STANDING COMMITTEE ON ECONOMIC AFFAIRS

CONSOLIDATED REPORT ON THE RESERVE BANK OF FIJI'S 2015 / 2014 ANNUAL REPORTS AND 2014 / 2013 INSURANCE ANNUAL REPORTS

PARLIAMENT OF THE REPUBLIC OF FIJI
Parliamentary Paper No. 85 of 2016

September 2016

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Review of the Reserve Bank of Fiji's 2015 Annual Report

Review of the Reserve Bank of Fiji's 2014 Annual Report

Review of the Reserve Bank of Fiji's 2014 Insurance Annual Report

Review of the Reserve Bank of Fiji's 2013 Insurance Annual Report

Report of the Standing Committee on Economic Affairs

Contents

RECOMMENDATIONS:

1. The Economic Affairs Standing Committee has conducted a review of the Reserve Bank of Fiji's Annual Reports for the years 2015/14, and has no matters to bring to the attention of the House. The committee recommends that the House take note of its report.

2. The Economic Affairs Standing Committee has conducted a review of the Reserve Bank of Fiji's Insurance Annual Reports for the years 2014/13, and has no matters to bring to the attention of the House. The committee recommends that the House take note of its report.

GENDER ANALYSIS

Gender is a critical dimension to parliamentary scrutiny. Standing Order 110 (1) requires committees to consider gender equality and ensure that the impact on both men and women is explored in all matters.

The Committee noted that there was a good gender balance prevalent amongst the staff of the Reserve Bank of Fiji with the Executive Management Team comprising of 50% females and 50% males and the gender ratio between females and males in the middle management being 48% and 52% respectively. Overall, the Bank comprised of 42% female and 58% male staffs.

We, the Members of the Standing Committee on Economic Affairs agree with the contents of this report:

....

Hon. Lorna Eden

(Chairperson)

....

Hon. Vijay Nath

(Deputy Chairperson)

....

Hon. Dr. Brij Lal

(Member)

....

Hon. Prem Singh

(Member)

....

Hon. Viliame Gavoka

(Member)

Date: ......26/9/2016......

APPENDICES

1.0 Committee procedure

We met on the 20th of September to conduct a review of the Reserve Bank of Fiji's 2015/14 Annual Reports as well as its Insurance Annual Reports for the years 2014/13. We heard evidence from the Reserve Bank of Fiji which was represented by the following officials:

- Mr Barry Whiteside – Governor
- Mr Esala Masitabua – Acting Deputy Governor / Chief Manger Financial
- Ms Subrina Hanif – Board Secretary
- Ms Lorraine Seeto – Chief Manger Risk Management and Communications
- Markets
- Mr Razim Buksh – Director Financial Intelligence Unit
- Ms Christina Rokoua – Acting Head of Financial System Development
- Mr Ravi Kamoda – Acting Chief Manger Currency Corporate Services / Manager Currency
- Ms Vilimaina Dakai – Chief Manger Financial Institutions
- Ms Caroline Waqabaca – Chief Manager Economics
- Mr Mervin Singh – Manager Communications
- Mr Viliame Tagilala – Personal Assistant

1.1 Committee members

The substantive members of the Standing Committee on Economic Affairs are:

- Hon. Lorna Eden (Chairperson)
- Hon. Vijay Nath (Deputy Chairperson)
- Hon. Dr. Brij Lal (Member)
- Hon. Prem Singh (Member)
- Hon. Viliame Gavoka (Member)

During the Standing Committee's meetings, the following alternate membership arose pursuant to Standing Order 115(5):

- Hon. Jilila Kumar (Alternate Member for Hon. Lorna Eden)

1.2 Evidence and advice received

Information brief on Reserve Bank of Fiji's 2015 and 2014 Annual Reports, prepared by research staff, dated 19th September 2016.

Written submission on Reserve Bank of Fiji's 2014/2015 Annual Reports and 2013/2014 Insurance Reports, prepared by Reserve Bank of Fiji, dated 20th September 2016.

WRITTEN SUBMISSION BY RESERVE BANK OF FIJI

RESERVE BANK OF FIJI

RESERVE BANK OF FIJI ANNUAL REPORTS 2014 & 2015
RESERVE BANK OF FIJI INSURANCE REPORTS 2013 & 2014

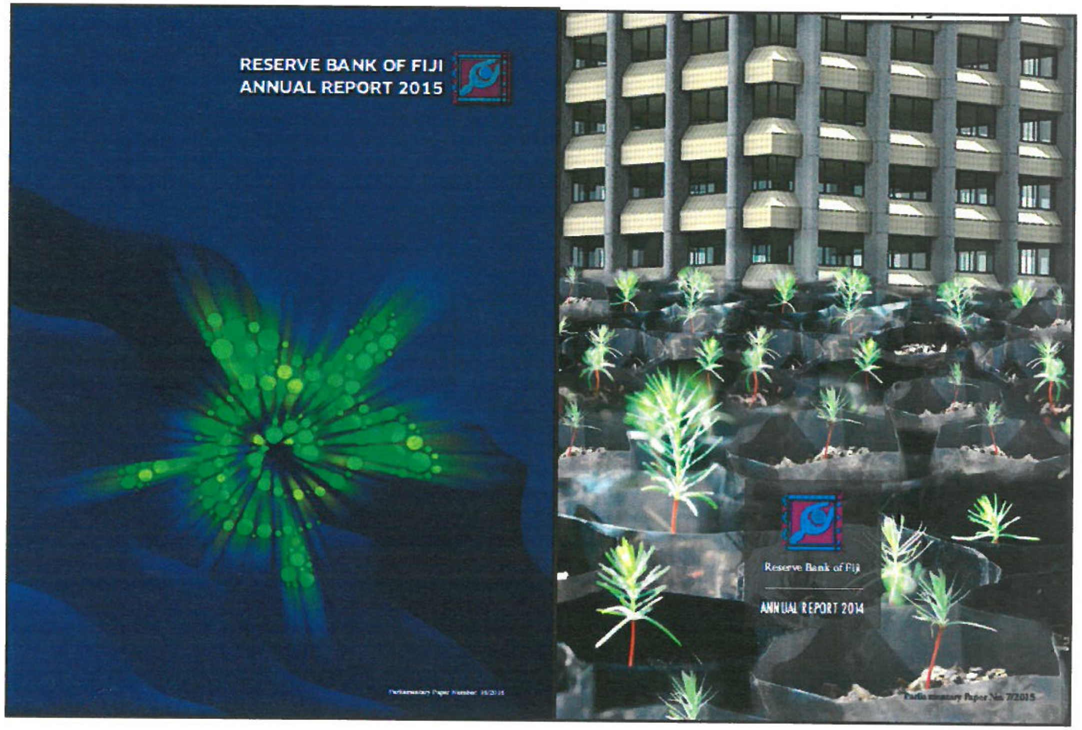
PRESENTATION TO STANDING COMMITTEE ON ECONOMIC AFFAIRS

20 September 2016

RBF Annual Reports

OUTLINE

- Legislated Functions
- KPIs
- Corporate Statements
- AR Layout
- Organisation Structure
- Governance
- Key sections & Outcomes



Legislated Functions

- Section 4, Reserve Bank of Fiji Act (1983) and Reserve Bank of Fiji (Amendment) Decree (2009) list the core functions as follows:
  - To regulate the issue of **currency**, and the supply, availability and international exchange of money;
  - To promote **monetary stability**;
  - To promote a **sound financial structure**;
  - To foster credit and exchange conditions conducive to the orderly and **balanced economic development** of our country;
  - To regulate the **insurance industry**; and
  - To regulate the **capital markets and securities industry**.

- Section 153 of the 2013 Constitution of the Republic of Fiji includes a specific provision on the primary objectives of the Reserve Bank of Fiji

Key Performance Indicators

How do we measure success?

- **Price stability** - low inflation
- **External stability** - adequate foreign reserves
- **Financial system stability** – no failures, low NPLs, prudent management in regulated entities, competition, innovation
- **Currency quality** - few counterfeits, clean notes, easily discernible; sufficient stock
- **Financial system development** – strategic planning, coordination via Taskforces
- **Transfers to Government** - profit and 1/5 of revaluation reserve;
- **Capacity building** - on-going upskilling of staff; and
- **Facilitate growth** - traditional policies and non-traditional initiatives.

Corporate Statements

Align to our core objectives

- **VISION – Leading Fiji to Economic Success**

- **MISSION STATEMENTS –**
  - Conduct monetary policy to foster economic growth
  - Develop an internationally reputable financial system
  - Enhance our role in the development of the economy
  - Provide proactive and sound advice to Government
  - Disseminate timely and quality information
  - Recruit, develop and retain a professional team

