

**Mr Peter Smedley**

**Group Managing Director and  
Chief Executive Officer**

**International Symposium – Opening Speech  
“*Enhancing Life Insurance Regulatory Regimes  
in Asia*”**

**The Windsor Hotel, Melbourne**

**Wednesday, 17 November 1999  
9.00 am**

Good morning, Ladies and Gentlemen. It's a great pleasure to be with you this morning.

I am delighted that Colonial, AXA Australia and the Commonwealth Government of Australia are jointly supporting this very important public policy initiative.

We, of course, are continually seeking opportunities to support the government in its endeavours to improve the efficiency and the competitiveness of the Australian economy.

I have to say that the partnership between AXA and Colonial to offer this symposium is very unique - our organisations usually compete vigorously against one another, however, we remain firm friends.

It is a mark of the great importance that my AXA colleagues and I attach to this event, as we join with Australian government agencies, to support a very significant regional undertaking.

On behalf of AXA and Colonial, I would like to take the opportunity to thank the following organisations for the financial and professional support they have provided to make this event possible: the Australian aid agency, Ausaid; the Treasury; the Department of Foreign Affairs and Trade; and the Australian APEC Study Centre.

I would also like to thank the Australian Prudential Regulatory Authority – or APRA – the Australian Securities and Regulatory Commission, the Investment and Financial Services Association, the Asian Development Bank, the World Bank, the International Association of Insurance Supervisors and representatives from private organisations and academia in Australia – all who have made a great professional input into the preparation of the symposium.

I have no doubt that this professionalism will be carried throughout the symposium.

In particular, I would like to extend a warm welcome - and thanks - to all of those representatives attending from the Asia Pacific. I sincerely hope that you enjoy the hospitality of this city, as well as the opportunity to participate in a constructive dialogue on matters that are of real importance to our various communities.

I believe that the workshop to follow this symposium – to be held in Melbourne in March 2000 – will not just deepen the dialogue that we begin here today. It will also be regarded as a major contributor to the development of practical ideas and processes for bringing the world's best practices in life insurance regulation to the region.

I would now like to take a few minutes to tell you about Colonial, the company I manage. By doing so, I hope to convey to you some of the reasons why we believe that this symposium is such an important event.

Colonial is a diverse, international financial services organisation, with core business in life insurance, banking, superannuation, pensions and funds management. We are an allfinanz group, which means we strive to meet all of our customers' financial needs. Colonial operates in twelve markets globally, including Australia, New Zealand, the UK, the Fiji Islands, Hong Kong, the Philippines, Thailand, Malaysia, Indonesia and Singapore. We hope to soon commence a joint venture business in China and Vietnam.

And, we wish to expand into other markets in the region as well, in particular, India.

Our objective is to be profitable; to reward our shareholders who have invested in us. We seek to do this by being a competitive provider of financial services in the markets in which we operate.

We judge our success by growth in income, which arises because of the confidence our customers place in our products and the service we provide.

We seek to bring together this mutuality of interests – our shareholders with those of our customers.

I am sure that Tony Killen, Group Managing Director AXA National Mutual Holdings, would subscribe to those same types of objectives and business goals.

In all of the markets in which we operate, competition is strong, usually from both domestic and other foreign participants.

The framework of these markets - and this includes the economic, social and regulatory environment – presents yet another challenge for business. Each market is different, reflecting the different characteristics that make up a society – the ingredients, which add to the rich diversity between countries.

There are, however, common forces significantly shaping each country. They include the speed of change, globalisation of business, the impact of economic liberalisation on trade, services and capital, as well as the massive changes being brought about by technology and rapid data flow.

In the financial services industry, consumers are more often seeking broadly- based financial services providers.

Therefore, we are working in more closely integrated economic relationships – at the level of the state and business – and in this process countries are becoming increasingly interdependent, making globalisation inevitable.

We may not always like these forces, but they are factors we have to effectively manage in business and public affairs. They, of course, impact on regulatory arrangements and are reshaping regulations as countries move to gain from those forces.

The challenge now is for financial service providers and regulators to adapt to this new world.

As we all know so well, no region can avoid the global forces that I have described. The Asian crisis brought these issues to the fore in a stark and startling way.

I believe this symposium is about understanding the forces that are shaping our economic systems. It provides an opportunity to examine ways in which regulatory systems might best reflect and adapt to those forces.

What I, and many others, would love to see is one common regulatory system.

