



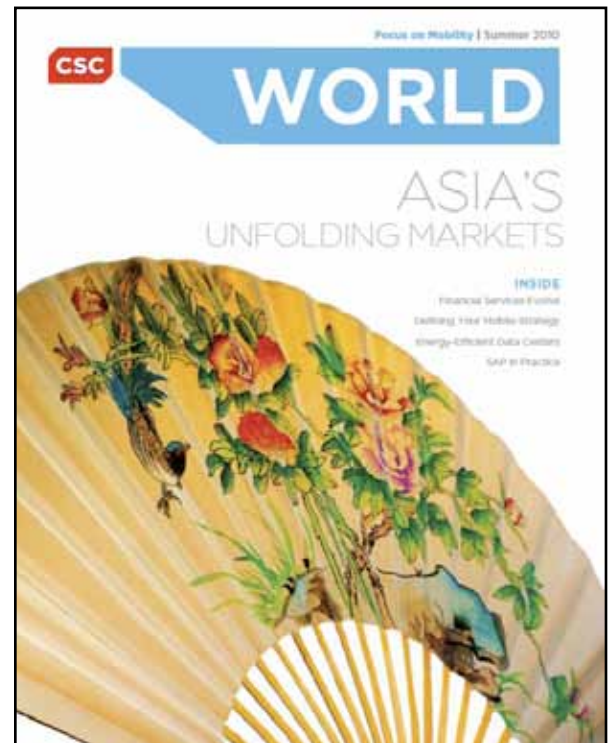
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COVER

Asia's Unfolding Markets: Financial Services Firms Vie for Stronghold in Emerging Economies

MetLife India Seeks Its Way Out of the Crowd

Online Insurer Breathes New Life Into Market



SUMMER 2010





ASIA'S UNFOLDING MARKETS

FINANCIAL SERVICES FIRMS VIE FOR STRONGHOLD IN EMERGING ECONOMIES

by Cal Harrison

As the world's economies recover from the global recession, more eyes are turned to Asia than ever before. Multinational companies see this diverse market with more than 3.8 billion people as a key growth area for years to come. While incomes rise and Asian countries open their markets to competition, demand for banking, investment, insurance and healthcare services is unfolding.

“Asia was certainly not immune to the global downturn, but there are signs that it is recovering faster than the rest of the world,” says Doug Benfield, managing partner and vice president of CSC's financial services organization in Asia. “While Asia has mature markets such as Japan and Hong Kong, where the market has been slower to recover, it also has emerging markets such as India, Singapore, China and Vietnam that are attracting a great deal of interest.”



Hong Kong is attracting financial firms.

Following the money

One clear indicator of that interest is the increasing merger and acquisition activity in the financial services sector. AIG, under pressure to pay back a \$180 billion U.S. government bailout, entered talks to sell its two international subsidiaries. MetLife is set to close on its \$15.5 billion deal to buy AIG's Alico, one of the world's largest life insurance companies with operations in Asia, Europe and the Americas. MetLife CEO C. Robert Henrikson described the deal as "a terrific opportunity to extend our lead and power in the marketplace worldwide."

Meanwhile, AIG's UK-based rival Prudential bid on another AIG subsidiary, AIA, but backed out of the deal when the two boards couldn't agree on the \$35.5 billion asking price. Instead, AIG chose to spin off AIA, now expected to be Hong Kong's largest-ever initial public offering. Another European insurer, Zurich, recently announced plans to expand its footprint in Asia, in Malaysia and Indonesia.

"These companies are simply following the money," notes Cyrus Daruwala, managing director of IDC Financial Insights, Asia Pacific region. "Instead of putting their money in mortgage derivatives or other exotic vehicles, people are investing their money in financial services, healthcare and agriculture — the real growth markets in Asia Pacific."

A fragmented market

Throughout most of Asia, there is plenty of room for competition for new business. While the region accounts for more than 60 percent of the world's population, insurance penetration is extremely low — accounting for less than .25 percent of global insurance market share and less than five percent of gross domestic product for Asia's developing countries, according to a 2010 study by AM Best. The amount of property covered by insurance is miniscule compared to Western practices. For example, losses in Indonesia from the devastating Indian Ocean earthquake in 2004 were estimated at \$4.5 billion, but the insured loss was only about \$500 million.

