

The potential for microinsurance

- Potential market for insurance in developing economies estimated to be between 1.5 and 3 billion policies.
- Significant demand for a range of insurance products from health and life, agricultural and property insurance, to catastrophe cover.
- Success of microcredit worldwide has shown that people with low incomes are a proven market for financial services if given appropriate products, processes, and knowledge.
- Microinsurance already covers around 135 million people, or 5% of the potential market. In many countries, annual growth is 10% or more.
- Microinsurance is effective even in markets with little experience of insurance, as long as products, procedures and policies are simple, the premiums are low, the administration is efficient, and distribution channels are innovative.

The challenge of microinsurance regulation

- Government policy on microinsurance has to strike a delicate balance between promoting access to insurance and protecting consumers.
- On the one hand there are new market-focused microinsurance providers that need to be given time to experiment, evolve and grow.
- On the other hand there are the priorities of institutional and systemic stability, as well as consumer protection; all related to ensuring trust in insurance in the long term.

Introduction to *a ii*

- *Access to Insurance Initiative (a ii)* – launched 22 October 2009, IAIS Annual Conference, Rio de Janeiro
- A new collaborative approach between international development agencies and insurance supervisors through the IAIS.
- A global programme designed to strengthen the capacity and understanding of insurance supervisors, and to facilitate their role in expanding access to insurance markets.
- An expression of the commitment of the IAIS to the G20's pledge to improve access to finance by promoting successful regulatory, supervisory and policy approaches.

Background: Access to Insurance Initiative



Joint Working Group between IAIS and Microinsurance Network operating since 2006

Microinsurance Network since 2003 as dialogue platform for bi- and multilateral agencies, international organizations and experts with **Working group on regulation, supervision and policy**

IAIS (International Association of Insurance Supervisors)

insurance regulators from 140 countries

Initiated work on microinsurance regulation in 2007

The Sponsoring Partners



Hosted by



- International Association of Insurance Supervisors
- Consultative Group to Assist the Poor (CGAP) and World Bank
- International Labour Organization
- German Federal Ministry of Economic Cooperation and Development (BMZ)
- FinMark Trust
- German Technical Cooperation

