



Received: 09-02-2024
Accepted: 19-03-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Evaluation of Business Results and Financial Indicators of Bao Viet Life Corporation

Vu Thi Hong Net

University of Labor and Social Affairs, Hanoi, Vietnam

Corresponding Author: Vu Thi Hong Net

Abstract

The article clarified that the research objective is to evaluate business results and analyze important financial indicators of Bao Viet Life Corporation. Based on secondary data collected from the Insurance Association of Vietnam and the financial statements of BaoViet Life Corporation over the years from 2018 to 2022, the author conducted an analysis and made a judgment. Accordingly, the business activities of the enterprise were maintained through the difficult period due to the COVID-19 epidemic and the market did not grow. Some indicators, such as the ability to pay quickly, are much greater than necessary. This raises the

problem that businesses may have excess capital or are storing too much cash, leading to inefficient investment activities. From these consequences, profit margins are not achieved as desired. The insurance business market is facing many obstacles due to the violations discovered at the end of 2022. These mistakes cause customers to worry and lose confidence in the business. This reason also causes the business results of the enterprise to decrease. However, the Law on Insurance Business in 2022 has come into effect and it will help the insurance market be transparent, businesses regain trust from customers, and return to growth.

Keywords: Business Results, Financial Indicators Analysis, Bao Viet Life Corporation

1. Introduction

Life insurance is a capital channel for Vietnam's financial market. In 2022, total assets in the insurance industry are estimated at VND 849.4 trillion, invested back into the economy of VND 708.4 trillion, up 14.4% compared to the same year in 2021 ^[4]. Vietnam is a country that developed its insurance network in a short time and quite late compared to other countries in the world. According to the Insurance Association of Vietnam [IAV], Vietnam's population buys life insurance products for just under 15% ^[4] of the total population of 97.47 million. Currently, the country has 19 life insurance companies operating in Vietnam market ^[4]. Bao Viet Life Corporation is the first enterprise established in 1996 under Decision No. 568/TC/QD/TCCB, deciding to establish Bao Viet Life Corporation. Taking advantage of being a pioneer, Bao Viet Nhan Life understands the market, needs, and desires of Vietnamese people better than anyone else. The needs of finance, health, or love are taken as motivation and ideas by Bao Viet Nhan Tho to produce superior products that match the characteristics of Vietnamese people. By 2022, Bao Viet Life Joint Stock Company will be a member company of Bao Viet Group - Vietnam's leading Finance and Insurance Group. Throughout the process of establishment and development, Bao Viet Nhan Tho has constantly affirmed that the enterprise has strong financial potential and a system with 76 member companies, and nearly 400 regional offices spread across provinces and cities. Cities across the country ^[1]. According to the 2022 Financial Report, Bao Viet Nhan Life continued to record positive business results with revenue of VND 41,676,655 million: Profit after tax reached VND 975,152 million ^[2]. Currently, Bao Viet Life is proud to lead the Vietnamese life insurance market, honored to receive many domestic and international awards for its continuous development efforts ^[1]. Although many achievements have been achieved in business activities and done well the role of financial intermediaries, the business activities of enterprises tend to decrease. Some reasons are pointed out such as the impact of the Covid-19 epidemic, sales consulting activities still have many mistakes that cause customer distrust in the whole market... Therefore, the goal of this article is to evaluate the business results and financial indicators of Bao Viet Life Corporation. Point out ineffective indicators and consider how they affects the profitability of the business.

2. Overview of the life insurance market and Bao Viet Life Corporation

2.1 Life insurance market

By the end of 2023, the insurance market will have 82 insurance businesses (including 31 non-life insurance enterprises, 19 life insurance enterprises, 2 reinsurance enterprises, and 29 insurance brokerage enterprises) and 1 branch of foreign non-life insurance enterprises^[3]. Total assets of the insurance market were estimated at VND 913,336 billion, up 11.12% over the same period last year; investment back into the economy was estimated at VND 762,580 billion, up 12.78% over the same period last year; Total equity capital was estimated at VND 190,227 billion, up 7.09% over the same period last year; Total premium revenue is estimated at VND 227,596 billion, the non-life insurance market increased by 2%, the life insurance market decreased by about 12.5% over the same period in 2022; Insurance benefit payment was estimated at VND 86,467 billion, up 31.1% over the same period last year^[3].

