

2013 Convention

**new solutions for a new world**

31 Oct - 1 Nov 2013

Sandton, Johannesburg

ACTUARIAL  
SOCIETY  
OF SOUTH AFRICA



# Life Insurance In The BRICS Countries

Demetre la Grange

2013 Convention

31 Oct & 1 Nov

# Agenda

1. Why consider the other BRICS countries?
2. Overview of each country
3. What can we learn from it?

# Don't underestimate BRICS

“Television won't be able to hold on to any market it captures after the first six months. People will soon get tired of staring at a plywood box every night.”



*DARRYL F. ZANUCK, HEAD OF 20TH CENTURY FOX, 1946*

# Brazil



- Background
  - 200m people
  - Low penetration of life insurance – around 1%
  - Different stages of insurance growth – group, credit life, individual life
- Insurance framework
  - No barriers to foreign insurers entering market
  - Potential for state-owned insurer with focus on infrastructure and other insurance of national interest
  - Going through process of transforming their insurance regulatory body

# Brazil

- Developments and current status
  - Group life business started growing well approx 10 years ago
    - now about 60% of life premiums
  - Credit Life growth more recently – about 25% of life premiums
  - Individual life market is small, but seen as the next area of growth
  - Distribution model is key – large Bancassurance market
  - Microinsurance also identified as growth area

- Benefits and products
  - Significant social benefits for lower paid, eg savings fund into which employer pays 8% of salary – fund used for retrenchment, CI, retirement or death
  - GLA benefits common
  - Long term disability through pension fund
  - CI not really seen on individual market – only pension fund
  - Educational cover – school fees and educational service and even national lottery tickets
  - Increased focus on lower/middle income market

