

# Vietnam Life Insurance Industry - Digitalisation Trends

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Research Sponsor:



# Overview of the Life Insurance Industry in Vietnam

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## Life insurance industry has seen rapid growth

The life insurance market in 2015 was VND 38,110 billion (USD 1,690 million), growing by 34.4% over 2014, the highest growth rate in a decade.

For the first six months of 2016, the life insurance market size was VND 21,532 billion (USD 959 million), with a growth rate of 31.6% over the corresponding period in the previous year.

The number of insurance contracts has not grown in the same proportion as revenue, indicating growing value of insurance contracts.

## Strong drivers for future growth

Drivers for life insurance growth in Vietnam include low insurance penetration, demographic factors such as rapid urbanization, rising middle class, and increasing per capita income.

Recent regulatory changes have fuelled foreign investment and competition in the sector.

The life insurance industry in Vietnam is expected to grow by double digits in the next few years.

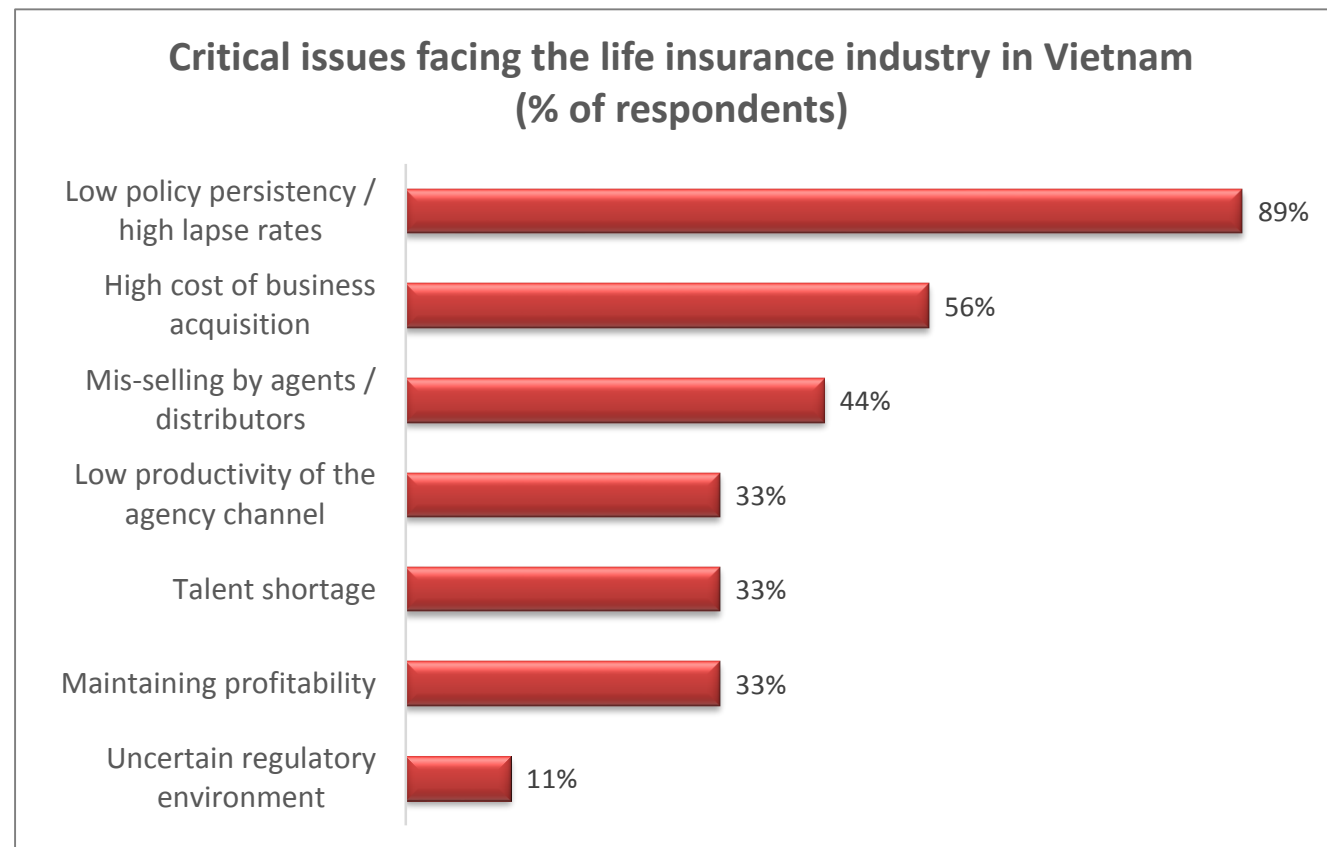
*Source: Insurance Association of Vietnam*

## Top Industry Issues

**Low policy persistency / high lapse rates** was rated by 89% of the survey respondents as the most critical issue facing the industry.

