Day 2

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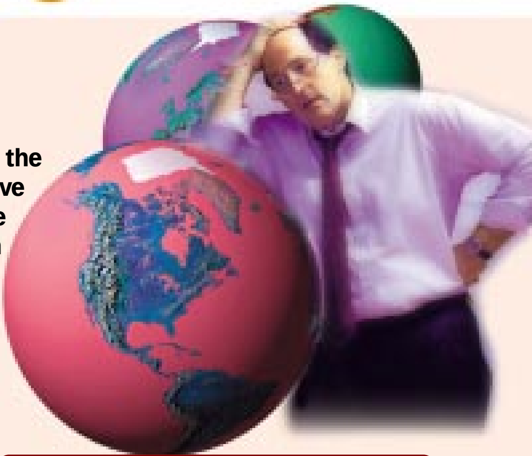
Benchmarks Of Success – …Coming From the Rear



The line up of speakers for today is an impressive list of companies that have withstood the trial of testing times. They will have a great story to tell. Here, we look at the alternative aspects of success. One clear benchmark of success is how well you are prepared to face the tough times. Does your ardour for the business wane or are you prepared to stay on and fight till the market turns in a return? To help you prepare for that tough fight against all odds, we bring you the views of six consultants polled in Asia as to what can be the worst nightmare challenges of doing business overseas.

Picking Your Opportunities

Mr Geoff Baars, Group Managing Director, NMG Financial Service Consulting Pte Ltd: You have to be aware of the greatest dangers so that you can make preparations to avoid them. You must go through detailed operational risk management programmes so that you can invest and operate with confidence. The growth opportunities can't be overstated, but the risks must be managed carefully.

In Asia, it's not so much about markets as it is about specific opportunities: if you pick the right opportunity, a business in Malaysia, the Philippines, or Vietnam can be much more valuable than one in China or India. Examples are AIA in Thailand, Manulife in Indonesia, Prudential in Singapore and AFLAC in Japan. The danger is that insurers don't identify the right strategic opportunity, and even of they do, they fail in implementation.

Managing Relationship with Partner

Mr Mark Saunders, Principal & Managing Director, Asia, Tillinghast-Towers Perrin: In my 15-year experience in Asia, the toughest thing to manage successfully is the relationship with your partner (whether that be an insurance joint venture or bancassurance arrangement or other). Strive to achieve "understanding" with your partner – again, effective communication is key. One of the worst things you can do in Asia is not allow appropriately for the nuances of doing business in each market in Asia. Appreciate that the markets and people are different – you can have a consistent approach and business operating model framework but it will need to be appropriately tailored.

Damaging Ties With Employees

Mr Giles Brennand, Vice President and Director, The Boston Consulting Group: In a people business like insurance, employees and agents are critical stakeholders. For any CEO, the worst nightmare in Asia would be severely damaged relations with employees. Financial losses can be repaired over time, and loss of public confidence can take a long time to restore. But stories of poor treatment are told and re-told over and over again from one generation of employees to the next, casting a long, long shadow into an otherwise bright future in insurance in Asia.

Not Getting Total Transparency

Mr Gordon Perchthold, Managing Partner, International Client Services, ABeam Consulting Ltd: Sarbanes Oxley has created a potential nightmare for the CEO and CFO in Asia. Historically, accounting controls and financial systems in Asia have been rudimentary at best. Much work has been done over the years to improve the integrity of processes that impact the statement of financial numbers. However, many insurance companies still have much work ahead of them. To compound the difficulty for a CEO or CFO who is not fully conversant in the local language is the fact that language barriers do not permit them total transparency into what is actually going on.

The dilemma therefore is whether these executives can ever feel 100% secure in signing off on the financials and taking personal liability that could potentially involve criminal prosecution should things not be as they thought they were.

Getting In and Out At Top Speed

Mr Duncan Spooner, Partner, Deloitte Actuarial & Insurance Solutions: The present and recent past is littered with international companies who have entered Asian markets on the prospect of changing economies and demographics but have not realised their plans and many actually withdraw.

The bottom line is to challenge the achievability of the assumptions underpinning the business plans on which such ventures are based, ensuring that the potential returns warrant the risks involved and only making the move if shareholders and management are truly committed to a long-term investment.

What Nightmare?

Mr Richard Deutsch, Australian Insurance & Investment Management Leader, PricewaterhouseCoopers: I don't have nightmares. Knowledge and planning are the keys to success.

