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FEATURES OF ADVANCED ASIAN INSURANCE MARKETS INFRASTRUCTURE

The purpose of the article is to generalize the main features of advanced Asian insurance markets infrastructure. Methodology. Application of the methods (collection of information and its generalization) assists to achieve the purpose. Results. Asian insurance market refers to markets, where life insurance prevails and is one of the biggest markets in the world by such indicator as a share of total premium volume in the world GDP (of around 2%). This study makes possible to generalize the main features of advanced Asian insurance markets infrastructure: 1) in some Asian countries (Japan and South Korea) the number of insurance intermediaries and their staffs are rapidly declining; 2) in considered Asian countries the most widespread associations of insurance companies are life and non-life insurance associations.

Keywords: intermediaries, insurance market, infrastructure elements, insurance associations.

Introduction. Asian insurance market is the third insurance market in the world. One of the contributions to this was made by infrastructure of insurance market. Thus it is necessary to consider the main features of advanced Asian insurance markets infrastructure.

Analysis of scientific research. The different aspects of advanced insurance markets in such Asian countries as: Hong Kong and Taiwan¹, Singapore², Japan³ and South Korea⁵ are considered quite thoroughly. But no research has been found that surveyed infrastructure elements of advanced Asian insurance markets.

The purpose of the article is to generalize the main features of advanced Asian insurance markets infrastructure.

Results. It is known that developed infrastructure has a significant impact on the level of the growth of insurance market. Therefore there is a need to consider main indicators of Asian insurance market from 2012 to 2016 (Table 1).

Table 1

Asian insurance market from 2012 to 2016

Indicator	2012	2013	2014	2015	2016	Trends	
						2014/2012	2016/2014
Life insurance premium volume, bln of USD	961,07	855,26	886,46	904,00	1000,27	↓	↑
Non-life insurance premium volume, bln of USD	372,24	396,73	427,41	446,00	493,26	↑	↑
Total premium volume, bln of USD	1333,29	1251,99	1313,87	1350,00	1493,5	↓	↑

¹ Chan, C. (2012). Culture, state and varieties of capitalism: a comparative study of life insurance markets in Hong Kong and Taiwan. *The British Journal Of Sociology*, 63(1), 97-122. <<http://dx.doi.org/10.1111/j.1468-4446.2011.01395.x>>.

² Boon, T.K. (2005). Do Commercial Banks, Stock Market and Insurance Market Promote Economic Growth? An analysis of the Singapore Economy. *Citeseerx.ist.psu.edu*. <<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.671.2634&rep=rep1&type=pdf>> (2018, January, 29).

³ Kong, K.S., Katkov, N. (2011). *IT Spending Trends in the Japanese Insurance Industry: 2011*. <<https://www.celent.com/insights/458785469>>. (2018, January, 29).

⁴ Kong, K.S. (2013). Online Insurance in Japan: Seeking Avenues for Greater Growth. <<https://www.celent.com/insights/342385289>>. (2018, January, 29).

⁵ Kong, K.S. (2014). *Insurance in South Korea: Market and IT Overview*. <<https://www.celent.com/insights/101835825>>. (2018, January, 29).

Continuation of table 1

Insurance density: premiums per capita in USD	321,7	303,3	307,4	311,7	343	↓	↑
Insurance penetration, %	5,73	5,37	5,21	5,34	5,6	↓	↑
Total premium volume as a share in the world GDP, %	1,88	1,69	1,70	1,85	1,98	↓	↑
Share of Advanced Asian insurance markets in total premium volume, %	68,77	63,66	60,85	57,26	54,98	↓	↓

Source: compiled by the author based on Swiss Re Institute's data^{1, 2, 3, 4, 5}

The table 1 shows that Asian insurance market refers to markets, where life insurance prevails and is one of the biggest markets in the world by such indicator as a share of total premium volume in the world GDP (of around 2%). All indicators except non-life insurance premium volume were decreasing from 2012 to 2014 and all of them except the share of advanced Asian insurance markets in total premium volume were increasing from 2014 to 2016. Despite this fact it is necessary to pay attention on indicators of advanced Asian insurance market from 2012 to 2016, because its share in total premium volume is still over 50% (Table 2).

