

“ Aging Societies and Marketing Strategies for Life Insurance Companies ”

- How does the Aging Society Affect the Life Insurance Business.
- The Innovation of Life companies Saves the Aging Society.

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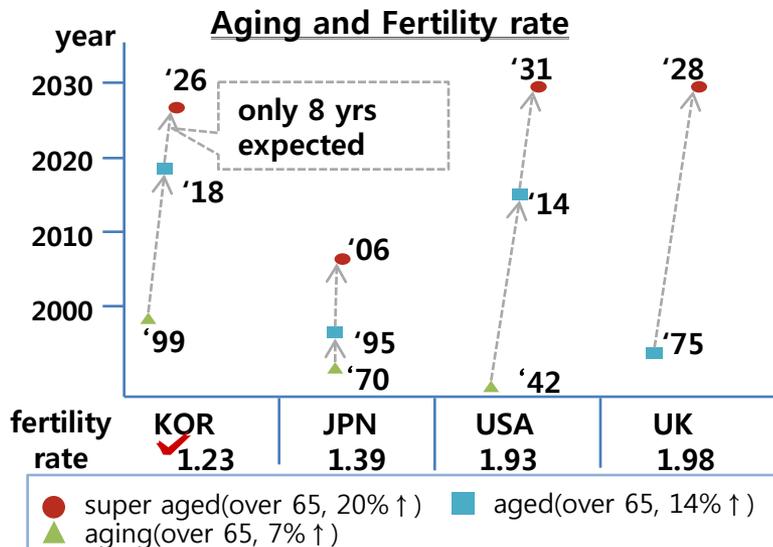
I. Current state of Aging in Korea—demographic effect

- ❑ “People aged 65 or older are predicted to make up 38.2% of Korea’s total population in 2050” [Korea Institute of Finance, 2011]
- ❑ Because of Low fertility rate and rapid Aging, more difficulties expected not only in demographical trend but in economic financial burden.

Trend in Aging

✓ **Korea: only 8 years left to super aged society**

	aging→aged	aged→super aged
KOR	19 yrs	8 yrs(expected)
JPN	15 yrs	11 yrs
USA	72 yrs	17 yrs(expected)
UK	-	53 yrs(expected)



Transition in population proportion

✓ **Productive population rate will be lower from 72.9%(2010) to 53%(2050)**

- Age over 65 : 3.8% in 1980 → 38.2% in 2050
- Age under 15 : 34% in 1980 → 8.9% in 2050

✓ **Total and Productive populations will be diminished**

- Total population: 48M in 2010 → 42M in 2050
- Productive population: 35M in 2010 → 22M in 2050

Population Trend

(unit: thousand people)

Age	1980	2000	2010	2020	2050
Under 15	12,951 (34.0%)	9,911 (21.1%)	7,907 (16.2%)	6,118 (12.4%)	3,763 (8.9%)
15~64	23,717 (62.2%)	33,702 (71.7%)	35,611 (72.9%)	35,506 (72.0%)	22,424 (53.0%)
Over 65	1,456 (3.8%)	3,395 (7.2%)	5,357 (11.0%)	7,701 (15.6%)	16,156 (38.2%)
Total	38,124	47,008	48,875	49,325	42,343

* Statistics Korea(2006) expected

I. Current state of Aging in Korea – macroeconomic/fiscal effect

- ❑ Decreasing Labor-supply, Saving, Investment, Domestic Demand will lead a deteriorated economy. Consequently, potential growth rate will be declined dramatically.
- ❑ Tax income will shrink. but, Welfare budget should be expanded consistently.

Macro-economic effect

✓ macro-economic factor

Fiscal burdens and demographical transition will lead a decline of potential growth rate

(3.9% → 1.05% in 2030's)

[National Budget Office, OECD, 2012]

Short of Productive population

→ Short of Labor supply will be 0.6M in 2015 and 1.5M in 2020

→ With increasing of Aged population, Saving, Investment, domestic demand will decrease in order.

[* Statistics Korea & Korea employment information service 2005]

Fiscal effect

✓ National Insurance and pension system will experience a significant deficit.

-National Health: \$31.8B(3.06% of GDP in 2010)
→ \$367.0B(5.67% of GDP in 2050)

※ deficit \$1.1B in 2010, \$14.5B in 2020 expected
(National Health insurance 2012)

-National pension: \$9.1B (0.90% of GDP in 2010)
→ \$343.0B(5.31% of GDP in 2050)

※ The Fund will dry up in 2053
(National Assembly Budget office 2012)

✓ The financial burden will rise sharply - insufficient productive population and aging.

