

# **A Glimpse Into Myanmar Insurance Market A Consulting Actuary's Perspective**

29 September 2014

## ***Topics***

- 1. Current Landscape**
- 2. Prescribed Products**
- 3. An Insurer's Experience**
- 4. Challenges**

## ***1. Current Landscape - Market Leaders***

- ❖ **12 licenses issued to private companies**
- ❖ **Current Market Leaders:**

<b>Current Market Leaders</b>	<b>Holding Company</b>	<b>Class</b>
Myanma Insurance	Government	Composite
CB Insurance Public Ltd.	Co-operative Bank	Life
Aung Thitsar Oo Insurance Co. Ltd.	UMEHL	Composite
First National Insurance Co. Ltd.	Htoo Group	Composite
Grand Guardian Insurance Public	Shwe Taung Development Co.	Composite
IKBZ Insurance Public Co. Ltd	Kanbawza Bank	Composite

## ***1. Current Landscape - Winning Formula***

- Captive business
- Distribution channel – Bank
- Advanced preparation
- Dedicated staff
- Lots of training

## ***2. Prescribed Products – Which Are Selling?***

- ❖ **5 General insurance products**

- ❖ **1 Life insurance product**

- ❖ **General insurance**

- *Motor*

- *Fire*

- ❖ ***Life insurance***

- *Sales have been disappointing!*

## ***2. Prescribed Products - Challenges***

### **❖ General Insurance – Prescribed Retention**

- *Motor – 300 million kyats per risk*
- *Fire – 500 million kyats per risk*
- *Excess go to coinsurance pool formed by all operating insurers including MI*

### **❖ Life Insurance**

- *Premium rates were developed nearly 60 years ago!*
- *Traditional endowment plan without bonus and unattractive yield*
- *Maximum SI – 30 million kyats per life!*
- *Average worker (below mid-manager) can't afford the premium!*

### ***3. An Insurer's Experience***

From June 2013 to March 2014 (approx. 10 months)

- ❖ **Motor Insurance**
- ❖ **Fire Insurance**
- ❖ **Life Insurance – Individual Endowment**
- ❖ **Life Insurance – Group Term Life**
- ❖ **Sales by Distribution Channels**

# Motor Insurance



### ***3. An Insurer's Experience - Motor***

#### **Business Mix**

<b>Class</b>	<b>No. of Vehicle</b>	<b>Average Sum Insured</b>	<b>Average Premium</b>
COMMERCIAL	25%	50,000,000	600,000
PRIVATE	75%	20,000,000	180,000

*Currency: Kyat*

### ***3. An Insurer's Experience - Motor***

#### **Risk Profile**

<b>SI - From</b>	<b>SI - Up to</b>	<b>No. of Vehicle</b>	<b>Total Premium</b>
1	100,000,000	95%	68%
100,000,001	200,000,000	4%	23%
200,000,001	300,000,000	1%	9%
Above	300,000,000	0%	0%

### ***3. An Insurer's Experience - Motor***

#### **Claims Distribution**

SI - From	SI - Up to	Paid Claims
1	100,000,000	77%
100,000,001	200,000,000	0%
200,000,001	300,000,000	23%
Above	300,000,000	0%

### ***3. An Insurer's Experience - Motor***

#### **Projected Ultimate Loss Ratio (PULR)**

Line of Business	Paid Claims	Outstanding Claims *	Total Claims	Net Earned Premium	PULR
Motor	42,000,000	32,000,000	74,000,000	168,000,000	44%

***\* Include RBNP, IBNR, CHE***

# Fire Insurance

### ***3. An Insurer's Experience - Fire***

#### **Business Mix**

Class	Average Sum Insured	Average Premium
Fire	260,000,000	1,400,000

*Currency: Kyat*

### 3. An Insurer's Experience - Fire

#### Risk Profile

Sum Insured		Direct		Coinsurance Pool	
From	Up to	No. of Policy	Total Premium	No. of Policy	Total Premium
1	500,000,000	74%	56%	19%	8%
500,000,001	1,000,000,000	3%	13%	0%	0%
1,000,000,001	5,000,000,000	4%	21%	0%	0%
5,000,000,001	20,000,000,000	0.1%	2%	0%	0%
	<b>Total</b>	<b>81%</b>	<b>92%</b>	<b>19%</b>	<b>8%</b>

### 3. An Insurer's Experience - Fire

#### Claims Distribution

Sum Insured		Claims	
From	Up to	Direct	Coinsurance Pool
1	500,000,000	0%	30%
500,000,001	1,000,000,000	0%	0%
1,000,000,001	5,000,000,000	70%	0%
5,000,000,001	20,000,000,000	0.0%	0%
	<b>Total</b>	<b>70%</b>	<b>30%</b>



### 3. An Insurer's Experience - Fire

#### Projected Ultimate Loss Ratio (PULR)

Line of Business	Paid Claims	Outstanding Claims *	Total Claims	Net Earned Premium	PULR
Fire - Direct	0	41,000,000	41,000,000	150,000,000	27%
Fire – Coins Pool	0	18,000,000	18,000,000	13,000,000	140%

\* Include RBNP, IBNR, CHE

# Life Insurance – Individual Endowment

### ***3. An Insurer's Experience – Life, Individual***

#### **Business Mix**

		Sum Insured		
Business	No. of Policy	Average	Min	Max
Ind. Endow.	<< 100	9,000,000	2,000,000	30,000,000

*Currency: Kyat*

### ***3. An Insurer's Experience – Life, Individual***

#### **Policyholder Profile**

	Averages			
Business	Sum Insured	Premium	Age	Policy Term
Ind. Endow.	9,000,000	900,000	38	13

# **Life Insurance – Group Term Life**

### ***3. An Insurer's Experience – Life, Group***

#### **Business Mix**

No. of Policy	Total Employee	Avg. EE Per Policy
< 50	< 500	< 20

### ***3. An Insurer's Experience – Life, Group***

#### **Policy Profile**

No. of Policy	Avg. SI Per EE	Avg. Ann Prem Per EE
< 50	1,500,000	15,000



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# Sales by Distribution Channels



### ***3. An Insurer's Experience – Sales Channels***

#### **Sales by Distribution Channels**

Products	Agent	Bank	Corporate Marketing	Walk-in	Total
Fire	13%	<b>76%</b>	6%	5%	100%
Motor	<b>42%</b>	0%	<b>43%</b>	14%	100%
Ind. Endow.	23%	0%	16%	<b>60%</b>	100%
GTL	5%	0%	<b>55%</b>	<b>40%</b>	100%
Total	<b>31%</b>	<b>25%</b>	<b>32%</b>	13%	100%



## ***4. Challenges***

❖ **Company**

❖ **Industry**

## ***4. Challenges - Company's***

- ❖ **Lack of experienced insurance professionals**
- ❖ **Underdeveloped IT systems**
- ❖ **Product restrictions**
- ❖ **Lack of effective risk transfer mechanism**
- ❖ **Lack of public awareness**
- ❖ **Not ready for foreign competitions**

## ***4. Challenges - Industry's***

- ❖ **Absence of a robust regulatory framework**
- ❖ **Absence of reserving standards and guidelines**
- ❖ **Absence of insurance industry association**
- ❖ **Absence of insurance statistics**
- ❖ **Lack of public awareness**
- ❖ **Lack of life insurance products that meet consumers' needs**
- ❖ **Market not ready for foreign players**

## Q & A

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