Developing the Non-life Insurance Market in the Context of the Fourth Industrial Revolution: International Experiences and Lessons for Vietnam

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Abstract
A robust insurance sector is essential for the proper functioning of the economy, as it plays a significant role in fostering economic growth and ensuring financial stability. This study examines the experiences of several developed countries in the development of the non-life insurance market, including the United States, South Korea, and Japan. It also reviews the current state of the non-life insurance market in Vietnam from 2018 to 2022. Based on the research findings, the study proposes policy groups aimed at developing the non-life insurance market in the context of the Fourth Industrial Revolution.

Keywords: non-life insurance market, fourth industrial revolution, Vietnam

1. Introduction

A robust insurance sector is essential for the functioning of the economy, as it fosters economic growth and financial stability. By mitigating the impact of significant losses on firms and households and enabling risk pooling, the sector stimulates additional output, investment, innovation, and competition (Hodula et al., 2023). Several empirical studies have underscored the critical role of insurance products in economic growth, as well as the factors influencing the development of the non-life insurance market (Hodula et al., 2023; Ilyas & Rajasekaran, 2019; Upreti et al., 2022). Some studies have explored the policies adopted by countries to develop their non-life insurance markets (Camino-Mogro et al., 2019).

The development and efficiency of the non-life insurance market have been the focus of various studies, each highlighting different contributing factors and policy implications. Upreti and Adams (2015) identified key factors influencing the non-life insurance market's growth, emphasizing the importance of reinsurance, financial leverage, a favorable macroeconomic environment, competition in the motor insurance segment, and technological innovation. They argue that these factors collectively create a conducive environment for market expansion and operational efficiency enhancement. Building on this, Cavalcante et al. (2018) explored the macro financial determinants of non-life insurance premiums in Brazil, identifying GDP growth, inflation, and interest rates as significant long-term influences. Their findings highlight the need for a stable macroeconomic environment to foster market development. They used the Autoregressive Distributed Lag approach and Granger causality tests to show that economic conditions significantly shape the insurance market, providing insights for policymakers and insurers. Ilyas & Rajasekaran (2019) took a different approach by using a two-stage data envelopment analysis bootstrap method to assess the efficiency of the Indian non-life insurance sector. Their results indicated moderate efficiency with significant room for improvement, especially in cost-efficiency for public insurers compared to private ones. They also found that insurers, regardless of size and ownership, operate under increasing returns to scale, suggesting potential benefits from scaling up operations.

Baranauskas (2021) discussed policies to promote non-life insurance market development, focusing on digitalization and customer-centric strategies. Insurers in countries like Lithuania, Latvia, and Estonia have adopted online sales platforms and multi-channel strategies, which, along with a favorable macroeconomic environment and rising car sales, have driven market growth. Personalized and customized insurance products have further enhanced market competitiveness and customer satisfaction. Upreti et al. (2022) examined the impact of reinsurance on the cost of equity in the UK's non-life insurance sector. Their study concluded that reinsurance reduces the cost of equity by lowering financial distress and bankruptcy costs. They argue that reinsurance is a strategic tool for optimizing capital structure in imperfect markets, although its efficiency diminishes as associated costs rise relative to the mitigated loss. These studies collectively provide a comprehensive understanding of the factors influencing the non-life insurance market across different regions. They underscore the importance of reinsurance, financial leverage, macroeconomic stability, digital innovation, and customized insurance products in driving market development and efficiency. By integrating these insights, policymakers and insurers can better strategize to enhance the growth and stability of the non-life insurance sector globally.

To develop the non-life insurance market, the Party and the Government of Vietnam have focused on establishing laws and policies to develop this market from early on. The Law on Insurance Business was first passed by the National Assembly in 2000 (Law No. 24/2000/QH10 dated December 9, 2000) and amended and supplemented in 2010 (Law No. 61/2010/QH12 dated November 24, 2010). The Vietnam Insurance Market Development Strategy has been regularly developed by the Government for the long term, as seen in Decision No. 175/2003/QD-TTg approving the Vietnam Insurance Market Development Strategy from 2003 to 2010, and Decision No. 193/QD-TTg approving the Insurance Market Development Strategy for the 2011-2020 period. Alongside these are a series of policies to support, protect, and develop the non-life insurance market, implemented through 14 decrees, three decisions of the Prime Minister, and 21 guiding circulars still in effect.

The non-life insurance market in Vietnam has gradually developed strongly since the Law on Insurance Business in 2000 and 2010. In over 20 years since the implementation of the Law on Insurance Business and subsequent decrees and circulars, the system of insurance enterprises (including both state-owned and non-state-owned enterprises) has been gradually formed and rapidly developed. While in 1993, Vietnam had only one state-owned insurance enterprise, Bao Viet Holdings, by the end of 2021, according to the Ministry of Finance (2022), there were 77 insurance enterprises operating in the market, including 31 non-life insurance companies, 19 life insurance companies, two reinsurance companies, 24 insurance brokerage companies, and one branch of a foreign non-life insurance company. The number of non-life insurance products has also increased rapidly, meeting the diverse and abundant insurance needs of the people.

