



TỔNG CÔNG TY CỔ PHẦN
TÁI BẢO HIỂM QUỐC GIA VIỆT NAM
VIETNAM NATIONAL REINSURANCE CORPORATION

REPORT BUSINESS RESULTS 2019 & BUSINESS PLAN 2020

Ha Noi, March 2020



Agenda

- 1 Vietnam economy and insurance market**
- 2 Reinsurance business results 2019**
- 3 Financial investment results 2019**
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Vietnam economic situation 2019

- GDP growth rate in 2019 reached 7.02% over previous year, the second consecutive year recording a GDP growth rate of over 7% since 2011. Vietnamese economy was among the top high-growth nations in the world.
- Processing - manufacturing industry is still the main growth momentum of the economy with the growth rate of 11.3%, contributing a half of the GDP growth.
- Import-export turnover exceeded the level of USD500 billion for the first time and posted a record high of USD516 billion (export reached USD263 billion, import reached USD253 billion). Vietnam was among the Top 30 countries and territories with the highest import - export turnover in the world.
- Total FDI into Vietnam reached USD38 billion, increasing by 7.2% compared to 2018. The disbursement reached USD20.4 billion, the highest level ever.
- Foreign exchange reserves reached nearly USD80 billion
- Labor productivity increased by 5.9%
- The number of newly established enterprises witnessed a record increase of 139,000 enterprises

Insurance market 2019

Vietnam insurance market

- The insurance industry registered a growth rate of 20.5% with total premium volume of about VND170,000 billion, equivalent to about 3% of the GDP, according to Insurance Supervisory and Authority.
- In which VND52,959 billion came from the non-life sector which grew by 13.5% compared to 2018.
- Property insurance recorded high growth rate of 32 - 35% thanks to the impact of Decree No. 23, however, the loss scenery was very bad.
- Personal insurance and Personal Accident insurance for loan holders (PA) continued to grow fast
- Agriculture Insurance:
 - ✓ The insurers were currently focusing on the preparation for launching new terms and conditions.
 - ✓ There were some difficulties in the execution process as well as concerns over negative results in the pilot scheme.
- Fishing Insurance:
 - ✓ Policies underwent some changes in terms and conditions
 - ✓ The size and level of subsidy from the State was narrowed down in comparison with Decree 67
 - ✓ The insurers were faced with increasing number of total losses, resulting in heavy underwriting loss
 - ✓ The insurers scaled down selling the product

Insurance market 2019

The local insurers were facing several other challenges

- Rising competition pressure and low profitability
- Limited capabilities of product design, risk surveying and IT application
- Compliance with market regulations and financial strength are also matters of great concern

International insurance – reinsurance market situation

- Reinsurance capacity in the world market increased slightly
- Nat cat losses were at the highest level ever
- Poor underwriting performance of many local insurers caused difficulties in reinsurance placement

Business results 2019

Business results 2019

Unit: VND million

		2019	2018	2019 vs 2018 (%)	2019 plan	2019 vs 2019 plan (%)
Premium	Gross written premium	2,221,248	1,802,718	123.2%	1,967,000	112.9%
	Retroceded premium	(1,030,279)	(1,017,977)	101.2%	(1,022,400)	100.8%
	Net written premium	1,190,970	784,741	151.8%	944,600	126.1%
	Decrease/(Increase) in premium reserve	(198,530)	(102,039)	194.6%	(78,600)	252.6%
	Premium income	992,440	682,702	145.4%	866,000	114.6%
Claim	Net claim payments	(406,204)	(261,512)	155.3%	(342,000)	118.8%
	Decrease/(Increase) in Claim reserve	(78,774)	(62,698)	125.6%	(34,000)	231.7%
	Net claims incurred	(484,978)	(324,210)	149.6%	(376,000)	129.0%
	Loss ratio (%)	49.0%	47.0%		43.4%	
Gross Underwriting Profit		96,649	135,089	71.5%	119,000	81.2%
Administration expenses + Provision for accounts receivable		(66,065)	(79,309)	83.3%	(83,000)	79.6%
Net Underwriting Profit		30,584	55,431	55.2%	36,000	85.0%
Combined Ratio		96.9%	91.9%		95.8%	
Investment & other incomes		301,543	260,249	115.9%	295,000	102.2%
Pre-tax profit		332,127	315,680	105.2%	331,000	100.3%
- Excluding undistributable foreign exchange gain		332,376	310,302	107.1%	331,000	100.4%
- Undistributable foreign exchange gain		(249)	5,378			

