

PART II

RESEARCH ON HUMAN RESOURCE DEVELOPMENT AND TRAINING NEEDS OF INSURERS IN ASEAN

1.0 INTRODUCTION

The determinants of a competitive insurance market are as follows:

- 1) Sufficient number of producers/insurance companies to provide consumers with adequate choice.
- 2) Availability and public access to information about insurance products/services
- 3) Qualified and competent staff and intermediaries of insurance companies and other complementary technical services, e.g., loss adjusters, lawyers, actuaries, etc.
- 4) Competent and independent (free from political influence) Regulators able to balance regulatory objectives of solvency, stability, and consumer protection with developmental/national objectives and encouraging entrepreneurship to ensure that the insurance market is able to deliver availability, consumer choice and high service quality at “market price”.

Arguably, the key determining factor of a successful market and of value creation in insurance is talented and highly competent human resource.

Insurance contributes to economic growth in its role a risk transfer mechanism and a financial intermediary. Insurance enhances the financial system by creating liquidity and increasing its stability. However, in most ASEAN countries, the insurance industry has yet to be fully developed, and the current level of consumption of insurance remains low. The share of insurance premium as a percentage of gross domestic product (GDP) in a number of ASEAN / Asian (excluding countries such as Japan, Taiwan, Singapore, Hong Kong and

Korea) economies is significantly less than in developed countries and the insurance penetration is very low.

Thus, the potential for growth of the insurance and reinsurance markets in Asia is tremendous in view of the robust economies in some countries, the emerging new economies, and the expected overall long-term trend of economic development and expansion in ASEAN. The current trend towards the liberalization of insurance markets and internationalization of insurance companies will also contribute to the expansion of insurance markets in Asia / ASEAN. Analysts expect Asia to become one of the world's major insurance regions in the future (Goh and Low, 2001).

At the same time, insurance markets in ASEAN are also faced with increasingly complex challenges alluded to earlier in section 3.2 in Part I of this report. Liberalization, technological advances, and deregulation are the main trends that account for competitive pressures (Becker and Gerhart, 1996; Dessler, 2000). The performance and profitability of insurance is also exposed to the vulnerability of systemic risks, as seen during the Asian financial crisis. As such, the insurance sector needs to proceed strategically to ensure stability and security for consumers

Given such dramatic changes taking place in the economic environment and corporate strategies, the human resource development (HRD) challenge in the insurance industry is unprecedented.

2.0 AIMS OF THE SURVEY

Human resource is becoming the most important resource as the insurance industry sector undergoes dynamic changes (Gray and Herr, 1998; Thurow, 1992). Extensive research is timely to understand the role of HRD in improving organizational performance and the creation of shareholder values in the insurance sector

The objectives of HRD and training programmes must be aligned with the current developments, the new strategies being implemented and the challenges of performing under a more complex, highly competitive environment. There has been a shift towards market-based economies, ubiquitous IT requiring new ways of organizing work.

Treen (2000) states “Given the warp speed of change, creating the future by reinventing and regenerating core strategy has never been more important. Success, however, demands the fundamental and critical contribution of HR”.

It is against this dynamic backdrop that ASEAN Insurance Regulators deemed it important that a study be conducted to assess the human resource development and training needs of Insurers in ASEAN. The study is focused on the following objectives:

- 1) To highlight major market developments and related HR challenges faced by insurers at local and ASEAN levels;
- 2) To identify HR objectives, strategies and practices in the context of these wider market and strategic challenges;
- 3) To determine the human resource development needs, knowledge and skills requirements;
- 4) To identify specific training and educational programmes required;
- 5) To identify possible HR priorities, directions and solutions;
- 6) To identify possible areas of collaboration within or outside of ASEAN for long term insurance expertise development.

3.0 METHODOLOGY

A survey questionnaire, targeted at top management of insurers in ASEAN was developed using five point scales for rating assessment and open-ended questions to obtain input from respondents. Please refer to Appendix 2 to view the questionnaire. Insurers’ views were sought on the strategic issues influencing HR practices and HR challenges at macro and micro levels.

The questionnaire is divided into 3 sections, covering: background information, challenges and solutions, and strategies. Qualitative analyses were predominantly used to identify patterns and themes of the responses that will be categorized based on the comments from the open ended-questions (refer Miles and Huberman, 1984). Descriptive analyses were further conducted on the collected data. Stratified sampling technique was used to develop the sampling frame that comprised 138 insurance companies.

4.0 LITERATURE REVIEW

This section is organized into 6 parts, namely (i) theories and practices, (ii) current challenges, (iii) needs assessment, (iv) training and development, (v) trends and (vi) HR issues in the insurance industry.

4.1 Theories and Practices

4.1.1 Theories in HRD: HR concepts and best HR management practices.

HRD is a field that defines itself as “the integrated use of training and development, organizational development and career development to improve individual, group and organizational effectiveness,” (Rothwell and Sredl, 1992, p. 3). HRD relies on more than one subject matter or discipline. HRD is described as “an applied field . . . drawing on theories and insights from many disciplines,” (Rothwell and Sredl, 1992, p. 2).

The field of strategic human resource management (HRM) has grown extensively in the last two decades. Sculer and Jackson (1999) describe its evolution from personnel management as a two-phased transformation: the first, from personnel management to HRM; and the second, from HRM to strategic HRM (see below).

HR is a critically important resource in a knowledge- based economy. An organization’s success in a dynamically competitive environment will be dependent upon its ability to

acquire knowledge as a resource and integrate knowledge throughout the organization (Grant, 1996). Essentially, this means people are the source which fuels innovation, flexibility and growth which all create a sustainable competitive advantage (McDermott, 1996). HR is the key factor in determining an organization's fate in the new marketplace and realities.

When examining the issue of how best to develop the human potential in any organization, it is important to give time and attention to the person or persons endowed with the responsibility for this task. According to Rothwell and Sredl, (1992) the professionals responsible for this task must pay attention to the methods of improving organizational, group and individual effectiveness (i.e. performance) and seek to meet this challenge by providing a framework for professionals to improve organizational effectiveness using all the theoretical information and methods available.

Durand (2000) has developed a simple integrated model that can be applied to both individual and organizational competency. The model, known as the Dynamics of Competency Building, identifies three dimensions of competence: knowledge, know-how and attitudes with no particular priority or preferred order of dimensions. The dimension of knowledge that encompasses the access of data, and the ability to enact the data into acceptable information and integrate them into pre-existing schemes, which obviously evolve along the way. The know-how dimension is action- oriented, and relates to the ability to act in a concrete way according to predefined objectives or processes and is concerned with the ability to apply knowledge to a given situation. It presupposes learning of the skilful application through such activities as observing others perform a job, or by personally doing the work over a period of time. It also implies the use of technique and, by its nature, is active and requires the individual to be fully "engaged". Finally, the attitude dimension is composed of diverse social, cultural and self-image factors that act upon the individual's ability to develop his or her competence.

Another theory that may be applicable in the area of HR is the expectancy theory developed by Vroom (1964) which postulates that people will behave based on the perceived likelihood that their effort will lead to certain outcome and on how highly they value that outcome. This

theory consists of three main dimensions, namely: expectancy, instrumentality and valence. A study by Girard and Heinz (2001) on 142 articles related to human resource management discovered that this theory was most used by HR trainers in their training programmes. Thus, it is also relevant to training programmes conducted specially in the insurance industry for their employees to improve their productivity and efficiency. Additionally, it is equally important for insurers to match the training needs of current employees to their expectations and competency levels.

4.1.2 Strategic human resource management practices

Strategic human resource management (SHRM) is defined as the linking of the HR function with strategic goals and objectives of the organization in order to improve business performance and develop organizational cultures that foster innovation and flexibility (Truss and Gratton, 1994; Tyson, 1997).

