# COUNTRY REPORT: THAILAND, LIFE INSURANCE*

**Sugunya Tongchenchitt**
Ayudhya-Allianz-CP Insurance Company, Bangkok

## Overview of Thai Life Insurance in 2007

**Table 1: Premium Income: Net Written Premiums**

**Unit: Million Baht**

| Net Written Premiums/Year | 2006 | 2007 | % Growth | 2008 proj. | % Growth |
|---|---|---|---|---|---|
| - First Year Premiums (Less Refund) | 32,589 | 42,954 | 31.81% | 48,830 | 11% |
| - Renewal Premiums (Less Refund) | 128,511 | 137,377 | 6.90% | 154,204 | 10% |
| - Single Premiums (Less Refund) | 8,261 | 17,293 | 109.33% | 21,095 | 15% |
| *Total (including Single Premium) | 169,361 | 197,624 | 16.69% | 224,129 | 13.4% |
| *Excluding Single Premium | 161,100 | 180,331 | 11.94% | 203,034 | 13% |

**Source**: TLAA Business Report 2007

The chart above shows that the growth of Thai Life insurance business in 2007 was 16.69% higher than that of 2006 (2006 showing only a 3.84% increase over 2005). The net premium for 2007 was 197,623 million Baht, of which 42,954 million was the first year premium (a growth of 31.8%, against a growth of 7.86% in 2006), and 137,377 million Baht was renewal premium (a growth of 6.90%). The persistency rate was 85% against that of 86% in 2006. The single premium income was 17,293 million Baht which represented an increase of 109.34 million Baht against that of minus 41.56% in 2006.

The factors which contributed to the business expansion in 2007 were high guaranteed interest and investment returns, many newly developed products that are responsive to the needs of broader-based customers, and the introduction of new and convenient dis-

*This paper was presented at the East Asian Insurance Congress in Hong Kong in November 2008. Ms. Sugunya Tongchenchitt is a Bachelor in Accounting and A Master in Management Information Systems. She has worked in leading Thai life companies, including being Head of Bancassurance. She is in charge of regulatory affairs for her company.

tribution channels. The stepped-up efforts by all life insurers to create public awareness through public relations activities also contributed to the success.

It was expected that in 2008 the gross premium income would be about 224,129 million Baht, an increase of 13.4%. If single premium income is excluded, the gross income would be 203,034 million Baht, an increase of 13%.

**Table 2: New Business and In-Force Policies**

| | New Business | | % | In-force Policies | | % |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | growth | 2006 | 2007 | growth |
| No.of Policies | | | | | | |
| - Ordinary | 1,819,142 | 2,094,952 | 15.16 | 9,641,392 | 10,692,952 | 10.91 |
| - Industrial | 179,888 | 233,205 | 29.64 | 2,426,024 | 2,381,806 | -1.82 |
| - Group | 5,117 | 4,042 | -21.01 | 16,150 | 17,265 | 6.90 |
| **Total** | **2,004,147** | **2,332,199** | **16.37** | **12,083,566** | **13,092,023** | **8.35** |
| Sum Insured (Million Baht) | | | | | | |
| - Ordinary | 358,064 | 426,188 | 19.03 | 1,894,290 | 2,121,950 | 12.02 |
| - Industrial | 12,580 | 17,160 | 36.41 | 130,668 | 133,034 | 1.81 |
| - Group | 523,407 | 520,512 | -0.55 | 1,663,389 | 1,796,561 | 8.01 |
| **Total** | **894,051** | **963,860** | **7.81** | **3,688,348** | **4,051,545** | **9.85** |
| **Penetration rate** | | | | **19%** | **21%** | |

**Source**: TLAA Business Report 2007

**Note**: Penetration rate = No. of Policies in-froce/No. of Populaltion

The chart above shows that the total number of policies in force in 2007 was 13,092,023, an increase of 8.35% over 2006 (compared to an increase of 8.05% in 2006). The total number of new policies in 2007 was 2,332,199, an increase of 16.37% over 2006. Of this, 2,094,952, an increase of 15.16% represented ordinary life policies; and 233,205, an increase of 29.64% represented industrial group policies. The number of in-force life industrial policies decreased by 1.82%. New group polices were 4,042, an increase of 21.01%, while in-force group policies rose by 6.90%.

