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The life juke box is booming

Asia is booming. And in terms of life business, it is a runaway success with the buoyancy in the emerging markets of India and China. With each having a population base of over a billion people, Asia is seen as the fertile base for growth. In fact, a recent forecast predicts that over the next five years, 40% of the growth of the global life market will come from Asia.

Playing by numbers

The figures are dazzling for Asia. The life business soared with a double digit growth of 16.6% against a global average of 2%, said the much-followed *sigma* report. And five of the top 10 life markets are in Asia – Japan (second), China (sixth), Korea (eighth), Taiwan (ninth) and India (10th). Europe has only four of the 10 while the US remains number one.

Asia currently accounts for some 27.74% of the global life market with premiums amounting to US\$691 million in 2008. Insurance in Asia is driven by life which accounts for 74% of the total business, with non-life only having 26% share though with greater media attention given the global warming, natural catastrophes, terrorism and motor problems, it seems to overshadow the life business.

And to drive home the point: none of the Asian markets made it to the top 10 in terms of premiums per capita or insurance density.

Playing by strategy

Yet this high impact growth is not to be taken for granted. It doesn't just happen. Many commentators and management consultants have argued that whilst in the past, the business was all about growth with every newcomer being able to expand, there is now a greater need for strategic planning and devices as competition gets tougher and the consumers get more demanding. The various distribution channels are ironically spoilt for choice of carriers too while insurers need to adopt a multi-channel strategy. They have to do this while coping with regulatory changes, the need to contain cost, managing capital to match assets to liabilities and getting the best people amid the talent shortage.

As Mr Gordon Perchthold, Co-founder of The RFP Company says: "Strategy was not as necessary a capability during the past century while markets in Asia continually opened up with 'flag planting' and 'land grabs' available for all comers. However, the competitive space has now become more concentrated. For some insurers, it is time to think about whether they are truly serious about Asia and for others what type of positioning and operating model will help them to become more successful."

Playing by PIC rules

As Mr Sara Lamsam, Chairman of PIC Organising Committee and head of Thai Life Assurance Association states, the PIC is an outstanding forum for life insurance, retirement savings and wealth management experts to come together to look at current priorities and future opportunities. It will perhaps be an ideal forum to discuss strategic issues and map out the way forward, bearing in mind that many insurers tend to go after the *crème de la crème* - the high net worth group - and not enough serious thought is being put into coping with the retirement needs of the ageing population and their concerns with health issues.

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THAILAND: The land of SMILES



Thailand has a population of **64.3 million**, 12 million of which reside in **Bangkok**.



The population is relatively **young**, with a median age of **33.3** years old.

In **1H 2009**, life insurance premiums grew **15.5%** to **US\$3.53 bln**. New business premiums rose by **2.2%** to **US\$1.2 bln**.

Thailand was the **10th largest** Asian insurance market and **35th globally**, in **2008**.

Total premium volume was **US\$9.1 bln** with **54.3%** from the life business.

Insurance penetration stood at **1.8%** for life, and **3.3%** in total business last year.

Playing with investments

The most hard-hitting impact of the global financial crisis on the life business aside from the huge drop in investment income (which even now is said to be recovering rapidly) is the loss of interest in investment-linked products (ILPs). Sales have plummeted in so many markets that at the Asean Insurance Council meeting last month in Laos, life insurers, especially those in the emerging markets that had not gone into ILPs, were advised to stay away from this segment and focus on protection.

The good news is that there is a pick-up in demand for such products. In fact, many of the insurers which had been promoting ILPs even in Hong Kong have reported that with agents pushing the protection business, overall new business has grown in the first half of 2009 despite the steep falls in ILPs.

Playing the theme

The Asian markets are relatively open with most of the foreign MNCs competing head on with each other and with the domestic and local companies in the various distribution channels. The PIC's theme, "Building a World Class Business in the Asia Pacific Region – Success Strategies for Multinationals and Domestic Companies", could not be more appropriate in the context of the current global financial crisis. Thai hospitality is already world class if not the best, and this will be further enhanced by the Loy Krathong festival. So you are in for a treat.



On behalf of The Thai Life Assurance Association and the 24th Pacific Insurance Conference Organising Committee, it is my great pleasure to extend a warm welcome to the 24th PIC in Thailand.

The 24th PIC is a platform for life insurance, retirement savings and wealth management executives from the Asia Pacific and the world over to meet and to present their perspectives on current and future industry concerns.

The current financial crisis presents not just extraordinary challenges, but also potential for business development. Hence, the conference theme, "Building a World Class Business in the Asia Pacific Region – Success Strategies for Multinational and Domestic Companies", could not be more appropriate.

We hope you will bring home fruitful networking and learning experiences, complemented with fond memories of Thailand's exceptional attractions, from ancient temples and palaces to forested mountains and idyllic beaches.



