



GLOBAL INSURANCE FORUM

BE A PART OF THE CONVERSATION #IISFORUM

The Rise of ASEAN

Chairman:

Rico Hizon, BBC World News

Panelists:

- **Evelina L. Fadil Pietruschka**, MBA, CLU, ChFC, Secretary General, ASEAN Insurance Council, Chairman, WanaArtha Life
- **Dr Till Böhmer**, CEO Southeast Asia, Munich Re Singapore
- **Thomas Kessler**, Head SE & EA, Director, Global Partnerships, Swiss Reinsurance Company Ltd
- **Richard N. C. Austen**, CEO of Asia Reinsurance Brokers (ARB)

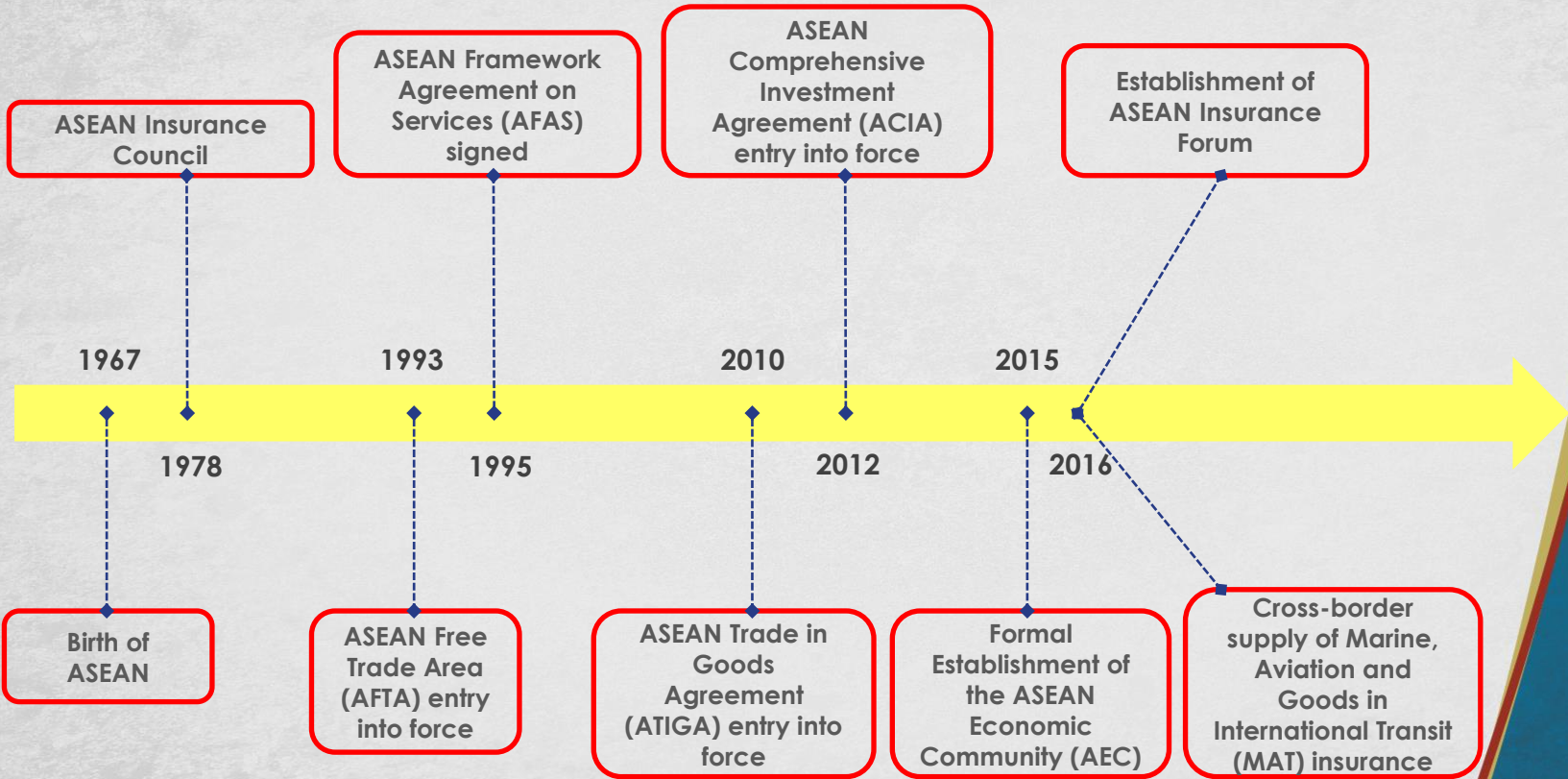
The following slides are prepared by ARB



- Association of Southeast Asian Nations (ASEAN) was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand to *promote political and economic cooperation and regional stability*.



Major Milestones in ASEAN



ASEAN

Economic Community

at a Glance

ASEAN Economy

A Highly Competitive Economic Region

With GDP of US\$2.6 trillion in 2014, ASEAN was:
the **7th** largest in the world and
the **3rd** largest in Asia

ASEAN Population

A Fully Integrated Community

In 2014, ASEAN was:
3rd largest market in the world with 622 million
people, behind only China and India

ASEAN Trade

A More Integrated Market

Total trade increased by nearly
US\$ 1 trillion
between 2007 and 2014, with **intra-ASEAN trade**
comparing the **largest share** of ASEAN's trade by partner.

ASEAN FDI

A World Class Investment Destination

ASEAN attracted
US\$136 billion
in FDI in 2014, accounting for **11%** of global FDI
inflows, up from only **5%** in 2007

ASEAN Connectivity

A More Connected Community

Annual tourist arrivals were
up from 62 million in 2007 to
105 million in 2014,
almost half of which were
Intra-ASEAN.



