

China Life Insurance Market

JESSIE LI, FSA

SOA China Lead China Representative



SOCIETY OF
ACTUARIES



Overview of China Insurance Market



History of China Insurance Market

1988 ▼The founding of Ping An ended the monopoly of PICC.

1991 ▼The establishment of CPIC.

1992 ▼AIA brought in agency system in Shanghai

Beginning

1995 ▼The Insurance Law came into force

1996 ▼The regulation on agency system came into force.

▼The establishment of NCL and Taikang. A number of JVs entered Shanghai

Developing

1998 ▼The establishment of CIRC.

1999 ▼PICC was divided to PICC, China Life and China Re

2001 ▼China entered WTO

2003 ▼China Life was listed in N.Y. and H.K., the world biggest IPO in 2003

2004 ▼JV has started to expand nationally

2006 ▼The CIRC started to impel market supervision and solvency regulation

2009 ▼Merger and acquisitions were becoming active

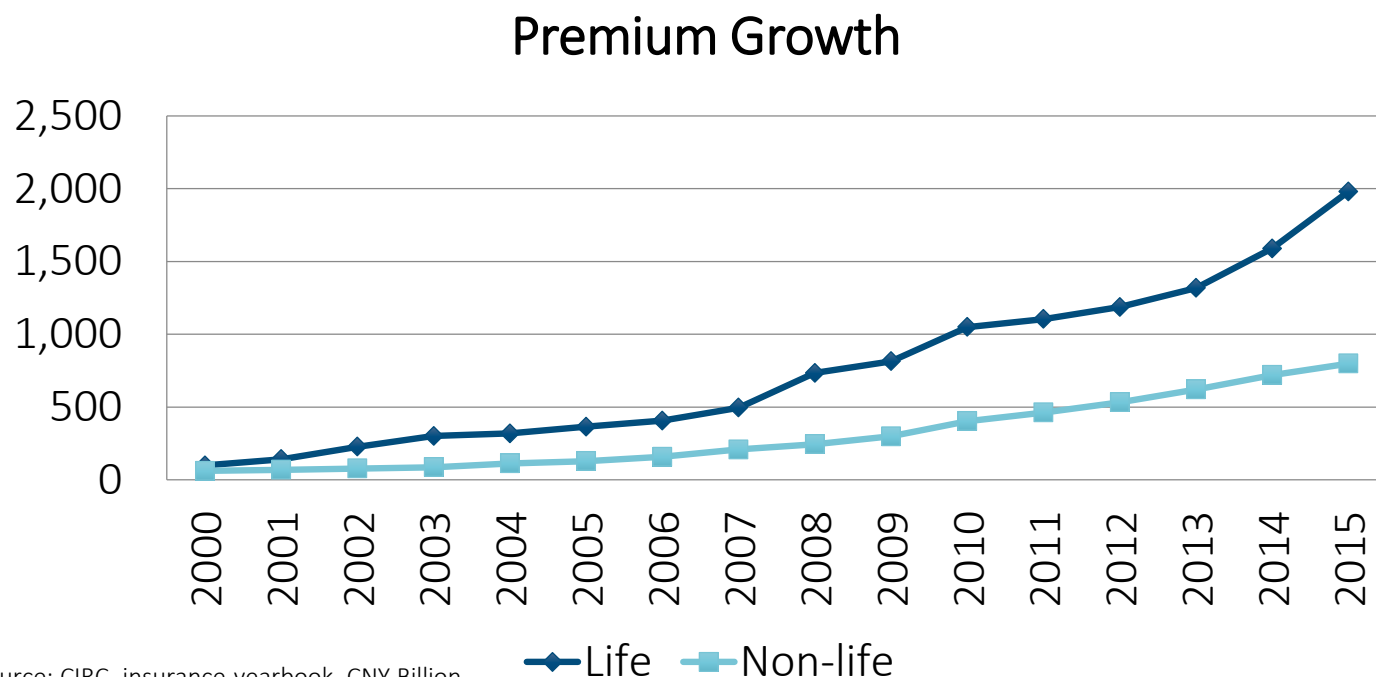
2013 ▼The CIRC released The Framework of China Solvency II

