



Emerging Asia Life Insurance Pulse 2019

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Prepared by

Dr. Schanz, Alms & Company

Exclusive Partner



Emerging Asia Life Insurance Pulse 2019

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Foreword Dr. Schanz, Alms & Company

We are pleased to present the first edition of *Emerging Asia Life Insurance Pulse*. It offers an authoritative overview of the current state and future prospects of the region's life insurance markets with a combined premium volume of US\$ 448 billion. As such, this edition covers about 17 % of the global life insurance market. It takes the pulse of key insurance executives on the current state and near-term prospects of the market.

With this publication, we further expand the footprint of Pulse (see www.pulse.schanz-alms.com) to life insurance in general and China, India, Pakistan and South East Asia in particular, building on our well-established ASEAN, Africa and Middle East editions.

The *Emerging Asia Life Insurance Pulse* draws on in-depth interviews with senior executives of 29 national, regional and international (re)insurance companies and intermediaries, based in 8 different markets. The key methodological strengths of the publication lie in its comprehensiveness, diversity and diligence. Our qualitative interview approach enables us to probe deeper, obtaining clarifying responses from the participating executives. In addition, by including both global and regional players, as well as generalists and specialists, we have been able to collate a broad yet nuanced picture of the market place.

Through the *Emerging Asia Life Insurance Pulse*, our exclusive partner Peak Reinsurance Company demonstrates its commitment to improving the transparency of the regional market place, providing its insurance community with an important benchmark for strategic and operational decision-making.

We would like to extend our deepest thanks to Peak Reinsurance Company for enabling this research project, which is designed to benefit the regional insurance community as a whole.

We hope that you will enjoy reading the first edition of *Emerging Asia Life Insurance Pulse* and consider its findings useful.

Dr. Kai-Uwe Schanz
Chairman and Partner,
Dr. Schanz, Alms & Company

Henner Alms
Partner,
Dr. Schanz, Alms & Company

Foreword Peak Re

As a major global reinsurer with its roots and home base in the heart of Asia, Peak Re is committed to advancing economic growth and societal progress across the region's developing and emerging markets. In light of ever growing morbidity and mortality exposures life and health insurance is a vital prerequisite to making Asia's development trajectory more resilient.

Against this backdrop, we are pleased to sponsor this year's *Emerging Asia Life Insurance Pulse*. Its findings encourage us to continue on our strategic path, offering technology-enabled protection solutions to Asia's emerging middle class but also to the un(der)-served segments of the population. The shift from savings-oriented to protection products has emerged as a key theme from the Pulse survey. For Peak Re, this development is a tremendous opportunity to bring to bear our proven risk expertise and further enhance our relevance to the region's societies which have to face a rapidly increasing prevalence of chronic diseases and changing mortality patterns.

Another key finding from the report is the growing role of technology in designing and delivering affordable and attractive solutions to heightened morbidity, mortality and longevity risks. Our view that technology holds significant promise to address coverage gaps was impressively corroborated by the executive opinions collected through this research.

We are indebted to our business partners and friends from across the emerging Asian life and health insurance marketplace who graciously invested their time to support this edition of Pulse with their insight.

May this research nurture some deep, thoughtful and productive debate. We are looking forward to being part of it and are grateful for your feedback on this publication and its findings.

Franz Josef Hahn

Chief Executive Officer

Peak Reinsurance Company Limited

Methodology

The findings of this report are based on structured interviews with executives representing 29 regional and international (re)insurance companies and intermediaries operating in Asia's emerging life and health insurance markets, which primarily include China, India, Indonesia, Malaysia, Pakistan, the Philippines, Thailand and Vietnam. The interviews were conducted by Dr. Schanz, Alms & Company, a Zurich-based research, communication and business development consultancy, in the fourth quarter of 2018.

The publication covers life insurance, fixed-benefit type health insurance and reimbursement-type medical insurance.

We would like to thank the following organisations for sharing their insight with us:¹

Allianz Ayudhya Life, Thailand
Bharti AXA, India
Canara HSBC Life, India
China Merchants Life Insurance Company, China
Dai-ichi Life, Vietnam
FWD, China
FWD Life, Indonesia
FWD Life, Thailand
Hanwha Life, Vietnam
HDFC Standard Life, India
ICBC-AXA Life, China
IGI Life Insurance, Pakistan
IGI Life Insurance – Window Takaful Operations, Pakistan
JLT Independent Insurance Brokers, India
Junling Health Management, China
Krungthai-AXA Life, Thailand
Manulife, Thailand
National Reinsurance Corporation of the Philippines, Philippines
Panin Dai-ichi Life, Indonesia
Peak Reinsurance Company, Hong Kong
Pramerica Fosun Life, China
PT Asuransi Jiwa Manulife, Indonesia
PT Prudential Life Assurance, Indonesia
Qianhai Reinsurance Company, China
SCB Life, Thailand
Thai Life Insurance, Thailand
Towers Watson Singapore Pte Ltd, Singapore

¹ Two companies did request anonymity and, therefore, are not listed. In addition, two individual executives have stressed that their published views in this research are not necessarily those of their respective organisations.

Key Pulse readings

The Pulse measures current perceptions of the life insurance market in Asia's emerging economies and tracks them over time to monitor changes in attitudes.

Table: Key readings (share of respondents agreeing)

	2018
Life insurance premiums to grow faster than GDP*	86 %
Insurance markets to consolidate and experience more M&A*	25 %
Multinational insurers' market share to increase*	22 %
Technical profitability is currently at average or higher**	
— Whole and term life insurance	67 %
— Savings products	22 %
— Investment products	85 %
— Health insurance	52 %
— Medical insurance	44 %
Technical profitability to remain stable or improve*	
— Whole and term life insurance	70 %
— Savings products	74 %
— Investment products	70 %
— Health insurance	78 %
— Medical insurance	63 %

* Over the next 12 months

** Compared with three-year average

Summary of key findings

Digitalisation tops corporate strategic agendas

Executives were asked to share those areas that rank highest on their corporate development agenda for the next 3–5 years. Not surprisingly, digitalisation emerged on top. Efforts concentrate on distribution and policy administration as well as, to a lesser extent, automated underwriting and claims settlement. Product innovation and diversification came in second. Many of today's existing life and health products still reflect insurers' current capabilities rather than customers' real needs. Talent development is the third most frequently mentioned strategic priority. The aggravating lack of talent in the insurance industry is viewed as the single most serious threat to the future development of life and health insurance in emerging Asia.

Life and health insurance premiums expected to continue outgrowing GDP

An overwhelming majority of 86 % of executives believe that life and health insurance premiums will continue outpacing GDP growth. In light of the rapid incidence growth of non-communicable and critical diseases, in combination with people's increasing awareness of the need to protect their and their families' incomes, fixed-benefit health products were identified, by the vast majority of interviewees, as the fastest growing life and health product line in emerging Asia. Overall, the outlook for protection products is buoyant. The main drivers include regulatory and public policy encouragement and a generally anaemic condition of savings and investment products. Also, virtually all executives expect digital technologies and advanced analytics to further accelerate premium growth, as a result of improved outreach to underserved segments of the population, enhanced product appeal and lower transaction costs.

Strong growth in online distribution, but limited to short-term and simple products

In terms of growth dynamics direct online sales stand out, albeit from a low base. Citing the region's young and technology-savvy population most executives spot a great potential for online in simple and easy to understand areas such as term life and personal accident. Having said this, there is a broad consensus that customers will continue to demand and value human interaction and relationships, except possibly for short-term and simple products.

Morbidity considered as the single most important protection gap

The most frequently mentioned protection gap in emerging Asia relates to morbidity: Increasing environmental pollution, changing lifestyles and ageing give rise to a rapid growth of cancer, diabetes and cardiovascular diseases. Millions of families are viewed as being exposed to such calamity which, if it affects the main breadwinner, could throw them back into poverty.

Awareness seen as most relevant reason for underinsurance

According to the executives polled a lack of awareness is the main reason for underinsurance, defined as people buying less insurance than economically beneficial to them. Cultural obstacles were identified as the second most relevant roadblock to insurance buying. Many customers still rely on traditional family ties or government support for protection. Others expect a «return» from insurance and do not believe that «peace of mind» as such is worth a regular premium payment even if claims fall short of it. Affordability ranks third as major parts of the population still do not enjoy the excess income needed to purchase insurance. This challenge is exacerbated by high costs of distribution.

Improved education and financial literacy viewed as most effective remedies

Most executives think that education is the main key to unlocking the full potential of life and health insurance in emerging Asia. The second most promising remedy to underinsurance is seen in the area of distribution. Existing sales channels are not only considered too expensive but also adversely impacted by trust-eroding practices such as mis-selling. Most executives believe that digital technologies can help address both issues. The same is true for product appeal and simplicity, identified as the third most relevant approach to tackling underinsurance. Technology offers the potential to revolutionise product design, underwriting and claims settlement.

Term and whole life as well as fixed-benefit health insurance identified as most profitable areas

For most executives, term and whole life insurance is the most profitable product line. The price elasticity of demand is relatively low, not least because of still dominant agency distribution. The picture is different for savings-type life insurance policies: More than three quarters of the executives participating in the survey report current profitability levels below the average of the past three years. The main concern is the protracted low interest rate environment.

Margins on health insurance products which offer fixed benefits for critical illnesses, cancer, diabetes or in the form of hospital cash are viewed as attractive by most executives. Over the past few years, demand for such products has increased substantially, on the back of growing awareness, better education and higher disposable incomes. Besides savings business, medical (reimbursement-type) insurance is viewed as presenting the most serious profitability challenges. 56 % of the executives polled consider the current level of margins as being below the average of the past three years. By many customers medical insurance is seen as a 'commodity', similar to motor insurance. Additional competitive pressure arises from endemic medical inflation, partially due to a lack of public policy efforts to curb surging hospital costs.