# Brazil

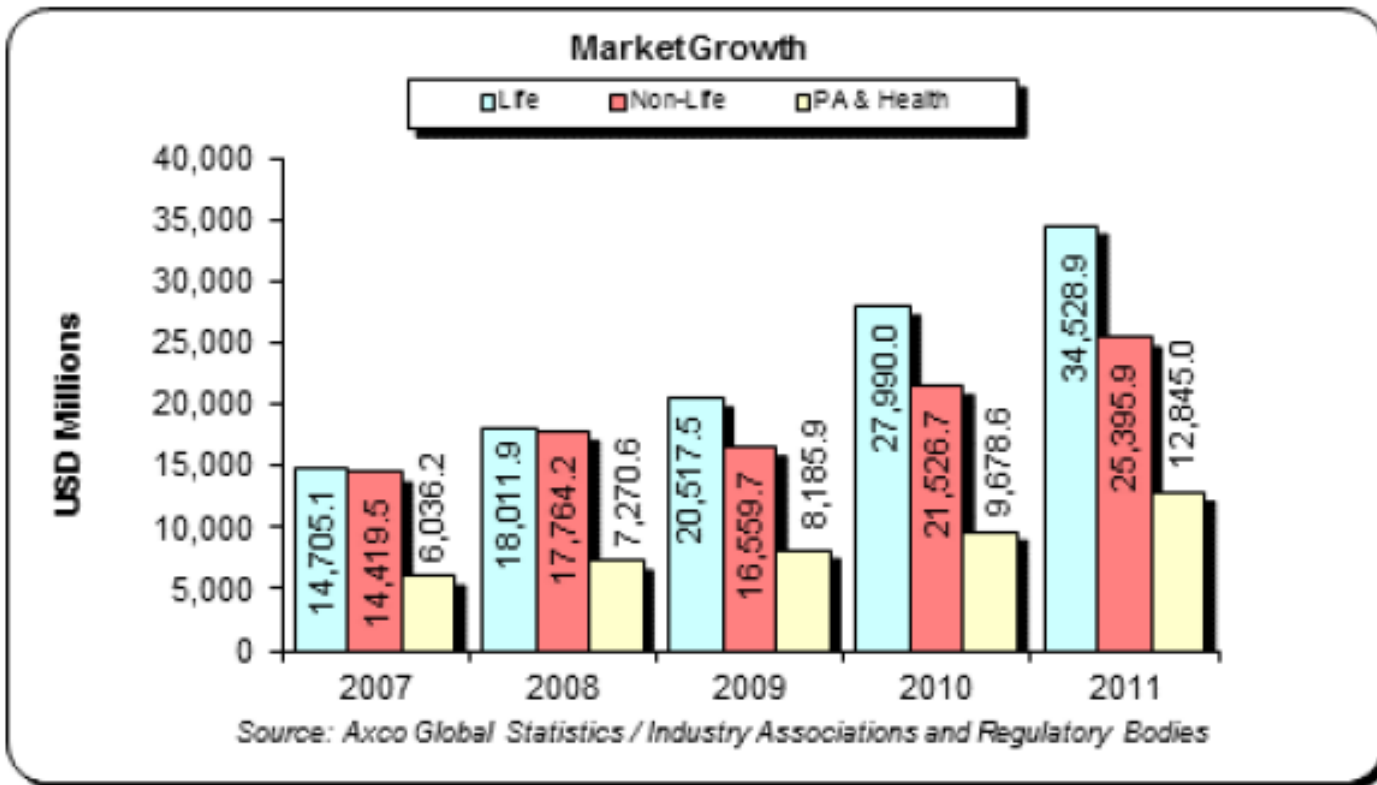
- Market share of insurers

Company	Market share (%)
Bradesco Vida e Previdencia	29.69
Brasilprev	22.82
Itau Vida e Previdencia	22.55
Caixa Vida e Previdencia	8.21
Santander Seguros	6.90
Hsbc Vida e Previdencia	4.26
Safra Vida Brasil	0.88
Icatu Seguros	0.85