Table 2

Advanced Asian insurance markets from 2012 to 2016

Indicator	2012	2013	2014	2015	2016	Trends	
						2014/2012	2016/2014
Life insurance premium volume, bln of USD	715,23	597,51	597,94	579	612,2	↓	↑
Non-life insurance premium volume, bln of USD	201,7	199,54	201,6	194	208,9	↓	↑
Total premium volume, bln of USD	916,93	797,05	799,54	773	821,1	↓	↑
Insurance density: premiums per capita in USD	4387,5	3864,2	3728,3	3589,8	3 846	↓	↑
Insurance penetration, %	11,9	11,55	11,44	11,59	11,0	↓	↓

Source: compiled by the author based on Swiss Re Institute's data^{6,7,8,9,10}

¹ Swiss, Re (2013). World Insurance in 2012: Progressing on the long and winding road to recovery. *Sigma*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2013_en.pdf>.

² Swiss, Re (2014). World Insurance in 2013: Steering towards recovery. *Sigma*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2014_en.pdf>.

³ Swiss, Re (2015). World Insurance in 2014: Back to life. *Sigma*, No. 4. Zurich, Switzerland. Retrieved from http://media.swissre.com/documents/sigma4_2015_en.pdf

⁴ Swiss, Re (2016). World Insurance in 2015: *Steady growth amid regional disparities*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma_3_2016_en.pdf>.

⁵ Swiss, Re (2017). World Insurance in 2016: *the China growth engine steams ahead*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2017_en.pdf>.

⁶ Swiss, Re (2013). World Insurance in 2012: Progressing on the long and winding road to recovery. *Sigma*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2013_en.pdf>.

⁷ Swiss, Re (2014). World Insurance in 2013: Steering towards recovery. *Sigma*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2014_en.pdf>.

⁸ Swiss, Re (2015). World Insurance in 2014: Back to life. *Sigma*, No. 4. Zurich, Switzerland. <http://media.swissre.com/documents/sigma4_2015_en.pdf>.

⁹ Swiss, Re (2016). World Insurance in 2015: *Steady growth amid regional disparities*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma_3_2016_en.pdf>.

¹⁰ Swiss, Re (2017). World Insurance in 2016: *the China growth engine steams ahead*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2017_en.pdf>.

The table 2 almost reflects situation for advanced Asian insurance markets that is generally inherent in Asian insurance market, namely: decreasing of all indicators from 2012 to 2014 and increasing from 2014 to 2016 except insurance penetration. Country aspect of this issue illustrates other context (Table 3).

Table 3

Advanced Asian insurance markets from 2012 to 2016: country aspect

Country	Indicator	2012	2013	2014	2015	2016	Trends	
							2014/2012	2016/2014
Japan	Total premium volume, bln of USD	654,1	531,5	479,8	449,7	471,3	↓	↓
	Insurance density, USD	5167,5	4207	3778	3553,8	3731,7	↓	↓
	Insurance penetration, %	11,44	11,1	10,8	10,82	9,51	↓	↓
Hong Kong	Total premium volume, bln of USD	32,7	36,1	41,0	45,7	56,4	↑	↑
	Insurance density, USD	4543,9	5002,0	5647,0	6271,2	7678,8	↑	↑
	Insurance penetration, %	12,44	13,2	14,2	14,76	17,60	↑	↑
Taiwan	Total premium volume, bln of USD	87,8	91,0	95,6	96,0	101,4	↑	↑
	Insurance density, USD	3759,6	3886,0	4072,0	4094,1	4320,7	↑	↑
	Insurance penetration, %	18,19	17,6	18,9	18,97	19,99	↑	↑
Singapore	Total premium volume, bln of USD	22,1	18,0	27,0	28,0	21,0	↑	↓
	Insurance density, USD	3362,0	3251,0	3759,0	3825,1	3776,8	↑	↑
	Insurance penetration, %	6,03	5,9	6,7	7,25	7,15	↑	↑
South Korea	Total premium volume, bln of USD	139,3	145,4	159,5	153,6	170,9	↑	↑
	Insurance density, USD	2785,4	2895,0	3163,0	3034,2	3361,9	↑	↑
	Insurance penetration, %	12,12	11,9	11,3	11,42	12,08	↓	↑
Israel	Total premium volume, bln of USD	11,6	13,5	14,3	15,3	15,0	↑	↑
	Insurance density, USD	1505,5	1749,0	1834,0	1896,7	1831,2	↑	↓
	Insurance penetration, %	4,78	4,6	4,7	5,35	4,71	↓	↑

Source: compiled by the author based on Swiss Re Institute's data¹²³⁴⁵

¹ Swiss, Re (2013). World Insurance in 2012: Progressing on the long and winding road to recovery. *Sigma*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2013_en.pdf>.

