

AITRI

THE ASEAN INSURANCE TRAINING AND RESEARCH INSTITUTE

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



RESEARCH ON
THE DEVELOPMENT AND TRAINING NEEDS OF INSURANCE
REGULATORS AND INSURERS IN ASEAN

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PART I

RESEARCH ON HUMAN RESOURCE DEVELOPMENT AND TRAINING NEEDS OF INSURANCE SUPERVISORY AUTHORITIES IN ASEAN COUNTRIES

1.0 INTRODUCTION

Revolutionary changes in the financial services industry (in which insurance forms a vital component) are striking at its very structure. Globalization, internationalization, deregulation, privatization, and digitalization have triggered fundamental changes in the financial and insurance market structures and are creating new operational realities. These, in turn, generate new supervisory issues that demand appropriate regulatory and supervisory responses. Insurance Regulators also face other economic and socio-political pressures and issues that challenge their effectiveness, such as market failures, increasing costs, availability, and access.

Policy makers and Regulators of insurance markets need to examine these issues; determine the specific objectives of insurance regulation and supervision which they must deliver; decide on the regulatory regime and supervisory system; acquire the resources / instruments they will need to regulate; and supervise in more complex and dynamic realities. These are difficult agenda even for authorities in advanced markets.

ASEAN Regulators/Supervisors face a greater need to develop public trust and international confidence in their insurance markets. They have to balance liberalization while ensuring that new forces of competition do not overwhelm their domestic insurers, while at the same time ensuring that consumers must also benefit from competition. As the insurance market globalizes further, insurers and, by implication the Regulators, have also to comply with international standards and international practices which must be applied in the local situation.

It is in this context that ASEAN Insurance Regulators and Supervisors, concerned with promoting a strong and efficient insurance sector, must develop new competencies and

capabilities to handle these challenges. It is imperative that the process of human resource development (HRD) and capacity building of the relevant institutions be accelerated. Training and learning becomes an important and urgent agenda.

2.0 AIMS OF THE SURVEY

In view of the above, ASEAN Insurance Regulators commissioned The ASEAN Insurance Training and Research Institute (AITRI) to conduct a research survey to obtain the views of insurance regulatory authorities within the ASEAN region on “ Human Resource Development and Training Needs of Insurance Supervisory Authorities in ASEAN Countries” to identify the HR challenges that they themselves face, and to ascertain their preferences and priorities in moving forward.

The survey focuses on the following issues:

- 1) The insurance business environment and the human resource challenges;
- 2) Ratings on focus areas for future training;
- 3) Priority areas for supervisory research and technical focus;
- 4) Preferred training methodologies and training levels; and
- 5) Constraints and possible solutions.

The key questions in relation to HR development and training which this research looks into, include:

- a) What factors influence HR development policies and training practices of ASEAN Regulators?
- b) What are the areas of training needed?
- c) How and where is training to be carried out?
- d) What are the potential areas of greater collaboration in training and the sharing of expertise, experiences and knowledge?
- e) More importantly, the question of consistency of strategies and with actions: Does HR development policy and training direction correspond and commensurate with their organizational needs?

- f) What is the extent of the commitment to and investment in HR development and capacity building?

The findings of this survey will identify the issues concerned with human resource development, which reflect the level of preparedness of regulating insurance in an increasingly complex environment.

3.0 METHODOLOGY

A survey questionnaire was developed to obtain the views of Insurance Supervisors in the ten ASEAN countries. [Please refer to Appendix 1 to view the sample design of the questionnaire.](#) The questionnaire was based on a series of questions covering a number of key areas. Qualitative analyses were predominantly used to identify patterns and themes in the responses. There was some quantification, using a five-point scale to measure preference. Data was analyzed using cross-case analyses to identify common/differing features of each country. Although the main focus of the survey was on human resource and training needs and priorities, it was considered important that the survey also covered a wider set of business issues, as this would provide a better understanding of the reasons behind these needs and priorities.

The questionnaires were sent to 10 Regulators from ASEAN countries, of which 8 Regulators from Brunei, Cambodia, Indonesia, Malaysia, Philippines, Thailand, Singapore and Vietnam responded. The designations of the respondents, reflecting the organizational level this survey has reached, are as follows:

Country	Designation
Brunei	Insurance Officer, Ministry of Finance
Cambodia	Deputy Chief, Department of Insurance
Indonesia	Directorate of Insurance
Malaysia	Manager, Central Bank of Malaysia
Singapore	Executive Director, Monetary Authority of Singapore
The Philippines	Deputy Insurance Commissioner, Insurance Commission
Thailand	Director, Department of Insurance
Vietnam	Insurance Officer, Insurance Department, Ministry of Finance

4.0 LITERATURE REVIEW

The subject of “ Human Resource Development and Training Needs of Insurance Supervisory Authorities in ASEAN Countries” must necessarily be discerned from broader perspectives and in the context of the environment in which insurance operates.

This section provides relevant literature on HR and an overview of the key trends and major factors which are transforming the financial services landscape of the financial services industry, producing new challenges for Insurance Regulators and Supervisors. These are general global trends which also impact developing markets such as ASEAN. Some factors, however, are specific to ASEAN. These developments bring benefits to customers, increase insurance business opportunities while simultaneously introducing as many risks and uncertainties, and as much volatility.

4.1 Human Resource Development

In 1995, Carey and Merrill identified the primary reasons for human resource development as to increase productivity (47%), to stay competitive (38%), to comply with policies (7%), for social responsibility (4%) and others (4%).

Chistensen (1997) points out that human resource development is ‘the engine behind the creation of all value’ and suggests that human resource development is ‘the most challenging and exciting aspect of organizational success being addressed today’. Lenzioni, one of the most influential current writers, places emphasis (2000) on staff motivation and long-term commitment to the employing organization as the key human resource issues. Within the context of the insurance industry, according to a LOMA report (1998), three factors contribute to the increased importance of human resource development: (1) an increasingly complex competitive and operating environment; (2) a dramatic acceleration in environmental changes in such areas as technology and competitive practices; and (3) the need for the horizontal (cross-functional) coordination of business processes.

The first and second factors of these factors highlight that the insurance industry must address the emerging human resource development challenge of managing and retaining ‘knowledge workers’ – people who use their heads rather than their hands to create value. Information, according to Frances Horibe (1999), is now the driver of wealth creation, and those who possess knowledge, and through training can apply it, have the keys to success.

The third factor identified in the LOMA Report, the need for the cross-functional coordination of business process, indicates a challenge for organizational and human resource strategy in the insurance industry.