## Penetration, Persistency, Reserve, Capital Fund

The penetration rate in 2007 was 21% of the population in Thailand. It was 19% in 2006. The persistency rate of ordinary life business was the highest of all types of life policies.

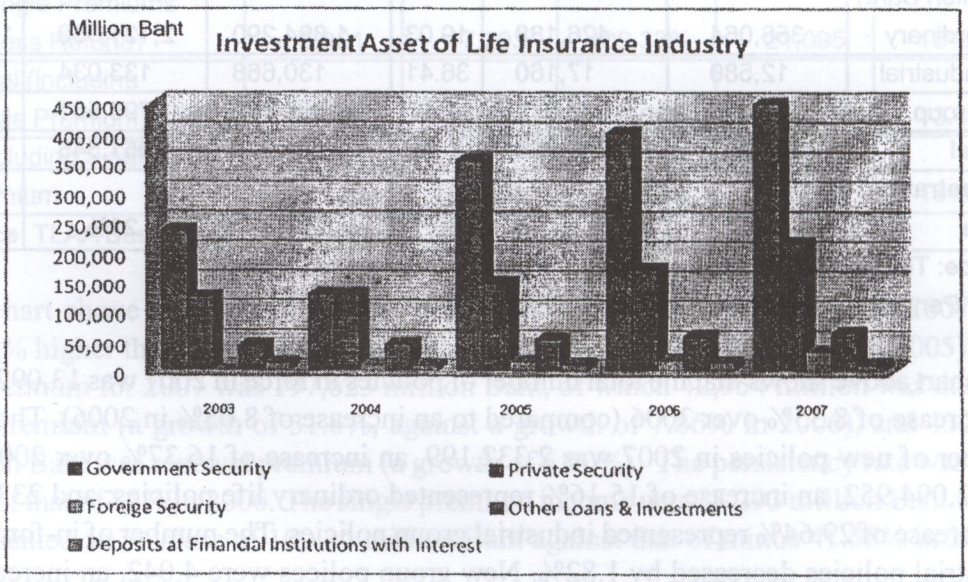
The total amount of insurance reserve of the Thai life insurance business in 2007 was 646,321 million Baht.

In 2007 the industry had a combined capital of 110,047 million Baht, of which 25,068 million Baht was paid-up capital. The amount of surplus capital was 22,791 million Baht. The amount of appropriated retained earning was 931 million Baht, and the unappropriated retained earning was 61,257 million Baht.

The amount of total assets of the entire life insurance industry in 2007 was 817,297 million Baht, an increase of 16.15% over 2006. Most of these assets were government securities which made up about 55.05% of the total, followed by private securities which accounted for about 26.31%.

