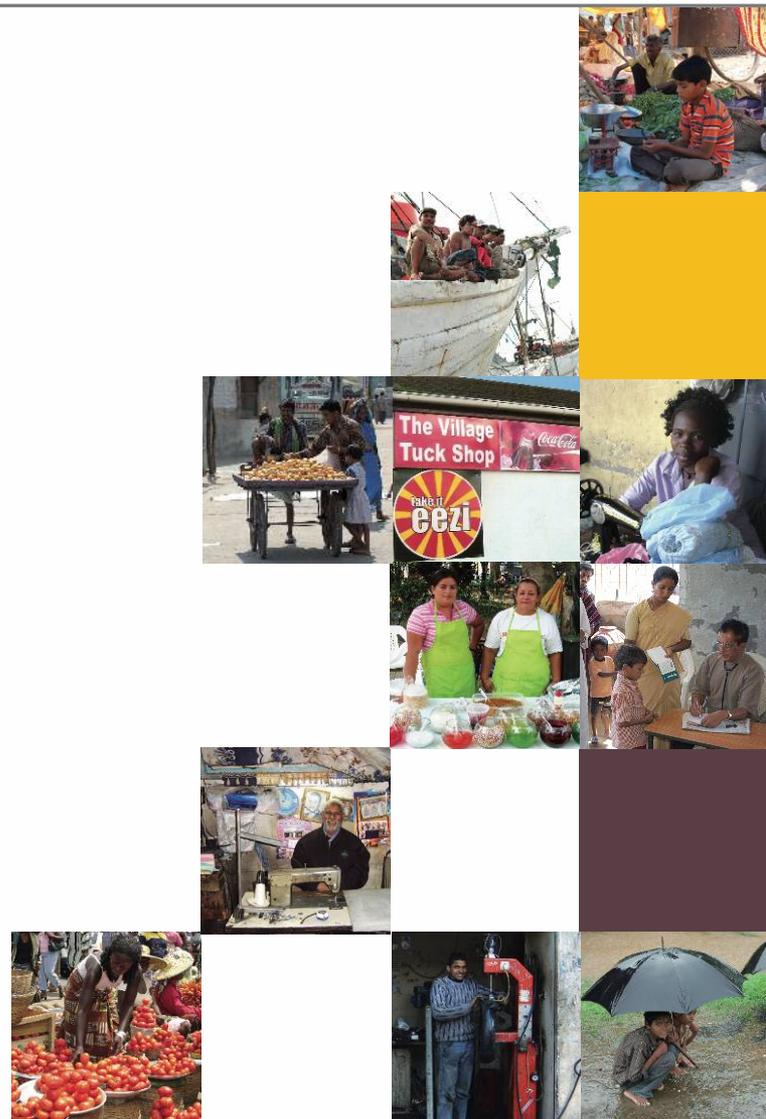


From Country Evidence to Microinsurance Standards A Global Overview

Microinsurance Meeting
Basel, Switzerland, 8 July 2010

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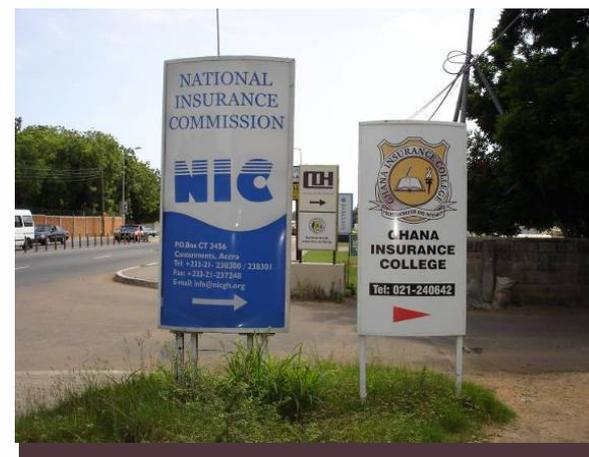
1 - Policy frameworks need a **'complete' look** to make them favourable to microinsurance market development.