2015 ▼The CIRC released a circular on issuing the CROSS

2016 ▼The new Embedded value valuation guidance issued

Growing

Compound Annual Growth Rate of Premium

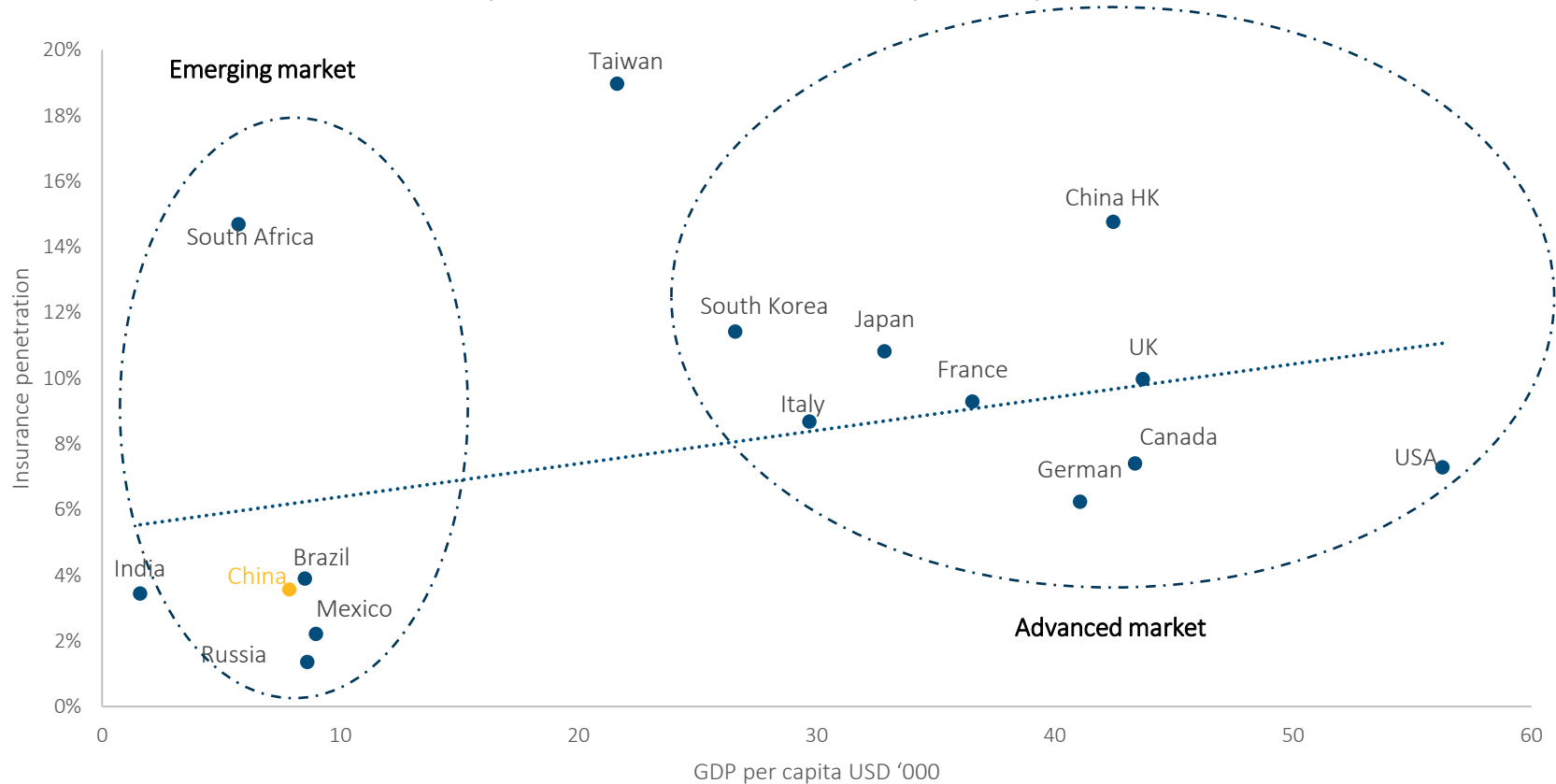


The compound annual growth rate of life insurance over 15 years is 23%.

The compound annual growth rate of non-life insurance over 15 years is 19%.