Productivity And Efficiency: The Future Of Document And Information Management

Documents are a company's lifeblood, but managing them effectively is becoming increasingly difficult as volumes increase. Mr Tony Christie, Principal, Client Account Lifecycle Management for Xerox Global Services, takes a look at effective Document Management and the technologies driving its development.

As the number of documents, files, web pages, emails and related content rises, so the complexity, time and costs associated with managing them expands accordingly. If documents are an important part of an organisation's lifeblood, greater care is needed to address the problem than simply throwing more money at it, so effective document management should be high on the corporate agenda.

In a recent survey Xerox conducted with analyst group IDC, we found that a staggering 90% of Europe's largest companies are failing to track document costs, translating to an estimated average annual document cost of between 5% - 15% of their annual revenues. Controlling cost and driving efficiency are always major concerns for business and document management and workflow are key enablers for controlling overheads.

Effective EDM

As we all know, documents have evolved from the world of purely paper-based environments and now encompass many digital formats. This means that companies need to be able to control and manage huge volumes of digital files – as well as the paper documents, which show few signs of decreasing in volume. Effective "Electronic Document Management" (EDM) should ensure that electronic documents are secure, accessible, accurate and relevant to the organisation.

As such, EDM manages all aspects of the workflow, management and distribution of documents in a digital form, around a company in the course of its operations. Advances in technology have enabled us to improve many aspects of the business, including document management. It is a far more sophisticated operation than it was 20, or even 10, years ago. The drivers in those days for document management were mainly cost and efficiency, that has not changed, however nowadays businesses also have to consider legislation such as the Sarbanes-Oxley act in the US, the Basel II Accord and, post-September 11, business continuity and disaster recovery.

Document management can be split into three main areas – capture, storage and management, and output. A lot of companies still operate in a paper-intensive environment and, while storing paper can be reasonably cheap, retrieval costs are not. Storage companies often charge large fees for retrieval of documents and, in an age when regulators can demand to see audit trails within hours rather than days, this is not an effective way to manage corporate data.

Data Capture – The Front Line

Capture of data is the front line in document management; this is where it all begins. Companies must reduce the amount of paper in their business processes – be it through online forms, e-billing or other methods of capture. Recent advancements in capture technology mean that the transformation of paper to digital is more effective and efficient than ever before. This means that for the first time, paper documents can be seamlessly integrated into electronic business processes.

Storage & Management

Today, storage and management offers far more than just the ability to store increasing volumes of data. Intelligence is needed to make sense of that data, categorise it and make retrieval easier. The real value of document management is ensuring that the right documents are available to the right people on demand.

Output – Dictated by User

In today's world, output of documents is multi-channel, delivering information to paper, the web, email or other electronic formats. Increasingly it is the end user that dictates the medium through which companies must publish information. This is leading to increased personalisation of documents and repurposing, or reuse, of existing content throughout the organisation.

Document Outsourcing Route

One approach designed to simplify the whole process is the document outsourcing route, which is becoming increasingly popular whether as an off-site or on-site service. The market embraces both equally in order to get the best out of their outsourcing partners and companies such as Xerox Global Services offer managed solutions. Outsourcing to an expert delivers effective document management and reduces the burden on the company, especially where the skills or the budget do not exist.

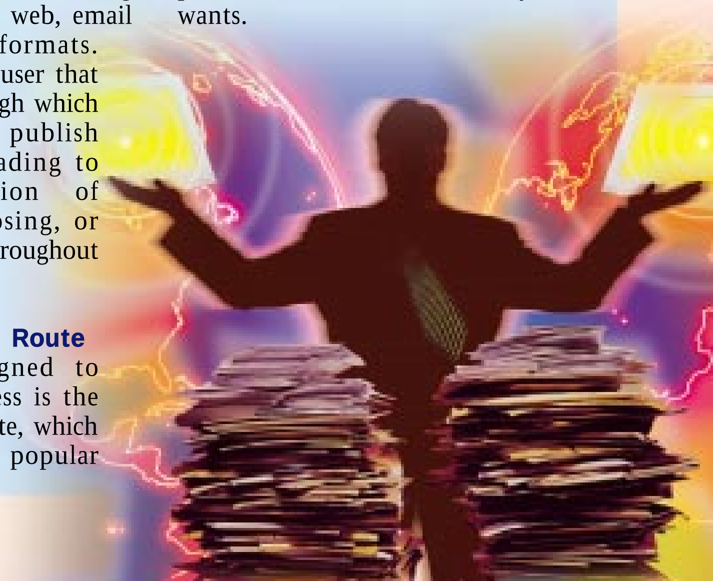
Document Strategy

In order for companies to effectively manage their documents, they must have a Document Strategy. This encompasses assessing the cost of documents to the business, understanding where and how they support critical business processes, and realising the impact on the organisation if this information is not available in a timely manner.

