

## Art of Integration

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EAAC, Singapore

18 October 2013



## Agenda

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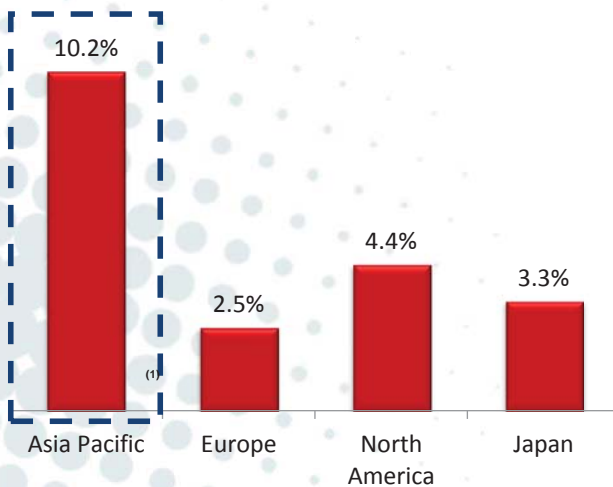
# 1. Life Insurance Market Landscape in Malaysia



## Strong Asian macro economic growth

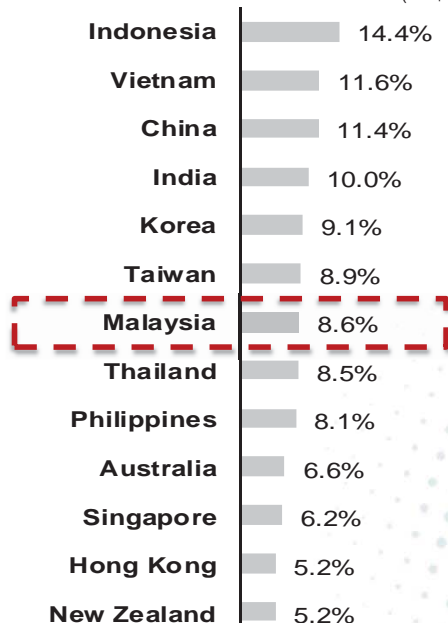
**GDP Growth**

2009–2014E CAGR (US\$ basis)



**GDP Growth by Market**

2009–2014E Nominal Growth CAGR (US\$ basis)



Source: Sigma Swiss Re, International Monetary Fund World Economic Outlook Database 2010, country regulators, life insurance associations, AIA

(1) Asia Pacific consists of Hong Kong, Thailand, Singapore, Malaysia, China, Korea, Indonesia, India, Australia, New Zealand, Vietnam, Taiwan and the Philippines and excludes Japan

(2) Source: Economy Watch Statistics by Indicator for 2009 & 2014

# Mind the PROTECTION Gap !

## Low Penetration Rate

## Huge Protection Gap

USD bn	2000	2004	2007	2010	CAGR* (2000 to 2010)
China	3,731	6,521	11,162	18,745	18%
Japan	6,204	6,555	6,314	8,445	3%
India	2,045	3,061	4,876	6,676	13%
South Korea	1,759	2,477	3,688	3,615	7%
Australia	550	822	1,027	989	6%
Indonesia	256	443	531	711	11%
Thailand	204	231	405	522	6%
Taiwan	103	234	197	175	5%
<b>Total</b>	<b>15,762</b>	<b>21,372</b>	<b>29,437</b>	<b>41,411</b>	<b>10%</b>

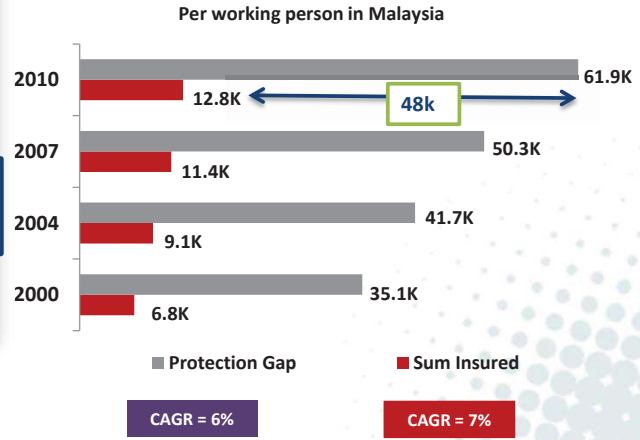
\* CAGR = compound annual growth rate

Malaysia's protection gap is **USD 380 bn** in 2010

The total mortality protection gap across all markets more than doubled from USD 16 trillion in 2000 to USD 41 trillion in 2010, representing an average growth of 10% per year.

