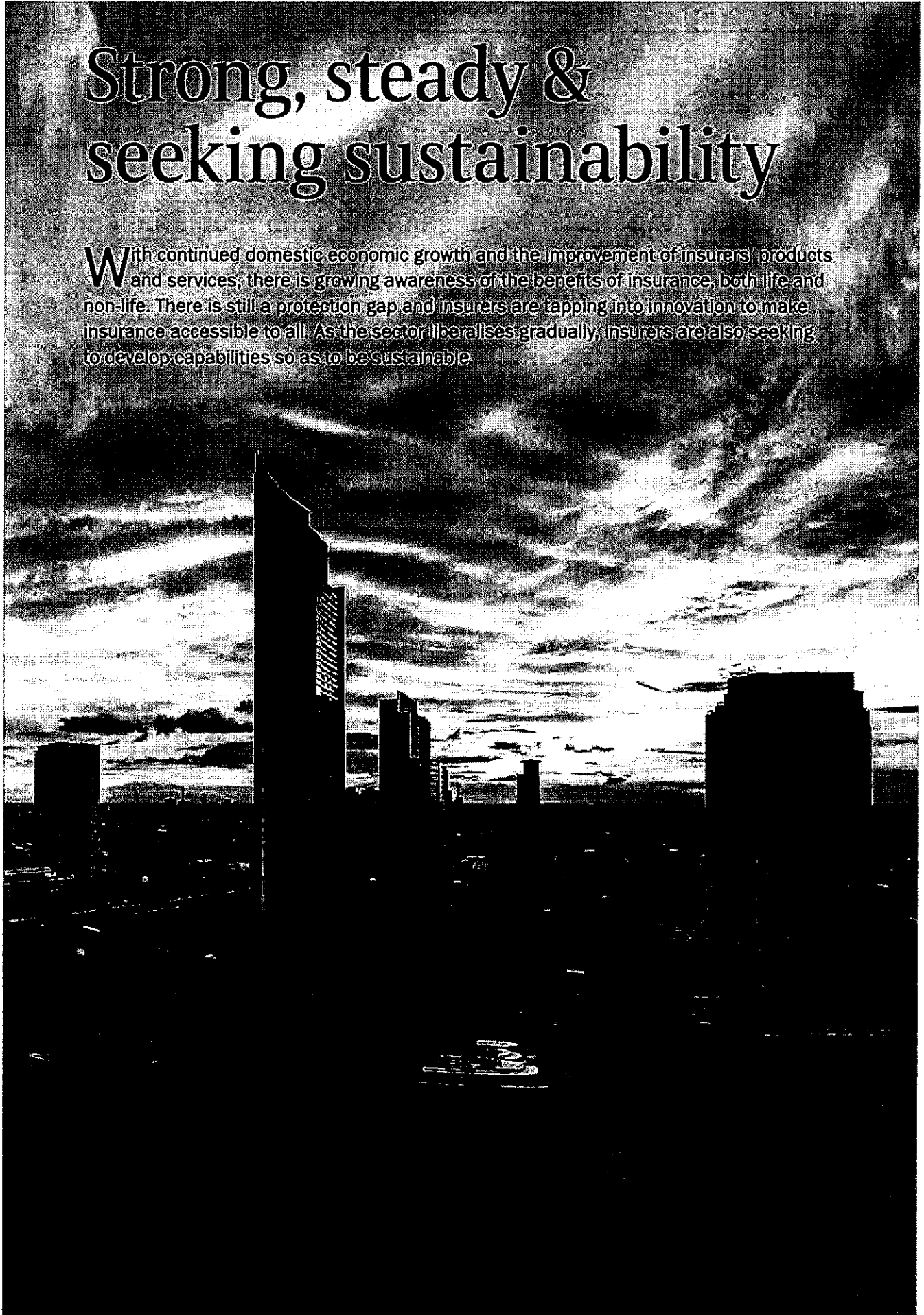


Strong, steady & seeking sustainability

With continued domestic economic growth and the improvement of insurers' products and services, there is growing awareness of the benefits of insurance, both life and non-life. There is still a protection gap and insurers are tapping into innovation to make insurance accessible to all. As the sector liberalises gradually, insurers are also seeking to develop capabilities so as to be sustainable.



Interview with the Regulator

Engaging disruption to benefit the industry

In this exclusive interview with **Dr Suthiphon Thaveechalyagarn**, Secretary-General of the **Office of Insurance Commission (OIC), Thailand**, he gives an in-depth view of the insurance industry today and shares that the OIC is focused on technological innovation which he firmly believes will bring benefits to consumers and the whole industry.

