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The Impact of Globalization on the Development of Life Insurance Businesses in Vietnam

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Abstract

International Economic Integration has a strong impact on all sectors of the Vietnamese economy, which directly affects the integration of the life insurance industry. In this research article, the author focuses on studying the impact of globalization on the development of life insurance businesses in the Vietnamese life insurance market. Research data was collected from 201 subjects who are managers of life insurance businesses, insurance managers, and trainers in the field of life insurance to clarify the impact

of globalization on development of life insurance businesses.

Research results show that globalization affects the capacity of insurance enterprises, the diversity of life insurance products and the human resources of insurance enterprises. Thereby, experienced lessons can be drawn for the sustainable development of the Vietnamese life insurance market.

Keywords: Life Insurance, Insurance Enterprise, Globalization

1. Introduction

Life Insurance is a growing field both in the world and in Vietnam. With the impact of trade agreements and trade between countries on life insurance, the life insurance market is currently facing great opportunities for development and facing many challenges that need to be resolved. In particular, studying the effect of globalization on the development of Vietnamese life insurance businesses is an urgent requirement.

In general terms, the Vietnamese life insurance market is an emerging insurance market but has a fast and strong growth rate in the context of globalization and integration, Vietnam's insurance market has the potential to continue to grow strongly in the future with many different segments. However, the market also has to face a series of challenges in terms of insurance competence, management experience, competition in the domestic market and in the international environment. (Olasehinde-Williams & Balcilar, 2020) ^[6].

Life insurance is a field that has many impacts from globalization, especially the impact on life insurance businesses in terms of both financial capacity, human resources in the field of life insurance, the deployment of new trends to meet customer requirements in the context of enhanced competition in the life insurance industry in the context of globalization. (Malynych & Bazhanova, 2019; Olasehinde-Williams & Balcilar, 2020) ^[5, 6].

Life insurance business activities have many benefits:

Firstly, life insurance business also helps the economy develop comprehensively and stably. With its role, life insurance helps stabilize the economy when an unfortunate risk occurs to a business or a group of businesses. Risks can include financial risks, managers, employees, and those who depend on them. (Thoyts, 2010) ^[9].

Secondly, all life insurance products arise a liability to pay when the insurance event occurs to the insured person during the term of the insurance contract. In addition, some life insurance products also satisfy other needs such as savings, accumulation of the insured person when they are alive. People's needs for life insurance are very diverse, the insured person may need money to cover expenses, support people who depend on them, pay for children's education expenses, have stable income in retirement or other investment income. (De Vylder & de Vylder, 1997) ^[4].

Globalization activities have a great impact on the life insurance industry, it promotes the development of internal resources from life insurance businesses such as developing financial capacity and increasing the quality of human resources and

changing the product structure to be more beneficial to insurance buyers.

2. Theoretical Basis Overview

2.1 The concept

Life Insurance

Life insurance is a commitment between the insurer and the insured, in which the insurer will pay the participant (or beneficiary of insurance benefits) a certain amount of money when predetermined events occur (the insured person dies or lives until a certain time), and the participant must pay the insurance premium fully and on time (Rejda, 2014) [8].

Thus, it is clear that no matter how life insurance is approached, it can be seen that the fulfillment of the commitment of both the buyer and the insurance company depends on the life expectancy of the person. Or in other words, life insurance is a type of insurance for cases that the insured person lives or dies. (Outreville, 1998; Thoys, 2010) [7, 9].

The implementation of legal commitments in life insurance contracts must be based on the specific regulations in those contracts. In most life insurance contracts, a number of provisions related to the rights and obligations between the insurance enterprise and the insurance buyer are based on three main factors: contract term, sum insured (or periodic benefit) and age of the insured (Outreville, 1998) [7]. With different ages of insured people, the risk of death for those people will be different. Therefore, even if the contract term and the insurance money are the same, the premium that the insured must pay will also be different (Thoys, 2010) [9].

One of the outstanding features of life insurance is that it is both economical and cumulative as well as risk prevention to protect customers. This is the basic difference between life insurance products and non-life insurance products (Thoys, 2010) [9]. The savings are expressed in most life insurance contracts, each individual, each family accumulates small, regular amounts of money (the insurance premiums) to pay to the insurance company and receive back a larger amount of money many times the fees paid. If the insured dies during the validity period of the insurance contract and at the expiration of the insurance contract is paid at least equal to the amount of premium paid (Thoys, 2010) [9].

