INSURANCE COMPANIES IN ASIA

hubbis

January 2015


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FOREWORD

As insurance companies start to move beyond providing just protection, and strive to penetrate further into the wealth management space, the market is seeing broader offerings which include retirement solutions, investments and asset management.

The objective is to service the needs of wealthy individuals in this region – ranging from the emerging affluent with investment products to the high net worth and ultra high net worth with jumbo life policies.

A better understanding of the range and application of insurance, as solutions rather than products, will help. As will factors such as a growing realisation of the contribution that insurance can make to the bottom line, greater competency and higher adviser standards. Product innovation, making the most of mobile and digital channels, and improving the customer experience, especially in the wealthiest segments, are also important goals for insurance providers.

At the same time, insurance companies face significant changes in key local markets across Asia. Regulatory reform and developments in the distribution model will significantly impact the industry as it evolves from here.

The publication highlights trends at regional and local levels, as well as showcases how the leading players are differentiating their product and service offerings.

On behalf of Zurich Global Life Singapore, I'm pleased to support Hubbis, one of the relevant publications driving professional development in Asian wealth management.

As a key player in the industry, Zurich wants to support and encourage the market, in particular distributors as well as customers.

I hope you enjoy reading these insights and derive value from them.

Peter Huber
Chief Executive Officer
Zurich Global Life Singapore







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Feature articles

Sun Life Hong Kong
Your Business Partner

For a successful business partnership, you will need a partner whom you can trust, is firmly established, and is able to understand your needs and those of your clients.

Sun Life Hong Kong is a trusted, financially strong company that offers a wide array of products and services to help you and your customers achieve your goals. We are one of the leading insurance companies in Hong Kong, and a member of the Sun Life Financial group, which:

- Operates in 24 countries worldwide
- Has an Asian presence spanning Hong Kong, China, the Philippines, India, Indonesia, Vietnam and Malaysia
- Is financially strong, with Financial Strength Rating / Claims Paying Ability rating* of A+ (Superior) from A.M. Best, Aa3 (Excellent) from Moody's and AA- (Very Strong) from Standard & Poor's
- Has assets under management of CDN$698 billion**
- Has been in Hong Kong since 1892
- Has products across all lines of business – Investment-Linked Assurance Schemes (ILAS), Universal Life, Protection, Health, Pensions and Group
- Is a well recognised and trusted brand

* All financial ratings are assigned to Sun Life Assurance Company of Canada as of 31 December 2013. For details please visit www.sunlife.com.
** As of 30 September 2014

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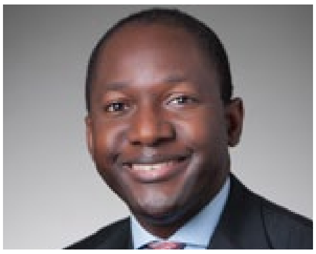





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Expert insights

Co-published article

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Michael Stanhope
Chief Executive Officer
Hubbis
T (852) 2563 8766
E michael.stanhope@hubbis.com
W www.hubbis.com

US$2.4 trn

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US$48 mn

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GN15

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11%

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10%

"In the dozens of international private banks operating in this region, only around 10% of the private bankers actively offer universal life products to their clients."
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US$5 bn

"Already a near-US$5 billion market in Asia, there are various attributes of universal life insurance which give it huge potential to meet appetite among the region's wealthy."
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A BROADER ROLE FOR INSURANCE COMPANIES IN ASIA

AS INSURANCE COMPANIES START TO PLAY A GREATER ROLE IN THE WEALTH MANAGEMENT SPACE, AS WELL AS FOCUS ON THEIR TRADITIONAL STRENGTHS RELATING TO PROTECTION IN TERMS OF BOTH LIFE AND NON-LIFE COVER, THERE IS A LOT OF CHANGE UNDERWAY.

The role of insurance companies in Asia is changing.

This is being driven from a variety of factors, including regulation, distribution channels, technology, product offering and competency.

And the combination of these dynamics is leading providers in both the life and non-life sectors to look at how and where they can most profitably grow their market share.

Glenn Williams

AXA Life Insurance Singapore

"Education [of customers] is needed to increase awareness of the need for protection"

BIG POTENTIAL

In the life insurance space, for example, the investable assets of companies in Asia ex-Japan is expected to balloon to more than US$2.4 trillion during 2015, according to Cerulli Associates.

This represents a 15% rise from levels as of December 2014.

Chinese insurers are predicted to lead the surge, led by a proliferation of new, online universal life products – a sign of the wider appetite for internet-based wealth management platforms. Investable assets in the country are expected to surpass US$1 trillion at some point in 2015, said the research.

Similar to other parts of Asia where regulation has had a big impact on products, distribution and demand for insurance, China can thank government efforts to increase penetration of these products for the dramatic growth in assets held by domestic life insurers.

According to guidelines issued by China's State Council in August, it will seek to raise life insurance penetration to 5% of GDP by 2020, compared with just over 3% in 2013. This would still be substantially lower than penetration rates in surrounding markets, such as 13.7% in Hong Kong and around 15% in Taiwan, said Cerulli Associates.

More broadly, the expanding numbers and wealth of Asia's middle class plays to the strengths of insurers.

"Insurance companies are uniquely positioned to take advantage of the growing middle class in Asia," says Donna Cotter, head of Asia wealth management at Manulife.

Many governments and regulators in the region are also very focused on

Tokio Marine Life Insurance Singapore

Our Story

Tokio Marine Life Insurance Singapore Ltd. is part of the Tokio Marine Holdings Inc. which has over 130 years of history. As at March 2014, Tokio Marine Holdings Inc. has a market capitalisation of close to US$24 billion and total assets of around US$195 billion. With its presence spreading over 486 cities in 38 countries, Tokio Marine is indisputably one of the largest insurance groups in the world.

Our reputation in Singapore as a leading life insurer has been gained through our strong historical investment returns, disciplined underwriting and careful expense management.

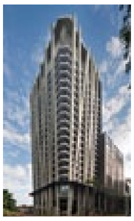
From financial security to investment to legacy planning, our priority is to meet the key financial needs of individuals through a comprehensive suite of insurance plans.

We are also committed to providing innovative solutions to the business sector through our employee benefit group insurance plans. As a testament to this commitment, we were accorded the inaugural award of 'Best Employee Benefits Insurance Company of The Year 2008' by the Singapore Insurance Brokers' Association.

Driven by Customer focus, Integrity and Excellence as our core values, we endeavour to be your preferred insurance partner for Life.

2010

Tokio Marine Life Insurance Singapore



To enhance the synergy with the Group, TM Asia Life Singapore became Tokio Marine Life Insurance Singapore Ltd and moved into Tokio Marine Centre.

2007

TM Asia Life

Tokio Marine Group acquired The Asia Life Assurance Society Ltd and become TM Asia Life Singapore.

2006

Tokio Marine Asia

Millea Asia Pte., Ltd was renamed Tokio Marine Asia

2002

MILLEA

Millea Asia Pte., Ltd was established in Singapore.

1948

ASIA Life

The Asia Life Assurance Society Ltd was founded in Singapore.

1879

TOKIO MARINE

Tokio Marine Insurance Company was established as the first Japanese non-life insurance company.

Tokio Marine Life Insurance Singapore Ltd. (Company Reg. No.: 194800055D)
20 McCallum Street #07-01 Tokio Marine Centre Singapore 069046
T: 6592 6100 F: 6223 9120 W: www.tokiomarine-life.sg

David Lomas

BlackRock

"Industry leaders are increasingly willing to be much more comfortable with investing in illiquid private market assets in the quest for income"

how to address the issue of Asia's rising "silver class" through public and private pensions, she adds. "Pensions are especially important because that's when consumers first start to think about investments," explains Cotter.

Given that a major challenge in addressing the wealth opportunity in the region is to engage and educate clients, she says getting them to first think about planning for long-term requirements is a good way to start.

Like many of its counterparts moving quickly into the wealth management arena in addition to traditional offerings, Manulife offers solutions filling pensions, wealth protection and also investment-related needs.

GETTING THE MESSAGE OUT

Despite the potential and expectation, however, insurance penetration in many parts of Asia remains very low. Not many people understand how it really works.

Yet this only serves to further highlight the extent of the opportunity for insurance companies.

To fully harness the potential, customer education is a key component.

Buyers of insurance need to first know that insurance as a product is available and then understand how it works. They also need to be confident about how it will help them.

Key for the insurance industry in the area of education is to train the distributors on the importance of protection, so that they will be able to convey this importance onto the customers, adds Glenn Williams, chief executive officer of AXA Life Insurance Singapore.

Education is also needed to increase awareness of the need for protection. "[This means] education of the public of the importance of protection, through various media platforms with surveys, research and articles," explains Williams.

What is changing, however, is the way in which insurers interact with their customers today. Distribution is evolving – insurance companies interact with them through banks, but also have the opportunity to interact with them through the internet or through other direct channels.

It is clear that the agency channel continues to dominate in Asia.

In Hong Kong, for example, insurance agents have played a key role in the industry's development.

As at September 30, 2014, there were more than 43,000 appointed insurance agents providing comprehensive services to customers in the territory.

But many insurers today are looking to grow their bancassurance distribution channel. "Banks are increasingly becoming an alternative channel for distribution of insurance products in Hong Kong," says Lawrence Nutting, vice president and chief distribution officer for Manulife (International) Limited.

However, the model might change in the near future.

In the past, a lot of the banks have owned insurers. Under new capital rules, that will make less sense than it did in the past, so it is more likely that banks will be looking for commercial distribution arrangements rather than equity arrangements.

There is also growing recognition of the value in brokers and independent financial advisers (IFAs).

"As more and more insurance and wealth management products and solutions are offered in the market, especially those that are targeted at different market segments, we believe the multi-channel distribution model will be adopted by large-sized insurance companies," adds Nutting.

DEVELOPING THE RIGHT STRATEGIC MIX

The growth strategies for different types of insurance companies will inevitably take different forms.

Lance Tay

Tokio Marine Life Insurance Singapore

"[RBC2] will come at a price to consumers. In this case, it will limit the range of products and solutions insurance companies will offer"

Multi-national companies either already operating in – or looking to enter – this space in Asia, tend to bring more sophistication to this industry, along with better product design, pricing, customer service and innovation.

For these organisations, practitioners suggest a focus on their geographic portfolio, capital available and distribution mix.

For example, it is impossible at this stage now in Asia to win across lines and also geographies with a single model, so a clear geographic strategy is important.

Further, with the new regulations in various markets, more capital is also needed to satisfy authorities about an insurers' ability to meet liabilities, which again restricts geographic expansion plans for companies because capital is in limited supply.

More specifically, says Lance Tay, chief executive officer of Tokio Marine Life Insurance Singapore Ltd, products which have high guarantees, especially traditional policies, which today account for at least 50% of new business in Singapore, will be impacted by the Risk-Based Capital 2 framework because it will require much more capital to back such plans.

"The regulator's aim is to ensure insurance companies are resilient and capable of absorbing significant shocks," explains Tay.

"However, this will come at a price to consumers. In this case, it will limit the range of products and solutions insurance companies will offer to consumers," he adds.

In terms of distribution, while most multi-national firms have followed the agency model, going forward the bancassurance and digital channels must be given equal priority.

However, the major challenge the multi-nationals face is in terms of being able to customise their products for the local markets.

For local insurers which are dominant in one particular country and are looking to expand in Asia, they should focus on understanding the local market, and how they can build a platform to access it, before taking a plunge.

While local players should have an advantage in terms of understating, first hand, the products and services their customers need, as well as how they can be delivered, not all local players are the same.

Those which are more nimble are able to learn and adapt.

SOLUTION-ORIENTED

Insurance companies also need to ensure they are responding adequately to the changes in what customers want.

"Customers no longer appreciate companies driving insurance consumption through fear," says Marcelo Teixeira, group head of insurance at HSBC.

"The industry still talks a lot about products instead of about needs, but this will change, and it will reshape not just manufacturing but also distribution," he adds.

The sentiment among clients today, he explains, is that they want to buy insurance and be empowered. "They want to be in control, with advisers guiding them rather than selling to them."

Facilitating the move from product selling to need-based selling requires several elements.

Technology, for example is needed to help distributors understand the concerns of customers, analyse their needs, come up with customised solutions, and even apply and approve their policy applications through electronic and mobile tools.

But, adds Nutting, these solutions still need to be developed and communicated by distributors through personal interaction with their clients.

"That is why we have been investing in training and development as well as ensuring that our distributors have the right technology to excel at their job."

In focusing on providing solutions for clients rather than just fund products, Cotter at Manulife explains that 2014 saw multi-asset type solutions, which the firm manufactures and positions as retirement offerings.

"Where there is room for improvement in the industry is in providing solutions which are simple and transparent, so that clients can understand them," adds Cotter.

In Singapore, for example, the regulator is helping to close the protection gap by increasing channels of access through the introduction of the direct purchase products under the Financial Advisory Industry Review (FAIR).

"Consumers can buy no-frills protection coverage directly purchase from insurers," says Williams.

A GREATER ROLE FOR TRAINING

Insurance companies are also realising that they can no longer under-estimate the importance and influence of training and development in their bid to grow their businesses across various market segments.

According to Nutting, training and development may be one of the most important and rewarding aspects of the sales function.

"You can recruit and select well-meaning newcomers but unless you provide them with the knowledge, skills, attitudes, work habits and tools that they need, chances are good that they will not succeed in our business," he says.

In his view, the objective of training is to ultimately turn a raw recruit into a successful, independent and professional producer.

It also means learning from experienced advisers, helping them make changes in what they are presently doing, inspiring them to constantly raise their sights and encouraging them to do an even better job.

"Exemplary training means producing desirable results by increasing the quality, including complying with regulation and best practices, and the quantity of all the activities that go into making a sale," says Nutting. "Thus, training and production are inseparable."

Manulife's distribution training and development curriculum provides a number of programmes which enable what Nutting calls "a quick start", followed by a continuous professional development (CPD) programme.

One example of this is a 12-month just-in-time course (Financial Planning Development Program).

Integrated with the company's overall "Retirement Expert Strategy", it is full of field-tested information and tools.

"We also employ a team of highly-competent professional trainers who work closely with new and experienced agents in a blended learning environment," he explains, "combining class-room setting, e-learning, field work and self-study."

Sun Life is another firm which views training and development as a key part of its proposition to its business partners, says Jeremy Young, vice president, partnership distribution, at Sun Life Hong Kong.

This is to help them achieve professional development requirements and also improve skills and knowledge.

"We have a CPD series of training throughout the year," he explains, "along with specialist topics and seminars on pressing issues that often include presentations by highly-regarded guest speakers." ■

Private market access

Insurance companies in Asia are understood to be making a significant move towards private market assets to diversify against the risks that have traditionally underpinned their businesses. This is according to a BlackRock-commissioned study of insurers with US$6.2 trillion of assets globally.

A combination of anaemic economic growth, depressed bond yields and loose monetary policy have forced many insurers to reconfigure their asset mix to ensure their liabilities can be effectively managed.

BlackRock's research, conducted by the Economist Intelligence Unit, found that 45% of insurers in the region intend to allocate more than 15% of their portfolio to private asset classes over the next three years – nearly double the proportion that do so today (25%). Real estate and infrastructure are the most popular asset classes.

"Growing pressure on the profitability of insurers under a far more complex operating environment has made boosting investment returns a top priority for the industry," says David Lomas, global head of BlackRock's insurance asset management unit.

An emerging trend is that industry leaders are willing to be much more comfortable with investing in illiquid private market assets in the quest for income. "Fundamentally, a shift up the risk spectrum needs to be achieved in a measured and targeted way," explains Lomas.

CREATING A COMPETITIVE EDGE IN INSURANCE

DIGITISATION, REGULATION AND MAINTAINING A HUMAN TOUCH ARE KEY THEMES INFLUENCING THE DIRECTION OF THE INSURANCE INDUSTRY. IN AN INTERVIEW WITH HUBBIS, JOHN VAN DER WIELEN, EXECUTIVE CHAIRMAN OF FRIENDS PROVIDENT INTERNATIONAL, EXPLAINS HOW HE IS POSITIONING HIS BUSINESS WITHIN THE CONTEXT OF THESE TRENDS, ESPECIALLY WITH A FOCUS ON MAKING THE MOST OF ASIA'S POTENTIAL.

For John Van Der Wielen, Asia is no longer an emerging market when it comes to insurance.

What he sees instead, he explains, are consumers who are increasingly being educated about the different products and risks, to the point where they are now showing a certain degree of maturity. Plus, many of the region's regulators are starting to catch up with more developed markets in terms of implementing rules which protect investors and promote transparency.

conviction for growing the firm's business in the region is clear to see.

