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## Increasing Regulatory Sophistication Bodes Well For Asia-Pacific Insurers

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TAIPEI (Standard & Poor's) Nov. 3, 2015--The trend toward greater regulatory sophistication should lead to healthier credit profiles for Asia-Pacific insurance companies. That's according to a report that Standard & Poor's Ratings Services released today, titled: "Regulatory Sophistication Changes The Dynamics For Asia-Pacific Insurers." The report looks at how the efforts of insurance regulators to enhance local regulatory and solvency frameworks across Asia-Pacific are gradually aligning with the goals of the International Association of Insurance Supervisors.

"The work of local regulators should help to meet heightened global expectations for stronger risk management and group supervision," said Standard & Poor's credit analyst Connie Wong. "But despite the general convergence in regulatory initiatives across the region, individual markets continue to differ in their speed of change and degree of regulatory sophistication."

More sophisticated regulatory regimes are likely to make the insurance industry more resilient against unforeseen events and market cycles as insurers continue to expand and face an increasing complexity of risks. But stricter risk-based capital ratios could result in greater polarization of the strongest and weakest players in an increasingly competitive environment.

The report notes that it could take at least three to five years for the benefits of regulatory change to appear, including stronger financial risk profiles, even if an insurer demonstrates significant governance and risk management capabilities. The need to strengthen financial profiles to meet new stricter capital adequacy requirements could also induce further industry consolidation.

Insurers' rising capital needs to support their strong growth plans have also gained regulatory attention. Asia-Pacific regulators are gradually opening more channels for insurers to obtain funding sources despite insurers' still-prudent approach to funding.

"The relaxation of regulatory ceilings on investments and cross-border activities is likely to create additional risks for Asia-Pacific insurers and test their capital adequacy," added Standard & Poor's credit analyst Serene Hsieh. "Relaxed investment regulations could also raise insurers' sensitivity to financial market volatilities."

Overall, the growth of risk-sensitive solvency frameworks across Asia-Pacific is likely to result in changes to investment and product strategies as insurers pursue more efficient capital management and optimize growth opportunities.

The report is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com). Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at [www.standardandpoors.com](http://www.standardandpoors.com). Members of the media may request a copy of this report by contacting the media representative provided.

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