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**Regulatory control over Pricing and Product
Design in Life Insurance— *A study in different
Jurisdictions across Major Economies***

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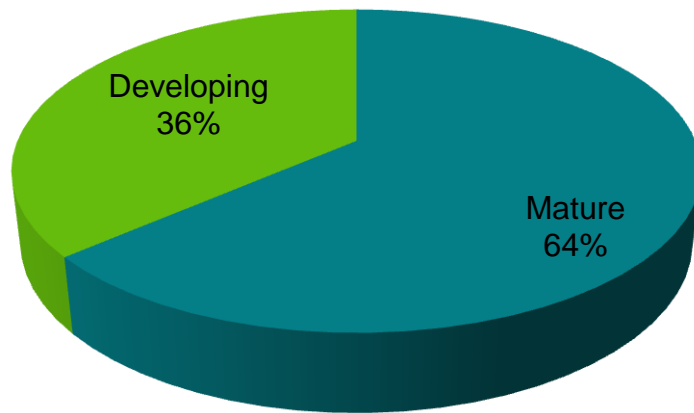
Meeting the Challenges of Change

14th Global Conference of Actuaries

19th – 21st Feb, 2012 | Mumbai, India

Regulatory Environment

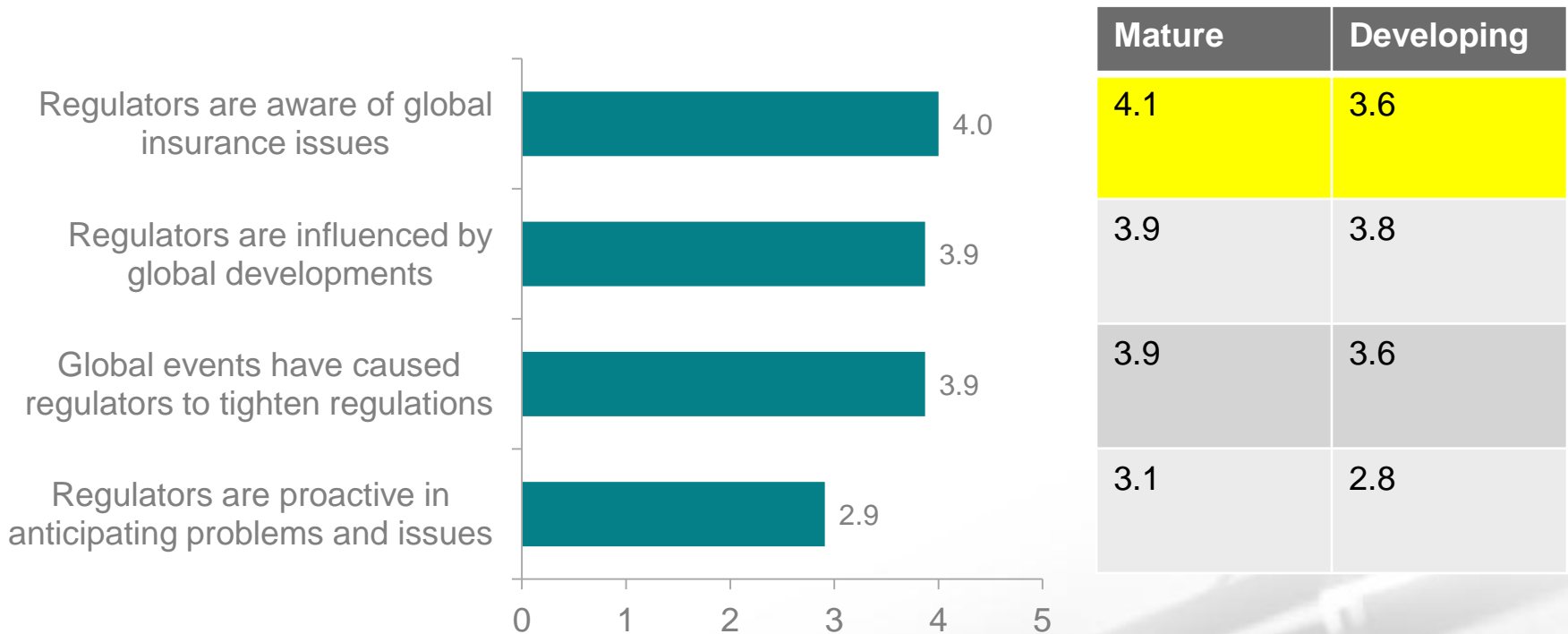
Respondents Profile



- Survey audience – RGA Managing Directors
- Across 22 Markets

Category	Markets	
Mature	Australia	Canada
	France	Germany
	Hong Kong	Italy
	Japan	Netherlands
	South Africa	South Korea
	Spain	Taiwan
	United Kingdom	United States
	Developing	China
India		Indonesia
Ireland		Mexico
Poland		Thailand

