

# Life Insurance Policy



Life Insurance Market – China

January 2012

# Executive Summary

## Market

- Life Insurance market is the fastest growing segment of the insurance industry in China
- A handful of domestic players dominate the insurance industry in China
- Foreign firms are stepping in the market primarily through joint ventures and mergers

## Drivers & Challenges

### Drivers:

- Rise in Middle Class and Increasing Income
- Rise in Ageing Population
- Low Market Penetration
- Impact of Liberalization

### Challenges:

- Location Challenge
- Recession in Developed Markets
- Complex Market Regulations
- Lack of Human Resource

## Government Initiatives

- 12<sup>th</sup> five year plan
- CIRC Measures
- Life Insurance Market Regulations

## Trends

- IPO pipeline
- JV and M&A Landscape
- Rise in Bancassurance
- Product Innovation

## Competition

### Major Players

Company 1

Company 2

Company 3

Company 4

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## • **Market Overview**

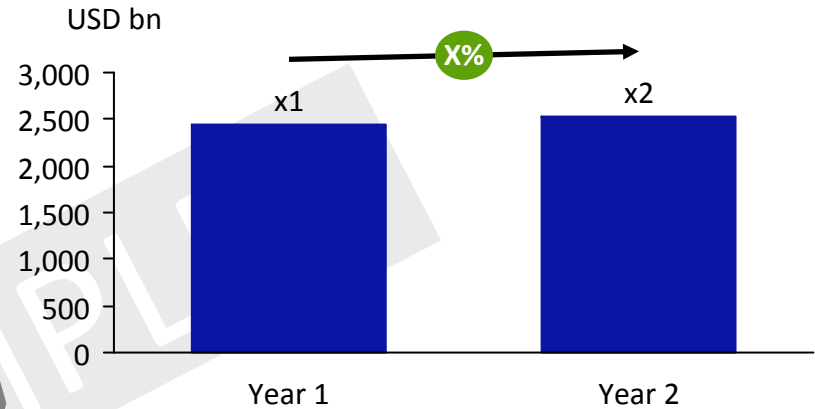
- Global Market Scenario
- Domestic Market Scenario
- Distribution Channels
- Drivers & Challenges
- Government Initiatives
- Trends
- Competition
- Key Takeaway

# Life insurance is one of the fastest growing segments of the insurance sector in the worlds

## Global Life Insurance Market - Overview

- Global life insurance market grew by x% from 20-- to Y bn in 20--
- Share of life insurance premium was a% of the total insurance premium collected in 20- -
- USA ranked x in terms of life insurance premium volume in 20-- and is expected to rank y in 20--
- China currently holds the y position and is expected to emerge as the z global life insurance market by 20- -
- Global life insurance market is expected to be highly concentrated in n years time
- The top emerging market countries to dominate the global life insurance market by 20-- are A, B, C, D and E
  - These countries are expected to have a x% share of the life insurance industry of the emerging markets

## Global Life Insurance Premium – Growth Rate



## Global Life Insurance Markets – Ranking

Countries	20--	20--
USA	a1	b1
<i>China</i>	<i>a2</i>	<i>b2</i>
Japan	a3	b3
France	a4	b4
UK	a5	b5
India	a6	b6

Source:

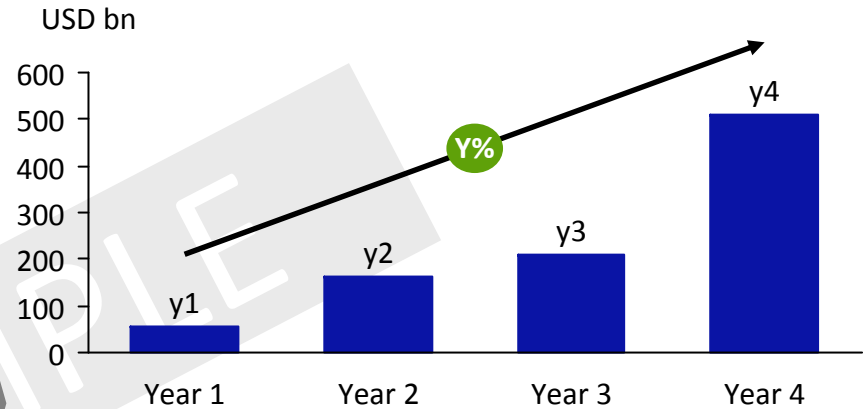
Note: Emerging Markets refers to an economy with low level of per capita income