Stable profitability outlook for term and whole life as well as health insurance

48 % of executives expect margins on term and whole life insurance business to remain stable over the next 12 to 24 months. The outlook is slightly more optimistic for savings products. 30 % of the executives polled expect higher margins as interest rates seem to have crossed their low point. On the other hand, regulatory developments exert fundamental pressure on savings-type business. Risk-based solvency regulations, similar to Solvency II, in combination with new accounting standards (IFRS 17) are weighing on earnings. Under such regimes, the economic valuation of insurers' assets and liabilities can make it uneconomical to offer long-term guarantees and assume financial market risks on behalf of policyholders – a key element of life insurers' traditional value proposition.

As far as fixed-benefit health products are concerned, 56 % of the executives polled do not foresee any major changes to profitability over the next 12 to 24 months. The outlook for medical reimbursement products is less favourable than for fixed-benefit health insurance given this line's comparatively commoditised nature and a frequently limited scope for repricing.

Courage to deliver

Peak Re is an Asia based reinsurer, established to support the needs of communities and emerging middle class society through meeting reinsurance needs covering life, health and non-life risks, in Asia and around the globe.





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Survey results

Current market strengths and weaknesses, future opportunities and threats

Expanding middle class viewed as the most important market strength

Emerging Asia's rapidly expanding middle classes are seen by the executives polled as the most attractive feature of the region's life and health insurance markets. Among the wealthier parts of the population there is an increasing awareness of the need to cover biometric risks (mortality and morbidity) prior to retirement in order to protect income and dependent family members. In addition, middle classes demand healthcare services which increasingly go beyond the level offered by existing public schemes.

The second most frequently mentioned market strength is general economic growth. As GDP per capita increases more people have excess income available to buy protection and savings products. As a result, the well-researched «S curve» effect kicks in: As soon as GDP per capita exceeds a certain threshold life and health premiums tend to grow at a much faster pace than GDP in general, before levelling off in wealthier mature markets (see appendix for GDP growth and insurance penetration statistics).

Third, technology saviness was mentioned as a relevant strength underpinning the profitable growth of the region's life and health insurance markets. Smart and mobile phone penetration, for example, is very high even in countries with still low levels of disposable income. In addition, the propensity to transact online is viewed as higher than in other parts of the world. Against this backdrop, life and health insurers operate on a fertile ground for product and distribution innovation (see chart 1).

«The fast adoption of modern technologies in Asia creates a wealth of choices for customers and greatly enhances their overall purchasing power and product reach. For life and health insurers, this trend elevates the opportunity curve, especially when they succeed in bundling their protection propositions with primary customer priorities such as health, family and lifestyle.»

Franz Josef Hahn, CEO, Peak Reinsurance Company Limited

Chart 1: Top 3 current strengths of emerging Asia's life and health insurance markets



Source: Number of mentions, includes multiple references

«Despite its spectacular growth over the past few years, the Vietnamese life and health insurance market is still largely untapped. Only 7 % of the population hold an insurance policy. Therefore, the potential for further growth is tremendous, especially as the middle class continues to expand rapidly and awareness of risks such as cancer increases.»

Huynh Huu Khang, Deputy General Director, Dai-ichi Life Vietnam

«As the world's fastest growing large economy with a rapidly expanding middle class India offers life and health insurers a wealth of opportunities. Having said this, the sheer size of the country and its population, coupled with the diversity of customer needs, require market players to combine scale and nimbleness in order to successfully tap into this potential.»

Amit Punchhi, Senior Executive Vice President, HDFC Standard Life

Deficits in distribution considered the main weakness

Most executives consider shortcomings associated with distribution as the key weakness of the market place. In some countries, sales are heavily dependent on the agency channel and, therefore, exposed to mis-selling, growing talent shortages and excessive commission levels. Given these concerns over qualifications, conduct and cost-efficiency a significant number of interviewees are calling for greater diversity in distribution.

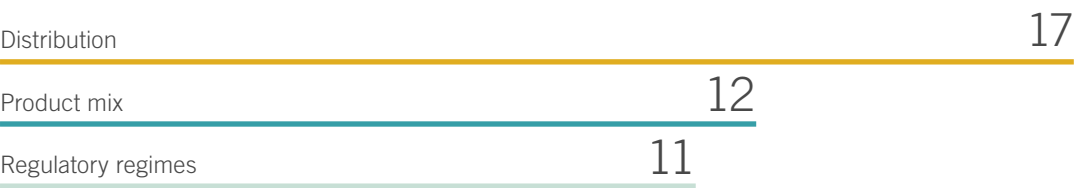
The relatively narrow product suite in emerging Asia ranks second. Executives point to the entrenched dominance of savings products. Awareness of pure protection products is still low, sometimes compounded by cultural factors such fatalism – i.e. an attitude of resignation in the face of some future event or events which are thought to be inevitable – as well as the traditional preference of agents and bank channels for selling savings and investment-type solutions. This bias limits profitable product opportunities for insurers, especially in an environment of low interest rates.

The third most frequently mentioned weakness concerns regulatory and supervisory regimes. Some executives bemoan excessive capital and reserve requirements which make it uneconomical to offer certain products. The most important concern, however, relates to product approval processes which are frequently deemed too long and inflexible in light of rapidly evolving customer expectations and opportunities presented by modern technology. In general, regulators are encouraged to adopt a principles- rather than rules-based approach in order to enhance their agility (see chart 2).

«Awareness and trust are the two key drivers to increase the life insurance penetration in Thailand. Both issues need to be addressed collectively by the private insurance and public sectors. It is in the key interest of the government to raise the awareness of the life and health protection as well as retirement income gap in the face of a rapidly aging population. On the other hand, the insurers also need to do their part to improve the customers' trust in the industry, for example, by professionalizing their distribution channels and expediting the legitimate claim payments to create a more positive customer experience.»

Jack Chye, CFO, Manulife Thailand

Chart 2: Top 3 current weaknesses of emerging Asia's life and health insurance markets



Source: Number of mentions, includes multiple references

«Over the past two decades the Insurance Regulatory and Development Authority of India has very effectively overseen the liberalisation and de-monopolisation of India's insurance market. However, the challenges of today's fast-paced business environment require the regulator to step up its game and revisit its priorities. The traditional rules-based approach needs to be replaced with a more modern principles-based regime which, for example, would enable faster responses to emerging product trends. It would also facilitate the introduction of simpler products – a key prerequisite to narrowing life and health insurance protection gaps in India. The good news is that the Regulator has also recognized the need for this change and has started working on the concept of risk-based supervision.»

**Akshay Dhand, Appointed Actuary,
Canara HSBC Oriental Bank of
Commerce Life Insurance Co. Ltd.**

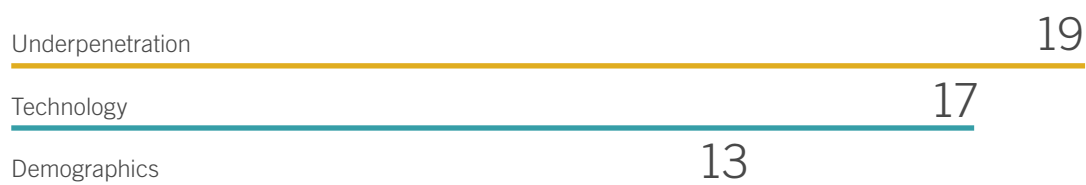
Under-penetration identified as key medium-term opportunity

Despite a strong recent growth performance emerging Asia's life and health insurance markets remain underpenetrated from a global point of view (see appendix for the respective market statistics). In Vietnam and Indonesia, for example, only 7 % and 3 % of the population, respectively, have a life insurance policy in place. The catch-up potential is significant and set to be captured as awareness increases and the product and distribution landscapes become more diverse and sophisticated.

Digital technologies and advanced analytics are viewed as the second most relevant medium-term opportunity for emerging Asia's life and health insurance markets. Their adoption promises to simultaneously make insurance more affordable (by bringing down administration and distribution costs), more appealing (by enabling a different customer experience and different products) and more understandable (by reducing complexity and harnessing modern forms of communication).

The third most frequently mentioned opportunity is demographics. The low median age in most emerging Asian countries favours sales of accumulation products. On the back of improved education and easier access to information the Asian generations Y and Z have a much better understanding of the notions of protection and provision for the future than their parents. In addition, countries with more rapidly ageing populations such as China and Thailand offer major opportunities for health products such as disability and long-term care insurance as well as retirement solutions such as (tax-privileged) annuities (see chart 3).

Chart 3: Top three future opportunities of emerging Asia's life and health insurance markets



Source: Number of mentions, includes multiple references

«In India's life insurance underpenetration and underinsurance both present huge long-term market opportunities. In the lower income bracket of our population – about 400 million people – living conditions are improving and life policies will be among the first insurance products to be bought. Furthermore, about 90 % of customers, who have a life policy, are still underinsured because their policy does not yet fully cover their protection needs. As insurers we will address both needs.»

**Sam Ghosh, Managing Director,
Bharti Enterprises Ltd.**

«Going forward, managing the ageing of the population will be one of the most important challenges facing China's policymakers. Against this backdrop, there is a growing need for public-private partnerships to shoulder the financial and fiscal burden associated with this trend. The insurance sector in China is willing and able to play a bigger role in mitigating longevity and retirement risks.»

**Hans Wagner, Head of Finance,
Actuarial and Risk, ICBC-AXA Life**

Talent gaps considered the most relevant threat

The executives polled are most concerned about an aggravating lack of talent in the insurance industry. For bright young people the propensity to opt for a career as an agent, independent financial advisor or actuary was always relatively low. This long-standing challenge is now being exacerbated by competition from technology players and start-ups. Some insurance executives consider the emerging shortage of agents as the biggest obstacle to future growth in life and health insurance.

The protracted environment of low interest rates ranks second among the threats identified. Existing whole life products with long durations are harder to fund. Also, insurers cannot fully match retirement annuities with assets of the same duration. Where the duration of investments is shorter than the duration of liabilities life insurers' earnings and capital base are at risk. The most adverse effects, however, have to be absorbed by those life insurers with yield guarantees on the in-force book.

The third most frequently mentioned threat is mis-selling by agents and, to a lesser degree, banks. Commission-driven sales frequently neglect the most fundamental customer needs and, in combination with isolated incidents of 'rogue selling', erode the public's trust in life and health insurers, the rebuilding of which requires significant time, effort and investment (see chart 4).

