

TRENDS TOWARDS CONSOLIDATION OF GLOBAL AND LOCAL INSURERS IN THAILAND

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Abstract

The government of Thailand seems to be committed to full insurance liberalisation. This prospect is a stimulus to local insurers to reach international standards while they are still under the shield of a protected market. Full liberalisation is at least five years ahead, so the protective shield does allow time. But that is an illusion. The prospect of a liberalised market has already effected Thailand, and global insurers already have a strong presence.

Asia, including Thailand, is an attractive market for North American and European insurers. These insurers are consolidating in their homelands, to become global giants with sufficient capacity to underwrite the enormous risks produced by the complexity of modern life and the size of their global customers. Their Thai subsidiaries have also consolidated.

This increases the competition for local smaller insurers, still reeling from the consequences of the 1997 economic collapse, and anxious about surviving liberalisation and the greater competition from consolidated foreign insurers. They therefore are also being proactive in seeking partners through a variety of means, including mergers, strategic alliances and joint ventures.

Many local insurers want to make an arrangement now whilst the umbrella of a protected market gives them some bargaining power. Interestingly, the least preferred choice of local insurers is consolidation: they would rather find a bank partner or a foreign partner. The reason is that these local insurers are family-owned firms. Thus consolidation among local insurers in Thailand is not happening, a similar experience to that in Malaysia and Singapore.

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