



Swiss Re Survey of Risk Appetite: Asia-Pacific 2009

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Swiss Re, Singapore**





Why this survey?

Swiss Re's mission is to enable the risk-taking that drives progress. This includes helping to improve risk understanding in the Asia-Pacific region.

Adults aged between 20 and 40 are the key target segment of insurance companies: this information will assist our clients in better accessing this important segment of the market.

This same group plays key roles in the many small and medium enterprises (SMEs) that help to fuel the region's growth.

Understanding the risk attitudes of these 20-40 year old adults may provide important insights into the impact of the financial crisis on current and future risk mitigation decisions, and provide us with a better grasp of the prospects for and path to recovery.



How the results can be used

Young Asians have strong and increasing purchasing power

Market segmentation

Product design

Tracking





Geographic coverage of survey

Fieldwork period: Jan – Mar 2009

Target respondents:

- Working individuals aged 20-40
- SME leaders aged 20-40





Research methodology

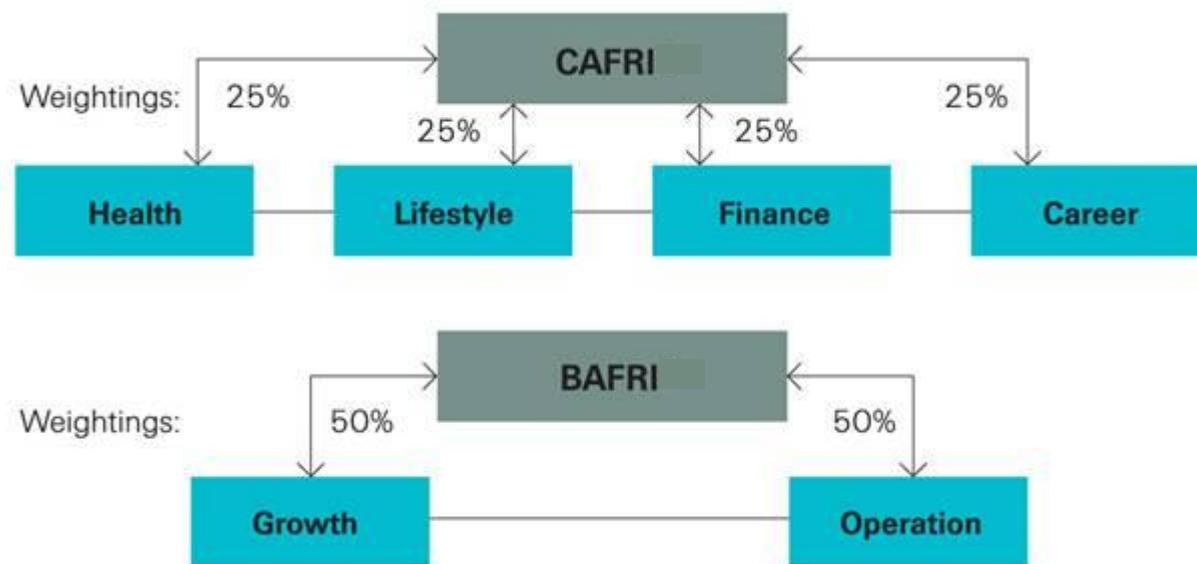
Sample size

	Adults 20 to 40	Methodology	SME decision makers	Methodology
Australia	400	Online	100	Online
China	900	CATI	100	Online
Hong Kong	300	Online	100	Online
India	900	F2F	100	CATI
Japan	400	Online	100	Online
Malaysia	300	CATI	100	CATI
Singapore	300	Online	100	Online
South Korea	400	Online	100	Online

Risk indices

Swiss Re Asia-Pacific Consumer Appetite for Risk Index

Swiss Re Asia-Pacific Business Appetite for Risk Index





Key highlights

A first-ever survey conducted by Swiss Re to provide insights on the risk-taking attitudes of consumers and SME decision-makers between 20 and 40 years old across eight Asia-Pacific markets.

Under-40 consumers in Asia-Pacific are generally not prone to excessive risk-taking. Consumers in developed markets tend to be more willing to take risks than their emerging market counterparts.

Across the region, consumers are highly aware of the need to secure their financial future. But equally, many -- especially in Japan, South Korea and Australia -- profess to not have any plan on how to do this.



Key highlights for Singapore

In terms of consumer risks : Young Singaporean respondents (20 to 40 years old) are relatively willing to take career risks. They would give up the security of working for an established employer to join a small company, if that meant better pay or faster growth prospects. But they are very averse to taking risks in their finances.

In terms of business risks : Young Singaporean SME leaders (20 to 40 years old) surveyed have a high risk appetite for growth. They were more willing to risk losing capital for profit and to expand into new business lines, act fast to seize opportunities and think of the current economic crisis as an opportunity for growth.

The survey uncovered a gap among Singaporean respondents : 73% are aware of the need to secure their financial future vs 48% who actually have a plan to do so. This presents an opportunity for financial services providers in Singapore.

In light of the recent outbreak of swine flu (H1N1) a high proportion of respondents from Singapore (with 16% strongly agreeing) said they will review their insurance cover to see whether it is adequate.



