EU-ASEAN
BUSINESS COUNCIL

Partnering ASEAN to close the Insurance Protection Gap

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Table of Contents

Executive Summary

This paper forms part of the EU-ASEAN Business Council (EU-ABC) response to the Kuala Lumpur Declaration on ASEAN 2025 and the new AEC Blueprint 2025. It sets out the contribution to ASEAN Member State economies already being made by European insurers. It goes on to look at market conditions in individual ASEAN Member States, **and makes recommendations for action that would allow the insurance industry to make a greater contribution to economic growth, social well-being and financial inclusion in the region.** In the final section, the paper highlights the commitments made by the ASEAN Member States under the ASEAN Economic Community (AEC). We examine progress to date, and discuss how the insurance industry can help ASEAN to deliver the AEC Blueprint 2025.

ASEAN is a hugely important region for European businesses; the European Union is still the largest source of foreign direct investment in ASEAN, with more FDI funds in 2014 than the US and Japan combined. The EU remains ASEAN's second largest trading partner. 2015 was an important year for the region leading to the inauguration of the ASEAN Economic Community, and the EU-ABC is a strong supporter of this crucial project for the region. 2016 takes on special importance as the advances made in the AEC need to be bedded in and then deepened further.

Identifying and remedying the existing weaknesses in the insurance sector to promote its development will be an important part of creating a high-quality financial system for ASEAN. Developing viable and efficient insurance companies, as long-term institutional investors, must go hand-in-hand with the task of developing and deepening capital markets. A larger insurance sector will support a larger menu of securities for long-term portfolio investment; in turn, a deeper capital market will help create an environment in which insurance companies can thrive.

The EU-ABC believes that European insurers can make a tangible difference to the prosperity of the ASEAN region and help advance the achievement of the goals set out in the AEC Blueprint 2025. The priority issues are:

Issue	Recommendation
Shareholding	Harmonised rules for full liberalisation of ownership in the insurance sector (currently 6 of 10 Members allow this).
Data	A global harmonised approach to cross-border data transfers and the right for international group companies to transfer data overseas within the same corporate group if they have adopted internal rules/a global policy similar to EU-Law to protect customers.
Disaster Risk Finance	Greater use of public-private partnerships (PPP), including pre-event financing solutions such as indemnity insurance and parametric insurance.
Long term investment	Removal of regulatory and accounting impediments to investment in long duration assets, including infrastructure.

European Insurers and the ASEAN Insurance Market

The insurance industry (including the re-insurance industry) is important to the ASEAN Member States. More than 25 European insurance companies operate across ASEAN [see Table B in the Data Appendix]. They make a significant contribution to the population's savings, investment, and insurance needs, and have further contributions to make in working with ASEAN Member States to achieve the AEC Blueprint 2025 objectives. To take just one example, Prudential in Indonesia has over 260,000 agents, more than two million clients, and has invested USD 4 billion in the local economy since its establishment in the country in 1995.

Table 1: European Insurers contributions to ASEAN - selected countries

Country	European Insurers Premiums (mil USD)	Total Premiums (mil USD)	European Insurers Assets (mil USD)	Total Assets (mil USD)	European Insurers Equity (mil USD)	Total Equity (mil USD)
Brunei	18	224	30	942	10	-
Indonesia	4,160	15,307	10,535	41,755	1,333	3,513
Malaysia	3,428	15,879	11,762	66,851	1,434	6,777
Philippines	899	5,789	3,577	19,090	243	2,669
Singapore	9,535	15,630	35,838	97,873	2,175	4,996
Thailand	3,019	21,703	11,279	70,120	2,629	70,120

Sources: Swiss Re and European Insurance Companies Annual Financial Reports

Alongside local companies, European insurers provide life insurance, general insurance and re-insurance products and services to retail and corporate clients across the ASEAN region. Insurance brokers provide life and non-life (property and casualty, aviation, maritime) products, and they are expected to expand into neighboring markets, benefiting from growing demand for insurance products and services as ASEAN economic integration proceeds and the economies continue to develop. For example, under the Interlink Capital Markets objective in AEC Blueprint 2025, insurers will be better able to execute asset-liability management, potentially leading to better risk adjusted returns. The elimination of tariffs and non-tariff barriers will boost trade and hence demand for insurance products such as marine cargo and trade credit. The ASEAN Insurance Regulators Meeting (AIRM) in November 2014 suggested that ASEAN could allow cross-border supply of simple, non-complex direct insurance products.

However, penetration rates (measured as the percentage of GDP spent on insurance premiums) in most ASEAN Member States remain low. All countries demonstrate a worrying savings and protection gap as populations grow older and increasingly wealthy. According to Swiss Re data, insurance penetration rates across ASEAN stood at 3.32 per cent in 2014, above the emerging market average of 2.7 per cent but below the global average of 6.17 per cent[1]. The insurance protection gap is notably large in Vietnam, Indonesia, and the Philippines, with natural catastrophe underinsurance in excess of one per cent of GDP. Furthermore, life protection gaps for pensions stood at an estimated USD58 trillion for 13 emerging Asian countries (which include ASEAN Member States) in 2014[2]. Thus, there is considerable room for ASEAN's insurance penetration rate to grow towards the global average. The ASEAN consumers' appetite for insurance products can be seen in the average

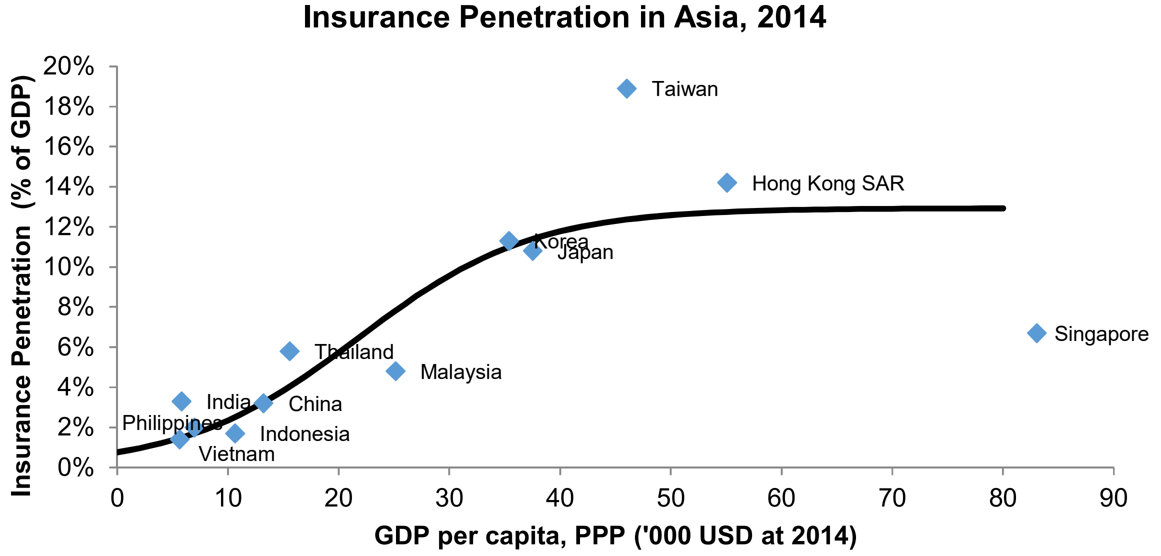
[1] Swiss Re (2015). "World Insurance in 2014: Back to Life. Swiss Re Sigma, No.4/2015. Retrieved from: http://www.tsb.org.tr/images/Documents/Raporlama/2015/sigma4_2015_en.pdf

[2] Swiss Re (2015). Asia-Pacific 2015: Mortality Protection Gap. Retrieved from: http://www.the-digital-insurer.com/wp-content/uploads/2015/11/638-Mortality-protection-Gap_-Asia-Pacific-FINAL-1.pdf

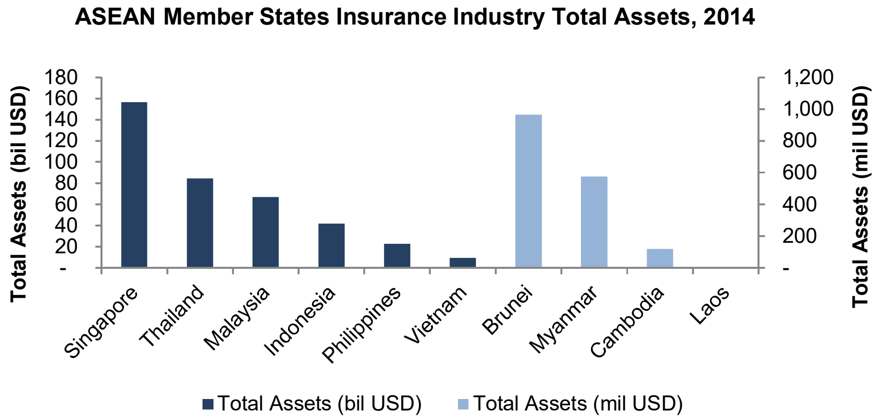
annual growth in premiums during 2009-2014, ranging from 6.2 per cent (Singapore) to 18.5 per cent (Vietnam)[3]. Penetration rates range from 0.01 per cent in Myanmar to 6.7 per cent in Singapore.

