Efficiency of Life Insurance Companies in Thailand

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Abstract

This paper studies the efficiency of 24 life insurance companies in Thailand during the period 2001-2008. The DEA approach is used to measure each company’s cost efficiency, technical efficiency, allocative efficiency, pure technical efficiency, and scale efficiency. The annual average efficiency scores of life insurance companies in Thailand are found to be as follows: 67.8% technical efficiency, 43% allocative efficiency, 28.2% cost efficiency, 77.4% pure technical efficiency and 86.1% scale efficiency. The results of Tobit regression reveal that foreign ownership is significantly positively related to allocative, technical and cost efficiencies. Size and human capital are found to be significantly positively related to all 5 types of efficiency. Whereas the real GDP growth rate is significantly negatively related to the technical, pure technical and scale efficiencies.