

# Welcome!



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Introduce yourself in the chat!



# A2ii-IAIS Public Dialogue: Index-based Insurance

25 March 2021



# Dialogues

# Speakers



**Moderator**  
Tomás Soley  
Pérez

Superintendente en  
Superintendencia General  
de Seguros, Costa Rica



**IAIS**  
Natalia Escobar

Senior Policy Advisor, IAIS  
Secretariat



**A2ii**  
Regina Simões

Coordinadora Regional  
para Latin America, A2ii



**SUGESE**  
German  
Rodriguez

Director de la División de  
Asesoría Jurídica de la  
SUGESE, Costa Rica



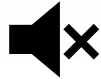
**MiCRO**  
Carlos Boelsterli

CEO, MiCRO

# Housekeeping rules



This Dialogue will be **RECORDED**



Please **MUTE** yourself whilst you are not speaking



Please use the **CHAT** function to ask questions



**“RAISE HAND”** when wishing to speak or ask a question



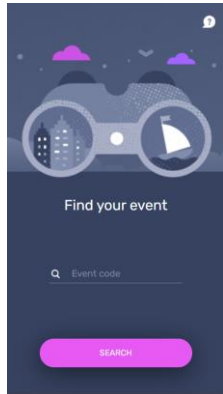
For any technical issues, contact A2ii Secretariat via the chat function or via e-mail at ([dialogues@a2ii.org](mailto:dialogues@a2ii.org))

# Audio Translation / Traduction Audio

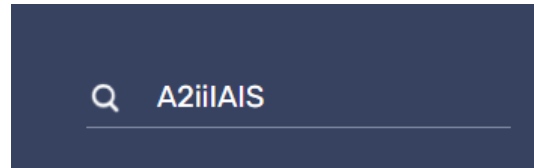
## 1. Download "Interactio" Application



Or stream online / Ou diffusé en ligne <http://app.interactio.io/>



## 2. Enter the event code: **A2iiIAIS**



## 3. Select your language

# Index-based Insurance A2ii –IAIS Public Dialogue

Results and findings of the A2ii Index-based Insurance Survey

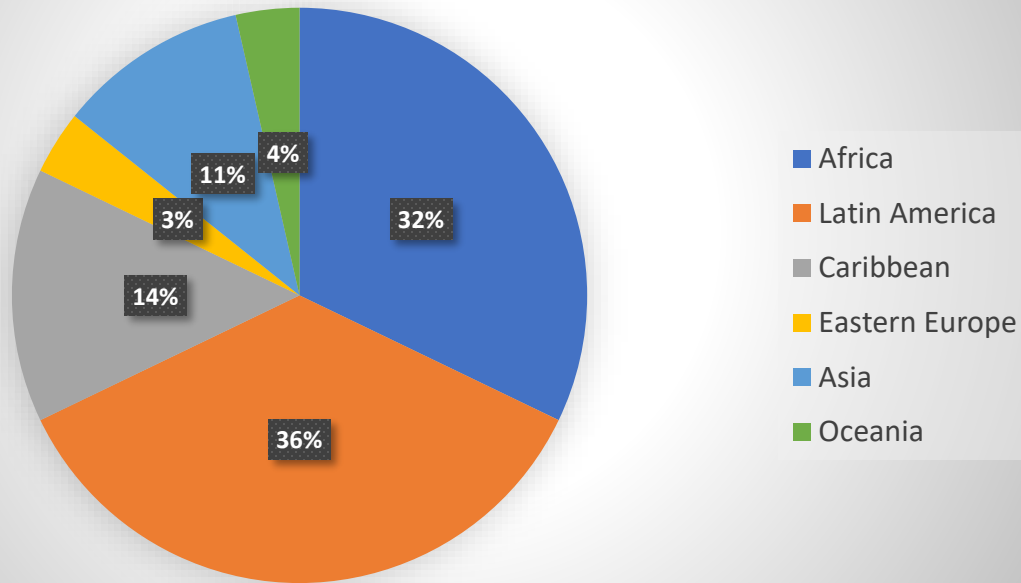
Regina Simões | 25 March 2021



# Dialogues

# Participants in the Survey

Supervisors who participated in the survey by region (%)



