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INSURANCE

February 2015



Strange insurance policies

Early cars – In 1901 cars were still a novelty, and specific policies had not yet been written. The first car insured at Lloyd's of London was handled by a marine underwriter, who handled the policy based on the premise that a car was just a ship that could travel on land.

Cinema-goers – During the start of the previous century, Lloyd's offered insurance covering movie audiences in case of accidental death by laughing.

Ben Turpin – This silent-film star was known for having crossed eyes. He took out a \$25,000 policy, set to pay out if they ever became uncrossed. It was the first, but certainly not the last, celebrity body-part policy.

Betty Grable – In the 1940s, Twentieth Century Fox insisted the shapely actress insure her legs for \$1 million – each. Other legs covered: dancer Michael Flatley's, for a dancing record \$47 million; model Heidi Klum's, though her right is supposedly worth \$200,000 more than her left due to a small scar; and David Beckham's, as part of a whopping \$195 million comprehensive policy which protects his looks as well as his sporting health.

Abbott and Costello – In case the "Who's on first?" comedy duo ever got in a real argument, they once took out a policy that would see them paid a cool \$250,000 if they broke up within the next five years. Fortunately for comedy fans, no payout was needed.

Bette Davis – Normally you insure against things that are beyond your control, but screen siren Davis took out a policy against weight gain.

Egon Ronay – You might not know him, but the taste buds of this food critic could destroy a restaurant in the 1950s. That's why he had them insured for \$400,000.

Bruce Springsteen – The Boss took out a vocal insurance policy for \$6 million in the 1980s – though he's not yet needed to file a claim. Also covered: Rod Stewart's throat, Bob Dylan's vocal cords, Keith Richards' hands, Gene Simmons' tongue.

SpaceShipOne – The first non-government aircraft to leave Earth's atmosphere took out a \$100 million policy before leaving home. That's not all – Lloyd's has even insured those back on earth against being hit by space debris like falling satellites.

Lounging tourists – When British travel agency Club Direct announced policies covering travellers against injury by falling coconut, few took it up. Then a tourist in Sri Lanka was knocked out while reading under a palm tree, and her hospitalisation was covered. Apparently 150 people are killed annually from falling coconuts – 10 times those killed by sharks. Good to know. ■

Insurance at a glance...

SHWEGU THITSAR

SINCE May 2013, 12 local insurance companies have been allowed to operate, breaking over a half-century of state monopoly. We are entering a new era of insurance in Myanmar. But what does this mean, and what is on offer?

"The meaning [of insurance] is to give back compensation for the damages caused by unforeseeable natural disasters, accidents etc," U Maung Maung Thein, deputy minister for finance, said on the sidelines of a meeting in Yangon. For instance, last year government-owned Myanma Insurance and some local private companies jointly offered free insurance against injury to athletes at the 2014 Southeast Asian Games. And Myanma Insurance began offering travel insurance policies in collaboration with bus terminals, civil aviation offices and other transportation sectors.

Private insurers, however, are still trying to boost interest in their product. As of their entry into the market, only 0.5 percent of the population was estimated to be insured. Insurance, though, seems a definite growth area, and US insurer MetLife predicts the industry will jump to \$1 billion by 2018, up from \$1 million in 2012.

But those numbers don't make it an easy sell, especially with a limited

number of products now on offer.

Of the 48 types of insurance policies once available in the country, only seven are now offered: life, fire, comprehensive motor, cash-in-safe, cash-in-transit, fidelity (loan) and special travel.

But with input from the private sector, NGOs, insurers and other experts, the Ministry of Finance has been trying to diversify the offerings.

Discussions are under way between the ministry and some banks to introduce *thamadi* (loan) insurance. This means the insurer indemnifies 60pc of the loans that businesspeople take from a particular bank.

[Insurance] is to give back compensation for the damages caused by unforeseeable natural disasters, accidents, etc.'

U Maung Maung Thein, deputy minister for finance

"The businessman needs to prove that he really works hard and the damages are caused not by his fault but by certain unforeseeable mishaps. The insurer gives the compensation for the damages. But the insurer will not be responsible for the businessman who just ran away to avoid the remedies he has to settle. The insurer normally makes inquiries about the honesty and talents of the potential businessman,"

U Maung Maung Thein said at a meeting late last year.

