

## Update on Life insurance in Asia Pacific and Solvency II

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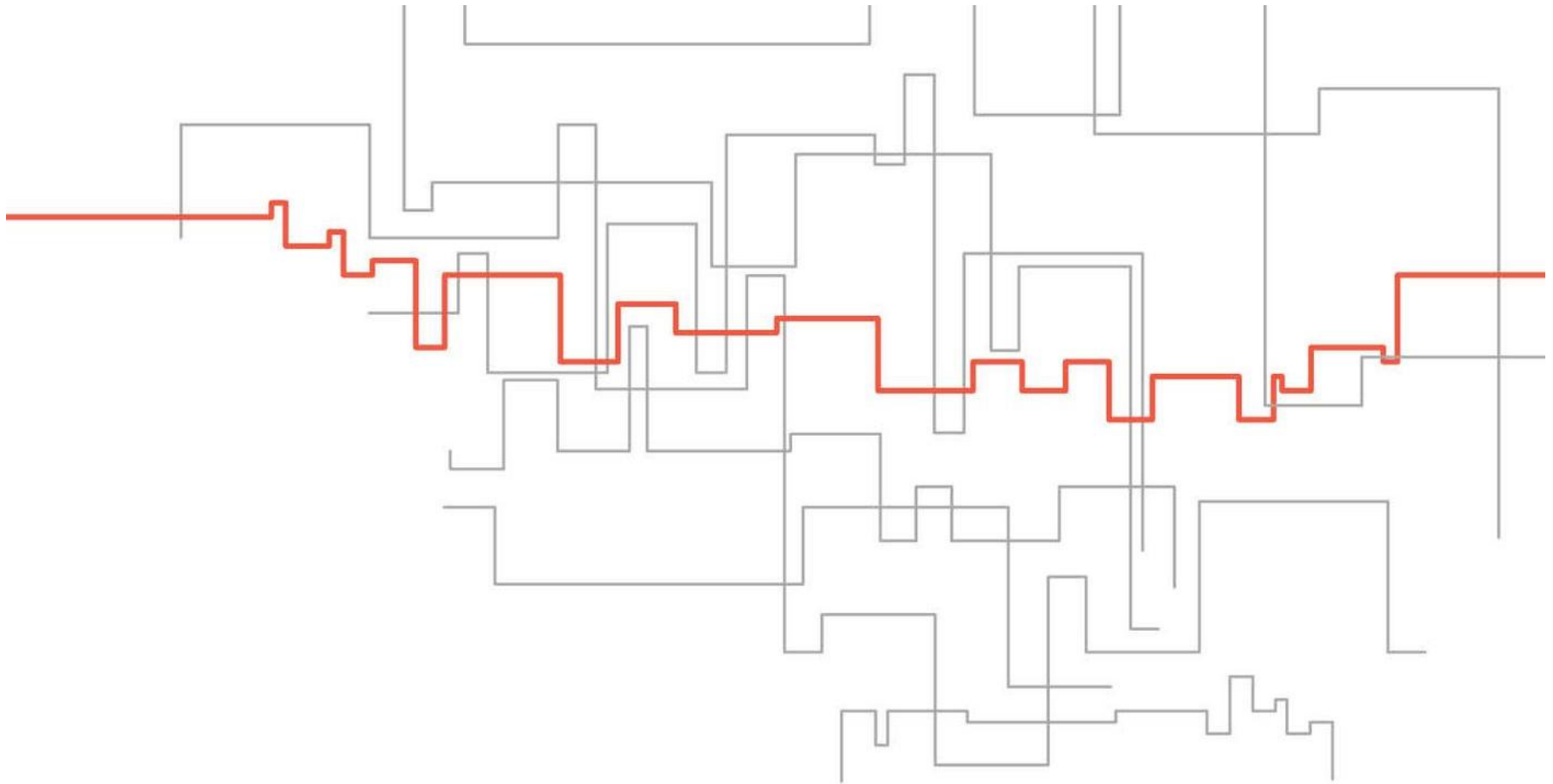
**Evolving Frontiers, Exciting Prospects**

***16th Global Conference of Actuaries & 2014 AGFA***

***17th – 18th Feb, 2014 Mumbai - India***

# Agenda

- Market Update: Life insurance in Asia Pacific
  - Life insurance penetration – current and projected
  - Attractive fundamentals
  - Gross written premium – current and projected
  - Relative attractiveness of different markets in Asia
- Supervisory risk capital measures around the world
  - Risk requirements in Asia Pacific  
(including country-wise update)
  - Latest position of Solvency II in Europe  
(including country-wise update)

