

OVERVIEW OF VIETNAM'S INSURANCE MARKET: OPPORTUNITIES AND CHALLENGES

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ABSTRACT

Vietnam's insurance market in recent years has been extremely active, showing the continuous development of the industry. Thus, the research focuses on understanding the concept of the insurance market, identifying the position of Vietnam's insurance market in the region, and assessing the strengths, weaknesses, opportunities, and challenges of the market. Based on the research results, the research proposes some implications for solutions to promote growth for Vietnam's insurance market.

Keywords: Vietnam insurance market, Risk management, SWOT, opportunities, challenges

I. INTRODUCTION

The insurance market is the place where the insurance policy is trade. The fierce race between insurers is considered to be the driving factor for the industry's growth, this also helps the insurance market to develop in a modern direction, catching up with the rapid changes in the digital age. The insurance market in the past 5 years continued to maintain high and stable growth, contributing to the common goal of Vietnam's national financial system, ensuring financial security and stability macroeconomic. The development of the Vietnamese insurance market is still abundant, the race between foreign-invested life insurance enterprises has not yet ended. However, it can be seen that this promotes the strong development of the Vietnam Insurance market and brings more choices for consumers. The competition in revenue and ranking will not make sense if businesses do not promote their internal strengths, constantly strive every day to rise, and bring the best benefits to customers.

II. LITERATURE REVIEW

In economic terms, insurance refers to the pooling mechanism for reducing the downside of risk through resource reallocation from good to stormy states of the world (Wanat, 2016). This is defined as the act of pooling funds from many insured entities to pay for relatively uncommon but severely devastating losses that can occur to these entities (Omoke, 2012). Insurance plays a vital role as one of the three key pillars of financial services, alongside banking and capital markets (Kramaric, 2013). Empirical studies on the causality between insurance and economic growth have mainly focused on developing Asian markets (Horng, 2012; Ghosh, 2013).

An insurance market is a place where two parties can gather to purchase and buy insurance products or services. The involved parties are suppliers, and demanders of insurance products or services in the market (Hung, 2015). Entities that provide insurance products or services are direct insurers, reinsurers, and intermediaries (Hung, 2015). Direct insurers provide direct life insurance or general insurance (non-life). Reinsurers are companies that perform a type of service that the insurer uses to transfer part of an accepted liability to another insurer based on assigning to that insurer a portion of the cost of insurance through a reinsurance contract. Intermediaries are brokers and agencies. Insurance buyers are those who have a demand to secure their assets and benefits in a state threatened by future risks or disputes. The demands for insurance services of individuals, households, and organizations are different, but they all ensure the risks related to property, life, health, income, and liability for damage when civil liability arises (Hung, 2015).

SWOT model represents the established instrument used to analyze the internal and external environment, which an entity functions (Gasparotti, 2009). The SWOT-analysis is a tool developed for strategic analysis. It consists of a confrontation between external developments and internal capabilities (van Wijngaarden, 2012). Based on this model, the entities' strategies can be formulated by combining internal environment factors, which include strengths and weaknesses, with external environment factors include opportunities and threats.

This model tries to identify and examine the existing resource, investigate their trends and patterns that may have either positive or negative impacts on businesses (Namugenyi, 2019). For SWOT analysis, firstly the analyst needs to decide the objective. Secondly, research its industry, business, and market situations, to be able to list instances or occurrences of business strengths, weaknesses, potential opportunities, and threats. Lastly, establish its priorities from the SWOT analysis, then develop a strategy to implement SWOT research outcomes objective of the SWOT analysis (Namugenyi, 2019).

III. AN OVERVIEW OF THE VIETNAM INSURANCE MARKET

Revenue of the whole market has a continuous increase from 2015 through 2019, with an annual growth rate of about 15% - 28%. There was the slowest growth rate of 15.33% in 2019 while the year with the fastest growth rate was 2017 with 27.08%. Premium volume accounts for the largest proportion of the total market revenue. The proportion over the years is always from 82% to 87%. The proportion of GDP of the insurance industry has increased higher over the years from 2.02% (in 2015) to 3.07% (in 2019). It can be demonstrated that the insurance industry has a large scale and considerable growth, and a market that deserves attention in the economy. The impressive point was that the insurance industry contributed 3.07% of the country's GDP in 2019 (Table 1)

