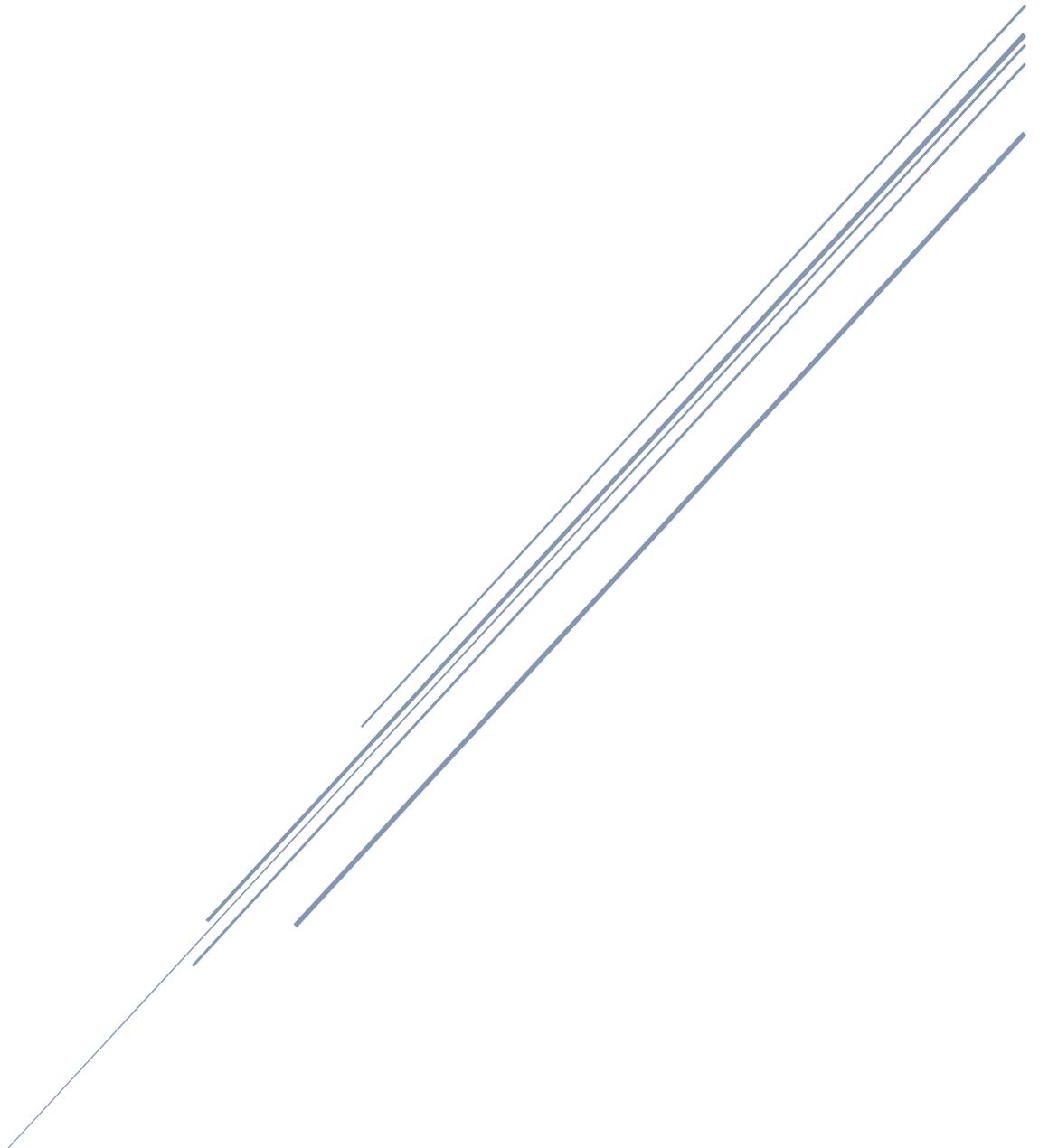


# THE STATE OF INSURANCE MARKET IN THAILAND

2016-2017



## Thailand Economic and Social: Steady growth, but pressures mounting

Thai economy in 2016 continued to recover for two consecutive years, after a sharp drop to near zero growth in 2014, with a rate of growth in real GDP of 3.2% in 2016, compared to 2015 of 2.8%. This resulted from the on-going government investment, tourism and private consumption slowly recovered and export showed sign of an upturn. In 2017, the economy is expected to expand by 3.0-4.0% given the planned infrastructure investment proceeds as scheduled as well as expansion of the tourism and export sectors continues. Despite rising confidence in local economy, a surprisingly slow economic recovery of major trading partners as well as heightened political uncertainty in key economies could disappoint the growth expectation of 2017. With a population of over 66 million and GDP per capita of US\$6,033, Thailand is named as one of the upper-middle income countries by the World Bank. Life expectancy at birth is more than 7 years for Thai women than men.

### Insurance Sector Overview

By 2015, insurance sector in Thailand was the world's 27<sup>th</sup> largest and the 8<sup>th</sup> biggest in Asia, according to the latest Swiss Re's market statistics. The industry expanded modestly in 2016 with an annual growth rate of 4.5% compared with 5.4% in 2015. The sector's direct premium income remained roughly at US\$22 billion in 2016 due to a continuous depreciation of Thai baht against U.S. Dollar over the last few years.

As the 2<sup>nd</sup> largest market in the Asean Economic Community, a size of Thailand's insurance industry continued to be about 5.5% of GDP in 2016, which remained the same as 2015. In terms of insurance density, Thai people spent roughly US\$334 on insurance a head on average in 2016 relative to US\$332 in 2015.

Despite the economic and political challenges, Thailand's overall insurance industry growth rate in 2017 is projected to be 6.01%.

