

January 2019

Chinese non-life personal lines: consumer perspectives



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Executive summary

There is huge growth potential in China's non-life personal line insurance market...

We expect that the personal line non-life insurance market in China will grow strongly in the short to medium term. The Chinese economy has expanded rapidly since the early 1990s and, as wealth and living standards have improved, awareness of insurance has increased. This has been helped by government policy support for enhanced social welfare, which in turn has led to a rapid increase in demand for personal insurance products. Non-life insurers in China are developing their personal insurance portfolios through innovation in product design and digital delivery, which is supporting sustainable growth of the country's risk protection sector by expanding covers to new risks.

...including in travel, home and health insurance, the focus areas of this study.

Following strong sales of short-term health insurance policies (usually medical insurance products), which since 2016 have offered 1 million renminbi (around USD 146 000) in sum assured, personal mid-range medical insurance has become a major new growth area. We see significant growth potential in other personal lines where policy duration is less than one year also, such as in travel, home and health insurance. We forecast that premiums in all personal lines of business combined will grow by around 15% per annum from 2018-2020, outperforming the non-life sector overall and accounting for one third of total non-motor premiums by 2020, up from 6% in 2000.

Research methods used in this report.

This study investigates consumers' buying behaviours, risk perceptions and preferences specifically with respect to travel, home and health insurance. Our findings are based on focus group discussions and an online survey of 3 600 Chinese consumers that Swiss Re conducted between April and May 2018. A discrete choice model (DCM) was also used to analyse consumers' choice preferences. The following are some of the key findings:

This research and its results are of great significance to the industry.

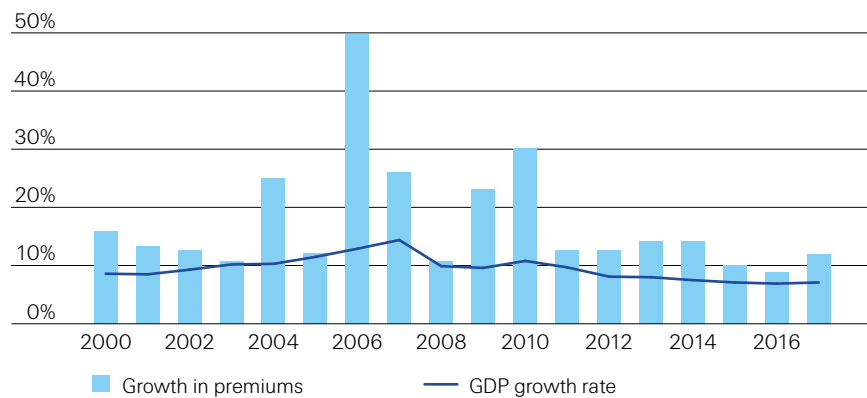
- Product features: premium level and coverage are important considerations, but consumers also attach significance to unique product features.
- Sales channels: many consumers in China shop online. This will be a key factor in the development of the non-life personal insurance sector. Consumer preferences for digital delivery vary for different products.
- Willingness to pay: consumers are willing to pay more for insurance covers that they prefer.
- More granular client segmentation is needed to develop products, services and marketing strategies that meet consumer needs.
- Simulation models can inform insurers about the economic outcome and penetration rate of different personal line products.

Introduction

Since 2000, non-life premium growth in China has outstripped GDP growth.

The insurance sector in China has been growing rapidly. Since 2000, non-life insurance premiums have increased by an average of 18% per annum, significantly higher than China's annual gross domestic product (GDP) growth rate of 13.1% (see Figure 1). The strong growth has been supported by the opening of the Chinese market to international insurers after the country's accession to the World Trade Organisation in 2001, and also by supportive government policy. According to *sigma* data, China became the world's second largest non-life insurance market in 2017, with premium income of more than USD 200 billion.¹ However, insurance penetration (premiums as a percentage of GDP) was just 1.81%, and insurance density (premiums per capita) less than USD 150, both lower than the developed country and global averages.

Figure 1
Real growth rates of non-life premiums and GDP (2000–2017)



Source: CEIC, Swiss Re Institute

The motor insurance segment is facing challenges

In the last 10 years, the motor sector has been the main driver of the strong growth in non-life personal insurance. Nevertheless, the sector is still in its infancy and high channel commissions and operating expenses have dented profitability. In 2014, the former China Insurance Regulatory Commission (CIRC) issued new guidelines on motor tariffs to improve the provision of covers and increase product differentiation among competitors. Successive drives to liberalise motor tariffs in 2015, 2017 and lastly in March 2018 have intensified competition in motor. Small- and medium-sized insurers with high combined ratios in particular are feeling the heat.²

¹ *sigma* 3/2018: World insurance in 2017: solid, but mature life markets weigh on growth, Swiss Re Institute.

² The reform of the commercial vehicle insurance rating has entered into a crucial stage, see <http://insurance.jrj.com.cn/2018/07/18091925520253.shtml>

The personal insurance market is a new engine for growth in the non-life sector.

As the Chinese economy enters the “new normal” phase of development, economic restructuring and social services provisions are receiving increased government attention.³ A range of initiatives including supply-side reforms, welfare projects, the Belt and Road Initiative and poverty alleviation strategies are leading to increased demand for non-motor personal insurance line products,⁴ including agricultural, commercial property, credit, liability, engineering and short-term accident and health covers. However, these lines require specialist knowledge in risk assessment, underwriting and claims adjustments, areas where China’s insurers face a short-term skills gap. At the same time, many insurers are investing more in other non-life personal lines, such as travel, home and short-term health (policies of less than 1-year duration) insurance. Recently there has been strong growth in medical insurance in particular. This started in 2016 when insurers offered 1 million renminbi (approximately USD 146 000) in sum assured for the first time. Of late, short-term health covers have been driving overall non-life sector growth, as the growth rate in motor premiums has weakened.

³ China’s President Xi Jinping applied the phrase “new normal” in May 2014 to describe the next period of economic growth for China, that is, a lower but sustainable growth rate. See “New normal in economic development”, *chinadaily.com.cn*, 5 October 2017.

http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-10/05/content_32869258.htm

⁴ Includes all types of insurance except car insurance. Specifically, this includes enterprise property, engineering, liability, credit, guarantee, marine, agricultural, special risks, accident and health, as well as other social insurance.



Market opportunities

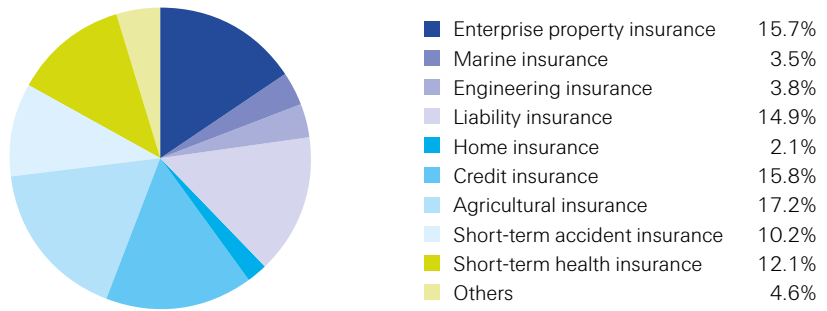
Personal insurance still has a low market share in China.

Personal insurance

Motor (commercial and personal) accounts for 70% of non-life premiums in China (in 2017), by far the largest line of business. Personal lines like home, personal accident and short-term health insurance account for 2.1%, 10.2% and 12.1% of non-life premiums, respectively, excluding motor business (see Figure 2). Together these lines were 25% of total non-motor line premiums in 2017, up from 6% in 2000.

Figure 2

Market share of different lines of non-life insurance in 2017 (excluding motor)



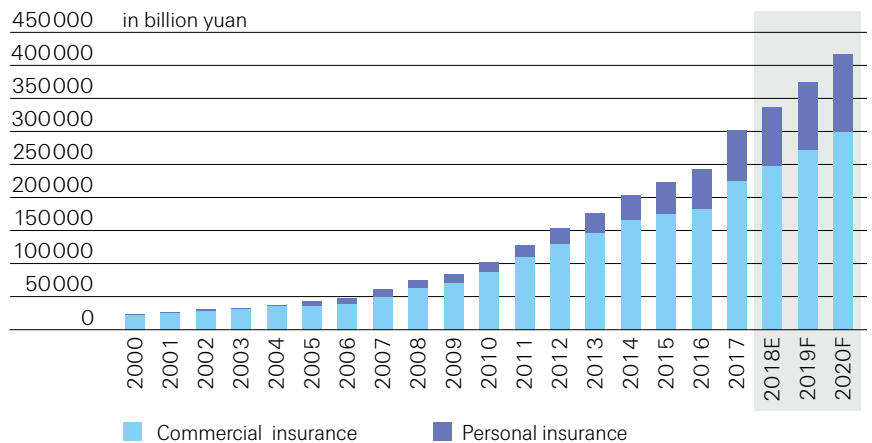
Source: CEIC, Swiss Re Institute

Non-life personal lines have been growing faster than commercial lines.

