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Europe and Poland



ACHIEVE SUCCESS

# Agenda

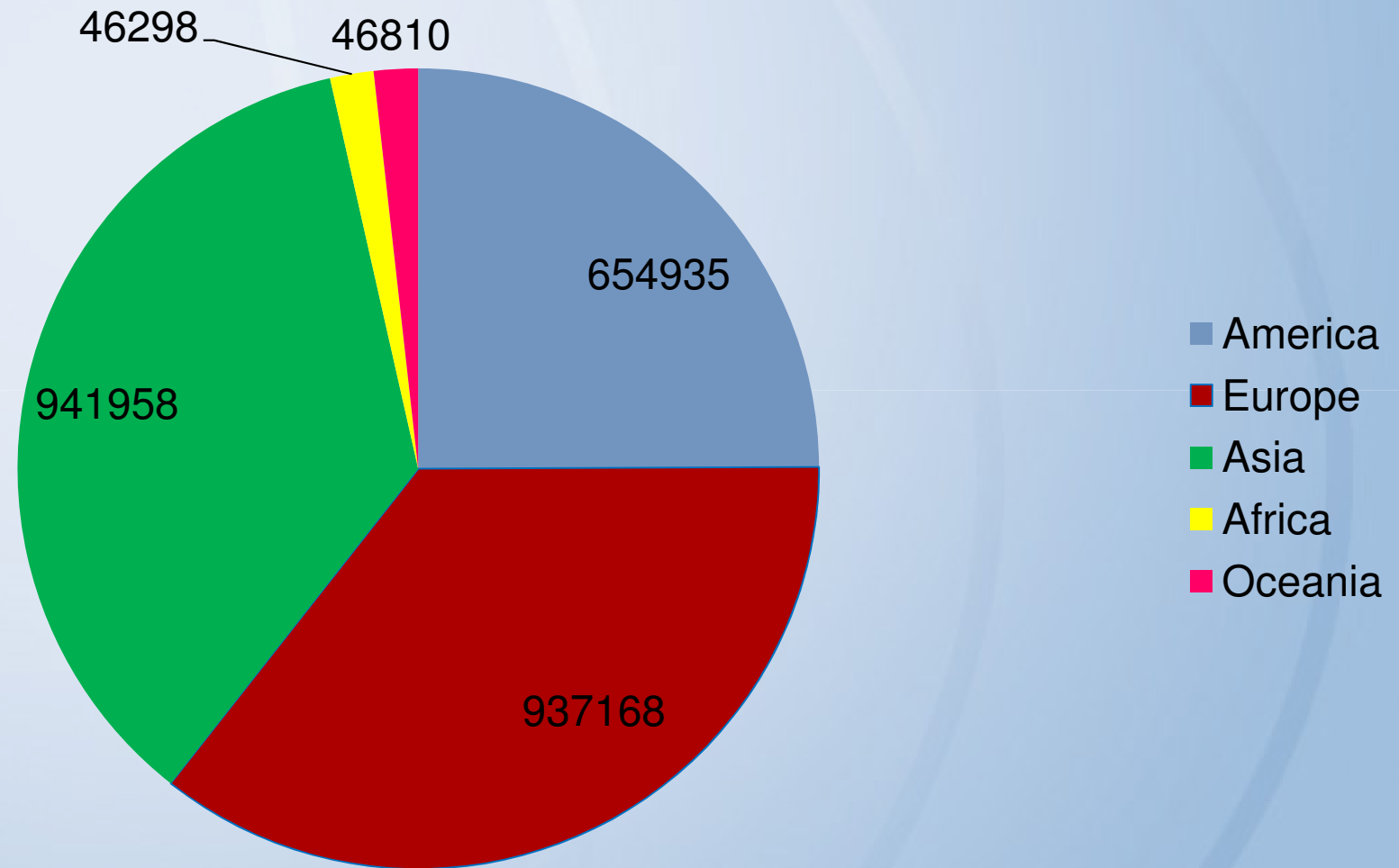
- Life insurance with investment in the world and Europe
- Unit-linking still popular despite poor showing from stock markets
- Big opportunity for life industry is providing retirement income
- Pensions around the world
- What's happening in various parts of Asia
- Potential problems
- An example of unit-linked innovation - India.

# Hard Times



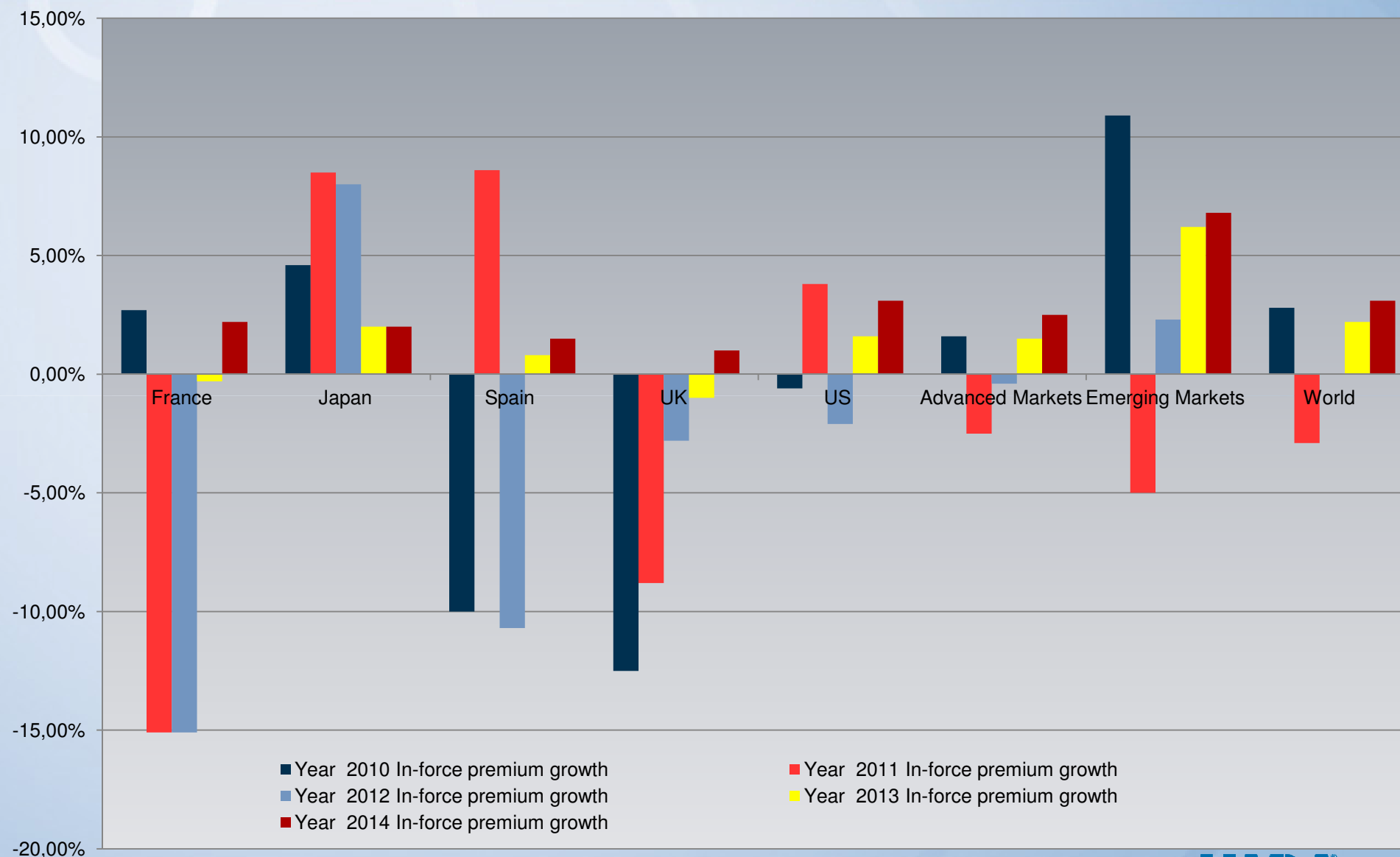
# World Life Business Premiums by Region in 2011