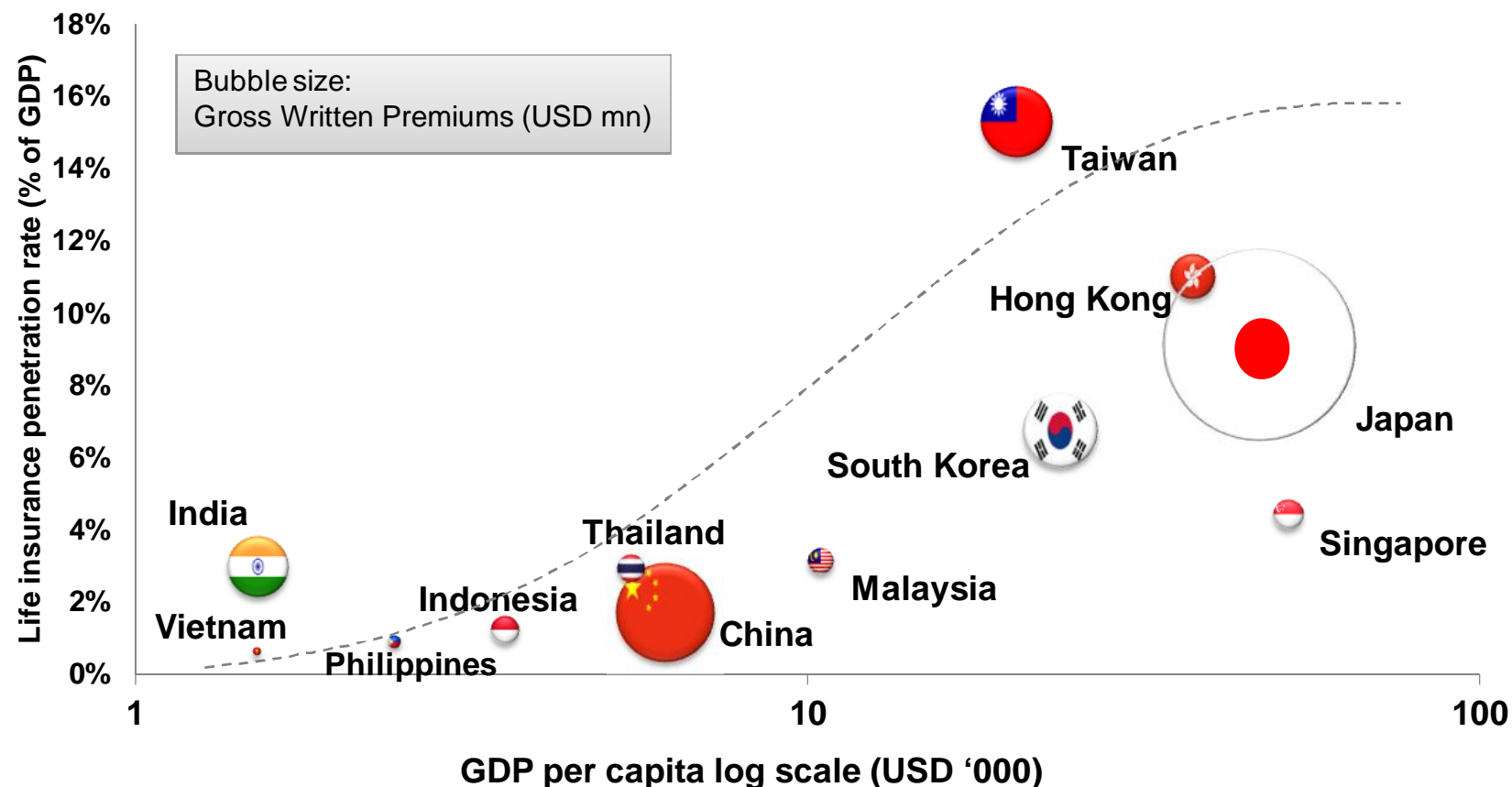


## **Market Update: Life insurance in Asia Pacific**

# Life Insurance Penetration in Asia - Current (2012)

“Asia is diverse with a mix between Developed, Emerging and Frontier markets. Each market has different characteristics and requires a tailored approach to success.”

