

# The Life Insurance Markets of Asia (excluding Japan)

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# Agenda

- Overview of the main life insurance markets
  - Premium statistics
  - Insurance penetration
  - Product and distribution landscape
- Current topics
  - Solvency
  - Interest rates
- Focus on specific markets

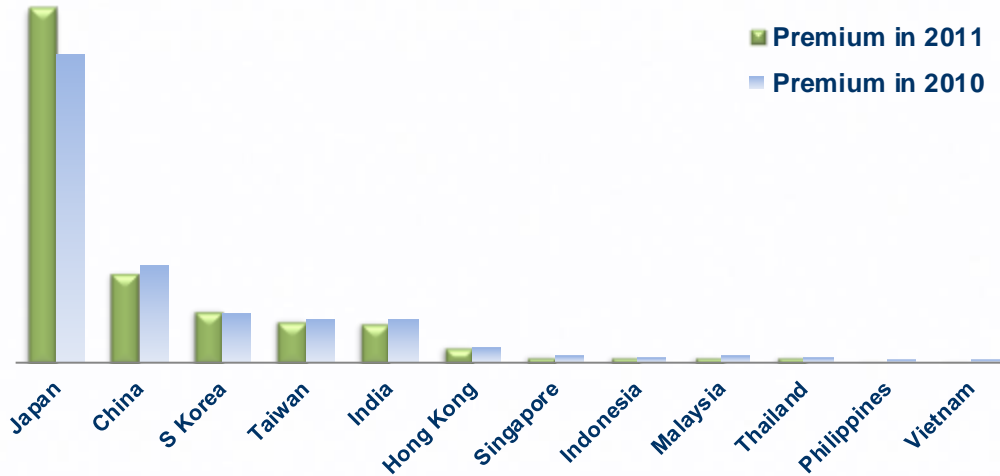
# Overview of the main life insurance markets



# Overview of the main life insurance markets (ex Japan)

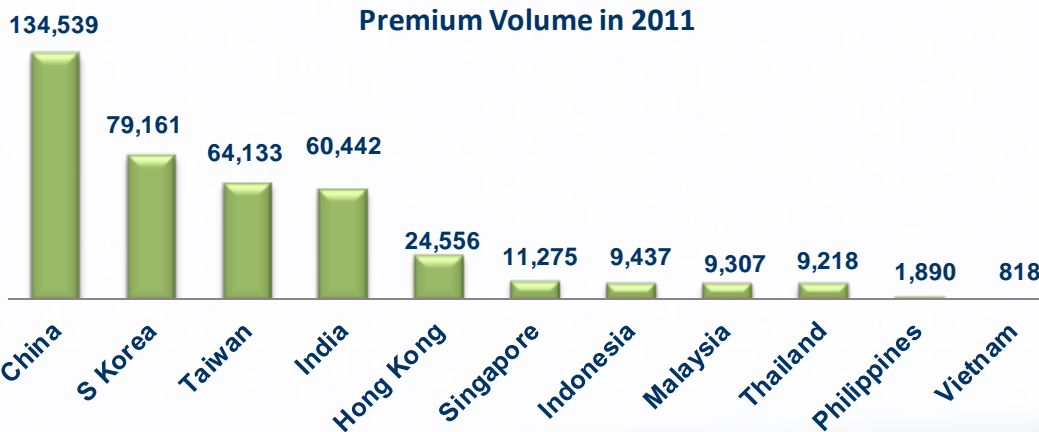


# Life insurance premium volume 2011



## Comments:

- China is the biggest market in Asia excluding Japan, but growth declined sharply in 2011 due to tighter regulations in bancassurance.
- India also slowed due to regulatory restrictions of unit-linked products.
- Hong Kong and Singapore life premium remained robust last year.

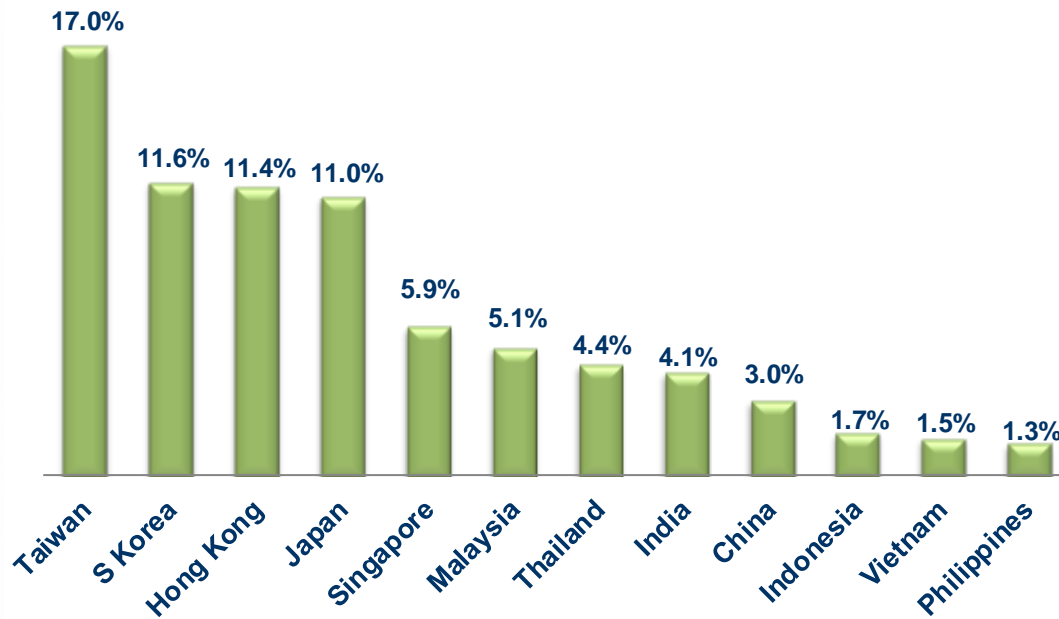


In USD million

Source: Swiss Re Sigma (Actual / Estimate), "World insurance in 2011"

For all countries, year-end is December, except for India, South Korea, Malaysia and Japan, where the financial year runs from 1st April to 31st March.

# Insurance penetration – premium as % of GDP

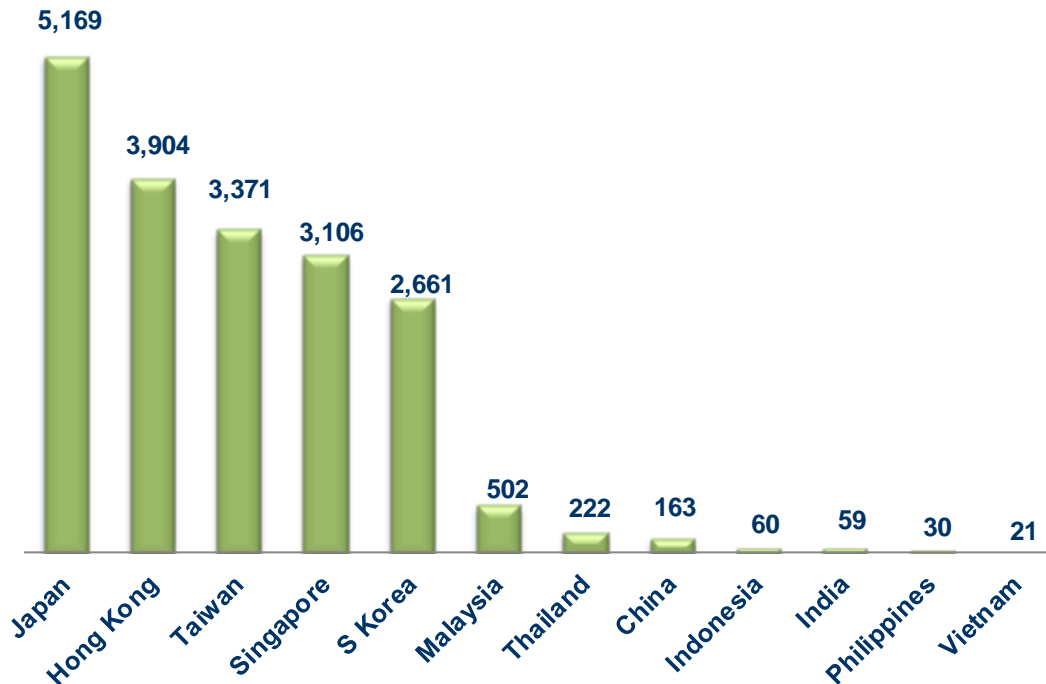


## Comments:

- This graph shows a penetration index, measured in terms of premium income as % of GDP.
- Taiwan maintained its position as the country with the highest penetration.
- With comparisons based on total premium income rather than the preferred “weighted” premium income, including only 10% of SP , statistics for the markets with large amounts of single premium business (e.g. China, Taiwan) can be somewhat distorted.

Source: Swiss Re Sigma, “World Insurance in 2011”

# Insurance density – premium per capita 2011



## Comments:

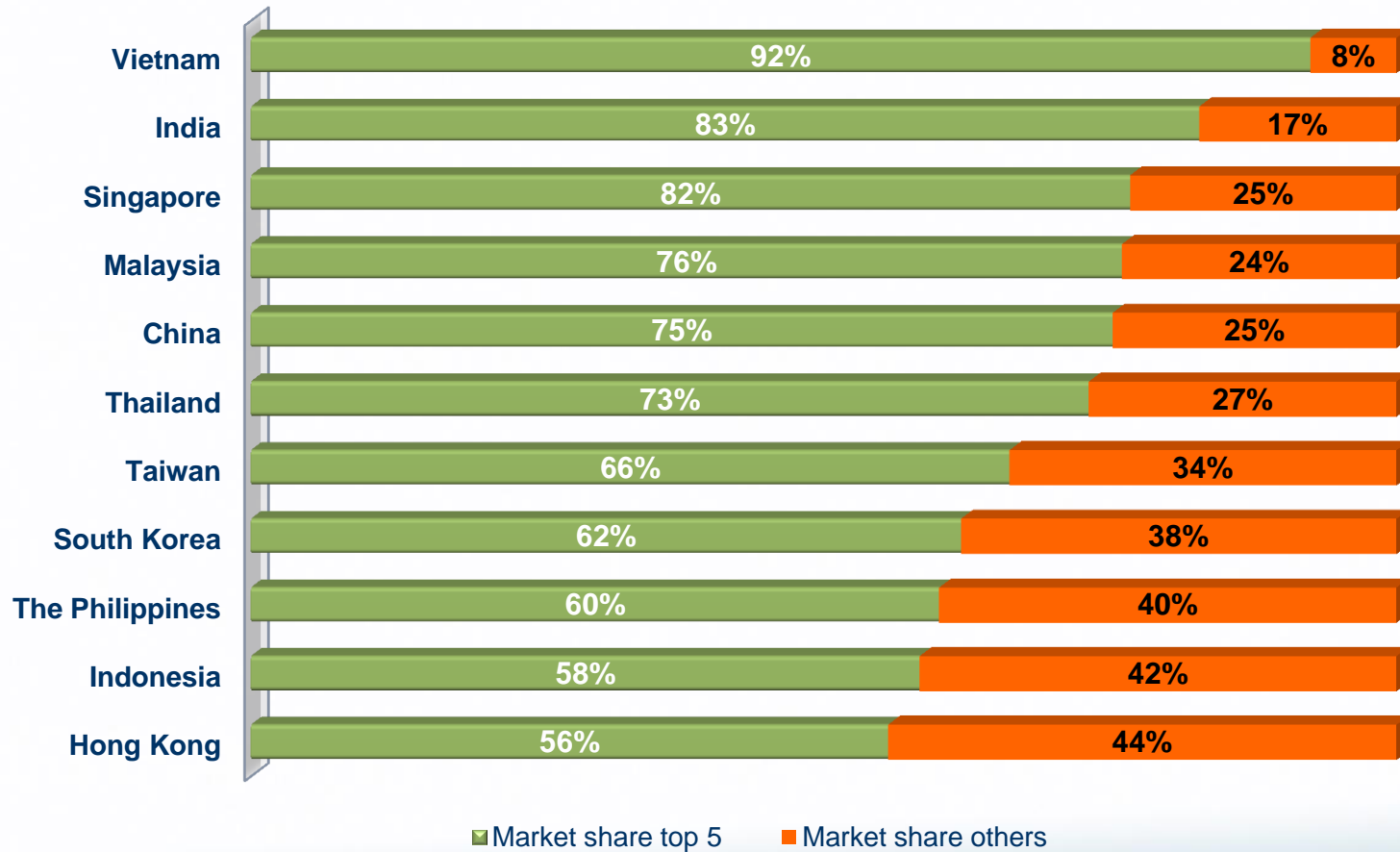
- Another commonly used penetration index is premium per capita.
- Developing countries usually have a lower premium per capita, compared to developed countries.
- Japan, Hong Kong, Taiwan, Singapore and South Korea has remained the top five markets over the last few years in terms of premium per capita.
- China witnessed a large increase in premium per capita in recent years despite an unexpected flat last year.