**High cost of business acquisition** was at second place, with 56% of respondents rating it as among the most critical issues.

44% of the respondents considered **Mis-selling by agents / distributors** as a critical issue.

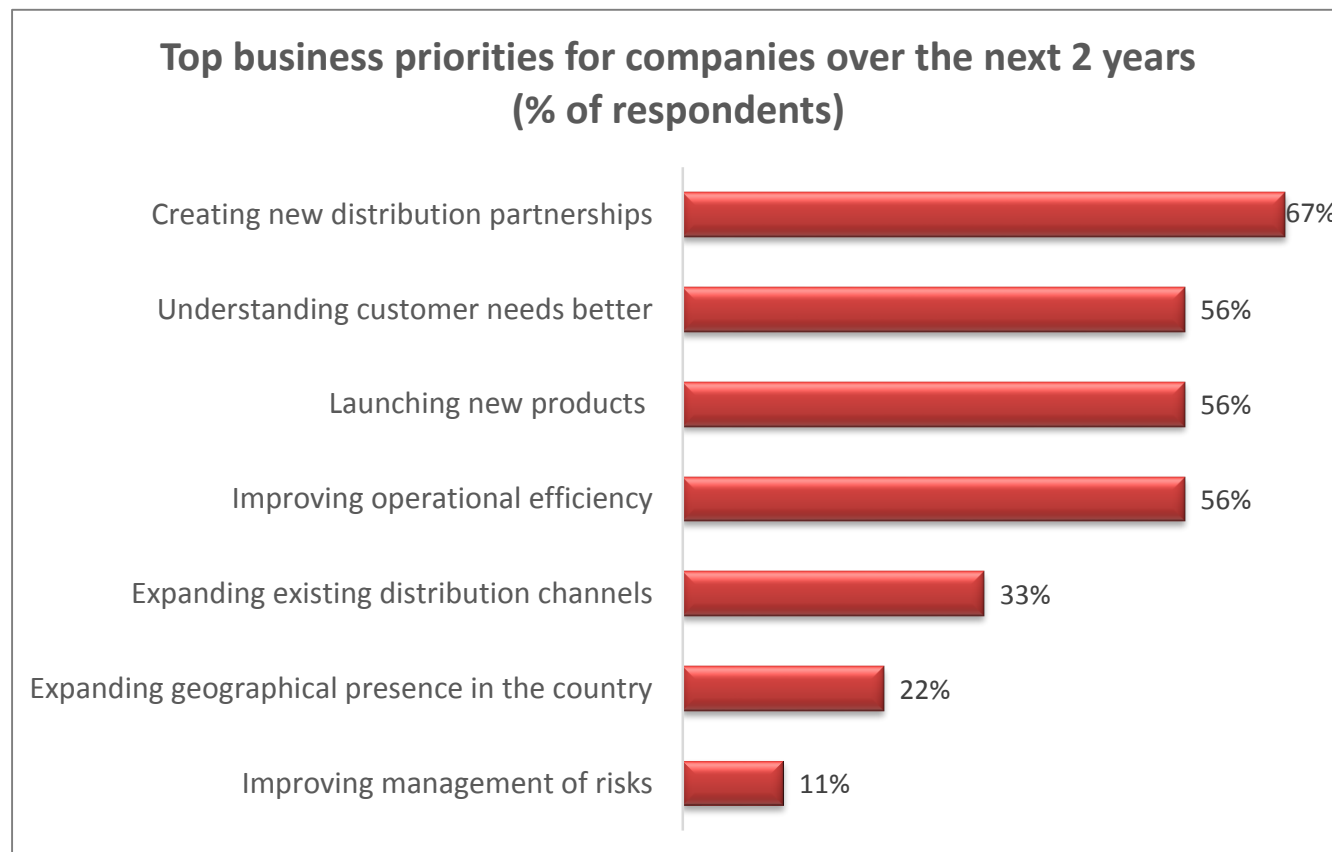


*Note: Based on a survey administered to senior technology and business professionals at life insurance companies in Vietnam at a Roundtable conference organised by Fintelekt in March 2017*

## Top Business Priorities

In keeping with the critical issues for the industry, which are largely distribution-focused, the top business priority for companies that participated in the survey is to **create new distribution partnerships** over the next two years.