SOURCE: FENAPREVI

# Brazil

- Historic growth

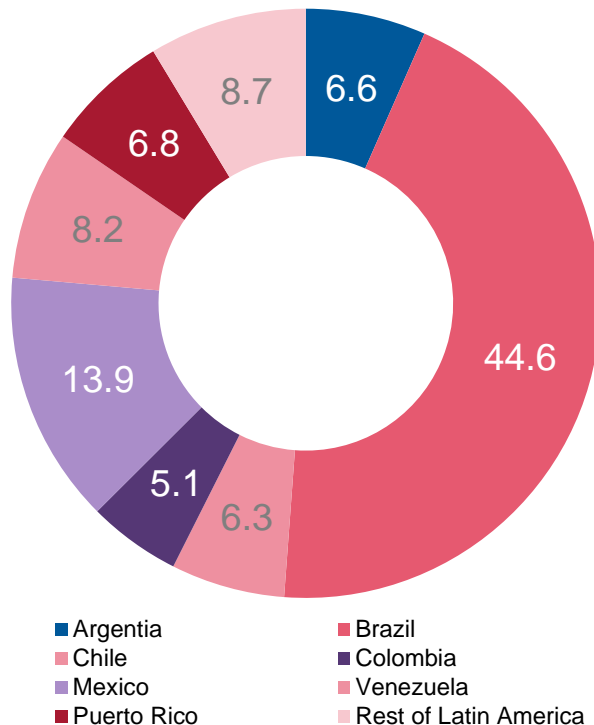




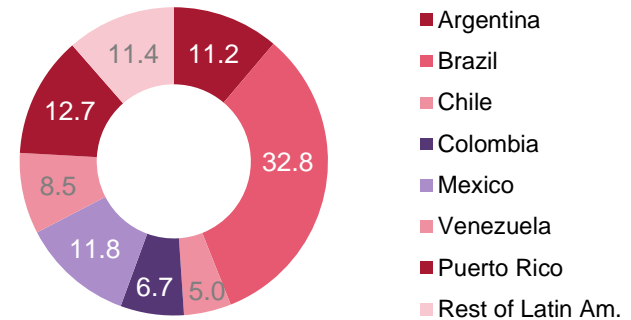
# Latin America Insurance split

Regional split of 2012 primary insurance premiums in Latin America, in %

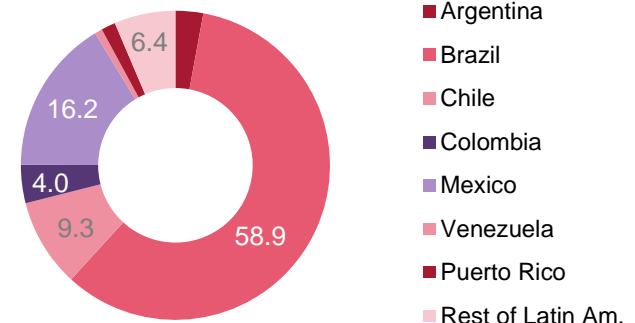
TOTAL: € 132 BN\*



P&C: € 64 BN



LIFE: € 51 BN



\* INCLUDING HEALTH INSURANCE

SOURCE: MUNICH RE ECONOMIC RESEARCH

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# Russia



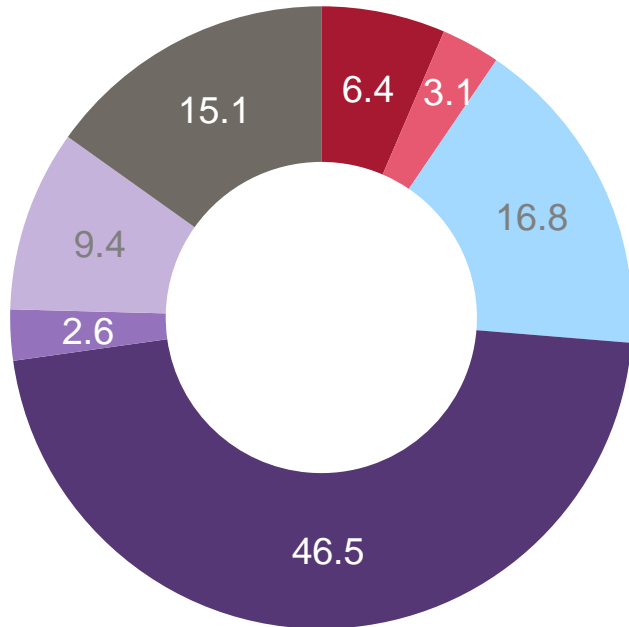
- Background
  - 150m people
  - Low penetration of life insurance – less than 5%
- Insurance framework
  - No barriers to EU insurers entering market
  - Bancassurance market
  - Little innovation
  - Captive insurers in employee benefit area

- Developments and current status
  - Credit life driving most of the growth
  - With profit endowment most popular, because life policies typically seen as savings vehicle
- Benefits and products
  - Social benefits, e.g. unemployment, disability, death
  - GLA benefits common
  - Long term disability typically lump sum, with very little PHI
  - CI common as part of employee benefits package
  - Flexible benefits platform starting to emerge

# Eastern European insurance market

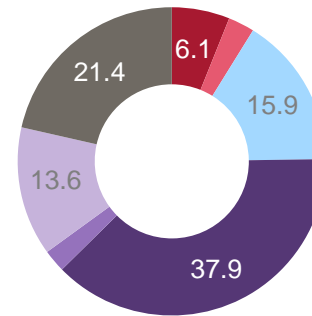
Regional split of primary insurance premiums 2012 Eastern Europe, in %

TOTAL: € 88 BN\*



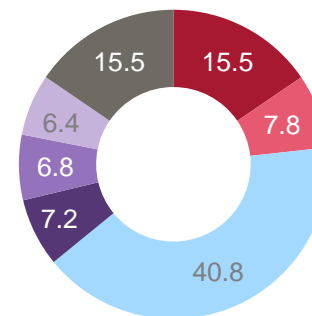
- Czech Republic
- Hungary
- Poland
- Russia
- Slovakia
- Turkey
- Rest of Eastern Europe

P&C: € 45 BN



- Czech Republic
- Hungary
- Poland
- Russia
- Slovakia
- Turkey
- Rest of Eastern Europe

LIFE: € 18 BN



- Czech Republic
- Hungary
- Poland
- Russia
- Slovakia
- Turkey
- Rest of Eastern Europe

\* INCLUDING HEALTH INSURANCE  
SOURCE: MUNICH RE ECONOMIC RESEARCH

# India



- Background
  - 1.2bn people
- Insurance framework
  - Large state owned insurer LIC with 70% of market
  - Other insurers allowed from around 2000
  - IRDA (local regulator) limiting growth since 2011 through recent legislation around remuneration and selling practices