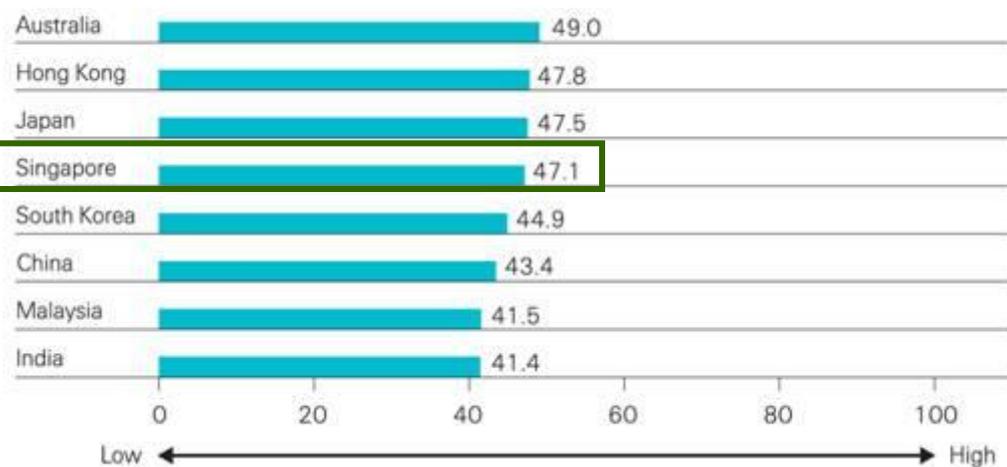
Consumer risk attitude



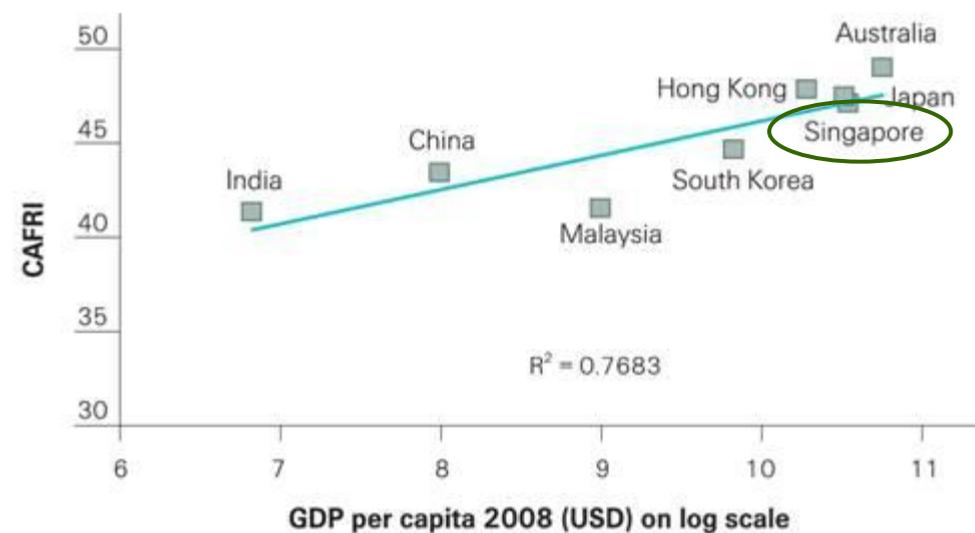


Consumer risk attitude – The economics of risk taking

CAFRI ranking of eight Asia-Pacific markets



Risk-taking as a function of income



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Finance risks

- All talk: little action

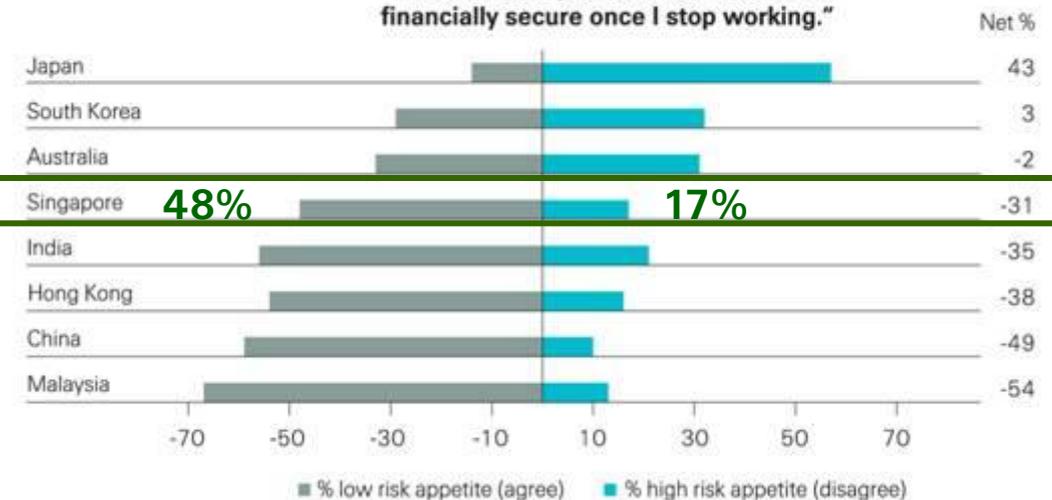
Index on willingness to take financial risks

Willingness to take financial risks



Lack of financial planning

"I have a clear plan to ensure that I am financially secure once I stop working."



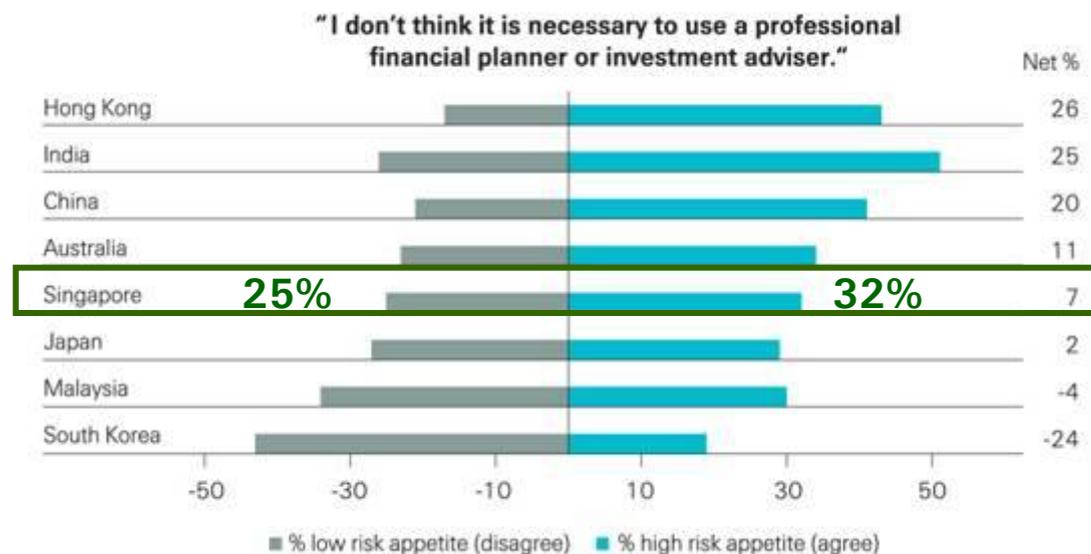
Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Finance risks

- All talk: little action

Consumers are not eager to engage financial planners



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Career risks

- Value in job security

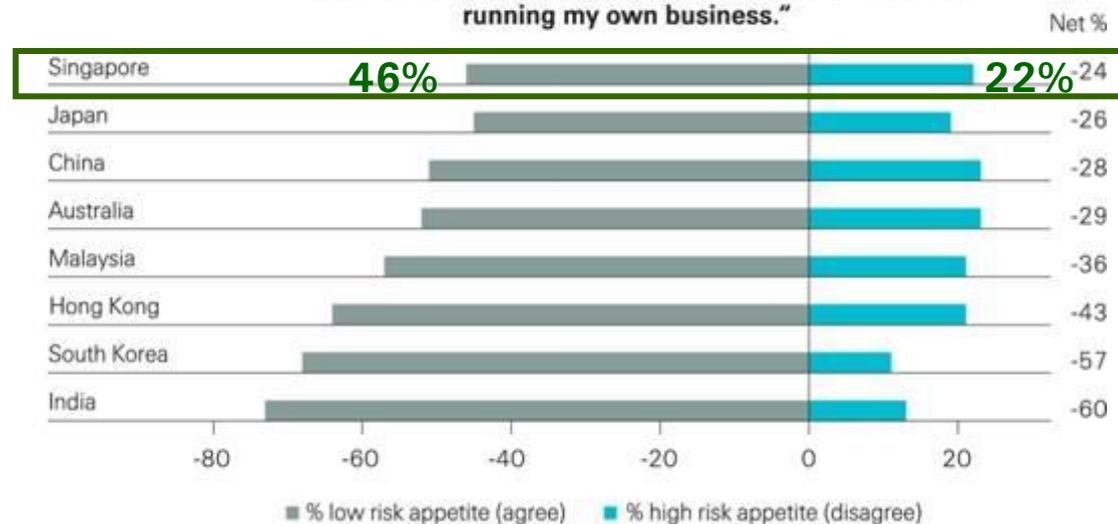
Index on willingness to take career risks

Willingness to take risks in career



Entrepreneurship is still alive

"I prefer a stable job over the challenge and opportunity of running my own business."



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.

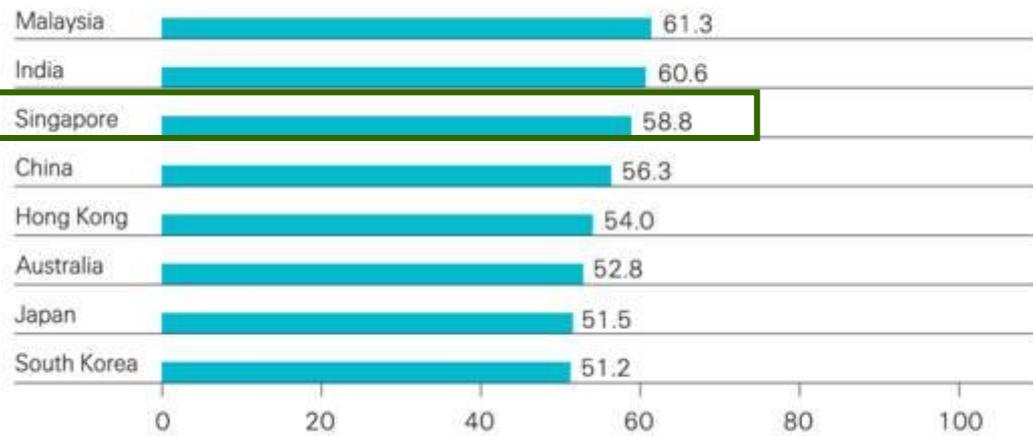


Lifestyle risks

- Family and fun do mix

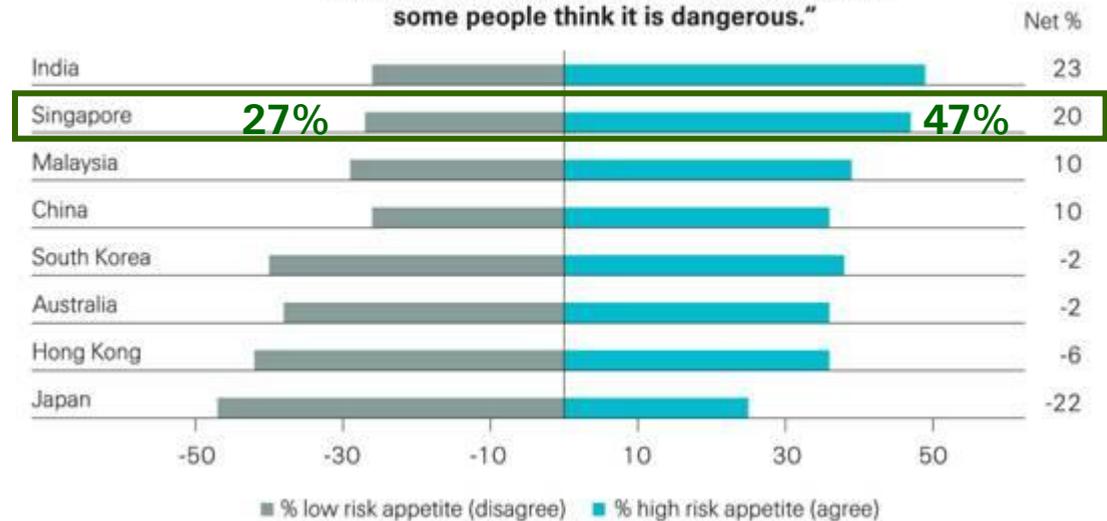
Index on willingness to take lifestyle risks

Willingness to talk lifestyle risks



Mixed attitude towards dangerous sports

"I will pursue a sport or an activity for fun even if some people think it is dangerous."



