

## **Barry Whiteside: Development of micro-insurance in Fiji**

Opening speech by Mr Barry Whiteside, Acting Governor of the Reserve Bank of Fiji, at the Launch of LICl's Micro Life Product, Suva, 20 April 2011.

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His Excellency the High Commissioner of India, Mr Vinod Kumar,  
General Manager, Life Insurance Corporation of India Fiji Operations, Mr Krishnan Narasimhan,  
Mr. Tillman Bruett, Project Manager, Pacific Financial Inclusion Programme  
Fiji Management & Staff of LICl,  
Distinguished guests,  
Ladies and Gentlemen.

Good evening and bula vinaka to you all.

It is an honour and pleasure to be here with you today to help launch Life Insurance Corporation of India's (LICl) first individual micro-insurance product.

I wish to thank Mr. Narasimhan for the invitation and I congratulate LICl for this exciting initiative.

I would like to mention, right up front, that Mr. Narasimhan is a pioneer member of our National Financial Inclusion Taskforce and the current Chairman of the Financial Literacy Working Group of that Taskforce. During his time in Fiji he has clearly demonstrated his passion as an advocate of financial inclusion and has been at the forefront driving and promoting this cause which we hold dear to our hearts. Last year he was influential in the Green Ribbon Campaign that raised awareness on the importance of financial literacy.

I understand Mr. Narasimhan will be leaving our shores in the not too distant future. We are of course saddened by this, given his tremendous contribution to our financial inclusion cause. We of course recognize that this is a necessary career path move and we wish him only the very best in his future endeavours.

### **Introduction – Micro-insurance**

Ladies and gentlemen, micro-insurance exists in Fiji on a very small scale. However, as some of you know, micro-insurance is now the fastest growing microfinance product in the world, providing benefits to millions of mothers, farmers and small business owners.

By definition, micro-insurance is simply *...affordable insurance provided for low income people to protect themselves from financial shocks imposed on them through unpredictable events.*

While the risks faced by the poor are no different from those encountered by others, this group of people are more vulnerable to such risks due to their very limited resource base. Therefore, they face a greater financial burden when hit by an unexpected event, such as the untimely death of a family member, deadly illness or injury, or loss of assets from natural disasters.

The reality is that when low income households are faced with such difficulties, harsh choices are made to endure such ordeals and just to get by. Their subsequent actions may deplete their quality of life, thus their standard of living declines and more people fall deeper into the poverty trap.

In Fiji, the poor are the most exposed to such risks and at the same time, are the least protected against the consequences. Micro-insurance can play an integral role in diminishing the risks associated with catastrophic events.

Micro-insurance is new to Fiji, with just two products, a funeral and a life policy introduced to the market in 2010. I would like to be able to tell you how successful these products have been in terms of their take-up, but I do not have the figures yet. A new product for protection against crop damage is also currently being explored.

Clearly there is scope for micro-insurance to develop in Fiji given the existing demand for protection against health, life, education, financial and disaster risks. Tonight's product launch by LICl is testament to that.

As an institution whose vision is to lead Fiji to economic success, the Reserve Bank of Fiji believes that promoting micro-insurance is an investment for the future, but this needs a collaborative approach by all. LICl has risen to that challenge and I applaud them for that.

### **Developments in financial inclusion and microfinance**

Ladies and gentlemen, as you may be aware, in 2009 a National Microfinance Workshop was organized by the Reserve Bank and supported by the Pacific Financial Inclusion Programme (PFIP). A key outcome at this workshop was the commitment by participants to a common vision of **"...reaching at least 150,000 unbanked citizens through a coordinated national effort by the year 2014"**.

To promote this vision, the National Financial Inclusion Taskforce was established and given the job to monitor and drive strategies in achieving financial inclusion goals. To support the work of the Taskforce, three working groups were also established to focus on financial literacy, statistics and microfinance.

A follow up workshop was held in March this year where stakeholders took stock of what had been achieved to date. More importantly, forward plans were reviewed with the 2014 target in mind.

In addition to this, the RBF has continued its outreach and awareness by way of microfinance expositions. In 2010, together with our many stakeholders, we held three expos in Ba, Labasa and Suva. This year we plan to hold another three in different locations. In fact, the first one was just concluded at the end of March. It was the first ever microfinance exposition held in the maritime zone, covering Savusavu, Taveuni, Koro, Gau and Levuka.

