PART III

COUNTRY REPORTS

1.0 COUNTRY REPORT: BRUNEI

1.1 Insurance Industry of Brunei: Overview

Traditionally, Brunei has been heavily dependent on its oil and gas industry. Realizing the danger of being too dependent on the oil and gas industry, the Brunei government made a conscientious effort to diversity its portfolios while at the same time strengthen its service industry, especially the financial sector. Activities of all financial institutions that comprise banks, insurance and finance companies in Brunei Darussalam are supervised and monitored by the Financial Institutions Division (FID) of the Ministry of Finance. However, the insurance industry in Brunei has yet to fully develop and as a result, the current level of consumption of insurance remains low.

The FID monitors and supervises insurance activities in Brunei. Its major activities include granting licensure to applicants of insurance business, although no new insurer has been registered since 1984. An applicant of non-life insurance business must meet the minimum paid-up capital of B$1 million. Once admitted, it must maintain a solvency margin of 20 percent based on premium income, net of reinsurance, of the previous year. For insurers writing motor insurance business, the ministry requires a deposit of B$1 million with the government.

As of 2003, the insurance industry is serviced by 21 active companies which can be classified as 13 locally incorporated companies, including 3 takaful branches, 6 branches of foreign insurance companies, and 2 underwriting companies represented by locally incorporated companies. The Brunei market is considered to be small but with too many players. On the basis of class of business, these companies can be categorized as 15 general insurance companies, 3 life insurance companies and 3 composite companies. In addition, there are 2 brokers and 3 loss adjusters. Brunei allows only takaful insurers—insurers offering products complying with Islamic principles - to operate as composite insurers. The only insurance-related law in this country is the Motor Vehicles (Third-Party Risks) Act of 1998. The government is expected to introduce an insurance act in the near future. Once introduced, this insurance law will govern both conventional and takaful insurance matters.

The insurance industry in Brunei Darussalam can be considered as one of the smallest in Asia. The question may be asked: What are the reasons for this limited development? As mentioned earlier, the Brunei economy is dependent on its oil and gas industry. Because Brunei is the richest nation in ASEAN with its high per capita income, as in the past, the non-life business is still dominated by the motor business which forms about 52% of non-life business. Other major classes are fire (20%), workmen's compensation (9%) and others (14%).

Additionally, one has to consider that the lack of insurance consciousness, or possibly even distrust towards insurance by the Brunei public could be due to misperceptions on the status of insurance according to Islamic principles. Although public awareness of the benefits of insurance is generally low, insurance companies, and particularly life insurers, manage to market a moderate amount of their products, especially hospital/surgical and retirement schemes. Due to the majority of Brunei citizens being Muslims (67% of the 400,000 population: 2004 estimate), the industry recorded an increase to 3 Takaful operators in 2002. Generally, the performance of these 3 Takaful companies can be considered encouraging, despite the decrease by 2.7% in the total gross contribution collected in 2001 as compared to BND 15.5 million in 2000.

1.2 Survey Results

The results of the AITRI study on Insurance Regulators indicate that Brunei Darussalam has two major business environment challenges in the form of the absence of a comprehensive insurance act and lack of comprehensive regulation of financial institutions. This problem is further compounded by the absence of a central bank. Accordingly, the survey also shows that key human resource development is hampered by the shortage of manpower which is aggravated by the limited number of experienced and knowledgeable workforce, which has inevitably resulted in long periods to recruit new staff and fill vacant posts in the insurance industry. This small market syndrome forces Brunei to send its workforce to neighbouring countries for training due to the unavailability of a specialized institution providing training and education programmes for the Brunei Insurance Regulator.

Focus areas for future training identified are presented in Table 1.00 -below.

Table 1.00: Focus Areas for Future Training

No.	Focus Areas	Importance (1-5)
1.	Insurance core principles	5
2.	Methodology and assessment of insurance core principles	5
3.	Health insurance	2
4.	Corporate governance	5
5.	Regulation of compulsory insurance	5
6.	Disclosure and transparency	5
7.	International insurance accountancy standards	5
8.	Investments regulation	3
9.	Money laundering and insurance	5
10.	Organization of insurance supervisory authorities	5
11.	Private pensions	2
12.	Reinsurance regulation and supervision	5
13.	Role of auditors and actuaries	4
14.	Liability insurance	4
15.	Risk-based supervision	5
16.	Capital adequacy and solvency supervision	5
17.	Supervision of insurance groups and international insurers	5
18.	Valuation of insurance assets and liabilities	5
19.	Supervision of insurance intermediaries	5
20.	Alternative risk financing	4
21.	Captive insurance companies and risk retention schemes	3
22.	Credit insurance and credit risk securitization	3
23.	Enterprise risk and operational risk management	3
24.	Understanding insurance company accounts	5
25.	Financial conglomerates and financial sector convergence	4
26.	Asset-liability management techniques	5
27.	WTO and insurance: policies, national positioning and negotiation	5
28.	On-site inspection	5
	Overall mean (maximum value = 5.00)	**4.36**

The high overall mean of 4.36 shows the high priority of the 28 items to measure the focus area for future training activities. This illustrates the under-development of training activities for the Brunei Insurance Regulator. In addition, most of the training programmes are not conducted in-house due to the small number of participants.

1.3 Priority Areas for Supervisory Research and Technical Focus

The outcome of the survey indicates that the priority areas for supervisory research for the Brunei Regulator according to the order of ranked importance are as follows: IAIS core principles; regulation of compulsory insurance (including third party liability insurance); capital adequacy and solvency supervision; corporate governance; and on-site inspection.

In addition, the survey identifies priority areas for technical focus for the Brunei Regulator according to the order of ranked importance as: understanding insurance company accounts; core principles methodology and assessment of insurance core principles; disclosure, transparency and sanction; and actuarial investment related issues and technical assistance.

1.4 Preferred Training Methodology and Training Level

Based on the survey results, the Brunei Regulator prefers training through the informal mode via seminars, conferences, workshops, external expert consultations, facilitated dialogues with other Regulators, and attachment programmes elsewhere. The Brunei Regulator is also interested in training in formal specialist qualifications at the diploma, degree and masters levels.

1.5 Constraints

The findings of this AITRI survey indicate that the Brunei Regulator does not have major problems in budgeting for training, external training facilities and motivating staff for training. The only constraint is in the form of inadequate internal staff to conduct training programmes.

1.6 Solutions

The Brunei Regulator proposed no possible solutions to the human resource problems. However, based on the analysis done, the research team proposes the following:

- Paying greater attention to cultivating and retaining professional expertise in the insurance field, the key to strengthening the Brunei insurance industry.
- Addressing the lack of experts and high skilled professionals in the Brunei insurance industry.
- Addressing the need to increase knowledge and to raise awareness of insurance among the public through education and communication.