## Supervisors

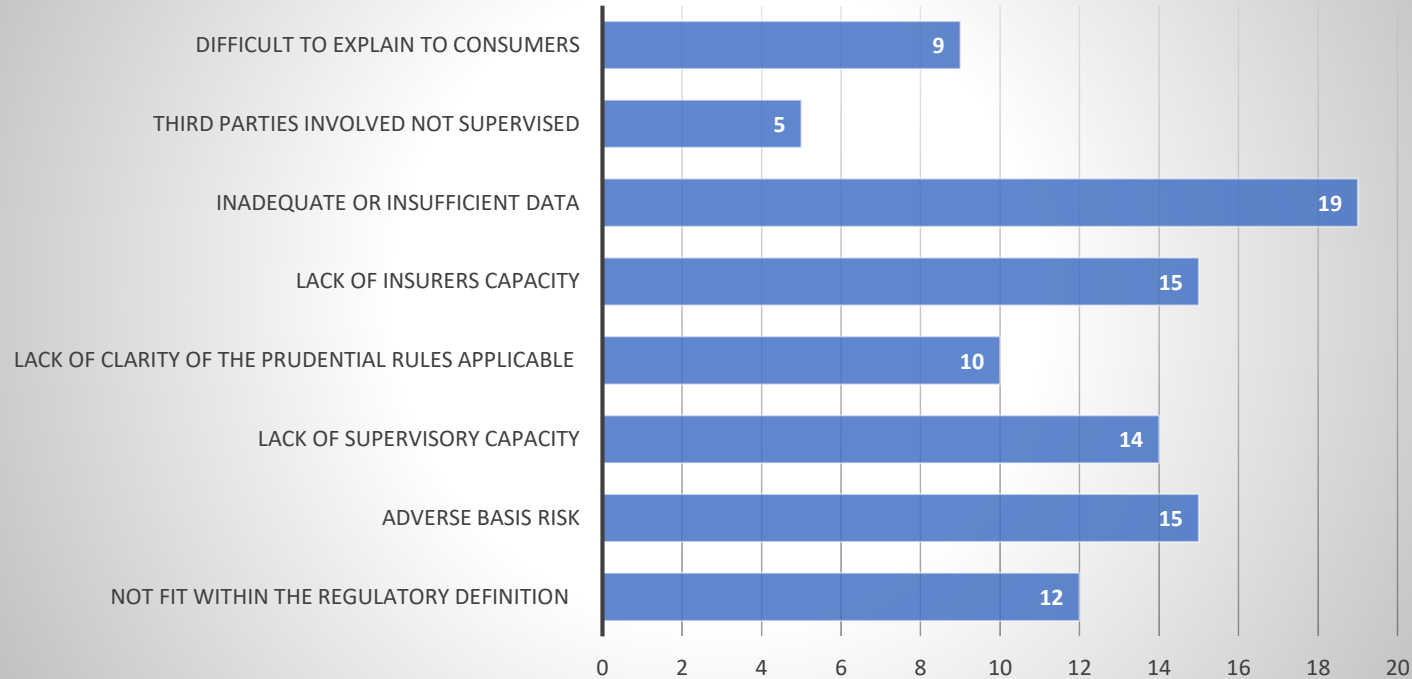
- 28 Supervisors from 27 countries
- 25 from EMDE countries

## Industry

- 11 Industry Representatives
- Insurers and Reinsurers, Consultants and a Non-Profit Organisation

