DEVELOPING LIFE INSURANCE IN THE ECONOMIES IN TRANSITION

OECD Secretariat

I. The advantages of developing life insurance

A. Enhancing individual financial security

A study of human history reveals a universal desire for security.[1] This quest for security has been a potent motivating force in material and cultural growth. Early societies relied exclusively on family and tribe cohesiveness for their security. With industrial development, this security source weakened, being augmented by privately purchased and government-provided security programs. Among the private programs, life insurance has been a universal response.

From the individual's perspective, life insurance offers many advantages:

- Life insurance guarantees to pay a stated sum to a family on the death of its income earner(s). In so doing, it affords families a measure of protection against the adverse financial consequences of premature death, gives individuals a greater sense of economic security, and can help reduce worry and distress and thereby increase initiative.[2] No other privately purchased financial instrument can perform this function.
- Cash value life insurance can serve as a means through which individuals save. Many persons who might not otherwise save consistently will, nonetheless, regularly pay their life insurance premiums; thus, life insurance might constitute a type of quasi-compulsory savings.
- Life insurance products, especially annuities, provide a convenient, if not unique, means by which individuals can make financial provisions for retirement.

[1] This section draws on Kenneth Black, Jr. et harold D. Skipper, Jr. called *Life Insurance*, 12 Edition (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1994), Chap. 3.

[2] See UNCTAD (1982), *The Promotion of Life Insurance in Developing Countries*, Geneva.

- Life insurance can permit more favourable credit terms to borrowers – both individuals and businesses – and can decreases the risk of default. Life insurance can also minimize the financial disruption to businesses caused by the death of key employees.

B. Easing the burden of government social welfare spending

Private life insurance can supplement, if not substitute for, benefits provided by government. This assertion is substantiated by a significant negative correlation between social spending and life insurance premiums. Moreover, the sharp rise in life premiums in the OECD countries may be attributed in great part to the mounting financial difficulties of pension schemes. Governments can now concentrate their efforts on core social protection benefits, while allowing individuals to choose for themselves their desired level and type of additional protection.

C. Impact on economic development

Apart from the social role it plays by relieving government of some of the burden of meeting financial security needs, life insurance can assist economic development in general and the development of financial markets in particular. Because they have thousands of policyholders, insurance companies are able to amass quantities of funds that are important in supporting investment and the national economy. They thereby serve as financial intermediaries between investors and economic agents that lack sufficient financing: households, businesses and in some cases even governments. The emergence of this new type of intermediaries, with features different from those of banks, with regard to the timeframe of investment in particular, makes a major contribution to the development of financial markets. In the OECD countries, insurance companies are the largest institutional investors.

1. Quantitative impact on savings

A great many studies have looked at how the development of life insurance and funded pension schemes have impacted the level of aggregate savings. When such schemes are instituted, they generally have a positive effect.

A number of arguments have been advanced to explain this. First, when they are instituted on a compulsory basis, contractual savings plans (life insurance and pension funds) raise the level of aggregate savings if they involve a rate of mandatory savings that is higher than the rate for which households would have opted voluntarily.

In addition, if a system that is still recent lacks credibility, households are not necessarily inclined to alter their prior savings behaviour, because the new products do not give them the level of financial security they desire. As a result, they increase their rate of savings. This latter effect is only temporary, however, and it goes away when the system becomes more mature and thus more credible. It should be noted, however, that the long-term impact of a temporary rise in the savings rate could be very important if the funds are invested wisely and prompt a virtuous circle of growth and savings.

Lastly, the development of contractual savings also encourages savings by offering individuals and businesses a way to diversify their assets. Not forgetting, however, that the subsequent increase in aggregate savings may only be slight if consumers merely shift their funds between different types of investments but keep the overall level of their savings unchanged.

2. Qualitative impact on savings

While there may be some doubt as to the quantitative impact on savings of the development of life insurance, the qualitative impact is very clear: unlike many commercial banks specialising in deposit-taking and short-term lending, contractual savings institutions usually adopt a longer-term perspective. Their longer-term commitments and the stability of their cash flow provide ideal sources of term financing for governments and businesses.