2.0 COUNTRY REPORT: CAMBODIA

2.1 Insurance Industry of Cambodia: Overview

Cambodia has a very underdeveloped economy. Only few financial institutions are financially, or operationally, competent. Likewise, the insurance industry in Cambodia is at its infancy with only one state-owned insurance company, Caminco. There are four insurance brokerage firms—including Indochine Insurance, established in 1993, and Asia Insurance (Cambodia)—operating in Cambodia.

The insurance law, which was passed by the National Assembly in June 2000, prescribes that an entity must seek approval from the Ministry of Finance before it commences insurance business. The law makes motor third party liability insurance, construction all risks insurance, and passenger transportation insurance compulsory. Before the enactment of the law, certain projects and assets could be insured overseas. The insurance law no longer allows such practices, and all projects and assets located in Cambodia must be insured locally and by a licensed insurer. This provision is added to the law as a measure to stop outflow of premiums from the country. The insurance company in Cambodia is subject to some provisions of the country's tax law, which was amended in 1997. The law prescribes that the insurer residing in Cambodia be subject to five-percent income taxes based on its gross premiums for risks in Cambodia. If an offshore insurer underwrites risks in Cambodia, the government may withhold 15 percent of the premiums for such risks for income tax purposes. For income from non-insurance activities, insurers are subject to income taxes of generally 20 percent of their profits.

2.2 Survey Results

The results of the AITRI study on insurance regulators indicate that Cambodia has five major business environment challenges in the form of price undercutting among insurers; non-existence of an insurance association; non-establishment of minimum rates; unfamiliarity of the public regarding insurance; and an on-going review of all insurance laws since mid 2002.

Accordingly, the survey also shows that key human resource development is hampered by the acute shortage of skilled and experienced manpower, aggravated by infrastructural deficiencies. This extremely small market syndrome forces Cambodia to send its workforce to neighbouring countries for training due to the unavailability of a specialized institution providing training and education programmes for the Cambodian Insurance Regulator.

The focus areas for future training identified are presented in Table 2.00.

Table 2.00: Focus Areas for Future Training

No.	Focus Areas	Importance (1-5)
1.	Insurance core principles	5
2.	Methodology and assessment of insurance core principles	5
3.	Health insurance	3
4.	Corporate governance	5
5.	Regulation of compulsory insurance	5
6.	Disclosure and transparency	5
7.	International insurance accountancy standards	5
8.	Investments regulation	5
9.	Money laundering and insurance	4
10.	Organization of insurance supervisory authorities	5
11.	Private pensions	4
12.	Reinsurance regulation and supervision	5
13.	Role of auditors and actuaries	5
14.	Liability insurance	5
15	Risk-based supervision	5
16	Capital adequacy and solvency supervision	5
17.	Supervision of insurance groups and international insurers	5
18	Valuation of insurance assets and liabilities	5
19.	Supervision of insurance intermediaries	4
20.	Alternative risk financing	5
21.	Captive insurance companies and risk retention schemes	5
22.	Credit insurance and credit risk securitization	4
23.	Enterprise risk and operational risk management	5
24.	Understanding insurance company accounts	5
25.	Financial conglomerates and financial sector convergence	3
26.	Asset-liability management techniques	5
27.	WTO and insurance: policies, national positioning and negotiation	5
28.	On-site inspection	5
	Overall mean (maximum value = 5.00)	**4.71**

The very high overall mean of 4.71 shows the high priority of the 28 items to measure the focus areas for future training activities. This illustrates the need to enhance basic training activities for the Insurance Regulator in Cambodia. Further to this, most of the training programmes are not conducted in-house due to the small number of participants.

2.3 Priority Areas for Supervisory Research and Technical Focus

The outcome of the survey for this AITRI study indicates that the priority areas for supervisory research for the Cambodia Regulator according to the order of ranked importance are as follows: asset-liability management techniques; on-site inspection; valuation of insurance company accounts; understanding insurance company accounts; and methodology and assessment of insurance core principles. The aforementioned research areas are considered 'fundamentals' by Insurance Regulators from more advanced countries.

This survey also indicates that the priority areas for technical focus for the Cambodian Regulator according to the order of ranked importance are as follows: insurance accounting; inspection on-site and off-site; assessing company's asset and liability; formation of insurance statistics; and auditing. Once again, the aforementioned priority areas appear to be at the basic level, further illustrating the gap between the Cambodian Regulator and the other ASEAN Regulators.

2.4 Preferred Training Methodology and Training Level

Based on the survey results, the Cambodian Regulator prefers training through seminars, conferences, workshops, external expert consultation, facilitated dialogues with other Regulators, attachment programmes elsewhere, distance learning programmes, and series of structured training modules on specific topics. The Cambodian Regulator is further interested in training in a formal specialist qualification at the diploma level.

2.5 Constraints

The findings of the AITRI survey indicate that the Cambodian Regulator does not have major problems in identifying internal personnel for training, external training facilities and motivating staff for training. The only constraint is in the form of inadequate budget to conduct training programmes.

2.6 Solutions

Creating more opportunities to motivate personnel to participate actively in training is proposed as a solution to the Cambodian Regulator.

3.0 COUNTRY REPORT: INDONESIA

3.1 Insurance Industry of Indonesia : Overview

After the 1997 Asian economic crisis, the Indonesian government, with financial and other aid from international organizations, has continued its efforts to improve its economic condition. Through the Indonesian Debt Restructuring Agency, it has taken several actions including the closure of banks with a large amount of non-performing loans as well as leading mergers and acquisitions of many other banks. In Indonesia, the Directorate General for Financial Institutions with the Ministry of Finance (MoF) regulates the insurance industry, which is served by 178 insurers (as of 1998). State-owned insurers (e.g., Asuransi Kiwasraya and Asuransi Jasa Indonesia) and subsidiaries of local conglomerates dominate the market.

3.2 Market Access Regulation

The minimum paid-up capital is 2 billion Indonesian rupiah for domestic life insurers, or 4.5 billion rupiah for joint ventures in the life business. In non-life insurance, it is 3 billion rupiah for domestic insurers, or 15 billion rupiah for joint ventures. Locally incorporated reinsurers are required to have a minimum paid-up capital of 10 billion rupiah while in the case of other reinsurers, the amount increases to 30 billion rupiah. The licensed insurance entity must place 20 percent of its capital with a commercial bank in Indonesia. The deposit increases annually by one percent of the increase in premiums if it is in non-life insurance business, or five percent in the increase in premium reserves if in life insurance business. A foreign insurance entity must satisfy several conditions before it is allowed to do insurance business in Indonesia. It must locate an Indonesian partner. It must have its equity capital being at least twice the amount of its investment in the joint venture. The local partner must have been operating for at least two years while satisfying the authority's requirement for solvency test. The applicant must submit a plan describing how the foreign partner's ownership in the joint venture will be reduced over a specified period of time. In particular, a registered joint venture must limit its foreign ownership initially to 80 percent of its total share, and gradually, i.e., within 20 years, reduce it to no more than 49 percent of its total share. The joint venture must employ an adequate number of insurance professionals (commonly actuaries), whether Indonesians or foreign, who have at least five years of experience in their specialty areas, and appoint Indonesians to its board of directors. Finally, the license holder can do business in only one class of insurance business, life or non-life.

