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**RISK ASSESSMENT IN MYANMAR & THE IMPACT OF
INSURANCE POLICIES PRACTICE IN
TELECOMMUNICATION INDUSTRY**

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**“Risk Assessment in Myanmar & the Impact of Insurance
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ABSTRACT

This study focused on the risk assessment in Myanmar & the Use of Insurance Policies in Telecommunication Industry. The objectives of the study are to identify the results of risk assessment of Ooredoo Myanmar Limited in Myanmar and to examine the risk coverage of Ooredoo by purchasing insurance policies. This study is a descriptive one. Primary data is collected from interview section with CFO of Ooredoo Myanmar Limited and secondary data are primarily based on the data collected from Willis Towers Watson and other related paper from Myanma Insurance. This thesis can reflect risk assessment for telecommunication industry, interest of industrial all risk policy, coverage of industrial all risk policy, choices of law, coverage (inclusion) of industrial all risk, premium payment terms and cancellation clause. Far from being the "single entity- business of the past, today's telecommunications industry is a mosaic of rapidly changing and emerging enterprises, each with its own area of specialization, each with its own challenges from an insurance standpoint. The telecommunications universe includes operating companies involved in a wide variety of activities such as Internet services, software development and integration and data processing, as well as infrastructure development. As a result, telecommunication industry in different countries are particularly important, as is the need for adequate insurance.

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LIST OF ABBREVIATIONS

BCP	Business Continuity Plan
CFO	Chief Financial Officer
CGL	Comprehensive General Liability
CO ₂	Carbon Dioxide
FM	Factory Mutual
GSMA	Global System for Mobile Association
GDP	Gross Domestic Product
IAR	Industrial All Risk
KDDI	Kokusai Denshin Denwa Inc
MPT	Myanmar Posts and Telecommunications
PV	Political Violence
SCOR	Société Commerciale de Réassurance
SI	Sum Insured

CHAPTER 1

INTRODUCTION

An entity which provides insurance is known as an insurer, insurance company, underwriter or insurance carrier. A person, company or entity who buys insurance is known as an insured or as a policyholder. Insurance can be known as a guarantee made by the insurer to compensate for specified loss, damage, illness, or death of the insured in return for payment of a specified premium. These are likely to be caused by perils like accident, fire, flood, earthquakes, windstorm, volcanic eruption, tsunami and etc., as well as burglary and theft. Insurance is a way to protect from financial loss and it is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. Losses may or may not be financial losses but must be reduced to financial terms and usually involve the insured having insurable interest established by ownership, possession or pre-existing relationships.

Telecommunications is also known as telecom which is the exchange of information over significant distances by electronic means and refers to all types of voice, data and video transmission. This is a broad term that includes a wide range of information transmission technologies such as telephone (wired and wireless), microwave communications, fiber optics, satellite, radio and television broadcasting, internet and telegraph. The simplest form of telecommunications take place between two stations, but it is common for multiple transmitting and receiving stations to exchange data among themselves. Such an arrangement is called a telecommunications network and the internet is the largest example of telecommunications network. Telecommunications systems are generally managed by telecommunications service providers and they are also known as communications service providers. In many countries, telecom service providers were primarily owned and operated by the government, but that is no longer the case, and many have been privatized. The International Telecommunication Union is the United Nations agency that operates the rules of telecommunications and broadcasting. The telecommunication guidelines set up and strengthen their own government agencies. In the United States, the Federal Communications Commission is the primary regulatory agency.

Telecom service providers may suffer the loss due to perils like accident, fire, flood, earthquakes, windstorm, volcanic eruption, tsunami and etc., and therefore telecom

insurance plays in an important role to minimize the loss as well as managing risk, optimizing benefits, cultivating talent and expanding the power of capital by collecting the contributions in the form of premium even at the stage to share the loss. In a technology-dependent industry where innovation is key and competition keen, risk is ever-present. For the telecommunications industry, responding to risk isn't an option but anticipating it and developing a cohesive strategic approach is an option.

1.1 Rationale of the Study

Most of people still do not consider insurance as attractive despite the socio-economic liability of providing protection against risks facing by private and corporate organizations. When Cyclone Nargis struck Ayeyarwaddy division 10 years ago, 140,000 lives we lost and 800,000 were displaced. This is one of the lessons for big or small entities and they need to learn whenever they take into consideration the risks which can be a constraint to the revenues, assets and investments of their organizations.

Starting from 2013, Myanmar embarked on the liberalization of the telecom sector and mobile presentation was around 7 percent at that time. As of July 2015, Telenor has more than 10 million subscribers and Ooredoo has more than 5 million. MPT cooperates with KDDI and Sumitomo Corporation to provide the same competitive services and remains the leading operator with more than 14 million subscribers. Nowadays, there are altogether four telecommunications network service operators in Myanmar providing voice, data and financial services all over the country. By 2020, their goal is to achieve more than 90 percent of the population with telephone access, more than 85 percent of Internet access and more than 50 percent of high-speed Internet access.

Mobile penetration is also one of the pillars driving economic growth, which is why 90 percent penetration is critical by 2020. GSMA (Global System for Mobile Association) research shows that the long-term GDP growth rate of developing countries can increase by 1.2 percentage points, and the mobile phone penetration rate increases by 10 percentage points. In countries like Myanmar, mobile infrastructure and connectivity are particularly important where 66% of the population living in rural areas. Leapfrog technology will provide services critical to business and well-being, such as mobile money, mobile agriculture applications and mobile health in remote areas. Despite already extensive investments, the ravage by the flood is a clear indicator that additional

thinking, scenario planning and investments in the telecom infrastructure are still required.

Although insurance companies are not strong enough to play as an insurer in telecommunications industry as the investment of them are very huge as well as insurance market is not challenging in Myanmar. According to Myanmar Insurance, telecommunications service providers can purchase the insurance policies from international insurance market through brokers only as reinsurance by paying 15% commission to Myanmar Insurance. Willis Towers Watsons, Allianz, Marsh, Aegis, Aon and etc., are providing the broker services by opening their representative offices in Myanmar. Their experts advise telecom service providers on the unique set of risk management and risk transfer solutions available to the technology and telecommunications sector and work with them to tailor telecommunications and technology insurance policies to respond to those specified risks. In general, telecommunications service providers need to purchase life insurance policy for their employees, industrial all risks (IAR), political violence (PV), comprehensive general liabilities and commercial crime policies for the business.

The biggest fears of telecom service providers are sluggish revenue growth and a steady decline in profitability that can be arising from natural hazard, catastrophe, wildfires, vandalism, politics, cybercrime, regulatory changes and etc., and those can be incurred towers breakdown. Lacking of sound voice and data can lead to lesser user numbers due to interruption of towers. Therefore, they are paying even greater premiums today to averse the risks that threaten their business model and future survival.

