



ASIAN CLAIMS CONVENTION

AN OVERVIEW OF THE INSURANCE MARKET IN VIETNAM

THURSDAY 20 APRIL, 2017



1. Vietnam at A Glance

2. Vietnam Insurance Market Overview

- Insurance Market Size
- Market Segmentation by lines of insurance (non-life)
- Market Loss Ratio (non-life)
- Who are “players”?

3. Vietnam Insurance Regulatory Update

4. Doing business in Vietnam- Opportunity and Threat

1 VIETNAM AT A GLANCE

VIETNAM AT A GLANCE



Key data

Vietnam	2016	2017f
GDP (%)	6.21	6.40
CPI (y-o-y,%)	4.74	4.5
Exports (%yoy)	8.6	8.2
Import (%yoy)	4.6	9.0
Credit growth (%)	18.53	18.00
Trade balance (USD bio)	2.68	-7.1
USDVND	22,770	23,200
OMO (%)	5.00	5.00
FDI (USD bio)	15.8	14.0
FEX reserves (USD bio)	38.1	35.8

Source: GSO, Vietnam custom, HSBC (estimate and forecast), SBV

Macro-economic performance

- Growth was slower than 2015 (6.68%). Agriculture, forestry and fishery booked the lowest growth at 1.36% due to unfavourable weather conditions
- Inflation jumped from 0.8%yoy in Jan to 4.74% yoy in Dec 2016, and continued to climb up to 5.12% YTD Feb2017 (average CPI)
- NPL is reported at 2.46% in 2016
- Credit growth rate reached 18.53% at the end of 2016
- Implemented FDI was still on track, marking 9.0% yoy increase vs 2015
- Trade balance is positive though the surplus was narrowed down a bit towards year-end
- We push back our call for the timing of the first rate hike to Q1 2018
- USDVND rate forecast is revised to 23200 for end-2017 from 22800 previously

2 VIETNAM INSURANCE MARKET OVERVIEW 2016

INSURANCE MARKET SIZE



- Total Assets: VND 239,954 bio (USD 10.5 bio), increase 19% vs 2015
- Total Investment back to economy: VND 193,282 bio (USD 8.5 bio), increase 19.5% vs 2015
- Provision Technical Fund: VND 157,397 bio (USD 6,9 bio), (+ 23.2%)
- Total Revenue: VND 87,107 bio (USD 3.8 bio), (+24.7%)
 - Non life Insurance: VND 36,652 bio (1.6 bio), (+16%) → Retention 73,5%
 - Life Insurance: VND 47,446 bio (USD 2.1 bio)
 - Reinsurance: VND 3,009 bio (USD 132 mil), (-7% vs 2015); retention :30.5% (-15%)
- Total owner equity: VND 51,645 bio (USD 2.3 bio), (+13.5 %)
- Total claim paid: VND 26,438 bio (USD 1.2 bio)
- Total premium through Insurance/reinsurance Brokers: 7,208 bio (USD 317 mil), (-1.9%)
- Profits: VND 3,524 bio (USD 155 mil)
 - Non-life: VND 1,814 bio (USD 79 mil)
 - Life: VND 1,600 bio (USD 70 mil)

Source: Ministry of Finance

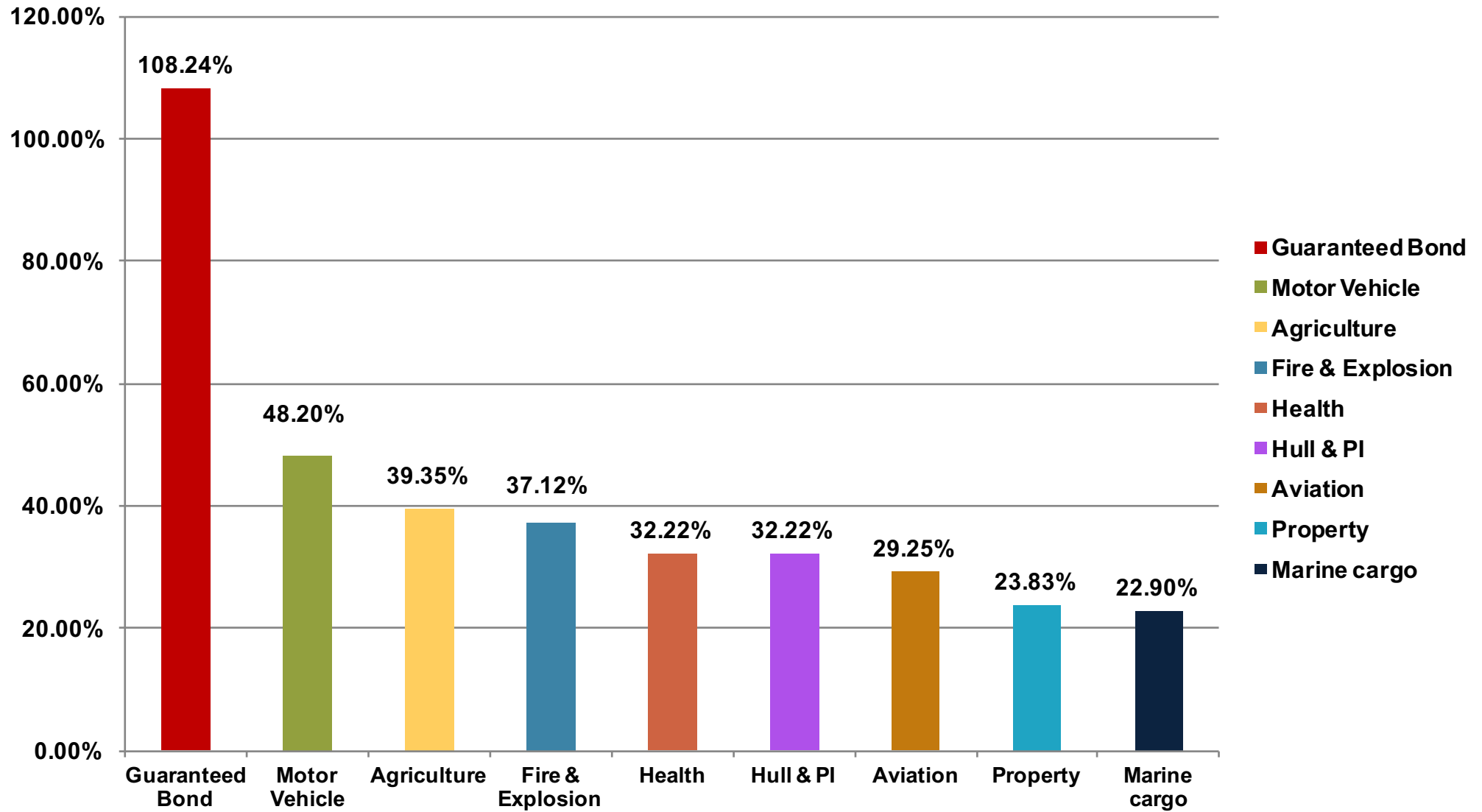
MARKET LOSS RATIO (NON-LIFE)



