



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Reserve Bank of Fiji Insurance Annual Report 2016



**PARLIAMENT OF THE REPUBLIC OF FIJI
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Chair's Foreword

The Committee was happy to note that following its recommendations made in the Parliamentary Report of the 2015 Reserve Bank of Fiji Insurance Annual Report, significant progress has been made with regards to crop insurance. The new FijiCare Bundled Micro Insurance Product provides 11,606 registered cane growers with access to some form of insurance at a premium of just \$1.00 per week or \$52.00 per annum. The Committee looks forward to similar packages being introduced and made available to other sectors in agriculture including livestock farmers.

The Committee also wishes to commend the initiative taken by BSP that has broadened the range of offerings for healthcare at what was then, Suva Private Hospital, now MIOT Hospital, enabling a reduction of a great number of cases that used to be treated overseas, to be now treated locally in Fiji.

Overall for 2016, the performance of the Fijian insurance industry remained sound, despite significant damages caused by Tropical Cyclone Winston, which incurred the highest claims payment to date for the general insurance sector.

The Committee feels that in general, the attitude towards insurance is still very conservative and that a continuous awareness program is imperative to encourage more of our citizens to safeguard themselves against the unexpected.

I thank the Hon. Members involved in the production of this Report and also the Parliamentary Staff who assisted.

On behalf of the Standing Committee on Economic Affairs, I commend this Report to Parliament.



HON. LORNA EDEN

CHAIRPERSON

Introduction

The insurance industry in Fiji is primarily regulated and supervised by the Reserve Bank of Fiji (RBF) through its delegated powers stipulated in the Insurance Act 1998 (Act), the Insurance Regulations 1998 and the Reserve Bank of Fiji Act 1983. In order to successfully carry out the role bestowed upon them, the RBF aims to protect the interests of the policyholders, and while doing so, ensure the safety and soundness of licensed insurers, brokers and agents.

The Committee is happy to note that following the recommendations made in their Reserve Bank of Fiji Insurance Annual Report 2015, progress has been made with regards to crop insurance and a general awareness program to increase penetration from 12%. The FijiCare Bundled Micro Insurance Product provides 11,606 registered cane growers with access to some form of insurance at a premium of \$1.00 per week or \$52.00 per annum, which is 100% subsidized by the Sugar Cane Growers Fund.

It is imperative for the people of Fiji to understand the importance of being insured in order to safeguard themselves from the uncertainties especially given the fact that Fiji is prone to natural disasters such as Tropical Cyclone Winston, which had an adverse effect on the country as a whole in early 2016. Other types of disasters include fire, earthquakes, floods, hurricanes and tsunamis. The insurance industry continues to strive for a greater penetration into the general insurance market through new and innovative initiatives.

List of Recommendations

Recommendation one:

To increase insurance penetration to our lower income population, the Committee is encouraged by the introduction of the Bundled Micro Insurance Product for cane farmers which is funded solely by the Sugar Cane Growers Fund (\$1.00 per week per farmer). We recommend that similar products be embraced by other organisations across other industries such as tourism, garments, mining, manufacturing, etc.

Recommendation two:

Given the vulnerability of our farmers to natural disasters, the Committee wishes that the work being carried out through the Food and Agriculture Organisation and other organisations, be fast tracked to bring parametric crop insurance coverage into fruition with the view to reduce the rehabilitation cost borne by farmers and the Government after a natural disaster. Livestock farmers should also be considered in this scheme.

Recommendation three:

The Committee is happy to note that the World Bank will present a proposal to the Government with the aim of soliciting and insuring the Bronze Standard Sector with a coverage of \$7,000 per household at a premium of around \$200 with a low level of compliance. Given that approximately 7 per cent of our national population are informal settlers within our Towns and Cities (2010 Census), the Committee recommends the establishment of a disaster risk insurance cover for this sector, specifically for genuine low income earners (Micro Insurance).

Recommendation four:

The Committee notes that the rate of forfeiture for life insurance policies (58.2 per cent) is traditionally high and would wish that all efforts are made to reduce this rate, as it directly translates to losses for our people concerned.

Recommendation five:

It is believed that Government is looking into insuring its assets i.e. hospitals, schools, etc. The Committee recommends that consideration is also given to include evacuation centres. Additionally, all evacuation centres in villages and settlements should also be insurable, meaning that they are compliant with building codes. It is incumbent upon us to ensure that our people in evacuation centres are safe.

Recommendation six:

The Committee notes that the majority of hybrid vehicles that are imported into the country are not insurable due to high costs of replacement and spare parts. Insurance companies are showing reluctance to provide cover. The Committee recommends that interested parties such as the Fiji Motor Vehicle Association, Land Transport Authority and the underwriters, engage in dialogue to rectify these issues and come up with an amicable solution.

Recommendation seven:

The Committee notes that under section 39 of the Act, insurance companies are obliged to have in place at all times, reinsurance arrangements which have been significant in cushioning the impact on claims in Fiji. The Committee also noted that the outgoing for reinsurance is as high as 69 per cent leaving only 31 per cent with the underwriters in the country. The Committee recommends that the formula be reviewed with the view to reduce the overall outgoings.

Recommendation eight:

The Committee notes that due to the vulnerability of members of the general public in securing insurance cover that is suitable, perhaps agencies such as the Consumer Council of Fiji and Legal Aid Commission could be empowered to assist and offer advice in ways similar to that of a broker providing advice to its corporate client.

Gender Analysis

Gender is a critical dimension to parliamentary scrutiny. Under Standing Order 110 (2) the Committee is required to ensure full consideration to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

The Committee also notes that there was satisfactory gender balance prevalent amongst the Staff of RBF, the Insurance Council of Fiji and the Insurance Brokers.

Conclusion

The Committee feels that the general attitude towards insurance continues to be very conservative and this must change.

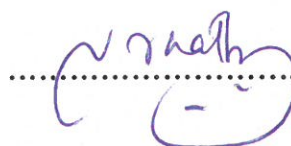
The Committee noted that during an awareness campaign, the Governor had received testimonies from the general public as to how lucky they were to have been insured especially after the Tropical Cyclone Winston calamity as they were able to easily rebuild their lives and continue their businesses as normal.

Given that we are continually faced with the adverse effects of climate change, it is imperative that people are made aware of the importance and benefits of being insured.

