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Thailand: Insurers may cut rates in slow market

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The Thai general insurance market is expected to expand by only 5% this year against a target of 9%, after the first quarter showed that the economy is growing slower than the industry had expected, Mr Chai Sophonpanich, Chief Executive Officer of Bangkok Insurance (BKI), said.

Mr Chai said that BKI's total premiums might also expand by 5% in line with the industry, since the company does not see any positive factors that could help support premium growth, reported The Nation newspaper,

General insurers have been relying on auto sales, government projects and private sector activities for growth, but in the first three months of the year, new car sales dropped by 12%, while government spending was lower than expected. Consumer confidence has been flat since the fourth quarter of last year.

When demand is lower, insurers tend to resort to pricing to encourage the customers of other insurance companies to switch. The price war has squeezed margins. The profit trend of insurance companies this year is expected to be flatter than in the past.