Swiss Re Mortality Protection Gap: Asia Pacific 2011

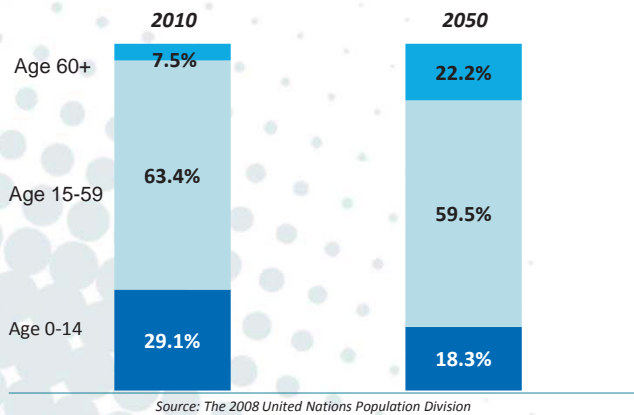
## Protection Gap and Sum Insured (USD \$)



- Total protection gap doubled from USD 171b to USD 380b over past 10 years
- USD 48k protection gap per working person

# Emerging Private Pension Opportunity

## Rising Ageing Population



- By 2050, 22.2% population will be above 60
- 85% of members have less than RM100K in current balance.
- Average savings per member who reaches 55 years old are less than RM131K.

## Low EPF Savings

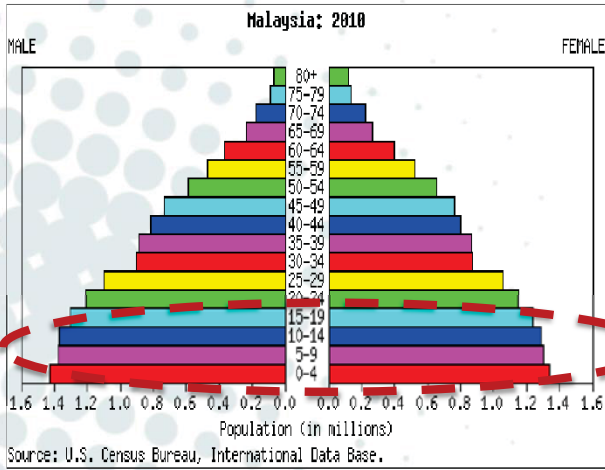
Age Group	Average EPF Savings Per Member (RM)
16-25	6,013
26-30	23,262
31-35	48,325
36-40	76,713
41-45	99,081
46-50	123,921
51-55	130,833

Savings amount not inclusive of 2011 annual dividend  
Source: EPF 2011 Annual Report,

- 50% exhaust their EPF savings within 5 years of retirement
- Tax relief of up to RM3K on contributions to private pension scheme & tax exemption on private pension funds' income

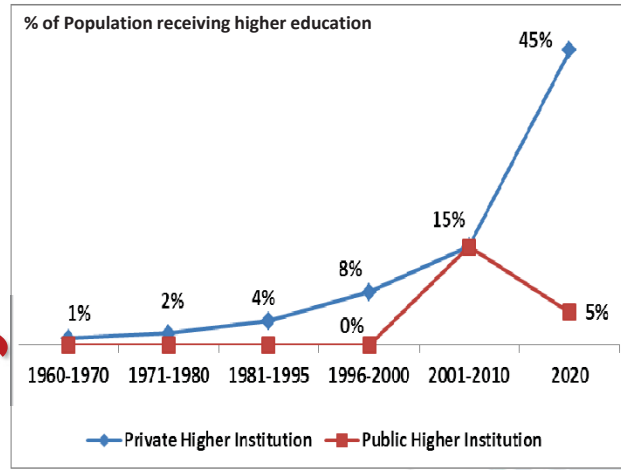
# Opportunities for Education Planning

## Huge Young Population Base



- Huge segment of young population (<20 years old) = **41.2%** or **11.1m** of total population.
- Ministry of Higher Education (MOHE) targets 40% of age 19-24 population to receive higher tertiary education by 2020.

