



# Land of Opportunity

Conning President: Major Opportunities Exist for Third-Party Asset Managers in the Asia/Pacific Region

Rich opportunities exist in the Asia/Pacific market, with more than 500 insurance companies in the region and more than \$5 trillion dollars in assets, according to Woody Bradford, president and chief operating officer of Conning. Of that, just 10% is managed by third-party companies, and Conning sees that increasing in a major way in the next five to 10 years.

To capitalize on this opening, Taiwan-based Cathay Financial Holding Co. and Conning plan to form a joint venture to provide institutional asset management services in the Asia/Pacific region.

Cathay Financial Holding Co. is the largest financial holding company in Taiwan, with total assets of about \$161 billion and 11 million customers. Its main subsidiaries include Cathay Life Insurance, Cathay Century Insurance, Cathay United Bank and Cathay Securities.

Positioning Conning with a strong partner in the region allows it to “capture some of that outsourcing,” Bradford said. Over the past 25-plus years, Conning has grown its asset management business to meet the needs of insurers, and has about \$77 billion under management.

## Company Created

An asset-management company will be created and based in Hong Kong, and Cathay and Conning will each own 50% of the equity in the new company. The partnership will help both grow their institutional investment management services in markets such as Taiwan, China, South Korea, Japan and Vietnam.

Insurance companies in the region are struggling with many of the same challenges that insurers are facing globally — a low-yield environment, and in many markets, not having long-duration bonds to invest in, Bradford said. For life insurers especially

“that’s critically important” as they may not have the liquidity they want and need advice on improving their financial performance.

The financial crisis of 2008 was “a shock” for insurers in many parts of the world, and forced them to “rethink their business models,” such as looking outside internal management to reduce their own costs, among other drivers, Bradford said.

With the partnership, Cathay and Conning would generate revenue as insurers and other financial institutions would contract with them to manage their assets or provide them with advice on how to manage risks in their portfolios, he said.

Conning manages a portion of the general account assets of Cathay Life, as it does for other insurers around the world, Bradford said. Cathay pays Conning for services, including advice on asset allocation and managing its portfolio, including bonds, stocks and derivatives, he said.

## Minority Stake

Cathay Financial will buy a minority ownership stake in Conning. Purchasing a 9.9% stake allows Cathay to participate in growing Conning, Bradford said.

In 2009, Aquiline Capital Partners, the New York-based private equity firm headed by Chief Executive Jeff Greenberg, closed on its acquisition of Conning from Swiss Reinsurance Co. (*BestWire*, Oct. 16, 2009). “Since Aquiline invested in Conning, we have been seeking a partner to help the company develop the Asia/Pacific region,” said Grenberg, also chairman of Conning, in a statement.

The application seeking approval for the joint venture will be filed with regulators in Taiwan. It’s expected to close by the first quarter of 2012.

—Fran Matso Lysiak

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Listen to the entire interview with Woody Bradford at [www.ambest.com/audio](http://www.ambest.com/audio).