Source: ASEAN.org



one vision
one identity
one community

The ASEAN Social Landscape at a Glance

Literacy rates:

More than 90%

Source: ASCC Scorecard 2015



Proportion of seats held by women in parliaments:

From 12% in 2000 to 18.5% in 2012

Source: ASCC Blueprint 2025



Net enrolment rate for children of primary school age:

From 92% in 1999 to 94% in 2012

Source: ASCC Blueprint 2025



% of people living on <\$1.25:

From 1 in 2 persons to 1 in 8 persons in the last two decades

Source: UN MDG Report 2015



Maternal mortality per 100,000 live births

From 371 in 1990 to 103 in 2012

Source: UN MDG Report 2014



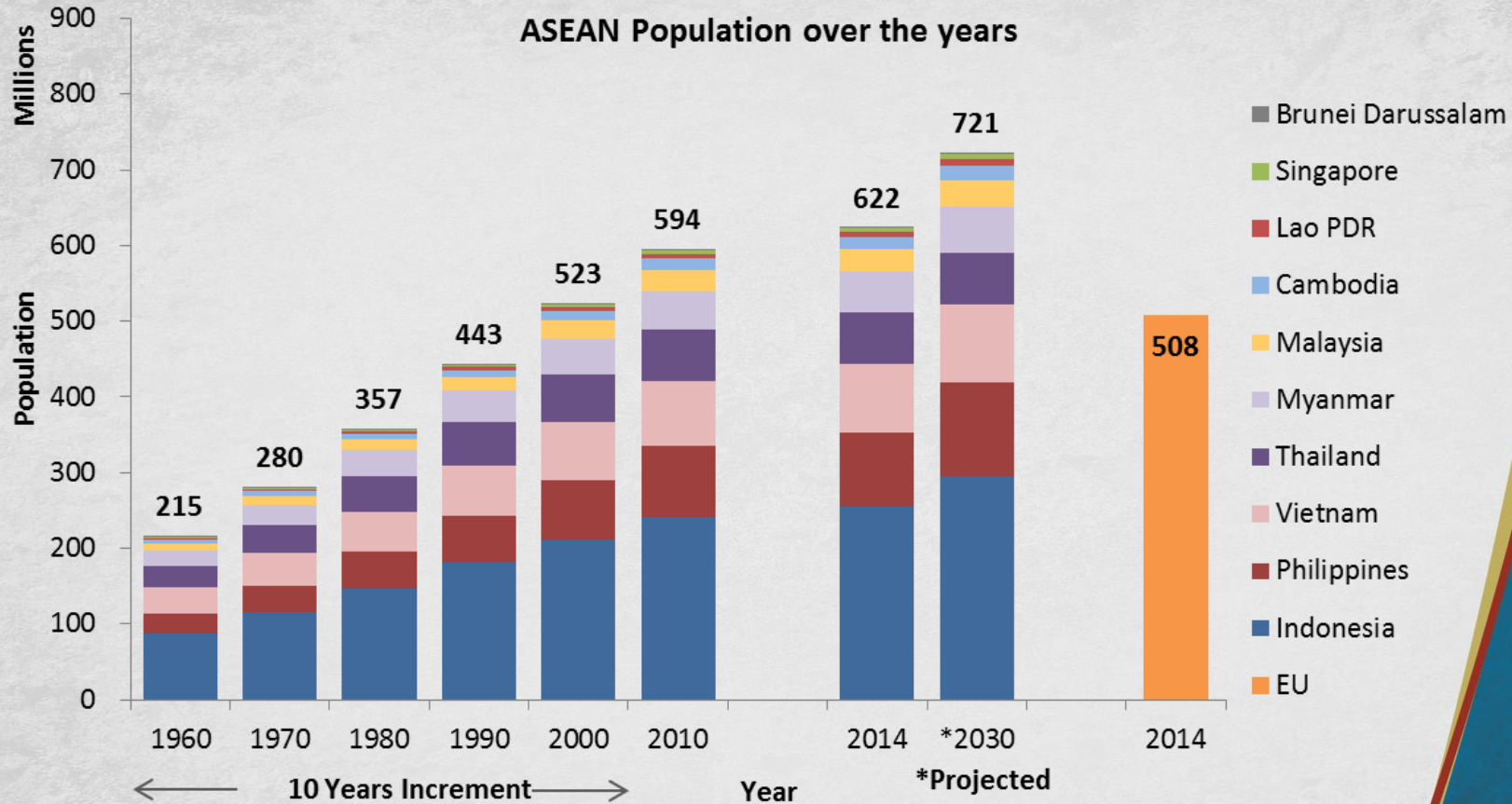
Proportion of urban population living in slums:

