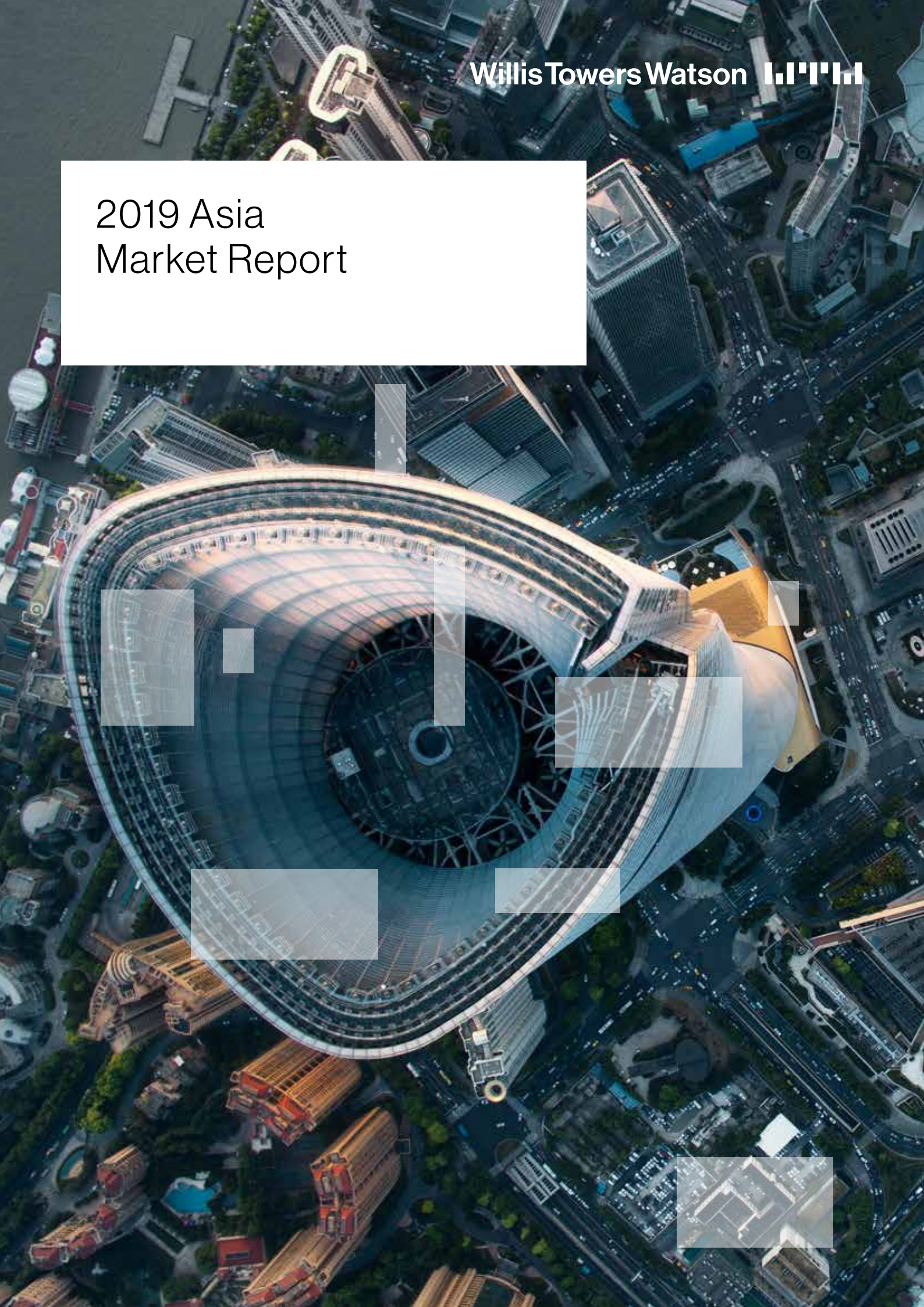


# 2019 Asia Market Report







# Contents

02 

Foreword

05 

Redefine Risk

## Review by speciality lines

09 

Property & Casualty

10 

Natural Resources

12 

Marine

14 

Aviation

14 

Construction

17 

Financial Lines

18 

Financial Solutions

19 

Terrorism

20 

Captives



## Review by market

23



Singapore

24



China

26



Hong Kong

28



Japan

31



Korea

32



Taiwan

33



Vietnam

34



Malaysia

35



India

36



Indonesia

37



Philippines

38



Myanmar

39



Brunei

40



Thailand

# Foreword

“ With new and disruptive technologies impacting traditional business models and emerging risks unfolding, our clients are now looking beyond present risks to create and design a sustainable tomorrow. A **new** approach is needed. ”

**Scott Burnett**

CEO, Corporate Risk and Broking Asia  
Head of Asia  
Willis Towers Watson

**From slowing global growth, growing economic inequality and climate change, to geopolitical tensions in abundance, these are the themes that have dominated the 2018 global headlines. Here in Asia, disruptive technologies, increasing demographic, and societal changes have surfaced new business requirements. Our clients now look beyond their present risks to consider a more sustainable tomorrow.**

A *new* approach is needed and, in particular, one that focuses on risk mitigation. Cyber exposure has expanded beyond data breaches and now must be considered in the context of disruptions to supply chains. Liability exposures are further evolving with the rapid adoption of new technologies that must be carefully considered to ensure policies remain relevant and responsive. Geopolitical risks abound across our region with unforeseen and uncertain impacts. It's clear that our clients must first understand, prevent, protect – and then respond.

Two milestone takeovers have also indelibly marked the insurance industry in 2018. In March, AXA announced the purchase of XL, clearly establishing AXA as the world's largest P&C insurance company and creating a powerhouse carrier in Asia, likely reducing future capacity. Secondly, the September announcement of MMC's intended acquisition of JLT surprised most market experts and will hasten important choices for clients.



## What does this mean for 2019?

According to the Chinese horoscope, 2019 will be the year of the Earth Pig – predicted as a year of “abundance and fullness.” I am personally very optimistic and believe there still exists multiple pockets of growth across buyers of insurance across most classes. In the midst of a more cautious market climate where opportunity will be less apparent, my advice for 2019 is to ensure you have the right integrated risk strategy in place with a partner that breathes every last detail with you. This will be critical in mitigating against the general market swings.

On that note, I'd like to wish each of you, our clients and partners, a year ahead of great prosperity and well-being. Thank you once again for your trust and support. With my capable and talented team at Willis Towers Watson, we remain committed and passionate to support you and your business in navigating a dynamic year ahead.

**2018 was an eventful year for the Asian insurance market. The Lion Air disaster, Lombok earthquake, Osaka earthquake, Typhoons Mangkhut and Jebi, plus other high-profile losses marked significant attrition losses and continued downward pressure on rates, impacting results across many insurer portfolios.**

With sustained losses by most international insurers, many have now re-engineered their portfolios. There has been a tighter scrutiny of underwriting practices, particularly of international carriers with resulting withdrawals from certain countries, lines of business and, in some cases, the region altogether, all evidencing that the market will get even tougher with a return to technical underwriting. However, not all domestic markets have had the same experience nor are all countries seeing a hardening marketplace. Indeed, domestic treaty reinsurance renewals in general terms were flat to 5% down. China continues to 'buck the trend' and grow as an increasingly important hub for non-Chinese business.

2019 will be a challenging year for clients, in particular, on large and complex risks. A tougher, more professional marketplace and increasing political and economic pressures around the world will necessitate a more considered approach to risk and insurance. Whilst challenging market conditions will continue, we strongly believe that a more professional marketplace will emerge, particularly for those who provide quality information, data and analysis. The current business model is unsustainable – premiums being driven ever lower, loss making portfolios for insurers, brokers undermining their own value proposition by charging below cost fees (in the hope of earning undisclosed commissions) and clients being provided with cheap but, in many instances, poor products.

It is no coincidence that we lead our 2019 Asia Market Outlook Report with our enhanced Risk and Analytics (R&A) services. Beyond traditional insurance brokerage services such as assessment, transfer, placement and claims, we leverage on our R&A capabilities to design programs with key strengths in risk engineering embedded in every client engagement at Willis Towers Watson. As our team of industry line of business and market experts share their outlook of the Asian insurance markets with you, the increasing need for these services will become apparent.

“ 2019 will be a challenging year for clients particularly on large and complex risks. Whilst challenging market conditions will continue, we believe that a more professional marketplace will emerge. ”

**Ron Whyte**  
Chief Operating Officer  
Corporate Risk and Broking Asia



*Ron Whyte and Kevin Snowdon*

A woman with dark hair, wearing a light blue top, is looking down at a tablet computer she is holding. She is in a meeting room, with a whiteboard visible in the background. The whiteboard has some faint diagrams or charts on it. The lighting is soft and focused on the woman and her tablet. There are several semi-transparent rectangular overlays of various shades of gray and white scattered across the image, some overlapping the text and the woman's image.

