PREPARING INSURERS IN THAILAND FOR THE ASEAN ECONOMIC COMMUNITY

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Abstract

This paper discusses the preparation of Thailand's insurance community for the implementation of the ASEAN Economic Community (AEC) in December 2015, which involves removing the trade barriers between ten countries in Southeast Asia. Free trade is the fundamental reason for the creation of AEC, a consequence being liberalisation of insurance markets. Change brings opportunities for rewards, but also the creation of risks. Three dimensions will be examined: Rules and Regulations; Products and Markets; and Human Resources. These greatly affect the insurance industry's preparations and are of special concern. The Thailand insurance industry has to make sufficient preparations in these three dimensions so as to be ready for being a member of AEC. The author's focus is on the non-Life insurance industry.

บทคัดย่อ

บทความนี้มีความประสงค์ในการอภิปรายถึงการเตรียมความพร้อมของธุรกิจประกันภัยต่อการเข้าสู่การเป็นประชาคมอาเซียน ที่จะเกิดขึ้นในเดือนธันวาคม พ.ศ. 2558 ที่เปิดโอกาส และลดกำแพงทางการค้าใน 10 ประเทศในเขตเอเชียตะวันออกเฉียงใต้ ซึ่งในการเปลี่ยนแปลงที่จะเกิดขึ้นนั้นเป็นทั้งการเปิดโอกาสทางธุรกิจ และ ในขณะเดียวกันก็มีความเสี่ยงด้านต่าง ๆ ที่ควรให้ความสนใจ โดยภายใต้บทความฉบับนี้จะได้กล่าวถึงใน 3 มิติคือ ทางด้านกฎระเบียบ ทางด้านการตลาด และสุดท้ายคือทางด้านทรัพยากรบุคคล อันเป็นสามด้านที่มีผลกระทบต่อภาคธุรกิจประกันภัย หากทั้งสามด้านดังกล่าว มีการเตรียมพร้อมที่ดีแล้ว ไม่เพียงแต่จะสร้างประโยชน์ให้เกิดขึ้นต่อวงการ แต่ยังเป็นการเตรียมความพร้อม สำหรับการเป็นประชาคมอาเซียนในปี 2558 อีกด้วย ทางผู้เขียนได้ให้ความสนใจต่อภาคธุรกิจประกันวินาศภัย เท่านั้น

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INTRODUCTION

In December 2015 a new trading community will be established by the ten economies of the Association of Southeast Asian Nations (ASEAN), namely Brunei, Cambodia, Indonesia, Laos, Philippines, Malaysia, Myanmar, Singapore, Thailand, Vietnam. This new community, the ASEAN Economic Community (AEC), will create a highly competitive single market that promotes fair economic development for these ten member states, as well as facilitating their integration into the global economic community.

The Thailand insurance industry has been making urgent preparations since 2012. The biggest challenge and opportunity will be liberalization of insurance markets. The degree of liberalisation among the ten countries varies, some being virtually free, and some virtually closed. Thailand, which still has substantial protective restrictions, is developing effective planning to enable liberalisation within AEC, within a revised regulatory framework. Although regulation is most important to control the insurance market, the market structure is also significant. Under liberalization insurers, brokers, and related insurance business may seek new opportunities by expanding their business beyond their present home country.

The Thai Non-Life insurance market is the ninth largest insurance market in Asia (Asvatanakul, 2011) and has the third highest insurance penetration among ASEAN members. The Thai insurance market could be very attractive to other AEC nations, causing an increase in a number of competitors within the industry. This would be good for the consumer, with more alternative choices, but existing insurance businesses must prepare for this new challenge. Conversely, insurers in Thailand would also find other AEC markets attractive. Thus, the freeing of AEC markets will mean that some Thailand insurers will set up companies and offices elsewhere in AEC, just as some other countries will set up business in Thailand. The variety of cultures in ASEAN will be a challenge for these foreign ventures, as will product design, distribution channels, underwriting and claims service, trust, and compliance with regulatory and governance rules.

'Freedom' is the theme of the AEC. The changes within the countries of AEC from 2015 are: Free Flow of Goods and Services; Free Flow of Investment; Free Flow of Capital; and Free Flow of Skilled Labor. The insurance workforce is an important issue, its attraction, retention, training and management of competent people, at all levels. This is a concern for the Board of every insurer, Human Resource managers, colleges and universities. Undoubtedly an AEC network of insurance professionals will appear. Thus, the three dimensions examined in this paper are: Rules & Regulations, Production & Markets, and Human Resources. These three dimensions are of great significance to any insurance industry in any country, at any time, but they obviously face turbulence when the terms of trade change between countries.