Numbers at a Glance (2016)		
<b>3.2%</b> GDP Growth	<b>4.5%</b> Overall Premium Growth	<b>5.7%</b> Life Premium Growth
<b>66 Million</b> Population	<b>5.5%</b> Insurance Penetration	<b>1.2%</b> Non-life Premium
<b>\$ 6,033</b> GDP per Capita	<b>\$334 per Capita</b> Insurance Density	

## Life Insurance: Positive overall growth

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.

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 2016 were up 5.7% to US\$16.1 billion (US\$15.6 billion in 2015) and the total number of life insurance policies in force grew up by 2.8% to 22.6 million policies (21.9 million policies in 2015), according to the latest market statistics published by the Office of Insurance Commission (OIC). The second consecutive year of a single-digit growth is attributable to a reduction of first year premium. In 2017, life insurance sector is expected to grow 7.63%, given the investment-linked annuity, unit linked and universal life continue to grow.

4 major providers held more than 60% of total market share

In 2016, there were 23 active life insurers in the market but only 4 major providers – A.I.A, Muang Thai Life, Thai Life Insurance, and Krungthai AXA Life – held 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 2016. This pattern has remained unchanged for many years.

Net benefit payments of life insurance in 2016 decreased to US\$4.8 billion down from US\$5.9 billion in 2015 (a drop of 18%). This sector generated a remarkable underwriting profit given average loss ratio of under 40% in 2016 (38.3% to be exact) 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% (62.6% to be exact) in 2016. Such impressive result would draw quite a significant attention.

## Non-Life Insurance: lower growth, expected to rise soon

Thailand non-life sector's growth held steady at below 2% for four consecutive years.

As the world's 35nd largest non-life market in 2015 (Swiss Re, Sigma No. 3/2016), Thailand non-life sector's growth held steady at below 2% for four consecutive years. Its direct premiums grew by 1.2% in 2016 and 1.9% in 2015. 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 per capita.

The sector has heavily relied on two “engines of growth,” which include motor and miscellaneous

7 insurers accounted for over 50% of total market share

Interestingly, direct premiums via online channel grew over 25% in 2016 compared to the last year.

Advances in digital technology and the rise of Millennials are raising customer expectations for innovative insurance products and digitally-enabled business models.

Given a size of US\$6.0 billion in 2016, 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% (93% to be exact – 58% Motor and 35% Miscellaneous) in 2016. Their premiums totaled of US\$5.5 billion in 2016, a rise of 2.4% over the year 2015. These two engines of growth will continue to accelerate the non-life insurance market in 2017, with an expected growth of 1.63%

Thai non-life market is highly competitive given the number of providers of 61 companies. However, only 7 insurers accounted for over 50% of total market share while a third belonged to top 3 firms in 2016. Biggest 5 providers include Viriyah Insurance, Dhipaya Insurance, Bangkok Insurance, Muang Thai Insurance Public, and Synmunkong Insurance, according to the latest statistics of OIC.

In terms of distribution channel, 55.5% or US\$3.3 billion of total non-life direct premiums were generated through broker in 2016. This key channel also sold up to 32.4 million policies (51.5%) in 2016. The second and third largest sale channels were agent and bancassurance, which produced US\$1.0 billion (16.4%) and US\$0.8 billion (13.1%), respectively, in 2016. The total number of policies distributed by these two channels increased from 17.2 million policies in 2015 to 19.1 million policies in 2016. Interestingly, direct premiums via online channel grew over 25% in 2016 compared to the last year. Due to a rapid growth of the Internet usage nowadays, consumers feel more comfortable buying goods and services online, including buying insurance policy.

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.

### **Insurance Outlook in 2017**

Insurance market will remain in transition in 2017, as the challenge of economic, technology, customer and regulatory continued. Sustainable growth and increasing income levels will continue to increase demand for insurance products. Advances in digital technology and the rise of Millennials are raising customer expectations for innovative insurance products and digitally-enabled business models. However, the concern factors mentioned above could derail Thailand’s economy and insurance market in 2017.

## Development of Thai Insurance Market during 2014 – 2016

Business Types	2016		2015		2014	
	US\$ Billion	Growth (%)	US\$ Billion	Growth (%)	US\$ Billion	Growth (%)
<b>Life Sector</b>	<b>16.1</b>	<b>5.7</b>	<b>15.6</b>	<b>6.8</b>	<b>15.4</b>	<b>13.2</b>
<i>Ordinary</i>	14.0	6.5	13.5	7.7	13.2	15.6
<i>Industrial</i>	0.2	-6.4	0.2	-6.1	0.2	-2.5
<i>Group</i>	1.7	2.5	1.7	2.0	1.7	0.4
<i>Personal Accident</i>	0.2	-5.5	0.2	-2.2	0.2	3.9
<b>Non-Life Sector</b>	<b>6.0</b>	<b>1.2</b>	<b>6.1</b>	<b>2.0</b>	<b>6.3</b>	<b>1.1</b>
<i>Fire</i>	0.3	-2.4	0.3	-5.2	0.3	-6.4
<i>Marine &amp; Transportation</i>	0.2	-1.4	0.2	0.9	0.2	-0.1
<i>Motor</i>	3.5	1.5	3.5	2.1	3.6	-0.4
<i>Miscellaneous</i>	2.1	1.5	2.1	2.9	2.2	5.2
<b>TOTAL</b>	<b>22.0</b>	<b>4.5</b>	<b>21.7</b>	<b>5.4</b>	<b>21.7</b>	<b>9.4</b>

Source: OIC (As of 28<sup>th</sup> Feb 2017)

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](http://www.nesdb.go.th)
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