At present, the legal and policy framework in the non-life insurance business sector in Vietnam has been relatively comprehensively established, playing a significant role in promoting the stable, healthy, and robust development of the non-life insurance market and ensuring the fulfillment of Vietnam's international commitments. However, over time, the legal and policy framework in the non-life insurance business sector has gradually revealed certain limitations and inadequacies. Therefore, researching the development experience of the non-life insurance market from various countries around the world and drawing lessons for Vietnam is essential.

2. Policy experiences in developing the non-life insurance market in devloped countries

2.1. Experience from the United States

The non-life insurance market in the United States is the largest in the world, with revenues reaching $1.2 trillion in 2021. This market is divided into ten main segments, including auto insurance, home insurance, health insurance, travel insurance, accident insurance, liability insurance, property insurance, life insurance, and medical insurance. Auto insurance is the largest segment, accounting for 31% of total revenue. Home insurance is the second-largest segment at 24%, followed by health insurance at 20%. The U.S. non-life insurance market has been steadily growing, with an average annual growth rate of 3% between 2016 and 2021. In recent years, the U.S. government has implemented several policies to develop the non-life insurance market.

Policies on market entry for non-life insurance: In the U.S., policies regarding licensing, organizational structure, and corporate governance for non-life insurance companies are designed to protect consumers from fraud and unethical practices while ensuring the safety and transparency of the insurance market. Key regulations include: (i) *Licensing Requirements* - non-life insurance companies must meet specific criteria, such as maintaining minimum capital, employing a competent workforce, implementing effective risk management processes, and ensuring customer protection policies; (ii) *Organizational Structure* - companies must have a strong organizational framework, including a Board of Directors, an Executive Board, and an Internal Audit Committee; and (iii) *Corporate Governance and Management* - the leadership must have the necessary expertise and experience to develop business strategies, manage finances, control risks, and protect customer rights. Additionally, non-life insurance companies

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must comply with sales and marketing regulations to ensure they provide accurate information, avoid deceptive practices, and do not discriminate against customers.

Policies on product offering for non-life insurance: The U.S. government requires non-life insurance companies to adhere to certain regulations regarding product offerings and distribution channels. Key regulations include: (i) Information Disclosure: Non-life insurance companies must provide customers with clear and understandable information about their products and services, including terms and conditions, premiums, benefits, and limitations; (ii) Sales and Marketing Practices: Non-life insurance companies must follow rules for sales and marketing, such as providing accurate and complete information to customers, avoiding deceptive sales practices, and not refusing insurance based on discrimination; (iii) Distribution Channels: Non-life insurance companies can distribute products through various channels, including: Direct Sales: Selling products directly to customers via agents, sales staff, or online channels; Indirect Distribution: Distributing products through indirect channels such as banks, financial companies, or insurance brokers.

Financial regulations for non-life insurance companies: The U.S. government enforces financial regulations to ensure the stability of non-life insurance companies and protect consumers from financial risks in case of insolvency. Key regulations include: (i) Minimum Capital Requirements - Companies must maintain a minimum level of capital to ensure they can cover claims; (ii) Reserve Funds - Companies are required to maintain reserve funds to cover unexpected claims; (iii) Financial Audits - Companies must undergo regular financial audits by independent auditing firms; (iv) Risk Management - Companies must implement effective risk management systems to mitigate risks that could impact their solvency.

Oversight of non-life insurance business activities: The U.S. government has established regulatory and oversight bodies, such as the Federal Insurance Office (FIO), to monitor the non-life insurance sector. The FIO ensures that all aspects of the insurance industry, including access to insurance for underserved communities, are properly managed. These bodies are responsible for inspecting and monitoring non-life insurance companies to maintain a safe and efficient market. Oversight policies aim to protect consumers from fraudulent and deceptive practices through: (i) Increased Inspections - Regular inspections of non-life insurance companies; (ii) Transparency Requirements - Mandating companies to provide clear information about their products and services; (iii) Independent Oversight Bodies - Establishing independent agencies to oversee the market. These measures have significantly reduced fraud and deception in the non-life insurance sector.

Policies on consumer protection in non-life insurance: U.S. consumer protection policies for non-life insurance participants include regulations requiring companies to maintain reserve funds for claims payments. These policies have proven effective in protecting consumers by minimizing fraudulent activities, insolvency risks, and ensuring consumers make informed decisions when purchasing non-life insurance. However, there are some limitations to these policies. For example, they can increase insurance costs for consumers or create competitive

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disadvantages for smaller companies against larger insurers. Despite these limitations, consumer protection policies remain a crucial tool for safeguarding consumers, enhancing market safety, and providing assurance in purchasing non-life insurance.

2.2. Experience from South Korea

The non-life insurance market in South Korea is one of the largest and fastest-growing markets in the East Asia region. According to the Korea Insurance Association, the non-life insurance market in South Korea reached 111.5 trillion won (93.6 billion USD) in 2021, an increase of 10.6% from the previous year. The South Korean non-life insurance market is divided into three main segments: auto insurance, home insurance, and health insurance. Auto insurance is the largest segment, accounting for 36.2% of the total non-life insurance market share in 2021. Home insurance is the second-largest segment, accounting for 29.7% of the total non-life insurance market share. Health insurance is the third-largest segment, accounting for 24.1% of the total non-life insurance market share.

