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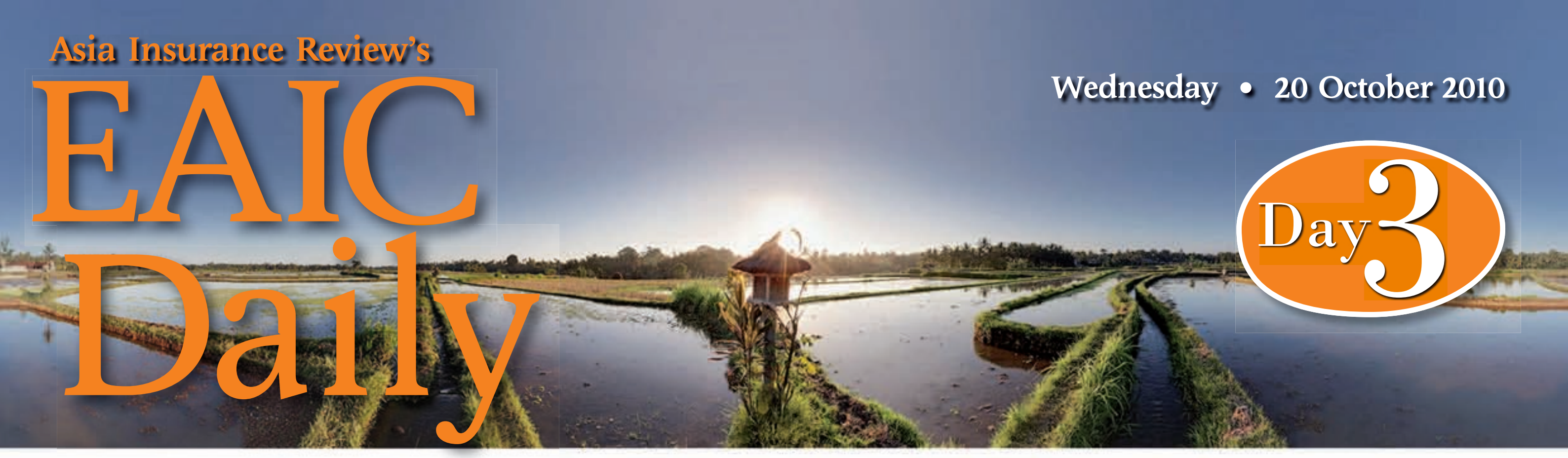


Increasing co-operation will be East Asia's secret sauce

In officially welcoming over 1,200 delegates to the 25th EAIC – the second time the "Island of Gods" is hosting the event – Mr Agus Martowardojo, Indonesia's Minister of Finance, called for renewed initiatives and co-operation to develop cheaper and easier-to-understand insurance products for Southeast Asia's "high proportions of low-income and low-financial literacy families".

He urged companies to grow microinsurance in East Asian countries and to make insurance available to everyone.

He also encouraged insurance companies and markets to share their "special recipes for microinsurance with others", adding that insurers already offering such services have showed "promising results". Co-operation in developing and growing this line of business will be key to tapping the region's mass markets, he said.

Mr Agus Martowardojo

Indonesian Finance Minister Agus Martowardojo, Indonesia's Chairman of Insurance Bureau Dr A Fuad Rahmany, Chief of Insurance Bureau Isa Rachmatarwata, EAIC President Agnes Choi and members of the 25th EAIC Organising Committee

"Indonesia is very rich in natural resources indeed but we are also very rich in natural catastrophes. Therefore, for those countries and cities which also experience many natural catastrophes – let's sit down and talk. Knowing that the world is experiencing climate change, let's see what we can learn from each other, to improve the situation."

Mr Teddy Hailamsah, Chairman of the 25th EAIC Organising Committee

"Following the devastating financial tsunami two years ago, today, the situation has improved considerably. It is high time for practitioners and regulators to work together to improve the regulatory regimes for better corporate governance, strengthen customer confidence, and enhance the quality of the market."

