

TOP LIFE INSURANCE
NEWS STORIES OF
2013

Bangladesh



Govt. Approved License for 14 New Life Insurance and 2 Non-Life Insurance Companies:

After approving the license of 14 New Life and 2 Non-Life Insurance companies in 2013 now the total number of insurance companies are 77 out of which 32 Life Insurance companies (Including Jiban Bima Corporation – A Govt. Owned Life Insurance) and 45 Non-Life Insurance Companies (Including Sadharan Bima Corporation – A Govt. Owned Non-Life Insurance) in Bangladesh. After the independence of Bangladesh in 1971 the government nationalized the insurance industry in 1972 and consequently formed Jiban Bima Corporation (Life Insurance Corporation) and Sadharan Bima Corporation (Non-Life Insurance Corporation). In 1984 government approved privatization of Insurance Industry. Till 2012 there were 18 Life and 43 Non-Life Insurance organizations.

Government Adopted the National Insurance Rule (Jatiyo Bima Nity – জাতীয় বীমা নীতি):

Bangladesh ranks as one of the world's foremost disaster-prone country recently. The situation become worse, all the more by its being the most densely populated country in the World. Environmental disasters like tropical cyclones, storm surges, floods, norwesters, tornadoes and droughts ravage the country almost every year. Insurance mechanism in Bangladesh is less known or sometimes neglected due to ignorance but a vibrating sector in the finance. This sector remains underdeveloped compared to that of neighbouring countries. Insurance coverage ratio 0.40% (4 People have insurance policy out of 1000 People), insurance penetration rate 0.90% (Premium as % of GDP), insurance premium per capita BDT 352 (USD 4.40) [Source: Sigma Re Report 2008]. To overcome the situation and build a strong economy the Ministry of Finance prepared the National Insurance Rule.

FAIR Seminar in Bangladesh on Agriculture & Microinsurance and 1st SAARC Insurance Regulator's Conference 2013:

Federation of Afro-Asian Insurers and Reinsurers (FAIR) and Bangladesh Insurance Association (BIA) jointly organized an International Seminar on Agriculture & Microinsurance on 10-11 February 2013. The objective of the Seminar is to explore the insurance opportunity in the field of Agriculture and Microinsurance, implementing those opportunities as well as analyzing the potential insurance risk. Creating public awareness and expanding the scope of the insurance organization to achieve the goal.

The Insurance Development and Regulatory Authority (IDRA) organized the 1st SAARC Insurance Regulator's Conference in 6-7 April 2013. The theme was – The Way Forward in the Wake of Global Reality. Eight SAARC Countries insurance Regulators and delegates from insurance companies took part in this conference.

Information about the 2014 life insurance event schedule in Bangladesh

The current political situation in Bangladesh is unstable. So the schedule may be changed. Hopefully it will be known in the middle of the March 2014.

Summarized by *M. Ahsanul Haq* a highly dedicated volunteer for the Actuarial and Insurance Profession in Bangladesh. He is involved in the Research for the Mortality Analysis in Bangladesh, Actuarial & Insurance Education and Training. He is the founding member as well as the Treasurer of the Actuarial Society of Bangladesh (ASB).

Korea



Revised Income Tax

The Ministry of Strategy and Finance revised the enforcement decree of the income tax act and other corresponding regulations on February 15, 2013 to maintain tax-free marginal profit for long-term savings-type insurance for whole life insurance products that cannot be used for tax evasion and for members of the middle class who surrender their insurance policies because of emergencies. This revision was designed to reinforce tax benefits for pension income, and improve the tax scheme for retirement allowance. All of these are intended to help the elderly acquire a stable source of income as Korea becomes an aging society.

Online insurance sales set to expand further

For the first time in Korea on December 2nd, an online life insurer has launched its business. It is expected to herald a new era for the online sales of life products. It targets tech-savvy young people, encouraging those in need of life insurance to search and purchase corresponding products by themselves. Many life insurers are now introducing online products and brands. This online life insurer maintains a structure where customers purchase, hold the policies and claim payments all through online. It is assessed to have increased the pie for online-oriented life products.

The 49th Annual Seminar of the International Insurance Society Held in Seoul

The Korea Life Insurance Association, together with the General Insurance Association of Korea, hosted the 49th IIS Annual Seminar at the Grand Hyatt Seoul from June 16 to June 19, 2013. Since its establishment in 1965, IIS has been the world's most-renowned insurance conference. It has around 900 members who are insurance CEOs, regulators and scholars from 90 countries. Significantly, this year's IIS annual seminar was the second that Korea hosted in 26 years. This year, the event was attended by around 430 people from supervisory agencies, insurance companies, associations, and universities. Under the topic of "The Future of Insurance: Reshaping the Industry to Capitalize on Global Trends," participants discussed landscape changes (low interest rates, demographic change), underlying opportunities and the role of insurance. The IIS Seoul Seminar served as an opportunity to introduce the world to the advanced and globalized Korean insurance industry, thus reinforcing the positive image and credibility of the industry.

