

Barry Whiteside: Fiji's insurance sector and the economy

Address by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the 20th anniversary of FijiCare Insurance Limited, Suva, 7 November 2012.

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The Minister for Health, Dr Neal Sharma
The Chairman of the FijiCare Board, Mr. Phillip Thomas
Board Directors
Chief Executive Officer, Mr. Peter McPherson
Management and Staff of FijiCare
Distinguished Guests
Ladies and Gentlemen

Introductory comments

Good evening and bula vinaka to you all.

It is an honor to be here this evening and I thank Philip and Peter for the kind invitation to this anniversary celebration. Congratulations to FijiCare Insurance Company Limited, for reaching your 20-year milestone of service to the people of Fiji.

FijiCare Insurance Limited

I thought to begin by sharing a bit of history, especially for some of us who may not know the background of FijiCare.

The Company was formed just over 20 years ago, in 1992, when it took on the operations of the Insurance Welfare Society which, at that time, used to provide medical & term life insurance to Public Service Commission members. Subsequently, FijiCare was licensed under the Insurance Act 1998, as a general insurer.

In 1994, it undertook a name change to FijiCare Insurance Welfare Society and further changed its name in 1995 to its current name FijiCare Insurance Limited. We of course all know it by the shorter version, FijiCare.

In the early years, FijiCare grew from strength to strength and diversified its product offerings with other classes of insurance – such as workers compensation, public liability and personal accident. As the company gained more confidence in the insurance market here, it took further steps and, in 2000, became the first, and to this day, the only licensed underwriter in Fiji to be publically listed on the South Pacific Stock Exchange. This effectively means that any Fijian can become part owner of an insurance company by buying shares in FijiCare on the Stock Exchange.

Today, FijiCare offers a full range of insurance products from medical, term life, motor vehicle, funeral, workers' compensation, public liability and personal accident. I understand it is also looking into other areas. However, medical and term life still remain the core business and it is no secret that the company is one of the leading insurers providing medical cover in our country.

FijiCare also has its very own sophisticated Medical Centre opposite Suva Private Hospital in Amy Street, along with a list of highly qualified nominated doctors around Fiji. It also has some of the best pharmacies as part of its pharmacy listing, enabling customers to get quality services.

While it is the Government's mission to provide quality and affordable medical services to the people of Fiji, despite the improvements made over the years, we all know not everything can be provided for locally. As such, evacuation to other countries for specialized medical

treatment remains a norm. On this front, a huge relief is afforded to those covered by medical insurance as they are able to access the much needed treatment through insurance. This is where companies like FijiCare play an important role.

Ladies and gentlemen, it is no secret that providing medical insurance is a tough business with high net loss ratios. The Reserve Bank's Insurance Annual Report indicated that the net loss ratio for the medical class in 2010 was 78.6%. In other words, for every \$1 of premium earned, 78 cents was taken up by claims alone, leaving the medical insurers with a small margin to foot operating costs and to try to make a profit. The ratio had fallen in 2011, but still remains high.

In addition to this, medical costs overseas have increased significantly over the years. However, we note that despite this and tough competition, FijiCare continues to provide this essential service to the country.

FijiCare's dedication to providing quality and affordable insurance products to the citizens of Fiji is testament of its mission that "*Customers Are Really Everything (CARE)*". This is evident in the Company's initiatives towards meeting the needs of all sectors of the economy. I say this because your medical products and insurance policies are designed in such a way where you offer executive packages for those that can afford them, while also designing affordable packages for the less well off.

As you are all aware, the Reserve Bank, through the Insurance Task Force and National Financial Inclusion Taskforce, has been driving micro-insurance initiatives for a number of years now. We would like to see more people insured against unforeseen losses but, more so, people at the base of the income pyramid. In this regard, FijiCare was noted to be at the forefront in responding to our micro-insurance initiative. In partnership with the Pacific Financial Inclusion Programme (PFIP), the Company led with the introduction of a funeral policy, the first micro insurance product for Fiji.

The last 20 years, however, have not all been smooth sailing for FijiCare, and they have had their share of ups and downs. Despite the trying years of late, I would like to thank the Board and its Management for its perseverance. The fact that FijiCare continues to operate today is testament to their resilience and continued confidence in our economy.

The Fiji economy

Ladies and gentlemen, please allow me say a few words about our economy.

The overall economic expansion for this year is expected to remain above 2 percent, largely driven by the continued growth in consumption and investment related activity. This is evident through higher VAT collections, sales of new vehicles, private sector credit and value of work put in place as well as domestic cement sales.

However while there is ongoing buoyancy in domestic demand, there are obvious risks on the external front given the recent downward revisions in global growth.

Despite the increasing global uncertainty, our monetary policy objectives remain at comfortable levels. Inflation continues on a general downward trend and is expected to fall further to 3.5 percent by the end of the year. This is driven by lower prices for food and stability in oil prices.

Foreign reserves are currently around \$1.6 billion, or sufficient to cover 5.0 months of retained imports of goods and non-factor services.

Given the slowing of the global economy and a stable outlook for our foreign reserves and inflation, monetary policy will continue to remain accommodative to provide further stimulus for economic growth.

With this positive outlook the insurance industry can be expected to benefit, in line with GDP growth.

A final point I would venture to make concerns investment possibilities in the field of medical care pertaining to “retirement villages”. While talking to groups of potential investors, including well-off retirees, in Korea and Japan recently, our Fiji delegation found that there was great interest to come to live here (of course golf and a slower pace of life was mentioned a lot). A major hurdle the investors noted, and also admitted by ourselves, was the need for quality responsive medical facilities and necessary evacuation as needed. From our discussions this is clearly a valuable tourism niche which could be exploited, not only by the Government but also by our private sector. I say this because FijiCare is in the business now of providing medical facilities.

Concluding remarks

Ladies and gentlemen, FijiCare’s 20th anniversary celebrations this year is evident of its commitment and perseverance. I congratulate them for achieving this milestone.

I would like to again thank the FijiCare team for your kind invitation. I reiterate my thanks to the Board, management and staff for your support and cooperation with the Reserve Bank’s policies and guidelines. I also salute this institution on its 20th anniversary of existence and for the role that it has played in Fiji’s economic development.

Once again, my warm congratulations and all the very best in your future endeavors.

Vinaka vakalevu.