

Report of the 18<sup>th</sup> A2ii – IAIS Consultation Call

# How Supervisors Can Help Enable Access to Insurance for Migrants

22 September 2016



*The A2ii consultation calls are organised in partnership with the IAIS to provide supervisors with a platform to exchange experiences and lessons learnt in expanding access to insurance.*

The 18th Consultation Call, held on 22 September 2016, focused on exploring how supervisors can help mitigate the risks confronting migrants by enabling access to insurance. Four calls were held: two in English, one in French and one in Spanish.

Technical experts Barbara Magnoni (President of EA Consultants) and Andrea Camargo (Director of Regulation and Consumer Protection of the Microinsurance Catastrophe Risk Organisation, MiCRO) presented EA Consultants' research on how access to insurance can help mitigate the risks confronting migrants, why supervisors should be concerned and how regulation can help. Country experts Dawn Cruz from the Philippines Insurance Commission and Lorenzo Chan from Pioneer Insurance shared their practical experience of developing insurance for migrant workers, from a regulatory and industry perspective, respectively.

## Background

Low-income migrants employed in foreign countries are typically more vulnerable than locals. They may not have strong community ties in their host country and are furthermore often excluded from basic social services such as public healthcare and unemployment insurance. Additionally, in many cases the migrant is the primary breadwinner for his or her household. The dependency of the family's livelihoods on the migrant's income-generating abilities adds an additional layer of risk attached to the working life of the migrant abroad.

Due to the nature of the 'migrant' status, regulatory barriers confronting migrants in accessing inclusive insurance may be unique. Migrants may have issues that do not usually arise or are different in accessing local inclusive insurance, such as cross-border insurance requirements, eligible migrant documentation or requirements for policyholders to be within a certain location.

### Why Migrant-Linked Insurance?

While insurance for migrants is a relatively unexplored topic from a supervisory point of view, it is a very pertinent one. High volumes of migrant movement take place every day. The World Bank estimated the total stock of migrants in 2015 at 250 million<sup>1</sup>, with the traditional corridors of movement being from the Global South to the Global North. Aside from the sheer size of movement, this population offers high potential due to the large volume of financial flows repatriated by these migrants. In 2015, the total flow of remittances to developing countries totalled \$440 billion (USD). These figures highlight the large potential for developing migrant-linked insurance through main migration corridors.

### What makes migrants different? Migrant vulnerabilities

Migrants commonly face a great number of risks and vulnerabilities that differ from traditionally excluded groups. Aside from being prone to traditional financial risks such as loss of assets, uneven income streams or disruption of employment, migrants also face unique financial, social and legal vulnerabilities such as risk of deportation or issues associated with their documentation or temporary worker status. Moreover, in the host country, migrants often face conditions of exclusion or isolation that make them especially vulnerable to scams. Limited social networks or channels of information (formal or informal) in host countries further exclude migrants from access to basic social safety nets or risk-coping mechanisms that would otherwise

<sup>1</sup>Migrants' are defined as individuals who have spent over a year outside of their country of birth.

**Figure 1. Global remittance flows, 2015**



protect them against the precarity of their status. Due to the number of vulnerabilities this segment of the population faces, the group merits special consideration.

### Role of insurance

The increased risks linked to migration make both migrants in host countries and their families back home highly vulnerable, highlighting the role insurance can play in improving both stakeholders' ability to cope and build resilience for the future. Some of the risks migrants face are insurable to various degrees. As insurance mechanisms can often be linked to remittances flows, this configuration offers huge potential for migrant-linked insurance products.

### Migrants vs. Refugees

In the context of acute humanitarian crises and the mass dislocation of people, notions of 'migrants' are often conflated with those of 'refugees'. It is important to note, however, that these two groups are distinct in terms of their circumstances, vulnerabilities and needs. While migrants often leave their country of origin in search of opportunity, refugees often leave out of fear or in states of crisis. Refugees are often thus not working and may have limited access to regular sources of cash, healthcare, stable housing or education. Thus, in the context of insurance, the sort of market opportunities for refugees are quite different to those of more traditional migrants. The focus of this call was on traditional migrant workers.