Therefore, this study carries out to have a better understanding of telecom insurance policies where telecom service plays an important role in economic sector of Myanmar. And this study identifies and analyzes how insurance protects the telecom service providers, how the insured averse the risk and how the insurance policies are written and regulated.

1.2 Objectives of the Study

- To identify the risk assessment of Ooredoo Telecommunication Company in Myanmar

- To highlight the contribution of risk assessments to insurance policies for telecommunication industry

1.3 Scope and Method of the Study

This study mainly used descriptive method and primary data are collected from interview section with CFO of Ooredoo Myanmar Limited as telecom operators are purchasing insurance policies year by year. The period of data collection is from July 2018 to September 2018 and the interview questions are in very general relating to telecom insurance policies.

Secondary data are primarily based on the data collected from Willis Towers Watson and other related paper from Myanma Insurance to refer how telecom insurance market stands and which policies are the most fundamental among telecommunications service providers in Myanmar. Information from internet websites was also the supplemented for this study. This study focused on the fundamental insurance policies needed for telecommunications.

1.4 Organization of the Study

This paper includes five chapters. In Chapter I, the chapter describes the introduction, rationale of the study, objectives of the study and the scope and method of the study. Chapter II deals with the nature of telecom insurance policies which is included how to calculate sum insured, limit of liability, deductibles, choices of Law and Jurisdiction, inclusions and exclusions. Chapter 3 presents the risk assessment of Ooredoo Myanmar Limited which is one of the telecom service providers in Myanmar. Investigation and Analysis of the survey results are presented in Chapter IV. In Chapter V, conclusion, recommendation and suggestions are described.

CHAPTER 2

LITERATURE REVIEW

In this chapter includes the nature of telecom insurance policies, how to calculate sum insured, limit of liability, deductibles, choices of Law and Jurisdiction, inclusions and exclusions.

2.1 Background of Telecom Insurance Policies in ASEAN

Things move incredibly fast in the telecommunications industry, with technologies, products and processes evolving all the time. Whether a telecom equipment manufacturer or service provider to reflect the rapidly-changing nature of the industry and that adapts with the growing business and need to be backed by quality guarantees.

The range of insurance products offered in ASEAN varies significantly across the region, reflecting differing levels of economic and financial development. While Singapore is rapidly consolidating its status as the regional hub for specialist complex insurance and reinsurance products, the small insurance sectors of countries like Vietnam, Laos and Cambodia are overwhelmingly focused on the provision of primary simple products. This is a result of the introduction of a range of compulsory insurance laws for fire risk, catastrophe and other factors across the region, as a means to incentivize better risk and cost management, but also as a means to stimulate growth in domestic insurance sectors.

There are three types of policy normally needed in telecommunication industry and they are industrial all risks (IAR), political violence (PV) and comprehensive general liabilities (CGL) for the business.

2.2 Nature of Industrial All Risk Policies

Sum Insured

The sum insured amount is based on the total assets value which is needed to classify into categories, locations and descriptions with acquisition values for every policy. However, SI amount is needed to prepare the forecasted amount for the year that is based on 12 months basis. For industrial all risks (IAR) policy, it is needed to add forecasted revenue which is based on indemnity period (for example: 1 month, 3 months,

12 months and etc.,) and increased in SI will be advised to reinsurers on quarterly basis. As there are two sections under IAR policy, section I is property damage and section II is business interruption.

Deductibles

Deductibles have been an essential part of the insurance contract for many years. Understanding the role deductibles play when insuring is an important part of getting the most out of the insurance policy. The policy does not cover the amounts of deductible stated in the schedule in respect of each and every loss as ascertained after the application of all other terms and conditions of the policy including any condition of average.

Choices of Law

Choice of law is a set of rules used to select which jurisdiction's laws to apply in a lawsuit. Choice of law questions most frequently arise in lawsuits in the federal courts that are based on diversity jurisdiction, where the plaintiff and defendant are from different states. The reinsurance shall be governed by and constructed in accordance with the law of Singapore and each party agrees to submit to the exclusive jurisdiction of the Courts of Singapore in the event of a dispute arising hereunder.

Interest of IAR

In section I, property damage results direct physical loss, destruction or damage to all real and personal property of the insured or in which the insured has an insurable interest including building, contents, equipment, fiber optic cables in respect of the insured's network which is stored on behalf of and for the insured's interest belonging to our required for the operations of the insured's network including spare parts, office equipment and so forth. In section II, Business interruption results in additional cost of servicing loans or debts and specified standing charges and gross profit margin and increased cost of working or additional increased cost of working.

Premium Payment Terms

The attention is specifically drawn to the premium payment condition. Notwithstanding any provision to the contrary within the contract or any endorsement hereto, in respect of non-payment of premium only the following clause will apply. The reinsured undertakes that premium will be paid to reinsurers in 4 equal installments, 1st payment (25% of Annual Premium) 90 days from inception, 2nd payment (25% of Annual

Premium) 120 days from inception, 3rd payment (25% of Annual Premium) 150 days from inception and 4th payment (25% of Annual Premium) 180 days from inception respectively.

If the premium due under this contract has not been paid to reinsurers by dates stipulated above and in respect of instalment premiums, by the dates they are due. Reinsurers shall have the right to cancel this contract by notifying the reinsured via the broker in writing. In the event of cancellation, premium is due to reinsurers on a pro rata basis for the period that reinsurers are on risk but the full contract premium shall be payable to reinsurers in the event of a loss or occurrence prior to the date of termination which gives rise to a valid claim under the contract.

It is agreed that reinsurers shall give not less than 60days prior notice of cancellation to the reinsured via the broker. If premium due is paid in full to reinsurers before the notice period expires, notice of cancellation shall automatically be revoked. If not, the contract shall automatically terminate at the end of notice period.

If any provision of this clause is found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability will not affect the other provisions of this clause which will remain in full force and effect.

Cancellation Clause

This Policy may be cancelled at any time at the request of the insured in writing to the Insurers and the premium hereon shall be adjusted on the basis of the Insurers receiving or retaining the customary short-term premium. This policy may also be cancelled by or on behalf of the Insurers by sixty (60) days' notice given in writing to the Insured at its last known address, and the premium hereon shall be adjusted on the basis of the insurers receiving or retaining pro rata premium. Notice shall be deemed to be duly received five (5) working days after posting if sent by pre-paid letter post (First Class, where available) correctly addressed.

2.3 Coverage of IAR (Inclusion)

In Section – I, Material Damage covers accidental physical loss or damage (including machinery breakdown) to the property insured (other than excluded property) due to any cause (other than excluded causes).

In Section – II, Business Interruption - It covers loss due to business interruption following a Physical loss or damage to the property covered under material damage section of the policy. Loss of Profits arising out of machinery breakdown is optional.

