

Allianz SE Reinsurance Branch Asia Pacific

Journal

www.allianzre.com.sg issue 1 | 2009 | February



News Flash

Allianz Reinsurance Asia Pacific announces on its business expansion and new product launch

Feature

Scott Ryrle assesses the risks and potential ripple effects of the current financial crisis

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Up Front



Welcome to 2009 and to the first edition of the Journal this year.

2008 has been a rough ride for many of us; besides the financial turmoil, it has also been identified as the worst year for natural catastrophes. The consequences of the financial crisis will stay with us for some time to come, but this may bring along opportunities, on which Allianz counts on to expand our awareness and business in the region. Our January renewal trends for treaty remain positive. Facultative capacity for all risks previously considered for Allianz Reinsurance clients has increased for 2009 because Allianz Reinsurance Facultative capacity is now identical to Allianz Global Corporate & Specialty capacity.

Review 2008

“You can also see from our solvency ratio, which at 157 percent compares very favorably to that of our competitors, that we have a sound capital position,” Dr Helmut Perlet, Allianz board member quoted in a 10 November interview. 2008 has been a tough year for many of us; however, our strong capital base, our consistent conservative investment policy and our focus on profitable growth will ensure that Allianz emerges even stronger from this difficult time. The financial strength of Allianz was recently reaffirmed “AA” (stable outlook) by Standard and Poor’s.

Sale of Dresdner Bank accelerated

The sale of Dresdner Bank to Commerzbank has been completed on 12 January 2009 and Commerzbank is now the sole shareholder of Dresdner Bank.

“Given the current situation in the financial markets, an accelerated takeover of Dresdner Bank by Commerzbank is advantageous for all parties involved. Instead of two banks working through a long transitional process, employees and customers in particular will benefit from a new Commerzbank which is capable of fast action,” explained Michael Diekmann, CEO of Allianz SE. He added, “By agreeing on a faster change in ownership, Allianz is contributing substantially to the swift development and success of the new Commerzbank.”

Allianz Reinsurance Asia Pacific presence in the market

Allianz Reinsurance Asia Pacific has always been committed to sharing knowledge, expertise and the latest industry developments. In 2008, various workshops were organised for our clients and we had actively participated in various industry events.

A successful knowledge transfer platform was well attended by more than 120 senior industry executives from both Life and Non-Life client companies in Asia Pacific. Major event of the year, the biennial Allianz Reinsurance Forum, held between 8 to 10 October, boasted a speaker list of dynamic internal and external experts to share on the latest industry developments and insights. Separate Life and Non-Life sessions were also arranged to address the business interests of the delegates. Feedback was very positive and the forum even received an exclusive write-up by Asia Insurance Review (December 2008 issue). The next Allianz Reinsurance Forum will be held in 2010.

Besides participating in industrial events, we have made use of knowledge transfer as a media to increase our presence in the market. We are actively seeking opportunities for our managers to share their insights and expertise to major press publications. Excerpts of the interviews can be found in this issue.

I hope you enjoy this edition. If you have any questions or feedback, please feel free to contact me.

Scott Ryrrie
Chief Executive Officer

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In 2008, Allianz Reinsurance Asia Pacific executed and attended a couple of successful workshops and forum as a further commitment to our knowledge sharing policy.

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Company News

Allianz Global Corporate & Specialty's Market Management at full swing in Asia

One year on, the Regional Market Management department has been fully established as an important pillar of Allianz Reinsurance Asia Pacific's AGCS (Allianz Global Corporate & Specialty) Division based in Singapore.

Supporting underwriting and in line with the new global target-operating model of AGCS, Market Management aims to provide a structured approach to relationship management and business development by having a dedicated team focusing on brokers, cedant and markets in general. In support of this approach, the department monitors and analysis a comprehensive set of key business metrics that support decision-making and also co-ordinate contact cycles with all existing and prospective contacts.

Empowered with centralized comprehensive knowledge, Market Management also aims to address and coordinate all customer requests holistically and timely with the appropriate form of communication. Furthermore, we aim to act as your "internal Allianz Advocate" focusing on long-term relationship building, providing professional and reliable high quality services and also help to explore other Allianz products and solutions where required.

As an upgrade to our capabilities, a new IT solution for relationship management had been launched in Q4 of 2008, helping to understand our customers' needs in a more holistic manner.

Should you wish to explore Market Management in more detail or have any questions regarding services and solutions provided by us, please feel free to contact any of the team members who will be happy to answer and coordinate your request.



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Double A Protect

Market turbulence in the financial services sector has created concern for clients regarding their insurance portfolio's stability and performance. This uncertainty has created an interest in higher limits and insolvency protection. Aon has partnered with Allianz Global Corporate & Specialty to develop Double A Protect, an exclusive insurance solution that provides excess capacity to keep our clients' portfolio stable during market volatility and beyond.

