS 4 Phase 2, scheduled for 2020, and tightening RBC regulations. Stronger business conduct regulations are intensifying competition among insurers while enhanced consumer protection measures mean increased product disclosure requirements and downward pressure on expenses and commissions, leading to low profitability.

Nat CATs

Another challenge is natural catastrophe. They are increasing both in frequency and intensity across the world, and there is growing evidence that the upward trend is closely associated with global warming and climate change. As a result, a wide range of extreme and unusual weather events are taking place worldwide. The growing risk of catastrophic weather, with Asia bearing the brunt of the global trend, compels the insurance industry to tackle the challenge of climate change in a more proactive and preemptive manner than ever before because insurance companies are one of the biggest stakeholders that might be affected by the climate risk in either good or bad ways.

(Re)insurers need to develop new products and readjust their existing product structure in response to growing and varying demands for climate risk management. More and more individuals and businesses want to rely on insurance to transfer risks related to climate change and be indemnified for losses arising directly or indirectly from climate events. As the level and nature of weather risks vary from region to region, it is important for insurance companies to develop products that are tailored to the specific needs and circumstances of the market and the region it serves.

Business strategy

In the face of the changing business environment, insurance companies need to focus on capital management in ways that strengthen their solvency. It is also important that they seek innovation not only in product development but also in business management so as to improve their bottom line. Developing methods of financial underwriting can be a good way to enhance business results.

When it comes to growth strategy, exploring new business opportunities abroad will be critical as the domestic market is becoming highly saturated.

Korean Re also sets its sights on the global market. The key to our sustained growth lies in increasing access to overseas markets and developing new business opportunities. We are making diverse efforts to strengthen our presences globally. Establishing a special purpose syndicate at Lloyd's is one of the most important initiatives that we have taken. It will enable Korean Re to develop a track record at the Lloyd's market, setting the stage for global business growth. We are also seeking to open a branch in Shanghai to tap into growth opportunities in the emerging markets.

Forging new partnerships and establishing new branch offices will be an efficient way for us to gain access to new markets and build expertise in terms of local marketing and service management. In doing so, we will build a highly-balanced business portfolio for both insurance and investment operations by geography and line of business.

Korean Re's Gross Written Premiums for overseas markets

	2011	2012	2013*	2014
Overseas	938,886	1,134,370	889,902	1,195,095

* FY 2013 covers nine months from April to December

Considering our geographical location, Asia is obviously our main market, with China, Japan and Taiwan being the tops. Especially China, as one of the world's largest insurance markets and still growing. China takes up a lion's share of our Asian portfolio.

We are also considering the establishment of an underwriting office in Dubai. With a local underwriting platform, we will be able to better serve our clients in the Middle East for future growth there. It is a must for us to set up new underwriting offices in other parts of the world that strategically fit our business growth.

Prospects for Korean insurance market

The Korean insurance market has achieved remarkable growth over the past decades and it now ranks eighth in the world in terms of premium income and fourth in terms of insurance penetration. However, such a rapid growth is no longer likely due to unfavorable economic conditions including sluggish domestic economy and global financial market instability.

Still, there are emerging trends that may present new growth opportunities for Korean insurers. First of all, climate change is likely to create new demand for protection against natural disasters. Secondly, the demand for financial and insurance products related to healthcare and retirement income is growing as Korea is one of the most rapidly ageing countries among the OECD members. Lastly, Korean insurers need to actively seek new business in the overseas markets as fast-growing emerging markets offer lots of growth opportunities.

Back to Contents

Market growth in line with economy

As the economy grew at a higher rate in 2014, so did the (re)insurance market. However, market growth may slow this year in line with views that the GDP may grow at a relatively slower pace, says **Mr Zainudin Ishak**, CEO, **Malaysian Re**,

The Malaysian economy posted higher growth of 6.0% in 2014 (2013: 4.7%), due to better-than-expected exports performance during the first half of 2014, cushioning the negative effect of lower oil price to the economy in general.

Market performance

The Malaysian general insurance and takaful industry recorded a Gross Written Premium (GPW) growth of 6.6% in 2014 to MYR19.3 billion (US$4.38 billion) as compared to 7.1% growth recorded in the previous year largely due to slower magnitude of GPW growth along the motor segment. With the GPW of MYR9.2 billion in 2014, the growth rate in motor segment stood at 7.0% in comparison to 7.5% growth witnessed in the year before.

For the record, the growth trend in GPW along the general insurance sector has been on a declining trend since the year 2010. However, GPW growth in 2014 was still above the Gross Domestic Product (GDP) growth. Meanwhile, the Net Written Premium (NPW) increased by 7.4% to MYR18.9 billion over the corresponding period.

On the liability side, Net Claims Incurred (NCI) along the industry came in at MYR7.5 billion, translating into a stable NCI ratio of 55.6%. The NCI however looks likely to move higher in 2015 given major East Coast flood in late 2014 which had also triggered fiscal injection by the government in its rebuilding plans. Despite this unprecedented floods, Bank Negara Malaysia (BNM) in its 2014 Financial Stability Report said that the potential impact on insurers arising from the severe floods in selected states at year-end is not expected to be significant, with losses on a gross basis expected to be contained below 1.0% of total capital of impacted companies.

That marginal increase also reflects improvements in the fire and motor which formed bulk of NCI. The loss ratio for motor was at 70.3% in 2014 and it averaged 74.9% over the last five years. The combined ratio for general insurance and general takaful operators stood at 87.6% and 82.0% respectively indicating underwriting gains across the sector. On another note, the unfortunate tragedy that befell Malaysia Airlines (MAS) Flight MH17 in July 2014 did not have a significant impact on domestic general insurance industry, with the bulk of risks reinsured in the global aviation market.

Impact of lower investment yield

Lower investment yield seems to be an issue across the globe. Global (re)insurers for instance extend the maturity profile of fixed income investment in search for yield. In some extreme cases, (re)insurers raised the gear in adding more risk to investment portfolio by going down the credit curve by buying more lower-rated bonds, and increased asset allocation into equities.

The local sovereign fixed income market saw a huge increase in foreign participation where foreign holdings of Malaysian Government Securities (MGS) climbed beyond 45% of the total outstanding amount, the highest in history.

This outcome is a manifestation of rising liquidity level globally where it is estimated that the US Federal Reserve expanded its balance sheet from US$800 billion before the Global Financial Crisis (GFC) of 2008/09 to about US$4.5 trillion via various Quantitative Easing (QE) programmes and monetary policy easing steps taken by the likes of the Bank of Japan, Bank of England and European Central Bank, yield compressions look likely to persist. As a result, domestic insurers and takaful operators which also participate actively in this market for their asset and liability matching are affected as lower sovereign bond yields pushed the investment yields lower.

Capitalisation and profitability

During the year, general insurers recorded a higher Capital Adequacy Ratio (CAR), partly following refinements to the treatment of premium liabilities under Risk Based Capital (RBC) framework. Specifically, the CAR ratio for general insurance rose from 235% to 274%, ensuring that the sector is well capitalised against the minimum requirement of 130% under the framework. Concluding the sector's robustness is the general insurance industry's aggregate technical reserves position where it currently stands at 132% of net premiums.

In terms of profitability, earned premium income among general insurers and takaful operators stood at MYR2.9billion in 2014 with underwriting profit of MYR1.8 billion. Investment yields continued to trend lower as easing monetary policy adopted by global central banks in their effort to boost the respective economies witnessed foreign funds flooding the domestic sovereign bond market. In addition to this, ample liquidity in the domestic financial market in the form of rising banking sector's excess deposits and growing investible funds among domestic institutional investors also continued to drive bond yields lower.

Key drivers of growth

According to a report by the General Insurance Association of Malaysia (PIAM), the general insurance sector is set to record a 5.5% to 6.0% growth in GPW in 2015, slightly lower than growth recorded in the previous year. Slower growth expectation is somewhat in line with the core

Back to Contents

view that the real GDP is to grow at relatively slower pace in 2015 as the country is dealing with external shocks as well as tapering consumer confidence which is expected to limit upside potentials in domestic demand. Nonetheless, general insurers' underwriting performance is expected to remain steady due to favourable margins in fire and non-motor classes. This will offset the pressure from adverse claims experience in the compulsory motor class despite gradual tariff increases over the years.

From rating agency's perspective, Fitch Ratings commented that intensified market competition, under-capitalised insurers and takaful operators are likely to seek strategic investors or alternative capital to meet their capital needs. Fitch believes the level of Mergers and Acquisitions (M&A) will persist in the near term, given the attractive growth prospects in Malaysia's insurance industry. The rating agency also commented that expected premium growth is underpinned by low penetration rates in many segments. Much has been said on the implementation of the ASEAN Economic Community (AEC) and its effects on the insurance sector within the region. The AEC is unlikely to produce any immediate impact to the sector as there remains considerable amount of gaps among ASEAN countries in terms of technical expertise, market maturity and non-identical regulatory requirements.

Key challenges

The rate for motor and fire classes in Malaysia is currently governed by the regulator. However, de-tariffication is expected to take place in stages. It is anticipated that by the time full de-tariffication is in place, free competition and increased customer choice will require the industry players to compete effectively in the new environment. Insurers are expected to focus on improving the overall quality of their business book, adopt better use of predictive analysis, innovate better products and enhance their distribution channels.

Regulatory changes are also taking place in other jurisdictions with China implementing the China Risk Oriented Solvency System (C-ROSS) where offshore reinsurers are required to provide collateral for reinsurance assets which should translate into a higher cost of doing business. This is likely to translate into lower placement with offshore reinsurers among domestic cedants hence it is even more crucial for reinsurers to improve their ratings and capitalisations.

In Indonesia, the regulator aims at improving and optimising reinsurance capacity within the country and this should deepen the barriers of entry into this market. Rising exchange rate volatility in the present environment as the US Federal Reserves is moving closer to its first interest rate hike in almost a decade should translate into higher foreign exchange risk for reinsurers that have the business exposures outside of their country of domicile.

The enactment of Financial Services Act (FSA) and Islamic FSA since 2013 has witnessed a few market consolidations in 2014 in the general insurance sector. Under this act, insurers and takaful operators are required to separate their life and general operations by 2018 to strengthen the regulatory oversight of BNM.

In the near term, this is likely to push operating costs higher and translate into capital burden but this should result in operational efficiency in the long run. In relation to Islamic FSA, takaful operators are required to meet the capital requirements in the risk-based capital (RBC) framework in aligning takaful operators and general insurers operations. Meanwhile, the effect of the implementation of the Goods and Services Tax (GST) effective 1st April 2015 to the Insurance and Takaful industry is expected to be manageable although the impact on product pricing has not yet been seen. Life and Family products, with the exception of riders, are exempted from GST.

Investment headwinds

On the investment front, (re)insurers would continue to face an environment of depressing bond yields on abundant liquidity and that is likely to exert a downward pressure on investment yield. Notwithstanding active foreign participation in the domestic sovereign bond market, insurance funds must also compete with pension funds while volatile equity market performance resulting from persistent market anxiety would add more to the challenge. As such, (re)insurers that have been relying heavily on investment income in their profitability may find it difficult to match their historical performance.

Back to Contents

Small market, big potential

Despite being a small market and the challenges faced, **Prof Dr Fatta Bahadur KC**, Chairman of **Nepal's Insurance Board** (Beema Samiti), says there is big potential in the country as the regulator works actively to grow the market.

The gross premiums written by the industry grew from NPR21.96 billion (US$209.33 million) in 2013 to NPR28.24 billion in 2014, at an average annual growth rate of 30%.The sector grew by an average annual rate of 29.20 %, while the non-life sector grew with 27% during the period.

Total claims were NPR5.59 billion in 2013 and reached NPR 9.82 billion in 2014. The increment rate was 75.67%. The majority of the claims was due to maturity claima of life insurance. Similarly, total reinsurance premiums was NPR4.40 billion in 2013, which increased to NPR5.68 billion in 2014, a growth of 29% y-o-y. The sector earned total net profit of NPR2.10 billion in 2013 and that reached to NPR3.03 billion in 2014. The increment rate of profitability was 44.28%. The GDP contribution of insurance is 1.44% in 2013 and 1.46% in 2014.

