

Allianz SE Reinsurance Branch Asia Pacific

Journal

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Up Front



Welcome to the ARAP Journal's last edition for the year 2009.

As we conclude 2009, it would be an appropriate moment to reflect on some of the significant events and developments this year.

Good Results, Strong capacity.

On 9th November 2009, Allianz Group reported on its highest quarterly operating profit at 1.9 billion euros since second quarter of 2008. Compared to the previous year's third quarter, this also represents an increase of 23.4 percent.

Allianz Group's strong capital position further improved with a solvency ratio of 164 percent at September 30, 2009, including dividend accrual.

"Allianz is well capitalized and our solvency ratio has a firm base founded on a high quality investment portfolio and conservative risk management approach," said Oliver Bäte, CFO of Allianz SE.

General Reinsurer of the Year 2009

As we celebrated our 10th year in the region, our achievements were affirmed with the bestowment of the General Reinsurance of the Year award, at the 13th Asia Insurance Industry Awards.

This highly coveted award is recognition of our strategy and efforts in the constant development of our portfolio, our employees and our customer services. Allianz SE Reinsurance Branch Asia Pacific's success is attributed to the company's pillar of support: Non-Life Treaty division, Allianz Global Corporate & Specialty Asia Pacific division, Life & Health division, and the company's various operational and servicing departments.

We will continue to strive to engage you, our customers, with comprehensive reinsurance solutions.

Knowledge Transfer Continuity

As part of our ongoing support to the industry, Allianz SE Reinsurance Branch Asia Pacific was the platinum sponsor at the recently concluded Singapore International Reinsurance Conference 2009. Besides having a prominent exhibit station, the event also saw participating panelists like Mr. Clement Booth, Member of the Board of Management, Allianz SE.

Our emphasis on clients' needs is clearly demonstrated through an array of training course and programmes in Asia. Since the last issue, we have conducted two more workshops; Allianz Risk Consultants (ARC) Asia Pacific Regional Meeting and Asia Pacific IIP (International Insurance Programme) Network Managers' Meeting. Our next biennial Allianz Reinsurance Forum will be taking place in October 2010.

Besides engaging in industry events, we are always actively seeking opportunities for our managers to share their insights and expertise to major press publications. Interesting features such as Offshore Energy launch in Singapore and Expectations for yearend renewals are available in this issue.

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

Thank you for a successful and rewarding 2009. We at Allianz SE Reinsurance Branch Asia Pacific, look forward to many more years of partnership with you.

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

Scott Ryrie
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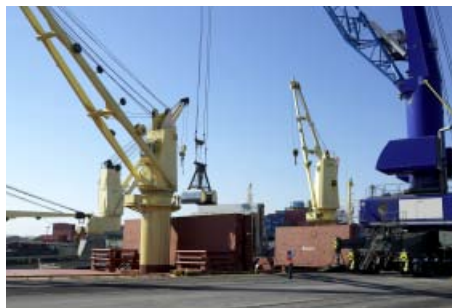
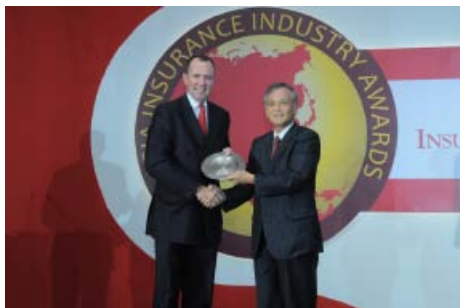
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Company News

Allianz SE Reinsurance Branch Asia Pacific named 2009 General Reinsurer Of The Year



Allianz SE Reinsurance Branch Asia Pacific is proud to be named the “General Reinsurer of the Year” at The Asia Insurance Industry Awards 2009 ceremony.

The prestigious annual awards ceremony is jointly presented by The Review and Asia Insurance Review, with an eminent judging panel of 24 key industry practitioners from across Asia region and beyond.

The Jury applauded Allianz SE Reinsurance Asia Pacific for its in-depth market understanding, emphasis on clients’ business needs and commitment to developing the Asian insurance industry.

Special mention was made of the Allianz Reinsurance Forum, held biennial since 2002, which reflects the company’s commitment to sharing knowledge and expertise on the latest industry developments.

On receiving the honour, Mr Scott Ryrie, CEO of Allianz SE Reinsurance Branch Asia Pacific commented “The award is recognition of our strategy and efforts in the constant development of our portfolio, our employees and our customer services. Allianz SE Reinsurance Branch Asia Pacific’s success is attributed to the company’s pillars of support: Non-Life Treaty division, Allianz Global Corporate & Specialty Asia Pacific division, Life & Health division and the company’s various operational and servicing departments.”