RULES AND REGULATIONS

Within the 10-nation ASEAN Economic Community, seven countries will liberalise their insurance markets on the start date, 31 December 2015 (Brunei, Cambodia, Indonesia, Malaysia, Philippines, Singapore and Vietnam). Two countries, Myanmar and Laos, will come after their governments have formalized insurance regulations appropriate for liberalization. Initially, in 2015, Thailand will liberalise only its financial service, e.g. Banks (GIA, 2011). Thailand does not have to liberalise insurance until 2020. Ostensibly, Thailand needs these extra years to be ready. What strategies and techniques need to be strengthened over the next seven years? Is the Thai market so ill-prepared that it lags behind the two new capitalist regimes of Cambodia and Vietnam, or are those two countries foolhardy? It may be that Thai insurers are quite happy with their home market which has lots of potential, see no need to expand into other countries, and do not want incursions into Thailand from other AEC insurers.

It was only in 1997 that a World Trade Agreement was concluded on the liberalization of insurance, and different countries had different timetables for liberalising their insurance markets (Lawrence, 2001). Thailand has progressed in stages. In 1995-1996, twenty-five new insurance licenses were awarded. In 1998, foreign participatory ownership of a registered Thailand insurer was increased from 25% to 49% of registered share capital. Other developments reveal evidence of moves towards world standards. However, updating disciplinary regulations is one thing, embracing liberalisation is quite another and are not necessarily connected. In 1999 the ASEAN Insurance Council wanted liberalisation to be gradual, giving time for domestic insurers to educate themselves on what it entailed. The same plea for more time had been expressed at the 1986 Cairo Conference and the 1986 Conference (de Castro, 1998). Now, Thailand still wants more time. In 1998, the then Insurance Commissioner said that Thailand's closed insurance market needed opening up to stop it being a lifelong infant (Thanavaranit, 1998).

The regulatory authority in Thailand, the Office of the Insurance Commissioner (OIC) has been proactively pushing forward the upgrading of the regulatory framework as well as other needed improvements. Two Insurance Development Plans have been successively implemented; national plans initiated through joint efforts of the public and private sectors to seek ways to improve the insurance system in Thailand, to be ready for international standards of AEC and the wider world. The two Plans consist of clearly defined insurance supervisory and regulatory policies that encourage the cooperation of related establishments and agencies to help create an insurance system that is independent, standardized, and efficient (OIC, 2010).

The First Insurance Development Plan, 2006-2011, stated that the insurance business should be conducted with efficiency, transparency and reliability, while ensuring that the public receive maximum rights and protection of their insurance benefits. The business is regulated by the supervisory system of the Office of the Insurance Commissioner (OIC).

This First Insurance Development Plan has achieved many significant goals, as follows:

- Transforming of the "Department of Insurance" within the Department of Commerce, to become the "Office of the Insurance Commission", independent of the government.
- Progress in reforming insurance law.
- Upgrading monitoring and supervision systems to comply with international standards, especially the application of Risk Based Supervision (RBS), and improving the rules of Risk Focused Monitoring and Examination by using the Early Warning System (EWS).
- Enhancing protection of consumers.
- Improving the quality of insurance personnel.

The Second Insurance Development Plan (2010-2014) was established through cooperation between the government and private sectors in the Thai insurance industry. By following this Plan, the Thai insurance industry will be able to develop to meet the forthcoming changes, and it supports liberalization (which will lead to more intense competition in the future). This Plan will lead the Thai insurance system into a new dimension of development and sustainable growth. It is designed to construct stability in the insurance industry and to conform to a higher standard for ASEAN members. It also aims to build trust, consistency, and transparency. The Thai Insurance Regulator regards this as a fundamental step to enable the industry to cope with the changed market situation based on free trade and free flow of investment. Nevertheless the strengthened regulations are in keeping with the conservative regulatory and supervisory regime in Thailand (Asvatanakul, 2011).

This Second Plan focuses on strengthening, developing and improving the Thai insurance system to achieve higher quality and international standards, including a Risk-Based Capital method of regulatory supervision (OIC, 2010). There are 4 main pillars and 18 significant measures which will affect changes in the Thai insurance industry. These are listed in the four Tables below.