- Policymakers' awareness and know-how
- Fiscal burden on premiums and intermediation
- Subsidies can impede market development
- Customer protection frameworks and financial literacy
- Coherence among different policy areas
- Regulatory and supervisory frameworks and capacity



2 – Challenges for microinsurance market development lie in a **variety of regulatory areas.**

- **Insurance**
- Cooperatives
- Banking and microfinance
- Payment systems
- Telecommunication
- Foreign investment
- Know-your client
- Health insurance
- Taxation



3 - The G20 **Financial Inclusion Principles** are valid for microinsurance.

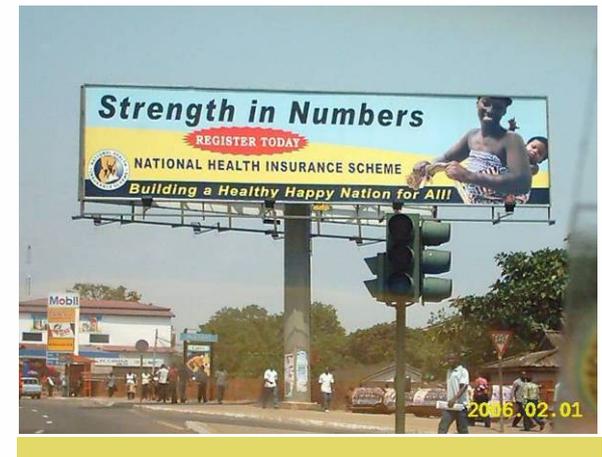
1. **Leadership:** Commitment to financial inclusion
2. **Diversity:** Competition, market based incentives and diversity of service providers
3. **Innovation:** Technological and institutional innovation
4. **Protection:** Comprehensive approach to consumer protection
5. **Empowerment:** Financial literacy and financial capability

*“Our microinsurance clients wanted to withdraw their money or borrow on their ‘deposit’ ”
Life insurer*



3 - The G20 **Financial Inclusion Principles** are valid for microinsurance.

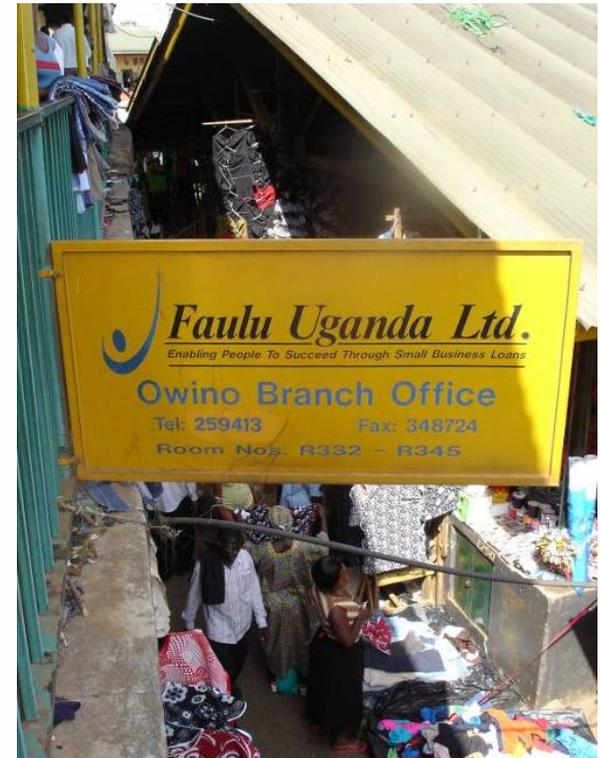
6. **Cooperation:** Accountability and coordination within government; partnerships and consultation across all stakeholders
7. **Knowledge:** Data to make evidence based policy and measure progress
8. **Proportionality:** Policy and regulatory framework proportionate with the risks and benefits involved
9. **Framework:** A regulatory framework, reflecting international standards and national circumstances



4 - Supervisors have **strategic options** when promoting microinsurance under a financial inclusion approach:

- Financial sector policy
- Financial literacy and consumer protection
- Other policy or regulatory fields
- Insurance regulatory framework

COUNTRY DIAGNOSTIC



5 – The **commitment to financial inclusion** is reflected in a combination of strategic instruments.