There is strong potential for growth in several areas in the insurance market. It is feasible to considerably increase the density rate in the local market. Though growing moderately, efforts of improving the per capita share of premiums are more than on track. There has been an awareness campaign to increase the volume of premium vertically and linearly. They have reached out to almost all of the economic and social activities.

Key drivers of growth

Increasing the premium income will certainly open doors for quantitative as well as qualitative build-ups of the investment portfolios in the market, particularly when long-term insurance becomes the dominating factor in the investment portfolio. Ultimately, that stimulates the growth of the market.

Insurers have increased their network of branches and sub-branches which increases the access of insurance at the grass roots level. The income levels of Nepalese people have increased in recent years through foreign employment and other economic activities. New and innovative products are being offered by insurance companies to increase the insurance penetration. Regulatory measures are strong and getting increasingly stronger which enhances the public faith in insurance.

Equipped with a contemporary legal provision, Samiti started supervisory actions to address the barriers facing the insurance industry, which has given a better result in the last decade. In the last five years, Samiti has controlled an insurance company and handed it back to its Board of Directors after upgrading its financial health. Samiti's regulatory guidelines are internationally compatible and consistent with the IAIS Core Principles. Samiti is the first insurance supervisory authority in the region and a founding member of IAIS as well.

In so doing, Samiti is a pioneer in the region in its efforts to regulate and develop the insurance regulatory frameworks despite the political volatility.

At the institutional level, Samiti's strategies and action plans are designed to regulate and develop insurers' legal, financial and technical frameworks so they can operate in a healthy and professional environment based on international standards.

Key challenges in managing the market's risks

The established lines of business are more competitive; hence, their margins are minimal. With economic and social developments, the market is adopting creative attitudes to design new products to satisfy the public needs, although the pace is still slow. A variety of new products including cash insurance, bankers' indemnity, and professional liability have undergone comprehensive change recently.

One of the main obstructions which limited the introduction of new products locally was the cost of reinsurance protection needed and the number of policies sold. The limited access to security and increased natural calamities have resulted in insurers seemingly frightened to enter the new property and liability insurance market. Samiti is encouraging insurers to introduce new products, especially those where the social and/ or economic interests need protection.

One of the main barriers facing the insurance industry in the

Back to Contents

country is the weak insurance awareness. Samiti's strategy for regulating and developing the market will subsequently involve institutional as well as operational changes.

Despite actively trying to optimise the industry through regulations, we have a weak legal framework and face the problem of insufficient autonomy. The capacity of regulation is also tight in laws. However, Nepal is in the process of replacing the existing Insurance Act with a new one. So, hopefully these problems will be solved after the enactment of the proposed act.

Insurers are facing an acute shortage of competent human resources. This is emerging as a big issue in this sector. Political instability is another big challenge leading to policy uncertainties. The new Constitution promulgation process has almost come to end, hopefully, that will end the political volatility and instability in this country.

As it is an established fact that policyholders and beneficiaries' interests are best served when the insurers settle the claims promptly and according to the best professional practices, Samiti has worked out a policy by which the claimants will have many alternatives to settle their claims in addition to litigation. Such alternatives include conciliation, mediation and binding arbitration.

Realising the importance of the different roles played by the insurance services providers to any market, Samiti has considered as a matter of policy, to regulate these professions according to the international practices and codes of conduct, and enhance their performance and quality of services.

Role of reinsurance in the market

The strength and dependency of reinsurance market is vitally important in Nepal, which is the largest portion of underwriting. Due to limited retention capacity of insurers, they heavily depend on reinsurance. Nepalese insurance companies have very low capital bases, low levels of reserves and being a tiny insurance market which is just being developed, they are not able to retain much of the underwritten business. In addition, they seek for higher security for natural calamities, primarily earthquake which is common in this zone. These reasons force them to give more business to reinsurance companies. Despite the availability of a global reinsurance market, the preference has been the regional reinsurance companies due to the lower costs.

Domestically, Nepal Reinsurance Company Ltd has just been incepted, but it is yet to begin operation. So, some part of reinsurance will be underwritten by this local company in the near future.

Future of the market

The new Act is proposed to give full autonomy to Samiti for the prudent regulation to the sector.

Mega infrastructure projects such as hydropower, tunnel roads, fast-track roads, and international airports, are in the pipeline. These projects will boost the insurance market in this country. Furthermore, reconstruction of demolished physical property in the last earthquake are in the process, which also helps to boost the entire sector.

Alternative distribution channels, including bancassurance, is near formalisation. Samiti is keen to introduce microinsurance within the formal system.

A new solvency margin requirement has been developed, with a more advanced reserving system introduced. This is followed by clear-cut guidelines for insurers to cede their business to reinsurers which are expected to be highly recognised and internationally rated.

Likewise, the supervision and control tools have been similarly developed and elevated to cope with the changes already introduced. Technical and financial supervision of the companies have been intensified. The insurance companies are now required to furnish Samiti with timely and detailed quarterly financial reports and statements. In addition, field supervision has been going on, enabling Samiti to move in early if needed.In the programme of enhancing the insurers, Samiti has proposed to increase the paid up capital of both life and non-life insurance companies.

At the sectoral level, Samiti has initiated the regulation and supervision of the insurance support services, and sets of rules have been introduced to govern the licensing and operations of insurance agents, brokers and third-party administrators. In the near future, Samiti is planning to set the capital requirement of Brokers and Third-Party Administrators.

The Samiti strongly believes that the interests of all the stakeholders involved in the insurance operations including the policyholders will be best served by solving their disputes according to the terms and conditions of the contract, with the least cost and time. Therefore, different natures of disputes are being settled. Arbitration and mediation means are also being used as per semi-jurisdiction status mentioned in the Insurance Act, 2049.

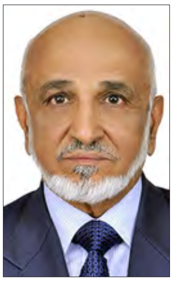
On the national level, the institutional and sectoral regulation and development process will improve the performance and quality of the insurance industry and its share of participation in the national economy, hence paving the way for the insurance institutions and sector to grow technically and financially, with a pace and rate comparable with international levels.

Big potential

In conclusion, Nepal has a big potential in insurance although there are many barriers. There remain many challenges like poverty, lack of access to insurance, and limited knowledge of insurance. Political instability is also hindering the entire insurance industry, but the insurance regulator is actively trying to create a prudent market. Beema Samiti, while still not a full autonomous body, is the first regulator in the South Asian region, and it is confident that the many activities and improvement programmes in the pipeline will increase the faith of public in insurance. So, the future of insurance in Nepal is bright.

Back to Contents

Opportunities available to boost growth



Despite the challenges facing Pakistan's insurance market, there are opportunities to be tapped on many fronts, says **Mr Saifuddin N Zoomkawala** of **EFU**.

With the global economic challenges and the need to meet local regulations and produce profitable returns, the only thing that remains constant is "change". Insurance Industry in Pakistan has seen several peaks and troughs in recent years.

It is evident that the insurance industry has kept pace with the development of the economy and other sectors of the industry.

Industry developments

According to Insurance Association of Pakistan data, 28 non-life insurance companies are operating in private sector with written premium of PKR55 billion (US$550 million) in 2014 as compared to PKR49 billion in 2013, an increase of 12%, which is acceptable keeping in view global economic indicators and law and order situation in Pakistan.

The retained premium of the market was PKR27 billion in 2014 as compared to PKR23.5 billion in 2013, showing an increase of 15%. The underwriting profits were PKR4.75 billion (17%) against PKR3 billion (13 %) over last year, due to improvement in net claims ratio of 50% in 2014 against 54% in 2013.

Three players Adamjee Insurance, EFU General Insurance and Jubilee General Insurance, share 57% of the market.

Rising above the ordinary, soaring high to scale newer heights is a way of life at EFU. Our credo is "Always give our clients the best". This has helped EFU to increase its lead market share to 26.4% in 2014, writing premium volume of PKR14.5 billion. The retained premium was PKR6.5 billion with underwriting profit PKR1.3 billion. The total pretax profit worked out to PKR2.26 billion.

Insurance density

As per statistics available, 2013 insurance premium contributes only 0.7% of Pakistan's GDP. This shows very low penetration of insurance market as compared to India (3.1%), Bangladesh (0.9%) and Sri Lanka (1.2%).

One of the reasons for low penetration is due to checkered history of Pakistan insurance market as the country was partitioned in 1971 giving birth to Bangladesh.

Further, it took steam out of insurance players when the life sector was nationalised in early 1970's; and after that, part of non-life insurance business barred private insurance companies from writing government interest.

Other factors which contribute to low penetration are disparity of income; and the middle class having low disposable income with a mindset that insurance is against the teachings of Islam, Pakistan being a Muslim State.

Despite the shortcomings, Pakistan's insurance industry has proved itself to be very dynamic and flexible in meeting the requirements of the market in providing insurance coverages as needed.

Market opportunities

The market has opportunities to tap on many fronts:

Agriculture and Livestock

Pakistan being an agricultural country, its major crops is prone to the danger of Nat CATs like flood and rain on an annual basis. There are several measures taken by the government to support the farmers, such as providing them Crop Loan Insurance. Several companies are already supporting this venture and hence fulfilling their corporate social responsibility.

Back to Contents

In the livestock sector, State Bank of Pakistan, along with the SECP, has launched livestock insurance scheme which is a new window opening for insurance companies to employ their expertise in.

Energy

There is a growing trend of development in the energy sector with the recent initiatives of the government and foreign investors in using alternative sources of energy. Foreign investors are being attracted due to high profit margin and development potential in this sector.

Recently, Pakistan and China signed 51 Memorandums of Understanding relating to diverse aspects of bilateral relations, including the Pakistan China Economic Corridor.

Terrorism

Unfortunately, in the past 10 years, Pakistan has been under the threat of terrorism more than any other country in the region. This has adversely effected foreign investments and the economy. Insurance has stepped in by providing separate terrorism covers to the industrial risks in order to provide peace of mind and security. This type of insurance business is booming and provides the premium volumes needed for insurance success.

Takaful

Takaful Operations were introduced in 2005 allowing only dedicated takaful companies to operate. However, this did not produce the expected results as takaful business accounted for less than 5% of total market premium.

The regulator feeling the need of the market players, introduced new Takaful Rules in 2012 and allowed window operations for conventional insurers.

However, the takaful companies legally challenged the above, claiming this will give an unfair advantage to conventional insurers, which resulted in a delay.

As issue has been settled, many conventional insurers have started Window Takaful operations, including EFU. This will help growth in takaful business.

Technology

Technology in the last 10 years has changed both the social and economic scenarios. Increasing use of mobile devices, smart phones and availability of internet has not only improved communication but has also increased the profit margins.

This development poses some of the challenges from the perspective of insurance industry in Pakistan. Companies need to be robust technologically and readily available to both the commercial and non-commercial customers. If these expectations are met and satisfied, insurance industry shall also reap the benefits of economies of scale.

Regulatory changes and role of reinsurers

Insurance Ordinance 2000 was promulgated, and Insurance Act 1938 repealed. This brought minimum capital requirement for non-life players.

As per Insurance Association Pakistan, the total assets of 28 non-life insurance companies operating in the market and are members of IAP works out to PKR137 billion against retained premium of PKR27 Billion in 2014. This is a very healthy sign as each unit premium retained is supported by 5 units of an asset. This shows good financial strength of the market which is supported by local reinsurer Pakistan Reinsurance Company Ltd, and world renowned European, Middle East, Far East and Asia Pacific reinsurance market players.

Pakistan insurance market has enjoyed these market support in good and bad days, and is indebted to these markets for reinsurance support and technical guidance in risk management.

Future of the market

As identified in earlier paragraphs there is huge potential and opportunities for insurance market which are untapped. The key to success for Insurance companies need rigorous campaigns to increase the awareness among general public and invest in personal lines more so that the popularity of Insurance is increased and thus its growth.

Regulations must be established to monitor market more efficiently. And companies need to create innovative products more quickly so that their customers are retained and satisfied.

