



18TH EAST ASIAN
ACTUARIAL CONFERENCE

12-15 October 2014





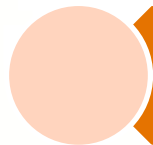

Taipei International Convention Center in Taipei Taiwan

Life Insurance Industry in Taiwan

Joe Chan 陳汝亮
President of AICT

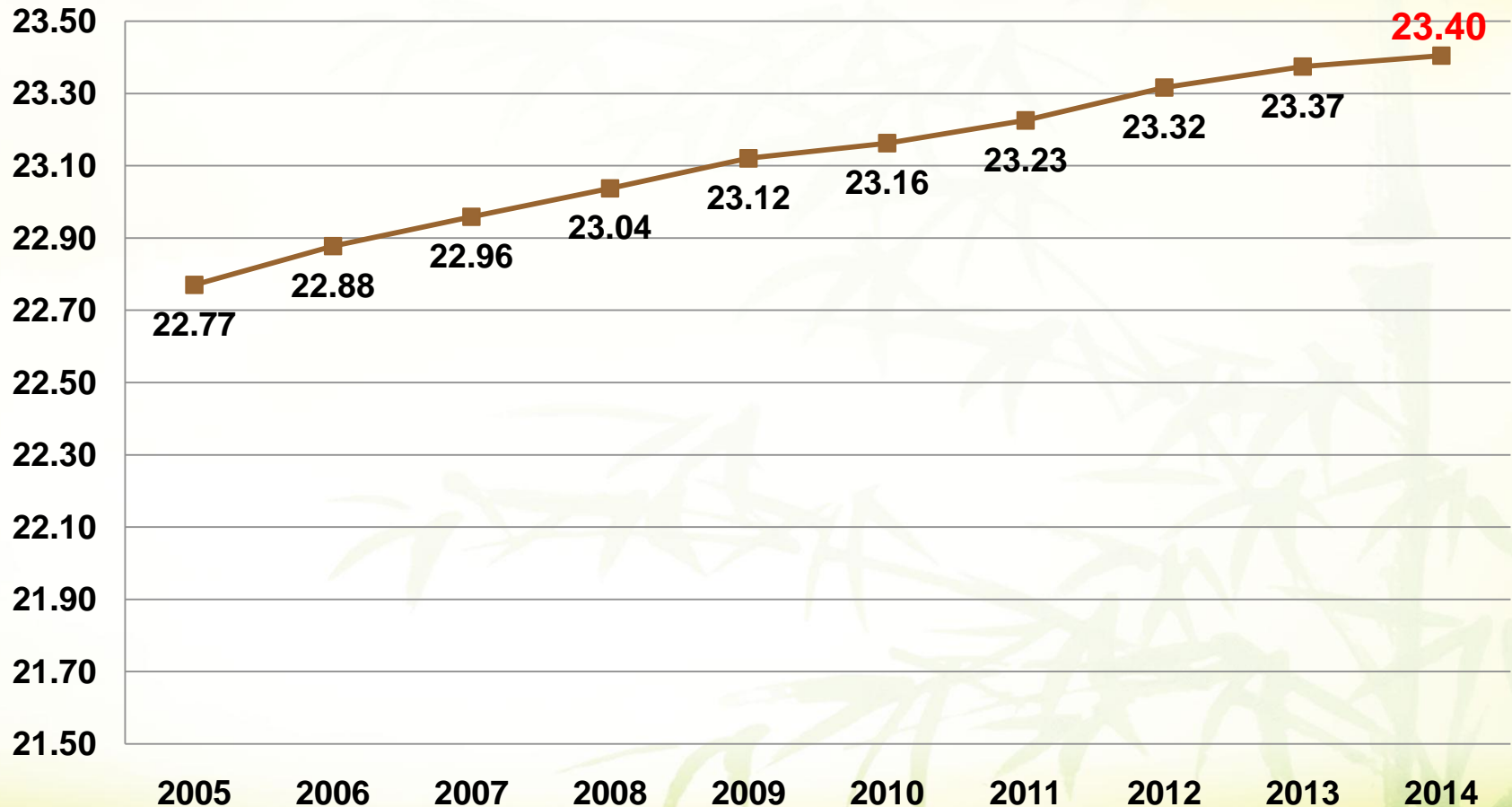


Agenda

-  Taiwan in General
-  The Life Insurance Industry
-  Trend
-  Opportunities
-  Challenges
-  Open Questions

