

OIC assures on insurance

Commission seeks to restore public confidence in the industry reeling from the prolonged Covid-19 pandemic

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The Office of the Insurance Commission (OIC) has vowed to tighten its supervision to restore public confidence in the industry, which has been hit by cash crunches during the prolonged pandemic.

While all sectors faced upheaval triggered by the pandemic, the non-life insurance industry has been heavily tested by a continual surge in lump-sum claims for Covid insurance, threatening to bankrupt many local non-

life insurers.

Steadying the ship

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In 2021, two non-life insurance companies -- Asia Insurance and The One Insurance -- were forced to close because of liquidity crunches induced by losses from Covid claims, which spiked during the third wave of the pandemic.

The Finance Ministry decided to withdraw their business licences last year after finding the two companies were incapable of reimbursing claims for their customers.

The ministry mandated the OIC oversee the transfer of active insurance policies to other insurance companies and the General Insurance Fund (GIF) supervise compensation payments to policyholders who filed for claims.

Following the closure of the two companies, Southeast Insurance, a non-life insurance giant under Thai Group Holdings (TGH) held by billionaire Charoen Sirivadhanabhakdi, also faced liquidity problems. Together with its sister company Thai Insurance, it filed a request to cancel all of their remaining Covid insurance policies offering lump-sum payment.

The OIC rejected the request, stating arbitrary cancellation of the policies is against the law and the companies must comply with the conditions stated in the policies they offered to the public.

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When losses occur from the sales of their products, the companies need to be responsible and pay the claims, said the regulator.

The OIC also said it has done everything in its power to sustain the industry by providing financial support and waivers on the calculation of capital reserves to help sustain insurance companies facing liquidity issues from the surge in Covid claims.

The rejection sparked a legal spat between Suttipol Taweechaikarn, the OIC's secretary-general, and the two companies as they claimed Mr Suttipol's decision to reject the request caused great financial damage to the companies. They asked the court for permission to cancel their Covid insurance policies.

After the lawsuit was publicised, a spate of harsh criticism was unleashed on the companies and they backed down after the OIC, several consumer groups and the public condemned the lawsuit. The substance of the reaction was the lawsuit was unlawful and would erode public confidence in the insurance industry in the long term.

On Jan 26, TGH informed the Stock Exchange of Thailand that Southeast Insurance will voluntarily surrender its business licence to the OIC, close its business, transfer existing policies to Indara Insurance, another TGH

subsidiary, and transfer the business to GIF for management and supervision.

TGH told the bourse it has provided financial support of about 9.9 billion baht to the insurance company and it may need to provide an additional 10 billion to pay outstanding claims. TGH said the company still has 1.8 billion baht of remaining capital.

The announcement caused another bout of panic among customers, which urged the OIC to take action. The regulator told the public Southeast Insurance could not discontinue the business without approval from the OIC.

The registrar said the company must file a request with a conditional management plan that details how the company will manage its assets and liabilities, as well as take care of existing customers.

Southeast Insurance must also ensure the transfer of existing policies to other insurers will not undermine the protection and rights of consumers as stated in the policies, said the registrar.

After the OIC has received the plan, its board of directors assesses the plan's soundness and effectiveness. If approved, the board sends the plan to the Finance Ministry for consideration of revoking the insurance business licence.

Southeast Insurance submitted the asset management plan to the OIC on Jan 28. The OIC said it is considering the plan and expects to inform the company and the public of the result at the end of February.

On Feb 1, Southeast Insurance and Thai Insurance announced they withdrew the case against Mr Suttipol and the OIC.

Lessons learned

Public confidence in the industry is rapidly deteriorating as customers are starting to lose faith in insurance companies' ability to manage their business and products effectively in terms of risk diversification.

While this concern started in the non-life industry, it is bleeding into life insurance as more people are transferring their life insurance policies to companies they consider financially stronger.

To prevent the industry from collapsing because of a lack of faith, the OIC issued a statement on Thursday saying its registrar needs to restore public confidence by revamping and tightening its supervision of companies.

The regulator plans to conduct periodic stress tests to regularly check insurance companies' financial health and ensure they are not selling more policies than they can afford.

The OIC said non-life insurance companies will be more cautious in issuing products, improve their underwriting risk management plans and be better prepared for any emerging pandemics.

The regulator also plans to revise regulations and demand more accountability from insurance company products as well as risk committees.

"The Covid pandemic taught the Thai insurance industry a useful lesson on the importance of good management and resiliency," Mr Suttipol said.



More than 100 former employees of The One Insurance plead for aid in front of the Office of the Insurance Commission on Jan 27, claiming compensation for job loss after a month of being unemployed. Pornprom Satrabhaya

To help sustain the industry, the OIC will continue to implement remedy measures to lessen the impact of the pandemic, but companies must show more commitment to adapting to changing circumstances and expedite the adoption of digital technology, he said.

The OIC will accelerate regulatory reforms and promote sustainable development of insurance businesses, directly and indirectly, in accordance with environmental, social and governance principles, said Mr Suttipol.

No risk

A source at the Finance Ministry who requested anonymity said no risks remain in the industry in terms of Covid-19 insurance policies, although a small number of non-life insurance companies were shut down after

failing to raise capital to solve liquidity crises and settle Covid-19 insurance claims for lump-sum payments.

The source said 16 insurance companies offer Covid-19 policies, while 40 insurance firms do not.

The source said most of these 16 companies remain financially healthy. Some of them have a small number of Covid-19 policyholders as they charge a high premium. A number of these firms have turned to reinsurance to diversify their risks.

Most of the pandemic policies are expected to expire in late March or April. It will become clearer at that time if their financial status is affected by Covid-19 policies, the source said.

Amid growing concern the crisis may permeate the life insurance sector, the OIC is reassuring the public lump-sum payment Covid policies are a short-term product, similar to auto accident insurance, and should not have a serious long-term effect on life insurance companies.

According to data from the Thai General Insurance Association, there were 44 million non-life insurance policies active during 2020-21, of which 10 million were Covid insurance policies with a lump-sum payment.

Of that amount, 7 million policies are still in effect until the middle of 2022.