From 40% in 2000 to 31% in 2012

Source: ASCC Blueprint 2025

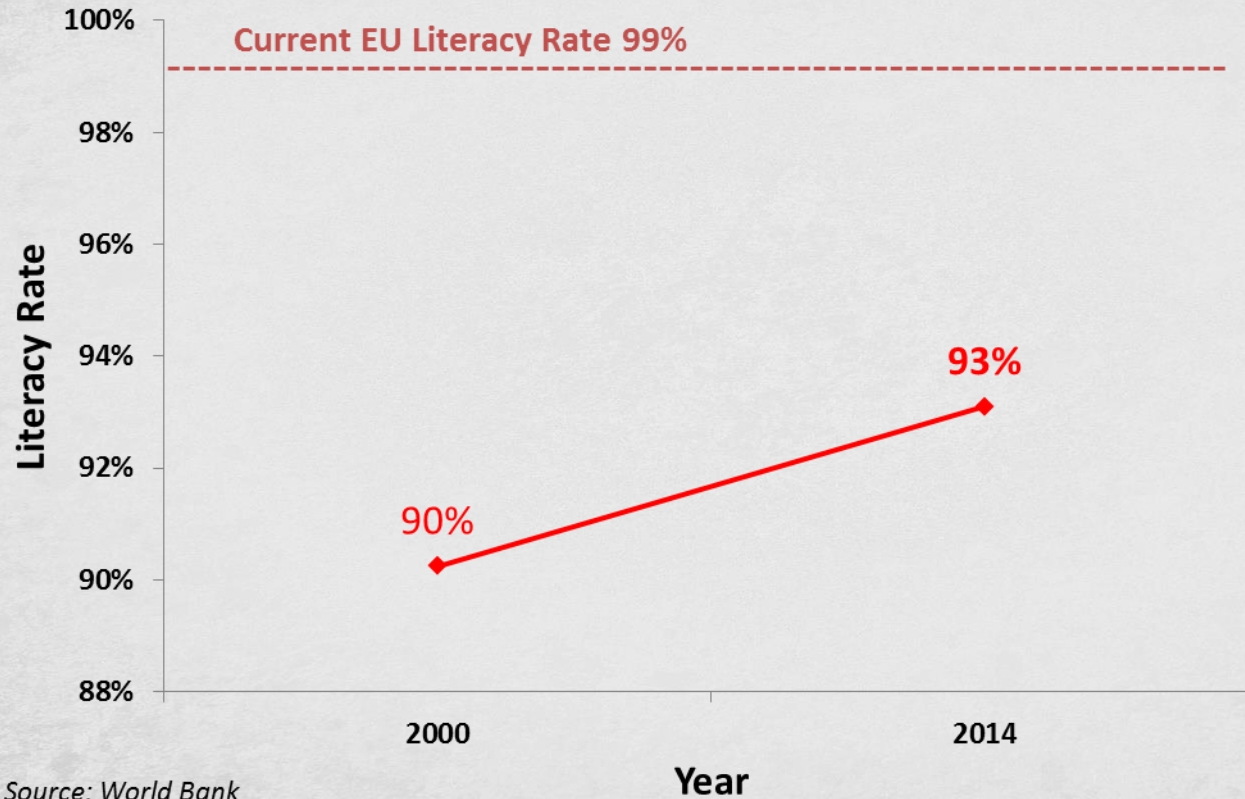


ASEAN Population over the years



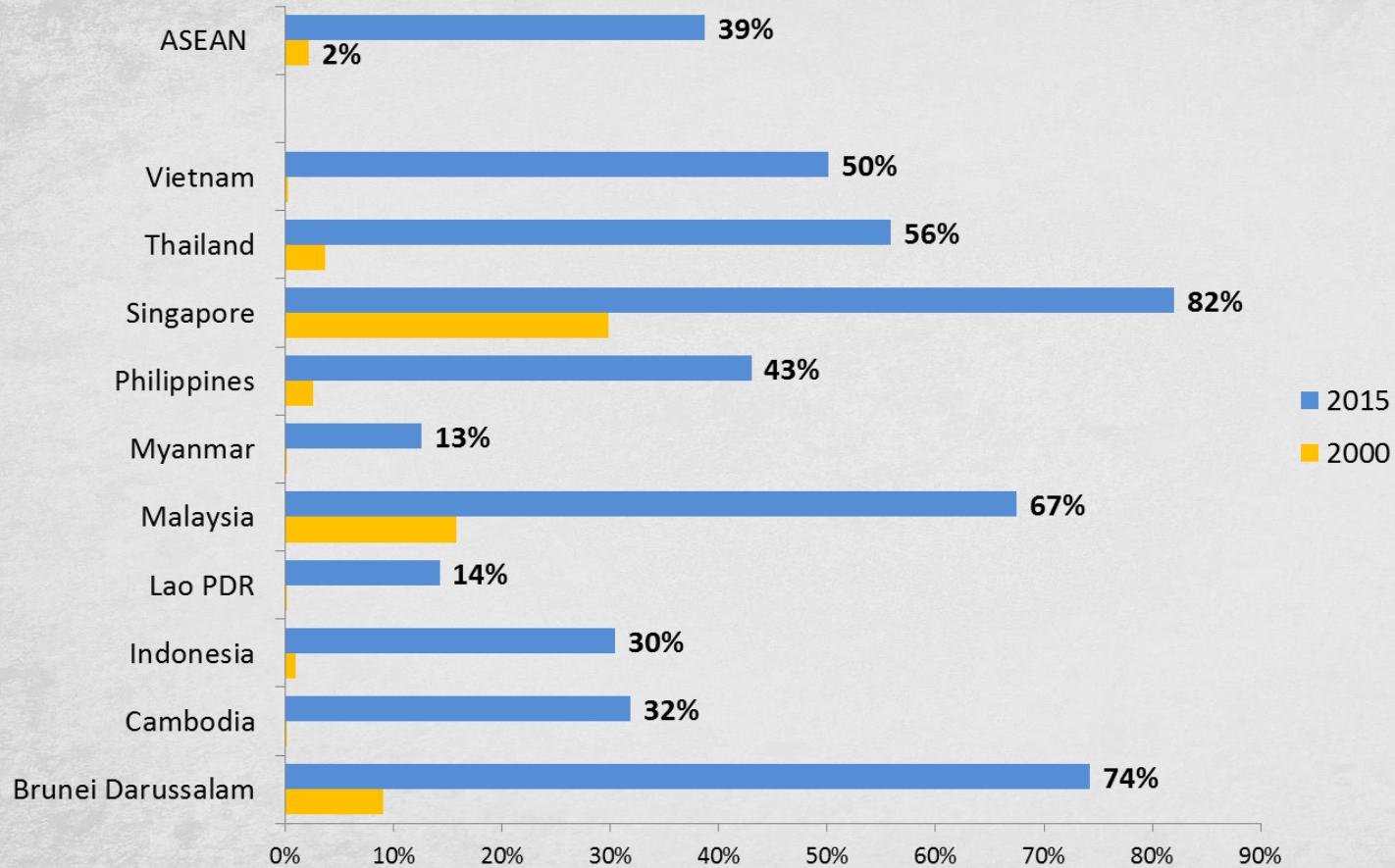
Source: World Bank

ASEAN Literacy Rate

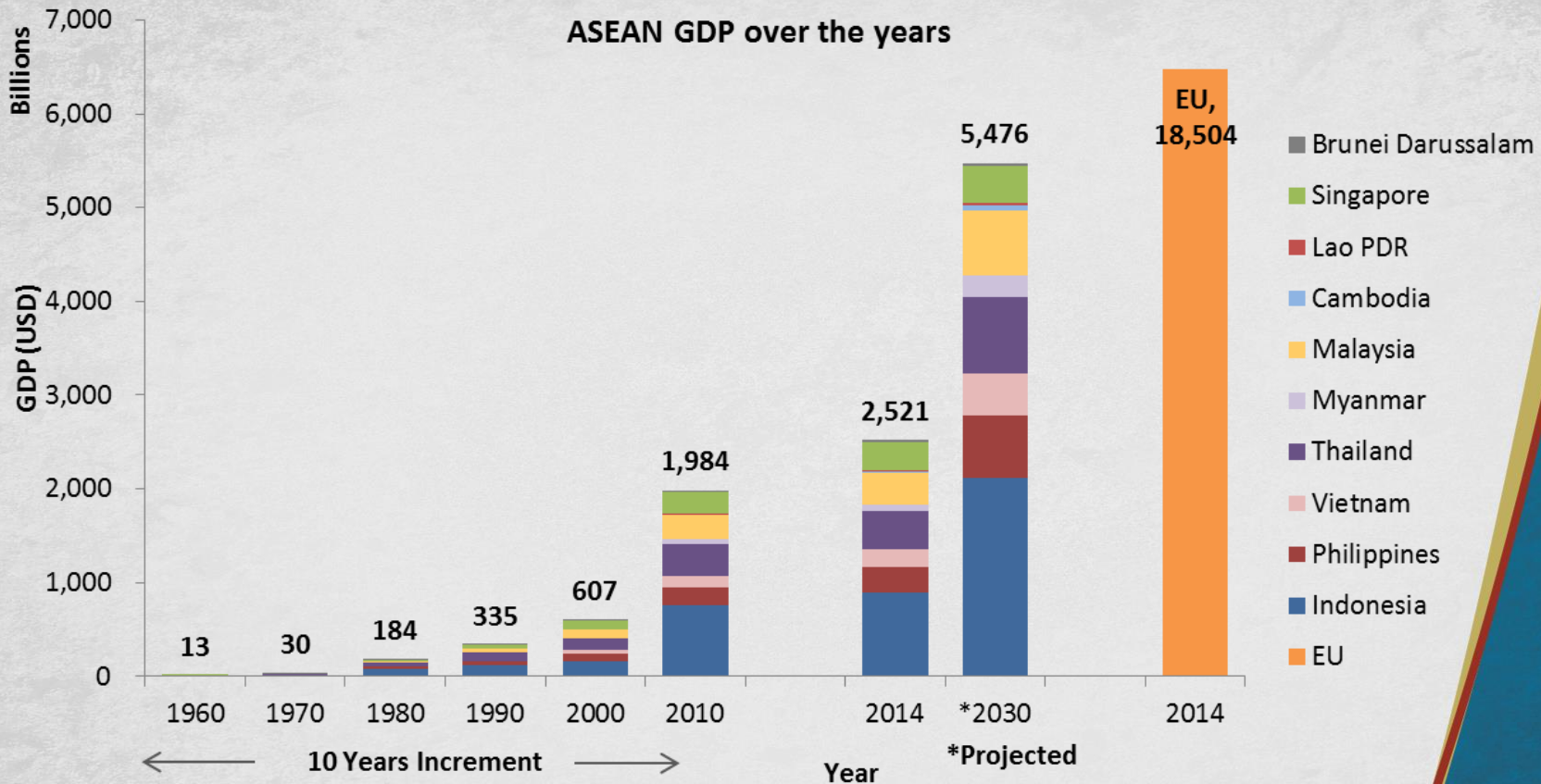


Source: World Bank

Internet User (% of Population)



Source: Internetworldstats



Source: World Bank, Swiss Re, Asian Development Bank (ADB) Institute

Support Economic Growth

Improve Savings and Investment

Promote Financial Inclusion

ASEAN Financial Integration

ASEAN Framework Agreement on Services (AFAS)

Banking

ASEAN Banking Integration Framework

Insurance

ASEAN Insurance Integration Framework

Capital Markets

ASEAN Trading Link
ASEAN Disclosure Standards
ASEAN Corporate Governance Scorecard
Bond Market Development

Payment and Settlement Systems

Capital Account Liberalisation

Capacity Building

Four Major Issues in ASEAN

- Development of Marine, Aviation, and Transport
- Disaster Risk Financing & Micro Insurance
- Long-term Investment, Retirement, and Pension Funds for Financing Infrastructure
- Narrowing the Talent Gap through Strengthening Insurance Education

The Cebu Action Plan (CAP)

A Ten-Year Roadmap for the APEC Finance Ministers' Process

FOUR PILLARS



FINANCIAL INTEGRATION

- Financing MSMEs
- Financial inclusion / literacy
- Facilitating remittances
- Financial services liberalization
- Capital accounts liberalization
- Asia Region Funds Passport



FISCAL TRANSPARENCY

- Fiscal reforms
- Open Data Initiative
- Exchange of financial account information
- Base erosion profit shifting
- Tax and crime



FINANCIAL RESILIENCE

- Macroeconomic policy
- Disaster risk financing and insurance
- Capital market development