“We will continue to strive to engage our customers with our comprehensive reinsurance solutions,” said Mr Ryrie.

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Allianz pumps offshore energy expertise into Asia Pacific

Allianz Global and Corporate Specialty (AGCS) had launched its Offshore Energy unit in Asia Pacific.

Mr Paul O’Neill, Global Head of Energy, explained that this expansion is part of a long-term growth model for offshore since 2006. The unit, based in Singapore will add on to the AGCS Energy unit’s current business portfolio. Therefore, offering clients regional solutions for combined insurance products covering both onshore and offshore energy risks. It will also complement existing products offered in Asia Pacific which cover all major lines of business: casualty, energy, engineering, financial lines, marine & aviation and property.

The new offshore unit will look at integrated oil and gas companies, where AGCS has synergies between the upstream and downstream elements, as well as large and mid-sized independent exploration and production companies.

To read on more, please visit
<http://www.allianzre.com.sg/news.htm>

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Knowledge Transfer

Allianz: Reinsurance market expected to harden



Reinsurers are breathing a little easier this year, given that the financial crisis seems to be dissipating and calamitous events have been smaller in number. Mr Clement Booth, Member of the Board of Management of Allianz SE, along with Mr Scott Ryrie, CEO of Allianz SE Reinsurance Branch Asia Pacific, shared their thoughts on the reinsurance market “post financial crisis” with Asia Insurance Review (AIR).

They provided an insight to some prospects on Asia, and a possible shortage of reinsurance capacity, at the same time stressing that no matter what happens, Allianz will keep its capital strength.

Despite the financial crisis, which the reinsurance industry has gone through largely unscathed, the year has passed with no severe events keeping reinsurers awake at night. Mr Booth identified Asia Pacific as a potential growth engine, though small in terms of premium volume when compared to Europe or the US, the region’s insurance and reinsurance growth potentials are much higher in terms of percentage. Mr Ryrie added that issues like natural catastrophe perils in China and de-tariffing challenges in India should not be overlooked.

Mr Booth cited that globally, one of the big problems reinsurers might run into in the future is the accumulation of the increased natural catastrophe exposure especially in the coastal areas, potentially making it harder to find sufficient capacity in the traditional market. This is one of the reasons why securitization and other mechanisms were and are important – to get access to risk capital. Mr Booth, however, dismissed the idea that the securitization market will take over the reinsurer’s role.

Mr Ryrie backed this point with the complexity of securitization, and the fact that it’s expensive and too difficult to execute than a traditional reinsurance transaction.

The crisis has provided the industry with some valuable lessons, said Mr Booth. With a much better understanding of systemic risk and of leverage, the shape of the insurance cycles might change. With or without the crisis, Mr Ryrie reminded on the other challenges like natural catastrophes that need to be managed and regional rates adequacy.

“We’ve taken a clear decision that the most important thing to do is to ensure that our solvency margin does not deteriorate and the company’s rating is maintained. This is a signal to the market, that even in financial crisis, Allianz will still be there,” concluded Mr Booth.

To read more about this, please visit <http://www.allianzre.com.sg/news.htm>

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Year-end Renewal: What Reinsurers say

In September, Asia Insurance Review magazine ran an article featuring the insurance companies' from across Asia on their renewal expectations for 2010. Now, in November, the focus is on the reinsurers and their expectations for the year-end renewals.

Along with other industry experts, Mr. Scott Ryrie, CEO of Allianz SE Reinsurance Branch Asia Pacific was invited to share his thoughts.

“Market fundamentals still too weak for rate reductions”

As I sit here on September 11, 2009 writing this commentary, on the anniversary of the 9/11 attacks, I am reminded how suddenly the insurance / reinsurance market can change. Then again, we still see the continuing trend of softening direct rates in many markets across Asia-Pacific. Even though companies, executives and underwriters are well aware of the negative impact on their future results - these are market trends that do not seem to change prospectively.

As we head towards the January 2010 renewals, many experts indicate there is little reason for rates to harden or even stabilise. But the market has: - lower investment returns, increased focus on the use of capital, increased impact of the cost of natural catastrophes due to massively increased exposure, increased regulation and supervision, minimum capital requirements and deteriorating loss ratio's in dominant

classes such as Motor - these issues seem to be regularly overcome by growth and market share arguments. Surely they are all reasons for stakeholders to reassess their plans and understand the direction of the market cycle sooner rather than later?

To read the full article, please visit <http://www.allianzre.com.sg/news.htm>

2nd Annual Risk & Capital Management for (Re)Insurance 2009

Organized by Marcus Evans, this conference was well attended by an audience of CFOs, Chief Actuaries and risk managers, and served to explore key challenges and opportunities of risk and capital management for Asian insurers and reinsurers.