## Risk & Analytics

***Our vision:*** Navigating uncertainties in the lives of our clients and communities, by challenging the way we redefine risk through risk and analytics.



# Redefine Risk

“ In this evolving market, Willis Towers Watson’s risk and insurance advisory services are now based upon actuarial risk and analytics’ rigour to support all aspects of the client’s insurance procurement process to yield better business outcomes. ”

**Kevin Snowdon**  
Head of Risk and Analytics

**2018 is well-framed by more frequent and severe natural catastrophes causing significant correlated impact to many lines of insurance across all major Asian markets. With new and emerging risks on the accelerated rise, now more than ever, clients must look beyond present risks to evaluate costs well beyond mere premium spend. Clients need to know - with certainty - the insurance strategy that is exactly right for their business.**

## Risk and analytics: A new era of actuarial science-driven insurable risk insights

Willis Towers Watson has developed new and enhanced actuarial-based risk insight tools. These tools are based on Willis’ heritage of using the insurance and alternative markets to protect clients’ assets and Towers Watson’s heritage which is based on an actuarial approach to managing people risk. By leveraging the best of our combined resources, our risk, and insurance advisory services are now based upon actuarial rigour to support all aspects of the insurance procurement process.

This approach is embodied in our [Assess | Protect | Recover](#) service plan that complements our traditional broker services.

## STEP 1 – ASSESS: What is your company’s underlying risk tolerance and profile?

Assessing this should be the foundation of any risk and insurance strategy. Too often, we hear our clients struggle to quantify the financial impact and likelihood of risks to their business.

We combine the best proprietary risk models with our market knowledge and actuarial approach to create the industry’s leading suite of innovative analytical insurable risk insight tools. These tools access global claims databases to provide clarity around the assessment and benchmarking of all main lines of insurable risk. In this way, our clients better understand the exact nature of the risks they face and can use the insurance market to best effect in the context of their unique risk tolerance.

Of specific interest to our Asian clients is our newly launched **Property Quantified** tool based on state-of-the-art nat-cat models to allow for the visualization and selection of a best fit insurance solution for large, multi-location portfolios. It is the industry’s only scalable model to evaluate both non-cat risks, such as fire, and nat cat risks including earthquakes, wind and floods, and provides the following:

- An estimation of the expected number of claims and expected annual losses for the portfolio
- Annual average losses for top locations by peril
- Stress test for non-cat and cat sub-limits based on peril and/or individual location
- Applies past nat cat events to current portfolio insurances to stress test response
- Calculates comprehensive cost of risk (CCOR) to guide risk transfer decisions
- Compares a limitless range of insurance strategies against the uninsured position to quantify value for money
- Clearly defines how often a client wins the ‘insurance bet’

To meet our commitment of providing emerging risk insight we further support a network of world-leading scientists in over 50 renowned academic institutions to provide insight into future climatic risks.



## STEP 2 – PROTECT: Is your insurance financing strategy aligned with your business objectives and risk appetite?

We supplement our client's understanding with a full suite of analytical insights that provide:

- Actuarially calculated 'technical premiums' to illustrate the 'value for money' offered by insurers.
- Options to explore more efficient risk retention and insurance structures before approaching markets
- Optimized insurable strategy for clients' mono or multi-line insurable risk portfolios

At Willis Towers Watson, we see this type of sophisticated insurable risk insight enable our clients to explore non-traditional risk transfer mechanisms including captives and alternative risk transfer (ART). As a leading ART and captive advisor in Asia Pacific with a full range of solutions embedded into the R&A approach, we successfully combine with our traditional market analysis to ensure that any blended or standalone alternative strategies are perfectly balanced to optimise risk financing strategies.

## STEP 3 – RECOVER: Can you further optimize your future business risk and costs?

Beyond the traditional claims management process of our peers, our risk engineers can help with the identification of proximate causes and support physical recovery from an incident. Our forensic accountants can support the assessment and preparation of complex claims, whilst our claims advocates can help handle insurer's claims experts and, ultimately, work with our brokers to minimize the impact of a claim on future premiums.

**How do we redefine risk for our clients?** At Willis Towers Watson, the R&A team is made up of a multi-disciplined team of risk experts encompassing risk engineering, forensic accounting, nat cat modelling, captive and ART expertise. This set-up allows us to select the skills to match the needs of each client and embed that into our end-to-end service approach so clients can make the right and optimal decisions on the right insurance and risk strategy for their business.





## Specialty lines

- Our best-in-class global and regional industry business team
- Consistent delivery of leading-first products and solutions to our clients





*Neil Thomas, George Nassaouati and Paul Ward*

# Property & Casualty

## Premium Rates



Non cat: **-5% to +5%**

Cat-exposed loss free: **0% to +5%**

Large cat loss affected:  
**+10% and more**

- 2018 has been a benign year in terms of nat cat events compared to the same period in 2017. Global aggregate nat cat events of 2018 have been comparatively light, notwithstanding some standout typhoons in Asia. Typhoon Mangkhut and Jebi have impacted the region the most.
- Overall market capacity is stable. Insurers appetite for well risked-managed business remains high. Policy holders continue pushing for reductions which, in contradiction to the previous years, have been resisted.
- Industry insured losses from Typhoon Mangkhut in mainland China, Hong Kong and Macau will be between USD 1 billion and USD 2 billion, according to catastrophe risk modelling firm AIR Worldwide. The amount of insured losses estimated for Typhoon Jebi has now reached almost USD 10 billion.
- Singapore, which is the regional hub for insurance, has experienced poor underwriting results in recent months. Singapore Offshore Insurance Funds' underwriting results in Q3 2018 have been reported as one of the worst quarters in the last two years. This has led to a clear change of market sentiment among underwriters.
- Underwriting criteria such as occupancy, critical natural catastrophe exposures, claim record and risk management issues will result in capacity drifting away from placements and impacting pricing.
- There have been recent market withdrawals such as Tokio Marine Kiln (Hong Kong), CNA Hardy (Singapore) and Standard Syndicate. These withdrawals were significant but do not affect the market capacity to a great degree. On the other hand, merger and acquisition activity has the potential to affect the overall capacity in the market. Some other insurers continue to take remedial steps on loss making portfolios. There is more selection around new business, aimed at improving future profitability. The overall trend of regional capacity is more likely to have passed the peak and be on the way down in 2019.
- In general, international casualty insurers are focused on promoting their standard wordings or bringing to the region new combined wordings, unavailable in the past in Asia, covering multiple lines of businesses for small and medium-sized enterprises. Local insurers are focused on enhancing their standard commercial general liability and product liability forms by including extensions such as loss of profit, professional indemnity, and cyber to gain market share.
- However, there is a distinction between regional and domestic capacity in Asia. Local markets are quite different from international markets as they are more driven by their own treaty renewals and local competition. Korea, Japan and China – where there is ample capacity locally for most risks – have different dynamics within each country. Japan has been substantially affected by nat cat events, and domestic insurers are taking stock of this in their approach going forward. Markets such as Korea and China continue to be highly competitive for sought-after business where there is a high local retention.

“ Casualty rates remain largely flat other than loss affected businesses. ”



### Contact

**Paul Ward**

Regional Head of Property & Casualty  
paul.ward@willistowerswatson.com



# Natural resources

## Downstream energy

is experiencing  
a minimum  
**10% increase**

## Upstream energy

remains stable with  
rates flat to  
**10% increase**

“ There is a change of mood amongst underwriters from both Lloyds’ and company markets – it is no longer about meeting ambitious premium income targets – the focus is on underwriting profitability. ”

## Change of mood

- Lloyd’s Performance Management Directive, under the leadership of John Hancock, has begun a process that is designed to bring significantly more rigour to the examination of individual syndicate business plans, following the overall underwriting loss made by the corporation in 2017.
- This development has led to the withdrawals of CNA Hardy from Asia and other syndicates to stop writing specific lines – putting a brake on individual syndicates’ attempts to compete in the market by driving down prices in order to achieve increased premium income streams.
- Company markets, on the other hand, can no longer differentiate themselves by continuing to offer increasingly competitive terms to buyers next year, as major company markets have been hit more severely by last year’s natural catastrophes. It is understood that their underwriters are under a similar pressure form senior management to scale back on premium income expansion and ensure that they ‘hold the line’ on rating levels and other terms and conditions.
- Capacity withdrawals have also be extended to the Middle East, with Mena Re, Aspen Re, Talbot and Partner Re exiting from Dubai in 2018.

## Upstream

- An improving loss picture has occurred during the last four years, with 2018 set to perhaps eclipse 2017 in terms of a further reduced level of overall quantum and number of losses. One of the reasons for this loss improvement must be put down to the reduced levels of exploration and production (E&P) activity due to the lower oil prices of recent years. Now that the oil price has recovered, and new E&P activity is anticipated, it will be interesting to see if this loss record can be maintained.
- Deep water projects in Asia have continued to be attractive to insurers, and the deeper water accounts have generally been renewed at the same terms as last year.
- Although losses have decreased, so has the upstream premium income pool. As a result, insurers are nervous that it would only take a modest upturn in claims for today’s profitable portfolio to become unprofitable. It is for this reason that upstream insurers are keen to stick to management instructions, to avoid further reducing rating levels.
- Upstream construction is definitely seeing a revival, with some major projects coming to market in 2019. The market remains competitive for upstream construction due to its previous scarcity. We recently saw a couple of mid- to large-size projects in the Middle East not being placed at the quoted tender terms but at much higher terms, especially with captives not supporting the original quoted terms.