# Life insurance market in China is expected to witness a rapid growth

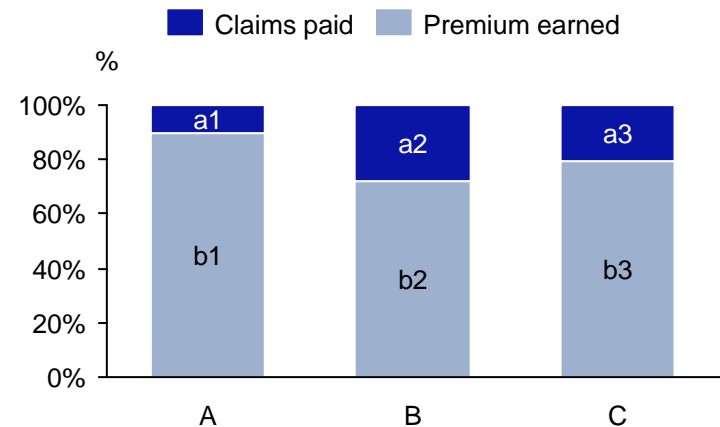
## Domestic Life Insurance Market - Overview

- Insurance market in China has evolved into a large and rapidly growing industry over the years
- Life insurance is the largest segment by premiums collected of the insurance industry in China
  - *Life insurance market is projected to grow to USD x bn in 20-- from USD y bn in 20--*
- Domestic firms dominate the life insurance market in China
- Rising competition by the foreign firms is a key feature of the life insurance market
- The life insurance market in China is dominated by a large number of institutional regulations
- Ratio of the claims paid to the premiums earned is lowest for the A segment compared to the B and C segments

## Life Insurance Premium – Growth Rate



## Life Insurance – Market Segments (2010)



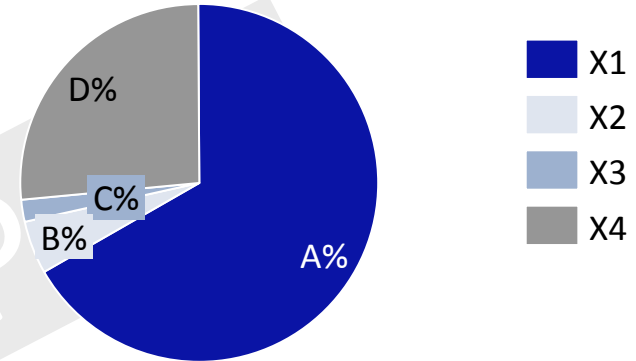
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# Life insurance market in China is divided into three major segments

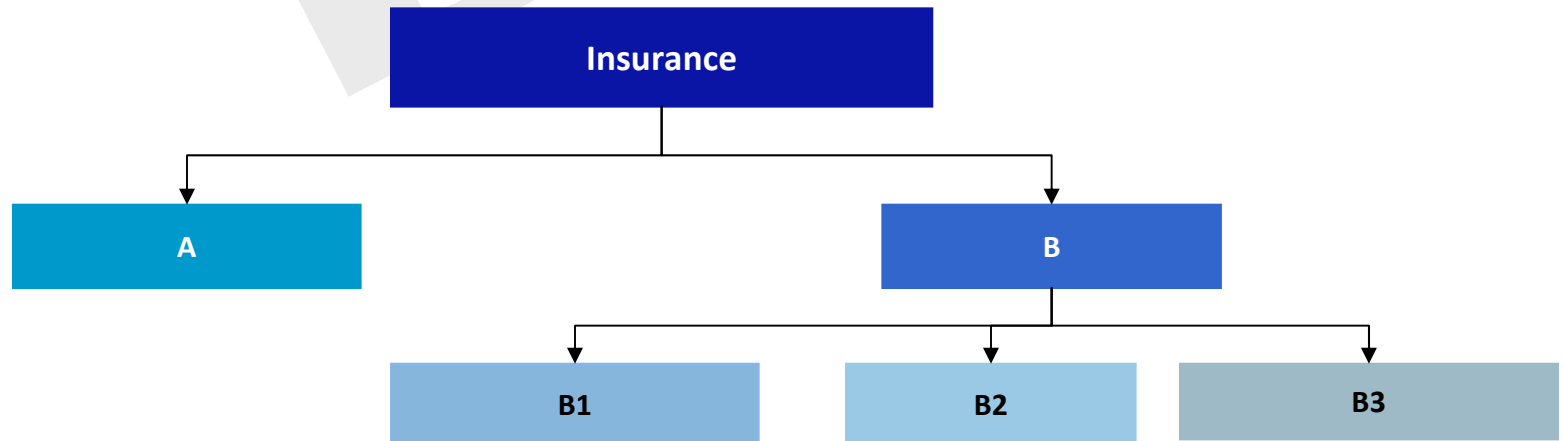
## Domestic Life Insurance Market - Segmentation

- Life insurance market in China is divided into three segments
  - X1
  - X2
  - X3
- *Life insurance market in China accounts for x % of the total premiums of the overall insurance market*
- Share of X1 premium is the highest at y% of total premiums collected