For EFU General, this means focusing more closely on the markets and customer segments where we have competitive edge, and where we can offer superior value propositions to our customers.

Mr Saifuddin N. Zoomkawala is Chairman of EFU General Insurance, and Allianz-EFU Health Assurance. He is also Director at EFU Life Assurance.
EFU General is parent company of EFU Group with her siblings EFU Life Assurance and Allianz-EFU Health Insurance.

Back to Contents

Competitive market still attracting new players

Amid regional developments, the Philippines has received attention for its economic growth in recent years – which the insurance industry has also benefited from. **Mr Augusto Hidalgo**, President & CEO, **National Reinsurance Corporation of the Philippines**, provides an overview of the industry; drivers of and challenges to this growth; regulatory changes and the role of reinsurance; and the future of the market.

As of May 2015, the Philippine insurance industry has 67 general insurers, 27 life insurance companies, and 4 corporations licensed to issue both life and non-life insurance.

The top three general insurers in terms of net premiums written for 2014 were Prudential Guarantee and Assurance, Malayan Insurance Company and BPI/MS Insurance. In terms of net income, the top three were BPI/MS Insurance, Malayan Insurance Company, and Federal Phoenix Assurance Co.

The top three life insurance companies based on premium income for 2014 were Sun Life of Canada (Philippines), Philippine AXA Life Insurance, and Philippine American Life and General Insurance. Based on net income, the top three companies were Philippine American Life and General Insurance, Insular Life Assurance, and Philippine AXA Life Insurance.

1H2015 results

From 1 January to 30 June 2015, the net premiums written in the non-life sector totalled around US$388.4 million compared to $351.4 million for the same period in 2014. Losses incurred amounted to $158.2 million versus $133 million. Net income was $40.7 million compared to $29 million.

The life sector's total premium income was approximately $2.2 billion for first half of 2015; over the same period last year, it was $1.5 billion. Benefits paid amounted to $671.4 million and $608.8 million. Net income was $203.3 million, versus $154.9 million.

Finally, the sole licensed reinsurer, the National Reinsurance Corporation of the Philippines (NRCP), had around $23 million of net retained premiums in 2014 compared to $19.3 million in 2013. Access to other reinsurers in regional hubs such as Hong Kong and Singapore is available through 21 licensed brokers.

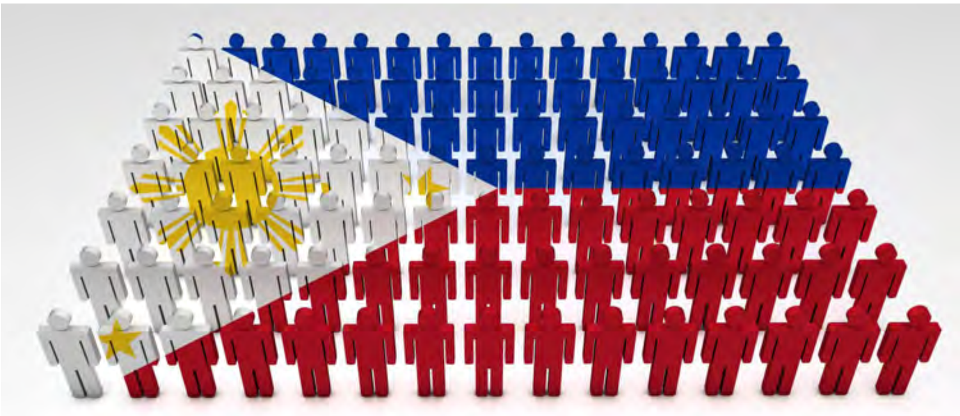
Drivers of growth

The insurance industry has benefited from the Philippine economy's improvement over the past few years, which was fueled by private consumption that accounted for more than 60% of the GDP in 2014.

The country's BPO industry employed over 1 million employees in 2014, with this figure expected to grow to 1.2 million this year. Its revenue increased to $18 billion in 2014, and is projected to rise to $21 billion in 2015 and $25 billion in 2016. In addition, remittances from Filipinos working abroad remain strong, comprising over 8.5% of GDP in 2014 or $26.9 billion, a 6.2% increase from 2013.

This contributed to increased turnover in certain lines of business. The total premium income for the life sector was approximately $2.2 billion compared to about $1.5 billion for the same period in 2014. Motor car insurance, which comprised 28.33% of gross premiums in 2013 and 27.5% of gross premiums in 2014, grew from $378.8 million in 2013 to $405.3 million in 2014.

Furthermore, driven by demand for offices, retail space, and housing, the construction industry grew to $25.6 billion in 2014, a 16.3% increase from the previous year. Fire and allied perils insurance – 36.79% of gross premiums written for non-life insurance in 2014 and 34.73% for 2013 – increased to $542.1 million in 2014 compared to $464.4 million in 2013. Surety bonds increased from $49.6 million in 2013 to $69.1 million in 2014.



Challenges

While there are reasons to be optimistic about the Philippine insurance industry, some risks must be taken into account.

The Philippines remains prone to natural disasters, having experienced several catastrophes over the past few years, including Typhoon Rammasun/Glenda in 2014 (around $868 million worth of damage), Haiyan/Yolanda in 2013 ($2.1 billion worth of damage) and Bopha/Pablo in 2012 ($943.7 million worth of damage). Moreover, because of its location in the Pacific Ring of Fire, concerns about the Philippines' vulnerability to earthquakes, volcanic eruptions and tsunamis have been raised: for example, the Philippine Institute of Volcanology and Seismology has estimated that a 7.2 magnitude earthquake could cause over $54 billion of damage.

The political situation could change within the next few

Back to Contents

years, with general elections scheduled for May 2016. A.M. Best has rated the political risk of the Philippines as high, citing, among others, “general political instability and weak political institutions”.

Another factor is intense competition – particularly for motor car and property insurance – which may lead to the possibility of insufficient premiums being charged. Transaction taxes are also among the highest in the ASEAN region, though the Philippine Insurers and Reinsurers Association is lobbying for legislation to mitigate this.

Furthermore, insurers face another challenge in the form of stricter regulations – notably, the adoption of the Risk Based Capital (RBC) Framework 2 in 2016, and biennial increases in minimum net worth requirements until all insurance companies reach PHP 1.3 billion (around US$29.2 million) by 2022.

The role of reinsurers in the face of regulatory changes

In light of these regulatory changes, valuation and capital management will become increasingly important; mergers and realignments are expected in the next few years.

Capital adequacy issues aside, more sophisticated pricing and reserving techniques will be key to maintaining a company’s solvency, and reinsurers could play a key role in helping companies deal with these changes by providing technical advice and risk-transfer tools. For example, the NRCP, the national reinsurer, offers insurers analysis using catastrophe modeling tools to help them deal with challenges through improved executive decision making regarding their portfolio mix, pricing and reserving. The NRCP also uses capital modeling tools to counsel insurers on capital allocation in compliance with RBC, as well as their reinsurance optimization. Reinsurers can also play a key role in insurers’ risk and capital management strategies by offering ways to transfer risk and ease the capital strain associated with growing their businesses, particularly under RBC regulations.

The future of the market

Given the Philippines’ robust economy, continually growing consumer base, and improvements in the ease of doing business, the already competitive insurance industry is attracting new players. In the life sector, FWD Hong Kong entered the market in 2013, and EastWest Bank and Ageas are expected to finalise the establishment of a joint venture within the year. The eventual establishment of the ASEAN Economic Community and further liberalisation of the insurance industry as guided by the ASEAN Insurance Integration Framework could contribute to further interest from companies in the region.

Local insurers will need to rapidly augment their financial and technical capacities to protect their market share from multinationals, while taking advantage of new opportunities in the region. On the other hand, incoming insurers will need to adapt to the highly competitive Philippine market. This could offer opportunities for reinsurers and insurers to collaborate: companies entering the market can benefit from reinsurers’ understanding of local markets, for instance, in terms of domestic underwriting practices, operational challenges and exploring new lines of business.

Aside from the entry of new players, some other changes could affect the industry. With a view to supporting the country’s resilience against natural disasters by mitigating the effects of a catastrophe on the government, the Philippines’ Insurance Commission has proposed a catastrophe insurance fund.

According to the IC, 2014’s penetration rate of around 1.8% was one of the deepest yet, though it is still below the average rate in the ASEAN region (about 3%). In terms of microinsurance, however, coverage grew from 20% to 28.1% from 2012 to 2014.

Overall, the future of the Philippine insurance industry can be viewed with cautious optimism – tempering forecasts based on past growth with awareness of prospective risks.

Back to Contents

Robust and ready for regional integration

While the global economy is entering another phase of uncertainty, Singapore's general insurance industry is poised to continue strengthening and be ready for ASEAN Economic Community, says **Mr Derek Teo**, Executive Director, **General Insurance Association of Singapore**.

The global economy has entered another phase of uncertainty and market volatility. Singapore, a highly open and trade-reliant economy, is often one of the first to feel and bear the impact of a global or regional economic turmoil. This has already manifested in the performance of the Singapore economy so far this year. GDP contracted by 4.0% on a q-o-q seasonally-adjusted annualised basis in the second quarter of 2015. Economists expect full-year GDP growth to be slower than previously forecast.

The general insurance industry is not insulated from the vagaries of the market and a downturn in the economy. Demand for non-compulsory product segments does take a beating when economic activity slows down. But we have enough areas in the Singapore general insurance market that can sustain our business through uncertainty.

A major regional business and financial centre, we expect demand for commercial and specialist insurance to continue. As we have witnessed the past few years, the growing diversity of Singapore's businesses and their specialisations—and along with it the types of risks they manage and need to protect against—has spurred growth in our specialist lines of business. Credit insurance, for example, saw a spike in premiums—growing by 52% and 53.6% y-o-y in net earned premiums in 2014 and 2013 respectively—as the need for credit protection increased.

On the personal insurance front, the sustained efforts of the General Insurance Association of Singapore (GIA) to bring about greater awareness of the need for personal general insurance products, such as travel, personal accident and health, have borne some fruits. We have seen higher appreciation and take-up rate of such products as we continue our campaign to educate Singapore consumers of the need for proper and adequate insurance coverage. Health insurance, for example, continued to be the best performer among the major classes of business in 2014, growing by 31% year-on-year in net earned premiums.

Improving practices for a more robust business

Improving the practices of our member companies and the efficiency of the way they do business—in distribution, underwriting, data management, and claims handling—have also helped bring down the cost of business to our insurers. Among key areas, we continue to build on the success of the Motor Claims Framework (MCF), which remains an effective scheme that simplifies and speeds up motor claims. We have embarked on a publicity campaign to encourage motorists to use in-vehicle cameras and to submit video footage of motor accidents as part of the accident reporting process. Since the MCF's implementation in 2008, the number of motorists making reports within 24 hours of their motor accidents has jumped to 80%.

We also welcomed the introduction in 2014 by the State Courts of a Motor Accident Guide, which provides people a ready reference when they are involved in a motor accident. It encourages members of the public, motorists and insurers to settle motor accident claims out of court, which we believe will help our industry bring down the cost of claims processing and settlement.

Thanks to initiatives like these, we have been seeing a consistent decline in the number of reported motor accidents. In 2014 alone, the number of reported accidents tracked by the GIA Records Management Centre stood at 148,792, down by 3.2% from 2013. For the past five-year period, this number went down by 9.3% from 164,065 in 2010 to 148,792 in 2014.

A pivotal year for ASEAN region

Outside our domestic market, the growing economic integration in the region, particularly in ASEAN, is a clear area of opportunity for our industry. This is a pivotal year for the Singapore economy and the rest of the ASEAN member states as the region integrates into a single economic community. Singapore, being a financial hub, is well positioned in the provision of financial services, movement of capital, and transfer of know-how and technology. The same holds true for the Singapore general insurance industry.

While the region has gone through significant economic developments, has seen rising affluence, and continues to grow—with an aggregated GDP of US$2.4 trillion—the developing status of many of its economies means it requires the protection and guarantee of insurance products. Risk-taking forms a key part of the development process of these economies as companies and governments build businesses, industries, and infrastructure. Accordingly, their need for general insurance coverage increases, particularly for commercial and specialist insurance.

