

The Life Insurance Market in Vietnam

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At present, there are eight licensed life insurance companies. Besides some companies that have just licensed, such as Prévoir (from France), Newyork Life and ACE (the U.S.), five players (AIA, BM-CMG, Bảo Việt Nhân Thọ, Manulife Vietnam, and Prudential Vietnam) have offered their services on the market through 95,751 agencies (up to Dec. 31, 2004). Of the sales of VND7,710 billion in 2004, Bảo Việt represented 39.47%, Prudential 40.25%, Manulife 11.53%, AIA 6.01% and BM-CMG 2.74%.

b. Diversification of products:

Diverse life insurance policies are offered on the market with flexible conditions and terms and various additional products. Many of them could be combined into a package.

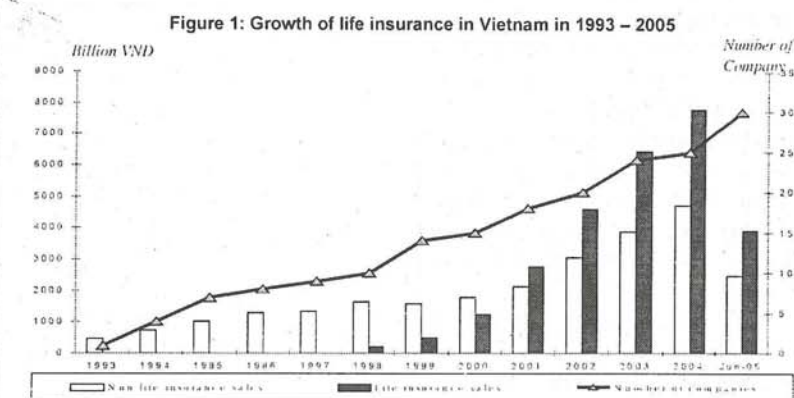
Up to Dec. 31, 2004, 6,549,905 contracts were signed (increasing by 17.5% compared with 2003) with a total sum insured of VND137,647 billion and in 2004 alone, the sum paid to the insured was VND876 billion.

After the Decree 100CP was issued on Dec. 18, 1993, the commercial insurance market started to develop well in Vietnam, especially the life insurance service.

1. Achievements

a. Broader distribution network:

The number of insurance companies has amounted to 30 that supply a wide range of services. They come from all sectors; public, private and foreign ones, with over 100,000 agencies for life and non-life insurance services. In 2004, their total sales topped the VND12,500-billion mark and those from the life insurance



service was VND7,710 billion increasing by 21.8% in comparison with 2003.

Table 1: Premium paid on valid contracts in 2002-04 (VND million)

Company	2004		2003		2002	
	Sales	Market share	Sales	Market share	Sales	Market share
AIA	463,189.00	6.01%	356,009.82	5.53%	224,766.82	5%
BM-CMG	211,574.00	2.74%	140,319.00	2.18%	79,296.00	2%
Bảo Việt	3,043,069.07	39.47%	2,606,893.39	40.47%	2,157,710.67	46%
Manulife	888,849.00	11.53%	780,936.00	12.12%	548,431.87	12%
Prudential	3,103,358.54	40.25%	2,557,835.90	39.71%	1,635,276.95	35%
Total	7,710,358.61	100.00%	6,441,994.11	100.00%	4,645,482.31	100%

Source: Vietnam Association of Insurance

In the first half of 2005, the life insurance sales reached VND3,919 billion increasing by 10% compared with the corresponding period last year. However, number of new contracts in this period fell by 22%: 313,530 compared with 402,245 signed last year. This decrease along with the number of contracts becoming due makes the number of valid contracts up to the end of the second quarter of the year fall to 3,573,942. In addition, some 8% of contracts were determined prematurely.

