Kingdom of Cambodia

Nation Religion King

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Insurance Policy-related Challenges and Opportunities

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Insurance Policy-related Challenges and Opportunities

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1. Background

After Cambodia reformed an economy system in the late 1980s, the government established a state-owned company, the National Insurance Company (CAMINCO), which acted as both operator and regulator for the purpose of trade facilitation.

Insurance Law was adopted by the National Assembly on 20/06/2000

Three insurance agents have also been established, including Forte Insurance, Asia Insurance and Indochina Insurance.

"Financial Sector Development Strategy 2001-2010" was prepared and updated every 5 years

Cambodia Reinsurance Company (CamRe), a reinsurance company, was established in 2002

2. Status Quo

2. Status Quo (1)

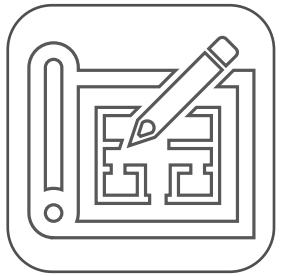
2.1. Macroeconomic policy framework

- Global economy growth slowed in 2022 to 3.2%.
- Cambodia's economy grew by 5.1% in 2022 which was driven by manufacturing sector, hotel and restaurant, transportation, and whole sale and retail trades.

2. Status Quo (2)

2.2. Insurance policy framework

Rectangular strategy at all stages of the Royal Government



Financial Sector Development Plan 2001-2010 has been continuously updated to "Financial Sector Development Plan 2016-2025"

Cambodia Strategic Development Plan for Insurance Sector 2021-2030

2. Status Quo (3)

2.3. Insurance Regulation

- 2000 Insurance Law was replaced by the 2014 Insurance Law
- Sub-decree on insurance 2002 was replaced by 2021 sub-decree
- Regulation related to the issuance of business licenses
- Regulation related to prudential supervision
- Regulation related to market conduct supervision
- Regulation related to compulsory insurance

2. Status Quo (4)

2.4. Insurance Regulator

- **Institutional Framework**
  - ✓Structure (Insurance Regulator of Cambodia, Non-bank Financial Services Authority)
  - ✓Human resources (number of staff): 70
- **Technical Framework**

Technical Framework

- Prudential Supervision
- Market Conduct Supervision
- Consumer Protection
- Public Awareness and Education

2. Status Quo (5)

2.4. Insurance Regulator

Technical Framework

1. Prudential Supervision

- Limited capacity of staff both quantity and quality
- Supervision method: pure Rule-Based Supervision
- Off-site Inspection and On-site Inspection
- Regulation: Not responding to recent developments of Cambodian insurance market ; adjustments is needed

2. Market Conduct Supervision

- Limited capacity of staff both quantity and quality
- Supervision method: no clear Market Conduct Examination Procedure Manual and no on-stie inspection
- Regulation: insufficient regulation related to market conduct

3. Consumer protection

- Currently there is only mediation mechanism provided by the regulator.

4. Public Awareness and Education

- Public awareness and education on the benefits of insurance for the public is still limited
- The study of foundation of education