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Health risks

- My health: my responsibility?

Index on willingness to take health risks

Willingness to take health risks



Reliant on medical advices vs. self-discipline



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Swine flu

– Fright or flight

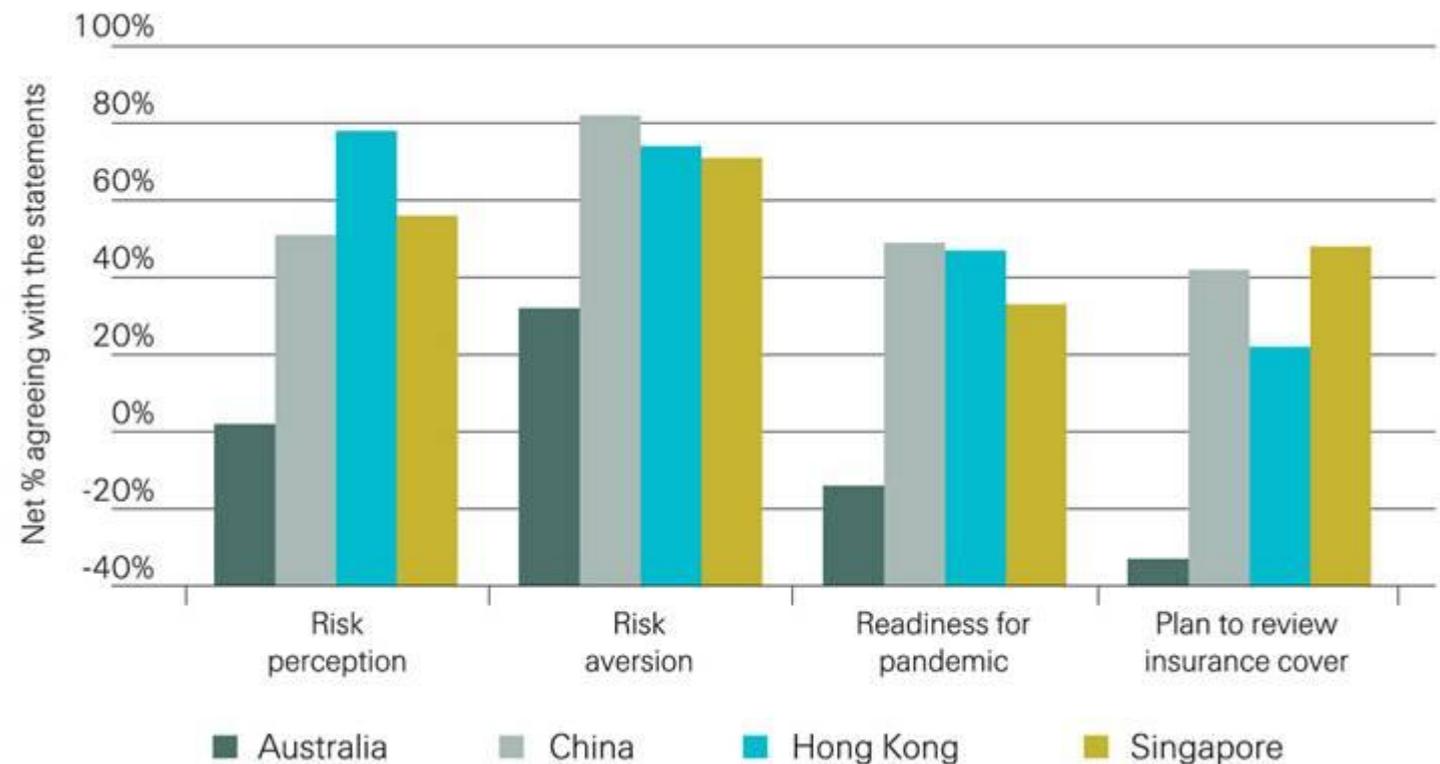
Risk perception: *"I believe the chance of catching an infectious disease such as influenza is higher this year than last year"*

Risk aversion: *"Unless required, I won't travel to other countries in the event of a world-wide influenza pandemic"*

Readiness for pandemic: *"I am adequately prepared in the event of an influenza pandemic"*

Plan to review: *"I will review my current life and medical insurance cover to see whether it is adequate"*

Risk attitude towards swine flu



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



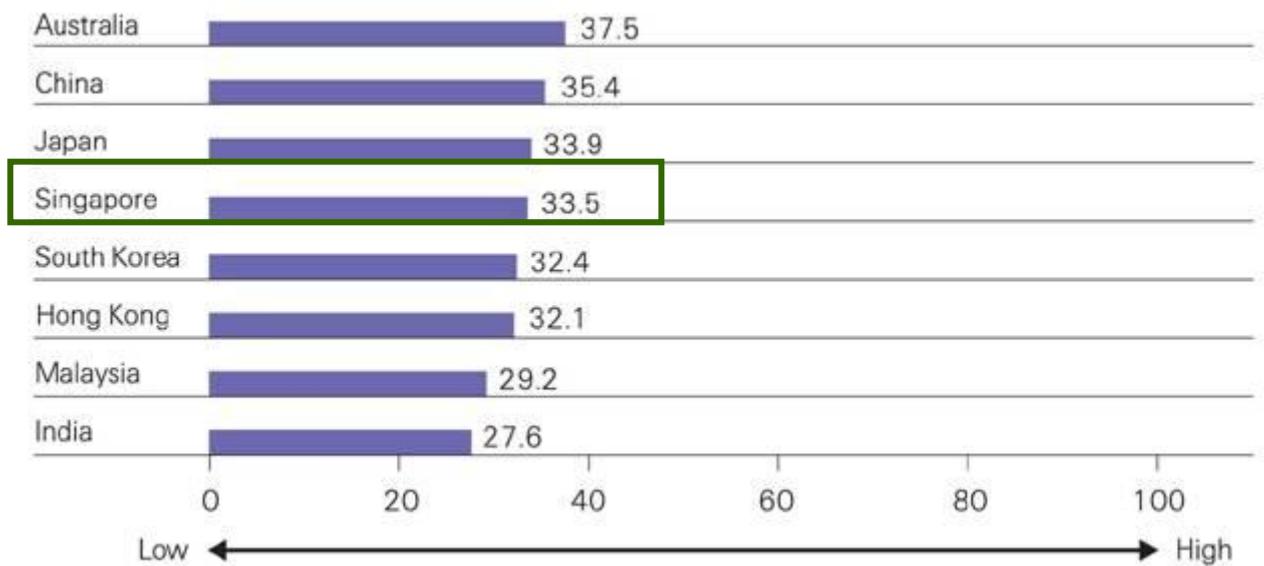
Business risk attitude





Risk attitude of SME decision-makers

BAFRI ranking of eight Asia-Pacific markets



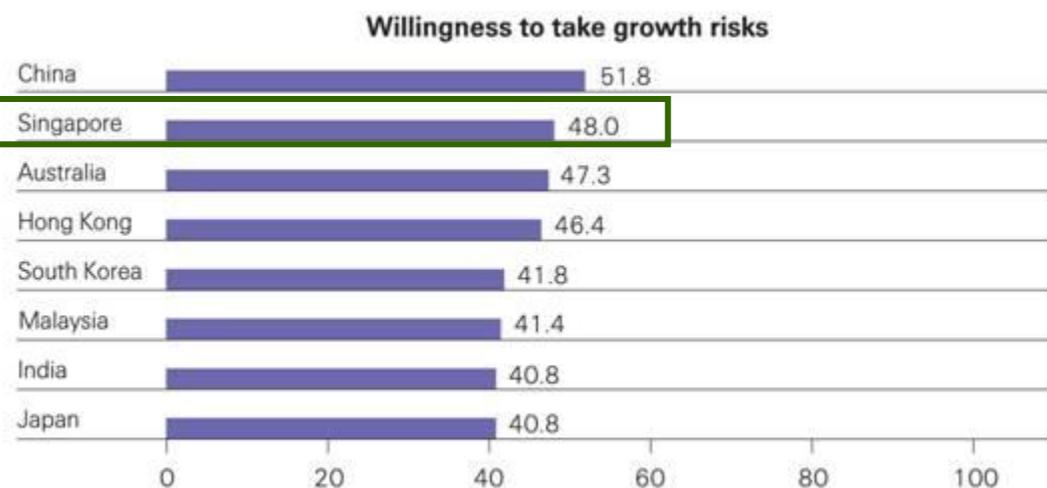
Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Surviving the financial tsunami

