

Solution Attracting Customers to Participate in Life Insurance in the Vietnam Market



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ABSTRACT: Vietnam is a potential market for life insurance, but so far, the growth rate of life insurance has not been commensurate with a densely populated market like Vietnam. The purpose of the article is to give an overview and preliminary view of the development of life insurance in Vietnam. There are still limitations in the business activities of these enterprises. The ability to expand market share and necessary solutions for life insurance businesses in Vietnam.

KEYWORDS: Business, Life insurance, Potential, Vietnam

1. INTRODUCTION

Life insurance plays an important role in providing capital to the economy and providing financial security for participants and their families when faced with risks. In developed countries, the rate of people participating in insurance as well as life insurance reaches over 90%, greatly contributing to ensuring social security. Vietnam is a country that develops its life insurance network quite late compared to other countries in the world. According to the Insurance Association of Vietnam [IAV], the number of people participating in buying life insurance products is less than 15% (IAV, 2022), much lower than the potential. The growth rate of life insurance businesses has increased rapidly in recent years with an average of 20% (IAV, 2018-2022) but there are many problems due to hot growth. The number of contracts canceled in the first three years accounts for a high rate, about 20% in 2022 (IAV, 2022), this number has decreased a lot compared to 46% in 2018 (IAV, 2018) but still very worrying. The reason why life insurance businesses operate in the new market, the majority of people who have not participated in any type of life insurance are still struggling to find customers and retain customers. This article aims to understand the current situation of the life insurance market in Vietnam. Life insurance businesses have the ability to find potential customers or not. What difficulties should be considered and solutions for businesses to solve these problems?

2. VIETNAM LIFE INSURANCE MARKET

Combining the two factors of a young population and the strong development of Vietnam's economy, insurance is really a useful tool to help people achieve financial security. Therefore, life insurance businesses need to come up with new and more creative solutions so that the benefits of life insurance are spread to everyone. Currently, there are 19 personal insurance companies operating in the Vietnamese market (AIV, 2022). In 2022, the total assets in the insurance industry are estimated at 849.4 trillion VND, and the whole industry has invested back into the economy at 708.4 trillion VND, up 14.4% over the same period (IAV, 2022). This shows that Vietnam's insurance market is not only a useful financial protection tool for investors but supporting almost all economic sectors: from property insurance to aviation insurance to insurance. Credit insurance, health insurance ... but also considered as one of the medium and long-term capital channels for the economy. From the side of experts and insurers, continuing to develop and promptly complete supporting mechanisms and policies, and gradually improving the publicity and transparency will contribute to promoting the healthy and safe development of the market complete and effective. Groups of solutions to improve the business environment and enhance competitiveness implemented by the Ministry of Finance in recent years have brought positive results to the Vietnamese insurance market. For insurance companies, improving operational efficiency and accelerating growth is important, but it must go hand in hand with quality. Expanding scale, expanding market share, and expanding portfolio must be accompanied by improving the quality of insurance products and services and ensuring the ethics of insurance employees. The negative information about insurance businesses in the media still mainly focuses on pressing issues and denunciations from customers related to insurance contracts, compensation, and insurance payments. Therefore, in order to ensure the quality of growth, enterprises need to simultaneously strengthen the training of employees with

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solid insurance skills and develop a process to resolve conflicts and disputes reasonably, ensuring good interests, and the best for customers.

2.1. Life insurance market share in Vietnam

In 2022, the largest market share of the group of 5 enterprises is Bao Viet Life at 18.8%, Prudential at 17.7%, Manulife at 17%, Dai-ichi Life at 12.7% and finally AIA at 10.3% (IAV, 2022). The total number of life insurance policies as of the end of 2022 is 13.9 million policies (IAV, 2022). However, in the first 6 months of 2023, the mining market share fluctuated sharply.

