

# Bridging the Gender Gap: The role of the Insurance Supervisor

Report of the A2ii – IAIS Consultation Call



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*The Consultation Calls are organised as a partnership between the Access to Insurance Initiative (A2ii) and the International Association of Insurance Supervisors (IAIS) to provide supervisors with a platform to exchange experiences and lessons learnt in expanding access to insurance.*

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## Introduction

Integrating a gender perspective in regulation and supervision is key to increasing financial inclusion. Compared to men, women form a larger proportion of the underserved segment of the population especially in developing countries. Lack of data, socio-cultural barriers and low levels of financial literacy are often cited as some of the main factors behind this. Given the role that women play in managing household risks, there are wider benefits to societal development if insurance products that fit their needs are designed. Insurance supervisors can play an important role in enhancing women's access to insurance through incorporating gender perspectives in relevant areas of regulation and supervision.

The presentations on this consultation call were delivered by experts from Women's World Banking<sup>1</sup> (Gilles Renouil, Shilpi Shastri and Maria Sanchez-Smith) and the Toronto Centre (Michelle Chong-Tai Bell). Andrea Camargo, (Director of Inspowering and Technical Expert of the A2ii), presented the expert inputs on the French and Spanish call. They were joined by Hery Njaka Rakotoarimanana from Service des institutions financières- Ministère des Finances (Madagascar), María Augusta de Queiroz Alves from Superintendencia de Seguros Privados (SUSEP), Brazil and Malena Kramer from Superintendencia de Seguros de la Nación (SSN), Argentina who shared experiences from their jurisdictions.

## Women's financial inclusion and why it is important

Women make up the majority of the 1.7 billion people who are unbanked globally, with a large number residing in developing and emerging economies such as Pakistan, Bangladesh, India, Indonesia and Nigeria (World Bank, 2017). It is important to develop gender-inclusive solutions and policies because women, particularly low-income women, face more barriers compared to men. Achieving gender equality is United Nations' Sustainable Development Goals (SDGs) Goal 5. It also feeds into the achievement of other SDGs such as reduction of poverty (goal 1), good health and well-being (goal 3) and decent work and economic growth (goal 8).

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<sup>1</sup> Women's World Banking is a nonprofit organisation that provides strategic support, technical assistance and information to a global network of 40 independent microfinance institutions (MFIs) and banks that offer credit and other financial services to low-income entrepreneurs in the developing world, with a particular focus on women.

### **Why are women more vulnerable to risks, and what are the barriers?**

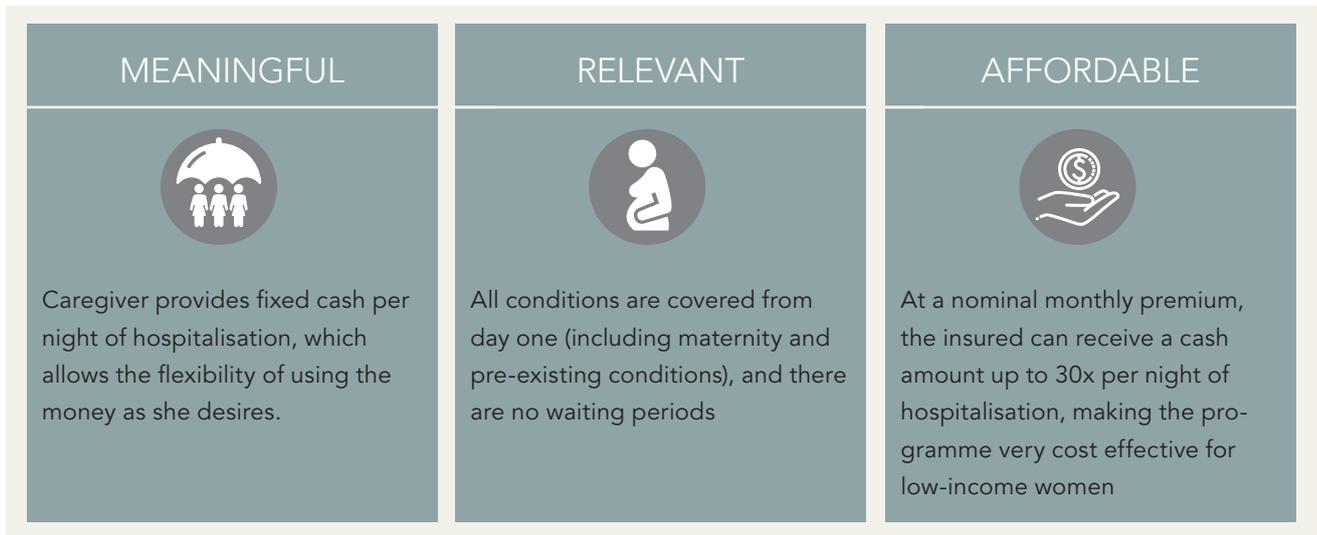
Women (especially low-income women) are often more vulnerable to risks and face barriers to their participation in the formal financial system. In addition, they respond to risks differently and have some unique protection needs; these include:

