CEO Focus Group #6

"Demystifying IFRS 17 for General Insurers"

Opening Remark

Kheedhej Anansiriprapha
Executive Director - TGIA

14th November, 2018

Thai Non-Life Insurance Landscape

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

อาคารสมาคมประกันวินาศภัยไทย ปี 1974

สร้างเสร็จเมื่อปี 1975

อาคารสมาคมประกันวินาศภัยไทยปัจจุบัน

ปรับปรุงอาคาร
เมื่อปี 2006

สร้างเสร็จ
เมื่อปี 2007

สมาคมประกันวินาศภัยไทย
223 ซอยร่วมฤดี ถนนวิทยุ แขวงลุมพินี เขตปทุมวัน กรุงเทพฯ 10330

โทรศัพท์: 0-2256 6032-8
โทรสาร: 0-2256 6039-40

www.tgia.org

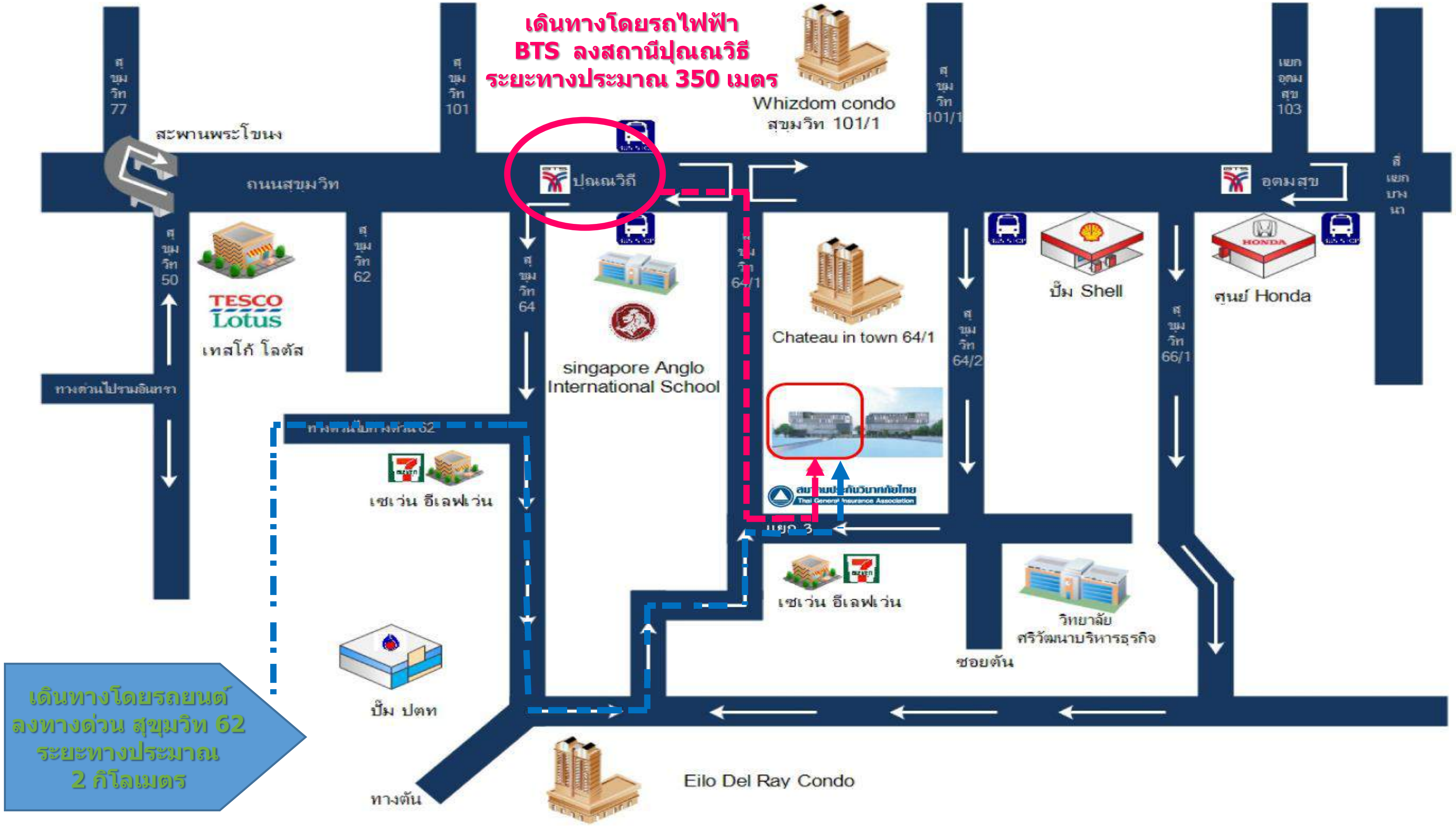
อาคารสมาคมประกันวินาศภัยไทย (แห่งใหม่)
New TGIA Address

25 ถนนสุขุมวิท 64/1
แขวงพระโขนงใต้
เขตพระโขนง
กรุงเทพฯ 10260
โทรศัพท์ 0 2108 8399

