Report of the CIMA-A2ii Workshop
“Regulating Mobile Insurance”
16-17 May 2016

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Introduction

In May 2016, the Inter-African Conference on Insurance Markets (CIMA[1]) in partnership with the Access to Insurance Initiative (A2ii) hosted a workshop in Abidjan, Côte d'Ivoire.

The main objective of the workshop was to provide inputs to assist CIMA in developing regulations to deal with mobile insurance that protect the policyholder and ensure financial stability. The workshop was also intended to create a framework for cooperation and information exchange between the supervisors and regulators involved in mobile insurance in the CIMA zone.

It brought together representatives from the CIMA Secretariat, national insurance regulators, regional central banking authorities, national telecommunications regulators and the Federation of African National Insurance Companies (FANAF[2]) as well as a number of technical experts with experience in mobile insurance.

- The **A2ii** presented on the experience of other jurisdictions dealing with regulating mobile microinsurance.
- **GIZ Ghana** on behalf of the **National Insurance Commission (NIC) Ghana** presented on a recent study they conducted on mobile insurance, highlighting the emerging risks and their effort to supervise it in Ghana.
- **FANAF** shared their experience with mobile insurance in the region and their recommendations for the forthcoming regulation.
- **The Banque des Etats de l'Afrique Centrale (BEAC[3])** and **La Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO[4])** shared their experience on regulating mobile money and their view of payment instruments to collect premiums.
- **National telecommunications regulators** from **Cameroon** and **Côte d'Ivoire** shared their views on how insurance offered through the mobile phone should be regulated and what role they should have in protecting the consumers, particularly as it relates to consumer data and privacy.
- The **CIMA Secretariat** presented their plans on how to regulate mobile insurance in the region and the different options for how to implement it.

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[1] CIMA is the regional insurance regulatory body in West and Central Africa – made up of the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, Congo, Côte d'Ivoire, Gabon, Guinea-Bissau, Guinea Equatorial, Mali, Niger, Senegal, Chad, Togo – whose objective is to work towards the establishment of a single insurance market.

[2] FANAF is the insurance industry's association of West Africa.

[3] Bank of Central African States

[4] Central Bank of West African States

The workshop set the tone for future collaboration among the different supervisory authorities and exposed many of the critical issues which would need to be considered in the development of the proposed mobile insurance regulation.

While the focus of the workshop was on the CIMA zone, there were a number of issues that emerged from the workshop that are relevant to other jurisdictions grappling with the challenge of designing and implementing similar regulation. The following provides a summary of the workshop and the key issues discussed. The presentations from the workshop are available in French and English on [A2ii's website](https://a2ii.org/en/event/cima-a2ii-workshop-mobile-insurance-regulation)[5].

Insurance Market Context: CIMA

Given the current stage of insurance market development in the Inter-African Conference on Insurance Markets (CIMA) region, mobile insurance has the potential to dramatically transform insurance penetration across the region.

Figure 1 below locates selected countries from the CIMA zone along the different stages of insurance market development (see **Box 1** for a description of the stages of insurance market development). It shows that the majority of countries in CIMA are in stage two. The Stage 'Group and bundled' is characterised by low-insurance penetration (less than 1% of GDP) with less than 10% of the population covered. Coverage is mainly limited to high-income, urban, formally employed adults. Traditional retail insurance business models are unfeasible for the majority of the population as the premiums collected are too low to recoup the cost of investing in infrastructure required for retail models. In this stage, the options are limited to the group and bundled policies. Typical examples are employer-based schemes, compulsory credit life or third-party liability vehicle insurance.

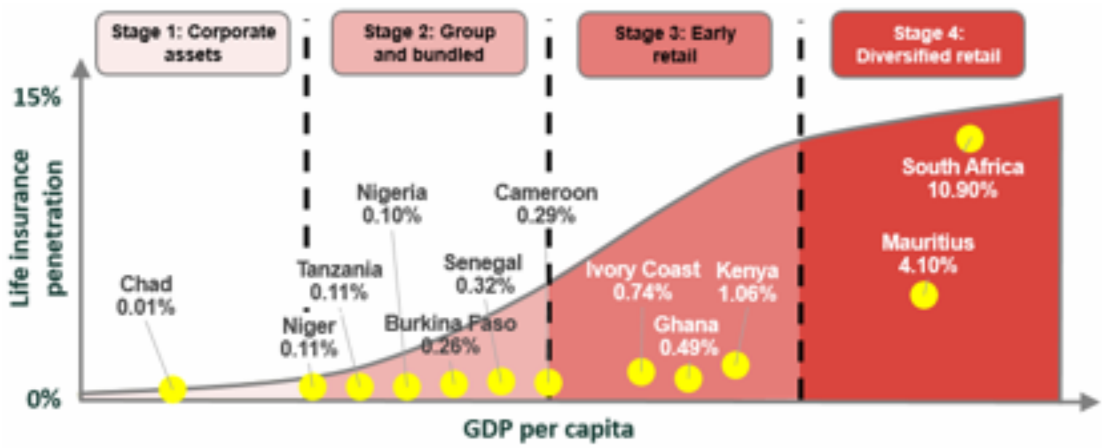

Figure 1: CIMA countries plotted on the insurance market development curve

Source: Adapted from Chamberlain et al. (Forthcoming)

