Asia Insurance Review's
# IIS Daily
Day 1
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## Fuelling Asia's Growth with Talent Management

Welcome to the 44th International Insurance Society (IIS) annual seminar here in exciting and vibrant Taiwan.

Today's insurance markets become more complex with each passing day. As an industry, we face more challenges than ever before, from climate change to a liquidity squeeze in the current global financial markets. To say these are challenging times would be an understatement, and we can only surmise that we will continue to face these – and other new challenges – in the future.

An event such as this is important for two reasons. First, it enables fellow industry professionals to exchange ideas, issues and solutions. Second, it reminds us that our industry is absolutely global. In fact, this year's theme of "Meeting the Global Demand for Insurance" is particularly relevant in this region. Asia's emerging markets continue to grow at a feverish pace – with India, China and Vietnam constantly grabbing headlines. Foreign direct investment continues to flood in at record levels against a destabilising backdrop of rising inflation.

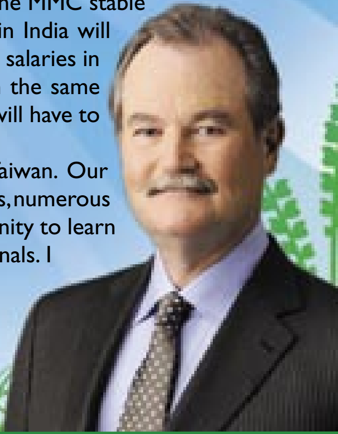
It is critical that our industry keeps pace with the growth engine that is Asia. We must have the right skills and solutions in these emerging markets. A major aspect of our forum is to examine the successes and failures we have experienced in the past, to learn from our experiences, and to share perspectives on strategic design so we can rise to the challenge of new and expanding markets, ultimately meeting the global demand for insurance.

Another challenge we face as an industry and one we must address as a priority globally – and particularly in emerging markets – is the quest for talent. We simply must do a better job of attracting, training and retaining good risk management capabilities to meet the rising demand for insurance services. The industry's reputation is only as good as the calibre of our professionals.

This might mean partnering with local educational institutions to help shape risk management and insurance curriculums, or developing work experience and mentoring programmes in your local offices. Simply put, the future of our industry depends solely on the people we have in it, and we need more of them.

That said, employment cost is a big issue that companies need to contend with. A recent report by Mercer, one of the MMC stable of companies, has forecast that salary wages in India will increase by 15% each year through 2011, while salaries in China will increase by more than 9% through the same period. Not only do we need good talent, we will have to pay more for it.

Please enjoy the next few days here in Taiwan. Our programme is packed with outstanding speakers, numerous networking events and, best of all, the opportunity to learn from your fellow insurance industry professionals. I ask you to make the most of your time here.



**Mr Brian Duperreault**
Chairman, International Insurance Society /
President and CEO
Marsh & McLennan Companies (MMC)

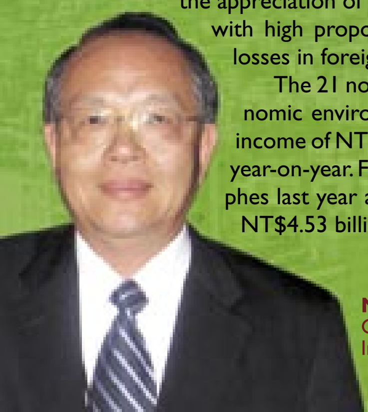
## Taiwan Hosts the IIS for the 2nd Time

On behalf of the Taiwanese insurance industry, I would like to extend my warmest welcome to all of you attending the 44th IIS Seminar in Taipei. The first time the IIS Seminar was held in Taiwan was 34 years ago in 1974 and to be able to host the IIS for a second time is a great vote of confidence and great honour for Taiwan's insurance industry.

