

## **Chapter 5**

### **Conclusion**

Following the successful conclusion of the Uruguay Round of GATT negotiations, all types of services worldwide including the insurance business, have had to undergo adjustment themselves. The effect of WTO agreement necessitates the opening up of Thai insurance business, and this will unavoidably result in greater competition. The arrival of foreign insurance companies in Thailand will make the local companies adapt themselves with regard to their personnel, technology and customer services. There may be some advantage and disadvantage of liberalization in trade in insurance services. For advantage aspect, the high competition will bring about efficiency development of the services sector in Thailand. The price of the services may be decreased, this will be directly benefit to consumer. For disadvantage aspect, there will be some capital outflow and may be led to lack of stability of the firms.

The trend for the insurance business is to increase, especially automobile insurance. Next is fire insurance and miscellaneous insurance. This reflects the people's needs in a growing economy, whose incomes are increasing, enabling them to purchase vehicles and homes. The insurance business thus grows accordingly.

Analysis of the Balance of Payments data revealed Insurance Business, we found that Thailand has always recorded a deficit in the Insurance Services. The deficit in the Insurance Services, as defined in 5th Manual, amounted to 2,442.64 million baht in 1990 and increased to 7,252.37 million baht in 1994. This is a result of the high in outward reinsurance in Thailand. Considering the lines of business which divided into fire, automobile, miscellaneous, hull and cargo. The deficit of these sectors have shown upward trend. In 1994, fire insurance deficit has been about Baht 842.88 million, automobile insurance deficit has been about Baht 166.80 million, miscellaneous insurance deficit amounted to Baht 1,361.13 million, hull insurance deficit amounted to Baht 156.98 million, and cargo insurance deficit has been about Baht 431.21 million. These means the high in outward reinsurance of these sectors. Moreover, there are laws and regulationed to force the insurance companies in Thailand that they can receive the direct premiums about 10% of their equity in each case. So, the rest of the premiums have to reinsurance both in domestic and abroad but mainly emphasize in abroad.

Considering the insurance services and income, these items have shown the deficit in insurance balance of payments. The insurance services deficit increased from Baht 2,584.07 million in 1990 to Baht 5,350.31 million

in 1994. The income deficit rose sharply from Baht 1,526.28 million in 1990 to Baht 4,293.38 million in 1994. This is a result of the high profit remittance of A.I.A. company. Unlike insurance services and income, commissions and claims had enjoyed a yearly surplus. In 1994, commissions has been a surplus about Baht 2,397.27 million and claims has been a surplus about Baht 3,429.02 million

To reduce the deficit , Insurance companies in Thailand need to increase the equity and productivity in order to reduce Outward reinsurance. According to the additional of companies' equity, the companies will increase ability to receive the direct premiums. So, the outward reinsurance will decrease and finally will be decreasing of the deficit in insurance balance of payments. But we can not know that the risk taking of insurance is a good case or not.If it is nonpreferable risk, the insurance company which is insurers or reinsurers have to support higher losses incurred which is the difficult task. As in 1992, we face the less of deficit in insurance balance of payments because the high risk of reinsurance ceded to abroad causes the gain of high claims.

In order to improve their ability to compete against foreign companies, Thai insurance companies will have to develop their administrative skills in order to build up the confidence and trust of the public with regards to the insurance business in general, and towards Thai companies in particular. A top priority is the adequate training of insurance brokers and agencies especially their understanding and knowledge of the insurance business.

The government, likewise, should provide support and promote the insurance business. Such as, develop insurance undertakings to enable them to compete with foreign companies. The government should apply greater supervision and control over the various insurance companies to ensure a more honesty and stable business environment. The Department of Insurance, which oversees the insurance business must change its role from that controller to that of supervisor. Laws and regulations need to be adapted to be suitable for the current situation.

However, as Thailand is required to open up its insurance market to overseas companies, the government and private sectors should cooperate to develop the insurance business, enabling it to expand with stability. The government, especially, should liberalize the market step-by-step, so that the insurance business of Thailand can adapt itself and compete efficiently with insurance companies from abroad. Nevertheless, the extent to which the insurance business is able to develop it self depends on the "faith" of the public in the business.

We can notice that the amount of currencies inflow and outflow are not equal to the amount of insurance services. This is because commissions, claims, net premiums and income are included in the amount of currencies inflow and outflow.

Considering the insurance data in Thailand, we found that the data is not cover all insurance business transaction such as lack of labor data and consumption abroad data. Furthermore, we do not know about life reinsurance data which take out the policies with foreign insurance companies in abroad. All these issues, it can be expected that the amount of the insurance balance of payments deficit will be more than the calculated present value.

Department of Insurance Records have more details than Bank of Thailand Records and compiled in a good manner. However, data from both sources have difference in definition and data coverage. We should take precaution to compare the data between Bank of Thailand and Department of Insurance.

In addition, Department of Insurance should improve the insurance data especially in Foreign Direct Investment, Portfolio Investment, Investment Income and Labor Transfer. The lack of these data that related to the insurance business must be made available to the public. This benefits to the further study.