

# **VIETNAM INSURTECH: NAVIGATING CHALLENGES AND CAPITALISING ON EMERGING OPPORTUNITIES**

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# VIETNAM INSURTECH HIGHLIGHTS



**The burgeoning tech-driven insurance landscape in Vietnam is swiftly progressing, disrupting entire insurance sector.** The number of Insurtech firms has accelerated since 2018, and the net revenue of these players has achieved an extraordinary CAGR of 255% during the period from 2018 to 2022.

**Insurtech plays a dual role**, simultaneously supporting and challenging traditional insurance companies by providing diverse insurance solutions for both industry players (B2B model) and end-users (B2B2C model).



**Despite significant growth potential, Insurtech in Vietnam faces numerous obstacles**, including limited funding and resources, heavy dependence on traditional insurance firms, low brand awareness and trust among older customers, data privacy concerns, and incomplete regulatory framework.

Given emerging challenges, **Insurtech prioritizes service models that complement and support the operations of traditional insurers in the next 3-5 years.**



**Insurtech will continue to boost sales with embedding insurance offerings** during their shopping journey within multi-million user platforms such as Super APPs, E-Commerce platforms, telecommunications network operators.

Vietnamese insurance industry, including the Insurtech market, is still in its nascent stages, with ample room for growth. **Tailoring products for diverse demographics will a strategic approach for long-term growth.**

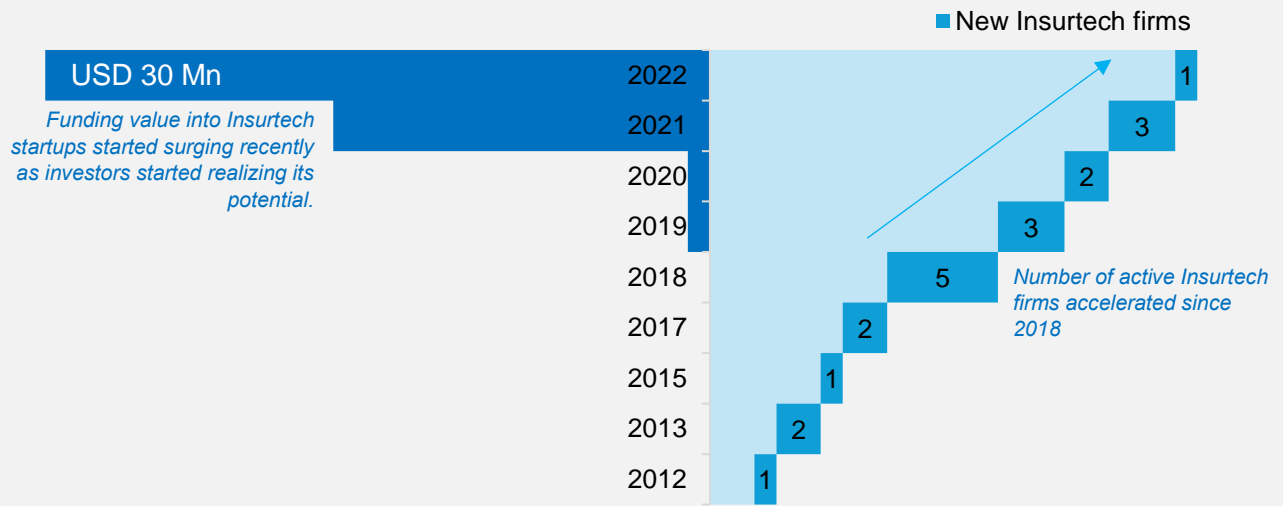


# MARKET MOMENTUM AND ROBUST FUNDING PROPELS A FLOURISHING FUTURE

The inception of technology-enabled innovations in the insurance industry or Insurtech in Vietnam can be traced back to the late 2000s with the emergence of online insurance brokers such as Ginet (now Bolttech), Eroscare. However, it was not until recent years that the Insurtech landscape made headlines, marked by a noticeable wave of tech-based insurance start-ups converging in the market. The pandemic has transformed consumers' perspectives on insurance and how

they purchase insurance products. Online end-to-end processes in a one-stop shop have emerged as a top priority, and insurers are forced to speed up their digitalisation agenda to adapt to the evolving market demand. The pre-pandemic momentum, accelerated by COVID-19, has garnered investor interest, resulting in a surge in funding values within the Insurtech segment, as evidenced throughout 2021-2022.