Mr Sara Lamsam
Conference Chairman, 24th PIC

Playing for Asia

With the array of global and local speakers, the PIC will look at the basic operational and cultural differences in the business models of the two groups to tackle the burning unanswered questions of how different are they and if so which is better. In the current financial crisis with some elements of de-linking emerging, perhaps now is the crucial opportunity to examine the Asian perspective of life insurance and see if the West has something to learn from the local model. Note the fervour and impact of the AIA ads these days that focus on A(S)IA and how Prudential Corporation's Asia business has become more significant. In this rush to set best practices and world standards, the established patterns are from the West. But Asia remains a powerful force.

Playing in Asia

In their book on Life Insurance in Asia, McKinsey directors Stephan Binder and Joseph Luc Ngai state: "Battle lines are being drawn between local incumbents, attackers, and foreign players. While local incumbents have significant advantages in massive armies of agents and recurring premium income from in-force policies, the attackers are gearing up their multi-channel approach, and selling far more innovative products on the market." They said that to win in the next decade, insurers must focus on five key factors:

- building a sustainable agent force;
- creating value in bancassurance and alternative channels;
- upgrading the business model to combat intensifying competition;
- capturing the pan-Asian opportunity; and
- sustaining margin pressure.

Playing to win

"If the 1990s, for most of Asia, can be characterized as a 'gold rush' or a 'landgrab', this coming decade will likely be characterized as one of 'outperformance,'" predicts Mr Binder. "The need to reinvent old models and to capture new growth areas has never been more critical. For those who have the foresight and determination and are willing to make the investments, the prize will be well worth the effort."

As Mr Perchthold says: "In the new competitive era, CEOs need to recapture their forward looking optics, think about how the competitive landscape has changed; what capabilities need to be developed; what initiatives need to be planned, and whether the right mechanisms are in place for appropriately allocating budget and monitoring the realization of promised results from their strategic initiatives."

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Dr Wolf Becke

Positioning for a season of recovery

Asia's growth catalysts remain intact and offer budding opportunities for Hannover Life Re, says CEO Wolf Becke.

Asia's economy may have caught the global financial flu but for Hannover Life Re,

prospects in the region can only get better. Not only is it starting to display green shoots of recovery, its growth fundamentals are firmly rooted, said Dr Becke.

"We remain convinced that the present economic downswing in Asia is only a temporary distraction from the growth records seen in this region," he stated. "The fundamental drivers of Asia's economic expansion are still intact: ongoing urbanisation, along with a growing middle class, rising education levels and the steady liberalisation of most markets, will consistently attract capital and stimulate entrepreneurship."

This is why the region is still a major draw for Hannover Life Re, which is striving to become a "Third Force" – or the third largest reinsurer – here in Asia, said Dr Becke. "Hannover Life Re is also determined to take a leading role in terms of economic efficiency and business professionalism. We further strengthened our reinsurance organisation in Asia last year by supplementing our long-established operations in Hong Kong, Malaysia, Japan and Taiwan with two new branches in China and Korea, as well as a new service company in India."

Meeting challenges in Asia

Hannover Life Re, like its peers, will have to work hard to meet the demands of the macro environment. "Changes in social structures and the trend towards self-reliance – with smaller family units and changing lifestyles of the young middle class as well as the asset-rich elderly – are challenging the insurance industry to provide solutions that meet such growing and evolving needs. The level of underinsurance in most of Asia's

emerging markets is still very high, and we therefore consider the outlook for the insurance industry to be very positive and challenging. This statement also without doubt holds true for the reinsurance industry."

Every successful reinsurer, he added, must align its services with the speed and flexibility of rapidly emerging markets in Asia. "The new and emerging Asian markets require more basic reinsurance services in the areas of product development, medical underwriting and claims handling. More mature Asian insurance markets seek both highly efficient risk transfer solutions as well as international, specialised insurance solutions. This presents a very wide range of requirements and Hannover Life Re's international network – together with its local Asian offices – is very well-positioned to meet these challenges."

