

INTERVIEWING LAN KANG

Fosun playing the long game

Chinese Conglomerate **Fosun Group** burst onto the European and international insurance market in 2014 when it acquired leading Portuguese insurer Fidelidade. This was rapidly followed by major investments in Bermuda-based international specialty insurer Ironshore and Meadowbrook in the United States. These international investments add to Fosun's existing portfolio of investments in Chinese insurers. **FULLCOVER** interviewed **Lan Kang**, Vice-president of Fosun Group and President of Fosun insurance Group to discover more about the group's plans for the Portuguese and international Insurance market and how it fits into the fast-growing group's wider strategy.



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Lan Kang, Vice-president of Fosun Group and President of Fosun Insurance Group.

Fosun was founded in 1992. Could you share with us how Fosun became one of the largest private Chinese conglomerates in such a short space of time?

Fosun's rapid growth in the past two decades or so has been built largely on the tremendous growth of China's economy as well as the strategic decisions the company has made along the way, which is equally important to its success. Beginning in 1992 shortly after they graduated from college, the founders of Fosun Group started the business in market research and consulting services with little funding capital. They successfully accumulated some capital and later tapped into the healthcare and real estate businesses, having observed that China was going through a process of quick urbanization. Further investment into manufacturing and resources proved to be also very successful thanks to the booming infrastructure sector in China.

Since 2008, as China's economic engine has been shifting from industrialisation and urbanisation to consumption and personal finance, Fosun continued to invest by 'combining China's growth momentum with global resources'.

What are your investment and strategic objectives?

When considering investment opportunities, the most important thing to consider is how we can create value through our investments. Nowadays, when capital becomes a commodity, we need to think about why other companies would take our investment versus the 'others' and how we can add value in addition to the capital provided.

There are three areas of investments that we are focusing on: Health, Happiness, and Affluence of the people. We have already built our competitive advantages in the health and happiness industry. For example, Fosun Pharma is a leading pharmaceutical company in China. We have acquired United Family Healthcare, the leading high-end hospital in China. We have also invested in some 'internet+ health services' projects, like Guahao.com. Last year we finalised the privatisation of Club Med, the French holiday resort group, that we believe has huge potential in business expansion globally. Our investment in the financial services sector, in particular the insurance sector, also provides long lasting wealth preservation for consumers.

What are the selection criteria for your investment projects?

For insurance projects, we have 10 investment guidelines. These are:

1. Market leader in the segment;
2. Great management team;
3. A good combination of asset scale and operating capability;
4. Relatively low cost of liability;
5. Reasonable valuation;
6. Prudent risk management;
7. Market opportunity;
8. Controlling stakes to acquire;
9. Potential improvements on the asset side; and,
10. We understand that every project is unique and we always evaluate each project comprehensively and rigorously with, but not limited to, the above mentioned guidelines.

What are the major challenges that Fosun faces with its overseas investments such as Fidelidade, Ironshore and Meadowbrook?

For such overseas investments you need deep local knowledge and capabilities to gain access to the best investment opportunities. This is critical because there is growing market competition that is driving prices up. You also need to obtain understanding and trust from foreign regulators and there is increasing complexity in risk management.

What are the guiding principles when you are dealing with your portfolio's companies?

You need to select and/or build a leadership team with strong entrepreneurship and partnership. We need to provide the resources that are needed and create synergies among all of our portfolio companies. We also have to build strong corporate governance and risk management systems and, of course, attract and develop local talents and provide them with a global platform on which to grow.

Why did Fosun choose the insurance market as one of its key markets? How does it fit with the rest of the group's activities?

The insurance sector is the best channel to connect Fosun's unique expertise in investments and industries with long-term stable capital.

On the one hand, given Fosun's strong industry capabilities in health, happiness, real estate and

wealth management realms, we can help the insurance companies explore synergies in product development, distribution optimisation, integrated finance platform and various other areas.

On the other hand, we can help to improve the asset-liability management and investment portfolio of the insurance company by leveraging Fosun's excellent investment capabilities.

Furthermore, for overseas insurance companies, Fosun can provide additional value by connecting China's momentum with global resources.