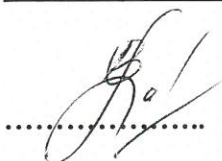
Hon. Lorna Eden (Chair)

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Hon. Vijay Nath (Deputy Chair)

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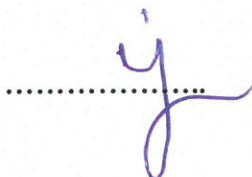
Hon. Brij Lal (Member)

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Hon. Viliame Gavoka (Member)

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Hon. Prem Singh (Member)

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APPENDICES

PRESENTATION TO THE STANDING COMMITTEE ON ECONOMIC AFFAIRS

RESERVE BANK OF FIJI INSURANCE ANNUAL REPORT 2016

1. Introduction

- Thank you Honourable Chair and Honourable Members for the invitation to present the 2016 Reserve Bank of Fiji's Insurance Annual Report to the Standing Committee on Economic Affairs.
- Let me first introduce my colleagues who are here today: the acting Deputy Governor Mr Esala Masitabua; the Chief Manager Financial Institutions Group Ms Vilimaina Dakai, and Mr Seci Taleniwesi and Mr Shanil Totaram.
- Please allow me to make some brief introductory remarks before we seek to answer your questions.
- The Reserve Bank of Fiji is the supervisory authority for the Fijian insurance industry and by virtue of this supervisory role, has the responsibility of administering the Insurance Act 1998 ("the Act"). We are therefore mandated under section 165 of the Act to submit the Insurance Annual Report by 30 June of every year.
- Honourable Chair, we wish to report that we have not failed in meeting this provision of the Act, and I am pleased to also highlight that our Insurance Annual Report has been commended by various local and international

experts as one of the best repository of insurance statistics for any country. Needless to say that we are the only supervisory authority in the region, which produces such a report.

2. The Fijian Insurance Industry in 2016

I wish to provide an overview of the Fijian insurance industry in 2016:

- 2016 is now etched in every Fijian's memory as the year in which we faced the most devastating natural catastrophe in our nation's history. TC Winston has defined the year for us as such, and brought to the fore the importance of having a robust insurance industry.
- Honourable Chair, in our last presentation to the Standing Committee on the 2014 and 2015 Insurance Annual Reports, we had highlighted the significance of the insurance industry to the economy.
- The risk transfer role that the insurance industry plays is key to the growth of our economy. It provides the necessary safeguard for the financial health of individuals, families, communities, businesses, financial institutions and the economy as a whole.
- The industry also plays an information role in providing an indication of existing risks in the economy and probability of loss, and a developmental role in the capital markets, by mobilising savings for productive use.

- In 2016 therefore, the Fijian insurance industry remained sound despite the significant damage caused by TC Winston. The combined gross premium income of the industry stood at \$311.9 million in 2016, the first time year that the annual premium has gone past the \$300m mark. This, Honourable chair, is reflective of a growing industry even in a year of a severe catastrophe.
- Net policy payments for the life insurance sector and net claims paid for the general insurance sectors totalled \$185.9 million. The industry continued to be assessed as solvent and its earnings performance assessed as satisfactory.
- Honourable Chair, the Reserve Bank of Fiji continues to liaise with individual companies on the sustainability of their operations and like any other business during times of crisis, some companies' underwriting capacity have been challenged by the impact of recent loss events. As the regulator, the Reserve Bank has the necessary powers to enforce requirements to ensure that individual companies remain safe and sound, and the insurance industry as a whole continues to be stable.

3. Conclusion

- Honourable Chair, we note from the list of questions circulated by the Committee, the increased interest in what the insurance industry is doing to increase its visibility and promote the important role it plays. We in fact

welcome this long list of questions as this gives us an opportunity to explain these issues and clear any mis-understanding or mis-conception.

- We admit that while there is a view that we have not been pushing the industry that strong, we are happy to report that various development work were being undertaken behind the scenes in the last 3 years, of which we are now beginning to see the results.
- I will therefore conclude by providing some brief information on a number of recent developments that now prove a more collaborative approach by the Reserve Bank, the insurance industry and development partners in seeking to increase the Fijian insurance industry's capacity to offer new and innovative products:

(i) Inclusive Insurance Bundled Product

- In March 2015, the Reserve Bank of Fiji, in collaboration with the United Nations Pacific Financial Inclusion Program, embarked on a project to facilitate the expansion of inclusive insurance in Fiji.
- Inclusive insurance (or micro-insurance) refers to the provision of insurance products to the low income and vulnerable sectors of the population.
- While the Reserve Bank's intention of involving all general insurance companies did not really come though, we were pleased to note that in July 2017, FijiCare Insurance Limited came forward

and offered the first bundled micro insurance product to 11,606 registered cane farmers who now have access to some form of insurance.

- The bundled micro insurance product provides a sum insured of \$10,000 with an annual premium of \$52 (\$1 per week) and is allocated as follows:
 - Term life - \$3000
 - Fire - \$3000
 - Personal Accident - \$3000
 - Funeral - \$1000
- Since its launch, FijiCare has paid 18 claims amounting to \$64,000. Of these claims, two were for fire related events while the rest is for death.

We wish to also mention another micro-insurance product that has increased the take-up of insurance in Fiji in the last 12 months. BIMA is a mobile insurance initiative by Dominion Insurance and Digicel offering a life insurance cover and a hospitalisation insurance cover at 15c per day (which equates to \$1.05/week).

As at 31 August 2017, there were 25, 234 Digicel subscribers covered under the BIMA product plan. Honourable Chair, BIMA has just reported to the Reserve Bank that after completing a thorough assessment of its impact on the Fijian insurance market, it can

comfortably confirm that it has increased the insurance penetration in Fiji from 12 percent to 15 percent.

(ii) Crop Insurance

- The Reserve Bank has been part of discussions with the Food and Agriculture Organisation of the United Nations (FAO) and the Fiji Crop and Livestock Council in the design of a crop insurance product for specific crops such as sugar cane, dalo, cassava and yaqona. The cover is for perils such as cyclone, floods and droughts.
- The product is a purely parametric insurance cover, meaning that loss payments respond to the occurrence of a pre-agreed trigger event or movement in a reference index rather than the normal principles of indemnity.
- Honourable Chair, we are actually meeting the Acting Prime Minister and Minister for economy this afternoon to brief him on the progress so far on crop insurance.
- Government support will be needed in the form of subsidy of premiums or tax incentives. Discussions are ongoing with relevant stakeholder agencies on the finalisation of a product proposal.

