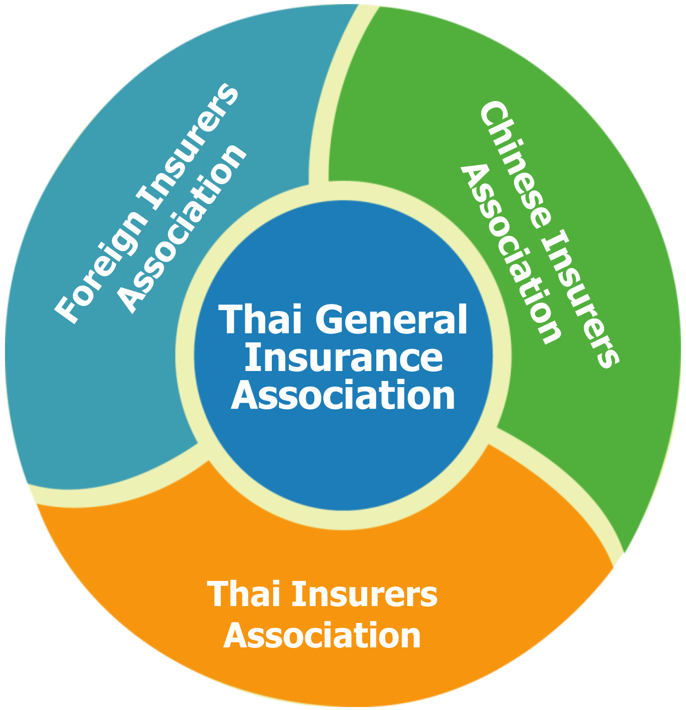
Thai Flood Modelling in Action

Opening Remark

Kheedhej Anansiriprapha
Executive Director - TGIA

5th November, 2018

Formation of Thai General Insurance Association



The integration of 3 prominent Associations in 1967

50

1967~2016

Year

สมาคมประกันวินาศภัยไทย

Thai General Insurance Association

Members of Thai General Insurance Association (TGIA)

Numbers of Insurance Companies in Thailand

(As of 31st October, 2018)

Type of Business	Local Company	Foreign Branch	Total
Non-Life Insurance	49	5	54
Health Insurance	4	0	4
Reinsurer	1	0	1
Total			59

Members of Thai General Insurance Association (TGIA)

- Local Incorporated Direct Companies : 53
- Foreign Branches : 5
- Professional Reinsurer : 1
- Total : 59

Numbers of Insurance Companies in Thailand

(As of 31st October, 2018)

Class of Business	No. of Licensed Operators	No. of Operators with Premium Income
- Motor	52 + 1	51 + 1
- PA & Health	58 + 1	55 + 1
- Marine	53 + 1	49 + 1
- Fire & Property	53 + 1	53 + 1
- Miscellaneous	58 + 1	58 + 1

Remarks: 52 Insurers have full insurance licenses to operate all classes of business
+1 is Thai Reinsurance (Public) Co., Ltd.

TGIA Strategic Vision and Mission

วิสัยทัศน์ (Vision)

To promote and support insurance industry as a social and economic pillar of the nation

Objective: To build up continued growth and sustainable insurance business

พันธกิจที่ 1 (Mission 1)

General Public

1. Building public awareness and understanding of financial risk management via non-life insurance and promoting non-life insurance as the 5th factor for the Thais

2. Fostering public confidence and trust in utilizing insurance as a proper risk management tool for their financial protection

พันธกิจที่ 2 (Mission 2)

Government Agencies

1. Uplifting and enhancing the role of Thai Non-Life insurance business as a professional risk manager for the government sector

2. Coordinating, negotiating and expanding cooperation with government agencies and other related organizations

พันธกิจที่ 3 (Mission 3)

Regulator

1. Expanding cooperation, improving coordination and strengthening a good relationship with the regulator

2. Promoting self-regulation among the insurance industry

พันธกิจที่ 4 (Mission 4)

Member Companies

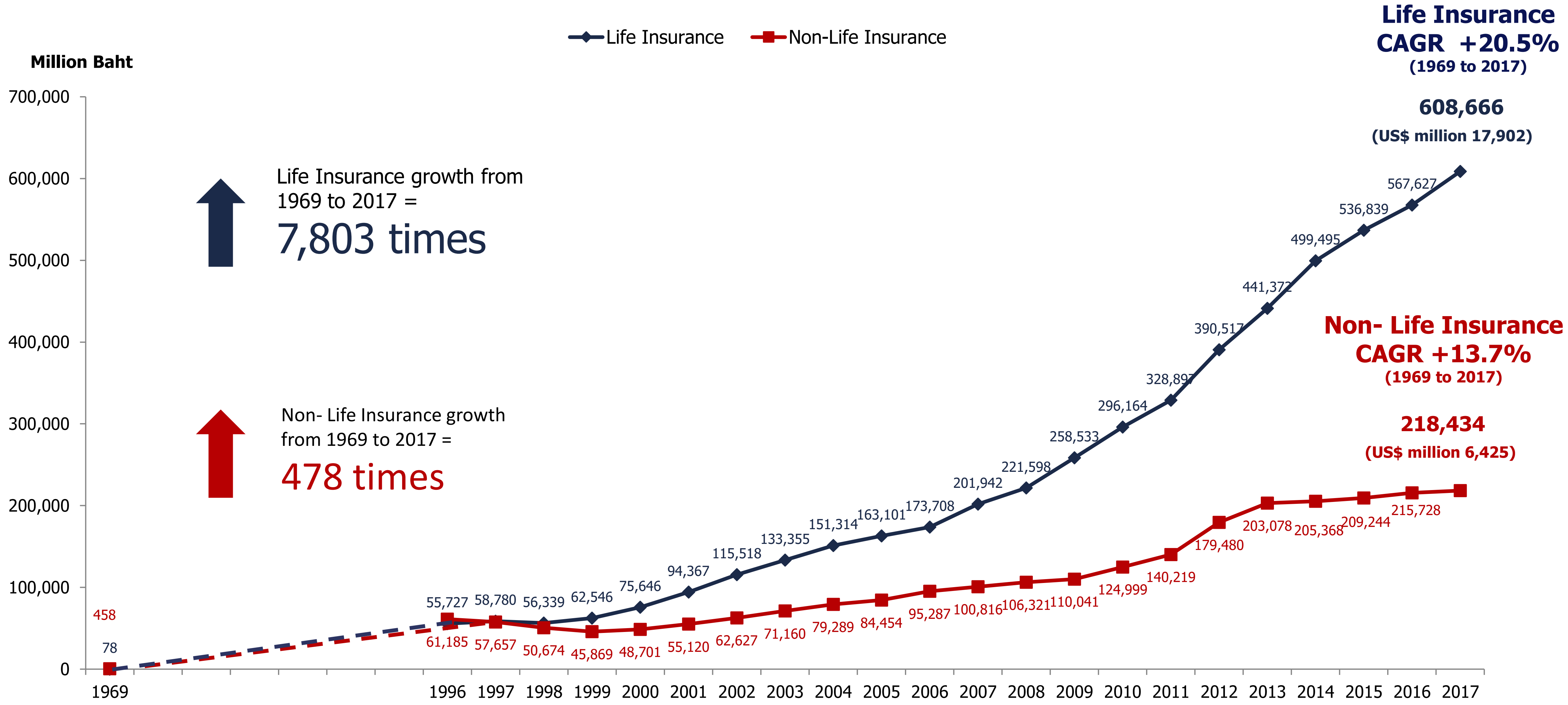
1. Building stability, developing the quality and standards of ethical conduct

2. Promoting and developing human capital as well as developing researches to support and respond to changes in the insurance business and lifestyle in Thailand 4.0 era

3. Supporting member companies in preparation for the full financial service liberalization

4. Promoting coordination, unity and exchange of opinions amongst member companies

Growth in Thai Direct Life and Non-Life Insurance Premium : 1969 to 2017

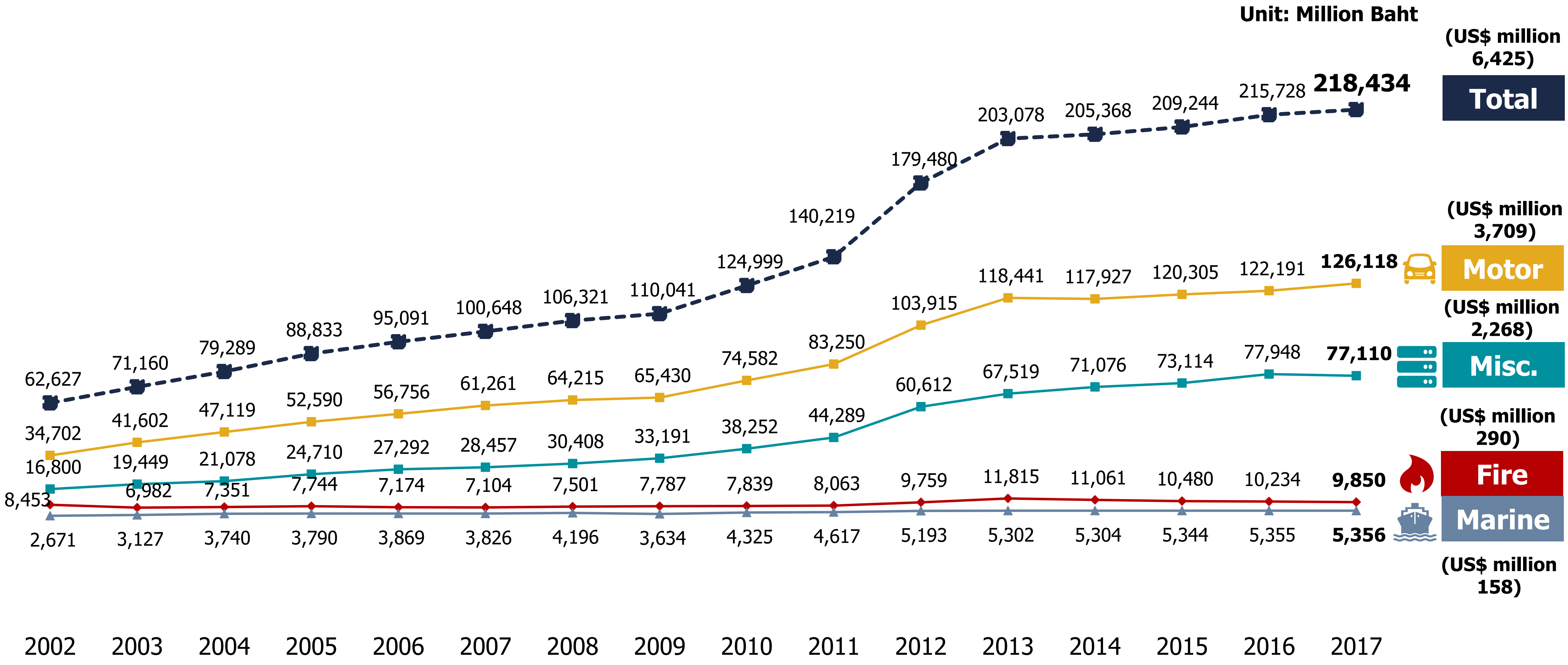


Exchange rate in 2017 US$ 1: Baht 34

Remark : CAGR = Compound Annual Growth Rate

Source: Office of Insurance Commission compiled by IPRB

Thai Non-Life Insurance Direct Premium by Line of Business (2002 – 2017)



