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Day 1

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What can ail the knight-in-arms of the global insurance industry?

Are they alone and palely loitering as the Keatsian lore goes? Or are global CEOs a mighty force able to resolutely face the heady challenges of the day?

With the Shareholder Spring, CEOs are facing the firing squad too with at least one insurance CEO having bitten the dust over compensation queries. The fan clubs of CEOs are dwindling, and there is a greater need for a modern legend to emerge amidst the dust and doom of the economic frailties and yet more austerity measures.

Muster the collective will

On the insurance front, these are made worse by the extremely low interest rate environment and the volatile investment markets. There are tremendous pressures on underwriting and raising rates at a time when many can ill afford it. Yet to be sustainable, insurers must find the discipline and wherewithal to get the rates their business needs.

Accommodation is not an option where Mother Nature has shown her ferocity with an increasing spate of Nat CATs spewing greater damages. At the GAIF Conference in Marrakech last month, there were figures quoted showing that the average annual insured loss for the last four years (2007-2011) had increased to US$47 billion-$50 billion compared to only $12.2 billion per annum in 12 years before 1987. Of course, the attendant increase in premium has been woefully below this phenomenon. But this is Rio. The spirit of the samba prevails with eternal optimism. The challenge facing the industry today is to muster the collective will to get CEOs to act responsibly in their business with the stress on sustainability. In simple terms, it really means making insurance about offering risk protection and peace of mind at the right price!

Judge by insurance results only

The right collective approach is setting the direction that the insurance business is measured and benchmarked only by underwriting results, without regard to investment income.

The distraction wrought by the investment income input into the business equation is what confuses the business model of insurance. This is what makes most insurers cash-flow underwriters, getting the business at any rate and gambling in the equity markets, while praying for Nature to be benign.

Make the change groovy

Can the current dismal investment climate help the return to basics? Can CEOs make underwriting a science backed by analytics, technical models and expert rating system?

CEOs' challenge will be to ensure that the team gets all technical and sticks to the high road of underwriting dictates – disciplined, cautious and conservative. They should believe in their business model and not worry about being "left alone and palely loitering" as their competitor rushes in to pamper the client they left behind on principle.

Get the cops involved

Regulators can play a dynamic role with greater action in the whole RBC regimes as well as in Solvency II. Risk charges should be made transparent and automatic almost to the point of ensuring that insurers cannot give away free cover without a penalty – that they will write only risks that make underwriting sense.

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Mr Jorge Hilário Gouvêa Viera
President, CNseg

Bem vindo ao Brasil! Bem vindo ao Rio de Janeiro!

2012 IIS SEMINAR

We are very proud to welcome you to the 48th IIS Annual Seminar. For CNseg (National Confederation of General Insurance, Private Pension and Life, Supplementary Health and Capitalisation Companies), it is an honour to host the most relevant event in the world insurance market at the same time that our city is hosting the Rio+20. Over 300 delegates from around the world are meeting here to promote the debate on the most important issues of our industry and the various problems faced by the global insurance market.

The United Nations Environment Programme Finance Initiative has chosen the IIS Seminar for the global launch of Principles for Sustainable Insurance. The Brazilian insurance market will adhere to these principles through CNseg, representing our industry's commitment to the sustainable economic development of our planet. This launch will be a milestone for the industry and will further strengthen the culture and dissemination of the concept of sustainability in the world insurance market.

Our activities will go towards sustainability, since it is already the nature of insurance to act in the prevention and management of risk. Our challenge now is to promote the good practices of our industry so that they permeate every section of society by influencing the behaviour of consumers, investors, regulators and governments.

How can you win in emerging markets? Check out Page 2!

Welcome to electrifying Rio!

Mr Norman Sorensen
Chairman, IIS

Welcome to the 48th IIS annual seminar here in the electrifying city of Rio de Janeiro!

The objective of the IIS seminar is to provide a forum for industry executives to discuss current issues that face our industry globally. These complex and encompassing issues demand comprehensive dialogue among peers from all sectors of the industry and regions of the globe, an inclusive and diverse exchange that is unique to the IIS seminars.

This years' programme will not disappoint, featuring an exceptional roster of speakers focussing on Insurance Frontiers: Sustainability and Innovation in Emerging Markets. Our speakers hail from 16 countries, representing mature and emerging markets alike with expert opinions from the BRIC markets. Our Global Leadership Panel includes influential CEOs from Asia, Europe, and the Americas providing candid remarks on the state of the industry.

