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The How, Where and When of Being a **WINNER**

Winning is everything. Yet everything is changing. So here, we bring you a very telling chart of the nine key trends that are shaping the global landscape in efficient, erudite yet telling McKinsey-style as spelt out by **Mr Jonathan Harris**, Chairman of the CEO Panel II on Winning Strategies:

Nine Trends Shaping the Future Corporate Landscape

Macro-economic Trends

- | | |
|---|---|
| 1 Shifting centres of economic activity | Asian (ex-Japan) and European GDPs converge by 2025 |
| 2 The overburdened public sector | Squeeze from spending on pensions and healthcare |
| 3 The new consumers | 1 billion new HHDs with \$5,000 in income in 10 years |

Social & Environmental Trends

- | | |
|--|--|
| 4 Social life in a technological world | Rapid increases in connectivity |
| 5 Turbulent tides of talent | Highly qualified talent in developing markets |
| 6 The social cost of the free market | Rising pressure for corporate responsibility (eg climate change) |
| 7 Limited resource, unlimited demands | Rapidly increasing consumption of minerals and fossil fuels |

Business trends

- | | |
|----------------------------------|---|
| 8 New global industry structures | Unprecedented scale of largest corporations |
| 9 The new economics of knowledge | Increasing collaboration and new sources of knowledge that create value |

The When?

The changes require insurers to seek opportunities in new markets especially the emerging markets where everyone is rushing to, enhance their competitive edge in product and service offerings, and invest in the right human resources to become winners. But they have to start today. No matter what their strategy, they have to move to invest now to reap the results five years down the road or just to avoid being left behind. As **Mr Geoff Riddell**, Global Corporate Business, Zurich Financial Services, said: "Now is the time to build relationships with everyone out there and to boost your knowhow." Start putting your footprints there now.

The Where?

And of the emerging markets that beckon, it is Asia that is sending out the brightest signals, although the panel felt that with globalisation and everyone rushing in, the cost advantages will disappear and the talent war will intensify. There is also the problem of regulatory hurdles to be overcome, especially rules limiting full ownership and forcing joint ventures. The Panel also felt that Russia and Eastern Europe are areas of opportunities that cannot be ignored despite the negative press attached to doing business there.

The How? Through Winning Trust

In the quest to devise a winning strategy, the three-man Panel looked at some of the more burning issues of the day, including the motherhood issue of corporate social responsibility. Although **Mr Immo Querner**, CFO of Talanx, intimated that it would be difficult to justify spending shareholders' money on projects for social good that did not directly translate into bottom line results, Mr Riddell said there was no two ways about it. "If you want to be a long-term winner, the business must be run from a high moral ground in enlightened self-interest of being seen as contributing to society," he said. Given the fact that business today was

in the hands of the powerful consumers, he said that CSR was a sure-fire way to win consumer confidence and the trust of the community.

The How? Through the Right Talent

The "how" also involves getting the right local talent in place – another controversial sensitive issue as labour has become immensely mobile in today's globalised environment. All the panelists were in agreement that the insurance industry had underestimated its need for quantitative and actuarial skills, and was paying the hefty price now. The Indian mathematician

was an oft-cited example in the 90-minute panel session, although Mr Querner pointed out the danger of an Indian mathematician trying to interpret what a German politician had decreed as minimum rules.

On the issue of investing in training and empowering the human capital, while **Mr Axel Theis**, CEO, Allianz Global Corporate & Specialty Risks, said it was an inevitable necessity, Mr Riddell pointed out that it will be difficult to justify training an employee if that was going to make him more mobile and better trained to join the competitor in double-quick time. He felt that in the era of globalisation, it should be in the employee's interest to ensure that he was adequately trained to boost his mobility.

The How? Getting Women on Board

But the sad reality remains that the insurance industry is never known to be good in attracting talent. Hence, the insurers will still have to go act to lure high-calibre talent from outside the industry first. And then there is the whole hard fight to giving more opportunities to women at executive and senior levels in the industry, which could be a welcome boon at a time when governments in most countries, overburdened with funding pressures, are trying to pass the burden of pensions and healthcare to the insurance industry



(L-R): Mr Immo Querner, Mr Axel Theis, Mr Geoff Riddell, Mr Jonathan Harris

Rise of the Mega-Corporations: Insurers Still Have a Role

The rise of the truly mega-corporations with a capital base of US\$100-150 billion rising do create certain pressures on the insurance industry, especially for the majority of insurers whose capital base is well below those of the mega-corporations.

So do insurers have a role to play in that arena?