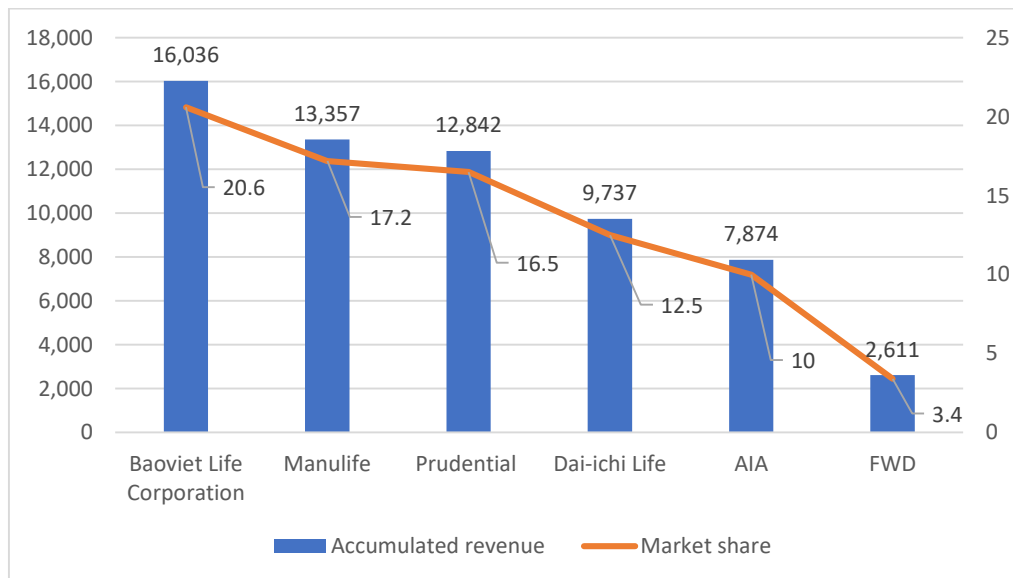


Figure 1. Accumulated premium revenue in the first 6 months of 2023

Unit: billion

Source: IAV, 6.2023

Life insurance business Manulife faced a strong crisis because of its banking distribution channel, new sales fell two places to the third position. Specifically, in the first 6 months of the year, British insurance group Prudential led the way. First in terms of new insurance premium revenue with VND 2,740 billion, Dai-ichi Life of Japan with VND 2,046 billion, Manulife of Canada with VND 1,976 billion, Bao Viet Life with VND 1,912 billion and finally Sun Life of Canada ranked in the top 5 with revenue of 1,183 billion VND. However, in terms of accumulated premium revenue, Baoviet Life Corporation is still leading with 20.6%. Firms not shown in Figure 1 have a market share of 3% or less and account for a total of 19.8%.

2.2. Number of life insurance policies

As we have mentioned, the number of life insurance policies canceled in three years is always high. However, the growth rate of new mining contracts has always been higher than the number of cancellations, so since 2014 we have only seen an increase in the number of contracts over the years. This number changed in the first 6 months of 2023, new mining contracts fell sharply and did not catch up with the rate of policy cancellations. This is the first time the number of life insurance policies in the whole market has decreased. Life insurance premium revenue of the whole market in 6 months was estimated at VND 77,830 billion, down nearly 8% compared to the same period last year. New mining revenue is estimated at VND 15,500 billion, down sharply by 38%. The whole market has 13.35 million life insurance policies (main product) in effect, down about 550,000 policies compared to the beginning of this year (IAV, 6,2023). This information is a wake-up call for insurers in business, distribution and customer retention. The reason for this decline may be due to the impact of the incident of not providing the correct contract terms to customers at the end of 2022. Customer confidence collapsed, causing a "butterfly" effect that caused the number of customers to fall. New sales contracts in the whole market in the first half of the year fell sharply by 31% y/y to 1,028 million contracts (IAV,6.2233). In addition, there are about 1.5 million contracts canceled or invalidated by customers in 6 months. This number includes customers who actively cancel, stop paying fees before the deadline, and even contracts that have expired. A bancassurance distribution channel is the channel with the most decline. Traditional distribution channels are also affected, but less so than through banks.