Table 2: Comparison of Insurance Penetration across Regions

Market	Penetration rate
EU	7.67
USA	7.3
ASEAN	3.32



Further investment in the industry is needed to ensure that protection coverage grows to match increasing income and asset ownership across ASEAN. As they have grown, the European and Asian insurance companies have invested across ASEAN fixed income, equity, and alternative asset markets, thus deepening the pool of investment capital available across the region (see Table 1)[4].



[3] Eder, G. & M. (2015). "Insurance markets in Asia - quality before growth". Allianz Economic Research Working Paper, No. 189. Retrieved from: https://www.allianz.com/v_1436877013000/media/economic_research/publications/working_papers/en/Asien2015e.pdf

[4] Intelligent Insurer (2014). "ASEAN Economic Community to generate opportunities in 2015". Intelligent Insurer. Retrieved from: http://www.intelligentinsurer.com/news/asean-formation-will-generate-significant-opportunities-in-2015-1982.

EU-ABC Member companies are required to adhere to international best practice regulatory regimes. Their experience of working within these standards can provide positive spillover effects on corporate governance across all companies in ASEAN Member markets[5]. The European insurance industry, through the EU-ABC, would like a full role in working with ASEAN and its Member States as they look to develop and enhance their own regulatory regimes[6] [7].

As the insurance industry in the region continues to develop, it is also contributing enhanced financial inclusion and increased financial literacy in the region. For example, Prudential Corporation Asia (PCA) and its charitable arm, the Prudence Foundation, has partnered with leading children's channel Cartoon Network to bring financial literacy to kids in a fun way. Cha-Ching is a musical edutainment program teaching children to become money-smart kids through the fundamental concepts of earning, saving, smart spending and donating, via a multi-country, multi-platform program[8].

Identifying and remedying the existing weaknesses in the insurance sector to promote its development will be an important part of creating a high-quality financial system for ASEAN. Moreover, developing viable and efficient insurance companies, as long-term institutional investors, must go hand-in-hand with the task of developing and deepening capital markets. A larger insurance sector will support a larger menu of securities for long-term portfolio investment; in turn, a deeper capital market will help create an environment in which insurance companies can thrive[9].

Cha-Ching

Prudential's Cha-Ching concepts have been integrated into the Philippine's grades 2 and 3 curriculum since 2012-2013, in partnership with the Philippines Department of Education's Adopt a School program. To date, over 95,000 children have benefited from approved Cha-Ching music videos, workbooks, and lesson plans. Cha-Ching Money Smart Kids teacher training plans are given gratis.

[5] EABC-Thailand (2013). 2013 European Business Position Paper: Trade/Investment Issues & Recommendations in support of a Competitive Economy in Thailand. Retrieved from: http://eabc-thailand.eu/images/files/2013%20Position%20paper_Thailand_EN.pdf
[6] Swiss Re Economic Research & Consulting, 2016
[7] Swiss Re Economic Research & Consulting, 2016
[8] http://www.prulifeuk.com.ph/corp/prudential_en_ph/header/aboutus/corporatesocial/index.html
[9] Choong, L. L. & S. Takagi (2013). "Deepening Association of Southeast Asian Nations' Financial Markets". ADBI Working Paper Series, No. 414. Retrieved from: http://www10.iadb.org/intal/intalcdi/PE/2013/10776.pdf

Country by Country Review

Cambodia

Cambodia represents an untapped market opportunity with a population of 15 million and sustained growth in the last decade (GDP growth average of 7.3 per cent between 2011 and 2013). Strong growth of an average of 7.3 per cent is predicted for the period 2016-2020[10]. The Cambodian government is keen to see the insurance sector develop further. Currently, the penetration rate stands at 0.4% and density per capita is US$4.00[11]. European insurers operating in Cambodia include the Prevoir Group (France) and Prudential (UK).

Issue 1: Sovereign disaster risk financing support from government

It is estimated that approximately 40% of Cambodia's state budget is derived from state donors and there is a lack of funds available to subsidize sovereign disaster risk financing (DRF) schemes. The last major flood event (2011) in Cambodia amounted to an economic loss of about USD 450 million. The Cambodian government covered about 30% of the loss amount while international donors and loans from development organizations mainly covered for the rest of the losses.

Floods and droughts are common perils that affect the Kingdom of Cambodia and there is more to be done in terms of capacity building and awareness building on disaster risk financing. Swiss Re has recently met with the National Committee for Disaster Management in Cambodia (2016) to introduce DRF concepts, and how these natural catastrophe risks can be transferred to the insurance market.

We recommend that the Cambodian government enables a well-functioning insurance market, so that a major part of disaster losses suffered by individuals and businesses can be absorbed by the market. The European re-insurance industry is ready to work with the government to finance disaster risks by introducing pre-event financing solutions such as indemnity insurance and parametric insurance to alleviate the remaining financial burden on the government.

Issue 2: Expansion of local bond market

Expanding and deepening local bond markets will help pool domestic capital for investment and allow for a broader investor base.

Therefore, it is recommended to expand the local bond market to enable life insurance companies to write long term policies backed by Government Bonds.

Indonesia

Indonesia is ASEAN's largest market by population size. The insurance penetration rate is 1.7%, while insurance density per capita stands at US$61.00[12]. Distribution channel data for insurance (life and non-life, as percentage of total premiums) indicates agency has 45%, bancassurance has 37% and 18% via other channels. European insurers operating in Indonesia include Aegon, Allianz, Aviva, AXA, Generali, and Prudential.

Issue 1: Foreign Ownership Limits

Indonesia's House of Representatives passed the revised Insurance Law on 17 October 2014, replacing Law No. 2 of 1992 on Insurance Business. The new law does not make any changes with respect to foreign ownership which remains controlled under a separate government regulation, No. 39 of 2008 (Second Amendment to Government Regulation No. 73 of 1992 on Implementation of

[10] Table 1, p 26, Economic Outlook for Southeast Asia, China and India 2016, OECD
[11] 2014 data, latest available, life and non-life
[12] Ibid

Insurance Business Activity). The regulation limits foreign ownership to 80 per cent, although a foreign shareholder is able to increase its shareholding beyond 80 per cent by subscribing for new shares so long as the existing capital issued to the local shareholder is maintained. However, the new law requires the Government to issue a revised regulation on foreign ownership within two and half years, i.e. before 17 April 2017.

We support any steps the Government can take to further liberalise the ownership rules and provide confidence for investors by allowing foreign shareholdings of up to 100%.

Issue 2: Mandatory cession to local reinsurers

New regulations effective as of 1 January 2016 stipulate that insurers seeking reinsurance coverage must first approach domestic Indonesian reinsurers before ceding premiums to offshore reinsurers. For "simple risk" insurance, which includes life insurance, 100% local cession is required (except for those which are exempted by the OJK). For exempted "simple risk" and all "non-simple risk", up to 75% can be reinsured offshore.

The mandatory local cession is harmful to the Indonesian consumers, by restricting the international expertise and innovative reinsurance products foreign reinsurers can provide. Increased concentration of risks locally can lead to negative economic consequences after a catastrophic event, as the local reinsurance sector may not have the capacity to provide funds to support economic recovery. In the long term, the increased vulnerability in the insurance sector can result in financial instability and macroeconomic weakness.