Insurance Penetration

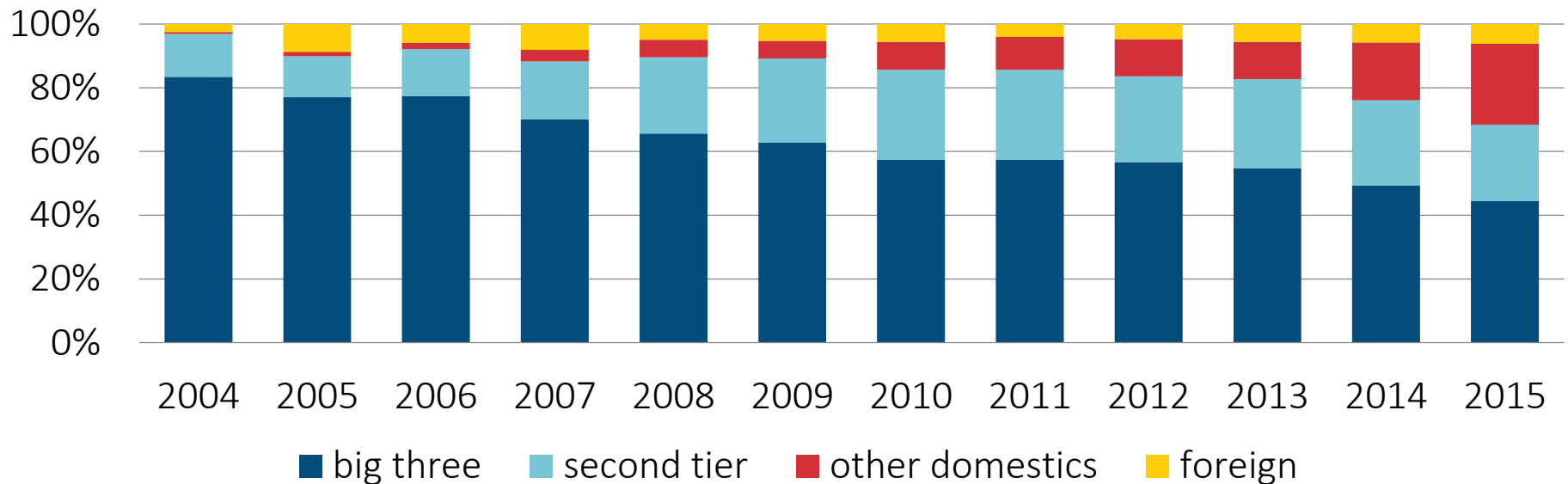
Insurance penetration and GDP per capita 2015



