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Spotlight on the ASEAN Market—Part 1

Editor's Note: *In this issue of* IQ, *we are privileged to "spotlight" six of the ten countries that make up the ASEAN marketplace. Our next issue will provide similar information about the other four. Again, we are indebted to Dr. W. Jean Kwon. His studies of insurance issues and regulations in areas such as the Middle East, which we highlighted in our last issue, and the ASEAN market provide excellent information about insurance practices in these countries, most of which until now we have had little practical knowledge.*

This article consists of excerpts from Dr. Kwon's work, Toward Free Trade in Services: The ASEAN Insurance Market, *published last year by the International Insurance Foundation. This copyrighted material is reprinted with permission. Copies of the entire study are available from the International Insurance Foundation, 1233 Twentieth Street, NW, Washington, DC 20036. A $10 handling charge applies (Visa and MasterCard accepted).*

The ASEAN Insurance Market

by W. Jean Kwon, Ph.D., CPCU

Introduction

The Association of Southeast Asian Nations (ASEAN) comprises Brunei Darussalam, Cambodia, Indonesia, Laos, Myanmar, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. These 10 countries have a total population of about 500 million, a total area of 4.5 million square kilometers, a combined gross national product of U.S. $685 billion, and a total trade of U.S. $720 billion. ASEAN member countries display immense diversity in ethnicity, culture, and religion. There are economically advanced countries as well as countries where the population struggles to overcome poverty. Except for Brunei, Malaysia, Singapore, and Thailand, Southeast Asian countries still generate less than U.S. $5,000 GDP per capita (purchasing power-adjusted). Every country comprises more than one ethnic group, each carrying a unique culture from one generation to the next. There are Christians, Catholics, Buddhists, Muslims, Hindus, and those following indigenous religions. The legal systems of Southeast Asia also vary widely. Some countries follow European legal systems, while others are modeled after North American systems. Political systems also run the gamut from monarchism to socialism.

Despite these differences, they have agreed to create the ASEAN Free Trade Area (AFTA), with the ultimate objective of increasing ASEAN's competitive edge as a production base geared for the world market. A critical step in this direction is the liberalization of trade, eliminating intra-regional tariffs and nontariff barriers, which will reduce production costs and encourage manufacturing industries to become more efficient and more competitive in the global market.

As a complement to the liberalization of trade, ASEAN has adopted a Framework Agreement on Services. The agreement seeks to integrate the ASEAN market for services by eliminating restrictions on trade in services among member countries. This integration involves liberalizing trade in services beyond the commitments undertaken by member countries under the General Agreement on Trade in Services (GATS). The final goal of the Framework Agreement is to realize a free-trade area in services.

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The ASEAN Insurance Market

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According to the Swiss Re survey of insurance consumption—measured by per capita premiums in U.S. dollars—ASEAN countries spent only U.S. $28 per capita for insurance in 1999, compared to U.S. $1,950 in Organization for Economic Cooperation and Development (OECD) countries. Within ASEAN there is considerable variation. Singapore, Malaysia, and Thailand ranked at the 19th, the 37th, and the 54th position, respectively, among the 84 countries surveyed; Indonesia, the fourth most populous country in the world, ranked 76th. These rankings reflect more than simply the relatively low incomes of ASEAN countries. The insurance markets in the region are also comparatively underdeveloped. In 1999, insurance premiums represented only 3 percent of the GDP, compared to 8.6 percent in OECD countries. By this measure Singapore ranked 27th, Malaysia 29th, and Thailand 47th.

Insurance products available in many ASEAN countries are rather simple. Term life and whole life insurance products prevail in the life insurance business. Investment-oriented products, better known in Southeast Asia as unit-linked insurance products, exist in only a few countries, and they are relatively new there. As for non-life insurance, basic fire insurance and compulsory insurance, such as motor liability and workers compensation insurance, predominate.

Brunei Darussalam

Brunei Darussalam is a small country with a population of a little over 300,000. It is situated on the island of Kalimantan, also known as Borneo. In this Islamic, oil rich sultanate, the government is the largest employer. The Brunei government provides all medical services for the people.

There are more than 100 registered insurers in the country, but as of January 2001, only 22 companies actively offer conventional and Islamic-based takaful insurance products: 16 non-life insurers, three life insurers, and three takaful insurers. Brunei allows only takaful insurers to operate in both classes of insurance business.

With the exception of the Motor Vehicles (Third-Party Risks) Act of 1998, there appears to be no specific legislation relating to the insurance industry in Brunei Darussalam. The government is expected to introduce an insurance act in the near future. Once introduced, this insurance law will govern both conventional and takaful insurance matters.

The Financial Institutions Division (FID) of the Ministry of Finance currently monitors and supervises activities of insurance companies operating in Brunei. Its major activities include granting licenses to prospective insurers—although no new insurer has been registered since 1984—and issuing regulatory guidelines. Those guidelines specify that an applicant in non-life insurance business must meet the minimum paid-up capital of B $1 million. Once admitted, it must maintain a solvency margin of 20 percent based on premium income, net of reinsurance, of the previous year. For insurers writing motor insurance business, the ministry requires a deposit of B $1 million with the government.

The FID has also issued administrative measures, applicable mainly to non-life insurance business, and guidelines regarding the appointment of motor insurance agents. The Insurance Association of Brunei Darussalam currently administers the guidelines. The regulator uses moral suasion when necessary, and holds meetings periodically with the Insurance Association of Brunei Darussalam, which includes all licensed non-life insurers in the country.

The FID does not strictly direct how non-life insurers should price their products or maintain their insurance funds for most lines of insurance. Instead, the regulator, through its guidelines on the accounting procedures, requires non-life insurers to calculate unearned premium reserves pro-rated to the period of insurance coverage, to estimate IBNR losses based on past experience, and not to discount their outstanding claims. Non-life insurers must use the lower of the book value or market value when valuing their investments.

Brunei

Cambodia

Its admission to ASEAN delayed until 1999 because of its political turmoil, Cambodia is yet to see significant improvement in its economic status. Its small economy has not attracted much foreign investment. Cambodia lacks a clearinghouse or an interbank fund transfer system for local financial institutions. Neither can a foreign exchange market be found in the country. Besides, only few financial institutions are financially or operationally competent.

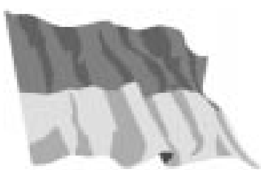
The Cambodian government drafted an insurance law in 1994, but it was only in June 2000 that the National Assembly passed the final version. The bylaws will be available in the near future. The insurance law requires approval from the Ministry of Finance before an entity commences insurance business. It makes motor third-party liability insurance, construction all risks (CAR) insurance, and passenger transportation insurance compulsory. Before the enactment of the law, certain projects and assets were insured overseas. The insurance law no longer allows

Cambodia

such exceptions, and all projects and assets located in Cambodia must be insured locally and by a licensed insurer. This provision was added to the law to prevent the outflow of premiums from the country.

The insurance industry in Cambodia is in its infancy with only one insurance company, Caminco. This government-owned insurer sells mainly non-life (motor insurance in particular) and personal accident insurance products. There are four insurance brokerage firms—including Indochine Insurance, established in 1993, and Asia Insurance (Cambodia)—operating in Cambodia. If they wish, these firms can become licensed insurance companies, subject to meeting the capital requirement as well as other terms and conditions stipulated in the insurance law.

Insurers in Cambodia are also subject to special provisions of the country's tax law, which was amended in 1997. The law levies a 5 percent income tax on an insurer residing in Cambodia, based on its gross premiums for risks in Cambodia. If an offshore insurer underwrites risks in Cambodia, the government may withhold 15 percent of the premiums for such risks for income tax purposes. For income from non-insurance activities, insurers generally are subject to income taxes of 20 percent of their profits.



Indonesia

Indonesia

Prior to the Asian financial crisis in 1997, Indonesia enjoyed rapid economic growth. The crisis devastated the economy and rekindled political instability. The ongoing saga of ethnic disputes also continues to cover its future with dark clouds. Nevertheless, the Indonesian government has made numerous attempts, with financial and other aid from international organizations such as the IMF, the World Bank, and the Asian Development Bank, to improve its economic condition. The government, particularly the Indonesian Debt Restructuring Agency, has closed banks with large portfolios of non-performing loans and arranged mergers and acquisitions of many other banks.

This recent economic and political instability in Indonesia has affected the performance of its insurance industry. All insurers experienced reduction in premium income, and non-life insurers had to absorb the burden of increasing claims arising from recurring riots in major cities.

In Indonesia, the Directorate General for Financial Institutions with the Ministry of Finance has been regulating and supervising the Indonesian insurance market, which is served by a large number of life and non-life insurers, totaling 178 in 1998. State-owned insurers—such as Asuransi Kiwasraya and Asuransi Jasa Indonesia—and the insurance subsidiaries of local conglomerates dominate the market.

