Milliman Research Report

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Potential implications of the ASEAN Economic Community for the life insurance industry

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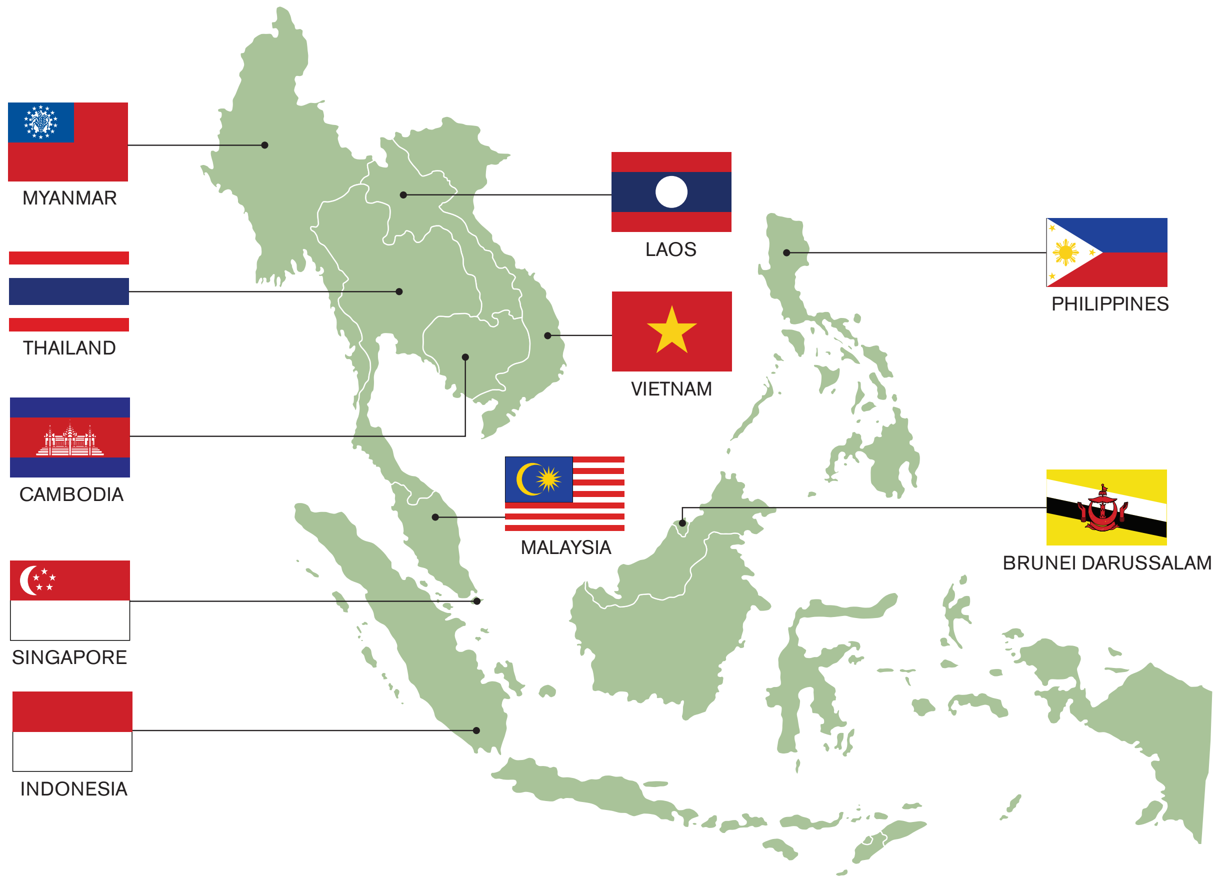
SECTION 1. INTRODUCTION



1.1. In its 2007 Economic Blueprint (Blueprint), the Association of Southeast Asian Nations (ASEAN) first introduced its goal of achieving closer regional economic integration among its 10 member states—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam—by the establishment of an ASEAN Economic Community (AEC) by 31 December 2015.

1.2. The Blueprint sets out the characteristics and elements of the AEC with clear implementation targets and timelines for the various economic integration measures within ASEAN under the following four main pillars:

- Pillar I: A single market and product base.
- Pillar II: A highly competitive economic region.
- Pillar III: A region of equitable economic development.
- Pillar IV: A region fully integrated into the global economy.

1.3. Recognising the complications of national policy objectives and the level of economic and financial sector development in each member state, the Blueprint adopts an 'ASEAN Minus X' approach; essentially allowing countries that are ready to liberalise to proceed first, with others joining at a later stage. The spirit of the Blueprint is that, by the end of 2015, member countries are required to have substantially removed restrictions impeding integration and liberalisation for the insurance, banking, and capital market sectors.

1.4. Depending on how the AEC is implemented, there could be significant impact on, and opportunity for, the insurance industry. The Blueprint explicitly identifies various insurance subsectors for liberalisation by the end of 2015 (seen in the table in Figure 1), although it is unclear as to the criteria on which the assessment of the level of liberalisation will be performed.

FIGURE 1: INSURANCE SUBSECTORS FOR LIBERALISATION

INSURANCE SUBSECTORS	MEMBER COUNTRIES
Direct life insurance	Indonesia, Philippines
Direct non-life insurance	Brunei, Cambodia, Indonesia, Malaysia, Philippines, Singapore, and Vietnam
Reinsurance and retrocession	Brunei, Cambodia, Indonesia, Malaysia, Philippines, Singapore, and Vietnam
Insurance intermediation	Cambodia, Indonesia, Malaysia, Philippines, Singapore, and Vietnam
Services auxiliary to insurance	Brunei, Cambodia, Indonesia, Malaysia, Philippines, Singapore and Vietnam

1.5. The AEC Scorecard 2012, which is the most comprehensive AEC-related report published to date, illustrates the progress of the AEC implementation. It was administered by the ASEAN Secretariat and reported an overall 67.5% implementation rate as at 31 December 2011. The implementation rate was calculated as the ratio of measures that are fully implemented to the total number of measures targeted. Within this overall rating, the implementation rate of Pillar IV was over 80%; it was the only one of the four Pillars to exceed 80%. Pillar I, whose measures included the free flow of goods, services, investment, skilled labour, and freer flow of capital, achieved only a 65.9% implementation rate; it was the lowest among the four pillars. The AEC Scorecard defines an objective to have been implemented when the government or head of state of all 10 member countries have ratified and implemented the measures within their individual jurisdictions. While the ASEAN Secretariat has not published any updated AEC Scorecard reports since then, most recently the authorities announced that, as at mid-August 2014, 82.1% of the prioritised key deliverables had been implemented. It is unclear, though, what items constitute 'prioritised key deliverables.'

1.6. As the deadline for implementation of the AEC rapidly approaches, many industry practitioners in ASEAN and beyond are focusing greater attention on the similarities and differences between the insurance markets in the region, and how the roll-out is likely to impact the insurance industry going forward, both positively and negatively.

1.7. In light of this increased focus on the initiative, Milliman carried out an online survey in early 2014 to gauge the views of life insurance executives working in the ASEAN countries on the implementation of AEC. A summary of the main findings is as follows:

- In general over 70% of life insurance executives thought that the AEC was a positive development for ASEAN countries, despite concerns over the launch timing (after previous push-backs from the original target of 1 January 2015). In fact, only 28% of the respondents were optimistic that the AEC would commence as planned in December 2015. The majority believed it would be delayed into 2016, 2017, or beyond.
- 70% of the respondents also felt that common insurance regulations for the life insurance industry may be advantageous in providing greater comparability and consistency across markets, although the disparity in the maturity and sophistication of markets was identified as likely to be the main barrier to implementation.
- There was a strong consensus that the AEC would lead to only slightly higher or even similar levels of required solvency capital than prevailed before.
- Nearly 70% of the respondents thought that competition would intensify once the AEC was implemented.
- Most thought the AEC would be more positive for multinationals than domestic insurers.
- Almost 50% of the respondents believed that Singapore would gain the most from this closer economic collaboration, in view of the market's relative sophistication, whilst 17% believed that Indonesia would be most positively impacted from the AEC.
- Some of the major concerns over the implementation of the AEC expressed by respondents were that it would disadvantage the less developed markets within ASEAN, would engender increased competitive pressure, and would be costly to implement.

1.8. A full version of the Milliman 2014 survey results is found in Appendix B.

1.9. Following on from this survey, Milliman has produced this research report (Report) in order to provide further insights and analysis into the possible implications of the AEC implementation for the life insurance industry. Section 2 of the Report sets the context by providing a brief overview of the ASEAN markets, covering the general demographic and macroeconomic environment. An overview of the life insurance landscape of ASEAN member states follows, covering aspects such as market size and growth, key products, and main distribution channels.

1.10. Regulatory convergence, whether full or partial, plays a significant role in facilitating integration across jurisdictions, especially when the current regulatory environment for life insurance within member countries operates at wide-ranging levels of sophistication. Section 3 of the Report compares and contrasts the existing regulatory landscape of ASEAN member countries, focusing on topics such as regulatory reserving, solvency capital, and barriers to entry in relation to conducting life insurance business.

1.11. In Section 4 we introduce the Milliman ASEAN Liberalisation Index (MALI) as a tool to track the relative state of liberalisation of the life insurance industry within each ASEAN country. This has been built up from an assessment of various factors within each country, covering items such as the regulatory openness of a market, alignment to international standards, ease of doing business, and adequacy of policyholder protection, amongst others. A score between 0 and 100 has been assigned to each country, with higher scores indicating a greater level of liberalisation.

1.12. At this early stage of development, common wisdom cautions against comparing the end result of the AEC with the European Union (EU), but it is hard not to do so, simply for lack of better examples of 'integrated economies' of a similar scale elsewhere in the world. Section 5 of the Report discusses integration within the EU and how it has arrived at its current state today.

1.13. Section 6 of the Report discusses possible qualitative implications of AEC implementation, including, but not limited to, areas such as the product and distribution landscape, consolidation, and findings from earlier sections of the Report.

1.14. This Report focuses mainly on the life insurance industry. Nonlife insurance has been excluded, unless specifically noted otherwise.

1.15. Information contained in this Report is extremely time-sensitive. The data shown in the Report, along with the conclusions drawn as a result, may differ with changes in the market environment in the future.

1.16. Where applicable, local currencies have been converted into U.S. dollars (USD) using the foreign exchange rates shown in the table in Figure 2, as published on the website www.exchange-rates.org, as at 31 December 2014.

FIGURE 2: EXCHANGE RATES AS AT 31 DECEMBER 2014

CURRENCIES	1 USD =
Singapore Dollar (SGD)	1.3
Malaysian Ringgit (MYR)	3.5
Thailand Baht (THB)	32.9
Indonesian Rupiah (IDR)	12,421.8
Philippine Peso (PHP)	44.8
Vietnamese Dong (VND)	21,387.5
Brunei Dollar (BND)	1.3
Myanmar Kyat (MMK)	1,032.7
Lao Kip (LAK)	8,096.0
Cambodian Riel (KHR)	4,070. 00
Euro (EUR)	0.8

SECTION 2. OVERVIEW OF ASEAN COUNTRIES

2.1. ASEAN countries overview

2.1.1. ASEAN was formed in 1967 as an organisation seeking to achieve closer economic cooperation between the five founding countries, namely Singapore, Malaysia, Thailand, Indonesia, and the Philippines. The organisation further expanded when Brunei, Cambodia, Laos, Myanmar, and Vietnam attained membership between 1984 and 1999.

2.1.2. Since its formation, the growing prominence of this regional pact has led to the formation of many other relationships with countries outside of the Southeast Asian region, including 'ASEAN Plus Three' (i.e., ASEAN member states plus China, Japan, and South Korea), and the 'East Asia Summit,' which includes ASEAN Plus Three, Australia, India, New Zealand, Russia, and the United States.

2.1.3. Despite the geographical proximity of member states, ASEAN consists of a collection of diverse countries at vastly different stages of economic development. According to the World Factbook, 2014 gross domestic product (GDP) per capita in the ASEAN region ranges from as low as circa USD 3,300 for Cambodia to as high as circa USD 81,300 for Singapore.

2.1.4. Various subgroupings within ASEAN exist, driven not only by the order in which countries were officially inducted into ASEAN but also, to a certain extent, by the status of their economic development. For example, the founding members Singapore, Malaysia, Thailand, Indonesia, and the Philippines, which are also among the largest economies in the group, are usually referred to collectively as 'ASEAN-5.' The term 'ASEAN-6' was then adopted when Brunei joined subsequently in 1984. The latest members, Cambodia, Laos, Myanmar, and Vietnam, are often referred to collectively as 'CLMV.'

2.1.5. The charts in Figure 3 provide an overview of various key demographic and macroeconomic indicators of each ASEAN member state.

FIGURE 3: DEMOGRAPHIC AND MACROECONOMIC INDICATORS BY COUNTRY

2.1.6. Despite some countries, such as the Philippines, having relatively young populations, many countries are facing issues of ageing populations. According to the world population data prepared by the United Nations Populations Division, the proportion of the population aged over 65 years old in ASEAN countries is expected to more than double in the next 20 years, from 7% in 2015 to 15% in 2035.

2.1.7. The ASEAN region is currently experiencing significant growth in the middle class, as well as increasing numbers of high net-worth individuals (HNWIs). According to the Asian Development Bank, ASEAN's middle class will increase from 24% of the population in 2010 to 65% in 2030. The 2014 Capgemini Asia-Pacific World Wealth Report states that the HNWI population in Singapore, Malaysia, Indonesia, and Thailand increased by 4.5%, 6.6%, 7.5%, and 9.2% respectively between 2012 and 2013, compared with the global average of 15%. HNWIs for this purpose are defined as individuals with at least USD 1 million in investable assets, excluding primary residence, collectibles, consumables, and consumer durables.

2.1.8. The increasing use of digital media is also a key feature of the ASEAN region. High rates of Internet usage and cellular phone ownership have resulted in the region becoming the target of numerous advertising and marketing initiatives of multinational as well as local companies. A recent report published in 2014 by We Are Social, a social media agency, 'Social, Digital, and Mobile Worldwide,'[1] reveals mobile phone subscription penetration in Southeast Asia of over 100%.

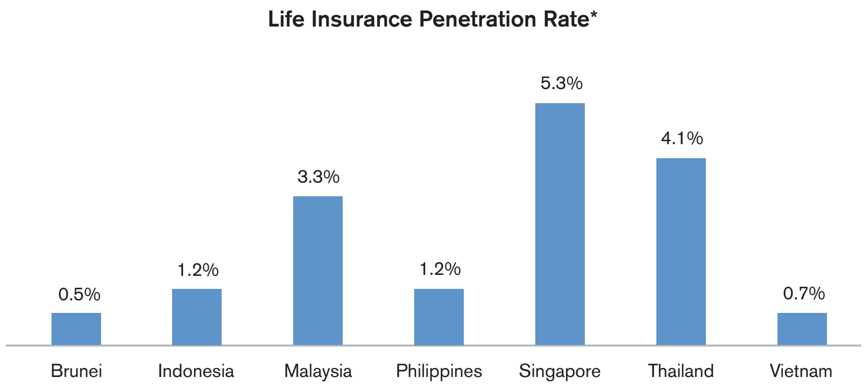
2.1.9. ASEAN contains a wide range of ethnicities and languages, strong cultural diversity, and widely divergent levels of economic, social, and political development. This all creates significant practical challenges for the implementation of an integrated economic union.