## Investment Assets

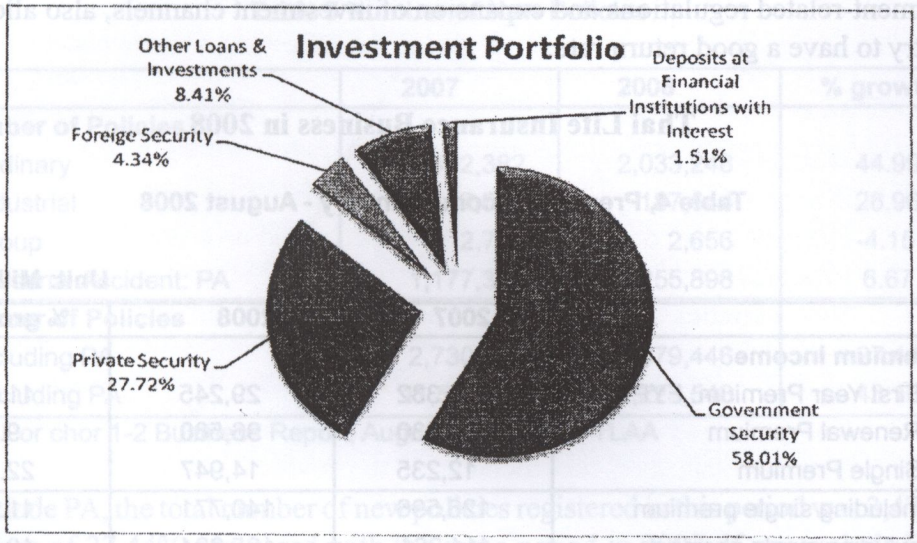
**Table 3: Investment Assets**




**Source**: TLAA Business Report 2007

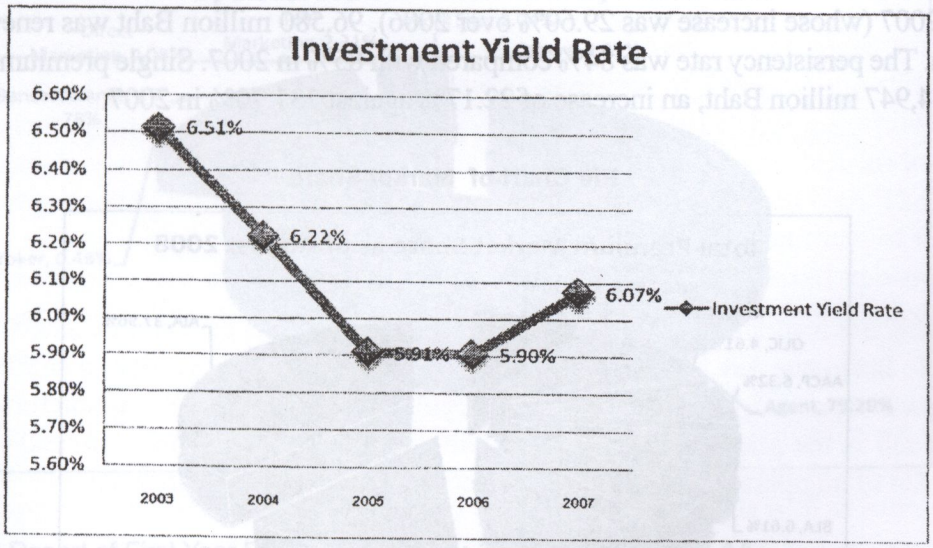
The above chart shows that in 2007 the industry had invested 449,934 million Baht in government and state enterprise securities (2006: 401,107 million Baht), 2150,012 million Baht in private securities (2006: 171,367 million Baht), and 33,685 million Baht in foreign securities (2006: 19,045 million Baht). Total investment in 2007 increased by 16.41%, or 94.89% of total assets.

**Investment Portfolio Pie Chart**




**Source**: TLAA Business Report 2007

**Investment Yield Rate Graph**




**Source**: TLAA Business Report 2007

**Note**: Calulation of yield rate includes capital gain (loss).

The investment yield rate in 2007 stood at 6.07% against 5.90% in 2006, due to higher amounts of premium and liquidity in the system. The improvement in the government's investment-related regulations and expansion of investment channels, also allowed the industry to have a good return rate.