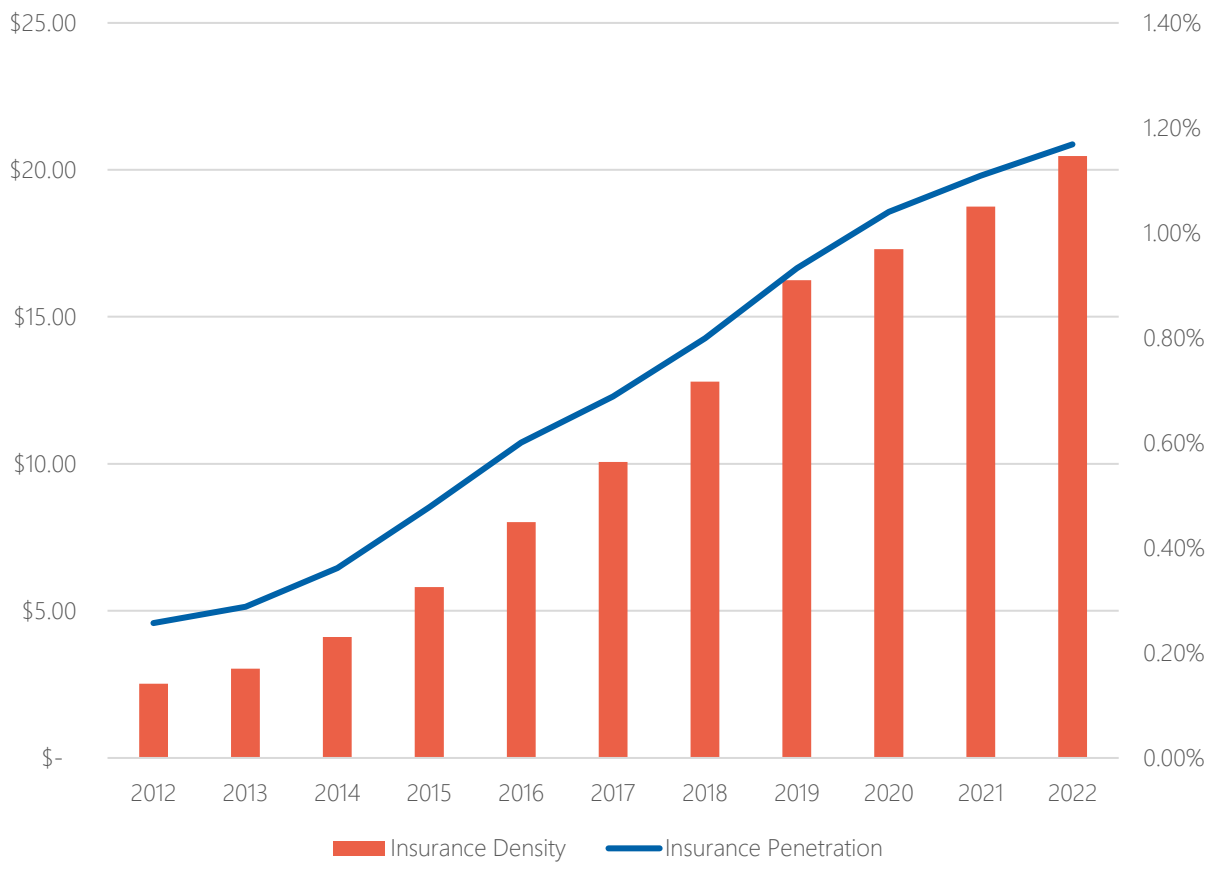
5. Compulsory Insurance

- Compulsory Motor Vehicle or Third-Party Liability Insurance
- Compulsory Insurance of Passenger Transports
- Compulsory Insurance of Construction Site

2. Status Quo (6)

2.5. Insurance Market 2022

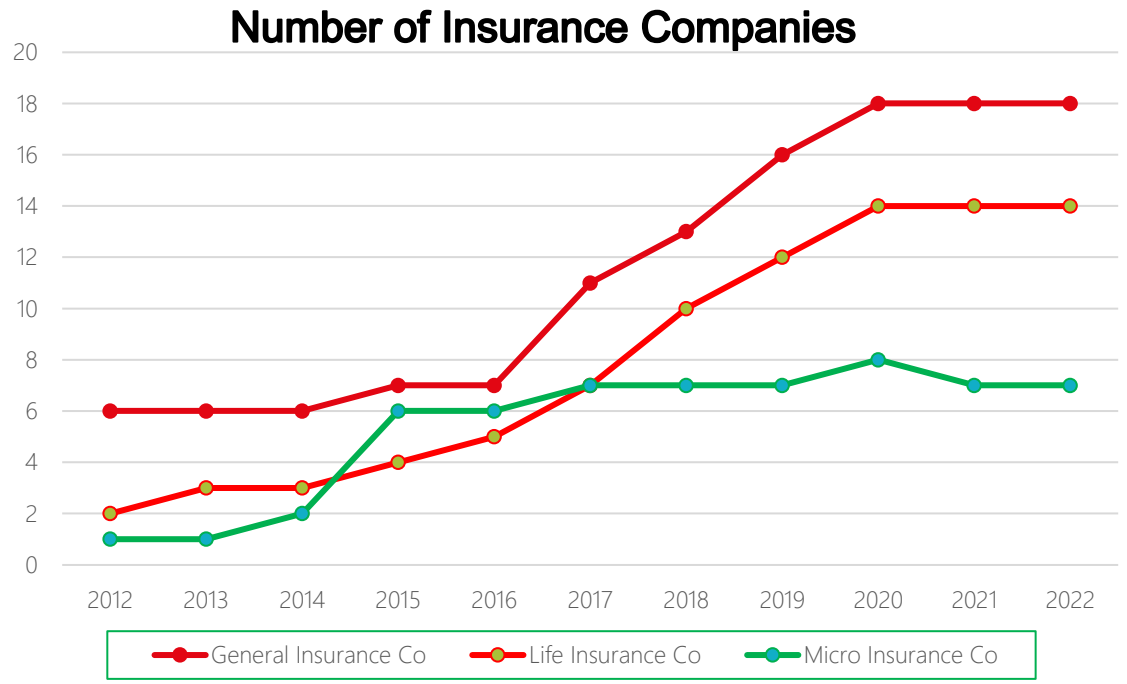
- Average premium growth: 25%
- Number of Policies: 1,265,406
- Claim Ratio: 35.09%
- Sum Insured: roughly USD 166 billions
- Penetration: 1.17%
- Insurance Density: USD20.46