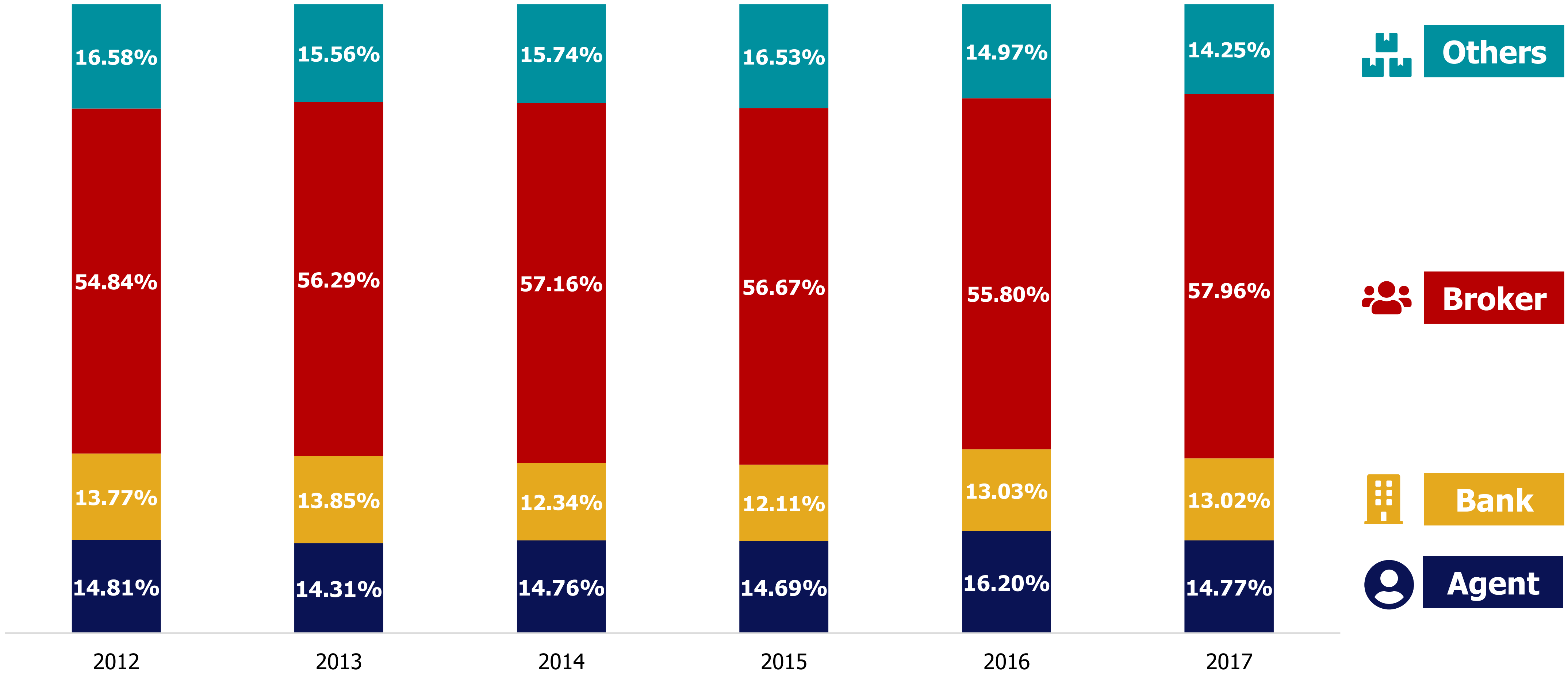
Source: Office of Insurance Commission compiled by IPRB

Currency exchange rate in 2017 US$ 1: Baht 34

Thai Non-Life Insurance Market Share by Line of Business: (2004 – 2017)

Source: Office of Insurance Commission compiled by IPRB

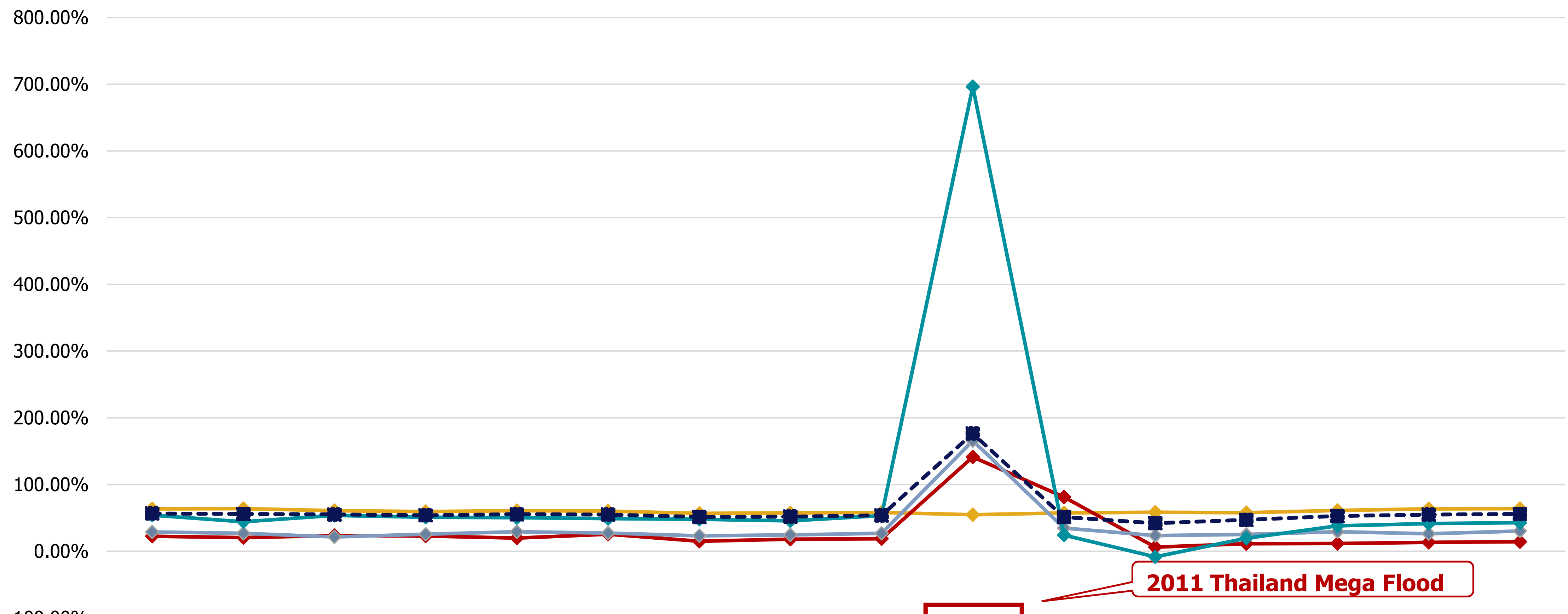
Thai Non-Life Insurance Market Share by Distribution Channels (2012 – 2017)



Source: Office of Insurance Commission compiled by IPRB

Remark: Broker Channels include Individual Broker, Corporate Broker, Finance & Car Dealer Business, Hypermarket, Convenience Store and Post Office.

