



## 18<sup>TH</sup> EAST ASIAN ACTUARIAL CONFERENCE

12-15 October 2014

Taipei International Convention Center in Taipei Taiwan

# Society of Actuaries Research

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# Society of Actuaries Overview

- 24,000 worldwide members
- Based in Schaumburg, IL
- Focus on Education and Research

# Experience Studies

- Over 30 different studies produced regularly
- Covers wide variety of life, health and retirement products and programs
- Broad set of contingencies
- <http://mort.soa.org/>

# Data-Driven In-House Research

- US Retirement
  - Staff in Washington DC
  - Partnership with PBGC
- Canadian Retirement
  - Research Partnership Agreement with CIA
- US Health
  - Health Care Cost Institute data access



# Practice / Academic Research

- Research Executive Committee
  - Research Expanding Boundaries “REX Pool”
- 6 Practice Research Committees
- Centers of Actuarial Excellence Grants
- Committee on Knowledge Extension and Research (“CKER”)

# REX Pool

- Annually established by SOA Board
- \$800,000 for 2014
- Encourage advancement of the profession and deepening of current practice areas
- Applications generally come through SOA sections, research committees or Board initiatives
- Review process recently updated to promote frequent feedback and quicker decisions
- <http://www.soa.org/Research/Research-Opps/Expanding-Boundaries-REX/default.aspx>

# Practice Research Committees

- Focus on key issues in actuarial practice areas
- Often combine with SOA sections to jointly fund research projects
- RFP's issued and reviewed
- \$50,000 budget for each of 6 committees in 2014
- Finance                      Life Insurance
- Health                      Pension
- Joint Risk Management (SOA / CAS / CIA)
- Post-Retirement Needs and Risks

# Research Volunteer Opportunities

- Experience Study Working Groups
- Research “POGs”... Project Oversight Groups
- International Section Research Committee
- Email [research@soa.org](mailto:research@soa.org)
- Volunteer Interest Form
  - <https://www.soa.org/volunteer/>





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# The Middle Market for Life Insurance in China

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# Introduction

# Background

- Traditionally, most life insurance are savings-oriented.  
Major reasons:
  - Limited investment vehicles for individual investors
  - Would like to have tangible paybacks
  - Protection products hard to share experience with friends/relatives
  - Influence by distribution channels
- The life insurance business is changing
  - Emergence of protection products
  - Expansion of distribution channels, e.g. internet

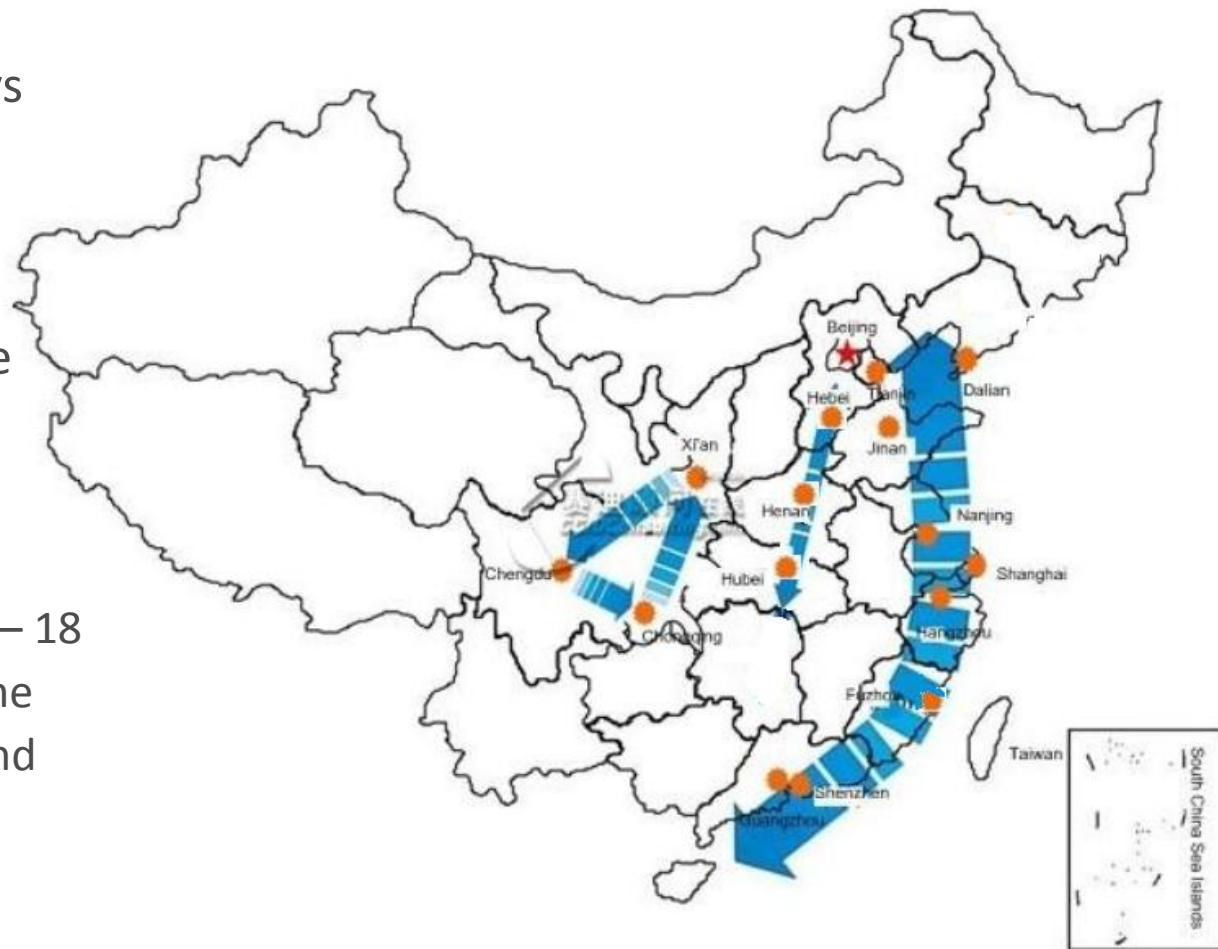
# A “First of Its Kind” such study in China

- Target young middle class customers
- Focus on death benefit life insurance
- Up until now most life insurance market research just summarized the census data or do some simple segmentation employing demographics and/or life stage characteristics.
- It is the first time to apply an attitudinal and behavioral segmentation approach by using clustering analysis



# Methodology

- 1,989 completed surveys across 16 cities
- 18 minute, online questionnaire
- Families selected for the study were:
  - Married couples
  - Age 25 – 50
  - At least one child, age 0 – 18
  - Annual household income between RMB 60,000 and RMB 360,000 (Roughly 10,000–60,000 USD)
- Data collected between December 6-15, 2013

