

Coping with Asia's future life and health insurance product needs



Over the past half century, the twin trends of globalisation and urbanisation have wrought substantial changes on the populations, life cycles, health trends and cultures of many Asian nations, bringing them in many ways into much closer alignment with Western countries. This article gives some perspectives on how Asian insurers and takaful operators can do well to focus their product development attentions.

By **Mr Peter Tan**

General Manager of RGA Reinsurance Co's Hong Kong and Southeast Asia operations

Have the twin trends of globalisation and urbanisation been beneficial for Asia?

Right now, it is hard to say. On the plus side, medical advances, greater access to medical care and better sanitation have yielded healthier and longer life spans for Asians. On the minus side, however, creeping globalisation and Western-style urbanisation, with its pollution and overcrowding, have brought stress, sedentary lifestyles and convenience foods to Asia, ramping up the occurrence not just of critical illnesses such as heart disease, diabetes and cancer, but also of obesity-linked ailments such as sleep apnea and joint problems.

Growing aging population

Another issue is what has become known as “the pig in the python” – that is, Asia's sizable and aging population bulge of baby boomers.

This is evident right now in Singapore and especially in Hong Kong, where 28% of the population will be over age 65 by the year 2039, according to Hong Kong's Mandatory Provident Fund Schemes Authority.

With the traditional Asian cultural value of caring for elders quickly eroding, in large part as a consequence of globalisation and urbanisation, a good-sized percentage of this middle-aged cohort will very likely need assistance with long-term care needs at some point in the future.

As there is no true current equivalent in any Asian country to the US's Social Security programme, the risk is quite real for many in this cohort that their longer life spans could result in a real risk they may outlive their retirement savings.

Mindful of fast-evolving needs

Then there are unexpected events, such as natural disasters, pandemics and other catastrophes. Over the past decade alone, for example, Asia has endured SARS, earthquakes off the coast of Indonesia and Japan, and two major resultant tsunamis.

So, as the nations of Asia move into the future, where – and how – should the life insurance companies and takaful operators that serve this region focus their product development attentions? Whether for life, critical illnesses, long-term care or retirement income, both life insurers and family takaful providers in every Asian nation must remain mindful of their populations' fast-evolving needs.

Critical illness

If current trends towards pollution, sedentariness and convenience eating continue, the need for critical illness insurance throughout Asia will definitely increase.

At this point, more than 100 diseases are now classified by several countries as qualifying critical illnesses. As the stresses of modern urban life continue to rise, it is increasingly likely that individuals will need access to such coverage. In addition, as health needs evolve, the critical illness cover that exists today will have to evolve to meet those needs. For example, as many people now survive their critical illness and detection capability improves, the market have moved towards multi-payment critical illness products and staged critical illness products in response to those needs.





Retirement income

Increased life spans will mean more retirees and increased income needs by those retirees. Finding ways to help the aging cohort of baby boomers meet future needs for retirement income will also be a potentially fertile market for life insurers.

Meeting these needs, however, might be a challenge, at least in the near term. Very few retirement-oriented annuity products exist in Asia, in large part due to regulations in many Asian countries that require insurers that offer these products to set aside high levels of reserves. As a result, the retirement savings products that exist now are not structured in ways that will insure the risk of a person outliving his or her savings.

Most Asian nations now require citizens to fund their retirement needs via compulsory self-funded savings programmes. Singapore has its Central Provident Fund (CPF), Malaysia its Employees Provident Fund (EPF), and Hong Kong, its Mandatory Provident Fund (MPF). However, none of these, by themselves, are designed to fulfil an individual's entire retirement savings needs.

Insurers are increasingly looking at developing annuity products, but it is unlikely that a sufficient selection of such products will emerge from current efforts. As the need increases, it would behove governments of Asian nations to begin looking at changing some of the regulations that are right now making annuities unprofitable to offer. Governments can also help by issuing long-term govern-

ment bonds in which life insurance companies can invest to match their liabilities in annuity products.

Long-term care

Today, few products exist in Asia that pay for long-term care. Some insurance companies operating in Asia offer long-term care coverage as part of their critical illness or total permanent disability products, but as with annuities, there are not yet enough products to meet what is certain to be a burgeoning need.

With Asia's traditional extended family culture declining, demand for long-term care products to cover the increasing costs associated with the inability of older individuals to perform specific activities of daily living will definitely rise.

Some Asian insurers are beginning to look at ways to meet elder care needs. Determining how to structure new product solutions, or to adapt current products to make them more effective for this growing need, is another product development avenue that life insurers and family takaful operators should explore.

Catastrophe cover

Although such coverage might not necessarily seem a product development issue, it is an essential for life insurers and family takaful providers.

With the potential impact of catastrophic events now greater than ever, due to concentration of risks stemming from urbanisation, it is strongly advisable for Chief Risk Officers to consider catastrophe covers that are well-tailored for their evolving product and market needs.

Knowing the market and its needs

For the most part, life insurance companies and family takaful operators are focusing their efforts in these areas. Optimising the development of these products, however, can best be done by working with a highly knowledgeable development partner with worldwide capabilities. Most important, however, is knowing your market, its needs, and what it will take to fill those needs. ■

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