² Swiss, Re (2014). World Insurance in 2013: Steering towards recovery. *Sigma*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2014_en.pdf>.

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⁵ Swiss, Re (2017). World Insurance in 2016: *the China growth engine steams ahead*, No. 3. Zurich, Switzerland. <http://media.swissre.com/documents/sigma3_2017_en.pdf>.

As can be seen from the table above it is possible to divide these advanced markets in Asian countries into 3 groups:

1) all indicators were declining both from 2012 to 2014 and from 2014 to 2016 (Japanese insurance market);

2) all indicators were rising both from 2012 to 2014 and from 2014 to 2016 (insurance markets of Hong Kong, Taiwan, Singapore and South Korea);

3) some indicators were rising and declining both from 2012 to 2014 and from 2014 to 2016 (insurance markets of Israel).

The above-mentioned situation can be explained by influence of different factors and one of them is activity of such infrastructure elements as insurance intermediaries (Table 4).

Table 4

Advanced Asian insurance markets from 2012 to 2015: intermediary aspect

Country	Indicator	2012	2013	2014	2015	Trends
						2015/ 2012 or 2013
Japan	Life insurers	40	40	39	38	↓
	Non-life insurers	30	30	30	30	x
	Intermediaries*	x	2283335	2293863	2059743	↓
Hong Kong	Life insurers	15	16	16	17	↑
	Non-life insurers	16	16	17	17	↑
	Composite insurers	10	10	8	8	↓
	Reinsurers	x	x	9	9	x
	Intermediaries*	x	77946	83283	90969	↑
South Korea	Life insurers	23	24	24	24	↑
	Non-life insurers	58	59	53	52	↓
	Reinsurers	1	1	1	1	x
	Intermediaries*	288362	280087	245127	235319	↓

*Number of persons (brokers or agents and their staffs)

Source: compiled by the author based on OECD statistics¹

The table 4 practically illustrates a stable number of insurance companies but a significant decrease in number of brokers, agents and their staffs (Japan, South Korea). It is a possible cause of reduction in total premium volume in Japan and greater popularity of other insurance distribution channels.

Another factor of influence on insurance markets development is activity of such infrastructure elements as insurance associations (Table 5).

The table 5 presents that the most popular insurance associations in advanced Asian markets are associations of life and general insurers, established over 50 years ago with the aim to protect rights and interests of insurance policy holders and develop the insurance industry.

Conclusions. This study makes possible to generalize the main features of advanced Asian insurance markets infrastructure:

1) in some Asian countries (Japan and South Korea) the number of insurance intermediaries and their staffs are rapidly declining;

2) in considered Asian countries the most widespread associations of insurance companies are life and non-life insurance associations.

¹ General insurance statistics: Number of insurance employees (2018). *Stats.oecd.org*. <<http://stats.oecd.org/>> (2018, January, 29).

Characteristic of the infrastructure elements of Advanced Asian insurance markets