2. Status Quo (7)

2.5.1. Insurance Institutions

- Direct Insurance Companies: 39
  - General Insurance Companies: 18
  - Life Insurance Companies: 14
  - Micro Insurance Companies: 7
- Reinsurance company: 1 (Cambodia Reinsurance Company "CamRE"
- Intermediaries:
  - Insurance Brokers: 18
  - Insurance Agent Companies: 34; Individual Agents: 5000
- Total Assets: roughly USD 976 millions



General Insurance Companies	Life Insurance Companies	Microinsurance Companies
18	14	7

2. Status Quo (8)

2.5.2. Insurance Professional Trainings

- There is no accredited insurance professional trainings in Cambodia
- In 2005, Forte, in collaboration with the Malaysian Insurance Institute, organized a short training course for Cambodian insurance company staff, but later failed due to a lack of participants.
- Since 2018, CamRe has been cooperating with Malaysian Insurance Institute to offer various short courses to staff of insurance companies as an incentives to partner companies

2. Status Quo (9)

2.5.3. Associations of Insurance Professionals

- "General Insurance Association of Cambodia" was established in 2005
- "General Insurance Association of Cambodia" was transformed into "Cambodia Insurance Association" in 2013
- The association currently has 34 member companies
- The association acts as a liaison between all insurance companies in determining the rules and implementation of the terms and conditions of the association and represents the insurance market in coordinating and proposing to the Royal Government through insurance regulator

2. Status Quo (10)

2.6. SWOT ANALYSIS

Strengths

- Peace and political stability as driving factor for growth
- Open market investment policy
- High growth of middle-income household

Weaknesses

- Low level of public awareness
- Lack of professional training
- Institutional capacity of insurance regulator is limited
- Uncertainty between the role of insurance regulators and policymakers
- Lack of cooperation and willingness of relevant institutions

Opportunities

- Optimism of economic growth in 2024
- High potential insurance market
- Newly established regulator, an independent institution
- Innovations of financial technology

Threats

- Insurance market are severely affected by Covid-19 and Global economic uncertainty
- The increasing demand of cross-border insurance
- Qualified human resource do not meet market demand

3. 10-Year Strategic Plan

3. 10-Year Strategic Plan (1)

3.2. Insurance Policy Framework (2021-2030)

- By 2030, the insurance sector will contribute to GDP at the rate of 5.5% and the insurance density will increase to USD 135
- Our priority is to "strengthen the regulatory agency and infrastructure of the insurance sector", including:
  - Strengthen Insurance Regulator
    - ✓ Institutional Structure
    - ✓ Human and Financial Resources
    - ✓ Technology system to manage and supervise insurance institutions
  - Strengthen the insurance sector infrastructure
    - ✓ Establish a national school/institute of insurance
    - ✓ Launch compulsory insurance system for all types of vehicles

3. 10-Year Strategic Plan (3)

3.3. Legislative Framework (2021-2030)

Roles and Responsibilities of Insurance Regulator of Cambodia

The Non-Banking Financial Services Authority has the roles and responsibilities as a regulator for the insurance and private pension sectors (Article 4 of the Law on the Organization and Functioning of Non-Banking Financial Services).

Key regulations to be approved include:

- Sub decree on Micro Insurance and Sub decree on Motor Third Party Liability Insurance

3. 10-Year Strategic Plan (4)

3.4.1. Short-term insurance market (2021-2023)

	2021	2022	2023
Total Gross Premium (million)	$ 300.18	$ 375,229,740	$ 506,560,148
Number of Policies	1,836,909	2,296,136	3,099,783
Total Sum Insured (million)	$ 269,606	$ 337,007	$ 454,959
Number of Employees	3,850	4,813	6,497

3. 10-Year Strategic Plan (5)

3.4.1. Short-term insurance market (2021-2023)

Insurance Product

- Compulsory insurance products for all types of vehicles
- Women-oriented micro-insurance products
- Agricultural insurance products