All licensed insurers in Indonesia must meet the minimum paid-up capital requirement, the amount of which varies depending on the class of insurance business and ownership structure. In life insurance, the minimum paid-up capital is Indonesian 2 billion rupiah for domestic insurers and 4.5 billion rupiah for joint ventures. In non-life insurance, it is 3 billion rupiah for domestic insurers and 15 billion rupiah for joint ventures. A reinsurer operating in Indonesia is required to have a minimum paid-up capital of 10 billion rupiah if it is a local company; otherwise, the amount increases to 30 billion rupiah. The authority also requires that the insurer place 20 percent of its capital in the form of a deposit at a commercial bank in Indonesia. The deposit increases annually by 1 percent of the increase in premiums if it is in non-life insurance business or 5 percent in the increase in premium reserves if in the life insurance business.

A foreign entity must satisfy several conditions before it is allowed to do insurance business in Indonesia. First, it must locate an Indonesian company willing to be its joint venture partner, and the joint venture must be incorporated as a limited liability company. Second, the foreign partner must be of good reputation and have its equity capital being at least twice the amount of its investment in the joint venture. Third, the local partner must have been operating for at least the previous two years while satisfying the authority's solvency test. Fourth, the applicant must submit a plan describing how the foreign partner's ownership in the joint venture will be reduced over a specified period of time. In particular, a registered joint venture must limit its foreign ownership initially to 80 percent of its total share and gradually (within 20 years) reduce it to no more than 49 percent of its total share. Fifth, the joint venture must employ an adequate number of insurance professionals (commonly actuaries), whether Indonesian or foreigners, who have at least five years of experience in their specialty areas, and appoint Indonesians to its board of directors usually in proportion to the share of foreign-local ownerships. Finally, the license holder can do business in only one class of insurance business, life or non-life.

Life insurers must maintain a solvency margin of at least 1 percent of premium reserves for life insurance and 10 percent of net premium for health and accident insurance. Non-life insurers should meet a solvency margin—expressed as "the excess permissible assets over liabilities"—which is at least the sum of the initial minimum capital and

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10 percent of net premiums. Non-life insurers are not permitted to assume any risk if the coverage amount exceeds 10 percent of their equity. The total amount of premiums, net of reinsurance, that non-life insurers can write is limited to 300 percent of their equity.

In 1999, the Ministry of Finance started to employ risk-based capital (RBC) models to determine solvency requirements of insurance companies operating in Indonesia. These RBC models cover differences among the insurers with respect to their exposures to asset default risk, cash flow mismatch risk, foreign exchange risk, claims experience-related risk, investment performance-related pricing risk, and reinsurance risk.

The Indonesian Insurance Council, an industry association, publishes tariffs for various non-life lines of insurance that insurers must abide by. Non-life insurers are also subject to commission limits of 15 percent for brokers and 10 percent for agents.

The ministry requires direct insurers, especially those in non-life insurance businesses, to have a treaty reinsurance arrangement with at least one reinsurer and to retain at least 30 percent of the original risks based on premiums. Direct insurers may cede their risks to offshore (non-admitted) reinsurers, provided that those reinsurers are of good reputation in the country of domicile, have a treaty (reciprocal) agreement with at least one domestic reinsurer in Indonesia, and have their paid-up capital being at least equal to the minimum capital required for domestic joint venture reinsurance companies, which is 30 billion rupiah.

Laos

Laos, which was under a six-century old monarchy until 1975, is another small economy in Southeast Asia. It was not until the mid-1980s that this officially communist state adopted an economic reform and began to encourage private enterprise. Only in 1990 did the government implement the first, albeit uncomplicated, insurance law and create the Insurance Directorate within the Ministry of Finance. In 1995, the ministry abolished this position and transferred the responsibility to the State Property Directorate within the same ministry.

Neither did Laos have an insurer until the government established in 1992 a joint venture insurance company, Assurances Generales du Laos (AGL), with Assurances Generales du France. AGL was given a three-year monopoly, and has even after 1995 been a de facto monopoly as no other insurer has been licensed in the country. The Laotian government increased its ownership share of this joint venture from initial 20 percent to 49 percent in 1997.

Laos

AGL generates about 99 percent of its premiums from underwriting non-life insurance risks. Life insurance is not popular in the country because of a cultural impediment: it is commonly believed that insurance is “tantamount to calling down misfortune to one’s head.”

The existing insurance law does not limit the types of insurance products that an insurer can sell, but requires it to obtain prior approval for premium rates and policy conditions from the ministry. No specific accounting principle for the insurance industry exists, and AGL uses generally accepted accounting principles in its financial statements.

The Laotian government wishes to admit another joint venture or a subsidiary of a foreign insurer. However, the 1994 Law on the Promotion and Management of Foreign Investment in Laos, PDR, is unclear whether foreign investment in the financial services industry would be permitted. Besides, it states that the Foreign Investment Management Committee licenses and screens all foreign investment projects, big or small, in Laos. The lack of government initiatives for its economic development and weak economic infrastructure, notably underdeveloped financial services markets, may continue to delay the emergence of a private-sector driven insurance market and the inflow of foreign insurers to the country.

Malaysia

Malaysia

Malaysia is a constitutional monarchy where state monarchs take turns serving as the country’s monarch, but without any political power. Malaysia is a member of the British Commonwealth, and its legal system follows primarily the British system. The Malaysian economy has developed quite impressively since its independence in 1957. It has attracted a large number of foreign investors, including insurance companies. Malaysia is also known for its 1998 foreign investment and exchange control, which the incumbent Mahatir administration imposed to weather the 1997 Asian economic crisis.

Malaysia has a relatively well-developed insurance industry. Early in the 20th century branches of foreign insurers began to offer insurance services in the country. In 1948, the Life Assurance Companies Ordinance and the Fire Insurance Companies Ordinance attempted to regulate the insurance business. However, since these ordinances did not contain clear provisions regarding premium adequacy and capital or solvency requirements of insurers, numerous insurers mushroomed. Many of those insurers were small, financially insecure, had little expertise in insurance business, and exhibited widespread malpractices. The government attempted to correct this problem by amending the Life Assurance Companies Ordinance in 1961. The Insurance Act in 1963 comprehensively addressed major issues in insurance regulation. The latest act, the Insurance Act of 1996, as well as the Insurance Regulations of 1996, strengthened supervision considerably.

The Ministry of Finance is the *de facto* regulator and supervisor of the Malaysian insurance industry, but has long delegated the duty of administering the insurance law to Bank Negara Malaysia (BNM), the central bank of Malaysia. Important milestones in Malaysian regulation include the Takaful Insurance Act of 1984, which permits insurer operations based on Islamic principles, the Labuan offshore insurance center opened in 1990, and recently introduced guidelines for the increase in operational efficiency and distribution of insurance products in life business.

BNM has also introduced new solvency measures, including risk-based capital requirements, and created the Customer Services Bureau that oversees complaints and inquiries from policyholders and claimants. Higher capitalization requirements support the government's plan for mergers and acquisitions within the industry, either voluntarily or following government orders. In fact, seven mergers were initiated in 2000 and more insurers are currently considering a merger. In March 2000, BNM expressed the view that there would be only 10 to 15 insurers left after completing the consolidation of the industry by 2003. By way of comparison, there were 58 direct insurers and 10 reinsurers, including one life reinsurer, in Malaysia in 1999.

An entity wishing to do insurance business in Malaysia may file an application to the central bank, which has the authority to review such an application. Bank Negara Malaysia may then make a recommendation on the application to the Ministry of Finance, which has the power to license new insurance companies. BNM licenses insurance brokers and adjusters.

There are two specific provisions regarding foreign investment in the Malaysian insurance market. For one, BNM allows foreign investors to hold up to 30 percent of ownership equity of any Malaysian insurance company. Foreign shareholders who had made their investment prior to the enactment of the Insurance Act of 1996 are exempted from this requirement and may continue to hold equity up to 51 percent in aggregate. For the other, the insurance act made it mandatory for all branches of foreign insurers to be domesticated; that is, locally incorporated as a subsidiary, by June 1998.

All insurers in Malaysia must maintain, unless a relief is granted, at least 30 percent of their investment in *Bumiputra* share, ownership share by ethnic Malay. Additionally, licensed insurers must obtain prior approval from Bank Negara Malaysia for any changes in their ownership share. If, however, the change is regarding an acquisition or sale of an interest in excess of 5 percent of the shares of a licensed insurer, the insurer must obtain prior approval directly from the Ministry of Finance.

According to BNM requirements, licensed insurers and reinsurers in Malaysia must maintain an insurance fund for each class of insurance business they write. Thus an insurer underwriting substantial risks in both life and non-life classes must maintain segregated life insurance and non-life insurance funds, and cannot co-mingle its premiums, claims, and other expenses across the funds. A licensed direct insurer and reinsurer must maintain at all times a fund margin of solvency of RM $50 million and RM $100 million, respectively, for each class of business. Of the assets admitted to meet this requirement, at least 20 percent must be invested in securities, bills and certificates issued by the federal government.