2.4 Exclusions of IAR

The policy does not cover damage or consequential loss caused by or consisting of inherent vice, latent defect, gradual deterioration, wear and tear, frost, change in water table level, its own faulty or defective design or materials. The bursting by steam pressure of a boiler economizer vessel machine or apparatus in which internal pressure is due to steam only and belonging to or under control of the Insured other than in respect of section 1- a boiler used for domestic purpose only, In respect of section 2- any boiler or economizer on the premises or a boiler used for domestic purposes only and pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds.

Damage or Consequential loss caused by or consisting of faulty or defective workmanship, operational error or omission, on the part of insured or any of his employees. But this shall not exclude (a) such Damage or Consequential Loss not otherwise excluded which itself results from a cause not otherwise excluded, (b) subsequent Damage or Consequential Loss which itself results from a cause not otherwise excluded and acts of fraud or dishonesty by the Insured's employees but this shall not exclude such Damage or Consequential Loss not otherwise excluded which itself results from a Defined Peril.

Damage or Consequential loss caused by or Consequential Loss arising directly from theft or attempt theft. Damage or loss consisting of joint leakage, failure of welds, cracking, fracturing, collapse or overheating of boilers, economizers, superheaters, pressure vessels or any range of steam and feed piping in connection therewith, mechanical or electrical breakdown or derangement of the particular machine apparatus or equipment in which such breakdown or derangement originates. Consequential Loss caused by the deliberate act of a supply undertaking in withholding the supply of water, gas, electricity, fuel or telecommunication services. But this shall not exclude (a) such Damage or Consequential Loss not otherwise excluded which itself results from a Defined Peril or from any other accidental loss destruction or damage and (b) subsequent Damage or Consequential Loss which itself results from a cause not otherwise excluded.

In respect of Section 1, Loss or damage caused by pollution or contamination but this shall not exclude destruction of or damage to the Property Insured, not otherwise excluded caused by (a) pollution or contamination at the Premises which itself results from a Defined Peril and (b) a Defined Peril which itself results from pollution or contamination.

Damage or Consequential Loss caused by or consisting of subsidence ground heave or landslip unless resulting from fire explosion earthquake or the escape of water from any tank apparatus or pipe and normal settlement or bedding down of new structures. Damaged caused by or consisting of or Consequential Loss arising directly or indirectly from disappearance, unexplained or inventory shortage, misfiling or misplacing of information. In respect of Section 2, (a) erasure loss distortion or corruption of information on computer systems or other records programs or software caused deliberately by rioters, strikers locked-out workers persons taking part in labour disturbances or civil commotions or malicious persons and (b) other erasure loss distortion or corruption of information on computer systems or other records programs or software unless resulting from a Defined Peril in so far as it is not otherwise excluded. In respect of Section 1, destruction of or damage to a building or structure caused by its own collapse or cracking and loss resulting from destruction of or damage to a building or structure used by the insured at the premises caused by its own collapse or cracking unless resulting from a defined peril in so far as it is not otherwise excluded.

Damage or Consequential Loss in respect of movable property in the open, fences and gates caused by wind, rain, hail, sleet, snow or dust. Damage or Consequential Loss caused by fire resulting from its undergoing any heating process or any process involving the application of heat and other than by fire or explosion resulting from its undergoing any process of production packing treatment testing commissioning services or repair.

Damage or Consequential Loss caused by freezing, caused by escape of water from any tank apparatus or pipe and caused (other than by fire or explosion) by malicious persons not acting on behalf of or in connection with any political organization. In respect of any building which is empty or not in use. Damage or Consequential Loss in respect of fixed glass, glass (other than fixed glass) china earthenware marble or other fragile or brittle objects and computers or data processing equipment other than such damage caused by a Defined Peril and such Consequential loss resulting loss resulting from loss or destruction of a damage to such property caused by a Defined Peril.

In so far as it is not otherwise excluded Damage in respect of jewellery precious stones precious metals bullion furs curiosities work of art or rare books, property in transit and money cheques stamps bonds credit cards or securities of any description other than such Damage caused by a defined Peril in so far as it is not otherwise excluded. In respect of Section I, unless specifically mentioned as insured and in respect of section 2, unless Consequential Loss is caused by a Defined Peril in so far as it is not otherwise excluded vehicles licensed for road use (including accessories thereon) caravans trailers railway locomotives rolling stock watercraft or aircraft, property or structures in course of construction or erection and materials or supplies in connection with all such property in course of construction or erection, land roads payments piers jetties bridges culverts or excavations and livestock growing crops or trees.

Property which at time of the happening of Damage is insured by or would but for the existence of this policy be insured by any marine policy or policies except in respect of any excess beyond the amount which would have payable under the marine policy or policies had this insurance not been affected. Any property more specifically insured by or on behalf of the insured.

Damage or Consequential Loss occasioned by war invasion act of foreign enemy hostilities (whether war be declared or not) civil war rebellion revolution insurrection or military or usurped power nationalization confiscation requisition seizure or destruction by the government or any public authority. In respect of Section 1, loss or destruction of or damage or in respect of Section 2, destruction or damage occasioned by or happening through or occasioning loss or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising there from or any consequential loss directly or indirectly caused by or contributed to or arising from ionizing radiation or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel and the radioactive toxic explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof.

Damage or Consequential Loss occasioned by or happening through riot civil commotion and (except in respect of Damage or Consequential Loss by fire or explosion) strikers locked-out workers or persons taking part in labour disturbances or malicious persons and any unlawful wanton or malicious act committed maliciously by a person or persons acting on behalf of or in connection with any unlawful association. Terrorism

means the use of violence for political ends and includes any use of violence for the purpose of putting the public or any section of the public in fear.

CHAPTER 3

INFORMATION BACKGROUND OF OOREDOO MYANMAR LIMITED

This Chapter includes the background profile of Ooredoo Myanmar Limited as well as the risk assessment of the company which is surveyed by the SCOR (the art & science of Risk).

3.1 History of Ooredoo Myanmar Limited

Ooredoo (Formerly Qtel Group), is a mobile telecommunications provider, has grown rapidly through acquisitions in Kuwait, Saudi Arabia, Tunisia, Maldives, Algeria, Palestinian territories, Myanmar, Oman and Bosnia. The company has rapidly developed to become a leading provider of mobile services, wireless services, wire-line services, and content services. The company has achieved market share in domestic and international telecommunication markets and within business (corporations and individuals) and residential markets.

Ooredoo Myanmar (Ooredoo) is a wholly owned subsidiary of Ooredoo QSC, a Qatar-based company engaged in the provision of domestic and international telecommunication services in Qatar, Asia and Middle East and North Africa region. In June 2013, Ooredoo was awarded as one of the two successful applicants to a telecommunication license in Myanmar. Ooredoo Myanmar has since leveraged its network and technology experience in deploying innovative solutions across 3G networks using 900 and 2100 frequencies, bringing data services to where there has previously only been voice. Mobile network of Ooredoo covers 68 cities and towns, including Yangon, Nay Pyi Taw and Mandalay, covering some 7.8M people. The company primarily leases space on telecommunications towers that are built, owned and operated by independent tower companies at locations specified by Ooredoo. The installation and testing of Ooredoo's telecom equipment and on-site generators is undertaken by contracted radio access network vendors. Ooredoo's telecommunications equipment and generators are maintained by contracted service providers.

