



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Reserve Bank of Fiji Insurance Annual Report 2015



PARLIAMENT OF THE REPUBLIC OF FIJI
Parliamentary Paper No.16 of 2016

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Table of Contents

Chair’s Foreword..... 3

Introduction 4

List of Recommendations 5

Conclusion 7

Chair's Foreword

The Standing Committee on Economic Affairs was tasked by Parliament to review the Reserve Bank of Fiji's Insurance Annual Report 2015.

Oral and Written Submissions were received and deliberated upon by the Committee as per Standing Order 112(1). The Stakeholders were inclusive of RBF, BSP Life & Health Care (Fiji) Limited, Life Insurance Corporation of India, Sun Insurance Company Limited, New India Assurance Company Limited, Dominion Insurance Company Limited and Aon Insurance Brokers.

In light of the fact that Fiji continues to be faced with the adverse effects of climate change, the Committee felt that every citizen should be made more aware of the importance and benefits of being insured and also of the types of packages that are available to them. In the area of general property insurance Fiji's penetration is less than 12% which is extremely low. More vigorous awareness and encouragement is suggested.

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

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



HON. LORNA EDEN

CHAIRPERSON

Introduction

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

The Governor, in his foreword stated that 2016 would be the year of possibilities. He highlighted that they would be working with insurance companies to address the insurance coverage gap that arises with Fijians' increased vulnerability to climate related shock. Together with the technical and financial assistance afforded to them by the Pacific Financial Inclusion Programme, and the Asian Development Bank, RBF continues to press forward, growing the initiatives for inclusive insurance in Fiji.¹

It is imperative for the people of Fiji to understand the importance of being insured in order to safeguard themselves from the uncertainties that may be lurking especially taking into consideration that Fiji is prone to natural disasters such as Tropical Cyclone Winston which had an adverse effect on the country as a whole in early 2016. Other types of disasters include fire, earthquakes, floods, hurricanes and tsunamis. The insurance industry in Fiji has various forms of policies tailored to suit all needs and these forms of insurance have been listed in the recommendations.

¹ RBF Insurance Annual Report 2015

List of Recommendations

Recommendation One:

General Insurance - As we are a World Champion of Climate Change, we encourage dialogue across the board to ensure every Fijian has property insurance given the inevitability of disasters. This will create a premium pool sufficient to meet the cost of calamities and such uptake of insurance could possibly reduce premiums overall. The Committee is fully aware that penetration for insurance in the general community is very low (less than 12%).²

We agree with the sentiments expressed by the Governor of RBF and his team in terms of the introduction of bundled inclusive insurance products to stimulate demand and improve the insurance coverage gap.

The Committee feels further rigorous encouragement on the benefits of the property insurance should be carried out with the possible outcome of property insurance cover becoming compulsory in the future.

Recommendation Two:

Life Insurance - The Committee notes the low penetration with life insurance. This is especially pronounced amongst low income earners. The Committee therefore believes that special packages designed by insurers for this category of workers be strongly encouraged. The Committee is aware that special packages such as (BIMA) are designed specifically for this segment.

Recommendation Three:

Medical Insurance - The Committee is mindful of the commercial viability to the insurers of providing such services especially the costs of overseas treatments. It recommends that every effort be made to establish special medical facilities to meet the needs of the cases that are currently being treated overseas. The Committee recognises that such facilities can result in the reduction of premiums and thus encourage more people to take up medical insurance.

Recommendation Four:

Crop Insurance - The Committee would wish that further studies be made into the types of facilities for crops in India and other countries to be emulated in Fiji. This could also encompass other farm industries.

Recommendation Five:

Insurance for Government owned properties - The Committee believes that we should pursue every effort to provide coverage for all State owned properties and enterprises generally known

² RBF Annual Report 2015

as catastrophe risk. As an example Fiji Sugar Corporation Limited was self-insuring up to 2015 but a month prior to Tropical Cyclone Winston they opted to take a cover costing \$2m in premiums for which they received \$37m for damages suffered.

The Committee also recommends considerations along the lines of a parametric coverage. This essentially means coverage for a specific sum for any event once the parameters are breached e.g. if insured for \$100m for the event of a Category 4 Cyclone, the client will receive payment once the parameters for Category 4 are breached, without involving any other insurance processes such as assessment of damages etc.

Recommendation Six:

Self-Insurance - The Committee believes that those who wish to self-insure be given the opportunity to do so and that this method be recognised.

Conclusion


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

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

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

APPENDICES

**COPIES OF SUBMISSIONS RECEIVED BY THE STANDING COMMITTEE ON
ECONOMIC AFFAIRS**



Presentation to the
Standing Committee on
Economic Affairs

Malakai Naiyaga - Managing Director
Munendra Naidu - Chief Financial Officer

WE ARE BSP

bsp life

bsp life

- Introduction
- Life Insurance Products
- Health Insurance Products
- About BSP Life
- Role of Life Insurance in development of Savings Culture
- Market Trends

2

Introduction

bsp life

- Why the need for Life and Health Insurance?
 - Provides financial protection for Individuals
 - Protects your family and loved ones when you are no more
 - Supplement FNPf on retirement
 - Helps finance needs at all stages of life
 - Provides a peace of mind
- There are two types of life insurance – Permanent and Term Insurance
- Various versions of medical (health insurance) products

3

Life Insurance Products

bsp life

4

Types of Life Insurance

bsp life

Permanent Insurance (Participating Policies)

- Accumulates a cash value
- Participate or share in the profits of the company's participating fund. This is paid in the form of bonuses.
- Savings and Investment policies e.g. Endowment and Whole of Life

Term Insurance (Non-Participating Policies)

- Provides protection only for a fixed period of time
- Does not accumulate a cash value
- Does not participate or share in the profits of the company's participating fund.
- Protection policies e.g. Term Life

5

Product Categories

Endowment and Whole of Life Products

bsp life

- At inception, the Policy Owner chooses the product and a Sum Insured which best suits their needs. The benefit(s) applicable is linked to the Sum Insured.
- The Sum Insured is guaranteed and paid when the policy matures or upon death of the Life Insured.
- The Policy builds a cash value that can be set aside for short to long term goals e.g. paying for your children's education.
- Premium rate remains the same for the entire policy term.
- The period during which the premiums are payable is set by the product taken and may cease before the Policy end date.

6

Product Categories (cont'd)

Endowment and Whole of Life Products

bsplife

- Since the Policy Owner contributes capital, in the form of premiums to the business, he/she is entitled to share in the Policyholder Fund's profits.
- The Policy accumulates bonuses as a means of distribution of profits earned, taking into account the sustainability of bonus in the future.
- In the event the Policy Owner wishes to discontinue with the Policy, the Cash Value of the Policy will be payable.
- The Policy Owner can also take out Policy Loans.

7

Product Category

Term Life Products

bsplife

- At inception, the Policy Owner chooses the product and a Sum Insured that best suits their needs. The benefit(s) applicable is linked to the Sum Insured.
- The Sum Insured is guaranteed and paid upon death of the Life Insured.
- The Policy has NO:
 - Cash or Loan Value
 - Survival Benefit Payments
 - Maturity Payment
 - Bonuses are payable.
- Premiums payable are:
 - Determined at Policy inception and remain fixed for one year.
 - The premiums can be changed at Policy anniversary with appropriate notice.

8



9

Medical Insurance

bsp life

- Medical insurance is an annual premium product, that covers the cost of an insured's medical and surgical expenses.
- BSP Health Care (Fiji) Limited, fully owned subsidiary of BSP Life (Fiji) Limited, offers medical insurance products, to both groups and individuals. Depending on the level of cover, the following can be covered with different limits:
 - Treatment for Day Care, Hospitalisation and Surgery in either:
 - Any Local Public Hospital
 - At an Approved Private Medical Facility
 - Overseas evacuation
 - Maternity benefit
 - Outpatient Care
 - Dental & Optical benefits
 - Loyalty benefits:
 - Funeral Assistance Cover
 - Free Medical Check-up

10

bsp life

About BSP Life

11

About BSP Life

bsp life

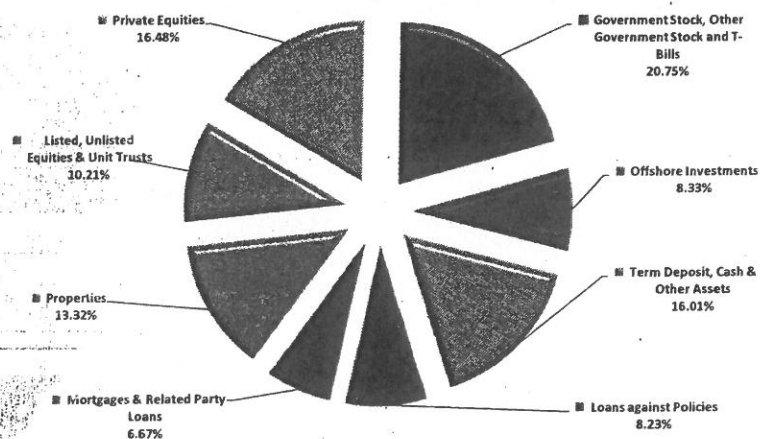
Strength	Sustainability	Customer Service
<ul style="list-style-type: none"> 140 years of existence, insuring lives and settling claims in Fiji. 	<ul style="list-style-type: none"> Backed by strong investment and asset portfolios. 	<ul style="list-style-type: none"> Qualified & experienced Advisors who are licensed by RBF.
<ul style="list-style-type: none"> Products to suit all needs – Fiji's only Life & Health Insurance Company. 	<ul style="list-style-type: none"> Expert Actuarial Support. 	<ul style="list-style-type: none"> Over 300 Staff & Sales Advisors.
<ul style="list-style-type: none"> Lives in Fiji, helping our economy grow. 	<ul style="list-style-type: none"> \$646 million in assets and one of Fiji's largest local investors. 	<ul style="list-style-type: none"> 10 Sales and Service Offices Fiji-wide.
<ul style="list-style-type: none"> Part of the Bank South Pacific Group. 	<ul style="list-style-type: none"> Experienced Board and Management team. 	<ul style="list-style-type: none"> Internet banking through BSP, ANZ, Westpac, M Paise, DigiMoney & EFTPOS.
<ul style="list-style-type: none"> Experienced, secure and reliable. 		

12

Investments Portfolio

bsp life

Portfolio Size: \$546m as at 30 September 2016



Our Investment portfolio is balanced and diversified to ensure investments are secure and receive sustainable returns.

13

bsp life

Role of Life Insurance in development of Savings Culture

14



DOMINION
INSURANCE

Dominion Insurance Ltd

"The Pacific's Insurer"

Presentation to the Standing Committee on Economic Affairs

26 October 2016

Jason Nihit - CEO



Dominion Insurance Ltd

- Dominion Insurance is a locally incorporated company and was established in January 1988.
- The company is well established within Fiji Market, Tonga & Vanuatu offering General Insurance, Medical and Term Life products within the country.
- Dominion Insurance Ltd has grown over the last 27 years to have some 12% of the Fiji market as well as significant operations in Vanuatu and Tonga together with an agency presence in Nauru.



DOMINION
INSURANCE

Capital Insurance

- Capital Insurance Group, one of Papua New Guinea's leading insurance entities acquired in September 2014 long established and well regarded Fiji insurer Dominion Insurance Ltd.
- CIIG is the 3rd largest insurer operating in multiple Pacific jurisdictions as measured by GWP, and the largest Pacific owned insurer operating in multiple jurisdictions.



DOMINION
INSURANCE

Core Functions

- Local presence includes:
 - Marketing
 - Distribution, including Development & Underwriting
 - Claims
 - Finance
 - Administration
- Additional Capital Group support for:
 - Underwriting (technical)
 - Reinsurance
 - Finance
 - Risk and Compliance
 - Staff Training



DOMINION
INSURANCE

Roles and Responsibilities

- CEO – Lead the business
- CFO – Responsible for all Dominion Insurance Ltd (Fiji/Tonga/Vanuatu) financial processing and reporting.
- Head of Claims – oversee General claims movement. People Class claims are dealt with by the Manager claims.
- Head of Distribution – Oversight of Underwriting division (Direct Business and Broker Business)



DOMINION
INSURANCE

Products

Products focused on the 'retail' market

- Burglary
- Motor Vehicle
- Compulsory Third Party
- Workers Compensation
- Home & Contents
- Term Life

*"Dominion Insurance, making Insurance accessible to all
Fijians"*



DOMINION
INSURANCE

Products cont.

- Products focused on the 'corporate' market:
- Commercial Fire
- Business Interruption
- Medical Group Scheme
- Motor Fleets
- Hull / Cargo



DOMINION
INSURANCE

Micro-Insurance

- **BIVA tripartite relationship** – This micro-insurance scheme cannot get off of the ground without the very important premium collection agency or platform.
- We needed to have a stable platform and a partner with the resources for premium collection.
- BIVA had the foresight to form a tripartite relationship with Digicel as the premium collection and paying agency.



DOMINION
INSURANCE

Micro-Insurance Cont.