- Total claim paid by insurance: VND 13,137 bio (USD 578 mil) (excl. provision); Loss ratio: 36%; =>Less than 2015 (44%)
- Claim paid by reinsurance : VND 725 bio (USD 31,9 mil); Loss ratio: 24% => Less than 2015 (35%)
- Claim paid by reinsurance / retention : VND 426 bio (USD 18,7 mil; Loss ratio: 46.4% => Less than 2015 (47.3%)

Source: Ministry of Finance

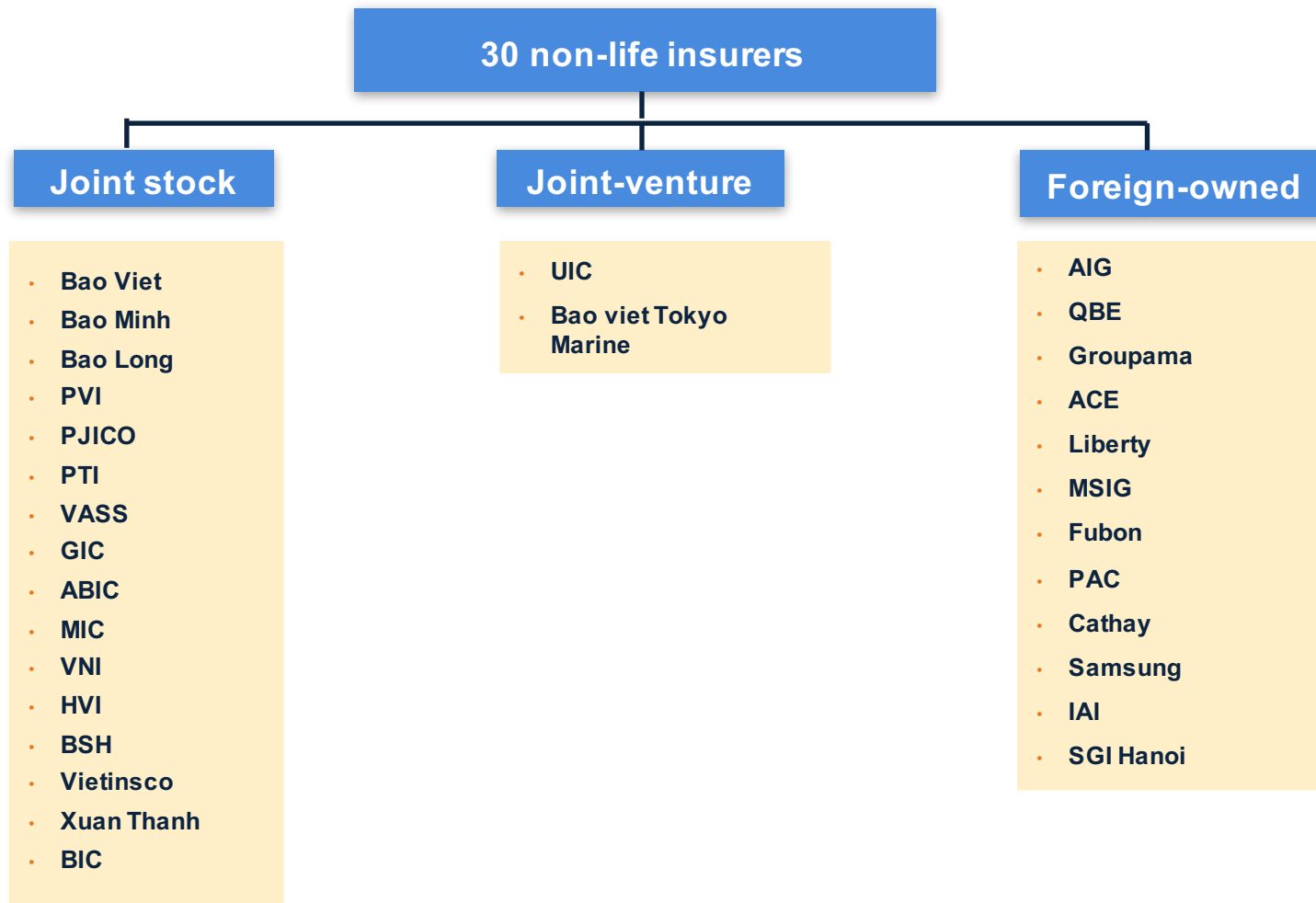
MARKET LOSS RATIO (NON-LIFE)