2.2 Introduction of Bao Viet Life Corporation

Established under Decision No. 179/CP of the Government Council in 1964 and officially put into operation on 15/01/1965, Bao Viet has now become the leading Finance and Insurance Group in Vietnam. Over nearly 50 years of establishment and development, Bao Viet Life Corporation has constantly affirmed its position in the insurance market in Vietnam. With the motto "Best customer service for development", Bao Viet Nhan Tho has an extensive network of 76 member companies, 388 regional offices, 17 general agency offices in 63 provinces/cities, has planned financial planning and protection for nearly 16 million customers, payment of insurance benefits and maturity up to nearly VND 45,000 billion^[15]. With the orientation of developing Bao Viet into a financial and insurance group, the Government has issued Decision No. 310/2005/QD-TTg approving the equitization project of Bao Viet^[1].

Following the general development of the insurance industry in the region and the world, Bao Viet has conducted research on the type of life insurance and established a life insurance company under Bao Viet on 22/06/1996 under Decision No. 568-TC/QD/TCCB of the Minister of Finance. With the first life insurance policy issued on 01/08/1996, Bao Viet became the first insurer operating in the field of life insurance in the Vietnam insurance market. That step of Bao Viet has created an important milestone for the full development of Vietnam's insurance market in both life insurance and non-life insurance. In the early years of life insurance, Bao Viet invested heavily in developing its distribution network of life insurance products. On 27/03/2000, after the establishment of Hanoi and Southern life insurance companies under Decision No. 46/2000/QD-BTC of the Ministry of Finance, 27 affiliated life insurance companies were established, bringing the total number of member companies operating in the life sector to 29 companies. By December 2000, the Ministry of Finance issued a Decision allowing the establishment of more companies and branches in the remaining provinces. Thus, in each province and city, Bao Viet has 2 business units, including one life insurance business unit and one non-life insurance business unit. As of 2001, Bao Viet has established 61 life insurance companies and branches in all provinces nationwide. Life insurance premium revenue increasingly accounts for a large proportion of Bao Viet's

total premium revenue. The year 2000 was the year when Vietnam's life insurance market marked the emergence of other life insurance businesses. There are 3 foreign life insurance companies, namely Prudential, Chifon - - Manulife, and AIA and 1 joint venture company, Bao Minh - CMG, appearing and these are obstacles, as well as motivations for Bao Viet to cope and develop its life insurance business^[1].

In 2001, Bao Viet paid maturity insurance benefits to the first 151 customers participating in Bao Viet life insurance and also the first customers of the Vietnam life insurance market. This is a testament to Bao Viet's commitment to customers. On 15/10/2007, Bao Viet Group completed the business registration of a joint stock company with the participation of strategic partners who are leading domestic and foreign economic groups forming Bao Viet Finance - Insurance Group.

During its establishment and development, Bao Viet was honored to be awarded the Third-Class Independence Medal by the Party and the State, the Government ranked a State Enterprise with a special class and many titles and awards awarded by prestigious domestic and foreign organizations. Bao Viet has been certified by BVQI (UK) according to international standards ISO 9001: 2000 since 8/2001. Since 01/07/2008, new organizational models have been applied at the Group, including the General Meeting of Shareholders; Board of Directors (there are Functional Committees); Board of Supervisors, and Formation of Functional Blocks. This governance model is built on the Group's business strategic development objectives; corporate governance standards of domestic and foreign economic groups; compliance with the provisions of Vietnamese law and the provisions of Bao Viet Group's charter. This organizational model defines a clear governance structure, applies standards in executive governance, and defines the relationship of the parent company and its subsidiaries; Thereby, corporate governance will be both strict and effective for businesses, but not administrative orders. This is an important milestone contributing to the Group's gradual integration into the regional and world financial and insurance markets, enhancing the Group's position and image, and contributing to achieving the goal of developing Bao Viet to become the leading Finance and Insurance Group in Vietnam^[1].

Bao Viet Life Corporation is a member unit of Bao Viet Finance - Insurance Group, 100% invested by Bao Viet Group, specializing in the life insurance business. Established on 01/01/2004 with a charter capital of VND 1,500 billion, Bao Viet Life Corporation now has a nationwide operation network with more than 300 customer service points nationwide. Over the past 18 years, Bao Viet Life Corporation is proud to have planned and protected more than 5.5 million customers, and paid insurance benefits and maturity to customers with a total value of nearly 1.3 billion USD.

