

Insurance market: best countries for expansion opportunities

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The Asian insurance market is an attractive one for many large financial institutions such as ING because of the growth opportunities it offers. The insurance sector in Asia's emerging market is growing faster than it is in mature markets worldwide. Premiums for life insurance, for example, are quoted to be growing at an average of more than 10% annually which is high when compared with the 0 to 4% growth in mature markets.

There are several reasons for this growth. The most obvious reason is that more people live in Asia than in any other region in the world. Together, China and India account for more than a third of the world's population (1.3 and 1.08 billion respectively with a world population of 6.4 billion). Like everywhere else, the percentage of elderly is increasing.

A more striking reason for the growing Asian insurance market is that the GDPs of numerous Asian countries are growing fast which means a higher standard of living for their population. As household wealth increases, more people begin to realize the importance of insurance as an investment in the future. As local demand for bancassurance products grows, so does the need for foreign investment. To meet these needs many governments have introduced deregulatory measures which has enabled foreign companies to enter the markets. In short, what is happening is that the Asian insurance industry is following a general trend toward globalisation.

In response to the liberalisation of the insurance sector, more foreign companies are expected to invest in Asia's key emerging markets. Besides the regulatory stance of governments, other aspects that weigh in deciding which countries provide 'good' business opportunities are the state of the economic environment, the position of both the local insurers and non-domestic competitors, and overall operational feasibility. All these aspects and the role they play in ING's decision-making process will be dealt with in more detail during the presentation.

Currently ING operates in nine Asia-Pacific countries, mostly in the life insurance business, and is broadening its product range and distribution network. ING's businesses in the region (outside Japan) rank second among insurance companies when measured by premium income. In South Korea, ING Life is even the largest foreign insurer in the country and ranks fourth among all insurers.

A key emerging market that is receiving a lot of attention worldwide is of course China. In 2004, it saw 39 foreign insurers operating 70 entities including branches and joint ventures. ING now has a presence in all of China's main economic regions and its business there is expanding steadily. ING Capital Life, one of ING Group's joint ventures in China, has for instance just won approval to underwrite group life insurance in China's fast growing northeast region.

By being involved at an early stage in the development of the Asian insurance market, ING has been able to enjoy an early mover advantage. In seven years, it has become the second-largest fund manager overall in Asia (outside Japan) and is putting increasing emphasis on bancassurance in the countries in which it is already operating as this is where the growth potential is for the region.