LIFE INSURANCE DEVELOPMENTS AND PROSPECTS IN SOUTH EAST ASIA

Catherine Prime, Australia

By way of profile

1. Even quite recently I have been asked, and by questioners reasonably well informed regarding this industry in their own countries, 'are there life insurance companies in these Asian countries?' The number of such questioners is reducing rapidly, thanks to increasing consciousness and interest about what goes on in Asia, and a certain amount of self-interest in selling financial services in new countries.

   The quick answer to the question is 'yes'. If one really wants to inform the questioner, a picture of great variation can be painted. There are indigenous companies, some which have existed since early this century. There are companies which have been genuinely international for many years. There are the new breed of creeping international subsidiaries. There are new national companies encouraged by new national economic confidence.

2. At this point, it is necessary to make a distinction between those countries where we might consider the life insurance industry to be in a stage of budding 'fast development' (call these 'developing countries' - or 'the East'), and those where the industry is more mature (call these 'developed countries' - or 'the West').

   Further, it is necessary to consider which countries are to be included in this discussion.

'South East Asia' is a vaguely defined geographic term. It is my intention to use the term in an imprecise manner. Consistency is not promised. In what follows, comments attributed to 'the East' may include all or some of the following countries:

Indonesia
Singapore
Malaysia
Thailand
The Philippines
Taiwan
Hong Kong
China
Japan

Some mention of 'the West' is necessary for comparative reasons. Putting aside considerations of geography, Australia and New Zealand are very much in 'the West'. Japan, despite a clearly developed economy is sometimes in 'the East' and sometimes in 'the West'.

When statistics are useful, it is not always feasible to gather them for the same year. An informative picture can be presented regardless, and this will be clear from the context.

When one country is singled out to illustrate and discuss a prospect or problem, this should not be taken to mean that it is alone. Examples are useful for illustration, but information is not always readily available for all. Furthermore, numerous comparative references can destroy focus.

3. There is a vast disparity in size and operational *raison d'etre* between companies. In several countries, a very high percentage of the business is concentrated in the hands of a few large companies. Take Indonesia, where 66% of new individual business by number of policies is accounted for by the two largest life insurance companies (compare 24% for Australia, which is itself regarded as having a very high concentration of life insurance business in the hands of two companies).

   There have been some significant new company success stories. These are mainly due to success in organising agency networks, and a strategy of targeting high net worth individuals.

In current climates, such a strategy is beneficial to company growth and profitability, to the life insurance industry's share of long term savings, and to capital building on a national basis. However, it does little to increase life insurance coverage amongst the population as a whole.

Marketing to a wide cross section of the population, both from a socio-economic and a geographic point of view, is currently the province of older life insurance companies. This is a less profitable marketing strategy in most countries. Its further development may have to await substantial general economic development.

4. The negative aspect of life insurance growth, which cannot be overlooked, is lapses and withdrawals. These are a problem in all countries, and possibly more so in the East. Marketing practices are often blamed and much literature is devoted to the subject. There does not appear to be a discernible trend for worse or better.

5. Many figures could be employed for comparisons of the industry between countries. Some people, reinsurers for instance, may be more interested in studying sums assured and their growth, However, as in the West, life insurance is seen as a means of collecting savings. It is more appropriate to study premium income.

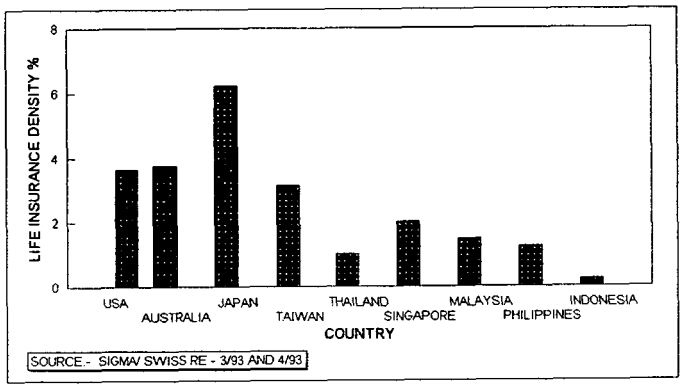
Chart 1 shows 'Life Insurance Premium Density' as a measure of comparison between countries. That is, life insurance premium income as a percentage of GDP. This choice of measure is in the interest of speed and focus without distraction:

Western countries tend to have a premium density of approaching 4%, or higher. There is a lag between economic development and life insurance affordability and awareness.

Singapore is rather low, around 2%. This may be accounted for by the CPF. However, it is of interest that, from October 1993, CPF members may use their CPF savings to purchase endowment insurance policies.

