

Conference
Special

Pakistan Insurance Institute Quarterly Newsletter



Pakistan Insurance Institute

INSURE

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Winds of Change
Challenges & Opportunities
for the Insurance Industry
in Emerging Markets
Karachi, April 19-21, 2015



Challenges & Opportunities for the Insurance Industry in Emerging Markets
April 19 ~ 21, 2015
Movenpick Hotel, Karachi

Pakistan Insurance Institute organized an International Insurance Conference on the topic of "Challenges & Opportunities for the Insurance Industry in Emerging Markets" held on April 19 ~ 21, 2015 at Movenpick Hotel, Karachi. On the eve of the conference speakers and delegates were invited to a welcome dinner held at the poolside where besides enjoying a sumptuous buffet the delegates had an opportunity for networking.

Conference Day 01:
April 20, 2015

The registration of delegates started at 8:30 am and the conference formally started at 9:00 am with recitation from the Holy Quran and playing of the National Anthem followed by an interesting documentary on Pakistan.



In his short address Mr Hasanali Abdullah, Chairman, Pakistan Insurance Institute welcomed the Guests of Honour, speakers, panelists and delegates and specially thanked those who had come from various parts of the world to participate in the conference. Mr Abdullah went on to say that the theme of the conference 'Winds of Change' focuses on today's issues and the challenges of tomorrow and how the industry is placed to address them and hoped that the presentations and open discussion will provide new ideas and broaden the scope leading to increasing insurance penetration.



Guest of Honour Mr Fida Hussain Samoo, Commissioner (Insurance) SECP was then invited to address the august house. Among the achievements of SECP he mentioned that in order to help increase insurance penetration the conventional companies have been allowed to open 'Takaful' windows. This is in line with the fact that SECP has taken measures to ensure judicious regulation of the insurance sector while creating an enabling environment to meet the needs of consumers, including individuals as well as corporate. SECP has legislated on new areas such as micro insurance and Takaful. Thus SECP may be seen as a proactive regulator of the insurance sector.

The SECP has always encouraged the initiatives for organized development of the industry and once again expressed its full support to the Pakistan Insurance Institute.

distribution can be via branchless banking accounts. Thus a comprehensive analysis of Pakistan Micro Market is necessary.



Mr Mohamed Bashir, Chairman Pakistan Business Council, was also invited to share the views on the economic climate of the country. Mr Bashir stated that with a population of 200 million of which 70% comprises of youth below the age of 30 Pakistan has immense potential for growth. According to latest studies the business is being shifted to emerging markets as European markets have now become saturated. Foreign direct remittance is increasing.

Working session I

Dynamic Risk Acceptance

Mr Andrew Bauckham

Political Violence Underwriter, Chaucer Syndicate Limited
Lloyd's of London



Mr Nadeem Hussain, CEO, Tameer Bank, Pakistan was then invited as the keynote speaker who strongly advocated a large potential of untapped market for health insurance. Mr Hussain presented interesting figures of 35 million bank accounts in Pakistan where only 18% to 20% people have access to loan facilities. Large insurance companies most of the time focus only on large cities which hamper their penetration.

Ms Ciara Appleford

PV Practice Team Leader & Director, Crescent Global, UK



Statistics show that the default ratio of lower market is less than 3%. Easy paisa scheme is located in 55,000 locations and does a business of US\$ 8 billion. Funds are transferred in 30 seconds at 3 times the postage cost.

Following introduction of their respective companies the speakers presented the Focus on Coverage in respect of Property Damage Facultative Risks and went on to explaining the extensions to coverage.

Great challenges lie ahead for business and to support his viewpoint he stated that it is expected that within 3 years, 15 million mobile accounts will be created and the channel for

The presenters went on to further stress a consultative approach to deal with the Dilemma of a Risk Manager on questions related to the impact of a terrorist attack on their business and what should they be doing to mitigate the risk / liability?

Terrorism increased significantly in Pakistan in 2013, with a 37% increase in deaths and 28 per cent increase in injuries since 2012.