2.2. ASEAN life insurance markets overview

Penetration rates

2.2.1. In general, life insurance penetration rates in ASEAN markets are still at very low levels relative to those in more developed economies. According to the 2013 Swiss Re Sigma Report,[2] Singapore has a life insurance penetration rate of only 4.8% in 2013, much lower than Hong Kong (12.1%) and Japan (8.0%). Life insurance penetration rates (calculated as the ratio of total gross premium over GDP) are currently less than 2% for many ASEAN member states.

FIGURE 4: LIFE INSURANCE PENETRATION RATES BY COUNTRY



** Figures are calculated as 2014 total life insurance premiums divided by 2014 GDP. Penetration rates for Cambodia, Laos, and Myanmar are not available.* ***Source:*** *Milliman*

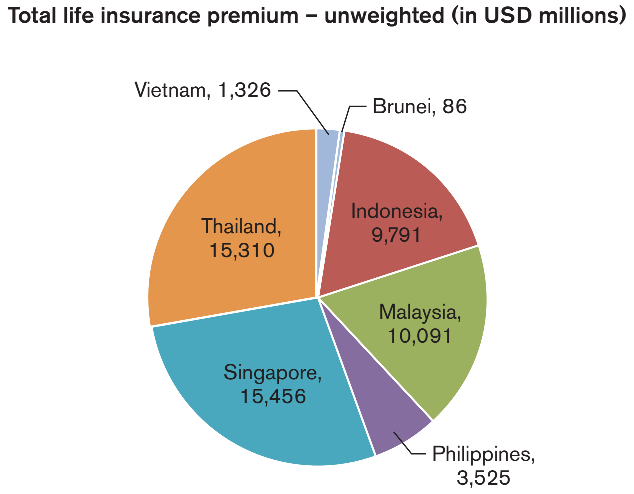
Life insurance premiums

2.2.2. Singapore is the largest life insurance market in ASEAN in terms of total unweighted premium, followed by Thailand, Malaysia, and Indonesia.

1 We are Social (January 2014). Social, Digital & Mobile Worldwide.

2 Swiss Re (2015). Sigma Report No 03/2014: World Insurance in 2013: Steering Towards Recovery? Statistical Appendix, Update January 2015.

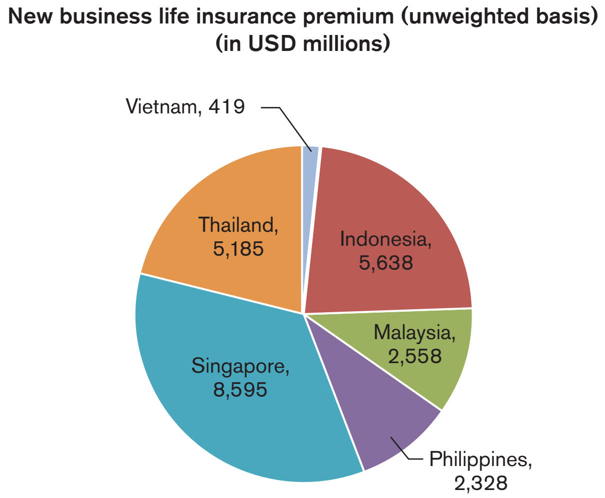
FIGURE 5: LIFE INSURANCE TOTAL PREMIUMS BY COUNTRY



** Figures are for year 2014. Premium statistics for Laos, Cambodia, and Myanmar are not publicly available.* ***Source:*** *Industry life insurance associations*

2.2.3. New business premium also demonstrates a similar pattern, as shown by the chart in Figure 6

FIGURE 6: LIFE INSURANCE NEW BUSINESS PREMIUMS BY COUNTRY

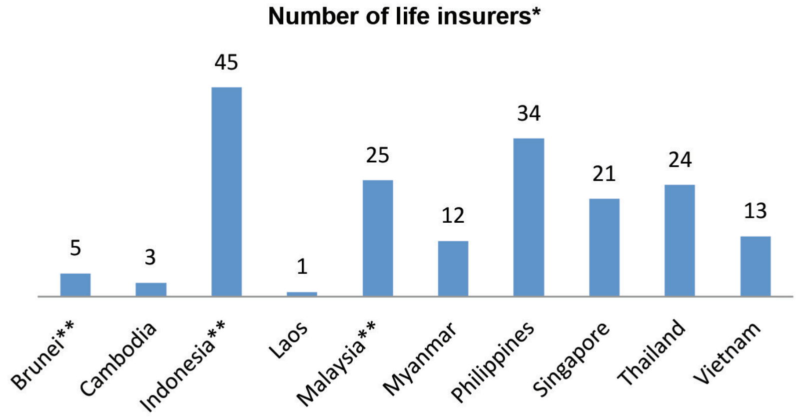


** Figures are for year 2014. New business premium statistics for Laos, Cambodia, Brunei, and Myanmar are not publicly available.* ***Source:*** *Industry life insurance associations*

Market players

2.2.4. The number of registered life insurers in each of the ASEAN member states is shown in the chart in Figure 7.

FIGURE 7: NUMBER OF LIFE INSURERS BY COUNTRY



** As at end of 2014.*
*** Includes family Takaful/Shariah operators.*
***Source:** Industry life insurance associations*

2.3. Product landscape

2.3.1. The table in Figure 8 provides an overview of the product landscape in the 10 ASEAN countries, measured by the prevalence of various product types.

FIGURE 8: PRODUCT LANDSCAPE BY COUNTRY

Product type	Traditional Protection	Traditional Savings	Unit-Linked	Credit Life	Affluent / HNWI Products
Singapore	Medium	High	Medium	Low	High
Malaysia	Medium	High	Very High	Medium	Medium
Thailand	High	Very High	Low	High	Low
Indonesia	Medium	Medium	Very High	High	Low
Philippines	Medium	Very High	Very High	Medium	Low
Vietnam	Medium	High	Low	Low	Low
Brunei	High	High	Medium	Low	Low
Myanmar	Low	Low	Low	Low	Low
Laos	Medium	Low	Low	Low	Low
Cambodia	Medium	Medium	Low	Low	Low

Legend: Low Prevalence, Medium Prevalence, High Prevalence, Very High Prevalence

***Source:** Milliman*

2.3.2. Historically, traditional insurance products such as whole life, term assurance, and endowments have dominated insurance markets in the ASEAN region.

2.3.3. Traditional insurance products can be further split into participating and non-participating categories. Participating insurance products pay out non-guaranteed bonuses or dividends to supplement guaranteed benefit payouts. A unique feature of the regulatory environment in Malaysia, Singapore, and Vietnam is that participating life insurance policy surplus is shared between policyholders and shareholders, commonly in the ratio of 90:10.

2.3.4. Education endowments, typically providing a specified amount of benefit payments at various stages of a child's schooling period, are very popular in countries like Indonesia, Thailand, Vietnam, and the Philippines.

2.3.5. Unit-linked or investment-linked products have emerged over the past 20 years to become very prevalent in most ASEAN countries, with the exception of Thailand and the CLMV countries. Unit-linked products are often sold with unit-deducting protection riders, typically offering a range of protection benefits. As the claims ratios of these riders tend to be quite low, they can enhance the overall profitability of the 'packaged product.'

2.3.6. Where bancassurance is prevalent, mortgage reducing term assurance (MRTA), a term assurance protection covering the outstanding amount of a housing loan, typically has relatively high take-up rates. In some markets such as the Philippines it is compulsory. Other credit life products are popular in many ASEAN markets, typically providing protection for the outstanding amount of various loans not related to mortgages such as auto loans, consumer loans, or credit card balances.

2.3.7. Affluent/HNWI products are becoming increasingly popular as the awareness of insurance grows amongst people in the middle class and their capacity to purchase insurance increases. For example, in Singapore there has been strong growth in the sale of universal life products and large case size single premium participating products.

2.3.8. In Malaysia, Indonesia, Brunei, and, to a lesser extent, in other ASEAN markets, we have seen the emergence of Takaful/Shariah business over recent years. This is a class of 'insurance' coverage with features adhering to Islamic principles. Mortgage Related Term Takaful (MRTT) and unit-linked Takaful products are common product classes.

2.3.9. Some leading life insurers and specialist healthcare insurers have also been launching more innovative health-related propositions recently, looking to take advantage of the substantial protection gap existing within the ASEAN region, low levels of government-sponsored health-related benefits, and growing interest in wellness programs and enabling digital technology.

2.4. Distribution landscape

2.4.1. The table in Figure 9 provides an overview of the distribution landscape in the various ASEAN countries, measured by prevalence of each distribution channel.

FIGURE 9: DISTRIBUTION LANDSCAPE BY COUNTRY

Country	Agency	Bancassurance	Direct/Tele-Marketing	IFA/broker
Singapore	High	High	Low	Medium
Malaysia	High	High	Low	Low
Thailand	High	High	Low	Low
Indonesia	Very High	High	Medium	Low
Philippines	High	High	Low	Low
Vietnam	Very High	Low	Low	Low
Brunei	Very High	Medium	Medium	Low
Myanmar	Medium	Low	Low	Low
Laos	Low	Low	Low	Low
Cambodia	Medium	Medium	Low	Low

Legend: Low Prevalence (or non-existent | Medium Prevalence | High Prevalence | Very High Prevalence

Source: *Milliman*

2.4.2. Agency distribution has historically been the most prominent distribution channel for life insurance business in all ASEAN countries, and remains the most significant channel today for many insurers in the region.

2.4.3. However, over the past decade bancassurance has been gaining importance in countries such as Singapore, Malaysia, Thailand, Indonesia, and the Philippines. This is evidenced by the increasing number of high-profile new bancassurance agreements and joint ventures established between life insurance companies and banks. New regulations pertaining to bancassurance operations specifically have also been announced by authorities such as Bank Negara Malaysia (BNM), Otoritas Jasa Keuangan (OJK), and Banko Sentral ng Pilipinas (BSP).

2.4.4. Unsurprisingly, the independent financial advisor (IFA)/broker channel, which typically emerges as insurance markets become more mature, has gained the most traction in Singapore compared with other ASEAN member states. According to the Life Insurance Association of Singapore (LIA), the size of the IFA/broker channel has grown at a compound annual growth rate (CAGR) of 18.5% between 2007 and 2014 by new business annualised premium equivalent (APE), and in 2014 represented 18% of the total market. In contrast, the emergence of the IFA/broker channel in other ASEAN countries is nascent.

2.4.5. The contribution of direct-to-consumer channels is expected to grow, as insurers look to tap into the widespread digitalisation in the ASEAN region. For example, both the Financial Advisory Industry Review (FAIR) initiative in Singapore and the proposed life insurance and family Takaful framework in Malaysia include a compulsory requirement for insurers to set up a direct marketing channel to promote basic insurance products that are easy for consumers to understand. A new web aggregator in Singapore will also enable consumers to compare products offered by different insurers.

2.4.6. The majority of direct marketing activity to date within ASEAN has been outbound telemarketing, primarily to credit card and loan customers, and, to a lesser degree, inbound telemarketing driven by direct response TV (popular in Thailand for example) and other promotional activities.

2.4.7. Whilst an increasing number of insurance companies are building online or mobile sales functionality, these channels are still small as a proportion of the overall distribution proposition. However, given the increasing use of Internet and digital media in the ASEAN region, we see such initiatives making greater inroads in the near future.

2.4.8. There have been developments within the affinity channel in some ASEAN countries, e.g., Thailand, Singapore, and the Philippines, although sales volumes have been comparatively low to date.

2.4.9. Worksite marketing is often considered to have potential among larger employers. However, results to date within ASEAN have largely been disappointing.

2.4.10. 'Group' can be classified as a distribution channel in some markets, such as Thailand, but is more typically considered a product category. In distribution terms, it includes the sale of group business via a combination of other channels including brokers, agents, bancassurance, and worksite marketing.

SECTION 3. REGULATORY REGIMES IN ASEAN

3.1. The life insurance industry has become an important component of the financial sector across the ASEAN region. Following the global financial crisis, there has been significant activity by some regulators in ASEAN aimed particularly at strengthening the regulatory regimes and the underlying capital requirements.

3.2. Regulatory standards and practices differ considerably throughout ASEAN, depending on the level of economic development and maturity of the insurance industry within each country.

3.3. In the remainder of this section, we compare and contrast the insurance regulatory regimes currently adopted by all 10 ASEAN member countries. Further details are set out in Appendix A.

3.4. Minimum paid-up capital

FIGURE 10: MINIMUM PAID-UP CAPITAL BY COUNTRY

COUNTRY	LOCAL CURRENCY	USD
Brunei	BND 8 million	c.6 million
Cambodia	SDR 5 million	c.7 million
Indonesia	IDR 100 billion (conventional) IDR 50 billion (Shariah) IDR 25 billion (Shariah window)	c.8 million (conventional) c.4 million (Shariah) c.2 million (Shariah window)
Laos	LAK 16 billion	c.2 million
Malaysia [(a)]	MYR 100 million	c.29 million
Myanmar	MMK 6 billion	c.6 million
Philippines	PHP 1 billion	c.22 million
Singapore [(b)]	SGD 10 million	c.8 million
Thailand	THB 500 million	c.15 million
Vietnam [(c)]	VND 600 billion	c.28 million

(a): Applicable to both conventional and family Takaful entities.
(b): SGD 5 million/c. USD 4 million for insurers with investment-linked or short-term accident and health business only.
(c): Additional VND 200 billion/c. USD 9 million is required to sell unit-linked business.

3.4.1. To operate a life insurance company, all insurance regulators in ASEAN require life insurers to hold a minimum paid-up capital amount, ranging from as low as circa USD 2 million (Laos) to as high as circa USD 29 million (Malaysia), as shown in Figure 10. In Indonesia, an additional capital requirement of circa USD 2 million is needed to establish a Shariah window within a conventional insurance license.

3.4.2. In some countries, the amount of paid-up capital is determined by the type of life insurance business conducted. In Vietnam, for example, an additional circa USD 9 million paid-up capital is required to sell unit-linked business, in addition to the circa USD 28 million required for non-linked life insurance business. In Singapore, insurers selling investment-linked or short-term accident and health business only are required to hold at least circa USD 4 million of paid-up capital, half of the required minimum for insurers operating with other, or multiple, lines of business.

3.4.3. As the insurance market expands, leading to higher levels of risk exposure, insurance regulators typically seek to strengthen overall solvency levels by increasing the minimum level of paid-up capital over time. For example, in recent years life insurers in Indonesia have been required to increase their paid-up capital from IDR 40 billion (circa USD 3 million) in 2010 to IDR 100 billion (circa USD 8 million) by the end of 2014. Similarly, life insurers in the Philippines are also required to build up their statutory net worth on a staggered basis from PHP 250 million (circa USD 6 million) as at 30 June 2013 to PHP 1.3 billion (circa USD 29 million) as at 30 June 2022.

3.5. Solvency framework

3.5.1. In addition to the minimum paid-up capital, local insurance regulators also require life insurers to hold additional capital derived using either a so-called “EU Solvency I style” framework or some form of risk-based capital (RBC) framework, as illustrated in the table in Figure 11.