Bao Viet Insurance Corporation has an operating network of 67 member companies and over 300 customer service rooms in all provinces and cities nationwide. The management and administration apparatus consists of experienced leaders, highly qualified in insurance and corporate governance, and knowledgeable in the domestic and foreign insurance market. Bao Viet Insurance's staff is considered by the market to be highly qualified, experienced, and well-trained. The organizational model at the current Bao Viet Life

Corporation is organized according to the functional management model. Starting in 2009, Bao Viet Life Corporation organized management in the method of centralized management of all operations at member companies, which means that all operations such as customer service, and accounting are performed at the Corporation, member companies will focus on exploiting insurance contracts, intermediary the transfer of requests between the client and the Corporation. The departments in Bao Viet Life Corporation are arranged according to the work that the department has the task of completing.

Business Development Division: Responsible for being the focal point for developing business development strategies, and monitoring and evaluating the effectiveness of business activities of Bao Viet Life Corporation. Carry out Marketing activities; direct, organize, and coordinate the implementation, management, inspection, and supervision of agent recruitment, training, and development activities...

Operation Management Division (COC): Responsible for organizing, implementing, inspecting, and supervising life insurance operations for all member companies, directly solving a number of operations related to insurance contracts. Advising leaders to develop processes, regulations and principles of settlement in work related to insurance operations. Coordinate and supervise member companies to carry out customer care activities.

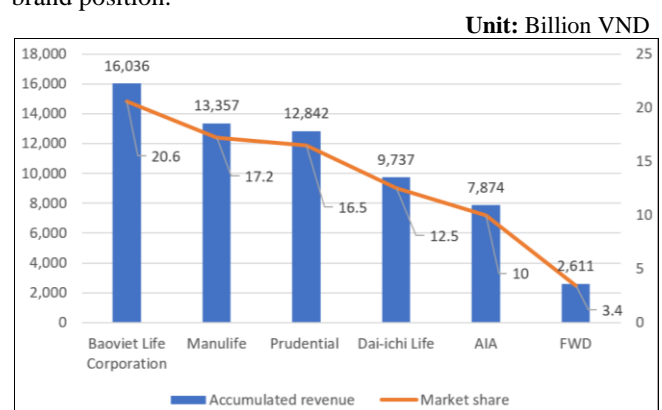
Actuary Service Division: Responsible for researching and developing new life insurance products, modifying, improving, and perfecting products being deployed in the market. Carry out actuary activities, develop plans, and calculate business provision data, interest sharing provision for product development. Carry out the evaluation and report on the efficiency and profitability of valid contracts...

Management and financial activities: Perform work related to administrative activities, international cooperation, legal work, inspection, and supervision of compliance with the provisions of Law and internal regulations and regulations. Carry out the organization of the operational apparatus, personnel, policy regime, accounting work, development of investment strategies, and supervision of projects...

3. Business situation of Bao Viet Life Corporation

The impact of the COVID-19 pandemic has caused a series of service businesses in the world and Vietnam to be severely affected. Financial business and manufacturing business both experienced stagnations. Many Vietnamese enterprises cannot afford to maintain production and business and have declared bankruptcy. Viet Nhan Tho

Protection Corporation has also gone through a difficult period from 2018 to 2022. Enterprises quickly adjust their activities in the business such as bringing to market new and suitable products, changing business forms, and focusing on technology applications. From the above changes, Viet Nhan Tho Insurance Corporation has adapted to the market and returned to the growth momentum. Thanks to superior products and standard service quality, the enterprise continuously holds the No. 1 position in terms of premium revenue market share. "In 2022, the largest market share belongs to the group of 5 enterprises: Bao Viet Nhan Life with 18.8%, Prudential with 17.7%, Manulife with 17%, Dai-ichi Life with 12.7% and finally AIA with 10.3%" [4]. Effective business performance is reflected in financial indicators confirmed by the audit unit and affirming the brand position.