In general, the amount of insured money depends on different policies. A travel insurance policy, for instance, can start from K100 for just a local traveller to K10,000 or more for life insurance for sailors who are travelling around the world.

"The compensation for death will be 1pc of the insured amount and it will be given to his or her insurer," an official from Myanma Insurance told *The Myanmar Times*.

Moreover, houses, cars, apartments and businesses can also be insured. The amount for snake-bite insurance,

say, or fire insurance ranges from a few hundred kyat to K30 million.

For instance, the insured amount or a premium for a sailor before going on a foreign trip is K25,000. If he dies within one year, the compensation will be K5 million. If he has to be hospitalised, the fees will be for a certain period of time as agreed in the contract. But the hospital is fixed and the insured person has no right to choose. If no

accident or damage happens within five years, that premium can be taken back in lump sum.

A major area of need is health insurance. The Ministry of Finance has been holding discussions with officials from the Ministry of Health, insurance companies and private hospitals on the matter. Since last year an organisation has been working with all stakeholders to begin setting premium rates.

The pilot project is set for this April, the deputy minister said.

"Premiums would be as cheap as possible – K50,000 for one unit – and it would be conducted to be affordable for everyone," said U Maung Maung Thein on January 2015.

After a successful launch the process will be rolled out in other areas such as Patheingyi and Taunggyi, followed by the other 39 townships with insurance office branches.

Waiting in the wings, meanwhile, are foreign insurance companies.

There are 14 international companies with representative offices in Myanmar, but none can offer services under current law. However, they can apply for permission to operate in special economic zones.

Whether foreign insurance companies will be given priority or more domestic private insurance companies will be permitted to open is uncertain at this point. ■

Translation by Kyawt Daryl Lin

Health insurance coming

SHWE YEE SAW MYINT

NATIONAL health insurance will start with pilot projects in the cities of Yangon and Mandalay in April before being spread wider afield, said U Maung Maung Thein, deputy minister for finance and revenue.

The project will involve both the government insurer Myanma Insurance and the 12 private health insurers given licences in 2013. Although private licensing shook up a 60-year government monopoly, there was no health insurance policy in place, so a draft had to be written before any scheme could be implemented.

In 2014 the government announced that health insurance would be implemented in Myanmar. But the proposed rates of premiums and payouts have controversial, and some experts have raised red flags, a few have told *The Myanmar Times*.

But U Maung Maung Thein denied there was any controversy, saying only that the project is awaiting final approval. He did not say from who and gave no further details.

U Thau Han, managing director of private insurer Citizen Business, told *The Myanmar Times* the proposed rates that had been set forth. "In the final meeting on health insurance on December 2014, premium rates commonly proposed range start at K50,000 annually for all ages."

He said coverage would provide K10,000 per unit for hospitalization costs each day and K5000 for medical treatment.

U Maung Maung Thwin will decide this rate, U



Thau Han said.

However, most insurance companies preparing for the pilot project said the final rules were not yet in hand.

Dr Phone Myint, a former deputy director general of the health planning department, said health insurance will reduce the load of the health budget. He added, however, it would not be enough to cover a day's expenses, as most people spend upward of K15,000 if they have a serious illness.

"We welcome the starting of health insurance but they need to change many things because the coverage rates are very low," he said.

He added most taking up health insurance will be middle-income earners, as poor people will not be interested because they cannot

afford to buy it.

According to government estimates based on 2010 data, 60-70 percent of all health spending doesn't come from the state. Rather, people pay for it from their own pockets, either under the state's cost-sharing system or by going to private facilities.

Ministry of Health director U Sein Win confirmed that the government is working toward a universal health coverage system, rather than insurance coverage.

Print media worker U Than Htay, 45, suffers from chronic heart disease. He had surgery in Yangon General Hospital last November and attended the hospital twice. He now returns regularly for check-ups. He said he is struggling to find money for his treatment.

"Before I had a heart attack I did not know I had a heart problem. I never saved my money. But when I had the attack I borrowed some money from my friends for my treatment," he said.

He said his treatment and the hospital fee for his surgery cost K110,000.

The Ministry of Social Welfare pays back insurance for registered workers who pay taxes but only for those treated at public hospitals.

"I try to get my medical treatment course from the Ministry of Social Welfare but I haven't been paid back the hospital fee from social welfare yet," U Than Htay said.

