THE INSURANCE INDUSTRY IN THAILAND, 2012

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INTRODUCTION

This is a review of the insurance business in Thailand for 2011 and the first part of 2012, as reported to the 26th East Asian Insurance Congress, in October-November 2012 in Kuala Lumpur, Malaysia. The major recent risk factor was severe flooding in late 2011, which seriously affected many organizations and individuals, causing great distress and physical damage, and consequential loss. The insurance and reinsurance payments were huge. Nevertheless, this proved the worth of insurance in paying reimbursement for insured losses. It also has led to government action to tackle the source of flooding and to establish a national catastrophe fund.

บทนำ

บทความนี้เพื่อเป็นการทบทวนธุรกิจประกันภัยในประเทศไทยในปี 2011 และช่วงแรกของปี 2012 ตามที่รายงานต่ออีสเอเชี่ยนอินชัวรันส์คอนเกรซ ครั้งที่ 26 ในช่วงเดือนตุลาคมถึงเดือนพฤศจิกายน ปี 2012 ณ กัวลาลัมเปอร์ ประเทศมาเลเซีย ซึ่งในเร็ว ๆ นี้ปัจจัยความเสี่ยงที่สำคัญคือ น้ำท่วมใหญ่ในช่วงปลายปี 2011 มีผลกระทบอย่างรุนแรงต่อหลายองค์กร และบุคคล เป็นสาเหตุให้เกิดความกังวลใจ และความเสียหายทางกายภาพ รวมถึงความเสียหายที่ต่อเนื่อง มีผลกระทบต่อการชดใช้ค่าสินไหมทดแทนมหาศาลในธุรกิจประกันภัย และการประกันภัยต่อ

แต่อย่างไรก็ตามเหตุการณ์ครั้งนั้นได้ทำให้ประชาชนเห็นคุณค่าของการประกันภัยในการชดใช้ค่าเสียหายต่อผู้เอาประกันภัยที่ได้รับความเสียหาย และมีผลให้รัฐบาลเข้ามาเกี่ยวข้องในการจัดการแก้ปัญหาภาวะน้ำท่วม และการจัดตั้งกองทุนภัยพิบัติแห่งชาติ

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OVERVIEW OF THE THAI ECONOMY

Flood Crisis in 2011

The Thai economy in 2011 decelerated at an annualized rate of 0.1% as severe and widespread flooding in the central region adversely affected production in the manufacturing and agricultural sectors. Private consumption grew at a slower pace as the flooding affected the production and transport networks, as well as farm income. Likewise, private investment also slowed down as the manufacturing production was disrupted by the flooding.

For external demand, the volume of exported goods and services in 2011 also grew at a low rate, mainly due to supply chain problems from the flooding of late 2011, with downside risks from the US economic slowdown and the European sovereign debt crisis. Reflecting internal stability, inflation headline inflation in 2011 was likely to rise to 3.8% due to higher raw foods costs, pressured by poor weather conditions and increase in world oil prices.

Outlook Projection for 2012

For 2012, the Thai economy was likely to grow at an average 5.7% (with a range of 5.2 - 6.2%). Domestic demand would be the main driver of economic growth as the flood damaged construction and equipment in the manufacturing sector was rebuilt and repaired, coupled with government policies to stimulate domestic spending, (in particular the higher minimum wage policy for low-income workers and government officials), and the rice pawning policy.

Public consumption and public investment have played an important part in boosting the economic recovery, especially from the Baht 350 billion long-term water management investment scheme gradually invested from mid-2012 onward.

For internal stability, headline inflation in 2012 was anticipated to be an average of 3.5% (a range of 3.0 - 4.0%), lower than in 2011.

OVERVIEW OF THE GENERAL INSURANCE MARKET

Status and Performance

Although there was a flood crisis in 2011, the total direct written premium of general (non-life) insurance grew by 12.18% from the previous year, with an amount of Baht 140 billion.

Unit: Baht billion

Lines of Business	Direct Written Premium		
	2011	2010	Change %
Fire	8.06	7.83	+2.85
Marine	4.61	4.32	+6.74
Motor	83.25	74.58	+11.62
Miscellaneous	44.28	38.25	+15.78
Grand Total	140.21	124.99	+12.18

In terms of portfolio mix, motor business led at 59% followed by miscellaneous at 31%, fire at 6%, and marine at 4%.