Distribution Channels

- Sales through intermediaries: brokers, agents (individuals or companies), especially through banks in the form of referring products or direct sale
- Digital distribution (online sales)

Professional Training

- Develop formal training courses for the insurance profession
- Study the establishment of a "National School/ Institute of Insurance"

Associations of Insurance Professionals

- Life Insurance Association
- General Insurance or Micro-insurance Association
- Insurance Broker Associations

3. 10-Year Strategic Plan (6)

3.4.2. Medium Term Insurance Market (2024-2028)

	2024	2025	2026	2027	2028
Total Gross Premium (million)	$ 633.2	$ 791.5	$ 989.3	$ 1,236.7	$ 1,545.8
Number of Policies	3,874,729	4,843,412	6,054,265	7,567,831	9,459,788
Total Sum Insured (million)	$ 68,699	$ 710,874	$ 888,593	$ 1,110,741	$ 1,388,426
Number of Employees	8,121	10,151	12,689	15,862	19,827

3. 10-Year Strategic Plan (7)

3.4.2. Medium Term Insurance Market (2024-2028)

Insurance Product

- Investment-linked Product
- Annuity Insurance Products
- Continue to promote agricultural insurance products

Distribution Channels

- Direct sale through bancassurance channel
- Digital sales (online sales)

Professional Training

- Support the operation of “National School/Institute of Insurance”
- Enhance the capacity of “National School/Institute of Insurance” to meet regional standard

Associations of Insurance Professionals

- Loss adjuster association
- Actuary Association

3. 10-Year Strategic Plan (8)

3.4.3 Long Term Insurance Market (2029-2030)

	2029	2030
Total Gross Premium (million)	$ 1,932.3	$ 2,415.4
Number of Policies	11,824,735	14,780,919
Total Sum Insured (million)	$ 1,735,533	$ 2,469,416
Number of Employees	24,784	30,980

3. 10-Year Strategic Plan (9)

3.4.3 Long Term Insurance Market (2029-2030)

Insurance Product

- Continue to promote investment-linked products
- Continue to promote Annuity Insurance Products
- Continue to promote Agricultural Insurance Products

Distribution Channels

- Comprehensive sales through Bancassurance channel
- Digital sales (online sales) either through banks or not

Professional Training

- “National School/Institute of Insurance” to provides additional courses such as Actuarial profession or Loss Adjustment profession
- Continue to enhance the capacity of National School/Institute of Insurance to meet the regional standard

Associations of Insurance Professionals

- Enhance the capacity of Associations of Insurance Professional
- Study and evaluate the self-management capacity of the Association of Insurance Professional

3. 10-Year Strategic Plan (10)

3.5. Insurance Regulator of Cambodia (IRC)

Key Roles	An independent institution managing and supervising business activities of insurance and private pension institutions
Mission	Committed to implementing the principles of management and supervision in accordance with international standards with high attention and progress
Vision	Ensure the strength and sustainable competitive advantage of all insurance companies to serve all Cambodians and stimulate the economic growth

Core Values

Integrity

Adhere to the highest level of integrity and transparency in fulfilling all duties and responsibilities

Commitment

Achieve the highest international standards and best practices in management and supervision to serve customers and the insurance industry in Cambodia

Responsibility

Ensure accountability, dedication, and leadership which are the essential factors beyond the provision of public services

3. 10-Year Strategic Plan (11)

3.5.1. Short-term insurance regulator (2021-2023)

Institutional Framework

Structure	❑ The Cambodian Insurance Regulator of the Non-Banking Financial Services Authority is an independent institution under the leadership of the Board of the Authority
Human Resource	❑ Recruit 80 additional officers with sufficient qualifications
Financial Resource	❑ Develop principle on the provision of salary and other benefits for officers of the Insurance Regulator. The benefits must be comparable to those of private sector. A concrete plan for self-financing must be in place.

3. 10-Year Strategic Plan (12)

3.5.1. Short-term insurance regulator (2021-2023)

Technical framework

1. Financial Management and Supervision

- Capacity building for technical staff on the evaluation of insurance accounting and audit standard (IFRS17) and investment analysis
- Shift from Rule-Based Supervision to Risk-Based Supervision
- Put into implementation Risk-Based Capital I
- Regulation: develop regulations related to prudential such as Prakas on Minimum Capital and Solvency Margin , Prakas on Investment Guidelines, Prakas on the Registration of Insurance Auditing Firms, etc.