## Life insurance penetration vs Gross Domestic Product (GDP)

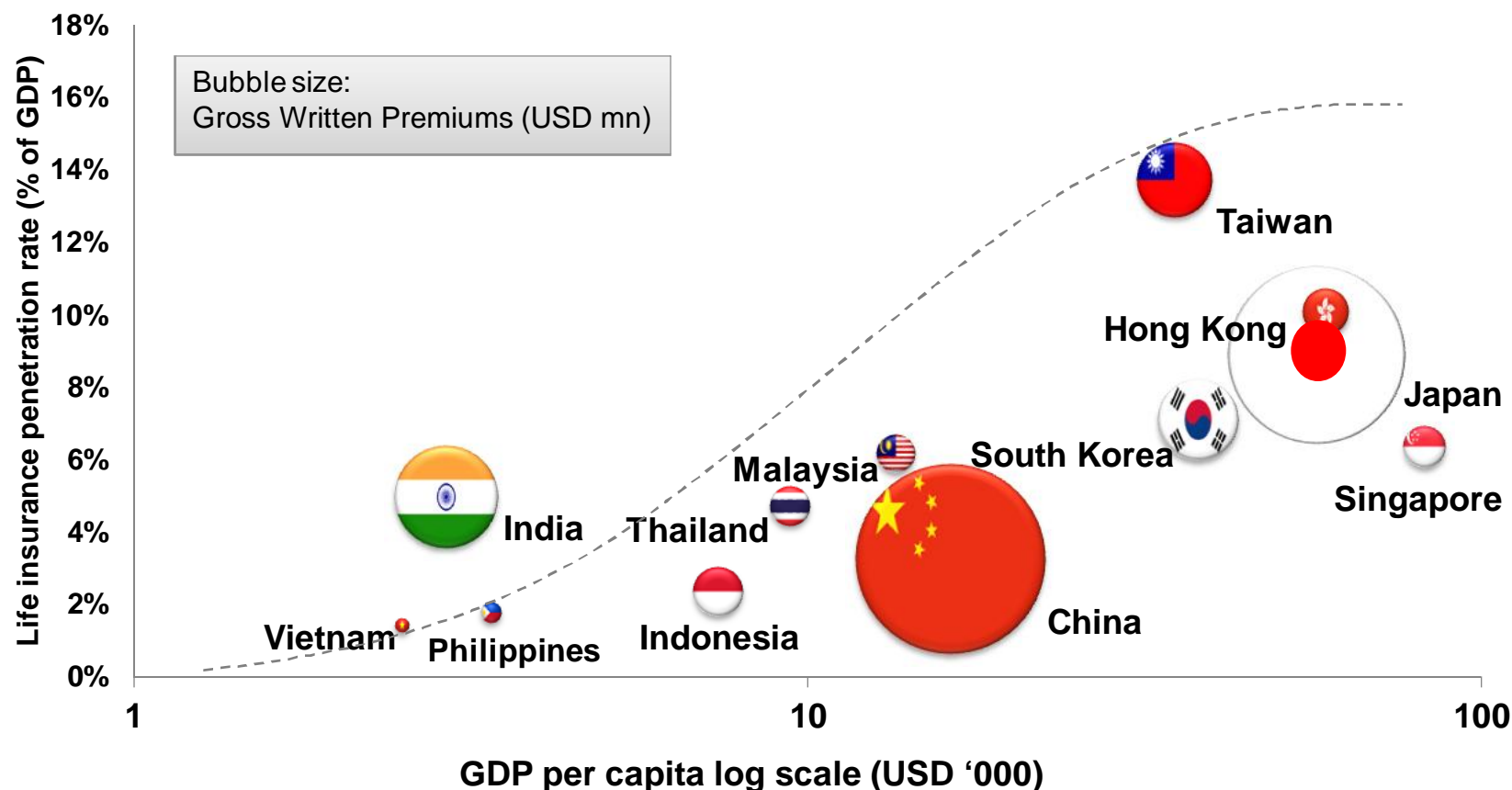


Source: IMF World Economic Outlook, October 2012; World Bank; United States Census Bureau; International Monetary Fund; Swiss Re

# Life Insurance Penetration in Asia - Projected (2025)

“Towers Watson’s projections indicate a significant uplift in life insurance penetration rates in Asia as countries move up the value ladder”

## Life insurance penetration vs Gross Domestic Product (GDP)



Source: Towers Watson Estimates based on Towers Watson Projections Model

## Attractive Fundamentals...

(...A Sample beyond population, penetration and demographics)