Mr Geoff Riddell (left)

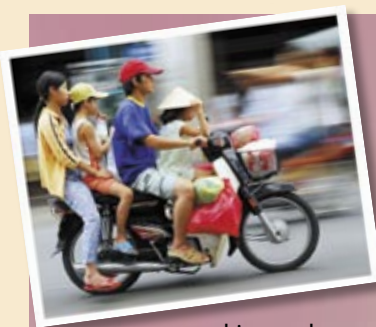
aid that the whole balance of power is shifted as the mega-corporations do not depend on the insurance for capital and, hence, insurers end up providing services to these mega-corporations. He said it will more likely in the area of capital arbitrage

and securitisation, "somewhere in the basis risks between indemnity driven covers and parametric securitisation".

Mr Axel Theis (right)

said that there will be several mega-corps which will buy insurance, notwithstanding capital arbitrage. They might need insurance as part of their risk management programme and, hence, come to insurers for risk-management advice, service, support and covers.

For the global mega-corporations, they will certainly prefer to buy insurance programmes on a worldwide cover and therefore rely on insurers which have a better edge over them in the risk business. Some will prefer to buy insurance to meet regulatory requirements that offset capital against risks.



AND THE SURVEY SAYS: To New Markets, We Shall Go...

With all the information overload and access to all kinds of real-time "live" data, the

biggest threat to the insurance industry today is the **immeasurable risks**, said 41% of the respondents to the instant interactive Accord survey.

With 32% from the Asia Pacific, 29% from Europe and 24% from the US and Canada, the survey ranked **new market opportunities** as the top issue for the industry, followed closely by competitive pricing and adequate profitability as a close second.

The survey ranked **new markets** as the top growth factor, and **organisation talent** as the key operational issue for the industry, while the top financial issue was **managing risks**.

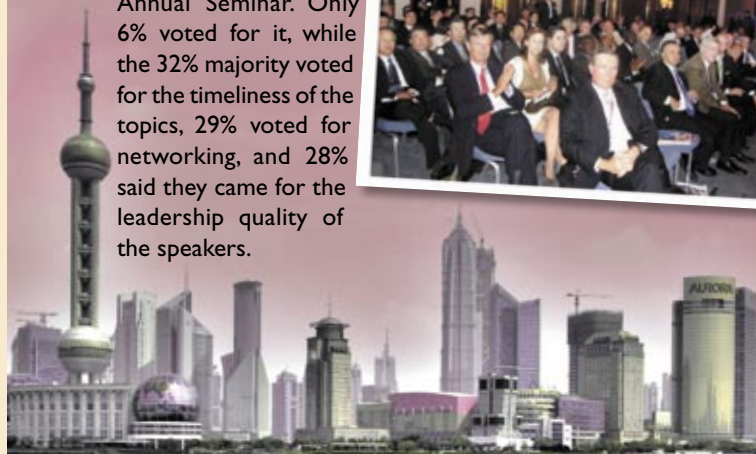
General insurers are most concerned with risk management and ERM, while life boys rank distribution efficiency as their top issue at the survey session carried out by **Mr Greg MacIag** (right), President of Acord, in which more than 400-odd delegates took part with 45% writing all lines of business, 25% life, 17% non-life, 10% specialty and 3% health business.



Vote on the IIS Format

One of the surprising findings of the Survey was that the discussion groups of the IIS – one of the most revered elements of the Seminar that allows each participant quality time and access to discuss issues of the day in closed sessions in small groups led by an academic and a business moderator – did not come up

tops as the attraction of the Annual Seminar. Only 6% voted for it, while the 32% majority voted for the timeliness of the topics, 29% voted for networking, and 28% said they came for the leadership quality of the speakers.



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The structure of the reinsurance business over recent decades has been one of relatively few established buyers and sellers. The players in this network tended to form long-term relationships more often than not, lubricated by a decent claret at a good restaurant. One very appropriate adjective the Financial Times recently used to describe this business model was “clubby”.

New Risk Carriers and Substitutes

Reinsurance is, however, changing. Shortages of coverage following major catastrophic events have encouraged new generations of reinsurers, particularly in Bermuda, to set up shop, successfully breaking up established relationships, and carving for themselves a business niche. In addition, though still at the fringes of reinsurance and insurance, alternative distribution channels, new risk carriers and substitutes to traditional risk management products are making their presence felt. Their emergence puts pressure on margins and heightens the need for customer-centricity. This is particularly true for mid-sized reinsurers relying on customer-centricity as a key competitive differentiator.

To Be Close to Customers

What are the strategic and operational implications for the middle segment of the reinsurance industry? First, distribution strategies need to be closely aligned with customers' preferences. Mid-sized reinsurers should be prepared to sell directly and via intermediaries – whichever the customer prefers. Some customers may even want to engage in joint ventures to meet specific needs. Second, reinsurers should aim to be as close to the customer

as possible, and to maintain a network of local and regional offices. Third, outstanding intellectual capital in selected areas is crucial for creating additional value for customers.