Annual Report Layout

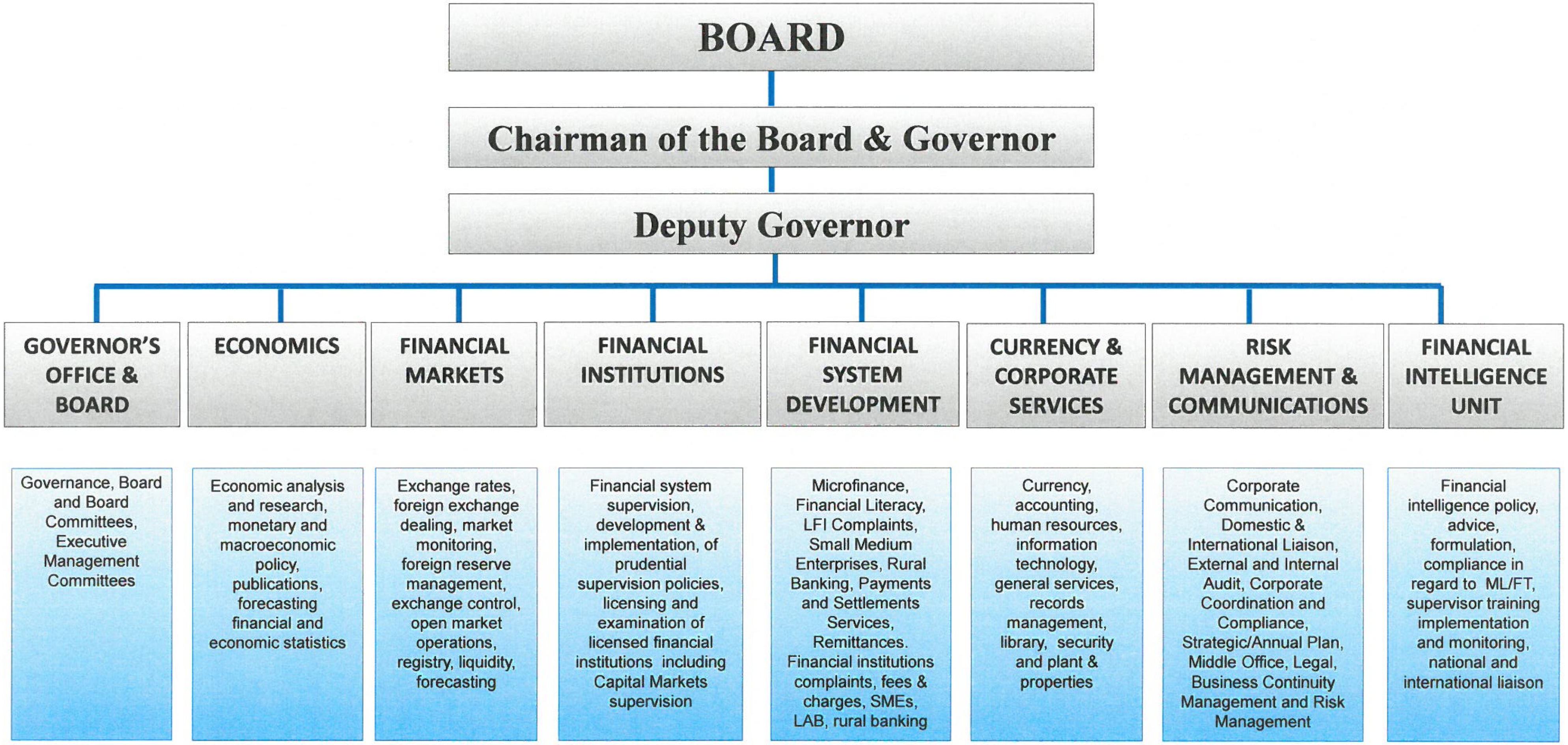
- Organisation Structure
- Corporate Governance
- Economic Overview

Sections by Mission statement

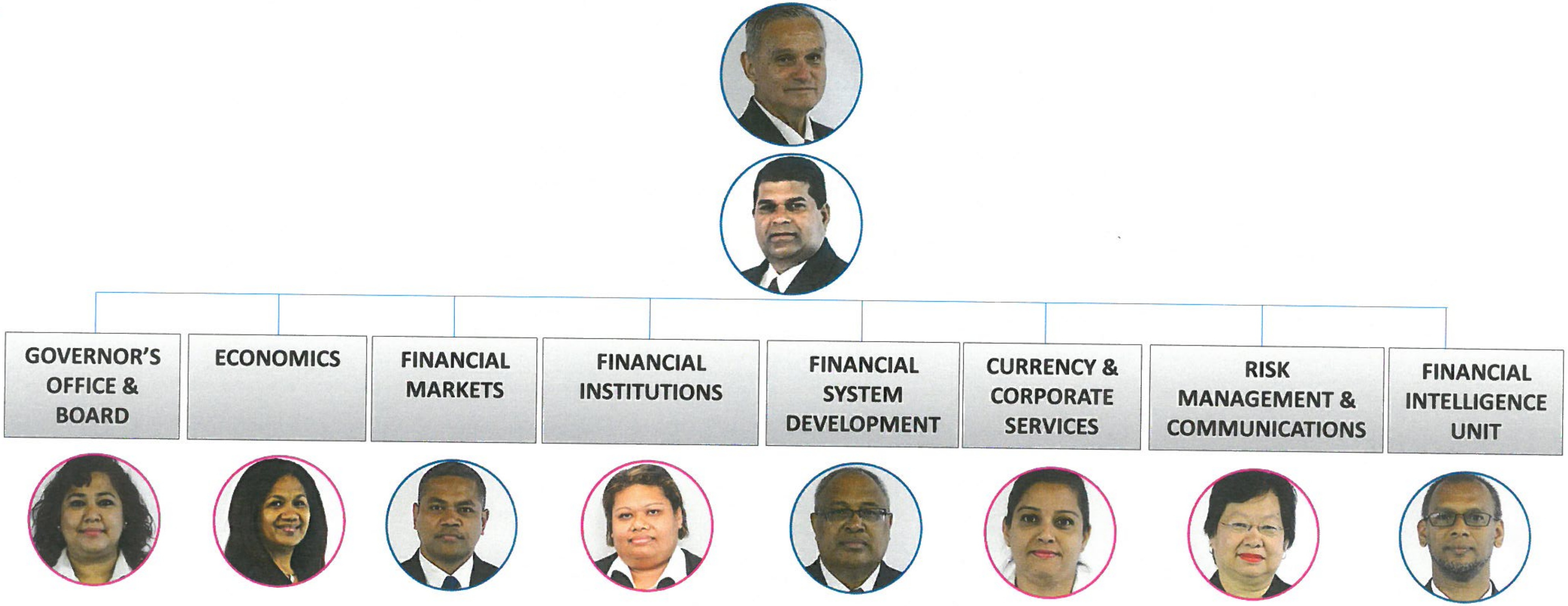
- Conduct monetary policy to foster economic growth
- Develop an internationally reputable financial system
- Enhance our role in the development of the economy
- Provide proactive and sound advice to Government
- Disseminate timely and quality information
- Recruit, develop and retain a professional team

- Financial Statements

Organisation Structure



Executive Management Team



GENDER	FEMALE	MALE
EXECUTIVE MANAGMENT	50%	50%
MIDDLE MANAGEMENT	48%	52%
TOTAL	42%	58%

Corporate Governance

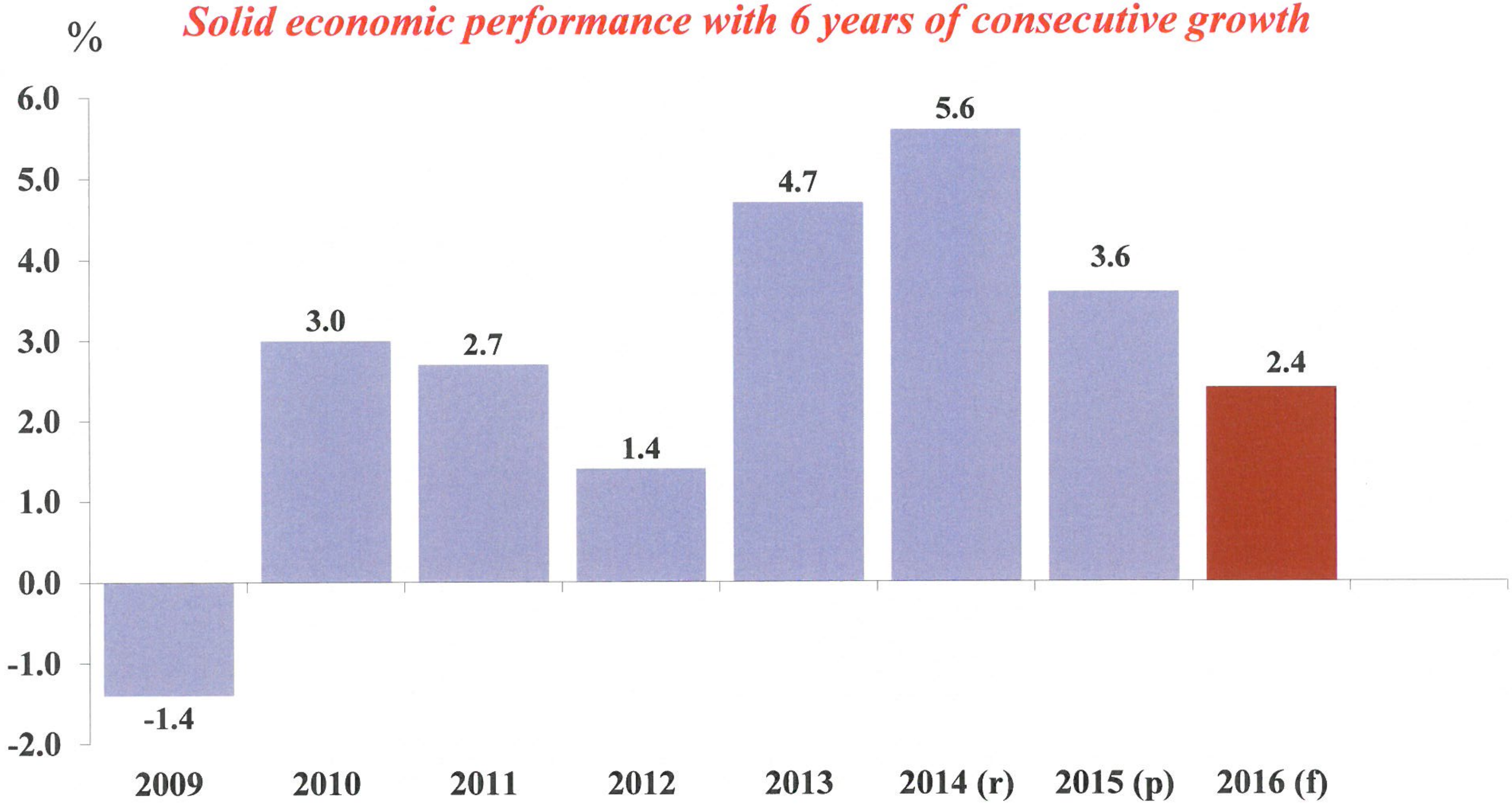
- **Section updates and addresses set up of:**
  - Board/Board Committees (BARC, BGC)/Meetings
  - Bank management/Policy Committees/Meetings
  - Delegations of Authority
  - Strategic/Annual Planning cycles
  - Risk management/Business Continuity/Business resumption

