



## **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

### **Review of Reserve Bank of Fiji Insurance 2018 Annual Report**



**Parliamentary Paper No.34 of 2020**

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## Chairperson's Foreword

The Standing Committee on Economic Affairs is pleased to report to Parliament, its findings and recommendations on the Reserve Bank of Fiji Insurance 2018 Annual Report.

In the year 2018, the Fijian insurance industry remained sound, reporting a strong combined solvency position. It was noted that the Insurance industry's combined gross premium grew by 7.5 percent which was supported by growth in both life and general insurance sectors. Further to this, the Insurance termination improved over the year with a total of 13,970 terminations compared to 14,315 in 2017.

The Insurance Industry's combined gross premiums grew by about 7.5 percent to \$347.9 million in 2018, supported by growth in both, life and general insurance sectors. A marginal pick-up in the contribution of the Industry to GDP was also noted, with gross premiums as a percentage of GDP registering at 3.4 percent compared to three percent the year before.

The Committee commends the Government's initiative of replacing the Compulsory Third Party with the Accident Compensation Commission in Fiji.

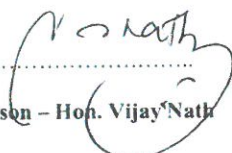
The Committee was informed that since the launch of the FijiCare Micro Bundled Insurance Product in 2017 for cane farmers, the cover was extended in early 2018 to the dairy farmers, copra farmers and rice farmers with the premium as low as \$52 per annum or \$1 per week. The Product was further extended to civil servants and social welfare recipients, which brings the total number of bundled insurance holders to 120,671.

The Committee is concerned with the increased rate of accidents being recorded and volume of vehicles on our roads. For the safety and security of vehicle owners, the Committee feels that **compulsory** motor vehicle insurance must be considered, similar to that in some States of Australia and India.

In terms of Sustainable Development Goals, the Insurance Industry continues to play a significant part in SDG 1 and SDG 8 – as it continues to develop products that goes hand in hand with poverty alleviation and increasing Economic Growth.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - Deputy Chairperson Hon. Veena Bhatnagar, Hon. George Vegnathan, Hon. Ro Filipe Tuisawau, Hon. Inosi Kuridrani, Hon. Jale Sigarara and Hon. Viliame Gavoka. I also take this opportunity to acknowledge and thank the Parliamentary Staff who have given us invaluable support.

On behalf of the Standing Committee on Economic Affairs, I commend the Reserve Bank of Fiji Insurance 2018 Annual Report to the Parliament.

  
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Chairperson – Hon. Vijay Nath



## **1.0 Introduction**

### **1.1 Background**

The insurance industry comes under the Insurance Act of 1998 which is administered under the Reserve Bank of Fiji (RBF).

According to the 2018 report, the Fijian insurance industry remained sound, reporting a strong combined solvency position above the required minimum regulatory levels. The economy reportedly grew for the ninth consecutive year with an absence of significant natural catastrophes.

There was increase in Insurance uptake by 23% in the year 2018 in the Fiji Care and BIMA<sup>1</sup> (Insurance) product range which was attributed to the extension of micro insurance bundles to include farmers, civil servants and social welfare recipients. This positively contributed towards the National Financial Inclusion Strategic Plan target of achieving approximately 25% of adults with an insurance product by 2020.

During the year, a total of 837 insurance claims were made for Bundle Insurance, valued at \$1.4m. This increased significantly in 2019 with approximately 3,800 claims paid out, totaling to \$6.5m.

### **1.2 Committee Remit and Composition**

The Committee is made up of five (5) Members of Parliament, three (3) of which are Government members and two Opposition members. According to Section 109(2)(a) the Standing Committee is responsible to look into matters related to economic development, finance, banking and taxation.

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<sup>1</sup> BIMA – An Insurance provider specializing in Life and Medical Insurance

## 2.0 Findings and Recommendations

1. The Committee noted that the current Fiji Care Micro-Bundle Insurance product includes Sugar cane, Dairy, Copra and Rice Farmers. The Committee recommends that this be extended to Yaqona, other subsistence farmers, fishermen and Market Vendors.
2. The Committee is concerned (Table 6, pg.16) that offshore placements value had increased from \$FJ35m in 2016 to \$FJ67.5m in 2018. The Committee notes that such placements are of the scale that cannot be met in Fiji, in terms of potential claims and competitive premiums. The committee further notes that even though RBF regulates offshore placements under the Fiji Insurance Act, it recommends that measures and incentives be formulated to ensure that local insurers improve their competitiveness.
3. The Committee notes that Fronting is an arrangement similar to Reinsurance and believed to be a solution to the capacity problem that Fiji faces. However, it is perceived as a threat to local insurers. With the view of increasing capacity, the Committee recommends that Fronting be considered albeit with strict regulatory measures by RBF.
4. The Committee noted that RBF was in the process of reactivating the Agriculture Insurance National Working Committee and recommends that this process be expedited and that it include as a key objective, the formulation of a National Agriculture Insurance Framework.
5. The Committee notes that the review of the Fiji Insurance Act will include the issue of Margin of Solvency. The Committee is aware that dialogue has been ongoing for seven years, and while there is still anxiety within the Underwriters community, the Committee feels that the proposed changes of the Margin of Solvency should be reasonable, recognizing that it is for the good of the insurance industry.
6. The Committee noted that a Parametric Index Based Micro Insurance for Households is being developed. The Committee commends this development and looks forward to further progress.
7. Given the increased rate of accidents being recorded and volume of vehicles on our roads, the Committee is of the view that for the safety and security of vehicle owners, **compulsory** motor vehicle insurance must be further considered.

8. The Committee notes the low uptake of property insurance, particularly in rural areas which it understands is due to lack of proper building plans and lack of knowledge on insurance policies. The Committee recommends that standard baseline drawings and designs be pursued to enable a wider coverage of property insurance in the rural and low income housing in urban areas. In addition, it is further recommended that through collaboration with relevant Stakeholders, extensive awareness campaigns be conducted.
9. The Committee was made aware of the potential difficulties for Fiji to continue to secure 100% Cyclone Covers over the years. The Committee recommends that dialogue on this issue with the leadership of RBF be undertaken with all Stakeholders to determine a way forward given the circumstances.

### **3.0 Gender Analysis**

The Committee was pleased to note that RBF has made it compulsory for Insurance companies to collect disaggregated data on Gender. The Committee believes that this would be of great assistance in determining the number of men and women taking up insurance as well as assist in developing specialized products accordingly.

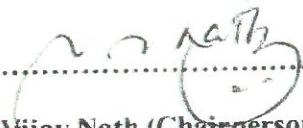
#### **4.0 Conclusion**

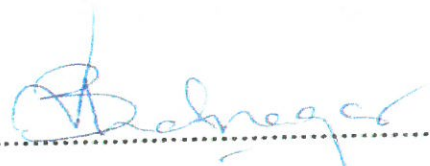
To conclude, the Committee is pleased with the overall performance and health of the Insurance Industry, especially, two (2) years after Cyclone Winston.

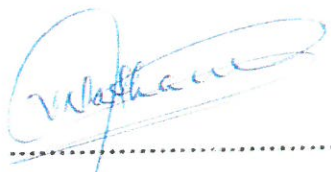
With the extension of the Micro Insurance Bundled cover by 23% in 2018, Fiji remains on track to achieve its National Financial Inclusion Strategic Plan indicator target of 25% of Adults with Insurance Cover by 2020.

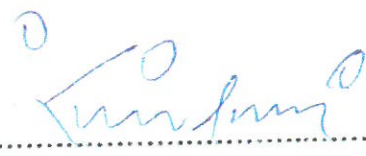
The Committee looks forward to continued efforts by the Insurance Industry to design special packages to attract low income earners.


## Members Signature

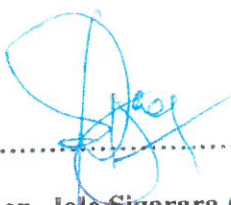
  
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Hon. Vijay Nath (Chairperson)

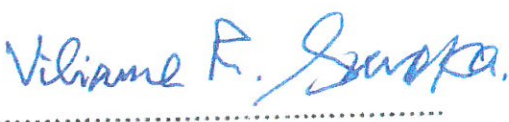
  
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Hon. Veena Bhatnagar (Deputy Chairperson)

  
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Hon. George Vegnathan (Member)

  
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Hon. Inosi Kuridrani (Member)

  
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Hon. Ro Filipe Tuisawau (Member)

  
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Hon. Jale Sigarara (Alternate Member)

  
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Hon. Viliame Gavoka (Alternate Member)



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# **PRESENTATION TO THE STANDING COMMITTEE ON ECONOMIC AFFAIRS**

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## **RESERVE BANK OF FIJI INSURANCE ANNUAL REPORT 2018**

### **1. Introduction**

- Thank you Honourable Chair and Honourable Members for the invitation to present the Reserve Bank of Fiji's Insurance Annual Report for 2018 to the Standing Committee on Economic Affairs. The Reserve Bank always welcomes such opportunities to explain to the Honourable Members of Parliament what, why and how we do the work that we do.
- As you may be aware, the RBF is mandated under section 165 of the Insurance Act 1998 ('the Act') to submit the Insurance Annual Report to the Minister for Economy by 30 June of the following year. The Bank continues to effectively meet this requirement. Needless to say, the RBF continues to receive positive feedback on this publication as an excellent source of information and statistics on an important sector of the economy.
- Please allow me to therefore provide an overview of the 2018 Insurance Annual Report, before I take your questions.

### **2. The Fijian Insurance Industry in 2018**

- 2018 marked both the end of a full year of recovery for Fiji since the devastation of Tropical Cyclone Winston and a return to normalcy for the Fijian insurance industry, as it was spared from further losses of a catastrophic event and most insurance entities posted positive results.



- Honourable Chair, the risk transfer role that the insurance industry provides is vital to the sustainability of our economy. Insurance provides the necessary safeguard for the financial health of individuals, families, communities, businesses, financial institutions and the economy as a whole.
- A key safeguard therefore is in the form of claim payments, and total net claims and policy payments increased by 6.0 percent to \$223.3 million in 2018. The general insurance sector's net claims paid increased by 7.8 percent to \$104.5 million, due to the settlement of major fire claims. Similarly, the life insurance sector recorded an increase of 4.5 percent to \$118.8 million in 2018, as matured policies accounted for majority of the payout to policyholders.
- Honourable Members, insurance companies can only honour their claim obligations if they are adequately capitalised through a buffered level of solvency capital, and I am pleased to report that the insurance industry was assessed as sound over 2018 with both the life and general insurance sectors reporting strong solvency positions. These sound solvency positions were supported by the positive profitability position of both sectors, though profitability reduced from the level reported in 2017 by 30.1 percent to \$23.7 million, as a result of the higher loss ratios for the fire and motor CTP classes.
- The sustained safety and soundness of each individual insurance company is also supported by effective reinsurance arrangements. Reinsurance premiums paid by general insurers in 2018 totalled \$56.6 million with total reinsurance recoveries reported at \$23.8 million.

- The insurance industry also plays a significant role by supporting economic growth as it recycles premiums back into the economy as investment capital. In 2018, the life insurance sector's investment portfolio grew by \$121 million to \$1.2 billion, investing mostly in government securities (\$719.3m), listed and unlisted equities (\$295.6m), and properties (\$103.9m). The insurance industry as a whole held deposits in the banking system totalling \$224.4 million as at 31 December 2018, supporting the banks' ability to provide loans for consumption and investment purposes.
- Honourable Members, in addition to our core financial stability work, the development mandate of the Bank calls for extended efforts on inclusive insurance initiatives. We wish to briefly provide an update on the work undertaken by the Bank in this space, in 2018:
- ***Bundled Insurance Product:*** Following the successful launch of the Fiji Care micro insurance bundled product in 2017 to 11,606 cane farmers, the cover was extended in early 2018 to dairy farmers (258), copra farmers (89) and rice farmers (63) with premiums as low as \$52 per annum or \$1 a week. The product was further extended to civil servants (37,000) and social welfare recipients (71655) which brings the total number of bundled insurance holders to 120,671. At the end of 2019, the number further increased to just over 135,000. During the year, a total of 837 insurance claims valued at \$1.4 million was paid out. This increased significantly in 2019 with approximately 3,800 claims paid out totalling \$6.5 million.
- The bundled product has significantly increased the take-up of insurance in Fiji specifically from those who have never owned insurance, and has also assisted in the creation of awareness on the benefits of having insurance

with our grassroots people. The Reserve Bank has a vested interest in such a trend for another reason, as the increased uptake allows Fiji to remain on track to achieve its “percentage of adults with insurance product” National Financial Inclusion core indicator target of 25 percent, by 2020.

- ***Agriculture Insurance:*** The RBF sought to assist in the reactivation of the Agriculture Insurance National Working Committee, to engage with relevant stakeholders on exploring opportunities to introduce agriculture insurance in Fiji and better adapt to climate change and disaster risks. We understand that the Ministry of Agriculture continues to lead the dialogue on this issue, and we stand ready to assist if required.
- ***Consumer Protection:*** With regard to consumer protection, the Reserve Bank received 48 insurance related complaints in 2018 comprising 0.8 percent of the outstanding claims reported for the year. Most of the complaints were in the area of customer services, and 39 of these complaints were settled during the year with one withdrawn. I can also report that the eight (8) pending complaints reported in 2018 have now all been settled.

We continue to work together with the industry to ensure that an efficient redress process is undertaken. Awareness on consumer rights and responsibilities are created in the complaints management process with consumers encouraged to seek independent advice and ask questions on aspects of their policy that they do not understand.

### **3. 2019 Key Highlights**

- Honourable Members, we usually conclude our review with the outlook for the next 12 months, but given the timing of this presentation, we can also report on the year that has just ended, though our 2019 Report will be released in June 2020.
- 2019 was also a quiet year for the insurance industry in terms of the absence of major catastrophes, but there have been some major losses in the fire class, exposing some insurance entities to significant claims. The transfer of the workers compensation class to the ACCF has not impacted the profitability of general insurance companies in 2019.
- Although the industry's performance was expected to reflect the economic slowdown generally experienced through most of 2019, statistics for the first three (3) quarters of 2019 have shown otherwise. On a consolidated basis, the insurance industry continued to register improved profitability results, and stronger solvency positions.
- However, we expect that some major claims are yet to be reported when the annual 2019 statistics are confirmed, giving rise to claim payments by the general insurance industry in 2019.

### **4. Conclusion and Outlook for 2020**

- Honourable Chair and Members of the Standing Committee, with respect to our priorities in the next 12 months, the Reserve Bank will continue to work on strengthening its supervision role including the review of existing supervision policies and the development of new guidelines in line with international supervisory developments and sound practices.

- A key policy development initiative that we worked on in 2019 and will continue to undertake in 2020 is the confirmation of the conduct regulator role of the Reserve Bank, in addition to its prudential regulator role. Acknowledging the extreme importance of appropriate market conduct and culture, as we have witnessed in the recently completed Royal Commission in Australia, the Reserve Bank has therefore initiated a review of the culture and conduct risk management frameworks of all our supervised institutions including the insurance companies and brokers, and will finalise a supervisory guidance on this in 2020. Furthermore, we continued to test the revised Solvency Guidelines in 2018 and 2019 while awaiting the finalisation of the review of the Insurance Act.
- With the partnership of licensed entities, we continue to be challenged to ‘think outside the box’ and be part of the national solution to ensuring Fiji’s resilience against the risk and effects of climate change, given the rapidly evolving developments in disaster risk management. We will continue to discuss with the industry on the design of insurance products and insurance arrangements that will specifically meet the growing needs of our people.
- The Insurance Act 1998, now more than 20 years old, is undergoing a review with the technical assistance of the IMF, with the aim of modernising the legislation to incorporate recent industry developments and supervisory practices. These developments include exploring the fronting arrangements, the possibility of allowing captive insurance frameworks, and further clarity around the legal provisions for inclusive insurance.

- Honourable Members, we continue to see the effect of natural disasters locally and globally, evidenced by the vivid images of devastation caused by the current Australian bushfires, the recent earthquake in Puerto Rico that is claimed to have changed the landscape of the country, and for us, the expectation that Fiji may be in the path of a number of tropical cyclones in the remainder of the current cyclone season. The magnitude of economic and social losses caused by these natural disasters reiterates the importance of not only having adequate insurance coverage in place but also enhancing insurance affordability.
- There is indeed an ongoing need for the industry to not only promote insurance awareness to the general public, but to also develop and offer innovative insurance solutions that meet the needs and affordability of all Fijians. The Reserve Bank is committed to continue work on the necessary initiatives to achieve such outcomes.

Honourable Chair and Members, thank you again for this opportunity to discuss the 2018 report with you, and we welcome any questions that you may have.

