Implementing a better regulatory environment for Inclusive Insurance
Lessons from diagnostic implementations in Colombia, Jamaica, and elsewhere

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A2ii Consultation Call
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Overview and timeline expectations

1. Diagnostic 3-6 mo.

2. Reg. Road Map 2-3 mo.

3. Implementation 6-18+ mo.

4. Continuous monitoring/revisions

1b. Diagnostic approval process

- **Holistic view of the process up front:**
  - Avoid funding / capacity gaps so as to not lose momentum or relevance between stages; Keep consistency of teams and relevant entities involved

- **Recognize the process of getting various levels of regulations cleared. Use the method that is easiest**
  - E.g. Changing the law takes a long time; where legally feasible, publishing a commissioner's memorandum is “quick”

- **Not all aspects of the regulatory environment can be implemented at once:**
  - plan for appropriate progression

- **Allow sufficient time for dialogue and explanations among stakeholders**
• Diagnostic phase can be done relatively quickly and efficiently
• Assess opportunities and barriers to financial inclusion
• Analysis of supply, demand and policy and regulatory context
• Dialogue workshops with relevant insurance market stakeholders
  • A2ii has a toolkit for this
  • A2ii Toolkit 1- Country diagnostic Studies: Analytical framework and methodology
For implementation, detailed policy framework should be finalized

- These are drafting instructions for the regulation and legislative amendments
- Probable areas to be addressed:
  - definition, group insurance, distribution, reporting and monitoring, consumer protection

Requires:

- Assessment of capacities and mandates of supervisory and regulatory authorities
- Understanding of inclusive insurance products, distribution and partnerships occurring globally to see possibilities and opportunities
- Understanding of Insurance Act, Regulations and Guidelines
- Industry input
2. Regulatory Road Map – institutional assessment

RRM – Regulatory / supervisory authority institutional assessment

**SUPERVISORY AUTHORITY MANDATE**
Areas of direct-, indirect-, and non-intervention

**ORGANIZATIONAL CULTURE**
e.g. Proportionate approach applied?

**CAPACITY**
Human resources, systems, monitoring, others; identification of II ‘champion’

**LESSONS**
Prior II experience internally and externally

**STRATEGY**
Integration of II activities into institutional work plans, staffing, budget

**ENGAGEMENT**
Public and private stakeholder dialogue
Who:

• Trusted board and senior management of regulatory and supervisory authorities.
• Personally interested in inclusive insurance.
• Critical to include legal or regulatory responsible or ensure they are consulted

Characteristics:

• Involvement of senior management and decision makers early on and throughout establishes importance of making key policy decisions
• Need to demonstrate and communicate a clear vision and rationale for II regulation \( \rightarrow \) Create buy-in throughout the organization and with the industry and other agencies
• Where possible have a consistent team throughout all stages of process
Understanding the possibilities in inclusive insurance:

To facilitate appropriate policy development, the regulator requires a high level of knowledge in regards to global inclusive insurance initiatives in:

- Regulation
- Products
- Distribution
- Successes
- Failures

Capacity building is required at key points:

- Assisting in drafting the policy framework / RRM
- Assist in developing and drafting any amendments to existing legislation, regulations and guidance, reporting etc.
- Training specifically for Actuarial and Legal on II issues to help understand proportionality
- Setting up and implementation monitoring & reporting mechanisms
- Ongoing peer discussions with other supervisory authorities

3. Implementation requirements - Targeted capacity building with supervisory authority
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- Capacity building resources for supervisors:
  - IAIS self-assessment toolkit
  - Periodic A2ii – Toronto Center trainings, 1 week
    - 3rd - 7th October in Jamaica for Caribbean supervisions
  - Case studies and other A2ii publications
  - Consultative forums
Jurisdictions benefit when they share the II regulatory development process with industry:

- Identify key elements for the policy approach
- Understand current innovations, trends, desires in the II sector
- Understand areas of regulation that help or hinder insurers’ ability to provide inclusive insurance products
- Set the foundation for smooth implementation
- Build collaboration on key initiatives (e.g. financial education)
- Find ways to avoid over-regulation / overly-costly regulation
- Better understand consumer protection issues / needs

Dialogue should be consistent and ongoing
Supervisory requirements and actions that are in accordance with the nature, scale and complexity of individual insurance business.

- Justifies simpler and less burdensome ways of meeting requirements for low-risk activities
- Justifies more sophisticated methods and techniques for more complex risk situations

Proportionality is key for the effective application of regulation for inclusive insurance.
1. **Rigid insurance acts / laws.**
   A structure allowing flexibility to the regulators through guidelines or executive regulations eases the process.

2. **Regulatory and supervisory environment often extends well beyond jurisdiction of insurance regulator → coordination with other bodies**
   - Central Bank
   - Cooperative regulator
   - Telecoms
   - Ministry of Finance – more involvement with the regulator would lead to a more coherent process
Thank you!

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