On the cusp of a new growth wave

L-R: Mr Tom Renny, Dr Sandar Oo, Mr Mark Saunders and Mr Tsuyoshi Saito.

All eyes are on the government for more liberalisation updates post last month's 2nd Myanmar Insurance Summit in Yangon organised by *Asia Insurance Review* and state-owned Myanma Insurance, where delegates and speakers highlighted their wishlists to the regulator.

By Chia Wan Fen in Yangon

A "robust liberalisation plan" for Myanmar has already been approved by the Cabinet and a selection committee was formed to decide on the criteria to issue licences to selected foreign underwriters, brokers and agents.

The plan will probably be issued in 2018, said official keynoter Dr Sandar Oo, Managing Director of state-owned Myanma Insurance and Chairperson of the new Myanmar Insurance Association.

Myanmar market overview

Briefing the audience on the market situation, she highlighted that general insurance is growing at 16.1% a year and life insurance at 25.3% a year, with insurance density only estimated to be US$0.99537 and penetration at 0.07%.

After the government ended Myanma Insurance's monopoly in 2012, 11 private local insurance companies have been granted licences, and there are now 27 foreign representative offices from 13 different countries, with three Japanese insurers allowed to operate in the Thilawa Special Economic Zone.

Property is the largest class of business, representing 80.6% of total non-life premium income, while Nat CATs, which the country is vulnerable to, are not commonly insured. Distribution is via agents or directly with customers with no brokers. In particular for life insurance with only an estimated 0.01% of the population insured, this means that there is a 99.99% market potential for foreign insurers, she said.

Other areas the government is considering include a guarantee fund and/or risk pool, the establishment of an insurance college, catastrophic reinsurance needs, professional associations and certification and continuing education requirements.

Mr John Cai

Mr John Cai, Regional Chief Executive, AIA Group, Hong Kong, said that demographics have been a key factor in the rise and fall of empires and how competitive and successful they are. And Myanmar, with its large and youthful 54 million population will play a very significant role in future.

He likened Myanmar's demographics, GDP growth, and income to the Asian pattern exemplified by China, but the latter had shown this would not be enough for business growth. Equally important are the right political governance and systems for an open, transparent and fair market, although that infrastructure evolution would cause some pain points in the short term, he said.

For the insurers in this new market, he said: "We're not competitors, we are partners focused on building a modern and professional and good market for Myanmar, which will be beneficial for consumers over a long time."

Myanmar Insurance Association

An important development this year highlighted by Dr Sandar Oo and several speakers is the establishment of Myanmar Insurance Association (MIA) in January 2018.

The association will play a key role in advocacy and awareness building for insurance, and the MOUs it signed with foreign insurance schools of India, Malaysia, Japan and Australia/New Zealand will help it in areas like product development, capacity building and setting industry standards and best practices.

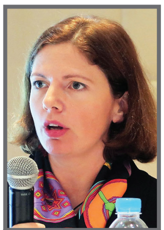
Role of foreign multinational insurers

Sharing the foreign insurer's perspective and the role of life insurance in his international keynote was Mr Mark Saunders, Group Executive, Chief Strategy and Corporate Development Officer, AIA Group, Hong Kong.

Foreign multinational insurers in Myanmar could help shape the regulatory framework as they bring experience of best practices from around the world, and know what works and what has not, he said. They also accelerate local industry development through deploying significant capital at the start of operations, and help build a positive customer experience through the competition they introduce.

Given that most countries in Asia now allow 100% foreign insurer ownership or are working towards it, he noted that Myanmar is effectively competing for capital with these markets. He cautioned that foreign insurer ownership restrictions in Myanmar could reduce its attractiveness to foreign insurers, limiting the potential for additional FDI into Myanmar and the development and growth of the nation's life insurance industry.

"Recent media speculation that 100% ownership will be offered to foreign life insurers should be commended, if that is indeed the thinking of the Myanmar government, and will be a great boost to the industry," said Mr Saunders, elaborating on the ways 100% foreign insurer ownership would bring added benefits in capital strength, industry development, corporate governance and consumer protection.


Ms Chiara Lombardi

PwC Singapore Financial Services Deals Director Chiara Lombardi noted there are however, other operating models like minority stakeholdership and the requirement of joint ventures/partnerships with local insurers, which regulators have tended to prefer.

She highlighted the steps to prepare for such partnerships should the regulator take the latter route, adding that there has been an increased interest in technical services agreements to define foreign contributions of resources and know-how transfer. She cautioned that besides dilution of profits, one key risk of this structure is failure due to different management styles. Common understanding of strategy is key to success.

Roadmap and prioritisation necessary


Mr Myo Min Thu

As one of the local players who lived with impending liberalisation for months, Mr Myo Min Thu, Managing Director of the local AYA Myanmar Insurance Co Ltd, said that the "talk" has died down; rather, they have already been gearing up for partnerships and building competency to compete against the "bigger boys".