3. Impact on the development of financial markets

The development of contractual savings is greatly increasing the supply of long-term financial products, thereby triggering a series of effects on the development and structure of the financial markets:

- Specialisation in the sector, insofar as the banking system is making adjustments in order to reap the benefits of its comparative advantage on short-term products. This has prompted a sharp reduction in risk stemming from maturity differentials between bank assets and liabilities. The stability of the banking system is therefore reinforced.

- Reduction of the differential between short- and long-term interest rates (the rate curve is becoming flatter). This is prompting an improvement in the financial structure of business enterprises thanks to a lowering of the cost of long-term capital and a lessening of the risks of refinancing.

– Reduction of the implicit debt of defined-benefit pension schemes.

– Development of the market for long-term government bonds, which greatly expands the options for government debt management. This argument has also been used against the development of contractual savings, out of a fear that without a sufficiently developed bond market, the funds accumulated by life insurance companies and pension funds might become captive sources of financing for the government's deficit. Implementation of sufficiently flexible investment regulations, allowing insurance companies and pension funds to diversify their investments in equity markets and in international markets should be sufficient to avoid this pitfall.

– Enhancing the efficiency of financial markets. Contractual savings institutions, like all mutual investment instruments, prompt a higher level of specialisation and professionalism on the part of financial market players, making it possible to finance projects that are bolder or riskier (and thus more lucrative), exploiting economies of scale, trimming transaction costs and encouraging financial innovation. Furthermore, such institutions are able to exercise tighter control over the performance of businesses they finance and thus help to improve corporate management and foster greater transparency.

II. The life insurance market in economies in transition : taking stock

A. Low penetration of life insurance in the emerging markets

Life insurance is still fairly undeveloped in the Baltic States, as in all Europe's emerging markets, since in 1998 the penetration of life insurance (direct gross premiums / GDP) was only 0.43% in the Central and Eastern European countries and the new independent states[3]. Premiums ranged from 0.06% in Romania to 0.90% in Slovakia and 0.81% in Slovenia. In comparison, in 1998 the OECD countries devoted 4.58% of their aggregate GDP to life insurance.

3. Source: *Insurance Regulation and Supervision in OECD Countries, Asian Economies and CEEC and NIS Countries*, OECD. The countries in question are: Albania, Armenia, Belarus, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Moldova, Romania, Russia, Slovakia (OECD Member State since 2000), Slovenia and Ukraine.

The timid development of life insurance is also plain to see from the clear domination of non-life insurance in total premiums: in 1998, life insurance accounted for only 16% of total premiums in the Central and Eastern European countries and the new independent states[1], the percentages in each country ranging from nearly 30% in Russia and Slovakia[2] to less than 2% in Ukraine. In comparison, life insurance accounted for 54.34% of total insurance premiums in the OECD countries in 1998.

This low volume of life insurance business stems, first, from the role played by government provident schemes. But the State's involvement varies widely from one country to another.

B. Bright prospects for growth

Although the levels of their life insurance premiums have remained fairly low, the countries of Central and Eastern Europe have recorded sharp growth rates for those premiums—in many cases in excess of 10%—over the past decade, with the notable exception of Russia, where life insurance premiums registered a decline.

The fact that the penetration rate of life insurance is still lower in the emerging markets of Europe than it is in other emerging markets[4] gives hope that growth rates will remain high. In candidates for membership of the European Union in particular, further financial market deregulation and adoption of new Community directives ought to give growth in these markets a boost.

C. Structure of the insurance market

1. Separation of life and non-life business

Among the insurance companies operating in the emerging markets, few are specialised. Together with Bulgaria and Ukraine, the Baltic countries are an exception: all of the Central and Eastern European countries and new independent states[1] report the existence of composite insurers.

