Patience is a virtue here!

Foreign insurers keen to enter the insurance market in Myanmar will need to be patient as the market is not likely to open up anytime soon. With 12 private players still new in the business, the insurance regulator is keen to establish a level playing field before allowing foreign players into the market.

By **Jimmy John**

Myanmar wants to first establish a strong domestic insurance industry before throwing open its gates to foreign players. "We need to give local companies a chance to gain some experience in this business," said H.E. Dr Maung Maung Thein, Deputy Minister, Ministry of Finance and also Chairman of the Insurance Business Regulatory Board (IBRB) [previously known as Insurance Business Supervisory Board].

Addressing delegates at the 1st Myanmar Insurance Summit in Yangon, Dr Thein said that foreign insurers are welcome in the country to provide training and research-based activities.

Myanmar needs to learn from developed markets

"With its strategic location, foreign insurers see Myanmar as a stepping stone into the large ASEAN region which has a combined population of 600 million and an insurance penetration of 2.37%," said Mr U Aye Min Thein, Managing Director, Myanma Insurance & Secretary of IBRB.

He highlighted the current state of the insurance industry in Myanmar and how the insurance regulator had issued licences to 12 private domestic insurers in 2013. The minimum capital has been set at MMK6 billion (US$6 million) for life insurers, MMK40 billion for non-life players and MMK46 billion for composite insurers.

When approved, companies will be required to pay MMK1 million in annual fee and MMK3 million in licence fee. The general insurance industry did business of US$32.6 million in 2013 and is projected to grow by 16.1% per annum, whereas the life insurance industry did business of $2.5 million in 2013 and is projected to grow by 25.3% per annum.

Mr Thomas Kua

Mr Thomas Kua of Pana Harrison (Asia) Pte Ltd said many of the 12 private insurers belong to some of the largest conglomerates in Myanmar, while others have links to the government or military. Most of these conglomerates own a bank which can be an important distribution channel. "After witnessing the developments in the market for a year, I do share the view that this country indeed has great potential to relive its glory and to become one of the most promising emerging markets in Asia," he said. However, he was of the opinion that the insurance market will need time to grow before it opens up to foreign players.

"The Myanmar insurance industry can learn from other established markets in the region," said Mr Sim Preston, Group Chief Operations Officer, AIA Group. He called on the Myanmar government to develop a vibrant and active insurance industry by incorporating the following steps: create a robust regulatory framework; tap the experience and expertise of established insurers in the region; create incentives to make entry attractive; build consumer awareness; create financial incentives for consumer participation; develop sustainable distribution channels; and build local capacity and capability.

Young working population to drive growth

In the immediate future, Myanmar insurers are likely to expand their operations and grow.

Reserving, pricing and capital management are core in ensuring sustainability and profitability, said Mr Matthew Maguire and Mr Roshan Perera from NMG Consulting, adding that liberalisation will allow companies to develop new products, lead to increased competition and also to increased foreign interest. There will be an increased need for the development of human resources to support this growth and complexity, they advised.

Mr Matthew Maguire

Mr Roshan Perera

L-R: Mr Sim Preston, Mr U Aye Min Thein, Dr Maung Maung Thein and Mr Peter Crewe

Myanmar, which has a 71% working population out of a total population of close to 60 million, is expected to post real GDP growth of around 6% over the next five years.


Mr Noriaki Hamanaka

Mr Noriaki Hamanaka and Mr Alan Wilson from MSIG Holdings (Asia) Pte Ltd said local insurers can team up with foreign insurers to serve the needs of foreign investors operating in the Special Economic Zones in Myanmar. They highlighted that partnerships between local insurers and foreign insurers would accelerate growth in the country.


Mr Alan Wilson

Before the former military government nationalised all companies in the market in 1963, there were more than 70 local and foreign private insurance companies operating in Myanmar. Since then, only the government-owned Myanma Insurance has been doing insurance business. Myanma Insurance posted earnings of $47 million for fiscal year 2012-2013. Its market for life insurance premiums was around $1 million in 2012, and this is expected to grow to nearly $1 billion by 2028.

Untapped natural resources to attract huge investments

The Myanmar government estimates the country's recoverable oil reserves at more than 200 million barrels and natural gas reserves are at 22.5 trillion cubic feet. The country has a significant hydropower potential of around 100,000 MW and the government plans to increase capacity by 16,000 MW by 2030.

A master plan and regulations for the power industry is currently under development and due in 2014.


Mr Kevin Snowdon

"Myanmar, with its relatively low wages, is poised to be the next 'factory of the world' and there is potential to create more than 10 million additional non-agricultural jobs by 2030," said Mr Kevin Snowdon, Regional Director – Risk Services, Willis.

The energy and mining sector is projected to expand from $8 billion in 2010 to $21.7 billion by 2030 and this has potential to create jobs.

Key challenges in the market

The insurance industry needs to bring in innovative insurance products and this is a major challenge for insurers in Myanmar.


Mr Bob Laux

"Innovative ideas are great, but this is only the first step," said Mr Bob Laux, Regional Director, Prudential Corporation Asia. He highlighted the need to take into consideration customer needs and wants when designing a policy.