25 Sukhumvit 64/1 Road
Phra Khanong Tai
Phra Khanong
Bangkok 10260
Thailand
Tel. +66 (0) 2108 8399

แผนที่สมาคมประกันวินาศภัยไทย

25 ถนนสุขุมวิท 64/1 แขวงพระโขนงใต้ เขตพระโขนง กรุงเทพฯ 10260



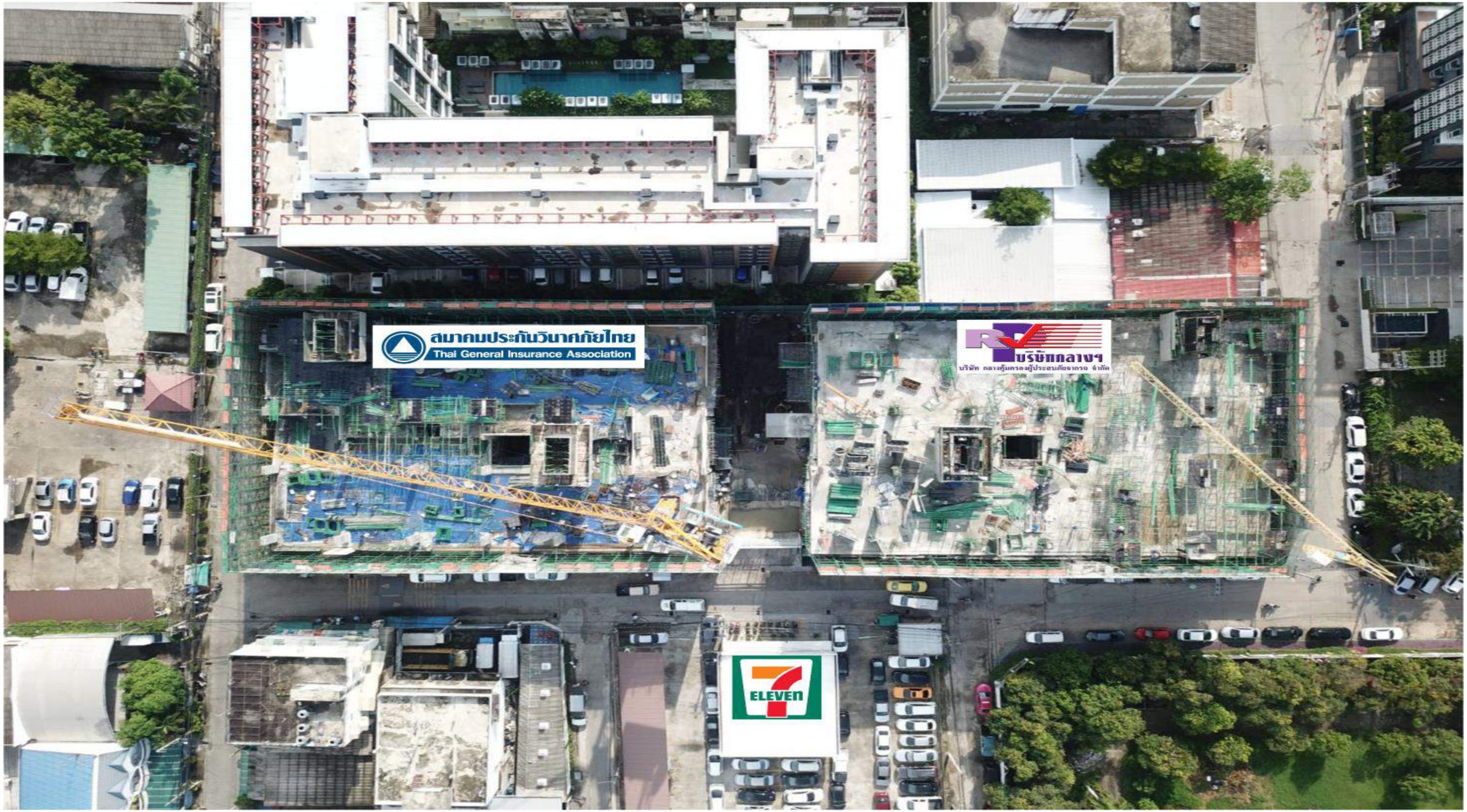
The New TGIA Building

The New TGIA Building Model

The New TGIA Building and RVP Building

Work in Progress

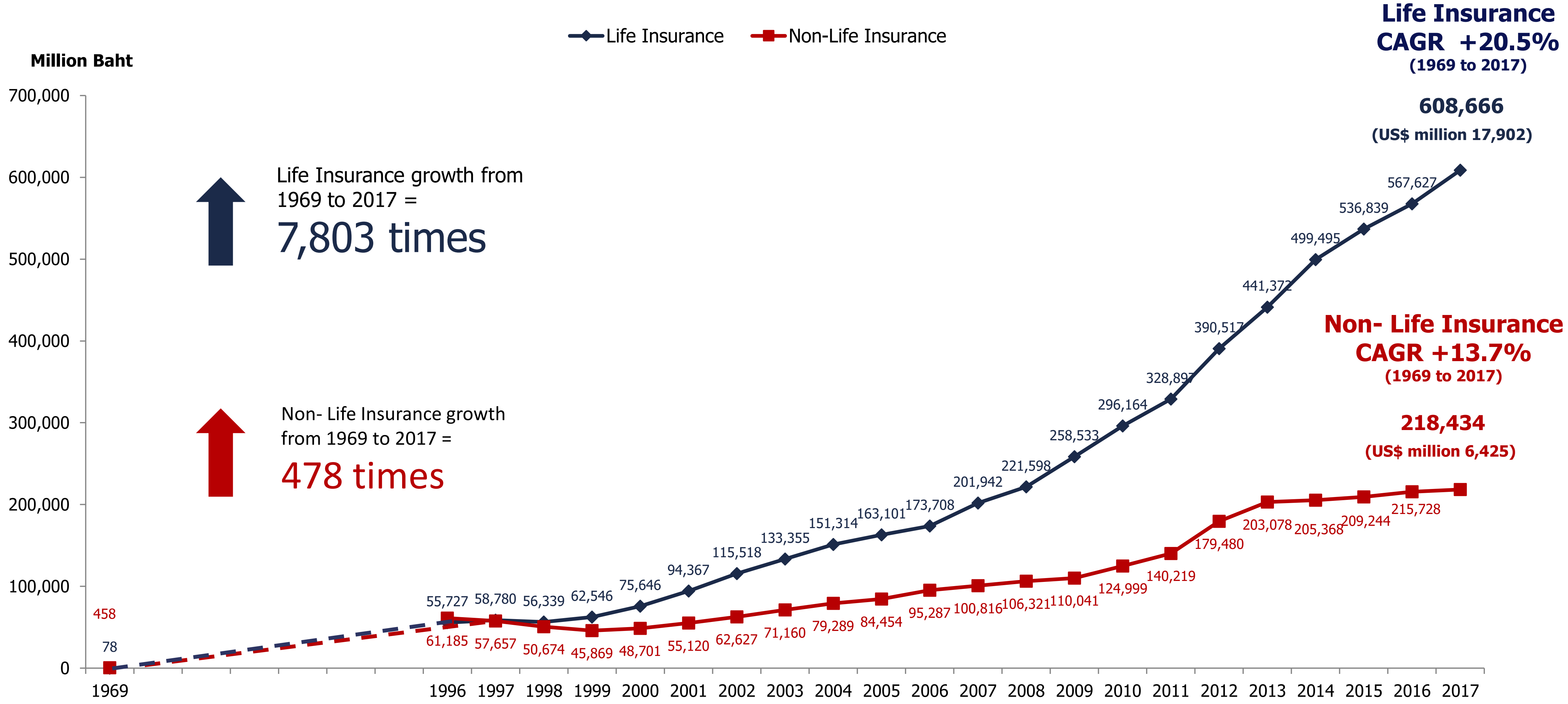
Work in Progress



Work in Progress

Work in Progress

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

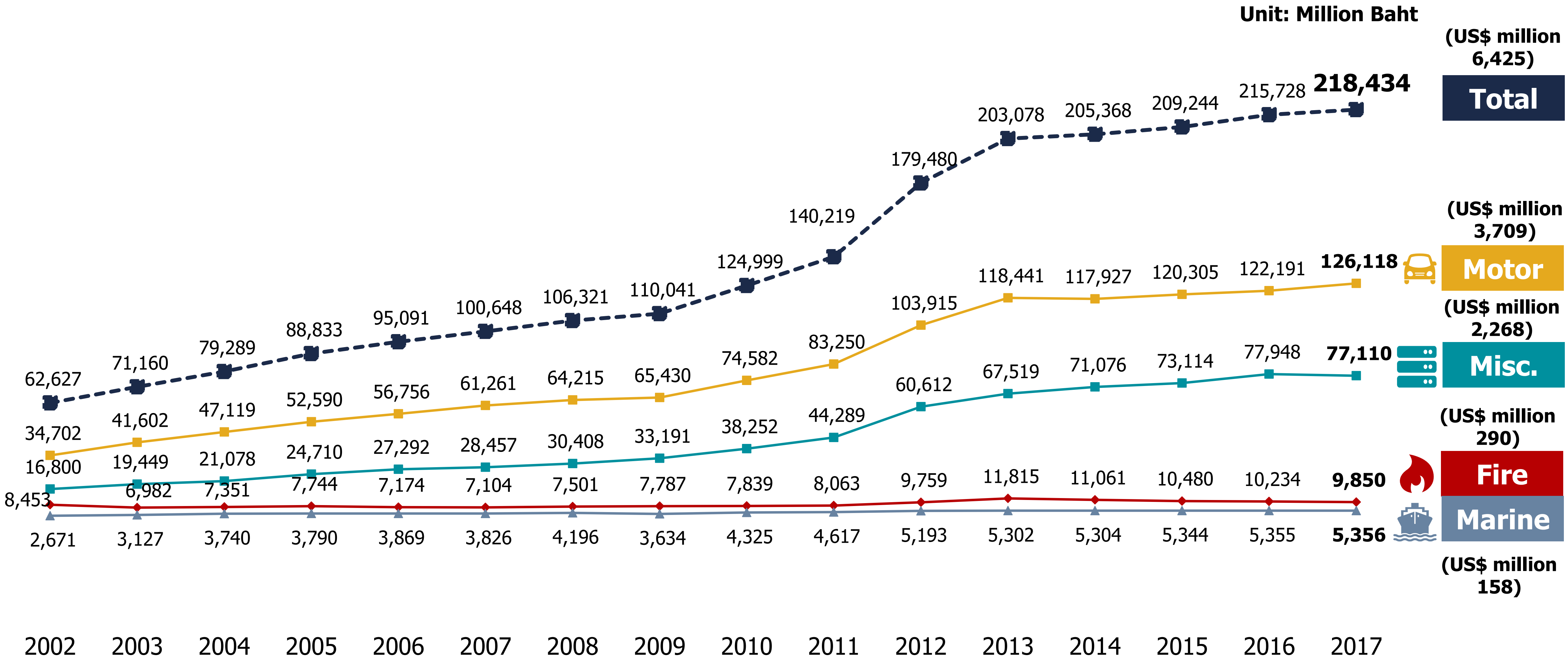


Exchange rate in 2017 US$ 1: Baht 34

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)



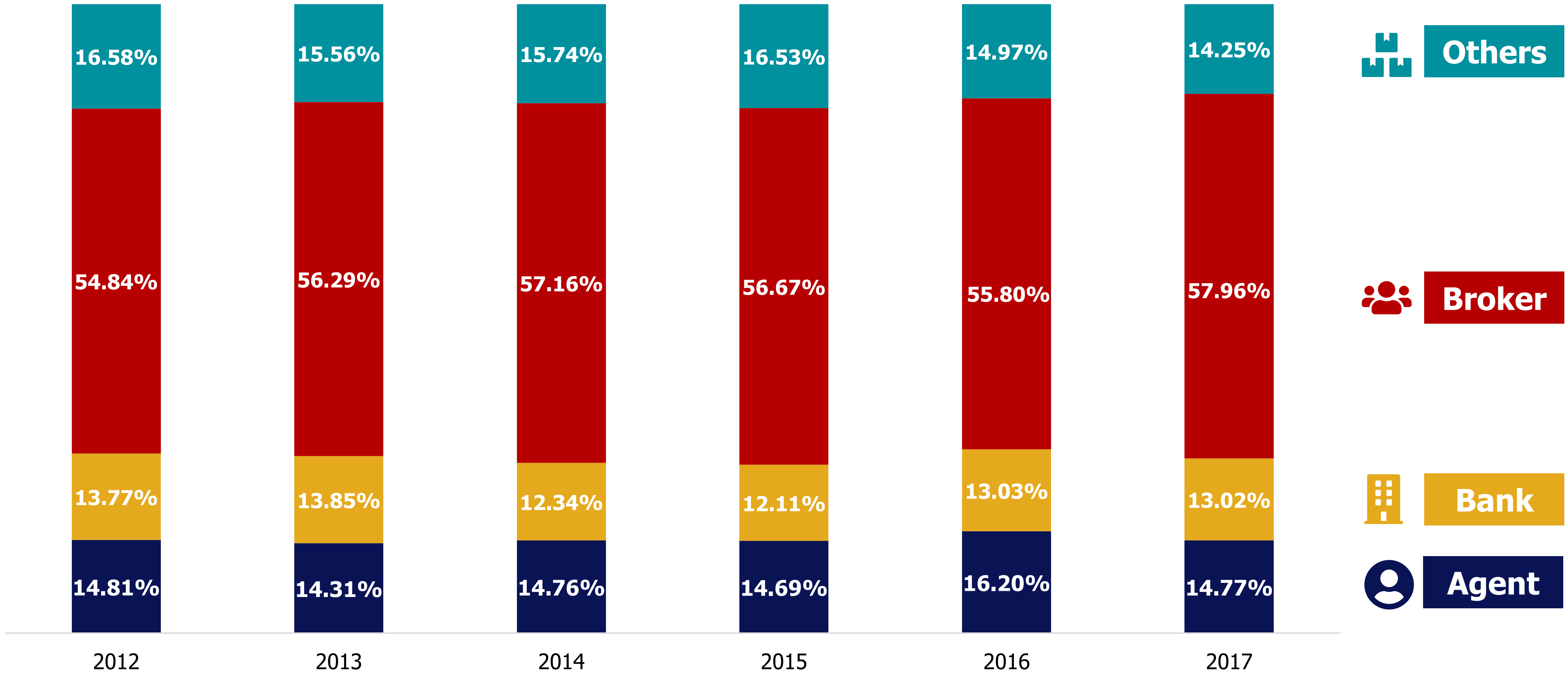
Source: Office of Insurance Commission compiled by IPRB

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

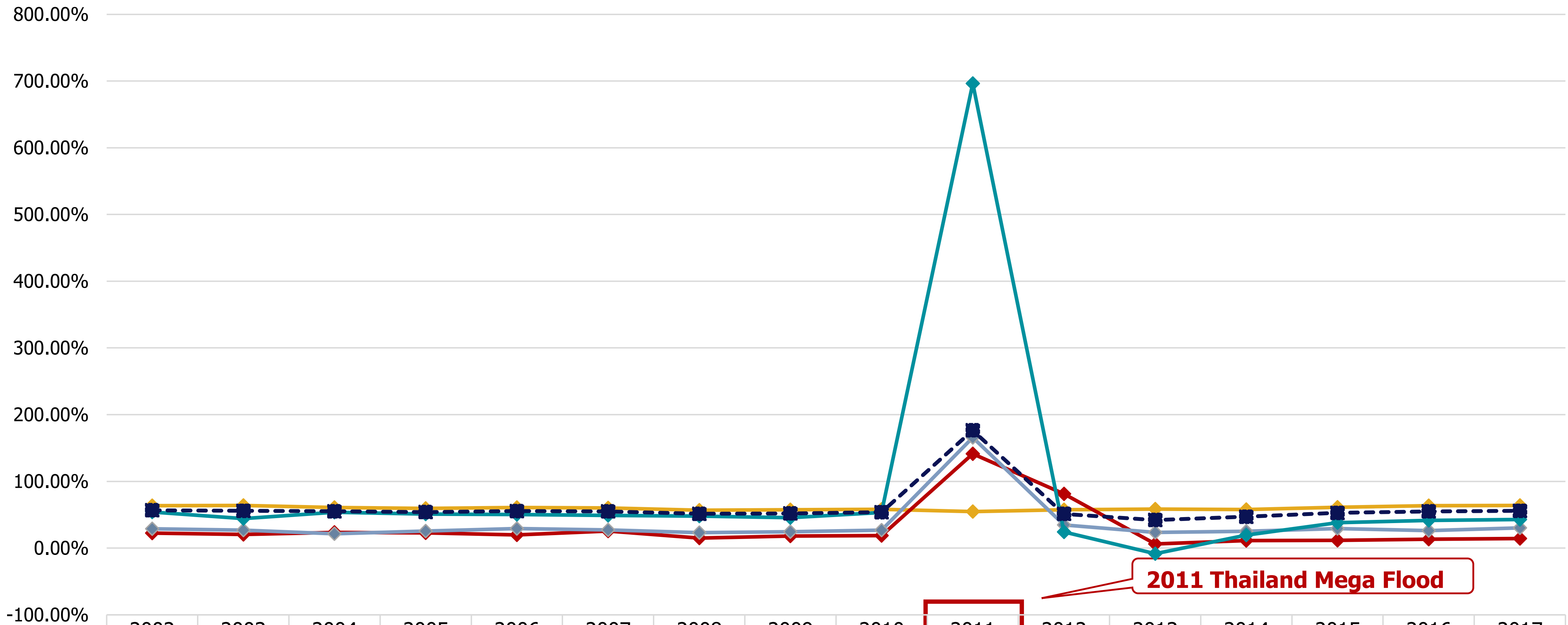
Thai Non-Life Insurance Market Share by Distribution Channels (2012 – 2017)



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.