Indeed, to engage simultaneously in long-term business, such as life insurance, and shorter-term business, such as casualty insurance, creates a risk that one class of insurance will be forced to support the other. The OECD recommends in its *Twenty Guidelines for Insurance Regulation and Supervision in the Economies in Transition*, that "[l]ife and non-life activities should be separated (in distinct companies), so

4. In 1998, the emerging countries of Asia (excluding South Korea) devoted 2% of their aggregate GDP to life insurance.

that one activity cannot be required to support the other." As an exception to this principle, however, authorisation may be granted to write business involving other classes of personal insurance (e.g., accident or health) as well as life insurance.

2. Market concentration

Except in Russia, Eastern European insurance markets are still extremely concentrated, in the life and non-life sectors alike. In 1998, the combined market share of the five largest life insurers varied between 85 and 98%. This is because in many cases the former monopolies still have market shares of 50% or more, even if some of them have been separated into a number of independent companies in order to introduce a measure of competition. In 1998, the top five insurers accounted for 71 % of the market Estonia, 60 % in Latvia and 69 % in Lithuania.

Even so, market concentration can be expected to subside as markets become more open to foreign insurers, and as new domestic companies spring up.

III. The forces driving development

A. Growth

The first factor in the development of insurance, and of life insurance in particular, is incontestably the population's standard of living. As average household income or wealth increases, it generally prompts a rise in the savings rate, with savings being channelled first to bank deposits and other liquid instruments, and then to products that meet more specific needs, such as life insurance products.

Insurance is one of the sectors with above-average growth in the contribution to GDP. A study of insurance in the economies in transition[5] estimates that for each percentage point of GDP growth in the Central and Eastern European countries, life insurance premiums will grow by 1.1 to 2.2% (versus 1.1 to 1.5% for non-life premiums). Swiss Re projects a slightly narrower range, since its forecasts regarding the penetration of life insurance in Eastern Europe assume that premiums will rise by between 7 and 10% per year, depending on the country, if overall annual growth is between 4 and 5% between now and 2005. In addition, Swiss Re has forecast that a more stable economic environment will enable Central Europe to

5. *Importance of the Insurance Companies in the Capital Market Development of Transition Countries.*

record real premium growth in life and health insurance of between 2 and 4%—higher than the average in Eastern Europe.

B. Regulatory environment

While the existence of an appropriate regulatory framework is an important factor in the development of any industry, it is absolutely crucial to the development of life insurance.

1. *Guarantee the solvency of insurance companies*

The first objective must be to protect the consumer by supervising the solvency of insurance companies, since an insurance policy represents a promise to pay a future benefit if and when certain stipulated events occur. The transaction is therefore based on the customer's confidence that his or her chosen company will honour its commitment. This confidence is particularly necessary with regard to life insurance, because the amounts of money involved may be very large and, especially, because commitments span a long, if not very long, period of time. But in emerging economies, public confidence is particularly fragile because insurance is not yet an established part of the culture, and in many cases because of financial disasters and insurance company failures that are still fresh in people's minds.

2. *Ensure a properly functioning competitive market*

If policyholders are to be given a high quality of service, regulations must also lay the foundations for a competitive market. Only within such a framework can market forces ensure that insurers offer competitive prices and products that correspond to the consumers' demands. Regulations must therefore give supervisors enough authority to prevent or sanction behaviours that are detrimental to competition, such as price fixing, market sharing and other anticompetitive practices.

Even so, policyholders will reap the full benefits of competition only insofar as they are able to make discerning choices. Here, regulations can ensure that the most salient features of policies be conveyed clearly. The complexity of life insurance contracts demands a special effort along these lines. For example, in addition to stating technical elements—guaranteed rate of interest, minimum term, redemption penalty, expense rate, etc.—regulations may require that prospective customers be given a table in which redemption values are calculated explicitly for a number of years and not just at maturity (which highlights, for example, the impact of pre-paid expenses). Supervision of insurance distribution networks may be an important element in making sure that customers are given all relevant information. Such supervision may be carried out directly by the supervisory authority or indirectly through the imposition of a licensing procedure based on fit and proper criteria, supplemented by the industry's own self-regulation.