This measure shows that the East has far to go in life insurance development. This is to say nothing about catch-up in GDP itself. It is no wonder that the East is seen as an area of opportunity for life insurance business.

CHART 1 **LIFE INSURANCE DENSITY**
(PREMIUM INCOME/GDP)



6. As far as concerns growth rates: Australia and USA showed negative growth in 1991, Japan and the Philippines showed growth of less than 5%. Indonesia, Thailand, Singapore and Malaysia all showed growth of more than 10%.

7. Nevertheless, life insurance companies in many Eastern countries face a tougher and riskier business environment than previously. Competition is intensifying from within and from without the life insurance industry. Profit margins of life insurance products are shrinking and becoming more uncertain. At the same time, significant mismatches between assets and liabilities already exist. The margin for management error has become much smaller. Many well-established companies, who have been benefiting from fast economic growth and enjoying plentiful profit margins, face challenges in expense management.

8. The actuarial exercise of setting assumptions for pricing and reserving is meaningless without considering the two important and constantly changing factors of economic conditions and regulatory influence.

   Other external factors may be listed:

   - marketing developments and trends
   - competition from within and without the life insurance industry
   - changes in financial security plans sponsored by governments and employers
   - consumer attitudes

9. The Malaysian market has exhibited healthy growth in terms of new business and recurring premium income, as well as assets accumulated. However, despite this encouraging trend the industry has difficulties which are a threat to long term expansion, particularly relative to other savings media. These concerns concentrate on areas of honest consumer communication, efficiency of distribution, and basic profitability and solvency. We see repeated in Malaysia, what has plagued Western life insurance industries; obsession with short term growth without considering long term profitability and viability.

10. In Singapore total sums insured has seen an almost eightfold increase in the decade of the 80's. By 1991, the increase is 11.5 times over the 12 year period. Total assets under management industry-wide has increased over this 12 year period from $S705 million to $S4.9 billion.

11. In Indonesia the industry has seen high growth up to 1992. Total assets were Rp 675 billion in 1987, and Rp 1897 billion in 1992.

Much of this growth is due to the increased number of companies in a deregulated environment since 1983 when there were 15 companies (there are now 46). These new companies have also targeted middle class individuals in urban areas, and so their average premium per policy is considerably higher than for older companies which market through thousands of agencies throughout the country including rural areas.

Indonesian life insurance coverage is low at present, the number of people having life insurance in some form and amount being approximately 7% of the population. This compares with 30% in Australia and 27% in the USA. Incomes are also low, and thus ability to save is limited.

12. Life insurance prospects cannot be divorced from Social Security and Social Insurance programs. The most clear example is Singapore, where nearly 40% of all salaries is contributed by employers and employees to the CPF. Providing as it does for old age, medical expense, housing, and education expenses, it is only possible to look at additional life insurance as a 'top-up' to the CPF.

    The new Indonesian Social Insurance legislation requires 9-13% of salaries to be contributed by employers and employees for old age, medical and insurance. This may be a dinosaur about to grow. Or it could be another CPF.

Regulation

13. The East has embraced life insurance regulation, and increasingly, on a globally uniform basis. There would appear to be concurrence with the view expressed by a former Insurance Commissioner of Singapore 'Only with proper regulatory control and the involvement of the qualified actuary in ensuring technical soundness can life insurance business benefit directly from economic growth' (Law Song Keng - 7EAAC 1993).

    This leaves New Zealand as the country possibly with the least specific life insurance legislation in both the West and the fast growing economies of the East.

14. Regulatory activities focus initially on the licensing of insurance companies.

    Beyond this, they are aimed at financial soundness. Specific capital requirements and solvency margins are creeping into black letter law.

Reserving bases may appear specific at least for traditional products. The substantial capital requirements and solvency margins are contained within the reserving basis.

The reserving and solvency requirements are a compromise to provide something reasonable given the current circumstances and current products of the companies - a pragmatic approach to achieve a measure of safety in difficult circumstances.

As has been the subject of much criticism in the West, such rules and guidelines do not enable a company to measure on a timely basis the emerging experience or underlying profitability. In answer to this criticism, there is not yet a clear regulatory move in the East towards dynamic solvency testing and requirements based on gross premium projections, along the lines of those in Canada and proposed in Australia. This can be expected in future given the speed of development towards advanced Western practices. However, for the time being, it can probably not move faster that the development of the actuarial profession.

