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Press Release

Milliman: Asian insurance market sees positive embedded value results in first half of 2016, despite headwinds

HONG KONG – December 22, 2016 – Milliman, Inc., a premier global consulting and actuarial firm, today released an updated report examining trends in the embedded value (EV) results for the 17 major insurance companies in Asia that published EVs as of mid-year 2016. For the first half of 2016, disclosed EV results have continued to be positive overall, with several emerging markets reporting double-digit growth as high as 20%; however, low interest rates and equity market volatility have continued to constrain growth in many countries in the region.

“The headwinds observed in the 2015 results have continued into 2016 as evidenced by the lower embedded value growth as compared to the same period a year ago,” said Milliman principal and consulting actuary Paul Sinnott. “Despite this, the value of new business (VNB) in the first half of 2016 continued to grow strongly in many countries, in particular China and Hong Kong. Going forward, we expect rising interest rates to improve embedded value results for the 2016 year-end, although in many cases recent rises have already been incorporated in economic assumptions to some extent.”

Key details from the Asia report include:

- Chinese companies experienced major growth in VNB compared to the same period in 2015, reflecting increased volumes of agency business, typically supported by optimistic investment return assumptions. There are also some questions around the VNB reporting of the high-return short-term products which have dominated new business sales.
- Hong Kong companies also saw strong growth in VNB, mainly driven by sales to mainland Chinese visitors. Among multinational corporations (MNCs) the largest reported increase in VNB was 59%.
- The Initial Public Offering (IPO) of ICICI Prudential in September 2016, the first life insurance company flotation in India, was oversubscribed by 10 times, with the price equivalent to a multiple of around 3 times embedded value and an implied new business multiplier of around 75.
- Declining or stagnant Asian equity markets have had adverse effects on the life insurance industry, particularly on insurers’ investment results and the performance of unit-linked and participating business lines. Low interest rates also continue to provide a major challenge to the industry in most Asian countries.



Interested parties may obtain a copy of the Milliman studies at <http://www.milliman.com/ev-research/> or receive further information by telephoning or emailing:

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About Milliman

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

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