Between 2000 and 2017, premium income from commercial and personal insurance increased on average by 15% and 27% annually, respectively (see Figure 3). Non-life personal business was boosted by a revision of the Insurance Law in 2002 which granted non-life insurers with due certification permission to offer short-term health and accident insurance. Growth has accelerated further since 2016 with the development of online insurance and the introduction of innovative short-term health covers. We forecast that from 2018-2020, premium growth in personal lines business (driven mainly by short-term health, personal accident (PA) and home insurance) will be around 15% annually, outperforming the non-life sector and accounting for one third of non-motor personal insurance premiums by 2020.

Figure 3

Growth trends – commercial vs personal insurance



Note: Excludes motor insurance; E = estimate; F = forecast.

Source: CEIC, Swiss Re Institute

New growth opportunities in personal insurance.

Growth outlook for personal insurance

We believe there are significant growth opportunities in the non-life personal insurance sector in China in the short to medium term, given supportive government policy, rising wealth and technical innovation. The following will be key growth factors:

- China's 13th Five-Year Plan, with policies to support improvements in social welfare, environmentally friendly growth, development in rural areas and technological innovation.
- In addition, the "New Directives" issued by the State Council in 2014 have encouraged insurers to develop a comprehensive range of health, sickness and disability covers. At the same time, the directives seek to better integrate private insurance with social basic insurance and the national health services industry. According to the "Healthy China 2030 Plan" published in October 2016, the government will support development of private health insurance through the provision of preferential policies such as tax concessions to incentivise more people (and companies for their employees) to buy private health insurance and other supplementary insurance policies.
- According to China's National Bureau of Statistics, average disposable income in China was CNY 25 974 in 2017, up 9% from the previous year. As incomes increase, we expect that demand for personal insurance (including home and health insurance for family members) will continue to grow, and consumers will likely increasingly look for tailor-made covers that offer a range of value-added services.
- According to the 41st Statistical Report on Internet Development in China published by the China Internet Network Information Center (CNNIC)⁵, there were 772 million Internet users in China as of December 2017, or 55.8% of the population. That's 4.1 percentage points (ppt) more than the global average (51.7%) and 9.1 ppt points above the Asia average (46.7%).
- According to data from the Insurance Association of China⁶, premium income from online sales of personal non-motor insurance was CNY 6.049 billion in the first quarter of 2018. That was 41.8% of non-motor sales, up 9.1 ppt from the previous year. Personal accident and health premium income was CNY 2 986 billion, or 49.4% of all non-motor premiums. Credit insurance premiums were CNY 904 million (14.9% of total), and liability premiums CNY 593 million (9.8% of non-motor total). Premium income from home insurance was CNY 405 million (6.7%). Premiums from other lines (mainly return shipping insurance accounted for the rest (CNY 1.164 billion).

⁵ 41st Statistical Report on Internet Development in China, China Internet Network Information Center, January 2018.

<https://cnnic.net.cn/lwfyzyj/hlwxzbg/hlwtjbg/201803/P020180305409870339136.pdf>

⁶ First-quarter online premium revenues grow 30.9% year-on-year, ending period of negative growth, China Internet Network Information Center, 2018, http://www.xinhuanet.com/fortune/201805/23/c_129878751.htm

Survey methods

Focus group discussions and online questionnaire.

In March 2018, Swiss Re held focus group discussions to investigate the factors that affect consumers' buying behaviour and preferences for value-added services for different types of insurance. Between April and May 2018, we conducted an online survey covering 3 600 Chinese consumers in first- and second-tier cities. Aged 18 to 55, the participants are decision-makers in insurance purchase actions. They were asked about their personal circumstances and insurance-related issues, including needs, channel preference and desire for value-added services. The focus areas of our study were travel, home and health insurance.

Discrete choice model (DCM).

In addition to direct survey questions, we used a discrete choice model (DCM) to further analyse consumer choices. DCM analysis simulates real-life circumstances with respect to the purchase of insurance and yields deep insights into consumers buying behaviours. The following areas were the scope of our research:

Scope of research

- Product development: in addition to premium levels and coverage (sum assured), what other aspects of a policy are important to consumers?
- Distribution channels: online platforms are becoming increasingly important. How do consumers purchase different types of insurance? Identifying the way in which consumers research and purchase policies is key to increasing sales.
- Willingness to pay: are consumers willing to pay more for an attractive product or product feature? If so, how much are they prepared to pay?
- Customer segmentation: how to meet consumer demand based on right products, services and marketing strategies.
- Investigating through simulation how insurers can increase the economic benefit of risk protection solutions and increase overall insurance penetration, based on a different mix of product attributes



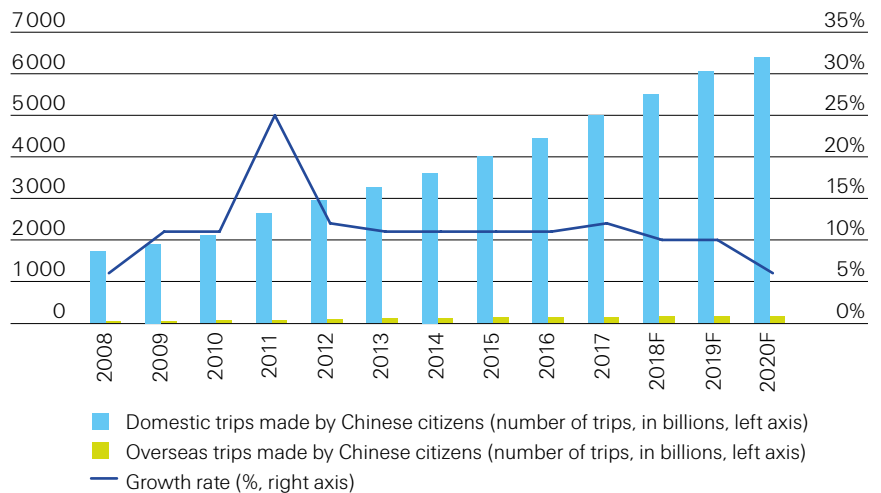
Understanding consumers' risk perception and awareness

Travel insurance

China's tourism market is booming

From 2008–2017, the number of Chinese tourists (domestic and overseas) grew by 12.7% per annum. In 2017, Chinese tourists made 143 million trips overseas, and there were 5 billion trips within China. According to the State Council's 13th Five-Year Plan on Tourism, the number of overseas trips will reach 150 million by 2020, and there will be around 6.4 billion trips domestically (see Figure 4).

Figure 4
Number of Chinese tourists
(2008–2020 (forecast))



Source: CEIC, Swiss Re Institute

46% of respondents go on at least one overseas trip per year

The main reasons for the rapid growth in tourist travel include higher disposable incomes, an increase in the number of countries with 'Approved Destination Status', and simplified passport and visa application procedures. Almost half (46%) of the respondents to our survey make at least one overseas trip per year. Over the past 12 months, destinations in Asia (including Hong Kong, Macau and Taiwan) were the most popular, followed by the US and Europe.

Three major risk perception by consumers: accident, financial losses, travel/flight delay

Most tourists travelling overseas buy travel insurance themselves or via a travel agent. Often insurance is required as part of the visa application.⁷ Tourists – especially those travelling to overseas destinations – face a number of potential risks, as they are not familiar with the local culture and language. In the event of an accident, illness or other incident, it can be difficult to find assistance or seek compensation. Tourists travelling within China face similar issues. According to our survey, all tourists believe the three greatest risks in travel are personal injury, loss of property and travel/flight delays (see Figure 5). For tourists travelling overseas, medical contingency is also an important risk. Domestic tourists are more concerned than those going overseas about natural disasters, theft and traffic accidents (eg, in a rented vehicle).

⁷ In order to apply for a Schengen visa, Chinese tourists are required to purchase a travel insurance policy with a minimum coverage of CNY 300 000 (EUR 30 000) and a minimum term of one month.

