

## **DEVELOPMENT OF TECHNICAL SKILLS/KNOW-HOW IN THE AFRO-ASIAN REGION \***

***By: Mr. Anuar Hassan, President & CEO  
Malaysian Reinsurance Berhad, Malaysia***

First and foremost, I would like to thank the organizers for their kind invitation and indeed, it is my pleasure today, to present to you, the development of Technical Skills and Know-How for the insurance industry in the Afro-Asian region in general and in particular, the Malaysian experience. The Federation of Afro-Asian Insurers and Reinsurers has a long history of promotion of cooperation through regular exchange of information – expertise and development of relations among Afro-Asian Insurers and Reinsurers since 1964. Today, it has 189 members and 6 correspondent members from other continents.

In the decade since 1995 from the KOBE Earthquake to Tsunami Catastrophe of 26th December 2004 and most recent Maharashtra/Mumbai Floods of July/August 2005, Asian markets players and Afro-Asian trans-continental relations have stood the test of time to prove that insurers and reinsurers of Afro-Asian markets have successfully met the challenges with very high levels of technical expertise and underwriting skills.

Since the WTC attack losses of 11<sup>th</sup> September 2001, restrictive and prohibitive underwriting measures were imposed on conventional reinsurances, with exclusions of Sabotage and Terrorism from reinsurance protections, creation of Market Pools for Sabotage & Terrorism Risks etc. further lend credence to the high standard of Technical Skills and Know-Hows in the Afro-Asian markets’.

We are certainly proud to say that today, the risk management and risk research advancements in Afro-Asian markets have reached the high level of international standards. Risk consultancy services are increasingly utilised by multinational corporate units getting entries in Afro-Asian markets with well-qualified engineers, risk managers, underwriters, etc.

Mega risks such as oil refineries, petro-chemical plants, power plants, construction of dams, canals, sophisticated highways, infrastructure facilities, satellites and telecommunications are all covered by the service industries of insurance and reinsurance in the Afro-Asian markets.

---

\* *Presented in FAIR 19<sup>th</sup> Conference  
19<sup>th</sup> - 22<sup>nd</sup> September 2005 - Mumbai, India*

To facilitate the rapid advancement in the underwriting aspect, international training are currently available in the Afro-Asian countries and these are National Insurance Academy, Pune in India, MARA Institute in Kuala Lumpur, Insurance Training Centres in Singapore, to name a few. These institute of Higher Learning are providing facilities to develop technical skills for underwriting risks in the modern economies.

With the rapid development of industrialized economy in the wake of chain of events like Kobe Earthquake of 1995, WTO Treaty, WTC attack losses and unprecedented frequency and severity of natural catastrophe losses till todate, the Afro-Asian regional reinsurers have provided best alternatives to some of the global reinsurers who are becoming selective and restrictive since WTC attack losses. GIC, Malaysian Re, Labuan Re, Tokio Marine, China International, PT Reindo, Tugu Re, Central Re of Taiwan, Africa Re, PTA Re, Kenya Re, Nigeria Re, CICA Re-Togo, SCR Morocco, Tunis Re, BEST Re, Egypt Re, Zim Re, FBC Re (SARE), etc. are Afro-Asian regional reinsurers who have proved to be Capacity Providers when Western Reinsurers are withdrawing or restricting their involvements.

With economic reforms taking place in most of the Afro-Asian markets and the resultant improvements in GDP growth, stabilising of exchange rates, increase in FOREX reserves, the Afro-Asian markets have many new types of risks in Industry, Trade and Commerce. In line with the reforms, Global Firms in the various sectors of economy are now

more forthcoming in Foreign Direct Investment. They bring new concepts of trade-technology, risk consultancy and in competition with domestic firms they help to accelerate changes.

The Afro-Asian region is one of the fastest growing markets in the world. Estimated premium for 2005 may be taken as US\$195 billion for Asia and US\$13 billion for Africa with Non-Life premium of US\$208 billion.

*Non-Life Premiums as per Sigma Reports*

	<i>Asian Markets</i>	<i>African Markets</i>	<i>Total</i>
<i>2000</i>	<i>147.16</i>	<i>6.52</i>	<i>153.68</i>
<i>2001</i>	<i>137.74</i>	<i>6.28</i>	<i>144.02</i>
<i>2002</i>	<i>148.91</i>	<i>6.34</i>	<i>155.25</i>
<i>2003</i>	<i>163.41</i>	<i>8.78</i>	<i>172.19</i>
<i>2004</i>	<i>179.72</i>	<i>11.37</i>	<i>191.09</i>

These achievements of rapid growth with stability and strength is certainly contributed by the rapid development of Skills and Technological Know-How.

Now, I wish to proceed with the Malaysian Experience in the development of Technical Skills and Know-How for the insurance industry.