FIGURE 11: SOLVENCY FRAMEWORK BY COUNTRY

SOLVENCY I	RBC
• Brunei	• Indonesia
• Cambodia	• Malaysia
• Laos	• Philippines
• Myanmar	• Singapore
• Vietnam	• Thailand

3.5.2. The less developed markets such as Brunei, Cambodia, Laos, Myanmar, and Vietnam currently adopt the more simplistic EU Solvency I methodology. The most common practise is to hold a proportion of reserves and net amount at risk, based on factors prescribed by the regulators. Whilst this method may be easy to calculate, most industry practitioners would agree that such an approach is unlikely to appropriately reflect the true risk exposure of insurers.

3.5.3. The more modern RBC frameworks take account of the underlying risks taken by individual insurers, reflecting the increasing complexity of financial markets. A typical RBC framework would see insurers having to calculate solvency or risk capital based on an assessment of distinct risk types, such as asset risk, market risk, insurance risk, and concentration risk.

3.5.4. Solvency frameworks in the ASEAN region continue to evolve. Singapore is currently in the process of updating its 'RBC1 Framework' to a revised 'RBC 2 Framework,' which will capture some of the features contained within the upcoming Solvency II framework in Europe, but tailored to the uniqueness of the Singapore market. After two rounds of consultation, RBC 2 is looking to capture factors such as operational risk and diversification benefits, among others.

3.5.5. There is also a trend for Takaful and Shariah business to have separate solvency frameworks, as is the case in Malaysia.

3.6. Regulatory reserving

3.6.1. From a regulatory perspective, member countries generally adopt either the net premium valuation (NPV) or gross premum valuation (GPV) methodologies for the purpose of deriving statutory reserves, as illustrated in the table in Figure 12.

FIGURE 12: REGULATORY RESERVING BASIS BY COUNTRY

NPV	GPV
• Brunei	• Indonesia
• Cambodia	• Malaysia
• Laos	• Philippines [a]
• Myanmar	• Singapore
• Vietnam	• Thailand [b]

(a) See 3.6.3 below.
(b) See 3.6.4 below.

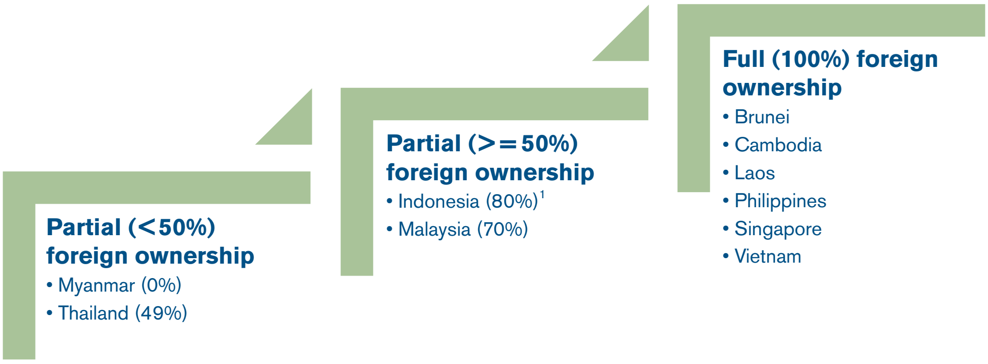
3.6.2. Reserving regulations in ASEAN have often started with the NPV methodology, replacing it with the GPV methodology in more recent years. GPV methodology, which should provide a more realistic assessment of reserves, was introduced in Singapore, Malaysia, and Indonesia in 2004, 2009, and 2013 respectively. The introduction of GPV methodology has often been accompanied by a new RBC framework, so that reserving and capital rules are modernised at the same time.

3.6.3. Other countries are expected to follow suit and move to GPV reserving. Brunei expects to move to this framework in the near future, typically following the framework set by BNM in Malaysia. The Philippines has just required the industry to change to GPV reserving from 2015.

3.6.4. In Thailand, life insurers are required to calculate regulatory capital requirements using GPV reserving methodology under the prevailing RBC framework. Where statutory reserves are held on a net premium valuation (NPV) reserving basis which result in higher reserves than GPV reserves, a capital offset for the excess reserves is allowed. Many insurers in Thailand continue to hold higher NPV reserves for statutory reporting purposes.

3.7. Foreign ownership

FIGURE 13: FOREIGN OWNERSHIP LIMIT BY COUNTRY



1: See 3.7.3 below.

3.7.1. Apart from a handful of countries (e.g., Myanmar and Thailand), most insurance jurisdictions permit foreign ownership of at least 70% in life insurance companies.

3.7.2. In fact, it is technically possible for a foreign insurer to acquire 100% stake in a domestic life insurance company in six out of the 10 ASEAN countries.

3.7.3. In Indonesia, the foreign ownership is set at 80% for new licenses, but as foreigners can then dilute the local partner when subsequent capital injections are required, in practice the foreign ownership limit can exceed 80%. There has been some discussion in the media around the OJK possibly lowering the 80% foreign ownership limit during the months leading up to passing of the new Insurance Bill by the Indonesian parliament in September 2014. The bill was, however, silent on this issue. It remains to be seen whether the OJK will look to change this in the future, possibly through subsequent regulations.

3.7.4. In Malaysia, the foreign ownership limit for insurance companies was increased from 49% to 70% in 2009. However, the shareholding structure of several existing entities with higher foreign ownership has been allowed to remain for historical/ grandfathering reasons.

3.7.5. In both Thailand and Malaysia, the regulations provides for concessions (allowing foreign ownership greater than the statutory limits) on a case-by-case basis. In Malaysia, BNM may approve of such applications (for a foreign stake of greater than 70%) if the transaction is deemed to facilitate consolidation of the industry. Similarly, in Thailand, foreign shareholding (and foreign directors) above 49% is permitted with a waiver from the Ministry of Finance if the operations of the specific insurer could 'cause damage to the interests of the insured or the general public.'

3.7.6. Myanmar is currently still closed to foreign insurers, although the regulator has stated its intention to remove this restriction and open up the market to foreign players, initially, it seems, by way of licenses restricted to selected special economic zones. In May 2015 and June 2015 respectively, Sompo Japan Nipponkoa Insurance and Mitsui Sumitomo Insurance Company Limited were granted temporary licenses for six months to operate within the Thilawi special economic zone, although the focus is nonlife insurance. However, the timing of fuller liberalisation and the maximum foreign shareholding remains uncertain.

SECTION 4. MILLIMAN ASEAN LIBERALISATION INDEX

4.1. Background and approach

4.1.1. The vast disparity in the maturity of the various insurance markets in the ASEAN countries presents a significant obstacle towards achieving convergence as envisaged under the Blueprint. In order to help compare and contrast the relative positions of different member countries as markets evolve, we have developed the 'Milliman ASEAN Liberalisation Index' (MALI).

4.1.2. In line with the ultimate goal of the AEC, which is to create an open, free, and liberal financial market, the MALI is an attempt to measure the openness of life insurance regulatory regimes in ASEAN countries, having regard to their alignment with international standards.

4.1.3. To determine the MALI, we have identified eight features that capture some key characteristics of a life insurance market, and assessed the relative stage of development or openness of each feature for each ASEAN country in the form of an index, as described below.

4.1.4. For each country, integer scores on a scale of 0 to 5 are assigned based on our assessments of the current state of each feature, which is determined by an analysis of various underlying characteristics.

4.1.5. We then derive a final score for each country through a process of aggregation using a simple averaging method applied to the scores for the eight features.

4.1.6. For ease of presentation we have converted the scores into indices, with a score of 100 indicating a perfectly liberal state. Low scores indicate more tightly controlled industries, which typically have had less exposure to foreign participation.

4.1.7. We note that:

- Milliman is in no way suggesting that only the upper end of the spectrum is the ideal state for any country. We acknowledge that some of the concepts and features that are adopted in one country may not be suitable or applicable to another country.
- Due to the rapidly evolving nature of the life insurance industry in the region (as well as globally), the scope of the index is not intended to be exhaustive, although we believe it has captured the major features of conducting life insurance business in the ASEAN region. Moreover, the underlying data and considerations upon which the MALI is scored are extremely time-sensitive.
- Whilst we have attempted to adopt an objective approach to determining the underlying scores that make up the MALI, some aspects could be considered subjective and as such may be more open to interpretation and judgment.
- Scoring of the MALI is performed independently for each country.

4.1.8. A broad overview of the dimensions covered in our assessment is shown in the table in Figure 14.

FIGURE 14: DIMENSIONS CONSIDERED BY THE MALI

FEATURE	CHARACTERISTICS
Product Development	We look at the extent to which each jurisdiction allows and encourages product innovation in the life insurance industry. We consider the extent to which there are restrictions on products, including designs of product features, currency denominations, limits on commission rates, and controls on pricing (e.g., tariffs) and product disclosures. A higher score is assigned to those jurisdictions where there is greater flexibility and encouragement for product pricing and product innovation.
Distribution	A measure of the openness of ASEAN insurance jurisdictions to employ different distribution channels, considering agency, bancassurance, direct/telemarketing, and IFA/broker and other alternative distribution channels, and also taking account of any regulatory restrictions for such channels. Where it is relatively easy to enter and distribute life insurance products through a variety of channels, a higher score is assigned.
Investment	The extent to which life insurers have flexibility to determine their investment strategies, having regard to the availability of asset classes (including foreign-denominated assets) and access to, and availability of, long-duration assets. A higher score is assigned to jurisdictions that provide greater investment freedom and flexibility.
Sophistication of Capital Regime	This dimension measures the progressiveness of capital regimes in ASEAN towards an 'Economic Capital' framework. It looks at the sophistication of minimum capital standards, movement to RBC regimes, and the requirement for Economic Capital concepts such as stress testing. A higher score is assigned to capital regimes that are robust (by current international standards) and which have implemented RBC principles.
Policyholder Protection	This dimension analyses the extent to which local insurance regulators have put in place a meaningful mechanism aimed to protect policyholders (e.g., policyholder protection funds). In addition, we look at the concept of price transparency (e.g., via web aggregators) and the extent to which robust management of policyholder reasonable expectations (PRE) is practiced. A higher score is assigned to countries that have put in place more robust frameworks.
Foreign Ownership	The extent to which participation of foreign insurers is allowed or encouraged to operate in the local life insurance market. A higher score is assigned to countries that allow foreign entrants, multiple licenses, and full foreign ownership of their businesses.
New Licenses	This measure looks at whether new life insurance licenses are available and the typical duration required for new license approvals. Where it is possible to apply for and get new licenses within a relatively quick time frame, a higher score is assigned.
Talent Mobility	This dimension analyses issues around talent mobility across ASEAN countries, including the ease of work permit issuance/renewal for foreign staff, the portability of tax and pension arrangements, and the ease of operating effectively without local language skills. Where the above could be achieved, a higher score is assigned.

4.2. Results

4.2.1. The table in Figure 15 presents the results for the MALI, ranked in descending order of magnitude.

FIGURE 15: RESULTS FOR THE MALI

RANK	COUNTRY	INDEX (0-100)
1	Singapore	70
2	Philippines	58
3	Malaysia	49
4	Indonesia	49
5	Thailand	46
6	Brunei	41
7	Vietnam	40
8	Cambodia	33
9	Laos	33
10	Myanmar	15

4.2.2. Perhaps not surprisingly Singapore is ranked highest in the index, achieving the highest score for several of the underlying features, including product development, investment freedom, sophistication of capital regime, availability of new licenses, and talent (see 4.3 below).

4.2.3. Myanmar's relatively low index reflects the fact that it remains a 'closed' market, with a very nascent life insurance industry.

4.2.4. Most of the other countries have an index in the range of 30 to 50, indicating that there is still room for development in the 'liberalisation' of their life insurance industries.

4.3. Detailed results by dimension

4.3.1. The table in Figure 16 presents the detailed scores for each dimension, from which the aggregate index is derived.

FIGURE 16: DETAILED SCORING OF MALI BY DIMENSION (RANKING IN PARENTHESIS)

COUNTRY	BRUNEI	CAMBODIA	INDONESIA	LAOS	MALAYSIA	MYANMAR	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM
Product Development	68 *(4)*	52 *(6)*	68 *(3)*	64 *(5)*	44 *(7)*	12 *(10)*	72 *(2)*	76 *(1)*	40 *(8)*	36 *(9)*
Distribution	40 *(6)*	28 *(8)*	52 *(3)*	20 *(9)*	48 *(5)*	20 *(9)*	52 *(3)*	64 *(2)*	68 *(1)*	36 *(7)*
Investment	33 *(8)*	40 *(6)*	33 *(8)*	40 *(6)*	60 *(3)*	13 *(10)*	60 *(3)*	80 *(1)*	60 *(2)*	47 *(5)*
Sophistication of Capital Regime	7 *(7)*	7 *(7)*	13 *(5)*	7 *(7)*	53 *(2)*	13 *(5)*	33 *(4)*	60 *(1)*	53 *(2)*	7 *(7)*
Policyholder Protection	13 *(5)*	0 *(8)*	7 *(7)*	0 *(8)*	40 *(1)*	13 *(5)*	0 *(8)*	40 *(2)*	40 *(2)*	27 *(4)*
Foreign Ownership	80 *(5)*	47 *(9)*	80 *(4)*	53 *(7)*	73 *(6)*	13 *(10)*	100 *(1)*	87 *(2)*	53 *(7)*	87 *(2)*
New Licenses	30 *(7)*	60 *(4)*	90 *(1)*	60 *(4)*	0 *(9)*	10 *(8)*	70 *(3)*	90 *(1)*	0 *(9)*	60 *(4)*
Talent Mobility	53 *(4)*	33 *(7)*	47 *(6)*	20 *(9)*	73 *(1)*	27 *(8)*	73 *(1)*	67 *(3)*	53 *(4)*	20 *(9)*
Overall	**41 *(6)***	**33 *(8)***	**49 *(4)***	**33 *(9)***	**49 *(3)***	**15 *(10)***	**58 *(2)***	**70 *(1)***	**46 *(5)***	**40 *(7)***

4.3.2. Product development

- Singapore is ahead of most ASEAN countries in terms of encouraging and introducing product innovation into the market. Our view is that, consistent with its philosophy of being a progressive regulator, the Monetary Authority of Singapore (MAS) is conducive to all new product concepts provided they satisfy a need for consumers. However, the process for obtaining approval for new product concepts can take time, especially if it requires the MAS to consider changes to the regulatory environment to permit the sale of such products.

- For countries such as Laos, in which the insurance market is at the very early stage of development, the regulation is understood to not have imposed any material restrictions on product design. However, in practice only basic insurance products are offered in the market, and a relatively low score has been assigned. Similarly in Cambodia, new product development has been hindered by the limited capital markets, leaving insurers with limited investment choice.

- All countries except for Myanmar, Thailand, and Vietnam currently allow foreign-denominated insurance policies to be sold. Nevertheless, the regulators that allow foreign-denominated products to be sold have typically imposed some form of penalty for such policies (e.g., increased capital requirements) with respect to their increased risk of volatility in foreign exchange.

- Six of the ASEAN member states have regulatory caps on commission levels. As markets mature, such caps are often removed, with insurers free to set their own commission rates. Alternative approaches are to regulate the pattern of commission, as is the case with the new structures that are being introduced in Singapore.

- In general, actuaries in the ASEAN region are largely free to determine premium rates and charging structures, with the exception of Myanmar, which adopts a tariff structure.