15. As for the consumer aspects of regulation, more will be said later. Regulatory regimes in the East are not established with consumer protection in mind. However, there is pressure leading to commission limitations and disclosure requirements at least in regulatory guidance, if not in black letter law. The view is increasingly expressed that the regulatory body is responsible for promoting the image of the industry in the eyes of the consumer, and therefore must consider financial soundness in its broadest sense. The implication of this view is that the regulator must be concerned with the cost efficiency of distribution mechanisms, and the sales process all the way down to the marketing literature!

16. In Hong Kong, where capitalism is the key, there is virtually no restrictive legislation. It is easy for a genuine insurer to acquire a license. There are no product design restrictions, and tax rates are negligible, although there have been recent legislative proposals on solvency margins and valuation regulations.

17. As far as concerns premium rate certification and requirements, countries range from the free situation described for Hong Kong, to Indonesia, where prior approval is required for new products, actuarial certification is required, and some product designs are not permitted.

18. There is always a flow-on from general attitudes to economic policy. Distorting the free market mechanism is something to be avoided according to world-wide economic press, the GATT negotiations, et alia. Fixed reserving bases, and particularly, fixed premium rates, are criticised on this basis.

19. In Malaysia, a guideline has been issued laying down the basis for pricing participating insurance contracts. After some confusion, this has been interpreted as a basis for benefit illustration. However, it could have been interpreted as prescribed premium basis. Malaysia also has guidelines stipulating reductions in commission levels, as well as targets within which the insurer must contain management expenses as a percentage of premiums received.

20. The Singapore system could be considered one step more restrictive than Malaysia. Products have to be filed for approval at least 30 days prior to launch. Despite this, Singapore provides greater latitude in terms of product choice. The acceptance of unit-linked business is an example.

21. Will profit reporting (as distinct from statutory reporting) assume the importance in the East it has assumed in the West? This would happen quickly if profit reporting runs ahead of consumer issues in the minds of the public. Most likely, serious profit reporting for these countries will wait until new methods and regulations are tried and tested in the West.

Where is the actuary?

22. First of all, who are the actuaries in life insurance in the East? For a quick measure, one can look at the names of contributors to the recent East Asian Actuarial Conference. A majority have names which suggest eastern, particularly Chinese origin, rather than names of expatriate Westerners. This simple (and admittedly inadequate) survey says much for changes over, say, the last 10 years in the background, education and country of origin of the actuaries who are steering life insurance developments in the East. Consultants may have a different profile, but we can expect to see changes here too.

23. The East is progressively embracing the 'Appointed Actuary' (AA) system. The AA system does enhance the role of the actuary and consolidate lines of communication to the decision makers of the company and regulators.

It has been said that the AA system will place greater demands on actuarial resources, which are under supplied from a numerical point of view in the East. It is difficult to see how the AA system itself will do this. There is still only one AA per company, and this person may be a consultant. It is acknowledged that the greater responsibility for overall control may lead the AA into seeking more peer advice, and to carrying out, for instance, more scenario testing; and that this may increase the demand for actuarial services. In any case, there has been a rush of offers of assistance from the West.

24. The UK, Canada, Australia, and Hong Kong have adopted the concept. The US is proposing to do so. Singapore has decided to adopt an approach similar to the UK and Canada.

25. This approach, by way of better illustrating the difference between the AA approach and others, is that a single actuary, the AA, is personally and continuously responsible to the regulator for reporting on all aspects of financial control, and for ensuring consistency; including responsibility for:

    Determining annually reserves adequate to meet all future obligations;
    Ensuring premium rates are appropriate at the time of introduction and thereafter;
    Being satisfied that distribution of surplus is fair and equitable;
    Assisting management in adopting a suitable investment policy in view of the nature of policyholder reserves and availability of suitable assets;
    Preparing projections of financial condition;
    Alerting management to possible threats to solvency and recommending corrective measures;
    Reporting to the regulator if management does not implement such measures.

26. This approach, may be distinguished from the current typical situation, where an actuary, and importantly not necessarily the same actuary, is required to certify:

    The annual actuarial valuation of liabilities;
    Approval of premium rates;
    Approval of distribution of surplus.

This situation, typical in the East, involves the actuary in addressing only liability issues, whereas most life insurance company insolvencies have their origins in problems with assets.

27. Malaysia is considering greater responsibility for the statutory actuary, although possibly not as extensive as the list above for the AA as envisaged in the UK.

28. The issue of actuarial skills development needs to be mentioned. This is a major issue touching all others.

At present, actuarial skills in some countries in the East are at a basic technical level. Intensive development is required to bring them to the level where they can contribute to life insurance to the potential of AA approach described above.