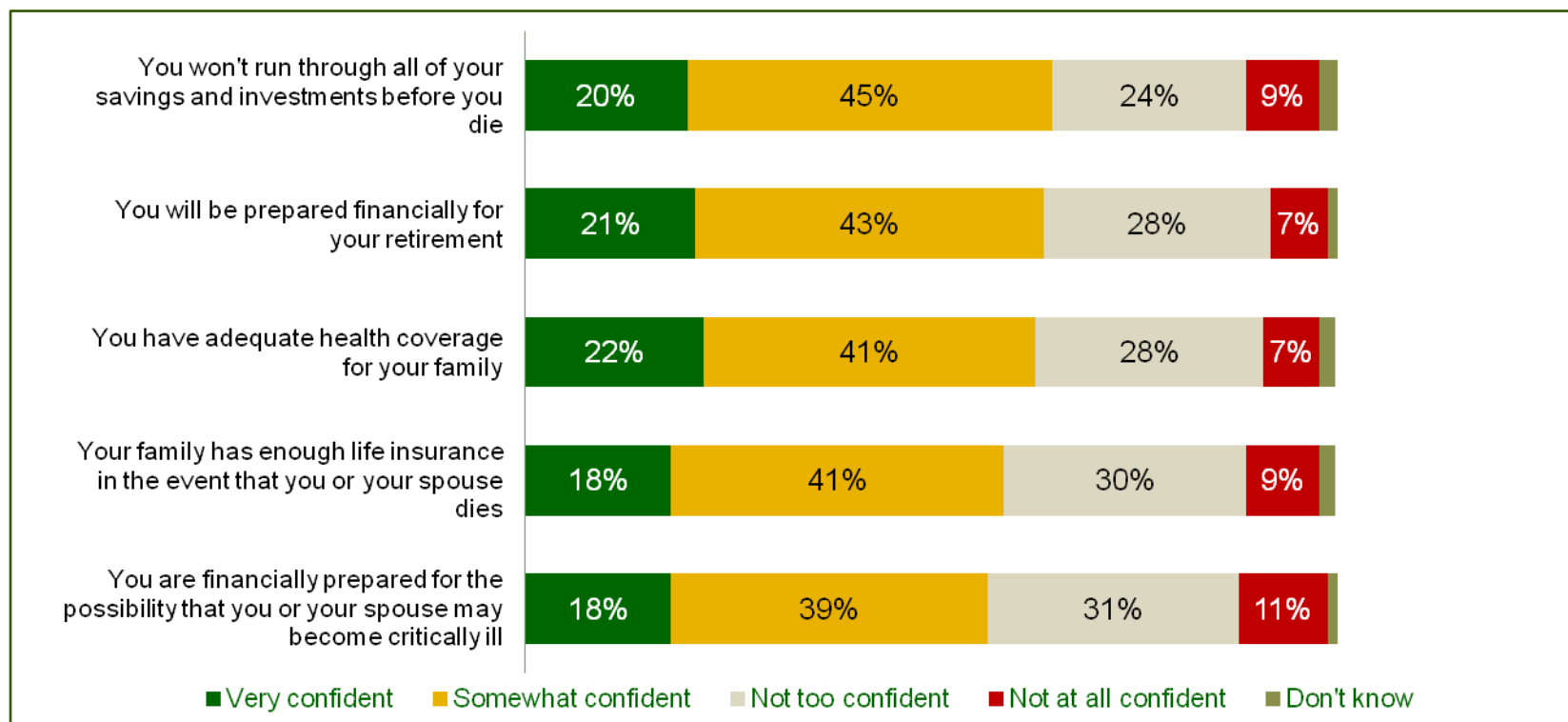


# General Findings

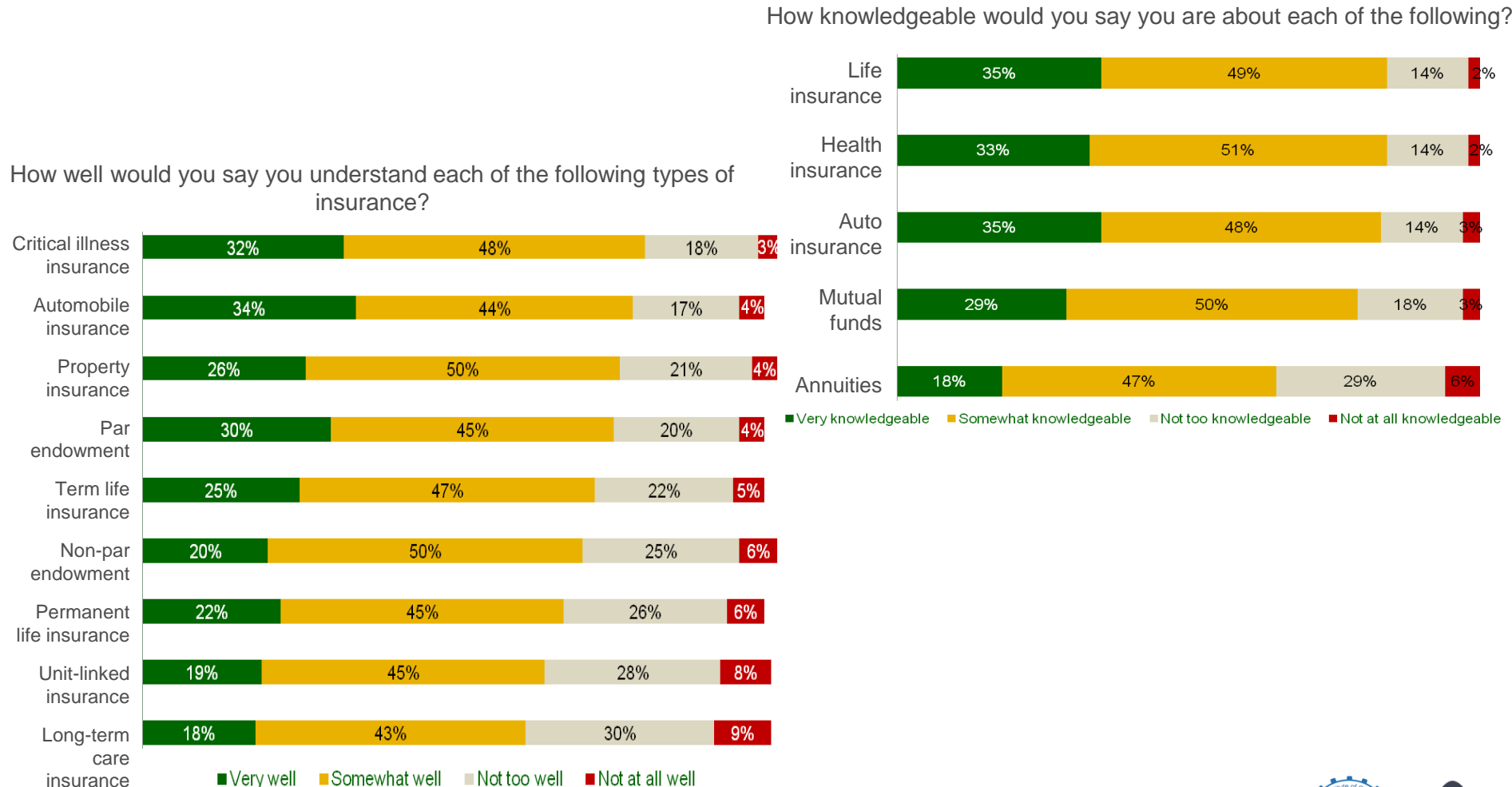
# More than half are at least somewhat confident about retirement planning and insurance coverage for their families.

How confident are you about the following aspects related to your finances?

(Total n=1,989)



# Chinese consumers report fairly high levels of knowledge about life insurance. A majority claims to understand each insurance product tested