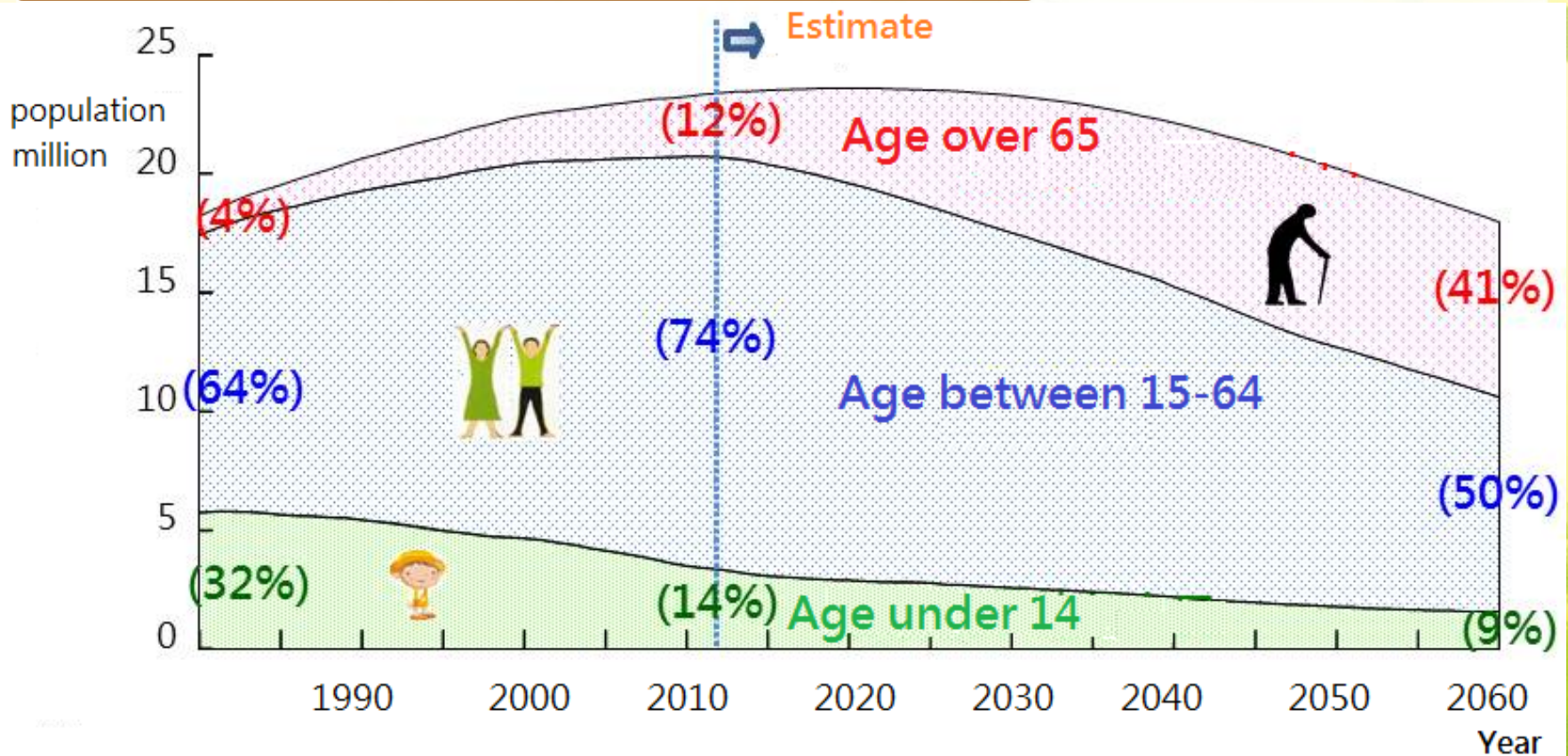
Taiwan in General

Total population as at 2014 : 23.4 million



Taiwan in General

Aging society : age over 65 was 9.74% of population in 2005 increased to 11.77% in 2014

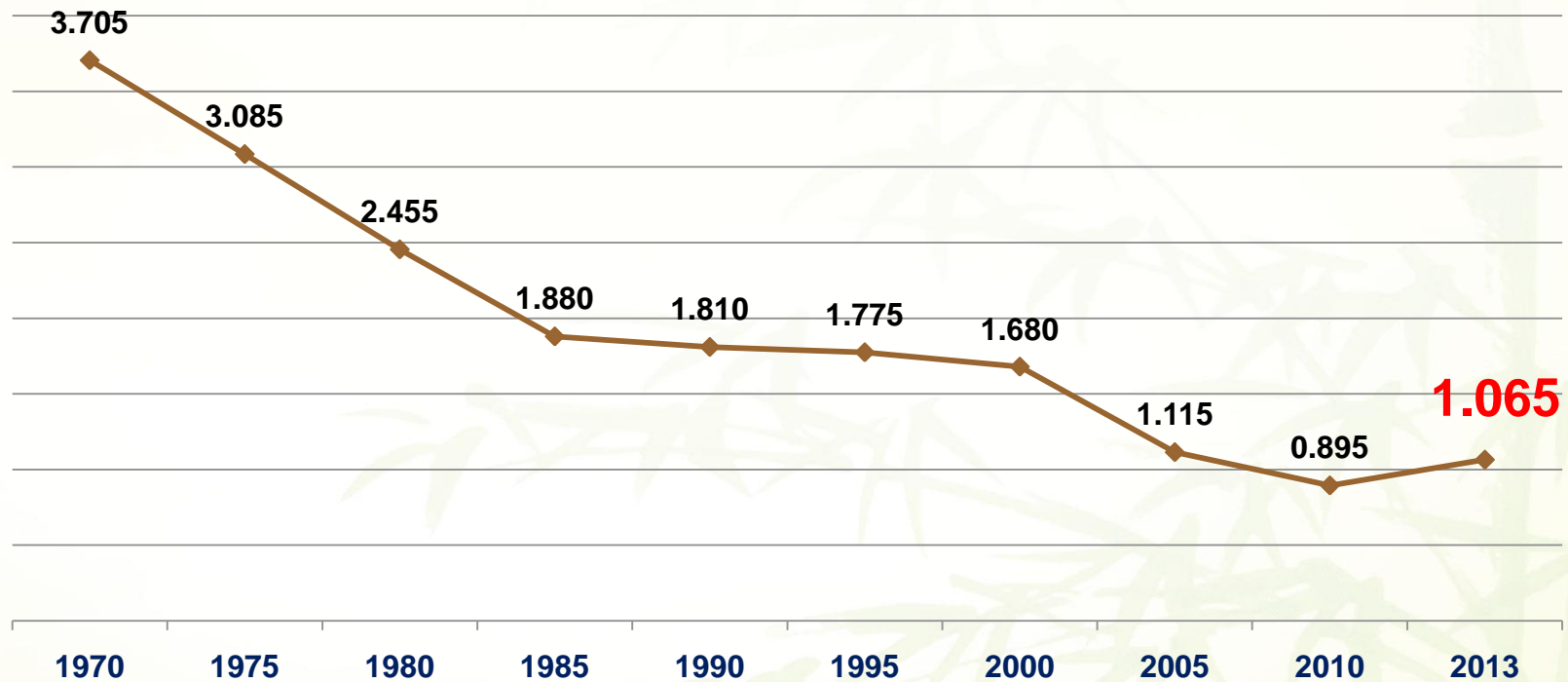


Data from: National Development Council

Taiwan in General

Fertility rate declining : various paces of decline since the 1970's and stabilize around the current low level of 1

