KPMG Kundu

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Foreword

In this month's edition, my first one since receiving the baton from Zanie, we focus the spotlight on risk in the insurance sector, a very topical matter in the PNG landscape given the importance of the local insurance industry.

We also provide a more detailed update on certain aspects of the IPA Data Migration that is underway in 2023.

We highlight IRC's signing of an MOU with the Bank South Pacific on critical information sharing and share some positive news on the proposed re-activation of the Multiple Entry Short Term Business Visa.

In the coming editions we will continue to bring to you further insights on our service offerings and market intelligence on a range of topics to keep you up to speed with developments in the market. So watch this space.

KPMG in PNG has dedicated in-house specialists in all the following areas: internal audit/risk, visa migration, corporate finance, management consulting, IT advisory, fraud investigation as well as tax and assurance. As such we are well placed to provide a truly multi-disciplined approach to business advisory.

Enjoy the read this month and reach out with any enquiries.at kmcentee@kpmg.com.au if you would like to see KPMG cover specific topics in future editions.

Ces and Zanie

A spotlight on risk for the insurance sector

by Zanie Theron, South Pacific Partner in Charge

From hailstorms, COVID-19, recent floods and other natural disasters, the insurance sector is managing challenges on many fronts not least of all the regulatory compliance requirements. Now more than ever an efficient and effective way to mitigate risk is needed.

The challenges of the past two years have put pressure on all sectors, but for insurance, they are adding to an already complex landscape. The sector's challenges all come with associated risks, often interconnected, demanding that boards and executive leadership need to continually assess if and where risk management sits on their agenda.

A quick review of some of the current complexities, particularly in the areas of general, life and health insurance, demonstrates the challenges at hand and ahead. This article considers these challenges, managing multiple interconnected complexities, the opportunity for insurers and questions for you to consider.

Cost pressures

The insurance sector has faced significant cost and profitability pressures. Life insurance is particularly challenged where IP and Total and Permanent Disability (TPD) claims experience has been very poor. Legacy product design has created major challenges in balancing profitability and the best interest of the customer.

General insurers are facing pressures in relation to natural hazard costs. Increased claims costs associated with natural hazards are putting pressure on reinsurance costs and the bottom line.

Health insurers are not immune with the cost of claims and ancillary cover trending upward as reflected in recent price increases across the sector.

Customer acquisition and retention

COVID-19 has seen a mix of increased loyalty from customers particularly as some insurers have provided reliefs across premiums as well as delaying premium increases. However, in some cases, customers are questioning the value of insurance, particularly in health, life insurance and in the millennial customer segment.

Insurance is often perceived as expensive and a nice to have where there is a lot of competition for a share of the customer wallet.

The insurance sector, like other financial services sectors, is very competitive and that has had its own challenges relating to trust. In this context, customer loyalty can be hard to secure. Failing to do this is a growth and sustainability challenge.

Digital acceleration

Since the start of the pandemic the adoption of digital solutions and technology has accelerated across the sector. The new post-COVID-19 reality will keep driving a renewed focus on digital first and value-based propositions presenting greater opportunities for Insurtechs. Insurtech refers to technological innovations that are created and implemented to improve the efficiency of the insurance industry. Insurtech powers the creation, distribution, and administration of the insurance business.
Some of the main areas for digital transformation include customer acquisition, policy renewals, claims management and automation to deliver cost efficiencies.

However, from a risk perspective, Insurtech organisations may not have the regulatory maturity required and could introduce risk to an incumbent organisation. Insurers investing in Insurtech at an early stage are also exposed to investment risk if the investment does not pay off.

Accounting standards

The adoption of the new insurance financial reporting requirements under IFRS17 *Insurance Contracts* presents some challenges for the sector, particularly life insurers where the impacts are expected to be most significant. Securing the necessary resources, particularly across the actuarial front, is proving challenging.

Opportunities for insurers

Managing today's challenges and the associated risks requires a clear prioritisation of risk from the board and executive leadership, as well as from the business. If risk is managed well, insurers have a better chance of delivering on their core strategy – and support delivery of competitive, reliable insurance products and services to the customer. With satisfied customers, there is potential to build trust and grow sustainably.

Questions to ask

For boards, C-Suite and senior management in insurance looking at how to better navigate the risk landscape, here are some questions to get on track.

- Does your board have a clearly defined and communicated risk appetite that is representative of the current environment and pipeline of regulatory and market change?
- Do you have full visibility over the pipeline of new regulatory compliance and industry codes? Also, how will responding to this vast array of regulation impact your current workforce structure?

- Do you have a framework of processes and controls in place to manage compliance requirements and associated obligations?
- Are you leveraging automation and data and analytics to help manage costs?
- Is every step in your process across the front, middle and back office aligned around what is best for the customer?

IPA data migration

As previously reported the IPA have been undergoing a data migration process as part of the change to a new online system. The IPA provided a status update of this migration process on their website advising that all the data associated with companies and business names has now been migrated into the new system. The images of past filings will follow in the next few weeks as migrating images takes much longer due to the size of the image database.

For companies, while all data has been migrated, the migration will have a slightly different impact on any given company based upon the status of the company. For example, the data migration process will affect companies that have re-registered versus companies that have not re-registered somewhat differently.

