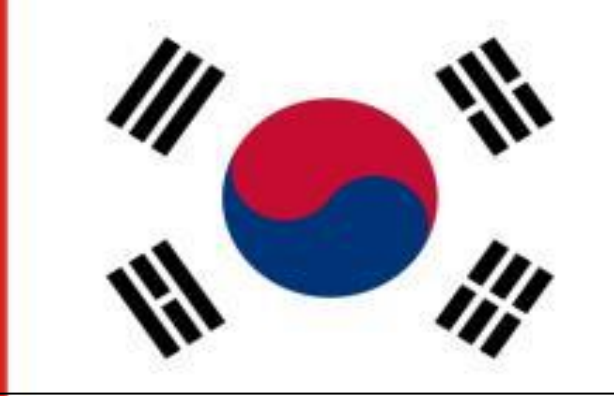




MICROINSURANCE - A TOOL FOR THE PROTECTION FOR LOW-INCOME CLASS IN VIETNAM: CHALLENGES AND OPPOTUNITIES





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1. Role of microinsurance in Vietnam



The role of micro insurance in Vietnam:

- Microinsurance plays an important role in ensuring social security, contributing to poverty reduction, including insurance products designed and offered to the poor, the low-income class and the disadvantaged in social;
- Not only considered as an effective tool to "protect" for poor households, but also microinsurance contributes to improve understanding of the need for insurance in the community of people with low-income class and medium in rural areas;
- Besides, microinsurance also brings knowledge about insurance finance or more simply helps poor people to have the habit of accumulating finance;

Currently, microinsurance is deployed with low premiums, small sums of insurance, simple and easy to understand insurance products. In Vietnam, the provision of insurance products for low-income people is implemented by both insurance enterprises and socio-political organizations.



2. Microinsurance in Vietnam: Current situation



Overview:

- Microinsurance (the provision of insurance to poor households and those working in the informal sector) is relatively new and undeveloped in Vietnam
- In Vietnam, micro insurance is implemented by insurance enterprises or non - insurance enterprise entities .



2. Microinsurance in Vietnam: Current situation



Insurance enterprises:

- Bao Viet - one of the insurance companies pioneered in implementing household property insurance products for farmers (crops, animals ...). After 30 years of implementation, Product scale tends to decrease because agricultural products are very risky due to natural disasters, epidemics ... while the insurance fee is low, so this product can not bring economic benefit for insurance company.
- Besides Bao Viet, there was 2 others insurance enterprises providing microinsurance products to low-income people, but this model was not successful with the similar reasons as Bao Viet



2. Microinsurance in Vietnam: Current situation



Non - insurance enterprise:

- From 1996, TYM and M7-MFI (two microfinance institutes) piloted insurance services themselves. These two MFIs established mutual funds to provide insurance products that had community-based and risk pulling characteristics in certain geographical areas. These two MFIs offered the products directly to customers – mainly their existing ones – through their credit officers who base in community. The two models were seen **realtively successful**.
- However, after almost 20 years, the state bank of Vietnam sent requests to TYM and M7 to stop these mutual fund because of the lack of regulation that allows non- insurance enterprise to provide insurance sevicees.



2. Microinsurance in Vietnam: Current situation



Partnership model:

- Formal insurance companies hesitate to offer this kind of service due to high costs ; little or no profits earning ; and the biggest barrier is how to find an appropriate distribution channel.
- Meanwhile , to protect policy holders , legal provisions do not allow non - insurance enterprise to directly provide insurance services , instead they are able to be agents for formal insurance services providers .
- A typical partnership model between insurance enterprises and microfinance institute (MFI) can be mentioned here is the partnership model between Bao Viet insurance company and with M7 (MFI).



3. Challenges and Opportunities



Facing the above context, the Ministry of Finance is drafting a decree regulating the implementation of microinsurance by socio-political organizations.

Purpose: Develop a draft Decree to create a stable, transparent, and clear legal framework with specific provisions to facilitate non-profit micro insurance activities of socio-political organizations have developed, meeting the needs of members of socio-political organizations, targeting individuals of the pors, near-pors, households that have just escaped from poverty, and households with medium living standards average, low-income individual.