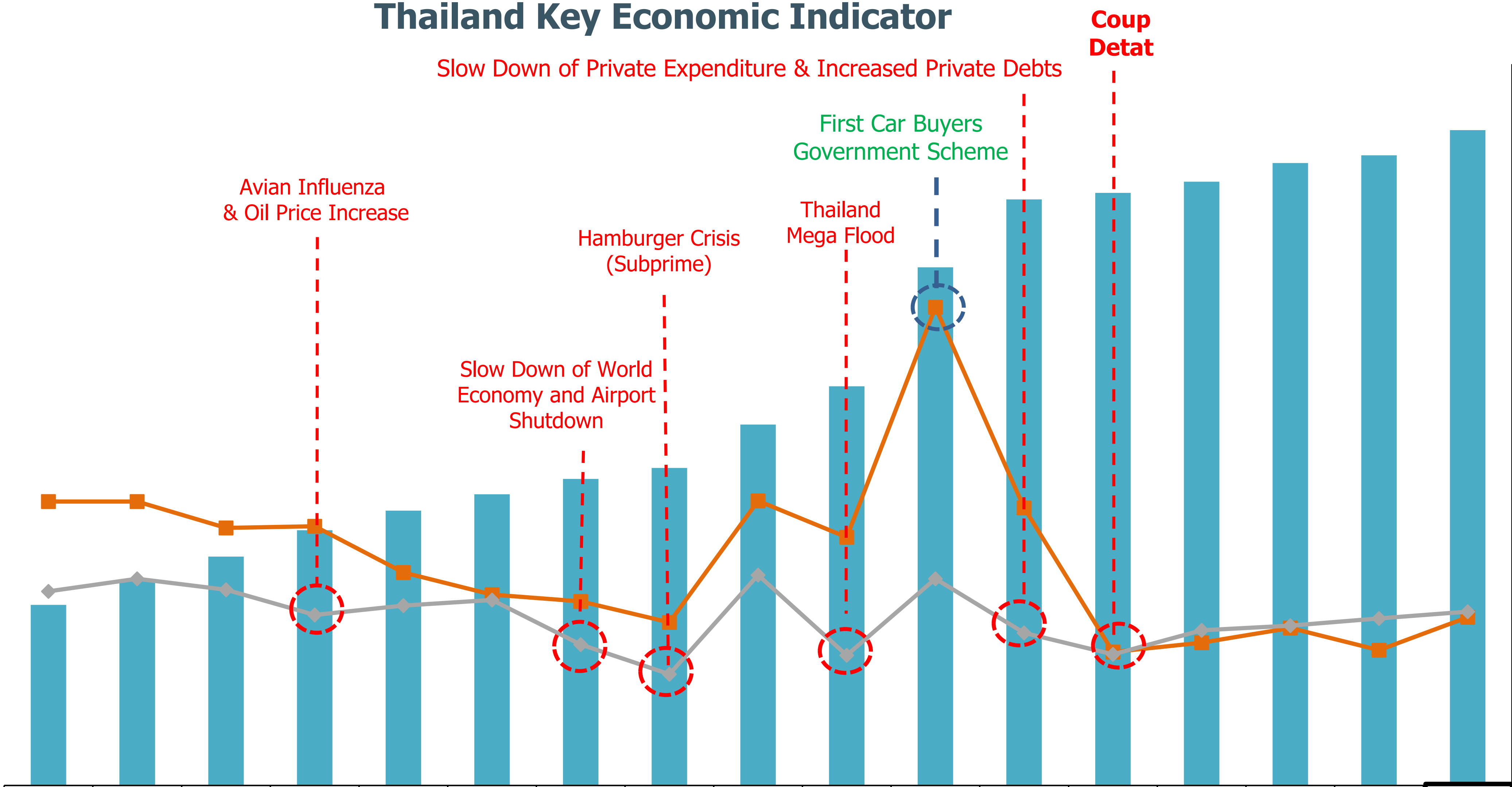
Thai Non-Life Insurance Net Loss Ratio by Line of Business (2002-2017)



	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%

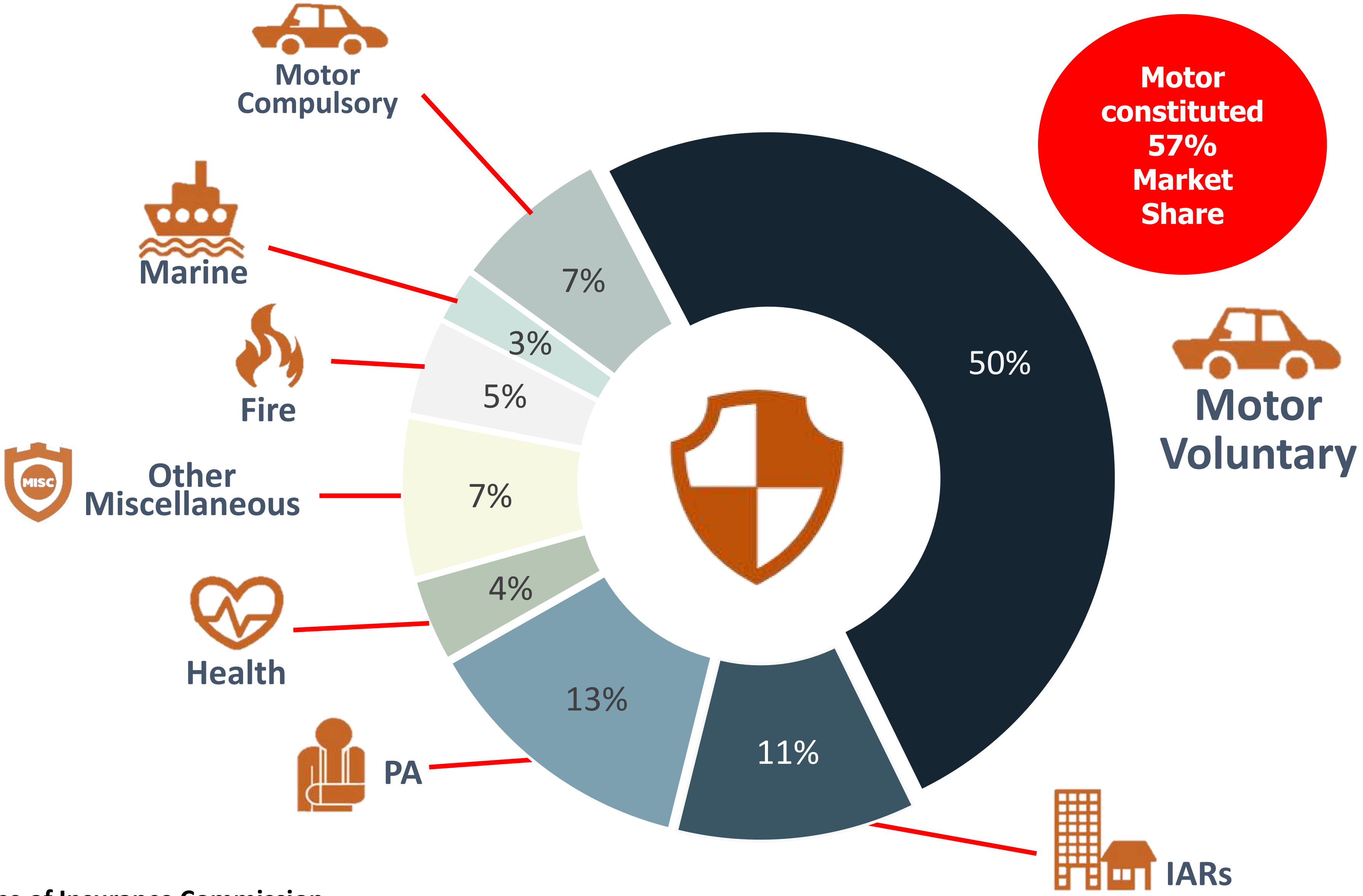
Source: Office of Insurance Commission compiled by IPRB

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

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



Source : Office of Insurance Commission

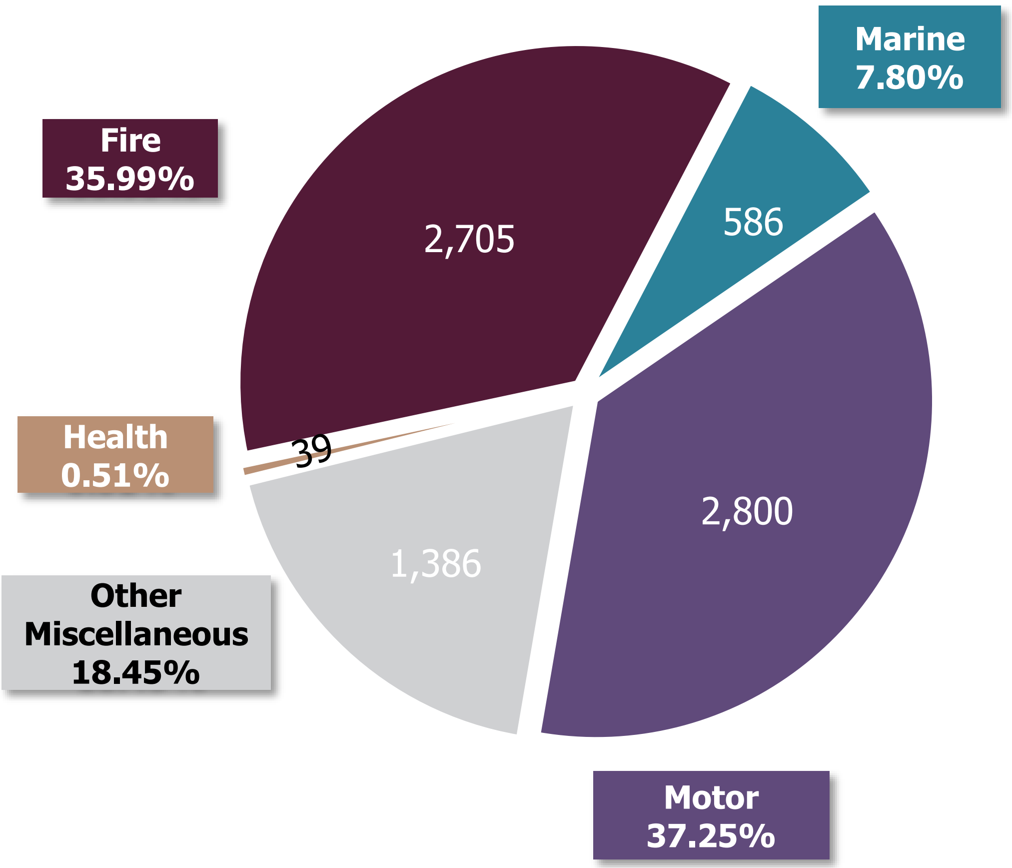
Comparison of Direct Premiums and Portfolio Mix: 1987 and 2017

