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Human Capital Is there a Secret Mantra for Success?

All agree that talent management is a definite priority for CEOs. But the vote is divided on whether retention of existing staff or recruitment of new people should be a bigger priority in a highly dynamic and competitive growth environment.

With the CEO speakers taking up the mantle to share their internal corporate recipe in coping with human-resource challenges of the day, and veering away from espousing motherhood statements or platitudes about the importance of human capital, the Panel on Human Capital was hailed as a not-to-be missed session with delegates being treated to a plethora of insightful nuggets of useful tips.

Mr Michael Magsig, Managing Director, Korn/ Ferry USA, as Chairman of the Panel, set the tone for the discussions, noting that growth and demographics are driving disparity in Asia where demand is outstripping supply on the talent front. This has led to younger people getting bigger jobs sooner, larger premiums being paid for experienced workers, and a greater turnover among staff who were spoilt for choice in the competitive insurance environment.



Mr Michael Magsig

Valuing Employees

Ms Shikha Sharma, Managing Director, ICICI Prudential Life Insurance – the largest private sector life company in India with some 28,966 employees and almost 300,000 agents, said that given the amount of cost involved in training the staff, retention should be a greater priority. Sharing some of her management experience, she said, at the simplest level, people leave a company if they feel “not valued”. Hence, an important element of HR is to let outstanding executives with potential know that they are valued and were being groomed for the fast track. With the staff turnover being very high, given the high growth in the Indian market where life business grew by more than 100% in 2006 followed by a 30% rise in 2007, she said management also had to pay close attention to ensure that when a manager quits, the company does not lose the whole team with him.



Ms Shikha Sharma

Broad-Based Training

Mr Michael Casella, Managing Director, Asia Pacific, Chubb Group of Insurance Companies, who proudly heralded a 98% retention rate among those executives who have gone through the company’s action learning and executive leadership programme, said that recruitment has to be a far more important issue than retention, as otherwise the industry will be in a self-defeating cycle with no talent entering the market, while the bright young sparks join other industries. He added that in the rapidly evolving Asian market, they had been forced to abandon their “single-skills”-based training to focus on a broader skill development to create a culture that “would sustain and encourage learning, adapting and executing”.



Mr Michael Casella

The Non-Regrettable Departees

Mr Martyn Parker, Executive Board Member and CEO of Asia Division, Swiss Re Hong Kong, said that retention is just as important as recruitment, and added that a conscious effort is made within his firm to ensure existing workforce satisfaction as well as engagement as an important retention tool. They take it one step further to also determine formal drill down into reasons for dissatisfaction and departure. However, on a positive note, he added that not all departures are bad as, in Swiss Re, they have a category of “non-regrettable” departures. Besides, some of the staff who left to join direct companies brought back new business to Swiss Re.



Mr Martyn Parker

Accord Interactive Survey

The voice from the floor was overwhelmingly tipped to retention of talent being the bigger challenge. Some 44% of delegates who participated in the interactive Accord Survey voted that retention was their top human capital issue, compared to 25% of delegates who felt that finding new talent was the bigger challenge.

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The Gen “Y”

Is there a special skill set needed for Gen Y? Yes, said the Panel, as they need to manage their aspirations to be more involved in decision making and to get more responsibilities and move up the ladder faster. There is even a more critical need to re-train the older managers who are managing the Gen Y, said Ms Sharma, who stressed the importance of showing Gen Y that at the individual level they are valued.



(L-R): Mr Michael Magsig, Mr Michael J Casella, Ms Shikha Sharma, Mr Martyn Parker

Succeeding in Customer Retention

Mr Stephen Collins, CEO, ReMark Group, looks at how responding to customer expectations and investing in needs-based customer-centric service can help reduce client attrition.

The biggest asset for any life insurer is, no doubt, its existing policyholder database. However, what it takes to look after and mine this asset is rarely fully appreciated, and even more rarely effectively acted upon.

Yet, doing so is becoming increasingly important in today's more competitive environment and in the midst of an economic slowdown. Savvier customers expect multiple touch points, multiple distribution channels and needs-based customer-centric insurance services. Failing to respond to

Volume. A structured customer contact strategy to ensure customers receive well-timed, affordable and specific offers for topping up their existing plans or adding on new products over the course of the insurance marketing programme is critical to reach the volume mass.

Productivity. Integrating technology and data mining into the marketing programme, reducing customer "churn" by scientifically matching the drivers of sales success for each product to the unique characteristics of the customer base ensures the maximum return from sales activities.

these expectations would imply a potential loss of competitive advantage and increasing customer attrition.

However, succeeding in doing so opens a substantial growth opportunity for the life insurer. It is ReMark's belief that the design of a successful and sustainable programme for the management and growth of a policyholder portfolio management should be based around the VPQ concepts.

Quality. It is important to be able to sell customers a new product, but it is more important to sell them a quality product so that they will stay. A proactive retention management strategy identifies the reasons customers do not renew their policies or prematurely cancel them. Significant portfolio value, which would have otherwise been lost, can be retained by even reducing the cancellation and lapse rates by a percentage point or two.