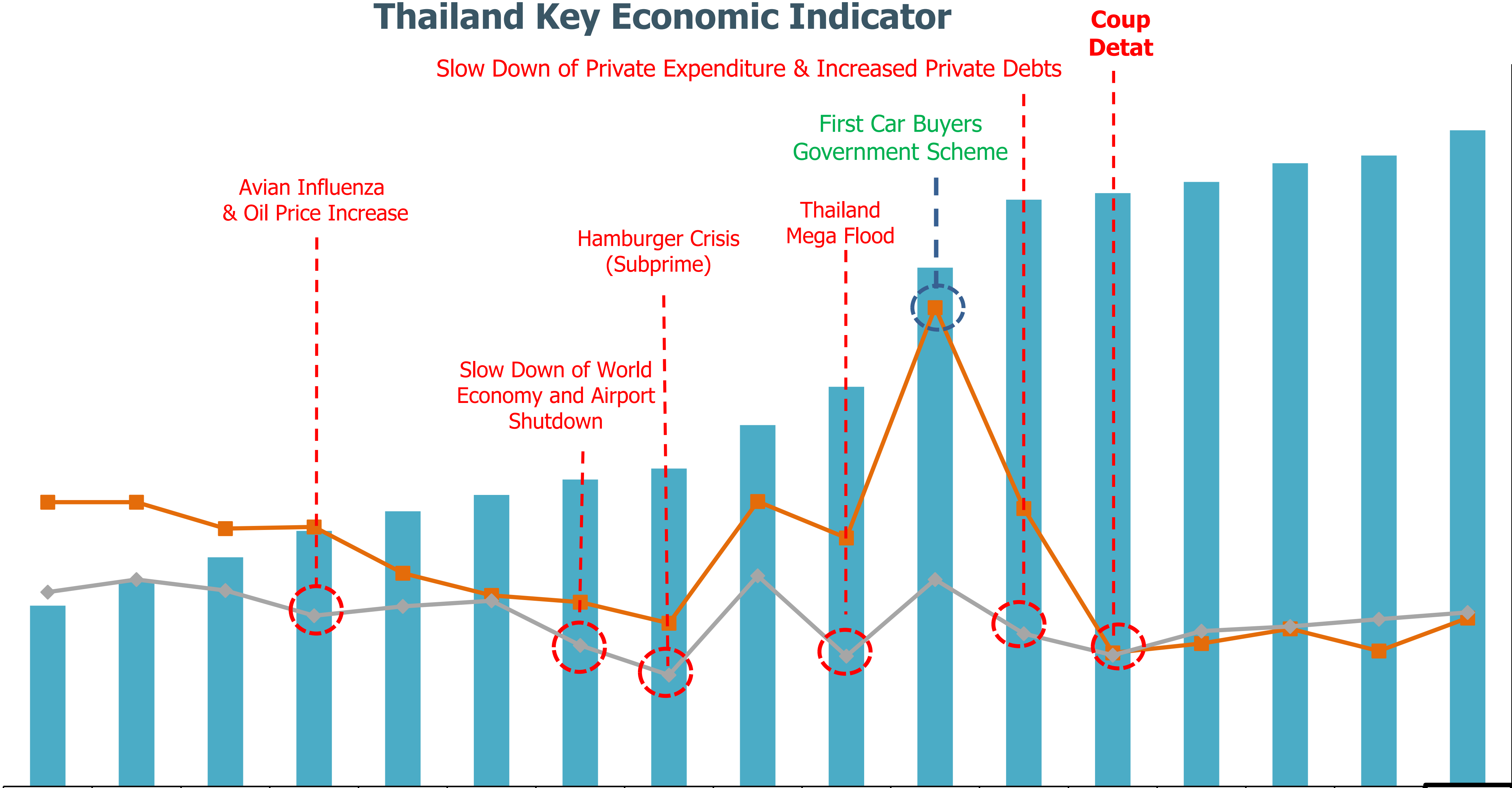
Thai Non-Life Insurance Net Loss Ratio by Line of Business (2002-2017)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Motor	63.47%	63.94%	60.92%	59.55%	60.97%	60.01%	56.55%	57.45%	57.94%	54.53%	57.23%	58.34%	57.80%	61.08%	63.44%	63.81%
Fire	22.49%	20.56%	23.61%	22.68%	19.80%	25.63%	14.88%	17.93%	18.80%	141.10%	81.10%	6.13%	11.27%	11.45%	13.39%	14.15%
Marine	28.76%	26.68%	21.57%	25.57%	29.06%	27.06%	23.19%	24.35%	26.73%	165.76%	34.70%	23.51%	25.14%	29.34%	26.05%	30.31%
Miscellaneous	53.99%	44.01%	53.79%	50.89%	50.11%	49.02%	47.88%	45.52%	53.18%	696.34%	24.03%	-8.36%	19.26%	37.90%	41.31%	42.79%
Total	56.58%	55.84%	55.16%	53.92%	55.37%	54.99%	51.41%	51.93%	53.79%	176.41%	51.24%	41.98%	47.01%	52.72%	54.90%	55.83%

Source: Office of Insurance Commission compiled by IPRB

Thailand Key Economic Indicator



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018f
Direct premium (Million Baht)	62,627	71,160	79,289	88,454	95,287	100,888	106,239	110,028	125,075	138,387	179,596	203,120	205,368	209,244	215,728	218,434	227,171
Direct premium Growth rate (%)	13.6	13.6	11.4	11.6	7.7	5.9	5.3	3.6	13.7	10.6	29.8	13.1	1.1	1.9	3.1	1.3	4.0
GDP (%)	6.1	7.2	6.3	4.2	5.0	5.4	1.7	(0.7)	7.5	0.8	7.2	2.7	0.9	2.9	3.3	3.9	4.5

Insurance 1.0: ปี 2500-2520 (1957-1977)

Fully Manual Work รับประกันผ่านระบบคนกลาง (ผ่านตัวแทนและนายหน้า) ด้วยเอกสารที่เป็นกระดาษ ออกกรมธรรม์ด้วยเครื่องพิมพ์ดีด คำนวณเบี้ยด้วยเครื่องคิดเลขแบบโบราณ ลงบล็อกด้วยการ์ด เรียกว่าใช้แรงงานคนมากๆ

Insurance 2.0: ปี 2520-2540 (1977-1997)

Semi-Manual Work เริ่มใช้คอมพิวเตอร์ขนาดเล็กเข้าช่วยงานออกกรมธรรม์ ระบบตัวแทน นายหน้ายังคงมีบทบาทมาก เริ่มมีระบบ Direct Mail เกิดขึ้น

Insurance 3.0: ปี 2540-2550 (1997-2007)

Computerization รับงานผ่านธนาคาร และช่องทางการจำหน่ายอื่นๆ เช่น Tele-Marketing Convenience Store (7-11) Hypermarket (Big C, Tesco) ไปรษณีย์

Insurance 4.0: ปี 2550-อนาคต (2007 Onwards)

เข้าสู่ระบบ Digitalization การแข่งขันสมบูรณ์แบบ ใช้ทุกช่องทางในการขายประกันภัย สร้างความเข้าถึงลูกค้าโดยตรง แข่งขันกันในการให้บริการลูกค้า แบบ Self Service and Interaction มากขึ้น...

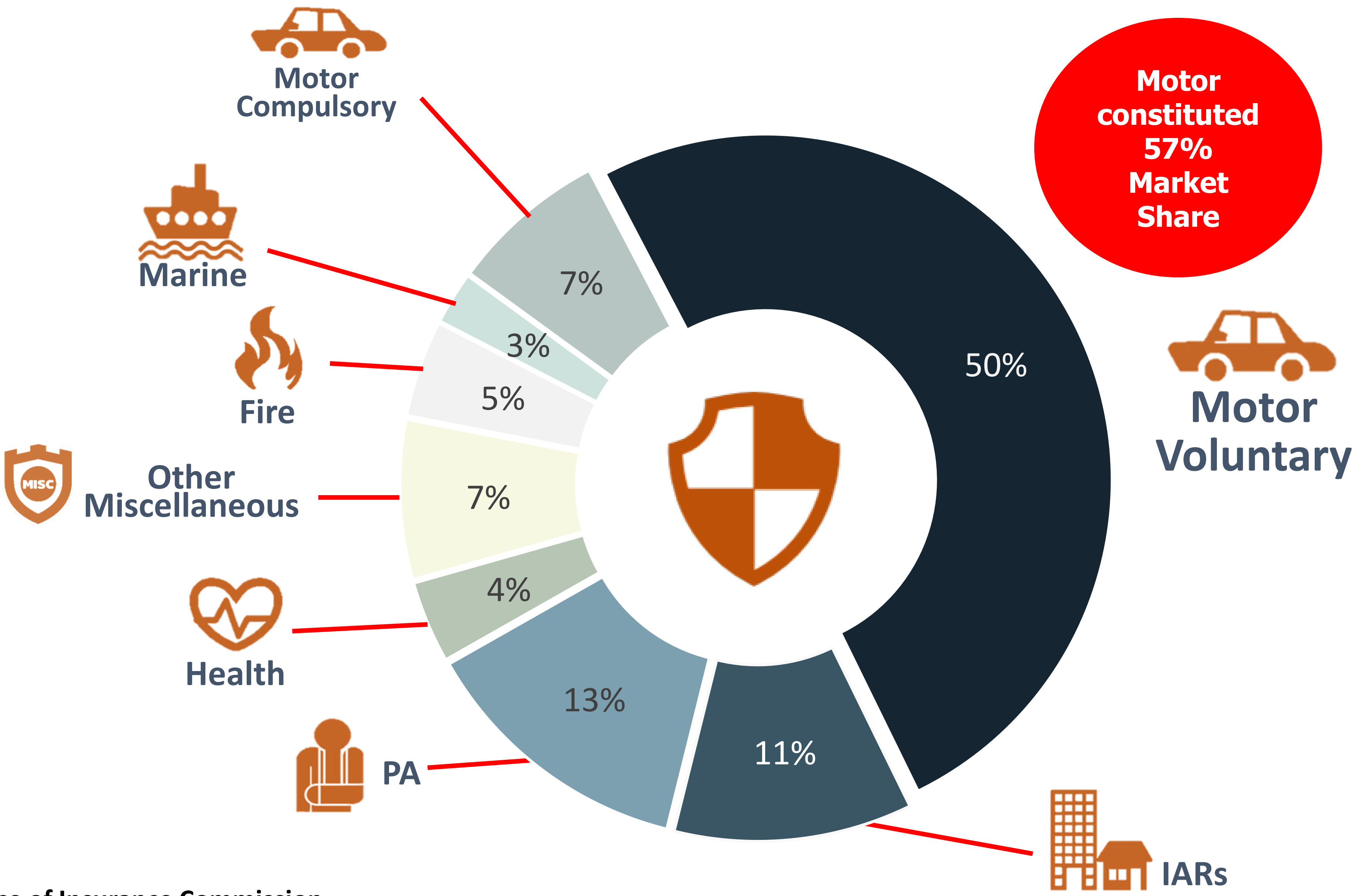
Digital Transformation: FinTech/InsurTech Era...

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Direct Life Insurance Premium Growth Rate (%)	5.5	-4.2	11.0	20.9	24.7	22.4	15.4	13.5	10.3	4.1	16.3	9.7	16.7	14.5	11.1	18.7	13.0	13.2	6.8	6.5
Direct Non-Life Insurance Premium Growth Rate (%)	-5.8	-12.1	-9.5	6.2	13.2	13.6	13.6	11.4	6.5	12.8	5.8	5.5	3.5	13.6	12.2	28.0	13.1	1.1	1.9	4
GDP Growth Rate (%)	-2.8	-7.6	4.6	4.5	3.4	6.1	7.2	6.3	4.2	5.0	5.4	1.7	-0.7	7.5	0.8	7.2	2.7	0.8	2.9	3.2