Double A Protect is an innovative new insurance product that offers both additional capacity and a drop-down option for companies with concerns about the performance of their portfolio, if triggered to act in this uncertain marketplace.

Double A Protect provides additional multi-line excess liability capacity from a Standard & Poor's AA rated insurer with a special "Shortfall" feature that provides a backstop for any underlying layer or historic insurer that is impaired during the policy period due to insolvency.

As part of Allianz' continuing strategy of developing strategic partnerships with key brokers on a global basis to serve the needs of our mutual clients, Double A Protect will be exclusively marketed through Aon from Dec 01, 2008 to Dec 01, 2009 and will only be available to Aon clients or via Aon

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Expansion into the Asian General Aviation Market

Allianz is undertaking a major expansion into the aviation insurance market in Asia. The business will be written through the AGCS Division. The new Singapore Aviation unit is an extension of the global underwriting and service capabilities of AGCS in the context of making AGCS global capabilities accessible locally.

Dr. Lutz Fullgraf, Executive General Manager of AGCS Asia Pacific, said "Allianz is particularly pleased to announce that Mr. Toby Palham has joined Allianz and will head its new aviation unit. Mr Palham has over 20 years of experience in the industry. His expertise will help our clients and Allianz."

Mr. Fullgraf also said, "Allianz, through AGCS, is one of the largest aviation carriers in the world. The expansion brings the global expertise, the recently upgraded security rating and the strong capacity into the Asian region – now also for Aviation. This regional product launch expands the activities of AGCS in Asia. This Allianz initiative supports our clients & brokers as a unique corporate & specialty carrier, covering all major lines of business."

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Allianz Re Announces Approval of Life Retakaful Fund

Allianz Re is pleased to announce that Allianz SE Life Reinsurance Branch Labuan (ARLL) has recently received the regulatory approval to establish a separate fund to support Life and Health Retakaful business ("Family Retakaful"). As a branch office of Allianz SE, ARLL enjoys an S&P rating of "AA" and an A.M. Best rating of "A+".

ARLL will offer Retakaful solutions to "Family Takaful" providers. The company will transact Retakaful business on a model that is based on Sharia foundation.

Douglas Lum, the General Manager of the Life & Health Division for Allianz Re in Asia Pacific, pointed out: "In future, the business of the Reinsurance Branch office in Labuan will also comprise of Life and Health Retakaful lines of business ceded on both a Facultative and Treaty basis. With this opportunity, we hope to offer a full range of Retakaful solutions across Asia Pacific".

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Knowledge Transfer

Growing and Improving the Health Insurance Business in Asia

With changing demographics, new disease outbreaks, strain on the healthcare costs caused by chronic illnesses such as diabetes, as well as the trend in the shift of healthcare costs from the public to private sector, the role of health insurance cannot be underestimated. As reinsurers play an important part in the quality of the health insurance products and services offered by the health insurance industry, Ms Gillian Lim of Asia Insurance Review finds out from five insurers their plans for the new year as well as the challenges they faced and their views on the health insurance industry in the December 2008 issue.

Please read on for excerpts of insights by Mr Douglas Lum, General Manager of Life & Health, Allianz Reinsurance Asia Pacific.

Allianz Reinsurance plans to expand into the Middle East first by working closely with Nextcare, a Third Party Administrator (which specialises in medical expense insurance) based in the Middle East which is 75% owned by Allianz SE. If the model is viable, we will eventually replicate this for Asia, he explained.

When asked about the challenges in the region, Allianz Reinsurance sees the regulatory climate as a big challenge. There is also a need to understand how the social schemes and provider networks interlink with the insurance industry, said Mr Lum. Other challenges are knowing how to manage claims effectively for

each market, how to tap into coordinated data bases to analyze claim patterns, to have the capacity to perform utilisation reviews and the ability to assess whether a particular series of treatments are appropriate for the diagnoses, he said.

All five reinsurers interviewed feel that the outlook of the Asian health insurance industry is positive for the next five years. Mr Lum sees that Long Term Care Insurance will grow in certain markets because of their growing aging population.

It is generally felt that China, South Korea and India provide great opportunities for health insurance. Recent statistics showed that China's Private Health Insurance market is growing in double digit percentages per annum, said Mr Lum. Identified as a financially sound reinsurer despite the current financial crisis, Allianz has a proven strong capital and solvency position of 157% and an operating profit of 1.6 billion euros in the quarter ending September 30 and 6.5 billion euros in the first nine months of 2008, according to a statement issued to clients by Allianz Reinsurance Asia Pacific's CEO, Mr Scott Ryrie.