Table A is about Pillar I of the Development Plan. It is a programme to build more confidence in, and awareness of the importance of insurance, as well as better insurance access for people at all levels.

TABLE A Pillar I: Building Confidence, Awareness, Access

Development Plan	
1.	To enhance the knowledge of insurance by the public
2.	To promote the development of insurance products to meet the risk of changes in the environment, economics, law, and information technology.
3.	To develop distribution channels and service support.
4.	To establish codes of best practice for insurance intermediaries.
5.	To strengthen the insurance system to play its role in corporate social responsibility (CSR).

Table B, is about Pillar II of the Development Plan. It is a programme to strengthen the regulatory supervision, risk capacity, and competition of the insurance system.

TABLE B Pillar II: Strengthening supervision, capacity, competition

Development Plan	
1.	To strengthen the insurance system: o Audit and supervise insurance companies through Risk Based Supervision (RBS) • Initiate a new method of analyzing and auditing insurance companies. • Increase measures for prompt preventive actions. o Use Risk Based Management and Risk Based Capital (RBC): • *Insurers to adopt a higher standard by using the risk-based capital approach, which focuses on comprehensive supervision rather than imposing restrictions on type of assets.* • *Maintain the Risk-based Capital approach by establishing rules, methods, and conditions.* • *Encourage insurance companies to maintain corporate governance, compliance, transparency and disclosure, and prescribe fit and proper requirements for administrative levels to ensure effective internal control.* • *Develop Enterprise Risk Management within insurance companies.* o Prepare insurance companies to become Public Limited Companies, and create incentives for mergers. o Group-wide Supervision to ensure the smooth operation of the insurance business without supervision arbitrage. o To establish measures to prevent and suppress money laundering and money for terrorists.
2.	To enhance the competitiveness of insurance companies, by o Developing insurance products. o Reducing the cost of insurance. o Promoting the ability to accept and keep risks within the country. o Implementing measures to liberalize the insurance industry, changes in the environment, economics, law, and information technology.

Pillar II has a direct impact on the Thai insurance industry. Thai insurers need to adapt and keep pace with changes in many areas, such as the insurance accounting system, auditing system, and the ERM version of risk assessment, in order to strengthen public trust and confidence in insurance. It is the nature of the insurance product, a conditional promise to pay in the future, and the drawn out settlement of some claims, which makes insurance accounting so different from that of ordinary trading firms and needs great care and professionalism to make it accurately reflect the future liability and ability to pay claimants (Kitseree and Lawrence, 2011).

Therefore an important criterion for the solvency and stability of each insurance company states that the minimum level of capital by 2016 must meet the Capital Adequacy Ratio (a ratio of a company's capital to its risk) of not less than 150 percent. This rule can strengthen confidence in insurers through their capability to pay future claims.

Regarding the transformation of insurance companies to become public limited companies, Measure 56 of the Insurance Act 2008 (Issue No.2) effective since 6 February 2008, stated that:

> "*within five year from this Insurance Act becoming effective, all insurance companies must have become public limited companies. If any insurance company has not transformed itself to become a public limited company, such insurance company must transform completely to become a public limited company within three years (i.e.2016). If such insurance company has still not transformed, the company's insurance license will be terminated.*"

Table C is about Pillar III of the Development Plan. It is a programme to improve the standard of service and protection of the public interest

TABLE C Pillar III: Improve and Protect

	Development Plan
1.	Reform the law relating to protection of the public interest.
2.	Determine guidelines for standard practice in providing insurance services.
3.	Develop services for policyholder protection
4.	Set up catastrophe loss funds.

Table D is about Pillar IV of the Development Plan. It is a programme for promoting the infrastructure of insurance

TABLE D Pillar IV: Promoting the Infrastructure

Development Plan	
1.	Create and enhance the capacity of human resources in the insurance industry.
2.	Propose improvements of the tax system to develop insurance
3.	Set guidelines for product development in the insurance capital market. This will enable coordination with related organizations to issue long term debentures or government bonds to support the asset ability management of insurance companies.
4.	Implement and monitor accounting standards and asset appraisal.
5.	Promote the potential of information systems and information technology
6.	Reform the laws of insurance.
7.	Establish an OIC Advanced Insurance Institute.

