



# China and India – the largest market in the making

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# 2005 – 2010 Life Insurance market

\*Source: Swiss Re Sigma report.

Life Premium	2005 ranking	2010 ranking	2005 life premium(USD,m)	2010 life premium(USD,m)	CGAR (USD)	CGAR (Local)
USA	1	1	517024	506228	0%	0%
Japan	2	2	375968	440950	3%	-1%
UK	3	3	199612	213831	1%	4%
France	4	4	154068	192428	4%	3%
Italy	5	6	91740	122063	5%	4%
China	8	5	39592	142999	24%	20%
India	17	9	20176	67810	22%	23%



# 2005 – 2010 Insurance Growth vs. GDP Growth

\*Source: Swiss Re Sigma report.

CGAR growth rate	GDP	Insurance (USD)	Insurance (Local)
USA	3%	0%	0%
Japan	3%	3%	-1%
UK	0%	1%	4%
France	3%	4%	3%
Italy	3%	5%	4%
China	17%	24%	20%
India	11%	22%	23%



# 2005 – 2010 Insurance Penetration and Density

\*Source: Swiss Re Sigma report.

	2005 Density (USD)	2010 Density(USD)	2005 Penetration	2010 Penetration
USA	1763	1632	4.4%	3.5%
Japan	2966	3473	8.3%	8.0%
UK	3287	3436	8.9%	9.5%
France	2475	2938	7.1%	7.4%
Italy	1450	1976	4.9%	5.8%
China	31	106	1.8%	2.5%
India	18	56	2.5%	4.5%



# What if 2020 is like.....

	2020	2010	2010	2020
	GDP Estimate (USD bn)	Penetration	Penetration	Insurance Premium(USD,m)
USA (CGAR at 3%)	19676	3.5%	5.0%	983814
Japan (CGAR at 3%)	7417	8.0%	8.0%	593366
UK (CGAR at 3%)	3025	9.5%	9.0%	272264
France (CGAR at 3%)	3467	7.4%	7.0%	242711
Italy (CGAR at 3%)	2758	5.8%	7.0%	193040
China (CGAR at 8%)	12194	2.5%	5.0%	609680
India (CGAR at 8%)	3295	4.5%	7.0%	230616



# A sustainable insurance market

- Genuine insurance needs
  - Risk of financial losses, tax advantages, alternative investment need
- Needs awareness
  - Insurance perception, education, industry images
- Efficient distribution systems
  - Captive agency, brokers, financial advisors, bancassurance, telemarketing
- Sustainable manufacturing environment
  - Size of suitable investment universe
- A consistent regulatory framework
  - Products approval, licensing, capital, accounting, valuation



# Highlights of China Insurance Market (I)

- Products
  - Over 70% participating products, 15% UL, 13% non-participating and rest is investment linked (VUL)
  - Mainly for savings, very competitive in investment return offering
  - Hospital and critical illness are popular riders
- Premium mode
  - Over 75% new sales are single premium due to bancassurance
- Distribution
  - Mainly from bancassurance (50 – 60%), captive agency is second largest around (35%)
- Investment challenges
  - Relatively high equity ratio at 10 to 15%
  - Bank deposit is around 30%
  - Bond market is under development
  - Company without Insurance Asset Management Company has limited investment choices



# Highlights of China Insurance Market (II)

- IFRS impact
  - Universal life and VUL premium counted as deposit
  - China GAAP is based on IFRS with reserve calculated based on IFRS principles
  - Solvency is based on statutory
  - Challenges in managing capital risk and income risk at the same time
- Banks owning insurance companies
  - Potentially putting insurance companies with no bank parents at risk of losing out in the long term
  - Recent rules change restricting selling by bank staff only further threatened insurance market position
- Regulatory framework
  - Foreign companies have to operate as JV (except AIA)
  - Domestic company has to have less than 25% foreign ownership





# Highlights of India Insurance Market (I)

- Products
  - Participating product is mainly sold by the local company Life Insurance Corporation of India (LIC) which has about 70% of the market share
  - Private company sold mostly unit-linked products (ULIP) (90%) until regulator changed rules on the products (now is about 50%)
  - CPPI (constant proportion portfolio insurance) is prominent, taken up at least half of the ULIP sales
- Premium mode
  - LIC has over 50% single premium, private companies have mostly regular premium
- Distribution
  - Captive agents with low productivity is the dominating channel (75%)
  - Bancassurance is only about 15%



# Highlights of India Insurance Market (II)

- Market issues
  - High cost of the agency system
  - High lapse
- Bancassurance development
  - More deals are made with bank that involves bank owning equity of insurance companies
  - Given the challenges in growing agency, insurance companies are chasing bank partners, this is driving up the cost of the bancassurance deal



# Opportunities for actuaries in these two markets

- Our technical strength?
  - CALM
  - Risk Management
  - ALM
  - EC
- Is this for you?
  - Family
  - Culture
  - Long term vs. short term
- There are different ways to participate
  - Knowing the markets is a first step, (difficult to do when one is not really in the market)
  - Most companies have Asia aspiration and need actuarial staff that either go there or work in head office for Asia business