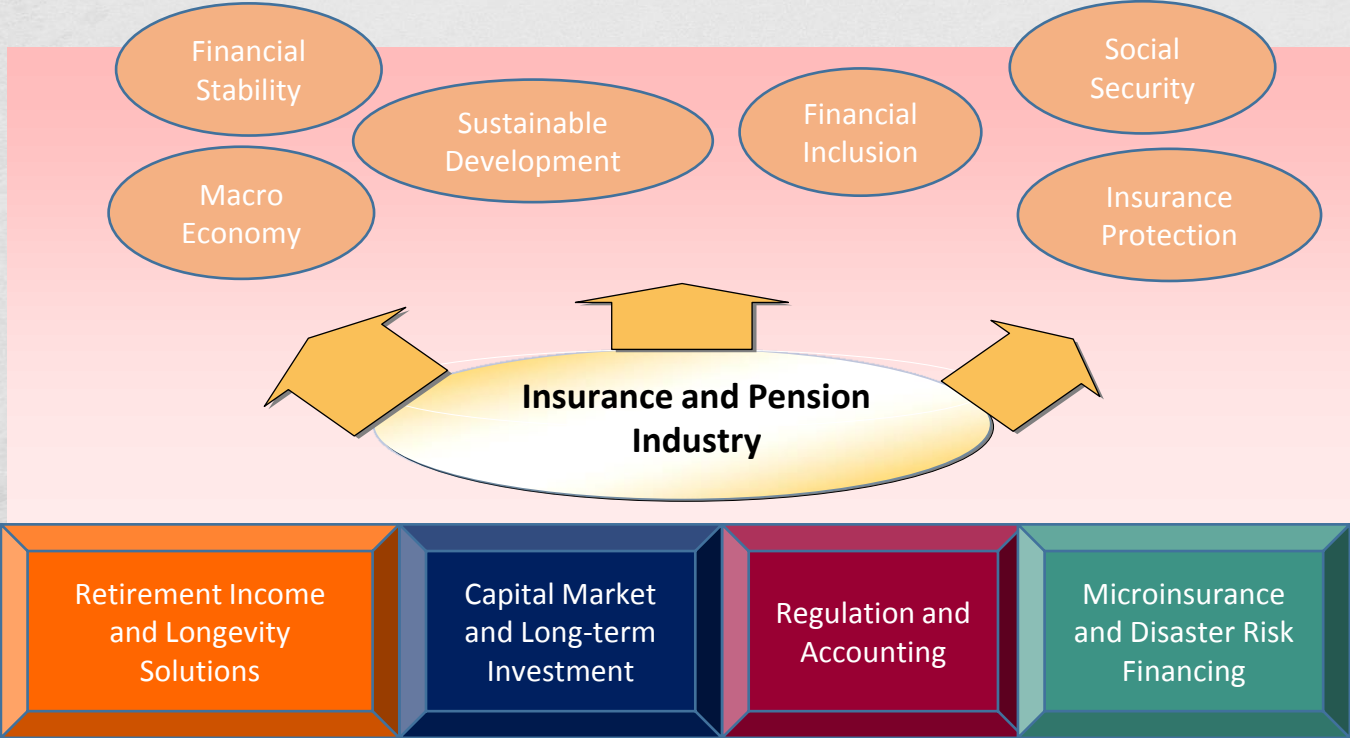
INFRASTRUCTURE

- Knowledge portal
- Standardization of terms and practices
- Maximizing PPPs in infrastructure investment
- Long-term investors
- Urban development
- Regional connectivity

Collaboration of Asia-Pacific Financial Forum (APFF), ASEAN Insurance Council (AIC), & Business Working Group of World Economic Forum (BWG WEF)

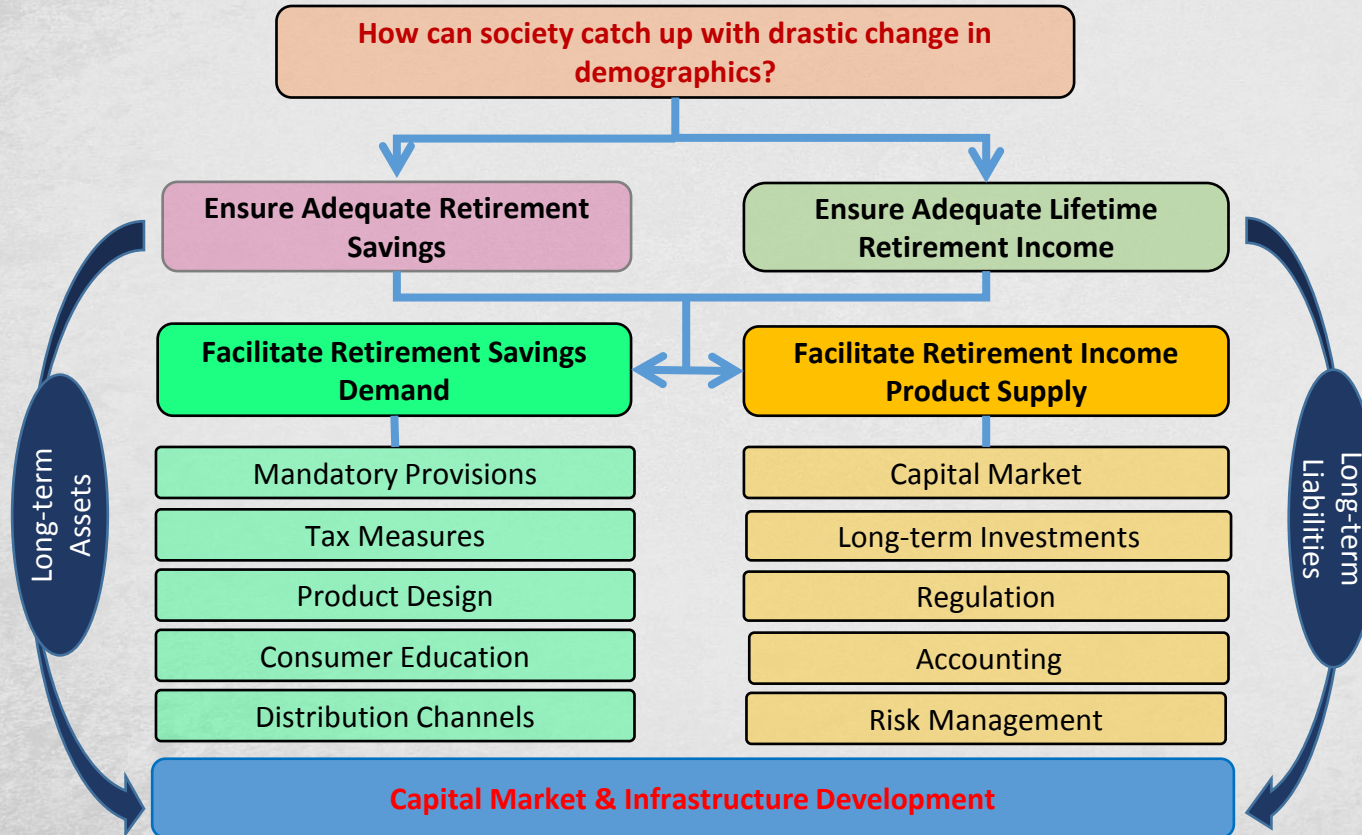
Positioning Insurance & Pension to Play A Bigger Role in Economic Development in ASEAN