## Downstream

- 2017 has now overtaken 2008 (the year of Hurricane Ike) as the second worst underwriting year on record after 2005 (the year of Hurricanes Katrina, Rita and Wilma). From the losses already recorded in our global database, together with market intelligence that we have discerned in recent weeks, it may be that 2018 won't be far behind 2017 when the final figures mature.
- We are therefore seeing a modest but distinct turnaround in this market. Not only are rating reductions out of the question for the time being, we are now seeing a market that is quietly insistent on a rating increase on virtually every piece of business (again there are always exceptions to this general rule, particularly for programmes with little or no natural catastrophe or business interruption element).
- Every insurer underwriting this class of business has been affected by the recent losses; it is therefore becoming increasingly challenging to identify any leaders that have the wherewithal and commercial desire to undercut existing placements and to differentiate themselves from their competitors.

- The very notion of 'abundant capacity' has started to become somewhat obsolete. We would like to carefully point out that the maximum theoretical capacities produced by the insurers themselves are never able to be accessed together in practice; instead we always suggest a maximum realistic level that can be obtained for a given programme. So this is a realistic contraction in supply – the first for many years and probably the first for a number of market practitioners, including underwriters, brokers and risk managers.
- A number of market withdrawals are still expected in 2019, and underwriting discipline is the way forward with minimum increases at 5% to 10% on clean accounts.

Willis Towers Watson will assist clients to firm up pre-agreed terms and navigate through the challenging market with the following advice:

- Prepare for your renewal earlier than usual. In the more challenging market conditions it is inevitably going to take longer to negotiate optimum terms and conditions.
- Ensure that your underwriting submission is as professional as possible. In this market climate, every last detail may be critical in mitigating against the general market upswing. Up the specification on your underwriting submission, don't let the clock run down and make sure to get your broking strategy in place with the right priced leadership.
- Ensure that your broker builds your programme from a secure base. It is now more important than ever to ensure that leading markets that can offer the most competitive terms are accessed first, so that your programme is built around solid foundations.
- Risk analytics and site surveys are the minimum tools required by your broker and risk advisor to smooth the renewal process, which Willis Towers Watson excels in providing as an added value to our clients and prospects.



### Contact

**George Nassauati**

Regional Head of Natural Resource

[george.nassauati@willistowerswatson.com](mailto:george.nassauati@willistowerswatson.com)





# Marine

## Hull

- Hull market's combined loss ratios are exceeding 100% and reportedly up to 160%.
- There will undoubtedly be an increase in premiums in 2019 as many companies are looking to increase profits, be more selective on growth and kick out unprofitable businesses; rates are flat to 10%.

## Cargo

- Market cannot be seen as 'hard,' it is trying to recalibrate.
- Currently there is unutilised capital, increasing expenses, reduced revenue, higher acquisition costs and unhealthy loss ratios. Rates are flat.
- Willis Towers Watson Marine in partnership with EY, Maersk and underwriters AXA XL/MS Amlin have launched Insurewave, a production-ready blockchain platform for marine insurance.

## Outlook

- Singapore and Hong Kong have seen some high-profile underwriters and (re)insurers exit, and further capacity might leave the market in 2019.
- Market shrinkage – 'Unlucky 13' underwriters so far have stopped writing marine (hull and marine and/or cargo interests). Combined loss ratios exceeding 100%, and reportedly up to 160%, will undoubtedly increase premiums in 2019 as many companies look to increase profits, be selective on growth and kick out unprofitable business.
- Relatively mediocre underwriting results have been obscured by healthy investment income. Given the current volatility in equities, the clubs may not be able to rely on investments to buoy the overall result going forward.



### Contact

**Lewis Hart**

Regional Head of Marine

[lewis.hart@willistowerswatson.com](mailto:lewis.hart@willistowerswatson.com)



## Current rates in Asia



Hull

**0% to 10%**

Cargo

**Flat**

Ports/Yards

**-5% to -10%**

## Estimating rate



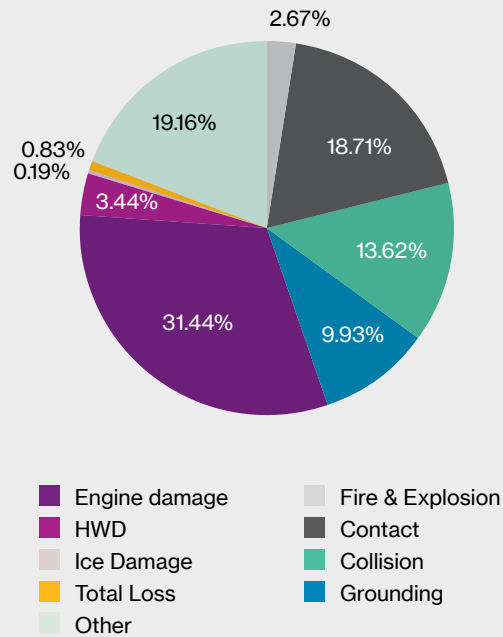
on average

**0% to 7.5%**

in 2019

“ The market is the most solvent it has even been – worsening combined ratios and higher incurred claims show that the P&I claims have challenges ahead. ”

## Asia top hull claims by type:



## Major market claims:

### Lursen Shipyard

– fire onboard

**USD 688.22 million**

– biggest loss since the Costa Concordia

### Maersk Honam

– fire

**USD 137.5 million, excess USD 30 million**

– massive general average

### Sanchi/Cf Crystall

– collision

**Cargo USD 60 million/  
Hull USD 50 million**

### Typhoon Jebi

Too early but estimated worse than the Thai Floods 2011  
**(USD 12 billion)**

# Aviation

“ Airline hull and liability lead rates are increasing by 5% to 15% depending on loss ratio and the risk appetite of lead underwriters. ”

- 8 of the last 10 years have been loss making for airline underwriters.
- The airline insurance market is seeing a significant reduction in capacity for airlines requiring the highest limits of coverage.
- Several underwriters have left the market, some have consolidated and many are reducing their participation on risks.
- The recent Lion Air loss has focused airline underwriters' resolve to increase rates, although attritional losses have harmed their profitability the most.
- Respect for the leader's position has all but disappeared; following underwriters are selling their capacity at their own prices.
- Reduced differential pricing has compounded these rate increases, therefore composite increases are now generally a minimum of 5% to 7.5% greater than those quoted by the leaders.
- Other lines of the aviation business (aerospace and general aviation) are also facing a 'capacity crunch' due to multiple markets' withdrawal and stricter underwriting discipline.

# Construction

## Premium rates



**5% to 15%**  
going into 2019

“ Project risk transfer and insurance require much earlier project planning focus. Our key message to clients for 2019: Place greater emphasis on risk and analytics. ”

## Market update

- The global onshore construction market has suffered a number of high-profile losses in 2018, which have created increased awareness to certain projects and risks in the region. (Colombia Ituango Hydro Dam with associated Delay in Set up (DSU) losses, LNG Pipeline defects in Australia and nat cat and typhoon exposure in Asia).
- The construction losses in the market and publishing of poor underwriting results led to a withdrawal of construction capacity (for example, Tokio Marine Kiln, QRe, Talbot, CNA Hardy, Beazley and RSA). A number of mergers have also occurred (AXA-XL) and downgraded security (trust), which serves to further reduce available capacity.
- The reduction in capacity has diluted competition, especially for high-capacity risks. It has also placed



### Contact

**James Coventry**

Regional Head of Aviation

[james.coventry@willistowerswatson.com](mailto:james.coventry@willistowerswatson.com)



James Coventry and Wong Sui Jin

pressure on the remaining underwriters to increase the levels of rating in an attempt to improve future results. Underwriters increasingly have to justify more and more of their decisions to higher management, leading to an increase in information requirements and a more selective approach to certain high-risk projects.

- Pricing of typical project insurance programmes in nat cat regions in Asia is firming and increasing as the lead markets look to get back to profitability.
- Overall construction capacity has always been the main driver of market conditions, and it is significant at around USD 5 billion on a probable maximum loss basis.

### General building risks

- Abundant capacity continues to drive down premium rates in most countries (except Hong Kong where we are seeing market hardening).
- Technology advances and increased off-site prefabrication are presenting new risks to insurers.

### Civil engineering risks

- Dams, harbours and wet works are getting more underwriting scrutiny due to recent losses.
- Tunnels and nat cat risks are seeing increased ratings.

