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# Basic Life Insurance Is Not for Everyone in the World

## A view into the relatively low level of basic life insurance sales in Switzerland

By Ronnie Klein

In case you have not heard, *The Jobs Rated Almanac* voted the actuarial profession as the No. 1 profession in the United States in 2015. This is not the first time our profession topped the list and it will not be the last time. I realize that many of you are saying: “Low stress? Come and work at my job!” But, on average, we have the best job in the United States, at least according to the experts at *The Jobs Rated Almanac*.

One job you will not see on the list of the top 200 is that for a used car salesperson. I do not know why used car salespeople get such a bad rap. They provide a needed service to many people in search of a low-cost automobile. In fact, we could all learn a bit from these professionals. My favorite used car salesman is from the movie “True Lies”—portrayed by Bill Paxton. Simon, Paxton’s name in the movie, is a sleazy used car salesman who is after Harry’s (Arnold Schwarzenegger’s) wife (Jamie Lee Curtis). Harry is an elite secret agent and decides to have some fun with Simon by first acting interested in a used

car on Simon’s lot and then kidnapping him and scaring him by holding Simon over a cliff. When Simon realizes that it is Harry who is dangling him over a certain death, the only thing he can say is: “It’s you. Are you still interested in that car?” This guy will go to extremes to make a sale.

The only thing I could think of the first time I saw the movie was what a great life insurance salesman Simon would make. Okay, so life insurance salesperson is also not on the list (although financial planner shows up as No. 22). But I think that life insurance salespeople also get a bad rap. We who work in the life insurance industry are fortunate to be in such a noble profession. The basic tenet of life insurance is that in return for a relatively small annual premium, a family’s breadwinner can protect his or her family in case of his or her premature death. The insurance benefit can return the surviving family to some degree of financial normalcy including retaining a home or sending children to college.

When I first began to work internationally, I often wondered why more basic life insurance is not purchased in certain countries, for example Switzerland (my home country). Switzerland is a very rich country and the average lifestyle is quite good. Why does the average Swiss citizen not own an individual life insurance policy? Are the products poorly designed? Do the agents need lessons from Simon?

What I finally learned upon moving to Switzerland is that the financial setup is different than that of the United States. First, in general, people do not own homes. Most people rent their residences. How can this be when we in the United States call owning a home the American dream? There are three basic reasons that the typical Swiss does not own his or her home: 1) culture, which is difficult to really understand; 2) a large retirement savings mentality, which leaves less chunky income to use as a down payment; and 3) the imputed income charged on the homeowner equal to the rental income the owner would receive if he or she would rent the home out. This income is set by the local government and is relatively substantial. So, for example, I must show as income on my tax returns (yes returns—Swiss and U.S.) how much the government says that I would earn annually if I rented out my house. Ouch! And yes, I am not the typical Swiss citizen so I do own my home and pay taxes on imputed income. I guess I am living the American dream in Switzerland. This imputed income could be a major reason

why the Swiss rent as opposed to own.

Let us now look at the benefits that the companies provide to their employees payable upon their death. In the United States, it is common for an employee to receive some amount of group life insurance—one, two or three times salary, for example. Not so in Switzerland. Here employees receive a pension benefit equal to a certain percentage of salary continuing to be paid to the surviving family members until certain events. So, my wife would receive 40 percent of my salary until her retirement and my children would receive 20 percent of my salary until emancipation.

The last piece of the puzzle is that only about 20 percent of the population goes to college and college is (relatively) free. So, there is no need to save a lump sum amount for college.

To summarize, the average person does not have a mortgage, does not need to save for college, and his or her family is protected with continued salary payments. Why then would someone require additional individual life insurance? The answer is, they do not and that is why the traditional life insurance policy is not sold in Switzerland often.

Of course, there are other types of policies sold. Believe it or not, “old-fashioned” endowment policies are sold as well as other savings plans. So, when I first learned about the low life insurance sales in Switzerland, I judged our staff managing the Swiss market to be underperformers. When I finally learned

about the market, I changed my opinion dramatically. I guess, before judging too harshly, I should have done my research. Sometimes it is difficult to fully research a topic unless you spend a considerable amount of time in that market. That is why I enjoy working in our profession internationally, and that is why I love living in other countries. Living in a country really gives you a view into the culture that you do not receive by reading a book or visiting the country for a few days.

As much as we struggle with cultures of other countries with respect to life insurance, other countries struggle with U.S. culture as well. My favorite story is when I had to explain to the local Swiss Regulator, *Eidgenössischen Finanzmarktaufsicht* (FINMA), about a reinsurance transaction that I structured. It was a relatively routine transaction that reinsured level term insurance business from our Seattle company to our Swiss company. Due to the size of the transaction, we wanted to alert FINMA of the transaction before it appeared on our year-end statement.

The plan for our meeting with FINMA was that I would spend five or so minutes on the product and 15 or so minutes on the transaction structure including risk, financing, reserving and profitability. We sent in a five-card deck of slides about a week prior to the meeting. Needless to say, the meeting did not go as planned.

The first question should have alerted me to the fact that the FINMA representatives



did not really understand the slides. “Can you please explain the benefits of the product?” I responded by saying that it is level term insurance with the same annual premiums paid for 10, 20 or 30 years. “But, what is the benefit?” I was struggling to understand what part of term insurance they did not understand. “What benefit does the policyholder receive at the end of the level period?” “Nothing.” “What if the policyholder lapses?” “Nothing.” “Cash value?” “Nothing.” “So why would someone buy this?” “If the person dies, they receive the face amount.” “But what if he or she does not die?” “Nothing.” Then I had a brainstorm (more like brain drizzle). “The cost is about US\$1 per US\$1,000 of coverage for a 40-year-old male.” The regulator sudden-

ly understood by remarking how cheap that was. The next question was amazing—“Can I buy some?” If I were Simon, I would have had an application in my briefcase!

*Actually, what I was really thinking was that we need an international LEARN initiative. If you are not familiar with LEARN, it is an initiative that we started while I was chair of the Reinsurance Section to educate regulators in the United States about insurance and reinsurance. The program has been quite successful with many regulators asking for repeat visits. Maybe the International Section should learn about LEARN and consider taking the program global. Hint. Hint.*

This is a simple example of multiple experiences that I have

had working in many markets around the world. Taking the time to learn the market and taking the time to teach others, especially regulators, about products from other markets is crucial in successful management of a line of business. With the new focus on international expansion and with the assistance of the International Section, I hope that the actuarial profession will be catapulted to No. 1 in the world—and, I also hope that used car salesperson makes the top 200 list of *The Jobs Rated Almanac* best jobs next year! ■



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