Total Fertility Rate

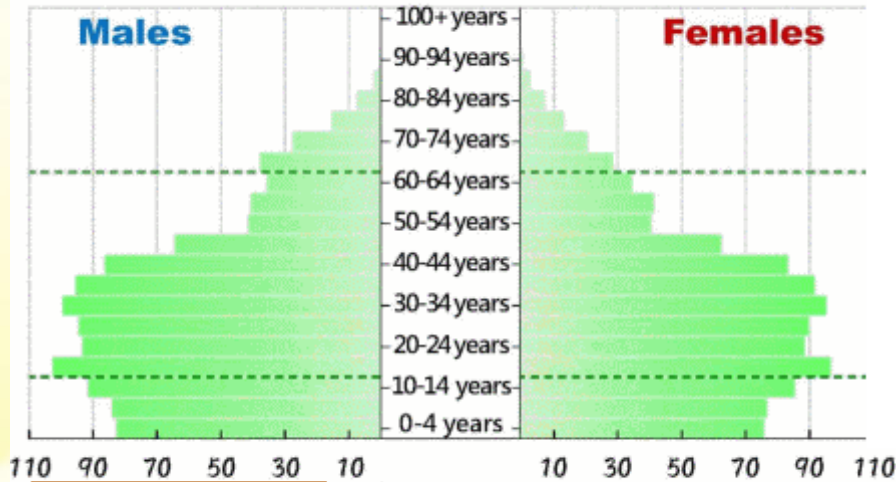


Low fertility rates coupled with high divorce rates result in smaller families with fewer children