Business results 2019

❖ GWP in 2019 reached VND2,221.2 bn, increasing by 23.2% against 2018 and equal to 112.9% of the plan:

- Vietnamese insurance market in 2019 saw no big differences compared to the previous year: personal insurance products still kept a high growth rate.
- High growth of Property (31%) and Personal Accident for loan holders (35.8%).
- Premium from Fishing dropped sharply by 67% due to slowdown in sales and increasing number of fraudulent cases.

❖ Net written premium reached VND1,190.9 billion, increasing 51.8% over that of 2018 thanks to Property with 66%-growth and Personal Accident for loan holders with nearly three-fold growth

❖ Gross underwriting profit reached VND96.6 billion, which fell short of 19% of the year target:

- The high growth in net written premium leading to significant increase in reserve allocation.
- Property, Hull and Fishing recorded heavy underwriting loss due to high loss ratio

Gross written premium by lines

Lines of business	2019	2018	2019 vs 2018 (%)	2019 plan	2019 vs 2019 plan (%)
Engineering	209,773	194,512	107.8%	210,000	99.9%
Property	668,250	506,565	131.9%	510,000	131.0%
Energy	3,109	2,093	148.5%	2,500	124.3%
Aviation	4,171	28,160	14.8%	5,000	83.4%
Cargo	150,049	134,782	111.3%	140,000	107.2%
Hull	58,195	62,414	93.2%	60,000	97.0%
P&I	214,403	229,493	93.4%	235,000	91.2%
PA (bancass.)	516,061	189,131	272.9%	380,000	135.8%
Misc	331,803	331,329	100.1%	426,000	77.9%
Life	2,558	2,786	91.8%	2,500	102.3%
Agriculture	25,276	29,849	84.7%	30,000	84.3%
Fishing	28,750	86,005	33.4%	50,000	57.5%
K-care	8,850	5,600	158.0%	6,000	147.5%
Total	2,221,248	1,802,718	123.2%	1,967,000	112.9%

Unit: VND million

Net written premium by lines

Lines of business	2019	2018	2019 vs 2018 (%)	2019 plan	2019 vs 2019 plan (%)
Engineering	125,214	118,974	105.2%	119,000	105.2%
Property	233,984	140,727	166.3%	210,000	111.4%
Energy	866	186	465.6%	300	288.7%
Aviation	1,266	1,390	91.1%	1,800	70.3%
Cargo	117,587	104,547	112.5%	109,000	107.9%
Hull	33,047	35,266	93.7%	34,000	97.2%
P&I	52,938	48,514	109.1%	49,000	108.0%
PA (bancass.)	516,061	189,131	272.9%	380,000	135.8%
Misc	79,153	80,109	98.8%	89,000	88.9%
Life	2,558	2,786	91.8%	2,500	102.3%
Agriculture	1,977	3,342	59.2%	3,000	65.9%
Fishing	20,786	56,337	36.9%	33,000	63.0%
K-care	5,534	3,433	161.2%	4,000	138.4%
Total	1,190,970	784,741	151.8%	944,600	126.1%

Unit: VND million

Claim

Indicator	2019	2018	(%)
Claim payment for inward R/I (1)	1,075,928	787,023	136.7%
Claims recovered from outward R/I (2)	669,723	525,511	127.4%
Increase in claim reserve (3)	78,774	62,698	125.6%
Net claim payment (4 = 1-2+3)	<u>484,978</u>	<u>324,210</u>	<u>149.6%</u>

Unit: VND million

❖ Net claim payment increased by nearly 50% (equivalent to VND160.8 bn) compared to 2018. Reasons:

- Property suffered from numerous large losses with loss ratio climbing to 87.6% compared to that of 2018 at 79.7%
- Hull maintained high claim payment with loss ratio of 154%
- Loss ratio of Fishing rose to 96%
- Loss ratio of Agriculture surged to 130%, however, net written premium only represented a small part in the total
- Other business lines saw no material movements compared to the previous year

Large losses in 2019

(Net retention over USD200,000)

Losses	Insurer	Date of Loss	Line of Business	100% Loss	VNR's share	VNR's Retention
AU LAC	PJICO	08/01/2019	Hull / P&I	15,523,865	2,721,479	175,477
MAKALOT	BMI/BIC	21/07/2019	Property	9,496,735	352,243	211,346
WHITE FEATHER	BAO VIET	23/04/2019	Property	6,956,522	1,391,304	834,783
RANG DONG	PVIRE	28/8/2019	Property	6,521,739	220,435	132,261
DONGYANG ELECTRONICS	SVI	13/07/2019	Property	6,086,957	1,141,304	570,652
POMINA STEEL	BAO VIET	13/04/2019	Property	4,532,777	906,555	206,142
PHU MY GENCO 3	BIC/PTI/SVI	22/04/2019	Engineering	4,347,826	501,304	18,617
WESTERN PACIFIC & HERBALIFE	BAO VIET	11/04/2019	Property	4,234,792	846,958	423,479
NHA BE CORP.	BAO VIET	24/11/2019	Property	4,217,391	843,478	506,087
MANI HANOI	BVTM	03/10/2019	Property	3,711,700	716,358	429,815
DA NHIM HPP -CPM	BIC	23/03/19	Engineering	3,600,000	1,471,800	1,003,800
PHU LAM	BIC	18/05/2019	Property	3,097,043	383,352	230,011
MEISHENG TEXTILE	BAOVIET/BAOMINH	01/04/2019	Property	2,490,990	291,351	174,798

Technical reserves in 2019

Technical reserves (excluding Pilot Agriculture Insurance)

Allocation to technical reserves	31/12/2019	+/-	31/12/2018
Inward reinsurance			
- Premium reserve	1,077,522	+203,185	874,337
- Claim reserve (Outstanding + IBNR)	1,590,506	-64,823	1,655,329
- Catastrophe reserve	147,884	-34,127	182,011
Outward reinsurance			
- Premium reserve	508,148	+4,665	503,493
- Claim reserve (Outstanding + IBNR)	1,002,695	-143,596	1,146,291
Accumulated technical reserves (net)			
- Premium reserve	569,374	+198,530	370,844
- Claim reserve (Outstanding + IBNR)	587,811	+78,773	509,038
- Catastrophe reserve	147,884	-34,127	182,011

Unit: VND million

Reinsurance overdue balance (31/12/2019)

Unit: VND million

	31/12/2019	31/12/2018	+/-
Accounts receivables	592,638	559,228	+33,410
Accounts payables	614,330	497,517	+116,813
Net receivables	(21,692)	61,711	

- ✓ Actively collect reinsurance overdue balances

Management, sale expenses & provisions for overdue balances

Unit: VND million

Criteria	2019	2018	2019 plan	Comparison	
				2019/18	2019/KH
Management expenses	80,902	77,773	80,000	104.0%	101.1%
Provisions for overdue balance	-14,837	1,536	3,000		
Total	66,065	79,309	<u>83,000</u>	<u>83.3%</u>	<u>79.6%</u>

Financial investment activities 2019

Investment environment

- In general, the domestic financial and monetary market stayed firm in the context of several fluctuations in the world economy and financial market.
- Deposit interest rate tended to increase in the early months of the year, stayed firm at the mid year and reduced from end of Quarter 4/2019. Interest rate for deposits in VND currency for 12-month term and over was from 6.8% - 7.6%.
- The real estate market was stable. Some solutions and policies were launched to promote the real estate to develop strongly.
- Regarding Vietnam stock market, VN-Index increased by 68 points, representing an increase of 7.67%.
- Bond market was forecasted to be vibrant in 2019 but the reality turned out to be not as expected

Investment portfolio (31/12/2019)

