

Inia Naiyaga: Fiji's economy, outlook and performance of its insurance industry

Keynote address by Mr Inia Naiyaga, Acting Deputy Governor of the Reserve Bank of Fiji, at the launch of LICl's new "Double Bula Life Plan", Suva, 4 October 2012.

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His Excellency, the High Commissioner of India – Mr Vinod Kumar

Mr Sanjeev Kumar Jain, Acting General Manager (LICl Fiji)

Management and Staff of LICl

Distinguished Guests

Ladies and Gentlemen

Introductory Comments

Bula vinaka, Namaste, and a very good evening to you all

Your Excellency, thank you for gracing us this evening with your presence.

I wish to thank Mr Jain for the invitation to be here this evening, and may I at the outset congratulate LICl for reaching its 56th year of operations in Fiji tomorrow, 5 October 2012.

October is always a month of reflection for us here in Fiji, as the celebration of our independence falls on this month, and together with it comes a sense of pride for what we have achieved as a nation, the resilience we show as a people when faced with challenging circumstances, and the renewed spirit of working together for the betterment of our future.

I believe these are the same things we are celebrating for LICl Fiji today, in this month of October. A sense of pride to have been involved with Fiji for 56 years, the resilience to remain an improved market player over the years of which some were very challenging, and the renewed spirit to serve the people of Fiji with products and services that give us options, and suit our requirements.

You are launching your new plan at a crucial phase of our economy's business cycle.

Let me therefore make some comments on our economy:

Fiji economy & outlook

Our latest growth forecast of 2.7 percent for 2012 is currently being reviewed as we finalise preparations for the 2013 National Budget announcement. However, we at the Reserve Bank are assured that all indicators are generally moving in line with expectations. Real sector growth has been broad based with some sectors exhibiting lower growth than forecasted and some others exceeding forecasts. Investment is picking up and consumption is strong.

In terms of the Reserve Bank's twin statutory objectives, inflation is trending downwards; the year-end inflation forecast remains unchanged at 3.5 percent, and foreign reserves are comfortable at just under \$1.6 billion or the equivalent of 5 months of retained imports. Given this scenario, our monetary policy stance remains accommodative.

I am glad to say that the financial system continues to be sound. Developments in this all important sector have been clearly evident in the growth in total assets of our financial institutions.

The key prudential indicators of our banking system remain favorable. The satisfactory performance of the banking system has been characterised by:

- Strong levels of capital;

- Adequate liquidity; indeed liquidity levels have been at all time highs in recent years;
- Higher profitability; and
- Revived lending trends which in the recent past were assessed to be on slow growth.

There is also in my view a rapid development of innovation in the domestic financial sector. We are seeing a faster transfer of technology from abroad to Fiji in the areas of microfinance, mobile banking, microinsurance, and bancassurance. LICl Fiji provides a classic example on bancassurance through its joint initiative taken with ANZ to roll out its insurance services using the bank's network.

Performance of the insurance industry

We all understand the critical role played by the insurance sector in ensuring our risks are covered. To any economy, insurance provides the safety net against possible risks that could cost the country millions of dollars. Insurance, therefore, assists in the building block of a country by providing financial security in the event of a financial loss. On a more personal basis, it provides comfort and relief to businesses, individuals and families from hardship.

Our local insurance companies have generally performed well in terms of asset growth, profitability, adequacy of capital and solvency. Let me mention a few statistics from our latest quarterly assessment:

- Total assets of the life insurance industry recorded a growth of around 8 percent over the year, to reach \$780 million;
- Net profit grew over the second quarter of this year to reach \$25 million;
- Net premium income grew by 25 percent over the year to June 2012; and
- There has been a remarkable increase in the aggregate solvency surplus of assets over the required solvency margin for the insurance industry with the two life companies making up 50 percent of the overall solvency surplus.

LICl Fiji

LICl Fiji is one of the two companies licensed to conduct life insurance business in Fiji. We have witnessed the continued expansion of LICl's operations in Fiji, over the years, especially in the last five years with increased capital and solvency surplus, expanded market share in terms of premiums and improved products and levels of customer service.

Life insurance is competitive and demands innovation. Quality service and products are very important in meeting the needs and varied choices of people and to help enhance their quality of life. Product design becomes very specialized and requires a lot of innovation.

Indeed, the launch of this new "Double Bula Life" plan is a testimony of the company's continued effort to research and develop insurance plans that meet the needs of our local population.

The new "Double Bula Life" plan

The Reserve Bank of Fiji had formally endorsed the offering of this plan by LICl back in May of this year, after a detailed submission by the company. Our assessment considered the plan to be an investment alternative that our people, from those who have just started work, to those who have just received lump sum pension payments, can take up and reap the benefits of an assured return in the future.

I will not mention again the features nor the benefits of this new plan, as we have all been provided with details of these during the Feature Presentation earlier this evening. I can only

congratulate LICl on yet another excellent product development initiative and thank the company for its continued commitment to our country through exceptional service and innovation.

Concluding remarks

In closing, I would like to commend the management of LICl for your innovation and foresight in developing and contributing to the insurance industry in Fiji. I have no doubt that you will continue to play such a role as we move our country forward.

Thank you very much again for the invitation to be here this evening.

Vinaka Vakalevu and Dhanyavaad.