Treen (2000) indicated that enabling the company to execute its strategic plan is the essence of strategic HR. “Once HR understands the gaps, it can make plans to improve the organizational competencies needed to make the overall strategy a successful one” (p.64). He discussed the HR strategic role from the organizational aspects of: future performance capabilities, value and culture, learning and system thinking, passion to improve, partnering and collaboration, and lastly, communication and commitment.

In sum, “the key idea behind overall strategic management is to coordinate all of the company’s resources, including human resources, in such away that everything a company does contributes to carrying out its strategy” (Anthony, Perrewe, and Kacmar, 1996. p.14). Organizations that have adopted SHRM will receive such benefits as: high job performance: high problem solving, change, and innovation; high cost-effectiveness; low turnover, absence, grievances; and attitude and behaviour changes at the workplace, resulting in highly desirable increases in competitive performance (Baker, 1999; Guest, 1992; Storey, 1992). As Treen (2000) summarized, strategic HR must create value by providing learning to develop intellectual capital and core competencies to meet the organization’s strategic needs.

4.1.3 Human resource management practices

Arthur (1994) found that HR practices that focused on enhancing employee commitment were associated with the high organizational performance. In contrast, he observed that HR practices focusing on control, efficiency, and the reduction of employee skills and discretion were related to increased turnover and poorer manufacturing performance.

Based on several survey studies, Pfeffer (1994) summarized 14 HR activities: job enlargement, job rotation, job design/redesign, formal training, personalized work hours, suggestion systems, quality circles, salaried blue-collar workers, surveys of employee attitudes, production teams, labour/management committees, group productivity financial incentives, profit-sharing incentives and stock purchase plan. Pfeffer indicated that there is a somewhat stronger relationship between the rated success of these practices and the extent to which they have been adopted.

To see whether changes in the business environment and corporate strategies are leading to changes in the human resource function, McMahan, Morhman and Lawler III (1999) conducted a study of the human resource functions in 130 large companies. Sixteen practices were included in the study to investigate the change in focus on human resource activities: HR planning, compensation, benefits, OD, employee training/education, management development, employee relations, union relations, HR information systems, performance appraisal, selection, recruitment, career planning, employee record keeping, legal affairs, and affirmative action. McMahan, Mohrman and Lawler III concluded that “there has been a shift in human resources roles: away from auditing and record keeping and toward more business partner and change management support”.

According to Delery and Doty (1996), “Strategic HR practices are those that are theoretically or empirically related to overall organization performance“ (p. 805). Based on previous theoretical works, Delery and Doty identified seven strategic HR practices: internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms and job definition. There are other HR practices that might affect organizational performance. However, the seven practices they identified appeared to have

the greatest support across a diverse literature. They believe these seven practices to be critical characteristics of employment system in organizations.

Best Management Practices

Recent trends indicate that the financial sector is growing increasingly customer- oriented, developing commitment in its employees, developing employees to serve these needs and becoming increasingly socially committed. A research conducted by Travis Perera (1999) identified and analyzed best practices that were consistently present in the management of successful companies in the financial sector of Sri Lanka. The 5 best practices that were consistently present in the said companies were identified:

- ***Lifetime partnership with customers, namely:*** (i) Identifying potential growth customers under innovative schemes: the concept of barefoot banking identifying entrepreneurs located in villages and remote regions of the world and mobilizing them into action; (ii) Retaining customers: once customers have been identified and linked up, it is vital to provide financial products that are competitive in terms of being value adding through innovative augmentations and extensions to realize and ensure continuous customer commitment; (iii) Developing the partnership emphasizes the continuous development of the customer in terms of capability, and of products in terms of quantity, quality and complexity. Developing the customer becomes the basis for mutual development of the partnership.
- ***Dedicating skills to the organization:*** In order to ensure that an organization has a competitive edge in the industry, it is vital that it develops the skills of its employees to be as unique and non-replicable in the industry as possible as well as able to give a high quality performance. This will enable the core skills of the people to be dedicated to the organization as well as give meaning to brand identity and unique value in the industry. The development of these core skills can be made possible through an organization that learns by doing, learns by listening, and learns by making/ creating. According to Nevis *et. al.* (1998), all organizations are learning organizations and the three learning- related factors that are important for their

success are: well developed core competencies that serve as launch points for new products and services; an attitude that supports continuous improvement in the businesses' value added chain; and the ability to fundamentally renew and vitalize.

- ***Building effective commitment:*** It is important that the organization builds, sustains and exchanges commitment amongst its employees, as it is central to their motivation and productivity. This organizational commitment also depends on the focus (the extent of individual's commitment to top management and organization) and base (the extent of individual's commitment to supervisor and workgroup) of commitment.
- ***Now before how:*** Employees need to be empowered and have the necessary power, authority, responsibility and access to resources including information to make effective decisions. This would make the employee flexible and confident to cater for customers' needs. For this purpose, the organization structure has to be made flatter and the company's functional divisions reorganized into self-directed teams led by team leaders, thereby enabling customers to be serviced from a single contact point.
- ***Well-orchestrated controls:*** for long-term success, the organization should orchestrate all processes and controls to perform in harmony. The organization's mission statement provides the direction for long-term actions. The virtuosity of the employees must build up through a process of skill dedication to be capable of performing in harmony. Networking and cross-functional teams were commonly backed in accordance to the level information technology available in the organization.

Another case is that of Siebel Insurance (health care and insurance) which illustrates best practices in every aspect of customer-facing processes from Marketing and Channel Management to Policy Sales and Service to Claims Management. These best practices that were embedded into a consistent set of integrated business processes consist of the following:

- ***Profitability-driven policy renewal processing:*** This integrates customer profitability analysis into the renewal process, leveraging it in the design and execution of segment-based retention strategies to proactively manage renewal opportunities. This approach proactively targets profitable customers. Retention strategies are defined and executed to retain high-value customers and improve the profitability of borderline customers.
- ***Intelligent claims segmentation and routing:*** Intelligent Claims Segmentation and Routing flexibly decomposes a claim into segments while optimizing the assignment of these claim segments to claims adjusters and service providers. Score-Based Assignment is used to automate and optimize the assignment of the claim to the claims adjuster and service providers based on a broad range of criteria including skills or expertise, region, language, workload, and so on. Claims are segmented by coverage type and claim coverage this combination results in a faster and more accurate claims handling. Overall, automated task plans based on claim segments improve policy adherence, tasks follow-up and appropriate management escalation.

4.2 Current Challenges

Findings of a research / survey on the Malaysian Insurance Industry HR Practices (MII, 1997) found that an organization's external and internal environments have strong influence on its HR strategies and practices. The top three HR challenges identified are customer services, compliance with regulation and keeping up with technology. The technology issues at the time of survey, relate more with operational or IT technology within companies rather than the broader technological changes which will bring new types of insurance challenges such as e-commerce and new risks associated with the industrial developments of the Malaysian economy.

Ulrich (1997) postulated that HR holds the keys to success in overcoming eight major challenges facing executives universally, namely: globalization; value chain for business, competitiveness and HR services; profitability through cost and growth; capability focus;

continual changes; technology; attracting, retaining and measuring competence and intellectual capital; and turnaround is not transformation. Collectively, these challenges bring about a new competitive reality that necessitates new and innovative ways of thinking that inevitably impact on HR practices, HR functions as well as HR professionals. In other words, the new competitive reality requires that HR practices add measurable value; HR functions need to deliver business results; and HR professionals proactively develop the discipline of a profession, play new roles and demonstrate new competencies.

