

PIC Daily

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ASIA INSURANCE REVIEW
 Celebrating 20 years of serving the insurance industry in Asia

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Life: Hail tomorrow!

On its 25th anniversary, the PIC tackles a great visionary theme spanning the past, the present and the future. And young and vibrant Singapore, with an ageing population, serves as a vantage point to take stock of the direction life business can go to respond to the changing needs of the people and the different lifestyle cover demands of Gen Y and, more importantly, to take that monumental leap where insurers can see their products as being bought rather than "hard" sold.

Life is great, as one of the hypes of the day goes. Life business is booming in Asia with the sheer demographics buttressing growth, says another popular management advice. Choose any emerging market and you can plant roots even now. And if you are bolder and with a gutsy derring-do, enter a mature market and make a big difference.

Be with the leaders

Life business is as old as the hills, and distribution in Asia through tied agencies has always been the tribal chief, but oh, what a chief. Just looking at the 2010 figures from *sigma*, life dominates the insurance industry in the region with at least a two-third market share. In Hong Kong, India and Taiwan, life accounts for 87.9%, 86.5% and 83.6% respectively of the total insurance market, followed by Japan with 79.1%. Only in Luxembourg and Lichtenstein is this higher at 90.6% and 94.5% respectively.

The figures show Asia, including Australia and New Zealand, holding a 35.5% share of the global life market with almost US\$900 billion in premiums. And this share is growing rapidly as last year, the region outpaced the world average by 3.9 percentage points with a 6.2% growth.

The fastest-growing life market in the world in real terms – China – made an impressive growth of 25.6%.

Be everywhere

Distribution is redefining the business with multi-channels being the norm. Online is still cagily growing but has yet to unleash its full potential, though social media is taking its roots in insurance too for better or for worse. The trick is to be everywhere at any time.

Be really different

Innovation is another toughie for the life market despite its sophisticated marketing and branding. A popular gripe among well-informed actuaries is that there has been no real innovation in life since the advent of critical illness covers in the market. And that was decades ago. So get back to the drawing boards and go beyond marketing gimmicks to launch aggressive new products and create "X" factors that make insurance abuzz on all platforms! Dream?

Age-friendly business

Despite the ageing demographics in Asia, life companies are still not doing enough to tap into the retirement needs and deals. They have to move beyond looking at the tested route of getting the young to think of getting old in today's instant-gratification society. Life companies should instead look at products that the "rich old" can buy, be it healthcare or on fixed income returns, or even products that allow the elderly to draw down progressively on the homes they live in or for medical expenses.

To end with a timely pun, the future is today, not tomorrow, and don't let yesterday hold you back. Reach out with your hands held even farther as you taste the luxury of life.

Welcome to the Lion City

Distinguished Participants and Friends,
 On behalf of the 25th PIC Organising Committee, I am delighted to have the honour of welcoming you to the 2011 Conference in Singapore.

Your participation will enliven our Conference and make it more interesting for everyone. We are glad you have joined us to joyously celebrate 50 years of the biennial Pacific Insurance Conferences.

I believe the PIC brand has endured and developed from strength to strength on the basis of its characteristics, namely:

- Unchanging focus on life insurance;
- Conference themes and topics of key interest; and
- Line-up of international speakers from among the industry's top leaders.

This year, we are privileged to have very senior speakers from Japan, China,

India and Singapore in addition to distinguished speakers from the UK, Europe and North America. In this regard, we wish to acknowledge the tremendous efforts of the PIC Chairman, Mr Mel Gottlieb, the Executive Committee and the Board of the PIC Limited.

The Conference is once again taking place amidst uncertain and fragile global economic conditions. We will learn from one another with a sense of heightened urgency and keenness.

We sincerely appreciate your support, and hope you will find your stay in Singapore to be a most memorable and rewarding experience.



Mr Tan Hak Leh
 Conference Chairman
 25th Pacific Insurance Conference



On behalf of the Million Dollar Round Table Executive Committee, I would like to congratulate the Pacific Insurance Conference on its 25th anniversary.

MDRT was built on the premise that to receive, you must give. We believe, as you do, that sharing ideas and best practices not only helps our members achieve success, it also strengthens the insurance industry as a whole. For 25 years, the Pacific Insurance Conference has provided a forum where industry leaders can gain knowledge, exchange information and develop solutions to solve clients' needs, while also addressing the challenges we may face in the future. Companies, industry associations and individual advisors are better because of your efforts. This is a great achievement and a reason for celebration!

Congratulations and enjoy the conference.

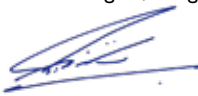


Ms Jennifer A Borislow,
2012 President, Million Dollar Round Table



I would like to express my congratulations on the 25th anniversary of the Pacific Insurance Conference together with my appreciation of its contribution toward the growth of the insurance industry in this region. As it is known, the PIC is one of the platforms that open opportunities for insurance players to share experience and to together gear the industry toward the future.