STT	Danh mục đầu tư	1/1/2019	31/12/2019	+/-	Weighted
1	Deposits	2,463,000	2,690,000	+227,000	68.5%
2	Bonds	220,000	270,000	+50,000	6.9%
3	Private equities	647,366	588,155	-59,211	15.0%
4	Securities, fund certificates & entrusted investment	285,000	255,000	-30,000	6.5%
5	Office leasing	10,664	9,409	-1,255	0.2%
6	Real estates	13,304	13,304	0	0.3%
7	Current deposits	44,971	100,815	+55,844	2.6%
	Total	<u>3,684,305</u>	<u>3,926,683</u>	<u>+242,378</u>	<u>100.0%</u>

Unit: VND million

- Total investment assets increased by 6.5%, equivalent to VND242 bn
- Allocation to private equities decreased due to divestment from PGI, which accounted for 15% of total investment capital
- Allocation of investment assets was in compliance with the limits specified in the Investment Guidelines and the legal requirements

Investment & other activities results 2019

Unit: VND million

Chỉ tiêu	2019	2018	2019/18	2019 plan	2019 vs 2019 plan
Investment revenue + others	356,641	355,261	100.4%	386,000	92.4%
Investment expenses + others	55,098	95,012	58.0%	91,000	60.5%
Investment income + others	<u>301,543</u>	<u>260,249</u>	<u>115.9%</u>	<u>295,000</u>	<u>102.2%</u>

Investment revenue & others 2019

Unit: VND million

	Danh mục đầu tư	2019	2018	2019/18 (%)	2019 plan	2019 vs 2019 plan
1	Deposits	185,589	158,321	117.2%	180,000	103.1%
2	Bonds	18,680	20,918	89.3%	20,000	93.4%
3	Equities	86,615	31,190	277.7%	34,500 30,500	130.7%
4	Securities, fund certificates & entrusted investment	10,682	47,779	22.3%	25,000	42.7%
5	Office leasing	13,954	11,755	118.7%	13,400	104.1%
6	Foreign exchange difference in period	39,239	73,584	53.3%	78,000	50.3%
7	Real estates		0	-	3,400	
8	Others	1,882	11,714	16.1%	1,200	156.8%
	Total	<u>356,641</u>	<u>355,261</u>	<u>100.4%</u>	<u>386,000</u>	92.2%

Investment expenses & others 2019

Unit: VND million

	Investment expenses	2019	2018	2019/18 (%)	2019 plan	2018 vs 2019 plan
1	Addition to (release from) provisions + Expenses for stock trading, entrusted investment and equities	(89)	3,873		(6,200)	
1.1	Expenses and additions to (release from) provisions of entrusted investment	5,598 (6,070)	11,954		(6,200)	
1.2	Release of provisions for private equities	-	(8,081)		-	
1.3	Expenses, provision released, loss in trading securities	383			-	
2	Foreign exchange difference + swaps	45,788	82,056		88,300	
3	Office leasing expenses (direct expenses, allocated expenses)	1,608	539		1,900	
4	Other expenses (allocated expenses, others)	8,022	8,544		7,000	
	Total	<u>55,098</u>	<u>95,012</u>	<u>58.0%</u>	<u>91,000</u>	<u>60.5%</u>

Other activities 2019

Other activities

ENHANCE UNDERWRITING AND MANAGEMENT CAPABILITY	Assigned to
Amending and updating Claims Handling	RM, BCA
Working with partners on development of new products	Marketing
Implementing Circular No. 48/2019/TT-BTC on provision for doubtful debts	UW, BCA, F&A
Reviewing the execution of business strategy for 2015 – 2019	BOM
Setting up orientation and business plan for 2020 - 2024	BOM
Studying solutions to optimize reinsurance program	UW
Deploying Agriculture insurance under the Decree No. 58 of the Government	Special Lines, PSBD

Well completed

Completed at acceptable level

On-going

Behind schedule

Other activities

INVESTMENT	Assigned to
Evaluation report on private equities	Investment

Others	Assigned to
Successfully organizing 25 th Anniversary, received the Government's Emulation Flag	Marketing, GA
Repairing some sections of VINARE building	Investment, administration
Implementing tasks relating to tax inspection in 2018 (without major errors)	F&A + related units