Compliance across our various businesses would be simpler because the rules would be common rules; we might benefit from more efficient use of our capital. We could utilise better the professional skills we have across the region and make important gains in human resource terms.

However, I recognise that there is no perfect world, and that harmonisation of regulatory arrangements regionally - however worthy a goal that may be - is some way off.

But I do think we should look into the future and consider how the factors I mentioned earlier will inevitably impact and change regulatory standards.

For example, while current regulation is by product stream, in the future, it will be conducted by customer groups. The current belief is that guarantees protect the customer and that investments should be contained within country boundaries. The reality is that exactly the opposite is occurring.

One of the lessons I have learned in Asia is that of pragmatism and reaching practical solutions. Deng Xiaoping crossed the river, feeling the stone in front before putting weight on the stone and then moving forward. I sincerely hope that this symposium helps move ideas and concepts forward in a constructive way.

Colonial is an enthusiastic sponsor of this symposium because it will allow us to exchange our thoughts with regulators in the region on the way we see the various national regulations impacting our businesses.

We also appreciate the opportunity to better understand the philosophic and political base which underpin various regulatory regimes.

We see great value in examining these in the context of emerging world's best practices in the life insurance regulatory field.

This is why we are delighted to welcome the involvement of the International Association of Insurance Supervisors, the World Bank and the Asian Development Bank. They will bring considerable insight into global and regional trends in regulation.

We are particularly pleased to see the involvement of APRA, the Australian Prudential Regulatory Authority, and the Australian Securities and Regulatory Commission.

You may know that the regulatory environment in Australia is undergoing rapid change. As a group, we have recently been advised that we are considered a conglomerate. In contrast, only about a year ago, we responded to a number of regulatory agencies, which dealt with our banking and life insurance products separately. Now, we respond to one agency, which is APRA.

Changes to the Australian regulatory system followed a detailed review by the Wallis Inquiry, which involved wide-ranging discussions with Australian and overseas businesses and with regulatory agencies in many countries.

The new arrangements, under which Colonial is regulated in Australia, reflect the diverse nature of our business. We are delivering a diverse range of financial products, which have varying characteristics. There are two central characteristics that underpin the regulatory approach - financial soundness and consumer choice.

When we deliver our products, the purchaser or investor buys or invests with us because of a view the transaction is with a financially strong and secure group. Secondly, the consumer buys or invests because of the attractiveness of the product, which is determined by the consumer in the context of a competitive market.

The focus of regulation then is to ensure the solvency and capital strength of financial institutions.

At this point, I would like to state that the single key issue for regulators is to manage solvency. Largely, regulators at the moment 'micro-manage,' particularly the product approval process. In many cases, this makes solvency worse as suppliers are forced to sell loss-making products. Our belief is that as markets open, competition will take care of product structure. In time, the role of the regulator becomes one of corporate governance.

Another focus of regulation is to provide a competitive environment in which those institutions can offer their products to consumers.

The consumer, not the regulator, is the arbiter of whether the products that go into the market are acceptable and meet consumer needs, in terms of price and in terms of quality.

My sense is that these are increasingly becoming the crucial tests that regulators will need to focus on. I would be less than honest if I did not say that these are the central tests that as a business we would like to operate under, wherever we operate in the world.

It is my sincere hope that this symposium provides an opportunity for all of us to discuss and examine the various forces that are shaping the socio-economic world where we live and work. I believe this may help us better understand the likely impact these forces will have on the regulatory environment.

There are crucial public policy issues to be considered, including pension reforms, private funding for health and education, and the development of long-term bond markets.

All of these issues are shaping Asia's financial systems and emerging regulatory arrangements. In essence, they involve systems that engender confidence in long-term savings and investments – so vital to improving prosperity in the region.

We genuinely appreciate the opportunity for this discourse with important public officials.

We sincerely hope that one of the important outcomes of this symposium and workshop will be the development of an ongoing dialogue between industry and governments in the region. We also hope that academic institutions become involved by adding their weight to efforts to enhance regulatory regimes.

Finally, I wish you all well in your endeavours in helping shape - in a creative and constructive way - the regulatory regimes in the Asian region, so that they may be responsive to changing business and consumer needs and adequately meet emerging and important public policy initiatives.

We cannot stifle the increasingly rapid pace of change, and as a consequence, we must all work together to protect and enhance the industry.

It gives me great pleasure to declare this symposium open.

Thank you.

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