

ASPECTS OF REINSURANCE IN THAILAND

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Abstract

Reinsurance is such an important part of the modern insurance market that without it economic development would be impeded. The vastness, volatility, newness and nature of so many contemporary risks are such that direct insurers alone could not cope, and the link between economic development and insurance (and reinsurance) has long been recognised.

Reinsurance is a necessity for insurers as they also need to transfer those risks which are beyond their capacity or otherwise undesirable. Reinsurance, operating internationally, can increase a market's capacity by spreading the risk globally, or through evading restrictive local laws in the country where the insurer is domiciled/registered. It is estimated that reinsurance volume worldwide is about 10% of total insurance volume.

Yet, despite the reinsurers' undeniable importance in insurance markets around the world, they seem to attract very few researchers and little is published about their activities. The same dearth of research and publications applies to insurance in Thailand. This paper, through exploratory and descriptive research, therefore attempts to shed some light on these twin topics, reinsurance and the Thai insurance market. Much of this article describes the success of the operations of the Thai Reinsurance Co. plc.

The Importance of Reinsurance

Reinsurance is a means by which an insurer can itself gain protection against the risk of losses, by transferring risks for which it would not otherwise have the capacity, and to protect itself against excessive losses, and thus smooth an insurer's results (www.Wikipedia.org, 2007).

Reinsurance is so vital to the operation of insurance markets, nationally and internationally, and thus to economic development, that it should be a regular theme for insurance research, conference papers, and publications. But it is not, apart from special Reinsurance Conferences. Thailand has a long-established thriving insurance market, including its own reinsurance company (Thai Re), yet it too suffers from being largely unknown to the world beyond its borders (and even within).