It is recommended that reinsurance markets be open, with no restrictions on cross-border flow of reinsurance.

Issue 3: Talent Mobility

The ability to bring in talent to ASEAN markets allows insurers to effectively conduct business, and transfer skills to local staff, thus increasing the pool of local talent.

Currently all foreigners who wish to work in the insurance industry are subject to a fit and proper test conducted by the regulator and the employer has also given opportunities to the local experts within the Indonesian market

Therefore, it is recommended to have more flexibility for positions to be filled in by transfer of staff from abroad, a higher predictability of the process and lower stringency of criteria which companies are required to meet.

Issue 4: Sharia unit spin off

Sharia spin offs involve separating sharia and takaful units from conventional banking and insurance teams. Spun off units usually have their own capital requirements and report under different regulatory frameworks.

It is recommended that the ownership structure of the new sharia company mirror the parent company from which it came. It is further recommended that the conventional and takaful companies be permitted to draw on common functional support (e.g. back office support) where there is no issue of sharia compliance.

Issue 5: Cross-Border Data Transfers and IT Outsourcing offshore

Data transfer and data privacy are taken seriously by European insurance companies, both to protect clients and to uphold international best practices.

It seems that the Indonesian Regulator is currently not in favor of a transfer of data offshore or having data centres offshore. Further, the local laws and regulations in this respect are not clear. Given the increased need of cross-border data transfers and having (consolidated) data centres offshore (in particular for international insurance groups), ***it is recommended a global harmonised approach to cross- border data transfers be adopted, i.e. to allow a transfer of data offshore if certain conditions are met (similar to the EU's Binding Corporate Rules.***

Laos

Laos is an emerging market experiencing strong economic growth in recent years. The penetration rate stands at 0.3%. Insurance density per capita stood at US$5.00[13]. Presently, accurate statistics and data for Laos is difficult to obtain, although annual premiums are estimated to be between US$ 50 and 60 million, with a majority share of premiums going to reinsurers from mining and hydro-electric projects. Moreover, there is, as yet, no Insurance Association in Laos. European insurers operating in Laos include Allianz and Prudential (Representative Office).

Issue 1: Local partners for offshore re-insurers

Re-insurers possess both capital and expertise to manage risk from protecting insurers. Local partners may not always possess adequate levels of both capital and expertise. The Ministerial Instruction on implementing the Law on Insurance specifies that the maximum level of risk that may be retained by the primary insurer operating in Lao PDR, or which it may be liable for, shall not exceed 1.6 billion Kip (approx.200.000 USD) for each policy; the insurer shall then recourse to reinsurance for the surplus.

It is recommended that the local regulator should monitor that local insurers comply with the instruction of the Ministry of Finance to ensure that the risk retained is not beyond or exceeding their capacity as well as to secure the rating/quality of the reinsurers chosen.

Issue 2: Set up of a regulatory office for the Insurance Sector

We recommend that the Ministry of Finance should set up a regulatory office for the insurance sector with qualified insurance professionals in order to assess the requests for new licenses as well as to steer and monitor the insurance industry. Regulatory officials and commissioners from neighboring countries could give recommendations on procedures, guidelines and training of dedicated staff. The information exchange (e.g. in the form of workshops) should also cover topics such as (i) disaster risk financing, (ii) life insurance products (as currently life insurance products have to be in the local non-convertible currency), (iii) asset allocation abroad (not allowed currently) and (iv) long term government bonds (currently not available).

Malaysia

Malaysia is a developed ASEAN market, with a relatively high penetration rate of 4.7% and Insurance density per capita at US$518.00[14]. Distribution channel data for insurance (life and non-life, as percentage of total premiums) indicates agency had 80%, bancassurance had 16% and 4% via other channels. European insurers operating in Malaysia include Allianz, AXA, Hanover Re, Munich Re, and Prudential.

Issue 1: Foreign Ownership Limits

In 1997, Malaysia revised its foreign ownership limit from 30% to 49%. In 2009, this was revised to 70%, in line with WTO accession rules. While the regulator, Bank Negara Malaysia ("BNM"), said in 2009 that it would consider allowing higher limits for foreign insurers on a case by case basis if this

[13] Ibid
[14] Ibid

helped with industry consolidation, experience suggests that this discretionary power is rarely, if ever, exercised.

We support any steps the Government can take to further liberalise the ownership rules and provide confidence for investors by allowing foreign shareholdings of up to 100%.

Issue 2: Requirement to use local re-insurance before offshore market

At present all reinsurance placements relating to General insurance have to exhaust the local market before going to offshore market. However, local re- insurers may not always possess adequate levels of both capital and expertise required to manage risk from protecting insurers. ***Therefore, it is recommended that cross-border reinsurance should be unrestricted.***

Myanmar

Myanmar is another emerging market in ASEAN with strong growth potential and a penetration rate of 0.1%. Insurance density per capita stood at US$1.00[15]. No European insurers operate in Myanmar at present.

Issue 1: Foreign Ownership Limits

At present, foreign insurers are in general not allowed to trade in Myanmar with the exception of limited concessions within the Thilawa Special Economic Zone. The new NDLP Government has not yet announced its policy intentions for growth of the insurance industry, including whether or not it wishes to encourage foreign direct investment in the sector.

We support any steps the Government can take to further liberalise the ownership rules and provide confidence for investors by allowing foreign shareholdings of up to 100%.

Issue 2: Lack of disaster risk financing (DRF)

Insurance penetration is relatively low in Myanmar given that the market has just opened up in the last few years with significant reforms underway. Swiss Re's last dialogue with the Ministry of Agriculture (before the presidential election in 2016) revealed that the Ministry does not have the subsidies fund available for such a macro agriculture scheme and the government is of the view that the farmers should bear the full cost of insurance premiums.

Previously in early 2015, Swiss Re had jointly organised a capacity building workshop with UNDP and UN-Habitat as well as the various local government agencies and Myanmar Insurance on DRF topics. More efforts could also be channeled in this area.

We recommend the Myanmar government to enable a well-functioning insurance market, so that a major part of disaster losses suffered by individuals and businesses can be absorbed by the market. The European re-insurance industry is ready to work with the government to finance disaster risks by introducing pre-event financing solutions such as indemnity insurance and parametric insurance to alleviate the remaining financial burden on the government.

[15] Ibid

Philippines

The Philippines has seen strong economic growth since 2010, with youthful demographics bolstering growth in the coming decade. The penetration rate is currently 2% and insurance density per capita stands at US$58.00[16]. Distribution channel data for insurance (life and non-life, as percentage of total premiums) indicates agency had 55%, bancassurance had 45% and 0% via other channels. European insurers operating in the Philippines include Generali, AXA and Prudential.

Issue 1: Policyholders bill of rights

This instrument is designed to improve policyholders' awareness of their rights when dealing with insurance companies. Consumer protection, including selling appropriate products to clients, are taken seriously by European insurance companies, both to protect clients and to uphold international best practices[17].

It is recommended that the proposed Insurance Industry Code of Ethics, to be released in 2016, should be a sufficient consumer protection measure.

Issue 2: Cross-Border Data Transfers and IT Outsourcing offshore

Data transfer and data privacy are taken seriously by European insurance companies, both to protect clients and to uphold international best practices.

