

# Innovation Hubs and Accelerators

IAIS-A2ii Consultation Call, 22 March 2018

# Presenters

## Technical expert



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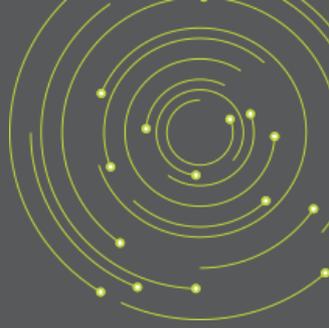
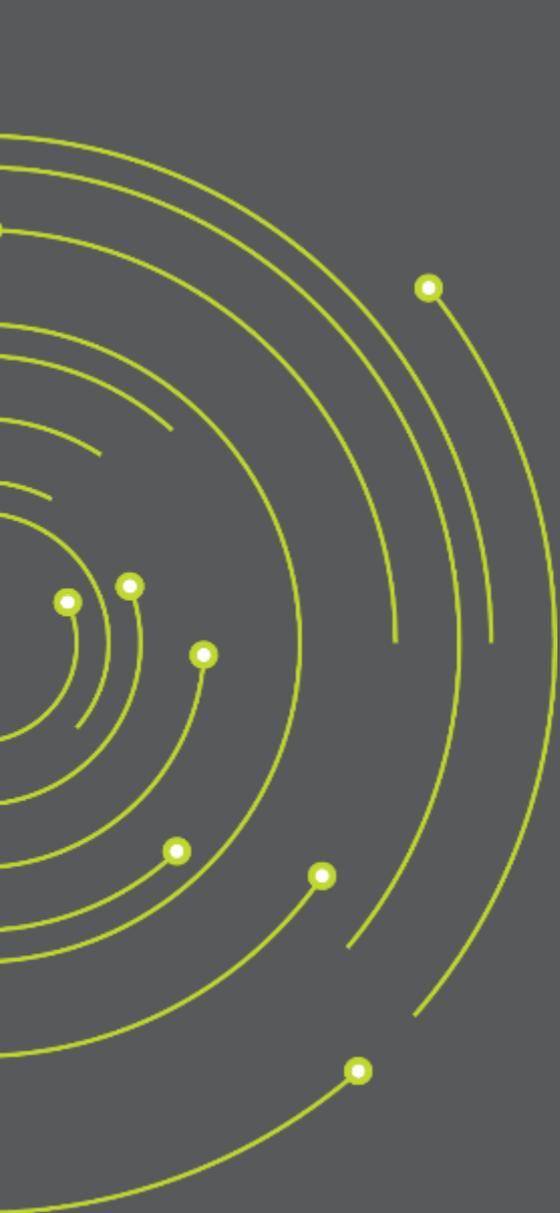


**Peter van den Broeke**  
International Association of  
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## Moderator



**Janice Angove**  
Access to Insurance Initiative (A2ii)



## Regulating for innovation

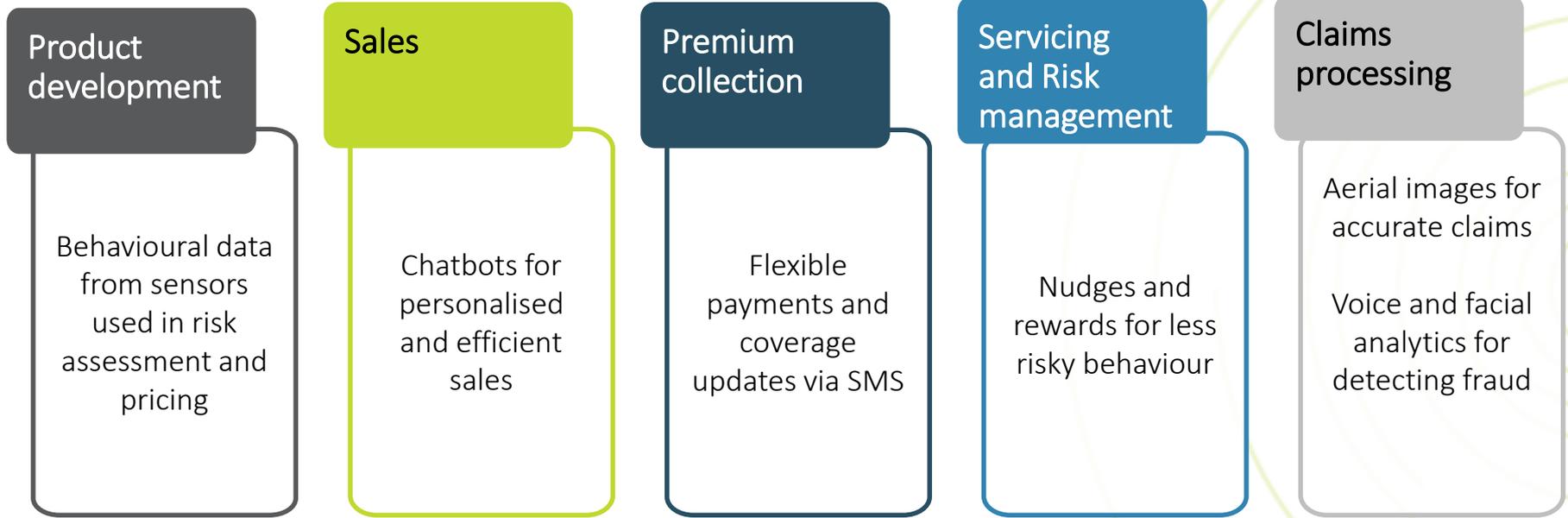
How to encourage responsible  
market innovation?