Taiwan in General

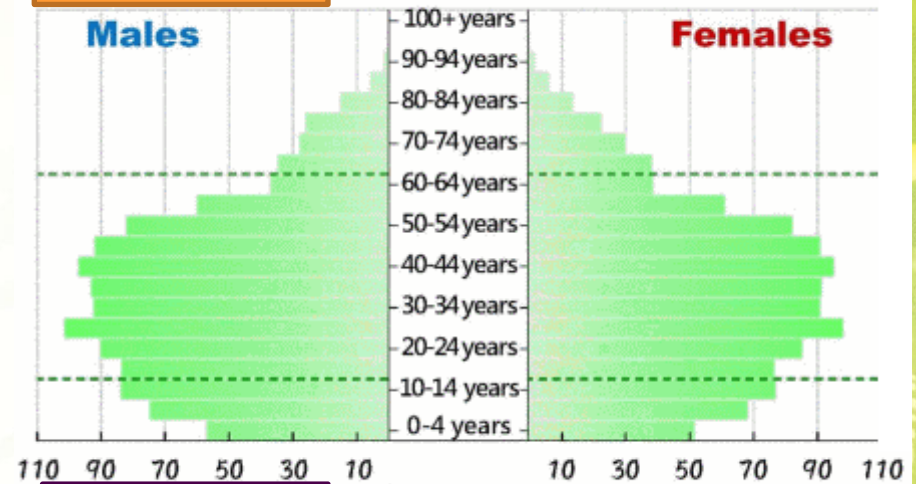
aging society

1995



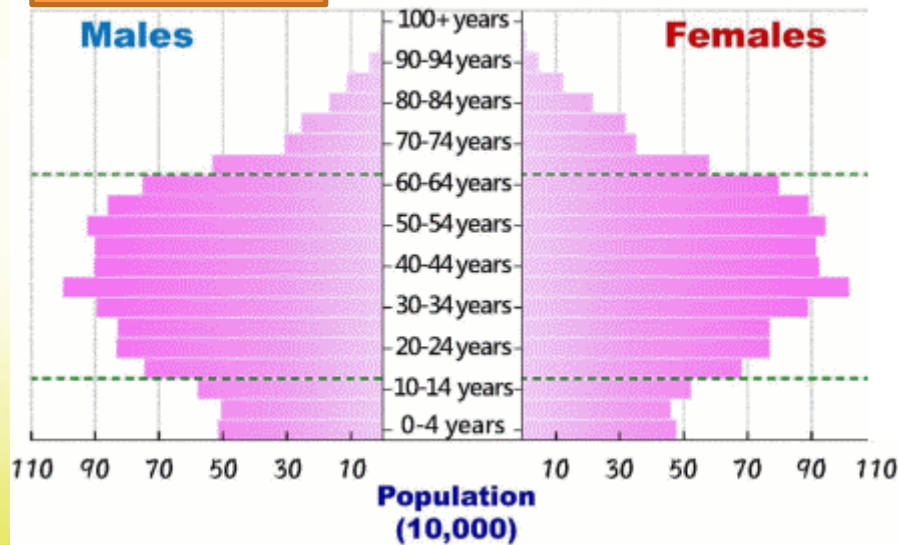
aging society

2005



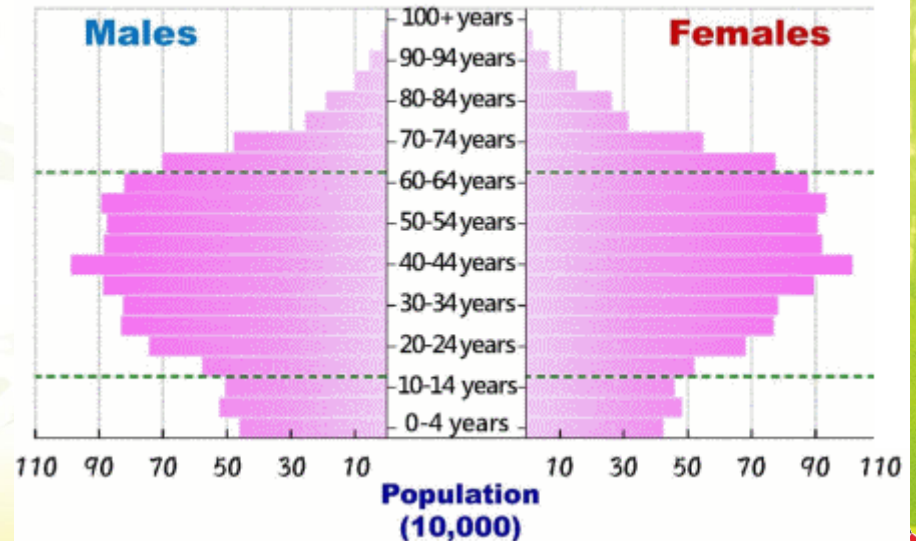
aging society

2015



