



STANDING COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE

Review Report of the Reserve Bank of Fiji Insurance 2023 Annual Report



PARLIAMENT OF THE REPUBLIC OF FIJI
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Table of Contents

Acronyms	3
Chairperson’s Foreword	4
1.0 Committee Remit and Composition	6
1.1 Committee Secretariat Team	7
2.0 Background and Terms of Reference	7
2.1 Procedure and Program	7
3.0 Committee Deliberation and Analysis	8
3.1 Introduction	8
3.2 Summary of the RBF Insurance 2023 Annual Report	10
3.2.1 General Insurance	10
3.2.2 Life Insurance	11
3.2.3 Insurance Brokers	13
3.3 Committee Findings	14
3.3.1 Mechanism of complaints	14
3.3.2 Parametric Insurance	14
3.3.3 Cybersecurity risk	14
3.3.4 Insurance Act 1998	15
3.3.5 Bundled Micro Insurance Product	15
4.0 Sustainable Development Goals	16
4.1 Relevance to the Sustainable Development Goals	16
4.2 Gender Equality in Parliamentary Scrutiny	17
5.0 Conclusion	18
6.0 Committee Members’ Signatures	19
7.0 Annexure	20

Acronyms

BSP	-	Bank of the South Pacific
MSMEs	-	Micro, Small and Medium Enterprises
PICAP	-	Pacific Insurance and Climate Adaptation Programme
RBF	-	Reserve Bank of Fiji
SCFAD	-	Standing Committee on Foreign Affairs and Defence
SDGs	-	Sustainable Development Goals
SO	-	Standing Order
UNCDF	-	United Nations Capital Development Fund
VAT	-	Value Added Tax

Chairperson's Foreword

The Standing Committee on Foreign Affairs and Defence (SCFAD) hereby submits to Parliament the Review Report of the Reserve Bank of Fiji Insurance 2023 Annual Report.

The Reserve Bank of Fiji (RBF) under the Insurance Act 1998 (the Act) and the Insurance Regulations 1998 (the Regulations) is responsible for the regulation and supervision of the insurance industry in Fiji.

The RBF aims to achieve the underlying objective of safeguarding policyholders' interest by overseeing the soundness and stability of the insurance industry. The RBF executes this role by issuing licenses to market participants and supervision policies to govern the conduct of insurance business in Fiji.

It is a requirement under the Act that all insurance companies and intermediaries conducting insurance business in Fiji to be licensed by RBF. Supplemented by the requirements of the Regulations, the RBF has the responsibility to ensure that persons seeking to undertake insurance business are fit and proper and in compliance with regulatory requirements at all times.

The Committee would like to report that the insurance sector, during the reporting period, fared well and contributed positively to the Fijian economy.


This report contains two (2) recommendations for consideration by the Ministry of Public Works, Transport and Meteorological Services and RBF.

The Committee had called for an oral public submission from the Reserve Bank of Fiji on 13 November 2024. This session was not aired live due to technical issues however, it was later aired on the *Walesi* Parliament Television Channel.

I wish to thank and commend the RBF for being up to date with their Insurance Annual Report.

I thank the members of the Standing Committee on Foreign Affairs and Defence for compiling this bipartisan report and also thank the Secretariat for their invaluable support.

On behalf of the Standing Committee on Foreign Affairs and Defence, I submit this report to Parliament.



Hon. Viliame Naupoto
Chairperson

Recommendations

The Committee recommends the following:

- 1.0 That the Ministry of Public Works, Transport and Meteorological Services works in close collaboration with relevant stakeholders to install Automatic Weather Stations in remote areas that are not yet covered. The information collected from these weather stations will assist in the determination of the payment of Parametric Climate Insurance which would benefit low-income households (*refer to paragraph 3.3.2*).
- 2.0 That in future Insurance Annual Reports, the ratio of men and women that are employed in the insurance sector be included. The Committee is also of the view that it would be useful to include data on the ratio of men and women who are beneficiaries of insurance products (*refer to paragraph 4.2*).
- 3.0 The Committee commends the RBF for the complaints handling mechanisms in place, and the efficient management of customer queries (*refer to paragraph 3.3.1*).
- 4.0 The Committee commends RBF for the timeliness of their report.