### Share of Insurance Premiums (20--)

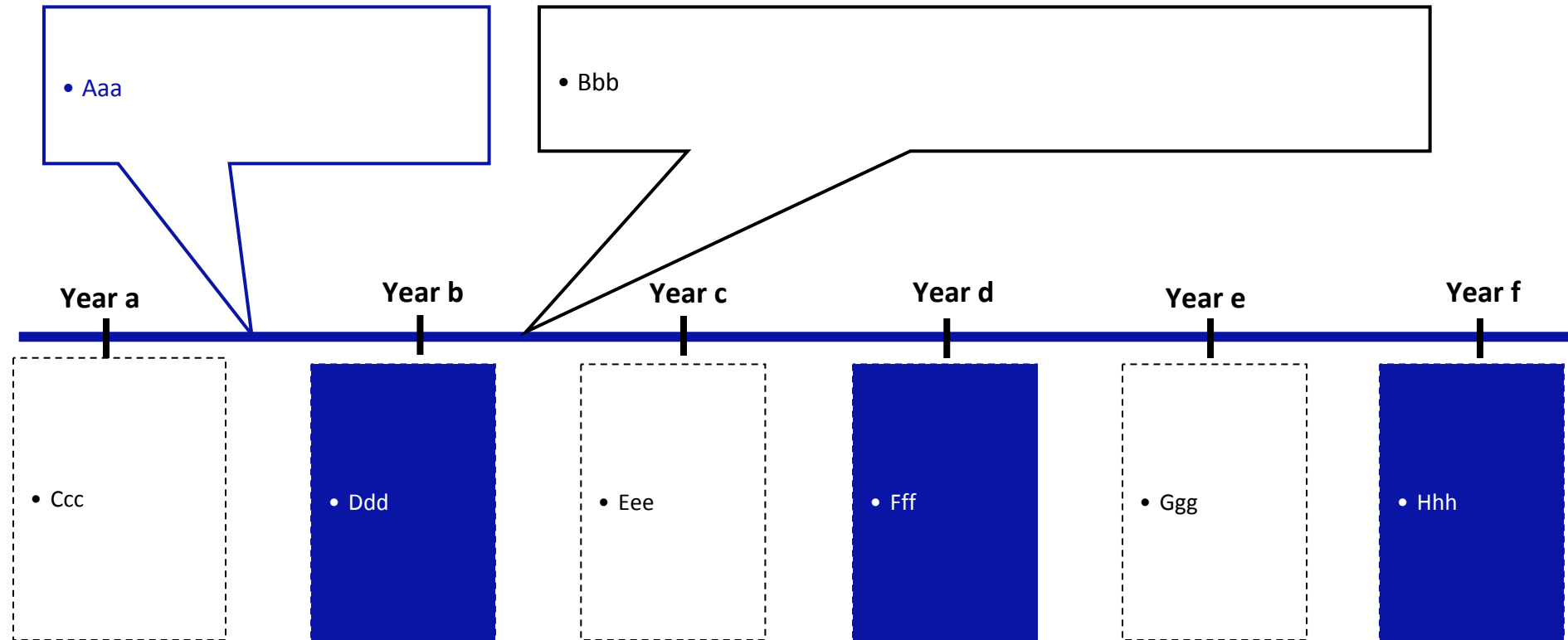


### Market Structure



Source:

# Liberalization of the insurance market in China played a major role in driving the market growth

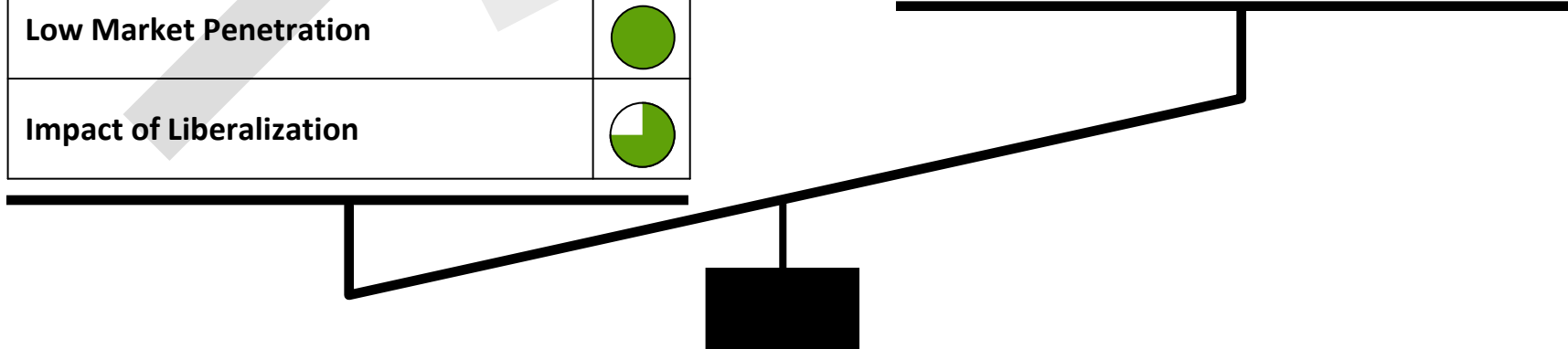


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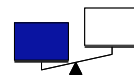
# Drivers & Challenges – Summary