3.3 Solvency Regulation

Life insurers must maintain a solvency margin of at least one percent of premium reserves for life insurance and 10 percent of net premium for health and accident insurance. Non-life insurers should meet a solvency margin being at least the sum of the initial minimum capital and 10 percent of net premiums. Non-life insurers are not permitted to assume any risk if the coverage amount exceeds 10 percent of their equity. The total amount of premiums, net of reinsurance, that non-life insurers can write is limited to 300 percent of their equity. The Ministry of Finance may also employ risk-based capital models to determine solvency requirements of insurance companies operating in Indonesia.

3.4 Financial and Accounting Regulation

Several regulatory measures related to the investment activities of insurers and accounting standards exist in Indonesia. In the case of a life insurer, its total investments, excluding investment in mortgage loans, must be at least equal to its technical reserves. It must maintain a premium reserve the amount of which is determined in accordance with the Ministry of Finance guidelines, as well as a liability provision for future policy benefits as approved by a registered actuary. In the case of non-life insurers, the total investments, excluding investment in mortgage loans, should be at least equal to the sum of the technical reserves plus 25 percent of equity. Non-life insurers must estimate their unearned premiums using one of the two prescribed methods – per policy estimation on a daily basis or in aggregate of all policies in the line based on a percentage basis. With regard to the valuation of invested assets, insurers must use book value or market value, the choice being dependent on the type of invested asset.

3.5 Market Conduct Regulation

The Ministry of Finance (MoF) has issued several guidelines governing the scopes of insurer's business and reinsurance transactions. For example, an insurer must obtain prior approval from the Regulator to open a branch office. An insurer is not permitted to own equity of an insurance brokerage firm or agency. Besides, the Indonesian Insurance Council, an industry association, publishes a tariff book for various non-life lines of insurance that insurers must abide by. Non-life insurers are subject to commission limits of 15 percent for brokers and 10 percent for agents. The MoF requires direct insurers, especially those in the non-life insurance business, to have a treaty reinsurance arrangement with at least one reinsurer; to retain at least 30 percent of the original risks based on premiums; and not to exceed 10 percent of their equity for any single risk. The authority permits direct insurers to place risks to offshore (non-admitted) reinsurers, provided that those reinsurers are of good reputation in the country of domicile, have a treaty (reciprocal) agreement with at least one domestic reinsurer in Indonesia, and have their paid-up capital being at least equal to the minimum capital required for domestic joint venture reinsurance companies, i.e., 30 billion rupiah.

3.6 Survey Results

The results of the AITRI study on insurance regulators indicate that Indonesia has 3 major business environment challenges in the form of low capital, human resources and corporate governance.

The major human resource development challenges faced by the Indonesian Insurance Regulator are the lack of number of skilled people, the lack of training (internal and external), and inadequate facilities.

Focus areas identified for future training are presented in Table 3.00.

Table 3.00: Focus Areas for Future Training

No.	Focus Areas	Importance (0-5)
1.	Insurance core principles	3
2.	Methodology and assessment of insurance core principles	5
3.	Health insurance	4
4.	Corporate governance	5
5.	Regulation of compulsory insurance	4
6.	Disclosure and transparency	5
7.	International insurance accountancy standards	4
8.	Investments regulation	4
9.	Money laundering and insurance	5
10.	Organisation of insurance supervisory authorities	4
11.	Private pensions	4
12.	Reinsurance regulation and supervision	4
13.	Role of auditors and actuaries	4
14.	Liability insurance	4
15.	Risk-based supervision	4
16.	Capital adequacy and solvency supervision	4
17.	Supervision of insurance groups and international insurers	4
18.	Valuation of insurance assets and liabilities	4
19.	Supervision of insurance intermediaries	4
20.	Alternative risk financing	4
21.	Captive insurance companies and risk retention schemes	4
22.	Credit insurance and credit risk securitization	4
23.	Enterprise risk and operational risk management	4
24.	Understanding insurance company account	4
25.	Financial conglomerates and financial sector convergence	4
26.	Asset-liability management techniques	4
27.	WTO and insurance: policies, national positioning and negotiation	4
28.	On-site inspection	5
	Overall mean (maximum value = 5.00)	**4.14**

3.7 Priority Areas for Supervisory Research and Technical Focus

The Indonesian Regulator feels that R&D in insurance supervision is important, and proposes priority areas for supervisory research in the following areas: policyholder guarantee fund; risk-based capital; insurance technology; premium development; and human resource (fit and proper). The technical focus for the Indonesian Regulator is in the following areas: retaining key staff, investment, preparing risk profile, catastrophe risk, and developing rating.

3.8 Preferred Training Methodology and Training Level

Based on the survey results, the Indonesian Regulator prefers training through conferences, workshops, external expert consultations and attachment programmes elsewhere. The Indonesian Regulator is also interested in training in a formal specialist qualification at the certificate level.

3.9 Constraints

The Indonesian Regulator faces constraints in the following areas: inadequate budgets available for training, inadequate internal personnel to conduct training courses and inadequate external training facilities in the country.

3.10 Solutions

No solutions were proposed.

4.0 COUNTRY REPORT: MALAYSIA

4.1 Insurance Industry of Malaysia: Overview

Malaysia has a relatively developed insurance industry. It introduced the Insurance Act of 1996 and the Insurance Regulations of 1996, which are currently the bases of insurance regulation in the country.

The Ministry of Finance is the *de facto* regulatory supervisor of the insurance industry, but has long delegated the duty of administering the insurance law to Bank Negara Malaysia (BNM), the Central Bank of Malaysia. BNM also administers special directives issued by the Ministry of Finance; issues its own guidelines, circulars, notices and codes; and works very closely with major industry associations. Malaysia introduced the *Takaful* Insurance Act in 1984 permitting insurer operations based on Islamic principles, and opened the Labuan offshore insurance centre in 1990.

Perhaps, a new challenge that most Malaysian insurers face would be the government's plan, as indicated in BNM's Financial Sector Master Plan of March 2001, for mergers and acquisitions within the industry, either voluntarily or following government orders. Since 1999, eight mergers and acquisitions have been completed, and more insurers are involved in various stages of implementation. BNM expressed in March 2000 that there would be 10 to 15 insurers left after completing the consolidation of the industry by 2003. There were 54 direct insurers (including two *takaful* insurers) and 10 re-insurers as of 1 March 2002. Additionally, there were 59 insurance and related companies in Labuan as of the same date.

