

# EAIC Daily

The Official Newsletter of the 23rd East Asian Insurance Congress



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## Forging The Future In Insurance

The introduction of the recent Insurance Order 2006 and Insurance Regulation 2006 will pave the way for the future development of the Brunei insurance industry, crystallising the vision that the government has for the industry, said The Honourable Pehin Orang Kaya Laila Setia Dato Seri Setia Awang Haji Abd Rahman bin Haji Ibrahim, Minister of Finance II, Brunei Darussalam in his opening speech at the 23rd East Asian Insurance Congress 2006.

Noting that Brunei Darussalam has one of the smallest insurance markets in the region, he added that another key objective of these regulations is to ensure that insurers will grow in strength offering secure protection to both the public and their policyholders. "This in turn, will encourage the public to embrace insurance as their long-term plan, be it to protect or to invest," he said.

The Honourable Pehin who was also Brunei Darussalam's Insurance Commission in the early 1990's also called on regulators and industry players to work together, in a spirit of cooperation as against the backdrop of global threats and new forms of risks such as increased economic volatility, structural imbalances, pandemics, potential escalation of unrest, insurance can play a role together with the authorities to respond and identify these news risks and work towards managing them effectively.

"For us in Brunei Darussalam, insurance is definitely a key component of our country's economic development and I am very sure that with our focus and vision, our insurance industry will be a force to be reckoned with," he said.

Brunei Darussalam's insurance industry saw several milestones this year, one of which is the first-time hosting of the East Asian Insurance Congress as it welcomed a total of 950 delegates from 34 countries.

Saying that this year has earned its place in the history of Brunei as her most eventful year for the insurance industry, Ms Dorothy Newn, Chairperson of the 23rd Organising Committee added that with the passing of the Insurance Order in March aimed at delivering a financially stronger and professionally driven industry, the EAIC could not have come at a better time.

EAIC President, Mr Chai Sophonpanich said he was glad to see the continued strong support for the EAIC with the large numbers this year despite the change in its usual timing and was happy to see so many old and new faces.





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# Rousing Call For Free Trade – Act Now!

In a resounding call for free trade, Mr Nicholas C. Walsh, Executive Vice President, Foreign General Insurance, American International Group Inc & President and CEO, American International Underwriters, urged the financial services industry – including the insurance sector – to do all it can to stop the alarming trend of the rise of economic nationalism and the deterioration of support for the liberalisation of global trade.

In his keynote address at the 23rd EAIC in Bandar Seri Begawan, Mr Walsh, said: “Let me be clear: If we do not act, if we do not work together to face this challenge, we will soon find not only fewer markets opening up, but valuable markets beginning to close down,” he warned.

## Free Trade In Jeopardy

Referring to recent incidents where in the United States, Congress had pressured the Chinese oil company CNOOC to call off an acquisition of U.S.-based Unocal and forced Dubai Ports World to abandon plans to take over port operations throughout the U.S as well the breakdown of the Doha Round of World Trade Organisation negotiations, he said that these events spell that the global free trading system appears to be in jeopardy.

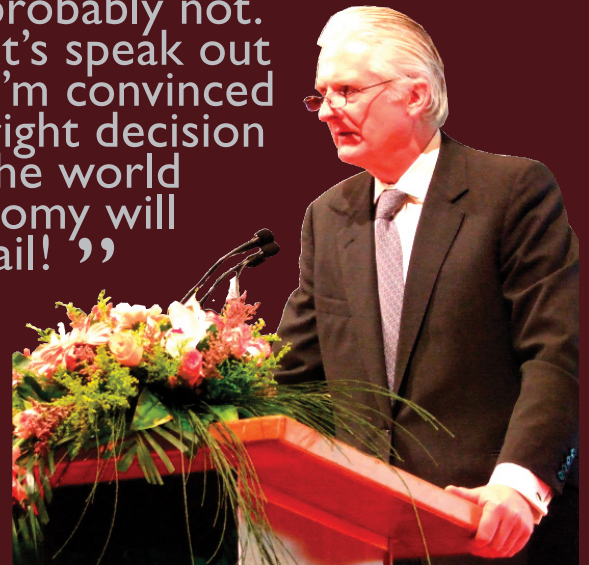
## China And India

To prove his point on how free trade is responsible for much of the strength in the modern global economy, Mr Walsh talked about China and India, the two giant economies of today.