Gratton (1997) has described ‘the challenge of creating horizontal teamwork’ as the frequently identified future human resource development issue in a major research study called ‘The Leading Edge’ organized by the London Business School. In this study, a number of leading global companies from the industrial and financial sectors were asked to consider the most important human resource development issues of the future. Philip Sadler (2001) points out that cross-functional coordination requires not only effective coordination methods determined by the organization structure, systems, procedures and job profiles, but also a strong organization culture in which the differentiated and specialized parts of an organization fit together effectively into a cohesive whole.

4.2 The Financial Services/ Insurance Industry Environment: Key Trends and Change Drivers in the Industry

- IT and advancements in IT: This reduces information asymmetries, facilitates securitization and reduces costs.
- E- commerce: IT creates e-commerce and the market space, virtual insurers, mobile commerce, and portals, changing the insurance value chain,
- Securitization: The market rather than the institutions is intermediating the flow of funds between borrowers and lenders. The emergence of strong intuitional investors (such as insurers) is increasing the demand for securities. The banking sector is

forced to compete for the savings dollars and is entering other financial sectors such as insurance.

- Bancassurance: This is a new phenomenon in ASEAN.
- Globalization: Economic- political factors and IT create the global financial market and are also integrating and globalizing the Re/ insurance markets.
- Internationalization of business is also true for insurance.
- Deregulation: The blurring of barriers and encouraging insurers, bankers and fund managers to enter each other's turfs.
- Convergence along the lines of ownership, product, services and operations.
- Increasing consumer expectations: Consumers are more demanding and increasingly aware of their rights. Consumer preferences will decide the delivery channels, the levels and the quality of insurance service at ever reducing premiums.
- Intense competition: This reduces or eliminates profitability. Competition will be on many fronts: price, service, capital, technology, knowledge. There will also be competition from traditional and non- traditional players, and between local and powerful foreign players.
- New sales channels: These, for example, telesales, interactive kiosks, nontraditional sales points/ counters such as supermarkets, bring new issues concerning market conduct.

In addition to the general trends highlighted in the preceding section, a key development in the ASEAN region over the last decade has been increased market penetration by foreign insurance companies, especially with the inclusion of financial services into WTO negotiations. Domestic companies have often learned new management and marketing techniques from these foreign insurers and consumers have benefited from new products and improved service quality. The challenges facing the Insurance Regulators and the industry in some of the countries within the region, especially the less developed ones, have been related to outdated or inadequate insurance legislation. This problem has been further aggravated by ineffective enforcement. The trend towards solvency-based capital requirement is currently presenting ASEAN with a major challenge, which could reveal that some domestic insurers are undercapitalized. Cultural and religious barriers, lack of product innovation, and low insurance awareness of the public are also significant factors that are affecting the speed of the development of national insurance markets.

A highly competitive and ever changing environment is making it tougher for insurers to profit and prosper. Regulators are presented with even greater challenges. They must understand the present global market realities; know insurance business operations and the technical intricacies in order to create a sound and efficient insurance market/ sector; protect consumer interest; and deliver public objectives.

According to the OECD Second Conference on Insurance Regulations and Supervision in Asia (*Malaysia, January 2001*), insurance authorities in Asian economies are focused on the following:

- a. Licensing: In most Asian economies, the establishment of insurance companies is subject to a license granted by the insurance regulatory authority and a minimum amount of capital is required.
- b. Insurance accounting principles: Most Asian economies have adopted specified insurance accounting principles.
- c. Financial reporting: In all Asian economies except Cambodia, insurance companies are required to periodically submit their financial documents to the insurance supervisory authority.
- d. On-site inspection: On -site inspections are carried out in most Asian economies.

- e. Solvency requirement: All Asian economies except Cambodia have adopted solvency requirements for insurance companies. However, the methods of setting solvency margins are different among countries. In some economies, the solvency margin has to reach a certain fixed amount; in other economies, the solvency margin is determined based on premium income.
- f. Policy conditions and premium rates: Most Asian economies supervise policy conditions and premium rates when new products are launched. Besides new products, some economies require that all classes of insurance be subject to the supervision of policy conditions and premium rates. Others require that only several classes of insurance such as motor and fire insurance be under control.
- g. Investment regulation: Most Asian economies except Brunei and Cambodia have legal provisions concerning investments by insurance companies. These provisions stipulate a set of maximum limits on certain categories of investment, in most cases together with admissible investments. Some economies also have minimum limits on investment. Portfolio investments abroad are allowed in some Asian economies whereas they are either not allowed or are severely restricted in others.
- h. Measures on insurance companies in financial difficulty: Asian countries do not have specific guidelines indicating what kind of measures to take in the particular circumstances. However, some Asian countries do have various measures to deal with insurance companies in financial difficulty. These include: (i) requiring a plan for the restoration of a sound financial situation; (ii) requiring the injection of capital; (iii) prohibiting free disposal of assets; (iv) restricting the acceptance of new business; (v) limiting the amount of premium income; (vi) requiring actuarial investigation; (vii) appointing a special manager or advisor to take over management; (viii) removing any director or person whom the supervisory authority considers unfit; (ix) making reinsurance arrangements as the supervisory authority specifies; and (x) ordering the insurer to cease doing business or to dissolve.

The scope of insurance regulation in most countries tends to be similar, focusing on aspects of licensing, financial reporting, capital control, reserve requirements, investment control and measures on insurers in difficulty. Although countries may take different approaches to resolve issues such as insurance contracts, premium rates and investment control, many insurance

regulations tend to have uniform provisions, especially those concerning the supervisory authority's powers and supervisory measures on insurers in difficulty. Solvency control seems to be the central concern of insurance supervision, as reflected in the requirements on minimum capital and financial reports, and the controls on reserving and investments.

The trends and major forces of change highlighted earlier require rethinking on insurance regulation and supervision. ASEAN Regulators / Supervisors will not be immune to the pressures of modernizing their supervisory systems and they will have eventually to adopt international standards to increase their efficiency and effectiveness.