3. Exercise effective supervision

The supervisory authorities should have sufficient human and financial resources to accomplish their task – however, that is rarely the case in economies in transition. Besides, the various market players could also be more actively encouraged to assume responsibility and become accountable. Regulation might provide, for example, for mandatory imposition of auditing procedures and certifications by independent actuaries and auditors. Principles of corporate governance and fit and proper criteria for company executives can lessen the probability of inadequate or fraudulent management. The supervisory authorities would then be able to focus their efforts on cases causing the most concern.

Supervision of products and tariffs is recommended in OECD' s *Twenty Guidelines for Insurance Regulation and Supervision in the Economies in Transition*: "initially at least, it may be advisable for economies in transition to request the submission of premium rates and insurance products for prior approval. Supervision of tariffs and products should however be adapted to the situation of each country and reassessed at a later stage according to the development and progress of the market".

Lastly, lead time is an essential factor in the effectiveness of supervision. It is much easier to find a solution for the difficulties encountered by an insurance company if those difficulties are detected in time. Supervisory authorities should be able to take a whole series of measures before triggering an actual liquidation procedure. Formulation of a rehabilitation plan is a procedure provided for in all of the OECD countries. Moreover, in a majority of OECD countries, supervisory authorities are empowered to intervene by amending contracts or policy clauses, replacing company executives or appointing temporary administrators.

4. Institute a transparent and stable regulatory framework

Government must ensure that existing laws and regulations are readily available to all, i.e. to customers as well as insurers and to domestic as well as foreign companies. This provision is especially necessary in economies in transition because the laws governing insurance are in many cases recent and subject to rapid change. Regulatory authorities should not exercise their power in a discretionary manner but, on the contrary, should clearly explain their licensing procedures (defining, *inter alia*, the criteria for the licensing decision), the way in which supervision is implemented and the steps taken to alleviate the financial difficulties encountered by certain companies. Insurers' attitudes towards supervision will be more co-operative if they have the conviction that they are dealing with authorities who are qualified and independent.

In addition, regulations must be stable enough so that insurers and consumers may enter into contracts knowledgeably and with confidence. For example, proposed new tax concessions for life insurance products will fail to produce the desired effect if consumers are afraid that the favourable provisions are only very temporary.

Of course, this must not keep the supervisory authorities from undertaking necessary reforms. Application of the principle of transparency demands only that the various parties concerned be informed and involved in the reform process, and that they be involved from the outset. In this way, each party would be able to prepare gradually for any changes that were needed.

C. Reforms of social protection systems

Institutional reforms constitute the second growth factor for insurance. Life insurers in Central and Eastern Europe should benefit from pension scheme reforms, which are calling the preponderance of government-administered programmes into question. Insurers have a role to play in the provision of pension products or related services (such as asset management) for the second pillar as well as for the third pillar.

In Latin America, a change in the system gave private life insurers a large boost. Since 1982, their premium volume has recorded 17% real growth per year. While life and disability insurance dominated at the beginning, annuities have now taken the lead. In Chile, 80% of life insurance premium income comes directly from compulsory old age cover. Optional supplemental insurance has grown, since 1982, by nearly 11% per year. Similar trends are expected in countries that undertake extensive reform of their social protection systems.

D. Potential benefits from foreign insurers and reinsurers

The need to protect a recently created domestic industry can prompt some countries to limit, if not prohibit, the access of foreign insurers to certain segments of their domestic markets. This sort of domestic market protection has a number of drawbacks, however. First, the competitiveness of all economic sectors may be affected by higher loading of premiums or the provision of insurance services that are less efficient than the ones that would have been offered in an open market. Moreover, the development of the insurance sector itself could be hampered by limited access to foreign capital and know-how. Lastly, domestic insurers will ultimately find it difficult to adjust when barriers are removed, and to develop outside the domestic market.

Another solution is to encourage access to reinsurance, which enables small insurers to underwrite risks that are more extensive than prudence would otherwise allow them to assume. Furthermore, in many cases—in connection with proportional treaties in particular—reinsurers also provide insurance companies with a wide variety of assistance in estimating and managing risks and claims that would otherwise be unavailable to them.

