



# **PARLIAMENT OF THE REPUBLIC OF FIJI**

## **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

### **Reserve Bank of Fiji Insurance 2017 Annual Report**



**Parliamentary Paper No. 27 of 2019**

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## Chair's Foreword

The Committee is pleased to present its report on the RBF Insurance 2017 Annual Report

For the year 2017, the theme was 'inclusive insurance' as a way to focus the efforts of the various industry stakeholders to increase penetration into the communities for increased uptake on insurance.

Given that the Insurance Act was last reviewed approximately 20 years ago, the Committee was pleased to note that the Act is currently undergoing review. Further to this, there have been discussions about developing other types of insurance. For instance, RBF and a number of working groups such as Agriculture Insurance National Working group chaired by the Governor of RBF jointly with PS agriculture to explore avenues to bring in agriculture insurance in Fiji.

Various aspects were explored while deliberating on the insurance report, one of which was to focus on Small Medium Enterprises. RBF continues to work with the insurance industry to see if they can come up with products and services in this area.

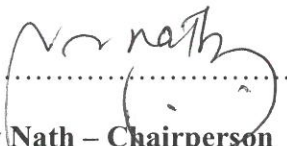
The Committee noted the alarming rate of insurance being surrendered and lapsed due to inability to continue payment which effectively is a direct loss of savings for our people and hope that paths can be paved to overcome this issue.

The Committee welcomes the Fijian Government's initiative of bundle insurance which initially covered sugar cane farmers and has now been extended to rice farmers, dairy farmers, copra farmers, social welfare recipients and civil servants

The Committee is satisfied with the overall performance of the Reserve Bank of Fiji as the regulator of the insurance industry.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - Deputy Chair Hon. Veena Bhatnagar, Hon. George Vagnathan, Hon. Filipe Tuisawau, Hon. Inosi Kuridrani 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 2017 RBF Insurance Annual report to Parliament.

  
.....  
**Vijay Nath – Chairperson**



## Acronyms:

RBF	-	Reserve Bank of Fiji
SME	-	Small Medium Enterprises
SO	-	Standing Orders



## **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) The objectives of the RBF in terms of insurance are as follows:

1. To administer the Insurance Act (1998) efficiently and effectively in order to ensure that the legislation relating to insurance and supervision is proactive, relevant and effective.
2. To promote professional standards of management and business practice in the insurance industry.
3. To provide information, advice and dialogue relating to insurance and insurance supervision as well as to support orderly growth of the insurance industry and its services.
4. To maintain a professional supervisory body that delivers a high standard of service.

For the year 2017, the theme was 'inclusive insurance' as a way to focus the efforts of the various industry stakeholders to increase penetration into the communities for increased uptake on insurance.

### **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.



## 2.0 Findings and Recommendations

1. The Committee is aware that Insurance agencies are currently developing policies to cover SME's. The Committee recommends that proper research is conducted to ensure that these policies benefit all forms of SME's in various sectors.
2. Fiji is heavily affected by Climate Change and people living in towns and villages are prone to risks associated with cyclones, floods and other natural disasters. The Committee recommends that vulnerable assets not currently covered by insurance be considered for coverage through Climate change insurance.
3. The Committee notes that the Insurance Act is currently under review and that the Minister responsible had requested RBF to conduct public consultations on the matter. The Committee recommends that this review be progressed.
4. We commend the initiatives in developing other types of insurance such as with the Agriculture Insurance National Working Group on agriculture insurance, Pacific Catastrophic Risk Insurance Company on catastrophic household insurance and parametric insurance for households. The Committee recommends that these initiatives be progressed.
5. The Committee notes with appreciation the Fijian Government's initiative of bundle insurance which initially covered sugar cane farmers and has now been extended to rice farmers, dairy farmers, copra farmers, social welfare recipients and civil servants. The committee recommends that the government continues with this positive initiative and that further assessment be conducted to widen the coverage.
6. The Committee notes an option being proposed to develop a special product to cover for roofs of buildings as opposed to insurance for the whole house. Such a proposition will reduce the premiums and thus make it affordable to a wider range of home owners for protection against cyclones. The Committee would encourage the development of this insurance product to provide more reasonable choices.
7. The Committee is concerned with the general perception that it takes too long to process insurance claims. The Committee believes that this is all part of customer service and recommends that insurance companies need to undertake measures to ease processing times for claims.
8. The Committee notes the alarming rate of insurance being lapsed due to inability to continue payment which effectively is a direct loss of savings for our people. The Committee recommends that all avenues are explored which include careful tailoring of products to suit income levels, consideration that lapses qualify for some surrender values and facilities to meet premium payments during periods of unemployment such as FNPF contributions.





