

“Topical Issues re China, IFAA, and the Credit Crunch”

A talk to the City Forum Membership

Merchant Taylors Hall

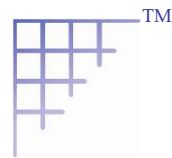
London

6th February 2009

By

Paul May

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AMIMC, FinstD, FIFAA



Introduction by Mr Ashley Lawrence, the Chairman of the City Forum¹:

Paul May is a busy practicing loss adjuster and expert witness, and his specialist interests include: claims management; fraud, business interruption; and multi-national claims.

Paul is Chairman of Concordia Consultancy Ltd, which provides claims adjusting dispute resolution and risk consultancy services from companies in London, Singapore, New York, Cyprus and Antigua. He is a Chartered Loss Adjuster, a Fellow of the Chartered Insurance Institute, a fellow of the Institute of Risk Management, holds a Law degree as well as an MBA and has completed post graduate diplomas in Advanced Insurance Studies and Management Consultancy.

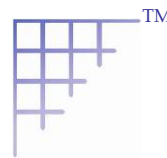
He has worked in industry and the insurance world for 36 years, 30 of which have been in adjusting and risk consulting. Paul has worked on assignments in over 50 countries around the world and has lived in Belgium, Dubai, and Singapore.

Paul is a liveryman of the worshipful company of insurers and has served as a court assistant before resigning from the court due to disagreements over the company's priorities and objectives.

He is visiting faculty at Cass Business School where he runs the Claims Management module of the MSc Degree in Risk Management and Insurance.

Paul has been President of both CILA, the Chartered Institute of Loss Adjusters and FUEDI the European Association of Loss Adjusting Experts. He is currently Deputy President of

¹ www.cityforum.org



IFAA, the International Federation of Adjusting Associations and will be its President from April 2009 for 2 years.

He is currently the Chairman of the International Committee of the Institute of Risk Management, and also a Research Fellow at Peking University in Beijing at the Centre for Insurance Research.

A keen offshore sailor, Paul has recently been commodore of the Lloyd's of London Yacht Club and is now the club's admiral representing the club in its relationships with other clubs around the world.

Today Paul is going to be discussing some of the issues relating to the China market, explaining about the IFAA as well as touching on some claims aspects related to the credit crunch.

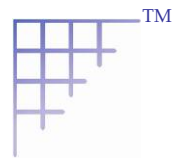
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Paul May

Thank you Ashley for your kind introduction



Good afternoon everyone,

It is a privilege to be here to talk to your membership and guests, especially as the list of your previous speakers contains many eminent personalities. Ashley has asked me to talk for 20 minutes or so and I have prepared a 'whistle stop' four of three issues:

China

IFAA – International Federation of Adjusting Associations

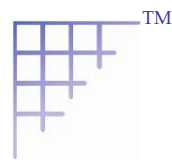
The credit crunch and the non-life insurance market

China

I have had the good fortune of working in the Asia region since 1983, although my first visit to China did not take place until 1991. That visit involved a 'major' multi million Marine Transit Loss arising from the alleged damaged during the marine transit of a glass making factory that had been cut down for re-erection in the Beijing area.

On investigation there was hardly any damage at all just some rust and the occasional marks from angle-grinders used in the demolition process.

The Insured seemed surprised that an International Loss Adjuster had been sent to inspect and in the end agreed to withdraw all but a tiny element of the claim relating to rust clearance. This idea that insurance companies represent 'fair game' still



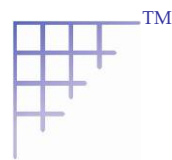
endures as we have recently seen from an Erection All Risks insurance claim relating to a pre-Olympics games project in Beijing.

There are of course many plus points with regards to China including:

- substantial government financial reserves
- the organisation of 'perfect' Olympic games
- a growing middle class with materialistic aspirations
- increasing care for some 750 million rural workers
- investment in Healthcare and Reform
- Reform of land Ownership
- A long history of conciliation rather than litigation
- Ambitions for becoming a Global Aviation Manufacturer

Not so 'plus' points

- Military projection for example through the recently announced plan to construct an aircraft carrier and ancillary fleet
- stock market falls
- house price bubble burst
- product quality problems
- increasing levels of company default
- growing levels of unemployment
- slowing of GDP growth
- overseas customers buying less due to credit crunch



Conclusion

China continues to represent an exciting market especially taking into account its developing links with Africa and its support of the pharmaceutical industry including research activities. However, it does seem that the political risk is often overlooked or played down. My question therefore is whether the insurance industry has done enough to really understand and price the China market and the costs of doing business there.

IFAA – International Federation of Adjusting Associations

Although individual loss adjusting associations around the world have had informal links and relationships for many years, it was only in 1999 that the concept of a federation was promoted by CILA, the Chartered Institute of Loss Adjusters.

Members of the IFAA include associations from:

UK and Ireland

Europe

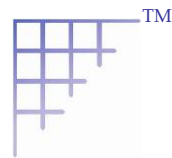
America

Canada

Japan

Malaysia

Australia



Sri Lanka

South Africa

Nigeria

The IFAA therefore represents over 10,000 loss adjusters around the world.

Key objectives for the IFAA include:

Standards

Ethics

Education

Promotion of the loss adjusting profession

A Fellowship level (FIFAA) has now been established enabling the highest standard of loss adjusters to be displayed by individuals meeting the required benchmark.

A technician level is to be launched in the near future supported with courses and examinations.

Expansion is planned in the following areas:

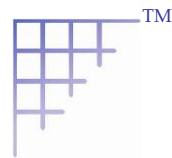
Asia

Latin America

The new E.U countries

Africa

Middle East



At the present we are developing Best Practice guidelines through a consultation process. These guidelines will then be promoted to insurers, re-insurers and leading organisations and institutions including the IMF, World Bank, and the Asian Development Bank.

The IFAA will be holding its first Global conference on the 30th April 2009 at the Willis Building in the centre of the London insurance market. Keynote speakers include:

Kent Chaplin – Head of Claims at Lloyds

John Hurril - Chief Executive AIRMIC

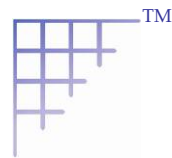
There will also be Panel Sessions during the day in relation to International Loss Adjusters, brokers and claims managers.

Further information relating to the IFAA and the conference can be found on the IFAA website:

www.adjusterworldwide.org

The credit crunch and the non-life insurance market

It does seem as if the non-life insurance market is in a somewhat self- congratulatory mood seeking to differentiate itself from the banking industry.



Given the usual tail attached to insurance claims, this may be a premature positive sentiment.

The credit crunch and the worldwide recession will no doubt lead to a shrinking of insurable markets. At the same time insurers will be suffering decreases in value of their investments, increases in claim pressures, particularly from fraud.

If the credit crunch had been a hurricane or earthquake then the insurance market would have reacted by naming the event as a catastrophe. However, whilst there are probably internal reviews taking place, the insurance market as a whole has not reacted to the credit crunch as if it were a catastrophe. Surely though it is one of the biggest catastrophes to affect the non-life insurance market and it is only a matter of time before income will be under pressure and claim costs will begin to escalate.

I hope I am wrong but it does seem to me that the non-life insurance market has not yet moved to a state of (Red Alert).

In the time allowed I have sought to cover three issues and now look forward to discussions and questions.

Thank you

Paul May