- The crop insurance scheme aims to reduce the rehabilitation costs borne by farmers and the Government after a natural disaster.

(iii) Household Insurance for Fijians

- This project is currently undertaken with the technical assistance of the World Bank to establish a disaster risk insurance cover for the household sector, specifically the low income and uninsured population in Fiji.
- The World Bank in its first round of technical assistance and assessment has been able to come up with a classification of the proposed covers for the different levels on households:

Gold standard – those who can afford insurance and are currently paying (15k households);

Silver standard – middle income who can afford but do not have insurance because of the high cost of meeting insurer requirements such as the Engineer's Certificate (36k households);

Bronze standard– low income who can afford some form of insurance cover but are not offered the relevant products to meet their capacity to pay and the need that they have (121k households);

Microinsurance – considered uninsurable and will need support as they cannot afford to pay for insurance (68k households).

- The target group at this time is the Bronze standard and we have now reached a stage where a product proposal has been put together for a sum insured of \$7000 to be offered as household insurance for majority of the households in Fiji with a low level of compliance, and a premium of around \$200.
- The World Bank will present the final product proposal to the Government with the aim of soliciting international aid to assist in reinsuring this insurance portfolio.

Honourable Chair, I hope those remarks are helpful background for the Committee's review of the Reserve Bank of Fiji's 2016 Insurance Annual Report, and we would be happy to answer your questions.

Thank you.

RESERVE BANK OF FIJI RESPONSE TO THE STANDING COMMITTEE ON ECONOMIC AFFAIRS: "THE RESERVE BANK OF FIJI INSURANCE ANNUAL REPORT 2016" ON WEDNESDAY 04 OCTOBER 2017 AT 10:00AM

INTRODUCTION

The Reserve Bank of Fiji, as the supervisor of the insurance industry in Fiji welcomes the queries directed at the 2016 Insurance Annual Report.

In carrying out its regulatory and supervisory functions, the Reserve Bank aims to ensure the soundness of each licensed insurance entity, and the stability of the insurance industry, to protect policyholders.

The following are the Reserve Bank's responses to the Standing Committee's questions.

RESPONSES TO STANDING COMMITTEE QUESTIONS

Standing Committee Question No. 1:

Under snapshot local insurances (inside cover) the pie chart shows 58.5% claims have been settled while 41.5% of the claims remain outstanding. Can you give us the reason why the claims are still outstanding or is it related to any particular issue that needs addressing.

Response:

The claims which remain outstanding are mainly due to assessments which are still ongoing; depending on the various elements and aspects involved in the insurance scope/coverage. These assessments are carried out by the loss assessors of the respective insurance companies.

The pending claims mainly relate to the Material Damage and Business Interruption Class (MD/BI). For a few claims under the Material Damage class, following the assessments, the insurers have offered settlement however; responses have yet to be received from the insureds. Delays with claims under the Business Interruption (BI) class are due to lack of information provided by the insured to assess the BI portion. For BI claims, the insured has to present sufficient evidence such as financial projections to justify how their business was interrupted, hence profit impacted due to the cyclone. There are a set of checklist which the insured has to provide to the Insurer to prove the grounds for the claims, hence the delays in the settlement of these claims

For co-insurance claims, these are actioned by lead insurers first before other insurers pay.

As at 31 August 2017, general insurers reported 1,504 claims worth \$113.4 million relating to Tropical Cyclone (TC) Winston of which \$73.0 million (1,426 claims) have been settled. This means that 95% of the claims have been settled in terms of numbers while 64.6% have been settled in terms of value.

As you may be aware, there are a number of businesses that place insurance offshore because the local general insurance companies do not have the capacity, sophistication or because it's much cheaper. In this regard, total offshore claims following TC Winston stood at \$154.4 million, of which \$113.6 million have been settled.

In total, \$186.6 million or 70% have been settled out of the \$267.8 million in claims.

As at 30 August 2017, 64.6 percent of total claims have been settled by our local general insurers, while 35.4 percent remain outstanding.

Standing Committee Question No. 2:

Similarly, on the pie chart for offshore insurers (inside cover) 32% are still outstanding. Can you also give us the reasons why?

Response:

Same reasons as above. These outstanding claims mainly relate to the MD/BI class whereby assessments are still ongoing.

As at 30 August 2017, 73.5 percent of total claims from offshore insurers have been settled while 26.5 percent remain outstanding.

Standing Committee Question No. 3:

Also, on the flood, 22.5% remain outstanding-why?

Response:

The delay was due to assessments being carried out by the claims assessors. As at 30 August 2017, 97.1 percent of the total flood claims have been settled whilst 2.9 percent remain outstanding.

Standing Committee Question No. 4:

What is the status of the review of the Insurances Act and regulations of 1998? (pg. 19)

Response:

In the last 2 years, the Reserve Bank of Fiji has been working on a proposed set of amendments to the Insurance Act, however while reviewing the amendments with the SG's Office, it was identified that given the recent developments in the industry, there was a need to undertake a whole review of the Act rather than amending piece by piece.

Technical assistance is now being sought from the Pacific Financial Technical Assistance Centre (PFTAC) to review the Insurance Act. After this review, the same would be forwarded to the SGs office for their necessary legal vetting.

Standing Committee Question No. 5:

In 2015. The uptake on general insurance was less than 12%. What has the RBF done to address this?

Response:

Initiatives as mentioned in the introductory remarks.

Inclusive Insurance Working Group (IIWG) initiative with the introduction of the bundled product for the underserved of the community, Insurance Awareness Program, Enhancement of existing products by insurers.

Standing Committee Question No. 6:

What is the status of the Crop Insurances Scheme and Catastrophe cover?

Response:

As mentioned in the Introductory Remarks.

The insurance product will be placed with an offshore insurer via Insurance Holdings Limited (IHL) Pacific Brokers. This has been made possible via a Food and Agriculture Organisation funded feasibility study of which the IHL and Ministry of Agriculture has been involved.

Standing Committee Question No. 7:

Do we have any indication of the costs to the insurance companies following Claims post TCW.

