

COUNTRY PROFILE – THAILAND

Life: Positive outlook for 2017

Life premiums are expected to reach US\$17.6 billion in 2017, an increase of 6% from 2016. The main factors for this projection are the continued domestic economic growth, the improvement of insurers' products and services, and the growing awareness of the people to the benefits of insurance among others.

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President of Thai Life
Assurance Association reports.



The Thai economy expanded by 3.2% in 2016, an improvement from the growth rates of 2.9% in 2015, according to the Office of the National Economic and Social Development Board.

The good growth is a result of the economic measures taken by the government, investment from both the government and private firms in various projects including agriculture, and farmer income, which has improved because the drought situation has been reduced.

Life premium increased by 5.7% in 2016

For the Thai life insurance industry in 2016, although private consumption has decelerated, the people do realise the importance of insurance. There are a variety of life insurance products available and they are supported by the government. Thus, life insurance is still growing at a

good rate when compared with other businesses. Total premium income at the end of 2016 was THB568,260.4 million (US\$16.6 billion), or a 5.7% increase when compared with the year before.

The total premium income comprises New Business Premiums at THB161,568.8 million or a 5.8% decrease and Renewal Premiums was at THB406,691.6 million, where the persistency rate was 84%. For New Business Premiums, (1) the First Year Premium was THB110,196.0 million and (2) the Single Premium was THB51,372.8 million.

First Year Premium saw a decrease in 2016 and this was attributed to the decelerating world economy which has impacted the domestic economy. Many life insurance companies have reduced the Single Premium products and Endowment products. They are now interested in selling life insurance protection products.

Agency is still king

For the distribution channel, Agency was still the main and important channel for selling life insurance in 2016.

Agency channel's share of the premium income was 50.5% or THB287,214.1 million, an increase of 4.5%. Bancassurance channel came in second with a share of 43.6% or THB247,494.5 million, an increase of 8.3%. The third was the Direct Marketing channel with a share of 2.6% of premium income or THB14,900.5 million, a decrease of 4.9%. Other channels have 3.3% of premium income or THB18,649.6 million, an increase of 0.8%.

Outlook of life insurance business in 2017

The growth rate of life insurance business is impacted by many factors including the policy of the government, consumer revenue, interest rates of commercial banks, domestic and international economic conditions.

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The Thai life insurance business is projected to grow by 6% in 2017 with premium incomes to be around THB600,000 million (\$17.6 billion). The main factors which will support this are as follows:

- From the 2017 outlook from the Office of the National Economic and Social Development Board, the Thai economy is projected to grow by about 3.0%-4.0%. World economy in 2017 is expected to head in a better direction although fluctuations of world oil prices and effect from drought are risk factors for the economic recovery and must be closely monitored.
- Government factors
 1. Improvement or regulation to support current and future circumstances for facilitating the operation of life insurance business and to support its transition into digital insurance.
 2. Supporting the life sector to design new products to respond to the requirement of consumers in all target groups.
 3. Supporting insurers to let life insurance premiums reduce personal income tax. This factor is still a major attraction for people to pay more attention to purchase life insurance.
- Industry factors
 1. Competition between life insurance companies such as continued development of various products; developing services that focus on excellence in all areas by bringing modern technology to support operations; development and expansion of sales channels to cover more target groups and promote public relations of all media to present thoroughly products.
 2. Promoting and supporting knowledge-sharing of life insurance for all people through various communications, especially in publicising knowledge through social media channels that focus on reaching people easily and quickly.
 3. Development of various distribution channels besides the Agency, along with the development of modern services to support the varied lifestyle and preferences of each consumer.
 4. Development of life insurance transactions systems, such as through electronic media (digital life insurance) to cover every process of life insurance, from the insurance policy offering stage to the after-sales service process, and to reduce complication in sales process and be an answer to the digital society.
- 5. Expansion of investment in ASEAN countries to support the AEC and out of ASEAN, including ASEAN+3 and ASEAN+6 through joint ventures or opening branches.
- 6. Planning and development of investment-linked products for consumers who are looking for life insurance products which have life protection and will also provide returns on investment.
- The outlook for life insurance products in 2017
 1. Interest rates are projected to remain low or increase slightly next year. Many life insurance companies have more focus on the sale of protection products and investment-linked products.

Also at the present time, people are more knowledgeable about the benefits of life insurance and are doing more planning for their finance. They are looking for the new investments that offer more value protection and a higher return on investment than ordinary life insurance policies; they realise the importance of health care and planning retirement early.
 2. Many life insurance companies have a policy of selling products with longer premium payment and reducing the products with single premium payments.
 3. In the digital age, many life insurance companies have developed simple life insurance products which are easy to understand and are sold through digital channels and over-the-counter service to respond lifestyle of the consumers.

People are more knowledgeable about the benefits of life insurance and they are looking for new investment that offers more value protection and a higher return of investment than ordinary life insurance policies.

The 2017 outlook of the life insurance sector is thus positive, with member companies competing to provide good service, developing products that can respond to the demand of the people, expanding distribution channels, and enhancing the tax benefits that the policyholder will receive. These are all positive factors for 2017. ■