4.3 Needs Assessment and Transfer

Many studies on HR practices identified certain barriers to the transfer of training; however, they failed to address front-end activities needed for the improved transfer of newly acquired skills. Rouiller and Goldstein (1993) suggested front-end needs assessment as a requirement for improving training transfer. They concluded that the more positive the organizational transfer climate, the more likely that trainees will transfer key behaviours learned in training back to their jobs. Conducting up-front needs assessment in order to proactively identify possible barriers to transfer and to remove them prior to the training was also suggested by Robinson and Robinson (1985). Wexley and Latham (1991) concurred with this suggestion and recommended the development of a survey instrument that potential trainees and their supervisors would complete in order to identify and remove barriers before any employee time was invested in training.

Brinkerhoff and Montesino (1995) based on their study that included 91 trainees within a Fortune 200 company who were participating skill development courses, added two more techniques to the needs assessment process: a pre-training expectations discussion followed by a post-training follow-up discussion between the supervisor and the employee. The Brinkerhoff and Montesino study concluded that there is a significantly higher level of training transfer for individuals who received the above-described management interventions than for those who did not.

Campbell and Cheek (1989) suggested that developing a workable action plan as a part of the needs assessment process was an additional means to enhance training transfer. Employees and their supervisors mutually design action plans; and they outline objectives for a training session, as well as specific tasks to be performed back at the worksite using newly acquired skills. The goal of these action plans is to more formally identify specific transfer strategies for each employee to use. Such plans could include identification of objectives for training, specification of actions that will be taken, clarification of inputs and assumptions, identification of evaluation methods, and listing of support personnel (Campbell and Cheek, 1989).

Rouda and Kusy (1995) defined a needs assessment as a systematic exploration of the way things are and the way they should be. They suggested that it was important to consider the benefits of any human resource development intervention before it was initiated. Questions to ask should include: What learning will be accomplished? What changes in behaviour and performance are expected? Will they be achieved? What are the expected economic costs and benefits of any project solutions? Rouda and Kusy (1995) also contended that companies are often in too much of a hurry, implementing solutions without the correct interventions. Rouda and Kusy (1995) identified four steps to conducting a needs assessment:

- i. Perform a gap analysis to determine the current state of skills, knowledge, and abilities of employees and to identify the desired or necessary situation.
- ii. Identify priorities and importance.
- iii. Identify causes of performance problems and/or opportunities.
- iv. Identify possible solutions and growth opportunities.

4.4 Training and Development

Transfer of training refers to the extent to which what is learned during a training event results in better performance on the job. As Gagne and Medsker (1996) stated, “because the goal of most training is to improve human performance in the workplace, the transfer of learning from the classroom to the job setting is a matter of crucial importance. Further,

because today's worker is called upon to solve novel problems and not just follow routine procedures, helping trainees transfer learned skills to new situations is of growing concern.” (p. 150)

Broad and Newstrom (1992), in the book Transfer of Training, stressed the importance of organizational or social support systems for facilitating or sustaining transfer – if and when it should occur (Haskell, 1998).

Despite the importance of transfer of learning to the job, many training practitioners argued that such transfer is typically low. Brinkerhoff and Gill (1994) contended that most training does not transfer to the job. Kelly (1982) theorized that only 10 percent of what is learned in training transfers to the workplace. Broad and Newstrom (1992) reported on a study that analyzed the perceptions of HRD professionals of the transfer of content from management development programmes. The professionals believed that only about 40 percent of the content was transferred to the job immediately, about 25 percent was used six months later, and 15 percent was used at the end of a year.

Many barriers can exist that can negatively impact the transfer of training to the job. One such barrier is the existence of an organizational climate and a work environment that are inconsistent with what the training programme presents. Other barriers include the employee's view of training and development activities as unimportant or peripheral to the work of the organization; the employee's individual characteristics and attitudes, and the failure of the training planners to build transfer into training events (Kelly, 1982). Kelly's study was further validated and confirmed based on a recent study by Amran, Shakir and Hishamuddin (2003) which identified non-conducive organizational climates and lack of incentives as two barriers to effective transfer of training.

Baldwin and Ford (1988) determined that the work environment was a significant factor in the transfer of training both before and after training. Their research with U.S. Air Force aviators found that work environment, specifically the opportunity to perform new skills, was a critical factor in the transfer of training. Rummler (1983) stated that a lack of a supportive

work environment would have such a negative effect on a newly trained employee that he or she eventually will not use the skills learned during the training.

Quinones et al. (1993) researched the impact of the opportunity to perform the trained tasks on the job. Their study of the Air Force Aerospace Ground Equipment (AGE) technical training course attempted to identify a correlation between the transfer of trained skills and the extent to which individuals receive opportunities to perform trained tasks on the job. Results of the study showed a strong correlation between these two variables. The basis for this correlation was that individuals who obtained many opportunities to perform trained tasks on the job were more likely to retain and maintain trained skills than those obtaining few opportunities.

Broad and Newstrom (1992), through interviews with trainees and training professionals, identified a number of other transfer barriers, including lack of reinforcement of the training content on the job, problems in the work environment such as work schedule conflicts or the pace of work, and a non-supportive organizational climate. Wexley and Latham (1991) concluded that social influences within the work environment are the major barriers to transfer, including the trainees' interactions with peers and supervisors. In their critique of transfer research, Baldwin and Ford (1988) outlined several variables in the work environment that could determine the degree to which trained tasks are transferred, including supervisory perception of the training, work group support, and the pace of work in the primary work area.

For transfer to occur, Brinkerhoff and Gill (1994) maintained that fundamental changes must be made to the way training is managed and delivered. According to Rothwell and Kazanas (1994), the most common method of delivering training was in a classroom format with live instructors. However, in strategic, future-oriented training, learners must be given opportunities, through role-plays, case studies, and job scenarios that simulate workplace conditions (present and future), to gain experience before they confront real situations (Rothwell and Kazanas, 1994).

The training must accurately reflect realistic job conditions if learning is to transfer rapidly to job performance (Gagne and Medsker, 1996). In addition, Noe and Schmitt (1986) maintained that, “a supportive work climate in which reinforcement and feedback from co-workers are obtained is more likely to result in a transfer of skills from the training environment to the work environment” (p. 498-499).

4.5 Some Trends Influencing Insurance and the HRD and Training Implications

The most important aspects of management that have impacted on Human Resource Management (HRM) seem to be decentralization, IT development and flexibility (Lipiec, 2001). The five trends identified by Lipiec are: (a) strategic approach to HRM – an important plan which correlates a company's plans, goals and objectives to the HR strategy; (b) standardization, referring to two kinds, i.e., legislative and culture; (c) decentralization of HR concepts leading to improved decision making and communication in the units of the organization; (d) development of new competencies and/or refinement of existing ones, in line with the company's aim to be market leader; and (e) education and training. The role of HR managers in future should be adapted in accordance to these trends.

Chiavanato (2001) too had indicated fundamental advances in human resource management was required in the face of environmental challenges and summarized trends that will face HR management. The 12 trends which reflect the need for competitiveness in a turbulent and changing world are: a new philosophy of action; a rapid transformation from staff service to internal consultation; a gradual transfer of functions and decision making to middle managers; close correlation with the company's mission; a move towards clear and accelerated tendency toward downsizing; a work environment which emphasizes participative and democratic culture; increased utilization of motivational tools for improving personal achievement; development of flexible HR policies and practices that are responsive to the needs of the people involved; an orientation towards customer service be it internal or external; a strong concern for developing and/or adding values based on a positive work culture within the organization; a strong concern with knowledge management and

generating intellectual capital; and an overriding concern with preparing the organization and its employees for the future.

