

Determinants of Successful Microinsurance Regulation and Supervision

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8 March 2018

Balance market development and protecting consumers



Expand the market

- Innovation
- Reduce regulatory burden
- Healthy competition
- Consumer education
- Facilitate formalisation



Protect consumers

- Efficient, fair, safe and stable insurance market
- Insurers meet their obligations
- Fair treatment of consumers



Inclusive insurance: insurance for **excluded groups**, includes **low income market** and other excluded groups (e.g. **informally employed**)

Key elements of inclusive regulatory frameworks

Products

- Simple, limited risk, allow innovation, ensure that customers are treated fairly

Insurance providers

- Different types of entities, tiered licensing and ongoing requirements (e.g. reporting)

Delivery channels and intermediation

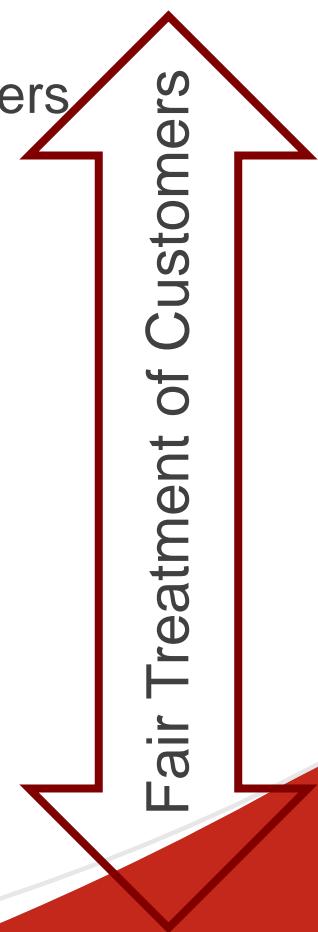
- Different types of intermediaries, lower qualification and training requirements, wider roles and responsibilities of intermediaries, consider the relationships with customers and insurers

Sales and servicing of business


- Disclosures, policy inception, premium collection, claims payment, complaints processes

Formalisation

- Licensing and supervision of informal entities



Lessons from the past decade

- Understand and take into account the regulatory and market context
 - Be prepared to take a test-and-learn approach
 - Involve industry, policymakers and other authorities early on
 - Set up monitoring mechanisms and collect performance data
 - Engage in complementary efforts to support market development (e.g. consumer education)
 - Develop capacity in supervising inclusive insurance
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Remaining questions

- How should the supervisor respond to risks posed by more complex insurance products (index-based insurance), 'big data', data privacy and digital technology?
- How to ensure the protection of policyholders given the complex value chain and involvement of powerful non-financial intermediaries?
- How to ensure effective formalisation of unregulated schemes? How to ensure the appropriate role of the insurance supervisor in state-led insurance schemes driven by other policy agendas (e.g. health insurance)?
- What is the role of the supervisor in the development of the market: motivating the industry and creating demand among consumers?

Questions and Discussion



The Initiative is a partnership between:



BMZ



Federal Ministry for Economic Cooperation and Development



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Useful Links

- IAIS Application Paper on Regulation and Supervision of Inclusive Financial Services
- <http://iaisweb.org/index.cfm?event=getPage&nodeId=25248>
- IAIS Issues Paper on Conduct of Business in Inclusive Insurance
- <https://www.iaisweb.org/page/consultations/closed-consultations/issues-on-conduct-of-business-in-inclusive-insurance//file/58440/post-consultation-draft-issues-paper-conduct-of-business-in-inclusive-insurance-clean>
- Proportionate Regulatory Frameworks in Inclusive Insurance: Lessons from a Decade of Microinsurance Regulation
- <https://a2ii.org/en/report/regulation-and-supervision/proportionate-regulatory-frameworks-inclusive-insurance-lessons>
- Proportionality in Practice: Disclosure of Information
- <https://a2ii.org/en/report/regulation-and-supervision/proportionality-practice-disclosure-information>
- Proportionality in Practice: Distribution
- <https://a2ii.org/en/report/regulation-and-supervision/proportionality-practice-distribution>
- Cross Country Synthesis of Microinsurance Regulatory Frameworks
- https://a2ii.org/sites/default/files/reports/2014_03_10_annex_9_a2ii_cross-country_synthesis_doc_2_for_consultation.pdf
- SADC Microinsurance Guidelines
- http://www.finmark.org.za/wp-content/uploads/2016/01/CISNA-Guidance-Note_Harmonisation_042015_FNL10.pdf