**Reserve Bank of Fiji**

**16 January 2020**

**STANDING COMMITTEE ON**  
**ECONOMIC AFFAIRS**

**RBF INSURANCE ANNUAL REPORT 2018**

**[Verbatim Report]**

**Fiji Insurance Brokers**

**MONDAY, 27TH JANUARY, 2020**



**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON MONDAY, 27<sup>TH</sup> JANUARY, 2020 AT 9.46 A.M.**

**Interviewee/Submittee:      Fiji Insurance Brokers**

- 1)      Mr. Wayne Wong                      Branch Manager (Marsh Limited)
  - 2)      Ms. Sahreena Mohammed          General Manager (Aon (Fiji) Pte. Limited)
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MR. CHAIRMAN.- Thank you Honourable Members, ladies and gentlemen. Good morning and welcome to the Standing Committee on Economic Affairs. Pursuant to Standing Order 109(2)(a) of the Standing Orders of Parliament, the Reserve Bank of Fiji Insurance 2018 Annual Report has been referred to the Standing Committee on Economic Affairs and has been tasked to review it and report back to Parliament.

(Introduction of team from Fiji Insurance Brokers)

(Introduction of Committee members and the secretariat by the Chairman)

Whatever we say here today will be recorded by Hansard as they prepare their report. Without taking much of your time, Honourable Members, just a few housekeeping matters. I request minimum movement during the presentation and to keep the constant flow of the presentation, we will not interfere with your presentation but after your presentation, if we have any questions we will ask them based on your presentation. Without taking much of your time, the floor is yours.

MS. S. MOHAMMED.- Thank you very much for the time this morning. As you can see, it is only Wayne and I this morning. We do not represent the entire Brokers Association and there are obviously five insurance brokers in Fiji as you would know. The large corporates being Marsh and Aon so I am glad to have their representation here this morning together with Wayne.

I guess the floor is open Mr. Chairman and if you would like to specifically ask us to cover any particular topics of interest. I think the 2018 Report speaks for itself. It will be at a couple of years old you could easily say, so I think it will be good if we talk about while we see the concerns and weaknesses for the next year 2020 focusing on I guess where we feel 2019 has ended.

If you are comfortable with, we are sort of talking through what we feel as the key concerns and outlooks would be for 2020.

MR. W. WONG.- Certainly, I think 2018 has set the platform for the next two years going forward and we are now into 2020. So, what Sahreena is saying is that we should be more focussed on what has happened in 2019 as a platform for 2020. But if your focus is on the 2018 Report, we can certainly talk about that, but it is probably historical. So, Mr. Chairman, would you agree that we talk about the future rather than historic?

MR. CHAIRMAN.- Exactly. In fact, Honourable Members would like to know your involvement in facilitating these claims. As you know, I should have probably mentioned earlier, that in Fiji limited people have insurance, you talk about life insurance, health or even if you talk about house or cars. Unlike in Australia, Victoria, I would say, if you do not have a car insurance, you cannot drive your vehicle. You have to have a car insurance, two side. We do not have such policies in Fiji, so we want to take 2018 as our platform and we want to see the future of the insurance brokers. How your involvement is with the clients and the people who do the insurance? Honourable Members, would you like to add to that? Honourable Gavoka.

HON. V.R. GAVOKA.- Yes, with your permission Mr. Chairman. According to this 2018 Report that we have received, it appeared to have been a very successful year for the insurance industry. We highlighted this in our deliberations with the other people who presented here on how the industry has remained strong, in particular the events of 2016; catastrophe (*TC Winston*). From there, we would like to know what it is the structure that is there that makes the industries resilient and then maybe from there they can take it to today and the future. But basically, if you can start from there, on you as Brokers. What is it that you see that has made insurance being so resilient, given the effects of *TC Winston*?

MR. W. WONG.- Honourable Gavoka, thank you very much. We got some idea where we are going to start. As you say, 2018 has continued to be a successful year for the industry as a whole. Collectively, not all insurers made profits, but collectively they still continued to make profits or be it half what they did the previous. I am talking from an insurance underwriting perspective, not a Broker, perspective. The Brokers you see represented here today are basically corporate Brokers, so our focus is mainly on insuring corporates rather than individuals. We are aware that the Governor is trying to promote inclusion for insurance with about 25 percent of Fiji's population by the year 2020. Hopefully that will come about.

I think Fiji Care is doing a great thing with the programme that they are running with the Government, farmers; the micro-insurance programme. That is very affordable, perhaps not working in terms of profitability-wise, there are a lot of claims attached to it, so they need other insurance products to try and back that up. Because the premiums are so cheap, the claims coming out of it may not be sustainable for the long run, but at this stage, I think they are doing quite well in promoting that amongst possibly 25 percent of the workforce, not the population but the workforce. Government is doing a wonderful thing in making that compulsory for all Government workers and extending that out to the farmers, etcetera. So that is one way of reaching out to the public.

From a Brokers perspective, we do not normally get involved with those things, although Fiji Care have made it accessible to our Broker clients at a slightly higher premium, obviously. So if the Brokers come along, for example, with a client who has a thousand employees, we can offer that to our clients as an extension to their existing product.

MR. W. WONG.- The thing though is the corporates or the businesses have to take that on board whether they want to offer that as an employee benefit. At the moment, most corporates for employee benefits are buying medical and life insurance already as an attraction to retain their employees. This micro cover though is a lot more affordable in terms of premiums, but I guess the pay-outs are not as much. You are only getting \$10,000 maximum, perhaps \$3,000 for death, \$3,000 for accident, \$3,000 for a fire and \$1,000 for funeral expenses which is something, which is a great contribution. If you have a fire, at least you have got

\$3,000 to kick-off. It is a good thing. I am not dissing it or anything, I think we should have more of these sort of products but the affordability for employers on top of the other insurances that they may already provide to their employees might be a consideration.

In terms of promoting insurance to a wider population in Fiji, the only way that brokers can really help is to try and maintain a reasonable cost for insurance, to make it attractive for our clients to continue buying insurance. Recently, I mentioned in 2018, you said it was a profitable year, another profitable year for insurance. Correct! But at 50 per cent net profit on the previous year so they did not quite do as well as you might expect. The reason for that is that the global market is hardening. Hardening in the sense that the cost of insurance is escalating. It is not because of the 2016 events in Fiji, it is because of global events around the world. We have had cyclones in Texas, we have had earthquakes around the Caribbean, et cetera. We have had multiple tsunamis happening in Asia which have chewed up the reserves out of Europe. So, Europe has a pie this big and when global events take away from that pie, the pie shrinks obviously, so it becomes a supply and demand situation.

In the Pacific because of our situation in the ring of fire, we all form a part of this ring of fire with New Zealand, Asia, Papua New Guinea et cetera where we are prone to earthquakes and cyclones; catastrophe events. If it is not going to hit us this year, it will definitely hit us in the next two or three years.

They have got a programme for that and the pie for the Pacific, because of these global catastrophes is shrinking. So, supply and demand means that if you want a slice of that reinsurance market, reinsurance meaning, the local insurers cannot afford a \$100 million loss or \$300 million loss or a billion dollar loss like we had with *TC Winston*. They have to reinsure out of Europe. To get the reinsurance out of Europe costs money. At the moment, you are looking at possibly 15 cents to 20 cents, for every dollar you are insuring in property, you got to pay to pay \$1.50 to \$2 for reinsurance.

The cost is driving the pricing up in Fiji. The local market officers are complaining. They are saying, "Look, our insurance was \$100 last year and now we are paying \$150. What is the goal?" It is what the current market is offering. They have got no choice really. If we have to go offshore because of lack of capacity locally, it is going to be worse. We are looking at 300 percent or 400 percent increases if we go offshore. The Governor of Reserve Bank of Fiji is trying to find ways obviously. Fiji needs insurance. We cannot survive without it. Businesses cannot operate with the uncertainty that if we have a major cyclone or a major fire, they need insurance to resume or continue operations. The RBF is trying to open up that market to find ways to keep the pricing at a sustainable level.

In 2018, we talked a little bit about it but in the smaller sector, they are talking about mums and dads, et cetera not so much the corporates. From our perspective, the corporates are the ones that drive it, they are the ones that supply employment and they are the ones that keep the economy ticking over.

If the corporates do not have insurance then we are all really up the creek without a paddle, if you want to put it that way. So insurance has to be maintained at a reasonable level. A lot of corporates we have found, going forward from 2019 and 2020 have opted to reduce the amount of insurance, not so much capacity because there is not so much capacity, it is because it becomes unaffordable. So we have got to try and maintain that balance between the client, the insurance company and the re-assurance overseas.

It probably does not answer your question in terms of spreading insurance to the masses, but our focus I think would be on keeping the employers healthy, keeping the employers in business to maintain that in an indirect way that coverage for their employees.

HON. V.R. GAVOKA.- Mr. Chairman, I think that is a good summary of where we are into 2018. We got indications from the underwriters that 2019 was a better year than 2018, would you testify to that?

MR. W. WONG.- Yes, it is a bit early to tell now. They will be producing their results in the papers shortly. In terms of the Act, they have got to be fully transparent, yet to be seen but indications are, yes, they did do fairly well in 2019.

HON. V.R. GAVOKA.- That goes back to the initial observation of the Committee that, as you rightly stated, Fiji needs insurance and the corporates.

MR. CHAIRMAN.- Honourable Gavoka, shall we listen to Ms. Sahreena and then we start off, please.

MS. S. MOHAMMED.- Wayne has covered quite a lot of ground here. All I would add to that is like Wayne has mentioned the two big corporates brokers in Fiji being Marsh and Aon, we focus a lot on large commercial corporate insurances but when it comes to the domestic space, mums and dads and small SME businesses, absolutely finding the right insurance has been a challenge. Cyclone insurance for that matter is a challenge. We talked about micro-insurance briefly again that does not cover for cyclones. If you think about the climate changes that are happening and has been happening over the century, now we are looking at even with the 2019 losses, greater focus on climate related, weather change and natural disaster events, we see the need for there to be a solution to the domestic space and the small SMEs on cyclone.

And unless we change our building codes in Fiji for that matter, possibly a solution maybe not, and is more and more resilience built into the way codes are structured, the way buildings are constructed, buying cyclone insurance would be very, very difficult because you will have to partner with an insurer that is actually willing to offer cover, albeit at a small form of cover to that sector.

Obviously knowing that we are in a market space where unfortunately we are in a region where the probability is one cyclone a year. That does not help the actuarial team when insurers have reinsurers sitting behind them, looking at the numbers and possibility of losses, et cetera, with one cyclone prone to happen in our region every year as a probability, it does not help our case.

So Parametric Insurance has been one that has been spoken about in recent times again, finding a cover that is affordable, is another question because Parametric Insurance is not very viable in certain instances. Those of you that are not familiar with Parametric Insurance, it is basically looking at covering a scenario, so an event happening that triggers the policy response as opposed to damage occurring.

So, example if a Category 4 cyclone enters into the Fiji waters within a certain vicinity, it ticks the boxes based on what the criteria of the parametric recovery is then they would be

covered. I know that there is some work happening in the background in that sector but again the affordability of it would be one that would have to be tested.

I mean we have seen from 2016 *TC Winston* occurring through to now, QBE a major player in Fiji has drawn back capacity to a great scale. And that capacity, Wayne would agree has been difficult even to-date to replace locally. So we have to then go offshore to buy cover in an already complex environment with natural disasters globally in the rate that it has been happening. Reinsurance driving costs up globally, Fiji is a dot on the map and a region that is very active as Wayne has indicated due to the locality in the geographic that we are surround by, it is actually capacity shrinking as we speak. So for global markets to look at good quality capacity for Fiji, we have to start changing the way we do things. A lot of the corporate businesses have started to do a risk modelling, so they understand what is the exposure rather than buying insurance because you need to buy insurance. You look at actually what are we requiring cover for, what is our risk and then buying minimum levels of cover that would reflect giving you protection to your actual exposure and affordability of insurance. So that is really where we have been in the last few years and we do not see that to be changing substantially, the situation if anything will continue to deteriorate.

MR. CHAIRMAN.- Thank you so much. Honourable Gavoka, your question please.

HON. V.R. GAVOKA.- Just a few takeaways from that observation. When you talk about Fiji being a small dot in the Pacific and we go overseas for reinsurance, what is our rating like? What is the reception like from the overseas underwriters when Fiji knocks on their doors?

MS. S. MOHAMMED.- I will start then Wayne can follow. Not very positive. Globally it is quite a challenge now I am talking about large commercial co-operate businesses here. It is quite a challenge to be able to differentiate a risk to an insurer because you have got underwriters, reinsurers and again just one step back, so you have an appreciation of how the insurance industry works. You have got layers of layers and layers of reinsurers. So you would have an insurer that runs and you can have, in some instances eleven layers of reinsurance. So the insurer will reinsure that the insurer will reinsure, they also sort of share of the risk.

Those insurers at different layers would be reinsurers to the typhoons that have happened in Japan, to the earthquakes that happened in USA right to the cyclones that hit the Bahamas for that matter. So that all has a flow-on effect to Fiji. The world of insurance really changed when 9/11 occurred. So your question about resilience for that matter, you know how has insurers coped all these years for the last few years in particulars is because the learning side of 9/11 which is quite a learning actually as mentioned that insurers are more receptive or more understanding of risk. The 9/11 was an eye-opening in that what had an envisage that an act at such would occur in such a large scale to cause not only property damage but loss of lives and not only loss of lives to one or two but thousands. So that actually threw out a lot of the actuarial stuff that were going on at that time and the insurance industry started to model risk differently.

So the insurance industry is more prepared now and there is more and more awareness on climate change now as well. So the effect of that is also being properly modelled and insurers are becoming more and more, I guess, risk adverse understanding or through the greater technology on modelling that we have now. I do not know if I have answered the question though but ....

MR. CHAIRMAN.- Do you want to add, Mr. Wong?

MR. W.WONG.- The overseas insurers take on Fiji is, like you said, we are not just a dot in the ocean, we are in the middle of that ring of fire that we are talking about which is prone to catastrophe events. Sahreena mentioned a couple of things, parametric which is a good thing and probably the Government may need to look at that from a country's perspective. I think we have proposed something similar in the past but because of budgetary constraints, et cetera. If we are looking at reception to Fiji, the premium for a parametric could be as high as 30 percent or 40 percent. So, for every dollar you want to insure, you would be paying 30 cents or 40 cents because it is a trigger event; Category 4 cyclone happens, it does not matter what damages it causes, you still get a pay-out. The trigger is the Category 4 cyclone. So, the predictability one in a year, no insurer sitting up in Europe is going to stick their hand up and say, "all right, we will charge you 10 cents, which is one in ten years when I will get my money back."

They will hike the premiums up because we are prone to this catastrophe event. Parametric can work around many things. It can be working around cyclone, rainfall, crop type insurance that we have heavy rainfall, if we have more than say 50 millimetres in a week and it causes floods, which could be the trigger that we will look at as a parametric. But the premiums will be worked out according to the historical checks and how frequent these things happen before they will set the premium.

However, parametric like you said in last week's meeting is the flavour of the year so to speak, so the cost is a consideration if we want to go that way. It will be a great thing. For *TC Winston* it would have worked, obviously we get a Category 5 cyclone and we had a \$100 billion worth of cover, it may have cost us a couple of hundred million in terms of premium but we would come out on top at the end of the day.

Now, finding that couple of a hundred million is another big question. So, in terms of reception to Fiji risks, we are not seen as the solution to the re-insurers aim for profits. They know if they invest in Fiji, they are going to lose at least one out of three, one in three years they are going have to pay up, big time. Whether they jump on the wagon this year, pull out next year and hopefully nothing happens, they may make some dollars but it is not a long term thing, they would rather stick their money in Europe where there is no cyclones, no earthquakes and better returns.

Fiji is being driven to buy reinsurance at such a high cost because they can sell it elsewhere at a higher rate. They can sell it to the Bahamas for 1.5 cents to 2 cents. Why are we giving it to Fiji at 1 cent or less? It is a market driven thing. Fiji might be an attractive place for tourism, et cetera but we do have large claims when there is a cyclone event and mostly in the resort areas as well, that ones that get hit. So, yes resorts, attractiveness, nice place to visit, very hard to ensure.

MS. S. MOHAMMED.- May I just add to that, if you allow Mr. Chairman, the affordability of insurance is obviously something that is very closely looked at and monitored and the brokers in particular play a big role in that as well. I think it is fair to say that unless we look at alternatives which businesses, large corporates are now doing, it could be in the near future very possible that cyclone cover will not be affordable at all for Fiji. A good example is the Californian earthquake, it is very difficult to buy earthquake cover for California.

Earthquake cover for certain parts of New Zealand is not possible to buy. Large corporates look at alternatives in terms of how else we can insure. It is a matter of time that the global appetite for Fiji cyclone risk continues to shrink even further. Some of the large corporate insurances that we put in place last year, we really struggled to put away a 100 percent cover for cyclone. Now that does not mean a 100 percent of, say, an asset that is worth \$200 million, but even a 100 percent of what we feel would be a viable insurance exposure is sometimes a challenge to put away and the affordability comes into it as well. Most big corporates are even taking a gamble now on the fact that probability of Category 4 *TC Winston* happening again in the near future is not quite there, so therefore let us try and buy a cover for a smaller limit as opposed to the large limits that they have enjoyed all this while.

HON. V.R. GAVOKA.- Mr. Chairman. I go back to a time, I was a hotelier when cyclones were so frequent and devastating, exactly what you are sharing with us today, it happened then, to the extent that we hoteliers could not secure any cover from anywhere at that time, you know the period I am referring to. The RBF had set up a facility for us to carry our own insurance.