In USD

Source: Swiss Re Sigma, "World Insurance in 2011"

Including both life and non-life premium income












# Market concentration – market share % of top 5 companies















Source: Compiled by Milliman for year 2011

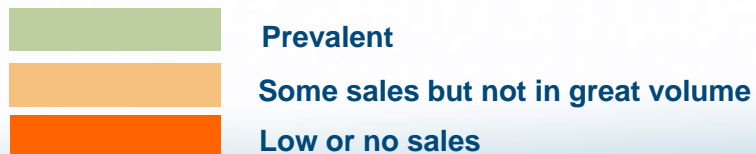


# Market accessibility













| Market      |   | Foreign ownership   | New licenses   |
|-------------|---|---|----------------|
| China       |    | 24.9% in a domestic, 50% in a joint venture   | Available      |
| Hong Kong   |    | 100%  | Available      |
| India       |    | 26%   | Available      |
| South Korea |    | 100%  | (Available)    |
| Singapore   |    | 100%  | HNW niche only |
| Malaysia    |    | 70%   | Not available  |
| Taiwan      |    | 100%  | Available      |
| Indonesia   |    | 80% (but dilution of domestic partners possible)  | Available      |
| Thailand    |   | moving to 49% in 2013 (was 25% direct but with local holding company structures common) | Not available  |
| Philippines |  | 100%  | Available      |
| Vietnam     |  | 100%  | Available      |

# Product landscape

| Market  | Traditional | Universal Life                     | Investment Linked                  | Health                             | Retirement                         | Variable Annuities                 |
|---|-------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Hong Kong    | Prevalent   | Some sales but not in great volume | Prevalent                          | Prevalent                          | Prevalent                          | Some sales but not in great volume |
| Singapore    | Prevalent   | Some sales but not in great volume | Prevalent                          | Prevalent                          | Some sales but not in great volume | Low or no sales                    |
| Taiwan       | Prevalent   | Some sales but not in great volume | Prevalent                          | Prevalent                          | Low or no sales                    | Some sales but not in great volume |
| China        | Prevalent   | Prevalent                          | Prevalent                          | Some sales but not in great volume | Some sales but not in great volume | Some sales but not in great volume |
| India        | Prevalent   | Some sales but not in great volume | Prevalent                          | Some sales but not in great volume | Some sales but not in great volume | Some sales but not in great volume |
| Japan        | Prevalent   | Low or no sales                    | Some sales but not in great volume | Prevalent                          | Prevalent                          | Prevalent                          |
| S Korea      | Prevalent   | Prevalent                          | Prevalent                          | Prevalent                          | Prevalent                          | Prevalent                          |
| Indonesia    | Prevalent   | Low or no sales                    | Prevalent                          | Some sales but not in great volume | Some sales but not in great volume | Low or no sales                    |
| Malaysia     | Prevalent   | Low or no sales                    | Prevalent                          | Some sales but not in great volume | Some sales but not in great volume | Low or no sales                    |
| Thailand     | Prevalent   | Low or no sales                    | Low or no sales                    | Some sales but not in great volume | Low or no sales                    | Low or no sales                    |
| Philippines  | Prevalent   | Low or no sales                    | Prevalent                          | Some sales but not in great volume | Low or no sales                    | Low or no sales                    |
| Vietnam    | Prevalent   | Prevalent                          | Some sales but not in great volume | Low or no sales                    | Low or no sales                    | Low or no sales                    |



# Distribution landscape

| Territory   |   | Agency | Bancassurance | Brokers/IFAs | Direct  |
|-------------|---|--------|---------------|--------------|---------|
| Singapore   |    | Mature | Mature        | Growing      | Mature  |
| Malaysia    |    | Mature | Mature        | Nascent      | Growing |
| Indonesia   |    | Mature | Growing       | Nascent      | Growing |
| China       |    | Mature | Growing       | Growing      | Growing |
| India       |    | Mature | Growing       | Nascent      | Growing |
| Japan       |    | Mature | Growing       | Nascent      | Growing |
| South Korea |    | Mature | Growing       | Growing      | Mature  |
| Hong Kong   |    | Mature | Mature        | Growing      | Mature  |
| Taiwan      |    | Mature | Mature        | Growing      | Mature  |
| Thailand    |   | Mature | Growing       | Nascent      | Growing |
| Philippines |  | Mature | Growing       | Nascent      | Growing |
| Vietnam     |  | Mature | Nascent       | Nascent      | Nascent |

 Significant sales

 Some sales

 Low / no sales

Source: Milliman estimates

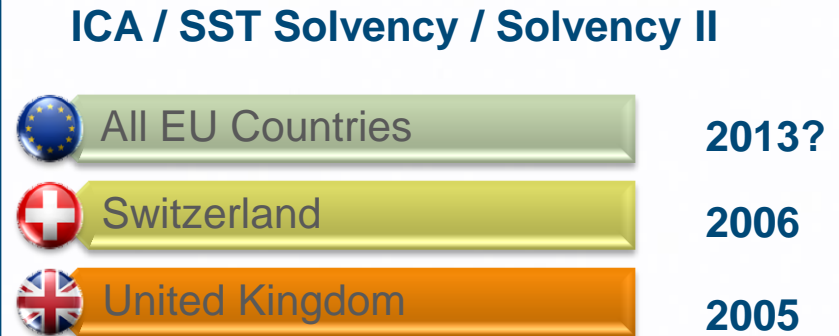
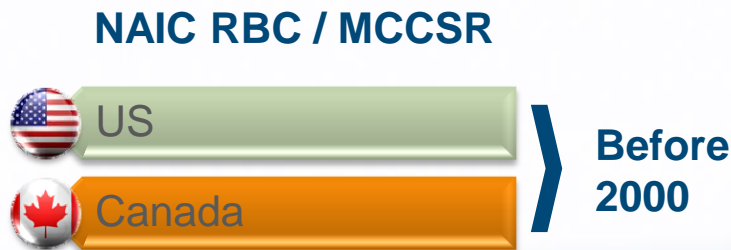
# A “heat map” of recent Asian M&A



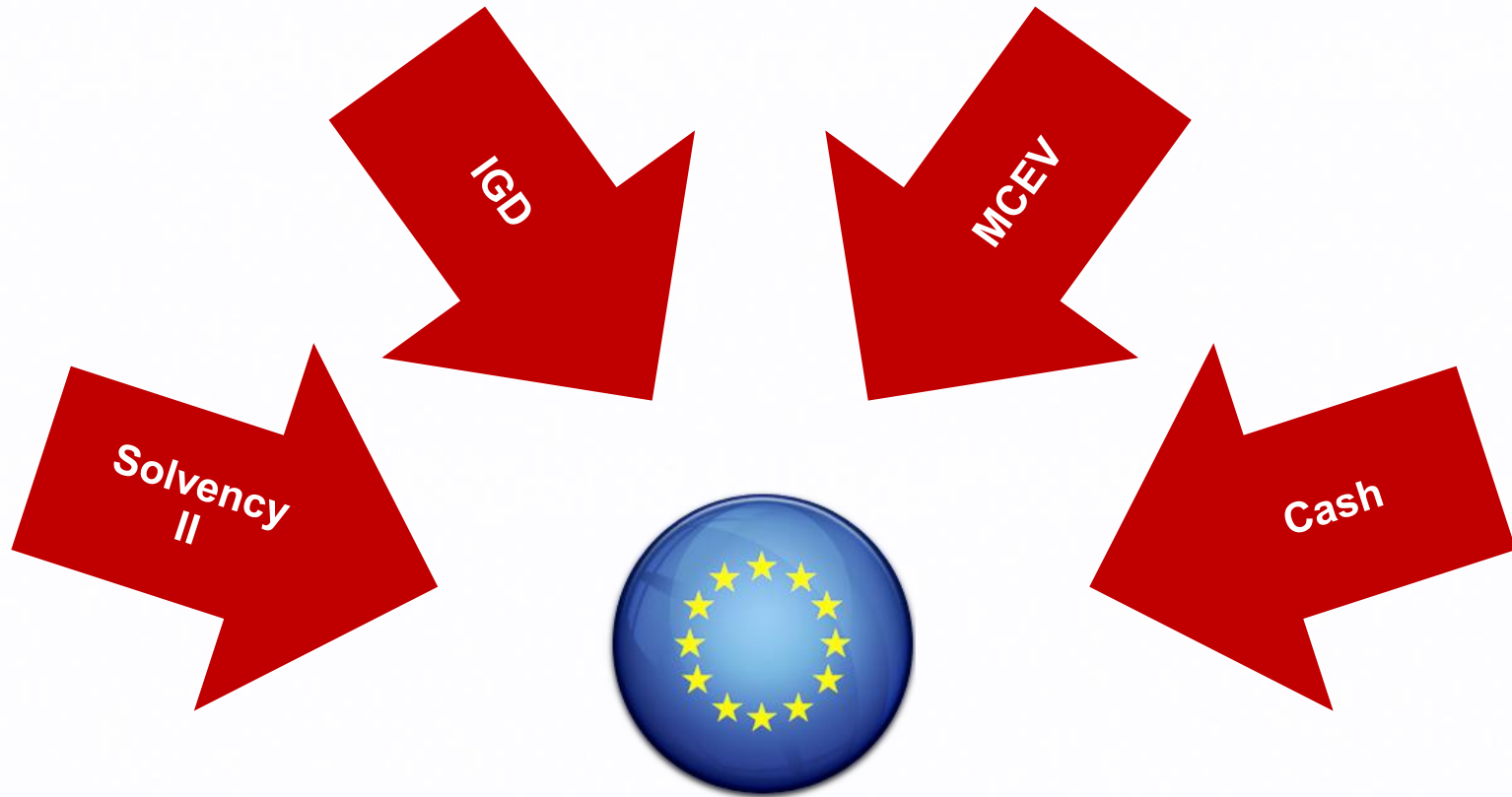
# Current topics



# Solvency capital regimes converging?



# Influences on European multinationals



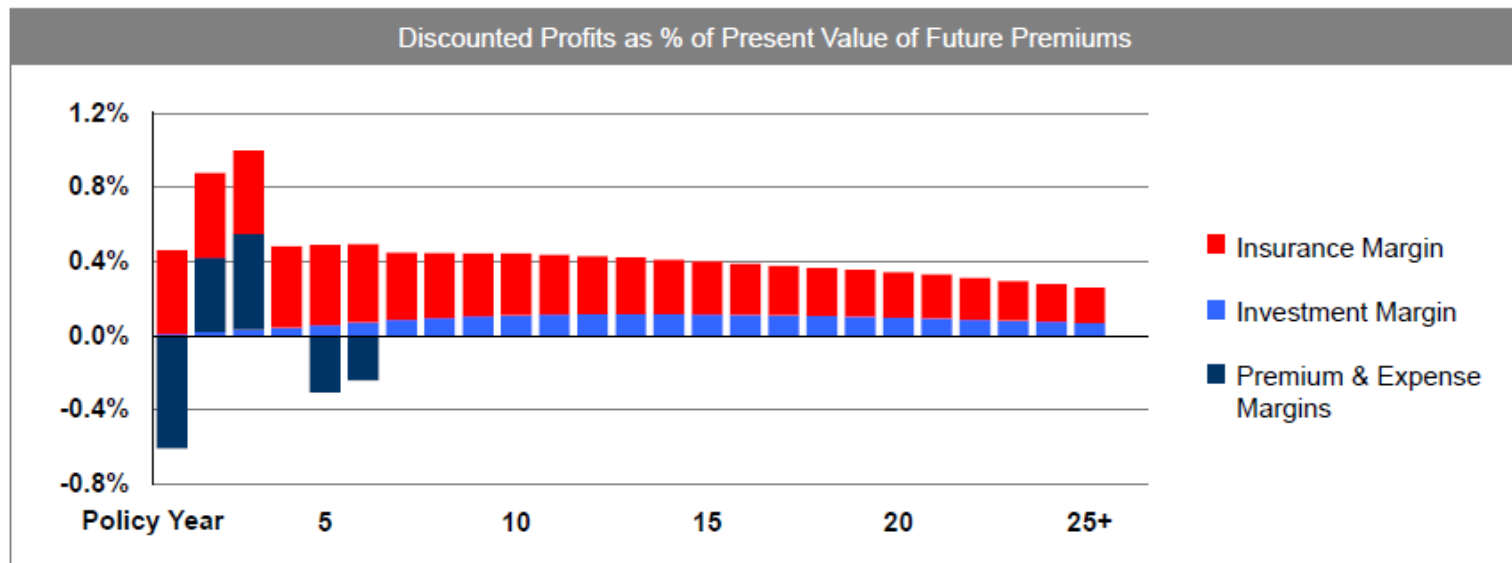
**4 main influences on Euro MNCs in Asia**