Source: Calculations from the report of the Vietnam Insurance Association in 2023

Fig 1: Accumulated premium revenue in the first 6 months of 2023

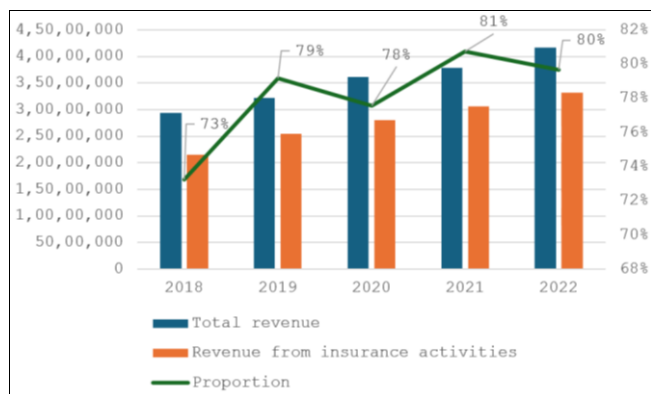
Based on the data in Table 1 analyze some business indicators of Bao Viet Nhan Tho Corporation. Firstly, about the total revenue indicator. Total revenue of the enterprise kept a stable growth rate from VND 29,359,650 million in 2018 to VND 41,676,655 million in 2022, the growth rate between years is about 10%. The total revenue of the business is constituted from insurance operating revenue, financial operating revenue, and other operating revenue. In particular, insurance revenue has increased steadily over the years, corresponding to the growth of total revenue. The other two activities, financial operating revenue, and other operating revenue were less stable and decreased through 2019 and 2021. Between years of revenue decline, there are years of revenue increase, but the increase is negligible.

Table 1: Summary of business indicators of Viet Nhan Life Insurance Corporation

| Criteria | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------------|------------|------------|------------|------------|
| Total revenue | 29,359,650 | 32,149,614 | 36,169,047 | 37,857,751 | 41,676,655 |
| Insurance operating revenue | 21,507,292 | 25,451,556 | 28,046,303 | 30,561,996 | 33,206,894 |
| Financial operating revenue | 7,818,255 | 6,669,577 | 8,095,776 | 7,252,009 | 8,438,213 |
| Other operating revenue | 34,104 | 28,481 | 26,968 | 43,746 | 31,548 |
| Total Cost | 28,403,271 | 31,045,196 | 35,091,205 | 36,755,233 | 40,472,551 |
| Insurance expenditures | 23,097,322 | 25,100,736 | 28,586,616 | 31,163,825 | 34,310,165 |
| Financial expenditures | 1,595,904 | 1,987,310 | 1,830,288 | 1,046,806 | 1,383,361 |
| Expenditure on sales and business management | 3,709,617 | 3,957,103 | 4,674,248 | 4,544,554 | 4,778,938 |
| Other active genera | 428 | 47 | 53 | 48 | 86 |
| Profit before tax | 956,380 | 1,104,418 | 1,077,842 | 1,102,518 | 1,204,104 |
| Corporate income tax | 175,077 | 210,186 | 202,544 | 215,786 | 228,954 |
| Profit after tax | 781,303 | 894,232 | 875,299 | 886,732 | 975,152 |

Source: Financial statements of Bao Viet Life Corporation in the period of 2018 -2022

The second on the indicator of total costs. Total costs of businesses have increased over the years with an average growth rate of nearly 10%. Specifically, this section includes insurance expenses, financial expenses, sales and management expenses, and other operating expenses. Along with insurance business activities and the amount of revenue from insurance activities, insurance operating expenses have also increased accordingly over the years. Among these expenditures, financial operating expenditures fell sharply in 2021. Other operating expenses fell sharply, from 2019 to 2022 to only about 12% compared to 2018.



Source: Analysis of the financial statements of Bao Viet Life Corporation in the period of 2018 -2022

Fig 2: Proportion of Insurance Operating Revenue to Total Revenue

The operating profit of Bao Viet Life Corporation during the study period was much better than other businesses. Before the wave of bankruptcy and pawn activities, BaoViet Life Corporation is a bright spot in business activities. The pre-tax profit of the enterprise kept a stable increase from VND 956,380 million in 2018 to VND 1,204,104 million in 2022. Profit after tax is a metric that business administrators, investors, and customers are interested in. The level of profit after tax of enterprises has grown but not high. However, we also need to reconsider that this period was very difficult, achieving profit after tax as summed up in Table 1 was already one of the businesses with good performance. Although this profit level is not as high as other periods, it has shown the determination of business leaders and all employees in the process of weathering the storm. Looking at the whole picture showing the business activities of Bao Viet Nhan Tho Corporation, we can see that the enterprise has succeeded in keeping stable and developing

business. The reason for the breakthrough compared to other business groups is that the characteristics of products and services of BaoViet Life Corporation are insurance products. The revenue of the business is mainly revenue from insurance activities, and it accounts for nearly 80% of the total revenue (Fig 2). Therefore, despite the decline in revenue figures of financial and other activities, overall, the total revenue of the business still increased by 10% per year.