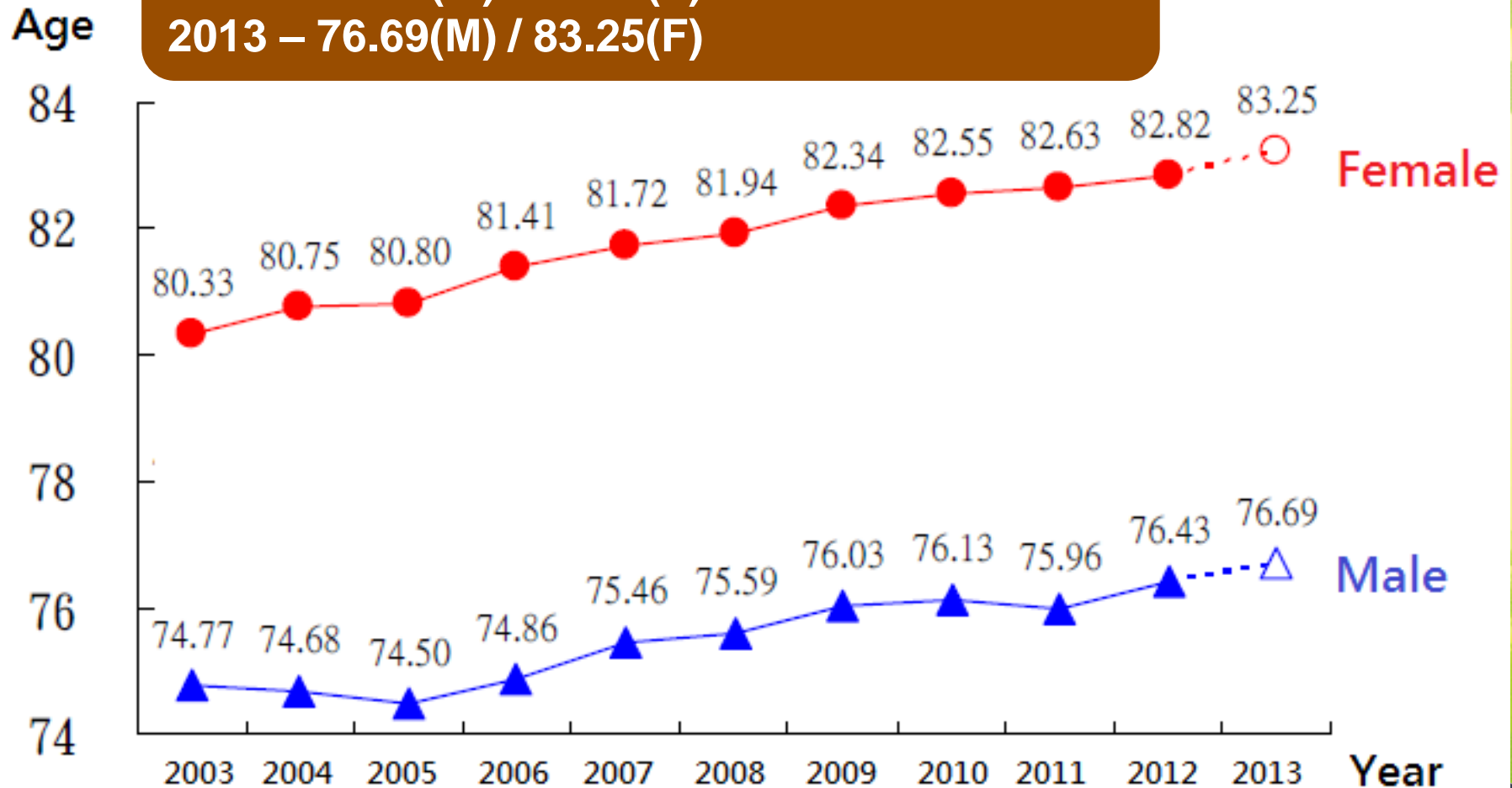
aged society

2020



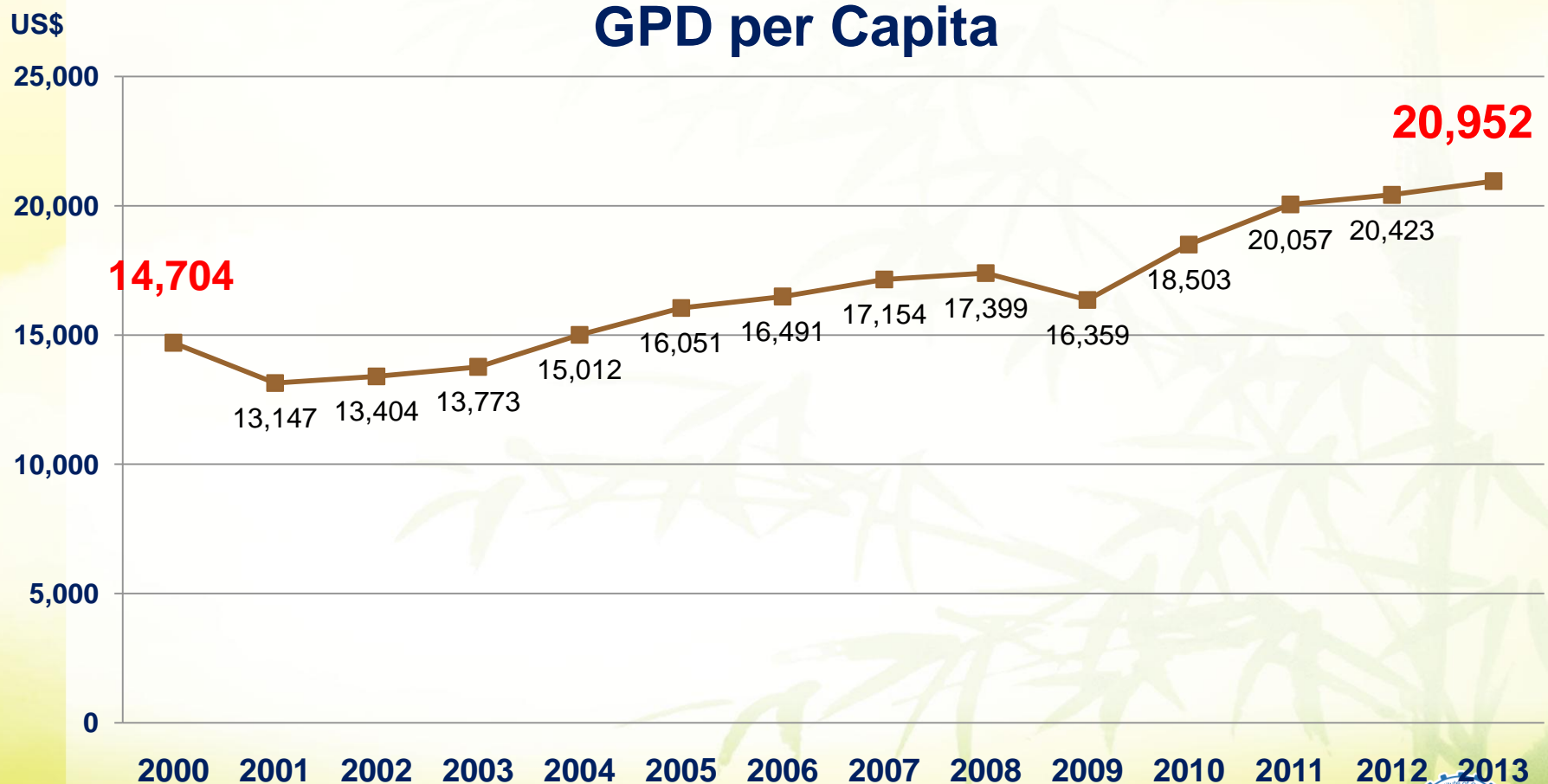
Taiwan in General

Life expectancy increasing :
2003 – 74.77(M) / 80.33(F)
2013 – 76.69(M) / 83.25(F)