A holistic framework to support the long-term roles of insurance and pension industry in ASEAN



Retirement Income and Longevity Solutions

Responding to the needs of aging, while promoting capital market and infrastructure development



Regulatory and Accounting Issues

Regulatory issues

■ Bank-centric regulations

- Insurers play an important role as long-term investors and in the social security system

■ Short-term oriented economic regime

- Economic-based regime should have a long-term vision
- Otherwise, unintended consequence may occur on long-term products/investments

■ “One-size-fits-all” models

- Different business models by economies

Accounting issues

■ Volatility in the balance sheet and P/L

- Assets-liabilities interaction

■ Other issues for traditional long-duration contracts (i.e. complexity, consistency, transition, presentation)

Market and operational Issues

Market issues

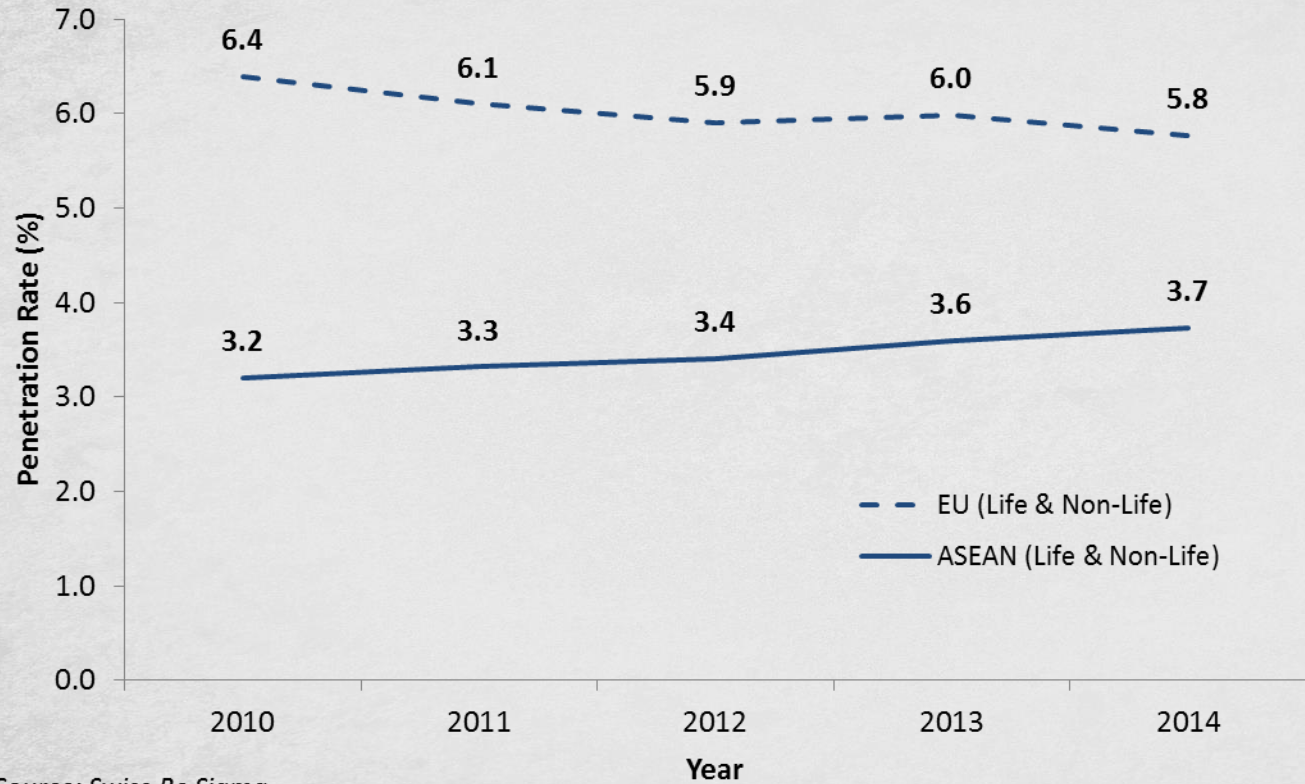
- Underdeveloped long-term capital market
- Small number of bankable projects available
- Lack of infrastructure financial instruments
- Lack of market instruments (i.e. derivative, hedging tools) to manage portfolio risk
- Constraints on long-term insurance business (both demand side and supply side)

Operational issues

- Weakness in credit rating
- Lack of experience
- Uncertainty in legal framework (i.e. creditors rights, resolution)