- **Important financial inclusion initiative** - Fiji as for the very first time, this initiative offers financial inclusion for all walks of life from the Urban to the Rural Communities who cannot afford mainstream medical and life insurance.
- Until recently there has been a lot of rhetoric regarding affordable insurance for all with less than 10% of Fiji's Workforce having some insurance coverage.
- **Dominion/Capital Insurance in partnership with BIMA** and have taken a bold step and in the right direction to offer affordable and very basic insurance with very high returns for the price of cover.

Micro-Insurance Cont.

- # of policies for each product, including potential breakdown of which sum insured / cover the client chose
- Life \$3,000: 5,701
- Life \$6,000: 2,477
- Life \$12,000: 2,033
- TOTAL Life: 10,211
- Hospitalisation \$24 / night: 5,688
- Hospitalisation \$48 / night: 2,485
- Hospitalisation \$96 / night: 1,998
- TOTAL hospitalisation: 10,171



DOMINION
INSURANCE

Micro-Insurance Cont.

- Based on a survey on sample of 400 customers, the split seems to be 55% female / 45% male
- Only one claim paid so far: FJD 288 paid to a customer who was hospitalised. No other valid claim received.



DOMINION
INSURANCE

Products – Motor Vehicle

Total Number of MV & CTP policies sold in 2015

- Motor Vehicle – [2015 - 7681]
- CTP - [2015 - 16852]

Total Number of MV & CTP policies sold as at
21/10/16

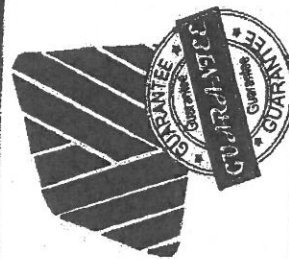
- CTP - [2016 - 17884]
- Motor Vehicle – [2016 - 7774]



DOMINION
INSURANCE

Services – Claims Guarantee

- We guarantee to pay or respond within 14 days of receiving all completed claims paperwork
- The first (and only) in Fiji
- Our belief that policyholders should not have to wait to get their money



DOMINION
INSURANCE

CLAIMS GUARANTEE



DOMINION
INSURANCE

Services – Assessment Centre

- Drive-in assessment centre
- The first in Fiji
- Simplifies and speeds up claims assessment
- Located in the heart of Fiji's Automotive Smash Repair Industry
- Commissioned in November 2014
- Has housed 444 vehicles till date
- Reduced overall claims cost by 20%

**Presentation to the Standing
Committee on Economic Affairs**



**The New India Assurance Co Ltd
26th October 2016**

Overview

Types of Insurance

- **Life Insurance**
- **General Insurance**

Overview

Life Insurance Companies in Fiji

- LICI
- BSP Life

Overview

General Insurance Companies in Fiji

- QBE
- New India Assurance
- Sun Insurance
- Fiji Care
- Capital (Dominion)
- Tower
- BSP Life

Intermediaries

BROKERS

- Marsh
- AON
- IHL
- Unity

Intermediaries

Agents

- Corporate Agents
- Individual Agents
- Bancassurance
- Telemarketing - BIMA

Other source of business

- Direct clients

Other Stakeholders

- Assessors
- Investigators
- Solicitors
- Doctors
- Reinsurers

General Insurance Products

1. Fire
 - Fire Policy
 - Industrial Special Risk
 - House holder and House owners Policy
2. Motor
 - Compulsory Third Party
 - Comprehensive Policy
 - Comprehensive Fleet Policy

Product ...

- 3. Engineering
 - Contractor All Risk
 - Contractor Plant & Machinery
 - Erection All Risks
 - Machinery Insurance
 - Electronic Equipment etc
- 4. Marine
 - Marine Hull
 - Marine Cargo

Products...

- 5. Miscellaneous
 - Burglary
 - Money
 - Plate Glass
 - Fidelity Guarantee
 - All Risk
 - Personal Accident etc
- 6. Liability
 - Workmen Compensation
 - Public Liability/ Product Liability
- 7. Health Insurance
- 8. Term Life

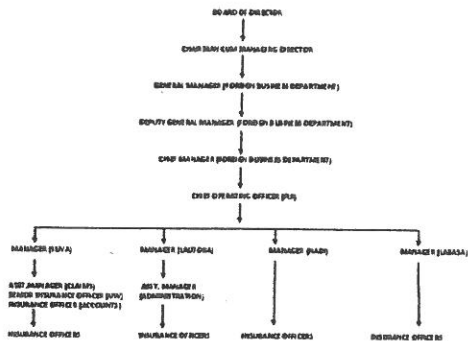
Reinsurance

- Treaty Reinsurance
- Facultative Reinsurance

New India Assurance Co Ltd

- The New India Assurance Co. Ltd was established in 1919 by Sir Dorabji Tata in Bombay (now Mumbai, India).
- The global operations of New India started as early as 1920 with the establishment of their London office. Today New India is operating in 28 countries.
- Gross Premium of FJD \$ 5,926 million in the year 2015-16. Assets approximately FJD \$ 20,283 million as on 31st March 2016
- New India started operation in Fiji since 1954
- NIA has branches in Suva, Lautoka, Nadi and Labasa
- 2014 - \$ 38.62 M GP
- 2015 - \$ 30.17 M GP
- 2016 - \$ 24.15 M GP up to September 2016
- New India is the largest General Insurer in Fiji on Net Premium basis
- New India is the only Insurer in Fiji which is "A" rated by accredited agency
- Our solvency ratio as of December 2015 is 12.5 times higher than required.
- Our solvency ratio as of June 2016 is 7.4 times higher than required
- We have total assets of \$ 144.48 M as of June 2016, out of which \$ 95.25 M is liquid assets.

ORGANIZATION STRUCTURE FOR NEW INDIA ASSURANCE (P) LTD.



CONSOLIDATED UW OPERATIONS FOR GENERAL INSURANCE INDUSTRY (₹ IN M)

	2011	2012	2013	2014	2015
GROSS PREMIUM	125.00	145.59	160.17	170.93	166.92
ACCRETION (%)	4%	16%	10%	6.7%	(-12.70%)
NET EARNED PREM	90.68	92.20	107.80	125.72	128.64
ACCRETION (%)	(-1) 3%	1.6%	17%	16%	2.48%
INCRD NET CLAIMS	45.228	74.57	71.36	53.64	60.35
NET LOSS RATIO	49.9%	80.9%	66.2%	42.7%	46.8%
EXPENSES RATIO	20.7%	22.2%	22.3%	23.1%	19.8%
COMBINED RATIO	70.6%	103.1%	88.4%	65.8%	66.6%

FIRE UW OPERATIONS FOR GENERAL INSURANCE INDUSTRY (₹ IN M)

	2011	2012	2013	2014	2015
GROSS PREMIUM	37.11	48.90	54.58	54.35	49.88
ACCRETION (%)	11%	32%	12%	(-1) 1%	(-18.22%)
RI PREM CEDED	17.83	33.38	31.10	23.63	21.23
NET PREMIUM	19.28	15.51	23.47	30.72	28.65
INCRD NET CLAIMS	2.93	21.25	36.69	2.68	6.52
NET LOSS RATIO	20.8%	195.7%	174.6%	10.1%	17.2%
EXPENSES RATIO	43.2%	66.9%	38.4%	35.8%	21.4%
COMBINED RATIO	64%	262.6%	263%	45.9%	38.6%

HOUSEHOLDERS UW OPERATIONS FOR GENERAL INSURANCE INDUSTRY (₹ IN M)

	2011	2012	2013	2014	2015
GROSS PREMIUM	8.01	8.78	8.93	9.43	9.95
ACCRETION (%)	(-5)%	10%	2%	5%	5%
RI PREM CEDED	3.85	3.50	4.33	4.32	9.11
NET PREMIUM	4.16	5.28	4.60	5.11	0.83
INCRD NET CLAIMS	1.07	4.50	2.11	1.49	0.37
NET LOSS RATIO	29.3%	90.8%	48.9%	32.9%	(-15.7%)
EXPENSES RATIO	30.4%	22.1%	27.6%	30.0%	(-13.3%)
COMBINED RATIO	59.7%	112.9%	76.5%	62.9%	(-119%)

MOTOR UW OPERATIONS FOR GENERAL INSURANCE INDUSTRY (F\$ IN M)

	2011	2012	2013	2014	2015
GROSS PREMIUM	25.85	29.34	34.51	40.05	41.56
ACCRETION (%)	1%	14%	18%	16%	3.7%
RI PREMIUM CEDED	1.78	1.44	1.86	1.89	3.29
NET PREMIUM	24.06	27.90	32.65	38.16	38.27
INCURRED NET CLAIMS	14.68	16.43	16.80	20.64	26.20
NET LOSS RATIO	60.8%	63.8%	57.9%	59.5%	69.6%
EXPENSES RATIO	14.4%	14.8%	17.0%	18.5%	14.5%
COMBINED RATIO	75.2%	78.6%	74.9%	78.0%	84.1%

MOTOR CTP UW OPERATIONS FOR GENERAL INSURANCE INDUSTRY (F\$ IN M)

	2011	2012	2013	2014	2015
GROSS PREMIUM	11.08	9.01	10.61	9.32	9.24
ACCRETION (%)	(-) 2%	(-) 19%	18%	(-) 13%	(-) 1%
RI PREMIUM CEDED	1.19	0.90	0.88	0.85	0.62
NET PREMIUM	9.89	8.10	9.73	8.47	8.62
INCURRED NET CLAIMS	5.29	4.88	10.01	1.90	10.47
NET LOSS RATIO	53.4%	57.0%	(-) 1.6%	21.7%	(-) 0.5%
EXPENSES RATIO	6.2%	5.8%	5.9%	9.4%	5.5%
COMBINED RATIO	59.6%	62.8%	4.3%	31.1%	5%

CONSOLIDATED BALANCE SHEET FOR GENERAL INSURANCE INDUSTRY (F\$ IN M)

	2011	2012	2013	2014	2015
LOS CLAIMS PROVISION	69.51	141.52	198.70	72.39	69.60
TOTAL ASSETS	293.61	371.63	350.79	340.89	360.70
TOTAL LIABILITIES	162.59	257.55	232.12	212.79	206.73
NET ASSETS	131.02	114.07	118.66	128.10	153.96
PAID UP CAPITAL	28.93	28.93	31.97	32.22	32.43
RETAINED PROFITS	85.11	73.36	74.78	83.03	108.64

POINTS TO PONDER ON RESULTS OF INDUSTRY FOR THE YEAR 2015

- FIRE PREMIUM CONSTITUTES 30% OF TOTAL GROSS PREMIUM
- HOUSEHOLDER PREMIUM CONSTITUTES 6% OF TOTAL GROSS PREMIUM
- GROSS PROPERTY PREMIUM CONSTITUTES 36% OF TOTAL GROSS PREMIUM
- MOTOR PREMIUM CONSTITUTES 25% OF TOTAL GROSS PREMIUM
- CTP PREMIUM CONSTITUTES 5.5% OF TOTAL GROSS PREMIUM
- GROSS MOTOR PREMIUM CONSTITUTES 30.5% OF TOTAL GROSS PREMIUM
- NO. OF INDIVIDUAL POLICIES ISSUED IN FIRE DEPARTMENT WERE AT 20045
- NO. OF INDIVIDUAL POLICIES ISSUED IN CTP MOTOR DEPARTMENT WERE AT 1112526
- NO. OF HOUSEHOLDS AS PER 2013-14 HOUSEHOLD INCOME AND EXPENDITURE SURVEY WERE AT 184,235 - AS AGAINST 15798 COVERED UNDER PROPERTY INSURANCE
- COMBINED RATIO FOR FIRE, HOUSEHOLDERS, MOTOR AND CTP WERE AT 38.6%, (-)19%, 84.1% AND 5% RESPECTIVELY.
- CTP PORTFOLIO FOUND VIABLE, SINCE 100% VEHICLES WERE COVERED FOR INSURANCE, AS AGAINST HOUSEHOLDER INSURANCE, WHERE ONLY 9% OF TOTAL PROPERTIES WERE COVERED.
- EVEN GEOGRAPHICAL EXPOSURE ALSO SHOW THAT MORE CONCENTRATION OF INSURED PROPERTIES IN HOUSEHOLDER DEPARTMENT WERE IN CENTRAL DIVISION. IN WESTERN IT WAS 34%, WHEREAS IN NORTHERN IT WAS ONLY 1%. THIS SHOWS LACK OF AWARENESS ABOUT INSURANCE NEEDS IN EASTERN, WESTERN AND NORTHERN PART.
- FOR SUSTAINABLE INSURANCE, NEED FOR HORIZONTAL AND VERTICAL EXPANSION OF INSURANCE BUSINESS IS NEED OF THE DAY.
- BALANCE OF PROBABILITY OF EVENTS WORKS MORE ACCURATELY WHEN MORE NO. ARE COVERED UNDER INSURANCE UMBRELLA

HISTORICAL DATA FOR INSURED LOSSES PROVIDED BY RBF

EVENT	NO. OF CLAIMS REPORTED	TOTAL CLAIMS REPORTED
CYCLONE WICK 2009	240	15.19 M
FLOOD 2009	418	28.47 M
CYCLONE EVAN 2012	577	56.65 M
FLOOD 2012	838	33.00 M
CYCLONE WINSTON 2016	1423	220.93 M
FLOOD 2016	30	0.67 M