**Understanding customer needs better, launching new products, as well as improving operational efficiency** were also considered as important by the respondents.

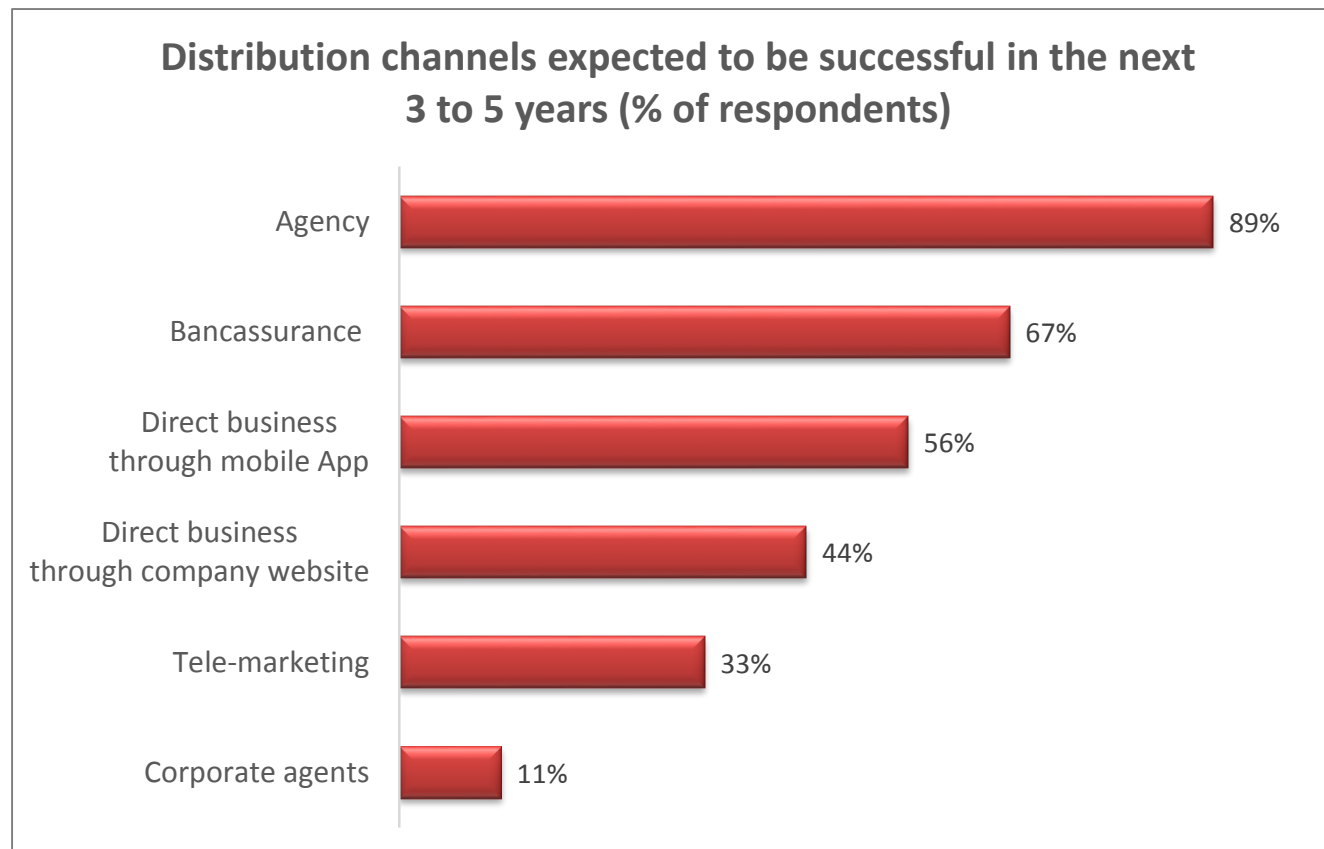


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## Distribution Channels – Future Trends

Among the insurance companies that participated in the survey, 89% felt that **Agency** will continue to be the most successful distribution channel in the Vietnamese life insurance market in the next 3 to 5 years.