4.3.3. Distribution

- Distribution is an important catalyst for the growth of the ASEAN insurance markets. The openness and availability of channels to help distribute products has to be weighed against regulation that is imposed to protect both the customers and the insurers.

- Agents have historically been the dominant distribution channel in the ASEAN region, and the licensing requirement for agents is also relatively straightforward in most member states, although restrictions on certifications apply in Myanmar.

- Bancassurance has been growing in importance in ASEAN, as seen by the number of recent exclusive bancassurance distribution agreement transactions in the region. As a result, it is not surprising to see many new regulations specifically aimed at the conduct of bancassurance, introduced by either the insurance or banking regulators. In the Philippines, the recent change in regulations abolishing the requirement for banks to have at least a 5% stake in any insurance company selling insurance in bank premises has opened up the bancassurance market, although the bank and insurer still need to be part of the same financial group to sell ‘variable life’ business in bank branches.

- In many countries direct/telemarketing of life insurance products, typically via call centres, direct mailing, and websites, remains embryonic. Thailand and Singapore are perhaps the most advanced ASEAN markets, issuing formal requirements for players in this space. From early 2015, all subsidiary insurance companies in Singapore catering to the retail market are required to offer simple insurance products direct to their customers, without the payment of commissions.

- Out of the 10 ASEAN member states, only Singapore has a sizable IFA/broker sector. In 2015, the MAS is expected to implement a variety of measures following FAIR, under which a main objective is to raise standards and professionalism of financial advice, as well as to reduce the perceived ‘protection gap.’ The balanced scorecard framework to be introduced under FAIR requires the remuneration of IFA/broker representatives and supervisors to also be based on non-sales key performance indicators, including the provision of appropriate product recommendations, clear presentation of product information materials to customers, and customer complaints.

- In addition, several ‘alternative’ distribution channels have emerged in ASEAN, including ‘shop-assurance,’ ‘post-assurance,’ worksite marketing, and direct response TV.

4.3.4. Investment

- The ease of investing for life insurers is one of the most important dimensions in the MALI, as insurers are often one of the primary users of local and overseas capital markets. Deposits, bonds (issued by government and corporate borrowers), and equities are the most popular investment assets of life insurers in general within ASEAN. Typically, prior to the introduction of an RBC regulatory capital regime, regulators impose stricter limits on the types and proportion of investment assets. Once an RBC regime is introduced, such limits are often removed, but with the imposition of risk capital charges for various asset classes and excessive concentration in classes of asset or particular asset holdings.

- Where local capital markets are limited, the availability of, and access to, foreign-denominated assets becomes crucial to insurers. Many ASEAN member states impose regulatory restrictions on the amount (proportion) and quality (credit rating) of investment in foreign assets by life insurers. For example, BNM allows life insurers to invest a maximum of 10% of total assets of individual insurance funds or shareholders' funds in foreign assets in jurisdictions with sovereign ratings at least equivalent to that of Malaysia. In Myanmar, investment in foreign assets by life insurers is currently not permitted.

- Insurers require long-dated assets to back the long-term nature of life insurance liabilities. In general, long-dated bonds are still very scarce, or unavailable, in the ASEAN capital markets and, as such, asset/liability duration mismatch is often one of the key investment challenges faced by life insurance companies. The Thai government issues bonds with terms up to 50 years. However, the availability and liquidity of such bonds is known to be very low.

4.3.5. Sophistication of capital regime

- As insurance industries develop, so normally does the level of sophistication of the underlying capital framework. Many countries have started with a European Solvency I type solvency capital requirement and then gradually moved towards a more risk-based framework.

- Malaysia, Singapore, and Thailand are relatively more advanced within ASEAN in terms of establishing more sophisticated RBC frameworks, and also in adopting well-documented and strict requirements for dynamic solvency testing (stress testing).

- In Singapore the life insurance industry has completed two rounds of consultation with the regulator on RBC 2, which will provide enhancements to the current RBC 1 Framework and move it closer to international standards. In Thailand, industry consultations are ongoing to introduce enhancements to the existing RBC framework (Thai RBC 2).

- Indonesia and the Philippines currently adopt an RBC framework for regulatory capital requirements, although they are more simplistic factor-based approaches.

4.3.6. Policyholder protection

- In general the life insurance industries in ASEAN have some form of policyholder protection mechanism in place. The Takaful and Insurance Benefits Protection System in Malaysia, Security Fund in the Philippines, Policy Owners Protection (PPF) Scheme in Singapore, and Life Insurance Fund in Thailand are examples of schemes that have been established. Market participants are required to set aside a certain amount of money within the pooled industry fund (typically calculated as a proportion of the size of business).

- The adequacy of such schemes in the event that a company does become insolvent is yet to be proven. For instance, the maximum payout in the event of recourse in Thailand is limited to THB 1 million, whilst policyholders in Cambodia do not have priority of claims under liquidation. Nevertheless, efforts to strengthen such schemes are seen in some countries such as Indonesia. The recently passed Insurance Bill in Indonesia provides for a formal policyholder protection fund administered by a third party to be set up within three years of the enactment.

- Price transparency among insurers in local markets is not common in the ASEAN region. In April 2015, Singapore introduced the first regional web aggregator (a consequence of the FAIR initiatives), a website that will enable consumers to compare insurance products, starting with a range of more simple products. Strictly speaking, there is no price transparency in all the other countries. Myanmar adopts a tariff policy with premium rates regulated and the same across all companies.

- In markets where participating business is sold, various regulations have been introduced to attempt to safeguard the consumer and to help clarify the responsibilities of the board and senior management of the insurer in the management of such business. A recent consultation paper in Malaysia proposes changes that would perhaps make Malaysia the most robust market in ASEAN in terms of regulation of participating business.

4.3.7. Foreign ownership

- Technically, only Myanmar does not currently permit foreign insurers.

- In Cambodia and Laos, whilst foreign entrants are allowed, there is very limited precedence to draw upon as the application process is heavily scrutinised by the regulator. For example, in Laos foreign ownership in existing insurance company joint ventures ranges from 51% to 80%.

- Practices vary among the 10 member states in terms of permitting multiple licenses. Regulations in some countries necessitate insurers applying for separate licenses to operate businesses targeting different customer segments (e.g., conventional versus family Takaful in Malaysia) and distribution channels (e.g., agency versus bancassurance in the Philippines), with a need for insurers to meet the capital requirements for each entity separately. Interestingly, the new Insurance Bill, recently passed by the Indonesian House of Representatives in September 2014, will enforce a single-license framework, in which a party (individual and/or company) is only allowed to become the 'controlling shareholder' of either a conventional or a Shariah company. Even though permissible by the regulations, it may not be practical to hold more than one license in some markets.

4.3.8. New licenses

- The insurance regulators of Malaysia, Myanmar, and Thailand have not issued new life insurance licenses in recent years.

- The recent growth of the insurance markets in the ASEAN region has led to an increase in the issuance of new life insurance licenses. In some countries, such as Indonesia, new insurance licenses have recently been issued after a long hiatus imposed by the local regulators. Although the Philippines has been open to issuing new licenses for some time, the awarding of a new license by the Insurance Commission of the Philippines to the FWD Group in 2014 was the first for many years. Vietnam continues to issue new life insurance licenses.

- The typical duration to be granted an operational new life insurance license from the time of submission varies, practically ranging around six months (e.g., Indonesia, Singapore) to over one to two years or more (e.g., Cambodia, Vietnam).

4.3.9. Talent mobility

- To support the growth of markets in ASEAN, it is important to have infrastructure to assist in the movement of human capital. The shortage of insurance professionals across a variety of specialist functions in many fast-growing insurance markets such as Indonesia, Thailand, and Vietnam has led many companies to look to hire talent externally from other countries.

- Currently all ASEAN countries require some sort of visa or work permit for foreign workers, with the approval time varying by country. Employers looking to bring expatriates into Indonesia, Laos, Myanmar, and Vietnam should expect to be involved in lengthy and complicated application processes. Labour regulations in Malaysia and Thailand impose paid-up capital requirements before a company is allowed to proceed with its application.

- In the European Union, migrant workers (of EU nationality) are generally free to move to other EU countries without losing their entitlements to state and supplementary (occupational/company) pension arrangements, even when pension rights are accumulated through factors such as years of service. In contrast, all ASEAN member states do not have existing regulatory provisions allowing migrant workers to 'export' their social security benefits across borders. In most cases expatriates are not given any local social security benefits. Singapore and Brunei only allow permanent residents to contribute to their provident funds. Cambodia does not have a national social security system. In Indonesia and Malaysia, voluntary contributions to local employee provident funds are allowed.

- Another key aspect of talent mobility among ASEAN countries is the language barrier, which has proven a challenge especially for the employment of expatriates to countries where English is not commonly spoken or used in regulatory correspondence, such as Indonesia, Thailand, and Vietnam. Nevertheless, the opening up of domestic markets in many ASEAN countries to foreign investment in recent years has seen increased use of the English language.

SECTION 5. INTEGRATION WITHIN THE EUROPEAN UNION

5.1. European Union

5.1.1. The European Union (EU) is the most obvious example of an integration of a group of independent economies and jurisdictions.

5.1.2. Whilst clearly there are fundamental differences between the EU and ASEAN, it is useful to look at the nature and success of collaboration across the constituent markets, including aspects such as cross-border insurance sales, more harmonised capital standards with the upcoming implementation of Solvency II, and the impact of a single currency across most member states.

Background

5.1.3. An economic and political partnership between 28 member states with a history that dates as far back as the 1940s, the EU is motivated in part by the intention to promote sustainable and balanced economic growth and price stability in a highly competitive social market economy.

5.1.4. The EU is based on the rule of law. Every action taken by the EU is founded on treaties that have been approved democratically by all EU countries. Treaties and laws are created by three political institutions composed of the Council of the EU (representing governments of EU member states), the European Parliament (representing, and directly elected by, EU citizens), and the European Commission (representing the interest of the EU as a whole).

5.1.5. In addition, the EU adopted a single official currency shared by 19 of the 28 member states

5.1.6. The EU member states are bound by directives, which are laws enacted to achieve particular objectives and must be transposed into national law to become effective. A number of directives have been adopted in relation to the life insurance industry, including:

- **First Life EU Directive:** Adopted in 1979, the First Life EU Directive (79/267/EEC) set the minimum solvency requirements of insurers operating in the EU as well as the various classes of business that life insurance business must be categorised into.

- **Third Life EU Directive:** Adopted in 1992, the Third Life EU Directive (92/96/EEC) allowed companies with head offices authorized in one EU country to sell into another EU country without having to seek additional authorization. It was the transposition of the Third Life EU Directive into national law by the member states that allowed for the growth in the cross-border insurance market throughout the EU. This directive also abolished price and product regulations, such as regulatory approval of insurance premium rates that were in place in many continental European countries.

- **Solvency II Directive:** Due to come into force on 1 January 2016 after lengthy national and regional discussions, the Solvency II Directive (2009/138/EC), which will replace the Third Life EU Directive, aims to enhance the supervision and prudential regulation of insurance undertakings and to promote harmonisation of insurance standards throughout member states. The Solvency II Directive provides maximum standards that each EU member state must transpose into national law. This is in contrast with the Third Life EU Directive, which provided minimum standards for transposition.

5.1.7. The current form of economic integration in the EU today has seen certain key differences between member states maintained, as summarised in the table in Figure 17.

FIGURE 17: SUMMARY OF KEY DIFFERENCES BETWEEN MEMBER STATES WITHIN THE CURRENT FORM OF ECONOMIC INTEGRATION IN THE EUROPEAN UNION

CATEGORY	COMMENTARY
Regulation: Prudential Supervision	Life insurance companies established within the EU are subject to the prudential supervision of their home regulators regardless of where sales occur. The level of prudential supervision is subject to the minimum requirement of the current EU directive and each member state has adopted various regulations equivalent or more onerous than the EU directives. Therefore, the prudential supervision framework of a particular member state is a key factor for companies when choosing the locations of their head offices. As described earlier it is intended that Solvency II will result in a more harmonised regulatory framework across the EU.
Regulation: Consumer Protection	Life insurance companies are subject to the consumer protection requirements of the member state where sales occur. This allows policyholders to enjoy their local consumer protection rules. Consumer protection rules vary throughout the EU. For example, the Financial Conduct Authority (FCA), the UK regulator with responsibility for consumer protection, has implemented the retail distribution review (RDR) which, amongst other requirements, restricts the use of initial commission to compensate intermediaries when selling insurance business. The information required to be provided to policyholders varies widely throughout the EU. Regulations are in development in the EU to require all member states to provide a minimum level of information to policyholders for certain insurance products in a 'Key Information Document.' Whilst consumers can purchase a policy from any insurance company selling into their member states, it is not yet possible for consumers to shop around and choose the best insurance contracts based on an EU-wide comparison.
National Law and Tax Regime	Each member state is subject to the law of the home member state. National law (including company law) varies from member state to member state. It is possible to set a company up under EU regulations called Societas Europaea (SE). An SE can register in any member state and transfer to another member state. National law continues to supplement the basic EU regulations. Each member state is subject to its own tax regime and rates of tax. The law by which the company will be governed and the local tax regime could be seen as key factors for companies when choosing where to set up a head office or whether to establish a branch.
Resources and Expenses	The availability of certain resources such as a skilled and experienced workforce (including language skills) and infrastructure, which vary throughout the EU member states, may also be key factors for companies when choosing where to set up their head offices. Labour costs within the member state and the location of the member state are also key considerations.

Cross-border insurance market in the EU

5.1.8. A key characteristic of an integrated economy is the ability to engage in cross-border sales activities.

5.1.9. The single authorisation provision of the Third Life EU Directive enables insurance companies to establish a presence anywhere in the EU on either a Freedom of Services (FoS) or Freedom of Establishment (FoE) basis.

5.1.10. Under the FoS approach, companies with head offices authorised in one EU country (the 'home' country) sell into another EU country (the 'host' country) with no permanent establishment in the territory in which business is sold. Companies selling insurance business under FoS are subject to corporation tax in the home country.

5.1.11. Under the FoE approach, each company has a permanent establishment (branch) in the territory in which business is sold. A company selling insurance business under FoE is deemed to have a taxable presence in the local market and is therefore subject to corporation taxation in the host country in respect of the branch business.

5.1.12. There are various reasons why companies prefer to operate on a FoS or FoE basis. For example, some companies may prefer to establish a branch because they want to sell through a direct sales force. In contrast, if a company wanted to sell through independent intermediaries and the corporation tax rate in the home country is lower, it may prefer to operate on a FoS basis.

5.1.13. It is possible for a company to operate on a FoS basis into one member state and a FoE basis into another. For example, AXA Life Europe (a large writer of unit-linked guaranteed business in Europe) has established its head office in Ireland. The company writes business in France and the UK on a FoS basis. In addition, the company has established branches in Spain, Portugal, Italy, and Germany and writes business in those countries on a FoE basis.

5.1.14. Regardless of whether companies are operating on a FoS or FoE basis they are subject to prudential supervision of the home regulator. The consumer protection requirements of the host regulator apply to companies operating on a FoS or FoE basis. This allows policyholders to enjoy their local consumer protection rules. It also allows consumers to more easily compare the offerings of local providers with cross-border providers, as both types of provider will be subject to the same rules in relation to marketing, advertising, disclosure, etc. Therefore, companies selling into multiple territories (potentially on a mix of FoS and FoE) are subject to the consumer protection requirements of each of the host regulators and the prudential supervision of the home regulator only.