5.0 INDUSTRY STATISTICS

Table I: Macroeconomic indicators in 2003

Ranking by GDP	Country	Population (millions)	Gross domestic product				Inflation rate (in %)		Exchange rate local currency per USD		
			(USD billion)	Real change (in %)		2003	2002	Change			
				2003	2002			2003	2002	(in %)	
25	Indonesia	214.5	208	4.2	3.7	6.6	11.9	8 577.20	9 311.20	-7.9	
34	Thailand	62.0	143	6.7	5.4	1.8	0.6	41.49	42.96	-3.4	
38	Malaysia	24.7	105	5.2	4.1	1.1	1.8	3.80	3.80	0.0	
39	Singapore	4.3	91	1.1	2.2	0.5	-0.4	1.74	1.79	-2.7	
45	Philippines	81.4	80	4.5	4.4	3.0	3.1	54.20	51.60	5.0	
57	Vietnam	81.5	38	7.2	7.0	3.2	3.8	15 509.00	15 280.00	1.5	

Table II: Premium volume by region and organization in 2003

Total business	Premium volume (in millions of USD)		Change (in %) inflation-adjusted		Share of world market (in %)	Premiums in % of GDP	Premium per capita (in USD)
	2003	2002	2003	2002	2003	2003	2003
OECD	2 709 757	2 439 058	1.3	4.8	92.15	8.99	2 339.9
G7	2 286 491	2 082 165	1.5	4.9	77.75	9.58	3 213.9
EU, 15 countries	931 012	773 039	0.6	3.7	31.66	8.58	2 385.1
EU, 25 countries	947 509	786 343	0.7	3.7	32.22	8.35	2 030.0
NAFTA	1 125 562	1 067 351	2.6	8.8	38.28	9.03	2 653.0
ASEAN	24 287	22 368	3.9	0.5	0.83	3.35	47.7

Table III: Life

Life business	Premium volume (in millions of USD)		Change (in %) inflation-adjusted		Share of world market (in %)	Premiums in % of GDP	Premiums per capita (in USD)
	2003	2002	2003	2002			
OECD	1 533 183	1 418 146	-1.8	2.0	91.67	5.12	1 331.3
G7	1 293 804	1 208 415	-1.5	2.2	77.36	5.45	1 828.1
EU, 15 countries	541 935	464 323	-2.3	1.4	32.40	5.07	1 410.3
EU, 25 countries	547 995	469 109	-2.2	1.5	32.76	4.90	1 192.2
NAFTA	507 990	507 130	-2.5	6.3	30.37	4.08	1 197.3
ASEAN	14 643	13 804	1.5	-8.3	0.88	2.20	31.3

Table IV : Non-Life

Non-life business	Premium volume (in millions of USD)		Change (in %) inflation-adjusted		Share of world market (in %)	Premiums in % of GDP	Premiums per capita (in USD)
	2003	2002	2003	2002			
OECD	1 176 574	1 020 912	5.6	8.9	92.78	3.88	1 008.6
G7	992 687	873 750	5.7	8.9	78.28	4.13	1 385.8
EU, 15 countries	389 077	308 716	5.0	7.2	30.68	3.50	974.8
EU, 25 countries	399 514	317 234	5.1	7.2	31.50	3.45	837.8
NAFTA	617 572	560 221	7.2	11.1	48.70	4.96	1 455.6
ASEAN	9 643	8 563	8.3	0.76	0.76	1.15	16.4

Table V: Total premium volume in USD in 2003

	World Ranking	Country	Premium volume (in millions of USD)		Change (in %) 2003		Share of the world market 2003 (in %)
			2003	2002	Nominal (in USD)	Inflation-adjusted	
ASEAN	29	Singapore	8 898	9 146	-2.7	-5.8	0.30
	33	Malaysia	5 609	4 881	14.9	13.6	0.19
	34	Thailand	4 932	4 102	20.3	14.1	0.17
	41	Indonesia	3 107	2 579	20.5	na	0.11
	49	Philippines	1 192	1 155	3.2	na	0.04
	58	Vietnam	550	504	8.9	na	0.02

Table VI: Life insurance premium volumes in USD 2003

	World Ranking	Country	Premium volume (in millions of USD)		Change (in %) 2003		Share of total business 2003 (in %)	Share of the world market 2003 (in %)
			2003	2002	Nominal (in USD)	Inflation-adjusted		
ASEAN	28	Singapore	5 561	6 111	-9.0	-11.9	62.5	0.33
	31	Malaysia	3 455	2 921	18.3	16.9	61.6	0.21
	32	Thailand	3 222	2 648	21.7	15.4	65.3	0.19
	38	Indonesia	1 373	1 140	20.5	na	44.2	0.08
	42	Philippines	702	681	3.2	na	58.9	0.04
	50	Vietnam	331	304	8.9	na	60.3	0.02

Table VII: Non-life insurance premium volumes in USD 2003

	Ranking	Country	Premium volume (in millions of USD)		Change (in %) 2003		Share of total business 2003 (in %)	Share of the world market 2003 (in %)
			2003	2002	Nominal (in USD)	Inflation-adjusted		
Asia	30	Singapore	3 337	3 036	9.9	6.5	37.5	0.26
	36	Malaysia	2 154	1 960	9.9	8.7	38.4	0.17
	39	Indonesia	1 733	1 439	20.5	na	55.8	0.14
	40	Thailand	1 711	1 454	17.7	11.6	34.7	0.13
	55	Philippines	489	474	3.2	na	41.1	0.04
	76	Vietnam	218	200	8.9	na	39.7	0.02

Table VIII: Insurance penetration: premiums in % of GDP in 2003

	Ranking	Country	Total business	Life business	Non-life business
Asia	18	Singapore	7.59	6.09	1.50
	29	Malaysia	5.35	3.29	2.05
	42	Thailand	3.45	2.25	1.19
	71	Indonesia	1.49	0.66	0.83
	72	Philippines	1.48	0.87	0.61
	74	Vietnam	1.45	0.87	0.57

Source: Sigma, Swiss Re
 Statistics on other ASEAN countries are not available in the Sigma Report

Table IX: Concentration ratio (share of top-5 insurers by gross premiums written)

	Non-life insurance	Life insurance
China	96%	98%
Vietnam	92%	NA
India	86%	99%
South Korea	78%	83%
Japan	63%	60%
Taiwan	48%	73%
Singapore	45%	91%
Thailand	40%	86%
Indonesia	40%	59%
Philippines	38%	73%
Malaysia	34%	73%

Note: Figures are based on 2002 premiums.