The Malaysian insurance industry maintained its growth momentum with the domestic insurers continuing to make substantive progress in performance improvements, registering a second consecutive year of double-digit growth in 2004, mainly supported by robust growth in the life sector. The combined premium income of the insurance industry increased at a stronger pace of 17.2% (2003: 11.6%) to achieve RM22,038.9 million (2003:

RM18,812.3 million). The life business continued to enjoy exceptionally strong demand for single premium investment-linked and endowment products which underpinned an impressive growth in life premium income of 22.4% (2003: 14.2%). Growth in the general sector, however, remained sluggish as the combination of premium rate reductions following a further correction of the hard market cycle and weaker demand in the commercial lines slowed the growth in gross direct premiums. Premium income of the industry as a proportion of the Gross National Product ("GNP") increased to 5.2% in 2004, compared with 5.1% in 2003.

The Malaysian market is currently undergoing tremendous change in response to the challenge of globalization and liberalization. The gradual move towards achieving this target is well mapped out by Bank Negara Malaysia (BNM) in the Financial Sector Master Plan (FSMP).

Over the years, the strength and the resilience of the financial sector, has from time to time, been severely tested, in the face of economic difficulties. Henceforth, Bank Negara had focused on the requirement to build a financial sector that is responsive to the changing economic requirements and a financial system that is strong and resilient in facing the future challenges under this new environment.

It is within the context of these objectives that the FSMP was formulated to outline the strategies for the development of the financial sector.

BNM will continue to provide a supportive framework for positive change in the face of new challenges merging with the ongoing financial evolution. In doing so, BNM remains committed to move forward with further initiatives towards promoting financial stability, building institutional capacity within the industry, and ensuring the integrity of insurance operations and market practices.

The Malaysian Model under the FSMP could be seen as a gradual step-by-step approach, with constant dialogue between the regulators and the market players, in giving the industry reasonable opportunities to prepare themselves for the challenges ahead. The FSMP was also broken down to 3 phases with the end game in mind that the local insurance industry would be ready to face the globalised challenge by the year 2010.

With the above in mind, it was certainly no surprise to anyone that under the 1st Phase of the FSMP, the emphasis was placed in "Building the Capabilities of Domestic Insurers". It was envisaged that under this phase, insurers would be allowed greater operational and management flexibility to develop and optimize on skills and technology.

In Malaysia, with the FSMP acting as the catalyst, the role of increasing the technical skills and know-how of the insurance industry was not left to the regulator alone. Indeed, all players of the industry recognized its importance and heeded the call by the regulator to continuously improve themselves in this aspect. The players who are

significantly involved in facilitating the development aspect are as follows:-

- i) The Malaysian Insurance Institute (“MII”);
- ii) Insurance Associations, namely General Insurance Association of Malaysia (“PIAM”) and Life Insurance Association of Malaysia (“LIAM”);
- iii) International Centre for Leadership in Finance (“ICLIF”);
- iv) BNM; and last but not least
- v) Malaysian Re as the National Reinsurer. I will now proceed to give you a little bit of insight on the role and the activities carried out by each of the players mentioned earlier.

#### **i) The Malaysian Insurance Institute (MII)**

MII has established itself as the premier institution for insurance-related professional education and training programmes and plays a leading role in supporting the industry’s capability-building initiatives through the development of professional and skilled human resources.

As the premier professional insurance education provider in Malaysia, the Malaysian Insurance Institute (MII) works closely with the insurance industry to ensure the training and education programmes conducted are tailored to meet the evolving needs of the industry. Through its extensive links with established insurance institutions internationally, including the Chartered Insurance Institute (U.K.), the Life Underwriters Training

Council (U.S.A.), the MII is committed to providing insurance education that meets international standards.

Apart from playing an active role in servicing the needs of the insurance market in Malaysia, the MII has established strategic linkages regionally especially in ASEAN countries, in line with its vision to be recognized as a world-class centre of excellence for education and professional development of insurance and related financial services.

In 2004, the MII in collaboration with the ASEAN Insurance Training & Research Institute (AITRI), a non-profit organization formed by the ASEAN insurance regulatory authorities to provide regional research, education and training support in insurance for ASEAN member countries, offered three regional technical training courses. The courses which were on life and health insurance, marine and aviation insurance and reinsurance, were aimed at equipping participants from the region’s regulatory offices with the necessary technical skills.

Also in 2004, the **MII** conducted a total of 137 training programmes for insurers, brokers and adjusters, covering both technical aspects of insurance as well as a range of soft skills. A total of 3,258 participants attended these courses. The training for life and general insurance agents to equip them with the necessary skills to better service their clients also falls within the ambit of MII.