Economic Overview

- Section updates on the international & domestic economy
- Key highlights include:
  - 6 years of positive economic growth for Fiji to 2015
  - 5.3% 2014 and 4.2% (r) 2015 (nb. Both numbers recently revised)

Economic Growth

Solid economic performance with 6 years of consecutive growth



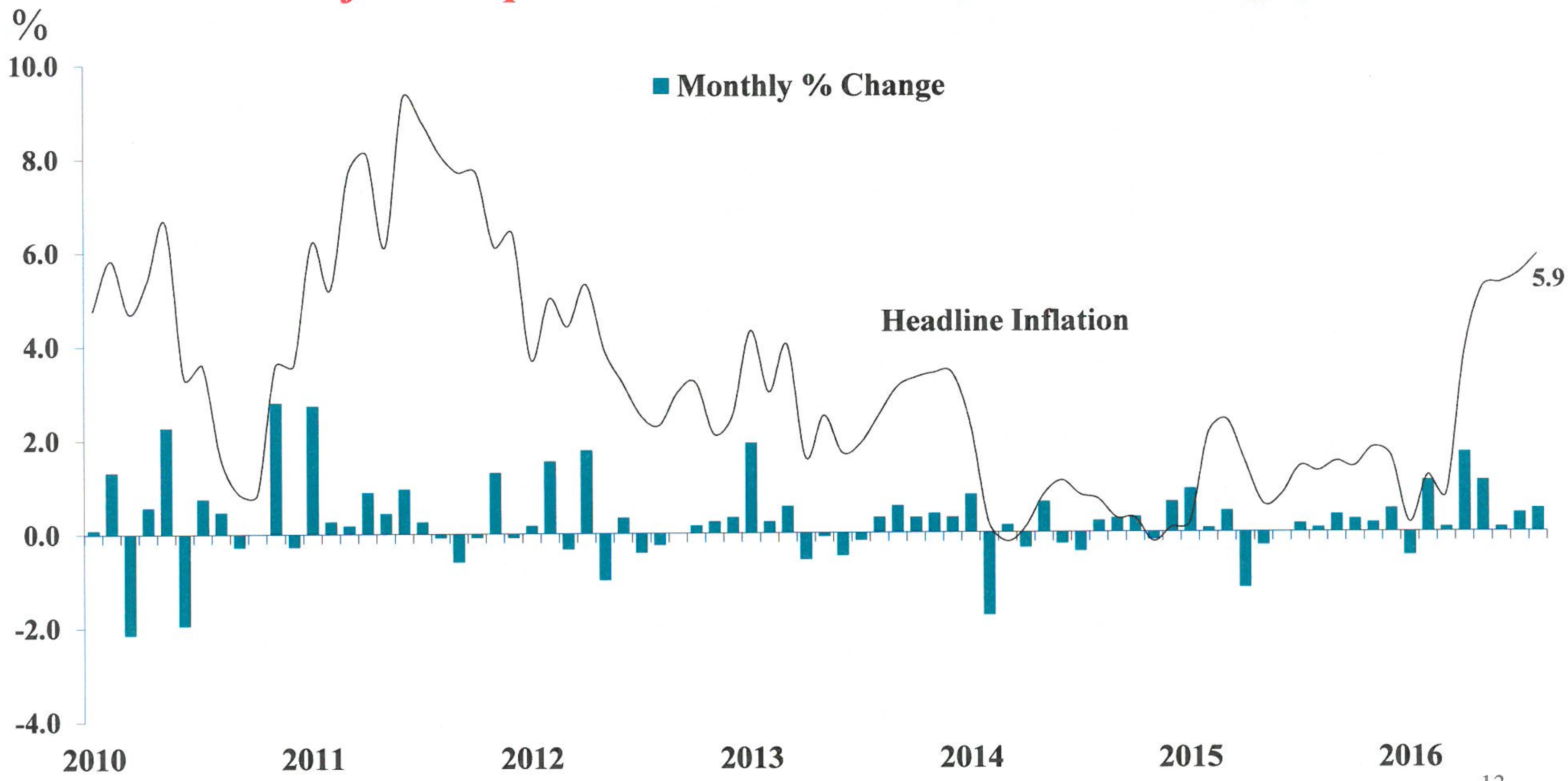
Mission: Conduct monetary policy to foster economic growth

- Section highlights work towards monetary & external stability

- Work and KPIs include –
  - Monetary policy formulation
  - Monetary policy implementation
  - Stable & low inflation
  - Maintain an adequate level of foreign reserves

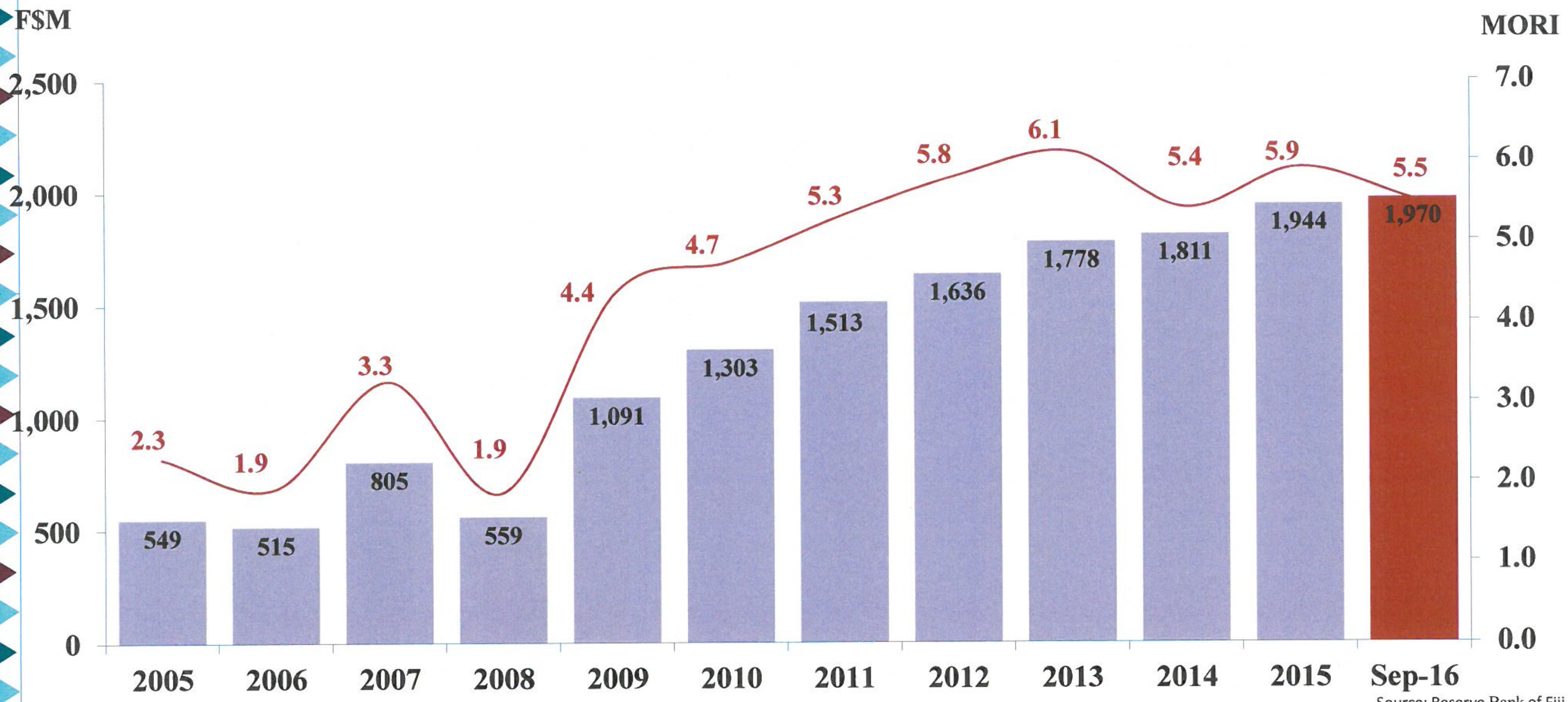
Inflation

Recent inflation spike - domestic driven (TCW and Budget)



Foreign Reserves

Improved foreign reserves position ensures external stability



Source: Reserve Bank of Fiji

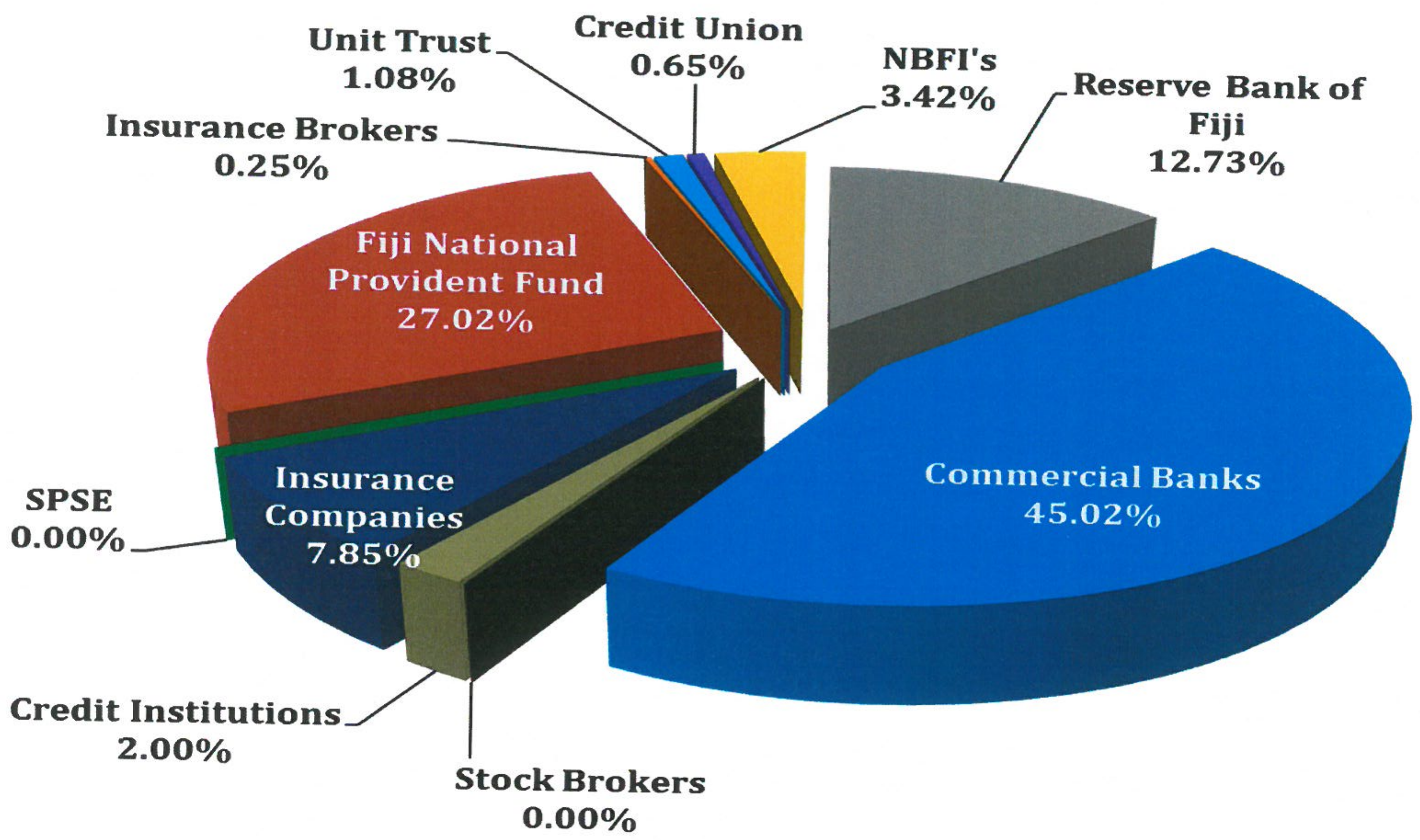
Mission: Develop an internationally reputable financial system

