THAI INSURANCE IN FLUX IN 2017

THAILAND

With foreign shareholding now allowed at more than 49%, Thailand's life and non-life companies stand to gain even more. KrungThai-AXA Life's (KTAXA) annual growth of 23%, 13% above market growth, may increase further, as foreign investors and insurers look to Thailand as a springboard for regional expansion. Other firms such as AIA, Muang Thai Life, and Thai Life Insurance have grown nearly as fast and are expected to reach new highs in 2017 due to the further strengthening of Thailand's economy.

Whilst economic and political woes have made an impact on the industry over the past year, analysts at OIC project that the life insurance sector will expand approximately 7.63% from 2016, driven mainly by Thailand's economy which is projected to grow by 3-4% in the coming year.

Leading insurance companies

AIA continues to lead in the market, despite its share shrinking from 21.7% to 20.03% over the past year. It is closely followed by Muang Thai Life, Thai Life Insurance, KTAXA, Siam Commercial Life, Bangkok Life, and Allianz Ayudhya Assurance, with the top five players accounting for almost 72% of the market share. Greater openness to digitalisation, Thailand's relatively low life insurance penetration rate, and increased protection insurance policies are also major growth factors. However, as major changes sweep the industry, the short-term will not be much of an excitement. The challenges of technology, customer, and regulation continue to haunt the industry.

"Sustainable growth and increasing income levels will continue to increase demand for insurance products. Advances in digital technology and the rise of millennials are raising customer expectations. However, the concern factors mentioned above could derail Thailand's economy and insurance market," analysts at Thai Re Group said.

Allianz Indonesia is one of the key players in the country

Emerging Asia to lead insurance sector growth

EMERGING MARKETS

When 2020 swings around, Asia will account for 90% of insurance premium growth in emerging markets, a forecast that is driven by China's immense potential and by the region's demographic momentum. China's mammoth contribution to this EY forecast should not come as a surprise to insurers as the world's second biggest economy promises the most lucrative opportunities, but analysts reckoned it would be wise not to overlook the strong growth fountains found in Indonesia, Malaysia, and India.

"The most attractive markets, which combine high potential growth with relatively lower risk, are mainly in Asia," said Rohan Sachdev, global insurance emerging markets leader at EY, citing the firm's latest risk-opportunity ranking. "Whilst China is by far the biggest potential growth market, Malaysia, Indonesia and India also offer potentially attractive opportunities. Singapore, Hong Kong and South Korea offer low risk, but much smaller growth potential."

> **China alone, despite a likely near-term deceleration in GDP growth, remains the biggest opportunity of any emerging market.**

Even after factoring in an expected economic growth slowdown, China is still projected to account for almost 60% of expected emerging-market premium growth by 2020. This translates to roughly US$280b of the US$480b in projected additional premiums for the period.

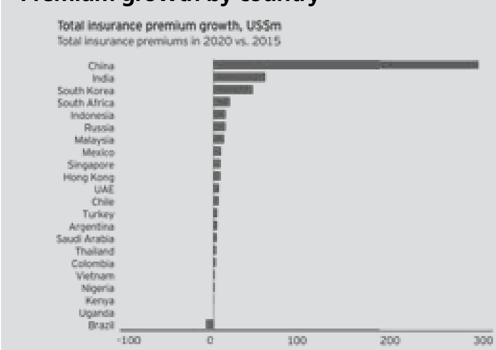
Opportunities in Indonesia

After China, Indonesia is next in line with the most promising opportunity in Asia, poised to experience annual premium growth of 16% from 2015 to 2020, but this will come with higher risk. Sachdev said the country offers global firms a huge market to develop sharia-compliant, takaful insurance programmes. Insurers yearning for growth will find Asia the perfect place to sate their thirst, if only for the sheer number of potential clients coming out of the region. In the case of Indonesia, an additional 40 million people are projected to join the country's middle class by 2020, which has attracted the likes of AIG and Sun Life to expand their local presence.

"Favourable demographic trends and the ability of new technology to allow companies to leapfrog antiquated infrastructure help explain why Asia remains an important focus for companies looking to boost their investment in emerging markets," reckoned Sachdev.

EY data suggested there is a correlation between robust middle class growth and insurance product appetite. The number of households earning more than US$20,000 per year in China, Indonesia, India, and Malaysia - the top four in the firm's opportunity rankings in Asia - is expected to see a significant rise from 2016 to 2020.

Premium growth by country



Source: Oxford Economics, Swiss Re