Evolution of the cross-border market in the EU

5.1.15. Historically, Luxembourg was the preferred location for life insurance companies with an international client base, but cross-border sales in Ireland increased substantially during the 2000s. More recently, Malta has seen an increase in cross-border life insurance sales. Sales of cross-border business from Liechtenstein have also increased. However, cross-border life insurance sales in Malta and Liechtenstein are still well below the level of sales in Luxembourg and Ireland and we have therefore excluded these countries in our analysis below.

Luxembourg

5.1.16. Luxembourg's physical location at the heart of continental Europe, along with investor protection and confidentiality, were the main attractions for companies with an international client base.

5.1.17. The life insurance industry in Luxembourg was historically subject to strict external regulation, which required 'a priori' approval of policy conditions, premium rates, and other details. After the implementation of the Third Life EU Directive, the Commissariat aux Assurances (CAA), which is Luxembourg's insurance regulator, moved from 'a priori' control of conditions and tariffs to an 'a posteriori' position, where it is not a legal requirement for insurance companies to have conditions and tariffs approved by the regulator.

5.1.18. Client confidentiality is enshrined in Luxembourg criminal law, and it is therefore a criminal offence to pass on details to a third party without the client's prior approval. This can have advantages in certain circumstances, for example it allows a Luxembourg-based company to avoid having to give client details to tax authorities in another member state. But it also imposes some constraints on a company's operational freedom. This made outsourced third-party administration difficult. In 2013, Luxembourg introduced new legislation which improved outsourcing possibilities.

Ireland

5.1.19. The Irish government set up the International Financial Services Centre (IFSC) in Dublin in 1987. Companies based in the IFSC benefited from a low rate of corporation tax (10%) and were permitted to offer tax-free investment for policyholder funds, thereby placing them on a par with their continental European counterparts. At that time, domestic life insurance companies were taxed on the internal build-up of policyholders' funds (the so called 'I-E' basis, similar to the tax system that still applies in the UK), while only approved pensions business had tax-free accumulation ('gross roll-up').

5.1.20. The decision to tax profits from cross-border business at 10%, combined with the benefits of gross roll-up, attracted a large number of life insurers with aspirations to transact pan-European business to Dublin's IFSC. However, the preferential tax treatment of companies transacting cross-border business from Ireland did not go down well with many other members of the EU, who put pressure on the Irish government to end what they saw as discrimination. The government's response was to extend both gross roll-up of policyholders' funds and the low corporation tax (which was increased from 10% to 12.5% for cross-border insurers) to all companies from 2001. This move made Ireland even more attractive to companies aspiring to transact cross-border business as it made Ireland's tax regime for life insurance less exposed to challenge from other member states, because the new tax regime applied to both domestic and cross-border business.

5.1.21. Ireland has a well-developed regulatory regime, which often gives greater flexibility in terms of product development compared with some EU member states. Historically, regulation of the life insurance industry in Ireland has been based more on principle than on application of detailed rules.

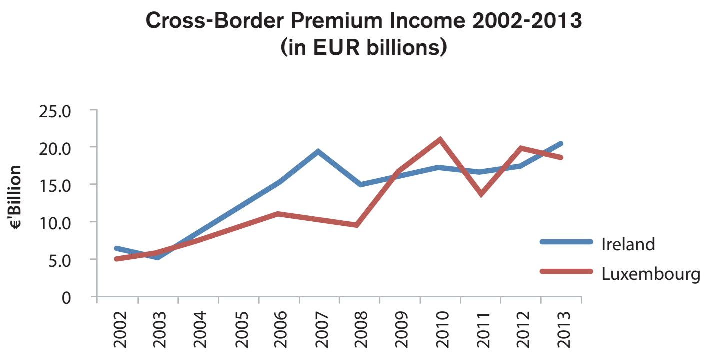
5.1.22. In theory, minimum solvency margin requirements are harmonised throughout the EU but there have been notable differences between Ireland and Luxembourg in how those requirements are implemented, particularly in relation to solvency margin requirements for non-guaranteed unit-linked investment business.

5.1.23. In recent years some large insurers have decided to centralise their European operations on a 'hub and spoke' model basis. Ireland has been chosen as a base for this corporate restructuring, for companies such as MetLife Europe (a subsidiary of the U.S.-based MetLife Inc.). Dirk Ostijn, chief executive officer (CEO) and Executive Director of MetLife Europe Limited, stated that 'the quality of the workforce was a key component of MetLife's decision to locate to Ireland.'

Cross-border premium income in the life insurance market

5.1.24. Life insurance cross-border premium income has increased substantially over the last number of years. Combined cross-border premium income from Ireland and Luxembourg was EUR 39 billion (USD 47 billion) in 2013. Cross-border premium income in the EU is predominantly single premium investment business. The evolution of premium income in the two major EU cross-border markets can be seen in the graph in Figure 18.

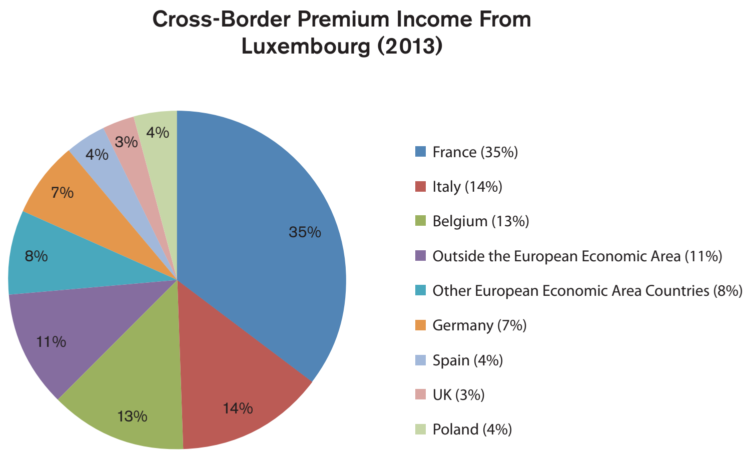
FIGURE 18: EU CROSS-BORDER PREMIUM INCOME FOR THE YEARS 2002-2013



5.1.25. Life insurance premium income in the EU as a whole was approximately EUR 627 billion (USD 755 billion) in 2013. Although cross-border premium income accounts for only 6% of total EU life insurance premium income, it is a more significant proportion of single premium investment business written in the EU.

5.1.26. In Luxembourg, cross-border sales to policyholders in France, Belgium, and Italy represent more than half of Luxembourg's cross-border market. The remaining premium income comes from wide range of countries within, and outside, the EU, as can be seen from the graph in Figure 19.

FIGURE 19: EU CROSS-BORDER PREMIUM INCOME FROM LUXEMBOURG IN 2013



5.1.27. Cross-border business from Ireland are largely represented by Italy and the UK. The remaining premium comes mainly from Spain, Sweden, Germany, Finland, France, and Portugal.

5.1.28. The main products sold into these markets from Ireland are:

- **Unit-linked investment business:** Much of the sales into the Italian market are simple mass-market savings/investment type products with no investment performance guarantee. Historically this included index-linked bonds with asset default risk being taken by the policyholder.
- **Tailored unit-linked business:** These are customised products for high net worth individuals with no investment performance guarantees and sold throughout the EU but with a particular focus on Italy and UK. It is thought that its principle-based regulation was one of the main attractions for insurers (particular Italian insurers) setting up and selling unit-linked and tailored unit-linked business from Ireland.
- **Variable annuity:** These are unit-linked contracts with investment guarantees sold into the UK and German markets predominantly. Again principle-based regulation is often put forward as the main reason for selling this business from Ireland.
- **Protection:** Products such as creditor type business which provides insurance cover on loans are sold into the UK and throughout the EU.

Solvency II and its impact on the cross-border market

5.1.29. As the Solvency II Directive is due to come into force on 1 January 2016, there will also be other EU regulations (known as the 'Delegated Acts') and guidance coming into effect on the same day to allow for maximum harmonisation and consistent interpretation of regulations across the EU.

5.1.30. The Solvency II Directive will require that a risk-based level of capital is held, internal control and governance processes are put in place, and consistent reporting of information is made available to the public and to the home regulator.

5.1.31. Companies will effectively be required to hold the same level of capital, have in place the same governance processes, and report the same level of information regardless of the member state the company is based in.

5.1.32. This will mean that the regulatory framework will no longer be a key factor for companies in deciding where to locate their head offices. The full impact of this more harmonised regulatory framework may not be seen for a number of years, as Solvency II includes some transitional measures to allow for the phasing in of certain requirements over 16 years.

5.1.33. However, the attraction of centralising operations on a 'hub and spoke' model basis will remain and, in fact, this model should become more attractive under Solvency II from a capital efficiency perspective. Under Solvency II, companies will benefit from diversification of risk when calculating capital requirements. By combining risks onto a centralised balance sheet (in the home country member state), the diversification benefits will be greater than if those risks were underwritten in separate entities within the group in a separate member state.

The euro and its impact on the cross-border market

5.1.34. Adopted as the official currency of 19 of the 28 EU member states, the euro came into existence as an accounting currency in 1999 and coins and banknotes entered into circulation in 2002.

5.1.35. In the years following the introduction of the euro there was an increase in cross-border life insurance sales in the EU. There are a number of possible reasons for this growth. The introduction of the euro may have encouraged cross-border insurance trade through:

- Removing exchange rate fluctuations from having expenses incurred in one country (and currency) and the premiums received in another
- Providing insurance companies with a wider choice of assets available to match liabilities (now within the eurozone) by currency
- Reducing the requirement for a vast number of bank accounts dealing with various currencies

5.1.36. However, the cross-border life insurance market was in a developmental stage at that point, so the increase is not likely to be fully attributable to the introduction of the euro.

SECTION 6. AEC CHALLENGES AND OPPORTUNITIES

6.1. Despite current concerns over the lack of coherence among ASEAN countries on AEC preparations, many are still of the view that closer regional integration, as envisioned by the AEC, will turn into reality eventually in one form or another, albeit not within the originally planned timelines.

6.2. The disparity between ASEAN countries is likely to be a hindrance for the region to consider a full integration with common regulation as per the EU (although it is becoming clearer that that is not what is envisaged).

6.3. The results of the MALI analysis show the markedly different stages of development of the insurance markets in the 10 member states. This reinforces the challenge of achieving common rules and regulations across ASEAN.

6.4. Other issues such as the absence of a common political framework, overarching law, or currency also further complicate efforts to achieve any significant integration. The level of commitment and ability to gain consensus among member countries is also questionable.

6.5. Whilst the progress to date suggests that the goal of fully fledged common regulation, with cross-border sales and flow of talent, may be more realistic as a long-term aspiration, there is scope to focus on what integration could mean in the immediate short- to medium-term time frame.

6.6. A more practical outcome initially may be to introduce minimum standards of operation for certain aspects of the life insurance industry. The area of sales practices could be one where minimum standards could be developed to apply across all markets. Working together to foster training and development for key skills is another area where countries could collaborate.

6.7. One possible model that could emerge is the adoption of the 'ASEAN Minus X' framework, in which member countries effectively participate in areas of integration only when they are ready. Other alternatives may be to group countries at similar development stages and implement integration at different speeds and time frames. To do this, the 'ASEAN 5' may be a good place to start, with Brunei and the CLMV countries in another group. Alternatively, grouping could be along the lines of common cultural links, for example 'Thailand Plus CLMV.'

6.8. A crucial starting point is to prepare the ground for closer integration in the future. For example, regulators in the region could first streamline common principles for key areas such as capital frameworks (e.g., RBC approaches with GPV-based reserving methodology), sales practices, and policyholder protection.

6.9. Some development in these areas is already taking place, prompted by meetings and discussions among regional regulators and a desire by countries to 'upgrade' their existing frameworks to be more in line with regional best practices. Resources could be deployed to assess whether there is scope to expand or accelerate these efforts in any way and to set minimum standards. Well-structured (and more realistic) road maps could be set out to introduce common solvency standards and principles, conduct financial literacy training, and promote common consumer protection initiatives, amongst other preparation.

6.10. There is also scope to do more to create capital markets that are more conducive to the life insurance industry. Increasing long-term debt issuance and making derivatives more 'regulation-friendly' are two areas that are likely to benefit life insurance players across all markets in ASEAN.

6.11. As part of another work stream under the AEC, mutual recognition arrangements (MRA) allow for the free flow of skilled labour among the ASEAN countries through recognition of education, experience, and licensing requirements attained in other countries and are used to elevate the issue of talent shortages. This is welcomed, as the lack of mutual accreditation agreements between various ASEAN countries has effectively restricted skilled professionals from practicing outside of their current locations or countries. However, it should be managed in a way that does not lead to 'brain drain' of important local talent.

6.12. In conclusion, the AEC readiness preparations have started slowly for the life insurance industry, and implementation remains somewhat challenging given the disparate stages of development of member states. However, we do see scope for more coordinated activity between member countries, which could lead to the introduction of some minimum standards in agreed areas such as sales practices, support with training and skills development, and/or the introduction of some common overarching technical principles.

6.13. Even though the ASEAN Secretariat has declared that the AEC should not be seen as a model comparable to the EU, there are still certain areas where ASEAN member states could look to learn from the EU's experience. For example, legislation in the EU has been translated into the 24 national languages so that all EU citizens have the chance to understand issues.

6.14. Identifying, pursuing, and achieving some smaller 'bite-size' initial goals will give the AEC credibility and momentum within the life insurance sector and could then be the platform for more ambitious targets in the future.

APPENDIX A. ASEAN COUNTRY OVERVIEW

BRUNEI

LIFE INSURANCE MARKET OVERVIEW	
2014 Gross Premium/Contribution [1]	Conventional: BND 74 million (c.USD 56 million) Family Takaful: BND 40 million (c.USD 30 million)
2014 Penetration Rate	Conventional: 0.3% Family Takaful: 0.2%
2014 Market Share of Top 5 Players [1]	Conventional: 100% (three conventional life insurers in the market–AIA, Great Eastern, and Tokio Marine Asia) Family Takaful: 100% (two Takaful companies–Insurans Islam TAIB Sdn Bhd and Takaful Brunei Darussalam)
Distribution Channels [1]	Predominantly agency, with bancassurance developing
Product Mix [1]	Not disclosed; popular product types are unit-linked and whole life for conventional and endowment for family Takaful

REGULATORY FRAMEWORK	
Regulator	Autoriti Monetari Brunei Darussalam (AMBD)
Foreign Ownership	100%
Branch Licenses	Available
Full Licenses	Available
Minimum Paid-up Capital Requirement	BND 8 million (c.USD 6 million)
Risk-Based Capital Requirement/Solvency Margin	No RBC Company margin of solvency–20% assets over liabilities Fund margin of solvency–20% net premium income of the fund in the last accounting period
Statutory Reserving Basis	Net premium valuation
Regulatory Development	New regulation expected for Takaful industry in 2013 in relation to commissions payable to agents and qualification requirements for such agents to sell Takaful products

Source: AMBD

(1): Statistics on split of new business/renewal premium, premium mode, product mix, and distribution mix are not publicly disclosed.