# Preference for linked and protection

- The stated preference is for savings combined with protection, ideally unit-linked

## Profit Profile of Cohort of Typical Unit-linked with Riders

Insurance margin makes up two-thirds of the profits



INVESTOR CONFERENCE 2011

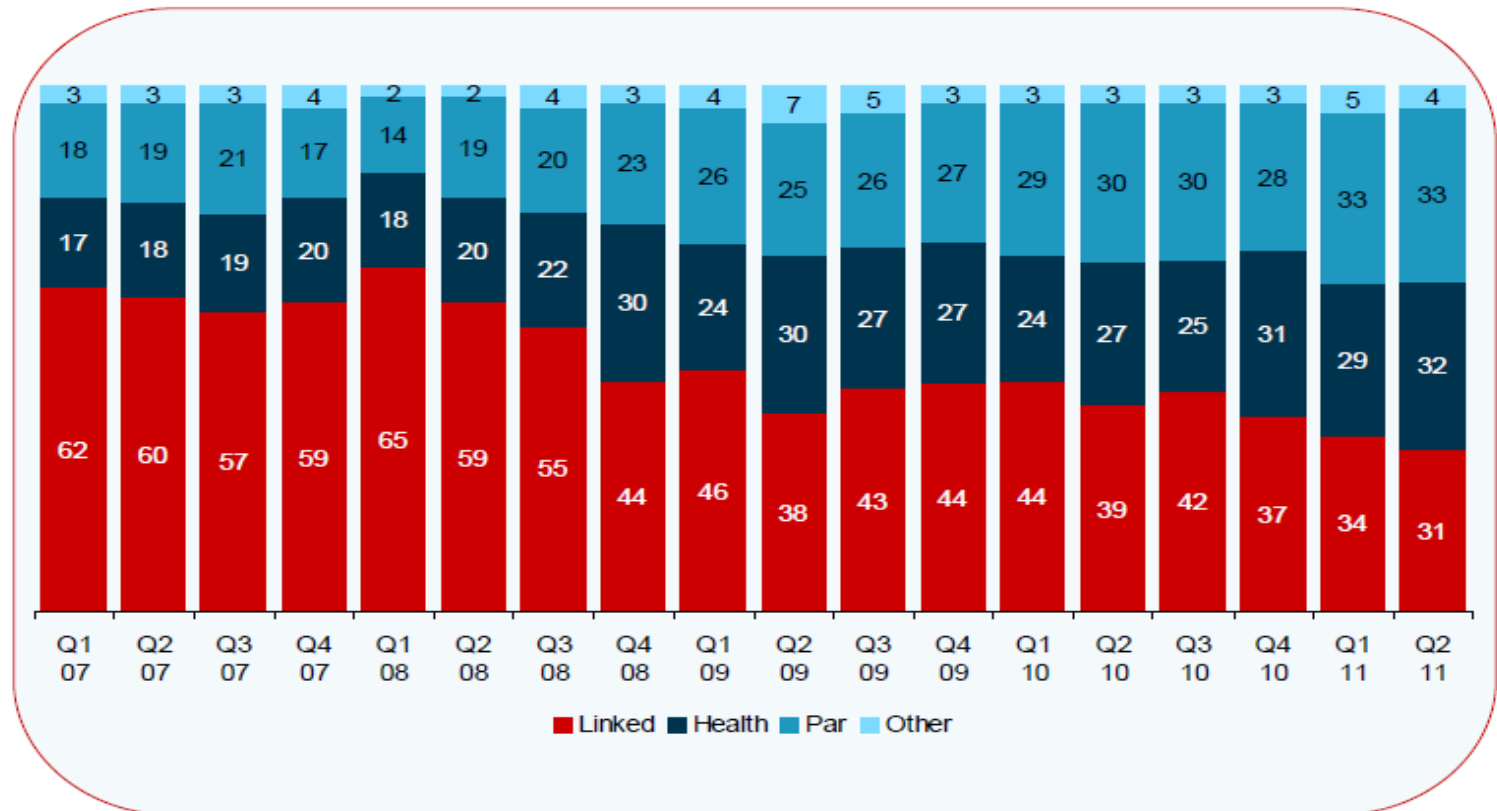
PRUDENTIAL  
英國保誠集團

Source: Company website



# Still writing traditional business

## Asia Life APE sales by product









59

Source: Company website

# Impact of capital requirements



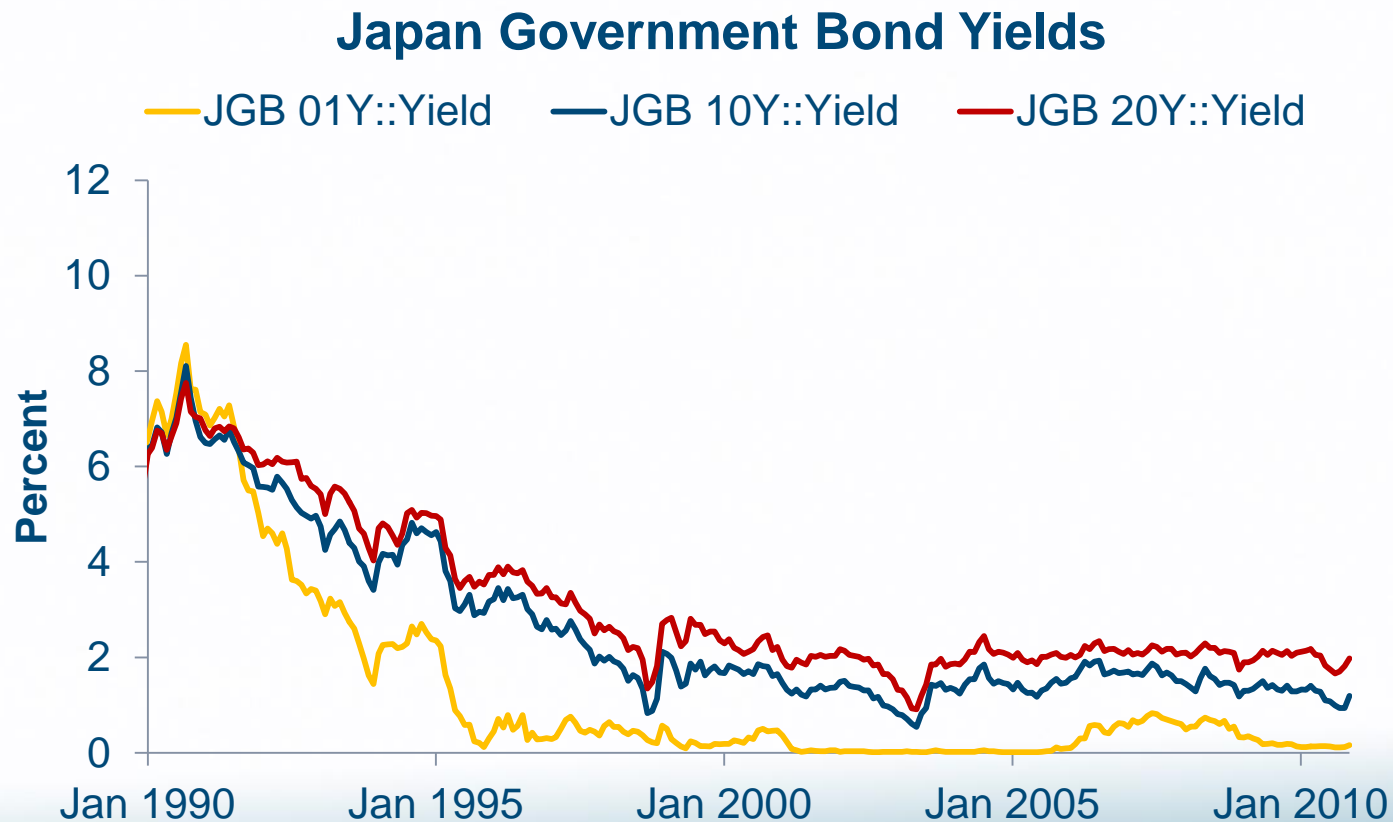
- Aviva chose to scale back its ambitions across the region:

|   |   |
|---|---|
|  <p><b>Singapore</b></p>   | <ul style="list-style-type: none"><li>• DBS partnership deal extended to 2015. Introducing Insurance Specialists model in DBS branches.</li><li>• Sales significantly impacted mainly due to market issues with bank channel sales arising from bank sales of Lehman bonds. Ranked 5<sup>th</sup> in Singapore on APE basis as at Q2 2009<sup>1</sup></li></ul>   |
|  <p><b>Hong Kong</b></p>   | <ul style="list-style-type: none"><li>• DBS partnership deal extended to 2015. Introducing Insurance Specialists model in DBS branches.</li><li>• Lower Q3 sales due to capital conservation strategy and bank channel sales impact of Lehman Bonds issue.</li></ul>  |
|  <p><b>South Korea</b></p> | <ul style="list-style-type: none"><li>• Substantial increase of volumes through our successful partnership with Woori Bank.</li><li>• Korea to continue its aggressive multi-distribution expansion.</li></ul>  |
|  <p><b>Malaysia</b></p>    | <ul style="list-style-type: none"><li>• We have considerably improved our propositions and customer services by leveraging our regional shared services platform.</li><li>• Life sales decreased largely due to the decision not to launch low margin tranche products through CIMB to preserve capital.</li><li>• Ranked 7<sup>th</sup> in Malaysia with 6.5% market share in terms of total new premiums as at Q2 2009<sup>2</sup>.</li></ul> |
|  <p><b>Taiwan</b></p>    | <ul style="list-style-type: none"><li>• Significant decrease in volumes due to our decision to change strategy to focus on profitable products.</li><li>• Our strategy is to improve our penetration of First Bank's large customer base (over 5 million).</li></ul>  |
|  <p><b>Sri Lanka</b></p> | <ul style="list-style-type: none"><li>• We signed a distribution agreement with LOLC, a local leader in the leasing sector, increasing our motor business by c. 50%</li><li>• We are implementing significant measures to reduce lapses and COR.</li><li>• Sales are adverse mainly due to weak consumer sentiment driven by market volatility in the first part of the year.</li></ul>   |