# India

- Benefits and products
  - No real social benefits system
  - Some GLA benefits as part of employee benefits
  - Savings and term cover protection products
  - Group credit life
  - CI benefits offered by most but only about 10% take-up
  - Bancassurance distribution model important

# India

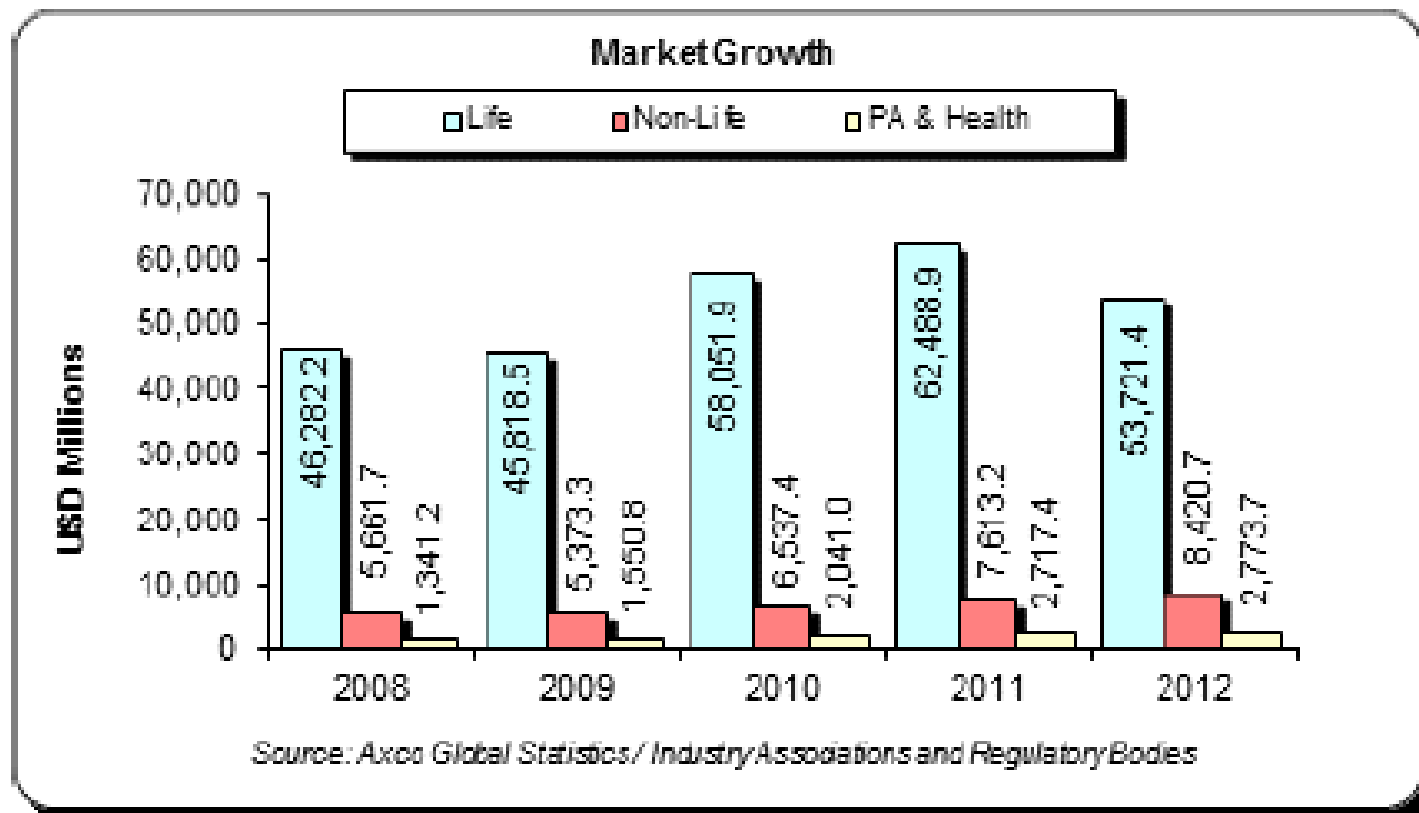
- Market share of insurers

Company	Market share (%)
LIC	70.68
ICICI Prudential	4.88
SBI Life	4.58
HDFC Standard	3.55
Bajaj Allianz	2.61
Max Life	2.23
Birla Sun Life	2.05
Reliance	1.92