E. Tax concessions

A majority of OECD countries grant tax concessions for the purchase, ownership or execution of life insurance policies. These benefits vary widely. In some cases relatively slight and designed merely to simplify tax administration, they may also be substantial and intended to encourage people to purchase or maintain policies in order to encourage a shift in national savings towards life insurance, promote long-term savings or prompt individuals to help ensure their own financial security. Policies that focus primarily on the customer’s survival (e.g. mixed policies and pure annuities) are the main targets of these tax concessions. A detailed analysis of tax policies with regard to life insurance is available in the document entitled *Policy Issues in Insurance: Investment, Taxation, Insolvency*, published by the OECD in 1996.

The effectiveness of such tax policies is clear with regard to shifting national savings to life insurance and promoting long-term savings. One negative example comes from Russia, where the repeal of certain tax concessions was one of the primary factors explaining a decline in life insurance premiums from USD 1 514 million in 1996 to USD 1 335 million in 1997. On the other hand, aggregate savings will not necessarily rise because of the choices made by savers, and also because the reduced tax revenue may lead to a reduction in government savings. Lastly, it is difficult to ascertain the extent to which tax incentives encourage the purchase of life insurance products geared more towards protection than towards savings (death and disability benefits and term life insurance). Even so, the fragmentary elements available would suggest that the effects may be positive.

It has been found repeatedly that countries wishing to adopt a three-pillar protection model have worked out the details of tax concessions for life insurance before instituting the compulsory second pillar in a subsequent phase. This method, coupled with an active public information policy, makes it possible to educate a population that tends to know little about life insurance products, and thus to prompt them to opt for a sufficient level of cover.

IV. The difficulties to be surmounted

A. Inflation

In stable economies, insurance guarantees are often expressed in nominal amounts. Furthermore, insurance premiums are generally set at the beginning of a contract; there may be provision for adjustment clauses, but such clauses are still relatively rare. High inflation, which is frequent in emerging economies, makes it essential to take this problem into account, since the expression of guarantees in nominal amounts constitutes a major risk for the holders of life insurance policies. Policyholders are not necessarily aware of the fact that they are running this risk, which can give rise to mistrust and feelings of having been duped.

On the other hand, to express guarantees in real terms is a highly risky solution for insurance companies, especially insofar as financial instruments that could be used to cover inflation risk (e.g. bonds indexed to financial indices closely correlated with domestic inflation) are in most cases not available. Moreover, total or partial indexation clauses tend to further complicate products that are already very unfamiliar to consumers.

High inflation is therefore a definite obstacle to the development of insurance, and of life insurance in particular. Moreover, the volume of premium revenue in the sector is highly sensitive to this factor. In Bulgaria, for example, where the rate of inflation jumped from 123% in 1996 to 1100% in 1997, life insurance premiums dipped sharply, from USD 42 million to USD 13 million, while GDP rose from USD 9.2 billion to USD 10.1 billion.

B. Consumers' lack of familiarity with insurance products

The range of life insurance products marketed in an emerging economy must necessarily take account of the fact that consumers know little about the workings of financial markets. In the centralised economies in particular, it was extremely rare, to purchase financial products that could shift income from one phase of a person's life to another and provide for various contingencies. Similarly, many Central and Eastern European countries enjoyed comprehensive social cover which guaranteed universal access to healthcare, retirement benefits and survivors' pensions. Consumers are therefore unfamiliar with savings products or precautionary cover.

This argument has often been expounded to explain the imposition of supervision of life insurance products, since producers have little incentive to develop high-quality products if consumers are incapable of telling the difference between them and products of far lower quality. As the public's financial education increases, however, these controls should be relaxed. The ultimate objective is for consumers to be able to exercise this supervision themselves, in order to choose the products best suited to their individual needs. To this end, campaigns to inform the public, and the preparation of prospectuses that explain the main features of life insurance products are imperative.

