Published by: Asia Insurance Review
Media Partner: Middle East Insurance Review Incorporating Global Takaful
Sponsors: Insurance Commission of Jordan FAIRFAX ASIA LIMITED
Printing Sponsor: XEROX® GLOBAL SERVICES

This is a tempting invitation! It's like being given a whole white canvas to start anew.

Yet the long history of the insurance industry, having its humble or illustrious origins in a Lloyd's café or even in the Quran, is such that even when redefining the industry, one has to be mindful of the specificities and the baggage of the accumulated data of the business, if not on the general side, at least on the life side where mortality tables and actuarial computations are still very much the order of the day. On the non-life side, many argue that the combined effect of global warming, the Internet, globalisation, easy cross-border travel with the rise of pandemics, have eroded the usefulness of past data.

While the IIS will look at high-level corporate and strategic aspects of redefining the industry from the point of view of regulations, risks and global strategy, we would like to look at insurance from the eyes of the man in the street. To give the CEOs a fresh perspective of what the staff never dares to tell them: That despite the best PR campaigns and active corporate social responsibility programmes, there are members of the public who think insurers still don't live up to their promises.

The Claims Angle

From a layman's point of view, when redefining the industry, the most basic rite of passage is to look at the *raison d'être* of the insurance company.

To make money for shareholders, offering no less than 15% return on equity, is the current crescendo of the management and the Board. To protect the policyholders' interest is the chorus from the regulators, even with the move towards risk-based approach with fancy financial models and risk ratios. To amass savings for institutional projects, says the economist.

Yet, insurance started with a most noble aim. The *raison d'être* of the insurance industry is to offer peace of mind and security to the individuals and businessmen so that they can go about their day-to-day activities and business in peace, knowing that any untoward risks were being looked after financially at least in the event of an accident. In short, insurance allows the necessary ventures to be undertaken to keep the wheels of society and economy well-oiled and in smooth motion.

So claims handling, settlement and management must rank among the top strategic review items in the redefining of the industry. Yet, claims is one of the thorniest issues affecting the image of the industry among its buying public especially when carefully couched exclusion clauses kick in with great media headlines coverage.

The View from the Other Side

Yet today the greater attention over redefining the industry is about warding off the forays of the capital markets, the other financial sectors and other services into the insurance industry. This is a major concern all over the world. From the outside, many see insurance as a means of raising liquidity fast and getting a quick profit. Yet, for those in the industry, the lament of making profits is only too painfully true in a business that is cyclical, where the vagaries of the climate and natural calamities are only too well-known, and where the threat of increasing competition is perennial.

So what is the secret that outsiders know that the insurers seem not to know? Or are insurers being unduly weighed down by their own expertise?

Looking from the outside, it appears to the most global of players that insurers are not using the power of scale to bring down costs; their distribution costs through agents and brokers are seen as unduly high; and the fluctuations of rates, with no scientifically proven burning cost of risks, gives the impression that the risks are "notional" and can be managed through a geographical spread of risks and, at the end of the day, it is just a question of financial muscles. The more premiums you collect, the stronger you get.

Hence, they come into the business with a global strategy to achieve economies of scale through more economic channels like bancassurance, direct marketing, and e-commerce. Some have succeeded, but many have stalled too.

But for those from the inside, CEOs see insurance as a very domestic business and one that it has to be sold rather than bought.

"Back to basics" in underwriting is an often-repeated reminder in most public fora. There is a need to redefine that clarion call in the light of all the new elements and models that need to go into pricing the risks. The more important aspect of the risk pricing mechanism is to ensure that it is clear and transparent and understood by the consumer. But can the underwriter make it that simple?

Herein lies the fundamental dilemma for the industry. If insurance could be made a simpler product whose benefits the consumers can understand easily, and know what exactly they are paying for the protection, then my friend, it is not a pipedream that consumers will one day wake up saying "Hey, I need to buy protection for this or that cover". And, of course, the media has to be enlisted as an obvious enlightened ally in this outreach to the public.

Until that day comes, insurers will still be wondering how best to manage the business with better ratios, make returns from the investment avenues, while ensuring asset liability matching to meet the claims of the day, peddling "fear, death and bad news" instead of "hope".

Anyone ready to redefine the industry? Let's get simple.

The Global Insurance Industry Today – Cycles, Change & Convergence

Giving us a quick take on the global insurance industry today, **Mr Karl Wittmann**, Chairman of IIS, says that one significant characteristic is the change in risks and regulatory systems. However, despite the persistence of change, some things remain the same – convergence is increasing, and the re(insurance) cycle continues to place pressure on premium rates.

The (re)insurance industry today faces several interdependent external parameters and challenges, and will continue to face these in the coming decades. They include economic growth in mature and emerging markets, changing risks and the regulatory framework, as well as the convergence of capital markets and the insurance market.

