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## Get Real in Rio: Fight to regain lost ground

In line with the theme of sustainability, a global leader took centre stage yesterday to awaken the audience with the challenge for the industry to re-innovate to stay relevant and fight intelligently to regain lost ground in its own market space.

As the last speaker at the Global Leadership Panel on Insurance Frontiers – Sustainability and Innovation in Emerging Markets, Mr Michael McGavick, CEO of XL Group, woke the 400-odd insurance leaders and professionals gathered at the 48th IIS Annual Seminar with the simple message that despite its best efforts, the insurance industry has been declining in relevance daily. He cited trends like the failure of the industry globally to keep up with the growth in GDP worldwide and the “near absence” of initiatives in supply side management offerings or the “irrelevance” of insurance products in the areas of technology and energy, the two sectors to which the world’s top five global corporations today belong.

In his leadership address, Mr Denis Kessler, Chairman and CEO of SCOR, warned that though globalisation had led to clear convergence of markets and standards, there is a real need to remember that each insurance market is specific and unique. One model does not fit all and each emerging market is not a clone and there is a real need for tailor-made approaches.



**Mr Michael McGavick**



**Mr Denis Kessler**

### And the way forward?

Mr Kessler said it was important not to underestimate the high level of competition in the market, or neglect the volatility and cyclicity of the business in each market.

Mr McGavick, who assured the audience that he was neither a pessimist nor an alarmist nor a Pollyanna, came

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## All-out support



**Mr Bruno Sobral de Carvalho**  
Director of Sectorial Development, National Agency for Supplementary Health



**Mr Dyogo Henrique de Oliveira**  
Assistant Secretary of Ministry of Treasury



**Mr Luciano Portal Santanna**  
Superintendent, Superintendencia de Seguros Privados



**Mr Julio Bueno**  
Secretary of State for Economic Development, Representing Sergio Cabral, Governor of State of Rio de Janeiro

In an all-out support of the 48th IIS Seminar, officials from the Brazilian government welcomed the delegates to Rio and emphasised the important role the insurance industry plays in the fast-growing Brazilian economy and society. They noted that the robust development of the oil & gas sector, booming private investment, Brazil’s hosting of the FIFA World Cup in 2014 and the Olympic Games in 2016, as well as government spending are all opening windows of copious opportunities to the insurance industry in the country, boosting further its growth and prospects. And with the economy becoming more formal, the income distribution improving and the middle class growing and having added 30 million more Brazilians between 2003 and 2009, they said that these are exciting times for the insurance industry in Brazil.

## Brazilian market commits to sustainability

The Brazilian insurance market will adhere to the Principles for Sustainable Insurance through CNseg. Our activities will go towards meeting the concept of sustainability, since it is already the nature of insurance to act in the prevention and management of risk. The challenge now is to promote the good practices of our industry so that they permeate every section of our society by influencing the behavior of consumers, investors, society, regulators and governments.



**Mr Jorge Hilário Gouvêa Viera**  
President, CNseg





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armed not with a magic potion or charm but some steps to meet this challenge to gain lost ground:

- Put the best people on the job to get innovation rightly re-engineered with practical intelligence; and
- Change the insurance mindset about the need for length of data but rather use the volume of data to come out with products needed to free the minds and balance sheets of clients, so they can focus on doing what they do best while trusting their insurer as a partner to protect them.

### Unleash the power

He said the thirst for innovation is very strong within the industry and among its partners. The real challenge is for those who lead the industry to unleash this thirst to innovate and get “smart” to regain that lost ground especially in the energy and technology markets, the two giants of today that touch the lives of everyone around the globe.

## Rio+20 & Insurance

It is the 20th anniversary of the Earth Summit first held in Rio in 1992! And the IIS Seminar is here in Rio at this historic moment to witness the UN Conference on Sustainable Development secure renewed political commitment for the process. The VIPs are in town and there is a frenzy of diplomatic initiatives to focus on the green economy in the context of sustainable development and poverty eradication, and setting up the necessary institutional framework to get the process moving.

The insurance industry, which has a direct stake in sustainable development both at the front and back ends of the problem, can take the initiative to lead the corporate world in the sustainability challenge. The social compact is under threat today with the widening income inequality between the rich and the poor, the young and the old and the educated and the uneducated, and the fear of long-term unemployment creating a permanent underclass by which business is being seen as the enemy, says *The Economist*.