## Huge Demand For Higher Education



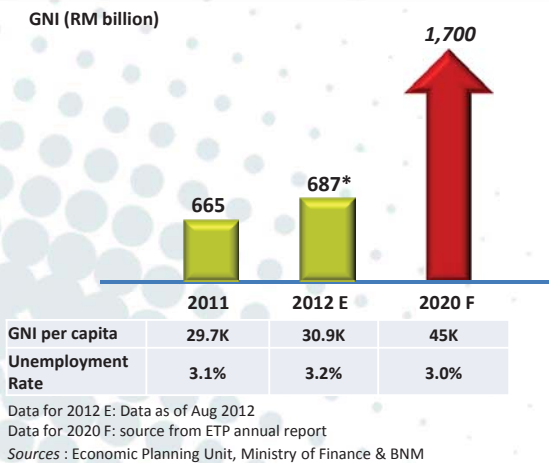
- Private providers will be the major channel – drive increased education saving needs.



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# Higher Income = more affordability

## High GNI Economy



- Gross National Income (GNI) per capita will increase by **50%** to **RM45k** by 2020, with **3.3 mil** new jobs created!
- Unemployment at marginal 3% level.

## High Growth of Takaful



- Government forecast Bumi SME contribution to GDP to more than double to **RM260b** by 2020 (20% share of Total GDP), with CAGR of 11.5%.







11 October, 2012  
USD 1,730 Million



## 2. Investment Thesis and Due Diligence Process

## Why Acquire?

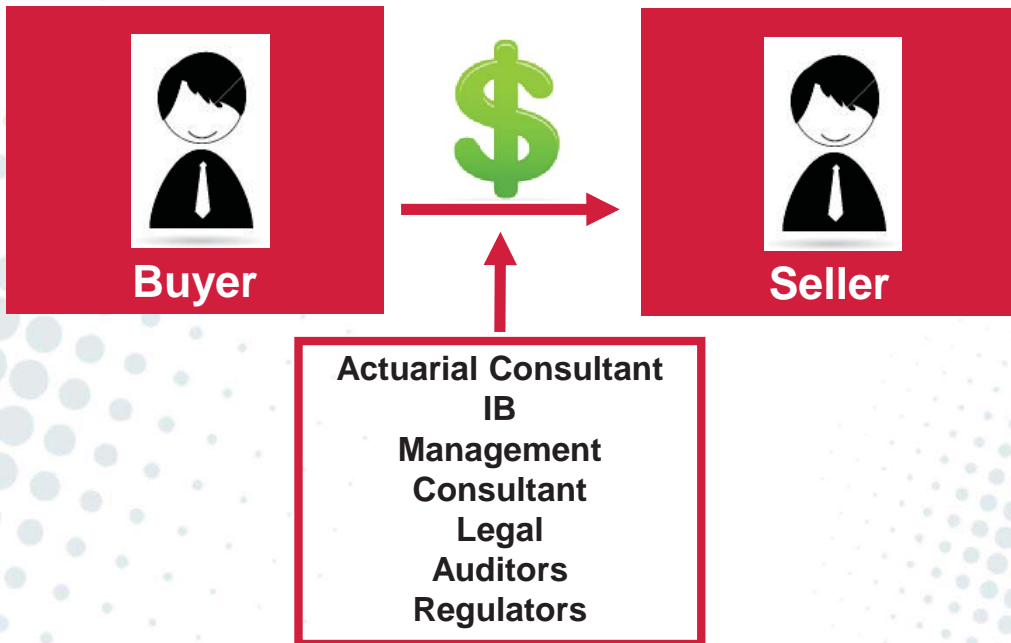
- Market Growth
- Distribution
- Financial
- Upside



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## Due Diligence Process



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## Synergy and Integration Costs

1. Synergy benefits crucial in determining Value of Investment.
2. Validation and Realization of synergies post Deal Close.
3. Synergies – People, IT, Property
4. Integration cost – IT system integration, Agency rebranding and retraining