Source: OIC, 2010, Insurance Development Plan Vol.2

The coming of AEC liberalization focuses attention on insurance metrics, including growth, penetration, and density. It was found in 2009 that when comparing Thailand's insurance penetration with other developed countries and other countries in ASEAN, Thailand was a low scorer, at 4%, which is lower than many others countries, such as USA (8%), Japan (9.9%), Singapore (6.8%) and Malaysia (4.4%). Moreover, it was also lower than the average of ASEAN members which was 6.1% (Sigma No.2, 2010). Thai insurance also has a relatively low growth rate. The figures reveal opportunity and threat. A low growth rate means that there is potential including an opportunity to enhance market share. On the other hand, this low rate could be caused by some obstacle, which needs to be tackled by developing a strategic plan. The analysis of the Office of the Insurance Commission (OIC), was that the low growth rate has been caused by five attributes. These are: 1) Insufficient knowledge, understanding and confidence of the public in the insurance system; 2) Inability of the private sector to adapt to international supervisory standards; 3) The structure of the Thai insurance industry; 4) Lack of a basic structure needed for insurance development; 5) Intense internal competition as a result of rapid change (OIC, 2010).

MARKETS AND PRODUCTS

ASEAN will become a single market and production base, a competitive economic region which will enable easier movement of goods and services, as well as investment, capital, and people. This is clearly stated in Section 9 of the AEC Blueprint agreed in 2007 at the ASEAN Summit meeting (ASEAN, 2008). It will not be a monetary and currency union (unlike most of the EU nations). Each nation will retain control over its own monetary policy and currency. Thus economic integration is not part of the plan which is essentially for a free trade area, with eventually zero tariffs. Import duties will be eliminated (except for some 'sensitive' goods) for the six more developed countries, and deferred until 2018 at the latest for the other four (Cambodia, Laos, Myanmar and Vietnam). In addition to zero tariffs, the ultimate target is to eliminate all tariff barriers including subsidies, restrictions, and 'sensitive industry' classifications.

This single market should create free trade, minimise transaction costs, and maximize trade gains. A unified trading region would facilitate development of production networks, bridge fragmented trade opportunities, and allow ASEAN to become central to global supply chains. The model is supportive of ASEAN as a regional production hub and increasing inter-regional trade. It better enables ASEAN to be part of ASEAN+3 (China, Japan, Korea) and ASEAN+6 (plus India, Australia, New Zealand). Competition will be increased, leading to lower prices and better quality of services, as well as better transfer of know-how from within and outside the region, in areas such as business organization and management, and risk management, through foreign participation in financial services (Trairatvorakul, 2013).

The AEC will provide Thailand with a market five times bigger than its own, and nine times its population. Thailand has a strategic geographical position, thirty-three of its provinces (out of a total of seventy-seven provinces) having borders with neighbouring ASEAN countries. This should make it easier for Thailand to become involved in Myanmar's natural gas, and water-power electricity in Laos. It should also be easier to gain access to Indonesia's coal, and oil in Malaysia and Brunei.

However, relationships between many of these ASEAN countries have seldom been friendly. History abounds with brutal 'neighbourly' invasions involving Myanmar, Thailand, Laos, Cambodia and Vietnam. Six countries are predominantly Buddhist, three Muslim, and one Christian, but all with minorities (some substantial) The Buddhists are not of the same kind, Thailand, for example, taking its Theravada Buddhism from Sri Lanka. Malaysia is Muslim (with substantial Chinese Buddhists) and it occupies a very low level of consciousness in the lives of Thais, unlike its other neighbours Laos and Cambodia. The Philippines is far away over the sea, and Christian (which once caused Dr. Mahathir, then Prime Minister of Malaysia, to state that Philippines did not really fit into ASEAN). They all have historical differences, some having been colonies of Britain, France, Holland, Spain or USA, with Thailand independent. China has been involved in many of these countries at various times, as trader, overlord or invader, or source of immigrants. There has been substantial intermarriage with Chinese immigrants. The result of all these influences is significant differences in culture (habits of thought and behavior). Cultural standardisation is not an acceptable aim, but cultural awareness, knowledge and understanding definitely is. The political differences in ASEAN are wide. Some are token democracies, others are virtual dictatorships. All share the taint of endemic corruption (with the exception of Singapore).