9. The Committee is concerned that gross premiums on fire have decreased from \$54.6m in 2013 to \$50.8m in 2017. With high incidences of fire related damages to buildings, the Committee recommends that full assessment be made to determine the reasons why our people are reluctant to take on fire-related policies.



### **3.0 Gender Analysis**

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

Taking into consideration the principle of gender equality, the Committee noted that RBF have taken initiative to be more gender inclusive. This has been done through collecting disaggregated data from all licensed financial institutions, including insurance companies in order to better understand and design product and services that are suitable to the financial needs of Fijian women.

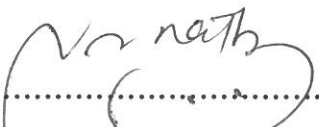


## **4.0 Conclusion**

The Committee is satisfied with the overall performance of the Reserve Bank of Fiji as the regulator of the insurance industry. Further to this, the Committee will continue to stress on the importance of motivating our people to take up insurance covers in their various forms.




## Members Signature



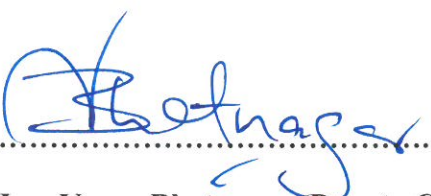
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**Hon. Vijay Nath (Chair)**




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**Hon. Viliame Gavoka (Alternate)**




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**Hon. Veena Bhatnagar (Deputy Chair)**



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**Hon. George Vegnathan (Member)**



.....

**Hon. Ro Filipe Tuisawau (Member)**



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**Hon. Inosi Kuridrani (Member)**





# **APPENDICES**



# RESERVE BANK OF FIJI



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## PRESENTATION TO THE STANDING COMMITTEE ON ECONOMIC AFFAIRS BY THE GOVERNOR OF THE RESERVE BANK OF FIJI, MR ARIFF ALI, ON THE RESERVE BANK OF FIJI (AUGUST 2017-JULY 2018) ANNUAL REPORT AND THE 2017 INSURANCE ANNUAL REPORT

*01 February 2019*

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### A. INTRODUCTION

1. Thank you Honourable Chair, and Honourable Members for the invitation to present to you today, highlights of the Reserve Bank of Fiji's Annual Report for the period 01 August 2017 to 31 July 2018, and the 2017 Insurance Annual Report. We have also prepared responses to the specific questions that we have received from the Standing Committee, and these will be part of our presentation.
2. I acknowledge with appreciation the opportunity I had last week, to present at the Workshop you had at the Warwick Resort, an overview of the roles and responsibilities of the Reserve Bank of Fiji. Having an appreciation of how we conduct our central banking activities, would augur well in understanding the information we produce in our annual reports.
3. However, may I at the outset re-iterate a quote I mentioned to you last week, a quote that has always put our role as a central bank in perspective, by the former Governor of Bank Negara, Malaysia's central bank, who stated that "**central banking is not for the faint of heart!**" I further quote Alice Rivlin, a former Federal Reserve Vice Chairperson, who aptly said that the "**the job of the central banks is to worry**". *By the way these are statements by two women regarded as leading central bankers in the world.*

**C. 2017 INSURANCE ANNUAL REPORT**

22. Honourable Chair, I will move on to provide key highlights of the 2017 Insurance Annual Report.
23. 2017 was a favourable year for the local insurers as Fiji was spared of experiencing any major catastrophe events as it did in 2016, allowing the local insurance industry to recuperate from the devastation left behind by TC Winston and TC Zena. However, claims from the 2016 events continued to be paid in 2017.
24. The risk transfer role that the insurance industry plays is key to the growth of our economy. It provides the necessary safeguard for the financial health of individuals, families, communities, businesses, financial institutions and the economy as a whole. The industry also plays an information role in providing an indication of existing risks in the economy and probability of loss, and a developmental role in the capital markets, by mobilising savings for productive use.
25. The Fijian insurance industry remain solvent way above the prudential minimum requirement, supported by good quality assets. Total assets of the Fijian insurance industry stood at \$1.7 billion, an increase of 5.8 percent from 2016. Total liabilities also increased by 4.8 percent to \$1.4 billion, in 2017.