**Growth  
Wealth**



**Continued  
Urbanisation**



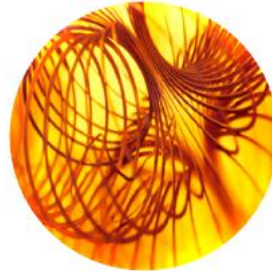
**Expanding  
Middle Class**



**High Savings  
Ratios**



**New  
Technologies**



**“Connected”  
Societies**



**Evolving  
Distribution**

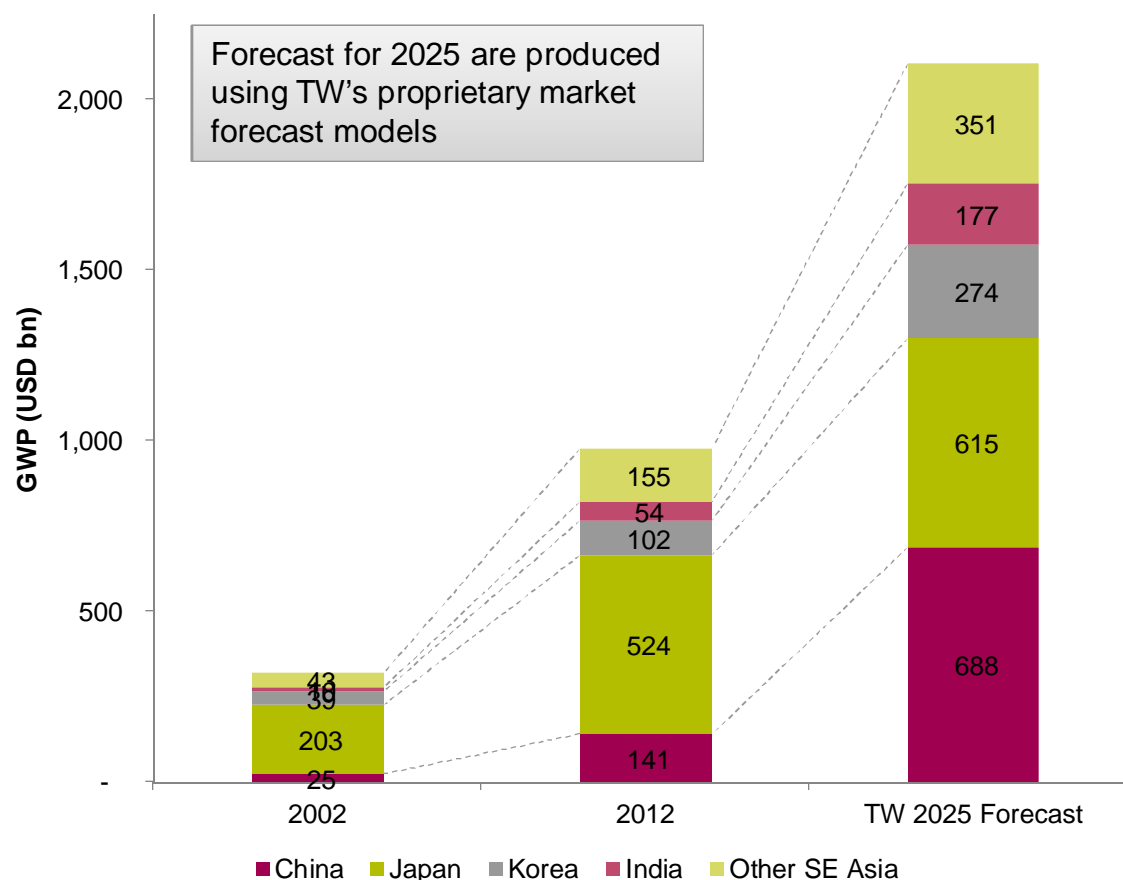


**Takaful  
& Micro**

## Gross Written Premiums - Life insurance in Asia

“Asia has seen considerable growth in the last decade and is still expected to deliver impressive growth. Towers Watson estimate that total Asia Life premiums will exceed USD 2 Trillion by 2025.”