(unit:%)

financial burden for supporting(%)	1990	2000	2005	2020*	2030*	2050*
Total	44.3	39.5	39.4	38.9	55.4	88.8
for age under 15	36.9	29.4	26.8	17.2	17.7	16.8
for age over 65	7.4	10.1	12.6	21.7	37.7	72.0
productive population per elderly	13.5	9.9	-	4.6	2.7	-

* Statistics Korea(2006) expected

II. Effects in life insurance industry

- ❑ With depressive Overall economy, Life insurance industry will also experience slowing growth.
- ❑ Nevertheless, Annuity/Health indemnity products still have the potential growth.

Annuity products

- ✓ **Annuity market has expanded remarkably. But, still have the high growth potential with lower earning replacement ratio compared to other countries.**

<total premium income and reserve of annuity>

(unit: Billion in USD)

Size	FY06	FY07	FY08	FY09	FY10	Growth rate
total premium income	17.2	22.1	22.3	26.7	33.1	92.8%
Reserve	76.2	88.3	97.5	117.6	140.0	83.7%

※ Growth rate : total growth rate of 5 year period(FY06~FY10)

※ Korea insurance development institute

<Earning Replacement Ratio> (%)

	National Pension	Private Mandatory Annuity	Total Replacement
KOR	42.1	-	42.1
JPN	33.9	23.0	56.9
USA	38.7	40.1	78.8
UK	30.8	39.2	70.0

※ [OECD, "Pensions at a glance", 2011]

Health/Long Term Care(Indemnity)

- ✓ **As the proportion of aged person will rise significantly, the national health insurance will experience not only remarkable expansion but also financial burdens.**

- Private health indemnity market expected to grow consistently.

<Comparison of total premium income >

(Unit : Billion in USD)

구분	FY07	FY08	FY09	FY10	FY11
Private Indemnity	1.0	1.4	2.0	2.4	2.7
National Health	18.1	20.8	21.8	23.8	27.4

※ Financial supervisory service, 2012

- ✓ **The national long term care system enforced in 2008. The private long term care market should be formed with supplemental service in the foreseeable future.**

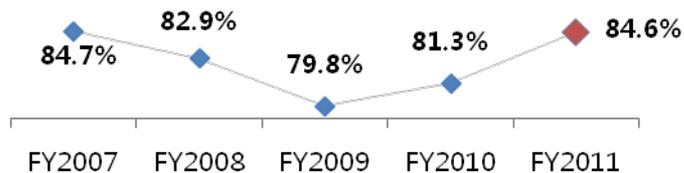
Ⅲ. Role of the Life insurance

- ❑ The life insurance company should provide the best protection through innovation.
 - Kyobo life implemented 'Lifelong Care Project' in 2011 and provides exceptional services
 - Kyobo life defines annuity as 'protection for aged life' and offers various products.

Marketing

- ✓ **'Lifelong care service' puts existing customers above the new business.**
 - All FPs are asked to visit their customers regularly to retain the existing business by explaining the insurance coverage.
 - Kyobo Life will create a new trend in Korean life insurance industry and will become a company that is the no.1 provider of on-going services by continuing the Lifelong Care service.
- ✓ **Although Lifelong care service is for long-term, the persistency rate on 13th month improved by 3.3%p in short term.**

<13th month persistence rate>



Products

- ✓ **Kyobo 100 Year-Old Generation Variable Annuity Product (Korea Financial Innovation Award, 2010)**
 - provide better return to policyholders by managing various funds comprised of stocks, bonds and other investment assets after the annuity benefit starts.
 - **GLWB** : Once the pension benefit is increased, the increased amount is guaranteed
- ✓ **'Silver Care Service' provided for annuity customers**
 - When an elderly person experiences difficulty in conducting everyday tasks or suffers from senile dementia, he or she can take advantage of the "Silver care Service" Which provides initial care costs as well as consultation on health information, aging preventive care and general care, and care giver visits to prevent problems arising from long-term care and to promote treatment.
- ✓ **Health/Long Term Care(Indemnity)**
 - Indemnity products for health insurance standardized by Financial supervisory service.
 - Long term care indemnity may be also standardized as a complementary product.

- ❑ The insurance company should focus on markets with immense growth potential such as the market for post-retirement protection.
- ❑ Well prepared seniors through private life insurance are less burden in the society.