### Power/Process engineering risks

- Significant reduction in appetite and application of the insurers capacity in hydros due to high-profile losses such as Ituango Hydro (USD 1.5billion+ loss) and Xe Pian Xe Mamnoy Laos Hydro (USD 100 million+ loss) – Safi power plant in Morocco (USD 250 million loss) was also placed in Asia.

- European insurers continue to stop/reduce capacity in coal fire power projects unless it is part of a bigger portfolio.
- Greater emphasis placed on how DSU is being calculated and risk management of temporary works.
- Opportunities in renewable energy continue in Asia. Markets are looking at more innovative solutions (i.e., parametric solutions, performance and more standardisation in underwriting for smaller projects).

### Outlook

- Premium rates have bottomed out and stabilised temporarily at the current soft market level at the time of writing, as insurers are reviewing their construction portfolio and underwriting strategy for 2019. Further market movement is likely given the shrinking capacity, increasing claim costs, interest rate environment impacting insurer returns, signs of current reinsurance capacity treaty renewals and number of projects seeking to access this capacity in 2019.
- We envisage this will likely reverse the ongoing perpetual soft market conditions.
- Premium rates have bottomed out and stabilized temporarily but will expect to increase 5% to 15% going into 2019.
- Willis Towers Watson will be able to place prototypical technologies for Combined Cycle Gas Turbine plants this year and expect to be able to do the same in 2019, subject to satisfactory underwriting information.

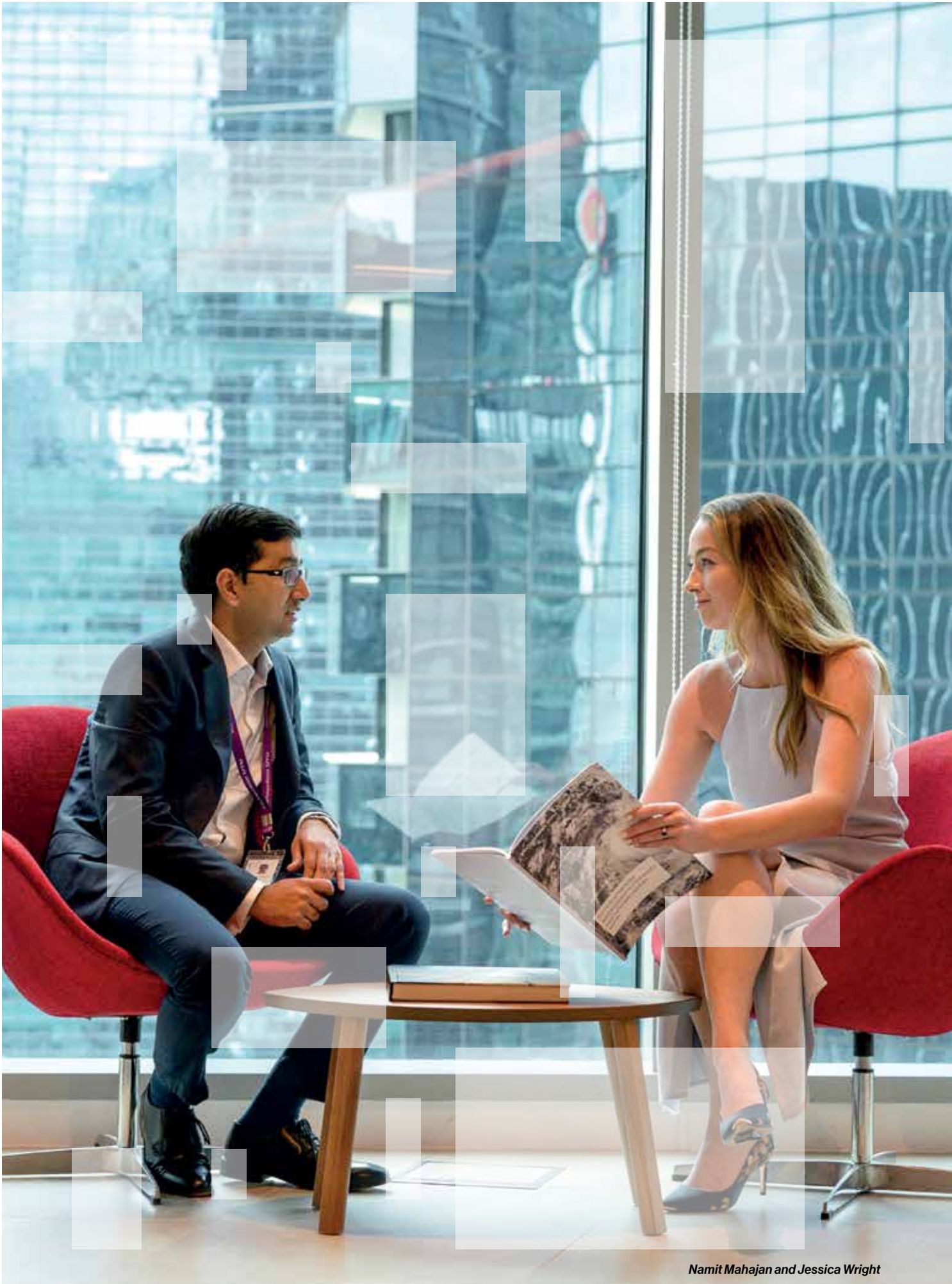


#### Contact

**Wong Sui Jin**

Regional Head of Construction  
suijin.wong@willistowerswatson.com





*Namit Mahajan and Jessica Wright*

# Financial lines

## Premium rates



D&O rates are

**Flat** to **-5%**

PI rates are

**Flat** to **+5%**

## D&O

- Rates have now stabilized from early 2018 with volatility triggered by a reaction to large Australian class action claims.

## Professional indemnity

- Professional indemnity market continues to tighten with an ongoing deterioration of claims, particularly in technology, construction and financial services.
- Large cladding losses in 2018 has impacted the coverage for cladding exposures for engineering clients as insurers are beginning to exclude cladding losses, especially for certain territories.

## Cyber

- Increased awareness-stimulated take-up of insurance through a combination of higher limits by existing buyers and new buyers.
- Market capacities continue to increase, which ensures that pricing remains competitive and coverage continues to expand.
- Insurers are seeing increased claim notifications especially for incident response costs.
- Cyber-related exclusions are being introduced onto traditional insurance policies (e.g. property & casualty) to avoid 'silent cyber' aggregation.
- Increased legislation and claim circumstances globally, and throughout Asia, will further drive the take-up of cyberinsurance.
- Insurers are demanding a higher level of underwriting information for large and complex cyberinsurance placements.

## Mergers and acquisitions

- Generally wide jurisdiction and sector appetite amongst insurers.
- Increased insurer capacity and competition resulting in decreased pricing over the past 12 to 18 months.
- Asia Pacific is more seller-driven than other regions, but still resulting in 90%+ buy-side policies.
- Increased use and confidence amongst clients and deal advisers in using warranty and indemnity insurance as a deal enabler.
- Coverage enhancements more readily available, e.g., lower retentions, US-style cover enhancements.
- Increasing number of nil-recourse deals and claim notifications.



### Contact

#### Namit Mahajan

Regional Head of FINEX  
namit.mahajan@willistowerswatson.com

#### Jessica Wright

Regional Practice Leader – Cyber  
jessica.wright@willistowerswatson.com

#### Terence Montgomery

Regional Practice Leader – Mergers and Acquisitions  
terence.montgomery@willistowerswatson.com





## Financial Solutions

### Premium rates



remain relatively  
**Flat**

“ Claim losses, political risk uncertainty and the most recent round of insurance company consolidations have cooled the rapid expansion that the market has seen in the last five years. ”

- A combination of high costs and poor underwriting results are forcing some carriers to shy away from more challenging credits and focus their underwriting on better credits, even if credit periods are much longer.
- Populism and trade wars have led to a heightened awareness of political risk amongst clients, and insurers are open to supporting political risk policies.

- Claim losses, political risk uncertainty and the most recent round of insurance company consolidations has cooled the rapid expansion that the market has seen in the last five years.
- This sector continues to see new market entrants.
- Increased capacity and longer tenors are helping support the competitive political risk landscape.
- A decade on from the Global Financial Crisis, the geopolitical landscape looks increasingly volatile and inherently difficult to predict.
- Volatility is not limited to the emerging or ‘frontier’ markets.
- Claim activity is on the rise, with sovereign issues in Africa a key theme for 2018 – both in terms of nonpayment and currency issues.
- While premium rates have remained relatively flat for this class, this could change if the political landscape continues to deteriorate and markets experience a corresponding increase in loss activity.