Source: Sigma, Swiss Re

Life Market Share: by Company

The annual gross premium income



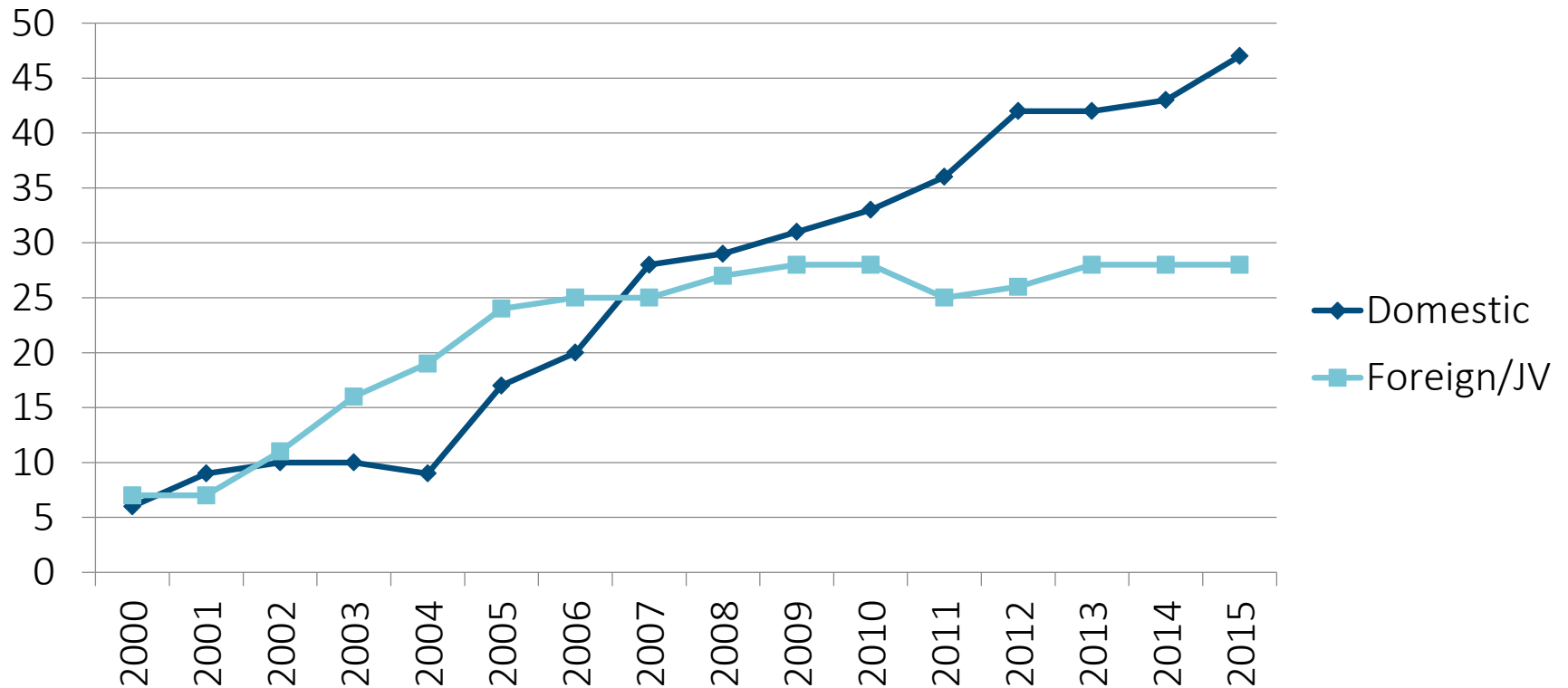
Source: CIRC

Big Three: China Life, Ping An and CPIC

Second Tier: PICC, NCL, Taikang, and Taiping

The market share of the big three life insurance companies is declining, and the competition is becoming more fierce

of Life Insurance Companies



Source: CIRC

Typical Product Features in the Market

		whole life	critical illness	Endowment	Wealth management
Product Design	Product type	Participating (increasing sum assured)	Traditional	Participating	Universal Life
	Protection type	Death or TPD, Reversionary increase in sum assured by 0.8% p.a.	Illness, disability and death	Death, TPD and Survival benefit paid annually or bi-annually Survival benefit can be converted to Universal Life account	No protection, return of premium on death
	Benefit term	Whole life	Until age 80	Whole life	From 3 months to 2 years
	Premium term	10 years	20 years	3 to 5 years	Single premium
	Customer options	Reduced Paid up Policy conversion 80% of cash surrender value can be taken out as policy loan	80% of cash surrender value can be taken out as policy loan	Conversion options 80% of cash surrender value can be taken out as policy loan	Normally not provided



Recent Discussions



**SOCIETY OF
ACTUARIES**

Recent Discussion

- Low interest rate
- Market Liberalization
- China Risk Oriented Solvency System (C-ROSS)

Low Interest Rate



Source: www.chinabond.com

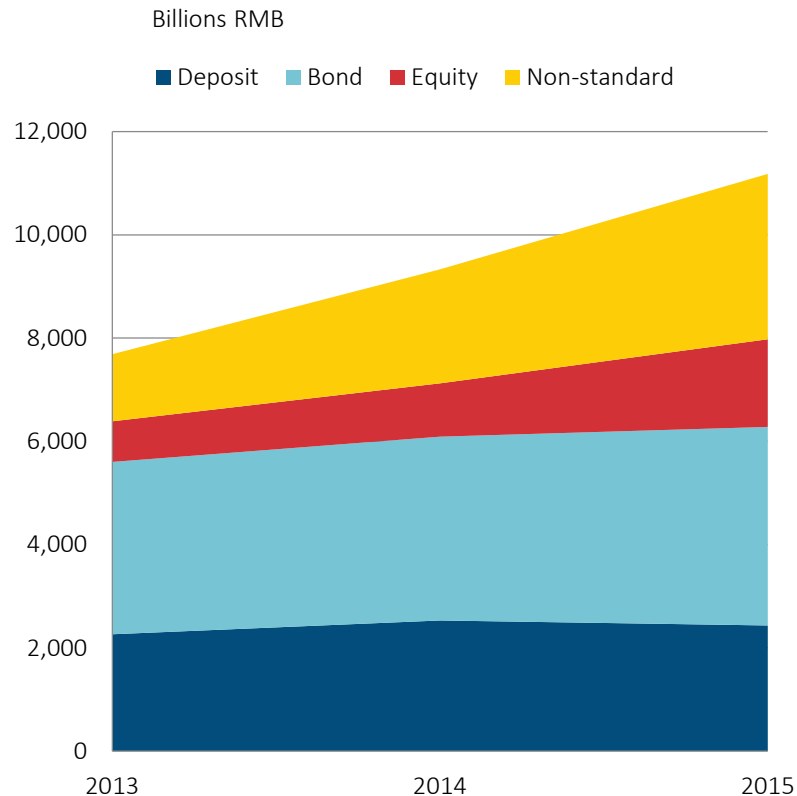
- Interest rate has been decreasing since 2014. 10-year treasury bond rate has been less than 3%.
- Life insurance is sensitive to interest rate. Most life insurance companies gain profits and value by interest surplus.
- Therefore, downside interest rate brought challenges for life insurance.