“To different degrees and on different scales, China and India have undertaken dramatic economic liberalisation efforts, and all this has led to higher standards of living, including rising incomes and increased savings rates. And insurance has certainly been a major factor in this transformation towards prosperity,” he added.

China and India can thus help reverse the global trend of rising economic nationalism and the two countries’ commitment to continue their economic liberalisation plans will strengthen the global free trading system.

“Participate! If you think someone will be looking out for you, they are probably not. So let’s speak out and I’m convinced the right decision for the world economy will prevail!”



## Lots Of Room For Service Industry

Focussing on the services industry, Mr Walsh said that this sector accounts for more than 50% of global GDP but accounts for only 20% of the total world trade – a clear indication that the services industry has much to gain from global trade liberalisation.

## Act Now!

In a strong call for the insurance industry to engage government leaders and to remind them that the global trade agenda has done a lot of good for a lot of people, he said the industry must take on this responsibility to engage in public dialogues and be better advocates.

“We can have a tremendous impact on the lives of millions. And we can have a positive impact on the future of our industry. The choice is ours: If we fail to act, protectionism will evolve into global economic stagnation. But if we act, we can shape the future – creating dynamic economies around the globe, which operate freely, with opportunity and prosperity benefiting every citizen,” he said.

Adding that Asia cannot sit back and watch, he stressed that the region must be part of the unified voice that calls for global free trade. “Participate! If you think someone will be looking out for you, they are probably not. So let’s speak out and I’m convinced the right decision for the world economy will prevail!” he concluded.

INSURANCE AT THE  
TH AND PROFITABILITY  
RI BEGAWAN  
ND AUGUST 20



Nicholas Walsh with Lorraine Hahn



# Market snapshots

Those who sat through yesterday's Chief Delgates' session will know that this is the best and fastest way to obtain an overview of all I I EAIC markets. Here, we bring you the highlights of the session.

## Singapore – A Dynamic Environment

Jason Sadler

With effect from January 2005, all direct insurers have had to comply with the new RBC framework which encourages insurers to manage their financial risk more effectively, thus raising overall prudential standards. In life insurance, the growing awareness of the importance of insurance and the effective planning for retirement, coupled with the positive economic outlook for 2006 augurs well for companies. General insurers, on the other hand, faced lower premiums in 2005 due to softening rates. Further consolidations in this sector are expected. The environment remains dynamic, with moves underway to implement the Policy Owners Protection Fund Scheme and the setting up of a dispute resolution centre for the financial industry, among others.

2005

Life - New Individual Business Annual Premiums – S\$788 million

Non-life – Gross Premiums – S\$2 billion

## Taipei – A Period of Transition

Mr TM Shih

The life industry has been growing healthily, boasting over 10% growth in 2005 especially in the individual insurance business. The non-life sector grew 3%, despite extreme competition in fire insurance and limited domestic construction projects. Overall steady growth coupled with the influx of foreign capital and changing regulatory rules such as allowing non-life insurers to enter health insurance create an exciting climate, underscoring the need for modernisation or risk extinction.

2005 Premium Income

Life – NT\$2 trillion

Non-life – NT\$119 billion

## Jakarta – Reforming the Market

Frans Y. Sahusilawane

In line with the development of the non-life sector in Indonesia and to meet ongoing challenges, an Indonesian Insurance Architecture has been established for the non-life market, outlined by six key pillars:

- To increase minimum paid up capital with tax relief on conversion of retained earnings into paid up capital
- To create an insurance industry in line with the principle of good corporate governance
- To create an effective system of control and enhance the role of the Association
- To produce adequately skilled professional experts
- To update insurance statistical data and standardise data recording.
- To create product information that is easy to understand by the customer

On the life front, based on the Indonesian Life Insurance Association's (AAJI) aim to establish closer cooperation with the Government to help improve the fundamental welfare of the people, three main recommendations have been made:

To encourage individuals to develop their capability to be responsible for their own financial welfare and maintenance of assets through better financial planning.