I am Chairman of a provincial cooperation and our insurance cover had also virtually doubled or something, which as you say, is happening across the board now in Fiji. That is a very valid observation given that the typhoon, the cyclone thing for us in Fiji. It will be nice if you can come out with some alternatives that you could consider to provide cover across the country because, as you say, we need insurance. It is such a vital part of our economy, the financial system. You are the advisors to your clients and sometimes you are the underwriters also. When you talk about alternative measures, have you ....

MS. S. MOHAMMED.- Yes, it comes down to affordability. Some of the alternatives, one of which we have spoken about is parametric insurance, so that is definitely available, but albeit at quite an expensive cost, the cost of putting away such a large premium for an event that may not happen is also a big gamble for big organisations. Some of those large businesses where the cost of insurance increases in a harder market, they look at alternative financing options as well. Likes of, say, forming a captive insurance or self-insurance, in other way putting money aside rather than paying an insurance company to allow for future losses.

Forming a captive insurance is not simple as well. You have to go through proper licensing, reserve capital requirements that have to be met. For business even thinking about captive insurance would have to go through a proper feasibility study to understand, is it something that is going to work as a vehicle for finance alternative financing as opposed to transferring it solely to an insurance company. So that is another option as well.

The other option is really, we have already covered that and we have already started working with lot of our large corporates and commercials to look at how much insurance is required, what is the risk. There are a lot of large corporates that do collective covers now, whereby they insure, for example, multiple resorts, multiple properties, if there is a parent company with multiple subsidiaries with different occupations, they try and cluster the insurances together into a collective arrangement. Again, more commodity, greater assets to insure, obviously you have bigger premium pool, therefore, you can hopefully attract a lesser premium rate, but then again the risk there is knowing how much to insure and what an exposure could look like so that you are not left exposed and underinsured if an event did occur.



MR. CHAIRMAN.- Honourable Gavoka, please go ahead.

HON. V.R. GAVOKA.- Talking to the underwriters the other day, there is this challenge on this fronting phenomena. People who come here and set up and eventually take things away from you guys. We rather, that people who are committed to Fiji take care of our insurance, not people who come in front and go on. I believe some of these are quite huge. What are your thoughts on how we can protect ourselves, you the players who are important to us from this fronting phenomena?

MR. W. WONG.- Firstly, fronting is probably here, something that is being battered around recently. It is not a new thing. It has been around for ages but in Fiji, it is illegal. It is built into the Act that you cannot front in Fiji. That is the protection that the underwriters have at the moment and for this fronting arrangement to go any further, it would need parliamentary approval to change the Act obviously.

You cannot operate against the law so compliance is the first thing. From a broker's perspective, fronting provides a solution to the capacity problem that we are facing at the moment. When I say capacity, the markets cannot sustain or cannot provide cover for the risks that we have. We can only place 50 per cent or 60 percent of the risk especially cyclones, what Sahreena was talking about. If fronting came in, there would have to be some measures about vetting the insurance companies that actually front in Fiji. We do not want fly-by-nighters that come in with no solvency. We need to check their capacity to pay claims. Fronting is an arrangement similar to reinsurance. It provides extra capacity to an already shrinking market in Fiji.

The underwriters do not like it because obviously it will take away some of their premiums but for the general public, it provides more capacity and hopefully some competition to keep the premiums at a reasonable level. The fronting arrangement usually involves a local insurer anyway. For example, New India Assurance or QBE Insurance or Sun Insurance would need to write the policy on their paper and a 100 percent cede the risk back to the fronting entity offshore. The insurer offshore guarantees 100 percent payment of claims. The local insurer issues the policy with a fee or a small percentage that they keep themselves. In other words, that is what fronting is all about.

It is similar to reinsurance where, for example, Sun Insurance goes out and arranges an annual reinsurance treaty that says, "You will cover all my catastrophe risks and for every event, I will pay \$5 million and you pay the rest." Fronting is basically another form of reinsurance but it is illegal in Fiji so when that changes then we could probably talk about that. But as a broker, we are all for it because it improves the capacity and hopefully keeps the premium at a comfortable level.

MR. CHAIRMAN.- Thank you so much for your response. Honourable Tuisawau, your question please.

HON. RO F. TUISAWAU.- Thank you. Regarding medical insurance and noting the current situation we are facing with the coronavirus, et cetera, and the impact on corporate businesses. What are your views on the current medical insurance market and how it is operating? Also, on medical emergencies, its impacts and also on the insurance industry?

MS. S. MOHAMMED.- Thank you for your question.

Coronavirus in particular has not been given much focus from an insurance perspective here in Fiji yet, but, the most recent one we have seen has been measles of course. And whilst most local hospitals have picked up obviously the vaccination, the Ministry had as well picked up the vaccination quite early looking at prevention rather than cure as such. The cost of vaccination is not something that is picked up by the medical insurers at this point in time.

Some organisations run wellness programmes and there is a bit of concession allowed for that in the insurance coverage, it just depends on how your policy is structured. But medical in general in Fiji, obviously our public medical facilities, our public systems are not that equipped yet to cater for some of the complex medical conditions that we are now seeing in Fiji. We have seen a huge rise in cancer related events in the last couple of years and coronary heart disease has been on the rise as well.

So what we have been doing as an initiative is really educating through our HR Divisions of our large corporates on just wellness of staff. You know thinking early about the issues that can be faced in Fiji, sharing the statistics on the information that we have collected through the quarter for that matter from the ministries and from our own experiences on evacuation cases et cetera, on things to look out for and how you can change a little to gain a lot in the health sector.

But, we have seen lot of evacuation in 2019, much more than the previous year and some of the private hospitals in Fiji have been able to pick up on treatments to a degree, but, we still are as a nation lacking on the resources available on the ground on some of those complex matters. And we are seeing as India picking up a lot of those evacuations now, medical conditions. Our facilities are great as well, the only downside is the actual flight to India which is quite a distance away. Obviously, New Zealand and Australia are at our reach, much more costly from a medical treatment perspective than one-third or fraction of what you could obtain out of a treatment in India. Hopefully that sort of answers some of your questions.

HON. RO F. TUISAWAU.- Yes, thinking more of business interruption in terms of such emergencies like coronavirus.

MS. S. MOHAMMED.- Sure, I can answer to that as well and then you can add. Insurance policies actually exclude infectious disease cover for business interruption.

There used to be a point in time that policies used to cover it but of course experiences have drawn on the fact the risk is real. You could have infectious disease outbreak occurring in say a mall situation where the mall needs to be shut because there has been an outbreak and to maintain the spread of it, the public forums or public places are shut down for that matter. Again, we are moving away from the core of a business interruption insurance. The purpose of business interruption insurance primarily has been, “I take on and a response to property damage”. So if there is property damage, which flows on to the interruption of the business, the primary purpose of what business interruption insurance is designed to provide.

But over the years as competition has grown, insurers have started to throw in all these different forms of risk that can potentially trigger a business interruption, not necessarily damage to the primary property as such, but, with experience as time have tested that some of these add on and tag on have actually resulted in significant amount of claims into our policy, then insurers have started to unbundle those additional coverage that have been thrown in. So

we have seen that infectious disease has been one that has been excluded by probably global policies from what I know but definitely none of the local insurers and business interruption policies provide for that.

HON. RO F. TUISAWAU.-Just another one on statutory and compliance requirements with regards to Reserve Bank of Fiji, et cetera. Do you have any issues with that or would you like to let the Committee know of any suggestions you would have regarding that area - compliance and statutory requirements? Thank you.

MR. W. WONG.- A very good question. We actually are very thankful that the Reserve Bank of Fiji is there because it obviously keeps us on our toes and we all obviously need to be compliant with the Fiji Insurance Act which the Governor of the Reserve Bank of Fiji is very stringent on maintaining. They come and do audits at our offices frequently, I think every quarter we do a return and every six months they do an actual physical audit to ensure that we are compliant.

The Governor is actually being well, throughout history and recently as Monday we have had a sitting with the Governor himself to analyse what the state of the economy is doing, what is happening in the insurance industry and we actually discuss the fronting arrangement as well. So the dialogue is there with the Reserve Bank of Fiji to try and improve the industry as a whole. So we obviously look forward to having more dialogue with the Governor. We have recently re-established or trying to re-establish the Fiji Insurance Brokers Association or the Governor refers to us as the Licensed Insurance Brokers of Fiji and that is just being an initiative from Bill Higginson at Aon recently. He has got the five brokers together to form this association with the intention of not only approaching the Governor as a collective association but also promoting the knowledge of insurance broking in Fiji. So we are looking at ways to up skilling our members in Fiji on ways of dealing with insurance and corporate risks across the board basically.

Yes, in answer to your question, we find the Governor a lot more helpful rather than a hindrance.

MR. CHAIRMAN.- Thank you for your response, Mr. Wong.

HON. V.K. BHATNAGAR.- Thank you, Mr. Chairman, through you. Thank you for the presentation, Madam Sahreena and of course Mr. Wong. Actually the 1998 Insurance Act is under review so basically we have to make some recommendations on that as well. Are you all for the review? What would be the impact of the review on your business? Are there any things which you want to be changed in the review or some things which are in the process you do not want to be there?

MS. S. MOHAMMED.- Thank you, I will start with the comments. As Wayne has said the Insurance Brokers Association has just been reformed and we have had our first, I would not say it was a full on meeting with the Reserve Bank of Fiji yet, but now that we are in the process of reforming we are not actually licensed yet, we have to pay our normal tax dues as well and register appropriately. So it is still early days for us but absolutely we wish to be more involved in the process. The Insurance Brokers Association has not gone through a consultative process as such from what I am aware of. But definitely we are for it, the Act is overdue for review absolutely.

Two key aspects such as looking at the fronting arrangement, absolutely from a brokers perspective, we are all for it. As indicated by Wayne on the positives that we see as brokers serving our clients and finding solutions and risk based solutions for our clients. Also, we understand that the insurers solvency is also looked at, which again is not a bad thing but we just have to be mindful of how that all comes together, because there is only a handful of insurers in Fiji.

Again even a smaller number from that handful that we have, that have got capability to ride large risk. So, we would certainly like to see the presence of that continuing if not, more competition brought into Fiji with larger corporate global insurers opening doors here to create more competition and better capacity for our market.

MR. W. WONG.- I am all for reviewing Acts but in terms of changing an Act for the purpose of change is not a wise thing, if the Act is working fine for the last 22 odd years, certainly a review is welcomed. We would like to obviously participate in there. The two things Sahreena touched on, there are obviously such activities, if we are going to change the Act to open up the market, we have to protect our local guys as well. So, there should be some parameters around how far you can go with this fronting arrangement.

The solvency, five local insurance write general business in Fiji. They are struggling at the moment to meet the solvency rating; some of them are. If we do change that, it may force some of these underwriters to close, that is really the bottom line. So, if you are going to look at solvency, it has got to be reasonable, you want to promote business, not kill them off. If they can survive with that sort of current solvency rating then certainly it should let it lie then.

HON. RO F. TUISAWAU.- So, you are saying that you are happy with that marginal solvency?

MR. W. WONG.- Well, yes and no. I am all about reducing risk and the more solvency that you can get, the better but then you need to obviously let the individual companies work that out for themselves. If they want better protection, they are going to find it. The fact that you have got 1.5 to 1 at the moment is a minimum, it is not saying you have to reach because that is the minimum. You can have 3 to 1 if you want to but that is really on the business themselves to protect themselves.

HON. V.K. BHATNAGAR.- Thank you Mr. Wayne, according to Reserve Bank Report, the current situation is the solvency position is pretty strong but yes we have some concerns raised by others like Sun Insurance and once the Act is reviewed, it will impact the solvency status position. I thank you for that.

Madam Sahreena you mentioned that absolutely finding the right insurance is a challenge. Looking at the Government's incentives in place, bundled insurance where the farmers are covered, the poor, fire, death benefits, et cetera as you mentioned in your presentation Mr. Wong is covered. But there is still a market which maybe is left out there. What are you doing to be inclusive of that market? What is your awareness on the ground? What are the strategies in place?

MS. S. MOHAMMED.- Thank you Madam. So, when you are talking about a market, you are talking about an industry sector that may be left looking for insurance.

HON. V.K. BHATNAGAR- (Inaudible)

MS. S. MOHAMMED.- Sure.

MS. S. MOHAMMED.- Insurance is available, the most challenging aspect is cyclone cover for those different sectors that are around. For example, I will pick the construction sector for that matter. We have been taking part in a few forums that have been run by the construction sector to also educate that segment in the need to ensure at the right time, for right amounts for that matter and for the right level of cover. So, again, cyclone is also a challenge for the construction industry. So I think insurance by far is available as a solution for most industry sectors in Fiji. It is just a matter of how much cyclone cover you are able to buy, come back to that, that has been one of the key aspects.

Then we look at the professional sectors, for example, the likes of medical practitioners or valuers for that matter or architectural industry. We find that the professional indemnity risk, for example, errors and omissions arising out of medical malpractice or errors and omissions arising out of miscalculation by valuers. That is an industry sector for which insurance for professional indemnity has been quite challenging. Not only for Fiji but globally, because of the nature of the risk that it covers. So that is also a challenge. For us, it is just a matter of finding different global insurers around the world and I think the beauty of large global corporate brokers such as Marsh and Aon at this time is the global reach that we have and the large network that we have having presence around the world to find a solution somewhere, in some form.

I guess that is the beauty we have to offer. Those are some of the challenges we face. If we know that there is something that has been a challenge in a particular region and there has been a solution that has been derived, then we are able to absolutely latch onto that and offer that in some here, provided we have got an insurer in a market that is available to write that risk for us. But we are finding professional indemnity along with cyclone being the two major aspects that we are challenged with finding cover for in the current market.

MR. CHAIRMAN.- Thank you for your answer. Just to add on what Honourable Bhatnagar has mentioned. Fiji is unique outside in terms of the natural disasters. Is it possible for the Brokers Association, which has just recently formed, to design a tailor made product for Fiji specifically in these areas?

MR. W. WONG.- I always say there is always a possibility finding insurance for anything. Really, London will look at everything, it is the affordability that comes with it. If you are looking at from a country's perspective, we certainly would be able to assist with some numbers if you are keen to look at that, parametric, for example. In terms of spreading insurance across to the new SMEs, et cetera, just in answer to your question, to add onto Sahreena, because we are corporate Brokers, the focus is really not on small businesses or start-ups, unless they have some major backing from their parents offshore or it is a global international company.

We have, however, invested, we recognise that the SME business space is a growing market. The underwriters certainly have products for them, so we have actually invested, I think about 10 percent of our workforce in focussing on SME-type business where we package

together SME products and sell them to the lesser-sized businesses in the start-ups that we were talking about.

The bottom line is yes, insurance is available. If they do not go direct to an insurer, they can come through a broker. Of course, the premium should be the same. It should not make any difference to the premiums. We have to be careful though that we do not want to over-extend our resources where we fail our bigger clients because of time spent on the smaller ones. We will need to obviously make that balance call as well.

MR. CHAIRMAN.- Thank you.

HON. V.R. GAVOKA.- Given the current situation, the challenges with climate change and all that, the cost of insurance and you were saying earlier that people need to be very careful that it is no longer just insure for insurance sake. You play a very big role in advising customers on what kind of insurance they should carry. In today's situation, the reality of the day, what would be your priorities for a company to consider?

MS. S. MOHAMMED.- Insight into understanding what climate change means for a business is very important. I think we talk about climate change, we talk about natural disasters but I think understanding what does that mean to the business and what business continuity planning has been invested in the business is very important for survival of any organisation. Not only looking at the fact that a disaster could happen and what would that disaster look like from a damage perspective but also looking at what resilience can be built in our business today or invest into the future to be able to have a positive outcome of an event.

An example we look at often, I mean, unfortunately resorts and the tourism sector for us it is an attraction obviously for all parts of people being drawn into Fiji and we have to be in a coastal environment. So we cannot ignore the fact that our large resorts sit in a coastal area exposed to the likes of cyclone, sea surge and tsunami risk for that matter cannot be helped but absolutely one thing an organisation could look at is how do we construct our properties so that we are actually resilient to any act of cyclone occurring or sea surge occurring as an example or you could put a manufacturing business for that matter into playing a similar kind of thought as well. What resilience can I build into my business so that I am not only relying on one customer or one supplier for that matter if a natural disaster were to happen? What does my supply chain look like? Where else could I go? An infrastructure organisation such as the Water Authority of Fiji (WAF) or Fiji Roads Authority (FRA) could look at how do we construct our pipes for example, or do we construct our roads so that we are resilient to natural disaster events.

We, undoubtedly, are in an environment where we are going to be prone to more and more of natural disaster risks such as flooding and changes in the warmer weather patterns, bringing more storms our way. We cannot control that. What is in our control is actually understanding your business, understanding the impact of what that would have on our business and then building good disaster recovery business continuity planning and resilience in your business to be able to positively come out of an event.

MR. CHAIRMAN.- Thank you for your response.