22 March 2018



Innovation is changing the way financial services are delivered in the emerging world

# Smart solutions across the insurance product cycle...



# ...and new models that challenge the very foundation of insurance

What is insurance?

P2P models without a licensed risk carrier

What can I regulate?

Models operating outside national jurisdiction  
Use of cryptocurrency

Who is an intermediary?

New players that don't fit in traditional broker or agent categories  
Robo advice and black box algorithms



Supporting innovation is an opportunity for regulators to encourage market development, but with it comes new consumer protection and systemic risks



The concept of a regulatory sandbox is developed as a regulatory approach to creating a safe space to help regulators to tread this delicate balance. Enabling innovative ventures but limiting the size and scope of the risk to enter the market.

# What is a sandbox?

- Sandboxes:
  - Explicit and transparent entry criteria for applicants
  - Each sandbox venture assessed individually with tailored safeguards implemented
- Test and Learn applies the same underlying principle.
  - Sandboxes tend to be more explicit, transparent and accessible to all potential applicants. Most test and learn models rely on the provider approaching the regulator unprompted.

***The principle of a sandbox can take many different forms. In practice, no two sandboxes are the same***

# How does sandboxing fit within an inclusive insurance approach?

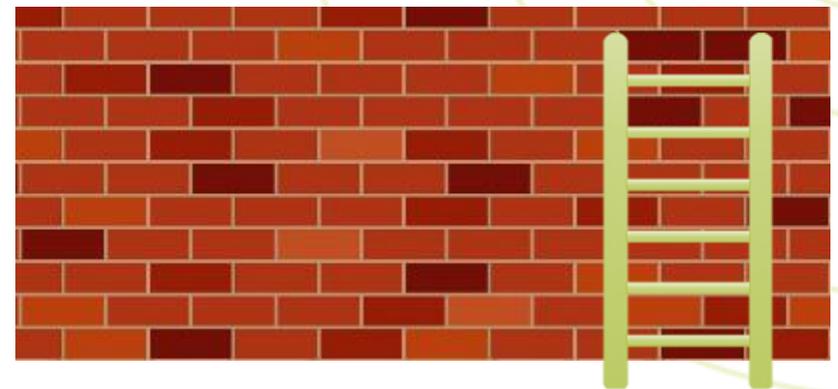
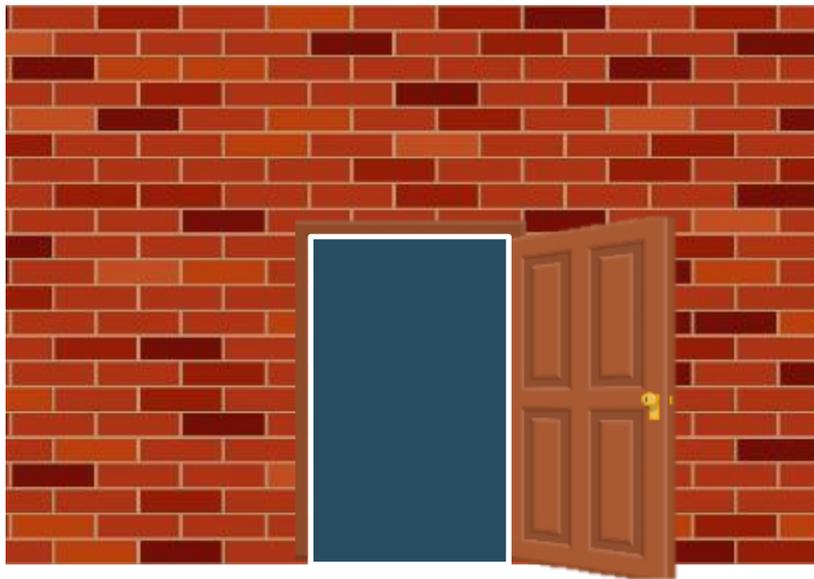
## Sandbox:

- Temporary measures to allow innovations to be tested
- Learnings can inform amendment of regulatory framework as/if appropriate



## Proportionality:

- Risk-based reduction of undue barriers
- Can enable entry point and graduation path for new, innovative firms



## Implementing a sandbox: Tools available

- Regardless of exact form or what it is called, broadly, two categories of implementation tools exist:
  - Explicitly reduce regulatory barriers for innovators with **temporary bespoke regulatory treatment**
  - Implicitly reduce regulatory barriers with **communication and support tools**

# Unpacking the sandbox implementation tools: Temporary bespoke regulatory treatment

## Temporary bespoke regulatory tools:

- Restricted authorisation/reduced licensing requirements
- Waivers or exemptions
- No enforcement action letter/letter of no objection
- Active engagement with providers, other regulatory authorities, flexibility
- Appropriate safeguards

## Examples:

- BNM Malaysia, CMA Kenya, IPEC Zimbabwe, UCC Uganda, FCA UK, NIC Ghana, TIRA Tanzania

# Unpacking the sandbox implementation tools: Communication/ Support

## Communication/ Support activities:

- Advice
- Funding support
- Facilitating collaboration
- Training
- Signalling

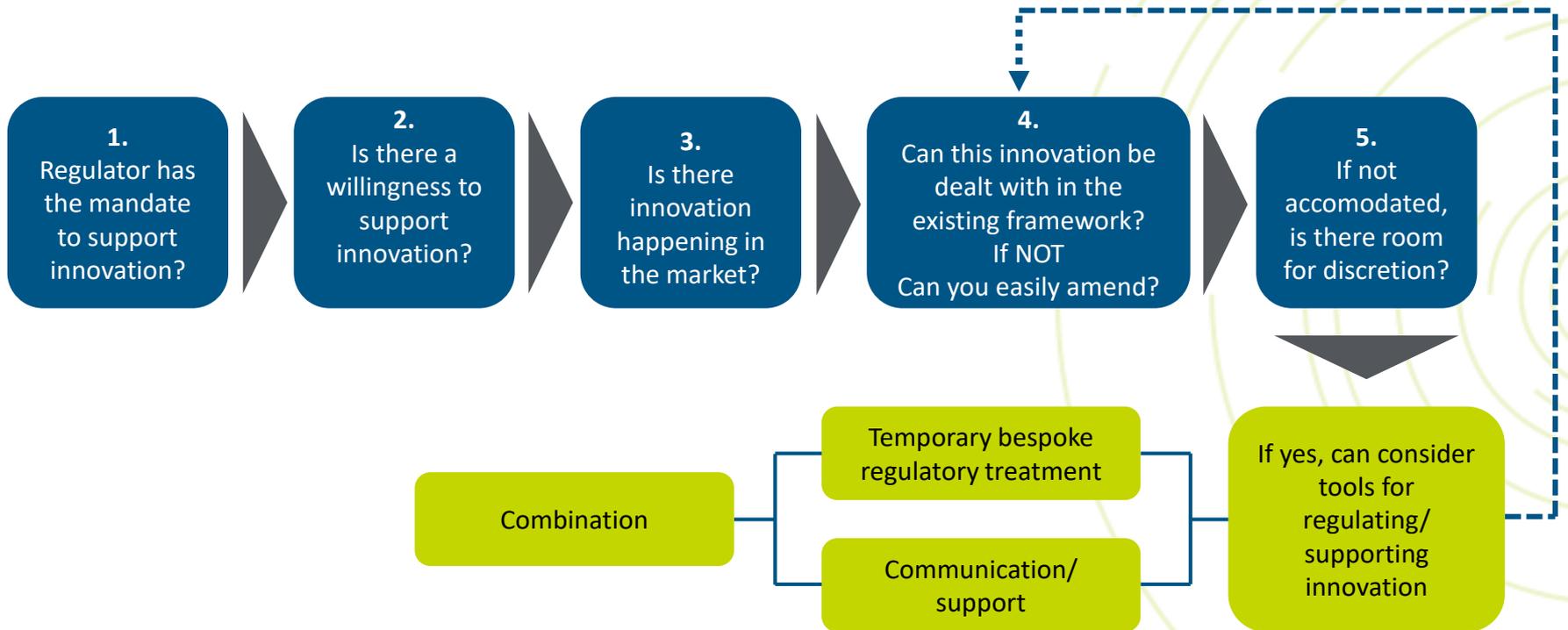
## Examples:

- Australia, France, Hong Kong, Japan, Korea and UK

# When is a sandbox appropriate and what are the critical design considerations?



# Navigating the “decision path”



# Critical considerations in applying innovation support tools

## Coordination



- Innovations often cut across authorities
- Options to address
  - MOUs
  - Mandate-limited application of tools
  - Innovation coordination body or overarching innovation framework

## Capacity



- Required for monitoring, advice, understanding risks
- Determines which tools can be implemented and how extensively
- To address:
  - Recruit and train for skills appropriate to the changing nature of the sector.

## Relevance to actual market challenges



- The tools implemented need to address the actual challenges faced by innovators in the market.
- To address:
  - Consultation with market players to understand primary challenges faced

- 
- The principle of creating a safe space to test, and most importantly, learn from new innovation is appropriate for developing country financial regulators to consider.
  - However, the nature and design of this approach will differ according to context and market realities.

- ✘ • Whether to implement a sandbox or what is and is not a sandbox
- ➡ • Going through the decision path in a deliberate way, being clear about the objectives, considerations and reality checks
- View approach to innovation in light of overall approach to market development

Thank you.





# Insurance & Pensions Commission

Fidelis Kagura-Analyst

Insurance & Microinsurance Department



# Background

- ▶ Bureaucratic process for to allow new things-Acts, SI
  - ▶ Archaic laws-1988 Act
  - ▶ Market is always ahead of Regulator
  - ▶ The first ever micro insurance product (Ecolife) failed because as the regulator we failed to foresee inherent risks.
- 



# Response

- In response, IPEC came up with Microinsurance Framework
- It is issued in terms of section 6 of the Insurance Act (Guidelines, corrections).
- The Framework allows players to offer products that target the previously excluded population such as small-to-medium enterprises, peasant farmers, vendors and other low income earners.
- Conventional Insurers can also register aggregators-SLAs



## Key Elements of the Framework

- All products are approved by IPEC
- Proportional disclosures-policy documents, claim form
- Contacts & premium payments can be done electronically
- Defines what should be disclosed in a policy document
- Easy Claims handling procedure & fast settlement
- Transition of Existing Conventional Insurers
- Agents registration & Aggregators operations



# Innovations Approved by IPEC

- ▶ Allowed dedicated Microinsurers (2 at the moment)
- ▶ We allow pilot projects-Ecofarmer and Pfundutso (Weather Index products)
- ▶ Underwriting Management Agents (2 Currently)
- ▶ Allow new products as long as the insurer's product is approved by IPEC.
- ▶ We also issue circulars instead of Statutory Instruments, which are easy to implement.
- ▶ We are always listening to our market!!