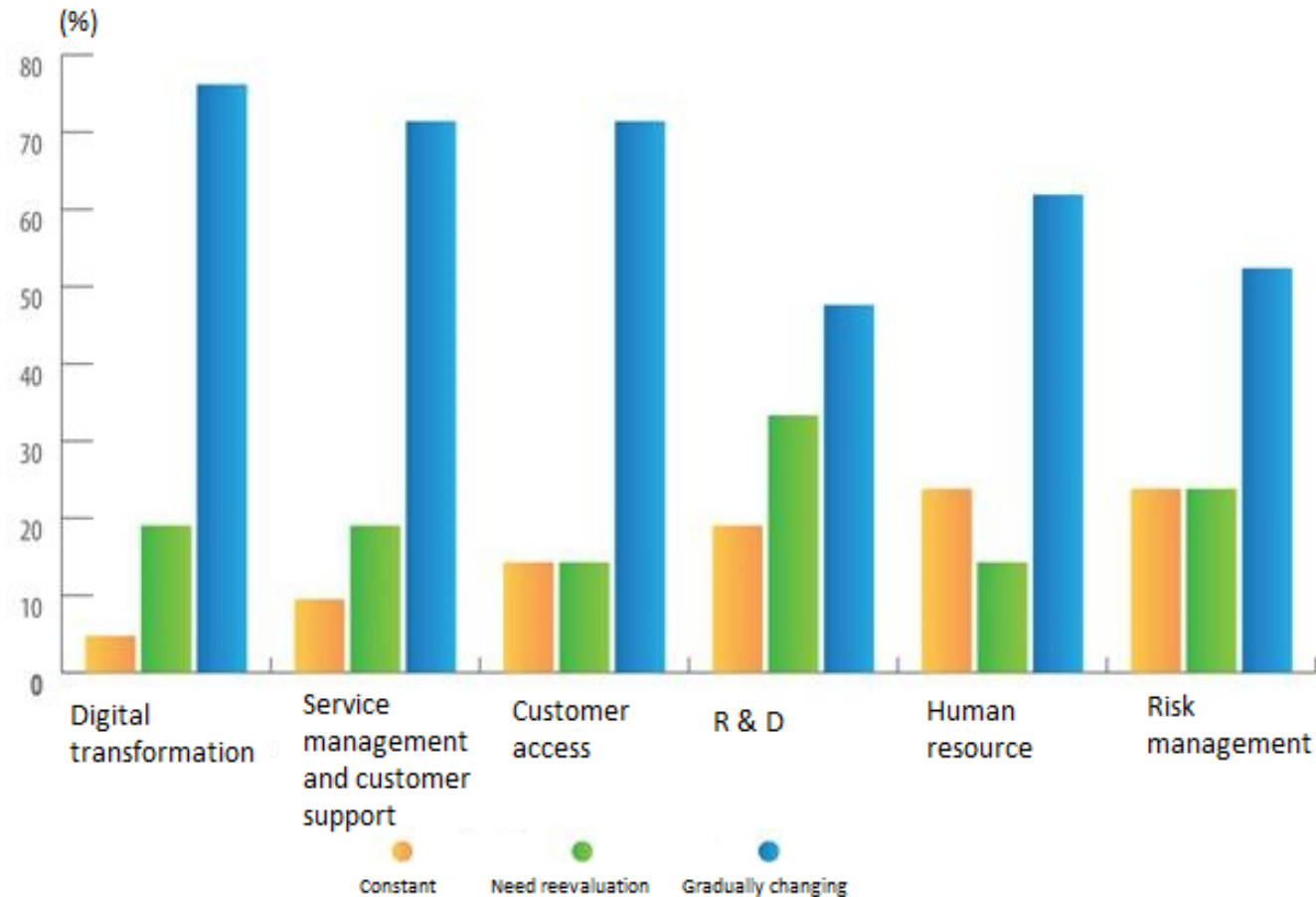


3. Challenges and Opportunities



Challenges:

Influence of Covid-19 on the decision-making of an insurance company



Source: Vietnam Report

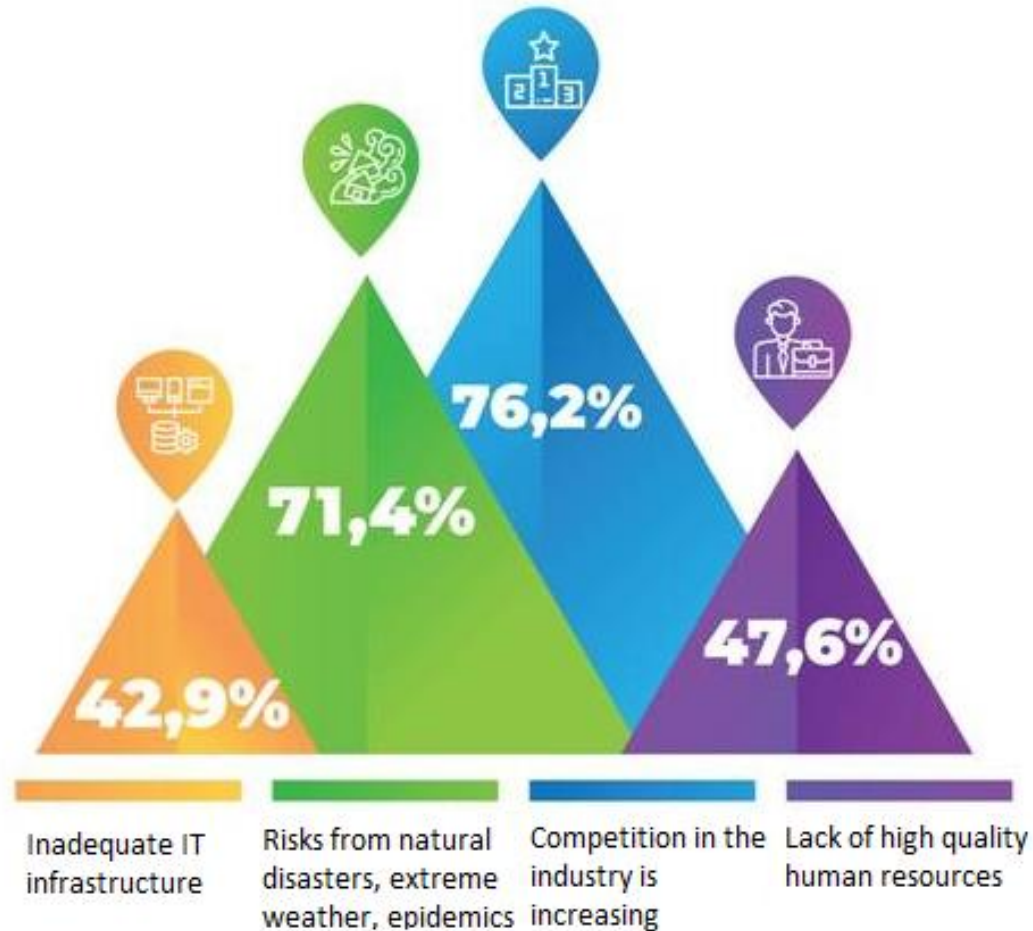


3. Challenges and Opportunities



Challenges:

4 biggest challenges for insurance companies in the context of "new normal"



Source: Vietnam Report



3. Challenges and Opportunities



Challenges:

4 biggest difficulties hindering insurers from implementing digital transformation



