

TOP LIFE INSURANCE

NEWS STORIES OF 2012

Cambodia



The Inauguration of the First-ever Life Insurance Company and Its Competitor in Cambodia:

On May 21st 2012, the Kingdom launched its first-ever Life Insurance company, Cambodia Life Insurance Company Plc., which is a result of the joint venture between the Royal Government of Cambodia represented by the Ministry of Economy and Finance and four private companies respectively PT Asuransi Central Asia of Indonesia, Asia Insurance of Hong Kong, Bangkok Life of Thailand and Bangkok Insurance of Thailand. The inauguration was presided over by H.E. AUN PONMONIROTH and marked another historical event in Cambodian Financial Industry, in addition to the launch of Securities Market in 2011. The launch as well symbolized the commitment of the Royal Government to Economy Restructuring through the effort of the transformation of Financial Market into Regional Standard. Following the launch of Cambodian Life, 2 months after, Manulife who is a Canada-owned life insurance company, kicked start their operation with 1 initial product offer. Then later in late 2012, Prudential, a UK life insurance company, also got their operating license whose inauguration ceremony will be held in early 2013.

Public Seminar on Life Insurance:

Initiated by the Ministry of Economy and Finance, the two players in Cambodian Life Insurance market, Cambodian Life and Manulife, launched a joint seminar on August 2nd 2012 to create and increase public awareness and understanding of Life Insurance and how it benefits them. The seminar was presided over by H.E. AUN PONMONIROTH and was attended by hundreds of executives representing public and private companies, organizations, institutions to whom the subject matter interests. It aimed to introduce and inform, in general, key persons of the companies about Life Insurance so that the news could be easily spread within their peers, colleagues and friends

HR Symposium on How Life Insurance Benefits Companies and Organization:

Due to the launch of Group Term Life Insurance product by Cambodian Life, the company in cooperation with Cambodian Association of Federal Employers and Business Association (CAMFEBA), conducted a seminar on September 21st 2012. The seminar was joined by over a hundred HR personnel/executives from companies, organizations and institution operating in Cambodia. It started by discussing in general what Life Insurance is, how it benefits each and every individual to the benefit of organization. The discussion then closed with an introduction to the newest Life Insurance product in Cambodia which is available only with Cambodian Life. Obviously, the seminar captured massive attention as it went through major media and was heard throughout the Kingdom.

Indonesia



Insurance Investment Yield Increases 217%

AAJI reported, the investment yield of Indonesia life insurance industry by the third quarter of 2012 reached Rp 13.3 trillion. This value is increased 217% compared to the same period that was Rp 4.2 trillion.

The surge was driven by investment funds under management that increased as well. In the third quarter of 2012, managed funds of life insurance industry reached Rp 219.7 trillion, increased 21.6% from Rp 180.6 trillion in the third quarter of 2012.

The 25th AAJI Top Agent Awards

AAJI held The 25th Top Agent Awards on 4- 5 October 2012, in Nusa Dua, Bali. Awards were given for different categories of assessment for agency and bancassurance distribution channels.

As of December 2012, the number of licensed agents reached 327,234 agents. One of AAJI's missions is to reach 500,000 licensed agents in 2014 and optimistic to be accomplished in the first quarter of 2014.

2012 Insurance Day

The insurance industry in Indonesia coordinated by Indonesia Insurance Council held Insurance Day 2012 to promote insurance awareness level to public. Insurance Day 2012 celebrated with various activities, such as blood donation, insurance talk show in television, fun walk, fun bike, and entertainment.

Key factors that could increase public awareness to have insurance are education and socialization. Finance Minister Agus Martowardojo said that every family in Indonesia must understand that insurance can help planning their finances better and independent for a better future.

Life Insurance Awareness Campaign on TV

Since January 2012, the association has an insurance program in television campaign called "SEJATI". It's a 30-minutes talk show presenting weighty conversations with practitioners, agents, customers of life insurance, and also presents public figures.

The program will be continuing until March 2013 and had been received a good acceptance from audience all over Indonesia.