Despite the relatively low demand for insurance, in 2007 Indonesia was home to 94 registered nonlife insurers, with the top five players controlling only about 40 percent of the market, according to AM Best. That fragmentation is what makes developing countries in Asia attractive to new entrants.

"The multinationals entering these markets have an advantage in terms of technology and speed to market, and in many cases, they start doing business in these countries under a joint venture with locally owned companies," says Prakash Thomas, CSC's vice president of financial services sales and marketing in Asia. "This technological advantage helps large carriers introduce much more innovative products that the local companies have a hard time competing against. The biggest obstacle for these new players is getting regulatory approval, which tends to level the playing field."

Tapping in to the mobile channel

In Asia, where mobile phones vastly outnumber personal computers, financial services firms are looking for ways to exploit the mobile channel for selling and servicing insurance and investment products. Unlike Western consumers, who are more likely to buy from three or more different companies, Asian consumers are more likely to purchase a bundled product — such as a healthcare plan, life insurance, and motor vehicle and liability coverage.

CSC'S ABILITY TO SUPPORT THE EXPANDING MOBILE CHANNEL STEMS FROM MORE THAN 25 YEARS OF EXPERIENCE IN ASIA AS ONE OF THE REGION'S LEADING PROVIDERS OF INSURANCE ADMINISTRATION SYSTEMS.

"While most business is distributed through banks, captive agents and brokers, a growing number of consumers are beginning to use mobile phones to perform a wide range of transactions," Thomas says. "Those customer expectations are putting a lot of pressure on the financial services industry to modernize and take advantage of the mobile channel."

In fact, CSC is supporting a leading Asian insurer with a proof-of-concept for a comprehensive suite of mobile insurance apps that would give policyholders the power to view policy information, pay bills and apply for new coverage. It would also give agents the ability to manage new business and ongoing customer support. An innovative aspect of the plan is that these key insurance functions can be accessed by agents using just a \$50 mobile phone.

CSC's ability to support the expanding mobile channel stems from more than 25 years of experience in Asia as one of the region's leading providers of insurance administration systems. Today, these core systems process more than 100 million policies in nearly 40 countries, for a client base of almost 150 companies in Asia and Europe.

We combine our understanding of underlying systems with the ability to help organizations develop comprehensive mobile strategies, create mobile apps and manage the entire infrastructure.

Rapid expansion capabilities

Financial services companies in Asia are focusing on a growing middle class looking for protection and investment opportunities. Most of these new investors are highly risk-averse, so insurers must respond quickly to this growing demand with simplified products that have a guaranteed return on investment.

To support the need for rapid growth and bundled products, this year we introduced Integral™, a portable Java-based system that supports multilingual and multicurrency processing for life insurance, pensions, property and casualty/general insurance and group insurance. Integral's development was a collaborative effort among CSC's operations in India, China, Vietnam and the United States.

"Speed is essential to companies moving into a new country," says CSC's Benfield. "As soon as they get regulatory approval, they need to be able to issue policies, build a distribution network and demonstrate compliance. Integral is ideally suited for a wide range of situations — multinational firms seeking a single platform for international operations or domestic insurers wanting to launch a new product quickly or set up a new venture without disrupting their existing operations."

Serving the vast Islamic market

Another major potential growth area in Asia is Takaful banking and insurance. Takaful, the only type of financial transactions allowed by the Islamic religion, is gaining popularity in Islamic regions of Asia. Indonesia, in fact, has the world's largest Muslim population. Overall, an estimated 62 percent of the world's Muslim population lives in Indonesia, China, India, Pakistan and Bangladesh.

Under Islamic teachings, Muslims must avoid gambling and the risk posed by interest fluctuations. At a Takaful company, policyholders are member-owners, similar to Western mutually owned companies, except that principal and interest calculations are replaced with subscription and profit-sharing calculations.

To ensure they adhere to Islamic teaching, insurance products must be formally approved by a group of religious leaders, called a Shari'ah Board, which designates compliant products in the marketplace. The underlying insurance system is key to creating successful Takaful products. CSC has already implemented Shari'ah-compliant systems for seven different companies, and in one case completed the implementation in just eight weeks.

