



SOCIETY OF ACTUARIES

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# The Equation for Success— Professionalism and Profitability: Part II

## Focus on Asian Market

by Thomas H. Kelly

**Editor's Note:** This article contains material excerpted from a speech given on June 17, 1997 by Tom Kelly, Senior Vice President and Managing Director of LIMRA International, at a LOMA/LIMRA Strategic Issues Conference in Singapore. Credit is also due to Randy Makin, who converted the outlines and slides from Mr. Kelly's speech into an article format for the newsletter. This is the second installment of three articles derived from the speech. The first article appeared in the June 1998 issue of International Section News.



The following percentages document that the global market share of life premium has changed dramatically.

	1950	1994
North America	75%	24%
Rest of World	25%	76%

Looking at this on a regional basis, we can see the life premium market share by each region where 85% of the Asia share represents Japan.

	1994
Asia	47.9%
Europe	25.2
North America	23.9
Africa	1.2
Oceania	1.1
Latin America	0.7
Total	100.0

Another major force at work is the worldwide population trend. Every year, 88 million people are added to the world population. Table 1 reflects where this growth is taking place and Table 2 looks more closely at Asia, specifically, its economic growth.

As to premiums per capita for selected countries and as a percentage of

**TABLE 1**  
Worldwide Population Trends

	1995	2020	Percentage Increase
World	5.7 billion	7.7 billion	35%
U.S.	265 million	315 million	19
China	1.2 billion	1.4 billion	17
India	890 million	1.3 billion	46
Brazil	165 million	215 million	30
Indonesia	190 million	255 million	34

**TABLE 2**  
Economic Growth

	GDP Growth (Percentage)	Per Capita GDP	Inflation (Percentage)	Savings (Percentage of GDP)
China	9.9	\$ 540	5.6	42
Hong Kong	5.1	23,200	6.6	35
India	7.0	335	8.5	23
Indonesia	7.8	940	4.7	36
Malaysia	8.1	3,930	3.1	37
Philippines	5.9	1,130	4.4	15
Singapore	5.8	26,400	1.9	52
South Korea	7.2	10,076	4.9	37
Taiwan	6.6	12,265	2.0	26
Thailand	8.5	2,680	4.3	34
U.S.	3.9	26,620	3.0	15

**TABLE 3**  
Growth Opportunities

	Premiums per Capita	Percentage of GDP
Japan	\$3,817	10.1
South Korea	782	9.1
Singapore	569	2.7
Hong Kong	409	1.9
Taiwan	412	3.6
Malaysia	72	2.3
Thailand	27	1.4
Philippines	6	0.6
Indonesia	4	0.4
India	4	1.3
China	2	0.3
U.S.	965	3.6

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### The Equation for Success

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the GDP. Table 3 presents a great opportunity for today and the future.

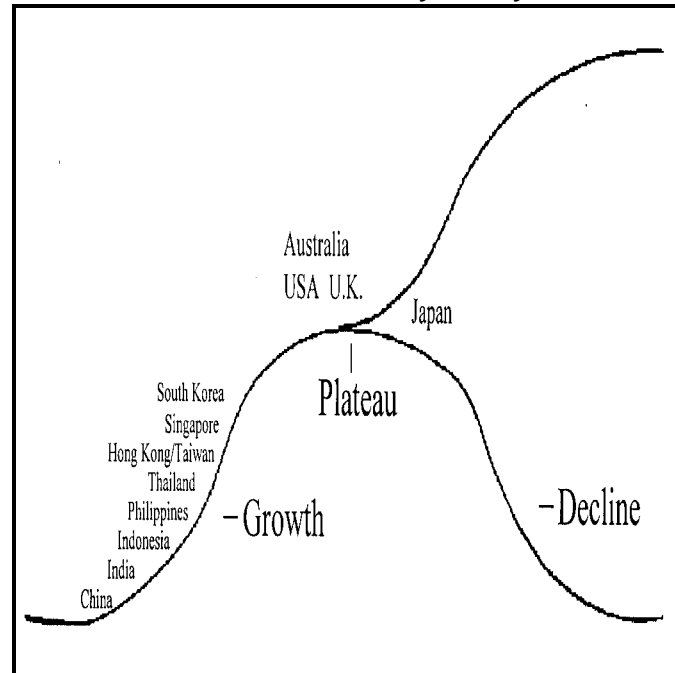
As shown in Figure 1, if we place the countries on the industry life cycle, there are many years of future growth for Southeast Asian countries.

Many companies are already taking advantage of these opportunities, as there have been a number of new entrants into the Asian markets in recent years.

The career-agent system is the system of choice for distribution. In Asia, 50% of agents are part-time and at least 50% are women. There has been limited penetration with other channels, such as brokerage, bancassurance, work site, and direct response.

Traditional products, such as whole life, endowments, and term products are dominant in the region, with some sprinkling of variable life and universal life. Other products include specialty package savings products (marriage, children) and personal accident/indemnity. There is limited group coverage. Core products also come with such riders as par riders on nonpar products, critical illness riders, and hospital indemnity. Some wrinkles to traditional products include "anticipated endowments" contracts, with 5-10% of

**FIGURE 1**  
Southeast Asia Industry Life Cycle



the face returned every three years and a total return in 20 to 25 years. We have also seen a rise in equity- or unit-linked products, based on the maturity of stock markets—Singapore, Malaysia, Hong Kong. Side funds are stock-indexed regional.

I truly believe there is an opportunity for creative and value-added product development and, in doing so, changing the value-added proposition with customers in each country with the quality of product offerings, services, and distribution.

## International Actuarial Workshop Held in China

*by John Zhang*

An international actuarial workshop was held in Guangzhou, China on June 3-5, 1998. Actuaries and participants from more than ten insurance companies and scholars from Beijing University, Zhongshan University, Jinan University, Boston University, Indiana University of Pennsylvania (IUP), and the SOA attended the meeting. At the meeting, participants examined the current business environment in China and studied the role, functions, and future directions of actuaries and actuarial science in China. Issues examined included: how to educate actuaries for the needs of future Chinese business development; the functions and structures of an actuarial academic program; the conditions necessary for the existence of

actuarial firms in China and their possible structures.

The meeting promoted communications between academia and industry in actuarial science and provided our Chinese colleagues up-to-date information about actuarial science. As a result of the meeting, participants have a better understanding of how to use actuarial science in Chinese insurance companies and a better understanding of the future of actuaries in China—which is, perhaps, the biggest future commercial market in the world. After a lengthy discussion, participants estimated that it would take from three to five years for China to have demand sufficient to support actuarial firms. The key criteria considered include the enactment of laws favorable to the development of actuarial business, the privatization of the health

care system, and the growth in competition for qualified personnel that would be generated by business development.

The meeting was organized by Dr. John Zhang, an assistant professor of mathematics at IUP, with the support of a China Bridge International (CBI) fellowship and SOA Asia subcommittee. The People's Insurance (Life) Company of China, Ltd. (PICC) Guangdong Branch and the mathematics department of Zhongshan University co-hosted the meeting. John Eng, a Fellow of the SOA, attended and gave a short course at the meeting. The organizer wants to thank James W. Grosheider of Towers Perrin, Rachel L. Gilmore of Buck Consultants, and Tom Fagan of Blue Cross and Blue Shield of West Pennsylvania for their information and help.