Health insurance covers are living benefit products and some markets in the region tend to compete on price, which is a dangerous game, for it is likely to end up with products that are under-priced. Before a company



decides to introduce health insurance products to the market, they need to assess the risks, price and underwrite the plans appropriately, and set up the infrastructure to manage the business effectively at the backend, advised Mr Lum. It is also crucial to have a system that can collect the appropriate data in order to analyse the claim patterns effectively, he said.

Asia Insurance Review
December 2008

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Scott Ryrie shares his views on the ripple effects of the current financial crisis.



The current financial crisis has left its impact on all fields of business; the Reinsurance industry is also not spared. Mr Scott Ryrie, CEO, Allianz SE Reinsurance Branch Asia Pacific, shared his views on the possible risks and potential ripple effects that follow.

In an interview with The Business Times, Mr Ryrie, together with other industry players, shared his views on particularly the pricing impact that the current financial crisis has on the Reinsurance industry.

Mr Ryrie highlighted that higher losses from natural catastrophes are also putting additional pressure on results for insurers and reinsurers. He also commented that countries

like Japan, Korea and India will be having their major renewal (on April 1) and they very closely watched the January activity as a key indicator of change.

In another interview with Reactions magazine, Mr Ryrie cited a positive step by the refocus of companies to a more loss-ratio driven model. A return to disciplined underwriting should see reinsurance rates in Asia began to stabilise, he further explained. Mr Ryrie also touched on the point that increased exposure particularly for catastrophes is a result of increasing insurance penetration.

The earthquake in Sichuan, China is a major lesson on the importance for tougher building

codes. "Building standards across Asia vary and assessments of earthquake risk can be quite difficult," said Ryrie. "Some schools were built well and children and teachers survived and others were not and they collapsed with a huge death toll." The industry's ability to insure China against future catastrophes relies upon improved data quality and risk assessments. Mr Ryrie said a number of initiatives were underway to improve exposure data, which should help insurers to price their exposures in a more technical way.

Allianz is supporting a joint study between the Monetary Authority of Singapore and Nanyang Technological University to assess the impact of natural catastrophes.

Article titled "Reinsurers may hike price of risk covers" was published on 28 November 2008, The Business Times (Singapore daily business newspaper).

Article titled "East Asian Insurance Congress: Mixed messages coming from Asia" was published in the December/January 2009 Reactions magazine.

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Events

24th East Asian Insurance Congress 2008



Scott Ryrie (second from right) and the other panellists

Allianz Reinsurance Asia Pacific is proud to be the silver sponsor of the 24th East Asian Insurance Congress, held in Hong Kong from 24th – 27th November 2008.

Themed “Staying Ahead? – East Asian Insurers in the Era of Global Challenges”, the congress was an excellent platform for strong discussions on the three most pressing challenges that insurers face today – climate change, terrorism and ageing population.

Mr Scott Ryrie, CEO of Allianz SE Reinsurance Branch Asia Pacific participated in a panel which discussed how climate change trumped as a risk which required proactive approaches and at the same time presented business opportunities.

Mr Ryrie cited a United Nations report which projected that by 2050, 100 million people will be displaced as environmental refugees because of rising sea levels. Particularly with

further urbanisation, more people will be living in coastal areas and Asia, with a large majority of people in this category, faces strong catastrophe exposures. He pointed to events such as Hong Kong’s black rain, which forced the closure of schools and many public facilities in June 2007, while Indonesia’s capital, the so-called “Sinking Jakarta”, could be submerged by 2025, according to reports.

So what can be done about this? Mr Ryrie applauded the Taipei government for implementing Flood Diversity Projects, which aim to mitigate flood damage in parts of the island. In addition, the use of disaster mitigation construction, warning systems and SMS alerts have been praised as positive tools to saving lives.

Besides sharing expertise on the panel, Allianz Reinsurance Asia Pacific also hosted a hospitality suite at the congress especially for our clients. This suite served as a good networking platform between our clients and underwriters throughout the forum.

Excerpts from Asia Insurance Review
January 2009

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4th Allianz Reinsurance Forum 2008



The fourth bi-annual Allianz Reinsurance Forum – “Expertise and Risk Management vs the Cycle” was held at the Fullerton Hotel in Singapore from 8 to 10 October 2008.

This forum was well attended by more than 120 senior industry executives from life and non-life client companies in Asia Pacific and Middle East. With a line-up of internal and external industrial experts as speakers of this forum, Allianz Reinsurance Asia Pacific shared on the latest industry developments and discussed on topics revolving round the current financial crisis.