Given the increased need for globalisation, digitalisation, IT costs optimisation and efficiency, ***we recommend a global harmonized approach to cross border data transfers, i.e. to allow an international group of companies to transfer data within their group if certain conditions for the protection of personal data/privacy are met (e.g. if international groups have adopted Binding Corporate Rules for the international transfer of personal data as required under EU-Law).***

Singapore

Singapore has a well-developed economy, with insurance penetration rate at 8.8% and Insurance density per capita at US$4936.00[18]. Distribution channel data for insurance (life and non-life, as a percentage of total premiums) indicates agency had 40%, bancassurance had 37% and 23% via other channels. European insurers operating in Singapore include Aegon (Transamerica), Allianz Global, Allianz SE, Aspen Insurance UK Ltd, Aon, Assuranceforeninggen Skuld (GJENSIDIG), Aviva Ltd, AXA Corporate Solutions, AXA Insurance, AXA Life Insurance, AXA Specialty, Cigna Europe Insurance, Euler Hermes Deutschland, Euler Hermes UK, Friends Provident, Gan Eurocortage, Generali International, Generali Re, Groupama SA, Groupama Transport, HDI-GERLING INDUSTRIE VERSICHERUNG AG, HSBC Insurance PTE, JLT, Muenchener Rueckversicherungs Gesellschaft, Paris Re, Prudential Assurance Co. of Singapore, R&V Verischerung AG, Royal and Sun Alliance (Singapore), Royal and Sun Alliance plc, Royal Skandia, Scor Global Life Ruckversicherungs, Scor Global Life SE, Scor Re, Scor Switzerland, Scottish Annuity & Life, Sirius International, Standard Life International, Sun Alliance and London, Swiss Life (Liechtenstein), Swiss Life (Singapore) Swiss Re Frankona, Swiss Re, Swiss Re International, Copenhagen Re, North of England P&I Association, The Shipowners' Mutual P&I Assn. (LUXEMBOURG),UK Mutual Steamship Assurance, XL Capital Assurance, XL Insurance, XL Re, Zurich Insurance, Zurich Life, Zurich International, and Lloyd's Asia Scheme.

[16] Ibid

[17] http://www.asiainsurancereview.com/News/View-NewsLetter-Article?id=34770&Type=eDaily

[18] 2014 data, latest available, life and non-life

Thailand

Thailand has a fairly strong penetration rate of 5.4%, and insurance density per capita stands at US$316.00[19]. Distribution channel data for insurance (life and non-life, as a percentage of total premiums) indicates agency had 51%, bancassurance had 43% and 6% via other channels. European insurers operating in Thailand include Allianz, AXA, Generali, and Prudential.

Issue 1: Foreign Ownership Limits

According to Amendment no.3 of the Thai Life Insurance Act in December 2015, the minimum Thai shareholding level for life and non-life insurance companies is 75%. Foreign shareholding may be relaxed to 49% by the insurance regulator (OIC). A further relaxation to allow majority foreign shareholding may be permitted by the Minister of Finance "to promote the strength of (an insurer) or for the soundness of the [insurance business].

We support any steps the Government can take to further liberalise the ownership rules and provide confidence for investors by allowing foreign shareholdings up to 100%.

Issue 2: Limits on foreign currency investments

Currently the regulator allows 15% of assets to be invested offshore. Offshore investment should not be handicapped by asset allocation regulations that unnecessarily reduce appropriate risk-adjusted returns to clients and policyholders.

Therefore, it is recommended that Thai insurers should be enabled to invest their assets above the current limit, in foreign currency instruments, so long as they meet or exceed all national solvency requirements.

Issue 3: Limits on direct infrastructure investment

Infrastructure projects are of interest to European insurers as they can help match their long term liabilities with long term assets, while also addressing the infrastructure needs of ASEAN Member States and improving Members' economic competitiveness

It is recommended that OIC work with insurers to look at ways in which insurance companies can be allowed to invest directly in infrastructure projects without punitive capital charges.

Vietnam

Vietnam's economy has witnessed strong growth in recent years, supporting a large, young population with an emerging middle class. The government has undertaken a slow but steady movement to a market-based economy. Its penetration rate of 1.4% and Insurance density per capita of US$29.00 indicate room for future growth[20]. Distribution channel data for insurance (life and non-life, as a percentage of total premiums) indicates agency had 97%, bancassurance had 3% and 0% via other channels. European insurers operating in Vietnam include Generali, Groupama, Prudential, Prevoir, BNP Paribas and Aviva.

Issue 1: Legal framework for public-private partnerships

The development of the Vietnamese insurance market only dates back some 20 years. Insurance coverage against natural catastrophes is only available through extended classic property insurance policies for commercial risks. Insurance companies may have their capital overexposed as the international reinsurance market is capping reinsured liabilities. In addition, the Government has no solution yet for the coverage of public and home owners assets against natural disasters. Disaster

[19] Ibid
[20] Ibid

Risk Finance (DRF) solutions are vital to this issue but lack the legal and regulatory bases which come from approval and endorsement at National Assembly and at ministerial level.

Currently, Swiss Re is working on the implementation of several small pilot projects, similar to the Agriculture Insurance scheme, which was launched under the Prime Minister's decree, pending the National Assembly's approval, in order to gain experience before a nationwide rollout. Such decrees would require the submission of an application by the Insurance Supervisory Authority in coordination with several Departments of the Ministry of Finance and various other relevant ministries endorsed by their Ministers; this require lots of capacity building and knowhow transfer.

We recommend the Government to boost its capacity building efforts in disaster risk financing, supported by a robust legal and regulatory framework. The government should also support and facilitate (e.g. by promoting insurance and providing incentives to farmers to join the scheme) the extension of the Agriculture Insurance scheme nationwide, taking into account the lessons learned from the provincial pilot schemes in recent years.

Conclusions and Recommendations for meeting AEC 2025 Priorities

The ASEAN Economic Community (AEC) was formally launched at the end of 2015. One of the four pillars of AEC is to establish a single market and production base, through free flow of goods, services, investment, and skilled labour, and freer flow of capital. Measures to achieve this include the removal of all restrictions on trade in services, continued liberalisation of financial services, and strengthening investment protection via Most-Favoured Nation (MFN)/national treatment.

One of the objectives of AEC Blueprint 2025 is "to further broaden and deepen services integration within ASEAN," [21] recognising that a strong services sector facilitates industrial development, innovation, and efficiency. Through the ASEAN Framework Agreement on Services (AFAS), ASEAN has continued to broaden the coverage and reduce the limitations on market access and national treatment across services sectors. The next agenda is to facilitate implementation of the ASEAN Trade in Services Agreement (ATISA) as the legal instrument for further integration of services sectors in the region. To achieve this ambition, action in four areas is key:

Ownership restrictions

The AEC Blueprint 2025 builds on the AEC Blueprint 2015, aiming to enhance further the attractiveness of ASEAN as an investment destination through the establishment of an open, transparent and predictable investment regime in the region. To this end, ownership restrictions of insurance companies should be liberalised across ASEAN. A fully liberalized investment regime - as already exists in the Philippines, Vietnam, Brunei, Cambodia, Lao PDR and Singapore - will lead to quality, long term investments in local insurance markets, with resultant gains in employment, penetration coverage, and deepening domestic capital markets.

Full ownership ensures that the investor can bring the best talent to bear from the beginning in all parts of the local company. It drives faster and deeper investment to deploy world-class resources (e.g. senior CEO and team) who will, over time, nurture local talent. These resources benefit domestic insurers, who can absorb the know-how and talent pools built by international companies and combine them with their domestic networks and customer bases[22].

An open environment attracts foreign direct investment which is more stable than other types of capital flows such as equity and short-term debt, which can be volatile and speculative. There is a direct link between a company's economic return from a local business unit, and its ability and willingness to allocate capital to that unit; so full ownership means more investment. This combination of stable foreign investment and long-term commitment in turn develops sector stability and consumer trust. This benefits all players in the market, and is an important accelerator of wide-spread coverage.

It is no surprise that the record in Asia shows that 100% ownership leads to greater market growth for life insurance. If we compare those markets where investors have full control of their business, with those where they are required to work with a local partner, we see the clear advantages of

[21] AEC Blueprint 2025, Section A.2, Paragraph 11

[22] A December 2014 OECD study reiterated that restrictions on FDI in service sectors affect the overall competitiveness of other sectors and hence discourage investment in those sectors, including by foreign investors. An efficient and competitive services sector should raise the performance of firms throughout the economy, including in the manufacturing sector. Manufacturing industries relying on these services as inputs would thereby benefit from the improved quality and lower cost of service inputs which would increase the marginal productivity of other inputs. Services sector FDI liberalisation, notably related to equity limits and screening and prior approval requirements, accounted for 8% of the observed increase in Indonesian manufacturers' total factor productivity over the period, Retrieved from: http://www.oecd.org/daf/inv/investment-policy/Southeast-Asia-Investment-Policy-Perspectives- 2014.pdf pp.23-24, 30

the former model. Data shows that more open markets tend to grow more quickly, both as regards premium growth and penetration rates. For example, table 3 below shows premium growth (CAGR) in 2014 aligned with ownership liberalisation:

Table 3: Premium growth and ownership limits - selected countries

Country	Ownership Cap (%)	2014 CAGR (life and non-life)
India	26*	4.45
China	50	8.55
Indonesia	80	17
Philippines	No restriction	27.82

*amended to 49% in late 2015

Data Privacy and data transfer overseas

Currently, data privacy laws and regulations in ASEAN are extremely diverse. Therefore, it is very difficult for an international group of companies to harmonise their internal requirements and policies. We would like to recommend moving towards a global harmonised approach to cross-border data transfers, including the right for international group companies to transfer data overseas within the same corporate group providing they put in place proper customer protection e.g. if they have adopted internal rules/a global policy regarding international transfers of personal data similar to Binding Corporate Rules/Code of Conduct as per the conditions provided under EU-Law.