To encourage savings/income protection

To increase efficiency of financial infrastructure by introducing competition and bring all intermediaries onto a level playing field.

GNP for Nonlife and Reinsurance : 16,022.4 billion rupiah

GNP for life: 21,794.2 billion rupiah

## Tokyo – In the Pink of Health

Mr Ken Matsuzawa

The non-life sector in fiscal 2005 benefited from few natural disasters, improved investment performance and extremely stable financial health of companies, despite severe price competition in motor. While the life sector witnessed sliding numbers in new contracts and amount of insurance in force, premium income and total assets have been increasing, boosted by the demand for variable annuities and liberalisation of bancassurance. Both the life and non-life sectors have been aggressive in expanding sales of "third-sector" products, which include insurance for medical expenses, medical care and cancer. With the privatisation of Japan Post and a new postal insurance company to start life insurance operations in October 2007, consumers can look forward to more offerings ahead.

2005

Total premium volume: US\$ 476.5 billion

Life premium volume: US\$376 billion

Non-life premium volume: US\$100.5 billion

(Source: Swiss Re sigma)

## Macau – Casinos Fuel Development

Mr Ivan Cheung

The liberalisation of the gaming industry in 2002 created a powerful engine for economic growth and injected huge amounts of premiums into the non-life insurance industry, helping to propel it by 27% to MOP 577 million in 2005. The life business has also been promising, recording double-digit growth in the past five years. This has been due mainly to the growing awareness of the local population and the increasing popularity of investment-linked products. With continued economic growth, the insurance industry in the "Far East Monte Carlo" looks poised for a bright future.

2005 Gross Premium (Provisional)

Life – MOP 1.6 billion

Non-life – MOP 577 million

## Hong Kong – Still a crowded market

CF Choy

Despite frequent mergers and acquisitions in the past decade, which brought the number of insurance companies down by 22%, Hong Kong still is one of the most crowded insurance markets in the world, with 175 insurers.

The life insurance market is growing as the population ages and with the all time low interest rate environment, investors are now looking for other products with a higher return. The signing of the Closer Economic Partnership Agreement (CEPA) between the Mainland of China and the Hong Kong SAR and the implementation of the individual traveller scheme by the Mainland also played pivotal role in the advancement of Hong Kong's life insurance industry.

The non-life insurers in Hong Kong however continued to struggle and the performance of the two statutory classes – motor and employees' compensation insurance – are deteriorating. Another challenge facing Hong Kong presently is the long awaited reform in health care financing which the industry and the government will be looking at very soon.

In-force Life Revenue Premium in 2005 – HK\$116,983 million.

Gross Premium in 2005 – HK\$23,888 million

## Manila – Towards Greater Professionalism

Mr Celestino L. Ang

The Philippine insurance industry posted modest gains in 2005, increasing slightly by 6% to generate total premiums of 75 billion pesos. New capitalisation rules for underwriters and brokers which came into effect last month, as well as the adoption of RBC later in the year are expected to attract serious investors, raise professional standards and lead to a much stronger base for growth.

2005 Premium Income (preliminary)

Life – 46.5 billion pesos

Non-life – 28.5 billion pesos

## Seoul – Undergoing Radical Changes

Mr Cho Yong-il

Barriers within the financial services industry have been blurring, allowing insurance companies a greater variety of markets to expand into, including the highly lucrative corporate pensions market. Companies have also become more innovative in experimenting with a wider array of distribution channels. However, not all. Given the dynamic changes, the industry is expected to achieve stable long-term growth, although not all players are likely to seize such opportunities.

2005

Life – Gross Premium Written – 27.7 trillion won

Non-life – Direct Written Premium – 24.9 trillion won

## Bandar Seri Begawan – Brave New Insurance World

David Wong

The fledgling insurance industry reached a milestone this year with the introduction of its first Insurance Order thereby making the Ministry of Finance the regulator of the industry. The new regulations are applicable to both General and Islamic Insurance companies, insurance intermediaries and loss adjusters.

In the marketplace, Islamic insurers have grown significantly in the country since 2001 and have now secured more than 50% of the market share of general insurance. However, the bulk of their books (up to 87%) is made up of motor business. For general insurers, motor makes up only 38% of their books.