For the first five months of 2012, direct written premium continued to grow, by 23.46%

Unit: Baht billion

Lines of Business	Direct Written Premium		
	Jan – May 2012	Jan – May 2011	Change %
Fire	4.11	3.33	+23.33
Marine	2.10	1.94	+8.41
Motor	40.56	34.06	+19.08
Miscellaneous	23.01	17.19	+33.86
Grand Total	69.79	56.53	+23.46

However, the losses from the worst ever flood crisis in Thailand caused a tremendous insurance claims cost, estimated at 31 May 2012 as follows:

Insurance Policy	Estimated Gross Claims	
	Number of Claimants	Amount (Baht Billion)
Life and Personal Accident	213	0.027
Motor	39,745	4.205
Fire for Residential	36,086	3.242
Fire for SME	3,903	14.290
Industrial All Risks	8,484	464.734
Grand Total	88,431	486.499

The National Catastrophe Insurance Fund

The historical event of the flood in 2011 greatly affected the general insurance industry, not only by the drastic shrinking of reinsurance capacity for the coverage of natural perils from the international reinsurance market but also the increase in reinsurance costs.

The Thai government has established two major plans in order to provide flood protection for the country in both the short-term and long-term, with the following components:

i. A main flood protection plan with a budget of Baht 350 billion.
ii. A national catastrophe insurance fund with a budget of Baht 50 billion, to provide additional insurance and reinsurance support to the general insurance industry.

Regulatory Developments

With effect from 1st September 2011 the insurance supervision of Risk Based Capital (RBC) has been implemented. The first phase determined minimum Capital Adequacy Ratio (CAR) at 125% and will be gradually adjusted to the target of 140% in later years. In addition, all general insurance companies must transform themselves into public companies by February 2013.

Industry Activities

Insurance penetration in Thailand is far behind those of developed countries. Therefore, the Office of Insurance Commisssion and the life and general insurance industries are in collaboration to promote and build public awareness of insurance on a regular basis. Various Corporate Social Responsibility (CSR) programmes have been implemented throughout 2012, both in Bangkok and up-country. In 2011 the 4th Young Insurance Ambassador Programme was successfully organized with an increasing number of participating schools and students, nationwide.

LIFE INSURANCE MARKET OVERVIEW

Direct Premium Income

There are currently twenty-five life insurance companies and one reinsurance company operating in Thailand.

Throughout 2011 the life business attracted an amount of Baht 326,998 million of direct premium income, which was a growth of 10% compared with 13% in 2010. Of this income, Baht 66,762 million was first-year premium income which represented a growth of 5% against 12% in 2010. Renewal premium earning was Baht 229,271 million, with a retention rate of 86% against the 89% level in 2010. Single premium income was Baht 30,965 million, a growth of 4% against -3% (negative) in 2010. The insurance penetration rate was 3.1% and the density was Baht 5,126.

Direct Premium Income Between 2005-2009

Unit : Million Baht

	2005	2006	2007	2008	2009	2010	2011
First Year Premiums	31,039	33,499	43,759	43,752	57,246	63,869	66,763
% Change	4.6	7.9	30.6	(0.0)	30.8	11.6	4.5
Renewal Premiums	121,405	131,837	140,750	153,828	170,538	202,447	229,271
% Change	13.1	8.6	6.8	9.3	10.9	18.7	13.2
Single Premiums	14,348	8,371	17,433	24,018	30,749	29,848	30,965
% Change	0.3	(41.7)	108.3	37.8	28.0	-2.9	3.7
Total	166,792	173,708	201,942	221,598	258,533	296,164	326,998
% Change	10.2	4.1	16.3	9.7	16.7	14.6	10.4

