

ABSTRACT

Abstract of thesis submitted to the Graduate School of Maejo University in partial fulfillment of the requirements for the degree of Master of Business Administration in Business Administration

ANALYSIS OF THE OPERATION OF INSURANCE COMPANIES IN THAILAND

By

WORACHAI WINIJNUKOOL

MAY 2000

Chairman : Assistant Professor Bancha TrivitayaKoon
 Department / Faculty: Department of Agricultural Business Administration and Marketing , Faculty of Agricultural Business

This research was conducted to analyze operations and to find out sources of funds and financial status of insurance companies in Thailand. Financial documents during 1993 -1997 from the Insurance Department and the Ministry of Commerce were mainly used in the analysis.

The results revealed that most funds were obtained from net insurance premium, followed by funds and net income from investment. Most of the funds were used for invested assets and for operational expenses.

Most of the insurance companies were found to have invested assets according to the 1992 Assets Investment Act; only certain types of investment were not in accordance with the Act e.g. investment in deposit with interest at a financial institute, investment in bills of exchange, commercial notes and investment in stocks, debentures and convertible debentures.

The hypotheses of this research were that the companies with high financial liquidity may have low debts to the insured and that the companies with high repayment ability may have low debts to the insured. For the financial budgeting analysis of the

insurance companies by computing the average of financial ratios of each company during 1993-1997 compared with standard financial ratios in the early warning system theory, the results of the research revealed that the hypotheses were false. This means that companies with high financial liquidity may have high debts to the insured and the companies with high repayment ability may have high debts to the insured as well.

The analysis of the operations indicated that the operations of the four companies were in accordance with the specified standards e.g. ability in business extension, ability in asset management and in company fund management. Only the Ocean Insurance Co.,Ltd. had the overall operational results below the standards, especially the ability in debt repayment.

In conclusion, the insurance companies in Thailand had problems of debt repayment, especially short-term debts; financial liquidity; and profitability. These were due to the economic turndown and the internal management of the companies themselves.

Some suggestions are that the government should promote and create an atmosphere of competition in the insurance sector, including disseminating correct information about insurance to Thai people. The companies themselves should improve their operations in various aspects, investment in particular. They should consider risks and returns on investment, reduce their operational expenses and prepare cash reserve for short-term debt repayment and for operating the companies' activities.