2. Market Conduct Management and Supervision

- Capacity building for technical officers on market conduct supervision mechanism
- Develop clear Market Conduct Examination Procedure Manual and conduct on-stie inspection
- Regulations: develop regulations concerning market conduct

3. Consumer Protection

- Establish an Insurance Dispute Mediation Office as a mechanism for insurance dispute mediation and settlement

4. InsurTech

- Administration System
- Financial Data Collection and Management System
- Early Warning System
- Insurance Data Management System

5. Licensing and Registration of Insurance Institutions

- Study and prepare regulations on business licensing by type of insurance product and registration of insurance intermediaries

6. Insurance Professional Training

- Collaborate with relevant institutions to improve the curriculum for insurance in higher education
- Develop official insurance professional training courses
- Study the establishment of “National School/Institute of Insurance”

7. Public Awareness and Education

- Produce educational videos, participate in various talks and organize workshops regularly across the country

8. Compulsory Insurance

- Promote the implementation of compulsory insurance
- Prepare and implement compulsory insurance for all types of vehicles

3. 10-Year Strategic Plan (13)

3.5.2. Medium Term Insurance Regulator (2024-2028)

Institutional framework

Structure	❑ The Cambodian Insurance Regulator of the Non-Banking Financial Services Authority is an independent institution under the leadership of the Board of the Authority
Human Resource	❑ Recruit 100 additional officers with sufficient qualifications
Financial Resource	❑ Develop principle on the provision of salary and other benefits for officers of the Insurance Regulator. The benefits must be comparable to those of private sector regionally and globally.

3. 10-Year Strategic Plan (14)

3.5.2. Medium Term Insurance Regulator (2024-2028)

3.5.2. Technical framework

1. Financial Management and Supervision

- Continue to increase the number and capacity of technical officers, especially on IFRS17
- Supervision methods: Study and prepare Groupwide Supervision procedures, study Solvency II or RBC II
- Regulations: review the existing prudential regulation and develop new ones as necessary

2. Market Conduct Management and Supervision

- Increase the number and capacity of technical staff
- Increase the frequency of on-site supervision
- Regulations: Implement clear principles on inspection procedures and processes

3. Consumer Protection

- Continue to strengthen the role of dispute mediation and settlement and study the establishment of insurance arbitrators

4. InsurTech

- MTPL Data Collection and Management System
- Insurance Data Management System – phase 2

5. Insurance Professional Training

- Continue to collaborate with relevant institutions to improve the curriculum for insurance in higher education
- Operate the “National School/Institute of Insurance”

6. Public Awareness and Education

- Continue to produce educational videos, participate in various talks and organize workshops

7. Compulsory Insurance

- Promote the implementation of compulsory insurance as defined in relevant laws and regulations.
- Study and prepare the necessary framework implementing compulsory insurance of fire insurance products and public liability insurance products for large buildings.

3. 10-Year Strategic Plan (15)

3.5.3. Long-term insurance regulator (2029-2030)

Institutional framework

Structure	❑ The Cambodian Insurance Regulator of the Non-Banking Financial Services Authority is an independent institution under the leadership of the Board of the Authority
Human Resource	❑ Recruit 100 additional officers with sufficient qualifications
Financial Resource	❑ Develop principle on the provision of salary and other benefits for officers of the Insurance Regulator. The benefits must be comparable to those of private sector regionally and globally.

3. 10-Year Strategic Plan (16)

3.5.3. Long-term insurance regulator (2029-2030)

Technical framework

1. Financial Management and Supervision

- Continue to increase the number and capacity of technical officers
- Implement Groupwide Supervision method and Solvency II or Risk-Based Capital- RBC II
- Review the existing prudential regulations according to the new trends in insurance sector

2. Market Conduct Management and Supervision

- Continue to increase the number and capacity of technical officers
- Increase the frequency of on-site supervision
- Regulations: Implement clear principles on inspection procedures and processes

3. Consumer Protection

- Continue to strengthen the role of dispute mediation and settlement and operate the insurance arbitration center.

4. InsurTech

- MTPL Data Collection and Management System to be expanded to become Insurance Data Management System – Phase 2 at which the capacity will be further enhanced

5. Insurance Professional Training

- Continue to collaborate with relevant institutions
- Support the operation of “National School/Institute of Insurance” by offering more courses as Actuarial or loss adjustment, etc

6. Public Awareness and Education

- Continue to produce educational videos, participate in various talks and organize workshops nationwide

7. Compulsory Insurance

- Promote the implementation of compulsory insurance as defined in relevant laws and regulations
- Organize and implement compulsory insurance for fire insurance and public liability insurance for large buildings

Thank You