Evaluation on business performance 2019

GROSS WRITTEN PREMIUM	<ul style="list-style-type: none">▪ Over fulfilled the assigned plan▪ Grew by 23.2% against 2018, the highest growth during the recent 10 years.▪ Reasons: traditional business recorded the same growth as commercial lines whilst bancassurance experienced big increase
NET WRITTEN PREMIUM	<ul style="list-style-type: none">▪ Over fulfilled the assigned plan (increasing by 51.8% against 2018 and reaching 126% of the plan).▪ High growth rate thanks to inward reinsurance of bancassurance (retention 100%)
PROFIT BEFORE TAX	<ul style="list-style-type: none">▪ Over fulfilled the assigned plan
THE CORPORATION OVER FULFILLED THE ASSIGNED PLAN	

Business plan 2020

Economic outlook for 2020

- The global and regional economic situation will experience a lot of undesirable changes with the increasing trend of protectionism, US-China trade tension, Brexit process, escalating gold price, etc. which may cause instability that is likely to exert negative impact on global economic and trade.
- International and local insurance market continues to face worsening loss trend.
- Covid-19 in summary:
 - ✓ Starting from China, more than 5 million people have been diagnosed with Covid-19, the total number of deaths is more than 330 thousand around the world.
 - ✓ Several countries have applied lockdown and social distancing for months.
 - ✓ Global economic losses estimated up to several trillion USD, especially to aviation and tourism.
 - ✓ Impact on insurance and reinsurance sector (according to Lloyd's, the total projected loss to the insurance industry is USD203 bn) → Reinsurers' financial capability and international reinsurance tariff in the coming time are still big questions → Requirements on financial strength and international rating will certainly be of great concern to ensure claim payment.

Economic outlook for 2020

- Viet Nam:
 - ✓ With good control of COVID-19 to dates, Vietnam has entered a phase of "new normal", allowing the country to restart the economy whilst keeping a vigilant eye on the pandemic .
 - ✓ Economic situation:
 - Vietnam has reduced the GDP growth target from 6.8% to 4.4% - 5.2%. At the close of March 31, VN-Index fell 32% against end of 2019 to 665.53 points; HNX-Index fell 15% to 92.64 points; There has been some recovery to dates but it is not stable .
 - The Government focuses on strengthening the legal framework and effective management tools to ensure macro-economic stability.
 - The main drivers of the economic growth will be export (which is expected to growth 9%), foreign investment (it is expected that the investment capital flows will transfer from Hong Kong and China to Vietnam) and private sector.
 - The epidemic will certainly have impacts on economic growth.

Insurance industry outlook 2020

- Before the outbreak of Covid-19, according to the Insurance Supervisory and Authority, Vietnamese insurance market will continue to maintain the positive growth momentum in 2020, with a projected growth rate of over 20%. Non-life sector is expected to increase by 12%. The tough competition and the worsening loss toll, especially Property losses, will still be of great concern.
- Most insurers will still focus on promoting retail products and applying technology in developing distribution channels.
- Governmental insurance schemes continue to be implemented, but it is not certain to expect any short-term progress.
- Regarding the legal framework, the Insurance Supervisory and Authority is expected to finish the amendment of the Law on Insurance Business in 2020.

VINARE's policies in 2020

- **General direction**: Continue to enhance risk management, improve profitability of reinsurance business; expand reinsurance market, enhance capability of providing added values to the market (risk management, training, products, reinsurance programme, solutions for sustainable development);
- **Some specific areas**:
 - ❖ **Reinsurance business**
 - Focus on studying and developing new products: Nat Cat insurance, Bancassurance, insurance products for public sector, Agriculture insurance, ect.
 - Find solutions to increase revenues of Engineering and other profitable traditional business lines.
 - Enhance risk assessment and management of inward business of Property, Bancassurance and Motor.
 - Focus on risk management of Cargo (bulk).
 - Enhance capability of providing insurance products of Casualty.

VINARE's policies in 2020

❖ Corporate governance & Organization

- Continue to strengthen the corporate governance structure, organization and policies on human resource development.