"I am worrying every day about my heart disease because I don't have enough money for that and I cannot do a lot of work before I have an operation." ■

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Insurance types currently offered:	Private insurers:	Foreign insurers with representative offices in Myanmar:	Year private insurance was abolished:
7	12	14	1964

Here's what you need to know about insurance

Year private insurance was reintroduced:	Estimated percentage of population with insurance as of 2013:	Policies allowed so far	Policies in the works
2013	0.5	<ul style="list-style-type: none"> Life insurance Fire insurance Comprehensive motor insurance Cash-in-safe insurance Cash-in-transit insurance Fidelity insurance Special travel insurance 	<ul style="list-style-type: none"> Health insurance Loan protection insurance Weather (crop) insurance Education insurance

Insurance college to train next generation of insurers

MYA KAY KHINE

A STRING of deadly fires has started to open people's eyes to the value of insurance, industry professionals believe - and though the insurance industry in Myanmar is in its infancy, they hope a new professional academy that is being proposed might lead to more business.

The Myanmar National Insurance College (MNIC) is now under consideration as a means for people already working in the insurance field to improve their knowledge, as well as allowing others to acquire an understanding of the potential for insurance.

The college would be

funded by private donors and companies, said deputy finance minister U Maung Maung Thein last week, adding that no cost estimate was available.

He told *The Myanmar Times*, "We will join with businesses to open the MNIC on a self-help basis," adding that the institution of the college could promote job opportunities.

The deputy minister had visited similar institutions overseas to assess international standards. "We must hire lecturers from Singapore, Malaysia and London," he said.

"In general, a certificate course would last three months, a diploma course 18 months and a degree course would be as long as a university course," he said.

The college would be subject to general legislation governing education, and would be open to employees of Myanmar Insurance, private insurance companies and any other future leaders of the industry, said the deputy minister.

The development of the insurance industry depends on improved understanding within the business community of the value of insurance, U Maung Maung Thein said, adding the economic reforms of the past few years and the prospect of entry into the ASEAN free-trade area had alerted many companies to the need for proper insurance.

At the same time, the destruction wreaked by fires at the large markets of Mingalar,

Mingalar Taung Nyunt, Monywa, Mawlamyine and Pakokku over the past few years has served as a warning of the losses companies could incur without insurance. The same goes for any major accident, including road accidents caused by increased traffic volume.

But while public interest in insurance in connection with goods and services appears to be on the rise, most people still don't seem to be thinking about insuring their house, car or property.

"I was interested in life or property insurance. But my father thought I was mad," said Daw Khin Phyu Phyu Aung, a middle-school teacher in Yangon. ■

Famous payouts

MODERN insurance can be traced to the aftermath of the Great Fire of London in 1666, which cost an estimated £10 million. Today insurance is arguably the biggest industry in the world, with non-life insurance alone an estimated £3.3 trillion industry as of 2004. Here are a number of disasters large and small that have happened along the way, with most of the incidents mentioned having been handled by Lloyd's of London since its founding in 1680.

1906 San Francisco earthquake

Lloyd's paid out \$50 million (equal to over \$1 billion today) in the aftermath of the over-8-on-the-Richter-scale quake that levelled the city.

1912 Titanic sinks

The ship was well insured, with the hull alone covered for £1 million - around £95 million in today's money. The premium was negotiated at "just" £7500, though, due to the presumption the ship was unsinkable.

1937 Hindenburg crashes

Lloyd's provided bombing insurance during World War I from zeppelin attacks, and continued to insure against accidents as the world flirted with airships for commercial travel. But a series of devastating accidents, capped by the Hindenburg going down in flames, brought that era to a close.

2011 September 11 attacks

Lloyd's sees its largest-ever single loss, £3.4 billion, following the coordinated terrorist attacks in the United States,

2005 Hurricane Katrina strikes

Lloyd's posts a £2.55 billion loss due to payouts after the storm cost the insurance industry an estimated £60 billion.

A few more...

Of course, the insurance industry isn't just for global catastrophes. Here are a few less terrifying payouts of record.

In 1991 London gallery owner Charles Saatchi, wisely, took out insurance on the frozen sculpture "Self", consisting of 9 pints of artist Marc Quinn's blood frozen into the shape of his head. Fast forward nine years, and Saatchi's kitchen renovator unplugs the freezer where the sculpture is stored. Lloyd's pays out.