All life insurers in Malaysia must submit annually to BNM an actuarial certification of their liabilities prepared by an appointed actuary of the company. The central bank may require non-life insurers to submit an actuarial valuation of the company's IBNR claims and any inadequacy in loss reserving for outstanding claims.

The Insurance Guarantee Scheme Fund provides some compensation—benefits for bodily injury only—to those policyholders and claimants who have a third-party liability or workers compensation-related claim with a financially troubled insurer. All non-life insurers participate in the fund and pay a levy of not less than 1 percent of their direct premiums earned during the preceding financial year.

All direct non-life insurers must be members of the General Insurance Association of Malaysia, and all life insurers are members of the Life Insurance Association of Malaysia. The General Insurance Association of Malaysia sets premium rates for fire and motor insurance businesses, and its member non-life insurers must abide by the tariff rates. Insurers must also abide by BNM regulations regarding pricing, insurer expenses, premium rates, operating costs, and the design of insurance application forms, contracts, and marketing brochures.

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The ASEAN Insurance Market

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Life insurers in Malaysia depend on independent agency systems, allowing an agent to represent multiple insurers. BNM has set the maximum percentage of agency commissions on a life insurance policy (except term life policies with less than 20 years of coverage) to not more than 171 percent of the annual premiums payable over 10 years. Commissions payable on yearly renewable term insurance and single premium mortgage term insurance are limited to 10 percent of the premium. There are also limits on agency-related expenses and management expenses.

Non-life insurers operating in Malaysia are subject to a 10-25 percent ceiling of their gross direct premiums for their gross commissions and agency-related expenses.

The Insurance Act of 1996 requires every insurer to obtain the central bank's prior approval for the appointment of a person as a director or chief executive. The act also makes the insurer be responsible for meeting the "fit and proper" person criteria of the act. BNM is formulating a framework of corporate governance based on the Malaysian Code of Corporate Governance, expected to include guidelines for management accountability, corporate independence, internal control, operational risk management, public accountability, and financial and management reporting.

Myanmar

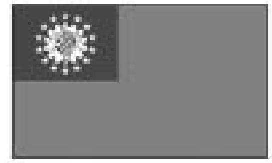
Myanmar, formerly known as Burma, had about 100 insurance companies prior to its independence in 1948. Fewer insurers continued to operate in this economically underdeveloped country after its independence. Following the establishment of the Union Insurance Board in 1952, all private insurers eventually disappeared. This state-owned composite insurer, which was renamed later as Myanmar Insurance, had been the monopoly insurer in the country until another composite insurer, owned primarily by Myanmar Economic Corporation, was incorporated in 1997.

The regulatory body of the Myanmar insurance industry is the Insurance Business Supervisory Board, formed in 1996. Not surprisingly, this body is with Myanmar Insurance and its members are drawn mainly from Myanmar Insurance, Central Bank of Myanmar, and other government authorities.

After the adoption of the Insurance Business Law of 1996 and the Insurance Business Rules of June 26, 1997, the government announced opening its insurance market to foreign investors. It later granted three foreign insurers—Yasuda Fire and Marine and Mitsui Fire and Marine from Japan, as well as Overseas Union Insurance from Singapore—permission to open a representative office. However, it has not yet granted operating licenses to any foreign entities, whether their applications were for joint venture, branch, or subsidiary.

According to the law, an applicant of insurance business must file an application to the Insurance Business Supervisory Board. Separately, it must obtain approval of its investment plan from the Myanmar Investment Commission before it can commence insurance operation. The regulator requires all insurers to maintain a capital of at least 20 million kyats for life insurance business and 200 million kyats for non-life insurance business.

Myanmar currently does not have either solvency requirement guidelines or investment guidelines for the licensed insurers in the country. However, all insurers are required to use only the insurance application and policy forms approved by the Insurance Business Supervisory Board. Life insurers must also obtain prior approval from the board for any changes in life insurance surrender values, premium rates, and commission structures. Finally, insurers operating in Myanmar must establish a policyholders' protection fund to protect mainly owners of life insurance policies. ■



Myanmar

W. Jean Kwon, Ph.D., CPCU, *earned an M.B.A. in insurance from the College of Insurance in New York (now known as the School of Risk Management of St. John's University), and a Ph.D. in risk management and insurance from Georgia State University. Kwon's previous experience includes teaching insurance subjects at Georgia State University and Nanyanag Technological University (Singapore). He also worked as director of special projects of the Insurance Department of the Monetary Authority of Singapore, and provided consulting services to local and international insurance-related institutions.*

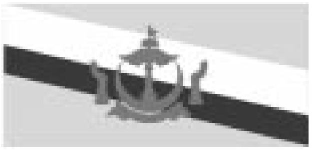
Until recently, Kwon worked as a director of curriculum at the AICPCU and Insurance Institute of America, and was responsible for insurance accounting, finance, and global insurance programs. He authored Risk Management and Insurance: Singapore Context, *and published a number of articles, including several about insurance in Asia, in academic and professional journals. Kwon is now co-authoring* Insurance Operations for Non-Life Insurance, *and is an editorial board member of the* Journal of Insurance Studies *and the Geneva Papers on Risk and Insurance Issues and Practices. He has been active in establishing the Asia-Pacific risk and Insurance Association (APRIA) and furthering the association's objectives. He currently serves as a vice president of the association.*

Kwon is now with the faculty of the School of Risk Management of St. John's University, and promotes insurance education internationally. For a list of Kwon's papers and articles contact him at the school.

Where Are You Going Today?

Compiled from our members, friends, and the Internet

Editor's Note: *The following information is to provide the traveler with basic statistics for six of the ten countries comprising the ASEAN Marketplace: Brunei, Cambodia, Indonesia, Laos, Malaysia, and Myanmar. It provides useful information about its type of government, currency, cost of meals and lodging, transportation, dining, and, in some cases, a bit about shopping. The next issue will provide similar information for the other four countries: The Philippines, Singapore, Thailand, and Vietnam.*



Brunei

Brunei Darussalam

(full country name is Negara Brunei Darussalam)

This tiny oil-rich Islamic sultanate lying on the northwest coast of Borneo is known chiefly for the astounding wealth of its sultan, its tax-free, subsidized society, and that fact that its people enjoy one of the highest per capita incomes on earth. However, despite the ostentatious modern public buildings in the capital, most of the country remains undeveloped, unexploited, and untouched by the outside world.

- **Capital City:** Bandar Seri Begawan
- **People:** Malays, Chinese, indigenous tribes, plus $20,000 expatriate workers
- **Language:** Malay, English, Chinese
- **Currency:** Brunei dollar is at par with the Singapore dollars and are freely traded.
- **Visas:** American nationals are not required to obtain entry visas for a stay of 90 days or less for business or tourist purposes.
- **Religion:** 65 percent Muslin, 15 percent Buddhist, 10 percent Christian
- **Government:** Monarchy
- **Head of State and Prime Minister:** Sultan Sir Hassanal Bolkaiah
- **Insurance:** Monitored and supervised by the Financial Institutions Division (FID) of the Ministry of Finance.
- **Banking:** The major players are Honking and Shanghai Banking Corporation, the Standard Chartered Bank, and Citibank. There is also the Islamic Bank of Brunei Berhad (IBB) to apply Islamic practices into the financial administration and management of the country. Although the official currency is the Brunei dollar, Singapore dollars are equally exchanged and can be used. Although it's comparatively easy to change both cash and traveler's checks, banks will give you a better rate (around 10 percent more) for traveler's checks.
- **Major Products/Industries:** Oil and gas
- **Major Trading Partners:** ASEAN, Japan, Taiwan, S. Korea, USA
- **GDP:** U.S. $4.5 billion

Customs: Brunei is a little slice of Islamic heaven. Alcohol is virtually unobtainable, there's no nightlife to speak of, and the political culture encourages quiet acquiescence to the edicts of the sultan. The folk of Brunei are amply rewarded for their conformist ways with free healthcare, free education, free sporting centers, cheap loans, and high, tax-free wages.

Cost of Meals and Lodging: Mid-range meals will run around: U.S. $5-$10 and top-end: U.S. $10 and upwards. Mid-range lodging starts at: U.S. $45-$100 and top-end: U.S. $100 and upwards. In comparison with the other countries in the area, Brunei's accommodations seem to be fiercely expensive. Mid-range accommodation is a bit of a disaster, though some top-end hotels are not that much more expensive than the equivalent in Malaysia. Transport and food are more expensive than in Peninsular Malaysia, but not outrageously so.

Shopping: During the height of the Brunei sultanates, brass and silver artisans produced finely designed brass gongs, cannons, and household vessels. They were often embossed with designs of serpents and animals or verses from the Koran. Many crafts failed to survive the decline of the sultanate, but silverwork and weaving are two traditional crafts that have been preserved.

Getting Around: Transportation around Brunei is by bus, hire car, or taxi. The public bus system is cheap and reliable but only in and around the capital. If you want to explore the hinterland you'll probably need to hire a car. Surprisingly, hitchhiking is a viable option in Brunei: a thumb in the air is still novel enough to get a ride although, like anywhere, it has its dangers and is not recommended as an ideal means of transport.