MEETING EMERGING NEEDS

As is consistent with a growth market, the need for pension solutions, insurance, investment management and tax planning services in Asia is increasing. This is in line with the expansion of the mass-affluent population, says Van Der Wielen, as the size of incomes and assets of these individuals increase.

John Van Der Wielen

Friends Provident International

"It is difficult to find an Asian country where the insurance industry isn't growing at rates which exceed European and UK markets."

"It is difficult to find an Asian country where the insurance industry isn't growing at rates which exceed European and UK markets," says Van Der Wielen, executive chairman of Friends Provident International (FPI).

Talking to Hubbis on a recent trip to Singapore to promote the company's latest "Investor Attitudes Report", his

This is also supported by efforts by regulators to implement rules and frameworks to help investors understand what they need – and then help them get it at a fair and transparent price via more professional advice.

"Roughly 80% of regulations around the world are the same," says Van Der Wielen. "They are about whether the customer knows what they are paying, and if they actually get what they pay for." The other 20% is usually to do with culture, tax and local customisation or regulation, he adds.

Today's environment is also one of increasing transparency. That requires a lot more disclosure about specific investments, which might create more of a burden for investors which are looking to create a portfolio with different asset classes and investments.

At the same time, it poses challenges to insurers and other providers in terms of the amount of information to give to customers.

CREATING MORE USER-FRIENDLY OFFERINGS

For insurance companies to both stay relevant as well as comply with new laws in terms of developing new distribution mechanisms, many of them are taking a digital route.

"Gone are the days of being single-channel only," says Van Der Wielen.

"The customer is now forcing choice, whether this be internet- or adviser-based. So having an open-market platform and the ability to distribute across all channels is key."

Putting this into practice, however, isn't easily done in a segment that traditionally has been behind the curve in terms of technological evolution.

So while the aim is to give customers the alternative channel they are looking for, all-too-often change only takes place in terms of front-end systems; the back-office still consists of manual efforts to execute the transactions.

Rather than committing the same sin, FPI has partnered with Tata Consultancy Services and invested the equivalent of roughly US$48 million on enhancing its back-office technology.

According to Van Der Wielen, it is more important to have a strong back-end which can support a "fancy" front-end system – and that is the order in which they must be developed. "We have built the back office, and now we are starting on the front-end digital strategy with modern technology," he says.

"We will then be able to put the two together," he adds.

FPI's goal, he adds, is to integrate its back-office systems with the front-end offerings at distribution partners, in order to make the proposition quicker and smoother as part of the overall sales and education processes for both advisers and customers.

"Gone are the days of being single-channel only. The customer is now forcing choice, whether this be internet- or adviser-based. So having an open-market platform and the ability to distribute across all channels is key."

WHY A HUMAN TOUCH IS ESSENTIAL

Yet while Van Der Wielen is clearly an advocate of digital technology, he cautions against the risks associated with investors interacting solely with an online or digital interface.

A key danger, he explains, is that by taking this self-service route to buying certain investment or insurance products, and potentially participate in activities like spread betting, there aren't the same checks and balances in terms of suitability for the customer's risk profile.

Further, the drive towards transparency creates a much greater need for professional advice, explains Van Der Wielen, and for advisers to therefore be able to provide a strong value proposition to clients.

More specifically, that means the individual adviser being open and honest, and also ensuring their advice is always up-to-date, relevant, accurate and unbiased.

"Ensuring professionalism is absolutely incumbent on us as a provider, and we should only be dealing with those brokers who we are confident that can show the required levels of professionalism and accreditation," explains Van Der Wielen.

"Failure in any form has an impact on the whole industry, and we have seen that happen before," he adds.

This also highlights the complementary nature of technology, as he points to online platforms as also being able to play a role in this regard.

They can inform the client whether or not their adviser is accredited, he explains, and possibly restrict access to unaccredited advisers.

As Van Der Wielen plots his strategy for Asia, he is very aware of the need for growing professional advice in this part of the world.

This is in line with the trends of rising incomes across the population and therefore retirement and financial planning more broadly. ■

CAPITALISING ON SHIFTING INSURANCE DYNAMICS

AGAINST THE BACKDROP OF THE EVER-WIDENING PROTECTION GAP IN ASIA, PETER HUBER, CHIEF EXECUTIVE OFFICER OF ZURICH LIFE INSURANCE SINGAPORE, EXPLAINS HIS VISION TO MAKE THE MOST OF OPPORTUNITIES PRESENTED BY CHANGING DEMOGRAPHICS AND REGULATORY REFORMS.

Asia's protection gap is estimated to be around US$20 trillion, and growing.

An important reason behind this is that most people don't have the discipline to save regularly, and are not investing in insurance at an early-enough stage when it is cheaper for them to do so.

Unsurprisingly, therefore, insurance companies are focusing on how they position their offering and the distribution channel(s) accordingly – despite tightening regulations, relatively limited scope for product innovation and the challenge they face to improve the quality of advice.

There is a pressing need to close this growing protection gap, says Peter Huber, chief executive officer of Zurich Life Insurance Singapore, because of the ageing population in many countries and the increasing need of individuals to protect their purchasing power and invest for retirement, especially with consideration of concerns around rising inflation.

For some insurance companies, wealth management has become a compelling proposition to leverage their existing infrastructure and customer reach.

For others, the focus is more on the prospect of digitalisation, in line with the changing demographics in Asia and also the growing propensity to purchase online.

For Zurich, Huber is adamant that it shouldn't deviate from its core competency – which means providing high-quality insurance solutions. "Insurance companies should stick really to what they are good at," he says.

Peter Huber
Zurich Global Life Singapore

> "Insurance companies should really stick to what they are good at."

KEY OBJECTIVES

According to Huber, Zurich is looking to grow its regional business. In Singapore, specifically, the insurance industry is currently being driven by changing regulations, in particular the Monetary Authority of Singapore's (MAS') Financial Advisory Industry Review (FAIR).

"We want to see all of these rules finalised so that we can start working in the new world, characterised by more protection for consumers, more transparency and better advice," says Huber.

At the same time, the local market is getting more and more competitive, he explains, at a time when the market has softened.

For example, he says, the Singapore insurance market grew by only 1% in the first half of 2014, down on last year.

Singapore is still an interesting market to Zurich in terms of protection, which Huber predicts will grow in demand. However, he says the unit-linked opportunity is relatively limited.

To help address some of the distribution hurdles, the firm has recently brought in Belinda Tan as head of local financial advisers. Zurich has also created the new position of chief sales officer, to which it has appointed Jamie McNish.

ADAPTING TO DIGITAL DEVELOPMENTS

Developing a more comprehensive digital offering is another of Huber's strategic goals, with him arguing that this is certainly one of the major evolutions within the insurance industry which nobody can ignore.

Already in early 2014, Zurich Life Insurance Singapore launched an online tool, Zurich Community, to improve the customer experience.

This is achieved through an ongoing and iterative exchange to better help understand customer needs by having an active conversation with them.

Huber now wants to take the firm's technology engagement via internet-based offerings one step further.

"We are trying to create a new model where we are focusing much more on independent advice," he explains.

While this remains a work-in-progress, it is a sign of the firm's commitment to invest heavily into digital to further engage its customers.

EDUCATION A PRIORITY

Taking advantage of various opportunities in Asia also depends on the quality of advice being given to customers.

Protection gap

This term, coined by Swiss Re in 2009, essentially refers to the protection need per economically-active adult multiplied by the number of economically-active adults but less any existing insurance coverage.

In this area, Huber emphasises the need for a much greater culture of learning and development within the insurance industry. In fact, he says, it is one of the top priorities on Zurich's agenda globally.

"We have an L&D plan for our staff, mixed between learning on the job and offsite learning," he explains.

Not only is this imperative from the perspective of winning new business, but also from a regulatory standpoint.

Asking the relevant questions isn't the difficult part. What is, says Huber, is being able to deliver impartial advice for the client. ■

PLOTTING ACE'S GROWTH PATH

DOUG WHITE, ACE'S GENERAL INSURANCE'S COUNTRY PRESIDENT FOR HONG KONG, TAIWAN AND MACAU, REVEALS HIS THOUGHTS FOR GROWING THE BUSINESS IN A CHANGING AND INCREASINGLY COMPETITIVE MARKET.

In today's general insurance environment in Asia, falling prices, rising costs and talent retention are among the biggest challenges keeping most senior management awake at night.

These are further compounded by concerns held by some insurers and intermediaries around impending changes in regulations and risk-based capital requirements that will be introduced when the new Independent Insurance Authority takes charge in Hong Kong.

There is a commonly-held view that this milestone in the development of the insurance industry could lead to consolidation among smaller insurers, agents and brokers.

Positioning his business in light of these dynamics, Doug White, country president for Hong Kong, Taiwan and Macau at ACE Insurance Ltd (ACE), is focused on bolstering the firm's position in its key Accident & Health and Property & Casualty segments.

While the general insurance space is indeed a crowded one, White believes that one of the ways the firm differentiates itself is because its customers and producers know where they stand when they deal with ACE.

"I think people like to deal with us because of the consistency and transparency with which we approach our relationships with intermediaries and policyholders," he says.

> "I think people like to deal with us because of the consistency and transparency with which we approach our relationships with intermediaries and policyholders."

Doug White
ACE Insurance Ltd

CHARTING A CLEAR COURSE

ACE is intent on growing its business by getting more involved in the local middle market.

According to White, clients in this segment typically value the long-term relationship they have with their broker or agent.

And compared with larger corporates, they tend to be more loyal, provided they receive good service and are treated reasonably.

With regards to the employee compensation business that ACE re-entered in mid-2013, White is aware that many insurers have incurred significant losses. But he insists that ACE is very selective about the risks it underwrites.

"To a large extent, it comes down to the attitude of the insured," he explains, "in terms of whether they are genuinely interested in improving workplace safety and interested in working with us to do so."

Speaking at the time of the announcement of the launch of the firm's new employee compensation product in Hong Kong, "ACE Work Guard in Hong Kong," White said that both the employers and the injured employees will receive the care needed and also with the security of knowing that they are "ACE insured".

In the general liability space, in late October, the company launched ACE Global Guard in Hong Kong – a coordinated liability insurance and risk management solution which it says can be customised to meet the specific needs of varying sized companies with overseas subsidiaries or assets.

"As companies expand beyond the local market, they find it increasingly challenging to manage the risks of their subsidiaries, branches or sales outlets overseas," explains White. "Risks multiply, especially as they pertain to liability, and these risks may grow in complexity due to a lack of knowledge of local regulatory, legal and insurance requirements."

ACE provides additional support to multinational customers via its World-View platform, by which clients can have instant online access to policy details, 24/7.

Aside from broadening the firm's product offering, ACE is also looking at further developing its various product distribution channels.

ACE has achieved great success with its online travel insurance product and the company sees significant scope of growth through internet-based sales of personal lines products.

White also observes that many intermediaries in the market are seeking to become client advocates – something he says he is pleased to see.

"They're increasingly approaching the client with an industry-led proposition, rather than trying to sell a particular product," he says.

They are approaching risk from a position of knowledge in the client's industry or profession, understanding the challenges they face, and then offering to provide a suitable solution.

As ACE looks to further grow its local business, attracting and retaining talent is key to the company's future success, says White.

He points out that "ACE has a fantastic team that works well together; they are focused on delivering results and we always bring a 'can-do' attitude to everything we do. The culture is very collaborative, we take the initiative, and that lends to the consistency which the intermediaries and customers appreciate." ■

CREATING A BANCASSURANCE ADVANTAGE

A LOT OF INSURERS ARE INCREASINGLY SEEKING BANCASSURANCE DEALS AS A KEY CONTRIBUTOR TO DISTRIBUTION. RICHARD VARGO, REGIONAL MANAGING DIRECTOR FOR BANCASSURANCE AT DBS BANK, EXPLAINS THE ADVANTAGES OF SUCH PARTNERSHIPS, AND HOW HIS INSTITUTION IS ENHANCING ITS BUSINESS IN THIS AREA.

The insurance market in Singapore continues to offer strategic opportunities to those providers able to tap the local dynamics of ageing combined with growth in wealth and next-generation goals.

For the mass and emerging affluent segments, for example, retirement is more of a concern than ever before.

The affluent and high net worth populations, meanwhile, are increasingly focused on products which can satisfy their needs and desires in relation to legacy and succession planning.

To access these opportunities, insurance companies are looking to make more use of the bancassurance route. In turn, they are actively searching for good partners with exclusive tie-ups.

One of the main reasons for this demand is because of the depth of information the banks have about their customer's assets, liabilities and spending patterns. This data is invaluable when analysing the value proposition of an insurance solution for an individual. Further, a bank will typically have much more interaction with a customer in comparison with an insurance company.

"The bancassurance business has been very favourable in 2014," says Richard Vargo, regional managing director for bancassurance at DBS Bank.

"We continue to expand and grow, both in terms of our salesforce and our key customer franchises in our key markets," he adds.

IMPROVING ENGAGEMENT AND COMPLIANCE

Singapore is clearly a key market for DBS Bank.

One the one hand, the continued low interest rate environment puts pressure on product margins and leads to dissatisfaction among clients when they look at investment performance.

But on the other, the market still presents an opportunity given the level of under-penetration of insurance, reflected by the vast protection gap.

Tackling this, says Vargo, can be achieved partly through the use of technology to engage with clients.

That is something DBS has invested considerable time and resources in.

Richard Vargo
DBS Bank

For example, it has created an online platform, iWealth, to connect with and educate potential and existing clients.

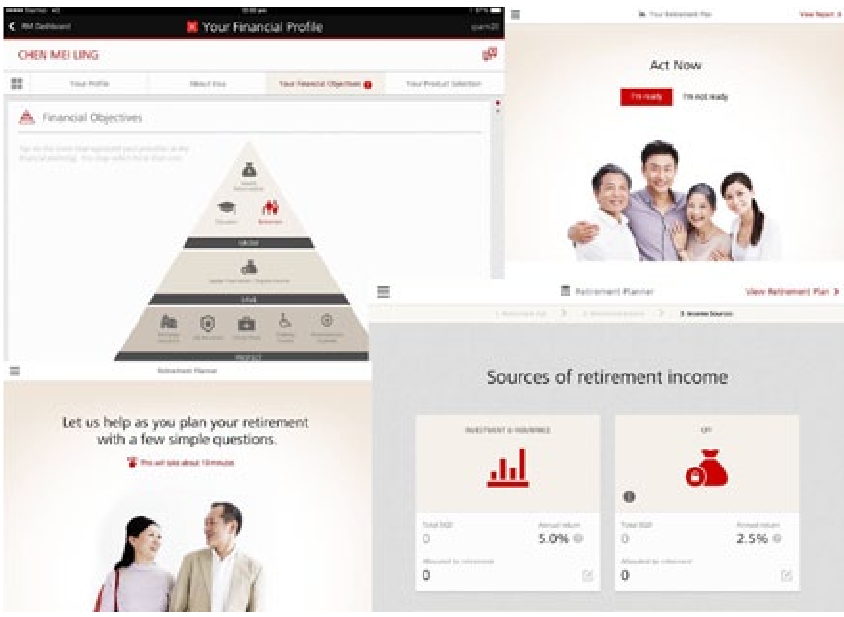
The bank refers to this new offering as a standard in online, personalised wealth management. It is designed to give customers complete control of their wealth online and on their mobile, with instant access to customised market research and insights, banking services, online trading, investment tools and product information.

At the same time, the bank has equipped its front-line staff with tools to aid the sales process, including iPads which have an application called "Your Financial Profile". This helps advisers have more targeted conversations with clients and they can also explain products better.

By leveraging technology, Vargo says the bank has not only been able to revamp and expedite the sales process – it is also able to maintain compliance. "We can be far more compliant from the perspective that we have a fixed process which our relationship managers go through with the client using the iPad," he explains.

These initiatives are all further evidence of DBS Bank's objective of becoming a leader in technology and innovation in the banking and financial services space – seen by its deal with IBM Watson. However, Vargo also adds that with certain insurance and other products, the need for a face-to-face conversation will remain to finalise a transaction. Beyond DBS' traditional home market, Vargo sees great potential for bancassurance serving retirement needs in the more developed markets of Hong Kong and Taiwan, and protection and savings needs for the emerging affluent in the developing markets of China, Indonesia and India. ■

"The bancassurance business has been very favourable in 2014. We continue to expand and grow, both in terms of our salesforce and our key customer franchises in our key markets."