"It's crucial for systems to be highly flexible because of the need to tailor financial products to consumer preferences," Benfield says. "Companies that can deliver the right products at the right price — and are easy to do business with — will be the winners in this market." ■

CAL HARRISON is manager of editorial services for CSC's Financial Services Group.



METLIFE INDIA SEEKS ITS WAY OUT OF THE CROWD

by Chris Sapardanis

With the world's second largest population and a booming economy, India is fertile ground for business. It's been a little more than 10 years since the country opened its insurance sector to private companies, and firms of all sizes have set up shop in this vast, mostly untapped market.

Prior to the global economic downturn, annual growth rates of around 15 percent made India the fifth largest insurance market in the world. The country's biggest life insurance company is still owned by the Indian government, but other players are quickly garnering their own piece of this \$16 billion market.

Among the two dozen major firms in India is MetLife, Inc., which through its affiliates reaches more than 70 million customers in the Americas, Asia Pacific and Europe. But despite being the No. 1 life insurer in the United States, the company is in the middle of the pack in India and essentially has started from scratch to build its local business.

Entering the Indian market

Incorporated in 2001 as a joint venture between MetLife International Holdings, Inc., and private investors, MetLife India is evolving into a strong brand, operating through a diversified distribution approach. It serves customers by offering a range of products to individuals and groups at more than 600 locations through its bank partners and company-owned offices staffed by more than 50,000 financial advisors.

"We're positioned as a long-term player," says MetLife India Managing Director Rajesh Relan. "Our vision is to be the most formidable player in the Indian life insurance industry, and to grow faster than