CAMBODIA

LIFE INSURANCE MARKET OVERVIEW	
2014 New Business APE [1]	Not available
2014 Mix NB APE by Premium Mode [1]	Not available
2014 Renewal Premiums [1]	Not available
2014 Penetration Rate [1]	Not available, but understood to be very low
2014 Market Share of Top 5 Players [1]	Statistics not available. There are currently three major life insurers: Cambodian Life Insurance, Manulife, and Prudential. A specialist micro-insurer, Prevoir Kampuchea Micro Insurance (PKMI), commenced operations in late 2011.
Distribution Channels [1]	Predominantly agency (In-house agents), bancassurance, some direct/telemarketing
Product Mix [1]	Very basic product suite: savings (education endowment), protection (whole life, term life)

REGULATORY FRAMEWORK		
Regulator	Ministry of Economy and Finance (MEF)	
Foreign Ownership	100%	
Branch Licenses	No	
Full Licenses	Yes	
Minimum Paid-up Capital Requirement	SDR 5 million (c.USD 7 million) [2]	
Risk-Based Capital Requirement/Solvency Margin	No RBC Solvency margin: (i) First year of operation: 50% of registered capital (ii) Subsequent years of operation:	
	CONDITION	**SOLVENCY MARGIN**
	If previous year's net premium is less than KHR 66.5 billion	KHR 13.3 billion
	If previous year's net premium is between KHR 66.5 billion and KHR 332.5 billion	20% of total premium
	If previous year's net premium is greater than KHR 332.5 billion	KHR 66.5 billion plus 10% of insurance surplus from the previous year
Statutory Reserving Basis	The new Insurance Law and sub-decree are silent on reserving requirements.	
Regulatory Developments	Life insurance industry begun only in 2011 to 2012. Financial entities have to move to International Financial Reporting Standards (IFRS) starting from 2015. The Royal Government of Cambodia is adopting the new Law on Insurance, which was promulgated under the Royal Kram No. NB/RK/0814/021 in August 2014 and became effective in February 2015. The new law will cover insurance companies' liquidation process, micro-insurance legal framework, life insurance legal framework, and compulsory motor insurance.	

Source: MEF

(1): Statistics on split of new business/renewal premium, premium mode, product mix, distribution mix, and penetration rate are not publicly disclosed.

(2): Special drawing rights (SDR) are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund. As of 31 December 2014, SDR 1 = USD 1.45.

INDONESIA

LIFE INSURANCE MARKET OVERVIEW (1)	
2014 New Business APE/ACE(2)	IDR 26.9 trillion (c.USD 2 billion)
2014 Mix NB APE/ACE by Premium Mode	82% regular premium 18% single premium
2014 Renewal Premiums/Contributions	IDR 51.6 trillion (c.USD 4 billion)
2014 Penetration Rate	1.2%
2014 Market Share of Top 5 Players	53% of total unweighted premium
Distribution Channels (mix based on 2014 NB APE/ACE)	Agency: 48% Bancassurance: 31% Telemarketing: 7% Others: 14%
Product Mix (mix based on 2014 NB APE/ACE)	Investment-linked: 59% Ordinary: 18% Group: 23%
REGULATORY FRAMEWORK	
Regulator	Otoritas Jasa Keuangan (OJK)
Foreign Ownership	80% for new applications; thereafter foreign partners can dilute domestic to effectively hold a greater share than 80%
Branch Licenses	No
Full Licenses	Available
Minimum Paid-up Capital Requirement	Conventional business: IDR 100 billion (c.USD 8 million) Guarantee fund of at least 20% of minimum capital must be held Shariah business: IDR 50 billion (c.USD 4 million) for stand-alone Shariah insurers; IDR 25 billion (c.USD 2 milion) of extra capital for Shariah windows
Risk-Based Capital Requirements/Solvency Margin	Conventional business: Risk charges Schedule A: Asset default risks Schedule B: Cash flow mismatch risks Schedule C: Foreign currency mismatch risk Schedule D: Adverse claims experience risk Schedule E: Insufficient premium risk Schedule F: Reinsurance risk Schedule G: Operational risk Schedule H: Investment product risk Minimum solvency ratio of 120% Shariah business: Risk charges (similar to conventional business) Schedule A: Asset default risks Schedule B: Cash flow mismatch risks Schedule C: Currency mismatch risks Schedule D: Risk of claims experience worse than expected Schedule E: Risk of insufficient contribution due to worse than expected investment return Schedule F: Reinsurance risks Solvency margin for Tabarru Fund to be met by both the Tabarru Fund and Shareholder Fund with the split being 30% Tabarru:70% Shareholder
Statutory Reserving Basis	Gross premium valuation
Regulatory Developments	A new Insurance Law has been passed by the government that would, among other things, allow a party to become the controlling shareholder of only one type of insurance business (3), appoint a controller(4), require separate Shariah license for Shariah business by 2024 (unless the Shariah assets are at least 50% of the total insurance company assets, in which case the spin-off is required immediately), establish policyholder protection funds, etc.

Source: AAJI, OJK

(1): Statistics cover conventional and Shariah (family Takaful) business.

(2): Annualised contribution equivalent (ACE), for family Takaful policies.

(3): Type of insurance business refers to conventional life insurance, Shariah life insurance, conventional general insurance, Shariah general insurance, conventional reinsurance, and Shariah reinsurance.

(4): A controller is defined as a party that 'directly or indirectly' has the ability to determine management and policies of the insurance company.

LAOS

LIFE INSURANCE MARKET OVERVIEW	
2014 New Business APE	Not available
2014 Renewal Premiums	Not available
2014 Penetration Rate	Very low
2014 Market Share of Top Players	Only Allianz General Laos (AGL) is actually selling life insurance business
Published New Business Margins (% APE)	Not available
Distribution Channels	AGL uses its in-house agents to sell its life products
Product Mix	Only two life products are available from AGL, including a three-year single pay savings plan and a term life linked to bank loan collateral protection

REGULATORY FRAMEWORK	
Regulator	Ministry of Finance
Foreign Ownership	No restriction
Branch Licenses	Yes
Full Licenses	Yes
Minimum Capital Requirement	The Revised Insurance Law requires a minimum paid-up capital of LAK 16 billion (c.USD 2 million)
Risk-Based Capital Requirements/Solvency Margin	Not applicable
Statutory Reserving Basis	Net premium valuation
Regulatory Developments	The Revised Insurance Law was approved and implemented in 2012, changing the insurance regulatory framework. Regarding accounting regulations, effective on 1 January 2015 onward, the insurance industry in Laos will adopt IFRS

Source: *Ministry of Finance*

MALAYSIA

LIFE INSURANCE MARKET OVERVIEW	
2014 New Business APE/ACE[(1)]	Conventional: MYR 4.7 billion (c.USD 1.3 billion) Family Takaful: MYR 1.0 billion (c.USD 0.3 billion)
2014 Mix NB APE/ACE by Premium/Contribution Mode	Conventional: 90% regular premium; 10% single premium Family Takaful: 74% regular contribution; 26% single contribution
2014 Renewal Premiums/Contributions	Conventional: MYR 26.4 billion (c.USD 8 billion) Family Takaful: Not available
2014 Penetration Rate	3.3% (conventional business only)
2014 Market Share of Top 5 Players	Conventional: 72% (based on total unweighted premium) Family Takaful: 73% (based on total unweighted new business contribution)
Distribution Channels (mix based on 2014 NB APE/ACE)	Statistics on distribution channels are not available. Main channels are agency, bancassurance, and direct/telemarketing

Product Mix (mix based on 2014 NB APE/ACE)

PRODUCT TYPES	CONVENTIONAL	FAMILY TAKAFUL
Individual	38%	29%
Investment-Linked	55%	54%
Group	7%	17%

REGULATORY FRAMEWORK	
Regulator	Bank Negara Malaysia (BNM)
Foreign Ownership	70% (some companies have higher percentages for historical reasons)
Branch Licenses	Not available
Full Licenses	Permitted, but no new licenses being awarded at this time
Minimum Paid-up Capital Requirement	MYR100 million (c.USD 29 million)
Risk-Based Capital Requirements/Solvency Margin	Conventional: RBC framework enacted in 2009. Risk exposures include credit risk (CRCC), market risk (MRCC), insurance liability risk (LCC), and operational risk (ORCC) Family Takaful: RBC for Takaful (RBCT) effective 1 January 2014. Separate funds for each Takaful fund and operator fund including Participants Risk Fund (PRF) and Participants Investment Fund (PIF). Risk exposures include CRCC, MRCC, Family Takaful liabilities (FCC), Shareholders' Fund Expense Liabilities (ECC), and ORCC.
Statutory Reserving Basis	Gross premium valuation
Regulatory Developments	Internal Capital Adequacy Assessment Process (ICAAP) has been effective from 1 September 2012, requiring elaborate internal processes to ensure the adequacy of ongoing capital, plans to monitor ongoing capital levels, and the rectification processes in the event of any breaches. Financial Services Act 2013 (FSA): Insurers holding composite licenses are given five years to separate their life and general insurance business into two entities, each requiring minimum paid-up capital of MYR 100 million (c.USD 29 million). Companies incorporated in Malaysia holding more than 50% equity interest in a licensed bank or insurer are required to apply to become a financial holding company. Prudential requirements are imposed on such financial holding companies on the appointment, election, reappointment, and reelection of chairman, directors, CEO, and auditors.

__Source:__ LIAM, BNM
(1): Annualised contribution equivalent (ACE), for Family Takaful policies.

MYANMAR

LIFE INSURANCE MARKET OVERVIEW	
2014 New Business APE	Not available
2014 Mix NB APE by Premium Mode	Not available
2014 Renewal Premiums	Not available
2014 Penetration Rate	Very low
2014 Market Share of Top 5 Players	Not available. Dominated by Myanma Insurance (state-owned composite insurer).
Distribution Channels	Predominantly agency, community programs, worksite marketing, some bancassurance
Product Mix	Basic term/group life, traditional endowment, snake-bite, and sports team coverage products

REGULATORY FRAMEWORK	
Regulator	Insurance Business Supervisory Board (IBSB)
Foreign Ownership	Not allowed (note: refer to regulatory developments below)
Branch Licenses	Not available
Full Licenses	Available for domestic insurers
Minimum Paid-up Capital Requirement	Life insurance: MMK 6 billion (c.USD 6 million) Composite: MMK 46 billion (c.USD 45 million)
Risk-Based Capital Requirement/Solvency Margin	No RBC requirements. The Myanmar Economic Bank retains 40% of minimum paid-up capital in case insurer is unable to meet obligations.
Statutory Reserving Basis	Not available
Regulatory Developments	In 2013, the government approved nine new composite insurance and three new life insurance licenses, all to domestic private companies. A number of foreign companies have set up representative offices in Myanmar, including AIA, ACE, Great Eastern Life, Manulife, MetLife, Muang Thai Life, Taiyo Life, and Prudential plc. In April 2015, it was announced that foreign insurance companies were to be allowed in due course to operate within Myanmar's special economic zones. A fee of USD 30,000 will apply for these new restricted licenses. In May 2015 and June 2015 respectively, Sompo Japan Nipponkoa Insurance and Mitsui Sumitomo Insurance Company Limited were awarded temporary licenses for six months to operate within the Thilawi special economic zone, although the focus is nonlife insurance.

Source: IBSB

PHILIPPINES

LIFE INSURANCE MARKET OVERVIEW	
2014 New Business APE	PHP 29.7 billion (c.USD 0.7 billion)
2014 Mix NB APE by Premium Mode	28% single premium, 72% regular premium
2014 Renewal Premiums	PHP 53.6 billion (c.USD 1.2 billion)
2014 Penetration Rate	1.2%
2014 Market Share of Top 5 Players	62% in terms of total unweighted premium
Distribution Channels (mix based on 2014 NB APE)	Agency: 56% Bancassurance: 34% Others, including direct marketing, telemarketing, brokers, IFAs, online, affinity, group, worksite marketing and shop-assurance: 10%
Product Mix (mix based on 2014 NB APE)	Variable life: 68% (including investment-linked products and universal life products) Traditional life: 32% (including endowment, whole life, credit life, term assurance, group, and riders)

REGULATORY FRAMEWORK	
Regulator	Philippine Insurance Commission
Foreign Ownership	No restriction
Branch Licenses	Yes
Full Licenses	Yes
Minimum Capital Requirement	Under the Amended Insurance Code issued in August 2013, new insurance companies are required to hold paid-up capital of a least PHP 1 billion (c.USD 22 million). All insurance companies are required to build up their statutory net worth on a staggered basis from 30 June 2013 to 30 June 2022. The timetable for minimum statutory net worth that an insurer must hold as a fixed capitalisation requirement is as follows:
Risk-Based Capital Requirement/Solvency Margin	The RBC framework, introduced in the Philippines in 2006 classifies the investment and insurance risks of a life insurer into four major categories, i.e., asset default risk, insurance pricing risk, interest rate risk, and general business risk. Life insurance companies are required to maintain a minimum capital adequacy ratio (CAR) of 100%.
Statutory Reserving Basis	Net premium valuation (refer to regulatory developments below)
Regulatory Developments	Since August 2014, banks are allowed to sell collective investment schemes (CISs), which include variable life business offered by financial product providers that are part of a financial conglomerate or banking group, subject to approval from the BSP. Various documentation (aimed at customer protection) is now required, including a product highlight sheet, a client suitability assessment, an investment policy statement, a disclosure of conflict of interest, and a standard disclosure statement. The statutory reserving basis for life insurance companies will change to a gross premium valuation method, as set out in Circular Letter “CL-No.2014-42-A” issued by the Insurance Commission in October 2014. The new basis will take effect from financial year-end 2015 onwards.

Minimum Capital Requirement timetable:

COMPLIANCE DATE	MINIMUM FIXED CAPITALISATION REQUIREMENTS (IN PHP MILLIONS)
30 June 2013	250
30 June 2016	550
30 June 2019	900
30 June 2022	1,300

Source: *The Philippines Insurance Commission*

SINGAPORE

LIFE INSURANCE MARKET OVERVIEW	
2014 New Business APE	SGD 3.3 billion (c.USD 2.5 billion)
2014 Mix NB APE by Premium Mode	73% regular premium, 27% single premium
2014 Renewal Premiums	SGD 9.1 billion (c.USD 7.0 billion)
2014 Penetration Rate	5.3%
2014 Market Share of Top 5 Players	75% (based on total unweighted premium)
Distribution Channels (mix based on 2014 NB APE)	Agency: 43% Bancassurance: 36% Financial advisory: 18% Others: 3%
Product Mix (mix based on 2014 NB APE)	Participating: 53% Nonparticipating: 31% Investment-linked: 17%

REGULATORY FRAMEWORK	
Insurance Regulator	Monetary Authority of Singapore (MAS)
Foreign Ownership	100%
Branch Licenses	Available but restricted to defined market segments (1)
Full Licenses	Available
Minimum Paid-up Capital Requirement	Investment-linked only or short-term accident and health business only: SGD 5 million (c.USD 4 million) All other life insurers: SGD10 million (c.USD 8 million).
Risk-Based Capital Requirements/Solvency Margin	Based on RBC framework (2004) Risk exposures include insurance risks (C1), asset portfolio risks (market, credit, interest rate mismatch, and foreign currency mismatch risks, C2), and asset concentration risks (C3). Minimum ratio of 120%.
Statutory Reserving Basis	Gross premium valuation
Regulatory Developments	Financial Advisory Industry Review (FAIR): Aimed at raising competence of financial advisors and quality of financial advisory firms, making financial advisory a dedicated service, lowering distribution costs, and promoting culture of fair dealing. MAS is currently progressively implementing initiatives and proposals recommended during the consultation of FAIR. Enterprise risk management (ERM): From 2013, insurers have been required to put in place a framework which includes identification and quantification of key risks, including performing an annual Own Risk and Solvency Assessment (ORSA), which is to be reported to the MAS. RBC2 (under consultation): Enhancements to the RBC regime, aimed at moving the current regime closer to international standards. The industry has just completed a second round of consultation with a revised round of consultations expected mid-2015. Full implementation expected from 2017.