26. The insurance industry's viability position improved in 2017, with a combined after tax profit of \$45.2 million for the life and general insurance sectors, a turnaround from the net loss of \$8.0 million reported in 2016.
27. Total gross premium income as an indicator of volume of business increased by 3.8 percent to \$323.7 million in 2017, attributed to new policies underwritten by general insurers. Life insurers however, registered a decline in gross premium income, as a result of lower premiums received for endowment products. An endowment policy is a life insurance contract designed to pay a lump sum after a specific term (on its 'maturity') or on death.
28. In terms of claims, net policy payments and net claims paid grew to \$210.7 million, in 2017. Net claims paid by general insurers increased by 8.5 percent to \$97.0 million, attributed due to the 'spill over' payments for TC Winston claims from the previous year. Similarly, net policy payments by the life insurance sector increased by 17.8 percent to \$113.7 million due to matured and surrendered life policies.
29. Honourable Chair, the Reserve Bank of Fiji continues to liaise with individual companies on the sustainability of their operations and like any other business during times of crisis, some companies' underwriting capacity have been challenged by the impact of recent loss events. The Reserve Bank, as the regulator of the insurance industry has the necessary powers to enforce requirements to ensure that individual companies remain safe and sound, and the insurance industry as a whole continues to be stable.

30. Climate change and the imminent upsurge in insurance losses globally and in Fiji in recent years have underscored the importance of insurance affordability, challenging insurers to bridge the insurance protection gap. This has highlighted the 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 the underserved in our communities.
31. We note that the Standing Committee has some specific questions on these initiatives, so we will take this time to respond to your questions. If you may allow us Honourable Chair to begin with our responses to the specific questions relating to the 2017-2018 RBF Annual Report and then move on to the questions on the 2017 Insurance Annual Report, before we close with a summary.

- [1] *Is the RBF able to explore options of developing specific tourism related insurance for locally operated tourism SMEs?***

The issue of providing insurance coverage for the SME sector which includes SME operators in the tourism industry, continues to be part of current ongoing discussions on expanding the current coverage of insurance to households and small businesses. The RBF will continue to explore opportunities to expand the current coverage of insurance to the SME sector, and consider specific product designs for local SMEs in the tourism sector with the insurance industry.

However it is to be noted that specific tourism related covers such as public liability insurance, general liability covers can be accessed through existing local providers for tourism SMEs.

- [2] *We note that the RBF sought technical assistance from Pacific Financial Technical Assistance Centre to review the Insurance Act. Please provide an update of this.***

The review of the Insurance Act 1998 has been identified as long-overdue, when assessing global developments in the insurance market, as well as supervisory





practices of the insurance industry. The Act is also due for review being in place now for 20 years.

As part of the assistance by the PFTAC, the RBF was able to attend a regional workshop to initiate the review, with a number of Pacific central banks which are also undertaking their countries' insurance legislations. We have received a first draft of the proposed bill, and are now awaiting a second draft after some amendments made in the first draft. The second draft will again be reviewed by the Bank, before we submit to the Solicitor General' Office for legal vetting, to be followed by the usual legislative review process.

*[3] On page 17, under Public Sector Participant and Partnership, there have been discussions about developing other types of insurance. Please advise on progress.*

Discussions are still underway on the initiative to introduce insurance products for households in Fiji, and agriculture insurance for crop and livestock. Consultations with the various stakeholders are ongoing due to the nature of the products and the lack of data, and local expertise on such a technical area.