The opportunity for insurers to step in and play a role in the development of emerging ASEAN economies is further highlighted by the fact that much of the region is prone to and regularly experiences natural catastrophes. As these catastrophes grow in severity and frequency, the need for general insurers to fill the insurance gap will inevitably increase.

This is one of the reasons the GIA, in coordination with the Life Insurance Association and the Monetary Authority of Singapore (MAS), has been working with our counterparts in the region to promote the profile and use of general insurance in economic growth. As the ASEAN Economic Community (AEC) kicks off this year, we expect to help provide better risk transfer mechanisms in the region through a borderless insurance market in the region. The MAS has particularly identified three areas where liberalisation under the AEC will benefit our industry and ASEAN economies: 1) catastrophe insurance; 2) marine, aviation and goods in international transit (MAT) insurance; and 3) reinsurance and retrocession.

With an ASEAN Insurance Integration Framework already

Back to Contents

Asia Conference on Big Data and Analytics for Insurance

27-28 January 2016 • Mandarin Orchard Hotel • Singapore

Theme: "Big Data vs Smart Data: Succeeding with Data Driven Business"

The siren call of Big Data resounds throughout the globe. Data – big and small – now is at the heart of strategy development throughout industry as organisations seek new strategies in the pursuit of profit.

The insurance industry sits on a rich vein of data, however unfortunately static, and historically under-exploited. In an increasingly data-driven business environment, it is time now for insurers to embark on the broader picture and leverage the insight it offers to gain and sustain a competitive advantage.

Is your organisation ready for that data journey? How can your organisation leverage data as a strategic tool? How will your organisation embed data analytics in every process? Do you have relevant data? And the right talent to make sense of it – and apply the insight?

Data analytics will play a key role in reshaping the way insurance organisations function, driving key business decisions, underwriting new policies, and creating new business opportunities and boundless ways to innovate and connect with the market.

So don't fear Big Data. Make it your friend – and be a winner in the data age.

Who Should Attend

- CIOs
- CTOs
- CEOs
- C-Suite Executives
- Management Consultants
- Risk Managers
- Underwriters
- Insurance & Reinsurance Professionals
- Analysts
- IT Specialists
- Marketing Executives

Speakers include:

Sophia Van
Vice President, Big Data & Smart Analytics Centre, Swiss Re

Fong Sew Bun
IBM Distinguished Engineer ,Senior Cloud Advisor, IBM Cloud, Adjunct Professor, National University of Singapore

David Hardoon
Adjunct Faculty at SMU & Executive Director at Azendian

D r. Toa Charm
Managing Partner, Big Data Elite Asia Founder & Chairperson, BI and Big Data SIG, Hong Kong Computer Society

Stuart Rose
Global Insurance Marketing Director, SAS

Lim May-Ann
Executive Director, Asia Cloud Computing Association

Catherine Khaw
Chief, (Intelligent System Practice) at Institute of Systems Science, National University of Singapore

Duan Jin-Chuan
Cycle & Carriage Professor of Finance, NUS Business School & Project Lead, Credit Research Initiative, NUS Risk Management Institute

Topics include:

Understanding Big Data

- Big Data and its Impact in the Insurance Industry
- The Importance of Data Management for Effective Analysis

Applications of Data Analytics

- Telematics & Big Data Analytics

Customer Analytics

- Big Data and Analytics within the Financial Industry
- Uncovering the Value of Customer Analytics
- Understanding Consumers' Sentiments Via Social Media

Data Analytics as a Risk Management Tool for Insurers & Reinsurers

- Managing Risk through Big Data
- Making Smart use of the data for Reinsurers
- Credit Risk Mitigation through Smart Data Analytics for the Insurance Industry

Evolution of IT Roles & Functions

- Growing Importance of Analytics for the Chief Information Officer
- Chief Analytics Officer in the Insurance Industry

The Winning Approach

- Building a High Performing Insurance Company Leveraging Big Data & Innovation
- Implementing a Successful Data Strategy

Cloud & Cyber

- Cyber Protection of Big Data
- Is the cloud a necessity for your Big Data?

Panel on Evaluating the Roles of CEOs, CIOs & CTOs in the Big Data Era

- Leading the Big Data Adoption: Whose responsibility to manage the big data?
- Can the CIO & CTO do it all?
- Proritising Big Data Projects

Organised by: Asia Insurance Review

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@AIReDaily **#AIRbigdata**   /AsiaInsuranceReview   /company/**asia-insurance-review** agreed on by member countries, we are confident these areas will see necessary liberalisation, particularly MAT insurance, which member states have agreed in-principle to liberalise.

Robust underwriting performance

In a testament to the fit form of our business, the Singapore general insurance industry delivered a robust underwriting result in 2014, posting a 37.4% increase to S$391.7 million (US$275.4 million) in its underwriting performance over 2013. This was thanks in large part to the more than 500% surge in underwriting profit of Work Injury Compensation (WIC) insurance.

Meanwhile, total gross premiums and total net earned premiums registered modest growths. Total net earned premiums grew 3.1% y-o-y to S$2.6 billion, while total gross premiums went up 1.1% to S$3.53 billion.

For the sixth year in a row, the general insurance industry trimmed its incurred loss ratio in 2014. It successfully cut its loss ratio by 4.8 percentage points to 48.4%, significantly higher than the reduction seen the previous year.

Mixed result for 1H 2015

For 2015, total gross premiums have so far grown slimly. As of end-June 2015, gross premiums stood at S$1.9 billion, up by 0.65% over the same period in 2014. On the other hand, net earned premiums went down by 6.75% from S$1.3 billion in 2014 to S$1.2 billion this year. Meanwhile underwriting profit inched up by 2.71% to S$144 million from S$140.3 million in the first half of 2014.

Looking at the major classes of business, Health insurance made the biggest leap in gross premiums to post S$253.7 million, growing by 15.65% over the first half of 2014. It jumped back into profit after a loss of S$3.3 million in the first half of 2014, delivering an underwriting profit of S$9.4 million.

Hull came in second to Health in gross premium result, with 13.71% growth to S$80.6 million. It suffered another underwriting upset though, with an underwriting loss of S$89,000. Nonetheless, this was already an improvement from the S$6.3 million underwriting loss that it posted in the first half of 2014.

Personal Accident insurance made a stable increase of 6.20% in gross premiums to deliver S$184.6 million in the first half of 2015, following its strong performance in 2014. It suffered a setback in its profit though, with its underwriting profit falling by 51.07% to S$12.5 million over the first half of the previous year.

Fire insurance also made some growth of 3.47% in gross premiums to deliver S$215.6 million, but its underwriting result suffered significantly after a robust performance in 2014. Underwriting profit was down by almost 50% from S$15.9 million in the first half of 2014.

Motor insurance suffered a decline of 5.45% in its gross premiums to deliver S$612.8 million, following a decrease in premiums in 2014. Nonetheless, its underwriting profit surged by 34.60% to S$59.5 million, keeping on with its strong profit performance in 2014.

Like Motor insurance, the industry's second biggest class of business, WIC, saw a slight decline of 1.94% in its gross premiums to S$219.3 million from S$223.6 million in the same period of 2014. But it continued its robust underwriting performance profit-wise in 2014 by delivering an increase of 84.95% to S$7.1 million in the first half of 2015.

Cargo insurance suffered the biggest decrease—at 14.30%—in premiums among the major classes of business, registering S$46.2 million in gross premiums. Likewise, it experienced another blow to its underwriting profit after a decline in 2014. Underwriting profit tumbled by 32.33% to S$8.4 million in the first half of 2015.

Strengthening our industry

Moving forward, we will continue to strengthen the Singapore general insurance industry as a business, as a service provider, and as a member of regional communities such as the AEC. Besides our key areas of work for the industry, we have embarked on new initiatives catering to segments outside our major, compulsory segments. We have, for example, launched educational seminars on property and actuarial practice to foster greater knowledge sharing and continuous learning in our industry. We have also made it a priority to expand our work in consumer education, with a particular focus on motor and travel insurance, as well as in growing the talent pool available for our insurers. We will keep up our work in these areas and build on them in order to be more inclusive in our efforts to lead the further development of our industry.

Regionally, we will step up our cooperative efforts with our counterparts in ASEAN to ensure a smooth and timely integration of the insurance markets in the region. We will work towards ensuring all ASEAN insurance markets benefit from the integration by initiating and participating in collaborative activities, such as in the areas of knowledge and technology transfer, and working for the liberalisation of areas that will benefit our industry and economies.

Back to Contents

16th ASIA CEO INSURANCE SUMMIT

24 & 25 February 2016, Island Shangri-La, Hong Kong

Theme: Insuring a Smart World: the Next Uber?
Re-Imagining Insurance with Asia in the Lead

Insurance has to keep up with the new and exciting business landscape spurred on by disruptive innovation. The Smart World is a reality with the Internet of Things leading the way.

Some of the big names today are based on 'disruptive' business models and circle around not having an actual product - Uber with no actual taxis, Facebook with no database, Alibaba with no product stock etc.

Where is the insurance industry on this steep learning curve? Traditional products and styles just won't cut it. Insurers have to re-imagine the business model to keep up with the Power of Disruptive Innovation and to cater to Gen Y and the digital natives, the market of the future.

It is easy to blame the negatives of the insurance industry on "past" issues of mis-selling; bad reputation; poor claims management; poor product cover; not measuring up to standards; legacy systems; and the way things have always been done etc. It is time to re-imagine insurance in the Smart World and start afresh.

Hence the 16th CEO Summit, co-organised by Asia Insurance Review and the Geneva Association, the global think-tank, will take on this challenge with the theme "Insuring a Smart World" to add thought leadership and direction to the industry. Aimed at breaking new ground with Asia in the lead, the Summit will look at the next Uber in insurance, turning old problems into new opportunities, making insurers more customer centric, and stepping up to regulatory expectations.

Key Topics to be discussed

- The New Normal for Insurance in a Smart World
- Spreading the insurance- saluting value of insurance to Society
- Innovation in Insurance- Myth or Reality?
- Asia as a Leader on World Insurance Stage: Movers and Shakers of the Market
- CEO Panel on Re-Imaging Insurance & Getting Away from Legacy traps
- The Lure of Fintech
- Practical Strategies in Bridging the Penetration Gap
- Nurturing the Customer-edge of Distribution Channels
- Benchmark on True Customer centricity of an Insurer
- Boosting Disaster Resilience in Asia
- Building up the Trust Factor with Regulators, Distributors, Public and Employees
- Regulatory Panel: Power of Regulation to Drive Business Straight
- The Tech Boon to Insurance
- Being Cyber Resilient as a strategy
- The Size Game in a Smart World

Background of the CEO Summit

The CEO Summit launched in 2001 by *Asia Insurance Review* together with the global think-tank of the insurance industry, The Geneva Association, and the IAIS was aimed at giving CEOs and regulators in Asia a much needed platform to meet and discuss hot issues of the day in the pursuit to become World Class players. Over the 15 years, this need has become more critical and with the CEOs coming into their own the Summit has also become a forum for very open discussions as well and is actively supported by the International Insurance Society. The Asia CEO Insurance Summit has come to be regarded as the leading insurance event in the AIR series of conferences bringing together leaders in the market including regulators and CEOs from regional as well as domestic and global companies. Some 2500 delegates have come under the arches of the Asian CEO Summit series. We typically get between 150 to 250 delegates for the Summit.

Organised by: Asia Insurance Review; The Geneva Association

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Maintaining growth momentum amidst challenges

Dr Jagath Alwis, Chief Technical Officer, **Ceylinco General Insurance**, talks about the challenges facing the market, and what needs to be done to maintain and enhance further growth.

A new political era has dawned upon Sri Lanka after a new President was elected in January this year and whose election campaign was based on good governance and anti- corruption. This was further endorsed by the people after the conclusion of the Parliamentary elections in August where the two main political parties formed a national unity government.

Even though economic activities have slowed down since the middle of last year, the country has recorded an economic growth of 7.4% compared to 7.2% the previous year. But during the first quarter of this year, it was recorded at 6.4% (base year as 2002). Inflation at the end of last year was 3.3%, which has further declined to 1.7% in June 2015 and in the last two months a deflation was recorded. The per capita income at the end of last year was US$3,625.