- Longer life expectancies which leaves them more exposed to age related diseases and exposed to a retirement savings gap
- Women specific health risks such as pregnancy and childbirth. According to the World Health Organisation (WHO), a woman dies from complications during pregnancy and childbirth every 90 seconds.
- More likely to be self-employed, and to be in the informal economy with limited discretionary spending. According to the 2017 World Bank Global Findex, approximately 980 million women remain outside the formal financial system. According to UN Women, up to 95% of women's employment in developing countries is informal or in jobs unprotected by labour laws.
- Face restrictions as a result of societal expectations and cultural factors such as inheritance customs, restrictions on land and asset ownership, and divorce practices.
- Fluctuating cash flows and own fewer assets.
- Participation in the labour force constrained by unpaid caring responsibilities.
- Lower levels of education and literacy.
- Lack identity cards to access financial services.

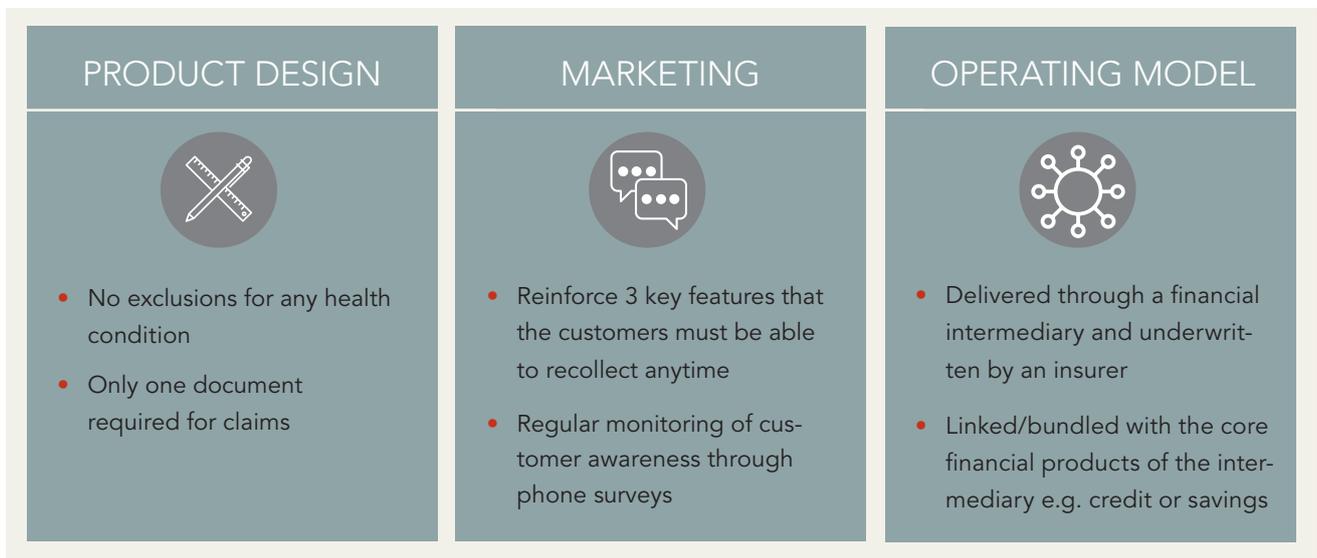
Addressing these barriers, and tailoring products to address these women specific needs, is important to financially empower women and enable them to fully participate in the financial system. Society at large would benefit from greater participation of women and studies have shown that women tend to save more and reinvest in their families (e.g. education for their children). In addition, women as a segment of the population can present new market opportunities for industry players.