Regulatory Environment

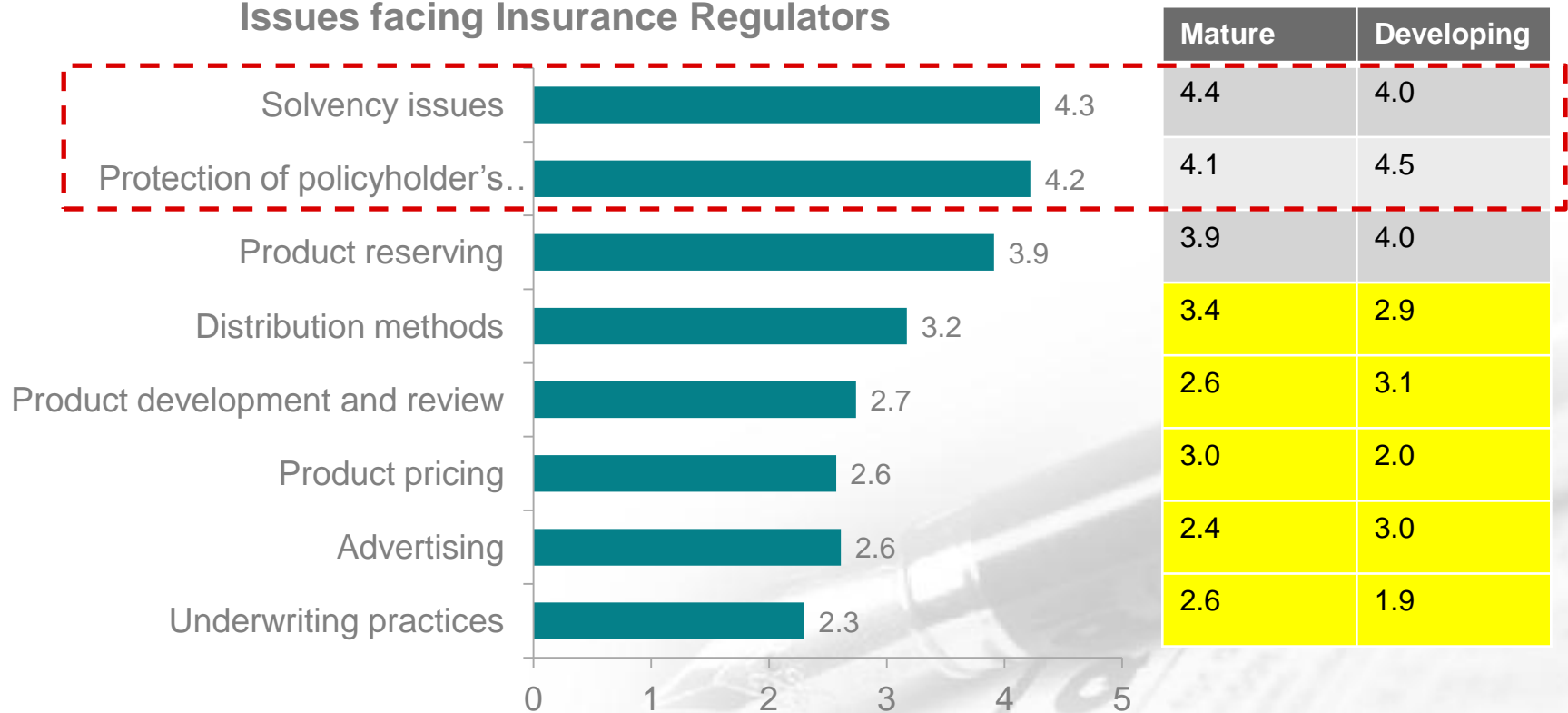


Deviation > 0.5

Regulatory Environment

- In mature markets, solvency is the biggest issue facing insurance regulators, followed by protection of policyholder's interests.
- In developing countries, protection of policyholder's interests is an overriding concern, following by solvency and product reserving.

