

## MYANMAR SPOTLIGHT

# New dawn for reinsurance

As the insurance market in Myanmar evolves, its reinsurance sector is expected to be liberalised and opened up further to local and global players. We spoke to Southeast Asian law firm **Tilleke & Gibbins's** Myanmar office about the legal and regulatory aspects of conducting reinsurance business.

By **Ranamita Chakraborty**

**D**ubbed the least insured economy in Southeast Asia, Myanmar has seen its nascent insurance market go through drastic reforms with new directives and licenses being issued recently.

Last November, Myanmar's Financial Regulatory Department granted licences to five foreign insurers and six joint ventures to operate in the market. In March this year, the country's Insurance Business Regulatory Board (IBRB) released three directives related to bancassurance, insurance licensing and insurance product approval process.

With the private insurance sector poised to grow, reinsurance arrangements stand as very important tools in the underwriting of risk to mitigate any crisis in the insurance sector.

However, there are no new directives or regulations issued yet for reinsurance in Myanmar even after the entry of more domestic and foreign players.

Reinsurance business in the country is currently only conducted by state-owned Myanma Insurance through contracts with foreign reinsurers. Domestic private insurers are unable to provide direct reinsurance as well, said Tilleke & Gibbins Yangon counsel Dr Ross Taylor and attorney-at-law Nwe Oo.

### Reinsurance regulation in Myanmar

The two major regulatory bodies that oversee the licensing of insurance businesses and activities both for domestic and overseas insurance companies in Myanmar are the Financial Regulatory Department under the Ministry of Planning and Finance (MoPF) and the IBRB.

The main laws currently regulating insurance business in Myanmar are the Myanma Insurance Law of 1993 for the state-owned

insurer and the Insurance Business Law of 1996, as amended in 2015, for the private sector.

Myanma Insurance, which held a monopoly over Myanmar's insurance sector until 2012, has massive reserve funds and a substantial reinsurance cover according to MoPF. It has reinsurance treaties placed with leading reinsurers which include marine excess of loss reinsurance treaty, fire excess of loss reinsurance treaty, motor facultative obligatory treaty and energy treaty.

In August 2018, it was reported in local media that Myanma Insurance signed a memorandum of understanding with Myanmar's Shin Ye Htut Group, to provide life insurance and fire insurance to buyers of government-built housing units in Yangon.

Under the agreement, the insurer reinsured these life and fire policies through Hannover Re.

Currently, reinsurance contracts in Myanmar are made directly with, and issued by Myanma Insurance, with the Myanma Insurance Law defining the reinsurance business as 'the insurer of the whole or part of liabilities undertaken by it to another insurer'.

The entitlement of a reinsurer to monitor claims, settlements, and underwriting of its cedant company depends entirely on the agreed terms of the applicable reinsurance contract – but there are no mandatory legal provisions in place that would regulate this monitoring.

As far as Dr Ross and Mr Oo are aware, there are also no applicable regulations for insurance brokers arranging reinsurance as yet.

This status quo could change under regulations for reinsurers which are expected under the new Insurance Business Law. This could mean that all insurers will be able to provide reinsurance – subject to



Dr Ross Taylor



Mr Nwe Oo

conditions that will be issued by the IBRB.

In mid-2018, Myanmar authorities were said to be working with India's GIC Re to revise insurance and reinsurance laws.

### A promising regulatory regime

Under the new law, which is expected to be enacted this year, reinsurance is defined as a process under which the insurer cedes all or part of the risk portfolio to another (the reinsurer) in consideration for a premium payment.

The original policyholder or other third party can then enforce the reinsurance contract against a reinsurer by submitting an enforcement proposal for the approval of the IBRB.

The draft insurance business law foresees directives from the IBRB requiring a primary insurer to arrange reinsurance and under this law, a specific mechanism is provided for the transfer of an insurance portfolio – which includes approval from the IBRB.

A licence will not be required for a foreign provider of reinsurance as well which could open new windows of opportunities for global reinsurers looking to enter the market.

As a result of the upcoming law, Dr Ross and Mr Oo expect further liberalisation and for reinsurance to move away from Myanma Insurance to foreign insurers who may offer better terms. **A**