

CARVING A NICHE IN ASIA'S LIFE INSURANCE MARKET

FOR INSURANCE PROVIDERS STRIVING TO GROW MARKET SHARE IN ASIA, FINDING A NICHE IS CRUCIAL TO GET MORE ACCESS TO THE REGION - AND TO DO SO COST EFFECTIVELY - EXPLAINS ROBIN AMACHER, HEAD OF BUSINESS DEVELOPMENT AT SWISS LIFE IN SINGAPORE.

Asia's life insurance market has some catching up to do, it seems.

Compared with more developed markets, the industry is still under-penetrated and the range of products are not as diverse. The need for the increasing pool of high net worth (HNW) individuals in Asia to have access to a wider range of products is overtaking that which exists in Europe and North America. This presents an exciting window of opportunity for insurers.

The drivers of business are different, too. Typical buyers of HNW life insurance in Asia to date have been entrepreneurs who derived their wealth from their businesses as well as senior corporate executives and professionals.

The entrepreneurs are steadily growing their wealth, yet usually lack diversification as well as the security nets and variety of investment options available to their counterparts in more mature markets. The executives and professionals, on the other hand, need coverage but frown at complex insurance structures that lack transparency. But simply identifying an opportunity at the upper end of Asia's middle class – say, for individuals with net worth between US\$1 million and US\$5 mil-

lion, which are under serviced – is in fact the easy part, relatively speaking, explains Amacher.

What is critical, he explains, is identifying how best to tap this potential without having to make an enormous up-front capital investment and build up a large infrastructure.

DEVELOPING AN ASIAN STRATEGY

According to Amacher, the approach needs to be two pronged: first, formulating an intelligent product strategy along with a compatible distribution plan via well-proven channels: and secondly ensuring this is a scalable business model.

For Swiss Life Singapore, this translates to leveraging off its expertise and heritage. With more than 150 years of history as the leader in the life and pension business in Switzerland, the firm is concentrating on developing a niche in variable universal life insurance. "We are focused on a distinctive value proposition," says Amacher.

There are promising opportunities for the variable universal life product,



Robin Amacher

Swiss Life

which is the "variable" version of the much better known universal life product in Asia. In the dozens of international private banks operating in this region, only around 10% of the private bankers actively offer universal life products to their clients. And with the "variable" universal life product, private bankers are not yet familiar, even

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though that this a more flexible policy which is suitable for many investment focused clients.

Success also relies on the provider to be sharp when it comes to picking the right distribution strategy.

That is important, he says, because the type of distribution partner determines the extent or type of product refinement necessary.

To stand out on a broker's product shelf, for example, requires a provider to be the most competitive within a particular niche, he adds.

Ultimately, these policyholders have the power to amend their investment strategy, says Amacher.

Swiss Life also offers its policyholders the ability to do a withdrawal from the policy without penalty.

This is an option to take profits for HNW individuals whose cash value has increased more than initially projected.

The size of the variable universal life business is also expected to increase over time as the development of the more traditional universal life business is facing some headwinds.

Also, for insurance companies, guarantees are becoming increasingly expensive as a result of increasing capital requirements. In addition, private banks in Asia are keen to generate more recurring revenues. They recognise the benefits of combining discretionary portfolio management or mutual funds with high death cover insurance.

In short, distributors and product suppliers are increasingly interested to develop and offer products that are attractive to their clients but do not have high capital requirements.

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GETTING PRODUCT DESIGN RIGHT

Variable universal life is forming an important part of Swiss Life's niche strategy in the Asian market.

According to Amacher, once properly introduced, clients in the region will recognise the value of variable universal life policies which give them more control over how cash value is developed, typically using the insurance as a wrapper for an existing portfolio.

The risk with such autonomy, however, is that they may choose the wrong investments, he adds.

But there are indeed options if their investments are not performing well, such as a top-up to the policy, or a reduction in the sum assured.

In particular, premium financing is becoming increasingly expensive for banks as a result of the increasing capital and liquidity requirements.

EXPANDING THE BREADTH OF PRODUCTS

Swiss Life will continuously look at the Asian market and eventually come up with other niche products that fit specific client needs. As several insurers who operate in the defined market segments seem to be gearing up to develop more niche type products, increased competition can only be good for clients and the industry overall. With less than 1% of HNW individuals owning HNW insurance policies, there is a lot of upside, says Amacher. ■