Source: Vietnam Report

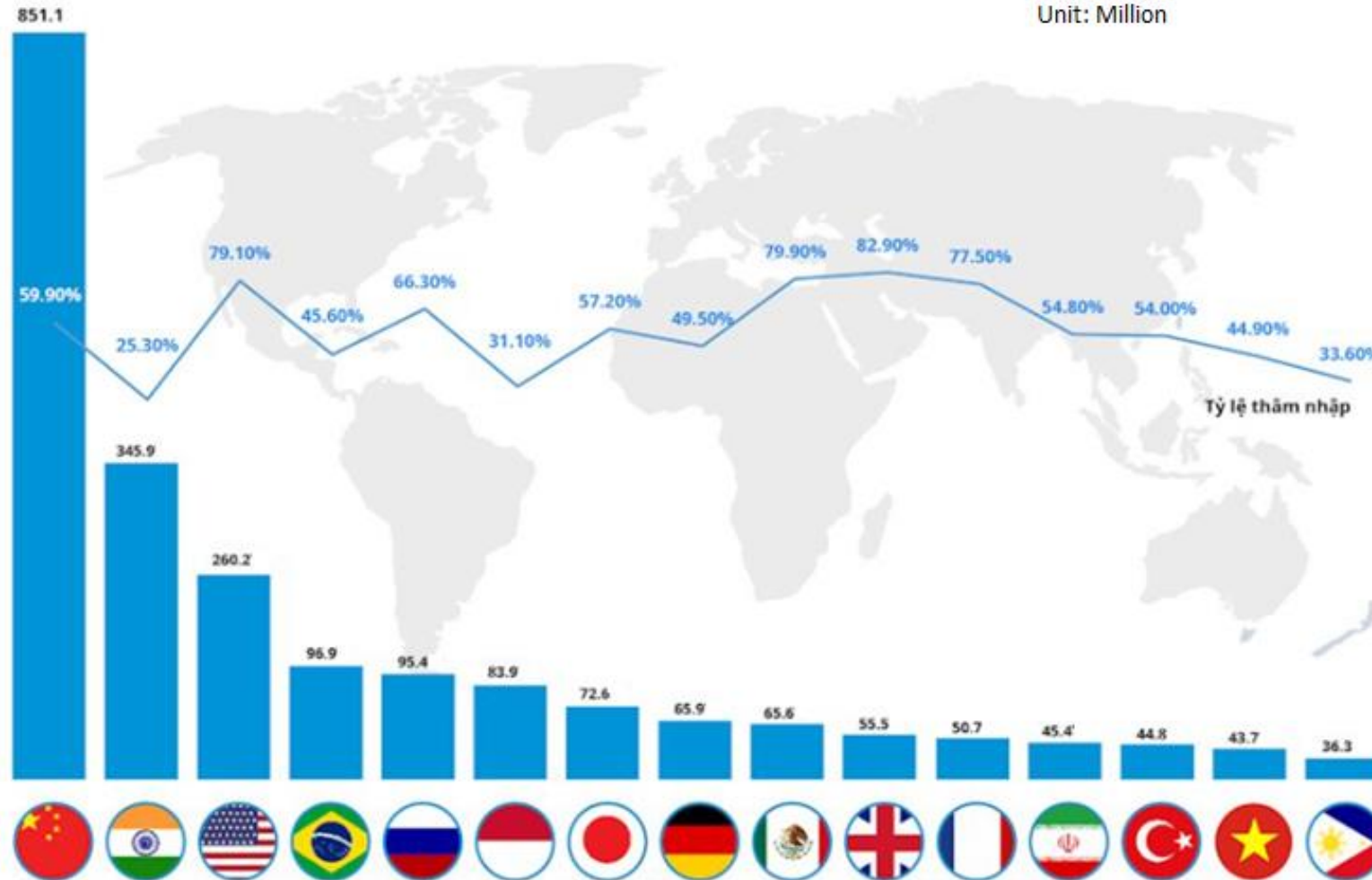


3. Challenges and Opportunities



Opportunities:

Number of smartphone users in 15 countries / market topped the world



Source: Adsota



3. Challenges and Oppotunities



Opportunities:

The leading countries in downloads 2019

Country	Download	IOS	Android
1.	5 184 710 900	2%	98%
2.	3 333 197 400	63%	37%
3.	1 890 386 400	9%	91%
4.	1 536 383 300	3%	97%
5.	1 115 105 900	22%	78%
6.	877 837 700	10%	90%
7.	748 641 400	21%	79%
8.	711 545 900	17%	83%
9.	564 410 200	61%	39%
10.	502 609 100	50%	50%

Source: Adsota



3. Challenges and Opportunities



Opportunities:

3 biggest benefits insurance businesses enjoy when developing Insurtech



Source: Vietnam Report

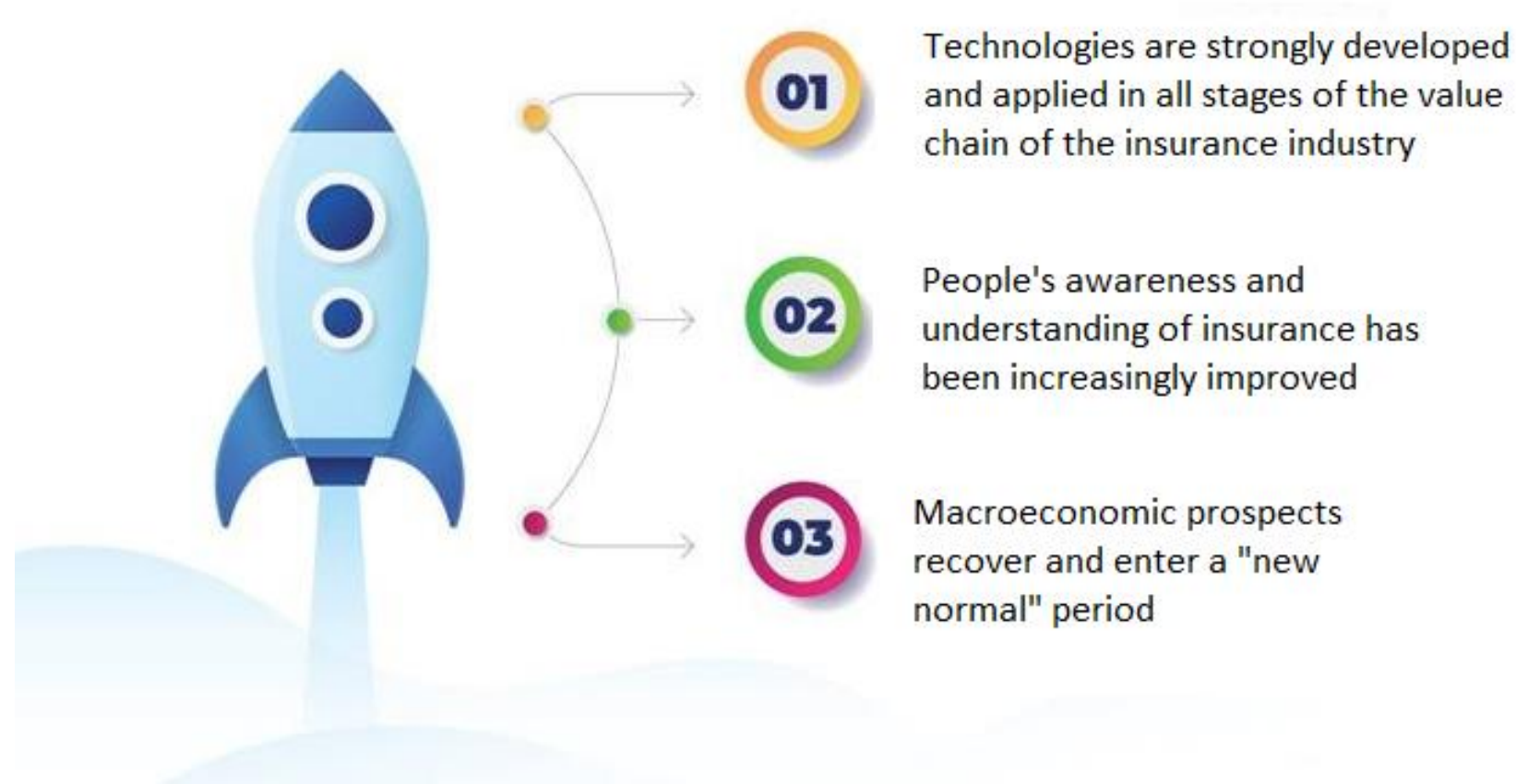


3. Challenges and Opportunities



Opportunities:

Top 3 opportunities for the insurance industry in the context of "new normal"





6. Conclusion



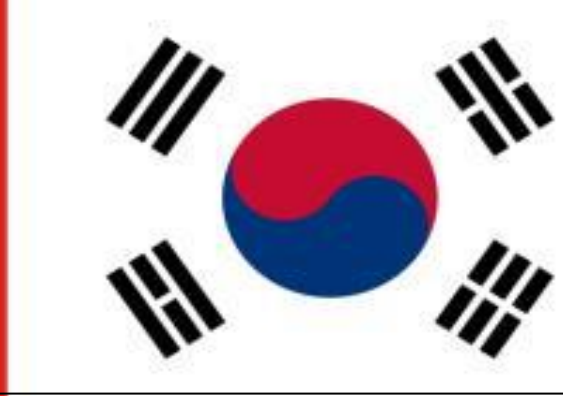
- Combine microinsurance and insutech development.
- Insurance companies need to have a strategy to train employees to suit the new context, and the insurance management system needs to be upgraded to suit the development of digital technology.
- In addition, the government and regulatory agencies (the Ministry of Finance) need to quickly pass the law on micro insurance in Vietnam as well as widely disseminate information on micro insurance to the people so that people can understand and from there participate in the micro insurance value chain in Vietnam.



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Thank You!



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