Opportunities from regulation

Amid the regulatory reforms underway in Singapore for insurance sales and distribution, Vargo sees these as positive from the perspective of banks.

"The balanced scorecard, for example, is something that we already have established for a number of years," he explains.

Vargo also believes that the web aggregator which the Monetary Authority of Singapore (MAS) has proposed will be very valuable to consumers, helping them to make better decisions.

The MAS has a launch target in the first quarter of 2015, to enable consumers to compare the premiums and features of life insurance products.

The efforts of the regulator are also expected to bring more awareness and an improved understanding of the products in the insurance space for the general public, he adds, therefore working in the favour of both insurers and distributors.

With regards to fees and commission rates, Vargo believes the regulators are attempting to ensure that there is proper disclosure of what the client is actually paying for what they buy.

"Over time, I think there will be continued encouragement by the regulators in various ways to provide better value to consumers and reduce distribution fees," he says.

HOW MANULIFE IS BUILDING ON OPTIMISM IN SINGAPORE

DOUBLE-DIGIT GROWTH IN THE LIFE INSURANCE INDUSTRY IN SINGAPORE, YET A PROTECTION GAP OF S$462 BILLION, GIVES NAVEED IRSHAD, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF MANULIFE'S LOCAL BUSINESS, GOOD REASON TO BE EXCITED ABOUT THE MARKET'S POTENTIAL.

After spending 20 years in different parts of North America in the life insurance space, Naveed Irshad moved to Singapore in May 2014 to take up a new challenge.

But despite having flown 10,000 miles from Toronto, he was in a familiar territory. He was returning to Manulife, where he had spent over around three-quarters of his career already, working across different units of the company.

Plus, he isn't new to Asia.

Handling global businesses previously, he's spent a fair share of time managing accounts and dealing with stakeholders in this region, he explains.

Now running Manulife's operations in Singapore, covering life insurance, wealth management and retirement solutions, Irshad is quick to point out his optimism about the potential for developing the business.

"The growth is here," he says. "I sense the level of excitement here versus North America, where the insurance market is pretty stagnant and insurance companies are focused on expense management."

MORE ROUNDED OFFERINGS

Singapore's life insurance industry has posted some recent strong results. In 2013, for example, weighted new business premiums rose 28% and sales of annual premium products increased 31%, according to the Life Insurance Association (LIA).

Fuelling those growing premiums are changes in the fundamentals of the Asian market. The expanding – and ageing – mass affluent population in the region has clear retirement planning concerns, encouraging insurance companies to focus on finding solutions to these in conjunction with offering wealth management services to bridge any gaps.

"We see investing and up-scaling our agents to become more holistic financial advisers as a big opportunity within Singapore," explains Irshad. "This involves giving them the tools and education to sell asset management products and drive the wealth management proposition."

This will also involve an increasing focus on banks and IFAs as distributors,

Naveed Irshad
Manulife

he adds, in order to complement the agency force.

Another clear advantage that Irshad sees in Singapore is the awareness about life insurance generally, which shows a certain level of maturity of the consumer base in terms of their prod-

About Naveed Irshad

Naveed Irshad is responsible for the overall development of Manulife's business operations in Singapore – including three key business segments: life insurance, wealth management and retirement solutions.

With over 20 years of industry experience, Irshad, a Canadian, has a deep understanding of the global life insurance industry. His most recent position was based in Toronto, Canada, as part of a global accounts team of American reinsurer RGA International Corporation. His mandate included leveraging global and local expertise, tools and resources to partner with multinational life insurance companies to grow their overall protection-oriented new business. His expertise included global product development, risk management and pricing.

Prior to this, he worked at Manulife for 16 years in a variety of business roles in Toronto and Boston. Just before leaving the firm in 2011, he held a corporate position as senior vice president, product and insurance risk management.

uct understanding, partly thanks to the various initiatives by the LIA. Such a level of understanding will perhaps stand the market in good stead for when new laws are introduced that require a change in how insurance products are distributed.

Singapore's life insurance market also functions a bit differently than in some other parts of Asia, where incidents of irrational competition in terms of pricing strategies and distribution channels have been known to take place.

From Irshad's perspective, success will come down to strategy and execution, rather than competing on an unsustainable pricing policy.

However, despite the growing influence of technology, he is not overly-optimistic about the prospect of selling life insurance online, directly to consumers, anytime soon. "I don't think there is any market in the world where direct insurance sales are more than 10% of the overall market," he explains.

In contrast to general insurance, while the internet is a good source of information, people tend to seek advice before purchasing life insurance.

RESPONSIBLE REGULATION

One of the considerations for Singapore if it wants to stay competitive is to avoid excessively reducing the number of agents in the market through new regulatory initiatives which force insurance companies to move away from tied-agents.

That has been the case in other markets around the world, observes Irshad, such as the UK. "The number of agents has gone down manifold, and the protection gap has gone up, which doesn't benefit society."

As a result, agents in those markets tend to focus on the trophy cases and often neglect smaller insurance deals which is detrimental to the public at large.

In Singapore, since the first recommendation of the Financial Advisory Industry Review (FAIR) panel stipulates a minimum level of education for anyone selling insurance, there is a question-mark over what this might mean for agency forces going forward.

Ultimately, what matters most is that Singapore has a strong regulator which has its finger on the pulse of the market, and also that the positive fundamentals which will fuel sales and growth continue. ■

Positive investor sentiment

Singapore investor sentiment rose in the second quarter of 2014 to its highest level since the launch of the Manulife Investor Sentiment Index in the first quarter of 2013. This was driven primarily by a more positive view of the property, fixed income and mutual fund sectors.

Sentiment towards primary residence was up 10 points to 23, while investment property climbed out of negative territory by 13 points to 5.

"Clearly Singapore investors have recently regained quite a bit of confidence but it's important not to lose sight of the fundamentals and still take a measured approach," said Irshad at the time of the release of these findings in late August.

"It's crucial to actively manage a diversified portfolio to guard against risk and maximise returns.'

Of the other asset classes in the index, fixed income (up 4 to 16) and mutual funds (up 2 to 13) also climbed to their highest levels since the survey began. Equities on the other hand showed a small decline.

AN INDUSTRY STARTING TO EMBRACE DIGITAL

WITH MOBILE DEVICES, INTERNET USAGE AND SOCIAL MEDIA MAKING DIGITAL CORE TO THE LIVES OF ALMOST ALL CONSUMERS TODAY, INSURANCE COMPANIES ARE FINALLY RESPONDING BY LOOKING TO USE TECHNOLOGY IN NEW AND SMART WAYS.

Donna Cotter

Manulife

"The likelihood that the digital channel will really take off is higher in Asia than it is in the West"

One of the most notable characteristics of the insurance industry in Asia is the extent to which providers continue to lag the digital curve. At the same time, conditions for future success are not yet in place.

The potential impact of this, if not addressed quickly, will be that many insurers might struggle to deliver on customer expectations. In turn, new entrants and digitally-leading competitors will look to exploit this failing.

On the positive side for the stragglers, is the fact that they are being forced to do something about this now; the increasing demands of customers for a fairly seamless integration of digital and physical channels has made a transformation no longer optional.

Indeed, research from various consultants, and insurance companies themselves, shows a big demand in the Asian region for a greater role for technology across the board.

According to Donna Cotter, head of Asia wealth management at Manulife, there is potential for digital to play more of a role in the insurance industry from the perspectives of pure client engagement and education, through to more comprehensive models that we might see in more developed markets, such as online advice.

"I think the likelihood that the digital channel will really take off is higher in Asia than it is in the West," she adds.

This creates exciting opportunities for insurers that are keen to embrace it, but significant risks for the laggards. While some aspects of technological change are common to many industries, several challenges are specific to insurance. A step change in consumer engagement is needed.

EMBRACING CHANGE

There is no doubt that the insurance industry is on the brink of major technology-driven change.

According to a BCG research paper conducted with Morgan Stanley, entitled "Insurance and Technology: Evolu-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Looking forward to the future
Your savings, investments and protection partner
For financial advisers only.
INTERNATIONAL ADVISER International Life Awards 2014 Best for adviser support/ customer service (Middle East)
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INTERNATIONAL ADVISER International Life Awards 2014 Best protection product (Middle East)
INTERNATIONAL ADVISER International Life Awards 2014 Best single premium investment product (Middle East)
INTERNATIONAL ADVISER International Life Awards 2014 Best for adviser support/ customer service (offshore UK)
INTERNATIONAL ADVISER International Life Awards 2014 Best new product (offshore UK)

Jeremy Young

Sun Life Hong Kong

“We constantly look to drive efficiency and reduce wastage”

tion and Revolution in a Digital World”, consumers are less satisfied with their digital insurance experience than with other industries.

“They would like a simpler, more direct relationship with their insurer,” says the paper. “Digitisation of distribution and operations is vital for insurers to stay competitive.”

“Digitisation of distribution and operations is vital for insurers to stay competitive.”

Digitally born insurance models can gain an advantage over traditional models, reducing expenses (by roughly 10% of premiums) and claims (by around 8%), according to the research. “We could see disruptive models emerge, enabled by the Internet of Things, Big Data and the ability to access broader ecosystems than before.”

These could have a dramatic impact on the insurance industry all along the value chain, it adds, changing the nature of risk assessment and management, as well as the consumer engagement model.

There are also opportunities for technology players as insurers invest in digitisation.

The major challenges, insists the research, will be in consumer channels and new data sources. Investment will also be needed in core systems to enable digitisation and cut costs.

And vendors exposed to these areas should see strong growth.

DIFFERENT APPROACHES

There seem to be two broad approaches to going digital within the insurance industry. Some companies are taking the evolutionary approach and are digitising their existing business, processes and the operating model. Others are taking the revolutionary approach and questioning how to create new experiences for the customer.

At the back-end, insurers must use as much digital technology as possible, although many of them are encumbered by legacy issues – and for those firms operating in multiple countries, there are multiple legacy issues.

For the front-end, not every insurance firm has made adequate efforts in developing or investing in technology.

Many firms still emphasise the importance of developing agency and bancassurance channels at the cost of a digital framework.

Those companies which have successfully infused technology into these two channels are increasingly enabling agents with technology which allows them to calculate approximate premiums and process insurance applications via hand-held devices.

This also helps enrich the conversation they have with potential clients.

The consumer doesn’t really need to touch and feel the product. Neither do they need the product to be explained to them.

Instead, they can do their own research and are quite happy to shop around to compare products and make a decision with some level of enablement.

As a result, some market commentators say that insurance companies should focus on giving the right information for potential customers.

In the bancassurance channel, many insurers are working on straight-through processing systems that can be deployed in banks, possibly integrated into their systems so that the sales process is simplified and refined.

READY TO DRIVE CHANGE

Whatever approach insurers take, making more of digital, mobile and online technology seems to be an inevitable next step for the insurance industry.

According to Jeremy Young, vice president, partnership distribution, at Sun Life Hong Kong, technology enables a more dynamic presentation of insurance as a financial planning tool.

And as the customer goes on an insurance journey, the whole process can become more interactive. "We constantly look to drive efficiency and reduce wastage," he says.

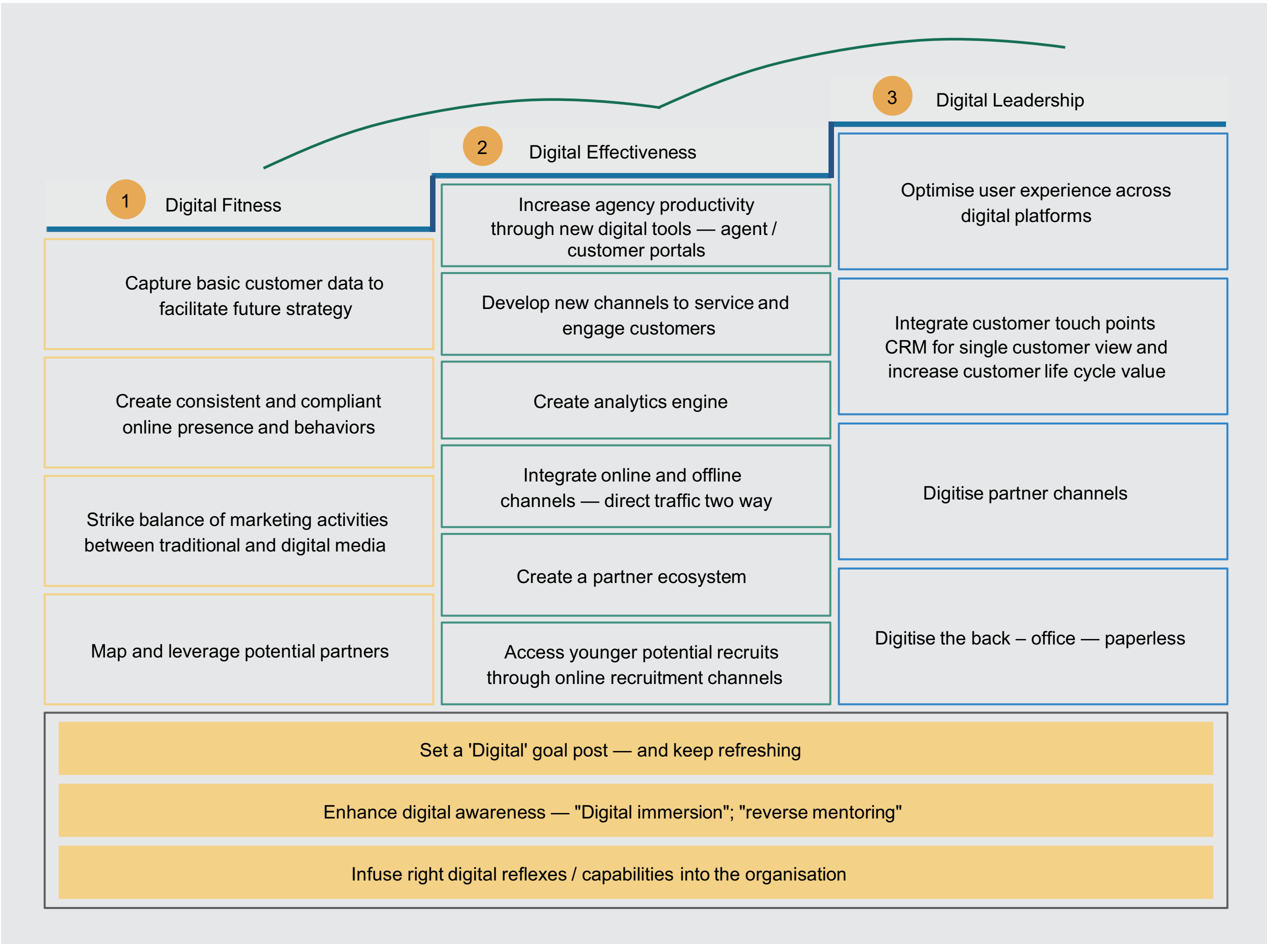
"The more streamlined we can make things, the easier it is for our customer and distributors to work with and their overall experience with us, and for our staff to provide great customer service." he adds.

Newer developments in technology are not only helping insurers to automate low-end tasks. They are also starting to challenge the fundamentals of an insurance business.

"Mobility, macro analytics, the emergence of wearables and social platforms are pushing the entire industry to revisit its old methods of customer acquisition, actuarial rules, policy issuance and customer service," says Lawrence Nutting, vice president and chief distribution officer at Manulife (International) Limited.

There is also a potential role for predictive analysis based on actuarial science to help clients choose life insurance plans, adds Naveed Irshad, president and chief executive officer of Manulife in Singapore.

PHASED APPROACH TO BUILDING DIGITAL LEADERSHIP



Source: The Boston Consulting Group "Insurance @ Ditigal – 20X by 2020"

The net effect is that progressive industry players will become significantly leaner and even more efficient.

At the same time, investing in core technology platforms and solutions can help enable an insurance company to readily comply with regulatory requirements by allowing insurance companies to effectively track sales staff activities and to ensure compliance is strictly followed.

Another area which benefits from the smart use of technology is the business of identifying risk.

This is likely to undergo a significant change, primarily due to the emergence and confluence of wearables, data analytics and social media.

"Historically, policies issued were dependent on data points provided by the prospect at the time of policy application," says Nutting.

"There were not many avenues available to re-evaluate their insurability. However, today there are more data sources that we can help us understand an individual's life style choices."

The data analytics technology available today can effectively combine all these data sources to provide very accurate intelligence, he adds.

"It may be a matter of time before insurance companies are able to legitimately tap into these data sources to provide an improved actuarial service that is more customer centric."

Training is a further aspect of the insurance industry which stands to benefit from a greater role for digital.

