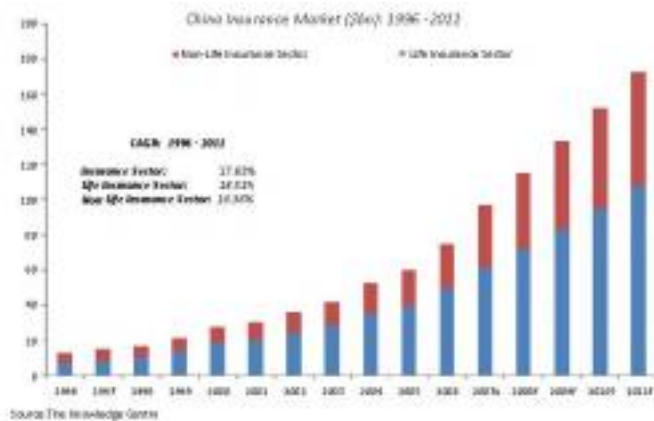


China: An Insurance Giant

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China has been the fastest-growing nation for the past quarter of a century with an average annual GDP growth rate above 10%. Chinese economy is the 4th largest in the world after the US, Japan and Germany, with a nominal GDP of US\$3.42 trillion (2007) when measured in exchange-rate terms.

China is the world's largest untapped insurance market. With GDP growth of over 10% per annum, rapid economic development and a burgeoning consumer class, China has the potential to become one of the world's most significant insurance markets. Driven by a variety of demographic, economic and regulatory factors, this growth should continue at a solid pace for the foreseeable future. As of late 2004, China was fully compliant with its WTO insurance-related accession provisions, giving foreign firms greater market access. While domestic players dominate the market, foreign insurers are gradually attaining greater market share. Challenges remain, however, and include an overall lack of management talent, unsophisticated consumers, poor distribution channels and non-transparent regulatory approval processes.

Several factors are responsible for this astounding level of growth. Some of the most noticeable ones are China's aging population; high savings rate and poor social security systems as well as an increasing number of wealthy consumers segment that is spurring growth in the property and casualty, auto and health insurance sectors. Compared to its regional peers, the Chinese market is still substantially smaller than Japan and marginally smaller than South Korea. It is, however, the fastest-growing market in both absolute and relative terms, growing by \$61.17 billion and 169.63% between 2002 and 2007. This rapid development of the Chinese insurance market is driven by economic growth, but premium growth has outstripped economic growth consistently over the past five years.

Market Performance & Forecast

In 1996, total premium .i.e. life insurance and non-life insurance combined was \$12.84 billion and in 2007, it was estimated to be \$97.23 billion. Between 1996 and 2007, Chinese Insurance sector experienced a CAGR of approximately 20.21%. Between 1996 and 2000, life segment had an increase of \$13.11 billion from \$7.14 billion to \$18.56 billion and between 2002 and 2007, an increase of \$37.47 billion from \$24.26 billion in 2002 to \$61.73 billion. We forecast that life insurance premiums in 2011 will be \$108.12 billion. In non-life segment, between 1996 and 2007, a growth of \$29.80 billion was seen from \$5.70 billion in 1996 and \$35.50 billion in 2007. It is expected that non-life premiums in 2011 will be \$64.37 billion.

Major Driving Factors

- => Variety of demographic, economic and regulatory factors
- => Demand from Commercial Property Segment
- => Increased risk awareness and demand for sophisticated products
- => Improved expertise of local insurers

=> Guarantee rate reform and many others....

Major Trends & Issues

- => Foreign entrants facing ownership restrictions with respect to joint ventures
- => Regulatory obstacles for foreign companies
- => Use of bank channels by insurance companies to reach out to consumers in non-urban areas.
- => Customer loyalty in China's insurance market is very thin, and customers are easily poached.
- => The State Council having recently cleared the way for banks to invest in established insurance companies on a pilot basis
- => Focus from price competition has shifted to developing new products and expanding the overall size of the insurance market
- => Low penetration as a result of low customer awareness
- => Need of further capacity and expertise in specialist areas such as MAT, energy, liability insurance
- => And many other....

Emerging Areas

- => Longer-term foreign exchange life insurance policies
- => Cross-sector investment (e.g., investment in banks), and an expansion of investment classifications (asset-backed securities, property, industry funds, offshore markets, etc.) for insurers.
- => Development of a Stock Broker Market
- => Growth of domestic reinsurance capacity
- => And many other....

According to China Insurance Regulatory Commission (CIRC) as of June 30, 2006, there were around 100 insurance companies in China. Out of these 100 companies, there were 56 domestic insurance companies and 44 foreign insurance companies. Domestic insurance companies had a market share of approximately 93.3% and the remaining 6.7% was controlled by the foreign insurance companies. The entire market is quite fragmented and most of these 56 domestic insurance companies are region-centric and are strong in their respective markets. The largest foreign companies are AIU (a subsidiary of AIG), Tokio Marine, and Mitsui Somitomo. As new players have entered the market, competition has intensified significantly, as the existing players fight to maintain their market share.

Topics covered in the report

- =>Trend analysis of Chinese economy & macroeconomic factors contributing to the growth of the sector
- =>China's position in the context of emerging countries
- Historical growth trends & growth drivers of Insurance & its sub-sectors in China and outlook till 2011.
- =>Market size of insurance sector (total, life & non-life) since 2000 till 2007
- =>Market forecast of insurance sector (total, life & non-life) between 2007 and 2011
- =>Government policies, initiatives, regulations and problems faced by foreign insurers
- =>Key issues & challenges, major trends & opportunities
- =>Role of stock brokers, banks, domestic reinsurance and bancassurance segments
- =>Industry and markets with best prospects for insurance products
- =>Government's initiatives to promote & regulate the insurance market
- =>Competitive landscape and market share of top players
- =>And many more...

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