Korea Life Insurance Association

Malaysia



Concept Paper on Life Insurance and Family Takaful Framework

On 7 November 2013, The Central Bank of Malaysia released a concept paper on Life Insurance and Family Takaful Framework for public consultation. The framework sets out various proposed liberalized measures aimed at spurring the penetration rate of the insurance and takaful from the current 54% to 75%.

As part of the liberalization of the market, the Concept Paper covers a wide range of areas including operating flexibility, product disclosure, development of new delivery channels and increased professional market practices that will support the long-term sustainable growth and development of the life insurance and family takaful industry with increased value proposition to consumers.

As the market becomes more competitive, there will be a larger segment of more discerning consumers demanding for more products and services to meet their needs. This affluent market expects service to be delivered through new distribution channels that are most convenient to them.

LIAM set up 3 working groups to study the impact of the proposals whilst balancing the need for increased level of professionalism and greater transparency in the provision of products and services. On January 9, 2014 LIAM submitted its responses to the Concept Paper to the Bank.

Financial Services Act 2013

The regulatory and supervisory framework of Malaysia entered a new stage of its development as the Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA) came into force on 30 June 2013.

Both laws aim to help Malaysia maintain financial stability, strengthen the growth in the financial system and the economy and provide adequate consumer protection. It is important for Malaysia to enable its financial system to move in step with the rest of the world as well as to respond its demographic change. The FSA and IFSA integrate several existing laws, namely the Banking and Financial Institute Act 1989, Islamic Banking Act 1983, Insurance Act 1996 Takaful Act 1984, Payment Systems Act 2003 and Exchange Control Act 1953. The laws also enable Bank Negara Malaysia, Malaysia's central bank, to exercise the necessary regulatory and supervisory oversight powers.

The new legislations provide explicit powers for the Bank to set and enforce standards on business conduct for financial service providers that ensure financial consumers are treated fairly. The laws also specifically prohibit financial service providers from engaging in unfair or deceptive business conduct including making false, misleading or dishonest representations, and tied selling.

Among the highlights of this new legislation is the enhanced protection given in respect to consumers' pre-contractual disclosure obligations contained within the consumer insurance contracts. It is now the duty of insurers to request the proposer to answer specific questions to solicit information which is relevant to their decision making as to whether they should accept the risk or otherwise.

The legislation also sets out various remedies that an insurer may rely upon depending on the type of pre-contractual misrepresentation made by the consumers.

With greater transparency in mind, the new laws contain provisions that address directorship and holding companies whilst also specifically compelling insurers to operate either as a life or general entity and not as composites within 5 years.

Personal Data Protection Act 2010

In keeping with international business practice, the Personal Data Protection Act (PDPA) was enforced with effect from 15 November 2013. Under the PDPA, the collection, possession and processing and the use of personal data by any person or organization will now be regulated. A set of common rules and guidelines will be introduced to provide adequate security and privacy in handling personal information. Non-conformance with the Act may result in penalties from financial to legal liabilities.

In preparation for the implementation of the Act, LIAM formed a task force comprising senior legal, operations and compliance personnel from member companies to review the impact of the Act on the industry and also to draw up the Code of Practice for the industry. LIAM would be submitting the Code to the Commissioner to self-regulate the processing of personal data in the industry.

**Life Insurance Association of Malaysia
The Malaysia Insurance Institute**

Taiwan



The first insurance industry withdrew case processing is completed over the past 40 years

Kuo Hua Life Insurance its financial condition deteriorated remarkably in recent years due to poor management resulting in the capital adequacy ratio below the legal standard. The competent authority assigned the Insurance Stabilization Fund as receiver to take over of Kuo Hua Life, Its underlying assets, liabilities and business sale by public tender from the TransGlobe Life settled down, and completed the migration by TransGlobe Life On March 30, 2012. This is the first finished processing withdrew case of the life insurance industry for dealing with financially distressed insurers since the 1970s Guo guang Life case in Taiwan.

The life insurance companies conducted Mergers and acquisitions successively

Because of the impact of financial tsunami and the capital requirements for the insurance industry after the implementation of the International Financial Reporting Standards (IFRS), the mergers and acquisitions situation still appear among life insurance companies this year, including Allianz Taiwan Life merged the inforce business of HSBC Life (completed in June 2013), the CTBC Life will merger Manulife (International) Limited, Taiwan Branch (will complete in January 2014), Otherwise, the acquisition of Taiwan Life by CTBC Life have been finalized.

Amendment Act to expands scope of overseas investment by insurance firms

In order to achieve the policy objectives of heighten the efficiency of Insurance capital utilization and expand the pipeline of insurance capital utilization this year, FSC amended the related laws and regulations of the insurance industry successively to expand scope of overseas investment by insurance firms. Including those insurance companies meet certain eligibility criteria, will be able to invest in foreign credit rating agencies rated as BBB grade, BBB-and BB + grade level or equivalent grade corporate bonds, via in real estate in foreign countries and mainland China through a special purpose vehicle, as well as the relaxation of the qualifications and the scope of investment with the real estate and bonds commodities in the mainland regional, and participated in public construction as well as proposed regulations .