Source: Ministry of Finance

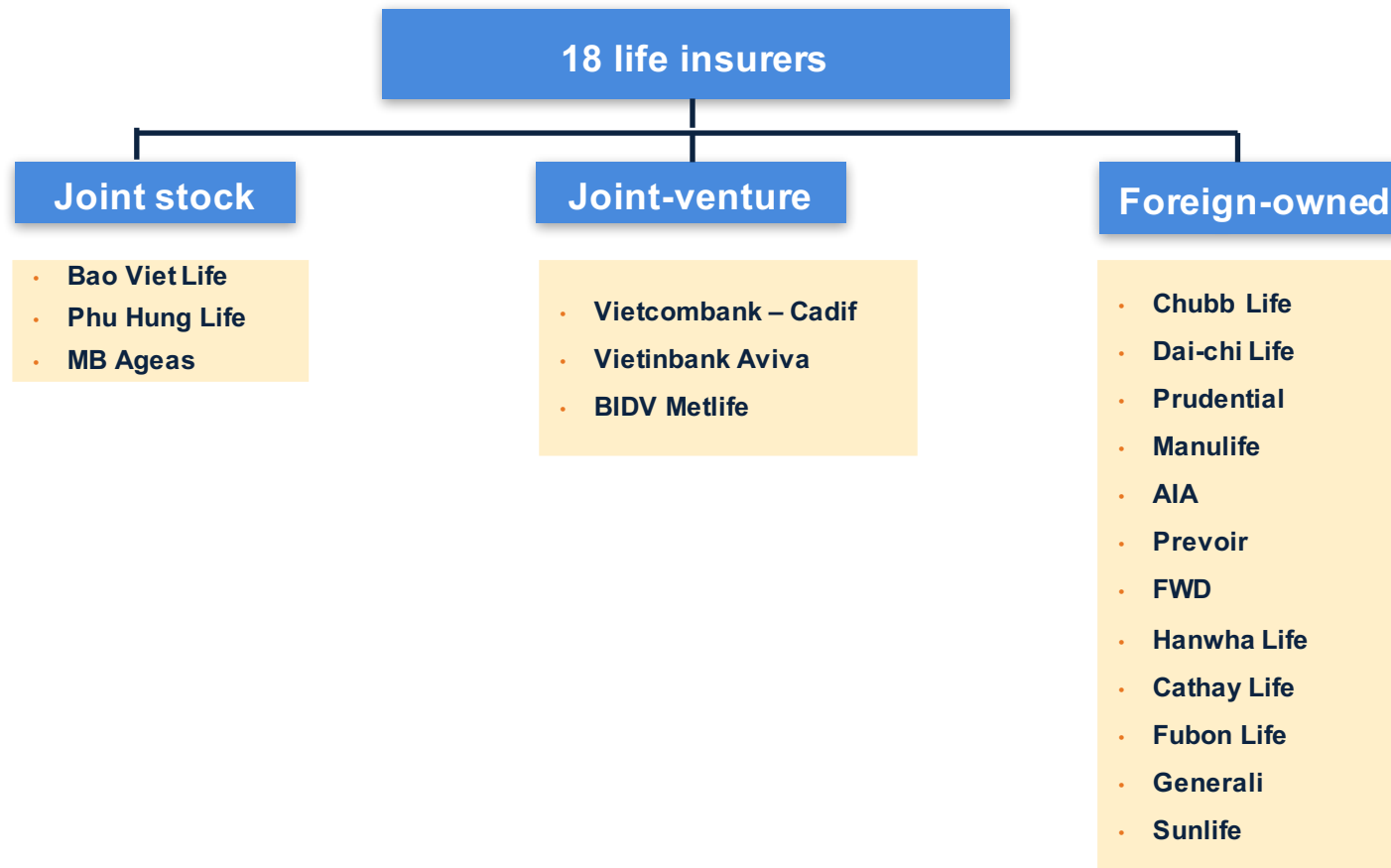
WHO ARE “PLAYERS” ?