Ms Agnes Choi, EAIC President

East Asia's hottest happenings

As part of the EAIC tradition, chief delegates gave a snapshot of the hottest developments in their markets. Here is a roundup of what you should know about each of the 11 markets.

Bandar Seri Begawan: A more level playing field

With both the Insurance Order 2006 and the Takaful Order 2008 now implemented, insurers in Brunei now work on a more level playing field. The insurance business environment is expected to gradually change under the monitoring of the Financial Institutions division of the Ministry of Finance, especially when most insurers meet certain parts of the orders and insurance regulations.

In 2009, the general insurance sector experienced a slight drop of 3% from US$87.7 million to $85.1 million in gross premium. Meanwhile, the life sector's 2009 gross premium went down by nearly 11% to $46.7 million from $52.4 million in 2008.

Ms Helen Yeo
Chairperson, General Insurance Association of Brunei Darussalam
Vice President, Great Eastern Life Assurance Co

Bangkok: 2nd National Insurance Master Plan

The regulator is in the process of developing the 2nd National Insurance Master Plan to upgrade the insurance industry and prepare it for the upcoming free trade agreements. The five-year plan, which spans from 2010 to 2014, focuses on measures to raise consumer awareness of insurance products and build public confidence in the insurance industry, strengthen the financial stability of the insurance system and increase competitiveness of insurers at an international level, improve the quality of consumer service and ensure a fair and comprehensive level of consumer protection, and develop an effective financial market infrastructure.

Mr Jiraphant Asvatanakul
President, General Insurance Association of Thailand
President & CEO, Thaivivat Insurance Public Co

Hong Kong

Insurance Commission independence

The government has just completed a consultation exercise on the proposed establishment of an independent Insurance Authority (IA) in 2013 which will specifically seek to improve the regulation of insurers and place insurance intermediaries under the new body's direct supervision. As insurance intermediaries of Hong Kong are presently regulated by three self-regulatory bodies, this proposal represents a significant and huge transformation of the philosophy and structure of the framework regulating the insurance industry. The funding mechanism comprising of different fees and levies on insurance premiums will also have far-reaching implications on the industry and the insuring public.

Ms Agnes H K Choi
Member, Governing Committee/
Councillors, General Insurance Council,
Hong Kong Federation of Insurers
Director & Head of Corporate Insurance,
HSBC Insurance (Asia) Ltd

Jakarta

Double-digit growth all round

Indonesia's life and general insurance markets registered positive growth in 2009, totalling US$9.4 billion last year, a 19% y-o-y hike. Non-life gross premiums accounted for US$2.59 billion while the life industry registered $6.81 billion (26% growth).

Combined gross claims (life and non-life), however, grew by 21% y-o-y, tallying $4.78 billion in 2009.

Indonesia's population of nearly 230 million and the ongoing development in various fields, such as infrastructure and financial services, is expected to substantially bolster Indonesia's insurance market and provide strong opportunities for both domestic and foreign investors.

Mr Kornelius Simanjuntak
Chairman,
General Insurance Association of Indonesia
President Director/CEO,
Himalaya Pelindung, PT Asuransi

Kuala Lumpur

Insurance business bounces back

The Malaysian insurance industry's total net premiums and takaful contributions grew by 8.2%, driven chiefly by the ordinary life segment of the life and family takaful sector, and a broad-based increase in all classes of business for the general sector.

The improvement in conditions of the financial markets contributed towards stronger income from players' investment portfolios and unrealised capital gains for the entire insurance industry. For the general business, improved performance was also achieved on account of a lower claims ratio of 60.8% (2008: 62%). Overall, the improved operating conditions contributed to higher profitability of US$4.67 billion for the insurance industry in 2009.

The insurance industry moved successfully to the Risk Based Capital framework in 1 January 2009 from the solvency margin regime.

Mr Hashim Harun
Chairman,
General Insurance Association of Malaysia
President & CEO,
Malaysian Reinsurance Berhad

Macau

Promoting insurance awareness

The Institution of Financial Services (IFS), which is funded by the Monetary Authority of Macau, is working on the programme titled "LifeCare Movement". This programme has to two components: the LifeCare Education and the Policy Donation Programme. The LifeCare Education will promote and educate general public, including students, of the importance of insurance protection through various competitions and seminars.