## Potential Role for Inclusive Insurance: Exploring Migrant-Linked Insurance Models

Three models currently exist for how to frame migrant-linked insurance, classified most fundamentally in terms of where the insurance provider is located – in the migrant's country of origin (home), destination (host) or both (hybrid). Despite the novelty of the topic, some practical examples of home and host models do exist in various jurisdictions. The hybrid model, however, is an extremely rare and complex case of a cross-border insurer and thus was not explored on the call.

From the perspective of product development, when thinking about which products are most relevant to migrants it is important to consider what the insured risk is. In each of these models, the insured risk can be on either side of the border. Mostly commonly, however, the insured risk is the migrant him/herself because this is the 'asset' whose income-earning abilities the family rely on and thus seek to protect.

## Home Model

The home model, where the insurer is located in the migrant's country of origin, has generally been the most prominent migrant-linked insurance model. Through the home model, local insurers have sought to cover their migrant populations using the family member in the home country as the delivery channel. These may be linked directly or loosely to remittances, where the family member who receives the funds from the migrant will use the remittances to pay for insurance premiums. Typically, the migrant themselves will be the insured risk but often a family member back home may also be co-insured.

## Characteristics

- The insurance company is located in the home country – marketing is thus done in the home country and is primarily communicated to migrants through family members. In some cases, the support from national Consulates has been of assistance, but the scale is limited.
- Generally linked to remittances
- Policyholder: the insured individual is the family member (i.e. migrant) in the host country; however, there are also cases of dual policies of a co-insured family member back home
- Policy acquisition is officially carried out in the home country
- Services related to the product (e.g. issuing a death certificate) are generally carried out in the host country by host-country officials. Consulates may play a role in assisting the provision, notarisation or issuance of these documents.
- Claims are filed and paid in the home country – though there are some partnership agreements between service providers across borders (e.g. transport services for repatriating a body)
- Premium payments can be made on either side of the border (depending on product design)

### → **EXAMPLE: Banorte insurance along the US-Mexican corridor**

The channel between Mexico and the United States is a highly developed migration corridor. The constant cross-border communications between migrants and their family members as well as the large flow of repatriated remittances have made it a prime location for the development of migrant-linked insurance products.

Banorte, a Mexican banking and financial services company, is one of the numerous financial institutions offering insurance for migrants in the United States as well as their families back home. With a particularly strong presence along the Northern corridor close to the US border, Banorte has developed a successful life and repatriation product that is marketed and sold to remittance-receiving family members in Banorte branches in Mexico. Family members receiving remittances in Banorte branches also receive information about the insurance product. While covering the life of the migrant, the product is framed as a dual policy that covers both the migrant abroad and the family member who purchased it in Mexico. Payments are then made with funds received from remittances. Claims are also made in Mexico through the use of death certificates that are acquired in the US, often with the assistance of Mexican Consulates which play a vital role in supporting their undocumented migrants abroad.

Banorte's success is due to a large extent to the efficacy of its delivery channels, namely the proximity of its branches to the US border as well as its capitalising on the close contact between family members in host and home countries. From a legal and regulatory perspective, host country distribution constraints are overcome through the use of family members as a marketing channel. Rather than having to sell the insurance in the US and face the corresponding licensing requirements, Banorte is able to use the family to informally communicate the product to the migrant. Additionally, Banorte offers numerous value-

added services with the product that make it more appealing. These tools help bring the family together and allow them to remain engaged.

## Limitations

Despite the popularity of the home model, it does have important regulatory and operational limitations.