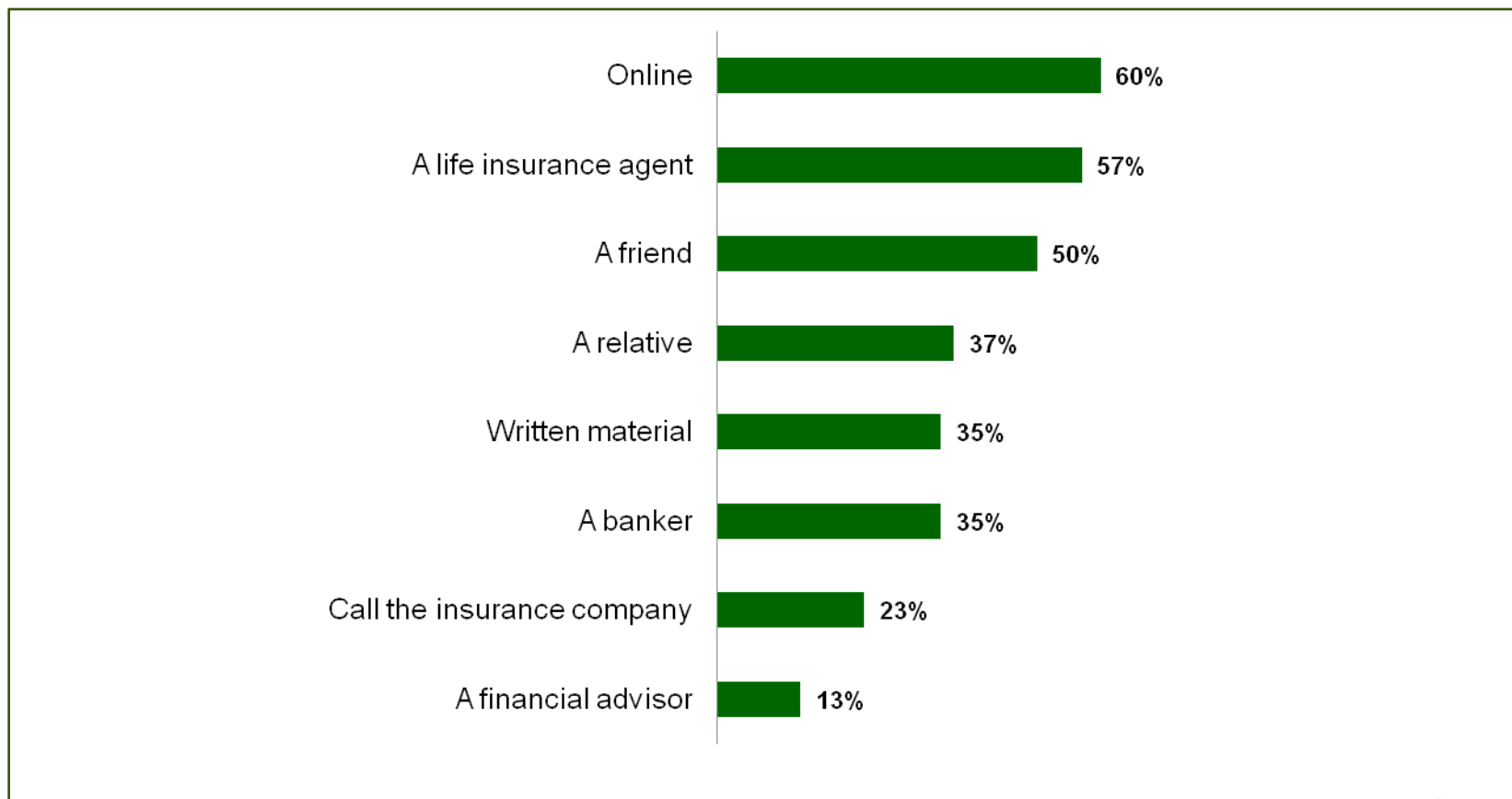




Chinese consumers are most apt to rely on the internet or an agent for information on life insurance. They are also likely to rely on friends.

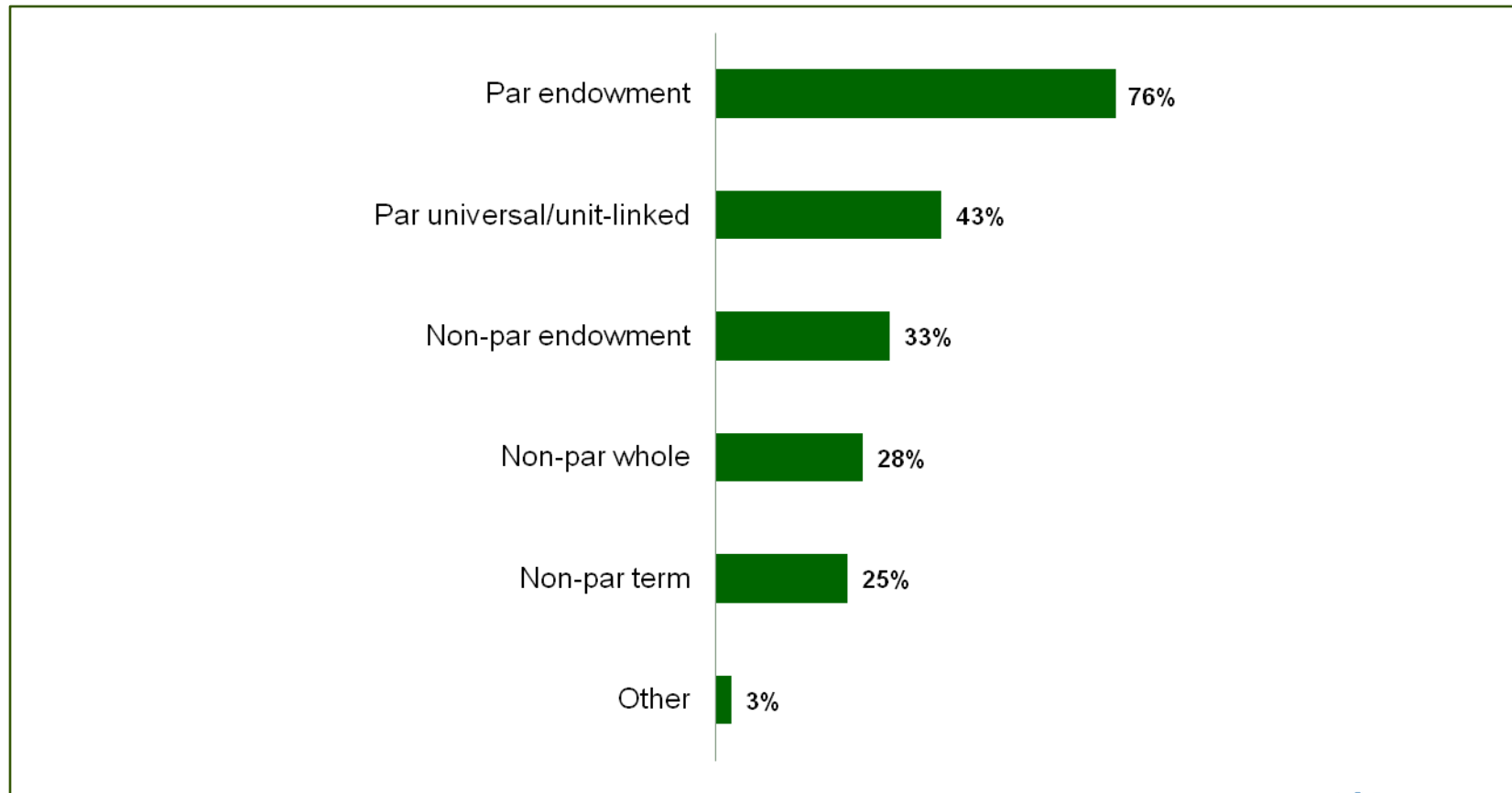
Where would you go to get information regarding life insurance products and costs?

(Total n=1,989)

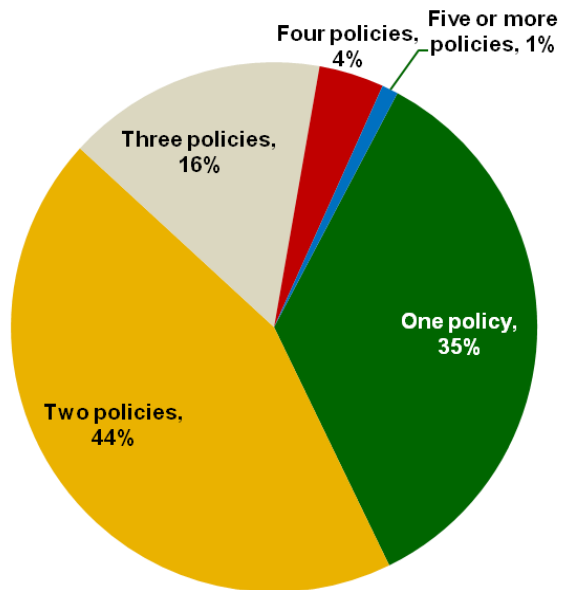


# Par endowments are the most commonly-held products among consumers with individual life policies.

What type(s) of life insurance do you and your spouse have that you purchased on your own?  
(Individual life insurance owners n=1,437)