4.2 Market Access Regulation

Upon receiving an application for insurance business, BNM may make a recommendation of the application to the Ministry of Finance that has the actual power to license new insurance companies. BNM has only the power to license insurance brokers and adjusters. As regard minimum paid-up capital, BNM requires, from September 2001, a minimum paid-up capital of RM100 million for insurance business in the country.

There are two specific provisions regarding foreign investment in the Malaysian insurance market. For one, BNM allows foreign investors to hold up to 49 percent of ownership equity of any Malaysian insurance company. Foreign shareholders who had made their investment prior to the enactment of the Insurance Act of 1996 are exempted from this requirement, and may continue to hold equity up to 51 percent in aggregate. For the others, the Insurance Act made it mandatory for all branches of foreign insurers to be domesticated, i.e., locally incorporated as a subsidiary, by June 1998.

4.3 Solvency Regulation

The current solvency margin requirements, which became effective on 1 January 2001, state that a licensed direct insurer and re-insurer should maintain at all times a fund margin of solvency of RM50 million and RM10 million respectively, for each class of business. In addition, they must maintain an insurance fund for each class of their insurance business. Hence, an insurer underwriting substantial risks in both life and non-life classes must maintain a life insurance fund and a non-life insurance fund, and cannot co-mingle its premiums, claims and other expenses across the funds.

The Insurance Act of 1996 additionally prescribes that all licensed insurers maintain admitted assets of no less than the sum of the liabilities of the insurance fund and the fund margin of solvency.

4.4 Financial and Accounting Regulation

Insurers operating in Malaysia are subject to the *Bumiputra* investment recommendation that the Malaysian government made in its 1996-2000 National Development Plan. To abide by this recommendation, insurers must maintain, unless a relief is granted, at least 30 percent of their investment in *Bumiputra* share—ownership share by ethnic Malays. Additionally, licensed insurance players must obtain prior approval from BNM for any changes in ownership share. If such a change is regarding an acquisition or sale of an interest in excess of five percent of the shares of a licensed insurer, the insurer must obtain prior approval directly from the Ministry of Finance. All life insurers in Malaysia are required to submit annually to BNM an actuarial certification of their liabilities, prepared by an appointed actuary of the company. The central bank may require non-life insurers to submit an actuarial valuation of the company's IBNR claims and any inadequacy in loss reserving for outstanding claims.

4.5 Market Conduct Regulation

The Insurance Regulator maintains the Insurance Guarantee Scheme Fund that provides some compensation for bodily injury to those policyholders and claimants who have a third party liability or workers' compensation-related claim with a financially troubled insurer. All non-life insurers participate in the fund, and pay a levy of not less than one percent of their direct premiums earned during the preceding financial year. The Insurance Act and the Insurance Regulations, both of 1996, have provisions regarding insurer expenses and premium rates. BNM also issued two guidelines on insurers' operating costs. Key points of these regulations and guidelines include the following: The General Insurance Association of Malaysia sets premium rates for fire and motor insurance businesses, and its member non-life insurers must abide by the tariff rates. All insurers must comply with the act when designing their insurance application forms, contracts and marketing brochures. BNM also sets the maximum percentage of agency commissions on insurance policies.

4.6 Survey Results

The results of the AITRI study on insurance regulators indicate that Malaysia has five major business environment challenges. They are: managing increasing financial complexities; managing globalization and liberalization processes; effectively supervising cross-border exposures; developing a more competitive domestic industry to play a larger role in supporting economic development; and managing consumer expectations and increasing sophistication of consumer needs.

The human resource development challenges faced by the Malaysian Regulator are in the form of (i) developing and retaining expertise in risk assessment, actuarial assessment, financial risk analysis, alternative risk transfer and (ii) risk-based supervisory framework as well as (iii) transitioning staff from a compliance-oriented to a performance-based supervisory regime that emphasizes the ability to effectively identify, assess and mitigate risks associated with individual institutions.

Focus areas identified for future training are presented in Table 4.00.

Table 4.00: Focus Areas for Future Training

No.	Focus Areas	Importance (0-5)
1.	Insurance core principles	5
2.	Methodology and assessment of insurance core principles	5
3.	Health insurance	5
4.	Corporate governance	4
5.	Regulation of compulsory insurance	0*
6.	Disclosure and transparency	5
7.	International insurance accountancy standards	5
8.	Investments regulation	0
9.	Money laundering and insurance	0
10.	Organisation of insurance supervisory authorities	0
11.	Private pensions	5
12.	Reinsurance regulation and supervision	5
13.	Role of auditors and actuaries	0
14.	Liability insurance	0
15.	Risk-based supervision	5
16.	Capital adequacy and solvency supervision	5
17.	Supervision of insurance groups and international insurers	3
18.	Valuation of insurance assets and liabilities	3
19.	Supervision of insurance intermediaries	5
20.	Alternative risk financing	5
21.	Captive insurance companies and risk retention schemes	0
22.	Credit insurance and credit risk securitization	4

23.	Enterprise risk and operational risk management	4
24.	Understanding insurance company accounts	0
25.	Financial conglomerates and financial sector convergence	4
26.	Asset-liability management techniques	4
27.	WTO and insurance: policies, national positioning and negotiation	4
28	On-site inspection	0
29	Evaluation of insurance programmes	3
30.	De-tariffing	5
	Overall mean (maximum value = 5.00)	**3.10**

4.7 Priority Areas for Supervisory Research and Technical Focus

The outcome of the survey indicates that the priority areas for supervisory research for the Malaysian Regulator according to the order of ranked importance are as follows: regulatory/supervisory requirements for medical and health insurance; risk-based supervision framework; market conduct regulation/supervision; sales disclosure from the consumers' perspective; supervision of detariffed market; and regional insurance companies' risk assessment analysis.

Priority areas for technical focus for the Malaysian Regulator according to the order of ranked importance are pension products and consumer satisfaction.

4.8 Preferred Training Methodology and Training Level

Based on the survey results, the Malaysian Regulator prefers training through seminars, conferences, workshops, external expert consultations, facilitated dialogues with other Regulators, attachment programmes elsewhere, distance learning programmes and series of structured training modules on specific topics.

4.9 Constraints

The only constraint is in the form of inadequate internal personnel to conduct training courses.

4.10 Solutions

The Malaysian Regulator proposes outsourcing for expertise from both the local and international markets.

5.0 COUNTRY REPORT: THE PHILIPPINES

5.1 Insurance Industry of The Philippines : Overview

The Philippines maintains the principle of free enterprise, and emphasizes the role of the private sector for its economic development. Not surprisingly, 40 life insurers, over 100 non-life insurers (including two composite insurers), and four re-insurers were operating in the Philippines in 1997. This included eleven insurers newly admitted in 1997. The Insurance Commission (*Komisyon ng Seguro*) regulates and supervises the insurance industry in accordance with the Insurance Code. The commission also issues circulars and guidelines that govern insurer activities.

