

## 44th IIS in Taipei:

# Meeting the Global Demand for Insurance

This year's IIS conference drew a glitterati of more than 400 delegates from 36 countries to the vibrant city of Taipei. During the three-day affair, insurance leaders discussed critical issues affecting the life, non-life and (re)insurance markets, and were given an opportunity to share views through an interactive "live" voting system. *Asia Insurance Review* brings you a summary of the discussions.

**B**eyond the cautious sentiments in the air, the growth of emerging opportunities and markets dominated the discussions, along with strengthening regulations, human capital issues, innovation, products and distribution. The Gala Dinner enshrined laureates boasting invaluable credentials who had made, and continue to make, a difference to the industry.

### Strengthening the Taiwan Market

During his keynote speech, Dr Paul Chiu Cheng-Hsiung, Vice Premier of the Executive Yuan, welcomed the delegates to Taiwan and delivered an optimistic outlook for 2008 under the newly elected Mr Ma Ying-jeou. Announced are bold projects to deregulate the economy in hopes of unleashing vitality into the private sector. In stressing his commitment to building Taiwan as a regional financial centre, Dr Chiu promised to promote and broaden the depth of the local market and emphasised a greater need for collaboration. He urged that all countries must come together to solve the common issues in the insurance industry, such as accounting principles, solvency standards, climate change, human resources and consumer protection, as these challenges cannot be solved by one single country alone.

### The Fundamentals of Life

The strong growth potential in the life market dominated the discussions on the first day of the conference, with the Executive Panel of World Leaders touching on the strong and latent need for life cover by people all around the world. On the investment-linked side, insurers' efforts in weathering the turbulence of volatility in the capital markets were highlighted. The speakers also stressed that business had to be customer-centric and that any product innovation, choice of distribution channel or service excellence must revolve around what the customer wants. This is while amidst the market sentiment on life issues, the non-life risks of global warming, the unabated spate of

natural catastrophes and the threat of terrorism continuing to grab headlines around the world,

Life fared high on the agendas of the panelists, with several passing comments on the emerging giants in the region, where Asia naturally took centre stage. The drivers for growth and opportunities in the life sector yielded different yet vast business propositions, from the "youths of Vietnam" to the "graying men of Japan".

In addition, Mr TJ Vijayan, Chairman of Life Insurance Corporation, alluded to questions that were on everyone's lips during such testing times as the stockmarket volatility. He commented that not just the shareholders and investors but customers, too, are demanding higher returns. How will insurance companies deliver? Will the promise of growth and consumer confidence in the life sector fade? Are life insurers equipped to tide over the storm? While these questions hung heavily in the air as fears of a global recession have been surfacing, Mr Vijayan cautioned insurers against being passive to these changes.

### Regulatory Reforms and Preparing for More

In the wake of the subprime crisis that has rattled global financial markets as well as natural disasters that have occurred recently, regulators are taking a strong stance and revealed their strategies during the Regulators Perspective Panel session. Dr Huang Tien-Mu, Director General, Insurance Bureau Financial Supervisory Commission, Taiwan, discussed the developments of ERM and the supervision of insurers in Taiwan. He said "the FSC is encouraging the industry to build its own integrated risk management framework based on the company's business lines, scale and complexity". At the same time, they are being proactive in designing a self-assessment form to help insurers evaluate their frameworks. By further promoting ERM, the FSC has asked companies to better equip themselves with all the necessary components to adopt Solvency II by 2012, while Taiwan's regulatory system will move from rules-based supervision to principle-based.

Mr Muhammad Al-Shayea, Director of Insurance Supervision, Saudi Arabian Monetary Authority (SAMA), further commented on its strategy of mitigating natural disaster risks. He said: "To alleviate the risks of natural disasters, SAMA requires insurers to address catastrophes by setting up natural disaster risk management plans according to regions, having arrangements



(From L-R): Ms Michaela Koller, Dr Huang Tien-Mu, Mr Muhammad Al-Shayea, Ms Connie Wong and Mr Simon Topping.



(From L-R): Mr Patrick Kenny, Mr TM Shih, Mr Brian Duperrault, Mr Osvaldo Do Nascimento, Mr Steve Chen and Mr TS Vijayan.

and including calamity reserves as part of their technical provisions.”

### Embracing Transparency

With the lackluster capital markets, fingers have been pointed at improper risk frameworks. “Transparency will be enhanced and this should be embraced,” urged Mr Paul Summerville, Global Bond Strategist, Wellington Management, US. He added that insurers should improve research capabilities to better cope with and respond to emerging risks. He anticipates that the value of guaranteed investment products will certainly rise as consumers seek more stability in their investments.

At the press conference, insurance leaders echoed the need for regulatory reforms as a priority, after the eruption of the subprime crisis. Although Mr Brian Duperrault, President and CEO of Marsh & McLennan Companies USA, pointed out that although the insurance industry emerged relatively unscathed from the credit crisis which has plagued its banking counterparts, the important lesson to be learned is to have strong regulatory regulation in respect to asset allocation. Mr Osvaldo Do Nascimento similarly stressed that regulators need to address areas of capital allocation and transparency in asset liability management. Despite his views, Brazil as unaffected by the subprime crisis as the country only became investment graded this year, therefore allowing companies to invest overseas, hence avoiding the market turmoil.