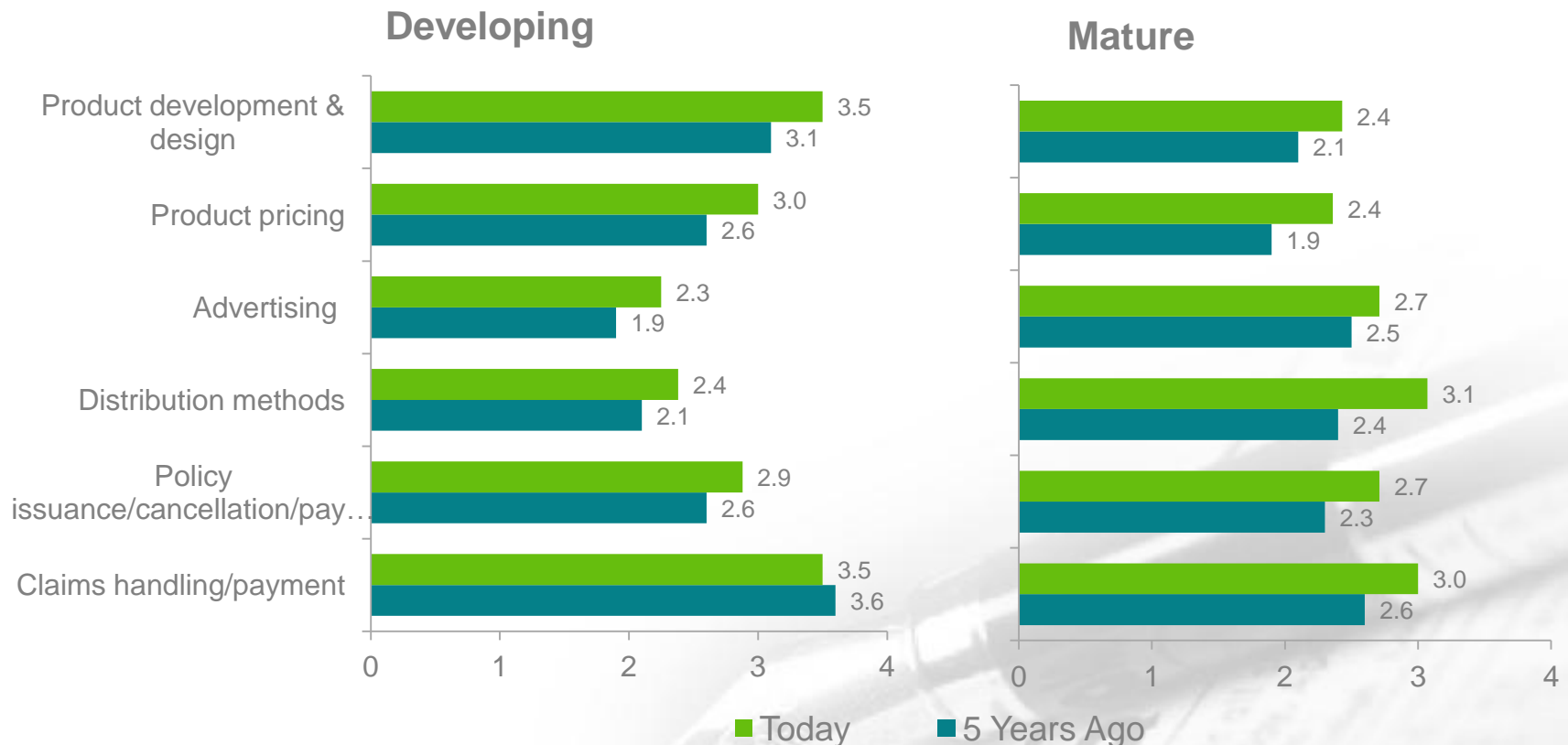
Issues facing Insurance Regulators



■ Deviation > 0.5

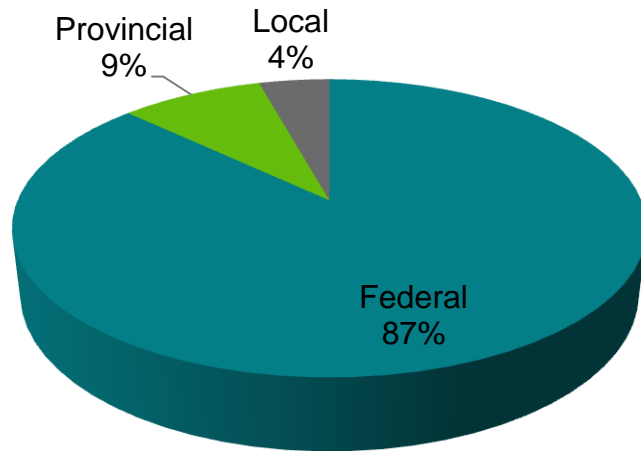
Product Approval Process

- The level of involvement of insurance regulators has increased across the various stages of the product approval process, both in the mature and developing markets.



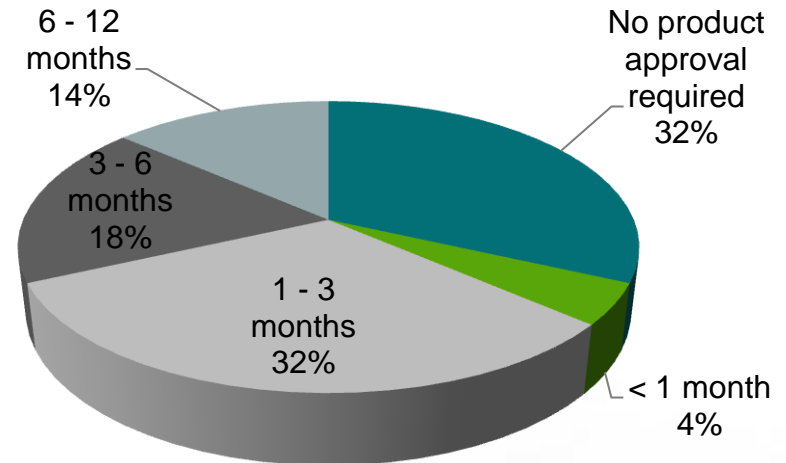
Product Approval Process

Level of Government Approval



- Almost all developing countries in this study, require federal/national level of government approval.

Typical Timeframe



Timeframe	Mature	Developing
No product approval required	Australia, United Kingdom, France, South Africa, Hong Kong, Netherlands, Canada	
< 1 month		China
1 - 3 months	Germany, Spain	Indonesia, Ireland, Mexico, Poland, Thailand
3 - 6 months	Italy, South Korea, United States	United Arab Emirates
6 - 12 months	Japan, Taiwan	India

Product Approval Process

Is Product Approval required?