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Where Are You Going Today?

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Cambodia
(Kingdom of Cambodia)

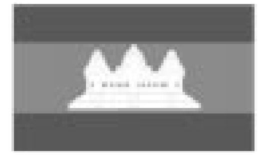
Only recently has Cambodia emerged from the decades of war and isolation that made it a byword for atrocities, refugees, poverty, and political instability. Those ancient, magical Angkor temples, empty beaches, mighty rivers, and remote forests are drawing travelers by the busload once more, and Cambodia is well and truly back in on the Southeast Asian map. The peace is young but relatively stable, and the country is slowly attracting the tourism currently sweeping neighboring Vietnam. However, the proliferation of land mines and banditry in remote areas means the picture isn't all rosy, and for now the beaten path remains by fare the one best traveled.

- **Capital City:** Phnom Penh
- **People:** Khmer, Vietnamese, Chinese
- **Language:** Khmer (official) French, English
- **Currency:** Riel (KHR).
- **Religion:** Theravada Buddhist 95 percent, other 5 percent
- **Visa:** A one-month visa, on arrival at Pochentong and Siem Reap airports, costs U.S. $20 for a tourist visa and U.S. $25 for a business visa.
- **Health Risks:** Cholera, hepatitis, malaria, typhoid, rabies, Japanese B encephalitis, landmines.
- **Government:** Multiparty liberal democracy under a constitutional monarchy.
- **Head of State:** King Norodom Sihanouk
- **Insurance:** Insurance law passed in June 2000 and bylaws to become available. Will be monitored by Ministry of Finance.
- **Banking:** U.S. dollars and Thai baht are widely accepted. However, it is difficult to change traveler's checks outside major cities. Cash advances on credit cards are available in some cities, but charges are high. There are no ATMs and credit cards are rarely accepted.
- **Shopping:** Bargaining is the rule in markets, when hiring vehicles, and sometimes even when taking a room, but you won't need to be as forceful as you would need to be in Thailand or Vietnam.
- **Major Products/Industries:** garments, tourism, rice milling, fishing, wood and wood products, rubber, cement, gem mining, textiles.
- **Major Trading Partners:** Thailand, Vietnam, Japan, Hong Kong, China
- **GDP:** U.S. $16.1 billion

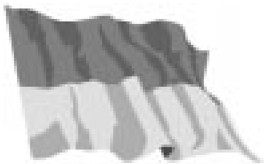
Cost of Meals and Lodging: For the most part, Cambodia is a pretty cheap place to travel. Mid-range and top-end meals range from U.S. $5-10 and $10 upward respectively and top-end lodging (available in Phnom Penh and Siem Reap only) is $10 to $45 per night. If you travel around, you'll need to spend more—transport is a major expense. Tipping is not expected in Cambodia, but salaries are very low and any gratuities for good service will be gratefully accepted.

Dining: In general, Khmer cuisine is similar to Thai, but with fewer spices. A Cambodian meal almost always includes a soup, and fish is the nation's mainstay—grilled freshwater fish, wrapped in lettuce or spinach and dipped into a nutty fish sauce, is a particular specialty. "Salad" dishes are flavored with coriander, mint and lemongrass—three flavors that find their way into many Cambodian dishes. The French influence is best seen in the daily-baked bread. Sweet dishes include sticky rice cakes and jackfruit pudding. Tap water is best-avoided, so stock up on mineral water, fruit-smoothie concoctions, and the usual array of soft drinks. The proliferation of "muscle wines" are best avoided. Gratuities for good service will be appreciated but not expected.

Getting Around: Flying is the quickest (and of course most expensive) way of getting to places like Angkor, Battambang, Ratanakiri, Koh Kong, Stung Treng, and Mondulkiri. Road travel is safer than it's been for years, but your body is still going to suffer for traveling by bus—the country's highways are in truly pathetic shape. Train travel is back on the agenda for visitors—and it's ludicrously cheap—but the journey will take much longer than by bus. Trucks and jeeps tackle the dreadful roads to Siem Reap, Battambang, and Kratie, and share-taxis scoot around the south coast. Boats play a major role in getting around. The most popular services operate between the capital and Siem Reap—the express service cuts the journey time down to a mere four hours. Fast boats also head up the Mekong to Kompong Cham, Kratie, and Stung Treng. An effective local bus network makes travel to sights around Phnom Penh much easier than driving, particularly as cars can only be hired with a driver. Taxis are more common in the cities these days, and cyclos and motos (small motorcycles) can be flagged down for short hops.



Cambodia



Indonesia

Indonesia

(Republic of Indonesia) Formerly Dutch East Indies

The Indonesian archipelago consists of 17,508 islands with a land area of 1,266,900 square miles. The floating emerald islands of the Indonesian archipelago have, for centuries, been a magnet to a diverse range of people. The area is slightly less than three times the size of Texas. However, visiting Indonesia today is a risky proposition. Although the situation in East Timor has stabilized, travel in the area is difficult—the fallout from Indonesia's second Year of Living Dangerously has resulted in an Indian arm wrestle between the president and his own security forces, lending a certain tension to the air and the possibility of riot-inducing electricity and rising fuel prices. Foreigners, particularly Australians, should avoid demonstrations or anything that looks like it might turn ugly. Specifically, this holds true for Jakarta and parts of East Java.

- **Capital:** Jakarta
- **People:** Japanese, Sundanese, Madurese, costal Malaya, and other.
- **Language:** Bahasa Indonesia (official, modified form of Malay), English, Dutch, local dialects, the most widely spoken of which is Javanese.
- **Currency:** Indonesian Rupiah (IDR)
- **Visa:** Citizens of most countries can stay 60 days without a visa.
- **Health Risks:** Dengue fever, giardiasis, hepatitis, Japanese encephalitis, malaria, paratyphoid, rabies, typhoid.
- **Religion:** Islam, Christian and Catholic, Buddhism, and Hinduism.
- **Government:** Military-ruled republic
- **Head of Government:** President Megawati Sukarnoputri
- **Insurance:** The Directorate General of Financial Institutions, together with Ministry of Finance monitors this industry.
- **Banking:** In major centers, you can always find a bank that will advance cash on Visa or MasterCard. Credit card advances through ATMs are possible, but limited. Traveler's checks and cash (preferably U.S. dollars) are the way to go in Indonesia. Credit cards are accepted by expensive hotels, restaurants, and shops, but not for day-to-day expenses.
- **Major Products/Industries:** Petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, rubber, food, tourism.
- **Major Trading Partners:** Japan, U.S., Singapore, Germany, Australia, South Korea, Taiwan, and China.
- **GDP:** U.S. $654 billion

Preparing for Business: Come to your meeting well organized. Up-to-date information can mean the difference between failure and success in your Indonesian business endeavors. Last year's figures and forecasts, made during the ups and downs of the ongoing monetary crises all can be thrown out the window. So, be prepared.

Cost of Meals and Lodging: The Asian economic meltdown has impacted badly on the rupiah; it's currently on a stock market roller coaster ride. That means that any costs quoted here will only be a ballpark figure. Mid-range and top-end meals range from U.S. $2-5 and $5 upward respectively, and top-end lodging is $20 and upward per night. Tipping is not a normal practice in Indonesia but is often expected for special service. Someone who carries your bag or guides you around will expect a tip. Jakarta taxi drivers expect you to round the fare up to the next 500 rp. Hotel porters expect a few hundred rupiah per bag.

Getting Around: Domestic air services have been in a state of flux since the economic downturn in the late 1990s. Indonesia's main roads are generally excellently surfaced, with the mainstay of land travel being the ekonomi buses—cheap and cheerful fares that may democratically include chickens, pigs, and anything in between. One step up is the express bus, which carries the same cargo but gets to the destination sooner, followed by luxury air-con buses with all the bells and whistles. Rail travel is restricted solely to Java and Sumatra. It's advisable to buy train tickets a day in advance to assure a seat. Cars, motorbikes, and bicycles can be rented in the main cities. There are ferries between the various islands. Local transport includes the bemo (pick-up trucks with rows of seats along each side), opelets (minibuses), baja (auto rickshaws), becaks (bicycle rickshaws), and dokers (horse-drawn carts); most are ridiculously cheap. Many towns have taxis, but agree on a fare in advance.

Shopping: Batik, the art of applying wax to cloth and then tie-dying in colorful and dramatic designs, is produced throughout Indonesia.

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Other craft forms include ikat, which is a type of weaving with tie-dyed threads, songket, a silk cloth with gold or silver threads woven into tie, and kris, artwork often decorated with jewels. Javanese wayang (puppet) and gamelan (music) are also popular gifts.

Dining: Indonesia has one of the world's greatest cuisines, drawing on influences from around the world. Foreign culinary art is subtly distinguishable in Indonesian cooking, yet each alien ingredient is blended creatively with the islands' own cooking secrets. From soothing coconut to fiery chilies, the flavors of Indonesia will stimulate your taste buds and your appetite. Many Indonesian dishes are Chinese-influenced, but some, such as Padang food from Sumatra, are distinctly home-grown. Rice is the basis of each meal, eaten as a soup or with an assortment of hot and spicy side dishes, salad, and pickles. The variety of tropical fruits grown would make a greengrocer swoon.