ASEAN has survived for forty-five years, for various reasons concerned with trade and the need for cohesive strength, and not without substantial shocks. Its present ontology is confusing, and relevant as ASEAN and AEC are almost synonymous. It has been suggested that there are currently two ASEANs (Setboonsarng, 2012). One looks inward, caught between US and China rivalry, worried about foreign-made goods. The other takes a regional view, making its own decisions, buying out competitors. Leadership seems to be lacking. Malaysia, the blue chip member, has not taken a leadership role since the retirement of Dr. Mahathir, and has aligned itself with China in saying that the territorial disputes are for bilateral not multilateral negotiations. Cambodia takes the same line. So much for ASEAN solidarity.

Malaysia's commitment to free trade is also questioned, as it continues to use subsidies for welfare projects and megaprojects. Indonesia is ASEAN's boom town, with huge projects by foreign multinationals, but it has protective mining laws after pressure from powerful vested interests. Thailand could use its status with China and USA to take on a regional role and enforce ASEAN centrality, but is preoccupied with internal affairs. Myanmar, with huge international exposure, the darling for investors in what is virtually a green field, stands to gain most from AEC, but the recent murderous attack on its Muslims by Buddhists is diminishing the attraction (Setboonsarng, 2012).

All free-trade agreements have their problems. In Europe, some countries are accused of illicit subsidies (France is guaranteed a permanent farm subsidy which makers it grossly inefficient). The World Trade Organisation (WTO) often has complaints: that Japan uses customs checks to delay the import of goods, that China's state industries use government subsidies to have cheap prices, that USA uses inspection checks to turn away foreign goods. AEC will be no exception. What is involved here is the institutionalization of human greed, expressed in a national context, whatever the noble aims of AEC are. There will be complaints by some countries about others being in contravention of the AEC rules, and that applies to insurance as well as tangible goods. In Thailand, some insurance premiums are tax deductible, which is equivalent to a government subsidy. There will also be legal problems as each member nation has its own unique legal structure and challenges. It has been suggested that ASEAN should establish a model legal code, otherwise it will be difficult for AEC to work harmoniously (Jikkham, 2013). There is also concern over political and security problems (Jikkham, 2013). A supposedly fair free-trade level playing-field economic community will have its accusers, that is certain. Thai people have rightly become suspicious of free trade agreements (FTAs) including that with China and the proposed one with USA.

Rules of Origin (ROO) stated the condition for goods manufactured or produced in ASEAN member states to enjoy preferential tariff concessions when manufactured or processed for export to other ASEAN member states. Significant efforts have been made to revise and simplify the ASEAN ROO to facilitate trade and enhance business development in the region (ASEAN, 2008). This rule alerts the insurance industry to adjust any insurance tariffs. It is being considered by the OIC and Thai GIA whether insurance companies be allowed to freely decide their own premium rate. The rate would then be non-tariff. It is an opportunity for the insurance industry to be ready for more competition in 2015. Another alternative for an ASEAN single market is to increase the percentage of foreign ownership from 25% to 49%. Actually the second alternative is not new because it has been implemented since 1998. Therefore the industry feels that it has long been ready for liberalization. The main concern for the AEC in terms of markets and products is that of non-tariff premium rates and commission. Automobile Insurance will be the first de-tariff product to be tested in a free-rate market. A feasibility study is examining whether to remove the tariff premium rate and commission level. It could benefit the insured, but not the insurer. Many insurance parties suspect that there will be an increase in the number of mergers if this scheme is implemented. This means that insurance companies must enforce high standards of management in underwriting and claims. Any insurer which pushes into a soft market (low premium rate) and uses a freed commission rate as a discount, will surely and inevitably face financial trouble.

The above information reveals that the readiness of Thai insurers for AEC is only semi-proactive. The preparation should include a Proactive Plan and a Defensive Plan. In being proactive, the concern should be the overall market structure after liberalization. It is to draw a future picture. In being defensive, the concern should be the internal market structure. The Thailand insurance industry should identify its strengths and weaknesses in the ASEAN market. The well-known marketing principle contains 4 x Ps: Price, Product, Place and Promotion. Currently the industry pays attention to price much more than the other three Ps. Insurance Products should receive more attention. Swiss Re figures in the Penetration Table below show that insurance has good potential for expansion in ASEAN countries.