Australia	•No product approval required
Canada	•No product approval required
France	•Regulator does not need to formally approve product development
Germany	•Approval required for certain annuity products
Hong Kong	•No product approval is required •However, the responsibility falls on the management and appointed actuary
Netherlands	•No formal approval process before marketing new product
Poland	•After a life insurer is granted license, no additional approvals are needed to introduce new products
South Africa	•No product approval required
South Korea	•Introducing a brand new concept is very difficult
Taiwan	•Brand new products in the market have a lengthy review process and it is difficult for these to be approved
United Kingdom	•There is no product approval in UK regulation

Product Approval Process



Product Approval Process

Individual Health

CAN		
HK	NET	SA
AUS	FRA	UK

No approval required

GER									
	CH	SPA		POL	USA		UAE		
			JAP	ITA		INDO	THAI		
						SK	TAI	IN	IRE

1 (very easy)

5 (very difficult)

Individual Life

IRE		
HK	CAN	SA
AUS	FRA	UK

No approval required

GER									
		TAI	UAE		POL			IN	
		CH	SPA		NET	USA		INDO	THAI
				JAP	ITA		SK	MEX	

1 (very easy)

5 (very difficult)

Individual Disability

NET	IRE	
HK	CAN	SA
AUS	FRA	UK

No approval required

GER									
		CH	UAE		POL				
				SPA	USA		INDO	TAI	
				JAP	ITA		SK	MEX	THAI
									IN

1 (very easy)

5 (very difficult)

Individual Critical illness

NET	IRE	
HK	CAN	SA
AUS	FRA	UK

No approval required

GER									
		CH			MEX				
					POL	UAE			
				SPA	USA		INDO	IN	
				JAP	ITA		SK	TAI	THAI

1 (very easy)

5 (very difficult)

Group products



NET	IRE	
HK	CAN	SA
AUS	FRA	UK

No approval required

GER									
		UAE			POL			THAI	
		CH	TAI		MEX	USA		INDO	IN
				JAP	ITA		SK	SPA	

1 (very easy)

5 (very difficult)

 Developing
 Mature

Product Development and Design

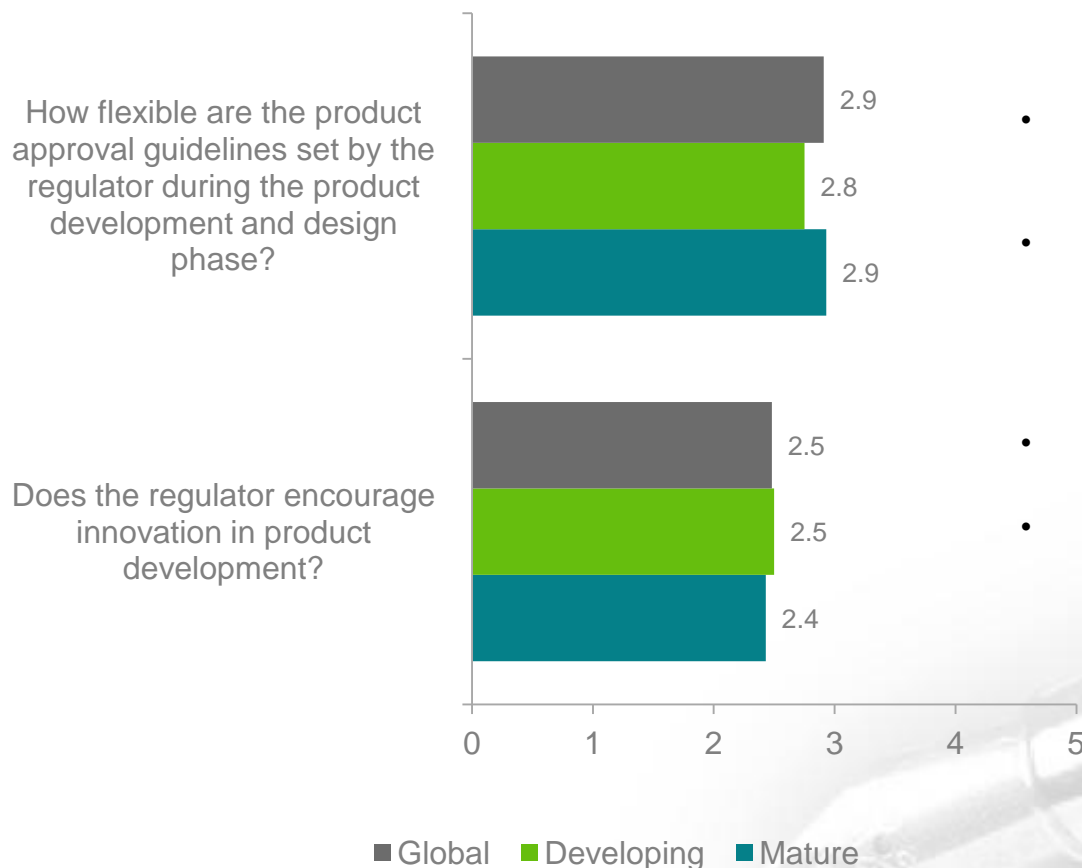
Importance assigned to the following in the approval process