<b>Drivers</b>	
Rise in Middle Class and Increasing Income	●
Rise in Ageing Population	●
Low Market Penetration	●
Impact of Liberalization	◐

<b>Challenges</b>	
Location Challenge	◐
Recession in Developed Markets	◐
Complex Market Regulations	◐
Lack of Human Resource	◑



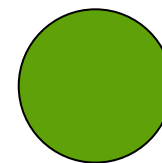
# Rise in middle class population coupled with a rise in disposable income drives the life insurance market



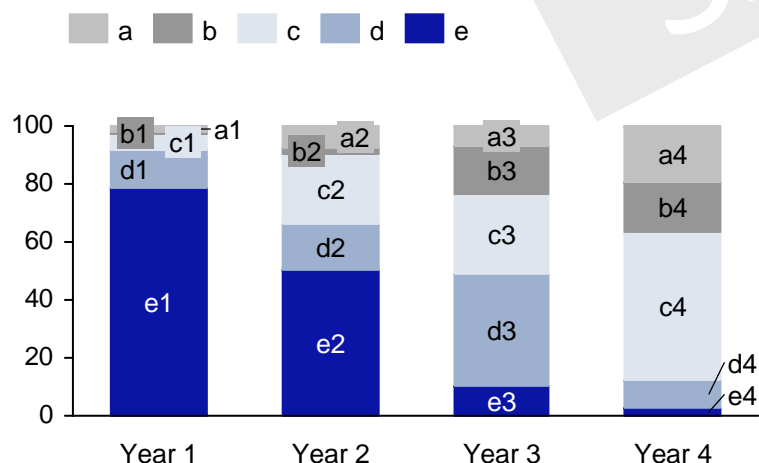
## Rise in Middle Class and Increasing Income

## Impact

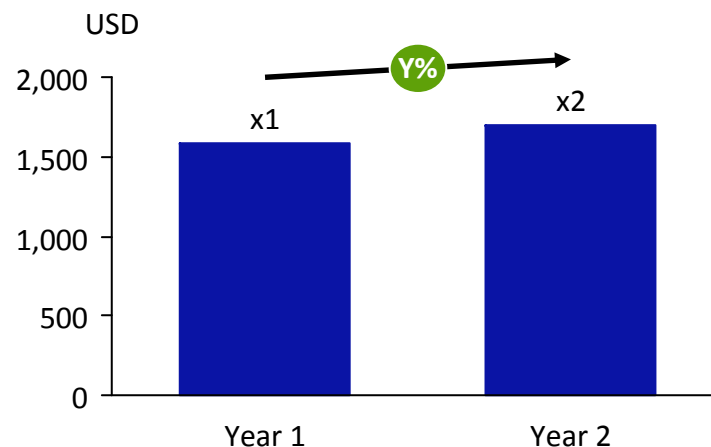
- Finding 1
- Finding 2
- Finding 3



### Share of Chinese Urban Households

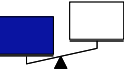


### Per Capita Urban Disposable Income



Source:

# Rapid rise in the share of ageing population provides a golden opportunity for market growth



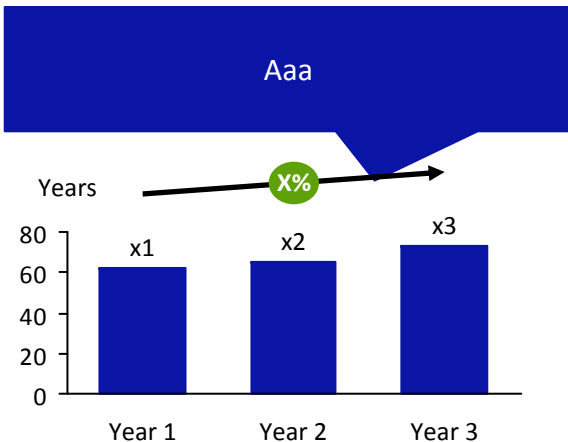
## Rise in Ageing Population

- Finding 1
- Finding 2
- Finding 3
- Finding 4

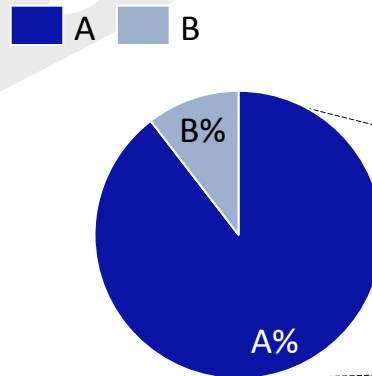
## Impact



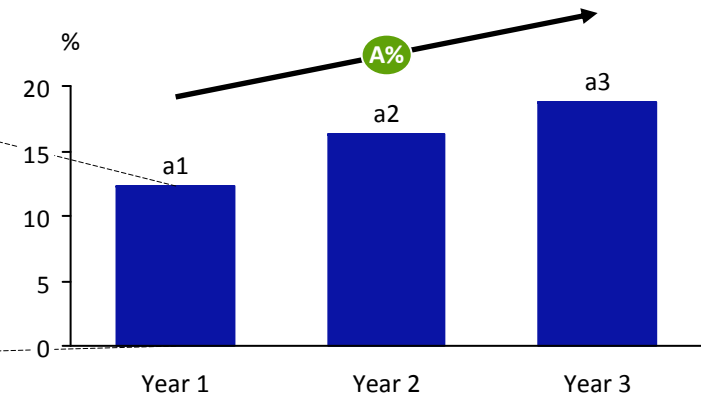
## Rise in Life-Expectancy



## Share of 80+ group (2010)

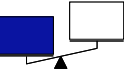


## Growth of Ageing Population (60+)



Source:

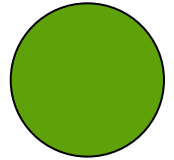
# Low penetration level of the life insurance market presents a greater opportunity for growth



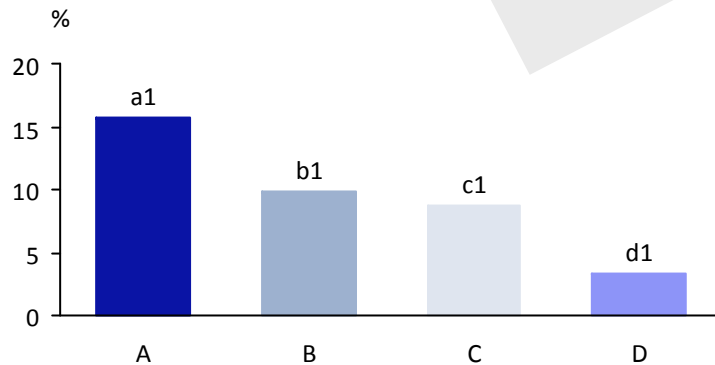
## Low Market Penetration

- Finding 1
- Finding 2
- Finding 3

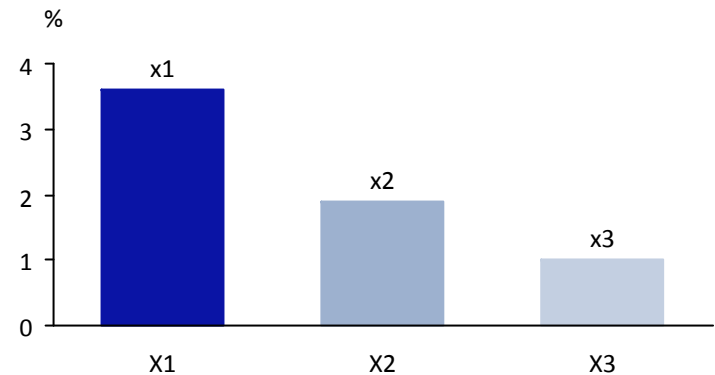
## Impact



### Penetration Rate



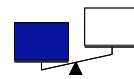
### China - Regional Penetration



Source:

Note:

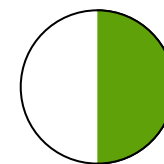
# Liberalization of the economy acts as a major driver of the life insurance market