**Figure 1: Numbers of Insurtech players & accumulated funding value into Insurtech startups in Vietnam**



Source: FiinGroup & Insurtech companies' financial statements

# HOW INSURTECH RESHAPED VIETNAM INSURANCE LANDSCAPE

## **Product development & acquisition strategies: From policy-driven to customer-centric**

Insurtech companies are serving customers through their expansive array of insurance offerings beyond traditional firms' scope. Rather than designing a one size-fit-all umbrella to cover various risks, Insurtech takes the innovation around customer needs, providing a much broader spectrum, offering niche products tailored made for travel, fashion, pets, artists, gamers, farmers, shippers, etc.. On the business front, the current trend leans towards insuring specific events that have the potential to disrupt their operations, such as specific weather events or security breaches. Powered by big data and analytics in operation, insurance is evolving to focus more on mitigating actual, tangible risks. With this in mind, Insurtech firms deliver solutions matched with customers' perspectives instead of relying on push-marketing strategies.

## **Process: Seamless services in one aggregate platform**

Insurtech firms are developed into aggregate platforms, leveraging artificial intelligence (AI), machine learning, blockchain, and the Internet of Things (IoT) to consolidate various policies onto a unified platform, facilitating effortless management and monitoring. Platforms such as [EZChoice](#), [IZlon24](#), [INSO](#), and Savemoney allow customers to select and compare insurance products in just a few clicks. Quotation according to predefined criteria also expedites the process for customers. Furthermore, data analytics and AI are deployed to automate the underwriting process, including analysing claim data, assessing damages, and rendering compensation decisions, reducing the reliance on manual intervention. These companies also utilise chatbots and virtual assistants to offer prompt customer service, address inquiries, and assist customers

throughout the claim procedure. This streamlined and effective approach improves customer experience and operational efficiency.

## **Pricing: More affordable, more accessible**

Given simplified processes and customer-centric initiatives, Insurtech solutions substantially help reduce operational costs and pass the savings onto customers. This creates a competitive advantage for tech-based insurance players when offering cost-effective coverage tailored for all types of customers, extending customer outreach.

## **Distribution model: Redefining the value chain**

Insurtech is revolutionizing the insurance industry's value chain, concurrently supporting and competing with traditional players. Insurtech firms either provide their own products or partner with traditional insurers to create joint venture offerings with three main business models observed in Vietnam. B2B models, including digital broker platforms and tech solution platforms, support traditional insurers and distributors digitally, whereas B2B2C players, digital insurers, digital distributors, and embedded insurance empower end-users to seamlessly handle tasks with minimal human intervention. Meanwhile, players with strong financial capacity, such as Momi and Igloo, adopt a hybrid model, engaging in both B2B and B2B2C operations. Certain untapped models due to regulatory limitations and market readiness challenges include On-demand insurance and Peer-to-peer (P2P) insurance, revealing potential for future growth.

Figure 2: B2B, B2B2C model of insurtech firms:

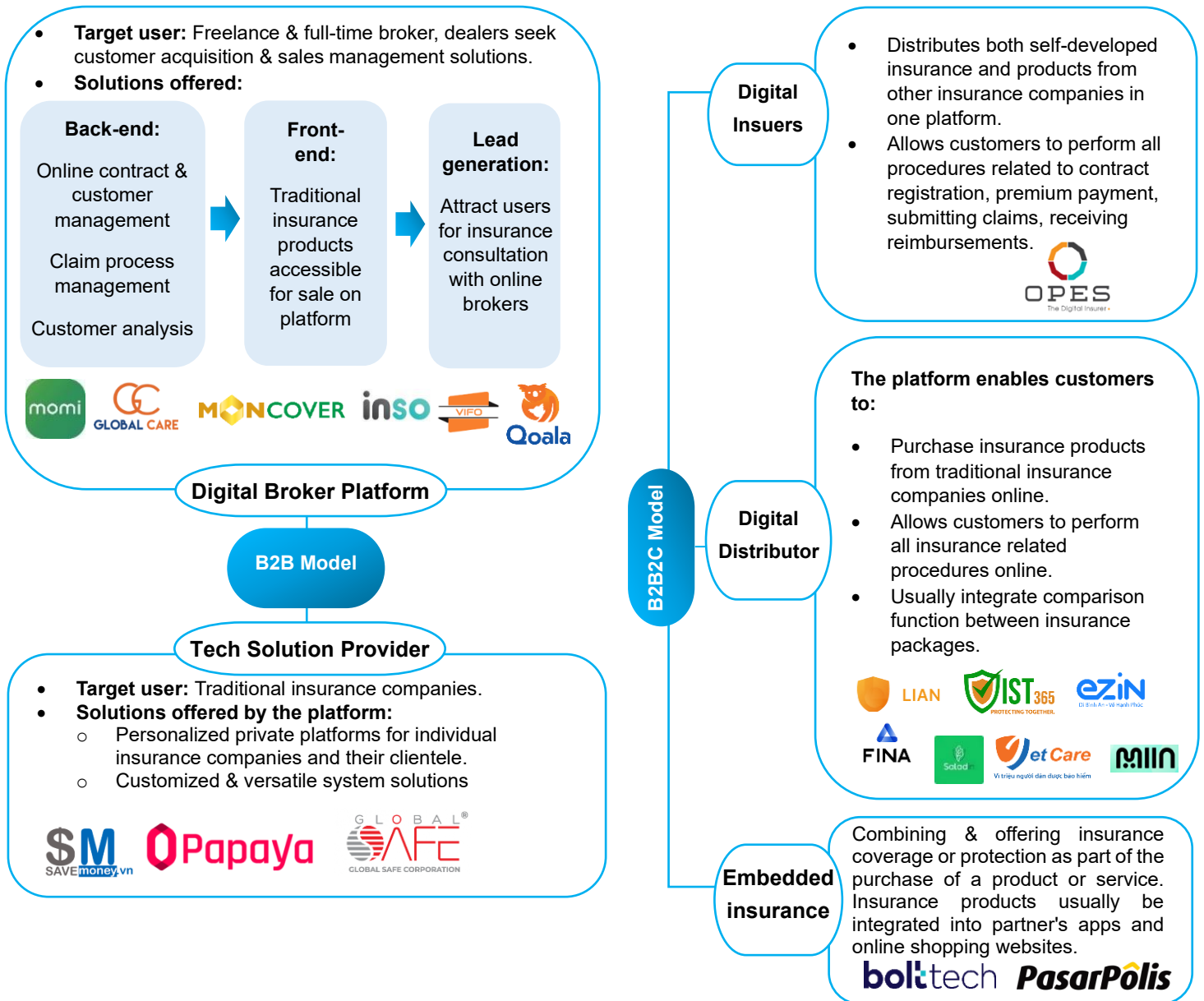
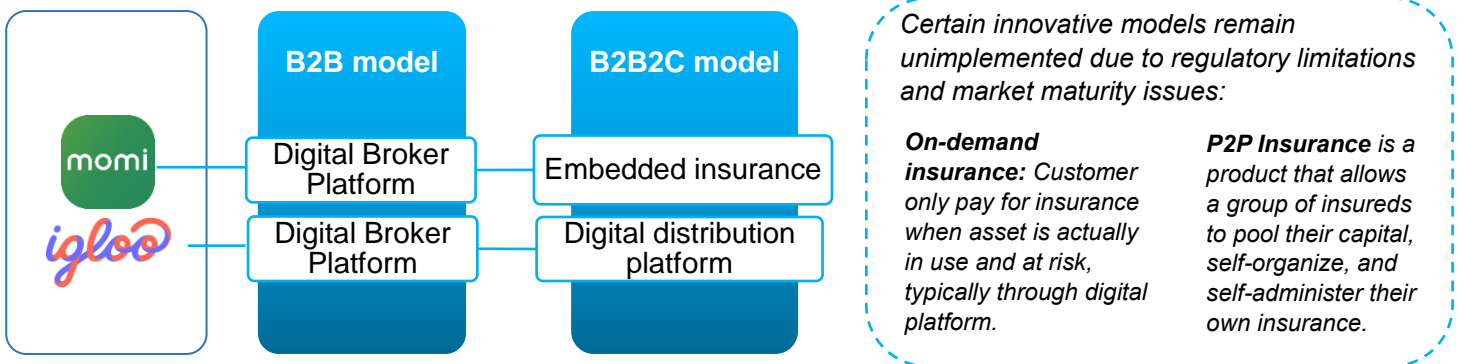


