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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Access to Insurance Initiative (A2ii)
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

MTO
Western Union
WorldRemit

Bank
HSBC
Banco do Brasil

E-money/ MMO
MTN
Olamoney

Post Office
Posta
Emirates Post

Remittance receivers

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

- AXA Partners with Merchant Trade to Offer Protection Solutions for Migrant Workers
  - AXA Affin General Insurance Berhad partners with Merchant Trade to launch Merchant Trade Insure, a simple and affordable protection solution for migrant workers.
  - Merchant Trade 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 complementary 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 enable 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

In the Host country:
- **Insurer**: Underwrites the policy.
- **Remittance service provider Policyholder**: Markets and sells policy to its customers.
- **Senders**: Sustained remittances.

In the Home country:
- **Receiver**: Claim payout.
- **Last-mile channel**: Remittance service provider.

1. **Premium**: Flow from Insurer to Remittance service provider Policyholder.
2. **Claims payout**: Flow from Remittance service provider Policyholder to Insurer.
3. **Claims payout**: Flow from Remittance service provider Policyholder to Senders.
4. **Sustained remittances**: Flow from Senders to Last-mile channel.

Assumed pathway:
Model 2: Covering senders’ duty of support

**Home country**

1. **Group policy**
   - Receiver

   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**

3. **Policyholder**
   - Group policy covers its customers, the senders
   - Unplanned funds
   - Claims payout

4. **Remittance service provider**
   - Senders
   - Unplanned funds
   - Premium
   - Underwrites the policy

5. **Insurer**
   - Claims payout
   - Insurance payout upon verification of unplanned funds having to be sent

**Host country**

6. **Senders**
   - Drawer: Senders have a duty to support remittance receivers at home, so unplanned funds need to be sent to remittance receivers.

7. **Remittances**

8. **Last-mile channel**

9. **Group policy**

10. **Policyholder**

11. **Insurer**

12. **Last-mile channel**
Model 3: Covering receiver’s risks

Host country

1. Sender

Premium

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. Insurer

Premium

Underwrites the policy, and markets and sells to receivers

3. Receiver

Claims payout

* 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

**Host country**

1. **Group policy**
   - **Insurer**: Underwrites the policy
   - **Premium**: Transferred to insurer

2. **Remittance service provider**
   - **Policyholder**: Group policy covers its customers, the senders
   - **Remittances**: Transferred to receiver

3. **Remittances**: Sustained

4. **Admin fee**: Transferred to insurer or TSP

**Home country**

1. **Insurer or TSP**: Verifies and settles claims of receiver
   - **Claims payout**: Transferred to receiver

2. **Receiver**: Receives claims payout

*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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</thead>
<tbody>
<tr>
<td><strong>Jurisdictional:</strong></td>
<td>• Are foreign insurers permitted to:</td>
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<td>Underwriting, marketing</td>
<td>- underwrite local risks?</td>
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<td>communicating and</td>
<td>• Are foreign insurers and/or RSPs allowed to:</td>
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<td>intermediation across borders</td>
<td>- sell insurance products locally that cover foreign risks?</td>
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<td>- market products locally that cover foreign risks?</td>
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<td>- communicate locally with customers around products that cover foreign risks?</td>
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<td>• Are foreign RSPs permitted to:</td>
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<td>- collect insurance premiums locally that cover foreign risks?</td>
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<td><strong>Intermediation:</strong></td>
<td>• Are RSPs permitted to:</td>
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<td>Selling and collecting premiums</td>
<td>- be insurance intermediaries?</td>
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<td></td>
<td>- collect insurance premiums?</td>
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<td><strong>Insurable risk:</strong></td>
<td>• Is the risk of increased duty of support on the remittance sender due to a risk event happening to the receiver an insurable risk?</td>
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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: E-signatures and data protection and sharing | • 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

<table>
<thead>
<tr>
<th>Model</th>
<th>Considerations</th>
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<tbody>
<tr>
<td><strong>Model 1</strong></td>
<td>Regulation generally supportive</td>
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<tr>
<td><strong>Model 2</strong></td>
<td>Uncertainty on whether duty of support can be defined as an insurable risk</td>
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<tr>
<td><strong>Model 3</strong></td>
<td>Uncertainty regarding the legality of:</td>
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<td>• Foreign RSPs acting as intermediaries and premium collectors</td>
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<td>• Local RSPs selling foreign insurance products</td>
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<td><strong>Model 4</strong></td>
<td>Jurisdictional issues due to the cross-border nature of this model:</td>
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<tr>
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<td>• Underwriting across borders</td>
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<td>• Selling, marketing and collecting premiums across borders</td>
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## Imperatives to enable remittance-linked insurance products

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<th><strong>Insurers</strong></th>
<th><strong>Supervisors</strong></th>
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<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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<td>Be willing to take risk and introduce new products.</td>
<td>Address barriers to these products.</td>
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<td>Start with simpler models and build from there.</td>
<td>Collaborate with regulators from other jurisdictions.</td>
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<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

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Risk is top-of-mind for most blue collar workers living abroad.

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.
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's education and facilitate investments in property and business in the country of origin.
“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-belongers 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.
Thank you.

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