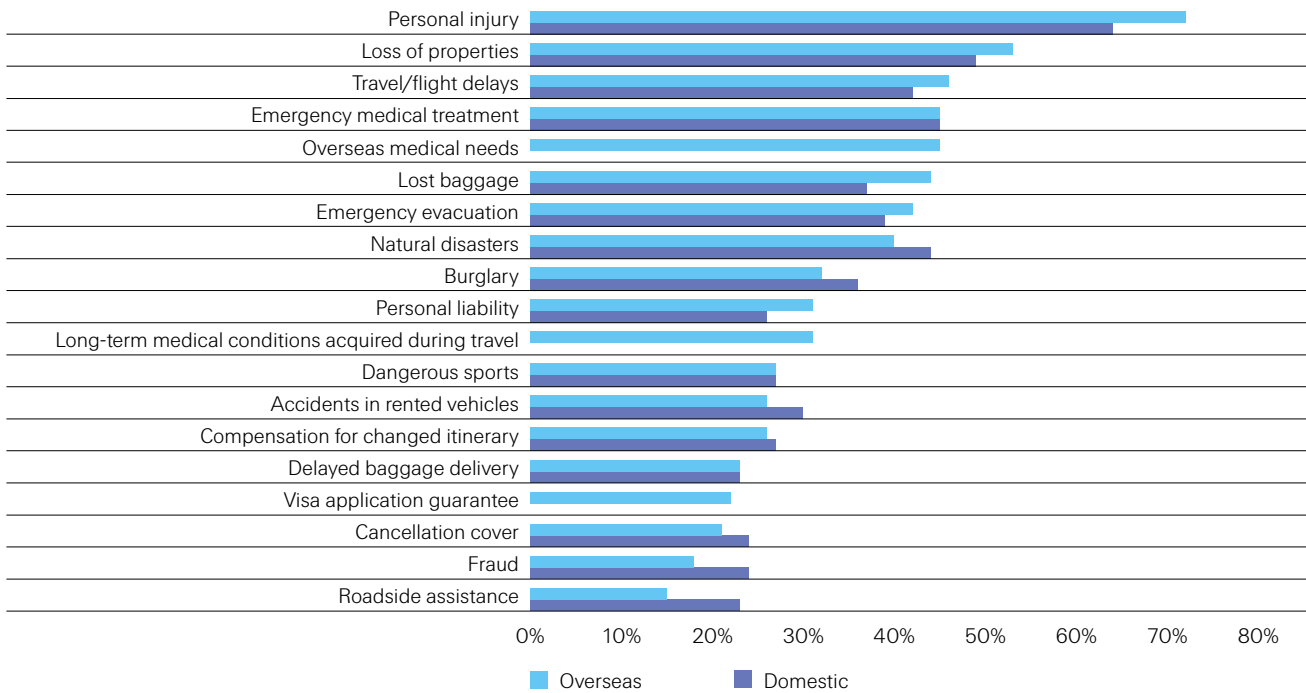
Understanding consumers' risk perception and awareness

75% of tourists travelling overseas purchased travel insurance, but only 38% had multi-trip travel insurance.

In our survey, 75% of people going on holiday overseas bought travel insurance. Of those, 38% purchased a multi-trip policy, while 79% of single-trip policyholders said they would consider purchasing a multi-trip policy if they were planning more than one vacation and were better informed about the benefits of multi-trip policies.

Figure 5

Greatest risks for tourists



Source: Swiss Re survey

Take-up of home insurance in China remains low ...

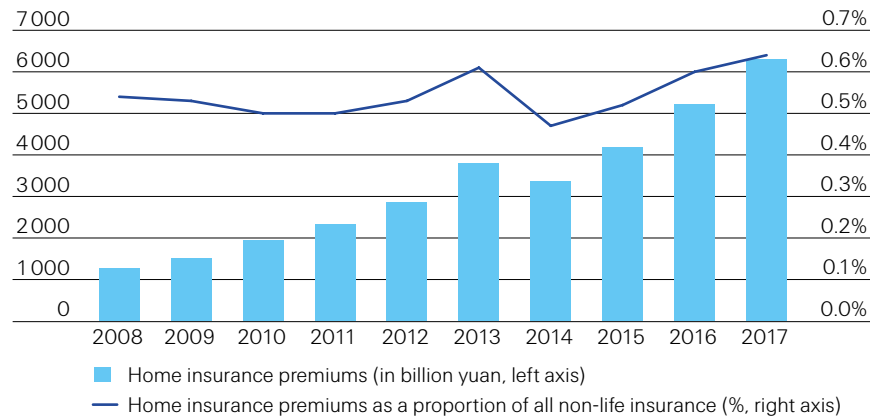
... and we believe this segment holds significant premium growth potential.

Home insurance

Between 2008 and 2017, home insurance premiums grew by an annual average of 19%, close to the annual growth of 17% for the non-life industry as a whole. However, home insurance accounted for just 0.64% of total non-life premium income in 2017, just a 1 ppt increase from the level in 2008 (see Figure 6).

Investment in private property has increased rapidly since 1998, especially in first- and second-tier cities, and prices grew exponentially between 2000 and 2010. In our survey, 66% of respondents from first- and second-tier cities live in apartments that were built after 2000. This period of rapid property sector development coincided with a strong rise in disposable incomes, leading to increased purchases of home appliances and other durable goods, but not of home insurance. As such, we believe there remains large untapped premium potential in home insurance.

Figure 6
Home insurance premiums and market share (2008-2017)

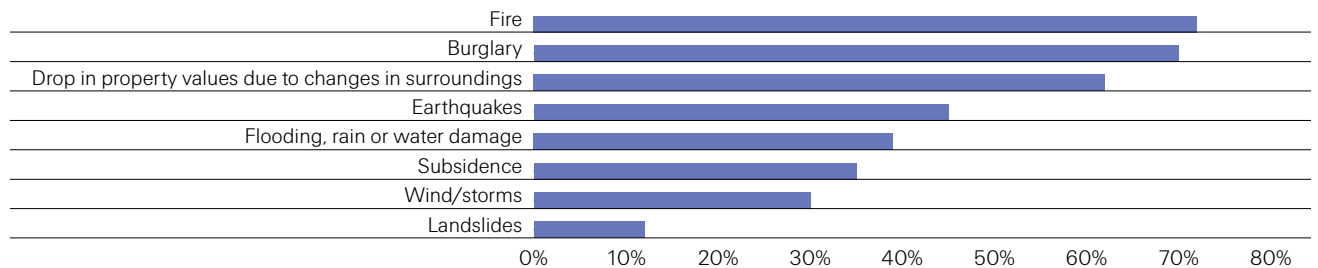


Source: CEIC, Swiss Re Institute

Survey respondents listed fire, burglary and a fall in property values as their three main risk concerns.

Home ownership is associated with a number of risks. Respondents to our survey listed the three main risk worries as being fire (72%), burglary (70%) and a fall in property value due to changes in the surroundings (62%, see Figure 7). Fires can destroy property, while explosions, burst water and gas pipes, gas leakages and theft are common cause of property loss. Home owners are also concerned about natural disasters and changes to the surrounding areas that may reduce the value of their property (eg, the construction of a landfill site or a serious incident or crime nearby).

Figure 7
Greatest risks for respondents



Source: Swiss Re survey

More than 70% of respondents want to insure themselves against loss of property and personal safety

Personal property and safety is important for many of the survey’s respondents: 83% of home owners and 78% of tenants believe that personal property is the most important consideration, while 73% of home owners and 74% of tenants believe that personal safety is very important. Of those respondents who purchased home insurance, 54% had experience of a fire, water damage or burglary, while 45% had heard of people who had experienced such an incident. These ‘real-life stories’ are an important motivation in the purchase of home insurance.

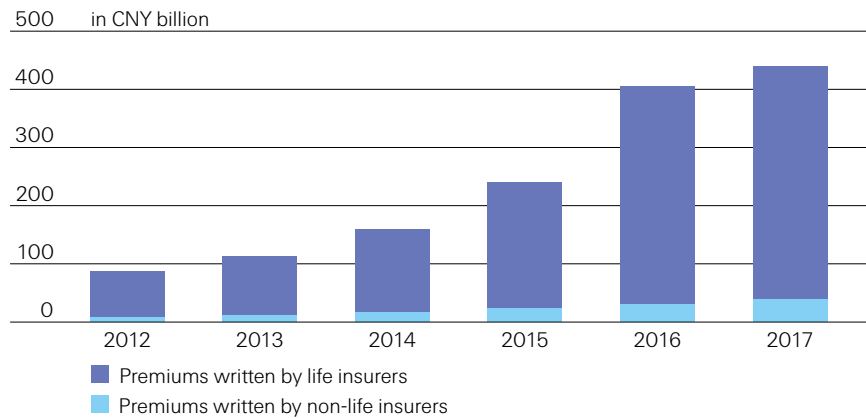
The health insurance market is growing rapidly.

Health insurance

The health insurance market in China has grown rapidly since 2012, with premium income increasing by an annual average of 38% (see Figure 8). According to the government's "Healthy China 2030 Plan", health insurance premiums are targeted to exceed CNY 1 trillion by 2020.⁸ Income from short-term health insurance policies issued by non-life insurers has increased rapidly in recent years, by an annual average of 40%, growing from CNY 7.2 billion in 2012, to CNY 39.4 billion in 2017.

The development of the private health insurance industry has made an important contribution to establishing a comprehensive health care system in China, improving overall social welfare. Over the next few years, we expect that higher disposable incomes, greater awareness of healthcare issues and demographic challenges such as an ageing population and urbanisation will fuel demand for reliable, comprehensive and personalised health insurance policies.

Figure 8
Health insurance premiums written by life and non-life insurers



Note: non-life insurers can write short-term policies (less than 1 year) only. Life insurers can write both short- and long-term health insurance policies.

Source: CEIC, Swiss Re Institute

⁸ *Healthy China 2030 Plan*, State Council, 2016, see http://www.gov.cn/zhengce/2016-10/25/content_5124174.htm for details.

In addition, the government has issued a number of policies aimed to support the development of the health insurance (see Table 1).