In conclusion the speaker stated that opportunities remain for profitable growth, notably in the developing markets.

Making the Jump: How Pakistan can take advantage of Global Innovation

Mr Andrew Rear

Chief Executive Africa, Asia Pacific, UK & Ireland, Munich Re



With the rapid growth and advancement / innovation in technology insurers need to proceed with the same speed. In today's world most of the communication takes place on mobile phone so the insurers need to adapt themselves to the new technology.

Developed markets have walked along a long road of innovation and the developing markets have the convenience of making the leap, missing out the middle steps.

Mr Rear concluded by saying that 'If our customers are running with the machines so must we'.

Renewable Energy

Mr Kamal Tabaja

Chief Operating Officer, Trust Re



Explaining the energy sources of power generation Mr Tabaja enumerated

Some facts of Renewable Energy as:

-It exists perpetually and in abundance in the

environment

-Ready to be harnessed, inexhaustible

-It is a clean alternative to fossil fuels

-“energy that is derived from natural process that are replenished constantly”

Some interesting global facts presented were:

- Global atmospheric concentrations of carbon dioxide, methane, and nitrous oxide are increasing markedly as a result of human activities.
- Average global temperatures could rise between 1.1 and 6.4 degrees Celsius during the 21st century. This can vary greatly depending on the intensity of human activity and fossil fuel usage.
- Sea levels will probably rise by 18 to 58 cm.
- There will be more frequent warm spells, heat waves and heavy rainfall.
- There will be an increase in droughts, tropical cyclones and extreme high tides.



Mr Tabaja shared with the audience some facts from Global Status Report 2014, according to which 77.9% energy was being produced with Fossil Fuel and Nuclear power. 22.1% was renewable electricity from Hydropower, Wind, Bio Power, Solar PV and Geothermal CSP & Ocean. Concentration of carbon dioxide, methane & nitrous oxide is on the increase in the atmosphere. Warm spells are being experienced due to global warming.

All this leads to insurance exposure which is increasing in form of severe floods, strong winds, higher than assumed cost of various events, agricultural damages and medical cost.

Key Insurance Developments in Asian Markets

Mr John Thorpe

Managing Director, Production & Marketing Asia, Aon Benfield Asia Pte Ltd, Singapore.

Compared to neighbouring countries Pakistan has the lowest insurance penetration.

This includes Life, Non Life, Personal Accident and Healthcare. To increase penetration Pakistan will have to market Takaful and Micro Insurance.



Mr Thorpe emphasized that rate regulation needs to reflect the unique characteristics of each market and stated that market rating bureaus that collate data and calculate reference rates are highly recommended for most markets. Whilst risk based solvency regimes are not a panacea alternative to rate regulation, they can be enhanced to address some of the issues prevalent in non tariff Asian markets. Reflecting on the benefits for and against State Reinsurer Mr Thorpe stated:

- State Reinsurers have provided stability in terms of capacity and pricing for local markets in their respective countries.
- Underwriting expertise is a challenge in the ever evolving market and concentration of risk may not be capital efficient.
- A National Reinsurer can support schemes that the market requires and are in the national interest.

Mr Thorpe concluded by saying: "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change"

Panel Discussion

Moderator: Mr Mahmood Lotia

Senior Deputy Managing Director EFU General Insurance

Mr Yassir Albaharna, CEO Arig

was also invited for the panel discussion.



The discussion reinforced the thoughts that Pakistan market should expand with micro business that will improve insurance penetration. A pool to cater the terrorism risk was also thought to be a good idea. In conclusion the panel was of the view that 'To be innovative all employees of the company need to be innovative'.

Following lunch a 15 minute dance (bhanga) performance was performed by a group of young professional dancers.



Working Session II

Employee Benefits in Emerging Markets – Trends, Challenges and Opportunities

Mr Elias Musa Mazzawi

Region Lead, Employee Health & Benefits Marsh Middle East



The challenges in health care are relentless and significant with increasing costs, limited accessibility and lagging quality.

