

THE BENCHMARKING OF LIFE INSURANCE INDUSTRY: THAILAND AND SINGAPORE CASE STUDY

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ABSTRACT

The objective of this independent study is to evaluate and compare the competitiveness of the life insurance sector in Thailand in the light of the rapid development of this industry in ASEAN and with AEC beyond 2020. The benchmarking study is based on intense data research and analysis encompassing the total life insurance industry in both countries. The guiding principle is to use data for the purpose of cross-border comparisons, allowing for 'best practice' analysis, SWOT analysis and 'gap' analysis. Finally, the Porter's 'Diamond' model will be used as an analytical instrument for the evaluation of competitiveness of the industry between nations. Major results from data analysis and the benchmarking process can be summarized as:

The market development for life insurance products in Thailand has been driven with high annual growth rates in terms of volume and value in recent years as in Singapore. The overall financial performance of the industry in Thailand is similar to the success in Singapore or even superior with regard to financial ratios, like Return on Assets (ROA). In areas such as technology and human resource development, Singapore seems to be more advanced than Thailand, and also the cultural environment and awareness for long-term savings and protection plans apparently had been more favorable to Singapore in the past. The competitive capabilities in particular areas like e.g. distribution of the leading five to eight life insurance companies in Thailand are promising, although there is a room for further improvement of direct marketing channels.

Future growth and success in life insurance sector in Thailand may depend on openness for new business models, innovative product development and embracement of digital technologies.

Finally, it can be concluded that life insurance sector in Thailand will be regarded as a growing industry with high value potential and will receive adequate support from public agencies and institutions.

Keywords: Life insurance industry; competitiveness; benchmarking

Background and significance of the study

Life insurance is one of those financial intermediates. Commonly it is used for the purpose of financial protection (Willis Towers Watson [WLTW], 2014). The intention of this paper is to examine whether or not the life insurance industry in Thailand has become more competitive in direct comparison with Singapore's. Moreover, it is shown how well insurers are responding to the changing dynamics in the market place and the needs of consumers.

Market review in Thailand

In 2015, Thailand's life insurance industry has increased continually even though coping with many problems such as regulatory developments or slower economic restoration with effects on business and private consumption. At the end of 2015, the total of written premiums was 537,509 million Baht, with a growth rate of 6.7% compared to the previous year (TLAA, 2016).

Life insurance policies are sold in various distribution channels. In 2015, the agency was the leading distribution channel. Through this channel, policies were sold with a premium of 274,763 million Baht, which is 51.1% of the number of policies and the growth rate was 5.7%. The second distribution channel was Bancassurance with a total premium of 228,581 million Baht. This is 42.5% of policies sold and the growth rate was 8.4%. The third distribution channel was direct marketing, at the premium of 15,663.3 million Baht, where 2.9% of policies was sold and the growth rate was 4.5%. In the past 30 years, Thailand's life insurance market has grown significantly at 15% p.a., with a growth rate over the past ten years being higher at the rate of 19.1% p.a. (TLAA, 2016).

Market review in Singapore

Singapore is one of the top developed countries in Southeast Asia (SEA) according to the Global Competitiveness Index. In the life insurance market, the data retrieved from the Monetary Authority of Singapore (MAS) and World Bank indicate that each Singapore Citizen had at least one life insurance policy in 2000. In 2014, the number of policies increased up to 2.4 policies per person (MAS 2015).

Life insurance: What it is

The concept of life insurance had been initiated from the idea of risk management because the effects of an unexpected financial loss are violent. Individuals and corporates usually like to reduce the level of risks exposed whenever possible. Risk management is a process to identify and to assess financial risks: avoiding the risk, controlling the risk, transferring the risk, or accepting the risk. Insurance is the most widely used risk management tool for individuals and businesses. As a method for transferring risks from an individual or legal entity to an insurer the insurance protects against financial losses from incidents such as sickness, accidents or death. The aim of insurance is to compensate for financial loss, but not to provide an opportunity for financial gain. For this reason, a pure risk is the only kind of risk that can be insured; a speculative risk cannot be insured.