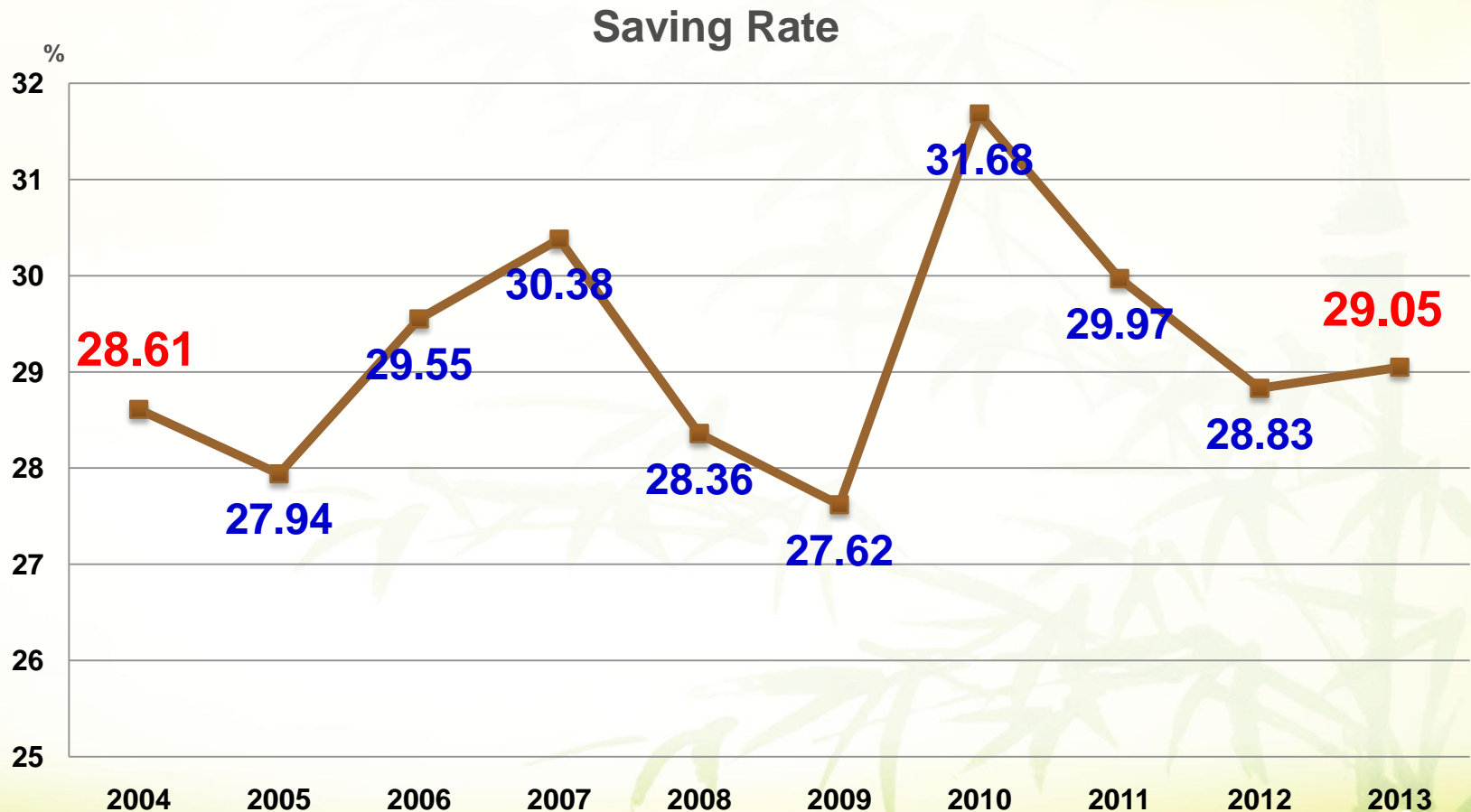
Taiwan in General

GDP per capita : US\$14,704 in 2000 increased to US\$20,952 in 2013



Taiwan in General

Tradition of high saving rate : around 29% of GDP



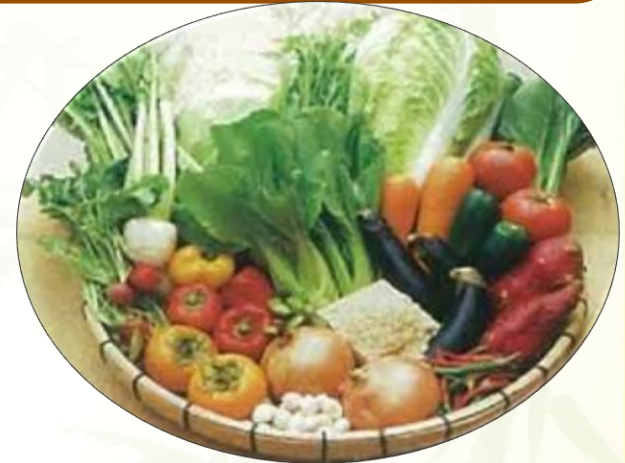
Taiwan in General

Very educated population : illiteracy rate of less than 2%
but with the aging population, there is now surplus of
tertiary education institutes



Taiwan in General

Major industries : manufacturing, electronics, agriculture, tourism, health management related; certain types of manufacturing, eg. bicycle, yacht, etc. actually rank top in world



Taiwan in General

Financial also forms a major part of the industries with 95 banks, 49 insurance companies, and numerous securities and asset management companies and advisories

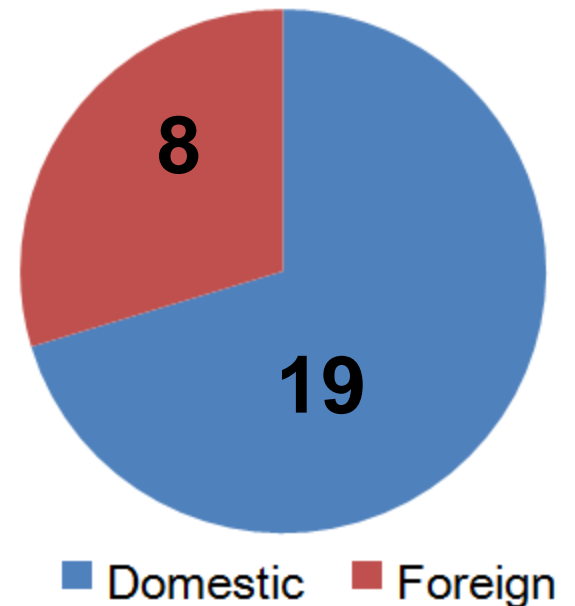


The Life Insurance Industry

In the middle of 2014, there are 27 life insurance companies

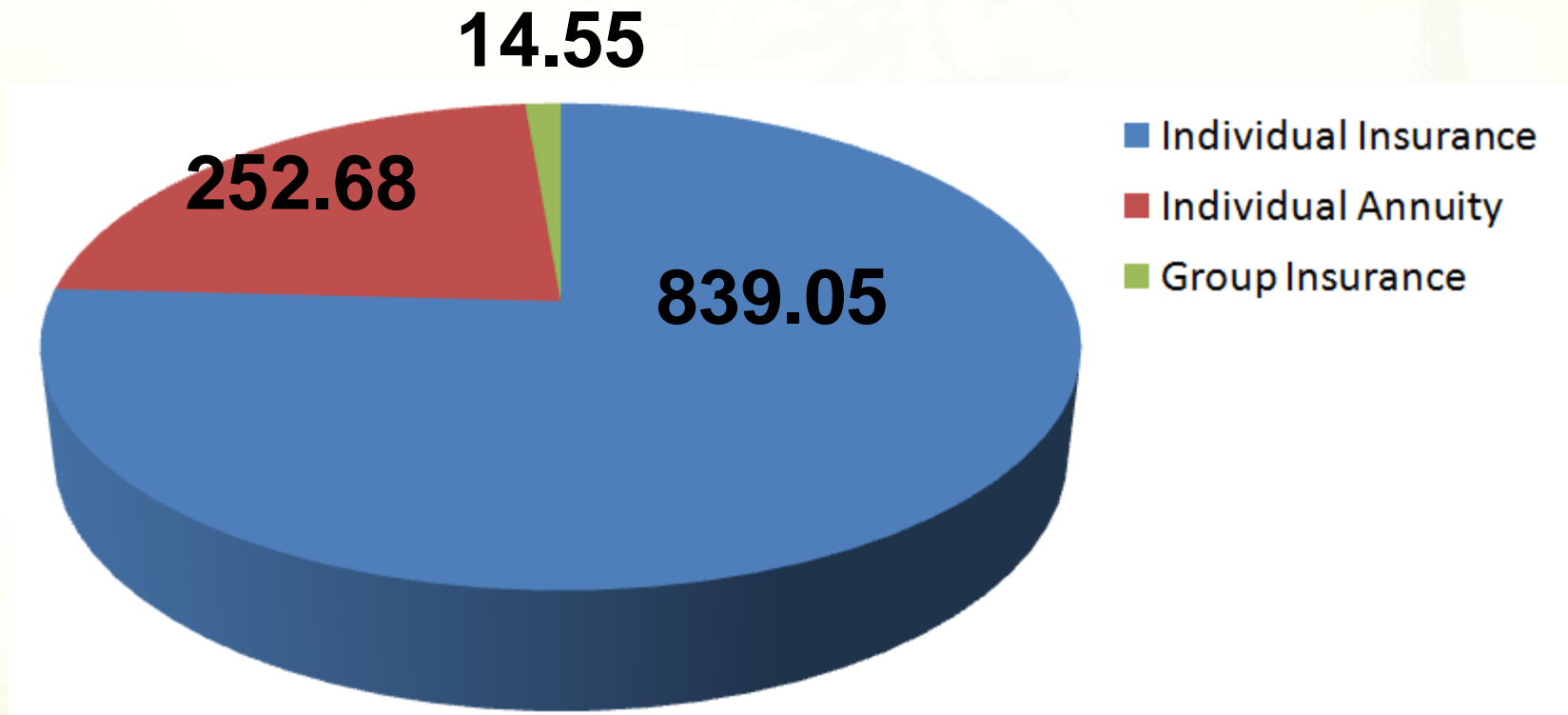
The domestic companies take up the majority of the market shares while the foreign players mainly tend to niche markets/specific sales channels.