NON – LIFE INSURANCE MARKET (*UNDER MOF*)



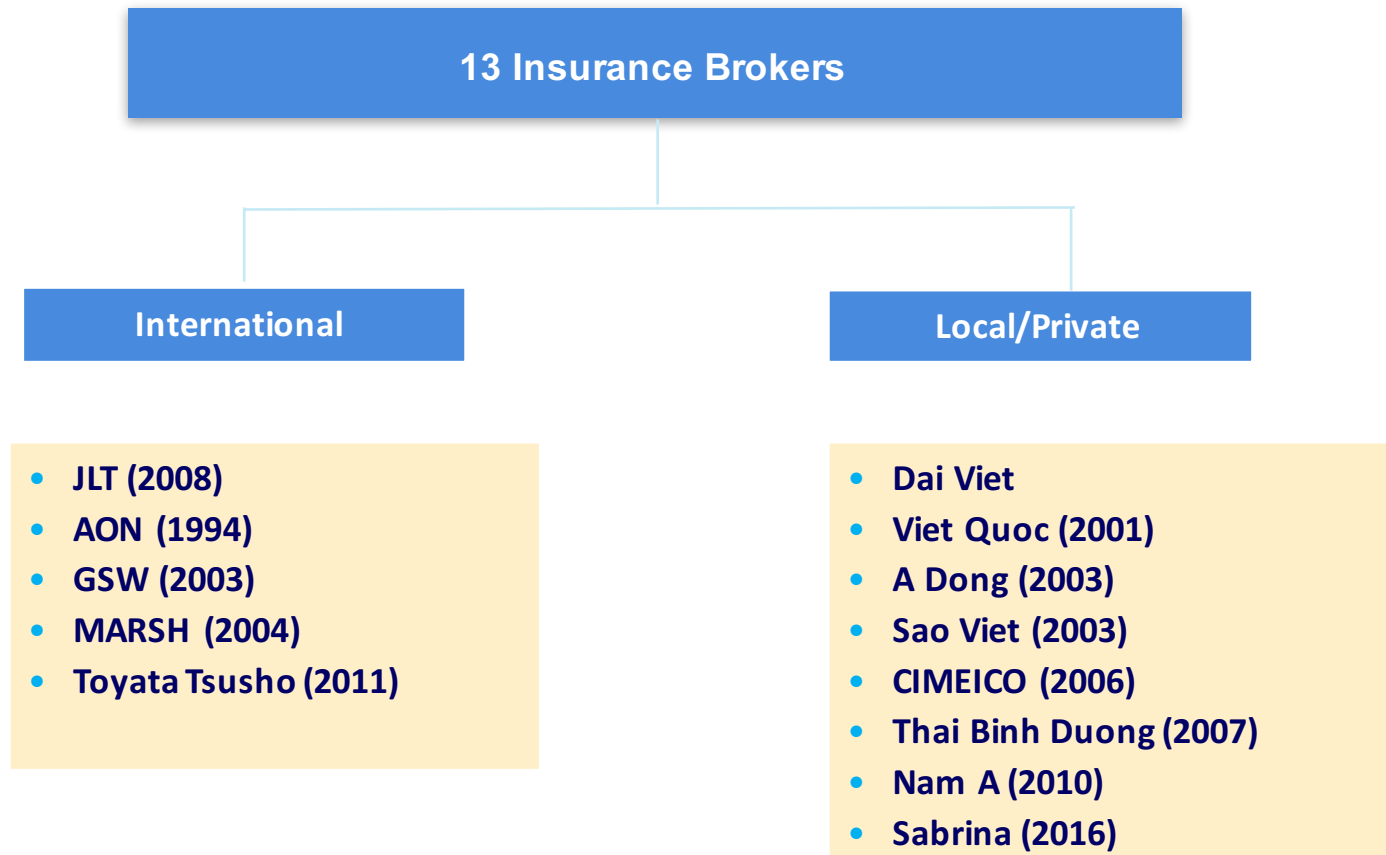
Source: Ministry of Finance

LIFE INSURANCE MARKET (*UNDER MOF*)