#### Contact

**Stuart Ashworth**

Regional Head of Financial Solutions

[stuart.ashworth@willistowerswatson.com](mailto:stuart.ashworth@willistowerswatson.com)



# Terrorism

## Price prediction

**Flat to -7.5%**  
for 2019

“ The competitive nature of the market continues to stimulate the evolution of an ever-increasing product suite to provide solutions that are more relevant for clients and the risks they face in 2019 and beyond. ”

- The terrorism and political violence market in Asia continues to provide rate reductions, but average premium relief across the portfolio is not as significant as previous years.
- Political violence aggregation constraints for certain carriers translate into flat or increased premiums rates; however, there is still an oversupply of total capacity for most deals, thereby offsetting any material consequences for clients.
- Most carriers in Asia have maintained their existing available capacity, with one carrier exiting the market following corporate acquisition activity.
- New products, specifically relating to non-damage business interruption, continue to gain interest, and take-up rates by policy count have increased across the region.
- In some countries or regions where the security situation is considered to be deteriorating, rates are increasing in line with heightened risk.
- There has been a notable increase in the market capacity for nuclear, chemical, biological and radiological terrorism risks; however, premium rates for this type of coverage remain higher than traditional property damage and business interruption cover.
- Alongside increases in loss frequency from lone-wolf style attacks, many insurers are designing solutions to address the changing face of terrorism. These newer product offerings remain fragmented; however, there is momentum towards greater syndication and flexibility of support behind more established policy forms.
- The competitive nature of the market continues to stimulate the evolution of an ever-increasing product suite to provide solutions that are more relevant for clients and the risks they face in 2019 and beyond.



### Contact

**Richard Floyd**

Regional Head of Terrorism

[richard.floyd@willistowerswatson.com](mailto:richard.floyd@willistowerswatson.com)

Lewis Hart and Richard Floyd



# Captives

Helping clients manage risk by providing a formal insurance structure in which risk can be efficiently recognized and financed, Willis Towers Watson is a leading captive adviser with an analytical approach to risk. We see a significant upturn in captive activity, both to optimize existing and analyse the value of new captives due to the following:

- Market volatility following significant loss activity over recent years has led to volatility in the market. The will and ability of insurers to assume risk varies widely across industries, regions and classes of risk. Asia-based multinationals are exposed to increasing uncertainty regarding scope and cost of cover across their operations.
- Captives offer clients increased control and flexibility, which is always of greatest value at such times. Willis Towers Watson has helped clients form more Asia-based captives in 2018 than has been the case for many years.
- Some of that growth has come from European companies interested in Asian captive domiciles, as the importance of Asia grows in their business portfolios.
- Interest continues to grow in using captives to support risks beyond the traditional property and liability classes, such as employee benefits, cyber and other emerging classes. Where traditional insurance is not available, captive can be used to finance the risk and potentially provide access to alternative reinsurance capacity.
- Interest in the establishment of special purpose vehicles (SPVs) to support insurance-linked securitisation (ILS) structures is growing as domiciles in the region, led by Singapore, develop sophisticated offerings. SPVs share many of the characteristics of captive insurers, and our captive practice works closely with Willis Towers Watson reinsurance and ILS experts to support their development.



“ Captives are more relevant than ever as companies seek to better control their exposure to risk and access to capacity from alternative as well as traditional markets. ”



#### Contact

**George McGhie**

Managing Director, Asia Pacific Captive Practice  
[george.mcghie@willistowerswatson.com](mailto:george.mcghie@willistowerswatson.com)







# Review by market

- Our client-centered and diversified market team
- Diversify portfolio by geography and product with focus on countries



# Singapore

“ With the rise of automation and robots in Singapore, a question comes to mind: Is it really an emerging risk or just a transfer of risk? ”

**Leng Leng Ng**

Head of Corporate Risk and Broking,  
Singapore  
lengleng.ng@willistowerswatson.com



## Market update

- In the first three quarters of 2018, gross premiums collected under the Singapore Insurance Fund by direct insurers increased 3.08% compared to 2017, totalling USD 2.24 billion.
- This increase will counter the effects of yearly decreasing underwriting profits and numerous claims in key business segments. Work Injury Compensation experienced a decrease of over 500% in profits and absorbing losses, amounting to USD 4.39 million.
- It is not easy to have rate reductions, especially for the marine and construction industry, with nominal rate reductions not more than 5%.
- Trade tensions between the US and China has led to the probability of risks increasing, including geopolitical and credit risks.

## Outlook

- The economy is expected to grow between 1.5% to 3.5% with increasing trade conflicts and capricious financial markets.
- With the rise of automation and robots in Singapore, a question comes to mind: Is it really an emerging risk or just a transfer of risk? Where personal liability exists previously, it has now been converted to manufacturing liability with robots at the helm.
- An emerging risk that private equity buyers would be concerned about is warranty insurance for M&A transactions. It is available for both sellers and buyers, facilitating more predictable global M&A outcomes by protecting deal participants from financial exposures discovered during the post-closing integration.
- Singapore positions itself as a smart city: integrating robots into the society, pushing frontiers of AI and innovating ways to evaluate big data. Telematics penetration in Singapore is the fourth in the world, after the US, Italy and South Africa. Cyber risks are definitely a growing concern.
- As ASEAN, the world's seventh-largest market – with a combined GDP of USD 1.75 trillion – becomes more interconnected via trades, capital flows and technology, cyberattacks are becoming the number one business risk. The SingHealth data breach that took place in June 2018 resulted in 1.5 million patients having their personal data stolen.
- Singapore will continue to take the lead in cyber products, setting up world's first cyber risk insurance pool in partnership with Singapore Reinsurers' Association. Till date, 20 companies have indicated their interest to join the pool which will offer up to USD 1 billion in capacity.

# China

“ Domestic capacity remains strong with strong competition among local insurers. The insurance market further opens up with significant drive from the Chinese government. ”

**Wise Xu**

Head of Corporate Risk and Broking,  
China  
wise.xu@willistowerswatson.com



## Market update

- In the first three quarters, non-life insurance companies' gross premium increased 12.7% to USD 127.6 billion, and life insurance companies' gross premium dropped 3.5% to USD 316.87 billion. Chinese insurer total premium amounted to USD 125.3 billion, and foreign non-life insurer total premium, USD 2.3 billion.
- Domestic capacity remains strong with intense competition among local insurers. Property premium rates continue to drop between 5% and 10%.
- Policy-supported insurance products saw the highest growth in 2018
- Trade war between the US and China will continue to impact on the insurance world, with marine cargo being the first to be affected by the changing dynamics.

## Nat cat losses

- China experienced nat cat losses in various parts of the country, with floods and typhoons being the main causes – 10 Typhoons on the mainland, affecting 32.5 million people and causing direct economic losses of USD 10 billion.
- Typhoon Rumbia caused severe damage in Anhui, Jiangsu, Shandong, and other provinces. Typhoon Mangkhut was the strongest typhoon to make landfall in China, resulting in serious economic losses in Guangdong and Guangxi provinces.
- Local insurance companies are starting to underwrite non-Chinese interest reinsurance. International markets and brokers are now seeking competitive facultative solutions in China. This is partially driven by reinsurance premiums being subjected to value added tax in China's new system, replacing its former business tax.

## Outlook

- China will continue to open up to international markets in trade and finance. Previously, the Import Expo attracted over one million attendees hailing from 172 countries, regions and international organisations, and more than 3,600 enterprises.
- The insurance market, as part of the financial industry, will further open up with significant drive from the government. After Allianz Group was given the green light to set up China's first wholly foreign-owned insurance holding company in Shanghai in 2019, AXA Group announced plans to buy out the partners of its China joint venture, AXA Tianping Property & Casualty Insurance Co. Ltd.
- The Belt and Road Initiative (BRI) will continue to be a strategic direction for the Chinese government, with BRI project-related insurance premiums mostly reinsured back to China.
- Willis Towers Watson's global network, including Africa and South America, will continue to provide advice to our clients expanding overseas.







# Hong Kong

“ Good risks like property, casualty, and employee compensation will continue to receive favourable consideration from underwriters. Risks with poor loss ratios will come under pressure, so clients should prepare for more robust discussions at renewal. ”

## Ted Hodgkinson

Head of Corporate Risk and Broking,  
Hong Kong  
ted.hodgkinson@willistowerswatson.com



## Market update

- From January to September 2018, total gross premiums collected for general insurance business was USD 3.9 billion, with the bulk of it coming from accident and health.
- Construction has seen losses over the last two years. There is increasing sensitivity on placements with a period of insurance over 60 months, with rate changes from 20% to 30%.

- Finex saw rate changes ranging from -5% to 10%. Good performing risks still attracts a low single-digit reduction. However, complex risks, including those which are loss affected and US POSI risks, are seeing an increase of 10%, on average.
- General cargo (for small and medium enterprises) with a healthy loss record can still attract a small reduction, but more complex risks are beginning to vary, and we expect to see some increase, with marine cargo ranging from -5% to +5%. Generally, we have seen markets maintain rates, with marine hull being flat. However, with the Lloyd's review, we expect to see changes in 2019.

## Regulatory changes

- The Insurance Authority has launched a two-month public consultation on draft rules for licensed insurance brokers. This would affect the following:
  - Paid-up capital and net assets
  - Professional indemnity (PI) insurance
  - The keeping of separate client accounts
  - The keeping of proper books and accounts
  - The submission of audit and related information
- Transitioning from self-regulation to a regulated body will improve the professional standards that brokers are held to. A board standard – rather than having separate governing bodies – raises the bar for professionalism.

