

Commercial Risk ASIA

ASIA-PACIFIC RISK MANAGEMENT & INSURANCE NEWS

The launch of the CR Asia Risk Frontiers survey

THIS MONTH WE ARE PLEASED to announce the launch of the inaugural *Commercial Risk Asia Risk Frontiers* survey, in partnership with Generali and Parima. This comprehensive and unique research has proved very successful with our sister publications *Commercial Risk Europe* and *Commercial Risk Africa* and we hope to emulate this success in the survey's latest regional iteration.

In order to complete the survey we intend to speak to as many risk managers in the different regions within the Asia-Pacific market. Some of this will be done via one to one interviews or through roundtable discussions, the first of which took place earlier this year in Malaysia during the Parima conference in Kuala Lumpur (see p6-8).

The discussion between local and regional risk managers produced a number of important talking points – some of which will no doubt be shared by colleagues in other Asian markets, such as the challenge of explaining the benefit of insurance to uninterested finance officers.

As we talk to risk managers in other markets – from Hong Kong to Taiwan and from Singapore to India, there will no doubt be more nuanced and regional issues that arise, be that emerging risks where there is insufficient cover or particular regulatory challenges as a result of local legislation.

The findings from all of this research will be presented at a special workshop during the Parima conference in Hong Kong in November.

These findings should include the following:

- the risks that keep you awake at night,
- recent changes to corporate governance and risk reporting,
- insurance purchasing strategies,
- the use of captives and global programmes,
- the possible advantage of combining general insurance with employee benefits.

What we hope will emerge from all the research is a comprehensive picture of the challenges facing corporate risk managers in the region – from the macro to the micro and from the emerging to the seemingly ever-present.

And we also hope we will get an idea of how risk managers are engaging with their insurers – what areas are working well and where could this relationship be improved..

At the recent Global Insurance Forum held by the International Insurance Society in Singapore, a notable feature was the lack of reference to the many corporate risk managers that are running insurance programmes worth hundreds of millions in premiums.

While insurers are concerned with seeing off the threat from Silicon Valley-based challengers and peer-to-peer, online alternative providers, the corporate risk managers may feel somewhat neglected or ignored, particularly when issues like contract certainty are still largely unresolved (see p10).

The Risk Frontiers survey represents a chance to give voice to all of these concerns and we at *Commercial Risk Asia* urge you all to make the most of it via your participation.

East Asia and Pacific growth hit by China 'rebalancing' and stagnation in Japan

THE WORLD BANK'S LATEST ECONOMIC REPORT FOR EAST ASIA AND THE PACIFIC region shows that growth is estimated to have slowed to 6.5% in 2015, from 6.8% in 2014, broadly in line with its January projections.

The world economy is projected to expand at 2.4% in 2016, roughly at the same "insipid" pace experienced last year, it concludes.

The bank says the growth figures for east Asia and the wider Pacific region reflect the gradual slowdown in China.

This offset a "very modest" pickup in the rest of the region, which showed signs of bottoming out in 2015, it states.

The bank's latest report adds that the moderation of growth in commodity exporters was offset by a "solid" performance in commodity importers, especially Vietnam and the Philippines. There was also a modest recovery in Thailand on the back of "robust" domestic consumption, according to the World Bank.

Chinese growth is expected to continue to gradually slow down but growth in the rest of the region is expected to pick up to 5% on average in 2016-2018, as commodity prices stabilise and reforms are implemented that will spur investment.

"Downside risks include a sharper than expected slowdown in China and tighter global financing conditions against the backdrop of high corporate and household leverage in the region. Key policy challenges include strengthening medium-term fiscal and macro-prudential frameworks and structural reforms to support long-term growth," states the World Bank.

Commenting on the report, Kaushik Basu, World Bank chief economist and senior vice-president, said the bank is worried about the rapid increase in private sector credit since 2010 in emerging and developing countries overall.

He also said there is a big concern about the tools available for assessment of the risks that surround prospects for the world economy, and concludes that forecast uncertainty has increased since January 2016.

The balance of risks for global growth has further "tilted to the downside" states the report.

"Risks are intensifying – what we need is increased efforts to invest in infrastructure and education, health and other human skills and wellbeing, as well as initiatives to promote economic diversification and liberalise trade [that] will boost growth prospects and improve standards of living," adds the bank.

China will continue its ongoing process of rebalancing, concludes the report.

JAPAN: CONTINUED STAGNATION PREDICTED

The other big economy in the region that has a big impact on the growth prospects for east Asia and the Pacific is Japan.

This economy will unfortunately continue to stagnate, according to the World Bank.

"Amid weak business sentiment, a strengthened yen and disruptions associated with the April earthquake in Kumamoto, growth is expected to be 0.5% in 2016, broadly unchanged from 2015 but significantly weaker than previously envisaged," states the bank's report.

It points out that Japan continues to fluctuate between periods of modest growth and contraction.

"Private consumption remains weak, falling short of the gains in real income, which have themselves been modest. Exports are also subdued, dampened by weak external demand and limited benefits of past yen depreciation," states the bank.

"Despite weak growth, labour market conditions continue to show signs of tightening against the backdrop of an ageing population. The unemployment rate remains slightly above 3%, the active job openings-to-applicants ratio has risen steadily, and the perception of labour shortages has heightened," it adds.

Job creation in Japan continues at a "moderate" pace, supported by gains in the services sector, as manufacturing employment continues to decline, states the World Bank.

The shrinking and ageing labour force remains a key factor that weighs on growth, investment and savings patterns, it explains.

"Amid weak business sentiment, a strengthened yen and disruptions associated with the April earthquake in Kumamoto, growth is expected to be 0.5% in 2016, broadly unchanged from 2015 but significantly weaker than previously envisaged," states the report.

The Bank of Japan continued to ease in 2016, introducing a negative interest rate policy in January. This was because of growth disappointments and persistently low consumer price and wage inflation, explains the World Bank.

Market yields dropped but measures of inflation expectations remained low and the Japanese yen appreciated. The World Bank says this has raised concerns about the effectiveness of monetary policy measures.

A decision by the government to postpone its planned consumption tax hike to 10%, scheduled for April 2017, could lead to stronger growth in the short term but slow fiscal consolidation, adds the bank.



Kaushik Basu



EDITOR
Adrian Ladbury

+44 [0] 7818 451 882 [M]
aladbury@commercialriskasia.com



DIRECTOR
Stewart Brown

+44 [0] 7780 998 440 [M]
sbrown@commercialriskasia.com



DEPUTY EDITOR
Nicholas Pratt

+353 879 350 494
npratt@commercialriskasia.com



ART DIRECTOR
Alan Booth

+44 [0] 7817 671 973 [M]
aboath@commercialriskasia.com

REPORTERS: news@commercialriskasia.com

Ben Norris, Stuart Collins,
Tony Dowling, Rodrigo Amaral

DESIGN SERVICES: Calixa Creative Services Ltd., +44 [0] 7818 671 973, info@calixa.biz, www.calixa.biz



RUBICON
MEDIA

RUBICON MEDIA LTD. © 2016
All rights reserved. Reproduction or transmission
of any content is prohibited without prior
written agreement from the publisher

For commercial opportunities email
hfoster@commercialriskasia.com

To subscribe email
subs@commercialriskasia.com

Commercial Risk Asia is published
monthly, except August and December,
by Rubicon Media Ltd.—Registered
office 7 Granard Business Centre,
Bunns Lane, Mill Hill, London NW7 2DQ