Emphasising prioritisation, he said that one of the issues that has been much talked about but not yet materialised is a roadmap without which the insurers could not plan resource allocation.

Thus the regulator needs to come up with a timeline so they would have ample time to prepare. He called for a robust regulatory framework, and for capacity building like human capital and IT infrastructure to be improved not just for the industry, but the regulator-side.

"Do we actually go with the insurance business law amended or do we liberalise the market first? Regulators will have to take a step back, pace themselves and prioritise so that the sequence of events is in line with how we want to shape the market," he said. For example, one "basic" priority could be addressing selling conduct and code of ethics for agents.

Addressing growth

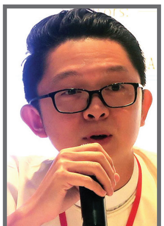
On agents, Mr Cai noted that it starts as the main distribution channel in an emerging market, where they are needed to go door to door to reach out to the population. He said Myanmar could replicate the model of China, where the early agency force attracted highly qualified people from the medical industry to PhDs as a new career.


Mr Robert Easson

Speaking on HR and training imperatives to meet the growing market needs, Mr Robert Easson, FSI Specialist, entrepreneur and a business leader, estimated that there are currently a few thousand agents in Myanmar and no local qualified actuaries, a minuscule talent pool compared to Thailand and Malaysia.

While some speakers acknowledged that foreigners could provide actuarial and other expertise to upskill the competencies of locals, he noted the unique challenges and prohibitive costs of posting expats here. He emphasised the importance of training local agents with technology and e-learning, which would help them catch up and even leapfrog the mature markets.

Mr Easson said that boldness and some adaptation are in order for Myanmar – for example, do away with requirements like degree qualifications, as many young people do not have the chance to attend university. With a smartphone and Facebook savvy population, insurers should issue agents with tablets and a cloud-based customer relationship management system to work on the move as time spent in traffic is very significant here. He said that the training programmes started by the likes of Prudential and Manulife in Cambodia are needed in Myanmar too.


Mr Yan Paing

Another area where foreign companies could help to build growth is product expertise, said Mr Yan Paing, Managing Director of Capital Life

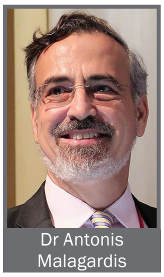
Insurance Ltd, as currently most products sold have been limited to "small ticket" and short term ones.

In addition, insurers in Myanmar are taking great risks with no reinsurance at all, noted Ms Aparupa Ghosh, Assistant General Manager (Reinsurance Department) of IKBZ Insurance Co Ltd. She suggested that domestic insurers should first be allowed access to offshore reinsurers as a priority, even if a national reinsurer were to be set up eventually.


Ms Aparupa Ghosh

Microinsurance

On the topic of microinsurance, Dr Antonis Malagardis, Programme Director, Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia) shared lessons from Indonesia and Philippines.


Dr Antonis Malagardis

He said Myanmar is in a good position to devote a section to low income insurance in its regulations and get the public and private sector to work together from the beginning, which will reduce disputes. He also highlighted the importance of starting advocacy and awareness early.

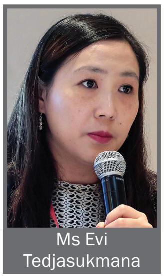
Not too early for digital

Although it may seem strange in some ways to talk about digital for such a fledgling insurance industry, the first people in Myanmar to consider insurance products are also the first populations to have a mobile phone, and will be looking to access insurance products via mobile as much as traditional channels, said Mr Philip Kent, Executive Vice President, MSIG (Asia) who spoke on dealing with tech disruptions in insurance.


Mr Philip Kent

Things can move very quickly in digital, he said, citing China as the classic case in point of a country which had overtaken others to be the most digital insurance market in the world. "Disruption is not a linear process. As you start with the development of a country, it doesn't mean that you have to go through certain stages to reach the perfect stage," he said.

Explaining the many applications of predictive analytics and looking at how it could still apply to Myanmar with its low insurance penetration, Ms Evi Tedjasukmana, Head of Pricing (SEA), Munich Re, Singapore, said the country could leverage on data from banks and major use of mobile/Facebook to profile insurance customers for their propensity to buy and target them accordingly for sales.


Ms Evi Tedjasukmana

The clear conclusion over the two-day Summit was that the Myanmar insurance pie is large enough for both local and foreign players to have a share of it and both are vital to contribute to its success.

The Summit also addressed topics ranging from fundamentals of how to build risk management and health insurance frameworks to InsurTech topics like blockchain and tradable policies. It was jointly organised by *Asia Insurance Review* and Myanma Insurance and sponsored by AIA, MSIG, Pana Harrison and supported by the British Chamber of Commerce in Myanmar and the International Insurance Society.