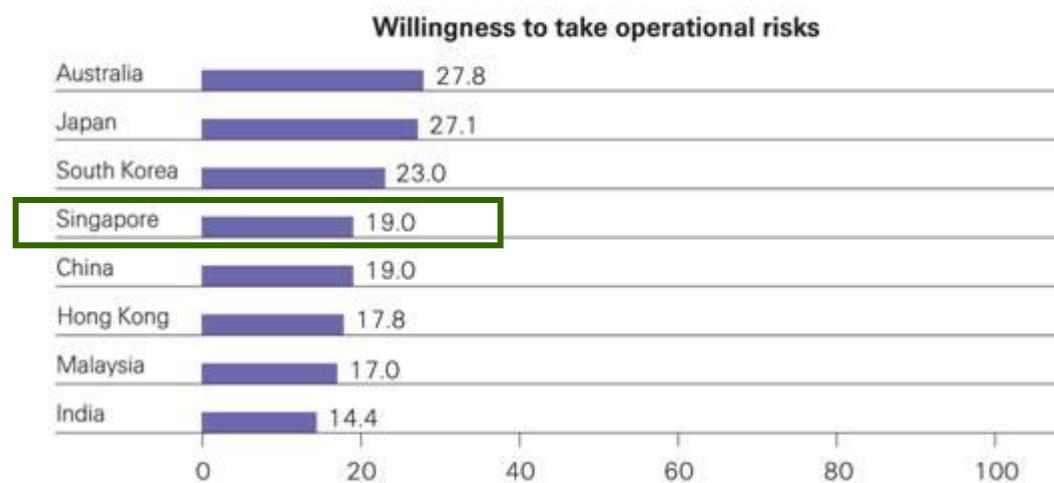
Many SMEs see business opportunities in this financial crisis

Index on willingness to take growth risks



Strong aversion to take operational risks across all markets

Index on willingness to take operational risks



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Conclusions for Singapore

In terms of consumer risks : Young Singaporean respondents (20 to 40 years old) are relatively willing to take career risks. They would give up the security of working for an established employer to join a small company, if that meant better pay or faster growth prospects. But they are very averse to taking risks in their finances.

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Implications to risk and insurance business

- Health and wellness in medical insurance
- Medical tourism: The roles of the insurance industry
- Intergenerational supports: Pension, annuities and social security
- Financial security amidst the economic downturn
- Is SME an un-explored sector for insurance?



Health and wellness in medical insurance

- The life and health insurance industry may want to consider the implications of these findings on both in-force and new business, in particular in developed markets with a relatively high appetite for health risks and where the insurance industry is most exposed.
- Respondents from some Asia-Pacific markets seem overly reliant on medical advice and neglect the benefits of a healthy lifestyle. Given that unhealthy lifestyles have a negative impact on mortality and morbidity, it will be beneficial if insurers can encourage policyholders to take up more healthy lifestyles.

Reliant on medical advice vs. self-discipline



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Health and wellness in medical insurance

- A recent study by Blue Cross and Blue Shield found that daily exercise can bring short-term medical costs down by 2.9%, whereas other studies have shown that companies' healthcare costs fell when similar wellness programmes were introduced.¹
- The wellness programme concept has been introduced by insurers in some well-developed health insurance markets. Under this concept, insurers work on the assumption that healthy lifestyles have a positive effect on reducing obesity and healthcare utilisation.
- By introducing wellness programmes into their policies, insurers can encourage policyholders and plan members to adopt healthier lifestyles through premium discounts and cash incentives on a range of health and lifestyle activities, such as gym memberships, nutritional support, health checks, etc. The result is a healthier policyholder; insurers benefit as well with better quality products, increased sales and reductions in claims costs.

¹ Bland PC et al. (2009), "Modifiable health behaviours and short-term medical costs among health plan members", *American Journal of Health Promotion* 23(4):256-73



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The concept of medical tourism has often been quoted as “the next big thing” in recent years

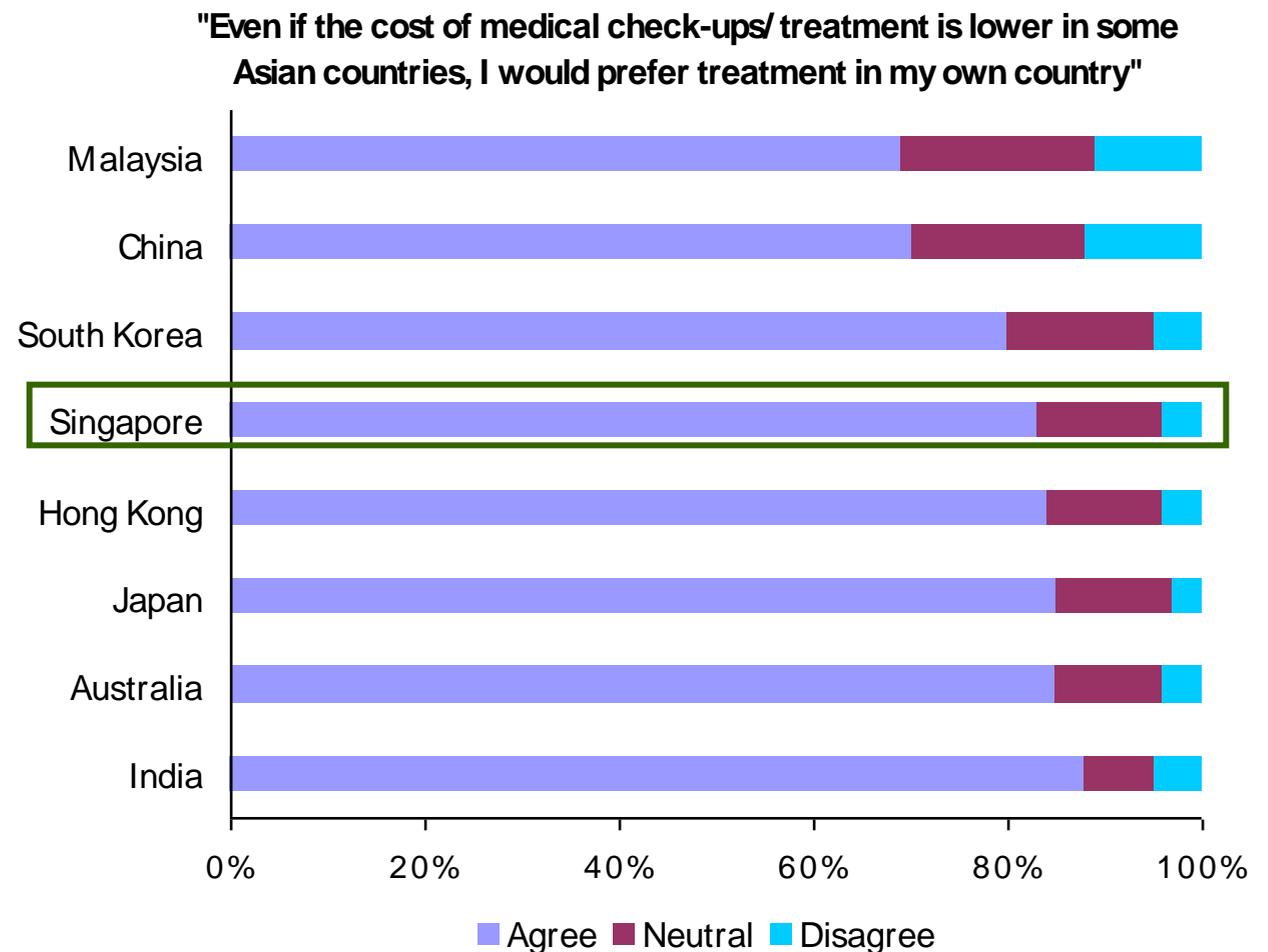
Swiss Re



- The large and ageing cohorts of baby boomers could soon
 - demand elective treatment and health care;
 - demand plastic surgery and wellness in the wake of a strong anti-ageing philosophy.
- Baby boomers are experienced travellers and used to going abroad.
- The ongoing penetration of the internet will facilitate medical tourism.
- Social health insurance in many countries are under pressure and are likely to reduce benefits in the future.
- Demographics predict a shortage of manpower which will negatively affect labour intensive services such as healthcare. This will increase cost differentials between countries.