Besides, life insurance is also cumulative, because life insurance policies have a long term, most of the premiums collected are not immediately paid to the insured, so this premium will be invested by insurance enterprises to both ensure capital adequacy and ensure profitability (Thoys, 2010) [9]. Investment interest is covered for damages caused by the insured risk, the operating expenses of the remaining insurer pay the insurance to the insured. In addition, if the insured needs to accumulate more, in addition to participating in insurance for risks (traditional insurance products), they can also invest more money for investment insurance in universal insurance products or unit-linked insurance products (Cooper, 1977) [3].

Globalization

Globalization is first and foremost an interactive and integrated economic process associated with cultural and social aspects. Economically, globalization involves goods, services, data, technology, and capital economic resources.

The expansion of global markets liberalized the economic activities of exchanging goods and funds. The removal of trade barriers has made the creation of global markets more feasible (Albrow & King, 1990) [1].

In fact, globalization has been one of the most concerning issues in the last few decades. Its impact on economic transactions, operational processes, organizations is vast and widespread. Globalization challenges previously established traditional norms and behaviors and requires different mindsets and changes to adapt. Globalization creates opportunities for well-prepared, proactive and visionary corporate organizations (Appadurai, 2001) [2].

In the economic realm, globalization represents the increasing interdependence of economies worldwide through the rapid increase of cross-border movements of goods, services, technologies and capital. Globalization is best reflected in the "internationalization" of business transactions. This means that one or more aspects of economic activity take on an international character. One of the parties to the transaction may be a foreign counterparty; transactions may involve foreign currency; financing may involve foreign lenders; technology can originate from a foreign partner (Appadurai, 2001) [2].

Globalization has a major impact on the life insurance business. Life insurance companies are multinational enterprises and have business operations in almost all countries. Therefore, globalization will greatly impact the development of life insurance businesses (Malynych & Bazhanova, 2019) [5].

2.2 The influence of globalization on the development of life insurance businesses

- Globalization affects the capacity of insurance businesses: Insurance capacity is the ability to receive insurance by an insurance company or insurance market and is measured primarily by its financial capacity and capacity to assess and manage risks. Financial capacity is measured by the indicators of legal capital, equity, total assets and business provisions, of which especially important are equity and business provisions. The capacity to assess and manage risks is a difficult factor to measure, but can be considered through the target of insurance compensation/payout ratio for risks (excluding contract maturity). If an insurer or an insurance market has good risk assessment and management capabilities, the compensation ratio is usually not high or within their control, poor risk assessment and management capacity is often accompanied by the fact that accepted insurance policies may have high risk and potential for loss, it is difficult to control the compensation rate or retained compensation ratio of large enterprises and markets.
- Globalization affects human resources in the life insurance industry: Human resources in the life insurance industry are one of the factors that create success and development in the field life insurance. This industry requires qualified human resources with product knowledge as well as ethics in the process of practicing life insurance. In the context of globalization, when the movement of personnel between professional areas is large, the life insurance industry is also an industry that attracts a lot of high-quality resources that will have a positive and sustainable impact on the overall development of the life insurance market.

Globalization affects the diversity of life insurance products: Product diversity is one of the criteria to evaluate the development of the insurance market in general and life insurance in particular. When globalization takes place, the process of free trade promotes development as well as people's understanding, in addition, the development of production exchanges leads to increased demand for insurance, improved awareness. Domestic enterprises and multinational companies strive to develop a variety of products that both meet the needs of customers but also expand business opportunities. The number of new products introduced in 1 year demonstrates the level of product diversity and efforts to improve new product designs to serve customers' insurance needs. In fact, in the insurance sector, the new product concept can be a completely new product but can also be an improvement that expands coverage. In the global context, as mentioned in the theoretical section, domestic and international insurers are making efforts to introduce new products to meet the increased demand for insurance due to economic development, improved awareness, and higher product requirements of customers.

