

# 19th FAIR CONFERENCE 2005

Mumbai, India  
Newslines



*Curtain Raiser Issue - September 18, 2005*

*For Private Circulation Only*

## Delegates, Welcome!

**'I wish you pleasant and fruitful deliberations'**

**R K Joshi**

*Chairman*

GENERAL INSURANCE CORPORATION OF INDIA



**O**n behalf of the General Insurance Corporation of India, I welcome all delegates and participants to the **19<sup>th</sup> FAIR Conference**. Appropriately, the Conference is being held in Mumbai, the bustling, ever-awake city of India, so it is symbolic of the tireless, unceasing efforts on the part of insurance companies worldwide to serve their customers better.

I welcome this wonderful initiative, taken by **Interlink Insurance Brokers**, to publish a daily, **Newslines**, during this

conference. The newsletter will help keep delegates informed and updated about all the activities and proceedings over the course of the conference.

Like previous conferences, this FAIR conference will provide an opportunity for all the participants to come closer. In a friendly and congenial atmosphere, delegates can develop their business activities, learn about innovative insurance efforts and upcoming trends, and develop strong bonds for future benefit.

Keeping in mind what we have achieved in the past, let us now use this conference to thrive collectively. Only

that will help us all reach our shared goal - the betterment of the people of our region.

This daily newsletter will bring out news items of interest to all participants.

I hope that this newsletter from Interlink will be appreciated and received well by all participants, and I am sure they will find it invaluable over the next three days. This in turn will encourage them to continue with similar efforts whenever such an occasion is made available to them.

I wish you all pleasant and fruitful deliberations during the course of the 19th FAIR Conference, as well as an enjoyable stay during these four days.

## From the Publishers

*Interlink Insurance Brokers is delighted to publish a daily newsletter on the occasion of the 19<sup>th</sup> FAIR Conference, 2005, at Mumbai. We take this wonderful opportunity to welcome all the delegates and participants to the conference.*

*It is a pleasure to bring the highlights of this momentous conference to the limelight. We will try to provide a ringside view of the proceedings as well as interesting pieces of information to bring the conference alive to the readers of the newsletters.*

*We wish all the participants a memorable conference experience and an enjoyable stay in Mumbai!*



*Brought to you by:*

**Interlink Insurance Brokers Pvt. Ltd.**

## Globalisation and Competition

– Better for Industry, Better for Customers

### Abdul Muttalib Mustafa

General Manager

OMAN INSURANCE COMPANY, UAE

**G**lobalisation is a relatively recent phenomenon that has been permeating the world. In essence, the term means promoting free trade among nations and treating the whole world as a single marketplace. The individual economies of each country will thus be integrated into the world economy, correcting economic imbalances among nations.

The present WTO regime is working for free trade through unprotected competition by removal / reduction in non-tariff barriers and subsidies. The introduction of GATS (General Agreement on Trade in Services) has brought about rapid changes in the international approach to the financial services sector and the insurance sector in particular.

### Globalisation's influence

Most Asian and African nations had protectionist regimes until recently. Their economies were not exposed to the international arena and thus their products and services were not tested by international standards. Globalisation removes the curtains that protected individual nations and throws them open to international competition.

### Increasing competition

With the progressive removal of trade barriers, the local industry will face increasing competition, especially from recognised international players who have stronger financial muscle supported by their longer learning curve. This will result in a "struggle for existence," and the local players will acquire the necessary structural adaptations. This eventually leads to the "survival of the fittest."

Other positive fallouts of globalisation in the context of Asian and African countries include:

- The emergence of stronger regional players through the consolidation of existing local companies by mergers / acquisitions
- The removal of state monopoly and bureaucratic procedures and practices
- Technological sophistication resulting in quicker documentation, reinsurance placements, claim settlements and account finalisation
- Access to international technical know-how
- The introduction of innovative products
- The introduction of alternative product delivery channels such as bancassurance, corporate agencies, the co-operative sector, post office, supermarket chains and web-enabled marketing tools
- Conformity with international accounting standards
- Compliance with stricter regulatory regimes resulting in greater public confidence

### Globalisation: Good or bad?

The shortsighted view would be that globalisation would adversely impact the



local players. But looking at the larger interests of the industry, the insuring public and the region at large (with its relatively lower levels of insurance penetration and awareness), it is a step forward that would enable the regional insurance sector to improve its performance by acquiring better skills, deploying better technology and adopting internationally acceptable business practices.

In the process, the local industry will emerge stronger, become more solid and internationally competitive and offer more innovative products and services and better solutions to the insuring public. Suffice it to say: "When the going gets tough, the tough get going."



*Q: Do you know what a woman and insurance have in common?*

*A: They are both expensive, difficult to understand and what you get is not guaranteed.*

*Q: Do you know the difference between a man and a whole life policy?*

*A: A whole life policy eventually matures.*



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## The Ultimate Insurance

– Security Rating & Financial Strength

**Ainsley J Alles**

*General Manager (Non-Life)*

ASIAN ALLIANCE INSURANCE COMPANY  
LIMITED, SRI LANKA

An insurance company cannot boast of a high quality of service if its staff is not trained in customer care, experienced in technical aspects, or qualified in various other disciplines. People are an invaluable asset to any company. They learn everyday and, through this learning process, an insurance company can tailor solutions to fit the customer's needs.

