

# Asian Property Market and Regulation

CAS Annual Meeting

Honolulu, HI

Nov 2019



# Property insurance in Malaysia

**GWP:** MYR 4b (USD 1b)  
**Growth (CY):** 5-6% (up to 2017), 2-3% (2018)  
**Loss Ratio:** Less than 30%  
**Regulator:** Central Bank of Malaysia  
**Capital Framework:** Risk-Based

## Rate Regulation:

Tariff (Products defined under Fire Tariff)  
Individual risk pricing (new products after 1 July 2016) – up to 30% deviation from Tariff

## Coverages/Product Diversity:

**Non-CAT:** FLEXA – Fire, Lightning, Explosion, Aircraft

**CAT:** Flood, Terrorism

## Unique structure:

<MYR 10m: Tariff

MYR 10-50m: Self-rated

>MYR 50m: Special rating

>MYR 300m: Large & Specialized Risk (LSR)

## Distribution Channels:

- a) Agency (33%)
- b) Bancassurance (25%)
- c) Brokers (19%)
- d) Direct (16%)
- e) Others (7%)

## Market Share

1. Lonpac Insurance (15%)
2. MSIG Insurance (10%)
3. Allianz General Insurance (8%)

## Country Specific Landscape

1. Compulsory for commercial lines. Optional for personal lines.
2. Flood in East Coast and certain regions. National reinsurer collects accumulation data.
3. Loss ratios may increase given rate reductions due to detariffication
4. No unusual accounting treatment in terms of CAT / reinsurance other than preparation for IFRS 17
5. Opportunity for actuaries – pricing, nat cat modeler, product development



# Property insurance in Japan



**NWP (2017):** USD12BN 16% of Market  
**Growth (CY):** Rising after major EQs

**Loss Ratio :** Between 55% and 65%

**Regulator:** FSA –Solvency / Rate Regulation  
MLIT CALI / Flood Maps – river maintenance

**Capital Framework:** SMR Regime

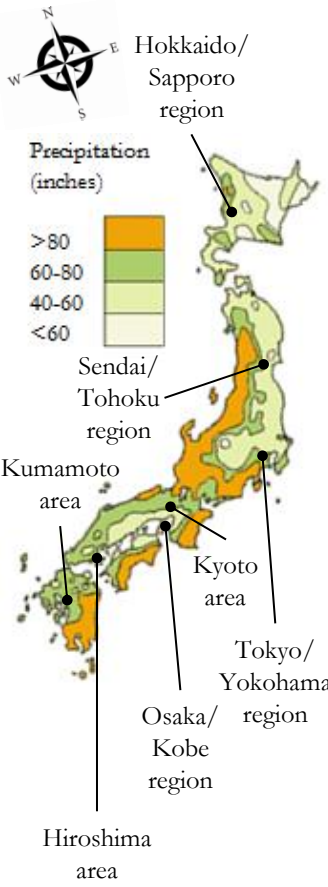
**P&C Market Share**

32 Japan P&C insurers, (22 domestic 10 foreign controlled)

Post-1996 de-tariffication, 13 merging into Big-3 / 90% oligopoly, stabilizing rates

22 branches of foreign companies

1. *MS&AD* 34%
2. *TokioMarine* 29%
3. *Sompo Japan* 27%



**Insurance regulation**

- 1998 De-tariffication -> GIROJ advisory loss costs
- Policyholder Protection Companies
- Fire and EQ Building codes: latest material revision 1981
- Japan EQ Reinsurance Co - for residential EQ - \$100B / event
- CAT reserve liability – Statutorily self-funded stop loss
- Flood mapping / Flood fighters

**Coverages/Product Diversity:**

- Multi-year (to 10-year) policies– 2/3 of residential policies
- EQ (tsunami / volcano) rider limited to 50% of Fire limit
- Flood riders with 30% to 50% copay is common
- Wind / Typhoon is a major covered peril
- Renters insurance is often required by landlords

**Distribution Channels:**

- Despite channel liberalization, for residential – mostly the following
  - Real Estate Agents (Most renters)
  - Home Builder (Many buyers)
  - Mortgage Lender (Many buyers)
- Commercial sold by Agents / brokers

**Other Country Specific Elements**

- **Demographics:**
  - Aging population / population decline
  - 80% coastal population. 50% population in an area with significant flood risk.
- **Collectivist society.**
  - Renters insurance often required for lease
  - Relationship with Real Estate Agent / Builder often by reference
  - Company loyalty impacts insurance purchases
- **Natural Risk**
  - Rainy season increases flood due to torrential rain, reduces wildfire risk.
  - **Earthquake Risk**
    - Great Kanto EQ (7.5) 1923 105,000 deaths Is a 1-in-1000 year event.
    - Tohoku EQ (9.1) Strongest on record.
- **Depreciation**
  - Wooden 22 years.
  - Steel 35 years
  - Reinforced concrete 47 years.



