



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP



MICROINSURANCE REGULATION IN PERU

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Microinsurance Regulation

- ❖ First specific law was approved in 2007 to promote a major development and to establish an adequate consumer protection legal framework.
- ❖ Microinsurance was defined as a massive, cheap and low coverage insurance. Regulation was applied to any insurance that didn't exceed USD 3,300 coverage limit or USD 3,3 monthly premium.
- ❖ The special regulatory framework enabled flexible implementation of policies requirements and distribution channels in order to reduce costs:
 - ❖ Marketing through different intermediaries (agents, salesclerks, MFI, Money Transfers, Cooperatives, Social Organizations).
 - ❖ Minimum requirements for group policies, just an application certificate to begin the insurance coverage.
 - ❖ Simple coverage with minimum number of exclusions, without previous evaluations of policyholders or insured values.
 - ❖ Deductibles and copayments are not allowed.
 - ❖ Payment of claims must be done in 10 days (in reality, is in 3 days).



The New Microinsurance Regulation

- ❖ In 2009 the Superintendencia approved a new regulation:
 - ❖ New definition of microinsurance avoiding to set any limits to coverage or premiums and considering its objective.
 - ❖ Microinsurance must respond to the protection needs of a specific insurance group and the intermediary must be informed to register policy model at SBS.
 - ❖ Simplified procedures through intermediaries. They can collect premiums, attend claims and pay benefits in representation of insurance companies but these will assume all responsibility for the operations.
 - ❖ Simplified documents: For individual coverage we require simplified policy and for group coverage an application certificate.
 - ❖ No exclusions should be established but if necessary they should be minimum and in accordance to the coverage.
 - ❖ Do not include mandatory previous evaluations, unless specific type of insurance requires it.



Microinsurance Definition

Insurance that provides protection for low income population for losses due to human or economic risks.

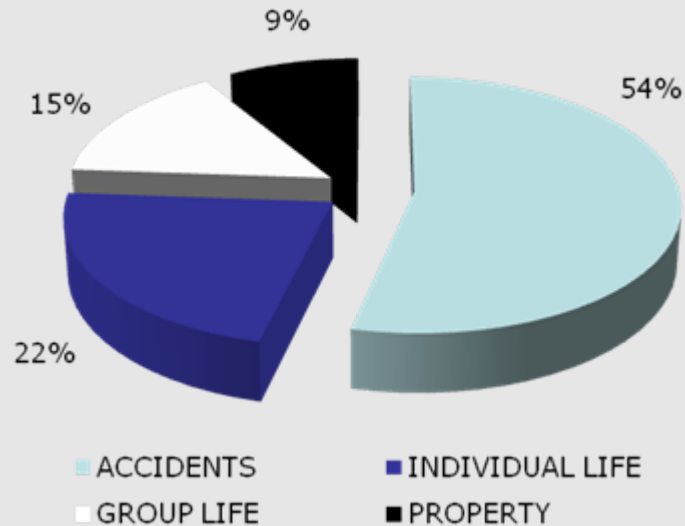
The coverage must be issued by an insurance company authorized by the Superintendencia, coverage should be in two ways, as an individual or as group, using the simplified documents with the minimum information established by law.



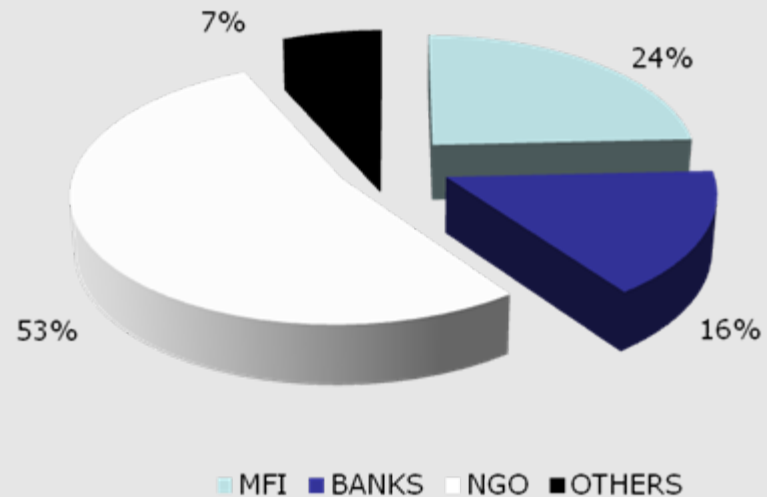
Microinsurance Products

- ❖ 67 registered microinsurance products since 2007.
- ❖ 215 thousand of new customers.
- ❖ Main risks covered: accidents, group life and individual life.

Number of products registered by coverage



Number of customers by distribution channel





Microinsurance Supervision

- ❖ Registration at SBS of policy models before marketing.
- ❖ This registration establishes that the general conditions of the policies be uploaded to the SBS website.
- ❖ Minimum information requirements for the simplified contracts documents that insurance companies or intermediaries submit to the policyholders as proof of coverage.
- ❖ Mandatory report about the number of policyholders, premium volume and losses every three months.
- ❖ The insurance company is responsible for giving coverage, risk management and the application of law in the operations that are done through intermediaries.
- ❖ Prepaid medical services: Clinics and others health services companies must be registered at SEPS to offer their services.



Lessons learned from Microinsurance Regulation

- ❖ Consumer protection and transparency requirements are important tools for developing trust in insurance products.
- ❖ Regulatory frameworks need to be flexible and adjust easily to the changing conditions of mass insurance markets.
- ❖ Regulatory limits on prices and benefits can be obstacles for developing innovative microinsurance products.
- ❖ The designing process of microinsurance products is the most important thing to determine the success of the product. This process must consider identifying the insurable group, be familiarized with their needs, find the adequate distribution channel and determine the best way of presenting the policy.



Impact of microinsurance regulation

- ❖ Preliminary balance by March 2010:
 - ❖ 67 registered microinsurance products by 9 insurers (7 insurers reporting customers. 3 products have 56% of customers.
 - ❖ 215 thousand of new customers.
 - ❖ In December 2009: 206 thousand customers.
 - ❖ USD 400 thousands in premiums (1,5% of total net premiums).
- ❖ Need to review massive products registered before regulation.
- ❖ Most successful products have been developed in partnership with women non-governmental organizations, banks and MFI.
- ❖ Two insurance companies have developed specialized microinsurance departments (La Positiva and Protecta).
- ❖ Interest from sectorial policy makers in developing microinsurance products for poor farmers (index and credit insurance as well as ENSO catastrophe insurance) and health services providers.



Recommendations for regulatory and supervisory capacity building

- ❖ Supervisors need to review consumer protection and market conduct objectives and supervising tools for microinsurance.
- ❖ Consumer protection and financial education programs should be present in the supervisor's institutional agenda.
- ❖ Microinsurance products differ significantly from massive insurance which are designed for retail and bancassurance distribution channels.
- ❖ Market analysis, indicators and benchmarks are needed for assessing the impact of microinsurance strategies.
- ❖ Integrated supervisors need to review MFI development strategies.
- ❖ The role of intermediaries in promoting microinsurance markets need to be reconsidered.