The non-life insurance market in South Korea is rapidly developing due to several factors, including stable economic growth, rising per capita income, an aging population, and increasing demand for asset and health protection. South Korean non-life insurance companies are actively developing new insurance products and adopting new technologies to meet customer needs. They are also expanding their markets overseas to seek growth opportunities. Some key trends in the South Korean non-life insurance market in the coming years include the rapid growth of health insurance, the development of combined life and non-life insurance, the growth of online insurance, and the expansion of overseas markets (Lee, 2023). The non-life insurance market in South Korea presents significant potential and opportunities for insurance companies.

Policies on Market Entry for Non-Life Insurance: In South Korea, the government enforces strict regulations on licensing, organizational structure, and corporate governance for non-life insurance companies. Key requirements include: (i) Licensing Requirements - To be licensed, companies must meet conditions such as maintaining a minimum charter capital of 100 billion won, having a headquarters in South Korea, employing a skilled workforce in the insurance sector, having an effective risk management system, and submitting a complete and valid application; (ii) Organizational Structure - Companies must have a structured organization with departments including the board of directors, executive board, supervisory board, risk management, business, finance, human resources, and legal; (iii) Corporate Governance and Management - The Board of Directors serves as the highest governing body, responsible for strategic decisions, business plans, key personnel appointments, investment choices, and legal matters, while the Executive Board manages daily operations, and the Supervisory Board monitors the company’s activities and reports to the Board; (iv) Risk Management System - Companies are required to have an effective risk management system that identifies, assesses, controls, and mitigates risks impacting operations.

Policies on Product Offering for Non-Life Insurance: Non-life insurance companies are responsible for providing high-quality insurance products and services that meet customer needs.

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Regarding product offerings, non-life insurance companies are permitted to provide the following products: health insurance, property insurance, accident insurance, liability insurance, and other non-life insurance products as stipulated by law. When offering products, non-life insurance companies must ensure that: the products are approved by the Korea Insurance Office (KIO), the products are designed to suit customer needs; the products are offered at reasonable premiums and the products are marketed and sold transparently and honestly.

Regarding distribution channels, non-life insurance companies may distribute products through: insurance agents, banks, convenience stores, websites, and other channels as permitted by law. When distributing products, non-life insurance companies must comply with the following regulations: insurance agents must be licensed by the KIO, banks must have a business license for insurance, convenience stores must have cooperation agreements with insurance companies, websites must be designed and operated securely and confidentially, and other distribution channels must be approved by the KIO.

Financial regulations for non-life insurance companies: Financial management regulations for South Korean non-life insurance companies are specified in the Insurance Act and related guidelines. These regulations aim to ensure that non-life insurance companies have sufficient financial capacity to meet their obligations to customers. Key financial management regulations include maintaining a minimum level of capital, investing prudently and preserving capital, preparing annual financial plans and reports, and being subject to oversight by the KIO. These regulations have contributed to creating a healthy and stable non-life insurance market, protecting customer rights.

Oversight of non-life insurance business activities: Regulations on overseeing the business activities of non-life insurance companies in South Korea are also specified in the Insurance Act and related guidelines. These regulations ensure that non-life insurance companies operate transparently and fairly, protecting customer rights. Non-life insurance companies in South Korea are subject to KIO oversight of their business activities, including periodic checks of financial reports, ad hoc inspections, requiring companies to take corrective actions for violations, and issuing penalties for regulatory breaches. KIO's oversight activities have improved the quality of non-life insurance companies' operations and protected customer rights. Overall, these oversight regulations have contributed to creating a healthy and stable non-life insurance market.

Policies on consumer protection in non-life insurance: The South Korean government has stringent regulations to protect non-life insurance participants, outlined in the Insurance Act and related guidelines. Key consumer protection regulations include the right to request complete and accurate information about non-life insurance products, the right to choose suitable insurance products, the right to switch to another insurance product if dissatisfied, the right to cancel insurance contracts at any time, and the right to compensation in the event of an insured loss. In recent years, these consumer protection regulations have contributed to creating a healthy and stable non-life insurance market.

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2.3. Experience from Japan

The non-life insurance market in Japan is one of the largest in the world, with total revenue reaching 1,060 billion USD in 2021. This market is led by the three largest insurance companies: Nippon Life, Meiji Yasuda Life, and Sumitomo Life. The non-life insurance market in Japan has been growing steadily in recent years, with an average growth rate of 2.5% per year. This growth is primarily driven by the increasing demand of Japanese citizens for non-life insurance products, such as health insurance, life insurance, and property insurance. The non-life insurance market in Japan is expected to continue growing in the coming years, with an average growth rate of 2% per year.