# Regulatory & Supervisory Concerns

## Regulatory & Supervisory Concerns on IIP





# Regulatory Approaches

**I. Specific laws and/or regulations** – legal security

e.g., Argentina, Puerto Rico and Uganda

**II. Legal opinion** - based on the “insurable interest” at the date of contracting

e.g., Costa Rica and Brazil

**III. Pilot or/and Regulatory Sandbox** - as an exception to the rules in force, allowing to test the product's effectiveness in a controlled environment

e.g., Mozambique and Kenya

# Facilitators and Barriers



## Barriers

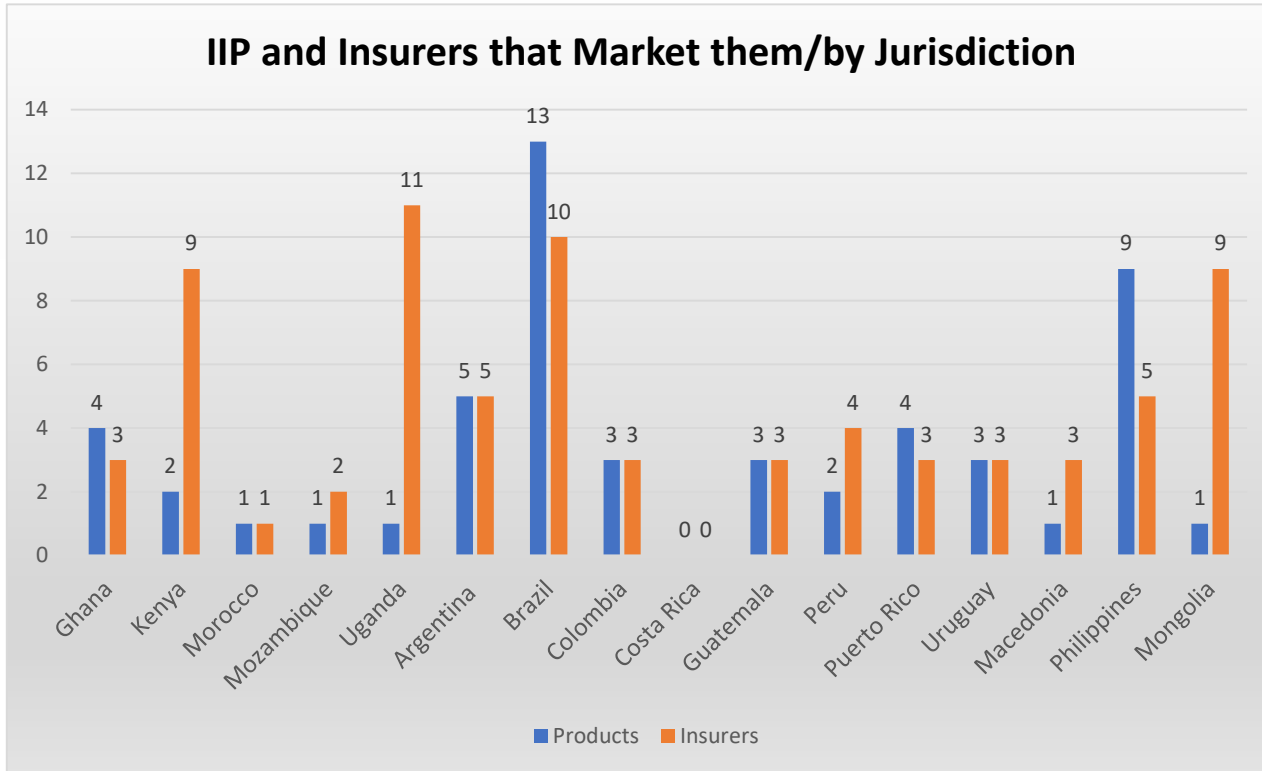
- absence of index-based insurance regulation
- lack of understanding by supervisors
- shortage of data
- USA insurers - comply with different requirements in each of the fifty US states