I hope that while you are here in Rio, you will take advantage of all that our seminar and this dynamic city offer. Our programme is packed with prominent speakers, lively discussions, industry research, networking opportunities and the opportunity to learn from your peers, whilst enjoying the Brazilian culture and hospitality. I'm confident that you will benefit from the next few days here and I'm pleased to welcome you to Rio!

Niterói Contemporary Art Museum

(continued from page 1)

Pay for peace

Along the way, the consumer and the corporate must be made to realise that there is a real price for risks – that they know what that price is and that they want to pay for that peace of mind. It is simple logic but it requires changing of mindsets within the industry, especially among intermediaries and marketing men, that every risk comes with a price. And they come branded too, with more secure insurers being able to command a higher premium. Some may even say: "Dream on".

But business must get real and serve a "real" purpose. Otherwise it will become extinct. If risks have no discernible price, then what of insurance?

On the global front, austerity measures are a must, tempting though the lure to spend for growth. "La Belle Dame sans Merci," as Keats would say. But boy is she right!

How can you emerge as winner in emerging markets?

Long-term view is key

Mr Martin Senn
CEO, Zurich

At Zurich, we always take a long-term view on any investment. It is not about rushing into new markets looking to make a quick buck, but about building lasting relationships with customers, employees, partners and the society at large. To do that, you need to have a local presence, invest in the communities in which you live and work, and engage in sustainable business practises that help make the world a better place.

This focus on sustainability also means that we maintain our financial and underwriting discipline. As tempting as it would be to win market share by writing discounted policies, we know that in the long run, this would damage our business, create uncompetitive pricing expectations, and ultimately damage our ability to meet our obligations to customers. So we always focus on producing a fair policy at a fair price.

Better to be a big player in a small market

Mr Simon Lee
Group Chief Executive, RSA

The first rule of success in developing markets is to recognise that each is different. A deep understanding of local business culture and local relationships is critical to securing distribution. While there are common themes across them all, they are first and foremost unique markets with local competitors, distribution, legal and regulatory conditions and they need to be considered in that way. Even within regions, for example Latin America, there are many more differences than similarities between markets. Chile and Colombia speak the same language and that's about all they have in common.

Political and regulatory risk is more significant in many emerging markets. In China, for example, many companies remain quasi state or army owned and local officials can strongly influence where and how business is placed. Building proper relationships with these individuals is a key success factor.

And while the largest developing markets may look the most attractive, smaller ones may offer much more potential. It's often better to be a big player in a small market than a small player in a big market.

This is the second time Rio is playing host to the IIS Annual Seminar. Rio first hosted the seminar in 1981 – 31 years ago this year.

Mexico is the only other Latin American country that had hosted the seminar – in 1972 and in 1997.

Be forward-thinking about opportunities

Mr Donald Guloien
President & CEO
Manulife Financial

To be successful in emerging markets, you must be forward-thinking about growth opportunities beyond your borders and you must be deliberate about building strong relationships that will prove critical to your success.

In business, it can be difficult to balance the demands of the pressing moment with the far-off future, but this forward-thinking approach is exactly what is needed and it is exactly what Manulife has done. We began pursuing opportunities in Asia back in 1897; today, our Asian operation is our fastest growing division, representing about one-third of our company's earnings.

Building partnerships has also been critical to Manulife's success in Asia. Our growth in selected Asian markets has been supported by key partnerships with Canadian and Asian governments. Additionally, we've been very successful in developing partnerships with local businesses that have helped us learn and understand the nuances of doing business in Asia.

Commit permanence

Mr Antonio Huertas
Chairman, MAPFRE

MAPFRE continues to move from success to success in its internationalisation process, a strategy started some decades ago. What are the keys to this approach? Commitment to permanence in the various countries, constant work and a special effort to identify the particular features of each market, which allows us to properly adapt our global strategy to the local environment, based on a sustainable model aimed at increasing profitability and value for shareholders.

MAPFRE has also committed itself to integrally developing the companies through which it operates, thus complementing its business performance with the activities of general interest undertaken by its foundation.