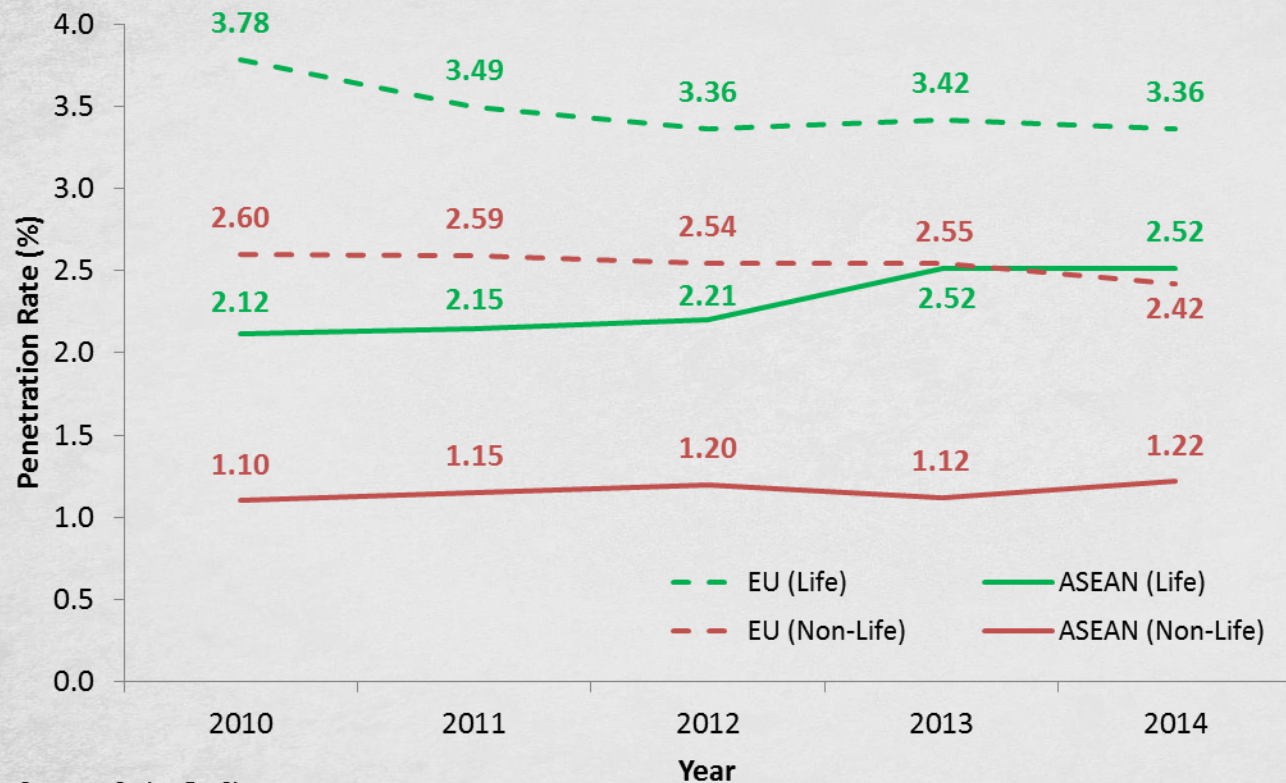
***Collaboration with
Capital market/FMI/PPP
work is the key***

Insurance Penetration Rate



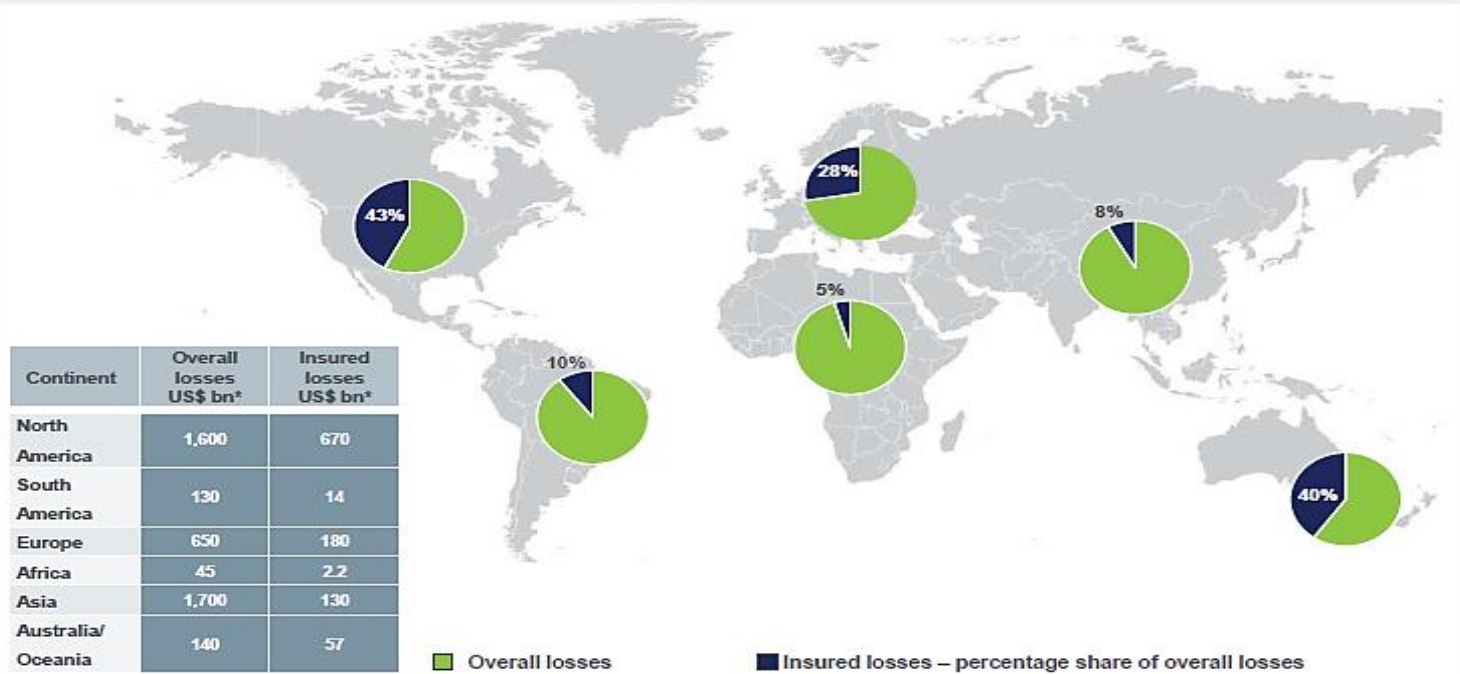
Source: Swiss Re Sigma

Insurance Penetration Rate



Source: Swiss Re Sigma

Under Insurance in Asia (1980 – 2014)