C. Underdeveloped domestic financial markets

In order to do business confidently and effectively, insurance companies need to be able to invest their assets in markets that are sufficiently well developed and efficient. And yet, in most emerging markets, financial markets still offer a choice of products (bonds with a variety of maturities and issuers, shares in domestic or foreign companies, etc.) and auxiliary services (auditing firms and rating agencies, for example) that are limited. Extensive insurance operations can therefore not develop unless companies have sufficient access to foreign financial markets. With the exception of Slovenia and Moldova, all of the Central and Eastern European countries and the new independent states now allow insurance companies to invest some of their assets abroad. However, fear of depriving the national economy of too important a source of investment prompts many of them to limit the proportion of investments that may be made abroad (20% under Russian regulations) or to require prior government authorisation. Other countries, including Romania and Estonia, impose no such restrictions.

D. Lack of experience and insurance techniques

In most emerging economies, the population starts out with little understanding of insurance. There is little or no specialised training in the subject. As a result, domestic insurance companies often lack experience and qualified staff, which makes it difficult to estimate risks. To a large extent, this problem can be solved by opening domestic markets to international insurers, which bring with them their experience and risk management techniques: actuarial methods, risk selection policy, new product design, etc. Transfers of technical and managerial know-how are especially important in the insurance industry because insurance companies, unlike industrial multinationals, cannot merely divide their production processes between their home country and emerging markets to take advantage of differential production costs, and wage costs in particular.

E. The lack of actuarial data

Insurance companies in emerging economies also suffer from the lack of reliable data bases, on which to base their actuarial calculations and tariffs. In countries where notably statistical data on health problems were not recorded properly, if at all, and in which ways of life have undergone or are undergoing sudden change, life expectancy data cannot provide a sufficient basis for computing life insurance premiums, even if the most sophisticated actuarial methods are used. It is only by instituting a comprehensive and reliable system of data collection that this obstacle can be overcome. To set up such a system is probably a matter for the State, but private insurance companies can help by constituting their own databases and pooling them.

As long as data are still insufficient, substantial margins of error will have to be factored in to ensure that pricing does not cause a deficit. Some of the resultant income should then be returned to the insured in the form of profit-sharing.

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ANNEX 1: KEY FIGURES FOR LIFE INSURANCE IN OECD COUNTRIES (1998)

Total gross life premiums	USD 1 106 937 million
Life insurance share	54.34% of total premiums
Density	USD 954 per capita
Penetration	4.58% of GDP
Retention ratio	95.05%
Ratio of reinsurance accepted	5.13%
OECD share of the global insurance market	94,6 %

Source: *Insurance Statistics Yearbook 1991-1998*, OECD, 2000 edition

ANNEX 2: TAX TREATMENT OF LIFE INSURANCE IN THE OECD COUNTRIES

Country	**Existence of Special Tax regarding[1]**				**Special Rules**		**Purpose**		Other
	Ins. Co.	Policyholder		Others	Deductibility[1]		Benefit of	Other[2]	Contributi
		Contract	Succession		Ins. Co.	Policyholde	Public		
Australia	Y	Y	Y	N	Y	N	Y	N	N
Belgium	Y	Y	Y		Y	Y	Y	Y	
Czech Republic	Y	N	Y	N	Y	N	Y	N	N
Denmark	Y	Y	Y	N	Y	Y	Y	Y	NA
Finland	N	Y	N	N	N	Y	Y	Y	Y
France	Y	Y	Y	N	Y	Y	Y	Y	Y
Germany	N	Y	N	N	Y	Y	N	N	N
Hungary	N	N	N	N	N	Y	N	N	N
Iceland	Y	Y	Y	Y	Y	Y	N	Y	N
Italy	Y	Y	Y	N	N	Y	Y	N	Y
Japan	N	N	N	N	Y	Y	Y	N	N
Korea	N	N	N	N	N	Y	N	N	N
Luxembourg	N	Y	Y	N	N	Y	Y	N	N
Mexico	N	N	N	N	N	Y	Y	N	N
Netherlands	Y	Y	N	N	N	Y	Y	N	N
Norway	N	Y	Y	N	N	Y	Y	Y	Y
Poland	N	N	N	N	N	N	N	N	N
Portugal	Y	Y	Y	Y	N	Y	Y	NA	NA
Spain	Y	Y	Y	N	N	N	Y	Y	Y
Sweden	Y	Y	Y	Y	N	Y	N	Y	N
Switzerland	N	Y	N	NA	N	Y	Y	N	N
Turkey	Y	Y	Y	N	Y	Y	Y	N	N
U.K.	N	Y	N	N	Y	Y	Y	N	N
United States	Y	Y	N	Y	Y	Y	Y	Y	Y
E.U.	N	N	N	N	N	N	N	N	N