A Michigan pair took out insurance against the financial burden of conceiving more than one child at once. They had twins, got paid, took out the policy again and had another set of twins. Talk about family planning. ■



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Insurance Type of Services

ဝန်ဆောင်မှုပေးနိုင်သော အာမခံအမျိုးအစားများ

- 1. Fire Insurance**
(ဖီးအာမခံ)
- 2. Cash In Transit Insurance**
(ငွေပို့ငွေသယ်အာမခံ)
- 3. Cash In Safe Insurance**
(ငွေသားလုံခြုံမှုအာမခံ)
- 4. Fidelity Insurance**
(သမာဓိအာမခံ)
- 5. Comprehensive Motor Insurance**
(အလုံးစုံမော်တော်ယာဉ်အာမခံ)
- 6. Life Insurance**
(အသက်အာမခံ)
- 7. Special Traveling Insurance**
(အထူးခရီးသွားအာမခံ)



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Insurance is a 'key pillar': Prudential

ESTABLISHED in 1848, London-based Prudential Holdings Ltd is no stranger to Myanmar, having operated here from the 1920s to the 1960s. In 2013 it became the first European insurer to open a representative office in Myanmar. It also spans 12 markets in Asia, and boasts 23 million insurance customers worldwide, managing assets worth £457 billion as of June 30, 2014.

Last week **chief representative Allen Thai** answered questions from **MT editor Myo Lwin** about the nation's current situation and ways the insurance sector can be improved

How would you assess the current situation of the insurance sector in Myanmar? If you think the sector is still slow, what are the obstacles and how can we overcome them?

After decades of state monopoly, the insurance sector in Myanmar entered into a new era in 2013 – the year in which 12 domestic private insurers were allowed to operate. This had generated optimism and excitement to this important sector.

Myanmar's insurance sector has great potential due to its favourable demographics and extremely low insurance penetration. However, similar to other emerging markets in the region, developing an embryonic insurance industry can take time and require concerted effort by the regulator, the industry players and the public.

As a result of rapid economic growth and foreign direct investments, demand for a diverse range of insurance products at an affordable price currently far outstrips the available supply. This imbalance can be overcome by allowing market players to introduce competitive insurance products and services that



Prudential's offices in London, England.

meet the needs of customers. Favourable insurance regulations and the presence of experienced international insurers with regional expertise can help accelerate this process. A vibrant insurance sector will ultimately benefit Myanmar consumers, businesses and the economy.

How important is insurance to the country?

The critical and unique role of the insurance sector in the national economy cannot be overstressed. Insurance is a key pillar of the financial system in any country. Insurance offers protection to families and helps ease the financial burden of the government in managing risks. For example, insurers can shoulder some of the massive rebuilding costs as a result of major disasters. Long-term insurance (eg life insurance) not only helps develop a good savings habit in a society but also mobilises mass, small idle savings and bundles them for long-term investments (eg building hospitals, schools, power

plants etc) which Myanmar needs to sustain its development.

Insurance funds can also help finance public sector debts. In many developed economies, insurance companies are key participants in the local stock exchanges by investing in an institutional scale. Therefore, they provide stability to the financial system of a country. The insurance sector complements the banking sector which primarily focuses on the short- to medium-term finance.

What's needed for developing the sector?

The key ingredients for developing a vibrant insurance sector are innovation in products and services, healthy competition, favourable regulations and public awareness education. Experienced international insurers can take the lead in these areas by sharing their expertise and helping develop the local talents and professionals, whereas the media can play a vital role in educating

the public about the benefits of insurance in protecting their future.

Can you compare the development of the insurance market here in Myanmar with that of, say, Vietnam, where the monopoly of a single state provider was broken up as well?

Recognising the key role the insurance sector can play in developing the economy, the Vietnamese government decided to liberalise the domestic insurance market in 1994 by introducing competition to state monopoly in the sector. The sector enjoyed rapid development after foreign insurers were allowed to operate in 1999.

After a decade of robust growth, the insurance industry in Vietnam is now key to the financial sector. It has helped mobilise billions of US dollar savings for long-term development of the country, finance the public sector debts, create hundreds of thousand employment opportunities, and more importantly meet the long-term protection and savings needs of the Vietnamese people.

By way of examples, in Vietnam, Prudential alone employs over 2200 full-time insurance professionals and 100,000 insurance agents. We also hold over 25 percent of all Vietnamese government-issued long-term debt instruments. Today, over 1.5 million Vietnamese have placed their trust and insurance needs with Prudential. We are extremely pleased with our contributions to the country and we always work closely with the Vietnamese government to develop this key industry.