POINTS TO PONDER ON DATA OF INSURED LOSSES

- CATASTROPHE EVENT STRIKE AT REGULAR CYCLE OF 3-4 YEARS
- CYCLONE ONCE HIT ALWAYS FOLLOWED BY FLOOD
- SEVERITY AND EXTENT OF DAMAGES WERE ALWAYS ON UPWARD SIDE FROM 2009 ONWARDS
- EVEN GENERAL INSURANCE INDUSTRY'S FINANCIAL RESULTS WERE SEVERELY AFFECTED IN 2012 AND 2013 EVEN THOUGH SEVERITY AND EXTENT OF DAMAGE AS AGAINST CYCLONE 2016 WERE MUCH ON LOWER SIDE
- EXACT RESULTS FOR 2016 ARE NOT KNOWN, BUT LOOKING TO SEVERITY OF TC WINSTON, GENERAL INSURANCE INDUSTRY'S FINANCIAL RESULTS WOULD BE MORE ADVERSE THAN OF 2012 AND 2013.
- RESULTS FOR 2017 WILL ALSO HAVE A CASCADING EFFECT OF TC WINSTON 2016, AS OBSERVED IN 2013.
- WE DO NOT HAVE DATA FOR UNINSURED LOSSES FOR ALL THESE EVENTS TRAILING FROM 2009. BUT WE APPREHEND THAT ITS IMPLICATIONS WOULD BE MUCH MORE IN MULTIPLE OF INSURED LOSSES.
- AS PER GOVT. SOURCES, ALLOCATION OF FUND OF \$ 73 M PROVIDED TO MEET WITH REPAIRS OF UNINSURED HOUSES AFFECTED BY TC WINSTON.
- WE DO NOT HAVE DATA FOR UNINSURED LOSSES FOR FLOOD AFFECTED PROPERTIES BUT WE APPREHEND ITS EXTENT MUCH MORE IN MULTIPLE OF INSURED LOSSES.
- CONSIDERING ALLOCATED FUND OF \$ 73 M TO BE ABSORBED AS INSURED LOSSES, TOTAL NET ASSETS OF GENERAL INSURANCE INDUSTRY WILL BE PRACTICALLY HALVED.
- COMBINED RATIO OF FIRE AND HOUSEHOLDER DEPARTMENT REMAINED UNDER CONTROL, ONLY BECAUSE OF INDUSTRY'S PRUDENCE ON UNDERWRITING MEASURES. ANY COMPROMISE ON UNDERWRITING PRUDENCE SHALL RENDER BOTH THE DEPARTMENTS HAY-WIRED WHICH WILL ADVERSELY AFFECT SOLVENCY MARGINS OF INSURERS.

DISASTER RECOVERY COVER

- MANDATORY INSURANCE COVERAGE OF ALL HOUSEHOLDS ON LINE OF VEHICLES
- STRICT COMPLIANCE OF CODES OF CONSTRUCTION FOR ALL HOUSEHOLDS – COMPLIANCE CERTIFICATE FROM LOCAL AUTHORITY MUST FOR GETTING IT INSURED
- CREATION OF COMMON POOL FOR MEETING LOSSES FOR FLOOD LOSSES TO BE MAINTAINED BY RBF. PREMIUM FOR FLOOD COVER LESS ACQUISITION COST TO BE DIVERTED TO POOL AND LOSSES TO BE ABSORBED FROM POOL. LOSSES TO BE APPORTIONED BETWEEN INSURERS BASED ON THEIR TOTAL MARKET SHARE ON GROSS PREMIUM BASIS.
- SIMILAR ARRANGEMENT CAN BE CONSIDERED FOR CYCLONE COVER AS WELL.
- SUBSIDIZED PREMIUM SHARING FOR CYCLONE AND FLOOD RISKS ON LINE OF CROP INSURANCE AS INTRODUCED IN INDIA NOW
- PARAMETRIC INSURANCE FOR CATASTROPHIC LOSSES TO BE EXPLORED BY GOVERNMENT
- GOVERNMENT PROPERTIES TO BE INSURED ON FIRST LOSS BASIS WITH CONSORTIUM OF LOCAL INSURERS

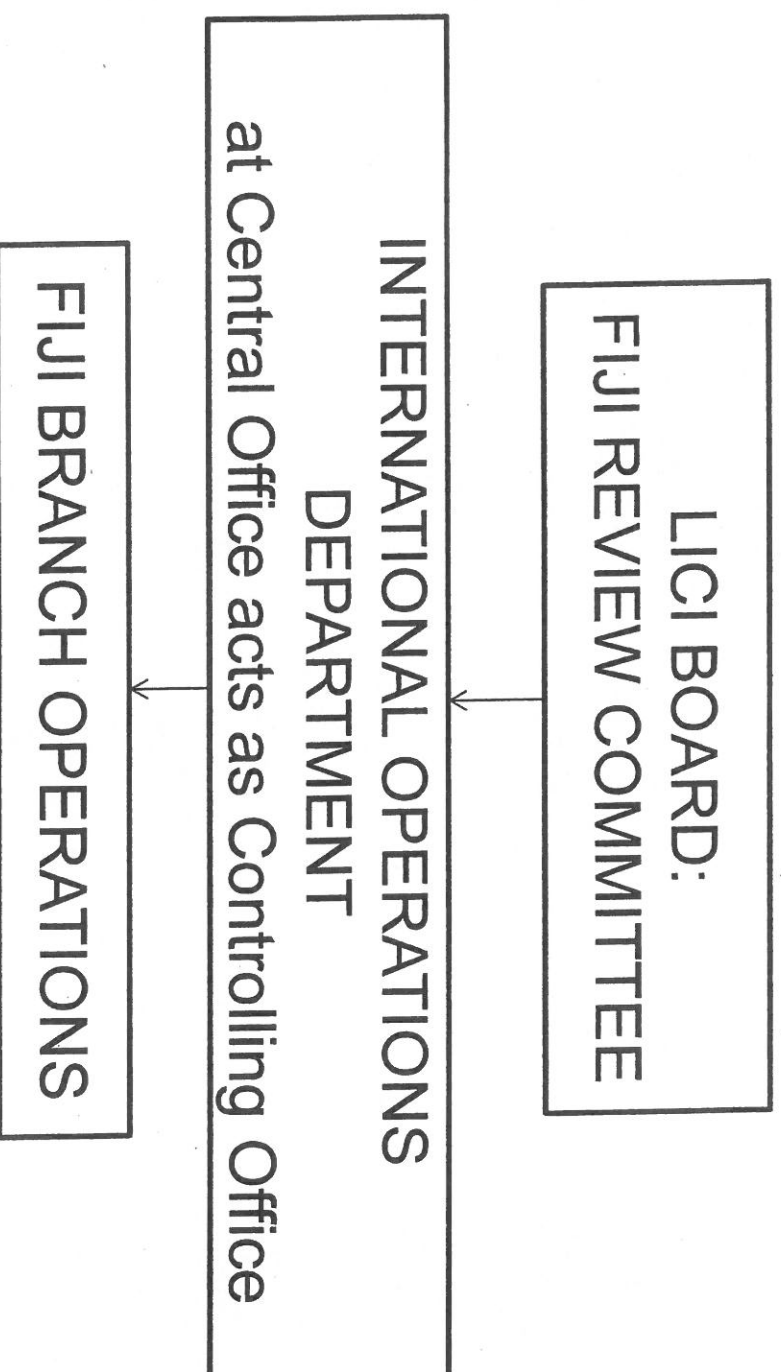
THANK YOU

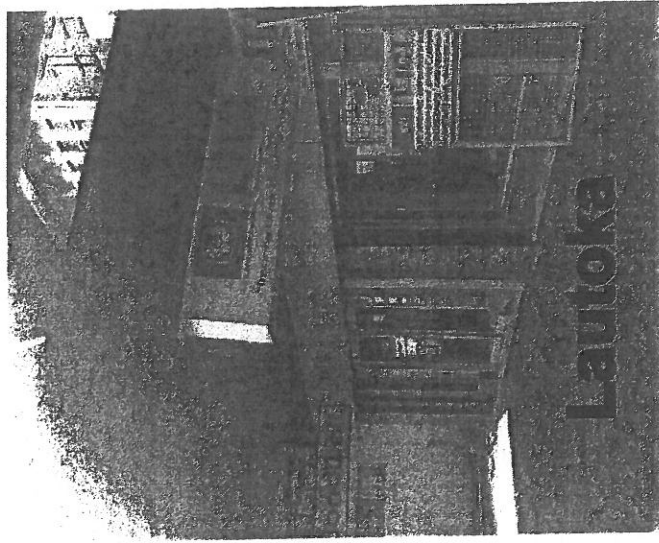
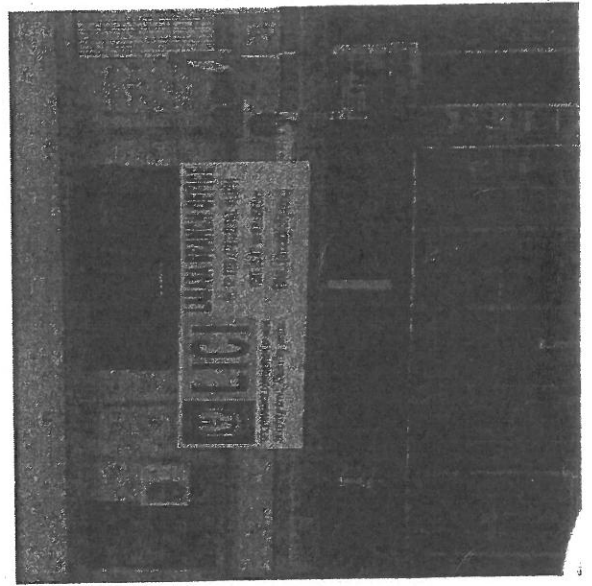
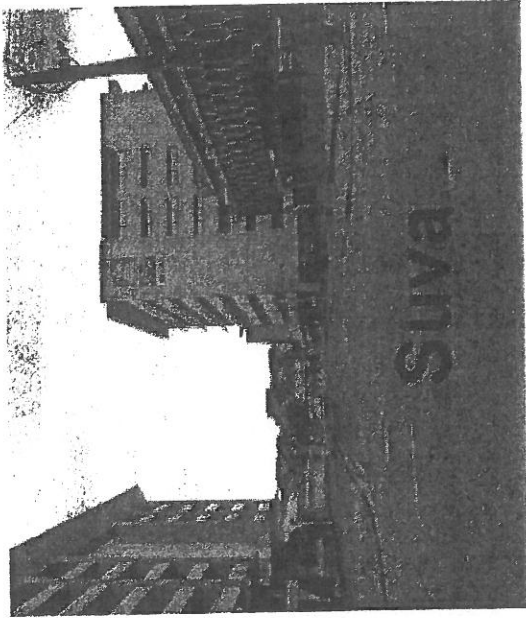
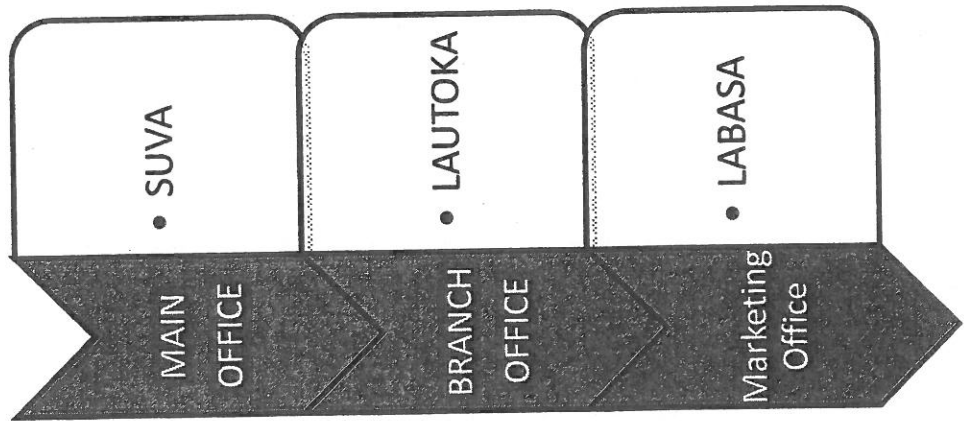
FII OPERATIONS