Policies on market entry for non-life insurance: In Japan, non-life insurance businesses must be licensed by the Ministry of Finance to operate. To obtain a license, businesses must meet the following conditions: have a minimum charter capital of 100 million yen, have a headquarters in Japan, have a professional and experienced workforce and have an effective risk management system. After obtaining a license, non-life insurance companies must establish an organizational structure and management system that includes: (i) Board of Directors - The highest governing body, responsible for strategizing, overseeing operations, and ensuring legal compliance; (ii) Executive Board - The operational arm of the company, tasked with implementing the Board of Directors' decisions and managing day-to-day operations; (iii) Supervisory Board - Responsible for overseeing the company's activities, ensuring compliance with legal and internal regulations, and conducting inspections and monitoring. The management system of a non-life insurance company includes the following departments: Business Department, Finance Department, Accounting Department, Human Resources Department, Risk Management Department, and Internal Control Department. These departments are responsible for specific tasks related to the management and operation of the non-life insurance company.

Policies on product offering for non-life insurance: The non-life insurance market in Japan is regulated by the Japan Insurance Agency (JIA). Established in 1947, JIA is a government agency aimed at protecting the rights of insurance consumers. JIA has the authority to license insurance businesses, supervise their operations, and handle consumer complaints. JIA also issues regulations on product offerings and distribution channels for non-life insurance products. JIA's regulations on product offerings and distribution channels aim to ensure that consumers receive complete and accurate information about insurance products and are protected from fraudulent and deceptive practices. Key regulations include: (i) Non-life insurance businesses must provide customers with comprehensive and accurate information about insurance products, including premiums, benefits, and terms; (ii) Non-life insurance businesses are prohibited from using fraudulent or deceptive practices to sell insurance; (iii) Non-life insurance businesses must have an effective risk management system to protect customer rights; (iv) Non-life insurance businesses are responsible for compensating customers in case of damages caused by the company's errors. These regulations by JIA have contributed to protecting consumer rights and creating a transparent and competitive insurance market.

Financial policies for non-life insurance companies: JIA's financial management regulations for non-life insurance companies aim to ensure that these companies have sufficient financial capacity to meet their insurance obligations. Key regulations include: maintaining a minimum level of capital as prescribed, investing assets safely and efficiently, having an effective financial risk management system; providing transparent financial reports to customers.

Supervision of non-life insurance business activities: Japan has a stringent system for supervising the business activities of non-life insurance companies, implemented by JIA. JIA's regulations on business activity supervision aim to ensure that insurance companies operate safely, efficiently, and in compliance with legal regulations. Key regulations include: having an effective risk management system to protect customer rights, having an effective internal control system to prevent fraud and errors, complying with JIA's financial management regulations, complying with JIA's product offering and distribution channel regulations, and consumer Protection Policies in Non-Life Insurance. JIA's regulations on consumer protection in non-life insurance aim to ensure that consumers are provided with complete and accurate information about insurance products and are protected from fraudulent and deceptive practices. Key regulations include: providing customers with comprehensive and accurate information about insurance products, including premiums, benefits, and terms; prohibiting the use of fraudulent or deceptive practices to sell insurance; having an effective risk management system to protect customer rights; and compensating customers in case of damages caused by the company's errors.

3. Current status of Vietnam's non-life insurance market for the period 2018-2022

3.1. Non-Life Insurance Companies, Insurance Brokers, and Reinsurance Companies

During the period 2018-2022, to attract both domestic and foreign investors into the non-life insurance market and to promote free competition, the State pursued a policy of diversifying the economic components in the non-life insurance business with various forms of ownership.

Table 1. Non-life insurance companies, insurance brokers, and reinsurance companies in Vietnam

Unit: Enterprises

Types of Enterprises	**2018**	**2019**	**2020**	**2021**	**2022**
I. Non-Life Insurance Companies	**30**	**30**	**32**	**31**	**32**
Joint Stock Companies	19	19	20	19	20
Limited Liability Companies	1	1	2	2	2
100% Foreign-Owned Companies	10	10	10	10	10
II. Insurance Brokerage Companies	**17**	**17**	**19**	**24**	**28**
Joint Stock Companies	6	6	6	6	6
Limited Liability Companies	11	11	11	11	11
100% Foreign-Owned Companies	0	0	2	7	11
III. Reinsurance Companies	**2**	**2**	**2**	**2**	**2**
Joint Stock Companies	2	2	2	2	2

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Table 1 illustrates the segmentation of Vietnam's non-life insurance market across various types of enterprises, with their respective market shares evolving throughout the study period. Currently, state-owned enterprises are absent from Vietnam's non-life insurance market due to the ongoing policy of privatization aimed at enhancing competitiveness through economic integration. The market landscape predominantly comprises joint-stock companies, single-member limited liability companies, and non-life insurance entities with foreign capital. Foreign investments originate primarily from nations such as Japan, South Korea, Singapore, Thailand, China, the United States, France, Germany, and the United Kingdom. The influx of foreign-capitalized insurers in recent years has notably bolstered Vietnam's non-life insurance sector, expanding the array of insurance products available to the public.