## Thai Life Insurance Business in 2008

**Table 4, Premium Income January - August 2008**

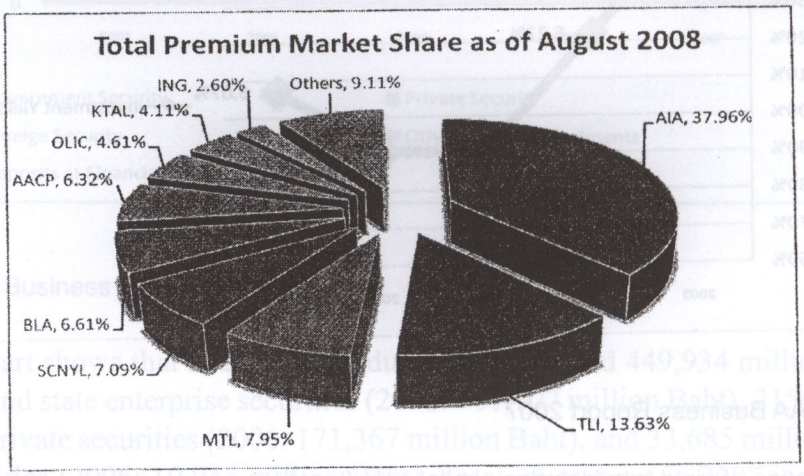
**Unit: Million Baht**

| | 2007 | 2008 | % growth |
|---|---|---|---|
| **Premium Income** | | | |
| - First Year Premium: FYP | 26,332 | 29,245 | 11.06 |
| - Renewal Premium | 88,030 | 96,580 | 9.71 |
| - Single Premium | 12,235 | 14,947 | 22.17 |
| ▪ including single premium | 126,596 | 140,771 | 11.20 |
| ▪ exluding single permium | 114,361 | 125,824 | 10.02 |

**Source**: TLAA Busines Report 2007

The total amount of premium earned by the industry in this period was 140,771 million Baht, an increase of 11.20% over the same period in 2007 (whose increase was 16.31% over that of 2006). Of this total, 29,2045 million Baht was first year premium, an increase of 11.06% over 2007 (whose increase was 29.60% over 2006). 96,580 million Baht was renewal premium. The persistency rate was 84% compared with 85% in 2007. Single premium income was 14,947 million Baht, an increase of 22.17% against 131.70% in 2007.

**Pie Chart of Market Share**




**Source**: TLAA Business Report 2007

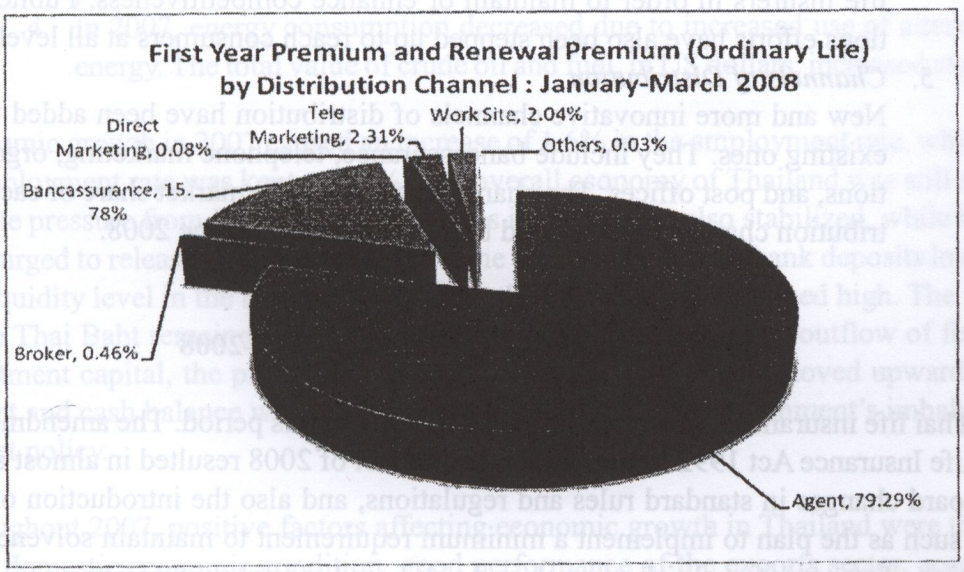
## Number of New Policies, January - August 2008

**Table 5 Number of New Policies**

| | 2007 | 2008 | % growth |
|---|---|---|---|
| **Number of Policies** | | | |
| - Ordinary | 1,402,382 | 2,033,248 | 44.99 |
| - Industrial | 147,802 | 187,644 | 26.96 |
| - Group | 2,771 | 2,656 | -4.15 |
| - Personal Accident: PA | 1,177,325 | 1,255,898 | 6.67 |
| **Number of Policies** | | | |
| ▪ including PA | 2,730,280 | 3,479,446 | 27.44 |
| ▪ excluding PA | 11,552,955 | 2,223,548 | 43.18 |

**Source**: Por chor 1-2 Business Report, August 2007-2008, TLAA

If we include PA, the total number of new policies registered in this period was 3,479,446, an increase of 27.44% compared with the same period in 2007. If we exclude PA, the total would be 2,223,548, an increase of 43.18%.