Objectives

The intention of this study is firstly to analyze the key success factors of the life insurance industry with focus on marketing performance, financial performance and human resources; secondly to evaluate and benchmark the levels of competitiveness of the sector in both countries.

Theory

1. Benchmarking

Choochuayo, S. (2010) provided a definition of 'benchmarking' as the comparison of competencies including a definition of interesting matters that are related to organizational development from the best practice as the role model. She highlighted that 'benchmarking' cannot be seen as permanent. It can change over the period depending on 'the best' in the field. 'Best practice' refers to the most excellent practice that makes an organization succeed. Benchmarking can benefit to the organization, and also, in this case, to the insurance industry in terms of sustainable development and significant improvements from innovation.

2. Porter's Diamond theory (Michael Porter)

A well-known analysis tool on competitive advantage

of nations is Porter's Diamond model. (Narayana, Mer Vin, & Jose, 2013) The concept provides the understanding of competitive advantage of nations in terms of trading and producing internationally. The main focus is on individual industries or group of industries. The theory starts with industries that can affect the economy. The crucial part of the theory is to understand how firms create and sustain the competitive advantages. Michael Porter defined four main determinants of competitiveness of the nations: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. Each determinant under the theory also affects each other.

3. SWOT analysis

This to monitor the internal and external marketing environment of a business was originally developed between 1970-1960 by Albert Humphrey. The first introduction was called SOFT analysis and later changed to SWOT by the Long Range Planning seminar (Morrison 2012). The SWOT analysis was developed and commonly used as a tool for the main purpose of comparison between companies. Its aspects and definitions included:

- S represents the strengths – the advantages over other similar businesses.
- W stands for weaknesses – the disadvantages compared to other similar businesses.
- O shorts for opportunities – the external possibilities to boost the business's growth.
- T represents threats – the external or environmental factors that can cause problems for the business.

Tools

1. Herfindahl-Hirschman Index (HHI)

For calculation of this index, the market share of each company will be squared and then summed up. HHI will increase when there are a fewer number of firms and larger market share for each firm in the market. To interpret the results of HHI, a value between 1000 and 1800 is considered as moderate competitiveness and a value above 1800 is considered as high competitiveness (Stuff Economics (n.d.).

2. Return on assets (ROA) and company size

The return on assets (ROA) is a ratio to measure

the profitability of all assets used in finance to obtain returns. This ratio measures the company's performance and the assets effectively. The higher is the better. The ROA is calculated as follows: total premium income minus the cost of policy benefit and legal reserve plus investment income (premium income- cost of policy benefit + investment income), and divided by total assets.

$$\text{ROA} = \frac{\text{Net income}}{\text{total assets}}$$

Research methodology

"The Benchmarking of life insurance industry: Thailand and Singapore case study" is a qualitative research using publicly available information about the structure and performance of the life insurance sector in Singapore and Thailand.

To support the recommendations for further trends of the life insurance business, the researcher conducted an interview with an expert of the life insurance business in Thailand. Then, the researchers were prepared to analyze comparatively between countries and to generate recommendations for further developments.

Limitations of research

Quality of empirical research depends on data. On the insurers' side, data are missing e.g. regarding 'productivity' of the marketing and sales force on company level. These data are publicly not available. On the buyers' side specific socio-economic data such as age, gender, level of education, income, assets, family situation etc. are lacking. Thus, if 'big data' pools would be accessible for academic research about an industry that plays a crucial role for the wellbeing of larger parts of population, the further development of this sector could be better supported.

Results from secondary data analysis

Demographic developments

67,976,405 is the estimated number of persons in Thailand (2015). In Singapore, the total number is 5,674,472 (July 2015). With a median age of 36.7 years (2015 est.) Thailand's population is slightly above the median age of Singapore, which is 34.0

years (World Factbook). As of current, about 15% of the population in Thailand reached the age of 60 and over. By 2030, this number will rise to 25%. (Amornvivat, 2015)

The total size of the labor force is around 42 million in Thailand and 3.6 million in Singapore.