1. OVERVIEW OF CORE FUNCTIONS,
ROLES AND RESPONSIBILITIES

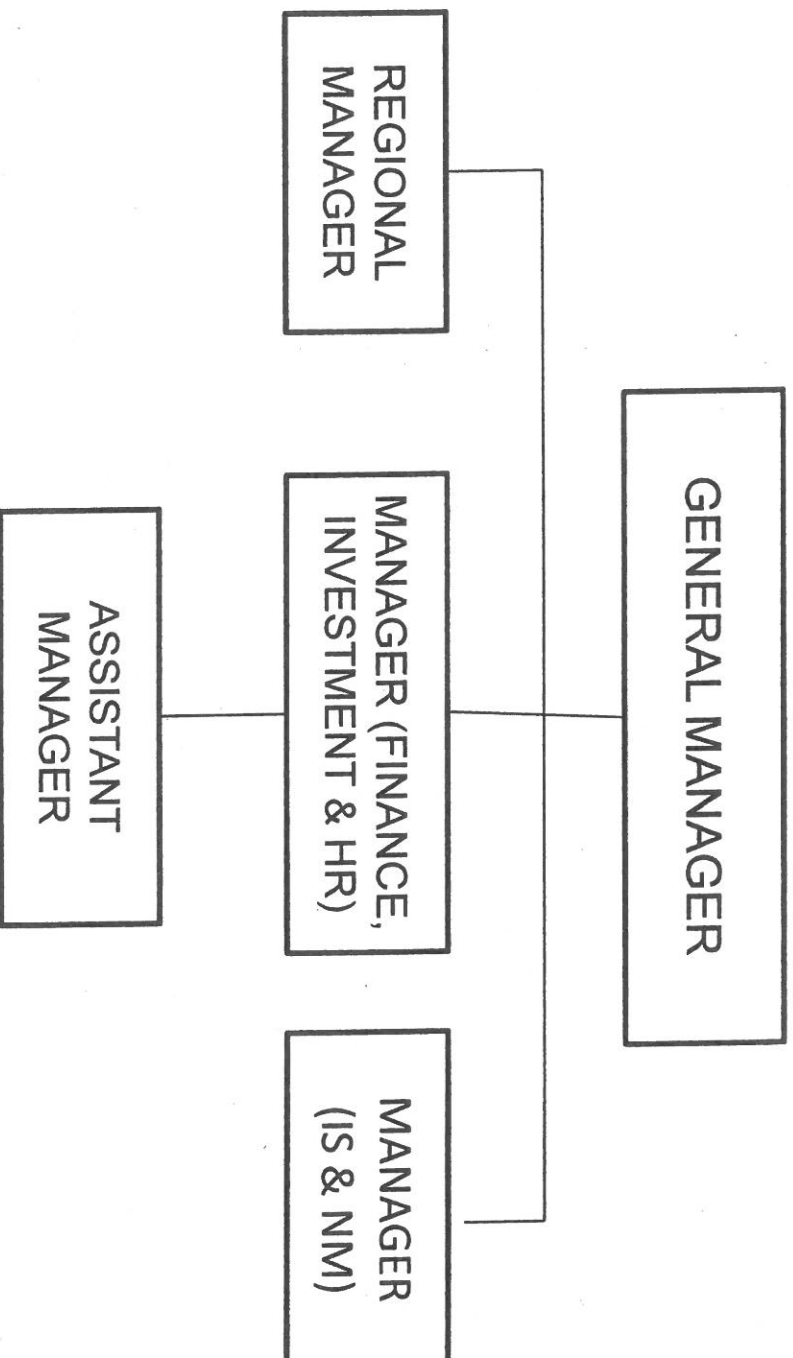
2. INSURANCE SERVICES /
PRODUCTS PROVIDED

ORGANIZATIONAL STRUCTURE OF LICl

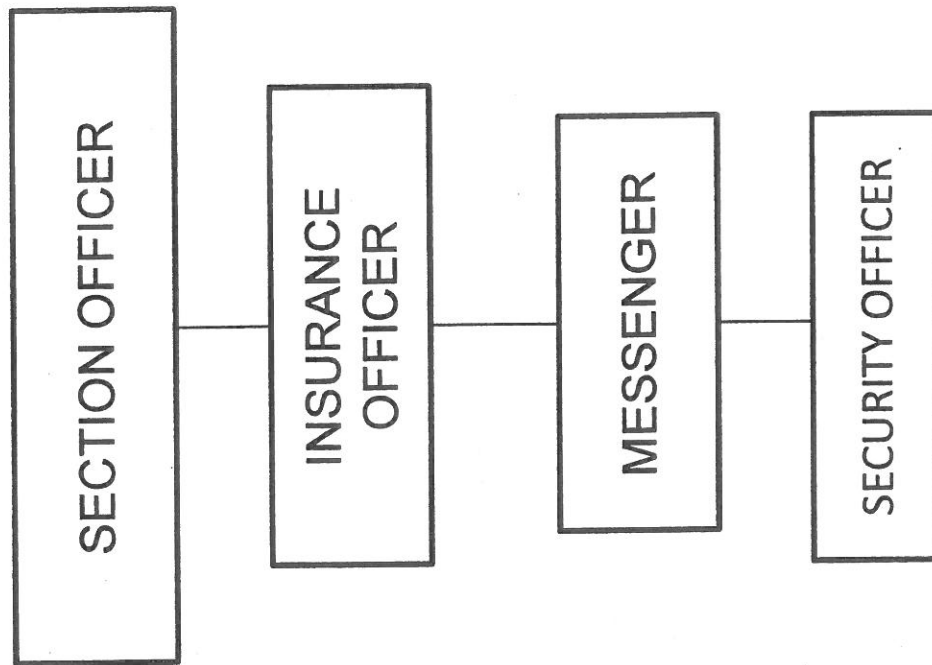




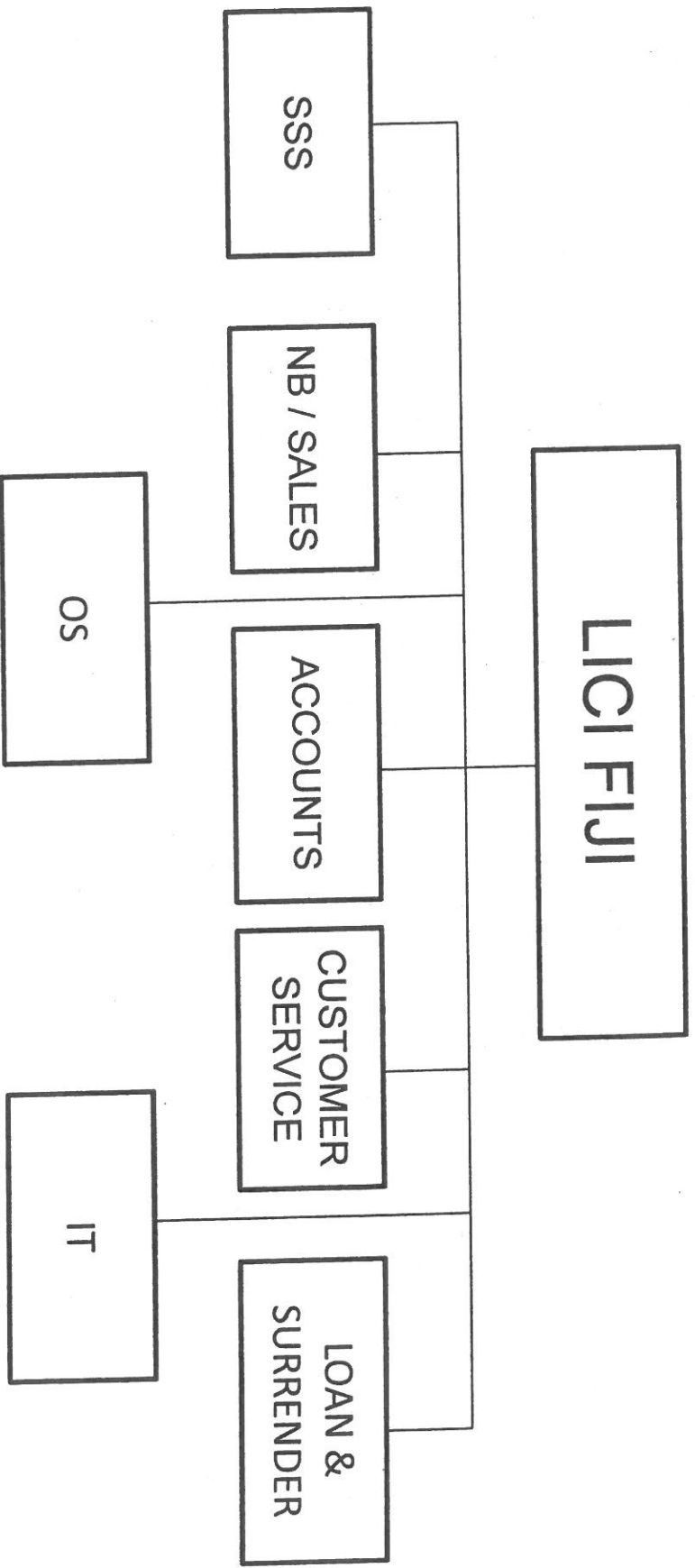
MANAGEMENT STRUCTURE

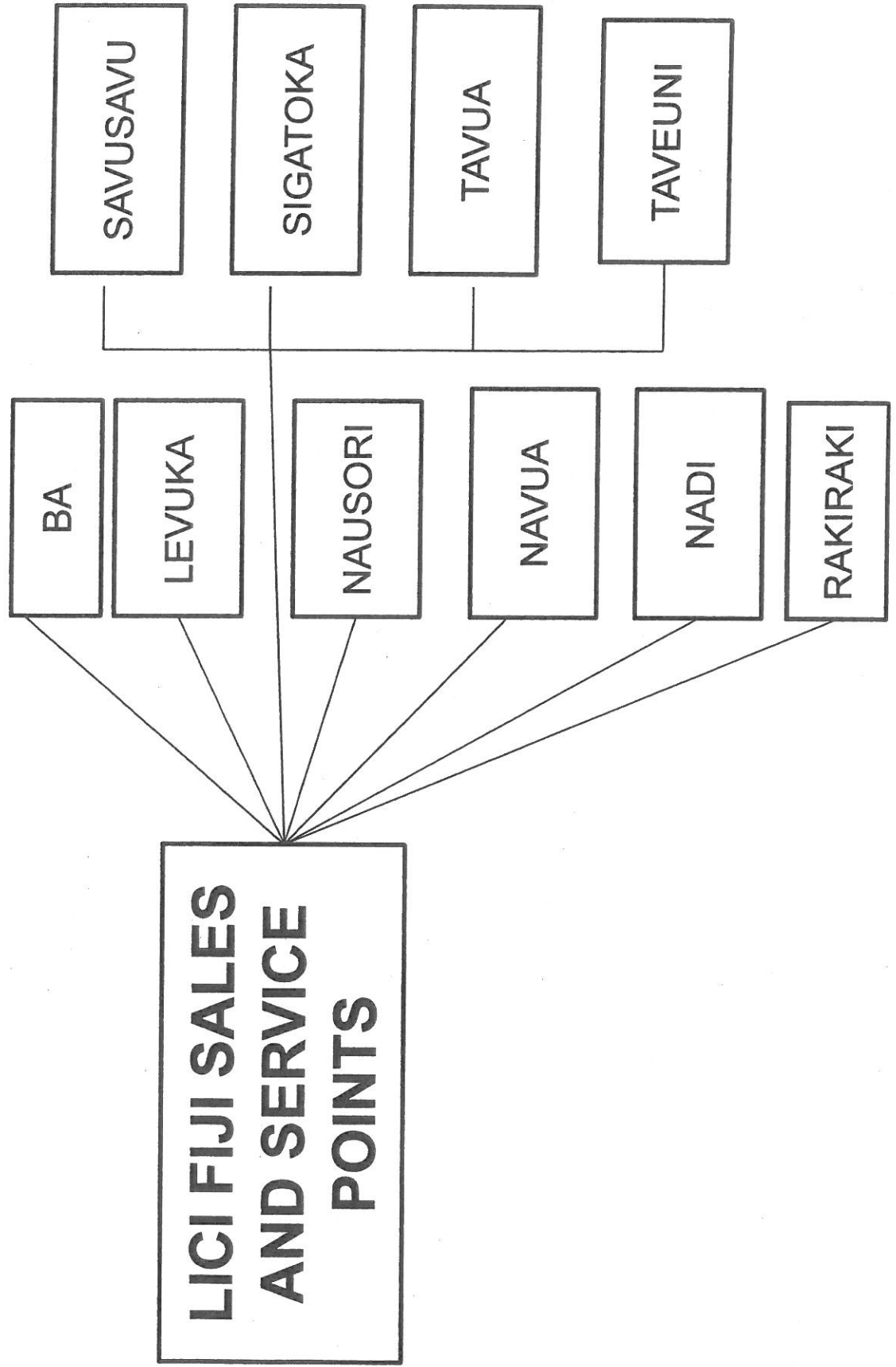


STAFF STRUCTURE



DEPARTMENTS IN LICIFILJI

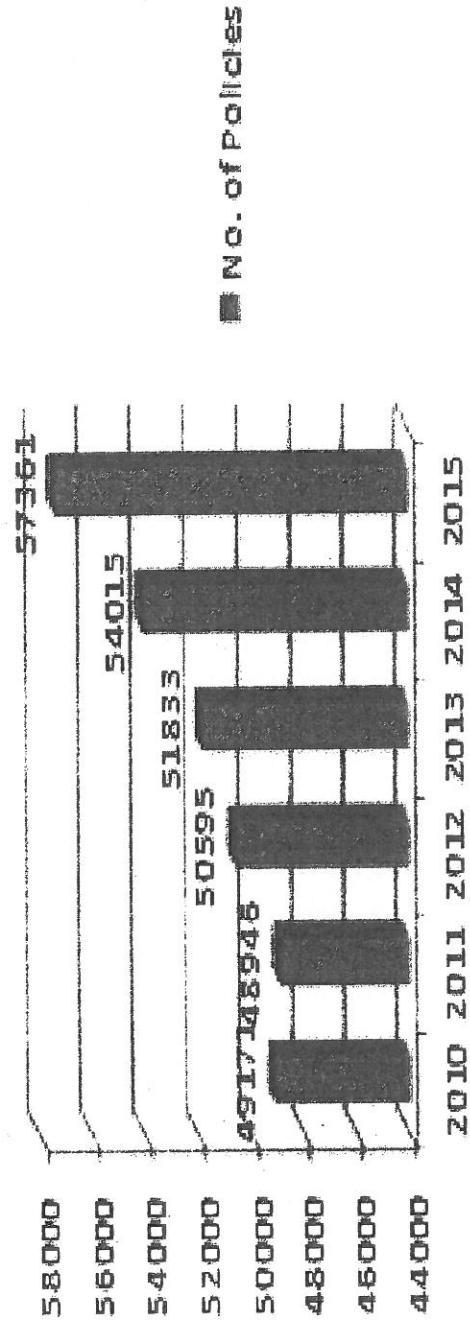




BUSINESS IN FORCE – INDIVIDUAL AND GROUP
(AS ON 31.12.2015)