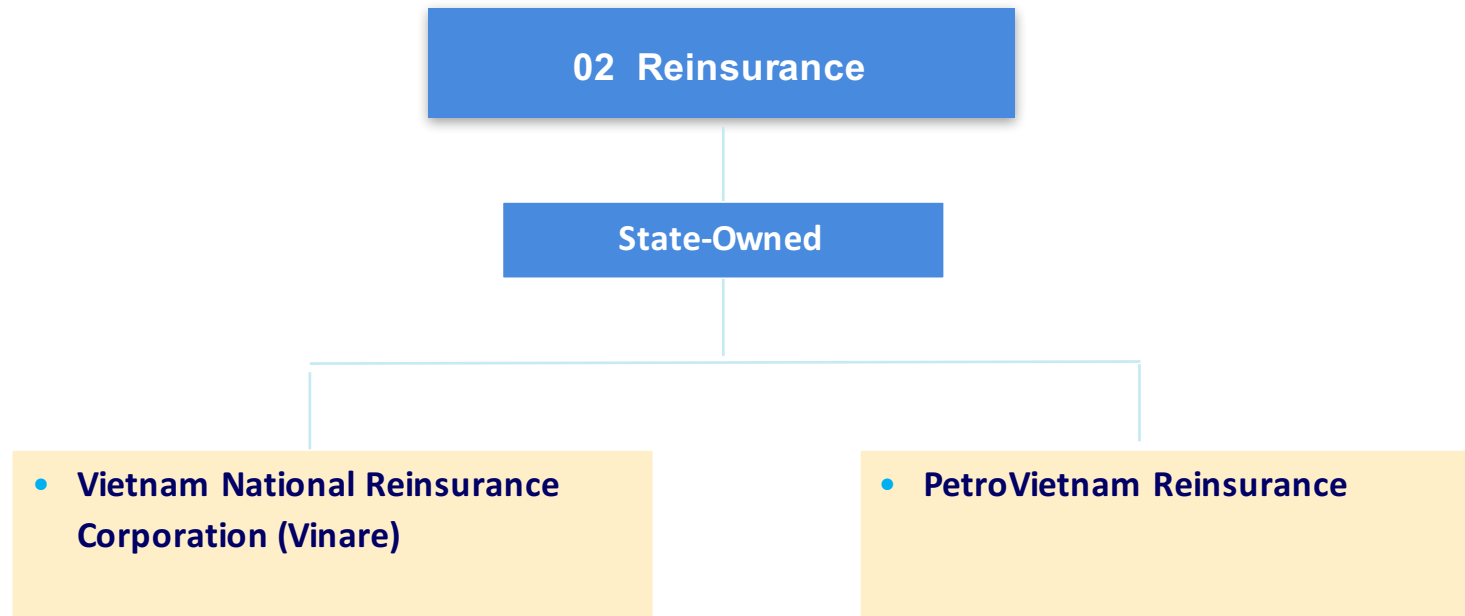


Source: Ministry of Finance

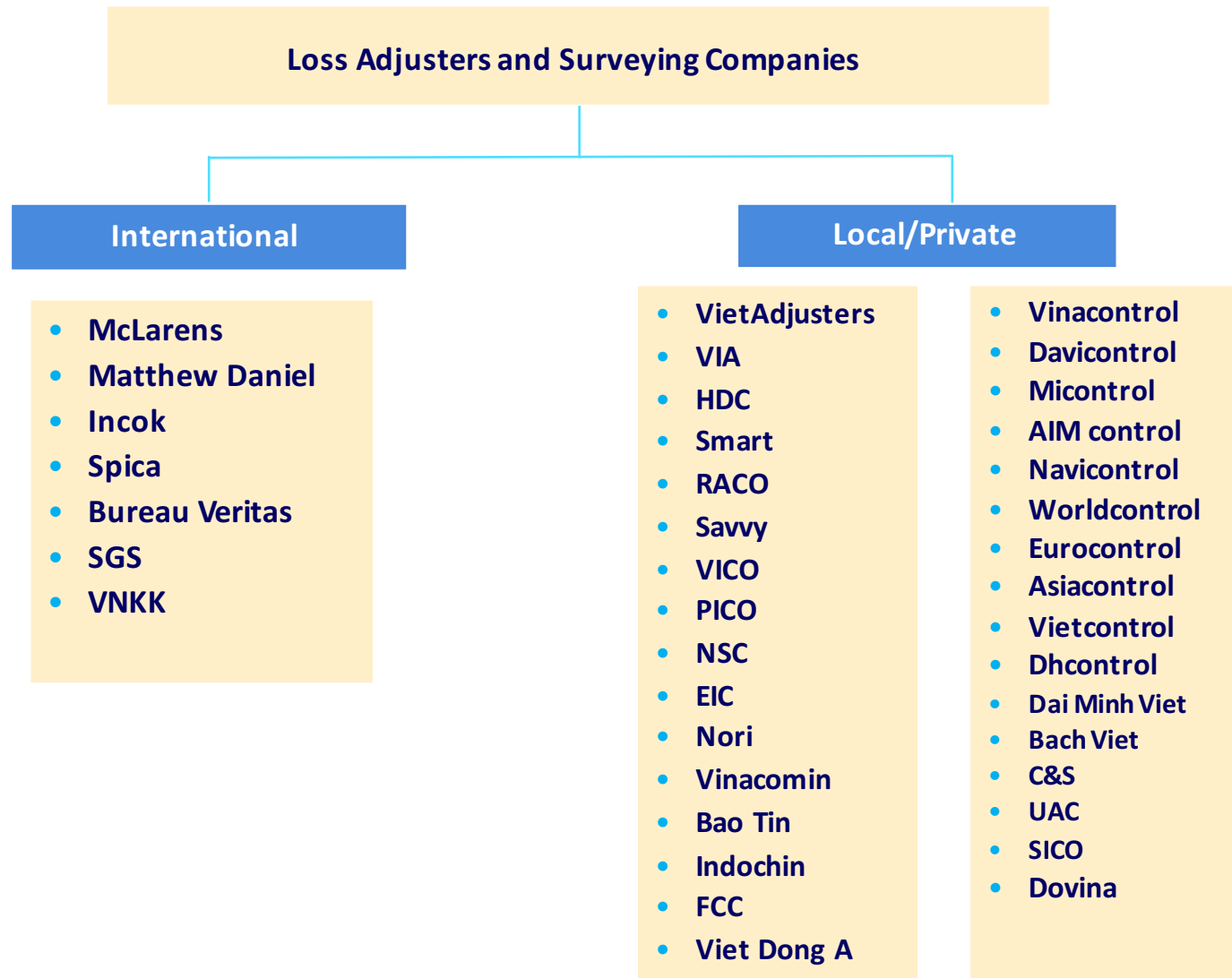
INSURANCE BROKER (UNDER MOF)



