

BRINGING LIFE INSURANCE TO CAMBODIA

SEOUL, South Korea - Would one ever think of owning a life insurance policy in Cambodia? Life insurance will be available in the coming months for all citizens.

A final review workshop summarizing and commenting on the research about establishing a Market Securities and Policy system for life insurance companies was held at Korean Development Institute School (KDI School) of Public Policy and Management on March 19th to the 23rd. The participants included Cambodian government officials from the Ministry of Economics and Finance and the National Bank of Cambodia as well as other distinguished professors and guests from other institutions.

The workshop summarized the research outcome and comments from the sponsoring bodies, the Ministry of Finance and Economy of Korea and KDI School. Their aim is for the establishment of a life insurance system in the country of Cambodia.

A policy and system for the life insurance industry can help boost financial mobilization within the country, especially during this time when financial management ability within the government is very crucial. Dr. NAM Sang-Woo, a professor at Korean Development Institute School, said in the workshop, "Life insurance is to contribute to the Cambodian Bond Market and become a major shareholder in the future bond market."

At present, there is no bond market in Cambodia. Government bonds are to be introduced in the near future to bring many the people's money out into the market and help to stimulate the economy. Government bond insurance is a non-inflationary way of funding and it also enhances the effectiveness of the monetary policy.

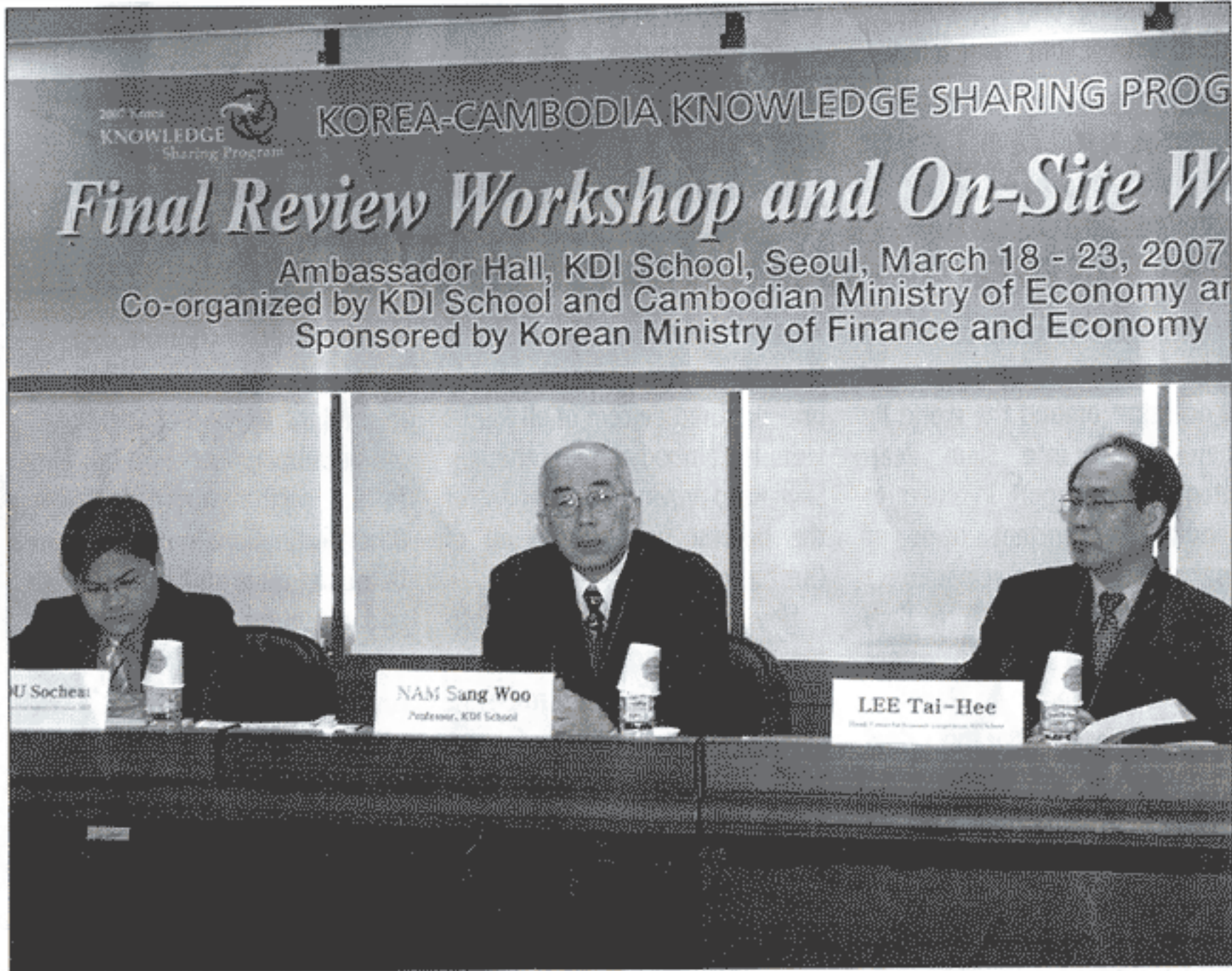
Life insurance companies can direct their resources to invest in other sectors also. This will help make the economy grow and expand. Research Fellow Dr. KIM Seong Young from Korea Insurance Development Institute, said that insurance companies need to reinvest their money and make a profit in the financial market. Without this ability, they would take their money to invest abroad. Life insurance can assist economic growth and development in general and the development of an open financial market in

particular.

However, it is questionable if it is the right time to implement the policy. Mr. KEM Viseth, a senior Financial Market researcher in Korea, said, "It's

data for building a mortality rate table since there are not any life insurance companies existing yet. By comparing figures with neighboring countries like China, Japan, Singapore and Indonesia, Cambodia can estimate its rate by expecting a slightly higher

Director, Financial Industry Department, MEF, said, "We plan to launch a joint venture with foreign companies from Bangkok, Singapore, Hong Kong and local companies. Market research is sponsored by Korea. The actual efficiency and applicability of the venture is not yet



From Left to Right: Sou Socheat, Cambodian Delegate; Chairpersons: Nam Sang-Woo, KDI Professor, Lee Tai-Hee, Head of Center for Economic Cooperation, KDI School.



not really the right time for Cambodia to have a bond market. However, it should be the time that we should study about it because when our country grows better, we need the market to mobilize the financial resources for economic development."

There are also some possible drawbacks in the future regarding the interest rate. Rapid change in interest rates can cause huge damage to insurance companies. Dr. KIM Seong Young commented that at the present time, interest rates in Cambodia are stable - rising only slightly - but will likely go down at some point. The government must be ready for such a possibility in the near future.

Cambodia also needs to develop a mortality rate table. These tables calculate different variables in order to more fully ascertain the true cost of insuring them. It is the key factor for developing a life insurance industry. However, there is no

mortality rate than these countries.

Mr. Sou Socheat, Deputy

known. Price is still a major concern as well. It is not yet known what the actual costs of doing business will be. Some of the Koreans involved however, believe that it is better to implement the policy first and then work out the details after it has already been established.

In June we will be able to observe the newly-born system of life insurance and then to observe its development as time goes on.

By Tram Lyrattanak