Remark: CAGR = Compound Annual Growth Rate

Source: Office of Insurance Commission

Thai Non-Life Insurance Portfolio Mix by Classes of Business : 2017

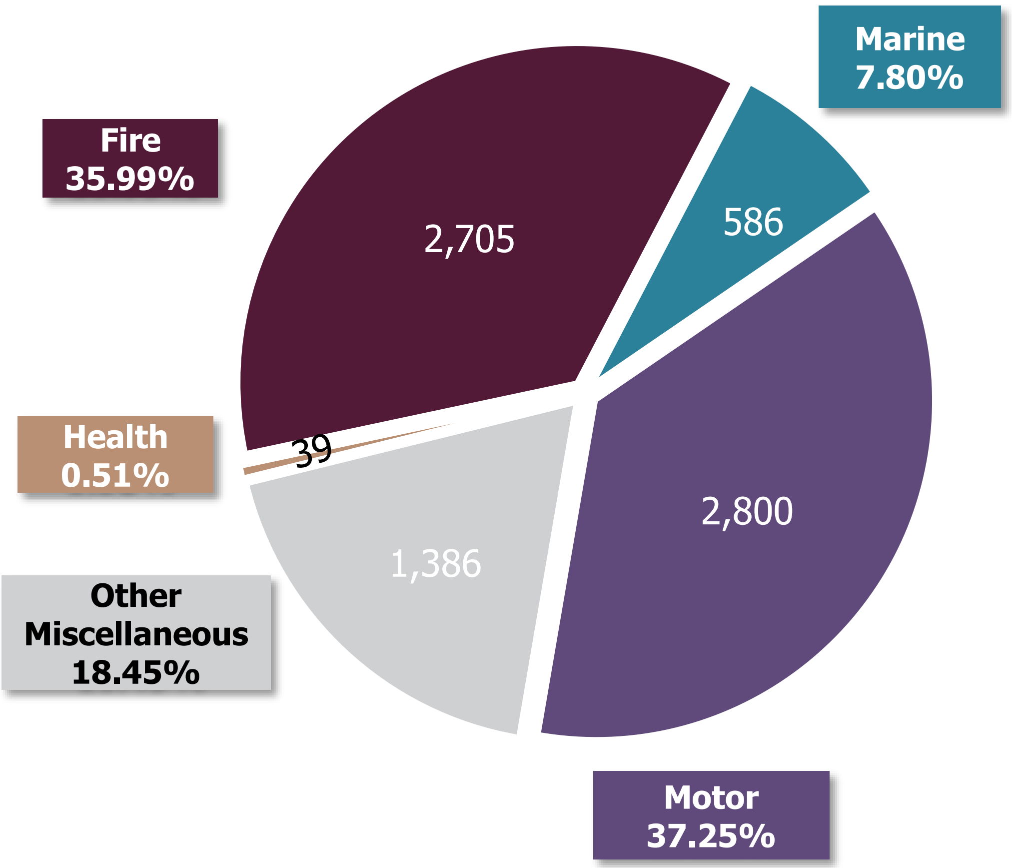


Source : Office of Insurance Commission

Comparison of Direct Premiums and Portfolio Mix: 1987 and 2017

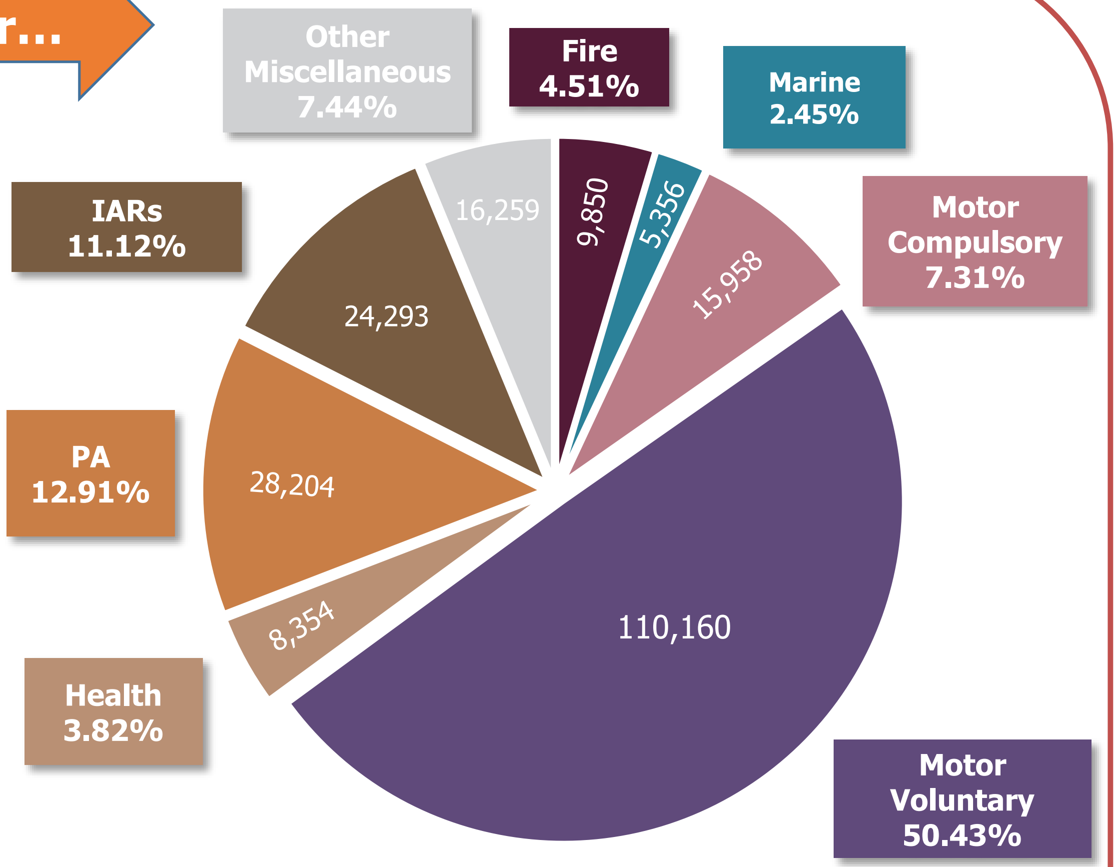
Source: Office of Insurance Commission

Unit: In Million Baht



Direct Premiums: Baht 7.5 Billion and Portfolio Mix in 1987

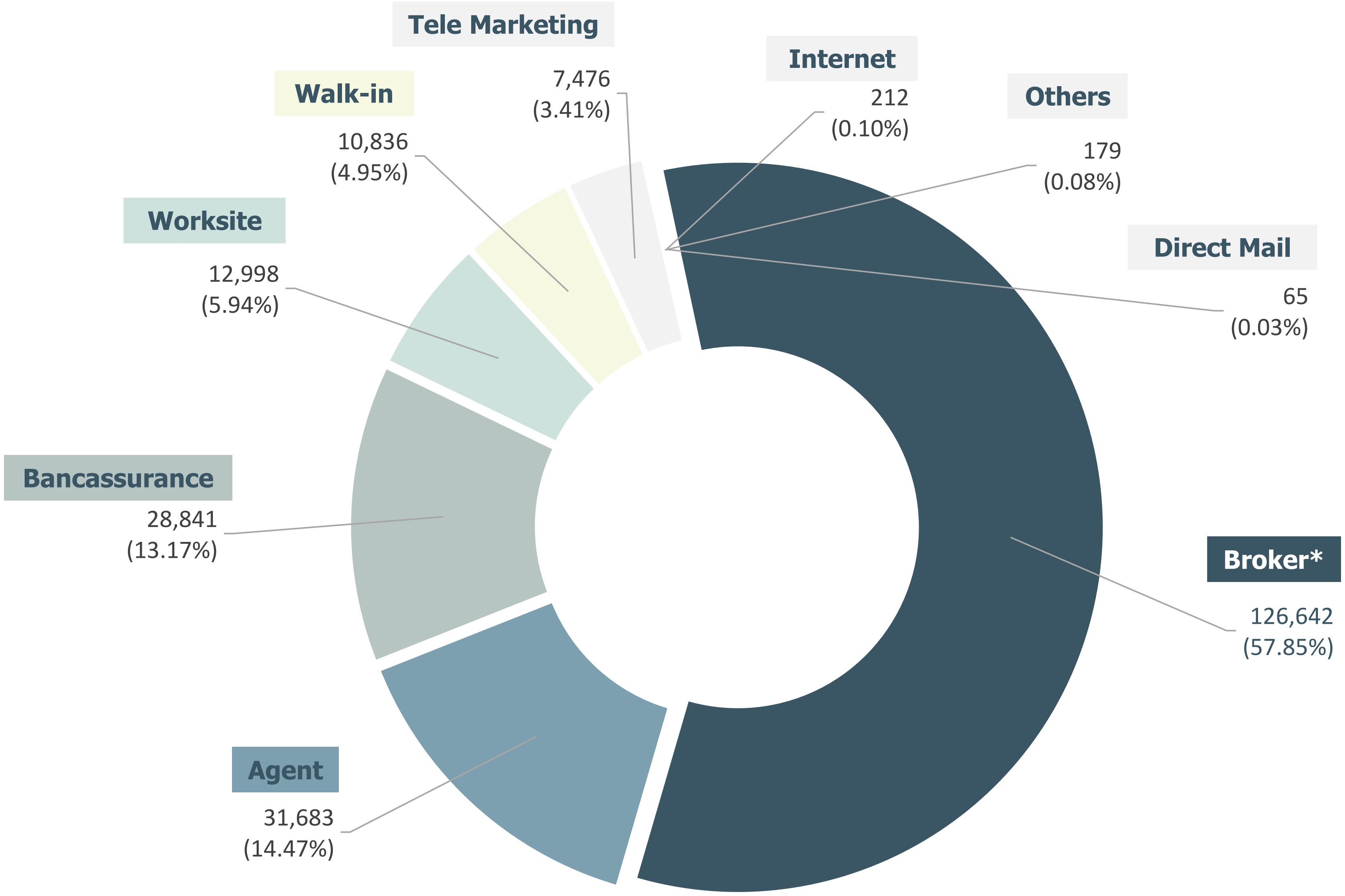
30 Years Later…



Direct Premiums: Baht 218.4 Billion and Portfolio Mix in 2017

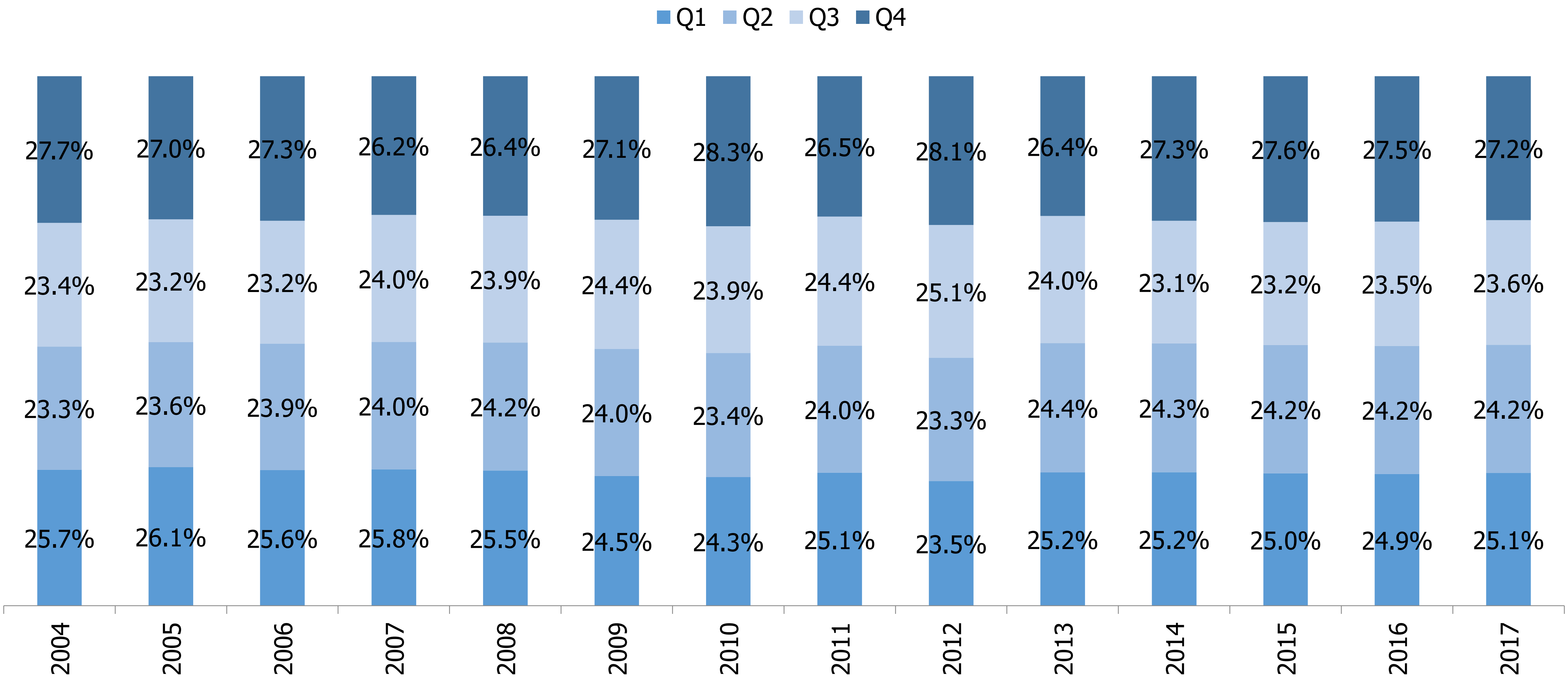
Non-Life Insurance Distribution Channel: 2017

Unit: Million Baht



*Broker Channel: Individual Broker, Corporate Broker, Finance & Car Dealer Business, Hypermarket, Convenience Store and Post Office.

Direct Premium by Quarter from 2004-2017



Source: Office of Insurance Commission

Top 10 Market Share : Year 2017

Unit : Million Baht

Top 12 Companies* Dominated 67.4%

*Market Size >Baht 5 Billion

Top 10 Companies* Dominated 62.2%

36,163
VIRIYAH INSURANCE