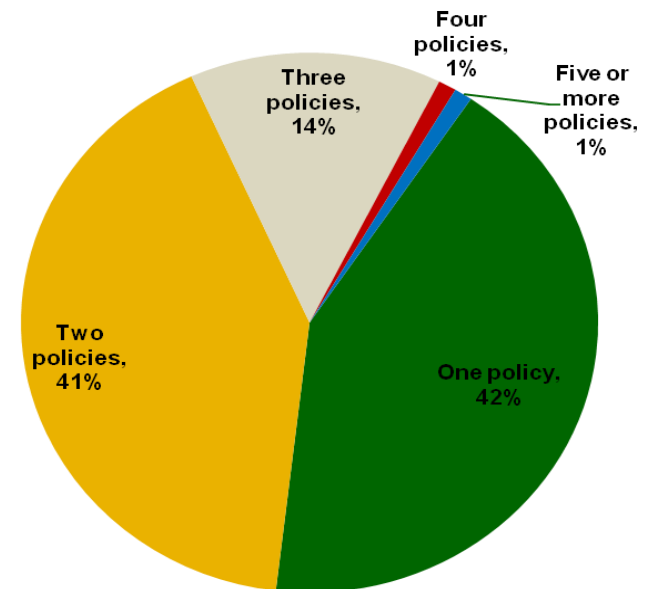


# Endowment vs. death benefit life insurance (1)



How many life insurance endowment policies do you currently own?

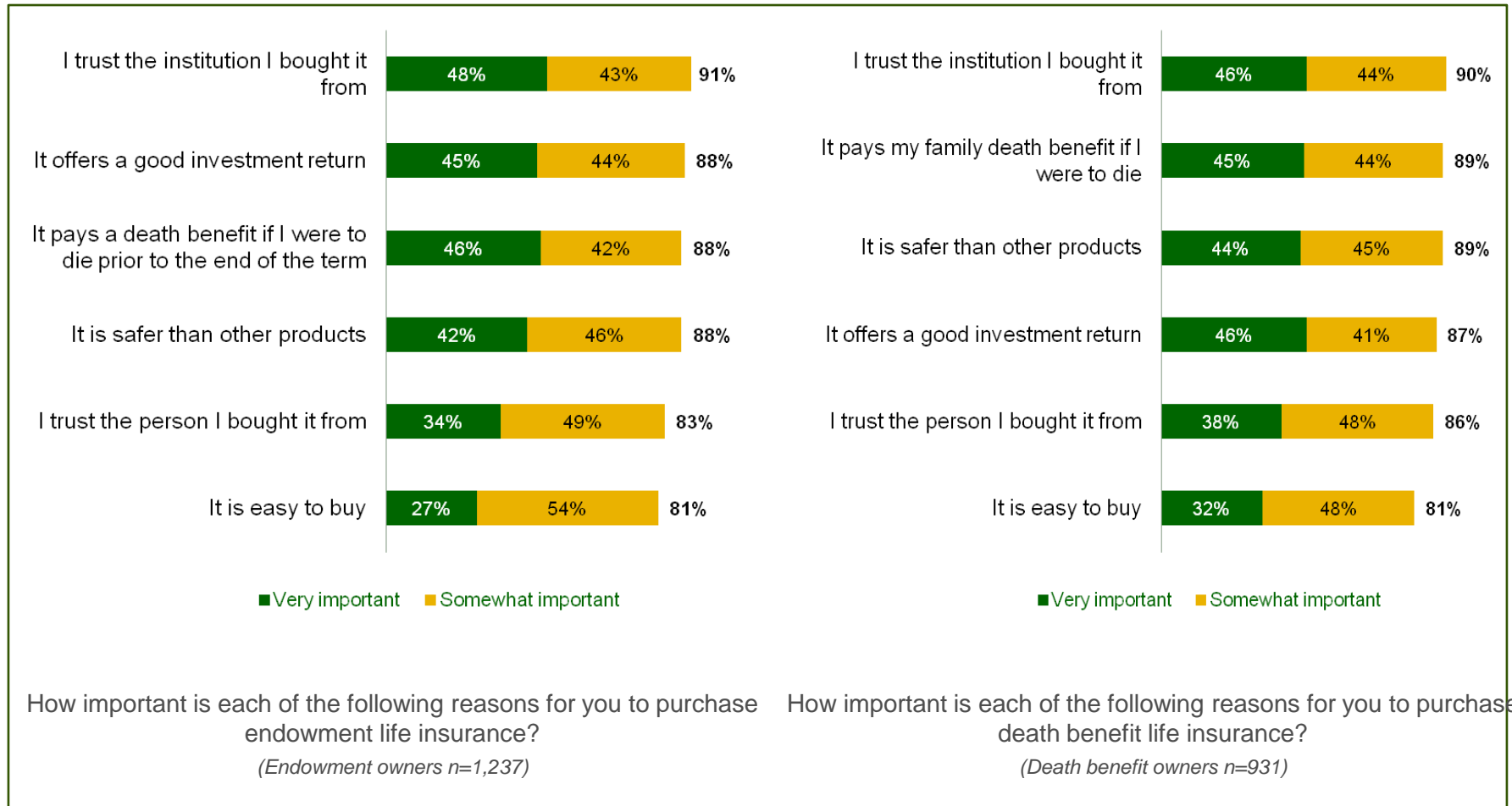
(Endowment owners n=1,237)



How many life insurance policies do you currently own other than life insurance endowment policies?

(Death benefit policy owners n=933)

# Endowment vs. death benefit life insurance (2)







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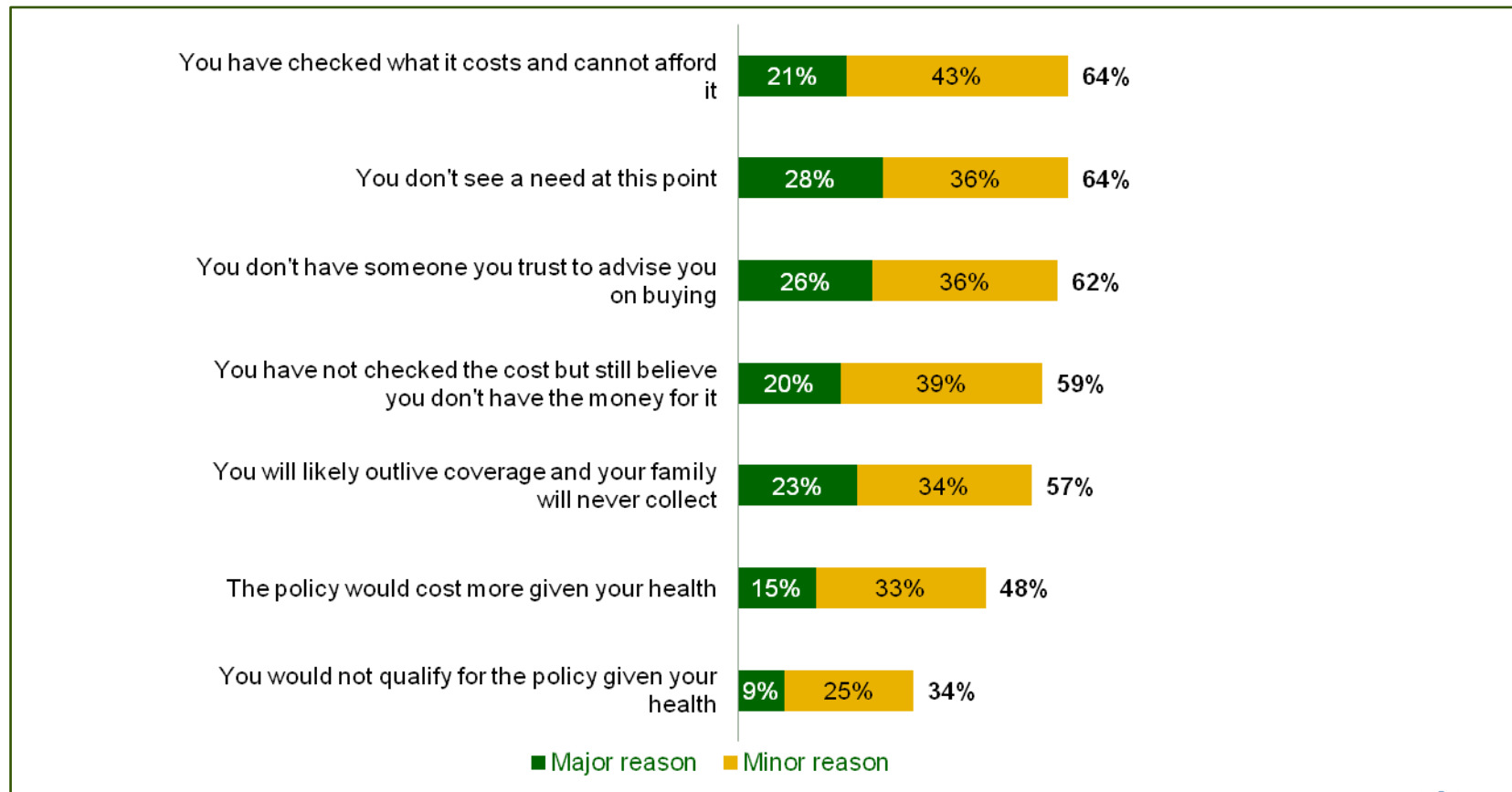
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# Lack of need and cost of additional coverage are top reasons that Chinese consumers do not purchase more life insurance.