Technology cannot replace the need for or value of professional teacher-driven formal training programmes that underscore personal discourse and real insights.

But it can certainly augment classroom-based training to ensure individuals can keep learning and growing outside of formal programmes.

"The use of a blended approach to training, combining traditional classroom methods with e-learning, has been favourably welcomed by agents," says Nutting.

> "The use of a blended approach to training, combining traditional classroom methods with e-learning, has been favourably welcomed by agents."

Live instruction is used for training that is centered on issues requiring interaction, such as sales training. E-learning methods can be applied to refresher training programmes that are fact-based, such as procedures training, for example, he explains.

The ability for technology to assist with training adds a significant advantage in the face of time pressure, too. "We are developing an online training platform to make it easier for our distributors to undertake learning and development at their own pace and when it suits them," adds Young.

MORE TARGETED

In general, Irshad sees the opportunity in more of a hybrid approach, with some advice, some self-service, and lots of technology.

Given how much data insurance companies collect about customers, there is scope for better client engagement and more targeted marketing in Asia.

For example, Irshad's counterparts in North America and Europe are already using social media to engage Generation Y.

This helps to provide deeper insights for product development and enhancement.

Much of the development work, however, is still work-in-progress.

As a result, Irshad says insurance companies such as Manulife has an opportunity to build something to help advisers offer customised financial solutions, rather than just commodity protection.

Ultimately, technology in the point-of-sales space is meant to complement the proficiency of the sales force.

"We have been enhancing our point-of-sales tools and allowing our financial advisers to understand the concerns of our customers, analyse their needs, come up with customised solutions, and even apply and approve their policy applications through electronic and mobile tools," explains Nutting.

In this way, in addition to operating efficiently, the move towards customer-centricity happens automatically. "We essentially ensure that the customer experience is enhanced during the sales process and after-sales service through the use of enabling technology," he adds. ■

INSURERS PLUGGING GAPS IN PROPOSITIONS FOR EXPATS

CRAIG ELLIS, HEAD OF REGION AND CHIEF EXECUTIVE OFFICER, SINGAPORE BRANCH, AT SKANDIA INTERNATIONAL, PART OF OLD MUTUAL WEALTH, FORESEES GROWING POTENTIAL FOR FLEXIBLE, WELL-POSITIONED INSURERS TO PROVIDE A MORE TAILORED AND RELEVANT OFFERING FOR WEALTHY FOREIGNERS IN SINGAPORE.

Despite the supply shortfall within Singapore's expat advisory community, there is more and more potential to acquire wealthy foreigners as clients, as the requirement to service their broader financial planning needs grows.

While the relatively small community of expat-focused financial advisers is believed to number just over 100, clients themselves are finding fewer traditional options which seem suitable.

Increasingly within private banks, for example, individuals at the lower end of the wealth scale are viewed as less and less likely to provide sources of sustainable revenue.

As a result, life insurance companies are among those organisations seizing the opportunity to move more directly into the investment product and retirement solutions space.

"Some of the mid-sized insurers, in particular, which are able to be more flexible in terms of their offerings, are pursuing initiatives such as new products and online offerings," says Craig Ellis, head of region and chief executive officer, Singapore branch, at Skandia International.

His firm has been active in both of these areas, he explains.

First, Skandia has forged a strategic partnership with Jardine Lloyd Thompson, one of the largest brokers in Asia, to access more high net worth (HNW) clients, and has also launched a new life cover solution, the Silk Life Plan.

From a technology perspective, Ellis says the firm is enhancing the accessibility of support and financial planning data and information to advisers.

The firm is also continuing to develop its Wealth Interactive platform – to provide what it says is fast, easy and convenient for customers.

TAPPING A NEW, ATTRACTIVE SEGMENT

Considering his own firm as more of a niche provider, Ellis says this fits well with foreigners who are living in Singapore and have an investable asset base of between S$1 million to S$2 million.

After all, he explains, many local financial institutions are not as familiar with the culture and financial needs of foreigners living in Singapore. Or they are less interested in servicing them, given that there are many prospects with far greater amounts of wealth who therefore have the potential to generate more transaction-led revenue for the private banks. "As private banks increasingly look to on-board clients

Craig Ellis
Skandia International

with higher net worth, this leaves an attractive group of clients with around US$1 million to US$2 million in assets which are under-served," he says.

But to fully tap this growing opportunity, adds Ellis, relies on an ability to provide a holistic solution.

"At the moment, many private banks are focused mainly on the investment part," he says. "But this is only one aspect of it. They should be looking at other issues."

That helps to highlight some of the thinking behind the firm's Silk Life Plan – which, the firm believes, has more depth and range than any product it has launched to date in Asia.

As a variable universal life solution, Silk has been designed to compete with traditional universal life products and meet the needs of HNW and UHNW individuals and businesses.

It stands out, for example, for some key factors such as its variability, high death benefit sum assured and its joint life option.

These features lend the product an angle that many traditional whole-of-life products might not always have, says Ellis.

It is also arguably more realistic now than in previous years to offer such solutions following the gradual steps taken in Singapore towards professionalising the industry via the Financial Advisory Industry Review.

Additional compliance requirements brought about by new legislation could mean entire firms merging or even closing down.

"I see the regulatory demands leading to more consolidation within the financial advisory community," says Ellis.

A TECHNOLOGICAL LEAP

Other initiatives which give greater scope for the firm to broaden its client base relate to the technology space. First, there has been an upgrade to the long-running adviser publication "Informer" to a digital version.

"The digital publication will provide tailored technical support and financial planning information to advisers, giving them direct access to technical commentary from the business' financial planning experts, alongside fund statistics and an industry event calendar," explains Ellis.

In short, by introducing this new platform, financial advisers are able to better segment clients and provide more tailored services.

Of more potential, and from the perspective of the overall platform, the firm is looking to further support advisers in their day-to-day role through Wealth Interactive.

> "As private banks increasingly look to on-board clients with higher net worth, this leaves an attractive group of clients with around US$1 million to US$2 million in assets which are under-served."

This is essentially a state-of-the-art, end-to-end system that will support the adviser at every stage of the advice process, and also throughout the entire life-cycle of an investor's policy, thus enabling the customer to have 24/7 access to their investments, explains Ellis.

For example, he says, at the pre-sale stage, Wealth Interactive offers tools and services to help with goal planning and risk assessment.

At the time of sale, advisers can now apply quickly and simply online on behalf of individual clients, and benefit from instant valuations.

In addition, Wealth Interactive further offers investment services, such as access to asset research, portfolio construction and management, asset allocation, online individual and bulk dealing, and more.

Advisers can also use the system for ongoing client management, for example in terms of requesting valuations or access to correspondence history.

For the fund offering, Ellis explains the platform offers a collection of the industry's leading funds.

And by bringing together some of the industry's leading fund managers and best-known asset management brands across all the major asset classes, Ellis says that it quickly becomes very cost effective for clients.

"It fits in an Asian environment," he says, "so we will look to introduce it internationally going forward."

Importantly, adds Ellis, Wealth Interactive represents far more than improved online access and functionality.

"It's a fundamental re-engineering of the organisation's service offering." ■

IMPORTANCE OF BUSINESS PROTECTION FOR SINGAPORE SMEs

A NEW INSURANCE SOLUTION FROM ZURICH IS AIMED AT HELPING BUSINESS OWNERS AND ENTREPRENEURS WEATHER UNWANTED CONSEQUENCES OF EVENTS WHICH ARE POTENTIALLY DETRIMENTAL TO THE FINANCIAL FUTURE OF THEIR BUSINESSES.

Small and medium enterprises (SMEs) play an integral role in shaping Singapore's economic and business landscape, and will generally continue to gain prominence.

According to SPRING Singapore, SMEs represent 99% of all enterprises in the Lion City and employ 70% of its labour force, contributing to nearly half of the national GDP.

In response to this increasingly important business segment, Zurich has announced the launch of a new Business Protection solution for SMEs.

The objective of this offering is to better help business owners and entrepreneurs hedge against unexpected events that may impact the financial future of their business.

GIVING BUSINESS OWNERS TIME AND SUPPORT

The recent inception of the Zurich Business Protection solution stems from the idea that a majority of business owners must focus on their current operations and are limited in how much time they can spend thinking about the future.

However, Zurich strongly believes that planning for the future and identifying risk mitigation solutions is as important as any component of any business – policies must be in place to prepare for the next generation.

"SMEs play a crucial role in Singapore's expanding home-grown business landscape, and contribute significantly to the country's economy," says Peter Huber, chief executive officer of Zurich Global Life Singapore.

"As such, it is pertinent that the right protection plan is made available for these businesses to preserve important physical and human-capital assets," he adds. "Zurich's Business Protection solution serves as an integrated solution that addresses both human assets protection and business risk management."

The Zurich Business Protection solution looks at various challenges SMEs may face while outlining ways to help them establish greater financial security.

PUTTING A PLAN IN PLACE

For an entrepreneur, it's easy to think that if something should happen to them, their business partners will know

what to do for sure, or that their kids won't fight over the business.

However, the death or critical illness of a key person within an SME has far-reaching consequences and could threaten everything an entrepreneur has worked so hard to achieve.

For example, very few businesses have a structured future plan in place which helps ensure that the business has cash available to repay loans, should that be required, or which is able to buy back shares in the case of a deceased partner.

A business protection plan can help reduce financial issues and provide financial stability. If there is no plan, or no road map, any one of the trigger factors could shut down the business for good.

> "If there is no plan, or no road map, any one of the trigger factors could shut down the business for good."

KEY PRODUCT FEATURES

Zurich's Business Protection solution includes the following key features:

Key person protection: A key person can be defined as anyone whose loss, either permanent or temporary, would affect the business' ability to maintain turnover or generate profits.

This person can be the founder, chairman, managing director, top sales person or IT specialist. This policy customises solutions to protect the key person(s) and ensure business will be compensated for the financial loss incurred due to the death or extended incapacity of the key person(s).

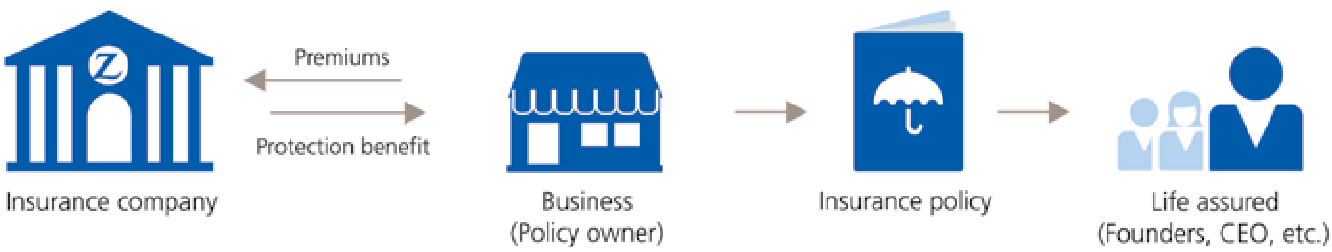
Business succession planning: Helps SMEs create a structured succession plan that ensures the business have the money to buy back the shares of a deceased partner.

Business loan protection: Ensures the company will have the cash sum to repay business loan should the unfortunate happen.

Legacy planning: Helps address business owners' legacy planning needs to maximise the benefits of their assets and ensure their loved ones will receive them according to their plans. ■

The information contained herein is provided solely for general informational purposes and does not constitute any financial advice.

How it works?



Should the worst happen, key person insurance will give your company a cash injection:

- √ To compensate the lost profits
- √ To cover recruitment and training costs
- √ To pay off any loans or creditors who demand for payments due to the loss of any key person
- √ To reassure customers, suppliers and employees

NEW MIND-SETS IN HONG KONG AND SINGAPORE

REGULATORY DEVELOPMENTS ARE SHAPING MANY OF THE PROPOSITIONS NOW BEING DEVELOPED IN THE KEY INSURANCE MARKETS OF HONG KONG AND SINGAPORE, ALONG WITH THE CHANGING DEMOGRAPHICS AND EVOLVING DISTRIBUTION MODELS.

Marcelo Teixeira

HSBC Insurance

"Advisers now need to cultivate a culture of putting the customers and their needs first"

Asia has become a hot-bed of regulatory activity in the insurance industry, with authorities in several countries revising and introducing new ways for companies to act and behave.

Ultimately, the objective is to protect customers. As a result, there are certain similarities which are clear to see – fee transparency, conformity around advice, and more detailed documentation in relation to client guidance.

According to James Tan, managing director for Friends Provident International (FPI) in Asia, the regulations will finally put all providers on a level playing field. "We have generally felt there has been a lot of variance, when it comes to commissions," says Tan, referring to Hong Kong and Guidance Note 15 (GN15), issued by the Office of the Commissioner of Insurance (OCI) in July to remove indemnity commissions as of 1 January 2015.

A lot of players in the local market have been competing for business by paying higher commissions, but GN15 changes the game completely, explains Tan.

While market practitioners acknowledge there will be some impact in terms of adjusting to the new process, what's key is that customers know and fully understand what they're buying.

A NEW APPROACH TO SALES

Within the new regulatory frameworks in Hong Kong and Singapore, insurance is seemingly going to be about providing more service to clients and support to brokers.

Tan says he believes the industry should ensure that the whole sales process is designed to meet the needs of clients in terms of products and solutions. For example, an overall financial needs analysis now has to be performed, and documented, before a product can be issued.

Plus, a post-sale call has to be made to the client to ensure they understand what they've bought.

In short, the sale of insurance products in Hong Kong now requires a deeper conversation with clients. "Advisers now need to cultivate a culture of putting the customers and their needs first," says Marcelo Teixeira, HSBC's group head of insurance.

Such a philosophy is relevant across geographies, too. After all, adds Teixeira, a lack of transparency can not only cause the client to sever ties with the adviser, but cause a dent in the advisers' remuneration, since changes in regulation will mean that their income will be distributed over the life of the contract. "This is the biggest change that I see the industry going through."

How far these reforms will go remains to be seen.

But, says Nutting, it is clear intermediaries will need to revisit client agreements that either exclude or limit suitability requirements for professional investors. "It is important for insurers to closely monitor the regulatory landscape, and to ensure that they put in place the policies, procedures, systems and controls required for compliance with changing regulations," he explains. "Greater vigilance will be the new norm."

It is also notable that consumers are getting increasingly sophisticated, adds Glenn Williams, chief executive officer of AXA Life Insurance Singapore.

And with Singapore being one of the fastest-growing high net worth markets in the world, he expects the consumers there to want simple, easy to understand, but bespoke solutions and services. "Beyond products, a customer will always want an insurer that is easy to deal with," he says.

James Tan

Friends Provident International

"We have generally felt there has been a lot of variance [in Hong Kong], when it comes to commissions"

As a result, the advisory capability will be an important element of providing the right level of service going forward. And that will take time to get right within a new environment.

It isn't only insurance companies and intermediaries which need to get used to new ways of working.

In becoming more protective of end-investors, regulators are working more together more closely. In Hong Kong, for instance, for Guidance Note 15 to be effectively enforced, the OCI and Securities & Futures Commission will need to become more aligned.

Hong Kong will also see the introduction and development of the Independent Insurance Authority in 2015.

"All changes present challenges to the way the market operates its business, due to different processes and guidelines being introduced," says Jeremy Young, vice president, partnership distribution, at Sun Life Hong Kong. "But these also present opportunities in how the products are presented and in facilitating a different value proposition to the policy holder and distributor."

"What's key is that customers know and fully understand what they're buying."

PRODUCT IMPLICATIONS

Hong Kong's GN15 also creates some specific significant changes to the Investment Linked Assurance Scheme (ILAS) proposition.

Many insurance companies have found that they need to tweak their investment-linked offering to ensure compliance with the new regulatory environment. "This has driven much of the activity on product development over the last 12 months, and will continue to do so as insurers alter their product portfolio as a result," explains Young.

Given that ILAS is a product which is part savings, part protection, the industry has a role to play to demonstrate this to prospective clients and ensure that terms and conditions don't get lost in translation, according to Teixeira at HSBC.

Lawrence Nutting

Manulife

"We have seen more RMB product offerings in recent years and we believe this trend will continue in the future"

"More and more people are willing to take up a portion of the investment risk for the sake of better investment performance, and the product will be better received if explained properly," he explains.

At HSBC, for example, the current environment has led to it reviewing its core manufacturing capabilities to focus primarily on the life insurance and pension businesses in certain markets.

"The reason for this," explains Teixeira, "is to serve our customers by focusing on what we are best at, and then partnering with third-party specialists for other products."

