Agenda

- Market
- Distribution Channel
- Product
- Regulation
- People
Market
Individual Life market

- From Association of Vietnam Insurers (AVI) report, new business premium in 2011 is around USD 220 mln.
- The market growth rate for 2010 & 2011 are 23%, 30% respectively.
- Top 6 players control 95% of the sales in 2011.
- The market share of 2 of top 6 players decline and the share is taken by the new comers.

Implication

- The new business premium is sizable
- Vietnam maintain relatively high growth rate.
- New comers can acquire market share from the established players.
Group Health Market

• From AVI report, new business premium in 2011 is around USD 158 mln.
• The market is dominated by General Insurance companies.
• Top five players has 76% market shares
• The growth rate is double digit for the last 2 years
• Significant players (in terms of premium size) are local companies.

Implication

• The premium size is moderate.
• From market growth rate, the market has high potential.
• The concentration of the market is not less severe than individual life business
• General insurance companies are not used to utilize the actuarial experts.
Distribution Channel
Individual Business

- New business premium income: Tied Agent (98%), Bancassurance (2%)
- The number of agents keeps around 200K for the last few years.
- The agent turnover is very high. That is, the agents are recycled.
- Most of the agent is part-time in nature.

Implication

- Alternative distribution channel has potential
- The high turnover has huge impact on the quality of the policy.
- Will different agency compensation model change the part-time behaviour of agent?
**Group Business**

- Broker dominates the group employee benefit market
- The insurer’s name may not be mentioned in the product brochure or selling guideline.
- Some broker also set up their own third party administration (TPA).

**Implication**

- Channel management is a key challenge.
- Broker controls client data.
Product
**Individual Business**

- Majority of the products sold are traditional (participating or non-participating) endowment.
- Universal life product is the new driven for the market offering whole of life rate guarantee from 3% - 5%. Premium is flexible. Some companies offer mandatory premium contribution period from 1 year to 5 years.
- Unit link product is not popular. Only two companies have the license to sell unit link product.

**Implication**

- Product is very traditional. Opportunity to have new product idea.
- Investment rate guarantee is a challenge for the pricing the universal life product.
Group Health

- Benefit offered is basic health care product including term life, ADD, inpatient (with Maternity) & outpatient (with dental). Some includes weekly indemnity, emergency evacuation.
- Deductible and coinsurance are not common in the market. Some foreign insurers introduce this to the market.

Implication

- Can transplant some other product design to the market like major medical, group critical illness & etc.
- Can extend the product to include affinity scheme
Regulations
Life Insurer

- VND 600 bln or USD 29 mln minimum capital requirement. This requires life insurer to maintain $29mln equity in the accounting book.
- Product needs to be filed and approved before going to the market. Regulator (MOF) is relatively conservative in the approval of the product which leads to fairly similar products in the market.
- Some inconsistencies between Decree and Circular.

Implication

- The capital requirement provides a very solid base for the solvency of the company. Nevertheless, the opportunity cost of holding the capital is huge.
- Don’t be surprise that the regulator will adjust the pricing assumptions based on other company’s experience
- Managing the relationship with regulator is key.
Group Health

- New decree requires health insurance provider to be licensed. Consulting the Actuarial working group (AWG) on the detail regulation on the health market.
- For health product sold by general insurance company, only the policy contract needs to be approved and not the premium rates.

Implication

- The actuarial voices are listened.
- There is an unfair playing field for group health product offered by the life insurer.
People
Actuarial Resources – Supply and Demand

- Limited supply of actuarial students in the market. There is no formal actuarial program in Vietnam. Some universities offer some actuarial subjects in their insurance program. Be prepared to train fresh graduate from any discipline.
- There are 14 life insurers in Vietnam. There are 11 fellows (FIA or FSA). Only 4 fellows are local.
- The recent draft circular of life insurance, MOF would like to strengthen the requirement of Appointed Actuary including post qualification experience, residence in Vietnam and etc.
- MOF regularly consults local actuaries (a group as known as actuarial working group) on technical issues like surplus distribution on par business, policyholder protection fund, reserve for investment guarantee, health insurance regulation and etc.
- Actuarial society in Vietnam has not been set up due to insufficient local qualified actuaries
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