4. Analysis of financial indicators, assessment of business situation

We have analyzed the indicators of business. The figures in Table 1 show that revenue and profit both increased. However, we will go into the analysis of the indicators of assessing the business situation to be able to better see the business results of the enterprise in the period from 2018 to 2022.

The first is about the asset structure. The fixed asset ratio of Bao Viet Nhan Life Corporation is quite low compared to financial service enterprises in the period from 2018 to 2022. The ratio of fixed assets to total assets of enterprises continuously decreased from 0.59% in 2018 to only 0.29% in 2022. The reason for the decrease in the fixed asset ratio is that businesses focus on developing insurance products business on digital technology platforms and selling products through banking channels. For manufacturing enterprises, the fixed asset ratio is an important indicator to show the effectiveness of asset management and a tool to make decisions about investment activities and the financial health of enterprises, but this is not entirely true for insurers. Second, on capital structure indicators. In the structure of capital, we are concerned with liabilities. The target of liabilities to total capital of enterprises has always remained stable at an average of 95% in the period from 2018 to 2022. The debt ratio of insurance enterprises is high due to the impact of business product characteristics. This business is the transfer of risks between customers to businesses, so businesses are always in the status of holding customers' premiums. This fee will return both interest and principal to the customer in the future. The target of equity to total capital of Bao Viet Life Corporation reflects what percentage of equity capital is accounting for in the total capital of the enterprise. From the data of the summary table of financial indicators, we see that the equity of the insurance business is quite low, ranging from 4 to 5%. It is similar to the debt ratio structure. Low equity is due to the business peculiarities of the insurance industry in the financial sector.

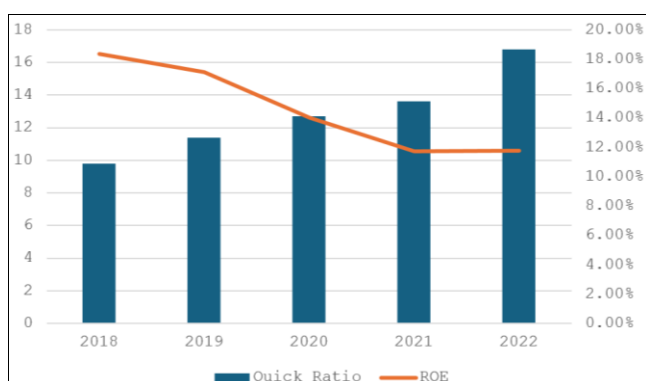
Table 2: Summary of financial indicators, assessment of business situation

| Criteria | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------|--------|--------|--------|--------|
| Asset structure | | | | | |
| Fixed Assets/Total Assets (%) | 0.59% | 0.50% | 0.42% | 0.35% | 0.29% |
| Current assets/Total assets (%) | 19.99% | 23.64% | 25.23% | 23.52% | 23.86% |
| Capital structure | | | | | |
| Liabilities/Total capital (%) | 95.15% | 94.84% | 94.08% | 94.66% | 95.30% |
| Equity/Total Capital (%) | 4.85% | 5.16% | 5.20% | 5.34% | 4.70% |
| Solvency | | | | | |
| Ability to pay fast (times) | 9.8 | 11.4 | 12.7 | 13.6 | 16.8 |
| Current solvency (times) | 11.9 | 13.4 | 14.6 | 15.6 | 19.2 |
| Profit margin | | | | | |
| Profit before tax/Total assets ratio (%) | 1.09% | 1.09% | 0.90% | 0.78% | 0.68% |
| Profit after tax/Net revenue (%) | 3.64% | 3.52% | 3.12% | 2.90% | 2.94% |
| Profit after tax/Equity (%) | 18.34% | 17.13% | 14.02% | 11.74% | 11.77% |

Source: Financial statements of Bao Viet Life Corporation in the period of 2018 -2022

In terms of solvency: The enterprise's ability to pay quickly is very high from 9.8 times in 2018 to 16.8 times in 2022. This indicator represents the ability of an enterprise to immediately pay short-term liabilities based on solvency assets, also known as assets capable of converting into cash quickly. If this indicator is greater than 1, the ability to pay quickly is good and if it is less than 1, the solvency is not guaranteed. However, in many cases, it also does not necessarily have to be greater than 1. If considered at level 1, insurance companies can pay too high quickly up to 16.8 times. How much of an impact a high quick payout ratio like this has will be analyzed in detail later. Like the ability to pay quickly, the current solvency of insurers is also very high, up to 19.2 times.