❖ Investment:

- Enhance risk management capability, capital preservation.
- Monitor the entrusted investment.
- Re-allocate investment assets in compliance with Ministry of Finance's decisions and VINARE's Investment Guidelines. Assess risk and allocate investment assets and provide solutions to ensure efficiency and sustainability.
- Evaluate private equity portfolio and execute the divestment plan

Business plan 2020

Unit: VND million

Indicators	2020 plan	2019 performance	Growth
Gross written premium	2,564,600	2,221,248	15.5%
Pre-tax profit	355,600	332,127	7.0%
- <i>Excluding foreign exchange gain</i>	355,600	332,376	6.8%
- <i>Foreign exchange gain (undistributable)</i>	unidentified	(249)	
Projected dividend payment	12%	20%	

*/ **Note**: the above plan has not taken into account the impact of Covid-19 due to the inability to evaluate the impacts on insurance and reinsurance sector.

Projected allocation of investment assets 2020

Unit: VND million

No.	Investment portfolio	31/12/2020	31/12/2019	+/-	Proportion 31/12/2020
1	Deposits	2,687,544	2,690,000	-2,456	65.8%
2	Bonds	400,000	270,000	+130,000	9.8%
3	Equities	610,156	588,155	+22,001	14.9%
4	Securities, fund certificates & entrusted investment	315,000	255,000	+60,000	7.7%
5	Office leasing	8,300	9,409	-1,109	0.2%
6	Real estates	6,000	13,304	-7,304	0.1%
7	Others	60,000	100,815	-40,815	1.5%
Total		<u>4,087,000</u>	<u>3,926,683</u>	<u>+160,317</u>	<u>100%</u>

Management expenses plan 2020

Unit: VND million

Indicators	2020 plan	2019	Change %
Management expenses	85,000	80,902	105.1%
Provisions for overdue balance	5,000	-14,837	
Total	90,000	66,065	136.2%

Key tasks 2020

1. Strive to fulfill business plan 2020 at the highest level.
2. Enhance study/research in Public asset insurance.
3. Focus resources on Public asset insurance, Bancassurance, Nat Cat, Agriculture insurance, ect. Promoting solutions/ reinsurance capacity for the market.
4. Enhance value added services for clients, step by step expanding the market.
5. Evaluate and complete policies on human resources development; strengthening the organization.
6. Enhance risk management (internal & providing value added in terms of Risk management).
7. Maintain/ upgrade credit rating. Current business rating maintained at B ++
8. Focus on effective management of expenses.
9. Enhance investment capability, closely monitor investment portfolio and carry out periodical evaluation.
10. Organize Reinsurance Conference 2020

Key tasks - Solutions

Marketing

- Client segmentation with differentiating client policies focusing on domestic clients.
- Enhancement of VINARE's branding and identity in the local and international market.
- As with overseas business, potential markets are identified with appropriate approaching strategy. Expansion of business exchange with overseas partners is to be considered with proper caution.
- Continue to study to develop new products and risk transfer solutions (Nat Cat, Agriculture, Liability, ect.) and new distribution channels.
- Enhance collaboration with other national reinsurers in the region (Thai Re, Philippines Re, ect.) in order to develop products in domestic market and exchange business regionally.

Key tasks - Solutions

Investment

- Focus on improving the performance of office leasing activity.
- Re-evaluate the performance of private equity portfolio and the overall allocation of investment assets.
- Explore opportunities with corporate bonds and cautiously evaluate entrusted investment portfolio.
- Strengthen control over VINARE Invest's operation

Finance - Accounting

- Focus on revenue - expense management, cost management process and policies to boost work performance.

Risk Management

- Enhance risk assessment activities by VINARE and the market.
- Enhance Asset Liability Management capability

Key tasks - Solutions

Corporate governance & Organization

- Review and study pathway for the process of restructuring governance model.
- Improve the quality of human resource via self-training and outsourced training and the policy on human resource development.
- Strengthen and improve the quality of corporate governance

IT

- Ensure smooth and efficient operation of IT system.
- Ensure system security and safety
- Complete Accounting application