However, in Singapore, most people do prefer local medical services

- Although the Malaysians and Chinese seem to be most receptive to the idea of medical tourism, the majority of the respondents prefer domestic medical services.
- Both Japanese and Australians are not keen on medical tourism.
- How do the insurance sector facilitate the development of medical tourism?
- Products involved: travel insurance, medical insurance, medical malpractice etc.





Implications to risk and insurance business

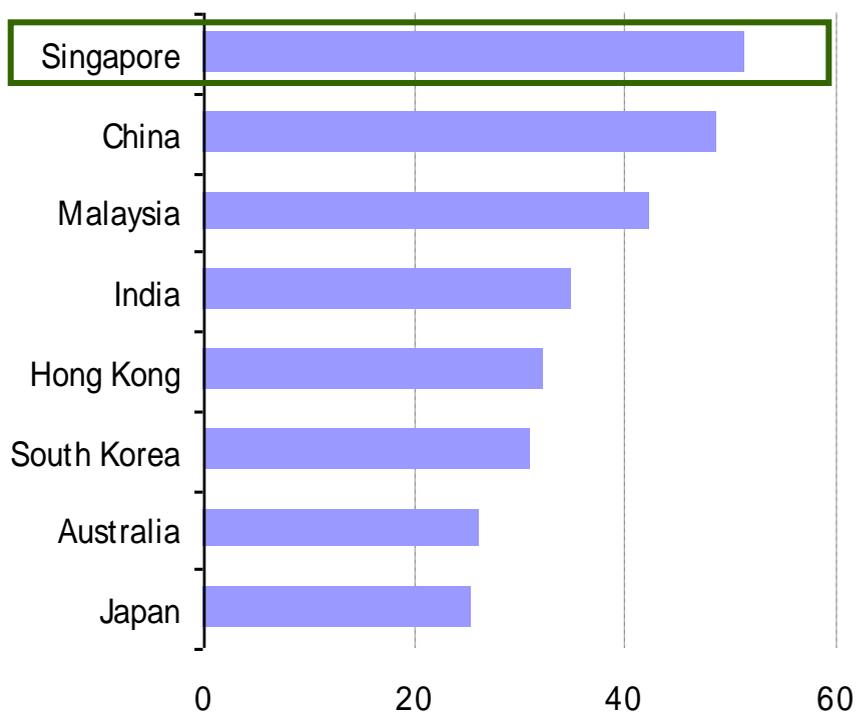
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Across Asia, defined benefit pension schemes are fading out

Structure of pension systems

National saving rate, % of GDP, 2007



Source: Asia Development Bank. Figure for India refers to 2006.

	1st tier - Government / Social schemes	2nd tier - Private sector contribution	
		Government-run	Private sector operator
Australia	Age Pension		Superannuation (DC)
China	Urban Workers' Pension Insurance	Supplementary (DC)	Supplementary (DC)
Hong Kong	No formal public pension plan		Mandatory Provident Fund (DC)
India	No formal public pension plan	Employees' Provident Fund (DC) + Employees' Pension Plan (DB)	
Japan	Kokumin Nenkin (National Pension Fund)	Kosei Nenkin (Employee Pension Insurance) (DB)	
South Korea	National Pension Insurance	Schemes under Employee Retirement Security Act (DC or DB)	
Malaysia	No formal public pension plan	Employee Provident Fund (DC 60%)	
Singapore	No formal public pension plan	Central Provident Fund (DC)	

Notes and abbreviation:

DC = Defined contribution; DB = Defined benefits

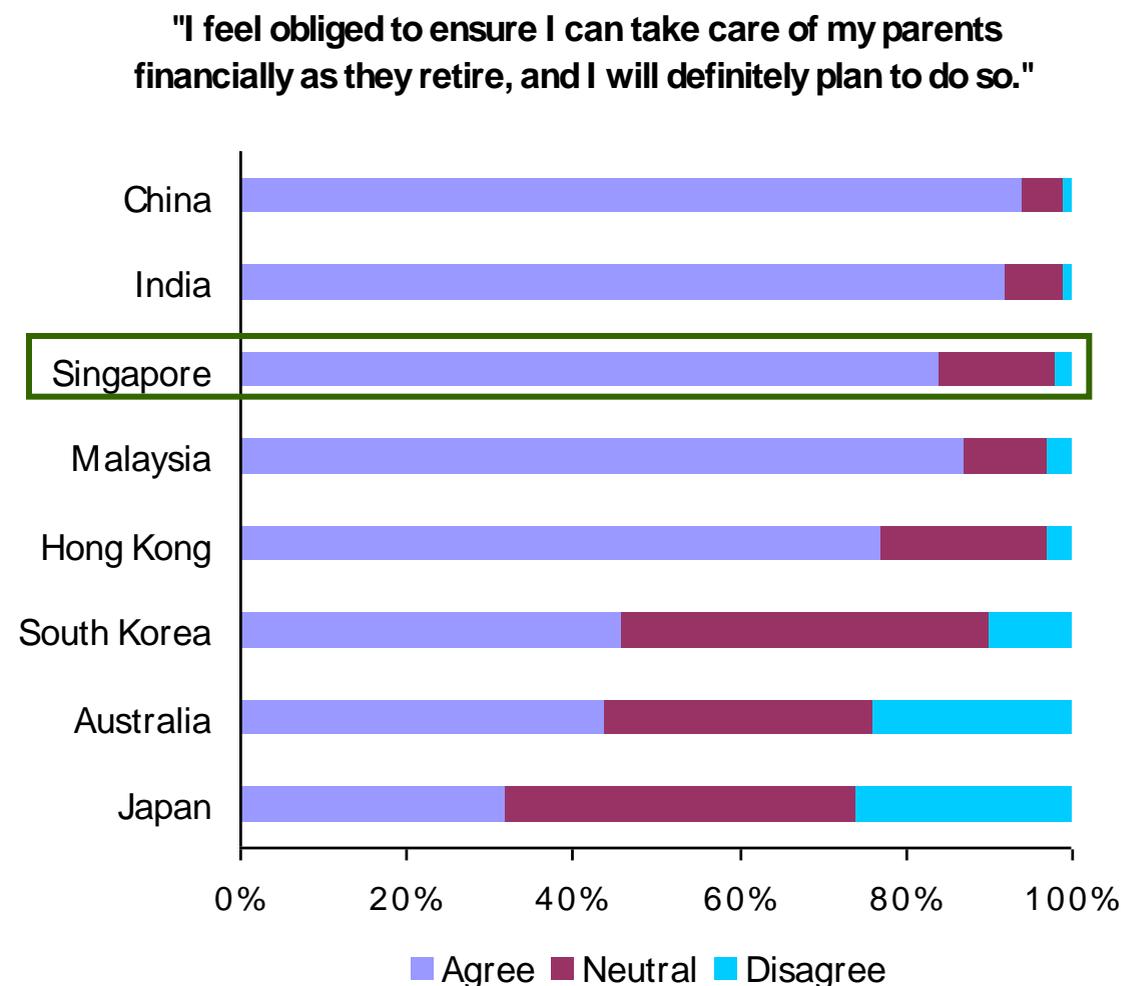
India: applied to organised workforce only, about 10% of the total workforce

Source: Swiss Re Economic Research & Consulting; National sources



Family values shape the future of retirement support in Asia-Pacific

- The survey suggests young adults in Japan, Australia and South Korea may be less willing to support their parents' living. On the other hand, elders in China and India (and to a lesser extent in Singapore, Malaysia and Hong Kong) could still count on their next generation.
- How should government modify the current retirement support systems? What roles can the insurance industry play in retirement support and protection?