Once again, congratulations and keep up the good work!



Mr Sara Lamsam,
Chairman, 24th Pacific Insurance Conference
Vice President, Administrative,
Thai Life Assurance Association

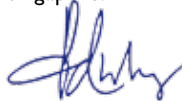


It is a great pleasure to have been asked to convey a congratulatory message on the occasion of the 25th Pacific Insurance Conference.

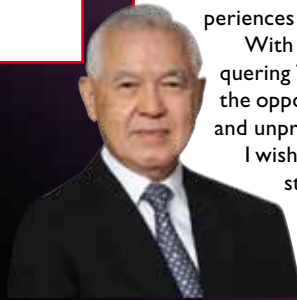
Over the past decades, the PIC has successfully provided a platform for senior executives of insurance and other financial institutions to exchange ideas and experiences concerning corporate management, marketing and customer service.

With the theme "Back from the Brink: Seizing Today's Opportunities; Conquering Tomorrow's Challenges", I believe the 25th PIC will give participants the opportunity to learn new ways of thinking and doing business in a volatile and unpredictable global economic climate.

I wish the conference every success and all overseas delegates an enjoyable stay in Singapore.



Mr Edmund Tse,
Hong Kong Chairman, PIC Advisory Board
Non-executive Chairman, AIA Group Limited



On behalf of LIMRA and LOMA, I would like to extend my congratulations to the Pacific Insurance Conference on its 25th anniversary. As organisations that serve the same constituents, we understand the value that the PIC has provided to life insurance and financial services companies in the Asia Pacific region. I tip my hat to the PIC for the meaningful impact they have had on the industry.

LIMRA's Market Maturity Model indicates that the insurance industry in Asia is changing at a record pace, benefiting from the knowledge and best practices of more mature markets throughout the world. It is vital that business leaders join together to have dialogue about the opportunities and the risks inherent in our business.

Again, congratulations and best wishes.



Mr Robert A Kerzner,
President and CEO,
LIMRA, LOMA and
LL Global




Happy 25th anniversary!

Reaching the rich

Asia Pacific's high net worth population of 3.3 million has surpassed Europe's 3.1 million for the first time, according to the recent World Wealth Report by Merrill Lynch and Capgemini. The HNWI segment surely looks sunny in the region, but how can insurers best reach them?

Offer specially tailored solutions

One of the concerns of HNWI individuals or HNWIs, especially in Asia, is the transfer of wealth from generation to generation. It is not about selling a policy with high sum assured – this segment needs specially tailored solutions in wealth preservation and transfer, legacy planning, estate optimisation, and business succession planning.

Find the right bank partner

Finding the right bank partner could make reaching the HNWI segment much easier for insurers. HNWIs are bank clients who have already been segmented by banks based on their assets. Instead of searching for HNWIs themselves, insurers need only focus on finding the right propositions to cater to these bank clients' needs.

Customise products for their needs

Understandably, HNWIs have greater expectations, demanding a high level of cover and best-in-class service. For a medical insurance policy, an HNWI may expect a high sum assured, 24-hour emergency helpline, medical concierge services, and international coverage which includes a choice of hospitals or clinics in any location.

Do the private banking way

In countries like China, insurers are targeting HNWIs by setting up exclusive services for such clients, adopting private banking practices. Their health insurance policies for the ultra wealthy, for example, include the services of well-known surgeons and doctors from renowned hospitals in the country. Some policyholders even have the option of receiving medical treatment in the hospital of their choice abroad.

Asia's rich dazzle (2015 projections)

Figures in US\$

Asia's* HNWIs,
or those with
investable assets of
at least \$1 million
are expected to amass
\$15.81 trillion
in wealth,
up by almost 3 times from
\$5.60 trillion in 2010.

* Includes only China, India, Indonesia, South Korea, Taiwan, Hong Kong, Singapore, Philippines and Malaysia.

China
is forecast to have
1.40 million
HNWIs
and
\$8.76 trillion
in HNWI wealth.

Due to the varying rates of rising currencies across Asia, the **number** of **new US Dollar-based millionaires** is expected to rise to **600,000**.

The number of HNWIs with **\$487 million** in wealth in **Indonesia** is predicted to reach **99,000**, the **highest** growth rate over the five-year period with 25%.

Source: Private banking group Julius Baer's first Asia Wealth Report, "Julius Baer Wealth Report" (August 2011)



Bancassurance: Delivering a customer-oriented approach



Asia's financial services industry has seen a quiet revolution in the last 10 years as bancassurance gains momentum as a mainstream channel for insurance distribution. **Mr David Fried**, Chairman & CEO of **HSBC Insurance (Asia-Pacific) Holdings**, looks at why bancassurance has become the fastest-growing insurance channel across the region.