As the accreditation body for the MII Diploma/Certificate (DMII/CIP) and Associate (AMII) qualifications, the MII

produced a total of 104 DMII/CIP graduates and 88 AMII graduates in 2004, bringing the total number of insurance personnel with DMII/CIP and AMII qualifications as at 31 December 2004 to 721 and 498 respectively. The Registered Financial Planner (RFP) programme, which has been conducted by MII since early 2004, attracted a total of 2,967 candidates from the industry.

## **ii) Insurance Associations**

### **a) General Insurance Association of Malaysia (PIAM)/ Life Insurance Association of Malaysia (LIAM)**

In support of the Government's efforts to equip the unemployed graduates with the necessary skills to enhance their marketability, the General Insurance Association of Malaysia (PIAM) and the Life Insurance Association of Malaysia (LIAM) in collaboration with MII, launched insurance training and development programmes for unemployed graduates in 2004.

Bank Negara Malaysia also joined in to call on the financial services sector including insurers and bankers to implement suitable schemes to provide training and possible employment opportunities for the nation's unemployed graduates.

In response, the insurance industry introduced a scheme for unemployed graduates as its contribution to the society for the development of a competent workforce to serve the needs of the nation. The scheme involved the attachment of these unemployed graduates with insurance companies to enable them to be trained to better their

skills and capabilities and to improve their employment marketability.

A total of 36 unemployed graduates were sponsored by 18 insurers to undergo a four-six month training programme. The training and development programmes for unemployed graduates were aimed at improving their communication and analytical skills as well as providing relevant exposure in the insurance sector.

The insurance industry will continue with the scheme and work with the Ministry of Human Resources and the Economic Planning Unit to ensure that a larger number of unemployed graduates are trained under the scheme.

### **b) Insurance Brokers Association of Malaysia (IBAM)**

The insurance broking industry continued to organise talks on technical aspects and structural developments with the objective of enhancing the capabilities and professionalism of its players. In addition, IBAM together with the MII, undertook the initiative to revise the syllabus of the Basic Certificate Course in Insurance Broking to ensure the continued relevance and quality of its content.

On the international front, IBAM had successfully organised the Twelfth Council of International Insurance Brokers' Association (CIIBA) meeting in July 2004. CIIBA, which comprises 12 international brokers associations, provides an international platform for strategic discussions and the promotion of the role and profession of insurance broking globally. The meeting in Kuala

Lumpur focused on two key areas, namely, the regulatory environment and education needs of insurance brokers.

In conjunction with this meeting, IBAM had also organised the First ASEAN Insurance Brokers' Conference, which was well attended by 150 local and foreign participants.

### **c) Association of Malaysian Loss Adjusters (AMLA)**

The loss adjusting sector continued its effort in increasing the number of qualified loss adjusters, in line with the initiative to enhance skills development and competency levels in the field of loss adjusting. Efforts are also underway for joint education and training arrangements between the MII, Chartered Institute of Loss Adjusters (CILA) of the United Kingdom and Australian Institute of Chartered Loss Adjusters (AICLA). Such arrangements have elevated the profile of the Malaysian adjusting sector which has the largest number of chartered loss adjusters in the Asian region. The adjusting sector also received international recognition when the Chairman of AMLA was elected as the Vice President of the International Federation of Adjusting Associations (IFAA) for 2004/2005.

### **iii) International Centre for Leadership in Finance (ICLIF)**

The International Centre For Leadership In Finance (ICLIF) was set up as a non-profit organisation by BNM in 2003, to build a high quality human resource pool of top management for the financial sector and corporations in Malaysia and throughout the region.

Established as a company limited by guarantee with a grant of RM500 million (US\$132 million), ICLIF is a strategic initiative to ensure that Malaysia and the region as a whole become an important global player amidst increasing globalisation, competitiveness and liberalisation in the international arena.

BNM believes it is critical to have highly effective directors and chief executive officers (CEOs) to lead this initiative and ensure that the local and regional financial services and corporate sectors remain robust and resilient in meeting these challenges. While the training needs of middle management and staff at large are well-served, there exists a need for leadership training for directors and CEOs.

ICLIF will pave the way in delivering high level training for the top members of management to create a pool of CEOs for the future. This will be done via strategic partnerships with top institutions of learning from the region and globally.

To date, ICLIF has already made considerable progress in meeting its objective to provide a more focused and coordinated approach towards the development of world-class leaders in the financial services sector in Malaysia and in the region. It has successfully concluded two sessions of its flagship Global Leadership Development Programme or GLDP, in addition to a Directors' Forum and a seminar on Scenario Planning. Besides providing participants with an opportunity to learn from the "top thinkers" from world-renowned institutions and

industry practitioners and experts, one of the key strengths of ICLIF's programmes lies with the unique opportunity for the participants to establish strong social and professional networking and build lasting fraternity bonds.