The enlightened view is that industries should not wait for governments and rules and should by themselves act to strengthen the social fabric. And the insurance industry, meeting in the midst of Rio+20 by chance or by strategy, is taking a lead. Watch this space tomorrow.



### Innovation in Brazil and China

The other members of the panel were equally enthusiastic about innovation. Both in Brazil and China, where the insurance industry has kept pace with the current economic boom, innovation is needed to meet the changing needs of the new middle class.

Mr Patrick de Larragoiti Lucas, Chairman of Brazilian insurer SulAmerica, said it is “harvest time” now for insurers, which are even looking into microinsurance to meet the needs of the very poor with premiums as low as BRL2 a month. He was very positive and totally confident of rising to the challenge of growth as well as liberalisation and regulation.

Mr Zongmin Wu, Chairman of China Pacific Property Insurance, which is among the world’s Top 500 Enterprises, said that in the growth market, differentiated competition is becoming more important as insurers seek to improve services and protect the livelihood of the people.



Mr Patrick de Larragoiti Lucas



Mr Zongmin Wu

## Industry needed now more than ever

The world needs the insurance industry now more than ever, said Governor Dirk Kempthorne, President & CEO of American Council of Life Insurers, in a special address on the insurance industry’s relevancy to G-20 priorities. This, he said, is given the serious problem of population ageing and its huge burden on governments in most developed economies and even in some developing ones.

He said that societies must find a new way for people to maintain a retirement income, and that the answer is in insurance, which he said has a meaningful contribution to achieving old-age security.

“We can’t continually expect employees to fund the retirement of their parents and grandparents,” he said, adding that a key solution to the problem is annuity as it guarantees income for life.

He advised developing markets to take note of what is going on in the populations of Japan, the EU and the US and learn from them. He also urged greater personal responsibility, that individuals should not just ask what their government can do for them, but also what they can do to help themselves to supplement their retirement income.



### A “yes” industry

To the insurance industry, he said: “It is incumbent upon us to recognise that challenges exist, to recognise the significant benefits, capabilities and abilities of this industry to reach out to millions of people in all walks of life.” Describing the industry as one that is in the business of saying yes, he said: “This is a noble industry, an industry that says yes to the family and yes to the individual. And the horizon is there for us to fulfil our destiny.”



## Shareholder Revolt Spring or just thawing?

It began in April when Citigroup’s shareholders rejected a board-approved compensation package for CEO Vikram Pandit, followed shortly by Credit Suisse and Barclays shareholders who voted down the banks’ pay plans. Then came the talk that investors were finally catching up with public outrage over rewards in the banking industry – giving rise to the buzzword “shareholder spring”.

Insurance had its share of the corporate drama as well when Aviva saw 59% of shareholder votes failing to back its pay plan and leading to the resignation of CEO Andrew Moss, who became the third FTSE 100 CEO to quit amidst a brewing shareholder rebellion in the UK.

### Not really tumultuous

But have these and other similar events really led to what has been dubbed a shareholder spring? Not really, or at least not in the US, according to a study by Davis Polk & Wardwell. “The 2012 proxy season in the US, forecast by some to feature significant turmoil and change, has in fact been less tumultuous than expected,” said the report.

It found that of the 639 large companies that reported proxy results as of 18 May, only 2% failed say-on-pay votes – the same percentage seen in 2011. And less than 16% of these companies reported say-on-pay results below the 80% approval level.

“The continued high pass rates may reflect not only the tactical judgment of shareholders to force the issue at only a handful of companies, but also the retreat at many companies from practices that had drawn the most criticism, such as tax gross-ups and excessive severance,” said the report.

For the 15 large companies that failed to get approval of their executive pay, Davis Polk said that the common explanation was a perceived pay-for-performance disconnect, giving rise to negative recommendations from proxy advisory firms.

### Take it seriously anyway

Even with a lack of extensive tumultuous revolt, companies are reminded not to take shareholders’ votes against executive pay and other plans for granted as these could be a sign that there already are problems. And spring or no spring, boardroom attitudes are believed to have changed.





## Korean insurance market Prospects remain bright

Major industry players in Korea give their outlook for the domestic insurance market and beyond, seeing opportunities in changing demographic trends, high net worth segment and Asia's emerging markets.