## Sources of Risk

1. M&A process → Separation and Integration – akin to a divorce and marriage
2. Separation Process – no longer receive support from parent company
3. Integration Process to be discussed later
4. IT – Complicated Data Conversion, Software License Ownership, Incompatibility of Infrastructure technologies and Systems
5. HR – Talent Flight Risk, Staff engagement issues
6. Operation – Confusion among Customer. Different service level
7. Agency Distribution – Uncertainty of agency, agency retention, agency engagement issues



## Transition Steering Committee

- A Transition Steering Committee which consist of Executive team from Buyer and Seller
- Role of Steering Committee includes:
  - Forum for airing any issues/concerns that may arise during the pre-close period
  - Monitors business performance
  - Provide information to assist in its post completion integration plan
  - Agree joint communication with stakeholders



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## 3. Deal Close



## Deal Close Announcement

友邦保險  
完成收購大馬ING

(香港18日訊)友邦保險控股有限公司 (AIA) 今天宣布, 已获所屬監管機構批准, 成功完成收購ING馬來西亞。ING馬來西亞是當地第三大的保險公司, 為逾160萬名客戶服務, 提供壽險、一般保險、

友邦保險完成收購大馬 ING

(香港18日訊) 美國友邦保險集團 (AIA) 宣布, 已获相關監管機構的收購批准, 意味正式完成收購 ING 大馬保險業務。

ING Malaysia

**Dec 18, 2012**

AIA C

KUALA LUM

completed

Management Holding

Sdn Bhd (ING Malaysia) after receiv

ing regulatory approvals.

"We are delighted to have com-

pleted the acquisition before the end

of 2012. As we said at the time of

announcement in October, the ac-

quisition of ING Malaysia represents

代理帶來非常正面的結果

Oriental Daily News,  
19 December 2012

of over 2.6 million people

approximately 16,600 agents and an exclu-

sive bancassurance relationship

with one of Malaysia's leading

banks, our business in Malaysia rep-

News Straits Times, 18 December 2012

在馬東保險目前的22.9%

以及回教保險業務

市占率。

nyang Siang Pau, 19 December 2012



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## Vision and Purpose

★ **Sample Vision:**

to become the "Undisputed" #1 life insurance company in Malaysia

★ **Sample Purpose:**

to meet the different life stage needs of our customers by providing the right protection and long term savings solutions



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## Culture is Critical

### One Organisation: One Culture

“Doing The Right Thing

In The Right Way

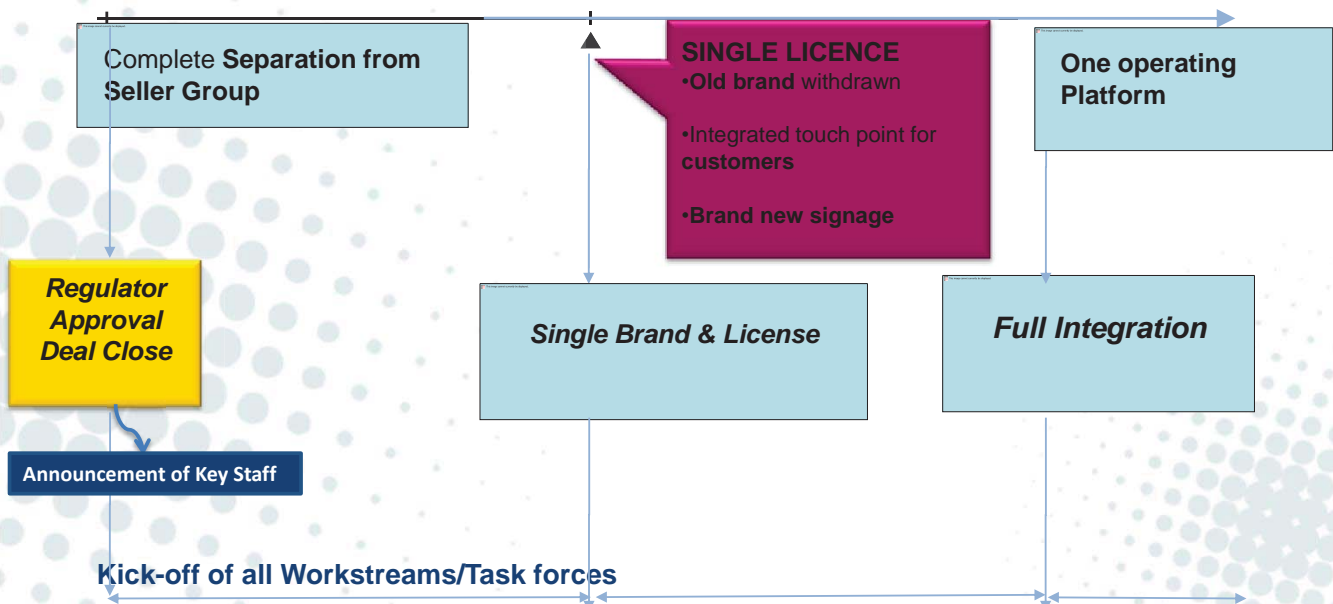
With The Right People”