Premium volume in millions of USD



Source: Swiss Re

# In-force premium income growth for life insurance

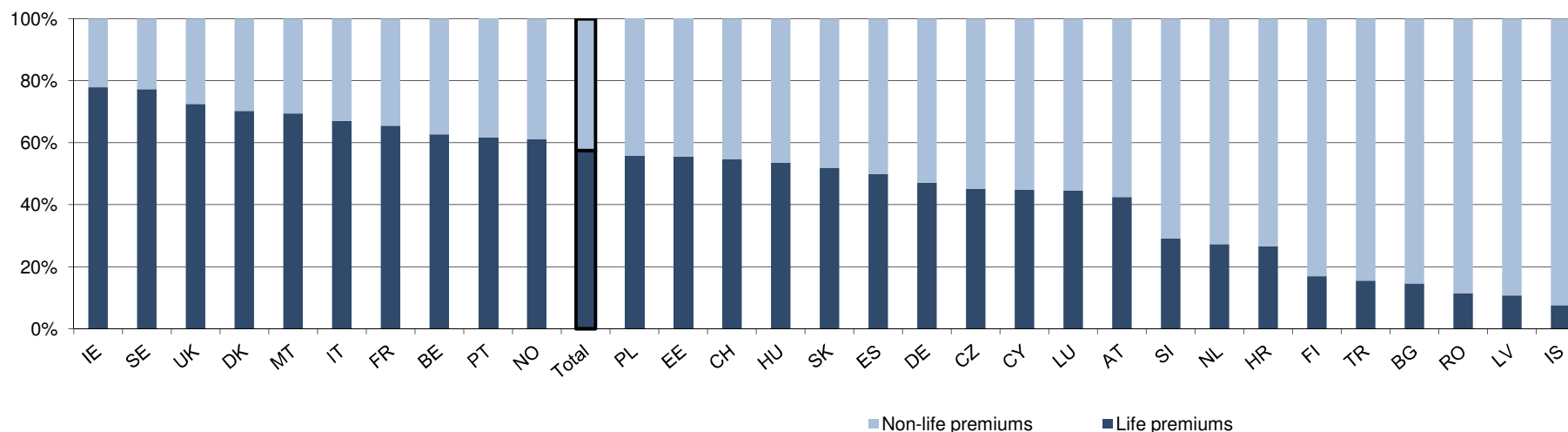


Source Swiss Re

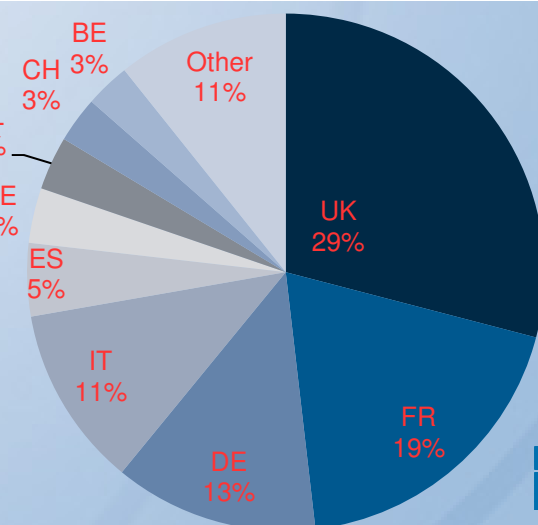
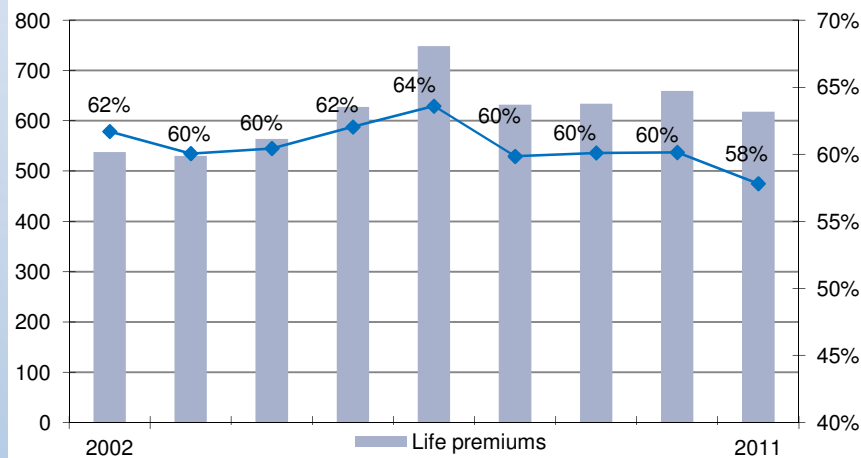
# Life premium breakdown - Europe 2002-2011

(Source Insurance Europe)

