Research report on domestic and foreign insurance products

Chenyi Qin¹, Fangqian Xu²*, Yuqing Chen³, Mingke Tian⁴, Zhiming Liu⁵

¹Central University of Finance and Economy
²Shanghai University of Finance and Economics Zhejiang College
³Shandong University of Science and Technology
⁴Hillfield Strathallan College
⁵Hangzhou No.14 High School

*Corresponding author: xufangqian@shufe-zj.edu.cn

Abstract. From the beginning, human society has an insurance awareness to deal with disasters and an insurance concept to accumulate wealth. In the Spring and Autumn Period, Confucius' thought of "spelling more than one" is quite representative. As an important element in the insurance industry, life insurance can effectively help people transfer risks, accumulate wealth, and plan life finances. The development of the life insurance industry and the improvement of its competitiveness are of great value to my country's insurance industry. With the rapid growth of the Chinese economy since the reform and opening up, the life insurance industry has also maintained a rapid development trend. However, compared with overseas markets, my country's life insurance industry still faces many constraints and development problems.

In this regard, this report will investigate and analyze two representative life insurance products at home and abroad. We chose the U.S. Index Universal Life Insurance IUL and China Life China Life Ruyi Heirloom Dividend Insurance as the research objects, with the company introduction and product insurance liability, insurance period, insurance amount, insurance premium and insurance conditions as the main content. Analyze its characteristics, market benefits, advantages and disadvantages and risks. Through the analysis of two life insurance products at home and abroad, it looks for the main problems and development difficulties of our country's insurance industry, summarizes experience, and provides targeted suggestions and measures for the development of enterprises.

1. Product introduction

1.1. U.S. Index Universal Life Insurance IUL

1.1.1. Company profile. Transamerica (Transamerica Life or Pan American Life) was founded in 1904 and is a well-known insurance brand in the United States. Transamerica has a history of more than 90 years and has been ranked among the top 10 life insurance companies in the United States for many consecutive years.
Transamerica has received very reliable financial reporting ratings from AMBest, HP, Moody's and Standard & Poor's. With 4 "A"s, Transamerica can advertise itself as the top life insurance in the United States.

1.1.2. Product introduction. (i) Investment strategy
If you choose Global Index Strategy or S&P 500 Index Strategy, the minimum interest rate will be guaranteed at 0.75%.

Cost sharing is a strategy for allocating net premiums to index accounts. If this strategy is adopted, the funds in the fixed interest account will be automatically allocated to the index account or combination account selected by the holder. The conversion will only take place on the monthly policy day. The fixed interest account needs to be no less than USD 5000, and the minimum conversion amount is USD 100.

At the same time, the product has additional insurance for the accelerated death benefit of the late disease. When the insured is diagnosed with a terminal illness of 12 months of death by an authorized doctor, he can get a part of the compensation in advance; the maximum amount is 100% of the death sum assured, 1.5 million US dollars whichever is less; the minimum amount is 5000 US dollars; When 100% of the death sum assured is paid, all benefits of the policy terminate.

(ii) Withdrawal of products and loans

The minimum withdrawal amount for this product is US$500, the handling fee for each withdrawal is US$25 and any withdrawal amount is not covered.

The company also provides loan services accordingly. The minimum loan amount is US$500, and is divided into two loan programs according to the length of time, as follows:

Table 1. Loan scheme chart.

| Year   | Lending rates          | Loan offset         | Net loan cost          |
|--------|------------------------|---------------------|------------------------|
| Year1-10 | 2.75% (guaranteed 3%)  | 2% (guaranteed 2%)  | 0.75% (guaranteed 1%)  |
| Year11+ | 2% (guaranteed 2.25%)  | 2% (guaranteed 2%)  | 0.25% (guaranteed 0.252%) |

1.1.3. Product advantages. (i) Earnings guaranteed. In the harsh market environment and economic downturn, stock indexes fell into negative numbers, and insurance companies promised guaranteed income between 0% to 2%.

(ii) Higher return potential, insurance policies mostly focus on call options on stock indexes. In the past 90 years, the average annual return of Standard & Poor's 500 was close to 10%, so the growth potential is great. However, the dividend interest rate provided by the comparative dividend-type whole life insurance is often very small.