- **Difficult to scale** – one of the primary drawbacks of the home model is its difficulty to scale. The principal reason for this is prohibitive or complex licensing regulations in host countries. Home country insurers trying to offer insurance across borders are often not licensed to sell their products and have to use creative channels like family members or representatives in the host country. However, there are some questions around the legality of their roles.
  - In the US, for example, licensing is done on a state-by-state basis, so it becomes extremely burdensome to issue a US-wide home country product for an insurer abroad.
- **Products are few and inadequate** and often do not respond well to the most salient needs of the migrant or his/her family. Most products have covered life and/or repatriation, which, although relevant risks, do not cover all of most migrants' needs.
  - Additional considerations that should be central to product development are that the migrant could have a low level of financial education, a general level of disinterest or distrust in formal insurance, or a lack of awareness of the role financial services could play in their lives.
- **Large delivery hurdles** – limited or ineffective delivery channels. Migrant workers often lack strong community networks or organisations and may be excluded (linguistically, culturally, financially/unbanked); thus, channels of communication that could ease distribution might be limited.
- **Legal, regulatory and political barriers to implementing products**
  - **Consumer protection concerns** from a regulatory perspective when products are bundled, marginally explained, unfairly or even fraudulently serviced. If migrants are undocumented in the host country, their status may affect their ability or willingness to enforce their rights in the home country.
  - **Operational complications** arising from regulatory barriers – e.g. licensing restrictions for selling/servicing across borders, prohibiting third party premium payments, limited use of technology, licensing limitations, stringent documentation/identification requirements, restrictions to use electronic signatures and payments
    - **Cross-border claims:** paperwork requirements (e.g. death certificates) from a foreign country can be difficult for non-nationals to obtain and must also be accepted by the home insurer.

Home country models are attractive and offer great potential, largely due to the remittance linkage. Moreover, home country insurers are often keyed in to their low-income population (to families at home and migrants abroad) and regulators have more control over these domestic models. However, there are still fundamental shortcomings that must be addressed by supervisors to ensure the protection of their populations at home and abroad.

## Host Model

In contrast to the home model, the host model is considered a 'micro' or 'downscaling' model because a host country insurer is striving to reach an especially vulnerable population that is otherwise excluded in their country of operations. When designing a product, host insurers must consider the various peculiarities of the target group, such that they may be potentially undocumented or unbanked, less aware of products or services and may have linguistic barriers, among others. Host insurers must also factor in cross-border considerations about which types of products may be most attractive and relevant to foreign migrants. Since the policies in host models are often not restricted to a certain group of migrants, the policy can be designed to be relevant across the spectrum to reach a broader group of people.

## Characteristics

- The host insurer is responsible for marketing, policy acquisition, filling claims, and (primarily) receiving payments
- These are not typically linked to remittances as the premiums are paid prior to the remittance being sent. However, remittance channels can be used as touch-points for sales to commercialise a product and not necessarily to collect premiums
- Payments can be made on either side of the border
- Host country services (e.g. transport of deceased body across borders) are linked to a home service provider through strategic alliances

### → **EXAMPLE: Host model success factors: SegurCaixa in Spain**

Spain is a country which has a high number of migrants both residing and working. This has presented an attractive business opportunity for host country insurers as the cohort is highly banked, meaning that traditional insurance delivery channels exist. To capture a larger market size in an industry where alternative channels and technology have been quite underexploited, local insurer SegurCaixa has made particular headway by adopting innovative delivery approaches to market their products and services through their branch network. For example, they took quite common products such as car or property insurance and hired foreign nationals in their branches to reach out to migrants of the same nationality. By marketing through social networks, social media and face-to-face in a culturally appropriate way, SegurCaixa was able to make headway in seizing a promising business opportunity.

## Legal and regulatory constraints

- **Assimilation and documentation of migrants is critical** – If a migrant does not have appropriate documentation they are often excluded from accessing a product, either out of fear of being denounced and deported or because of the insurer's desire not to offer products to those lacking proper documents. The vulnerability of undocumented migrants is further compounded due to a lack of access to justice and empowerment mechanisms to defend themselves from predatory providers. From a regulatory perspective, issues around documentation raise important consumer rights questions particularly regarding the legal status of migrants, whether they have access to information or are banked.
- **Difficulty of allowing alternative distribution channels** (i.e. outside agents or bank assurance) tailored to migrants' needs in the host country. Distribution may be impacted by intermediary licensing regulation. Additionally, migrants may be less banked than the rest of the population, limiting the ability of banks to offer them insurance under a bank-assurance model.
- **Barriers in international money transfer rules** – Transfer restrictions may apply for larger claims amounts (e.g. over 5000 USD) if migrants should designate beneficiaries abroad. Moreover, some central banks have stringent restrictions on cross-border transfer of local currency, which many hinder premium payments, refunds or claims pay-outs.