Chart 4: Top three future threats of emerging Asia's life and health insurance markets



Source: Number of mentions, includes multiple references

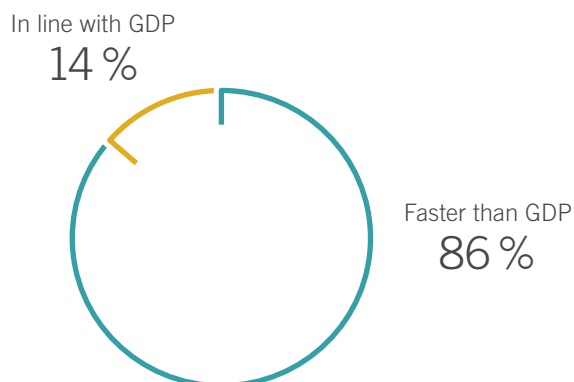
Protection products and omni-channel distribution underpin strong growth prospects

Life and health premiums to continue outgrowing GDP

An overwhelming majority of 86 % of executives believe that life and health insurance premiums will continue outpacing GDP growth (see appendix for historical market data). There is a broad consensus that health products will grow fastest. This outperformance is driven by a bouquet of political, economic, societal and technological factors: The offerings of some public schemes no longer meet the increasing demands of the wealthier parts of the population. This emerging gap boosts private sector insurance sales of mortality, morbidity and longevity solutions, supported by generally increasing levels of per capita income and a growing awareness of the need for income protection. At the same time, urbanisation is progressing rapidly across the region, translating into weakening family ties and heightening the need for alternative, more formal protection schemes. Also, virtually all executives expect digital technologies and advanced analytics to further accelerate premium growth, as a result of improved outreach to underserved segments of the population, enhanced product appeal and lower transaction costs.

Some executives who do not expect premiums to outgrow GDP point to recruitment constraints which could threaten the effectiveness of the agency force, a career option which is of limited attractiveness to the younger generations. Such recruitment challenges appear to be particularly virulent in Indonesia. In addition, some markets (e.g. Thailand) have a strong bias towards savings products with relatively subdued growth prospects for the reasons discussed before (see chart 5).

Chart 5: Expected life and health premium growth versus GDP growth (next 12 months)



«China's life & health markets are set to continue growing significantly faster than the country's GDP. Increasing personal wealth, in combination with an ageing population and a growing relevance of critical illnesses, augur well for protection products such as annuities, health insurance and term life insurance. In addition, these products benefit from the China Banking and Insurance Regulatory Commission's explicit encouragement and the Government's view that insurers should first and foremost serve the real economy and not pose any risk to financial stability.»

Wanchun Lu, Deputy General Manager & Chief Actuary, China Merchants Life Insurance Company

Bright growth prospects for protection products

In light of the rapid incidence growth of non-communicable and critical diseases, in combination with people's increasing awareness of the need to protect their and their families' incomes, fixed-benefit health products were identified as the fastest growing life and health product line in emerging Asia. Reimbursement-type medical insurance ranks second, reflecting a growing demand for solutions which complement existing public schemes. Term and whole life insurance emerged as the third most rapidly expanding product segment, again reflective of the improving awareness of biometric risks and their potential threat to families and their income. Mortality products linked to mortgages are proving particularly attractive.

Against this backdrop, the outlook for protection products is buoyant. The drivers include regulatory and public policy encouragement (e.g. through tax incentives) and a generally anaemic condition of savings and investment products in times of low interest rates, increasing financial market volatility and a general trend away from guarantees (see chart 6).

Chart 6: The three fastest-growing product lines



Source: Number of mentions, includes multiple references

«Despite their rapid growth over the past three decades China's life and health insurance markets still offer plenty of opportunities with the regulatory encouragement of protection: Life protection products benefit from increased awareness of mortality risks as well as from demand for financial planning. Morbidity-related products are seeing

a very strong demand as the prevalence of cancer and heart diseases, for example, is on the rise as a result of environmental and lifestyle changes. And, finally, whole-life annuity products increasingly appeal to China's rapidly ageing population.»

**Terry Chen, Director Life & Health,
Qianhai Reinsurance Co., Ltd**

Agents and banks dominate distribution channels

In most emerging Asian life and health insurance markets agencies are the single most important distribution channel. Their dominance is particularly pronounced in Vietnam and India. In combination with banks, they generally account for more than 90 % of insurance sales throughout the region. Banks usually take advantage of the fact that their client relationships tend to be stronger than those of insurers. The latter are more interested in tying up with banks if such partnerships can bring down the cost of distribution. Brokers are the third most important distribution channel. Their relevance remains largely limited to group business (see chart 7).

Chart 7: Most important distribution channels as of today



Note: Number of mentions, includes multiple references

«Even though online transactions offer exciting opportunities for insurers, profitability is not a certainty. The digitalisation of the insurance business model presents a host of new challenges such as assessing and anticipating customer behaviour on a direct basis, without any intermediary in between. The proper pricing of online transactions requires insurers to acquire new skills and expertise such as behavioural science.»

Franz Josef Hahn, CEO, Peak Reinsurance Company Limited

In terms of growth dynamics, direct online sales stand out, albeit from a very low base. Citing the region's young and technology-savvy population most executives spot a great potential for online in simple and easy to understand areas such as term life, personal accident and, to a lesser extent, critical illness. However, with the notable exception of China, online sales have not yet gained any major visibility in emerging Asia. Technology platforms rank second as far as perceived sales growth is concerned, as such platforms generate leads for fully 'digitalised' agents and independent advisors who are viewed as the third most rapidly expanding force in distribution.

Except for countries such as Vietnam where banks do not yet play any sizeable role in distribution, prospects for bancassurance are considered muted. Banks are primarily interested in and equipped to selling savings and investment products, i.e. segments which suffer from monetary policies and financial market volatility. Agents and brokers are believed to be significantly better positioned to tap into the fastest growing market segments, i.e. protection products.

There is a broad consensus among executives that customers will continue to demand and value human interaction and relationships, except possibly for short-term and simple products. For more complex and long-term products customers may research online but are generally expected to continue transacting offline. Overall, even longer-term, many executives do not anticipate the online direct channel to generate more than 25 % of all life and health insurance sales (see chart 8).

Chart 8: Fastest-growing distribution channels (number of mentions)



Note: Number of mentions, includes multiple references

«In Pakistan, too, the traditional paradigm of life insurance starts to shift. Some insurers are contemplating to expand their role, from being a reactive payer of claims and benefits, to becoming a more proactive partner in health. This would include disease prevention

by incentivizing the adoption of healthier lifestyles through the use of the Internet of Things and other modern technologies. Given Pakistan's exceptionally young and tech-savvy population, with a median age of just 21 years and a rapidly increasing smart phone

penetration, this enhanced value proposition of life insurance is set to fall on fertile ground.»

Dr. Bakht Jamal, Head of Takaful, IGI Life Insurance Limited – Window Takaful Operations

Morbidity drives coverage shortfalls

Chronic diseases on top of list of protection concerns

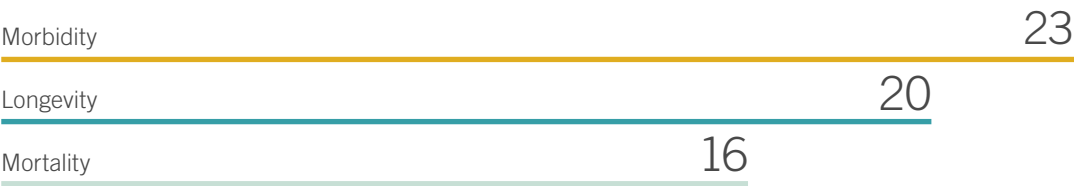
The most frequently mentioned protection gap in emerging Asia relates to morbidity: Environmental pollution and changing lifestyles give rise to a rapid growth of cancer, diabetes and cardiovascular diseases. Millions of families are viewed as being exposed to such calamity which, if it affects the main breadwinner, could even throw them back into poverty.

In the eyes of the executives polled the second most severe protection gap is longevity, especially in China and Thailand. These concerns do not only reflect demographic trends but also major social changes which erode historically reliable informal protection schemes such as family ties and village communities.

Mortality risk ranks third. It is less visible and prominent than morbidity and longevity risk but still expected to grow in overall economic and societal relevance as incomes continue to rise, social security benefits fail to keep pace with this momentum and households' savings ratios erode given a higher propensity to consume.

Generally speaking, protection gaps in emerging Asia encompass both non-insurance and underinsurance. In most countries less than one year of income is protected through insurance cover (see chart 9).

Chart 9: The most severe un(der)-insured exposures



Note: Number of mentions, includes multiple references

«In Pakistan, the broader population's awareness of current and future protection needs is still at a very low level. There is little propensity to pay for 'peace of mind'. Instead, most Pakistanis are primarily interested in living benefits. In order to address this situation, insurers and the

government have to join forces. The former need to do more than just advertising specific products. The public sector, on the other hand, should tackle the problem at its root and develop an overall financial literacy promotion strategy which could also see the inclusion of the

fundamental role of risk management and mitigation in school and university curricula.»

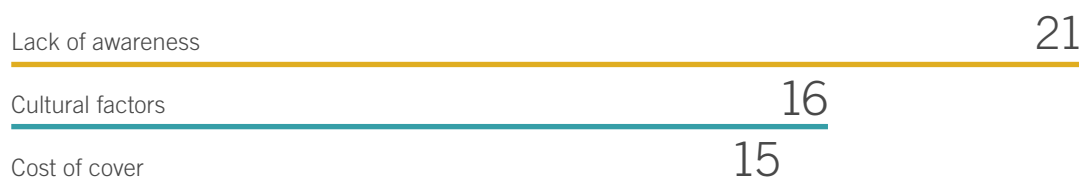
Nadeem Malik, Deputy CEO & Head Corporate Solutions, IGI Life

According to the executives polled a lack of awareness is the main reason for underinsurance, defined as people buying less insurance than economically beneficial to them. Especially among the lower-income and rural segments of the population there is only scant understanding of the need for long-term financial planning and, sometimes, even a lack of fundamental awareness of the potentially disastrous financial consequences of premature death, disability, outsize medical bills or outliving ones' retirements savings.

