

TAKAFUL AND INSURANCE DAY 2012

Theme: “Managing Change”

Date: 18 October 2012

Venue: Amar Pahlawan Hall, Ministry of Communications

Guest of Honour: Dato Paduka Haji Mohd Rosli bin Haji Sabtu

BISMILLAHIRRAHMAANIRRAHIIM

Alhamdulillah Rabbil 'Alamin

Wassalatu Wassalamu 'Ala Asyrafil Ambiya 'Walmursaleen

Sayyidina Muhammadin

Wa'ala alihi Wasahbihi Ajmain

YM Madam Helen Yeo, Chairperson of the General Insurance Association of Brunei Darussalam (GIAB);

YM Tuan Chong Fu Li, Deputy Managing Director (Regulatory) of Autoriti Monetari Brunei Darussalam (AMBD);

YM Dr Haji Supry Haji Awang Ladi, Acting Director of Transport Policy, Ministry of Communications;

Insurance and Takaful executives;

Senior government and AMBD officials;

Distinguished guests;

Ladies and gentlemen;

Assalamualaikumwarahmatullahiwabarakatuh and good afternoon,

1. Let me begin by expressing my sincere thanks to the General Insurance Association of Brunei Darussalam (GIAB) for giving me the honour to deliver the opening address for the 2012 Takaful and Insurance Day. I am pleased to note that this annual event continues to be the highlight of the insurance and takaful awareness programme in

Brunei Darussalam. I understand that as in previous years, today we are celebrating the Takaful and Insurance Day together with the other East Asian Insurance Congress (EAIC) cities.

2. Our theme today **“Managing Change”** is indeed timely and fitting especially in the context of the current global financial environment. Today, we are witnessing significant developments taking place in the market as consumer behaviour shifts and financial regulations tighten in response to the global financial crisis. These changes pose challenges as well as created opportunities, which in turn have caused to influence the way financial institutions conduct their business, particularly in responding to the demands of the consumers. Financial service providers including insurers and takaful operators must therefore be more proactive and innovative to keep up with the pace of these changes.

Ladies and gentlemen,

3. It is heartening to note that the insurance and takaful industry in Brunei Darussalam has been able to maintain stable and sustainable growth in assets and premiums, even in the aftermath of the global financial crisis. Over the past decade, assets grew by 64% and premiums grew by 91%. Nevertheless, the level of insurance and takaful penetration in Brunei Darussalam still remains relatively low despite improvements in market penetration over the years. Improving this trend is thus one of the major challenges facing the industry in this country.

4. This challenging task needs to be addressed by all stakeholders. However, to be successful, all stakeholders including the general public must be prepared to embrace change with a more positive outlook. It is fundamental that the public needs to be convinced of the benefits of insurance and takaful for their future well-being. Obviously, this responsibility should not merely rest with the government, I therefore call upon insurance companies and takaful operators to play a more active role and to work collectively towards improving financial literacy amongst the public. I believe, this is something that the Association should work on and implement effectively. I note the ongoing efforts of certain insurers and takaful operators in this regard. However, there is more that can be done. For example, by providing more accessible information using public and social media as well as other outreach programmes. The eventual outcome of such programmes would benefit the industry and this would help to enhance the financial services sector growth as a whole.

5. In relation to financial literacy, I also wish to emphasise on the importance of transparency in business dealings with the general public. Insurance companies and takaful operators have clear responsibilities in this regard. There are many ways that insurance companies and takaful operators can assist their customers in this area. For example, the insurance and takaful contract itself must be user-friendly and free of fine-print and technical jargon which is beyond the comprehension of the ordinary policyholder. Consumers must be able to understand and comprehend the policies they are buying and have comfort that the policies are indeed for their protection against potential risks.

Ladies and gentlemen,

6. AMBD as the financial services regulator, continues to strengthen the regulatory framework governing the insurance and takaful activities. Our utmost priority is the safeguarding of public interest. Our aim is to ensure that the prudential supervision of the insurance and takaful industry is in line with international best regulatory practices. We will continue to review and update legislation and implement new guidelines as necessary so as to foster a conducive environment for the growth of the insurance and takaful industry.

7. In this regard, one of AMBD's recent initiatives is concerning the role of agents as a key player in the insurance and takaful industry. The regulatory framework recognises the important role of agents and therefore sets the requirement to allow individuals with acumen and the appropriate skills necessary to serve this industry. However, we must always be mindful that this important link between the industry and the consumer requires high standards of integrity and transparency. Agents must be able to cultivate the trust that forms the basis for the important relationship between themselves and the consumers. As representatives of an insurer or takaful operator, the agent represents and reflects, the image of their principals. Unethical practices such as misselling must be avoided and guarded against if we are to maintain public confidence.

8. With this in mind, AMBD has prepared the general agent registration framework, to be implemented shortly, in consultation with members of GIAB and takaful operators. All existing and new general

agents are required to fulfill the established criteria in order to be registered for this purpose. This initiative is intended to have the desired effect of raising the standards of professionalism of the agents and ensure that only qualified and trained agents deal with the public.

Ladies and gentlemen,

9. It is noted that the GIAB has initiated the formation of a new Insurance and Takaful Association which will include general and life insurers as well as general and family takaful operators. With this transformation, it is envisaged that there will be greater cooperation and harmonisation throughout the insurance and takaful industry, which will in turn promote the development of the industry. AMBD views this change as a positive move which will benefit all parties, not just the insurance companies and takaful operators but also the general public.

Ladies and gentlemen,

10. Managing change also involves adapting to new initiatives undertaken by other stakeholders that may impact on products and services as well as business strategies. One such example that will be discussed later is the Demerit Point System introduced by the Ministry of Communications earlier this year. This Demerit Point System aims to inculcate good driving behaviour which will in turn hope to minimise road-related accidents. Insurance companies and takaful providers have been invited to participate in this initiative as part of their corporate social responsibility. In this regard, after consultation between the relevant authorities with the insurance and takaful industry, it was agreed that drivers with a clean record for 3 consecutive years would be

entitled to a 5% discount on top of their no-claims discount (NCD) from participating insurers and takaful operators. I am pleased to note that the industry players have given their full cooperation and commitment in this initiative and look forward to the successful implementation of the programme.

Ladies and gentlemen,

11. To conclude, I would like to once again express my gratitude, to the General Insurance Association of Brunei Darussalam (GIAB), for their kind invitation to me today. I would also like to congratulate the organising committee for their efforts in ensuring the success of this event.

Thank you.

WABILLAHIT TAUFIQ WALHIDAYAH

WASSALAMU 'ALAIKUM WARAH

MAT ULLAHIWABARAKATUH