1.0 Committee Remit and Composition

Under Standing Order 109(2)(e) the Standing Committee on Foreign Affairs and Defence is mandated to look into matters related to Fiji's relations with other countries, development aid, foreign direct investment, oversight of the military, and relations with multi-lateral organizations. The members of the Standing Committee on Foreign Affairs and Defence are as follows:



Hon. Viliame Naupoto
Chairperson of the Standing Committee on Foreign Affairs and Defence



Hon. Lenora Qereqeretabua
Deputy Chairperson
Deputy Speaker of Parliament
Assistant Minister for Foreign Affairs



Hon. Jovesa Vocea
Member
Assistant Minister for Rural, Maritime Development
and Disaster Management



Hon. Ratu Isikeli Tuiwailevu
Member
Assistant Minister for i-Taukei Affairs, Heritage and Arts



Hon. Rinesh Sharma
Member

1.1 Committee Secretariat Team

Supporting the Committee in its work is a group of dedicated Parliament Officers serving as the Committee Secretariat. These officers are appointed and delegated by the Secretary-General to Parliament by Standing Order 15(3)(i). The Secretariat officers are as follows:

- Mrs. Susana Korovou – Senior Committee Clerk
- Mrs. Elesi Tabuyaqona – Deputy Committee Clerk
- Ms. Kinisimere Vuibua – Graduate Intern

2.0 Background and Terms of Reference

The Standing Committee on Foreign Affairs and Defence (the Committee), was referred to the Reserve Bank of Fiji Insurance 2023 Annual Report on 06 September 2024. The referral of the Annual Report was done in accordance with SO 38 (2), whereby the Committee was assigned to investigate the contents of the report and provide a report to Parliament at a future Sitting. This report is outside the usual mandate of the Committee, but the referral was made to help ease the workload of the other Standing Committees.

2.1 Procedure and Program

Public Submission (written submission and oral submission)

In relation to Standing Order 111 (1), the Committee is committed to upholding public trust in Parliament, by ensuring that there is public participation and that all such participation is given due consideration. The Committee had called for an oral public submission from the Reserve Bank of Fiji on 13 November 2024. This session was not aired live due to technical issues however, it was later aired on the Walesi Parliament Television Channel.

A summary of the submission is provided in a later part of this report, under the heading ‘Committee’s Deliberation and Analysis’. Copies of the written submission and the verbatim from the meeting can be obtained from the online Appendices of this report, which can be accessed from the Parliament website: www.parliament.gov.fj.

3.0 Committee Deliberation and Analysis

3.1 Introduction

The Reserve Bank of Fiji (RBF) under the Insurance Act 1998 (the Act) and the Insurance Regulations 1998 (the Regulations) is responsible for the regulation and supervision of the insurance industry in Fiji.

The RBF aims to achieve the underlying objective of safeguarding policyholders' interest by overseeing the soundness and stability of the insurance industry. The RBF executes this role by issuing licenses to market participants and supervision policies to govern the conduct of insurance business in Fiji.

It is a requirement under the Act that all insurance companies and intermediaries conducting insurance business in Fiji to be licensed by RBF. Supplemented by the requirements of the Regulations, the RBF has the responsibility to ensure that persons seeking to undertake insurance business are fit and proper and in compliance with regulatory requirements at all times.

The RBF during the year under review, continued to receive and assess new and renewal license applications. As a requirement under the law, it is mandatory that all insurance companies undertake an annual payment of a prescribed fee, this is subject to satisfactory compliance with licensing requirements. Insurance intermediaries consist of insurance brokers and insurance agents. Table 1 shows the list of licensed insurance entities.