TABLE E Insurance Penetration Ranking in 2011 for non-life Insurance

Country	GDP* Per capita-US$	Insurance Penetration Ppremiums (as% of GDP)	Ranking of Penetration
Japan	45,903	2.2	7
Singapore	46,241	1.5	24
Malaysia	9,977	1.8	31
Thailand	4,972	1.7	34
Indonesia	3,495	0.6	67
Vietnam	1,407	0.9	69
Philippines	2,730	0.4	75

Source: Swiss Re, 2011

This Table reveals that income, as measured by GDP per capita, is the main factor driving insurance market penetration (Swiss Re, 2011). When Thailand gets deeper into liberalization and an open economy, it is expected that income or GDP will increase. So the opportunity for insurance penetration should also increase. However, the market situation is also changing. Innovative insurance product should be designed and made attractive as well as other marketing techniques.

HUMAN RESOURCES

The AEC vision, though not explicit in the present plan, includes security, and socio-cultural cooperation, says the Governor of the Bank of Thailand, as well as providing full integration into the global economy (Trairatvorakul, 2013). The response to the issue of labour mobility within ASEAN is mixed, ranging from defensiveness against an invasion threat, to eagerness at the opportunities (Koshun, 2012). Many issues of licensing and certification, have to be cleared before there can be free movement of workers. It has been suggested by the Governor of the Bank of Thailand that the emerging Asean-integrated organizations would be more effectively run not by local managers but by regional managers, who would have incentives to optimize economies of scale and scope (Trairatvorakul, 2013).

It has to be accepted that greater labour mobility brings greater competition to local professionals, as well as greater regional opportunities for them. There is a weak integration mindset which is the root cause of defensiveness towards AEC. That is an obstacle which has to be overcome, by assessing the benefits and costs of integration, and develop strategies to fit these into the overall economic development plans of each AEC member state. Some stakeholders view AEC with cynicism, that after a few changes in 2015 life will continue as before. Such complacency is very dangerous: Thailand could wake up and find that it is too late to catch the rising wave of ASEAN (Trairatvorakul, 2013).

Originally, only eight types of professional and skilled labour are included (insurance is not one). Unskilled labour mobility is not included in the AEC plan. In reality, in Thailand there is a large contingent of unskilled workers from Myanmar and Laos, because Thailand's aging population now cannot match the expanding economy's needs. With Myanmar's radical political changes and huge economic potential, it is feared that this source of labour will shrivel, making a freer movement of unskilled people from other countries desirable. The ASEAN Secretary-General, who is Thai, has said that because of Myanmar's reforms and the welcoming back of migrant workers, Thailand should switch from being labour-intensive to one with higher skills (Ashayagachat, 2012).

The Thai government planning agency, the National Economic and Social Development Board, said in October 2012 that several industries were not yet prepared for 2015, including steel, plastic, jewellery, rice, rubber, that English language skills are needed by workers in tourism and services, that there were inadequate border facilities at key border checkpoints, airports, and deep-sea ports, and that there were delays caused by customs procedures and regulations (Theparat, 2012).

Thailand's has been seen to lose its competitive edge compared to Indonesia, Malaysia and Vietnam. A 2010 Global Cities Index ranked Bangkok 36th, down from 22nd in 2008, and in the 2011 Global Services Location Index, Thailand's rank dropped to 7th from 4th (Chua, 2012). Regarding human capital, Thailand's pay and productivity ranking by the World Economic Forum in 2011 was 29th globally, compared to Singapore 1st, Vietnam

4th, Malaysia 6th, and Indonesia 20th.

The Thai government is embarking on a radical and expensive updating of its poor transport infrastructure, which should improve its infrastructure ranking. World Bank research in 2011 showed that Thailand's cost of importing and exporting had increased, making it 20% more expensive than Vietnam and 40-50% more than Singapore and Malaysia (Chua, 2012).

As an indication of Thai attitudes to its market neighbours, in an empirical survey of 287 students at a large Bangkok university, when asked which country they first thought of in relation to AEC, 60% said Thailand and 26% said Singapore: of the four countries bordering Thailand, Malaysia scored 9%, Myanmar 5%, Cambodia 3%, and Laos 1%. Of the remainder, Vietnam scored 9%, Indonesia 5%, Philippines and Brunei 3% each (Sachdev, 2012).