Source: Office of Insurance Commission

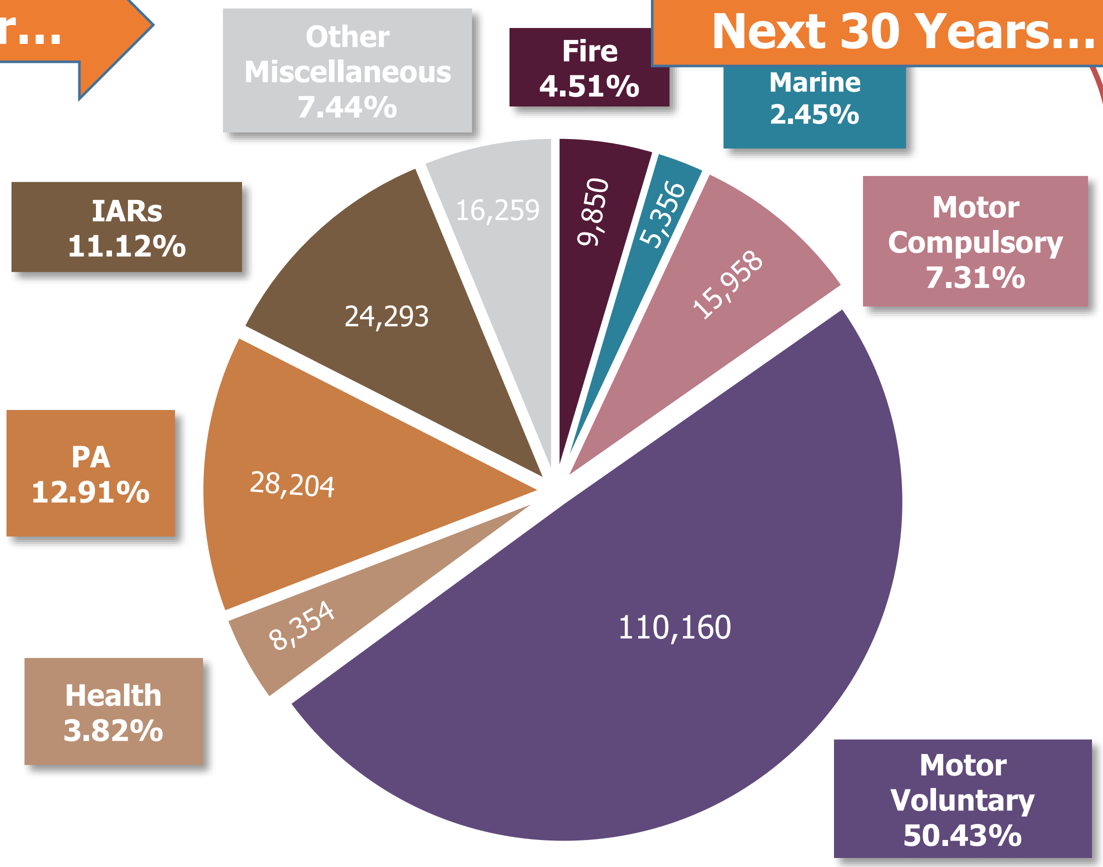
Unit: In Million Baht

30 Years Later...

Next 30 Years...



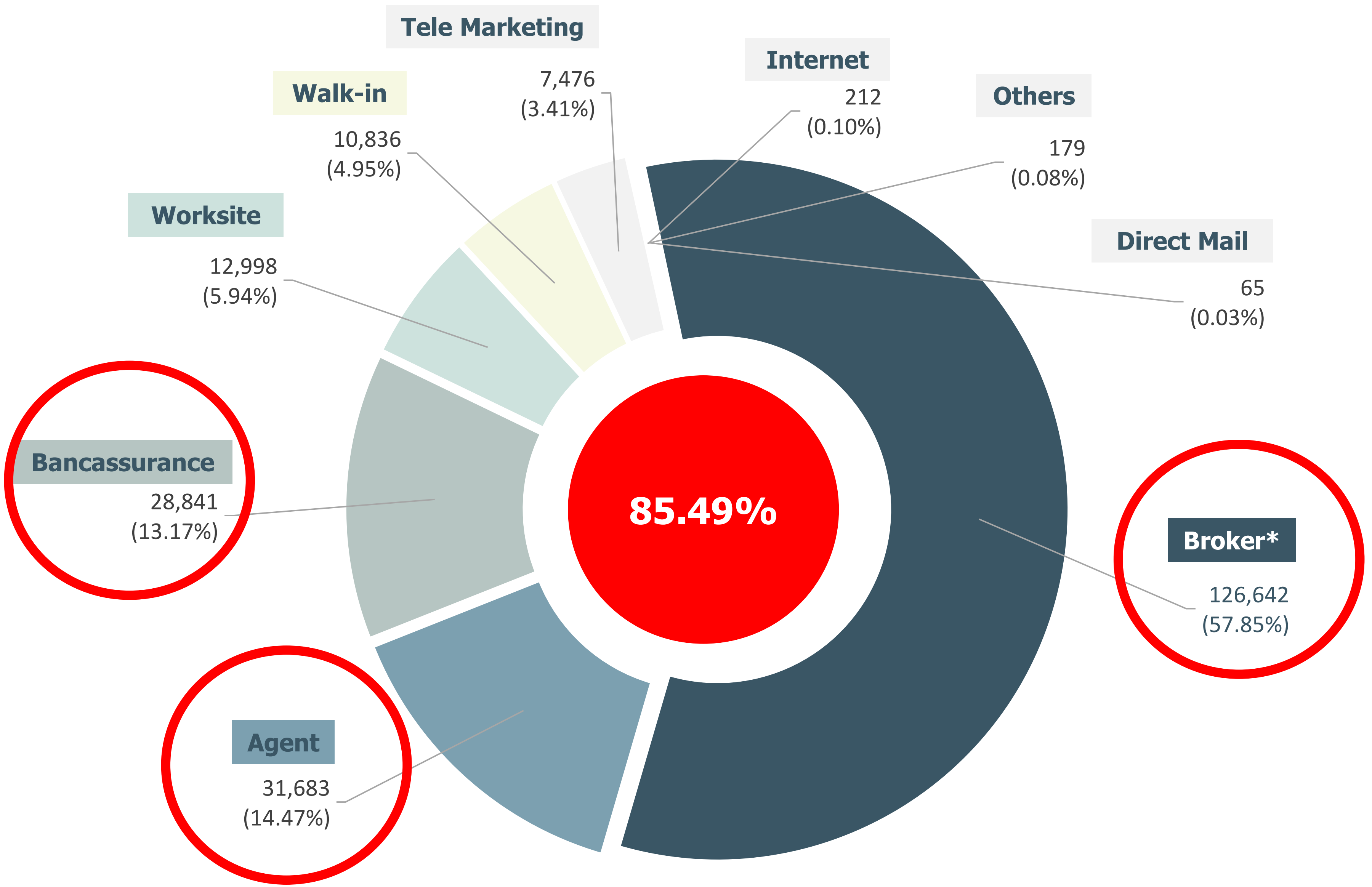
Direct Premiums: Baht 7.5 Billion and Portfolio Mix in 1987



Direct Premiums: Baht 218.4 Billion and Portfolio Mix in 2017

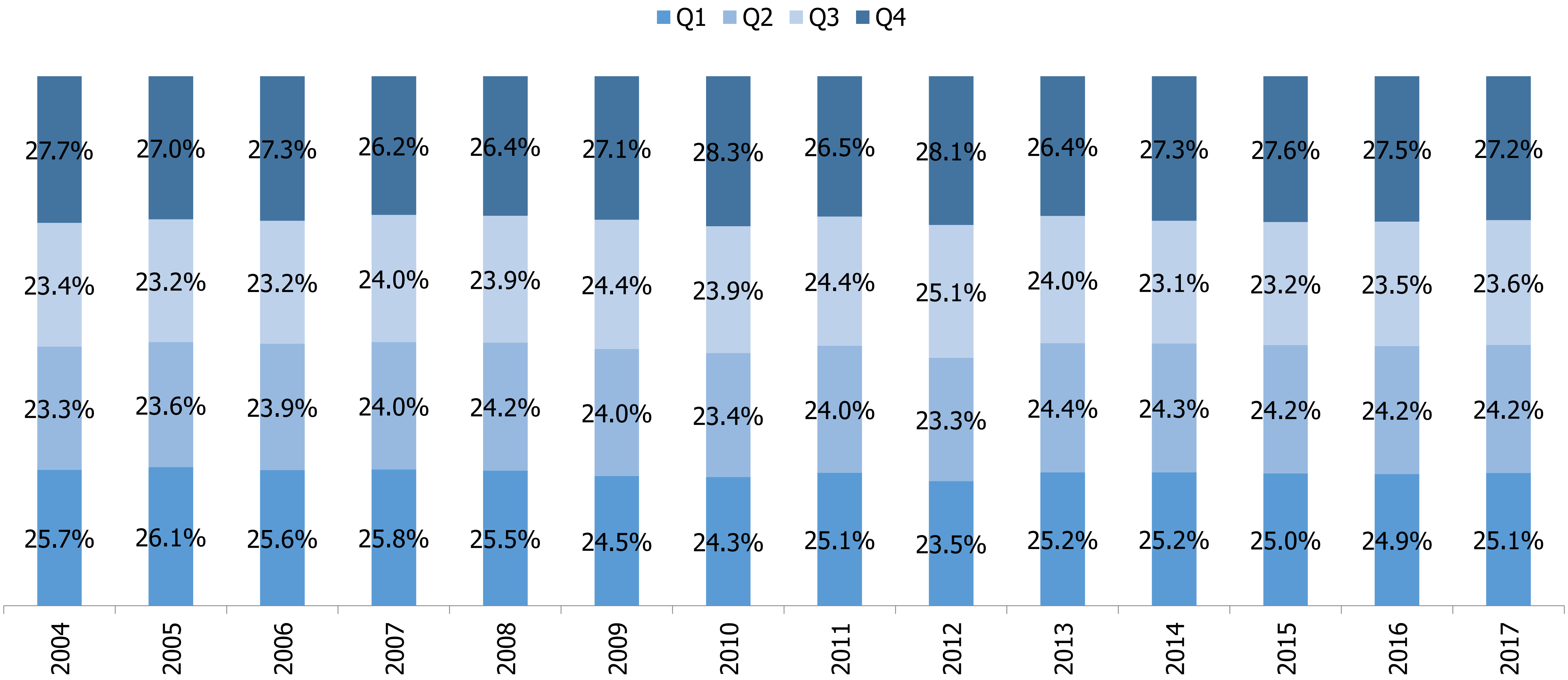
Non-Life Insurance Distribution Channel: 2017