Financial resources to acquire life insurance products

The key question to determine the size and value of the market for life insurance products is about the buying power of the consumers in Singapore and Thailand. For a comparison of both countries, the gross national income (GNI) per person in current USD can be used. In Singapore the value is USD 55,150 (2014) and in Thailand USD 5,780 (2014), almost 10 times less (World Bank).

Market size for life insurance products in Singapore

The market size in Singapore can be defined as being equivalent with the workforce of 3.6 million people as the upper limit. Realistically, for the purpose of buying life insurance products, the maximum number is estimated in a range of 1.8 to 2.2 million people.

Market size for life insurance products in Thailand

Assuming that buying decisions for life insurance products are made in the age group 25 – 54 years, then the total number of persons is roughly 32 million (World Factbook). In 2014, the total number of life insurance policies is 19.7 million (TLAA 2015). It is unknown how many persons purchased the policies, but a relation of 1:1 is certainly not realistic. Most probably, the 19.7 million policies belong to a range of persons between 10 and 15 million. Out of the estimated total market size of 32 million persons roughly 20 million people are still uninsured. In other words, only one in three persons has acquired one or more life insurance products.

Marketing of life insurance products in Singapore

In 2015, the majority of all new policies have been sold by 'tied agents' (60%). Over a period of five years this number remained nearly unchanged, while bancassurance lost a few percentage points, and financial advisors (FAs) and direct marketing channels (Others) benefitted. The volume of the new business fluctuated considerably in recent years

with annual growth rates between 5% and 19% (LIA 2016).

Early 2015, a new phase of direct marketing in Singapore has been started: direct selling without commissions and without advice. The premiums of the broadly standardized life insurance products are lower than comparable products. A dedicated interactive web portal supports consumers to understand the features of the products from different companies and to compare the prices. This initiative is a joint effort of the government, the central bank (MAS) and the life insurance industry to promote financial instruments for long-term saving and protection (MAS 31.03.2015).

The degree of concentration (HHI) of the life insurance industry in terms of market shares is relatively moderate. The first four companies out of 19 were leading the market, combining between 70% and 80% of market share (LIA 2016).

Marketing of life insurance products in Thailand

With 51% of total premium, the agent channel was the main channel, but accounted only for 35% of new business in 2015. Bancassurance dominated new business with premium earning at 57%. Direct marketing contributed with a share of 3% (total premium and new business) (TLAA 2015). In recent years the new business development achieved high growth rates year-on-year apart from 2013. The degree of concentration (HHI) is significantly lower than in Singapore. The first four companies just combined 56% of market share related to new business in 2014.

Comparison of marketing performance between Singapore and Thailand

Despite the rapid growth of the life insurance business in Thailand in recent years, the ratio of policies per person discloses a much higher penetration of the market in Singapore. With 2.4 policies per person the number is 8 times as high as in Thailand. These penetration ratios are a clear indicator for the different stages of development of the life insurance markets in both countries. Besides they point at the huge potential for life insurance products in Thailand: the average sum insured of the total number of life insurance products is 246.000

Baht. This amount is not sufficient for retirement planning over a long period of 15-20 years.

Distribution channels such as direct/telemarketing of life insurance products, typically via call centers, direct mailing, and websites, only play a minor role in Thailand with 3% from direct marketing and 5% from other channels. These channels account for 16% in Singapore.

Commission ratios in percentage, calculating the amount of money being paid to agents and other distribution channels in relation to premium income, have been reduced in recent years. Life insurance companies in Thailand seem to manage direct costs of distribution more effectively.

One major factor indicating customer satisfaction is the 'persistency ratio' of 1st year premium. It means the percentage of policies that have not been cancelled during the period of 12 months. This ratio is significantly higher in Singapore with 99%, compared to only 86% in Thailand (2014). When 14% of new policyholders in Thailand decided to cancel the policy within 12 months, the customer satisfaction in Thailand can be regarded as much lower than in Singapore (MAS, 2015; TLAA, 2015).