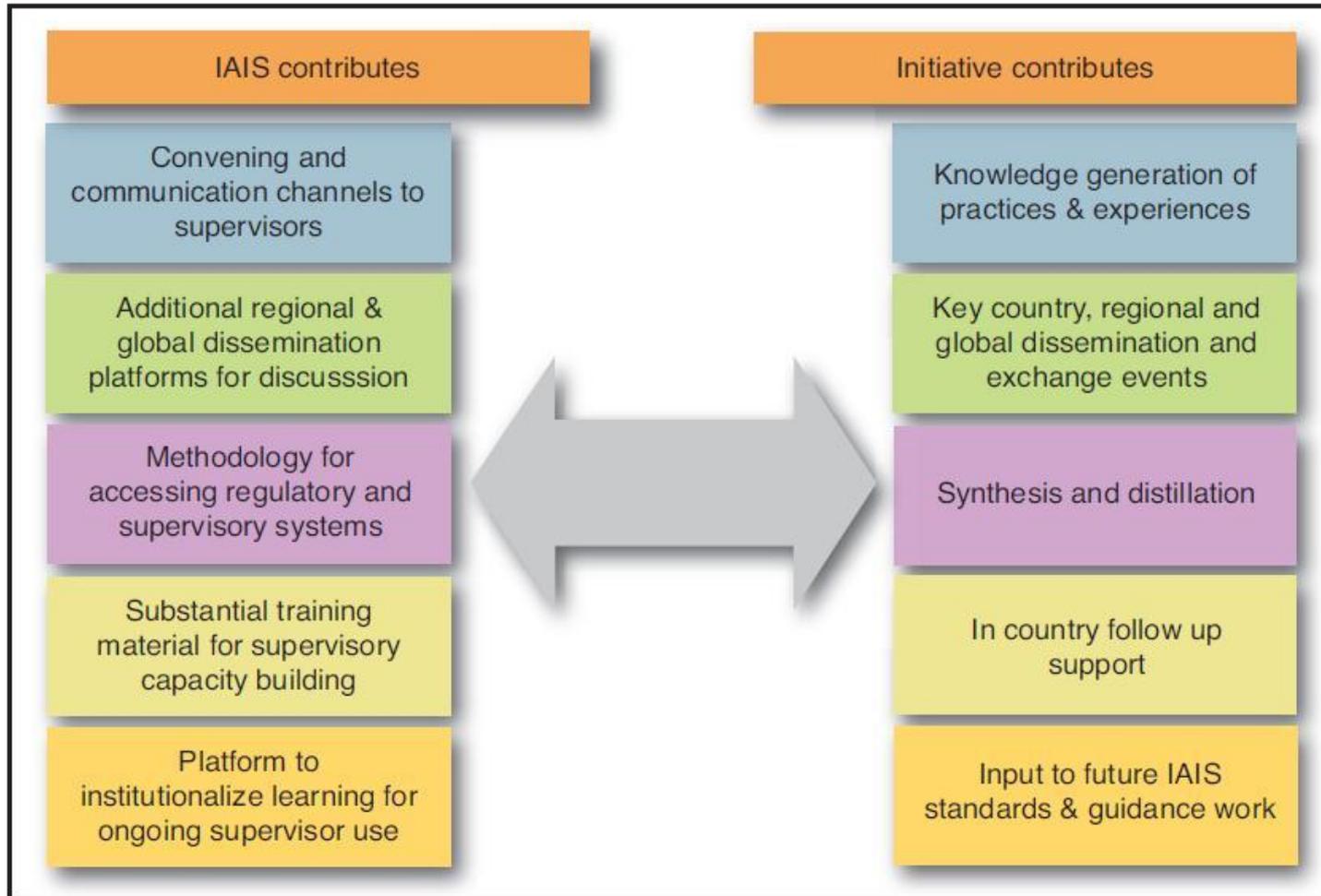
- Access to insurance is an important strategy for reducing poverty
- IAIS Insurance Core Principles are also valid for microinsurance
- Regulatory frameworks are not yet conducive for microinsurance product lines and suppliers
- Strengthening institutional and regulatory capacity is essential to improve access to insurance
- Increased and more diverse level of activities require a more formalized approach and external funding
- Thus, close association between international development agencies/donors, IAIS is essential to trigger the reforms in regulation and supervision required for the development of microinsurance markets

Country Examples – a Global View on Policy and Regulatory Approaches



*** intervention under consideration or under way**

Benefits of the Access to Insurance Initiative and IAIS-Partnership



Goal:

Strengthen the capacity of supervisors to advance access to insurance markets for low income population by means of effective regulation and supervision



Main activities:

1. Generate knowledge and learning
2. Contribute to the IAIS process of development, validation and implementation of standards
3. Capacity development of supervisors

1. Generate knowledge and learning

Country level and regions:

- Country diagnostics using a standardised methodology across all countries to ensure comparability
- A more general assessment, conducted as part of the country diagnostic study, of the insurance regulatory and supervisory regime completed to IAIS standards

Global thematic research on specific issues

- Creation of a risk-based regulatory regime
- Product specific issues of health insurance and index-based weather insurance
- Alternative approaches to effective supervision of a large number of providers of microinsurance

2. Contribute to the IAIS standard setting

- Synthesis and dissemination of cross country studies distil principles as input for cross country dialogue and as
- Input to guidance papers and standards
e.g. regulation and supervision of member-owned providers of microinsurance (mutuals, cooperatives and community based institutions)
- Validation by pilots in selected countries
- Dialogue in IAIS committees
- Approval through IAIS



3. Capacity development of supervisors

At global and regional level

- Cross fertilize experiences by
 - Regular exchange in the Joint Working Group
 - Regional and global policy dialogue events
- IAIS training tools and instruments (training/ assisted self assessment)
- Strengthening topic experts and resource organizations
- Building coalitions among stakeholders at national, regional and global levels by networking and ensure holistic financial system development approaches
- Trigger implementation of international standards and guidance in partnership with selected pilot countries/supervisors