Table 1

Key government -supporting policies

Date	Policy	Purpose
September 2013	Guidelines on the Promotion of Health-Related Industries issued by the State Council	Promotes the development of private health insurance to complement state-funded healthcare.
November 2013	Incidence Rate of Critical Illnesses issued by the China Insurance Regulatory Commission (CIRC)	Specifies the incidence and mortality rates for 25 critical illnesses.
August 2014	Guidelines on Accelerating the Development of the Modern Insurance Service Industry (the New Directives)	Encourages insurance companies to develop a comprehensive range of health, sickness and disability insurance policies and support the healthcare industry.
October 2016	Healthy China 2030 Plan	Promotes the development of the private health insurance industry and implements preferential taxation policies to encourage companies and individuals to purchase private health insurance and other supplementary policies.
May 2017	Notice on Regulating Insurance Policies Sold by Life Insurance Companies issued by the China Insurance Regulatory Commission (CIRC)	Reaffirms the CIRC's support for private health insurance.

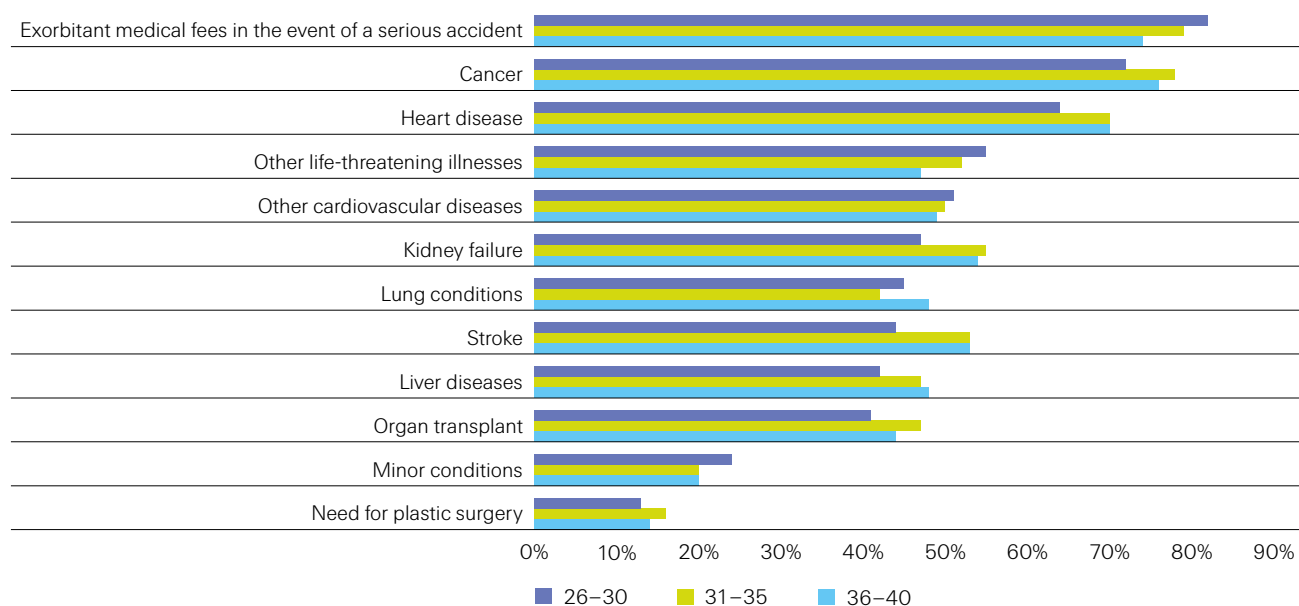
Source: Swiss Re Institute, collated from public available sources

The three greatest perceived risks are personal injury and associated cost, cancer and heart disease.

In our survey, 81% of respondents expressed an interest in health insurance. Many people were influenced by friends or family members who had experienced an accident or illness. The respondents were most concerned about high medical fees in the event of a serious accident, with worry about cancer and heart disease not far behind (see Figure 9). Respondents aged 26–30 were more concerned about serious accidents, while cancer was more of a concern for those aged 31–35. All three factors were considered as high risk among respondents aged 36–40, possibly reflecting that the risk of major illness increases with age.

Figure 9

Health risk perception by different age groups



Source: Swiss Re survey



Consumer buying behaviours and preferences

Buying behaviour: research online, purchase (mostly) offline

According to the results of our survey, an increasing number of consumers are researching and purchasing insurance policies online.

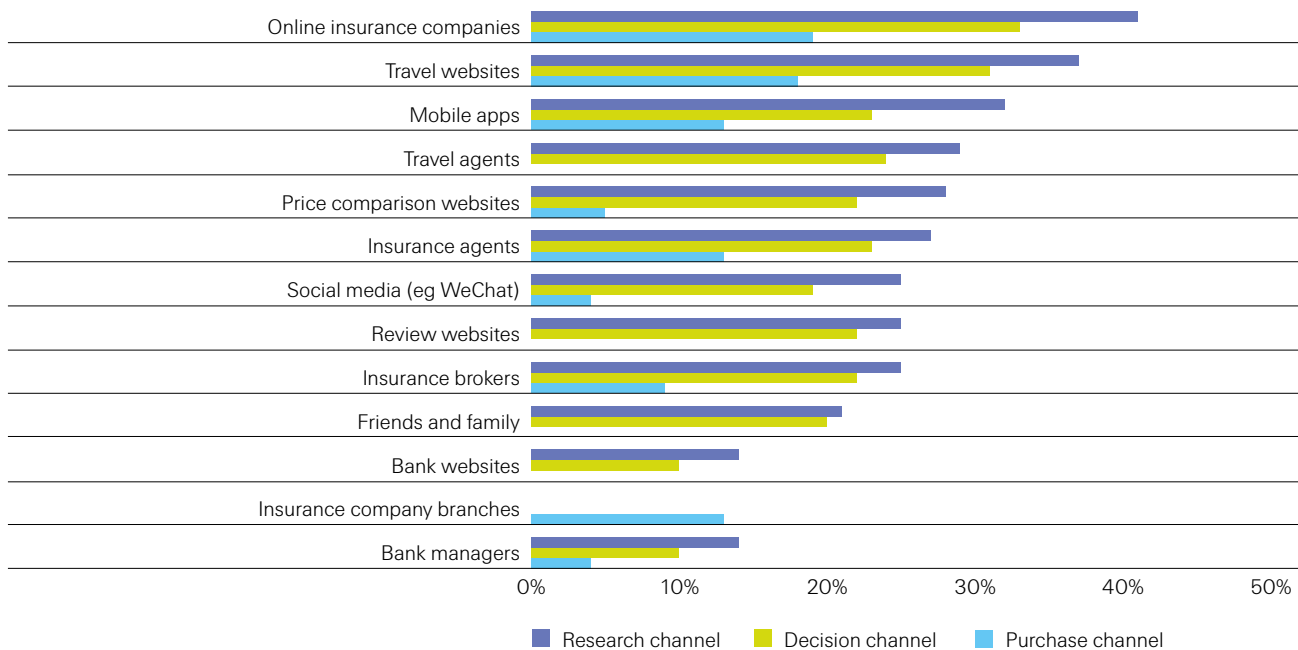
Customers like to research and purchase travel insurance online.

Travel insurance

Travellers like to use mobile and online platforms to obtain information about travel insurance (see Figure 10). Online insurance companies, travel websites, mobile apps, travel agents, price comparison websites and insurance brokers/agents are the major sources of information. According to our survey, after deciding to purchase a policy almost 60% of respondents purchased a policy online, and 40% offline. Online platforms – which feature a wealth of information and user-friendly payment options – are becoming increasingly important. Many people are convinced of the need to purchase travel insurance after hearing of a friend or family member who had an accident while on holiday, or after reading a news story.

Figure 10

How customers research, choose and purchase travel insurance policies



Source: Swiss Re survey

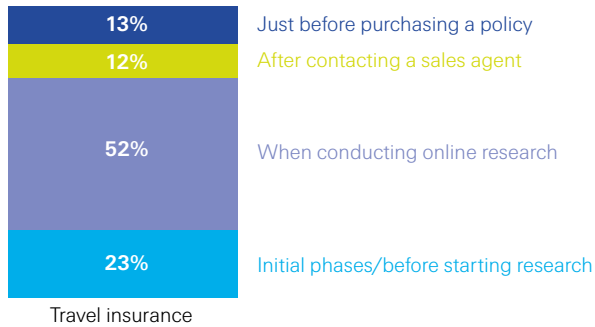
52% of respondents who chose not to purchase a travel insurance policy dropped out during the research phase.

We also surveyed respondents who decided not to purchase travel insurance (about 15% of respondents). It takes approximately 1.5 weeks for a consumer to research and purchase travel insurance. Of those respondents who decided not to purchase a policy, 52% came to such decision after researching the available options; 12% decided not to purchase a policy after contacting an insurance agent/broker; and 13% stopped at the last minute just before purchase (see Figure 11). As the number of travelers from and within China will very likely continue to increase strongly, insurers should seize the opportunity to increase their market share by developing new products and identifying new customers groups, and by making travel insurance more easily accessible.