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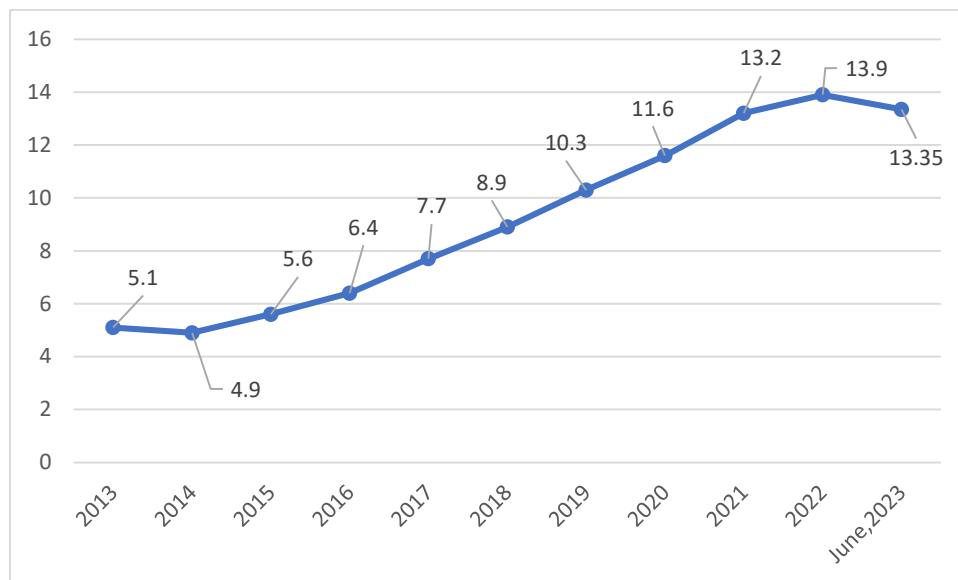


Figure 2. Contracts across Vietnam's life insurance market

Unit: Million contracts

Source: IAV, Insurance Yearbook

3. METHODS

Through secondary data collected by document research method, the authors have presented the situation of the life insurance market in Vietnam. The data is aggregated and put into each item to serve as a basis for analysis and assessment of the business performance of enterprises. Evaluation of the market share and the possibility of expanding the life insurance market in Vietnam. By analytical method, we also make judgments about difficulties and find suitable solutions to help life insurers in expanding the market.

4. RESULTS

4.1. Difficulties of the current life insurance market

Through the incident of causing loss of trust from customers from the Bancassurance distribution channel, we see more and more weaknesses in business activities that still exist. Brokers compete with each other, work unprofessionally, randomly add terms and conditions and reduce premiums. All of this negatively impacts insurance companies and the insurance market. Accept reduced commission to gain market share. Sales pressure can cause employees to use various methods to damage the company's image, which can affect the management company and its customers. The insurance market is lacking in highly qualified personnel. In addition, the skills shortage related to digital transformation is also posing a dilemma for today's insurers or leaving their employees on short notice. This poses many risks for the company and the market. The information technology infrastructure of insurance enterprises is not synchronized. Insurtech is still in the early stages of development and is not yet effective compared to traditional sales channels. Information between businesses and customers is asymmetric. Thus, in order to revive the upward momentum, insurance businesses need to solve many difficulties.

4.2. Possibility to expand the life insurance market

Since the opening of the market, Vietnam's economy has undergone drastic changes. In addition, our insurance market in general and in the personal insurance sector, in particular, continues to expand. The wide participation of all sectors of the economy in the insurance service business. Companies use a wide variety of life insurance products to serve their customers, partly to meet the diverse and diverse needs of policyholders and create competitive choices for customers. The financial performance of insurance companies has been significantly enhanced by equity and operational reserves, which greatly increase the solvency and holdings of each company. It generates substantial capital investment and reinvestment in the economy. Investment activities of insurance companies are becoming more and more important. This is really an important capital mobilization channel for socio-economic development. Investment capital structure has changed significantly from short-term investment to long-term investment. However, as the number of licensed insurers increases, the already competitive insurance environment becomes more and more challenging, especially with a greater impact on human capital. Insurance companies must actively develop appropriate business strategies, expand distribution networks and, more importantly, improve the quality of insurance products to stimulate people's insurance demand. Quality inspection and payment services. Today, insurance is no longer a strange concept

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to society. People are becoming fully aware of the role and importance of insurance in their communities and personal lives. With this interaction, the insurance market share may not shrink as before.