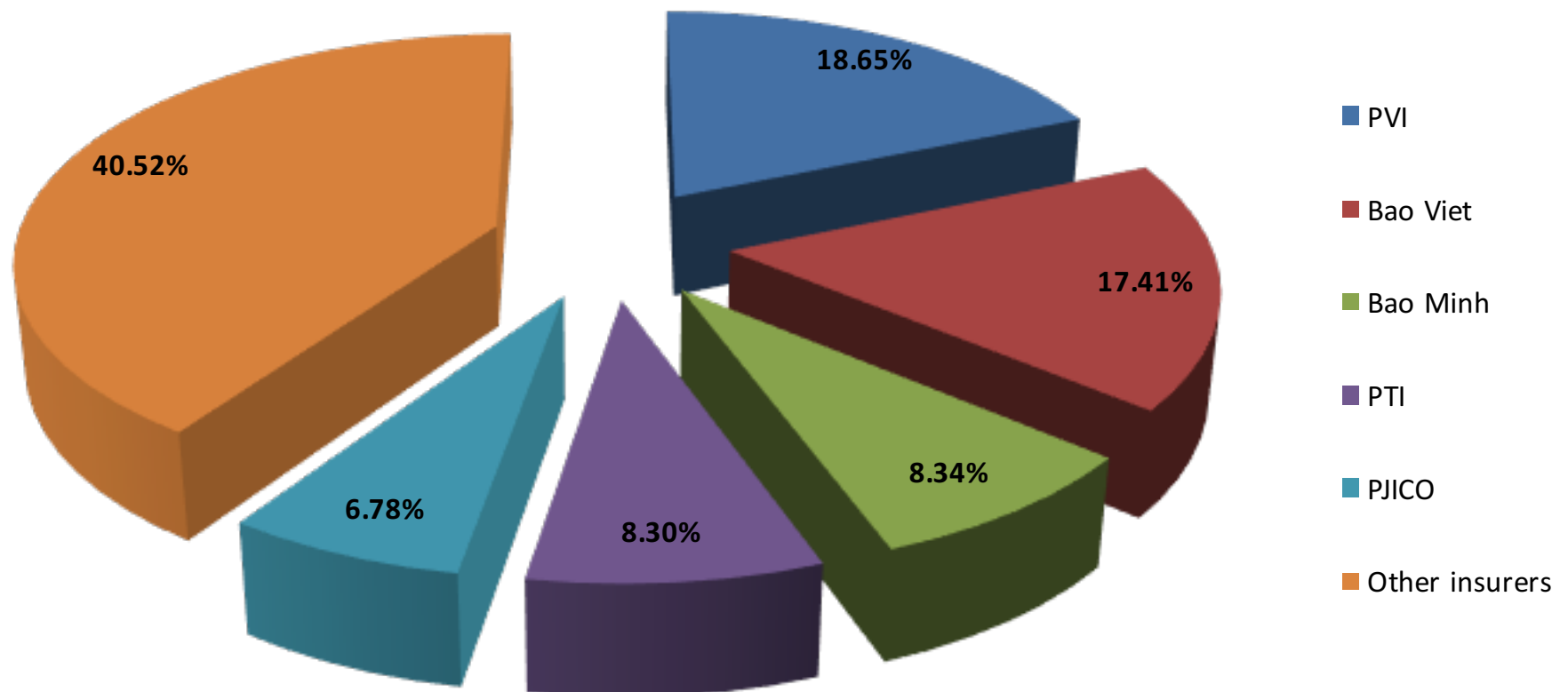
REINSURANCE (UNDER MOF)



LOSS ADJUSTERS (UNDER MPI)