Cultural obstacles were identified as the second most relevant roadblock to insurance buying. Many people expect a «return» from their insurance policies and do not accept the notion that protection and «peace of mind» as such are worth a regular payment even if claims fall short of it. Other cultural aspects mentioned by the executives were a general aversion to think about risk, sometimes even bordering superstition. In addition, the traditional reliance on family ties is a factor to consider.

Affordability ranks third as major parts of the population still do not enjoy the excess income needed to purchase insurance. This issue is exacerbated by generally high costs of distribution, especially in markets dominated by agency channels. Having said this, a majority of executives believe that once people properly understand the need for protection and the products available, price will lose in importance as a deterrent to insurance purchases (see chart 10).

Chart 10: Root causes of underinsurance in life and health



Note: Number of mentions, includes multiple references

«Indonesia's compulsory national health insurance system Badan Penyelenggara Jaminan Sosial (BPJS) Kesehatan, introduced in 2014, was instrumental in promoting the broader public's awareness of their insurance needs and suitable solutions. It has helped prepare

the ground for private health insurers offering supplementary cover, catering to the higher service expectations of the emerging middle-class population.»

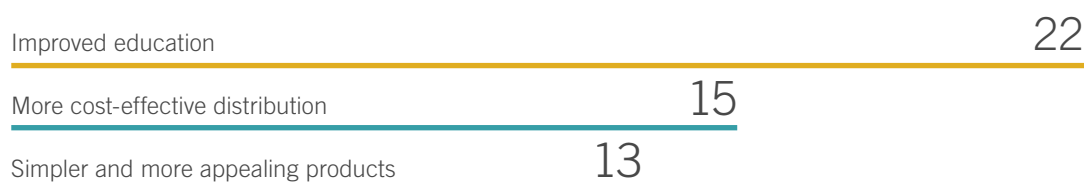
Puneet Nayyar, Chief Actuary, PT Prudential Life Assurance

Most executives think that education is the main key to unlocking the full potential of life and health insurance in emerging Asia. For such efforts to be effective there is a need for public-private partnerships: While insurers acknowledge significant room for improvement on their part (starting with product clarity and transparency) governments are encouraged to adopt measures such as amending school curricula by financial literacy elements. In addition, they could do more to harness public and social insurance schemes for customer education and general awareness building.

The second promising remedy to underinsurance is seen in the area of distribution. Existing sales channels are not only considered too expensive but also adversely impacted by instances of mis-selling and other trust-eroding forms of behaviour. Most executives believe that modern digital technologies can help address both issues, by cutting the cost of distribution and by enhancing transparency across the value chain.

The same is true for product appeal and simplicity, identified as the third most relevant approach to tackling underinsurance. Technology offers the potential to revolutionise product design (e.g. through insurance on demand and usage-based insurance) as well as underwriting and claims settlement (e.g. through automation and the use of Artificial Intelligence), ultimately translating into a different and greatly improved customer experience. Executives also highlight opportunities from «borrowing» customer interfaces from technology platforms in order to increase the frequency of customer interaction, reach out to ecosystem partners in order to offer a broader prevention and partnership-oriented proposition of insurance and to bundle insurance products with offerings that cater to «bigger» customer needs such as healthcare, wellness or housing (see chart 11).

Chart 11: Remedies to underinsurance in life and health



Note: Number of mentions, includes multiple references

«The government and the regulator can do more to promote insurance and to assist in narrowing protection gaps. Potential measures include public awareness building, tax incentives and specific measures to counter the escalation of acquisition costs which more often than not

makes insurance unaffordable for large segments of the population.»

**Simon Imanto, Vice President
Director at PT Panin Dai-ichi Life**

Digitalisation tops medium-term strategic agenda of life and health insurers

A nuanced but overall positive view of regulatory regimes

Interviewees were asked to rate the quality of their respective regulatory regimes on a scale from –2 (absolutely inadequate) to +2 (perfectly adequate). The average rating came in at plus 0.4.

On the positive side, modern regulatory regimes such as C-ROSS in China encourage state-of-the-art risk management and especially asset-liability management in life insurance, adding to the overall stability of the market place. In addition, executives welcome regulatory action on excessive sales commissions, as taken by the Insurance Regulatory and Development Authority of India, for example. The same is true for measures towards market liberalisation and opening for foreign competitors such as in Vietnam.

More critical executives highlight some regulators' tendency to set ever more specific rules and onerous and intrusive compliance requirements rather than focusing on a principles-based approach founded upon a risk-based supervisory regime. Explicit constraints on pricing and product offerings are viewed as damaging the markets' overall development prospects.

More generally, some executives feel that regulators should adjust their priorities and attach greater importance to enabling the market's overall development, e.g. by promoting simpler products transacted at lower (distribution) cost. A sole rules-based focus on customer protection is not considered appropriate in today's dynamic market environment where insurers need to respond immediately to changing customer needs.

«New technologies offer a great potential for instant claim and direct billing of healthcare services. Hospitals, service providers and insurers would all benefit from more credible data. By reducing fraud and enhancing the cost-efficiency of internal processes instant claim and direct billing could make a major contribution to cost control in the health sector and ultimately boost demand for health insurance services.»

**Yujie Zhang, Chief Product Officer
and Yixin Zhu, Chief Medical
Officer, Junling Health Management**

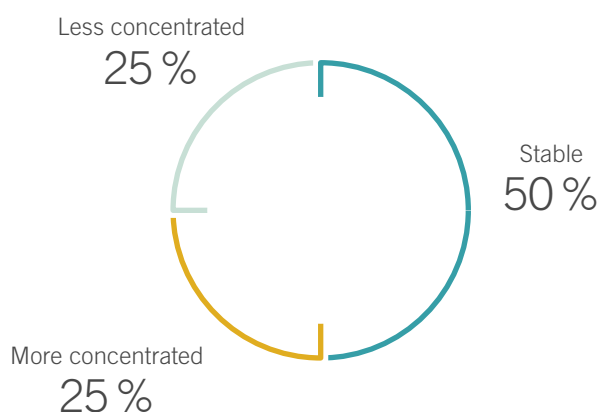
«One of the biggest challenges for Indonesia's life insurers is to more effectively address the protection and savings needs of the country's vast rural population. Digital technologies can make a major contribution to improving access to insurance in remote areas. In addition, insurers need to step up their awareness building activities. The regulator should reward such efforts with lower capital requirements for microinsurance or other incentives designed to make insurance more inclusive.»

Paul Kartono, CFO, FWD Life

Supply side structure expected to remain stable

50 % of interviewees do not foresee any short-term changes to emerging markets' supply side structure. Those 25 % who expect near-term moves towards consolidation refer to massive investment needs in distribution and technology as well as higher minimum regulatory capital and risk-based solvency requirements as main drivers of increased market concentration. An equal share of executives is of the opposite opinion and anticipates a more fragmented, less concentrated structure of the region's life and health insurance markets. Technology is seen as lowering barriers to market entry. In addition, some markets such as Vietnam remain massively underserved, offering room for additional players (see chart 12).

Chart 12: Market structure outlook (next 12 months)



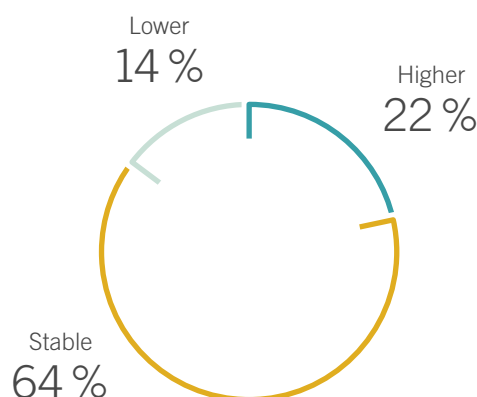
«The Chinese life and health insurance markets enjoy many structural tailwinds. Let me just name a few favourable factors: GDP growth remains robust, the Central Government has a clear target to increase insurance penetration, insurance awareness is improving in line with rising standards of living and there is a high propensity among customers to make mobile and online insurance purchases.»

YuKun Yang, Head of Product Development, Pramerica Fosun Life

Market share of multinational insurers not believed to change near-term

The *Emerging Asia Life Insurance Pulse 2019* found almost two thirds of respondents expect the market share of multinational insurers in the region to remain stable over the next 12 months. Global insurers' competitive advantages in terms of brand recognition, economies of scale and scope as well as technical capabilities continue to be offset by structural disadvantages compared to domestic players such as a lack of access to rural areas and cultural reservations vis-à-vis foreign life and health insurers. The perceived openness of markets to foreign competitors, of course, also matters greatly. From that angle, Indonesia and Vietnam, and to a smaller extent China, are considered to offer more opportunities than India, for example. Generally speaking, many executives expect insurers from Japan and Korea to grow fastest among foreign market participants (see chart 13).

Chart 13: Outlook for foreign insurers' market share (next 12 months)



«In the near term, digital technology is not expected to significantly disrupt the Thai life insurance industry. We rather believe that its main impact will be to enable existing value chains, ranging from online policy administration, additional ancillary customer services, predictive analytics in support of underwriting decisions to digitise agency and other traditional channels. For life insurers that are able to embrace the digital transfor-

mation, the potential of technological innovation is not limited to enhancing the life insurance industry's cost efficiency. It also offers significant opportunities for making our products and services more appealing and providing our customers with a much-improved overall experience.»

Kean Hin Lim, Senior Executive Vice President, Group Chief Financial Officer, Thai Life Insurance Plc.

In order to establish a regional portfolio of strategic corporate priorities, executives were asked to name those areas that rank highest on their corporate development agenda for the next 3–5 years. Not surprisingly, digitalisation emerged on top. Efforts concentrate on online distribution, automated underwriting, policy administration and claims settlement (including a few experiments with Artificial Intelligence-based applications). Most executives stress the potential of technology in cutting operating and distribution expenses which are considered a major obstacle to higher levels of insurance penetration. Such investments in modern technologies and analytics are not limited to proprietary direct channels but also extend to agency forces and interfaces and the related back-end processes. At this stage, cost-efficiency considerations prevail whereas only a minor share of technology investments is designed to create additional revenues.

