

## Thailand Insurance Sector

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New Delhi, 30th May, 2008 - Thailand is the 2nd largest economy in Southeast Asia, after Indonesia. It ranks midway in the wealth spread in South East Asia and is the 4th richest nation per capita, after Singapore, Brunei, and Malaysia. The Thai economy in 2008 is forecasted to grow at 5.6% (in the forecasted range of 5.0-6.0%). This figure is an improvement on 4.8% growth in the previous year according to Fiscal Policy Office (FPO), Ministry of Finance. In 2008 accelerated public sector spending led to recovery in domestic demand which is expected to be far more balanced economic expansion. Government policy would then be forced to stimulate the domestic economy. This happens when external demand is likely to be softened from possible global economic slowdown. External stability in 2008 will remain strong with current account surplus estimated to be 0.5% of GDP (in the range of 0.3-0.8% of GDP). In contrast, internal stability in 2008 may have some risk with increasing headline inflation at 4.5% (in a range of 4.3-4.8%). This is mainly due to rising energy and food prices in the world markets.

According to 'The Economist', real GDP growth will slow down by 1.15% p.a over the next 4 years (2008-12), as compared to 5.3% p.a in past 3 years since 2007. This sluggishness of GDP can be attributed to various negative factors, such as political uncertainty, instability of foreign exchange rates, and continuous high petroleum prices in 2006.

The Thai insurance industry, along with the wider Thai economy, has now however recovered from the depths of the Asian financial crisis and is experiencing noteworthy growth. The trend is expected to continue as public awareness of the need for insurance increases.

### Market Performance and Forecast

Within a span of 7 years (2000 - 2007), Thai Insurance Sector has experienced a growth of 191% currently valued at \$9,434.72 million. The Knowledge Centre predicts, the overall market size will increase by 72.5% further and is expected to touch the highs of \$13,012.75 million by 2011.

The life insurance market in Thailand between 2000 and 2007 increased at a CAGR of 16.57%. The Knowledge Centre envisages that this trend would continue and the market will see CAGR of 5.75% in 5 years and reach \$8,306.21 million in 2011.

The non-life insurance market in Thailand between 2000 and 2007 increased at a CAGR of 10.73%. The Knowledge Centre also forecasts that the growth will continue and the market will see CAGR of 8.34% in the next 5 years with the premiums reaching \$4,706 million by 2011.

### Competitive Landscape

Some of the top foreign insurance companies in Thailand are ACE, AIG, Allianz, AXA, Generali, ING, Millea Holdings, Manulife, New York Life and Prudential (UK). The market is dominated by AIA, the local name of AIG that accounted for approx. 29% of all of gross premiums in 2007. Thai Life (TLI) is considered to be the second largest player overall with a market share of approx. 14%. The next largest group is considered to be a joint venture between non-life insurer Ayudhya, local conglomerate Charoen Pokphand and Allianz (AACP) with a market share of approx. 14%. Other major players in this market are Ocean Life, Finansa, local associates of AXA (Krungthai) and ING.

Non-life insurance sector in Thailand is further sub-categorized under Fire, Marine & Transportation, Hull, Cargo, Automobile, Compulsory, Voluntary, Miscellaneous, Industrial All Risks, Public Liability, Engineering Insurance, Aviation Insurance, Personal Accident, Health Insurance, Crop Insurance and Other Insurance. Some of the top companies in this sector are Bangkok Insurance, Dhipaya Insurance, Phatra Insurance, New Hampshire Insurance, Ayudhya Insurance, Mitsui

Sumitomo Insurance, MSIG Insurance, Sri Muang Insurance, Siam Commercial Samaggi, South East Insurance, Viriyah Insurance, Synmunkong Insurance, Krungthai Panich etc.

#### Driving factors

- => Balanced economic expansion and supporting role of the government
- => Recent reforms and government's regulatory initiatives
- => Re-defined financial practices and strengthening of corporate governance
- => Relaxation of restrictions on directors and senior executives of insurance companies
- => Amendment of clauses governing the evaluation of assets & debts of a life insurance company
- => Merger or consolidation of the large number of local insurers
- => Middle income industrial developing nation
- => Growing interest in Bancassurance
- => Adoption of THBFix and Bibor
- => Establishment of Insurance Commission

#### Major trends, issues and opportunities

- => Mergers and acquisitions in Thailand's insurance industry are likely to drop off
- => Thailand's economy is slowing as the effects of high oil prices, rising interest rates and long-running political uncertainty take their toll.
- => Political uncertainty and instability of foreign exchange rates
- => Bullish trend in fixed deposit rates
- => Government regulations laying a strong foundation for future growth
- => Increase in foreign ownership limits
- => Move towards a knowledge economy through skills development
- => Issues in Health Insurance Systems

#### Topics covered in the report

- => Thai economy, its performance, future outlook for 2008-09
- => Government's economic policies, macroeconomic factors, trends and analysis
- => Economic and Insurance environment in Thailand
- => Market performance and forecast for Thai Insurance Sector between 2000, 2007 and 2011
- => Market performance and forecast for Thai Life Insurance Sector between 2000, 2007 & 2011
- => Market performance and forecast for Thai Non-Life Insurance Sector between 2000, 2007 & 2011
- => Recent reorganization of financial institutions and setting up of Insurance Commission
- => Corporate Finance Legislation and other major regulatory developments
- => Role of Bancassurance
- => Specific regulations and norms by the Thai Government for insurance sector.
- => Sub-categorization of life and non-life insurance sector
- => Competitive landscape & market share of companies in life and non-life insurance sector
- => Company profiles of top players in life and non-life insurance sector

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