(iii) More flexibility, the policyholder can choose the investment strategy according to his own situation, and he can also adjust the insured amount according to the situation. In terms of the collateral, he can also customize the policy collateral that suits him. The payment of scrap is also more flexible.

(iv) Capital gains are tax-free, and policyholders will not pay capital gains tax because of the increase in cash value over time. Therefore, IUL can be used as a retirement plan account with lifetime protection. One exception is that the customer decides to withdraw all the cash value at once and give up the policy.

1.1.4. Product disadvantages. (i) The annual income is uncertain, because it is linked to the stock index, and the annual income changes with the market. It cannot give a definite annual rate of return like a participating whole life insurance product.

(ii) The return on investment is capped. In case of a bad market environment, the minimum guarantee to investors in exchange when the market is good, the company paid annual rate of return to investors with an upper limit cap, the values agreed upon by the insurance company
1.1.5. Product summary. IUL Insurance (Index Universal Life Insurance) is considered to be a relatively advanced life insurance financial product. Its configuration and policy design are extremely flexible and applicable to many aspects, such as life insurance, retirement income planning, wealth inheritance, Estate planning and other fields. Relatively speaking, IUL is more suitable for customers who need to be guaranteed for life and plan to do medium and long-term financial planning.

1.2. Introduction of China Life Ruyi Heirloom Dividend Insurance

1.2.1. Company Profile. China Life Insurance (Group) Company is a large national financial insurance company. Its predecessor was the original People’s Insurance Company of China, founded in 1949. It is a veteran insurance brand in China and has been rated as one of the world’s top 500 companies by Fortune for 18 consecutive years. The company has been rated as one of the world's top 500 brands for 13 consecutive years, and has become the world's first insurance company listed in Shanghai, Hong Kong and New York.

1.2.2. Product introduction

| Premium Payment Period | Insured Age | Cover Period | Basic Sum Insured | Benefit Type | Policy Bonus |
|------------------------|-------------|--------------|-------------------|--------------|--------------|
| 3 year                 | From age 28 days to age 60 | From policy issue date to age 88 | CNY 100,000.00 | Death benefit, Survival Benefit, Maturity Benefit | Cash receipt, Accumulated Interest, Annuity receipt |
| 5 year                 |             |              |                   |              |              |
| 10 year                |             |              |                   |              |              |

1.2.3. Product Advantages. (i) Bonus Dividend Rights

The Participating China Life Ruyi Heirloom Endowment Insurance's death benefit amount will automatically increase by 2% of the previous policy year's death benefit amount when the insured survives to the effective date of each policy year. The amount of death benefit shall not be increased from the effective date of the first year after the insured reaches the age of 60. Reserves accumulated during the insurance period shall be equal to the insured amount at the end of the insurance period, and the insured can receive the sum of all the paid premiums at the end of the insurance period, thus this insurance can help a lot with saving.

At the same time, this product is also a participating insurance. During the period of the insurance contract, the insured can enjoy the right of dividend distribution ((the distribution of dividends is uncertain). During cover period, on the settlement day of each month, China Life will announce the interest, and use simple interest method to settle the interest of the amount in the personal account, and transfer it to the personal account, which is beneficial to maintaining and increasing value.

(ii)Periodic Refund and Premium Refund after Expiration

As stipulated in The Participating China Life Ruyi Heirloom Endowment Insurance product portfolio, from the date of receiving the first survival benefit in the contract to the expiration date of the insurance contract (excluding the expiration date), if the insured survives to the effective date of each year, the annual survival benefit paid by China Life is10% of the basic sum insured of the policy. When the insured survives to the expiration date, the contract is terminated, and China Life shall pay the maturity benefit, which amount is equal to sum premium (excluding interest).

(iii)More flexible transferability

The Participating China Life Ruyi Heirloom Endowment Insurance product portfolio is a universal life insurance. The insured can choose to take the policy dividend, survival benefit, and maturity benefit
as the transfer in premium of the universal life insurance, so as to realize the financial re-planning with
more flexibility and freedom.

(iv) Can be passed on to future generations:
The applicant can leave the death benefit to the next generation by appointing the beneficiary (the
child needs to be designated as the beneficiary). Thereby preventing misappropriation of funds and
children's improper squandering, also can ensure that children have a disposable amount of funds to
maintain life and study before they grow up.