MR. W. WONG.- Just to add to Sahreena's comment. Insurance is only one part of risk management. Insurance will only cover about 30 per cent of your balance sheet so what

Sahreena is saying is, to understand your risk, what are the things that you cannot insure or you can insure and let us tackle those. If I am going to have a cyclone, for example, the building code in Fiji is quite resilient to cyclones at the moment and we have seen that in the recent cyclones that come through. There is not much property damage for insured properties. That is largely contributed by the change in the building code from 1985, 1986 cyclones that you were talking about where we had no insurance in Fiji.

The Insurance Brokers Association actually got involved with that and did a deal with London to say, “look bring insurance back to Fiji, we will improve our building code”, which they did eventually come back in the late 1980s. So we had a number of years without cyclone insurance in Fiji. We had looked at other ways of managing that type of risk, but, like I said, insurance only covers about 30 percent of your balance sheet. You need to understand your total risk of what you need to do to reduce that risk. So if you are prone to cyclone damages, et cetera, find a way to reduce that interruption period. You will have a cyclone, you may have some minor damage but you have got standby people to come and fix it in a short space of time. Those sort of things you might need to.

Insurance in Fiji is a funny thing, there is no compulsory insurance left anymore. I wish it was compulsory, that will actually keep the premiums low. If everyone bought insurance, the prices would be a lot different. It is a voluntary type of thing and people only buy insurance out of necessity or the banks need it which is not the ideal way, the mindset is not there. You talked about Melbourne, you cannot drive without car insurance.

About 50 percent of our cars are only insured on the road, we have multiple accidents where they do not have insurance at all. If we make those things compulsory obviously the premiums, there is a bigger pool to play with, underwriters can manage their portfolio a bit more. So that is probably something to think about, start with motor, then to medical. Medical costs are escalating by 10 percent every year offshore. How do we keep the premiums low when the cost of medical 10 years ago was a fraction of what we are paying now? So something to think about. The Government has gone a long way to providing free medical.

HON. V.K. BHATNAGAR.- Yes, I was going to bring that up. A medical cover on health insurance for every Fijian.

MR. W. WONG.- Yes. Again, who is going to fund it? Are businesses geared to provide \$300 to \$500 premiums for each of their employees; something to consider. But, if you made it compulsory, that is going to be an added cost to the business obviously.

MR. CHAIRMAN.- Thank you.

HON. V.R. GAVOKA.- Yes, last one. When you talk about fronting because some of these huge risks like the resort that is vulnerable to tsunami, et cetera. I am given to understand from the underwriters that, that is not placed through them, it is direct thing between the resorts today and the overseas insurers; is that happening?

It is kind of news to me that they would go directly overseas as opposed to coming through a local Broker or maybe you have some action or are part of that action. But I was told that some of these big stuff are going directly overseas.

MR. W. WONG.- Yes, some are and some are using local Brokers, but, of course, we got to follow the Act.

The Act protects all local insurers first, so they can only go offshore if the policy cannot be placed in Fiji or the offshore policy provides a lot wider coverage or the premiums are cheaper by 15 percent and that is built into the Act. To go against that obviously is a breach and could up with a fine and a jail term, but, if you place cover offshore you have got to apply through the Reserve Bank for permission to go offshore and whether they use a broker or go direct, as long as they comply with that regulation then they are fine.

The thing that is driving a lot of these premiums offshore now is that lack of capacity locally. The local market does not have the capacity to write the business. QBE like you said dropped \$4 billion of their asset portfolio. At a \$9 billion they had to drop \$4 billion off because the cost of reinsurance was killing them. It costs too much to reinsure their property book. That \$4 billion ended up somewhere, whether it ended up in the local market or direct through London or Singapore or Australia or New Zealand it had to be placed somewhere. You cannot just let \$4 billion worth of risks sit idle. So if they go direct offshore, it is probably through their parent entity, they might have multi-nationals that they are placing their covers with. Hotel change, for example, Marriott Group, Sheraton Group those sort of things, Accor so they go on the global programme. It is a fraction of the cost compared to what they would pay locally. So on the global programme they might pay \$10, locally they might pay \$100, not buying that, just saving money going on the global.

The capacity is not available here. We have to go London, which is a reverse. Locally we will pay \$0.30 cents to \$0.40 cents, in London we will pay 1.5 percent to 2 percent. They are forced into those situations because you cannot find it locally. But the parent ones makes sense because they are going on the global programmes at a fraction of the cost.

HON. V.K. BHATNAGAR.- Honourable Chairman, if I am not wrong, you the link between the customers and the insurers and all those. Is there enough awareness on the ground that people should go for insurance covers; health insurance, there are numerous covers. Basically still there are a large number of people who are a little bit ignorant on that part, they are not insured at all neither do they have a life insurance cover nor a medical insurance or any sort of insurance. Do you think there is ample awareness on the ground for them? Why should they get insured?

MS. S. MOHAMMED.- I think there is room for improvement, Madam, because I do not know what the statistics for Fiji is in terms, of example say, the volume of life insurance or medical for that matter. But absolutely there is always room for improvement. As Wayne has mentioned, being in the corporate space, we provide a lot of education to our corporate clients be it one on one or through industry forums in terms of the need for insurance. And employee benefits is part of organisations wellness programme is something that we promote as well.

But on an individual level, absolutely room for improvement. We need to obviously look at forums that are opportune to actually be talking about the importance of this sort of protection for the family for that matter or for individuals, most on mortgage protection perspective, medical, life insurance being are few that I can think of.



MR. W. WONG.- The reality is affordability at the end of the day. If I did not have to buy insurance, I would not. Usually if the bank is involved “yes” you have to buy insurance but for me personally, I am fortunate that the company actually buys medical and life insurance for me so that is a big plus as part of the employment package. But if I had to go out and buy it on my own, I would look for the cheapest product available.

HON. V.K. BHATNAGAR.- I mean your business is all dealing with corporate businesses but remember when FNPf used to get deductions and contributions from people who were only working like employer, employees. But later on they opened a market to every individual with the minimum amount being \$7 as voluntary contribution. In that way they started saving money, people volunteered to put in their \$7 a month; that was a minimum and people could put any amount. So that was like voluntary and people are starting to save through that. Maybe if there is a cover for every individual that this is the minimum insurance payment you can do, be covered under a general cover of some sort, I think some companies should come up with a policy as such so that they feel safe and secured in some way.

MS. S. MOHAMMED.- Yes, most corporate organisations do know due to talent retention for that matter built into the employment contract as part of their retention strategy to offer compulsory covers on behalf of their staff, even if it is for a small amount with the opportunity for the staff to actually purchase more. But again in terms of applying it blanketly, to the example every contributor of FNPf example will be something that needs to be looked at from a legislative perspective as far as how can that be achieved, that is if it is legal to do so or not as well.

But absolutely, those sort of offers are there? As Wayne said affordability and making sure that one is able to exert compulsory requirements through a forum which is legal to do so.

MR. CHAIRMAN.- Thank you so much. That brings us to the end of this session. Any final questions?

Thank you ladies and gentlemen and the Honourable Members, thank you so much for your time. Apologies, I am a good friend of Ms. Sahreena Mohammed and Mr. Wayne Wong - thank you so much for your time. We cherish and acknowledge your contribution towards this 2018 Annual Report. Once again thank you for your time and coming on board before the Economic Affairs Committee and we look forward for more participation in the future when we get the 2019 and 2020 Reports. We want to set a platform so that all the players are contributing equally.

MS. S. MOHAMMED.- Thank you Mr. Chairman, may I just finish with a few comments if I may, if time permits?

MR. CHAIRMAN.- Please go ahead.

MS. S. MOHAMMED.- Thank you. Obviously we spoke about climate change quite a bit today and it's topical on everyone's agenda. The 2019 Annual Report, I am sure Marsh does and Aon has actually conducted an Annual Weather Climate and Catastrophic sort of events Report for 2019, which is available on our website. So, I would encourage, it provides insight and powerful data. One thing we are saying about the changing world is we are more, at our grasp rather our artificial intelligence and data available to properly map what is going on around the world and what that may mean for us.

So, those sort of data are now available as well through the report that has been undertaken for 2019 and I would encourage those that are actually keen to understand that, it is available on our website.

MR. CHAIRMAN.- Thank you. Your final words Mr. Wong.

MR. W. WONG.- Thank you for this opportunity and I hope what we mentioned showed some insight into what is happening in the industry. Certainly who said it was easy working in Fiji in the insurance market, it is quite the opposite. *Vinaka*.

MR. CHAIRMAN.- My personal experience with both the companies has been great. Marsh is handling general machinery. Once I had an accident with general machinery, it did all my work. I have a good friend, Sales in your company and I worked in both the companies. Thank you very much for your service and both are excellent when I met them during an accident cover for my car. I am sharing my personal experience and thank you so much.

The Committee adjourned at 11.04 a.m.

**STANDING COMMITTEE ON**  
**ECONOMIC AFFAIRS**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (WEST WING)**

**ON**

**THURSDAY, 16TH JANUARY, 2020**



**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS HELD AT THE SMALL COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON THURSDAY, 16TH JANUARY, 2020 AT 9.55 A.M**

**Interviewee/Submittee:            Reserve Bank of Fiji**

**In Attendance:**

- |    |                       |   |  |
|----|-----------------------|---|--|
| 1. | Mr. Ariff Ali         | - | Governor                                   |
| 2. | Mr. Poasa Werekoro    | - | Chief Manager Financial System Development |
| 3. | Ms. Vilimaina Dakai   | - | Chief Manager Financial Institutions       |
| 4. | Mr. Lepani Uluinaviti | - | Manager Financial Supervision              |
| 5. | Mr. Mervin Singh      | - | Manager Corporate Communications           |
- 

MR. CHAIRMAN.- Honourable Members, ladies and gentlemen, *bula vinaka* and a very good morning to you all.

We welcome our visitors to this Standing Committee meeting today. The Committee meeting is important, as you know. We definitely analyse a lot of reports and today amongst us, we have got a very hard working team, the Governor of Reserve Bank of Fiji (RBF), Mr. Ariff Ali; Mr. Poasa Werekoro, Chief Manager Financial System Development; Ms. Vilimaina Dakai, Chief Manager Financial Institutions; Mr. Lepani Uluinaviti, Manager Financial Supervision; and Manager Corporate Communications, Mr. Mervin Singh.

Lady and gentlemen, we welcome you to this Committee meeting today and would like to introduce my team.

(Mr. Chairman introduced the Committee Members and Secretariat)

I will request minimum movement in the room today during the presentation.

Gentlemen, we are here to discuss the RBF Insurance Annual Report 2018. We thank you for giving your Report in advance, I would say. As soon it is due, you are one of the teams that submits your report in advance, like the Fiji Development Bank, who have always been on the par, I would say. Gentlemen, we welcome and without taking much of your time, the floor is yours.

MR. A. ALI.- Thank you, Honourable Chairman and Honourable Members for the invitation to Reserve Bank of Fiji (RBF) to come and talk about the Insurance Annual Report 2018. I would like to start off by clarifying that Ms. Vilimaina Dakai is the Chief Manager Financial Institutions and not the Financial System Development Manager which Mr. Poasa Werekoro is heading.

The RBF always welcome such opportunities to explain to the Honourable Members of Parliament what, why and how we do the work that we do. Today, we have got a written presentation, basically highlighting what is in the Insurance Annual Report because previously, we normally get specific questions to answer. So, today I will just briefly go over what is in the Insurance Annual Report and then we will welcome any questions.

As you may be aware, the RBF is mandated under Section 165 of the Insurance Act, to submit Insurance Annual Report to the Minister for Economy by 30th June of the following year. The Bank continues to effectively meet this requirement, needless to say, the RBF continues to receive positive

feedback on this publication as an excellent source of information and statistics, on an important sector of the economy. Please, allow me, therefore, to provide an overview of the 2018 Insurance Annual Report before we open up for any questions.

The 2018 marked both, the end of a full year of recovery for Fiji since the devastation of *TC Winston* and a return to normalcy for the Fijian Insurance Industry, as it was spared from further losses of the catastrophic events and most insurance entities recorded positive results.

The total assets of the Fijian Insurance Industry grew by about 9.2 percent, or about \$95.5 million to \$1.8 billion in 2018, underpinned by the Life Insurance Industry sector. The Industry made up around eight percent of the total assets of the financial system.

While the number of life insurance policies enforced increased by 2,977 in 2018, there was a significant decline in the general or non-life policies, compared to 2017. This reduction of approximately 124,000 policies arose because of the transfer of the Compulsory Third Party (CTP) class to the Accident Compensation Commission Fiji (ACCF). If you discount these policies that were transferred, the General Insurance Industry benefitted also from an increase of approximately 1,100 policies in 2018.

The Insurance Industry's combined gross premiums grew by about 7.5 percent to \$347.9 million in 2018, supported by growth in both, life and general insurance sectors. A marginal pick-up in the contribution of the Industry to GDP was also noted, with gross premiums as a percentage of GDP registering at 3.4 percent compared to three percent the year before.

The gross premiums of the General Insurance Industry grew by 8.4 percent to \$205.7 million, despite the transfer of the CTP Insurance Class to ACCF, underpinned by renewals and new policies issued for the motor vehicles class and continued uptake of the micro insurance bundle product.

The life insurance sector recorded the turnaround with 6.2 percent increase in gross premiums to \$142.2 million from a decline in 2017, and is attributed to the continued uptake of investment link endowment policies.

Honourable Chairman, the risk transfer role that insurance industry provides is vital to the sustainability of our economy. Insurance provides the necessary safeguard for the financial help of individuals, families, communities, businesses, financial institutions and the economy as a whole.

A key safeguard, therefore, is in the form of claim payments, and a total net claims and policy payments increased by six percent to \$223.3 million in 2018. The general insurance sector's net claims paid out increased by 7.8 percent or \$104.5 million, due to the settlement of major fire claims. Similarly, the life insurance sector recorded an increase of 4.5 percent or \$218.8 million in 2018 as matured policies accounted for majority of the payout to policyholders.

Honourable Members, insurance companies can only honour their claim obligations if they are adequately capitalised through a buffered level of solvency capital, and I am pleased to report that the Insurance Industry was assessed as sound throughout 2018 with both, life and general insurance sectors, reporting strong solvency positions. These sound solvency positions were supported by positive profitability positions of both sectors, although profitability reduced from the level recorded in 2017 by 30.1 percent or \$23.7 million, as a result of high loss ratio for the fire and motor CTP Class.

The sustained, safety and soundness of individual insurance companies is also supported by effective reinsurance arrangements. Reinsurance premiums paid by General Insurance in 2018 totalled \$56.6 million, with total reinsurance recoveries reported at \$23.8 million.

The Insurance Industry also places a significant role of supporting economic growth as it recycles premium back into the economy as investment capital.

In 2018, the life insurance sector's investment portfolio grew by \$121 million to \$1.2 billion, investing mostly in Government or Government guaranteed securities, totalling about \$719 million, and listed and unlisted equities of just below 300 million and properties of about \$104 million.

The Insurance Industry as a whole held deposits in the banking system, totalling about \$224 million as at December 2018, supporting the banks' ability to provide loans for consumption and investment purpose.

Honourable Members, in addition to our core financial stability work, the development mandate of the Bank calls for extended efforts on inclusive insurance initiative. We wish to briefly provide an update on the work undertaken by the Bank in this space in 2018. Let me start with the Bundled Insurance Product.

Following the successful launch of the FijiCare Micro Bundled Insurance Product in 2017 for about 11,600 cane farmers, the cover was extended in early 2018 to the dairy farmers, 258 of them; copra farmers, just below 100; and 63 rice farmers with the premium as low as \$52 per annum or \$1 per week.

The Product was further extended to civil servants and social welfare recipients, totalling just over \$110,000, which brings to the total number of bundled insurance holders to 120,671. At the end of 2019, the number further increased to just over 135,000.

During the year, a total of 837 insurance claims were made, valued at \$1.4 million. This increased significantly in 2019 with approximately 3,800 claims paid out, totalling \$6.5 million.

The Bundled Product has significantly increased the take up of insurance in Fiji, specifically from those who have never owned insurance, and has also assisted in the creation of awareness on the benefits of having insurance with the grassroots people. The RBF has a vested interest in such a trend for another reason, as the increase uptake allows Fiji to remain on track to achieve its "percentage of adults with insurance product" - National Financial Inclusion, core indicated target of 25 percent by the end of this year.

On Agriculture Insurance, the RBF sought to assist in the reactivation of the Agriculture Insurance National Working Committee, to engage with relevant stakeholders on exploring opportunities to introduce agriculture insurance in Fiji, to adapt better to climate change and disaster risk. We work closely with the Ministry of Agriculture in this area and dialogue is continuing, and we are also talking with some key agencies to help us develop a product for Fiji.

With regards to consumer protection, the RBF received 48 insurance-related complaints in 2018 and this accounts for less than 1 percent of the outstanding claims reported during the year. Most of these claims were in the area of customer service, and 39 of these were settled during the year with one withdrawn. I can also report that eight pending complaints reported in 2018, have now all been settled.

We continue to work with the Industry to ensure that an efficient redress process is undertaken. Awareness on consumer rights and responsibilities are created in the Complaints Management Process, with consumers encouraged to seek independent advice and ask questions on aspects of their policy that they do not understand.