Element	Characteristic
The Life Insurance Association, Singapore (founded in 1962)	The not-for-profit trade body of life insurance product providers and life reinsurance providers based in Singapore and licensed by the Monetary Authority of Singapore. Its 30 members comprise 23 life insurers and seven life reinsurers. The vision is to provide individuals with peace of mind and to promote a society where every person is prepared for life's changing cycles and for those situations unforeseen ¹
The Israel Insurance Association (RA)	Is a voluntary organization incorporated as an not-for-profit organization and registered with the Registrar of Societies. Most of the insurers operating in Israel in the branches of general insurance and marine insurance are members of the Association. Every Israeli insurer that holds an insurance license in one of the above branches is permitted to join the Association as a member. The Association's principal goals are: to represent the insurers before the Supervisor of Insurance, media and the public, in its industry-related contractual arrangements, subject to the permits required by law ²
Associaton Of Life Insurance Companies Of Israel Ltd (founded in 1957)	Is a voluntary association that is incorporated as a private company (a not for profit organization) and is registered with the Registrar of Companies. Each insurer that holds an insurance license in the area of life insurance is entitled to join the Association as a member. Was founded with the aim of making joint index-linked investments in order for the insurance companies to be able to issue life insurance policies that guarantee linkage ³
Korean Fire Protection Association (KFPA) (founded in 1973)	A professional risk management organization established by the "Law on Indemnity for Fire Losses and Fire Insurance Contract". All the staff of KFPA are committed in playing the role of the risk management information center of Korea to make world a fire free society. The objectives of KFPA are to inspect fire protection systems and other fire safety systems, and to present proper measures against fires and explosions ⁴
Korea Life Insurance Association (KLIA) (founded in 1950)	A non-profit corporation and has remained committed to promoting common benefits for member companies and maintaining market discipline. In addition, it has contributed to the development of the life insurance culture. KLIA has 22 life insurers as full members and 2 associate members, Korean Re and IBK Pension Insurance ⁵
General Insurance Association of Korea (GIAK) (founded in 1946)	The aim is to uphold the rights and interests of insurance policy holders and development of general insurance industry, to serve as a "communication" channel between general insurers which provide social security and insurance consumers who purchase general insurance ⁶
The Korea Insurance Development Institute (KIDI) (founded in 1983)	A not-for-profit membership corporation established to protect the interests of policyholders, and contribute towards the development of the insurance industry. KIDI has twenty-five life insurance member companies, and seventeen non-life insurance member companies (forty-two in total) ⁷

¹ Vision and Mission (2018). *Lia.org.sg*. <<http://www.lia.org.sg/about/vision>>. (2018, January, 29).

² About the Israel Insurance Association (2018). *Igudbit.org.il*. <<http://www.igudbit.org.il/eng/Index.asp?ArticleID=394&CategoryID=387>>. (2018, January, 29).

³ About the life Insurance Association (2018). *Igudbit.org.il*. <<http://www.igudbit.org.il/eng/Index.asp?CategoryID=385&ArticleID=400>>. (2018, January, 29).

⁴ Welcome to KFPA (2018). *Kfpa.or.kr*. <https://www.kfpa.or.kr/en/introduct/int_02.asp>. (2018, January, 29).

⁵ About KLIA. (2018). *Klia.or.kr*. Retrieved 29 January 2018, from http://www.klia.or.kr/eng/aklia/aklia_02.do

⁶ Chairman Statements (2018). *General Insurance Association of Korea*. <<https://www.knia.or.kr/eng/intro/intro01>>. (2018, January, 29).

⁷ Korea Insurance Development Institute (2018). *Kidi.or.kr*. <<https://www.kidi.or.kr/eng/about/introduction.asp>>. (2018, January, 29).

General Insurance Association of Japan (GIAJ) (founded in 1946)	“The objective of the GIAJ is to promote sound development and maintain reliability of the general insurance business in Japan, and thus contribute to a secure and safe society. To this end, the GIAJ now focuses on the following five pillars of activities: (1) Enhancement of Communication with Consumers (2) Improvement of the Quality of Business Processes and Customer Inter-relations (3) Development of the Business Infrastructure, and Requests and Proposals (4) Contribution to Safety and Security in Society and the Community (5) Contribution to the Global Community” ¹
The Life Insurance Association of Japan (LIAJ) (founded in 1908)	“The objective of the LIAJ is to strive for sound development of the life insurance industry and maintain its reliability. Functions (a) Research and study of theories and practices relating to life insurance (b) Public relations relating to life insurance (c) Statement on life insurance (d) Other functions considered necessary to attain the purpose of the Association” ²

Source: compiled by the author based on information

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¹ GIAJ The General Insurance Association of Japan – About Us (2018). *Sonpo.or.jp*. <<http://www.sonpo.or.jp/en/about/outline/>>. (2018, January, 29).

² The Life Insurance Association of Japan – Objective & Functions (2018). *Seiho.or.jp*. <<http://www.seiho.or.jp/english/about/objective/>>. (2018, January, 29).

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