Comparison of human resources between Singapore and Thailand

Although the number of life insurance companies in Singapore (19) and Thailand (23) is very similar, the total number of staff in the life insurance sector differs in 2014: in Thailand 3 times of the staff (16,946) is needed in comparison with Singapore (5,813). The number of marketing representatives in Singapore who held exclusive contracts with companies that operate a tied agency force is 20 times lower than the number of licensed agents in Thailand, 14,224 vs. 273,600. (LIA 2015, OIC 2015)

It is noticeable that one specific group of professionals is in short supply in Thailand: actuaries. These highly trained academics estimate gender-specific life expectancies, calculate probabilities of fatal accidents and diseases etc., and compute the premiums in accordance with the available long-term investment options.

Financial performance of the life insurance industry in Singapore

During the period 2011-2015 the total sum of new business in terms of total weight premium had increased from 2 billion SGD to 3 billion SGD (+50%). The growth had been stimulated mainly by the launch of new products in 2011 and 2013. The annual growth rates did not show a stable growth pattern year-on-year, but had proven that growth following years of extreme performance (2011 and 2013) could be maintained in the subsequent year. Accordingly, the development of total managed assets increased during this period from 118.3 billion SGD to 155.8 billion SGD with annual growth rates between 1% and 9% (LIA 2016).

Financial performance of the life insurance industry in Thailand

Between 2010 and 2014 the total written net premiums (1st year premiums) had surged from 58.8 billion Baht to 100.2 billion Baht (+91%). The year-on-year growth rates confirmed a very robust development in Thailand's life insurance sector, even stronger than in Singapore. The growth rates of total assets under management were more than twice of the rates in Singapore, between 11% and 20%. (TLAA 2015)

Comparison of financial performance between Singapore and Thailand

The most robust indicator of financial performance is ROA. The five-year comparison of ROA discloses a stable development in Thailand, almost doubling from 1.19% (2011) to 2.19% (2014). Singapore differed by stronger fluctuations year-on-year due to higher risk exposure in the capital market with a share of investments of 25%, Thailand only with 13%. In Singapore, the range of returns on investment was between -0.5% and 11.8%. The average was 5.2% in 2014. In Thailand, the majority of the companies achieved a yield rate 1 (comparable to the return on investment) between 4% and 5% (MAS and TLAA, 2015).

Results from expert interview

The interview was conducted based on the questionnaire using the Porter's Diamond model:

Factor condition: Human resources

From the perspective of the company, it is critical to define a motivating balance of sales targets and financial rewards to stimulate the marketing activities and the productivity of the sales agents. Therefore, the growth expectations of the company can only be fulfilled when the 'fundamentals' are in place: a mix of factors ranging from the personality of the sales agent to financial incentives. The pure size of the sales force is not the critical factor that drives growth: it is productivity.

Factor condition: Knowledge

When the marketing and sales representative is enabled to understand the needs and expectations of a customer, it is easier to identify the suitable product for the customer and to build trust, thus professional training enhances customer satisfaction and leads to longer lasting customer relationships.

Factor condition: Capital and investment

Investments into technology to provide e.g. a modern IT infrastructure that allows for efficient workflows is essential. Modern technology also attracts capable and ambitious professionals who value the support of technologies at the workplace.

Factor condition: Infrastructure and environment

The specifics of Thai culture and the perception of the insurance industry in general represent still a hurdle to overcome. The willingness to anticipate the financial consequences for the family e.g. in case of early death of the only person who earns an income is relatively low. To understand and to accept the fact that life insurance products offer protection against financial risks after sudden death or contribute to the monthly budget in the retirement phase is a long way to go. Coordinated efforts of the life insurance sector to inform and to educate the public about the advantages of the products for financial risk management are necessary.

