

As an information for the President and Members, I submit annual report for South & East Asia (up to the date of Oct 1st 2019).

I. **Market & Business developments**

"The strategic importance of Asia and China will become more and more eminent across the world.", according to a sigma report (No.3/2019) released by Swiss Re Institute.

Premiums in emerging Asia are projected to grow three times faster than the world average over the next two years and China as the main drivers of industry growth will become the world's largest insurance market by the mid-2030s.

China's share of global premiums will rise to 20% by 2029 from 11% in 2018 and the whole of Asia-Pacific will account for 42% of the global premiums by 2029.

■ China

Chinese insurance industry recorded premium income of CNY3.1tn (\$434.6bn) in the first eight months of 2019, according to data from China Banking and Insurance Regulatory Commission (CBIRC). The figure represents an increase of 13.14% over the corresponding period of 2018.

■ Hong Kong

According to Hong Kong's Insurance Authority (IA), Hong Kong's insurance industry recorded total gross premium income of HK\$148.8bn (US\$18.90bn) in the first quarter of 2019. This figure represents an increase of 12.3% year-on-year.

The gross premium of general insurance business in the first quarter of 2019 was HK\$16.6bn (up 7%) respectively.

■ India

34 India's non-life industry (25 are categorized as general insurers, 7 as standalone private sector insurers while the rest of the two are government-owned specialized insurers) surged by 18% to INR1.5trn (\$21bn) in the fiscal year ended 31 March 2018 (FY2018), according to the latest annual report of Insurance Regulatory and Development Authority (IRDAI).

■ Indonesia

According to data from the Financial Services Authority (OJK), Indonesian insurance

industry recorded general insurance premium income of IDR40.13tn (\$2.9bn) in the first half of 2019, which represents an increase of 18% over the corresponding period of 2018.

The general insurance market grew by 20.6% to IDR39.95tn (\$2.8bn) in terms of gross premiums in the first half of 2019, compared to the corresponding period of 2018, according to data from 75 general insurance companies compiled by the Indonesian General Insurance Association (AAUI).

■ Japan

Japanese insurance industry recorded premium income of \$440bn in 2018, which represents an increase of 2.6% over 2017, according to a sigma report (No.3/2019) released by Swiss Re Institute.

■ Korea

Korean insurance industry recorded premium income of \$179bn in 2018, which represents a decline of 2.5% over 2017, according to a sigma report (No.3/2019) released by Swiss Re Institute.

■ Malaysia

According to data presented by the General Insurance Association of Malaysia (PIAM), a general insurance sector in Malaysia posted total underwriting profits of MYR455m (\$108m) in the first half of 2019, a decline of 11% over the MYR509m reported for the corresponding period of 2018.

■ Philippines

Philippines' insurance industry recorded premium income of \$6bn in 2018, which represents an increase of 6.7% over 2017, according to a sigma report (No.3/2019) released by Swiss Re Institute.

■ Singapore

According to data from Monetary Authority of Singapore (MAS), Singapore's general insurance industry recorded premium income of SG\$1.6bn (\$0.8bn) in the first quarter of 2019. This figure represents an increase of 2.1% over the corresponding period of 2018..

■ Taiwan

Taiwanese insurance industry recorded premium income of \$122bn in 2018, which

represents an increase of 1.4% over 2017, according to a sigma report (No.3/2019) released by Swiss Re Institute.

■ Thailand

The Thai insurance industry generated an annual total insurance premium of THB862.1bn (\$27bn) in 2018, growing by 5.3% over 2017, according to the Office of Insurance Commission (OIC).

■ Vietnam

Vietnamese insurance industry recorded premium income of \$5.8bn in 2018, which represents an increase of 20.4% over 2017, according to a sigma report (No.3/2019) released by Swiss Re Institute.

II. Current news

■ Cambodia

The number of traffic accidents in the first five months of 2019 was 1,829, rose by 20% from the corresponding period of 2018.

Thus, authorities in Cambodia are planning to issue a law that will make motor insurance mandatory for every vehicle owner.

■ China

Accident insurance was the fastest growing class of business for P&C insurers in the first half of 2019.

More growing, more fraud. Fraud leakage in China's motor insurance sector is about 20%, according to the 2019 China Insurance Industry Intelligent Risk Control White Paper.

China Export & Credit Insurance Corporation, also known as Sinosure, has underwritten \$46.1bn worth of insured business for Chinese enterprises in Africa in the first five months of his year.

■ India

Insurers are beginning to see motor premium growth stall as sales in the auto market weaken. Motor is the biggest or the second largest line of business for most insurers in India.