**Source**: Report of First Year Premium, Ordinary, 2nd Quarter 2008, TLAA

## Strategies for 2008

Faced with several negative factors in 2007-2008, the Thai life insurance industry has adjusted and developed operational strategies in the following areas in order to maintain growth.

1. *Management Strategy*
   Companies step up efforts to improve organizational management, increase efficiency, and develop capability of personnel on a regular basis.
2. *Products*
   New varieties of life insurance products have been developed to meet the needs of customers at all levels.
3. *Agency*
   Computerized agency license examination facilities have been set up in Bangkok and many provincial areas to provide a quick and efficient license exam service to prospective life insurance agents. The database of the test exam questionnaires has also been improved and updated.
4. *Marketing*
   Several new and challenging marketing strategies have been developed by life insurers in order to maintain or enhance competitiveness. Public relations efforts have also been stepped up to reach consumers at all levels.
5. *Channels of Distribution*
   New and more innovative channels of distribution have been added to the existing ones. They include bancassurance, telephone marketing, organizations, and post offices. The chart below shows the market share of each distribution channel in the period between January to June 2008.

## Support from the Government in 2007-2008

The Thai life insurance industry saw several changes in this period. The amendment of the Life Insurance Act 1992 to the Life Insurance Act of 2008 resulted in almost across the board changes in standard rules and regulations, and also the introduction of new ones such as the plan to implement a minimum requirement to maintain solvency, the adoption of an operational risk manual, and risk-based capital supervision.

The government also increased the amount of tax deduction for policyholders, from 50,000 Baht to 100,000 Baht, which resulted in a continued expansion of business.

## Overview of the Thai Economy in 2007

As insurance is so inextricably tied to the rise and fall of national and international economies, it is relevant to consider the Thai economy in 2007, and projections made for 2008, based on government figures as at 25 February 2008. In 2007 the rise in Gross Domestic Product (GDP) for Thailand was 4.8% compared with 5.1% for 2006. The drop was a result of a slow-down in private expenditure and investment. At the same time, however, the total volume and total value of exports in UD dollars expanded quite well, i.e. 11.8% and 18.1% respectively, while total volume and total value of imports grew by 4.1% and 9.6% respectively, which resulted in a trade surplus for Thailand.

Such a trade surplus scenario reflected changes in the following areas:

1. A slowdown in investment that began in 2006 caused a drop in demand for capital goods.
2. A drop in confidence over the national economy within the private sector worsened a slowdown in private investment.
3. The level of retail competitiveness increased in a group of products where Thailand is a major production centre, such as electronics and automobiles. The change broadened the country's export income base and helped compensate for the oil deficit.
4. In 2007, energy consumption decreased due to increased use of alternative energy. The total value of crude oil and fuel, in US dollars, increased slightly.

Economic growth in 2007 caused an increase of 1.6% in the employment rate, while the unemployment rate was kept at 1.4%. The overall economy of Thailand was still stable despite pressure from inflation. Interest rates in the market also stabilized, while banks were urged to release more loans. At the same time, a decrease in bank deposits lowered the liquidity level in the banking system but the overall level remained high. The value of the Thai Baht remained strong against the US dollar. Despite an outflow of foreign investment capital, the price index of the Thai stock market still moved upward. The budget and cash balance were still in deficit in line with the government's imbalanced budget policy.

Throughout 2007, positive factors affecting economic growth in Thailand were the vibrant domestic economic condition, good performance of the exports sector, acceleration of government spending and investment by state enterprises, as well as a low interest rate in the first half and an increase in confidence in the consumer and private sector in the second half of the year.

## Overview of Trends in the Thai Economy, 2008

The Thai economy in the first half of 2008 (Jan-Jun) grew by 5.7% supported mainly by expansion of the export sector. However, domestic demand for goods remained weak, and private expenditure and investment decreased.

Although the overall economy remained strong, there was strong pressure from rising inflation and cash flow deficit. Interest rates in the market moved upward in both deposits and loans. However, due to high inflation, real interest rates decreased to a minus level, loans accelerated while the amount of bank deposits decreased.