(16.5%)

19,508
DHIPAYA INSURANCE
(8.9%)

15,367
BANGKOK INSURANCE
(7.0%)

12,103
MUANG THAI INSURANCE
(5.5%)

10,412
SOUTHEAST INSURANCE
(4.7%)

9,706
CHUBB SAMAGGI INSURANCE
(4.4%)

8,985
THE SAFETY INSURANCE
(4.1%)

8,915
SYNMUNKONG INSURANCE
(4.1%)

7,805
TOKIO MARINE INSURANCE
(3.6%)

7,506
THANACHART INSURANCE
(3.4%)

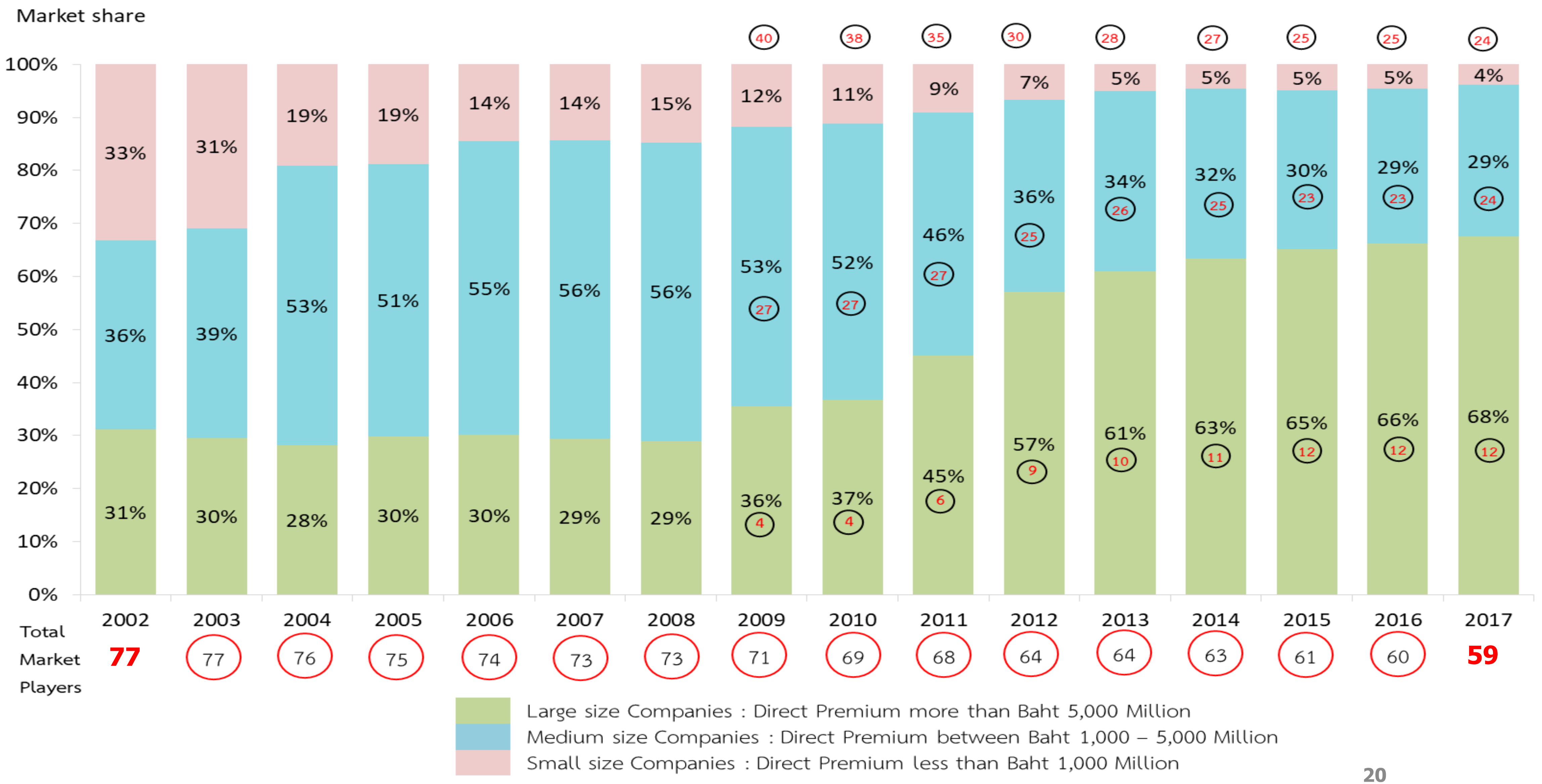
6,042
LMG INSURANCE
(2.8%)

5,418
MITSUI SUMITOMO INSURANCE
(2.5%)

Total Market Average Size: Baht 3.7 Billion

Source : Office of Insurance Commission

Market Share Classified by Company Sizes : 2002-2017



Merger and Acquisition in Thailand

M&A

South East Group took over Thai Insurance Plc.....

https://www.posttoday.com/finance/insurance/550743https://www.posttoday.com/finance/insurance/550743

King Wai Group spent 815 m. acquiring QBE (Thailand)”
https://m.mgronline.com/stockmarket/detail/9600000129357

Aetna acquired BUPA Thailand

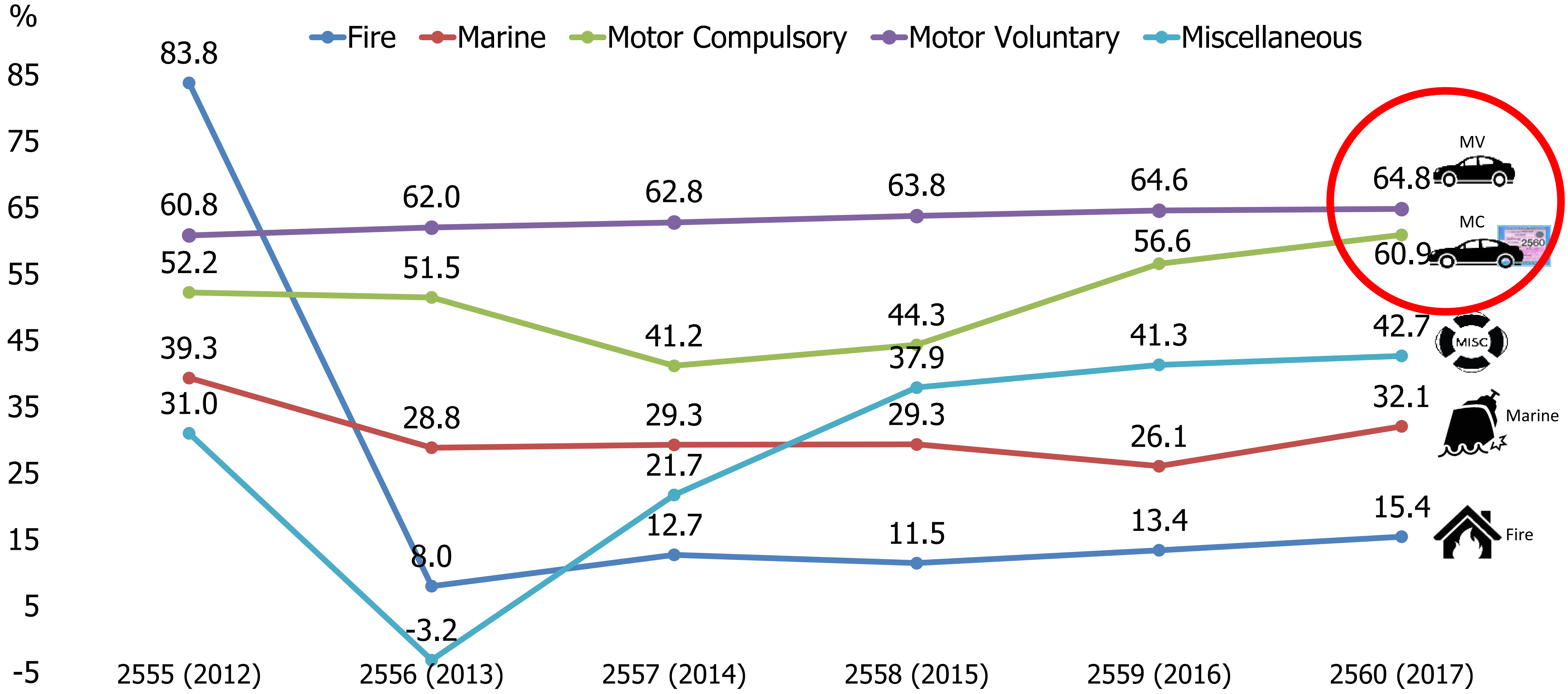
http://marketeer.co.th/archives/125292

Phoenix rebrands after partnership with JP Mart
https://www.matichon.co.th/news-monitor/news_902732