### Robust Industry

Despite a depressed economic climate in 2007, Taiwan's insurance industry was able to produce respectable overall results. The 30 life insurers experienced a growth in premium income driven by robust sales of investment-linked products. Premium income in 2007 totaled NT$1.875 trillion (US$61.7 billion), a growth of 19.91% compared to 2006's net income of NT$58.15 billion. However, with the appreciation of the New Taiwan Dollar, many life insurers with high proportion of foreign investments may suffer losses in foreign currency exchange.

The 21 non-life insurers, impacted by the harsh economic environment, recorded a total direct premium income of NT$112.58 billion, a slight reduction of 1.33% year-on-year. Fortunately, there were no major catastrophes last year and the industry enjoyed a net income of NT$4.53 billion.



**Mr TM Shih**
Chairman
Insurance Society of the Republic of China

### More Globalised

The non-life sector observed some changes due to the formation of the financial holding companies and foreign acquisitions. In 2005, Mitsui Sumitomo Insurance acquired Ming-Tai Insurance, and a year later, AIG acquired Central Insurance and merged AIU with Central Insurance in mid-2007.

From this, we can see that Taiwan's insurance industry is becoming more globalised with the entry of more foreign players and deregulated with the introduction of progressive regulation to create a robust market of international standards.

### Tantalising Taiwan

Taiwan is an island renowned for its beautiful scenery and rich culture. Places such as Alishan Mountain, Sun-Moon Lake, Taroko Gorge, National Taiwan Democracy Memorial Hall (Chiang Kai-Shek Memorial) and Shihlin Night Market all offer a uniquely different side of Taiwan. We hope that delegates will enjoy the sights and sounds of Taiwan during your stay.

In case you are too busy to visit these places, the opening reception will be held at the National Palace Museum to give delegates a taste of traditional Chinese architecture and a chance to view priceless art from China's various dynasties. Like the Louvre, what you see is only a small portion of the available artifacts, so if you have been there before, we still invite you to go for a tour of the museum as something new may be on display. We believe this is a good chance to view the traditional side of Taiwan that people rarely see. The closing reception will be held on the 84th floor of the Taipei 101, currently the tallest skyscraper in the world.

*Welcome to Taipei!*

# CEO Concerns to be Addressed

We are pleased to welcome you to the 44th annual meeting of the IIS here in Taiwan. The goal of our seminar is to provide a forum for industry professionals to discuss current issues – issues that our industry face worldwide, and the opportunity to hear insurance leaders from around the world. Our seminar promises expert global perspectives, lively discussions, unpublished industry research, networking opportunities and an opportunity to experience the diversity and energy of the city of Taipei.

Each year, we canvas our seminar delegates to gauge their top concerns to ensure that our programme addresses issues relevant to our constituency. So, last year in Berlin, we asked you to rate your top concerns, and while there are many challenges facing our industry, some of the more significant issues such as regulation, human capital, growth and distribution proved to be on the radar of insurance CEOs and decision makers in the industry.

## Focus on Talent, Distribution, Regulation & Strategy

These issues clearly have global implications but are also relevant to all regions and sectors of the industry. Our programme features speakers from 13 countries, including emerging and mature markets alike and a delegation representing over 50 countries. Our Executive Panel includes CEOs from Latin America, the UK, India and Taiwan, providing an overview of critical issues in rapidly growing as well as emerging but struggling markets. We will also hear diverse perspectives on the topic of regulation, which remains paramount for our delegates. As market barriers dissolve and global economies unite, regulators, rating agencies and insurers alike share the goal of implementing consistent standards but deviate in terms of course of action. We expect a lively discussion on this topic, and to further enhance this dialogue, we have included the perspective of the banking industry as well as the rating agencies – whom many insurers deem the de-facto regulator of the industry.

Human capital is another hot button topic as CEOs face the ever present challenge of developing and retaining their strongest asset. We anticipate frank discussions about the needs, particularly in the Asia Pacific region where demand is far greater than supply given the pace of market growth. This serves as a fitting introduction to the discussion on growth strategies in developing and developed markets with a great deal of correlations between the two issues. You can bet there will be many points of intersection such as organic growth and employee driven expansion.