Response:

The total insurance claims stood at \$116.5 million. Taking into consideration reinsurance, net claims stood at approximately \$22.0 million.

Standing Committee Question No. 8:

On the Margins as of solvency and deposit requirements, have we revised these margins following TC Winston? (pg. 16). We are particularly interested in the requirements of a new entrant into the Fiji Insurance Market.

Response:

There have been no changes to the initial solvency requirements for the insurers. The minimum solvency requirement of \$1.0 million remains for a new entrant. In 2016, the Reserve Bank continued the review process for the solvency requirements for insurers, with parallel reporting initiated in 2015 requiring all licensed insurers to provide their respective solvency results on the proposed risk based solvency methodology.

Standing Committee Question No. 9:

On the initiatives by the National Financial Inclusion Task force (NFIT) and the Inclusive Insurance Working Group (IIWG) and the Pacific Financial Inclusion Program (PFIP), are there areas of concern impeding the work of this working group? (pg. 18)

Response:

Post TC Winston, insurers re-strategized and as such some reluctance from few insurers to offer micro insurance product.

Standing Committee Question No. 10:

On page 63 under other loans and Assets \$97,875.40 is shown as outstanding loans, what type of regulations RBF uses to determine that these loans do not affect the policies of the insured?

Response:

The loan is secured against the sum insured of the policy. The loan amount given to the policyholder is limited by the surrender value of the policy. It is the policyholder's decision to take such a loan and the RBF does not have any regulations around this product.

Standing Committee Question No. 11:

In your opinion, what are the likely effects of transferring Compulsory Third Party to LTA with respect to insurance companies?

Response:

Currently, five out of the seven general insurance companies provide CTP products. In 2016, 132,261 policies were issued with total gross premiums of \$9.4 million received by these insurers. This will be the major loss for the insurance companies and ultimately affect their

profit forecasts. On the claims side, the general insurers had as at 31 December 2016, net outstanding claims of \$6.4 million with related reinsurance arrangements in place.

While profitability will be impacted, the transfer of the CTP class to the ACCF would also create capacity for insurance companies to write other classes of business.

Standing Committee Question No. 12:

On reinsurances, the report shows that it helped cushion the impact of TCW and Zena. Are there areas in reinsurances that we need to look into to further strengthen this facility? (pg.17)

Response:

Reinsurance arrangements are agreed between insurers and reinsurers. The RBF is required to assess that such reinsurance arrangements are adequate. Reinsurance is a risk transfer tool for insurance companies and considered an important safeguard.

Insurance companies in Fiji have been able to arrange their insurance on a timely basis and no issues in this regard.

Standing Committee Question No. 13:

On the insurances coverage gap, we note that international agencies are helping Fiji in this area given our vulnerabilities. Can we be given an update on this? (pg. 9)

Response: (Refer Introductory Remarks)

1. Disaster Risk Finance and Insurance Project

The objective of this project is to expand insurance coverage to provide windstorm coverage for vulnerable dwellings and to build affordable disaster insurance product for the household sector to transfer some of the losses currently borne by the Government in the aftermath of a disaster.

The World Bank Group team developed an investment proposal to be shared by Fiji with potential donors before COP23; that the product to be developed be a simple indemnity-based product for TC for houses with low (but some) compliance and limited coverage (F\$7-10k), with premium around F\$200.

2. Inclusive Insurance Product

This is part of the initiatives of the National Financial Inclusion Taskforce (NFIT) to reach the "under-served" through convenient and responsible provision of affordable financial services.

FijiCare Insurance Limited (FijiCare) has launched the bundle product initiative on 1 July 2017, and this has been met effectively by the foresight of the Sugar Cane Growers Fund to be the first to take up the bundled product as a form of insurance protection for its registered farmers.

3. Crop Insurance Product/Scheme

The objectives of the scheme is to insure a "biological asset" that typically falls outside normal mainstream general insurance cover and arrange to affordable insurance for a large number of small farmers.

The insurance product will be placed with an offshore insurer via Insurance Holdings Limited (IHL) Pacific Brokers. This has been made possible via a Food and Agriculture Organisation funded feasibility study of which the IHL and Ministry of Agriculture has been involved.

Standing Committee Question No. 14:

On Catastrophe Modeling we note that insurers are developing models to suit the challenges of today. Can we be given an update on this? (Pg. 2)

Response:

Catastrophe modeling is the process of using computer-assisted calculations to estimate the losses that could be sustained due to a catastrophic event such as a hurricane or earthquake. Catastrophe models are mostly built on the observed weather record of recent decades and incorporate long-term climate trends, economic growth and coastal construction, windstorm hydrodynamics and the effects of storms' passage over land.

Catastrophe modelling is developed on an on-going basis by the general insurance companies worldwide.

Standing Committee Question No. 15:

On Life insurances there appear to be a high percentage of people who forfeit (58.2%- pg. 27). What steps are being taken to reduce the number of people forfeiting their policies?

Response:

Forfeiture of policies has been mainly attributed to affordability of policies and is a combination of:

1. aggressive marketing by insurance agents which leads to overselling to people who cannot afford the policies; and
2. signing of policies by policyholders in haste without proper financial planning hence when unplanned commitments arise, the first and easiest option is to stop paying premiums.

The life insurance companies have been focusing on improving their selling practices through agents' education and also consideration of alternative products.

Standing Committee Question No. 16:

During your industry consultations (pg.18) could you advise on the likelihood of more insurance companies embracing group medical coverage?

Response:

The RBF's industry consultation process is mostly around the prudential requirement it wishes to put out. Discussions on specific products are undertaken bilaterally with individual institutions if deemed necessary.

One of key challenges of encouraging more people to take medical insurance is the high premium rates. The set-up of a tertiary hospital in Fiji would help in reducing the premium rates.

Standing Committee Question No. 17:

During the May Parliament sitting, our Attorney General commented on the directional roles RBF should play. His comments are attached for perusal and we welcome your views.

Response:

Comments were noted and the RBF as the regulator continues to liaise with the industry. Development has been happening for the last five years and we are now coming up with initiatives.

Standing Committee Question No. 18:

Do you have any general comments on the recommendations made by the Committee on the Annual report 2015?

Response:

The RBF generally agrees with the recommendations of the Committee and has now worked on some of the initiatives noted.