Tokio Marine spent 1.3 billion acquiring Safety Insurance from IAG Australia

https://www.posttoday.com/finance/insurance/555058

Thai Non-Life Insurance Loss Ratio: 2012-2017



Source : Office of Insurance Commission

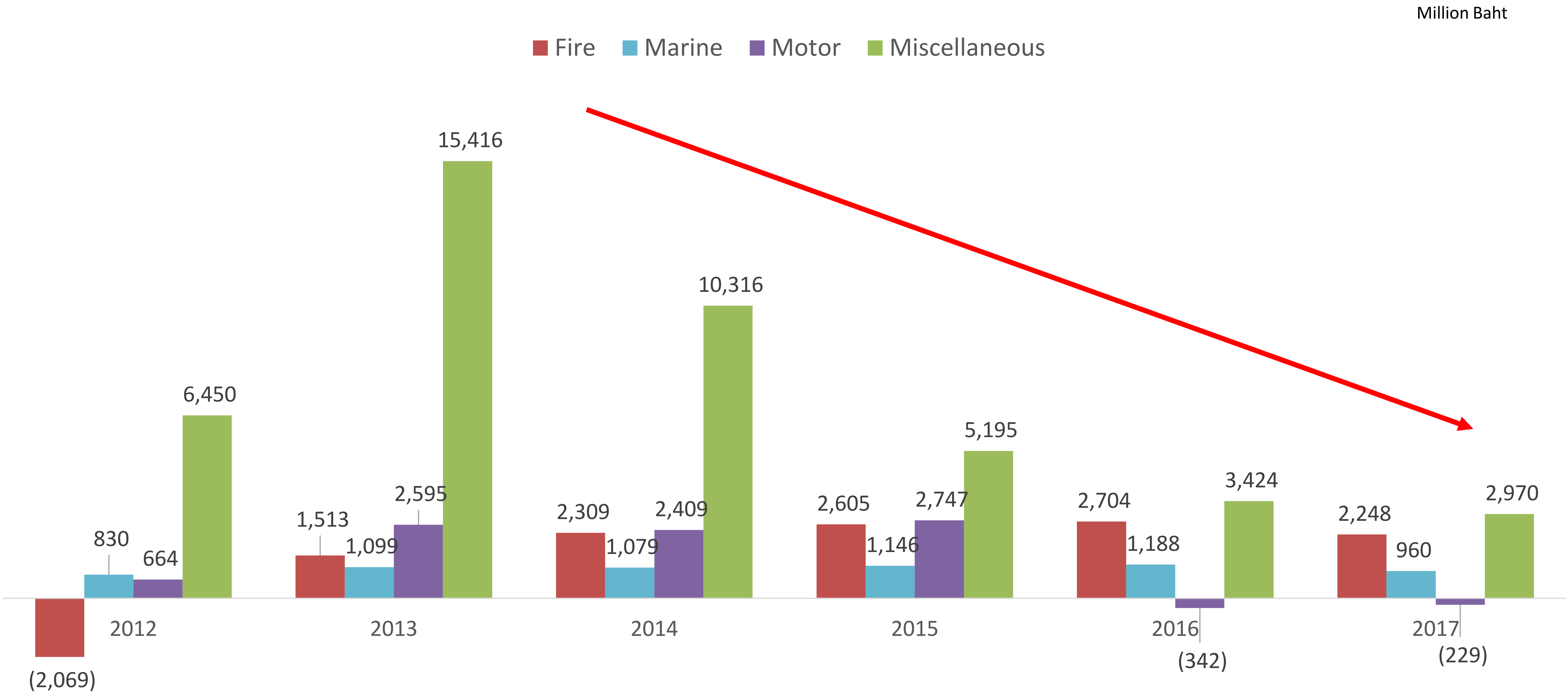
Non-Life Loss Ratio and Expense Ratio (2012-2016) Classified by Company Sizes

		Loss Ratio [1]	Expense Ratio [2]	Combined Ratio [3] = [1]+[2]
Average 5 Years		51.25%	42.28%	93.53%
Company Sizes (% Portfolio Mix of Motor : Non-Motor Companies)				
Avg. 5 Yrs.	Large (46.93% : 53.57%)	52.19%	38.62%	90.81%
	Medium (36.03% : 63.97%)	48.74%	47.03%	95.77%
	Small (51.04% : 48.96%)	53.73%	59.25%	112.98%

Source : Office of Insurance Commission

- Large company : Direct Premium more than 5,000 Million Baht
- Medium Company : Direct Premium between 1,000 – 5,000 Million Baht
- Small Company : Direct Premium less than 1,000 Million Baht

Thai Non-Life Insurance Underwriting Profit (2012-2017)



Source : Office of Insurance Commission

Non-Life Insurance Staff in 2017

Bachelor's Degree
24,074 staff

MAN	WOMAN
41%	59%
9,761 staff	14,313 staff

Below Bachelor's Degree
4,861 staff

MAN	WOMAN
50%	50%
2,440 staff	2,421 staff

Higher than Bachelor's Degree
2,724 staff

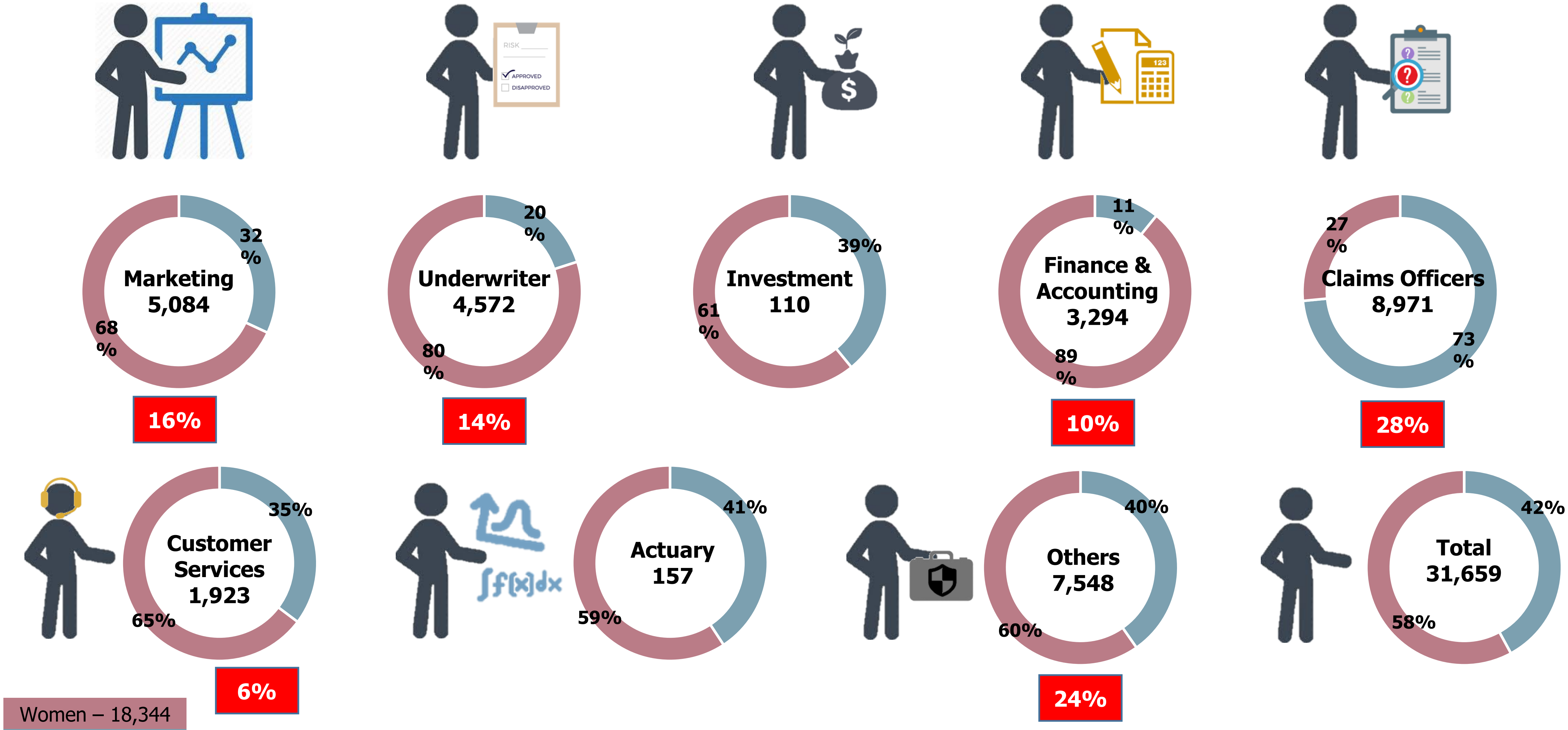
MAN	WOMAN
41%	59%
1,114 staff	1,610 staff

Education Level

Women – 18,344
Men – 13,315
Total – 31,659

Source : Office of Insurance Commission

Non-Life Insurance Staff in 2017



Women – 18,344
Men – 13,315
Total – 31,659

Source : Office of Insurance Commission

Staff Key Indicators in 2016

Total FTEs : 31,200 people

Average Premium per Staff : 6,914,000 Baht

- Large Companies: 8,333,000 Baht
- Medium Companies: 5,743,000 Baht
- Small Companies: 3,224,000 Baht