- **Section highlights work towards financial system stability**

- **Work and KPIs include –**
  - Policy development for licensed entities/institutions (Banks, credit institutions, FX dealers, insurance industry, FNPF, Capital Markets)
  - On-site/off-site supervision of all licensed entities/institutions (Growing & sound financial system, low NPLs, prudent management, competition, innovation)
  - AML/CFT policies and supervision (compliance with FTR Act, STR reporting, Border currency reporting, international standards and liaison)
  - Currency issue (clean notes, few counterfeits, sufficient stocks)
  - Effective and efficient Payments and Settlement systems (timeliness, no downtime)

Fiji's Financial System

Gross Assets as at June 2016 - $19.4 billion ($14.4bn 2014)



Financial Stability

Financial System is Sound (2014-2015)

Currency Issue

- Demands of the public met with high quality notes & coins with upgraded security features;
- Volume of currency in circulation grew by 14.2% in 2015 (Notes +14.9%, Coins +6.0%);
- Cost of currency issued increased by 3.4% in 2015 to $3.0m;
- All denominations in stock to last until 2020;
- Study on the new $5 polymer note reveals note life is slightly higher than earlier anticipated;
- Counterfeiting of currency is negligible.

Mission: Enhance our role in the development of the economy

- **Section highlights our non-traditional work to help drive the economy**

- **Work & facilities includes –**
  - Special loan facilities to help exporters, import substitution, low cost housing
  - SME Guarantee Scheme (2014 – 708 loans/$41.6m, 2015 -1,133 loans/$68.5m)
  - Financial inclusion – NFIT/Working Groups/Expositions/Financial literacy/achieve goals from first FI Strategic Plan and Maya commitments/demand side survey/mapping access sites
  - Financial system development plan (2016-2020)
  - Capital markets development plan (2016-2020)

Mission: Provide proactive and sound advice to Government

- Section highlights our coordination with Government

- Work and KPIs include –
  - Macroeconomic Committee (forecasting)
  - Cashflow Technical Committee (Registry services for bond and Tbills)
  - Advice on International USD Bond rollover (2015)
  - Update Minister as required
  - Brief Parliamentary Standing Committees
  - Presentations on the economy as required
  - Join Government Investment roadshows and delegations to international meetings

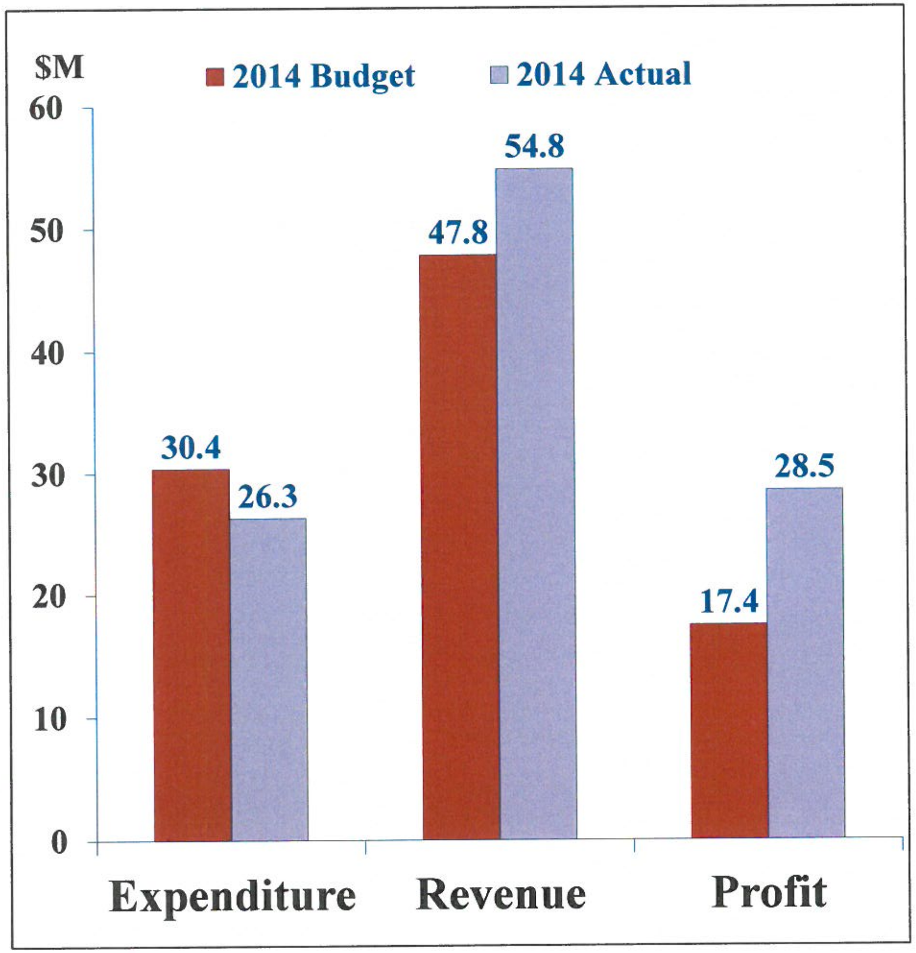
Mission: Disseminate timely & quality information

- Section highlights our financial performance, publications, press releases, domestic and international liaison

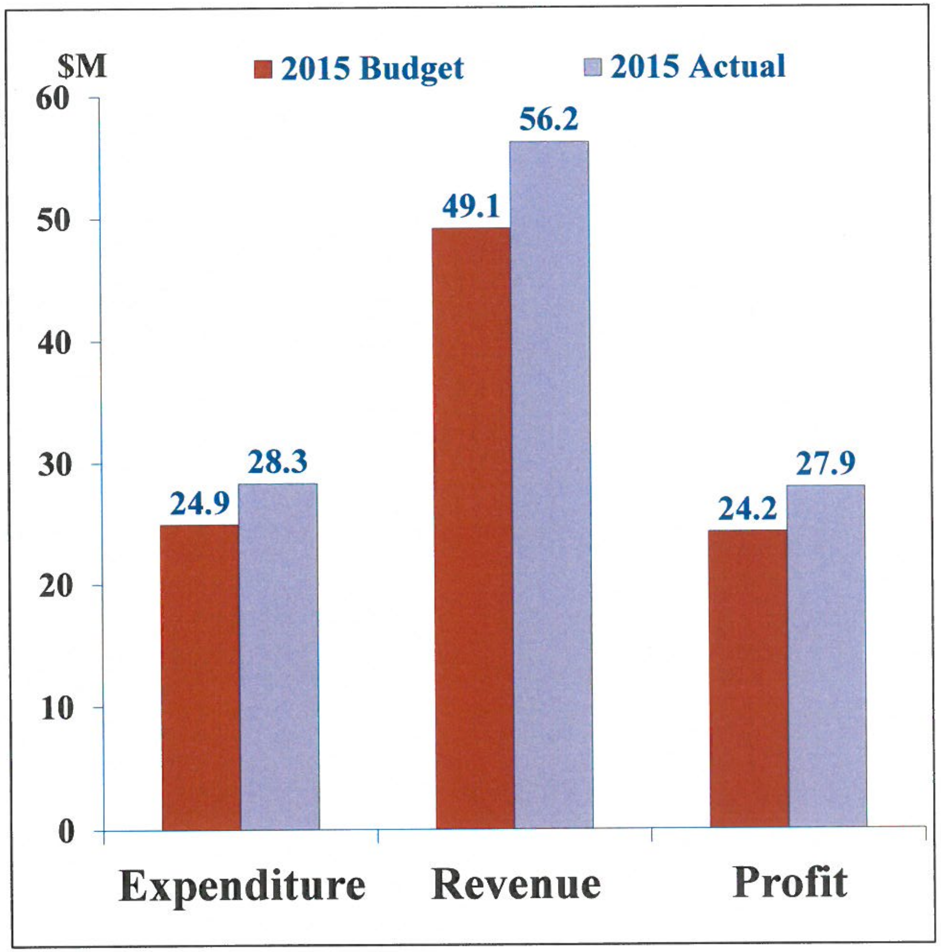
- Work and KPIs include –
  - Budget versus Actual financial outcomes
  - Transfers to Government
  - Timeliness of AR (Report on Operations and Accounts before 31 March – but now 31 October)
  - Attendance at International meetings (IMF/IBRD, ADB, AFI, PFTAC, SEACEN etc)

Budget Outcomes

2014



2015



Profits Transferred to Government

Year	Net Profit ($ Million)	One-fifth balance of Revaluation Reserve Account ($ Million)	Total ($ Million)
2010	21.5	17.4	38.9
2011	34.5	13.3	47.8
2012	25.4	10.0	35.4
2013	31.9	8.0	39.9
2014	28.5	6.7	35.2
2015	27.9	4.3	32.2
TOTAL	169.7	59.7	229.4

Mission: Develop and retain a professional team

- Section highlights staff, HR policies, QPM, service recognition

- Work and KPIs include –
  - Semi-annual performance appraisal interviews for each staff
  - Training needs analysis for each staff (our human capital)
  - Ongoing HR policy review

Staff Development – our Human Capital

- Human Resources Strategic Plan (2014 – 2018)
  - Acting capacity;
  - Job rotation;
  - Job enhancement;
  - On the job training;
  - Training opportunities locally and abroad, including secondments;
  - Encourage part-time and full-time studies;
  - Leadership training; and
  - Mentoring program.