Ooredoo operates 5 data centers as well as offices & shops in leased premises in Yangon, Mandalay, Nay Pyi Taw, Mawlamyine and Myitkyinar in Myanmar. The other data centers are smaller and not fully occupied and are less critical according to Ooredoo

Myanmar Limited management. As of February 2015, Ooredoo was the anchor tenant for approximately 1,400 telecommunications towers in operation in Myanmar, mostly situated in highly populated areas and along major roads networks. The Yangon and Mandalay data center were visited during the survey. The facilities and occupancies are listed below.

Table 3.1 describes the condition of construction and protection of Yangon data center and Mandalay data center.

Condition of Construction and Protection

Highlights of facilities visited				
Facility	Year Built	Height	Construction	Protection
Yangon Data Centre	2014	1-storey	Data centre enclosure is constructed of FM-approved metal sandwich panels. Raised floors throughout.	Kidde Novec total flooding gaseous systems are provided for all equipment and power rooms. Very early warning smoke detection systems (e.g. VESDA) are provided for all the equipment and power rooms. Portable powder and CO ₂ fire extinguishers are provided throughout.
Mandalay Data Centre	2014	1-storey	Data centre enclosure is constructed of FM-approved metal sandwich panels. Raised floors throughout except for new expansion.	Kidde Novec total flooding gaseous systems are provided for all equipment and power rooms. Very early warning smoke detection systems (e.g. VESDA) are provided for all the equipment and power rooms. Portable powder and CO ₂ fire extinguishers are provided throughout.

The source of information is referred from SCORS's site survey report and the data centers are constructed inside industrial buildings using the latest standards in the industry. These industrial buildings are basically constructed of steel beams with high bay metal roofs which act as external shells to the data center enclosures within. All equipment rooms, power, UPS and battery rooms are equipped with FM-approved total flooding gaseous suppression systems as well as early warning air sampling systems.

3.2 Risk Assessment Report of Ooredoo Myanmar Limited

Protection / Detection

Property protection is installed based on local requirements: - Fixed Protection:

- 1) Gas suppression

a) Yangon Data Centre – Nova 1230 system linked to double-knock smoke detection (smoke detection with Vesda/heat) system inside data centre & Power Module Rooms

b) Tower & Hub in Head Office – FM 200 system linked to double-knock smoke detection (smoke detectors) system

2) Hydrant

a) Yangon Data Centre – No protection

b) Tower & Hub in Head Office – Outdoor hydrant connected to city water mains. Indoor hydrant reportedly installed but not seen during site visit. Water supply deemed as unreliable as no dedicated water supply and no flow test conducted to verify adequacy of flow & pressure.

3) Detection

a) Yangon Data Centre – Automatic (smoke / heat) inside data centre & Power Module Rooms. Manual fire alarm (call point with bells) in all areas visited

b) Tower & Hub in Head Office – Automatic (smoke) in hub room only & manual fire alarm (call point with bells) in all areas visited

4) Portable fire extinguisher of both dry chemical and/or CO₂ type in all areas Yangon

The level of maintenance is deemed as average. The overall level of property protection is deemed as inadequate as follows:

Yangon Data Centre – Due to lacks of hydrant (indoor & outdoor) & sprinkler system inside the building. Also, the adjacent plastic plant (5-8 m separation) with outdoor storage poses high risk of fire spread. Tower & Hub in Head Office – Due to lacks of smoke detection inside the buildings and also the space clearance of about 10 m between buildings at the Head Office.

Special/Unique Hazards

The following hazards & site conditions should be noted,

1. Standard of inspection, testing & maintenance (ITM) of the installed fire protection system (gaseous suppression & fire alarm system) appears inadequate.

2. The existing business interruption plan (BCP) does not appear to be complete. Considering the potential extent of business interruption should an emergency such as natural disaster in the region or fire at one of the key data centers (Yangon or Mandalay), the impact to business can be extensive.

3. Design & installation of fire protection system including gaseous suppression system and hydrant system appears to follow only the local standards & requirement even for the key data centers.

Split Values

For property damage details, values given as replacement cash values and the value per tower is estimated to be USD 120,000. Sum insured is USD 352,699,796.68 at start of policy period and forecasted to be around USD 800,000,000.00 by end of December 2015. Total sum insured under the policy is USD 642,699,796.68. For business interruption details, the indemnity period is expected to be 12 months. Gross profit is USD 24 million per month in average forecasted for 2015. The declared BI trends to increase. Business continuity plan within the group and contingency arrangement within the group is available but very much subject to available capacities at the time of disruption.

Surrounding Fire Exposure

Dedicated data center facilities with space for network training purposes. Adjacent properties are as follow,

- North: Public road of 4 m before a small canal
- East: Plastic bag manufacturing facility with space clearance of about 5 m to separating metal wired fence
- South: Noodle manufacturing factory with space clearance of about 20 m
- West: Light manufacturing plant with space clearance of about 20 m respectively.

Potential risk of property damage from neighboring properties is deemed as high due particularly to the plastic bag manufacturing located only about 5 m away and the neighboring plant uses the immediate outdoor space for storage purpose.

Liability Exposure

Due to the height of the transmission towers (about 30 - 60 m high for ground towers and much higher for towers above buildings), damage to 3rd-party properties can be expected in the event of a tower structure collapse. For the Data Centre, potential damage to adjacent properties (plastic bag factory & noodle factory) due to the proximity of these properties.

Theft

Means of security access control is implemented at both the Data Centre and also Head Office buildings where security gate and guard post are provided. All visitors are required to sign-in at the designated security counter prior to entering into the premise. Access into the Data Centre area by staff is controlled by access card while all visitors must be escorted at all times. Security guards are posted at all entry points and additional guards also conduct regular site patrols. Surveillance cameras are fitted at strategic locations and monitored at the respective control rooms. There has been no incident of theft recorded.

Vehicle / Falling aircraft / Vessel impact

For ground vehicles, not expected for both the Data Centre and also the Head Office as the properties are fenced with minimal traffic within the site. All vehicles are required to stop at the front gate for security check and speed control restriction is in place. For falling aircraft, this facility is located about 4 km west of the Yangon International Airport and is not within 30 degree on the end of the runways axis. Therefore, the hazard is considered low. For vessel impact, this facility is located more than 60 km inland from the Gulf of Martaban and about 700 m from the Hlaing River. Therefore, there is no risk of vessel impact.