CONCLUSION

The Reserve Bank of Fiji would like to thank the Standing Committee for the review of the 2016 Insurance Annual Report. The Reserve Bank looks forward to further enhanced collaboration with all relevant stakeholders in supporting initiatives for the continued development of Fiji's insurance industry.

The Insurance Council of Fiji



The Insurance Council of Fiji (ICF) was established to represent the fire and general insurance industry in Fiji. The ICF is governed by a board of 9 members, 7 representing the general insurance business and two representing the direct life insurance business. The Chairperson is elected by the board and is currently Sarah-Jane Wild, the General Manager of Tower Insurance. The ICF aims to assist members in key areas affecting their business through effective advocacy and communication and plays an active role in representing the insurance industry. We believe the council also performs an important role in informing and educating consumers about key insurance issues and risk.

Our members are all licensed under the Insurance Act and abide by the General Insurance Code of Conduct which was established in 2013.

Members

Name	Company
Malaka Nayaga	BSP Life
Barry McPherson	FijiCare Insurance Limited
Suresh Mehta	New India Assurance Company Ltd
Sarah Jane Wild	Tower Insurance Fiji Ltd

Combined Performance Overview 2016

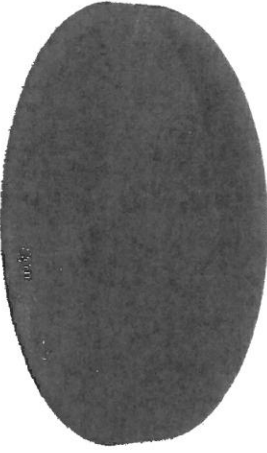
- Combined gross premium income grew by 7.5% to \$311.9m, a turnaround from the 2.9% recorded in 2015. The General Insurance sector continued to dominate the total gross premium income at 56.5% while the remaining 43.5% was represented by the life sector.
- As a % of GDP the industries Gross Premium Income remained at 3.2%
- The combined life and general insurance sectors' net policy and claims payments grew by 25.8% to \$185.9m. Maturities and surrenders contributed to the increase of 24.1% in net policy payments of the life insurers, while TC Winston losses led to the increase of 27.8% in the general insurers' net claims paid.
- Operating results of the domestic insurance industry recorded a deficit of \$8m in 2016. This was mainly attributed to the GI sector which recorded a loss of \$18.9m, largely due the significant increase in net claims incurred related to claims reported for TC Winston. The life insurance sector on the other hand, recorded a \$10.9m after tax surplus compared to \$42.0m in 2015. The decline was underpinned by increased in total outgoings and asset value depreciation.

General Insurance Performance Overview 2016

- Combined gross premium income grew by 5.9% to \$176.3m, however due to a 19.2% increase in reinsurance costs the premium income once reinsurance costs were deducted only grew by 2% to \$130.9m.
- Gross Claims increased by 76.1% to \$136.5m arising from losses related to TC Winston and subsequent floods associated with TC Zena.
- After tax net loss of \$18.9m compared to \$30.4m NPAT in 2015. This is mainly attributed to the increased levels of reinsurance outwards and net claims payments.

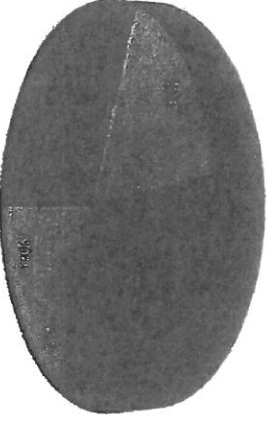
Market Share by GPI

■ Tower
■ Sun
■ QBE
■ New India
■ Fiji Care
■ Dominion
■ BSP Health



Market Share by NPI

■ Tower
■ Sun
■ QBE
■ New India
■ Fiji Care
■ Dominion
■ BSP Health



Market Share of Claims Paid

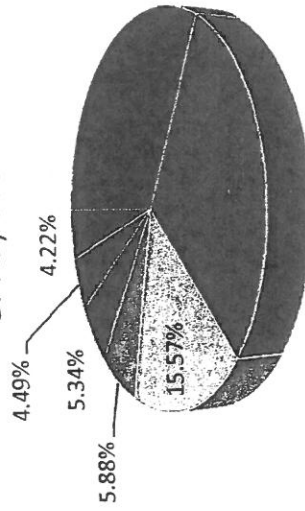
■ Tower
■ Sun
■ QBE
■ New India
■ Fiji Care
■ Dominion
■ BSP Health



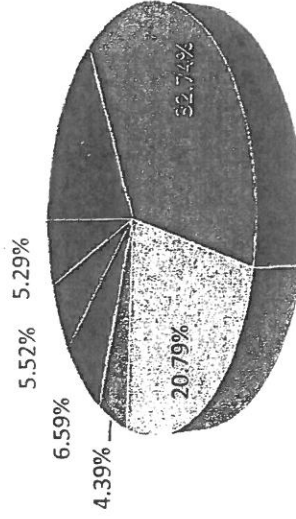
General Insurance Performance by Product

- 61% of GPI for Fire is ceded to Reinsurance.
- Motor loss ratios continue to climb due to high volume of accidents and inability to recover from third parties
- CTP revenue of \$9,398 to be removed from Jan 18, WC at \$7,445 likely to follow
- Householders seen as an opportunity for growth with cyclone cover
- *products highlighted below are those that had a GPI of more than 4%.