	Policies	Amount Insured	Premium
Individual	57361	1,011,307,765	187,856,330
Group	4	11,628,200	114,662

No. of Policies



No. of Policies

As On Date : 60000

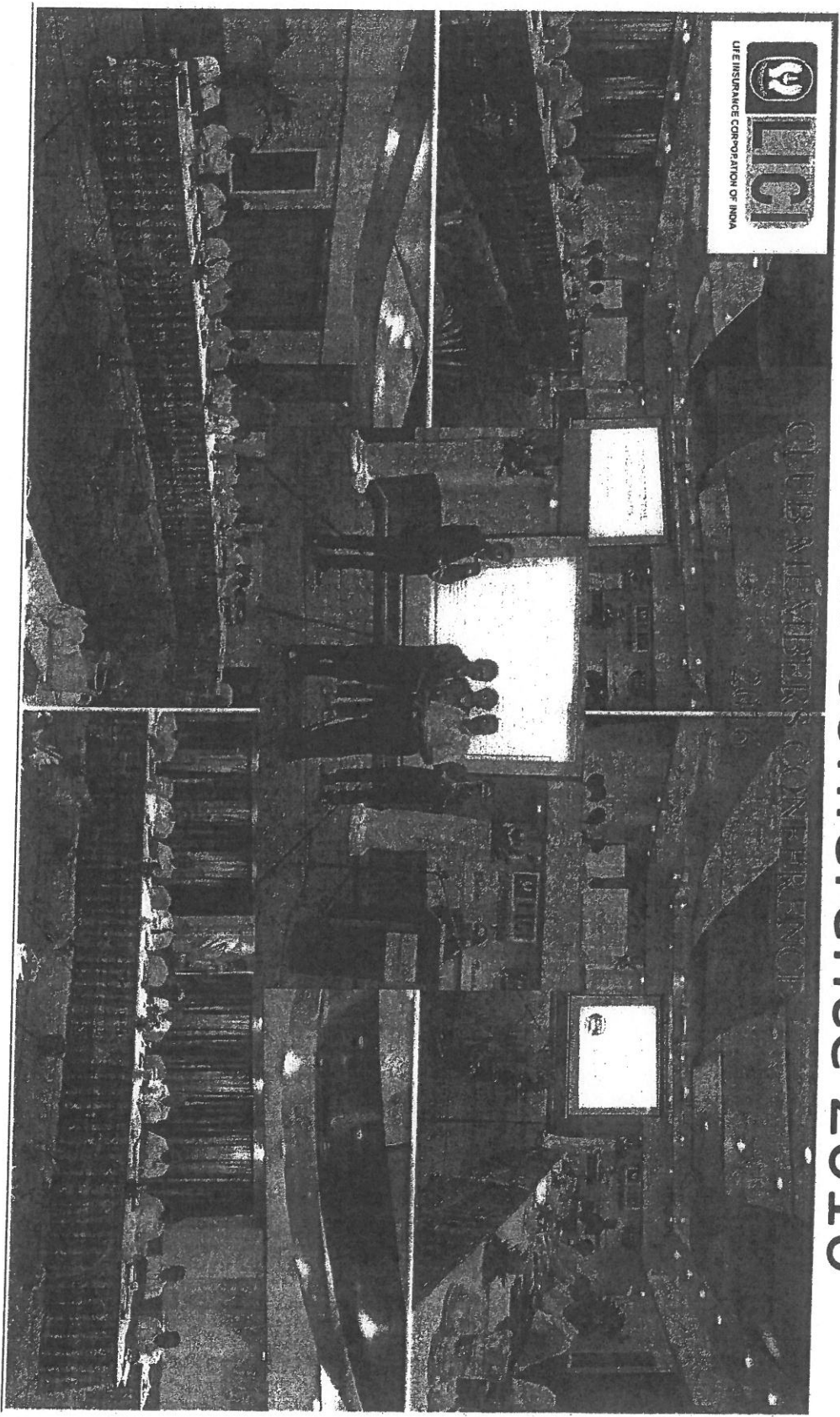
NEW BUSINESS AS ON 30.09.2016

POLICIES	SUM ASSURED	FIRST PREMIUM
6,888	153,506,419	18,556,572

AGENCY

- Reserve Bank of Fiji issues Insurance Agency Licenses annually subject to proper training and clearance of exam.
- No. of Agents as on 30.09.2016 - 191
- Agents earn Commission and Production Bonus.

Club Member Conference 2016



SERVICES TO THE POLICYHOLDER

- Nominations
- Assignments
- General alterations
- Revival of policy
- Policy Loan
- Surrenders
- Settlement of claims:
 - SB & Maturity
 - Death/Accident Benefit
 - Disability Claims

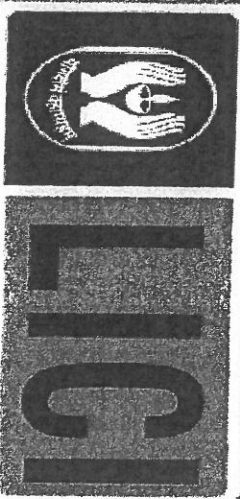
"Insuring Lives, Ensuring Smiles"



CONCESSION - FOR REVIVAL OF LAPSED POLICIES

LICI introduces a Special Revival Campaign with effect from 1st August 2016 to 30th September 2016 to reinforce its commitment to its customers with yet another gesture. Revive your LICI policy which has lapsed within the last five years.

An opportunity to revive your lapsed policy with concessive initiation fee and health requirements.



LIFE INSURANCE CORPORATION OF INDIA

For more details please feel free to contact nearest LICI branch or agent.

Suva: 5514011 | Lautoka: 6651923 | Labasa: 8818788

Email: service@licl.com.fj

Claims paid on time during 2015

	BOOKED	PAID	PAID RATIO
SB / MATURITY	6463	6359	98.39%
DEATH	145	132	91.03%

ANALYSIS OF PREMIUM INCOME FOR 2015

Premium	(Amt in F\$ '000)
First Premium	979
First Year Premium	6,808
Renewal Premium	35,893
Single Premium	21,363
Total Premium	65,043

Income and Expenses for 2015

Particulars	Amount (\$ in '000')
Net Premium Income	65,043
Income from Investment	33,837
Net Policy Payments	37,139
Agents payment –Commission etc	6,067
Management Expenses	4,021

VALUATION RESULTS AS AT 31.12.2015

Particulars	Amount in million (₹)
Surplus as at 31-12-2015 (A)	546.48
Liabilities (Basic + provisions)	470.06
Provision for Solvency Margin	17.29
Provision for Interest fluctuation	48.46
Total Liabilities (B)	535.81
Surplus (A) – (B)	10.67
95% distributed to the Policyholders	10.14
5% valuation to Govt. of India	0.53

INVESTMENTS – PORTFOLIO DETAILS

Year	Govt. Bonds		Convertible Notes (converted in equity on 01-04-2013)		Govt. guaranteed Bonds		Total	
	Amt. (F\$)	%	Amt. (F\$)	%	Amt. (F\$)	%	Amt. (F\$)	%
2015	490,224,722	98.65	1,363,808	0.27	5,369,500	1.08	496,958,030	100
2014	447,824,528	97.97	1,344,760	0.29	7,942,840	1.74	457,112,128	100
2013	392,764,704	97.46	1,344,761	0.33	8,878,280	2.20	402,987,745	100

SUPERVISION OF LICl BY RESERVE BANK OF FIJI (RBF)

- Onsite Examination by RBF Officials – focus on:
 - ❑ Corporate Governance, Strategic Planning, Investments, Insurance and Operational Risk
- Submission of Quarterly Reports to RBF
- Submission of Annual Reports to RBF
- Annual Key Disclosure Statement (KDS)
- Audit Meetings: Pre Audit and Post Audit meetings of RBF Officials with LICl and LICl's Statutory Auditors

POLICIES FOR LICIF

- Investment Policy
- Strategic Plan
- Conflict of Interest Policy
- Fraud Policy
- Fair Dealing Policy
- Compliance Policy
- Risk Management Policy
- Complaints Management Policy

Thank You!



INFORMATION BRIEF

Reserve Bank of Fiji Insurance Annual Report 2015 - For Standing Committee on Economic Affairs -

1.0 Purpose

To provide an information brief on Reserve Bank of Fiji (RBF) Insurance Annual Report 2015 for the Standing Committee on Economics Affairs.

2.0 Background

2.1 Objective of the Brief

The insurance annual report outlines international and local activities and developments in the insurance industry for 2015 and the supervisory role that RBF holds to oversee the monitoring of licensed insurance companies' and intermediaries' compliance with legislation and prudential policies.

2.2 Principal Activity

The insurance industry in Fiji is regulated and supervised by the RBF, though its delegated powers stipulated in the Insurance Act 1998 (the Act), the Insurance Regulations 1998 and the Reserve Bank of Fiji (Amendment) Decree 2009. In carrying out its mandated role, the Reserve Bank aims to protect the interests of policyholders, by ensuring the safety and soundness of licensed insurers, brokers and agents.

2.3 Current Programme

RBF performs its principal activities of regulating and supervising the insurance industry through the following:-

- Administration of the Insurance Act 1998 and Insurance Regulations 1998
- Licensing of companies, brokers and agents
- Monitoring key statutory requirements under the Act and Regulation
- Supervising the industry through offsite monitoring, onsite examinations and industry surveillance
- Drive initiatives to develop the industry

3.0 Economic Overview

3.1 International Economic Developments

The world economy slowed to 3.1 percent in 2015 from the 3.4 percent growth in 2014.

The **US economy** grew by 2.4 percent in 2015, maintaining the same growth rate as 2014. In the **Euro zone**, economic activity expanded by 1.5 percent compared to a 0.9 percent growth in 2014. The **Japanese economy** expanded by 0.7 percent in 2015, following no growth in 2014. Economic activity in **Australia** improved to 2.9 percent in 2015 from 2.7 percent growth in 2014. The **New Zealand economy** expanded by 2.3 percent compared to the 3.3 percent growth in 2014.



3.2 Economic Developments in Fiji

The Fijian economy grew steadily for the sixth consecutive year and is estimated to have grown by 4.2 percent in 2015, after registering a growth of 5.3 percent in 2014. The growth outcome was underpinned by pro-growth Government policies, including tax reforms and notable investment in infrastructure supported by Reserve Bank's accommodative monetary policy.

Tourism contributed the largest incentive from the services sector with a record visitor arrivals (754,835), followed by higher financial sector services, and increased service delivery by government related sectors.

In the primary sector, sugar and electricity sectors thrived despite prolonged dry weather conditions. Extensive capital works at the Vatukoula Gold Mines Limited in 2014 and early 2015 enhanced Gold production. However, constrained global demand for timber related products and supply side issues, the forestry and logging sector performed below expectation.

Labour market conditions remained flexible. The number of vacant job advertised rose by 18.7 percent to a record high of 10,912 advertisements as outlined by RBF's Job Advertisements Survey. The outcome was led by the primary and services sector.

Consumption

Resilient consumer spending was reflected by partial indicators such as net VAT collections (12.4%) and commercial bank's lending for consumption purposes (1.2%) in 2015.

Investment

Investment was positive in 2015 mainly led by the construction sector. Increases were noted in value of work put-in-place (12.4%), cement production (18.1%), domestic cement sales (42.2%) and new lending for investment purposes (77.7%). Overall, investment is estimated to be around 22.0 percent of GDP in 2015.

Inflation was unresponsive in 2015 due to weak global oil prices, low trading partner inflation and the absence of major domestic supply side shocks. The year-end inflation rate was 1.6 percent, compared to 0.1 percent at the end of 2014.

Interest rates at the end of 2015 picked up as reflected in by the commercial banks' weighted average lending rate which rose to 5.90 percent, from 5.72 percent in 2014. Commercial banks' weighted average savings and time deposits rates increases to 1.01 percent and 2.71 percent from 0.57 percent and 2.15 percent respectively.

