THE STATE OF INSURANCE MARKET IN THAILAND

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Thailand Economic Overview
Thai economy was improved markedly in 2015. Growth was seen at 2.8% in 2015, much better than the weak increase of 0.8% recorded in a previous year. According to the national statistics published by the Office of the National Economic and Social Development Board (NESDB), government spending played a pivotal supporting role while private sector activity and export were sluggish. In 2016, the economy is expected to expand by 2.8-3.8% given the planned infrastructure investment proceeds as scheduled and expansion of the tourism sector continues. Despite rising confidence in the economy, lower framer incomes caused by drought and weak global agricultural prices and a slow economic recovery of major trading partners could derail the growth expectation in 2016.

- **Real GDP growth rate**
  - 2.8%-3.8% (2016)*
  - Source: NESDB

- **Headline Inflation**
  - (-1.0)-0.9% (2016)*
  - Source: NESDB

- **GDP (at current prices: Bil. USD)**
  - 390 (2016)*
  - Source: NESDB

- **Total Population (Mil.)**
  - 65.1 (2015)
  - Source: NESDB

- **Life Expectancy at Birth (Years)**
  - 73.3 | 80.1 (2015)
  - Source: NESDB

- **GDP per Capita(USD)**
  - 5,977 (2015)
  - Source: NESDB

*Projection as of 15th February, 2016

Thailand Insurance Sector Summary
By 2014, insurance sector in Thailand was the world’s 31st largest and the 8th biggest in Asia, according to the latest Swiss Re’s market statistics. The industry expanded modestly in 2015 with an annual growth rate of 5.4% compared with 9.4% in 2014. The sector’s direct premium income remained roughly at U$22 billion in 2015 due to a continuous depreciation of Thai baht against U.S. Dollar over the last three years.

As the 2nd largest market in the Asean Economic Community, a size of Thailand’s insurance industry was about 5.5% of GDP in 2015, a slight drop from 5.7% in 2014. In terms of insurance density, Thai people spent roughly US$332 on insurance a head on average in 2015 relative to US$338 in 2014.

With a rising consumer awareness and affordable and innovative products along with greater integration of digital technologies across multiple sales channels, Thailand’s overall insurance industry is expected to see a good growth over the coming years.

Life Sector in Brief
Thailand’s life insurance sector has been ranked as the world’s top 30 and Asia’s top 10 in terms of premium income over the recent years based on the latest Sigma study.
The sector’s direct premiums in 2015 were up 6.8% to US$15.5 billion (US$15.4 billion in 2014) and the total number of life insurance policies in force grew up by 3.4% to 21.9 million policies (21.2 million policies in 2014), according to the latest market statistics published by the Office of Insurance Commission (OIC).

In 2015, up to 23 life insurers actively served the market but only 4 major providers – A.I.A, Muang Thai Life, Thai Life Insurance, and Krungthai AXA Life – took more than 60% of total market share.

The latest market statistics suggests that more than 90% of total direct premiums and total number of policies were generated through two major distribution channels, agent and bancassurance in 2015. This pattern has remained unchanged for a long while.

Even though net benefit payments of life insurance in 2015 rose to US$5.9 billion up from US$5.4 billion in 2014 (a growth of 15%), the sector still generated a remarkable underwriting profit. Industry’s average loss ratio was still under 40% in 2015 and also for the last five years. Even taking commissions and brokerages, other underwriting expenses, operating expenses plus other expenses into consideration, the combined ratio was marginally over 60% (61.7% to be exact) in 2015. Such a result would definitely draw more competition into the arena.

Non-Life Sector in Brief

As the world’s 32nd largest non-life market in 2014 (Swiss Re, Sigma No. 4/2015), Thailand non-life sector’s growth held steady at below 2% during the last two consecutive years. Its direct premiums grew by 1.9% in 2015 and 1.1% in 2014. A major culprit of such a slow expansion was a continuous drop of domestic car consumption since 2014. Despite ranked second in Southeast Asia, Thai non-life sector is a relatively immature market with insurance density of marginally over US$100.

Given a size of US$6.1 billion in 2015, the sector has heavily relied on two “engines of growth,” which include motor and miscellaneous insurance. The two businesses together accounted for a combined premium share in excess of 90% (92.4% to be exact - 57.5% Motor and 34.9% Miscellaneous) in 2015. Their premiums totaled of US$5.6 billion in 2015, a rise of 2.4% over the year 2014.

Thai non-life market is highly competitive given the number of service providers of 61 companies. However, top 7 insurers accounted for over 50% of total market share while a third belonged to top 3 firms in 2015. Biggest 5 providers include Viriyah Insurance, Dhipaya Insurance, Bangkok Insurance, Muang Thai Insurance Public, and Synmunkong Insurance, according to the latest statistics published by OIC.

In terms of distribution channel, 56.9% or US$3.5 billion of total non-life direct premiums were generated through broker in 2015. This key channel also sold up to 32.4 million policies (50.8%) in 2015 compared with 30.9 million policies in a previous year. The second and third largest sale channels were agent and bancassurance,
which produced US$0.9 billion (14.6%) and US$0.8 billion (12.3%), respectively, in 2015. The total number of policies distributed by these two channels dropped from 17.6 million policies in 2014 to 17.2 million policies in 2015. Due to a rapid growth of the Internet of Things, an integration between online and offline experiences is becoming increasingly effective and ubiquitous.

Given an average loss ratio and expense ratio over the last three years of 46.6% and 42.5%, respectively, the Thai non-life sector was proven to be an underwriting profitable business.

Regulatory and technology changes are progressively restructuring Thai insurance industry’s competitive landscape, creating both business opportunities as well as operational challenges. With a strong ability to manage and adapt to any difficulties facing it; however, Thai insurance industry is surely ready to take a big leap forward.

**Development of Thai Insurance Market during 2013 - 2015**

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<td>TOTAL</td>
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<td>21.7</td>
<td>9.4</td>
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Source: OIC (As of 11th May 2016)
Note: Growth rates of monetary value are based on a y-o-y basis and measured in local currency basis.

**References**

1. Office of the National Economic and Social Development Board, www.nesdb.go.th
2. Office of Insurance Commission, www.oic.or.th
3. Swiss Re, Sigma No 4/2015
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