### Life Insurance Market Sizes

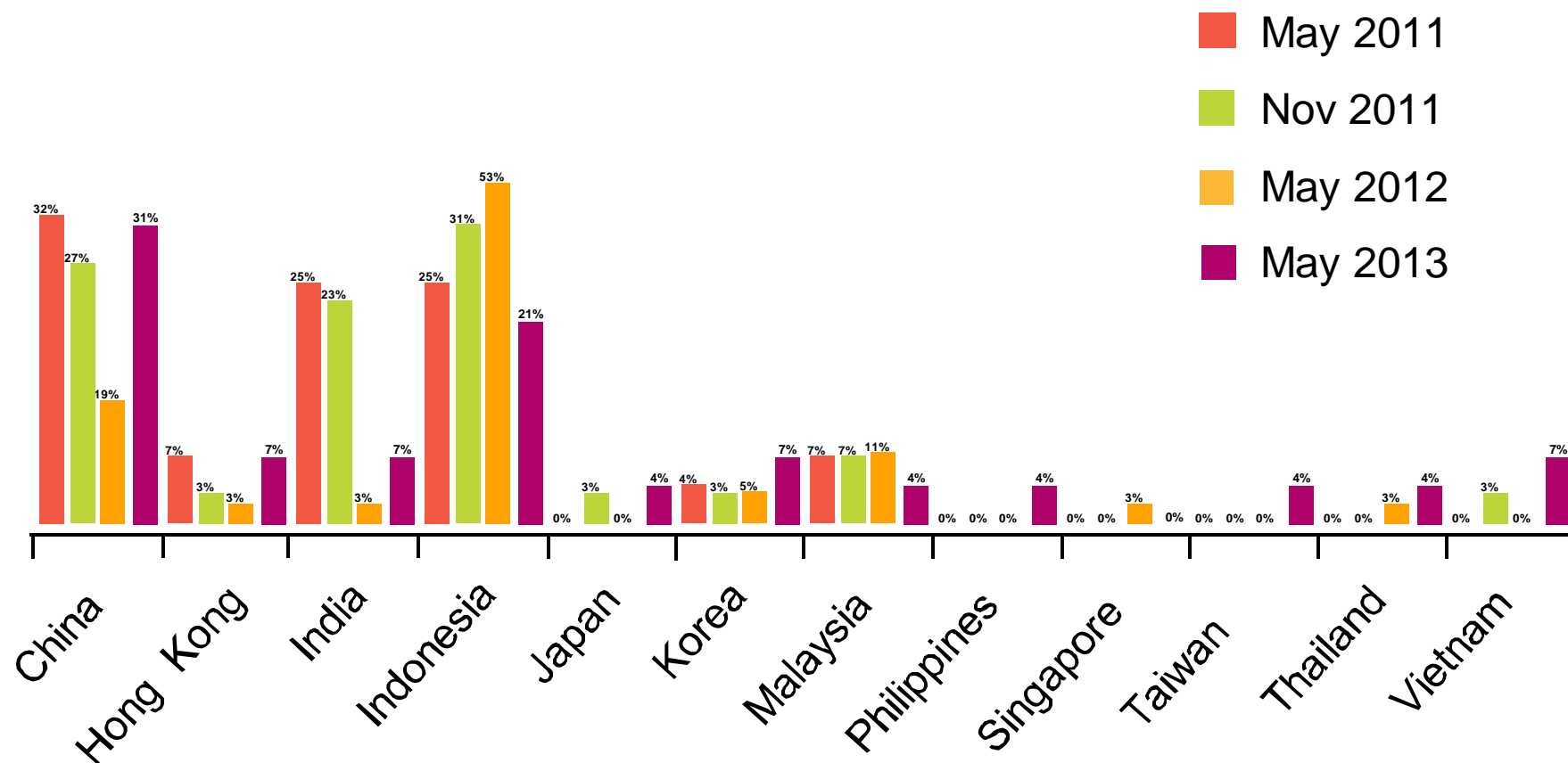


GWP (CAGR)	Actual (2002-2012)	TW- Forecast (2012-2025)
China	18.80%	13.00%
Hong Kong	13.10%	4.10%
India	18.00%	9.60%
Indonesia	29.20%	12.60%
Japan	10.00%	1.20%
Korea	10.10%	7.90%
Malaysia	11.60%	10.80%
Philippines	15.40%	6.50%
Singapore	8.00%	3.80%
Taiwan	13.30%	4.50%
Thailand	16.50%	9.30%
Vietnam	10.60%	12.80%

Source: Actual GWP figures 2012 : Swiss Re Statistical appendix; TW- Forecast (2012-2025): Towers Watson Estimates based on Towers Watson Projections Model

## Significant interest in South East Asia

“Q: Assuming you had to make an acquisition and you had the available capital and could buy a company in the top 5, which one market in Asia would you make the acquisition in?”