Disaster Risk Finance and Public Private Partnership

The ASEAN region is prone to natural catastrophes, with almost all types of hazards present, including earthquakes, typhoons, flooding and volcanic eruptions. Decades of rapid economic development and population growth have led to increased economic and human losses from natural catastrophes. At the same time, as insurance penetration remains low, the burden on ASEAN governments to provide funds to support economic recovery after catastrophes has also grown. One way for governments to bridge this "protection gap" is to use insurance solutions to reduce the contingent liability from natural catastrophes and thereby protect their budgets.

As a first priority, we recommend ASEAN governments to establish a well-functioning insurance market, so that a major part of disaster losses suffered by individuals and businesses can be absorbed by the re-insurance market. Pre-event financing solutions, such as indemnity insurance and parametric insurance, can alleviate the remaining financial burden on governments. Post-disaster financing (such as debt financing or donor aid) should only come into play to cover residual losses once all other risk transfer solutions have been exhausted.

Re-insurers and the public sector can cooperate to finance disaster risks. Such partnerships do not just exist in theory. Real, innovative solutions have been developed and tested over the past few years which can be replicated and adapted to the ASEAN region.

Barriers to Long Term Investment

Insurance, by the very nature of its liabilities, is a long-term business. It requires matching long-term liabilities of policyholders and retirement savers to long-term assets, particularly long-duration bonds, real estate, and infrastructure finance.

Local currency bonds and equities form an important and substantial core asset class for insurers. The size and liquidity of those traditional asset classes in ASEAN have increased significantly over the last few years, but it is important to continue efforts to provide low-cost and efficient market access vehicles for domestic bond and equity markets. Governments should continue to develop deeper and more liquid capital markets through i) improvements in transparency of issuers; ii) more long-term government bonds to create a benchmark; and iii) a clear legal regime for handling defaults to demonstrate that secured lenders are protected.

The ability of insurance companies to invest in infrastructure projects is hampered by underdeveloped capital markets, the scarcity of bankable projects, a lack of appropriate financing vehicles, and restrictions on the use of derivatives needed to hedge investments. Use of non-traditional financing vehicles – infrastructure funds; business trusts; guarantees; build, operate and transfer agreements; securitisation - could jump-start insurance and pension fund investment into infrastructure. Such vehicles needed to address some of the impediments to institutional investor financing, including regulatory, political and construction risk, poor or no credit rating, and lack of scale.

The impact of regulatory and accounting issues on institutions' ability to invest in these assets also needs to be considered. Key issues include: bank-centric regulations; short-term oriented rules on capital; treatment of volatility in the income statement and balance sheet; and unnecessary complexity in rules relating to long-term products.

Looking further into the AEC 2025 Blueprint: [23]

AEC Blueprint 2025 Key Measures

1) Promote Deeper Insurance Penetration
2) Interlink Capital Markets
3) Promote sovereign bond and corporate bond markets development
4) Establish common ASEAN consumer protection framework
5) Enhance financial inclusion and financial education
6) Movement of skilled labour and business visitors
7) Investor Protection Mechanism

Next Steps

1) Implement ASEAN Insurance Integration Framework (AIIF)
2) Implement ASEAN Capital Market Infrastructure Blueprint (ACMI)
3) Improve withholding tax structure to broaden investor base; develop bond issuance with governments and regulators
4) Develop improved legislation, monitor enforcement, make available redress mechanisms
5) Remove or relax restrictions on the hiring of skill and experience based key positions, including issuance of work permits; for example, actuaries.

[23] ASEAN Member States should jointly affirm that domestic regulators and legislators have duties of accountability to foreign and domestic firms. The interests and views of foreign companies should be integral to the regulatory and legislative process, and foreign invested companies treated transparently and consulted on changes to regulation or regulatory practice that affect their interests. Global Counsel presentation, Challenges and opportunities in South East Asian insurance markets, 2014

Selected Actions to Date

1) Greater risk diversification, underwriting capacity, and improved supervision and regulatory frameworks
2) More connected clearing settlement and custody linkages
3) Vietnam Government bond issues in 2015, of 20 and 30 year tenors.
4) Cha-Ching Money Smart Kids, launched in 2011, is Asia's first multi-platform financial literacy program helping parents, NGOs, schools, and governments. Airing on Cartoon Network in Asia, it reaches 41.3 million households daily[24].

Under the AEC framework, only 'ASEAN insurers' will be permitted to take advantage of enhanced market access resulting from the regional liberalisation process. Although ASEAN countries have not yet agreed on a definition of an 'ASEAN insurer, **we recommend adoption of the domicile rule, which is applied in the EU, where ASEAN-domiciled subsidiaries of non-ASEAN insurers would be regarded as domestic companies. This would allow European insurers to play a full role in any new market access and national treatment provisions resulting from the AEC integration process, and so would ensure that European insurers are able fully to contribute to economic development and social protection across ASEAN.**

[24] http://www.uncdf.org/en/content/financial-education-cha-ching-coming-screens-png-homes

Private Sector Consultation

"THE ROLE OF THE PRIVATE SECTOR IN ASEAN INTEGRATION IS IMPORTANT AS A KEY STAKEHOLDER IN THE PROCESS. IN THE AEC 2025 ENVIRONMENT, IT IS RECOGNISED THAT GREATER INVOLVEMENT OF THE PRIVATE SECTOR AND MORE STRUCTURED PARTICIPATION WILL BE BENEFICIAL TO THE ACHIEVEMENT OF ASEAN GOALS"

AEC Blueprint 2025, paragraph 70, Section II.D.2

Section II.D.2 of the AEC Blueprint 2025 deals with role of the private sector in helping to build the ASEAN Economic Community. **The EU-ABC is very pleased to see such a strong emphasis being placed on ensuring greater private sector involvement in the development of the AEC, and the various changes to rules, policies, regulations and standards that will be required across the region if ASEAN is to achieve its stated aims.**

It is our view that **increased private sector dialogue and consultation is essential to instill in the broader business community a greater sense of confidence in the AEC and its development**. Involving Business Councils, such as the EU-ABC, will have the twin effect of both allowing international business and industry better to understand and see the progress that ASEAN is making on the integration agenda, and to give ASEAN and its Member States increased access to sector expertise and experience from across a broad range of industries.

To some extent, elements of the dialogue and consultation that the AEC Blueprint 2025 depicts already exist. The EU-ABC, for instance, has a regular dialogue with the ASEAN Business Advisory Council, the ASEAN Economic Ministers and the ASEAN Finance Ministers and Central Bank Governors. We also run the ASEAN-EU Business Summit and, in association with the European Chambers of Commerce in South East Asia, regular seminars and events focused on issues connected with the AEC.

However, in addition to these high-level meetings and events, we feel that **more focused working level engagement, either directly with ASEAN Member States at official level, or through the various ASEAN Working Groups, would be bring greater benefit to both parties.** We therefore welcome the commitment in the AEC Blueprint 2025 to "implement a more inclusive and consultative process involving the private sector"[25] and for "relevant ASEAN bodies to institutionalise within each body a consultative process with lead private sector entities (business associations and business councils) … to support the implementation under the sectoral work plans".[26] Such engagements would lead to greater focus on key issues, clear targets, and ensure monitoring of milestones. ASEAN could then showcase concrete successes on the path toward integration.