Breakdown of total premiums - 2011

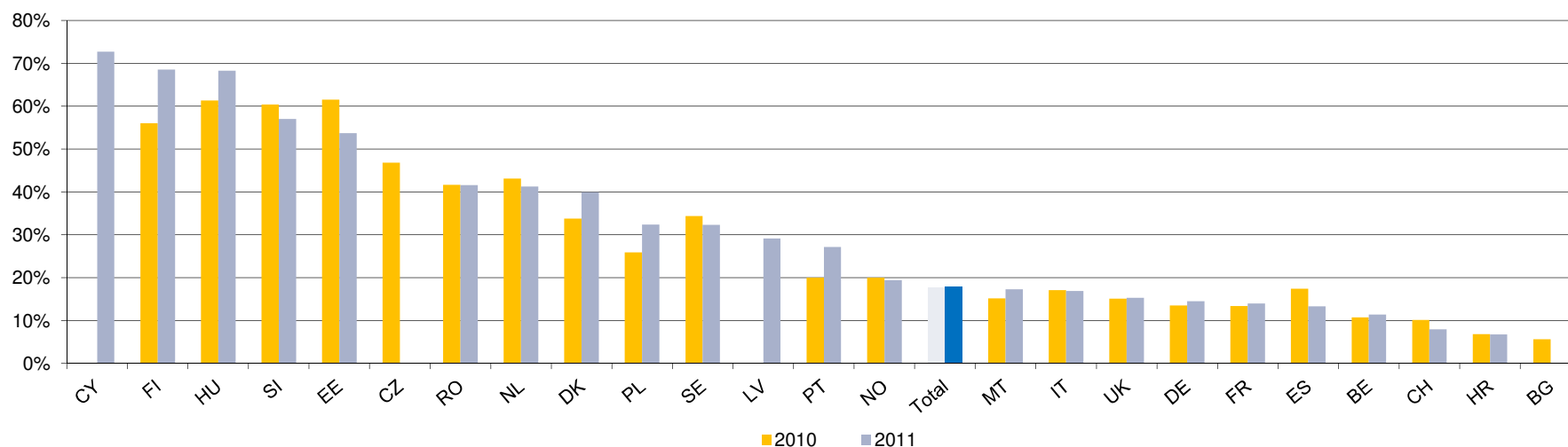


Life premiums in Europe - 2002-2011 (€bn)