Life insurance companies(27)



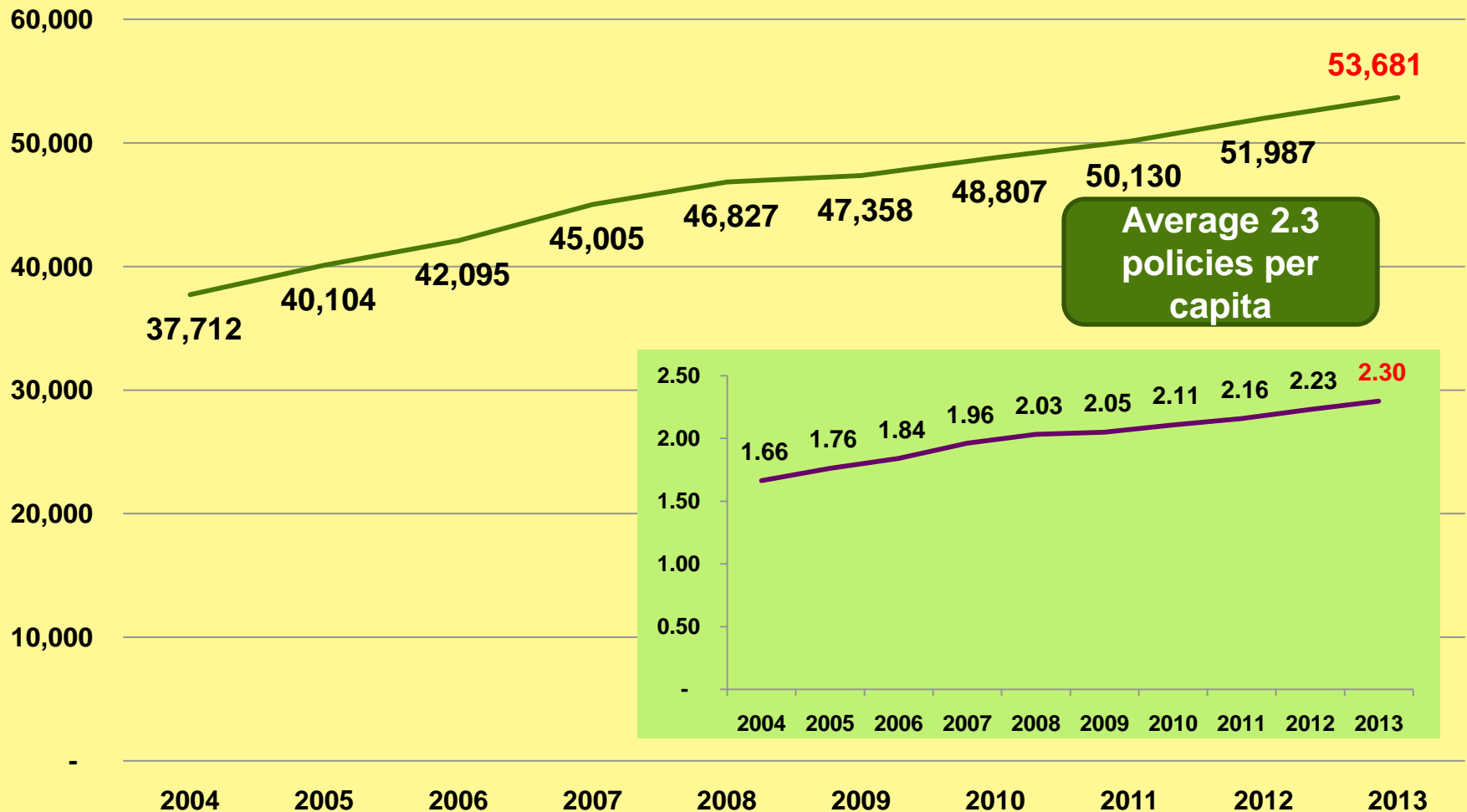
The Life Insurance Industry

Total NB premiums in 2013 were NT\$1,106 billion (7.5% of GDP) and total premiums were NT\$2,584 billion (US\$1 = NT\$30 approx.)