Consumer buying behaviours and preferences

Figure 11

When customers decide not to purchase a policy



Source: Swiss Re survey

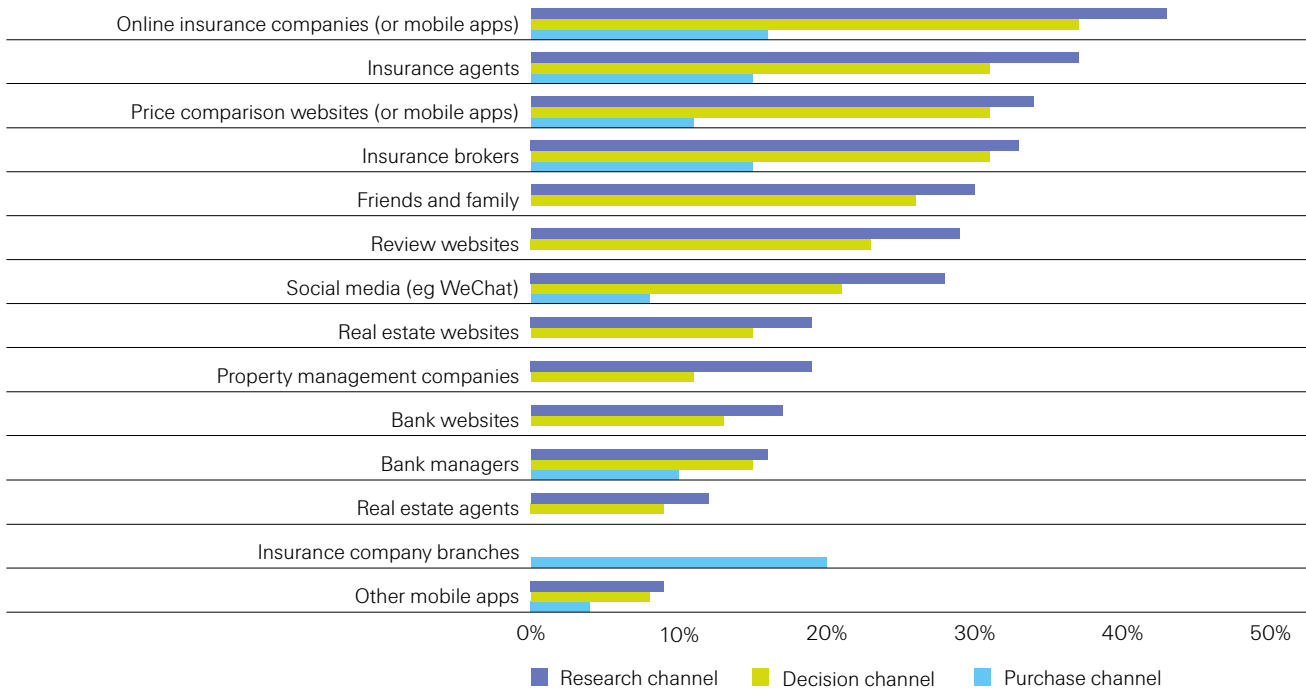
For home insurance, customers use online and offline channels to research options, but mostly prefer to purchase offline.

Home insurance

According to the results of our survey (see Figure 12), almost 40% of respondents purchased their home insurance policy online, and 60% offline. As awareness of home insurance remains poor and insurers have not invested heavily in marketing, many consumers rely on offline channels to research available product options. Recommendations from friends and family members also play a significant role.

Figure 12

How customers research, choose and purchase home insurance policies

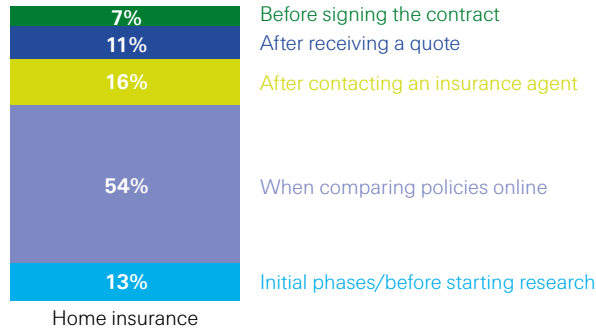


Source: Swiss Re Survey

54% of respondents who chose not to purchase home insurance came to a decision after researching the options.

We also surveyed respondents who expressed an interest in home insurance but subsequently decided not to purchase a policy (see Figure 13). On average, it takes around five weeks for a customer to research and purchase home insurance. During this time, the customer will contact an average of two to three insurers to find out more about the terms and conditions, coverage and premiums.

Figure 13
When customers decide not to purchase a policy

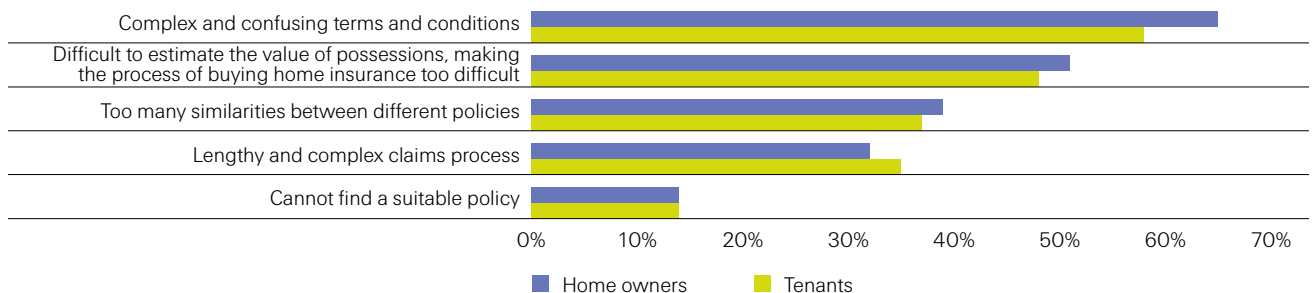


Source: Swiss Re survey

Consumers are put off by complex terms and conditions

Most consumers (54%) who decided not to purchase a policy came to a decision after researching the available options. We asked a number of additional questions to determine why this was the case. Of home owners, 65% of respondents said the terms and conditions of available covers are too complex; 51% said that it is difficult to estimate the value of their possessions; 39% said that the range of policies on offer is too similar and that it is difficult to find a suitable policy; and 32% said that the claims process is too lengthy and complex (see Figure 14 below). Tenants listed the same reasons in the same priority as home owners as reasons not to buy cover, albeit in slightly lower proportions. However, tenants are more likely to state that the claims process is lengthy and complex, possibly because rented properties are usually leased for a fixed term and tenants cannot afford to wait for a lengthy claims process to run its course. Respondents also claimed that it is difficult to estimate the value of their possessions. In most instances, the amount is determined either jointly by the consumer and the insurer, or simply declared by the consumer. In either case, the amount is not verified by a third party and is not necessarily an accurate reflection of the true value of the home and possessions. As a result, it is often difficult to prove the extent of losses in the event of a claim, which later on can lead to a lengthy and complex claims process in the event of a loss event.

Figure 14
Complaints about home insurance from all respondents



Source: Swiss Re survey

Consumer buying behaviours and preferences

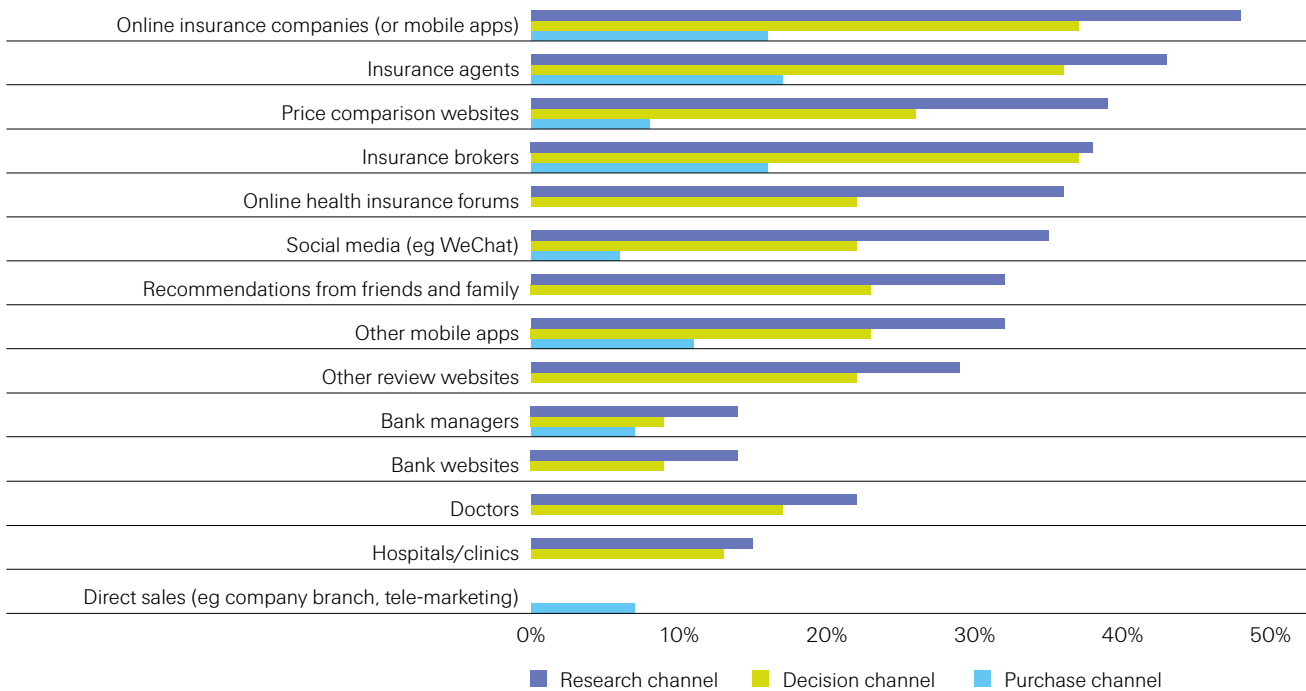
Health insurance: Customers like to research policies online but prefer to purchase offline