Enterprise Risk Management

Insurance, being in the business of underwriting risks, must acquire expertise in enterprise risk management (ERM) to be the core expertise. ERM is a rigorous approach to assessing and addressing an organization's risks from all sources to increase the value of the enterprise. The need for ERM in the financial services sector is driven by external pressures common to all businesses (corporate governance reforms) and regulators' and legislators' concern with protecting policyholders, customers as well as the financial system as a whole. The internal pressures come from business conditions and risks that are unique to the insurance industry, specifically those that arise from operating in a more competitive environment (Miccolis, November, 2000). A host of operational problems in the insurance sector - convergence of the banking and insurance sectors, decreasing margins, increasing competition from unconventional sources, advances in technology, new distribution systems and customer expectations, more demanding stakeholders and too much capital pursuing too little business - bring additional uncertainties and levels of scrutiny.

Thus, in the wake of a riskier environment, financial institutions especially insurers, which can demonstrate mastery of ERM internally will certainly appear more credible in the marketplace, and thus will be able to increase the chances of attracting and retaining their clients and customer.

Miccolis (November 2000) identified a five-step systematic management process which represents the logical flow of activities in developing ERM strategy: assessing risks, articulating strategies, evaluating strategies from policyholders' and owners' perspectives, implementing strategies, and monitoring performance and refining strategies. He pointed out that the relative preferences for maximizing value versus averting risks will differ for each management team, well as the circumstances under which the team must develop its strategy.

Strategic Flexibility Framework for Insurance Companies

In the present state of flux, the strategic framework used for predicting the future must incorporate uncertainty into its framework. According to a study by Deloitte Consulting Analysis (2001), the strategic framework should consist of four phases, i.e., Anticipate (Identify drivers of change, Define the range of possible futures, Develop scenarios), Formulate (Develop an optimal strategy for each scenario, Compare optimal strategies to define “core” and “contingent” elements), Accumulate (Acquire those capabilities needed to implement the core strategies, Take options on capabilities needed for contingent strategies) and Operate (Execute the core strategy, Monitor the environment, Exercise or abandon options as appropriate).

Management must respond appropriately to new information and knowledge as it is acquired. Thus this framework is events-driven and reiterative in nature whilst planning for flexibility. By using this approach, managers can rapidly synthesize new information and react accordingly to those changes. Hence, there is a constant need for retraining employees’ development, learning and relearning of new skills and knowledge.

Bancassurance

The emergence of bancassurance enables banks to offer a package of financial services that can fulfill both banking and financial needs. Banks gain additional fee income, insurers can increase their market penetration and premium turnover, and customers benefit from bancassurance in terms of reduced price, and the convenience of getting their banking and insurance services under one roof.

Collaboration is the key to making this new joint venture a success by combining the capabilities of the banking sector (tapping into their databases for middle market, leveraging their name recognition and reputation at local and regional levels, managing multiple distribution channels, cross selling banking products, and using direct sales) with the experience of the strong insurers (substantial product and underwriting experience, strong “push” channels capabilities and investment management expertise).

E-commerce

E-commerce in retail insurance has already made an impact in developed markets. It is not clear to what extent the Internet will be used for commercial lines, especially more complex liability and property coverage. E-commerce, however, is likely to impact the insurance industry in those behind-the-scenes, "back-room" activities and the activities that are not transparent to customers such as risk assessment, policy processing and administration, claims and loss control (Amran et al., 2003).

The sheer volume of information involved in these areas points to the significant opportunities for efficiency in using the Internet. Increasing competition is pushing the industry to continually improve the efficiency of its products and services – in particular, to reduce transaction costs.

The electronic economy, however, will have a major impact on the industry in terms of insurance exposures - the risks for which customers expect companies to deliver protection and security. Risks associated with e-commerce span a broad spectrum, from computer systems fraud to personal injury, from false advertising, slander or libel to copyright and trademark infringement. High-tech companies involved in e-commerce also have unique needs in such areas as errors' and omissions' liability, protection from computer viruses, and other exposures. While computer penetration may be more limited in some markets, it will expand quickly – and the window of opportunity to develop new products to address those needs will be limited. The Internet is today's reality. Insurers who will succeed will be those who are innovative and have the competencies to respond to changing client and customer needs.

Outsourcing

Outsourcing is a strategic choice to purchase some activities from outside suppliers. Firms often purchase a portion of their value creating activities from specialty external suppliers who can perform these functions more efficiently. Strategic rationales for outsourcing are to improve business focus, provide access to world-class capabilities, accelerate business re-engineering benefits, share risks, and free resources for other purposes.

Within the insurance industry, outsourcing of non-core business activities such as call centres and training have become common phenomena. Cheaper options to move call centres elsewhere and diseconomies of scale for training have made outsourcing a favourable option for some companies.

Takaful

Insurers with appropriate knowledge and skills can gain from providing insurance products that comply with Islamic principles to cater for the special needs of the Muslim population in ASEAN countries such as Brunei, Indonesia and Malaysia. The Takaful industry has evolved to become an important constituent in the overall Islamic financial system. Since the concept underlying this product differs from that of traditional insurance, it is appropriate that the strategic human resource management as well the delivery of customer services is re-orientated in line with its concepts, i.e., Al-Mudharabah, Al-Takaful and Tabarru'.

According to the Malaysian Insurance Annual Report 2003, market penetration in terms of Takaful policies over the total population is only 3.8%. This indicates untapped potentials in Malaysia and the ASEAN Muslim markets and ultimately, the global Muslim market (Yusof, 1996). Challenges in this sector include the lack of uniform terminology, Syariah interpretation, human resource development, product innovation, retakaful, and promotional and marketing strategies (Yon Bahiah, 2003).

Knowledge Workers:

Insurance is a knowledge- based industry, as reflected by the number of qualified staff from various disciplines needed to provide insurance services. Knowledge workers must be managed differently. They respond to responsibility rather than command and control. It implies that there are no “subordinates”, only “associates”. In knowledge- based organizations, staff must be able to control their own work through feedback of their efforts and actions in relation to the objectives. The key question that should be in their minds is: “What are the contributions to my company and its mission that I can make?”

4.6 HR Issues in the Insurance Industry

Successful insurance companies are the ones that continuously upgrade their talents through well-planned HRD and training programmes. Qualified staff focusing on building core specialization such risk management, underwriting and claims in niche markets become essential elements of competing in a highly competitive environment. Guerinni (1996) identified seven major concepts as relevant HR issues faced by the insurance industry: (i) Cost effectiveness of training; (ii) Cultural training; (iii) Evaluation of training; (iv) Follow-up training; (v) Global training; (vi) New developments in training and Virtual computer training, 21st century training; and Just-in-time (JIT) training.

5.0 ANALYSIS OF FINDINGS

Descriptive analysis was used to assess the responses of participants of the survey. Valid percentages were used predominantly in this report due to the high number of unanswered responses from most of the respondents. For the analysis on items using 5 point scales, the means were also calculated.

5.1 SECTION A: Profile of Respondents

A total of 138 respondents from 8 ASEAN countries participated in the survey. A majority of 40 companies (or 29.0%) of the companies that participated in this survey are from Indonesia as indicated in Table 5.1a.

Table 5.1a: Country of Origin

Country	Frequency	Percent
Indonesia	40	29.0
Malaysia	27	19.6
Philippines	18	13.0
Thailand	18	13.0
Brunei	17	12.3
Singapore	11	8.0
Vietnam	4	2.9
Cambodia	3	2.1
Total	138	100.0

Table 5.1b: Type of Company

Type of Company	Frequency	Percent	Valid Percent
General	71	51.4	53.0
Life	36	26.1	26.9
Reinsurance	14	10.1	10.4
Composite	13	9.4	9.7
Total	134	97.1	100.0
Unanswered	4	2.9	
Total	138	100.0	

Table 5.1.b shows that 53.0% of the respondents are general insurers and 26.9% are life insurers. The remaining are re-insurers and composite insurers.

5.2 SECTION B: Challenges and Solutions

5.2.1 Challenges faced by the local insurance industry

This is a strategic dimension of this study. Twelve challenges faced by the local insurance industry were listed and respondents were requested to identify and assess the strategic impact/importance. They were requested to identify and assess any other additional factors.