Economic Growth in Mature and Emerging Markets

Premium growth in the insurance industry, particularly in property-casualty insurance, is strongly influenced by overall economic development. The still relatively robust global economy was helpful for most insurance markets in 2006.

Given the absence of major natural catastrophes in the past year, insurers in the US were able to achieve exceptionally good results in property-casualty insurance.

Against a backdrop of high overall economic growth, the emerging markets recorded the largest increases in premium income. In China, premium growth was around 23% in property-casualty insurance and 12% in life business. Premiums also climbed strongly in the Indian market, with non-life premium rising by around 24% in the first three quarters of the fiscal year 2006/2007.

Premium growth, however, again lagged behind overall economic growth, owing to a cyclically-related fall in rates.

Economic growth will continue to be the key driver of insurance growth.

Changing Risks and the Regulatory Framework

The (re)insurance industry faces various challenges and opportunities.

Emerging risks are understood to be new and developing risks. They result from changes in risk factors that have highly uncertain probabilities of occurrence and loss levels. The complexity and correlation between the existing risks will continue to increase.

Most scientists see a link between global warming and extreme weather events, which implies that weather-related losses are likely to rise dramatically in the future.

Although worries over pandemic losses are not as heightened as a year ago, the risk situation in the (re)insurance industry has not altered. The largest exposure rests with the life and health sector. The impact of a pandemic on the stockmarkets and asset portfolios is unknown.

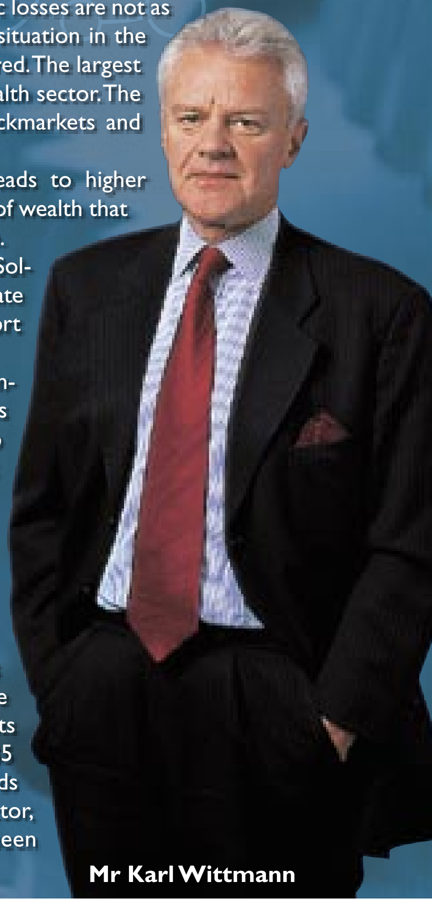
Rising prosperity worldwide leads to higher accumulations and concentrations of wealth that drive the demand for (re)insurance.

Regulatory developments like Solvency II in the European Union generate new (re)insurance demand and support a diversified business approach.

The (re)insurance industry can generate value from the above changes and hence turn increased risk into value. Integrated risk management is the key to success.

Convergence of Capital and Insurance Markets

The insurance-linked securities market has grown considerably over the past years, a trend that is expected to continue. In 2006, there were a record number of placements in CAT bonds totalling nearly US$5 billion (while outstanding CAT bonds totalled $15 billion). In the life sector, approximately $20 billion has been placed so far.



Mr Karl Wittmann

Mr David Piesse

Technology Breakthrough in Helping Insurers Reach New Customers

With all the rave about non-traditional channels through banks, supermarkets, post offices, kiosks, telephones and PDAs, there is now a new portal to help the insurance industry open up new markets and better serve new and existing customers by making it easier to develop new product distribution channels.

This is the newly launched Sun Distribution Channel Portal solution that includes Sun Microsystems' servers, storage, services and software to help insurers quickly and cost-efficiently reach new customers.

Sun Microsystems claim that while increasing top-line growth, the Portal also helps insurers reduce bottom-line costs associated with traditional distribution channels and offers ways to improve customer service. It has straight through processing (STP) capability to bring the back-office systems through to the front office. This means insurers can rapidly sell existing insurance products – and create, launch and manage new products – without adding IT processes that could delay the sales cycle. Operating 24/7 and accessible via an Internet browser, the portal presents a single customer view and covers all insurance products in any language and in any currency, through unlimited channels. It also delivers real-time performance monitoring of agents, products and channels, and offers first notice of loss (FNOL) to improve claims handling.