Fosun is dedicated to helping its portfolio insurance companies to improve underwriting profitability by focusing on operational excellence, strengthen the balance sheet and enhance market competitiveness through innovation and evolution.

Then, only when the insurance operational side is sound and profitable, we can utilise the long-term float to achieve better investment returns.

Why did you enter the insurance market when it is so competitive and pricing is so soft especially for non-life commercial business?

It is true that global insurance markets, especially developed markets, are facing fierce competition and alternative capital surplus. However, the range between great and mediocre companies is huge. Our task is to identify value investment opportunities despite the challenging market conditions and create value after investment.

For instance, specialty insurance has outperformed other lines of business in the United States in recent years. Ironshore, a strong player in this segment, appears to be an interesting and unique opportunity for us.

We believe that sound fundamentals, underwriting expertise and excellent management talent are crucial for the success of an insurance company. We are proud to tell that all of our overseas insurance portfolio companies have achieved profitable financials in 2015.

Why has Fosun decided to expand outside of Asia to expand its insurance business, why not concentrate on markets closer to home?

Actually, we are not restrained in terms of geographic areas. We select the best opportunities that fit Fosun's strategy. In 2014, it was Fidelidade in Portugal and in 2015, we invested in Ironshore and Meadowbrook in the United States. Maybe there will be another star performer for Fosun in Asia or somewhere else in the world in 2016. But we have not neglected our home market. Our insurance companies in China and reinsurance companies in Hong Kong have all been managed by strong teams of insurance professionals and have been doing well.

Could you explain the importance of Fidelidade for the strategy of Fosun?

As our first investment in the overseas insurance realm, Fidelidade opened a new chapter for Fosun Group. Simply by looking at the numbers, in 2014, Fosun's asset had increased by €13bn with the transaction of Fidelidade. And we all know there is much more value embedded apart from the numbers.

Fidelidade is a strategic platform in Europe which helps Fosun to better connect China's momentum with global resources, to better understand the insurance operations in the Solvency II environment and to better implement our 'Insurance + Investment' core strategy prudently and effectively.

In the past two years, Fosun has provided strong support to Fidelidade to improve its underwriting profitability and financial performance. We fully understand that for policyholders, financial strength of the insurance company is the top priority. We are dedicated to help Fidelidade achieve a stronger and brighter future.

Where does Fosun see the best opportunities for profitable growth in insurance markets worldwide – by geography and line of business?

We will be looking for companies with strong leadership, competitive and innovative products and services, as well as operational excellence, more than geography and line of businesses.

Is Fosun keen to expand in the larger corporate multinational insurance space and if so how? Will Ironshore be the main platform for this business?

The short answer to the first question is 'Yes'; but it's worth further elaboration. Our goal in the insurance sector is to build up a global insurance holding company with world-class insurance management and investment capabilities. We will continue to search for high-quality insurance investment opportunities globally based on our rigorous investment guidelines and prudent risk management. We will never embrace a growth strategy that is aggressive and irrational. •



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LAN KANG

→ Lan Kang is Vice President and Chief Human Resources Officer at Fosun, as well as President of Fosun Insurance Group. She currently serves on the board of 6 insurance companies that Fosun has invested in, including Yong'an P&C Insurance and Pramerica Fosun Life Insurance in China, Peak Reinsurance in Hong Kong, Meadowbrook Insurance Group in the US, Ironshore in Bermuda and Fidelidade Insurance Group in Portugal.

→ Prior to joining Fosun Group, she was a Senior Client Partner focusing on executive search and leadership development at Korn/Ferry International's Greater China Office. She also spent over four years working in management consulting at McKinsey & Company's Greater China office. She assisted many leading multinational and local Chinese companies in strategy development, operation improvement, and change management, and is experienced in talent acquisition and organization development.

→ Lan Kang spent 9 years in the US, before returning to China in 2002, right after receiving her M.B.A. with Honors from The Wharton School, University of Pennsylvania. She also obtained her Bachelor of Science degree from Zhejiang University in China, and a Master of Science degree from Tulane University in the U.S.