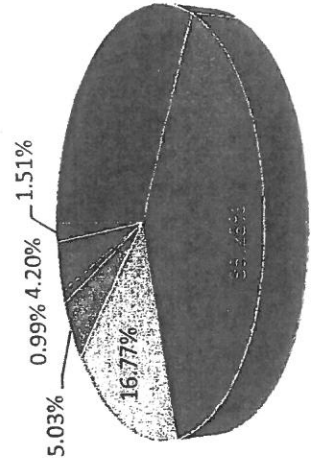
GPI by Product



NPI by Product



Net Claims Incurred by Product

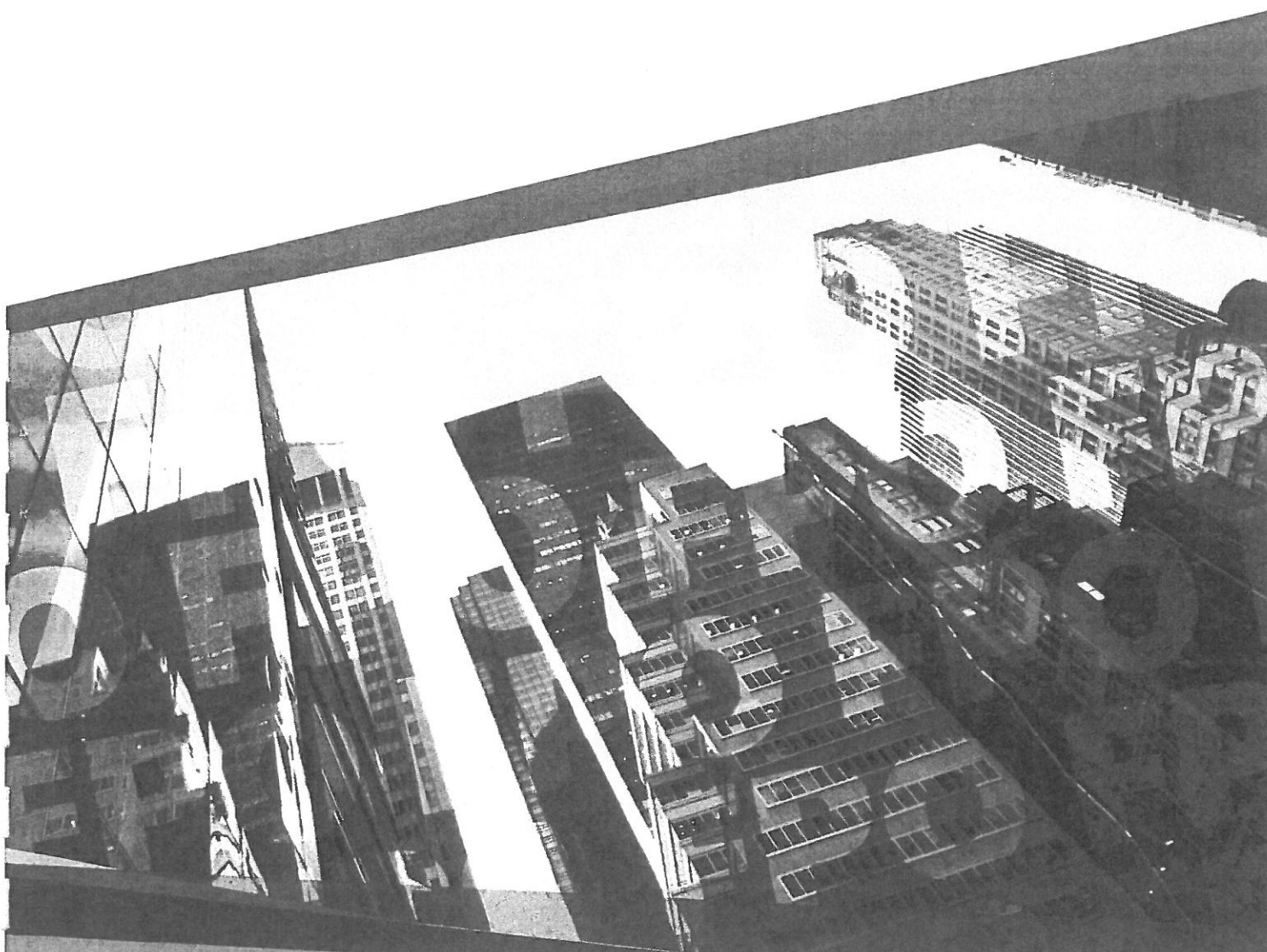


Industry Development and initiatives

- Inclusive insurance. The Inclusive Insurance Working Group continued with efforts to improve the uptake of insurance noting the 2015 National Financial Services Demand side survey report highlighting only 12% of the population has some form of insurance. Industry's response to that was the establishment of a bundled micro insurance product.
- Post cyclone Winston the ICF arranged for an expert from the Cyclone Testing Station in Australia to come to Fiji and have discussions around cyclone resistance with the Engineers, Architects, RBF and Consumer Council.
- The ICF introduced the external tie-down method which is a less expensive solution to enable cyclone cover.
- In partnership with the RBF and PFIP, the ICF participated in a joint media education and awareness campaign
- The ICF is currently working on providing cyclone cover to lower cost homes. This is being worked on in partnership with the World Bank and RBF.

MARSH FIJI

COMPANY PROFILE



SOLUTIONS...DEFINED, DESIGNED, AND DELIVERED.

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PRIVACY

Marsh applies the National Privacy Principles as set out in the Privacy Act 1988 (as amended), to the way it collects, uses, stores, discloses and destroys personal and sensitive information. Please visit our website on www.marsh.com.au or ask your Marsh contact or the Marsh Privacy Officer for a copy of our Privacy Statement if you do not already have one.