3.2. Non-Life Insurance Premiums

The non-life insurance sector is intricately linked to economic growth, transportation, and commercial activities. From 2007 to 2011, the sector experienced robust economic integration and development, achieving an impressive annual growth rate averaging 26%. However, during the economic downturn of 2012-2013, this growth rate declined sharply to 9% annually. Over the period spanning 2018 to 2022, the non-life insurance sector rebounded with a growth rate of 10.6% annually, reflecting its resilience and adaptability within Vietnam's evolving economic landscape.

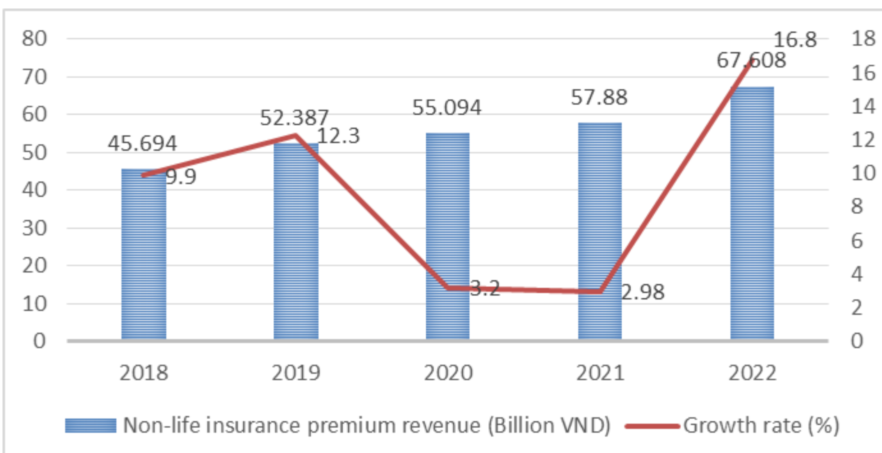

Fig. 1. Non-Life insurance premium revenue and growth rate in Vietnam
Source: Vietnam Insurance Association

While non-life insurance premium revenue in Vietnam has shown an overall increasing trend each year, the growth rate has experienced significant fluctuations. For example, there was a notable surge in 2015, with a growth rate of 16.85% compared to 2014. However, certain years, particularly 2020 and 2021, witnessed sharp declines due to the impact of Covid-19, with growth rates for non-life insurance premium revenue reaching only 3.20% and 3.98%, respectively. Several factors contributed to the growth of non-life insurance premium revenue in Vietnam during this period: economic expansion and rising incomes among Vietnamese citizens; increasing demand for insurance, particularly for health and personal accident coverage;

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heightened competition within Vietnam's non-life insurance market, prompting insurers to improve their products and services to attract customers; and government support through regulatory frameworks and policies aimed at fostering market development.

3.3. Structure of Non-Life Insurance Products

The share of motor vehicle insurance and health insurance products has demonstrated robust growth, underscoring the effective penetration of the non-life insurance sector into the individual customer market. The expansion of private vehicle ownership, coupled with growing awareness and demand for healthcare, serves as primary drivers sustaining the growth of these insurance categories. In the revenue composition of non-life insurance products in Vietnam from 2018 to 2022 (Fig. 2), motor vehicle insurance consistently accounts for the largest share of revenue, followed by health and personal accident insurance, and property and casualty insurance.

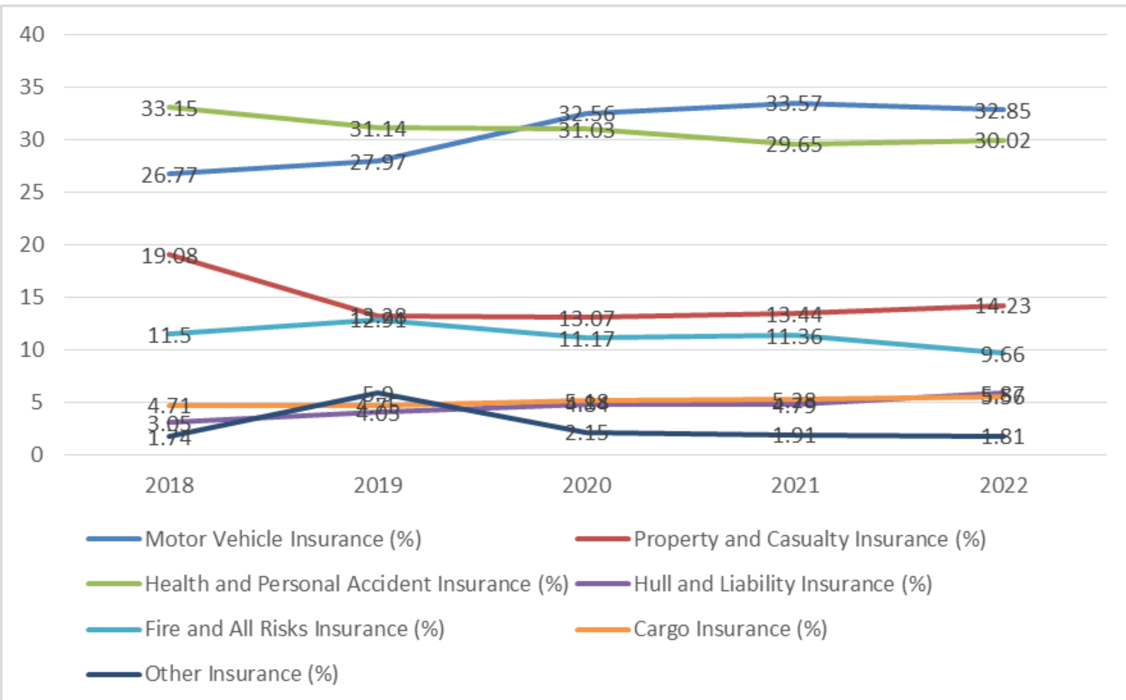

Fig. 2. Structure of non-life insurance premium revenue by product type in Vietnam
Source: Vietnam Insurance Association