The Policy Donation Programme will encourage policyholders to donate a certain percentage of the sum insured for charity. Through these activities, IFS aims to popularise the importance of insurance to the Macau public.

Mr Barry Chung
President,
Macau Insurers' Association

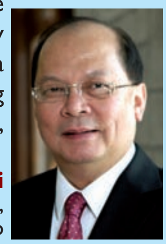
Manila

Good developments for insurers

The Philippine insurance industry has recently seen important developments, including the amendment of the 1978 Insurance Code, initiatives for good governance, and an increase in capital requirements.

The non-life sector has successfully introduced real-time, online tax collection for motor compulsory third-party liability, and has recently seen an increased awareness of Acts of God as a result of the damage caused by Typhoon Ketsana.

Meanwhile, the life sector has succeeded in having the premium tax reduced from 5% to 2%. The documentary stamp tax has also been set at a minimum of 0.25% or a maximum of 100 pesos per policy. There is now an expanding access to life insurance and a growing focus on bancassurance, as well as a recovery of variable life investment products.



Mr Ramon Yap Dimacali
President & CEO,
Federal Phoenix Assurance Co

Seoul

Online motor sales advance to 20% market-share

Korea's insurance market registered a total market premium US$105.1 billion, a 8.8% jump from 2008. The non-life market rose 17.1% to reach US$37.7 billion, while life improved by 4.6% to $67.4 billion. The 2010 forecast is $113.6 billion, a 8.1% rise, based on "fast recovery from the global financial crisis." Insurance penetration stood at 10.4%, with $1,890 in premium per capita.

A notable development has been online motor insurance, which has seen rapid growth since its introduction nine years ago, and now commands a 20% market share. Reasons include high price sensitivity where 63% of customers are likely to transfer if given a 10% discount, the inefficiency of traditional sales channels, and familiarity with internet-based products and channels.

Mr J D Kim
Executive Director,
Korean Reinsurance Co

Singapore

Enhanced Policy owners' Protection Fund

The regulator issued its second consultation paper for the Policy Owners' Protection Fund (PPF) in end-December 2009. The life insurance industry supports the change proposed by MAS, to raise the compensation coverage from 90% to 100% of protected liabilities of all life and accident & health policies, subject to aggregate caps where applicable.

General insurance has been upbeat so far this year, with the sector posting US$892 million in gross premium as at 30 June 2010, a 3.2% increase over the same period last year. Motor posted $482 million in gross premium, a 12.7% increase over the previous period, while fire registered a 4.7% growth to $143 million. Among non-major classes of business, professional indemnity recorded a 30.7% growth in gross premium to $41 million.

Mr Derek Teo
President, General Insurance Association of Singapore
Executive Vice President, American Home Assurance Co
Singapore Branch (a Chartis company)

Taipei

Economic slump continues to pressure markets

Taiwan's economy grew by 13.7% and 12.5% in the first and second quarters of 2010 respectively, following severe growth declines in the wake of the financial crisis. The signing of the Cross-Strait Economic Cooperation Framework Agreement (ECFA) with China in June this year is expected to further boost the economy.

Overall, non-life insurance written premiums in 2009 amounted to US$3.3 billion, a 5.5% decline from 2008, mainly due to the continued affects of the economic slump. Among the other reasons for the decline was marine's 20.5% GWP drop from 2008, making this the most affected line. The third stage of rate liberalisation implemented in April 2009 also resulted in a 20% decline in fire and voluntary-motor insurance, due to intense competition.

Mr Warren Tseng Wu-Jen
President, Taiwan Insurance Institute

Tokyo

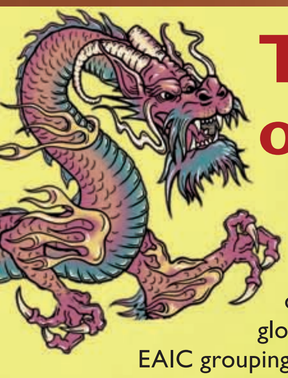
Consumers gain primacy

Japan's non-life market has enjoyed strong growth in tandem with the country's economic growth and now ranks third globally. In April, two groups comprising merged non-life insurers were established, and the sector entered a new era of fierce competition.