Low Interest Rate: Liability

- In force business
 - Profit and solvency
 - Management strategy
 - Policy holder behavior
- New business
 - Relative competitiveness
 - Corporate strategy

Low Interest Rate: Asset

2013-2015 Asset Allocation



Source: CIRC, yearbook. CNY: Yi

- Asset allocation: Increased % of equity and non-standard assets.
- Risk: Increased market risk for equity and credit risk for non-standard assets.
- Lowered investment return.

Market Liberalization



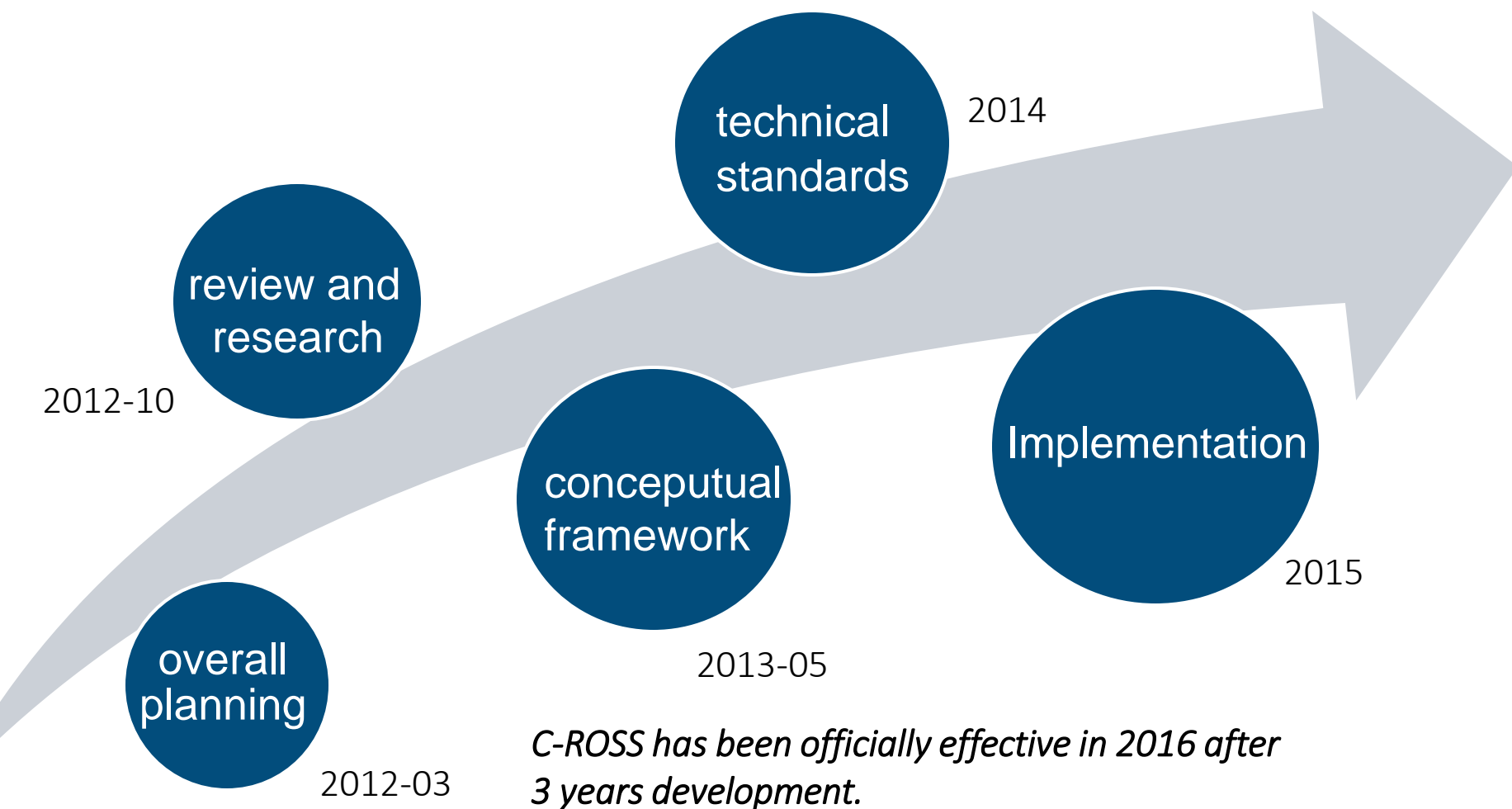
Pricing

- Remove the pricing interest rate cap: 2.5%, 3.5%, 4.05%.
- More flexibility, more cost pressure

Investment

- Equity
- Real Estate
- Infrastructure
- Oversea investment

C-ROSS



Special thanks to

Wesley Cui

General Manager
Willis Tower Watson China



Thank You!



SOCIETY OF
ACTUARIES