Source: *LIA, MAS*

(1): Defined market segment insurers typically are only allowed to offer products with a minimum level of contracted premium (e.g., USD 50,000 contractual premium) or minimum sum assured and not permitted to write Central Provident Fund (CPF) business.

THAILAND

LIFE INSURANCE MARKET OVERVIEW	
2014 New Business APE	THB 114.5 billion (c.USD 3.5 billion)
2014 Mix NB APE by Premium Mode	5% single premium, 95% regular premium
2014 Renewal Premiums	THB 333 billion (c.USD 10 billion)
2014 Penetration Rate	4.1%
2014 Market Share of Top 5 Players	70% in terms of total unweighted premium
Distribution Channels (mix based on 2014 NB APE)	Agency: 42% Bancassurance: 50% Direct marketing: 4%, including telemarketing, direct response TV, and direct mail Other channels: 4%, including affinity, IFAs, worksite marketing, broker, online
Product Mix (mix based on 2014 NB APE)	Ordinary life: 86% of 2014 APE, including endowment (the most popular product class in Thailand), whole life, term assurance, riders, etc. Industrial: 1% of 2014 APE Group: 8% of 2014 APE, including group MRTA, group life, and group health Personal accident: 5% of 2014 APE

REGULATORY FRAMEWORK	
Regulator	Office of Insurance Commission (OIC)
Foreign Ownership	Currently up to 25% of direct foreign ownership. However, up to 49% foreign ownership is possible, subject to a waiver from the OIC. Foreign ownership beyond 49% requires OIC and Ministry of Finance (MOF) approval.
Branch Licenses	No
Full Licenses	No
Minimum Paid-up Capital Requirement	THB 500 million (c.USD 15 million) for life companies
Risk-Based Capital Requirement/Solvency Margin	Minimum capital adequacy ratio (CAR) of 140%. Actual CAR is determined as the total capital available (TCA) divided by the total capital required (TCR). The four components of TCR are market risk charge, credit risk charge, concentration risk charge, and insurance risk charge. Within the market risk charge, the interest rate risk charge is determined by carrying out prescribed stress tests on the levels of discount rates. For other components of the market risk charge, and for credit and concentration risk charges, a set of prescribed risk factors is applied. For the insurance risk charge, a GPV approach with a more stringent confidence level of 95%, GPV95%, is used. The insurance risk charge is calculated as the maximum of (cash surrender value minus GPV75%, GPV95% minus GPV75%) at the company level.
Statutory Reserving Basis	Minimum statutory reserves, as stipulated by the OIC, are based on a GPV approach, with assumptions set as the best estimate assumptions plus provision for adverse deviation at a 75% confidence level. However, many companies are still adopting a net premium valuation approach for statutory reserving, with a zillmer adjustment, typically 5.5%. The valuation assumptions consist of the valuation interest rates and valuation mortality table. The prescribed net premium valuation basis requires the use of a discount rate equal to the interest rate used in the pricing of the life insurance products, subject to a maximum interest rate of 6%. For ‘ordinary life’ business, the prescribed valuation mortality basis is 100% TMO86 table for policies issued before 2002, 100% TMO97 table for policies issued from 2002 to 2010, and 100% TMO08 table for policies issued after 2011. Unearned premium reserves and outstanding claims reserves are required to be set up for yearly renewable term business.

REGULATORY FRAMEWORK (CONTINUED)	
Regulatory Developments	Thailand Insurance Development Plan Vol 2 (2010-2014): A national plan established on 14 September 2010 with the vision that the insurance system is an important mechanism in ensuring that social stability is strong, meeting international standards and future challenges. RBC Phase 2 project (Thai RBC 2): This has been under industry consultation/testing for some time and not finalised at the time of writing this report, but its aim is to make the statutory solvency rules more risk-sensitive and to better align with evolving international standards. Under the Thai RBC 2 proposals, various changes to the prevailing RBC bases have been recommended, including moving to a target sufficient level of prescribed capital that is 150% of a recalibrated TCR with 95% sufficiency level, TCR95%, upon implementation and then subsequently moves to 100% of TCR99.5% five years or more after Thai RBC 2 implementation. A transitional period of one to two years has been proposed for Thai RBC 2 implementation, during which time insurers will be required to carry out parallel runs on both the old and new bases. As part of RBC regulatory reporting, an insurer is required to conduct certain stress tests. The current Phase I of simplified stress tests, as proposed by the OIC (identifying material risk which impacts high volatility of CAR in respect of in-force business only), is expected to be implemented prior to the Fellow Actuaries regulation in 2016, followed by more complex stress testing in Phase II from 2016 onwards. OIC requires insurance companies to comply with ERM schemes in order to establish more effective, efficient, and standardised business operations. Executive members of insurance companies are to formulate guidelines in ERM with an internal control system to ensure that relevant parties duly comply with the devised framework. In addition, an ERM policy and a three-year business plan are to be submitted by insurers to the OIC, which must include perspectives on scope of business, rate of expansion, and proposed schemes for expansion. Thailand's regulatory focus is now shifting to the Own Risk and Solvency Assessment (ORSA) and a system of governance requirements aimed at giving more insights on the effectiveness of capital management and helping to support the effectiveness of the Thai RBC 2 framework (once implemented). The OIC has been encouraging insurance companies to develop ORSAs since 2012 as a tool to link capital management, risk management, and business planning within companies. In preparation for the upcoming AEC, the OIC issued a paper for industry comments in June 2014 in relation to the potential requirements for Thai insurers to open overseas branches.

Source: *OIC, TLAA*

VIETNAM

LIFE INSURANCE MARKET OVERVIEW	
New Business Premium (unweighted[1]) in 2014	VND 8,959 billion (c.USD 419 million)
2013[1] Mix NB APE by Premium Mode	0.15% single premium, 99.85% regular premium
Renewal Premiums in 2014	VND 19,394 billion (c.USD 907 million)
2014 Penetration Rate	0.7%
2014 Market Share of Top 5 Players	89% in terms of total unweighted premium
Published New Business Margins (% APE)	Not available
Distribution Channels	Tied agency (historically the dominant distribution channel) Bancassurance penetration historically very low, despite many insurers having distribution agreements with several banks and some insurers having joint ventures with banks Some worksite marketing and direct marketing/telemarketing
Product Mix (mix based on 2013[1] NB APE)	Traditional endowments (participating and nonparticipating, 36%) and universal life (47%) are the most popular life insurance products, with universal life penetration growing rapidly in recent years. Protection riders (6%) have been historically popular in Vietnam, commonly attached to traditional endowments. Unit-linked penetration is relatively low, which is due partly to regulatory approval barriers.

REGULATORY FRAMEWORK	
Regulator	Ministry of Finance; Insurance Supervisory Authority
Foreign Ownership	No restriction, although approval is on a case-by-case basis
Branch Licenses	Yes
Full Licenses	Yes
Minimum Capital Requirement	VND 600 billion (c.USD 28 million) for life insurance business. Additional VND 200 billion (c.USD 9 million) is required to sell unit-linked business.
Risk-Based Capital Requirements/Solvency Margin	The statutory solvency requirements follow EU Solvency I rules. There is no RBC framework in place.
Statutory Reserving Basis	Reserving methods for long-term life business can be the gross premium valuation method, net premium valuation method, zillmerised net premium method, or other internationally proven methods. Unearned premium reserves are required for contracts of less than one year, on a per diem basis.
Regulatory Developments	The issuance of Circular No.124/2012/TT-BTC dated 30 July 2012 (Circular 124), concerning insurance businesses, and of Circular No.125/2012/TT-BTC also dated 30 July 2012 (Circular 125), concerning the financial mechanisms of insurance companies, represented significant changes in laws and regulations in the Vietnam insurance market and are aimed at contributing to a better competitive environment and increased transparency. The issuance of Circular 115/2013/TT-BTC by the Ministry of Finance, effective on 15 October 2013, is targeted, in part, at encouraging life insurers to offer new pension products. Under Circular 115, only life insurance companies with equity of more than VND 1 trillion (c.USD 47 million) would be allowed to offer this type of retirement insurance. In addition, they must deposit more than VND 200 billion (c.USD 9 million) to the voluntary pension fund without withdrawal.

__Source:__ Association of Vietnamese Insurers, Ministry of Finance
(1): Split of 2014 premium by premium mode and product type is not available.

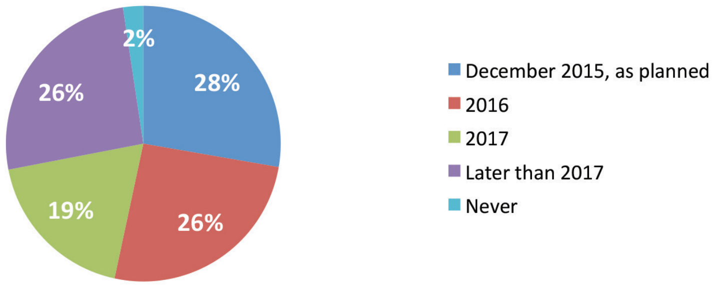
APPENDIX B. MILLIMAN AEC SURVEY RESULTS

Milliman carried out an online survey in 2014 amongst life insurance executives working in the ASEAN markets to gauge their views on certain aspects related to the introduction of the AEC. The survey drew a wide response, with 86 respondents from all of the ASEAN member states except Laos, plus responses from individuals based in other markets with ASEAN responsibilities.

This appendix presents the results of the survey below, along with some commentary on the key findings.

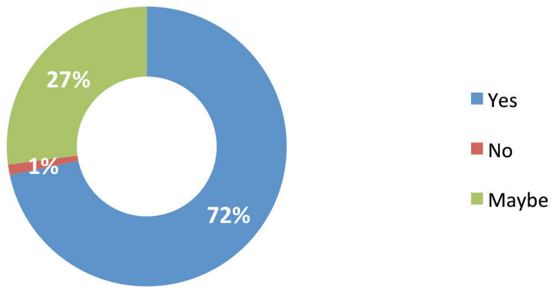
Results

Q1. WHEN DO YOU THINK THE AEC WILL COMMENCE?

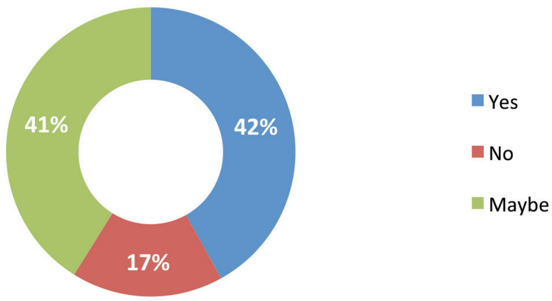


Perhaps unsurprisingly, given the challenges involved and the previous push-back of the commencement date from the original target of 1 January 2015, many respondents expected the launch to be delayed into 2016, 2017, or beyond. However, 28% of respondents were more optimistic and believed it would be successfully launched in December 2015, in line with the timetable.

Q2. DO YOU THINK THE AEC IS A POSITIVE DEVELOPMENT FOR COUNTRIES IN ASEAN IN GENERAL?

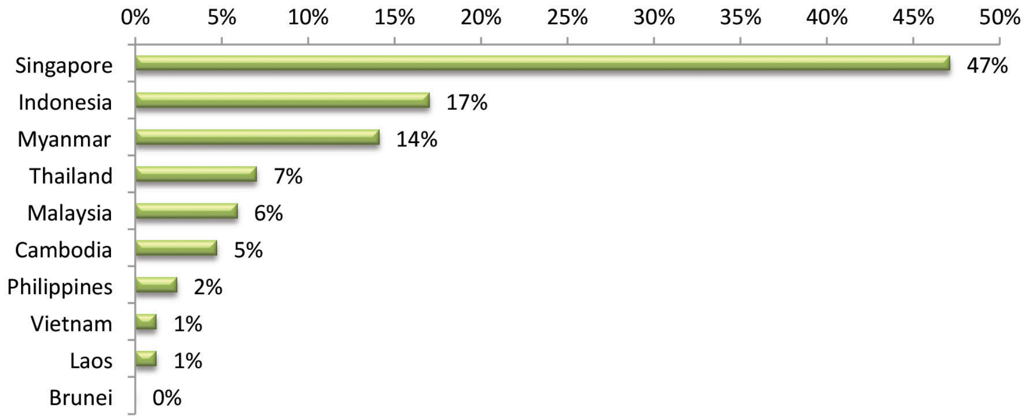


Q3. DO YOU THINK AEC WILL BE BENEFICIAL FOR THE LIFE INSURANCE INDUSTRY IN THE MARKET IN WHICH YOU OPERATE?



Despite concerns over launch timing, the vast majority of respondents thought that the AEC would be beneficial for ASEAN in general, although 27% remained unsure. Interestingly, people seemed to be less convinced of the advantages for the life insurance industry, with just over 40% saying it would be beneficial in the markets in which they operate and a similar proportion unsure. The results indicate a degree of scepticism and uncertainty amongst many ASEAN life insurance executives on the tangible benefits to them of the AEC.

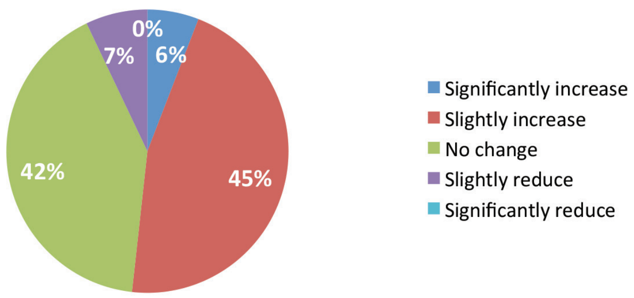
Q4. WHICH COUNTRY DO YOU THINK WILL BENEFIT MOST FROM AEC?



The survey findings reinforced the view held by many commentators that Singapore stands to gain the most from closer economic collaboration with its ASEAN neighbours by virtue of the relative sophistication of its market.

A relatively high proportion (17%) thought Indonesia, as the largest ASEAN economy and a growing force on the world stage, would be the most positively affected member state. Interestingly, a significant proportion (14%) felt that Myanmar would benefit the most, similar to Thailand, Vietnam, Cambodia, and Laos combined.