Total exports (excluding aircraft) declined over the year by 13.2 percent, attributed to lower re-exports (-26.2%) while domestic exports rose by a marginal 0.7 percent. Total imports (excluding aircraft) fell by an annual 13.2 percent to \$4,223.8 million, led by lower imports of intermediate goods (-33.5%), investment goods (-4.5%), and consumption goods (-4.2%). Lower global fuel contributed to the lower re-exports and imports.



The overall current account deficit is estimated to have been much lower at 1.4 percent of GDP in 2015 compared to a deficit of 5.5 percent of GDP in 2014.

Tourism earning rose by 11.1 percent to \$1,560.2 million in 2015, while inward remittances increased by 28.3 percent to a record \$491.7 million during the same period.

Foreign reserves were \$1,943.7 million at the end of 2015, sufficient to cover 5.9 months of retained imports of goods and non-factor services.

4.0 International Insurance Markets

4.1 Market Environment and Performance

4.1.1 General Insurance

- Global general insurance sector recorded an estimated growth of 2.5 percent in premium income during the year, compared to 2.8 percent in 2014.
- Premium income for the advanced markets (include North America declined by 0.3 percent to 1.7 percent in 2015.
- Premiums for the emerging markets grew by an estimated 5.6 percent.
- Global general insurers' return on equity (ROE) is estimated to have declined in 2015 to 7.0 percent from around 9.0 percent in 2013 and 2014.
- Return on Investment (ROI) for general insurers was estimated at around 10.9 percent of net premiums earned, down from 11.4 percent in 2014 and well below the 13.8 percent annual average for the period between 1999 to 2007.

4.1.2 Life Insurers

- Premium income growth for the global life insurance market slowed to 3.3 percent in 2015, compared to 4.7 percent reported in 2014.
- In the advanced markets, growth declaration in premium income was less pronounced due to the general gentle inflation rate environment brought on by the sharp decline in energy prices of 2015. Consequently, the impact to premium income growth slowed down to 1.9 percent from 4.2 percent in 2014.
- Premium income in emerging markets, however, is estimated to have grown by 10.6 percent in 2015, after a 7.4 percent gain in 2014.
- Life insurers' ROE rose to around 13.0 percent in 2015 assisted by solid profits in the UK and Chinese markets.

4.1.3 Reinsurers

- Global reinsurer capital totaled US\$565.0 billion at the end of 2015, marking a 2.0 percent reduction from the 2014 level, mainly due to the strengthening US dollar relative to other currencies.
- Total reinsurance premium income declined by 8.0 percent in 2015 to US\$282 billion, of which general insurance accounted for 73.0 percent (2014:72.6%).



4.1.4 Total Global Losses

- Aggregate economic losses (both insured and uninsured) in 2015 as a result of natural catastrophes and manmade disasters totaled US\$91.7 billion; lower than the US\$113.0 billion in 2014, but above the 10 year average of US\$62.0 billion.
- Natural catastrophes continued to dominate global losses, accounting for US\$80.0 billion or 87.0 percent while manmade disasters made up the remainder.
- In terms of insured losses, the insurance industry covered a total of US\$36.7 billion, of which US\$27.7 billion related to natural catastrophes and US\$9.0 billion were manmade disasters.
- Insured losses was reported at less than 50.0 percent of total economic losses and remained well below the 10 year average of US\$62.0 billion.
- Catastrophe events recorded in 2015 rose from 339 to 353 of which 198 were peril related, while the remaining 155 were manmade disasters. Out of the 353 events, seven disasters triggered losses at or above US\$1.0 billion.

5.0 Domestic Insurance Market

5.1 Overall Performance

- Fiji's insurance industry maintained positive earnings, levels and sound solvency despite slower economic growth of 4.2 percent (2014: 5.3%) and increased market competition.
- In 2015, there was a reduction in total claims payment due to improvement in the life industry's claims experience, which outpaced the growth in claims paid by general insurance.

5.2 Gross Premiums

- The consolidated life and general insurers gross premium income of the Fijian insurance industry reduced by 2.9 percent to \$290.3 million after five years of consecutive growth.
- The combined gross premiums as a percentage of GDP stood at 3.2 percent, compared to 3.7 percent in 2014.
- General insurers dominated the industry gross premiums at 57.3 percent while life insurers accounted for 42.7 percent.

5.3 Claims

- Total net policy payments and claim payments decreased by 1.0 percent to \$147.8 million in 2015.
- On the other hand, net claims paid by the general insurers increased by 5.1 percent to \$70.0 million in 2015.

5.4 Earnings

- The combined net profits after tax (NPAT) of the Fijian insurance industry grew by 2.1 percent to \$72.4 million in 2015.
- Life insurers' earnings increased by 15.6 percent to \$42.0 million.
- However, general insurers' experienced a decline in earnings by 12.2 percent to \$30.4 million.



5.5 Balance Sheet

Assets

- Total assets of the Fijian insurance industry grew by 7.8 percent to \$1.5 billion.
- Life insurance industry total assets grew by \$84.8 million to an all-time high of \$1.1 billion, which represent 75.1 percent of the industry.
- General insurance total assets rose by \$19.8 million to \$360.7 million, representing the remaining 24.9 percent of the industry.

Liabilities

- Total liabilities increased by 6.2 percent to \$1.2 billion as the growth in the balance of the revenue account of life insurers outpaced the decline in general insurers' liabilities.

Owners' Fund

- Total shareholders' funds stood at \$230.9 million, increasing by 17.1 percent and was reflective of profits earned and retained during the year.

6.0 Regulation and Supervision

6.1 Insurance Supervision Policy Statements (ISPS) – Development and Review

- Reserve Bank have developed and issued 12 policies to date that govern the conduct of the licensed insurance companies and continues to review these, as appropriate.
- In 2015, continued review of 2 policies (ISPS No. 3A *Solvency Requirements for Insurers Licensed to Conduct Life Insurance Business in Fiji* and No. 3B *Solvency Requirements for Insurers Licensed to Conduct General Insurance Business in Fiji*)

6.2 Licensing and Insurance Market Structure

- A total of 9 insurers, 4 brokers and 498 insurance agents were licensed to operate in Fiji in 2015.
- **Licensed insurance companies:** 7 insurers (FijiCare, BSP Health, Dominion, QBE, Sun, New India and Tower) conducted general insurance businesses, mainly concentrated on medical and term-life insurance. 2 insurers (BSP Life and LICl) conducted direct life insurance business.
- **Licensed insurance brokers:** RBF continued to monitor the 4 insurance brokers' (AON, IHL, Marsh and Unity) compliance to their respective conditions of license.
- **License insurance agents:** an increase of 94 licenses from 2014 to the 498 licensed agents in 2015. Of these, 474 licenses were issued to individual agents and 24 licenses issued to corporate agents. 78 licenses for general insurance, 68 for health insurance and 352 for life insurance.

6.3 Key Statutory Requirements

6.3.1 Margin of Solvency

- An improvement in the Fijian insurance industry's solvency position was noted in 2015 with an aggregate solvency surplus over the required solvency margin, of \$241.6 million.



- Increases in total assets for the life insurers was underpinned by growth in Government securities by \$50.1 million, shares by \$19.5 million and loans by \$12.4 million.
- General insurers' growth in assets was driven by bank deposits by \$11.0 million and amounts due from reinsurers by \$9.4 million.
- The solvency position demonstrated continued soundness of the industry, and ability to meet policyholders' obligations should they fall due.

6.3.2 Deposit Requirement

- RBF continue to monitor compliance of deposit requirements by licensed companies and brokers as set out under section 20(1), 20(2) and section 44 of the Act.
- Deposits are to be in the nature and form acceptable to the Reserve Bank which are prescribed under sections 4 and 5 of the Insurance Regulations (1998).

6.3.3 Policy and Claim Registers

- All licensed insurers maintained separate registers for insurance business inside and outside of Fiji, as required under section 59 of the Act.
- Section 64 also requires intermediaries to have a register of policies placed and procured on behalf of their clients.

6.3.4 Reinsurance Arrangements

- Insurers are required to have in place at all times reinsurance arrangements with respect to risks insured in the course of conducting insurance businesses in Fiji.
- All licensed reinsurers submit their approved reinsurance arrangements signed off by their board and/or head officer to RBF, for assessment.

6.3.5 Offshore Placements

- Pursuant to section 17 of the Act, the Reserve Bank continued to assess and approve applications for the placement of the whole or part of an insurance cover outside Fiji.
- A total of 1,324 applications were approved of offshore placement in 2015, with the premium value of \$29.6 million.
- Despite an increase in the volume of applications by 12.6 percent, the value of premiums remitted decline by 14.5 percent. Notably declines in premiums remitted were in "material damage and business interruption," others' and marine hull classes.

6.3.6 Actuarial Reports

- Appointed Actuaries of licensed insurers prepare Liability Valuation Reports (LVRs) and Financial Condition Reports (FCRs) and submitted to RBF for assessment.
- General insurers, the LVR must be submitted on an annual basis, whereas the FCR is submitted every three years.
- Life insurers, both the LVR and FCR are required to be submitted annually.
- In 2015, all licensed insurers submitted their LVRs and FCRs for 2014.



6.3.7 Key Disclosure Statements (KDS)

- Licensed insurers are required to publish key financial statistics pertaining to their operations on an annual basis.
- The RBF verifies the individual insurer's KDS to ensure consistency with the audit report received under section 53 of the Act and that it is in the prescribed form for comparability, prior to publication.

6.4 Supervision

- RBF continues to supervise insurance industry activities through offsite monitoring, onsite examinations and industry surveillance, as risk management and compliance remained a key objective of supervision, in 2015.
- **Offsite Monitoring:** licensed insurers and brokers are required under sections 60 and 66 of the Act to submit annual audited accounts, and prescribed periodical statements to the Reserve Bank. Subsequent to the verification of prudential returns, prudential assessment reports are prepared which facilitate ongoing dialogue with the institution. These assessment reports provide institution specific and industry trends, and compliance with supervisory obligations. Furthermore, RBF continued with its annual pre audit and post audit meetings with insurance companies and their appointed external auditors. A total of nine pre audit meetings, nine post audit and actuarial meetings were conducted in 2015.
- **Onsite Examinations:** RBF conducts periodic examinations of supervised entities to verify institutions' compliance with legislative and prudential requirements, as well as assess the effectiveness of the oversight functions. In 2015, RBF conducted onsite examination of two general insurers and one life insurer.

6.5 Industry Development and Initiatives

- **Inclusive Insurance:** according to the Fiji Financial Services Demand Side Survey report, only 12 percent of the adult population in Fiji have some form of insurance. In an effort to facilitate the expansion of inclusive insurance in Fiji, the Inclusive Insurance Working Group (IIWG) made up of representatives from the insurance industry, Government, Pacific Financial Inclusion Programme (PFIP) and the RBF, commenced work in 2015 on developing an industry bundled product that is affordable, sustainable, convenient and reasonably distributed.
- **Complaints:** a total of 16 complaints on the insurance industry were received compared to 12 in 2014, whereby majority of complaints were against the general insurers' motor vehicle claims, policy terms and conditions, and third party insurance. Complaints relating to life insurance companies involved disagreements on medical claims and customer service.
- **Industry Consultation and Liaison:** the Insurance Task Force (ITF) met once in 2015. A key output of ITF was the implementation of the Codes of Conduct for the General and Life Insurance Companies and Insurance Brokers.



7.0 General Insurance

7.1 Overall Performance

- The industry registered a net profit after tax of \$30.4 million: second only to its record 2014 performance in the past decade, attributed to a significant absence of catastrophic events in the past three years.

7.2 Gross Premiums

- After seven years of consecutive growth, the industry's total gross premium income decreased marginally by 2.7 percent to \$166.3 million.
- Despite the decrease in total gross premium income, the total number of insurance policies issued/renewed increased by 13,102 to 172,366. Individual policies grew by 12,941 to 171,272. Group policies also increased by 161 to 1,094 policies, which covered 41,650 persons.
- Largest increases were noted in the term life (29,767 persons) and the medical (8,969 persons) classes.
- The most number of policies issued/renewed was for motor CTP class, increasing by 7,436 to 112,526 policies, followed closely by the motor vehicle class increasing by 4,207 policies. The increases in these two classes were reflective to a significant extent of the increase in the number of vehicles on Fiji's roads.
- Policies underwritten for medical class declined by 1,226, for householders' class declined by 240 and fire class declined by 164 policies.

7.3 Reinsurance Cessions

- Cession ratio for general insurance industry increased marginally by 22.9 percent from 19.8 percent in 2014, as a result of an increase in reinsurance premiums ceded offshore by \$4.3 million to \$38.1 million, while gross premium income declined by \$4.6 million to \$166.3 million.
- The householders and motor vehicle classes were the major contributors to the increase in reinsurance premiums, increasing by \$4.8 million and \$1.4 million, respectively.

7.4 Net Premium Income

- Net premium income declined by 6.5 percent to \$128.3 million due to decrease in gross premium income and increase in reinsurance premiums.
- Personal and fire classes contributed to the decline in net premium income by \$7.0 million and \$2.0 million, respectively.
- Motor vehicle class accounted for 29.8 percent of net premium income, followed by personal and fire classes at 26.5 percent and 22.4 percent, respectively.