Laos

(Lao People's Democratic Republic)

Laos is the least developed and most enigmatic of the three former French Indochinese states. Now, after two decades of isolation from the outside world, this landlocked, sparsely populated country is enjoying peace, stabilizing its political and economic structures, and admitting foreign business—albeit in limited numbers due to a general lack of infrastructure. The lack of foreign influence offers travelers an unparalleled glimpse of traditional Southeast Asian life. Travelers who have made it to Laos tend to agree that this country is the highlight of Southeast Asia.

- **Capital:** Vientiane
- **People:** Lao Loum (lowland Lao), Lao Theung (lower-mountain dwellers of mostly proto-Malay or Mon-Khmer descent), Lao Sung (Hmong or Mien high-Altitude hill tribes) and tribal Thais.
- **Language:** Lao (official language) and Lao dialects (closely related to Thai), French.
- **Currency:** Lao kip (LAK)
- **Visa:** Fifteen-day visas are available through embassies, consulates, and authorized travel agencies and for U.S. $30 on arrival at Wattay Airport, though you'll need to meet a series of conditions to get one.
- **Health Risks:** Cholera, dengue fever, hepatitis, Japanese encephalitis, malaria, rabies, typhoid.
- **Religion:** Buddhist, animist, and spirit cults.
- **Government:** Communist state
- **Head of Government:** President Khamtai Siphandon
- **Insurance:** The Insurance Directorate within the Ministry of Finance monitors this industry.
- **Banking:** The Lao kip is the only legal currency, but Thai baht and U.S. dollars are regularly accepted, particularly in the cities. In Vientiane you'll be able to change most major currencies, but in the country you should stick to U.S. dollars or baht. You may have trouble with traveler's checks outside the capital. Banks will give you a better rate than moneychangers, and you'll get more for traveler's checks than cash.
- **Major Products/Industries:** Tin and gypsum mining, timber, electric power, agricultural processing, construction, garments, tourism.
- **Major Trading Partners:** Vietnam, Thailand, Germany, France, Belgium, Japan, China, Singapore, Hong Kong.
- **GDP:** U.S. $9 billion

Laos

Cost of Meals and Lodging: Staying in Vientiane will cost you more than accommodations elsewhere—expect to pay from U.S. $15-60 per night. An average meal will be less than U.S. $2. If you want air conditioning, hot water, and foreign food, you'll pay between $25 and $75 per day. There is no need to tip in Laos, except at upscale restaurants where around 10 percent is expected.

Shopping: If you are buying things in markets, always bargain; at shops it's usually worth a try. Keep it low-key: Laotians are generally gentle hagglers.

Getting Around: It is now possible to travel to every province in Laos by some form of public road transport. There are regular buses, typically flatbed trucks mounted with carriages and seats. The alternative mode of travel is river transport. For short trips it's usually best to hire a river taxi or, in the upper Mekong, a speedboat. There are a few taxis in the larger towns, but plenty of three-wheeled motorcycles and pedicabs. Bargaining skills will be required. Motorbikes and bicycles can be rented in the larger cities.

Dining: Rice is the foundation for all Lao meals, and almost all dishes are cooked with fresh ingredients such as vegetables, freshwater fish, poultry, duck, pork, beef, or water buffalo. Lime juice, lemon grass, and fresh coriander give the food its characteristic tang, and various fermented fish concoctions are used to salt the food. Hot chilies, garlic, mint, ground peanuts, tamarind juice, ginger, and coconut milk are other seasonings. Dishes are often served with an accompanying plate of lettuce, mint, coriander, mung-bean sprouts, lime wedges, or basil—diners then create their own lettuce-wrapped tidbits.

Malaysia

Malaysia
(Federation of Malaysia)

Malaysia, which is slightly larger than New Mexico, is one of the most pleasant, hassle-free countries to visit in Southeast Asia. Several decades of sustained economic growth and political stability have made it one of the most buoyant and wealthy countries in the region.

- **Capital:** Kuala Lumpur.
- **People:** Malay, Chinese, Indian, plus indigenous tribes such as Orang Asli and Iban.
- **Language:** Bahasa Melayu (official), English, Chinese dialects, Temil, indigenous dialects. Despite Bahasa Melayu being the official language, when members of these different communities talk to each other, they generally speak English, which was recently reinstated as the language of instruction in higher education.
- **Currency:** Malaysian ringgit (dollar) (MYR)
- **Visa:** Commonwealth citizens and most European nationals do not need visas for visits of less than three months. Visitors are usually issued an extendable 30- or 60-day visa on arrival.
- **Health Risks:** Dengue fever, hepatitis, malaria, rabies.
- **Religion:** Islam, Buddhism, Daoism, Hinduism, Christianity, Sikhism; note: in addition, Shamanism is practiced in East Malaysia.
- **Government:** Parliamentary monarchy
- **Chief of State:** Sultan Tunku Salahuddin Abdul Aziz
- **Insurance:** Ministry of Finance is de facto regulator of industry, but the central bank of Malaysia actually sets guidelines.
- **Banking:** Banks in Malaysia are linking to international banking networks, which allow you to withdraw money from overseas savings accounts through ATMs. You should check with your bank at home to see if you can withdraw money from your home account while in Malaysia. Malaysian banks are efficient and typically charge around U.S. $2-3 for foreign exchange transactions. Moneychangers do not charge a commission but their rates vary, so make sure you know the current rate before approaching one. For cash, you'll generally get a better rate at a moneychanger than a bank. Moneychangers are also generally quicker to deal with.
- **Major Products/Industries:** Peninsular Malaysia—rubber and oil palm processing and manufacturing, light manufacturing industry, electronics, tin mining and smelting, logging and processing timber, petroleum production, and refining and agriculture processing.
- **Major Trading Partners:** U.S., Singapore, Japan, Hong Kong, Netherlands, Taiwan and Thailand, South Korea, and China.
- **GDP:** U.S. $223.7 billion

Cost of Meals and Lodging: If you want to stay in comfortable to luxurious hotels with private bathrooms, eat out at mid-range to expensive restaurants and catch taxis to get about locally, you can live in relative luxury on U.S. $100 a day. Note that Sabah is more expensive than the Peninsular Malaysia, so add about 30 percent to your budget when spending time there. Tipping is not customary in Malaysia. The more expensive hotels and restaurants add a 10 percent service charge to their bills. All hotel rooms are subject to a 5 percent government tax.

Shopping: Bargaining is commonplace in markets and in many tourist shops. Treat it as a polite form of social discourse rather than a matter of life and death.

Dining: It's not easy to find authentic Malay food in Malaysian restaurants, though you can take your pick of Chinese, Nyonya (a local variation on Chinese and Malay food—Chinese ingredients, local spices), Indian, Indonesian, or (sometimes) Western cuisines. Satays (meat kebabs in spicy peanut sauce) are a Malaysian creation and they're found everywhere. Other dishes include fried soybean curd in peanut sauce, sour tamarind fish curry, fiery curry prawns, and spiced curried meat in coconut marinade. Muslim Indian dishes have developed a distinctly Malaysian style. The variety of

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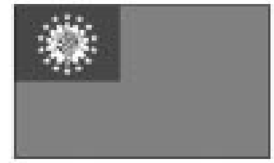
wonderful tropical fruits and fruit juices available is huge, and strange sweet concoctions include endol (sugar syrup, coconut milk, and green noodles) and kacang (beans and jellies topped with shaved ice, syrups, and condensed milk).

Getting Around: Malaysian Airline System (MAS) is the main domestic airline, servicing both the peninsula and Sabah and Sarawak. Fares are reasonable. Note that flights in East Malaysia are frequently fully booked during school holidays and are prone to delays due to the vagaries of the weather. Peninsula Malaysia has a fast, economical, and widespread bus system, and this is generally the best way to get around. Sabah has excellent roads, and minibuses ply the main routes. Buses ply Sarawak's major trunk road, but hardly anywhere else. Peninsula Malaysia has a comfortable and sensibly priced railway system. In Peninsula Malaysia, long-distance taxis are twice the price of buses but they're a comparatively luxurious and efficient way to travel. If you want to get around by car, all major car-rental firms have KL offices. There are no boat services between Peninsula and East Malaysia, but fast boats ply the rivers of both Sabah and Sarawak. Local taxis in Malaysia are metered. Rickshaws have all but disappeared in KL, but they are still a viable form of local transport in provincial areas. KL has a notoriously bad public transport system, and peak-hour travel in the city should be avoided at all cost.

