The Economist

Insurance in Asia

Astounding claims

For insurers, Asia is a cauldron of innovation, but also of competition

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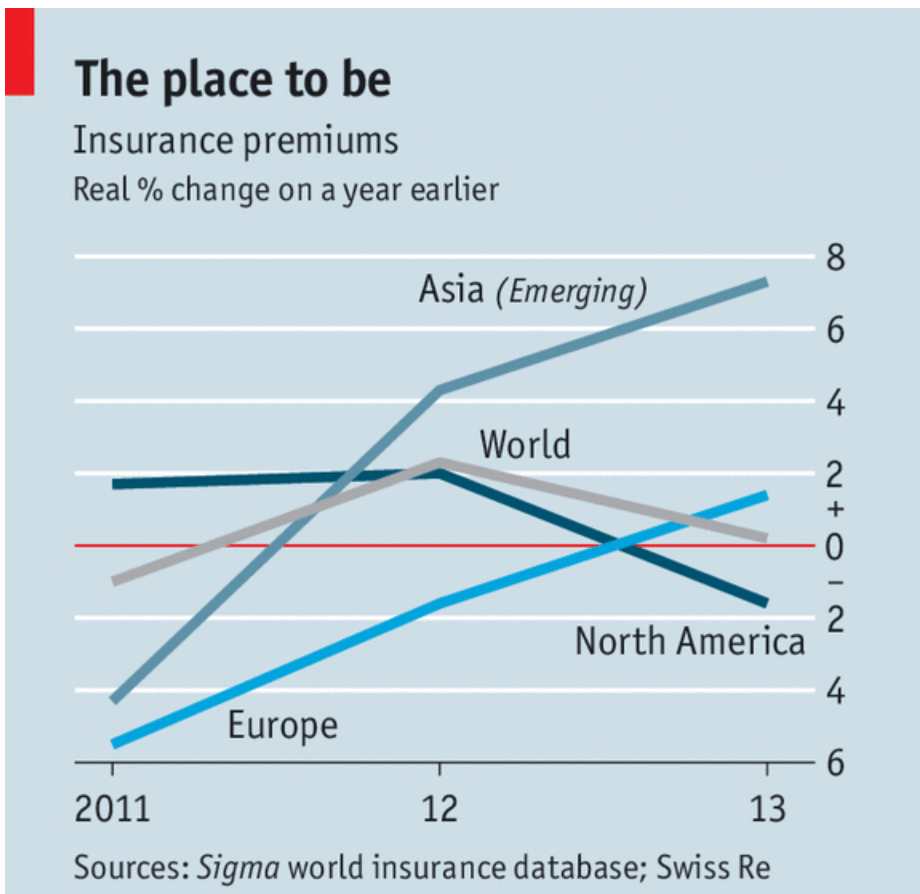
ASIANS are becoming older and richer, which should mean plenty of business for insurers. Age, after all, increases the need for health insurance; wealth brings property to protect. The region's middle class is expected to balloon from 525m in 2009 to 3.2 billion by 2030, according to BCG, a consultancy. Household wealth will double over the coming decade, from $81 trillion today to $174 trillion by 2025. Thanks to increased life expectancy, the region's army of pensioners will grow rapidly, especially in China, which already has 132m people over the age of 65. Rich-country diseases are proliferating too: by 2030 half of the world's new cancer cases will be in Asia and, according to Swiss Re, a reinsurer, non-communicable chronic conditions such as heart disease could account for 67% of deaths in India.



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No wonder that insurance in the region is indeed booming. In 2013 premiums grew by 7.3%, compared to 1.4% in Europe and a decline in North America (see chart). In 2003 Indonesians spent $7 a person on life insurance; in 2013, $59.

Yet Asia remains woefully underinsured. Western countries typically spend 7-8% of GDP on insurance; in 2013 Asian ones, excluding Japan, spent 3% on average. That is all the more inadequate given that governments have no plans to develop cushy public safety nets. Instead, they are opening up their insurance markets, in the hope that these can help shoulder the growing cost of health care and retirement. In India, where patients pay around 68% of medical bills directly and insurers only 3%, the government recently loosened rules on foreign ownership of insurance firms in an effort to stimulate the industry. China wants 5% of GDP to be spent on insurance by 2020, up from 3% today.

The main obstacle to that is cultural. In many Asian countries, people tend to insure themselves, by building up savings, rather than paying someone else to take on their risks. In response, insurance firms are marketing hybrid policies that offer both savings and protection. For instance, Manulife, a Canadian firm, offers several life-insurance products that also offer insurance against critical illness if the underlying investments are performing well enough. Linking such policies to specific goals is also popular: one example from another insurer is a saving product designed to cover a child's college education, but with an insurance element whereby contributions will be maintained if the breadwinner dies. Taikang, a Chinese life insurer, promises those taking out its "Be Fortunate" policy a place for life in one of its retirement homes, rather than the cash payments most life policies offer.

By the same token, insurance products tied to a specific risk sell well. Prudential, a big British insurer, offers another protection-investment hybrid called Pru My Child, which covers unexpected medical costs for pregnant Indonesians and their babies. Insurers are also coming up with cut-price products along these lines. Most auto-rickshaw drivers cannot afford comprehensive medical insurance, but might buy low-cost insurance that covers emergency medical expenses in the event of hospitalisation from a traffic accident.

Getting quick access to health care is another selling-point. If you're unwell and uninsured in China, the only thing to do is stand in the queues that start growing at around 3am on the steps of state-run hospitals and hope for the best.

Many people want insurance just to get a number in that queue, says Jonathan Zhao of EY, a consultancy. Ping An, one of China's fastest-growing health insurers, has an app called "Ping An Good Doctor" which provides appointments for outpatients and help with admissions for inpatients at a network of state-run hospitals. Many insurers now employ lots of doctors to give advice online, by text or by phone. Pricier products that promise to fly sick policyholders to Singapore for treatment are also popular.

There's an app for that

Distribution is another area of innovation. Insurers typically seek a tie-up with a bank to identify and importune likely customers. AIA, a big regional insurer, has a partnership of this sort with Citibank for 11 Asian countries; Prudential with Standard Chartered for nine. More creatively, Aviva, a British firm, has developed a partnership with Astra, Indonesia's biggest distributor of cars and motorcycles. MetLife, an American insurer, recently launched a digital sales drive in China, including an app developed with Tencent, a Chinese social-media giant, which enables customers to buy insurance via their mobile phones.

Some of the most innovative firms are local. A group of Thai insurers is selling basic accident, fire and health policies via scratch cards sold at 7-Eleven stores. Buyers text the number revealed by scratching to the relevant firm to activate the policy. Asian firms that are big in their national markets, such as Ping An in China, Tokio Marine in Japan and Hanwha in South Korea, are all expanding regionally. It is testimony to Asia's allure that insurers from near and far are piling in.