In all countries, East and West, continuing professional development is recognised as important.

For those Eastern countries with a long way to go, a suitable plan may be for the regulatory authority to lead the development of actuarial skills amongst their own staff, anticipating that some of these people will later move into the private sector. Such a plan can attract and mobilise outside aid and assistance.

In the short term, there may be need to rely on actuaries from other countries, and consultants.

An example of recent development in actuarial resources with overseas cooperation is the availability from 1993 of Indonesian mortality tables, suitable for life insurance, with support from the Japanese industry.

The distribution issues

29. Distribution in the East is largely through commissioned agents who represent one company only and often on a part time basis.

There is little quantitative data available. However, there does not seem to be a move away from the 'sole agency' system. Rather, the view seems to be that this system serves the industry well, and that associated problems such as high lapses should be dealt with by improving the quality of agent services. Hence there is increased emphasis on training, raising the professionalism of agents, and the desirability of full time rather than part time agents.

30. Alternatives are emerging, for example brokerages, bankassurance, direct mail and mass marketing. However, these developments do not seem to have the strength they have in the West.

The Insurance Council of Indonesia is now making a practice of publishing numbers of agents and agent productivity. The latest available statistics, for 1992, show 46 companies with 49663 agents, and a productivity of 9.9 sales per agent per year.

This productivity is very low, even by global standards which are considered too low. One of the substantial opportunities seen by the foreign joint venture companies is to import advanced selection, training, supervision and remuneration methods to increase agent productivity.

31. In Malaysia a matter of great concern to the regulators is the efficiency with which the life industry is able to deliver insurance products. There is concern with the level of operating expenditure and commission, both in relation to the premiums received. Commission in Malaysia is not necessarily excessive in relation to other ASEAN countries, but is generous by Western standards.

Recent guidelines require first year commission of no more than 60% of premium, management expenses not exceeding 30% of first year premium, and agency management structures of not more than 3 tiers. These guidelines have caused agents to defend their position and have been re-called for further debate.

32. The sudden influx of new insurance companies into Eastern countries has put an enormous amount of pressure on agent recruitment and retention. The general reaction is to make the compensation more attractive, leading to a spiral effect. Companies 'buy' existing agencies of their competitors, or a group of agents on a negotiated basis. Because there is no GAAP reporting, the extraordinary addition to acquisition costs has not been subject to any recoverability test and could not have been incorporated in pricing.

For companies which offer fixed remuneration to new agents, 'ghost' agents appear. Something unique to Asian societies is 'help' from the agent's family knowing that if production targets are not met, the agent will be out of a job. Policies sold under these circumstances lapse once the agent acknowledges the job is beyond rescue. In order to correct these and other agency practices, companies hire more staff to monitor. The result is a ratio of administration expenses to premiums about 20%

higher than in North America and Europe. Another control measure is to favour recruitment of women agents, who are not honour bound to provide family income. There are suggestions that this measure leads to different problems.

What about consumer issues?

33. The writer used to think that this was one area where we did not have to concern ourselves, at least for life insurance business in the East. Times have changed in the West, and the global infection rate appears to be rapid.

    In the East, too, people are now more prosperous, more educated and much better informed. They want a greater voice in the products they buy. Regulators are listening. The question will very soon be asked 'why are premiums more expensive in Asian countries?'

34. Take the benefit illustration 'wars' in Malaysia. It is easy to accept that the consumer when purchasing a life insurance product assumes that the illustration of benefits described by the agent, and endorsed by the company is a reliable form of comparison of the merits of the product relative to other life insurance products, and other savings media. It is an issue whether the consumer is aware of the extent of the guarantees, and whether the agent could communicate this anyhow. Companies have designed products with the single objective of comparing favourably in benefit illustrations. They may enable illustrations of high dividends at extreme policy durations. They may be 'lapse supported'. Gross long term yields of 10-12% are required to earn the internal rates of return on which benefits are commonly illustrated. Since 1985 twelve month deposit rates in Malaysia have floated between 4% and 8%. There is an implication that withdrawing policyholders pay. However, the consumer may reasonably think a policyholder who stays 10 years should get a reasonable return.

    In Hong Kong, also, products are available showing illustrated returns of about 10%, while long term interest rates are about 6.5%. Companies are crediting 8% on dividend deposits when short term interest rates are of the order of 4%. Pure endowment rider benefits are sold which basically give policyholders their money back with very little profit.

35. What about the 'independent judges' of life insurance product value? Under the 'sole agency' regimes in the East, these are not presently a notable feature. However, they have appeared in Australia, until

recently a 'sole agency' bastion, and we can expect their wares to be exported.