Let me now just very quickly take you through some key highlights for 2019. Honourable Members, we usually conclude our review with the outlook of the next 12 months, but given the timing of this presentation, we can also report on the year that has just ended, although our 2019 Report will be released in June 2020.

Honourable Chairman, 2019 was also a quiet year for the insurance industry in terms of the absence of major catastrophes, but there have been major losses in the fire class, exposing some insurance entities to significant claims. The transfer of the workers compensation class to the Accident Compensation Commission of Fiji has not impacted the profitability of general insurance companies so far.

Although the Industry's performance was expected to reflect the economic slowdown generally experienced through most of 2019, statistics for the first three quarters of 2019 has shown otherwise. On a consolidated basis, the Insurance Industry continued to register improved profitability results, and stronger solvency positions.

However, we expect that some major claims are yet to be reported when the annual 2019 statistics are confirmed, giving rise to claim payments by the general insurance industry in 2019.

In conclusion and in outlook, Honourable Chairman and Members of the Standing Committee, with respect to our priorities in the next 12 months, the RBF will continue to work on strengthening its supervisory role, including the review of existing supervision policies and the development of new guidelines in line with international supervisory development and sound policies.

A key policy development initiative that we had worked on in 2019 and we will continue to undertake in 2020 is the confirmation of the conduct regulator role of the RBF, in addition to its prudential regulator role. Acknowledging the extreme importance of appropriate market conduct and culture, as we have witnessed in the recently completed Royal Commission in Australia, the RBF has, therefore, initiated a review of the culture, and conduct risk management frameworks of all our supervised institutions, including the insurance companies and brokers, and will finalise a supervisory guidance on this in 2020. Furthermore, we continue to test the revised Solvency Guidelines in 2018 and 2019 while awaiting the finalisation of the review of the Insurance Act.

With the partnership of licensed entities, we continue to be challenged to think 'outside the box' and be part of the national solution to ensuring Fiji's resilience against the risk and effects of climate change, given the rapidly evolving developments and disaster risk management. We will continue to discuss with the industry on the design of insurance products and insurance arrangements that will specifically meet the growing needs of our people.

The Insurance Act 1998, now more than 20 years old, is undergoing a review with the technical assistance of the IMF, with the aim of modernising the legislation to incorporate recent industry developments and supervisory practices. These developments include exploring the fronting arrangements, the possibility of allowing captive insurance frameworks, and further clarity around the legal provisions for inclusive insurance.

Honourable Members, we continue to see the effect of natural disasters locally and globally, evidenced by the vivid images of the devastation caused by the current Australian bush fires, the recent earthquake in Puerto Rico and the one recently in the Philippines. That is claimed to have changed the landscape of the country and for us the expectation that Fiji may be in the path of a number of tropical cyclones in the remainder of this current cyclone season. The magnitude of economic and social losses



caused by these natural disasters reiterates the importance of not only having adequate insurance coverage in place but also enhancing insurance affordability.

There is indeed an ongoing need for the industry to not only promote insurance awareness to the general public but also develop and offer innovative insurance solutions that meet the needs and affordability of all Fijians. The RBF is committed to continue to work on the necessary initiatives to achieve such outcomes.

Honourable Chairman and Honourable Members, thank you again for the opportunity to discuss the 2018 Report and we welcome any questions or clarifications. Thank you.

MR. CHAIRMAN.- Thank you, Mr. Governor, and thank you so much for the comprehensive presentation. Indeed you have highlighted many things here. Before I open the floor for questions from my Members, just one small question, Mr. Governor, on the Bundled Insurance Product, how would people accept that? Would you like to highlight a little bit on that?

MR. A. ALI.- The good thing about the Bundled Insurance Product in most instances is that, people are not paying it. For example, when it was introduced for the cane farmers, the Sugarcane Growers Fund made an announcement that they will pay the premiums for the farmers for three years. I think there is a similar arrangement for the copra and rice farmers, and for the Government's civil servants and social welfare recipients, the premium is paid by the Government for them.

For a lot of people, this is an opportunity to learn what an insurance product is. Given that 3,800 people benefitted from the claims last year, I am sure now people are appreciating why we all need to take insurance, whether it is micro life, you and I may take insurance for a car or for a house, people realise the importance, so hopefully this is the way for people to be educated about why we all need to take insurance.

MR. CHAIRMAN.- Mr. Governor, you will be surprised that I met a number of people during our *Talanoa* session and I learn that there are a lot of civil servants who do not have any insurance and in these days, if someone passes away in the family, this is the money they use which is amazing, I would say, and I congratulate you and your team for thinking along this line and promoting this very good Bundled Insurance Product.

Honourable Members, the floor is open now for your questions. Honourable Viliame Gavoka, your question, please.

HON. V.R. GAVOKA.- Mr. Governor, thank you for the presentation on the Report which is always welcome by the Committee. This is my second Term in Parliament and I always look forward to the briefing by the RBF and your work also in insurance. When you see a huge climatic thing like *TC Winston*, now for someone like me who has been around for quite a number of years, there is always the fear that one day, one such event could really impact on our insurance industry in a manner that could see its 'collapse', if I can use that word.

Having been through those cyclones - *Oscar* and the four, I think we had four there over four weeks, some years back. There was always this fear that you can drain out all or whatever reserve you are having. But, reading the reports and that the insurance community is very healthy after two years of *TC Winston*, what have you learnt from all these? The kind of disaster and the way that the insurance community was able to hold together, what was the lesson or what have you learnt from these?

MR. A. ALI.- Sir, thank you for that very excellent comment. Let me go back to the need for the engineers' certificate. I think they were the events of 20 years ago when some cyclones really impacted Fiji and there were large payouts that this whole issue of the engineers' certificate came about, making sure that your house is built up to standard and is strong so that it can withstand. One of the good things, while on one hand the requirements of the engineers' certificate is up here but it then helps you to make your house stronger so you are not affected; that is one.

The second thing is that we have a number of general insurance companies operating in Fiji that are branches or subsidiaries of insurance companies that operate in the rest of the world. They have huge capital. When you look at it, they are established individually because it is not that there is their branch in Fiji but all over the world. That is the second part because they have huge capital overall.

The third part, I think, is that when insurance companies take a policy from you and I, what they do is that they then reinsure themselves, so there is a reinsurance market. As I said, last year they paid a premium of about \$66 million or somewhere around \$60 million - reinsurance.

If somebody insures a hotel, they do not take all the risks. They then reinsure themselves with London or Singapore or somewhere else. What it effectively means is that they manage or pass on some of the risk to somebody else. In the event that this building or this hotel is destroyed because of fire, they do not have to pay everything from their own coffers but they will get funds from the reinsurance companies to pay them. But, of course, if insurance companies do not do much of their reinsurance then they are exposed locally.

One of the things that we work with them very closely on is to see what percentage of their portfolio they do reinsurance.

HON. V.R. GAVOKA.- Yes, it is important to us as parliamentarians, as well as the people of Fiji to always know that the structure in place will withstand any kind of disaster that comes our way, given the days we live in. That, I think is very important, to always remember and to always assure the people of Fiji that our insurance community is in good hands.

MR. A. ALI.- I just want to say that following *TC Winston*, the number of funds that were received from offshore because of reinsurance or insurance paid offshore was in excess of \$150 million, so basically, money came from offshore because either it was reinsurance or the insurance was placed offshore because the local insurance industry could not write it.

MR. CHAIRMAN.- Thank you, Honourable Gavoka, for your question. Honourable Inosi Kuridrani, your question, Sir.

HON. I. KURIDRANI.- All right, Sir. Good morning, thank you so much, *dou yadra vinaka*. Thank you so much for the presentation. My question relates to this lapse of policies. I understand that Fiji is anticipating a downturn in the economy and one issue that we raised in our earlier discussion is the high number of policies that are being lapsed. What is the RBF planning to do to help the policy holders, at least we have noticed that a lot of people are losing their jobs, what is the Reserve Bank of Fiji planning to do just to maintain that policy so that people actually benefit from what they have paid for?

Sometimes I think that most of the workers are now being terminated, losing their jobs, when they only have a few years for the maturity of the policies but without that continuity of payment, they lose everything. I understand there is some value but is there anything that the Reserve Bank of Fiji has in plan to maintain that policy, either get some money or source it from the Economic or Climate Change Fund or FNPF at least just to maintain it? Thank you.

MR. A. ALI.- Thank you. So, one of the things that you will see with Life Insurance Policy and if you look at our data, there is a high rate whereby people take policies, but within the first 12 months they surrender and that should not happen, the policies lapse because this is during the first 12 months. In the first 12 months I think that you do not get paid anything, if I am correct. So, there is a combination of two things: Firstly, when insurance salesmen or agents come and talk to you, a lot of people are excited because they see the returns and they do not realise that this is going to impact their fortnightly pay in terms of how much you can spend on other things and a lot of them surrender within that 12 months.

If you look at the data over the last 10 years to 15 years, it seems to be stable. Then there are other issues whereby you surrender or you are unable to pay half-way through or within two or three years. In those cases, you are paid but you are not paid the full amount because there is a formula that...

MR. CHAIRMAN.- It is the surrender value.

MR. A. ALI.- Yes, the surrender value, so you get your surrender value. One of the things that I mentioned earlier while we were doing this market conduct or culture conduct is that there is always the saying that a car salesman or an insurance salesman can even sell a queen-size bed to the Pope but you know they are very good.

MR. CHAIRMAN.- Yes, the real salesman.

MR. A. ALI.- So, one of the things that we are trying to get is to talk to the insurance companies to ensure they do not oversell. If you look at the Royal Commission in Australia, sometimes they see that the people at the mortgage brokers have oversold. So, one of the things that we really need to tell our agents and have a better feel is making sure that if a person cannot afford, do not sell it to that person or if he can only afford a premium of \$10 a fortnight, that should be it and not over-sell and say the benefits of paying \$50 or so.

The last thing is that, insurance have come out with the Endowment Policies. This is a good thing, for example, if you harvest your *yaqona*, you get money at once. Instead of paying premiums - \$100 or \$500 every fortnight, you agreed to pay \$5,000 upfront and then you do not have to pay anything. So this is something that I feel is a new thing that LIC has done, and I understand the other insurance companies are also working on it, whereby you pay at once because the problem with us is the discipline of paying every fortnight or every month. So, this endowment policy is good, for example, you harvest your *yaqona*, you harvest your crop, you can pay all at once and it has the same benefit as that; so that is something.

With regards to getting funds from somewhere else to pay for individuals, I think we really have to look at it because we have to look at the downside of it. There are people who may afford but then say I cannot afford because they want to tap on into this Fund. So we just have to be careful about the risk that we create also by people trying to benefit from these types of things, so we have to be very clear.

The other important thing is using FNPF money. We are the supervisors of FNPF and we think that there has been a significant improvement over the last 10 years in particular in terms of the reforms, et cetera. We do not want people to find an excuse to tap into the FNPF money which is retirement money just to pay off their insurance, so, we just have to be careful about these things.

HON. I. KURIDRANI.- Yes, that was the word I was trying to get, that you can do lump sum payment. That is good because nowadays we expect downturn in economy and most people will lose their jobs and some people just have a few years to continue and complete the maturity date, so it is good that you have that provision that you can make a full payment. Thank you.

MR. CHAIRMAN.- Just to add on that Honourable Member, there is a lot of things that you can do. If you buy insurance policy for first 18 months for some policy in two years, you do not get any interest. So, if you lapse your policy there, that means you have lose your money and then after that once you start getting your interest, then if you think of just leaving the policy you will get some money there.

If in case your policy is for 10 years and you pay for five years and after that maybe someone loses his job, you can repay from the interest that you had earned, or you can extend the date of the expiry of your insurance. For example, you have an insurance for 10 years and in the fifth year you lose your job, you can resize your policy. You can extend it for a further year which is there.

Honourable Viliame Gavoka your question, Sir.

HON. V.R. GAVOKA.- Just back on that, I noticed on Page 28 of the Report, that there has been some improvement on the lapse policies. I think it came out very strongly in about two years or three years ago when we saw about close to 60 percent of the policies were lapsing. But I think we highlighted it in one of those Reports but I am happy to see that on Page 28 that some improvements has been seen.

Mr. Chairman, on determining the liquidity ratio you have, we require them to maintain a certain level of liquidity, the insurance people. How often do you monitor that? Again I am coming from the perspective of ensuring that everything is hunky-dory kind-of-stuff.

MS. V. DAKAI.- Thank you, Honourable Member. Yes, there is a process of reporting to the RBF on a quarterly basis for all insurance companies. So part of the information that we receive are to do with statistics around liquidity, how much they have at a certain time that they are able to have in order to pay any claims that may arise in that quarter.

And then we do our own analysis, whether that liquidity is strong based on our criteria or just above what they need to have or is it poor. And there are supervisory actions that are taken after that. Yes, there are times when some entities do face liquidity constraints and that is when we take supervisory actions accordingly.

HON. V.R. GAVOKA.- I think, Mr. Chairman, from the Committee, we just want you to be very vigilant on that. Thank you.

If I may, Mr. Chairman, on the Bundled Insurance, it has really increased penetration, I mean, this was something that we are always highlighting in those years, the low penetration for insurance. But these ones have only gone down to the grassroot level and appears to be working very well, and you are looking for 25 percent by 2020. That is quite remarkable because I think it was 10 percent at one time, or around that figure.

You looked at this because it works and because someone else is paying for it. I have always maintained that if you really want to increase penetration in this country, it is got to be compulsory in some way, like the way we used to pay third party policy because in the times you live under today, like you said if the insurance level has been high in this country, that income that came after *TC Winston* - \$150million, could have been much greater, so it is a win-win thing. The more people buy insurance, the more this country benefits.

There was this case with the general insurance sector where a lot of people do not seem to see the need to insure their homes, I mean, we were told that these palatial homes up in Namadi and Princess Road, some are not insured. So that uptake thing is still a question. Hopefully, we will talk to other players and then see how we can improve on that.

But going back to my initial observation, that because someone else was paying for it and because it was compulsory in some way, the penetration has increased.

MR. A. ALI.- That is a valid observation. So people at the low-end of the economic spectrum, when we did a demand survey a few years ago and asked them about insurance, a lot of them said that, first, they are not aware and, second, their basic needs, their children's education, paying for the rent, is more important than insurance. So, affordability comes in. A lot of them said, "We leave it to God."

There are people who have paid off their houses and are not paying insurance because the house is paid let us not pay. But all it does is, once you get hit once, then you realise why insurance is so important. So, it is better to park a small amount of money in every payday in every month, pay insurance because in the event something happens, you do not have to run around asking others to help you.

The example I always give to my team and the people outside is the health insurance is similar to the house insurance or car insurance. I will give an example, a few of my staff who did not have insurance and they had to go to overseas for medical treatment, costing tens of thousands of dollars, had they put aside a small amount of money, they would not be asking people to help them, or dip into their FNPF or dip into their savings. So, insurance is placing money for the rainy day and that is what we really want people to do. It is a saving, you put a small amount of money so that you save. In the event something happens, you do not have to ask people for help.

Mr. Chairman, there is one other thing that I may just want to highlight, can I speak not just a Governor of the RBF but also as Chairman of the ACCF. There has been some report in media and I am happy that the CEO has clarified in today's paper that the ACCF has paid out about \$7.5 million to-date. As of today, they have just below \$21 million sitting in a Trust Fund. As the Honourable Minister highlighted the last time, this is ring-fenced. So, only the Permanent Secretary for Economy can transfer funds money from there, but it only goes out to pay for claims, it cannot be used for anything else. So, there is \$21 million sitting there.

There are a number of claims that are currently being processed. One of the things that people need to understand is that, for injuries and suppose you are hurt in a car accident or get injured, the doctor will initially make an assessment but once you recover, then they make another assessment to ascertain the extent of permanent disability. Initially, you may think it is 5 percent but it may end up to 20 percent or initially you may think it is 5 percent but it may end up as 1 percent. So once permanent disability is confirmed by the health specialist, then payment is made.

So there is this window that people need to understand, that they need to wait so that they are paid with the appropriate amount. But contrary to what is in the social media is that, there is enough money in the trust fund and that is not used for anything else, but purely for compensation for those who are covered under the Accident Compensation Commission. So it is for motor vehicle accidents, workplace injuries and schools accidents (if there is injury in school). I know the Honourable Minister had highlighted in a previous submission where there is ring-fenced around the money that is collected for the ACCF levies, there is actually a fence's rate.

MR. CHAIRMAN.- Thank you so much, Mr. Governor, for highlighting that because I understand social media is probably twisting things around. Definitely, your payment is made once permanent disability is been determined. We do not want to underpay anyone. So, that is what you have highlighted very well. Thank you so much.

Honourable Kuridrani, your question, Sir.

HON. I. KURIDRANI.- Through you, Mr. Chairman, since we are going through this climate change, hurricane season and natural disaster are almost in every month and every year, my concern is the villagers. I understand that insurance policies mostly cover people who are working and those who are in rural areas – semi and wealthy people, whereas these villagers they do have money through land rent, et cetera. Is there any thought about covering these villagers making insurance payment and deducting premiums through their common land rent?

People have money but they do not understand how to go about and get insurance, especially for villagers and islanders. Is there any idea of trying to cover them, whether it be a cyclone cover or flood cover?