Earthquake

Based on information in the above profile, both the Yangon Data Centre & Myanmar Plaza Head Office are located in Zone 3: MM VIII with peak ground acceleration of 10 to 20 m/s² within a return period of 475 years. According to information provided, critical equipment such as tank, transformer, generator, tower, etc. are anchored. There is no past history of major earthquake incident affecting this region. The most recent earthquake in Myanmar occurred on 22nd September 2003 (Meiktila town about 220 miles north of Yangon and Richter scale of 6.7) but no damage in this

region was reported. In consideration of the above, the risk of earthquake is deemed as moderate.

Storm Surge

Based on information in the above profile which considers the height above the mean sea and the distance from body of water, both the Yangon Data Centre & Myanmar Plaza Head Office are located in Zone 2 with a probability of medium to high. The peak wind speed expected in this region is 184 km/h according to Nathan. Both the Yangon Data Centre and Myanmar Plaza Head Office are located more than 60 km inland from the Gulf of Martaban in Yangon. Building design & installation information on roofs & walls are not available but it is understood that they are in accordance with the standards of the local authorities. The transmission towers installed above buildings and also those on the ground are reportedly designed and built to withstand anticipated wind uplift. The exposure to storm surge is therefore considered to be low.

Flood / Surface Water

The Yangon Data Centre is about 700 m to the east of the Hlaing River with ground elevation of about 6 m. The internal road level inside the site is only slightly higher than the outside public road while the ground floor level inside the building is about 200 mm higher than the internal road level. Based on the above, the exposure to flood is therefore considered to be moderate.

Lighting

Based on information in the above profile, both the Yangon Data Centre & Myanmar Plaza Head Office are located in Zone 3 with a frequency of lightning strokes per km² per year. There is no history of property damage or power failure due to lightning. Site inspection shows that lightning arrestor are installed both above buildings and also in the transmission towers. Reportedly, lightning system is tested annually. Based on the above, the risk exposure to lightning is considered as moderate to high.

Collapse / Soil Settlement

Land occupied by data center and also the head offices are previously used for agricultural purposes. No sign of uneven ground settlement or cracks on building structures were observed during the site walkabout. Proper foundation to the buildings

and also transmission towers are reportedly provided according to local requirement. Based on the above, the risk exposure to collapse/soil settlement is considered as low.

Sabotage / Terrorism / Vandalism

Based on site locations, head office and data center, potential risk is low and none in history report.

CHAPTER 4

ANALYSIS ON RISK ASSESSMENT IN MYANMAR AND THE IMPACT OF INSURANCE POLICIES PRACTICE IN TELECOMMUNICATION INDUSTRY

This chapter analyzes the Impact of Insurance Policies Practice on Telecommunication Industry. This chapter can be divided into two parts which contain commercial comparison, insurance premiums paid by Telecom Company, claim reimbursement within 2 years, to formulate business interruption plan, to formalize the flood risk emergency response and analysis of insurance policies practice on telecommunication industry by interviewing with CFO of a telecom company.

4.1 Commercial Criteria Comparison based on vendors' quotation

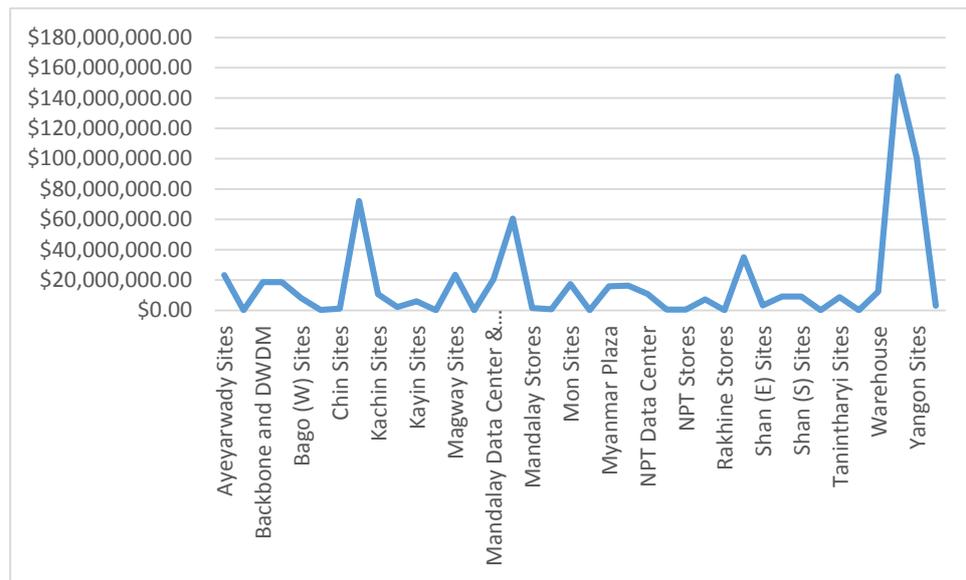
The aim of the study is to analyze the Impact of Insurance Policies Practice on Telecommunication Industry. In every organization, cost optimization plays as an important role. To implement the aims of the study, firstly premiums are needed to be collected and investigate how much premium can be saved. The quoted policy limits are USD 75M, and USD 100M and the deductibles are USD 10K, USD 25K and USD 50K respectively. The higher the deductible amount, the lower the premium rate is. But the lowest price quoted may not be conducive to the best overall cover. If insurance companies focusing too much on providing the cheapest cover in order to be competitive on price comparison sites, there will be pros and cons definitely. The telecommunications sector is different in each of the ASEAN countries and each must necessarily respond to its own social, political and economic needs. The right insurance policy and policy limit should be chosen based on the trends towards different forms of deregulation, liberalization of markets, privatization of the telecommunications authorities and organizational strategy.

4.2 Insurance premiums paid by Telecom Company

According to the insurance policies bought by the telecom company in past two years, the total premium amount was USD 2.67M in 2015-16 and USD 1.29M in 2016-17. The premium was lesser than the previous by giving outsource management to third

party even though total assets breakdown was increasing day by day. Otherwise there might be write off and revaluation from assets register. The third-party management process involves managing interactions with external parties and managing mutual communication. Within 2 years, a telecom company needed to spend USD 3.95M mainly for three policies.

Figure 4.1 describes the assets breakdown according to sites and categories as of December, 2019. The vertical lines represent the currency in USD and the horizontal lines refer to locations.



Total Assets Breakdown as of Dec 2018

According to this graph, the total reported values of Dec 2018 is over USD 600M. Reportedly, a typical site with tower and equipment was estimated to be valued around USD 70,000 to USD 100,000. Reportedly, with the upcoming enhancement to the data services, more equipment would be installed onto the towers and the maximum value per tower was estimated at around USD 120,000.