5.2 Market Access Regulation

In the Philippines, a firm may engage in the insurance business by owning voting stock of an existing domestic insurer, investing in a new insurance or reinsurance company or intermediary incorporated in the country, or establishing a branch. Specifically, the Republic Act No. 8179, which was passed on 26 March 1996, states that up to 100 percent foreign ownership of local insurance and reinsurance companies is permitted in the country. Currently, the minimum paid-up capital for direct business is 75 million pesos for direct business or 150 million pesos for reinsurance business.

With regard to foreign insurance operations, the licensing guideline issued by the Department of Finance in 1994 states that the minimum capital varies depending not only on the type of business, direct or reinsurance, but also on the percentage of foreign ownership. Besides, the Insurance Commission examines the following factors before it makes a decision on an application by a foreign insurer: (1) geographic representation and complementation; (2) strategic trade and investment relationships between the Philippines and the country of incorporation of the applicant; (3) demonstrated capacity, global reputation in underwriting innovations and stability in the competitive environment of the applicant; (4) reciprocity rights that Philippine insurance or reinsurance companies or intermediaries can enjoy in the applicant's country; and (5) the applicant's willingness to fully share its technology. As for the third criterion, the commission has specified that it would accept applications from those listed in the top 200 insurers, re-insurers or intermediaries in the world or the top 10 in their country of origin. The applicant must also have at least 10 years of experience as of the date of application. To qualify as a branch or as a new company incorporated in the Philippines, the applicant must be widely owned or publicly listed in its country of origin, unless it is majority-owned by the government. A new foreign insurer is not allowed to hold a composite license. It may, however, apply for a separate license for life and a separate license for non-life business. The Insurance Commission requires any foreign insurer or re-insurer seeking entry as a branch to deposit with the commission, securities satisfactory to the commission. The required minimum paid-up capital, at actual market value, is 300 million pesos for direct insurance business, or 500 million pesos for reinsurance business. Fifty percent of the said security deposit must be in the form of government securities, and the rest in other acceptable Philippines securities.

5.3 Solvency Regulation

All insurers must maintain the margin of solvency prescribed in the Insurance Code. For the life insurer, the total admitted assets must be greater than the sum of the total liabilities plus paid-up capital plus revaluation reserves, and the difference must be the greater of (1) 0.5 million pesos, or (2) 0.2 percent of the total amount of all policies (except term life insurance) for the preceding year.

In the case of a non-life insurer, the amount should be the greater of (1) 0.5 million pesos, or (2) 10 percent of the total amount of net premiums written during the preceding year. In the case of a foreign branch insurer or re-insurer, its head office must guarantee prompt payments of all liabilities of the Philippines branch.

5.4 Market Conduct Regulation

An insurer must obtain approval from the Insurance Commission before it commences marketing an insurance product. In the case of pricing, life insurers are required to obtain approval from the commission of the premium rates for their life insurance products. In contrast, the Philippines Insurance Rating Association recommends premium rates for non-life insurance tariff lines, notably, motor insurance and bond (surety) insurance. All non-life insurers are members of this association and must abide by the recommended premium rates. Insurers in the Philippines have, since 1996, been allowed to market insurance products where the premiums and benefits are expressed in foreign currencies.

With regard to management control matters, the existing regulatory measures state that non-Philippines nationals may become members of the board of directors of a joint venture insurance or reinsurance company to the extent of the foreign participation in the equity of such company.

5.5 Survey Results

The results of the AITRI study on insurance regulators indicate that Philippines has only one major business environment challenge, which is the need for more expertise and facility for evaluating insurance products, examination of insurance companies, settlement of claims and other insurance controversies and use of computers in insurance regulations. The human resource development challenges faced by the Philippines Regulator primarily concern funding constraints.

Focus areas identified for future training are presented in Table 5.00.

Table 5.00: Focus Areas for Future Training

No.	Focus Areas	Importance (0-5)
1.	Insurance core principles	3
2.	Methodology and assessment of insurance core principles	0
3.	Health insurance	0
4.	Corporate governance	4
5.	Regulation of compulsory insurance	0
6.	Disclosure and transparency	5
7.	International insurance accountancy standards	5
8.	Investments regulation	4
9.	Money laundering and insurance	5
10.	Organisation of insurance supervisory authorities	0
11.	Private pensions	5
12.	Reinsurance regulation and supervision	4
13.	Role of auditors and actuaries	0
14.	Liability insurance	0
15.	Risk-based supervision	5
16.	Capital adequacy and solvency supervision	5
17.	Supervision of insurance groups and international insurers	0
18.	Valuation of insurance assets and liabilities	5
19.	Supervision of insurance intermediaries	5
20.	Alternative risk financing	4
21.	Captive insurance companies and risk retention schemes	5
22.	Credit insurance and credit risk securitization	5
23.	Enterprise risk and operational risk management	0
24.	Understanding insurance company accounts	0
25.	Financial conglomerates and financial sector convergence	5
26.	Asset-liability management techniques	5
27.	WTO and insurance: policies, national positioning and negotiation	5
28.	On-site inspection	0
	Overall mean (maximum value = 5.00)	**3.00**

5.6 Priority Areas for Supervisory Research and Technical Focus

The outcome of the survey for this AITRI study indicates that the priority areas for supervisory research for the Philippines Regulator according to the order of ranked importance are: captive market; margin of solvency requirement; risk-based capital; rates and rate making; and early warning systems.

Priority areas for technical focus for the Philippines Regulator according to the order of ranked importance are as follows: rating of companies; margin of solvency requirement; risk-based capital; rates and rate making; and early warning systems.

5.7 Preferred Training Methodology and Training Level

Based on the survey results, the Philippines Regulator prefers training through seminars, workshops, facilitated dialogues with other Regulators and attachment programmes elsewhere. In addition, the Philippines Regulator is interested in training in a formal specialist qualification at the certificate level.

5.8 Constraints

The only constraint is in the form of inadequate budgets available for training.

5.9 Solutions/Additional Comments

The Philippines Regulator proposes the continuous exchange of ideas and devices on new products and services during meetings, conferences and seminars.

6.0 COUNTRY REPORT: SINGAPORE

6.1 Insurance Industry of Singapore: Overview

The economy of this island country is based on a free enterprise system with few restrictions on foreign ownership or capital inflows and outflows. Not surprisingly, the insurance market in Singapore is very competitive, and is served by about 50 players in each of the direct, reinsurance and captive insurance markets.

The Insurance Department of the Monetary Authority of Singapore (MAS), the de facto central bank of Singapore, is responsible for the regulation and supervision of the insurance industry. The department issues notices and directives to insurers and other players in the Singapore insurance market. It also maintains a close relationship with various insurance industry organizations to foster self-regulation. It introduced the Insurance Intermediaries Act of 1999 to regulate the activities of insurance agents and brokers in life and non-life insurance business. Singapore last amended its insurance law in October 2000.