### Emerging Trends in Distribution and Economic Shifts

Mr Julian James, CEO, Lockton International, identified the dramatic macroeconomic shifts that will occur in the near future and discussed the opportunities ahead. The four major changes he listed were: Business increasingly facing a challenging environment; global insurance markets in a state of flux; increased regulatory scrutiny and the emergence of new information and efficiency technology; and lastly, a globally shifting economic pattern that will gravitate towards Asia, Russia and Brazil.

### The Lure of the BRIC Markets

Sharing his perspective of the Brazil, Russia, India, and China (BRIC) markets, Mr Vijayan noted that unlike in Taiwan where foreign companies are experiencing lackluster performance, in India, companies have been growing very rapidly since the market liberalised seven years ago. He said: “Startups are tripling their growth figures, something which established players are unable to match.” However, he added that once performance

levels hit a certain mark, growth will definitely ease. He warned that some startups are incurring huge losses because of their blind chase for market share. “Soon, they will realise that this is an unsustainable strategy, and profitability is the only way to go,” he added.

Following Brazil’s extensive regulatory reform to the pensions bill, which boosted the performance of life insurers, return on equity

(ROE) stands at 25-30%. This has been driven by strong demand as consumers awakened to the benefits of insurance protection. The non-life business, however, is less profitable and plagued by intense competition and pressure to reduce costs.

### Pledging and Maintaining Self-Regulation

Mr Vijayan stressed the “critical need to develop self-regulation to ensure better market conduct”. The Indian market is heavily reliant on the tied agency force because of the country’s 2.5 million agents serving the market with 20 players and 270 million individual policies. Today, the challenge that India faces transpires from human capital issues such as the shortage of insurance professionals, wage problems and retention in the life insurance sector.

### Customer Needs Come First

Touching on innovation and distribution, Mr Osvaldo Do Nascimento, Executive Director, Banca Itau SIA (Brazil), said that mining the database for customer segmentation was fundamental. Through customer relationship management (CRM) systems, insurers can know the behaviour of customers and select the best way to distribute the right product to the right customer. In this age when the Internet and mobile technology are easily accessible, he commented that insurers are spoilt for choice, including through other channels such as agents, direct marketers and banks. Since the choice of distribution is ultimately determined by the customer, he was certain that channel conflict and cannibalisation may occur.

### Human Capital: Retain or Recruit?

Mr Michael Magsig, Managing Director, Korn/Ferry USA, set the tone for the panel discussions, noting that global growth and demographics are outstripping supply on the talent front. This thirst has led to younger people getting bigger jobs sooner, larger premiums being paid for experienced workers, and a greater turnover among staff who have been spoilt for choice in the competitive insurance environment.

Mr Martyn Parker, Executive Board Member and CEO of Asia Division at Swiss Re, Hong Kong, said that retention is just as important as recruitment. He added that a conscious effort is being made within Swiss Re to ensure existing workforce satisfaction as well as engaging its employees as an important retention tool.

### Gen “Y”

Is there a special skill set needed for Gen Y? Unanimously, the panel answered yes and said that Gen Y, also called the

millennials, needs to manage its aspirations. In addition, it needs to be more involved in decision-making, have more responsibilities and move up the ladder faster. At the same time, “there is an even greater need to retrain the older managers who are managing the Gen Y”, said Ms Shikha Sharma, Managing Director of ICICI Prudential Life Insurance, India. She stressed the importance of showing the Gen Ys that at the individual level, they are valued.

**Interactive Survey Bared Interesting Results**

The voice from the floor was overwhelming tipped to retention of talent as being the bigger challenge. Some 44% of delegates who participated in the interactive survey, organised by Accord, voted that retention was their top human capital issue, compared to 25% of delegates who felt that finding new talent was the bigger challenge.

**The Industry’s Top Risks**

Baring similar results from the “live” Accord survey, 44% of International Insurance Society (IIS) delegates felt the top issues facing the industry are competitive pricing and profitability, followed by organic growth at 18%. A moderate 33% of the delegates regarded immeasurable risk as the industry’s greatest threat, followed by completion from outside the insurance industry at 22%.

**A Tall Order for 2009: Jordan**

Next year’s IIS will be held in Jordan, an oasis of natural beauty and portal to the Middle East. Dr Bassel Hindawi,



(From L-R): Ms Jih-Chu Lee, Political Vice Chairperson at the Financial Supervisory Commission, handing over the “talking stick” to Ms Rana Tahboub, Assistant Director General at the Insurance Commission, Jordan.

Director General of the Insurance Commission of Jordan, welcomed guests by saying that it was extremely timely for the Middle East to showcase to the industry, the opportunities, innovation and economic development in the region. Jordan’s insurance market is expecting a huge increase in both the conventional and takaful segments with an average of 20-25% year-on-year growth. The 45th IIS Annual Seminar convene on 7-10 June 2009, and delegates are welcomed to explore the vast potential opportunities in this region.▲