

**INSURANCE OUTLOOK 2007-2011**  
**Reframing Cambodian Insurance Industry**

**January 2007**



Mr. Mey Vann  
 Director of  
 Financial Industry  
 Department, Ministry of  
 Economy and Finance,  
 Cambodia

Dr. Vong Bunintreavuth  
 Chairman of GIAC  
 General Insurance  
 Association of Cambodia ;  
 Managing Director  
 Cambodian Reinsurance  
 Company, “Cambodia Re”

Mr. Pascal Brandt -Gagnon  
 General Manager  
 Asia Insurance  
 (Cambodia) Plc.

Dr. Vong Sandap  
 Director General  
 CAMINCO  
 Cambodian National  
 Insurance Company

Mr. Carlo Cheo  
 AMII, ASII, ANZIIF,  
 (Snr. Assoc.) CIP  
 Managing Director  
 Forte Insurance  
 (Cambodia) Plc.

## 1- PERFORMANCE REVIEW OF CAMBODIAN INSURANCE INDUSTRY

### ► Milestones in history of Cambodian Insurance Industry:

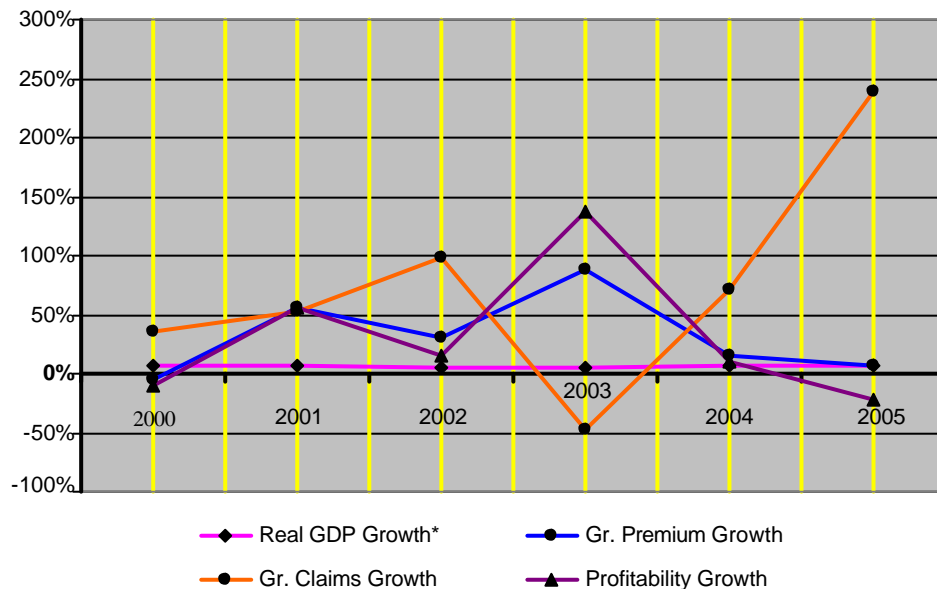
YEAR	Milestones in timeline development
1950	A number of French Insurance companies engaged operations within the colonial period.
1975	State-Owned Insurance Company, Societe National d'Assurance et Reassurances (SNAR)
1990	Cambodian National Insurance Company (CAMINCO) was established.
2000	In June, Insurance Law was passed by the Cambodian Parliament.
2001	In October, The corresponding Sub-Decree to the law on Insurance.
2002	In early year, the Cambodian Reinsurance Company “Cambodia Re” was established.
2004	In October, Indochine Insurance was closed.
2005	- On 17 June, MOU is signed between Forte Insurance and the Malaysian Insurance Institute (MII) - On 29 <sup>th</sup> July, General Insurance Association of Cambodia was internally established and recognised by the Ministry of Interior on 14 <sup>th</sup> October.
2006	On 23 May, life insurance programme under MOU signed between Ministry of Economy and Finance and four allied insurance companies, NTUC Income Insurance Cooperative Ltd., PT Assurance Central Asia, Indonesia, Asia Insurance Co. Ltd., Hong Kong, and Bangkok Insurance Public Co., Ltd. Thailand.

► **Milestones in Privatisation and Liberalisation of Cambodian Insurance Industry:**

YEAR	Privatisation and Liberalisation in timeline development
1994	Indochine Insurance entered the market in partnership with CAMINCO as an agent.
1995	Asia Insurance was operated in partnership with CAMINCO as an agent.
1999	Forte Insurance was operated in partnership with CAMINCO as an agent.
2000	Requirement of registered capital of US\$ 7 million bylaw for transformation of those three agents into the licensed companies.
2004	- In January, Cambodia Re became a Joint Venture firm with Asian Insurance International (Holding) Company “AII.” - Indochine Insurance was closed during transformation of being licensed.