## Hong Kong as a risk management and facilitation hub

- The insurance supervisors of Hong Kong and China recognized their solvency systems as substantially equivalent.
- From July 2018, mainland reinsurers and direct insurers now enjoy a reduced counterparty credit risk capital provision under the China Risk-Oriented Solvency System in respect of reinsurances ceded to qualifying Hong Kong-based professional reinsurers for a trial period of one year.
- Mainland insurers will find it easier to expand abroad or write overseas insurance risks, particularly in the context of China's Belt and Road investment initiative.

## Nat cat losses

- Just as in 2017, the Hong Kong/Macau area was heavily impacted by a record-breaking Typhoon in terms of strength in 2018. Typhoon Mangkhut formed in the Central-Pacific Ocean on 7 September 2018 and began tracking westward, reaching its peak intensity on 12 September with one-minute sustained wind speeds of 285 km/hr, making it the most intense tropical cyclone worldwide in 2018 to date.
- A black storm surge watch was issued, and all 42 casinos were shut down for the first time in history. The media reported of 20,000 households left without power, 17 people injured, 191 flights cancelled or delayed, and a storm surge reaching 1.9m.

- Similar style claims therefore arose, and Willis Towers Watson's Forensic Accounting and Complex Claims team was on-site – fresh with experience from 2017 to once again assist our clients in accurately measuring the losses, submitting calculations to insurers and bringing the claims to swift conclusions. The team, resourced locally, was instructed on the two largest business interruption cases from Typhoon Hato in 2017, both of which were some of the first to settle in the market. As a result of this, they were requested by non-Willis Towers Watson clients to assist with property damage and business interruption claims following Typhoon Mangkhut. Rate increases expected in Macau following Typhoon Mangkhut.

## Outlook

- Good risks like property, casualty and employee compensation will continue to receive favourable consideration from underwriters. Risks with poor loss ratios will come under pressure from underwriters, so clients should prepare for more robust discussions at renewal.
- There is an optimistic outlook for construction as Hong Kong builds its new artificial island, which will house 1.1 million people – reclaiming 2,200 hectares off Lantau Island. It will provide 250,000 to 400,000 housing units, at least 70% of which will be designated for public housing.
- The government is restructuring Queen Mary Hospital – providing a new mortuary facility with expanded storage and upgraded technology.







# Japan

“ Insurers in Japan are trying to develop more comprehensive cyber products. Only privacy protection insurance that covers personal information leakage today is commoditized. Clients consider themselves adequately covered. Willis Towers Watson is leading the effort to educate clients on the need for ensuring level of coverage. ”

**Dean Enomoto**

Head of Corporate Risk and Broking,  
Japan  
yoshihide.enomoto@willistowerswatson.com



## Market update

- Net premiums written as at September 2018 were USD 368 billion, with almost half being auto insurance.
- Liability remained flat. Japanese insurers do not expect much growth from domestic auto insurance, hence they will focus on other lines of businesses, such as commercial liability and credit.
- The market has been extremely stable over the year with no significant changes in legislation. No further changes are expected until interest rates go up and Japan's life insurers become strong enough to survive an economic value-based solvency system and IFRS 17.
- Reinsurance renewal terms from 1 April 2018 were absolutely flat on a risk-adjusted basis. However, intense competition arose in the small and midsize enterprise sector due to the merger of AIU and Fuji Fire into AIG General.
- Saison Automobile and Fire and Sonpo 24, two direct writing subsidiaries under Sompo Japan Nipponkoa, will merge under the Saison brand in July 2019.
- E-commerce company, Rakuten Inc, has announced its acquisition of Asahi Fire and Marine Insurance. Rakuten, known as 'the Amazon of Japan', has nearly 100 million users in Japan and 1.2 billion worldwide. This will add to the wide range of financial insurance and other services already available from its platforms.







- Generali and Zurich withdrew its commercial businesses in Japan.
- The number of insurance agents have been reduced continuously due to successors' issues. For fiscal year March 2018, the total number of insurance agents were 186,733 (-4.7%) from previous year.
- The first PARIMA conference was held in Tokyo with around 300 risk managers and people from insurance industry in attendance. Sophisticated risk management approaches are becoming more common in Japan.

### Nat cat losses

- Natural disasters (heavy rainfall in West Japan, typhoons and earthquakes in Osaka and Hokkaido) hit the bottom line of insurers. Total GIAJ (General Insurance Association of Japan) companies' loss ratio jumped 5.0 points to 62.6%. Combined ratio also increased 5.1 points to 94.6% as of end September 2018. The total amount of claim paid amounted to USD 11.68 million, which was greater than earthquake claims from the North-East Japan earthquake in 2011 (USD 11.5 million).
- Other than earthquakes, the environment is stable. The Company Act of Japan will be amended to mention D&O insurance contract processes and company indemnification.

### Outlook

- Property insurance will hike significantly in 2019.
- Insurers in Japan are trying to develop more comprehensive cyber products. Only privacy protection insurance that covers personal information leakage today is commoditised, yet clients consider themselves adequately covered. Willis Towers Watson is leading efforts to educate clients on the need for ensuring level of coverage.









# Korea

“ Willis Towers Watson Korea will continue to utilise our global network, risk and analytics and technical expertise for certain specialty lines and risks, developing more product expertise including re-insurance, so carriers can open up new markets in Korea. ”

**Lee Suk Jun**

Head of Corporate Risk and Broking,  
South Korea  
sukjun.lee@willistowerswatson.com



## Market update

- Total premium income of the general insurance companies from January to October 2018 amounted to USD 56.13 billion.
- 2018 has been stagnant in growth for the electronics, automobile and construction industries. The commercial lines market has not been growing, and competition has triggered deflation. Key economic sectors such as infrastructure development, overseas contracting and shipbuilding remain depressed.
- The property insurance market is very saturated – thus the focus is on liability and specialty (cyber, credit, employee benefits, environmental) products. Distribution is concentrated, with captives having 50% of the market share. Willis Towers Watson brings collaboration between local carriers and global players by arranging relationships and bringing new ideas to clients.
- P&C rates: Every renewal account rate reduction is 20% to 30%, with very heavy pricing wars between local insurance carriers.
- Due to generally good loss experience, treaty renewal terms were flat in 2018 on average with maximum price movements on a risk-adjusted basis of +/-5%.
- The new Korean government is environmentally friendly and wants to phase out of nuclear power, thus diminishing demand for engineering, procurement, and construction contractors. It is also mandatory for companies with high environmental risk to purchase environmental liability insurance.

- Recent amendments to the Korean Labor and Employment Law has seen Samsung Fire Marine Insurance trying to pioneer the small employee benefits market, supporting the pro-labor stance.

## Cyber

- South Korea has some of the world's strictest privacy laws. The Personal Information Protection Act is South Korea's main privacy law. Amendments to legislations requires online businesses and IT service providers to set aside a level of reserves in the event of a data breach.
- According to the Korea Insurance Development Institute, the Korean cyber insurance market was worth USD 29.21 million in premiums in 2016. This is expected to rise to over USD 63.51 million once the latest compulsory insurance requirements have been enforced.
- The largest quantifiable cyber losses arose from the hacking of Korean cryptocurrency exchange in June 2018, with an estimated value of USD 36.29 million stolen from Coinrail. One exchange which was hacked earlier in 2018 had cyber cover of USD 1 million. This will see the increase in demand for cyber insurance in the coming years.

## Outlook

- The outlook for 2019 is a challenging one – especially after Korean insurance carriers relied pricing decisions on global reinsurance companies, shifting premiums of the market in general. The same outlook for electronics, automobile, and construction is shared.
- Continued North and South Korea peace talks (to include the Trump administration) are in the works. A new market will be wide open in terms of building up new construction; investments will start flowing in.
- Willis Towers Watson Korea will continue to utilise our global network, risk and analytics and technical expertise to analyse client risk exposure, including carrying out risk surveys at every renewal. The Willis Towers Watson Global network taps on technical analysis for certain specialty lines and risks, developing more product expertise including re-insurance, so carriers can open up new markets in Korea.
- We also work with major insurance carriers to grow – not just offering one-off risk consulting services, but step-by-step assistance with a longer-term roadmap of risk management plans.





# Taiwan

“ With Taiwan becoming the top Asia destination for AI, and sales for tech companies rising by 13.5% since 2017, there is a new agenda on liability risk for these companies. ”

**Tony Yen**

Head of Corporate Risk and Broking,  
Taiwan  
tony.yen@willistowerswatson.com



## Market update

- The market remained competitive in 2018 – overheated in terms of pricing and competition. Regulators are driving for higher compliance for terrorism requirements.
- The government was forced to pay USD 19.21 million to the farming sector via local authorities, due to torrential rains in the south of the island in 2018, but remained unwilling to subsidise farmers' insurance premiums.
- The world's largest contract producer of semiconductors and computer chips, Taiwan Semiconductor Manufacturing Company (TSMC), suffered a virus

infection in the operating software in three of its Taiwan plants on 3 August 2018, causing a 24-hour break in production with an estimated loss of USD 256.5 million. As it was self-retained, no relevant insurance was in force. Whilst coverage is available locally, the market capacity would have been insufficient to cover the loss.

