A Study of Life Insurance Industry in Vietnam

Recently, the business of life insurance is increasing in Vietnam. Gross premium income of life insurance market amounted to 2,053 million, an increase of 21.7% in 2016. It is due to many reasons. The economy exhibited fast growth in real GDP of 6.2% and 6.8% in 2016 and 2017 respectively. The population was estimated to have reached 94.40 million in 2016 and it is growing. The current political situation is stable. Vietnam has a unitary political system of The Communist Party with a strong central government. It is expected to maintain its removing market uncertainty for the foreseeable future.

In addition, The social security system does not cover all people. Membership of the State Insurance Fund is mandatory for public and private sector employees with a minimum contract period of only three months. The self-employed are not mandatorily covered but may participate on a voluntary basis. The state-administered social security retirement pension scheme was estimated to cover about 22% of the working population in 2015. Social Health Scheme in 2015 covered about 78% of the population, using public healthcare providers with long waiting time.

Korean life insurance has not been active in starting business in Vietnam and the performance has been low so far. For life insurance business abroad, it is required to deeply understand the on-going conventions and regulations as well as the culture behind them. However, Korean insurance industry did not prepare with the time enough to have sufficient information for reducing investment risk and consequently has difficulties in starting business in Vietnam.

This study intends to help life insurance companies that plan to enter Vietnam market but have difficulties due to the lack of information. We hope this study provides useful information and strategy for risk reduction on life insurance business in Vietnam to Korean life insurance companies.