## Facilitators

- regulatory sandboxes/innovation hubs
- collaboration between supervisors & industry - identify potential undesired results/adverse effects
- allow corrective actions - both before and after product implementation
- flexible regulation - stimulate development of new products
- limited training requirements for distribution channels
- take into account technological developments
- agricultural census
- ample discussions among stakeholders - ensuring current regulations are construed favourably
- supervisors as facilitators

# Products – Characteristics and Scope (1)



- 53 Products marketed in 16 Jurisdictions
- Offered by 74 Insurers
- More Insurers than Products – some programmes structured in the form of consortia

# Products – Characteristics and Scope (2)

## Micro level

- Most products focus on the agriculture and livestock sectors - particularly **small farmers**
- Insurance for **MSMEs, low-income families, and other vulnerable/underserved** Segments
- Insurance products for **more sophisticated customers**

## Meso level

- Agribusiness, banks and MFIs

**Alliances with** governments and partners, such as aggregators, development agencies and TSPs (InsurTechs)

## Distribution channels

- Traditional intermediaries
- Farmer associations and cooperatives, savings and credit cooperative societies (SACCOs) and other aggregators
- Commercial and rural banks
- Retail stores and internet platforms

## Business models

- Generally on an **embedded basis**:
  - tied to inputs and distributed by agribusiness traders
  - tied sales involving other financial services rendered by banks and MFIs
- More developed economies – traditional intermediaries and brokers

# Products – Characteristics and Scope (3)

**Broader Range of Products** - new/more complex/more specific indexes

**Increase in Products Covering Asset Risks**  
more “area-yield” index-based insurance products

**Biological Coverage** - pests and diseases on agriculture

**Fire** - both agriculture and property

**Health Microinsurance** - number of platelets (blood cells) as an index

**Coverage for Input Costs for Germination/Full Crop Cycle** - linked to seed purchases

## More Sophisticated Customers

- Net losses caused by drought for hydro-power plant
- Damage risks for temperature-sensitive cargoes (shippers and consignees, transportation and logistics companies)
- Wind and flood risks for large corporations
- Construction risks from delays due to rainfall

# Final message

The speed with which index-based insurance is evolving raises the need to **continuously monitor products, as well as their value and impact on consumers**

This requires adequate training by all stakeholders, especially supervisors, so that they can face new challenges to come

# Thank you.

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# Sugese

Legal Ruling PJD-SGS-004-2019

Sale of Parametric Insurance



# Legal Ruling PJD-SGS-004-2019

## June 8, 2019, on the legal possibility of selling parametric insurance in Costa Rica

Consultation Proceeding with the Superintendency (Sugese Rule 06-13):

***“Consultations with the Superintendency:*** Request for information on issues of general interest related to the insurance market and insurance consumer rights, as well as the legal grounds for the exercise of assertion of rights.”



# Legal Context in Costa Rica: Insurance Contract Regulation Act (LRCS)

## Chapter I: General Provisions (Articles 1 – 61)

“The insurance contract is that through which the insurer is bound to pay out indemnity for the damage caused to the insured person and, should this result from an event whose risk is covered, to provide compensation for capital, income or other benefits ,within the agreed limits and conditions.”

## Chapter II: Damage Insurance (Articles 62 -89)

“Insurance against damages covers risks that might cause a loss in the assets of the insured person.

Insurance against damages consists of mere indemnity contracts and may not constitute a source of unjustified enrichment for the insured person or beneficiary thereof.”

## Chapter III: Personal Insurance (Articles 90 -108)

“Personal insurance encompasses all risks that might affect the life, physical integrity or health of the insured person.”

# Legal Context in Costa Rica: (LRCS + Supplementary Framework)



## Insurance against Damages

- Indemnification rule (does not result in enrichment)



## Parametric Insurance (Atypical)

- Non-indemnification (random trigger event – possible loss modelling –

Risk of lost assets – Insurable interest as an essential element of the contract

# Elements to be taken into consideration from the Supervision standpoint:

- Product development (base risk, credible and objective parameters or indexes)
- *Ex gratia* payments
- Subsidies
- Competition
- Product solvency (provisions, capital, reinsurance)

A hand holding a globe with icons for a dollar bill, a car, a house, and a family.