Insurance sector maintains steady growth

The insurance industry recorded a growth of 5.52% in 2014 and the total GWP was LKR103.353billion (US$736 million). The growth in 2013 was 8.97%. The decline was evident in both life and non-life classes. In 2014 the non-life industry growth was only 4.4% compared to 7.28% in 2013, and the life industry growth was 7.04% compared to 11.2%. These figures are inclusive of Strike, Riots and Civil Commotion and Terrorism premium remitted to the National Insurance Trust Fund (NITF) by the general insurance companies which amounted to LKR3.5 billion in 2014 and LKR2.96 billion in 2013.

However, the industry is confident that in 2015 the total industry growth will be above 10%.

Motor continues to dominate

In the non-life business, Motor continues to be the biggest portfolio with 63.24% share followed by Miscellaneous with 22.19%, Fire 11.29% and Marine 2.28%.

During the first seven months of this year, the new vehicle registration has grown by 93% and the non-life insurance companies will benefit from this.

The non-life sector is also expected to benefit from a few major engineering projects that are in the pipeline that were postponed since mid-2014. Most companies in the market are concentrating on bancassurance and microinsurance products.

Microinsurance has huge potential

The regulator is also very keen to develop the microinsurance sector and is in the process of studying the products available in the market and the existing distribution system.

The Insurance Association of Sri Lanka (IASL) will be hosting the 12th International Micro insurance Conference jointly with Munich Re Foundation from 15 to 17 November 2016 which will create more awareness of microinsurance in the local market and this demonstrates the commitment of insurers towards the development of microinsurance.

Boost for life insurance

The IASL with the blessings of the Insurance Board of Sri Lanka has declared the month of September as the “Life Insurance Month” where life insurance players in the country are planning to spread the message of life insurance to 1 million Sri Lankans during the month of September with a target to sign up a minimum of 75,000 new policies.

This initiative will help to create awareness among citizens about the need for life insurance and also to push the penetration rates in the life insurance industry which is only at 0.46%. Currently 12.5% of the population has life insurance policies which amounts to 28% of the work force of the nations.

IASL also successfully held the National Forum for Life Insurance Advisors (NAFLIA), the local version of MDRT, which is an annual event focused on increasing the professionalism of life insurance advisors. This year’s forum was well attended with over 1,000 advisors.

Net combined ratio up

The total net claims ratio of the market for 2014 was 65.42% and the average market net expense ratio was recorded at 44.24% and the net combined ratio was recorded at 109.66%, compared to 2013 where was only 102.13%. This is a major concern for the non-life companies after the segregation of composite companies to separate life and non-life companies.

The main contributors to the high net claims ratio are the price war due to severe competition, followed by flood claims and increase in claims costs, particularly due to increasing cost of imported spare parts due to a declining local currency against major foreign currencies.

	2010	2011	2012	2013	2014
Net claims ratio (%)	61.27	63.78	61.81	60.83	65.42
Net expense ratio (%)	39.58	38.04	38.51	41.30	44.24
Net combined ratio (%)	100.85	101.82	100.32	102.13	109.66

Source: IBSL Annual Report 2014

Segregation of composite insurers

Segregation of composite companies to separate life and non-life companies have commenced since the last quarter of 2014 and most of the segregated companies have commenced operations from 1 January 2015. At the end of August 2015, there are 14 non-life, 11 life, and four composite companies which have yet to to comply with the law to segregate.

Most significantly, state insurer Sri Lanka Insurance Corporation Ltd has not segregated yet and the industry feels

Back to Contents

that for the establishment of a level playing field, this needs to be done soon. The state insurer also has a monopoly over state business which other insurance companies are expecting will come to an end in the near future. Industry experts are also expecting M&A to take place, but there are no signs of such transactions.

Compulsory listing

As per the regulations, all insurance companies will have to be listed, after 3 years of issuing a license and within one year of segregation. However, the companies segregated were given an extension period of 3 years from the date of segregation.

The challenge is that within the next 3 years, around 30 insurance IPOs will flood the stock market. Can smaller companies face this challenge? There are concerns that the government is planning to exempt foreign insurers whose parent companies are listed in overseas stock exchanges. However, the state company might be exempted from the compulsory listing requirement. This will create an unfair trade practice and breach in the level playing field conditions, an issue which might even end up in courts. The new government will have to look in to this proposed amendment seriously to be fair to all parties concerned.

Implementation of RBC

The parallel RBC run has commenced and it is interesting to note that other than 2 or 3 smaller companies, all other companies are well within the proposed RBC norms. However, the minimum capital requirement of LKR500 million (US$3.8 million) is too low for a market like Sri Lanka and the regulator should consider to raise it to LKR1 billion which will help in developing a stronger insurance market.

National Insurance Trust Fund (NITF)

The industry is seriously concerned that NITF, to which 30% compulsory reinsurance cessions from the non-life insurers are ceded, has been operating without a retrocession programme for the last couple of years. However, the present management has decided to place their retrocession cover soon which is appreciated by the industry.

Future of the market

The regulator is also keen that insurers should have disaster recovery and Enterprise Risk Management plans in place. Further, as a strategy, companies should have Nat CAT modelling and stress/scenario testing in place to make sure that there are no sudden shocks to their stakeholders.

Insurers should work together towards building up the image of the industry, particularly the image of the life insurance advisors, to a level where the society will accept them with much respect than what they receive today.

The Sri Lanka Insurance Institute, which is the only recognised insurance education provider in Sri Lanka, will also have an important role to play, not only in enhancing the knowledge of the existing cadre of the insurance industry, but also in attracting new young talent to the industry by promoting their insurance educational programmes.

Back to Contents

Non-life: Realistic expectations

Taiwan's non-life insurance market continues to log steady growth for the fifth year running, in part due to economic and business growth, and the regulator's efforts to build the country's financial industry into an Asian wealth management hub. We speak to **Non-Life Insurance Association of the R.O.C (NLIAROC)** Chairman **Jack Tai** and **Central Re** President **Chong-Tsang Juang** on their assessment of the market in the past year.

By Dawn Sit

Mr Jack Tai

Mr Chong-Tsang Juang

Between 2013 and 2014, Taiwan's non-life insurance sector logged a 5.86% y-o-y growth in premium income, bringing it to a total of TWD132.2 billion (US$4.25 billion) in 2014. In terms of lines of business, almost all lines had seen an increase in premium income, with the exception of marine and engineering which saw a decrease of 4% and 11% respectively. Motor insurance on the other hand, recorded the largest growth in premiums (8.9%).

Moderate growth expected, led by motor

Notwithstanding, when compared to the previous years since the market got back on the positive growth track in 2010, last year's growth has been the third highest (6.83% in 2011, 6.59% in 2012) recorded. The positive growth trend looks set to continue in 2015 as first-quarter results have shown a 1.69% growth y-o-y. Likewise, both Mr Tai and Mr Juang are expecting a "moderate" growth in premiums of 3-5% this year.

Motor insurance seems poised to lead the growth. Mr Juang, who expects the economy to achieve "moderate growth in 2015", said this will contribute to the "increase of car sales and overall business activities". "Combined with the upward trend in auto insurance pricing, we believe this will contribute to a stable growth in premium income. Further, we anticipate an increasing demand for liability insurance as legal consciousness among businesses has heightened," he said.

Mr Tai concurred, adding that policies for compulsory automobile liability and other risks will help supplement the growth.

Increase in PA and health lines, whilst decline expected in fire

The NLIAROC, he added, has projected the growth rates of personal accident, health, and the rest of the casualty lines (which include liability, credit, engineering and miscellaneous insurance) to be 8%, 12% and 6% respectively, or TWD34 billion accrued.

Fire insurance however, is an exception as Mr Tai said premiums for this line of business is estimated to decline in the coming year.

While fire insurance premiums had increased about 30% between 2010 and 2014 as a result of the implementation of 1) the "self-rating discipline" for commercial catastrophe insurance to restore rates to a reasonable level after 10 years of intense competition in 2011, and 2) the rate-review mechanism for non-CAT insurance in 2013, Mr Tai said: "However, this premium growth has slowed down since May 2015 and has even shown negative growth. Hence, we estimate fire insurance premium income to decline by 5% in 2016."

Non-life Insurance – Lines of Business (TWD million)

Year	2009	2010	2011	2012	2013	2014
Fire	18,705	17,365	19,050	22,223	21,896	22,697
Marine	7,637	8,484	8,773	8,445	7,657	7,355
Automobile	50,276	52,658	55,826	59,653	64,454	70,197
Aviation	1,153	1,261	1,097	836	696	811
Miscelleneous	24,087	26,038	28,288	29,326	30,201	31,161
Engineering	4,808	4,156	4,482	4,652	4,402	3,922
Liability	6,023	6,567	7,513	8,250	8,601	9,084
Credit	970	1,221	1,102	1,045	996	1,103
Accident	10,178	11,309	12,671	12,724	13,354	14,026
Health	139	860	1,069	1,229	1,322	1,431
Others	1,970	1,925	1,452	1,427	1,526	1,595
Total	**101,859**	**105,805**	**113,033**	**120,483**	**124,904**	**132,220**
Growth (%)	**-5.46**	**3.87**	**6.83**	**6.59**	**3.67**	**5.86**

Back to Contents

FSC's grand plan – One year on

Turning to the robust six-goal proposal – the “Programme to make Taiwan's insurers more competitive” – rolled out by the Financial Supervisory Commission (FSC) last July, Mr Juang noted that the regulator has been “actively working on issuing relevant regulations and amending rules” to promote the plan and that the industry “has similarly taken action to work with the government effectively”.

“In the short term, we expect to see the growth in online insurance purchases, a development of the Offshore Insurance Units (OIUs) and the increased insurance penetration of microinsurance.”

He added that the deregulation in capitalisation, overseas M&A and investment activities, has increased flexibility in insurers' operation strategies – and was a move welcomed by the industry.

Since the relaxation of overseas investment rules, the proportion of foreign investment of the non-life insurance sector's investment portfolio rose from 12.87% in 2011 to 19.05% in 2014. And from 2013 to 2014 alone, the proportion of capital allocated in foreign investments jumped 26.5% to TWD41.3 billion.

Non-life players yet to fully align with FSC plan

Mr Tai too acknowledged the FSC's efforts. However, compared to the life sector, the non-life insurance market's premium volumes, assets and funds are still relatively smaller. As such, local non-life players have yet to be able to fully “align with the FSC's policy” of expanding in Asia, or as he colloquially puts it, “play in the Asian Cup” (打亚洲杯).

The exception are a few subsidiaries of mega financial holding companies, such as Cathay and Fubon, which have managed to setup overseas branches or liaison offices in Asia and China's FTZs, and recently, OIUs which allow them to provide commercial marine and fire policies to mainland Chinese customers.

M&A incentives

Notwithstanding, the market is still encouraged by the Executive Yuan's passage of amendments to the Financial Institutes Merger Act earlier in May, which include incentives for M&A between financial institutions “in order to boost financial innovation and eliminate inappropriate price competition”.

“This time round, the amendments that are being introduced, such as tax reductions, are more attractive and do provide essential benefits to the non-life insurance industry,” Mr Tai said. “But as the Act revisions were only just enforced, it is still too early to tell how the market will react to them.”

Non-life sector rallies

As Taiwan's non-life market industriously seeks to narrow the gap with its life counterpart, Mr Juang said he is “optimistic about the sound development of the market” and is encouraged by “the regulator's supportive attitude”.

“We have seen incidents concerning public safety from time to time over the past few years. In order to protect the public and maintain social stability, government officials are expected to improve on the requirements for insurance coverage and risk management plans for business premises and the food industry. And the market has been actively involved developing and providing relevant products to meet their customers' needs and public expectations.”

He added that Central Re may also look to “apply for approval to establish an OIU to enjoy more favourable taxation terms and to expand business opportunities with clients”.