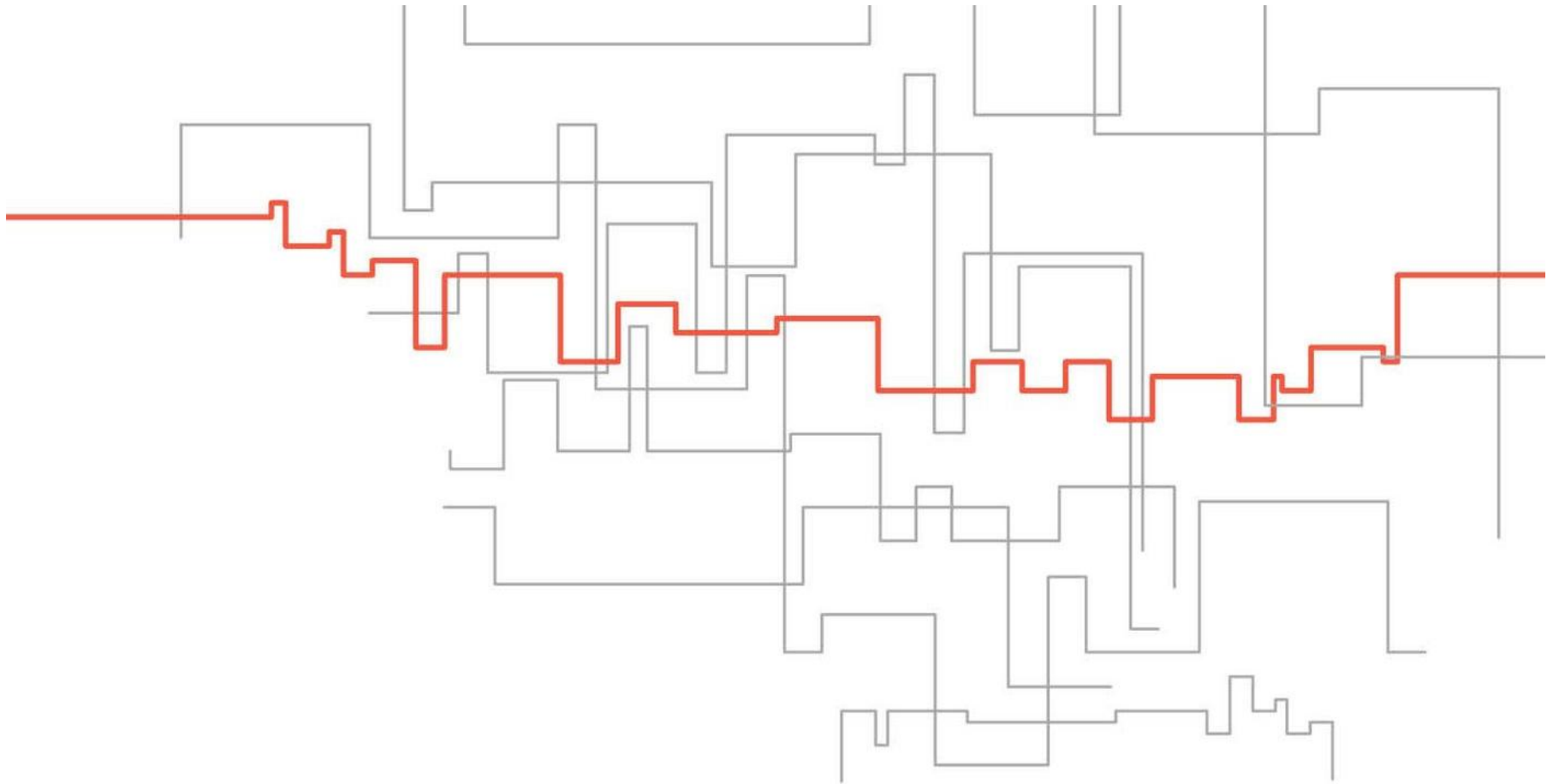


Source: On-site voting results of Towers Watson Asian Financial Management Forums



# Challenges of Succeeding in Asia (A Sample)





**Supervisory risk capital measures around the world**

## Transformation of Risk Requirements in Asia Pacific Markets

“Regulators in many of Asia Pacific’s markets are transforming their risk measurement and management requirements in a manner similar to action being taken in other parts of the world as the trend to more rigorously regulate and govern insurers’ solvency is gaining momentum”

Pivotal trends in emerging solvency frameworks:

- Principle-based, not rule-based regulation
- Responsibility belongs with the board and senior management team
- Risk-sensitive regulatory capital requirements based on current assumptions
- Valuation approach that recognizes the interdependence between assets, liabilities, regulatory capital requirements and available capital resources
- Regulatory capital requirements underpinned by an internal assessment of solvency
- Focus on explicit and transparent management of risks
- Clear linkage between risks, capital requirements and business/strategic issues