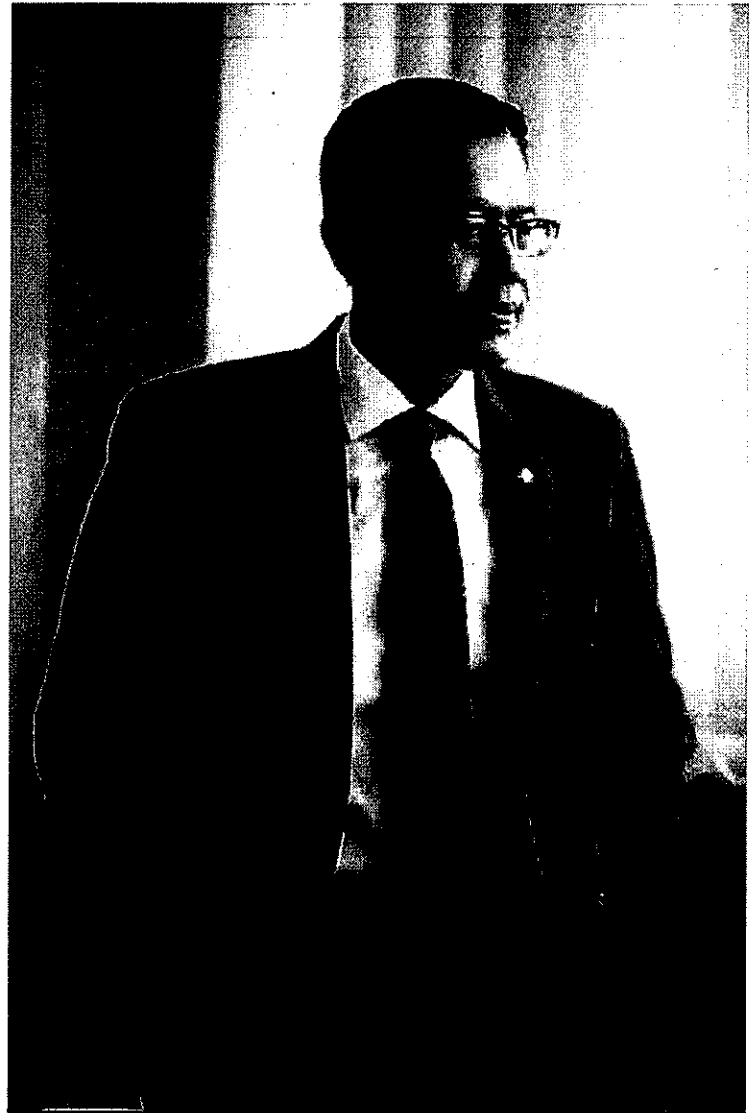
Q What do you think of the current performance of Thailand's insurance industry?

Thailand's economic outlook for 2017 is expected to grow at a similar pace as last year. In addition to the recovery in domestic spending and a continuing expansion in tourism industry, key drivers of the economic growth will be from various government policies rolled out to stimulate the economy. These policies, such as government infrastructure investment projects, are beneficial to the insurance industry. On the Thai insurance industry, direct premium written in 1Q2017 grew by 5.66% (life insurance business expanded by 6.11% and non-life insurance expanded by 4.48%). Life insurance has been growing steadily through the business cycle. For non-life insurance, premium growth appears to have improved gradually in accordance with the economy although the level of competition has increased.

Stepping into the "Thailand 4.0" era, the insurance industry needs to keep pace with the changes and bring in digital technology for insurance innovation along with effective consumer protection. In 2017, OIC has set its vision as "the year of digital insurance" in order to prepare for the transformation to "Digital Insurance Regulator".

Q Thailand has made major changes to the insurance regulations this year – opening up to full foreign ownership of insurers, and allowing the sale of both life and general insurance products online. What do you anticipate the impact to be on the market?

Currently, the insurance landscape is changing significantly. The coming of InsurTech is faster than we expect. The num-



ber of internet users is increasing. In addition, people and the business sectors are becoming more aware of the need for protection against cyber attacks. All these trends are making the insurance companies rethink their business models and boost their capacity and competitiveness.

Internet and mobile applications will be powerful distribution channels, accessing a wider scope of consumers. What we expect is not just making insurance products available online, but building up an electronic platform for digital insurers.

Moreover, allowing the increased stake for foreign shareholders in insurance companies will mean our companies get capital support and technology transfer to develop new products such as cyber insurance covers and improve their IT systems. Ultimately, these will be beneficial to the people and business sectors.

Q Life insurance penetration in Thailand continues to be low. What does OIC intend to do for the unprotected segment, especially the rural population?

OIC has significantly promoted microinsurance and would like all people to access these insurance products. Premiums and coverage are kept at a low level in order to

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make products affordable for the target population. The premium is at a low level of THB100, 200 and 222 (US\$3, \$6, \$6.60 respectively) so it was named “Micro PA 100, Micro PA 200 and Micro PA 222”. Consumers can purchase them through counter services in 7-Eleven.

