



THAI RE GROUP

# THAILAND INSURANCE IN 2013

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## → Thailand Economic Prospects

Despite a contraction of 0.6% in the first quarter of 2014, the pace of growth is expected to gradually pick up in the second half of 2014 due to weakened political tensions, stronger domestic demand, and higher government spending. An annual growth rate of gross domestic product (GDP) for 2014 is projected to be in the range of 2%-3% (2.9% in 2013). On a basis of a more stable political environment and the economic recovery of major trading partners gathering more momentum, the country should again be back on its long-term growth trajectory path in 2015.

## → Industry Overview

Thai insurance market bounced back to normal growth rate pattern of 13.1% in 2013 after enjoying unexpectedly strong expansion of 21.6% in 2012.

The industry's direct premium reached US\$21 billion in 2013, up from US\$18.3 billion in 2012. Considered as the second largest and most mature market in South East Asia, Thailand's insurance industry grew up in size to 5.4% of GDP in 2013 (5% in 2012). In addition, insurance expense per capita rose to US\$307 in 2013 from US\$270 in 2012.

With a rising consumer awareness and affordable and innovative products along with <sup>\*estimated</sup> greater integration of digital technologies across multiple sales channels, Thailand's insurance industry should continue to see a double-digit growth rate over the next several years.

## → Life Sector

The life sector grew by 13.0% in 2013, a decline from 18.7% in previous year. According to the Office of Insurance Commission (OIC), the industry's 1<sup>st</sup> year premiums, renewal premiums, and single premiums registered at US\$3 billion, US\$9.6 billion, and US\$1.7 billion, respectively, in 2013.

In spite of two dozen companies in the industry, only three players (A.I.A., Muang Thai Life, and Thai Life Insurance) have steadily dominated the market with combined market share of over 50%.

In terms of distribution channel, agent and bancassurance have been two key choices of distribution channel for the life sector. In 2013, contribution of both channels accounted for more than 93% of total direct premiums and total number policies sold, according to the market statistics.

**2%-3%** (2014)\*

Real GDP growth rate  
Source: BOT

**2.7%** (2014)\*

Inflation  
Source: BOT

**US\$387** (2013)

GDP in billions  
Source: NESDB

**US\$2,402** (2013)

GDP per capita  
Source: NESDB

Given claims in 2013 totalled US\$5.8 billion, a growth of 19% over the amount of 2012, the sector's average loss ratio is still under 40% over the last five years. However, with a further consideration of commissions and brokerages, other underwriting expenses, and operating expenses, the ratio grew to 65.3% on average during 2010-2013, indicating more competition in the very near future.

### → Non-Life Sector

Despite expanding along with the economy, Thai non-life sector is considered to be relatively immature. Given premiums per capita of just US\$96.8 and ranked third in Southeast Asia, the industry gained a tiny fraction of world market (0.33%) in 2013.

A size of Thai non-life sector expanded by 13.1% in 2013 (28.4% in 2012) to US\$6.6 billion up from US\$5.8 billion a year ago. Automobile and miscellaneous insurance remains two prime premium-generator of the business. With market share of 57.9% and 33.8% for automobile and miscellaneous business, in that order, their premiums totalled US\$6.1 billion in 2013 relative to US\$5.3 billion in 2012 (a rise of 13.0%).

While market size increases, the non-life's market structure remains somewhat fragment. Although there were 64 active providers in the market, only 7 firms gained more than half of total market share. And about one third belonged to top three carriers in 2013. These major players include Viriyah Insurance, Dhipaya Insurance, Bangkok Insurance, Synmunkong Insurance, Muang Thai Insurance Public, The Safety Insurance, and Tokyo Marine Sri Muang Insurance.

Broker has remained a key distribution channel of non-life products. In 2013, about 52.9% or 36.6 million policies (an astonishing growth rate of 54.4%) were sold through this channel, which generated US\$3.7 billion (55.9%) in direct premiums. Two other major channels are agent and bancassurance. Overall, they created 18.2 million policies or US\$1.9 billion in direct premiums in 2013. With the advancements in technology and changes in consumer behavior and preferences, Thai insurers have successfully started exploring the online space such as call centers, mobile, and website. A sales volume through internet has skyrocketed 338.3% in terms of premium and 70.4% in terms of purchased policies just over the past two years.

Given a total claim of US\$1.9 billion and earned premium of US\$4.6 billion in 2013, the sector's loss ratio was 42.7%, a drop of 9.1 percentage points from a year earlier. Whereas an average expense ratio for the business remained at a little above 40% (42.6%), the 2013 underwriting profit ratio rose to 14.7% (only 4.2% in 2012).

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 2011 - 2013

Business Types	2013		2012		2011	
	US\$ Billion	Growth (%)	US\$ Billion	Growth (%)	US\$ Billion	Growth (%)
<b>Life</b>	<b>14.36</b>	<b>13.0</b>	<b>12.56</b>	<b>18.7</b>	<b>10.78</b>	<b>11.0</b>
<i>Ordinary</i>	12.09	12.7	10.61	17.9	9.17	13.2
<i>Industrial Group</i>	0.26	-4.6	0.27	-2.9	0.28	-5.2
<i>Personal Accident</i>	1.83	19.5	1.52	31.5	1.18	0.1
<b>Non-Life</b>	<b>6.61</b>	<b>13.1</b>	<b>5.77</b>	<b>28.4</b>	<b>4.55</b>	<b>11.8</b>
<i>Fire</i>	0.18	4.6	0.172	9.6	0.16	10.0
<i>Marine &amp; Transportation</i>	0.38	21.0	0.31	26.1	0.25	2.8
<i>Automobile</i>	0.17	2.1	0.17	17.8	0.15	6.0
<i>Miscellaneous</i>	3.85	14.0	3.34	25.5	2.71	11.3
<b>TOTAL</b>	<b>20.97</b>	<b>13.1</b>	<b>18.34</b>	<b>21.6</b>	<b>15.37</b>	<b>11.3</b>

Source: Office of Insurance Commission (As of 8<sup>th</sup> July 2014)

Note: Growth rate is based on a y-o-y basis.

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