However, we can update on the following:

- The Agriculture Insurance National Working Group has been established (AINWG) with participation of all relevant stakeholders (including line-ministries, the Fiji insurance industry and other private sector and international development agencies) for the design and introduction of agriculture insurance in Fiji. The Working Group is tasked with discussing, designing and implementing an action plan for the provision of agriculture insurance, and had its first meeting in December 2018.
- The Government of Fiji has agreed to become a member of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) program, meaning Pacific Catastrophe Risk Insurance Company (PICRIC) can now offer sovereign parametric insurance cover to the Government of Fiji for both tropical cyclone and earthquake/tsunami.
- The Pacific Financial Inclusion Programme (under the United Nations Development Programme) is currently working on a Pacific regional climate risk adaptation and insurance project (a parametric index-based micro insurance for households) which is expected to be implemented in June 2019.

*[4] On page 17, under Inclusive Insurance, could you please indicate what type of initiatives were/are being introduced to bridge the insurance coverage gap (from 12%)?*

Fiji's first bundled insurance product (and the first in the Pacific) was launched by Fiji Care Insurance Limited in June 2017 for sugar cane farmers. The product, includes term life, funeral expenses, fire and personal accident insurance cover. The product has also extended to rice, copra and dairy farmers, recipients of social welfare assistance, and civil servants, in 2018. Some numbers we have noted to date are:

- 200 rice farmers;
- 256 dairy farmers;
- 11,606 sugar cane farmers;
- 160 copra farmers;
- 35,041 civil servants; and
- 72,376 social welfare recipients.

As a result, we estimate that the coverage has now increased to almost 40 percent of the adult population.

*[5] On page 18 under Disaster Risk Financing, has any new initiative been introduced following the regional workshop?*

Following receipt of the ADB Disaster Risk Financing Assessment Report, the following initiatives are currently being considered or implemented:

- Government with the technical assistance of the IFC is finalising the design of a parametric insurance cover for households in Fiji which cannot afford commercial insurance;
- Improve access to the offshore insurance market for risk transfer that the local market cannot provide. The RBF board has recently approved the revised offshore placement policy for implementation in March 2019 aimed at increasing access by locals to the offshore insurance market;
- Develop a customised insurance awareness programs for disaster insurance; and
- Develop an agriculture insurance product with a combination of indemnity-based and index-based covers.

*[6] On page 18, the report highlighted that a roundtable discussion was convened about expanding household coverage against Tropical Cyclone in Fiji, can you further elaborate on what has been discussed and how can more households be covered by insurance?*

The Government of Fiji agreed to become a member of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) program, meaning Pacific Catastrophe Risk Insurance Company (PICRIC) can now offer sovereign parametric insurance cover to the Government of Fiji for both tropical cyclone and earthquake/tsunami.



[7] *Have there been any recent developments in Climate Change financing related to insurance (outcomes of COP 23)?*

The developments discussed above under question numbers 3 and 6 are also part of the outcomes of COP 23.

[8] *Based on the supervisory role of RBF, what is the compliance rate of these insurance companies? If below average, what methods have been used to ensure higher rate of compliance?*

Insurers are required to be compliant with all regulatory and supervisory requirements relevant to their operations. In instances where insurers are not compliant, the Reserve Bank under the Insurance Act 1998 can issue directives to rectify prudential concerns.

[9] *In some cases, the processing time of applications are much longer than they are supposed to be despite all requirements being met. What are some reasons for the delay?*

In the context of claims processing, if all documentary requirements are provided by the insured, insurers also undertake due processes such as engaging loss adjusters for fire and motor vehicle claims, fire reports to verify the loss and reduce the risk of fraudulent claims. There are not many loss-adjusters in Fiji, and the process they undertake takes some time.

However in events of significant disasters like major floods and cyclones, the RBF initiates a regular follow-up process to ensure claim payments are not delays if all requirements are satisfactorily met.

(10) *How can the Bank promote SDG 5 – gender equality and women empowerment in the insurance industry?*

The RBF is in the process of finalising a Policy on collecting **Disaggregated Data** from all licensed financial institutions, including the insurance companies. Having access to adequate disaggregated supply side data will assist the RBF and financial services providers better understand, and design products and services that are suitable to the financial needs of Fijian women.