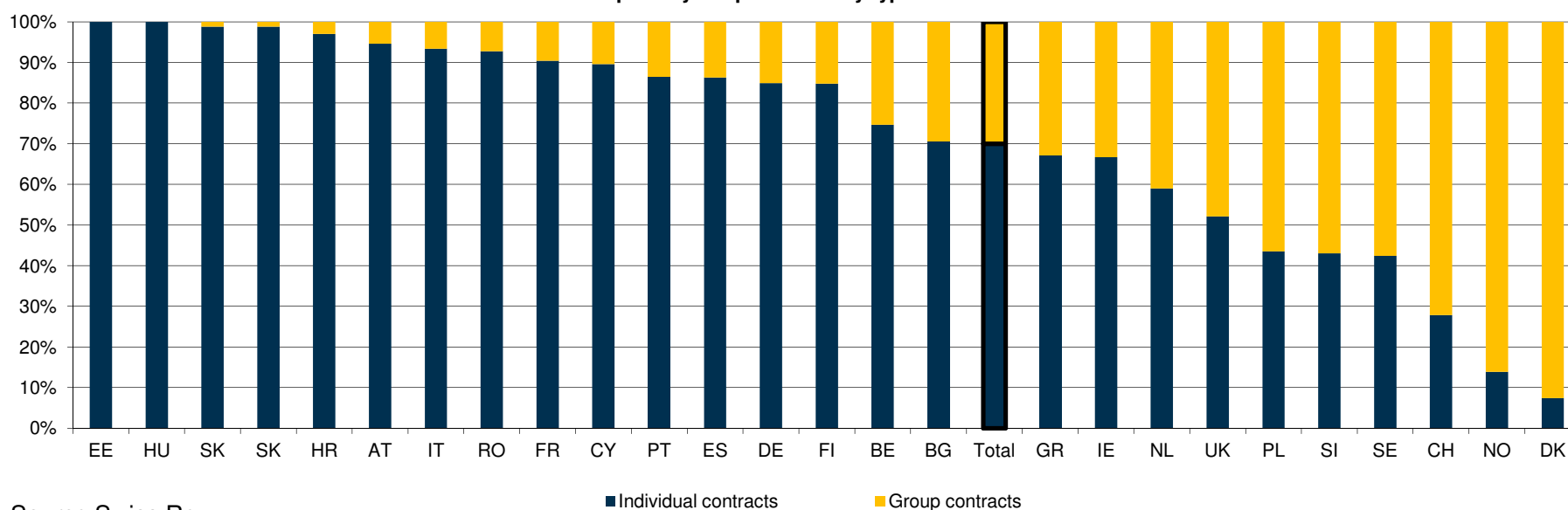


# Unit link premiums to total life premiums - Europe

Unit-linked premiums to total life premiums ratio - 2010 & 2011



Distribution of primary life premiums by type of contract - 2011



Source Swiss Re

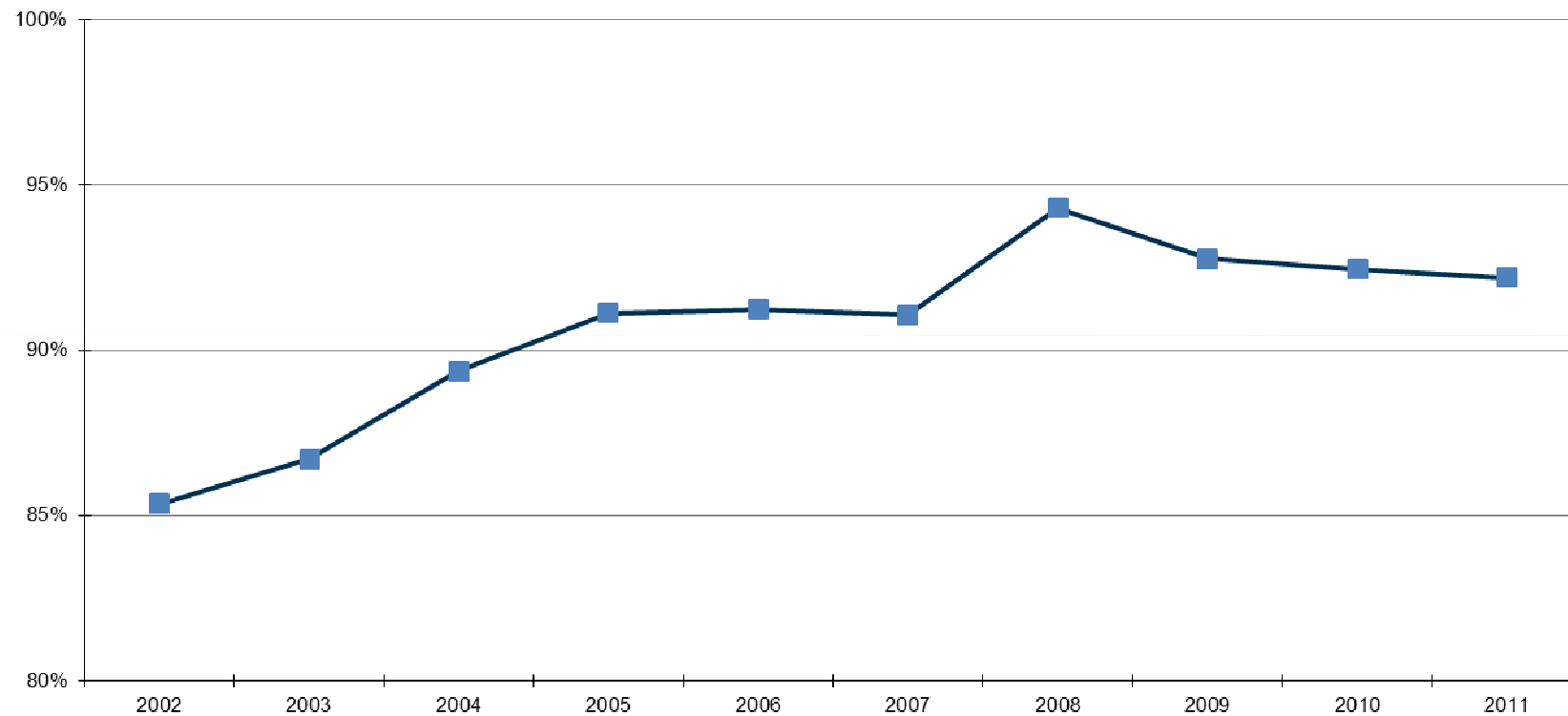
# Importance of Unit-linking

- In 2011 17.8% of total life premiums in Europe were paid into unit-linked products
- This ranged from 6% in Bulgaria to 68.5% in Finland
- UK £800bn unit-linked fund sector will grow significantly due to the introduction of pension auto enrolment
- In 2011 the individual Unit-linked market in Poland was 32.4% of GWP



# Number of life contracts to total population ratio

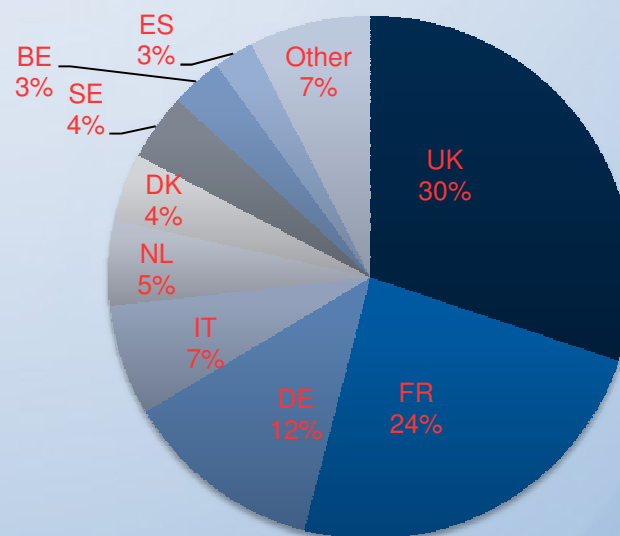
Number of life contracts to total population ratio - 2002-2011



Source Insurance Europe

# Life insurers' investment in Europe 2002-2011

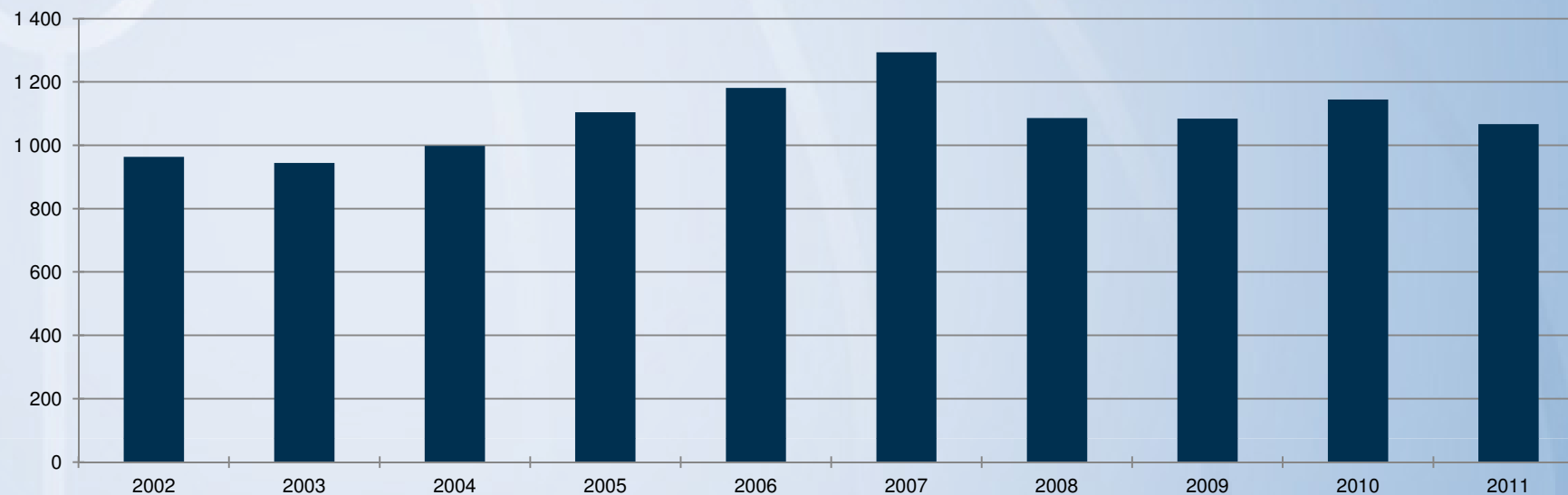
Life insurers' investments 2002-2011 (€bn)



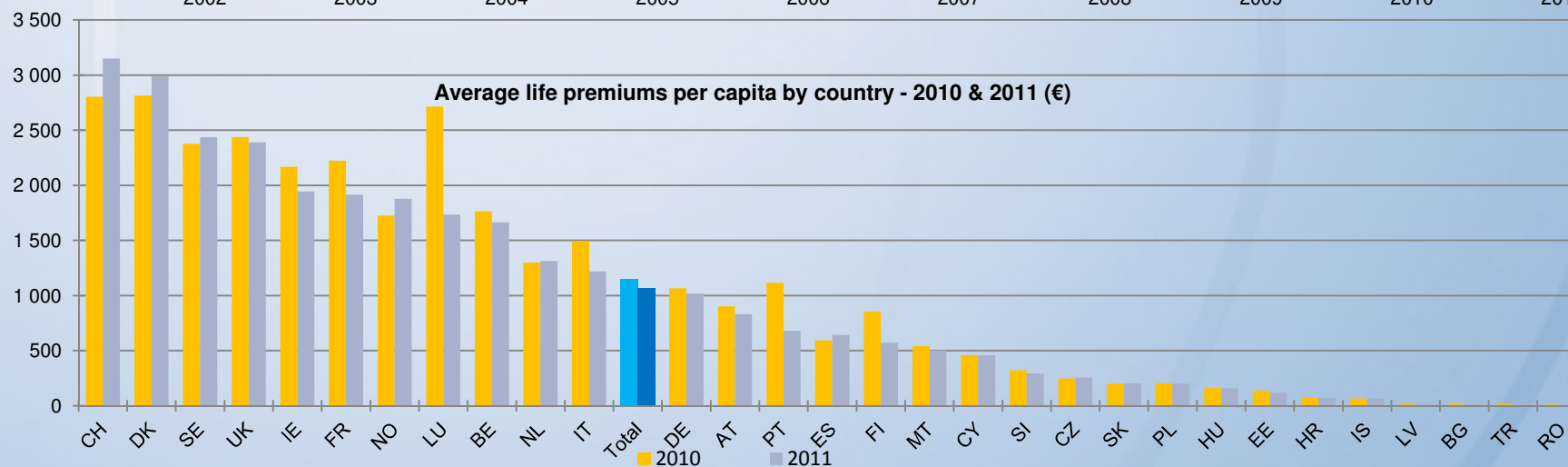
Source Insurance Europe

# Life premium per capita in Europe

Average life premium per capita in Europe - 2002-2011 (€)