In the context of the insurance industry, this promise can be fulfilled through deeper engagement and dialogue between business and ASEAN policy makers, for example:

- by establishing a vehicle for collaboration between the EUABC Insurance Working Group and the ASEAN Insurance Regulators Meeting (AIRM);
- EU-ABC support for the commitment to liberalise the financial services sector through the ASEAN Trade in Services Agreement (ATISA);
- EU-ABC engagement in establishment of the ASEAN Insurance Integration Framework, which seeks to promote deeper penetration in insurance markets.

[25] ASEAN 2025: Forging Ahead Together, p.90, paragraph 71(i)
[26] ASEAN 2025: Forging Ahead Together, p.90, paragraph 71(i)(b)

About the EU-ASEAN Business Council

The EU-ASEAN Business Council (EU-ABC) is the primary voice for European business within the ASEAN region.

It is endorsed by the European Commission and recognised by the ASEAN Secretariat. Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region. As such, the Council works on a sectorial and cross-industry basis to help improve the investment and trading conditions for European businesses in the ASEAN region through influencing policy and decision makers throughout the region and in the EU, as well as acting as a platform for the exchange of information and ideas amongst its members and regional players within the ASEAN region.

The EU-ABC conducts its activities through a series of advocacy groups focused on particular industry sectors and cross-industry issues. These groups, usually chaired by a multi-national corporation, draw on the views of the entire membership of the EU-ABC as well as the relevant committees from our European Chamber of Commerce membership, allowing the EU-ABC to reflect the views and concerns of European business in general. Groups cover, amongst other areas, Insurance, Automotive, Agri-Food & FMCG, IPR & Illicit Trade, Market Access & Non-Tariff Barriers to Trade, and Financial Integration.

Executive Board

The EU-ABC is overseen by an elected Executive Board consisting of corporate leaders representing a range of important industry sectors and representatives of the European Chambers of Commerce in South East Asia.

Membership

The EU-ABC's membership consists of large European Multi-national Corporations and the eight European Chambers of Commerce from around South East Asia. As such, the EU-ABC represents a diverse range of European industries cutting across almost every commercial sphere from car manufacturing through to financial services and including Fast Moving Consumer Goods and high-end electronics and communications. Our members all have a vested interest in enhancing trade, commerce and investment between Europe and ASEAN.

To find out more about the benefits of Membership and how to join the EU-ASEAN Business Council please either visit www.eu-asean.eu or write to info@eu-asean.eu .

Appendix 1: Benefits of a Fully Involved Insurance Industry

The insurance industry (including reinsurance) plays a key role in supporting long-term economic growth. Through risk mitigation and long-term investment, the re/insurance industry contributes to steady economic and social development. Its functions are essential for individuals and corporations, but also support the macroeconomic goals of governments. An open and inclusive investment environment will best stimulate an innovative and competitive market that brings better protection for consumers.

The insurance sector supports a country's social and economic growth in the following ways:

- **Insurance promotes economic development & business growth**

Insurance makes the business environment more predictable, directly facilitating corporate planning and long-term decision making. It supports citizens, alleviating their fear of sudden misfortune by enhancing their financial security and peace of mind. It enhances social protection systems, by relieving the burden on governments for providing all services of social protection. In addition, insurance creates incentives for innovations reducing the frequency of adverse events through the discounts offered to the policyholders that adopt them.

DEEPENING LOCAL CAPITAL MARKETS - A recent study of the life insurance sector's rapid growth in Malaysia highlighted how pooled funds allowed the sector to participate actively in portfolio investments. The results indicate a relationship between the total assets of Malaysian life insurance sector and real GDP. The findings suggest that the life insurance sector could be an effective financial intermediary to generate long-term savings, to finance capital investments, and eventually strengthen a country's economic growth.

Particularly in emerging and developing markets, the shift from agriculture to manufacturing to high value-added service industries, such as re/insurance, is essential to sustainable economic growth.

Re/insurers must preserve their economic relevance and social legitimacy by offering solutions which reflect the rapid evolvement of the global risk landscape. The successful pursuit of this goal not only matters to re/insurers and their commercial viability; it matters to society, as insurance-based risk transfer has always been and will always be a key ingredient to economic growth and social stability and resilience.

- **Insurance brings protection, financial security and proper pensions to the people;**

By pooling individual risks, insurance mitigates the effects of events over which individuals and companies have no control, allowing them to recover from sudden misfortune by relieving the financial burden. This risk coverage enables them to undertake activities that would not have been engaged in otherwise, such as buying a home or starting a business, thereby broadening the scope of economic activity. It also encourages private saving for healthcare and ageing needs, thus reducing the burden on the state budget.

Life insurance provides strong social security, enabling families to provide for their needs in terms of healthcare, education, retirement income, and housing. This stronger sense of security will result in better quality of living. At the same time, individuals can also develop saving habits because of the contractual nature of life insurance policies.

Increased protection will be especially important as the region's working-age population — the main cohort that buys wealth and insurance products — is expected to grow and account for 68% of the total Southeast Asian population by 2025.[27]

SOUTHEAST ASIA PROTECTION GAP - Swiss Re's Mortality Protection Gap, Asia Pacific 2015 highlighted a growing insurance protection gap across a number of countries, including Vietnam, Indonesia, and the Philippines. In terms of life protection gap, there was an estimated shortfall of USD58 trillion for emerging Asian countries (which include ASEAN Member States) in 2014.

There is also considerable variation in the coverage of the ASEAN labour force by formal pension systems, with ranges from 20.7 per cent in Vietnam in 2010 to 84.0 per cent in Singapore in 2012.[28] Insurance companies can help address these gaps by offering protection policies/products and raising awareness of how insurance products can mitigate risks.[29]

➢ **Insurance establishes long-term domestic capital markets, mobilises domestic savings, and creates market liquidity**

Unlike commercial banks that specialise in deposit-taking and relatively short-term lending, life insurance companies adopt a longer term perspective. Their long-term commitments to policyholders and the stability of their cash flows provide ideal sources of financing for governments and businesses, typically into government and corporate bonds, but also potentially into other asset classes such as real estate, equities, and various kind of alternative investments incl. infrastructure projects. This accumulation and deployment of premiums transforms dormant capital from vast numbers of policyholders into productive long-term capital to support economic growth.

As insurance companies are not prone to liquidity shortages, they are more resilient to short-term market stress, which allows them to play their counter-cyclical role when it is most needed. Therefore, the combination of inherently long-term investments and resilience enables re/insurance companies to contribute to financial stability.

Recent academic analyses also suggest FDI's positive impact on a host country's economic growth performance, as well as the life insurance sector's contribution to GDP via the intermediation of long term savings towards capital investments. Empirical analyses by scholars indicate FDI can complement domestic savings in forming a deeper pool of investment capital, particularly in Hong Kong, Singapore, South Korea, China and India. For example, insurance companies hold significant shares of institutional assets in Singapore, Thailand, Philippines, and Indonesia[30]. It is worth noting that the European Union is the largest provider of FDI to ASEAN countries.

[27] Swiss Re (2013). Asia Pacific Demographic Challenge, September 2013. Retrieved from: http://media.swissre.com/documents/Asia_Pacific_Demographic_Trends_ExpPub.pdf

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- **Insurance encourages investment in the wider economic development of the country, such as infrastructure projects**

The long-term nature of the insurance sector's liabilities, the predictability of its receipts and its sizeable reserves allow it to have a long term vision in guarantee provision and investment. These characteristics encourage insurers to channel savings into long-term investments, complementing with the banking sector's allocation of resources. Since they continuously invest the money collected from their clients, insurance companies are capital providers to the economy.

The insurance industry's unique position as a provider of risk capital with a long-term investment horizon creates opportunities for productive collaboration with governments and other public sector institutions on long-term capital projects. Governments across ASEAN recognise the need for properly designed infrastructure projects as essential for sustaining economic growth.

Clear rules for public/private collaboration and innovative financial instruments (such as fixed-rate investment products and investable indices) can open the way for private institutional investment in these areas. This could be particularly fruitful in the energy sector, including renewable energy. The social and environmental benefits of transition to a low-carbon economy are clear, but the extended time-frame for economic return discourages short-term investors. As active investors with a long-term view, insurance companies are capable of playing a pivotal role in bringing about this transition.