The Life Insurance Association of the Republic of China

Uzbekistan



One more tax remission for the development of long term life insurance

Government of Uzbekistan pays great attention for the development of long term life insurance. In this purpose and for the increasing the social protection of the people were admitted the following additional tax remissions:

- tax remissions applied to individuals: sums of wages and other incomes of the physical person paid as insurance premiums for the long term life insurance are not subject to taxation.
- tax remissions applied to entities: sums paid by legal person as an insurance premium for the long term life insurances are referred to as other expenses;
- the expenses of legal person paid as an insurance premiums for the long term life insurance are not referred to as an income of physical persons.

Recently one more tax remission is admitted – in accordance with the changes made to the Tax Code of the Republic of Uzbekistan on the December 25, 2013 insurance premiums for long term life insurance are not subject to compulsory social charges (which is 3% of the base). This tax remission allows life insurance companies to increase their efficiency and offer more attractive life insurance products.

O'zbekinvest Hayot Life Insurance Company celebrates its 10th anniversary

O'zbekinvest Hayot Life Insurance Company was established in 2003 as the branch of O'zbekinvest National Export-Import Insurance Company. The Company was registered on December 22, 2003. The first License was given on February 13, 2004 by the Ministry of Finance of the Republic of Uzbekistan.

For now O'zbekinvest Hayot's share capital is equivalent of 3 mln Euro.

O'zbekinvest Hayot is the first company received the right of an activity in the field of mandatory life insurance (particularly, annuity contracts accordingly to the Law of Mandatory Employer' Civil Liability Insurance).

10th anniversary of the founding of O'zbekinvest Hayot could be marked by the following results – for the period of 2008-2013 the volume of insurance premium is increased by 6.4 times, the volume of investment – by 6.8 times.

Ministry of Finance Republic of Uzbekistan

Viet Nam



It was a successful year of Vietnam life insurance industry in 2013 as the growth was always kept at high rate at 25.2% in the first 3 months; 23% in 6 months, 20,6% in 9 months and it is forecasted that the total collected premium in 2013 is about USD 1 billion, growth rate 15%. This is such a desirable achievement of the industry in the context of economic downturn.

Ministry of Finance issued Circular No 115/2013/TT-BTC guiding on pension insurance and Voluntary Fund of Pension which was effective on 15/10/2013. This is the first legal document about pension insurance in Vietnam which clearly defines pension insurance and set requirements for life insurance companies to provide pension insurance. Dai-ichi Life and Manulife were the 02 first insurance companies to launch the first pension insurance products in the market while others are in the progress of designing their products.

Ministry of Finance issued Decree No 65/2013/ND-CP and Circular No 111/2013/TT-BTC guiding on personal income tax (PIT), in which, there are 02 significant incentive regulations for life insurance industry:

- The PIT on premiums paid into the employer-paid life insurance contracts and pension insurance contracts is deferred until the contract owners receive insurance payment and the rate of taxation is 10% of the accumulated premium.
- The accumulated interest and investment earnings of pension insurance contracts are exempted from PIT.
- The minimum taxable income of insurance agent is VND 9 million (about USD 428).

Association of Vietnamese Insurers

Japan



Japanese Life Insurers overcoming the negative spread problem

According to the financial reports of the first six months (April to September) of FY 2013, the investment performance of 5 out of 9 leading life insurance companies in Japan exceeded the goal, and the 9 companies made the combined total profit of 42.2 billion yen. It seems that the industry is finally seeing the end of its negative spread problem that had become a burden of management over 20 years since the 1990s. Some of the factors include ① the average assumed interest rate has fallen to 2~3 % from around 5% in the 1990s, ② insurance companies have increased premiums and lowered assumed interest rates, ③ the returns on investment in foreign equities have significantly increased due to a weak yen and high stock prices.

Ban on In-kind benefit to be lifted in 2014

Financial Services Agency is scheduled to partially lift the ban on providing in-kind benefits in lieu of insurance payouts in FY 2014. Specific examples of in-kind benefits are insurance products that promise policyholders with a care service or the entering to a nursing home when the policyholder becomes in a state which requires such cares or a funeral service at the time of the policyholder's death. These services are to be carried out not through the life insurance company itself but a subsidiary or affiliates.

Japanese Life Insurers expanding the product line of nursing care insurance.

Japanese life insurance companies are focusing on the product development of nursing care insurance. This is because the reduction of public nursing care insurance is expected amidst the nation's financial deterioration; the demand for private insurance is increasing. It is also because Japan's insurance market is shrinking due to the population decline in addition to the decline of the demand for death insurance by an increase in single person or fewer children.

Oriental Life Insurance Cultural Development Center