Mid-Sized Reinsurers' Competitive Advantages

From a mid-sized reinsurer's perspective, doing all these tend to be less cost-effective than for larger competitors enjoying economies of scale. However, there are powerful offsetting competitive advantages arising from nimbler structures, leaner organisations, faster decision-making processes and a shorter response time to the customer.

Visionary Goals

There are, of course, more ambitious and even visionary goals toward customer focus which reinsurers should embrace to secure their future in a highly competitive marketplace. First, all corporate processes from the first product idea to the final settlement of a claim should be incorporated within the perspective of customer focus, requiring a “mind shift” within organisations. A second key element is more transparency as regard core processes. Reinsurance is still perceived as a black box by many customers. Thanks to new technology, it

A Key Challenge for the Reinsurance Industry: Facing the Imperative of Customer Focus

is no longer utopian to allow customers real-time virtual access to their reinsurer's value chain. The third and final visionary element is a reinsurer that offers customers one competent and empowered point of access providing a strategic and holistic perspective – a stark contrast to today's reality.

The dynamics of the reinsurance industry's business environment leave no choice but to grasp the nettle of customer orientation. Other industries have successfully established themselves as forerunners. The competitive pressure reinsurers are faced with serves as a powerful incentive for us to try and emulate them.



While “customer focus” has become a mantra in almost all industries, insurance and reinsurance companies are not widely regarded as being on the cutting edge of this trend. However, they need to up their game. Breakthroughs achieved in customer-centricity by other sectors have raised the bar for the industry and its entrenched traditional approach to client relationship management. Here, Dr Kai-Uwe Schanz, Chief Communication & Corporate Development Officer of Converium Ltd, Zurich, tells us what goals the reinsurance industry should have so as to “grasp the nettle of customer orientation”.

1st Global Middle East Insurance Summit

Theme: The Promise of Growth and Sustained Profitability

5 - 6 September 2007, Renaissance Chancery Court, London

To reserve your seat, please contact Loga at loga@meinsurancereview.com

Register online at www.meinsurancereview.com



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Aufedersein Berlin, 歡迎到 Taipei

From the land of frankfurters and beer, the IIS moves across the Pacific to the beautiful famosa, Taiwan.

Speaking to *Asia Insurance Review's* IIS Daily, Mr T M Shih, newly-elected Chairman of the Insurance Society of Taiwan ROC, which will organise the conference together with the Non-Life Insurance Association of the Taiwan ROC, Life Insurance Association of Taiwan ROC, the Taiwan Insurance Institute and Central Reinsurance, said that the industry is very excited about welcoming delegates to Taipei next year. This will be the second time the city will play host, with the last gathering held in 1974.

This year in Berlin, Taiwan boasts Asia's largest contingent of delegates with 34 participants, which Mr Shih says is a signal of commitment to the annual Seminar, and also an effort to generate interest for next year's gathering.

"Taipei is an excellent venue for the IIS conference as its insurance industry is the 13th largest in the world with more than US\$5 billion in annual premium income. Delegates can look forward to experiencing the rich Taiwanese culture, history, tantalising cuisine and breathtaking natural scenery. Taiwan is also home to the world's tallest building, the Taipei 101," he added.



So mark your diaries, 13-16 July 2008, at the Grand Famosa Regent Taipei. See you there!



We welcome you to Taipei for IIS 2008



Insurance Hall of Fame Laureates

The late Frederic Mylett Reiss (award accepted by his son Jonathan)

Jose Manuel Martinez, Chairman and CEO, Sistema MAPFRE, Spain

Robert Clements, Chairman, Integro Ltd, USA (award accepted by Dr Ellen Tarower)

Kenneth Black Jr Distinguished Service Award - Karl Wittmann, Retired Member of Management, Munich Re Germany

John Bickley Founders' Award Gold Medal for Excellence - Matthias G Haller, Chairman of Board of Trustees, European Centre for Insurance Education and Training Switzerland

Chairman of Honors Committee IIS: David Atkins, Chairman, Swiss Re, Canada

Commissioner General Award - Jorg Freiherr Frank von Furstenwerth, Member of the Board and CEO, GDV Germany

An Evening of Music, Dance and Friends

Delegates were treated to a cultural night of Mozart's opera arias along with food and wine at the Annual Gala Dinner.

The Insurance Hall of Fame, which celebrates its 50th anniversary year, also welcomed new laureates into the prestigious fold.

The evening ended triumphantly on a sweet note, with a dessert buffet, compliments of PricewaterhouseCoopers.

Research Award Recipients (L-R): Dan Anderson; Shaun Yow; Jeungbo Shim