As indicated in Table 5.2.1, increased liberalization due to greater market liberalization (mean 4.23), is cited as the factor of extreme importance. This is followed by: lack of qualified and trained workforce (mean 3.88) and low economic growth (mean 3.88).

Other key challenges identified are lack of public awareness of the benefits of insurance, entry of banks into the insurance sector, quality of current marketing / distribution systems and adequacy of ethical standards in the insurance industry. Surprisingly, the lowest important HR challenge was identified as E-Commerce, with a mean score of 3.12.

Table 5.2.1: Challenges faced by the local insurance industry

	Challenges Faced by the Local Insurance Industry	Strategic Challenge					Mean
		Low	Below	Average	Above	High	
1.	Increased competition due to greater market liberalization	0.9	1.7	14.5	39.3	43.6	4.23
2.	Lack of qualified and trained workforce	3.5	4.4	24.8	35.4	31.9	3.88
3.	Low economic growth	2.8	10.3	18.7	32.7	35.5	3.88
4.	Lack of public awareness of the benefits of insurance	0	9.5	26.3	35.8	28.0	3.83
5.	Entry of banks into the insurance sector	2.0	10.0	18.0	47.0	23.0	3.79
6.	Quality of the current marketing/distribution systems	0	9.9	23.8	47.5	18.8	3.75
7.	Adequacy of ethical standards in the insurance industry	3	8.1	33.3	38.4	17.2	3.59
8.	Coping with advances in information and communication technologies	2.0	8.1	35.4	39.4	15.2	3.58
9.	Access to capital resources to absorb increasing operational risks	2.6	10.4	39.0	28.6	19.5	3.52
10.	Increased operational risks	13.0	0	30.4	39.1	17.4	3.48
11.	Coping with the current regulatory and supervisory environment	2.0	12.0	48.0	29.0	9.0	3.31
12.	E-Commerce	5.8	31.4	24.4	22.1	16.3	3.12

5.2.2 HR Challenges predominant in the local market

Respondents were asked to state three most important HR challenges prevailing in their domestic market. This is a subjective question to depict the local HR issues at the macro level. The survey also sought their views of measures to overcome the challenges they had identified.

Their responses are as in Table 5.2.2. The three most important HR challenges are: (1) competency, relevancy and experience; (2) strategic planning management and (3) training and development while the top three important solutions identified are: (1) competency and experience relevant to the industry; (2) provision of adequate and relevant training and development activities; and (3) incorporation and implementation of strategic HR planning.

Table 5.2.2: Important HR Challenges and Solutions

Important HR Challenges/Solutions	Challenges	Solutions
Competency, relevancy and experience	150	148
Strategic planning management	137	122
Training and development	132	139
Recruitment	108	29
Leadership	77	55
Staff retention	44	25
Wages and benefits	43	37
Response to change	33	11
Total quality management	28	38
Ethics and corporate governance	8	6
Compliance with industrial standards and guidelines	8	7
Public awareness/education	8	13
Perceptions of product features	7	4
Performance appraisal systems	6	22
Authority of regulators	2	4
Smart partnership and cooperation	2	10
Review of education systems	1	4
Review industry structure, regulation, etc.	0	16
Outsourcing	0	3

5.2.3 Human resource challenges faced by own company

The survey asked insurers to state the most pressing human resource issues faced by their companies and to assess the strategic impact of the issues/ challenges they had identified on a scale of one (1: lowest strategic impact) to five (5: highest strategic impact). A microanalysis was done and based on the mean scores, the top three key internal HR challenges are: (1) low productivity of agents; (2) inability to attract high quality/qualified entrants; and (3) lack of multi-skilled staff.

Table 5.2.3: Key Human Resource Challenges Currently Facing the Company

	Major HR Challenges Impacting your Company	Strategic Challenge					Mean
		Low	Below	Average	Above	High	
1.	Low productivity of agents	1.2	12.2	26.8	45.1	14.6	3.60
2.	Inability to attract high quality / qualified entrants	3.3	9.8	32.6	37.0	17.4	3.55
3.	Lack of multi-skilled staff	3.4	10.1	30.3	43.8	12.4	3.52
4.	Lack of underwriting, claims, actuarial and other skills	9.1	10.4	27.3	37.7	15.6	3.40
5.	Staff not able to provide good customer service	7.0	12.8	32.6	30.2	17.4	3.38
6.	Lack of leadership and decision making skills	8.9	20.0	25.6	22.2	23.3	3.31
7.	Lack of technical expertise	7.8	12.2	34.4	33.3	12.2	3.30
8.	Inadequate promotion and other incentives for staff	7.5	12.9	39.8	23.7	16.1	3.28
9.	Lack of general management skills, inability to implement strategies	5.9	16.7	36.3	27.5	13.7	3.26
10.	Low productivity of employees	3.1	21.4	33.7	31.6	10.2	3.24
11.	Staff not able to work as a team	8.0	29.5	20.5	23.9	18.2	3.15
12.	Lack of exposure to international best practices and techniques	8.4	15.7	39.8	27.7	8.4	3.12
13.	High level of staff turnover	17.9	20.5	21.8	29.5	10.3	2.94

5.2.4 Level of competency of brokers and adjusters.

Brokers and adjusters provide very important functions to insurers (one is in marketing and the other in claims), and both have direct impact on revenue and costs respectively. In other words, both have direct influence on the level of the satisfaction of insurance clients with the insurers’ products/service experience.

Respondents assessed the overall competence of the broking and loss adjusting services based on a scale of one (1: lowest competence) to five (5: very competent). The survey indicates that respondents rate the competency of loss adjusters only slightly higher than that of brokers. However, as seen from Table 5.2.4 the low means indicate that the level of competency of both brokers and adjusters is only average.

Table 5.2.4: Assessment of Competence of Brokers and Loss Adjusters

	Competency Level	Low	Below	Average	Above	High	Mean
1.	Loss adjusters	4.9	11.8	45.1	33.3	4.9	3.22
2.	Brokers	6.6	10.4	46.2	33.0	3.8	3.17

5.2.5 Factors influencing manpower growth

Respondents were requested to provide the factors that would influence the growth of manpower in their organizations in the medium term. Based on Table 5.2.5, the respondents rate business growth highest with a mean of 4.28. The second is competition with a mean of 3.92 while the third is products and services diversification with a mean of 3.77.

Another level of analysis was conducted to determine the impact of these factors on manpower growth. Table 5.2.5 shows that the highest impact is business growth, followed by products and services diversification, and staff costs. The study also reveals that the first two factors (business growth and products, and services diversification) have positive impact on manpower growth while the third factor (staff cost) has a negative impact.

Table 5.2.5: Factors That Influence Growth of Respondents’ Organizational Manpower for the Next Three Years and the Impact On Manpower Growth

	Factors that Influence Organizational Manpower Growth	Strategic Challenge					Mean	Impact
		Low	Below	Average	Above	High		
1.	Business growth	1.5	1.5	16.2	28.5	52.3	4.28	.84
2.	Competition	2.5	4.9	19.7	44.3	28.7	3.92	.13
3.	Products and services diversification	2.5	4.9	28.7	41.0	23.0	3.77	.52
4.	Advancements in IT	2.5	10.0	32.5	28.3	26.7	3.67	-.40
5.	Staff cost	4.3	8.6	26.7	38.8	21.6	3.65	-.43
6.	Liberalization of insurance market / AFTA	6.5	10.2	32.4	26.9	24.1	3.52	.08

5.2.6 Important factors influencing company’s competitive position

The heart of the matter for strategic human resources management is ensuring that staff possess what it takes for their companies to compete effectively. An analysis on factors

which were identified by respondents to have high impact on the company’s competitive position is as indicated in Table 5.2.6.