Since June 16th, 2019, The IRDAI has increased the third party (TP) motor insurance premium for small and medium private cars with a capacity of up to 1500cc by 12-12.5%.

■ Japan

Since Oct 1st 2019, 4 major non-life insurance insurers (Tokio Marine & Nichido Fire Insurance Co., Sompo Japan Nipponkoa Insurance Inc., Mitsui Sumitomo Insurance Co. and Aioi Nissay Dowa Insurance Co.) have raised their accident insurance premiums by about 4 percent.

Major non-life insurers in Japan are planning to increase automobile insurance premiums by about 3% in January 2020.

Above-mentioned 4 major non-life insurance insurers are seeking opportunities in Asian emerging markets and elsewhere to gain profits from those regions, and at some point, they have embarked on a major push into Southeast Asia's giant retail market.

For example, Tokio Marine Insurance in Thailand and Safety Insurance have announced that they will merge into a new entity called Tokio Marine Safety Insurance, whose process should be completed in early 2020 subject to approval from OIC (Thailand).

■ Korea

Non-life insurance companies in South Korea are looking to hiking car insurance premiums on the back of deterioration in the loss ratio, which will be the second increase in motor premium rates following hikes in January.

■ Singapore

The Intellectual Property Office of Singapore (IPOS), Lloyd's Asia and Antares Underwriting Asia have launched a new initiative to support innovative enterprises as they enter global markets.

■ Taiwan

Taiwanese government has passed a draft bill to increase insurance coverage for crops and livestock which are damaged by epidemics, pests and natural disasters. The yearly economic costs of such damage averages around NT\$10bn (\$321.8m) and the bill allows farmers to receive more compensation from insurers as well as government-certified farmers' associations.

Premium income from travel insurance policies sold online in Taiwan saw a 42% surge in the first half of 2019 to NT\$162.6m (\$5.23m), according to data from the Financial Supervisory Commission (FSC). The growing popularity of travel insurance comes amidst Taiwanese consumers seeking better financial protection against flights being cancelled due to labor disputes.

- Thailand

OIC has helped to develop microinsurance products for the fishing industry, covering injury or death of fishermen and damage to their boats.

III. Changes in Insurance Law and/or Regulation

- India

Indian government is reportedly planning to form a single mega entity by consolidating all four state-run insurers-Oriental, National, United India and New India.

The IRDAI has directed insurers to ensure that the certificate of registration of motor vehicles insured by them is cancelled in the event of total loss claims.

The government will prepare a road map to improve the solvency ratios of three unlisted state-owned general insurers to at least the minimum required level before it drafts disinvestment plans for them.

Heavy penalties set out in the new Motor Vehicles Act are believed to have led to an increase in sales of motor insurance policies.

Premiums for mandatory third party liability (MTPL) insurance are set to rise by up to 20% from April 1st 2019.

- Indonesia

The Ministry of Finance (MoF) will soon sign an umbrella agreement with insurers to insure state owned property which are mostly buildings of good quality and have a public service function.

- Japan

Japanese government offers better trade insurance terms for overseas projects where participants disclose information sought by investors adopting environmental, social and

governance (ESG) investment principles.

- **Philippines**

Philippine government is urged to provide mandatory insurance coverage for unhusked rice and other crops to help local farmers.

- **Singapore**

The Ministry of Manpower (MOM) tabled the Work Injury Compensation (WIC) Bill 2019 for its first reading in Parliament, that would among other things, require designated WIC insurers to share policy and claims data with MOM and other designated insurers. This will provide insurers with a complete picture of employers' claims history.

IV. Disasters in the region

Insured losses from global Nat CAT events in the first half of 2019 are preliminarily estimated to stand at \$20bn, with losses in the APAC region standing at \$2.4bn which was higher than the regional median of \$2.1bn dating to 2000, revealed the 'Global Catastrophe Recap: First Half of 2019' report from Impact Forecasting, the catastrophe model development team of Aon's Reinsurance Solutions business.

With global economic losses from Nat CAT and man-made disasters in the first half of 2019 amounting to \$44bn, only about \$19bn or 42% of these losses were insured as several large-scale disaster events occurred in areas with low insurance penetration according to Swiss Re Institute's preliminary sigma estimates.

- **China**

Typhoon Lekima is the deadliest and costliest storm of the 2019 Western Pacific typhoon season after landing as a 110 mph (175 kph) Category 2 storm in China's Zhejiang Province on August 10th 2019. Catastrophe risk modelling firm AIR Worldwide has estimated that insured losses in China from Typhoon Lekima will exceed CNY6bn (\$853m).