Table X: Foreign market share

	Non-life insurance	Life insurance
Singapore	53%	57%
Philippines	26%	61%
Indonesia	25%	48%
Malaysia	25%	79%
Taiwan	12%	33%
Vietnam	7%	54%
Thailand	7%	50%
Japan	6%	17%
South Korea	1%	11%
China	1%	2%
India	0%	0%

Note : Foreign market share is defined as the share of premiums collected by foreign majority-owned insurers, including branches and subsidiaries. Figures are based on 2002 premiums

Source: Swiss Re

Table XI : Market access regimes in Asia

	Majority ownership in existing domestic companies	Establishment of subsidiaries	Establishment of branches	Expected changes
Australia	no restrictions	no restrictions	no restrictions	none
China	not allowed (maximum 25% foreign shares)	no restrictions (mandatory joint venture for foreign life insurers)	no restrictions (mandatory joint venture for foreign life insurers)	none
Hong Kong	no restrictions	no restrictions	no restrictions	none
Taiwan	no restrictions	no restrictions	no restrictions	none
Japan	no restrictions	no restrictions	no restrictions	none
South Korea	no restrictions	no restrictions	no restrictions	considering lowering the minimum capital requirement to attract more new establishments
India	not allowed (maximum 26% foreign shares)	not allowed	not allowed	49% foreign shares being considered
Indonesia	no restrictions	not allowed	not allowed	more flexible approach to foreign shares in joint ventures
Malaysia	not allowed (exceptions are noted)	not allowed	not allowed	none
Philippines	no restrictions	no restrictions	no restrictions	none
Singapore	no restrictions	no restrictions	no restrictions	none
Thailand	not allowed	not allowed	no restrictions	raise foreign share to 49% from 25%
Vietnam	no restrictions	no restrictions	no restrictions	liberalisation under the US-Vietnam bilateral trade agreement

Source: National Insurance Regulators.

6.0 SURVEY FINDINGS

6.1 Regulators' Perception of the Business Environment and Regulatory Challenges

Respondents were requested to identify the key regulatory challenges they face in the context of the present business environment in their own jurisdictions.

Table 6.1 summarizes the survey findings on the key challenges and concerns of regulating the insurance market in the present business environment.

Table 6.1: Business Environment Challenges Faced By ASEAN Regulators

Country	Business Environment Challenges
Brunei	<ul style="list-style-type: none"> Absence of comprehensive Insurance Act Lack of comprehensive regulation of financial institutions
Cambodia	<ul style="list-style-type: none"> Price competition and undercutting among insurers Non-existence of insurance association Non-establishment of minimum rates Low public awareness of insurance On-going review of all insurance laws since mid 2002
Indonesia	<ul style="list-style-type: none"> Low capital Human resources Corporate governance
Malaysia	<ul style="list-style-type: none"> Management of increasing financial complexities Management of globalization and liberalization processes Effective supervision of cross-border exposures Development of a more competitive domestic industry to play a larger role in supporting economic development Management of consumer expectations and increasing sophistication of consumer needs
Philippines	<ul style="list-style-type: none"> Need for more expertise and facility for evaluating insurance products Examination of insurance companies (life and non-life) Settlement of claims and other insurance controversies Use of computers in insurance regulations.
Singapore	<ul style="list-style-type: none"> Threat to the solvency and profitability of insurance companies posed by the volatile and changing business environment. The need for insurance companies to have clear business strategies and strong financial and risk management disciplines to survive in the new environment The greater- than- ever- before effect of financial markets and related companies on insurance companies. The strengthened need for consolidated supervision and cooperation with foreign Regulators to enable group-wide supervision The need for integrated supervision so as to avoid regulatory arbitrage and provide level playing field for Regulator's financial institutions, due to the convergence of financial products Relevance of insurance regulatory and supervisory practices to the times
Thailand	<ul style="list-style-type: none"> How to increase customer base for the insurance industry, especially for the lower income customers How to reap the full benefits of the long-term financial stability brought about by the progressive insurance market
Vietnam	<ul style="list-style-type: none"> Lack of experienced and qualified staff Limited IT infrastructure in both regulatory authority and industry Insufficient regulatory and supervisory standardization Limited public awareness of insurance

The eight ASEAN insurance markets fall basically into two groups: (1) the more established and sizeable markets in Malaysia, Philippines, Singapore, Indonesia and Thailand and (2) the smaller and less established markets in Brunei, Cambodia and Vietnam. By comparing the

business environment faced by Regulators from the eight countries, we identify the themes and the factors which are dominant within ASEAN and across the two groupings. The responses differ between countries, and significantly between the less developed markets of Cambodia and Vietnam, and the rest.

The less developed countries are currently focused on the basic issues of establishing their regulatory systems or dealing with the problems of inadequate regulation. In Cambodia, for instance, unhealthy competition based on aggressive price undercutting at this early stage of development can destabilize the market and raise the problems of consumer protection and public confidence. Lack of public / consumer awareness of the benefits of insurance will not only slow down growth and but also leave many individuals and corporations exposed to risks which could have been efficiently managed through insurance.

Regulators from the more established markets (Indonesia, Philippines, Malaysia, Singapore and Thailand) emphasize the need to develop a viable insurance market which can contribute more effectively to the development of their national economies. Regulators are also conscious of the need to develop their own competencies and technical insurance knowledge. Most are in the transition state and are upgrading their supervision system. Regulators with more open market access are concerned with attracting capital (Indonesia). They indicate the need for more powerful IT (Philippines) as timely information is needed to supervise more complex and expanding markets, and to implement international standards of insurance supervision. They are equally concerned with expanding the consumer base and increasing the penetration of insurance into the larger population, especially the rural sector (Thailand). They are making efforts to increase consumer sophistication (Malaysia). Insurance consumers in these markets have higher expectations of the performance of insurers and, by implication, of the Regulators' performance as well. They are concerned also with the larger forces of change such as globalization and internationalization of business, and increased cross-border exposures. Liberalization of the markets is also expected to pose renewed challenges for Regulators. Singapore shows more concern with external factors, reflecting the more enhanced trend of convergence of its financial sectors. Thus, the challenges of ensuring a level playing field for the Regulators of financial institutions, of group-wide supervision, of systemic risks,

among others. The risk-based supervision approach also requires that insurers have enterprise risk management capability.

6.2 Human Resource Development Challenges

The central question of this survey is the identification of human resource development issues and challenges faced by ASEAN Insurance Regulators within their organizations. Table 6.2 shows the key human resource development issues and challenges identified by the Regulators.