4.3 Claim reimbursement within 2 years

Reimbursement is the act of compensating the telecom company for an out-of-pocket expense by giving them an amount of money equal to what was spent. Normally there will be replacement cost, repair and maintenance cost, loss of revenue due to damaged equipment and additional increased cost of work (ICOW) which is only for business interruption. Business interruption insurance (BI) is also known as time loss,

consequential loss and loss of profits insurance. Increased costs incurred after a property damage loss, specifically to limit any reduction in turnover or revenue, and to maintain normal business operations. According to the claims reimbursed by the telecom company in past two years, USD 165,473 under property all risks (due to flood) & USD 267,265.19 under business interruption, altogether USD 432,738.19 in 2015-16 and USD 70,800 under property all risks (due to flood) and USD 51,439 due to voucher fraud in 2016-2017, altogether USD 122,239. By comparing the weightings of claim to premium were only 16% in 2015-16 and 14% in 2016-17.

Table 4.1 describes the claim history and premium paid in year 2015-2016 of Ooredoo Myanmar Limited.

Policy Year (2015-2016)

Policy	Premium Paid	Claim Amount	Claim
	USD	USD	(%)
Property All risks with Business interruption	2,208,045.19	432,738.19	20%
Political Violence	412,850.00	-	0%
Comprehensive General Liability	45,500.00	-	0%
	2,666,395.19	432,738.19	16%

Due to table (4.1), Ooredoo Myanmar Limited paid over USD 2M for Property All Risk including Business Interruption policy, over USD 0.4M for Political Violence Policy and USD 0.046M for Comprehensive General Liability respectively for the year 2015-16.

Table 4.2 describes the claim history and premium paid in year 2016-2017 of Ooredoo Myanmar Limited.

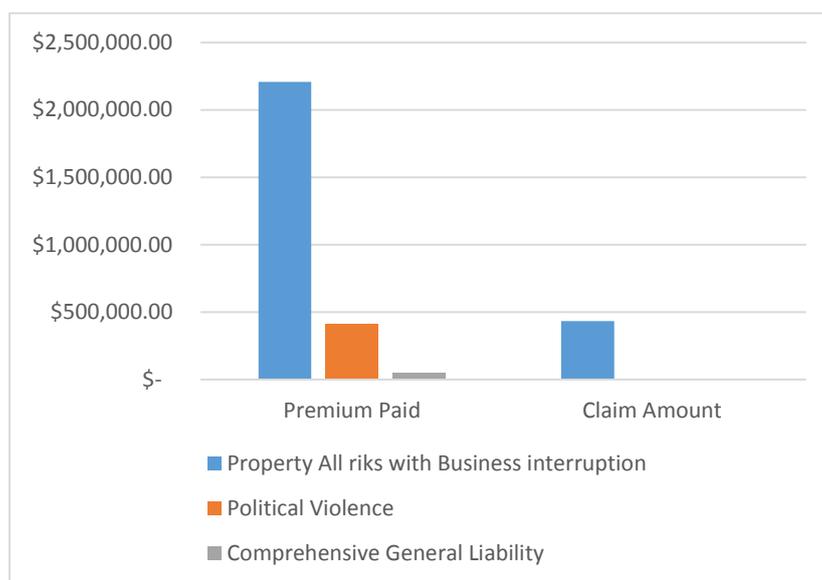
Policy Year (2016-2017)

Policy	Premium Paid	Claim Amount	Claim
	USD	USD	(%)
Property All risks with Business interruption	1,078,553.80	122,239.00	11%
Political Violence	180,235.80	-	0%
Comprehensive General Liability	29,756.25	-	0%
	1,288,545.85	122,239.00	9%

Due to table (4.2), Ooredoo Myanmar Limited paid over USD 1M for Property All Risk including Business Interruption policy, over USD 0.18M for Political Violence Policy and USD 0.03M for Comprehensive General Liability respectively for the year 2015-16.

Figure 4.2 describes the comparison between premium paid and reimbursement of Ooredoo Myanmar limited in year 2015-2016.

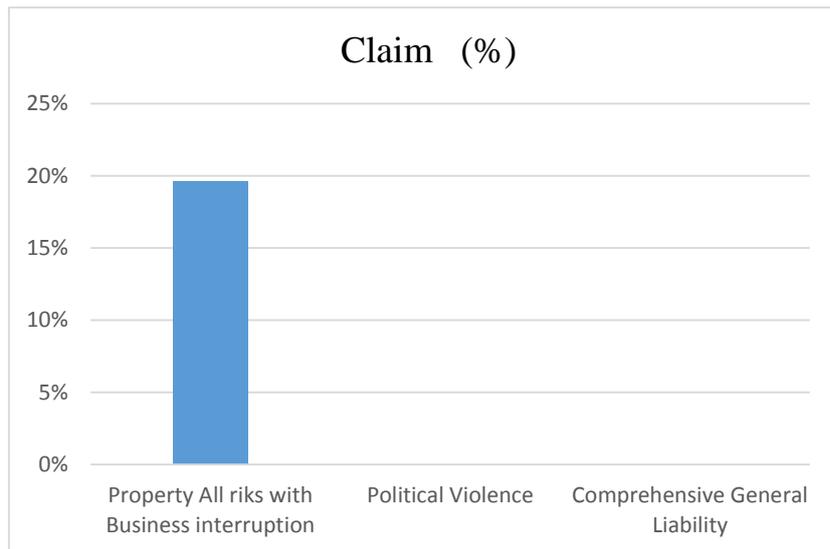
Insurance Premium Payment and Claim History in Graph (2015-2016)



According to the graph, Property All Risks including was most costly and it was USD 2,208,045.19, the second was Political Violence which costed USD 412,850 and the third was Comprehensive General Liability which costed USD 45,500 in 2015-16. But the claim amount was USD 432,738.19 in total. The reimbursements were USD 165,473 under Property All Risks (due to flood) & USD 267,265.19 under Business Interruption respectively.

Figure 4.3 describes the reimbursement history in percentage of Ooredoo Myanmar limited in year 2015-2016.

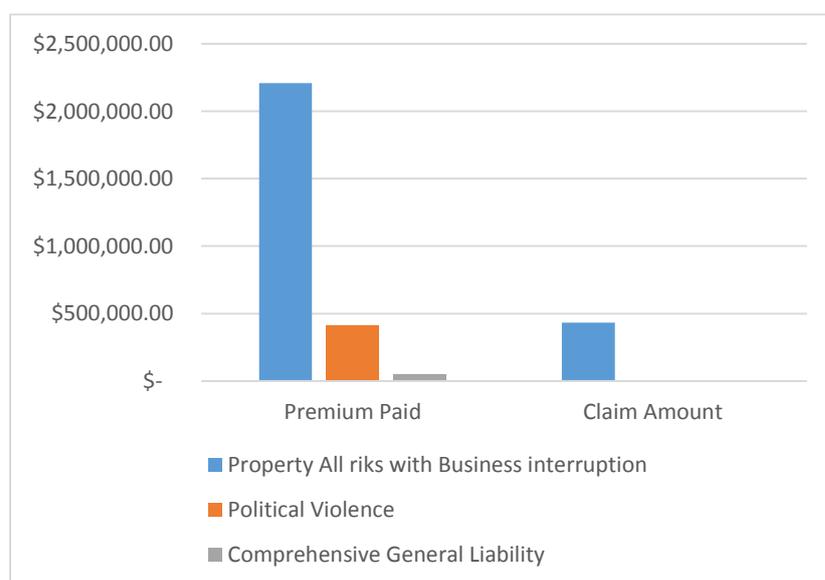
Insurance Claim Reimbursement in Percentage



Due to figure 4.3, only 20% claim reimbursement was occurred in total which was being damaged by Flood. There were two parts under this reimbursement under Industrial All Risk Policy. First the equipment was damaged due to flood and those lead to loss of daily revenue. The reimbursed amounts were USD 165,473 for Property Damaged and USD 267,265 for Business Interruption respectively. There was no claim under Political Violence and Comprehensive General Labiality in year 2015-16.