The life sector is now the world's second largest, but the market is starting to shrink slightly due to the declining birth rate and aging society. Hence, life insurers are focusing on the rest of Asia as a new growth market.

Traditionally, insurance providers have always had primacy in Japan, but in recent years, there has been a major shift in favour of consumers. In support of this trend, the Insurance Act was revised in April, emphasising on such issues as duty of disclosure, timing of insurance payout and over-insurance.

Mr Masatoshi Sato
EAIC Executive Board Member, Tokyo
President & CEO, NKSJ Holdings, Inc
Chairman & Executive Officer, Sompo Japan Insurance



The Dragon and the Elephant outside EAIC

It is predicted that India and China will emerge as global superpowers one day. Some say they already are. They are growing at breakneck speed and are said to have been the buttress of the international economic growth during the global financial crisis. Yet they remain outside the EAIC grouping by geography or by politics.

Constantly compared, China and India actually share similar tales of great empires, imperialism and religion. Yet, they have not been without misfortunes, as for years, both endured and suffered through nationalisation and stifling competition. But now they have emerged stronger and have readily tapped into the modern trends and technology.

Now, both markets are not only growing, but flourishing with a fast emerging middle-class and decently receptive regulators that aim to nurture the insurance business to meet world class standards though in their own unique way.

It seems like China and India are in a cluster of their own, radiating expansion at every turn. Their successes are echoed louder by Western companies that say that instead of concentrating on their home markets, they are increasingly gravitating towards India-China action.

The Dragon towers over the Elephant

By the numbers however, on most accounts, China eclipses India two-fold. This was the case a decade earlier and remains to this day. Collectively, these two supernovas garnered over US$220 billion in premium volumes last year – China registering US$163 billion, and India with US$66 billion. Last year, both insurance markets grew by over 15% y-o-y making them Asia's star students.

Combined, their total premiums were double the whole Latin America and Caribbean region tallying US$110.91 billion. Even if you threw in the whole African region (with US$49.2 billion), the numbers would still fall very short.

However in both markets, profitability remains an issue.

Despite the magnitude of the numbers, these two markets have a long way to go before they catch up with Asia's leader, Japan, which pulled in US$506 billion last year. Japan's insurance market grew 4.7% y-o-y, still very decent figures considering the lingering global economic woes.

China's insurance industry is indeed rising fast, not only in terms of growth, but also in keeping pace with the changes necessary for its development and competitiveness. The regulatory front is evolving, and players are focusing more on the sustainability of their businesses, placing more importance on their profitability.

In India, the past decade has seen its insurance market transform itself into one with many more players catering to the increasing demands of new customers. The industry is in a transitory phase and is expected to develop further and contribute more to the country's economic growth, while aiming to reach the underdeveloped pockets of the society. India, a market considered the perfect incubator for microinsurance, has done just that with many innovative methods to tap rural communities.

Scope immense, competition intense

The scope of these markets is huge. But competition is intensive and has reached new heights in these markets as everyone wants to be a part of the action. In India, the rates are said to have stabilised during last year's renewal, after having fallen by 80%. But new players have entered the fray. In China, the foreign reinsurers have taken a harder stand in the loss-prone areas. But every one wants a piece of the action and does not want to be left out. Such is the lure of the Dragon and the Elephant.

The future is still so bright.

How they have grown

	1999		2009	
	China	India	China	India
Ranked	16	23	7	12
Total premium volume (US$)	19.27 bln	9.93 bln	163.04 bln	65.8 bln
Life premium volume (US$)	10.53 bln	6.4 bln	109.17 bln	57.11 bln
Non-life premium volume (US$)	6.29 bln	2.30 bln	53.87 bln	7.97 bln
Total penetration	1.60%	1.90%	3.40%	5.20%
Population	1.26 bln	1 bln	1.34 bln	1.19 bln

Source: sigma

While these markets have grown impressively over the past decade, can they serve as a barometer for future success? Can you imagine the power of a joint co-operation with an Ind-Chin or ChinDia axis? Markets like Indonesia and Vietnam are also said to be strong candidates waiting to launch into China and India's growth galaxy.