Figure 3: Hybrid model of insurtech firms



## MODEST PENETRATION RATE & GROWING DEMAND FOSTER GROWTH

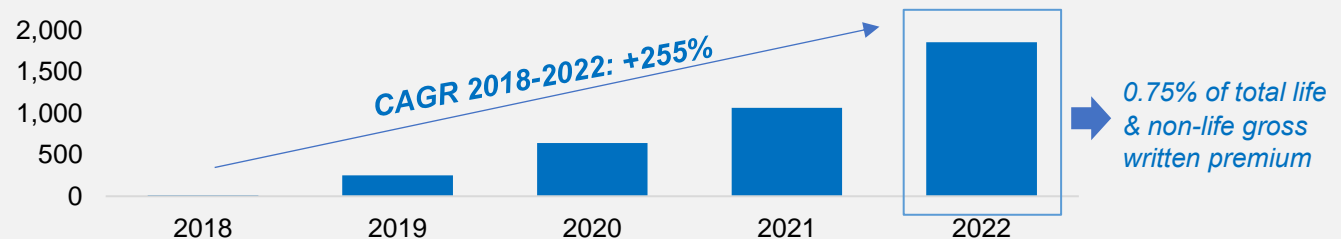
Vietnam is poised for significant Insurtech growth, driven by its modest insurance penetration rate and growing demand. Despite rapid expansion, with the net revenue of active players achieving an extraordinary CAGR of 255% during 2018-2022, the market remains relatively small, constituting only 0.75% of total life and non-life insurance gross written premiums. Meanwhile, insurance premiums at large account for around 2% of GDP, much lower compared to regional peers in the Asia Pacific such as Malaysia (5.4%), Thailand (5.3%), and India (4.2%).

The predominant focus of insurtech in Vietnam lies in non-life insurance products, while a few companies, such as Momi, cultivate the life

insurance segment primarily in the form of investment-linked insurance. The government aspires to achieve a life insurance coverage rate of 15% for the population by 2025. Nevertheless, the current figure hovers just above 10%, indicating moderate progress and leaving room for the introduction of “new insurance” initiatives.

Demand for insurance is also growing. Despite a recent slowdown driven by economic hardship, the insurance market has sustained a double-digit growth with a CAGR of gross written premium achieving around 16% per annum during 2018-2022. The market is expected to regain growth momentum and economic recovery from 2024 on.

**Figure 4: Net revenue (VNDbn) of active Insurtech players in Vietnam**



Source: FiinGroup & Insurtech companies' financial statements

### Despite potentials, Insurtech confronts infrastructure, legal, & brand recognition challenges

Youthful insurtech platforms have not yet established brand awareness and trust from middle aged and old customers. Representing 39.4% of the population, individuals aged 40 and above prefer life insurance and demonstrate additional demand for non-life insurance protection. Despite being a financially stable group, this demographic tends to favour traditional insurance companies rather than Insurtech, citing concerns over trust in online services and reputation of Insurtech brands.

Data privacy concerns, heightened by rising instances of technology vulnerabilities and breaches in the financial sector, pose challenges to Insurtech. This raises concerns about potential

hacking and data leaks when customers buy insurance through startup platforms.

Insurtech firms also face constraints in resources, hindering rapid growth & technological investments. The absence of a unified national insurance database hinders the seamless and accurate execution of processes like underwriting and customer screening as each insurance company manages its data independently. Therefore, Insurtech solutions are intricately tied to traditional insurance companies, relying on them to expand product portfolios despite the potential for an end to end customer journey through the digital insurer model.

Finally, imitations in the legal framework for Insurtech pose obstacles to expansion. While the Law of Insurance Business 2022 and Circular No. 67/2023 provide basic guidelines for online insurance business, a regulatory sandbox for

fintech in general and specific guidelines for Insurtech are long awaited to create a secure space for innovative businesses and facilitate constructive dialogue between government agencies and the insurtech market.

## NAVIGATING CHALLENGES & CAPITALIZING ON EMERGING OPPORTUNITIES

As Insurtech continues to evolve, its ability to navigate challenges and capitalize on emerging opportunities will shape the future of Vietnam insurance market.