Table 6.2: Human Resource Development Challenges Faced by ASEAN Regulators

Country	HRD Challenges
Brunei	<ul style="list-style-type: none"> • Shortage of manpower • Limited number of experienced and knowledgeable workforce • Long periods to recruit new staff and fill vacant posts in the insurance industry
Cambodia	<ul style="list-style-type: none"> • Limited HRD and capacity building
Indonesia	<ul style="list-style-type: none"> • Lack of number of people • Lack of training (internal and external) • Inadequate facilities
Malaysia	<ul style="list-style-type: none"> • Developing and retaining expertise in risk assessment, actuarial assessment, financial risk analysis, alternative risk transfer and risk based supervisory framework • Transitioning staff from a compliance-oriented to a performance-based supervisory regime that emphasizes the ability to effectively identify, assess and mitigate risks associated with individual institutions
Philippines	<ul style="list-style-type: none"> • Funding constraints
Singapore	<ul style="list-style-type: none"> • Need for Insurance Regulators and Supervisors to build up their competencies to enable them to carry out their responsibilities against a rapidly changing environment, both with respect to financial institutions as well as new supervisory frameworks
Thailand	<ul style="list-style-type: none"> • Training staff to develop professional and managerial skills • Encouraging staff to become members of insurance professional association • Long- term planning of human resource development due to services liberalization
Vietnam	<ul style="list-style-type: none"> • Acute shortage of skilled and experienced professionals • Budgetary constraints and procedural limitations, making outsourcing impossible • Mismatch between training provider and industrial needs • Absence of insurance institute

While the underlying problem of availability of qualified human resource and talents is the same for all ASEAN Regulators, there are significant differences in the emphasis, variations and degree of their fundamental problem. There is a serious need for qualified, and more importantly, experienced staff who can contribute to training and development. This shortage of experienced staff is glaring when compared with the better situation of Regulators in developed markets, with their years of institutional experience and vast accumulation of knowledge in regulating and supervising the insurance markets. The authorities in developed markets have experienced staff to handle complex issues and to train and guide the newer staff.

Budgets for training and re-training staff are also inadequate. Budget constraints are prevalent, as highlighted by Cambodia and Philippines. These may apply both to the salary scales for those employed in the insurance supervisory authorities compared with the “more important” government ministries. Some ASEAN Insurance Regulators face problems in attracting and retaining personnel with an appropriate level of expertise in insurance and risk management. The issue of attracting and retaining key staff, especially highly trained staff, is acute in most of the countries surveyed. This is more so in the case of Regulators in the lesser developed ASEAN insurance markets where the pay and job service levels of the Insurance Regulators / Supervisors may not be commensurate with the level of their responsibilities.

There was a general view that staff salary scales and training budgets need to be increased if insurance supervision is to be brought up to best international standards; however, it was felt that these were issues for national governments to address. With the commitment to apply the Core Principles of the International Association of Insurance Supervisors (which have been accepted by national governments, IMF and World Bank), a greater financial commitment to meeting these human resource challenges is required.

There is a noticeable difference in the knowledge and skill areas needed in the countries studied. For the more developed markets, the emphasis is more on strengthening the technical and professional competencies of the Regulators in risk management, actuarial science and the more advanced aspects of insurance and finance. This is also related to their regulatory models/ supervisory systems, discussed below. In the smaller offices, it is not possible to specialize and the small teams have to handle every aspect. The problem is aggravated by a lack of managerial and leadership skills to run a tight operation.

The HR issues also reflect the basis or the approach of the supervision of financial institutions. Factors such as the regulatory history, legislative expectation, philosophies, objectives and the stage of development of the regulatory authorities influence HR development.

In the more developed ASEAN insurance markets, Regulators are shifting towards risk – based supervision. This a more structured and focused approach, with the Regulator acting like an “external auditor” to an internal risk management system. This mode of supervision requires

the creation of a robust supervisory framework that also depends on the existence of a technical or professional infrastructure. Professionals such as auditors, actuaries, lawyers, judges, accountants, risk managers, and equally competent management/ professional staff and Board of Directors are needed to provide the check and balances to support a risk – based regulatory supervisory system. The case of Singapore provides a glimpse of the regulatory system and human resource development strategies of a Regulator/Supervisor in an advanced ASEAN market which aims to be a regional financial services and insurance hub this side of the time zone. Table 5. 2 also highlights the need for the long-term planning of human resource needs as qualified and experienced staff cannot be available overnight. The need for strategic human resource development for regulatory staff has never been greater as the ASEAN insurance sector takes off for rapid expansion. Holbeche (1999) stated that “Many strategic blunders can be avoided if human resource issues are carefully considered in the formulation of strategy and the decision process.” This can apply to ASEAN Regulators, especially if they are in the process of transition to a new risk –based regulatory system.

6.3 Specialized Institutions for Training of Regulators

Only the Insurance Institute for Asia and the Pacific (IIAP) in the Philippines provides specialized training and education programmes for Insurance Regulators. AITRI was not mentioned, perhaps due to the fact that it is still in the process of being established. Other insurance institutes mentioned are The Philippines Insurance Institute and the Singapore College of Insurance. The Malaysian Insurance Institute (MII) conducts technical training courses and facilitates AITRI courses.

6.4 Focus Areas for Future Training

The survey sought views on the importance of the future training priorities of ASEAN Regulators in 28 subject areas. Insurance Regulators were asked to rank these areas on a “1” to “5” point scale, with “5” being the highest priority. Table 6.4a indicates the focus areas by countries and the preferred location of training. Table 6.4b gives a matrix of the responses in terms of subject areas, countries and their points scores. The un-weighted mean scores across countries for each subject area and the mean scores by country across all subject areas are

given at the end of the columns and rows in the matrix of responses. The subject areas indicated in bold letters are top priority areas (with an overall mean of between 4.00 and 5.00) across the eight supervisory bodies. These are listed below in order of stated importance, even though some of these subjects are given equal ranking:

Priority Areas:

- Capital adequacy and solvency supervision
- Risk-based supervision
- Insurance (IAIS) core principles
- Reinsurance regulation and supervision
- Disclosure and transparency
- International insurance accounting standards
- Financial conglomerates and financial sector convergence
- Supervision of insurance intermediaries
- Asset-liability management techniques.

Other important areas:

- Valuation of insurance assets and liabilities
- Methodology and assessment of insurance core principles
- WTO and insurance: policies, national positioning and negotiation
- Supervision of insurance groups and international insurers.

Table 6.4a: Important Focus Areas by Countries and Location

Focus Areas	Mean	Indonesia		Singapore		Thailand		Vietnam		Cambodia		Brunei		Malaysia		Philippines		R / J*
		R	J	R	J	R	J	R	J	R	J	R	J	R	J			
Capital adequacy and solvency supervision	4.88				√	√			√	√		√	√		√		√	J
Risk-based supervision	4.75				√	√		√		√		√	√		√	√		R
Insurance core principles	4.38						√		√	√		√	√	√			√	J
Reinsurance regulation and supervision	4.38				√		√	√		√		√	√	√			√	R/J
International insurance accountancy standards	4.25					√	√		√	√		√	√	√		√		R
Disclosure and transparency	4.25		√				√		√	√		√	√	√		√	√	J
Financial conglomerates and financial sector convergence	4.13				√		√	√		√		√		√		√		R
Supervision of insurance intermediaries	4.00						√	√		√		√	√	√			√	R
Asset-liability management techniques	4.00						√	√		√		√	√	√		√		R

*R / J indicates the preference for the training to be held, at regional or jurisdiction levels.