The arrival of aggregators – are Asia's insurers ready?

As the practice of selling insurance online starts to take off in the region, insurers should learn from Europe's experience and start to act now, writes **Mr Mark Mullin**, Head of Insurance Services at software solutions provider Target Harlosh.

The last decade has seen enormous changes in the European insurance market. The way in which consumers select and purchase their insurance products has been revolutionised by the arrival of aggregators – or price comparison site, and predictions from global insurance experts suggest that Asian consumers will be the next to follow Europe's lead.

As the balance of power in the Asia Pacific market looks set to shift from the insurers to the aggregators, Target Harlosh advises insurers that it pays to be prepared.

The UK experience

The first insurance aggregator was launched in 2002 in the UK and since then, they have gone on to revolutionise the sale of insurance products across Europe. A staggering 80% of all motor insurance purchases in the UK last year were conducted through online comparison sites.

Market intelligence suggests that in 2010, aggregators will supply 4 billion quotations to UK consumers – an incredible figure for a country with only 60 million inhabitants – demonstrating the tremendous impact that these sites have had on today's insurance market. Gone are the days when consumers used to call a series of insurers armed with a notepad, pen and long list of questions. These days, the most competitive product can be found at the touch of a button.

While this has almost certainly made life easier for consumers – as well as driven down insurance prices – this brave new world has clearly had an impact on insurers, who have had to overhaul their core systems, their pricing, products and business strategies in order to compete, and ultimately survive, in this new environment.

What Asian insurers should do

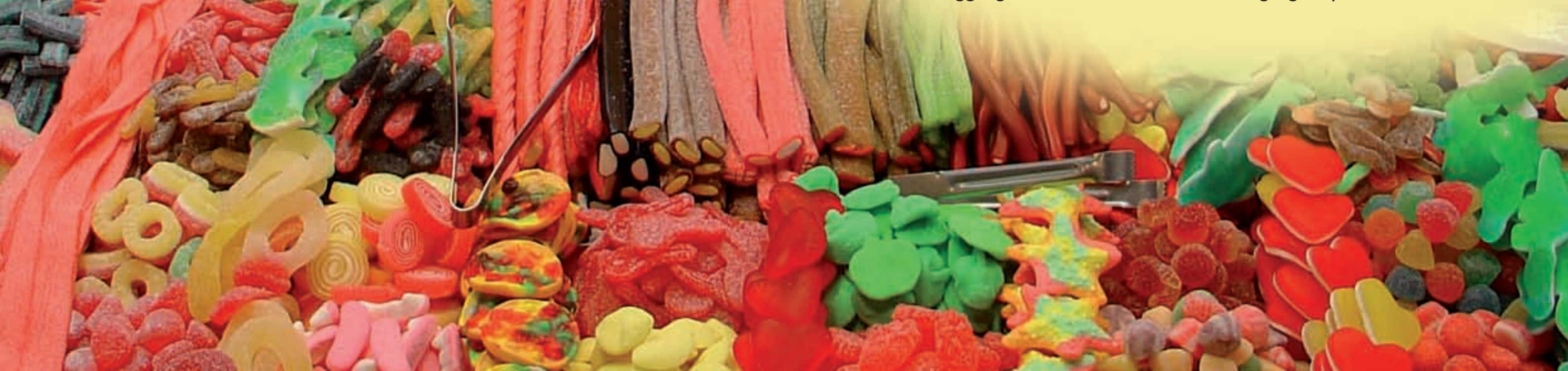
Asian insurers need to be prepared for similar developments in their own marketplace so that they can take advantage of what could be a huge opportunity.