Source: Company website

# ZIRP in Japan

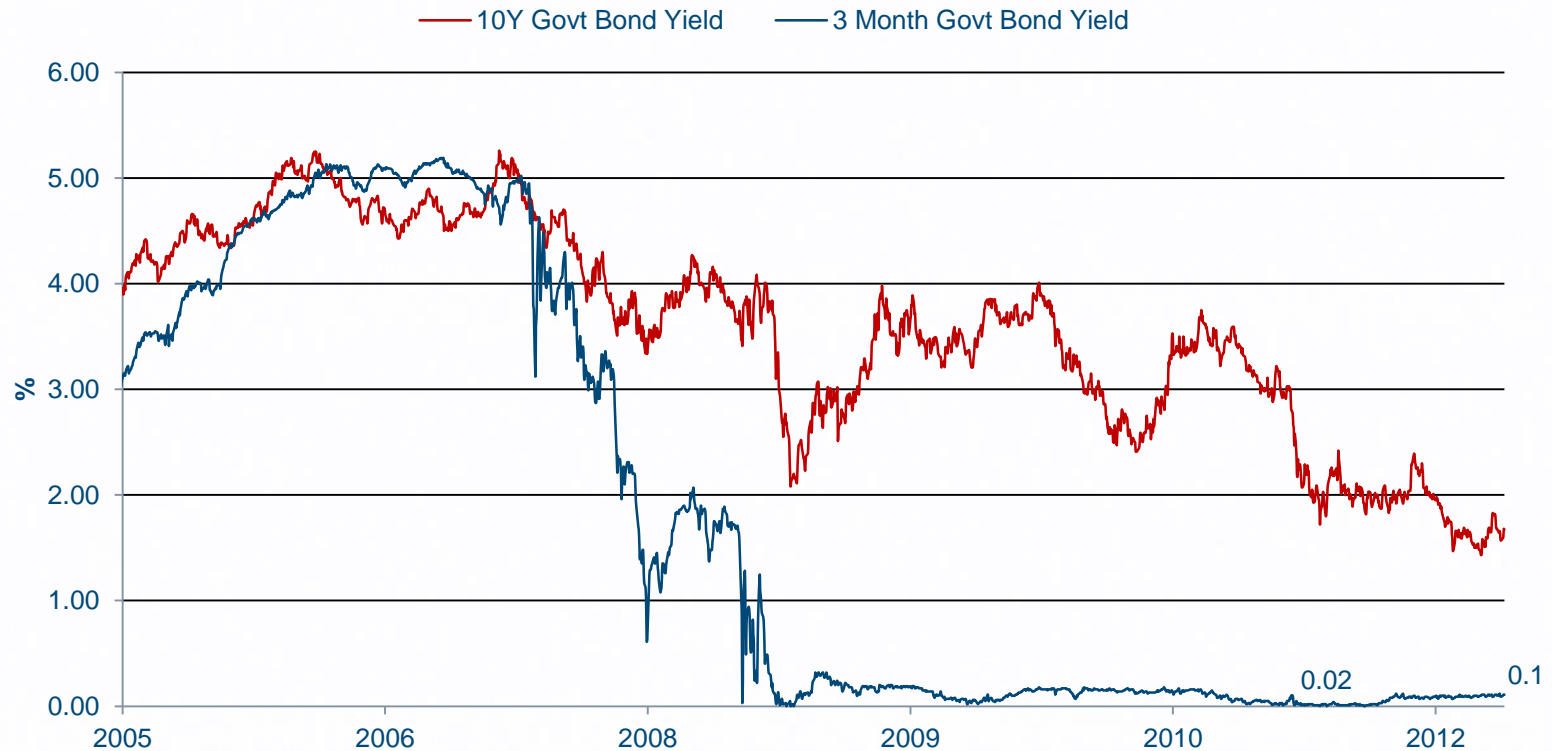
- The impact of deflation and ZIRP on JGB yields has been pronounced



Source: [wikiposit.org](http://wikiposit.org)

# ZIRP in US

Monetary policy is producing low short-term and long-term rates



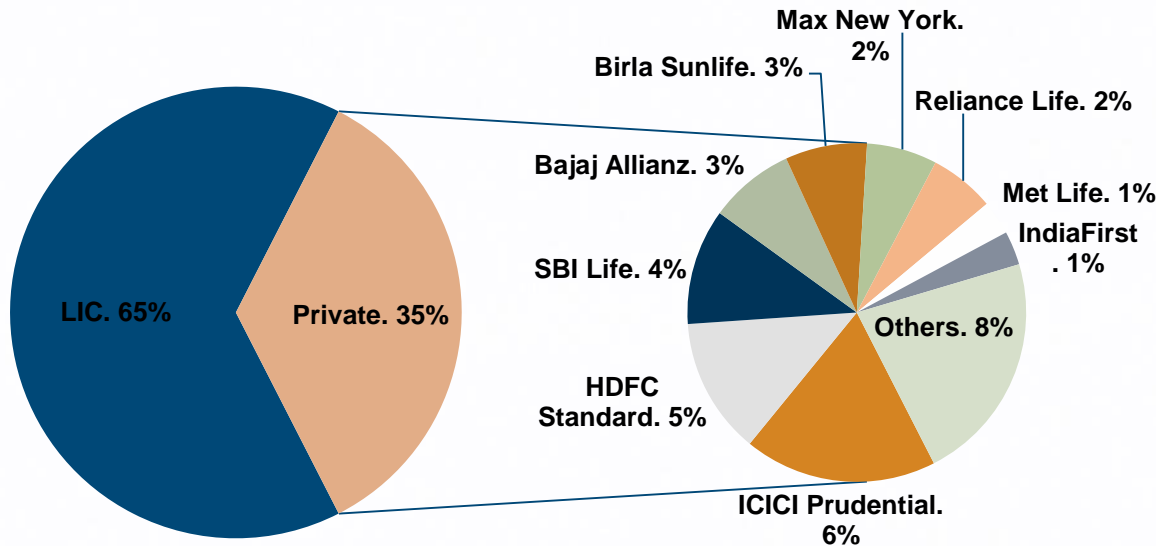
Source: treasury.gov

# Focus on India



# India

## Top 10 companies by new weighted premium income, 2011



### Comments:

- LIC is still the dominant player in the market, with a market share of 65%, having gained back from private companies in recent months.
- Among the private companies, ICICI Prudential, HDFC Life and SBI Life top the chart.
- Bancassurers may be expected to perform relatively better in the future, unless the agency oriented companies drastically transform.

Source: IRDA, Apr 2011- Mar 2012

# India



## Regulatory changes governing unit-linked products (ULIPs) w.e.f. 1<sup>st</sup> September 2010

- Cap on maximum charges, including surrender penalties
- Significant reduction in distributor compensation

## New guidelines on universal life (“variable insurance products”) w.e.f 23<sup>rd</sup> November 2010

- Companies were required to immediately withdraw previous universal life product range on 22 October 2010
- Caps on overall (expense+commission) charges
- Although impact on commissions less onerous than ULIP guidelines, other constraints placed on product design (e.g. no MVA allowed) meant that companies are not too keen to launch these products.

## Guidelines on pension products w.e.f 1<sup>st</sup> December 2011

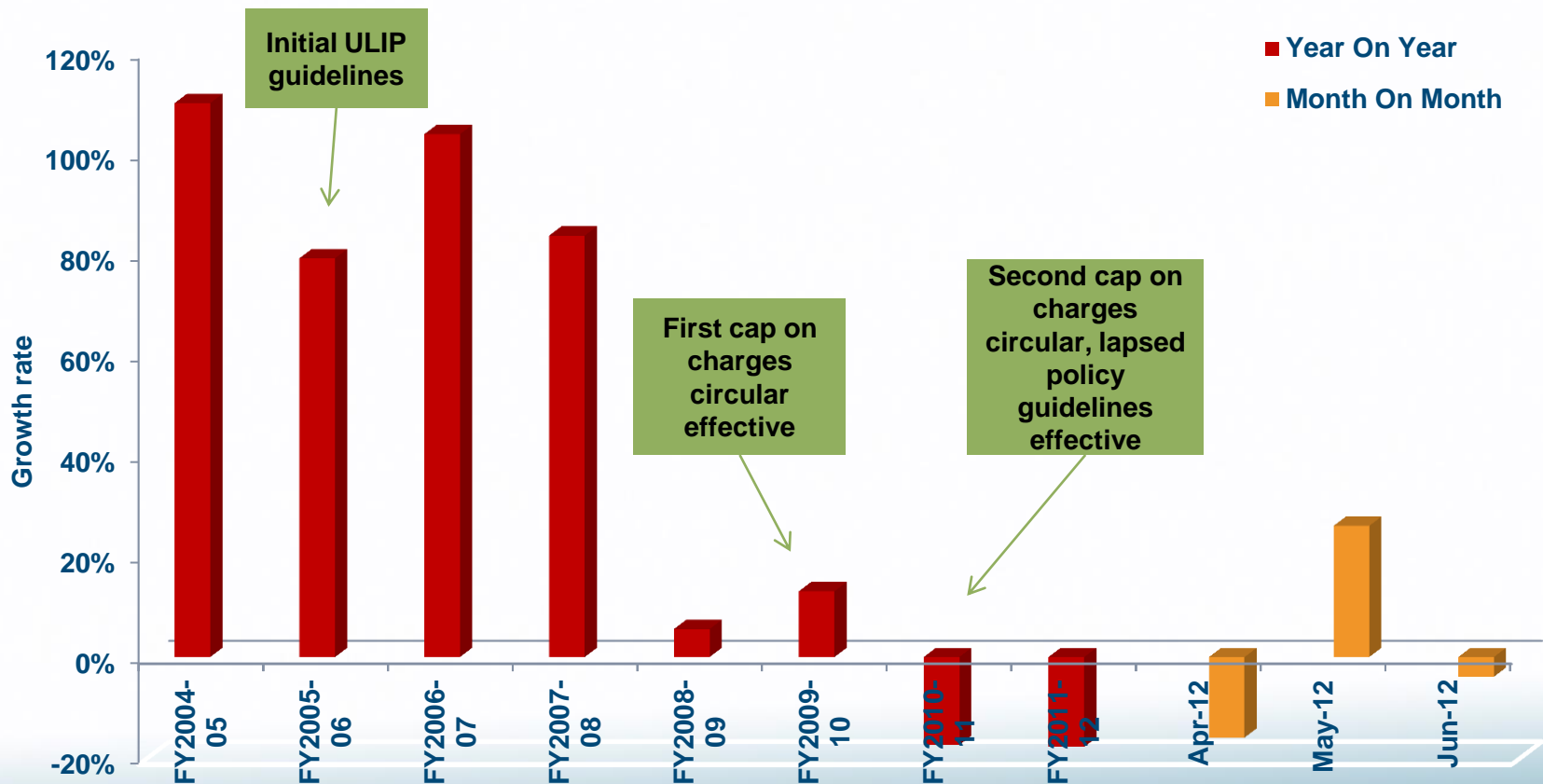
- Final guidelines do away with the 4.5%pa investment return guarantee
- Introduce surrender value guarantee and compulsory annuitisation with same provider
- Must explicitly define “assured benefits” at the time of sale, additional disclosures at point of sale
- Insurers not keen on launching such plans with surrender value guarantees

# India



- Significant fall in new business growth

Weighted total new business premium growth rates for private sector





# India



## Private companies repositioning future strategy

- Agencies being trimmed (agents and managers), and cost cutting in short term
- Alternative product strategies adopted, with increased focus on conventional (par and non-par), protection oriented products and products with guarantees

## Enhanced interest in bancassurance distribution

- Given that the channel provides operational and cost efficiencies over the agency channel, and can sustain the low levels of commission under the new ULIP/VIP regime, especially with captive bancassurance where it should be relatively easier to manage commission levels.

