

Commit to Asia or miss out

Asia is set to be the powerhouse of reinsurance growth this century, but what is the best way to play it? **David Spiller** explains why a commitment of intellectual capital and investment in local knowledge is the way to go



David Spiller is president and chief executive of Guy Carpenter.

On the way to my firm's Singapore office last month, I found myself contemplating the reinsurance industry's place in the world economy. Frequently, we are cogs in the wheel of global commerce; on rare occasions, we have an opportunity to transform it. Asia today affords such an occasion — the Asian insurance market is poised for extraordinary growth.

China and India now have a larger middle class than France. China was not even on the radar of most corporate risk managers a few years ago; today, more than 90% of multinational companies surveyed say China is important to their global strategies, and 52% call it critical. Countless companies are steering onto China's fast track as well.

In the 1990s, few private insurers even set foot in China. In the decade to come, it is predicted to emerge as the world's leading insurance market. The rapid-fire expansion of the world's most populous country will undoubtedly reverberate throughout the region, bootstrapping neighbouring markets such as Vietnam, Indonesia, Thailand and Malaysia. Singapore, already a comfortable insurance centre in Asia, will become increasingly important, garnering more and more market share from the world's major insurance centres.

What does this mean for reinsurers and brokers? We have a chance to help the Asian insurance market from infancy through adolescence and on to a vibrant adulthood — and even a position of world dominance. This is at once an opportunity, a privilege and an immense challenge.

Critical success factors

In my opinion, certain factors are critical to our industry's success in helping this burgeoning market achieve its full potential.

Most fundamentally, we must bring meaningful experience and expertise to the region. More than that, we must help to ingrain the skills and infrastructure that will support long-term growth for private insurers. Paramount to a sustainable infrastructure is catastrophe modelling and analytics.

Catastrophe modelling and dynamic financial analysis are already hot-button issues in Japan, Taiwan, Korea, China and other countries. As buyers and markets grow increasingly sophisticated, these tools will only become more valuable.

Rating agency affirmation has quickly become a prerequisite for many Asian insurers. As rating agencies increasingly require deeper analytic approaches

(look to Standard & Poor's push for enterprise-risk management for an example), insurers must respond.

Hence, the region's insurance markets will require significant expertise from the reinsurance sector in producing and analysing modelling output. Equally, if not more important, they need a willingness from our industry to transfer modelling and analytics knowledge and technologies. Unsurprisingly, local insurers will want to build on their own technology platforms rather than paying indefinitely for foreign expertise. We can help.

Our willingness to assist goes hand in hand with another critical success factor: a firmly entrenched, long-term commitment. Reinsurers and reinsurance brokers must have a depth of resources and a breadth of professional expertise in local offices. We must invest in local people and give our professionals a strong foothold, with authority wielded locally, and intellectual capital and market relationships easily accessible globally.

Only then can local insurance markets benefit from the full resources and experience our global industry has to offer.

This model for success has nothing to do with transience and everything to do with teamwork.

Indeed, it rests on a foundation of cross-continental communication and teamwork that is right in line with the collaborative culture of Asia.

Not for the uninitiated

Asia is extremely attractive, offering opportunities for tremendous growth and a diversification of risk. However, the work it demands is not for the uninitiated — nor is it for the opportunistic.

Some who have tried and failed say that you cannot do profitable business in Asia. Our experience tells us otherwise, especially when one comes to the challenge with an approach like the one I have prescribed here.

As I arrive at my firm's Singapore office, Guy Carpenter professionals are conferring with clients just back from a 10-day training course on catastrophe models. Down the hall, a team is discussing strategies for a Shenzhen joint venture with life reinsurance specialists in London. Modelling output is being analysed for an Indonesian client.

I feel confident that my firm is committed to this most promising market. Indeed, it is part of our fabric already.

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