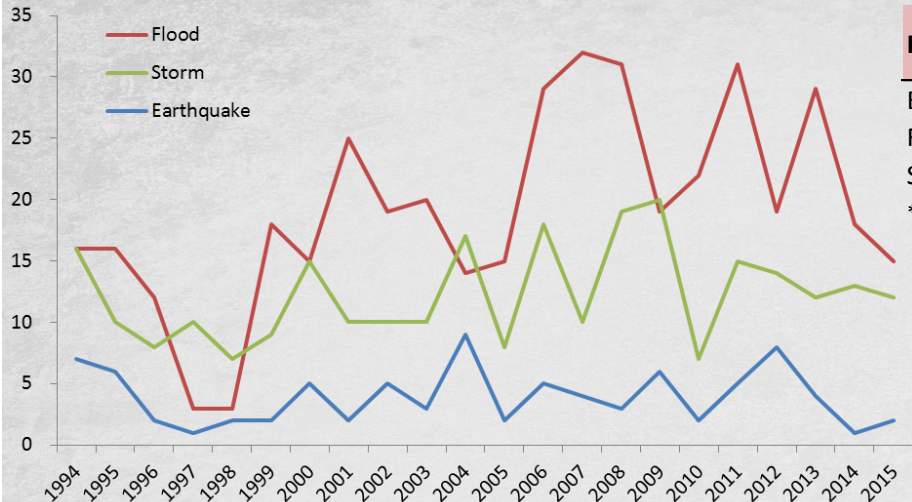


*Losses in 2014 values, adjusted to inflation based on country CPI

Source: Munich Re, NatCatSERVICE, 2015

© 2015 Münchener Rückversicherungs-Gesellschaft, Geo Risks Research, NatCatSERVICE – As at January 2015

No. of CAT events in ASEAN (1994 - 2015)



Historical CAT Losses in ASEAN By Peril (1994-201) *Figures in USD mio*

Peril	No. of Events	Total Economic Losses	%	Average Economic Loss per Event
Earthquake	86	13,485	13%	157
Flood	421	15,611*	58%	37*
Storm	270	28,210	28%	104

*Excludes 2011 Thailand Flood Loss (USD 43,000 mio)

Source: EM-DAT, The International Disaster Database

- **Earthquake** has the highest Average Economic Loss per event.
- **Flood** has the highest No. of Events.
- **Storm** has the highest Total Economic Losses.

Source: EM-DAT, The International Disaster Database

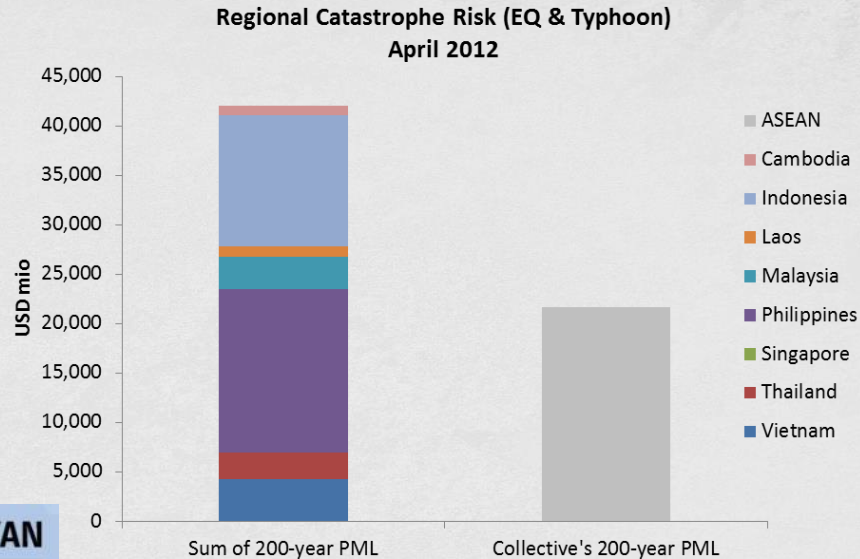
10 Most Significant Nat CATs in Asia Pacific (2004 - 2014)

Figures in USD mio

	Date	Event	Affected Countries	Economic Losses	Insured Losses	Insurance %	Uninsured Losses	Uninsured %
1	Mar-11	Tohoku Earthquake/Tsunami	Japan	210,000	40,000	19%	170,000	81%
2	May-08	Sichuan Earthquake	China	85,000	300	0.4%	84,700	99.6%
3	Nov-11	Thailand Floods	Thailand	43,000	16,000	37%	27,000	63%
4	Oct-04	Chuetsu/Honshu Earthquake	Japan	28,000	760	3%	27,240	97%
5	Feb-11	Canterbury Earthquake	New Zealand	24,000	16,500	69%	7,500	31%
6	Nov-13	Typhoon Haiyan	Philippines, Vietnam, South China	10,500	700	7%	9,800	93%
7	Dec-04	Indian Ocean Earthquake/Tsunami	Indonesia, Thailand, Sri Lanka etc	10,000	1,000	10%	9,000	90%
8	Oct-13	Cyclone Hudhud	Nepal, Eastern India	7,000	530	8%	6,470	92%
9	Apr-13	Lushan Earthquake	China	6,800	23	0.3%	6,777	99.7%
10	Oct-05	Kashmir Earthquake	India, Pakistan etc	5,200	5	0.1%	5,195	99.9%

Source: Swiss Re sigma, Munich Re NatCatSERVICE

Interconnectivity of ASEAN Community



- ASEAN region can benefit from regional risk diversification
- Having a collective region will reduce Possible Maximum Loss (PML)

CARMA

Catastrophe and Risk Management in ASEAN