To what extent are the following reasons why you might not buy death benefit life insurance in the near future?  
(Unlikely to purchase more coverage n=302)



# *Market Segmentation Result*

# Segmentation process

Using K-Means clustering, this study found a set of segments in the data that can help the industry better understand and target the middle market in China. The cluster solution that proved most effective used the following solutions: The variables that produced the most distinct, actionable set of segments were:

- Q39b - Life insurance serves only a temporary need until such time as the kids leave the house or the mortgage is paid off (agree or disagree)*
- Q39g - There is little need for death benefit life insurance past age 55 or so (agree or disagree)*
- Q39h - You would rather buy permanent death benefit life insurance that lasts a lifetime, even if it costs more (agree or disagree)*
- Q39i - At your age, it is more important to put money toward retirement savings than death benefit life insurance (agree or disagree)*
- Q39j - Everyone with someone depending on their income should have some form of death benefit life insurance (agree or disagree)*
- Q39m - I am likely to consider purchasing a death benefit life insurance policy to protect my family (agree or disagree)*
- Q39n - The purpose of death benefit life insurance is to provide for one's family in the event of a parent's premature death (agree or disagree)*
- Q39o - Life insurance companies are financially more secure than other financial institutions (agree or disagree)*

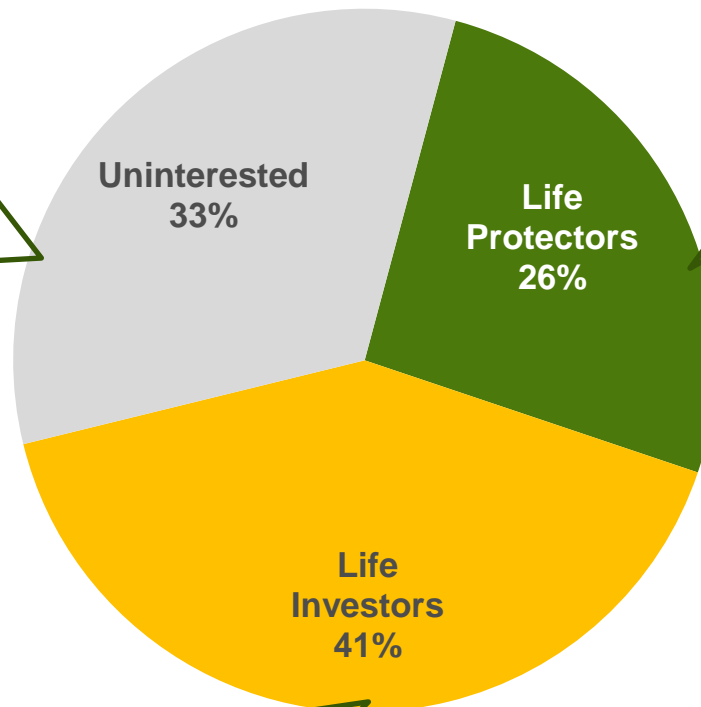
Through an iterative process, each respondent was assigned to the segment whose mean values for these variables most closely matched the respondent's own answers.



# Three segments of middle market life insurance consumers in China

Total Respondent Breakdown by Segment  
(Total n=1,989)

- Lower interested in the death benefit life insurance and a diminished belief in the premise that everyone with financial dependents should have life insurance.



- Formed based on appreciating the value of life insurance and its role throughout life.
- Most likely to consider owning a death benefit life insurance policy very important.

- Formed based on seeing life insurance as a temporary need and viewing retirement savings as more important than life insurance.

# Snapshots of the three segments

## “Life Investors” (41%)

- Own more endowment and death benefit policies than the other segments
- Less likely to see life insurance as a part of their life-long planning
- Have a broad view of life insurance, but more for “temporary” needs
  - To borrow against
  - Business purposes
  - Pay for a child’s education
- Most likely to buy life insurance as a savings vehicle
- Demographically between the other two segments; more likely male

# Snapshots of the three segments

## “Uninterested” (33%)

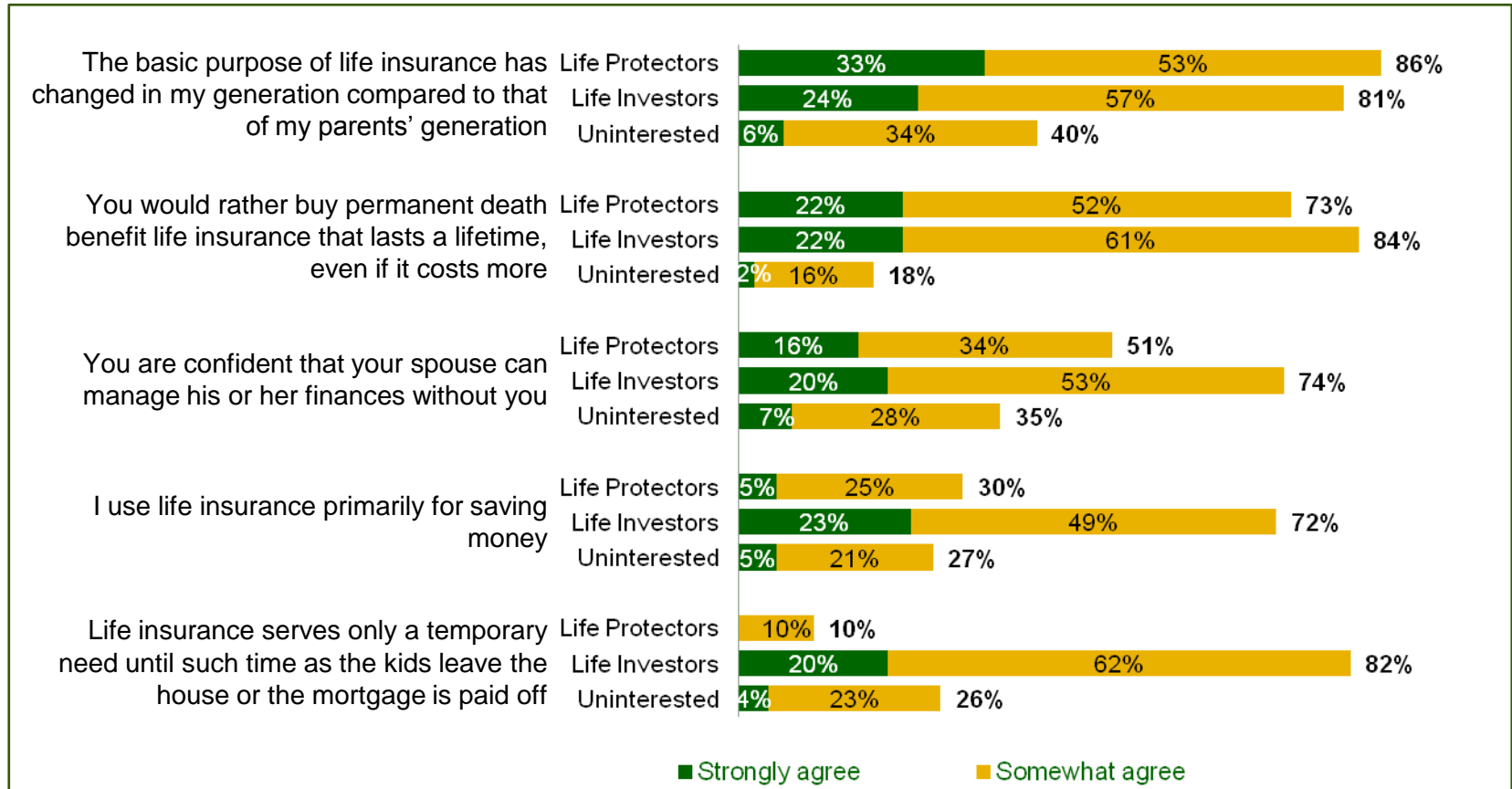
- Least concerned with family’s financial security
- Lowest interest and belief in life insurance
- Much less likely to own any type of life insurance
- Lowest level of financial product knowledge
- Lower income; less educated

