A2ii-IAIS Consultation Call webinar series

The coronavirus (Covid-19) pandemic and implications for insurance supervisors - Sixth Call

30 June 2020
Speakers

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The potential of remittance-linked insurance products

A2ii consultation call | June 2020
What are remittance-linked insurance products?

Remittance-linked insurance products is insurance facilitated by remittance-service providers (RSPs).

Remittance senders

Remittance receivers

MTO

Bank

E-money/ MMO

Post Office

insurace sales, premium collection, claims and payouts via RSPs
Examples of remittance-linked insurance products

AXA PARTNERS WITH MERCHANTRADE TO OFFER PROTECTION SOLUTIONS FOR MIGRANT WORKERS

- AXA Affin General Insurance Berhad partners with Merchantrade to launch Merchantrade Insure, a simple and affordable protection solution for migrant workers.
- Merchantrade Insure is the 1st insurance protection in Malaysia that provides Claims Payout directly to the beneficiaries through remittances.

AXA, Democrance and Hello Paisa Launch “Hello Protect” to Offer Inclusive Insurance Cover for UAE Residents from Middle East, Africa, and Asia

New product provides complimentary personal accident insurance with each remittance via Hello Paisa

AXA & Western Union Partnership: Affordable Insurance through Money Transfers

Destiny Finance Ltd T/A Diaspora insurance is a global consultancy firm headquartered in Birmingham, UK and Sandton, RSA. We specialise in the designing, marketing and distribution of insurance products and risk management solutions targeted at Expatriates and Diasporans living and working in developed markets like UK, Australia, EU, North America & Canada. Our global risk management solutions enables the Diasporans not only to cover themselves but also their families in their countries of origin. In most cases we holistically transfer risk from developing countries to global financial markets.
Why remittance-linked insurance products?

- Large number of migrants already sending remittances
- Builds resilience (e.g. increase insurance uptake)
- Ensures sustained flow of remittances
- Existing demand for these products
- Clear incentives for insurers and RSPs
How would these products work practically?
Models of remittance-linked insurance products

Key questions to consider:
• Whose risks are covered?
• In which jurisdiction is the underwriter based?
• In which jurisdiction does policy-sign up take place?

Model 1  Covering senders’ risks
Model 2  Covering senders’ duty of support risk
Model 3  Covering receivers’ risks
Model 4  Household unit risks
Model 1: Covering senders’ risk

Host country

1. Premium
   - Insurer
   - Policyholder
   - Remittance service provider
   - Policyholder

2. Claims payout

3. Markets and sells policy to its customers
   - Policyholder
   - Remittance service provider
   - Insurer

4. Sustained remittances
   - Senders

Home country

Receiver

Last-mile channel

Assumed pathway
Model 2: Covering senders’ duty of support

1. Receiver faces an unexpected financial shock, such as losing their job or having to go to the hospital and asks the sender for additional money to cover the cost of the shock.

2. Last-mile channel
   - Remittances

3. Insurer
   - Underwrites the policy
   - Claims payout
   - Premium

4. Sender has a duty to support remittance receivers at home, so unplanned funds need to be sent to remittance receivers.

Receiver faces an unexpected financial shock, such as losing their job or having to go to the hospital and asks the sender for additional money to cover the cost of the shock.
Model 3: Covering receiver’s risks

Host country

1. Premium

Sender

Remittance service provider

Market and sells the product whereby its customers (remittance senders) can pay the premium on behalf of the policyholder in the home country.

Home country

2. Premium

Insurer

Underwrites the policy, and markets and sells to receivers

3. Claims payout

Receiver

Policyholder*

* There are versions of this model where the senders’ life and/or repatriation risks could be covered. Either the sender or receiver could be the policyholder.
Model 4: Covering household unit risks

- **Group policy**
  - Insurer
  - Premium
  - Underwrites the policy

- **Remittance service provider**
  - Policyholder
  - Group policy covers its customers, the senders
  - Claims payout
  - Sustained remittances

- **Senders**
  - Admin fee

- **Last-mile channel**
  - Remittances
  - Assumed pathway

- **Receiver**
  - Claims payout
  - Verifies and settles claims of receiver

- **Home country**
  - Insurer or TSP

*There is a version of this model where this is reversed and the underwriter is an insurer in the home country.*
Why are there not more of these products?
Barriers to remittance-linked insurance products

- Partnership complexity
- Regulatory uncertainty
- Regulatory grey areas
- Regulatory barriers
# Regulatory questions and considerations

