

Vietnam's Fast & Furious motor industry



The 6th Asia Motor Insurance and Claims Conference, held in Hanoi, Vietnam at the end of July was a study in contrasts. Delegates were treated to a futuristic vision of what the next decade might hold for the motor insurance and claims sectors, while local participants kept the discussion grounded with an acknowledgement that few of the players are making money from motor in this fast-developing nation.

By Paul McNamara in Hanoi, Vietnam



The theme of this year's conference was 'Motor insurance at the crossroads – shifting gears, going automatic or driverless'. Conference chair NexAssure Group CEO Anthony Hobrow set the scene by reminding delegates that we had come a long way since the first motor policy was written in 1904 – and that soon we might be looking at writing the first policy to cover flying cars.

Meanwhile, the reality of Vietnam's motor sector is far less prosaic, with insurers still grappling with getting the basics right while being forced to get to grips with AI, cyber and telematics, according to Association of Vietnamese Insurers deputy secretary general Ngo Trung Dung.

Get the basic sorted first

During his opening address Mr Dung said, "While Vietnam is still struggling with the traditional issues in motor insurance as a bread and butter challenge, the rest of the world is looking at the age of autonomous vehicles."

Vietnam will simply have to play catch-up and this is too important an issue not to merit the attention of all insurers in Vietnam. "Motor vehicle insurance in Vietnam takes one-third of total non-life insurance premiums and is an important line of business for almost all non-life insurers in the market," he said.

The motor insurance sector in Vietnam had better make sure that it is ready for the technological changes that are coming. "Recently we have witnessed many changes in the motor industry and it is continuing to evolve – from traditional vehicles to those with advanced in-car technologies; from electric cars to, in the near future, automated driverless cars," he said.

On the issue of cyber risk Mr Dung said, "Driverless cars are very safe in theory, however they might become a catastrophe if they are attacked by hackers. In the film *Fast & Furious 8*, the hacker exploited the software being used in thousands of cars in New York and converted these cars into 'ghost cars' which were remotely controlled, causing catastrophic chaos in the streets." These are very real risks for which the motor insurance sector had better start to develop policies.

And underwriters will also have to adapt to a brave new future too. "There is a new underwriting concept in motor insurance: Car usage-based insurance, predicated on telematics technology. Insurance companies will be able to calculate premiums based on a driver's car usage and driving behaviour." Vietnam is a fast developing economy and to ensure that its motor insurance sector stays on top of developments, it had better start to learn from the best players in the industry.



L-R: Messrs Anthony Hobrow, Ngo Trung Dung, Bui Thanh Hai, Manik Bucha and Barney Pham Huy Cuong.

Insurance Supervisory Authority deputy director, non-life supervision division Bui Thanh Hai gave a keynote address in which he acknowledged the importance of motor insurance to the market as “one of the largest business lines in Vietnam,” accounting for around one third of total non-life premiums that was experiencing a 20% annual growth rate, well ahead of the 15% growth of the rest of the non-life sector. The sector today represented premium values of around \$600m.

Both online sales, digital sales, IR4 and InsurTech are paving the way for insurers in Vietnam to overcome weaknesses in the system. “We encourage insurance companies to adapt to these new technologies, in order to offer a better service,” Mr Hai said.

A new insurance law that will address the sector is scheduled for implementation in 2020.

Telematics

AIG Asia Pacific insurance head, individual personal insurance Manik Bucha was a little more sanguine about technology and said, “Not much has changed,” in telematics in the past 10 years and that many players have “never been able to reap the benefits.” He was also emphatic that we must move beyond risk management and said that, “We need to modernise before we can start innovating.”

He went on to share data on the penetration of telematics into the industry and revealed that few Asian nations had much telematics penetration at all and even less usage based insurance (UBI) because of telematics. The costs are simply too high, he said, and the only practical route to introducing cost-effective UBI would be through apps designed for an individual’s mobile device.

Mr Bucha shared insights from AIG’s On the Go app, which he said had had over 13,000 download, had

led to a 15% claims cost reduction and added 10% to the insurer’s retention rate.

Digital claims management

Merimen Technologies director of Vietnam operations Barney Pham Huy Cuong pointed to rapid growth in Vietnam’s insurance industry altering the role of claims function by 21.2% in 2017 largely because of competitive premiums and multiple product offerings. Mr Cuong spoke of traditional claims processing as being clunky and siloed and argued that new products can offer more streamlined solutions.

These new claims management models allow greater automation and improved customer experience and enable users to extract value from digitisation to overcome legacy infrastructure and digital challenges. Central to this is moving from a digital enterprise to a digital ecosystem.

Mr Hobrow summed the situation up by saying, “Price is important – but after that, it’s all about claims.”

KATSANA

founder Syed Ahmad Fuqaha Sd Agil went on to talk about insurance telematics in the context of social engagement and rewards to drive adoption. He outlined some of the reasons why there has been a lack of adoption of UBI models, which were largely related to cost (a hardware approach to data collection is expensive and not economical in the long run), scale (the scale of deployment is limited by cost and so only small amounts of data are collected limiting their usefulness) and trust (consumers just don’t trust data gathered by insurers).

PVI Insurance deputy CEO Nguyen Quang Vinh focused on tariffs and how to set them at the right level. The most common forms

of motor insurance in the market in Vietnam include motor vehicle physical damage insurance, personal accident insurance to drivers and passengers and compulsory insurance of motor vehicle owner’s civil liability for goods in transit.

Mr Vinh went on to highlight how unprofitable such insurance is in Vietnam. Motor vehicle physical damage insurance premiums rate have been decreased in the past three years, falling 3.45% in 2016 and 7.14% in 2017. Compensation payment rates have tended to increase, on the other hand, up 5.2% in 2016 and 6.3% in 2017.

The problem stems from the fact that loss histories are not shared between insurers and therefore unscrupulous customers can simply change insurers every year. With 25 insurers in the market, unless the situation changes, there is little hope for progress.

The first day of the conference closed with a panel discussion on driverless cars and the issue of liability and insurance. There was a general consensus that the day of the driverless car is probably still come decades away, while many of the technologies that will make such a thing possible are already being used in high-end cars today.

The reality is likely to be one in which certain classes of vehicle, such as commercial vehicles, become driverless first and this will be followed more slowly by private vehicles.

Perhaps most intriguingly, the point was made on multiple occasions, that the concept of driverless cars holds little appeal for those who choose to buy expensive vehicles like Ferraris, Lamborghinis and Porphes where the point of such a purchase is to enjoy the act of driving. ■



Mr Nguyen Quang Vinh



Mr Syed Ahmad Fuqaha Sd Agil