6.2 Market Access Regulation

Singapore has not put any restrictions on the admission of new reinsurers or captive operations. However, it had not admitted new insurers since the mid-1980s for direct non-life insurance business – unless a new insurer had expertise in a specialized line of insurance that the incumbent insurers lacked – and since 1990 for direct life insurance business. It was only in March 2000 that Singapore re-opened its door to direct insurers. At the same time, it lifted the then 49 percent restriction on foreign ownership of locally incorporated insurers. Nevertheless, new applicants can be subject to a needs test, e.g., commitment to Singapore's development as a regional insurance hub and international financial centre, a practice short of full liberalization of the insurance market.

The Insurance Department has the power to grant licensure to qualified applicants wishing to do insurance business in Singapore. For such qualified applicants in direct insurance and reinsurance business, the department requires a minimum paid-up capital of S$25 million. The minimum paid-up capital applied to captive insurers is S$400,000. The department may grant specialized licenses, holders of which can operate in selected lines of insurance (e.g., financial guaranty insurance).

6.3 Solvency Regulation

The solvency margin requirement is based primarily on the size of insurance business and liability reserves. The Insurance Department plans to introduce comprehensive risk-based solvency requirement models, one for life insurers and the other for non-life insurers. As such, the discussion in this study is based on the existing solvency margin requirements to which all insurers in direct, reinsurance and captive insurance business are subject. The solvency margin requirement comprises two requisites, the fund margin of solvency and the company margin of solvency. To meet the former margin requirement, an insurer must set up and maintain a separate insurance fund for each class of insurance business, which is further segmented into the Singapore Insurance Fund (SIF) for domestic businesses and the Offshore Insurance Fund (OIF) for offshore businesses. Particularly, a direct life insurer must maintain its SIF margin of solvency not less than the higher of (1) S$5 million, or (2) the amount calculated based on a formula that takes into account the insurer's actuarial liabilities, the sum insured at risks, and net premiums from accident and health insurance policies. A direct non-life insurer must maintain its SIF margin of solvency of the highest of (1) S$5 million, (2) 50 percent of net premiums in the preceding accounting period, or (3) 50 percent of loss reserves at the end of the preceding accounting period. A life reinsurer or a captive life insurer must maintain its assets not less than its liabilities of the fund in order to meet its fund margin of solvency. In the case of a non-life reinsurer or captive non-life insurer, SIF margin of solvency is the highest of (1) S$1 million (S$400,000 for captive insurer), (2) 20 percent of net premiums in the preceding accounting period, or (3) 20 percent of loss reserves at end of the preceding accounting period. Rules regarding OIF solvency margin requirements also exist, and are summarized in the full report.

To meet the second solvency margin, the company margin of solvency, all insurers, other than captive insurers, must maintain S$5 million per class of business, or S$10 million for both classes. Captive insurers are subject to a company fund margin of S$400,000.

6.4 Financial and Accounting Regulation

The Insurance Regulations of 1999 lay out statutory accounting principles for insurance companies. In particular, those regulations require direct non-life insurers to use at minimum a $1/24^{th}$ method for the valuation of unearned premium reserves. For direct business in cargo insurance, however, they may maintain such a reserve of no less than 25 percent of the related premiums. In the case of non-life reinsurance business, the reinsurer must maintain an amount not less than 25 percent of the premiums of marine and aviation policies, and 40 percent of the premiums in other policies. Non-life insurers must estimate their claims liabilities based on their claims statistics. The Insurance Department does not allow them any discounting of their loss reserves, and may require them to have their estimates certified by a qualified professional.

Direct life insurers are subject to the statutory minimum valuation basis for computing their actuarial reserves. The statutory basis is a net premium valuation assuming four percent interest and mortality rates according to the Commissioner's Valuation Table 92 for life business. For annuities, insurers may assume five percent interest rate and mortality rates of Table a (90) rated down two years.

The Insurance Regulations of 1999 prescribe investment limits of the SIF by asset type and exposure. For example, an insurer may invest up to 45 percent of the fund in equities, 30 percent in overseas assets, and 25 percent in real properties. The insurer may invest beyond the prescribed limits, but part or whole of the assets in excess of the maximum limits will not be admitted for the purposes of meeting the fund margin of solvency. There is no specific investment requirement for offshore business, but insurers are expected to exercise prudence in their investments. Some exceptions to these limits can be found in MAS Notice 104 of December 4, 2001.

6.5 Market Conduct Regulation

Direct insurers must have suitable reinsurance arrangements at all times, and their reinsurance partners must be of good securities. If an existing reinsurance arrangement has been, or is likely to be rendered inadequate or ineffective, the insurer is required to inform MAS immediately. Insurers operating in Singapore must obtain the approval of the Insurance Department regarding the appointment of their principal officers and directors. In the case of life insurers, they must also seek approval regarding the appointment of the appointed actuary.

6.6 Survey Results

The results of the AITRI study on Insurance Regulators indicate that Singapore has 4 major business environment challenges:

- The volatile and changing business environment poses threats to the solvency and profitability of insurance companies. Insurance companies need to have clear business strategies and strong financial and risk management disciplines to survive in the new environment.
- The effect of financial markets and related companies are greater on insurance companies than ever before. Consolidated supervision and cooperation with foreign Regulators need to be strengthened to enable group-wide supervision.
- The convergence of financial products calls for integrated supervision so as to avoid regulatory arbitrage and provide a level playing field for the Regulator's financial institutions.
- Insurance regulatory and supervisory practices should be relevant to the times.

Major human resource development challenges faced by the Singapore Insurance Regulator lie in the need to build up competencies to enable the carrying out of responsibilities against a rapidly changing environment, both with respect to financial institutions as well as new supervisory frameworks.

Focus areas for future training identified are presented in table 6.00.

Table 6.00: Focus Areas for Future Training

No.	Focus Areas	Importance (0-5)
1.	Insurance core principles	5
2.	Methodology and assessment of insurance core principles	0
3.	Health insurance	0
4.	Corporate governance	0
5.	Regulation of compulsory insurance	0
6.	Disclosure and transparency	0
7.	International insurance accountancy standards	0
8.	Investments regulation	3
9.	Money laundering and insurance	3
10.	Organisation of insurance supervisory authorities	0
11.	Private pensions	4
12.	Reinsurance regulation and supervision	4
13.	Role of auditors and actuaries	0
14.	Liability insurance	0
15.	Risk-based supervision	5
16.	Capital adequacy and solvency supervision	5
17.	Supervision of insurance groups and international insurers	3
18.	Valuation of insurance assets and liabilities	0
19.	Supervision of insurance intermediaries	0
20.	Alternative risk financing	0
21.	Captive insurance companies and risk retention schemes	0
22.	Credit insurance and credit risk securitization	0
23.	Enterprise risk and operational risk management	0
24.	Understanding insurance company account	0
25.	Financial conglomerates and financial sector convergence	5
26.	Asset-liability management techniques	0
27.	WTO and insurance: policies, national positioning and negotiation	0
28.	On-site inspection	0
	Overall mean (maximum value = 5.00)	**1.21**

6.7 Priority Areas for Supervisory Research and Technical Focus

As the Singapore Regulator feels that R&D in insurance supervisory is not important, no areas of priority areas for supervisory research and technical focus were proposed.