Motor vehicle insurance products: The number of insured motor vehicles experienced significant growth, accompanied by stable premium revenue and notable enhancements in insurance service quality. In 2012, approximately 12.5 million motor vehicles were insured. By 2022, this figure had risen to over 30 million vehicles. This growth is primarily fueled by the increasing numbers of private cars and motorcycles. Premiums for motor vehicle insurance also exhibited consistent growth during the period from 2018 to 2022. In 2012, the average premium per vehicle was 1.5 million VND, which escalated to 3 million VND per vehicle by 2022. The increase in premiums can be attributed largely to the rising values of vehicles and the broadening of insurance coverage. Motor vehicle insurance has significantly contributed to mitigating losses from traffic accidents. Insured vehicle owners receive compensation for property damage, health issues, and fatalities resulting from traffic accidents, thereby alleviating financial burdens on victims and their families.

Property and casualty insurance products: According to data from the Vietnam Insurance Association, the number of property and casualty insurance contracts grew from approximately 10 million in 2012 to over 20 million by 2022. This growth is primarily driven by economic advancements and improved living standards among the populace. Premiums for property and casualty insurance also displayed steady growth during the 2018-2022 period. In 2012, the average premium per contract was 1.5 million VND, which rose to 3 million VND per contract by 2022. The expansion of insurance coverage and increasing asset values largely account for the growth in premiums. Property and casualty insurance has played a critical role in minimizing losses from natural disasters. Insured individuals receive compensation for property damage caused by natural calamities, facilitating swift recovery in the aftermath.

Hull and civil liability insurance for ship owners: The number of insured ships experienced significant growth. In 2012, approximately 2,000 ships were insured under P&I (Protection and Indemnity) insurance. By 2022, this number had surged to over 5,000 ships. This growth is primarily attributable to the expansion of Vietnam's maritime fleet and its integration into the global economy. Premiums for P&I insurance also exhibited stable growth during the 2018-2022 period. In 2012, the average premium per ship was 20,000 USD, which increased to 30,000 USD per ship by 2022. The rise in premiums is predominantly driven by the escalation in ship values and the extension of insurance coverage. P&I insurance has significantly contributed to mitigating losses from maritime accidents. Insured ship owners receive compensation for damages to vessels, cargo, and civil liabilities resulting from maritime accidents, thereby reducing financial burdens and aiding in prompt recovery.

Fire and all risks insurance products: The number of fire and all risks insurance contracts witnessed substantial growth. According to the Vietnam Insurance Association, contracts increased from approximately 5 million in 2012 to over 10 million by 2022. Economic growth and improvements in living standards are the primary drivers of this expansion. Premiums for fire and all risks insurance also exhibited steady growth during the 2018-2022 period. In 2012, the average premium per contract was 1.5 million VND, which grew to 3 million VND per contract by 2022. The growth in premiums is primarily due to the expansion of insurance coverage and increasing asset values. The service quality of fire and all risks insurance has also significantly improved during the 2018-2022 period. Insurance companies have bolstered investments in information technology and claims processing systems, resulting in shortened claim settlement times and enhanced customer benefits.

Cargo transportation insurance products: According to the Vietnam Insurance Association, the number of cargo transportation insurance contracts grew from approximately 1 million in 2012 to over 2 million by 2022. This growth is primarily driven by increased commercial activities and freight transportation. Premiums for cargo transportation insurance also exhibited stable growth during the 2018-2022 period. In 2012, the average premium per contract was 1.5 million VND, which increased to 3 million VND per contract by 2022. The growth in premiums is mainly attributed to the expansion of insurance coverage and increasing commodity values. Cargo transportation insurance has played a crucial role in minimizing losses from transportation accidents. Insured cargo owners receive compensation for goods damaged during transportation accidents, thereby alleviating financial burdens and aiding in quick recovery.

3.4. Claim ratio

During the 2018-2022 period, after the disruptions caused by industrial incidents in May 2014, the claim ratio for non-life insurance dropped to below 35% in subsequent years, except for 2020 impacted by the Covid-19 pandemic (Fig. 3). This achievement is attributed to efforts in claims management and fraud prevention by insurance companies.