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Getting From Outside

On the shortage of talent within the industry, there was an instant readiness to recruit from outside the insurance sector and to train them, although Chairman Magsig cited a Korn Ferry survey of insurance CEOs where a majority seemed to prefer to look within the industry for recruitment. Ms Sharma, who herself hailed from a banking background to lead what is today an insurance giant in India, is, therefore, totally sold to the idea that new talent can be fully trained in insurance. In fact, even in the area of the most technical field in insurance, ICICI Pru saw a qualified actuary emerge from its ranks last year. Mr Parker said that Swiss Re had an aggressive recruitment programme in local universities as well as among Asian graduates from European or US universities across disciplines like mathematics, medicine, economics, law and finance, even though they found that many at campus have never heard of Swiss Re, a name that is a tall giant in the insurance industry. With Swiss Re looking at more securitisation deals in Asia, it was also looking at drawing talent from the brigade of investment bankers.

Quantifying the importance given to talent management by CEOs, he said that 30% of the manager's time was prioritised on talent management and that part of the manager's work was closely monitored, carefully measured and amply rewarded in the light of its importance.

Can Asians Lead?

A final question of whether Asians were ready to lead global firms remained unanswered, although attempts were made to get local operations of global firms in Asia to be led by Asians themselves, Ms Sharma being a prime example of success. Mr Parker said that, despite five years of having moved the entire Asian regional operations to Asia, the leadership was still predominantly of Western European origin, although there are

many local managers who have made a mark and several up-and-coming. Mr Casella said that Chubb was getting its Asian leading from its branch office to get a lateral promotion move to lead operations in other geographical markets.

The Survey Says

A Korn/Ferry survey of 300 global CEOs showed that the critical competencies for business leaders include managing cross-cultural dynamics, understanding local markets, taking responsibility for performance and being ready to find innovation solutions. Do you have it?

Does Salary Matter?

Yes. And it is now more important for salaries, perks and bonus to be transparent as reward must be seen and appreciated by peers, too.

Adapting To Change

With the business environment changing rapidly, the performance review systems must also change to recognise and reflect these changes. Hence, HR is now more than ever a strategic issue which has to have boardroom involvement. To stay ahead, companies must continually adapt its people strategies to fit the turns of the market where human capital is the number-one priority asset.



45th IIS Annual Seminar 2009 The Middle East Beckons ...Via Jordan

As we wrap up the 44th IIS in Taipei, we pay thanks to the gracious hosts of Taiwan for their hospitable efforts in making this year's gathering a remarkable success. Next year, the 45th IIS Annual Seminar will be hosted in the portal to the Middle East and North Africa (MENA) region: **Jordan**.

Speaking to the *Asia Insurance Review* team, Dr Bassel Hindawi, Director General of the Insurance Commission of Jordan, said that the region is very excited about welcoming delegates to Jordan next year. "Our region has ex-

perienced rapid growth, and we see Jordan as the regional hub for insurers which want to position themselves in one of the fastest-growing regions in the world," he said.

Jordan is a bedrock for organic growth, with the Middle East region very elusive. It is expecting a huge increase in insurance for both conventional and takaful segments, with an average of 20% and 25% growth, respectively. "In 2007, insurance premiums hit a high of US\$12 billion and the market is expected to amount to \$40 billion in annual premium income within the next five to seven years. With only 1% penetration to date, this clearly highlights the huge potential for the growth of (re)insurance with increased interest from life, non-life, conventional and takaful insurers," said Dr Hindawi.

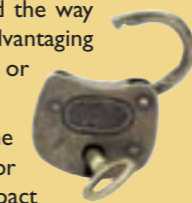
Uniquely, 75% of Jordan is considered a desert where its appeal comes from the ancient and modern kingdom that offers political stability, a conducive and promising investment climate, among its other benefits,

Top 10 Reasons for (Re)insurers to be on their Guard!

Strategic Business Risk 2008, a study by Ernst & Young and Oxford Analytica, identified the emerging trends and uncertainties driving the performance of the global insurance sector over the next five years. We bring you the top-10 risks to take note, classified into three broad areas – macro, sector-specific and operational risks.

Top-10 Risks for the Insurance Industry

- Climate Change:** long-term, far-reaching and with significant impact on the industry. Requires insurers to scrutinise their insurability criteria for certain risks
- Demographic Shifts in Core Markets:** population over the age of 60 is expected to increase from 20% in 2005 to 33% in 2050. Their financial needs will change, and they will look for products to fill the gap. Responding to this, insurers will be playing the role of the government, and may face political and regulatory pressures
- Catastrophic Events:** rising costs and serious impact on earnings for insurers will affect pricing which may result in a strengthening of reserves and the need to review reinsurance strategies
- Emerging Markets:** risk as local insurers may have a competitive threat from other Western insurers that have good emerging market strategies, and also an opportunity as consumer insurance purchases generally lag behind economic growth in these emerging markets
- Regulatory Intervention:** increased scrutiny, complexity of rules and sophistication of underlying methods could result in changes in underwriting practices and selection criteria
- Channel Distribution:** technology is changing the way insurance is sold and purchased, so agent-based distribution models are under pressure in some parts of the world
- Integration of Technology with Operations and Strategy:** an enabler to keep pace with competition, but lack of integration is a threat at the strategic business level as there may be a risk of cyber-terrorism and over-dependence on outsourcing partners
- Securities Markets:** changes in capital providers and the way capital is entering the insurance industry are disadvantaging the long-standing insurers who will not be as nimble or have the ability to exit the market opportunistically
- Legal Risk:** significant and unexpected change in the legal environment, such as government legislation or evolving case law, will continue to have a critical impact on the insurance industry
- Geopolitical or Macroeconomic Shocks:** likely causes unknown, but consequences potentially severe