We will also explore a topic that heads the cost curve at most companies – distribution and corporate structures – with a focus on the Asia Pacific region as contrasted with the rest of the world. Representatives from the life, non-life and bancassurance sectors will provide an overview of how the industry is responding to consumer demand across various markets. We will also turn this issue inside out, hearing from the technology sector on the distribution model of tomorrow – this is perhaps the wake-up call our industry needs.

So while many issues overshadow the industry, our programme will offer unique perspectives which will provide tremendous insight and relevance to our discussions. To the majority of our delegates who come year after year, we welcome you back and trust that we will meet your expectations. To those delegates here with us for the first time, we welcome you with confidence that you will benefit from these discussions. We hope that the knowledge you gain this week will lead to business solutions and new directives that help you stay ahead of the curve in Meeting the Global Demand for Insurance.

**Mr Patrick W Kenny**
President and Chief Executive Officer
International Insurance Society Inc

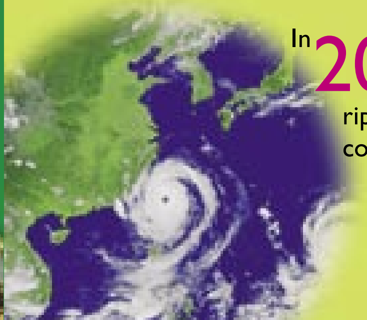

*Sources: Swiss Re sigma report / Non-Life Insurance Association of the ROC*

Taiwan's insurance industry of 30 life insurers 21 general insurers 4 reinsurers ranks 14th in the world with US$ 65.4 billion in total premiums income accounting for 1.49 % of global market share. It has the world's highest insurance penetration rate at 15.7 %

Taiwan's most devastating catastrophe, the 1999 Chi-Chi earthquake, resulted in US$ 9.2 billion worth of damages, and destroyed 44,338 homes

Soaring to 1,670 feet, Taipei 101 is still the tallest building in the world.

The highest point in Taiwan is the peak of Jade Mountain which is 3,950 metres above sea level.



In 2001, Typhoon Nari ripped through Taiwan and Japan, costing US$ 600 million and claiming 103 lives.

# Pioneering Climate Solutions

**Mr Martyn Parker**, Executive Board Member, Head of Asia, Swiss Re, shares the Group's efforts in weathering the climate crisis and its quest to reduce its own carbon footprint by using renewable energy at its larger locations.

A dual-track strategy is necessary to tackle climate change which means that greenhouse gas emissions must be reduced, to slow and reverse man-made global warming, and society must adapt to reduce its vulnerability to a more severe climate. Swiss Re believes that the changing climate not only presents risks for our industry but also opportunities to assist clients with products and services that deliver financial protection against climate related risks or contribute to the transition to a low-carbon economy.

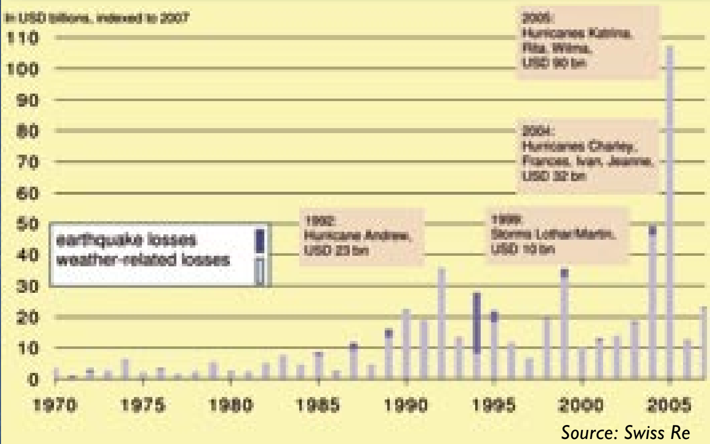
## New Climate Change Related Products

A key area of Swiss Re's almost 20 year engagement in the climate debate has been product development, and the Group has recently developed new products that either help mitigate (reduce) global warming or support adaptation measures with financial compensation for climate impacts.