Table-1: Size and growth of Vietnam's insurance market from 2015 to 2019

Indicators (VND billions)	2015	2016	2017	2018	2019
Sales of the whole market	84.498	103.208	131.106	160.584	185.214
- Premium volume	70.162	87.364	107.709	133.146	160.009
+Non-life insurance premium volume	31.891	36.866	41.594	46.970	53.396
+Life insurance premium volume	38.271	50.497	66.115	86.176	106.640
-Financial activities income	14.336	15.845	23.396	27.440	25.205
Proportion of GDP (%)	2.02	2,29	2,62	2,85	3.07
Investment	160.258	198.150	249.134	324.262	378.408
Compensation and insurance payment	23.571	25.609	31.889	39.260	43.648

Source: The Ministry of Finance, Vietnam Insurance Market (2013 - 2019)

The insurance industry has relatively enormous potential for growth as more and more businesses are getting into the market at a rapid pace. The total number of insurers, insurance brokers, and employees in the industry increased gradually from 2015 to 2019. In particular, non-life, life insurance companies, and insurance brokers all increased. The data in table 2 show that the number of non-life insurers went up from 29 to 31. The number of life insurers went up from 16 to 18. The number of insurance brokers went up from 12 to 16. The number of employees in the industry in 2018 (930,332 employees) was up 2.6 times over 2013 (357,645 people) (Vietnam Ministry of Finance, 2019).

Table-2: Financial indicators of Vietnam's insurance market, 2015 - 2019

	2015	2016	2017	2018	2019
Total number of insurers and insurance brokers	61	63	64	65	67

● Non-life insurances	30	30	30	31	31
● Life insurancers	17	18	18	18	18
● Re-insurers	2	2	2	2	2
● Brokers	12	13	14	14	16
Employment (people)	584.71	603.08	773.54	929.56	1.059.6
	9	9	1	2	51

Source: The Ministry of Finance, Vietnam Insurance Market (2013 - 2019)

With the diversified market structure and increasing business size, there is no denying that the number of workers in the whole industry is rising. Consequently, there is a solution to the unemployment problem of society thereby boosting the economy for the Vietnam market.

Table-3: Financial indicators of Vietnam's insurance market, 2015 – 2019

	2015	2016	2017	2018	2019
Total assets (VND billions)	202.378	248.247	316.487	395.215	462.642
Total Technical Reserves (VND billions)	119.897	146.524	189.029	241.710	291.735
Owner's Equity (VND billions)	44.849	52.720	63.584	82.584	89.345

Source: The Ministry of Finance, Vietnam Insurance Market (2013 - 2019)

The insurance market continues to maintain a strong growth rate from 2015 to 2019. The data in table 3 show that at the end of 2019, total assets increased by 18.4%; total technical reserves were estimated at 291,735 billion, an increase of 20.7% compared to 2018; total owner's equity contributions were estimated at 95,466 billion, an increase of 17% over the previous year. From 2013 to 2019, Vietnam's insurance market financial capacity increased steadily and there was no sign of decline (Vietnam Ministry of Finance, 2019). This is a positive sign-in for insurance businesses.

Table-4: Employment of insurance industry in Vietnam, 2015 – 2019

	2015	2016	2017	2018	2019
Employment (employees and agents)	584.719	603.089	773.541	929.562	1.059.6
● Staffs	22.946	23.721	24.086	35.7324	33.427
● Total number of individual agents (including individual agents belong to Agency Organization)	561.773	595.040	756.846	899.701	1.026.2
□ Life	484.915	507.165	641.880	760.723	866.769
□ Non-life	76.858	87.898	114.966	138.348	159.455

Source: The Ministry of Finance, Vietnam Insurance Market (2013 - 2019)

The data in table 4 show that the total number of employees in the whole industry increased doubled, by 474,932 people from 2015 to 2019. This is a high figure, representing Vietnam's insurance industry is growing

and attracting many workers, contributing positively to solve the unemployment problem for the country's economy. There are more and more life and non-life agents. In particular, life agents in 2019 increased by 14% compared to 2018, non-life agents increased by 15.2% compared to 2018 (Bộ Tài chính, 2013 - 2019). However, increased human resources serve mainly for the distribution system, concentrated in the number of insurance agents, especially life agents. It is considered that Vietnamese workers lack skills, have low productivity, and fail to meet the high skill standards of international employers. There is, hence, a shortage of high-quality human resources for management (risk, investment), specialized management (risk assessors, valuation specialists) for insurance enterprises.