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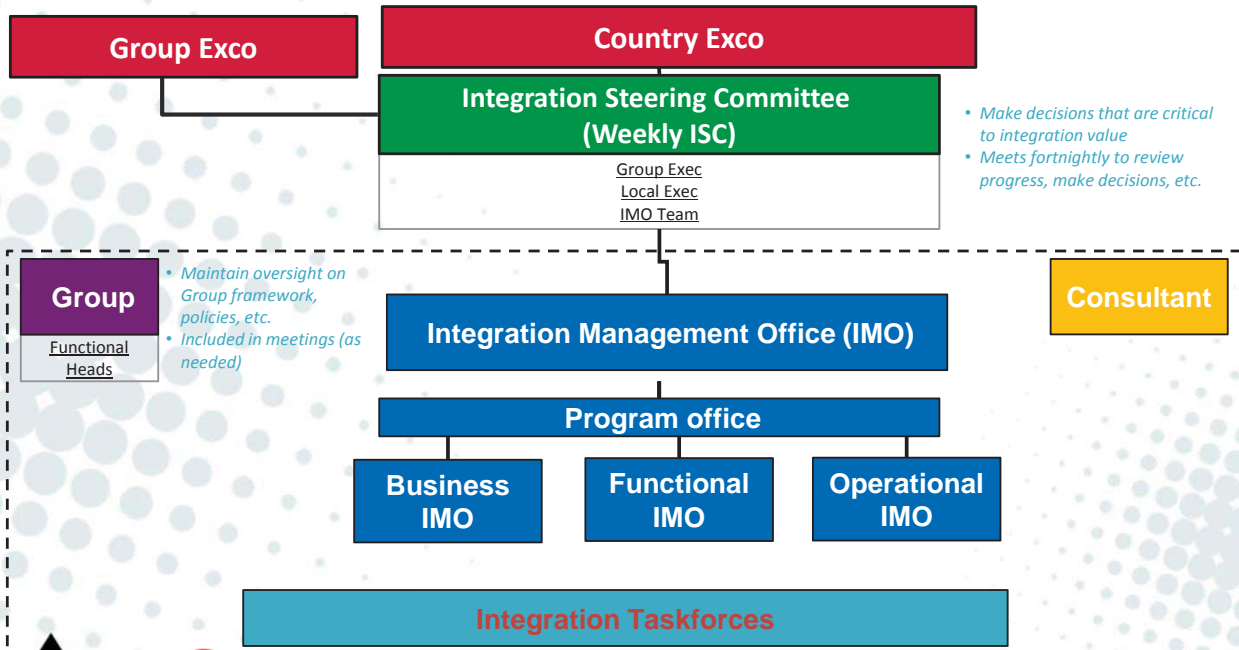
## Integration Roadmap



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# Post-Close Integration Governance Structure: Led by ISC, driven by IMO; IMO organized around three modules



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## It's Party Time!!!