Women’s World Banking shared an example of their pilot product that sought to address women-specific perspectives. The Caregiver initiative is a health insurance programme that is designed to meet the unique health financing needs of low-income women:

## Caregiver insurance



## Caregiver: Simple inclusive model that works for women



Commercially viable solutions creating win-win for all

## Addressing the barriers: The role of insurance supervisors<sup>2</sup>

The biggest challenge to the purchase of microinsurance products is not affordability or insurance awareness, but rather lack of trust in the insurance industry. Women, particularly low-income women, tend to be intimidated by formal financial institutions and have a lower appreciation of the benefits and hence are more distrustful. Ensuring that the industry is effectively supervised is therefore vital to foster trust and thus create an enabling environment for women's access to insurance.

At the same time, supervisors should address the aspects of their regulatory and supervisory approaches that may hinder the development of innovative or gender-inclusive business models. For example, there may be restrictions on the use of non-traditional delivery channels that may be more appropriate to women's needs, or requirements that inadvertently restrict women's access to financial services.

### Regulatory and supervisory approaches to address the barriers

It is important for supervisors to institutionalise a gender-inclusive mindset in policymaking and supervisory practices, as well as design and consistently implement evidence-based gender-inclusive policies that aim to enhance women's access and remove existing barriers. Some examples of approaches and practices that supervisors can adopt include:

#### 1. Data-driven policymaking

Limitations on the availability of gender disaggregated data is a barrier to the provision of inclusive insurance products targeted at women. This can be because the available data is insufficient, or that it is not specific to the risks faced by women. Insufficient data could also lead to insurers charging higher premiums for the uncertainty, thus leading to further unaffordability.

It is important to collect and analyse sex-aggregated inclusive insurance data, such as product and client data, sector development, performance data and demand data. Such data is important for a few reasons:

- Provide supervisors with gender-sensitive insights, such as the impact of gender on risk profiles and on product performance.
- Gather valuable insights on needs and behaviours that drive gender dimensions of access, usage and quality of insurance services and products (both demand and supply-side data).
- Provide evidence of successful policy interventions.

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<sup>2</sup> "Supervisors" includes regulators and supervisors

Looking ahead, the International Financial Reporting Standards (IFRS) 17<sup>3</sup> is going to require supervisors in IFRS jurisdictions to revise their forms and reporting templates, hence it will create an opportunity to design supplementary sex-disaggregated data requirements at a product level. Insurers in these jurisdictions, are assessing how they should determine product groupings and IT systems required for accounting and disclosures under IFRS 17. It is therefore an opportune time to engage with the industry to implement data reporting on a sex-disaggregated basis. Supervisors can also use on-site work to ask insurers questions about gender aspects of product performance and how they are considering gender in product pricing and design.

## 2. Gender-sensitive financial literacy strategies

In some jurisdictions, development of an inclusive insurance market is a primary focus for supervisors. A joint survey conducted by Alliance for Financial Inclusion (AFI) and A2ii<sup>4</sup>, revealed that an increasing number of countries are including insurance in their National Financial Inclusion Strategies (NFIS). Some of them take into consideration the differences between the financial inclusion of women and men (e.g. in Tanzania); however, the focus of these initiatives has been on savings and credit products.

To address existing gender gaps, it is important to design financial literacy programmes with women in mind considering that women have lower levels of financial literacy than men which plays a role in hindering insurance uptake by women in many countries. While few national financial inclusion strategies currently take on a gender-sensitive perspective in inclusive insurance, there are a few promising examples that consider the gender aspect<sup>5</sup>:

- Some central banks and banking supervisors are promoting interest in women's financial inclusion among insurance supervisors. In Zambia, the central bank has engaged with the insurance supervisor to generate interest in this area.
- National financial education strategies and programmes in Bhutan and Indonesia specifically recognise gender differences in financial literacy needs and behaviours, although they do not specifically address insurance and gender.
- In Tanzania, the Social Security Regulatory Authority collects sex-disaggregated supply-side data relating to health insurance and pensions uptake.

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3 IFRS 17 is an International Financial Reporting Standard that was issued by the International Accounting Standards Board in May 2017.