Thank you!



**SUGESE**

*Superintendencia General de Seguros  
República de Costa Rica*



# Bridging the protection gap with parametric insurance

A2ii-IAIS – Dialogue on index-based insurance

March 25, 2021



# Ag en da

1. Indexes Used
2. Distribution Channels
3. Target Markets
4. Regulatory Aspects

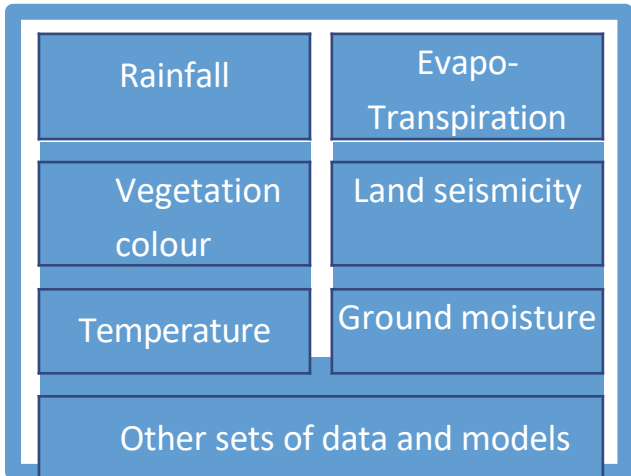
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Indexes Used



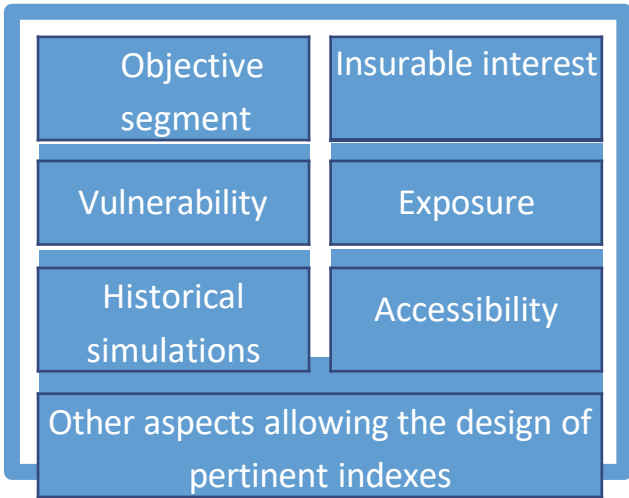
# Index Design

## Data Selection



+

## Parametrization

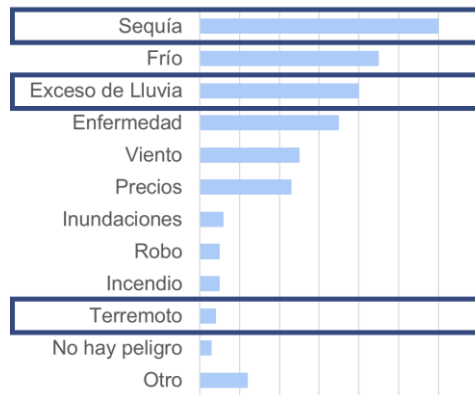


**Indexes best matching expectations**

# MiCRO: Selection of risks and insurable interests

Objective segment exposed to sundry risks, not all insurable

**Drought, Heavy Rainfall and Earthquake,** selected by their relevance and insurability

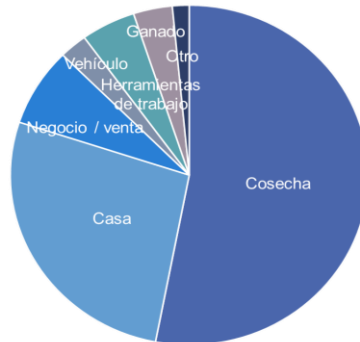


Fuente: MiCRO, Estudio de Demanda Guatemala, 2014

MiCRO parametric insurance design supporting a fast recovery of productive activities after the occurrence of covered hazards