6.8 Preferred Training Methodology and Training Level

Based on the survey results, the Singapore Regulator prefers training through seminars, workshops, external expert consultations, attachment programmes elsewhere and series of structured training modules on specific topics. The Singapore Regulator is also interested in training in a formal specialist qualification at the degree level.

6.9 Constraints

No constraints were provided.

6.10 Solutions

No solutions were proposed.

7.0 COUNTRY REPORT: THAILAND

7.1 Insurance Industry of Thailand :Overview

The Thai insurance market had been closed for decades until the government adopted in the late 1990s a three-stage development plan. This new plan resulted in 100 insurance companies operating in the market (2000 data). Among them, 20 companies were in life insurance, 68 in non-life insurance, five in composite insurance, six in health insurance, and one in reinsurance.

Of the 100 companies, five are branches of foreign life insurers, and four are of foreign non-life insurers. Insurance business in Thailand is relatively liberal, and national treatment is generally observed.

The Life Insurance Act and the Non-life Insurance Act, both of 1992, empower the Department of Insurance of the Ministry of Commerce as the Regulator and Supervisor of the insurance industry. The department encourages insurance companies to be more responsible for their intra-company activities via corporate governance and for their inter-company activities via self-regulatory bodies (e.g., the Thai Life Insurance Association and the General Insurance Association).

7.2 Market Access Regulation

The Thai government is liberalizing its insurance market in three phases. In the first phase, the government amended its 1992 life and non-life insurance acts, and permitted new domestic insurers to form a joint venture with up to 25 percent foreign ownership. This resulted in licensing 28 new firms, of which 16 in non-life business, by the end of 1998. The Department plans to allow foreign equity participation up to 49 percent once the existing insurance laws have been amended.

Foreign ownership restriction is likely to be eliminated after another five years from the date the new laws have become effective. Newly licensed life and non-life insurers are now required to raise a minimum paid-up capital of 500 million baht and 300 million baht, respectively.

7.3 Solvency Regulation

All insurers must maintain a solvency margin. For this, life insurers are required to maintain a capital fund of not less than four percent of the insurance reserve, or not less than 500 million baht, whichever is greater. However, the government has placed an interim measure such that an insurer may meet a capital fund of not less than 300 million baht within three years and increase the fund to 500 million baht within five years from the date of implementation of this new capital requirement.

Non-life insurance companies must maintain a capital fund of not less than 20 percent of net premiums written in the previous year. Non-life insurers are also given a relief such that they meet only 200 million baht within three years and increase the fund to 300 million baht within five years from the date of implementation of this new capital requirement. The Insurance Department may impose additional requirements on Thai branches of foreign insurers.

7.4 Financial and Accounting Regulation

In 1993, The Ministry of Commerce introduced a guideline that requires insurers to make investment within Thailand. Insurers may invest outside Thailand in shares and debentures of reinsurance companies incorporated under ASEAN or ESCAP agreements or in others for which they have obtained approval from the authority. The government believes that the success of supervision of insurance companies depends on the success in monitoring their investments, which can be achieved by regulating the amount and the quality of investment.

7.5 Market Conduct Regulation

Several regulatory and supervisory measures regarding insurer operation are in place in Thailand. First, in 1999, the government banned insurers from concurrently operating life and non-life insurance businesses. Second, non-life insurers are subject to tariff rates for their motor insurance business. Fire insurance premiums are also subject to tariff rates. Third, all direct insurers have entered into a gentleman's agreement to cede on a quota share basis at least five percent of their assumed risks in fire, marine, transportation, and miscellaneous insurance to Thai Reinsurance Public Company. They must also maintain a proper reinsurance arrangement if the aggregate fire risk they have assumed in a geographical zone exceeds 10 percent of the solvency margin, or the total risk in their motor business portfolio exceeds 10 percent of the solvency margin, or the risk of any individual policy exceeds 10 percent of its surplus.

7.6 Survey Results

The results of this AITRI study indicate that Thailand has two major business environment challenges: how to increase customer base for the insurance industry, especially for the lower income customers; and how to reap the full benefits of the long-term financial stability brought about by the progressive insurance market.

Three major human resource development challenges faced by the Thailand Insurance Regulator are identified as: training staff to develop professional and managerial skills; encouraging staff to become members of insurance professional association; and long-term planning of human resource development due to services liberalization.

Focus areas identified for future training are presented in Table 7.00.

Table 7.00: Focus Areas for Future Training

No.	Focus Areas	Importance (0-5)
1.	Insurance core principles	4
2.	Methodology and assessment of insurance core principles	5
3.	Health insurance	0
4.	Corporate governance	0
5.	Regulation of compulsory insurance	0
6.	Disclosure and transparency	4
7.	International insurance accountancy standards	5
8.	Investments regulation	4
9.	Money laundering and insurance	0
10.	Organisation of insurance supervisory authorities	0
11.	Private pensions	0
12.	Reinsurance regulation and supervision	4
13.	Role of auditors and actuaries	0
14.	Liability insurance	0
15.	Risk-based supervision	5
16.	Capital adequacy and solvency supervision	5
17.	Supervision of insurance groups and international insurers	4
18.	Valuation of insurance assets and liabilities	4
19.	Supervision of insurance intermediaries	4
20.	Alternative risk financing	0
21.	Captive insurance companies and risk retention schemes	0
22.	Credit insurance and credit risk securitization	0
23.	Enterprise risk and operational risk management	4
24.	Understanding insurance company accounts	0
25.	Financial conglomerates and financial sector convergence	4
26.	Asset-liability management techniques	4
27.	WTO and insurance: policies, national positioning and negotiation	0
28.	On-site inspection	0
	Overall mean (maximum value = 5.00)	**2.14**

7.7 Priority Areas for Supervisory Research and Technical Focus

The outcome of the survey indicates that the priority areas for supervisory research for the Thai Regulator according to the order of ranked importance are: corporate governance; role of auditors and actuaries; solvency margins; supervision of insurance intermediaries; and convergence of financial conglomerates and financial sector.

Priority areas for technical focus for the Thai Regulator according to the order of ranked importance are as follows: health insurance; asset-liability management techniques; capital adequacy and solvency supervision; risk-based supervision; and private pensions.