4.3. Some solutions to reach customers

Digitization Application

The insurance industry is noted to be a highly concentrated industry, with the top 5 life insurers accounting for 80% of the market share. Competitive pressure is increasing among insurers in order to gain market share and compete for the leading position. With the onset of Industry 4.0, insurance companies have realized that they need to use digital technology as a springboard for growth. 82.4% of insurers said that they are in the process of building a strategy to develop sales channels via the Internet, of which 64.7% have built a strategy based on two main factors of the Industrial Revolution 4.0. is the Internet of things [IoT] and Big Data. Currently, many non-life insurance companies such as Baoviet Life Corporation, Manulife, Prudential, and Dai-ichi Life have implemented claims management using digital technology. Life insurance companies such as Prudential and Aviva have also received very good support from the Parent Company, a global company that uses chatbots invested in artificial intelligence technology to support business operations.

Product innovation

Developing new products is also one of the focus orientations of insurance enterprises in the coming period. In the context of an increasingly developed society, people become more concerned about health issues and protecting their own interests, researching new products, and serving the right needs and the right customers is important. extremely urgent. In Vietnam Report's survey of insurance users, the majority agreed that the company's continuous research and development of new products for different customers is a decisive factor in the reputation of the insurance company on the media. From 2017 to now, many new products have been launched, especially health-related products, which are focused on exploiting both life and non-life insurance sectors.

Competition expands the network

One of the solutions that insurers are currently promoting is to increase market coverage and constantly expand their network. Not only developing the network through the establishment of branches and offices; businesses are also quick to promote new distribution channels such as online sales, and social networks and expand product cross-selling cooperation with partners such as associations, fintech companies, healthcare service companies, etc. health care. Partnership with fintech companies (organizations that apply technology to all financial activities to provide customers with technology-based financial products) is also a new element of the market. insurance. Many insurance businesses responded that they planned to expand cooperation with fintech companies, with the intention of linking the development of distribution channels, and cooperation in insurance services on the internet and in the field of payment.

To make the benefits of life insurance more known

In fast-developing countries like Vietnam, people's awareness of insurance and life insurance is still inadequate. Many customers do not understand the difference between different types of insurance products and the specific benefits of each product group. Solutions for the new generation we should be implementing include simplifying insurance publications and illustrations, using language that is easy to understand. Along with this, we will use technology to make the buying process simpler, faster and more transparent. With collaborative and creative thinking to simplify the life insurance buying process and shorten the gap between life insurance and Vietnamese people, life insurance companies are ready to innovate to spread the word, about the benefits of life insurance.

Bringing life insurance closer to young people

The majority of people participating in life insurance in Vietnam are in the age group of 30-45 years. Young workers have not paid much attention to their health and are not familiar with the concept of life insurance. But we can change this through integrating technology, digitizing processes, and using social media to reach customers. Young people were born in the digital era, so to attract this tech-savvy generation, the best way is to invest in digital channels. Another way to attract young people to life insurance is to create attractive career opportunities. Companies should communicate together so that young people understand that coming to life insurance, they will be able to work with a flexible schedule, have the opportunity to achieve high income even at a young age, and can continuously develop their network of relationships.

Working together

We often hear about competition in the life insurance industry - companies seem to be watching, wary of each other. Although competition is real, life insurance companies all share one thing: Life insurance is meant to help people. Therefore, to spread the spirit of help and benefits of life insurance, companies should cooperate and create synergy. The Vietnam Insurance Association

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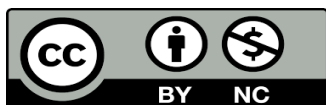
understands this and is promoting cooperation between companies by creating a network and space where insurers can meet and exchange experiences.

5. CONCLUSION

The article with some of the above solutions hopes to help life insurance businesses have a new approach to customers. Find a way for life insurance products to reach everyone. This is not only meaningful in terms of revenue and profit for insurers, but also a goal to help Vietnam's social security become more stable and sustainable.

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