# Transformation of Risk Requirements in Asia Pacific Markets

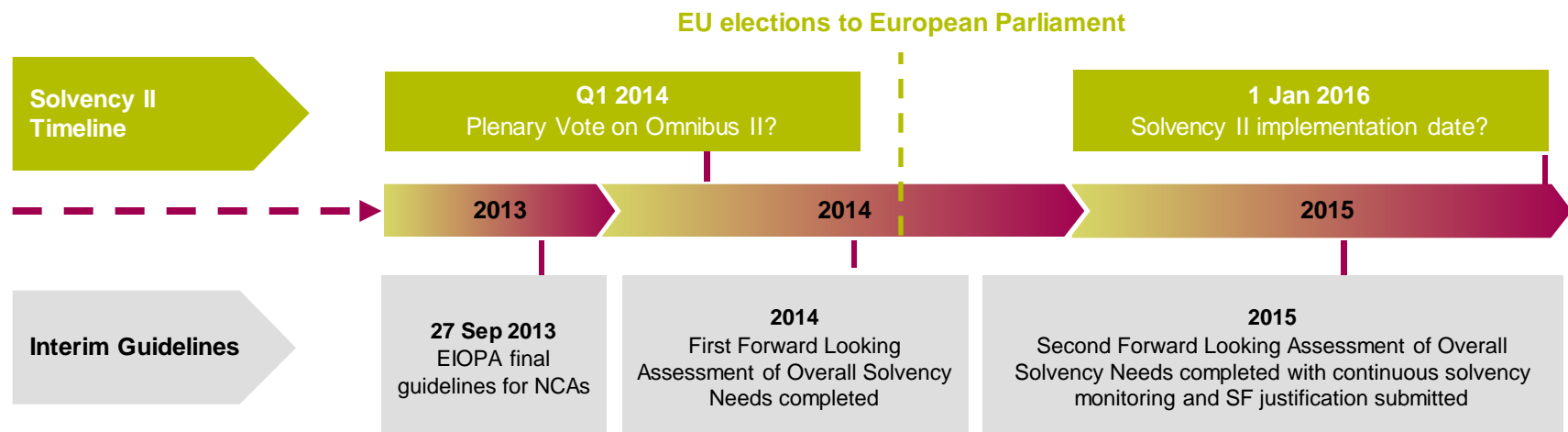


## Country-specific risk management & measurement advances in A-PAC:

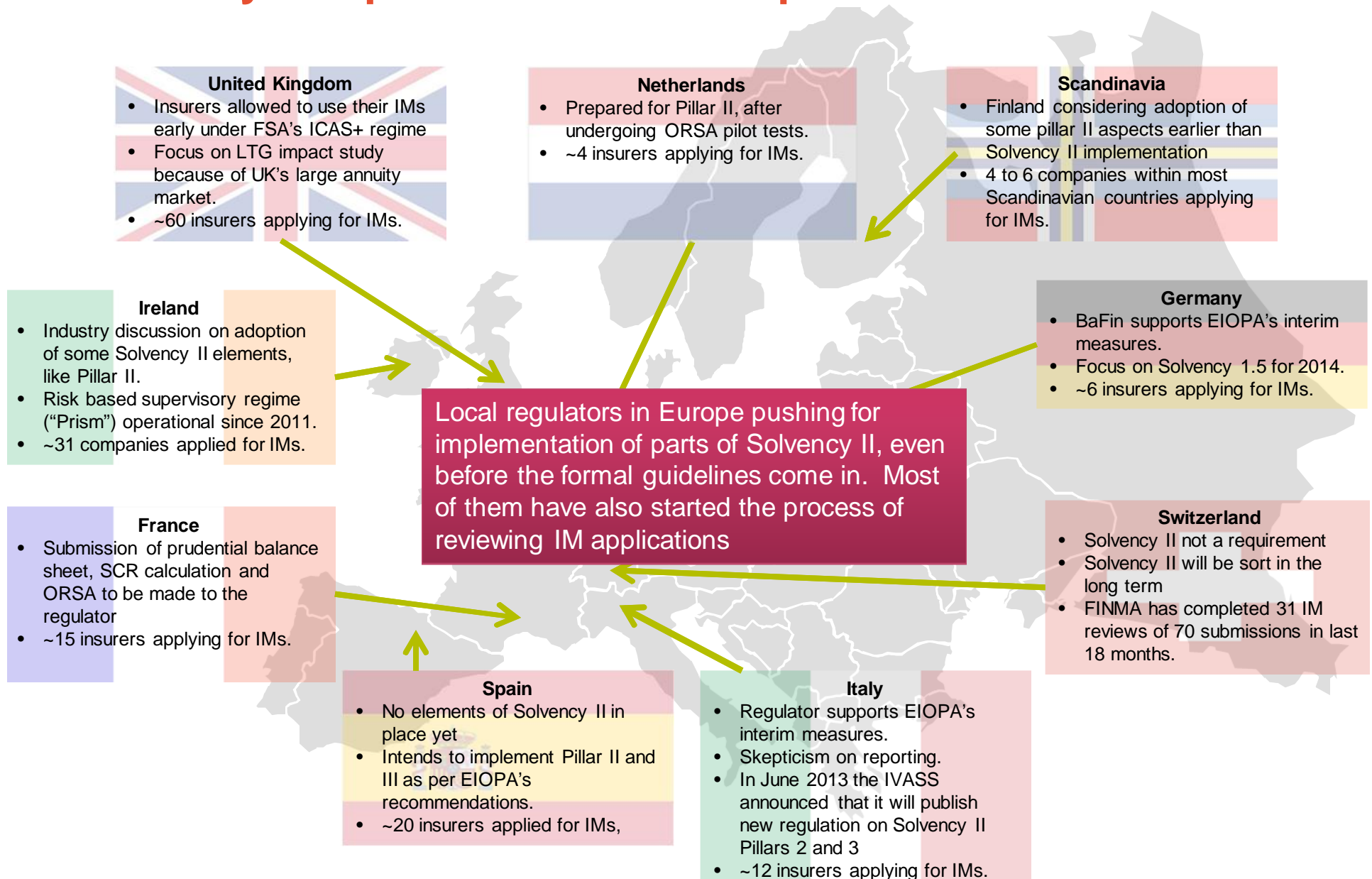
- **Australia:** APRA's new capital standards effective since January 2013. Expected to improve risk sensitivity and align risk measurement and management.
- **China:** CIRC heading towards a risk based solvency regime. Companies given 2014 as a deadline to implement the latest ERM guidelines (Nov 2010)
- **Hong Kong:** OCI is working towards an RBC, expected to come in-force by 2016/17
- **Japan:** Risk based capital frame work in place since 2012. Regulator inclining towards moving to the Solvency II regime.
- **India:** IRDA believed to be exploring the possibility of implementing an RBC framework privately. An exposure draft to assign risk weights to financial assets supporting insurance liabilities was released in 2013
- **Indonesia:** Revised RBC framework effective since 2013. Reserving requirement also revised from NPV to GPV.
- **Malaysia:** Guidelines on risk governance finalised in 2013. RBC framework for Takaful companies effective from 2014.
- **Singapore:** MAS to request for QIS in early 2014, followed by implementation of RBC2 by the end of 2014.
- **South Korea:** RBC framework effective since 2011. Updates based on review of various aspects of risk based capital calibration, to come through in 2014.
- **Sri Lanka:** Final RBC Framework for Sri Lankan insurers issued in October 2013. Framework is scheduled to become effective for regulatory reporting in 2016 and from the first quarter of 2014, companies are required to submit results on both regulatory bases.
- **Thailand:** OIC introduced first phase of RBC in September 2011, and second phase in January 2013