What are the services or policies Prudential can start in Myanmar?

As a representative office, Prudential

can only conduct market analysis, engage in capacity-building work for the regulator and local insurers, advise the government on insurance regulatory developments, and actively participate in corporate social responsibility activities, such as financial literacy education and disaster risk preparedness.

Prudential is a key member of the UK Financial Services Task Force for Myanmar charged with the responsibility of helping build capacity and introduce best practices for the financial services sector in Myanmar. We have been very active in sharing our global and regional insurance expertise through a range of insurance capacity building work with the Myanmar insurance regulator and the local insurers.

In addition to insurance activities, we have also launched our multiple award-winning children's financial literacy program *Cha-Ching* in partnership with MRTV-4 and Channel 7. We are in the process of launching our *Safe-Steps* – a public announcement program on disaster risk preparedness. Prudential is committed to contributing to the communities in which we are present. Myanmar is no exception.

Personally, how many insurance policies have you bought and from where?

Prudential adequately meets my insurance needs, whether that be insuring my apartment, protecting my financial needs or planning for my retirement. In Myanmar, as a foreign worker, I am not yet able to buy such insurance products. However, I am confident that in the future, Prudential will be able to meet my and other Myanmar people's insurance needs in the country. ■

New take on crop insurance: Sompo

SOMPO Japan Nippon Koa Insurance was the earliest foreign insurer to open a representative office in Myanmar, having been set up since 1996. **Chief representative Keiji Okada** recently answered questions about weather index insurance for **MT's Kyay Mohn Win** on the sidelines of an insurance seminar discussing a proposed new approach to crop insurance not yet available in Myanmar.

Called weather index insurance, the approach is designed to avoid fraud and bad risk management: Contracts are based on assessment of weather data, rather than property or yields, and payments are made when weather goes beyond certain metrics, regardless of the severity of the resulting impact on farms, meaning no subjective measures are required for payout.

First, explain to us what weather index insurance means.

Farmers, especially in developing countries, are exposed to severe income losses due to extraordinary weather such as drought, flood and the like.

In order to manage the risk, there has historically been a crop insurance. However as an "indemnity basis insurance", it is necessary to survey and prove value and existence of the actual loss in every claim. Therefore it takes a longer period to settle insurance payments. Furthermore crop insurance is not quite free from risks of fraud, corruption and adverse selection problems.

Weather index insurance (WII) is designed to mitigate these problems. The mechanism is



Sompo's offices in Japan.

that if a certain measured weather index (for instance rainfall) is above (meaning flood) or below (meaning drought) a certain predefined threshold, then the insurance payment is made without any harvest loss assessment.

What are the pros and cons of weather index insurance?

Pros: As mentioned above, swift payment, less expense in claim administration, less risk of fraud, corruption and adverse selection.

Cons: Proper design of WII requires detail – huge and reliable data in both weather and yields. If flawed in design, the compensation could be separated from actual loss, which is the primary objective to be covered by any insurance product.

How long has Japan used this kind of insurance?

In the 1990s WII was designed utilising "financial derivative" technology. We started selling WII in Japan in 1999.

How many countries are using weather index insurance so far?

In Asia, WII is sold in China, India, Indonesia, the Philippines, Thailand and Vietnam. Quite a few African countries have introduced WII as well.

Do you think our country should apply it?

Taking into account the fact that agriculture constitutes 40 percent of GDP and feeds 70pc of the population, without any doubt it is the most important industry in Myanmar. Why not stabilise the lives of farmers who are engaging in such an important industry? Needless to say the policy is effective in solving the economic gap between urban areas and rural areas, and therefore it will eventually contribute toward solving potential social unrest.

Given the importance of agriculture, why do you think weather index insurance has not been used in Myanmar so far?

As mentioned, WII is not a very traditional approach. It is not surprising that the technology has not yet been brought in.

Will it really contribute to the good of our farmers?

Surely yes, provided no stakeholder aims to gain profit from it.

But many local insurers say it will take too long to build awareness among farmers, so weather index insurance will take a long time to catch on.

It will indeed take time, since it seems that farmers are even not familiar with insurance itself. But we believe that the strong involvement of the public sector should accelerate the penetration of WII.