# Property insurance in *China*

**NWP:** CNY 45.6bio = USD 6.5bio

**Growth (CY):** 3.5% (2013-2017)

**Loss Ratio:** 57.6% (2013-2017)

**Regulator:** CBIRC (China Banking and Insurance Regulatory Commission), April 2018

**Capital Framework:** C-ROSS (China risk oriented solvency system)

## **Rate Regulation:**

*No rating agency or centralized source of loss-cost rates. Rates to register with CBIRC and with wide ranges*

## **Coverages/Product Diversity:**

Fire, name perils, PAR

**Non-CAT:** *Explosion, Lightning, impact by aircraft motor and burst pipes, Tornado, hailstorm, etc.*

**CAT:** *Flood, Hurricane, Typhoon etc.*

**Others:** *Earthquake, SRCC, Terrorism, BI/UBI*

## **Distribution Channels:**

- a) most large accounts on direct basis*
- b) agents for SME risks, or homeowners*
- c) bank for mortgaged commercial properties*
- d) a small and growing broking sectors*

## **Market Share**

1. *PICC Property & Casualty* 31%
2. *CPIC Property* 13%
3. *PingAn Property & Casualty* 10%

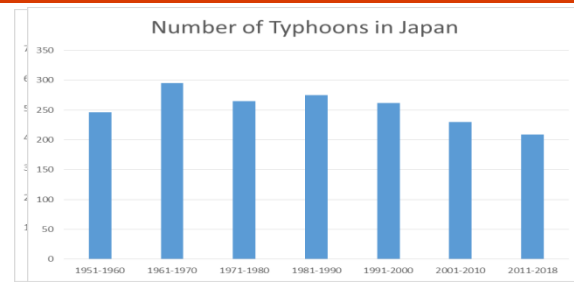
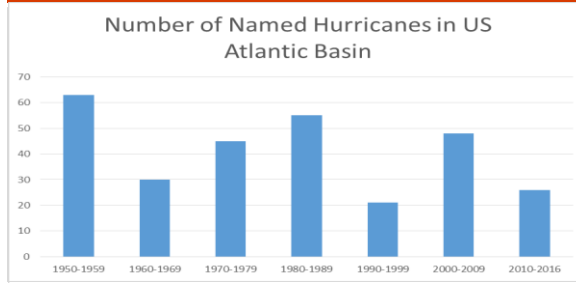
## **Country Specific Landscape (the list below are just suggestions)**

1. *Hugely underdeveloped, 0.6% personal and 4% commercial out of non\_life total*
2. *Low rates and negative profitability, not a preferred LOB*
3. *Market driven risk pricing approach, little investment in modelling or technical underwriting*
4. *Minimal Capital charge for Catastrophe Risk requirement for EQ and typhoon, risk factor applied to net retained exposure, 200 years Return Period*
5. *Highly exposed to extreme weather events such as floods, typhoons and droughts are happening more frequently*
6. *Protection gaps is an opportunity for the insurance industry to both grow and to help more of the population*

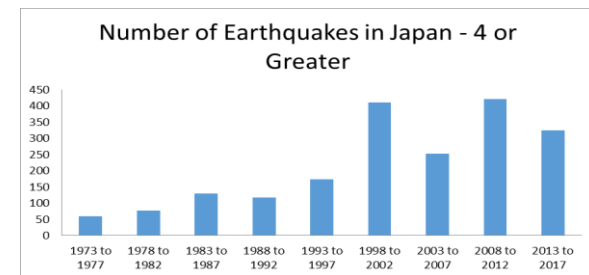
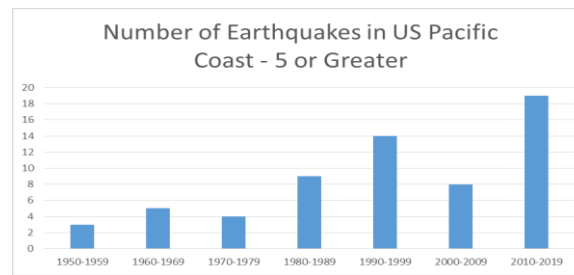
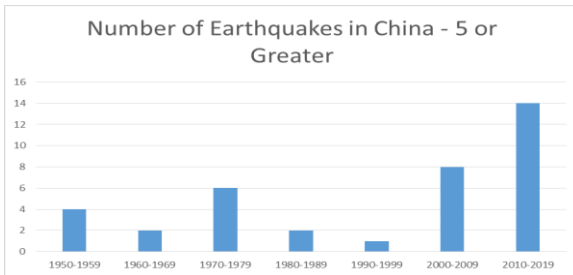


# LONGITUDINAL CLIMATE CHART IN US AND ASIA

## TYPHOON / HURRICANE (Saffir-Simpson Hurricane Wind Scale)

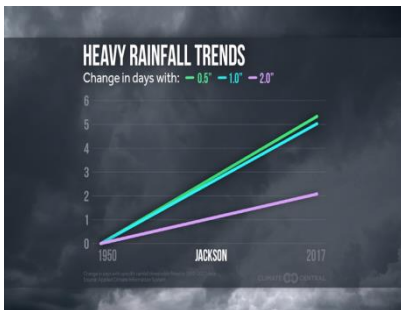


## EARTHQUAKE (Moment Magnitude, Richter Scale)

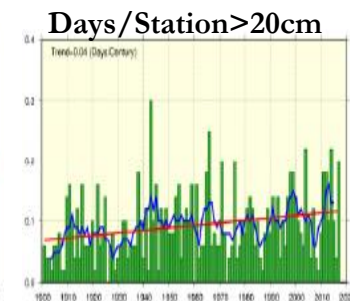
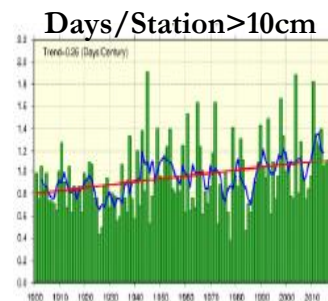


## PRECIPITATION

US Precipitation since 1950, Jackson and NYC



Japan Precipitation since 1900



# Questions and Discussion