Korea



Proposed Revision of Tax Act: Reducing/Eliminating Tax Benefits for Long-Term Savings Insurance

Korean Government announced a Proposed Revision of Tax Act on August 8, 2012. The Proposal aims for creating jobs, revitalizing the domestic market, and securing the living of ordinary citizens, and includes the support for preparing the homo-hundred era such as expanding tax benefits for annuity income. However, tax benefits for long-term savings insurance was reduced or eliminated. Until now, tax exemption was applied to the margin of savings insurance of which policy period is more than 10 years. According to the proposal, even if the policy period is over 10 years, if withdrawal is made within the 10 years, the policy is taxable. This is against the policy stance of inducing retirement planning by private annuity. As retirement plan savings products such as immediate annuity become taxable, its function as a means of retirement plan for baby boomers will significantly decline. Also, considering that the percentage of subscribers whose insurance amount is below KRW 300 million reaches 80 percent, it is industry's opinion that in order to stop tax evasion by the rich, imposing tax only on policies over a certain amount is proper. If the proposed revision of the tax act passes the plenary session of the National Assembly, it will be reflected in the Enforcement Decree in early 2013 and applied next year. However, controversy will continue until the proposal is confirmed.

The Total Assets of Korean Life Insurance Industry Exceeds KRW 500 Trillion

From the gathered results of 24 life insurers in Korea, Korean life insurance industry recorded KRW 502 trillion(USD 490 billion) in total assets in April 2012. After the total assets of Korean life insurance industry reached KRW 100 trillion in November 1999, it exceeded KRW 500 trillion in only 12 years and 5 months. After reaching KRW 400 trillion in November 2010, with the steady inflow of insurance premium and with the launching of Nong Hyup Life, the total assets reached KRW 500 trillion which increased more than KRW 100 trillion in only one year and 5 months. Korean life insurance has positioned itself as the second largest financial industry next to the banking in Korea.

The Launching of Nong Hyup Life Insurance and Nong Hyup Property and Casualty Insurance

As the Revised Agricultural Cooperative Act took effect on March 2, 2012, the insurance sector of the past National Agricultural Cooperative was split and launched into Nong Hyup Life Insurance and Nong Hyup Property and Casualty Insurance. Nong Hyup whose insurance products were sold mainly through the windows of Nong Hyup Bank is granted a five-year exemption from the "Bancassurance Rule" which limits the percentage of insurance sold by a bank that may be underwritten by a single insurer to 25%. Meanwhile, Nong Hyup Life Insurance was ranked 4th domestically in terms of total assets and premium income(as of September 2012), and Nong Hyup Property and Casualty Insurance was ranked 9th in terms of direct premium(as of August 2012).

Malaysia



Increasing the penetration rate of life insurance business

There is a continuous effort to increase the rate of insurance penetration in Malaysia. With a population of over 28 million, the insured population is only at a level of 44 % for conventional policies (or 56% if combined with conventional and family takaful policies).

Under the 2010 Economic Transformation Programme of Malaysia (ETP), the Government has set a target of 75% of population insured by 2020. To achieve this target, the Government has mapped out various initiatives to enhance the role of insurance in economic development. For instance, the Government has set up various Labs to undertake projects on healthcare reform and long-term care due to rising medical costs and higher life expectancy.

In 2012, the Government introduced the Private Retirement Scheme (PRS). This comes in very timely as Malaysia has to prepare itself towards an aging population in 2030 whereby 15% of its population would be age 60 and above.

As an incentive to encourage the public to participate in these funds, individuals are given a yearly tax relief of up to RM3, 000 or USD1, 000. The PRS funds are also granted a tax exempt status.

Products approved under the PRS are asset management funds distributed by unit-trust companies and deferred annuity products sold by life insurers.

Managing of talents in the insurance industry

The insurance industry is facing a shortage of talents and this problem is further compounded by the stiff competition from banks and takaful operators, as well as overseas organizations, particularly for qualified actuaries.

To develop the competency of the staff force in the insurance industry, a Capacity Building Fund had been established, which is a joint venture of the insurance industry and regulator, Bank Negara Malaysia (BNM). To date, a fund of RM15 million contributed by the insurance industry and Bank Negara Malaysia has been set up to achieve the following:

- Improve the quality of the human capital of the industry
- Raise the confidence level in the market
- Promote healthy competition amongst companies
- Promote highly developed and knowledgeable practitioners
- Meet expectations of consumers as the programme is aligned to the real needs of the industry

Efforts are underway to transform the Malaysian Insurance Institute to be a world class professional body to support the training and human capital development needs of the insurance industry.