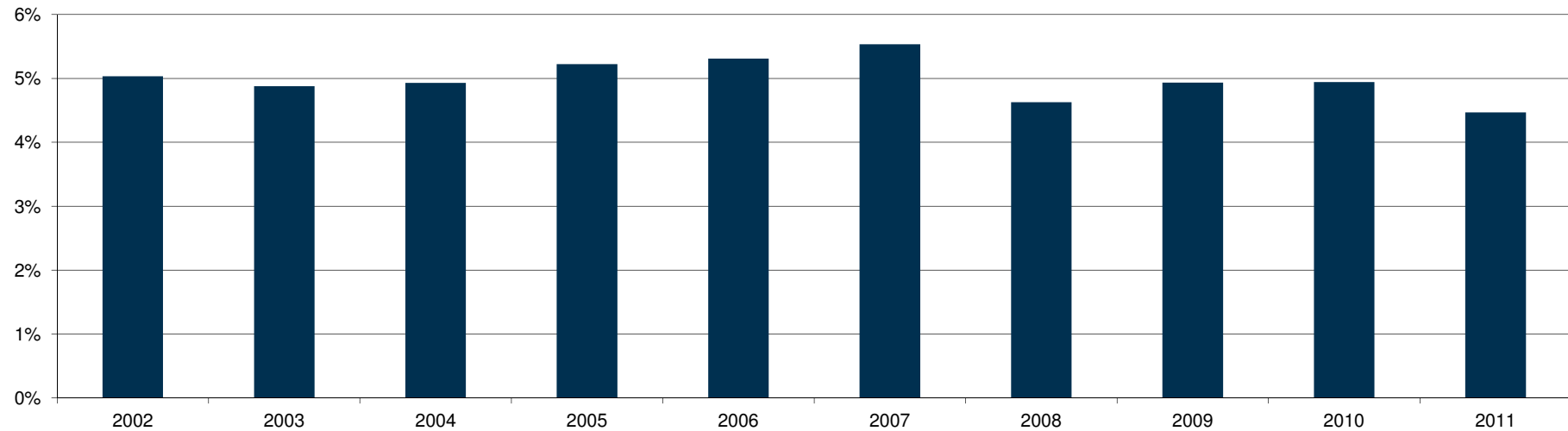
Average life premiums per capita by country - 2010 & 2011 (€)



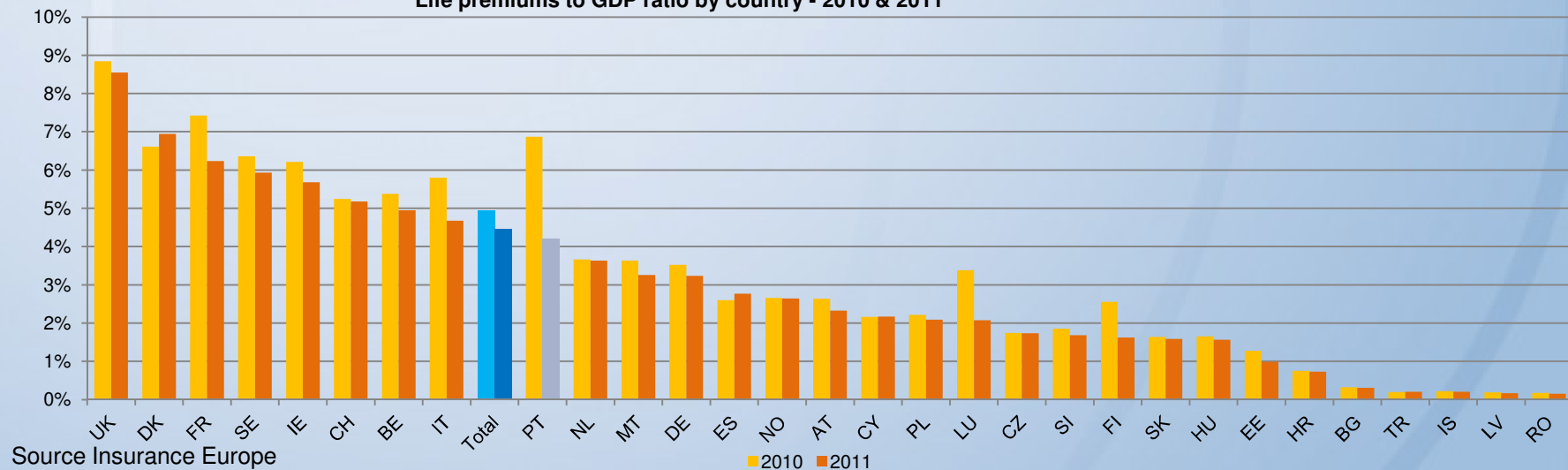
Source Insurance Europe

# Life premium in Europe 2002-2011

Life premiums to GDP ratio in Europe - 2002-2011



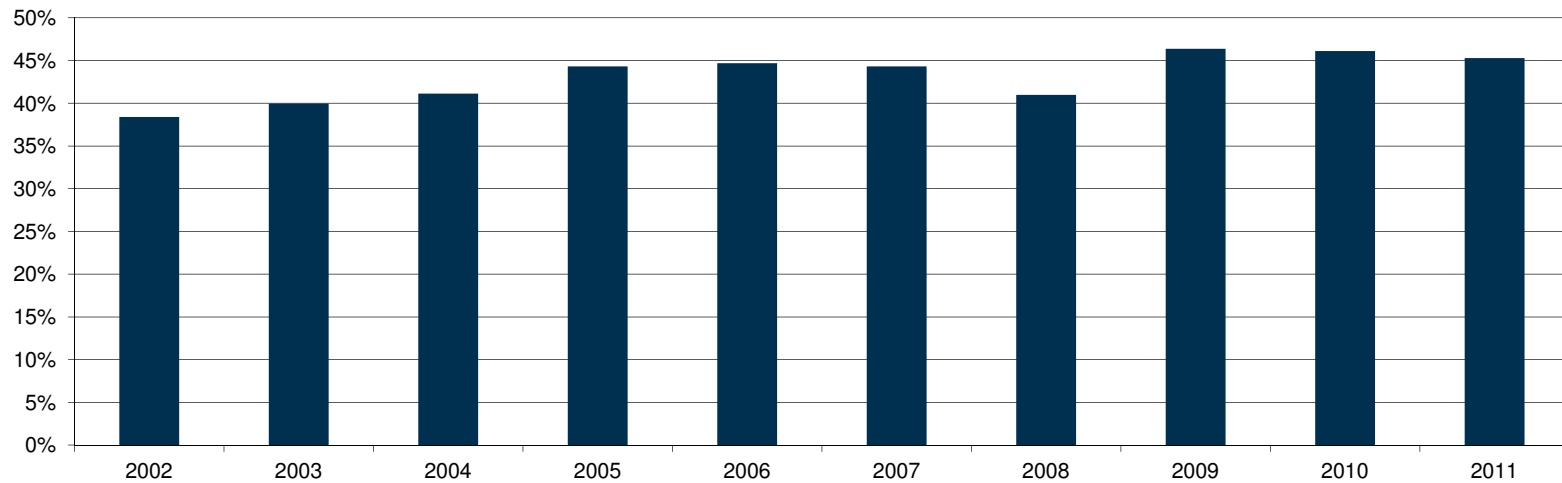
Life premiums to GDP ratio by country - 2010 & 2011