7.5 Claims

- The general insurance industry reported lower gross claim payments of \$77.5 million in 2015, decreasing by \$5.0 million from 2014.
- Net claims paid by the general insurance industry increased by \$3.4 million to \$70.0 million as a result of a decline in reinsurance recoveries.



- Overall, the general insurance industry recorded an increase in net claims incurred by \$6.7 million to \$60.4 million.

7.6 Underwriting Result

- An underwriting surplus of \$42.9 million was recorded by the industry, a decline from \$43.1 million in 2014.
- All classes recorded a positive underwriting result, with the exception of householders and personal accident.
- The fire, motor CP and motor vehicle classes accounted for the majority of the underwriting surpluses at \$23.3 million, \$8.7 million and \$6.0 million, respectively.
- The resulting combined ratio (net loss ratio (46.8percent) plus underwriting expense ratio (19.8 percent)) deteriorated to 66.7 percent from 65.8 percent in 2014.

7.7 Non-Underwriting Income

- A decline of 3.4 percent to \$9.8 million for the second consecutive year was recorded for the non-underwriting income due to decreases in gain on sale of assets and dividends received during the year.
- Interest income recorded an increase of \$1.4 million to \$5.4 million, in line with growth in term deposit holdings as a key investment strategy for most general insurers.

7.8 Operating Result

- Pre tax profit was recorded at \$38.1 million, a decline from \$40.4 million in 2014 due to decrease in underwriting surplus and increase in non-underwriting expenses.
- Increase in taxation expense of \$1.9 million to \$7.7 million resulting in a net profit after tax of \$30.4 million in 2015, down from the record performance of \$34.6 million in 2015.

7.9 Balance Sheet

- **Assets** – grew by 5.8 percent to \$360.7 million in 2015.
- **Liabilities** – total liabilities stood at \$206.7 million, noting a decline in of \$6.1 million over the year.
- **Owners' Equity** – total owner's funds continued to increase by 20.2 percent to \$154.0 million in 2015.

8.0 Life Insurance

8.1 Overall Performance

- Improved operating performance in 2015 translated positively to the industry's solvency position which continued to be assessed as strong.
- Balance of revenue account, representing policyholder funds, also expanded during the year resulting in total liabilities of \$1.0 billion as at 31 December 2015.
- Industry's consolidated after tax surplus increased to \$42.0 million from \$36.3 million in 2014, while net premium income marginally declined over the year.



8.2 Premiums

- Gross premium income for life insurers' further declined to \$123.9 million (2014: \$127.9m), underpinned by the declining trend in premium income received from endowment products to \$115.6 million, specifically with single premium policies.

8.3 Performance of Life Business

New Business

- New participating and non-participating life policies issued increased to 16,051 policies in 2015, recording an annual increase of 1,832 policies.
- Total sum insured for both participating and non-participating policies consequently denoted an increase to \$639.6 million, as a result of the increase in the overall take up of life policies.
- New life insurance business accounted for 18.0 percent of total business written in a year.

Terminations

- A total of 12,690 policies were terminated as a result of death, maturity, surrender, forfeiture, expiry of term and others, down from 13,038 reported in 2014.
- Forfeitures and surrenders dominated terminations at 54.9 percent and 25.0 percent, respectively.
- The total sums of insured terminated also noted an increase of 8.2 percent to \$470.6 million, despite the reduction in terminations experienced during the year.

Business in Force

- Individual life insurance policies in force increased by 4,450 to 96,900 while term life group policies remained at four groups in 2015.
- Participating policies accounted for 99.0 percent of the total number of life policies in force in 2015.
- As a result of the increase in the number of life policies in force, total sums insured and annual premiums grew by 9.7 percent and 9.8 percent respectively.

8.4 Income and Outgoing

Income

- Total income of life insurers recorded a growth of 15.5 percent to \$198.4 million.
- The growth in investment income of \$15.0 million to \$69.5 million was attributed to increases in income from dividends by \$8.1million, rent by \$3.5 million and interest by \$3.5 million.

Outgoings

- In line with increase in policy liabilities, total outgoings grew by 21.8 percent to \$154.5 million.
- The growth in policy liabilities of \$28.0 million to \$41.6 million reflected the increase in the share of profits allocated to policyholders in 2015.



8.5 Operating Results

- Pre tax revenue surplus decreased by 2.1 percent in 2015 to \$43.9 million.
- Decrease in taxation expense saw the after tax surplus increase by 15.6 percent to \$41.9 million.
- Return on assets slightly improved to 4.0 percent compared to 3.7 percent recorded in 2014.
- No dividend and bonuses were declared and paid to shareholders in 2015.

8.6 Balance Sheet

- **Assets** – grew by 8.4 percent in 2015 to \$1.1 billion.
- **Liabilities** – total liabilities increased over the year by 8.2 percent to \$1.0 billion.
- **Owners' Funds** –total owners' fund increased by 11.3 percent to \$76.9 million, on the back of an increase in retained profits by 17.2 percent, to \$53.8 million.

9.0 Insurance Brokers

9.1 Overall Performance

- Total premiums handled by the insurance brokers industry decreased in 2015, in line with the softening of the international and domestic insurance markets.
- Assets contracted in 2015, owing to lesser outstanding premiums amidst the lower volume of business transacted during the year.

9.2 Premiums

- Total premiums transacted decreased by 9.5 percent to \$140.8 million, as reductions were noted in all classes of insurance, with the exception of the liability class which grew slightly by 0.8 percent to \$13.8 million.
- Fire and householders class accounted for 52.5 percent of premiums handled by brokers, followed by transport and marine class at 16.9 percent, medical and life class at 11.9 percent respectively, while the remainder comprised of liability and miscellaneous classes.

9.3 Insurance Broking Account

- Aggregate amount outstanding in the broking accounts totaled \$9.9 million in 2015, an increase of 130.2 percent from \$4.3 million reported in 2014. This was reflective of greater monies received than withdrawn during the year.
- Total premium monies received contracted by 3.2 percent to \$168.8 million in 2015, underpinned by lower premiums handled during the year.
- Total monies withdrawn mirrored the lower levels of monies received and contracted over the year by 7.0 percent to \$163.2 million.
- In terms of composition, payments to local insurers dominated at 69.1 percent followed by payments to offshore insurers at 15.0 percent payments, and payments to self at 13.3 percent.



9.4 Operating Results

- The insurance broking industry's net profit after tax decreased by 11.4 percent to \$3.9 million, due to the greater increase of 10.6 percent in total expenses, when compared to the increase of 3.2 percent in total revenue to \$17.8 million.
- Total expenses increased by 10.3 percent to \$12.9 million, driven by the increase in salaries and wages, which rose by 27.5 percent to \$5.4 million in 2015.
- As a result of the higher growth in expenses compared to revenue, the industry's efficiency ratio (total expenses to total revenue) deteriorated to 72.6 percent from 67.8 percent recorded in 2014.

9.5 Balance Sheet

- **Assets** - The total assets of the insurance broking industry contracted by 1.8 percent during the year to \$55.4 million, attributed mainly to the decrease of 17.5 percent in outstanding premiums.
- **Liabilities** - Liabilities grew by 4.7 percent to \$47.7 million attributed to provisions created for dividends of \$3.3 million, in 2015.
- **Owner' Funds** - Decline of 29.4 percent in total owners' funds to \$7.6 million, owing to the decreased level of retained profits after accounting for dividends.

10.0 Conclusion

The domestic insurers continued to demonstrate good operating results and solvency positions, amidst another year of favourable economic conditions and absence of significant natural catastrophes.

Supervision function of the RBF continues to strengthen and reinforced its role in monitoring the licensed insurance companies' and intermediaries' compliance with legislation and prudential policies.

Therefore, 2016 is expected to be a year of possibilities, working with the insurance companies, to address the insurance coverage gap that arises with Fijians' increased vulnerability to climate related shocks.

Disclaimer

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RESERVE BANK OF FIJI



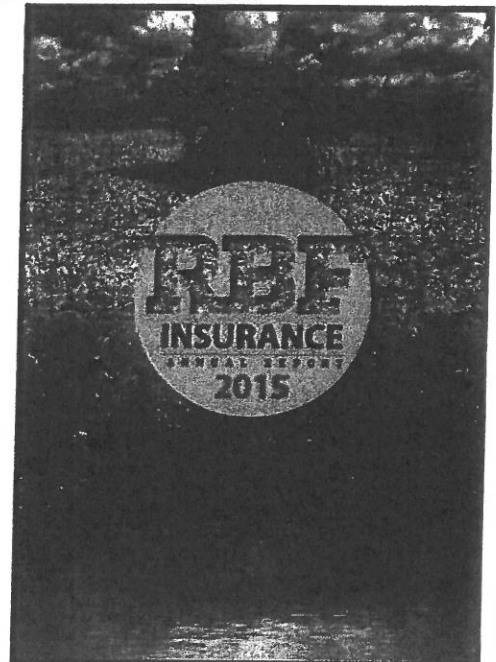
RESERVE BANK OF FIJI INSURANCE ANNUAL REPORT 2015

PRESENTATION TO STANDING COMMITTEE ON ECONOMIC AFFAIRS

12 October 2016

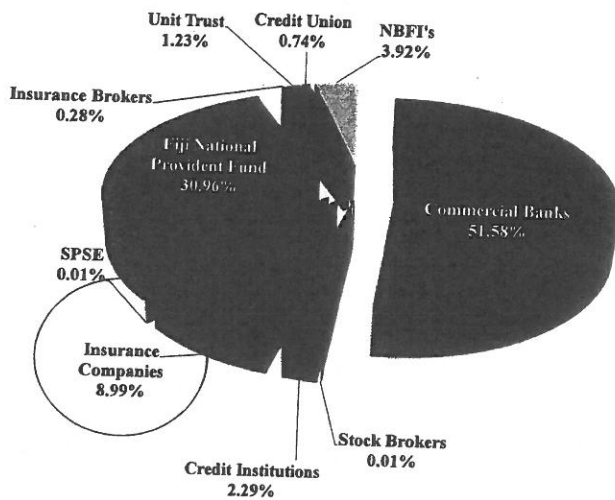
INSURANCE ANNUAL REPORT

- Required under section 165 of the Insurance Act 1998
- Report includes:
 - Annual audited industry statistics required under section 60
 - Assets
 - Solvency
 - Gross Premiums
 - Claims and Policy Payments
 - Profitability
 - International Developments
 - Domestic Developments
 - Supervision and Regulation



FIJI'S INSURANCE INDUSTRY

Financial System Assets – June 2016
\$16.9 billion



Market Share by Net Premiums
December 2015

General Insurers	
Company	Market Share %
Dominion Insurance	11.9
BSP Health	11.0
FijiCare	8.9
New India	10.8
QBE Insurance	17.9
Aviva Insurance	15.7
Tower Insurance	15.9
Life Insurers	
BSP Life	47.2
ICL	52.8

IMPORTANCE OF INSURANCE INDUSTRY

Insurance Industry Role

- Risk transfer
- Information: indicator of existing risks/probability of loss
- Re-investment of premium pools for productive use

IMPORTANCE OF INSURANCE INDUSTRY

■ **Reserve Bank Role in 2015**

- **Protect policyholder interest/Safety and soundness of licensed insurers**
- **Regulation**
 - Administration and review of Insurance Act requirements
 - Prudential supervision policy development and review (2015 | Review of Solvency Requirements – Industry Consultation)
 - Licensing
- **Supervision**
 - Ensuring compliance with statutory requirements
 - Analysis of prudential statistics and offsite reporting/Prudential consultations/audit trilateral and actuarial meetings
 - Onsite reviews and Ongoing industry surveillance

INDUSTRY HIGHLIGHTS – 2015

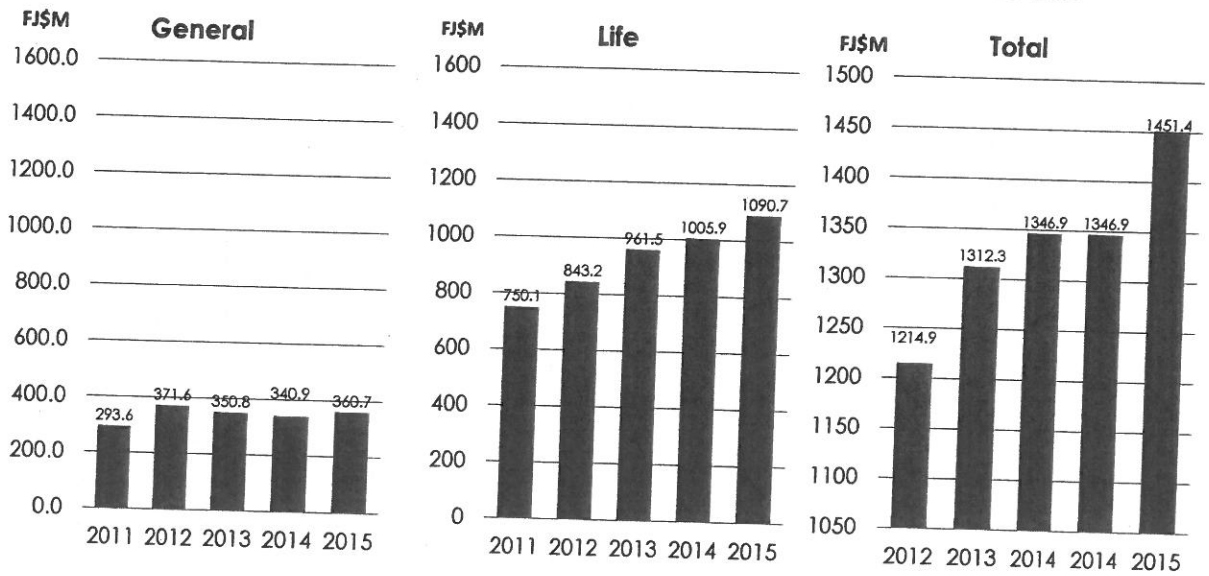
■ **Insurance industry recorded marginal decline in gross premium income**