### Opportunity in increased longevity

With the rapidly changing economic environment and demographic trends, what we foresee as a major opportunity is the increasing longevity around the world. There is a better understanding of the greater need to ensure financial stability after retirement, encouraging individuals to prepare well for their post retirement by, for example, getting sufficient life insurance coverage.



**Mr Eun-Chul Shin**  
Vice Chairman & CEO,  
Korea Life

To capture this opportunity, Korea Life Insurance is fully committed to serving everyone's needs by diversifying and expanding its business, from life insurance, retirement programme, wealth management and annuity to microinsurance. With this strategy, Korea Life Insurance will promote quality growth and global expansion.

### Prospects look bright

The Korean insurance market's prospects look bright for 2012/2013. For FY2012, it is forecast to grow by 11.2% to total KRW165.5 trillion (US\$140.8 billion). The long-term lines have been soaring, and demand for pension insurance is going up, while for life insurance, savings-type products have been steadily growing.



**Mr Jong-Won Park**  
President & CEO,  
Korean Re

At the same time, as an industry, we need to respond nimbly and efficiently to changes such as in macroeconomic factors including challenging economic environment, price instability, low interest rates and major regulatory changes. As a professional reinsurance provider, Korean Re will remain committed to the progress of the Korean and global insurance markets.

Congratulations to Rio de Janeiro for its successful hosting of the 48th Annual Seminar. Seoul and Korean Re are ready to meet the exemplary standards that previous host cities have set, and put on a spectacular show!

### Exploring growth opportunities through change and innovation

Amid the developments in digital and mobile technologies, customers' pattern of consumption continues to change. As a result, the paradigm of insurance business is also changing fast, with insurers inevitably required to explore opportunities for new growth through change and innovation.



**Dr Chang-Jae Shin**  
Chairman & CEO,  
Kyobo Life

The change and innovation that Kyobo Life pursues for its sustainable growth is faithfully fulfilling its corporate mission as a life insurer.

To this end, Kyobo Life continues to serve its customers to provide them both peace of mind and financial security. Through this, the company is able to innovate in providing optimum insurance coverage to customers. Our final goal is to achieve good growth, ie co-prosperity of not only our customers but all stakeholders. This represents Kyobo Life's corporate philosophy, CSR, management principles and marketing strategies.

### A proud history

Korea's insurance industry, with over 100 years of history, boasts a status of being ranked 9th in the world insurance market, and has become a field of competition between domestic and multi-national insurance companies.



**Mr Hak-Hyen Kim**  
CEO, NH NongHyup  
General Insurance

NH NongHyup General Insurance, dating back to 1910, has walked side-by-side with the history of Korea's general insurance, contributing to the quality of life of customers and farmers through general, long-term and agriculture insurance products.

The company, with its credibility and 100 years of successful operations, aims to become a model of successful co-development between customers and insurers.

### Retirement and HNW markets driving growth

Although the volatility in the global financial market has increased recently, the Korean insurance industry continues to have a steady growth driven by the growing retirement market and increasing number of high net worth individuals. Along with these opportunities in the domestic market, the Asian emerging markets are also expected to be a medium-to long-term growth driver for Samsung Life.



**Mr Keun-Hee Park**  
President & CEO,  
Samsung Life

As the largest life insurer in Korea, Samsung Life will take full advantage of its expertise, market knowledge and financial strength to capture new business opportunities.

### Creating new growth engines

As a leader in the guarantee market, Seoul Guarantee Insurance Co (SGIC) is a global guarantee company with credit ratings of "A+" by Fitch Ratings and "A-" by Standard & Poor's. It posted excellent operational results with direct written premiums of US\$1,067 million in 2011, up by 15.7%. SGIC will bolster its competitiveness by creating new growth engines, developing new products to meet market demands, and analysing and improving its products and risk management based on an ERM system. It will open a New York representative office in the second half of 2012 and a branch office in Vietnam to grow its capacity to conduct guarantee business overseas.

