



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP



PRODUCT AND DELIVERY REGULATION IN PERU

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Enabling Microinsurance Markets

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Features of a successful microinsurance business model

- ❖ Products designed for the specific needs of lower income consumers and micro-enterprises.
- ❖ Joint partnerships among insurers, MFI and stakeholders for developing financial social inclusive strategies and programs.
- ❖ Efficient low cost providers and distribution channels with access to low income groups and capable of collecting primes and handling claims in very short periods of time.
- ❖ Policies and marketing materials targeted for clients with limited or no previous access to insurance products.
- ❖ Financial education and awareness programs all along the process of delivering microinsurance products.
- ❖ Innovative techniques for making more tangible insurance benefits (tickets or certificates, regular visits and reports to customers, payments in goods and services, etc.).



Lessons learned from the first Peruvian microinsurance regulation of 2007

- ❖ 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 caps on prices and benefits can be obstacles for developing innovative microinsurance products.
- ❖ MFI are not necessarily interested in incorporating microinsurance products in their portfolio of financial services
- ❖ Transparency requirements can be fulfilled with technological innovations that reduce distribution costs and guarantee a fair treatment to customers.
- ❖ Massive insurance products distributed through bancassurance, public utilities and retail distribution channels need a specific regulatory approach.



Impact of microinsurance regulation

- ❖ Preliminary balance as of March 2010:
 - ❖ 215 thousands new customers and USD 400 thousands in primes (1,5% of total net primes).
 - ❖ 67 registered products by 9 insurers (7 insurers are reporting customers).
 - ❖ 3 products concentrate 56% of customers.
 - ❖ Main risks covered: group life, health and disability.
- ❖ Most successful products have been developed in partnership with women ONGs, rural MFI and retail operators.
- ❖ Two insurance companies have developed specialized microinsurance departments (La Positiva and Protecta).
- ❖ Limited impact on MFI services.
- ❖ 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 supervisory tools.
- ❖ Consumer protection signals and financial education programs should be present in the supervisor's institutional agenda.
- ❖ Microinsurance products differ significantly from massive insurance products 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.



Key messages

- ❖ Insurance regulators and supervisors, insurers, stakeholders and sectorial policymakers need to coordinate and be open to market developments and innovative microinsurance products.
- ❖ Consumer protection and transparency are necessary components of successful microinsurance strategies.
- ❖ Supervisors need to develop guidelines and share best practices for addressing the special characteristics of microinsurance markets.
- ❖ In developing economies, microinsurance is an important but not the only component of strategies to improve access of consumers to financial services.
- ❖ An important challenge for regulators is the development of asset, savings and life microinsurance products.
- ❖ Agriculture and catastrophe risks coverage are still to be addressed by regulators and supervisors.