# Thank you

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# Innovation Hubs and Accelerators

## Kenyan Experience

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Elias Omondi

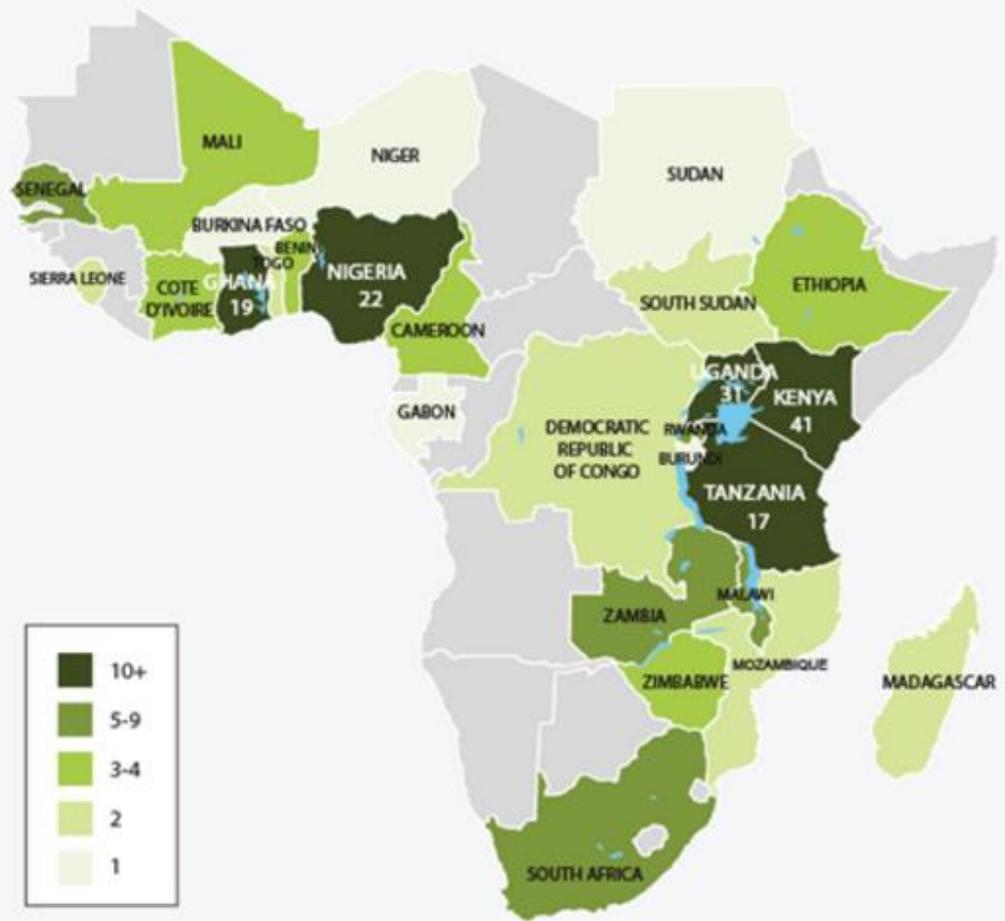
# Agenda

- INTRODUCTION
  - MAP OF INNOVATION
  - CURRENT EXPERIENCE
  - FINTECH'S
  - OUR APPROACH TO ENCOURAGE INNOVATION
  - CONCLUSION
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## Introduction

- Regulatory clarity is critical for innovation. Encouraging financial innovation has the potential to
    - Deliver economic benefits, by lowering the cost of operations,
    - enhancing competition,
    - boosting financial inclusion and
    - delivering more convenient financial services.
  - As a result, IRA has been working on “optimal regulation” — an environment that encourages providers to harness **emerging technologies** without **weakening the financial system or eroding consumer protections**
-

## MAP OF INNOVATION: PROPOSALS COVERED 30 COUNTRIES



- Kenya is leading the way when it comes to digital innovation for financial inclusion in Africa, according to research by the Consultative Group to Assist the Poor (CGAP).
- This is not surprising since Kenya's mature mobile money ecosystem is a big enabler of innovations that leverage digital payments platforms

# The Current Experience in Financial Industry

## Technology as a tool for cost reduction

- Financial institutions are increasingly utilising mobile application platforms, hence there is increased efficiency in distribution, leading to increased uptake of services in the mass market

## Emergence of alternative channels of distribution

- The agency model of distribution has reduced the operation costs and improved efficiency, thereby making it a key driver for diversification and wider reach

## Increased financial inclusion levels

- Increased financial inclusion in Kenya has driven through the alternative channels

## Stable regulatory environment

- The regulatory environment has been strengthened with emphasis being placed on transparency, governance and capitalization, hence ensuring stability

# Fintech Companies in Kenya



# Fintech's



Provides free online insurance quotes from insurance companies in Kenya. InsureAfrika.com is the first online platform to shop for and buy insurance in Kenya. It provides insurance quotes for various insurance products like car insurance, health insurance and travel insurance. Has been **licensed by IRA as an online agent**



is an InsurTech startup seeking to promote financial inclusion through the provision of innovative digitized affordable insurance services for the mass market. The platform interfaces with mobile payments to make microinsurance more accessible to the company's target market thereby increase insurance penetration in Africa.