Figure 4.4 describes the comparison between premium paid and reimbursement of Ooredoo Myanmar limited in year 2016-2017.

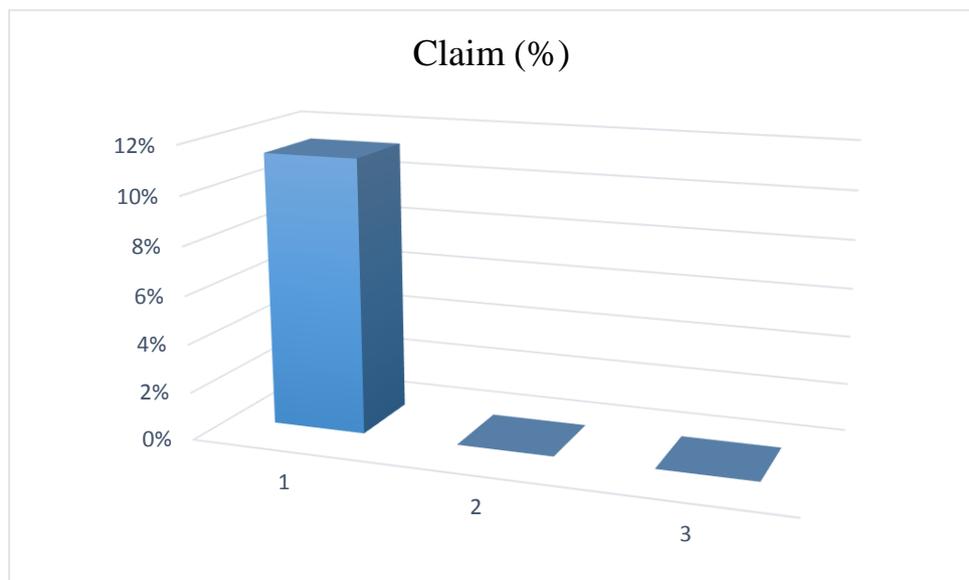
Insurance Premium Payment and Claim History in Graph (2016-2017)



Due to the graph, Property All Risks including was most costly and it was USD 1,078,553.80, the second was Political Violence which costed USD 180,235.80 and the third was Comprehensive General Liability which costed USD 29,756.25 in 2016-17. But the claim amount was USD 122,239 in total. The reimbursements were USD 70,800 under Property All Risks (due to flood) & USD 51,439 under Fidelity Guarantee Policy which was endorsed under IAR Policy.

Figure 4.5 describes the reimbursement history in percentage of Ooredoo Myanmar limited in year 2016-2017.

Insurance Claim Reimbursement in Percentage



Due to figure 4.5, only 11% claim reimbursement was occurred in total which was being damaged by Flood. There were two parts under this reimbursement under Industrial All Risk Policy. First the equipment was damaged due to flood and the reimbursed amount was USD 70,800 for Property Damaged and USD 51,439 for Fidelity Guarantee respectively. There was no claim under Political Violence and Comprehensive General Liability in year 2016-17.

4.4 Formulate Business Interruption Plan

A good business interruption (continuity) plan is necessary to ensure continual business functions & operations. In essence, a business interruption (BI) study is recommended so as to identify the potential downtime as a result of a loss of critical equipment (such as data center & Hub), supply (such as power supply, water & fuel) or

services (such as IT, control room, transport). Necessary actions as appropriate to all involving parties of the organization should then be developed to address (eliminate or minimize) all the identified scenarios with a possibility or likelihood of resulting in a business interruption. Reference document for BI study includes NFPA 1600 & ISO 22301 and are generally focused on the following broad objectives;

- Plans, measures and arrangements to ensure the continuous delivery of critical services and products, which permits the organization to recover its facility, data and assets.
- Identification of necessary resources to support business continuity, including personnel, information, equipment, financial allocations, legal counsel, infrastructure protection and accommodations.

Upon completion of the study, all relevant information should be formulated into a Business Interruption (Continuity) Plan where it should be re-validated at least annually or when there is material change affecting the adequacy/completeness of the plan.

4.5 Formalize the Flood Risk Emergency Response

It is advisable to include emergency response plan and provision for flood in view of the flood risk present in this region. The plan should start with an onsite risk assessment of the potential risk of excess water accumulating inside & around the data center from rain. The study should also assess the likelihood of water entering into building due to generally low-lying terrain around the data center building. Based on the findings of the study, provision should be made to improve the ability to prevent water entering into the building to affect the operations or equipment.

4.6 Interview Section with CFO of a Telecom Company

Insurance policies typically purchased for Ooredoo Myanmar Limited are Property All Risks Insurance, Business Interruption Insurance, Comprehensive General Liability Insurance, Commercial Crime Insurance, Vehicle Insurance, Construction all risks and on a case to case basis based on requirements of the project. Generally, the vendor is selected based on requirements of the project. The selection is

largely through a formal request for proposal process and selection is evaluated based on the following criteria;

- Financial Stability
- Cost
- Coverage
- Claim Handling
- Industry Experience
- Past Experience (If any, working with the insurer).

Purchasing insurance policies is part of the company's board approved strategy to manage risks. More than USD 1M is well spent in buying insurance policies in every year. There are deductibles that reduce the claim amount in the event of loss and each policy comes with a policy cap which represents the maximum claimable under a policy. Striking the right balance here is important in managing risks based on probability of a loss occurring, tolerable amounts to be borne by the company in order to optimize the cost of the policy and manage risk through an insurance policy. Regarding to the comparison of premium and the loss, it depends on the size of the loss as the premium could be higher or lower than the cost of the damaged equipment. In preparation of claim calculation, it is not complicated to provide a claim calculation but requires sufficient data points to meet the requirement of the loss adjuster reviewing the claim.