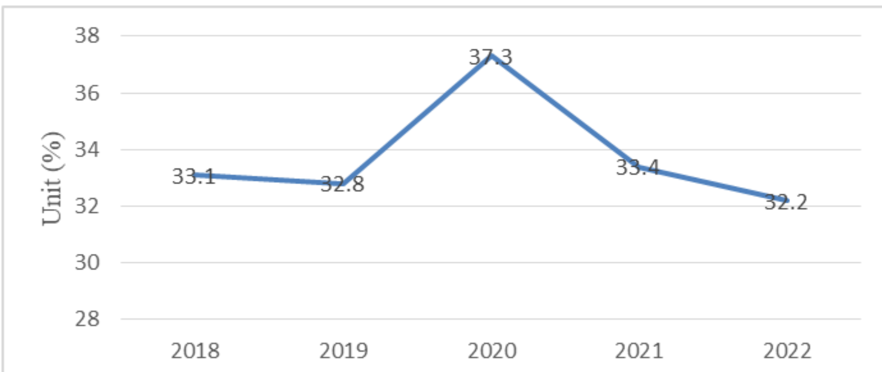

Fig. 3. Claim ratio of non-life insurance in Vietnam
Source: Vietnam Insurance Association

Among various types of non-life insurance, fire insurance has the highest claim ratio, while cargo insurance has the lowest. Health insurance has shown a marked improvement in claim ratios. Despite the high premium revenue growth, the claim ratio for this product is expected to continue decreasing in the future due to several reasons: (1) Risk diversification among individual policyholders; (2) Low insurance amounts per contract; (3) Insurance companies' ability to partner with third-party hospitals to manage claims and prevent fraud; (4) Insurance companies' proactive adjustments to claim settlement policies based on operational results, given that health insurance terms typically last a year or less.

The relatively high claim ratio in non-life insurance in Vietnam in recent years can be attributed to several factors: Economic growth and increased income levels among Vietnamese citizens have led to a greater demand for insurance. There has been a rise in incidents and social risks, resulting in increased claims for insurance compensation. The competitive landscape in the non-life insurance market has intensified, prompting insurance companies to improve product quality and service to attract customers, even if it means accepting higher claim ratios.

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High claim ratios in non-life insurance can pose challenges for insurance companies, including reduced profitability, increased management costs, and difficulties in capital mobilization. However, high claim ratios in non-life insurance also indicate that insurance companies are effectively fulfilling their role in protecting the rights and interests of the people. Compared to other Asian markets, the claim ratio of non-life insurance in Vietnam remains lower than average. Generally, claim ratios in developed countries are higher than in developing countries like Vietnam due to higher insurance penetration rates and associated risks.

3.5. Reinsurance activities

Reinsurance activities play a crucial role in the non-life insurance market by enabling insurance companies to share risks, which enhances their capacity to offer competitive products. Additionally, reinsurance fosters the development of new, complex, and high-risk insurance products. It also facilitates access to international reinsurance capital, thereby strengthening the financial capacity of non-life insurers. Table 2 illustrates that the reinsurance ratio in Vietnam's life insurance market ranges from 25% to 36%, with a noticeable decline in the retention rate. Essentially, the high retention rate indicates the relatively low capacity of Vietnam's life insurance market. However, examining the actual claims payouts during this period reveals that reinsurance has effectively helped life insurance companies in Vietnam significantly control their actual payout amounts.

Table 2. Reinsurance activities in the Vietnamese non-life insurance market

Reinsurance Activities	**2018**	**2019**	**2020**	**2021**	**2022**
1. Total Original Insurance Premium (billion VND)	45.694	52.387	55.094	57.880	67.608
2. Total Reinsurance Premium (billion VND)	11.419	12.740	13.420	17.083	24.587
- Domestic Reinsurance Premium	5.335	5.970	6.160	7.789	10.387
- International Reinsurance Premium	6.084	6.770	7.260	9.294	14.200
3. Total Retained Insurance Premium (billion VND)	34.275	39.647	41.674	40.797	43.021
4. Retention Rate of Insurance Premium (%)	75,01	75,68	75,64	70,49	63,63

3.6. Limitations of the Life Insurance Market

Firstly, the life insurance market still faces unresolved inherent risks:
Despite continuous changes and supplements in market management regulations and policies, as well as in insurance contract terms, standardization remains inadequate. This leads to a high potential for disputes and insurance fraud. Moreover, for large insurance projects requiring reinsurance, especially international reinsurance, difficulties persist due to non-standard insurance terms, including technical aspects.

While the risk management capabilities of life insurance companies have shown significant improvement in recent years, there are still many limitations to overcome. Specifically: Risk management systems in life insurance companies still have many shortcomings, especially in

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risk identification, measurement, and control; There remains a shortage of highly qualified risk management personnel in life insurance companies; Some life insurance companies still do not place enough importance on risk management, particularly smaller and medium-sized enterprises. This has led to some companies setting insurance terms and premiums without sufficient basis, affecting both their business efficiency and creating difficulties for other companies with robust risk assessment processes, especially foreign-owned life insurance companies. This not only hampers the development of the life insurance market but also poses a significant risk of insurance fraud.