THE PRIVACY OFFICER

Marsh Limited

Level 9, BSP Suva Central, Remwick Road, Suva

Telephone: 879 3227 300

Facsimile: 879 3227 360

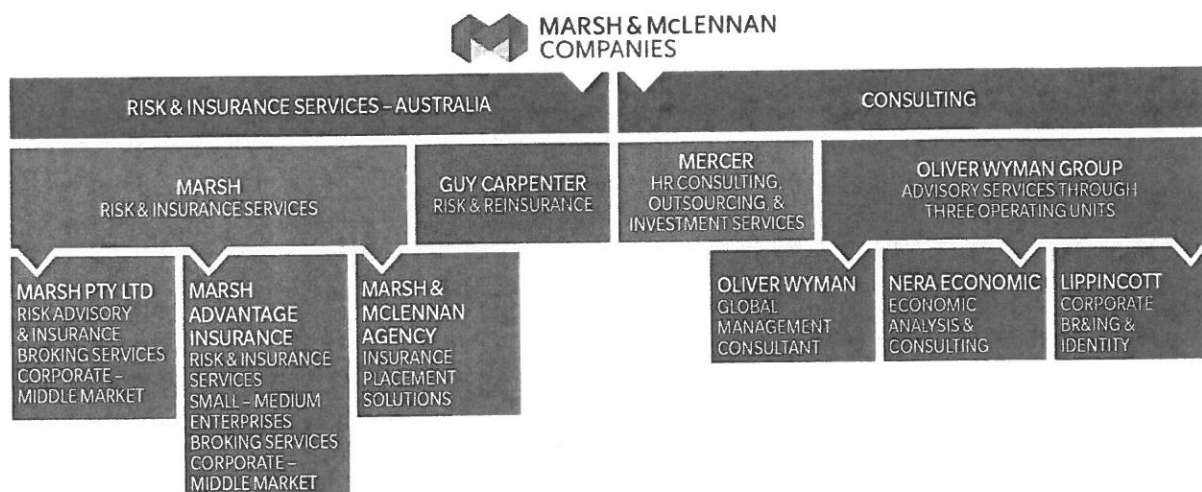
Email: ilyaz.koya@marsh.com

COMPANY PROFILE

Marsh & McLennan Companies

Marsh & McLennan Companies, Inc. is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. Founded in 1871, Marsh & McLennan Companies is headquartered in New York with offices worldwide. It has more than 60,000 employees who provide analysis, advice, and transactional services to clients in more than 130 countries, through 585 offices.

Marsh & McLennan Companies is a publicly-held company with over \$13 billion in annual revenue. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, and London stock exchanges.



Marsh & McLennan Companies is the parent company of Marsh Pty Ltd, the world leader in delivering risk and insurance services and solutions to clients. Marsh has been a pioneer in risk and insurance services for over 130 years. Nearly 27,000 Marsh colleagues provide risk management, risk consulting, insurance broking, alternative risk financing, and insurance program management services to a wide range of businesses, government entities and professional service organisations around the world.

Marsh was established in Australia in 1953. With over 1,100 staff in Australia, Marsh operates from offices in every state and territory, producing annual revenues in excess of \$250 million and placing over \$2.4 billion in premium volumes into the local and international insurance markets.

Our expertise is delivered to clients in the form of a range of services and solutions including:

- **Risk transfer and insurance broking** – insurance and risk management advisory services for public and private firms of all sizes, professional service firms, government entities, associations and private individuals
- **Risk consulting services** – design and delivery of risk management strategies that take advantage of business opportunities, while avoiding risks that could damage profits or reputation
- **Claims services** – tailored process improvement and cost-containment solutions for all types of claims
- **Insurance Premium Finance** – simple, cost effective payment solutions to spread insurance costs over regular instalments throughout the policy period

Global Footprint

- Marsh is the number one or two premium “producer” in most markets placing excess of USD50billion globally.
- Marsh & McLennan Companies has been ranked as the Largest Insurance Broker and Risk Advisor by Business Insurance (based on revenue volumes) for the last 47 of the 48 years of rankings.

Top insurance brokers, No. 1: Marsh & McLennan Cos. Inc.

via Gonzalez
7/3/2017 12:00:00 AM

✉ 🖨️ ↺ REPRINTS

Marsh & McLennan More +



Peter Zaffino

2016 brokerage revenue:
\$13.23 billion

Percentage increase
(decrease): 2.5%

Marsh & McLennan Cos. Inc. grew through a combination of organic growth and acquisitions in 2016 amid a tough pricing

environment that is not expected to end anytime soon.

New York-based Marsh & McLennan's 2016 brokerage revenue increased 2.5% to \$13.23 billion, keeping it atop the *Business Insurance* broker rankings.

Top insurance brokers, No. 10: USI Insurance Services L.L.C.

Top insurance brokers, No. 9: Lockton Cos. L.L.C.

Top insurance brokers, No. 8: Jardine Lloyd Thompson Group C.

Top insurance brokers, No. 7: Hub International Ltd.

Top insurance brokers, No. 6: Brown & Brown Inc.

Top insurance brokers, No. 5: BB&T Insurance Holdings Inc.

Top insurance brokers, No. 4: Arthur J. Gallagher & Co.

Top insurance brokers, No. 3: Willis Towers Watson P.L.C.

Top insurance brokers, No. 2: Aon P.L.C.

- A.M Best has also repeatedly rated Marsh & McLennan Companies as the largest Insurance Broker and Risk Advisor for several decades.
- Marsh in Australia, New Zealand and the Pacific Islands place USD2.8 billion
- Marsh places USD2.5 billion with Lloyd's of London

The volume and scope of this business has earned us our reputation and position of leadership in our field. Our leading position with the global insurance market enables us not only to produce the most competitive pricing available but, as important, to produce favourable and efficient claims administration and underwriting services for our clients.

Marsh's broad reach provides us with access to specialised insurance capacity and underwriting expertise anywhere in the world insurance market. Effective access depends on sound relationships carefully cultivated over many years, as well as the infrastructure to facilitate those relationships.

Marsh Global Locations

Marsh Global Locations



Global representation creates the platform for consistent service delivery to our client's operations.

Marsh Fiji

Marsh was established in Fiji in 1969. With 43 staff in Fiji, Marsh operates from offices in both the Cities (Suva and Lautoka), producing annual Brokerage revenues in excess of **FJ\$10.0 million** and placing in excess of **FJ\$55 million** in premium volumes into the local and international insurance markets.

Marsh Fiji is owned by the following shareholders:

- Marsh Ltd – 65%
- Fijian Holdings Limited – 25
- Unit Trust of Fiji – 10%

Office Locations - Suva
Level 9, BSP Suva Central
Renwick Road, Suva
Ph: +679 322 7300
Fax: +679 322 7360
P. O. Box 1333, Suva

Office Locations - Lautoka
183 Vitogo Parade, Lautoka
Ph: +679 665 3300
Fax: +679 665 3333
P. O. Box 571, Lautoka

Websites

www.marsh.com
www.fiji.marsh.com



Marsh Fiji has approx. 60% market share of corporate businesses in Fiji

Staff Numbers and Office Locations for Pacific

AUSTRALIA	1,164	NEW ZEALAND	275	FIJI	43	PNG	45
Sydney	499	Auckland	139	Suva	28	Port Moresby	45
Parramatta	42	Christchurch	25	Lautoka	15		
Canberra	9	Dunedin	23				
Melbourne	320	New Plymouth	8				
Brisbane	99	Takapuna	19				
Adelaide	73	Tauranga	4				
Perth	60	Wellington	57				
Hobart	44						
Launceston	5						
Darwin	13						

Paid Up Capital & Other Financials (2016 Results)

Marsh & McLennan Companies, Inc.