## 4. Integration Process Begins



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### Integration Process Begins

- Integration will not begin until after the deal is approved and closed
- Key to a successful integration is measured by optimal value extraction from both entities.
- Detailed and clear integration priorities:
  - Agency training and harmonisation
  - Bancassurance relationship management
  - Talent retention
  - Product focus
  - Operating platform
  - Communications and re-branding
- Priority is to leverage the best of both companies for all aspects (eg HR, IT system, Processes and Practices, Products etc)
- Strong commitment to regular and two-way communications
- Key Risk – Business as Usual and Integration tracking



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# Integration Steering Committee and Integration Management Office

## MEETING



- Weekly

## ATTENDEES



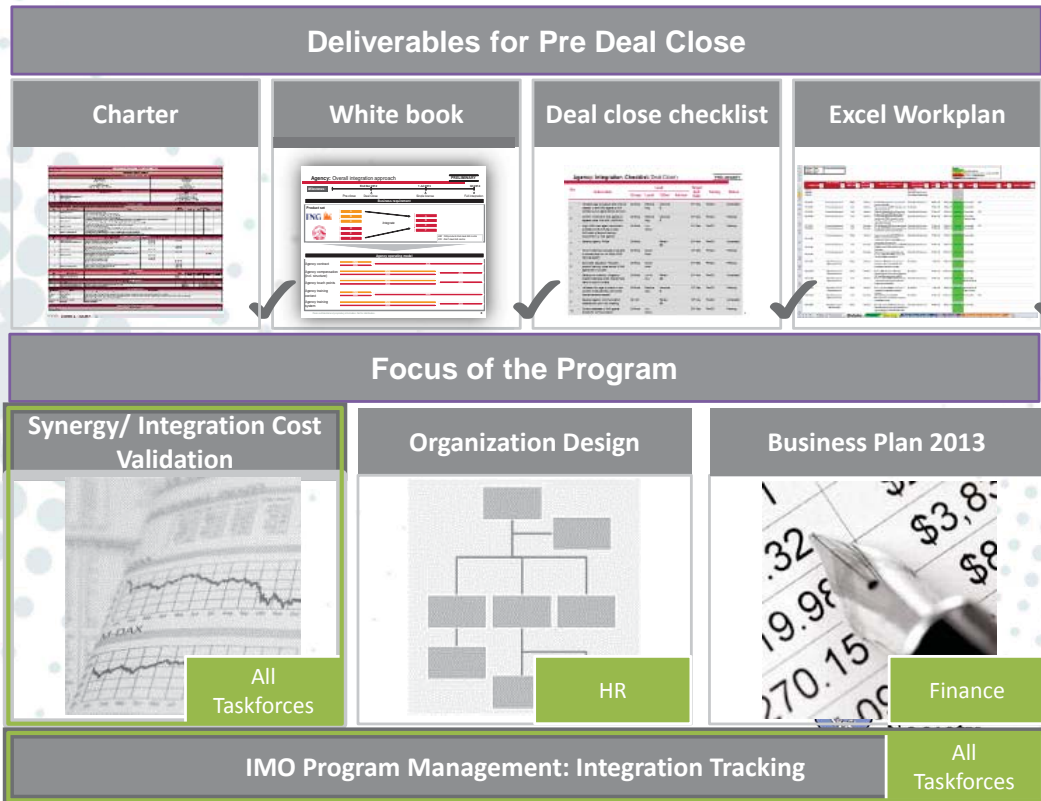
## PURPOSE

- **Make decisions** that are critical to integration progress
- **Review progress** of integration, including synergies and integration costs




IMO will provide support in packaging etc but each TF lead is responsible for ensuring papers are completed in time for ISC presentation



# Integration Program - Timeline



## Status Tracking

Status	Description	Milestones
<b>Not Started</b>		<ul style="list-style-type: none"> <li>Execution not started</li> </ul>
<b>On Track</b> 	<ul style="list-style-type: none"> <li>No critical issues</li> <li>"I'm confident, I'll bet my job on it!"</li> </ul>	<ul style="list-style-type: none"> <li>Completed on time</li> </ul>
<b>Monitor</b> 	<ul style="list-style-type: none"> <li>Has issue that <b>could</b> lead to missed dates</li> <li>"We need to keep a close eye on this, but it can come back on track with focused push"</li> </ul>	<ul style="list-style-type: none"> <li>Marked "At Risk"</li> <li>Milestone / Activity / Decision 10-20% behind schedule</li> <li>Revised due date, but does not delay Single License</li> </ul>
<b>Escalate</b> 	<ul style="list-style-type: none"> <li>Need help to resolve</li> <li>"I'm worried we may miss Single License date"</li> </ul>	<ul style="list-style-type: none"> <li>Milestone / Activity / Decision 20%+ behind schedule</li> <li>Estimated finish date beyond SL</li> </ul>
<b>Completed</b>		<ul style="list-style-type: none"> <li>All deliverables associated with this milestone are 100% complete</li> </ul>