China's Ministry of Emergency Management has said that floods in China during the current flood season have resulted in direct economic losses estimated at CNY13.35bn (\$1.93bn).

- India

Insurers are preparing to manage claims arising from an extremely powerful cyclone, Fani, which battered the eastern Indian state of Odisha on May 3rd 2019, causing extensive damage to property, vehicles, crops and the loss of at least 56 lives. According to risk modelling and data analytics firm AIR Worldwide, Fani is the equivalent of a strong Category 3 storm on the Saffir-Simpson Scale and is the strongest cyclone to make landfall in Odisha.

- Japan

AIR Worldwide forecasts that insured losses from Typhoon Faxai will be between JPY340bn (\$3bn) and JPY740bn. The loss estimates include insured damage to property (residential, commercial, industrial and agricultural/mutual), both structures and their contents as well as automobiles from wind and storm surge.

V. General information/Items of interest

- China

An estimated 156m Chinese travelled overseas in 2018, compared to 145m in 2017.

As the number of Chinese tourists travelling overseas continues to grow, there has also been an increase in travel-related risks facing these tourists such as accidental injuries, trip disruptions, robberies and even kidnappings. This has led to a rising demand for regular safety insurance for accident and medical coverage as well as protection in the case of risky situations.

The number of Chinese tourists who bought travel accident insurance for outbound trips has jumped nearly 20% year-on-year, according to a report by Ctrip.com International.

This tendency will cause of insurance fraud increase on travel insurance as Japanese insurers have faced to high fraud possibility on those policies (low premium-high coverage).

China Export & Credit Insurance Corporation, also known as Sinosure, has reported steady business growth as the country's overseas investments increased in 2018.

Sinosure is helping to spur Africa's economic growth.

Sinosure and Singapore's OCBC Bank have signed an agreement to work together on Belt and Road Initiative (BRI) projects.

Sinosure has also underwritten \$46.1bn worth of insured business for Chinese enterprises in Africa in the first five months of FY2019.

■ India

Transport Ministry is establishing an electronic database to store drivers' licensing data from throughout the country. The database aims to stop the issuance of multiple licenses in different states. In India, over 30% of drivers have more than one vehicle license.

In the background of this movement, many people, particularly those aged 18-35, lose their lives in accidents every year. About 500,000 accidents take place in the country every year, causing 150,000 deaths and injuring 230,000.

Indians looking to insure their motorbikes are now able to purchase a two-wheeler insurance from Bharti AXA General Insurance on WhatsApp by simply giving a missed call and chatting on the messaging platform. The offering, dubbed 'Buy Two-wheeler Insurance on WhatsApp', which claims to be the first of its kind in India, has been made available via Bharti AXA's partnership with insurance aggregator Wishpolicy.

■ Japan

Japanese insurers are under pressure to rebuild their reserves after deploying a sizeable portion in 2018 in what a severe CAT year for the local market was. Japan was rocked by a series of Nat CAT events last year which resulted in significant insured losses with the costliest being Typhoon Jebi.

Major Japanese insurer Aioi Nissay Dowa Insurance says it may introduce a policy aimed at encouraging people to evacuate their homes during disasters.

Aioi Nissei Dowa and Yokohama National University developed a website that uses weather data, such as expected rainfall and wind speed, to make real-time projections on the number of buildings at risk during a natural disaster. The site, which was launched in June 2019, also uses data on the amount of insurance money paid during past disasters.

■ Korea

Major non-life insurers in Korea are spending more on marketing fees in order to boost market capitalisation, raising concerns that consumers will end up paying higher premiums.

■ Malaysia

The insurance and takaful sector continued to demonstrate resilience in the first six months of 2019 even under simulated scenarios of severe multi-year macroeconomic and

financial shocks, noted by the central bank, Bank Negara Malaysia (BNM) in its Financial Stability Review for the first half of 2019.

■ Philippines

The Philippine Life Insurance Association (PLIA) has revealed that it will be working with the Philippine Insurers and Reinsurers Association of the Philippines (PIRA) in getting regulators to keep the capital requirement for insurance companies at PHP900m (\$17.3m).

At least four non-life insurers are expected to merge before the end of 2019 in order to meet the increased capital requirement set by Philippines' Insurance Commission (IC), according to Philippine Insurers and Reinsurers Association (PIRA)

■ Vietnam

Global insurer Allianz has announced its intention to enter the general insurance sector in Vietnam through a digital joint venture to be set up with FPT Group (IT services group) to drive long-term success in the market and expanding Allianz's footprint in Asia.

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