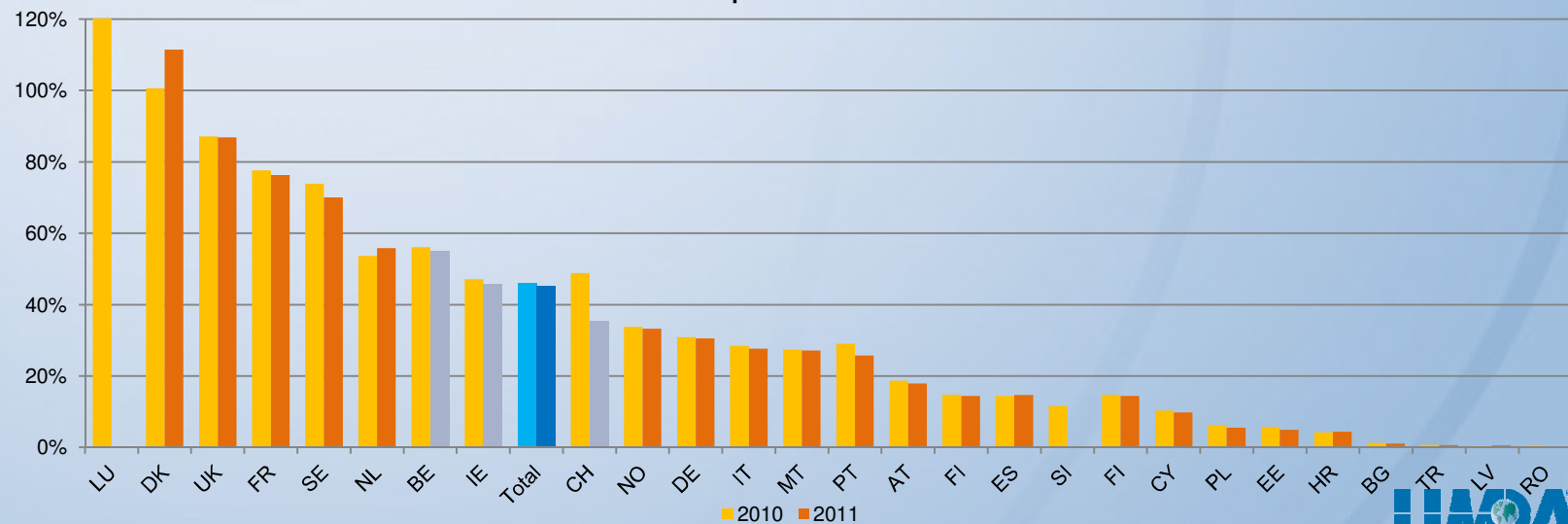
Source Insurance Europe

# Life insurers' investment portfolio to GDP ratio in Europe

Life insurers' investment portfolio to GDP ratio in Europe - 2002-2011



Life insurers' investment portfolio to GDP ratio - 2010 & 2011



# But the life industry is still needed



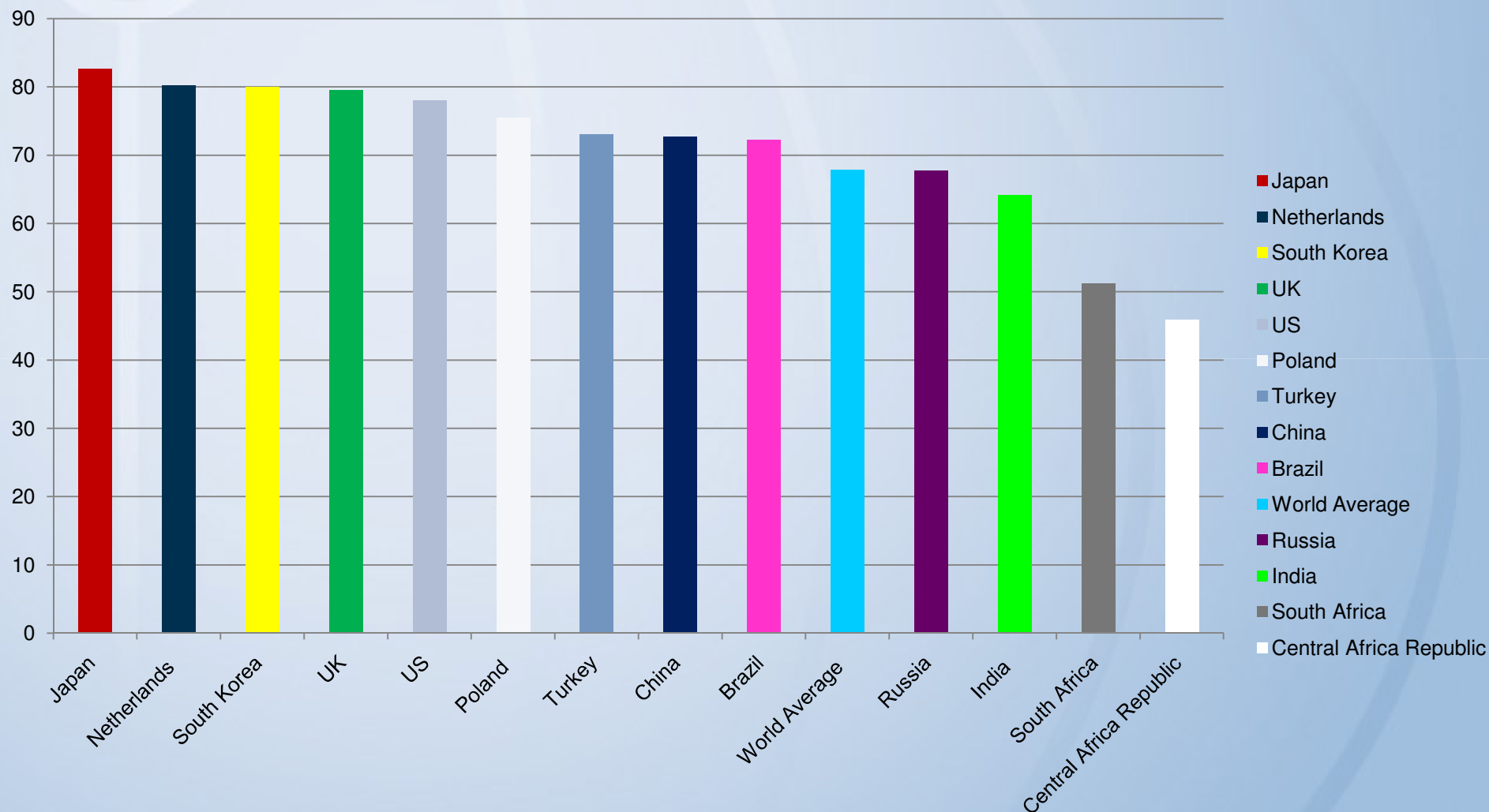
# Ageing - Good news or bad

“Ageing is a triumph of development. Increasing longevity is one of humanity's greatest achievements