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%)

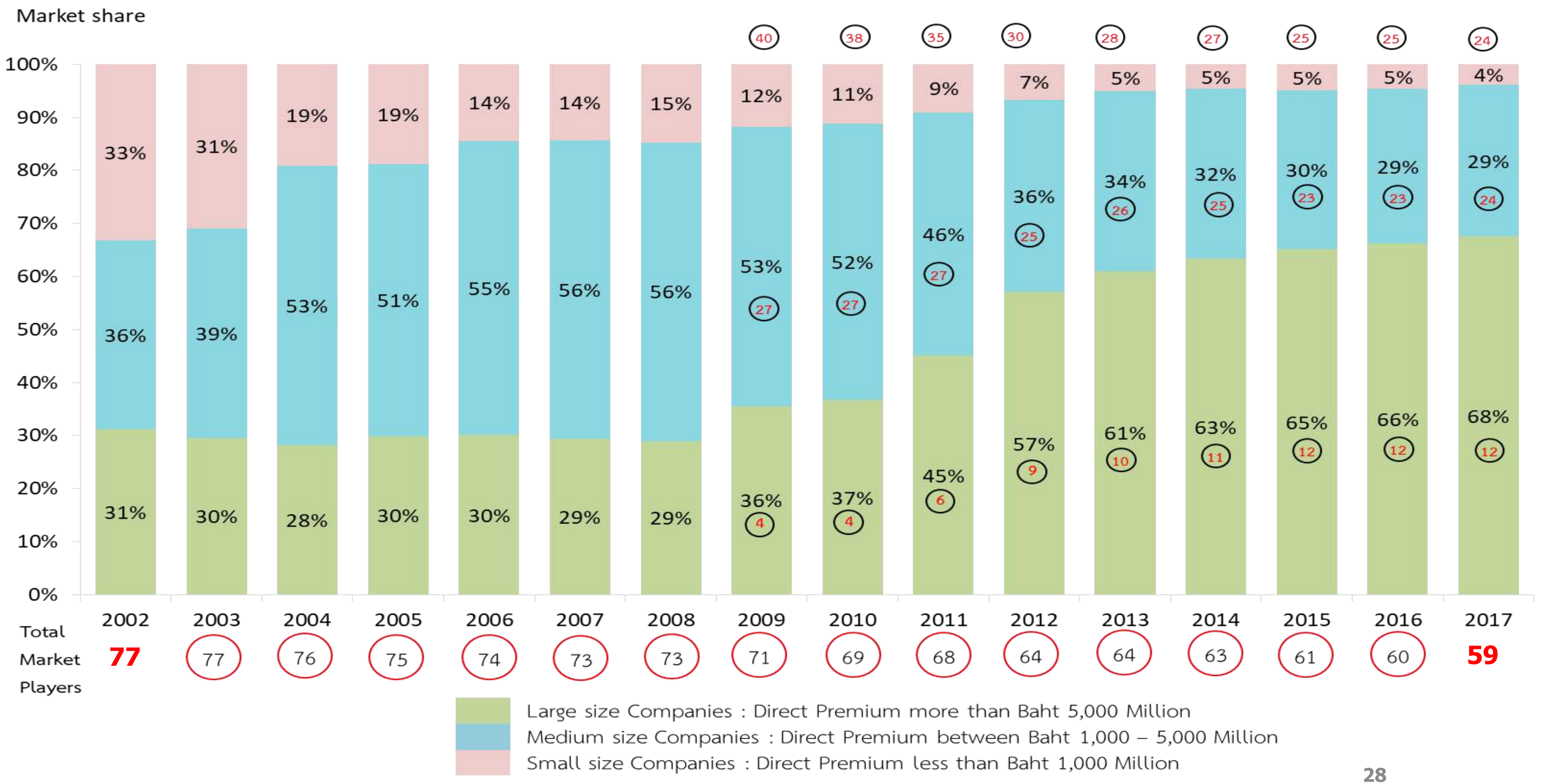
5,418
MITSUI SUMITOMO INSURANCE
(2.5%)