The practice of purchasing financial services online is starting to take off in Asia and the first purpose-built online insurance provider, directasia.com was launched this summer. Now is the time to start planning for the changes as history shows that the main difficulties in Europe have been felt by those insurers who failed to prepare for the new marketplace. Many fell into the trap of not adjusting their pricing strategy for the products they sell online, while others had to sacrifice capital and long-term stability to retain market share.

One leading European insurer which did not plan effectively for the changes to the market had to install a total of ten dedicated new servers to cope with the extra demand created by all the additional quote requests. Another had to build an entirely new insurance administration system as its existing solution simply did not have the necessary capacity.

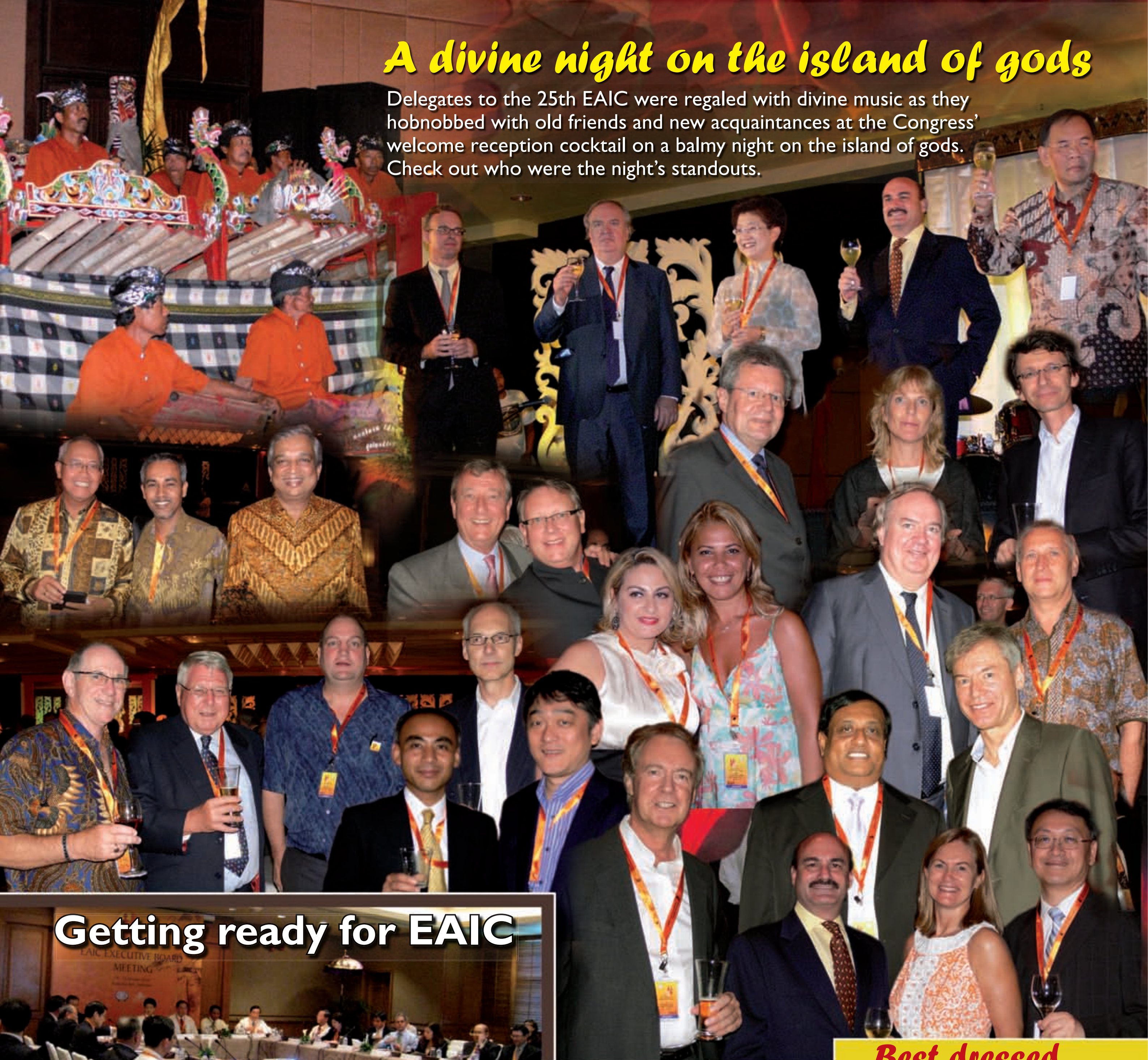
Insurers in the Asia Pacific can mitigate the potential pitfalls of aggregators by establishing good systems for calculating and monitoring pricing, volumes and expenses – those insurers who take action now will thrive in this new, exciting marketplace.