Another way to address shortage of qualified personnel is by the training of fresh graduates. Under the stewardship of BNM, the banking and insurance industry are currently participating in the Financial Sector Talent Enrichment Programme (FSTEP) which is aimed at attracting high calibre fresh graduates to join the financial services sector.

Consumer Protection

To provide even further confidence to the market and stronger consumer protection, the industry and BNM also established the Treat Customers Fairly (TCF) framework which was introduced in January 2012. The TCF framework is aimed at avoiding mis-selling and ensuring fair terms and conditions are given to consumers.

In the TCF, adequate and effective measures for resolving and monitoring customer complaints are established through welcome calls, product disclosure sheet and the Customer Fact-Find process.

The Life Insurance Association of Malaysia (LIAM) has also put in place a monitoring framework which requires Chief Executive Officers of insurance companies to sign a declaration of compliance annually that they have observed the industry guidelines

Life Insurance Association of Malaysia

Philippines



Issuance of Department Order No. 15-2012 increasing the capital of insurance companies to Php 1 billion.

The Secretary of the Department of Finance issued Department Order No. 15-2012 on June 01, 2012 providing an increase of the minimum paid-up capital of insurance company from Php 400 million (\$ 9.30 million) by December 31, 2014 to Php 1 billion (\$23.26 million) by December 31, 2020. The Order is being challenged by some insurance companies in the Philippine Court so that the increase will not be implemented.

Amendments to the Insurance Code of the Philippines

The Congress of the Philippines is urged to fast track the approval into law of bill amending the Insurance Code of the Philippines. The Bill was approved in third reading by the House of Representatives and in second reading by the Senate of the Philippines. The amendments will have a bearing on financial and accounting reporting, investments and investment opportunities, products, minimum paid-up capital, margin of solvency, risk-based capital, regulations and the type of regulatory powers of the Insurance Commission.

Microinsurance stepped up to combat poverty

The poorest of the poor comprising about 26 percent of the Philippine population struggling to make ends meet can provide a niche market for micro-insurance. Affordable premium or contribution range from a peso to a maximum of P20 a day guarantees policy holders with insurance benefits of up to P200,000. The micro-insurance program in the Philippines is multi-awarded— the best among Asian countries— and stands second only to Peru, worldwide. With the sound economic climate in the country as growth rate stands at 7.1 percent in third quarter of 2012, microinsurance is a viable program to both service provider and potential clients. Microinsurance program intends to help the poor rise from poverty. Aside from financial risk protection—from natural or personal disaster or hazard, the program with micro-financing will support low-income earners sustain their livelihood. The growth of microinsurance is supported by Insurance Commission, Asian Development Bank, Japan Fund for Poverty reduction and German International Cooperation.

Taiwan



The auction of Kuo Hua Life

Kuo Hua Life Insurance set up in the 1960s, during which the government opened up license for private insurance companies in Taiwan. Its financial condition deteriorated remarkably in recent years due to poor management resulting in the capital adequacy ratio below the legal standard, and Kuo Hua Life had failed repeatedly the requested replenishment deadline by the competent authority. On August 4 of 2009, the competent authority went in accordance with the law to take over of Kuo Hua Life, and assigned the Insurance Stabilization Fund as receiver. On November 27 of 2012, a public tender from the AEGON Life settled down, with a NT \$ 88.368 billion payout from the Insurance Stabilization Fund. This is the first case of the life insurance industry suffering poor management, through auction and Insurance Stabilization Fund Payment procedures in Taiwan; such models a new pattern for dealing with financially distressed insurers in Taiwan in the future.

The promulgation of the Foreign Exchange Valuation Reserve mechanism of Life Insurance Enterprises

To reduce the burden of the hedging cost of life insurance companies in overseas investment, the competent authority FSC refers to the practices of Japan and other countries to set the Foreign Exchange Valuation Reserve mechanism of Life Insurance Enterprises for life insurers to be taken into force since March 1 of 2012. With the implementation of the system, FSC requires the life insurance industry should reclassify the spared hedging cost to special reserve so as to strengthen the financial and operating structure of the industry, and to achieve effective management of exchange rate risk as well as to reduce hedging costs.