MR. A. ALI.- So, I can tell you that there is work behind the scenes to have a product called parametric insurance. The trigger is, if it is a category three cyclone and within a define area, everyone is going to be paid who is covered. So, that is something we are working on with the Ministry of Economy, Climate Change, World Bank, International Finance Corporation (IFC) and Asian Development Bank (ADB).

The key issue here is what the triggers are, who will be covered and who will pay. I have also been talking to the Chief Executive Officer (CEO) of iTaukei Land Trust Board (iTTLTB) who is also a Board Member, in terms of whether we can get, even the bundled insurance product for landowners. They can contribute \$1 per week from their iTTLTB lease funds whether this can be done. And I feel that there is a lot of potential, particularly for the hotel workers because there is a large number of hotel workers, as well as the landowners from the lease money to, at least, start of by knowing and understanding and taking this bundled insurance product.

I also feel that there are large number, particularly *dalo* and *yaqona* farmers, who should seriously look at investing in the endowment life policy because that gives a good return.

MR. CHAIRMAN- Any more questions, go ahead please.

HON. V.R. GAVOKA.- Governor, I will touch on the issue about homes that are not being insured. My colleague on my left here used to be a banker. He said, when the loan is there, people insure their homes. Once they paid off their loan, they forget about insurance. There is correlation between lending and the level of insurance.

When banks stop lending, you can also see the effect also on insurance, if you look at it that way. So, I suppose in an economy where the bankers are lending, you can also see some increases in insurance. When he raised it, I said, “Yes, the so-called liquidity prices and all that”, so that is correlation, I believe. But that is just an observation. Will you be revamping the Act?

MR. A. ALI.- Yes.

HON. V.R. GAVOKA.- I know you have highlighted this in the other Report, when is it coming into Parliament, the likely date?

MR. A. ALI.- There has been a number of changes globally in the last couple of years with regards to insurance. So, we are working very closely with IMF, hopefully we will conclude it from our end this year and then we will work with the Office of the Solicitor-General to have it tabled, hopefully, in 2021.

What we also do that at the RBF is that, we engage our stakeholders right in the beginning. We do not engage them once it is a final product. We engage them because we feel that they are very

important. So, we will be engaging with our stakeholders throughout this thing while we are drafting so that it is tabled in Parliament. At least, our key stakeholders, the insurance companies, have already put in their input in that.

HON. V.R. GAVOKA.- Governor, on Page 21, you highlighted the ongoing training for your people. I am always passionate about growing our own people. What kind of courses would they be undertaking to enable them to be proficient in the field of insurance?

MR. A. ALI.- Again, thank you for this question. I think it is a very good question particularly because we do not have insurance being brought in to universities in Fiji. So, we have access to a number of training opportunities all over the world. We have sent our people to as far as Italy, Switzerland, US, Singapore. We team up with the International Monetary Fund (IMF), Asian Development Bank (ADB), a lot of other agencies for training.

Just one thing before I forget, another thing that we are working with ADB and the World Bank on housing is that; we are looking at a Bronze Product.

A Bronze Product basically, because there are a lot of people who will not be able to meet the requirements of the Engineers' Certificate, but what we are looking at is, if they can do the strapping right and the engineers have told us that if we get the strapping right, it significantly reduces the risk of your house being blown. So one thing that we are working towards is if we can set up a Bronze Product of making sure that if you strap your roof well, you will be covered to a certain amount, so that is something that we work with ADB, World Bank and Government on these things, so the premium will be lower but will cover, in the event your roof gets blown away. In most instances, people's roof get blown away, but coming back to this training, we invest a lot in training. We send our people to courses wherever necessary and our courses are based on our needs analysis. So we do a needs analysis every year, both as a bank and individually and we train our people.

So, we send our people to many countries in the world, you name it. We have sent people because we feel that our people are the best investments; our resources are our people and that is something that we say.

HON. V.R. GAVOKA.- Thank you. Just a last one: If there is a young man or a young woman out there who wants to join the RBF and be part of the insurance arm of RBF, what kind of degree would you encourage the person to undertake?

MR. A. ALI.- Mostly, we require fresh degree in Accounting, Finance or Economics, RBF normally takes the cream. We pay much more than any of our competitors of people out there. We have got good benefits, but we try and take the cream and pay them. But a good fresh degree in Economics, Accounting Finance, has to have a good GPA. That is our criteria in terms of any shortlist.

MR. CHAIRMAN.- Ms. Dakai, you want to add something?

MS. V. DAKAI.- Honourable Chairman, as Governor has said it rightly, there is no specific insurance degree, so a good degree and then the training happens within the bank at all levels.

MR. CHAIRMAN.- I can just recall last year in December, you had one conference on money laundering which I believe, Mr. Governor, had run that course, am I correct - Money laundering on FIU?

MR. A. ALI.- That was done by the Director, FIU and the FIU team which Reserve Bank pay for the salaries and everything but they were ....

MR. CHAIRMAN.- Yesterday, we were discussing on the same because FIU Report also comes through before this Committee and we were discussing the same thing with my Honourable Members.

Thank you so much, Mr. Governor and Honourable Members, thank you very much for the questions. We wish you all the best for your new product. We look forward for that parametric insurance which you have just mentioned. We wish you all the best with the team. We want to see that the project flourish definitely.

Just to add on the life insurance which Honourable Inosi Kuridrani has mentioned, with little knowledge on insurance, there are a few things which you can do if there is a lapse on a policy. Honourable Member is very much concerned on the life policy. You can re-instate a policy if it collapses, that is one; the second one is, you can change the commencement date; and the third one is, the maturity date can also be extended. I believe we will also be inviting the other insurance companies and probably we can talk to their Chief Executive Officers and informing them if their group is going for insurance as you mentioned, they should be straight and not overload or sell a product which is not affordable. That will be the wise thing to do.

Without taking much of your time, thank you very much, Honourable Members, for your time and Mr. Governor, thank you very much for your team. Ms. Dakai, sorry for the wrong introduction there. In fact, that is what is written here and I just read it from there. We wish you all the best for 2020 and, please, when you go back to your office, pass the message of our best wishes to your entire team, thank you.

The Committee adjourned at 10.45 a.m.



**STANDING COMMITTEE ON**  
**ECONOMIC AFFAIRS**

**RBF INSURANCE ANNUAL REPORT 2018**

**[Verbatim Report]**

**Insurance Council of Fiji**

**THURSDAY, 23RD JANUARY, 2020**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON 23RD JANUARY, 2020 AT 10.29 A.M.**

**Interviewee/Submittee: Insurance Council of Fiji**

In Attendance:

- |                              |   |
|------------------------------|---|
| 1) Ms. Meenakshisuntar Rama  | Chief Operating Officer [New India Assurance] |
| 2) Mr. Arjun Singh           | Manager [New India Assurance]                 |
| 3) Mr. Inia Naiyaga          | Managing Director [Sun Insurance]             |
| 4) Mr. Veilawa Rereiwasaliwa | General Manager [Tower Insurance]             |
| 5) Mr. Peter McPherson       | Managing Director [FijiCare Insurance]        |

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MR. CHAIRMAN.- Honourable Members, ladies and gentlemen good morning and welcome to the Economic Affairs Committee meeting.

Ladies and gentlemen pursuant to Standing Order 109 (2) (a) of the Standing Orders of the Parliament of Fiji, the Standing Committee on Economic Affairs has been referred the Reserve Bank of Fiji 2018 Insurance Annual Report and tasked to review the Annual Report and report back to the Parliament. In this regard we have amongst us the Insurance Association of Fiji.

(Introduction of the Team from Insurance Council of Fiji by the Chairman)

We welcome you ladies and gentlemen to this Committee meeting. Gentlemen to keep the constant follow of the presentation, we will not ask any questions in between, but, we may ask the questions at the end of the presentation. To introduce my team today.

(Introduction of the Committee Members and Secretariat by the Chairman)

Gentlemen without taking much of your time the floor is yours.

MR. P. McPHERSON.- Thank you very much for the warm welcome. Honourable Members, ladies and gentlemen it is a great pleasure to have the Insurance Industry here represented today. We had a few apologies from QBE and BSP Life as well, they hold two licenses, but, you have got us here today and it is fantastic.

On the Reserve Bank Annual Report, this report is regarded as one of the best, not just in the Pacific but worldwide. This insurance report covers every item and we find it absolutely amazing that Fiji can generate a Reserve Bank and generate such a report in detail. It helps us run our business, it helps us run our organisations, and also our reinsurance to apply for reinsurance overseas and it helps us with all the facts and figures. In saying that, this is a report for 2018 that has come out in August 2019, so it is somewhat 12 months old but it is still very relevant in our organisation.

I will just hand it over to the panel here to the insurance section and pass over to Mr. Inia and he can talk further.

MR. I. NAIYAGA.- Thank you Mr. Chairman and Honourable Members. The insurance report was presented by the Reserve Bank is more a factual report because they put it together after receiving all information from all of us including the Life Insurance Companies. There are two Life Insurance Companies in Fiji.

So for us maybe today, we could explain a little bit of what we did last year. I can only speak for Sun Insurance, there were two products that we introduced last year. One was on the 1st of July, which is the limited cyclone cover. Because of the needs of our clients, as you are aware, Mr. Chairman that every seven years we are required to produce a new engineer certificate otherwise insurance companies will not cover for cyclone.

So for most of them it has been a costly exercise because apart from the engineers cost, it is also the cost of the builder, the carpenter who will come and fix what the recommendations of the engineers and then after that the engineer comes again. There are two visits by the engineer before they can issue or otherwise the engineer certificate.

What we have done, we have a new product where clients can cover for up to \$30,000 from the 1<sup>st</sup> July, 2019 for cyclone for the roof only at 1 percent. That means that if they cover for \$10,000, most small houses may be \$5,000 for the roof and bigger houses may be \$15,000. So the premium is about \$300 if it is a very big house but most roof would be within the \$15,000 and below which is about \$150 or \$50 to \$100. That is the first one. I will provide the Secretariat with some of the additional information here, we have got some pamphlets.

From 1st December, 2019 we introduced a new house owners policy (not a new one) but additional benefits to the house owner's policy (domestic) without any additional premiums, that means same premium but additional. There are quite a few and I would just like to mention a few like death, if there is a death during a fire we pay \$10,000 also and if there is a death for the policy owner, that means if the insured is a Mr. and Mrs. (husband and wife) then \$2,500, funeral benefit for either one of them, that means in total \$5,000. There are other benefits like residents cover, demolition and removal of debris but I will provide the Secretariat with a few copies of this for your information.

On the micro side, SMEs this is one area that we have been working on as an insurance industry, also as individual companies together with the World Bank and also with UNDP this is the Pacific Financial Inclusion Programme (PFIP) which is based here in Suva on the various products that we can introduce to support this sector. The issue here is really the collection. From Sun Insurance what we have been discussing with PFIP is, if we can provide insurance cover for fishermen, which is what they have been asking us. So we said "fine, we will cover the fishermen" that means for their boats, their fishing assets or fishing items. But the only problem we have is how we collect the premiums from these fishermen because they are everywhere; outlying islands and so forth. So we tried through PFIP to have discussions with the Ministry of Fisheries maybe they could assist in collecting on behalf of the fishermen. But up to now the discussions are still continuing and we hope that the Ministry of Fisheries may see some light in assisting the collecting on behalf of fishermen.

But apart from that you are all aware of my colleague, Mr. McPherson's products but of course that he can explain himself. The good thing with him is that it is collected, see the Cane Growers Council that write him a cheque, very easy to collect so he does not have to worry. The Government of Fiji, the Farmers Association so we have to get into those kind of arrangements, maybe with iTLTB on behalf of landowners, so discussions to continue with iTLTB and the other organisations to make it easier for us to collect. It will be very effective and at the same time the coverage will be much wider. May I leave it at that Honourable Chairman for the others to contribute? Thank you.

MS. M. RAMA.- *Bula* and good morning to everyone. Let me introduce myself. I am Meenakshisuntar Rama – CEO of New India Insurance Company. I am here along with Mr. Arjun, my Manager. I have come to Fiji just a few months back, 18th August I took over from my predecessor who was here for the last four years. As Mr. Inia was saying, New India has also been into all areas of business. Our main concentration has been on the motor and the fire portfolio.

With respect to fire, we are covering all major commercial properties in Fiji and the small households also.

With respect to micro-insurance, we are in contact with the Pacific Financial Inclusion Programme (PFIP) for the fishermen's boat insurance and other areas of interest of them and we are trying to coordinate with them for some data which is required for us to proceed further.

I think all of us are in discussion with them in this regard. I assure, as in charge of this company to be with the Government in any initiative taken by the Government, we will be part of it and whatever best needs to be done for the common man will be supported by the New India Insurance Company. Thank you.

MR. P. McPHERSON.- Let us have the Tower Insurance.

MR. V. REREIWASALIWA.- *Bula vinaka* Honourable Members, ladies and gentlemen. My name is Veilawa Rereiwasailiwa looking after Tower Insurance in Fiji. I will just give an update on what we did last year. Our main focus was actually around distribution and servicing. As far as product goes, Tower operates with a general insurance licence. So we have already have products for motor, contents, home, business protection et cetera and we believe there are enough products that we offer at the moment to cover the basic insurance needs of the industry.

In saying that, we are also looking at working with our developing partners to look at some of the insurance gaps that the country has and partner with them for it as our other colleagues in the industry have done. Some of the things that we have looked at in as far as servicing goes, we introduced a mobile sales capability which is basically, we took our staff out of the branch, gave them a vehicle and told them to take insurance services to our customers doorsteps and targeting specifically commercial businesses who might not have the time to come to our branch or come to one of our distribution partners.

We saw that as a need in the market and that was welcomed by the market and we have seen that as part of our distribution channel grow quite well from when we introduced it in February.

We also looked at building up a contact centre that was initiated in July last year. The key driver for that is again acknowledging that in the insurance industry, our customers are at the affluent part of the economy in that they have assets, all our customers actually have assets. In saying that, one of the nature of that customer basis is that they are often too busy to come to our branch or to our distribution partners which would be the banks.

So, we have found that a lot of them would rather call in for queries or call in to help with their insurance needs. We also started exploring social media only because we have got a problem with reach as far as insurance services goes but what we have found is that in the Pacific, Fiji has got one of the largest percentage of reaching social media across the Pacific. We have found that with 450,000 active social media users of mobile phones in Fiji, we saw that as an effective way of actually reaching out to our customers

.... to our customers, but also for our customers reaching out to us. With the mobile penetration rate reaching more than a hundred percent in this country, if a customer goes out to a car yard to buy a vehicle, from that car yard they can actually reach us to get a quote or to have a query, et cetera.

We started at around February also, we have seen some good feedback coming in from customers which has also prompted us to create the contact centre in July to cater for the volumes of customer traffic that was coming in through our social media channel. We see a lot of interaction between us and our customers move to social media channels in the future. We see that as a future way of communicating with customers.

There is still bit of work there, but it is a good platform that we have built. What we also found in terms of feedback from customers is that, there is a general lack of awareness around their covers, what they are legible for, and often we find that the lack of awareness comes out during the claims process. What we have done and we have seen our colleagues also do these things in their own ways is create a digit-no-series through our social media channel and just to provide them with more information about their cover. A good example is motor vehicle cover. It is actually based on market value and not on the sum insured you initially put in. As we know motor vehicles depreciate in value, so we pushed out a lot, using the social media channel, posters that have reached close to about 120,000 people to say that, "you need to call us on an annual basis to tell us what your market value of your vehicle is.

So:

- i) Your premium reduces; and
- ii) It is a reflection of what you insured for."

There are a lot of other things like that that we have done. That is on the servicing side.

As far as product goes, we introduced one product, a product that we called "smart pack" which was directed at the SME part of the market. Essentially what it is, is all our commercial products, we have combined it into one and also it means one form for the customer to fill in and one set of documents. What we found is that our customers, often have to fill in multiple forms, even though we are the only provider for different products, whether they have got a commercial fire product or a business protection or a protection against burglary et cetera, so that product was meant to make it easier for our customers to get insurance services.



The other problem that we wanted to address was that we found that some of our customers do not know all the things that they could be insured for. To give you a case is, we had a customer that had insured their property but they did not insure their fittings, so when they had a problem with the fittings, they assumed that because, it was actually a cold storage facility. The facility was part of the property, it was insured, but it was only during the claims process then they realised that it was not. We saw that, if we go in to our customers and we give them a list of all insurable assets and all insurable services and then they choose based on what they know of the business, what they can afford, what their priorities are, which ones to tick and which ones not to tick then they are in a better position as far as being insured goes.

Whereas, if we go and just sell fire insurance, they will not know that they could also be insured for burglary, or they could also be insured for liability risk. So that was the whole objective of the Smart pack product that we introduced last year. We are also looking at parametric product for this year, which is the flavour of the industry at the moment because there is a real need to offer something for the mass marketers as far as cyclone cover goes, because it is a large risk for us as a country.

There was a lot of work that was done to get some data for cyclone which has been going on for the last couple of years. Working with our development partners, the World Bank to actually get some data from cyclone testing stations and that data is actually critical to help us assess our pricing when we do come out with a parametric product, or when the industry or our development partners come out with a parametric product that can be used in the industry.