Mr Mazzawi emphasized that health insurance cost is increasing due to inflation which is doubling medical cost every 4 to 5 years. This is increasing underwriting losses for insurers. Sometimes quality of proposal information lacks in accuracy & quality. Markets are very competitive.

Focus on root causes for rising medical costs resulting in shrinking benefits are over prescription, unnecessary tests, hospitalization where it is not needed, increased cost of procedures.



Winds of Change

Way forward, therefore, is through data driven analysis & negotiations, smarter benefit design and stable long term relationship.

Global Trends in Sales Growth and Customer Satisfaction Mr Imran Ali

Chief Operating Officer, Centegy Technologies, Karachi.



Customer engagement is the key which can be achieved by enhancing intelligence, meaningful interaction and providing better customer care. Mr Ali stated that with the advent of 3G & 4G technologies spectrum has changed. The companies need to invest in customer relationships.

The Growing Risk of Asian Natural Catastrophes Mr Apoorv Dabral

Senior Consultant AIR Worldwide, Singapore (Speaker arranged courtesy J B Boda)



Mr Dabral stated that Asia is being noticed by the world due to the fact that Asian economy is growing at the highest rate in terms of percentage.

In the year 2011 Asia experienced;

- Earthquake & tsunami in Japan
- Earthquake sequences in New Zealand worth US\$ 18 billion
- Thailand floods costing US\$ 13 billion
- Various cyclones costing economic loss of US\$ 6 billion

Mr Dabral further stated that Pakistan was lying on 4 fault lines for earthquake around Karachi. Cyclone threats are always there and Pakistan witnessed worst floods in the year 2010 in which 20 million people got effected.

Panel Discussion

Moderator: Mr Mujeeb Khan Country Manager, AIG



The panel was of the view that Pakistan, China and India are the emerging markets in Asia. These markets have incredible growth in Life sector which will be a source of increasing insurance penetration in these regions including Pakistan. At the worldwide level various scenarios were being discussed about the emerging markets of Asia.

Gala Dinner and Musical Evening

Gala dinner with a very Pakistani theme comprised of specialty food of all the provinces followed by enthralling performance by sufi singer Sanam Marvi & pop singer Alycia Dias.





- Shareholders & cost focused alternative channels
These are evolving humans empowered with revolutionary technologies. Survival now is in leading the change.

Micro insurance – the Sri Lankan Perspective

Dr Jagath Alwis

Director (Technical), Ceylinco Insurance Plc Colombo, Sri Lanka



He started his presentation by giving an overview of Sri Lankan market. Size of insurance industry including life is US\$ 790 million, insurance penetration is 1.03%, insurance density is US\$ 38 & growth over last year is 5.7%.

He said growth potential in insurance is in Micro Insurance as it is:

- Designed for low income households
- Comparatively low premium
- Simple & straight forward coverage
- Different distribution channels
- Non-complex method of claim settlement
- Simplicity in documentation

Recent studies among low income groups have shown that 41.4% trust insurance. The demand is for health, life & funeral expenses.



In Sri Lanka micro insurance is widely recognized. Personal accident, life & health covers are productive. Special packages are made for Teachers, Farmers, Fishermen, etc. Micro insurance has a lot of potential and vast opportunities.

Conference Day 2

Working Session III

Personal Lines

Mr Mishal Al Mana

Managing Director, AlMana & Warren Consultancy Group, Bahrain



In his interesting presentation on Personal lines Mr Mana narrated two stories; one of Encyclopedia Britannica which was once a big seller and is now available on Internet, similarly Kodak Company which introduced portable camera is now closing shop because of change in consumer behaviour. The consumer is now using digital cameras which do not require any film.

Right now Wikipedia have 40,000,000 articles on the web in 287 languages. These articles are conveniently available for free. He emphasized that the consumer behaviour keeps changing with the new developments. It is time for the insurance industry to respond to changes in consumer behaviour.