Deviation > 0.5

Product Development and Design

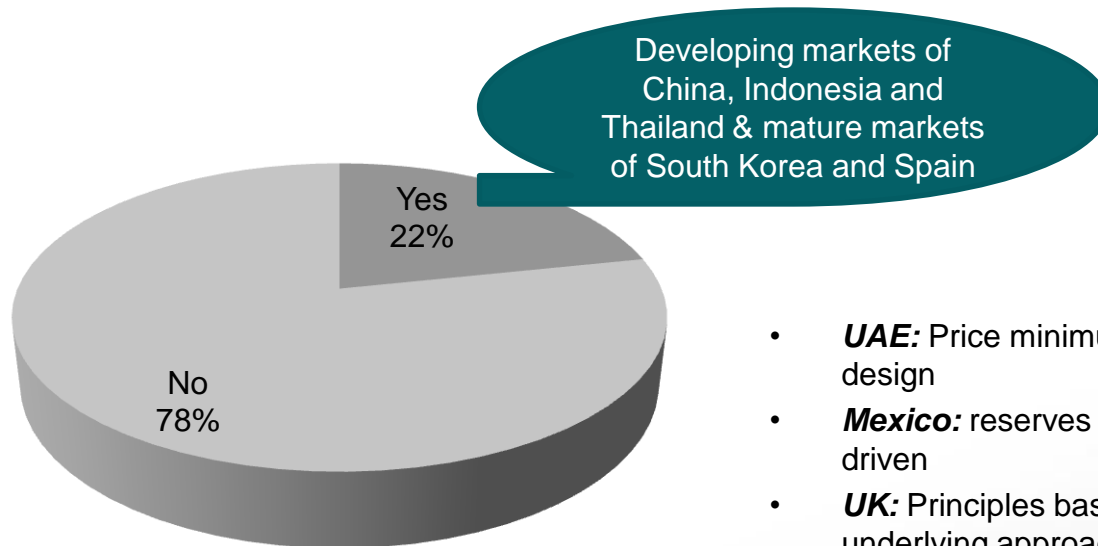
Flexibility and Innovation



- All **developing countries** (excluding Poland) require regulator's approval in the product development and design phase.
- Among the mature markets, **Australia, Canada, France, South Africa and United Kingdom** do not have formal guidelines for product development and design, thereby increasing the insurers flexibility in designing products.
- **Germany** is subject to constraints in developing and designing certain annuity products.
- In **South Korea**, insurers face difficulty when attempting to introduce new products in the market.

Product Pricing

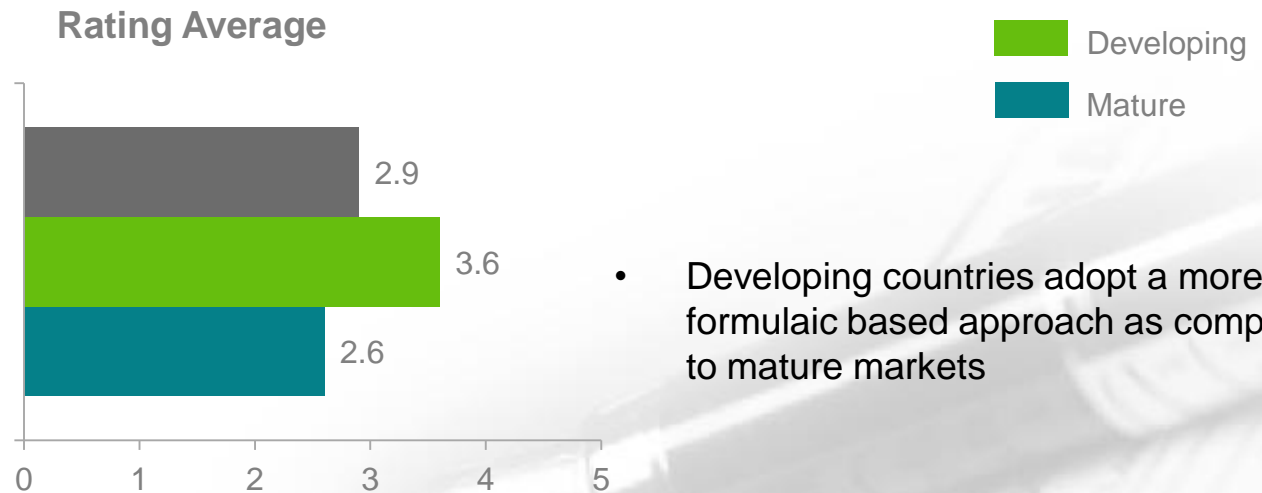
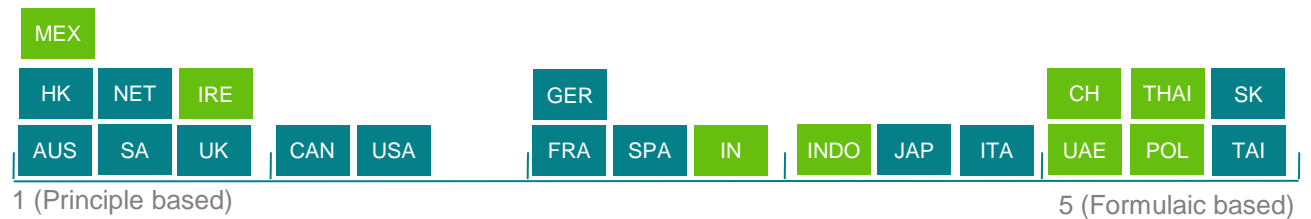
Does the regulator specify the pricing approach?