A decentralised model allows faster response

Mr Barry Stowe
Chief Executive
Prudential Corporation Asia

Southeast Asia presents attractive opportunities with its large, relatively young populations, as well as its growing middle class with significant and rising savings and protection needs. Prudential is a leading player in these markets, and underpinning our success is a unique multi-channel distribution platform that maximises market and customer reach.

We operate our regional businesses under a decentralised model which facilitates decision making in the local markets and allows us to respond to fast-changing customer needs. Business aside, we believe in and have been playing our part in bringing long-term benefit to local communities through social responsibility programmes.

Seize today's challenges

As co-chairmen of the 2013 IIS Seminar organising committee in Seoul, the heads of the Korean life and non-life associations give their take on the challenges today's insurance industry needs to grapple with.

The global insurance market is facing uncertainty over future growth engines and the growing number of natural catastrophes. And with the world economy in difficulty, consumers are cutting back on their insurance purchase, which could pose a threat to the global insurance industry.

At a time when the world is suffering from an unprecedented financial turmoil brought about by the European debt crisis, I believe the biggest challenge for our industry is to overcome this crisis as soon as possible and to establish sound insurance and financial orders to prevent another crisis down the road.

The insurance industry needs to pre-emptively manage risks by reinforcing underwriting, spreading risks via reinsurance and accumulating sufficient contingency reserve. At the same time, it should facilitate individual and retirement pension markets by developing retirement income plans suitable for an ageing society.

Beyond just selling insurance products, insurers must evolve into institutions that provide comprehensive financial services. With the growing demand for financial products as people's income and standards of living go up, the insurance industry should respond quickly to meet this demand. Doing so can very well help it overcome the current economic doom and gloom.

Mr Gyu-Bok Kim
Chairman, Korea Life Insurance Association

The environment surrounding the insurance industry is changing day by day, and uncertainty is also growing. Most developed insurance markets are facing environmental factors such as continued insecurity of the financial markets and change in social trends coming from low birth rate and aging.

The global insurance industry must also overcome the challenges arising from Nat CAT risks due to climate change, low interest rates and increased regulations. But instead of seeing these as challenges, the industry must view them as opportunities for future growth.

It should develop products that take advantage of the benefits of long-term asset management and prepare against risks and difficulties brought about by the ageing of populations. Governments' financial burden caused by healthcare expenditures and increased public annuity spending calls for a strengthened partnership between the public and private sectors. And in this time of emphasis on green growth and personal information protection, demands for products that cover risks arising from environmental pollution and personal information leakage can be created.

Finally, for the industry to play its role as a social safety net and maintain a sustainable growth, gaining customers' trust must be its utmost priority.

Mr Jae-Woo Moon
Chairman, General Insurance Association of Korea

Get to know the world's 9th largest insurance market * 2010 figures

Korea is the 9th largest insurance market in the world with a 2.6% share of the global market and a total premium income of US$114.4 bln, an increase of 16.3% from 2009.

It boasts the 6th highest insurance penetration in the world at 11.2%, up from 10.4% the previous year.

It fully implemented a risk-based capital framework in April 2011.

Insurance density stood at $2,339.4, up 23.8% from 2009.

- Life density: $1,454.3 (up 23.2%)
- Non-life density: $885.1 (up 24.7%)

The Korean International Financial Reporting Standard was fully implemented among listed companies in 2011, with insurers subject to mandatory application of the standard.

Life Market

Premium income grew **7.9%** to more than **KRW83 tln** (US$70.38 bln), thanks to increased sales of annuity and saving-type insurance.

With more benefits and refunds, claims paid rose **13.4%** to **KRW53.7 bln**.

Net income stood just over **KRW4 tln**, up **63.3%** – continuing the **10-year** growth streak since **2001**.

New business policy growth fell **10.6%** to **KRW349.28 tln** because of fewer policies sold, while business in-force grew **3.6%** to over **KRW1.79 tln**.

Total assets exceeded **KRW416.65 tln**, up **11.8%** from the previous year, with operating assets accounting for **92.7%**, up **12.8%**.

A total of **19.89 mln** new life insurance policies were written in **2010**, down **15%** from **2009**.

As of end of **March 2011**, **14** domestic and **nine** foreign life insurers operated in Korea.

Non-Life Market

Direct premiums totalled **$42,896 mln**, growing **17.1 %** over the prior year. Earned premiums increased **16.7%** to **$41,381 mln**.

