

## COUNTRY SPOTLIGHT – MYANMAR

# Reforming Myanmar's insurance sector

At a recent insurance workshop organised by the regulator, experts including those from the World Bank suggested reforms to liberalise the market. **Mr William Aung** from **Bagan Capital Inc** shares key discussions at the landmark event.



Myanmar's new civilian government is committed to liberalising the country's fledgling insurance industry. The Financial Regulatory Department (FRD), under the Ministry of Planning and Finance, has sought international advice on how best to do this.

In a landmark step, it organised a two-day "Myanmar Insurance Workshop" in late June this year, bringing together World Bank specialists, regulators from neighbouring countries, domestic insurers and representatives of foreign insurance companies.

The workshop's key agenda was to promote liberalisation, identify the sector's reform needs and how to help promote a competitive domestic insurance market.

The seminar also provided insights into how the country's insurance business sector could be effectively developed in the near future. Amongst the new government's initial steps were efforts to rejuvenate the newly elected Insurance Business Regulatory Board (IBRB) and the other regulatory and supervisory departments. The World Bank is assisting the government by providing technical training to insurance regulators.

## Two supervisory methods – World Bank

Myanmar's new civilian government knows that effective regulations and proper supervising can safeguard the country's economy, reduce the risk of a financial crisis and provide much-needed consumer protection. The

World Bank has suggested adopting two supervisory methods: compliance-based supervision and risk-based supervision. Both the strengths and weaknesses of these two methods were discussed at length at the workshop.

Control of Myanmar's insurance sector is separated into the insurance regulation department and the insurance supervision department. The FRD will conduct the regulatory tasks while the newly formed Insurance Regulation and Supervision Department (IRSD) will be responsible for supervisory tasks. Both the FRD and the IRSD come under the IBRB, which is chaired by the deputy minister of Planning and Finance.

The World Bank also suggested Risk Based Capital (RBC) methodology. The main reason for this is to monitor insurance companies' market activities and to collect data, information on insurance market penetration and allow informed analysis of the local insurance market.

## Weaknesses and challenges in the insurance industry

Weaknesses in regulation and consumer protection have been the hindrance to the sector's development. One of the biggest hurdles facing Myanmar's insurance industry is that consumers simply do not trust insurance companies.

Fair competition amongst the domestic insurers is also questionable. Insurance companies owned by a bank have an advantage in distribution.

The Myanmar Insurance Enterprise, which is providing technical training

to domestic insurers, is falling short of fulfilling its mission. Therefore, to improve the quality of the technical training provided, the market needs technical advice and assistance from the World Bank and/or other international organisations.

## Collaboration, education and public awareness needed

Eleven private insurance companies, which reviewed the guidelines at a roundtable at the event, have agreed to try implement international standards in the domestic market. But for this to realistically happen, there needs to be collaboration within the insurance industry, between the government and education providers in order to train the regulators and industry participants and generate greater trust within the sector.

Public awareness about insurance also needs to be raised, not just among the consumers, but all parties including judges, lawyers and the police, fire department personnel and other law enforcement agencies.

## Future plans for foreign players

During the workshop, the regulator hinted that the government would allow foreign insurers into the Myanmar's insurance market in due course or within years. However, significant obstacles still remain for them. Not the least is whether they can operate as a 100% foreign-own company or whether to form a joint venture (JV) with a domestic insurer.

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