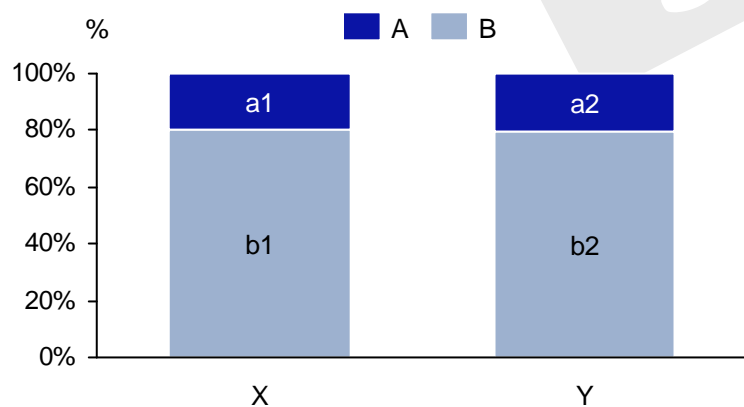
## Impact of Liberalisation

- Finding 1
- Finding 2
- Finding 3
- Finding 4

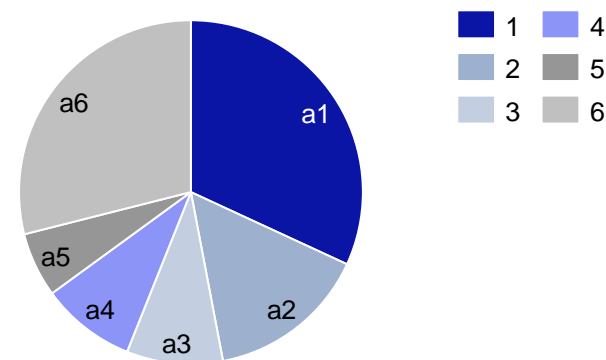
## Impact



## Competition Mix – Key Regions



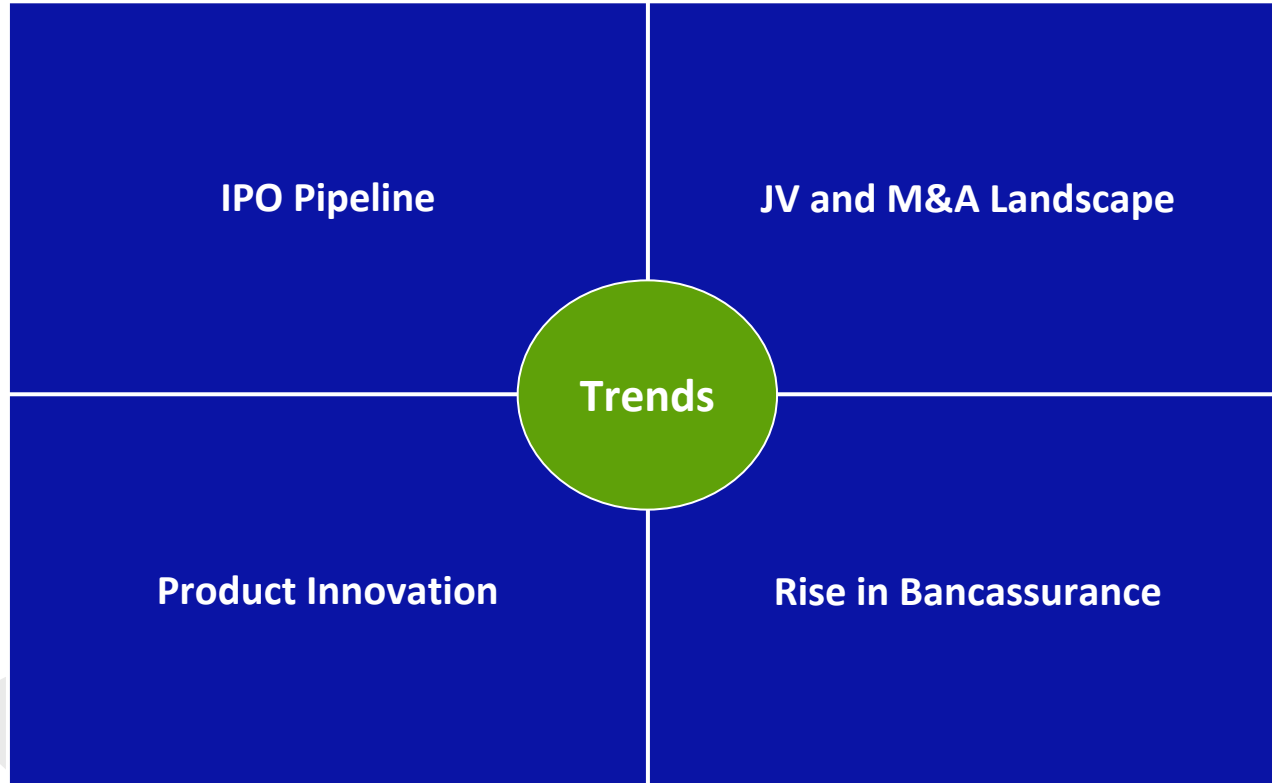
## Competition Structure (2010)