Similarly, some companies talk of the strength of their shareholders and net asset base. In some instances, they boast of valuable clients and high levels of corporate governance and corporate social responsibility. These have some bearing on a company's image, but its ultimate strength and financial security are dependent on the reinsurance partners the insurance company deals with. Most of the companies are limited liability companies that, in a sense, are limited by what they can pay out, especially in a major catastrophe.

In Sri Lanka, we experienced exactly such a catastrophe on December 26, 2004. The financial strength of the industry was put to a stringent test with regard to the number of claims and the amounts claimed or adjusted. When such high amounts of money had to be paid within a span of few days, what capabilities could a single insurer have in terms of liquid cash?

Insurance being a risk transfer mechanism, this equally applies to reinsurance arrangements. This pooling and sharing of risks is fundamental to insurance. Just as a direct client offsets his risks with a secure, financially stable insurer, an insurer too should reinsure

prudently with a secure, financially sound reinsurer.

It is the same security and peace of mind that the client seeks with an insurer that an insurer should seek from a reinsurance arrangement, which is the essence of entering into a contract. Needless to say, one can have the best of reinsurers on board, but if the reinsurance arrangement is faulty, it is like gathering the best ingredients and then working with ill-prepared dough – you will never get a good loaf.

We at the Asian Alliance Insurance Company Limited in Sri Lanka (a publicly quoted limited liability composite insurance company approved by the Insurance Board of Sri Lanka) look for financial security and the rating of the reinsurance provider.

We have clearly instructed our reinsurance brokers, Interlink Insurance Brokers Pvt. Limited of Mumbai, who in fact have delivered beyond our expectations, to subscribe to reinsurers for our proportional and non-proportional treaties and facultative arrangements with a proven financial track record.

Being a company in its infancy, we greatly rely on this financial strength and rating by reputed agencies. It gives us the added capacity, financial strength and capability, the leverage to accept risks and underwrite it with comfort, progress and prosperity, and most importantly, the peace of mind that our



stakeholders are not at risk.

We have been able to pursue and close large accounts, some running into millions of dollars, purely on the financial strength of our reinsurance partners. Experienced and large clients are aware of this and ask for the names of the reinsurers and their security ratings.

As indicated earlier, being somewhat a new entrant to the insurance market, our financial strength alone cannot win clients. It is the financial backing that we get from our reinsurers that gives us the winning combination – a combination that is long-lasting and mutually beneficial. We will never compromise on this, and we firmly believe that our balance sheet is protected by our experienced and qualified staff, and by our financially strong, highly rated reinsurers.

### **HAZARD!**

*Many Japanese golfers carry "hole-in-one" insurance, because of the Japanese tradition to share one's good luck by sending gifts to all your friends when you get an "ace." The price for gifts can often reach \$ 10,000!*



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## Introducing Ourselves

– A profile of Interlink Group of Companies

### Interlink Insurance Brokers

Interlink Insurance Brokers Pvt. Ltd. (formerly known as Interlink Reinsurance Consultants Pvt. Ltd.) was incorporated in the year 1984. Since then two decades have passed and Interlink, by hard work and perseverance, has been able to establish itself as one of the leading Insurance and Reinsurance Brokers. We have established contacts with leading Reinsurance and Insurance Companies in Asia, Africa, Middle East, Far East and Europe and are pleased to say that our service is well recognised.

Interlink, being a composite broker deals with reinsurance broking as well as direct broking. As a direct broker, we render the services related to risk, Insurance and claims.

Apart from normal business activity, Interlink has also been publishing statistical information about the Indian General Insurance business for the last 18 years. This publication has been quite popular and has been found very useful by insurance and reinsurance companies worldwide.

Further information about Interlink can be obtained from our website: [www.interlinkre.com](http://www.interlinkre.com)

### Interlink Management Services

Interlink Management Services Pvt. Ltd. is an associate company of Interlink Insurance Brokers Pvt. Ltd. Interlink Management Services has been involved in Insurance related services including:

- Run-off matters
- Recovery of long outstanding premium from insurers and reinsurers and other accounting matters
- Risk inspections and Risk management
- Claims surveys, settlement of claims and recoveries from carriers and third parties
- Market research, feasibility studies and project reports
- Financial Consultancy and Advisory Services

It has experienced officers on its staff with proven track record, sound technical expertise and skill. Interlink Management Services has a very successful business record for being instrumental in recovering substantial amounts of outstanding balances on behalf of very large and reputable insurers and reinsurers.

We would be very happy to receive enquiries for assistance in these and related matters.

## Win a Fabulous Prize!

### By answering a simple question

All you have to do is to write your registration number for the conference and the answer on the reverse side of your visiting card and hand it over to an Interlink volunteer before you leave the dinner venue today. And..... wait for your name to be announced as the winner in the issue dated September 20.

**Today's Question:** What was the final decision? The WTC towers attack on September 11, 2001 has been ruled as one incident or two for the purposes of insurance?

In case of more than one correct answer, the winner will be chosen by draw of lots.

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