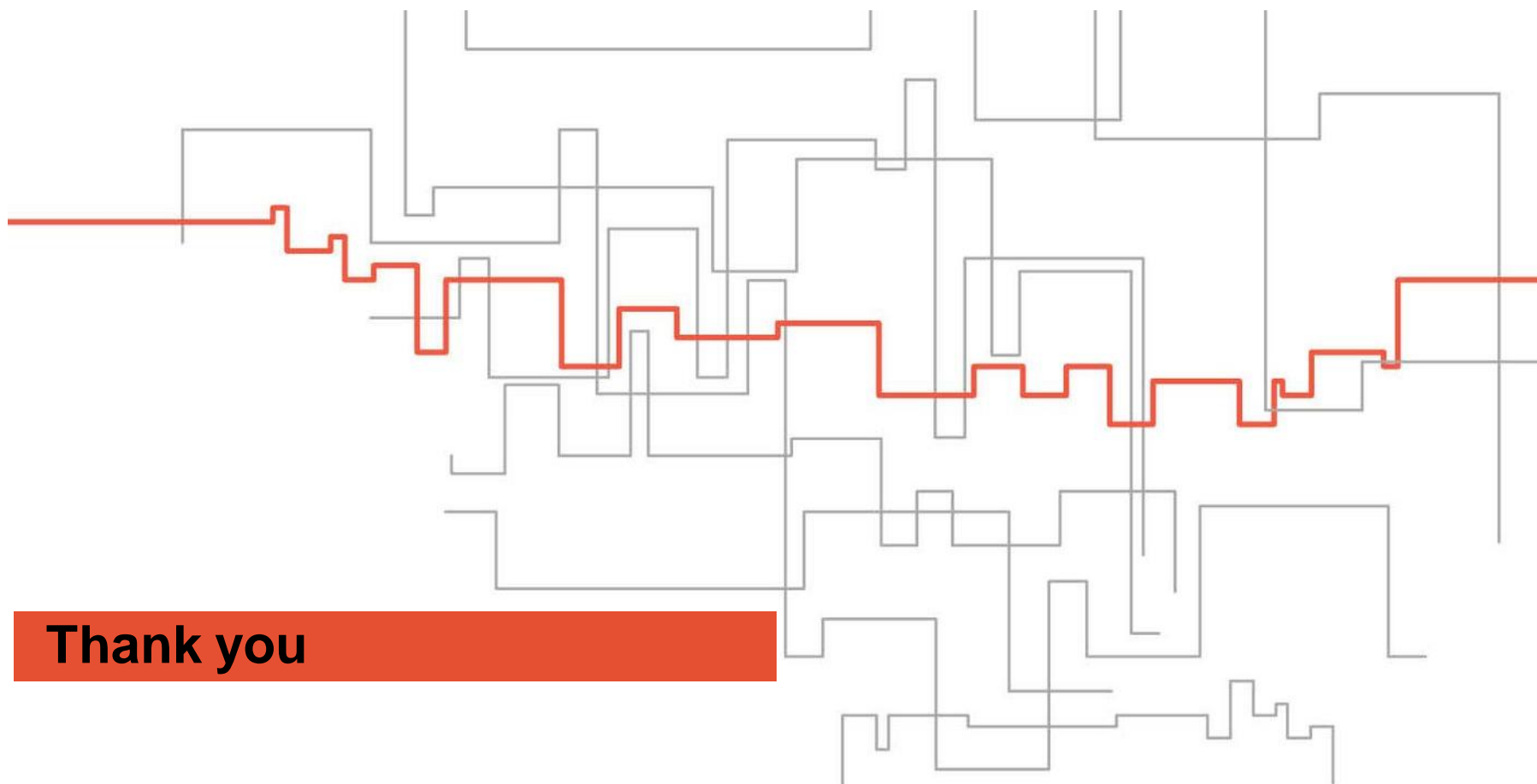
## Solvency II: Update on the latest position

- Despite many delays, the general expectation is that Solvency II will be passed (eventually)
- Strong feeling that Solvency II Directive (Omnibus II) will be approved and many local regulators will adopt interim measures
- Firms in Europe more likely to concentrate on addressing the interim measures based on their local regulators demands
- Firms to have 16 years to build up full Solvency II technical provisions on their existing business
- Certain areas of uncertainty remain: Treatment of long term guarantees, contract boundaries and specific issues on Pillar III



# Solvency II: Update on the latest position





**Thank you**

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