- **UAE:** Price minimum is set only for mandated health plan design
- **Mexico:** reserves and capital requirements are formula driven
- **UK:** Principles based; 'Freedom with publicity' is the underlying approach
- **USA:** Health products are less flexible

Product Pricing

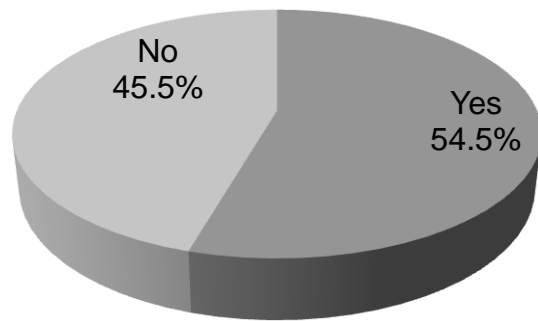
What levels of flexibility do companies have in pricing new products?



- Developing countries adopt a more formulaic based approach as compared to mature markets

Product Pricing

Is any information required to be filed with the regulator during the pricing approval process?

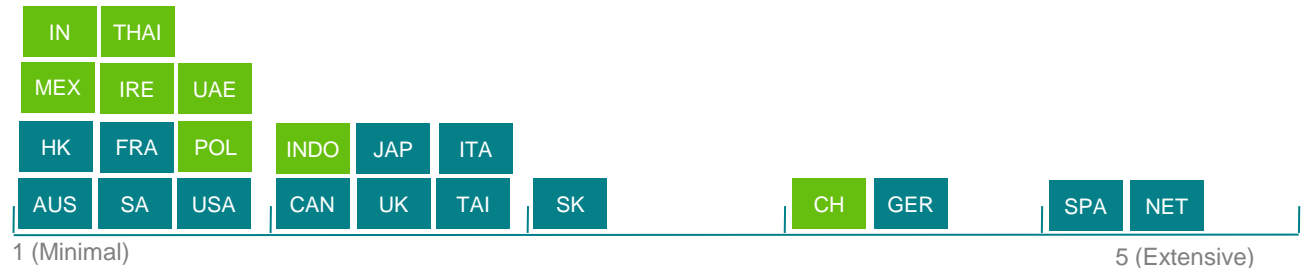


If 'YES', what is required:

China	<ul style="list-style-type: none">•Actuarial Report on assumptions used and selling method•A par product requires dividend distribution method
India	<ul style="list-style-type: none">•Full assumptions, reinsurance, distribution channels, expected profitability and lapse rates
Indonesia	<ul style="list-style-type: none">•Pricing document
Japan	<ul style="list-style-type: none">•Methods of calculating premiums, reserves and benefits (to be filed and approved by the regulator)
Mexico	<ul style="list-style-type: none">•Technical Note, statistics and clauses.•Use of reinsurance alleviates supporting risk rates.
Poland	<ul style="list-style-type: none">•Submission of Policy Conditions
South Korea	<ul style="list-style-type: none">•Methodology and underlying statistics
Taiwan	<ul style="list-style-type: none">•Details of derivation of incidences and reserving basis described in the Actuarial Memorandum
Thailand	<ul style="list-style-type: none">•Product filing by Appointed Actuary
Ireland	<ul style="list-style-type: none">•Information is required to be filed, only if it requires a significant change in business plan

Product Pricing

Is regular reporting of the product (post launch) common?