# Snapshots of the three segments

## “Life Protectors” (26%)

- Most appreciation for the value of life insurance throughout one’s lifetime
- Most likely to buy for security, peace of mind
- Most oriented toward the concept of death protection
- Also own endowments; have an expanded view of life insurance
- Oldest; best educated; more likely female

Life Investors are most likely to use life insurance primarily for saving money and to think it serves only a temporary need. Accordingly, they are also most confident that their spouses can manage financially without them.

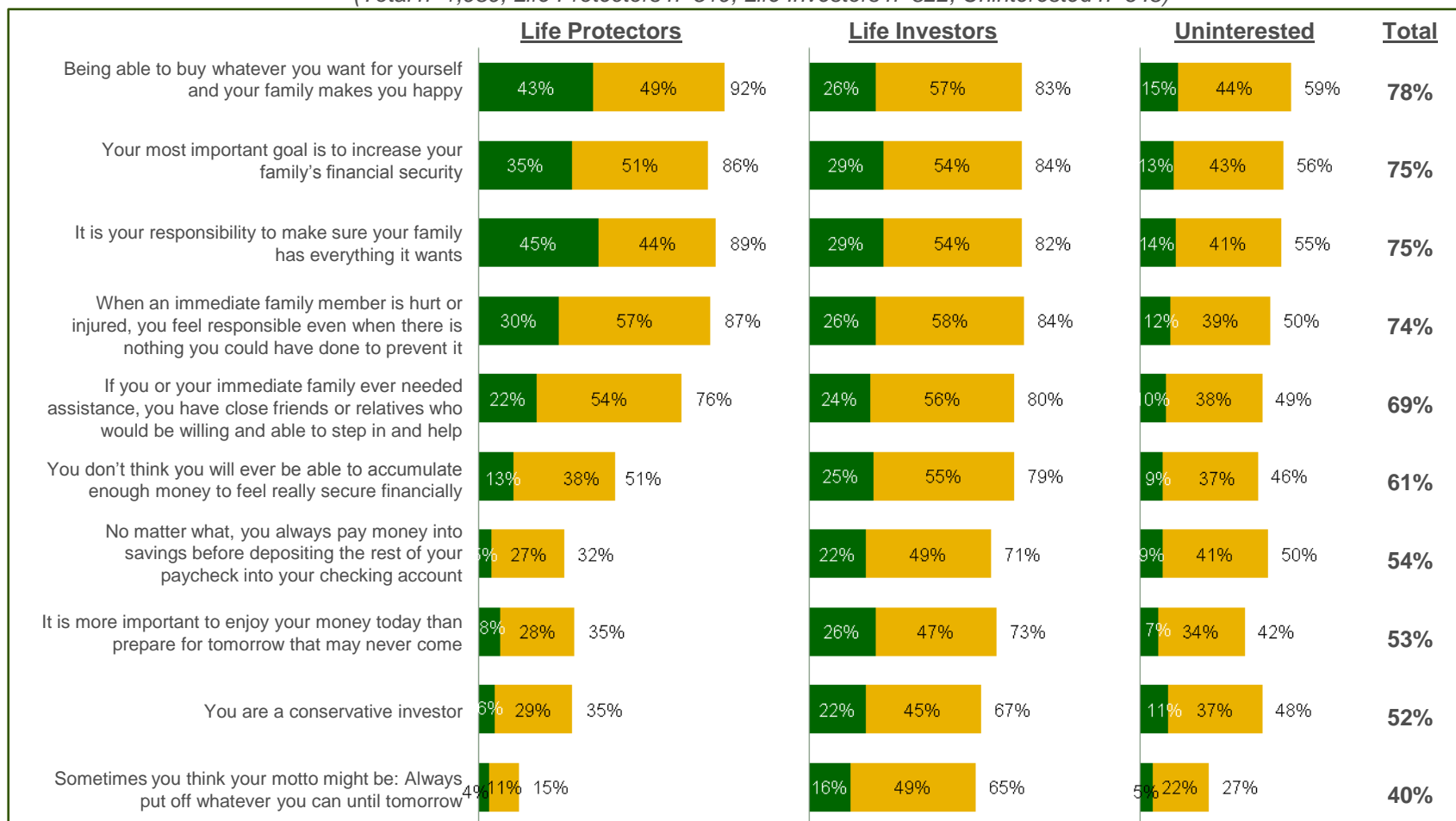


(Life Protectors n=519; Life Investors n=822; Uninterested n=648)

# Life Protectors prioritize financial security for their families, while Life Investors are more today-oriented.

Please indicate how much you agree or disagree with each of the following statements:

(Total n=1,989; Life Protectors n=519; Life Investors n=822; Uninterested n=648)



Strongly agree Somewhat agree



Life Investors are most likely to have coverage through work or purchased on their own through a bank, while Life Protectors are most likely to purchase through an agent

Are either you or your spouse covered by one or more life insurance policies that were...