According to global consulting firm Oliver Wyman, bancassurance held only 1% share of new life business in India and Indonesia in 2001. Today, around 20% and 29% of new life insurance products are sold through banks in India and Indonesia, respectively. In Singapore and Hong Kong, both relatively mature insurance markets, the share of bancassurance sales to total new life business hit 30% from 6% and 40% from 15% in 2010, respectively, less than 10 years ago. China showed the most remarkable growth with nearly half of new life insurance products now sold through banks, compared to only 3% in 2001.

It is not difficult to understand why bancassurance has become the fastest-growing channel for insurance sales and distribution across the region. It presents a win-win proposition for both the bank and the customer. Banks have the platforms, the capabilities and the resources to support diverse customer needs, including insurance, long-term savings and retirement, in turn providing new revenue streams and growth opportunities for the company.

Banks have a mine of data

First of all, banks already have a base of customer relationships with the potential to deepen and expand as needs change and grow over various life stages. Banks also have the infrastructure to access these customers across different channels, and the systems to analyse behaviour, profile and preference.

The ability to mine customer data and the opportunity to engage with the customer on a regular basis through constant dialogue provide valuable insight for product development and meaningful financial planning to tailor solutions according to overall wealth and financial needs.

Strong customer insight and a broad portfolio also allow for streamlined underwriting and simpler application processes generating efficiencies for the bank and savings in time and costs for the customer.

More importantly, bancassurance provides confidence for the customer, especially when dealing with banks with strong capital and liquidity. In today's financial climate, trust is a rare and most valued commodity. Customers prefer to do more with financial partners they feel they can rely on for their many needs for the long term.

Not all models are equal

However, not all bancassurance models are created equal, and each bank that takes this direction will use an approach that is most suitable to their respective business cultures and

goals. Some banks choose to distribute an insurer's products either as standalone products or bundled with their bank products. This model, which earns banks fee income for every sale, requires limited investment, and does not include sharing of customer data to partner insurance companies.

Banks and insurers may enter into strategic alliances that entail some investment in IT and sales staff as there is a greater degree of co-operation and integration in terms of products, service agreements and channel management. Sharing customer databases can be part of the terms of the partnership.

Under both partnerships, there is no capability for self-manufacturing.

When a bank owns 100% of an insurer or a stake in a joint venture, there is clear, mutual ownership of products and customers. With strong and long-term commitment from the parties involved, this bancassurance model reflects the optimum integration of distribution with manufacturing ownership.

The HSBC model

As a leading global bancassurer, HSBC has adopted this model across nine markets in Asia with 100%-owned operations in Hong Kong, Singapore, Taiwan, Malaysia and Macau and our joint ventures in China, South Korea, Vietnam and India.

We are focused on providing a one-stop shop proposition for life, pensions and investment solutions through our branches with a dedicated relationship manager or financial advisor or via internet banking and other channels. A key part of our strategy is to build on two particular opportunities to help increase customer penetration and drive revenue growth – our unique capability to self-manufacture and the potential for cross selling across multiple channels.

By manufacturing our own products in-house, we have the capability to expand our range of solutions based on our understanding of the customer and respond quickly to changing customer needs. Self-manufacturing facilitates the integration of new business submissions, training of branch sales staff, customer targeting and proposition development. Banks' strong customer relations and trust can deliver better persistency and risk control, while a quality portfolio can deliver lower claims.

Combine the benefits of self-manufacturing with the ability to distribute carefully selected products from key strategic partners, what customers get is an expanded range of relevant offerings. What sales staff and relationship managers get is a platform that enables and enhances cross-selling activities as they are able to draw from a range of solutions and bank strengths that they identify and understand customer needs through continuous dialogue and the strategic use of customer data analysis. With strong customer segmentation tools, banks are able to use other channels such as phone banking, the ATM and the internet to sell and distribute complementary products such as accident, travel and health insurance.

Bancassurance revolves around the customer

The success of bancassurance as a sales and distribution model is about providing integrated solutions, not just products. After all, bancassurance is hinged on the most important, yet least considered part of the equation – the customer. The continuous shift in insurance buying activity to banks reflects a shift of focus back to what the customer wants and needs.

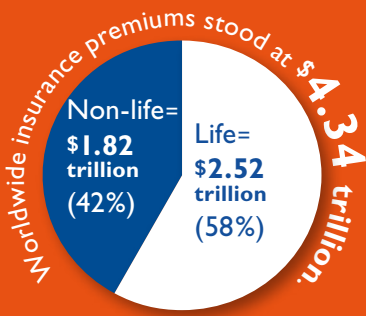


Blast from the Past PICs



Asia brims with life (2010 figures)

Figures in US\$



Life premiums in Japan

#1

Japan reigned as Asia's biggest life market recording

\$440.95 billion in premium volume.

& newly industrialised Asian economies were **\$2,885.5** compared to **\$66.5** in South and East Asia.

China's life market was **2nd** largest in Asia with **\$142.99 billion** in premium volume. **5th** largest worldwide.

Global (Ex-Asia) **\$1,672.83 billion**



66.38% Life business **33.62%**

Asia **\$847.25 billion**

Source: Swiss Re sigma 2010

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