The RBF has also made a commitment under the National Financial Inclusion Strategic Plan (2016 -2020) to bring another 65,000 new females (women) into the formal financial system. In doing so, RBF is collaborating with various government agencies and private sector to achieve this goal.

(11) *How can the bank strengthen the capacity of the insurance companies to encourage and expand insurance services to all people in Fiji? (SDG 8).*

Work on this front is ongoing. The Bank currently has a working group with the insurance industry with the objective of exploring inclusive insurance product designs. Through the Committee, a national awareness programme through radio, television and print media was undertaken in 2016 and 2017, to promote the consideration of insurance as a risk mitigation tool for individuals and families.

The insurance industry is now working with relevant industry bodies on the review of the Fiji Building Code, and introducing the cost effective insurable solutions for strengthening household dwellings. Further engagements with the insurance industry will continue.

*[12] On Page 20, under Reinsurance Cessions, there was a decrease of fire class from \$3.3m to \$28.8m. Please explain some of the possible reasons for the decline.*

The decline is by \$3.3million, not from \$3.3million and was due to a decrease in the gross premium for the fire class that led to a decline in reinsurance.

**Reserve Bank of Fiji**

01 February 2019



**Presentation to the Standing  
Committee (of the Parliament of  
Fiji) on Economic Affairs:  
Wednesday 6<sup>th</sup> Feb 2019**



**Presentation By:**

Mr. Padam Lala	–	Chairman
Mr. Inia Naiyaga	–	Managing Director
Mr. Tarlochan Singh	–	G.M Finance & Compliance



**Our Mission  
Statement**

**To be the best provider of  
Customer Service in the  
Insurance Industry in  
Fiji.**



## About SUN



Sun Insurance (SUN) was borne out of NMBF Insurance (Fiji) Ltd when 3 local businessmen took over the ownership of the fledging company and re-named it as Sun Insurance in 1999.



With a mere premium turnover of \$650,000 in 1999, Sun Insurance has grown to be a large player in the Fiji market with just under 20% of the Fiji General Insurance market with a Gross Turnover in excess of \$31million in 2017.



Client base in 2017 was 12,390 policyholders, not including CTP of 67,012.

## About Sun Continued...

SUN is proudly a 100% Fiji owned entity with all of its profits retained within the Fiji economy.



Since its inception, SUN has invested around \$60million in the Fiji economy.

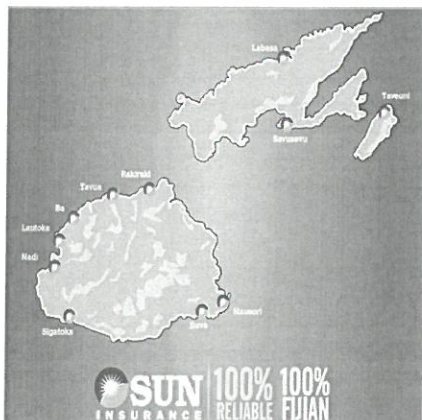


Further, SUN is the only company in Fiji with 100% local staff content.



This gives SUN the edge in understanding the needs and requirement of its local customers.

## SUN'S REACH



Agency Split	
Viti Levu	10
Vanua Levu	3
Taveuni	1
<b>TOTAL</b>	<b>14</b>

SUN Head Office/ Branch	
Viti Levu	3
<b>TOTAL</b>	<b>3</b>

## Staff Details

100%  
FIJIAN

	Male	Female	Total
Management Team	7	1	8
Other Staff	25	26	51
<b>Total</b>	<b>32</b>	<b>27</b>	<b>59</b>

## **Coverage and Products**

CLASS	PRODUCT
FIRE	Fire & Extraneous
	Building Under Construction
	Consequential Loss
	Industrial Special Risk
MARINE	Marine Cargo
	Marine Hull
HOUSEHOLDERS	Houseowners
	Contents
MOTOR	Commercial
	Fleet
	Forklift
	Other
	Private
	Rental
	Public Service Vehicle

## **Coverage and Products Continued...**

CLASS	PRODUCT
MISCELLANEOUS	Contractors All Risk
	Contractors Plant & Machinery
	Equipment & Machinery
	All Risk
	Fidelity Guarantee
	Travel
	Plate Glass
	Burglary
	Public Liability
	Workers Compensation
	Personal Accident