### Extended arms of conventional insurance

Present external limitations prevent Insurtech from posing a significant threat to traditional insurance companies. Instead, Insurtech prioritises service models that complement and support the operations of traditional insurers. In the next 3 years, under the context of incomplete regulatory framework, Insurtech players will continue to fit themselves in some emerging business models:

- Insurtech acts as a distributor of traditional insurers. Some initiatives include the partnership between INSO and AAA, Boltech and PTI, VIFO and BSH.
- Insurtech with traditional insurers to develop new products. Notable recent partnerships are MON COVER and MIC, Saladin and Bao Viet, Global Safe and AAA
- Insurtech supports traditional insurers to enhance some steps in the customer journey. Key examples are partnerships between ISO and PIT, global Safe and MIC

### Embedded insurance with omni channel distributions: Keys for boosting coverage.

The market will continue to see the seamless integration of insurance products into non-insurance platforms, which will help them tap into a large user base. Consumers are now experiencing embedding insurance offerings during their shopping journey within multi-million-user or Super APPs such as Momo, Zalopay, Viettel Money, E-Commerce and Delivery Omnichannel Apps and even telecommunications network operators like Viettel Telecom, VNPT. For example, In-House Asset, Personal Accident Insurance provided by Pasapolis are embedded into Shopee or the

integration of Personal Accident, Transit Insurance, Delivery Goods Insurance by Loship, Ahamove delivery Apps. Bundling of relevant insurance covers by Savemoney, Inso and other Insurtech for consumers are digitally integrated into Zalo, Momo, Viviet, etc.,

Over the past years, Insurtech platforms have progressively formed collaborations with Banks & FinCos to expand their customer outreach, for insurance the partnerships of OPES, IZI into mobile APPs of commercial banks MBBank, VPBank and SeAbank or the collaborations between insurtech firms and finance companies (Zatech, Bolttech and Home Credit, OPES and LIAN with Mirae Asset, Igloo and Lotte Finance. This is expected to persist in the future.

### Tailoring products for diverse demographics: a strategic approach for long-term growth

Insurtech firms are set to unveil a range of non-life micro-insurance products tailored to niche markets, aligning closely with consumer behaviors and lifestyles. Whether forging partnerships with traditional insurers or developing their own products, Insurtech aims to address specific demographic needs more effectively.

### Navigating headwinds and tailwinds: data security, funding, and elevating customer experiences

To maintain their competitive edge, Insurtech companies will intensify efforts to bolster data security and enhance customer experiences. This strategic focus acknowledges technology's crucial role in maintaining an advantage over traditional insurers.

Recent data reveals that the growth of Vietnamese Insurtech firms lies not in an increased number of

players but in an expansion of size. Insurtech is anticipated to further enhance its platforms by integrating cutting-edge technology, demanding additional funding for these advancements. While not all Insurtech firms have embraced innovative technology, some leverage AI, Telematics, Computer Vision, Deep Learning to stay at the forefront of industry innovation.

Vietnam is embracing huge growth potentials for Insurtech thanks to its modest insurance

penetration rate and growing demand, capitalizing on tech-powered inherent advantages as a suitable choice for customers who prioritize swift insurance purchases and actively seek insurance knowledge. The aftermath of the 2023 Vietnam insurance scandal has underscored the weaknesses in the traditional insurance value chain, prompting a reevaluation in customer demand for insurance consultation and product quality.

## About FiinGroup

FiinGroup is Vietnam's leading provider of financial data analytics platforms, business information, market research and consulting, credit ratings, and other data-driven analytics services via Platform as a Service (PaaS), annual package, and on-call services.

FiinGroup has successfully supported various local and foreign investors conduct market assessment, commercial due diligence, merger filing support and deal/market entry advisory works to penetrate/ expand in many key sectors in Vietnam including financial services, fintech, infrastructure and utilities, environmental sectors, logistics, construction and building material, etc.

For more information about FiinGroup's support and other investor services and how we can support, please call +84 (24) 3562 6962 or email to [research.support@fiingroup.vn](mailto:research.support@fiingroup.vn).

For FiinGroup's credentials in Financial Services and Insurance sectors, please refer to the [LINK](#).