One of the key initiatives of ICLIF during the year was to develop Leadership Competency Model (LCM). The model supports ICLIF's initiatives by crystallising and articulating the essential skills and behaviours required by leaders to navigate and successfully manage challenges in a fast changing regional and global environment.

The LCM was formulated through a participatory process involving strategic insights from interviews with industry leaders and benchmarked against the best practices adopted by renowned regional and global companies. The preliminary Model was validated by a panel of global experts and subsequently further refined in a Validation Seminar attended by 42 Malaysian Leaders from both the public and private sectors.

#### **iv) Bank Negara Malaysia ("BNM")**

Over the years, BNM has organised insurance forums and seminars for chief executive officers and senior officers of insurers and takaful operators to create awareness as well as to provide understanding of the critical issues confronting the sector and developments in the more mature markets.

Amongst other regulatory requirements issued by BNM, one of the most widespread and profound effect on human resource development in the

Malaysian insurance industry in my view at least, was the imposition by BNM of a minimum standard for training expenditure for every insurer. Such a minimum has been imposed since 1990. In brief, the minimum standard specifies the amount that should at least be spent each year by an insurer for its staff training and development programmes.

The imposition of a minimum standard for training expenditure for all insurers represents a powerful means to alter the supply of trained and professional staff in the industry. Each insurer must frequently review its requirements for skills and expertise and then its own plans for staff development to supply these skills and expertise.

Apart from the contributions from the players above, Malaysian Re, as the National Reinsurer also actively supports industry initiative in this aspect. Malaysian Re has and will always continue to conduct various courses and seminars on insurance and reinsurance subjects for staff of insurance companies to instill a higher degree of professionalism in the industry.

Amongst the market training programmes that Malaysian Re sponsored and organised are:-

#### **i) Programme for Insurance Executives Development (PIED)**

PIED is an annual event organized and sponsored by Malaysian Re since 1994. The programme covers four classes of insurance – Fire & Allied Perils, Liability, Engineering and Marine Hull and Cargo and is designed for executives with at least five years

working experience in either underwriting or claims. The objectives of the programme are to provide forum among participants and faculty members to exchange ideas and update participants on current developments in the various classes of insurance.

A total of 109 participants attended the 2004 PIED including 1 from Thailand and 2 from Indonesia.

### **ii) Seminar for Staff of Local Insurance Companies**

As part of Malaysian Re's on-going marketing activities, the Company organizes seminars on current topics for staff of local insurance companies. In July 2004, a total of 28 participants from the local insurance industry attended a "Balanced Scorecard Awareness Seminar" which was held in Surabaya, Indonesia. Some of Malaysian Re's Indonesian clients were also invited to attend the 4-day seminar sponsored by Malaysian Re. The objectives of the seminar are to enable participants to have a better understanding of various issues by learning first-hand from the experiences of specialists, as well as to foster a better relationship amongst the underwriters.

### **iii) Fire Risk Inspection Training**

This annual market-training programme which is fully sponsored by Malaysian Re is conducted for Risk Surveyors and Underwriters in the insurance industry. The main objective of the programme is to provide knowledge of fire risk inspection issues and techniques. The course outline included practical exercises in fire risk assessment, probable maximum loss

estimation and evaluation of fire protection systems. Participants are also taken to site visits to enable them to have a better understanding and appreciation of the importance of fire risk inspection for fire insurance purposes.

### **iv) Corporate War Games**

Corporate War Games is an action packed adventure, sponsored by Malaysian Re for participants from various insurance companies. The 4 days/3 nights programme is aimed at encouraging personal growth and fulfillment of one's potential as well as creating goodwill amongst insurance personnel. About 23 participants, including 4 from Malaysian Re attended the programme in August 2004.

### **v) Chief Executive Officers (CEOs) Programme**

Malaysian Re's CEOs Programme is aimed not only to foster a closer relationship amongst the Malaysian Re's business associates but also providing an overview of the insurance market. Approximately 50 insurance companies' CEOs as well as invitees from the Insurance Associations and BNM were invited to attend the CEOs programme. The 1st CEO programme was held in Melbourne, Australia in September 2004.

### **vi) Scholarships**

MNRB Holdings Berhad has been providing scholarships since 1980. The Company pride itself on providing financial assistance to deserving individuals which later evolved into a growing desire to set up a scholarship trust fund. In 1998, MNRB, as the

founder, set up The Malaysian Re's Scholarship Fund for the furtherance, promotion and encouragement of education.

**Conclusion:**

I hope I have provided a fair deal of insight into the Malaysian experience in our continuous pursuit towards acquiring the technical know how and

skills that would serve as the backbone of a strong and resilient market. We must never for a moment forget that the insurance industry is both a highly technical industry as well as a service industry, with increasing demand for sophistication from the consumers at large. It thus requires an adequate and growing supply of well-trained and professionally qualified personnel in all its varieties for its health and growth. ■