4 Inclusive Insurance: A missing piece in many National Financial Inclusion Strategies (A2ii and AFI, 2018). Available at: <https://a2ii.org/en/knowledge-center/inclusive-insurance-a-missing-piece-in-many-national-financial-inclusion-strategies>

5 See "Mainstreaming Gender and Targeting Women in Inclusive Insurance: Perspectives and Emerging Lessons - A Compendium of Technical Notes and Case Studies" (BMZ, GIZ, A2ii, International Finance Corporation, Women's World Banking, Self-Employed Women's Association, April 2017). Available at: <https://a2ii.org/en/knowledge-center/mainstreaming-gender-and-targeting-women-in-inclusive-insurance-perspectives-and-emerging-lessons>

- In Nigeria, National Insurance Commission (NAICOM) has begun tracking financial inclusion in the insurance sector using sex-disaggregated indicators.

The Organisation for Economic Co-operation and Development (OECD) report on Women and Financial Education: Evidence, Policy Responses and Guidance (OECD, 2013)<sup>6</sup>, recommends an integrated approach whereby financial education targeted at women should be delivered together with other financial products or services and trainings relevant to women. An example includes, integrating insurance with issues related to health, business and job training and life skills that are geared toward improving access to employment and entrepreneurship.

### 3. Proportionate Approaches

In taking proportionate approaches, supervisors must strike the balance between enhancing access to insurance and protecting the target group in question (such as women), while not creating excessive compliance costs that make insurance unaffordable. Supervisors can for instance adopt proportionate approaches<sup>7</sup> in the following areas:

#### a) Alternative distribution models

Standard intermediary requirements can be a barrier to gender-inclusive initiatives. This is because women are more often working from home as the primary caregiver and thus have less opportunity to interact with traditional intermediaries. Women also tend to place a higher priority on their privacy therefore have been seen to show a preference for using mobile phones to transact business rather than doing it face to face. In addition, the recruitment of female agents has proven an effective strategy in building women's trust.

The following examples of proportionate distribution requirements although not designed specifically with women in mind could also prove helpful in supporting greater access to insurance for women:

- Superintendencia de Banca, Seguros y AFP (SBS) Peru introduced wider distribution options in 2007 and a category of intermediaries called the 'microinsurance marketer' (sales clerks, microfinance institutions (MFIs), savings and credit cooperatives, trade unions, social organisations, money transfer services, and others).
- The Insurance Commission (IC) of the Philippines allows the utilisation of dedicated microinsurance agents (with a lower training requirement) and brokers (with lower capital requirements).

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<sup>6</sup> Available at: <http://www.oecd.org/daf/fin/financial-education/women-and-financial-education-2013.htm>

<sup>7</sup> See examples in "Proportionate regulatory frameworks in Inclusive Insurance: Lessons from a Decade of Microinsurance Regulation" (A2ii, 2016) Available at: <https://a2ii.org/en/knowledge-center/proportionate-regulatory-frameworks-in-inclusive-insurance-lessons-from-a-decade-of-microinsurance-regulation>

**b) Product approval and oversight**

It is important that insurance products are designed to meet women's needs and the industry is incentivised to develop suitable products. The following proportionate approaches leave room to embed a gender-sensitive approach into oversight as well as the development of inclusive insurance products and services:

- The Insurance Regulatory and Development Authority of India (IRDAI), SUSEP Brazil, National Insurance Commission (NIC), Ghana and SBS Peru apply a different registration process (such as faster approval) for microinsurance products.
- The IC Philippines and South Africa have a separate department for microinsurance with dedicated staff looking at inclusive insurance

**4. Risk-Based Supervision – Anti Money Laundering (AML) Risk-Based Approach**

Under the risk-based approach of the revised Financial Action Task Force (FATF) 2002<sup>8</sup> recommendations, financial institutions are expected to understand, identify and assess their risks, take appropriate actions to mitigate those risks and allocate their resources efficiently by focusing on higher-risk areas.

Examples of where a risk-based approach might be needed:

- In some countries, women are less likely to be able to provide the required identity documents to access financial services. This may be due to a lack of national ID (such as a birth certificate), or the requirement for a male relative's signature to authorise their application.
- In countries such as India, biometric national ID cards have addressed this issue, however this still remains a barrier for women's access to insurance in many countries and could be addressed by formulating a risk-based approach to AML and, in particular, Know Your Customer (KYC) requirements.