Meanwhile, insurance literacy has been conducted through various projects and media to actively educate and create awareness for all Thai people about insurance with the cooperation of both government and private sectors nationwide.

Q Thailand has recently launched a FinTech regulatory sandbox, followed by OIC’s recent insurance regulatory sandbox. What is your vision for InsurTech in Thailand?

Before our launch of the insurance regulatory sandbox, there were already several InsurTech firms and technology related insurance products in the market. Services or products are so diversified, ranging from distribution channels; sales support to claim handling. It is evident that the Thai insurance sector welcomes the rise of InsurTech.

As a regulator, OIC is open and willing to create a fertile environment for any tech or start-up firms to grow as we always bear in mind that we have to protect and maximise people and policyholders’ benefits. Since 1 June 2017, licensed insurers, juristic-person licensed as insurance brokers, or any tech firm that is under cooperation with the former are welcomed to enroll in our sandbox. We are more than ready to amend our regulations if it will yield higher benefits to society.

Furthermore, there are some areas that are deemed to be a public matter for the financial sector and thus the three regulators which are Office of Insurance Commission, Thailand; Bank of Thailand and Stock Exchange of Thailand, have to join force to set the standard and create a solid public facility for all stakeholders. These areas are:

- E-KYC
- Open data
- Blockchain
- Cyber security

On supervision and monitoring, though the insurance industry in Thailand is not so large or so complex as it is in other jurisdictions, OIC does not hesitate to follow the development of RegTech closely and we will gradually adopt the technology to enhance our effectiveness and efficiency.

As insurance is connected to the physical world and relates more to human-engaging activities, the rise of InsurTech will open up hundreds of new opportunities to explore. We do not prevent the disruption from happening and we do encourage people in the industry to embrace and even accelerate it. We do believe that we are on the right path and the enriched environment built by us will generate friendly disruption that allows more accessible, affordable, and efficient risk protection for everyone.

Q What else is OIC doing to encourage digitalisation and innovation?

OIC has engaged with the Thai FinTech Association to establish infrastructure in terms of standard data structure which will support startups or FinTech companies for innovation which will lead to development of programmes or application.

The consumer will gain various benefits such as the offering of appropriate products or easy handling claim process. Also, OIC has developed the data base of insurance policies, so-called “Insurance Bureau System”, which will be the centre of insurance information that helps in regulating the insurance industry for the digital era and also facilitates further development for insurance innovation for consumers.

In addition, OIC has promoted and provided opportunities for insurers and insurance intermediaries who initiate innovations in new technology to have the space to experiment and develop business via the Regulation Sandbox.

OIC has also issued regulations allowing the insurance industry to bring technology innovation into the process of selling and issuing insurance policies to the insured, including claim management through electronic channels. Further, OIC has approved cyber security policies to serve as cyber security risk management tool for the innovative insured who needs to transform his/her business into digital.

Q What are the key challenges facing the market?

During the period of the Insurance Development Plan Volume 3 (2016 – 2020), the Thai insurance industry, as a whole, is facing significant challenges in the context of the modern era, consisting of:

- As the structure of global financial system becomes more connected, financial and capital markets in Thailand are affected easily and severely by global economic volatility, and the growth rate of Thai economy will be slower than in the past.
- Currently, the economic outlook is volatile, uncertain, complex and difficult to predict. This is partly due to the problem in terms of economic structure, and the recovery of the world economy is still fragile.
- The demographic change of Thailand into an ageing society is a major constraint to the expansion of the domestic economy. This change will increase the burden of government spending on long term caring for the elderly.
- The climate change that increases the number and severity of natural disasters can lead to the loss of life and damage to property, affecting people of all levels.
- The driving force behind the insurance liberalisation under the ASEAN Economic Community (AEC).
- And last but not least, the technological advances are considered both as opportunities and challenges of the insurance industry.

Q What are your key priorities for next year?

The first priority will be to strengthen insurance supervision in order to prepare for the participation in the Financial Sector Assessment Program (FSAP) next year. OIC will be continuing the effort to achieve the best possible result we can when the FSAP arrives. Therefore, OIC is amending the Insurance Act which has key elements consisting of Fraud, Intermediaries, Fit and Proper and Corporate Governance.