3. Research methods

Research methods used by the research group include:

Group discussion

Group discussion is implemented in the form of online discussion through the Teams tool. Participants in the group discussion include: 06 CEO of life insurance companies and 01 manager from Department of the Insurance Supervisory Authority, 01 officer of Insurance Association of Vietnam, 01 lecturer. These are experts with over 15 years of experience in the field of life insurance in Vietnam

Discussion focuses on the following contents:

1. Determine survey content related to factors of life

insurance businesses affected by globalization and control variables of each factor.

2. Identify the object to be surveyed.

Survey

The survey was built on the basis of expert opinions through group discussion and from a research overview with the selection of factors related to globalization that affect the development of life insurance businesses and specified by the penetration of foreign life insurance companies, the issue of insurance capacity, human resources issues that meet the need for innovation in globalization and the trend to develop a variety of life insurance products to meet the changing needs of insurance buyers.

The question is mainly designed in the direction of expression based on a 5-level Likert scale (Allen *et al.*, 2007). After the design has been confirmed by the experts in the group discussion.

The survey questionnaire was then sent to the surveyed subjects. Respondents included: specialists with 10 years or more working experience, deputy heads of departments, general directors and regional sales managers (SM) of life insurance enterprises, senior managers at life insurance businesses, lecturers/researchers at universities, ministries at state insurance management agencies, managers at the Insurance Association of Vietnam. The number of people accessing the survey was 256, valid survey results were 201. Survey information was entered and processed for research.

4. Research results

4.1 Results of the development of Vietnam's life insurance market

With the increase in the number of life insurance businesses and the addition of charter capital in 2022, it will create a large source of capital for the development of the economy in general. Specific business results are as follows:

Table 1: Insurance market development targets for the period of 2018-2022

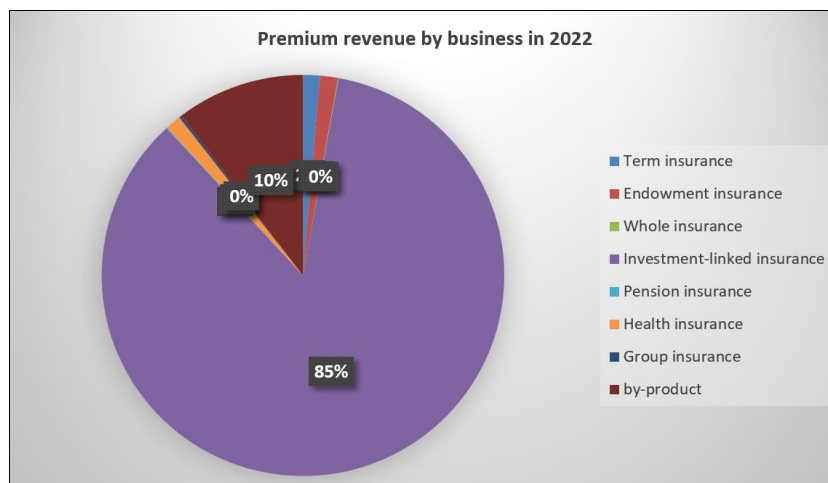
Ordinal number	Target	Unit	2018	2019	2020	2021	2022
1	Total number of insurance businesses and insurance brokers	enterprise	63	64	65	67	71
2	Life Insurance enterprises	enterprise	18	18	18	18	19
3	Total Assets	billion dong	395.215	462.964	573.368	708.534	822.287
4	Total professional reserve	billion dong	241.710	291.713	364.787	459.484	530.254
5	Invest back into the economy	billion dong	324.262	378.504	472.039	583.189	680.511
6	Total market revenue	billion dong	160.586	185.400	222.077	255.876	281.370
7	Life insurance premium revenue	billion dong	86.176	106.819	130.770	159.326	178.327
8	Contribution to GDP	percent	2,85	3,07	3,53	3,96	2,96
9	Compensation and insurance payments	billion dong	39.260	43.761	48.694	51.924	65.578
10	Solution to jobs	people	929.562	1.068.151	1.102.297	1.156.034	1.096.404

Source: Department of the Insurance Supervisory Authority, 2022

The year 2022 will witness strong growth of total assets reaching VND 822,287 billion, an increase of 2.08 times compared to 2018; The total amount of investment back into the economy reached. The life insurance market has contributed to adding stable, long-term investment capital to the economy. This is a testament to the growth of life

insurance businesses in the context of globalization.