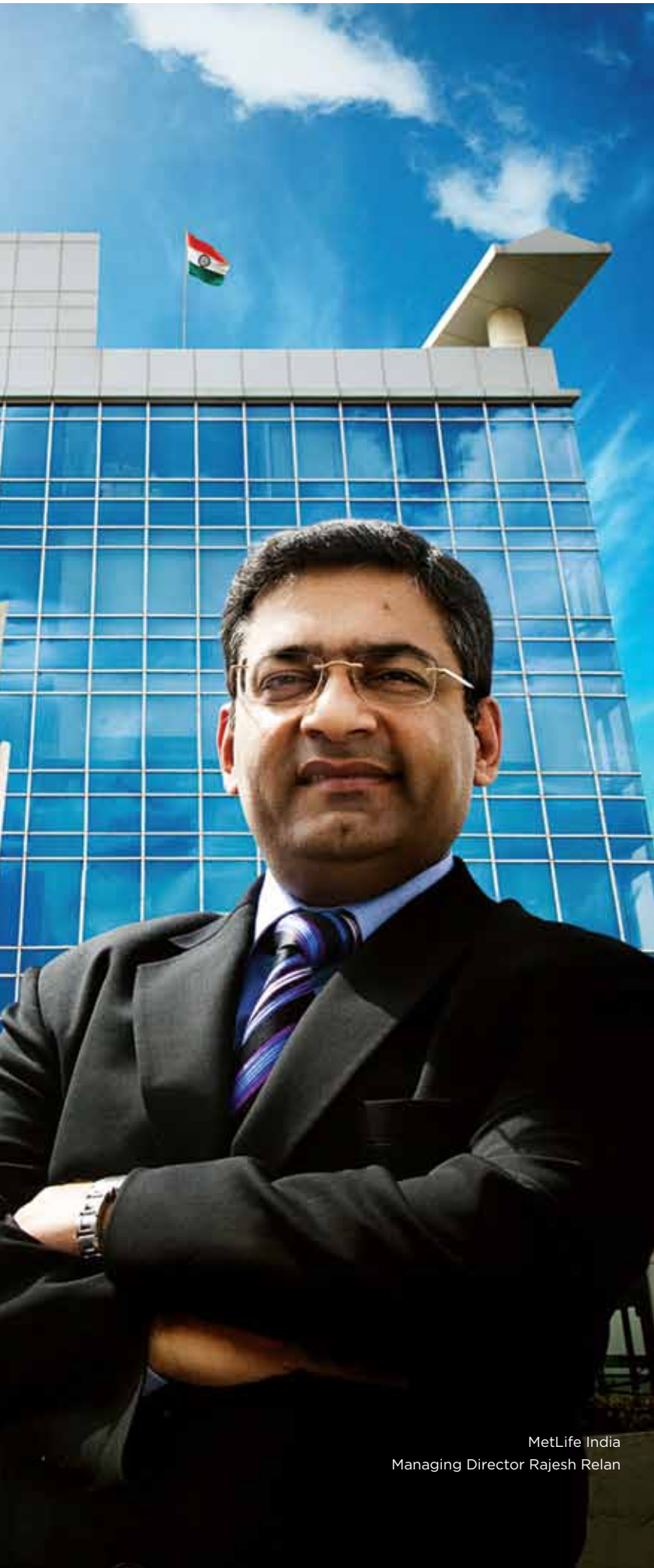
CLIENT: MetLife India

CHALLENGE: Replace an unstable core policy administration system with a solution that supports new product launches and growth objectives and provides better auditing controls and customer support.

SOLUTION: CSC's LIFE/Asia, the most recognized online, real-time life administration system in Asia.

RESULTS: Improved employee morale and customer service, and new product support and other robust system capabilities have lifted MetLife to the top five fastest growing insurance companies in India.





MetLife India
Managing Director Rajesh Relan

the industry. The strategy is to clearly establish ourselves as India's trusted life insurance specialist, with a brand that stands for peace of mind, financial strength and fair dealings with the customer."

Upon joining the company in 2006, Relan was faced with a core policy administration system that had a number of shortcomings, including a limited ability to sell or change products, and numerous bugs, defects and auditing issues. The system, designed in Portuguese by a firm in Brazil, also lacked direct vendor support, which frustrated MetLife's employees. In 2007, they began planning to replace it and the following year selected CSC's LIFE/Asia software.

"LIFE/Asia was being used by some of the other large players in the country and that showed it was a best-in-class product," Relan says. "There also was on-ground support from CSC and readily available India-specific functions."

Launching a new legacy

Once LIFE/Asia was selected, CSC moved one million policies from the old system to the new with no major issues, giving MetLife a fully functioning and well-supported operating platform on which to grow its 140-year-old global brand in the Indian market.

LIFE/Asia has around 150 installations in nearly 40 countries. In India, LIFE/Asia has more than 50 percent of the market share among private life insurers. It helps manage all aspects of policy administration, introduces new lines of business, sets up new distribution channels and provides an architecture that enables the integration of disparate systems with an overall IT infrastructure.