In the USA, ratings agencies (e.g. Moody's, Standard and Poor) and the independent brokerages, have published much to provide independent advice on life insurance companies and products. They have done their bit to weed out some bad companies.

However, ratings agencies often lack the expertise to really analyse life insurance products. For example, some of the most noticeable ranking tables are by total asset size, past investment results, and statutory profits. None are necessarily good indicators of financial soundness.

Brokers suffer from the fact that their organizations are usually too small to adequately investigate the market. Also, their commission based remuneration can cause bias. Some countries have tried to regulate broker commission scales. The UK has tried to regulate by the concept of the Independent Financial Adviser, although this seems to have been not very successful.

Investments

36. *After a living history of almost total inattention to the investment side of* life insurance in the East, investment matters are now coming to the fore. This inattention has been partly due to consumer ignorance of the funds management role of the life insurance company, and partly due to lack of choice regarding investments.

On the product front, investment linked products are now available in Singapore.

Tales of USA experience of life insurance insolvency due to inappropriate asset selection have been brought to the East. The example of the Indonesian experience of $US denominated policies backed by Rupiah denominated assets when massive devaluations of the Rupiah occurred comes to mind.

Basic investment principles such as immunisation, matching to term of liabilities and currencies, diversification and liquidity, are appearing as conference topics. The Asian insurance press are running articles on matters such as: Why use a fund manager; Asset liability management; Credit rating; Asset securitisation.

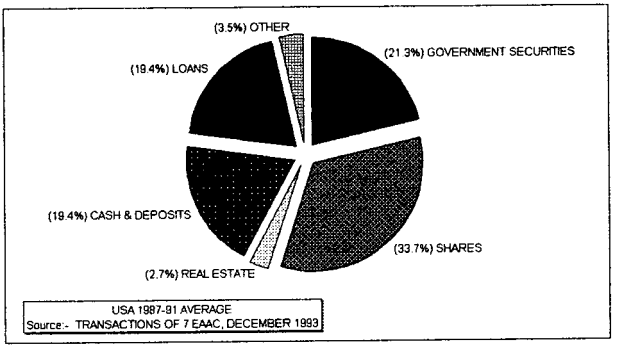
It is appreciated that, increasingly, life insurance will be competing with a variety of forms of saving, and its attractiveness will be judged according to the long term investment returns it offers.

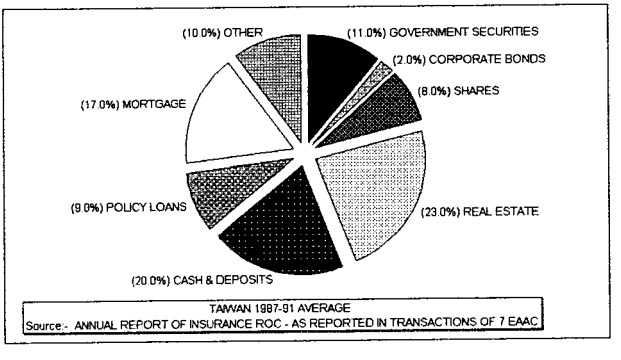
37. The major difficulty is that, within countries, the wisdom of matching assets and liabilities according to term is of no practical use when there is not an array of Government securities of all types, amounts and durations to meet the text book requirements. New business growth tends to set the mean outstanding term of policy liabilities too far in the future to match by corresponding assets or even to try to apply an immunisation policy.

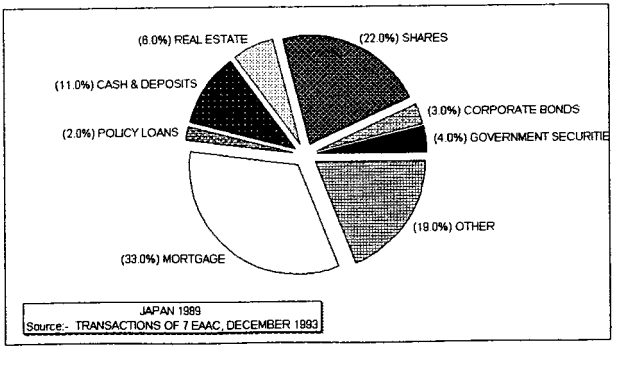
    Product design features, consideration of guarantees offered, and cash flow testing, can help, but the industry is basically dependent on future development in share and bond markets.

38. Chart 2 shows the actual investment segments for various countries. This situation is changing rapidly, and a different picture can be expected even from the time of reporting.