**Table 1. Summary of Characteristics of Home and Host Models**

Characteristic	HOME MODEL		HOST MODEL	
	Home Country (Origin)	Host Country (Destination)	Home Country (Origin)	Host Country (Destination)
Insurer	X			X
Insured party	X	X	X	X
Marketing	X			X
Policy acquisition	X			X
Claims	X		X	X
Premium Payments	X	X	X	X
Linked to remittances	Frequently		Difficult	

## Main Takeaways

### Products

- While migrants face a variety of risks, including deportation and legal risks, it is important to consider that when designing insurance products the covered risks are both insurable and relevant to the migrant. The migrant is often the main income earner and many people’s livelihoods depend on their income-generating ability. Typically, the migrant’s life is the most ‘valuable’ and critical asset that the family wants to protect, and many products are already addressing this need.
- At the same time, there may be other considerations to improve the development of products for migrants. Most importantly, migrants should have access to simple products that are easy to understand and relatively low cost. Additionally, migrants may want to insure family members that are dependent on them in times of need:
  - E.g. Haitian home model: Haiti offers a product that insures the lives of family members in Haiti but offers the product to the Haitian Diaspora in the United States. The Haitian Diaspora is often called upon to cover the costs of family members in times of emergency, so the burden of these financial responsibilities can be very relevant for migrants abroad.
- Product design, marketing and communication can be complicated given that this is a cross-border initiative. How can an insurer identify and locate its target market and understand its needs?
- Timely (fast) pay-outs are essential, especially given the cross-border nature of these models.

### Delivery channels

- Although home models may be more attractive because home country insurers may have a larger stake in their migrants abroad, they face large delivery hurdles. Regulation around distribution can challenge the scalability of these models because of the need of licensing in the respective host country.
- Hybrid models may help circumvent some cross-border regulatory and operational obstacles.
  - Insurers who have a presence on both sides of the border can come up with creative ways to market and sell on one side and issue/originate policies on the other. This potential has been little explored, partly because of the organisational structure of some of the insurers but also due to regulatory concerns.
- Technology offers an exciting opportunity to overcome some regulatory barriers, but with this comes a need for greater emphasis on consumer protection.

- Technological advances can help models massify, facilitate scalability and overcome cross-border hurdles. Mass marketing through social media and web-platforms, mobile apps and online registration and policy issuance offer great opportunities to overcome regulatory barriers to advertising and selling insurance across borders. Additionally, mechanisms to collect cross-border electronic signatures and access to mobile payments or electronic transfers can reduce costs of delivery and operational challenges.
- Regulatory restrictions on e-signatures and e-money payments, in addition to cumbersome documentation requirements, remain barriers to realising this potential.
- Challenges in consumer protection will arise as technology reduces the delineation of borders in insurance transactions. The question of which country's regulatory authority will be responsible for protecting consumers will become more prevalent as this evolves.