FATF's recommendation 10 on customer due diligence states that, "When assessing the money laundering and terrorist financing risks relating to types of customers, countries or geographic areas, and particular products, services, transactions or delivery channels, examples of potentially lower risk situations include the following: (a) customer risk factors: Financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes." The application of simplified due diligence in instances where Money Laundering and Terrorist Financing (ML/TF) risk is low is acceptable under FATF rules. Although risk-based procedures require more time to formulate and to implement initially, they are much more customer-centric and can help serve gender-specific financial protection needs.

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8 In 2012, the FATF (Financial Action Task Force) revised 40 of its recommendations for anti-money laundering and combatting the financing of terrorism (AML/CFT).

**5. Be open to innovation and experimentation**

Inclusive insurance products are often simple, providing only basic coverage. However, with FinTech on the rise, new technologies are facilitating innovative distribution mechanisms and approaches to packaging of products and services that could drive volume and scale, thus changing the landscape of access to insurance services. With adequate safeguards, digital financial services have the potential to break down cultural barriers, and address women's mobility constraints and privacy concerns.

## CASE STUDY: MADAGASCAR

**The Madagascar case study was presented by Heri Njaka Rakotoarimanana from Service des institutions financières-Ministère des Finances, Madagascar**

The Government of Madagascar launched its current financial inclusion strategy (2018-2022) with the vision to improve access to formal financial services from 29% in 2016 to 45% in 2022. To achieve these results, the financial inclusion strategy focuses on developing savings and insurance, as well as financial education and consumer protection. Recent surveys have confirmed that women represent the majority of the adult population in Madagascar, and face substantial difficulties in accessing financial services, with 41% of women excluded from financial services (FinScope Madagascar, 2016).

In order to improve access to financial services, including insurance, the Insurance Law has been undergoing review (at the time of writing, the revised Insurance Law is awaiting final approval by relevant authorities). The new law will allow more actors and distribution channels to operate in the market, and financial institutions to use new technologies to provide adapted products that meet the needs of the population.

Although gender is not specifically mentioned in the revised Insurance Law, it is expected that women will benefit from increased access to financial services once it takes effect. When it comes to financial education, the new text foresees that different entities will be responsible for implementing financial education programmes. These programmes will be targeted at women's groups, amongst others, and ensure that they are empowered to identify their own insurance needs and understand how insurance products work.

For questions or more information on the relevant activities of the Service des institutions financières-Ministère des Finances, Madagascar, please contact [herynjaka@yahoo.fr](mailto:herynjaka@yahoo.fr)

## CASE STUDY: ARGENTINA

**The Argentina case study was presented by Malena Kramer from SSN, Argentina.**

The SSN recognised that the gender gap in insurance was an issue that had to be explored in greater depth. In 2018, the SSN focused more on gender-related policies after a year of engaging with the banking sector, which had done a lot of work with respect to women's financial inclusion.

In this regard, the SSN has developed a proposal with two aspects related to women: As Argentina already has a microinsurance regulation, one is designing and promoting more products for women in situations of greater vulnerability. The second is linked to products specially tailored for women. The SSN is working together with the industry to develop these products. One of the ways that SSN is promoting this initiative is by working closely with the insurance industry to raise awareness of the importance of targeting women and developing products that are tailored to their needs. The SSN is leveraging on data and existing work from recent years to inform the industry of the importance of creating products designed specifically for women, particularly women in vulnerable situations. For this reason, the SSN is trying to work in a coordinated manner with the industry; providing support, follow-up measures and, most importantly, the training of all sales channels that are aiming to reach women.

In addition, the SSN has been organising multi-stakeholder forums on women's access to insurance. This included a roundtable alongside the IAIS Global Seminar in June, 2019 with the support of the IAIS and A2ii<sup>9</sup>, which brought together supervisors and the Argentine insurance industry and international organisations.

For questions or more information on the relevant activities of the SSN,  
please contact [mkramer@ssn.gob.ar](mailto:mkramer@ssn.gob.ar)

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<sup>9</sup> The Roundtable on "Insurance for Women: Specific Needs and Inclusion" was held in parallel to the IAIS Global Seminar in 12th June, 2019. It was organised jointly by the SSN and the A2ii, with the support of the IAIS.