For life insurance, the situation is different. Islamic insurers' penetration in this market is still rather low and life insurers dominate the sector.

Gross General Premium in 2005: B\$83,561,000

(US\$53,000,000)

Gross Life Premium in 2005: B\$76,114,000

(US\$48,000,000)

## Bangkok – Active Support From The Government

Jiraphant Asvatanakul

The government has been active in promoting certain insurance programmes such as the Ua Arthorn Personal Accident scheme which as a result increased the sector by 48.7% and the support of national public saving campaign through retirement pension insurance programmes. All these contributed to the increasing demand for insurance.

The Department of Insurance has also drafted the 1st National Insurance Master Plan (2006–2011) which will require insurers to be professional, to strengthen the social and economics of the country, to improve the living standards of the people and to educate the public about the importance of insurance. Other goals of the Master Plan include making the market place a liberal, fair and transparent one and that the regulator be an outstanding one, capable to guide the industry to international best practices.

It is also hoping to further improve the financial strength of the non-life insurance companies by increasing the required shareholders' funds from the present 30 million baht to 300 million baht or that the solvency ratio must be 20% (from the present 10%) whichever is higher. However, this matter is still pending.

Gross General Premium in 2005: 88,833 million baht

Gross Life Premium in 2005: 166,815 million baht

## Kuala Lumpur – Positive Growth with Variable Results

Hashim Harun

The insurance industry continued to register positive growth in 2005. Operating results remained favourable for both life and general business, supported by improved underwriting results, higher productivity, greater economies of scale, as well as the more efficient utilisation of capital, particularly among general insurers.

In January 2006, Bank Negara issued new takaful licenses to four consortiums and joint ventures between domestic and foreign financial institutions bringing the country's total number of takaful operators in the market to nine.

On the regulatory side, the second draft of the concept paper of the Risk Based Capital Framework was circulated to the industry in December 2005 for comment and the finalised framework is targeted for issuance by December 2006 with partial implementation in 2007.

Malaysia will also be hosting the international 23rd Pacific Insurance Conference (PIC) in 2007, the first time it is doing so and in conjunction with the country's 50th year of independence.

The Government announced the 9th Malaysia Plan was announced on 31st March 2006 and under this plan, the economy is expected to expand by 6% from 2006 to 2010. The insurance industry in Malaysia is well positioned to respond positively to these initiatives and the changing landscape that is envisaged by the Nation's economic planners in the 9th Malaysia Plan.

Life Premium Income in 2005: RM16,010.4 million

General Premium Income in 2005: RM9,386.1 million

# FIRST-TIME ATTENDEES AT THE EAIC

There are a lot of “first-times” at this 23rd EAIC – this being the first time it is held in Brunei Darussalam, the first time a lady is chairing the EAIC Organising Committee and there are a handful of insurance regulators who are attending the EAIC for the first time too! We had a quick chat with them and bring you their thoughts about the EAIC.



As I am new in my role, the EAIC is a tremendously good opportunity for me to make that all important initial contact with the neighbouring countries’ regulators. In today’s world of globalisation, problems are not unique and it is thus good to maintain close liaisons with each other.

**Clement Cheung, Commissioner of Insurance, Hong Kong**

“I would like to get to know as many people as possible, to find out how things are regulated, supervised and implemented in other countries. It is an opportunity for me to learn from the experience of others.”

**Mr Isa Rachmatarwata, Director, Insurance Bureau, Indonesia**

“With so many industry decision makers here, it is a good opportunity for us to network, to share experiences and to get to know each other. For me being new, it is certainly all these things plus getting an update on what is happening in the industry in the region.”

**Mr Low Kwok Mun Executive Director, Monetary Authority of Singapore**

“I see this as a good opportunity for regulators and industry players to share their experiences and to network and to bring business opportunities to their own countries. It is definitely good for the continued growth of Asian insurance industry.”

**Dr Huang Tien-Mu Director General, Insurance Bureau**

## 6 Nurturing The Fledging Takaful Sector

Speaking about the new growing sector, takaful, Mr Haji Mohd Roselan Bin Haji Mohd Daud, Acting Director, Financial Institutions Division, Ministry of Finance, Brunei Darussalam, said that the challenge for this industry with regard to regulation is the formulation of a framework that suits the unique characteristics peculiar to takaful.