Remaining 47 Average Size: Baht 1.5 Billion

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

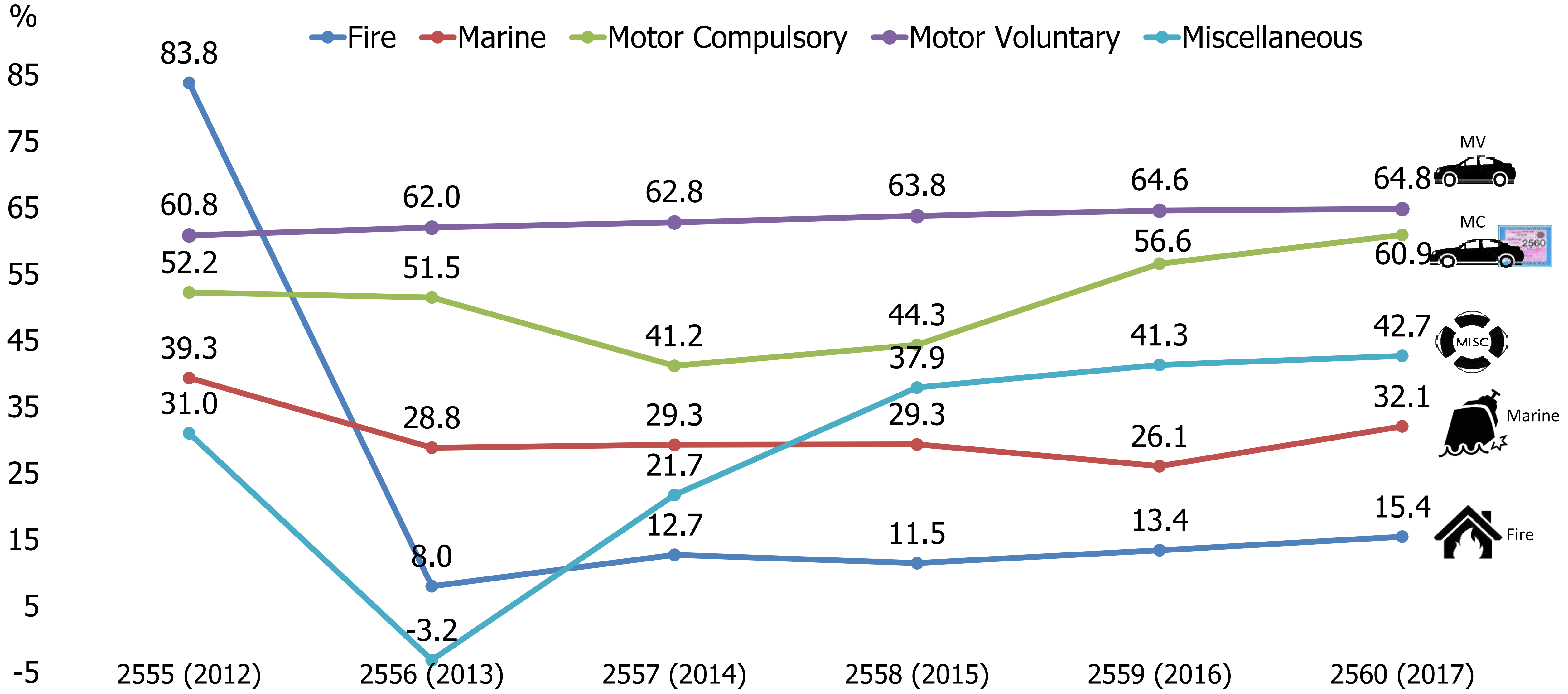
http://marketeer.co.th/archives/125292

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

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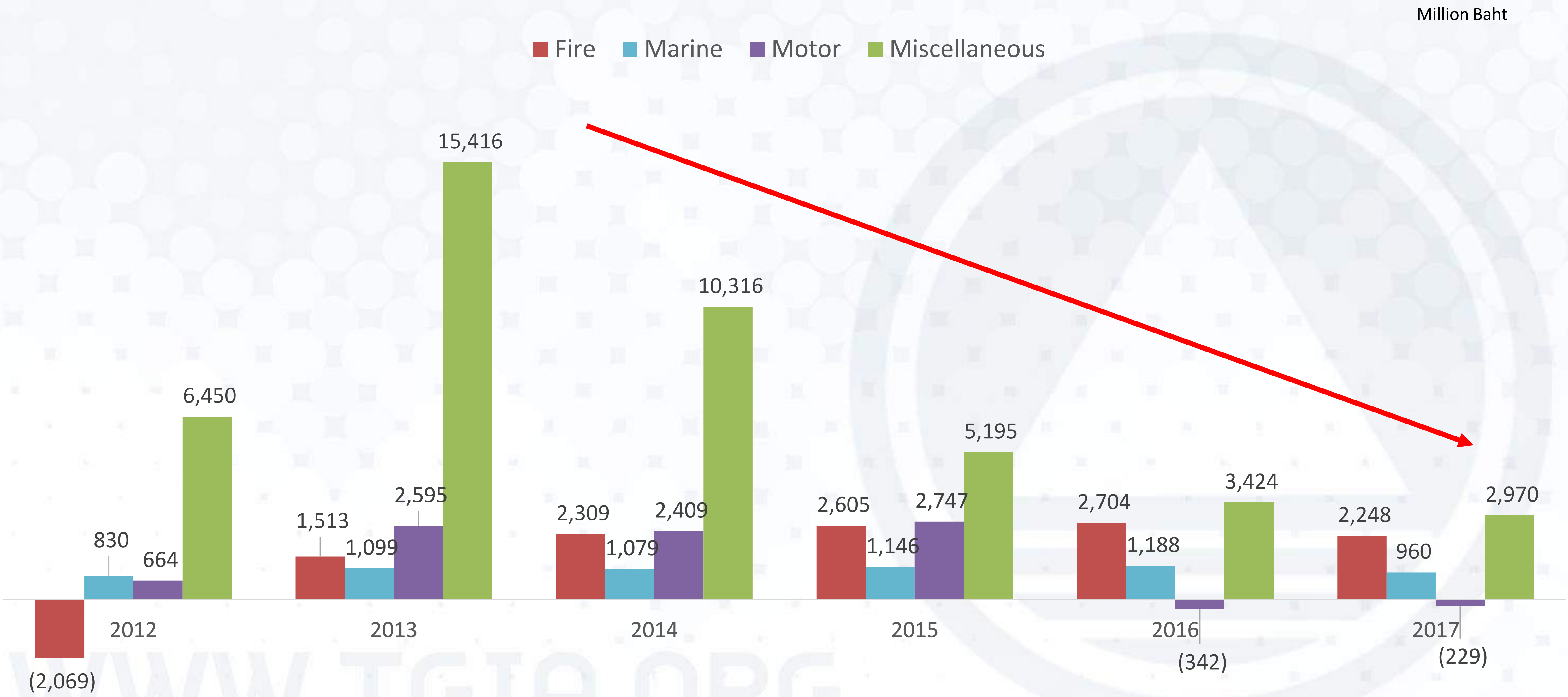
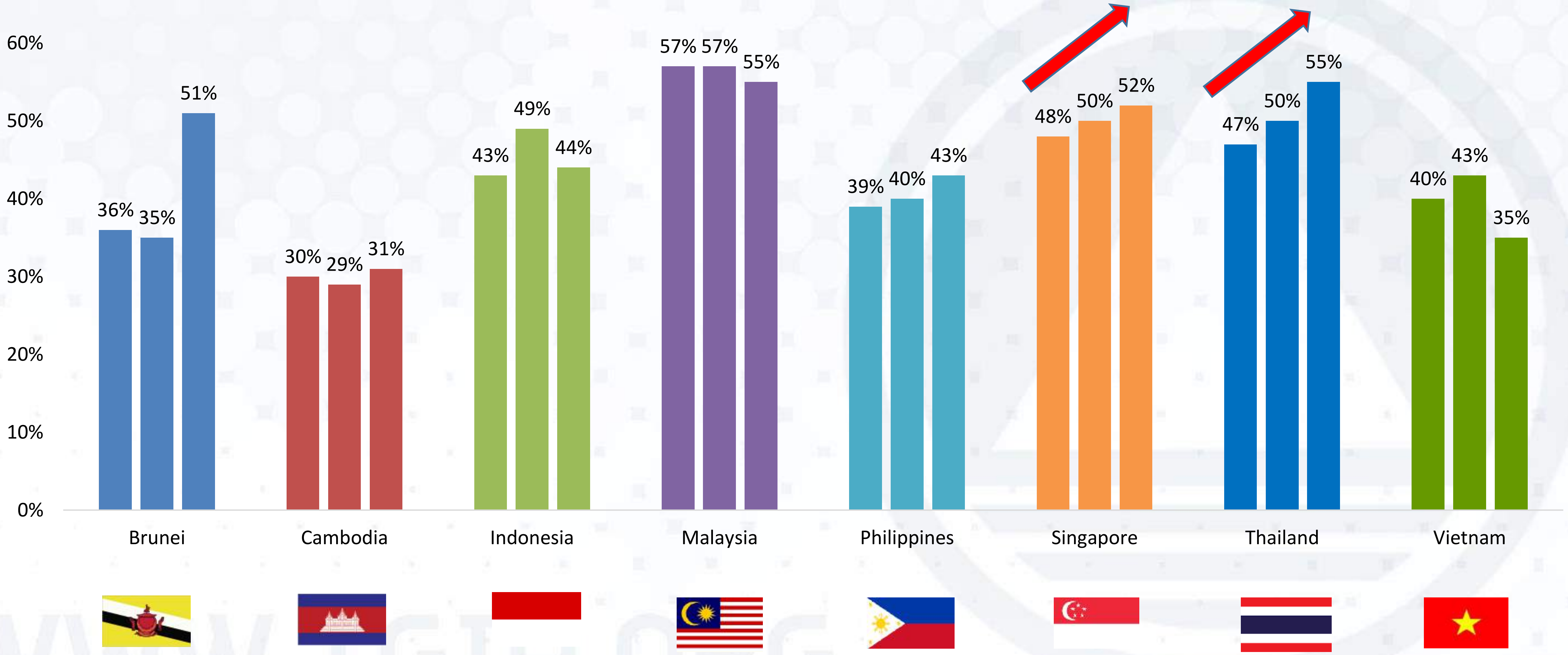
Thai General Insurance Association

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



Source : Office of Insurance Commission

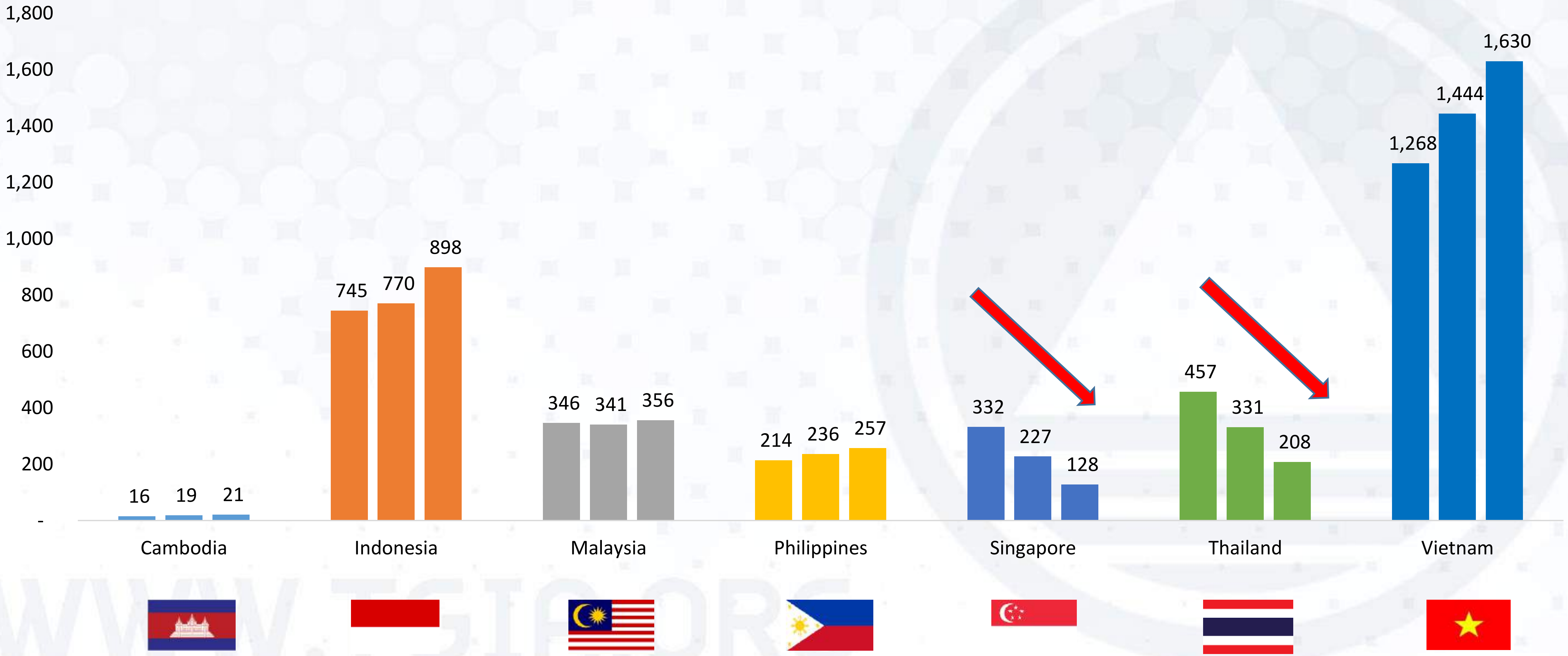
ASEAN Non-Life Insurance: Incurred Loss Ratio in 2014 - 2016



Source: AIC 2017 ASEAN Insurance Statistical Report

ASEAN Non-Life Insurance: Underwriting Results in 2014 - 2016

: in Million US$



Non-Life Insurance Staff in 2017

Below Bachelor's Degree
4,861 staff

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

Bachelor's Degree
24,074 staff

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

Higher than Bachelor's Degree
2,724 staff

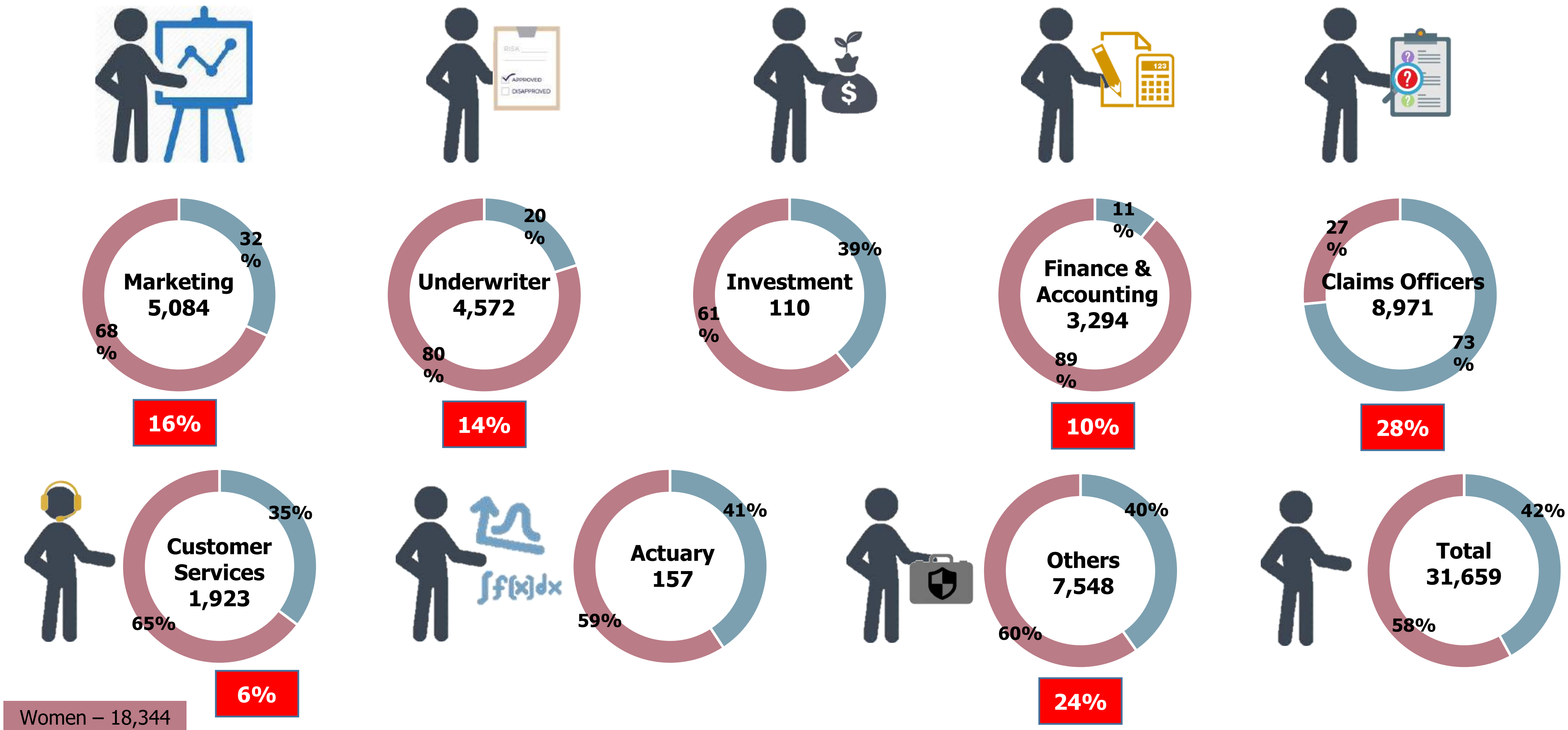
MAN	WOMAN
41%	59%
1,114 staff	1,610 staff