The innovation development of Vietnam's insurance market is marked by Decree No. 100/ND-CP on December 18th, 1993, of the Prime Minister on insurance business. Compared to the previous period of innovation, Vietnam's insurance market has changed, gradually expressing its role as a "shield" against financial risks, assisting organizations and individuals to participate in insurance to stabilize production - business and life. It is a long-term and effective capital mobilization channel of the economy, contributing to the development of the socialist-oriented market economy. From 2016 through 2018, the average growth rate increased by 23.9% per year (contributing 2.9% to GDP). In 2019, total premium revenue in the first 8 months of 2019 reached about VND100 trillion, up 23.6% over the same period in 2018.

The insurance market has become an effective long-term capital mobilization channel of the economy, with the total amount of investment back to the economy in 2018 reaching nearly 321.2 trillion (equivalent to 5.8% of GDP), mainly invested in large state programs and projects. In 2019, in the first 8 months of 2018, insurers re-invested in the economy estimated at VND366.9 trillion, an increase of 26.5% over the same period in 2018. In the life insurance sector alone, in 9 months of 2019, the total amount of money that insurers invested back into the economy was VND327.9 trillion, up 24% over the same period last year, accounting for 88.6% of the total investment back to the economy of the insurance market.

Table-5: Scale of Vietnam insurance market in AEC

Country	Non-life insurance						Life insurance					
	Premium Volume (Million USD)		Share of Asean Market (in %)		Premiums per capita (in USD)		Premium Volume (Million USD)		Share of Asean Market (in %)		Premiums per capita (in USD)	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
ASEAN	31.727	34.012	100%	100%	N/A	N/A	83.271	75.770	100%	100%	N/A	N/A
Singapore	8.410	8.638	26.51%	25.40%	1.014	1.028	30.140	21.022	36.20%	27.74%	3.944	3.844
Malaysia	4.984	4.984	15.71%	14.66%	157	156	11.619	12.166	13.95%	16.06%	361	380
Thailand	8.462	8.462	9.316	26.67%	23	134	17.815	17.807	21.39%	23.50%	262	256
Indonesia	5.784	6.487	18.23%	19.07%	18	24	15.743	15.798	18.91%	20.85%	58	58
Philippines	1.764	1.941	5.56%	5.71%	17	18	4.209	4.254	5.05%	5.61%	39	39
Vietnam	2.323	2.645	7.32%	7.78%	21	27	3.745	4.723	4.5%	6.23%	39	49

Source: Swiss, Sigma No 4 – 2020

The size of the insurance market in Vietnam and other AEC countries is generally growing steadily, with little fluctuation. In general, Vietnam's insurance market is still quite small compared to other countries in the region, ranking 5th in AEC.

Vietnam's insurance market over the years has contributed a huge amount to GDP. However, compared to other big countries, the Vietnam insurance market has a very modest scale and level of development. Compared with the AEC, the Vietnamese market tends to grow positively, surpassing the Philippines but has not yet caught up with the growth of Indonesia and Malaysia. The distance of the Vietnam market compared to regional leading countries such as Singapore and Thailand is quite different.

IV. SWOT ANALYSIS ON VIETNAM INSURANCE MARKET IN THE PERIOD OF 2015-2019

4.1 Strengths

It is estimated that by 2019, the total insurance product on the market is estimated at up to 850 non-life insurance products and 450 life insurance products. In addition to traditional products, Vietnamese insurers exploit non-traditional ones and protective ones to meet the needs of customers (Hai, 2019).

Financial capacity is quite good and growing. By the end of 2019, the total assets of the insurance market were estimated at VND 454,379 billion, up 15.03% compared to 2018, the amount of investment back to the economy was estimated at VND 376,555 billion, an increase of 16.36% (Vietnam Ministry of Finance, 2019).

Investment portfolios are pretty safe, medium and long-term capital mainly used to contribute capital to establish other businesses, make loans, government bonds, deposits at credit institutions ... In 2019, government bonds, municipal bonds, and deposits at credit institutions account for the highest proportion in the portfolio structure of insurance companies (Vietnam Ministry of Finance, 2019).

Besides the insurance business network is expanding, the number of insurance agents and brokers continuously increased from 2016 to 2019. In particular, the total number of insurance agents in 2019 reached to 1,026,224 agents, an increase of 72.46% compared to 2016; insurance brokerage in 2019 is 16 brokers, up 23% compared to 2016 (Hai, 2019)

4.2 Weaknesses

The relationship between human resource training and the insurance market is highly significant. However, there is a lack of methodical and long-term training for employees in Vietnamese insurance companies. Meanwhile, foreign-invested enterprises are attracting a lot of manpower, including employees and senior leaders of domestic insurance companies, due to their management and training regime professional forces (Xuân, 2020).