<table>
<thead>
<tr>
<th>Theme</th>
<th>Key regulatory considerations</th>
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| **Jurisdictional:**          | • Are foreign insurers permitted to:  
  - underwrite local risks?  
  • Are foreign insurers and/or RSPs allowed to:  
  - sell insurance products locally that cover foreign risks?  
  - market products locally that cover foreign risks?  
  - communicate locally with customers around products that cover foreign risks?  
  • Are foreign RSPs permitted to:  
  - collect insurance premiums locally that cover foreign risks? |
| Underwriting, marketing      |                                                                                                                                                             |
| communicating and            |                                                                                                                                                             |
| intermediation across borders|                                                                                                                                                             |
| **Intermediation:**          | • Are RSPs permitted to:  
  - be insurance intermediaries?  
  - collect insurance premiums? |
| Selling and collecting       |                                                                                                                                                             |
| premiums                     |                                                                                                                                                             |
| **Insurable risk:**          | • Is the risk of increased duty of support on the remittance sender due to a risk event happening to the receiver an insurable risk?                      |
| Duty of support              |                                                                                                                                                             |
# Regulatory questions and considerations

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| **Customer due diligence (CDD)**          | • If RSPs are intermediaries for insurance products, will they be required to:  
- collect additional CDD information?  
- verify existing CDD information?  
• If so, what type of additional CDD information is required for what type of product and/or transaction value?                                                                                                                                               |
| **Digitisation:**                          | • Are electronic signatures permitted?  
• Are electronic signatures made outside the country accepted (to allow cross-border sign-up)?  
• Can consumer data be sent outside of the country?                                                                                                                                                                                                                     |
| **Group policy holding**                   | • Can an RSP be a group policyholder?  
• Can a foreign RSP be a group policyholder?                                                                                                                                                                                                                               |
| **Bundling**                               | • Can insurance products be bundled with other financial services, such as payment services?                                                                                                                                                                                                 |
Overarching regulatory barriers

- Double regulation across different jurisdictions
- Digitisation barriers
  - Intermediation
  - Premium collection
  - E-signatures
- Customer due diligence barriers
Regulatory considerations per model

**Model 1**  
Regulation generally supportive

**Model 2**  
Uncertainty on whether duty of support can be defined as an insurable risk

**Model 3**  
Uncertainty regarding the legality of:  
- Foreign RSPs acting as intermediaries and premium collectors  
- Local RSPs selling foreign insurance products

**Model 4**  
Jurisdictional issues due to the cross-border nature of this model:  
- Underwriting across borders  
- Selling, marketing and collecting premiums across borders
## Imperatives to enable remittance-linked insurance products

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<tr>
<th>Insurers</th>
<th>Supervisors</th>
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<tr>
<td>Partner with RSPs to reach new segments of the market.</td>
<td>Take a clear stance and communicate around RLIP.</td>
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<tr>
<td>Be willing to take risk and introduce new products.</td>
<td>Address barriers to these products.</td>
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<tr>
<td>Start with simpler models and build from there.</td>
<td>Collaborate with regulators from other jurisdictions.</td>
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<tr>
<td>Engage regulators to test and refine models to benefit customers best.</td>
<td>Recognise licensing in other jurisdictions or countries.</td>
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<td>Leverage e-signatures and innovative e-KYC/CDD solutions.</td>
<td>Prioritise a risk-based approach to KYC/CDD requirements.</td>
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<td>Share learnings to trigger broader market initiatives.</td>
<td>Implement tools to regulate for innovation, such as test-and-learn approach &amp; proactive communication with new entrants.</td>
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About Cenfri
Cenfri is a global think-tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri’s people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About FSD Africa
FSD Africa is a non-profit company that aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK aid from the UK Government. FSD Africa also provides technical and operational support to a family of 10 financial market development agencies or “FSDs” across SSA called the FSD Network.

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Protection solutions for migrant workers

June 2020
I feel bad if I don’t send money home. They depend on me!

21% of migrants in UAE couldn’t send money home at least once last year, mostly due to sickness or accidents as well as delayed salaries and loss of a job.

I am often bothered when unexpected things happen at home and money is needed urgently.

47% of migrants in Malaysia have been asked last year for additional money mostly to cover health expenses, education fees and damage due to natural disasters.

Risk is top-of-mind for most blue collar workers living abroad.
Cross-border insurance for peace of mind and social impact

Secure Your Transfers
Insuring sender against life, accident, hospitalization
If something happens receiver gets remittances for X months

Protect Your Family
Hospitalization, accident and life protection for receivers paid through remittances

Boost Your Investment
Savings and asset building solutions to secure children education and facilitate investments in property and business in the country of origin
June 2020 : Partnership with Western Union starting in France

One-month free Life & Disability Insurance*

Hello Douffet, Western Union has partnered with AXA to offer you a free, one month life & disability insurance policy, with a lump sum benefit of 1,000€

* Subject to the conditions and limits of guarantees described in the Information notice

Get Protected

“Our customers around the world trust Western Union with their most important and complex money transfers. They also want other value-add services to sustain their financial well-being and long-term financial goals. Providing value to the global populations we serve is a key focus for our global strategy. This new partnership will provide a new way for us to facilitate value added products and services to the millions of immigrants and dual-belongs through westernunion.com. AXA is a worldwide leader whose financial inclusion strategy is well-aligned with ours, and we are excited about the opportunities that our collaboration presents,” commented Hikmet Ersek, President and CEO of Western Union.

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Thank you.

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