Average GOE per Staff : 935,000 Baht

- Large Companies: 894,000 Baht
- Medium Companies: 1,047,000 Baht
- Small Companies: 765,000 Baht

Average Profit per Staff : 547,000 Baht

- Large Companies: 886,000 Baht
- Medium Companies: 154,000 Baht
- Small Companies: 61,000 Baht

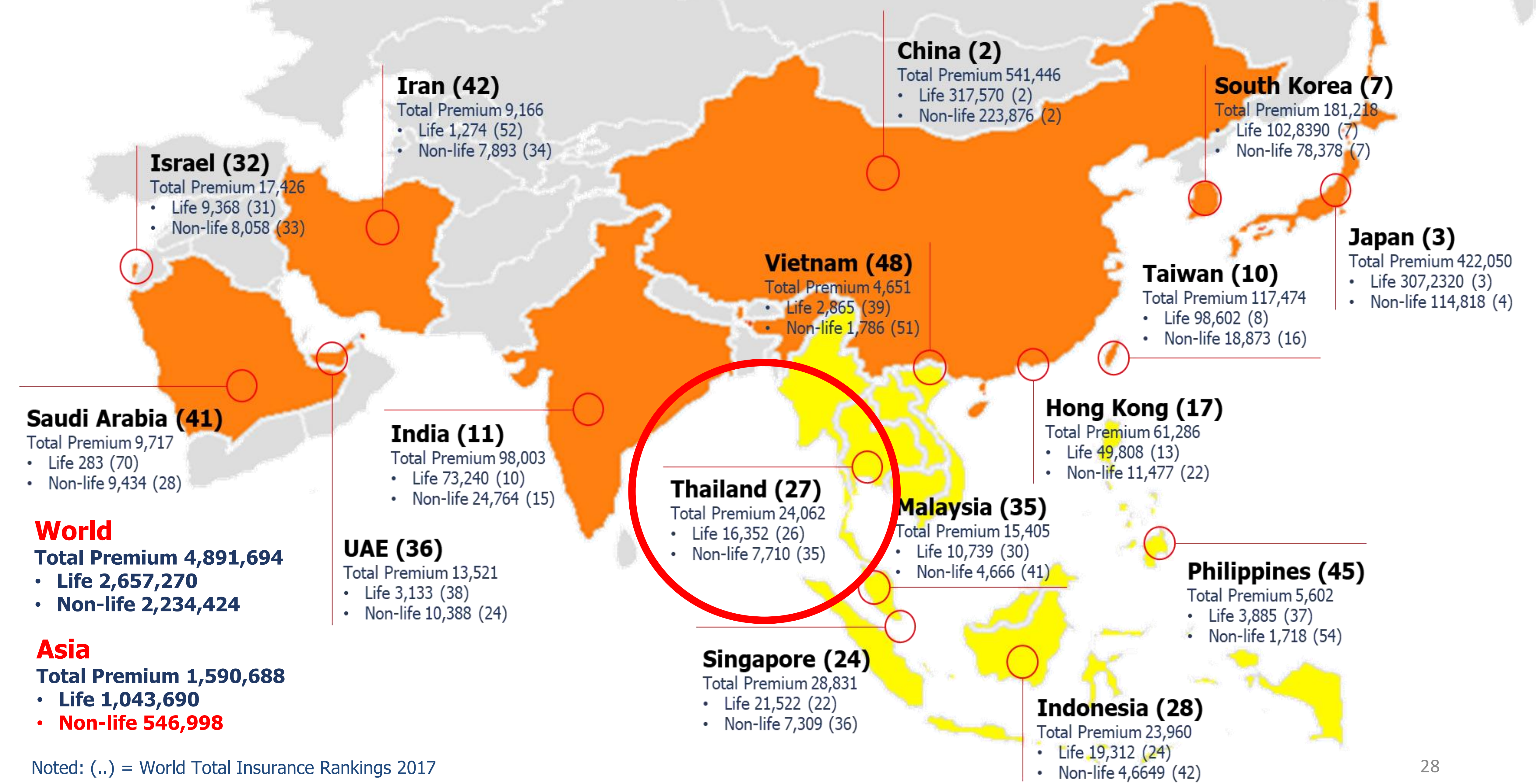
- Large Companies: 17,137 staff
- Medium Companies: 10,952 staff
- Small Companies: 3,111 staff

Source : Office of Insurance Commission

FTEs : Full Time Employees
GOE : General Operating Expense

Asia Insurance Market 2017

Unit: Million US



World

Total Premium 4,891,694
- **Life 2,657,270**
- **Non-life 2,234,424**

Asia

Total Premium 1,590,688
- **Life 1,043,690**
- **Non-life 546,998**

Noted: (..) = World Total Insurance Rankings 2017

Source: Swiss Re, Sigma No.3/2018

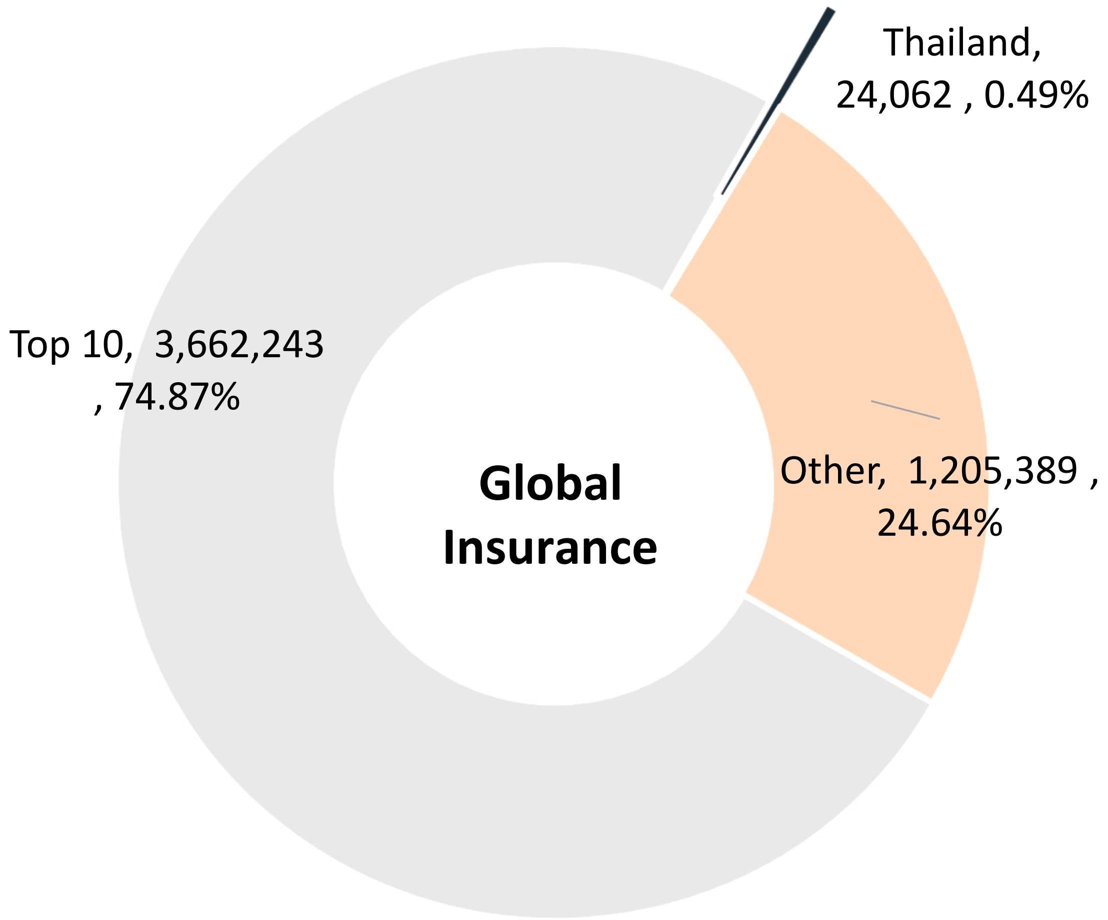
Non-Life Insurance Industry in Asia 2017

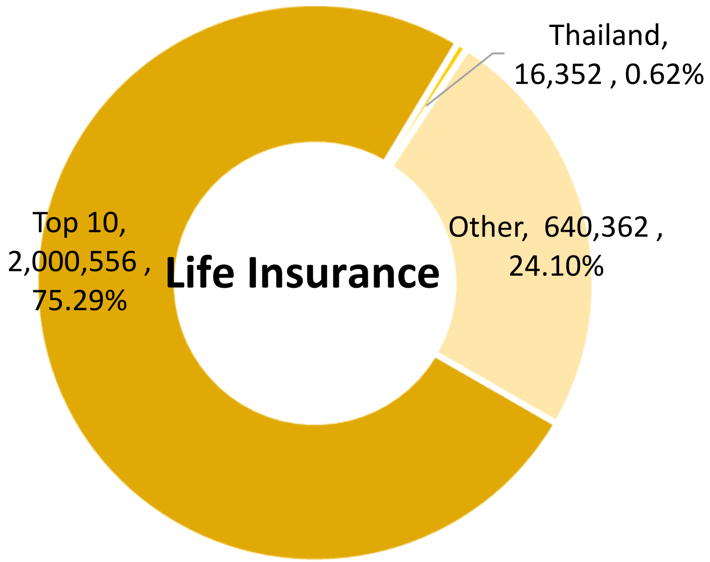
Continents	Non-Life Premium		Gross Premium (Global Ranking)	Premium Per GDP (%)	Premium Per Capita (US$)	GDP (Billion $US)	Population (Million)
	Million $US	Share (%)					
PR China	223,876	10.0%	2	1.9%	158.8	11,856	1,410.0
Japan	114,818	5.1%	4	2.3%	904.1	4,911	127.0
South Korea	78,378	3.5%	7	5.0%	1,536.8	1,567	51.0
India	24,764	1.1%	15	0.9%	18.5	2,655	1,341.0
Taiwan	18,873	0.8%	16	3.4%	786.4	551	24.0
Hong Kong	11,477	0.5%	22	3.4%	1,639.6	342	7.0
United Arab Emirates	10,388	0.5%	24	2.8%	1,154.2	370	9.0
Saudi Arabia	9,434	0.4%	28	1.4%	285.9	684	33.0
Israel	8,058	0.4%	33	2.3%	1,007.3	351	8.0
Iran	7,893	0.4%	34	1.9%	97.4	410	81.0
Thailand	**7,710**	**0.3%**	**35**	**1.7%**	**111.7**	**455**	**69.0**
Singapore	7,309	0.3%	36	2.3%	1,218.2	324	6.0
Malaysia	4,666	0.2%	41	1.4%	145.8	323	32.0
Indonesia	4,649	0.2%	42	0.5%	17.6	1,016	264.0
Vietnam	1,786	0.1%	51	0.8%	18.8	222	95.0
Philippines	1,718	0.1%	54	0.5%	16.4	313	105.0
Others	11,201	0.5%	NA	0.6%	13.0	1,901	862
Asia	546,998	24.5%	NA	1.9%	123.8	28,251	4,419.0
EU	621,171	27.8%	NA	2.9%	754.8	21,087	823.0
America	987,929	44.2%	NA	3.8%	988.3	26,194	999.6
World	**2,234,424**	**100.0%**	**NA**	**2.8%**	301.4	**79,752**	**7,414.2**