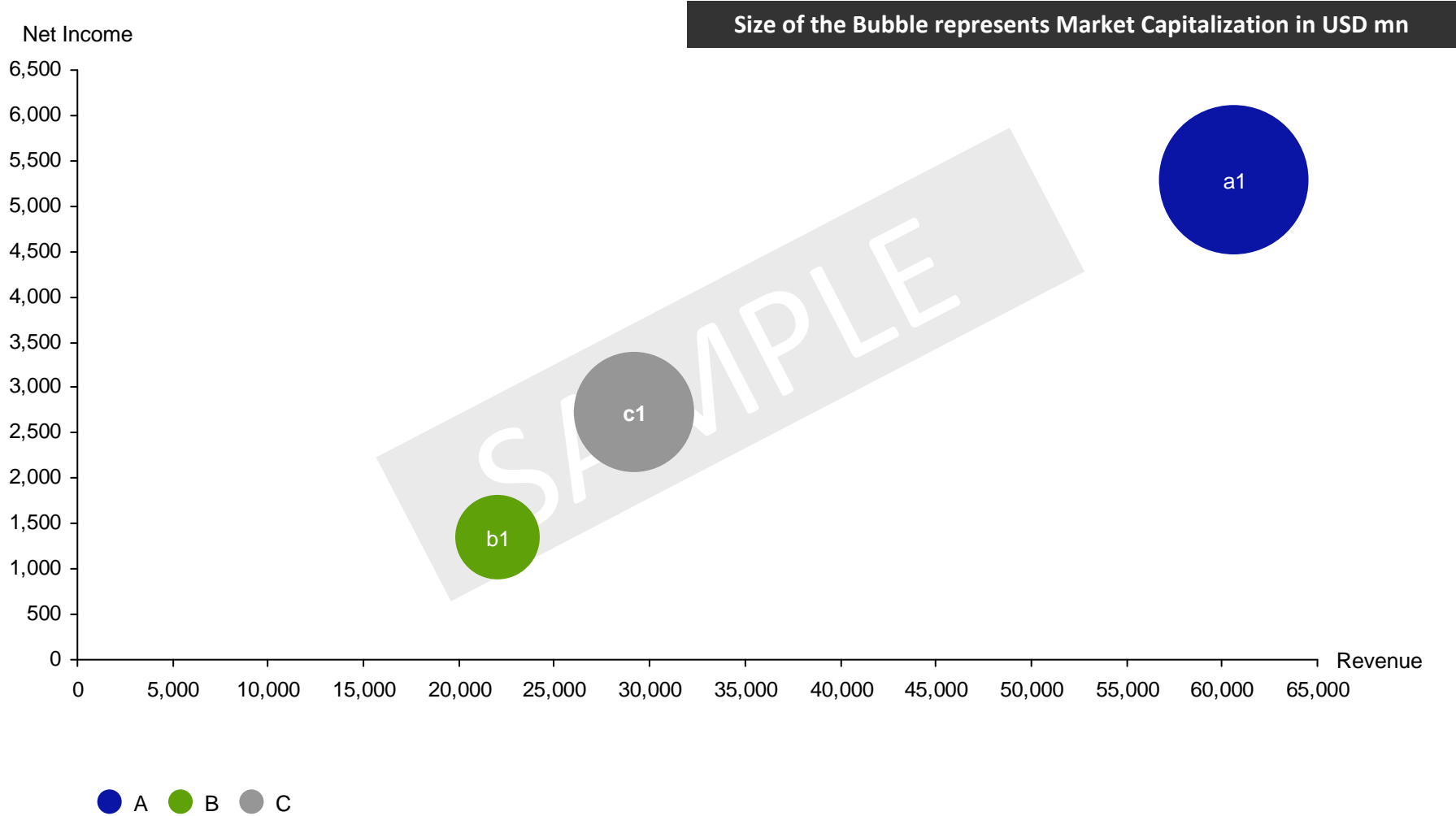
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# Summary – Trends

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# Domestic Competition – Summary (1/2)