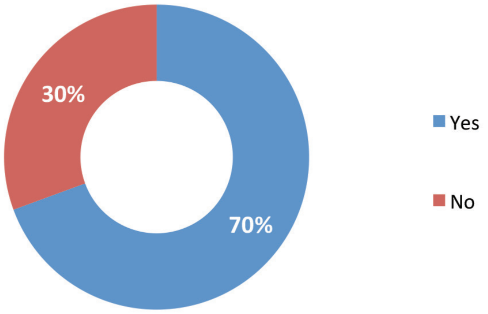
Q5. HOW DO YOU THINK THAT AEC WILL CHANGE THE LEVEL OF SOLVENCY CAPITAL REQUIREMENTS IN YOUR MARKET?



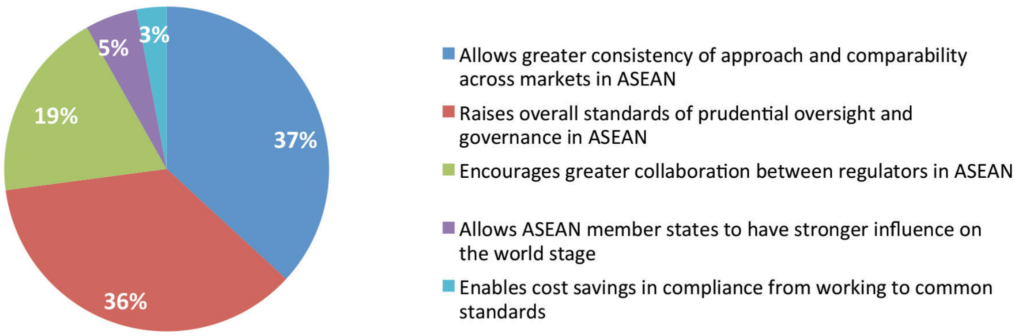
The survey findings suggested a strong consensus of opinion that the AEC would lead to slightly higher or similar levels of required solvency capital. However, only a small proportion (6%) felt that the increase would be significant.

Whilst many of the ASEAN markets have introduced risk-based capital frameworks over recent years, large differences exist in the nature of the requirements and the relative capital intensiveness of comparable products across different member states. It will be interesting to see whether the AEC implementation will lead to greater convergence in solvency requirements across member states and/or changes in product design and product strategies.

Q6. DO YOU SEE BENEFIT IN COMMON INSURANCE REGULATION ACROSS ASEAN?

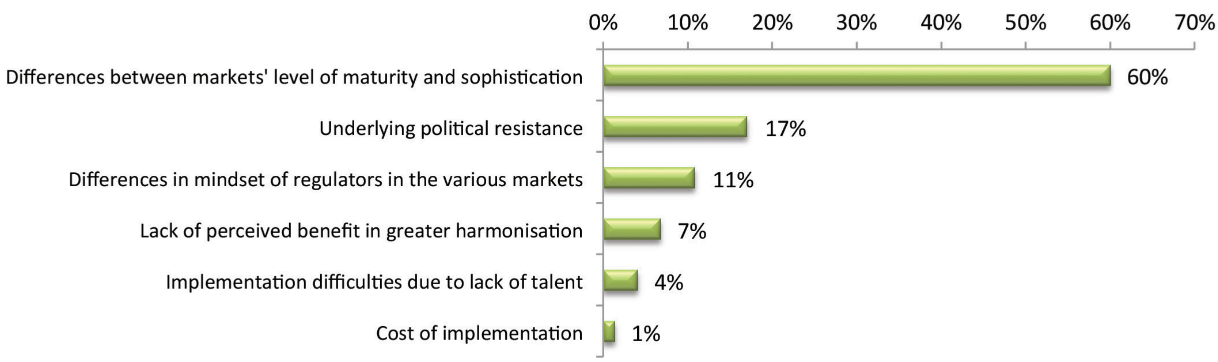


Q7. IF YES, WHAT DO YOU SEE AS THE MAIN ATTRACTION?



Based on the survey, the general feeling was that common insurance regulation had advantages, in particular in providing more comparability and consistency across markets and increased oversight and governance. Many respondents also saw benefits from closer ties among regulators across ASEAN, a trend that has been gathering pace in recent years. A significant proportion of respondents (30%), however, were not convinced that common regulation was advantageous at all.

Q8. WHAT DO YOU SEE AS THE SINGLE MOST SIGNIFICANT OBSTACLE IN MOVING TO COMMON INSURANCE REGULATION?

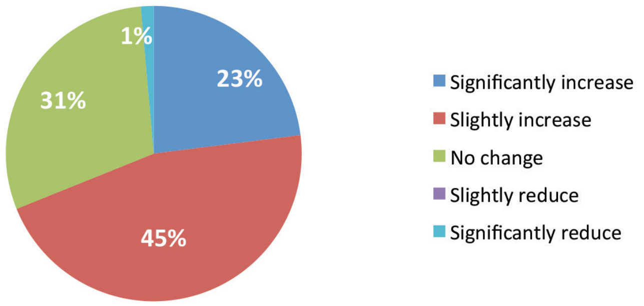


Respondents felt that the main barrier to introducing common insurance regulation in ASEAN was the disparity in the maturity and sophistication of markets. Many respondents also envisaged political constraints coming into play, with one saying:

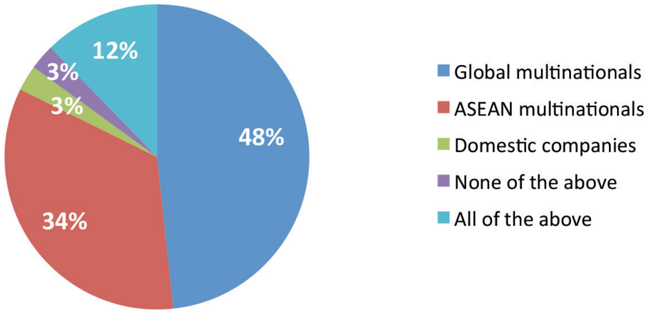
'It will be political, involving reciprocity on what are perceived to be mutually beneficial terms (i.e. probably not much cooperation within insurance).'

Implementation cost and talent issues were felt to be far less significant obstacles.

Q9. HOW WILL THE AEC IMPACT COMPETITION IN YOUR MARKET?



Q10. WHO DO YOU THINK WILL BENEFIT THE MOST IN THE LIFE INSURANCE SECTOR FROM THE AEC?

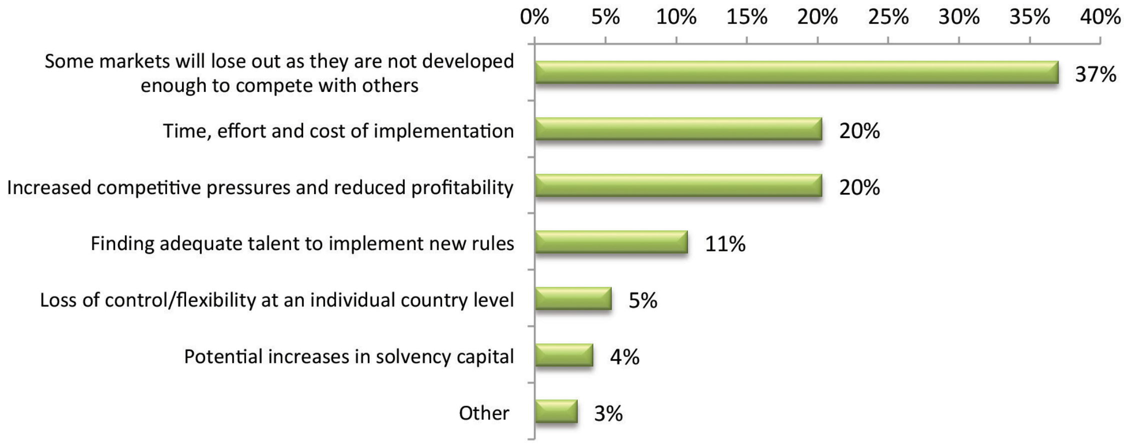


Nearly 70% of respondents thought that competition would intensify as a result. Only one respondent felt that it would reduce. The survey findings suggest that the AEC will be more positive for multinationals, especially global multinationals, compared with domestic companies.

Q11. WHAT DO YOU SEE AS THE BIGGEST BENEFIT IN THE LIFE INSURANCE INDUSTRY IN YOUR MARKET FROM THE IMPLEMENTATION OF AEC?

Respondents felt that the opportunity to sell products cross-border within ASEAN could be a major benefit of the AEC. The chance for greater innovation and more connected thinking to tackle common challenges and take advantage of common opportunities were also seen as benefits. Some people, possibly those working for multinationals, felt that the main benefit could be the increased portability of staff.

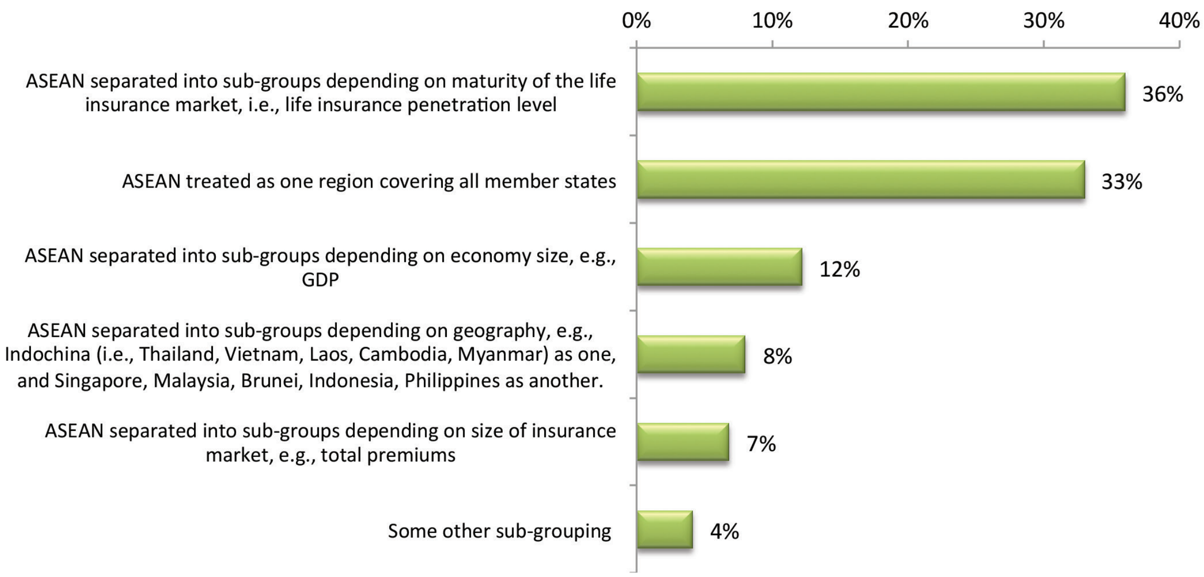
Q12. WHAT IS YOUR BIGGEST CONCERN OVER THE IMPLEMENTATION OF AEC TO THE INSURANCE INDUSTRY IN YOUR MARKET?



Many respondents (37%) expressed concern that the AEC would disadvantage the less developed markets within ASEAN. Another 20% of respondents were worried about the increased competitive pressures, and a similar proportion about the practical logistics and cost of implementation.

One of the 'Other' respondents commented:
'Countries will go through the pretense of opening up their markets but in practice will put in place significant hurdles.'

Q13. AT WHAT LEVEL DO YOU THINK COOPERATION UNDER THE AEC FRAMEWORK IS MOST SENSIBLE FOR THE LIFE INSURANCE INDUSTRY?



The survey findings indicate a divide. A significant proportion of respondents (33%) preferred the AEC to be rolled out across the ASEAN region in its entirety. However, many others believed that some subdivision of member states was more sensible. The most popular subgrouping suggested was one based on the relative stage of maturity of the life insurance market. Some respondents within 'Other' felt that a common framework could apply across all member states for certain core items, but with freedom of discretion for others depending on market maturity.

Conclusions

The survey findings suggest a general consensus that closer economic integration amongst ASEAN member states is likely to be beneficial. However, scepticism and uncertainty remain over the practicalities of implementation, and there is a degree of concern on how to allow for differences in the state of maturity of the constituent markets and reduce competitive disadvantages.

The findings suggest there may be clear winners; with Singapore, Indonesia, Myanmar, and multinationals all featuring prominently.

We may see increasing polarisation in ASEAN as a result, with some multinational groups operating across different markets that are able to take advantage of their existing platforms and regional connections to leverage synergies, whereas domestic players may find it more difficult to take advantage of closer economic integration.

The survey findings also imply that issues such as the relative strengths of local required solvency capital regimes may become more important.

It also, perhaps, gives cause for optimism for the life insurance industry. Implementing pan-ASEAN solutions in areas such as ageing populations and retirement planning, closing the protection gap, managing asset-liability duration mismatch, and making use of digital technology may be more feasible within a framework of closer subregional collaboration. It will be interesting to see whether the AEC will lead to shifts in the competitive landscape and opportunities for some players to implement 'game-changing' strategies.

APPENDIX C. GLOSSARY OF TERMS

AEC	ASEAN Economic Community	**KHR**	Cambodian riel
ACE	Annualised contribution equivalent	**LAK**	Lao kip
AGL	Allianz General Laos	**LIA**	Life Insurance Association
AMBD	Autoriti Monetari Brunei Darussalam	**MAS**	Monetary Authority of Singapore
APE	Annualised premium equivalent	**MMK**	Myanmar kyat
ASEAN	Association of Southeast Asian Nations	**MOF**	Ministry of Finance
BND	Brunei dollar	**MRA**	Mutual recognition arrangements
BNM	Bank Negara Malaysia	**MRTA**	Mortgage reducing term assurance
BSP	Banko Sentral ng Pilipinas	**MRTT**	Mortgage-related term Takaful
CAA	Commissariat aux Assurances	**MYR**	Malaysian ringgit
CAGR	Compound annual growth rate	**NLP**	Net level premium
CAR	Capital adequacy ratio	**NPV**	Net premium valuation
CEO	Chief executive officer	**OIC**	Office of Insurance Commission
CLMV	Cambodia, Laos, Myanmar, and Vietnam	**OJK**	Otoritas Jasa Keuangan
CRVM	Commissioners Reserve Valuation Method	**ORSA**	Own Risk and Solvency Assessment
ERM	Enterprise risk management	**PADs**	Provision for adverse deviations
EU	European Union	**PHP**	Philippine peso
EUR	Euro	**PIF**	Participants Investment Fund
FAIR	Financial Advisory Industry Review	**PRF**	Participants Risk Fund
FCA	Financial Conduct Authority	**QIS**	Quantitative Impact Study
FoE	Freedom of Establishment	**RBC**	Risk-based capital
FoS	Freedom of Services	**RBCT**	Risk-based capital for Takaful
FPT	Full preliminary term	**RDR**	Retail distribution review
FSA	Financial Services Act 2013	**SDR**	Special drawing rights
GDP	Gross domestic product	**SE**	Societas Europaea
HNWI	High net worth individual	**SGD**	Singapore dollar
IBSB	Insurance Business Supervisory Board	**TCR**	Total capital required
ICAAP	Internal Capital Adequacy Assessment Process	**TEV**	Traditional embedded value
IDR	Indonesian rupiah	**THB**	Thailand baht
IFAs	Independent financial advisors	**U.S.**	United States of America
IFRS	International Financial Reporting Standards	**USD**	U.S. dollar
IFSC	International Financial Services Centre	**VND**	Vietnamese dong
IIPRC	Interstate Insurance Product Regulation Commission		

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Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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