Respondents (54.6%) perceive high quality of customer service (mean of 4.48) as a factor with the most influence on their company’s competitive position. This is followed by knowledge and competency of employees and agents (mean score 4.36), and having a strong brand name (mean score: 4.33). These most probably reflect the reaction of insurers to the competition from banks in the retail insurance market segment. Other significant factors in descending order of importance to competitive positioning are:

- technical and operational capabilities
- having a professional image with customers
- efficient IT systems and computerization
- improved existing products.

Table 5.2.6: Important Factors Influencing Company Competitive Position

	Factors Influencing Firm’s Competitive Position	Impact					Mean
		Low	Below	Average	Above	High	
1.	High quality of customer services	0	0	7.3	37.9	54.8	4.48
2.	Knowledge and competency of employees and agents	0	1.5	13.1	33.1	52.3	4.36
3.	Having a strong brand name	0	3.3	8.3	40.8	47.5	4.33
4.	Technical and operational capabilities	0	1.6	12.8	43.2	42.4	4.26
5.	Having a professional image with customers	0	4.3	12.8	41.9	41.0	4.20
6.	Efficient IT systems and computerization	0.9	1.8	19.3	37.6	40.4	4.15
7.	Improved existing products and services quality	1.7	0.9	13.8	49.1	34.5	4.14
8.	Adequacy of capital resources	0.9	2.8	25.2	35.5	35.5	4.02
9.	Introduction of new products and services	0.9	3.6	26.4	40.9	28.2	3.92

5.2.7 Training objectives

Of the 13 factors listed, 64.2% of the participants of this survey believe that in the next three years the most important training objectives will be: improving quality of service and customer satisfaction (rated the highest at 4.55), followed by providing training that supports business objectives, and providing training to improve operational efficiency, as indicated in Table 5.2.7.

Table 5.2.7: Rating of Importance of Training Objectives for the Next 3 years

	Firm's Training Objectives for the Next 3 Years	Importance					Mean
		Low	Below	Average	Above	High	
1.	Improving quality of service and customer satisfaction	0	0.8	7.5	27.5	64.2	4.55
2.	Supporting business objectives	0	4.1	5.8	33.1	57.0	4.43
3.	Improving operational efficiency	1.7	0	9.2	35.3	53.8	4.39
4.	Increasing the number of qualified staff	0	0	11.5	42.5	46.0	4.35
5.	Improving competitive edge	0.9	0.9	15.0	36.4	46.7	4.27
6.	Creating more favourable attitudes, loyalty and cooperation	0.9	0.9	17.8	33.6	46.7	4.24
7.	Improving managerial skills	1.8	2.7	13.6	41.8	40.0	4.15
8.	Improving supervisory skills	1.7	0	18.6	45.8	33.9	4.10
9.	Developing expertise/competency in new areas	0	3.8	17.3	54.8	24.0	3.99
10.	Helping employees in their personal development and advancement	2.5	2.5	21.2	42.4	31.4	3.97
11.	Orienting and informing employees	1.0	5.0	31.7	26.7	35.6	3.91
12.	Introducing new corporate culture	5.3	7.4	24.5	37.2	25.5	3.70
13.	Obtaining ISO certification	11.5	11.5	19.2	35.9	21.8	3.45

5.3.1 SECTION C: Strategies

5.3.1. Importance of HR to company's competitive advantage and HR vision

The question on the importance of HR in relation to the company's strategies to succeed in the market also reflects management commitment to HR. Consistency of vision with actions as reflected by budget commitments and other training practices will determine the success of HRD in relation to its vision and objectives.

The majority (47.0%) of the respondents consider that HRD contributes very importantly to their company’s competitive advantage and positioning, as shown in Table 5.3.1a. The overall mean for this item is 4.40 and is considered to be very high in terms of strategic importance.

Table 5.3.1a: Strategic Importance of HRD with regard to Competitive Advantage

HRD Importance	Frequency	Percent	Valid Percent
Very important	54	39.1	47.0
Above average importance	49	35.5	42.6
Average importance	12	8.7	10.4
Total	115	83.3	100.0
Unanswered	23	16.7	
Total	138	100.0	
Overall mean			4.40

Based on Table 5.3.1b, most participants stated that the HR vision or policy statement of their companies was centred upon performance and efficiency. The second most widely used HR vision theme was quality and continuous improvement, followed by professionalism.

Table 5.3.1b: HR Vision/Policies

HR Vision Policy Themes	Occurrence
Performance driven, efficiency	41
Quality driven, continuous improvement	33
Professionalism	22
Concern for own personnel/staff	21
Leadership	13
Conducive environment	13
Customer focus	9
Change or challenge oriented	4
Strategic partnership	4
Ethical, equal opportunity	3
Market oriented	2
Communication	1
Cost conscious	1

5.3.2: The company’s training unit and HRD budgets

Based on Table 5.3.2a, out of the 49 respondents who completed this item, most of the insurers surveyed have small training units, and most companies have between 1 to 4 full-time trainers and instructors. Considering the wide range of topics of which have been

identified, it can be implied that the insurers surveyed use external training providers extensively, as indicated in Table 5.3.2b. They have also been able to conduct various training programmes through industry collaboration. In some ASEAN countries, there are established training and educational institutions that are well supported by their respective markets. Surprisingly, respondents did not mention the role of universities in supporting insurance education and research.

Table 5.3.2a: Number of Full-Time Trainers/Instructors

Number of Staff	Frequency	Percent	Valid Percent
4	12	8.7	24.5
1	10	7.2	20.4
2	9	6.5	18.4
3	4	2.9	8.2
6	3	2.2	6.1
11	3	2.2	6.1
7	2	1.4	4.1
10	1	.7	2.0
12	1	.7	2.0
18	1	.7	2.0
20	1	.7	2.0
38	1	.7	2.0
40	1	.7	2.0
Total	49	35.5	100.0
Unanswered	89	64.5	
Total	138	100.0	

As seen in 5.3.2b, the majority of the respondents stated that most training programmes in their companies are coordinated internally through the coordination and involvement of branch manager, top management, or the HR department. The next popular mode was through outsourcing coordinated through the insurance associations in their countries or private training course providers. Many companies outsource their training to external providers and by attending courses, seminars and conferences.

Table 5.3.2b: Mode of Training

Mode	Occurrence
Internal/branch manager/top management/HR department	41
GIAP/PIAM/outsource	20
Tapping into external training programmes	15
No training	1

Respondents were asked to indicate the size of their training budget as a percentage of staff costs and as a percentage of agents' commission for the training of their staff and their agents respectively. As indicated in Table 5.3.2c, the majority or 74.2% of the companies that responded to this survey allocate between 1%-5% of their staff cost for the training budget.

Table 5.3.2c Training Budget for Company Staff as Percentage of Staff Cost

Percentage	Frequency	Percent	Valid Percent
1-5%	72	52.2	74.2
6-10%	19	13.8	19.6
21-25%	2	1.4	2.1
26-30%	2	1.4	2.1
11-15%	1	.7	1.0
16-20%	1	.7	1.0
Total	97	70.3	100.0
Unanswered	41	29.7	
Total	138	100.0	

64% of the respondents stated that their budget for training of agents is between 1%-5% of sales commission, as shown in Table 5.3.2d.

Table 5.3.2d: Training Budget for Agents as a Percentage of Commission

Percentage	Frequency	Percent	Valid Percent
1-5%	36	26.1	64.3
6-10%	9	6.5	16.1
11-15%	6	4.3	10.7
16-20%	3	2.2	5.4
21-25%	1	.7	1.8
26-30%	1	.7	1.8
Total	56	40.6	100.0
Unanswered	82	59.4	
Total	138	100.0	

It would be interesting to know if insurers' training budget for staff and agents will actually be increased over the years to reflect the increasing importance of HRD and training.