► **Insurance Market Trends and Analysis:** Insurance market here in Cambodia is relatively in emerging stage of its development according to the 1999 baseline analysis, figure 1. During the last 5 year time, growth of gross premium was fluctuated from -5% in 2000 to reach its peak at 88% in year 2003 and dropped to 6.84% in year 2005 which was still higher than Real GDP growth as at 6.0%. Whilst growth of gross claim increased from year 2000 to year 2002, significantly slumped in 2003 at -47.57% and continually soared till the year 2005 at 238.90% as affected by few vulnerable fire policies.

**Figure 1** - Insurance Growth vs. Real GDP Growth



**Source:** \* Ministry of Economy and Finance, National Institute of Statistics, National Bank of Cambodia And IMF estimates.  
As 1999 Baseline Analysis of given figures, Insurance Division, Financial Industry Department, Ministry of Economy and Finance, Cambodia.

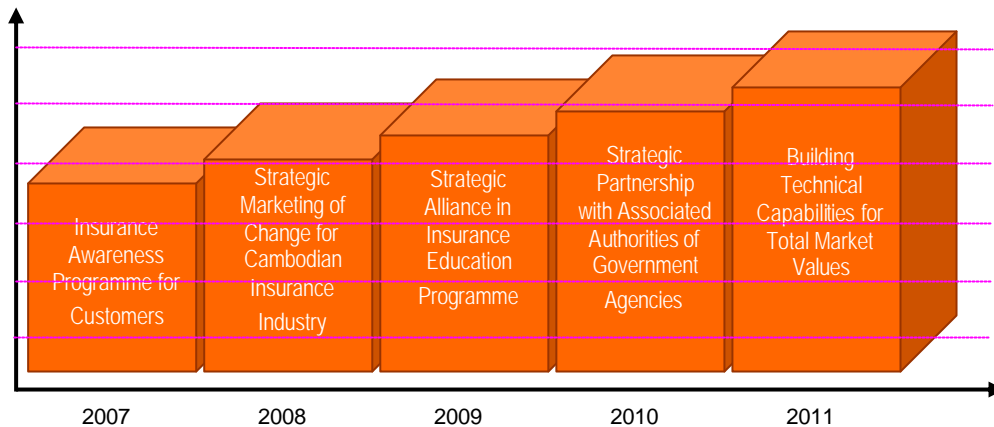
However, profitability growth was noticeably observed as high as at 136.48% in 2003 throughout the last six year period, and fell as low as at 22.63% in year 2005. Hence, Cambodian Insurance Industry still has its potentiality to be further developed to drive for changes in economic development framework.

### 3- KEY CHALLENGES IN GROWING CAPITALIZATION DEVELOPMENT

Despite Cambodian insurance industry is relatively young still, local insurers have been trying to deliver their resourceful services as long as financial protection and recovery as the means necessarily needed. Public confidence to build pertaining to the unknown risks is more important in addition to existing portfolio through the following programmes.

- Insurance awareness programme for customers,
- Strategic marketing of change for Cambodian Insurance Industry,
- Strategic alliance in insurance education programme,
- Strategic partnership with associated authorities of government agencies,
- Building technical capacity for total market values.

**Figure 2 - Growing Capitalisation Development**



➤ **Insurance Awareness Programme:** This programme should be designed to draw public attention that insurance is a backbone to support the strength of Cambodian economy by programming insurance product orientation in terms of managing risk and uncertainty of the nation.

➤ **Strategic Marketing of Change:** This should be designed in such a way that individual insurer could complement with its unique distinctions of single product branding strategy within the strengths of seasonal, sectorial segmentations. There are some facets that this industry can be completely moved forward to gain public attention for a reliably public confidence in the long run without injuring its reputation only if the strategic marketing of change must be visualised to be synergised intentionally and superlatively through the following industrial marketing tools and their renewals:

1. **Industry Performance Report Agencies:** GIAC, Regulator, Insurance Companies and Cambodia Re and Associated government Agencies should produce their respective reports of their own performance by distributed for the public understanding.
2. **Industry Branding Campaign:** Co-marketing between GIAC, regulator in legal frameworks for consumer interest protection framework is providing a complete guidance for initiating the affirmative industry branding campaign.
3. **Cambodian Insurance Industry Awards:** This is a kind of a domestic awarding system which should be annually held for promoting the industry’s image by rewarding in the following categories:
  - *The Best Insurer’s CEO of The Year*
  - *The Best Insurer’s Line Manager of The Year*
  - *The Best CEO of the Associated Government Agencies of the year.*

➤ **Strategic Alliance in Insurance Education and Training:** Insurance studies pertaining to the insurance-related topics shall be in University’s integrated programme in majors of Economics, Law, Finance or management. In this intention, it reached to a memorandum of understanding (MOU) signed on 17 June 2005 as shown in the milestones in history to spark insurance knowledge and boost the industry performance.