In addition, a no-loss/no-profit approach in pricing is a key success factor as well. If farmers are convinced that WII is a social system where no one chases profit, they must trust it and will wish to participate in the system.

Do you have plan to hold another seminar in this year?

First we need to roll out the prototypes to relevant government offices.

What are the consequences of last year's seminar?

Response from the participants of the seminar convinced us of the necessity of WII in Myanmar. After the seminar we could get essential data from relevant government offices. ■

Broader insurance packages coming

HOOO THANT

A WIDE range of new insurance services is expected to be introduced for companies and individuals, perhaps starting as early as April, finance ministers say, as the country's entire insurance market is expanded. Private health insurance could be the first to become on offer.

U Win Shein, Union minister for finance, told a Pyidaungsu Hluttaw conference on insurance, "Loan protection insurance and health insurance will be provided to help insurance businesses grow." And at a subsequent interview with *The Myanmar Times* last week, deputy finance minister U Maung Maung Thein said health insurance could be available as early as April 1.

Last year, the deputy minister indicated that education insurance and crop insurance could also come on stream in the next financial year, and he confirmed last week that all preparations were complete, opening the way to an

April 1 start.

The introduction of health insurance would be a commercial proposition not related to the provision of government healthcare, said U Maung Maung Thein.

"It is a commercial product that would be available to all," he said, adding it could be provided not only by the government-owned Myanma Insurance, but also by other domestic and foreign companies.

People who took out private health insurance could receive benefits such as the payment of medical and hospital fees, as well as compensation for death or injury.

Education insurance, however, in which insurers guarantee funding for students should a caregiver pass away or be unable to continue financial support, is not yet in the cards, due to the challenges of coordinating both parental policyholders and schools.

Japanese insurance company Sompo is working with the Ministry of Agriculture and

Irrigation on research into a possible scheme to offer crop insurance that would indemnify farmers against unexpected bad weather, said the deputy minister. An agricultural insurance committee has been formed that would research local climactic conditions, study systems in use overseas, draft a business plan and devise policies and premiums. Myanma Insurance would lose its current monopoly and private companies would be permitted to offer a wider range of policies depending on the development of their business skills.

Last September, the deputy minister told Amyotha Hluttaw that such policies would be introduced gradually, and seven companies would be permitted to offer special travel insurance and some other forms of insurance.

Myanma Insurance will continue as a government-owned concern, and is expected to pay K6.607 billion in income tax in the coming 2015-16 year, said U Win Shein. ■

Translation by Kyawt Darly Lin

Few drivers hold comprehensive insurance

AYE NYEIN WIN

EVERY registered car in Myanmar has third-party insurance because the Road Transport Administration Department (RTAD) requires this as part of registration. Third-party insurance is the basic level of insurance, covering a limited number of eventualities. But Myanmar lacks a law requiring comprehensive car insurance, which means few people look beyond the required basics.

"According to 2014 documents, there were 18,000 units of comprehensive insurance sold at Myanma Insurance and 9000 units sold at private insurance companies. This amount is too few compared to the whole country because there are 600,000 [registered vehicles] in Myanmar. But we can't push because it is not compulsory," said U Aye Min Thein, chair of the Myanma Insurance Supervisory Board.

Third-party insurance starts at just K2000 depending on the model of the vehicle. Comprehensive insurance, however, is more expensive: If a vehicle is worth K10 million, comprehensive insurance costs about K100,000 per year.

"Car owners need to pay 1 percent of

the car price," said Daw Win Mar, deputy manager of Ayeyar Myanmar Insurance. "For other businesses, used cars will cost 1.6 or 1.7pc. We compensate depending on the severity of the crash."

A person can get up to K500,000 as compensation when an accident leads to death. Injuries can receive up to K400,000 depending on the wound. If the car is totalled, the insurer may replace it.

But agents caution that people must take care of their car – and themselves – even if they hold comprehensive insurance. Holding a police, in other words, is not an excuse for recklessness.

"We have the statement from the police and we can find out how the accident happened and who was at fault. Sometimes the drivers were drunk and drove carelessly. In that case, we can't compensate the customers. The customers should be informed about the compensation so that they will not lose it," Daw Win Mar added.

Those buying expensive cars would be well advised to protect their investment with comprehensive insurance, said one local luxury car dealer.

