

Thailand in focus

What's new in Non-Life



JULY 2020 EDITION

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We are pleased to launch our very first newsletter focused on the Non-Life Insurance market in Thailand. This edition covers developments during the period from 1 January 2020 to 30 June 2020.

We trust you find this edition informative. As always, we look forward to receiving your feedback, questions or comments.



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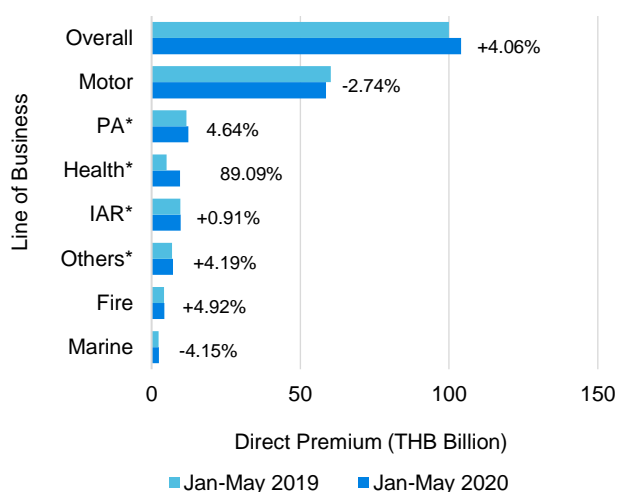


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Market performance

INDUSTRY GROWTH AT MAY 2020

Direct Premium (THB billion) and Percentage Growth (%)



Note: PA = Personal Accident, IAR = Industrial All Risks.

* Miscellaneous sub lines.

Source: The Insurance Premium Rating Bureau (IPRB).

- Overall, the first five months of 2020 started off well with a c. 4% increase in direct premiums when compared with the same period in 2019. Strong positive growth is observed in the personal accident (PA) and health classes and is offset by declines in the motor and marine business.
- Due to the COVID-19 pandemic, which impacts the new car sales, motor premiums declined.
- There were large shifts in motor market share between players. Some insurers exhibited rapid expansion within a particular distribution channel, while others showed significant declines when exiting those channels.
- PA and health have shown promising growth in the recent years, mainly from increases in public health awareness (partially catalysed by the COVID-19 pandemic), eligibility of income tax relief and a rapidly aging population. Following the adoption of a "new normal," such as practicing social distancing, wearing masks, washing hands regularly and maintaining strict hygiene and sanitation standards in various public locations, some players believe that this will have a positive impact on the experience of PA and health products.

INDUSTRY PERFORMANCE AT Q4 2019

FINANCIAL (IN THB BILLION)	2018	2019	% CHANGE
DIRECT PREMIUM	231.99	244.06	5.20%
NET EARNED PREMIUM	165.52	177.75	7.39%
COMMISSION INCOME	20.38	18.43	(9.55%)
SUBSIDY INCOME	1.80	1.77	(1.57%)
TOTAL INCOME	187.70	197.96	0.05%
NET LOSS INCURRED	93.91	102.57	9.22%
NET COMMISSION AND BROKERAGE	15.25	18.41	20.72%
UNDERWRITING EXPENSE	20.85	24.12	15.68%
OPERATING EXPENSE	30.01	29.72	(0.98%)
TOTAL EXPENSE	162.38	177.24	9.15%
UNDERWRITING PROFIT	25.32	20.72	(18.15%)

RATIO (%)	2018	2019	DIFFERENCE
NET LOSS RATIO	56.74%	57.70%	0.96%
EXPENSE RATIO (INCLUDING COMMISSION)	39.81%	40.55%	0.74%
EXPENSE RATIO	30.73	30.29	(0.44%)
COMMISSION RATIO	9.21	10.36	1.15%
COMBINED RATIO	96.54%	98.26%	1.72%

Source: The Insurance Premium Rating Bureau (IPRB)

Market news

NEW PRODUCTS

- MSIG** launched a new health insurance product, "MSIG Cancer Fix," which offers a lump sum upon the first cancer diagnosis and covers chemotherapy and radiotherapy costs with fixed annual premium charged regardless of age.
- Muang Thai Insurance** partnered with **Shopee** to launch a new health insurance product, "Health Trust," which offers the unlimited benefit per visit policy and covers diagnoses related to COVID-19 and particulate matter (PM) 2.5 pollutants.
- Thanachart Insurance** launched two new short-term motor products, "COVID Smile" and "2+ Jud Tem Raya Sun," to help customers from the economic impact of the COVID-19 pandemic. The first product offers 90-day coverage, covering collision, theft and fire. The second product, available in 90-day or 180-day coverage, has more benefits to cover income compensation and loss of use compensation.
- TQM**, the insurance broker, partnered with **Bangkok Insurance, Muang Thai Insurance, Dhipaya Insurance and Asset Insurance** to sell insurance for influenza, dengue and mosquito-related diseases. Coming in multiple plans and coverages, these products pay out lump sum payments and hospital cash to policyholders.