## **SUN's Underwriting Capacity**

Class	Limit (FJD)
Commercial Property	15,000,000
Domestic Property	5,000,000
Engineering	2,500,000
Contractors All Risk	15,000,000
Marine Hull	5,000,000
Marine Cargo	5,000,000
Motor	600,000
Miscellaneous Accident	600,000

## **Performance**

### **2017**

- Made a pre-tax profit of \$5.6m
- High loss ratio in Motor Vehicle portfolio was experienced
- Market rates for Motor Insurance started rising.
- Had a few huge Fire claim on our books.
- Year ended with the loss of CTP business worth \$4.8m.

## Highlights of Past Performance

	2017	2016	2015
Net Premium Income	19,413	20,071	20,134
Net Claims Incurred	-11,853	-13,570	-9,094
<b>NET PROFIT BEFORE TAX</b>	<b>5,684</b>	<b>3,034</b>	<b>7,662</b>
Taxation Expense	-1,741	-788	-1,818
<b>NET PROFIT AFTER TAX</b>	<b>3,943</b>	<b>2,246</b>	<b>5,844</b>
Adjusted Net Assets (\$'000)	24,746	24,066	21,505
Minimum Required Solvency Margin (\$'000)	3,883	4,014	4,027
<b>Solvency Surplus (\$'000)</b>	<b>20,864</b>	<b>20,052</b>	<b>17,478</b>
Net Assets (\$'000)	29,606	29,413	30,917
Total assets (\$'000)	62,430	61,664	70,602

## Business Break - Down

The table below demonstrates the Company's operations by class of business. The table shows risk concentrations before reinsurance.

Classes of Business	2017 %	2016 %
Compulsory third party	16.7	17.4
Motor vehicle	44.3	46.5
Fire and extraneous	14.9	14.4
House owners	5.5	5.2
Workers' compensation	7.3	7.5
Public liability	2.6	2.3
Marine (cargo and hull)	3.0	2.2
Personal accident	0.2	0.2
Others	5.5	4.3
	<u>100.0</u>	<u>100.0</u>

## **Future Plans & Strategies**

### **Short Term**

- ☐ Re-focus & Consolidate
- ☐ Governance/Management Structure strengthening
- ☐ Maintaining renewal rates above 80%
- ☐ Staff Training & Development
- ☐ Utilization of the Technology Advancement
- ☐ Completion of the Legalega 5-storey Building

## **Future Plans & Strategies**

### **Long Term**

- ☐ New 5 year Strategic Plan (2020-2024)
- ☐ Product redesign & enhancement
- ☐ Portfolio diversification into real estate
- ☐ Possibility of listing on SPSE
- ☐ Value Adding to Service by Road Assist & Use of Technology
- ☐ Steady increase in Market Share

**SUN's Role in helping RBF**  
**(as regulators) shape the future directions**  
**of the Insurance Industry**

**Provide Support – by assisting RBF**

- with the required data & information to make informed decisions.
- In Prudential Policy development via consultations and talanoa sessions.
- Provide in-sights into the Insurance functions, problems of industry, solutions and future development of the industry.
- Assist in resolution of consumer complaints.

**Amendments to the Insurance Act**

**Sun supports the move:**

- ☐ Will assist in modernizing the Insurance Industry
- ☐ Should allow one Financial Institution to hold Multiple Insurance Agencies (enhance Consumer Choice & freedom)
- ☐ Should be one document incorporating the guiding requirements (not like now Insurance Act & the Insurance Reform Act)
- ☐ Should ensure Consumer protection
- ☐ Should encourage investment in the local Market by Insurers

## **Extent of Coverage of SME's, Farmers, domestic workers**

- ☐ SUN's involvement with coverage for Farmers is minimal in terms of any Micro Insurance schemes.
- ☐ For SME's we do provide cover such as:
  - ☐ Properties (vehicles, offices, equipment, etc)
  - ☐ Liability (public & product liability)
  - ☐ Cargo (Marine and In land)
- ☐ For domestic workers, SUN's involvement is minimal
- ☐ SUN provides cover to all Properties (irrespective of SME or larger clients – to the limit as prescribed within our Reinsurance Treaties)

## **Criteria for reviving lapsed policies**

- ☐ All renewals within 30 days of expiry shall be renewed effective from payment date or date of renewal advice
- ☐ All renewal payments or advices received after 30 days from expiry will require a new proposal form and a new policy will be issued.
- ☐ Policies lapsed over a month requires new quote based on the current terms.


