# Myanmar's insurance companies prepare for foreign competition

## By William Aung (Myanmar Risk Solution)

William Aung, independent consultant, analysing insurance, investment and financial sector in Myanmar and the former Country Head of Myanmar, Bagan Capital, shares with us how the country's insurance companies are preparing for foreign competition in this article.

The Myanmar government has finally decided to push ahead with the liberalisation of the insurance industry. This seems to be in response to increasing criticism of the National League for Democracy-led government's performance – since it took office at the beginning of April 2016 – and its failure to implement its long-promised policies of economic liberalisation. The insurance and financial sectors have also been impatiently waiting for some time for these changes to be introduced.

For over a year there have been hints from the government and speculation in the market that the liberalisation of the insurance industry was only a matter of weeks away, and that foreign companies would be allowed to enter the market.

**Following through**

Now the government seems poised to follow through on these plans finally. Several months ago the government's national economic coordination committee (NECC) met – the administration's most powerful economic public policy body -- led by the State Counselor, Daw Aung San Suu Kyi, decided to allow the participation of foreign insurance companies.

The role of the NECC was elevated earlier this year following recent ministerial changes, including U Soe Win being made the planning and finance minister and the appointment of U Thaung Tun as the chairman of the Myanmar Investment Commission (MIC) – also in charge of the new ministry of investment -- and the extension of Mr Kyaw Kyaw Maung as the Central Bank Governor. The committee also brings together several other key ministers from the economic ministries, the MIC chairman, the central bank governors and representatives of the NLD party economic committee.

The NECC's decision to press ahead with the liberalisation of the insurance sector has finally unblocked the obstacles that had delayed its implementation earlier. It is now expected to become a reality within the next few weeks. The government's the roadmap has been adopted by the Cabinet, and now only needs the president to sign off on it, the director of the Financial Regulatory Department (FRD), U Thant Zin told a recent USAID-sponsored seminar in Yangon.

The government's decision to press ahead with the liberalisation of the insurance sector has been widely welcomed by local and international financial analysts.

**Foreign insurers' presence in Myanmar**

Foreign insurers from 14 countries have established some 31 representative offices in Myanmar, in anticipation of the government allowing full foreign investment in life insurance and joint ventures in general insurance.

"We will soon invite Expressions of Interest (EOI), and Request for Proposal (RFP) will also be sent out shortly to prospective insurance companies so that foreign insurers can start operations in April or no later than May," said U Thant Zin. But insurance industry insiders fear there is still much that needs to be done before the Myanmar insurance market can develop effectively.

The next step would the selecting a short-list of licensees, according to ministry officials. Followed by the granting of provisional licenses for foreign insurers and brokers. But many drawbacks remain, especially the regulatory framework, which needs to be radically improved.

Foreign competition should help the local industry provide better services and a wider range of products, but the domestic industry lacks human resources, skills and expertise to meet these demands. So in theory at least, foreign insurance providers could help fill this gap with technical know-how.



Domestic insurance companies, organised by the Myanma Insurance Association (MAI) are drafting the insurance liberalisation roadmap to prepare the entry of rival international insurance companies.

The domestic insurance companies have already had a five-year start and market penetration remains very low, especially in regard to life insurance related products. The regulator still maintains a tight grip on the insurance sector and domestic companies are not allowed to develop their own products or set their own rates and premiums. But this is set to change once insurance liberalisation takes root and insurers have full autonomy to set premiums and rates.

Once the insurance company is given the license, 30% of their required capital is to be used to buy government bonds. Working capital would represent 60% of their capital requirement, with the other 10% deposited with the Myanma Economic Bank.

**Plugging the education and knowledge gaps**

But the Myanmar insurance sector remains in its infancy. Some of the key obstacles that face international insurance companies wishing to enter the Myanmar market include the lack of insurance professionals in the country, outdated laws, rules and regulations, as well as the excessive red tape involved in the official working procedure and process. The acute shortage of skilled regulators and the lack of international standard-trained insurance professionals in the government agencies are also major challenges for the regulators.

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One key continuing weakness in Myanmar is the absence of insurance education providers. This was something the former deputy finance minister Dr Maung Maung Thein recognised. He planned to plug the gap with the opening of the country's insurance college, which he announced in June 2014, when he was the chairperson of Insurance Business Regulatory Board (IBRB).

But the idea seems to have fallen away since, especially after he was replaced as the deputy minister of finance and planning and chairman of IBRB, following the elections in 2015 and the formation of the NLD government. Unfortunately, the idea of an insurance college seems to have been swept away with the wind, despite the pressing need for it.

Well aware of this, international insurers and insurance education providers have begun to publicise their services through short courses and seminars. There are many international insurance education providers currently in Myanmar providing insurance training to the industry. But this does not necessarily address the industry's needs. Different jurisdictions, different countries, systems, governments or culture use different laws, rules and regulations, and follow different practices so Myanmar needs to adopt its own practices.

This is the moment for the Myanma Insurance Association (MAI) to step up. As an association, MAI should start organising and drafting an appropriate insurance curriculum for Myanmar that matches the needs of the local market and provides insurance education to citizens and regulators alike. It should also start creating its own best practice for the Myanmar sector and help develop insurance products that are more suitable to the local market.

**Opportunities abound**

Opportunities abound on the road ahead after the country's insurance sector is liberalised and the industry develops. The potential fruits are definitely there for companies that plan effectively and are farsighted. Although lots of challenges remain in Myanmar's insurance industry, all companies that are efficient and professional – local and foreign – can expect to enjoy a piece of the pie.