

Thailand in focus

What's new in Non-Life



JULY 2021 EDITION

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We are pleased to share our third Thailand Non-Life Insurance market newsletter. This edition covers developments during the period from 1 January 2021 to 30 June 2021.

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



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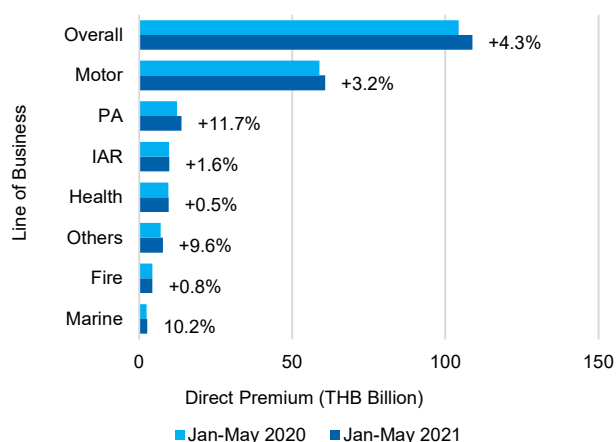
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Market performance

INDUSTRY GROWTH AT MAY 2021

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, direct premiums in the first five months of 2021 increased c. 4% compared with the same period in 2020. Personal Accident (PA) and Marine classes recorded double-digit growth.
- Following the strong recovery in 2020H2, Motor continued to grow in the first five months of 2021 despite increasing COVID-19 cases. The market share for the top five players remained broadly unchanged.
- PA continued to show promising growth in 2021, partially from COVID-19-related products. PA direct premiums from January to May 2021 were THB 13.8 billion, of which THB 1.1 billion is attributable to COVID-19 products. Excluding COVID-19 products, PA premiums grew by c. 7%.
- In Q1 2021, the net industry combined ratio improved by approximately one percentage point owing to more favourable loss ratios.

INDUSTRY PERFORMANCE AT Q1 2021

FINANCIAL (IN THB BILLION)	2020Q1	2021Q1	% CHANGE
DIRECT PREMIUM	61.4	68.2	11.1%
NET EARNED PREMIUM	44.1	48.9	10.8%
COMMISSION INCOME	4.8	4.9	1.9%
SUBSIDY INCOME	0.5	0.5	(3.2%)
TOTAL INCOME	49.4	54.2	10%
NET LOSS INCURRED	25.8	27.8	7.8%
NET COMMISSION AND BROKERAGE	4.0	4.8	19.1%
UNDERWRITING EXPENSE	5.3	5.8	9.2%
OPERATING EXPENSE	6.8	7.4	9.3%
TOTAL EXPENSE	41.9	45.7	9.3%
UNDERWRITING PROFIT	7.5	8.5	13.2%

RATIO (%)	2020Q1	2021Q1	DIFFERENCE
NET LOSS RATIO	58.6%	57.00%	(1.6%)
EXPENSE RATIO (INCLUDING COMMISSION)	36.3%	36.6%	0.3%
EXPENSE RATIO	27.3%	26.9%	(0.4%)
NET COMMISSION RATIO	9.1%	9.7%	0.7%
NET COMBINED RATIO	94.9%	93.6%	(1.3%)

Source: The Insurance Premium Rating Bureau (IPRB)