	Institution	Country of Incorporation	Country of Ownership
General Insurers			
1.	BSP Health Care (Fiji) Limited	Fiji	Papua New Guinea
2.	Capital Insurance Limited	Fiji	Papua New Guinea
3.	FijiCare Insurance Limited	Fiji	Fiji
4.	The New India Assurance Company Limited	India	India
5.	QBE Insurance (Fiji) Limited	Fiji	Australia
6.	Sun Insurance Company Limited	Fiji	Fiji
7.	Tower Insurance (Fiji) Limited	Fiji	New Zealand
Life Insurers			
8.	BSP Life (Fiji) Limited	Fiji	Papua New Guinea
9.	Life Insurance Corporation of Fiji	India	India
Insurance Brokers			
10.	AON (Fiji) Pte Limited	Fiji	Australia
11.	Complete Insurance Services Pte Limited	Fiji	New Zealand

12.	Insurance Holdings (Pacific) Pte Limited	Fiji	New Zealand
13.	Marsh Pte Limited	Fiji	New Zealand and Fiji
14.	Unity Insurance Brokers (Fiji) Pte Limited	Fiji	Fiji

Table 1: Licensed Insurance Entities. Source: Reserve Bank of Fiji

According to RBF, there were nine (9) insurance companies that continued operations in 2023, comprising of two (2) life insurers and seven (7) general insurers. The business activities of licensed life insurers comprise of the issuance of life policies, that include business relating to the investment, administration and management of the assets of a statutory fund. General insurers on the other hand, are licensed to offer insurance business of any class, other than life. Five (5) insurance brokers were licensed to operate in 2023, as they complied with renewal requirements and held adequate professional indemnity and fidelity guarantee covers. An insurance broker assists a person wishing to be insured with the purchase of insurance products and is paid a commission or fee.

3.2 Summary of the RBF Insurance 2023 Annual Report

3.2.1 General Insurance

- The general insurance sector continued to register a satisfactory performance in 2023, with all general insurers recording profits, despite emerging challenges in the macro-economic environment, market competition and increasing cost of claims. The fire, medical and motor vehicle classes continued to dominate the gross premium income of the general insurance sector in 2023.
- Gross premium income increased for the second consecutive year since the impact of COVID-19 in 2020 and 2021. Gross premium is the total premium (amount paid by the policy holder) less third-party collections (such as stamp duty, fire levy and VAT). Table 2 shows the distribution of gross premium from 2019 to 2023.

Table 2: Distribution of Gross Premium

Year	Fire	Motor	Marine	Pers*	**Liabilities	Others	Total
\$ Million							
2019	60.0	66.7	4.8	71.2	4.9	9.2	216.8
2020	61.4	57.4	3.9	67.5	5.1	6.1	201.4
2021	64.7	50.7	3.3	66.6	5.3	6.0	196.6
2022	68.0	51.5	4.5	74.7	6.6	15.7	221.1
2023	77.2	59.1	5.1	87.1	7.2	8.2	243.9
% Change							
2019	8.5	5.7	-	10.4	(58.1)	46.0	5.4
2020	2.3	(13.9)	(18.8)	(5.2)	4.1	(33.7)	(7.1)
2021	5.5	(11.7)	(15.9)	(1.2)	3.1	(1.4)	(2.4)
2022	5.1	1.6	36.4	12.2	24.3	161.7	12.5
2023	13.5	14.8	13.3	16.6	9.1	(47.8)	10.3
% Share							
2019	27.7	30.8	2.2	32.8	2.3	4.2	100.0
2020	30.5	28.5	1.9	33.5	2.5	3.0	100.0
2021	32.9	25.8	1.7	33.9	2.7	3.0	100.0
2022	30.8	23.3	2.0	33.8	3.0	7.1	100.0
2023	31.7	24.2	2.1	35.7	3.0	3.4	100.0

*Personal – Household, Medical, Term Life, Burglary, and Personal Accident

**Liabilities – Motor CTP, Professional Indemnity, Public Liability and Workers Compensation

- In terms of composition, the fire, motor vehicle and medical classes continued to dominate gross premium income at 31.7 percent, 24.2 percent and 21.6 percent, respectively. Collectively, these three classes represented 77.5 percent of the general insurance sector's gross premium income.