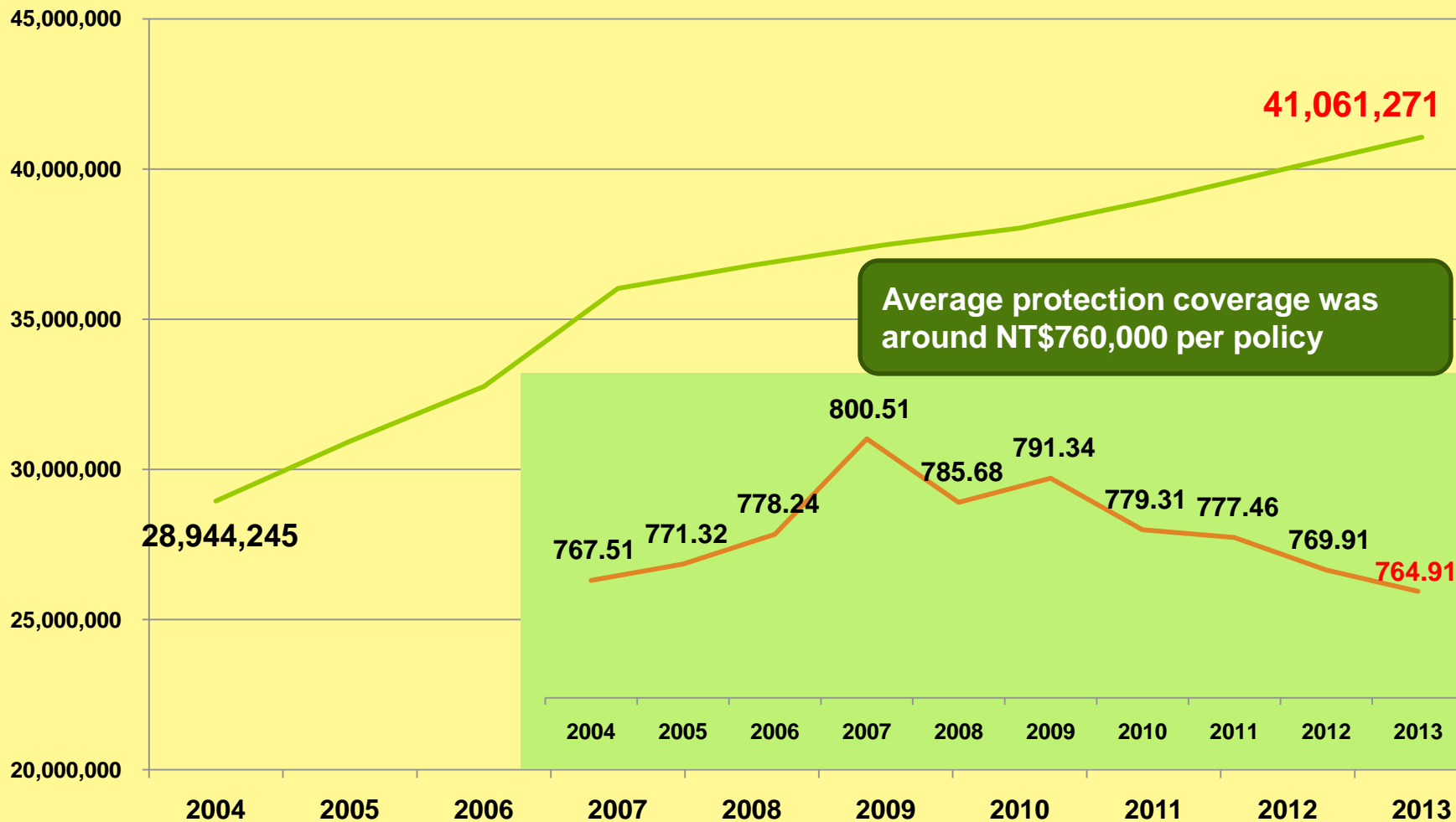
The Life Insurance Industry

Total number of inforce policies at end of 2013 were : 53.68 million



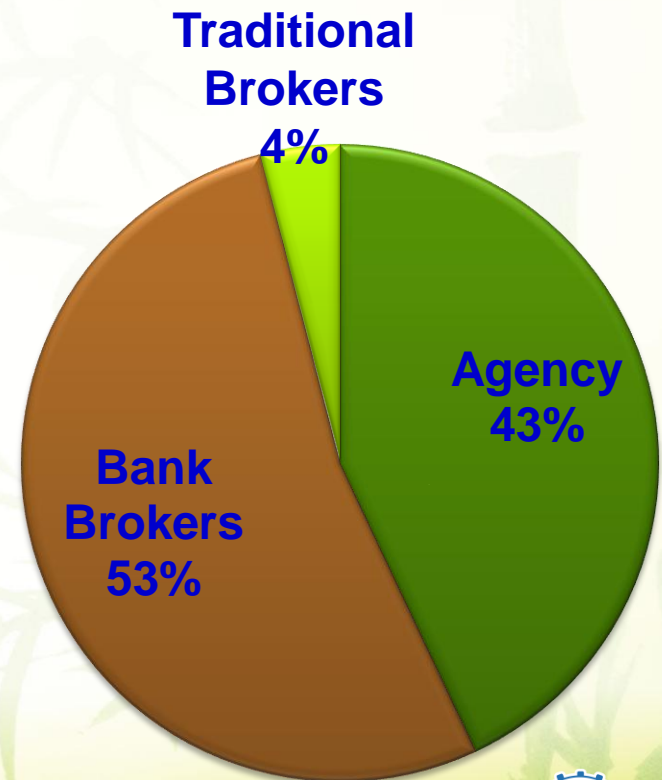
The Life Insurance Industry

In 2013, life insurance amount was 41,061,271 million.



The Life Insurance Industry

Distribution channels mainly rely on traditional agency (43% of market), bank brokers (53%), and traditional brokers (4%); other channels like Direct Mailing/TV stations etc. only constitute a negligible part of the market



Trend

Foreign insurers used to be significant players but becoming much less prominent since the Financial Tsunami

Down-trending interest rates cut into company profit margins and threaten solvency (10-Year Taiwan bond rate : 2.7% in 2007 versus 1.7% in 2014)

Aging population brings about declining sales of life protection products

Trend

Low interest rate environment (current 1-year bank deposit rate around 1.2%) induce consumers to buy (relatively) high saving products

The line between bank and insurance products is becoming very unclear

Health products are gaining weights due to higher awareness/medical advances

Consumerism is exerting more pressure on the industry (in fact on all industries)

Opportunities

1

Changing demography creates markets for new products, eg. long term care, annuity products, reversed mortgage etc.

2

Recent market consolidations provide chances for better-managed companies to grow

3

Companies having a comprehensive ERM program may fare better at times of uncertainties

4

Consumerism favors companies with high social responsibilities

Challenges

1

How to better drive profits under sustained long term low interest rates?

2

How to improve on risk management, corporate governance, and continually bring in international best practices?

3

Competition is only going to be more fierce so how companies can stay competitive?

4

How to face up to fluctuating earnings under the impending market/economic value financial reporting requirements (IFRS in 2018?)

Open Questions

Though these questions are asked from a Taiwan's perspective, they may just be applicable to other jurisdictions as well.

With the implementation of the principle-based IFRS, how would both the industry and the regulators evolve from the up to now mainly rule-based regulatory regime? Would the Taiwan insurance industry fare better with more, or less, rules?

Compared to 5 or 10 years ago, do you feel your job as an actuary is being looked upon more, or less, importantly by your employers and the life insurance industry? Do you know why?

Wish a very good stay in Taiwan
Thank you for coming