Basically, HSBC products are targeted to fulfil one of five needs it has identified among its customer base – either protection, children's education, retirement, growth of wealth or legacy planning.

The strategy is to make the product shelf comprehensive but not to have products competing with each other. "We don't see this as an open platform," says Teixeira, "because we don't have HSBC products and third party products sitting side by side, competing for the same need."

But while insurance companies will need to tread carefully with respect to how they structure the ILAS solutions they bring to market, it is the brokers and other distributors which will be hit the hardest – as a result of the shift to trail-based income and removal of indemnity commissions.

"While insurance companies will need to tread carefully with respect to how they structure the ILAS solutions they bring to market, it is the brokers and other distributors which will be hit the hardest."

Assessing the extent to which both local and expat firms have the capabilities to adapt, many practitioners expect to see a reduction in headcount at the larger distributors, and consolidation among the smaller ones.

Meanwhile, the ageing populations in Hong Kong and Singapore present a large – and growing – opportunity for those insurance companies which are focused on providing retirement and protection solutions. "Insurance companies and their distributors will need to respond accordingly, and they should be more and more focused on meeting clients' retirement demands," says Lawrence Nutting, vice president and chief distribution officer for Manulife (International) Limited.

ADAPTING TO SINGAPORE'S NEW-LOOK LANDSCAPE

Regulatory-led reforms are also continuing to influence distribution and how advice is delivered and paid for in Singapore's insurance sector.

For Chris Gill, general manager for FPI in South-east Asia, the focus is ensuring his business is responding to clients' evolving needs via the right products and delivery channels.

One approach worth considering, he explains, is a packaged solution – which is what he says FPI is in the process of creating, mainly for local high net worth individuals.

Scheduled at the time of going to print to launch in early 2015, Gill says the product targets those clients with a net worth of anywhere from US$1 million to US$10 million and who are in need of a general insurance solution.

"Our product proposition offers a combination of an insurance wrapper and high-death benefits, but also has an investment angle," he explains.

This provides an important point of differentiation from other products, which tend to leave the investment choice to a third party.

"Our solution gives a certain amount of investment protection as well. This integrated product will play a big role in clients' portfolios," he predicts.

More broadly, to cater to the variety of consumers in Singapore from across different segments, Williams says there is no one solution that will be more appropriate than another in this market.

"Different people will have different specific needs," he says.

For example, he says, AXA Life Singapore offers a solution to cater to their specific protection needs during pregnancy, and these solutions also come with a longer-term offering which can help protect their child's future financial needs.

Chi Kong Sue

Etiqa Insurance Pte. Ltd.

"There are already some markets where people shop around and look for comparisons.... So we see Singapore as having this potential"

"The next stage is waiting to see what the commission cap will be in 2016 and 2017, amid the ongoing efforts to flatten it even further."

Another example is the AXA Life Singapore 360 CancerCare, he adds, which recognises that protection solutions are not just about providing a lump sum of cash in times of need, but about providing holistic support to the customer in times of need.

PREPARING FOR A NEW WAY OF DOING BUSINESS

Another of the examples of how the landscape is changing in Singapore's insurance industry relates to the commission cap as part of the Monetary Authority of Singapore's (MAS') Financial Advisory Industry Review (FAIR).

Likely to be introduced next year, this will mean the total amount of commission which can be paid in the first year of a regular premium contract will be 55% of the commission to be paid throughout the plan's lifetime. In short, says Gill, this will flatten the overall commission by spreading it out over subsequent years.

"This is an alignment of client and adviser interests, which is a positive step for the market," he explains.

For example, if the client's plan grows in value, this leads to a greater fee for the adviser. In turn, there is an incentive for the adviser to ensure the client continues to grow his or her wealth and pay the premiums, he adds.

The next stage is waiting to see what the commission cap will be in 2016 and 2017, amid the ongoing efforts to flatten it even further.

But despite some uncertainty in the life insurance sector in Singapore, it hasn't prevented some new faces appearing.

Fuelled by a desire to follow in the footsteps of its parent, Maybank Ageas Holdings, Etiqa seized on an opportunity to enter the life insurance space in Singapore in mid-2014.

It acted quickly when a 10-year agreement between Prudential Assurance and Maybank to sell life insurance came to an end earlier in the year. The strategy, says Sue Chi Kong, chief executive officer of Etiqa Insurance Pte. Ltd., the local Singaporean arm, is to leverage existing expertise from its headquarters in Malaysia to drive a successful business in this new market.

EMERGING DISTRIBUTION TRENDS

The real winners over the past two to three years in terms of insurance product sales in Hong Kong and Singapore have been the banks. They have experienced most of their success via short-term, regular premium insurance prod-

Chris Gill

Friends Provident International

"Competency shouldn't be a measure of the number of insurance policies or the volume of premiums sold, but whether an adviser has done a good job for the client"

ucts, says Gill, which have replaced the structured products sold pre-2008.

The bancassurance route is certainly popular with Etiqa. It is keen to make the best use it can of the 22-branch network which Maybank provides.

Growing the agency force is not off the cards entirely. At Tokio Marine Life Insurance Singapore Ltd, for example, 14% of its new business currently comes from its agency force.

And while it works towards maintaining its dominance in the financial advisory channel, chief executive officer Lance Tay says it expects 35% of its new business to come from its agency force in three years' time. "For the next couple of years, we will place great emphasis on building up our agency force," he says, "and strengthening our Investment-Linked and Accident & Health product offerings."

The firm's products which are capital intensive under the proposed Risk-Based Capital 2 framework will be phased out so as to have a business model that is sustainable for the long term, adds Tay.

"We are seeing a change to a more streamlined approach, from customer needs identification to analysis through to the policy being issued and the after-sales service."

In terms of direct distribution, Etiqa is also one of the growing number of insurers now putting in place the infrastructure and processes in preparation for launching products in 2015 for consumers to buy without financial advice.

The proposed web aggregator, for which the MAS has a launch target in the first quarter of 2015, will enable consumers to compare the premiums and features of life insurance products.

"There are already some markets where people shop around and look for comparisons – for both life and term products," says Sue. "So we see Singapore as having this potential."

In general, as products get more aligned across companies, the distribution model will take a value-based approach where the customer takes into account the service proposition offered by both the distributor and the insurer.

In relation to this trend in Hong Kong, for example, Young says he is already witnessing some unique service aspects being offered by both insurers and distributors.

"We are seeing a change to a more streamlined approach," he explains, "from customer needs identification to analysis through to the policy being issued and the after-sales service. This will continue to develop to really enhance both the policy holder and distributor experience."

New product designs and regulation will also drive some of the changes to the way products are distributed through the sales process.

At the same time, he adds that there might be some changes in Hong Kong to the structure of independent distributors such as IFAs as a result of the changing regulatory framework

"More generally, the lines between insurance and wealth management are becoming closer as the two are interconnected in a financial plan, so Sun Life will be doing more in the wealth management space," he says.

ENHANCING COMPETENCY

Delivering what's required in today's new environment will depend on the extent of adviser competency.

According to Gill, that shouldn't be a measure of the number of insurance policies or the volume of premiums sold, but rather whether an adviser has done a good job for the client.

That should also take into account dynamics such as risk profile and objectives, he adds.

As a result, the balanced scorecard approach being introduced as part of Singapore's FAIR is a good way to ensure competency and the objectivity of advice given, says Gill.

Plus, it follows on from the MAS' previously-stated intention to raise standards and address a lack trust in the industry – which, from an insurance perspective, often stems from there being limited transparency and awareness by the customer.

The direct sales channel also forms part of the effort to tackle that, with the development of online portals to provide more information and create more efficiency.

Incentives are another aspect of the regulatory reforms which insurers are focused on.

Gradually, the regulators in Asia are realising that the industry needs to give more back to the end-customer through higher-quality products and improved service.

While incentives are still allowed, the final details on what can and cannot be given in Singapore are in the pipeline.

"[Transparency] is one of the key areas of focus for FAIR," adds Gill, "which I see as the first step on a long journey where there will be an evolution of the local insurance market."

This is perhaps a realistic way to move the market to the next level.

While the minimum educational requirement to be a financial adviser in Singapore has increased slightly, with an A-Level now needed, it still has some way to go to bring it in line with standards in markets like the UK, where the qualification is equivalent to undergraduate level at University.

But the key is moving the market in a direction and at a pace where the industry can manage the change more realistically.

THE CHINA OPPORTUNITY

As Hong Kong has become a very significant global hub for offshore RMB business, insurance companies are also expecting to see an exciting escalation of the need for RMB products.

"Clients would like to capture the potential appreciation of the RMB and the multi-fold opportunities from continued economic growth of China," explains Nutting. "We have seen more RMB product offerings in recent years and we believe this trend will continue in the future."

At the same time, there is also an increasing number of Mainland visitors coming to Hong Kong in order to buy insurance policies.

According to Hong Kong's Office of the Commissioner of Insurance, the number of policies issued to this segment increased from around 11% in the first half of 2012, to roughly 13% in the first half of 2013.

That figure then further jumped to 18.4% in the first half of 2014, in terms of new office premiums.

"The biggest growth we have seen in the insurance industry in the past two years is related to China," says Odd Haavik, chief executive officer of Willis Global Wealth Solutions in Asia. "A lot of clients in China are looking to get their estate plans and assets in order and protected."

> "The biggest growth we have seen in the insurance industry in the past two years is related to China. A lot of clients in China are looking to get their estate plans and assets in order and protected."

Given that the Hong Kong insurance industry is now more mature in terms of regulations and product diversification, Nutting adds that it is natural that some Mainland visitors are attracted and eager to buy insurance products in Hong Kong.

This is due to growing sophistication in the Mainland among the customer base, explains Haavik.

"The outlook has broadened as people have traveled more and are being educated overseas," he adds.

That has exposed them to concepts such as estate planning, which is considered in some developed markets at least as important as asset accumulation, he adds. ■

ADAPTING INSURANCE OFFERINGS TO A NEW HONG KONG LANDSCAPE

WIM HEKSTRA, CHIEF EXECUTIVE OFFICER OF SUN LIFE FINANCIAL IN HONG KONG, BELIEVES RETIREMENT AND HEALTH SOLUTIONS ARE KEY TO WINNING MORE LOCAL MARKET SHARE GIVEN THE DYNAMICS OF THE AGEING POPULATION – IF INSURERS PUT IN PLACE THE RIGHT TRAINING FOR THEIR AGENTS AND OTHER DISTRIBUTORS.

One of the most common topics of conversation within Hong Kong's insurance community at the moment is the impact of the evolving – and tightening – regulatory environment.

And the conclusion everyone comes to, it seems, is that there is now much greater difficulty in planning for the future, in relation to both products and distribution.

There are three main aspects of the local insurance landscape which practitioners are most focused on, ahead of 2015: first, the implications of the formation of the Independent Insurance Authority (IIA); secondly, the need for more information about the formulation of Guidance Note 16, referring to insurance products in general; and thirdly, the implementation of Guidance Note 15, referring to investment products by peers in the market.

"I think this is a reflection of the fact that Hong Kong is just adapting to the global framework and the Office of the Commissioner of Insurance (OCI) is very keen to make sure that Hong Kong regulation is up to standards," says Wim Hekstra, chief executive officer of Sun Life Financial in Hong Kong.

"I think the regulation in Hong Kong is probably outdated in some ways, so a revamp is necessary, and that is what is now happening," he adds.

Wim Hekstra
Sun Life Financial

> "I think the regulation in Hong Kong is probably outdated in some ways, so a revamp is necessary, and that is what is now happening."

CRADLE TO GRAVE

Amid the current regulatory uncertainty, Hekstra must be pleased with his decision to join the firm around 18 months ago. For the pensions side of the business, growth for Sun Life Financial has been fuelled by an impressive 11% of inflows in the MPF system coming to Sun Life and a 28% growth of AUM of the Sun Life MPF scheme in the past 12 months. This has made the firm the fastest-growing in this space, explains Hekstra.

At the same time, engagement with IFAs is bearing fruit, with healthy growth in the top line and sales numbers.

But Hekstra is far from complacent.

To position the firm for continued growth, he says he is working on providing a variety of solutions which can meet the needs of consumers at any given point of their lives.

This cradle-to-grave strategy also plays to the strengths of his agents, whose strong relationships with clients mean they can engage with them and their families with products and solutions which suit the various stages in their lifecycle.

"If we only focus on one or two products, we miss out the opportunity for our agents to engage [with their clients] in different ways," explains Hekstra.

Sun Life Financial is also doing more to help facilitate some of these conversations, by providing a one-stop-shop for financial intermediaries.

More specifically, it has opened its Business Partner Centre in a key location in Hong Kong, aiming to provide a one-stop service to brokers and IFAs and their customers.

This includes facilities allowing them to meet with their clients in a professional environment. They can also make use of the venue as a training centre to support them to grow their skill-set further.

TAPPING LOCAL AGEING TRENDS

In addition to broadening the product suite, Sun Life Financial is also bullish on the outlook for demand for healthcare and retirement solutions.

Demographic studies show the population in Hong Kong is ageing, while wealth-related surveys highlight the growth in income of individuals in Hong Kong, along with the need to plan more for their future.

> "In a market like Hong Kong, where there is so much wealth, yet so much cash in the banks, I foresee strong demand for wealth and retirement-type products."

"In a market like Hong Kong, where there is so much wealth, yet so much cash in the banks, I foresee strong demand for wealth and retirement-type products," explains Hekstra.

While some practitioners think the insurance market in Hong Kong is becoming saturated, with statistics showing huge insurance premiums, many people forget that a lot of sales in Hong Kong are made to individuals from mainland China.

These consumers come across the border in search of products which are both well-priced and give them variety to choose from.

"The local [Hong Kong] market has a large number of people who are under-insured," adds Hekstra.

EMPOWERING AGENTS WITH NEW WAYS TO ACT AND BEHAVE

Key for success is to make the most of these opportunities, yet at the same time be able to meet the more stringent regulations and compliance requirements being proposed locally.

To do this effectively, the agents which drive the top-line of sales for the insurance companies now require more training and qualifications to give the type of advice which is required to ensure customer suitability.

This is precisely where one of the biggest challenges for the industry in 2015 is coming from.

With more specific regulation of sales conduct to come, Hekstra says it is up to companies like Sun Life Financial to train its people accordingly.

Being pragmatic, he says that higher standards combined with the threat of hefty fines for any misconduct will have a positive effect, in terms of forcing those agents who are not able to prove they are up to the task to leave the industry.

For those agents who are capable, however, there is a need to support initiatives such as more training and a wider range of products.

That can be achieved by providing more hi-tech tools to aid agents during the sales process.

Hekstra says he is unconvinced about the potential for more direct sales via digital channels.

However, he says that he recognises that the use of various technologies to help customers understand a product at the point of sale can lead to a higher success rate. ■

STANDARD LIFE RE-INVENTS HONG KONG STRATEGY

INSURANCE COMPANIES IN ASIA FACE A TOUGH TIME AHEAD AMID THE SEA OF REGULATORY CHANGE IN KEY MARKETS. FOR NEAL ARMSTRONG, CHIEF EXECUTIVE OFFICER FOR STANDARD LIFE IN HONG KONG AND SINGAPORE, MEETING THESE CHALLENGES REQUIRES A FOCUS ON BEING NIMBLE, INNOVATIVE AND TECHNOLOGICALLY SAVVY.

For life insurance companies, the impact of new regulations on underwriting class C insurance business in Hong Kong have been very real, and quickly felt.

Standard Life, for example, took a strategic decision to withdraw its regular savings plan from the Hong Kong market in September, in direct response to the changes proposed in mid-2014 by the Office of the Commissioner of Insurance (OCI) through its Guidance Note 15 (GN15).

The decision was largely to ensure it was unencumbered by the aftermath of the OCI announcement as it looked to refocus its offering accordingly.

More specifically, the provider, like its peers, has been working on creating products which conform to the new environment in Hong Kong.

"We have already put two products in for approval, the first of which has completed the approval process," says Neal Armstrong, chief executive officer for Standard Life's business in Hong Kong and Singapore.

Such fast work is noteworthy, given that the OCI only gave five months' notice to insurers for them to re-design products and re-engineer the financial structure of the company.

That is a timeframe which many market practitioners found surprisingly short given the far-reaching nature of the changes required.

> "We have already put two products in for approval, and by the time this goes to press, one will be approved,"

Yet Standard Life needed to respond swiftly, given that a significant percentage of what it does in Hong Kong has now been affected by GN15.

"As a group we are very much focused on Class C business, in line with our global business strategy of growth in savings and investments," explains Armstrong.

