

# It's The New World of Opportunity

With the International Insurance Society (IIS) hosting its annual seminar in Hong Kong in July 2005, we bring you the thoughts of **Mr Patrick Kenny**, President and CEO of IIS, on what is the lure? Where's the meat in this new world of opportunity? What are the strengths and weaknesses in the insurance industry globally? And what are the key leadership traits needed?

## The Key Focus

**What do you think will be the focus of this annual seminar?**

We're going to look at the strengths of the industry today that provide a world of opportunity. We will also look at those weaknesses of the industry that are holding us back. We always like to provide a candid assessment of the state of the industry, and ideas for overcoming obstacles, because that's what our audience expects.

## The Positives

**How would you summarise the current strengths of the industry?**

Well, there are many, but at the top of the list I would put three things:

- One, the growth prospects in emerging markets such as China and India;
- Two, demographic changes that will create a demand for life, pension and health products. And;
- Three, the opportunities brought by information technology, which has helped reduced costs and streamlined operations.

## The Negatives

**Any obstacles to success?**

Of course, there are many that are well known and well discussed:

- saturated business in developed markets;
- investigations into market practices;
- increasingly severe catastrophes;
- low investment income returns; and, of course,
- human capital which is critical in markets like China.

## All About Price

**But what would be the key issue at your meeting?**

I would put at the top of the list "maintaining pricing and underwriting discipline". This will be one of our important sessions. Avoiding cycles is critical to expansion. As an industry, we haven't done a very good job at it. Our customers don't like the market cycle because they can't plan; investors don't like it because they can't rely on long-term earnings stability. The question really is can the industry change that?

## Offer Stability

**What would be the key to achieving it?**

We need to improve our processes and offer stability. We need to decline business that is not appropriately rated and structured. We need to focus on customer service and innovation. We need to cultivate strong leaders. We need to earn an appropriate return on the capital we deploy. In

a word, discipline and follow through. It's not just one thing.

## Need For Innovation

**What are the prospects?**

The industry understands that it needs to be a lot more innovative in finding solutions and taking risks. Traditionally, the industry has been risk averse. Ironically, for a business in the business of risk, insurance also has been slow to analyse and install extensive risk management systems. But if we can focus on developing new ways of handling old problems, we can expect a much more stable industry, and we can avoid unprofitable businesses and ratings downgrades.

## The Leadership Issue

**What are insurance leaders most concerned about today that you will cover at your meeting?**

Really, one of the biggest concerns chief executives take home with them is developing appropriate leadership at all levels of the insurance organisation. That's attracting, recruiting and retaining the best possible associates. This is not so easy. Today's managers are faced with the challenge of managing employees with different generational needs and with different technology competencies.

## The HR Challenge

**What are the industry top leaders doing to address human resources challenges?**

A lot of companies are working hard to partner with institutions of higher learning to influence curricula so we have graduates entering the workforce with skills we need. For example, the American College has updated its Master of Science in Management degree to include a new emphasis on leadership skills. This programme is intended to aid students in meeting challenges of today's marketplace while avoiding the generic management training often offered in MBA courses.

In China, for example, three companies have



partnered with institutions to train staff. Further, many companies developing opportunities for current employees through a wide range of professional educational programmes. This requires constant attention to providing workplace standards that engage and challenge employees. Knowing the competencies of employees is a key step in developing them and companies are continuously engaged in ensuring competitive pay and benefits. Our meeting is going to address changing skill requirements as well as the leader's agenda and delegation.

#### **The Sales Force: Up or Down?**

##### **What about the sales agency force?**

A great challenge to our industry is the long-term decline in the industry's sales force in the developed markets. There has been a decline in recruiting in some areas and also aging of the distribution outlet. For the developed and emerging markets, there is the challenge of building a sales force with the professionalism, ethics, and skills necessary to provide excellent insurance services and advice.

#### **Putting M&As to Bed?**

##### **Are we through with mergers and consolidations?**

M&A activity will continue as companies seek to obtain scale – something that is difficult to achieve organically in an industry not experiencing significant overall growth. But there has already been significant consolidation, and companies that wanted to merge or be acquired have already done so in many markets. Also, the overabundance of capital will cause additional mergers in some sectors. But some consolidations have not worked as planned and have not met their goals. We're more focused on fundamentals of the business now.

#### **The Lure of Hong Kong**

##### **What will the Hong Kong Programme offer for attendees from Asia?**

We were in Singapore a few years ago and we're delighted to be back in the region. We expect to have a panel of experts to discuss China, Japan and India and economic growth and regional expansion strategies in those regions. The panel will look at expansion in a variety of ways, from the perspective of those who do business in the expanding market, and from the view of those who wish to invest and

do business in those expanding markets. It's a huge focus of our meeting.

#### **Coming to Terms with China**

##### **By 2008, China will be the world's fourth biggest insurance market, surpassing Germany and France. Is there still room for all local and foreign companies in this market?**

Insurance penetration is not even 10% in China. With an annual savings rate of 40%, there is a pent up demand for financial services in China. With China and India, this is the spot on the globe where growth of insurance will be the most significant.

#### **The Great Wall**

##### **Where are the opportunities for China and its foreign partners to collaborate?**

There are many, many areas of cooperation: product development, insurance underwriting, risk management, reinsurance, fund management, and customer service.

China and India can learn from their Western counterparts lessons already learned about agent retention, training and field support, and persistency of business.

#### **The Punch of Regulations**

##### **You haven't yet mentioned the 800 lb. Gorilla: regulatory scrutiny.**

Regulatory issues are on everyone's mind, and they will continue to preoccupy the industry in 2005 as they did in 2004. We've been through a tough time and I think we can expect that the regulatory environment will continue to be demanding for us. CEOs are working hard to balance accountability and transparency within their organisations. Changes have been made that will benefit the industry and the consumer, and I think we will have to accept that more resources, both human and financial, will be needed to comply with regulations. By continuing to improve our processes and people, I think we can get ahead of this "regulatory curve" so that it is not disruptive. Besides, the market itself has corrective forces and will punish those who fail to ensure credible results. ■

Mr Kenny invites *Asia Insurance Review* readers to join the Annual Seminar in Hong Kong. Please go to [www.IISonline.org](http://www.IISonline.org) for a list of the speakers at and further information on the meeting.