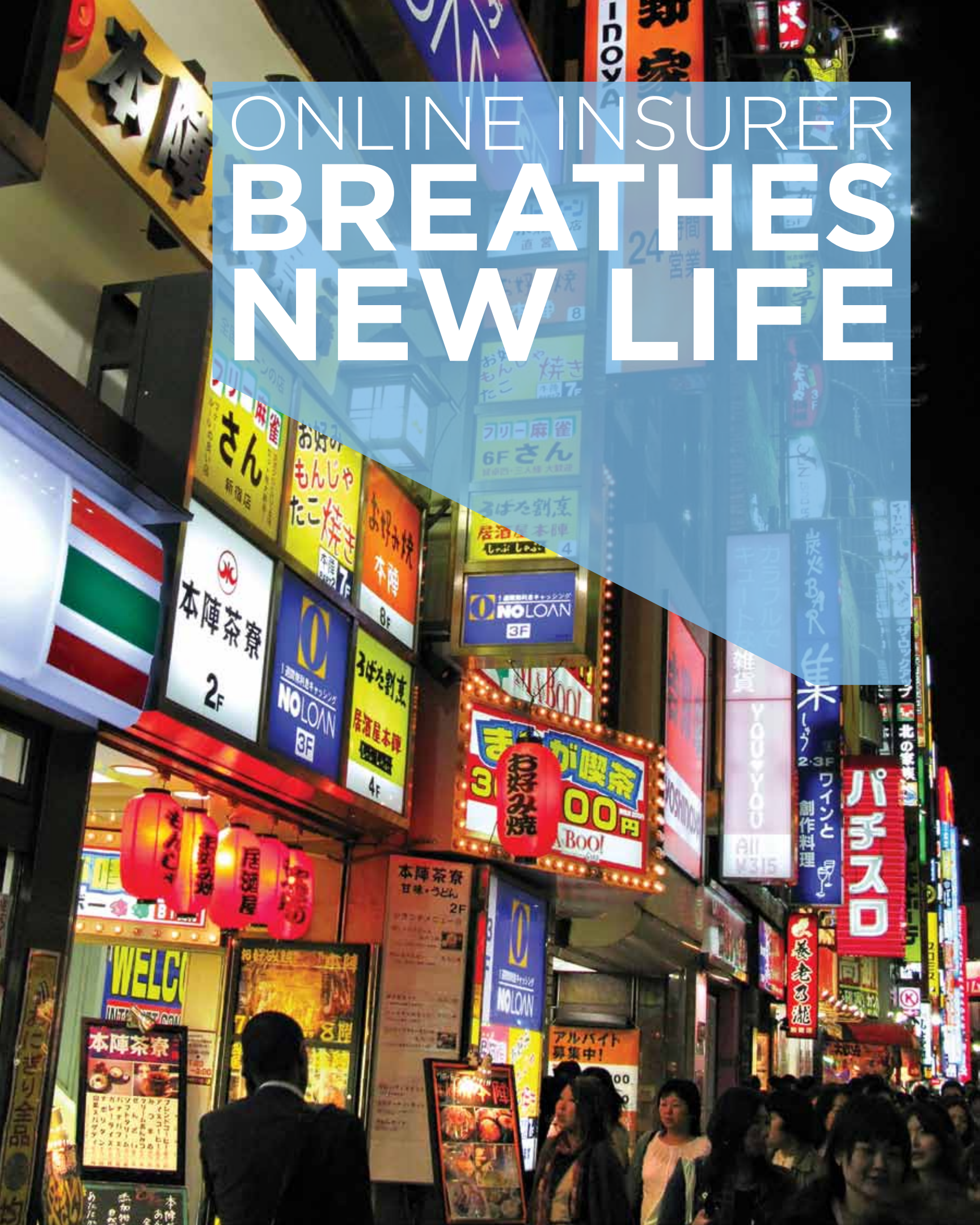
The launch at MetLife India boosted employee morale. Trust was established between agents and customer service representatives and the shaky audit controls of the past were replaced by those soon noted as a best practice for the company.

"If you look at it from all stakeholders, whether it's the employees, agents or our counterparts in the United States, there's been a complete turnaround in thinking about MetLife India," Relan says. "There is a general sigh of relief in terms of working with this system. The product is robust, scalable and the volume is handled. Anything that we've wanted to get done, like setting up new products, is much easier than it was before. All of those things give us confidence."

Since the system went live, MetLife has ranked among the top five fastest growing insurance companies in India, according to monthly reports. Prior to LIFE/Asia, the company traditionally ranked only in the top 10. ■

CHRIS SAPARDANIS is a senior writer for CSC's corporate office.

ONLINE INSURER BREATHES NEW LIFE



by Chris Sapardanis

INTO MARKET



“WE BELIEVE THERE’S HUGE POTENTIAL FOR EMERGING MARKETS TO LEVERAGE THE INTERNET.”

— Lifenet Vice President
Daisuke Iwase

Japan is a world leader in high-tech innovation, but its life insurance industry has some catching up to do. The traditional method of selling life insurance through agents is regarded by many as inefficient, over-priced and old fashioned. Consumer needs are changing and they want less-complicated products.

Those best positioned to offer a fresh approach to consumers are the same companies that can take advantage of recent deregulation - new companies that aren't bogged down by legacy processes and paperwork. That's the plan for a group of seasoned insurance executives and entrepreneurs, who created Lifenet Insurance, Japan's first independent life insurance company in 74 years.

Lifenet is one of only two Internet-based life insurance companies in the country. The startup began in 2008 with \$130 million in venture capital and looks to chip away at major carriers' market share by offering simplified life insurance products.

For Vice President Daisuke Iwase, the founding of his company comes at a perfect time. He says premiums for comparable coverage in Japan are up to three times higher than in the U.S. or Europe. And the country's "exclusive" agents are not providing customers with enough relevant and competitive information to make decisions.

