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## Vietnam: An Emerging Market, No Longer a War

by Nhon Ly

On Nov. 18, 2005 I left Canada for Vietnam, a twenty-something-hour flight crossing two continents, one ocean and 12 time zones. On November 20th, I finally arrived at the then small airport of Tan Son Nhat in Ho Chi Minh City. My suitcases in one hand, a life insurance product book in the other and my tennis bag across my shoulder, I was nervous but eager and ready to be reintroduced to a country where I was born but barely knew—I left it when I was five years old. I stepped outside, walking through an overwhelming, dense crowd of people waiting for their overseas Vietnamese relatives and friends, looking for my hotel pick-up. I realized that although my job to head the actuarial department of a start-up life insurance company would be a thrilling experience, it would be full of challenges as Vietnam has been—and still is—racing against time to catch-up for lost opportunities and to position itself in the current global market.

Vietnam went through years of economic slow-down during and after the war which ended in 1975. In recent years however, except during the Asian crisis at the end of the 1990s, it has mostly been in a growth phase since the "Doi Moi" started in the late 1980s. "Doi Moi" is the

political and economic reform initiated by the Socialist Republic of Vietnam which allowed greater foreign direct investments, tourism and economic growth. In January 2007, it also became the 150<sup>th</sup> member of the World Trade Organization. This will allow Vietnam to further boost its trade and investments and get to the next level. Vietnam is changing as we speak and at high speed. You can feel the sense of urgency and eagerness of all these people as they zigzag through the city with their motorbikes. 30 million in the South with Ho Chi Minh City as its heart, 25



*An outdoor market in Dalat*

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million in Central Vietnam and 30 million in the North where the capital, Hanoi, is located. 85 million in total and more than half of them are below the age of 30. Several foreign university branches have already settled in to provide an international education to this new generation. Newer and taller buildings are popping up left and right in major cities to meet the office space and housing demands that well exceed the supply. The challenge for every business in Vietnam is how to tap into this dynamic and vibrant market.

The life insurance industry started modestly in 1996 with its first and only state-owned life insurance company. The first foreign life insurance company entered the market three years later and the tally is now at seven foreign life insurers with a few additional companies already confirmed to join sometime in 2008. The insurance industry is still in its infancy when compared to European and North American markets or even most Asian markets, especially considering that only slightly over 5 million of Vietnamese are insured (out of a total population of 85 million) and that the average annual premiums and face amounts are only US\$200 and US\$3,000 respectively, woefully far from where they should be. The insurance market still has tremendous potential and is virtually untapped.

The insurance industry grew at a strong pace from 1996 to 2004 when most policyholders bought their life insurance policies through trust rather than need and understanding. Policyholders were less skeptical and had also less investment opportunities. By the beginning of 2005, the industry started going through a negative growth period which lasted up until the end of 2006. During this period, policyholders had other strong

investment alternatives such as real estate, gold and stocks. The regulatory environment has also made it more difficult for life insurers. However, the industry got back on track in 2007 with strong growth for most life insurance companies. The negative growth period had forced the insurance industry to readjust and reexamine its role along with its strengths and weaknesses. It is the beginning of a new phase for the industry where the focus is no longer just on savings but it is also on risk protection. A wider (and better-suited) range of products are now available such as Universal Life, health protection and soon-to-be available Unit-Linked. In the past, simple savings products such as endowments and education were mostly sold. The industry has also focused on improving the quality of its service by having better training of its agents and customer service representatives. The insurance industry is heading in the right direction and is expected to continue its growth for the next several years.

Needless to say, it is a privilege to work in an emerging market and be part of its growth. It is truly exciting to be working in a country where sand dunes and beaches coexist with tropical flat deltas and forest highlands, with China right across the northern border, Laos and Cambodia across the western border and the South China



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*A beach in Nha Trang*



*The white sand dunes in Mui Ne*

Sea on the eastern border. But working in Vietnam, as in any young markets, comes with many challenges. The first and biggest challenge is adapting to the country, its people, its culture, its climate—basically getting over the culture shock. The first three months are the most difficult and there are numerous times—if not all the time—when you wonder if you can make it work. But thankfully, without knowing and realizing it, somehow you do.

Once you overcome the culture shock, a multitude of other challenges awaits you: the limited (five fully qualified actuaries at last count) and changing actuarial resources within Vietnam (none of the appointed actuaries that were here when I arrived are still in their respective positions), the lack of credible data, the regulatory environment, the image of insurance companies and the ethical sales of life insurance products and its consequences, to name only a few. During the first few months, I often wondered why I left my comfortable and familiar life but then I would remember why I came and how grateful I am to be part of all this. It has been a roller-coaster ride for me with its ups and downs and its twists and turns but it has been and continues to be a thrilling and unique experience.

After two years of working in Vietnam, images of planes dropping bombs, jungles on fire, Martin Sheen lying upside down with The Doors' songs playing in the background, Robin Williams screaming "Good Morning Vietnam," the "girl in the picture" running naked on a burning highway...all these images that my generation grew up with can finally rest in peace in the past where they belong. Vietnam is now living in the present with a roaring future. It is now one of the tigers

of the Asian markets. Vietnam is currently the second fastest growing economy in Asia standing only behind China. Its stock market index grew by at least 20 percent each of the past four years and over 900 percent since it started in 2000, its GDP has been increasing over seven percent each of the last five years and foreign direct investment into the country has increased threefold over the last three years. Furthermore, Vietnam is the largest producer of cashew nuts and the second largest rice producer in the world, the third largest oil producer in Southeast Asia and a key producer of coffee, tea and rubber. Simply put: Vietnam is now known as an emerging market, no longer a war...and rightly so! □

*Author's Note: This article was written a year ago and the economic figures herein do not reflect the recent global financial crisis.*