This information will help you identify how to:

- Capture information and eliminate paper from the process;
- Index documents accurately;
- Store them securely in a electronic repository;
- Make sure information is easily accessible to authorised personnel via the appropriate medium.

Document and information management is fast becoming an area that organisations realise can be their next opportunity for productivity and efficiency gains by better managing electronic and paper based information. Document Management need not be taxing, and provided the process is handled right, will make a company slicker, leaner and ultimately, more profitable, which is what every CEO wants.



A Sea Change in Capital Management: Can Reinsurers Help?

By Mr Michel M Dacorogna, Head of Financial Analysis and Risk Modeling, Converium

Just as with the banking sector 10 years ago, insurers are undergoing a major change in their way of doing business. The implementation of the first Basle Committee rules has pushed banks to reconsider their overall use of capital and to implement strong quantitative risk management methods. Similarly, the new risk-based capital (RBC) regulations for insurers that are currently taking shape will cause a profound revaluation in our industry of the way insurance companies do business as well as of the systems currently in place to manage such operations. The context for the insurance industry is similar to that of banking in the early nineties. After a wave of deregulation, the banking sector was faced with severe crises such as that which affected US savings and loan firms. The insurance industry in Australia, Europe and the US is likewise slowly emerging from a serious crisis that began before September 11, but was accentuated on both sides of the balance sheet (assets and liabilities) by the consequences of the subsequent terrorist attack against the US.

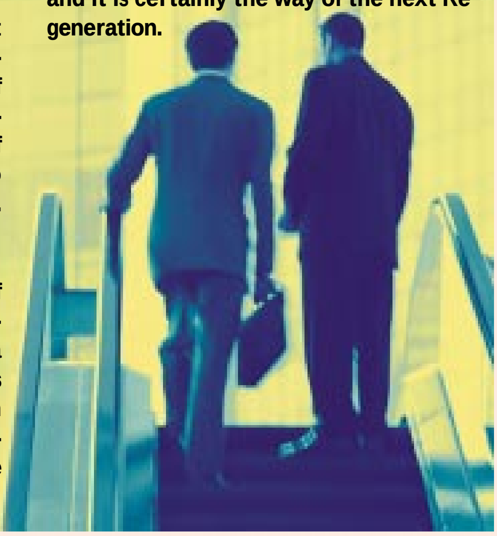
Offering Their Capital

The business of insurance is to take on risk and it is only normal that after such a shake-up, the industry is revisiting the main drivers of its profitability. We have learned that our capital is available to cover the extreme risks we face and that our investors in turn want to see reasonable returns on the capital they have invested. Failing to achieve this has brought the share prices of insurance companies to historic lows. The evaluation of how much risk-based capital an insurance company needs to hold is becoming central not only to shareholders but also to regulators. Both demand that we be able to assess the RBC of our underlying business. The shareholders, of course, will also demand that the capital invested in the company is put to work in the most efficient way. This is where reinsurers can step in and play an important role. Their contribution is to make their clients benefit from a well-diversified portfolio. By offering their capital to support the peak risks of an insurer, they provide the insurance company's management with a sound way of unloading risks that would otherwise be too costly for the company's own balance sheet.

Through a DFA

Reinsurance or capital: At the heart of such a decision should lie a thorough analysis of the specific company's risk through a dynamic financial analysis (DFA). This method combines the most modern stochastic simulation techniques with advanced financial analysis to evaluate the economic value of a reinsurance program. To help its clients in this task, Converium, as reinsurer for example, has put together a team of actuaries and financial analysts who, in collaboration with our underwriters and the client's own actuaries, analyses the reinsurance covers and determines the best retention and optimal structure to protect the company's capital.

We strongly believes that it is only through a good mutual understanding of the ceded risks that we can establish a long and fruitful relationship with our customers. This is the best way to arrive at solutions that are mutually beneficial for both parties and it is certainly the way of the next Re generation.



Case Study on Going Regional: Great Eastern of Singapore

With a lion 26.5% share of the Singapore life market and a significant 23.2% of the Malaysian life market, and a subsidiary in Indonesia, Great Eastern is strengthening its leadership position in these countries while looking at expanding regionally, especially into China and Vietnam said Mr Tan Beng Lee, Director & Group CEO.

Set up in 1908, Great Eastern, an undisputed Asian life insurance leader, has an asset base of about S$34 billion, with 2.4 million policyholders and more than 4 million policies.