Ms Rani Rajasingham, Regional Chief Actuary for Allianz SE Reinsurance Branch Asia Pacific's Life and Health division, was invited by the organizer to speak about risk mitigation in an unstable environment. Besides identifying lessons learnt from the financial crisis, Ms Rajasingham also touched on the modeling errors and noted the inadequacies in the Efficient Market Hypothesis, which forms the basis of pricing in derivative instruments and has come under criticism.

Presenting on the real scene of risk mitigation through a case study of Variable Annuities, she highlighted challenges like financial instability, complexity and model limitations. Ms Rajasingham called for the need to go back to the basics and take a holistic approach on risk management.

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Events

Allianz Risk Consultants (ARC) Asia Pacific Regional Meeting, Singapore, 12-14 May 2009



ARC Engineers from Singapore, China and Australia met at the Pan Pacific Orchard Hotel in Singapore from 12-14 May 2009 for the annual ARC Asia Pacific Regional Meeting.

Apart from discussing global / regional initiatives and technical issues, the meeting focused on fostering closer cooperation between Underwriting and ARC in order to advance AGCS's strategic interests in the region. Property, Engineering and Liability underwriters from AGCS Asia based in

Singapore were invited for open dialogues to have better appreciation of expectations from both Underwriting and ARC viewpoints, and identify areas for improvements. The dialogues concluded on a positive note with the affirmation of the need for closer teamwork and communication between Underwriting and ARC, the need for ARC to provide value-added services, and the need to manage on a high priority basis the resource issues in Asia.

Dr Lutz Fullgraf (General Manager & Head of AGCS Asia Pacific) and Mr Gerhard Courage (Chief Risk Engineer, AGCS CUO) were special guests at the meeting. Both were heartened by the progress of ARC Asia Pacific and urged the team to continue to contribute actively to the ARC global community, and play a vital role in AGCS's success in the region. In particular, ARC Asia Pacific will be assuming more and more Account Engineering responsibilities, thanks to the success of AGCS Asia Pacific in securing more lead positions for indigenous International Insurance Programmes (IIPs) in the region.

The meeting coincided with the 10th anniversary celebrations of Allianz RE Reinsurance Branch Asia Pacific (ARAP). Participants of the ARC meeting joined ARAP colleagues for a celebration luncheon which was preceded by an enjoyable ride on the Singapore Flyer. All were marveled by the panoramic view of the Singapore city skyline and waterfront.

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Asia Pacific IIP Network Managers' Meeting, Penang, Malaysia, 6 - 8 October 2009

Twenty-one participants from 12 countries (Australia, China, France, Germany, Hong Kong, Indonesia, Korea, Malaysia, Singapore, Taiwan, Thailand, and USA) took part in the Asia Pacific IIP (International Insurance Programme) Network Managers' Meeting at the Park Royal Hotel in Penang, Malaysia, from 6th to 8th October 2009.

Welcoming the delegates, Samuel Tan, Asia Pacific IIP Network Manager, commended the Asia Pacific network for the much improved SOE (Service Operating Entities) service standards in 2009 (year-to-date), as compared to 2008 results, measured by Reinsurance Submission period. However, as a region, there was still room for further improvements.

A highlight of this year's gathering was the inaugural Asia Pacific IIP Awards which served to encourage Operating Entities (OEs) in their continuous strive towards service excellence. Winfried Rommel, Head of COO Operations Network Management, presented trophies to OEs which had achieved and/or surpassed the IIP Best Practice Standards. For the SOE category (the only category introduced this year), AGCS Australia won the top prize while Allianz Singapore, AGCS Hong Kong and AGCS New Zealand shared the second prize. AGCS Hong Kong also clinched the "Most Improved SOE" Award, having improved their ranking from 12th in 2008 to 2nd in 2009 (year-to-date).

During the intensive two-day meeting, Winfried Rommel provided updates on the latest global projects and initiatives to further upgrade AGCS's IIP-handling capabilities. Samuel Tan highlighted the achievements of AGCS Asia Pacific, including its expanded footprints in Hong Kong, Japan and MENA (Middle East & North Africa), its expanded products and services offerings, as well as its successes in securing lead positions in a number of IIPs. Market and company presentations were delivered by representatives from France, USA, Australia, China, Malaysia and Taiwan. Apart from first-hand updates on market developments, delegates also discussed their mutual expectations from both LOE (Leading Operating Entities) and SOE perspectives, with the aim of achieving better LOE-SOE cooperation going forward.

As a wrap-up, delegates engaged in animated and enthusiastic group discussions to deliberate on the subject "How To Be More Effective IIP Network Managers". The session concluded with constructive recommendations which will be followed up by COO Operations Network Management.