Product innovation and diversification ranks second. Many of today's existing life and health products still reflect insurers' current capabilities rather than customers' real needs. Technology is perceived to be a game changer in that respect as it enables personalised and fully tailored solutions. In addition to offering more innovative products insurers are keen to diversify their product suite, with protection products taking centre stage given their structurally more favourable growth and profitability prospects.

Talent development and retention is the third most frequently mentioned strategic priority. This outcome is consistent with chart 4 of this report: The aggravating lack of talent in the insurance industry is viewed as the single most serious threat to the future development of life and health insurance in emerging Asia. This challenge is exacerbated as young graduates seem to regard a career as an agent, independent financial advisor or actuary as relatively unattractive compared to other career opportunities. In addition, insurers are in a tough spot when competing for increasingly needed analytical and technology-savvy staff. In emerging Asia as well, many prospective employees consider the industry as stodgy, bureaucratic and hierarchical – or worse as unethical and denying claims (see chart 14).

Chart 14: Digitalisation tops medium-term strategic agenda of emerging Asian life and health insurers

Digitalisation

21

Product innovation and diversification

17

Talent development and retention

11

Note: Number of mentions, includes multiple references

Attractive margins in term/whole life and fixed-benefit health insurance

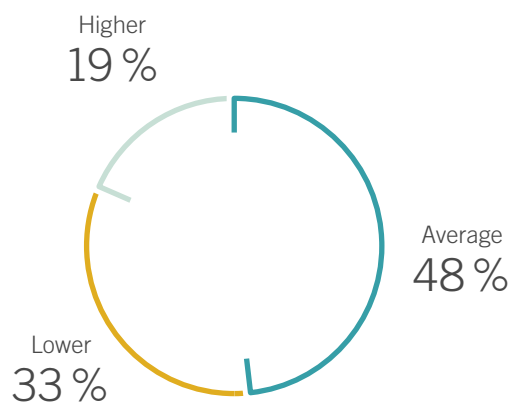
Almost half of the polled executives state that the current technical profitability of whole and term life protection products corresponds to the average of the past three years. One third have observed a deterioration and a fifth report improved profitability.

For most executives, term and whole life insurance is the most profitable product line. The price elasticity of demand is relatively low, not least because of still dominant agency distribution which frequently involves family members and friends. In addition, although growing protection books of business requires high investments, returns materialize faster than in the savings space. Also, product profitability (especially for term life insurance) is less dependent on exogenous factors such as interest rate movements. The quality of persistency and cost control are viewed as the key levers for profitability – and insurers are very much in control of these. Another factor which supports profitability is the fact that insurers face much less competition from banks when covering biometric risks. Generally speaking, the major concern raised by executives in the area of protection products is distribution, not profitability.

Those 33 % of executives who report lower mortality margins cite regulatory constraints on repricing such as in Thailand, fiercer competition from existing and new players and the impact of technology in terms of enhanced transparency through price comparison websites and simplified underwriting, for example in Indonesia.

Above average profitability, as observed by 19 % of the executive interviewees, is mainly attributed to mortality improvements (e.g. in China) and partially to the very good performance of mortgage-related credit life policies where fraud is generally lower (see chart 15).

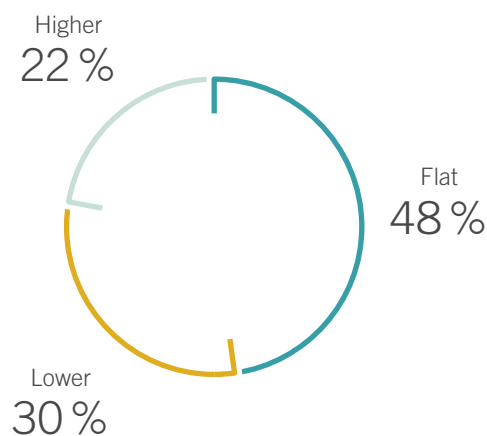
Chart 15: Current level of technical profitability as compared with the average of the past three years – Whole and term life protection products



48 % of executives expect margins on term and whole life insurance business to remain stable over the next 12 to 24 months. Those 30 % who anticipate an erosion of margins point to fiercer competition, increased regulatory interference aimed at keeping margins as low as possible as well as the impact of technology which, combined with improved customer education, is believed to make markets more contestable, i.e. easier to enter, and transparent.

22 % of interviewees anticipate improved levels of profitability as interest rates have started to rise (offering relief to whole life products), Big Data and Artificial Intelligence allow for better customer segmentation and mortality patterns continue to improve (see chart 16).

Chart 16: Outlook on technical profitability over the next 12–24 months – Whole and term life protection products



«In order to fully capture the potential for protection products in China, life insurers are advised to review their current approach to underwriting and risk pricing – which has remained virtually unchanged over the past two decades. The buying behaviour and product preferences of the younger generations have been changing quite fundamentally. At the same time, technology- and analytics-based opportunities for product innovation abound. By embracing these developments, life insurers could possibly boost both their revenues and profitability.»

**Melody Zheng, Chief Representative,
FWD China**

Savings-type business pressurised by low interest rates and regulatory challenges

The picture is different for savings-type life insurance policies, the bulk of Asia's and the global life insurance market: More than three quarters of the executives participating in the survey report profitability levels below the average of the past three years. The main concern is the protracted low interest rate environment, which has put savings-type business under severe stress. Many insurers in the region are no longer able to provide attractive returns on savings. For those insurers who primarily invest in fixed-income instruments, there are even more serious implications: Those insurers' ability to fund guarantees offered at insufficient prices in the past has been undermined. Further, as many life insurance products are of longer duration than available assets, insurers have to reinvest in lower-yielding assets. In general, Asset-Liability Management is highlighted as a major challenge given the limited depth and breadth of domestic financial markets. Even the much hoped for increase in interest rates could prove problematic as life insurers may be faced with a spike in lapse rates from consumers who switch to higher-return alternative savings products.

In addition, there are structural reasons which limit the profitability of savings-type life insurance. The most important one relates to the cost of distribution, fuelled by high commissions for banks and brokers, as for example in China and Thailand. In India, on the other hand, the regulator has capped distribution commissions.

In addition, regulatory developments exert fundamental pressure on savings-type business. Risk-based solvency regulations, similar to Solvency II in Europe, in combination with new accounting standards (IFRS 17) are weighing on earnings. Under such regimes, the economic valuation of insurers' assets and liabilities can make it uneconomical to offer long-term guarantees and assume financial market risks on behalf of policyholders – a key element of life insurers' historical value proposition.

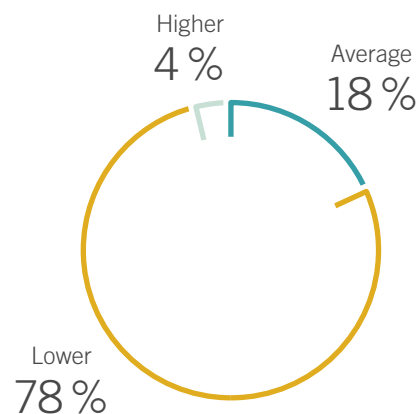
The product landscape in China has undergone the most radical changes recently after the China Banking and Insurance Regulatory Commission discouraged the sales of aggressively priced short-term universal life insurance products, in favour of long-term savings products with a protection focus (see chart 17).

«In India currently, insurers benefit from a variety of related developments. Firstly, the government is about to introduce a massive health scheme which will enrol about 40 % of India's population or 500 million people. Besides improving health coverage for the people eligible to the scheme it will also greatly improve the awareness and understanding for insurance products. Secondly, the government

is pushing for a more formalised economy where people rely less on informal than standardized protection mechanisms such as savings and life products. And finally, insurers are bound to benefit from the rise in affordable income.»

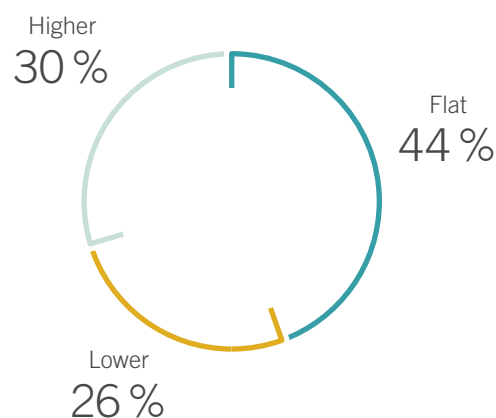
**Arvind Laddha, Deputy CEO,
JLT Independent Insurance Brokers
Pvt. Ltd.**

Chart 17: Current level of technical profitability as compared with the average of the past three years – Savings products



The profitability outlook for savings products is stable to slightly more optimistic. 30 % of the executives polled expect higher margins as interest rates seem to have crossed their low point. On the other hand, higher interest rates could hurt the competitiveness of life insurance products compared with alternative banking or wealth management solutions (see chart 18).

Chart 18: Outlook on technical profitability over the next 12–24 months – Savings products



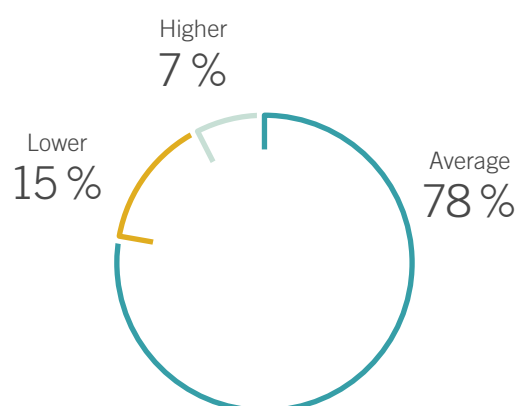
Stable profitability in the unit-linked segment

In markets such as Pakistan and Indonesia, unit-linked life insurance (ULI) products are the dominant product line. Customers tend to have a strong preference for living benefits. In addition, a relatively low stock market volatility favours ULI. The situation is different in China, for example, where market fluctuations discourage customers to buy ULI.