- The treaty and facultative reinsurance accounted for 20.2 percent or \$49.3 million of gross premiums and was dominated by the fire class. Reinsurance premiums increased by \$7.0 million over the year and this is attributed to the fire, householders and motor vehicle classes. In 2023, treaty contracts made up 97.7 percent of reinsurance premiums, and the remainder were facultative contracts.
- During the reporting period, the general insurance sector obtained net premium income of \$194.6 million, an increase of 9.1 percent compared to the prior year. Motor vehicles, medical and fire classes were the major contributors to the net premium income constituting 28.3 percent, 26.8 percent and 23.2 percent respectively of the net premiums.
- The general insurance sector recorded a notable increase of 26.4 percent amounting to \$132.4 million in gross claims paid in 2023. The claim payouts were mostly related to medical (\$16.3 million), fire (\$6.3 million) and motor vehicle (\$5.9 million) classes. The total number of claims reported in 2023 was 293,302 when compared to 256,896 claims reported in the preceding year.
- The underwriting surplus of the general insurance sector was \$33.6 million in 2023 compared to \$42.2 million in the prior year. The decline in the underwriting surplus is due to the higher increase in net claims incurred by 14.4 percent to \$111.4 million, while net earned premiums increased by 4.5 percent to \$177.7 million.
- Non-underwriting income for the general insurance sector was \$18.5 million in 2023 noting an increase of 15.4 percent over the year. Dividend and rental income drove the expansion, having increased by \$6.9 million and \$1.1 million respectively.
- The combined general insurance sector's net profit after tax declined for the second consecutive year to \$27.4 million in 2023.

3.2.2 Life Insurance

- The life insurance sector's satisfactory performance in 2023 was underpinned by the continued growth in gross premium, profitability and increased new business.
- Endowment policies remained the dominant class of life insurance, representing 96.4 percent. Assets of the life insurance sector noted a growth to stand at \$2.1 billion in 2023, attributed to the increase in Government securities, bank deposits and shares in related persons.

- The life insurance sector’s gross premium income grew by 4.2 percent to \$196.8 million in 2023, largely attributed to the increased underwriting of endowment policies.
- The gross premium income received for endowment policies increased by 4.4 percent to \$189.8 million and continued to dominate the share of gross premiums received at 96.4 percent. Table 3 shows the New Business of Life Insurance from 2019 to 2023.

Year	No. of Policies		Sum Insured (\$M)		Premium \$M
	Participating	Non-participating	Participating	Non-participating	
2019	15,203	10	383.4	268.3	42.0
2020	11,254	8	332.5	222.8	50.5
2021	8,600	5	289.6	172.5	62.4
2022	11,935	9	388.1	229.9	70.1
2023	11,542	10	402.3	241.9	72.5
% Change					
2019	(5.7)	(28.6)	4.6	19.1	0.7
2020	(26.0)	(20.0)	(13.3)	(17.0)	20.2
2021	(23.6)	(37.5)	(12.9)	(22.6)	23.6
2022	38.8	80.0	34.0	33.3	12.3
2023	(3.3)	11.1	3.7	5.2	3.6

Table 3: New Business of Life Insurance

- Premiums from new business grew by 3.6 percent to \$72.6 million. Despite the decrease in the number of participating policies issued by 3.3 percent in 2023, the value of the sum insured increased by 3.7 percent to \$402.3 million.
- Endowment policies continued to account for the majority of new business premiums in 2023 at 98.9 percent, followed by term life policies at 1.1 percent and whole of life policies at 0.01 percent.
- The number of life insurance policies terminated in 2023 increased by 2.7 percent to 11,888 policies (2022: 11,579 policies) as a result of forfeitures and maturities.
- The total number of life insurance policies in force increased over the year by 1.2 percent to 102,689, dominated by participating policies at 99.6 percent.
- Consistent with the increase in the overall number of life insurance policies in force, total premiums for business in force grew by 13.3 percent to \$373.5 million. The average sum insured per policy for business in force was \$40,496 (2022: \$39,138).

3.2.3 Insurance Brokers

- The insurance brokers reported a positive performance in 2023 driven by an increase in business transacted across the majority of the general insurance classes. As a result, the combined balance sheet of the insurance broking sector expanded over the year and a satisfactory level of earnings was reported.
- Total premiums transacted by the insurance broking sector increased by 18.5 percent to \$236.2 million. Whilst there was a general increase in premiums handled across the majority of classes of insurance during the year, the growth was largely underpinned by fire, medical and term life classes having increased by 21.9 percent to \$122.8 million, 21.7 percent to \$34.5 million and 62.4 percent to \$9.4 million, respectively. Table 4 shows that total premiums handled by insurance brokers from 2019 to 2023.