## **Conclusion**

**To conclude:**

- ☐ We welcome the review of the Insurance Act by the RBF.
- ☐ We will continue to provide our comments on the draft prudential policies issued by the RBF.
- ☐ We will continue to enhance our services to our customers, in particular in relation to a quick turnaround time.
- ☐ We will align our new 5 year Strategic Plan 2020 – 2024 to the new Insurance Act.
- ☐ We will be celebrating our 20<sup>th</sup> Anniversary in October this Year.


**Vinaka & Thank You**






**BSP LIFE – FIJI**  
 Economic Affairs Committee  
 2019 Submission

*WE ARE* **BSP**



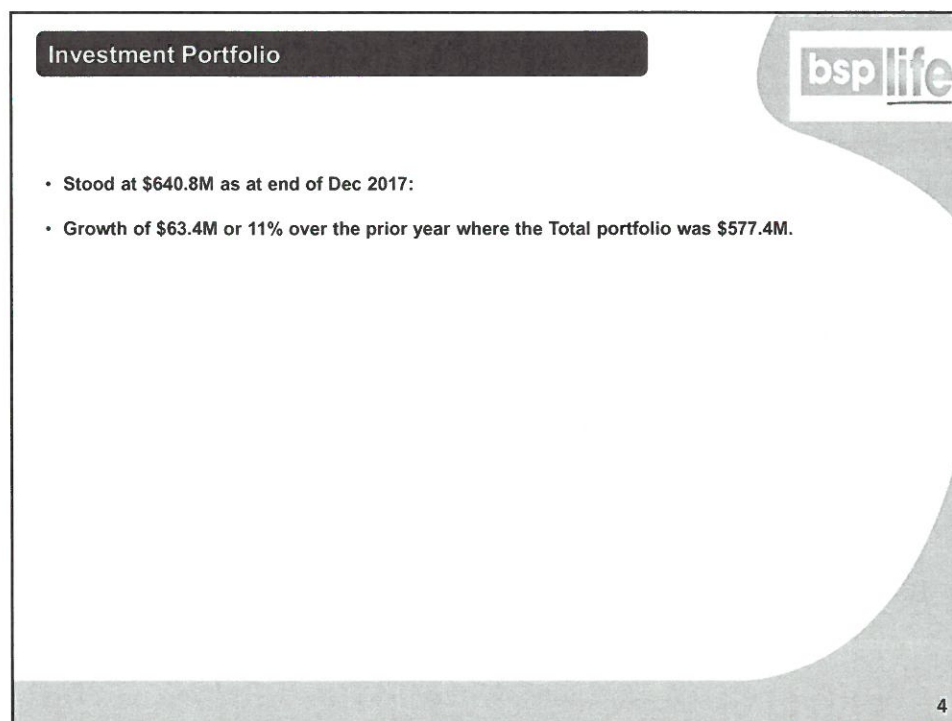
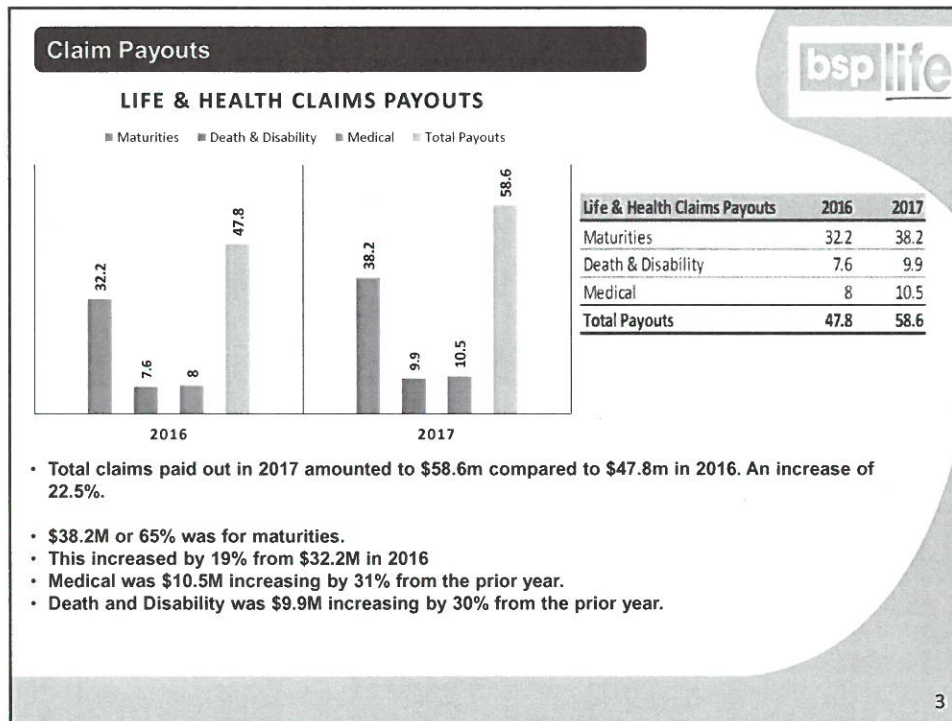
**Key Highlights – Total Business (BSPL Group)**