# India



Focus on cost efficiency and productivity improvement by insurers expected to continue

- Companies have already have cut expenses by around 20%
- More reduction may be expected

Norms on IPO disclosures issued

- But insurers are less keen to tap the market until the short-term issues are sorted out

Further delays possible in changes in FDI cap (to 49%)

- Due to lack of political consensus over the issue

Continued capital constrained faced by domestic promoters

- Private equity options were being pursued

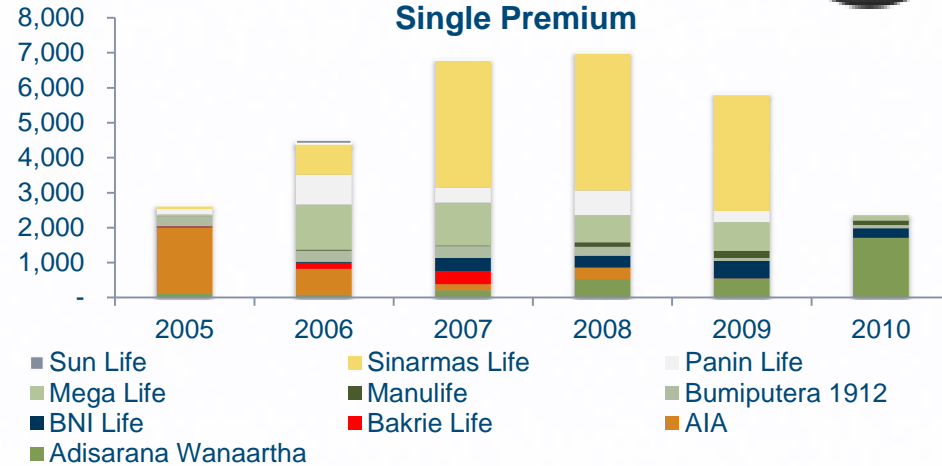
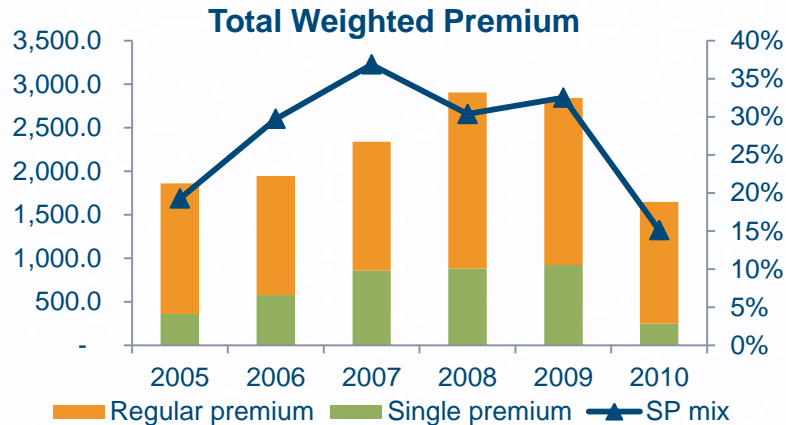
Additional product guidelines expected soon from IRDA.  
Amongst other things, these may cover:

- Enhanced level of surrender values on traditional products
- Restrictions on 'index-linked' product structures
- Level of reinsurance in protection oriented products
- Commission caps on products with different premium payment terms

# Focus on Indonesia



# Insurance product mix – Indonesia



Source: AAJI insurance statistics

## Single premium products gain popularity

- Since the early 2000, insurance companies in Indonesia began to launch single premium non-linked insurance products
- Most of these products launched were very short-term endowments, typically less than 5 years, as bank-deposit replacement investment vehicles
- The proportion of single premium business (weighted) written sharply increased from 19% in 2005 to 37%
- Subsequent to the financial crisis in 2008, the industry moved back to selling traditional regular premium products and unit linked products

## Who are the key companies?

- Single premium products were initially offered by both foreign (e.g. AIA, Manulife and Sun Life) and domestic companies (Panin Life, Mega Life, Sinarmas Life and Bakrie Life).
- Subsequently, in particular post the 2008 financial crisis, domestic companies slowly dominate the single premium business as foreign companies reduced their proportion of single premium products in their portfolios
- For some companies, such as Mega Life and Sinarmas Life, single premium business remains a significant line of business

# Single premium product features



## Power Save

- Policyholders can choose to reinvest every 1, 3, 6, 12, 24 or 36 months with a guaranteed crediting rate for each reinvestment period
- Policy term: 4 years
- Death benefit: 100% sum assured
- Maturity benefit: fund balance

## Mega Idaman

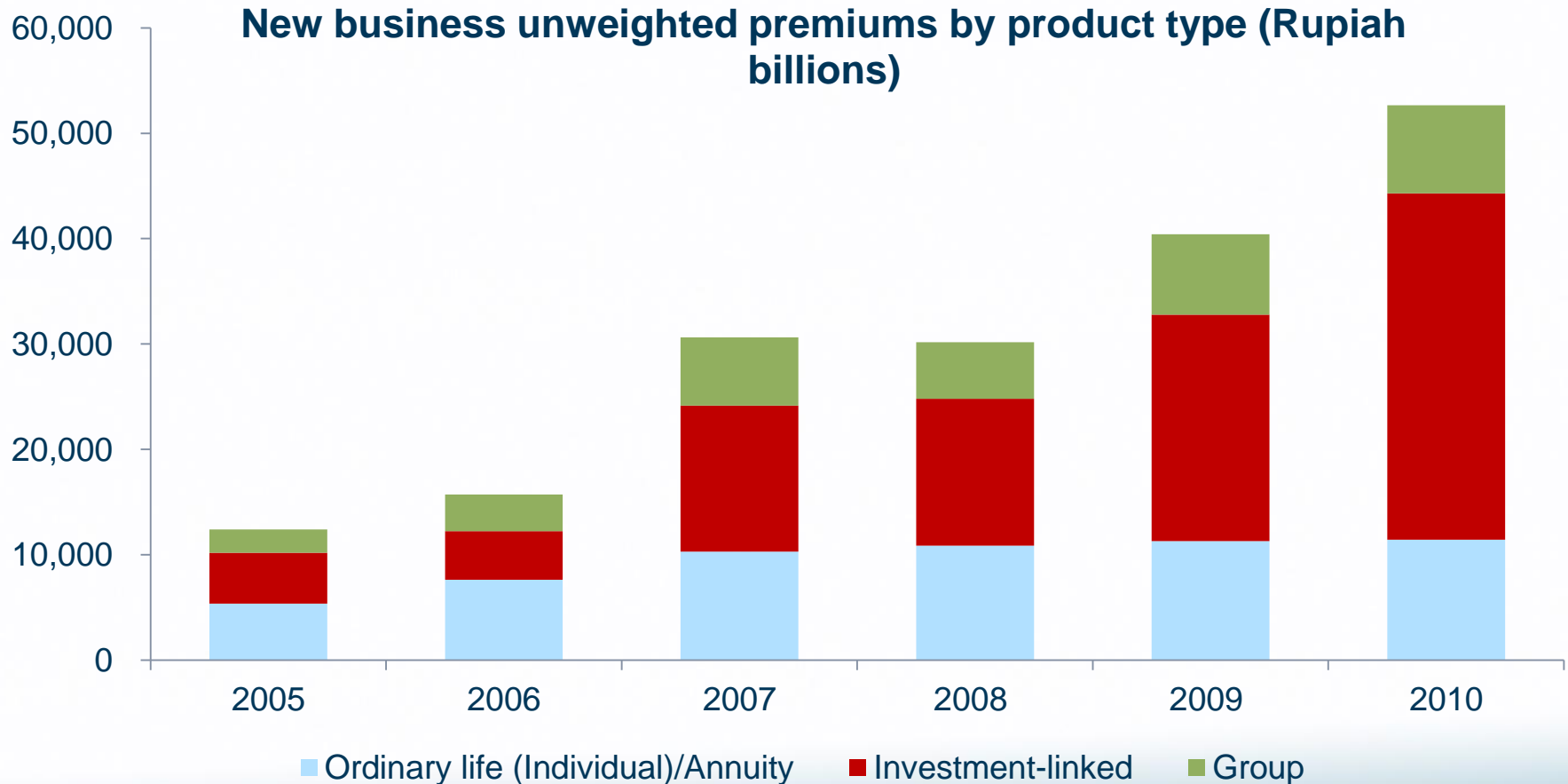
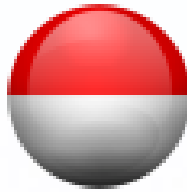
- Policyholders can choose to reinvest every 3 to 12 months with a guaranteed crediting rate for each reinvestment period
- Policy term: 5 years
- Accidental death benefit: 100% sum assured
- Maturity benefit: fund balance

## Optima Proteksi

- Policyholders can choose to reinvest every 1 or 2 years with a guaranteed crediting rate for each reinvestment period
- Policy term: 4 years
- Accidental death benefit: 100% sum assured
- Maturity benefit: fund balance

Source: Company website

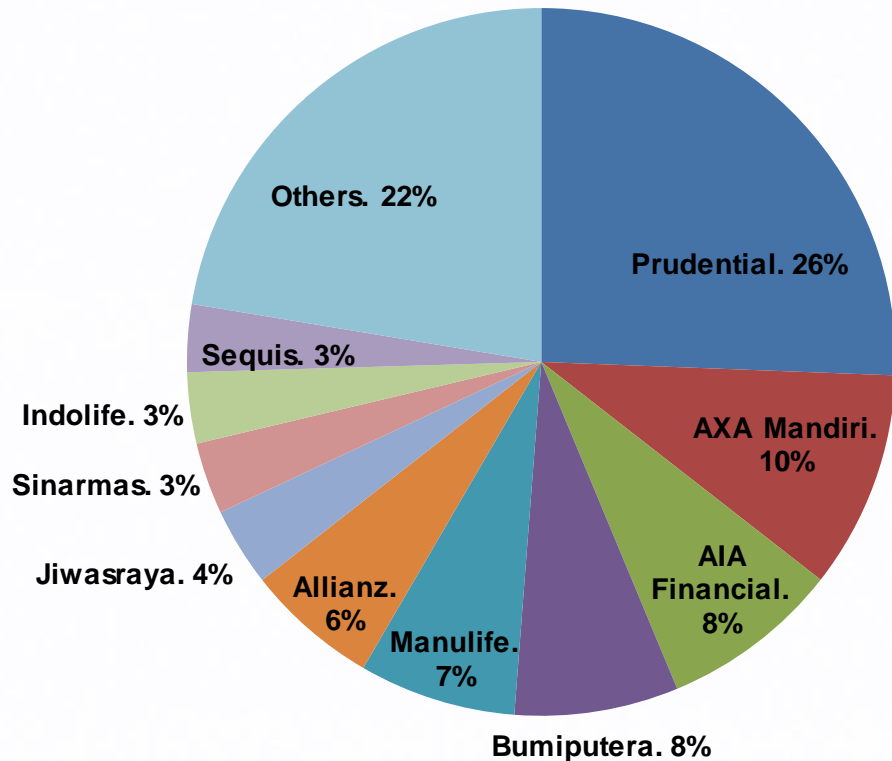
# Unit-linked sales growth strong



Source: AAJI 2010

# Indonesia

## Top 10 companies by total weighted premium income, 2011



### Comments:

- Prudential continues to be the leading player, supported by a predominantly high-margin unit-linked portfolio. New weighted premium grew by 48%.
- Bumiputera dropped from 2<sup>nd</sup> to 4<sup>th</sup>; new weighted premium dropped by 68%.
- Allianz dropped from 3<sup>rd</sup> to 6<sup>th</sup> due to new weighted premium dropped by 37%.
- AXA Mandiri, AIA Financial, Sequis had a remarkable year with new weighted premium grew by 56%, 39% and 36% respectively, compared to industry average of 6% (weighted) & 28% (unweighted).

Source: Indonesia Life Insurance Association, Jan-Dec 2011

# Indonesia



## Exclusive bancassurance partnerships

- In October 2011 Manulife completed a distribution bancassurance deal with Bank Danamon for a payment rumoured to be around Rph 600 million.

## Market entry

- In May 2011 Mitsui Sumitomo Insurance announced the acquisition of a 50% stake in Sinarmas Life for Rph 7 trillion (close to US\$820 million) with money being injected into Sinarmas Life. Price is perceived to be high but transaction has set a benchmark price expectation in the market.
- In May 2012, Meiji Yasuda Life increased its stake in PT Avrist Assurance from 5% to 23%
- In February 2012, Tokio Marine announced the acquisition of 80% of PT MAA Life Assurance from Malaysian MAA Group.
- Much continued interest in the market which is extremely 'hot'. Further market entries, acquisitions expected.



# Focus on Thailand



# Thailand



## Market growth in bancassurance

- The life insurance market has bounced back strongly in 2012 from the severe floods that affected the country in 2011.
- companies with strong bancassurance channels continue to gain market share eg Bangkok Life, Muang Thai Life, Krungthai AXA, SCB Life. Thai Life also diversifying distribution from into bancassurance, with business generated from agreements with Bank of Ayudhya and CIMB. Market leader AIA has continued to lose market share as it lacks bank distribution and focuses more on profitability/new business margin.