It is about asking the right questions

- What consumers need the most is the experience they are expecting

Presently insurance industry faces the following challenges:

- Lack of customer focus
- Negative short - sighted sales strategy
- Disconnect with customers
- Challenges & after sales service

The Attraction of Emerging Markets to Insurers

Mr Tony Saada

Chief Executive Officer, Lockton (MENA) Ltd



Mr Saada highlighted the favorable economic and regulatory climate and product innovation and new distribution channels that have driven fast paced growth in emerging markets, profitability however, remains a challenge for insurers.

Explaining the differing characteristics of the emerging markets which are at various phases of development Mr Saada highlighted the following barriers to success:

- Regulatory / legal environment
- Distribution channels
- Product range & local market knowledge
- Competition pressures
- Nat cat risks- adequacy of premiums and information
- Level of advances made in risk management
- Availability of insurance and risk management local talent
- Return on investment

He concluded by saying that 50% of the global growth will in future come from emerging markets.

Following tea break a beautifully choreographed classical dance performance by Joshinder Chaggar was appreciated by all participants.



Political Risks & Trade Credit Insurance

Dr Clive Aston

Crescent Financial Risks, Canada



Dr Clive Aston in his presentation explained that Trade Credit insurance is for contingencies like Bankruptcy, Protracted Default & Political Risks.

Benefits of Trade Credit Insurance may be:

- Curtails Bad Debts
- Provide Security & Working Capital Borrowings
- Improve bank advance or Margining rate
- Expands Product Sales Security
- Eliminates over & under reserving
- Maximize effectiveness of a credit dept.

Political Risk insurance covers:

- Contract Frustration/Repudiation
- Non-payment of Government/Non-honoring of guarantee
- Force Majeure
- Exchange transfer, currency inconvertibility
- Import/Export Embargo
- Concession or License cancellation
- Unfair calling of bonds
- Confiscation/E/N & deprivation

Benefits could be Balance Sheet protection, Dividend & Asset Preservation, Security & Financing and of course Peace of Mind.

Development of an agency sales force – Challenges and Opportunities

Mr Taher G Sachak

Managing Director & Chief Executive, EFU Life Insurance Ltd.

Mr Sachak in his presentation stated that group life policies are usually bought by the consumers whereas individual life products are largely sold.

Agency sales force structure comprises of sales agents, a number of management tiers responsible for recruiting & managing the agents and providing training. However this has its own challenges including difficulty in creating and managing the team, high cost, commission bias and regulation.



question the panel responded by saying yes; but has not yet completely tapped the opportunity. Micro insurance has a lot of potential, still it is not doing any sizeable business.

The discussion concluded with the remarks that insurance should be made more approachable, desirable and trustworthy. There is a strong middle class willing to take insurance covers. "We don't make a fuss" should be the slogan for the industry.

Opportunities arise with the ability to control, quality of sale, consumer focus and loyalty. If properly trained and motivated to stay the high cost is not an issue.

He went on to say there is no short cut to recruiting and training a large number of individuals, only a few of whom will eventually end up as successful career agents.

The main advantage of a sales force consisting of tied agents for an insurer as compared to other channels is that of loyalty and control over product strategy, quality of sales and persistency.