For example, the Climate Adaptation Development Programme, that began as a Swiss Re commitment to the Clinton Global Initiative, aims to develop a financial risk transfer market for the effects of adverse weather in emerging countries. With the goal of supporting mitigation measures, Swiss Re successfully closed the UN-accredited €354 million (US$556 million) European Clean Energy Fund, one of the largest funds to provide capital to clean energy projects in Europe. It has also become active in the international carbon markets and has increased the total value of its sustainability portfolio (proprietary investments in the climate and environment field) to over CHF600 million (US$585 million).

Swiss Re has put a strong focus on finding ways to increase insurance capacity for natural catastrophe risks and reduce its own earnings volatility. The company is the market leader in securitisation, which allows risks to be transferred to the capital markets. In 2007, Swiss Re successfully extended its Successor programme to cover four peak natural catastrophe perils (US wind, European wind, California earthquake and Japan earthquake). And it issued the first ever Mediterranean and Central America earthquake bonds.

**Insured Natural Catastrophe Losses 1970-2007**




*Source: Swiss Re*

## Tackling Its Own Footprint

In the quest to tackle the Group's own carbon footprint, Swiss Re has cut $CO_2$ emissions per employee by more than 20% since 2003, partly by using renewable energy at its larger locations. The company also bought and retired 230,000 tonnes of emission rights to become fully greenhouse neutral from the end of 2007. A more ambitious goal has now been set. By 2013, the company plans to reduce $CO_2$ by 30% per employee against the 2003 baseline.

As an extension of the Greenhouse Neutral Programme, Swiss Re developed the COYou2 Reduce and Gain Programme, which allows our employees to claim cash subsidies for emission-cutting investments in their private lives. In the first year, over 500 employees took advantage of the programme. The initiative has sparked considerable interest from other companies and the media.

It is not possible to predict precisely what the climate will be like in the future. However, this much is certain: inaction will be far more expensive than action, and the time for that action is now.

Mr Martyn Parker

Winners of the Geneva Association/IIS Research Program

# Life's Response to Ageing: Mega or Mini?

In the first of the three winning presentations in the Geneva Association/IIS research programme, **Mr Andrew Rear** and **Mr Rouget Pletziger** from Oliver Wyman look at how the life insurance industry is responding to the challenges of an ageing society.

- Ageing trends are putting pressure on pension systems across the world. In response to a foreseeable peak of aggregate retirement funds and subsequent decumulation, OECD countries have been launching pension reforms of different intensity towards defined contribution schemes.
- Seeking their opportunities in this environment, the insurance industry will need to better promote the unique proposition of annuity products to a set of different "stakeholders", including pensioners, regulators, politicians and international organisations.
- New product offerings could satisfy customer needs, but at the risk of being too expensive and showing adverse selection if purchased voluntarily. Stronger regulated and subsidised mortality data, tax provisions and mandatory annuitisation at some age could help yield an extended market.
- A just reactive – and very likely – "mini" response of the industry implies the risk of just maintaining the status quo which is little and low-margin business. The paper concludes that a "proactive shock" needs to be launched to capture the attention of politicians, international organisations, regulators and clients in this order.
- One such possible "mega" concept may lie in reforms aiming to enlarge the market by means of a "multi-tier" insurance scheme. Departing from an analogy to three-pillar pension systems, three layers are designed to serve both specific demand-side needs during the asset decumulation phase and requirements for broader financial stability.
- Premium simulations suggest that this concept could constitute a promising business for those providers that have the required structuring and distribution capabilities, with additional potential to capitalise on greater economies of scale and scope.

# Flashback on Past IIS Events









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