## Regulatory developments

- New RBC framework introduced from 1 September 2011 and now operational. Most companies have comfortable positions as basis watered down during consultation. Statutory reserves still based on net premium valuation basis, with offset allowable in the Capital Adequacy Ratio for excess of NPV reserves over gross premium valuation (GPV) reserves.

## New mortality table (TMO08) introduced

- The new table is significantly lighter than previous table (TMO97). Companies forced to reprice MRTA/term business in mid 2011 - profit margins reduced for some, although many companies reduced cash value interest rate to mitigate impact on premium rates of lower pricing mortality.

# Thailand



## Products

- Recent sales focus within bancassurance channel on sales of short-term/short pay, deposit replacement endowments. Whilst boosting top-line, margins are thin for many of these products.
- Sales of annuity products remain muted (annuities allowed following increase in tax relief rules at the end of 2010). Ongoing industry discussions to increase tax relief allowable for pensions.
- Universal life sales remain slow, some companies still pushing for approval of unit-linked products but still proving difficult to get approval.

## Micro insurance

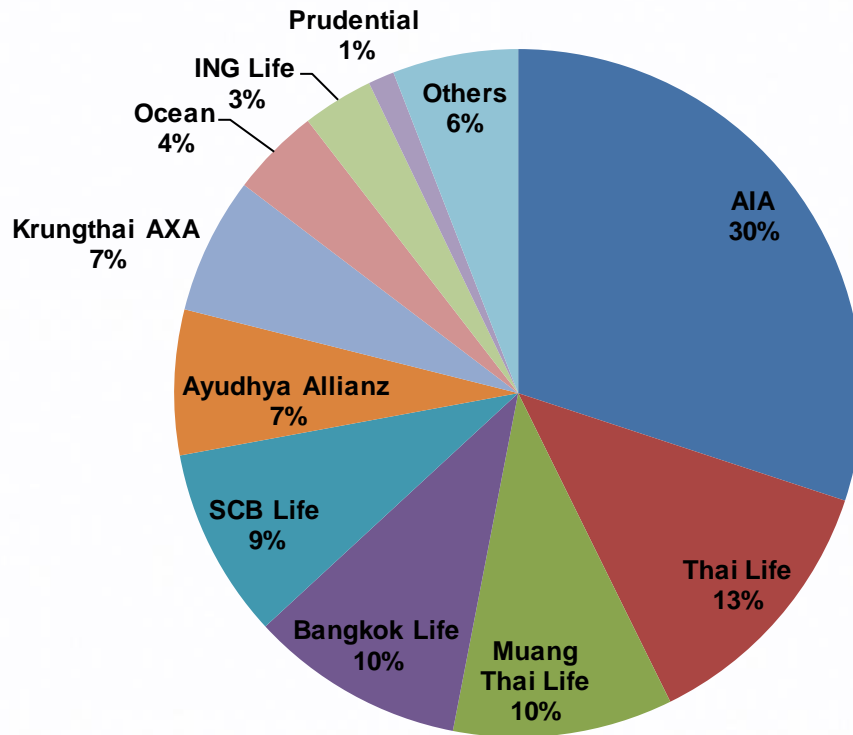
- Growing interest in micro-insurance (new government came to power on a pledge to raise disposal income of rural “up-country” sectors)

## M&A activity

- Ongoing process to sell Thanachart Life and ING Life (as part of wider ING Asia disposal)
- Outcome of these transactions likely to shape the Thai bancassurance landscape
- Thanachart Capital reportedly sold Siam City Life to a domestic conglomerate

# Thailand

## Top 10 companies (by total weighted premium income)



### Comments:

- The top two companies in the market, AIA and Thai Life, only observe moderate premium growth of 3% and 9%, below the average premium growth of 12%.
- Bancassurance continue to be an exciting spot: Bangkok Life grew by 21%, Muang Thai Life grew by 27%, and SCB Life (previously known as SCNYL) grew by 19%.

Source: Thai Life Assurance Association, Jan-Dec 2011

# Focus on Hong Kong



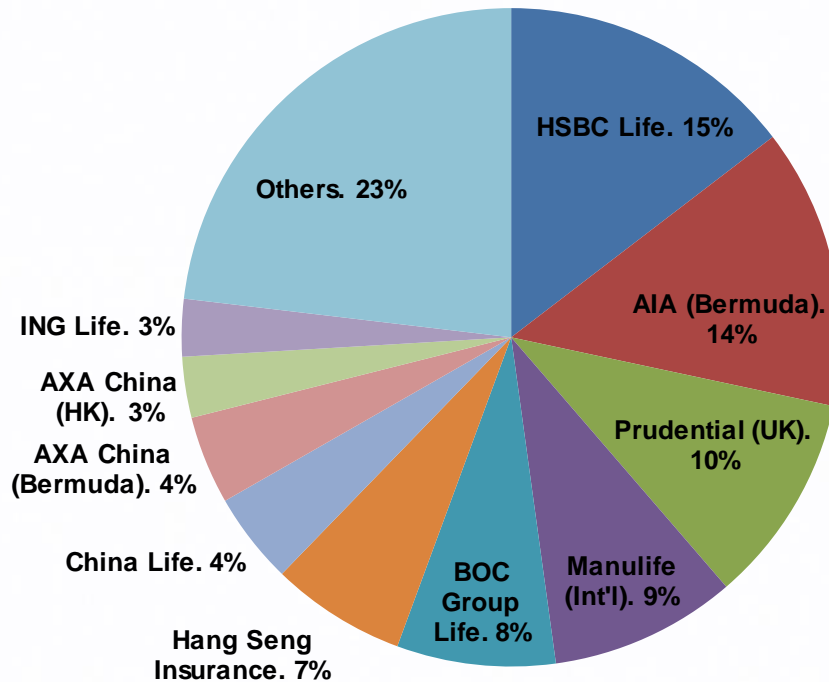
# Hong Kong

Top 10 companies by total weighted premium income in 2011



## Comments:

- Due to strong new weighted premium growth of 26%, HSBC overtook market leadership from AIA, which only recorded 16% growth.
- BOC Group and China Life continued high new business growth, of 23% and 30% respectively, due to the RMB business.
- AXA & ING have remarkable new business growths of 30% and 32% respectively.



Source: Office the Commissioner of Insurance, Jan-Dec 2011

# Hong Kong

- Long term interest rates have fallen to historically low levels



Under the Hong Kong net premium valuation low interest rates are causing balance sheet strain for many companies

For customers, short term (3 pay 8 endowments, for example) RMB-denominated products have been popular providing attractive interest rates as well as potential for currency movements

# Focus on Malaysia





# Malaysia



## New business

- Weighted premium growth of 12.9% in 2011: 16.5% growth in regular premiums (RM 533 million) and 11.6% decline in single premiums (- RM 550 million)

## Product landscape

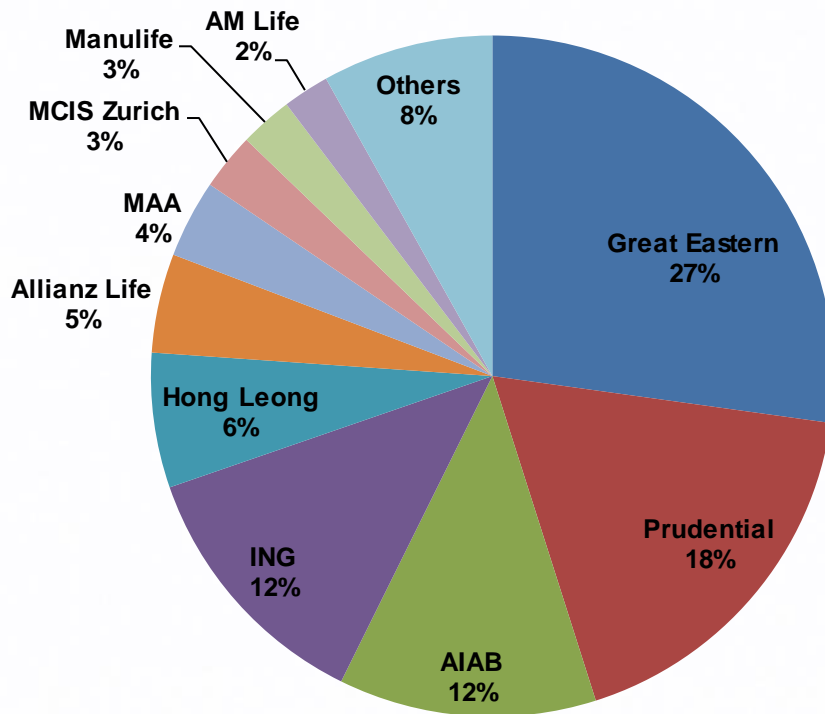
- New business robust in Malaysia. Expecting continuous expansion given the currently low penetration rates, especially in the takaful sector.

## Company news

- In June 2011 Zurich announced the acquisition of MAA for US\$115 million with plans to inject a further US\$172 million after the closure which was announced at the end of September 2011.
- Aviva has also announced plans to sell its 49% stake in CIMB Aviva, presenting competitors a buying opportunity into the Malaysian market. Prudential, Manulife and AIA are among companies that are rumoured to have submitted a first round bid for the company.
- ING's business for sale as part of the sale of its South East Asian businesses.
- It is rumoured that Uni.Asia continues to be for sale and it will be interesting to see what Zurich does with its shareholding in MCIS Zurich.

# Malaysia

## Top 10 companies by total weighted premium income, 2011



Source: Bank Negara Malaysia Statistics, Apr 2011 – Mar 2012

### Comments:

- The top 5 companies remain in leading positions over the last few years in terms of total premium.
- Great Eastern and Prudential experienced stable growth of total weighted premium of 8% and 18% respectively, compared to industry average of 11%.
- CIMB Aviva is the only company with negative growth, of 19%, brought by a sharp decline in new business.
- AXA, Allianz, Hong Leong, Prudential and Uni. Asia recorded higher than average premium growths.

# Focus on Singapore



# Singapore



## Company news

- It is rumoured that the Life Insurance Corporation of India LIC license application has been approved by The Monetary Authority of Singapore (MAS) following earlier rejection due to the lack of credit rating.
- Zurich launched its Singapore subsidiary in April 2012. The subsidiary would run along side its branch and will enable them to tap the entire Singapore insurance market. The branch license in which they have operated in since 2008 restricts them to the high net worth segment.

## Regulation

- In March the MAS announced a review of the distribution landscape in Singapore through FAIR (Financial Advisory Industry Review). They are currently going through a period of consultation with the industry, with many far reaching implications expected.
- The MAS also recently circulated a consultation paper on the review of Risk-Based Capital Framework (RBC 2), in light of the evolving insurance market practices and recent global regulatory developments. They are currently seeking feedback from industry companies in regards to the areas for review and the implementation schedule.

# Singapore



## New business

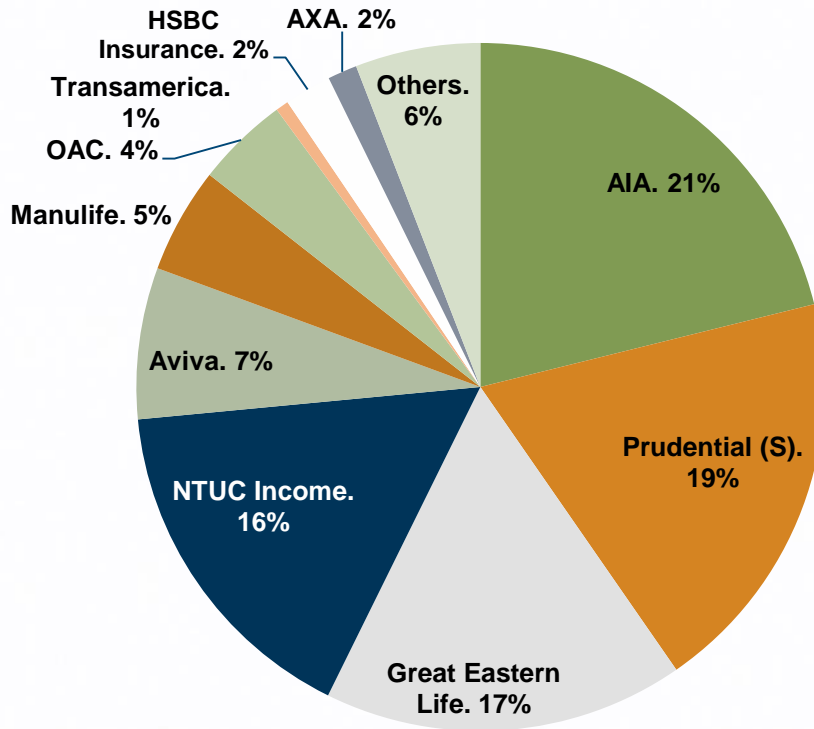
- Weighted premium growth of 14% in 2011: 21.7% growth in regular premiums (SGD 280 million) and 0.3% growth in single premiums (SGD 22 million)

## Product landscape

- Margins have historically been attractive and have held up well over recent years.
- Aging has become a recent topic of focus and there is a demand for “retirement solutions” in the market. Unfortunately with low interest rates and uncertainty towards longevity risk, there has been few retirement products available in the market.
- Continued growth and interest in the high net worth sector, in line with the government’s objective to make Singapore a global wealth management hub. Standard Life is in the process of applying for a license to enter this market, following the footsteps of Zurich, Transamerica, Friends Provident, Swiss Life, Royal Skandia and Generali.