- Background – two Companies within our Group – BSP Life and BSP Health
- Total Industry Gross Inforce premium for 2017 per the RBF report was **\$324M**.
- There are 8 industry players - BSP Life, LICl, New India, Sun Insurance, QBE, Fiji Care, Dominion/Capital, and Tower insurance. Evenly distributed each insurer would contribute \$40.5M or 12.5%. Our contribution to the Total Insurance market was \$88.4M or 27% of the Total Market.
- If we narrow this to the specific market segments we operate in, being the Life & Health insurance markets:
- Life Insurance Total gross premium was \$133.9M, of which \$69.1M or 52% was from BSP Life. There are two major players in the Life Insurance market, BSP Life and LICl.
- Medical and Term Life was \$41.3M, of which \$19.3M or 47% was from BSP Health. There were 4 major players in the Medical and Term Life market, BSP Health, QBE, Dominion and Fiji Care.

So in the markets where we operate our overall contribution was \$88.4M for 2017 equivalent to 50% of the total premium pool of \$175.2M.

2





## Industry Trends/Challenges



- **Life Insurance:**
  - Two players only (LIC and BSP Life) but market is highly competitive.
  - Life endowment products to continue to dominate
  - **Competition for disposable income and Deductions at Source – affected growth when 50% at source limit was imposed for Civil servants – good initiative but squeezed life insurance sales out as we are competing with immediate consumer needs which drives credit. Thankful to Government for exempting life insurance from deductions at source limit in the 2018 budget.**
  - More educated and techno savvy clientele demanding higher level of service through convenient means.
- Market Penetration for Life Insurance Product is still low.
- Financial Literacy
- Future growth still based on product push strategy.
  - Tiered agency structure to remain the key channel.
  - Increased demand for innovative products.
- Business persistency – a market challenge. Quality initiative has positively impacted BSP Life new business and inforce.

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## Health Insurance Industry Trends/Challenges



- Market highly competitive. 4 active players (BSPH, QBE, Fiji Care, Dominion).
- QBE has withdrawn due to volatility of this business.
- Brokers to remain key distributors.
- Increasing costs of medicines, treatments and evacuations.
- **NCD challenge remains a major issue.**
- Advent of MIOT in Fiji, with the same tertiary service offered, has impacted positively but overall claim costs remain high.
- **Volatility of claims in the health insurance business remains a key challenge**
- **High claims ratio.**
- Lack of scale in Health business impacts profitability and solvency.
- Despite volatility won't compromise service.
- Need strong financial base to manage large claims which we have.

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### Points for SC Consideration



- Restrict organizations who can access at source deductions via the Consumer Credit Act review
- Insurance to be considered as a tax deductible to encourage greater savings culture.