Myanmar is one of the poorest countries in Southeast Asia, with a per capita income of approximately $832 in 2011 and only 4% of the population earns more than $10 per day.


Mr John R Spence

"The financial sector is small and underdeveloped, and it is estimated that less than 20% of the population have access to formal financial services," said Mr John R Spence, Managing Director, Asia Capital Advisors. He mentioned that there is very low trust on the banking system and heavy

reliance on cash transaction with limited distribution of credit cards in the market.

There is also a conflict of interest with the regulator and state-owned insurer. He highlighted some of the challenges in doing business in the market: High level of corruption with a global ranking of 157; US Financial Sanctions – US law prohibitions continues to be against doing business with certain designated organisations and individuals in Myanmar; and extensive reporting requirements regarding new investment which is expected to be lifted after the 2015 elections. Another major challenge for insurers is the availability of experienced insurance executives and experts. Culturally, acceptance of life insurance amongst Buddhists is also a challenge, he said.


Mr Mukul K Gupta

Mr Mukul K Gupta, Chief Representative-India & Myanmar, Manulife Financial, highlighted the need for Insurers to build up a capital efficient distribution channel mix based on customer profiles, customer demands and product range on offer. "Product demands of customers are changing rapidly, and insurers need to define product focus and develop expertise accordingly to compete effectively," he said.

What needs to be done?


Dr Nirmala Menon

"Myanmar has the chance to do it right and for this, we need to give the right input to the policymakers to do it right once and for all," said Dr Nirmala Menon, Senior VP & Head of Designated Markets & Health, Asia, Metlife Asia. She mentioned that as the market opens up, a lot can be learnt from the neighbouring countries with regard to capital and risk models.

Training in the basics


Dr George Thomas

"Look at the basics and the fundamentals so that you are better equipped," said Dr George Thomas, Associate Professor, Insurance Institute of India (III). He called on the industry in Myanmar to promote consumer education and raise awareness in order to instil an insurance culture among low-income households.


Mr Arindam Mukherjee

"Insurance frees up funds for the long-term development of the economy as it encourages savings," said Mr Arindam Mukherjee, Director, College of Insurance, III. He highlighted the key role played by India's largest life insurer, the public sector Life Insurance Corporation of India which has invested over $200 billion in the Indian economy.

Sustaining the industry

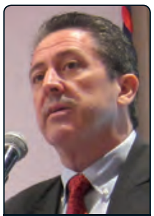

Mr Benjamin McDermott

"Insurance is a people business, so invest in attracting, developing, retaining and engaging the right people," advised Mr Benjamin McDermott, head of Insurance Management Consulting Practice, Asia Pacific, Towers Watson.

He advised companies wanting to enter the market to spend time getting the foundations right and to invest in people and building expertise. This, he said, would earn the trust and respect of the consumers, government and society as a whole.


Mr Kunio Asaoka

Mr Kunio Asaoka, Chief Representative, Tokio Marine & Nichido Fire Insurance Company, Myanmar, spoke of the various risks in the Myanmar market both natural and man-made. "There needs to be a total solution for risk reduction and control in accordance with customers' needs," he said. He highlighted the need to implement various risk reduction measures to mitigate losses.


Mr Carl Kimball

Information technology will play a critical role in the changing scenario in Myanmar. "Insurance is becoming truly digital and faces the challenge of big channel, big policy and big data," said Mr Carl Kimball, Regional head of Sales-Asia, eBaoTech. He called on the industry to adopt a product-based core system approach which will have a three-tier model of responding to market changes to achieve sustainable agility while ensuring data integrity and quality.

Synergy required between stakeholders


Dr Roger Sellek

Speaking on the role of credit rating for the Myanmar market Dr Roger Sellek, CEO, A.M. Best, UK, mentioned that rating is becoming an increasingly important factor that regulators consider in assessing insurance licence applications.

"There is a naturally symbiotic relationship between regulation and ratings that can exert strong positive influences on the evolution of international insurance markets," he said.

Synergy between the insurance industry and capital markets is critical. Institutional investors can grow naturally from the need of financial intermediaries to invest their assets or their growth can be encouraged by public policy.


Mr Jeremy Kloiser-Jones

"Supporting insurance companies is the quickest path for Myanmar to develop true institutional investors," said Mr Jeremy Kloiser-Jones, Founder & Chairman, Bagan Capital, Myanmar.


Mr John Thorpe

In his anchor address, Mr John Thorpe, Managing Director, Production & Marketing Asia, Aon Benfield, Singapore, highlighted important lessons from the developed markets that the Myanmar insurance industry would have to grapple with as it endorses competition. These are in the area of tariffs, reinsurance and CAT models. "All insurance markets are evolving at different paces, but the speed of development in Myanmar will be quicker than in other developed markets around the world," he said.

The two-day event organised by *Asia Insurance Review* attracted 160 delegates from 18 countries and was sponsored by AIA, GIC Re, MSIG and Pana Harrison.