# Singapore

## Top 10 companies by total weighted premium income, 2011



### Comments:

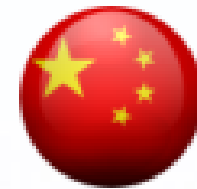
- AIA, Great Eastern and Prudential continued to be the top 3 companies in the market.
- Prudential had a higher growth of total weighted premium of 20%; AIA & GE had a growth of 6.7% and 7.1% respectively.
- Overseas Assurance Corporation (OAC), which experienced a decline of 36% in 2010, had a growth of 31% in 2011.
- Overall industry growth improved to 10.7%, from 6.8% in 2010 and 6.3% in 2009

Source: Monetary Authority of Singapore, Jan-Dec 2011

# Focus on China



# China



- Gross life insurance premium income growth has slowed recently
  - Growth rate decreased sharply to 5%<sup>1</sup> in 2011, the lowest growth rate since 2000.
  - 15 life insurers including China Life recorded negative growth in 2011.
- Major distribution channel, bancassurance, witnessed a strong decline in 2011
  - Effect of new bancassurance rules removing insurance sales people from branches and limitations on numbers of product providers
  - Increase in bank deposit rate makes insurance products less attractive
  - More competition from substitute products offered by banks

| 100 million RMB   | Company       | Gross Premium |         | % change |
|-------------------|---------------|---------------|---------|----------|
|                   |               | in 2010       | in 2011 |          |
| Domestic Insurers | Taikang       | 559           | 405     | -28%     |
|                   | Ping An       | 259           | 166     | -36%     |
|                   | Taiping       | 172           | 108     | -38%     |
| Foreign Insurers  | Aviva         | 25            | 14      | -43%     |
|                   | Generali      | 23            | 13      | -42%     |
|                   | Prudential UK | 22            | 12      | -46%     |

Note 1: Gross written premium grew by 5% prior to consideration of IFRS 4 phase 2; negative 10% under IFRS 4 phase 2.



# China



- Agency business uneasy
  - Life insurance agents turnover rate is about 30%-40%
  
- Banks buying into insurance got new breakthrough
  - Industrial and Commerce Bank of China just acquired 60% stake in AXA-Minmetals
  - Agricultural Bank of China's acquisition of Jiahe Life and China Merchant bank's acquisition of Cigna-CMC are still pending for approval
  
- Pressure on solvency keeps increasing in the past several years
  - Capital injection becomes more frequent
  - Sub-ordinate debt issued more frequently and in larger amount
  
- Regulatory relaxation
  - Liberation of pricing interest rates for traditional products has been postponed
  - Investment allocation constraints relaxing
  
- Variable annuity offerings
  - ICBC-AXA and Sino-US United Metlife launched the first two VA products
  - Sales volume of less than RMB 500mm end of June is below market expectation

# Focus on South Korea



# South Korea



- Implementation of RBC regulation since April 1, 2011 (previous: both EU solvency margin and RBC)
- Regulator is currently reviewing RBC formula to strengthen the capital requirement
- Full adoption of IFRS Phase I since April 1, 2011
- Reduced surrender charge on saving products from 2012 and a significant reduction in limits on deferrable acquisition cost from 2013
- Cash Flow Pricing will be implemented from 2013 (now arranging detailed regulations)
- Selling annuity with experience mortality table guarantee at issue

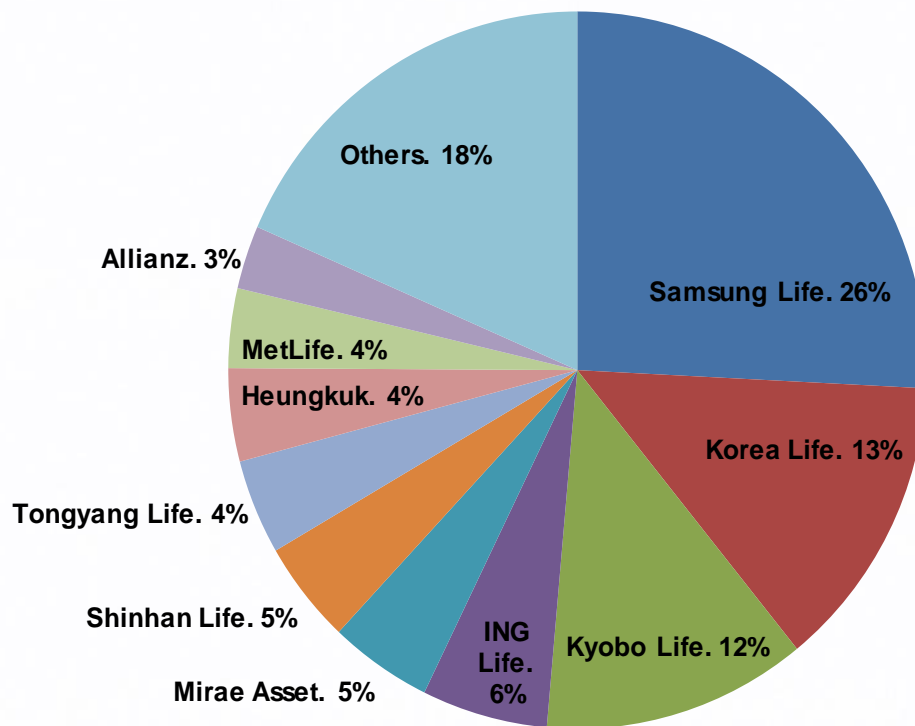
# South Korea



- Increasing in sales of “Knock-out” product (automatic conversion of variable product into interest-sensitive savings product if the yields meet some level)
- Invigorating sales of whole life cancer product
- Selling 2<sup>nd</sup> cancer protection product(changed from protection only very 1<sup>st</sup> cancer to protection of 2<sup>nd</sup> incurred other cancer) and high sales volume
- New IPOs are unlikely expected in the near future unless the market capitals of the listed life companies recover to or pass beyond the current embedded values
- More M&A activities in this year

# South Korea

## Top 10 companies by total unweighted premium income, 2011

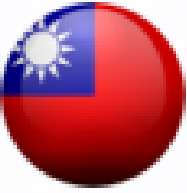


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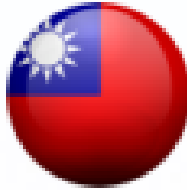
- Samsung Life remains the market leader, followed by Korea Life and Kyobo Life. However, they are observing declining market share.
- Rankings of the life insurers remain largely unchanged but Heungkuk ranking rose from 10<sup>th</sup> to 8<sup>th</sup>.
- Total premium income significantly declined for Hana HSBC but Woori Aviva has experienced strong growth.
- In addition, new business for KDB, Tong Yang, ACE, and AIA Life is significantly reduced.

Source: Korea Life Insurance Association, Apr 2011 – Mar 2012

# Focus on Taiwan



# Taiwan



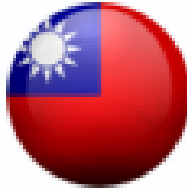
## Regulatory action

- Due to regulatory action to discourage short term deposit replacement sales, premium growth not as good as in 2010
- Sales of interest sensitive deferred annuities in 2010 replaced by sales of traditional endowment, single-paid investment linked life, and universal life in 2011.
- FYP reduced by 17% in the first 9 months in 2011.
- The production is expected to deteriorate further in 2012 2H due to regulatory intervention in the sales practice in both Agency and Bank channels.

## New regulations are enforced

- FX volatility reserve: Insurers can set FX volatility reserve to mitigate the unhedged foreign currency exposure. The magnitude of the hedge cost savings is still uncertain.
- The income tax law change: security realised capital gain as taxable income.
  - For individuals, the tax rate is 15% on the security RCG.
  - For corporates, it is reflected by higher AMT tax rate (from 10% to 12~15%).
- A new generation of mortality table becomes effective in July 2012.

# Taiwan



## M&A activities continue

- Nan Shan / Met Life sale to Ruen Chen / Chinatrust are closed.
- New York Life and Aviva Life are pulling out.
- It is speculated that Manulife or HSBC Life is the next candidate to put on sell.
- Nevertheless, we see new entry (e.g. AXA) and business expansions (e.g. AIA & Nan Shan) in the market.

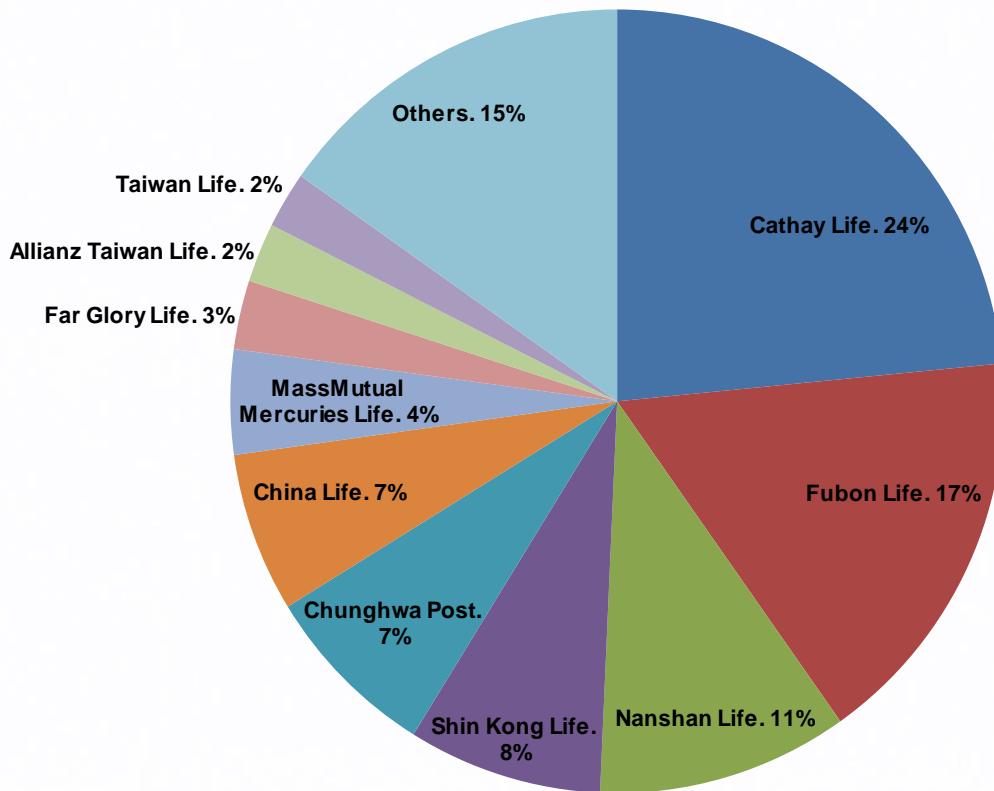
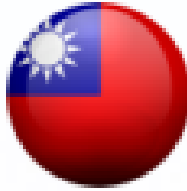
## Challenges for insurers

- Falling yields continue to strike the legacy portfolio resulting in large negative interest spread.
- IFRS adoption expected to have a significant impact given the historical negative interest spreads and low prevailing risk-free interest rates.
  - The 3<sup>rd</sup> quantitative impact study will reveal the magnitude of reserve strengthening by year-end.
  - The industry is pushing the regulator to allow the appreciation of real estate investment as available capital, among which Cathay and Shin Kong would benefit most.
- Insurers face equity losses due to the global credit crisis and stagnant economic growth.
- Long term health / cancer mis-pricing.
- Regulatory concerns on too many replacement type sales



# Taiwan

## Top 10 companies by total unweighted premium income, 2011



### Comments:

- The market share in 2011 is very similar to that in earlier years.
- Domestic companies account for more than 90% of the total market share.