However, **Bancassurance** and **Direct business through mobile App** are also expected to contribute to business acquisition in the next 3 to 5 years, signaling a likely trend towards **multi-channel distribution**.

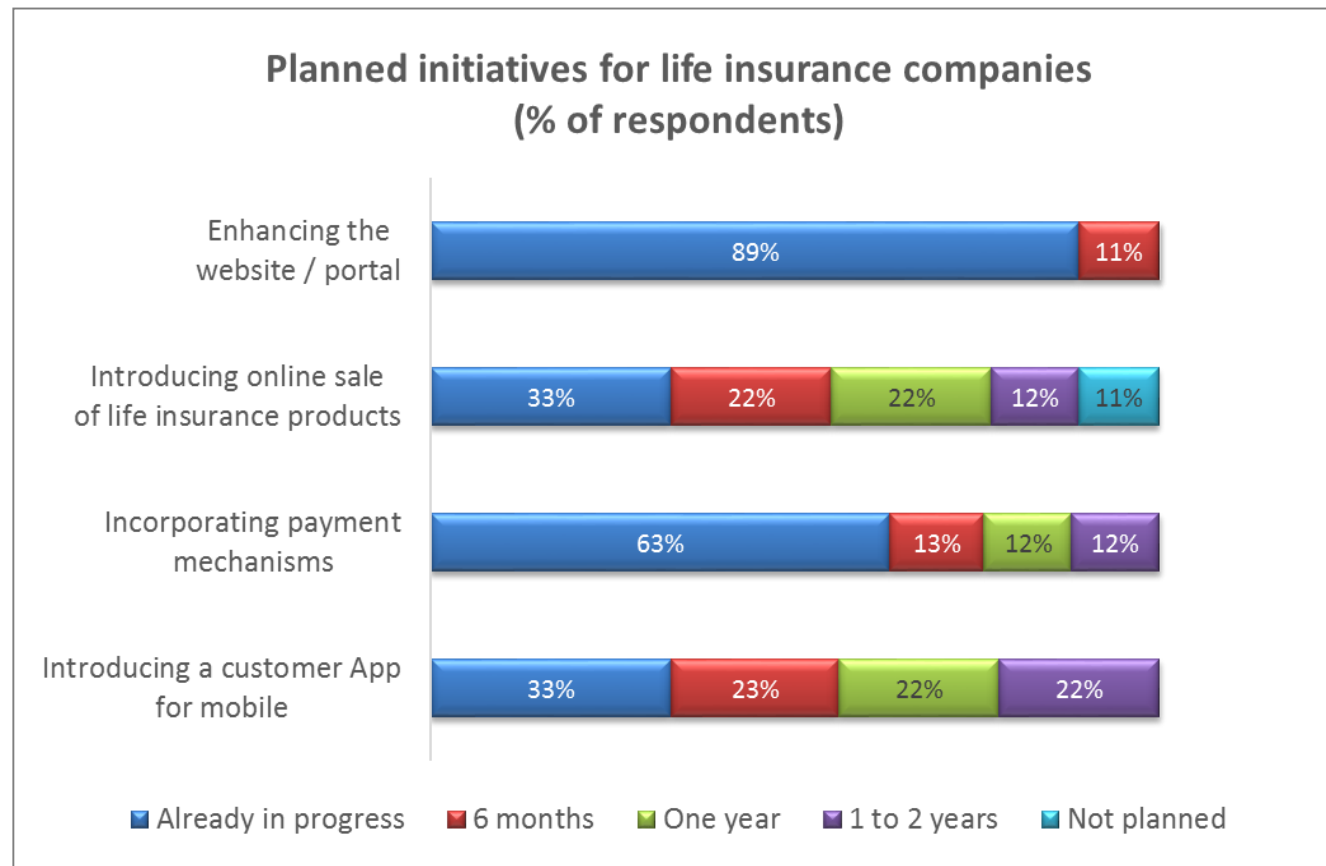


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## Plans for Digitalisation

Companies are already making progress towards digitalisation, especially in distribution enhancement, by investing in improving web portals and incorporating payment mechanisms.