Table 6.4b: Comparing Focus Areas for Future Training (5 = High Priority)

No.	Focus Areas	Indonesia	Singapore	Thailand	Philippines	Malaysia	Vietnam	Brunei	Cambodia	Mean
1.	Capital adequacy and solvency supervision	4	5	5	5	5	5	5	5	4.88
2.	Risk-based supervision	4	5	5	5	5	4	5	5	4.75
3.	Insurance core principles	3	5	4	3	5	5	5	5	4.38
4.	Reinsurance regulation and supervision	4	4	4	4	5	4	5	5	4.38
5.	Disclosure and transparency	5	0	4	5	5	5	5	5	4.25
6.	International insurance accountability standards	4	0	5	5	5	5	5	5	4.25
7.	Financial conglomerates & financial sector convergence	4	5	4	5	4	4	4	3	4.13
8.	Supervision of insurance intermediaries	4	0	4	5	5	5	5	4	4.00
9.	Asset-liability management techniques	4	0	4	5	4	5	5	5	4.00
10.	Valuation of insurance assets and liabilities	4	0	4	5	3	5	5	5	3.88
11.	Methodology & assessment of insurance core principles	5	0	5	0	5	4	5	5	3.63
12.	Supervision of insurance groups & international insurers	4	3	4	0	3	4	5	5	3.50
13.	WTO and insurance	4	0	0	5	4	5	5	5	3.50
14.	Corporate governance	5	0	0	4	4	4	5	5	3.38
15.	Private pensions	4	4	0	5	5	3	2	4	3.38
16.	Money laundering and insurance	5	3	0	5	0	3	5	4	3.13
17.	Alternative risk financing	4	0	0	4	5	3	4	5	3.13
18.	Investments regulation	4	0	4	4	0	4	3	5	3.00
19.	Credit insurance and credit risk securitization	4	0	0	5	4	3	3	4	2.88
20.	Enterprise risk and operational risk management	4	0	4	0	4	3	3	5	2.88
21.	Captive insurance companies & risk retention schemes	4	0	0	5	0	3	3	5	2.50
22.	On-site inspection	5	0	0	0	0	5	5	5	2.50
23.	Organization of insurance supervisory authorities	4	0	0	0	0	5	5	5	2.38
24.	Understanding insurance company account	4	0	0	0	0	5	5	5	2.38
25.	Regulation of compulsory insurance	4	0	0	0	0	4	5	5	2.25
26.	Role of auditors and actuaries	4	0	0	0	0	5	4	5	2.25
27.	Health insurance	4	0	0	0	5	3	2	3	2.13
28.	Liability insurance	4	0	0	0	0	4	4	5	2.13
29.	Others 1					3	5			
30.	Others 2					5				
	Overall mean (maximum value = 5.00)	4.14	1.21	2.14	3.00	3.10	4.21	4.36	4.71	

Based on Table 6.4a, most of the courses on high priority areas are required to be conducted at regional level. Training on insurance core principles is to be conducted within own jurisdiction while training on the subjects of capital adequacy, solvency, disclosures and transparency are needed at both jurisdiction and regional levels. While Brunei and Cambodia require most training at the regional level, Singapore is self-reliant.

In Table 6.4b, the overall mean values by countries indicate the degree of the need for HRD and the training of ASEAN Regulators in the focus areas which they have selected and ranked. The mean values infer the levels of knowledge and competencies /skills of Regulators in the identified areas. A low mean value indicates that they already have adequate knowledge and are sufficiently trained in the focus areas and vice versa. Therefore, based on the results in Table 6.4b, Singapore and Cambodia have the lowest and the highest mean respectively (boldfaced and italicized).

6.5 In- house Training Programmes for Regulators

Table 6.5 presents the responses to the survey on the in-house training activities and programmes in the technical knowledge areas, conducted or planned by Regulators for the period 2002 to 2004. Malaysia, Philippines and Thailand have some training programmes which they conduct on a regular basis and training in new areas are being planned. The answers indicate the knowledge areas in which each jurisdiction is competent and self-reliant in providing its own staff training, and are potential sources for other Regulators to participate in or to request assistance for training.

Brunei, Cambodia and Vietnam do not conduct any in-house training at all, due to a lack of critical mass or funding constraints. At the other end of this spectrum, Singapore has training programmes in a wide range of topics conducted and planned for staff training.

Table 6.5: Technical Programmes Conducted In-House

Country	Training Requirement		
	2002	2003	2004 (Planned)
Brunei	-Nil-	-Nil-	-Nil-
Cambodia	-Nil-	-Nil-	-Nil-
Indonesia		<ul style="list-style-type: none"> • Money laundering 	
Malaysia	<ul style="list-style-type: none"> • Insurance supervision programme 2002 • Intermediate Insurance supervision programme 2002 	<ul style="list-style-type: none"> • Insurance supervision programme 2003 • Intermediate Insurance supervision programme 2003 	<ul style="list-style-type: none"> • Insurance supervision programme 2004 • Intermediate Insurance supervision programme 2004
Philippines	<ul style="list-style-type: none"> • Seminars for insurance specialists who conduct examination/audit on companies' financial condition & methods of doing business, held every January 	<ul style="list-style-type: none"> • Seminars for insurance specialists who conduct examination/audit on companies' financial condition & methods of doing business, held every January • Understanding variable insurance contracts & related transaction recordings & audit 	<ul style="list-style-type: none"> • Seminars for insurance specialists who conduct examination/audit on companies' financial condition & methods of doing business, held every January • Understanding variable insurance contracts & related transaction recordings & audit
Singapore	<ul style="list-style-type: none"> • As per 2003 	<ul style="list-style-type: none"> • Foundation module on asset securitization • Foundation module on credit derivatives • Introductory technology course • Industry talk: Captive insurance and protected cell companies (PCC) • Counter-party risk in trading • Industry talk: Collateralized debt obligation (CDO) • Equity derivatives/equity-linked structured products • US Securities Act • Convertibles • Hedge funds • Balance sheet management & asset liabilities committee (ALCO) function • Objectives and principles of financial supervision • Industry talk by Deutsch Bank • Supervisory case study by insurance department 	<ul style="list-style-type: none"> • Operations risk management • Securities and failures department case study • Developments in accounting standards • Payment systems • Insurance Act, regulations and notices • Introduction to investment banking & corporate finance • Commercial lending/credit principles • Trade finance & documentary credit • Credit support-netting & collateral arrangements • Equities & structured products • Introduction to corporate governance • Introductory technology course • Market risk management & value at risk • Foreign exchange and FX derivatives • Managing unit trust business • Insurance department's risk-based capital framework
Thailand	<ul style="list-style-type: none"> • Capacity building for examination & supervision • Risk-based capital • Disclosure & transparency • Unit-linked product • Health insurance workshop • Derivative warrant • Economic model for insurance business forecast • Claims management • Legal enforcement for insurance • Internal control system & duty of auditor for insurance business 	<ul style="list-style-type: none"> • Evaluation for efficiency & planning ability on internal control • Portfolio & risk management • Disclosure & transparency • Claims management & risk survey • Unit-linked product • Financial products & markets 	<ul style="list-style-type: none"> • Risk assessment for examination practices • Risk management & unit-linked products • Workshop on solvency & risk-based supervision
Vietnam	-Nil-	-Nil-	-Nil-

6.6 Importance of Research & Development and Priority Areas for Research and Technical Focus

Most ASEAN Regulators believe research to be important. However, there was no response from two Regulators, as indicated in Table 6.6a.