Source: Taiwan Institute of Insurance ,

# Focus on Philippines



# Philippines

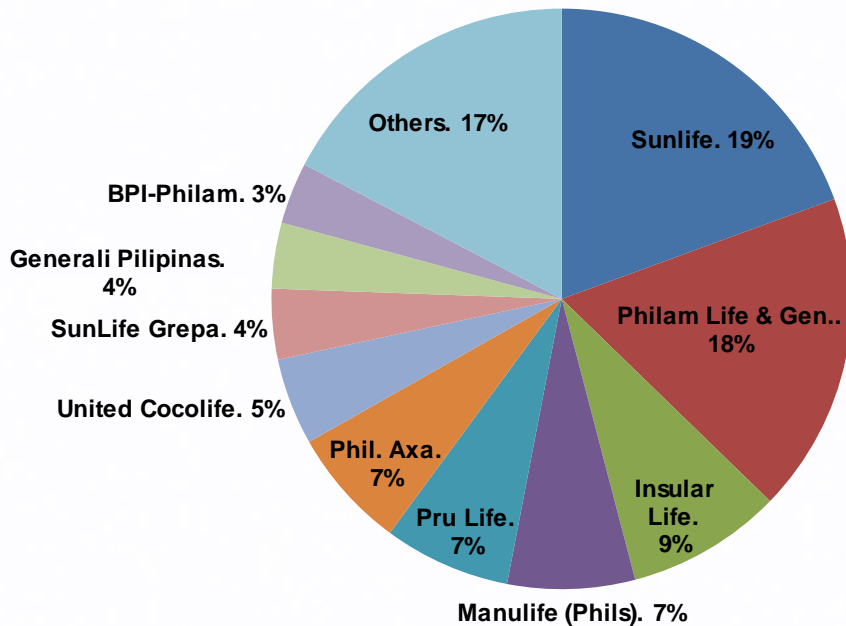


- New weighted premium grew by a spectacular 28% last year, though total weighted premium only grew by 11%, which was somewhat disappointing despite its life insurance penetration.
- Many companies still have difficulties to meet the rising new minimum capital requirements.
- An exposure draft of a new department order of higher paid-up capital, gradually increasing to 1B Peso's for existing life insurers and immediate for new life insurers, will be effective from 31<sup>st</sup> December 2012
- Personal Equity and Retirement Accounts (PERA) Act is effective from 1<sup>st</sup> Jan 2012, giving 5% tax credit on contributions.
- Insurers are expected to market PERA products.

# Philippines



## Top 10 companies by total weighted premium income, 2011



### Comments:

- Sunlife overtook market leadership from Philam Life.
- Sunlife has new weighted premium grown by 37%, while Philam Life grown by 25%, which is slightly below the industry average of 28%.
- Overall total weighted premium increased by 13%; Sunlife increased by 11%, while Philam Life only increased by 1% despite its new premium growth..

Source: The Philippines Insurance Commission, Jan-Dec 2011

# Focus on Vietnam



# Vietnam



- Life industry showing steady growth, positive demographic/consumer trends, growing middle class etc., but macro-economic challenges e.g. high inflation, weak currency, high interest/credit rates.
- Bancassurance very slow to take off despite many non-exclusive distribution agreements being signed - embryonic state of banking industry, lack of commitment, caps on credit loan issuance etc. Government measures ongoing to quell inflation, curb lending and strengthen the banking sector.
- Traditional endowments still the main product type but Universal Life (UL) has been growing: some companies such as ACE, Dai-ichi have been selling almost all UL. Some regulatory concerns over potential mis-selling risk given product complexity, high initial charges and mass (and below) market focus.

# Vietnam

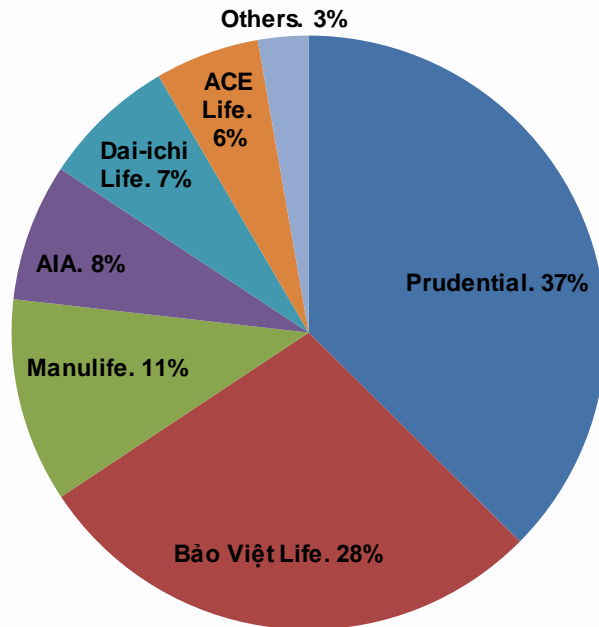


- Unit-linked products allowed to be sold by Prudential and Manulife currently - sales relatively low. Some other companies trying to obtain approval from regulator.
- The Vietnam life market continues to attract interest from foreign companies
  - Recent new entrants: Fubon, Generali (both greenfield), Aviva (JV with Vietin Bank), Sun Life (JV with PVI).
  - Some interest from Japanese and Korean companies
- War on talent hotting up - increasing competition/salary pressures for scarce resource e.g. specialists/sales people (especially in Ho Chi Min City). Operating costs rising
- M&A: HSBC selling its minority stake in Bao Viet Life. Reportedly Sumitomo Life has expressed interest.

# Vietnam



## Top 6 companies by total weighted premium income in 2011



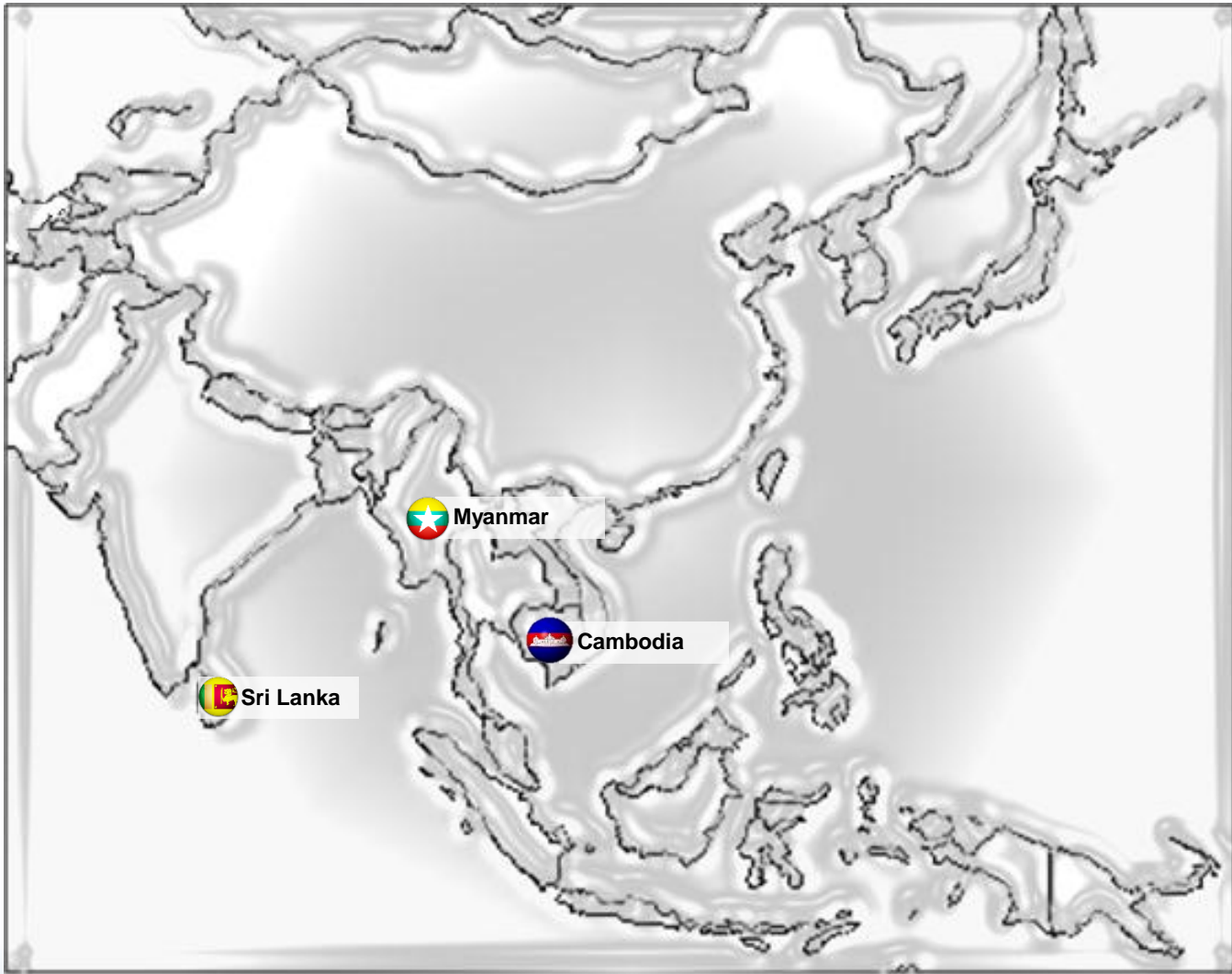
### Comments:

- Prudential and Bảo Việt Life dominates the market with aggregate market share close to 65%.
- The market has significant foreign insurer presence.

Source: Association of Vietnamese Insurers, Jan – Dec 2011



# Introduction to the newest markets



# Cambodia



- Life insurance market just opening up.
- First life insurance company was formed in 2011, Cambodia Life Insurance, a JV between the Cambodian Government (51%), PT Asuransi (25%), Asia Insurance (8%), Bangkok Life (8%) and Bangkok Insurance (8%).
- Growing interest from foreign companies, attracted by the opportunities to be a “first-mover” in the emerging middle class sector, and also potential in micro-insurance
  - Prevoir set up a micro-insurance operation in 2011
  - Prudential (UK) has been granted “in-principle” approval in 2012 for a life insurance license
  - Manulife started operations in June 2012
  - Some other multinationals and Thai companies are assessing the market

# Sri Lanka



- Product landscape & distribution
  - Mostly traditional participating & universal life; some companies launched unit-linked products, but the volume has come down after the sluggish stock markets last year
  - Aviva-NDB writes significant unit-linked business
- Distribution channels
  - Almost entirely through tied agency; some companies started bancassurance but its proportion is still low
- Regulatory updates
  - Gross Premium Valuation & Risk Based Capital are expected to be introduced. Field survey will be later this year.
  - Implementation of GPV may be accelerated due to accounting mismatch between asset at Market Value and liability valued using Net Premium Valuation
  - Companies are expected to separate life & non-life businesses into two companies and each company is required to be listed by 2015
- M&A activity
  - It was widely reported that Aviva will sell its shares in Aviva-NDB

# Myanmar



- Market opening up
  - Life insurance is provided by a public corporation monopoly, called Myanmar Insurance.
  - License application was open May to June this year.
  - Taiyo Life is reported to be first foreign insurer allowed to enter the market.
  
- Demographics & economics
  - 60 million population with average age 27 years
  - GDP growth was 5.5% in 2011 and is expected to be 6% in 2012.
  
- Minimum capital requirement
  - Paid-up capital of 46 billion Myanmar Kyats or 53 million USD<sup>1</sup>

Note 1: exchange rate on 31<sup>st</sup> Aug, 2010 is used

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