Demand condition: Home demand composition

Currently, the penetration rate in Thailand is only 30%. From the view of the company there is a huge market to be developed. Besides individual customers the corporate customers are of high interest. These are companies who buy insurance products for their

employees to protect against health risks, risk of accident and death, and allow for long-term saving of the employees. This market of corporations for 'GROUP' policies is still in a very early stage of being developed. Out of the 460,000 registered private and public companies in Thailand only a small fraction in a range between 5% and 10% have purchased group policies so far. So this market segment is promising a high potential for further growth of the life insurance industry.

Demand condition: Demand size and pattern of growth

In general, the executive confirmed that the entire industry is on a growth path with annual growth rates around 10%. Temporarily, the further growth may be affected by uncertainties about economic developments. But the "big picture" is robust.

Firm strategy, structure and rivalry

The focus of a successful company should be directed on "need-base selling". This strategy facilitates the building of trust between customer and sales agent. The customer will maintain his policy for a longer period and will be more open for further engagements. A "push selling" strategy of some competitors is not rewarding in the long-term, because the customer will drop out of his policy if he is not satisfied with the product and his payment obligations. The entire industry must be more coordinated to develop the "best practices". The government and the regulator should focus more on transparency and on stimulating trust to the market. Regulation should be evolved and contribute to education of the market. Life insurance companies are committed to establish a well performing asset and liability management. Normally, insurers will secure their long-term liabilities by investing in long-term investment vehicles, e.g. government bonds. However, the current bond market in Thailand does not provide sufficiently long-term investment options that match with the long-term liabilities of the life insurance sector. This is clearly a disadvantage for the industry.

Related and supporting industries: Government

Although tax incentives are available for some life insurance products, it is noticeable that there is still

a disadvantage for a product type such as “Unit Linked”. This product is a combination of insurance and investment. Currently, some portions of the premium cannot be used for tax deduction by the taxpayer. The tax law considers only the pure life insurance premium as tax deductible. This situation can harm the further development of the life insurance market with a broader offering of attractive products for the consumers. The government should adopt the current regulation in order to stimulate the market by appropriate tax deductions.

Outlook “Digital insurance”: Technology and innovation

In addition, research from the global management consultancy EY concluded that challenges in data, technology and people are the top three. While in Singapore ‘Technology – infrastructure’ is of utmost importance, insurers in Thailand pointed on human resources as a challenge in the first place. (EY Ernst & Young, 2014)

Until now, the life insurance sector sells a product of high importance to the customer via agents and brokers, independent financial advisors and banks, creating distance between the insurer and the customer. Not surprisingly, the life insurance sector has only few contacts with the customer when compared to other industries. At the stage of digitization new entrants are likely to focus on ‘digital insurance’, and concurrently avoiding the costs of building and training a huge marketing and sales force to effectively compete with the leading companies. But also other insurance companies in Thailand, without any access to a distribution channel like ‘bancassurance’, may come to the strategic thinking that investments in technology (‘Big Data’; analytics) and digital communication with the customer can be superior. Therefore, the first strategic advantage over

Singapore is Thailand’s ‘geography’ in the digital age. In Singapore, it needs only a relatively small number of marketing representatives (14,224 as of 2014; LIA, 2015) and outlets to get in touch with the customer. However, in Thailand some leading companies have built a sales force of up to 90,000 agents across the country to only achieve about 50% of its business by this distribution channel. Companies who “embrace digital”, and manage the transition process successfully, can achieve cost benefits in a magnitude that is out of reach for companies who follow the traditional business model.

The second strategic advantage is the urgency to develop innovative products that better match with the highly untapped demand in Thailand. “Since most current Thai policyholders are in Bangkok, the insurance business has great opportunities for growth in the provinces.” (Bangkok Life Assurance, 2015). It only needs a new, basic product range, transparent and flexible, easy to understand and convenient to buy, with a high potential for value-added services and cross-selling activities. Once the changing customers’ needs are better addressed in Thailand, and the companies with the new digital products have gained traction, they may be better equipped to serve the demands of customers in AEC, too. Thus, the third strategic advantage is the higher capability to compete in international markets when profiling as a ‘low-cost savings provider’, driven by modern technologies and cost awareness, anticipating changing customer needs.