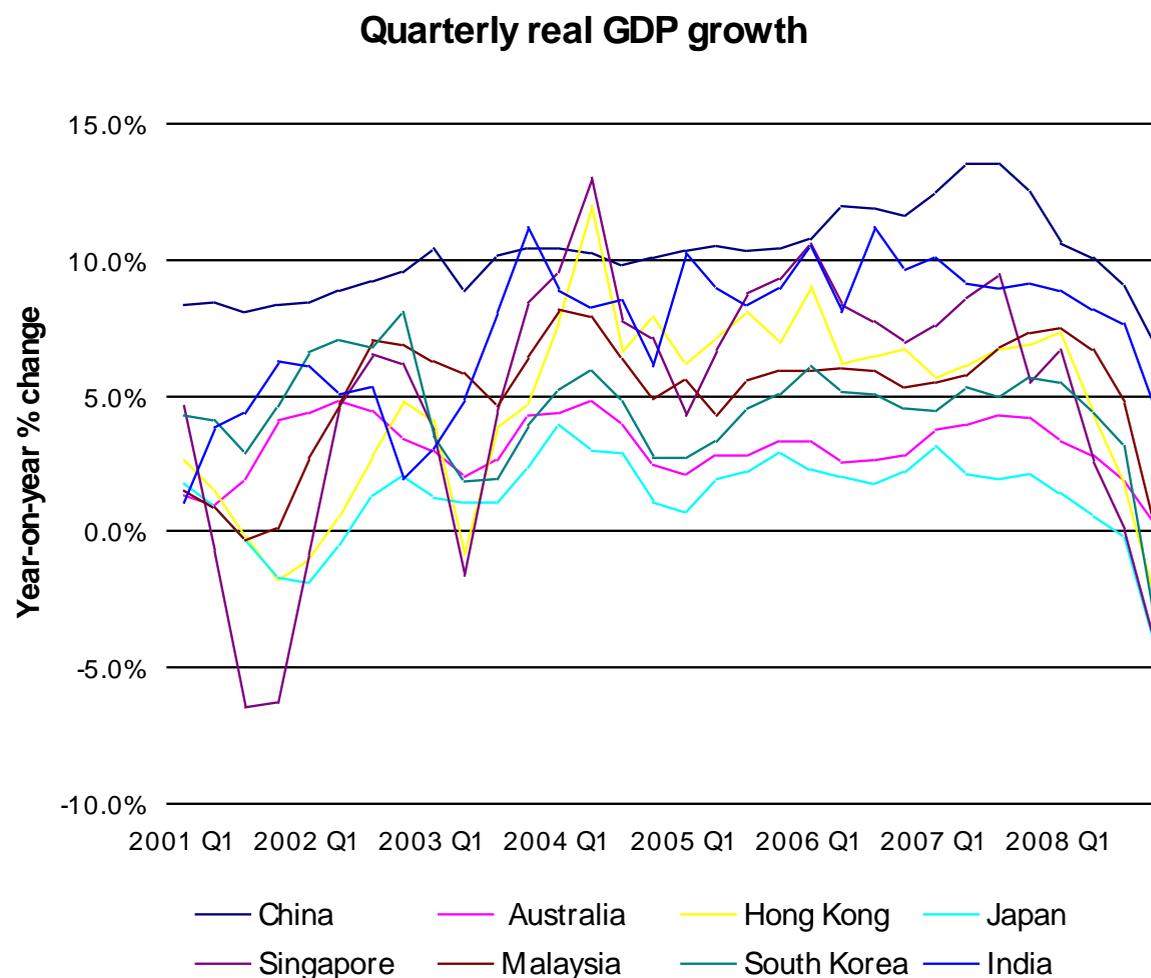
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Financial risk appetite is changing in response to the economic crisis

- It should be noted that consumer attitudes were likely influenced by the sharp fall in asset values across all Asia-Pacific markets since late 2007. As a result, many respondents consider capital preservation as a top priority in any investment.
- Financial services providers need to monitor consumer attitudes at regular intervals in order to be able to react quickly. Of course, these findings are only indicative of the risk tolerance of the sample surveyed in each location. Personalised risk assessment is still needed to define the risk tolerance of each potential customer.

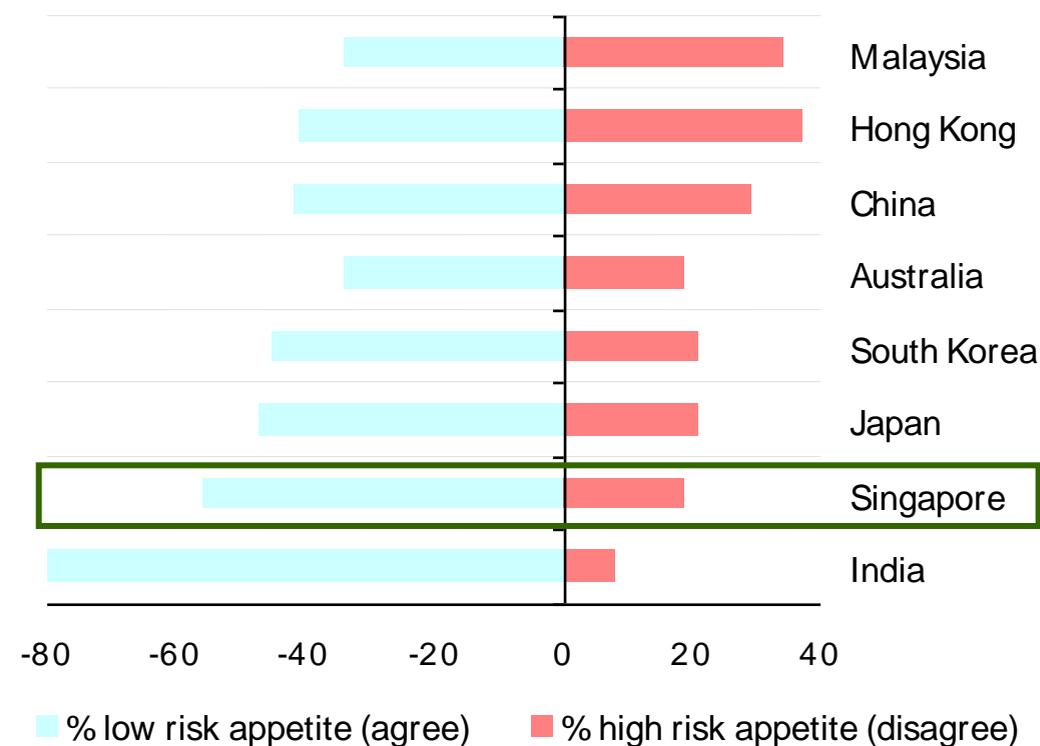




Back to basics

- From both product development and marketing perspectives, the great importance attached to preserving capital may suggest a strong preference for conservative investment products with guaranteed features or minimal capital risks (e.g. guaranteed funds, money market funds, highly rated government bonds, etc.)
- For the insurance market, this may also call for “back to basics” approach – i.e. a shift from investment-linked products to more basic protection and saving products. Additional features that protect policyholders against events relating to the evolving economic cycle (e.g. policyholders being laid off or their salaries reduced) would be welcomed by many consumers.

"My first priority in making an investment is to preserve my capital. It doesn't matter if the return is not high"

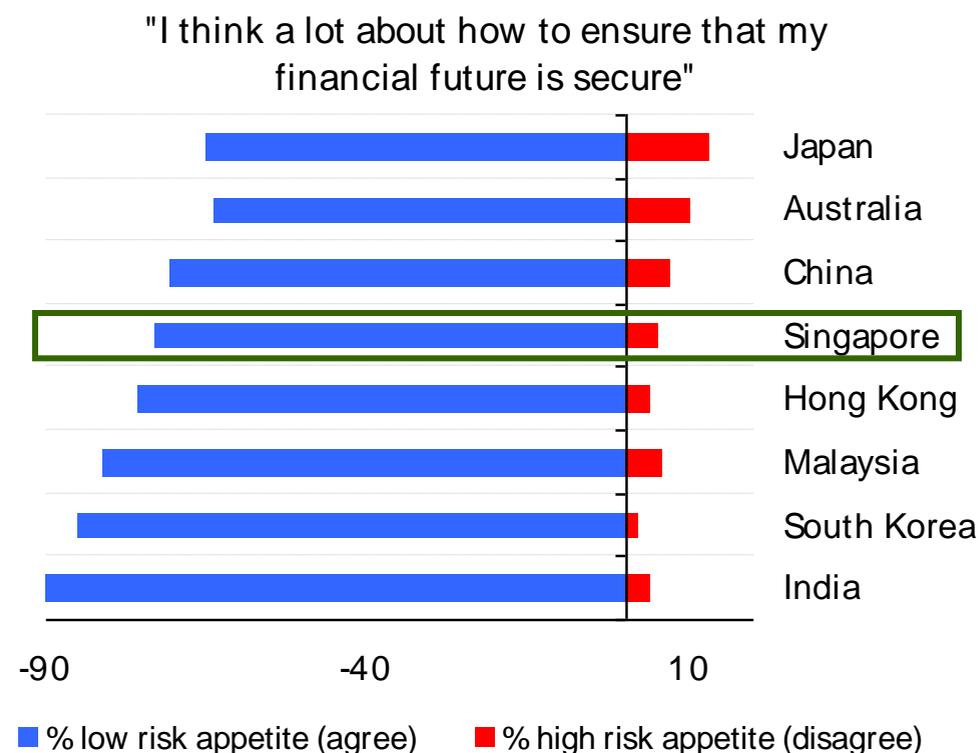


Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Bridging the gap in financial planning

- There is a high level of awareness among respondents about the need to secure their financial future. But equally, many profess to not having any plan of how to do this. The gap is biggest in some developed markets like Japan and South Korea.
- Our findings indicate that financial institutions looking to fill this gap should be aware that many respondents are not ready to use professional financial advisors.



Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.



Implications to risk and insurance business

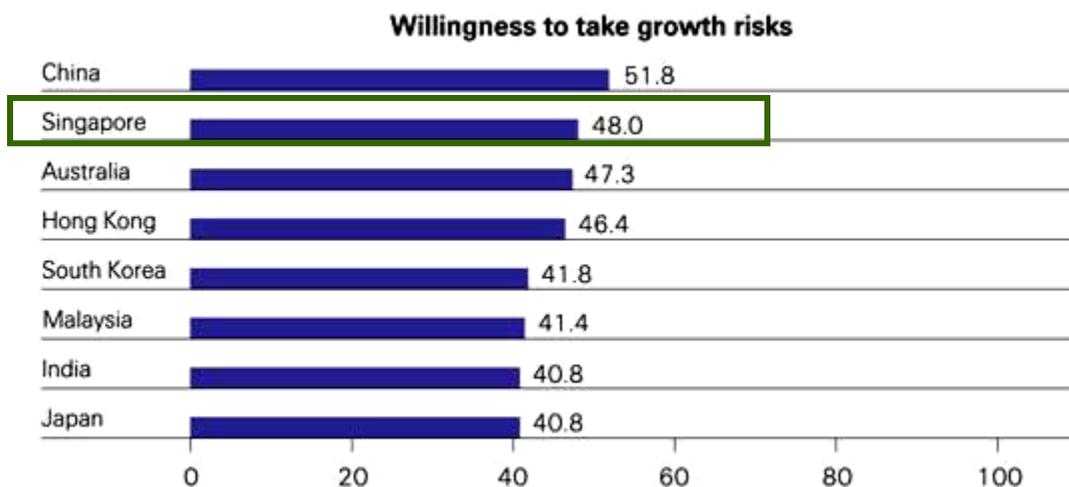
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Tapping into the SME segment

Many SMEs see business opportunities in this financial crisis

Index on willingness to take growth risks



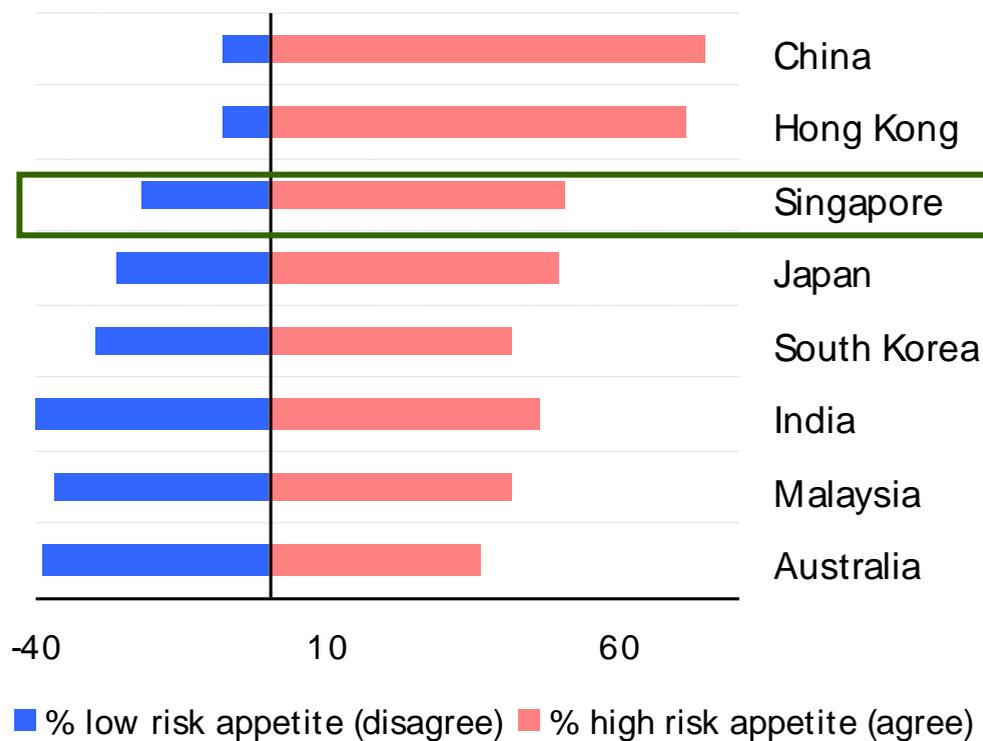
Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.

- SMEs will remain an important business segment for the region's insurance industry. Keen to expand their business at a realistic and cautious pace, these SMEs remain a strong influence on national economies. Working against an increasingly complex risk environment, their demand for risk solutions is expected to further increase.
- Bank finance will remain the most important funding channel for SMEs, given their limited ability to tap into the bond and equity markets. As such, SMEs will continue to maintain strong relations with their banks. Insurers will be most successful in penetrating the SME market by partnering with banks.



Risk attitude of SME leaders

"If I feel I can grow my business quickly, by taking more loans, I would do that."

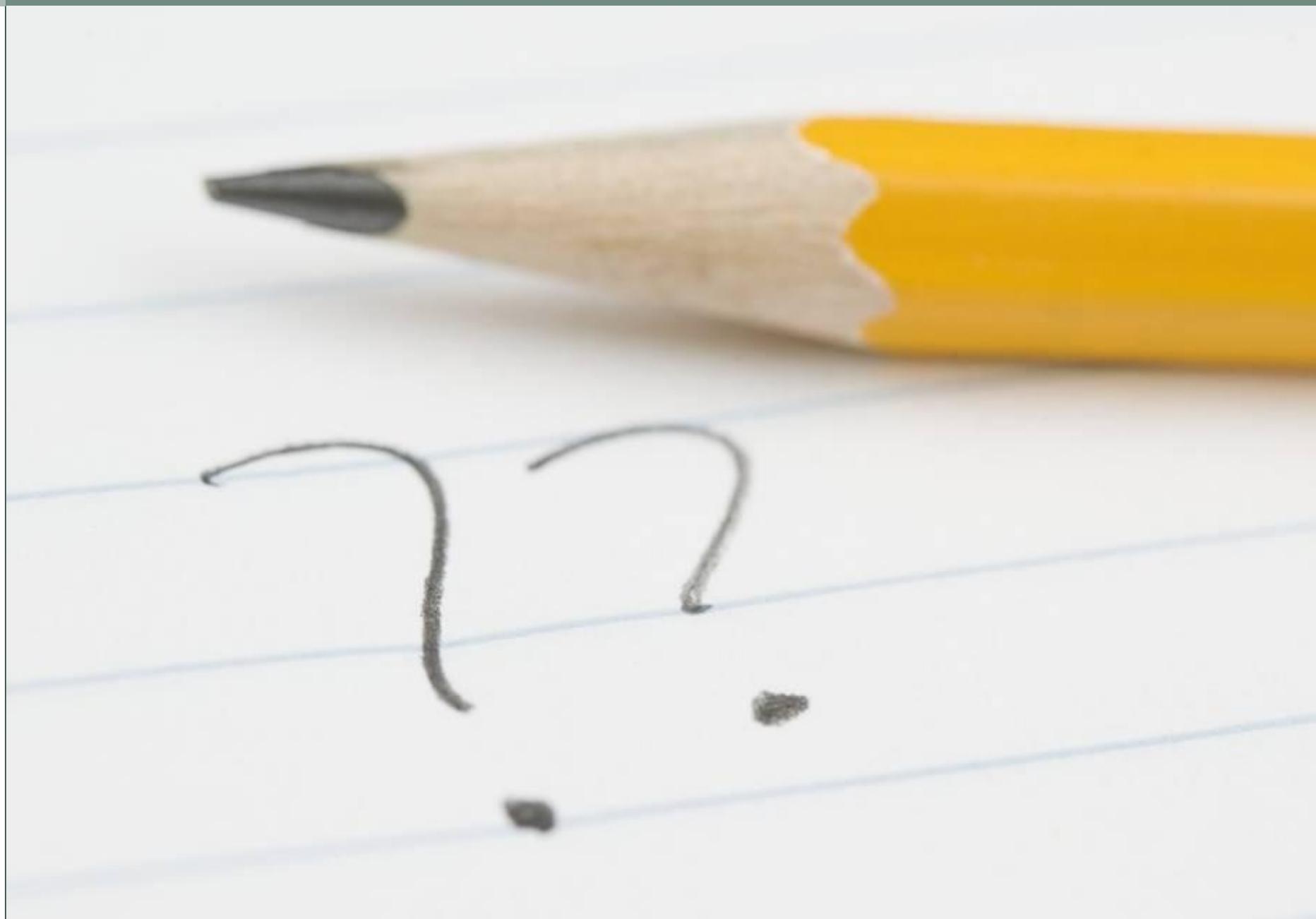


Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.