The product structure changes according to world trends by increasing the proportion of investment-linked products and decreasing the proportion of revenue from traditional products.



Source: Department of the Insurance Supervisory Authority

Fig 1: Premium revenue by business in 2022

This product structure accounting for 85% reflects a trend in changes in the life insurance product following the trend of globalization and buyers tend to choose products with high investment properties.

4.2 Characteristics of the survey sample

Working position: Working position is an important basis to ensure reliability based on the practical basis of observations. Life insurance is a newly developed industry in Vietnam after the economy opened and integrated, there is still a certain shortage of human resources with management experience in the market, however experienced people are those who most clearly experience the development of the market in the context of globalization.

Table 2: Working position of respondents

	Respondents	Frequency	Percent	Valid	Cumulative Percent
Valid	Expert: Over 10 years of experience	50	24.9	24.9	24.9
	Senior management of life insurance enterprises	45	22.4	22.4	47.3
	Representative of the state management agency on insurance	15	7.5	7.5	54.8
	Management of research units	41	20.4	20.4	75.2
	Regional Director	50	24.8	24.8	100.0
	Total	201	100.0	100.0	-

Source: Survey results of the research group

Table 2 shows the structure of the research sample, out of a total of 201 valid survey responses, the structure of labor positions is experienced specialists at life insurance businesses that accounts for 24.9%, regional management directors account for 24.8%, representatives of state insurance management agencies account for 7.5%, managers of teaching managers of insurance research units are 20.4%, senior managers of life insurance enterprises are 22.4%.

Working time: As well as age, working time in the insurance industry up to the time of the survey shows understanding, awareness and experience of the insurance market during the period of integration and development of the Vietnamese life insurance market as well as the

influence of factors on the development of the life insurance market.

Table 3: Working time in the field of life insurance

	Respondents	Frequency	Percent	Valid	Cumulative Percent
Valid	Under 10 years	23	11.4	11.4	11.4
	10 – 15 years	158	78.6	78.6	90.0
	Over 15 years	20	10	10	100.0
	Total	201	100.0	100.0	-

Source: Survey results of the research group

From the data in Table 3, it can be seen that most of the survey participants have worked in the industry for 10 - 15 years with 158 people accounting for 78.6%, followed by those who have worked for less than 10 years, accounting for 11.4% and those with over 15 years of experience account for 10%. This shows that most of the experts participating in the survey have experienced the development of Vietnam's life insurance industry in the changing context since Vietnam opened to join the WTO until now.

4.3 Survey results

- Capacity of life insurance businesses:

As determined in group discussions among experts and on the basis of research overview, first of all, globalization affects the capacity factor of insurance businesses in the life insurance market in Vietnam. It can be seen that the market's insurance capacity has improved significantly through the market's growth in revenue. The survey carried out with five control variables: capacity of life insurance business 1 to capacity of life insurance business 5.

The results of descriptive statistics are shown as follows:

Table 4: Descriptive statistical results on capacity factors of life insurance businesses in the context of globalization (Descriptive Statistics)

	N	Minimum	Maximum	Mean	Std. Deviation
NLDBH 1	201	2.0	5.0	4.167	.8546
NLDBH 2	201	2.0	5.0	4.073	.9203
NLDBH 3	201	2.0	5.0	4.033	.8468
NLDBH 4	201	2.0	5.0	4.100	.8334
NLDBH 5	201	2.0	5.0	3.853	1.0126
Valid N (listwise)	201				

Source: Survey results of the research group

The survey results in Table 4 show that globalization has basically a strong impact on the insurance capacity of life insurance businesses in Vietnam. Most of surveyed people rated the factors in this scale at level 4 or higher, in which: The staff's assessment of factor NLBH1 (Business strategies of life insurance businesses are increasingly systematic, flexible and adaptable to the context) is the highest at 4.167.

Impact on Human Resources in the life insurance industry:

Globalization impacts the Human Resources factor of insurance businesses in the Vietnamese life insurance market. With the characteristics of emerging markets, the fact that the market has been developing rapidly for a long time leads to a shortage of human resources in the industry in both quality and quantity. To evaluate the impact, control variables are determined according to working position, including variables from NNL1 to NNL 6.