- **Insurance strengthens resilience in the face of disasters**

Using its knowledge and expertise built up over many years, the European insurance industry is able to cover major threats characterised by a very high cost and a very low probability of occurrence, such as natural disasters. The size and high degree of diversification of the main actors allow them to provide protection to the most vulnerable countries, due to a high risk-bearing capacity.

According to the Global Reinsurance Forum's September 2014 report, *Global Reinsurance: strengthening disaster risk resilience*,[31] large, unpredictable, and costly disasters are inevitable – but global reinsurance provides a mechanism to compensate insured parties for their losses, using the premiums they and others have paid beforehand under an agreed contract. Global reinsurers are able to offer this service to insurers because they pool their risks and capital globally and thus gain the benefits of diversification. Insurance and other pre-paid risk-financing mechanisms are widely recognised as a critical part of any comprehensive disaster risk management strategy. Timely payouts enable rebuilding and recovery, which helps to reduce indirect losses.[32]

DISASTER MICRO-INSURANCE: A good example of such disaster risk product is the weather index based micro-insurance product, a first in South-East Asia, which Swiss Re developed for the Vietnam Agribank Insurance Joint Stock Company (ABIC) in 2010. Under the arrangement, ABIC – the insurance arm of Agribank, Vietnam's agriculture bank and key provider of agriculture loans – insured Agribank's rice farming clients against the inability to make loan repayments due to low yields caused by natural catastrophes such as droughts, floods and typhoons as well as pests and disease.

[31] Global Reinsurance Forum (2014). Global reinsurance: strengthening disaster risk resilience. Basel: Global Reinsurance Forum. Retrieved from: https://www.hannover-re.com/306809/global-reinsurance-forum-grf-report-2014.pdf

[32] ABIC in turn transferred the risk via reinsurance to Swiss Re and the Vietnam National Reinsurance Corporation (Vina Re). Payouts are defined by an independent "area-yield index"that is based on data from the Vietnam's Bureau of Statistics. Aside from offering capacity for at least five years, Swiss Re also provided the knowledge in structuring and implementing the programme. Retrieved from: http://media.swissre.com/documents/pub_closing_the_financial_gap_W1.pdf

EU-ASEAN BUSINESS COUNCIL

Appendix 2: Data Appendix

Table A. Total Assets and Total Premium of Insurance Industry in ASEAN, 2014-2015

Country	EU Premiums (mil LCU)	Total Premiums (mil LCU)	EU Assets (mil LCU)	Total Assets (mil LCU)	EU Equity (mil LCU)	Total Equity (mil LCU)
Brunei	26	318	43	1,338	14	
Cambodia	-		-		-	
Indonesia	50,719,698	181,391,800	126,946,626	494,810,000	16,388,320	41,624,214
Laos	-		-		-	
Malaysia	13,973	53,035	58,232	223,283	7,567	22,634
Myanmar	-		-		-	
Philippines	39,920	256,985	158,774	847,417	10,798	118,465
Singapore	12,181	19,694	45,320	123,320	2,800	6,295
Thailand	111,949	704,686	392,963	2,276,801	92,819	2,276,801
Vietnam	-		-		-	

Source: Swiss Re, Insurance Regulators, Oxford Business Group

Table B: Selected Data for European Insurance Companies in ASEAN countries

Country	Companies	Total Premium Revenue (LCU & USD)
Brunei	Allianz	BND309 MN (USD 217.15 MN) as of 2014[33]
Cambodia	Milvik (Cambodia) Micro Insurance Cambodia (Sweden), Prudential Cambodia	USD 53 MN as of 2014
Indonesia	Allianz, ACE Insurance, AVIVA, AXA Mandiri, AXA Financial, AXA Life, Milvik (Indonesia) Microinsurance Indonesia (Sweden), Generali, Prudential, Zurich Topas	IDR 181.39 TRN (USD 15.31 BN) as of 2014;[34]
Lao PDR	Allianz General Laos, Prudential (Representative Office)	USD 35 MN as of 2013[35]
Malaysia	AXA ALIB, AXA AFIN, ACE Insurance, Allianz LIMB, Ageas (31 percent ownership in Etiqa) Hannover Re, HSBC Amanah Takaful, MPI Generali, Munich Re, Prudential AMB, Prudential BSN Takaful, Swiss Re, Zurich IMB	MYR 53.04 BN (USD15.86BN) in 2014 [36]

[33] Data from Monetary Authority of Brunei Darussalam. Takaful sector play a significant part of the insurance industry in 2014. The insurance industry's gross premium for 2014 is at BND 309 million, up 0.65 per cent from 307 million of the previous year. The takaful industry accounts for BND 161 million (52.1 per cent of total) and conventional insurance

[34] Indonesia has a vast untapped takaful or sharia market. In 2014, gross premiums of total sharia insurance were reported to be around 7 per cent of total insurance market premiums. Despite the low market share, Indonesia is one of the world's fastest-growing sharia markets. Based on preliminary industry estimates, gross premiums in the sharia insurance industry were reported to have grown more than 25 times from IDR498.9bn in 2006 to IDR13.1tn in 2014. Fitch believes the national takaful sector will benefit from further growth due to the vast untapped market. In addition, the increase in minimum down-payments in conventional credit financing businesses to 30% for both new and used cars may spur growth in sharia-based general insurance companies as consumers shift to sharia-based credit financing options

[35] Data from Ministry of Finance, Lao People's Democratic Republic

[36] The Malaysian insurance industry grew at a steady rate with GWP increasing by 7.83 per cent to MYR53.04billion (USD15.86 billion) compared with MYR49.19billion (USD15.35 billion) in 2013. In terms of life new business premiums, the industry grew by 9.58% in 2014, with total premium volume of MYR8.95 billion. The total life premium for in-force grew at 7.05% to MYR 26.57 billion in 2014 for individual and group policies combined.

Country	Companies	Total Premium Revenue (LCU & USD)
Myanmar	Representative Offices: Allianz, Prudential, ACE; Brokers: JLT, Willis, Poe-ma	USD 37.54 MN as of 2013[37]
Philippines	ACE Insurance, AXA, Generali, Milvik (Philippines) Microinsurance Philippines (Sweden), Prudential	PHP 256.99 BN (USD5.79 BN), as of 2014[38]
Singapore	ACE Insurance, Aegon (Transamerica), Allianz Global, Allianz SE, Aspen Insurance UK Ltd, Aon, Assuranceforeninggen Skuld (GJENSIDIG), Aviva Ltd (x3), AXA Corporate Solutions, AXA Insurance, AXA Life Insurance, AXA Specialty, Cigna Europe Insurance, Euler Hermes Deutschland, Euler Hermes UK, Friends Provident, Gan Eurocortage, Generali International, Generali Re, Groupama SA, Groupama Transport, HDI-GERLING INDUSTRIE VERSICHERUNG AG, HSBC Insurance PTE (x2), JLT, Muenchener Rueckversicherungs Gesellschaft, Paris Re, Prudential Assurance Co. of Singapore (x2), R&V Verischerung AG, Royal and Sun Alliance (Singapore), Royal and Sun Alliance plc, Royal Skandia, Scor Global Life Ruckversicherungs, Scor Global Life SE, Scor Re, Scor Switzerland, Scottish Annuity & Life, Sirius International, Standard Life International, Sun Alliance and London, Swiss Life (Liechtenstein), Swiss Life (Singapore) Swiss Re Frankona, Swiss Re, Swiss Re International, Copenhagen Re, North of England P&I Association, The Shipowners' Mutual P&I Assn. (LUXEMBOURG),UK Mutual Steamship Assurance, XL Capital Assurance, XL Insurance, XL Re (x2), Zurich Insurance, Zurich Life, Zurich International, Lloyd's Asia Scheme	SGD 34.21 BN (USD27.00 BN) as of 2014
Thailand	ACE Insurance, AXA, Allianz Ayudhya, Allianz CP, Bupa Health Insurance, Generali, Krungthai-AXA, Ageas (31 percent ownership in Muang Thai), Prudential	THB 704.69 BN (USD 21.70 BN) as of 2014
Vietnam	Prudential, AXA (17% stake in Bao Minh Insurance), HDI-Gerling Versicherungs AG (part of the Talanx Group has 25% stake in PVI Holdings), SwissRe (25% of the Vietnam National Reinsurance Corporation (Vinare)), Prevoir, Generali, BNP Paribas (partner of VCLI), Aviva (partner of VietinAviva), ACE Insurance, Groupama	VND 54.72 TRN (USD 2.58 BN) as of 2014