Market news

NEW PRODUCTS

- In March, **Muang Thai Insurance (MTI)** introduced a new comprehensive motor insurance product tailored for electric vehicles called “Muang Thai Motor EV”, one of the first in the market. The starting premium is THB 26,000 per annum, higher than conventional comprehensive motor insurance. Ownership of electric cars is expected to grow rapidly in the future.
- MSIG** and **AIS**, the leading telecommunications company, partnered to launch a telematics Motor insurance product called “Prakan Kubdee”. An on-board diagnostic port is installed in the vehicle to collect and analyse the behaviour of drivers and to determine the premium on a daily basis.
- In March, **TQM**, the insurance broker, launched three new products — “Insurance for White Cars”, “Upcountry Car Insurance” and “Less Driving Car Insurance”. Up to 5% discount is given to policyholders with white cars as it is believed that white cars can be seen clearly on the road and are less prone to accident. For upcountry car insurance, it offers discounts up to THB 3,000 due to the lower risks compared with cars used in Bangkok. The last product, which is effectively a form of usage-based insurance (priced based on distance and time), leverages internet of things (IoT) technology from its partner, **AIS**.
- MTI** launched a new health product called “Muang Thai Mobile Syndrome” with a starting premium of THB 999 per annum. This insurance covers inpatient and/or outpatient benefits if a policyholder is diagnosed with one of the 11 “mobile syndromes” such as trigger finger, vitreous degeneration, migraine, degenerative eye, and degenerative disc etc.
- Following the introduction of “On-Off” insurance, a usage-based motor insurance cover, **Thaivivat** launched a new bundled product call “Home Plus Car Insurance”. The new bundled product, which is believed to be the first in Thailand, provides 24-hour protection to policyholders on their assets from car to property.

- As online shopping has become increasingly popular during the pandemic, insurers like **MTI, Bangkok Insurance (BKI), MSIG, Dhipaya** and **Thai Paiboon** have launched personal cyber insurance with premiums starting from THB 200 per year. The personal cyber insurance indemnifies policyholders against losses due to cyber thefts, cyber bullying, liability, internet scams etc.

COVID-19

- The number of infections in Thailand has surged since April 2021 with close to 4,000 daily new cases reported and a rise of death cases as at the end of June 2021. The pandemic has significantly increased the sales and the claims of both PA and Health COVID-19 policies.
- As of May 2021, on a cumulative basis, over 18 million policies have been sold. The total premium contribution stood at THB 8 billion to the industry.
- Due to the surge in cases and hence claims, some insurers have taken actions to manage downside risks, including reducing lump sum coverages, increasing premium rates—but within the range allowed by the **Office of Insurance Commission (OIC)**—and suspending sales of products with lump sum benefits upon infection.
- As the vaccine rollout in Thailand is ramping up, insurers introduced COVID-19 vaccine insurance earlier this year. The COVID-19 vaccine insurance, typically offered as a standalone product, pays out a lump sum benefit and reimburses medical expenses should a policyholder get hospitalised due to side effects arising from vaccination.

INSURTECH

- SCB 10X**, a holding company under SCB bank, and **LINE Ventures**, investment unit under LINE Corporation, have invested in **Sunday Ins Holding**, parent company of **KSK Insurance** and **Sunday Insurtech**, to expand their business into growing markets.
- Indonesia-based omnichannel insurtech **Qoala** has made a strategic acquisition of **FairDee**, a Thai insurtech, with the new partnership further expanding Qoala's reach in Southeast Asia.

DISTRIBUTION CHANNEL

- Starting in June, **Roojai**, the online insurance broker, has extended its portfolio to penetrate into Health COVID-19 insurances with its partner, **Krungthai Panich Insurance**.
- Thai Vietjet Airline** formed an affinity partnership with **MSIG** to sell domestic travel insurance with maximum coverage of THB 1 million covering medical expenses, accidents and repatriations.
- Carsome Thailand**, an integrated car e-commerce platform, partnered with **Muang Thai Insurance** and **getto**, an online insurance broker, to distribute car insurance to used car buyers on the Carsome platform.

- Thai Insurance (TIC)** introduced new system called “TIC Agent Platform” for agents and brokers to conveniently work with the company. This platform is capable of showing real-time data, providing products and rate details and issuing quotations and e-policies as well as supporting premium payments

OTHER INSURERS' INITIATIVES

- Due to increasing concerns on the risk of going to hospital during the pandemic, many insurers such as **Falcon** and **Dhipaya** have introduced telemedicine services to their customers. In June, **Cigna** has carried out this service on its application called “Cigna Anywhere” to allow for online consultation with doctors for Cigna Signature Care and Health with OPD coverage's policyholders.
- Thai Reinsurance (THRE)** partnered with **IBM** to launch ASEAN's first smart contract platform for reinsurance. The new platform, Insurer Network, leverages IBM's blockchain and cloud technology. THRE aims to increase operation efficiency when issuing reinsurance contract with insurers from this platform.
- Kasikorn Bank (Kbank)** partnered with 50 insurers to introduce 0% interest instalment on insurance premiums for six to 10 months. Kbank will provide extra member points as an incentive for policyholders to pay the insurance premium in a lump sum. This promotion is valid during 1 May to 30 September 2021.