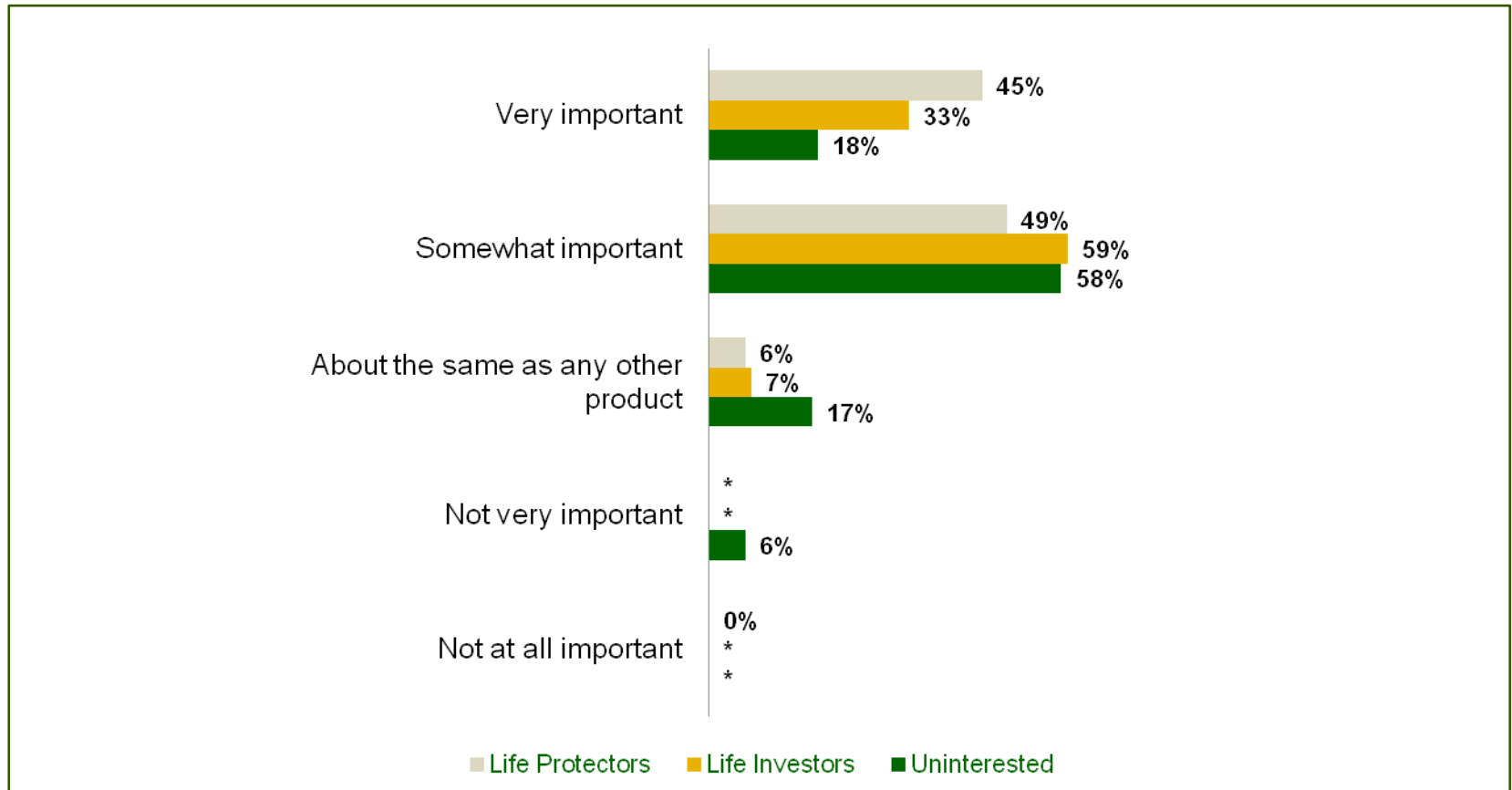
(Life Protectors n=519; Life Investors n=822; Uninterested n=648)



# Life Protectors feel most strongly about the importance of owning death benefit life insurance

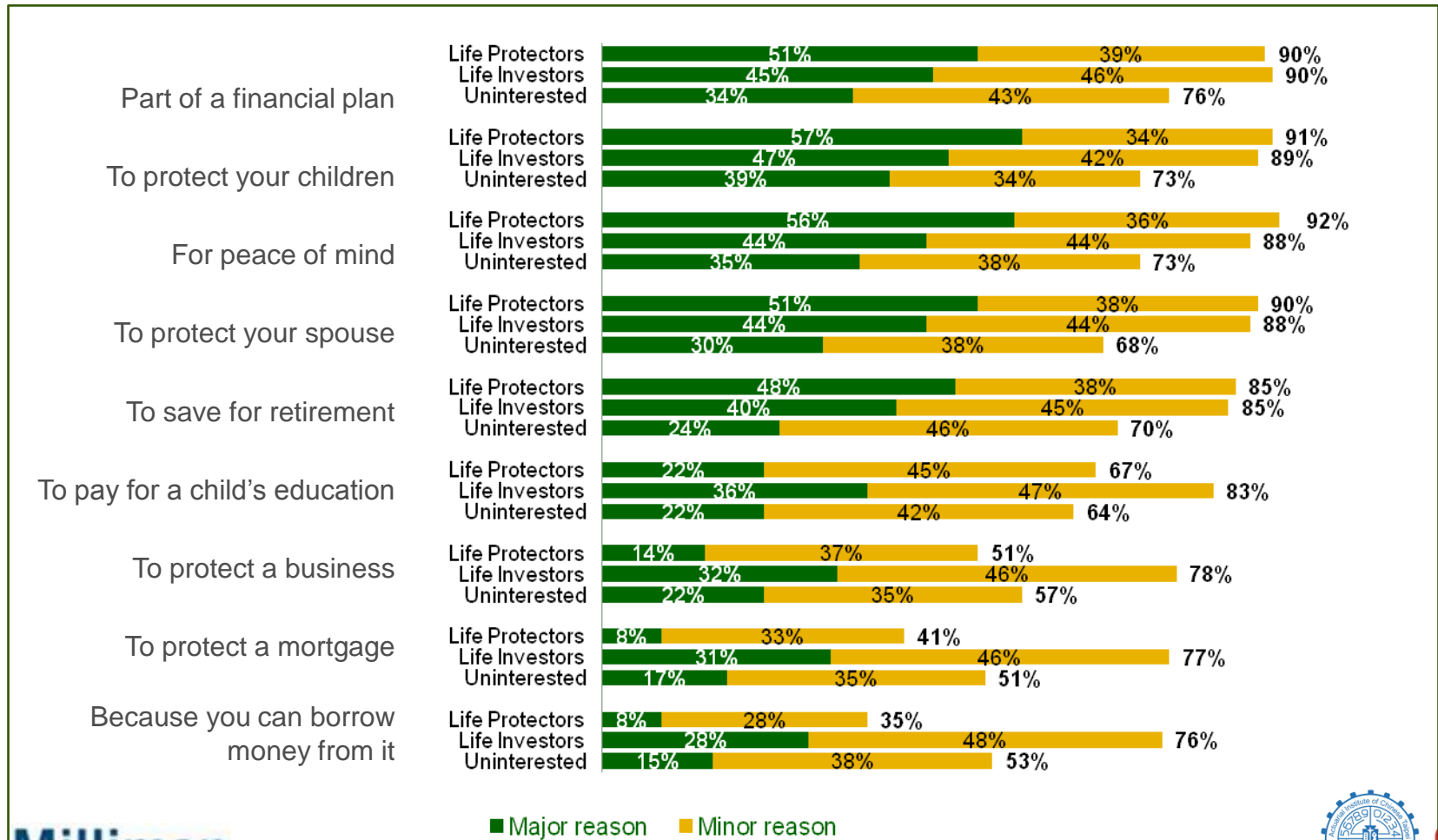
Relative to other financial products available to you, how important is it to have a death benefit life insurance policy?

(Death benefit owners: Life Protectors n=298; Life Investors n=433; Uninterested n=202)



While Life Investors are most likely to attribute their life insurance ownership to a financial plan, Life Protectors are highly concerned with protecting family members and enhancing peace of mind