Benchmarking analysis

Based on the findings of the quantitative data evaluation the benchmarking analysis could be conducted.

Table 1 Benchmarking analysis between Singapore and Thailand

Parameters	Singapore	Thailand
MARKETING PERFORMANCE		
1. Number of policies per person	2.4	0.3
2. New business: agents' share of premium	60%	35%
3. New business: direct marketing share of premium	16%	3%
4. New business: growth rates of sum insured	14%	29%
5. Concentration index (HHI) for new business	1,414	1,044
6. Concentration index (HHI) for policies in force	1,636	1,265
7. Premium growth rate	8%	16%
8. Commission rates (1 st and 2 nd year combined)	42%	39.5%
9. Persistency ratio	99%	86%
FINANCIAL PERFORMANCE		
10. Return on assets (ROA)	1.9%	2.2%
11. Growth rate of total managed assets	6%	20%
12. Yield rate of investment	5.2%	4.6%
HUMAN RESOURCES		
13. Number of certified actuaries		
Ordinary level	425	131
Associate level	80	13
Fellow level	390	66

Out of the three areas marketing, finance and human resources; a total of 13 parameters were selected for benchmarking between Singapore and Thailand. These parameters serve as performance indicators of the life insurance industry. In most cases, the higher value is highlighted when it can be considered as the 'best practice' or superiority.

In case of no. 5 and 6, the lower value is more favorable as it indicates a lower degree of concentration in the industry. No. 8 indicates a lower commission rates what is better. To sum up, 7 of the 13 parameters for benchmarking are in favor of Thailand.

Gap Analysis

Table 2 Porter's 'Diamond Model' Gap Analysis

Dimensions of 'Diamond Model'	SINGAPORE	THAILAND	Gap analysis
Factor Conditions			
Certified actuaries	The number of qualified actuaries according to regulation requirements is high	The number of qualified actuaries according to regulation requirements is low	(-) The supply of this high qualified academics in Thailand is much lower and can cause issues
Investment Markets	Capital markets developed at high level matching the needs of the industry	Lack of long-term investment options to match long-term liabilities	(-) According to the expert long-dated bonds to secure long-term liabilities are rare in Thailand
Infrastructure	Adequate infrastructure available	Infrastructure building as an ongoing process	(N/A) Difficult to define as Thailand is in progress of development
Culture	Growing confidence in life insurance products for long-term protection	Cultural behavior as an adverse factor to long-term financial planning and saving	(-) The cultural behavior in Thailand is a limiting factor for the growth of the life insurance industry
Demand Conditions			
Growth Rate of Industry	Approaching a level of saturation of the customer potential with lower growth rates	Low penetration rate; high untapped customer potential in the provinces	(+) Thailand now has a smaller customer base, thus there is huge potential for growth
Education	Joint efforts by government and private sector to educate the population about insurance products	Education campaigns at a larger scale still missing	(-) A concept to raise awareness for long-term financial planning and saving is missing in Thailand

Dimensions of 'Diamond Model'	SINGAPORE	THAILAND	Gap analysis
Firm strategy, structure, and rivalry			
Strategy	Generating cash as a prerequisite for investments in new technologies	Developing stable business to generate cash by increasing productivity	(N/A) The strategy is different due to the business environment
Ownership structure	Government permits 100% foreign ownership	Government caps foreign ownership at 49%	(N/A) Different regulation; not eligible for evaluation
Rivalry	Trending to higher concentration	Moderately concentrated; high potential of rewards for companies who develop new business models	(-) Thailand has lower competition in insurance industry which could lead to high opportunity cost for innovation and product development
Related and supporting industries			
Financial Institutions	High presence of financial institutions with global connections	Sufficient presence of financial institutions	(N/A) Not significantly different
Framework	Adequate regulatory framework provided by government agencies	Adoption of regulatory framework under assessment (e.g. Thai RBC 2)	(N/A) Thailand also adopts the regulatory framework to oversee insurance industry

From the gap analysis it can be stated that in some ways Singapore's life insurance industrial environment supports the business more than in Thailand. In this area Thailand is still in an ongoing process.