- You must **identify at the earliest indication** that milestones are going off track, escalating them as amber, so **preventative corrective action can be taken**
- The reporting process is to **get IMO and Exco support to facilitate actions and remove roadblocks**

## Educate and coach on "red is good" mindset to encourage openness on risks

### "RED IS BAD" MINDSET

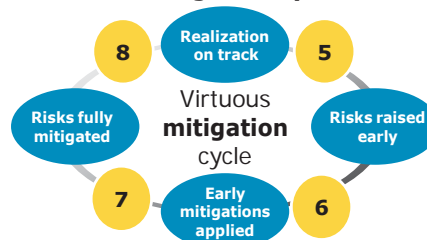
- People are **reprimanded when something "red"** is raised
- Focus is on presenting the positives and **laying blame for issues**
- Issues go **underreported** and as they grow, **reluctance** to report **grows**
- Bias is to **only report problems**, not risks
- Morale, organizational support, and program success suffer in **remediation cycles**



People fear punishment for reporting "red" so risks identified too late

### "RED IS GOOD" MINDSET

- People are **rewarded for identifying "red"** areas **where attention is needed** (and reprimanded when risks are raised too late)
- Focus is on **finding ways to mitigate the risks**
- Creates a culture where people provide timely, **accurate information** and develop **effective mitigation** plans
- Program success is ensured and even accelerated in **mitigation cycles**



Risks are raised early and potential problems can be addressed before they impact delivery

## Synergy Validation: Approach

### SYNERGY VALIDATION APPROACH

Finance

- Provide detailed cost base

IMO

- Disseminate cost base and suggested synergy target range and drivers to Taskforce

Taskforce

- Taskforce Exco **refines synergy drivers** and targets, and adds other suggested areas
- Taskforce Lead **calculates** synergies based on actual cost data
- Taskforce Exco **approves** synergies
- Taskforce Lead **inputs Synergies** into the "TF Synergy Target" file to be submitted to IMO



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## Integration Cost Validation: Approach

### INTEGRATION COST VALIDATION APPROACH

ISC

- Approve final ISC cost envelope

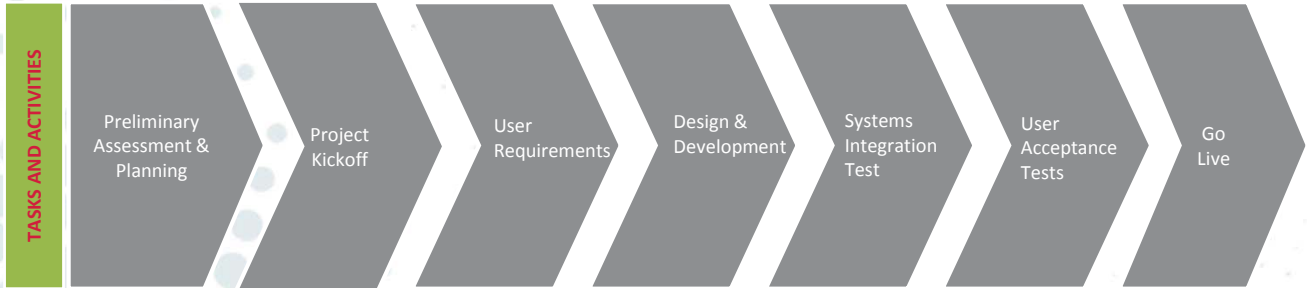
IMO

- Review and challenge bottom-up estimates
- Propose final cost envelope for ISC approve

Taskforce

- **Taskforce Lead:** Define cost items required for each integration milestone as well as synergy targets, drive estimates for each cost item using inputs:
  - Preliminary vendor estimates
  - Rule of thumb experience (e.g. mandays x cost per manday)
  - Historical experience from similar project
- **Taskforce Exco:** Review taskforce cost items and estimation, ensure completeness and reasonableness