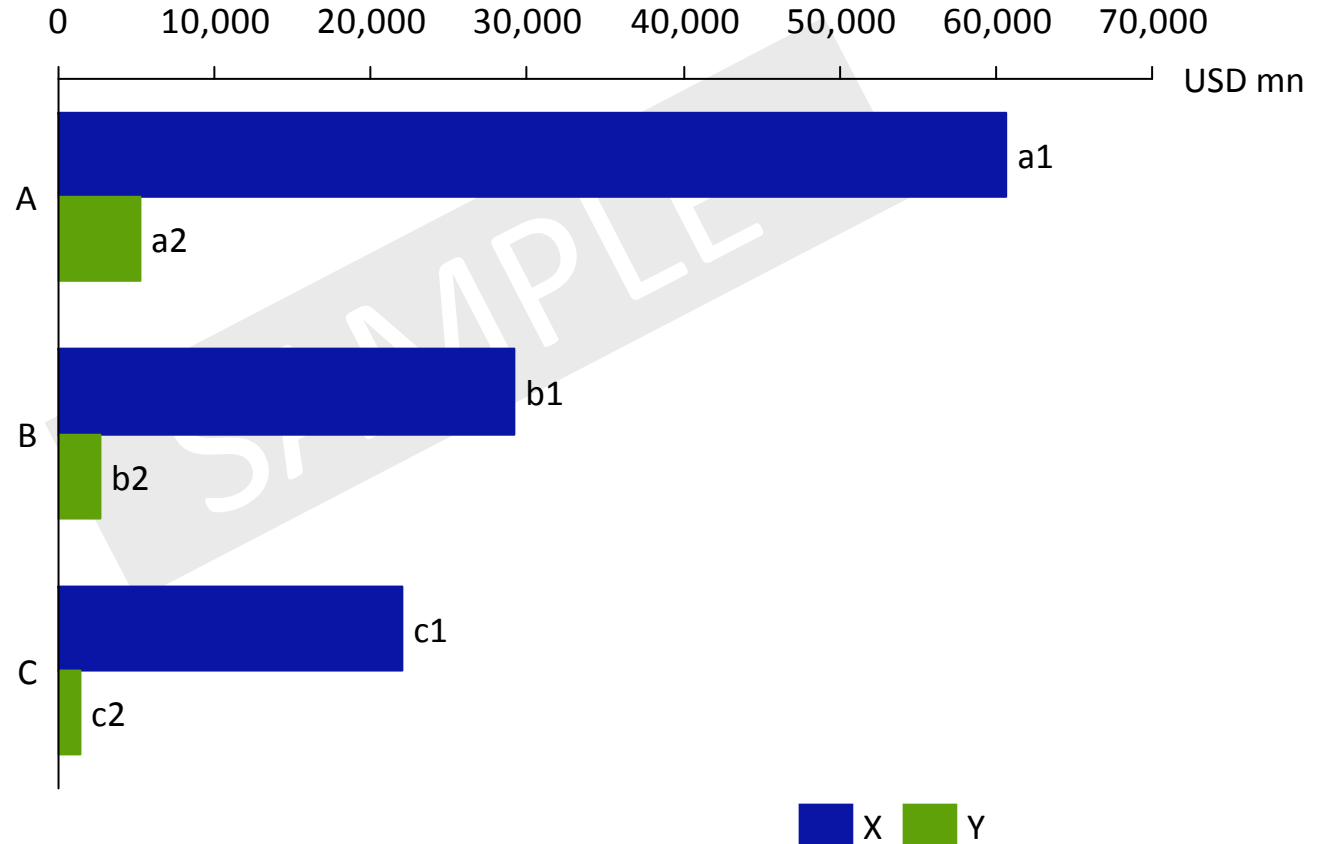


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# Domestic Competition – Summary (2/2)

## Revenue and Profit for Major Domestic Companies



Note:

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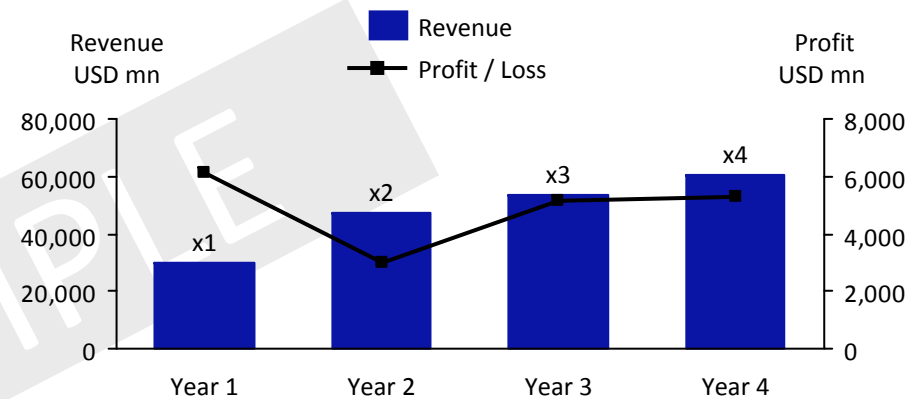
# Major Domestic Players in the Market (1/7)

## Company Snapshot: Company 1

### Corporate Information

<b>Headquarters</b>	City 1, Country 1
<b>Founded</b>	19--
<b>Products</b>	Product 1, Product 2, Product 3
<b>Key People</b>	Name 1 – <i>Designation 1</i>

### Financial Performance



### Business Highlights

- Company is a operating subsidiary of A
- Total premium income of the company till Oct 20-- amounted to USDx bn
- After approval from the CIRC issuance of USDy bn subordinated debt was completed by the company in Oct 20--
  - Maturity period of the subordinated debt is fixed at a years with an interest rate of b% for the first c years
  - Proceeds from the issuance will be used to raise solvency ratio and raise supplementary capital of the company
- In May 20-- company completed the filing of record for private equity and investment in real estate with the CIRC
- Till Dec 20-- company had three subsidiaries that engaged in a1, a2 and a3

Source:

# Despite a large number of institutional restrictions life insurance market in China is poised to witness rapid growth

Life Insurance Market in China is expected to grow by A% to USD X bn by 20--

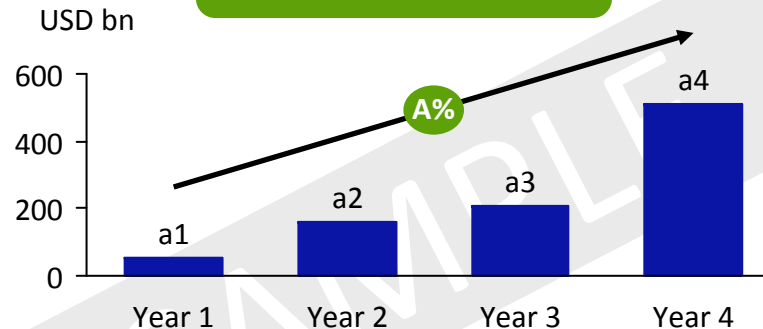
## Opportunities in the Market

Rise in middle class population along with rise in disposable income provides a major opportunity for growth

Low market penetration level coupled with a rising share of ageing population propels the life insurance market in China

Entry of firms through joint ventures and mergers is a major driver of the life insurance market

## Market Size



## Challenges

- Location Challenge
- Recession in Developed Markets
- Complex Market Regulations
- Lack of Human Resource

## Government Initiatives

12<sup>th</sup> five year plan of the government focuses on measures to develop the life insurance sector

China Insurance Regulatory Commission has also adopted several measures to boost the market

Life insurance market in China is dominated by restrictive investment regulations