Finally, there is a very important indicator, this indicator is used to evaluate the business ability of enterprises, which is the profit margin. From the data quoted in the financial statements of Bao Viet Life Corporation, the three indicators are profit margin before tax/total assets: After-tax/net revenue margin and after-tax profit margin/equity. The pre-tax profit margin on the total assets of the business has declined between 2021 and 2022. If in 2018 this rate was 1.09%, in 2022 it is only 0.68%. The significance of this indicator shows the profit achieved per dollar of assets that the enterprise has invested. So, the data has shown us that the investment activities of insurers on assets are not effective. In terms of after-tax profit margin/net revenue, in 2018 the after-tax profit margin of the enterprise was 3.64% and gradually decreased to 2.90% in 2021. The ratio has rebounded slightly to 2.94% in 2022. Thus, the after-tax profit margin of enterprises also shows signs of decreasing. The profit margin after tax/equity of the enterprise is quite high, reaching over 17% in 2018 and 2019. The period from 2020 to 2022 has decreased, to just 11.77% in 2022. In general, the profit margin of the business is still positive, and this proves that the investment business of the enterprise is still profitable. However, the current share of interest is decreasing. The reason, we already know is that due to the impact of the covid 19 epidemic, the economic market did not grow, people's incomes decreased, many customers hesitated to buy insurance products, and some customers even canceled insurance policies before maturity.



Source: Analysis of the financial statements of Bao Viet Life Corporation in the period of 2018 -2022

Fig 3: Fast solvency and profit margin of the business

In evaluating business indicators, we pay attention to two indicators: Quick payment and return after tax/equity. As we all know, a business's ability to pay off its short-term debt immediately. However, this number only needs to be greater

than 1 and revolve around point 1. If this indicator is too high (as in the article up to 16.8 times) then we need to reconsider. The business may be holding too many assets in cash and making short-term investments. Storing too much cash or investing in short-term assets can cause investment returns to plummet. This reason may also be the reason for the continuous decrease in the after-tax profit margin/equity of the enterprise while the solvency is continuously increasing (Fig 2). On the other hand, if the quick payment target does not affect the after-tax profit margin/equity, another impact is that the market is overcapitalized. Long-term investment activities are inefficient and difficult to find long-term investment channels, making the cash flow of enterprises redundant.

5. Conclusions

The year 2022 has revealed many limitations of the insurance market, especially life insurance. In the insurance channel distributed through banks, the situation of forcing borrowers to buy insurance products is reflected a lot. Especially when credit growth limits in many banks are depleted, many borrowers have to accept additional insurance to be disbursed. Another situation is that interest rate reversals make investment-linked insurance products less attractive. When the financial asset market declined, the property value of many insurance buyers also plummeted. In the recent period, the insurance industry is still in a period of restructuring and change. Many businesses are restructuring their dealer systems and distribution channels. The number of agents also decreased sharply in the context that the digitization of the industry's activities is becoming more and more pronounced. All of the above reasons have made the financial assessment indicators of the business not positive at the end of 2022. However, after the Law on Insurance Business No. 08/2022/QH15^[6] takes effect, it will make the insurance market more transparent, helping businesses regain the trust of customers.

6. References

1. Bao Viet Nhan tho. History of the Formation, n.d. Retrieved 2023-11-25 from: <https://www.baovietnhantho.com.vn/bao-viet-nhan-tho>
2. Baopr. Business results report in 2022 Bao Viet Life Corporation, 2022. Retrieved 25 October 2023 from: <https://www.baovietnhantho.com.vn/bao-cao-tai-chinh-2022>
3. Insurance Association of Vietnam. Insurance fact book 2023. Insurance Association of Vietnam, Hanoi, Vietnam, 2023.
4. Insurance Association of Vietnam. Insurance Fact Book 2022. Insurance Association of Vietnam, Hanoi, Vietnam, 2022.
5. Insurance Association of Vietnam. Insurance fact book 6-month 2023. Insurance Association of Vietnam, Hanoi, Vietnam, 2023.
6. Insurance Business Law. No. 08/2022/QH15. National Assembly, Hanoi, Vietnam, 2022.