Financial Performance

- **Section highlights the Annual Accounts prepared with the assistance of our external auditors in 2014 and 2015, PricewaterhouseCoopers**

- **Work and KPIs include –**
  - **2014 & 2015 fiscal years = calendar years (now changed!)**
  - **Accounts and Operations Report required to be completed and handed to Minister by 31 March (2015 Report and Accounts 1 month early!)**
  - **SPSE Annual Report Award for 6 straight years to 2015 (recognising transparency and disclosure)**

THANK YOU

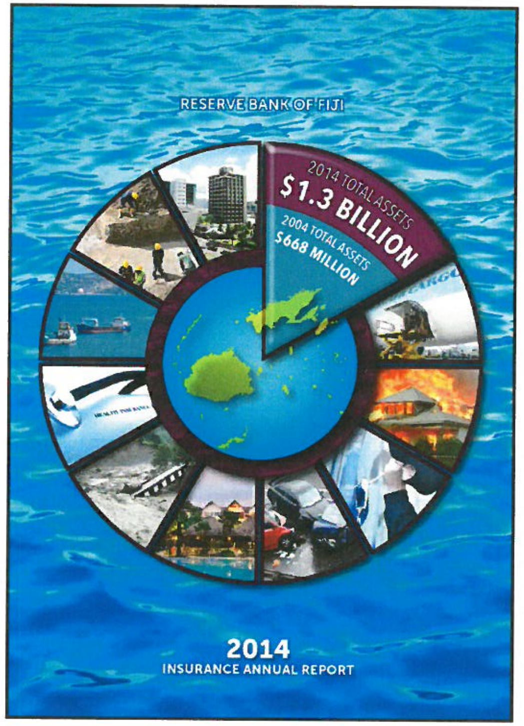
RESERVE BANK OF FIJI

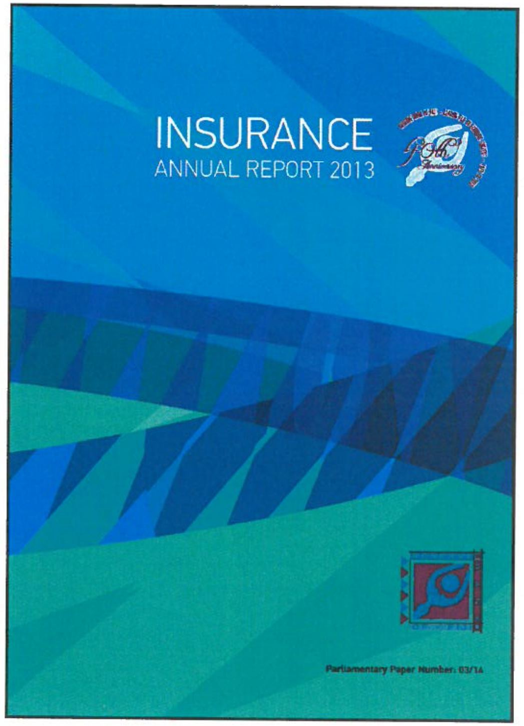
RESERVE BANK OF FIJI ANNUAL REPORT
RESERVE BANK OF FIJI INSURANCE REPORT

PRESENTATION TO STANDING COMMITTEE ON ECONOMIC AFFAIRS

INSURANCE ANNUAL REPORT

- Required under section 165 of the Insurance Act 1998
- Report has been produced since 1977
- Annual audited industry statistics required under section 60
    - Assets
    - Solvency
    - Gross Premiums
    - Claims & Policy Payments
    - Profitability
- International Developments
- Domestic Developments
- Supervision and Regulation





IMPORTANCE OF INSURANCE INDUSTRY

Risk Transfer Role

- Safeguards financial health of individuals, families, communities, businesses, economy.
- Crucial for individuals to protect themselves against inability to work, for retirement/death and loss of assets.

Information Role

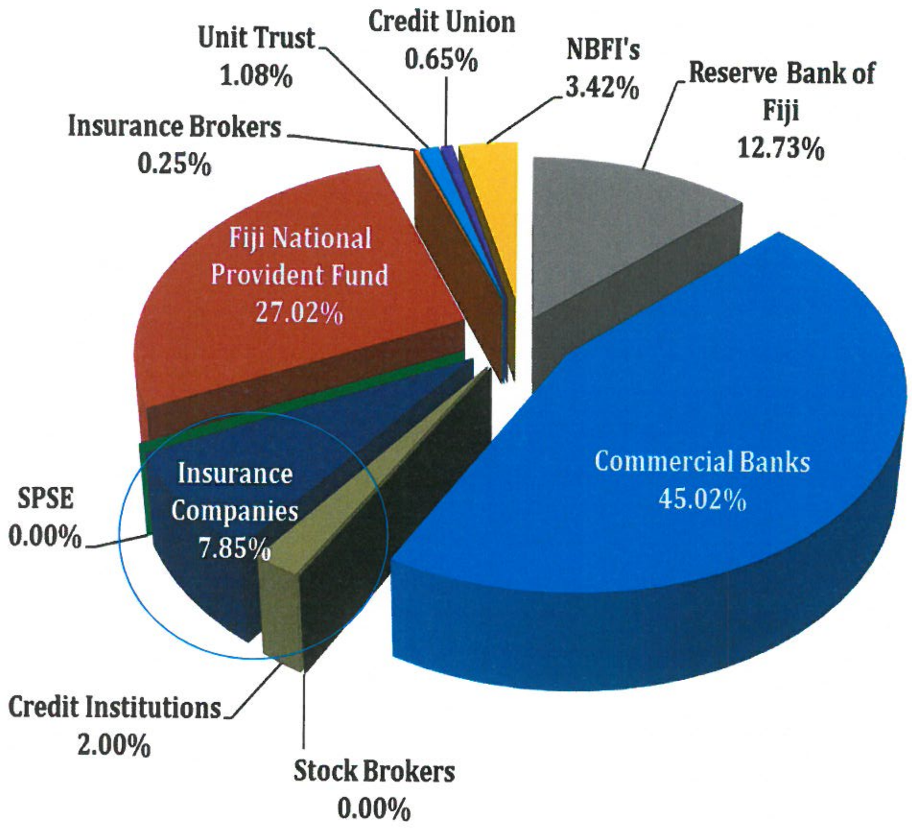
- Provides an indication of existing risks in an economy and probability of loss.
- Helps businesses compare risk/return profile of projects and assists therefore in efficient allocation of resources.

Capital Market Role

- Act as institutional investors in the economy when insurance companies invest pools of premiums received .
- Mobilises national savings for productive use.

FIJI'S INSURANCE INDUSTRY

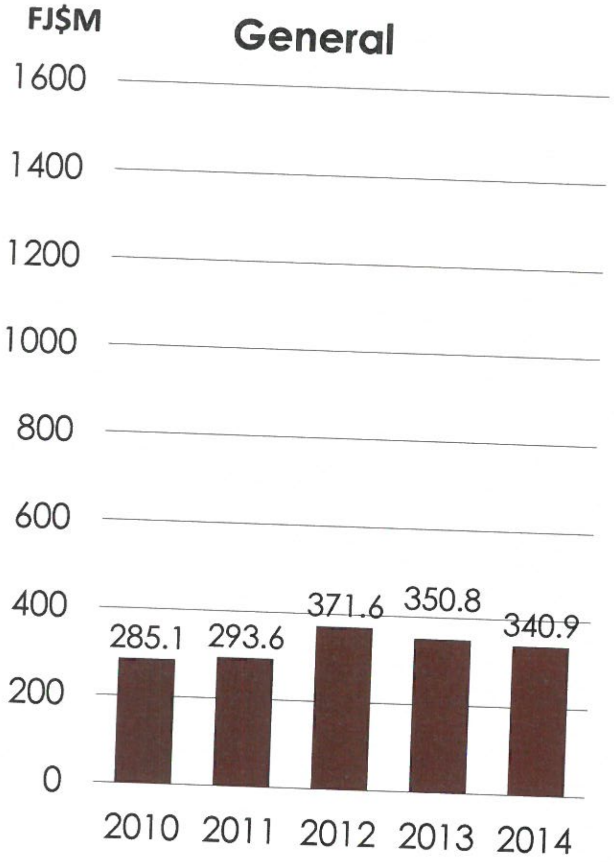
Financial System Assets –June 2016 $19.4 billion