Table 6.6a: Rating on Importance of R&D in Insurance Regulation

Country	Rating on Importance of R&D in Insurance Regulation (1= Not Important, 5 = Very Important)
Brunei	5
Cambodia	5
Indonesia	5
Malaysia	5
Philippines	No response
Singapore	1
Thailand	3
Vietnam	No response

The survey sought the views of Supervisors on the priority areas of research. The results are summarized in Table 6.6b. Research on areas related to risk –based supervision such as corporate governance, risk management, audit, actuarial and early warning systems /solvency-related issues are priorities for a majority of Supervisors, especially from the more developed markets. Brunei, Cambodia and Vietnam require research on basic supervisory operational topics such as on- site inspection and understanding company accounts, compared with the ‘established’ Regulators. Thailand, Philippines and Malaysia also identify topics reflecting contemporary developments in their supervisory approach and their insurance and financial sectors. Malaysia, for instance, indicates research requirement in regulating health insurance and regulation in a de-tariffed market. Market conduct, supervision of insurance intermediaries and transparency are research areas identified by Thailand. Thailand has also cited topics relating to new market or regional developments such as the supervision of financial conglomerates, financial sector convergence and risk assessment of regional companies.

Table 6.6b: Priority Areas for Supervisory Research

Country	Priority Areas For Supervisory Research
Brunei	<ol style="list-style-type: none"> (1) IAIS Core Principles (2) Regulation of compulsory insurance (including third party liability insurance) (3) Capital adequacy and solvency supervision (4) Corporate governance (5) On-site inspection
Cambodia	<ol style="list-style-type: none"> (1) Asset-liability management technique (2) On-site inspection (3) Valuation of insurance company accounts (4) Understanding insurance company accounts (5) Methodology and assessment of insurance core principles
Indonesia	<ol style="list-style-type: none"> (1) Policyholder guarantee fund (2) Risk-based capital (3) Insurance technology premium development (4) Human resource / fit and proper
Malaysia	<ol style="list-style-type: none"> (1) Regulatory/supervisory requirements for medical and health insurance (2) Risk- based supervision framework (3) Market conduct regulation/supervision (4) Sales disclosure from the consumers' perspective (5) Supervision of de-tariffed market (6) Consumer satisfaction (7) Regional insurance companies' risk assessment analysis
Philippines	<ol style="list-style-type: none"> (1) Research on captive market (2) Margin of solvency requirement (3) Risk- based capital (4) Rates and rate making (5) Early warning systems
Singapore	Not applicable
Thailand	<ol style="list-style-type: none"> (1) Corporate governance (2) Role of auditors and actuaries (3) Solvency margins (4) Supervision of insurance intermediaries (5) Financial conglomerates and financial sector convergence
Vietnam	<ol style="list-style-type: none"> (1) Capital adequacy and solvency supervision (2) On-site and off- site inspection as well as understanding insurance company's accounts (3) Corporate governance (4) Reinsurance regulation and supervision (5) WTO and insurance

Regulators identified a variety of priority areas for technical focus required, as presented in Table 6.6c. Cambodia, Brunei and Vietnam have a greater preference for research on technical operational topics, compared to 'established' markets (Thailand, Philippines and Malaysia) which indicate their preference for subjects concerning contemporary supervisory issues ranging from solvency supervision and risks assessment to new product development to customer satisfaction issues. As Singapore does not give high priority for research, no research topics were proposed.

Table 6.6c: Priority Areas for Technical Focus

Country	Priority Areas For Technical Focus
Brunei	(1) Understanding insurance company accounts (2) Core principles methodology and assessment of insurance ore principles (3) Disclosure, transparency and sanction (4) Actuarial investment- related issues and technical assistance
Cambodia	(1) Insurance accounting (2) Inspection on-site and off-site (3) Assessing company assets and liabilities (4) Formation of insurance statistics (5) Auditing
Indonesia	(1) Retention (2) Investment (3) Risk profile (4) Catastrophe risk (5) Developing rating
Malaysia	(1) Development of pension product (2) Regional insurance companies' risk assessment analysis (3) Consumer satisfaction
Philippines	(1) Research on rating of market (2) Margin of solvency requirement (3) Risk- based capital (4) Rates and rate making (5) Early warning system.
Singapore	Not applicable
Thailand	(1) Health insurance (2) Asset-liability management techniques (3) Capital adequacy and solvency supervision (4) Risk-based supervision (5) Private pensions
Vietnam	(1) Corporate governance (2) Investment skills (3) Financial management (4) Product development, pricing and distribution (5) Consumer protection schemes

6.7 Qualifications of Regulators

Regulators' views were sought on the need for a formal specialist qualification in insurance regulation. Table 6.7 shows the level of qualification needed for training of Regulators. Most of the Regulators believe that formal training is needed at least at the diploma level.

Table 6.7: Levels of Qualification Required

Country	Certificate	Diploma	Degree	Master
Brunei		√	√	√
Cambodia		√		
Indonesia	√			
Malaysia				
Philippines	√			
Singapore			√	
Thailand	√	√		
Vietnam		√		

6.8 Constraints Faced by Regulators and Possible Solutions

Table 6.8 shows that ASEAN insurance supervisory authorities have similar constraints of either limited budgets for training and lack of experienced and qualified personnel to conduct the training, or both. The exception is Singapore. Some issues such as limited budgets and lack of experienced trainers are discussed in the earlier sections of this paper on the HRD challenges faced by Regulators.

The possible immediate and long-term solutions proposed for each of the problems identified are summarized in the table. Regulators are conscious of the need for greater budgets and committed efforts to improve their staff knowledge and competencies, and of the longer-term need for developing a cadre of professionals who can handle the emerging issues in insurance regulation arising from the constant changes in their insurance and financial sectors. Practical suggestions such as outsourcing, motivating staff interest in their own professional development, seeking technical assistance, and continuous exchange and sharing of ideas and experiences with other Regulators are relatively easy to implement in the long term. More strategic solutions will require more commitment and determination as they will be more difficult to resolve.