Health insurance

Our survey shows that with health insurance also, most people research available options online. Notably, social media is important in raising consumers' awareness health risks and availability of associated insurance products. Insurance brokers and agents also play a crucial role in informing potential customers about the benefits of health insurance, which are often complex (especially in the case of critical illness insurance). As a result, consumers tend to make their decisions based on the information and advice provided by either online insurance companies or insurance brokers/agents. Overall, our survey finds that 41% of respondents purchased a health insurance policy online (mainly through online insurance companies and mobile apps), and nearly 60% through offline channels (including insurance brokers/agents, local branches and tele-marketing).

Figure 15

How customers research, choose and purchase health insurance policies

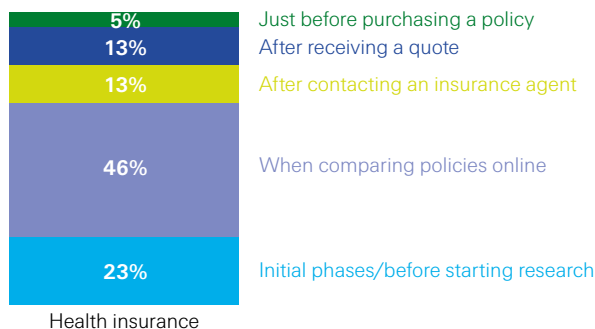


Source: Swiss Re survey

46% of respondents who chose not to purchase a health insurance policy came to a decision while researching the available options

We also surveyed respondents who decided not to purchase health insurance (see Figure 16). On average, it takes about three weeks for a customer to research and purchase cover. Among respondents who decided against purchase, 46% came to such decision after having researched the available options; 13% after contacting an insurance agent/broker; another 13% after receiving a quote; and lastly 5% right before signing off.

Figure 16
When customers decide not to purchase a policy

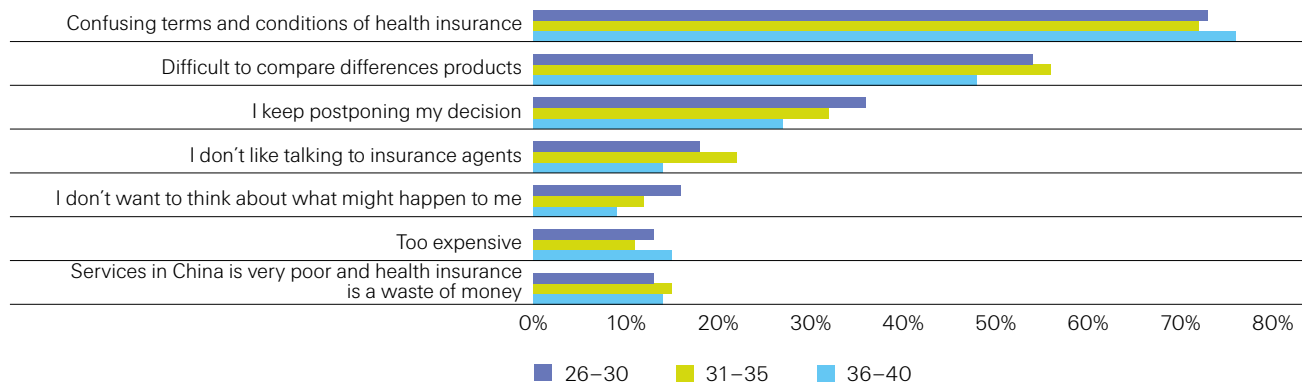


Source: Swiss Re survey

Customers are put off by the complex terms and conditions, and lack of differentiation among different health insurance products.

Of those who decided against purchase, for all age groups (especially elderly), complex terms and conditions were the main reason. Respondents also stated that products are too similar, making it difficult to compare and choose the best policy (see Figure 17).

Figure 17
Complaints about health insurance



Source: Swiss Re survey

Consumer preferences

Discrete choice model.

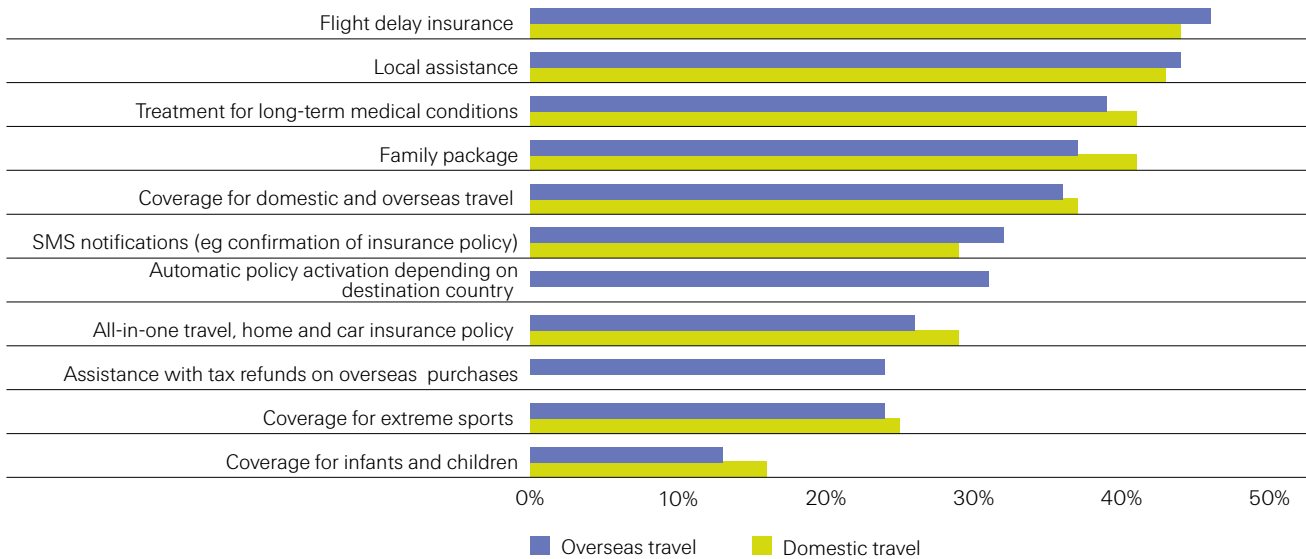
In China today, consumers often expect insurance policies to include additional value-added services. We used a DCM to simulate real-life choice scenarios and investigate consumer preferences, particularly for added services. In our survey, respondents were offered two different travel, home or health products. After choosing one, they were asked to confirm their choice. This process was repeated several times as a means of assessing the importance of different product features for each respondent. This approach is more revealing as a mechanism to understand consumer preference than direct questions.

Consumers want to have added value services options as part of their travel insurance.

Travel insurance

As shown in Figure 18, consumers expect travel insurance policies to offer a range of value-added services. According to the answers to the direct questions of our survey, the most important value-added services are compensation for flight delays, onsite support at the holiday destination, treatment for long-term medical conditions, family-package insurance (one policy for all family members), and all-in-one covers for domestic and international travel. Travellers buying a policy for domestic travel were more likely to express a preference for 'all-in-one' policies, including those that cover domestic and international travel, family members, and even bundling in motor and home insurance for their assets at home during the period of travel. Some respondents also expressed a preference for travel insurance that covers loss of mobile phone and provides compensation for disruption in the event of adverse weather conditions.