- **Bangkok Insurance** is in collaboration with the **724 Market Company** insurance broker website to introduce mosquito-related disease insurance and another insurance product, “Sam Rok Kuan Jai Insurance.” The latter, literally translated as “three distracting diseases insurance,” provides coverage for common diseases during the rainy season, including influenza, hand, foot and mouth disease and five mosquito-borne diseases.
- **AXA** introduced the health product “Compulsory Insurance for Long Stay Visa” for foreigners who need to apply for visa types O-A and O-X.
- **Sompo Insurance** introduced new pickup insurance, “Graba Jai Jai,” which offers benefits designed to attract up-country small enterprises. Sompo also launched “Health Tem Tem,” which offers relatively higher room benefits. Moreover, Sompo launched new travel insurance, “Global Diplomat,” which covers unlimited times of travelling within a year and provides medical interpreting service to policyholders.

COVID-19

- As the number of infections was rising rapidly in March 2020, the demand for COVID-19 insurance surged, with more than 2 million policies sold and total premium estimated to be over THB 1 billion. Several insurers have decided to suspend the sales of COVID-19 policies, especially the lump sum products.
- While **The Thai General Insurance Association (TGIA)** and the **Office of Insurance Commission (OIC)** were concerned about policyholder moral hazard and insurers underestimating risks, government actions have led to a better than expected scenario. COVID-19 products have had favorable claim experiences.
- Insurers are mandated by **OIC** to include COVID-19 coverage into accident, health, life and travel policies sold prior to 17 March 2020. Exclusions for policies sold before this date can only be made if the policyholder was infected prior to purchase or during the 14-day waiting period.
- **OIC** has permitted digital transactions (e.g., video, voice or image) for most bancassurance sales that were previously done only face-to-face, provided they are recorded. Unit-linked and a few specific complicated life products are exceptions.
- **OIC** has permitted insurers to offer motor insurance with periods of less or more than one year but not greater than three years, effective from 22 April 2020 until the end of the year. OIC has issued guidelines around the premium rates.
- Insurers are taking various initiatives to ease policyholders’ burdens during the COVID-19 pandemic. **Thanachart** and **Allianz Ayudya** offer 0% interest for insurance premium installments to customers. **Thai Sri Insurance** partnered with **724 Market** to introduce motor voluntary type 1 insurance specifically tailored for doctors and nurses.

OTHER INSURERS’ INITIATIVES

- **Thai Insurance (TIC)** launched a new campaign called “Khub Dee Mee Kuen,” offering maximum cash back up to 40% to motor insurance type 1, 2+ and 3+ customers, if the insured did not claim within a year.
- **Cigna** collaborated with **Visa** to provide free insurance coverage for the gadgets, electronic devices and electrical appliances purchased through online platforms with Visa cards. The coverages include fire, electric circuit and theft.
- **Thai Insurance (TIC)** launched the new claim platform “TIC The Surveyor,” which aims to provide convenience to customers, surveyors and staffs via managing claim process digitally.
- **Thaivivat** launched a new initiative to allow policyholders to top up the insured hours of their existing “On-Off” auto insurance. The original “On-Off” auto insurance works like pay-as-you-go motor insurance, where policyholders can switch on and off the protection from their mobile phones. However, it has a cap on the maximum amount of hours of protection, based on the package signed up for.