5.3.3 Educational priorities

Recognizing the importance of knowledge/professional workers in insurance, it is important to assess the areas and extent of importance and commitment attached to ensure that companies would have the required talents to meet the challenges identified earlier. Based on Table 5.3.3a, respondents rated technical insurance knowledge for underwriting as the most important HRD/educational priority. The second highest rating was for customer relations/services, followed by technical insurance knowledge for claims. This reflects the seriousness of companies in developing core competencies in underwriting of risks, marketing and servicing their clients/customers. Insurance rating and pricing is also given high ranking. Respondents also expressed that their organizations would also be concerned with developing competent managers and leaders, as reflected in the high rating given to:

- Management development targeted for middle management, and
- Leadership development for top management.

Table 5.3.3: Rating of HRD/Educational Priorities

	Priorities	Low	Below	Average	Above	High	Mean
1.	Technical insurance knowledge for underwriting	0	2.4	5.7	33.3	58.5	4.48
2.	Customer relations/services	0	1.0	9.6	32.7	56.7	4.45
3.	Technical insurance knowledge for claims	0	2.6	6.8	36.8	53.8	4.42
4.	Marketing and salesmanship	0	2.8	13.2	33.0	50.9	4.32
5.	Technical insurance knowledge for rating and pricing	1.0	1.0	15.4	38.5	44.2	4.24
6.	Management development for middle managers	0	1.9	17.9	39.6	40.6	4.19
7.	Leadership development for top managers	1.0	2.0	16.0	42.0	39.0	4.16
8.	Risk management	0	2.0	19.2	41.4	37.4	4.14
9.	Team building	0	3.0	18.8	41.6	36.6	4.12
10.	Management development for top managers	1.0	4.9	16.4	39.8	37.9	4.09
11.	Agency development	1.2	3.6	18.1	42.2	34.9	4.06
12.	Quality control	1.1	5.3	16.8	44.2	32.6	4.02
13.	IT / Computer	1.0	2.0	22.5	47.1	27.5	3.98
14.	Personal growth and development	0	3.2	20.0	56.8	20.0	3.94
15.	Business communication	0	5.7	29.5	48.9	15.9	3.75
16.	Internal audit and control	2.2	7.6	33.7	29.3	27.2	3.72
17.	Investment	5.7	12.5	18.2	37.5	26.1	3.66
18.	Accounting	3.1	7.1	34.7	33.7	21.4	3.63
19.	Actuarial	8.4	10.8	21.7	31.3	27.7	3.59
20.	Finance	4.8	7.2	34.9	33.7	19.3	3.55
21.	Law	2.6	10.5	42.1	30.3	14.5	3.43

5.3.4 Incentives for staff education

To motivate staff toward educational achievement, most companies provide some kind of incentives. As seen in Table 5.3.3b, the most popular form of incentives provided for staff educational needs is sponsorship or loans for courses. The second most common incentive provided is in the form of paid leave to attend courses, followed by the provision of subsidy for course fees/examination fees.

There is room for companies to be more creative in this area as this may prove to be rewarding in the long term. Companies sometimes are ambivalent about providing generous incentives for staff education because this will increase the “marketability” of their staff. This will eventually result in their losing qualified and trained staff to other companies or competitors. However, if this attitude is pervasive in the market, it may lead to a vicious cycle of “lack of qualified staff”, resulting in a permanent market issue.

Table 5.3.4: Incentives Provided for Staff Educational Needs

Incentives	Occurrence
Sponsorship for course (including loans)	30
Paid leave for courses	25
Subsidy for fees/examination fees	9
One-time incentive for passing course	5
Paid leave for examination	5
Provision of allowance/pocket money	4
Case-to-case basis	2
Encouragement	2
Text book allowance	1
Advancement for fees	1
Rice subsidy	1
Bonus for successful completion	1
Salary increment upon passing	1

5.3.5 Training areas/topics

Knowledge and skills related to insurance are specialized areas that are not normally provided by non-specialized training providers. 28 focus areas were listed and respondents were asked to identify and assess the importance of these topics in relation to the training needs of their companies. Based on the survey findings, the highest priority is given to training on decision making on insurance levels and reinsurance buying strategies (4.05) as well as setting underwriting standards, followed closely by strategic management and effective claims management in general insurance.

Most respondents consider advanced areas such as alternative risk financing and derivatives in insurance, treasury risk management, ALM and scientific pricing less important, reflecting that these topics are either too advanced for their stage of development or that the functions are outsourced to consultants or their reinsurers. The majority of respondents are presently more concerned with the fundamental areas of insurance operations and marketing.

Table 5.3.5: Training Needs on Focus Areas

	Priority	Low	Below	Average	Above	High	Mean
1.	Deciding on insurance levels and reinsurance buying strategies	0	2.3	33.7	38.4	24.4	4.05
2.	Setting underwriting standards	1.0	2.1	21.9	40.6	34.4	4.05
3.	Strategic management	.9	3.7	25.9	33.3	36.1	4.00
4.	Effective claims management in general insurance	3.4	3.4	17.2	42.5	22.3	3.99
5.	Risk Management	2.1	1.1	21.3	47.9	27.7	3.98
6.	New product development - general insurance	4.5	7.9	12.4	37.1	38.2	3.97
7.	How to manage the underwriting cycle	0	7.0	17.4	48.8	26.7	3.95
8.	Developments in IT	1.1	6.7	21.3	41.6	29.2	3.91
9.	Direct marketing	2.1	6.4	33.0	29.8	28.7	3.77
10.	Brand name development	2.3	5.7	30.7	37.5	23.9	3.75
11.	Setting efficient organizational structures	2.5	11.1	22.2	40.7	23.5	3.72
12.	Enterprise risk management	0	10.3	37.2	32.1	20.5	3.63
13.	Market research in insurance	1.1	4.3	35.9	7.8	10.9	3.63
14.	New product development-life insurance	12.3	7.0	12.3	43.9	24.6	3.61
15.	Developments in international reinsurance	2.8	11.3	31.0	35.2	19.7	3.58
16.	Treasury risk management in insurance	0	17.9	28.4	32.8	20.9	3.57
17.	Bank assurance and financial sector convergence	1.2	16.3	25.6	39.5	17.4	3.56
18.	Scientific pricing in insurance	4.5	9.0	29.9	41.8	14.9	3.54
19.	Investment of insurance company funds	1.4	13.5	35.1	31.1	18.9	3.53
20.	Alternative risk financing and derivatives in insurance	1.5	13.2	36.8	35.3	13.2	3.46
21.	Captive insurance and risk retention pools	10.2	8.5	30.5	27.1	23.7	3.46
22.	Asset-liability management in insurance	1.4	13.9	40.3	31.9	12.5	3.40
23.	Reserving methods in general insurance	7.6	6.1	40.9	31.8	13.6	3.38
24.	International insurance accounting standards	2.8	8.3	52.8	26.4	9.7	3.32
25.	Outsourcing insurance	11.1	15.9	42.9	25.4	4.8	2.97
26.	Meeting management challenges in joint venture	15.2	23.9	30.4	30.4	0	2.74

5.3.6 In-house training

Table 5.3.6a indicates that the most highly subscribed training activities are in the areas of management and leadership. The second most popular training activities are related to agent product knowledge, followed by customer care.

Table 5.3.6a: Training Activities Planned for 2003

Training Activities	Occurrences
Management and leadership	27
Agent product knowledge/competencies	17
Customer care	14
Claims	11
English and communication	10
Basic insurance	7
General insurance	7
Underwriting	6
Marketing	6
Induction/orientation	6
Risk management	5
ISO and quality management	5
Electronic data processing	5
Personality development/career development	5
Information technology	4
LOMA	4
GDMII/IPGD	4
Accounting	4
Supervisory development/mentoring	4
Strategic planning	3
Finance	3
Actuarial science	3
Contract drafting	3
PCEIA/LPAI	2
Others (motivation, teamwork and non-insurance related training)	13

Based on Table 5.3.6b, the most popular form of training activities planned for the year 2004 is in the area of management and leadership. The second most popular training activities are related to insurance claims, followed by underwriting and total quality management.

