

Liberalisation of the Myanmar Insurance Sector – An Interesting Opportunity for Foreign Insurance Companies

On 2 January 2019, the Myanmar Ministry of Planning and Finance (MoPF) issued Announcement No.1/2019 (the “Announcement”), paving the way for foreign insurers to enter into the country’s largely untapped insurance market as part of an ongoing process to liberalise the sector. At present, foreign insurers are restricted to establishing a representative office in Myanmar and have been

largely barred from conducting any insurance businesses within the country, with limited exceptions in a special economic zone.

The Announcement seeks to strengthen the insurance sector by encouraging the participation of foreign insurance companies. The table below illustrates the different options available to insurers:

LIFE INSURANCE COMPANIES	NON-LIFE INSURANCE COMPANIES
<p>Option 1</p> <p>A maximum of three licences (“Foreign Life Insurance Licences”) will be issued to foreign life insurers to operate as 100 percent wholly-owned subsidiaries.</p>	<p>Option 1</p> <p>A local non-life insurer may form a joint venture with a foreign non-life insurer that has a representative office in Myanmar (as at 31 December 2018). The Foreign JV Partner (as defined below) may hold up to 35 percent interest in the joint venture.</p>
<p>Option 2</p> <p>A local life insurer may form a joint venture with a foreign life insurer that has a representative office in Myanmar (as at 31 December 2018). The Foreign JV Partner (as defined below) may hold up to 35 percent interest in the joint venture.</p>	

Request for Proposal (RFP) – To be submitted by foreign life insurers intending to operate through 100 percent wholly-owned subsidiaries in the life insurance sector

On 18 January 2019, the MoPF issued a letter and a RFP inviting foreign life insurers interested in conducting life insurance businesses through a 100 percent wholly-owned life insurance subsidiary in the country to submit a proposal by 1 March 2019, at 12:00 p.m. (local time), together with an application fee of US\$60,000. The proposal must contain the following:

1. *Application form* – this consists of an original copy of the application form and other documents

as specified in the RFP, such as a certified true copy of the licence issued by the insurance supervisory authority in the country where the applicant is carrying on insurance business, particulars of all proposed key appointments (i.e., the Fit and Proper Form as per Schedule 11 of the RFP), and a commitment letter from a recognised bank or insurer relating to a proposal bond (the “Proposal Bond”) in the amount of US\$400,000. The Proposal Bond is an irrevocable and unconditional guarantee issued by a recognised bank or insurer which must remain valid for six months or until such time when all pre-licensing conditions have been met by the preferred applicants (whichever is earlier). However, if a

preferred applicant (a) withdraws its proposal before satisfying all pre-licensing conditions; (b) breaches a material aspect of the RFP (in the reasonable opinion of the MoPF); (c) seeks to modify its proposal after the deadline; or (d) fails to do any other things as required by the RFP, the Proposal Bond may, at the sole discretion of the MoPF, be forfeited in its entirety.

2. *Business plan* – consists of information on the applicant’s global operation and its proposed operations in Myanmar.

All the proposals will be assessed and evaluated by the MoPF (and its appointed consultants) and an established licensing committee. They will consider whether the applicants satisfy the minimum criteria specified in Schedule 9 of the RFP. For example, the Applicant has to meet the minimum capital requirement of MMK 6 billion (approx. USD 4 million), and has to be the immediate/ultimate holding parent company of the proposed Myanmar life insurance operation and be licensed to carry on insurance businesses in its home country.

The applicant’s proposal will only be thoroughly examined pursuant to the evaluation criteria listed in Schedule 4 of the RFP if it fulfills the minimum criteria. As part of the evaluation process, the MoPF may also require an applicant to provide written responses clarifying its proposal within four business days of the request for clarification or to present an overview of its proposal to the MoPF.

The preferred applicants who have been appointed by the MoPF will each be required to furnish the Proposal Bond to the MoPF within 10 business days upon the formal announcement of the preferred applicants.

The full RFP can be found at the following website:

[Link to website](#)

Expression of Interest (“EOI”) to form a JV – To be submitted by local insurers intending to form a joint venture with foreign insurers in both life and non-life sectors

On 18 January 2019, the MoPF released an invitation letter (and its Annexes, collectively the “Invitation”) inviting any local life and non-life insurers to express their interest in entering into a joint venture

arrangement with a foreign life or non-life insurer (as the case may be) (the “Foreign JV Partner”) that has a registered representative office in Myanmar as at 31 December 2018. Interested local insurers must submit the EOI form by 11 February 2019, at 12:00 p.m. (local time), together with the required documents such as a certified true copy of the relevant licence held by the Foreign JV Partner.

For those local applicants who are minded to form a joint venture but have yet to identify or enter into exclusive negotiations with a Foreign JV Partner prior to the deadline, they must have completed Section 1 of the EOI form by the same deadline and the remaining sections by 26 April 2019, at 12:00 p.m. (local time).

Shortlisted applicants will be announced on 17 May 2019 and they will be given the chance to submit a more comprehensive proposal for joint venture for the MoPF’s determination.

Foreign life insurers may not respond to the RFP or the EOI Invitation at the same time.

Conclusion

Building capacity and providing a well-structured competitive insurance sector are key objectives for the Myanmar government. Whilst this major reform does not fully liberalise the insurance sector, it does provide an interesting opportunity for foreign insurers to establish both life and non-life insurance businesses in the country.

Contact Us

Mayer Brown has advised a range of clients on their investments in the insurance sector in Southeast Asia. For enquiries related to this Legal Update, please contact Rod Brown (Partner) or Stanley YP Tan (Senior Associate) or your usual contact at our firm.

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