Insurance Penetration Rate & Insurance Density

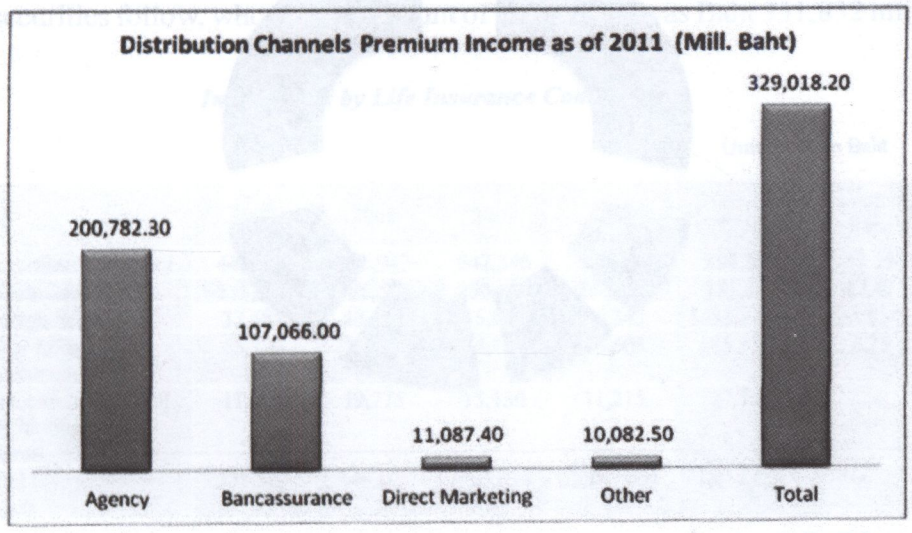
	2549/2006	2550/2007	2551/2008	2552/2009	2553/2010	2554/2011
Direct Premium (Million Baht)	173,708	201,942	221,598	258,533	296,164	328,597
Gross Domestic Product (GDP) (Million Baht)	7,844,939	8,525,197	9,080,466	9,041,551	10,104,800	10,539,400
Population (Million)	62.83	63.04	63.40	63.53	63.88	64.10
Insurance Penetration Rate (%)	2.2%	2.4%	2.4%	2.9%	2.9%	3.1%
Insurance Density (Baht)	2,765	3,203	3,495	4,069	4,636	5,126

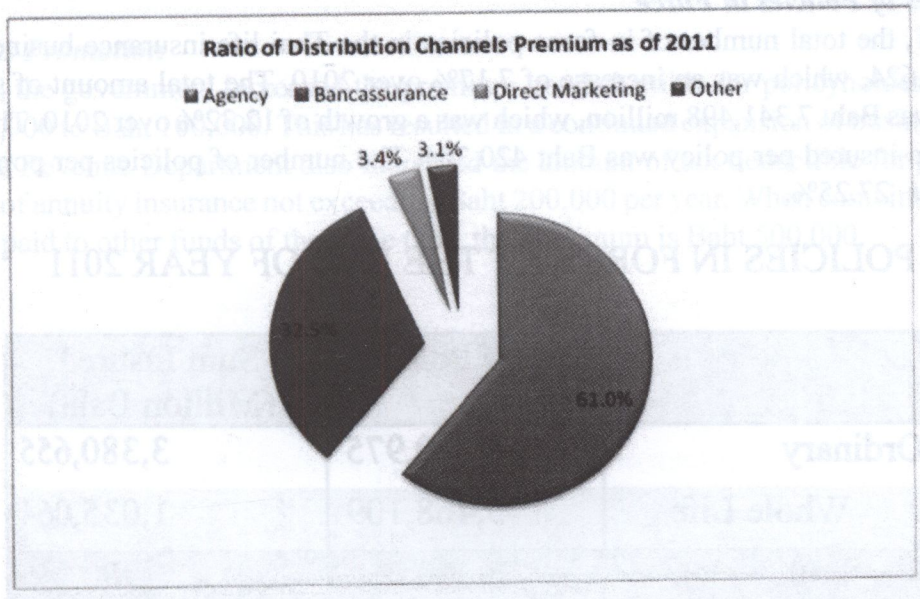
Note : Insurance Penetration Rate = Direct Premium / Gross Domestic Product (GDP)

Insurance Density = Direct Premium / Capita

Premium income by channel of distribution

In 2011, the total premium income from the agency channel was Baht 200,782 million, or 61.02% of total premium income, representing the highest income source. This was followed by Bancassurance whose total income was Baht 107,066 million, or 32.54% of total income.