Revenue: USD13.21 Billion

Income Before Tax: USD 2.48 Billion

Net Income: USD 1.76 Billion

Stockholders Equity: USD 6.53 Billion (as at 31st March 2017).

Market Capitalisation: USD37.92 Billion (as at 17th May 2017).

MMC's common stock (ticker symbol: MMC) is listed on the New York, Chicago, and London Stock Exchanges.

Insurance Broking

Marsh provides a comprehensive suite of insurance broking services that includes:

- Insurance program design, negotiation, placement, administration and service
- Risk assessment and analysis, including quantitative modelling to establish optimum retention levels
- Local and global account management
- Benchmarking of rates, deductibles and policy limits
- Alternative risk transfer/financing solutions.

In addition to providing these services to address the annual insurance renewal cycle, our

service methodology also focuses on the longer term strategic risk financing needs of our clients and proactively addresses issues such as:

- Emerging risks
- Client and industry loss trends
- Insurance market trends
- Insurer relationships
- Risk improvement planning
- Regulatory and legislative issues
- Global program/local program placement and service issues

Marsh has developed an industry specialisation structure that ensures that the best resources are available to our clients. This initiative demonstrates our commitment by ensuring that the leaders of these specialty groups are all experts in their designated fields. Current sectors include:

- | | | |
|---------------------------|---------------------|-------------------------------|
| ▪ Aviation and Aerospace | ▪ Healthcare | ▪ Mergers & Acquisitions |
| ▪ Construction | ▪ Hospitality | ▪ Mining, Metals and Minerals |
| ▪ Energy (Oil and Gas) | ▪ Life Sciences | ▪ Power and Utilities |
| ▪ Environmental | ▪ Manufacturing | ▪ Real Estate |
| ▪ Financial Institutions | ▪ Marine and Energy | ▪ Telecommunications |
| ▪ Forest based industries | ▪ Media | ▪ Transport & Logistics |

Using Technology to Help Clients Solve Risk Problems

Our professionals have access through our global network and information systems, to the greatest range of information and advice available in our industry. In addition insurance markets are accessed by way of this vast network to enable customised insurance programmes to match each client's risk profile.

Licensed Insurance Brokers Association of Fiji

We are foundation members of the Licensed Insurance Brokers Association of Fiji (LIBAF).

Mission

To create and deliver risk solutions and services that makes our clients more successful.

Marsh Terms of Trade

To facilitate the smooth operation of services we have detailed below our terms of trade.

Appointment

The Client appoints Marsh as its insurance broker to arrange the policy or policies of insurance as instructed by the Client. This Agreement sets out the terms of this appointment.

Client's Responsibilities

To be able to perform the Services, Marsh needs the Client's cooperation.

1. Marsh must rely on the Client to comply with its duty of disclosure to the insurer. The duty to disclose all material facts rests with the Insured (for the purposes of this report, the Insured is represented by the Client) and cannot be delegated. A fact is material if it would influence the insurer in its acceptance or rating of the risk. The same duty is owed to the insurer before renewal, extension, variation or reinstatement of a contract of general insurance. Any non-disclosure or misrepresentation of a material fact could result in an insurance policy being rendered void or claims under an insurance policy not being paid in whole or in part.
2. Marsh must rely upon the Insured (i.e. The Client) to comply with its obligation to act in "Utmost Good Faith".
Every insurance contract is subject to the doctrine of utmost good faith, which requires that parties to the contract should act toward each other honestly and fairly, avoiding any attempt to deceive in assuming and performing contractual obligations.
Failure to do so on the part of the insured may permit the insurer to refuse to pay a claim or to cancel the policy.
3. Premium Payment Terms – The Client is to fully pay the premium/s and/or fees to Marsh on the receipt of the invoice/s. Failure to pay premium/s may result in insurers cancelling cover and under such circumstances Marsh accepts no liability.
Marsh also has a Premium Funding Facility with the Westpac Banking Corporation, whereby they pay the premium upfront to the Insurer and the Insured repays the total premium in ten (10) instalment payments over ten (10) months. The lending is done at a rate of 3.0 % to 6.0% depending on the financial background of the Insured and value of the funding required.

Insurer's Security and Claims

Marsh cannot and does not guarantee the solvency or continued solvency of any insurer. We must bring to your attention that it is a requirement of the Insurance Act 1998 that all local insurers in Fiji be utilised before any insurance policy or part thereof can be placed with an insurer overseas.

Termination

This Appointment may be terminated by either party giving thirty (30) days written notice or by agreement between the parties. On giving a notice of termination, Marsh will immediately withdraw from all negotiations in progress, including but not limited to negotiations for renewal of insurance due to expire within the notice period. Unless otherwise agreed, Marsh will cease to manage the Client's claims. **As Marsh earns its remuneration for arranging the Client's insurance, the Client is not entitled to any refund of Marsh's remuneration if the Appointment is terminated.**

Liability

If Marsh directly causes any loss or damage to the Client or its officers, employees, agents or licensees, Marsh is only liable to the extent that its conduct caused or contributed to the loss or damage. If the Client causes or contributes to the loss or damage, Marsh's liability is reduced to the extent (which may be nil) to which the Client caused or contributed to it. Marsh is not liable for any indirect loss or damage.

General

If the parties communicate via email the following subclauses apply: a message is read when opened by the recipient; an offer in a message from the sender is accepted by the recipient only if the message accepting the offer is read by the sender of the offer; an instruction given in a message from the sender is enforceable only if confirmation of receipt by the recipient is read by the sender. If the recipient's electronic mail system does not automatically confirm receipt, the recipient must acknowledge receipt of the message; the sender may ask the recipient to confirm receipt of a message. The recipient must confirm receipt as soon as reasonably practicable; the recipient is responsible for screening files for viruses.

OUR VALUES

Clients

We satisfy their requirements with customised strategies and initiatives

Colleagues

We provide each individual with the opportunity to reach his or her full potential

Investors

We meet their expectations

Excellence

We continually pursue higher quality in all areas of our operations

Openness & integrity

Ethics without compromise is our standard of conduct

OUR VISION:
TO BE THE NUMBER
ONE CHOICE IN EVERY
MARKET WE SERVE



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Renwick Road
Suva, Fiji
PO Box 1333
Suva, Fiji
+67 9 322 7300