When AEC becomes effective, there will be a situation of free flow of skilled labor between member countries, and there will also be greater mobility of qualified services professionals in the region. Mutual recognition arrangements (MRAs) of medical and dental practitioners and an MRA framework for accountancy services have been recently signed, bringing the total of MRAs signed to date to seven. The other MRAs are in engineering services, nursing services, architectural services and surveying qualifications. Even though those skilled labors do not much relate to insurance, it does not mean that there is no chance for insurance employee to move freely. At present, insurance workers, especially, underwriters, loss adjusters, risk engineers and actuaries are skilled working professionals. They mostly obtain an insurance certificate from the Australia & New Zealand Insurance Institute (ANZII), ACIP or ACII. These professional certifications are well known and accepted worldwide. It means that an insurance professional who has one of these certificates has an opportunity to work in any country within AEC.

Readiness of human resources is one of major requirement in developing the insurance business to meet the standard. The business relies on underwriters, claims negotiators, engineers, risk assessors, actuaries, loss adjusters, and auditors with insurance skill and knowledge. Specific insurance specialists are required to complete intense qualifying courses, such as actuaries who play a key role in the insurance industry, because an actuary is responsible for data analysis to quantify risk, for ensuring that risk management operations adhere to actuarial science, and for assisting companies in implementing policies and procedures to mitigate risk in various aspects of their operation (OIC, 2010). Any lack of qualified people would be a major problem.

RECOMMENDATIONS

Finally, some recommendations for the Thai insurance community, to achieve readiness for the liberalisation opportunities and challenges within AEC. *Before Thailand enters* *into no-barrier competition with the other states in ASEAN, it first has to develop and improve itself domestically, to strengthen its own competency and keep its Thai customer base. The Thai insurance industry has to enhance people's knowledge about insurance, and change Thai people's perception towards insurance. It has to build up awareness of insurance on the importance and future benefit to insured or his beneficiary. Customers should realize that insurance acts as a tool in risk management for their security.*

Secondly, Thailand should determine the strategies not only to handle the coming AEC, but also to expand its insurance business. Currently all in insurance are concentrating on making plans for AEC and also plans to increase insurance penetration.

Thirdly, Thailand should prepare for unexpected future outcomes in case its AEC plans are frustrated, for one reason or another. Therefore, contingency plans should be prepared ready for future response.

Fourth, insurance companies should improve their internal systems to meet international standards. This concerns operations, including IT systems.

Fifth, is about preparation through education and improving personal professional skill. This recommendation focuses on education and preparation of insurance staff for AEC, and stimulates them to prepare themselves for it (e.g., training in English, knowledge of the cultures of member states, and international insurance standards).

Sixth, it will benefit Thailand to study other member states, about consumer preferences, to plan and prepare for new products and services which are suitable regionwide.

Seventh, is about increasing insurance capacity by considering company mergers to strengthen competitive capability within AEC. It is also about transforming remaining private insurers into public limited companies.

Eighth, is concerned with regulating sales practices used by agents and brokers, including sanctions for unethical practice.

Lastly, it is to provide flexible products to meet customer needs, in Thailand and within AEC.

A university or college insurance program will help students to deal with current practice and problems in insurance by sending them out to become involved with the real world of business. These students should ground themselves in insurance through personal research and enquiry. Insurance education should not only consider insurance knowledge but also the multi-cultural dimensions of the region, because insurance professionals will have to adapt to working with and in other cultures. Insurance Institutes which provide insurance courses leading to certification should encourage students to obtain a certificate after graduation or concurrent with university study. They must learn specifically about ASEAN and AEC. This preparation is not only for students or graduates, but for all insurance workers.

CONCLUSION

Thailand will enter the ASEAN Economic Community (AEC) in 2015 with its insurance business not compelled to liberalise on that date, but by 2020 at the latest. When the AEC becomes effective, the ASEAN region will be a single market and production base, with the vision of one identity and one community, designed to create a highly competitive single market that promotes equitable economic development for member as well as facilitating their integration with the global community. It will also help AEC member to have greater power in dealing with other economic communities in the world. There is time for the Thailand insurance industry to upgrade its rules and regulation, its market situation, and its human resources, to be ready for this major change. Failure to adequately prepare would mean lost opportunities to compete with other ASEAN members.

The AEC's basic rationale is economic, to produce more goods and services, through a larger single market. It is ironic that when there is increasing strong evidence of climate change, from scientists and from actual experience in many countries including ASEAN, with far worse to come, that the leaders of ASEAN are still in thrall to unsustainable economic growth. Of course they are not alone; USA, Europe, China, BRICS, and most other parts of the world are caught in the same trap. If we revisit the AEC rationale in 2025, it is safe to predict that its unsustainability will be obvious.

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