Wish-list for FSC

For NLIAROC, Mr Tai said the association will continue to push for the FSC to allow non-life insurers to sell “middle-term” products of 3-5 years, as well as “A&H insurance products”. They are also proposing for the allowance of an “electronic policy” version to be applicable for compulsory auto insurance, so as to meet “public demand for the compulsory insurance certificates to be ‘quickly received’ and ‘easily portable’ for a ‘lower probability of loss’”.

In responding to technology and big data trends, he added that the competent authorities could commission the Taiwan Insurance Institute (TII) to enhance the management and allow usage of its data, so as to allow the non-life industry to leverage on accurate, complete and real-time statistics.

“For example, if TII could publish the reference fire insurance rate, this could help individual insurers adjust their own rates and reserves accordingly, and help reduce business risks,” he said.

Back to Contents

A role in helping neighbouring countries

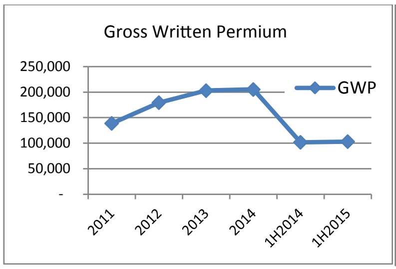
Mr Vinod Krishnan, CEO – Asia at **Aon Benfield**, gives an update on the Thai market, and the role of Thailand in helping to develop neighbouring countries' insurance sectors in view of ASEAN Economic Community, which would be most helpful when cross-border projects are taking place.

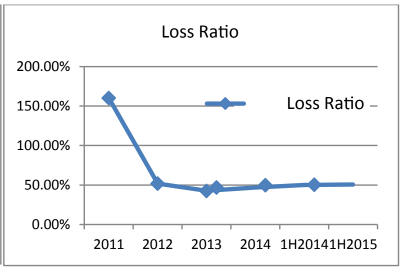
Following the 2011 Floods, Thailand has seen significant changes within insurance and reinsurance. Numerous measures were introduced to improve the quality of underwriting and this has resulted in a high growth rate of premiums within the P&C industry, coupled with underwriting profits. However, the market has experienced a general slowdown in 2014 and 2015, and premiums have not grown as expected. This is linked to various factors including the lack of investor confidence in the military government, low GDP growth, and delays with infrastructure projects.

A few insurance companies have experienced growth and this is mainly from personal lines business which includes products such as personal accident, travel accident and motor. The property class is seeing a fierce competition for market share. The property premium rates have dropped to a pre-2011 flood level. Earthquake and windstorm is offered on full sum insured basis. Flood is still sub limited but at the higher amount.

The table below shows the gross written premium (GWP), loss ratio and profitability in Thailand since 2011.

						million THB
Year	2011	2012	2013	2014	1H2014	1H2015
GWP	138,760	179,459	203,077	205,247	101,734	103,016
Loss Ratio	160.16%	51.80%	42.70%	46.91%	49.89%	50.51%
Net Profit	-129,191	13,921	23,100	21,676	11,374	9,370
U/Wtg Profit	-134,569	5,470	20,810	16,221	7,378	5,756





Key drivers of growth

- Classes of business that are growing:
  - Agriculture – Rice Scheme
  - Livestock
  - PA
  - Motor
- A tech-savvy population is guiding insurers to invest in data analytics, modelling capabilities and other digital solutions
- Increased catastrophe regulations would result in increased catastrophe limit purchase
- M&A activity

Key challenges in managing the risks in the market

The current political situation and its implications is still the main concern in Thailand. Adding to this was the bomb blast that shook Bangkok on 17 August.

The economy is under recession. This has affected the insurance industry, which means there is almost no growth. The direct market competition is also very fierce.

Reinsurance capacity is still in abundance with US$565 billion traditional and alternative capital available in the market. Insurance companies are taking advantage of the prevailing competitive environment to access a cost effective form of capital.

- ***Catastrophe Risk:*** In the past, flood has been the main loss driver but 2015 has seen the worst drought in decades to affect Thailand. Also, following the moderate earthquake in Chiang Rai province in May 2014, there was heightened awareness on the possible effect of earthquake risk in Thailand. This still poses a risk to insurance companies but is mainly limited to the north-north western part of the country.
- **Underwriting risk:** Direct premium rates have dropped almost to the same level as pre-flood 2011. As a result the loss ratio is expected to increase while the premium may not be sufficient.
- **Strategic Risk:** Due to market competition, commercial and industrial risk rates are very low so most insurance companies have shifted focus to personal lines or individual lines. However, motor vehicle sales have dropped and the motor insurance book has not grown as targeted.
- **Operational Risk:** Companies need to place more focus on how their employees and IT systems can embed and manage their strategic growth plans
- **Investment Risk:** Whilst some companies are very conservative, others have said that a drop in the Thailand stock market will probably cause unrealised loss in their books.
- **Regulatory Risk:** This may have an adverse effect on smaller companies due to the increased capital requirement of THB500 million (US$14.09 million) by 2017. RBC phase II may also include catastrophe risk charges being applied.

Role of reinsurers in the market in the face of regulatory changes and RBC

The regulatory RBC framework, which was first implemented by The Office of Insurance Commission (OIC) in 2011, is set for an update to RBC Phase 2 and to become more aligned with global standards.

Some of the key changes include (i) higher risk charges on high risk assets, (ii) the inclusion of risk charges on operational risk, (iii) surrender risk (life), and (iv) catastrophe risk (non-life). The confidence level used to calibrate risk factors is also

Back to Contents

likely to increase from 95% to 99.5%, although the regulator is considering a gradual increase with an expected five-year transition period.

RBC Phase 2 is moving towards more principle-based orientation which should encourage insurers to enhance its internal risk management process. The higher risk charges would discourage insurers from investing in high risk assets.

Continuing with the regulatory reforms to strengthen Thailand's insurance industry, the OIC is also considering increasing the minimum capital requirement to THB500 million for non-life (up from THB300 million) and THB1 billion for life (up from THB500 million).

Reinsurers have been offering and will continue to offer capital relief solutions to insurance companies in the light of expected and more stringent capital requirements with RBC II.

Future of the market

ASEAN Economic Community (AEC)

The World Bank has reportedly been involved in developing and moving ASEAN countries in the same direction for the 2015 AEC. In addition, it has been reported The World Bank and Japan will promote Thailand as the insurance hub of ASEAN and help to train Thai personnel on various related areas.

The bank will also give professional services and technical assistance, including knowledge and information, to Myanmar, Laos, Cambodia and Vietnam. This is in line with the OIC's plan to help develop the neighbouring countries' insurance sectors and would be most helpful when cross-border projects are taking place with regard to offering insurance products.

Various regulatory reforms have been initiated by OIC in recent years based on standards of the International Association of Insurance Supervisors and International Financial Reporting Standards. Improvements have also been planned on domestic internal enterprise risk management practices.

Foreign ownership is still capped at 49%, although the OIC may raise the limit in the near future as part of a liberalisation plan to coincide with the opening of the ASEAN Economic Community (AEC) expected in late 2015.

Capital Requirements to strengthen the Industry

As discussed in the earlier section, the OIC has laid out plans to increase the capital position of Insurance companies to ensure a strong and robust Industry

Increased M&A activity

The strengthening of the regulatory capital framework would benefit the insurance sector in the long term. However, the smaller insurers may have face difficulties meeting the more stringent capital requirement in the upcoming risk-based capital (RBC) Phase 2, and the potential higher minimum capital requirement. This could lead to an increased M&A activity with industry consolidation likely to continue, particularly in the fragmented non-life insurance sector. M&A activity is likely to be driven by the rising capital requirements, a drive to achieve economies of scale, and foreign interest in the strong potential of Thailand's insurance sector.

De-tariffication

There are talks of de-tariffication in the near future. In a RBC environment, this would allow companies to charge appropriate premium commensurate with the risk underwritten.

Role of NCIF

The scheme needs to reinvent itself to be more viable in the future. There are numerous gaps in areas such as cover, pricing issues, and anti-selection which make the scheme in its current form untenable.

Thailand continues to be a dominant player in the manufacturing sector, which has suffered a setback in recent years following the floods. In an effort to revive the economy, the military government has made some key additions to the finance and commerce portfolios. The economy's recovery in the short term future is going to be driven by stability to the political system and a return to democracy. In the meantime, the P&C insurance sector in Thailand continues to tap into all possible distribution channels in its pursuit of growth and market share.

Back to Contents

What a unified marketplace means for insurers

Southeast Asian states have targeted the end of 2015 to create a more integrated economic region, and the effect on the insurance industry is potentially wide ranging in the long run – from regulations, distribution, products, talent and operating cost base, amongst others. We spoke to several insurers and analysts on what the ASEAN Economic Community (AEC) would mean for the insurance sector, and questions which CEOs have to answer as they move ahead in a market aiming for greater cohesion.

By Ridwan Abbas

The idea of a single market is dawning upon the Southeast Asian region as it inches closer to its pledge of creating a unified ASEAN Economic Community (AEC) in 2015. Granted that the 10-member ASEAN states are still a long way from achieving true economic integration and liberalisation, but a vision has been set and the bloc is committed to realising it one step at a time.

It's been said the year 2015 should be seen as a milestone towards that journey rather than a strict deadline. But how should insurance leaders prepare themselves as we approach this landmark and beyond? And what sort of impact could it have on the insurance sector in the near to mid-term?

Potential changes

Given the economic significance of the financial services sector, member states have been given greater leeway on the pace in which to liberalise their financial services regime. Nonetheless since 2008, the bloc has passed five reform packages for the financial services segment.

Comparatively, the liberalisation scope for the insurance sector is greater compared to the banking industry. The essence of these initiatives is to create an integrated insurance market across ASEAN.

Mr Jeff Pirie, Executive Director & AEC Leader at Deloitte Southeast Asia said the end game should lead to fewer barriers in conducting business in each of the markets.

"Integrated does not mean uniform, instead it means that there should be few impediments to providing service (which may involve establishing a presence) in each of the countries within ASEAN. Overall, everyone expects the changes to mean higher growth in insurance in ASEAN."

Regulations – differences remain but moving in right direction

Changes on the regulatory front is on the cards with the AEC providing a boost to speed up reforms in areas such as capital and solvency requirements. In the long run, it would translate to an improvement in the financial strength of insurers and encourage a healthier playing field. The immediate future may however see smaller players being forced again to consolidate.

As part of the initial liberalisation in the region, Mr Steven Dewhurst, Insurance Partner at DAC Beachcroft, expects detarrification measures to be introduced in various markets.

"Short-term regulatory changes we can expect are detarrification of motor and fire business, as well as country-specific changes to the regulation of specific lines of business which are core to other aspects of trade within the single market.

"Progress has already been made on both, for example detarrification is being considered by various countries and the MAT (Marine, Aviation & Transport) business already receives different treatment from a regulatory perspective."

Looking at the big picture, one cannot escape the fact that ASEAN states are in differing stages of development, with disparate economic policies and growth agendas. Given this reality, Swiss Re's Chief Economist in Asia, Clarence Wong, believes the momentum towards liberalisation will start off being bilateral in nature.

"When liberalisation eventually begins, likely to be after 2015, we expect more advanced ASEAN countries to allow a partial opening up of their markets on a bilateral basis, allowing the cross-border supply of simple insurance products between two countries," he said.

Back to Contents

Prospect of increased competition

The introduction of a more liberalised market would improve industry standards and it would also increase the competitive pressures with the likely influx of more foreign players into Southeast Asia.

"Markets which have historically been highly regulated and protected will most likely attract foreign competitors," said Ms Sharon Ooi, Head of P&C Reinsurance (Southeast Asia) at Swiss Re. She added industry profits may come under pressure as a result, but also sees positives for the industry.

"Small insurers may be forced to merge with others or close down, but on the other hand this is also a catalyst to improve market efficiency on a longer term base," she said.

A more liberalised market will also make Southeast Asia even more attractive to foreign insurers, especially as they face slower growth opportunities in their home territories.

However on the flipside, analysts point out that the anticipated integration will likely also result in greater correlation between ASEAN nations in terms of business cycles. As such, insurers with revenues concentrated in the region might experience greater volatility.

Downside risks

While there are many positives to be gained from the AEC, there are also several downside risks facing insurers. One example relates to a heightened level of enterprise risk which has to be adapted to suit the different context of each ASEAN country.