Conclusions

Finally, the most relevant factors identified in the course of the data analysis can be presented from the perspective of Porter's Diamond model of competitiveness.

Competitive SWOT analysis: Porter's 'Diamond Model'

Table 3 Porter's 'Diamond Model' applied to the life insurance sector in Thailand

COMPETITIVE STRENGTHS	M. Porter's Diamond aspects
Robust sector with sufficient companies to develop the marketplace	Factor condition
Skilled labor available for most of the professional roles at reasonable costs, but shortage of professional specialists, e.g. actuaries and IT professionals	Factor condition
Infrastructure building as an ongoing process	Factor condition
High preference for educational training	Firm strategy, structure, and rivalry
Sufficient presence of financial institutions	Related and supporting industries
Adoption of regulatory framework under assessment (e.g. Thai RBC 2)	Government
COMPETITIVE WEAKNESSES	M. Porter's Diamond aspects
Cultural behavior as an adverse factor to long-term financial planning and savings for social protection	Factor condition
Diversity of products, but basic products at low costs still lacking	Demand condition
Public education campaigns at a larger scale still missing	Demand condition
Transition from 'push-selling' to 'need-base' selling not yet completed	Firm strategy, structure, and rivalry
Low preference for investment in technology on average	Firm strategy, structure, and rivalry
Disadvantage of some investment linked life insurance products due to lacking reform of tax law.	Government
COMPETITIVE OPPORTUNITIES	M. Porter's Diamond aspects
Huge market potential with corporate customers (Group business) and individual customers in the informal sector	Demand condition
Raising awareness of consumers about financial protection; increasing disposable income to be expected	Demand condition
Basic products at low costs can be very attractive for many customers	Demand condition
Partnering options are emerging in the context of industry consolidation	Firm strategy, structure, and rivalry
'Digital' insurance offers better customer interaction, cost-benefits and options for cross-selling activities	Firm strategy, structure, and rivalry
Cross-border expansion likely (e.g. Cambodia, Laos, Myanmar) beyond 2020 to stimulate further growth and internationalization	Firm strategy, structure, and rivalry
Developing sustainable business to generate cash by increasing productivity	Firm strategy, structure, and rivalry
COMPETITIVE THREATS	M. Porter's Diamond aspects
Lack of long-dated bonds for investment leading to mismatch of assets / liabilities	Factor condition
Global uncertainties and regional economic developments can negatively impact customer decision-making	Demand condition
New entrants ('FinTechs') with a new business model: profiling as 'low-cost savings provider', driven by modern technologies and cost awareness, anticipating changing customer needs	Firm strategy, structure, and rivalry

The SWOT analysis reveals a balance between competitive strengths and weaknesses. As the factors indicating competitive opportunities and threats are in favor of opportunities, the overall competitiveness of Thailand's life insurance industry is not endangered.

Discussion

The benchmarking approach is the key tool for comparing the life insurance industry between Thailand and Singapore. It will explore in each dimension according to Porter's Diamond model what are factor conditions, demand conditions, firm strategy, structure and rivalry, and related and supporting industries. From the literature reviews, Martin F. Grance, Robert W. Klein (2007) stated that the market with low competition can lead to a lack of product development and innovation as options for consumer to buy at the lowest price. The data examined in this independent study indicate that Thailand has a lower level of competition than Singapore. Hence, the empirical data support the Martin and Robert's study as Thailand has a smaller range of life insurance products than Singapore. There are fewer choices for Thai consumers to make buying decisions.