As Mr David Piesse, Global Head of Insurance for Sun Microsystems, says: "In today's insurance industry, the product is no longer a competitive differentiator. What is most important today is how insurers find and serve their customers. Our new solution enables insurers around the globe to discover and implement new distribution channels in order to serve new markets – without increasing expense ratios."

And that's a promise from Sun, a long-term player in the market. So check it out.

Sie investieren bis zu 15 % Ihres Umsatzes in dokumentenbezogene Prozesse. Xerox spürt diese häufig versteckten Kosten auf und kann sie reduzieren.

There's a new way to look at it.

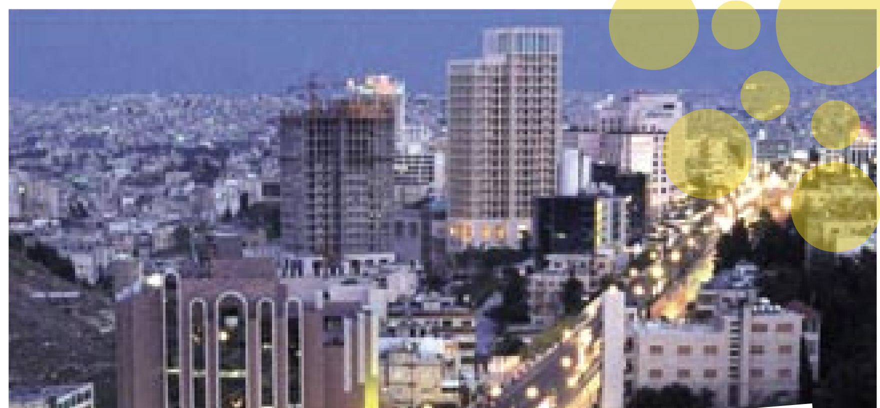
Dokumente werden entworfen, produziert, gespeichert, verschickt und aktualisiert. All das kostet Geld. Wie viel? Wie setzen sich diese Kosten zusammen? Lassen sie sich reduzieren? Xerox Global Services liefert nicht nur Antworten auf diese Fragen, sondern auch einzigartige Methoden, um Einsparungspotenziale aufzuspüren, die oft unerkannt bleiben. Egal, ob Kundenwerbung, Rechnungen, Schulungsmaterial, digitale Archivierung, Berichtswesen oder alltägliche Büroarbeiten – Xerox Global Services bietet seine Dienste Kunden aller Größenordnungen und Branchen an – lokal, national oder international. Im Allgemeinen erzielen wir eine Kostenminderung für dokumentenintensive Prozesse von rund 25 %. Lassen Sie sich gleich heute von uns erklären, wie auch Sie Ihre Kosten senken und Ihre Produktivität steigern können.

XEROX®

www.xerox.de/globalservices **0800 13 24 24 0** | Technology | Document Management | Consulting Services

Quelle: IDC Whitepaper (2005) „Documents – The Lifeblood of Your Business?" Gesponsert von Xerox. Laut IDC Studien machen die jährlichen Ausgaben für Dokumentenerstellung rund 5–15 % des Firmenumsatzes aus.

The question of whether Jordan should host an IIS Annual Seminar has popped up many times. So our team visited the beautiful country and bring you some touristic insights where stability is in the air, the weather is pleasant throughout the year with outdoor dining even at noon being a common sight in July. This way, the next time the question pops up at a survey, you can answer with knowledge and conviction.

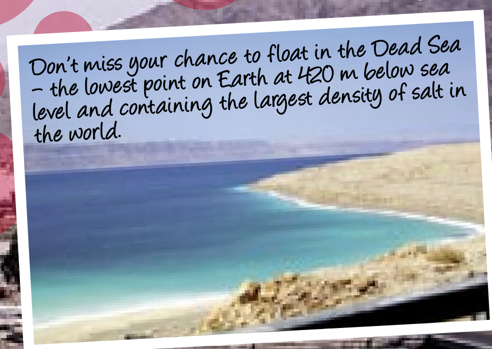

Amman City


Jordan Gate


Four Seasons Hotel


Jerash, located 45 km north of Amman, is renowned for its Roman ruins which date back to circa 63 BC.


Petra, famous for being the on-location site for an Indiana Jones movie, is also known as an archaeological gem with many stone structures carved from the majestic rock.


Don't miss your chance to float in the Dead Sea – the lowest point on Earth at 420 m below sea level and containing the largest density of salt in the world.


Aqaba

Contact our sponsors at: www.fairfax.ca • www.irc.gov.jo • www.xerox.de • www.asiainsurancereview.com • www.meinsurancereview.com
Editor-in-Chief: Mr Sivam Subramaniam • Editor: Ms Wendy Koh • Deputy Editor: Ms Irene Yeo
Journalist: Ms Wong Mei-hwen • Design & Layout: Mr Charles Chau, Ms Angeline Tsen