## Regulation

- **Consumer protection issues are difficult to supervise across borders**, especially when different regulatory frameworks exist in the home and host countries, respectively. It is important to think about cross-border channels that can support consumer protection (e.g. Consulates, which can play an active role in informing their citizens about consumer rights, take complaints, etc.) and consider establishing common guidelines. Additionally, recourse on the issue of undocumented migrants, who are in a more vulnerable situation in terms of defending or enforcing their rights, needs to be addressed.
  - This presents an interesting opportunity for the forging of alliances with local service providers (e.g. for repatriation services, etc.) and other supervisory authorities (e.g. central banks, Consulates) to facilitate information and channels to address grievances for migrants, undocumented or otherwise.
- **Operational problems due to regulatory restrictions** – The diversity of locations where insurance is bought and where the insured or beneficiaries are located raises important legal and regulatory hurdles. Examples of cross-border regulatory challenges include: not allowing alternative distribution channels or technology; restrictions on cross-border licensing, product registration, claims, payments; and compliance to some KYC<sup>2</sup> requirements, among others. Moreover, the irregular immigration status of some migrants increases the complexity of operations. There needs to be cooperation between home and host countries to allow regulations to address these obstacles.
- **Products are difficult to supervise across borders** – It is important to encourage dialogue between supervisors to emphasise tracking migrant-linked insurance products across borders.
- **Raise awareness at the public policy level** – The positive impact that well-delivered insurance has on migrants' lives should be integrated into high-level agendas (e.g. the UN framework for sustainable development, ILO conditions on labour migration). Governments should be pushed to be active facilitators to help their citizens abroad and empower undocumented migrants to be aware of scams and conscious of how to enforce their rights.

Given the large potential of migrant-linked insurance, there needs to be significant advocacy between regulators, insurers and other actors to reduce regulatory barriers inhibiting access to valuable, inclusive insurance for migrants and their dependents back home.

## Case Study – The Philippines’ Home Model

In the Philippines, it is mandated by law that there be a compulsory insurance coverage for agency-hired<sup>3</sup> Overseas Filipino Workers (OFW). The coverage is required prior to the issuance of an Overseas Employment Certificate (OEC), a necessary document for prospective OFWs, and is implemented by the Philippine Overseas Employment Administration (POEA). With premiums paid by the responsible manpower agency<sup>4</sup>, the legislation is meant to protect migrant workers prior to departure by bundling a comprehensive insurance product as part of a larger recruitment package. Covering a wide range of benefits<sup>5</sup> and sums, from death to disablement and medical to repatriation, the pricing of the bundled product is aggregated for the client. However, the OFW is not able to opt out of any component. The government has allowed local insurers to offer the product competitively, thus enhancing product quality and reducing overall premiums. It is important to remember that the legislation provides that the compulsory insurance shall be at no cost to the OFW.

The Philippine Insurance Commission played an important role in developing these products and engaging with insurance providers and stakeholders. The primary aim is to ensure the product’s relevance to the OFW market. For example, by making the coverage compulsory, introducing insurer competition and streamlining approval processes that shall benefit a wider market and at the same time ensure the sustainability of the product.

### Currently, the role of the Insurance Commission is the:

- Approval of insurance companies offering OFW compulsory insurance
- Approval of the proposed policy forms of insurance providers
- Examination and verification the financial condition of the companies (e.g. to ensure their financial viability)
- Examination of the insurance companies’ methods of doing business (e.g. to ensure fair claims practices)
- Handling of the complaints of the OFWs/beneficiaries against insurance companies

### Challenges from a regulatory point of view include:

- Expansion of the coverage of insurance (beyond agency-hire) to provide more security/risk protection to Filipino workers abroad overall
- Expansion of the insurance benefits themselves
- Intensifying the information dissemination on the coverage and benefits
- Consumer protection considerations – *as a product that is mandatory and bundled, does the client truly understand and value the specific service? If not, will they bother to make claims?*

### Industry Perspective: Pioneer Insurance

Pioneer Insurance is one of the main industry providers of insurance for overseas Filipino workers. Currently Pioneer offers two products catering to migrant workers: 1) a compulsory product (RA10022) sold through

<sup>3</sup> The coverage is optional for direct hires or re-hires and seafarers.

<sup>4</sup> A manpower agency is a company that screens workers and does the processing of applicants for work abroad.

<sup>5</sup> The product covers the following 9 benefits: accidental death (regardless of whether work-related or not), natural death, permanent total disablement, repatriation cost, subsistence allowance, money claims, compassionate visit (from a family member or requested individual when the migrant is hospitalised for ≥7 days), medical evacuation and medical repatriation

licensed manpower agencies in the Philippines and 2) a voluntary retail product (OFW GUARD) designed by Pioneer as an alternative or ‘top-up’ to the compulsory product.