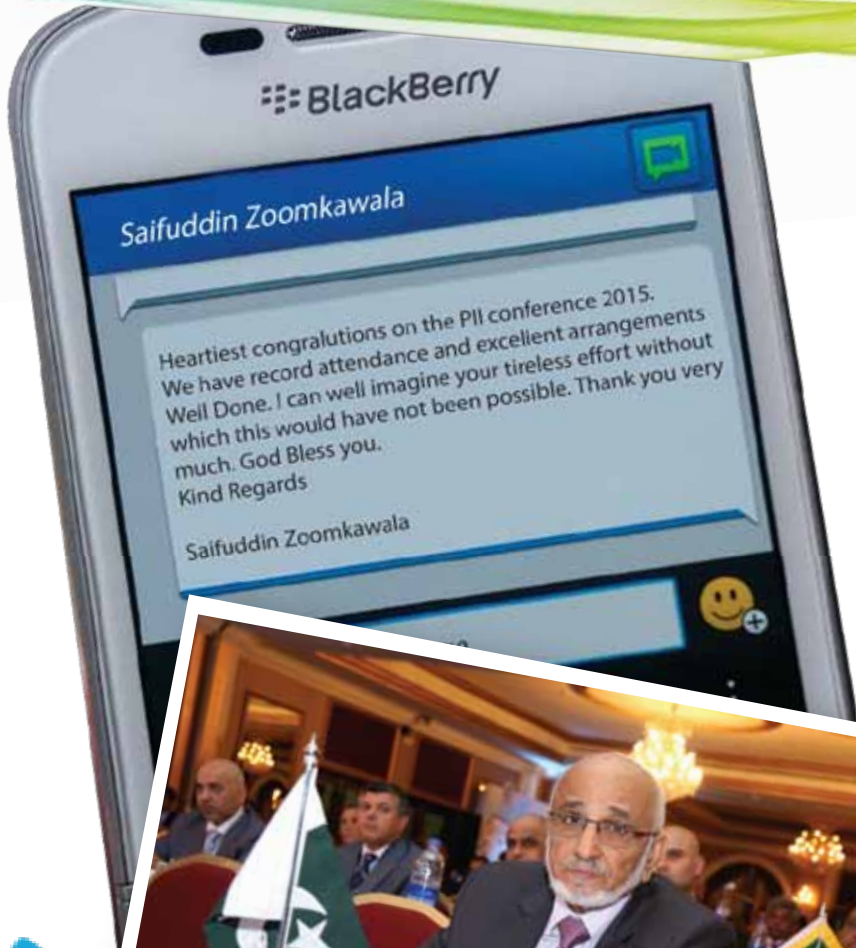
He concluded by saying Agency is, will always remain, an important distribution channel for individual life products - especially for sophisticated products.

Panel Discussion

Moderator: Mr Nasar-us-Samad Qureshi
CEO & MD Alfalah Insurance

Has the insurance industry realized the change? To this





It was yet another wonderful experience to be a part of a conference organized by PII in Karachi. The conference "Winds of Change- Challenges and Opportunities" was well attended by overseas and local delegates was undoubtedly a grand success. The interesting panel discussions and interactive participation by delegates evidenced the enthusiasm of speakers to share their knowledge on one hand and keen interest of the delegates to know something new, on the other. Needless to say that the hospitality of the organizers, the entertainment events were amazing and absolutely of top class. Thank you for looking after us so well.

*Achala Nayak
Director
J B Boda & Co (S) PTE, Ltd*





Winds of Change



Dear Farzana,

We sincerely appreciate the invitation to the Pakistan International Insurance Conference held from 19-21st April 2015. Attending was indeed an honour and an invaluable experience. It allowed for a great opportunity to network with people and businesses of the international market at one platform.

The conference was impeccably organized, and we congratulate you and your colleagues for the successfully executed event. Not only that, but we wish to express our sincere gratitude for all your efforts in coordinating our visit to Karachi.

We take this opportunity to thank you and offer our continued and undivided support to such events in the future.

Yours sincerely,

Yassir Al-Baharna
Chief Executive Officer

A. Hameed Al-Ammadi
Assistant Director

It was my pleasure being a delegate to the international insurance conference organized by PII. It is rare when you can hear the views of a number of foreign delegates coming from various parts of the globe at one place. The conference was well planned and was well punctuated with entertainment in between which helped keeping the participants awake and attentive. The inaugural dinner gave a chance to the delegates to meet each other. Everybody whom I spoke enjoyed the conference and got something out of it. The organizers must be given the credit for organizing this great event which will be remembered by insurance industry for years to come.
M. Vagaruddin
Head of Takaful Operations, EFL General Insurance Ltd

Mashallah, the PII International Insurance Conference held from 19th to 21st April 2015 on the subject "Challenges and Opportunities for the Insurance Industry in Emerging Markets" was well attended, and well organised. The speakers and panelists were experts in their fields, and did full justice to the Conference Theme. All present, including myself, greatly benefited, and learnt many new things. In particular, Mr Al-Mana's presentation was outstanding. The Conference offered a good opportunity to meet and exchange views with so many insurance professionals from Pakistan and abroad. I was unable to attend the evening entertainment programme on the 20th April, but thoroughly enjoyed the post tea entertainment on the 21st April. I warmly congratulate the PII and all those who worked hard to make the Conference a success, and look forward to the next one, Inshallah.