Neal Armstrong
Standard Life

The Hong Kong developments have had implications for how its distributors get rewarded, too, he adds. Given their strong dependence on regular savings products, IFAs need to get prepared for a change in the way they receive their income for each sale going forward, and the period over which that income is earned.

KEEPING INNOVATION ALIVE

A potential upside of the regulatory landscape is the incentive it gives insurers to become more innovative.

For example, despite Standard Life discontinuing the sale of its regular savings plan in Hong Kong for the time being, it is very aware that its customers still need to be able to accumulate assets and manage their wealth in a tax-efficient manner.

"Our challenge is to see how we can innovate in the new regulatory framework and bring transparent products which work in the sphere of the regulations and answer those needs of the customer," says Armstrong.

He adds that innovation is already taking place in the insurance sector. "Although it is a bit of a cliché, one of the biggest innovations the industry has seen over last few years is companies starting to actually put the customer first," he explains.

For Standard Life, that means doing a lot of what Armstrong calls insight work with customers and IFAs to understand what they want.

"The very fact that we then build things which people want, they are not actually seen as innovative," he adds.

> "While we work with some very good partners locally, there have been some challenges across the market in terms of best advice, and nobody wants to be linked with that."

PLOTTING A MORE DIGITAL ENGAGEMENT

Dealing with the today's regulatory landscape also calls on insurance companies to find new ways of engaging both customers and intermediary partners.

This has typically been achieved through using technology via mobile and digital tools and channels. "We have only really used digital so far as a way to interact with existing customers," says Armstrong.

He has found that customers in Hong Kong take more of a hands-on approach to their investments, preferring to have instant access to valuations and the ability to do online switching of funds.

He is pleased by the progress the firm has made on its mobile application technology. "We measure the take-up rate, which continues to grow exponentially in terms of the amount of transactions and activity through that."

The next step is to work on version 2.0 of the offering.

The goal, says Armstrong, is to find solutions to questions such as: how to approach customers, how to interact with them through different versions of social media, and how to link into digital more fully.

These efforts are not only focused on the client, but also to enable the firm's brokers in a more technology-savvy way.

"We have been working for the last eight months on revamping our whole approach to operations and how we put more of that process online and into digital," says Armstrong. "We are working on rolling out, at the end of the first quarter 2015, our first real-time online illustration system for brokers to use."

RACE TO THE TOP

Broadly, Armstrong is supportive of regulatory changes, particularly around increasing transparency and taking the dependency away from initial commission.

"While we work with some very good partners locally, there have been some challenges across the market in terms of best advice in relation to initial commissions," he explains, "and this new era, post GN15, will help to dispel that focus and allow customers to feel more open to addressing their financial needs and goals."

He points to the reputation Standard Life has developed in Hong Kong for being seen to do right by its customers.

"Going forward, the products we are designing will embrace what we as a group are all about," he explains, "in terms of growing savings and overall assets, to ensure that we are seen as an aspirational brand. The primary driver is providing wealth solutions for customers."

In Hong Kong, where the number of providers with this type of focus has shrunk, Armstrong is confident that the firm is positioned to be a bigger player in a potentially smaller market. ■

HOW TO CULTIVATE INDONESIA'S INSURANCE INDUSTRY

THERE IS INCREASING OPTIMISM IN INDONESIA ABOUT THE POTENTIAL TO TAP THE GROWING MIDDLE CLASS WITH INSURANCE SOLUTIONS, BUT HELP IS NEEDED IN TERMS OF A BETTER EDUCATED SALESFORCE IN PARTICULAR.

The most exciting aspect of the insurance sector in Indonesia also represents its biggest hurdle – accessing the middle class.

The fact that many of these individuals don't have bank accounts makes capitalising on this potential difficult. Plus, there is a need for much more customer education.

The key, said speakers at the Hubbis Indonesian Wealth Management Forum 2014 in Jakarta, is to be able to position the offering to access the emerging middle class.

That means building relationships with customers over the long term and developing products which suit their unique needs.

In a country like Indonesia, these relationships often start in places like wet markets, where shop owners are opening bank accounts for the first time.

Chris Bendl

Manulife Indonesia

"[Digital offerings] create opportunities to reach out to customers we otherwise couldn't"

IN NEED OF GREATER COMPETENCY

For Edy Tuhirman, chief executive officer of Asuransi Jiwa Generali Indonesia, he sees insurance as a chance to provide something that can increase financial awareness. To date, however, opportunities have already been missed by various players, despite the relative infancy of the market.

For example, middle class customers have tended to buy regular premiumproducts, so approach it as what Tuhirman describes as a "buy and forget" policy.

Yet nobody monitors their portfolio. As a result, an opportunity to provide ongoing service and develop a lasting relationship with that customer is gone. In line with this, the profession – including bankers, agents and other practitioners – must take the same long-term view as the policies do themselves.

Turnover of salespeople in the insurance space is around 40% per year, says Asri Natanegeri, bancassurance product head for the wealth management business at DBS Bank.

"Recruitment is challenging given that new players are coming in and hiring

Edy Tuhirman

Asuransi Jiwa Generali Indonesia

"Insurance is a chance to provide something that can increase financial awareness"

people with a lower standard of competency by offering them better compensation and positions."

As with other areas of wealth management, however, educating and developing the salesforce is a big challenge and requires a long-term commitment, too, she adds.

Yet delivering on the potential that everyone can see comes down to people – and being able to attract, retain and develop them, says Chris Bendl, chief executive officer and president director for Manulife in Indonesia.

This can be achieved in various ways, he adds.

For example, universities need to play their role by delivering to the market more work-ready graduates. Further, the private sector must make the required commitment to developing and nurturing staff, and give opportunities to employees globally.

Some tangible signs of progress in professionalising the industry include increased requirements for stronger corporate governance and risk management, explains Bendl.

This just adds to the capital intensive nature of the insurance industry and long-term commitment that the insur-ance companies have to make. The Otoritas Jasa Keuangan (OJK), for example, is expecting insurers to increase the number of high-quality actuaries to support the industry.

According to Natanegeri, for the banacassurance segment, the key OJK concerns are focused on transparency and customer protection, as well as promoting awareness and education in terms of the financial solutions available in the bank.

"The profession – including bankers, agents and other practitioners – must take the same long-term view as the policies do themselves."

WOOING CUSTOMERS

Part of the challenge in maximising Indonesia's insurance opportunity also relates to the customers, adds Natanegeri, who are young from a demographic perspective.

"We are now shifting our focus from selling a lot of investment products to products focusing on retirement and also education," she explains.

The key, therefore, is to position the product as more of a wealth planning solution – for accumulation, legacy and estate planning.

Experience so far for some customers, however, has been below par.

For example, says Bendl, the persistency level in the country – in terms of how long a customer holds an insurance policy – is poor.

"Data shows that the average length of some ILP products is less than three years," he says.

"That means the customer's first experience tends to be value destroying not value adding, which isn't good for the industry."

There is also a need for regulations to increase professionalism, so customers know what they are getting into.

A new way to access customers is also in relation to digital offerings.

"This creates opportunities to reach out to customers we otherwise couldn't," says Bendl.

And with around 21,000 miles of underground cables expected to be fully implemented during 2015, internet speed connectivity akin to that in Singapore is expected to lead to a financial renaissance.

In particular, he adds, financial institutions will be able to reach out to and service customers in a digital fashion.

Tuhirman, meanwhile, is more cautious about the impact of digital solutions, saying that he doubts the potential to sell insurance through digital over next few years.

However, he acknowledges its value for information sharing and customer communication, especially since this helps to overcome the issue of limited human resources.

Digital channels will also help Natanegeri to convey the importance of financial planning, including insurance, to her clients, by engaging them in a more interactive way.

For example, this will give salespeople tools to create a structured conversation that leads to the right products being sold.

Further, it helps the bank to stay compliant with various regulations that form part of the sales process.

For example, she explains, bankers can go through the KYC and needs identification processes, and at the end of these make appropriate suggestions for the customers, which are suited to their needs.

EXPANDING MARKET SHARE

One of the shortcomings within the Indonesian insurance sector has been the positioning of the market as "one size fits all".

Yet Bendl says he sees that changing.

"The regulator is giving guidance that it would like to see a better mix of customers. That would be affirmation to them that clients' needs are being met."

Asri Natanegeri
DBS Bank

"Educating and developing the salesforce is a big challenge and requires a long-term commitment"

"Some tangible signs of progress in professionalising the industry include increased requirements for stronger corporate governance and risk management."

For a company like Manulife in Indonesia, which offers pensions, mutual funds and healthcare, for example, the reforms are in fact opportunities to grow the business.

There is also potential for tax advantage products, adds Bendl, as more people pay tax and the authorities get more efficient at collecting them.

As a result, more people will then look at structures to help with their taxes.

In general, he explains that there are four sweet-spots for Manulife in Indonesia: young middle-income families; older middle-income families; affluent business people; and affluent retirees.

"We also work with micro-lending institutions," he adds. "We see them as an emerging class of customers that formally was not bankable, but now is."

The critical aspect is building a relationship with these entrepreneurs. This is to create lifelong opportunities to introduce them to other products in the years to come, explains Bendl.

From Tuhirman's perspective, retirement is a big opportunity.

And the firm will be moving more towards that direction via a simple solution, he explains.

Meanwhile, Natanegeri predicts that bancassurance will grow.

She also sas she thinks it will continue to contribute towards life insurance penetration, as well as to educating customers. ■

FEATURE ARTICLE

DRIVING THE MALAYSIAN MARKET FORWARD

THE LIFE INSURANCE MARKET IN MALAYSIA IS STILL RELATIVELY UNDER-DEVELOPED. PRODUCT DIVERSIFICATION, HIGHER LEVELS OF CONSUMER EDUCATION AND A BROADER, MORE EFFICIENT DISTRIBUTION ARE SOME OF THE CHANGES REQUIRED IF IT IS TO MOVE FORWARD.

Insurance companies and the regulator seem to be aligned in the outcome they want for Malaysia's life insurance industry: deeper penetration.

Bank Negara Malaysia (BNM) has been forthright in its approach. It issued a concept paper in late 2013 proposing a variety of bold changes to transition the life insurance and Takaful industry towards achieving a penetration rate of 75% while at the same time ensuring consumers receive proper advice.

Proposals included greater operational flexibility to promote product innovation, diversified distribution channels to widen product delivery, and higher product disclosure standards to enhance transparency, professionalism and consumer protection.

Local market practitioners agree that some of the vital steps to be taken include these areas.

But the industry's reaction to achieving this has been a bit more cautious.

"Extensive changes could be counter-productive in the short term," says Christine Cheu, chief marketing officer for Zurich Insurance in Malaysia.

Toi See Jong

Tokio Marine Life Insurance Malaysia

"To make the most of the [insurance market] potential that exists, distribution needs to become a lot more efficient"

DEEPER PENETRATION VIA BROADER DISTRIBUTION

Malaysia presents a real opportunity for players in the insurance space.

Market penetration is generally very low, at around 40%, compared with double that, if not higher, in Hong Kong and Taiwan, for instance.

But to make the most of the potential that exists, distribution needs to become a lot more efficient, says Toi See Jong, chief executive officer of Tokio Marine Life Insurance Malaysia.

Cheu also points to the need for a substantial increase in distribution channels if the country's insurance market is to develop more quickly.

For example, agency distribution dominates at 60% to 70%. But buying insurance via a tied agent is very restrictive in terms of products on offer – and the advice is not independent.

Christine Cheu

Zurich Insurance Malaysia

"The agencies are still only really selling protection and traditional life products"

There has always been a place for bancassurance, too. Most banks offer it, with institutions typically opting for an exclusive partnership arrangement with one of the big insurance players.

Insurers tie up with banks as they have the advantage of being able to build on their existing relationships with their bank clients.

"They are not able to offer independent or objective advice," states Robert Foo, managing director, MyFP Services.

This is also tied to the stumbling block to overcoming the lack of differentiation. The agencies are still only really selling protection and traditional life products, say many practitioners.

"There needs to be more commitment by all industry players to invest in more rigorous recruitment policies, and also training and certification."

Moreover, customers' confidence in the banks results in cross-selling of life insurance, and thus attributes to sales from this channel.

For convenience, customers can have most of their financial needs catered to "under one roof" at the banks.

Some practitioners cite the dominance of agents for many of the challenges facing the insurance industry.

While the agency sales force remains the preferred choice for now, providers are looking a bit further afield.

Tokio Marine Life's Malaysian business, for example, is focused on its agency force, but took the decision to link up with Kenanga to give customers more avenues when buying life insurance.

Zurich is anther provider continuously looking into expanding its agency force of 5,000 tied agents and developing new distribution channels in its effort to broaden its customer reach, explains Cheu.

IFAs offer a relatively untapped option. This channel was introduced in Malaysia about seven to eight years ago to provide more access to customers – with the model being adopted from successful implementations in other countries in the region.

While Financial Adviser (FA) licences have opened up the market a little, however, penetration has not been significant through this channel. For instance, it takes time to build up customers' confidence. Plus, says Foo, the regulation is quite restrictive and doesn't favour FAs. For example, they are not able to access the databases and CRM systems they might have used as tied agents – and without client data, they're not in a position to properly service clients.

There is a need for much more investment by advisers, therefore, in technology systems and tools to help themselves, say industry observers. For example, there is demand for online offerings. At the same time, insurance is a personal concept and requires what some practitioners describe as a "human touch".

"Theoretically an online aggregator makes sense, but it could result in issues in terms of some consumers not understanding the policies or plans," explains Khadijah Abdullah, chief executive officer of the Malaysian Insurance Institute (MII).

HIGHER EDUCATION AND PROFESSIONALISM

In line with the need for diversified distribution, the demand in Malaysia for greater professionalism in the in-

Ian Lim

Archipelago Life Insurance

"Life insurance presents an opportunity to create wealth, for example for inter-generational transfer and for legacy planning"

surance sector is growing, and an increase in the education process for consumers is essential.

But two main gaps remain.

First, more support is needed from the regulator to raise the level of consumer awareness and understanding of life insurance. And secondly, the practice of needs-based selling must increase through appropriate training.

"The demand for greater professionalism in the insurance sector is growing, and an increase in education for consumers is essential."

In particular, the industry is trying to address issues around transparency and ethical practices. "There needs to be more commitment by all industry players to invest in more rigorous recruitment policies, and also training and certification," says Abdullah of the MII.

"This requires top management to be committed to training to breed the right culture," she adds.

As in many other markets, the challenge is to get firms to avoid being lured by short-term gains that don't provide as much of an opportunity for creating sustainable businesses.

Steps must also be taken to make the process of buying insurance a less painful experience for consumers – and one that gives them what they need in terms of protection. According to Foo at MyFP Services, there is too much mis-selling in Malaysia's insurance market, along with agents failing to give sufficient disclosures to consumers. Many buyers, he says, do not understand the policies they get sold.

And it doesn't help that there are no real summary term-sheets available, giving details of what is covered by the insurance. "The terminology in the contracts for Malaysian policies is also far too complex," he explains. "There needs to be a simple summary in plain English, for consumers to be able to read and understand."

Consumers are also given very little information about the performance or returns of the insurance products on the market.

More transparency is needed in order to move the industry forward.

The industry might advance more quickly if, for example, there is an organisation to represent the consumer, to drive initiatives to ensure buyers of policies are not left mis-informed.

While there are industry associations, these don't represent the individuals – just companies. "Consumers are not represented by any association; their voice is not heard," says Foo.

Essentially, says Toi at Tokio Marine Life Insurance Malaysia, customers want good advice. "Customers will benefit ultimately when they are given good advice if they see a reliable adviser. Whether it is agency, bancassurance or IFA, the adviser should be competent enough to provide life insurance solutions to meet the needs of their customers."

For example, within wealth management, life insurance presents an opportunity to create wealth, for example for inter-generational transfer and for legacy planning, says Ian Lim, principal officer and chief executive officer of Archipelago Life Insurance.

He adds that his firm, a mid-shore company under the Labuan IBFC, focuses heavily on the notion of legacy.

Lim says that the firm does not offer cover for people over the age of 70 – but instead focuses on protection whilst people are still working. ■

ON THE VERGE OF A BREAKTHROUGH IN ASIA

AS MORE OF ASIA'S ASSET MANAGEMENT MARKETS MATURE AND ADOPT GLOBAL BEST PRACTICES, CATHAY CONNING ASSET MANAGEMENT PLANS TO LEVERAGE THESE OPPORTUNITIES TO GROW ITS FOOTPRINT IN ASIA, SAYS CHIEF EXECUTIVE OFFICER MARK KONYN.