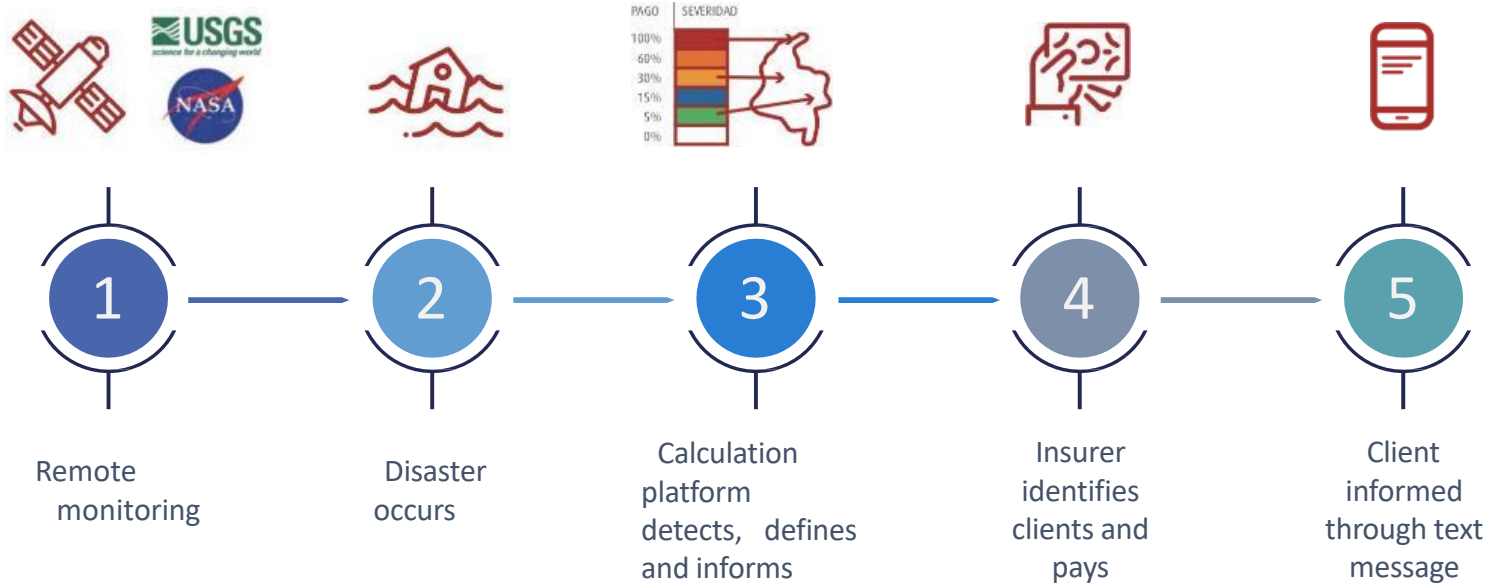
Objective segment is characterized by having multiple activities and insurable interests

Need for a broad insurable interest that allows gains in scale in order to ensure the sustainability of the operation