The Harvard Business School grad believes distributing life insurance directly over the Internet will solve many issues in the Japanese market. He recently discussed the insurance sector in Japan and how Lifenet benefits from working with our company.

What are your biggest challenges?

IWASE: Our business model seems very simple but everyone has been skeptical from the start about selling life insurance over the Web. While a lot of other financial markets have gone online, such as banking, brokerage, auto insurance, etc., for one reason or another that direct model has not applied to life insurance.

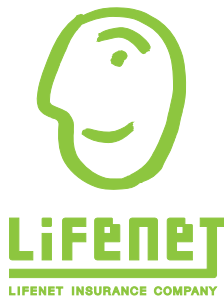
In addition to our initial challenge to raise enough money to start the business, we continue to confront the general consumer perception that life insurance needs to be bought face to face. Another challenge was getting licenses from the Japanese government. The last time a purely independent insurer (not a subsidiary of foreign or general insurance firms) was awarded a new license was in 1934.

After we got up and running, another major challenge was how to get known to the public. It's very difficult to raise awareness unless you spend lots of money on marketing. But we couldn't spend much because the whole idea was to cut costs.

How does CSC help you?

IWASE: At the end of the day, good products and services prevail. When we designed our products, they had to be inexpensive. We realized this by really thinking through the business processes and IT systems architecture and eliminating all the various expensive and complex features that traditional life insurance products have.

We're using CSC's package software called LIFE/J. By depending on CSC for our customer management system we can really focus on the Web interface and our internal work flow process that helps us accomplish a consumer-oriented and innovative approach.



In the beginning, we had a very short timeframe to meet our go-to-market target. We started an IT development project in August 2007 and were in business by May 2008. So we really had a limited amount of time to not only build a base system, but also the Web interface, which is the heart of the customer experience.

We needed a solution that could get up and running very quickly and had a good track record within the market. LIFE/J is almost a standard or 'de facto' application in the market among our peers. Many of our colleagues had joined us from our competitors and they were familiar with CSC and its software package and had good things to say about it.

From our perspective, in the Japanese market, working with CSC was the right decision for us and we've been very happy with the experience.

What are your company's growth plans?

IWASE: There will be opportunities to introduce new products and distribution channels and move into international markets. We believe in this online insurance model and in mobile insurance as well. We're very excited about looking to expand into international markets and we believe there's huge potential for emerging markets to leverage the Internet.

“EVERYONE HAS BEEN SKEPTICAL FROM THE START ABOUT SELLING LIFE INSURANCE OVER THE WEB.”

If you think about telecommunications companies, in many emerging countries they have bypassed building out landline communications and moved directly to mobile (wireless). It's similar in big countries like China or India where we could avoid establishing a physical sales agency network and go directly online or mobile and really rationalize that sales process. We're excited about those opportunities.

How can IT improve your business in the future?

IWASE: The life insurance industry is very labor intensive and faces challenges in increasing speed and customer satisfaction. In our case, the customer directly inputs their information on the Web and all that comes in directly to the system and is digitized. That saves so much cost, ensures accuracy, and customers don't have to wait for paper copies. They can directly access our Web site and their data and make changes if they need to.

In the case of the finance industry, all their products are very tangible so in a way finance companies can potentially rationalize business processes using IT. But because insurance is a long-term contract, it will be difficult for existing insurers to move everything online. They have existing contracts that go back five to 30 years that they have to administer using conventional paper processes.

I'm not saying everything should be digitized because there's a lot of value to the "human touch" aspect of the business. But managers can still look at the high value add of online processes to at least eliminate costly administrative work. ■

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About CSC

The mission of CSC is to be a global leader in providing technology-enabled business solutions and services.

With the broadest range of capabilities, CSC offers clients the solutions they need to manage complexity, focus on core businesses, collaborate with partners and clients, and improve operations.

CSC makes a special point of understanding its clients and provides experts with real-world experience to work with them. CSC is vendor-independent, delivering solutions that best meet each client's unique requirements.

For more than 50 years, clients in industries and governments worldwide have trusted CSC with their business process and information systems outsourcing, systems integration and consulting needs.

The company trades on the New York Stock Exchange under the symbol "CSC."