Factors affecting economic growth forecast for the second half of 2008 included:

1. Tax incentive schemes launched to stimulate the economy,
2. A policy of the government to encourage government budget spending in the last quarter of 2008 and the first quarter of 2009,
3. Increased income in the agricultural sector,
4. Low unemployment,
5. Low real interest rates,
6. Good prospects for exports.

It was expected that the overall economy of Thailand would grow between 5.2% and 5.7%, with a slowdown in the second half of the year due to lower exports. Private expenditure and investment would not fully recover due to the high oil price and inflation rate, while the confidence of consumers and the private sector would remain low due to the cost of living and an unstable internal situation.

## Key Indicators of Thai Life Insurance Industry

| Year | 2004 | 2005 | 2006 | 2007 | 2008 Proj. |
|---|---|---|---|---|---|
| **Thai Life Insurance Industry** | | | | | |
| 1.No. of Policies (Mill.) | 10.4 | 11.2 | 12.1 | 13.1 | 14.4 |
| (% Change) | 7.5 | 8.2 | 7.6 | 8.3 | 9.9 |
| 2.Sum Insured (Billion Baht) | 2,673.2 | 3,098.5 | 3,688.3 | 4,051.5 | 4,847.3 |
| (% Change) | 13.4 | 15.9 | 19.0 | 9.8 | 19.6 |
| 3.Premium Income (Billion Baht) | 151.1 | 166.8 | 173.5 | 197.6 | 222.3 |
| (% Change) | 16.3 | 10.4 | 4.0 | 13.9 | 12.5 |
| 4.Life Policy Reserves | | | | | |
| (Billion Baht) | 415.0 | 490.1 | 559.1 | 646.3 | 793.6 |
| (% Change) | 21.0 | 18.1 | 14.1 | 15.6 | 22.8 |
| 5.Capital Funds (Billion Baht) | 71.8 | 82.2 | 90.5 | 110.0 | 132.1 |
| (% Change) | 1.4 | 14.5 | 10.1 | 21.6 | 20.0 |
| 6.Investment Assets (Billion Baht) | 491.4 | 583.8 | 666.2 | 775.6 | 915.2 |
| (% Change) | 17.6 | 18.8 | 14.1 | 16.4 | 18.0 |
| 7.Assets (Billion Baht) | 540.4 | 620.4 | 703.6 | 817.3 | 980.8 |
| (% Change) | 20.0 | 14.8 | 13.4 | 16.2 | 20.0 |
| Economic Indicator | | | | | |
| 1.Population (Million) | 62.0 | 62.4 | 62.8 | 63.0 | 63.1 |
| (% Change) | (1.8) | 0.7 | 0.7 | 0.3 | 0.1 |
| 2.GDP at curreent price | | | | | |
| (Billion Baht) | 6,489.5 | 7,095.6 | 7,830.3 | 8,469.0 | 9,196.8 |
| (% Change) | 9.7 | 9.3 | 10.4 | 8.2 | 8.6 |

| Year | 2004 | 2005 | 2006 | 2007 | 2008 Proj. |
|---|---|---|---|---|---|
| **% Analysis** | | | | | |
| 1.No. of Policies: Population (%) | 16.78 | 18.00 | 19.23 | 20.77 | 22.79 |
| 2.Sum Insured: Population (Baht) | 43,138 | 49,655 | 58,704 | 64,269 | 76,815 |
| 3.Premium Income: GDP (%) | 2.28 | 2.35 | 2.22 | 2.33 | 2.42 |

**Source**: 1.Ecobnomic Data, NESDB, BOT as of 17.10.2008
2.Population Date of the Department of Local Administration
3.Business Data of TLAA

**Note**: 1.Net Gross Premium Income, TLAA's Annual Business Report
2.Number of Policies and Sum-Insured of all In-force Policies
3.Projection of GDP at Current Price in 2008
4.Projected Number of Population in 2008
5.Reason for using GDP at current price: Foreigners work and hold equities in life companies. GDP of base year used only for analysis that doesn't include incomes of foreigners.