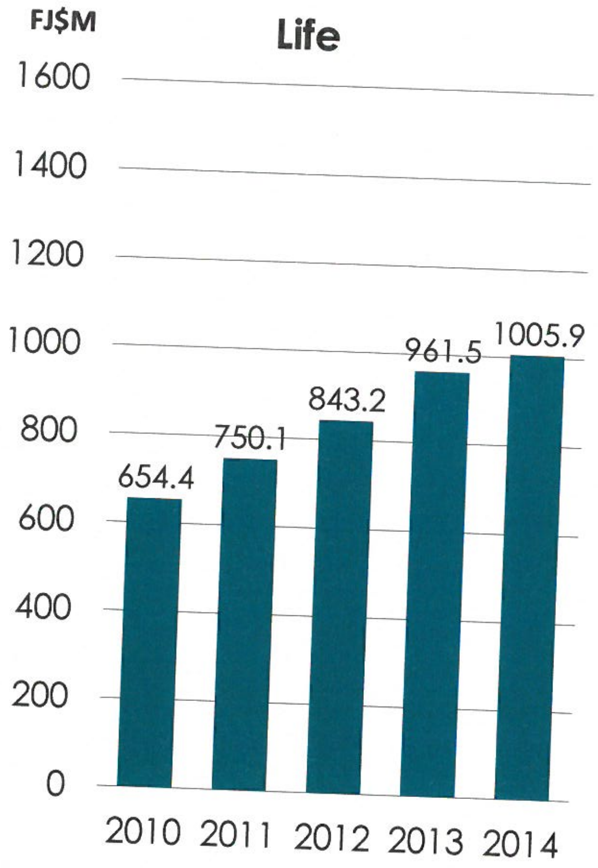


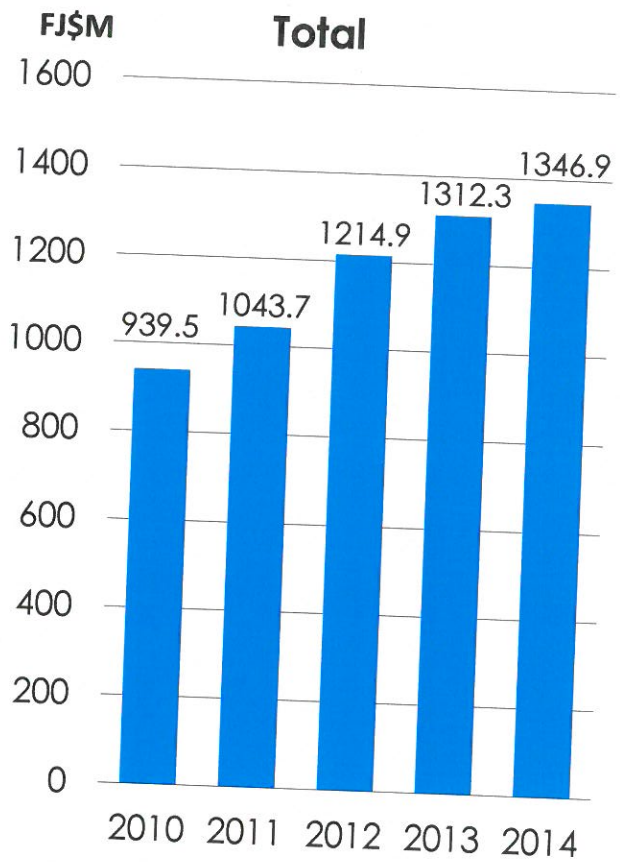
Market Share by Net Premium s December 2015

General Insurers	Market Share
Dominion Insurance	11.9%
BSP Health	11.0%
FijiCare	8.9%
New India	18.8%
QBE Insurance	17.9%
Sun Insurance	15.7%
Tower Insurance	15.9%
Life Insurers	
BSP Life	47.2%
LICI	52.8%