Table 4 Total Premiums handled by Insurance Brokers

Year	Fire and Householders	Transport and Marine	Liability*	Medical and Life	Miscellaneous**	Total
\$ Million						
2019	102.0	33.6	9.6	36.6	25.6	207.4
2020	110.5	24.5	9.7	32.7	21.4	198.8
2021	114.1	23.6	9.8	28.6	14.2	190.3
2022	105.0	27.5	11.2	34.1	21.6	199.4
2023	127.5	32.0	11.5	43.9	21.3	236.2
% Change						
2019	(8.1)	0.0	(33.8)	29.3	18.0	(0.8)
2020	8.3	(27.1)	1.0	(10.7)	(16.4)	(4.1)
2021	3.3	(3.7)	1.0	(12.5)	(33.6)	(4.3)
2022	(8.0)	16.5	14.3	19.2	52.1	4.8
2023	21.4	16.4	2.7	28.7	(1.4)	18.5

*Liabilities – Motor-CTP, Professional Indemnity, Public Liability and Workers Compensation

**Miscellaneous – Others, CIT and Burglary and Personal Accident

3.3 Committee Findings

3.3.1 Mechanism of complaints

The Committee noted that complaints relating to the insurance industry increased to eleven (11) in 2023 when compared to eight (8) in 2022. The increase in complaints was attributed to the life and property classes, six complaints related to life insurance premiums and maturity payout clarifications and three complaints related to property. The remaining two complaints were associated with motor vehicles and insurance agents.

According to RBF, the majority of the complaints were resolved within the stipulated guideline of twenty-one (21) days. The Committee commends the RBF for the complaints handling mechanisms in place, and the efficient management of customer queries.

3.3.2 Parametric Insurance

The Parametric Insurance product was developed by UNCDF's Pacific Insurance and Climate Adaptation Programme (PICAP) and piloted in 2022; over \$200,000 was paid out to beneficiaries following flooding in 2023. With the scale-up of the existing parametric insurance product over an additional two-year partnership, the aim is to reach 5,000 policyholders, with an expected total of 25,000 beneficiaries, 45% of whom are among the poor and vulnerable populations. This focus ensures that those most in need are empowered with financial protection and ensure that no one is left behind in efforts to address climate change. Parametric Insurance payout is dependent on data received from Automatic Weather Stations. This data includes rainfall, wind speed and other related weather conditions that resulted in natural catastrophes such as, flooding, landslides, and strong wind damage.

The Committee recommends that the Ministry of Infrastructure and Meteorological Services works in close collaboration with relevant stakeholders to install Automatic Weather Stations in remote areas that are not yet covered. The information collected from these weather stations will assist in the determination of the payment of Parametric Climate Insurance which would benefit low-income households.

3.3.3 Cybersecurity risk

Legislative and prudential policy work continued in 2023 with the ongoing review of the Insurance Act 1998, and development of prudential guidelines. A key priority outcome in this regard was the issuance of the Prudential Supervision Policy Statement No. 2 on the Minimum Requirements for the Management of Cybersecurity Risk by Supervised Entities, to address the evolving cyber threat landscape. It is envisaged that the

implementation of the policy will contribute to supervised entities' capacity to manage risks arising from cyber-attacks and other related vulnerabilities.

3.3.4 Insurance Act 1998

Fiji's insurance industry is regulated by the Insurance Act (1998). The purpose is “to provide the regulation of the business of insurance, for the licensing and supervision of insurers and insurance intermediaries, and for related matters.”

The RBF is continuing the revision of this Act with the aim of strengthening consumer protection elements and aligning the legislation with recent developments taking place globally. Such reforms will provide consumers with confidence that the policies they purchase will provide them with real value.

3.3.5 Bundled Micro Insurance Product

The bundled microinsurance product launched with an annual premium of \$52, covers more than 100,000 policy holders for up to a combined claim of \$10,000 per year per policy holder. Initially, designed for sugar cane farmers, this product continued to grow and has expanded to include rice, copra and dairy farmers as well as social welfare recipients.

