



INDEPENDENT CONSUMER & COMPETITION COMMISSION

REVIEW OF THE GENERAL INSURANCE INDUSTRY IN PAPUA NEW GUINEA

COMMENTS FROM MR. PIANI BENN TIKI, ANZIIF (SNR ASSOC) CIP, MANAGING DIRECTOR, KANDA INTERNATIONAL INSURANCE BROKERS.

I would like to comment on the issues raised as follows:

- The current Insurance Act 1995 provides an appropriate legal framework for the efficient operation of the Industry but needs improvements in the following areas:
 - (a) requires an Insurance Contracts Act, Insurance Agents & Brokers Act to complement the above act.
 - (b) The Complaints tribunal must be set up
 - (c) New entrants should be screened and approved by a committee of (4) four members including the Insurance Commissioner as Chairman Other Committee members should come from the Insurance Council, the Bank of PNG, an Independent member from the Insuring Public and an Officer from ICCC.
 - (d) In view of the Life Insurance Act 2000 which does have some conflicting and or grey areas of the two Acts that need to be ironed out.

Remarks: the above suggestions would ensure the industry operates efficiently without legislative huddles and loop holes, and to make sufficient operators within the industry which will make it vibrant and stronger.

- The OIC is more than sufficiently funded but needs to reorganize itself well and send out information and do day to day work more efficiently than it is now.

- The current report and provision of industry information by the OIC is not timely and does not meet the community needs. The statistics provided are always out of date and inaccurate.
- We need more retention. The OIC should ensure that the current Insurance Companies retain at least K5,000,000 of any risk underwritten in PNG either the holding Insurers or local RI and FAC arrangement. **Remarks:** *The OIC should not just accept the treaty arrangements presented by the Underwriters. It should be written into the Insurance Act or the OIC should set the levels of local retention (including in-house, Re Insurance and FAC RI) The OIC should ensure local underwriters FAC RI facilities are exhausted before risks are placed off shore.*
- The current licensing requirements are satisfactory but a committee needs to be set up as suggested above to screen new entrants and encourage and safeguard existing operators. New entrants should come with specialized Products or Services not available in the Country.
- The OIC should issue the trading license once but only collect fees and returns from the operators to ensure they are solvent and are meeting their community obligations. *There should not be a need for the OIC to issue a trading license ever year.*
- General Insurance Companies and Brokers should be allowed to do life insurance, so long as they are renewable every 12 months and where the benefit period is limited to 104 weeks.
- All Insurance Companies, whether local or foreign should apply license requirements uniformly. Foreign Companies should have Investments in Fixed Assets on shore to demonstrate true commitment to the country.
- Prudential Requirements:
 - . The level of minimum capital and security deposits should now be revised as follows – Reinsurers same except minimum Stat deposit should be K1,000,000
 - Insurers min capital should be K5,000,000 and stat deposit min should be K500,000.
 - Brokers min cap should be K250,000 and stat dep should be K100,000
 - Loss adjusters min cap should be K100,000 and sec dep should be K50,000

- Principal Officers of insurance Co's and Brokers should have min qualification in Snr Associate of ANZIFF with other business experience in Senior Management positions.
- The current exemption process is very slow, the OIC commissioner needs to have a system where the responses should be at least after three days, whereas at the moment two weeks or more. This is unacceptable where risks needed to be covered and are not so because of the slow process leaving brokers and underwriters to unnecessary exposure of claims.

The 17.50% price differential should be increased to 20% which should be inclusive of fees and costs of exporting the risk.

Marine Cargo Insurance for Imports and other risks are insured off shore and paid from off shore accounts by clients. *These are areas where the commissioner needs to tighten up.*

E.g.: A client operates a fleet of fishing vessels in PNG. Although the risk is PNG, he may arrange insurance of these vessels by an Agent in Japan and may pay the premium from the Sale of Fish to Japan. In this case the OIC may have no control over the Insurance where thousands of kina can be lost to the country.

A second case is where multi national companies have the so called “global insurance programs” and the risk is presented in a complicated way and local underwriters having to sign off. The OIC should still insist on insuring the local component of that program i.e., for risks in respect of local operations should be insured in PNG.

- The Re Insurance market needs to be developed. Pacific Re is very viable but due to some conflict of interest from current operators who also are primary insurers and they having own treaty Re Insurance Programs. One expert Re Insurer recently told me that we need two additional Re Insurance Companies with owners who are not industry participants. We need two truly Re Insurance Companies backed by well know overseas companies.
- The Current Insurers should be encouraged to provide covers in the areas of Riots, strikes civil commission, natural disaster, volcano eruption, Directors & Officers Liabilities etc currently not available. The Government should also look at setting up funds for Insurance Companies to subscribe to in providing cover for these risks not insured at the moment.

- The current Insurance Commissioner's lever can be retained. The OWC gets its 13.50% levy which is considered very expensive. The Fire policy lever of 1% should go to the Fire Service instead of the Insurance Commissioner. The Fire service should then extend its services to providing training and awareness on top of its fire prevention programs to the community.
- The Insurance Commissioner should approve the Brokers and Agents Commission paid to the Brokers and Agents. At the moment these items are controlled by the Insurance Companies who are interested in keeping their costs down and up their profits. The costs for brokers and agents are very high and the current level of brokerage/commission has never been reviewed since the advent of insurance in PNG. The brokers are sometimes forced to charge fees instead of the brokerage because they cannot sustain their costs in broking business to the Insurance Companies. It should be noted and understood that the role played by BROKERS is very important to the insuring public in PNG and their role should be promoted and enhanced.
- Finally the industry is lacking a proper training facility for the work force in the industry. I do not know how the Bankers College is funded and operated but we should either have a similar gov funded institution or extend the current Bankers college to include insurance courses.
Insurance course should be run similar to that of the Australia & New Zealand Insurance Institute of Finance and Institute (ANZIIF). We should run local courses which can be accredited to the ANZIIF courses.

The Industry has grown in the last few years with skilled professionals are rare these days. If we do not do anything about it now the current skilled workers will be extremely expensive and we will continue to bring in educated expatriates but inexperienced to be trained in PNG.

- Finally the above are my brief remarks and hope it would be of use to the ICC in its industry review. Please let me know if further elaboration in these issues are required from my.