[5] https://a2ii.org/en/event/cima-a2ii-workshop-mobile-insurance-regulation

Box 1: The insurance market development curve explained

The ***stylised*** insurance market development curve in Figure 1 plots countries by the life insurance penetration and GDP per capita. The stages are strongly correlated with the level of income in the country as well as the level of development in the retail life insurance market:

- **Stage 1: Corporate assets**. In this first stage, corporate asset insurance dominates the market and distribution is broker-driven. Retail insurance is limited and life insurance has a small share in total premiums. Total insurance penetration is below 1% of GDP.
- **Stage 2: Group and bundled**. In stage two, group-based, compulsory and bundled retail insurance emerges alongside corporate asset insurance. Thus there is a rapid growth in the number of individuals covered, but with limited types of insurance cover offered on a compulsory or embedded basis and driven by the needs of aggregators used for distribution purposes. The share of life insurance in total premiums grows, but remains below 30% in the sample countries. Overall insurance penetration is still below 3%.
- **Stage 3: Early retail**. At this stage, limited individual retail insurance – mostly micro-life type products (e.g. funeral) – begins to grow, and along with it agent-based sales. In the sample countries, insurance market penetration tends to break through the 3% barrier, but remains below 5%. Life's share in total premiums now typically ranges between 30% and 75%.
- **Stage 4: Diversified retail**. In the final stage, there is a diversified individual retail market and a developed contractual savings market, with agent-based, direct and alternative distribution sales alongside broker sales. In the sample countries, life insurance now represents 75% and upwards of total premiums and penetration is 5% of GDP and beyond.

Sources: Chamberlain et al. (Forthcoming)

Many countries find themselves locked in stage 2 as structural challenges such as low income and infrastructure constraints make it difficult for insurers to develop traditional retail models. However, this is starting to change as inclusive insurance regulation is allowing new players and products into the insurance space that have demonstrated the potential to rapidly expand coverage through innovative business models.

CIMA has already acted on this potential. In 2011, at the request of CIMA and the Federation of African National Insurance Companies (FANAF), a regional study of microinsurance was conducted which showed that a new regional framework was required to develop the insurance market. In April 2012, CIMA adopted new regulations on microinsurance activities under Book VII of the Insurance Code[6] (CIMA, 2012) (see **Box 2** for more information on the structure of CIMA). These regulations clarify the definition of microinsurance, based on the definition used by the IAIS. It introduces incentives for the development of microinsurance by simplifying policy procedures, allowing certain types of products (e.g. index insurance), and permitting the use of a range of distribution channels. It also simplifies training for agents, as well as reduces the capital requirements to formally underwrite insurance, and encourages national authorities to offer tax incentives to promote microinsurance.

Box 2: About the CIMA structure

The Inter-African Conference on Insurance Markets (CIMA) was established out of a Treaty signed in 1992 in Yaoundé (Cameroon). The Treaty was ratified by 14 African French-speaking countries (Benin, Burkina Faso, Cameroon, Central African Republic, Congo, Côte d'Ivoire, Gabon, Guinea-Bissau, Guinea Equatorial, Mali, Niger, Senegal, Chad and Togo), within two economic communities (UMEOA and CEMAC) with the same currency (CFA). CIMA's objective is to work towards the establishment of a single insurance market.

CIMA is headquartered in Libreville, Gabon and is composed of the following bodies:

- **Council of Ministers**, the governing body. It is the highest decision-making body of CIMA and is comprised of the Minister of Finance of all the countries that ratified the CIMA treaty. They are responsible for adopting common insurance legislation for all the countries under CIMA.
- **Regional Commission for Insurance Supervision (CRCA)**, the regional supervisor. It is responsible for implementing and supervising the insurance legislation adopted by the Council of Ministers. The CRCA has the power to impose the widest sanctions when insurance companies are found in violation of the legislation.
- **National Insurance Departments**, the national body to relay the actions and decisions taken by the CRCA. They are responsible for promoting the insurance industry, collecting data for the CRCA, tracking disputes, and most importantly, for liaising with the CRCA so tat they can make appropriate decisions for the market.
- **CIMA General Secretariat**, the executive body responsible for implementing the decisions of the Council of Ministers and the CRCA.
- **Committee of Experts.** The Council of Ministers appoints a committee of experts composed of one representative per member state and two representatives of the insurance industry. The Committee of Experts first reviews any document submitted by CIMA to the Council of Ministers.

The insurance legislation is captured in the CIMA code which is made up of eight books with a total of 621 articles covering different aspects of the regulatory environment for insurance. It attempts to adapt the international standards to local constraints.