Some life insurance companies focus solely on revenue without adequate consideration of efficiency. This may lead to negative impacts on the life insurance market, such as: Increased costs: Some life insurance companies accept higher risks to achieve revenue targets, resulting in increased costs, such as insurance claim payouts, management, and marketing costs; reduced service quality: Some life insurance companies do not invest sufficiently in service quality, which can reduce customer satisfaction, increase complaints, and even lead to customer loss; increased risk of bankruptcy: Some life insurance companies struggle with risk management and may face bankruptcy, impacting customers, investors, and the economy as a whole; public awareness of insurance in Vietnam remains limited, and purchasing insurance is sometimes seen as a formality (especially for mandatory insurance), or even for profit. This also limits the expansion of operations for foreign-owned life insurance companies.

Secondly, the life insurance market remains concentrated, with market share concentrated in a few large companies. To substantiate these observations, this thesis employs the market concentration index - the HHI of Vietnam's life insurance industry. Table 3 demonstrates that despite a recent decrease, Vietnam’s life insurance market's HHI index remains higher than the global average of 1,000, indicating continued concentration. As Vietnam’s life insurance market integrates more deeply from 2018 to 2022, competitive pressures have intensified, demanding higher capabilities from life insurance firms. However, Vietnam’s life insurance market concentration poses significant challenges for weaker firms, which risk mergers or even dissolution without appropriate strategies. Up until 2016, domestic life insurance companies primarily dominated Vietnam’s life insurance market, with longstanding reputations, and the largest market share held by Bao Viet.

Table 3. Market Concentration Index of Vietnam’s Life Insurance Market

Unit: Points

Indicators	**2018**	**2019**	**2020**	**2021**	**2022**
1. HHI index of non-life insurance companies	1.254	1.246	1.239	1.230	1.217
- Compared to the previous year	-	-8	-7	-9	-13
2. HHI index of insurance brokerage companies	3.119	3.102	3.089	3.082	3.076
Compared to the previous year	-	-17	-13	-7	-6

Table 4 highlights that in recent years, the life insurance market has become more dynamic with the entry of well-capitalized foreign-invested companies offering diverse, high-quality products, resulting in modest fluctuations in market share. Nevertheless, the majority of market share remains concentrated among the top 5 companies mentioned. This underscores that while competition exists among firms, the market is still predominantly controlled by large life insurance companies.

Table 4. Market Share of Life Insurance in Vietnam

Unit: %

Non-Life Insurance Companies	**2018**	**2019**	**2020**	**2021**	**2022**
Bao Viet	21,66	22,14	22,51	22,75	22,98
PVI	12,57	12,95	13,28	13,55	14,80
Bao Minh	5,20	5,30	5,40	5,60	7,40
PJICO	6,00	5,90	5,80	5,70	4,50
PTI	5,40	5,50	5,60	5,70	6,50
Other Companies	49,17	48,21	47,41	46,7	43,82

Table 5 illustrates that the market share of life insurance brokers in Vietnam is heavily concentrated among three fully foreign-owned brokers: Aon Vietnam, Gras Savoye Willis, and Marsh, collectively holding 100% of the market. This situation poses a notable risk for domestic life insurance brokers with lower capabilities.

Table 5. Market Share of Non-Life Insurance Brokerage in Vietnam

Unit: %

Insurance Brokerage Companies	**2018**	**2019**	**2020**	**2021**	**2022**
1. Aon Vietnam	23,50	23,89	24,32	24,78	25,07
2. Gras Savoye Willis	20,42	20,78	21,11	21,57	21,80
3. Marsh	22,56	22,32	21,89	21,44	21,19
4. Other companies	33,52	33,01	32,68	32,21	31,94

Thirdly, there persists an issue of unhealthy competition in the life insurance market. In recent years, the life insurance market has experienced the following phenomena: (i) Excessive reduction of insurance premiums: Some life insurance companies lower premiums excessively to attract customers, often at the expense of insurance service quality; (ii) Increased commissions for sales agents, without effective oversight regarding whether agents are recommending insurance products that genuinely meet customers' needs; (iii) Deception of customers: Some life insurance companies mislead customers by providing inaccurate information about insurance products or by failing to honor insurance claims when requested. Such unhealthy competition in the life insurance market has adverse effects on both customers and the market: customers may suffer financial losses from purchasing low-quality insurance products or from unresolved insurance claims; the reputation of the life insurance market suffers, significantly impeding efforts to attract foreign investment.

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4. Conclusion

Through analyzing the experiences of various countries worldwide, certain similarities can be observed in the management policies and development of the life insurance market across these nations. A common characteristic is the emphasis placed by these countries on management policies regarding entry into the life insurance industry, the development and provision of life insurance products, financial health of life insurance entities, supervision of their operations, and protection of policyholders. This reflects a collaborative approach in policy formulation where countries have learned from one another. However, each country also tailors its policies to fit its unique national circumstances. Another distinct feature is the level of governmental intervention and actions concerning these aspects, varying based on the maturity of each country's life insurance market and its regulatory capacity. Additionally, these policies must align with other relevant legal frameworks within each country. In recent years, Vietnam's policies for managing and developing the life insurance market have similarly drawn inspiration from well-established markets while adapting to local conditions. However, practical implementation has revealed significant challenges and persistent limitations over the years.

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