In terms of challenges, I just would like to echo what Mr. Naiyaga mentioned around payments. Payment is still a challenge for us in the country. We have kind of addressed that partly through the introduction of, by having a larger distribution network, by partnering with the banks and with other financial institutions to use their branches as the distribution network for our customers. However, that is still not a large enough coverage. So, we are looking forward to some other developments in the industry with the banking or the mobile telecommunication industry around making payments easier, because payment is not just a problem for the insurance industry, it is probably for the whole financial services industry.

We applaud the developments being done by the banking sector with the introduction of visa debit cards and debit cards. The impact that has on us is the potential of insurance being paid like a subscription service in the future. We could not really do a business case for that when there was only credit cards because of the low card penetration in the market. I believe when I was in the banking industry, there were around 30,000 cards in the market, now with the debit cards being introduced by all the major banks, we expect what is termed as “scheme cards”, UnionPay, master card and visa to reach a 100,000 as far as card holders are in the market. At the moment when that becomes a reality then that builds a strong case for us that if we go to our customers and offer insurance as a subscription service, similar to how they do for their Netflix accounts, licenses for their software, et cetera. So there is already used cases available in the market for that, we just needed a large enough pool to actually justify adding insurance to that.

I understand that the PFIP is already working with the mobile network operators to actually have insurance as a used case for their payment services and the payments functions which would help us. To sum it up, we do have enough products out in the market, there needs to be a lot more awareness which the industry players have done with PFIP in 2019 and this should see posters and advertisements come out in the next couple of months as a result of that awareness. We need to do lot more awareness, there needs to be an improvement in the

payments but that is waiting for developments in the wider financial services industry, and we are also doing a lot of work around improving servicing channels and leveraging of the reach of social media as a way to actually improve our sales and our service capabilities. That is all I wanted to share today. Thank you very much.

MR. P. McPHERSON.- Thank you very much. Just on Fiji Care, just quickly, I know we are running out of time and insurance is sometimes a boring subject.

On micro-insurance, I would like to thank the Government for supporting the micro-insurance initiative a couple of years back. It is absolutely fantastic. We have now got 140,000 people on micro-insurance. It depends on your age and ability but it is about \$1 a week or \$1.50 a week for \$1,000 funeral, \$3,000 for death cover, \$3,000 for personal accident and \$3,000 if your house burns down. That is a \$10,000 cover for \$52 a year. In some cases it is \$70 if your age goes to 70.

At the moment, that is taken up with the civil service, social service and the rice, sugarcane growers and dairy farmers. A lot of our renewals are going out on the medical side because we are the premier medical insurer. We are including that on medical as well for no cost under the micro- insurance so that is additional on the medical insurance. That will grow especially across the occupations of Fiji like the resorts and what kind of workers they are all going to have is micro insurance as well. It is designed for the poorest of the poor and we have got 77,000 social service participants on that and 140,000 in total.

Fiji Care, last year we put out a wage care that was to pick up the difference, when the workers compensation went to the Accident Compensation Commission of Fiji (ACCF), there was some difference in the policies so we picked up the difference in the wages and the accident side. If you go to a General Practitioner (GP) or go to a hospital, we pick that up. Also, we put out a red carpet medical policy which is business class to India and plus all the pick-up at the airports, Singapore, Hong Kong depending on which way you go, you get all your business class and you get all the allowances and support going to India for your medical treatment.

In 2019, we paid \$20 million out in claims so it is a big business. We processed 95,000 claims in 2019 so it is a busy organisation. In saying that, that is just on Fiji Care but insurance industry as a whole, take Australia event just recently. That is up to AUD \$1.4 billion and growing. These are the bush fires. It is one in 200-year event so you might think that insurance might be dead money but when you go to use it, it is not at all. We had a major fire two nights ago and two people were killed.

(Chorus of interjections)

MR. P. McPHERSON.- But it is things like that where insurance is a need. So just in Australia, I will go back to that \$1.3 billion or \$1.4 billion but they had major hailstorms in the last three days which will go to \$300 million so looking at the last two months of cat covers of AUD \$2 billion from the insurance industry alone. So, there is a need, I mean hopefully we do not have any cat covers here but it has all got to do with buying reinsurance back in London to support our organisations as well and this is where the Reserve Bank of Fiji has done a good report on that. In saying that, just in summary, we will take any questions shortly but I would just

like to wrap up saying thank you for inviting us today and letting us talk. We just hand it over to you, Mr. Chairman.

MR. CHAIRMAN.- Thank you, ladies and gentlemen. Thank you all so much for your comprehensive presentation, just one question before I give the floor to my colleagues.

Someone mentioned on the micro-insurance, you said something on medical insurance, can you elaborate more on that?

MR. P. McPHERSON.- We just recently because the market is getting a little bit saturated. We are now adding the micro-insurance on medical renewals. Just say Government had a policy due on 31st December and you had “x” amount of people on it, we would have given each one of those people a micro-insurance policy attached to their medical.

MR. CHAIRMAN.- Good, thank you. Thank you so much Sun Insurance, in fact last time when the team came in, this Committee tipped off on the house insurance and you have taken that on board. Thank you so much for that where you are giving about \$10,000 to \$30,000 on the roof especially.

Those covers were not there and this Committee initiated and requested the association to form an insurance which will assist the poorest of the poor in this country. Thank you for taking that on board. Gentlemen, the floor is open for questions.

HON. V.K. BHATNAGAR.- Thank you gentlemen and Madam Ms. Rama. Thank you for your brief presentations. Looking at the RBF 2018 Annual Report, I can see the Fijian insurance industry grew by 9.2 percent.

So congratulations to all of you on your achievements and referring to the report once again, looking at the claim payments, I can see the policy payments increased by 6 percent, the general insurance sectors net claim paid increased by 7.8 percent. So actually in order to honour your claim obligations, you have to have a strong solvency, so I would like to know your solvency positions, if you are comfortable there.

MR. P. McPHERSON.- Most certainly. We got our key indicators advertised once a year in the newspaper, but, we got to be solvent.

The Reserve Bank holds a very strict solvency calculation on each company monthly and every three months we must send our returns into the Reserve Bank and they have a good hard look at it. So, yes, we solvent not just on a 12-monthly basis but on a three monthly basis. We got to be 40 percent more than our solvency.

HON. V.K. BHATNAGAR.- That is great, I mean all the companies are making good profit?

MR. P. McPHERSON.- Well it depends on the disasters in the country, but, 2019 was quite good, I mean if you throw in the year when *TC Winston* happened, et cetera. So what I am saying is, you just do not know, there was a big fire a week before in New Year, the iTaukei Trust Board, it was a major \$7 million fire, a week before the end of the financial year, so you just do not know when it is needed.



HON. V.K. BHATNAGAR.- Thank you very much, Mr. McPherson. I had a question on awareness which I believe Mr. Rereiwasaliwa had already spoken on. Do you think there is ample awareness on the ground on your products and services? And what are doing about it?

MR. I. NAIYAGA.- Yes, that is a very good point Honourable Member. We are all doing our own sort of advertisement ourselves like TV, newspapers et cetera. And also we have been working very closely with the Reserve Bank and Pacific Financial Inclusion Project (PFIP) with UNDP to try to see how best we can improve upon this awareness. So when the teams go around to the different parts of Fiji, we also join them. We agree that there is a lot more that can be done and we in the association are looking at that very closely on how best we can all work together to do a little bit more awareness programme.

HON. V.K. BHATNAGAR.- In the micro-insurance sector because there are so many people around I mean you could go for that particular package.

MR. P. McPHERSON.- Yes, we do our marketing through the Employers Federation, we go and have pocket meetings, we get invited to seminars and also to workshops and discuss our product.

MS. M. RAMA.- To add to that, I think we are closely working with the NFA, LTA and such organisations, they call us for meetings frequently and we are trying to understand what issues they face actually and trying to work together in fact. The recent meeting that we had with the NFA, they were in fact asking us on what ways we can be partners with them, not exactly bringing down the fire if it happens, that is the risk and in working with them maybe in small homes, if we can support in keeping fire alarm which will prevent, at the moment if a fire happens, they will be able to understand where exactly it is and these are small equipment which may not cost much. So we are ready to proceed on those lines but such meetings are being held and with the LTA also we are working closely and with all of us together, I think we can surely penetrate and also educate the common men on the insurance. Thank you.

HON. V.K. BHATNAGAR.- Thank you so much for your answers. Actually I mean there has been a time when there have been a lot of complaints about lapses in payments and you too know the lapses, I mean the policy holders had to forego whatever amount they had already paid and they had to close down business with insurance companies. So how are you planning to assist these kind of people who are not able to actually do their insurance payments in time? I do not know what the scenario is now, can you elaborate more on that?

MR. I. NAIYAGA.- Yes, if I may start it off, Honourable Chairman. Most of us, we give 90 days so that means they take out the policy today, 90 days from today we must pay out the premiums. But for some of the covers that we have like the fire, we just been talking about fire, on day one we also have to pay the fire levy to the NFA which is 0.06 percent of the premium, not only that also the VAT and stamp duty, that comes out of our cash flow because the client has not paid. So that is an assistance we are giving to our clients so that we do not expect them.

For those who are really difficult, some of us even, I can speak for Sun Insurance, we give them up to nine months and some even go up to 12 months. But the problem we have is that, with the RBF's calculation of solvency, if it is past 90 days due, that means over 90 days, it is more a liability then it reduces our, so somehow we will have to work around that because anything which is over 90 days, will be a liability in the calculation of solvency. Thank you.

HON. V.K. BHATNAGAR.- Just one more. Sorry, I mean Mr. CEO you spoke about the Bundled Insurance - \$10,000 package, when it is open to farmers, dairy farmers, sugarcane farmers and all those, are you not thinking of opening it up like completely, generally whoever wants to invest or whoever wants to insure?

MR. P. McPHERSON.- As far as the micro-insurance for sure, any committee, any organisation whether it is a church or market vendors or ....

HON. V.K. BHATNAGAR.- Individuals?

MR. P. McPHERSON.- Sorry?

HON. V.K. BHATNAGAR.- Individuals.

MR. P. McPHERSON.- Yes, individuals I mean we do not want a whole heap of people coming and paying \$1 a week, but any organisation, any committee, anyone over a group of ten or something like that can be a member for sure - 100 percent.

MR. CHAIRMAN.- Thank you Madam for your questions. A lot of people and a lot of houses in Fiji are old houses and they are not insured probably people are not educated. Through this Standing Committee on Economic Affairs we will try to educate people, we want people to take on more insurance and in this regard we also invited Fiji Brokers Association and Fiji Architectural Association. We will be inviting Fiji Builders Draftsmen Association to sit together and find out a solution on how the old houses which were built probably in the 1970s and 1980s were not insured at all, how we can get them insured looking at the environment, looking at the hurricanes, you know November to April is always a hurricane season in Fiji. Two tropical cyclones just went passed us and we were lucky.

In that regards I will request the Association to look and design a few more products like Sun Insurance has just mentioned only for the roof. Would you like to comment on that, Chairman?

MR. P. McPHERSON.- Of course, you can insure a building which is made in the 1970s to 1990s. I live in one actually, probably a hundred years old but you probably cannot get cyclone cover unless it is ....

MR. I. NAIYAGA.- Unless it is from Sun.

MR. P. McPHERSON.- Unless it is certified but you can apply to the Sun Insurance up to \$30,000. That is fantastic and thank you for Sun to pick that gap up, but you can insure for fire, et cetera. If I got a loan from the bank or the finance company of course they will make you insure because they cover their risk by insurance but once you pay your house or building off, a lot of people let the insurance go and that is the problem. It is insured while you got to loan but a lot of people let that go when the loan is complete. So, that is the problem we have.

MS. M. RAMA.- I think that is the same with vehicle and that is the house also. As long as the loan is there and it has become mandatory, the insurance is in place but once the loan is squared off, they do not think it is needed to be insured. Maybe that becomes a least priority in their budget.

MR. P. McPHERSON.- Yes

MR. CHAIRMAN.- Thank you.

HON. I. KURIDRANI.- *Vinaka*. Through you, Mr. Chairman, thank you so much for the presentation. Now I notice that there are enough products in the market now to cover this Disaster Risk Insurance. From the last presentation last year I did not realise that these products are now available in the market especially to cover Risk Insurance for natural disasters.

My question today is, according to the Reserve Bank of Fiji Report the country's economy is slow growing, modest growing, stagnant and my concern is this that when the country reaches that stage of the economy, the financial institutions normally adjust, for example, interest rates to adjust to keep things sustainable. What about insurance companies, for the premiums that these people are going to pay? Are you going to adjust according to the fluctuations of the economy or is it normal like a straight line?

MR. P. McPHERSON.- Mr. Chairman, just a general comment. Some of the insurance companies can let you pay your premiums off quarterly, or six monthly if you apply renewal just to help you through with these hard times and of course if you have not had a claim for so many years, you might be able to get a discount. That is up to individual insurance companies.

MR. CHAIRMAN.- Thank you.

HON. V.R. GAVOKA.- Thank you Mr. Chairman. Gentlemen and lady, one of my observations that I made with the Reserve Bank is how impressed I was with the way that you have recovered from 2016. That was a huge catastrophe and I feared at one time, coming from a generation that goes back to *TC Bebe* and all those cyclones in the past and how you recovered so quickly to start reporting healthy profits. I hear now that 2019 is equally better. So it gives us confidence, as parliamentarians, which the insurance industry is intact, it is very solid and I commend the community the way you are doing things.

I gather that when you are asked for re-insurance overseas, the reception there will always be positive because I believe the industry is so solid, you do not have any problems securing re-insurance overseas, and I hear your comment that the report by RBF is one of the best. So, what do you attribute that to, the health of your industry today? What is it that is happening with the insurance community that is giving us the structure that we are comfortable with today? While we are talking about that, I have sat in this Committee for a couple of years and I have done a few insurance reports. There was a time where it was said that Fiji had a very primitive attitude towards insurance, but what I hear today is that, there is now a range of products that could be at par with some of our neighbours who are better developed.

- i) What are you doing right?
- ii) The number of products in there, whether they benchmark against New Zealand and Australia who are up there.

MR. P. McPHERSON.- Thank you very much for your good comments. There has been a lot of hard work in the insurance industry. The main things we do generally, we employ locally, we invest locally and we train locally. So that is all good for the industry and is good for employment. We all have got staff who have been with us for 20 years to 25 years and in some cases 30 years in our organisations, so we are doing that very well as well and we do not get

recognition for that, but everything stays local. Our profits get invested locally which is fantastic, but in saying that, re-insurance was difficult to get years ago and we do have cyclones and in some cases earthquakes as well, not so much in Fiji, but they do happen around the region. So we got to cover all that as well in our re-insurance arrangement.

But re-insurance at the moment is a lot easier to get than what it was 10 years ago. It was very difficult sometime back. A couple of insurance companies have struggled over the time and probably are no longer with us, so we are down to only seven insurers, if you count two with BSP. Back in the 1980's, three or four insurance companies walked off after those big events, cyclones in the 1980's, and one recently is floundering, I will not say who it is, but it had difficult times but we are very robust like the people of Fiji, we get on with it. We do not cry out, we just get on with our organisations, as I said, we employ, we invest and we train. I hand it over to my colleague if he wants to say something.

MR. I. NAIYAGA.- Thank you, Honourable Member. If I may just comment on the bouncing back quickly, I think that is very important because what happens, we can have a very bad year this year, next year we will be all right. Why? To give an example like Sun Insurance, our limit is about half a million only. If there is a catastrophe here, we will only pay from our account half a million like a cyclone or a big fire, but anything above that is paid by the re-insurer; that is why it is very safe and this is checked by the RBF every year our re-insurance arrangements of all the companies, so that we have intact a good re-insurance arrangement with "A" rated companies, not with any company. These re-insurance companies actually pay the bulk of the claims above the limit, the threshold that we have, that is why we are able to balance, we are not really paying all those millions, no, we are paying part of it, the balance, actually the bulk of it but the majority comes from the re-insurers too. I thought I just want to clarify that, that is why, not that we have so much reserves, no, it is actually paid by the re-insurers. Thank you.

HON. V.R. GAVOKA.- Mr. Chairman, can I just speak up on that? I have sat in this Committee for a couple of years and there was a time when there was a bit of resistance coming from the community about re-insurance because of the leakage of the premiums overseas. Are we seeing a change in attitude now towards re-insurance?

MR. I. NAIYAGA.- No, it is not really the re-insurance, it is more the offshore placements, they are seeing the risks offshore, which is taking the money out of Fiji to overseas. Re-insurance has always been in place since the beginning. All insurance companies are required by law to have re-insurance arrangements, otherwise we will collapse. If we do not have re-insurance, we will just....

HON. V.R. GAVOKA.- How much of your premium?

MR. I. NAIYAGA.- From Sun, we pay 12 percent for re-insurance.

HON. V.R. GAVOKA.- All right. I got the impression that some years back it was a lot higher than that.

MS. M. RAMA.- As far as New India Assurance is concerned, like Sun Insurance said that it is half a million for you ...

MR. I. NAIYAGA.- No. The 12 percent of the premium.