People live longer because of improved nutrition, sanitation, medical advances, health care, education and economic well-Being ”

# Life Expectancy at Birth (Years)

UN World Population Prospects 2010





# “Hope I die before I get old”

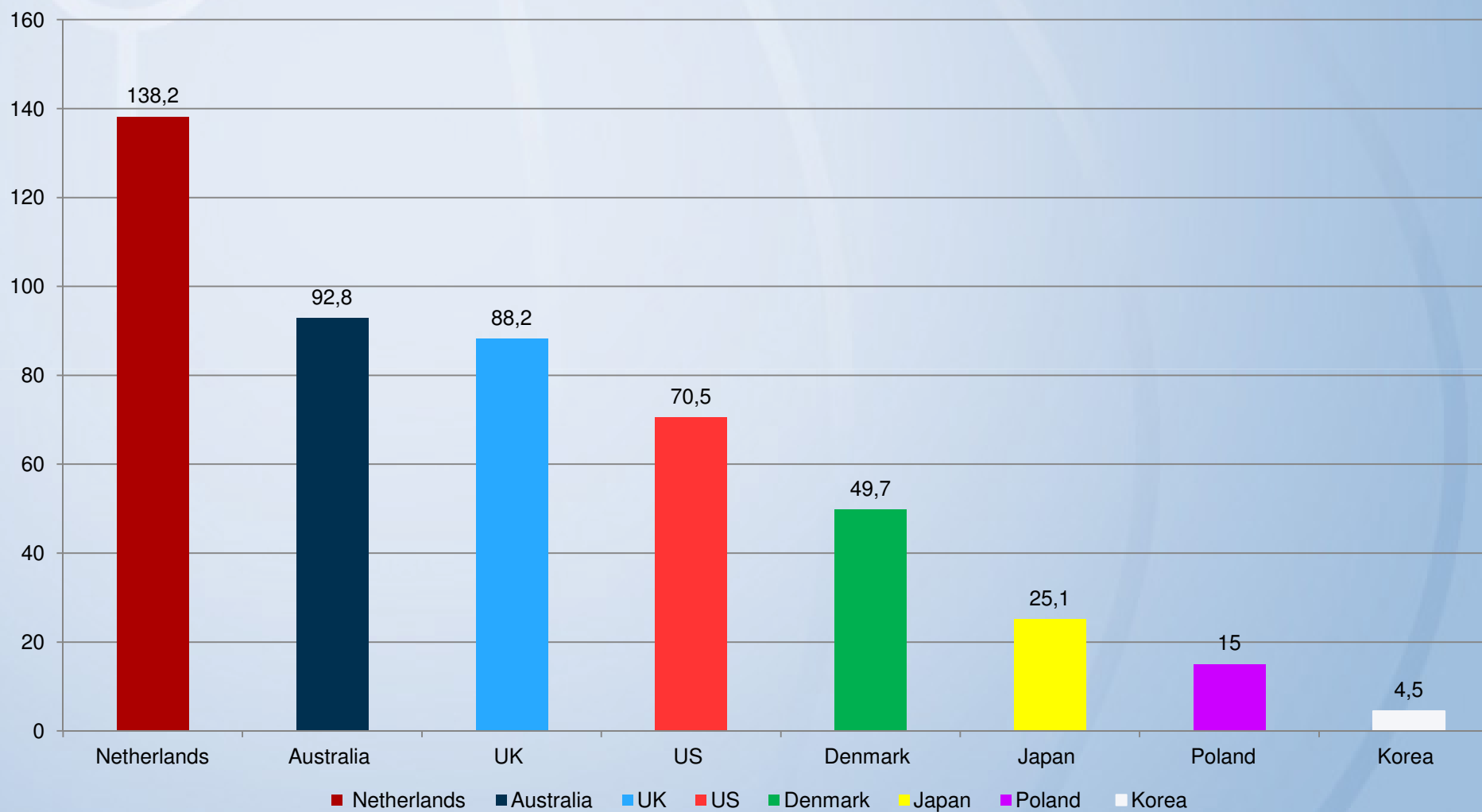
- The size of world's elderly population is expected to swell by 200 million within 10 years past the one billion mark and soar to two billion by 2050
- The number of centenarians in the world is projected to increase from fewer than 316,600 in 2011 to 3.2 million in 2050
- Currently **Japan** is the only country with an older population of more than 30 per cent, but by 2050, 64 countries are expected to achieve that proportion

# Mind the gap

- The largest 100 US public pension funds have around \$1.2 trillion of unfunded liabilities - (Source Milliman)
- A study, carried out by insurer Aviva and accountants Deloitte, estimates that UK workers are collectively saving £317.5bn a year too little into pensions
- In the EU: age-related spending is projected to rise from an annual cost of 25% to 29.1% of GDP between 2010 and 2060, a rise of 4.1% of GDP- (Source: European Commission's 2012 Ageing Report)

# Pension Funds Relative to size of GDP in DECD Countries in 2011

## Pension/GDP



# Pensions Around the World

Many people who know nothing about stocks participate in equity markets through their pension funds and other vehicles of long term investment.

In 2012 the value of global pension funds hit £29.8 trillion. These assets were equal to 78% of total gross domestic product.