4.0 Sustainable Development Goals

4.1 Relevance to the Sustainable Development Goals

The Committee notes that insurance has a crucial role in the implementation of SDGs, and it is often seen as a tool to achieve development goals beyond financial sector development. The protection of people and assets is a key component of sustainable development. Insurance as a risk mitigation strategy allows low-income people, MSMEs, middle-income people as well as governments to protect and build on their existing assets. Without effective insurance, it is unlikely that sustainable development is truly achievable. Insurance as a risk protection mechanism can arguably support many of the SDGs, some directly and others indirectly. Insurance will be critical to the achievement of six of the seventeen SDGs, and important to the completion of five other SDGs.

The core roles of insurance impact the following SDGs:

SDG 1: End poverty in all its form everywhere

- Insurance provides a safety net for those using it, preventing families from falling (back) into poverty after experiencing a shock.
- Insurance provides an economic protection mechanism for all.
- Insurance sustains other development efforts.

SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

- Insurance fosters locally driven and sustainable food production by opening lending opportunities where there were none before, and by encouraging investment in enhanced agricultural practices.
- Insurance improves household food security by stabilizing the household's financial situation after a shock.
- Insurance helps people to respond and adapt to natural catastrophes, which otherwise can plunge them into greater poverty.

SDG 3: Ensure healthy lives and promote well-being for all at all ages

- Insurance and social protection can play complimentary roles to cover a range of household health care costs.
- Insurance improves health care seeking behavior.

SDG 5: Gender Equality

- There are gender differences in risks faced by women and men.

- Insurance offers protection for women working in the informal sector who often fall outside the reach of public social protection schemes.
- Insurance protects women against the devastating effects of gender-related reproductive health risks.
- Insurance protects women from the financial impact of losing family members, helping women to retain their homes, sustain their businesses, continue education of their children, and generally maintain the financial stability of their household.

SGD 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Insurance protects assets, thereby unlocking loans and other funds for investments by MSMEs.
- Insurance frees MSME's private funds for productive investment.
- Insurance supports the development of MSMEs by protecting them from losses due to risks related to business, natural disasters or other catastrophes.
- Insurance helps to avoid child labour related risk financing.

SDG 13: Take urgent actions to combat climate change and its impacts

- Insurance mitigates the effects of extreme weather events, thereby strengthening climate change resilience.
- Insurance complements and strengthens other climate change coping efforts.
- Catastrophe insurance protects a variety of stakeholders, from companies and infrastructure to the most vulnerable.

4.2 Gender Equality in Parliamentary Scrutiny

The Parliament of Fiji Standing Orders 110 (2) requires the Committee to give full consideration to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

The Committee recommends that in future Insurance Annual Reports, the ratio of men and women that are employed in the insurance sector be included. The Committee is also of the view that it would be useful to include data on the ratio of men and women who are beneficiaries of insurance products

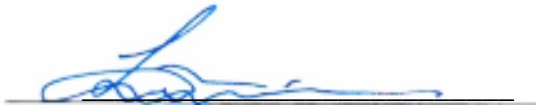
5.0 Conclusion

The Standing Committee on Foreign Affairs and Defence has conducted a thorough review of the Reserve Bank of Fiji Insurance 2023 Annual Report. The Committee report is bi-partisan and has two (2) recommendations for consideration. The Committee is grateful and commends RBF for being up to date with its Insurance Annual Report.

6.0 Committee Members' Signatures



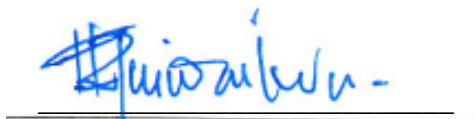
Hon. Viliame Naupoto
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Hon. Lenora Qereqeretabua
Deputy Chairperson



Hon. Jovesa Vocea
Member



Hon. Ratu Isikeli Tuiwailevu
Member



Hon. Rinesh Sharma
Member

7.0 Annexure

Published evidence

Written evidence, transcripts, and supporting documents can be viewed on the Parliament website at the following link:
<https://www.parliament.gov.fj/committees/standing-committee-on-foreign-affairs-and-defence/>