Based on the evaluation of the outcome of the data analysis it is possible to determine the relevance of those factors and conditions for the stakeholders (companies, government) that may affect the industry as a whole and may have an impact on the national economy. These aspects and factors are discussed below.

With a total market size of about 32 million people and only about 12 million buyers of life insurance products there is plenty of room for further growth in Thailand, although cultural factors like a lack of awareness about long-term financial protection exist.

The existing customer base is driving the value of the total market by increasing the average sum insured over time. This can be an ongoing process as income levels increase and the amount of disposable income for savings, and protection against risks, will continue to surge.

In principle, life insurance products are financial instruments for customers who want to save money. The average sum insured of these products is only about 250,000 Baht. This amount indicates that most probably a high percentage of products is not been acquired with the purpose of saving for consumption after retirement. If the insured amount should contribute to a monthly budget with only 10,000 Baht, after a short time the funds would be exhausted. Thus, only a relatively very low number of these life insurance policies might be associated with an insured sum that is calculated to contribute to monthly expenses over long time during the retirement phase.

From an opposite perspective it can be argued that the insurance sector did not find yet the recipe for success for products that better match the needs of customers in Thailand who are still uninsured for many reasons. In this view, the life insurance sector is supposed to develop a new business model from "end-to-end", and offers a new range of new products that are transparent, flexible, easy to understand, and convenient to buy with digital devices.

The level of concentration within the life insurance industry in Thailand is considerably lower than in Singapore. Among the 23 members of the industry most probably only 8-10 companies have built 'critical mass' to develop the marketplace and to compete effectively.

Insurers depend on the availability of long-dated assets to secure the long-term nature of life insurance liabilities. Thai government issues bond with terms up to 50 years. As the availability and liquidity of such bonds is known to be very low, the asset/liability duration mismatch is one of the key investment challenges faced by life insurance companies. This can be regarded as a disadvantage and weakening the entire sector.

As the data analysis revealed, Singapore cannot be found to show 'best practice' and the insurance sector in Thailand lagging behind. The most robust indicator "Return on Assets" (ROA) failed to demonstrate a superior financial performance of the life insurance companies in Singapore.

Recommendation for businesses

In light of the key findings some major recommendations emerge with focus on the life insurance industry, but also beyond. The sector should campaign for (1) facilitated and accelerated procedures for approval of new products; (2) tax benefits in favor of public and private companies who offer group life insurance to their staff; (3) increasing the maximum amount of allowances in personal income tax for purchasing a life insurance product from currently 100,000 Baht to e.g. 500,000 Baht. This is the maximum amount for investments into long-term equity funds (LTF) and similar funds. The life insurance industry in Thailand can benefit from “learning curves” in Singapore with regard to customer-friendly product offerings. Since early 2015 all subsidiary insurance companies in Singapore catering to the retail market are required to offer basic insurance products directly to their customers, without the payment of commissions. (MAS 31.03.2015)

Universities and colleges should be encouraged and supported to develop One-Day-Seminars themed “Money and Finance – Long-Term Planning” for the working population. Adults attending these seminars should be granted one day off per year.

Finally, a government initiative to support long-term saving behavior for retirement might have the biggest impact for the industry. For a major part of the population in lower income brackets, subsidies in connection with long-term life insurance products should be provided. In case of termination of the insurance policy before maturity on discretion of the policyholder, the subsidies will forfeit and have to be reimbursed by the insurance company to the respective government agency.

Recommendation for further research

1. Academic research in the future should focus more on the developments in the corporate customer segment (“GROUP”) of the life insurance industry. As a proposal for investigation research could analyze companies who offer benefits to their employees in terms of life insurance products and

identify factors that are driving this strategy.

2. The consumer’s views on life insurance products should be explored more intensely. What are the relevant factors behind buying or non-buying decisions? Instruments such as survey research or ‘focus groups’ can be used to get meaningful results.

3. The shopping experience of consumers who are in the process of buying a life insurance product should be evaluated to determine the level of customer-friendly marketing strategies.

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