The results of descriptive statistics are shown as follows:

Table 5: Descriptive statistical results on human resources factors in the insurance industry in the context of globalization (Descriptive Statistics)

	N	Minimum	Maximum	Mean	Std. Deviation
NNL1	201	2.0	5.0	3.873	1.0382
NNL2	201	2.0	5.0	3.680	1.0950
NNL3	201	2.0	5.0	3.687	1.0306
NNL4	201	2.0	5.0	3.873	.9919
NNL5	201	2.0	5.0	3.867	1.0971
NNL6	201	2.0	5.0	3.014	.9126
Valid N (listwise)	201				

Source: Survey results of the research group

The survey results in Table 5 show that the average of the control variables in the Human Resources factor is quite scattered and fluctuates from 3.0 to 3.8. This reflects in the context of globalization, although the quality of human resources in general has improved and specifically focusing on the sales department, however, the quality of the human resources compensation department has received more disagreement. Feedbacks about quality improvement. Therefore, this is a factor that shows slow change in the context of globalization.

- Diversification of life insurance products:

Globalization naturally affects the diversity of life insurance products of life insurance businesses in Vietnam. The higher the diversity of businesses' products, the more products become more suitable to customer needs, and the more systematic risk management becomes, the more insurance demand can be improved. The proposed observation variables include variables from SPNT1 to SPNT4.

Table 6: Descriptive statistical results on the diversity of life insurance products in the context of globalization (Descriptive Statistics)

	N	Minimum	Maximum	Mean	Std. Deviation
SPNT1	201	2.0	5.0	4.080	.8576
SPNT2	201	2.0	5.0	4.457	.8702
SPNT3	201	2.0	5.0	4.318	.8752
SPNT4	201	2.0	5.0	4.180	.8586
Valid N (listwise)	201				

Source: Survey results of the research group

The survey results in Table 6 show that the majority of surveyed experts and managers of insurance businesses agree that globalization has a very positive impact on the product diversity of life insurance businesses in Vietnam with the average value of all four control variables uniformly above level 4, in which the SPNT2 variable (Products that suit the needs of insurance buyers) has the highest average at 4,318. This is also one of the actual reflections of changes in life insurance products in the market to better meet customer needs.

- The impact of globalization on the development of life insurance businesses

To have an overall assessment of the relationship between the influence of globalization on the development of life insurance businesses. The control variable is AH1.

Table 7: Descriptive statistical results on the impact of globalization on the development of Vietnamese life insurance businesses (Descriptive Statistics)

	N	Minimum	Maximum	Mean	Std. Deviation
AH1	201	2.0	5.0	3.993	.8861
Valid N (listwise)	201				

Source: Survey results of the research group

The survey results in Table 7 show that there is not too much deviation between the survey results according to the detailed variables in the previous data tables. In particular, variable AH1 (Globalization positively affects the development of life insurance businesses) has an average of 3,993. This result is appropriate, when the supply factor is focused; promoting market changes related to supply capacity (financial capacity, human resources and diversity in supplied products for customers) the market will develop when there is a favorable context: Vietnam's economy maintains high growth.

5. Conclusion

First of all, we have to confirm that survey results from experts that globalization has a major impact on the development of Vietnam's life insurance market with a rating of more than 4.3 on a scale of 5 in terms of impact. Globalization impacts all factors related to life insurance businesses in all three aspects: the capacity of insurance businesses, improved human resources and the diversity of life insurance products with average ratings achieved mostly above 4 on a scale of 5. Although globalization has a strong impact on the development of life insurance businesses, there are still some weaknesses that need to be overcome so that life insurance businesses can develop better such as: improving administrative capacity is one of the variables that was underestimated during the survey or the human resource factor is assessed to have improved but is not commensurate with the development of the overall insurance industry. Assessments of the level of product diversity, products that are suitable to the market needs, are oriented towards a standard that is rated on an average below 4.1 out of a maximum of 5. This shows the good adaptation of the Vietnamese life insurance market, the rapid learning and integration of domestic businesses with product trends that meet the needs and financial capabilities of customers as well as market demand.

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