AGRICULTURAL INSURANCE

- In April, the government approved the continuation of the Rice and Maize insurance schemes for 2021. The coverages remain unchanged from the previous year. However, the premium rates have been reduced by 1% to 5% in order to help the farmers during this pandemic.
- TQR**, an insurance broker, collaborated with **Dhipaya** and **Bangkok Insurance** to develop a new crop insurance for cannabis hemp plant. The cannabis insurance, with a starting premium of THB 4 per plant, indemnifies licensed farmers against damage caused by weather perils or animals.

MISCELLANEOUS

- TGIA** is studying the feasibility of launching a new insurance covering business interruptions (BI) caused by COVID-19 and other emerging diseases. BI coverage in Thailand is not common and claims due to COVID-19 and other emerging diseases are typically excluded due to the “Communicable Disease Exclusion” clause. The new product, which is expected to be similar in nature to the crop scheme, would allow businesses, especially small and medium-sized enterprises (SMEs), to be more resilient to future outbreak-related shutdowns.
- Assets Insurance** rebranded itself to be **The One Insurance** in June 2021.

- Following the temporary suspension of **Sahamongkol** from writing new business, **OIC** has conditionally allowed the company to sell policies from 1 June 2021 onwards as its latest Capital Adequacy Ratio of 163% has met the minimum requirement.
- **Thai Insurance Institute (TII)** partnered with **SkillLane**, a leading online learning platform in Thailand, to launch a pioneer e-learning training for individual insurance brokers, facilitating the license renewal process during the COVID-19 pandemic. It is also widely believed that this course, which was approved by the **OIC**, will enhance the learning process of individual brokers as they are now able to study at their own pace through multiple devices.

KEY APPOINTMENTS

- **King Wai Insurance** appointed Oliver Tan as CEO, effective 1 April 2021.

REGULATORY UPDATES

- **OIC** has mandated non-life insurers to provide six relief measures between 1 January and 30 June 2021 to ease policyholders' burdens during the pandemic:
 1. The grace period for premium payments is extended by 60 days for Health, Marine, Fire and Miscellaneous policies.
 2. Premiums for Fire and Miscellaneous policies can be paid in instalments.
 3. Insurers are required to add an additional clause for Marine, Fire and Miscellaneous new policy wordings that allows the insurers to reduce insurance coverage or sum insured should an insured risk change due to the COVID-19 pandemic

4. Insurers can extend the coverage period for all Motor insurances by 30 to 90 days without incurring any additional premiums.
 5. Coverage for Motor policies can be adjusted or changed (in whole or in part) to reflect the latest car usage situation of each policyholder.
 6. Insurers may consider temporarily suspending insurance coverage for tour operators and extending the expiry date correspondingly by the length of the suspension of policy upon request.
- In February, OIC approved three amendments to existing regulations in order to provide additional assistance measures to insurers during the pandemic, particularly on the types of assets investable and the associated risk charges.
 1. Insurers are allowed to invest in non-investment grade bonds (credit rating lower than BBB). If insurers invest in mutual funds (both domestic and global), they can invest up to 10% of the funds' net asset value. The aforementioned investments are classified as risk investments and may not exceed 5% of a company's total investable assets.
 2. In determining the capital risk charge for bonds, insurers are allowed to refer to local credit ratings of bonds, which tend to be higher than those given by international credit rating institutions.
 3. For foreign equity funds which invest more than 80% in listed equity securities of developed markets, insurers are allowed to use 25% of the net asset value as the risk charge.



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