CHART 2 **LIFE INSURANCE COMPANY INVESTMENTS**







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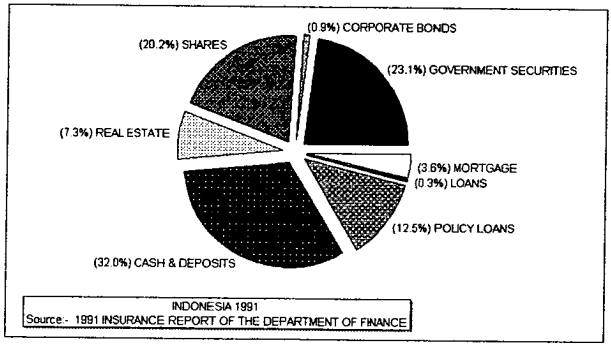

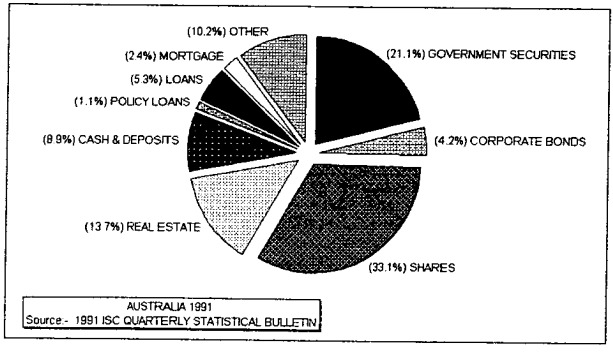

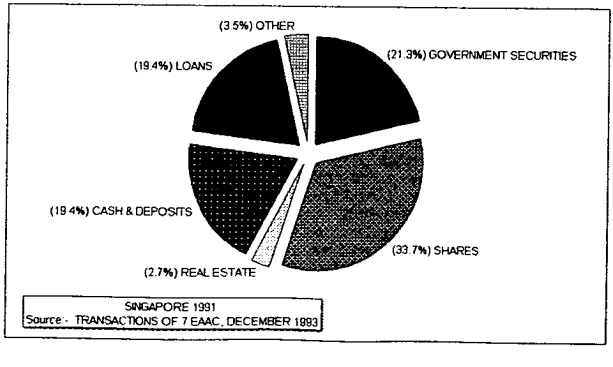

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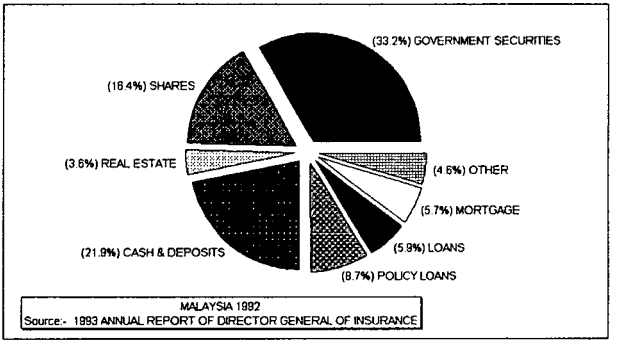
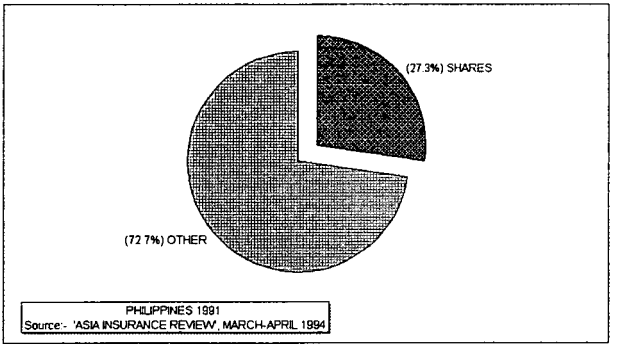




39. Increasingly, actuaries are becoming aware that it is necessary to consider assets as well as liabilities, and that assets are not only to do with the auditor. Forthcoming legislation in Singapore on dynamic solvency testing will require the AA to consider the asset selection relative to the liabilities.

40. Most countries include lists of permitted assets in regulation. The Indonesian list is typical. It includes:

Time deposits
Land and buildings
Mortgages
Policy loans
Shares
Bonds
Other securities registered on the Stock Exchange
and the 'over the counter' market.

There are limits on amounts invested in one company and deposited with one bank. Investments must be made in Indonesia, which presents a problem for the many companies selling policies denominated in $US.

41. Prospects depend both on the development and availability of suitable long term investments, and on the development in investment expertise within the companies.