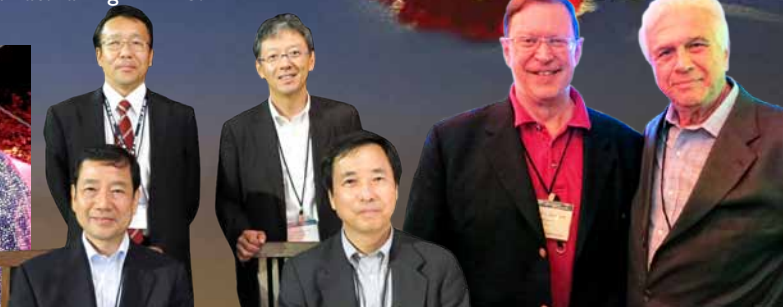


**Mr ByungKi Kim**  
CEO, Seoul Guarantee

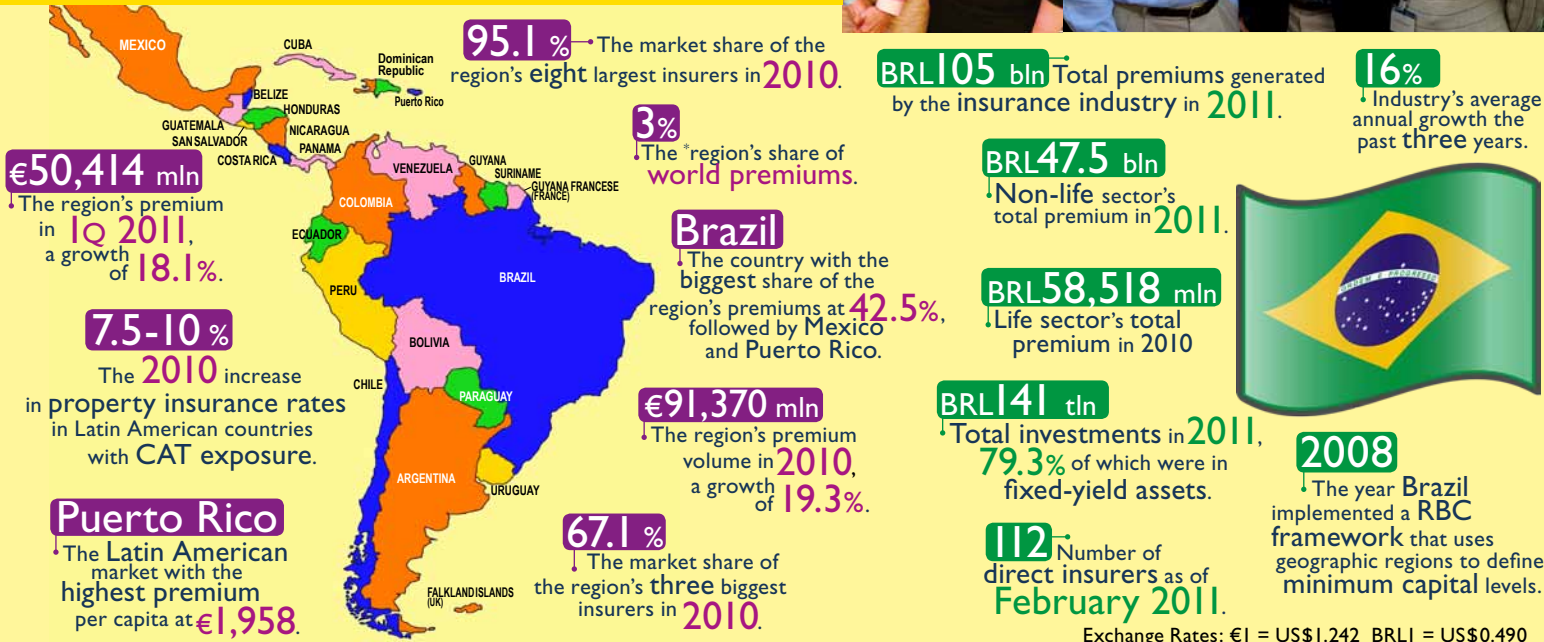


# High in Rio

Rio de Janeiro is indeed a venue that is hard to beat. The city welcomed IIS Seminar delegates from Sugarloaf Mountain, which offered a breathtaking view of Guanabara Bay and the city's harbour 396 metres below, and the iconic Christ the Redeemer statue. A night of samba music and dance and cosy and friendly ambience got delegates to a natural high in Rio.



## Latin American & Brazilian Markets Fatos e Números (Facts and Figures)



\* Includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Dominican Republic, Uruguay and Venezuela.

Exchange Rates: €1 = US\$1.242 BRL1 = US\$0.490  
Sources: Superintendencia de Private Insurance (SUSEP); Fundacion MAPFRE's "The Latin American insurance market 2010-2011" report; Swiss Re sigma.

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