Education Level

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

Source : Office of Insurance Commission

Non-Life Insurance Staff in 2017

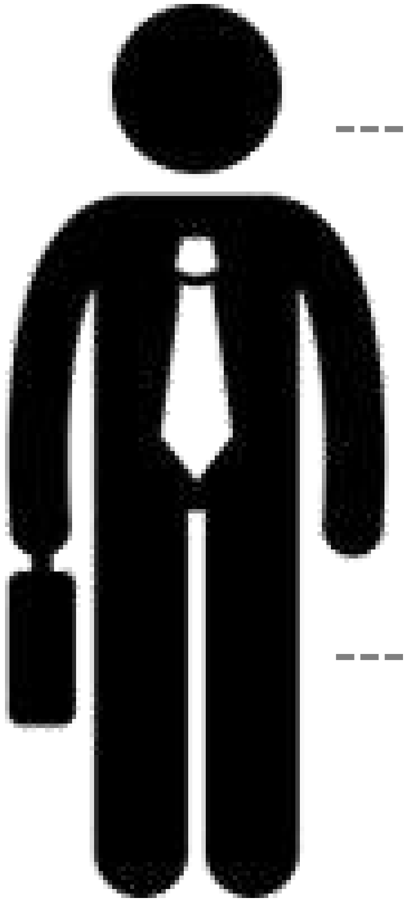


Women – 18,344
Men – 13,315
Total – 31,659

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

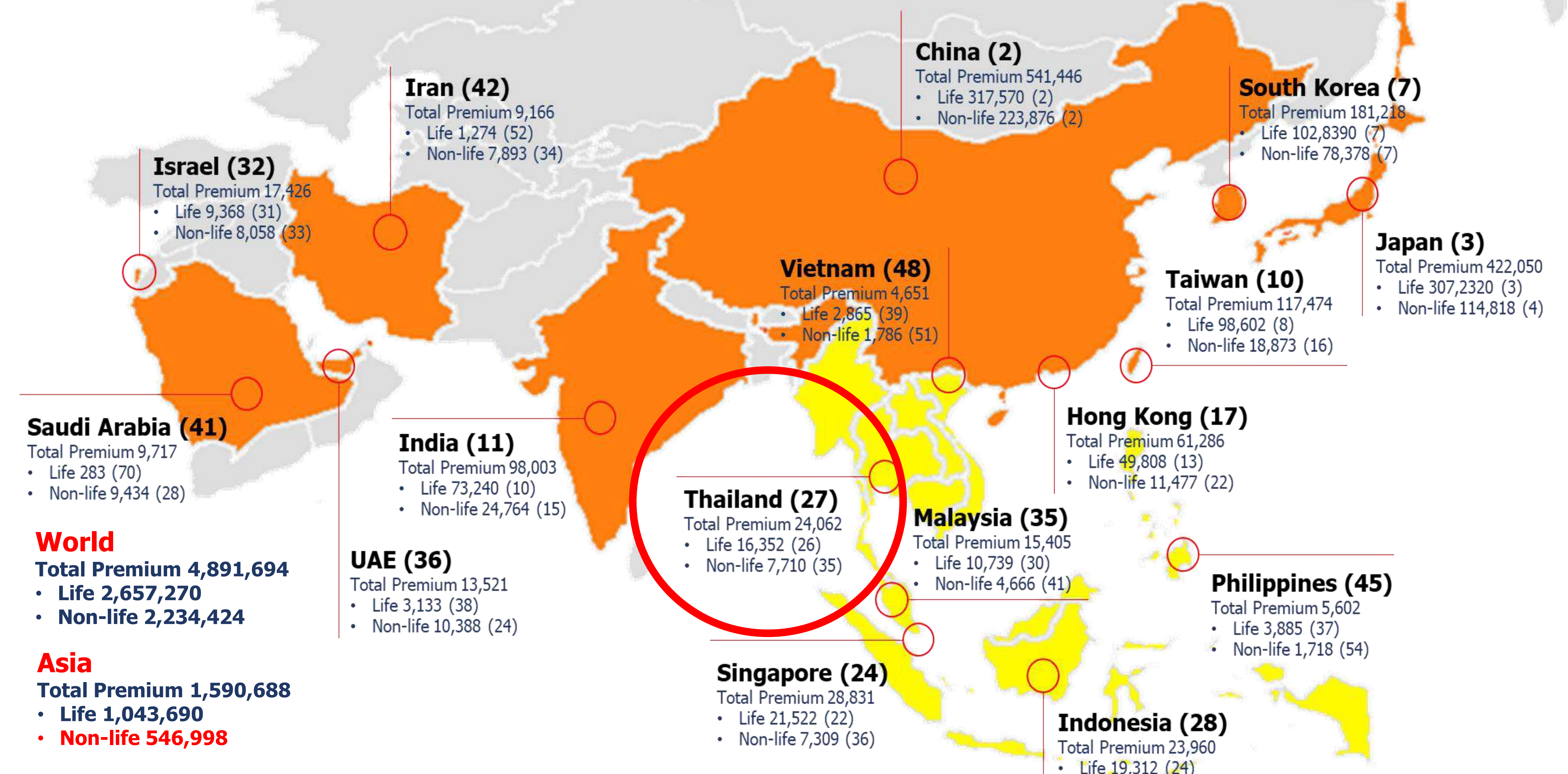
- Large Companies: 17,137 staff
- Medium Companies: 10,952 staff
- Small Companies: 3,111 staff

Source : Office of Insurance Commission

FTEs : Full Time Employees
GOE : General Operating Expense

Asia Insurance Market 2017

Unit: Million US



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

Source: Swiss Re, Sigma No.3/2018

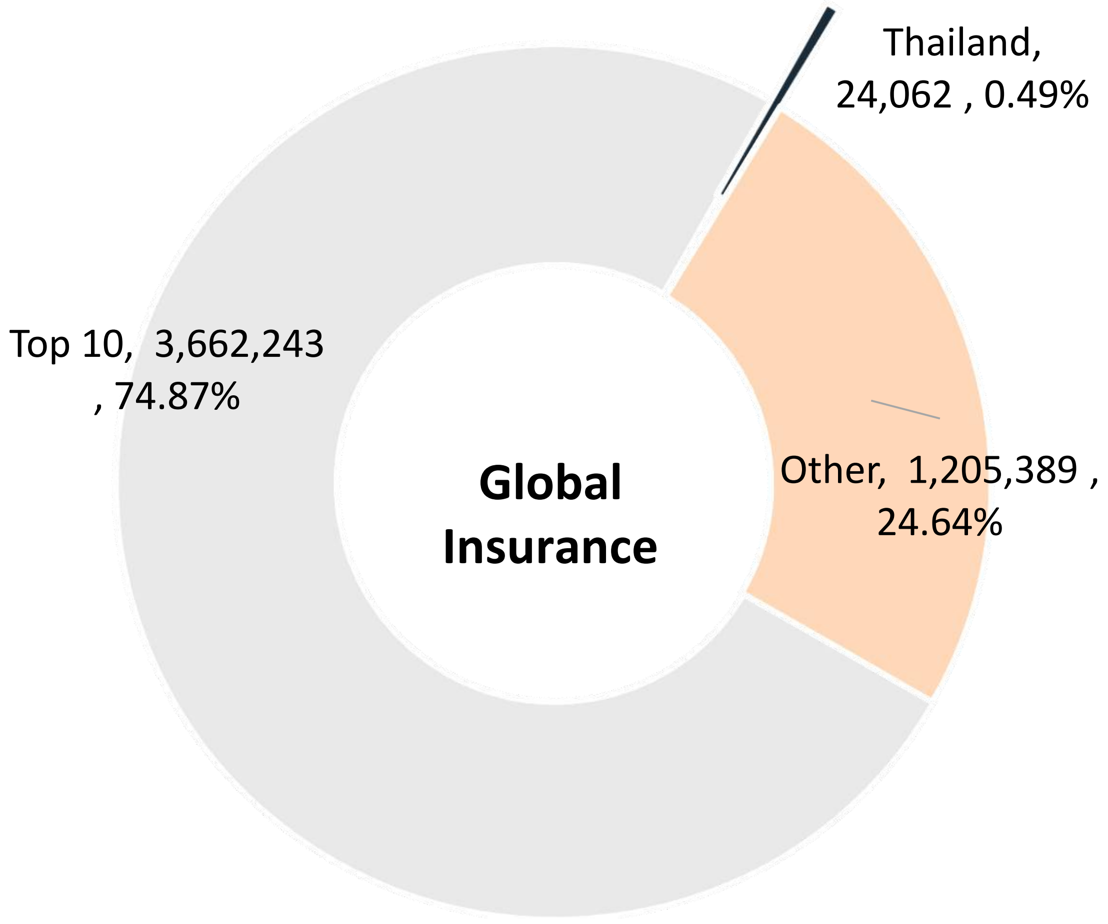
Non-Life Insurance Industry in Asia 2017