Myanmar
(Union of Myanmar)
Formerly Burma



Myanmar

Myanmar, slightly smaller than Texas, is one of the least Western-influenced countries in the world. Many people mistake this for quaintness, but don't let this blind you to the political realities that created this situation. However, as Myanmar moves into the twenty-first century, putting behind its half a century of being bloodied and bowed by dictators, militia government, rebel factions, and drug barons, it is abandoning its isolationist and socialist politics for economic pragmatism; its pariah status in the western world has become an economic liability. Therefore the ruling junta is trying to perfect the juggling act of wooing foreign investment while simultaneously maintaining its vice-like grip on power. Revolutionists are split between maintaining the revolutionary rage and settling for food on the table.

- **Capital:** Rangoon (regime refers to the capital as Yangon)
- **People:** Burman, Shan, Karen, Rakhine, Chinese, Mon, Indian, and other
- **Language:** Burmese, minority ethnic groups have their own languages
- **Currency:** Kyat (MMK)
- **Visa:** Entry into Myanmar requires a passport valid for at least six months from the time of entry. Twenty-eight-day tourist visas are issued and cost U.S. $18.
- **Health Risks:** Cholera, dysentery, hepatitis, malaria, rabies, typhoid
- **Religion:** Buddhist, Christian (Baptist and Roman Catholic), Muslim, animist, and other
- **Government:** Military regime
- **Chief of State and Head of Government:** Prime Minister and Chairman of the State Peace Gen. Than Shew
- **Insurance:** The Insurance Business Supervisory Board is the regulatory body.
- **Banking:** U.S. traveler's checks can only be changed into FECs, not directly into kyats the way U.S. dollars can be. No other currency is readily exchangeable in Myanmar at banks or official moneychangers although on the street anything will have a price. In short, don't use any currency except U.S. dollars and bring them as cash not traveler's checks. Avoid changing anything into FECs unless you absolutely have to and spend as much of your compulsory exchange FECs on FEC or dollar-denominated expenditure before resorting to changing it into kyats.* If it's any consolation, the current rumor in Myanmar is that the FEC may soon disappear.
- **Major Products/Industries:** Agricultural processing; textiles and footwear; wood and wood products; copper, tin, tungsten, iron, construction materials; pharmaceuticals; fertilizer, paddy rice, corn, oilseed, and sugarcane, pulses; hardwood.
- **Major Trading Partners:** India, Singapore, China, U.S., Thailand, Japan, South Korea.
- **GDP:** U.S. $63.7 billion

**Any talk about official rates of exchange or average costs is just idle talk to fill the blank pauses. The FEC'ed and two-tiered system in Myanmar means that neither bears any relation to reality. At the moment, the compulsory* *exchange requirement on arrival has recently been reduced from U.S. $300 to U.S. $200 but at the same time the FEC (Foreign Exchange Certificate) exchange rate has plunged in relation to the U.S. dollar exchange rate. In January 2001, U.S. $1 was getting around 420 kyats while an FEC could go as low as 300 kyats. So visitors should try to use their FECs for expenditures that must be made with FECs or dollars, for example the U.S. $10 or FEC 10 airport departure tax, and try to avoid changing FECs into kyats. You'll be 25 percent better off changing dollars into kyats rather than dollars into FECs and then into kyats.*

Cost of Meals and Lodging: Costs will vary depending on whether you use officially approved hotels and transport or take the increasingly available opportunity to arrange your own. If you want your own bathroom and a choice of restaurants, budget $25-30 a day. Flying or taking express trains would add about $5 a day to that budget. If you want to stay somewhere fancy, you can pay anywhere between $25 and $300 a night. Top-end meals run U.S. $15 and upwards. Tipping is not really part of the Burmese culture, but "presents" are. A minor bribe will get you a long way with Burmese bureaucrats. Money isn't necessary—cigarettes and pens will speed things up a bit; foreign t-shirts will work miracles.

Recent travelers advise you to stay at private, locally owned hotels and avoid transport and package tours sponsored by MTT (the state tourist agency). Use ordinary public transport and the independent tour agencies available in Yangon.

Shopping: These travelers are advising you not to patronize government shops or companies with links to the military (often called Myawadi or Myawaddy), but to buy handicrafts direct from Artisans.

Dining: It's easier to buy authentic Burman dishes from food stalls rather than restaurants. Chinese and Indian eateries predominate, and hotel restaurants tend to remove much of the chili and shrimp paste from their Burman dishes. Rice is the core of any Burman meal. To this is added a number of curry options and a spicy raw vegetable salad, and almost everything is flavored with ngap—a dried and fermented shrimp paste. Chinese tea is generally preferable to the over-strong, over-sweet, and over-milky Burman tea. Sugar-cane juice is a very popular street side drink, and stronger tipples include orange brandy, lychee wine, and the alarming-sounding white liquor and jungle liquor.

Getting Around: Travel in Myanmar tends to be uncertain and uncomfortable. Many visitors are tempted to take internal flights because of the restricted 28-day stay regulation, but the terrible safety record and "flexible" notion of schedules of Myanma Airways and, to a lesser extent, Air Mandalay can be a deterrent. Not many visitors use buses for long-distance traveling because they tend to be extremely crowded and the government bus line is so slack it refuses to take a stab at the arrival times of its buses. Pick-up trucks with benches have recently begun to appear, and although they can be equally uncomfortable when crowded, it is possible to charter them. There is a daily express train between Yangon and Mandalay; forget the ordinary-class trains that are dirty, slow, and unreliable. The delightfully ancient buses in Yangon and Mandalay are very cheap and convenient, although you may end up hanging out the side. There are horse carts in Mandalay and trishaws just about everywhere; negotiate fares in advance.

Should you go to Myanmar? There are no easy answers to this question. Myanmar remains under tight military rule by an abominable junta, dissent is harshly suppressed, civilians are forced into work for the state, and crimes as tame as telling an anti-government joke are punishable by summary imprisonment. The National League for Democracy favors a boycott, pointing out that most of the money spent by tourists goes directly to the generals who enact and enforce draconian laws and human rights abuse. ■

News from Home and Abroad

Compiled from members' notes, press releases, and the World Wide Web

Australia

Brisbane—St. Paul Insurance closes Australian acquisition/St. Paul International Insurance Co., a subsidiary of The St. Paul Cos. Inc., has completed its purchase of Australia Pacific Professional Indemnity Insurance Co., located in Brisbane, marking its second acquisition in Australia in recent months. The new purchase will add a Brisbane branch to an existing operation in Sydney and is expected to add 2,000 company solicitors in Queens land, Australia. Terms were not disclosed.

Bermuda

Hamilton—XL announced that fourth quarter results will include changes relating to increased reinsurance loss reserve and several large loss events. The company expects to report a net loss of around U.S. $60 million for the quarter.

Hamilton—Endurance Specialty Insurance Ltd. announced that it has begun underwriting commercial P&C insurance and reinsurance. E-mail for information: information@endurancebermuda.com.

Hamilton—Max Re Capital Ltd., a specialty reinsurer based in Bermuda, raised $192 million in its initial public offering, becoming the latest insurance-related firm that successfully tapped the stock market for money, according to underwriter Morgan Stanley. Max Re, which specializes in long-term reinsurance contracts that allow its insurance company customers to share in investment gains the firm makes on premiums, sold 12 million shares at $16 a piece. Max Re, which will trade on Nasdaq under the ticker "MXRE" is the latest insurance-related firm going to the market this summer, as it looks to take advantage of a renewed interest in old-economy stocks among investors seeking a safe haven from beaten-down technology stocks.

England

London—Lloyd's of London has created a new role to deal with September 11 claims. Jeremy Pinchin has been appointed to a role created specifically to coordinate the Lloyd's market's response to the September 11 terrorist attacks. To date, Lloyd's has paid an unprecedented $242 million across the full spectrum of coverages in September 11-related claims.

London—Former chairman of Wellington Underwriting, Ian Agnew, has been appointed a non-executive director of Equitas Holdings.

London—The largest corporate image in the world was unveiled on January 17, 2002 by Lloyd's of London. The Lloyd's Millennium Image Sculpture is a unique 360-degree panorama of the interior of the Lloyd's building featuring 1,200 people. This image is 9 feet high and 35 feet wide and is composed of 11 individual panels.

London—Royal & SunAlliance has announced the establishment of a Group Strategy, Innovation and Research Division (GSIR). The objective of the new unit is to develop ideas and improve business performance throughout the group. GSIR will be headed by Stuart Degg, who was previously head of the corporate venturing unit, known as its Global Ventures Business. Chief executive, Bob Mendelsohn, comments, "GSIR will serve as Royal & SunAlliance's main innovation engine and will ensure that new initiatives are in line with our strategic priorities and the ongoing development of our global business model. We are building on the success of our corporate venturing experience and our hot-house environments, and applying this valuable experience across the group."

London—A package of radical reforms designed to modernize the Lloyd's of London insurance market has been cleared for consultation of the market's ruling body, the Council of Lloyd's. Informal market consultation will take place over the next few months. After that, the membership of the society of Lloyd's will receive a final set of detailed proposals prior to voting on the reforms later this year.