"Every car owner should have comprehensive insurance. Some people

MORE ON PAGE 6



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Company	Representative	Contact
IKBZ Insurance	U Nyo Myint	378839, 378840
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Foreign insurance companies will enter – once laws are enacted

SHWEGU THITSAR

MAJOR foreign insurance companies may be permitted to operate in special economic zones in order to attract foreign investment and help develop the economy. But the process seems likely to be slow in the face of caution on the part of domestic insurance companies and a lack of familiarity with the market.

The Myanmar Insurance Business Supervision Committee established last year has so far issued operating licences to 12 local insurance companies. Another 14 foreign insurance companies have opened branches and are awaiting licences to operate. These companies are based in Canada, Singapore, America, Japan, South Korea, Hong Kong, Taiwan and Germany, and include the Japanese company Sompo, which opened an office in Myanmar in 1996.

“Some foreign insurance companies will be allowed to operate in special economic zones,” said U Maung Maung Thein, deputy minister of finance, on the sidelines of employee training in Yangon in early January.

But the industry is striking a note of caution. U Sein Min, general manager of Myanma Insurance, told *The Myanmar Times* last week in Yangon that foreign insurance providers could not possibly enter Myanmar yet.

“Domestic insurance companies are still struggling. Big foreign insurance companies are strong enough to reassure other foreign investors about entering the Myanmar market. Maybe the deputy minister is planning to allow them to operate in special

economic zones for that reason,” he said.

“An announcement concerning foreign insurance companies will be made next month,” U Maung Maung Thein said, adding that the payment of earnest money as a security deposit would not be needed in the case of “trustworthy” and “dignified” foreign insurance companies.

“In the case of world-famous companies operating to international standards it won’t be necessary.”

However, he added that the amount of operating capital that a foreign insurance company would be required to maintain would be much higher than that required of a local company. “The exact sum has not yet been decided upon,” he said.

Insurance premiums and indemnities will be fixed in accordance with local standards. Which foreign companies will be allowed to operate, how many companies and under what conditions has not yet been established.

Indren Naidoo, chief executive officer of Canada-based financial services company Manulife Financial, which has a branch office in Myanmar, said, “We are waiting and observing. We’ve been in contact with the deputy minister. We are trying to collect further information to decide how to keep going. When we get permission to operate, we will make investments as necessary.”

Myanmar has three special economic zones, at Dawei, Kyaukphyu and Thilawa, where investors are being encouraged to operate by the provision of special conditions. ■

Translation by Kyawt Daryl Lin

CONTINUED FROM PAGE 5

buy a US\$200,000 car. If an accident happens, they can lose at least \$3000 just from a broken headlight. If they have insurance, they can get a new one,” said U Aung Thet Lwin, head of sales at Mercedes Benz Myanmar.

As with other types of insurance, the biggest barrier – after price – seems to be lack of public knowledge.

U Myint Oo, from Mayangone, said he knows that in places abroad like Bangkok, when the two cars crash both owners inform their insurance companies and the companies come and solve the problem. They don’t need the police, which is one advantage of insurance.

But accidents here aren’t handled that same way, and some drivers are confused about what insurance will mean for them.

“I know I should do comprehensive insurance for my car,” said Ko Thaika Htun of Hlaing township. “But I don’t know much about it. The government and the companies should educate so that the public wants it.

“But I had heard when we faced accidents we must repair our car at the workshop according to the company. It is not too convenient. We want to know that they can fix or give a new one or something because the quality is very important.” ■

Singapore launches universal health insurance

SINGAPORE’S parliament has enacted a universal health insurance scheme with nearly \$3.0 billion in subsidies to help the elderly and lower-income people, as it responds to demands for better social safety nets.

Lawmakers late January 29 passed the Medishield Life Scheme, the latest in a series of reforms including new policies on immigration, housing, transport and education, introduced since 2011 elections that saw the ruling party’s share of the popular vote slip.

Health Minister Gan Kim Yong said the new scheme would make Singapore a “more caring and progressive society” and was the result of consultations with the public.

The city-state has traditionally frowned upon welfarism, but it has become one of the fastest-graying societies in the world. Life expectancy in Singapore now stands at 82.5 years, according to the statistics department.

A health ministry primer said the new

scheme will provide “better protection for all Singaporeans for life against large hospital bills”.

It said that over a five-year period, the government will provide S\$4.0 billion (US\$2.96 billion) in subsidies and other forms of support to the elderly and those who cannot afford higher premiums.