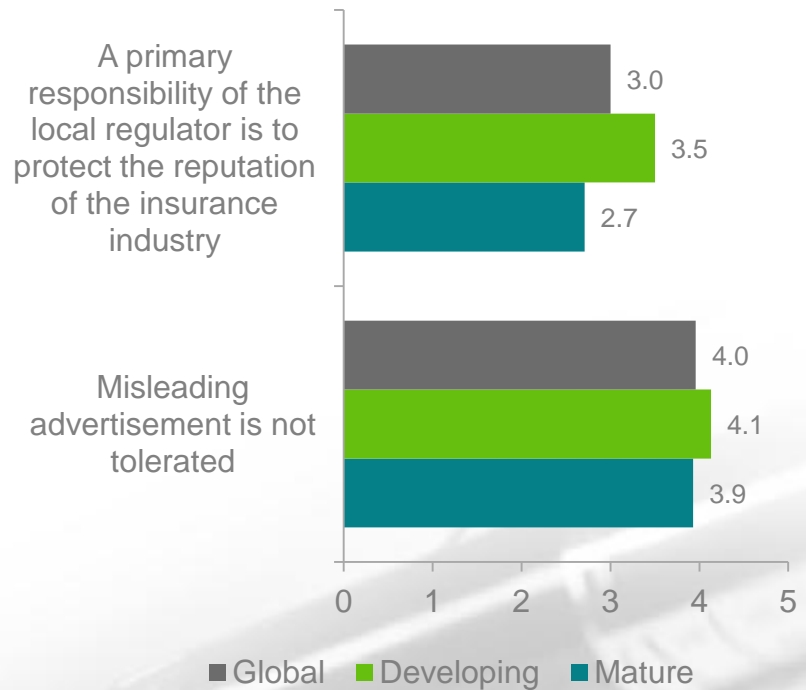
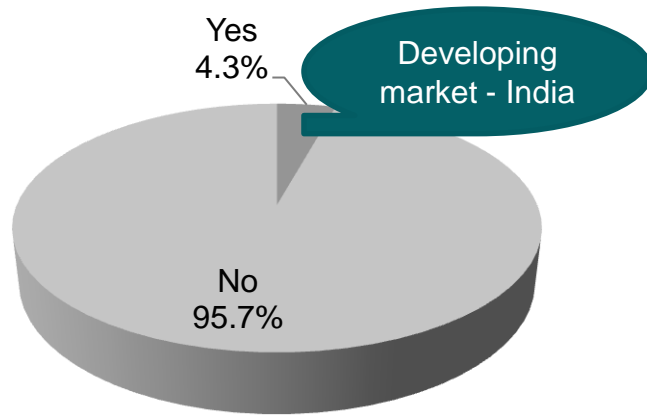
Comments:

Australia	•Standard broad product-line statistical reporting
Canada	•Nothing outside general reporting of business under OSFI requirements
Germany	•Pricing assumptions must be sent to the regulator after product launch
Netherlands	•AFM (behaviour supervisor) and Tax authorities demand reporting
Taiwan	•Quarterly sales statistics by line of business (instead of by products) to be submitted to a quasi regulatory body
United Kingdom	•Only to the extent that the information forms part of the documentation that comprise the annual solvency return