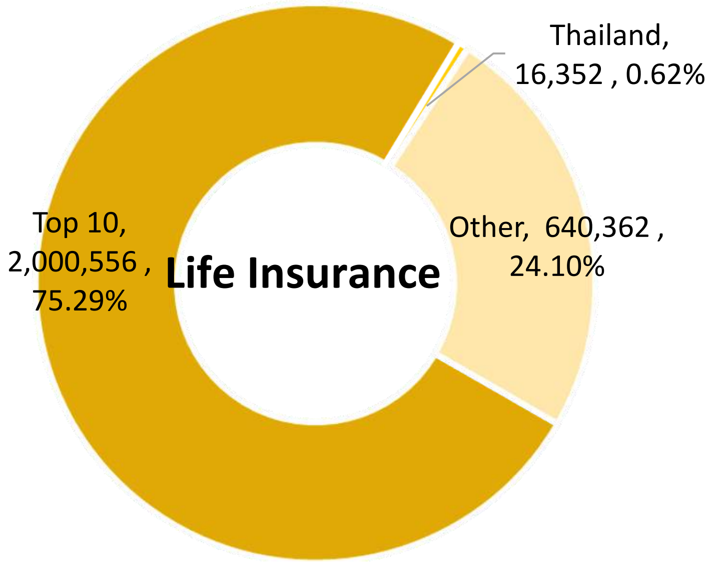
Continents	Non-Life Premium		Gross Premium (Global Ranking)	Premium Per GDP (%)	Premium Per Capita (US$)	GDP (Billion $US)	Population (Million)
	Million $US	Share (%)					
PR China	223,876	10.0%	2	1.9%	158.8	11,856	1,410.0
Japan	114,818	5.1%	4	2.3%	904.1	4,911	127.0
South Korea	78,378	3.5%	7	5.0%	1,536.8	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**

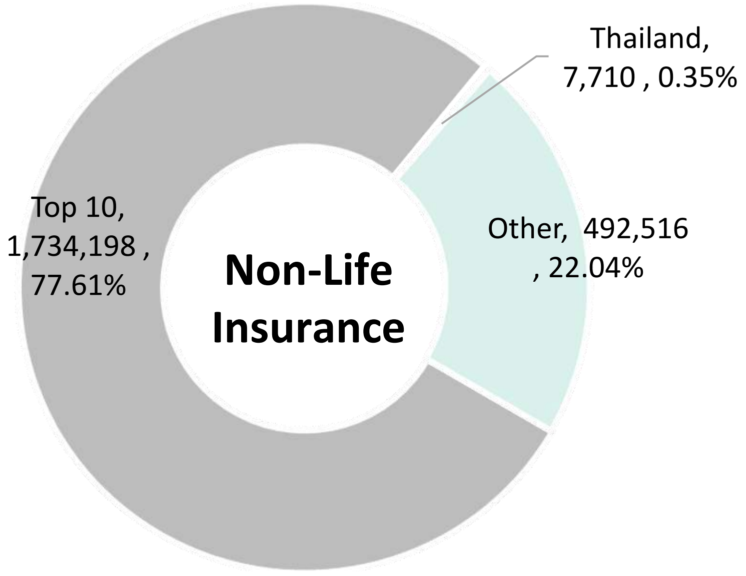
Source: Swiss Re, Sigma No.3/2018

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





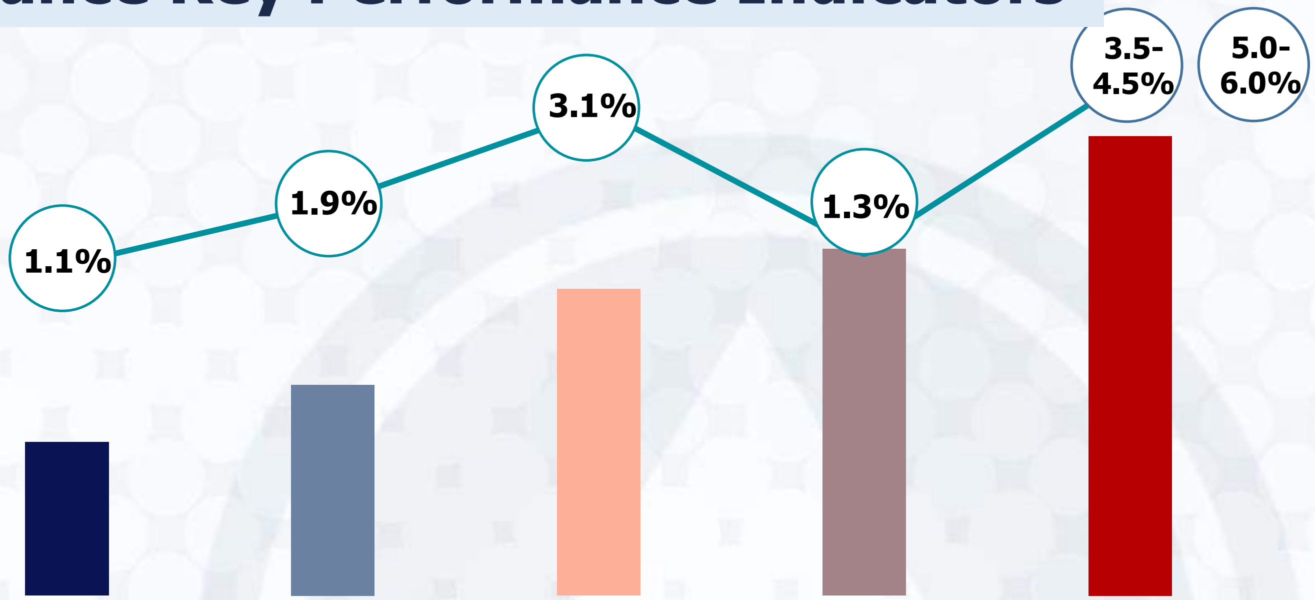


Source: Swiss Re, Sigma No.3/2018

Thai General Insurance Association

Non-Life Insurance Key Performance Indicators

Revised Q2/2018



Exchange rate in 2017 US$ 1: Baht 34

	2014	2015	2016	2017	2018f
Unit: Million Baht	205,368	209,244	215,728	218,434	230,450 - 231,540
Unit: US$ million	(6,040)	(6,154)	(6,345)	(6,425)	(6,778-6810)

Key Performance Indicators	2014	2015	2016	2017	2018f
Direct Premium Growth (%)	1.1%	1.9%	3.1%	1.3%	5.5-6.0%
Real GDP Growth (%)	0.9%	2.9%	3.3%	3.9%	4.2-4.7%
Inflation Rate (%)	1.9%	-0.9%	0.2%	0.7%	0.9-1.4%
Insurance Penetration (%) (Premium/GDP)	1.55%	1.52%	1.48%	1.41%	1.40-1.41%
Insurance Density (Baht) (Premium per Capita)	3,065	3,112	3,198	3,220	3,397-3,413
GDP per Capita (Baht)	197,062	203,356	215,455	228,412	242,167

Source: Office of Insurance Commission compiled by IPRB

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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

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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

"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**

- **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/FinTech**

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

- 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

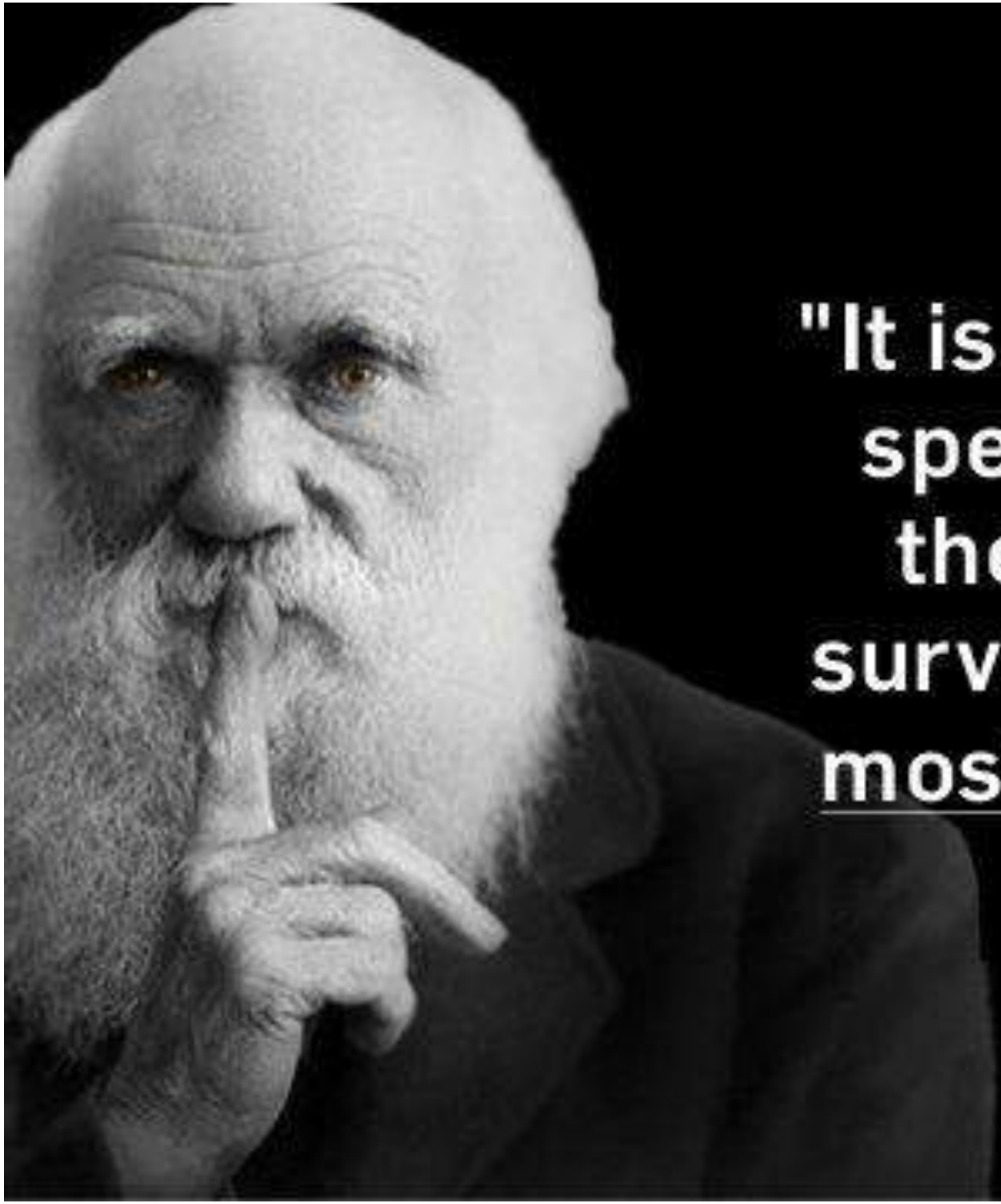
The only constant in life is change

Heracltus of Ephesus

Greek Philosopher

c.535 – c. 475 BCE


"CHANGE IS HARD AT FIRST,
MESSY IN THE MIDDLE
AND GORGEOUS AT THE END"
Robbie Sharma



"It is not the strongest of the species that survives; nor the most intelligent that survives. It is the one that is most adaptable to change."

CHARLES DARWIN

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Thank You Very Much

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