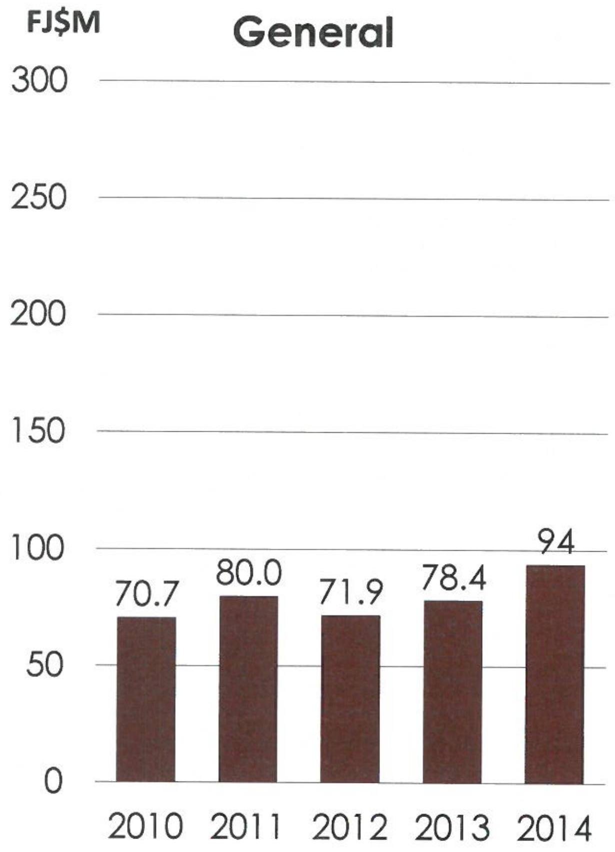
KEY SOUNDNESS INDICATORS - Assets

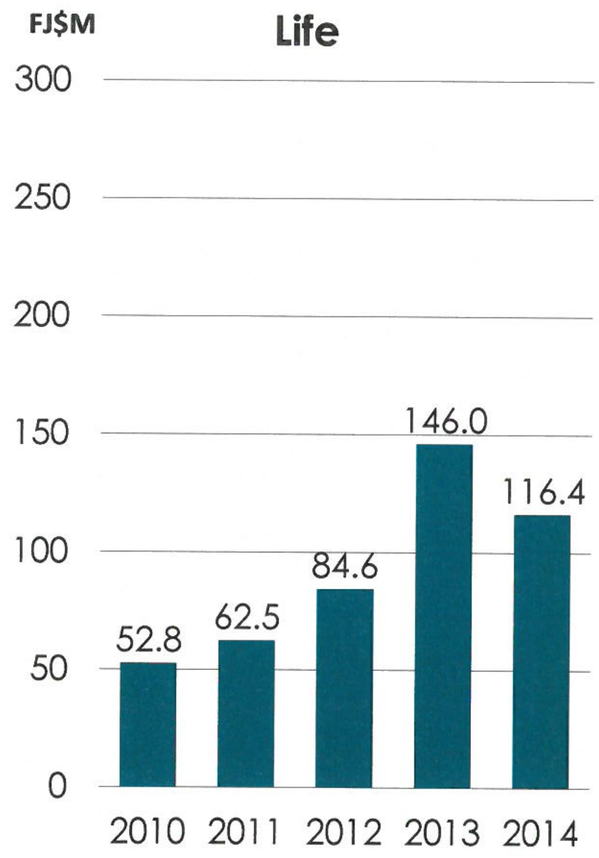


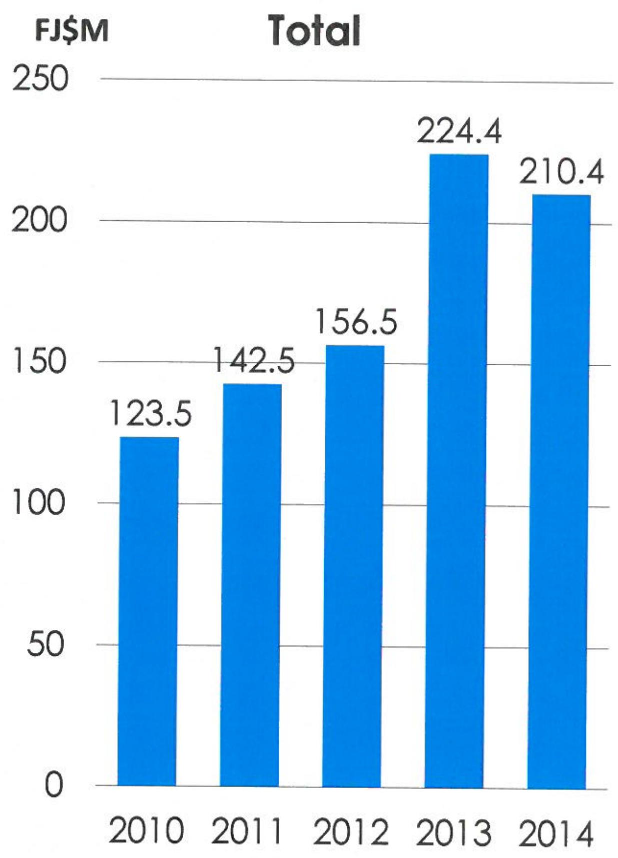




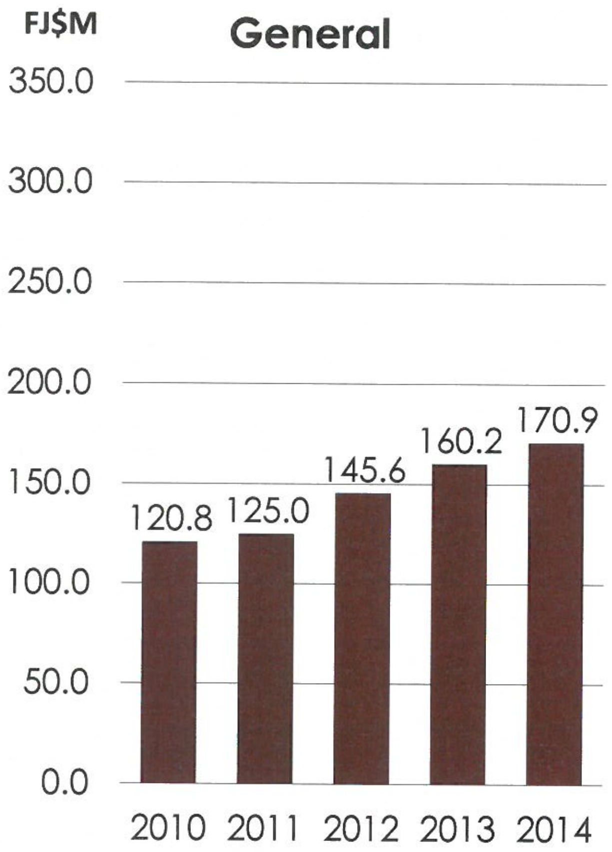
KEY SOUNDNESS INDICATORS - Solvency

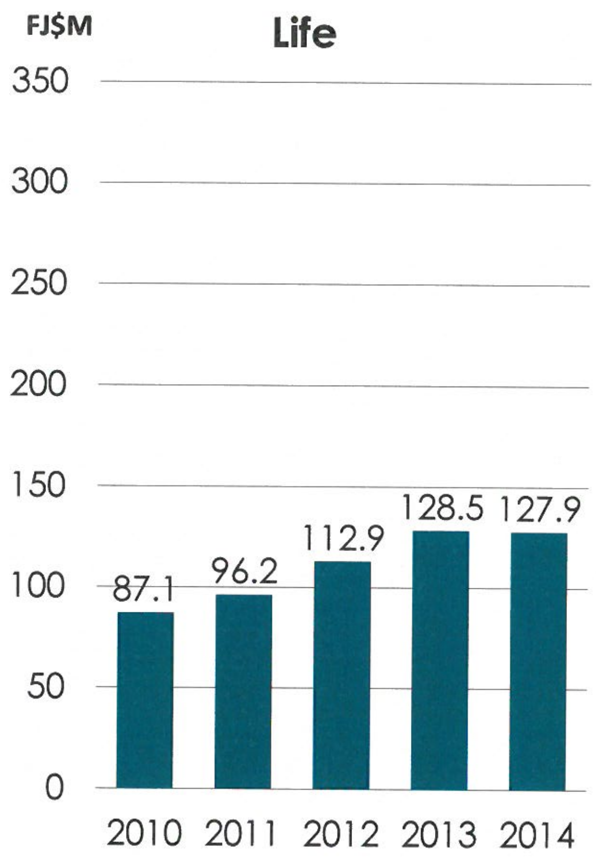


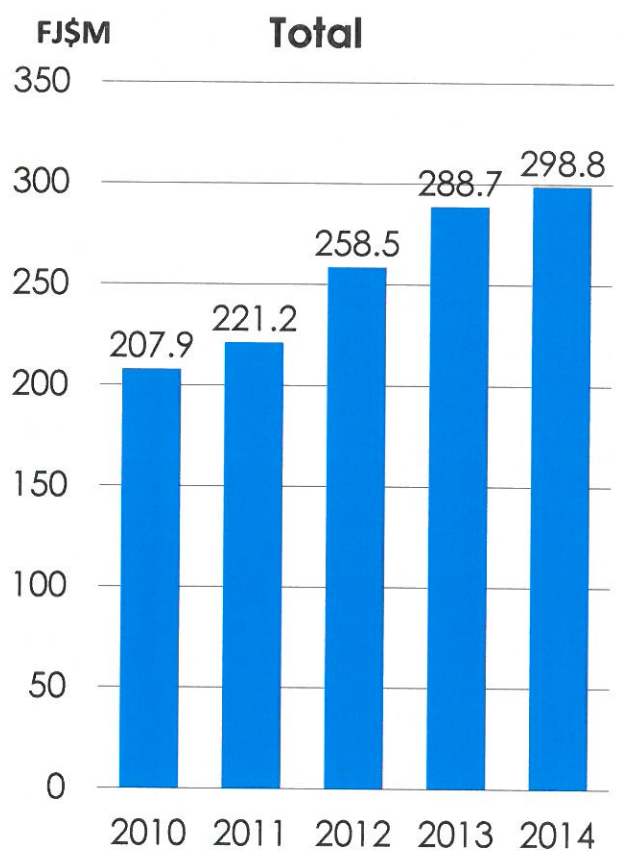




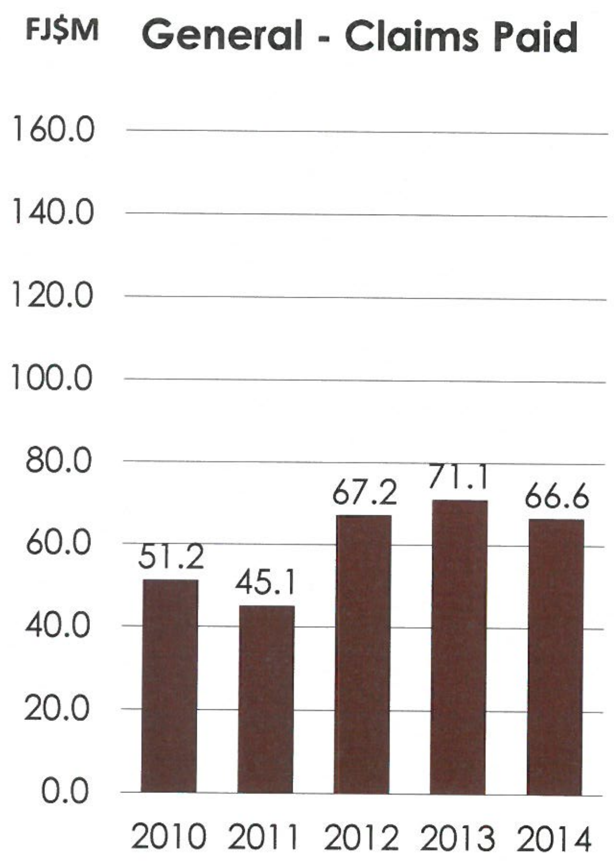
KEY SOUNDNESS INDICATORS – Gross Premium

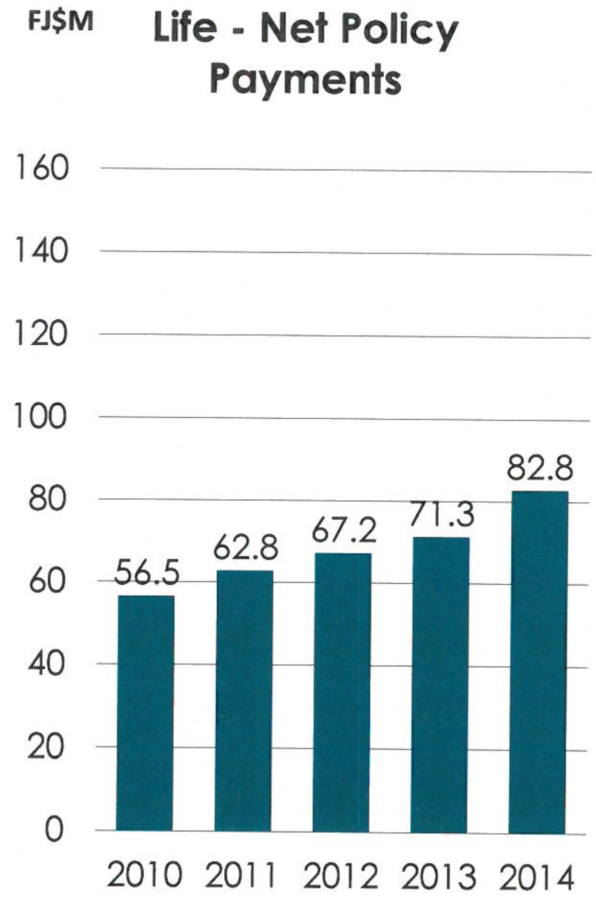


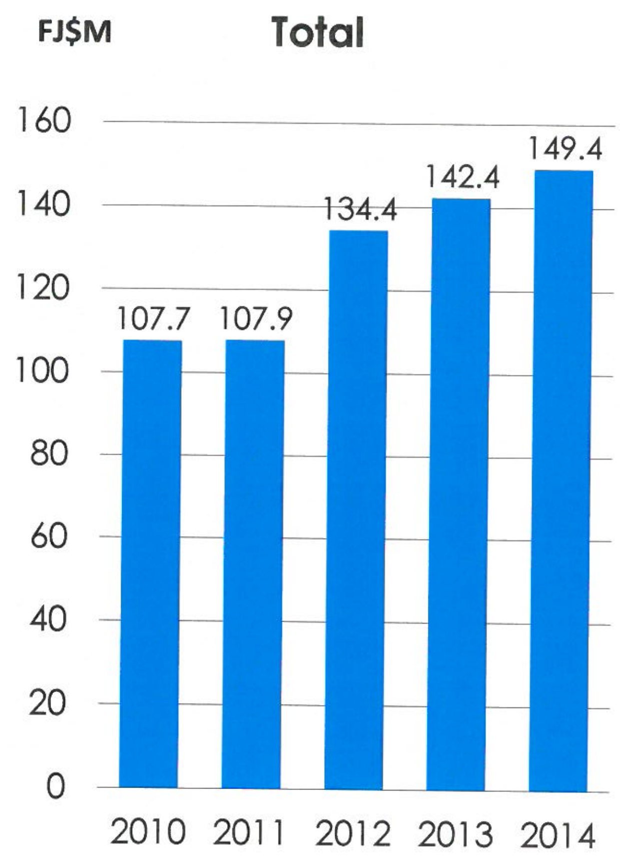




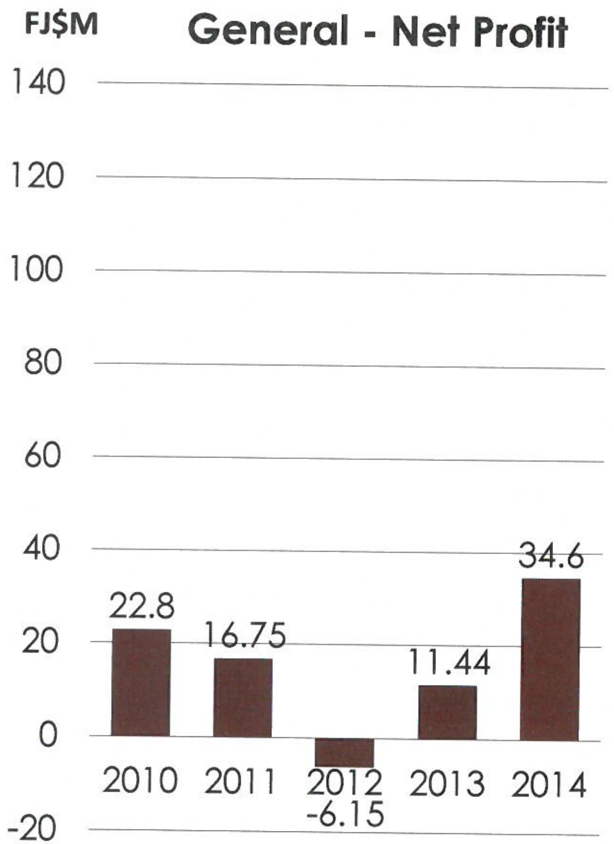
KEY SOUNDNESS INDICATORS – Claims & Policy Payments