ULI providers make equity and other investments on behalf of policyholders in a way that is similar to mutual funds. Therefore, customers bear all the investment risk associated with such investments. However, they generally benefit from attached risk riders. Insurers are remunerated by fees. Therefore, the profitability pattern of ULI is quite stable (see chart 19) and largely immune to interest rate fluctuations as long as these do not impair the stock markets' performance.

Those executives who mention above or below ULI profitability generally point to changes in competition from banks as a key determinant of ULI margins.

Chart 19: Current level of technical profitability as compared with the average of the past three years – Investment products

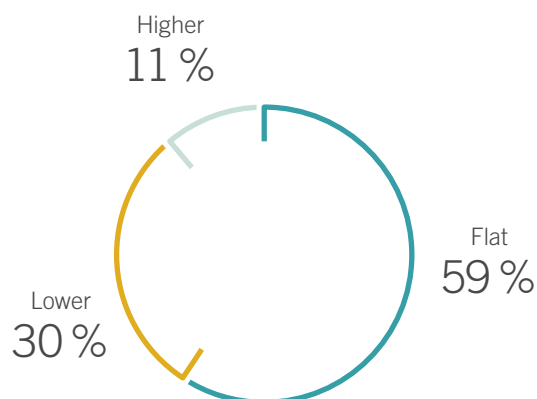


«Thailand's life insurance market still presents a lot of room for growth. The industry will benefit from the expanding economy and higher available income. Currently, consumers focus primarily on the investment aspects of the life products and less on the protection side. Thus, demand for unit-linked products is highest, ahead of all other life products.»

Joseph King-Yiu Cheung, CRO, FWD Life Insurance Public Company Limited

The muted profitability outlook for investment products, with just 11 % of executives expecting an improvement, reflects a cautious perspective on near-term stock market performance and mounting competition from banking products which bundle investment options with elements of mortality protection (see chart 20).

Chart 20: Outlook on technical profitability over the next 12–24 months – Investment products



«In light of substantial protection gaps in both mortality and health, our business is expected to continue growing faster than GDP. Protection levels still have some way to catch up with the underlying customer requirements. Sale of savings products, on the other hand, is less predictable depending on asset availability and the shape of the yield curve (which in turn sets the competitive position of life saving products vis-à-vis alternative investment vehicles).»

Keilic Wong, Deputy MD, SCB Life

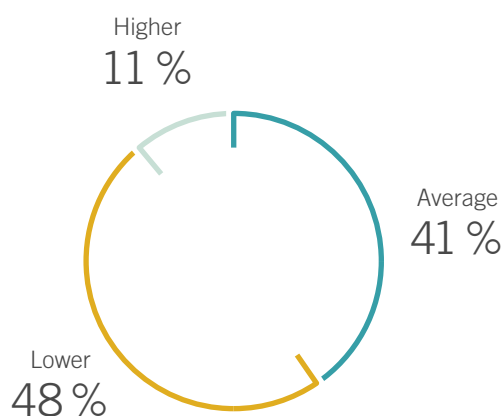
Attractive margins in health insurance

Margins on health insurance products which offer fixed benefits for critical illnesses, cancer, diabetes or in the form of hospital cash are viewed as attractive by most executives. Over the past few years, demand for such products has increased substantially, on the back of growing awareness, better education and higher disposable incomes. In addition, individual health business is characterised by a relatively low degree of price sensitivity.

Having said this, 48 % of executives state that the profitability of health insurance has eroded over the past three years. Reasons include: First, more intense competition, also through new market entrants; second, government interference such as the need to guarantee rates in China irrespective of changing loss trends and regulatory pressure in Thailand to maintain claims ratios at certain (minimum) levels; third, higher morbidity incidence rates in general (for example cancer and heart disease in China); and, fourth, medical inflation, not least due to poor cost control on the part of doctors and hospitals.

Being driven by brokers, group health insurance is more competitive and price-sensitive than individual health insurance which, in turn, exhibits a higher frequency of fraud, especially in hospital cash (see chart 21).

Chart 21: Current level of technical profitability as compared with the average of the past three years – Health insurance (fixed benefit)

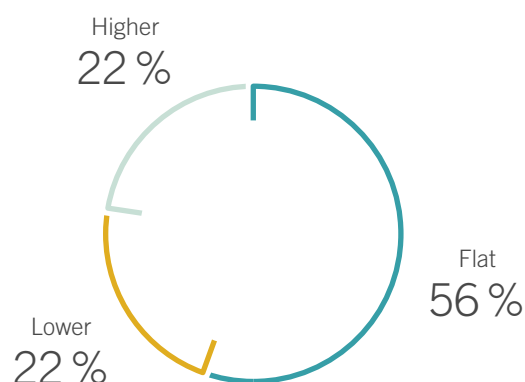


«In some markets where long term guarantees are offered on critical illness, it is still too early to judge their profitability. Over time, we expect competition to increase in the health market and profitability to come down. Insurers should look to cushion that effect through market or product innovation.»

**Siao Wearn Leong, Director,
Health Insurance, Willis Towers
Watson**

Going forward, 56 % of the executives polled do not foresee any changes to profitability in the fixed-benefit space over the next 12 to 24 months. Opportunities such as the use of modern technologies and analytics for underwriting and claims settlement and a robust growth in demand, are expected to be offset by worsening incidence trends, new market entrants and regulatory constraints on repricing (e.g., as mentioned, Critical Illness products in China). Overall, with just 22 % of executives expecting eroding margins the profitability prospects of health insurance rank highest in terms of projected profitability among all covered product lines (see chart 22).

Chart 22: Outlook on technical profitability over the next 12–24 months – Health insurance (fixed benefit)



«For the health products, such as critical illness or reimbursement plans, we expect that going forward their profitability will remain stable or might even decline slightly. Customers' awareness and product understanding is improving and thus claims are expected to rise. For the savings products by contrast, we expect an improvement in profitability as interest rates will stabilise and reserve requirements may ease somewhat.»

**Sean Hsiang Kau, Appointed
Actuary, Hanwha Life Vietnam**

«Most regional life insurers tread very carefully when it comes to the adoption of digital technology. Current initiatives focus on achieving internal cost savings. Genuinely revenue-driven programmes are rare, also because insurers are very sensitive about potential channel conflicts and the risk of alienating their proven agency forces.»

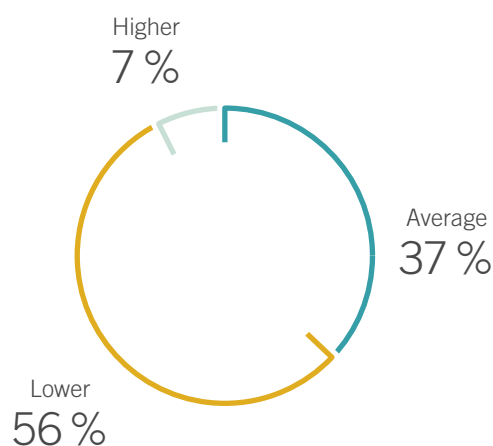
**Augusto Hidalgo, CEO,
National Reinsurance Corporation
of the Philippines**

Medical insurance margins squeezed by cost inflation and commoditisation

Besides savings, medical (reimbursement-type) insurance is viewed as presenting the most serious profitability challenges, for example in India. 56 % of the executives polled consider the current level of margins as being below the average of the past three years. Many customers see medical insurance as a 'commodity', similar to motor insurance. Therefore, this product line is exceptionally price competitive, especially in brokered group medical insurance where sophisticated corporate buyers are involved. In individual medical insurance, fraud, moral hazard and adverse selection weigh on margins. Additional competitive pressure arises from endemic medical inflation (exacerbated by governments preventing insurers from repricing) and non-life insurers' propensity to cross-subsidise medical business in order to generate premium float. In contrast, life insurers have much less leeway for cross-subsidisation. More generally, medical insurance is viewed as a 'crowded market' by many executives.

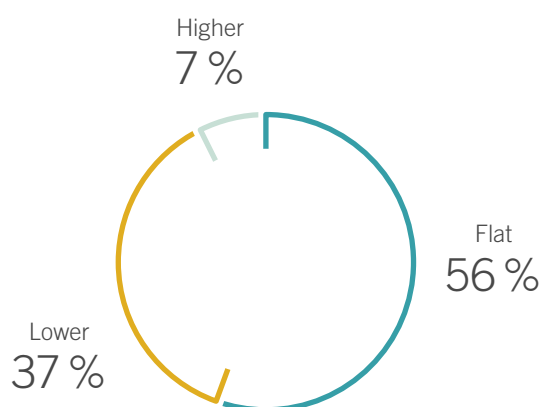
Having said this, China is an example for innovation which can support medical insurance margins: Some insurers offer high-deductible policies which prove increasingly popular with customers. In addition, a number of carriers have extended their value chain by purchasing hospitals in order to improve cost control. The effectiveness of these measures has been further increased through government initiatives designed at curbing medical inflation (see chart 23).

Chart 23: Current level of technical profitability as compared with the average of the past three years – Medical insurance (reimbursement type)



The outlook for medical reimbursement products is less favourable than for fixed-benefit health insurance for two major reasons mentioned before: the line's comparatively commoditised nature and a frequently limited scope for repricing (depending on the regulatory regime). With 37 % expecting heightened pressure on margins medical insurance is viewed least favourably by the executives polled (see chart 24).

Chart 24: Outlook on technical profitability over the next 12–24 months – Medical insurance (reimbursement type)



«The perception of life insurance in Indonesia is gradually changing. Traditionally, customers primarily viewed it as an alternative savings and investment vehicle. However, driven by the country's large Millennial population and improving levels of education and awareness, protection products such as term life and critical illness policies are gaining in popularity.»

**Fred Chan, Former Chief Actuary,
Asuransi Jiwa Manulife Indonesia**

Glossary

Term life insurance

Term insurance is the simplest form of life insurance. It pays only if death occurs during the term of the policy, which may range from one year to several decades. Most term policies have no other benefit provisions such as a cash value.

Whole life insurance

Whole life insurance pays a death benefit whenever the policyholder dies. In the case of traditional whole life, both the death benefit and the premium are designed to stay the same (level) throughout the life of the policy. The cost per each currency unit of benefit increases as the insured person ages. The insurance company keeps the premium flat by charging a premium that, in the early years, is higher than what is needed to pay claims, investing that money, and then using it to supplement the level premium to help pay the cost of life insurance for older people.