MS. M. RAMA.- The retention I am saying, your...

MR. I. NAIYAGA.- No. We are paying the re-insurers. When there is a premium, say a hundred dollars, we pay the re-insurer 12 percent (\$12).

MR. A. SINGH.- In addition to all these things, I want to add one thing, the re-insurance premium which goes out of the economy is more than \$50 million out of \$205 million. This is the figure, if you consider the re-insurance premium which is going out of Fiji that is \$54 million.

HON. V.R. GAVOKA.- All right, \$54 million, so it is not 12.5 percent part of premium, is it?

MR. A. SINGH.- Overall industry.

MS. M. RAMA.- That is the overall industry figure that he has given.

HON. V.R. GAVOKA.- In total that is what goes out every year? All right.

MR. P. McPHERSON.- The other angle is offshore placements, that is not re-insurance.

MR. CHAIRMAN.- For your information, the Hansard team will record this, this will be ...

MR. P. McPHERSON.- Thank you very much, sorry. The offshore placement is a different to re-insurance. Offshore is, if the local market cannot do it or the local market has no capacity to do it 100 percent, then it goes off ....

MR. CHAIRMAN.- If there is a risk, then you offshore your ....

MR. P. McPHERSON.- That is right, Sir. So these big resorts sitting on the seaside, we would not be able to do tidal waves, sea surge for that for \$200 million, so it goes offshore. We cannot do probably insurance of Fiji Airways planes for instance, they will go offshore. There are lot of stuff we just cannot do, probably service stations because of the fuel, we could probably do "x" amount of it but we cannot do a 100 percent of it, so a lot of these goes offshore, with RBF knowledge by the way. So all of us have to say, "no, we cannot do it, then they can place it offshore." But we got the first choice to do it first then it goes offshore, that is how it is supposed to work.

HON. V.R. GAVOKA.- Mr. Chairman, so re-insurance amounts to over \$50 million a year?

MR. P. McPHERSON.- Correct.

HON. V.R. GAVOKA.- We do not know how much we are spending on overseas placement?

MR. P. McPHERSON.- Yes, the RBF would. They should be. The offshore placement should be under...



HON. V.R. GAVOKA.- Just interested in the range of products that you have now, are you comfortable that Fiji is up there now, catching up with the neighbours in terms of ....

MR. P. McPHERSON.- Yes, I think we are.

There are new things like cyberspace coming in. Well, we are not into that yet. Credit card insurance, I do not think we do that yet here either. That has got to do with fraud as well. But there are a couple of those new items that is on the world stage that probably has not hit us but there is no need for it yet. Undoubtedly, when there is a need, one of us would pick it up or discuss it at least.

HON. V.R. GAVOKA.- I think just echoing what has been said earlier, that roofing with Sun Insurance, that is quite remarkable. Given the need and then hopefully down the line when the need is there, the insurance community will come up with a product to suit us.

MR. P. McPHERSON.- Yes, correct.

HON. V.R. GAVOKA.- Thank you.

MR. CHAIRMAN.- Just on car insurance, I believe probably Tower and New India. Can you pass one microphone to Tower, please? We have noticed in Fiji the number of hybrid vehicles now and the premium on the hybrid vehicles have increased, some companies deny, they do not want to take this insurance. Would you like to highlight on it, please?

MS. M. RAMA.- New India, we have not taken any stand like that. We ensure hybrid vehicles also are at par with other vehicles and there is no increase in premium. It is the same way that we treat hybrid as other vehicles too. There is no difference. We are insuring hybrid vehicles too at the same premium that we do the ordinary petrol or diesel market.

MR. CHAIRMAN.- Six percent or five percent of the ....

MS. M. RAMA.- The premium?

MR. CHAIRMAN.- Yes.

MS. M. RAMA.- It depends on the ccc of the of the vehicle.

MR. A. SINGH.- It depends on the claim history of the client. If the claim history of the past three years is bad then we can charge up to 5 percent or 6 percent, but it starts from 3 percent.

MS. M. RAMA.- The premium rate starts from 3 percent.

MR. A. SINGH.- Mr. Chairman, 3 percent if the value of the vehicle is, for example, \$15,000 ....

MR. CHAIRMAN.- Market value of the vehicle, 3 percent of that.

MR. A. SINGH.- Yes, 3 percent and may go up to 4 percent or five percent also if they are taking claims on a regular basis.

MR. CHAIRMAN.- I received one letter from one Mr. Naicker from Labasa. He said that he has paid market value premium. He continued the same premium for the next five years, I believe, it was not reduced. That means the market value remains the same? When he claimed after five years, he was not paid the claim which he required? He was only paid \$1,000. I think I called you on that.

MR. A. SINGH.- Yes, this grievance is pending. Yes, you did talk to me on the telephone and I think that matter was resolved. I talked to Mr. Naicker but I do not think it is still pending.

MR. CHAIRMAN.- Alright good but someone just mentioned that we take insurance on the market value so I understand the value probably reduces as far as vehicles are concerned.

MR. I. NAIYAGA.- Yes, Honourable Chairman. It should reduce every year and when the value reduces, the premium should also. It cannot be the same for five years. Same value and the same premium. It is just impossible. We at Sun, it reduces.

MR. CHAIRMAN.- Thank you for that clarification. Would you like to add on?

MR. V. REREIWASALIWA.- Yes, just around the rate. For us, for hybrids, we do have different rates. We actually class vehicles based on the risk. Two key factors that we use. One is the likelihood of those vehicles getting into accidents and two is around the repair cost. One of the contributing factors why we charge higher rates for Prius is the repair cost is quite high compared to other models, so we price accordingly.

MR. CHAIRMAN.- Honourable Veena Bhatnagar, your question please?

HON. V.K. BHATNAGAR.- Thank you. Through you, Chair, gentlemen and Madam Meenakshi, actually the Act is also under review, I believe. Are you looking forward? How will this assist you; the changes in the Act?

MR. I. NAIYAGA.- Honourable Chair, we have been talking with the central bank and with the

.....other stakeholders on this review and we are just waiting as to when it will go to Parliament.

The issue that you raised earlier Honourable Member about solvency, see with the new legislation that comes in now, the solvency formula, actually we have been talking with the Reserve Bank recently, will reduce all our solvency by half. Automatically when the Act comes into play, all our solvency individually and collectively will reduce by half because of the formula, but, of course, it is still in discussion stage at the moment. We will continue to have discussions so what that means, Sir, the weaker insurance companies either the shareholder will have to inject capital or they will just have to go out of business, if and when that Act comes into play. That is one issue there, but, otherwise the other issue, Sir, are fine.

The other one we had is the funding arrangements, which is like, they do not establish the insurance company here, there is no requirement to comply with under the Act but they can actually place. If that comes into place, that will be another concern for the association.

Fronting arrangements, so this is just like what the brokers are doing now, they are placing the risk offshore; the big risks. They come here, they do not apply for a license, they come and setup a front and then they do insurance business just like as we are doing now. But what they are telling us is that we can also do the same but the big risk with us as insurance companies is that we have to pay the claims upfront. We do not wait for that insurer to pay us.

So what will happen is that if we go into that arrangement, then when we have to pay claim then the reinsurance company overseas may disappear. When they disappear because these are big amounts, we are talking about \$200 million to \$300 million, then the insurance company in Fiji will just collapse, that is the end of the insurance company. We have been having discussions with the Central Bank, we have been raising the concerns as late as December last year on these fronting arrangements and they say that we will continue to talk about it this year before it actually goes into some kind of legislation.

MR. CHAIRMAN.- Thank you for your answer.

HON. V.R. GAVOKA.- Through you Mr. Chairman, we would like to get some brief on that.

MR. I. NAIYAGA.- The Reserve Bank should be able to.

MR. CHAIRMAN.- Probably we can throw the question to Reserve Bank of Fiji.

HON. V.R. GAVOKA.- Through you Mr. Chairman, the solvency ratio, you fear that it will increase?

MR. I. NAIYAGA.- No, see with the new formula Honourable Member, like now, if we have \$1 million surplus, it will reduce to half a million. If we have a lesser surplus then it will go into the negative and the Act states very clearly that if it goes into the negative, that means insolvent, then the shareholders will have to inject additional capital to top it up, that is the requirement of the Act.

Because what we have been asking the Reserve Bank, what is wrong? We have been using this formula for so many years now. Now you want to change it, of course, they are copying from somewhere, maybe from some other countries, but, does it suit this small country like Fiji with less than one million people when we are still trying to penetrate the other members of the population. So this is still open Honourable Member, this discussion with them and we are going to strongly resist it. Of course, our voice will depend too when it comes through to Parliament, but, it will really weaken the insurance industry.

HON. V.K. BHATNAGAR.- Okay, we will get a clarification from RBF on the amendment.

MR. CHAIRMAN.- Thank you Honourable Member. Honourable Veena Bhatnagar your question, please.

HON. V.K. BHATNAGAR.- What is your greatest challenge as an industry, if you had to list one?



MR. I. NAIYAGA.- Is there any challenge we have?

MR. P. McPHERSON.- A very good question. Not sure how to answer that, but, the challenge is if the regulation changes....

regulation changes, that we have just spoke about, other than that, we are all solvent here, as I said, we all employ, we invest locally. So we have not got any great challenges as long as we keep growing, if the economy grows. I know we are going through a hard time at the moment, that might end in two years as well, but as long as the economy grows, like any other business, we will grow along with it. So it is up to the country doing well.

HON.V.K. BHATNAGAR.- Thank you. In which sector do you get the most complaints from?

MR. P. McPHERSON.- A good question. I think the motor vehicle and medical, from the top of my head, because there is more user. More people have got a motor vehicle and more people probably got medical insurance, I mean that is probably it is.

HON. V.K. BHATNAGAR.- So how do you propose to tackle that?

MR. P. McPHERSON.- We have got complaints procedure we got to do at the RBF monthly. There is an Act and policy out on that.

HON. V.K. BHATNAGAR.- So we are hopeful that the complaints will reduce.

MR. P. McPHERSON.- On averages, I must admit they have reduced alarmingly which is fantastic over the last three years.

HON. V.K. BHATNAGAR.- Thank you.

MR. CHAIRMAN.- Thank you Honourable Member for your question. Honourable Inosi Kuridrani, you question, Sir.

HON. I. KURIDRANI.- Just another question. Just listening to your last comment regarding RBF's policy. My question is, the current Act, is it sufficient to protect the insurance business in Fiji? I am saying this because of the competition aspect. We have a limited and small economy and we have these number of insurance companies here in Fiji. Is this Act sufficient to protect these insurance companies?

MR. P. McPHERSON.- The current Act is because there are seven of us, I mean in Australia there are probably 150 insurers, in New Zealand there might be 50 insurers and in Europe, of course, there are thousands of them. So to copy something from Europe or Australia and New Zealand, probably it does not fit the economy we have at the moment here. So we are going to be careful with that. That is my opinion.

MR. CHAIRMAN.- Thank you for your comment. Are there any other questions? Honourable Gavoka, your question, Sir.

HON. V.R. GAVOKA.- Just a specific one on the Bundled Insurance. There was talk of introducing one on agriculture and that would borrow from the model in India. Do you know where we are on that?

MR. P. McPHERSON.- Yes, that was very heavily making noise late last year but we have not heard anything from probably October onwards to now, it is probably died off somewhat because of other economy aspects. Yes, the agriculture wishes to have flood insurance, cyclone insurance, et cetera, and that has been raised but we just have to get an opinion on it from our reinsurers, et cetera.

MR. V. REREIWASALIWA.- The parametric product that PFIP is currently working on actually covers agriculture. So in their view when they did awareness, it actually showed farmers as examples of those who benefited from those. So I believe they have set up a PIKAP programme to progress that.

MR. CHAIRMAN.- Thank you. I think the Governor in fact mentioned the point that they are working on the parametric insurance and we wish you and the team the very best. Final question, Inosi Kuridrani, your question, Sir.

HON. I. KURIDRANI.- My final question. This is regarding collection, I understand it has been difficult for the companies to do collections. Just an advice, especially for the fishermen that has been raised by Sun Insurance. When the fishermen comes to pay for their licence, it is an annual licence, do you not think that by that time your product should be there with them so that they can pay the full amount for the year instead of paying monthly instalments. Just give them that option that once they come and pay their licence, they have insurance for the fishermen which they can pay on an annual basis just like the licence.

MR. CHAIRMAN.- In regards to what the Honourable Member has just asked. The fishing licence is yearly, normally people apply in January. The boat licence can be applied at any time during the year. So, you can take that into consideration. You may answer that question please.

MR. I. NAIYAGA.- Thank you Mr. Chairman and Honourable Kuridrani. The problem is not that, the problem is really the payment, if we include that, let us say like in the fire. The fire levy is included in the premium and that is the only way. Without that fire levy, the Fire Authority would not be able to survive today apart from Government assistance and the problem that they have, if I may digress a little bit with fire, is that not all houses are insured like we have just discussed and only the people paying for insurance actually pay the fire levy at the moment.

What does that mean? That means that, do they go and attend to the fire if it is not on their list? No, they have to go, they are required by law to attend to all fires. Coming back, that is good because the premium is included, the levy is included in the premium and then the insurance companies pay directly. So, in your example, if it is included in one of those licences whether it is a business licence, boat licence or fishing licence then pay it to the insurance company then it will be very effective.

HON. I. KURIDRANI.- Yes

HON. I. KURIDRANI.- Yes, that is what I am saying. We will have to give them when they come to pay for their licence, your product is already there for them. So, you tell them, this is the insurance for you, when they pay, they can pay directly to you but to access that market rather than the fishermen not being aware of your product.

MR. I. NAIYAGA.- No, the fishermen is very aware because the fishermen initially got the boat from the Fiji Development Bank (FDB). Like the example that we have been giving, like the house and cars, they were paying because FDB was paying. As soon as the boat was paid off, no more.

That is the real difficulty, that payment side.

MR. CHAIRMAN.- They are not educated enough to continue their insurance premium probably.

MR. I. NAIYAGA.- Awareness, Mr. Chairman will come in there but I think they really need assistance because these are people who may not be really able to afford insurance. Like the \$1 but someone is paying for that \$1, they are not actually themselves. See that is the kind of scheme that we have to come up with if we really want to assist these people.

MR. CHAIRMAN.- We request you to design one. The last time we requested you to design for roofs.

MR. I. NAIYAGA.- Cyclone

MR. CHAIRMAN.- You went back to your team and you have done that, we congratulate you on that. But at the same time we request the entire team, your hardworking team, I would say, the association probably, to sit down, put your heads together and design one for the fishermen, flooding which we are facing every now and then.

HON. V.R. GAVOKA.- Mr. Chairman, something that we had raised with the Reserve Bank of Fiji with the increase penetration now is because someone is paying for it. Just going back to what my colleague here is suggesting, to go with the licence. You do not get the wheel tax if you do not have a third party, remember those days of third party. That was a compulsory aspect of it and it made everyone pay insurance because this Committee sometimes they have also thought about, if you really want increase penetration in this country, then there has got to be some degree of that to be mandatory in what you do.

Perhaps for the fishermen, you want your licence and you also must have some insurance and that can be applied across the whole country. My colleague here was also suggesting to RBF that in the villages there could be some compulsory insurance for the villagers, there is money there, maybe the awareness is not there, but the sense of comfort to make sure that all the homes are insured. It comes through iTLTB or whatever sources there are. So it motivates people to put aside that much, at source, to ensure that they are insured. Their idea is for this country to increase its awareness and its penetration into insurance.

HON. V.K. BHATNAGAR.- Mr. Chairman, just one last question maybe. We talk about gender equity and gender equality, I just wondering if the insurance companies have any sort of

segregated data on female contribution, I mean women who have been insured over the period of years. If you do not have it, I mean, you should start looking at it that way. How they are contributing to the revenue of the nation? How many of them are being insured and if they are not, why? Why do you not target women as well, there are so many young entrepreneurs? When you look at the SME grants, naturally the grants are given to women entrepreneurs. So are you thinking along those lines?

MR. P. McPHERSON.- Yes, on the micro side we are working very closely with the Ministry of Women, based on the social service side. I think out of the 77,000, I think round about 60 percent of them are women and working closely, our computer system has been worked on to segregate (we should not say segregate) just to tell us the percentages that we cannot tell at the moment. But yes, we are fully aware of that. I have got three daughters, what can I say? So yes, we are working on that very closely.

(Inaudible)

MR. CHAIRMAN.- Thank you. That brings to the end of the session today. Any final words from the gentlemen?

MR. I. NAIYAGA.- Not from our side.

MR. CHAIRMAN.- We thank you all for coming on board today and accepting our invitation. On behalf of the Standing Committee on Economic Affairs I take this opportunity to thank you all and wish you all the best for 2020. It is a very important year, very promising in fact, looking at this Annual Report as mentioned earlier, 2018 was very good and it is very promising that I want to see more people getting insured and we wish you all the best.

Before you leave we would love to have tea with all of you including the media personnel, please have tea with us so that we can mingle around and have some informal discussions as well. A big *vinaka vakalevu* and thank you so much.

MR. P. McPHERSON.- Thank you very much for having us.

The Committee adjourned at 11.48 a.m.