

# Myanmar: Fulfilling life's great promise

Myanmar's insurance industry is preparing for a significant shake-up in the near future with the entry of foreign insurance companies into the market. Industry analysts believe they may be operational within the next three months. This is a central part of the government's financial reforms aimed at attracting foreign investment, starting with the significant liberalization of the moribund insurance sector. What lies ahead, and what will it take to succeed?



William Aung, currently working as a national insurance expert for Asian Development Bank project “Republic of the Union of Myanmar: Strengthening Climate and Disaster Resilience of Myanmar Communities”, shares market insights with Asia Advisers Network.

Recently the government awarded five new licenses for the life insurance to internationally-recognized insurers: AIA, CHUBB, Dai-Ichi, Manulife and Prudential.

Both the Myanmar government and the industry regulator believe that by allowing 100% international ownership of life insurance – with its current low penetration rates – this could help revitalize the country’s life insurance market.

But Myanmar is a daunting market for all insurance companies – local and international. Myanmar suffers from an overwhelming underinsurance problem. Too few people have adequate insurance cover in the event of life's inevitable mishaps, sickness or even their untimely demise.

Any insurance market development will need to be tailored, taking into account immense regional variations, in geography, ethnic diversity, income differences, and classical occupational categories -- and above all the stage of market development.

The immaturity of the Myanmar market makes even more important that insurance cover is exceptionally client-centric. Product creation must meet the needs of individuals and policies priced accordingly.

### **The great potential**

The Myanmar insurance market has tremendous growth prospects because of the acute lack of penetration. Myanmar is the 26th most populous country in the world, and the 40th largest country by area, with an estimated population of 54.34 million in 2019. The median age in Myanmar is 28.2 years of age, with a total life expectancy of approximately 68.2 years.

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So Myanmar's insurance market offers a huge potential to prospective investors and insurance companies: with 42.36% of the country's population aged between ages 25-54 (male 11,426,913/female 11,922,728) and 17.75% of the population age between ages 15-24 (male 4,917,290/female 4,865,264).

These demographics provide huge future potential to expand the insurance business.

### **The current situation**

But despite Myanmar's demographic advantages and the future potential for expanding insurance cover, the industry has been stagnant, due to the lack of products creation and the country's inability and lack of capacity in selling insurance policies.

Currently, there are six forms of life insurance marketed in Myanmar: short-term endowment life insurance; group life insurance; farmer life assurance; snake-bite life insurance; sport-man life insurance, and travel life insurance.

Short-term endowment life insurance is too expensive for most of Myanmar's population. For a 40-year-old male or female to be insured for 10,000,000 Kyats (US\$ 6666) for 5 years, the policy holder would have to pay 161,000 Kyats (US\$107) per month.

Other products, like farmer, snake-bite and group life are intended to provide insurance protection to the 70 % of the population who live in the rural areas, with an insurance premium rate of 1% of the sum insured. But low insurance premiums are commercially unattractive to individual insurance sales agents.

Insurance companies are also struggling with high operational costs outstripped by low revenue – the result of these low insurance premiums. Insufficient premium and inadequate distribution are major obstacles for insurers and intermediaries, insurance sales agents. Unattractive commission revenue from insurance sales discourages sales agents, who seek employment outside the industry.

The government has frequently made it clear that it wants the lowest income groups to have insurance coverage. It is committed to encouraging insurance companies to provide insurance services to the country's most vulnerable group -- especially the farmers and the rural population in general.

The insurance industry has hitherto ignored the working and middle-class population, when promoting life insurance products that suit for middle and working individuals.

### **Lack of trust and awareness**

But the biggest hurdle facing the Myanmar insurance industry is that consumers as yet are ignorant and unaware of the benefits of insurance. For the moment products-creation and their sales, are the major hindrance facing the development of the insurance market.

There is no single factor that contributes to the lack of penetration in the Myanmar insurance market. The lack of insurance professionals, particularly in life insurance, has been another major deterrent.

Finally, the weaknesses in the capacity of the regulators have also been a major setback. The insurance laws, regulations, procedure and processes – especially the claims process – and inadequate consumer protection – with an acute lack of transparency – have significantly contributed to the general lack of trust and interest in taking out any form of insurance cover. These factors together have hindered the development of the insurance sector.

### **The way forward**

But remedies are distinctly possible. The first step should be to establish a joint industry-government program to educate the public about the beneficial role of insurance and to generate greater trust in the insurance sector. The implementation of effective consumer recourse mechanisms and professional training of insurance intermediaries should also be an intrinsic part of any such program.

Anyone who wants to develop the insurance sector in Myanmar needs to understand the country's deeply devotional culture, which does not necessarily lend itself well to the value of insurance.

This needs to be tackled sensitively. It is not just about not purchasing insurance coverage because they find it too expensive, unnecessary, and put off by the complicated claims system – but also because of superstition that purchasing an insurance policy may bring bad luck.

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As a result, many people in Myanmar prefer “self-insurance” or savings with life insurance products. One answer is for the insurance industry to create insurance products with a savings component, like endowment policies or whole life with premium pays 20 or premium pay to individual age 60.

Myanmar’s culture and the peoples’ mindset means they prefer to buy something tangible: can be touched, seen or used. They are reluctant to invest in a product that promises something uncertain depending on what might happen in future.

Myanmar’s regulator should allow for a proportionate regulatory treatment, by tailoring regulations with the risk characteristic of the products that meet the needs of citizens.

Lower costs and increase efficiency could be achieved by rationalising the use of low-touch sales strategies through alternative channels while remaining mindful of the profile of the appropriate target niches for each channel.

The sustainability of insurance operations will come from forward thinking, sound product design, fair pricing, and adhering to professional standards – including eliminating poor practices, ensuring ethical claims’ management, and appropriate underwriting mechanism.

**High expectation**

Although many challenges are waiting ahead, the future development of the Myanmar insurance market remains promising, offering substantial opportunities to potential investors, both national and international.

Now that the foreign insurance companies are entering, there is a high expectation, especially locally, that they will bring expertise, capital and vision that will help revitalise and revolutionise the industry. Much now depends on whether those foreigner insurers can meet the challenges of the local market and prove profitable while offering insurance coverage that suits the Myanmar market.

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