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BEST'S REGIONAL COMPOSITE INDEXES Year-to-Date: U.S. (AMBUS) ▲ 8.78% • EUROPE (AMBEUR) ▲ 11.63% • ASIA/PACIFIC (AMBAP) ▲ 7.72%

## China Pacific Insurance Has No M&A Plans Despite Hong Kong Listing

By Rebecca Ng

China Pacific Insurance (Group) Co. Ltd. [90598] said it will focus on domestic organic growth instead of growing through mergers and acquisitions once it completes its capital-raising activity through a Hong Kong listing by the end of December.

The Shanghai-based insurer said it will offer about 861 million H-shares [Hong Kong shares] through the global offering. Of that, around 43 million shares will be offered in Hong Kong.

The insurer aims to raise capital of up to HK\$25.9 billion (US\$3.3 billion), with an issuing price of between HK\$26.80 and HK\$30.10 per H-share. It is expecting to list in Hong Kong on Dec. 23.

Guofu Gao, chairman of CPIC, said at a press conference

■ Continued: CHINA PACIFIC



**STAFF SPEAK** with a customer at a China Pacific Insurance (Group) Co. Ltd. booth at a recent fair in Shanghai, China. The company is planning a global offering, listing on the Hong Kong market, Dec. 23. AP/dycj - Imaginachina

### BestWeek Asia/Pacific News Digest



### A Closer Look

## New Zealand Seeks To Attract Asian Captives

By Iris Lai

New Zealand's captive insurance industry is aiming for the gradual growth of its business base in the Asia-Pacific region by building on its base of Australian-owned foreign captives and domestic captives.

**CAPTIVES**

The Asia-Pacific region's insurance business development and current economic climate will drive demand for captive insurance in the region, said Peter Lowe, president of the New Zealand Captive Insurance Association.

Moving toward a more mature business portfolio, Lowe

■ Continued: NEW ZEALAND CAPTIVES

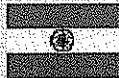
### Hong Kong Up

Hong Kong's underwriting market has improved during the first nine months.



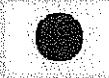
### Life Optimism

India's life insurance sector is expected to grow this year.



### Japan Post Concerns

Insurance trade groups are speaking out against halting Japan Post's privatization.



Click on the link at the bottom of each page and enter the bracketed number next to each company for more information on the firm.



## ■ NEW ZEALAND CAPTIVES

said more corporates are looking into different strategies of risk management and cost control. Increasingly, Australian corporates realize the needs for alternative risk investments and management, and captive insurance is seen as one tool for long-term development.

Although captive insurance is "extremely" under-developed in Asia, Lowe said the potential for growth is great, given the region's pace of development. Countries with big manufacturing bases such as Japan, South Korea and China offer potential for new captives.

### New Zealand's Aim

In New Zealand, the number of captives grew from 2 to 22 between 2002 and 2008. These captives' business lines mainly come from the energy, electricity, agriculture and manufacturing sectors, as well as the airline industry. Some of New Zealand's big corporates such as Fonterra, Air New Zealand and Carter Holt Harvey, have set up their own captives in the country.

Among the 22 captives in New Zealand, six are Australian-owned captives, with the remaining from New Zealand. The 22 captive insurance companies in New Zealand currently underwrite a total of NZ\$80 million (US\$57 million) in gross premiums annually.

"We believe that New Zealand could become the captive domicile for the Asia-Pacific region," said Lowe in an interview. Initial growth is coming from Australia and New Zealand, and the expansion will then develop from other Asian countries such as Japan, South Korea and China, he said.

New Zealand's geographical proximity to Australia, similar legislative and tax systems, and a 20% lower currency exchange rate to Australian dollars are some of the key attractions for Australian corporates to establish captives in the country. Many Australian companies already have

subsidiaries in New Zealand, through which they are familiar and feel comfortable with the country's infrastructure, noted Lowe.

In general, Lowe said New Zealand has a secure political system, good legislation and professional work force for foreign captives. Effective cost structures with competitive regulatory, auditing, management and legal fees are also cited as attractive factors.

In the past few years, Lowe said New Zealand has been successful in building a captives business from Australia. The captive industry will continue to attract and build the business from Australia at this stage of development.

In the longer term, Lowe said New Zealand aims to translate its Australia-driven foreign captive business to a bigger profile in Asia. The captive industry is seeking business from Japan, aiming to serve as a favorable captive domicile for Japanese companies compared with other Asian domiciles where, he said, Japanese firms may find it more difficult to set up.

The captive industry has made a significant contribution to New Zealand's economy, according to Lowe. "With the right regulation, within 10 years we believe the industry could grow to 150 captives paying NZ\$50 million a year in tax to the government," he said.

With appropriate regulation, Lowe noted there is potential for significant growth in New Zealand. After the success from a developed Australia market, Lowe said there will be more attraction for Asian companies in the future.

New Zealand Captives*	
(NZ \$ million)	
Gross Premiums	77.6
Assets Under Management	137.3
Capital and Surplus	91
*As of Dec. 31, 2007	
Source: New Zealand Captive Insurance Association	



Listen to the full interview with Peter Lowe.

## New Zealand Captive Group Criticizes Proposed Legislation

The New Zealand Captive Insurance Association criticized proposed insurance legislation up for Parliament's consideration, saying it would create an unregulated captive insurance industry in New Zealand.

"We want all captives to be regulated by a responsible captive legislation," said Peter Lowe, president of NZCIA. The new Insurance Prudential Bill will not regulate foreign companies that set up insurance subsidiaries in New Zealand, he said.

The consequence would "kill" captive insurance business, leaving a small domestic market in New Zealand, said Lowe. He added that the captive industry is confident there can be a dialogue with government on the interpretation

of the new insurance bill.

After a first reading in Parliament, the new insurance bill will be referred to the select committee for public consultation. The bill will be cleared for clarification and interpretation by March 2010. Lowe said in an interview that the association is not satisfied with the legislation's interpretation of a regulatory regime on foreign captives.

"If you're a captive domiciled in New Zealand but do not issue policies in New Zealand, you will not be licensed. That means you can operate in an unregulated market [condition]," said Lowe.

Lowe said he believes this aspect of the legislation is "not intended," but is due to a "lack of understanding."

— Iris Lai

**CAPTIVES**