Prior to the start of the forum, a mini exhibition on Formula One was held with various F1 equipments used by F1 driver, Nico Rosberg of AT&T Williams team. Mr Christian Danner, an ex-F1 driver, used animated car crash scenes to highlight the type of protection F1 equipments can offer to a driver. Dr Christoph Lauterwasser, Managing Director, Allianz

Center for Technology (AZT) Automotive, further enhanced on the holistic approach of road safety and presented on results of the various researches that were conducted by AZT.

The next two days saw presentations by various members of the senior management team of Allianz Group, including Mr Jay Ralph – CEO of Allianz Reinsurance, Mr Emilio Galli-Zugaro – Head of Allianz Group Communications, Mr Nikhil Srinivasan – CEO Singapore, Head of Investments Asia of Allianz Global Investors and CIO Asia of Allianz Investment Management, Mr Kishore Mahbubani – Dean and Professor in Practice of Public Policy, National University of Singapore, Mr Tim Dawson – Group Manager Human Resources of Allianz Australia, Mr Derek Wong – Senior Vice President of Guy Carpenter Singapore and Mr Scott Ryrrie – CEO of Allianz Reinsurance Asia Pacific.

The current financial crisis served as an apt backdrop for Mr Jay Ralph’s opening speech, “Reinsurance in a Changing World”, who highlighted that the aim at Allianz Reinsurance still echoes that of Allianz: to be “the most trusted” provider no matter which customer group we are serving. Mr Galli-Zugaro, Mr Srinivasan and Mr Dawson touched on Allianz’s stand in face of the turmoil, highlighting the importance of credibility, recognising opportunities in Asia Pacific and retaining talent respectively. External experts Mr Mahbubani and Mr Wong focused on Asia’s prosperity and discussed on the virtues of Dynamic Financial Analysis.

Separate life and non-life sessions were held to address the business interests of the delegates. Topics such as strategies in a soft market, difficulties of assessing claims in Asia and key issues in assessing natural catastrophe exposures were brought up in the non-life sessions. Liability was also a hot topic and issues such as product liability, medical professional liability and motor liability were examined. Topics discussed in the life sessions included protection products, financial products and solutions, and specialist markets.

Mr Ryrrie closed the forum with an overview of the current business environment, the reinsurance business in Asia and some recent natural catastrophes in this part of the world. Tying together many of the points made by various speakers over the two-day forum, Mr Ryrrie painted a picture of the importance and rise of Asia against a backdrop of political, social, economic diversity, the current financial turbulence and rising catastrophe events in Asia.

The Allianz Reinsurance Forum closed with positive feedback and enthusiasm for the next forum which will be held in 2010.

The highlights of the forum had been reported as a special feature in the December 2008 issue of Asia Insurance Review magazine.

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The Allianz Insurance Management Simulation Workshop debuts in Malaysia



A unique insurance management training platform which simulates a sophisticated insurance business environment experience, the Allianz Insurance Management Simulation (AIMS) workshop provides participants with the chance to understand the different functions within an insurance organization and learn beyond their areas of expertise.

After 137 successful runs within Allianz group over the past decade, the annual AIMS Workshop, sponsored by Allianz Reinsurance Asia Pacific, finally debuted in Malaysia from 13 – 24 October 2008.

Split into 5 teams, all 35 participants worked in their respective teams to develop and implement a business strategy that covers various business areas such as sales, investment, human resources, administration and reinsurance.

Placed in a competitive market place environment, the teams had to run their “virtual” insurance business in competition with each other across a period of six simulated business years. Excitement rose as participants reviewed the impact of their business decisions in each financial year and restrategized according to the market performance. The winner is the team whose company generates the highest amount of total profit value at the end of six financial years.

The participants had plenty of opportunities to network and immersed themselves in Malaysia’s culture. The group was treated to a city tour where they visited famous landmarks such as the famous Kuala Lumpur Tower, Chinatown, Petronas Towers etc before dancing away at the Seri Melayu restaurant.

“The simulation brings a lot of value as the participants are exposed to the dynamic

relations between the different functions of an insurance company. In fact, many of the experiences in a simulation are reflections of real life situations which the participants can relate to. And the challenge is for them to learn to work and make decision in an international and diverse team. All in all, I can say that it’s ‘serious fun!’” said Lorraine Lim, Senior Consultant of Human Resource Development, Allianz Insurance Management Asia Pacific Pte Ltd.

Here’s what our participants had to say about the AIMS workshop:

“ Very informative and successful training programme. Thanks to Allianz’s training team.”

“ A very interesting program. The trainers/ consultants were great as they gave me a good insight of reviewing an insurance company. A big thank you to Allianz! ”

“ Excellent training. As participants, we get into the many different shoes of the management team.”

Lorraine Lim

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