Conning took 99 years of its 102-year history to come to Asia; but this third-party insurance asset manager then entered the market swiftly through a joint venture with Taiwan's Cathay Financial Holdings.

For Cathay Conning Asset Management (CCAM), the joint venture firm, that means providing services to liability-driven investors which are principally insurance companies. Pension funds and central banks are natural targets, too, given the company's heritage and experience in asset management.

Already it runs about US$9.5 billion for Asian clients – around 10% of which is managed in the Hong Kong office, and the rest in the US, in US fixed income.

And it sees significant opportunities for expansion in the region.

For example, says Mark Konyn, chief executive officer of CCAM, insurance companies today are looking to get an incremental yield and earn a higher return on their portfolios.

"They're considering an allocation to international assets but the need to comply with regulations is driving them to look at some of the consulting services CCAM provides," he explains.

> "Insurance companies are considering an allocation to international assets but the need to comply with regulations is driving them to look at some of the consulting services that CCAM provides."

Mark Konyn
Cathay Conning Asset Management

ENSURING COMFORT

Given that an insurance company will typically want to assess the implications of investing overseas before actually allocating to managers, companies like CCAM get involved early on in the process, says Konyn.

That involves providing advice on the various possible scenarios and even showcase its own alternatives which suit the client. Another challenge for asset managers to overcome when insurance companies look to outsource money, adds Konyn, relates to the context of control over the asset and the discretion to alter the characteristics of the investment.

But having been in the business for decades, Conning understands the need for a series of dialogues before implementing strategies.

"The key is to be able to allow them to outsource without necessarily feeling they have given up all control," explains Konyn.

BROADER SCOPE FOR GROWTH

Several opportunities for Konyn's business exist in addition to the immediate possibilities of helping insurance companies allocate to international assets and outsource money management.

For example, the diversity of the demographics in Asia present a huge opportunity for everyone in the industry, especially to support those firms which cater to the entire lifecycle of a particular product.

In terms of the demographic dividend in Asia, China's population growth rate is dwindling with large numbers set to retire; Indonesia has started capitalising on its demographic dividend; and countries like Malaysia, Vietnam and the Philippines are just begging to experience a transition in their populations, with many young citizens joining the workforce.

In countries with younger populations, this adds up to huge potential for players in the insurance industry, because they can play a significant role in the accumulation phase of wealth management through the common pooling of insurance products.

"It's not driven by tax considerations; it's really driven because it's a very efficient way to aggregate discretionary savings within an economy which is still at an early stage of developing its physical and financial infrastructure," explains Konyn.

At the other end of the spectrum, meanwhile, are those people in China and other parts of Asia who're looking at retirement after having aggregated and accumulated wealth.

In these cases, there are implications across the board in terms of taxes and financial investments, but insurance continues to play an important role.

One of the major benefits insurance presents, for instance, is in terms of its strong distribution network, which in turn helps to bring planning and wealth management services through insurance to the foreground.

RISK AND RESEARCH SOLUTIONS

For CCAM, managing an increasing pool of assets for insurance companies means that it needs to have the capability to be able to assess the risks and investment scenarios.

mainland China, Hong Kong, Malaysia, Thailand and Japan, and has software subscribers in Taiwan.

To manage the complex risk and technical intricacies of this ever-evolving industry, the offering has a team of consultants in Asia but it's a global effort, with a lot of inputs coming from Cologne in Germany and Hartford in the US.

Indeed, a big challenge the industry is currently facing is the whirlwind of regulations which have caused financial services businesses to take a step back and reconsider their product suite.

This is where CCAM's research arm assists clients with extensive knowledge about the industry, global trends and international themes.

Plus, it helps them better prepare for opportunities in the future and broad regulatory challenges in other parts of the world.

> "In countries with younger populations, this adds up to huge potential for players in the insurance industry, because they can play a significant role in the accumulation phase of wealth management through the common pooling of insurance products."

Konyn is confident about its offering in these areas in the Asian market, pointing to services like its Risk & Capital Management Solutions (RCMS).

"At its core, it's an economic-scenario generator, which is almost a requirement in many developed markets now by the regulators, to have a look at capital adequacy and solvency ratios," he explains.

Konyn says the RCMS business has performed well. It is operating in

At the end of the day, Konyn says the firm is well-positioned in Asia with regards to its offerings and solutions. And backed by what he describes as a strong reputation internationally, CCAM is set to keep pace with the growing needs of the Asian markets.

A sign of the potential for the firm, which is also testimony to what it has been able to achieve in just two years in Asia, is its appointment as the gatekeeper for international investing by China Post Life. ■

CARVING A NICHE IN ASIA'S LIFE INSURANCE MARKET

FOR INSURANCE PROVIDERS STRIVING TO GROW MARKET SHARE IN ASIA, FINDING A NICHE IS CRUCIAL TO GET MORE ACCESS TO THE REGION - AND TO DO SO COST EFFECTIVELY - EXPLAINS ROBIN AMACHER, HEAD OF BUSINESS DEVELOPMENT AT SWISS LIFE IN SINGAPORE.

Asia's life insurance market has some catching up to do, it seems.

Compared with more developed markets, the industry is still under-penetrated and the range of products are not as diverse. The need for the increasing pool of high net worth (HNW) individuals in Asia to have access to a wider range of products is overtaking that which exists in Europe and North America. This presents an exciting window of opportunity for insurers.

The drivers of business are different, too. Typical buyers of HNW life insurance in Asia to date have been entrepreneurs who derived their wealth from their businesses as well as senior corporate executives and professionals.

The entrepreneurs are steadily growing their wealth, yet usually lack diversification as well as the security nets and variety of investment options available to their counterparts in more mature markets. The executives and professionals, on the other hand, need coverage but frown at complex insurance structures that lack transparency. But simply identifying an opportunity at the upper end of Asia's middle class – say, for individuals with net worth between US$1 million and US$5 million, which are under serviced – is in fact the easy part, relatively speaking, explains Amacher.

What is critical, he explains, is identifying how best to tap this potential without having to make an enormous up-front capital investment and build up a large infrastructure.

DEVELOPING AN ASIAN STRATEGY

According to Amacher, the approach needs to be two pronged: first, formulating an intelligent product strategy along with a compatible distribution plan via well-proven channels: and secondly ensuring this is a scalable business model.

For Swiss Life Singapore, this translates to leveraging off its expertise and heritage. With more than 150 years of history as the leader in the life and pension business in Switzerland, the firm is concentrating on developing a niche in variable universal life insurance.

"We are focused on a distinctive value proposition," says Amacher.

Robin Amacher
Swiss Life

There are promising opportunities for the variable universal life product, which is the "variable" version of the much better known universal life product in Asia. In the dozens of international private banks operating in this region, only around 10% of the private bankers actively offer universal life products to their clients. And with the "variable" universal life product, private bankers are not yet familiar, even though that this a more flexible policy which is suitable for many investment focused clients.

Success also relies on the provider to be sharp when it comes to picking the right distribution strategy. That is important, explains Amacher, because the type of distribution partner determines the extent or type of product refinement necessary.

To stand out on a broker's product shelf, for example, requires a provider to be the most competitive within a particular niche, he adds.

> "Once properly introduced, clients in the region will recognise the value of variable universal life policies which give them more control over how cash value is developed."

GETTING PRODUCT DESIGN RIGHT

Variable universal life is forming an important part of Swiss Life's niche strategy in the Asian market.

According to Amacher, once properly introduced, clients in the region will recognise the value of variable universal life policies which give them more control over how cash value is developed, typically using the insurance as a wrapper for an existing portfolio. The risk with such autonomy, however, is that they may choose the wrong investments, he adds.

But there are indeed options if their investments are not performing well, such as a top-up to the policy, or a reduction in the sum assured.

Ultimately, these policyholders have the power to amend their investment strategy, says Amacher.

Swiss Life also offers its policyholders the ability to do a withdrawal from the policy without penalty. This is an option to take profits for HNW individuals whose cash value has increased more than initially projected.

The size of the variable universal life business is also expected to increase over time as the development of the more traditional universal life business is facing some headwinds. In particular, premium financing is becoming increasingly expensive for banks as a result of the increasing capital and liquidity requirements.

Also, for insurance companies, guarantees are becoming increasingly expensive as a result of increasing capital requirements. In addition, private banks in Asia are keen to generate more recurring revenues. They recognise the benefits of combining discretionary portfolio management or mutual funds with high death cover insurance.

In short, distributors and product suppliers are increasingly interested to develop and offer products that are attractive to their clients but do not have high capital requirements.

EXPANDING THE BREADTH OF PRODUCTS

Swiss Life will continuously look at the Asian market and eventually come up with other niche products that fit specific client needs.

As several insurers who operate in the defined market segments seem to be gearing up to develop more niche type products, increased competition can only be good for clients and the industry overall. With less than 1% of HNW individuals owning HNW insurance policies, there is a lot of upside, says Amacher. ■

PLUGGING THE UNIVERSAL LIFE GAP IN ASIA

ALREADY A NEAR-US$5 BILLION MARKET IN ASIA, THERE ARE VARIOUS ATTRIBUTES OF UNIVERSAL LIFE INSURANCE WHICH GIVE IT HUGE POTENTIAL TO MEET APPETITE AMONG THE REGION'S WEALTHY – IF IT CAN BE UNDERSTOOD, SOLD AND USED PROPERLY.

The dynamics of Asia's economic growth story, coupled with a growing appetite for wealth management solutions which fulfil estate planning as well as financing needs, bode well for the nascent Universal Life (UL) insurance space.

In line with this, it has emerged as one of the more interesting – and lucrative – products for the Asian private banking industry, along with insurance providers and intermediaries in this space.

"Most of the major international banks in Asia have seen a tenfold increase in jumbo life business over the last three to five years," says Andrew A. Darfoor, senior vice president and general manager for Sun Life Financial (SLF) International. "With jumbo life policies, commissions for the banks are high and the asset base is good."

The past 12 to 18 months have seen increased acceptance of "true" jumbo policies – of US$30 million to US$50 million. "These are not always syndicated anymore; there is now demand for single carriers for the large policies," he explains.

In the past six months, for example, SLF has placed several cases of around US$50 million. "We think that is certainly the way the industry is going to evolve," adds Darfoor.

Stephan Repkow

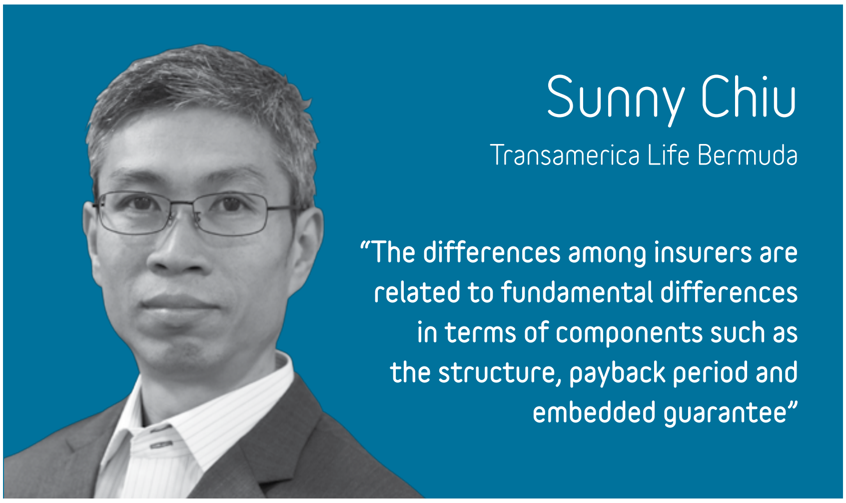
Union Bancaire Privee

"It makes sense to think about UL policies from the perspective of wealth structuring and wealth planning, especially from a liquidity event angle"

There are clear reasons for its growth: an increase in acceptance of the product by the banks; the ability to premium finance; and the fact that since other sources of revenue have come down substantially over the last few years, they have looked to this product to bring in more revenue.

Their increasing appeal also arise from the key benefits they provide to clients, in terms of estate protection and as a tool in securing wealth, therefore making them increasingly popular as high net worth (HNW) individuals seek to take greater control over their estate planning.

It makes sense to think about UL policies from the perspective of wealth structuring and wealth planning, especially from a liquidity event angle, explains Stephan Repkow, chief executive officer, private banking, Asia. At Union Bancaire Privee. For example, he explains, many entrepreneurs have



monthly commitments, especially relating to their families such as children's education, but they might have relatively low levels of liquid assets.

"So it is natural for them to think about how their family would meet its obligations when they are no longer around."

And as a growing number of clients in Asia become more familiar with estate planning and trusts in general, with a lot of them are increasingly educated about the benefits of planning around such structures, this will contribute to the further growth in the industry, explains Odd Haavik, chief executive officer of Willis Global Wealth Solutions in Asia.

RESPONDING TO DEMAND

The industry in turn, is prepared to respond to the growing demand. Brokers, bankers and insurers alike are optimistic that the volumes they are currently doing – understood to be somewhere in the region of US$3 billion to US$5 billion – are just the tip of the iceberg.

Sunny Chiu, chief marketing officer of Transamerica Life (Bermuda) Ltd. (Transamerica Life Bermuda), points out that only a relatively small number of relationship managers (RMs) at private banks discuss estate planning with their clients.

Yet a combination of investors seeking higher returns and the availability of "cheap" funding – both as a result of today's low interest rate environment and current US dollar rate – is pushing wealthy clients to broaden their repertoire in terms of financial instruments.

They realise the access they have as a private banking client to UL, adds Chiu, creating what he thinks is a unique proposition for these policies.

STRIVING FOR DIFFERENTIATION

Along with Transamerica Life Bermuda, the potential for UL products has attracted key industry players such as Manulife, Sun Life, AIA and HSBC, vying for market share.

Other firms, such as Old Mutual Wealth and Swiss Life, are bringing variants of UL to the market.

In July this year, for example, Royal Skandia brought its "Silk Life Plan" to the market which is a variable life insurance product.

According to chief executive officer Paul Feeney at the time of the product's launch, it was designed to compete with traditional UL products and meet the needs of HNW individuals and businesses, based on client feedback.

In line with this, Old Mutual Wealth also entered into a strategic partnership with Jardine Lloyd Thompson (JLT), to ensure that the distribution of new products is effective and efficient via the 50 or so well-known private banks in Hong Kong and Singapore that Old Mutual Wealth wants to target.

Today's market, however, doesn't suit everyone's strategy.

Tokio Marine Life Insurance Singapore Ltd, for example, withdrew from the market TM Legacy VIP, its UL offering, to new business in July 2014.

In a memo at the time, it said that the decision was taken in response to the proposed revisions to the insurance capital framework currently under consultation, where policyholders will see their insurers doubling the amount of capital set aside for the same amount of investment risk undertaken. "If the proposed capital requirement calibrations were adopted, products that rely heavily on taking investment risks to generate adequate returns, will become unsustainable,' said the memo.

Education is another key area for developing the UL industry in Asia.

For the banks, the challenge is how they can position the product for their clients, in relation to the need it fulfills. In particular, RMs need to understand how jumbo life fits in with the inter-generational needs of a client.

According to Darfoor, in some cases, it is about legacy; in others it is about

Paul Feeney

Old Mutual Wealth

"'Silk' was designed to compete with traditional UL products and meet the needs of HNW individuals and businesses"

liquidity; and for some, it is about how they plan for death.

"When a policy is sold, or bought, for the wrong reasons, a customer will surrender it when challenges arise and they might no longer be able to afford it," he explains. "If clients buy a policy for the right reasons, they are really unaffected by gyrations in interest rates."

As with any product, there are issues which arise if jumbo life is not sold properly to clients who actually need it, and also understand how it works.

This is where the role of a good broker comes in. For a client looking to use a jumbo life policy to premium finance, buying it amid an environment of rising interest rates will lead to misery. If it is being used for long-term legacy purposes, however, then interest rates are not part of the consideration.

This naturally requires that the broker be knowledgeable about these types of products and their potential for addressing client needs.

"We rely on the brokers to explain the products in details to clients," says Chiu. "Due to licensing requirements and internal compliance, many bankers are not permitted to discuss these types of products.

Clients can only be educated about them in general terms without a recommendation."

Part of the commitment of firms like Willis, for example, is to provide significant amounts of service to the client in terms of what is happening in the market, any changes in policy values, help with ownership changes and even assisting the client plan or re-evaluate their estate, explains Haavik. Indeed, one of the challenges clients face is the fact that many insurance companies are in another jurisdiction and so having a local representative working for them is a great comfort.

"Increasingly, insurers in Hong Kong and Singapore have built capacity specifically for HNW clients, but there is still more demand for capacity than that which can be met locally at present," says Haavik.