Despite a grueling schedule, delegates were able to find some time in one of the evenings for some sightseeing in George Town, the state capital of Penang. In 2008, the capital was declared a UNESCO World Heritage site for its unique blend of eastern and western cultures.

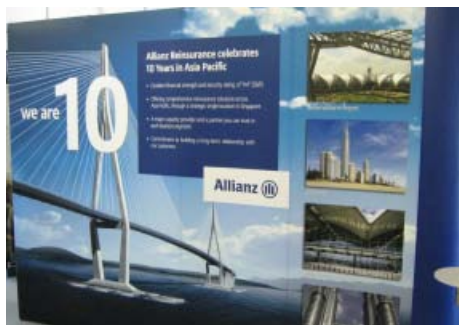


The enjoyable evening ended with a sumptuous traditional Penang dinner at the renowned Nyonya Baba Cuisine Restaurant.

Overall it was a fruitful meeting, with delegates taking full advantage of the time together to resolve common issues, exchange best practices, and strengthen rapport with one another. Apart from being a gathering of old friends, it was heartening to see a number of new and young participants representing their respective OEs, an indication of leadership renewal within the network.

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Singapore International Reinsurance Conference 2009



An event that has gained a credible reputation within the global insurance industry, the biennial Singapore International Reinsurance Conference brings together decision makers and leaders of the industry to discuss the key issues faced by the region.

The recently concluded conference was held in Singapore from 9th to 10th November, at Swissôtel The Stamford. Themed “Global Financial Crisis: Asia’s Position In The Reinsurance Cycle”, it generated an interesting and beneficial discussion amongst delegates. Allianz SE Reinsurance Asia Pacific was proud to be the platinum sponsor of the 10th Singapore International Reinsurance Conference.

Mr Clement Booth, Member of the Board of Management of Allianz SE, was invited to share his knowledge at a panel discussion of the topic – “Capital – At What Cost?”. Reported by Post Online, Mr Booth expressed his personal view that insurers and reinsurers should not expect government help if they hit problems.

“Insurers and reinsurers are quite distinct from the banking sector in terms of systemic risk,” he added. “I have to say I believe it is OK for an insurance company to go bust. It does not have a major impact on society compared to the collapse of one of the mega banks” He added: “It is my view that if an insurer or reinsurer so heavily leveraged themselves that they are no longer able to meet their responsibilities then they should be allowed to go bust.”

The systemic risk for the market was not an internal one but instead the risk came externally and from the financial markets which provided the capital to enable underwriters to do their jobs.

Mr Scott Ryrie, CEO of Allianz SE Reinsurance Branch Asia Pacific was the chairperson of the panel discussion on “Wet Peril Frequency Losses and Unexpected Losses”. Leading the panel, Mr Ryrie brought up topics like climate

change and various catastrophe issues like wind and flood. The panel also discussed lessons learnt from Tsunami – where unexpected losses were identified from, and a further emphasis was placed on data quality and modeling.

Allianz SE Reinsurance Branch Asia Pacific also had an exhibition on-site, which was decorated in celebration of our 10th anniversary in the region. Our station was visited and well-received by most of our clients and the event’s delegates.

A well received conference with an overwhelming response of up to 700 delegates; the SIRC was a proven success in creating an excellent knowledge sharing platform.

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CSR: Batam Build Programme

Habitat for Humanity (HFH) International is a non-profit Christian housing organisation with a mission to eliminate poverty housing worldwide by building simple, decent houses with the help of the homeowner families themselves and volunteers.

Habitat is not a giveaway program. In addition to a down payment and the monthly mortgage payments, homeowners also invest hundreds of hours of their own labor -- sweat equity -- into building their Habitat house and the houses of others. For more information, please visit <http://www.habitat.org>

Together with Singapore Reinsurer Association and General Reinsurance, 15 of the Allianz SE Reinsurance Branch Asia Pacific's staff volunteered in the Batam Build program on 29th October 2009. With a sole purpose to build houses for the less fortunate, and led by the Habitat for Humanity, the team departed from the Harbour Front Ferry Terminal at 7:45am, on the Friday morning. Daniel, the local representative of Habitat for Humanity, greeted the team at the Waterfront Ferry Terminal, Batam. After a quick briefing, the team was all geared up to start their work. The day's project was to assist 2 homeowners in Dapur Dua Belas, Batu Aji.



A strong and stable foundation needs to be laid before any actual buildings can be constructed on. Given this important and meaningful task of laying the foundation, the Allianz group was split into two teams. The teams were allocated with tasks like digging of hole for septic tanks and assembling of reinforcement steel bars. Blessed with good weather, the teams' morale remained extremely high and all tasks were completed way before the day ended.

After a tough day of work under the hot sun, it was mixed feelings for all members who left the island with smiles and secretly, a greater sense of appreciation.

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