"A multi-location business is much harder to supervise than a single location business, so there are heightened governance challenges, both for management and regulators. Another challenge lies in resolving the tension between a preference for a one-size-fits-all approach to governance and risk management across jurisdictions, with the fact that ASEAN comprises a very diverse spectrum of jurisdictions, each with their own peculiarities which need to be addressed sensitively," said Mr Dewhurst.

A more liberalised market will also make Southeast Asia even more attractive to foreign insurers, especially as they face slower growth opportunities in their home territories.

On the other hand, Mr Pirie pointed out to the challenges in building up scale which requires the right skill to execute.

"There are evidently risks if one chooses to expand, both from over trading and from missteps along the way. There is also the real risk of diseconomies of scale where bigger sometimes means less agile, more costly and less efficient," he said.

"The single market is a classic risk/reward scenario. Get it right and you will benefit significantly; get it wrong and you could risk financial failure," Mr Dewhurst concluded.

How can CEOs prepare?

So how can industry leaders prepare as the region looks to enter a period of transition in an integrating marketplace? And more importantly, how do they compete given the changing macro dynamics.

Mr Anupam Sahay, Head of Insurance Practice for Oliver Wyman in the Asia-Pacific said domestic insurers for a start have to fully understand and prepare for potential changes to the capital, regulatory, risk and competitive environment.

As for the international and regional players, he said: "It'll be important to engage constructively with the regulators who will shape the emerging ASEAN sub-region, and build a deeper pool of mobile Asia executives capable of operating across borders in diverse market environments."

The need to be proactive in the regulatory process was also highlighted by Mr Alan Merten, Director, Insurance Consulting, Asia Pacific, Towers Watson, to ensure that future rules are fit for purpose.

"CEOs need to stay abreast of developments and try to work through their local industry bodies and with regulators and government to influence for positive developments and, for example, to help to ensure that the practicalities of doing business are taken into account," he said.

Assessing strategies

Mr Mohit Mehrotra, Deloitte Southeast Asia Financial Services Industry Strategy and Operations Leader, said that over time, CEOs would need to reassess their business model in light of the new realities which the AEC presents.

"A fundamental re-look at business model and operating model will be critical to assess whether they should be in defence or attack mode. What segments they should focus on, which will be cross –border? What segments will be difficult for others to address given the unique capabilities insurers might have and/or develop? Does it make sense to develop a regional middle-back office?" he asked.

Again, while the AEC provides opportunities for a more streamlined operation in the region, Ms Ooi emphasised the need to act local.

"Products which sell in home markets may not be popular or even accepted in other countries, due to differences in social and cultural differences. Therefore insurers need to examine the markets carefully and develop tailor-made products which suit local needs."

Conclusion

The AEC's impact on the insurance sector is going to be gradual rather than immediate. The extent and pace at which things would occur remain unclear, such as when true cross-border insurance activities will be possible, the prospect of harmonised entry requirements into ASEAN markets and the freedom of movement of talent across jurisdictions.

However, the goal towards greater integration provides authorities an impetus in raising the base standard and efficiency in the region. It would also make the region a more attractive marketplace in the long run.

"In the near term, the AEC is unlikely to have a major impact on market strategy decisions for direct writing insurers, but for those companies not in ASEAN today or those with only one ASEAN market in their portfolio, the attractiveness of an ASEAN investment boosted by the possible future opportunities from the AEC may mean that a hold and/or invest decision makes sense," said Mr Merten.

From now on, every player would have to "up their game" , whether to defend home markets or leverage on the AEC to expand within the region.

Back to Contents

MENA reinsurance market Performance under pressure

Weak technical performance is driving MENA-based reinsurers towards the Asia Pacific and other territories in search of higher-margin business, say **Messrs Myles Gould** and **Mahesh Mistry** of **A.M. Best**.


Mr Myles Gould


Mr Mahesh Mistry

The low level of insurance penetration seen in many MENA countries, combined with the robust, albeit deteriorating, profitability achieved by the leading primary insurers, has made the region a target for both international and domestic reinsurers.

Exhibit 1 shows the largest MENA-domiciled reinsurers ranked by GWP in 2014. Despite the growing presence and capacity provided by regional reinsurers, their profiles remain small compared with international peers

In A.M. Best's opinion, while lower oil prices cannot be disregarded as a factor affecting economic growth in the MENA region, the impact on the (re)insurance sector is expected to be minimal over the medium term. Even in the case of moderate economic contraction arising from persisting low oil prices, A.M. Best believes there is still opportunity for increased insurance demand in the region, given the low levels of insurance penetration and continued rollout of compulsory insurance.

Whilst the size and the sophistication of the MENA insurance market has increased notably over the past decade, it remains both developing and dependent on international reinsurance support, with local and regional reinsurers generally acting in a follower capacity. Whilst some reinsurers have exited the market, the number of new entrants is far greater than those leaving. Consequently, reinsurance capacity in the MENA region from both international and regional reinsurers remains well in excess of local demand, resulting in the continued exacerbation of the current competitive pricing environment.

MENA reinsurers' underwriting performance deteriorates

It is important to recognise that there has been a more general shift in underwriting performance across the regional reinsurance segment. The weighted average combined ratio for reinsurers domiciled in the MENA region has deteriorated over the past three years, falling from 96% in 2012 to 103% in 2014. This is in marked contrast to the global reinsurance market, where technical margins have remained robust and improved over the same period, following the absence of major catastrophes. The performance of MENA reinsurers is highlighted in Exhibit 2.

The weakening performance, whilst in part continuing to reflect overcapacity and prevailing competitive pricing conditions, has also been driven by a higher frequency and severity of large losses stemming from the MENA markets. Typically, these losses have emanated from commercial property lines, including fire, engineering and industrial risks, with business interruption also being a significant contributor to the overall cost of claims. As a consequence, some (re)insurers have started to become increasingly selective in the risks they

Exhibit 1: MENA reinsurers – Largest domiciled writers by GWP, 2014

Company	Abbreviation	Gross written premiums (US$ million)	Net written premiums (US$ million)
Qatar Reinsurance Company LLC	Qatar Re	535.9	178.2
Trust International Ins & Reins Co. B.S.C. (c) Trust Re	Trust Re	444.9	286.6
Milli Reasurans Turk Anonim Sirketi	Milli Re	412.6	354.6
Arab Insurance Group (B.S.C.)	ARIG	315.3	260.4
Compagnie Centrale de Reassurance	CCR Algeria	255.2	154.1
Societe Centrale de Reassurance	SCR Morocco	239.2	143.5
Hannover ReTakaful BSC (c)	Hannover ReTakaful	205.4	201.1
Saudi Reinsurance Company	Saudi Re	148.3	137.1
Kuwait Reinsurance Company K.S.C.P	Kuwait Re	117.0	103.7
Arab Reinsurance Company SAL	Arab Re	81.6	59.3
Emirates Retakaful Limited	Emirates Re	77.4	73.3
Gulf Reinsurance Limited	Gulf Re	55.3	13.6
Societe Tunisienne de Reassurance	Tunis Re	52.5	27.4
ACR ReTakaful MEA B.S.C. (c)	ACR ReTakaful	41.3	23.0

Notes:
Excludes branches of reinsurers not domiciled in the MENA region. Premiums are not restricted to MENA region.
Excludes companies for whom financial data was not available.
Source: A.M. Best research

Back to Contents

Exhibit 2: MENA reinsurers - Non-life underwriting ratios

		Loss Ratio (%)				Combined Ratio (%)			
Company	Country	2012	2013	2014	Syr Av.	2012	2013	2014	5-yr Av.
Qatar Re	Qatar	87	82	84	82	114	111	103	106
Trust Re	Bahrain	66	64	67	66	95	95	97	94
Milli Re	Turkey	70	79	83	84	99	113	116	108
ARIG	Bahrain	59	63	67	65	97	99	104	102
CCR Algeria	Algeria	47	47	40	44	78	76	72	75
SCR Morocco	Morocco	50	28	77	57	84	67	90	88
Saudi Re	Saudi Arabia	59	119	75	87	84	154	109	120
Kuwait Re	Kuwait	68	70	68	71	94	97	106	101
Arab Re	Lebanon	65	72	78	71	97	105	113	104
Emirates Re	UAE	59	62	65	67	96	98	92	100
Gulf Re	UAE	72	86	128	83	104	121	258	125
Tunis Re	Tunisia	55	50	58	57	100	98	100	100
ACR ReTakaful	Bahrain	77	28	21	90	178	177	39	133
	Average	64	66	72	71	98	100	103	101

Notes:
Excludes companies for whom financial data was not available.
Takaful Re is consolidated into Arab Insurance Group (B.S.C.).
Gulf Re's 2014 combines ratio is increased by the adoption of intragroup reinsurance protection.
All averages calculated on a weighted basis. Combines ratios reflect the sum of the loss ratio and expense ratio.
The loss ratio is calculated using net claims incurrent / net earned premiums.
The expense ratio is calculated using net operating expenses / net written premium.
Source: A.M. Best research

assume and impose stricter risk mitigation requirements on higher-risk commercial properties, such as requiring water-sprinkler systems and fire retardant structures.

With premium rates in the market expected to remain stagnant over the medium term, regional reinsurers have sought to improve their approach to risk selection and are expected to continue to hone their risk appetites even further over the coming years. Many regional reinsurers have invested significantly in advancing their risk management functions, which not only enables companies to improve underwriting practices but more importantly limits earnings volatility by understanding aggregation and accumulation of large losses. An increasing focus on data quality, surveying techniques and risk mitigation practices is assisting reinsurers to improve their underwriting approach.

The overarching decision for all MENA-domiciled reinsurers remains whether to grow their profiles, which given the current competitive environment is likely to put pressure on underwriting margins, or whether to focus on profitability at the expense of profile and market share. This decision remains all the more pertinent for new entrants which need to grow in order to offset high start-up expenses.

Given that technical margins in the MENA region have been declining in recent years, regional reinsurers are looking further afield, mainly to the Indian sub-continent, the Asia-Pacific territories and North Africa, to search for higher-margin business which compliments their existing portfolios. Whilst this can be viewed as a positive step, aimed at improving technical performance, there is undoubtedly execution risk associated with expanding into unfamiliar markets. This is particularly true given the higher anticipated catastrophe risks that may be assumed by writing new business, and which could result in unexpected volatility in company earnings.

Rating issues for MENA reinsurers

All A.M. Best-rated reinsurers domiciled in the MENA region are generally well capitalised. They have secure Financial Strength Ratings (FSRs), with the highest rating assigned at present an FSR of A. The outlook for the FSRs and Issuer Credit Ratings (ICR) on all of the companies is currently stable or positive.

Existing A.M. Best-rated reinsurers have been strengthening their capital positions through retained earnings, and new entrants typically hold surplus capital to support their expanding franchises. Capital requirements are largely driven by underwriting risk, with most reinsurers adopting conservative and diverse investment profiles and high net retentions that minimise exposure to counterparty credit risk.

Operating performance remains profitable for most MENA-domiciled reinsurers; however, for many, this reflects robust investment income which has offset increasingly pressured underwriting earnings. The persistence of thin technical margins coupled with an increase in large loss experience from commercial lines has resulted in diminishing underwriting results for many regional reinsurers in 2014.

Overall, A.M. Best believes that whilst MENA-domiciled reinsurers continue to grow their presence and penetration in the region, they remain small when compared with their international counterparts. Technical performance remains pressured and a key rating issue over the medium term. However, improving enterprise risk management goes some way to reduce earnings volatility.

Mr Myles Gould is Senior Financial Analyst and Mr Mahesh Mistry is Director, Analytics with A.M. Best.

Back to Contents

Risk management in reinsurance – an Asian perspective


Mr Raj Juta


Mr David Menezes

Mr Raj Juta and **Mr David Menezes** of **Deloitte**, say that the reinsurance industry has performed admirably as Asia weathered a number of large CAT events in recent years. Looking ahead, the role of risk management has come under the spotlight particularly given the widespread regulatory thrust for risk-based capital regimes.