The primary focus of such expositions is to raise awareness and promote greater financial inclusion in Fiji. The expos feature different organizations from the private and public sectors (including the banks and mobile phone companies), donors, civil society groups and relevant government ministries. We are indeed really thankful for the tremendous on-going support of all these organisations.

### **Micro-insurance to support these developments**

In May 2010, the Asian Development Bank released a comprehensive report titled "Microfinance in Fiji – Challenges and Opportunities". The report highlighted that when certain key risks are pooled or transferred in a cost efficient manner, the likelihood of falling further into poverty due to external shocks is reduced. It also identified a huge market for micro-insurance, with at least 250,000–300,000 citizens still untapped by insurance in our country.

On the 15th July 2010, the Reserve Bank together with the Pacific Financial Inclusion Program organized an "Information Exchange on Micro-insurance in Fiji" with relevant stakeholders. The event saw stakeholders deliberate and discuss the extension of insurance to low income households in Fiji and enabled them to learn more about its potential for both low income households and insurance companies.

The development of the micro-insurance industry will ensure that low income households can live life with dignity especially in times of adversity. Improved access to financial services for low income residents is definitely needed.

The Reserve Bank is working on developing a sound regulatory framework, with low barriers and more awareness and consumer protection, to ensure the viability of the micro-insurance industry in Fiji.

There are a number of obstacles that hinder the growth of micro-insurance. Perhaps the greatest obstacle, apart from affordability, would be the limited public awareness on the benefits of insurance among those who have never had access to financial services. Financial literacy is seen as the answer to overcome this hurdle.

Micro-insurance has become a global phenomenon and the number of successful stories and case studies in other developing countries has pointed the way for the introduction of such products in Fiji.

I have already mentioned the very few micro-insurance products currently available in our market. This is therefore a call for insurance companies to do what LICl is doing here today and come up with more innovative products in this field.

The initial undertaking towards expanding access to insurance for the poor is diversifying the products. In their current form, insurance policies are too technical and complicated to be understood by the ordinary man on the street. Given the structure of Fiji's economy, it is not just about extending any product to the poor, but providing products that are of value to them and which produce a reasonable return.

### **Micro Life by LICl**

Ladies and gentlemen, today, I am extremely pleased to help launch a new micro-insurance product into our economy, called Micro Life, courtesy of the Life Insurance Corporation of India.

Micro Life is an endowment-type micro-insurance product providing death, disability, accident and funeral expense benefits, besides substantial savings and returns on maturity. This is the first ever individual and comprehensive micro-insurance product for Fiji.

The initiative is welcomed by the RBF as we believe in innovative financial products in the economy and such introduction is the stepping stone for financial inclusion at large. Perhaps the first of its kind in Pacific, the product aims to provide low cost life insurance solutions to the segments of society who have up to this point in time, been under served. The product clearly fits our picture of promoting greater financial inclusion.

Ladies and gentlemen it would be remiss of me not to say anything about the provider.

Life Insurance Corporation of India (LICl) is no small operation. It is a global Life Insurance company with headquarters in Mumbai, India and is fully owned by the Government of India. LICl, Fiji is a branch of the parent company and has been operating in Fiji for more than 54 years. The Fiji operations of LICl are guided by the Insurance Laws in Fiji (Insurance Act, 1998) and are governed by the Reserve Bank of Fiji.

Today, LICl in Fiji is a prominent player in the financial sector of the country, operating through a network of branch offices in Suva, Lautoka and Labasa, besides agency offices in nine other centers. The Vision of LICl Fiji is to become the preferred insurer of choice for the people of Fiji. We thank the Company for moving further on its vision in the case of its new Micro Life product.

## **Conclusion**

In concluding, I would just wish to say that micro-insurance is a vital tool for the country's low income people to protect themselves from adversity. If low income individuals decide to purchase the micro-insurance product, it will certainly moderate the risks and provide the comfort or backing to be more optimistic in whatever they may be doing to pull themselves out of poverty. Micro-insurance is designed to help the low income individual cope with financial emergencies.

The onus, ladies and gentlemen, is to try to make everyone aware of this excellent opportunity and utilize it to better their livelihoods.

## **Launch**

Once again, I thank Mr. Narasimhan for his kind invitation. I wish him and his team at LIC every success with the Micro Life product. I also thank LIC for continuing to contribute to the development of our financial sector and economy.

I now have much pleasure in launching the LIC Micro-insurance product – Micro Life.

Vinaka vakalevu and Dhanyavaard.