The compulsory product is mandated for agency-hired workers and covers the standard benefits outlined by the Philippines Insurance Commission. The retail product, on the other hand, is targeted and tailored to those not covered through the compulsory product, namely the families or dependents of the OFWs. While as with the compulsory product the one insured is the OFW, the one who purchases the cover and the beneficiary is the migrant worker’s legal spouse, child, parent or sibling.

### **Retail product: OFW GUARD**

#### **Benefits and Coverage**

The benefits are framed in terms of which insurance risks are relevant for the policy beneficiary. Thus, the product not only covers the life of the migrant but also looks at involuntary loss of employment, which is a critical risk for many families who send workers abroad and depend on their salaries as a regular source of household income. The coverage period for 1 year is 5.73 USD, with a six-month option priced at 3.12 USD.

#### **Delivery**

Pioneer has partnered with the prominent remittance agency Western Union. The product is marketed and sold to family members at the partner channel’s remittance shops when family members go to retrieve their monthly allowances.

## **Questions and Discussion**



### **How is the uptake and profitability of Pioneer’s voluntary product? What were some of the lessons learned from entering the retail market of migrant-linked insurance?**

Pioneer’s voluntary product is relatively new and has only been on the market for just about a year.

Due to the concentration on (broad-based) mandatory cover in the industry, Pioneer felt that certain gaps in coverage existed that needed to be filled. In the Philippines, many dependents rely on monthly remittances sent from family members abroad and suffer greatly when this stream is disrupted. For Pioneer, dependents of migrant workers fall within their definition of the ‘microinsurance market’; there is a great need for insurance however it has until recently been viewed as unaffordable and inaccessible. By delivering a separate product through remittance agencies directly to the dependent, at an affordable price, Pioneer has identified a viable market segmented and established an avenue for those in need. The retail product was initially piloted with Western Union and is now being rolled out nationwide. One important learning was testing the product to determine the price point. The retail product was originally piloted at close to double its current price (around 9 USD) however uptake in the pilot branches was low. After six months the product was re-priced to its current value (5.73 USD) and uptake quickly increased by 70 percent. This highlights that the relevance of a product has to be balanced with an appropriate price point, especially for products in the voluntary market.



### **Who is the insured party in each of these models?**

This ultimately depends on how the product is designed. Often the insured party is in the host country (i.e. the migrant him/herself); however there are some instances where the insured party is actually in the home country, or where there are dual policyholders in the home and host countries alike. In

the host model, the insured party is generally in the host country. That is, the migrant decides to take out insurance with a company in the host country and cover his/her life and other financial and health risks. However, there have also been cases in the host model where the migrant wishes to cover the remittances sent to his/her family members, so there is spread in terms of insurable interests. In the home model, the product is purchased with an insurance company in the country of origin. The insurable interest is most often the life of the migrant abroad. However, in some cases the migrant may wish to also cover their family in the home country in which case there is a dual co-insurance scheme.



#### **Why are Value Added Services important in migrant-linked insurance?**

Value added services (VAS) aim to address the needs of the migrant and his/her family that go beyond insurance, such as keeping in contact with the family through the offer of cheap data and call plans. VAS help to differentiate products from one another, which is key in countries with much competition. In most of the cases, the client recognises the product because of the value added service and not necessarily by the cover.



#### **How does premium income normally flow in the host country model? Does it accrue to the host or home country?**

As the insurer is in the host country, the host insurance company keeps all of the financial flow domestically. The only time that there would be any kind of cross-border financial movement would be if there were repatriation products that offered a service in the migrant's home country that the insurer would need to reimburse, such as transportation or funeral costs.



#### **How does collaboration between the home and host country regulator work in practice?**

Most collaboration is done through Consulates, where consular agencies facilitate access to certain information/documentation for their citizens abroad. Consulates work closely with local government on issues such as identification, communication or financial education. However, this collaboration has not been done at the national level or between regulators.



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