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Around The World: Korea Insurance as Seen on TV?

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This is the third article in our series on product trends around the world. Each issue focuses on the protection market of a different country or region, regarding interesting product developments, new distribution ideas, regulatory responses and industry initiatives.

Plenty of attention has been placed on exciting new technologies and the potential for mobile distribution and Internet sales. Television, using infomercials and home shopping channels, has been a popular distribution model in Korea. Just what are the prospects for traditional TV-based distribution in this era of rapidly changing technology?

According to Nielsen research, the average American watches nearly five hours of video each day, 98 percent of which is viewed on a traditional TV set.¹ Advertisers see this attention as an opportunity, and advertisements, infomercials and home shopping channels try to sell us everything.

In Korea, insurance sales using infomercials, known as “homesurance,” started in late 2003 with a cancer product sold by PCA Life. By mid-2004, many insurance companies had entered and were using TV for brand building, brand awareness and financial education. Fourteen companies were using the homesurance distribution channel to sell various types of insurance. The uptake was brisk with 178,000 policies sold in the quarter of 2004², and 767,000 policies being sold using TV-based distribution between April 2004 and February 2005.³

The products are often aimed at the needs of women and their dependents with sales of term life, accident, and products covering health and critical illness proving to be popular. Targeted clients are often married home-makers in their 40s living in smaller cities. Policies often offer good value with premiums 10 percent below products offered by alternate distribution channels. There is even a Korean Life Annuity available on CJ Mall⁴, a channel on the CJ Home Shopping Network.

While I cannot claim in my experience in Korea to have understood the majority of what was being said, I have seen examples ranging from 90-second advertisements

to 90-minute infomercials. It appeared to me as though all the standard infomercial gimmicks are being used. There are contemporary references to Facebook and Twitter, and viewers are constantly encouraged to pick up the phone to call the telesales departments.

This sales approach is popular and not just a Korean phenomenon, having already spread in the region to China and Taiwan. This success story has not been without hiccups. Statistics from the Korea Life Insurance Association (KLIA) show that more than 10 companies were still selling products using home-shopping channels in 2010, but that 2010 sales were far lower than 2006 sales, partly due to the reduction in the number of distributors.⁵ Some new entrants have been able to buck the trend, and the top four companies all maintained first year premium sales of more than \$1.5 million in 2010.⁵

Speaking personally, I have never dared to own a television, never trusting my self-discipline and the risk of being sucked in. But I have not isolated myself from the real world, and I have an enviable DVD collection and regularly dip into freely available content on the web. Maybe many others in the United States are like me, and research suggests that more and more people are actively controlling their TV intake. Nielsen reported in 2011 that for the first time in 20 years the number of “TV households” (those with at least one television set and a cable, satellite, or antenna connection) had dropped in the United States, despite a rise in the number of total households in the country.⁶ It is probably fair to say that people viewing television proactively are less likely to download ‘home shopping channel’ programming. Does this mean that home shopping will be less influential in the future in the United States? Probably yes, but this Korean example reminds us of the importance of customer segmentation.

South Korea has 17 million broadband connections⁷ and was rated first on the International Telecommunications Union Development Index in 2010 and 2011.⁸ Despite one of the highest penetration rates of high speed broadband internet access in the world, Koreans are showing that the traditional TV distribution channel is robust, and that certain segments may still find it appealing. The future for Korea could see other distribution channel proliferation, but trusted proven

channels will continue sales to the late adopters. Early adopters get the headlines, and they often are the mass market of tomorrow, but not always. Will internet-enabled TV be a lifeline to infomercials in Korea? We'll have to "tune" in to find out. ■

END NOTES

- ¹ "The Cross Platform Report – Q4 011" available from <http://www.nielsen.com/us/en/insights/reports-downloads/2012/the-cross-platform-report-q4-2011.html>
- ² Korea Insurance Research Institute and "Profile of the South Korean Insurance Market" by Mason, Moya K. 2008, available from <http://www.moyak.com/papers/south-korea-insurance-market.pdf>
- ³ <http://koreajoongangdaily.joinsmsn.com/news/article/article.aspx?aid=2564850>
- ⁴ http://www.cjmall.com/customer_center/encpage1.jsp
- ⁵ <http://www.klia.or.kr/eng/index.asp>
- ⁶ The New York Times, "Ownership of TV Sets Falls in U.S" available at www.nytimes.com/2011/05/03/business/media/03television.html
- ⁷ http://www.oecd.org/document/54/0,3746,en_2649_34225_38690102_1_1_1_1,00.html – Table 1c from June 2011 OECD Broadband statistics [[oecd.org/sti/ict/broadband](http://www.oecd.org/sti/ict/broadband)]
- ⁸ <http://www.itu.int/net/pressoffice/backgrounders/general/pdf/5.pdf>

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