Table 5.3.6b: Training Activities Planned for 2004

Training Activities	Occurrences
Management and leadership	25
Claims	11
Underwriting	9
Total quality management	9
IT	8
Product knowledge	8
English/communication	8
Strategic planning	8
Customer services	7
Management development	7
Influencing/negotiation	6
Introduction/orientation	6
Staff development/mentoring	6

LOMA	5
Teamwork	5
Covey-related/personal development	5
GDMII/IPGD	5
Technical insurance	4
Marketing	4
Key performance index	4
Risk	4
Career development	4
Presentation	3
Recruitment	3
ACII	3
PCEIA/LPAI	3
Basic insurance	2
Soft skills	2
Interpersonal skills	2
MBA	2
Problem solving skills	2
Non motor	2
Investment	2
Others (internal services, licensing, AAMAI, brokerage)	9

5.3.7 Success of company’s development and training programmes

Table 5.3.7 reveals that the majority of the participants feel that the level of success of their training activities is above average.

Table 5.3.7: Opinion on Success of Training Activities

Opinion	Frequency	Percent	Valid Percent
Below average	7	5.1	6.1
Average	48	34.8	42.1
Above average	52	37.7	45.6
Successful	7	5.0	6.2
Total	114	82.6	100.0
Unanswered	24	17.4	
Total	138	100.0	

5.3.8 Problems and issues of training

No surprises here. Based on Table 5.3.7, most of the respondents feel that problems with regard to existing training programmes evolve around issues such as motivation, non-applicability of training programmes, limited budget, poor planning, trainer ineffectiveness and high staff turnover. If these problems can be overcome, the effectiveness of HRD can be increased.

Table 5.3.8: Problems with regard to Existing Training Programmes

Problems	Occurrences
Motivation	7
Applicability/relevance/mismatch	6
Limited budget	3
Planning	3
Trainer effectiveness	3
Staff turnover	3
Alignment with company objectives	2
Follow-up training	2
Performance appraisal	2
Attitude problem	2
Others (training material, lack of trainers)	7

5.3.9 Perception

Respondents were asked to indicate their perception on various aspects of operational issues and market developments. The top three perceptions on operation plans and current issues are centred on the following: (1) more focus on risk management in the next 5 years; (2) the practice of “promotion from within”; and (3) the focus on current insurance lines in the next 5 years. Respondents surveyed also believe that insurance companies should not rely on agents to determine new products and to expand their products/services range in the next 5 years. Opinion is more divided on the importance of the Internet as a channel for insurance distribution in the next few years, and formal succession planning. While respondents are concerned about the negative impact of liberalization on local insurers, they are more concerned with the competition from banks, and large global insurers.

Table 5.3.9: Perceptions on Operation Plans and Current Issues

Operation Plans and Current Issues	Opinion	
	Yes	No
My company will focus more on risk management in the next 5 years	89.8	10.2
My company strongly believes in the practice of “promotion from within”	81.6	18.4
My company will continue to focus on current insurance lines in the next 5 years	75.3	24.7
Bank assurance will gain substantial market share in the next 5 years	73.2	26.8
Banks and other financial services companies are serious threats encroaching into the insurance market	65.3	34.7
With liberalization, the local insurance industry will be dominated by large global insurers	62.2	37.8
The Internet and electronic commerce will be major distribution channels in the next 5 years	54.5	45.4
In the next 5 years, consumers will prefer electronic (the Internet or on-line computer service)	49.0	51.0
There is a formal succession plan in my company	48.0	52.0
Liberalization of the insurance market is bad for local insurers	44.6	55.4
My company will rely less on agents in the next 5 years	37.6	62.4
Job rotation is compulsory for executives in my company	24.5	75.5
My company relies on agents to determine new products	20.4	79.6
My company will focus on fewer insurance lines in the next 5 years	20.2	79.8

5.3.10 Five- year trend

The survey indicates that according to respondents, although e-commerce is not an extremely important current issue, it will be so in the future/medium term, particularly for bancassurance as banks are very adapt at providing services through IT technology. Respondents believe that the most important HRD trend is related to strategic HRD, followed by E-commerce. The third most important HRD trend is related to the areas of talent management, new product development and ISO certification. This gives some indication of the direction of HRD efforts which will be very close to the long-term direction of companies as well, given the strategic alignment of HRD to the current business objectives and performance targets of companies.

Table 5.3.10: HRD Trends and Occurrence

HRD Trends	Occurrences
Strategic HR	15
E-Commerce	8
Talent Management	5
New Product Development	5
ISO	5
Leadership	4
Risk Management	4
Staff Development	3
Capability Development	3
IT	3
Multi Skill	3
Operational	2
Strategic Alliance/Partnership	2
Best Management Practices	2
Outsourcing	2
Soft Skills	2
Communication	2
Learning Organization	2
Change Management	2
Others	9

5.3.11 Recommendations on HR strategies

Overall, there is increased commitment to HRD and insurers indicate a high level of awareness of their training needs. Most respondents propose increased training, retention of talents, and training relevance, as indicated in Table 5.3.10.

Table 5.3.11: Developing Strategic Plan for HRD and Occurrence

Strategic Plan	Occurrences
More training options	18
Retention of talents	8
Training relevance	8
Succession planning	5
Incentives/scholarships for training	4
Benchmarking	3
Gap analysis	2
Others	6

5.3.12 How to support HRD

Most of the respondents recommend that companies review their training and development activities. The second most popular recommendation to support HRD is that companies conduct strategic HRD, followed by provide incentives, time and subsidy as well as budget for training, as indicated in Table 5.3.11.

Table 5.3.12: Recommendations to Support HRD and Occurrence

Recommendations to support HRD	Occurrences
Review training development	18
Strategic HRD	9
Incentives, time, subsidy	5
Budget for training	5
Training needs analysis	4
Support of top management	4
Knowledge sharing with others	4
International exposure	3
Develop training department	2
Collaboration	2
Public awareness on insurance importance	2
Improve concern for staff	2
Career development	2
Mentoring	2
Share best practice management	2
Others	9

5.3.13 Exposure to international practice

Respondents believe that top management should have more international experience and indicate the subject areas as in Table 5.3.12. This reflects the desire to be aware of best practices and the need for top management to broaden their horizon. Developments in developed markets could be precursors of things to come in the developing ASEAN markets. In the age of regionalization, top management should look out for regional and international opportunities. Moreover, it will be increasingly difficult to ignore global developments.

Table 5.3.13: Should Top Management have More International Experience and Occurrence?

Response	Occurrences
No	4
Maybe	2
Yes	59
• Underwriting	17
• Marketing	10
• Claims	8
• Risk	8
• Product development	6
• Customer services	5
• Strategic management	4
• Best practices	3
• Leadership	3
• IT	3
• Communication/English	3
• Others	12

5.3.14 ASEAN collaboration

Most respondents believe that greater collaboration can be achieved at the ASEAN level through conferences/forums to exchange ideas, practices and experiences, followed by exchange of expertise within ASEAN.

Table 5.3.14: How Greater Collaboration can be Achieved and Occurrence

Methods of Collaboration	Occurrences
ASEAN-level collaboration	18
Forum to exchange ideas, practices and experience	10
Exchange expertise at ASEAN	4
Networking	2
Realize the importance of human capital	1
Culture building	1
Programme standardization at ASEAN	1
Website to share best practices	1
Regional journey	1