Fuente: MiCRO, Estudio de Demanda Guatemala, 2014

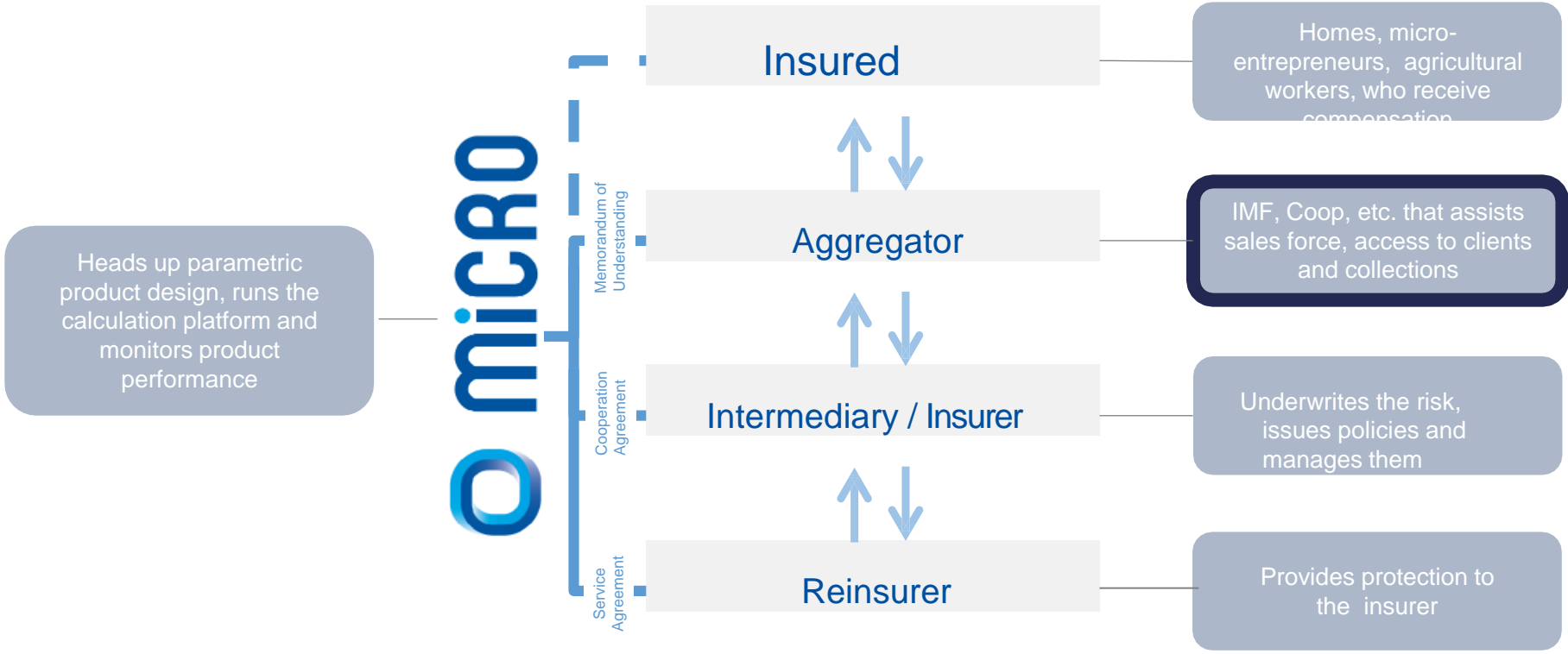
# How does insurance through MiCRO indexes work?