Figure 18
Most important value-added services for travel insurance



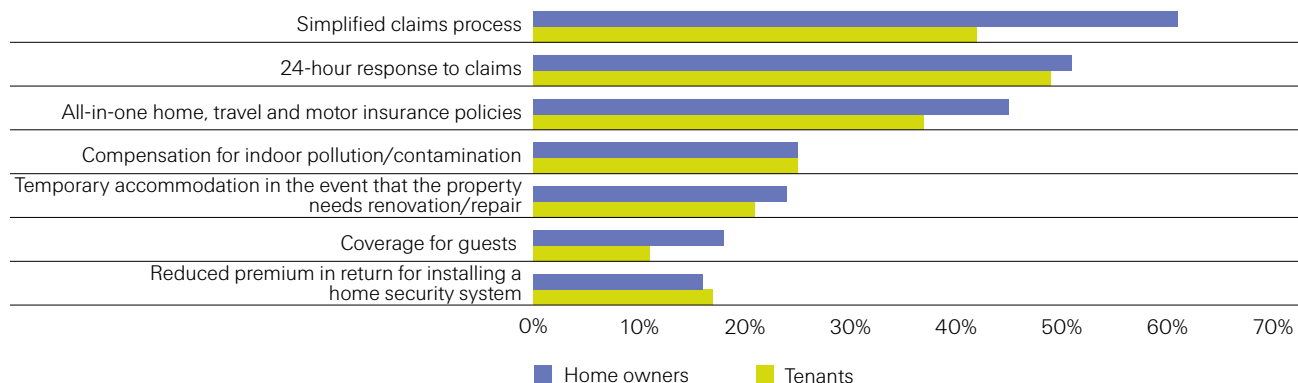
Source: Swiss Re survey

Meanwhile, a quick and straightforward claims process would encourage more people to purchase home insurance.

Home insurance

The answers to our survey questions showed that when asked how insurance companies can increase the appeal of home insurance (without reducing prices), both home owners and tenants stated that insurers could simplify the claims process, provide a 24-hour claims hotline and offer travel and motor insurance as add-ons (Figure 19).

Figure 19
Home insurance – areas for improvements



Source: Swiss Re survey

To extend the analysis and investigate the attractiveness of value added services to consumers, we conceived a home insurance product with nine product attributes (see Table 2).

Table 2
Home insurance product attributes

Product attributes	
1	Type of coverages
2	Sum assured for personal home content
3	Third-party liability
4	Annual premiums
5	Sign-up channels
6	Sign-up requirements
7	Enhanced claims service/temporary accommodation
8	24-hour emergency repairs service
9	Alarm/fire monitoring system

Source: Swiss Re Institute

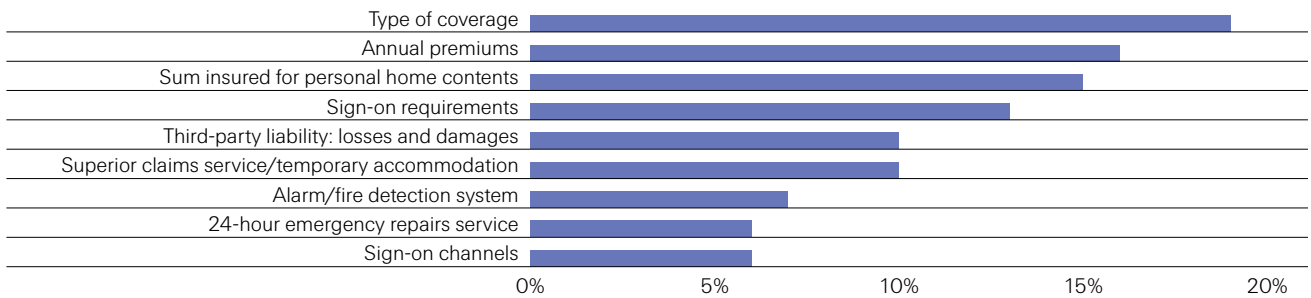
Consumer buying behaviours and preferences

Some policy features are more important than others

On the basis of DCM, Figure 20 shows the level of importance that consumers put on the different product attributes, in terms of the probability of a product being chosen in the presence of an attribute. The type of coverage, insurance premium level and sum insured for personal home content are the most important factors shaping purchase decisions. Specifically, the type of coverage a product offers explain 19% of the choices, premiums 16% and the sum insured for personal home content another 15%. Other important product attributes include sign-up requirements (such as the need to provide an extensive list of personal possessions), availability of third-party liability covers and a superior claims service (which could include temporary accommodation and storage space). These respectively explain 12%, 10% and 10% of the choices. Alarm/fire detection systems, a 24-hour emergency repairs service and purchase channels (online or through agent/broker) are less important (7%, 6% and 6% respectively). This shows that customers are most concerned about the type and level of covers and less about additional value-added services. This contrasts with the previous observations in Figure 19 which show that in response to direct survey questions, consumer demonstrate strong preference for value-added services. A plausible explanation for the discrepancy in the outcomes of the two approaches is that by better simulating real-life choice scenarios, DCM reduces consumer biases and leads to more reliable results.

Figure 20

Importance of different home insurance product attributes



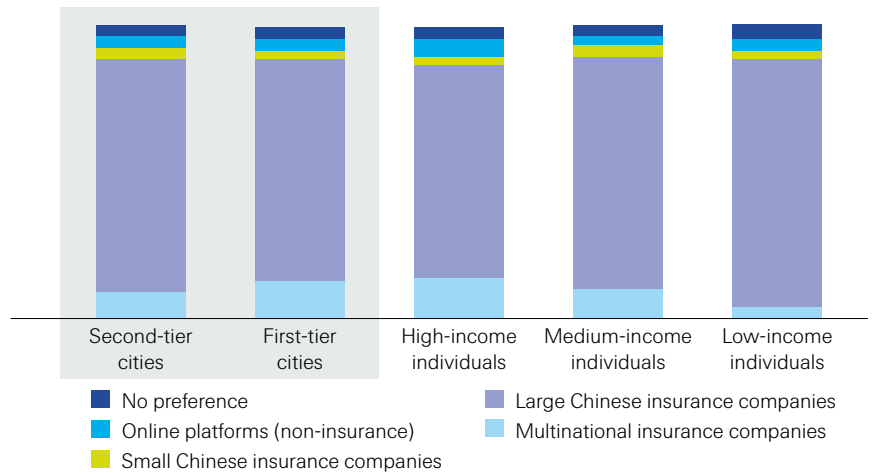
Source: Swiss Re Institute

Large Chinese insurers are the most popular for health insurance policies.

Health insurance

For health insurance, we also asked the survey participants about their preferred insurance provider, an important consideration in this line of business. Across all income levels, more than 70% of all consumers prefer to buy their health insurance from large Chinese insurers. In first-tier cities and among the high-income group generally, there are more consumers who buy cover from multinational insurers than in other city tiers and income segments (see Figure 21).

Figure 21
Insurance company preferences



Note: Low-income individuals are those with an annual income of less than CNY 5 000; middle-income individuals are those with an annual income of CNY 5 001 – 20 000; and high-income individuals are those with an annual income of more than CNY 20 001.

First-tier cities include Shanghai, Beijing, Guangzhou and Shenzhen.

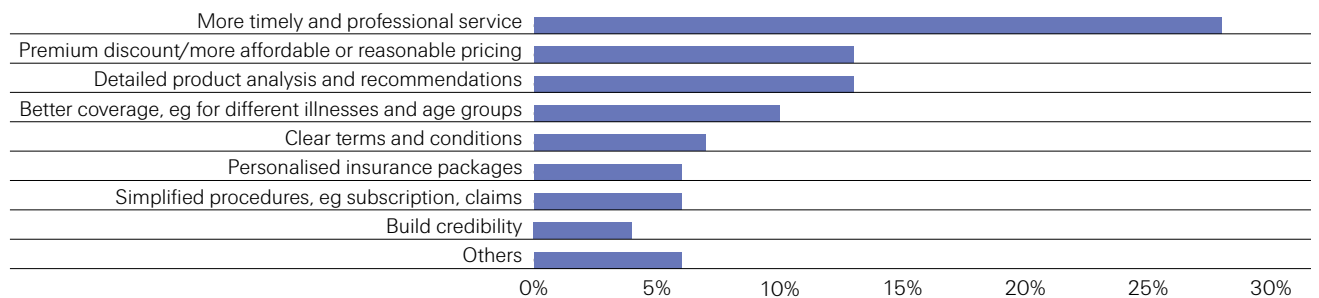
Second-tier cities include Wuhan, Chengdu, Hangzhou, Chongqing, Zhengzhou, Tianjin, Suzhou, Nanjing, Jinan, Xi'an, Changsha, Shijiazhuang, Shenyang, Fuzhou, Xiamen, Hefei, Harbin, Dalian, Quanzhou and Changchun.

Source: Swiss Re survey

Providing timely and professional service can help to increase penetration of health insurance.

When asked how health insurers can improve their service, respondents cited more timely and more professional advice. Survey respondents also said that they would like to see more affordable health products, and opportunities to better understand the different product attributes and characteristics, including value-added services (see Figure 22).

Figure 22
Health insurance – areas for improvement



Source: Swiss Re survey

Consumer buying behaviours and preferences

We also examined preferences with respect to two types of health insurance: critical illness and medical reimbursement insurance.