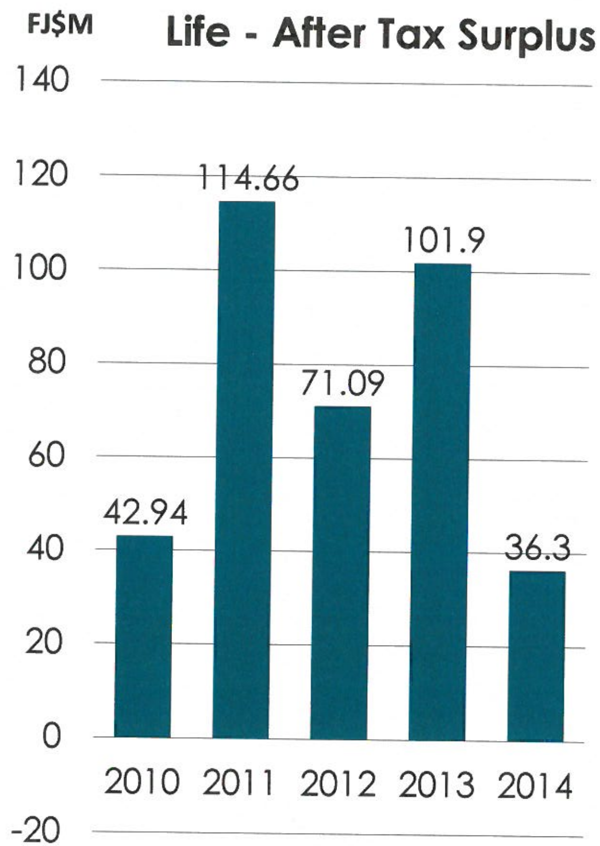


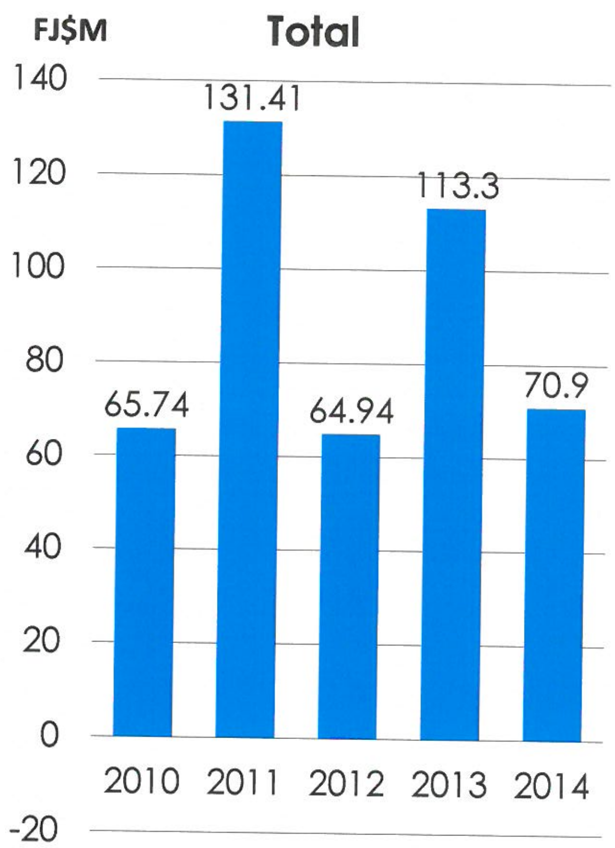




KEY SOUNDNESS INDICATORS – Net Profit after Tax

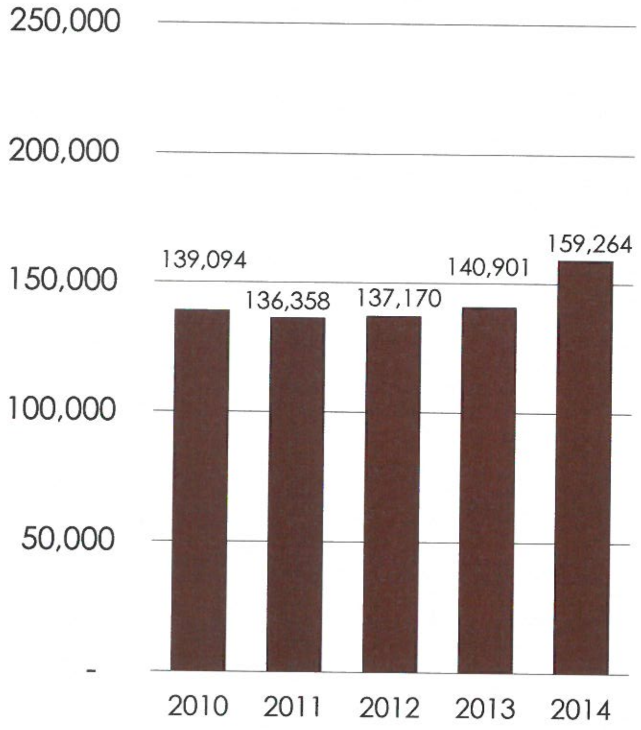




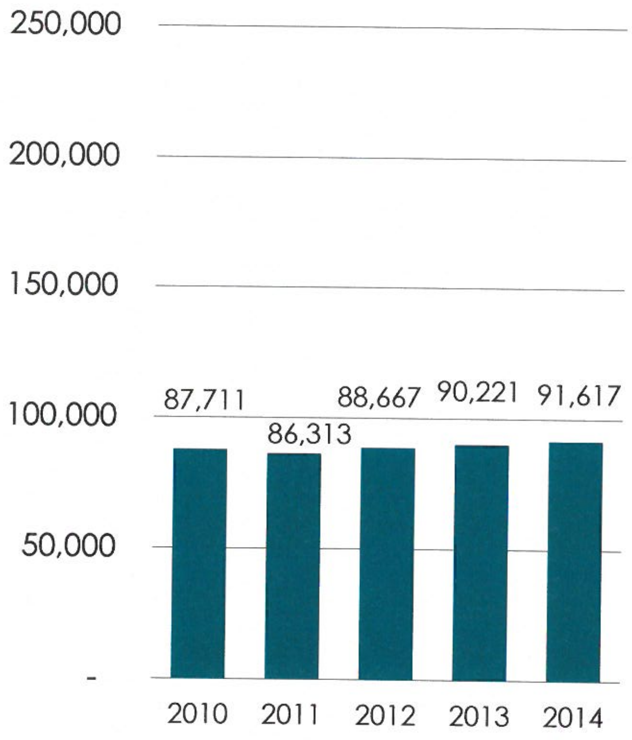


KEY SOUNDNESS INDICATORS – Policy Numbers

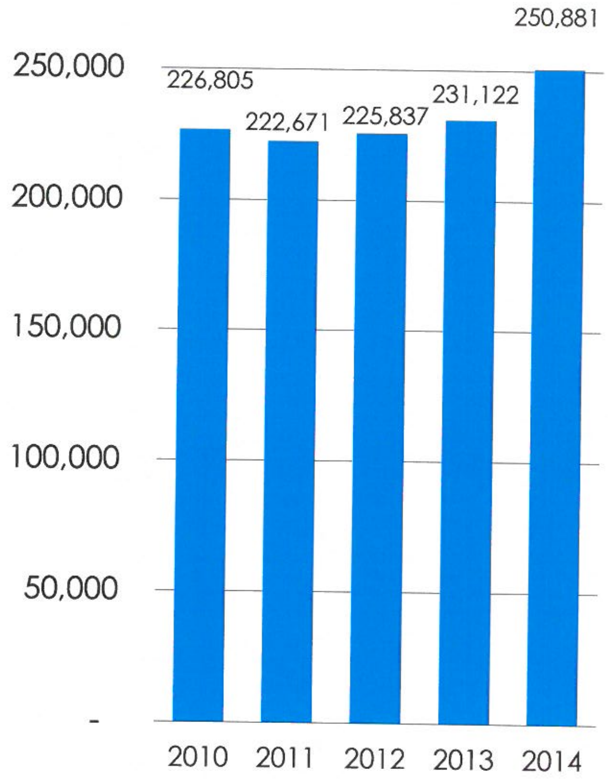
General



Life



Total



INDUSTRY HIGHLIGHTS – 2013 | 2014

Insurance industry recorded significant growth

- Life insurance industry assets surpassed billion dollar mark;
- Significant turnaround of the general insurance sector;
- Notable absence of catastrophic events; and
- Both sectors remained well-capitalised.
- Positive results in earnings and profitability

Industry growth reflection of period of economic growth

- Insurance is a "barometer" of economic activity, if the economy grows, the insurance industry also grows, to some extent in the same proportion.

Industry remained safe and sound

- Capital and earnings levels satisfactory;
- Risk management by individual companies continued to be enhanced.

REGULATION AND SUPERVISION

- **Mandate of maintaining financial stability through the protection of policyholders.**
- **Regulatory powers through the Insurance Act 1998**
- **Regulation**
  - **Administration and review of Insurance Act requirements;**
  - **Prudential supervision policy development and review** (2013-2014 | Review of Solvency Requirements; Supervision of Insurance Agents);
  - **Licensing.**
- **Supervision**
  - Ensuring compliance with statutory requirements;
  - Analysis of prudential statistics and off-site reporting;
  - Onsite reviews;
  - Prudential consultations/audit trilateral meetings/actuarial meetings;
  - Ongoing industry surveillance.

INDUSTRY OUTLOOK – 2015 | 2016

2015 still a good year for the industry however:

- a period of stiff competition;
- increased risk-taking by some individual companies;
- all financial soundness indicators remained satisfactory; and
- reinsurance and solvency surplus adequate to mitigate major losses.

2016 started with major catastrophe event

- insured losses from TC Winston continue to be assessed;
- estimated insured losses as at 10 August 2016 - $232.7m;
- 2016 flood claims reported at $0.8m;
- reinsurance and solvency surplus accumulated over the last 3 years assessed as buffers to adequately meet all claims.

THANK YOU