## CASE STUDY: BRAZIL

**The Brazil case study was presented by Maria Augusta de Queiroz Alves from SUSEP, Brazil.**

Due to the increasing participation of women in the insurance sector in Brazil – both at academic level in actuarial courses offered in universities and in the various industry sectors, insurers have taken steps to cater for the needs of the women in design of insurance products. Data from the National Confederation of the Insurance, Private Pension,

Health and Capitalisation Companies (CNseg) shows that the participation of women in the sector grew from 49% in 2000, to 56% in 2015, which encouraged the creation of gender-sensitive products.

Female professionals working in the insurance sector in Brazil have organised themselves in non-profit associations since the 1990s to exchange experiences and provide networking opportunities via events, conferences and seminars. One of the most important associations, the Association of Women in the Insurance Market, has representatives from various segments of the insurance sector: insurers, brokers, assistance providers and reinsurers. This helps to promote the cause of women. According to a survey conducted by CNseg, on “The growth potential of insurance for women in 2030 in the world,” Brazil appears to be among the countries with the greatest growth potential. The numbers indicate that the insurance market for women in Brazil can reach up to 100 billion dollars.

With respect to products, specific coverage, assistance and discounts usually appear in life, automobile and health insurance products. A few examples include:

- In automobile insurance, statistically, women have lower accident rates as compared to men, resulting in lower car insurance premium rates for women. This difference is captured during the filling of an insured profile form at the time of contracting the policy. In terms of additional services, women benefit from an escort to a police station (when a vehicle is stolen), a driver if she is not able to drive due to an accident and transfer services when an accident occurs with the vehicle.
- In health insurance, there are products offering coverage for diseases or specific health risks, such as pregnancy and breast cancer. There are also benefits linked to the purchase of medicines mostly used by women.
- In life insurance, the market is offering specific coverage for the diagnosis of breast, ovarian and uterine cancer. The products are also linked to additional services that offer, for example, exclusive health examinations for women, and lifestyle-related benefits such as special discounts at various gymnasiums, pharmacies, dentists, among others.

For questions or more information on the relevant activities of SUSEP, please contact [maria.alves@susep.gov.br](mailto:maria.alves@susep.gov.br)

## Questions and Discussion

### **How can supervisors understand women specific needs? What would be the best way to get the industry to adopt a gender lens when considering product design?**

It is important for supervisors to communicate with the industry particularly during the product approval process and development stage. This way, supervisors are able to determine if gender specific needs have been taken into consideration. If a supervisor asks an insurance company to articulate how they have considered the needs of the women during the product approval process, and drill down on commonplaces and perfunctory answers, it will convey a clear message that it is an important subject.

### **How does product bundling work and how can it be implemented?**

In rolling out bundled products, it is important to keep in mind that trusted intermediaries play a key role. The most effective and immediate ways to reach low-income women, in particular, is to engage with financial intermediaries who directly serve them. There are many intermediaries including MFIs, cooperatives or other aggregators with whom women have established trust and longstanding relationships. Such institutions are well-positioned to be distribution channels for insurance that target women. Bundling of products can be where an MFI with a female client base can offer an insurance product that is linked with a credit or savings programme. The premiums can be collected in innovative ways, e.g. to offset a loan and reduce the need for premium collection.

### **Can gender diversity in the employment force of insurers have an impact on product design, which feeds into uptake of insurance and serve women-specific needs?**

The financial sector in general is a viable employer for women, whether in senior management or as sales agents. It is important for insurance companies to ensure that they have inclusive policies e.g. family-friendly policies like flexible working hours that will ensure the employment longevity of women in various positions. There are cases where having women in the senior management of insurers has directly translated into products that are more women-friendly or with a gender focus.

### **How can supervisors deal with cases where legislation does not allow for gender-differentiated treatment, for instance in product pricing/risk rating?**

Policymakers and supervisors should bear in mind that a prohibition on use of gender in determining certain product prices may not result in gender-neutral or fair outcomes. The use of gender in pricing and risk rating is based on actuarial and statistical data showing significant gender differences in accident, morbidity and mortality risk. The removal of gender as a factor in pricing implies that the lower risk gender will experience an increase in premium to subsidize the higher risk gender. For example, gender neutral prices would result in significant increases in motor premiums for young females and higher prices for the majority of annuity/pension products. Supervisors in jurisdictions where policy proposals to prohibit gender differentiated treatment should educate policymakers about potential unintended consequences. Supervisors in jurisdictions where such legislation is already in effect should monitor the impact on prices and on consumer demand due to the effect of the redistribution of prices.

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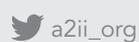
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