Universal life is a variation of whole life that allows more flexibility. The savings vehicle (called a cash value account) generally earns a money market rate of interest. After money has accumulated in the account, the policyholder will also have the option of altering premium payments—providing there is enough money in the account to cover the costs.

Savings-type life insurance

Such policies, for example endowments, are designed to pay a lump sum after a specific term (on 'maturity') or on death. Returns on the money invested by the policyholder are frequently guaranteed.

Investment-type life insurance

The most common example is unit-linked insurance which is basically a mutual fund and a term insurance plan rolled into one. The customer does not participate in the profits of the insurance plan per se but gets the returns from the funds he or she has chosen to invest in.

Fixed-benefit health insurance

Under such policies benefits are usually paid as a lump-sum or as an income stream. Benefits include hospital cash, critical illness insurance, disability income and long-term care insurance.

Reimbursement-type medical insurance

Under such policies healthcare costs arising from illness or injury are reimbursed after services have been provided. Deductibles and co-payments generally reduce the amount of reimbursement.

Appendix: Market statistics

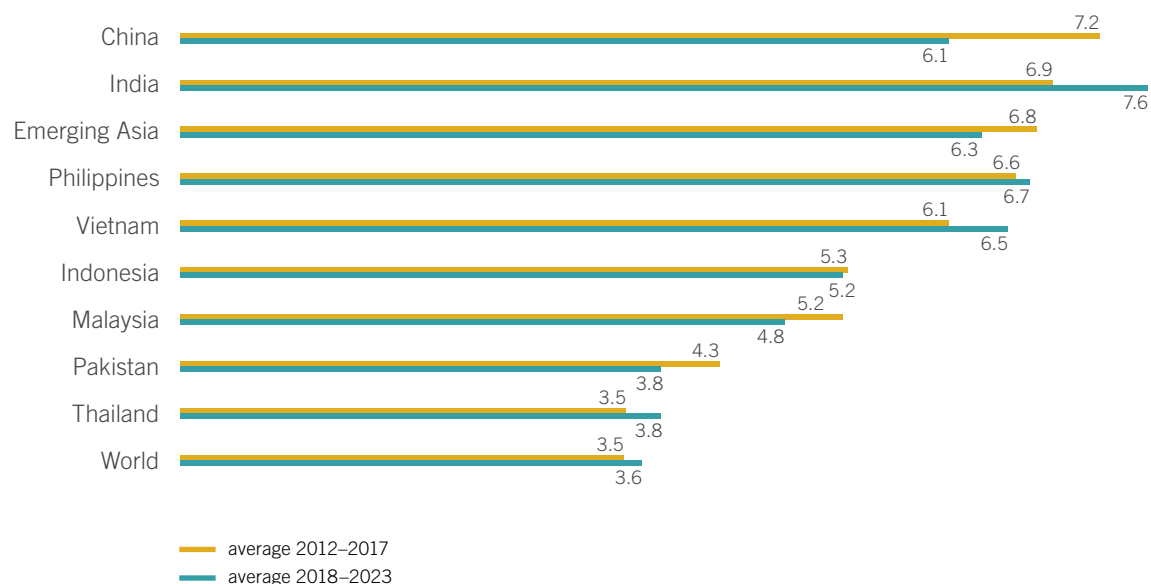
The following section is designed to present and analyse the most relevant and updated market data relating to life and health insurance in Emerging Asia. How have these markets performed recently in terms of growth and penetration? How does this performance compare with their non-life counter-parts and with global benchmarks? The following statistics offer a framework which facilitates the assessment of the survey findings.

Emerging Asia is growing twice as fast as the global economy

Emerging Asia (see chart 25 for a definition) has a total population of 3.6 billion. The region generates a GDP of about US\$ 17.5 trillion which is equivalent to 22 % of the world's total.

At an inflation-adjusted growth rate of 6.8 % per annum between 2012 and 2017, the economies of emerging Asia expanded almost twice as fast as the world economy as a whole over the same period of time. Going forward, albeit projected to decrease slightly, this growth differential will remain fundamentally intact (see chart 25).

Chart 25: Real GDP growth (2012–2023f; annual averages, in %)



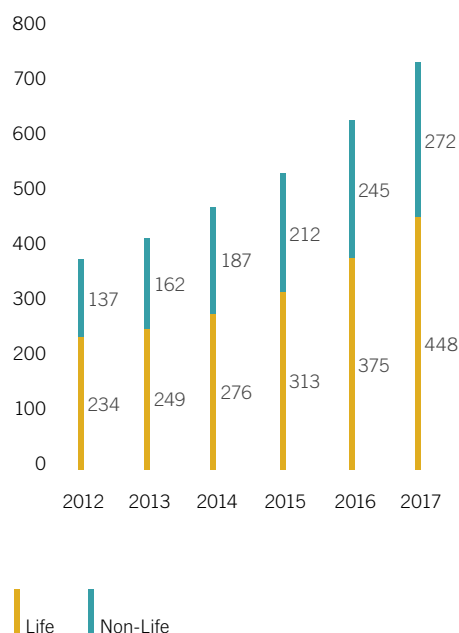
Source: IMF, World Economic Outlook (October 2018), Emerging & developing Asia includes the following countries: Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, India, Indonesia, Kiribati, Lao P.D.R., Malaysia, Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, and Vietnam

Insurance penetration gap with the global average is narrowing

According to chart 26, at a share of 62 % of total premiums, life insurance business plays a particularly important role in emerging Asia, in comparison with life insurance's global share of 54 %. Having said this, the region's life insurance penetration (premiums as a share of GDP) still falls short of the global average (2.5 % versus 3.3 %). The gap is even wider in non-life insurance. In 2017, non-life insurance premiums in emerging Asia accounted for just 1.5 % of GDP, compared with the global average of 2.7 %.

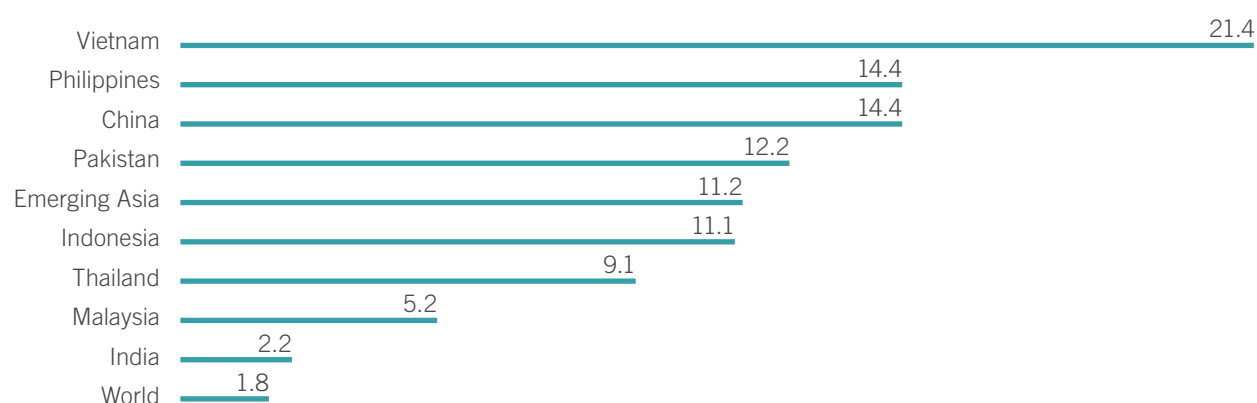
From 2012 to 2017, emerging Asia's life insurance markets significantly outgrew the underlying economies (at an average annual rate of 11.2 %, see chart 27). The region's life insurance penetration, therefore, expanded strongly (see chart 31). Emerging Asia's non-life markets grew even more briskly by 14 % p.a. over the same period of time (see chart 28). As a result, both the region's life and non-life insurance penetration ratios increased and continued to narrow the gap with the global average.

Chart 26: Emerging Asia's insurance premiums by type (2012–2017, life versus non-life, in US\$ billion)



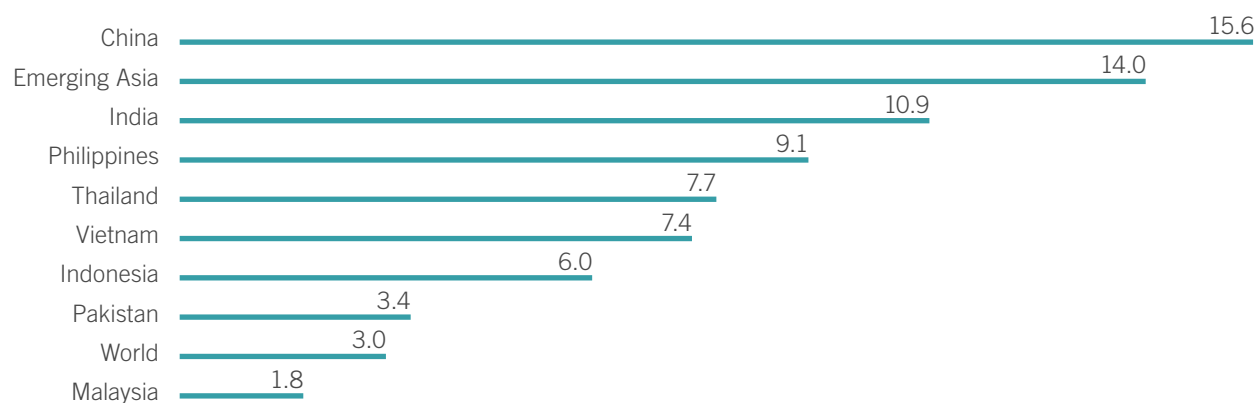
Source: Dr. Schanz, Alms & Company calculations based on Swiss Re sigma explorer data; Emerging Asia comprising of Bangladesh, Brunei, China, India, Indonesia, Cambodia, Laos, Sri Lanka, Myanmar, Mongolia, Macau, Malaysia, Nepal, Pakistan, Philippines, Thailand, Vietnam

Chart 27: Life real premium growth (2012–2017, annual averages, in %)