The promulgation and enforcement of the "2011 Taiwan Standard Ordinary Experience Mortality Table " and the " Second Taiwan Life Industry Annuity Table "

The FSC issued regulations on January 10 and March 14 of 2012 respectively, requiring the life insurance industry to accrue liability reserve should be based on "2011 Taiwan Standard Ordinary Experience Mortality table " and " Second Taiwan Life Industry Annuity Table " for new policies written since July 1 of 2012, in such, the industry tables which Taiwan life insurers follow in product design will draw closer to the actual experience.

Uzbekistan



The authorized capital of "O'zbekinvest Hayot" brought to the equivalent of EUR 3 million

The government of Uzbekistan taking various measures to develop the national insurance market on a regular basis and in particular, the long-term life insurance sector, acting as an additional mechanism of social protection, as well as to provide alternative ways to create cash funds.

In this regard, the life insurance company O'zbekinvest Hayot's active work aimed at promoting long-term products and insurance savings, the basis of which is strict requirements on the part of government to ensure the financial stability and the ability of insurers to respond in a timely manner of obligations. In response to these requirements and on the basis of the minutes of general meeting of the founders of the November 26, 2012 the authorized capital of O'zbekinvest Hayot was increased to the equivalent of EUR 3 million.

To date, O'zbekinvest Hayot, stable leading position in the market of life insurance, provides insurance services to the life and health of citizens, offering its customers more than 20 different products, which combine the best set of options in the insurance programs and affordability as to legal entities and individuals.

Ministry of Finance Republic of Uzbekistan

Viet Nam



TOP 03 EVENTS OF VIETNAM LIFE INSURANCE MARKET IN 2012

In 2012, it is estimated that Vietnam life insurance market gained total collected premium of VND 17.790 billion (USD 847 million), increased 11% against last year, in which new insurance reached VND 5.403 billion (USD 257 million). In comparison with other industries, life insurance industry was among the top players in the economy. Listed below are 03 top events of Vietnam life insurance market in 2012.

1. The Ministry of Finance issues 03 new documents relating to life insurance business, including Circular No 124/2012/TT-BTC detailing a number of articles of Decree No 45/2007/NĐ-CP and Decree No 123/2011/NĐ-CP; Circular No 125/2012/TT-BTC guiding on the financial activities of insurance enterprise, reinsurance enterprise, insurance broker and branch of foreign non-life insurance enterprise; Circular No 135/2012/TT-BTC guiding on the implementation of unit-link product. Those documents are composed in accordance with the revised Law on insurance business which was issued in July 2011 as well as the international standards on life insurance.
2. The government applies new taxation incentive, which allows the expense of life insurance premium for employee paid by the employer to be deductible expense in income tax. Such policy of the government is an advantage for the life insurance market as it encourages insurance enterprises to develop group life insurance products.
3. Petrovietnam Insurance Joint Stock Corporation cooperates with Sun Life Financial (Canada) to establish a new life insurance company (PVI Sun Life) which will start its business in the near future as the 15th life insurance company in the market. The present of the new life insurance company promotes the competition among insurers as well as the development of the market.

Japan



1. New growing sector? A wave of new release of nursing-care insurance products.

The nursing products each life insurance company has been releasing are mainly linked to the public nursing-care insurance system.

For example, if the insured person is issued Certification of Needed Long-Term Care with the nursing care level of three or up, lump-sum payment will be made.

Additional services are available to policy holders; such services include consulting service and local care house information service.

2. Tax Reform --- Enforcement of nursing-care insurance premium deduction

An additional income deduction has been granted for premiums paid for Nursing-Care Insurance. Nursing-Care Premium Deduction went into effect in addition to existing deductible items: Life Insurance Premium and Annuity Insurance Premium.

3. FSA will lower the standard prospective yield from 1.5% to 1.0%.

The standard prospective yield for life insurance, an indicator for life insurance companies to set assumed interest rates, will be lowered in April 2013 for the first time in 12 years, which may prompt some life insurance companies to consider raising insurance premiums.

4. Sales restraint of single payment whole life insurance in Bancassurance channel.

The sales of single payment whole life insurance are growing rapidly as it became one of the leading products for the Bancassurance. Yet due to the avoidance of interest-rate risk, some insurance companies began to withhold its sales.

5. Insurance shops are still going strong.

Walk-in Insurance shops, which are independent agents, are considered as a new sales channel. Although there is a string of opening new shops, it is also pointed out that the agents distort consumer decisions by recommending highly commissioned insurance products.