The Philippines:

Phase 1 (2006)

- Microinsurance regulation for Microinsurance Mutual Benefit Associations

Phase 2 (2010...)

- National Microinsurance Strategy
- **Regulatory Framework**
- Financial Literacy Road Map
- Performance indicators and consumer protection



6 – There are **critical areas** for adjusting the insurance regulatory framework.

- Entry requirements for providers and intermediaries
- Demarcation between life and non-life insurance
- Delivery channels
- **Definition of microinsurance**
- **Products and contracts**
- **Consumer protection**



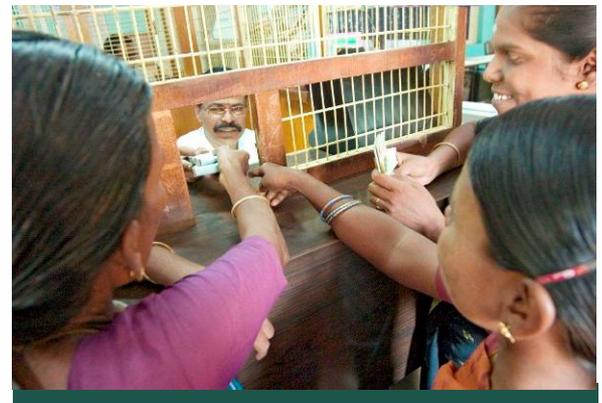
7 - Monetary **definition** of microinsurance products

	India: Life, non-life	Phil: Life, non-life	Peru:	Mexico: Life, accident, health	Taiwan Life, injury
Maximum premium per month	n.a	US\$ 12 (old regulation: US\$ 25)	(until 9/2009 US\$ 3) <i>Abolished</i>	US\$ 7 (property insurance)	n.a.
Sum insured	min. US\$ 123 max US\$740 depending on line	US\$ 4,033	(until 9/2009 US\$ 3,300) <i>No limit anymore</i>	US\$ 6,840 (groups US\$ 5,130 per individual for life insurance)	US\$ 9,663

8 - Adjusted **products and contract regulations** can facilitate take-up and supply.

Mexico CNSF S-8.1 (2008)

- Clear, precise and simple contract
- Obligatory clauses for consumer protection
- No exclusion for individual risks
- Simplified mechanisms for premium payment
- **Compulsory grace period for premiums payment**
- Simplified process for claim and payment of compensation
- Payment document for premium as evidence for contract



9 – Effective **consumer protection** requires serious adaptations.

- Regulations
- Systems
- Public – private commitment

Philippines and Peru: Claims payment within 10 days

Taiwan: Insurer must have a „microinsurance customer service unit“

Mexico: National Commission for the Protection and Defense of Financial Service

Ghana: Financial literacy and consumer protection

*“If we tell people all about the coverage, we’d be flooded with claims”
Rural bank*



10 – We need **clear standards** to simplify processes, and **detailed guidance and benchmarks.**

- (1) Which are the parameters to set an effective monetary definition?
- (2) How to make consumer protection for the low-income segment effective?
- (3) Which indicators show fairness and quality services?
- (4) Which are effective fraud prevention mechanisms?
- (5) How can we assess the impact of regulatory interventions?



11 – Supervisors are **key drivers of microinsurance market development.**

A **financial inclusion approach** based on concerted actions and joint learning can effectively push market development.

Regulatory innovations contribute to the development of standards, guidance and benchmarks.

Implementation support of supervisors is a priority for the way forward.



Industry innovation + regulatory innovation = success!



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