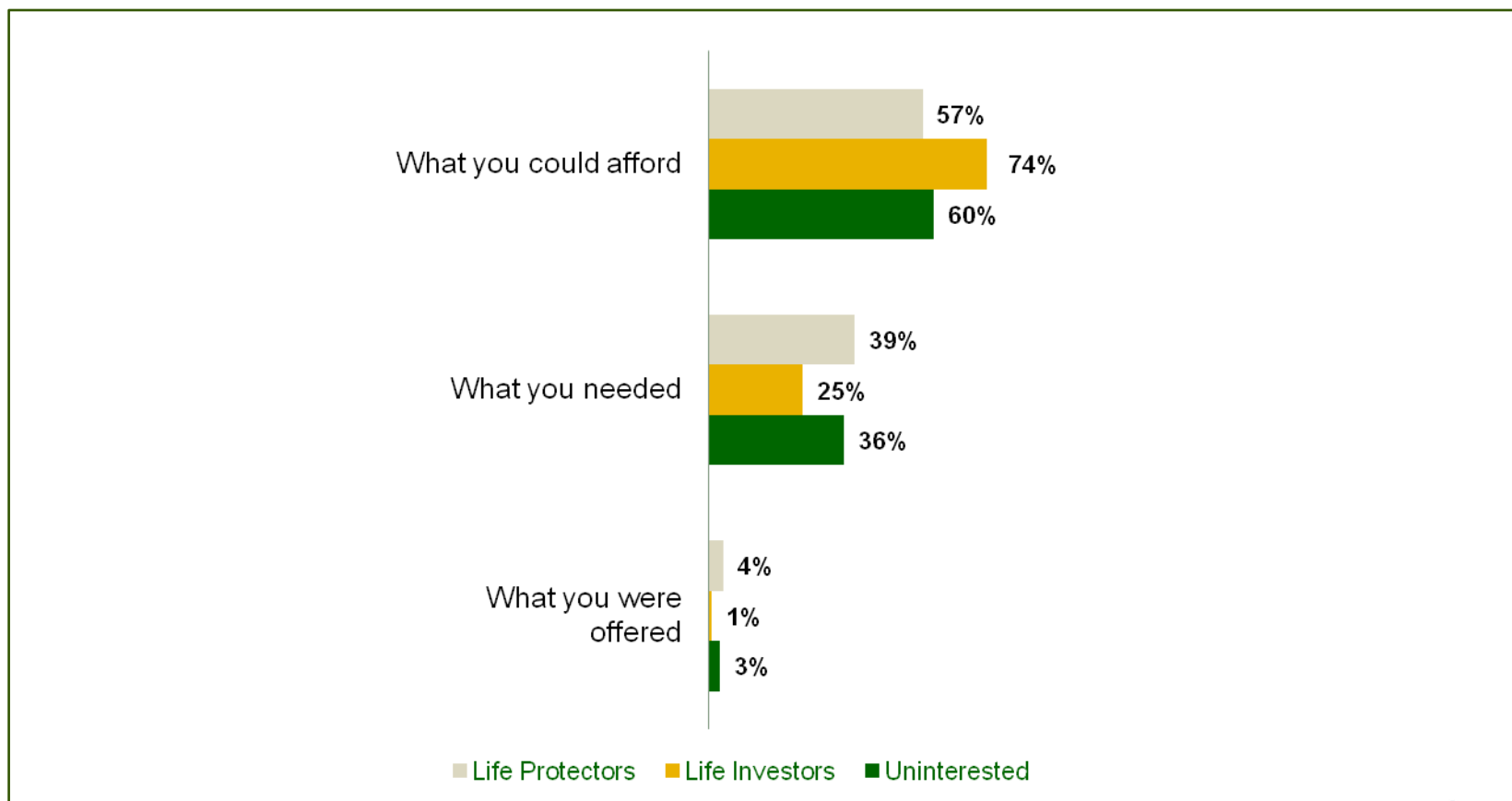
To what extent are each of the following reasons why you own life insurance?  
(Individual life insurance owners: Life Protectors n=440; Life Investors n=577; Uninterested n=357)



# Life Investors are most likely to purchase based on affordability

Thinking about the last time you purchased life insurance, was the amount you purchased based primarily on...

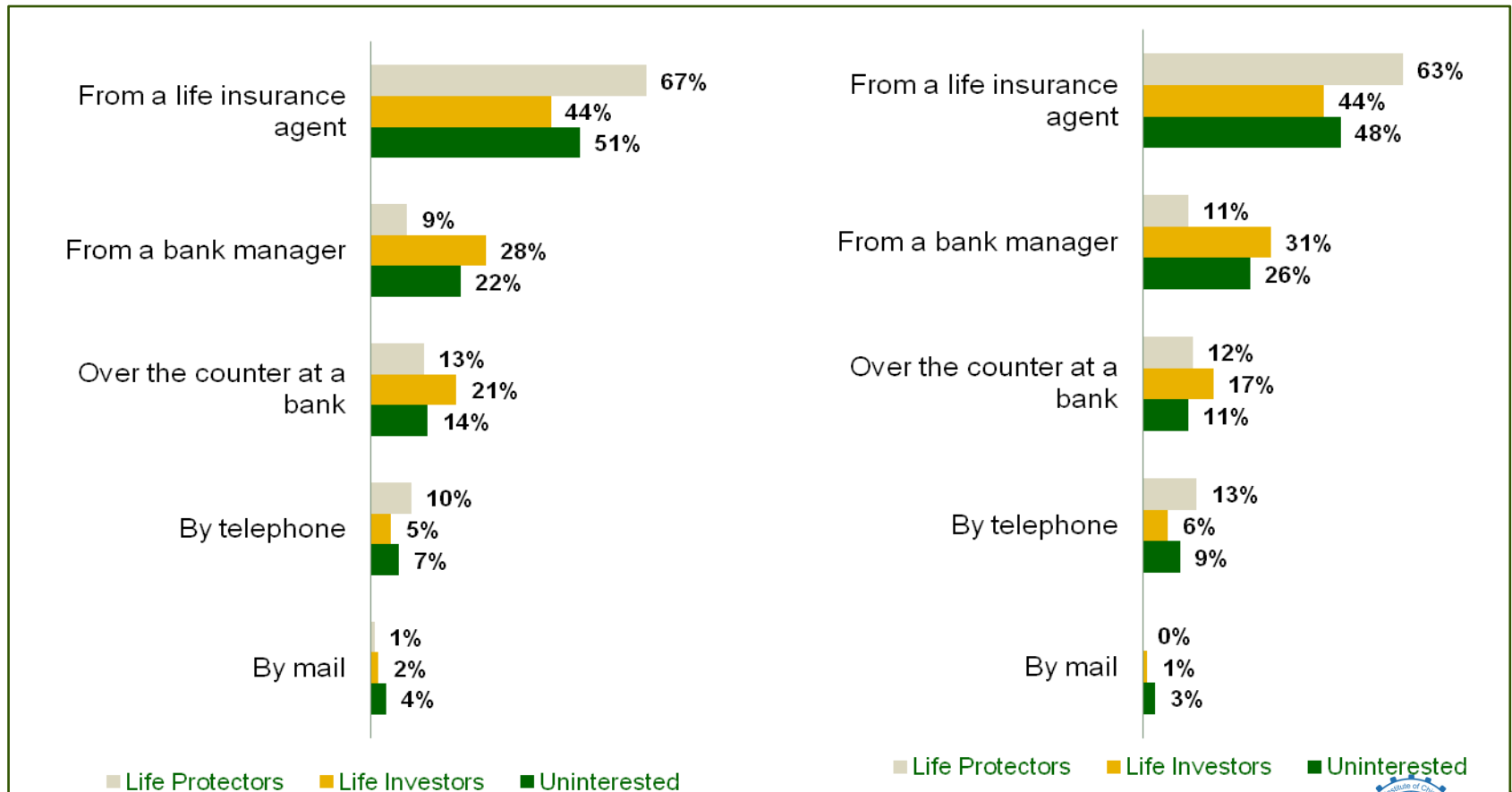
(Individual life insurance owners: Life Protectors n=448; Life Investors n=585; Uninterested n=404)



# Life Investors are more likely than Life Protectors to buy insurance at bank. Life Protectors often consult a life insurance agent

How did you purchase the most recent life insurance endowment policy you bought?

How did you purchase your most recent death benefit life insurance policy?



# *Application of the Research*



# Marketing to the segments

## “Uninterested”

- A significant challenge
- Role of education
- Basic term life insurance protection
- Need to address trust, and safety/security of life insurance companies

# Marketing to the segments (cont'd)

## “Life Protectors”

- Targets for existing coverage “check-ups” and updates
- Targets for new products
- Market to female decision-makers
- Consider marketing to them online or thru call centers

# Marketing to the segments (cont'd)

## “Life Investors”

- Disturb them regarding the need for death benefit life insurance
- Position life insurance as the “bedrock” of a financial plan
- Target with a better trained agency force
- Do a better job of targeting online

*For more information about this research*

<https://www.soa.org/Research/Research-Projects/Life-Insurance/research-2014-06-understanding-changing.aspx>

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