- Life insurance industry reduction in gross premiums received
- Competition in the general insurance sector
- Again a notable absence of catastrophic events
- Positive results in earnings and profitability

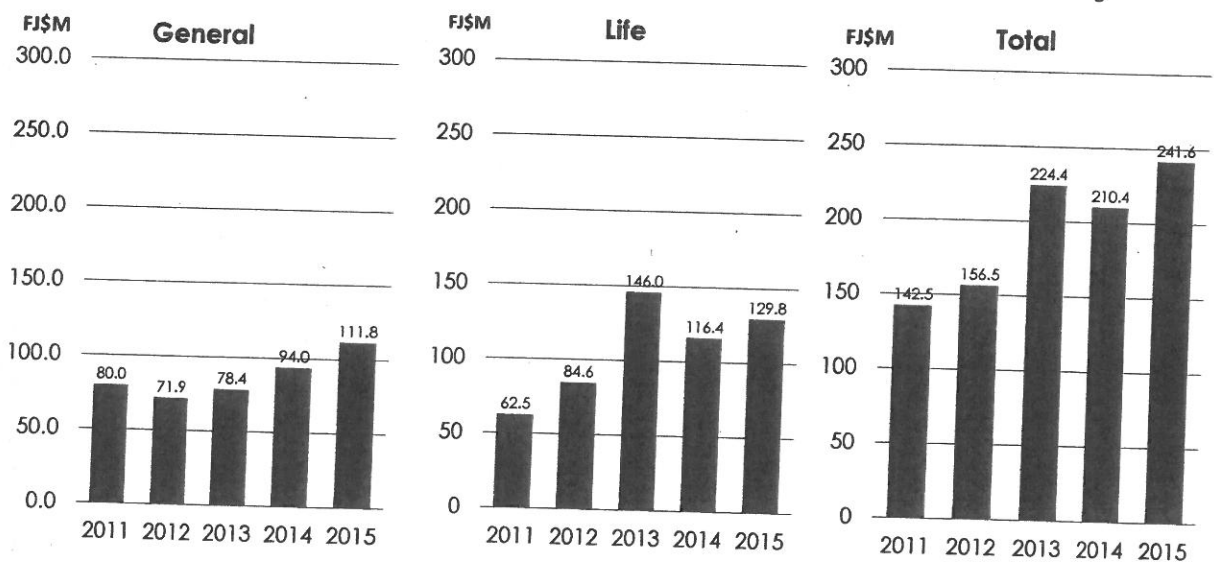
■ **Industry remained sound**

- Solvency levels satisfactory for both General and Life
- Risk management by individual companies continued to be enhanced

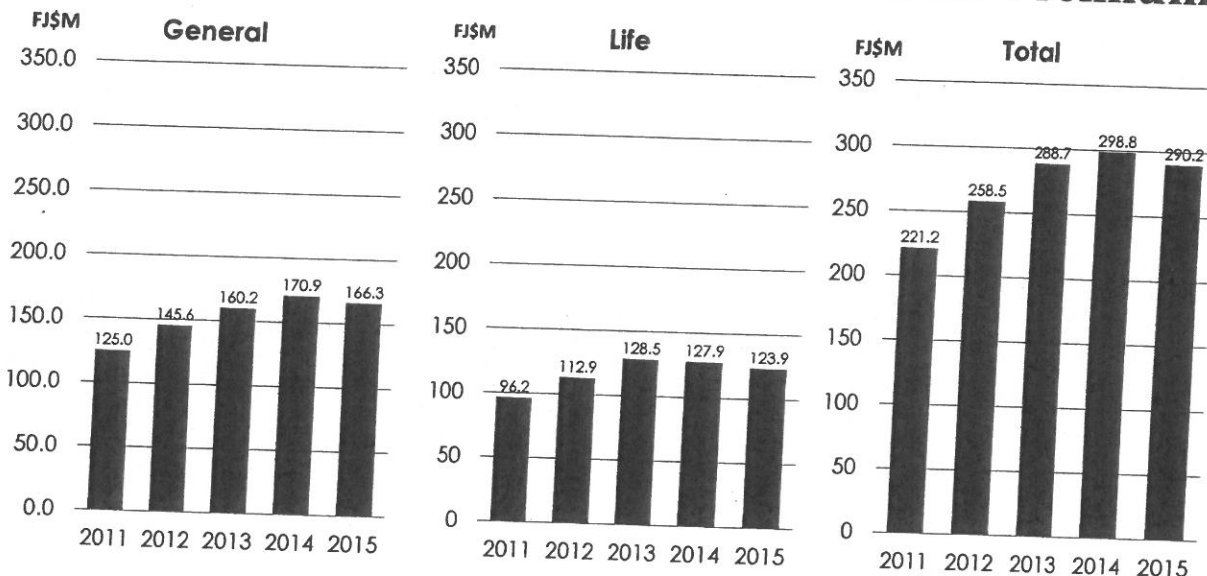
KEY SOUNDNESS INDICATORS - Assets



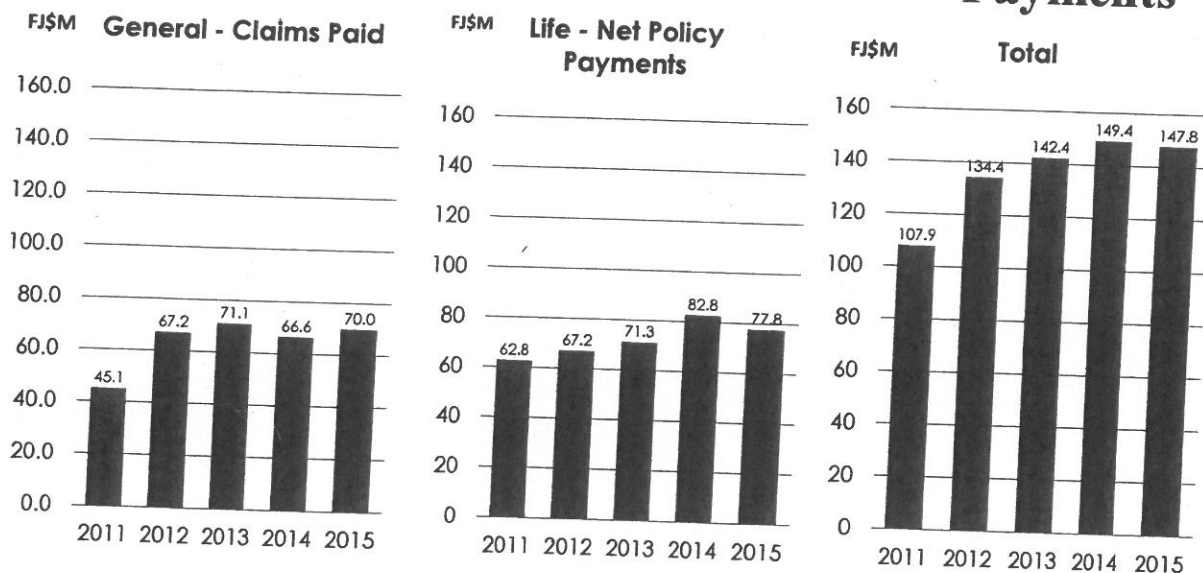
KEY SOUNDNESS INDICATORS - Solvency



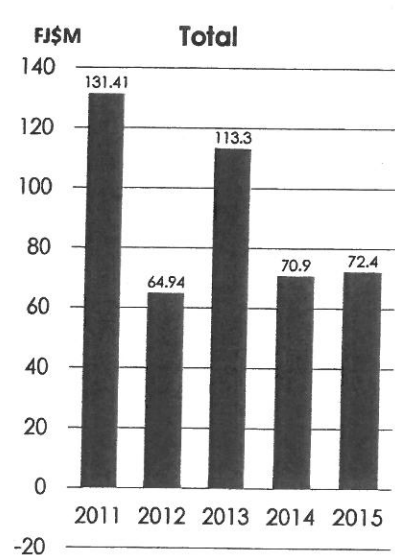
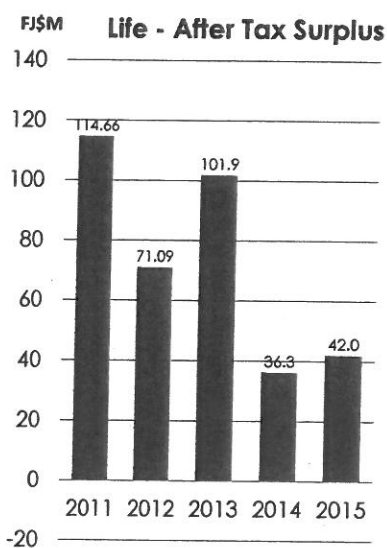
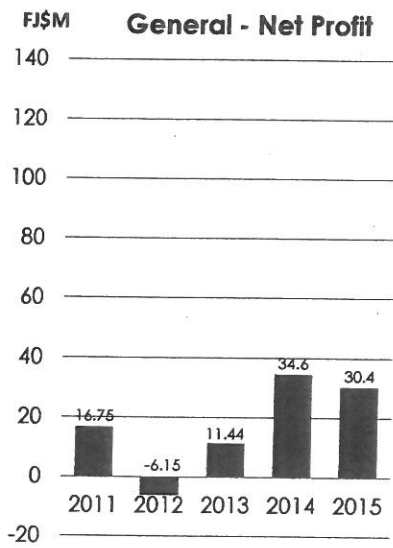
KEY SOUNDNESS INDICATORS – Gross Premium



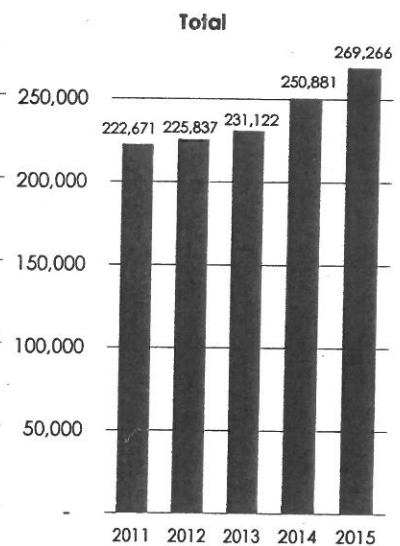
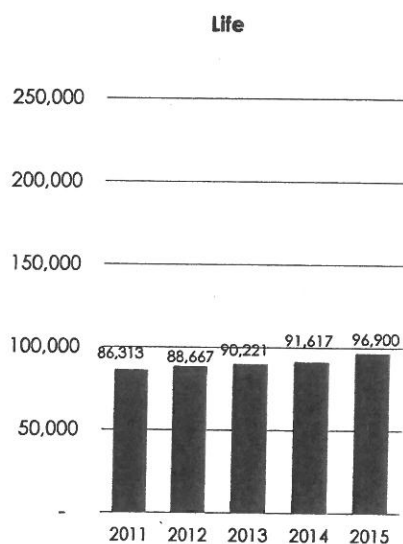
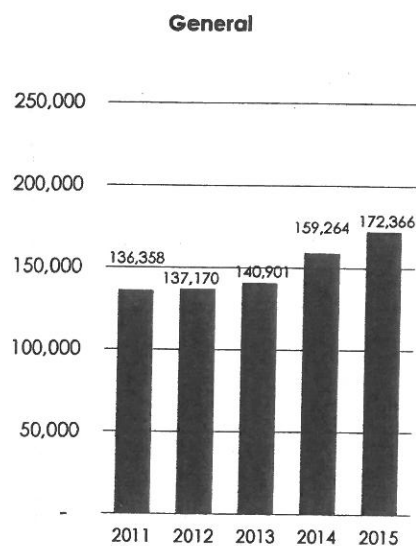
KEY SOUNDNESS INDICATORS - Claims and Policy Payments



KEY SOUNDNESS INDICATORS – Net Profit after Tax



KEY SOUNDNESS INDICATORS – Policy Numbers



INDUSTRY OUTLOOK – 2016

■ **2016 started with major catastrophe event**

- insured losses from TC Winston impact continue being assessed
- estimated insured losses as at 10 August 2016: \$237m
- 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

■ **Subdued performance expected due to forecasted economic growth and TC Winston claims**

INSURANCE AWARENESS CAMPAIGN

■ **National Financial Inclusion Strategy**

- Reserve Bank working in partnership with Pacific Financial Inclusion Programme, Insurance Council and Inclusive Insurance Working Group – to raise awareness and understanding of insurance
- Address the awareness and education gap in the community
- Launched a six-week media campaign on 5 October



THANK YOU