42. Singapore provides an interesting illustration.

Between 1980 and 1991, against a backdrop of declining interest rates (average net return on investments 8.2% in 1980, 5.8% in 1991), Singapore life insurance funds experienced a rapid build up of assets.

How did the industry cope with this situation and deliver a level of investment return sufficient to support competitive product pricing?

Industry statistics and market intelligence indicate a likely three point strategy:

o Asset allocation change - a move into the stock market and higher yielding investment avenues offshore, at the expense of a higher risk profile.

o Expertise and resources - there are now a greater number of in house investment officers, and greater use of outside professional fund managers.

o Rationalisation of the investment decision making process - delegation of investment decisions to a limited extent in order to respond quickly.

43. Prospects for the 1990's.

Interest rates are expected to remain relatively low and the scarcity in investment grade fixed rate bonds is expected to persist. The asset re-allocation process will continue as the industry re-focuses its investment strategy. The level of investments in non-interest generating assets, such as shares and real estate, should rise.

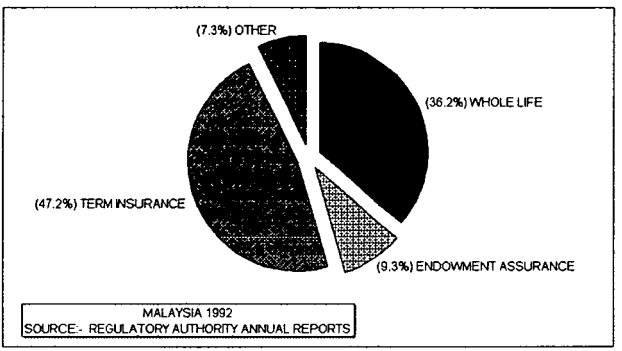
The search for better performing assets will take more funds offshore where this is permitted, both into regional and international markets. The industry will also take a closer look at new investment products, derivatives and professionally managed funds. This shift in investment strategy will in turn necessitate enhanced technical investment expertise, thus moving the industry towards a more professional approach to investment management. This in turn will better place the industry to improve investment returns amidst difficult conditions. These changes could give a boost to more competitive pricing and the introduction of investment linked products. The progression of this prognosis would have the industry moving to a higher plane of maturity and sophistication.

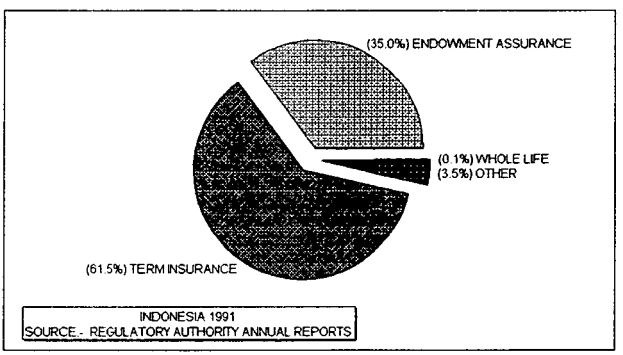
The product issues

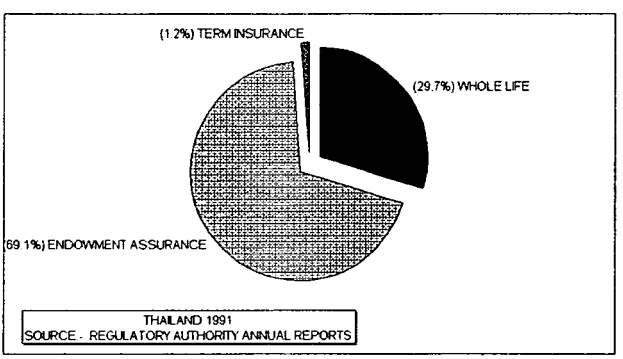
44. Conventional wisdom is that, in Asia, most of the life insurance policies sold are traditional products. Few investment linked or variable universal life products are sold. In some countries these are not permitted, and, in any case, lack of investment expertise limits their development. Furthermore, investment linked products require very sophisticated administration systems. The profit margins incorporated in them are very fine and therefore require a greater degree of actuarial skill.

45. There is, however, a suspicion that the 'traditional product' picture is somewhat too simple. Hard figures are difficult to find. Chart 3 gives some that are available from regulatory reports.

CHART 3 LIFE INSURANCE PRODUCTS SOLD







Thailand follows the expected pattern. A surprising feature is the high level of term insurance reported in both Malaysia and Indonesia.

