

Asian Insurance Focus: Vietnam & Thailand

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New Delhi, 4th September 2008: Globalization is the key source which is bringing about an "irreversible transformation" in the Asian insurance market. Asia is becoming an important growth engine for global insurers due to the changing socio-economic dynamics. According to a latest research report from HSBC, in order to be long-term winners, life insurance companies in Asia need to diversify their income streams such that at least 25% of earnings are sourced overseas, while maintaining a dominant position in the domestic market.

Many Asian financial services companies have exceeded the overall growth rate for their domestic economies and are therefore looking to expand globally or invest their shares in new markets. Another trend predicted by PwC, was that intra-Asian trade would continue to increase, particularly as the West decreased its investment in this region. The increasing wealth and educational development in Asia, has built a good foundation for the development of financial services.

Vietnam has become one of the fastest-growing economies in the world, averaging around 8% annual gross domestic product (GDP) growth from 1990 to 1997 and 6.5% from 1998-2003. GDP in the country rose 8.5 percent in 2007 and has increased by over 50 percent since 2001. From 2004 to 2007, GDP grew over 8% annually. Vietnam's inflation rate, as measured by the consumer price index, which stood at an annual rate of over 300% in 1987, was below 4% from 1997 (except in 1998 when it rose to 9.2%) until 2003. However, in 2004 the consumer price index increased to 9.5%, dropping in 2006 to 7.5%. It is due to these remarkable developments that Vietnam has caught the attention of foreign insurers looking for an alternative to the twin super economies of India and China.

Thailand is the 2nd largest economy in Southeast Asia, after Indonesia, a position it has held for many years. Thailand ranks midway in the wealth spread in South East Asia as its 4th richest nation per capita, after Singapore, Brunei, and Malaysia. It is also an anchor economy for the neighbouring least developed countries of Laos, Burma, and Cambodia. Its economy is expected to grow by 4.2 % in 2007 from 5 % in 2006. The Thai economy in 2008 is forecasted to grow at 5.6% (in the forecasted range of 5.0-6.0%).

Market Performance:

Between 2000 and 2007, Vietnamese life insurance sector increased from \$51.12 million to \$586.24 million, CAGR growth of 35.65% during this period. The Knowledge Centre forecasts that the life insurance market in Vietnam would grow at a CAGR of 10.71% and an annual average growth rate of 13.21% between 2007 and 2011. From \$596.24 million in 2007, the market will increase by approximately \$388 million and reach \$975.21 million by the end of 2011.

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.

Competitive Landscape:

Some of the largest US, Japanese and French insurers focus exclusively on their home markets. However, multi-national groups who have 'international' businesses almost invariably have operations in the Asia-Pacific region, if only because of the size and growth potential of many of the national markets.

Under the Life Insurance Sector, AIG is the biggest in Asia, in terms of country presence and premiums. ING comes second by premiums. However, globally, Prudential tops the list, being the most dependent on the region.

Among the non-life insurance cos., regional player Mitsui Sumitomo, leads the property and casualty side.

Major Driving Factors:

- => Globalization
- => Deregulation which is opening up the markets
- => Opening up of insurance market for foreign investments
- => Cheaper and more effective distribution channels
- => Increasing foreign direct investments
- => Vietnam's entry into the World Trade Organisation (WTO)
- => Ongoing industry consolidation

- => Increment in the policy holder firms
- => Boost in Merger and Acquisitions activities
- => Changing socio-economic dynamics
- => Market offering wider margins
- => Unique combination of size, age profile and growth prospects
- => Many more..

Major Issues, Trends and Opportunities

- => Lack of good quality, high yield long term investments in local currency
- => Limited availability of products and its limited outreach
- => Local players lack both hard and soft capacity to be competitive
- => Limited understanding of products
- => Continuous increment in intra-Asian trade
- => Need for diversification in the income streams
- => Chance to compete directly with financial services companies
- => Focus on paying out more in claims
- => Drastic increment in marine and cargo insurance sectors
- => Developments in countries, who were closely regulated by their government
- => Lack of proper agent quality
- => Change in the distribution method
- => Difficulties in building networks and brands
- => Risk management concerns in insurance companies
- => Global Expansion
- => Transformation in the organizational system to win customer loyalty
- => Weak equity markets
- => Impact of sub-prime
- => Regulatory and market obstacles in the emerging markets

Topics covered in the report

- => Overview of the Asian Insurance Sector
- => Trends analysis of the Asian economy
- => Asia's economic presence as compared to other countries
- => Economic performance of Vietnam
- => Past and present scenario of Vietnamese Insurance Market & Future Outlook
- => Driving factors for Vietnamese Insurance Market
- => Trend analysis of Vietnamese economy & macroeconomic factors contributing to the growth of the sector
- => Government strategic initiatives to strengthen Insurance Market
- => Competitive Landscape & Market Share of foreign and domestic players
- => Company profiles of top players
- => Thai economy, its performance, future outlook for 2008-09
- => Government's economic policies, macroeconomic factors, trends and analysis

- => Market performance and forecast for Thai Insurance Sector between 2000, 2007 and 2011
- => Driving factors for Thai Insurance Market
- => Major Trends analysis of the market
- => 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

About 'The Knowledge Centre'

Established in 2007, "The Knowledge Centre" caters to clients in Financial Services Sector globally. Its expertise lies in knowledge management, business research & management consulting. It conducts surveys across different regions and creates business and market research reports on all the major sectors and sub-sectors of global financial services market.

The Knowledge Centre is a wholly owned subsidiary of the world's largest executive search firm in financial services. The parent company undertakes search assignments at top levels. It has offices spread across London, New York, Dubai, Delhi, Hong Kong and Tokyo.

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