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Interview With Tian Meipan, General Manager of China Life Reinsurance Company

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Tian Meipan, General Manager of China Life Reinsurance Company

Chief actuary of China Re Group, director and general manager of China Life Reinsurance Company Ltd.

Mr. Tian joined China Re Group in 2001. He has participated in the design of China's second-generation solvency system and pioneered the RMB reinsurance business. With China Re Life being the leading domestic reinsurer, Mr. Tian has been the project leader of a number of basic research and standards development projects, such as construction of China's first industry morbidity table, third set of industry life tables, accident insurance incidence research project, and tax-premium health insurance study. He holds a master's degree in finance from Nankai University and is a fellow of the Society of Actuaries, member of China Actuarial Association (CAA) and Casualty Actuarial Society (CAS), and director of CAA.

Dirk Nieder (DN): China's insurance industry has experienced huge regulatory change in the past few years. What's your view of the impact to the market?

Tian Meipan (TM): The regulatory environment in China has changed drastically in the past couple of years. The whole industry is talking about deleveraging, restricting saving products with fast and subsequent survival benefits, turning back to protection products, which is the essence of insurance, and thus serving the real economy. Especially in 2018, the regulator has issued some rule-based requirements regarding product development, such as detailed provisions on policy design, pricing and distribution, which is aimed to prevent disorderly market competition and improper product innovation. Moreover, even the regulator itself has changed (i.e., China Insurance Regulation Committee (CIRC) and China Bank Regulation Committee (CBRC) have merged together).

These regulatory changes have caused a far-reaching impact on market structure, business strategy and product evolution. On

one hand, some major insurers have been transforming their business profiles to more regular premium protection products. As a result, the product innovation pace has become faster and the protection product market, especially health business, has become a highly competitive market. On the other hand, from the perspective of distribution channel, the traditional agency channel is still dominated by some leading insurers and will probably not change much in a short period, while the small to midsize companies are exploring potential breakthroughs in the online distribution channel, and this has caused fierce competition.

DN: You mentioned that the development of health insurance in recent years has been very popular. What kinds of risks should we pay attention to in this respect?

TM: China's urbanization rate has been largely increased for the past decade. The people's lifestyle, medical environment and disease spectrum have tremendously changed. The diagnosis rate of modern diseases, such as thyroid cancer, has increased significantly, and the medical cost has increased a lot due to new treatments, new drugs, etc. Meanwhile, the survival rate continues improving, and people need more money for rehabilitation. As a result, people's demand for health insurance protection is very strong nowadays, and the awareness of purchasing insurance has raised significantly. On the other hand, some insurers have treated health products as a breakthrough point for company transformation, and they have become a major contribution source to premium volume and embedded value. Therefore, health insurance such as critical illness insurance and mid-end medical insurance have developed rapidly in recent years. From the product supply perspective, the insurer and reinsurer need to focus on the following extensive but not exclusive risks.

- The incidence rate and diagnosis rate for cancer, especially thyroid cancer, have leveled up, which is quite similar to the situation in the Korean market, where there used to be an issue of excessive medical treatment and anti-selection risk.
- The trend of morbidity is uncertain. Currently, some disease rate is going down, but overall the rate is increased by some level; there is no clear view on it. Especially new

technology, new drugs and new medical examination could make this more complex.

- Critical illness claims are based on the definition of listed diseases, some of which may not be matching with current medical practice, causing disputes and lawsuits. Considering the current legal environment, insurers normally have to pay finally. Also, due to fierce competition, some disease definitions are not strictly designed, which could cause massive claims in the future.
- The premium rate for critical illness products in the domestic market is guaranteed, which is different from the market practice in Hong Kong, where CI products are normally designed as participating and thus could enable insurers to absorb some morbidity risk by dividend declaration.
- Medical cost inflation is another risk. This risk could be normal inflation because of new technology, new drugs. It could also be related to moral hazard.

Considering the large scale for in-force critical illness policies and fast innovation in medical technology and market practice development, it won't be a big surprise if some of the above issues cause systematic risk.

DN: What is your opinion regarding the life industry's future in China? Especially for the product with combined risk protection and saving features?

TM: For the prospect view of the year of 2019, the life insurance industry will continue the structure transformation due to the impact from the policy, demand and technology development.

- The product structure optimization and policy value enhancing will become the industry mainstream.
- The technology support will turn to be more practical instead of theoretical. The internet companies will be more in-depth participants in the growth of the life insurance market.
- The product type will be more diversified, and the market will face the challenge and opportunity of faster innovation.

Above all, China's life insurance market is still in the developing stage, with different types of problems and many areas to improve. Also, China is a huge market, with diversified customers, products and business models, which allows for development of companies with different business strategies and cultures.

DN: You mentioned that online business is growing rapidly recently. What's your opinion of the future of internet business?

TM: Based on our understanding, the distribution model will not be much different from present stage (i.e., the agents still dominate the distribution channel). We think the internet platform is not just the distribution channel but more like an operation tool and service intermediary. The insurer can build up the platform to enforce convenient and close interaction with customers through the internet and also improve customer service and operation efficiency. In the future, internet business is not just sales through the internet, but could also be an OTO (online to offline) model, which means the internet could introduce customers and agents could help customers understand their demand and products and finally close the deal.

DN: What is your opinion of the current and future insurance technology application in the Chinese market?

TM: Tech support is becoming popular by driving the industry innovation. The major insurers have all pronounced a large investment in digital strategy to support their future growth. The internet tycoon BAT has more in-depth participation in the life insurance industry, such as providing a distribution platform with policyholder profiling, precision marketing, services upgrade, and other technology and business model support to promote industry evolution.

DN: Regarding the reinsurance market, what is your opinion on the future major growth point?

TM: For China Re Life, the major task in the coming years is to continuously strengthen core competences, including data analysis ability, product innovations and development, application of new insurance techs. With that, we are reasonably confident to support our clients as well as the whole industry to turn back to risk protection products, promoting the growth of company value.

As for the tech application, China Re Life has issued "data + strategy." We are keeping on expanding our data resources with various business partners. We've developed several generation text-mining tools, which could enable us to do more specific claim reason analysis. We've also completed some pilot projects where predictive modeling has been applied for customer profiling and risk classification. Empowered by data, we could get more ideas for product innovation. ■



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