Globalisation and What It Means to a Global Player

While globalisation means many things to many executives, to Mr Takeo Inokuchi, former Chairman of Mitsui Sumitomo who during his term led the Group into the realms of an international global insurer, it is more than just following your clients overseas. In the wider context, globalisation is about globally achieving optimum synergy in the systems through a more effective and efficient capital allocation and risk management and through harmonisation of rules and regulations relating to licensing, financial reporting and corporate governance. Globalisation should enable insurers to face the global risk exposures head-on, including the pandemics of avian flu and catastrophes. Ideally, globalisation will mean operational efficiency and reduced cost of compliance, bearing in mind that under the present separate regime, MNCs operating in different markets have to incur high costs in preparing different sets of accounts and reports in different formats to meet the unique requirements set by each regulator.

He is hopeful that with globalisation becoming a norm, regulators meeting under the aegis of the IAIS will be able to move towards greater harmonisation of regulations and supervisory standards.

Mr Inokuchi, currently Senior Advisor to the MSIG, is actively engaged in launching a catastrophe initiative that will provide relief and assistance to the economically most vulnerable in times of natural disasters, a proposal he mooted at the East Asian Insurance Congress in 2004 in Bangkok.

And from the IIS Delegates:

Results of the Accord interactive survey, conducted 'live' by Mr Greg Maciag, President and CEO of Accord, showed that:

- 44% of IIS delegates felt that the top issue facing the industry is competitive pricing and profitability, followed by organic growth (18%)
- 33% of IIS delegates regarded immeasurable risk as the industry's greatest threat, followed by competition from outside the insurance industry (22%).

Regulators' Views on Consumer Issues and Natural Disasters



Dr Huang Tien-Mu, Director General, Insurance Bureau Financial Supervisory Commission, Taiwan, on the future of risk-based supervision in Taiwan.

To develop ERM and supervision for insurers in Taiwan, the FSC is encouraging the industry to build its own integrated risk-management framework based on the company's business lines, scale and complexity. We are currently designing the self-assessment form to help insurers evaluate this. By further promoting ERM, we will be better equipped with all the necessary components to adopt Solvency II by 2012, and the regulatory system will move from rules-based supervision to principle-based.



Mr Muhammad Al-Shayea, Director of Insurance Supervision, Saudi Arabian Monetary Authority (SAMA) on mitigating natural disaster risks.

To alleviate the risks of natural disasters, SAMA requires insurers to address catastrophes by setting up natural disaster risk-management plans according to regions, having compulsory natural disaster coverage in their reinsurance arrangements and including calamity reserves as part of their technical provisions. In the long term, SAMA will implement other risk-management approaches to better prepare for tragedies.



while the domestic market continues to flourish.

In welcoming next year's delegates, Dr Hindawi said: "It is timely for the Middle East to showcase to the industry the opportunities, innovation and economic development in the region. I would like to extend my invitation to the participants of the 45th IIS Annual Seminar on 7-10 June 2009, to explore the potential opportunities in this region."

A Memorable Evening of Culture and Friendship

In its 51st year of awarding excellence, delegates were treated to a cultural evening filled with dramatic drum beating, folk music and dance, along with food and wine at the IIS Annual Gala Dinner. The Insurance Hall of Fame, embraced excellence and honoured new laureates who have enhanced the industry to better serve the world community. The evening ended with an array of delectable desserts, compliments of PricewaterhouseCoopers, while delegates chatted the night away.



Insurance Hall of Fame Laureates



Mr Dominic D'Alessandro, President and CEO, Manulife Financial, Canada



The late G.S. Diwan, Professor of Actuarial Studies (award accepted by his son Mr Mukund Govind Diwan), India



Mr Patrick Ryan, Executive Chairman, Aon Corporation (award accepted by Gerald Lim, CEO of Aon Taiwan), USA

Honor Awards



Presiding, Mr Bernhard Fink, Chairman of Honors Committee IIS



Commissioner General Award – Mr TM Shih, Chairman, Insurance Society of R.O.C, Taiwan

2008 Research Awards, The Geneva Association



(L-R): Presiding, Mr Patrick Liedtke, Secretary General and MD, The Geneva Association, Switzerland; and Mr Patrick Kenny, President and CEO, IIS, USA



Mr Gustavo Ferro, Professor, Universidad Argentina de la Empresa, Argentina; and Mr Thomas Sager, Professor of Statistics, The University of Texas, USA



Kenneth Black, Jr. Distinguished Service Award – Mr Andrew Giffin, Principal Towers Perrin, USA

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