**Microinsurance regulations offers a great opportunity to such startups**



M-TIBA is a “health wallet” on the mobile phone that allows patients to set funds aside for healthcare. **Social Innovation and Partnerships**. This product is managed by three different institutions

# APPROACH TO ENCOURAGE INNOVATION



Embracing  
Change

As a starting point, the IRA management prepared staff to drive innovation. Innovation as part of its culture.

This was done through;-

- Familiarization with new trends and their implications
- Potential future scenarios are identified and shared across the organization

Developments such as Big Data, blockchain, AI or robo-advice have the potential to significantly disrupt the insurance sector.

# APPROACH TO ENCOURAGE INNOVATION



## Embracing Corporation

IRA offering informal advice to innovators providing them with viable regulatory feedback

- The feedback based on the areas innovators have to work on to meet eligibility criteria
- Collaboration to modernize regulatory frameworks
- Reviewing and adopting new regulatory standards
- Move from compliance to principle based approach

# APPROACH TO ENCOURAGE INNOVATION



Regulatory  
sandbox

Financial sector regulators are working on a joint regulatory sandbox policy. This will provide coordination within the financial sector regulators.

IRA is also working on an insurance specific to providing a “safe space” in which businesses can test innovative products, services, business models and delivery mechanisms without immediately incurring all the normal regulatory consequences of engaging in the activity in question.

# APPROACH TO ENCOURAGE INNOVATION

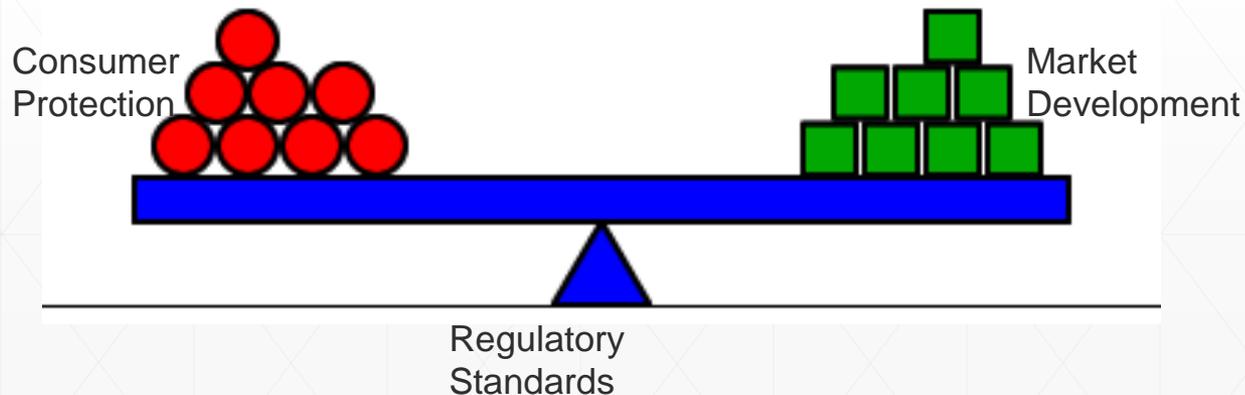


Innovation  
Hubs

- IRA has encouraged companies to form innovation teams that constantly monitor trends and market activity, build and maintain relationships with key InsurTech players, identify potential future scenarios, and determine new partnership opportunities.
- IRA is participating in the Inclusive Insurance Innovation Lab sequence of national workshops and international platforms for key stakeholders of the inclusive insurance sector.

## Conclusion

- Therefore, regulatory clarity is of critical importance to FinTech innovators.
- Regulations can impact anything from how money can be raised, to how advice can be given or how a service may be delivered.
- Unless innovators understand the regulatory context, it is almost impossible to bring compliant services to market.



**THANK  
YOU**

**Thank you**

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