# Example 1 : IT Integration - The Overall Approach



GOVERNANCE & COMMUNICATIONS	Stakeholder	Governance	Communications
	IMO	Same for all taskforces	<ul style="list-style-type: none"> <li>Integration program update (fortnightly)</li> <li>Weekly IT taskforce sync-up with IMO</li> </ul>
	IT Taskforce	(Discussed in previous slides)	<ul style="list-style-type: none"> <li>Weekly IT taskforce</li> <li>Weekly sub-taskforce meetings</li> </ul>
	Biz/ User Team	Local Project Steering Committee for major projects	<ul style="list-style-type: none"> <li>Weekly IT Project team meeting with stakeholders, and ad hoc meetings as needed</li> <li>Weekly Project Health Status Dashboard to be sent to relevant business team stakeholders</li> </ul>



# IT Integration DashBoard

#	Work Stream	Preparations							Phase 1 - Single License				
		Scope	Timeline	Budget	Resource	Synergies	PB	Kick Off	User Req	Design	Dev	SIT	UAT
1	A												
2	B												
3	C												
4	D												
5	E												
6	F												
7	G												
8	H												
9	I												
10	J												
11	K												
12	L												
13	M												
14	N												
15	O												



Tasks with tight deadlines





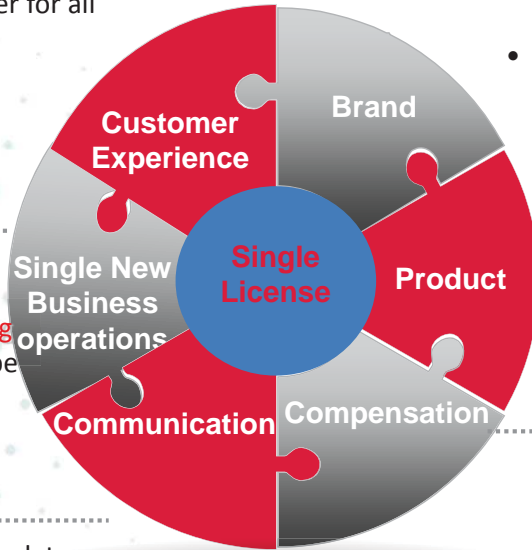
- 1 What kind of culture will the new Company embody?
- 2 What is Empowerment? Different Interpretations?
- 3 New Compensation & Benefits Structure – When?
- 4 Office Relocation



## 5. The Final Stretch

## Integration Final Checklist

- **Seamless** customer experience at **all** branches and call center for all customers
- Staff trained to delight customers with **full suite of services**
- **Standardized underwriting and claims guidelines** to be in place



- Launch of new brand underway with **new product collaterals** and **signages & facilities** to be unveiled
- **best in class** products to be offered by Agency
- Successful **Product Launch** with Bank Partner

- Regular communication updates
- Agency conventions and roadshows
- **Comprehensive** agency portal

- **Compensation and benefits** design underway
- **Engagement** with Agency Leaders for new compensation structure
- **Unified** different product line compensation

## Together we did it!

**Introducing the new AIA,  
now with twice the strength and  
capabilities to serve your real life needs.**



AIA and IIG in Malaysia are now one company and will, from today, be known as AIA life.

The one thing that will never change is our passion and dedication to serve you. This means transferring all that you have entrusted to us over the years. Your dedicated agent will continue to serve you and will from here on be known as your AIA Life Planner, reflecting our total commitment towards helping you plan for your future.

As we pay tribute to our 65th glorious year in this country, we look forward to a new journey with you as we embark on a dynamic new chapter in Malaysia.

## 6. Conclusion



### Conclusion

1. Integration can be an amazing journey
2. Where risk is present, the opportunity to create value abounds even more
3. Key success factor is to assimilate integration processes into Business As Usual
4. Revenue, productivity (Risk and Opportunity)
5. Expenses, synergies (Risk and Opportunity)
6. Value and Profits - Depends on Execution of Integration and Transformation
7. People business - Extract maximum value and potential, keeping and developing the best talents (include staffs, agents and business partners)
8. Customers satisfaction (products and services)

**Thank You.**



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