Development of critical illness insurance

Critical illness insurance

China's first critical illness (CI) insurance policies were launched in 1996, covering 10 illnesses. However, the lack of standard definition of illnesses and claims procedures held back market development. In 2007, the China Insurance Regulatory Commission (CIRC) published a definition of 25 critical illnesses. As a result of the new guidelines, new insurance products that cover up to 40 different illnesses were launched. Some products offer multiple payments and others cover also minor conditions. In 2015, insurers started to cover more conditions and increase the maximum number of payouts for minor conditions. Today, the market for critical illness insurance is very competitive, with a wide range of product on offer. For our analysis, we defined a generic CI insurance product with the following attributes:

Table 3

Product attributes of critical illness insurance

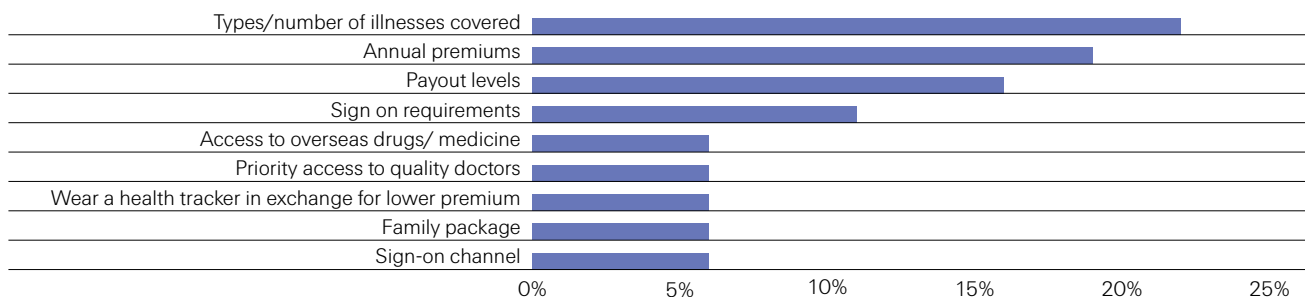
Product attributes	
1	Type/number of illnesses covered
2	Pay-out levels
3	Sign-up channels
4	Sign-up requirements
5	Family crisis assistance
6	Access to overseas drugs/medicine
7	Priority access to quality doctors
8	Wear a health tracker in exchange for lower premium
9	Annual premiums

Source: Swiss Re Institute

On the basis of DCM, Figure 23 shows the importance that consumers put on different product attributes such as price, coverage and sum insured, and also some value-added services. Again the percentage outcomes show the likelihood of a consumer purchasing a CI policy with the indicated attribute.

Figure 23

Importance of different critical illness insurance product attributes



Source: Swiss Re Institute

The number of illnesses covered, insurance premium and pay-out level are the most important attributes

Figure 23 shows that the number of illnesses covered, premium and pay-out levels are the three most important product factors influencing consumer purchase decisions with respect to CI insurance. Consumers prefer their policy to cover more illnesses (88 most common critical illnesses) and offer larger pay-out (1 million renminbi). All age groups expressed a preference for lower premiums, with most respondents not willing to purchase the most expensive policy. Sign-up requirements explain another 11% of choices, with most respondents expressing preference for a hospital check-up rather than a questionnaire. In addition, most respondents prefer to purchase CI illness insurance through an agent. Value-added services such as a family package, access to foreign medicines, priority access to quality doctors and wearing a health tracker device for lower premiums are a less important (6%) as incentives to buy a policy.

Development of medical insurance

Medical insurance

In early 2016, large Chinese insurers released a range of new medical insurance schemes with extensive coverage. More life, health and non-life insurers joined in the competition throughout the year and the number of available products rose significantly. By the end of 2017, the combined premiums from these medical insurance products reached CNY 1 billion. In our survey, a generic medical insurance product was defined by the following product attributes (see Table 4):

Table 4

Medical insurance product attributes

Product attributes	
1	Maximum coverage
2	Sign-up channels
3	Sign-up requirements
4	24-hour claims processing
5	Annual health check-up
6	Access to overseas drugs/medicine
7	Priority access to quality doctors
8	Wear a health trackers for lower premiums
9	Access to VIP and international wards
10	Annual premiums
11	Extra premium for access to VIP and international ward
12	Sum assured doubled for critical illness, including cancer

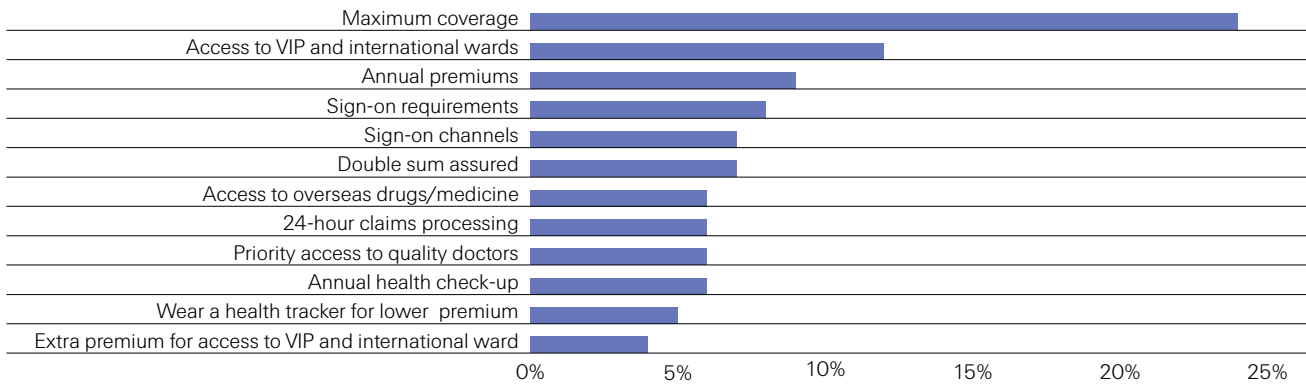
Source: Swiss Re Institute

Consumer buying behaviours and preferences

Figure 24 shows the importance of different policy features (expressed as a percentage of how much more likely a customer is to purchase a policy with the given feature).

Figure 24

Importance of different health insurance policy features



Source: Swiss Re Institute

The maximum coverage available and access to VIP/international ward are the two most important product attributes

Chinese consumers consider the maximum coverage (24% of choices) and value-added features of access to VIP treatment and international wards (12%) as the two most important product attributes. Other important features include the premium level, sign-up requirements and channels, and availability of double sums assured for critical illness. These attributes each explain 7–9% of the choices. Importantly, the DCM results show that respondents prefer to purchase medical insurance through agents rather than online channels. Other value-added services including priority access to quality doctors, a 24-hour claims processing, access to overseas drugs and medicine, and premium discounts for the wearing of a health tracker device each explain 6% of the choices. This shows that with respect to medical reimbursement insurance, most consumers are more concerned about basic product attributes like level of coverage and quality of medical care than additional value-added services.

Conclusion and recommendations

Rising incomes and greater risk awareness provide a basis for strong growth in personal insurance, and the non-life sector overall.

China's economic growth, a stronger social welfare system and rising incomes and living standards have led to a greater awareness of risk and the need for insurance. Insurers have designed a comprehensive range of personal insurance-line covers to tap into this potential, and we believe this will help drive growth of the overall non-life sector.

Consumers' risk awareness and preference and trust in channels vary for different lines of business.

In this study, we investigated consumer preferences with respect to travel, home and health insurance in particular, because we see strong premium growth potential in areas. According to the responses to our survey that was part of our study, the way in which consumers obtain information and purchase varies according to line of business.

- For travel insurance, most consumers prefer to research and purchase policies online. Due to the wealth of information available and user-friendly payment options, online platforms are accounting for an increasingly large share of sales.
- For home insurance, consumers like to conduct research both online and offline, but prefer to purchase policies through offline channels. As awareness of home insurance remains poor and insurers have not invested heavily in marketing, many consumers need to rely on offline channels (such as local insurance branches and agents/brokers) to research available policy options. Recommendations from friends and family members also play a significant role.
- For health insurance, many consumers obtain information from online forums and insurance platforms. However, for the actual purchase transaction, offline sales channels dominate. Key triggers to buying insurance include knowing family or friends who have avoided financial ruin by virtue of being insured.

Policies with simple terms and conditions are the most popular.

Consumers want policies that are easy to understand and include clear descriptions of policy features and claims processes. In addition, our respondents expressed a desire for more convenient online and mobile customer services that provide swift response to queries, especially during the claims process.

Many consumers expect policies to offer value-added services in addition to price, coverage and sum insured.

Results from the DCM analysis that was also part of our study show that with home insurance, for example, risk protection for all family property, third-party liability coverage and the provision of temporary storage facilities if needed are important factors in influencing consumers' purchase decisions; in health insurance, for CI consumers revealed a strong preference for policies that cover a higher number of illness, and having a physical check-up at a hospital is also an important consideration for many; with medical reimbursement insurance, VIP treatment and international experience is valued highly by consumers.

Insurers should focus more on consumer preferences.

The results of study offer important insights that can inform insurers' strategic decision making. In addition to risk-based model that insurers use to design new products, they should also focus more on consumer preferences and consider more streamlined claims processing. This will help to increase customer satisfaction, boost sales and provide additional protection for more policyholders.

If you would like to find out more about a specific market segment, please contact your Swiss Re client manager or solutions manager.

Published by

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The survey for this report was completed on 15 September 2018.

The online version of the report may contain updated information.

Graphic design and production:
Corporate Real Estate & Logistics / Media Production, Zurich

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Order no: 1507555_19_EN

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