2

Distribution Channels

# Distribution Channels



# Distribution Channels

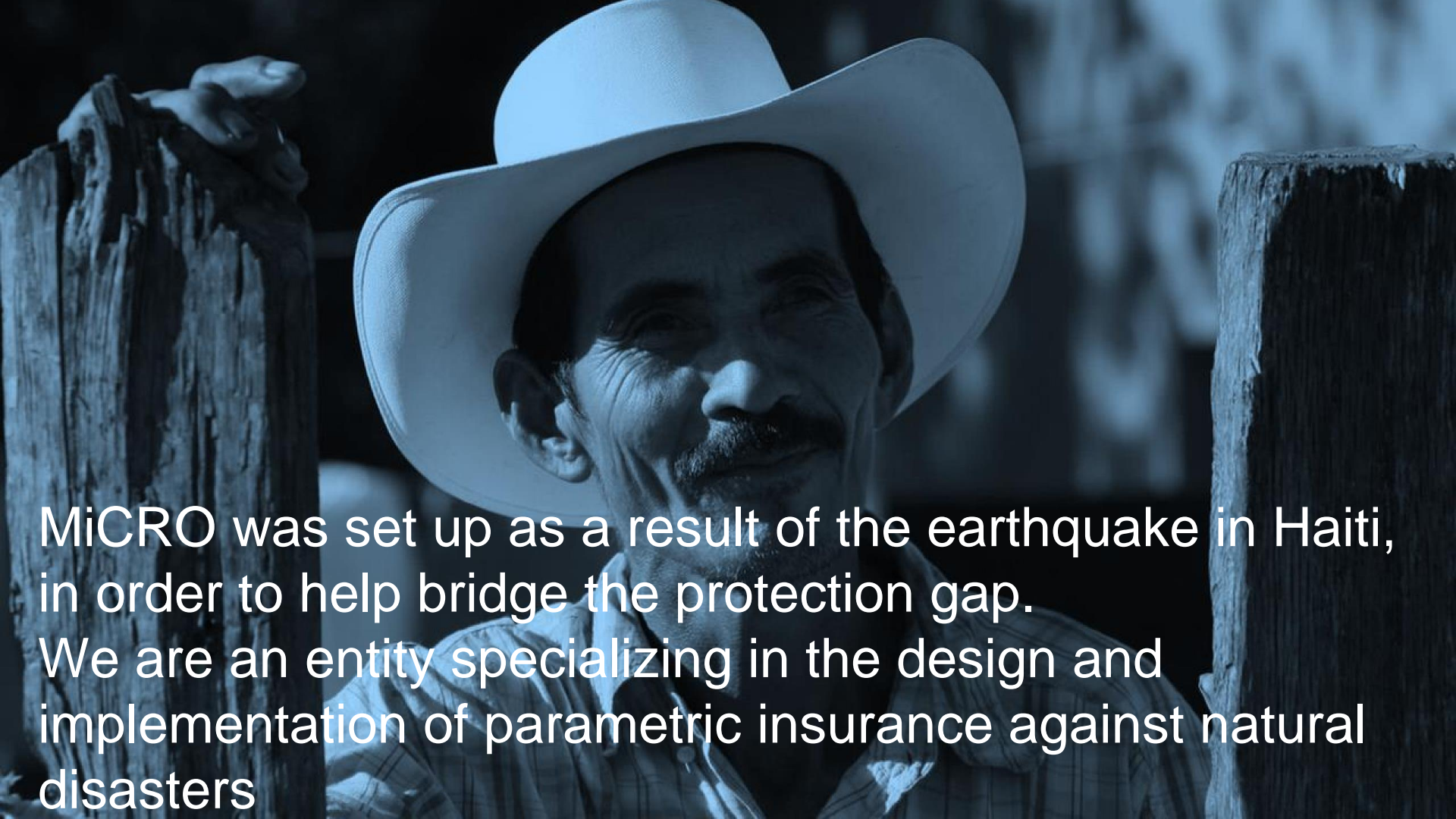
II/II



Some of our local allies

# 3

## Target Markets



MiCRO was set up as a result of the earthquake in Haiti, in order to help bridge the protection gap.

We are an entity specializing in the design and implementation of parametric insurance against natural disasters





...that might see expenditures rise or incomes shrink (at home or in business) as the outcomes of a disaster

Directed to any type of community: poor, vulnerable, emerging middle class ...



# 4

## Regulatory Aspects

# Fórmula de éxito: Involucramiento temprano del supervisor

## Adequate index design

- Consistent data base
- Pertinent index
- Evenly balanced interval
- Product security



## Demonstrate insurable risk and risk exposure

- Links between index, trigger and claims
- Existence of insurable interest
- Regulatory framework

## Opportunity and clarity of information

- Clear, sufficient and timely information
- Efficacious attention to users
- Fast pay-outs

*Fuente: Presentación de la SFC durante la Mesa de trabajo SFC – Fasecolda del 19 de febrero de 2021*

# Thank You



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# Q&A