A significant majority among the companies that participated in the survey are planning to introduce online sales of life insurance products and introduce a customer App to sell and service policies within the next 1 to 2 years.



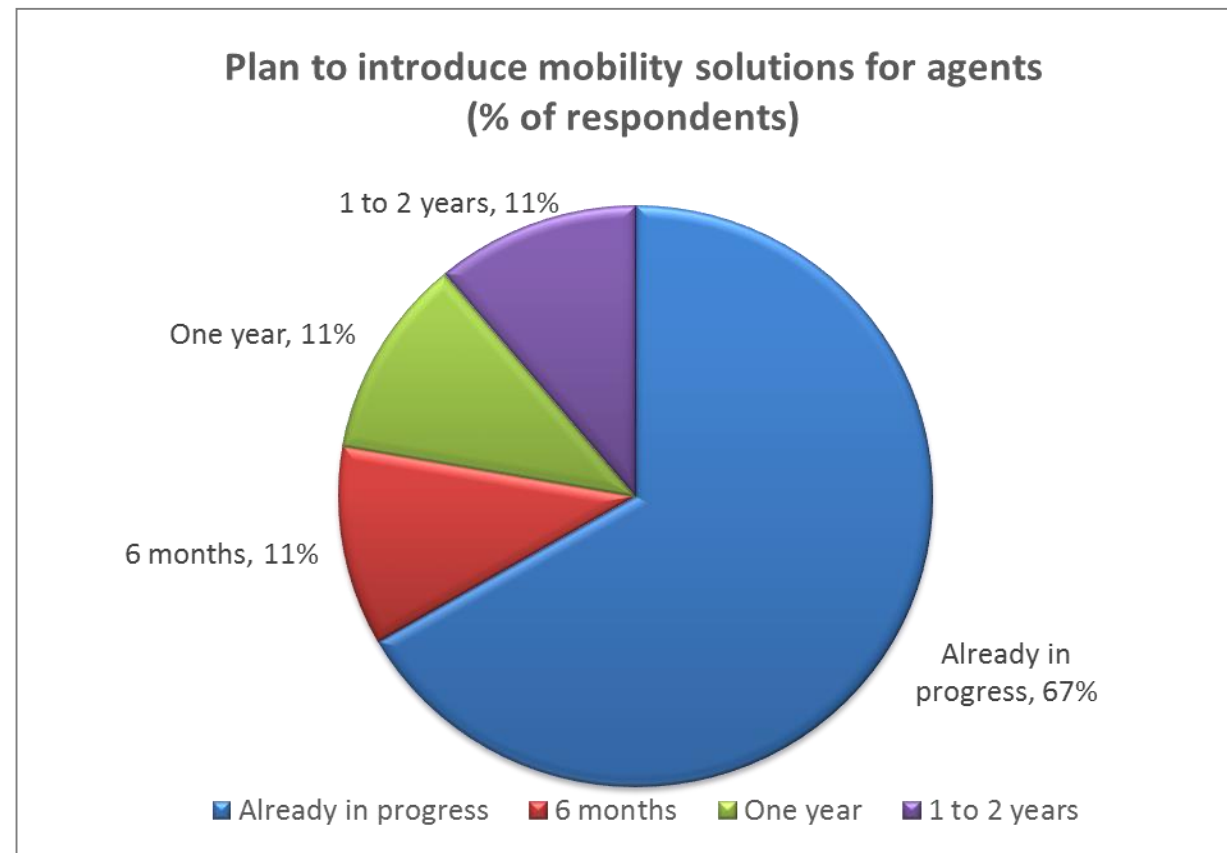
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## Digitalisation of Agency for Efficiency and Productivity

Agency is expected to be the most important distribution channel for companies in the next few years.

67% companies are already in the process of putting in place solutions aimed at improving agency efficiency and productivity.

The remaining companies plan to introduce mobility solutions within the next two years.



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## The Road Ahead

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Life insurance companies in Vietnam are at early stages of digital adoption, and are contemplating a planned and cautious approach to digitalisation.

Adoption of digital can help the industry move from a product-centric to a customer-centric approach.

Investment in people, training and effective governance structures to lead and implement digital initiatives will be the key to success for insurance companies.

### Benefits of Digitalization





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