Places of companies in the market

Table 2: Life insurance market in Vietnam and regional countries

Countries/ Region	Sales		Average premium		Share in the GDP	
	Premium (US\$ mil.)	Rank	Per capita pre- mium (US\$)	Rank	As % of the GDP	Rank
World	1,848,688		288.7		4.55	
Asia	556,321		147.2		5.61	
ASEAN	16,844		35.4		2.16	
Singapore	6,459	28	1,483.9	21	6.02	20
Malaysia	4,208	30	167.3	39	3.52	30
Thailand	3,167	33	50.8	58	1.94	41
Indonesia	1,626	38	7.5	80	0.63	76
Philippines	783	43	9.4	79	0.91	73
Vietnam	601	47	7.3	84	1.35	63

Source: SwissRe, Sigma, No 2. 2005.

changed slightly. Bảo Việt was still in the first place in term of new contracts but its premium received fell. AIA got a start when it increased the number of agents and introduced many new products with the result that its new contracts rose remarkably. Market shares of players in the first half of 2005 are as follows: Prudential 39.9%; Bảo Việt Nhân Thọ 38.4%; Manulife 10.8%; AIA 7.7% and BM-CMG 3.5%.

c. Better legal infrastructure:

The legal infrastructure for the insurance business is increasingly perfect. The Insurance Business Law was passed in December 2000 and came into effect as of April 1, 2001. The bulk of subordinate legislation was also made afterward: Decree 42/2001/NĐ-CP dated Aug. 1, 2001 on the implementation of the Law; Decree 42/2001/NĐ-CP dated Aug. 1, 2001 on financial regulations for insurance companies; Circular 71/2001/TT-BTC issued by Ministry of Finance on Aug. 28, 2001 and Circular 98/2004/TT-BTC dated Oct. 19, 2004 on financial regulations for insurance companies and agents. Particularly, the PM made Decision 175/2003/QĐ-TTg in 2003 on the Strategy to Develop the Insurance Market in Vietnam in 2003-2010.

As for insurance companies, this legal infrastructure helps them work out strategies to develop their businesses and new products for all market segments.

Generally, the life insurance market, after its establishment, has become more stable and broader. It now

supplies a wide range of services of increasingly higher quality. Moreover, it creates jobs for several hundred thousand people. Financial strength of companies is improved over years when they continuously increase their legal capital.

2. Shortcomings

a. The size of the market doesn't match its potentials:

Insurance companies could only reach a small group of residents. According to the Association of Insurance Companies, the valid life insurance contracts represent only 8% of the population. In spite of its high growth rate, the life insurance market in Vietnam is very small in comparison with regional countries in terms of sales, per capita premium and share in the GDP.

The situation comes from the following causes:

- The public have only a limited knowledge of the insurance services with the result that they are reluctant to buy them.

- Expertise and work ethics of agents fail to meet requirements posed by the market and the public as well. Their unfair competition makes the potential customers feel confused and lose confidence. In addition, there is no governmental body responsible for supervising and inspecting implementation of legal regulations by insurance companies.

- Non-cash instruments are not popular in Vietnam although banks and

banking institutions have tried to introduce them, which make customers find it time-consuming to pay the premium.

- Fast development of the life insurance market makes existing regulations inadequate. Moreover, these regulations and guidelines in their implementation are based on needs, experience and opinions of some officials and insurance companies instead of on experts' and public opinions.

- Sudden and complicated changes in the world and regional insurance markets caused by the 1997 financial crisis in Asia, falls in prices of the dollar and gold, crises in some foreign insurance companies, etc. lead to inexact information about the insurance service making the public more reluctant when deciding on the purchase.

- The Vietnam's personal income is still low in spite of high growth rates in recent years.

- b. Lack of the supply of information about the insurance service:

This is the main cause of reluctant attitude of the public toward the service. Secondly, most insurance companies haven't work out strategies to disseminate necessary information or publish publications about their services.

3. Measures to develop the life insurance market

- Maintaining high growth rate to improve income of both organizations and individuals.

- Liberating all financial services, including the insurance one.

- Making, promulgating and implementing strict regulations on the insurance business.

- Beefing up tasks of inspecting and supervising insurance companies in order to protect interests of the public.

- Building a system of supplying information about insurance services.

- Enhancing the role of insurance associations

- Training skilled workers for the insurance business in the future.

- Gathering and supplying numerical data about the life insurance service ■