Those with pre-existing health conditions are also covered, with the government helping to bear the cost of insuring them.

Those who can afford but intentionally default on their payments can be fined and sued. Authorities are empowered to look into health and income records to calculate the premiums and subsidies.

Eugene Tan, an associate law professor at the Singapore Management University and a former appointed lawmaker, said the move is significant.

“It certainly represents a shift in the government’s thinking with regards to the

need for a stronger social safety net,” Mr Tan said.

“It is significant because it will go some way in lightening the anxieties of Singaporeans regarding rising healthcare costs. Singaporeans are living longer, and families are getting smaller.”

Mr Tan added that the ruling PAP “will be seen as not being so tight-fisted [with funds] as before,” but said there were “expectations that the government can do more, especially to lighten ‘out-of-pocket’ healthcare costs”.

Asian Development Bank (ADB) president Takehiko Nakao said in a speech last November that healthcare costs are rising as countries become more prosperous and disease profiles change.

He cited a 2012 study by the Manila-based bank showing that in many developing countries, households spent 4-7 percent of their budgets on health. ■

- AFP

One industry success story: travel insurance

EI EI THU

DESPITE a lack of public knowledge about insurance generally, one type is being taken up widely: travel insurance. And that's because, for highway bus travellers, it's simple to take out, being included as a cost of booking tickets.

Travel insurance has a venerable history in Myanmar. Before 1966, travellers going abroad had 24-hour protection, with compensation of K10,000 per a K1 premium. At that time, the value of one tical of gold was between K250 and K300, so the potential payoff was large.

In 2001, travel insurance was designed for highway bus rides. The premium was set from K10-50 for a short trip, with potential compensation in case of accident of up to K100,000 for a K10 premium. For a trip of over 100 miles, K100 in insurance could bring K1 million of compensation.

Starting in 2014, premiums were bumped to K300 for trips over 100 miles, with potential payout of K3 million.

"Travel insurance is mainly seen at Ma Hta Tha and highway bus lines," said U Lwin Oo, assistant general manager of Myanmar Insurance, which recently paid compensation for the deaths and injuries incurred in the Yar Zar Min bus accident of May 2014, the worst traffic accident on the notorious Yangon-Nay Pyi Taw highway.

There are two kinds of travel insurance today: highway bus line insurance and pilgrimage trip insurance.

"Pilgrimage trip and foreign trip insurance can be bought for the days a person is



Passersby investigate the scene of a terrifying crash in Yangon in 2013. Photo: Staff

on the trip. Highway bus lines sell travel insurance according to the distance of the trip. Compensation is generally paid within a week if an accident happens, with the recommendation letters of the related bus line, Ma Hta Tha, police and hospital," U Lwin Oo said.

Highway bus-line insurance clarifies 73 kinds of injuries, and compensation is paid according to the kind of injury.

Pilgrimage trip insurance costs K200 per

unit per week, whether the trip is local and international, and citizens can buy up to 10 units of insurance. Foreigners can buy insurance up to 20 units, at a premium of K500 per week per unit. For both, compensation is K500,000 per unit.

U Kyaw Min Hlaing, general secretary of the Domestic Pilgrimage and Tour Operator Association, said that the government should set a policy that people must insure themselves, so that people will become

knowledgeable about travel insurance.

"Our bus ticket fare has already added insurance. People should buy travel insurance as a habit. If nothing happens, it will be a donation for the country," he added.

U Myo Ko, managing director of Amazing Dream travel agency, agreed that more must be done to boost knowledge about travel insurance.

"If travel agencies announce about travel insurance, or give public awareness through media, and explain about it at bus lines and airlines, local travellers will know it well," he said.

U Lwin Oo said there is no difference between the compensation of the government insurer and private insurance companies, but the government department may take longer to pay out because of procedures.

"A case with bigger compensation requires the head of the department's decision. If the head of the department is on a trip at that time, the compensation can be paid a bit late."

He added, however, that state-owned insurers may be more reliable. "State-owned insurance has financial strength, without facing bankruptcy," he said.

The insurance sector generally will expand only when economy develops, according to U Lwin Oo.

"If economy does not improve, banking can't be developed and neither can insurance. If people's income is low, they can't save their money at banks. Moreover, they can't afford to insure," he said. ■

Translation by Thiri Min Htun



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