Source: Dr. Schanz, Alms & Company calculations based on Swiss Re explorer data;
Emerging Asia comprising of Bangladesh, Brunei, China, India, Indonesia, Cambodia, Laos, Sri Lanka,
Myanmar, Mongolia, Macau, Malaysia, Nepal, Pakistan, Philippines, Thailand, Vietnam

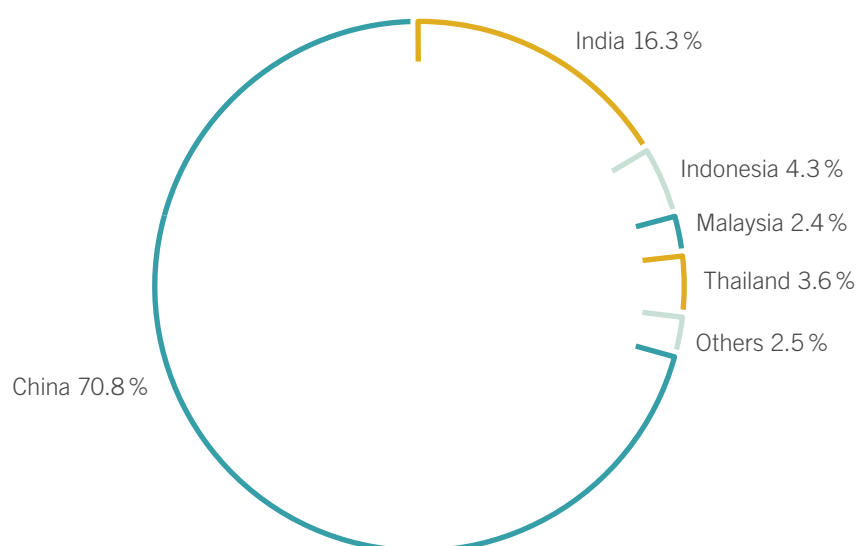
Chart 28: Non-life real premium growth (2012–2017, annual averages, in %)



Source: Dr. Schanz, Alms & Company calculations based on Swiss Re sigma explorer data;
Emerging Asia comprising of Bangladesh, Brunei, China, India, Indonesia, Cambodia, Laos, Sri Lanka,
Myanmar, Mongolia, Macau, Malaysia, Nepal, Pakistan, Philippines, Thailand, Vietnam

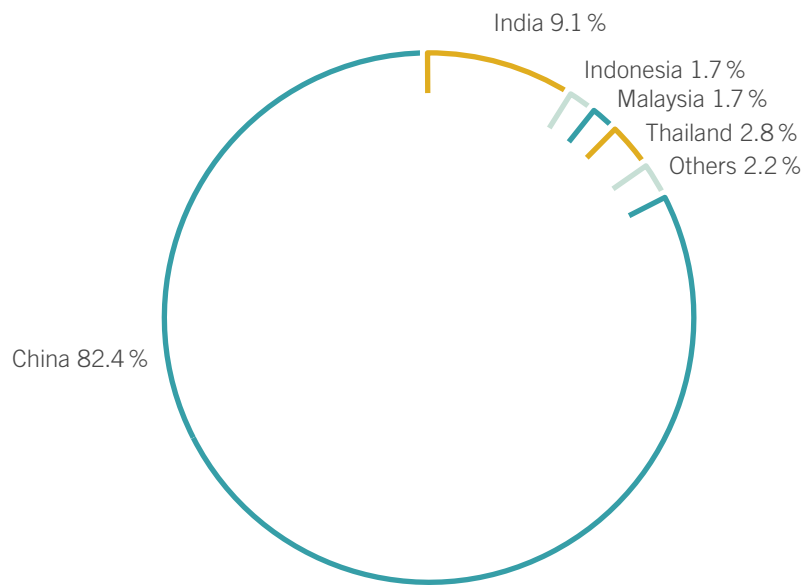
China accounts for more than 70 % of emerging Asia's life insurance premiums. India, the second largest market contributes one sixth to the total. China's dominance is even more pronounced in non-life business with a regional share of 82 % (see chart 29).

Chart 29: Geographical split of life insurance premiums of emerging Asian economies, 2017, share in %



Source: Dr. Schanz, Alms & Company calculations based on Swiss Re sigma explorer data

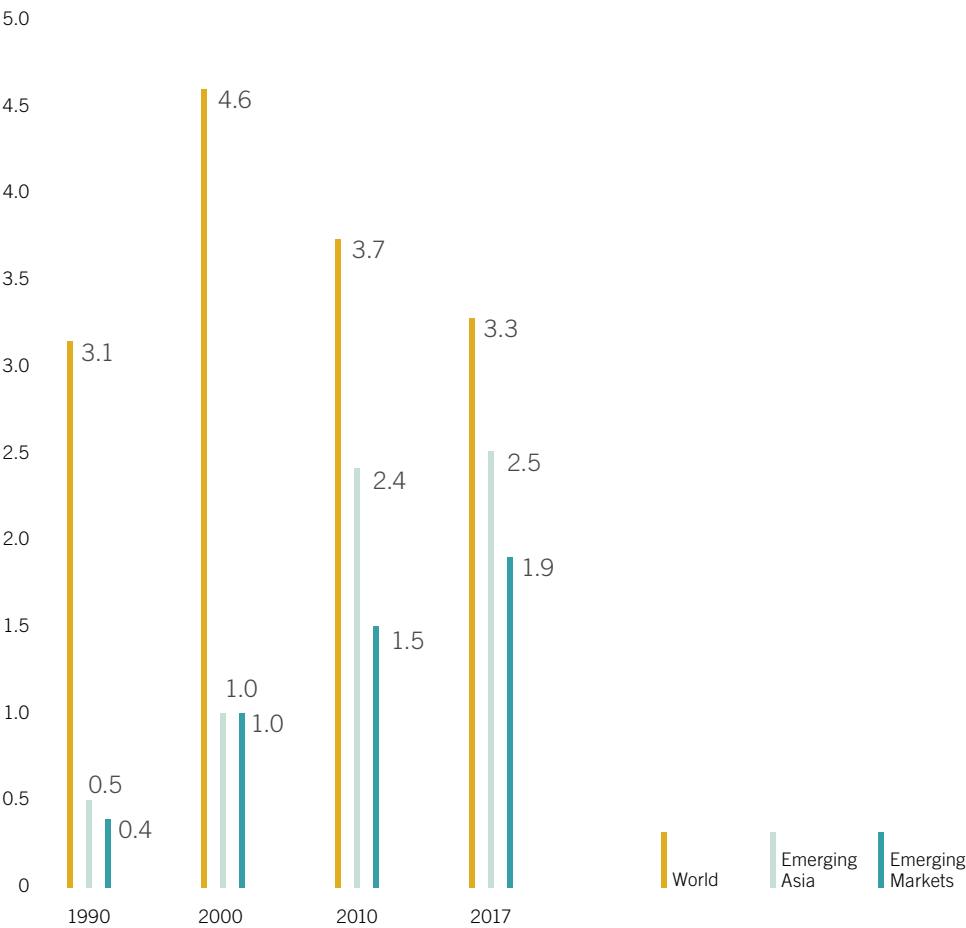
Chart 30: Geographical split of non-life insurance premiums of emerging Asian economies, 2017, share in %



Source: Dr. Schanz, Alms & Company calculations based on Swiss Re sigma explorer data

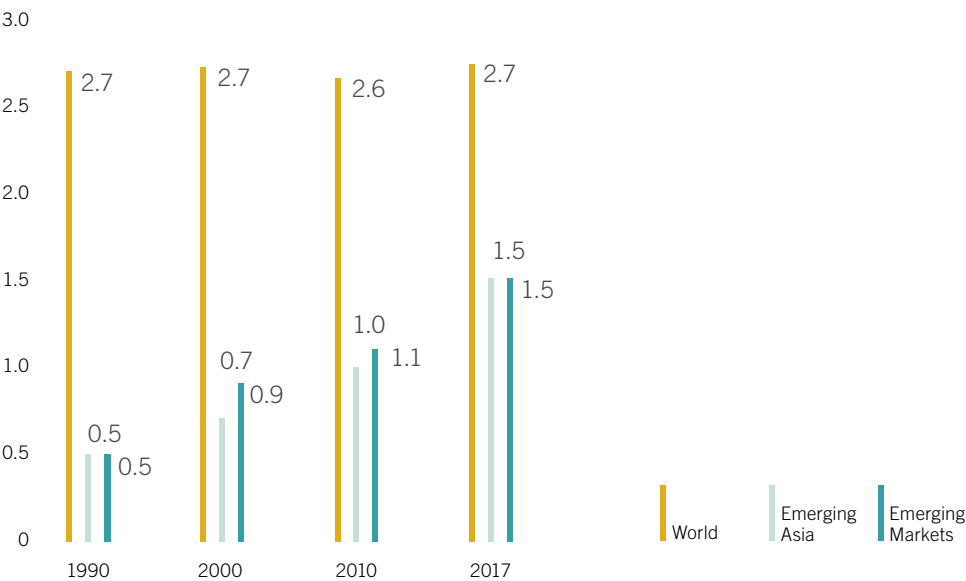
Charts 31 and 32 offer a longer-term view on insurance penetration. Emerging Asia’s life insurance penetration has quintupled since 1990 but shown a rather stagnant pattern in the more recent years. By contrast, emerging Asia’s non-life penetration has «only» tripled over the same period of time but displays a more stable growth trajectory than life insurance penetration.

Chart 31: Life insurance penetration (premiums as % of GDP), 1990–2017



Source: Dr. Schanz, Alms & Company calculations based on Swiss Re sigma explorer data

Chart 32: Non-life insurance penetration (premiums as % of GDP), 1990–2017



Source: Dr. Schanz, Alms & Company calculations based on Swiss Re sigma explorer data

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About Dr. Schanz, Alms & Company

Since its foundation in 2008, Dr. Schanz, Alms & Company has built a track record as an expert research, communication and business development consultancy for international financial services institutions. The firm supports its clients in researching and analysing their business environment, developing and implementing a distinct strategic profile and effectively communicating with their key stakeholders.

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