### Level Playing Field

The regulation should also not allow comparative disadvantage affecting competitiveness and growth potential and it must create a level playing field for both the conventional insurance and takaful industries, he said.

Adding that the fledging industry which has three players now but which will be reduced to two, is also in dire need for experts with dual expertise in Shariah and actuarial sciences, he said that cutting edge and up-to-date legislation are also badly needed here as well.

### Shariah Financial Supervisory Board

“With the consent of His Majesty for the establishment of the Shariah Financial Supervisory Board in January 2006, there is now an authority to ascertain the laws of Islam on any businesses based on Shariah principles,” he said.

The approval of the Board is also needed before any distribution can be made to the public and the Board will also approve memberships of Islamic financial institutions’ Shariah Board.

“It is hoped that with this consistent approach, the industry will be able to gain the trust of the public and catch up with the status now occupied by conventional insurance,” he said.





# INSIGHT

INTERNATIONAL ADJUSTERS, SURVEYORS  
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## ASIAN DYNAMISM- GLOBAL REACH



*There is no wisdom, no insight, no plan  
that can succeed against the Lord  
The horse is made ready for the day of  
battle, but victory rests with the Lord  
Proverbs 21:30-31 NIV*



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## Avian Flu Workshop

With the world facing a potentially far greater threat from the H5N1 virus compared to SARS, the Singapore Reinsurers Association (SRA) has brought together a panel of insurance, economic, risk and medical experts to identify the key issues and examine the possible consequences. Audiences can share their views at the wide-ranging discussion to be held on Wednesday, 4 August at 1400-1600hrs.

## Booths Bonanza At The ICC

Here we feature four main ones with their themes and focus.



An environmentally friendly booth, the Swiss Re corner focuses on its two training centres, the SITC, in Zurich and in Hong Kong.

8



Offering lots of fresh coffee and food for delegates at the ICC, the Munich Re booth is a place to stop by and recover from all that networking and serious conference sessions.



With its world-famous Manchester United sponsorship, the AIG booth kicks off with lucky draws and a former Man U footballer, Macquarie to sign autographs.



The World Cup mania may have ended but the Allianz Arena will long be remembered as an icon in Germany and the Allianz booth has a quiz everyday about this famous stadium with prizes galore for lucky winners.

## Counting Catastrophes In 2005

Property insurers registered catastrophe claims of

**US\$83 billion** with **US\$78 billion** due to natural catastrophes and **US\$5 billion** from man-made disasters.



Hurricane Katrina is the world's most costly insurance losses in 2005 at

**US\$45 billion**, followed by Hurricane Rita and Hurricane Wilma with **US\$10 billion** each.

There were **149** natural catastrophes and **248** man-made disasters

causing a total damage of more than **US\$230 billion**. Out of this figure, **96%** were from natural catastrophes with the remaining coming from man-made disasters.

Asia had the highest number of natural catastrophes at

**208**

while Oceania/Australia had the lowest at

**6.**

A total of

**97,018** fatalities were reported in 2005

with more than **73,000** people

killed in the Pakistan quake on 8 October 2005.

**China** saw the highest number of catastrophes at **31**

while **India** had **30** and the **US** had **16**.



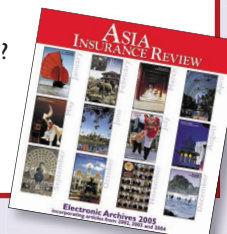
**133** people worldwide have lost their lives to bird flu as of 20 July 2006.

S&P predicts that insurers will suffer up to **US\$200 billion** of losses in a case of a serious global bird flu outbreak.

## How well do you know about the EAIC?

See how well you score on EAIC trivia. For the first five to come to our booth with the right answers, we will give away the AIR CD-ROM containing articles published by us.

- 1) Which city hosted the 22nd EAIC?
- 2) Where is the EAIC Secretariat House?
- 3) Which are the top 3 EAIC member countries in terms of insurance density?
- 4) Which country hosted the largest number of EAIC delegates?
- 5) Which country is likely to join the EAIC?



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