"We really exist to make sure that the money gets from the insurance company as quickly as possible to the beneficiaries – often family trusts and companies."

According to Martin Wong, deputy chief executive officer, private client services at Jardine Lloyd Thompson, market forces will drive product innovation, which will in turn provide clients with increased optionality. "There cannot be a cookie-cutter approach in this market segment," explains Wong.

Understandably, an insurer's capital and investment management mandate will strongly determine how each will respond to continued opportunities in the foreseeable future. "The key is sus-

Martin Wong

Jardine Lloyd Thompson

"There cannot be a cookie-cutter approach in this market segment"

tainability and competitive advantage in the offering," says Wong.

An often unmentioned aspect of the business process is the underwriting skill and experience of the insurer. "A product that is initially attractive in terms of premium quote may end up on the shelf if the underwriting turn-around is too long, or if a laundry list of requirements is presented to the client," he adds.

Evidently, the risk assessment capability and the authority of the underwriting teams play a significant part in product design. Pricing is really just one aspect.

Darfoor agrees that suitability also boils down to underwriting standards. "There is a risk that some bankers might try to push this product to people who are not suitable for it. It is a judgment call. And we decline 20% of all applications we receive because of poor health or the client appears to be over-extended."

Haavik adds that when he looks for an insurance company to work with, the greatest differentiator which is important to him is whether or not the underwriter can assess the risk in a way that is fair, perhaps even favourable, to his clients.

ENSURING TRANSPARENCY

Transparency of pricing and information is another key attribute of a healthy and sustainable UL industry in the Asian region.

One of the areas of concern in relation to discussions about Universal Life policies stems from the associated fees.

But while these are considered by some market observers to be relatively high, Repkow is among those practitioners who doesn't see the reason for any concerns. "[This is the case] as long as the service is suitable and adds value to the client, the best insurance brokers and companies are introduced to the clients, and the fees are fully disclosed to the policy holder."

In addition, says Chiu, clients are usually content with finding products that provide them exactly what they need. That translates to being a solution to protect and transfer wealth to the next generation, plus the possibility to use the policy to procure financing, should they feel the need to do so.

Further, a client is typically presented with solutions from several providers which enables them to select one that best suits his / her needs.

The differences among insurers, Chiu points out, are related to fundamental differences in terms of components such as the structure, payback period and embedded guarantee.

However, he says the pricing is still transparent, based on a standardised quotation system. The price is personalised based on sex, age and risks. ■

Odd Haavik

Willis Global Wealth Solutions

"We really exist to make sure that the money gets from the insurance company as quickly as possible to the beneficiaries"

Andrew A. Darfoor

Sun Life Financial International

"Most of the major international banks in Asia have seen a tenfold increase in jumbo life business over the last three to five years"

A MORE PROFESSIONAL APPROACH TO UNIVERSAL LIFE POLICIES

UNIVERSAL LIFE INSURANCE IS BECOMING A MORE REGULAR FEATURE OF THE PRODUCT-SET FOR ASIA'S WEALTHY. FOR NICHOLAS KOURTEFF, EXECUTIVE DIRECTOR, WEALTH PLANNING, PRODUCT MANAGEMENT AND DISTRIBUTION AT UBS WEALTH MANAGEMENT IN ASIA PACIFIC, THIS PRESENTS EXCITING OPPORTUNITIES FOR MORE GROWTH, ASSUMING THAT IT CONTINUES TO PROFESSIONALISE AND RISKS CAN BE UNDERSTOOD.

Universal Life Insurance is a protection concept which is rapidly maturing within the Asian wealth management landscape, and has become more widespread in the past couple of years.

Demand from high net worth (HNW) and ultra high net worth (UHNW) individuals for material estate planning solutions and product variation are two reasons for growth.

Another key driver, and perhaps a more sustainable one, has to do with the professionalisation of the HNW insurance sector, which in turn fuels market maturity.

Regulators are also helping to promote professionalism in the HNW life insurance industry through promoting advisory standards.

Moreover, says Nicholas Kourteff, executive director, wealth planning, product management and distribution at UBS Wealth Management in Asia Pacific, despite more demand, the underlying cost of insurance has remained fairly stable and policy optionality has expanded.

A growing number of distributors are now entering the HNW market. They have been facing mounting pressure over recent years to diversify their revenue sources and deepen existing relationships.

Making universal life policies available to HNW clients, therefore, is allowing the larger institutions to become more multi-faceted in their proposition.

"If you are not seen as a holistic client provider, then you may be missing out on core client needs," says Kourteff.

GIVING CLIENTS GUIDANCE

Awareness that life insurance is a key building block of any sound financial plan has been steadily growing among HNW individuals in Asia.

They value the fact that, if the worst happens, then there are structures in place to keep their assets relatively intact and provide financial liquidity, explains Kourteff.

However, although clients in Asia generally have increased awareness about life insurance, they fundamentally view universal life insurance in a different way than do their counterparts in North America.

Nicholas Kourteff
UBS Wealth Management

Asian buyers tend to see it as part of the wealth management product offering, in addition to the high sum assured death benefit, they subsequently expect to see a return on their premiums, he explains.

In Kourteff's view, that shows the importance of ensuring that clients receive suitable advice. Hence, UBS has carefully selected a panel of brokers to collaborate with.

The first step, he explains, is to know the client and their wealth planning needs – something he says that advisers should already be doing.

Once the client identifies any needs that they may have for protection, the stages of conducting financial and medical underwriting begin, in conjunction with discussions about the most appropriate ownership structure of the insurance solution.

This is all a pre-cursor to what Kourteff says is the most crucial element – policy servicing.

Servicing demands, he says, will depend on a client's liquidity, business interests, age and core motivations behind the policy purchase in the first place. But above all, these clients are busy, so they focus on the efficiency of the implementation and policy maintenance.

CAREFUL RISK ASSESSMENT

Moving the market forward also requires an understanding of the risks relating to universal life insurance.

When purchasing a Universal Life policy, the client is exposed to the financial health and investment capabilities of the carrier.

A general risk, he explains, relates to interest rates. Market moves, away from the initial crediting rate, are likely over the medium to long term, but Kourteff says managing this risk comes back to servicing and ensuring the policy holder is aware of the policy crediting rate changes.

Also, if interest rates perform unfavourably, clients have options.

One alternative is for the client to decrease the death benefit, another alternative may be for the client to top up the policy, as the key to Universal Life is both the flexible premium and the adjustable death benefit.

It is important to note, that as the bulk of Universal Life is premium financed, the client must also be prepared to service increased interest charges or payout their loan.

Clients should also be aware of particular policy features.

For example, if the policy is surrendered during the surrender period, the client may receive less than their initial premium (initial premium less surrender charge).

In reality, says Kourteff, the surrender rate among HNW individuals in Asia is minimal. He accredits this to the emphasis on advising and servicing by professional distributors.

HEADING FOR NORMALISATION

For the time being, universal life policies are predominantly presented to HNW clients by a select group of the larger wealth managers and banks out of the main wealth hubs of Singapore and Hong Kong, either directly or via broker distribution.

Based on broker analysis, the penetration among the client base of HNW and UHNW individuals is still in single digits, but they seem confident about growth potential given the broad issue of under-insurance.

Kourteff has seen a competitive shake-up in the region over the past few years, with some new providers entering this space by buying market share.

Entrants are also driving new initiatives, he adds.

For example, this might be in the form of more focused client segmentation, based on geography, health and lifestyle, as well as by pricing policies on a more efficient basis.

Looking long term, the development of a more diverse and relevant life insurance industry will depend on the extent to which a stronger skill-set, more professionalisation and an improvement in the types of services that are likely to arrive in markets outside Hong Kong and Singapore.

Kourteff predicts several entrants will breech onshore markets such as Indonesia within the next five to 10 years. This suggests what he describes as a "normalisation" of the industry, with education and training expected – and required – to play a crucial role. ■

STEERING PIAS TO THE NEXT LEVEL

CHRISTOPHER TEO, CHIEF EXECUTIVE OFFICER OF PROFESSIONAL INVESTMENT ADVISORY SERVICES IN SINGAPORE, EXPLAINS HIS VISION FOR GROWING AND LEADING THE BUSINESS AMID THE CURRENT ENVIRONMENT FOR FINANCIAL ADVISERS IN THE LOCAL MARKET.

After Aviva acquired 81% of the holding company that owned Singapore-based Professional Investment Advisory Services (PIAS) in 2013, the firm has a group intent to re-invent PIAS and take it to the next level.

The move, says PIAS chief executive officer Christopher Teo, was led by what Aviva saw as the beginning of genuine need for people seeking quality advice.

According to Teo, the financial adviser industry in Singapore hasn't grown much over the last decade or so. This is largely because of the lack of the right platform.

However, the future for PIAS is going to be exciting, he predicts. "Aviva foresees a genuine need for financial advice and this platform is the right way to diversify channel risk and take the advisory business forward."

To grow to the next stage, Teo believes that the right set of pillars need to be put in place.

"There must be clear support to the front office from the mid- and back-offices," he says, "so that advisers are more efficient and have more time to engage and focus on the client. Meaningful conversations that the adviser engages in with the clients using the right tools and research will help drive better service."

> "There must be clear support to the front office from the mid- and back-offices, so that advisers are more efficient and have more time to engage and focus on the client."

Christopher Teo
PIAS

GROWTH OBJECTIVES

PIAS has a new head of recruiting and is looking to add a certain number of advisers to the force to help hit a certain scale of economy.

Yet Teo explains that the firm is not looking at just on-boarding people, but rather at trying to find quality advisers who can join the team and be affiliated with the brand.

To set the advisers on the path to success, PIAS has a new business development team that can support the adviser where his or her business is, on the field. "This is expected to make the advisers work harder and more professionally, and make the brand a stronger and more impressive franchise to be associated with," explains Teo.

To further enhance its prospects of growth, PIAS is striving to work strategically with core product suppliers.

Teo says he believes that products are somewhat generic and that in the financial advisory business, the advisory process is where the quality is – and is what the clients value – whereas products are incidental to the experience.

CEO QUALITIES

Teo believes in open and consultative management, describing his way of handling affairs akin to the formula "e=mc2".

While borrowed from Albert Einstein, Teo says the "e" in the equation stands for "engaging" his advisers. "This is how I spend the better part of my day," he explains. "I walk the ground and talk to the advisers and managers. This is the best way to understand their challenges and problems."

The "m", meanwhile, stands for "management", he adds. "I am referring to change management. As the CEO of the company, I often need to help make decisions to react to or counter the changing needs of the organisation or changing demands of the clients."

However, he says he believes his role is to ensure that they do not just change for the sake of it, but instead only for the betterment of the company – and the benefits of the change must reach the client at the end of the day.

The "c" in the equation is for "communication". Teo believes that communication is not only important with the advisers but also with their managers and with the clients.

"The importance cannot be emphasised enough," he adds, "which is why I use 'c2' to denote it."

During the last few months, Teo has been aggressively working on strengthening the communication link between the stakeholders of the organisation, and expects to have a top-down communication channel soon that passes information from shareholders to the staff to the network and even the clients, he explains.

In general, having good judgement is an essential skill for any CEO, adds Teo. "There are often too many things going on in a business that needs the attention of the man at the helm of affairs, but studying each of them in detail isn't possible because I only have 24 hours in my day. So being able to make a good judgement call is often critical to success."

> "Good advice is not advice if it is not being implemented."

METRICS OF SUCCESS

PIAS, already one of the largest financial advisory firms in Singapore, wants to continue to be one of the largest in its segment over the next five years.

To be in that privileged position, however, it expects that it needs to do the right thing. To Teo, that means developing a strong team of quality advisers and providing valuable financial advice to clients. And to ensure that it is abreast of regulatory issues and prudential business practices, it has an experienced risk management and compliance team in place.

While it is important to measure the firm's success, Teo is very aware that "success" means different things to different stakeholders.

For shareholders, the profit and loss statement of the organisation will matter most, he explains, as investors will look at whether or not a firm will make money and whether or not it will be capable of paying lucrative dividends.

Teo also knows that he needs to ensure his advisers and their managers feel positively about the firm. The key is to put in the effort to cultivate a brand that advisers feel proud to be associated with and is based on the right principles and beliefs.

"Clients measure success differently," he adds. "To them, the return on their portfolio is what matters because they're usually looking for financial independence and financial success. However, they tend to ignore some components like the cost of the investment and they fail to take the holistic view of their portfolio into account."

Ultimately, adds Teo, good advice is not advice if it is not being implemented. Hence, he says he plans to work closely with advisers and product providers to provide bespoke results which can help clients. ■

2015 EVENTS & PUBLICATIONS

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JANUARY

Forum
Compliance in Asian Wealth Management Forum
Thursday 22nd January, Pan Pacific, Singapore

High-Impact Briefing
Alternative investments
Tuesday 27th January, Hong Kong

Publication
Asset Management Yearbook

FEBRUARY

Forum
Asian Wealth Management Forum
Thursday 12th February, Conrad, Hong Kong

MARCH

Forum
Independent Wealth Management Forum
Thursday 12th March, Pan Pacific, Singapore

High-Impact Briefing
Commodities
Tuesday 17th March, Hong Kong

Forum
Taiwan Wealth Management Forum
Thursday 26th March, Le Meridien, Taipei

Publication
Independent Wealth Management in Asia

APRIL

Forum
Indian Family Wealth Forum
Tuesday 7th April, Mumbai

High-Impact Briefing
Income strategies
Thursday 9th April, Singapore

High-Impact Briefing
Real assets
Tuesday 28th April, Hong Kong

Publication
Family Wealth in Asia

Publication
Redefining the Digital Evolution in Wealth Management

MAY

Forum
Asian Wealth Management Forum
Thursday 7th May, Pan Pacific, Singapore

High-Impact Briefing
Commodities
Thursday 14th May, Singapore

Forum
Thailand Wealth Management Forum
Thursday 21st May, Four Seasons Hotel, Bangkok

Forum
Philippines Wealth Management Forum
Thursday 28th May, Shangri-La Hotel, Manila

Publication
Indian Family Wealth

JUNE

High-Impact Briefing
DPM
Tuesday 16th June, Singapore

Forum
Structured Products Forum
Thursday 4th June, Pan Pacific, Singapore

Forum
Redefining the Digital Evolution in Wealth Management
Thursday 18th June, Pan Pacific, Singapore

Forum
Malaysian Wealth Management Forum
Thursday 25th June, Le Meridien, Kuala Lumpur

Publication
Swiss Private Banking & Wealth Management

JULY

Publication
Wealth Management in Asia

Publication
Wealth Management in Malaysia

AUGUST

Forum
Indian Private Banking Forum
Thursday 27th August, Mumbai

Publication
Special Report on Equities

SEPTEMBER

High-Impact Briefing
Income strategies
Tuesday 1st September, Hong Kong

Forum
Structured Products Forum
Thursday 3rd September, Pan Pacific, Singapore

Forum
Vietnam Wealth Management Forum
Thursday 10th September, Melia Hotel, Hanoi

Publication
Special Report on Investment Advice

Publication
Special Report on Income

OCTOBER

High-Impact Briefing
DPM
Wednesday 7th October, Hong Kong

High-Impact Briefing
Alternative investments
Thursday 15th October, Singapore

Forum
Indonesian Wealth Management Forum
Thursday 22nd October, Shangri-La Hotel Jakarta

Forum
SWISS-ASIA Wealth Exchange
Tuesday 27th October, ConventionPoint, Zurich

Publication
Special Report on Insurance in Asia

Publication
Wealth Management in India

NOVEMBER

Forum
Asian Family Wealth Forum
Thursday 5th November, Pan Pacific, Singapore

Forum
Redefining the Digital Evolution in Wealth Management
Thursday 12th November, Four Seasons Hotel, Hong Kong

Forum
China Wealth Management Forum
Thursday 26th November, Grand Hyatt, Shanghai

Publication
SWISS-ASIA Wealth Exchange

Publication
Special Report on Emerging Markets

Publication
Wealth Planning

DECEMBER

High-Impact Briefing
Accessing China's growing wealth
Tuesday 1st December, Hong Kong

High-Impact Briefing
Real assets
Thursday 3rd December, Singapore

High-Impact Briefing
Taking the IAM industry to the next level
Tuesday 8th December, Hong Kong

High-Impact Briefing
Taking the IAM industry to the next level
Thursday 10th December, Singapore

Publication
Adviser Technology in Asian Wealth Management

Publication
Special Report on Alternative Investments

Publication
Special Report on Commodities

Publication
Wealth Management in China


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