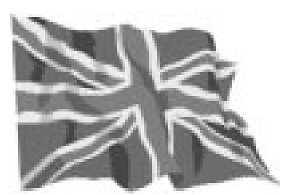
London—Trenwick Group and its subsidiaries, including the UK-based Trenwick International, have been placed on credit watch with negative implications by Standard & Poor's after the group reported first-half losses totaling U.S. $50.8 million.

London—Lloyd's of London is one year into its program of granting access to new brokers and is on course and expected to accredit a further three new brokers during January of this year. This would bring the total to 24 brokers being accredited since the broker accreditation program's inception in January 2001.

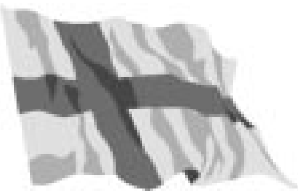
London—CNA Reinsurance Company, the UK reinsurance division of CNA Financial Corp., has been put up for sale following a loss of U.S. $161 million recorded last year coupled with underwriting losses of $239.8 million.

Australia

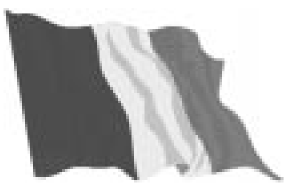
Bermuda

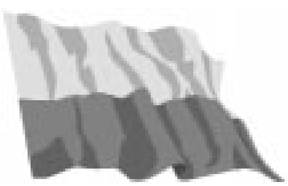


England


Findland


India


France


Poland


South Korea


Spain


Switzerland

London—A billion pound plus increase in capacity pushes Lloyd's market to its largest ever size. Announcing its expected capacity for 2002 as 12.3 billion British pounds, Lloyd's said this 1.3 billion increase is due to additional capital being committed by the market's backers in the wake of strong rises in the cost of insurance. Lloyd's previous highest capacity figure was 11.3 billion in 1991.

London—A new product for the international shipping and trading community has been introduced at Lloyd's (100 percent Lloyd's security). Satis Services announced the introduction of the scheme, called Satis, to provide legal representation and insurance for legal costs for the international trading community. Offering cover for legal expenses arising out of any trading dispute, the Satis product responds where coverage has not previously been available—no coverage has been available in the past to international shippers and traders, including ship owners and charterers where the dispute arises out of the ordinary course of their trading but is not vessel related.

London—Figures released by Lloyd's indicate that for the first time in its 300-year history, the U.S. has become its biggest market. A breakdown of business for its 2000 year of underwriting shows that the U.S. now accounts for 35 percent on the market's gross premium income, equivalent to U.S. $5.9 billion. This compares with 34 percent for the UK.

Finland

Operating profit for Sampo's general insurance business fell by 21 percent to 493 million on premiums up by 9.4 percent at 802 million. Life premiums were down 26 percent at 386 million, indicating a reduced demand of unit-linked products. Both sets of results were affected by stock market fluctuations. Overall, the group reported operating profits of 1.13 billion, slightly better than analysts' expectations, as it battles to win the hand of Storebrand. (FT.com)

Sampo's bid to acquire Storebrand moved closer with the news that two Norwegian investors, Orkla and the State Pension Fund, each holding a 10 percent stake, have pledged their support, and will sell their stakes to Sampo.

India

ING Vysya Life Insurance, a joint venture between ING, Vysya Bank, and GMR Technologies & Industries, has been granted an operational license by the Insurance Regulation & Development Authority (IRDA) in India.

Zurich—Zurich Financial Services has announced a move into the Indian market. It will hold a 26 percent stake in life and general insurance joint ventures with DCM Sriram Consolidated.

France

Paris—Speaking at a major marine event in Paris, Julian James, director of worldwide markets at Lloyd's, said that a dramatic increase in the maximum size of container ships, greater exposures produced by cruise ships' higher speeds, higher passenger numbers, and voyages into more "adventurous" waters, and increasing losses due to fires breaking out on older vessels mean greater exposure for marine underwriters. These changes are forcing marine underwriters to rethink and restructure the way they write risks.

Poland

Poland's PZU has reported a drop in net profit for the first six months from zl 406 million to zl 368.8 million on premiums up to zl 4.2 billion from zl 4.1 billion. (Insurance Day News Services)

South Korea

Seoul—Munich Re has established a branch in Seoul, and is the first foreign reinsurer to establish a representative office in South Korea.

Two American insurance companies, AIG and W.L. ROSS, are to pay $860 million for stakes in three financial affiliates of South Korea's Hyundai Group. This is the biggest foreign investment in the South Korean financial industry.

Spain

Lloyd's opened the doors of its first representative office in Spain at the end of July. The move comes as part of Lloyd's strategy to expand its European business over the medium term.

Mapfre America S.A., a subsidiary of Spain's Mapfre, launched an offer to buy up to an additional 30 percent of Mapfre Peru. Mapfre America already owns 52.35 percent of Mapfre Peru, which holds about an 8 percent market share. So far, during the first half of 2001, insurance premiums in Peru have grown 9.7 percent as compared to the first half of 2000 to 1 billion soles (U.S. $287 million). (Reuters)

Switzerland

Zurich Financial Services has put its U.S. specialist life insurer Kemper Life up for sale with a price tag of around $1.5 billion. The sale is part of a plan unveiled by chairman and chief executive Rolf Hüppi earlier this year to make some $4 billion worth of disposals. Possible bidders are likely to include AIG, Travelers, and Progressive Life.

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News from Home and Abroad

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United States

Swiss Re, NCM, and Gerling Credit have announced the combination of NCM Group, 90 percent owned by Swiss Re, with Gerling Credit to create a new company. Gerling NCM Credit & Finance AG, will command a global market share of around 25 percent of direct trade credit business of around 1.1 billion in gross premiums. Swiss Re will own 25 percent of the newly formed company, and said that the move is consistent with its strategic plans to concentrate on core business areas of reinsurance and financial services.

United States

Minneapolis—The St. Paul has asked a federal judge to declare "null and void" a $25 million policy for D&O coverage issued to Enron, stating that the company deliberately misrepresented itself in information used to underwrite the policy.

New York—MetLife announced its intention to purchase up to an aggregate of $125 million of additional common shares of Reinsurance Group of America.

New York—AIG said fourth-quarter net income rose 3.5 percent as premiums grew and P&C rates hardened.

New York—The New York State Workers' Compensation Security Fund's net value as of June 30, 2001 was less than $74 million. Section 109 of the Workers' Compensation Law provides that when the net value of the Fund is less than $74 million, contributions must be resumed. Section 108 of Article 6-A of the WC Law provides that for the privilege of carrying on the business of WC insurance in the state, every carrier shall pay into the fund, on a quarterly basis, a sum equal to 1 percent of its net written premiums, less the amount of dividends paid to policyholders. Section 109.1 also provides that when the Superintendent determines, as of the end of any quarterly period, that the amount of assets in the WC Security Fund equals or exceeds $74 million, no further payment under Section 108 shall be required to be made after that quarterly period. However, whenever, as of any subsequent quarterly period, the amount of such assets is less than $74 million, payments shall be resumed at the beginning of the next quarter. The first quarterly payment was due on or before November 15, 2001, for the quarter ending September 30, 2001.

New York—In a bid to combat cargo theft, estimated at $10 billion a year, U.S. ocean marine underwriters, through the American Institute of Marine Underwriters (AIMU), have endorsed legislation (Port and Marine Security Act [S. 1214]). The key features of the proposed legislation include improved collection of data, increased criminal penalties, and training in maritime security for law enforcement.

The Environmental Solutions Division of Chubb Financial Solutions, Inc. has unveiled a Remediation Cost Cap Policy. The Remediation Cost Cap Policy provides financial protection when the cost to clean up a Superfund site or other contaminated property exceeds the self-insured retention, which is typically set at 10 percent above estimated cleanup costs. The policy helps protect against remediation cost overruns due to unknown or undiscovered contamination, poor remedial technology performance, regulatory changes, and natural disasters.

Plymouth Meeting, PA—Strategic Underwriters International (SUI) has launched its newly redesigned web site (www.strategicunderwriters.com).

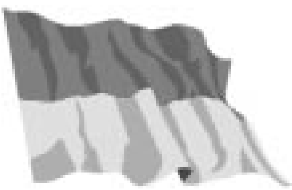
Downers Grove, IL-based First Health Group Corp. completed its acquisition CCN (from HCA), a national managed health care company based in San Diego, CA.

San Antonio, TX—Who says they don't look at HQ first? USAA plans to cut its workforce by 5.5 percent (1,300+ out of 24,000) and 85 percent of the cuts coming in the insurer's San Antonio, Texas headquarters.