## Outlook

- Taiwan's renewable energy is going forward, with a target of 20% of its energy mix to come from renewable energy sources by 2025 (approximately 27GW of capacity). Backed by attractive feed-in tariffs and a supportive regulatory framework, it is attracting interest from foreign investors to the exclusion of more challenging Asian power markets.
- With Taiwan becoming the top Asia destination for AI, and sales for tech companies rising by 13.5% since 2017, there is a new agenda on liability risk for these companies.
- The financial sector in 2019 will be big, and cyber will be a major initiative. TSMC's computer virus outbreak (variant of the WannaCry virus) accumulated losses of approximately USD 84.3 million. Manufacturing companies are not immune to cyber threats, nor are financial institutions and service companies. The aviation and transportation industry should also be wary of potential data breaches.

# Vietnam

“ Alternative risk transfers (ART) are increasing in Vietnam, and Willis Towers Watson leads in providing ART solutions to renewable energy clients. As the fastest growing segment at 23.2%, the Vietnam government has been issuing investment incentives to realise its renewable energy potential. ”

**Philippe Robineau**

Head of Corporate Risk and Broking,  
Vietnam

philippe.robineau@willistowerswatson.com

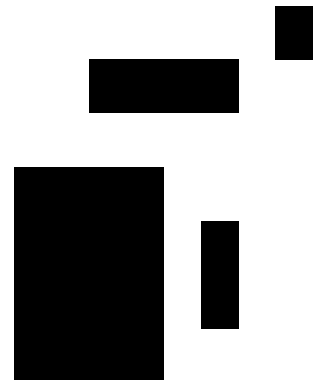


## Market update

- The sector continued its sustained growth last year, posting an estimated premium revenue of USD 4.86 billion from January to October, representing a 22% year-on-year increase. Non-life insurance businesses are estimated at USD1.97 billion, and life insurance businesses are estimated at USD 2.89 billion.
- Among all the various lines of insurance, trade credit saw the most growth at 118%, with Bao Minh capturing 44% of the market share. Total premiums for the first half of the year amounted to USD 10.94 million.
- New insurance products, such as microinsurance, pension insurance and health insurance have been implemented to meet the demands of customers, resulting in social security and socio-economic development.

## Outlook

- On 12 June 2018, Vietnam's National Assembly passed a new cybersecurity law that states data localisation requirements. Tech companies have to store data about Vietnamese users on servers housed in-country, a move designed to improve the security of Vietnamese nationals. This will also see an increase in the take-up of cyber insurance over the next few years.
- ARTs are increasing in Vietnam, and Willis Towers Watson has provided ART solutions to renewable energy clients. Renewables is the fastest growing segment at 23.2%, and the Vietnam government has been issuing investment incentives to realise its renewable energy potential. There is also an eagerness to meet increasingly stringent clean energy milestones in the private sector, with energy demand growing by two-thirds in Southeast Asia by 2040.
- Among the brokers, Willis Towers Watson has the strongest technical team in Vietnam. We understand the clients and are able to service foreign clients in their language – Chinese, Japanese and Korean to name a few. Our regional Risk and Analytics team also conducts risk surveys to analyse and assess clients' risks. Willis Towers Watson Vietnam is dedicated to managing risk and providing top-notch service to clients, especially in the growing industries of manufacturing, infrastructure and retail.





# Malaysia

“ Economic growth, change of government, and volatility of oil and commodity prices are of major concerns. Construction, aviation, power, marine, and oil and gas will be either flat or see slight increases of 5% to 15%. Expect growth in cyber products. ”

## Abdullah Zahid

Head of Corporate Risk and Broking,  
Malaysia  
abdullah.mdzahid@willistowerswatson.com



## Market update

- Malaysia is becoming an international hub for Islamic insurance (i.e., takaful), as the federation's well-developed regulatory environment gives its takaful market an upper hand over those developed in the Gulf countries. Although there has been a halt on granting conventional insurance licences for years, Bank Negara Malaysia (BNM) is prepared to authorise new takaful entrants.
- The rate of Goods and Service Tax on insurance and takaful products has been reduced from 6% to 0%. However, the 6% service tax will still apply to most types of insurance and takaful policies

- Following the requirement for composite companies to separate their business into non-life and life companies, in January 2018:
  - Etiqa split its operations with Etiqa General Insurance and Etiqa General Takaful in the non-life sector.
  - Zurich Insurance Malaysia transferred its non-life business to Zurich General Insurance Malaysia.
- State of current economic activity appears to be stagnant as the government is struggling to repair damage and institute legal prosecutions, administrative and financial reforms arising from the systematic failures it inherited. Stability of the government is also another major concern, as the political pact is new and being tested internally as well as by opposing parties.
- Fire and motor de-tariff – up to 30% for fire, 10% for motor rate reduction

## Outlook

- We expect a slight recovery for marine while others are expected to remain flat .
- Economic growth, change of government, and volatility of oil and commodity prices are of major concerns.
- New BNM guidelines on personal data and client information, shareholders and directors qualifications, and the scrapping of Workmen's Compensation Act will impact businesses.
- Construction, aviation, power, marine, and oil and gas will be either flat or see increases 5% to 15%, depending on clients claim records.
- Growth is expected for cyber products.



# India

“ The government’s initiative to boost the insurance industry has gradually contributed to the proliferation of insurance schemes in India. 2019 is promising with the industry poised to grow at a faster pace, primarily driven by the retail market. ”

**Rohit Jain**

Head of Corporate Risk and Broking,  
India  
rohit.jain@willistowerswatson.com



## Market update

- Gross premiums written reached USD 94.48 billion in fiscal year 18, with life insurance contributing USD 71.1 billion and non-life insurance, USD 23.38 billion. Insurance penetration levels also improved, reaching 3.69% in 2017 up from 2.71% in 2001 due to product innovation, efficient distribution channels and a targeted communication campaign to create awareness by the insurers. The government’s initiative to boost the insurance industry has gradually contributed to the proliferation of insurance schemes in India.
- 2018 has been an impactful year for the Indian insurance industry, with a few insurers raising capital from the market as well as some consolidation mandates getting frozen. The year experienced some legislative and policy changes around usage of Aadhar for KYC purposes, the rollout of the Mental Healthcare Act and judicial pronouncements on motor insurance.
- Regulatory dynamism was equally active as seen in regulations around coverage for HIV and reinsurance placements. Further, while the launch of Ayushman Bharat on one side was welcoming, the controversies on the other side around the relevance of crop insurance for farmers continues to leave a bad taste for all stakeholders.
- 2018 witnessed some visible impact of InsurTech in the form of differentiated needs of millennials leading to the advent of on-demand insurance, micro insurance platforms, long-tenure products, bite-sized insurance products and a digitally led support system. The proactive

response from the regulator by adopting a sandbox approach on InsurTech was positively encouraging. Unfortunately, the industry also experienced a few significant losses in the nature of Kerala floods, cyber breaches, etc., but made the right case of adequate protection-prevention assistance-led buying behaviour.

## Outlook

- 2019 is promising with the industry poised to grow at a faster pace, primarily driven by the retail market. The sector is expected to attract further investments owing to the presence of friendly government policies as well as a dynamic regulator facilitating how the industry conducts its business and engages with its customers. The other aspects that will work in favour of the industry are the demographics and an increased Internet penetration.
- We will see more insurance companies applying predictive analytics in new ways to foster a broader, more forward-looking view of risk and the entire customer journey. Alongside, the emerging risks such as loss of employment, gig workers, long-term defect liability, drone usage, etc., will keep the stakeholders on their toes. Further, they will be keenly watching the effects in 2019 of some of the causes from 2018 such as risk pricing of large complex risks due to changes in reinsurance placement regulations, expansion of Ayushman Bharat and eventual adoption of crop insurance in spite of federal backing.
- Premium rates for 2019 across different categories and segments of risk are likely to remain stable with good claim-free risks continuing to attract a discount of 10% to 15%. While there will be a few exceptions around corporate health portfolio as well as nat cat rates and deductibles, overall the trend will continue to be soft.
- In 2019, clients should expect heightened activism from Willis Towers Watson in the field of R&A, where some of the best proprietary tools and risk modelling techniques will be offered. Our boutique Strategic Risk Consulting will be showcased across the large, complex risk spectrum, and our sector-specific Risk Indices will be available to be leveraged.
- Willis Towers Watson will continue to enhance its solution play in the solar risk segment (in which it was adjudged as the Renewable Energy Broker of the Year), broaden its cyber solutions by offering its Cyber 360 programme in partnership with IBM security suite of services, raise the bar on client delivery by integrating its tech driven platforms in marine and affinity offerings, and launch its specialty practices in the banking sector as well as ‘new age companies.’



