



## **Presentation of Licence to BSP Life PNG Limited**

By

**Dr. Gae Kauzi**  
**Deputy Governor**

Friday, 16<sup>th</sup> February 2018

### **1. Acknowledgements**

- Mr. Robin Fleming – Group CEO, Bank South Pacific,
- The board of BSP Life PNG Limited,
- Mr. Michael Saunders, Country Manager, BSP Life PNG Limited,
- Managers and staff of BSP Life PNG Limited,
- Bank of PNG Officers,
- Ladies and Gentlemen.

### **2. Introduction**

- On behalf of the Governor, Mr. Loi Bakani, CMG, and the Bank of Papua New Guinea (the Central Bank), I wish to congratulate the Board and Management of BSP Life PNG Limited and also BSP Group of companies for successfully securing a life insurance licence from the Central Bank to conduct life insurance business in Papua New Guinea.
- The Central Bank is pleased to issue this licence under Section 15 of the Life Insurance Act 2000.
- BPNG is also pleased to see an additional player coming into the life insurance industry.

### **3. Life Insurance Industry**

- The life insurance industry is regulated separately from general insurance (which currently comes under the Office of Insurance Commission).
- There are a total of:
  - ~ 4 Licensed Life Insurance Companies; and,
  - ~ 5 Licensed Life Insurance Brokers.
- BSP Life will make the 5<sup>th</sup> licensed life insurance company in the country.

- Life insurance is a young industry with a lot of potential to grow.
- The total assets in the industry is about K500 million as at the end of 2017.
- Micro-life insurance is the fastest growing area in the industry. At the end of 2017, the total number of micro-life insurance policies issued by even just one life insurance company reach about 600,000 policies.

#### **4. Importance of Strong Governance To Instil Confidence In the Insurance Industry**

- Insurance in general is a new concept in PNG. In many aspects, the concept of insurance is not properly or commonly understood by many Papua New Guineans, where more than 80% of our population live in the rural areas and dependent on subsistence farming and thus the concept of financial planning is largely non-existent. Even banking is generally not well understood by Papua New Guineans, as proven by the high level (at approximately 77%) of population being unbanked.
- One of the likely factors that has made insurance not to be a well sought after form of financial security (from a downside risk) would be the “wantok system”. Family members or event wantoks would rather depend on each other or on employed wantoks for financial help when it comes to issues such as medical expenses or expenses in event of loss of loved ones, than having in place insurance protection(s).
- I encourage Papua New Guineans to recognize the importance of insurance, especially life insurance, as an essential form of financial protection in the event of accident or sudden loss of lives.
- Another factor that has undermined the confidence in the industry is in the area of governance, risk and financial management. Since the Central Bank assumed the responsibility of regulating and supervising life insurance from 2003, we had to deal with serious bad governance and weak financial management in the industry due to serious conflict of interests in some of the institutions both at the board and management levels. One poorly governed and managed insurance company was found by the Bank to be operating insolvently, which resulted in a liquidation process. A situation where the same person controlled both the board and management which portrayed serious conflicts of interest. A similar scenario was observed in another insurance company where the same people controlled both the board and management and there was no clear separation of roles and responsibilities. This company refused to comply with the Central Bank’s prudential standard on governance and had to cease its operations. These events also undermined the confidence of policyholders and potential ones throughout PNG.
- There is a need to instil good governance at all levels of an insurance company and a need to apply the best risk and financial management practices. This challenge

goes to the entire insurance industry and to all financial institutions in the financial services sector.

- There is even a strong need for more specific awareness and financial literacy to all adult Papua New Guineans on the importance of insurance.
- Insurance should also be a subject that should be taught to our young generation in the schools, colleges and universities, and also be promoted by the insurance players in PNG, just like the way we are developing specific banking products for school students.

## **5. Conclusion**

- To conclude, let me say that life insurance is an important financial tool for financial management to protect a person from financial loss or pressure in the event of calamity.
- With the entry of this strong and promising insurer, I challenge the board and management of BSP Life PNG Limited to look at ways that can instil confidence in the industry through demonstration of good corporate governance, strong risk management and good financial management. In addition, to develop the insurance industry through provision of insurance policies or products which are relevant, well understood and affordable for Papua New Guineans. In addition, to establish a strong and vibrant inclusive insurance industry in PNG. I want to convey the same challenge to all existing life insurance companies and brokers in the insurance industry.
- Finally, I would like to congratulate the board and management of the BSP Life PNG Limited for successfully acquiring this licence through a stringent licensing process to enable BSP Life PNG to conduct life insurance business in PNG, and wishing you all the best in your future endeavours.
- Congratulations!

God bless you all and thank you for listening.