7.8 Preferred Training Methodology and Training Level

Based on the survey results, the Thai Regulator prefers training through seminars, conferences, workshops, external expert consultations, facilitated dialogues with other Regulators, attachment programmes elsewhere, distance learning programs and series of structured training modules on specific topics.

7.9 Constraints

The only constraints are in the form of inadequate internal personnel to conduct training courses; inadequate budgets available for training; and inadequate motivation of staff to participate actively in training.

7.10 Solutions

The Thai Regulator proposes the establishment of long-term commitment to training system.

8.0 COUNTRY REPORT: VIETNAM

8.1 Insurance Industry of Vietnam: Overview

Vietnam is a socialist country. However, in 1989, Vietnam implemented the *Doi Moi* (renovation) Plan to transform its economy to be market-oriented. Its economy has since grown rapidly, and the country has attracted a number of foreign financial entities to its local market. As depicted in the *Doi Moi* Plan, the government ended its decade-long monopoly operation of the state-owned Baoviet, and created several state-owned insurers as well as the Vietnam National Reinsurance Company. Foreign insurers have been selectively admitted since 1999. At present, 16 insurers operate in Vietnam. The first insurance law, which became effective in December 2000, covers several basic rules of regulation and supervision. It also states clearly that the government will compete with the private sector in providing insurance coverage, and that direct insurers are subject to compulsory reinsurance cession. The insurance law does not apply to social security, health insurance, deposit insurance, and other types of insurance that are provided for by the state, and are of non-commercial nature.

8.2 Market Access Regulation

An entity wishing to do insurance business may file an application with the Ministry of Finance. In the case of a foreign applicant, it must additionally submit evidence of its licensing status and financial soundness in insurance operation in the country of domicile. The insurance law no longer requires the foreign applicant to apply to the Ministry of Planning and Investment for an investment license. A new insurance company may be formed as a mutual company, a stock insurer, a joint venture insurer, or a wholly-owned subsidiary. Composite insurance business is not permitted in Vietnam. The minimum paid-up capital required is 70 billion Vietnamese dong for Vietnamese non-life entities, or US$5 million for foreign non-life firms. For life insurance business, the minimum required capital is 140 billion dong for Vietnamese insurers, or US$10 million for foreign-owned insurers. All insurers must make a security deposit, five percent of the required capital, with a licensed bank in Vietnam.

8.3 Solvency Regulation

All insurers must maintain assets in excess of liabilities by an amount of no less than the sum of the paid-up capital plus compulsory reserve funds and retained profits. In addition, they must meet the following requirement: for non-life insurers, 20 percent of the total premiums for the risks they retained from the previous financial year; and for life insurers, 0.1 percent of the aggregate coverage of all policies in force during the previous financial year.

8.4 Market Conduct Regulation

Several guidelines regarding insurer operations and market conduct exist. For example, insurers are restricted from opening more than one branch in a city. Non-life insurers are subject to compulsory cession—presumably 20 percent of their assumed risks on a quota share basis—to the Vietnam National Reinsurance Company. The Ministry of Finance plans to phase out this cession requirement over the next few years. In the case of foreign insurers, they are committed to investing all premium revenue in Vietnam, and must contend with public doubts over the stability of Vietnam's official currency. Wholly foreign owned insurers may remit overseas their retained profits after meeting all reserve requirements. Foreign parties of joint venture insurance companies may also remit overseas the amount of distributed profits after meeting all reserve requirements.

8.5 Survey Results

The results of the AITRI study on Insurance Regulators indicate that Vietnam faces four major business environment challenges: understaffing; limited IT structure; insufficient regulatory and supervisory standardization; and limited public awareness of insurance.

Accordingly, the survey also shows that key human resource development is hampered by the acute shortage of skilled and experienced professionals; budgetary constraints and procedural limitations, making outsourcing impossible; mismatch between training provider and industrial needs; and the absence of an insurance education and training institute.

Focus areas identified for future training are presented in Table 8.00.

Table 8.00: Focus Areas for Future Training

No.	Focus Areas	Importance (0-5)
1.	Insurance core principles	5
2.	Methodology and assessment of insurance core principles	4
3.	Health insurance	3
4.	Corporate governance	4
5.	Regulation of compulsory insurance	4
6.	Disclosure and transparency	5
7.	International insurance accountancy standards	5
8.	Investments regulation	4
9.	Money laundering and insurance	3
10.	Organisation of insurance supervisory authorities	5
11.	Private pensions	3
12.	Reinsurance regulation and supervision	4
13.	Role of auditors and actuaries	5
14.	Liability insurance	4
15.	Risk-based supervision	4
16.	Capital adequacy and solvency supervision	5
17.	Supervision of insurance groups and international insurers	4
18.	Valuation of insurance assets and liabilities	5
19.	Supervision of insurance intermediaries	5
20.	Alternative risk financing	3
21.	Captive insurance companies and risk retention schemes	3
22.	Credit insurance and credit risk securitization	3
23.	Enterprise risk and operational risk management	3
24.	Understanding insurance company account	5
25.	Financial conglomerates and financial sector convergence	4
26.	Asset-liability management techniques	5
27.	WTO and insurance: policies, national positioning and negotiation	5
28.	On-site inspection	5
29.	Reserving (non-life and life) method	5
	Overall mean (maximum value = 5.00)	**4.21**

8.6 Priority Areas for Supervisory Research and Technical Focus

The outcome of the survey indicates the following priority areas for supervisory research for the Vietnamese Regulator according to the order of ranked importance: capital adequacy and solvency supervision; on-site and off-site inspection as well as understanding insurance company accounts; corporate governance; reinsurance regulation and supervision; and WTO and insurance.

Priority areas for technical focus for the Vietnamese Regulator according to the order of ranked importance are: corporate governance; investment skills; financial management; product development, pricing and distribution; and consumer protection schemes.

8.7 Preferred Training Methodology and Training Level

Based on the survey results, the Vietnamese Regulator prefers training through seminars, conferences, workshops, external expert consultations, facilitated dialogues with other Regulators, attachment programmes elsewhere, distance learning programmes and series of structured training modules on specific topics. The Vietnamese Regulator is interested in training which is in a formal specialist qualification at the diploma level.

8.8 Constraints

The findings of this AITRI survey indicate that the Vietnamese Regulator does not have major problems in identifying external training facilities and motivating staff for training. The only constraints are in the form of inadequate budgets to conduct training programmes and inadequate internal personnel to conduct training courses.

8.9 Solutions

The Vietnamese Regulator proposes (1) incorporating the training of Regulators into a broader training programme for the Ministry of Finance staff to benefit from budget allocation (optimization), (2) seeking financial support and funding from regulatory partners and the industry through cooperation and technical assistance programmes, and (3) focusing on the training of trainers.