■ Developing
■ Mature

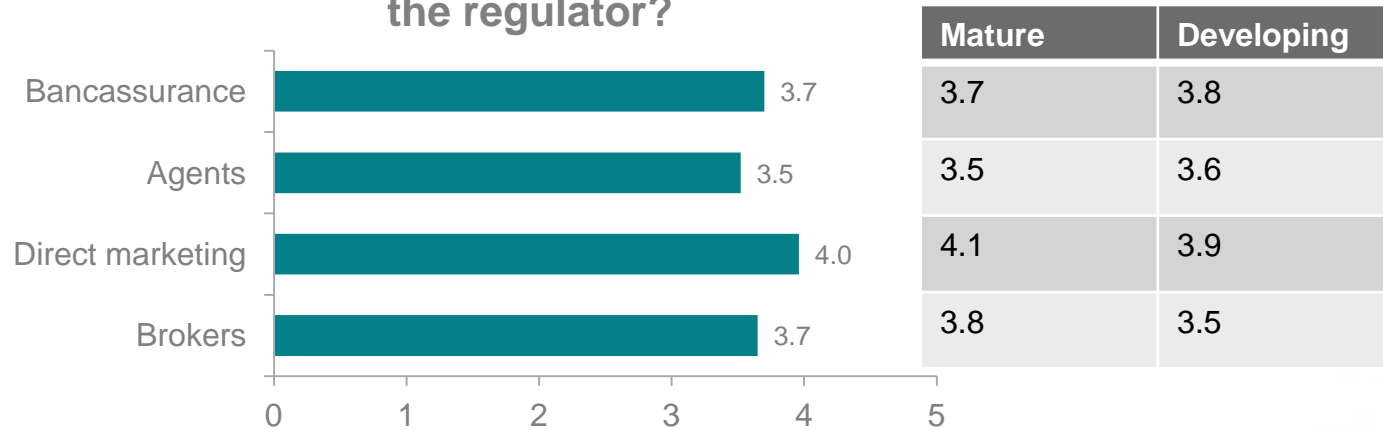
Product Advertising

Product advertisements need approval by the local regulator

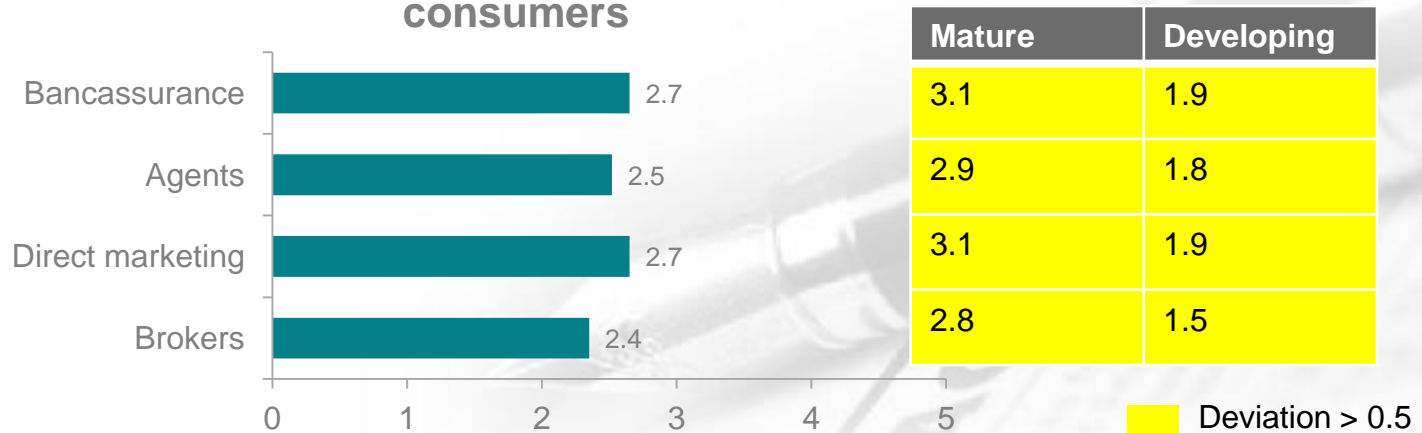


Product Distribution Methods

Is mis-selling by distribution method a concern to the regulator?

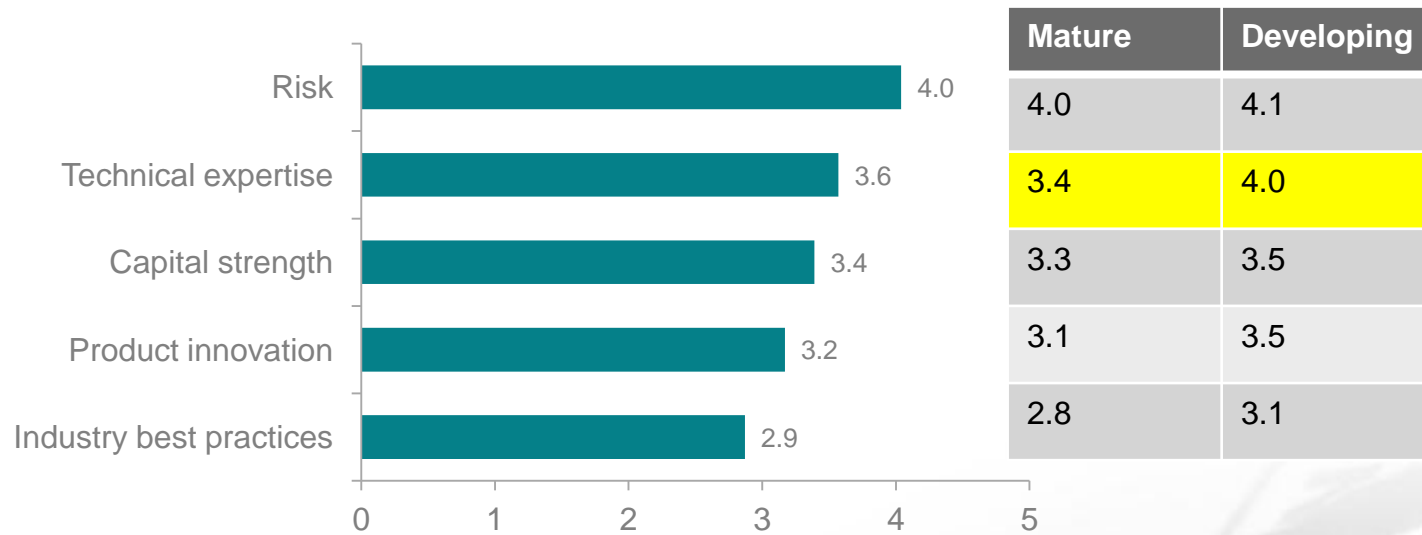


Sales practices are formally monitored to protect consumers



Local Regulators and Reinsurers

Regulators believe reinsurers play an important role in helping to manage:



Regulators in your market see the value in the use of reinsurance



Deviation > 0.5

Developing
Mature

Conclusion

	Trends	Developing markets	Mature markets
Regulatory Environment	<ul style="list-style-type: none"> •Global events have a bearing on regulations •Similar set of issues facing insurance regulators 	<ul style="list-style-type: none"> •Protection of policyholder's interests is the main concern 	<ul style="list-style-type: none"> •Regulators are preoccupied with solvency issues
Product approval process	<ul style="list-style-type: none"> •Regulators' level of involvement has increased across the product approval process, between now and 5 years earlier 	<ul style="list-style-type: none"> •Product development and design has the highest emphasis •Product pricing – ranks third 	<ul style="list-style-type: none"> •Product development & design and product pricing - lower level of regulator involvement •Distribution methods and claims handling take precedence
		<ul style="list-style-type: none"> •Require federal level of government approval •Generally difficult to get product approvals 	<ul style="list-style-type: none"> •Several mature markets do not have a formal product approval process •In most cases, the products are filed with the regulator
	22% of markets require the regulator to specify the pricing approach	Formulaic based approach in product pricing	More principle based approach