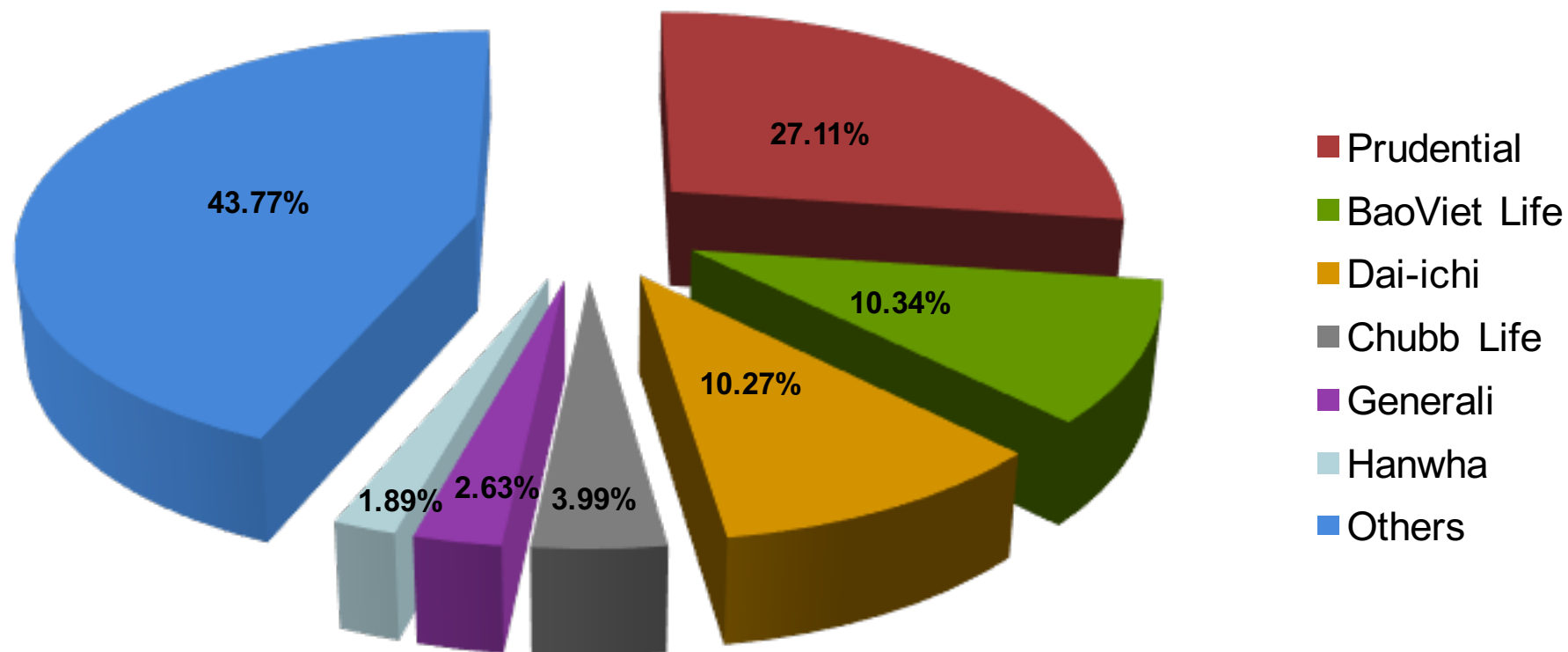


NON-LIFE INSURANCE MARKET SHARE



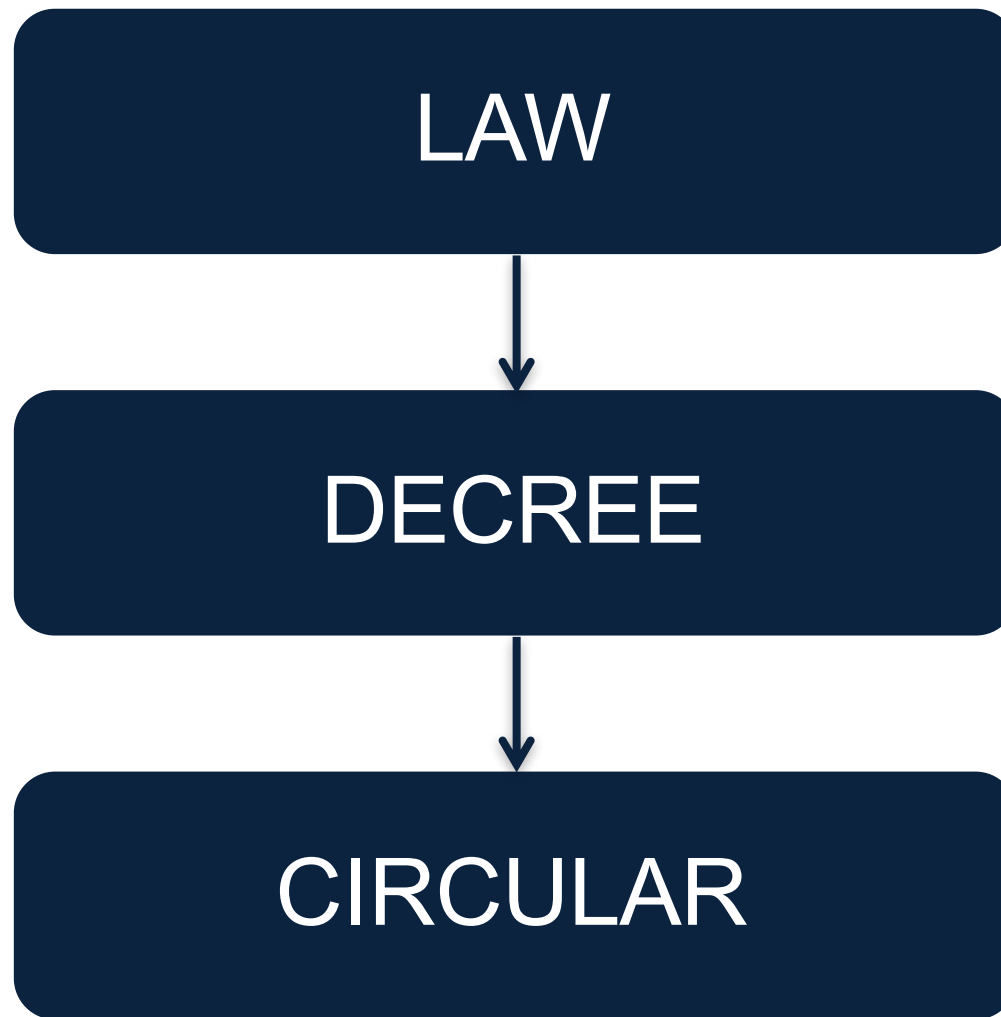
Source: Ministry of Finance from 17/01/2017 (not yet audited)

LIFE INSURANCE MARKET SHARE




Source: Ministry of Finance from 24/01/2017 (not yet audited)

4 VIETNAM INSURANCE REGULATORY UPDATE



RECENT UPDATED REGULATION IN 2016



1. **Decree 73/2016/NĐ-CP** - details of implementation of the law on insurance business and the law on amendments to certain articles of the law on insurance business 
Decree 73 - summary
 2. **Circular 22/2016/TT-BTC** - regulations, terms, schedules of premiums and limits of liability of compulsory civil liability insurance of motor vehicle owners
 3. **Circular 43/2016/TT_BTC** – amend circular no. 116/2014/TT-BTC about aquatic insurance
 4. **Circular 52/2016/TT-BTC** - guiding the implementation of universal life insurance products
 5. **Circular 329/2016/TT-BTC** - on guideline for implementation of a number of certain articles of the government's decree no. 119/2015/NĐ-CP dated November 13, 2015 on compulsory insurance for construction activities
 6. **Circular 105/2016/TT-BTC** - on guidelines for outward portfolio investments by securities trading organizations, securities investment funds, investment companies and insurance enterprises
-