Samee-ul-Hasan
CEO and Senior Actuary, Akhtar & Hasan (Pvt) Ltd



The conference "Winds of Change" indeed created an opportunity to diversify our thinking and approach by applying those innovative ideas that have already been in practice outside Pakistan. The sharing of these ideas by international and local speakers during their presentation have given the insurance industry a chance to widen their horizon and focus on new subjects like Micro Insurance supporting the derivatives of micro finance.

The key note address by Mr. Nadeem Hussain and the presentation by Mr. Mishal ALMana have given us a path to move with the winds of change.

Engr. Afzal H. Nanjee
Nanjee & Company



Pakistan Insurance Institute is a distinguished professional institution and with its remarkable efforts, significant team work, quality arrangements, diligent and wise selection of speakers with diverse knowledge, organized a very successful conference on the theme of 'Winds of Change'. The conference presented a wealth of knowledge, relevant information, in form of theory and practical application. Many questions have been answered and misconceptions dispelled. Everyone enjoyed being part of the successful event as it was not only a healthy platform for socialization, information exchange, knowledge sharing, but also provided recreation through light entertainment, healthy environment and the best food of the region.

Shaista Ghaffar
Manager Operations
Triangle Ventures Crawford Pakistan



Thank you! See you in 2017



I would like to acknowledge and extend my heartfelt appreciation to the efforts of Pakistan Insurance Institute Team for making this event a big success!



Elected Council Members

Pakistan Insurance Institute



Ms Zehra Naqvi, Chief Executive Officer, ACE Insurance Ltd and Mr Tahir Ahmed, Managing Director, Jubilee General Insurance Company Limited were elected Chairperson & Vice-Chairman, Pakistan Insurance Institute for the year 2015-16.

Karachi Insurance Institute



Mr Ayaz Hussain M. Gad, Executive Director, J B Boda & Co (S) Pte Ltd and Mr Jaffer Dossa, Deputy Managing Director, Southern Zone, EFU General Insurance Limited were re-elected Chairman & Vice-Chairman, Karachi Insurance Institute for the year 2015-16.

Lahore Insurance Institute



Mr Adnan Ahmed Chaudhary, ED Commercial, Adamjee Insurance Company Limited and Mr. Syed Imran Rabbani, EVP, Jubilee General Insurance Company Limited were elected Chairman & Vice-Chairman, Lahore Insurance Institute for the year 2015-16.

Chartered Insurance Institute

Chartered Insurance Institute (CII) examination for Certificate, Diploma and Advanced Diploma will be held from October 12-14, 2015.

Closing dates for October 2015 CII examination for Advanced Diploma / Diploma / Certificate in Insurance for all applications / entry to reach PII is August 18, 2015.

Following revised updates / editions of CII study text are now available with Pakistan Insurance Institute:

Diploma in Insurance

P63 Long term insurance business
 P64 Private medical insurance practice
 P66 Delegated authority
 MO5/PO5 Insurance law
 M80/P80 Underwriting practice
 M81/P81 Insurance broking practice
 M85/P85 Claims practice
 M92/P92 Insurance business & finance

Advanced Diploma in Insurance

960 Advance underwriting
 992 Risk management in insurance



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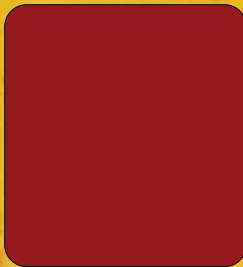
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PACRA



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INTERNATIONAL RATING AGENCIES

*Insurer Financial Strength

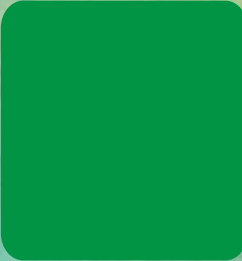
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Pakistan Insurance Institute



Winds of Change



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