Table 6.8: Constraints and Solutions

Country	Constraints	Solutions
Indonesia	Inadequate budget available for training, inadequate internal personnel to conduct training courses and inadequate external training facilities in the country	None given
Singapore	Not applicable	Not applicable
Thailand	Inadequate internal personnel to conduct training courses, inadequate budget available for training, and inadequate motivation of staff to participate actively in training	Establish a long-term commitment to training system
Philippines	Inadequate budget available for training	Continuous exchange of ideas and devices on new products and services during meetings, conferences and seminars
Malaysia	Inadequate internal personnel to conduct training courses	Outsourcing for expertise from both local and international market
Vietnam	Inadequate budget to conduct training programmes and inadequate internal personnel to conduct training courses	Incorporation of training of Regulators into a broader training programme for the Ministry of Finance staff to benefit from budget allocation (optimization); seek financial support and funding from regulatory partners and the industry through cooperation and technical assistance programmes; and focus on training of trainers

Brunei	Inadequate internal staff to conduct training programmes	The key to strengthening the Brunei insurance industry is to pay greater attention to cultivating and retaining professional expertise in the insurance field. Need to address the lack of experts and high skilled professionals in the Brunei insurance industry. Need to increase knowledge and to raise awareness of insurance among the public through education and communication
Cambodia	Inadequate budget to conduct training programmes	Create more opportunities to motivate personnel to participate actively in training

7.0 CONCLUSIONS, OBSERVATIONS AND POSSIBLE SOLUTIONS

1. The ASEAN insurance market will continue to expand from its present small base to be a vital sector of a more integrated financial services sector. The regional market is diverse, as reflected by the different stages of development of the insurance markets in member countries. Insurance is vital as a risk management, savings and investment vehicle, thus contributing importantly to economic progress. For those ASEAN countries aiming to attract foreign direct investment, the existence of an efficient insurance market is important for the protection of assets invested and is also a sign of financial sector stability. These are some of the key factors which influence national interests in insurance market legislative and supervisory objectives and they, in turn, influence human resource development (HRD) and the training needs of the Regulator- the subject of this research. This is glaring in the HRD and training practices of, for instance, Cambodia with its insurance sector at its infancy stage, to Malaysia with an established market, and to that of Singapore with its strategic positing as an Asian regional financial services hub.
2. It is important to recognize that regulatory objectives cannot be delivered without qualified and competent staff as well as a long-term plan for strategic human resource management.
3. Most ASEAN Regulators face the inherent problems of being small markets, such as limited budgets and not being accorded due importance by higher authorities in relation to their responsibilities, lack of experience, technical knowledge/expertise and managerial skills.

4. The forces of globalization, internationalization, deregulation and convergences increase complexities which require equally complex regulatory actions and responses. Regulators in ASEAN must learn on the job, learn from other Regulators, and to cope with the fast changes, they must at minimum, learn at the rate of change.
5. HRD and training to develop expertise is costly and time consuming and therefore requires a more strategic approach and to be an integral part of the plan for capacity building.
6. With few exceptions, Regulators in ASEAN, as Regulators in most developing countries, are biased towards regulation for solvency and consumer protection and tend to adopt a prescriptive regulatory stance. The move towards market ideology and relying more on “market regulation” requires an efficient competitive market to impose “market discipline” on unsuccessful weak players – this runs counter to consumer protectionism. Increasing consumer sophistication and demand for greater choice and higher service standards require creativity and innovation of insurers and their intermediaries. As the financial sectors converge, financial products become indistinguishable. There will be increased competition for consumer savings. In this environment, those selling insurance must have the qualification and the ethics to advise consumers. The survey indicates that ASEAN Regulators are aware of the issue of educating the consumer to take responsible risk management and to ensure the ethical and fair conduct of insurers and their intermediaries. Regulators must look into the issue of regulatory arbitrage amongst financial sectors as consistency of regulation for similar products is important to consumers.
7. The implication for HR here is that Regulators must have knowledge of personal financial planning and the wider spectrum of financial services products. Regulators must acquire knowledge in new products in the insurance industry as well as risk management, derivatives and other hybrid products as insurance and capital market products converge. Training is also needed to familiarize staff with supervisory work practices such as early warning test ratios, problem solving in

relation to insurers' financial, governance and risk management performance, on-site inspection, etc.

8. Common to all of the countries surveyed is the need for Regulators to place greater emphasis on human resource strategy, and on justifying budget allocations for training and human resource development. The budget problems in training and human resource development also indicate the need for attitudinal change, and for Insurance Regulators and the industry in all of the countries involved to regard staff as human capital or resources to be developed, and not as costs to be minimized. This in line with modern human resource thinking, as put forward, e.g., by Friedman, Hatch and Walker (1998), who state that many companies and industries do not know how to value their human resource development policies and practices based on the concept of 'human capital' – that people become more valuable when we invest in them.
9. Clearly, a long-term philosophy relating to building staff capability and sound institutions is required in ASEAN.
10. This relates to another recurring issue identified by this survey: the lack of critical mass. This inevitably points towards the necessity for greater collaboration at ASEAN and international levels. AITRI and other relevant institutions will need to play a greater role in providing training for ASEAN Regulators and conducting relevant research. What is needed is a long-term integrated action plan at the regional level, perhaps spanning 3-5 years along the following lines:
 - a) Develop regional research collaboration in the areas identified by the survey.
 - b) Design curriculum for training and human resource development in the areas identified and seek expert trainers from ASEAN and internationally.
 - c) Assuming that other established institutions in ASEAN/at country level can provide training on routine areas, the focus at the regional level should be on advanced and specialist level programmes in the focused areas identified by ASEAN Regulators.
 - d) Collaboration with international agencies such as IAIS, National Association of Insurance Commissioners (NAIC), World Bank, Asian Development Bank (ADB) and UNCTAD should be sought for expertise as well as

funding assistance, especially to assist those ASEAN members who have funding/budget constraints.

- e) Longer-term programmes should include the development of ASEAN trainers/experts who can complement international faculty. Experienced industry or regulatory staff may be recruited and given androgical training to become competent trainers.
- f) Provide scholarship or funding for advanced studies/research.
- g) Create programmes involving industry experts and practitioners to apprise Regulators of contemporary issues and future trends. The survey clearly indicates where expertise in the various relevant subjects is available within ASEAN jurisdictions.
- h) Plan exchange of visits and practical training at ASEAN and international levels.
- i) Seminars in coordination with international agencies and other developing countries.