# Indonesia

“ The Indonesian insurance market is highly regulated but extremely competitive. With growth in financial lines reflecting Indonesian clients’ risks appetite for products such as cyber, trade credit and D&O. ”

## Luke Ware

Head of Corporate Risk and Broking,  
Indonesia  
luke.ware@willistowerswatson.com



## Market update

- The Indonesian insurance market is highly regulated but extremely competitive, with a large number of licensed companies. Supervision of compliance with regulations through on-site and off-site verification is routine procedure for the regulator.
- Indonesia’s non-life penetration rate is among the lowest in the region. There are no visible indications at present of any reduction in the competitive pressures in the local non-life direct insurance market or in the local reinsurance market. There is pressure on regulators to closely monitor the insurance industry.
- Great Eastern Holdings, headquartered in Singapore, is acquiring QBE’s Indonesia business for USD 28 million.
- Local capacity is fairly stable. The international market is not reducing capacity, especially in coal mining.
- Rates for property and motor vehicle insurance are more or less fixed on the tariff. Net premium is reducing.

## Nat cat losses

- The death toll from the magnitude 6.9 earthquake, which hit the Indonesian island of Lombok on 5 and 6 August 2018, was reported to have surpassed 400 persons. Damage to homes, infrastructure and other property was estimated to be about USD 342 million.
- Areas most affected were East Lombok Regency, North Lombok Regency, Central Lombok Regency and Mataram City, where aggregated loss exposure is estimated to be USD 273 million. The insurance loss according to Maipark’s Catastrophe Model is estimated to be between USD 0.68 million and USD 6.53 million.

## Outlook

- Growth in financial lines reflect Indonesian clients’ risks appetite for products such as cyber, trade credit and D&O.
- Growth of digital-based insurance (InsurTech) is increasingly targeted at the younger generation.
- Plans are in place for infrastructure to support government initiatives. Therefore there is good outlook on construction if the government maintains its position. However, margins on property business are tough.
- Politically, the election year in Indonesia comes with risk – a change in government could cause a slowdown in international investment and infrastructure projects for Q1Q2, until the election has been decided upon.
- Opportunities are numerous for e-Commerce business and developing technologies, which provide a platform for consumers, making the space extremely competitive.



# Philippines

“ 2019 may see a hardening market from external circumstances like hurricanes in the US and Indonesia. ”

## James Matti

Head of Corporate Risk and Broking,  
Philippines  
james.matti@willistowerswatson.com



## Market update

- Total premiums collected January to September 2018 was USD 1.26 billion, an increase of 11.06% from 2017.
- Effective January 2018, tax reforms aim to increase corporate and consumption taxes, lower personal income rates and improve government revenues. This is expected to support the gradual acceleration of the USD 165 billion infrastructure programme, which is targeted to increase to 5% of GDP by 2022.
- The second phase of the tax reform will take away fiscal incentives making investing in the Philippines discouraging.

## Nat cat losses

- Cyclone Mangkhut (known locally as Typhoon Ompong) was recorded as the strongest storm of 2018 at the time, causing damage to property and crops and, according to the National Disaster Risk Reduction and Management Council, 68 people were killed and 138 were injured.
- Losses in the industrial, commercial property and agricultural accounts are not likely to be major, but the micro insurance account is likely to be affected as the penetration rate of micro insurance is approximately 25% of the population in the Philippines – currently one of the highest in the world. The penetration rate of micro insurance is projected to reach 48% by 2022.

## Outlook

- 2019 may see a hardening market from external circumstances like hurricanes in the US and Indonesia. Infrastructure projects under the 'Build Build Build' programme are underway, with some coming to fruition: railway projects to Manila, Southern Islands, and airport upgrades/new construction – affecting aviation and construction.
- This includes three major road and bridge projects, and two flood control projects by the Department of Public Works and Highways (DPWH), as well as five railway projects by the Department of Transportation (DOTr).
- Among the road projects to be implemented in 2019 are the Improving Growth Corridors in Mindanao Road Sector project (USD 67.53 million), the Road Upgrading and Preservation Project (USD 44.26 million), and the Central Luzon Expressway Project Phase 1 (USD 34.99 million).





# Myanmar

“ Further liberation of the insurance market is expected in early 2019. This will encourage a healthy and competitive insurance environment and encourage innovative new insurance products in Myanmar. ”

**Khaing Zar Aung**

Head of Corporate Risk and Broking,  
Myanmar  
khaingzar.aung@willistowerswatson.com



## Market update

- There is a growing demand for financial lines product such as D&O and Professional Indemnity (PI) covers, as new company law is making directors and officers more accountable for their actions. PI cover is compulsory for international companies.
- Myanmar is a nat cat prone country, which means that there are consistent claims due to flood, especially from telecommunication sectors.
- Business environment could be challenging, for example, the aviation businesses, where two to three airlines have stopped operating as they are not profitable.

## Outlook

- Further liberation of the insurance market is expected in early 2019. This will encourage a healthy and competitive insurance environment and encourage innovative new insurance products in Myanmar.
- Foreign insurance brokers will be allowed to operate in Myanmar, but the road map is yet to be finalized.
- The New Company Act could potentially lead to more compulsory products in the country.

# Brunei

“ Willis Towers Watson led in developing more retained premiums in Brunei’s insurance industry, assisting local markets to participate and enabling local insurers to approach and underwrite bigger offshore risks. ”

**Ian Creighton**

Head of Corporate Risk and Broking,  
Brunei  
ian.creighton@willistowerswatson.com



## Market update

- Business for insurers in Brunei has mainly revolved around power generation, telecommunication, construction, aviation, and motor.
- The conventional market is generally profitable, with a gross premium to gross claim ratio of 22.1%.

## Outlook

- 2019 expects most insurers to be flat unless there are announcements of new, larger construction projects to come.
- D&O liability policies are gaining traction among operators and companies. The same could be said for legal liability policies as well.
- The concept of cybercrime is beginning to be looked at due to increasing cyberattacks globally.
- Brunei’s non-life insurance and takaful industry will be affected in the immediate future by the price of oil, which is the country’s main source of income. The energy companies, and their suppliers and contractors, have reduced their activities and laid off staff because of the low oil price over the past two years, with a knock-on effect into the wider economy. Until the situation improves, the outlook for the insurance industry may not be as encouraging.



# Thailand

“ 2019 will see big players in the market and insurers fighting for market share. Consumers are buying more insurance online, especially for travel, motor and housing insurance. ”

**Paiboon Kitichotekul**

Multi Risk Consultants (Thailand) Ltd.

paiboon@mrc.co.th



## Market update

- As of 30 September 2018, direct premiums were USD 5.25 billion, an increase of 7.37% from 2017. The increase comes mainly from the motor business, which represents 58.94% of the portfolio, followed by property, being the third-largest class of business after motor and personal accident insurance. The non-life insurance market in Thailand is likely to continue intense competition for business unless loss experience decreases significantly.
- The license of Chao Phraya Insurance Public Company Limited was revoked on 7 September 2018 because of its failure to maintain an acceptable capital adequacy ratio.
- Tokio Fire and Marine is to acquire 98.6% stake in Safety Insurance, owned by Insurance Australia Group. When completed, the deal is likely to make Tokio Fire and Marine one of the top three insurers and increase its market share to nearly 8%.
- The acquisition of QBE Thailand by the King Wai Group was completed in May 2018, and the company changed its name to King Wai Insurance Public Company Limited in July 2018.
- A fire that occurred in February 2018 at a rubber gloves factory owned by Thai Kong Company is estimated to have USD 40 million insured losses, with a large proportion arising from business interruption.

## Outlook

- 2019 will see big players in the market and insurers fighting for market share. Consumers are buying more insurance online, especially for travel, motor and housing insurance.
- The government is increasingly concerned about the financial strength of Insurers. With the new draft for Rules and Procedures published by the Office of Insurance Commission effective on 1 January 2019, sellers of insurance products will have to:
  - Have a good standard of governance relating to insurance sales
  - Maintain a business plan detailing, amongst other matters, the fees and commissions they pay to insurance intermediaries
  - Identify the insurer that underwrites the policy being offered
  - Handle the personal data of customers correctly
- As Thailand's technological infrastructure is still developing, cyber insurance will not see much growth
- Premiums across all lines are on a decreasing trend due to lack of major claims with the exception of floods claims.





## About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).



[willistowerswatson.com/social-media](http://willistowerswatson.com/social-media)

Willis Towers Watson is a trading name of Willis Limited,  
Registered number: 181116 England and Wales. Registered  
address: 51 Lime Street, London EC3M 7DQ. A Lloyd's Broker.  
Authorised and regulated by the Financial Conduct Authority  
for its general insurance mediation activities only

Copyright © 2019 Willis Towers Watson. All rights reserved.  
WTW169788/02/19

[willistowerswatson.com](http://willistowerswatson.com)

**Willis Towers Watson** 