1.2.4. Product disadvantages. China Life Ruyi Heirloom Insurance (participating) product portfolio is
a double insurance, which is not as highly targeted as a single survival insurance and death insurance.

1.2.5. Product summary. The Participating China Life Ruyi Heirloom Endowment Insurance product
portfolio, as a kind of endowment insurance, takes the dual responsibility of pure endowment insurance
and mortgage insurance, and its premium rate is higher than that of a single form of insurance. It also
provides multiple protections such as dividend bonus, survival benefit, maturity benefit, death benefit,
etc. Thus it's a very suitable product for customers to insure.

2. Summary
Through the comparative analysis of domestic and foreign insurance industry, they has its own
advantages and disadvantages. In general, the development of the domestic insurance industry is still in
the primary stage. Also the international competitiveness is also in a weak position. In order to further
strengthen and enhance the international competitiveness of China's insurance industry, measures can
be taken from the following three levels.

2.1. Enterprise level

2.1.1. Focus on training insurance personnel with good professional knowledge. Due to its late
development and a backward situation in the talent team, we must learn from foreign development
experience while cultivating our own localized insurance talents, introduce excellent foreign insurance
talents, and promote insurance talents the construction of a competition mechanism ensures the quality
of the insurance talent team through rational competition.

2.1.2. Accelerate innovation in products and services and enhance international competitiveness.
Innovation is the core source of enterprise survival and development. In addition to catering to the actual
needs of consumers to develop new insurance products, we can also enhance the direct interaction with
consumers and listen to their suggestions and requirements in practical application. Finally, the product
and service differentiation strategy should be promoted, and differentiated services should be designed
according to different consumer groups to meet the needs of various consumers.

2.2. Industry Association level

2.2.1. Strengthen supervision and promote the standardized management of the insurance market. Our
country’s insurance regulatory authorities need to strengthen the regulation of the insurance market’s
operation and management, continue to improve relevant laws and regulations, and provide
 corresponding legal explanations for the new developments in the insurance industry; promote the
healthy and stable development of the insurance market, and promote the construction of the insurance
industry’s market mechanism. Create a fair and just market operating environment for the insurance
industry.
2.2.2. **Strengthen marketing publicity.** According to the development experience of overseas insurance industry, the guidance and publicity of the insurance industry can be strengthened to establish a better market image, so as to enhance the international competitiveness of the insurance industry.

2.3. **Government level**

2.3.1. **Take advantage of the scale of the government to further strengthen the mixed operation of the insurance industry.** For mixed operation of the insurance industry, develop its domestic economies of scale advantage. Meet the demand of customer’s differentiated products and services, insurance risk factors in the process of operation, through various channels to obtain income, guarantee insurance industry continue to operate ability, enhance the overall efficiency of the industry, thus fundamentally promote the competitiveness of the industry.

2.3.2. **Continue to open the insurance industry wider to the outside world.** Since the development of China's insurance industry started late, it is necessary to support insurance companies with great development potential, guide insurance companies to actively carry out the "go out" strategy, constantly occupy the overseas insurance market, and establish support fund to promote the internationalization level of China's insurance industry.

**References**

[1] Tan shiqi, Analysis of the risk problems of new life insurance products in the insurance industry [J], Shanxi youth, 2016, Issue 21, Page 155;
[2] Chen jiao, The influence factors and optimization analysis of life insurance product structure in China [D], Sichuan, Southwest University of Finance and Economics;
[3] Liu Xiaoyan, A glimpse of foreign financial insurance products [J], Financial Expo (Fortune), 2015, Issue 12, Page 59;
[4] Zhang Zili, China's bank insurance product pricing research - based on the perspective of all-in-one insurance [D], Anhui, Anhui University of Finance and Economics;
[5] Wang Guiping, Research on the demand for investment-oriented life insurance products in China [D], Sichuan, Southwest University of Finance and Economics;
[6] The Development Characteristics and Enlightenment of The American Life Insurance Industry: Based on the Perspective of Insurance Supervision [J], Southwest Finance, 2020, Page 59;
[7] Zheng Yuchuan, The rise of the U.S. life insurance industry password [N], China Securities News;
[8] Guo Zhenhua, The three characteristics of american life insurance industry and its enlightenment to China [J], Shanghai Insurance, 2017, Issue 07, Page 28.