COMPULSORY INSURANCE IN VIETNAM



Class of insurance	Regulation	Tariff
Professional Indemnity Insurance		
Professional indemnity for Insurance broker	Insurance Law	N/A
Professional indemnity for Lawyer	Law on Lawyer	N/A
Professional Indemnity for Securities firm	Law on Securities & Stock	N/A
Professional Indemnity for Fund Manager	Law on Securities & Stock	N/A
Professional Indemnity for Architect/Designer	Construction Law	Yes. Project value less than VND 1,000 bio (~USD 45 mil)
Professional Indemnity for Project Manager	Construction Law	Yes. Project value less than VND 1,000 bio (~USD 45 mil)
Professional Indemnity for Auditing firm	Decree 105/2004/ND-CP	N/A
Professional Indemnity for Cost Evaluation Firm	Decree 111/2005/ND-CP	Yes. Project value less than VND 1,000 bio (~USD 45 mil)
Professional Indemnity for Organizations and individuals performing radiation jobs	Law on Atomic Energy	N/A
Public Liability Insurance		
Public Liability for Organizations and Individuals performing radiation jobs	Law on Atomic Energy	N/A
Construction Insurance		
Construction All Risk for Project owner	Construction Law	Yes. Project value less than VND 700 bio (~USD 30 mil)
Fire & Explosion Insurance		
Fire & Explosion	130/2006/ND-CP	Yes. Total sum insured less than VND 700 bio (~USD 30 mil)

COMPULSORY INSURANCE IN VIETNAM (CONT.)



Class of insurance	Regulation	Tariff
Water Way Transportation Insurance		
Third party liability and environmental Liability for Boat carrying the poisonous goods	Maritime Law	N/A
Aviation Insurance		
Liability for Passengers	Civil Aviation Law	N/A
Liability for Third Party	Civil Aviation Law	N/A
Motor Vehicle Insurance		
Liability for Third Party	Decree 103/2008/ND-CP	Yes
Travel Insurance		
Travel Insurance for Passenger in overseas travel	Tourism Law	N/A
Oil & Gas Insurance		
Property Damage for all facilities for petroleum operation	Decree 48/2000/ND-CP	N/A
Environmental Liability Insurance	Decree 48/2000/ND-CP	N/A
Liability for Third Party	Decree 48/2000/ND-CP	N/A
Personal Accident/Workmen's Compensation for Contractors Employee	Decree 48/2000/ND-CP	N/A
Environmental Insurance		
Environmental Liability for Organizations and individuals engaged in activities potentially causing great environment damage	Law on Environment Protection	N/A
Environmental Liability for Organizations and individuals performing radiation jobs	Law on Atomic Energy	N/A

5 DOING BUSINESS IN VIETNAM – OPPORTUNITIES AND THREATS.

HSBC KEY FORECAST



HSBC's key Vietnam Economic Forecast	2011	2012	2013	2014	2015	2016	2017F	2018F
GDP (%)	5.89	5.03	5.4	5.98	6.68	6.21	6.4	6.6
GDP per capital (USD)	1,507	1,716	1,867	2,012	2,045	2,163	2,315	2,502
CPI (average, % y-o-y)	18.7	9.1	6.6	4.1	0.7	2.7	4.4	3.5
Export, value (% y-o-y)	34.2	18.2	15.4	13.6	8.1	8.6	8.2	6.2
Import, value (% y-o-y)	25.8	6.6	15.4	12.1	13.7	4.6	9.0	-6.2
Trade balance (USD bn)	-9.8	0.2	0.86	2.4	-2.4	2.68	-7.1	16.8
Int'l FX reserves (USD bn)	12	20	30	34.6	27.4	38.1	35.8	42.6
USD/VND (end of period)	21,036	20,850	21,095	21,250	22,500	22,770	23,200	23,200
Policy rate (OMO, end year, %)	14	7	5.5	5.0	5.0	5.0	5.0	5.5

Source: HSBC

DOING BUSINESS IN VIETNAM – OPPORTUNITIES AND THREATS



❖ Opportunity

- Vietnam is a rising star in the region
 - Among the top in GDP growth (VN, CN, Ph, BA, IN) – 6.4 2017F and 6.6% 2018F
 - Domestic Demand still the larger driver for ASEAN growth, despite deceleration in 2017
 - Consumer spending strongest in Vietnam (6% - 7% -o-y)2017, 2018) and Philippines
 - Investment also strongest in Philippines, Vietnams
 - Export performance is improved (8.6% in 2016 vs 7.9% growth rate in 2015 ; Export revenue is impact by the loss commodity price and continue to slow down (crude oil -36%; rice – 21,7%)
 - Imports picked up: Trade was USD 1.15bn surplus in Jan but then quickly turn to deficit (USD 50m) in Feb
 - Inflation went up to 4.47% end – 2016 and continued to increase to over 5% of Feb 2017 but yet an outright concern (driven by rising fuel price and increase in medicine / healthcare service and education cost)
 - Implemented - FDI grows by 9% in 2016 and remained robust in the first 2 months of 2017: new registration reached USD 24.4Bn in 2016 , up by 7.1% vs 2015 (64% manufacturing; 7.8% wholesales and retail sales)
- ❖ Key Risks in 2017: External shock ; inflation; banking system; Rea estate sector

Source: CEIC, HSBC forecast 2017, 2018