In Indonesia, recent product developments have been concentrated in varying the traditional design, providing for payment of lump sum benefits during the course of the policy as well as at the end, at fixed times or on the happening of contingencies such as a need to cover educational expenses. Cultural features in Indonesia and elsewhere in the East, favour the emphasis of benefits payable in the shorter term and on contingencies to do with living rather than on death. The large term insurance component may be a mixed endowment-term product reported as term insurance.

46. Singapore is the example where investment linked products have lately been offered, as well as 'living assurance benefits'. These latter are usually supplementary riders to traditional policies.

47. Guarantees and options will need to be considered more thoroughly in future pricing. Too many decisions on guarantees to be offered are made purely under market pressure, the thinking based in times now past where comfortable margins and bonus loadings allowed a lack of rigour. Such benefits have implications for investment policy, reserving basis and financial management. The same can be said for options available under policies.

    Guarantees available include cash values, maximum policy loan interest rates, guaranteed renewability for disability and health policies, premium rate guarantees, and capital guarantees for investment linked policies. Options include additional insurance at specified rates without requiring evidence of insurability at that time, and options to convert a term policy into a permanent policy.

48. Participating products in the West have largely given way to investment linked products. However, in Eastern countries participation offers possibilities as a way of giving suitable investment returns when long term interest rates are low, but funds are actually invested in high-yielding short term assets, albeit mis-matched to term.

49. Other new products on the horizon lie in the health coverage area; medical expense coverage, crisis benefits, disability income and hospitalisation income.

Life insurance industry identity

50. In spite of legislative definitions describing life insurance as insurance of risks in connection with survival or death, life insurance is seen in East and West as a means of saving to provide for periods in life when the insured expects to have insufficient or no income. Because of the savings emphasis, it is seen as a mobiliser of capital. If the contracts are long term, so is the capital mobilised. All countries are interested in mobilising long term capital.

51. Life insurance has an identity crisis in the West. It may develop one in the East for two reasons:

    o There are many other vehicles for long term savings, it is difficult to distinguish them and to answer why life insurance should be under a different regulatory regime. There are mutual funds, unit trusts, compulsory social insurance schemes, and pension funds - all potentially looking at the same market. These other vehicles are appearing in the East.

    o The long term savings nature of life insurance is easily forgotten when circumstances suit. For instance, under marketing pressure, policies have guaranteed cash values, risk products may be offered with stepped premiums leading to little by way of reserving. These features are fine if properly priced. If not, long term investment returns must suffer, and what the long term savings vehicle needs to offer by way of competition is attractive long term investment returns.

52. Another identity difficulty is the shift of attention away from regular savings for the individual consumer. This was responsible for the establishment of the life insurance industry. Such a consumer is now too expensive to service, and companies like to concentrate on bulk business and high net worth individuals.

    In the West moves to address this mainly lie in offering products through banks. In many countries, banking services are inadequate for this, and in these same countries rural populations can not expect to grow up with a life insurance concept unless cheap ways of delivery are found.

53. A further point of identity for life insurance was absolute security of capital, thanks to generous surpluses and special regulation. In the West this has been lost. News of life insurance company insolvencies travels well and will have a severe impact in other countries.

The pension connection

54. Pension funds are another vehicle which mobilises long term capital. As in the West, life insurance companies, with their assembled skills suitable for this business, are in the forefront of promoting the pension fund sector, universally a later development.

Indeed, much of the optimism for the life insurance industry in the East is actually generated by the prospect of pensions business. Life insurance funds may develop to be dedicated in the majority to pension fund or retirement savings business, as they are in Australia.

Conclusion

55. Those who think I have described a life insurance industry similar to that in developed countries some 15 or twenty years ago, might care to look closer, with the benefit of discussion and ask the following questions.

56. **Is the life insurance industry in South East Asian countries really behind the West in development?**

    No doubt it is behind, in a number of countries, on many measures of being 'behind'. Being behind, of course, also implies being behind as far as some very large problems are concerned.

57. **Is it catching up?**

    Yes, rapidly and inevitably. Check the answer to question 1 again in 3 years time.

58. **Will it follow the same path?**

    In many respects yes, and in some respects no. There is always a possible advantage in being behind - current problems may be avoided.

59. **Will actuaries from the East and the West be able to move fast enough to contribute?**

    This question should be asked. There is justification for intensive educational development.

60. **Where is the consulting actuary?**

    The consulting actuary, in general, knows the Western insurance industry inside out, has the right contacts, and is relatively mobile around the world. There is a role here.

61. **What can the West learn?**

    Addressing the problems of life insurance in the East takes us back to basics - always a useful discipline, and an opportunity to think afresh about some of the life insurance problems in the West.