Another priority is to develop the ORSA framework. Thailand has implemented the RBC since 2011. Since then, we have constantly adjusted and improved our prudential supervision

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Growth rate of insurance business for 2012-2016 and the trend for 2017

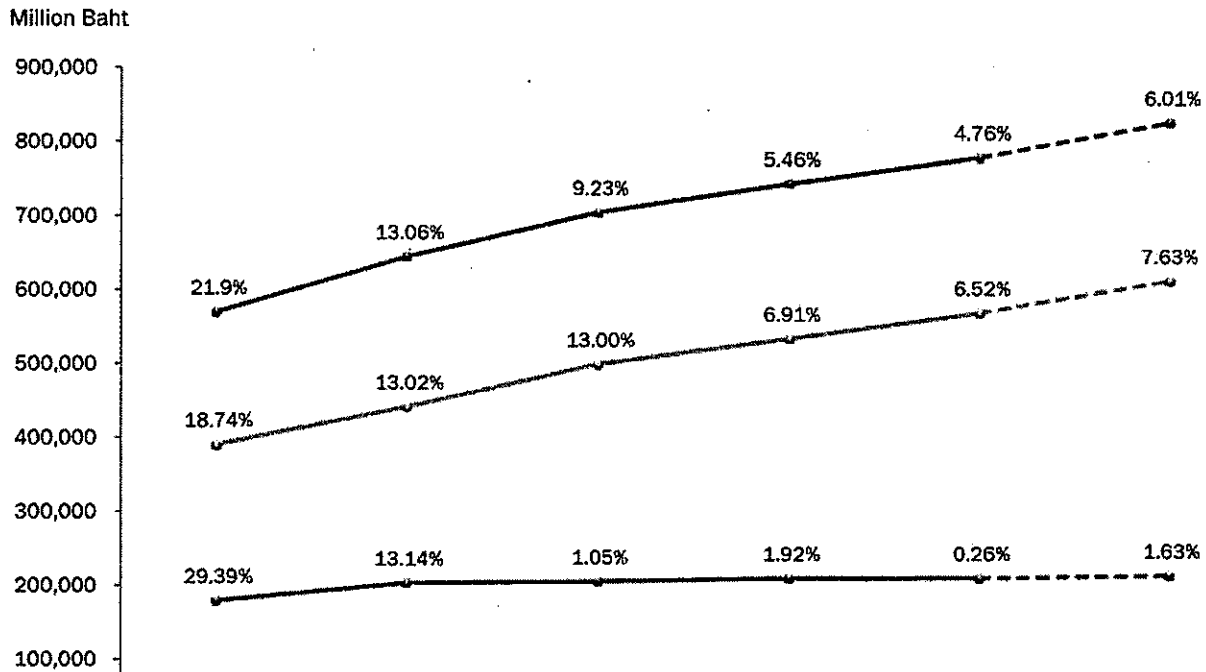
Insurance business in 2016 had a direct premium of THB777,717 million (US\$23.1 billion), expanding by 4.76%.

Life insurance business was THB567,974 million, an increase of 6.52% due to rise of the economy. Non-life insurance business had a direct premium of THB209,743 billion, only a 0.26% increase when compared to the previous year.

The slow growth of non-life insurance is due to the slower

volume of new car sales which is still not recovering since the First Car Buyer Government scheme in 2012.

It is expected that by the end of 2017, total premiums (life and non-life) will increase to nearly THB824,475 million, rising by 6.01%. Life insurance premiums will climb up to THB611,324 million, 7.63% growth and non-life insurance premiums will move up to THB213,151 million, growing by 1.63%.



	2012	2013	2014	2015	2016	2017
Life	390,517	441,372	498,752	533,211	567,974	611,324
Non-Life	179,530	203,121	205,247	209,197	209,743	213,151
Total	570,047	644,492	704,000	742,408	777,717	824,475

framework to align with international standard. Now, we have started looking at ORSA as it is a very essential framework that goes hand in hand with capital management and RBC. Next year, we expect to finish a draft ORSA regulation and all insurers will participate in the ORSA market test which will prepare the industry before the regulation is in place.

In addition, OIC will focus on developing digital tools for data analysis to track down fraudulent exploits of the insurance system in order to protect both the insured's and the insurer's interests. OIC also focuses on developing electronic channels for people to access their insurance information easily and develop Open DATA for the public.

The last key priority is to promote insurance literacy and to improve access of insurance for the target population especially for low-income people and agriculturists. We have examples of projects we have been conducting regularly to support this key priority, which are as follows:

- Providing the seminars, trainings and exhibitions to promote insurance literacy and microinsurance products to low income people and the target populations; and
- Signing memorandums of understanding (MOU) with relevant government organisations, the state enterprises and the private organisations to enhance cooperation on insurance literacy.

Are there any new regulations in the pipeline?

There are new regulations. These are the Notification of the Insurance Commission on Rules, Procedures, and Conditions constituting the Minimum Requirements on Risk Management which requires the life and non-life insurance companies to promote integrated risk management, and the Notification of the Insurance Commission on Prescription of Rules and Procedures for Issuance and Offering of Insurance Policies and for Indemnity under Insurance Contract via Electronic Means to supervise online insurance operations in an effort to protect consumers amid rapid digitisation.