DISTRIBUTION CHANNEL

- Thailand consumers’ behavior has been shifting more towards the digital space. Due to the current situation of the COVID-19 pandemic, the “new normal” lifestyle is expected to accelerate the growth of the digital channel and shape the way people purchase insurance products. The COVID-19 products have clearly proved the potential of the digital channel because 90% of them are sold online.
- **TQM**, the insurance broker, developed and launched a new service, “TQM 24 Smart Services,” on the Line platform. It offers real-time 24-hour customer services through the integration of offline and online services.
- **Thai Settakij** signed a partnership agreement with AP Insurance Broker. Both parties aim to develop non-life insurance products collaboratively.
- **Go Insurance**, the health insurance digital platform, is penetrating Thai health insurance through pre-seeding funds and partnered with **Krungthai Panich Insurance (KPI)**. Their first product “Go Health,” allows customers to customise the insurance plan to suit their incomes.

INSURTECH

- **Dhipaya** collaborated with **THINK BIT Company**, technology firm, to return COVID-19 premium to policyholders as a digital currency form through a new application called “TIP COIN by THINK BIT.”
- **OIC** is developing “OIC Gateway,” a platform enabling information sharing across the industry.
- **Sunday**, a Thai insurtech startup, raised USD 11 million in an extended Series A funding round, led by Quona Capital, a fintech venture capital firm, and Temasek-backed Vertex Ventures. Sunday is a multi-line insurtech with fully integrated sales and services platforms designed to reinvent the entire insurance value chain.

RICE AND MAIZE INSURANCE

- After launching a maize scheme for the first time in 2019, the government in principle has agreed to launch it again along with the rice scheme, following the cabinet meetings in May 2020 and April 2020, respectively.
- The 2019 experience of both rice and maize schemes (collectively known as crop schemes) was unfavorable due to several natural disasters throughout the year. According to the Thai General Insurance Association (TGIA), the ultimate loss ratio of the 2019 crop scheme as at June 2020 is around 240%.
- To raise awareness and to educate the farmers about the crop scheme in 2020, OIC held training programs called the “**Training for the Trainer**” at five provinces in 2020. In view of the COVID-19 pandemic, OIC has utilised various mediums such as videos, social media influencers and a mobile application called “Guru Pragan Khao” to extend the reach of these training programs.
- **TGIA** announced a collaboration with **Infuse** (a startup company), **Digital Economy Promotion Agency (DEPA)** and **Sirindhorn International Institute of Technology (SIIT) of Thammasat University**. This collaboration will involve the utilisation of satellite images technology to better analyse and evaluate the upcoming damages from natural disasters for the 2020 crop scheme.

MERGERS AND ACQUISITIONS (M&A)

- Tokio Marine announced the completion of the integration between Tokio Marine Insurance (Thailand) PCL and Safety Insurance (Thailand) PCL.
- Hong Kong-headquartered FWD has completed its acquisition of Bangkok-headquartered general insurer Siam City Insurance in order to grow the general insurance business and capture the tremendous digital opportunity growth in Thailand.

KEY APPOINTMENTS

- **JP Insurance** appointed Sutthirak Traichira-aporn to be the acting CEO, replacing Dr. Chatchai Thnarudee.
- Tune Protect Group Berhad announced the appointment of Ben Assanasen as the new CEO of **Tune Protect Thailand**.
- **FPG Insurance** appointed Kevin Norman as the new CEO.

Regulatory updates

- **OIC** is developing a new regulation to address insurance fraud. The proposed regulation, which is still in the consultation stage, requires insurers to report fraud cases to OIC within 15 days after the end of each quarter.
- **OIC** is developing a new guideline to regulate insurance companies in terms of information technology (IT) risk management. The guideline will cover various areas including but not limited to IT governance, IT project management, IT security, IT audit and cybersecurity.
- **OIC** is in consultation with insurance companies and has plans to refine some of the wordings related to the requirements for applying for a non-life actuarial license. The proposed changes will require a non-Fellow of the Society of Actuaries of Thailand (SOAT) to have at least five years of specific experience within the recent eight years.
- **Ministry of Digital Economy and Society (MDES)** has postponed the full enforcement of the Personal Data Protection Act (PDPA) by a year. While originally scheduled to be fully effective from 27 May 2020, many players expressed concern that they would be unable to be in compliance with the Act’s requirements in time for the deadline.
- A fourth amendment to the investment regulations was published by OIC, to be effective from 29 January 2020. The amendment provides more clarity on definitions of investment instruments and allows insurers to expand their investment options to private equity and real estate.
- **OIC** has announced an increase in benefits for motor compulsory and motor voluntary insurance from 1 April 2020 onwards. This announcement will impact several benefits payable, including but not limited to the lump sum payable upon death and disability as well as loss of organs.

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