**Figure 3 - Effective Direction of Ultimate Training Perspectives**



*Source: Analysed and adapted from Brinkerhoff, R. O., Use evaluation of a strategic tool to build performance improvement capability, In Training & Development in Australia, August 2001, p. 14-20*

To support the industry within, Cambodian Insurance Institute (CII) shall be established as a professional body which short course training is provided for insurance stakeholders. Yet, this may take some time unless otherwise the industry itself needs its synergistic capability building for insurance development orientation as illustrated in figure 3.

► **Strategic Partnership with Associated Authorities of Government Agencies:** Building strategic partnership with associated authorities of government agencies would strategically leverage the industry performance as where the government agencies should view insurance, not just a matter of insurance business—damage or loss in the occurred events to be indemnified—but as the tools for costs saving of the nation, improving investment climate and supporting investment circle, and social welfare contribution in job creation, indeed, as shown in figure 4.

**Figure 4 - Strategic Partnership with Government Agencies for Social Welfare Contribution**



► **Building Technical Capabilities for Total Market Values:** Functional-to-operational development should be visualised to be built by energising strategic human resource development through training which is a great deal for all the insurers to invest and bring success. Knowledge in underwriting profit-driven risks would relatively influence the industry performance. Notwithstanding, potentially distinctive knowledge which our local insurers possess is the best approach to spur insurance practices in different areas for growth.

#### 4- SYNERGISTIC PERSPECTIVES REFRAMING CAMBODIAN INSURANCE INDUSTRY

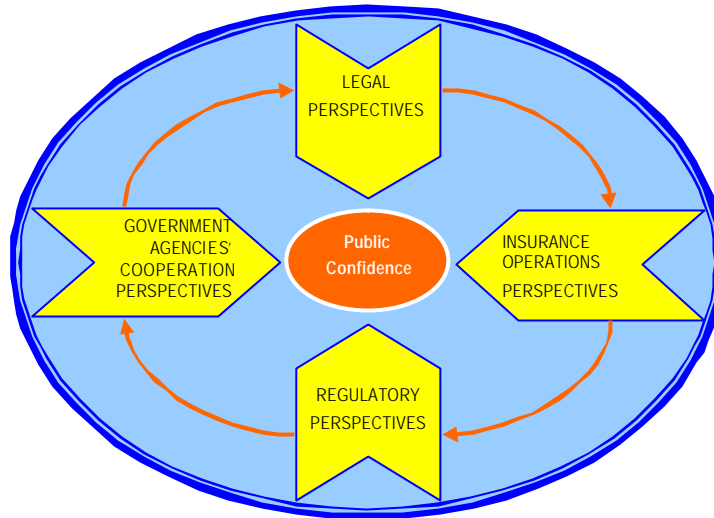
It is pivotally crucial to visualise synergistic perspectives in reframing Cambodian insurance industry so as to win public confidence, as a centred-energising driver for the sustainable growth by which its direction will support the downstream performance of this industry. To build public confidence as referred to figure 5, there are four perspectives: legal, insurance operations, regulatory, and government agency cooperation.

► **Synergistic Insurance Operations Perspectives:** Synergising insurance operations framework is to create a perfect market competition so that its market characteristics could lead to a great focus on the following criteria:

- Underwriting as yardsticks to measure total market values,
- Claims volatilities as yardsticks to measure the reflexive effectiveness,
- Customer service is a core value of public confidence building,
- Complaint management is for enhancement of public confidence, and
- Insurance buying process is redefined through its networked expansion.

► **Synergistic Regulatory Perspectives:** Synergising regulatory framework would ensure how the market is in action with a fair competition. For that matter, regulatory practices would be visualised to seek for a reliable understanding of the industry capabilities and possibilities to some extent that the industry performance renewal should be made by reaction for development.

► **Synergistic Government Agencies' Cooperation Perspectives:** Government agencies should understand that their cooperation is the basic tool to foster the investment growth because they are the key partners for social verification and development in association with insurance practices in a set legality.

**Figure 5** - Round-Clock Perspectives to Win Public Confidence within Cambodian Insurance Industry

► **Synergistic Legal Perspectives:** Legality may be adapted within a set framework in order to protect customer interests for insurance practicality accordingly. Their interests would be understood as financial security and recovery and/or reputation. In this effect, the industry performance may have some constrains resulting from insurance practices, yet it drives for an industry performance development.

#### 5- CULTIVATING THE INDUSTRY PERFORMANCE AND ASSURANCE

As long as human capital is developed within synergistic perspectives reframing, it is a time to establish an Independent Loss Adjuster (ILA), for continuously servicing to this industry, to independently performance with a nature of its role in order to investigate and evaluate any loss or damage of any incurred events whilst industry-wide knowledge is utilised within technical capability building during evaluation process. This can lead to an agreed financial terms in various alternatives for a rational decision marking of indemnification.

#### 6. CONCLUSION

Wonderfully, any changing agents of the above four dimensions to win public confidence would rectify the public requirement for the industry development for better redefining for high total market value at large. Finally, the most valuable insurance innovations would be realised as ideally financial solutions to customers' need surprisingly in various sectors.