IPA have included the following table on their website which sets out how the data migration process will affect a company depending on its current status:

Company Status	Impact of data migration
Company that has re-registered	The information entered on the re-registration form should show as current and all historical information should appear in the company's history. There is no action required by the company.
Company that has re-registered and now has other filings that are pending IPA review	All information should be current, and the pending forms will be processed. There is no action required by the company.
Companies that have not yet taken any steps to re-register	All historical data will be viewable. When you start the re-registration, you will be presented with the historical information and you may simply update anything that is now out of date.
Companies that have submitted a re-registration form that is pending review by IPA	All historical data will be viewable. The pending review form will still exist and be actioned by IPA. There is no action required by the company.
Companies that have started but not yet completed a re-registration form (it is sitting on your client account dashboard)	All historical data will be viewable. Your draft re-registration form will be deleted and you must start the re-registration form again. The reason why is that you will now be able to simply use the historical data to complete the form. This is actually a much simpler process for filers.
Companies that were previously in "struck off" status	All historical data will be viewable. When you start the re-registration process, you will be presented with the historical information and you may simply update anything that is now out of date. However, you must still complete the past due annual returns and pay the appropriate penalty fees.
New companies that have been formed in the new system since 1 December 2022	There is no impact and no action need be taken by new companies.

There is a similar impact of the data migration on business names registrations. This table shows how the data migration affects business names depending upon its current status:

Business name status	Impact of data migration
Business name that has completed its initial data refresh (transitional update) in the new system	The information entered during the data refresh should show as current and all historical information should appear in the business name's history. There is no action required by the business name.
Business name that has completed its data refresh (transitional update) and now	All information should be current, and the pending forms will be processed. There is no action required by the business name.

has other filings that are pending IPA review	
Business names that have not yet taken any steps in the new system	All historical data will be viewable. When you first login to the system, you will be presented with the historical information and you may simply update anything that is now out of date.
Business names that have submitted data refresh (transitional update) that is pending review by IPA	All historical data will be viewable. The pending data refresh will still exist and be actioned by IPA. There is no action required by the business name.
Business names that have started but not yet completed a data refresh or transitional update (it is sitting on your client account dashboard)	All historical data will be viewable. Your draft data refresh will be deleted and you must start the data refresh form again. The reason why is that you will now be able to simply use the historical data to complete the form. This is actually a much simpler process for filers.
Business names that were previously in "struck off" status	All historical data will be viewable. Business names which have been struck off can be restored. When you start the restoration process, you will be presented with the historical information and you may simply update anything that is now out of date. However, you must still complete the past due business names renewals and pay the appropriate penalty fees.
New business names that have been registered in the new system since 1 December 2022	There is no impact and no action need be taken by new business names.

IRC signs MOU with BSP bank

Perhaps a sign of more to come, the IRC signed an Memorandum of Understanding (MOU) with BSP bank late March. On signing the MOU the Commissioner General stated banks are a 'strategic partner' of the tax office and a 'key gatekeeper' in the fight against tax evasion.

The MoU establishes a framework for cooperation and coordination between the tax administration and the bank. It establishes guidelines for the parties to enhance the efficiency of the current procedures for compliance with statutory notices such as garnishee notices, notices requesting taxpayer information, and the newly introduced issuance of preservation of assets notices. Additionally, the MoU provides means for sharing and securing information effectively, taking into account and protecting the privacy of both taxpayers and BSP customers.

Regarding a concern around data privacy, BSP advised the sharing of information does not breach customer confidentiality rules. The Commissioner General also assured the bank's customers that the MOU does not mean that the bank will provide information at will but will be acting under the compulsion of law through statutory notices. Only designated officers of the IRC will have access to sensitive information provided by BSP through this agreement. A secure path for transmitting data and information will also be established under this arrangement.

Multiple entry business visas

ICA recently announced the proposed re-activation of the Multiple Entry Short Term Business Visa. This visa should allow stays of up to 60 days on multiple occasions within a period of 12 months. This visa is an additional alternative to the existing Single Entry Business Visa which has a duration of 30 days. Frequent business travellers may wish to apply for the APEC Business Travel Card, if eligible, as it can allow for longer stays.

ICA is currently reviewing several visa categories with the aim of enhancing conditions to better meet the need of travellers to PNG. This could potentially include unlimited entry business visas to PNG. Any

improvements to the current system would be welcome particularly in relation to the processing times and backlogs for work permits.

In other news the ICA have given former members of Parliament, Ministers and Government officials who no longer hold public office fourteen days to return their official or diplomatic passports. Immigration officers at Jacksons airport and other border posts have been advised to confiscate travel documents and deny exit if these travel documents are used after 19 May 2023.

Our social media presence

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters, and updates on our KPMG PNG LinkedIn page. Also, connect via our webpage www.kpmg.com.pg and Facebook https://www.facebook.com/pngkpmg/.

Contact us

Zanie Theron	Herbert Maguma	Karen McEntee	Pieter Steyn	Ces Iewago
SPP – PIC Partner	Partner	Partner	Partner	Managing Partner
ztheron@kpmg.com.au	hmaguma@kpmg.com.au	kmcentee@kpmg.com.au	psteyn@kpmg.com.au	ciewago@kpmg.com.au

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