For more information, email mark.mullin@harlosh.com.
To find out how Target Harlosh can help you prepare for the onset of aggregators in Asia, visit www.targetgroup.net

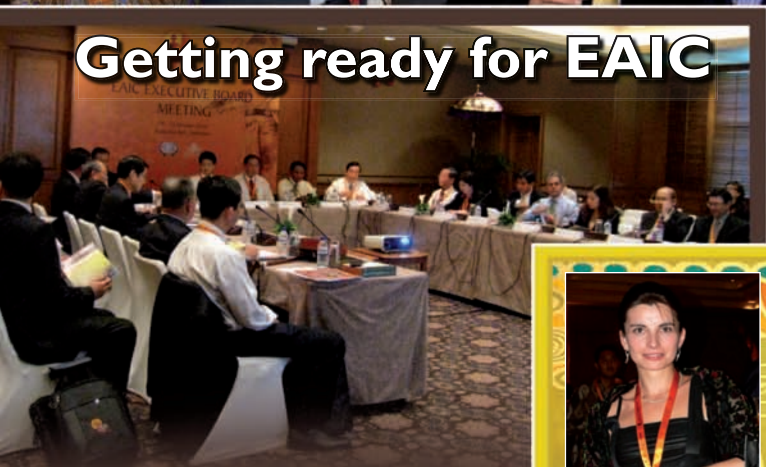


A divine night on the island of gods

Delegates to the 25th EAIC were regaled with divine music as they hobnobbed with old friends and new acquaintances at the Congress' welcome reception cocktail on a balmy night on the island of gods. Check out who were the night's standouts.



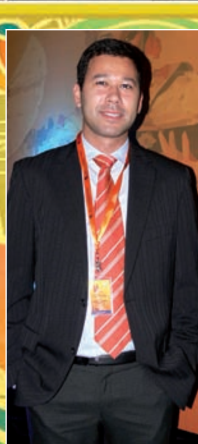
Getting ready for EAIC



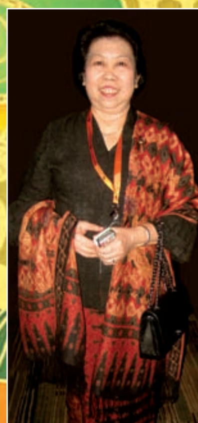
The EAIC Executive Board held their meeting on Monday morning to decide on the dates of the next Congress and the venues for the next three EAICs, and to discuss budgetary matters as well as the Jakarta declaration. EAIC President Agnes Choi led the meeting.

Best dressed

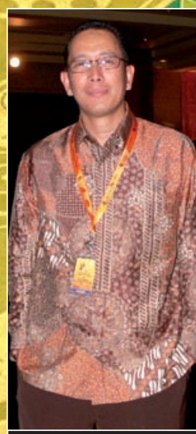
Ms Irina Shevyakova, Challenge Group



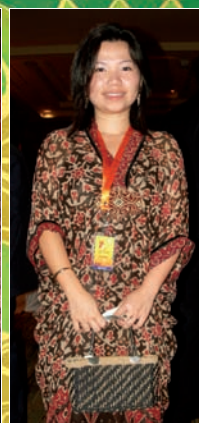
Mr Daniel Gunawan, Hannover Re



Ms Juliati Boddhiya, Asuransi Central Asia



Mr Ade Kananda, Tugu Pratama Indonesia



Ms Julie Haw, EQ Insurance

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