Five pillars

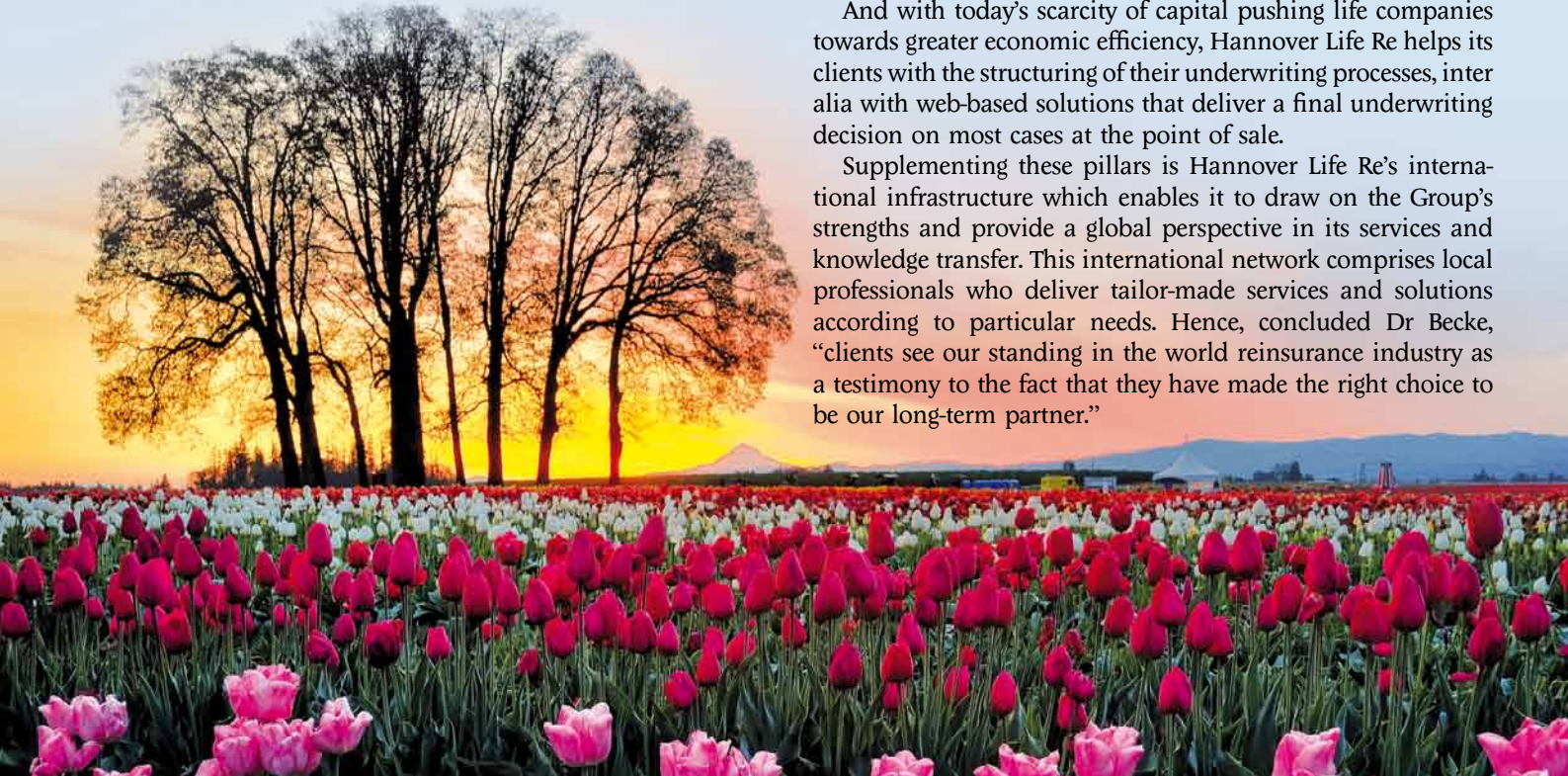
Hannover Life Re's business model is well-suited to serve the insurance markets in all seasons, even in these difficult times, said Dr Becke. Its strategy rests upon five pillars – "New Markets", "Financial Solutions", "Bancassurance", "Risk Reinsurance" and "Multinationals" – which support the company's value proposition. "It not only speaks to the wide range of classes of business, but also the focus on what we can do best in each pillar."

With the financial crisis having shaken the capital position of many life insurance companies, Hannover Life Re offers its clients "Financial Solutions" to help them reinforce their capital base through reinsurance financing and surplus relief arrangements, explained Dr Becke.

With the emphasis on protection-oriented products, Hannover Life Re's "New Markets" pillar supports companies in introducing more such products rather than savings offerings. "Protection products better address the real insurance needs of people in many ways, while at the same time requiring less solvency capital than savings-oriented products with inherent capital and investment guarantees," he noted.

And with today's scarcity of capital pushing life companies towards greater economic efficiency, Hannover Life Re helps its clients with the structuring of their underwriting processes, inter alia with web-based solutions that deliver a final underwriting decision on most cases at the point of sale.

Supplementing these pillars is Hannover Life Re's international infrastructure which enables it to draw on the Group's strengths and provide a global perspective in its services and knowledge transfer. This international network comprises local professionals who deliver tailor-made services and solutions according to particular needs. Hence, concluded Dr Becke, "clients see our standing in the world reinsurance industry as a testimony to the fact that they have made the right choice to be our long-term partner."



Flashback on Past PIC Events

Malaysia 2007



Singapore 1999



Taiwan 2005



Hong Kong 2003



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