

Sada Reddy: Information exchange on microinsurance in Fiji

Speech by Mr Sada Reddy, Governor of the Reserve Bank of Fiji, at the “Information Exchange on Microinsurance” in Fiji, Suva, 15 July 2010.

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It is a pleasure for me to address the opening of this “Information Exchange on Microinsurance.”

First, let me extend a warm welcome to you all. Tonight we have gathered leaders from the private and public sectors together in order to discuss an important topic in financial inclusion – microinsurance. From the CEO’s of insurance companies, to rural cooperatives of farmers, everyone here has a part to play in the development of this field, which will help create a more stable and secure Fiji.

As you all know the Reserve Bank of Fiji continues to partner with key stakeholders of financial inclusion like the Pacific Financial Inclusion Programme (PFIP), to extend financial services and financial literacy to rural and low income people around Fiji. This event is another example of this strong partnership and represents some of the wonderful progress we have made together over the last year.

The National Financial Inclusion Taskforce turns five months old in three days, and has already been displaying some impressive results. Exactly one month ago, NFIT brought Vijay Mahajan, Founder of Basix bank and Chair of the CGAP Executive Committee to provide insight on the status of financial inclusion in Fiji. Further at the end of last month the Asian Development Bank presented a comprehensive report it completed on the same topic to NFIT. The report made obvious some areas in which we need to make reforms, and also offered some clear guidance on paths we can take moving forward.

One issue the report exposed was that we currently have no standardized reporting format for microfinance, which means financial transparency is very low. In order to increase the transparency of microfinance institutions, and facilitate better performance monitoring standards, RBF and PFIP collaborated to provide financial reporting training to 35 people here in Fiji at the beginning of this month. This is an important step to building the local capacity here now, to ensure that microfinance initiatives in the future are both stable and sustainable.

Further, the NFIT working group on financial literacy has designed a strategy and is busy implementing financial literacy into the national curriculum here in Fiji, so all our children will have the basic understanding of money management they will need to succeed. Scoping is also being done by PFIP to conduct a national baseline for financial literacy in Fiji, so we can accurately measure the impacts of our work in this field.

While all the efforts I have mentioned above are all positive, as we all know the overarching goal of the National Financial Inclusion Taskforce is to:

“To reach 150,000 unbanked clients by 2014 through a nationally coordinated effort, supported by a variety of financial service providers, offering a broad range of relevant, accessible, affordable and cost effective financial services.”

There has been significant progress on this front as well. Shortly after the RBF’s e-money launch, Vodafone officially launched its M-Paisa product, and since then, Digicel has also made public that it will soon offer its Mobile Money product here in Fiji. The ability to provide financial services over these mobile networks now allows us to access rural and low income people that were previously too remote, or too expensive to reach. M-Paisa already has thousands of customers, and is growing exponentially every day.

As this access continues to improve, we shift our focus to the types of financial products that can be offered on these platforms. The NFIT goal was written with forethought to promote a “broad range” of services as international experience has clearly shown that microfinance products beyond savings and credit yield significant benefits to those struggling to overcome poverty.

It is obvious to us all that while there are situations when most of us need credit, it is by no means the “cure-all” financial product that it is often touted as. Some of these events are unpredictable, meaning that they are hard to save for, and when they occur, a loan may not be available or appropriate. These events, like floods, injuries at work, a death in the family, are the exact situations for which insurance was created. When these situations occur, low income people should have the appropriate financial mechanisms available to them to reduce their risk of catastrophic income and property loss.

Microinsurance does not currently exist in Fiji on any large scale, but its power to increase people’s financial security and fortify their level of social protection warrants this informational event today. As many of you know this product is now the fastest growing microfinance product in the world, providing benefits to millions of mothers, farmers, and small business owners around the world.

Because of this phenomenon the RBF has reviewed the Insurance Act of 1998, to ensure that there are no restrictions hindering the introduction of this product here in Fiji. We totally support any initiative or pilot project in microinsurance, and hope that insurance companies do take the initiative to explore the potential of this market.

I’ll now invite Mike McCaffrey, the Technical Specialist for PFIP to introduce the topic for the evening, Microinsurance.