

Regulation and Supervision Supporting Inclusive Insurance Markets – Policy and Market Environment

Inclusive Insurance Regional Training Program for Insurance Supervisors
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B. Market and policy environment

1. Analyzing the environment
2. Demand for insurance
3. Products and services
4. Channels for delivery
5. Insurers
6. Policy environment
7. Take action!



- Factors to consider
 - Macro-economic stability
 - Broader financial markets – banking and payment systems
 - Availability of social welfare
 - Government subsidies for socially important insurance
 - Legal environment – ease of changing legislation and regulations

- **Identify barriers and supporting mechanisms**
- **Identify important stakeholders**



- Market size and profile
 - Size of the underserved market
 - Characteristics of the underserved market (e.g. rural population, levels of poverty, levels of formal employment, social networks and access to mobile phones)
- Protection needs and preferences
 - Risks experienced
 - Existing coping mechanisms
 - Awareness of and attitudes to insurance



- Management of finances
 - Usage of other financial services (formal and informal)
 - Financial literacy

- **What steps can a supervisor take to remove barriers and support demand?**



- Products and services currently available
 - Type of cover, term, premiums and cover amounts, terms and conditions
 - Types of customers using these products

- Consider both formal, informal and state provided products and services



- Relatively low premiums
- Defined and limited cover
- Short policy terms to limit risk
- Few, if any, exclusions
- Preference for group underwriting
- Simple and rapid claims processing while still controlling for fraud
- **Do the products exhibit the basic features supportive of enhanced inclusion?**
 - If so, have they been successful?
 - If not, are there barriers to including such features?



- Channels currently being used
- Relative importance in reaching various types of customers
- Consider both formal and informal channels
- Do the channels support enhanced inclusion?
 - Overcome geographic barriers
 - Cost-effective
 - Leverage infrastructure
 - Overcome mistrust
- **If not, are there barriers to doing so?**
- **Are there examples of innovative approaches to the delivery of insurance?**



Consider the following questions in the context of your respective jurisdictions

A. Traditional delivery channels

1. Are any of the channels used for delivery to traditional insurance customers also involved in microinsurance?
2. If so, in what manner and with what success?
3. What are probably the biggest barriers to them being successful?

B. New delivery channels

1. Do potential client aggregators and alternative distribution channels exist?
2. Are they currently being used and with what success?
3. What are probably the biggest barriers to them being successful?



- Entities currently underwriting insurance risk
- Formal and informal
- What do the insurers look like?
 - Legal form
 - Ownership
 - Nature of insurance business
 - Scale of insurance business
 - Importance of insurance to overall business
 - Insurance regulatory status
- **Are there barriers to entry or formalization?**



- Policy objectives
- Government policy on financial inclusion
- Objectives and responsibilities
- Insurance regulation and related regulations (e.g. electronic contracting)
- Insurance supervision
- Ease of changing legislation and regulations
- **What is the overall regulatory burden?**
- **What are the regulatory challenges, barriers and uncertainties?**



Consider the following questions in the context of your respective jurisdictions

A. Government support and incentives

1. Are any incentives or other support provided (or being considered) by governments or NGOs to encourage the provision of microinsurance? Examples might include premium subsidies, operating cost subsidies, and tax concessions.
2. If so, how have they (or might they) affect the behavior of providers, distributors, and customers?

B. Regulatory barriers

1. What are the main regulatory barriers to the expansion of inclusive insurance?
2. What initiatives are there to address these barriers?



- Develop goals, strategies, and action plans
 - Identify low hanging fruit and hurdles
 - Aim to trigger change

- Resources are available
 - Toolkits – access to insurance initiative
<https://a2ii.org/en/knowledge-centre/a2ii-toolkits>
 - Examples – published country studies
 - Technical assistance



Consider the following questions in the context of your respective jurisdictions

1. Has a comprehensive analysis of the market and policy environment been performed?
2. If so, what were the three most significant findings or recommendations arising from the analysis?
3. If not, which aspects of the environment do you think would be the most difficult to analyze?