It has signed a Letter of Intent with state-owned Chongqing Land Properties Company Group, to set up a 50-50 joint venture life insurance company in Chongqing, with a population of 30 million enjoying an expected economic growth rate of 8 – 10% pa. The JV has a registered capital of RMB 300 million.

Mr Tan who said that negotiations were still ongoing and subject to approval of the relevant authorities in Singapore and China, added that GE, which set up rep office in Shanghai in 1997, has been actively supporting educational and research activities for the development of the life insurance industry in China.

Mr Tan said:" Our market leadership has been boosted by our strong brand, the professionalism and effectiveness of our tied agency and bancassurance distribution channels, as well as our quality customer service."

Recently, OCBC Bank has upped its stake in the insurer to 81.1%, making it a subsidiary of the Bank, whose Group's total assets stand at S$117 billion making it one of the largest financial institutions in Singapore and Malaysia.

Mr Tan said: "This has brought us closer to our vision of becoming the choice financial service provider in the region, and our business goal of attaining, by 2008, assets of S$50 billion and profit after tax of S$500 million. We can leverage on our combined strengths and capitalise on our experience and expertise to improve our market share and brand presence. We can look forward to increased opportunities for product innovation and cross-selling, and explore ways of delivering more revenue growth for both companies."

Clients will benefit from the integrated delivery of banking, insurance and wealth management products as the insurer rises to meet the fast-changing consumer preferences and the great potential of the market in Asia, he added.

Hear Ye! Hear Ye! IIS London Hits Town

The 40th IIS conference was off to a buoyant start as enthusiastic delegates began streaming in as early as 9.00 am on Sunday to register and pick up material from the brimming media table.

For first timers, organisers held a Orientation Programme to introduce the IIS and highlights the proceedings of the next few days. Mr John Thornton, Regents' Professor of Insurance of the University of Texas, walked the delegates through the history of the IIS and encouraged participation in the various discussion groups.

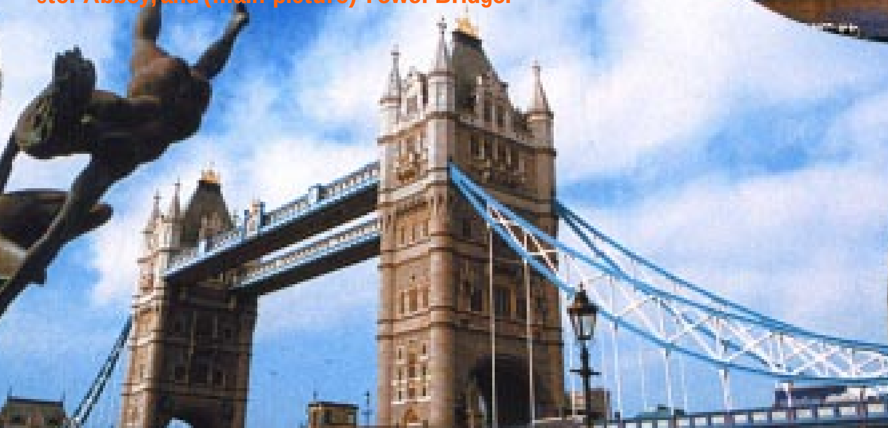
"This year the IIS has attracted over 600 delegates and guests, about the same number as last year in New York, but this year's London event has a more international gathering of people," he said.

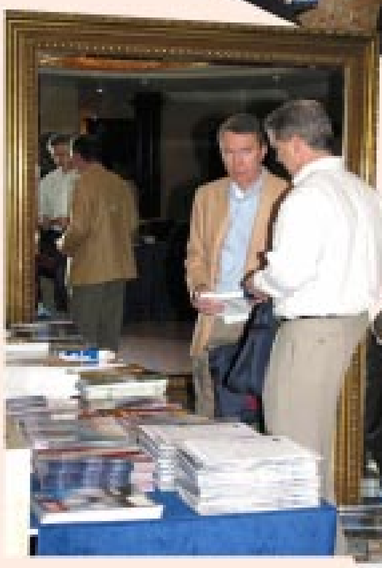
Asian participants make up 20.8% of the total delegates and form the third largest group after US/Mexico and Europe.

Mr Thornton taking first-time delegates through the Orientation Programme

Tour of London

On Sunday afternoon, delegates set off for a tour where they were treated to a visual feast of London's famous architectural landmarks, including from left, St Paul's Cathedral, the Millennium Bridge, Shakespeare's Globe, Houses of Parliament, Westminster Abbey, and (main picture) Tower Bridge.





At the media table

Early delegates registering for the Seminar