Source: Comparative tables on insurance regulation and supervision in OECD countries

Country	Tax[1]			
	Tax on Premiums Life	Tax on Capital Yield	Value Added Tax	Supplementary Taxes
Australia				
Austria				
Belgium	Y (group ins./pension funds: 4.4.% + 8.86% on allowances of employer)	in life 10%,16.5% or 33%, *précompte mobilier*: N except in limited cases		9.25% on profit-sharing
Canada				
Czech Republic	N	15%	N	N
Denmark				
Finland	N	N	N	
France	N	CSG + RDS: 3.9% repurchase under 8 years: 37% or 17%	N	Y
Germany	N	N	N	solidarity surcharge:7.5% municipal tax between 13 and 21%
Greece				
Hungary	N		12 or 25 %	local taxes on buildings, communal taxes
Iceland	stamp duties	NR	N	NR
Ireland				
Italy	2.5%	N	N	
Japan	N	N	N	N
Korea	N	N	N	education and inhabitant tax
Luxembourg	N	N	N	Y (fire)

Mexico		34%	15% (in border cities : 10%)	income tax of 34 % on policyholder dividends
Netherlands	N	NA	N	N
New Zealand				
Norway	N	Y(mutuals and pension funds)	N	N
Poland	N	N	N	N
Portugal				
Spain	N	N	N	N
Sweden	max. 15% paid to co. outside Sweden, reduction poss.	life: 15 or 27% of a standard yield on the net asset value	NR	NR
Switzerland				
Turkey	5%	N	N	10% in fire
United Kingdom				
United States				

Source: Comparative tables on insurance regulation and supervision in OECD countries

Country	Tax Deductibility	
	Insured	Policyholder
Australia		
Austria		
Belgium	Y for individuals, groups, pension funds with variable limits calculated on average tax with min 30% and max. 40%, see T 34 cont.2	Y in group ins. and for pension funds for the employer
Canada		
Czech Republic	N	N
Denmark		
Finland	N	Y for employers and in compulsory pension ins.(if voluntary only under certain conditions)
France	N	Y (heirs)
Germany	if identical with policyholder	Y
Greece		

Hungary	20% of annual premium (contract for 10 years)	as for “Insured”
Iceland	N	in case of lump sum
Ireland		
Italy	22% annually	
Japan	from income tax: 50 000Yen from residential tax: 35 000Yen	in case of lump sum; in case it is taxable: heir can benefit from exemption up to amount of 5 000 000 Yen multiplied by the number of the heirs-at-law
Korea	N	pension products/risk-oriented ins.: up to 500 000 resp.720 000 WON
Luxembourg	N	Y
Mexico	if insured is policyholder and legal person	only for legal person
Netherlands	in principle expenses associated with business operations are tax-deductible (see part III)	as for “Insured“
New Zealand		
Norway		Y (ceilings to premiums for pension ins.)
Poland	N	N
Portugal		
Spain	N for individuals Y for commercial companies	as for “Insured”
Sweden	pension ins.: ca. SEK 16 000 for individual; for employer within limits	as for “Insured”
Switzerland		
Turkey	NR	25-55 % depending of income tax level
United Kingdom		
United States		
EU	NR	NR

Source: Comparative tables on insurance regulation and supervision in OECD countries