SOURCE: AXCO GLOBAL STATISTICS

# India

- Recent growth





# China



- Background
  - 1.3bn people
  - Individual life market suffers from cultural aversion to dealing with death - “refundable” approach more acceptable
- Insurance framework
  - State owned insurer China Life with 33% of market
  - Insurance law started in 1995
  - JVs used to enter local market

# China

- Developments and current status
  - Small-sum life and health insurance focus since 2012 – microinsurance
  - Developing social benefits structure
  - 22% pa growth 2006 to 2011, at which point Bancassurance reduced significantly

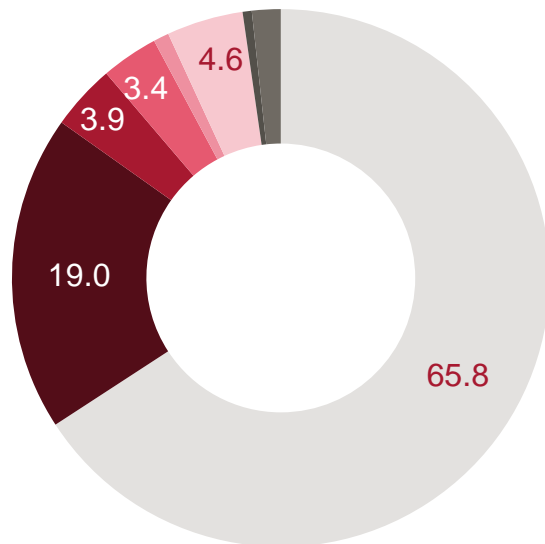
# China

- Benefits and products
  - GLA death lump sums with CI riders popular
  - Typically whole life and endowment policies with CI and hospital riders
  - Universal life products written, but not favoured by all

# Emerging Asia: China dominating insurance market

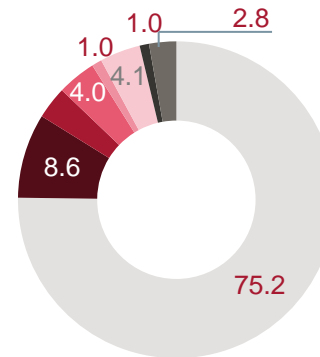
Regional split of 2012 primary insurance premiums Emerging Asia, in %

TOTAL: € 290 BN\*



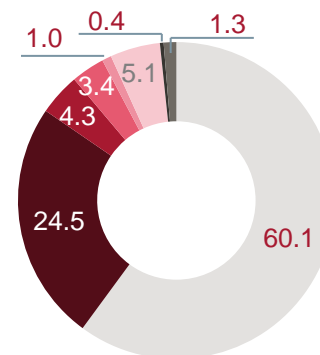
- China
- India
- Indonesia
- Malaysia
- Philippines
- Thailand
- Vietnam
- Rest of Emerging Asia

P&C: € 94 BN



- China
- India
- Indonesia
- Malaysia
- Philippines
- Thailand
- Vietnam
- Rest of Emerging Asia

LIFE: € 183 BN



- China
- India
- Indonesia
- Malaysia
- Philippines
- Thailand
- Vietnam
- Rest of Emerging Asia

\* INCLUDING HEALTH INSURANCE

SOURCE: MUNICH RE ECONOMIC RESEARCH

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# Growing demand for microinsurance

## Microinsurance



- Target group: **4 billion** people worldwide;
- Almost 500 million risks covered by microinsurance
- **Premium volume:** growth expected and potential estimated at up to US\$ 40bn

# Summary and conclusions

- Culture plays an important role
- Distribution model is key
- Regulation can alter the market significantly
- Microinsurance a big focus in various regions
- Don't just apply "Western" world thinking
- Recognise cycles / "game changers"
- BUT...

# Be careful to jump to conclusions

“Oil is a useless secretion of the earth – a sticky liquid that stinks and serves no useful purpose.”

*ACADEMY OF SCIENCES, ST. PETERSBURG, 1806*



# Discussion

- Increasing focus on benefits and products overseas?
- What to focus on for next phase of growth in SA?
  - Distribution model / marketing / awareness
  - Product design / innovation / focus on needs
  - Price / perceived value