Insurance agents lack knowledge and information. In advising clients, agents focus on demonstrating the benefits of insurance, instead of convincing and answering customers' questions. The lack of information of the insurance agent affects the management and supervision, the ability to expand the customer space as well as the ability of the customer to capture information (Lan, 2020).

4.3 Opportunities

The economy continues to grow, and the trade with foreign countries continues to expand. Vietnam will have a booming market for developing industries such as transport communications, and import and export, which is a premise for encouraging the development of insurance products, particularly property insurance.

Consumer behavior of people changed after covid 19. Survey of Vietnam Report showed that before buying insurance, 75.7% of customers used technical tools to decide to buy products. In the context of complicated epidemics, the trend of shifting insurance distribution from offline to online becomes clearer than ever, convenient for insurance businesses and customers (Hong, 2020).

Thanks to a strong development of technology, insurance companies can facilitate an expansion of new distribution channels such as online sales, or social networks.

A comprehensive legal framework has supported the development of the Vietnamese market. Vietnam has committed to a strict, effective, consistent, and transparent implementation of the legal system (Vietnam Ministry of Finance, 2019).

4.4 Threats

Natural disasters, storms, and floods are expected to continue to develop complicatedly. Insurance companies, as a consequence, need to seek information and forecasts in advance. It should promptly resolve insurance payments to help people settle in quickly when a natural disaster event has occurred (Hong, 2020).

If in the future, the manufacture of vaccines is not successful, it will cause many economic difficulties for workers and businesses, affecting the demand for insurance.

The application of AI in insurance activities requires a lot of time and cost. Changing the technology software can be difficult to use, costly, and time-consuming to train, requiring knowledgeable staff in this area (Hong, 2020).

The unhealthy competition of the market is increasing, enterprises lower their premium and do not match the insured risk ratio, many branches and member companies are willing to accept bad risks to collect get premium.

	Strengths (S)	Weaknesses (W)
	S1: Diversified insurance products S2: Financial capacity is quite good and growing S3: Business network is increasingly expanding S4: Investment portfolios are pretty safe	W1: the quality of human resources is not high W2: Insurance agents lack knowledge and information
Opportunities (O) O1: Legal framework gradually improved O2: Strong development of technology O3: economic openness policy O4, O5: others	(O2+S3): use technology to expand business network (O3+S1): creating products that meet diverse needs in an integrated economy	(O3+W1): Staff exchange among enterprises of the countries to improve qualifications and technology transfer.
Threats (T) T1: The unhealthy competition of the market is increasing T2: risks from natural disasters and epidemics T3: time and cost for AI application is high	(S2 + T4): Hiring high-quality human resources to support AI applications in the industry. (S1+T3): Create products that help reduce risks in the face of natural disasters and epidemics.	/

V. CONCLUSION

From the research results, the revenue of the whole market has a continuous increase from 2015 through 2019. Premium volume accounts for the largest proportion of the total market revenue. So, the insurance industry has a large scale and considerable growth. The total number of insurers, insurance brokers, and employees in the industry increased gradually from 2015 to 2019. In particular, non-life, life insurance companies, and insurance brokers all increased. The total number of employees in the whole industry increased doubled. The insurance market has become an effective long-term capital mobilization channel of the economy.

In SWOT analysis, the Vietnam insurance market has the strength of products, financial capacity, business network, and investment portfolios. The weaknesses of the market including the quality of human, knowledge,

and information of the Insurance agents. Vietnam's insurance market has the opportunities of legal framework, technology, economic policy. Thus, Vietnam's insurance market face many threats include competition of the market, cost of the technology application.

VI. IMPLICATIONS FOR THE SOLUTIONS TO DEVELOP VIETNAM INSURANCE MARKET

From the research result, this article proposed some implications for solutions to develop the Vietnam insurance market:

Firstly, apply technology to diversify insurance sales channels, promote new distribution channels such as online sales, social networks. Take advantage of strengths in technology and marketing to promote and improve people's understanding of insurance.

Secondly, create opportunities for Vietnam to sign trade agreements, increased trade in goods will stimulate demand for non-life insurance products to protect goods. Insurers do market research and seize opportunities to create the right product.

Thirdly, take advantage of the opportunity that the demand for insurance is increasing due to the continuous development of the economy. Seize opportunities from cooperation programs, exchanges between international associations to send staff to improve their expertise, learn the application of technology, process data from developed countries.

Lastly, through natural disasters and epidemics, people's awareness of insurance ownership gradually becomes important, businesses research potential customers to come up with suitable products.

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