Amongst developed nations this ranges from only 7% in France to 156% in the Netherlands

Pension fund assets have grown on average by 7% per year for the last 10 years – twice that in Hong Kong

# Pensions around the world

- Largest pension markets are US, UK and Japan
- US and UK higher equity allocation. Switzerland, Japan, Netherlands higher in bonds
- Melbourne Mercer Global Pension Index ranks 18 countries by the adequacy of their pension systems
- Denmark is considered to be the best – the only A grade country
- China, Korea, India and Japan are ranked lowest with a D grade
- Poland has been awarded a C grade alongside France, Germany and USA

# Asian growth

- There will be a trillion dollar growth in the amount of premiums from the Asia-Pacific region between now and 2020
- The contribution from “emerging Asia” – markets such as China or India – to this figure will be nearly 70% (about €670bn)

# China

- No social safety net
- A nation of savers – national savings ratio is over 50% of GDP
- Cannot invest outside China
- Do not understand equity markets
- Introduction of one child per family (farmers were exempt)
- Has changed attitudes toward retirement in the cities
- Investment made primarily through banks as big and trusted institutions
- Insurance premiums are only 2% unit linked and 14% universal life

# Hong Kong

- Around a third of individual life premiums are unit-linked (\$7,813 million)
- During the height of the stock market boom (2007) three-quarters of life premiums were paid into single premium unit-linked products
- Unit-linked sales were down to 30% of total life premiums by 2010
- New consumer protection and product disclosure regime have turned customers against unit-linked products



# Japan

- Has 11.7% of the OECD countries total of insurance premiums (Poland has 0.4%) Only the US is larger (Source: OECD)
- Introduction of variable annuities gave Japan its first exposure to unit linking
- Most personal investment is backed by low interest bonds and deposits
- Downward trend in variable life (only 0.5% of total new policy sales in 2010)
- Savings and cash type investments account for over 50% of personal assets in Japan and this reflects the risk-averse nature of most citizens.

(Source: Axco and LIAJ)

# Korea

- Has 2.8% of the OECD countries total of insurance premiums  
(Source: OECD)
- Unit-linked business from both individual and group accounted for 31% of the total premiums for year 2010 (Individual 26%)
- Rising stock markets in fiscal year 2009 encouraged an increased interest in unit-linked business
- A very high proportion of the sales made in the bancassurance channel come from single premium unit-linked business

# Issues to consider

- In the UK Investment emphasis was in equities from 1982 to 2000, but in fixed-income markets since then
- More extensive regulation of pension funds has played a large part (in the UK the equity weighting held by defined benefit pension funds was 81% in 1993 compared to 38.5% in 2011)
- Regulatory framework has increasingly moved to favour liquidity and trading activity over long term ownership
- Low interest rates/low bond yields make guarantees difficult to design
- Needs a balance between investing in own country and overseas
- Potential impact of Solvency II on group pensions and PRIPs on all unit-linked business

# Unit-linked Innovation

An example of a national life industry that is trying to fight the negative image

- Lower charges
- Flexible premiums
- More fund options
- Unlimited partial withdrawals
- Higher death benefits
- New riders (child education benefit, CI waiver of future premiums)
- Plans for working women (cancer cover, pregnancy complications, children born with congenital problems)
- On-line sales

# India



# LIMRA – A Membership Organisation

Community that  
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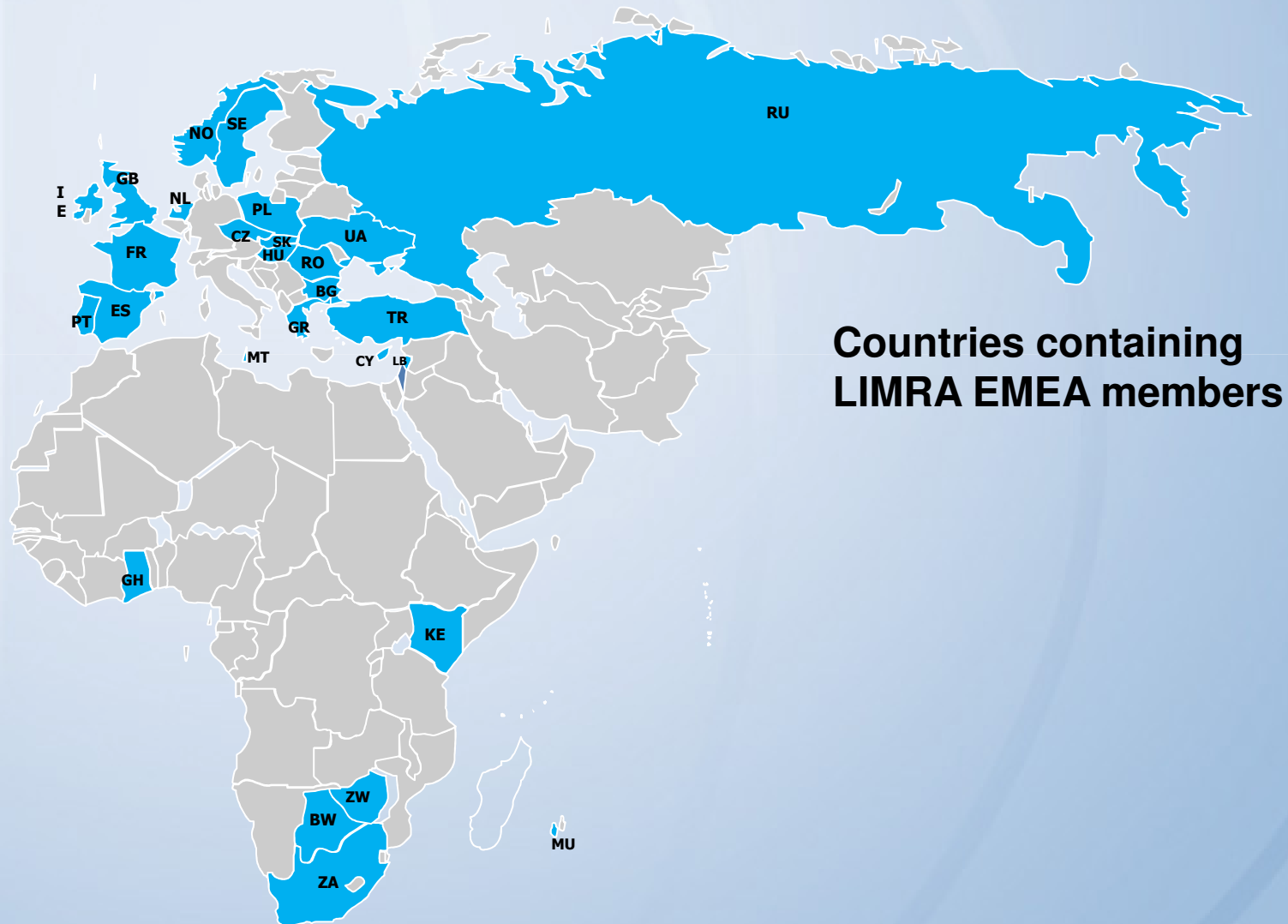


Over 850 financial services companies in more than 70 countries around the world turn to LIMRA first to help them build their businesses and improve their performance.

These members rely on our 90 years of industry experience, along with resources in Research, Training and Consulting

# Current Situation

## LIMRA EMEA





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The 2013 European Annual Meeting offers concrete strategies and practical solutions to aid you in the evolution of your organization.

Our 2013 conference will include presentations by internationally well-known speakers from Europe, China, India, USA, as well as various workshops and will include a Gala Dinner in a stunning setting on the cliffs by the sea in Guincho.

Topics for 2013 include:

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RDR (New regulation)

Pensions (Regulation, product, sales & consumer demands)

Business Models & Strategies

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