CNA Financial, the No. 2 U.S. business insurer, reported a 2Q net loss of $1,762 million compared with net income of $330 million for the same quarter in 2000. The 2Q net loss included more than $2.1 billion in charges—mostly to increase its reserves to pay old asbestos, pollution, and liability claims. CNA intends to increase capital through a $1 billion rights offering in the 3Q. Showing a strong commitment to CNA, Loews Corporation (Tisch family), holder of nearly 87 percent of CNA's shares, will exercise its rights to purchase common shares and will purchase any shares that are not subscribed for by other shareholders. ■

Indonesia and Malaysia Insurance Basics

Editor's Note: *The information provided here has been compiled from published sources. However, insurance legislation may change and you are advised to seek independent professional advice. No warranty, express or implied, is given as to the accuracy of such information. Insurance Services Network, Inc. expressly excludes to the extent permitted by law any liability whatsoever for damages, including indirect, consequential, economic, incidental, or punitive loss or loss of profit or business.*



Indonesia

Country: Indonesia

General Information

- **Compulsory Insurance:**

  1. Workers Compensation (ASTEK—compulsory for firms with more than 25 employees.)
  2. Third-Party Automobile Liability.
  3. Passenger accident.

- **Non-Admitted Insurance:**

  Prohibited.

- **Policy Wordings and Rates/Tariffs Controlled:**

  All compulsory and fire insurance.

- **Policy Language:**

  Indonesian and English.

- **Types of Insurance Restricted to Government Institutions:**

  All compulsory coverages.

- **Policy Currency:**

  Indonesian Rupiah (Rp). U.S.-dollar insurance policies (and other currencies) are available.

- **Currency Restrictions/Exchange Controls:**

  All claim payments and reinsurance transactions are subject to the Reserve Bank of India. Rupiah foreign transfers above a specified amount require Central Bank approval.

- **Policy Period:**

  Annual. Long-Term Agreements (LTAs) are available for five-year periods with a 10 percent discount.

- **Cancellation Provisions:**

  Thirty days' written notice.

- **Premium Tax, etc. Paid by Reinsures:**

  Two and one-half percent—double check as there is some confusion.

- **Insurance Companies:**

  The Insurance Council of Indonesia requires membership for all insurers; 100 percent foreign ownership is allowed.

- **Brokers:**

  Agents and brokers operate throughout Indonesia.

- **Brokerage Commissions:**

  Usually 15 percent. Marine and Automobile are slightly higher (e.g., 25 percent). Commissions can be paid to unlicensed brokers.

- **Broker of Record Letters:**

  Accepted. A good business housekeeping practice.

- **Reinsurance:**

  All insurers must cede 12.5 percent of any and all risks to the State Reinsurance Monopoly. Once the local market capacity is exhausted, foreign reinsurance cessions are allowed.

- **Local Natural Hazards:**

  Earthquake, volcanic eruption.

Property Insurance

- **Fire:**

  Standard fire perils include: fire, lightning, aircraft, explosion. Earthquake, flood, storm/tempest, burst water pipe, riot/civil commotion, malicious damage, windstorm/hurricane, and vehicle impact are available in the market for an additional premium charge. Weight of snow/avalanche is not available.

- **All Risk:**

  Available for Builders Risk, Contractors Equipment, and Machinery Installation.

- **Coinsurance:**

  One-hundred percent.

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Indonesia and Malaysia Insurance Basics

Continued from page 17

- **Blanket Insurance:**

  Available.
- **Business Interruption:**

  UK Loss of Profits and US Gross Earnings available. Indigenous companies rarely purchase the coverage.
- **Replacement Cost:**

  Available but Actual Cash Value (ACV) more common.
- **Discount for Fire Protection Equipment/Systems:**

  Available.

Boiler & Machinery/Machinery Breakdown/Engineering

- **Wordings:**

  UK and U.S. inspections required by law.

General/Public Liability

- **Available Wordings:**

  Comprehensive General and UK Public Liability including Product Liability (no Product Recall available). Defense costs included within the limit.
- **Comments:**

  Defense costs are included within the limit. Policies can be issued on an occurrence basis.

Automobile/Motor

- **Compulsory Limits:**

  Rp 1,000,000.
- **Comments:**

  Insured and any licensed individual driving with insured's permission and not under the influence of drugs or alcohol are covered under the policy. Passengers are not considered to be third parties; however, coverage can be endorsed for an additional premium. Excess Liability insurance is available in the private market. Primary coverage is compulsory.

Workers Compensation

- **Comments:**

  The compulsory coverage must be insured with the government company, ASTEK, and applies to all employees (of either state-owned or private firms employing more than 25). Extra-Territorial Benefits are not available under the Scheme. Medical Expenses and Occupational Disease Benefits are included. Employees have no right to sue.

Marine

- **Available Wordings:**

  The Institute of London Underwriters forms. War Risks rates follow London scale.

Crime

- **Available Coverages:**

  Various UK and U.S.

Country: Malaysia

Malaysia

General Information

- **Compulsory Insurance:**

  1. Third-Party Automobile Liability.
  2. Workers Compensation.
  3. Social Security in all of West Malaysia.
- **Non-Admitted Insurance:**

  Prohibited except when local capacity has been exhausted and approval given by the Finance Ministry.
- **Policy Wordings and Rates/Tariffs Controlled:**

  Automobile Liability, Workers Compensation, Social Security, and Fire wordings are subject to approval. Tariffs for these coverages are strictly controlled.
- **Policy Language:**

  English.
- **Types of Insurance Restricted to Government Institutions:**

  Twenty-five percent of all fire (property) and personal accident, 20 percent of all other classes except for Aviation and Automobile (10 percent) are ceded to Malaysian National Reinsurance Berhad.
- **Policy Currency:**

  Malaysian Ringgit (M$). U.S.-dollar insurance policies are not available.
- **Currency Restrictions/Exchange Controls:**

  No restrictions other than the exchange of foreign currency is controlled by the Central Bank.

- **Policy Period:**

  Annual. Long-Term Agreements (LTAs) are not available.

- **Cancellation Provisions:**

  Varies by policy. Check cancellation provisions.

- **Premium Tax, etc. paid by Insured:**

  A Stamp Duty of M $2 per policy or endorsement for policy period extension. A 5 percent “service” tax on gross premiums is levied on all business policies. Five percent of reinsurance ceded abroad is taxed at the prevailing rate.

- **Insurance Companies:**

  Foreign insurers may operate by obtaining a license as stipulated by the Insurance Act.

- **Brokers:**

  All brokers must be licensed.

- **Brokerage Commissions:**

  Fire—15 percent.

  Automobile—10 percent.

  Marine—15 percent.

  Boiler/Engineering—15 percent.

  Other Lines—25 percent.

  Commissions cannot be paid to foreign brokers not registered locally.

- **Broker of Record Letters:**

  No legal requirement but a good business practice.

- **Reinsurance:**

  See *Classes of Insurance Reserved for Government Institutions* above. Only 95 percent of reinsurance cessions abroad are tax-deductible. Malaysian Re receives up to 30 percent of property premiums, 10 percent of motor premiums, and 15 percent of premiums on other lines (excluding aviation). When facultative reinsurance is used, a 15 percent cession (subject to limits) is made to Malaysian Re. There are a few additional rules, so careful local advice is required.

- **Local Natural Hazards:**

  Flood.

- **Other Information:**

  Property Insurance.

- **Fire:**

  Standard fire perils include fire and lightning. Aircraft, explosion, earthquake, flood, storm/tempest, burst water pipe, riot/civil commotion, malicious damage, windstorm/hurricane, and vehicle impact are available in the market for an additional premium charge.

- **All Risk:**

  Only available for Contractors and related operations (e.g., Machinery Installation, Contractors Equipment, etc.)

- **Coinsurance:**

  One-hundred percent.

- **Blanket Insurance:**

  Available for stock and contents.

- **Business Interruption:**

  UK Loss of Profits and US Gross Earnings forms available.

- **Replacement Cost:**

  Available.

- **Discount for Fire Protection Equipment/Systems:**

  Rates can be discounted to a maximum of 50 percent.

Boiler & Machinery/Machinery Breakdown/Engineering

- **Wordings:**

  Comprehensive forms available following either UK or U.S. wordings. Inspections are required and may be covered under the policy.

General/Public Liability

- **Available Wordings:**

  Comprehensive forms available including Product Liability, Contingent Automobile Liability, etc.

- **Comments:**

  Coverage is written on an occurrence basis. Product Recall coverage is not available.

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Indonesia and Malaysia Insurance Basics

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Automobile/Motor

- **Compulsory Limits:**

  Bodily Injury and Death is unlimited; Property Damage minimum M $3,000,000.

- **Comments:**

  Insured and any licensed individual driving with insured's permission is covered. Passengers are deemed to be third parties and also therefore covered. This coverage is mandatory and subject to tariff rating.

Workers Compensation

- **Comments:**

  All workers are subject to the Workers' Compensation Act of 1952 (revised 1982) and the Employees Social Security Act of 1969. Workers compensation insurance is required for all migrant and manual workers earning less than a specified amount; however, due to the Social Security Scheme now dominating the Malaysian landscape, the demand for workers compensation insurance is low.

Marine

- **Available Wordings:**

  Cargo and Hull risks follow the Institute of London Underwriters' terms, and clauses. Cargo War Risks rates follow London scale.

Crime

- **Available Coverages:**

  UK and U.S. usual forms available. UK policy forms follow the terms of the Institute of London Underwriters clauses. Rates for Cargo War and Strikes follow the London market schedule. ■

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