Dealing with brokers and loss adjusters can be ranked as smooth and the working experience with international firms has so far has been professional and at arm's length. Grading Myanmar Insurance's performance is currently they are not able to serve more complex industries like telecommunications and 100% of the cover is reinsured internationally. This increases the cost of insurance in Myanmar with the fees charged by Myanmar Insurance for fronting the policy (15%) which is an added cost to the company.

Insurance policies are necessary as it helps manage risks in the event of a disaster or loss to protect the value of the business to its stakeholders. An Insurance policy is required to protect a complex telecoms business and the use of a reputable international insurance broker to support with international reinsurance to reduce costs and act as an intermediary to support and advise the company including dealing with insurers and loss adjusters.

CHAPTER 5

CONCLUSION

This chapter describes the finding from the analysis of the impact of insurance policies practice on telecommunication industry, suggestion and as well as need for further study.

5.1 Finding

At the 50th Anniversary, ASEAN has been on a long journey of changes and adjustment. Recovered from the 1997-98 Asian financial crisis, ASEAN wide implementation of monetary and fiscal policies, and through the various reforms the economy has strengthened. ASEAN efforts with the healthy growth and financial stability during the work to reactivate domestic and international confidence. ASEAN has become one of the fastest growth centers with an average growth of 5.6 percent/ annum in the past decade and placed itself among the most attractive investment destinations in the world.

Extracting from CFO interview, industrial all risks policy is the most important policy for telecommunication companies. According to Myanmar politic condition, political violence policy is a must which is covered terrorism and civil wars. Sometimes civil wars policy is needed to quote separately but if the limited liability amount is quite low which can be attached under political violence policy as an endorsement. Based on the natural catastrophe, most of the towers are located in Sagaing, Chin, Tanintharyi, Yangon, Mandalay and Magway where there are often heavily rained, earthquake and hailstorms. IAR policy plays an important part in ensuring to reduce the loss especially loss of income due to damaged equipment. As a telecom company, income from data and voice will be computing in every minute which could be lost due to damaged equipment as well as business interruption. The covers are apparently dominated by Fire underwriters together in specific cases with the underwriters of the relevant mono lines. In isolated cases, these risks are handled by a special all risk department. From the point of taxation, insurance is still free from tax which means Government is liberalizing Myanmar Insurance Sector to invite the international insurers and brokers to step into international insurance market. Receiving 15% fronting fees from each policy can be raised the income of Myanma Insurance which is paid by insured.

ASEAN Insurance Cooperation executed by ASEAN Insurance Regulators' Meeting (AIRM) with a goal to strengthen the insurance cooperation in the developments of insurance regulatory and supervisory frameworks and research and capacity building through ASEAN Insurance Training and Research Institute (AITRI). Joint plenary meeting with insurance industry is held annually with the members from ASEAN Insurance Council, ASEAN Council of Bureaux (COB), ASEAN Insurance Education Committee, and ASEAN Natural Disasters Research Works Sharing to exchange views on the progress and implementation in the various insurance areas. These can reflect how ASEAN countries support insurance market and how they are keen to boom the insurance market.

In addition, technology and telecom companies sit in the center of global economic activity, they may be considered prime targets of terrorists (state-sponsored and otherwise), hactivists, cyber criminals, hackers and disgruntled employees. Tech/telecoms have been the victims of widely publicized cyber-attacks in recent years. As networks become more sophisticated and the degree of technology required by consumers grows, it is expected the level of cyber exposures to expand accordingly.

5.2 Suggestion

Since the telecommunication company investment is highly volume, various promotional strategies and income which are coming in every minute, insurance policies are necessary to be purchased. Because fire, burglary, vandalism, war or politics and natural catastrophe cannot be predicted and forecasted. After purchasing the policy, the premiums must be paid according to the payment term otherwise the claim reimbursement must be rejected.

Currently reinsurance policies are supplied from international market which is outside of Myanmar via brokers who are opened their rep offices in Myanmar. Apparently Myanmar Insurance is receiving 15% fronting fees (commission fees) and the insurers are getting 100% premium from insured. If Myanmar Insurance can handle those international policies as in-house policy, MI will be receiving 100% premium and which can be increasing the Government's income. The communication will be easier and more effective than going international market as well as taking part of market share in international market.

5.3 Need for Further Study

This study emphasizes on the impact of insurance policies practice on telecommunication industry in Myanmar and then this study analyzes the insurance policies which are important in telecom industry. At present, insurance sector needs to be developed and this would be helping Myanmar Economic sector definitely. Further research needs to be conducted, regarding the awareness on the impact of insurance policies practice on telecommunication industry and the importance roles playing in Myanmar Insurance Sector.

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Interview Questions & Answers

1. Which insurance policies do you normally purchase for Ooredoo Myanmar Limited?

Insurance policies typically purchased are

- Property All Risks Insurance
- Business Interruption Insurance
- Comprehensive General Liability Insurance
- Commercial Crime Insurance
- Vehicle Insurance
- Construction all risks, on a case to case basis based on requirements of a project

2. How do you normally select a vendor? (Based on which criteria)?

The selection is largely through a formal request for proposal process and selection is evaluated based on the following criteria

- Financial Stability
- Cost
- Coverage
- Claim Handling
- Industry Experience
- Past experience, if any, working with the insurer

3. What makes you to purchase insurance policies?

This is part of the company's board approved strategy to manage risks.

4. How much do you spend for insurance policies per year?

Spending more than USD1 million per year.

5. Do insurance policies cover all your company loss?

There are deductibles that reduce the claim amount in the event of loss and each policy comes with a policy cap which represents the maximum claimable under a policy. Striking the right balance here is important in managing risks based on probability of a loss occurring, tolerable amounts to be borne by the company in order to optimize the cost of the policy and manage risk through an insurance policy.

6. Is the premium higher than the cost of damaged equipment? (cost comparison)

Depending on the size of the loss, the premium could be higher or lower than the cost of the damaged equipment.

7. Is it complicated to prepare claim calculation?

It is not complicated to provide a claim calculation but requires sufficient data points to meet the requirement of the loss adjuster reviewing the claim.

8. How do you think about Brokers and Loss Adjusters who you are dealing with?

The working experience with international firms has so far has been professional and at arms' length.

9. How will you rate Myanmar Insurance performance?

Currently, they are not able to serve more complex industries like telecommunications and 100% of the cover is reinsured internationally. This increases the cost of insurance in Myanmar with the fees charged by Myanmar Insurance for fronting the policy which is an added cost to the company.

10. Do you think insurance policies are necessary for telecom companies? Why?

Insurance policies are necessary as it helps manage risks in the event of a disaster or loss to protect the value of the business to its stakeholders.

11. How would you like to suggest to purchase insurance policies or not for telecom companies?

An Insurance policy is required to protect a complex telecoms business and the use of a reputable international insurance broker to support with international reinsurance to reduce costs and act as an intermediary to support and advise the company including dealing with insurers and loss adjusters.