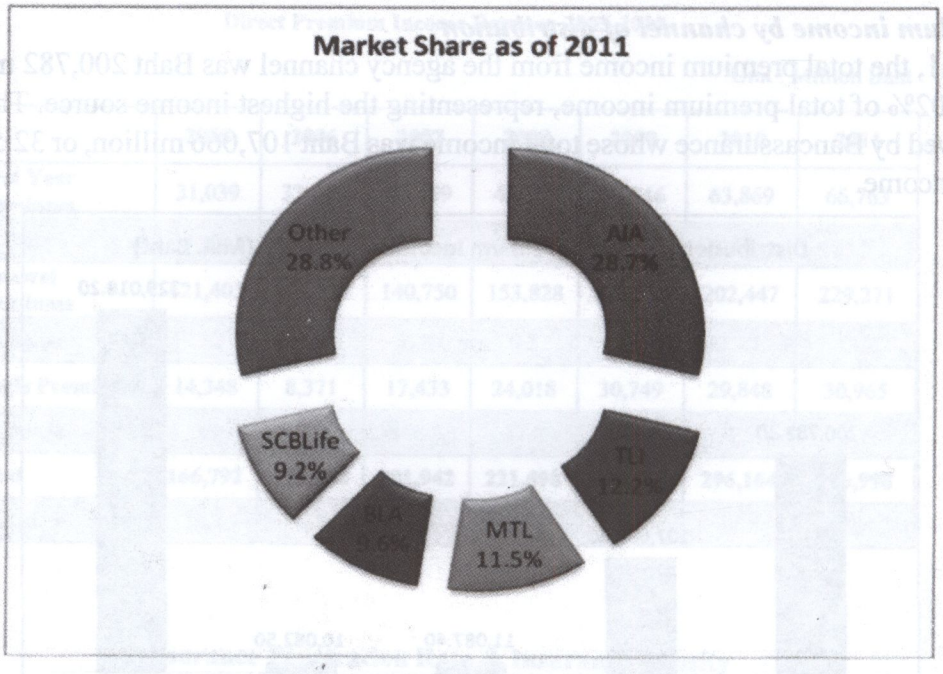




Market Share

The top five leaders of life insurance companies in terms of gross premium income are:

i. American International Assurance Co. Ltd. with 28.7%
ii. Thai Life Insurance Co. Ltd. with 12.2%
iii. Muang Thai Life Assurance Co. Ltd. with 11.5%
iv. Bangkok Life Assurance Public Co. Ltd. with 9.6%
v. SCB Life Assurance Public Co. Ltd. with 9.2%



Number of Policies in Force

In 2011, the total number of in-force policies in the Thai life insurance business was 17,464,624, which was an increase of 7.17% over 2010. The total amount of sum-insured was Baht 7,341,498 million, which was a growth of 12.32% over 2010. The average sum insured per policy was Baht 420,364. The number of policies per population rate was 27.25%.

POLICIES IN FORCE AT THE END OF YEAR 2011

	No. of Policies	Sum Insured (Million Baht)
Ordinary	15,380,975	3,380,655
Whole Life	5,468,109	1,035,064
Endowment	8,890,660	1,780,245
Term	1,018,968	563,775
Others	3,238	1,571
Industrial	2,055,601	126,748
Group	28,048	3,834,096
Total	17,464,624	7,341,499

Total Assets and Investment Assets

The total amount of assets in Thailand's life insurance business was Baht 1,487,841 million (an increase of 19.73%), of which Baht 1,414,084 million was investment assets. Major types of investments made by life insurance companies include government and state enterprise securities, which have a total amount Baht 894,875 million or 60.15%. Private securities follow, whose total amount of investment was Baht 331,832 million, or 22.30%.

Investments by Life Insurance Companies

Unit: Million Baht

	2007	2008	2009	2010	2011	Investment Ratio
Government Security	449,934	516,943	642,346	757,838	894,875	63.28
Private Security	215,012	186,661	206,926	269,850	331,832	23.47
Foreign Security	33,685	48,060	55,845	56,343	71,848	5.08
Other Loans & Investments	65,224	74,666	74,787	86,603	88,352	6.25
Deposits at Financial Institutions with Interest	11,708	19,775	15,130	11,215	27,158	1.92
Total Investment Assets	775,562	846,105	995,034	1,181,851	1,414,064	100.00

Business Promotion

In 2008, the government increased the premium tax deductible for policyholders from Baht 50,000 to Baht 100,000. This has resulted in a continued expansion of business. IN 2011 the Revenue Department also increased the amount of tax deductible for policy-holders of annuity insurance not exceeding Baht 200,000 per year. When combined with income paid to other funds of the same type, the maximum is Baht 500,000.