Direct claims paid increased **13.6%** to **$16,246 mln**, with net claims paid growing **10.0%** to **$15,115 mln**.

Incurred loss amount rose by **18.9%** to **$32,784 mln**. Loss ratio rose to **79.2%** from **77.7%** the prior year due to the increase in loss ratio of fire, marine & casualty, auto insurance and long-term insurance, excluding guarantee and private annuity.

Insurers recorded **$859 mln** of loss – a **5.5%** deterioration over the prior year given the rising costs.

Investment profit grew **18.9%** to **$3,246 mln** and net income rose **31.8%** to **$1,765 mln**.

Insurers' working assets increased **19.4%** to **$71,083 mln**, while total assets grew **18.7%** to **$88,896 mln**.

As of end of **March 2011**, there were **30** general insurers in Korea: **13** domestic and **17** foreign players.

IIS 2012 Offering: A combination that's hard to beat

Mr Michael Morrissey
President and CEO, IIS

Noting the great excitement among IIS members as the 48th Annual Seminar commences, Mr Michael J Morrissey, President & CEO of IIS, said that the seminar this year presents a combination of information, fascinating speakers, networking opportunities and enjoyable venue that is hard to beat.

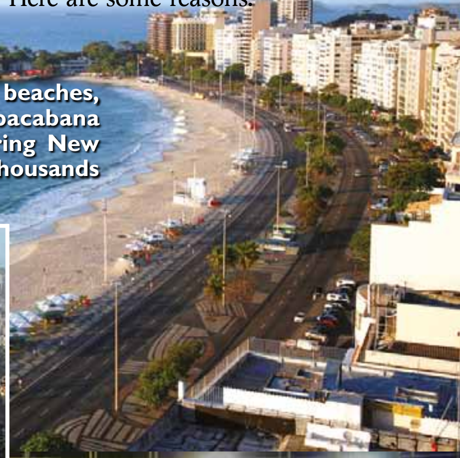
He said that this year's event presents a number of thought-provoking sessions on the vital issues of today and tomorrow. "Yet it is the unique membership composition of the IIS that promotes the exceptional quality of cross-border idea exchange for which our seminar is renowned."

He added that IIS' diverse membership, with over 900 members from nearly 100 countries, and the fact that members hail from both developed and developing markets – from the industry's global leviathans to companies of modest size and reach – have led to more creative and open-minded discussion of issues than just a few big players talking to each other.

"So, as you enjoy Rio de Janeiro and the IIS seminar programme, take advantage of the wide range of ideas present here at the Sofitel Copacabana: industry leaders from the executive, regulatory and scholarly worlds, and many of the leading industry consultants, asset managers and accountants," said Mr Morrissey.

Oh, Rio!

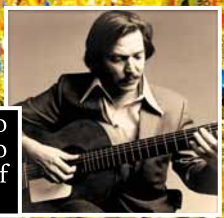
Why do Cariocas or locals of Rio de Janeiro say, "God made the world in six days, but on the seventh he created Rio"? Here are some reasons.



1 It has some of the world's best beaches, which stretch for about 50km. Copacabana Beach hosts millions of revellers during New Year's Eve celebrations and attracts thousands of tourists everyday.

2 It boasts the world's largest urban forest, the 3,200-hectare Tijuca Forest, where the famous statue of Christ the Redeemer can be found on top of Corcovado Mountain.

3 Its annual Carnival draws more than half a million visitors a year in a celebration that revolves around samba music.



It's the birthplace of rich musical genres like bossa nova, choro and samba and of musician and bossa nova pioneer Antonio Carlos Jobim, composer of one of the most recorded songs of all time: "The Girl from Ipanema".

A new world of opportunity in Toronto

The seminar in Toronto last year provided a good time and venue to look at a new world of opportunity for insurers after emerging largely unscathed from the global financial crisis.

The consensus was that to create and seize opportunities, the industry should alter the way insurance was viewed and take greater steps to increase the value of insurance. Insurers were also urged to interact more with regulators to better the latter's understanding of the industry.

Meanwhile, the Canadian regulator was quick to remind the industry not to take too much comfort in the fact that it weathered the crisis well. Past successes, she said, do not guarantee future successes. A timeless piece of advice indeed!

Ms Julie Dickson
Superintendent, Canada's Office of Superintendent of Financial Institutions

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