

A Walk on the Risky Side

By William R. Dodson

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The Chinese insurance market has an enormous capacity waiting to be tapped, Claude Gallelo said. Gallelo is Managing Director of Willis Risk International. He spoke on the current and future state of the Chinese insurance market in his talk, "Risks: Are You Managing Them?"

The tragedy of September 11, 2001 has left the Chinese insurance market almost unaffected, he said. It is a highly competitive market in which terrorism coverage is still available at a moderate price. Earthquake coverage is now available as well in China.

China currently has four major domestic insurers, including Peoples Insurance Company of China and Ping An Insurance Company of China. Six major foreign insurers have a presence in the China Market, including American International Assurance and Chubb.

Gallelo said the role of the insurance broker in China is limited to identifying a potential buyer's insurable and non-insurable exposures and recommending risk financing alternatives. Brokers in China prepare "placement slips" that the buyer takes directly to the insurer to buy a product. Also, a broker can facilitate in "negotiations and processes of claims and collections."

Gallelo described several commercial insurance products available in China:

Difference in Condition (DIC) is a program that meets local Chinese requirements and "compensates for deficiencies in local policy."

Political Risks insurance cover losses arising from acts of government, ineffective local law and justices, war and revolution and a shortage of hard currency.

Trade Credit Insurance assists companies that want to cover "receivables against customer non-payment, slow payment and insolvencies."

Trade Disruption addresses conditions during which a company fails to meet deadlines that result in lost revenues, extra expenses, penalties and customer relationships.

Gallelo foresaw a higher demand for insurance products that addressed infrastructure, telecommunications, hi-tech and energy-related products and services. However, "insurance market results are deteriorating." The 2003 insurance market will see a "hardening" as more insurance companies enter the field and more international insurers take advantage of the liberalization of the industry.

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