- A major factor that constrains banks from extending credit to SMEs is credit risk, reflecting in part the small sums involved and short history of many SMEs.
- Insurance products that help to reduce the credit risk exposure of banks, and thus increase the accessibility of SMEs to bank financing, should be welcome.
- Credit life insurance for SME owners or fire insurance for SME properties and equipment in association with loans are some examples of products that can be developed and marketed through the banking system especially for SMEs.



Thank you for your attention





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Appendix





Swiss Re at a glance



Swiss Re is a **leading and highly diversified global reinsurer**, founded in Zurich (Switzerland) in 1863

The company offers **traditional reinsurance products and related services** for property and casualty, as well as for life and health businesses

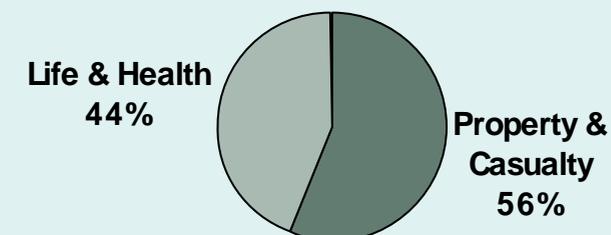
These traditional products are complemented by **insurance-based corporate finance solutions** and supplementary **services for comprehensive risk management**

Swiss Re is the **industry leader in insurance-linked securities**

Swiss Re is rated "**A+**" by S&P's, "**A1**" by Moody's and "**A**" by A.M. Best

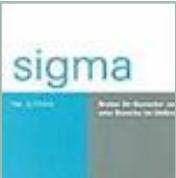
Key statistics	FY 2007	FY 2008
	CHF bn	CHF bn
Premiums earned:	31.7	25.5
Net income:	4.2	- 0.9
Shareholders' equity:	31.9	20.5
Return on equity:	13.5%	- 3.4%
Return on investments: ¹	5.3%	4.7%
P&C combined ratio:	90.1%	97.9%
L&H benefit ratio:	87.0%	85.5%

Revenues by business
(Total 2008: CHF 25bn)





We enable risk-taking that is essential to enterprise and progress

Examples		
We identify and evaluate risks	Climate change identified as emerging risk almost 20 years ago	
We select and take risks	Insurance of most risks	
We transfer and trade risks	Securitisation of earthquake, hurricane and mortality risks	
We educate and consult on risks	Over 50 risk-related publications during the last 12 months	



Most global risks end up on our balance sheet



Examples		
Natural catastrophes	Earthquakes Floods Hurricanes Tornados ...	 
Fire, terrorism	Arson Terror attack ...	 
Pandemics	SARS H5N1 ...	 
Obesity	Health Mortality Liability ...	 
Financial market risks	Credit Equity ...	 



SMEs as an under-serviced segment

Underinsurance and Non-insurance in the small business sector

Peter Jones
Manager, Commercial Property
Insurance, SUNCORP

Tuesday 29 May 2007



- Insurance could be an efficient risk management tool for SMEs. However, insurance penetration among SMEs in Asia has been generally low. In Australia, for example, 79% of SMEs have heard of business interruption insurance, yet only 35% are covered. Some 72% of them know about machinery breakdown insurance policies but only 21% have bought one.^[1]
- According to the Insurance Council of Australia (2001), there are a number of factors hindering the insurance penetration in the SME segments, including affordability and unclear policy wordings. It is understood that SME penetration in markets outside Australia can be even much lower.

[1] Cameron 2006, The Australian Small Business Market for Financial Services, Sydney Australia.



How to reach SMEs

- From the product development perspective, simple and single package policies covering a number of risks (e.g. fire, floods, earthquakes, liability, burglary, business interruption, worker compensation) can be adopted as a possible solution. Such one-stop-shop packages, especially when designed as budget policies, could be cost-efficient solutions for SMEs. This may help address the affordability issue and save them the hassle of sourcing and understanding different policies. It should be noted that while on an individual risk/policy basis, coverage could exceed the affordability of SMEs; when bundled, prices can be more competitive.
- Furthermore, given the diversity and large number of SMEs, direct selling could be challenging, especially in geographically huge markets such as China, India and Australia. Tying up with banks' SME services is one of the most effective ways to reach small to medium business customers if well-designed cross-selling strategies are in place. Forming collaborative partnerships with industry associations may also facilitate the sale of products to targeted SMEs, and lead to more favourable terms and premiums through group purchasing.
- Relevant legislative development and prominent cases may also help boost take-up rates in certain business lines. For example, the e-liability law introduced by the South Korean government has led to increasing demand for e-business covers by IT companies, web designers and e-trading platforms. Similarly, high-profile cases of customer data leakage in South Korea have not only raised awareness of information/data security, but also helped to turn awareness into actions..

Data suggest China, Japan and Korean are major sources of outbound tourists



Source of outbound tourists	International Tourism Expenditure (USD bn)	
	2006	2007
World	742	856
1 Germany	73.9	82.9
2 United States	72.1	76.2
3 United Kingdom	63.1	72.3
4 France	31.2	36.7
5 China	24.3	29.8
6 Italy	23.1	27.3
7 Japan	26.9	26.5
8 Canada	20.5	24.8
9 Russian Federation	18.2	22.3
10 South Korea	18.9	20.9



Source: World Tourism Organisation (UNWTO)



Cost differentials are substantial

EXHIBIT 1 Estimating The Gains From Trade In Health Services For The United States

Procedure	U.S. Inpatient price (\$)	U.S. Inpatient volume	U.S. outpatient price (\$)	Estimated U.S. outpatient volume	Foreign price including travel cost (\$)	Savings if 10% of U.S. patients undergo surgery abroad instead (\$)
Knee surgery	10,335	399,139	4,142	60,000	1,321	376,698,470
Shoulder arthroplasty	5,940	23,300	7,931	- ^a	2,217	8,674,829
TURP	4,127	111,936	3,303	88,064	2,413	27,029,437
Tubal ligation	5,663	78,771	3,442	621,229	1,280	168,834,441
Hernia repair	4,753	40,553	3,450	759,447	1,651	149,254,906
Skin lesion excision	6,240	21,257	1,696	1,588,884	805	153,078,349
Adult tonsillectomy	3,398	17,251	1,931	102,749	1,006	13,641,759
Hysterectomy	5,783	640,565	5,420	- ^a	1,987	243,163,366
Hemorrhoidectomy	4,945	12,787	2,081	137,213	865	21,893,438
Rhinoplasty	5,050	7,265	3,417	42,735	1,936	8,590,926
Bunionectomy	6,046	3,139	2,392	41,507	1,502	5,120,817
Cataract extraction	3,595	2,215	2,325	1,430,785	1,247	154,681,706
Varicose vein surgery	7,065	1,957	2,373	148,043	1,411	15,350,137
Glaucoma procedures	3,882	- ^a	2,292	75,838	1,086	9,143,374
Tympanoplasty	4,993	754	3,347	149,246	1,404	29,258,785

SOURCES: Healthcare Cost and Utilization Project (HCUP) database; DRG Expert (2005); *Current Procedural Terminology* (2004); Vanbreda International; and authors' calculations. Outpatient volume was obtained from the American Association of Orthopedic Surgeons, the American Urological Association, the National Center for Health Statistics, the U.S. Centers for Disease Control and Prevention, the American Society for Dermatological Surgery, the American Academy of Otolaryngology, the American Podiatric Medical Association, the American College of Phlebology, and Ethicon Endosurgery.

NOTES: Patient volume data pertain to 2002, while the prices pertain to 2004. Total savings would be \$1,384,414,741. TURP is transurethral resection of the prostate.

^aData not available.

Source:

Mattoo A., Rathindran R. "How health insurance inhibits trade in health care" *Health Affairs* Mar/Apr 2006, p.361



Investing in the future

Risk perception and investment decisions

	Willingness to take risk	Investment priority
IT security	Low/consistent	Medium
Damage to properties	Low/consistent	Medium
Good environmental policies	Low/mixed	Low
Human resources	Very low/consistent	High
Third-party liability	Medium/mixed	Low

Source: Swiss Re Survey of Risk Appetite, Asia-Pacific 2009.