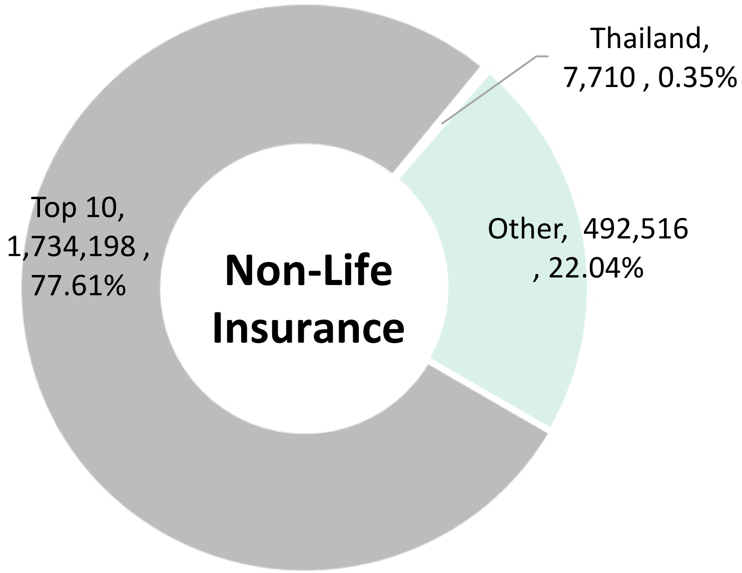
Source: Swiss Re, Sigma No.3/2018

Remark: Life and non-life business areas in this sigma study are categorized according to standard EU and OECD conventions: health insurance is allocated to non-life insurance, even if it is classified differently in the individual countries

Top 10 insurance Market Share 2017







Source: Swiss Re, Sigma No.3/2018

World natural catastrophe losses, 2017

	The figures of the year 2017	The figures of the year 2016 (Losses in original values)	Average of the last 10 years 2007-2016 (Losses adjusted to inflation based on local CPI)	Average of the last 30 years 1987-2016 (Losses adjusted to inflation based on local CPI)
Number of events	710	780	605	490
Overall losses in US$ m	330,000	184,000	170,000	130,000
Insured losses in US$ m	135,000	50,700	49,000	35,000
Fatalities	10,000	9,650	60,000	53,000

Source: Munich Re

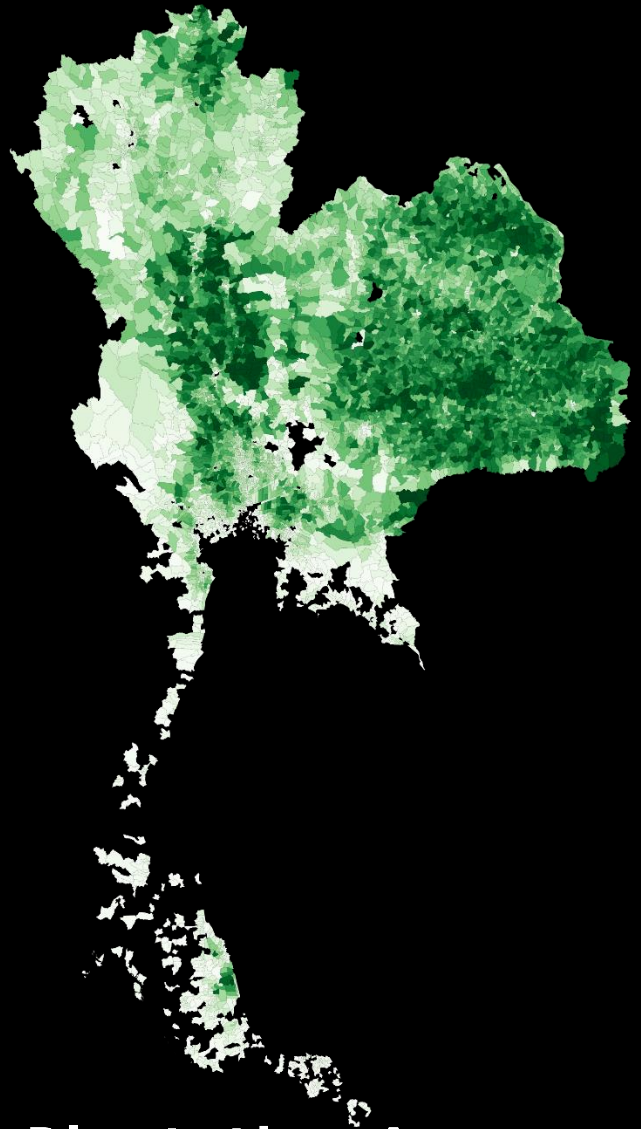
Total Overall Losses Baht 10.89 Trillion

Penetration Ratio @ 40%

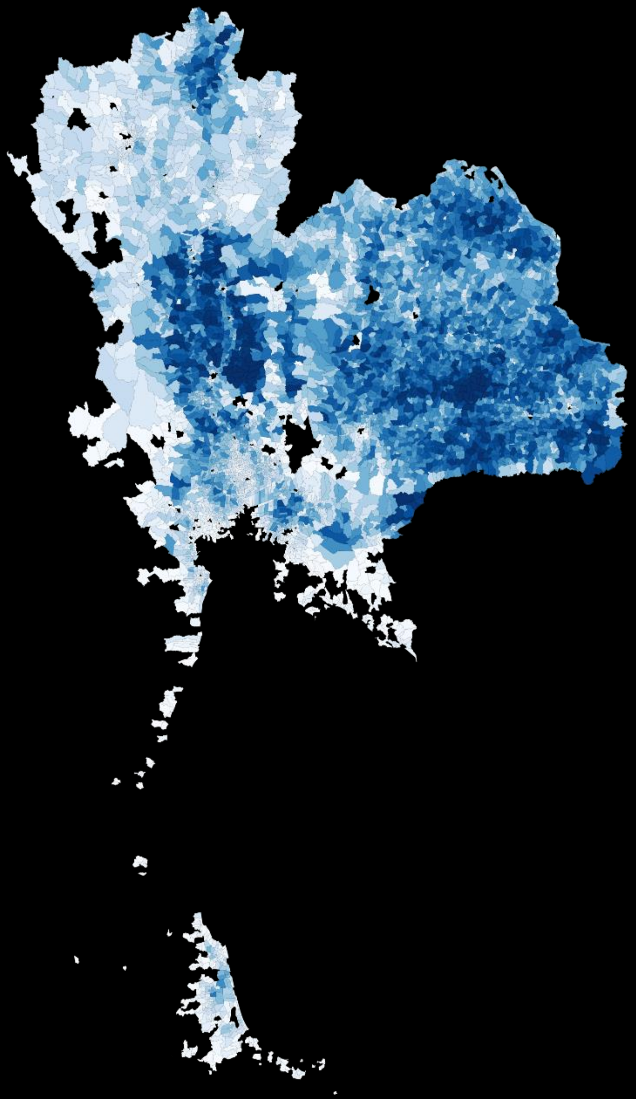
สมาคมประกันวินาศภัยไทย
Thai General Insurance Association

Thai Rice Insurance Top Up Scheme 2017

Remark: 1 Rai = 0.395369 Acre
1 US Dollar = 30 Thai Baht



Plantation Areas
58,111,333 Rais
22,953,976 Acres



Insured Areas
26,117,394 Rais
10,316,370 Acres

Claims Areas
1,661,464 Rais
656,891 Acres

Data as at 1st November, 2018

สมาคมประกันวินาศภัยไทย
Thai General Insurance Association

Impact in 2018-2019

Market Movements

GDP

GDP Growth 4.2 – 4.7%

Government Investment 8.6%
Local Consumption 3.0%

Export Growth 8.9%
Import Growth 12.7%

New Cars Sales +3.4%

Government Crop Insurance Schemes

New Housing Loans Growth 2.8%

Growth in Tourism

Market Concerns

Price War!!!

Inflation and Interest Rate Trend

Minimum Labor Costs

Political Uncertainty

IFRS

Impact from IFRS 9 and IFRS 17

IBS

Market Collaboration

M&A

Market Consolidation

สมาคมประกันวินาศภัยไทย
Thai General Insurance Association

"Key Challenges"…. on the future of Thai Insurance Market……… !!!

- Human Capital Resources
  - Shortage of talented staff
  - Recruit…Retrain…Reward…Retain…
  - Refine mindset and reskill technical expertise
  - Talent movement across ASEAN Insurance markets

- Regulatory Intervention and Scrutiny
  - Insurers are required to comply with higher number of regulations
  - Stringent rules in doing business: ERM, ORSA, IFRS 9 & IFRS 17
  - More disclosure and transparency

- Financial and Economic Conditions
  - Uncertainty in macroeconomic environment
  - Global and regional financial impacts
  - Local market aggressive competition
  - Political uncertainty

- Technological Advancements
  - Digital Insurance
  - Smart Phone Applications
  - Big Data
  - InsurTech

สมาคมประกันวินาศภัยไทย
Thai General Insurance Association

"Key Challenges"…. on the future of Thai Insurance Market……… !!!

- Harder-to-please customers
  - Customer complaints
  - Customer retention

- De-Tariffication and De-Commission…Thinner Margins
  - Imminent market liberalization…in 2020!!!
  - Diversity of distribution channels…higher demand for acquisition costs

- Demographic Changes
  - Aging population and aged society
  - Increasing urbanization

- Insurance Frauds

- Market Consolidation through M&A

- Extreme Environmental Conditions and Catastrophes
  - Flood
  - Tsunami
  - Windstorm
  - Earthquake

สมาคมประกันวินาศภัยไทย
Thai General Insurance Association

Thank You Very Much

ขอบคุณครับ