[37] Data from Oxford Business Group Report: Myanmar 2014. Insurance penetration rate is multiplied with current nominal GDP figure from World Bank. In May 2013, 12 local firms approved to provide insurance services. Four are general insurance firms and eight are life insurance firms. Of these 12, nine firms have been granted licenses. So far, 18 foreign insurers have set up representative offices in Myanmar. Including AIA, ACE, MetLife, Mitsui Sumitomo, Muang Thai Life Assurance Prudential plc, Sompo Japan, Tokio Marine & Nichido Fire and United Overseas Insurance. In January 2015, foreign and local insurers were invited to open insurance businesses in special economic zones. So far, three were given one-year temporary licenses: Mitsui Sumitomo, Sompo Japan, and Tokio Marine & Nichido Fire.

[38] The Philippines' life insurance industry reported PHP157.8 billion (USD3.57 billion) in total premium income for 2014, 7.81% lower than the PHP171 billion recorded in 2013. Net income, however, improved by a little over 8% to PHP14.01 billion in 2014 from PHP13.76 billion in 2013. The total number of insured at the end of 2014 stood at 19.1 million from 14.6 million in 2013. Industry net worth grew 7.53% to PHP122 billion in 2014 from PHP113 billion in 2013. Total insurance industry assets reached a record PHP1.015 trillion in 2014, or 13.84% higher than the PHP891 billion at the end of 2013.

Appendix 3: Implied Exchange Rates

1 USD	=	1.42	BND
1 USD	=	4037.49	KHR
1 USD	=	11850.19	IDR
1 USD	=	8048.94	LAK
1 USD	=	3.34	MYR
1 USD	=	933.48	MMK
1 USD	=	44.39	PHP
1 USD	=	1.26	SGD
1 USD	=	32.47	THB
1 USD	=	21192.09	VND

Appendix 4: Related Links

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Appendix 5: Cross-Regional Issues Grid

ASEAN 2025 Priorities	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Taxation							Taxes high on invested assets, including withholding taxes (on bonds), corporate loans, at 20%. Life insurance premium tax at 2% but non life premium tax at 26.7%.			
Consumer Protection Rules, including Policyholder Protection				We recommend that the Ministry of Finance should set up a Regulatory body for the insurance sector with professionals experienced in the insurance sector to control the insurance sector and to protect policyholders in case of a default of a company.			Each insurer contributes to a Security Fund, depending on whether it is engaged in life or non-life insurance business. The Security Fund has a Life Account and Non-Life Account. The contribution of each insurer to the Security Fund is in direct proportion to the ratio that that insurer's net worth bears to the total net worth of the life/non-life industry. The aggregate contribution of all relevant insurers to each account is PHP5,000,000.	Eurocham Singapore sees privacy and data transfer as key issue. Common ASEAN approach would be best way forward. Need to raise at ministerial level.		

ASEAN 2025 Priorities	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Good Regulatory Practice			Temporary relaxation of capital requirement to 50% of mandatory level in 2015 could create risks for insurers and policyholders.	We recommend that the Ministry of Finance should set up a Regulatory body for the insurance sector with professionals experienced in the insurance sector to control the (i) issuance of licenses and (ii) to monitor and steer the insurance market. Workshops with officials from neighboring countries could help strengthening insurance expertise and know how. This applies also to the respective court authorities dealing with insurance related matters.						
Public Private Partnerships (general recommendation: conduct more workshops to raise awareness and understanding of PPP/DRFs to officials)		Government unwilling to provide subsidies for sovereign disaster risk financing (DRF) schemes	DRF is of low political priority	We recommend to create more awareness (e.g. via workshops) of DRF and Life Insurance as products have to be in Kips (which is not convertible currency), no asset allocation allowed abroad and no long terms gvt bonds available.		Lack of understanding towards DRF and insurance in general		Eurocham Singapore advocates stronger advisory role for infrastructure projects		Underdeveloped legal and regulatory framework

ASEAN 2025 Priorities	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Product Development										
Distribution			OJK regulation prohibits an insurance company to engage agents 6 months from the date the agents resign or terminate the agency relationship with the previous insurance company (unusual restriction which creates problems for agents and for insurance companies)		A. Direct channel without intermediary compensation is encouraged and is expected to increase insurance penetration in a longer term provided that an appropriate guideline for the direct channel is put in place to ease the implementation of this channel. B. Permitting insurers to invest into more assets would give more room for insurers to diversify investment which may yield better returns.					
Permitted investment strategies, including investment in infrastructure			Soon to be issued regulation could mandate insurers to hold at least 30% of portfolio in government bonds							
Capital regime sophistication				Registered capital for insurance license is only 2 million USD which is quite low and attracts non professional companies						

ASEAN 2025 Priorities	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Foreign Ownership			Currently at 80 % but higher shareholding via dilution (of domestic shareholder) currently explicitly allowed. New regulation expected to be issued which could bring foreign ownership down. Grandfathering for existing foreign ownership necessary and up to 100 % foreign ownership recommended.		Foreign cap - 70%	Foreign cap likely to be an issue	There is no limit on foreign equity ownership in a domestic insurer. Foreign equity ownership in a domestic loss adjuster company cannot exceed 40 per cent		Foreign cap - 25%/ 49%; 'Foreign cap up to 25 % permitted; up to 49 % with approval of the OIC; 100 % ownership by a foreign company would be critical for foreign competitiveness with the upcoming AEC	
New licenses		More flexibility needed in securing licenses for (foreign) life insurers (including branch of foreign life insurer)			No new licenses are expected to be issued.	More flexibility needed in securing licenses for (foreign) life insurers (including branch of foreign life insurer)			No new licenses are expected to be issued.	
Talent Mobility			All expatriates are required to do a Fit and Proper Test. We recommend more flexibility, higher predictability and lower stringency of criteria of the conditions to be met.		Appointments of non-Malaysians are subject to approval of Central Bank; we would recommend clearer criteria for assessment of staff transfer from abroad (currently no need to justify a denial)					

ASEAN 2025 Priorities	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Re-insurance				Limited retention and liability at 200.000 USD						
Market access for offshore reinsurers (general recommendation: cross-border reinsurance should be unrestricted)			Mandatory requirement to increase cession locally. We recommend an open reinsurance market with no restrictions on cross boarder flow of reinsurance	Offshore reinsurers have to be fronted by a local company registered in Laos. We recommend that the local regulator should secure the quality/rating of the local	General insurance: At represent all reinsurance placement will have to exhaust the local market before going to offshore market. We support for cross border in future.					There is market rumour that a minimum cession of 10% to local reinsurers may be introduced.
Digital									Increased flexibility required to support use of digital tools- e.g. elimination of the need for a hard copy wet signature for each policy	
Foreign Currency Capital Investments									Thai insurers should be enabled to invest significant amounts of their assets in foreign currency instruments (currently this is limited and strictly regulated).	
Capital Market		Need to expand Bond market to enable Life insurance companies to write long term policies backed by Govt Bonds		Need to expand Bond market to enable Life insurance companies to write long term policies backed by Govt Bonds		Need to expand Bond market to enable Life insurance companies to write long term policies backed by Govt Bonds				

ASEAN 2025 Priorities	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Transfer of Data abroad			Indonesian Regulator during the last years expressed the view that data center should be inside Indonesia and does not allow transfer of data outside of the country. We would recommend a cross border transfer if certain conditions are met (e.g. binding corporate rules))						Data Protection Bill draft which may come into force this year requires the express consent from the data subject in the event of discosure to third parties. We recommend to consider categorizing the different purposes of disclosre and to allow deemed consent and/or notification in certain circumstances to avoid too much operational issues (e.g. processing of data).	

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