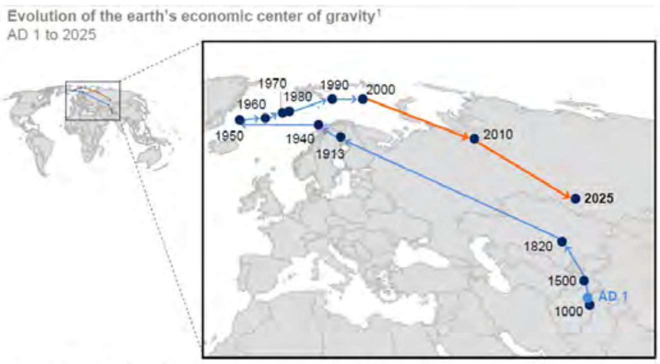
A deep-rooted tradition of risk management

King Hammurabi (c1800 BC) is often credited as one of the first individuals to establish insurance-type contracts to support maritime loans; however, earlier references can be found to Chinese merchants spreading cargoes over a number of ships in order to reduce the risk from any one boat sinking. In short, risk management is no new concept to Asia and now the role of Asian reinsurers has never been greater.

With great (economic) power comes great responsibility …

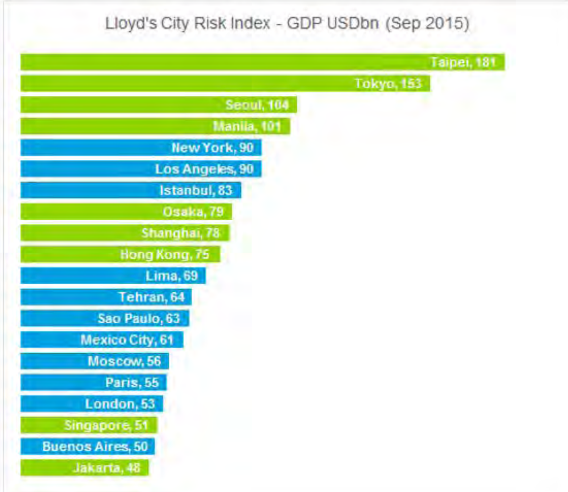
In 2011, research by Danny Quah at London School of Economics suggested that the world's economic center of gravity was moving East. Around the same time, McKinsey published a report highlighting the same shift but this time they considered how the position evolved over two millennia; tracking from East to West and back again.

Adding to the compelling evidence of Asia's growing importance, in September 2015, Lloyd's of London released the results of its new City Risk Index, a joint research initiative with Cambridge University that analysed the resilience of 301 global cities' GDP to 18 natural and man-made perils. The top 20 cities are shown below, with green bars indicating just how influential Asia has become:



1 Economic center of gravity is calculated by weighting locations by GDP in three dimensions and projected to the nearest point on the earth's surface. The surface projection of the center of gravity shifts north over the course of the century, reflecting the fact that in three-dimensional space America and Asia are not only "next" to each other, but also "across" from each other.

SOURCE: McKinsey Global Institute analysis using data from Angus Maddison; University of Groningen



The illustrations above provide a sense of potential exposures in this part of the world, but what does this mean for losses? Historically, insurance losses in Asia have been muted due to low levels of insurance penetration; however, this notion has been challenged in recent years by the Thai Floods (2011), Tohoku earthquake (2011) and most recently, the catastrophic explosion in Tianjin, China. At the time of writing, various sources indicate that the eventual cost of insurance losses in Tianjin will be between US$1 billion and $5 billion and will consume a material part of the entire insurance premium for the province.

Regulation and reinsurance

At present, the reinsurance market is facing considerable regulatory changes across the region. Two drivers appear to be having a clear impact:

Risk based capital

In 1992, the Third Non-Life Insurance Directive 92/49/EEC was passed allowing general insurers in the European Union (EU) to sell insurance across all member states. Regulators quickly established that equivalent levels of protection needed to be afforded to all policyholders and this led to the creation of the initial Solvency 2 Directive in 2009. The new regime will come into play in 2016 and will bring changes to the face of European insurance.

2011 saw the publication of the International Association of Insurance Supervisors (IAIS) set of Insurance Core Principles or ICPs. This document provides a high-level framework for the operation of (re)insurers and also codifies explicitly the notion of enterprise risk management (ERM) practices. Consistent with Solvency 2, the ICPs stress the importance of risk based capital (RBC) within ERM.

Over the last five years, much of the world, and Asia in particular, has established or enacted RBC proposals including China, Hong Kong, Malaysia, Sri Lanka, Singapore and Thailand. These changes are a positive development as the impact of capital relief for those who purchase reinsurance is now directly quantifiable. It also means that reinsurers have another more direct means of comparing cedents. Set against this, these changes also present threats.

Back to Contents

Local Markets

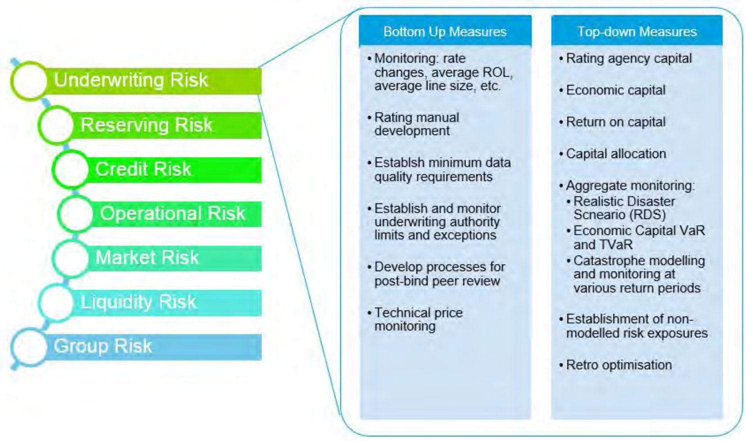
With the advent of risk-based capital legislation/proposals, a number of regulators took steps to restrict overseas reinsurers' access to the local markets. Countries affected include India, Indonesia (during 2014); China (from 2016). Measures to develop a vibrant national (re)insurance market were already in place for Korea and Malaysia. The approach used to limit access has either been direct – for example, insisting that local companies cede to local reinsurers; or indirect, for example by applying heavy capital charges on local insurers if they opt to cede to overseas players with the aim of bringing capital and talent into local markets.

Enterprise Risk Management – Achieving a best of breed

Enterprise Risk Management (ERM) has become increasingly important, but what does it mean for reinsurers? An important consideration for reinsurance companies is to have an ERM that provides a holistic approach that effectively manages all possible risks. These risks can be broadly categorised as affecting either the liability side and/or the asset side of the balance sheet.

A good ERM approach involves establishing processes and controls to set strategy and monitor the position simultaneously from a "bottom-up" (e.g. risk acceptance processes) and "top-down" (exposure and accumulation management) perspective. In addition, the processes developed generally work best if incorporated into a regular or iterative monitoring cycle with feedback mechanisms to correct imbalances that develop over time.

Our Deloitte team has supported a number of reinsurance clients across the region and has helped develop systems so our clients can manage the unique risks they face as reinsurers. The following chart indicates a number of key risk categories (left side) and some of the different elements of the monitoring systems (right side) that we typically expect to see in respect of a select risk type (in this case, underwriting risk). Both bottom-up and top-down perspectives are provided for illustration:



Source: Lloyd's

Key challenges in Asia

Establishing clear ERM processes is a good step to managing the risks faced by the firm and it should be taken into consideration with issues that affect Asia in particular – such as the fast-changing environment, which can lead to a historic view of risk that is not necessarily representative of today's risk. Here are five relevant issues that impact Asia:

Lack of technical pricing

Cedents exhibit a slightly lower level of technical pricing expertise across Asia. Some of this is legacy due to widespread tariff usage, particularly for motor. As countries seek to deregulate in the coming few years (e.g. Malaysia and Thailand), it is likely that ensuing volatility in the direct market will be passed on to (and absorbed by) reinsurers supporting the affected lines. However, a lack of expertise creates opportunities to provide direct support to cedents thereby fostering stronger links.

Overcapacity

Overcapacity has been observed in a number of areas and presents a double-edged sword. Since the start of 2015, a number of Chinese companies have established or announced plans to establish reinsurance operations, including People's Insurance Company of China, Qianhai Reinsurance Company and Asia-Pacific Reinsurance. This will intensify competition for Chinese businesses and put further downward pressure on rates, which have shown 10-15% declines during 2015 renewals. This intensification comes at the same time as increased protectionism (noted above) and against a backdrop of increasing competition in the broker space, with Tigerrisk Partners and others driving hard deals.

One potential silver lining for established players is that strong demand paves the way for the development of alternative capital structures. These structures can reduce pressure on established players by removing direct competition and the potential volatility from inexperienced entrants.

Lack of talent

The general observation is that successful reinsurance companies tend to have deeply-experienced individuals at the helm. The increase in the number of reinsurance companies being established has generated a strong demand for talent. Over the medium-term, companies may look overseas for talent. In the long term, training needs to move up the agenda in order for talent to be equipped with good local knowledge of the industry.

Catastrophe modelling

The use of catastrophe (CAT) modelling is not utilised often in Asia. This is partly due to limited or poor resolution data from cedents (barring developed markets like Japan) but also because some of the CAT modelling companies have coverage gaps by region (e.g. Middle East) or by peril (Flood). Flood damage is a significant cause of concern for much of Southeast Asia and it is good to see that some of these gaps are being filled by the reinsurance broking companies.

Cycle management

The insurance and reinsurance cycle are intrinsically linked. For US and European businesses, the typical cycle length is 7-8 years. In Asia, estimates put periodicity closer to 10-15 years. While Tianjin may cause some hardening in China, we generally expect the cycle to persist and therefore anticipate that firms will seek to cleanse their book.

Staying in the competition

Asia has weathered a number of large CAT events in recent years, but the reinsurance industry has performed admirably. Looking ahead, the role of risk management has come under the spotlight particularly given the widespread regulatory thrust for risk-based capital regimes. Firms that wish to succeed in this more competitive and regulated environment should start building their strategies and frameworks now.

Mr Raj Juta is Partner – Insurance Sector Lead at Deloitte Southeast Asia. Mr David Menezes is Director – P&C Actuarial at Deloitte Hong Kong. The views expressed are the authors' own.

Back to Contents

2016 Conferences

Asia Insurance Review | Middle East Insurance Review

JANUARY

India Rendezvous
20-22 Jan • Mumbai, India

Asia Conference on Big Data and Analytics for Insurance
27-28 Jan • Singapore

FEBRUARY

Asia CEO Insurance Summit
24-25 Feb • Hong Kong

Asia Aviation Risks Summit
Feb • Singapore/Malaysia

MARCH

Asia Insurance Brokers' Summit
2-3 Mar • Bali, Indonesia

Asia Pacific Maritime Conference
16-18 Mar • Singapore

Asia Healthcare Conference
21-22 Mar • Singapore

APRIL

Asia Insurance Innovation Summit
Apr • Singapore

Asia Life Summit
Apr

M&A Conference
Apr • Singapore

Asia Motor Conference with One Day on Combatting Motor Fraud/Auto Theft
Apr • Bangkok, Thailand

Middle East Anniversary Summit (MEIR's 10th Anniv Summit)
Dubai

MAY

Asia Bancassurance Conference
May • Jakarta, Indonesia

Asia Cyber Risk Summit
May • Singapore

JUNE

CFO Summit
Jun • Bangkok, Thailand

Agriculture Conference
10-11 Jun

Asia CAT Conference
Jun

JULY

Asia Pacific Money Laundering Summit, & Life Insurance Agents Awards

SEPTEMBER

Asia Insurance CIO Summit
Sep

Asia Pensions Conference
Sep

Takaful Rendezvous
Sep • Kuala Lumpur, Malaysia

OCTOBER

Marine Conference
Oct • Hong Kong

ME Healthcare Conference
Oct • Dubai, UAE

NOVEMBER

Dubai Rendezvous 2015 with Middle East Insurance Industry Awards
Nov • Dubai, UAE

Asia Investment Summit
Nov

TBA:
Iran Summit/FAIR Summit/Myanmar Summit/China Rendezvous