Source: De Leers (2015)

Mobile microinsurance in CIMA

[6] http://www.ifc.org/wps/wcm/connect/74d1670041d402b583598700caa2aa08/CIMA-Livre+VII+MICROASSURANCE+CIMA.pdf?MOD=AJPERES

In the Inter-African Conference on Insurance Markets (CIMA) context, as with most countries in Africa, mobile network operators (MNOs) are emerging as the key player in extending the reach of insurance.

Similar to the rest of Africa, CIMA has significantly higher mobile penetration rates than insurance or bank penetration. As highlighted in **Figure 1** above, most of the countries in the CIMA zone have insurance penetration of less than 1%, compared to mobile penetration of approximately 40%. However, it is important to note that while this is in line with the average for Sub-Saharan Africa, it varies significantly between the individual countries, from 17% in Niger to 68% in Mali (GSMA Intelligence, 2015).

The large client base and reach of the MNOs is not the only incentive for working with them. The cost of delivering a mobile insurance product is estimated to be one-fifth of a typical microinsurance product (GIZ Ghana, 2015).

The potential of this channel is already recognised for payments. The Central Bank of West African States (BCEAO) informed participants that 345 million transactions with a value of 5.1 billion FCFA (€7.8 billion) passed through mobile money accounts in just nine months in 2015. However, there is significant variation between countries with Côte d'Ivoire, Mali and Burkina Faso accounting for 85% of the volume and 90% of the total value of the transactions (BCEAO, 2016).

Under the existing microinsurance regulation, MNOs are permitted to register as intermediaries. This has supported the development of mobile insurance in three main markets in the CIMA zone: Senegal, Côte d'Ivoire and Burkina Faso, with some activity in Cameroon. Representatives of the Federation of African National Insurance Companies (FANAF) highlighted that two prevailing business models had emerged in these markets:

1. **Insurer-centred.** The insurer takes the lead while the MNO plays a passive role, where it provides mobile operator and/or mobile money infrastructure. In most cases, the MNO typically facilitates access to payment mechanisms such as airtime deduction, mobile money or cash payments, and provides limited or no additional support or marketing to drive transactional revenue.

2. **MNO-centred.** The MNO takes the lead and drives the initiative. In the loyalty-based mobile insurance model, the MNO typically pays premiums on behalf of its customers. The insurer, in turn, is allowed to use MNO data to target and enrol clients. In this model, the MNO provides its considerable brand strength in stimulating take up of insurance in order to drive direct revenue and/or adjacent benefits such as increasing average revenue per user (ARPU), reducing churn and enhancing their brand.

As of 2015, there were approximately 380,000 adults covered by these models contributing FCFA 1 billion (€1,524,490) in premiums. The majority of coverage (80%) was through the MNO-centred model. While MNO-centred models have shown strong growth in the number of customers, they generally also create a strong dependence for the insurer on the MNO and Technical Service Providers (TSPs[7]), which creates new risks. Globally, 64% of mobile insurance services had been launched by MNOs in partnership with a TSP (GSMA, 2014). Currently, there are two TSPs present in the CIMA zone.

While it was felt that insurer-centred models were lower risk than MNO-centred models, a trade-off with low growth in the number of customers was observed. From the experience of participants, MNOs were typically less incentivised to promote the insurance offering in insurer-led models as the product was less likely to grow or complement their existing core business (i.e. airtime). More detail on the trade-offs between insurer-centred and MNO-centred models can be found in a recent **report**[8] by Leach and Ncube (2015) on the digitalisation of microinsurance.

Upon examination of the mobile microinsurance schemes already established in the CIMA zone, it was revealed that the potential consumer protection and financial stability risks needed more detailed analysis. The products were presented as classic insurance products rather than microinsurance products. Following on-site visits, at least one product was suspended by the supervisor, while others were held up in the application process. This caution is not without justification. A number of countries have experienced success in rapidly scaling up insurance coverage through mobile phones, but these models present new risks, which supervisors need to mitigate.

For example, in Ghana, considered a pioneer in microinsurance market development, 2.7 million policyholders access insurance through the mobile phone. This constitutes 60% of all microinsurance policyholders in the country. However, concerns over client awareness, low claims ratios and the challenge of converting loyalty-based insurance customers to paid customers have emerged. **Box 3** provides a summary of how the National Insurance Commission (NIC) in Ghana is dealing with these emerging risks.

[7] TSPs serve as an intermediary linking the client, MNO and the insurer by providing the necessary technology, platforms, expertise and advice (Leach & Ncube, 2015).

[8] http://bankablefrontier.com/wp-content/uploads/documents/27032015_BFA-Gates-paper-formatted_2015-03-16-GC-edits.pdf

Box 3: Regulating mobile microinsurance in Ghana

Ghana is recognised as one of the pioneers in using the mobile phone to advance microinsurance. Currently there are three insurers offering six products to 2.7 million policy holders through the mobile phone. This makes up 60% of all microinsurance policies in Ghana. The three insurers use different business models in their schemes, but all involve a technical service provider, an insurer and a mobile network operator. Two of these models are MNO-centred, whereas one is insurer-centred. The MNO-centred models makes up 99% of all policies.

In 2015, at the request of the National Insurance Commission (NIC), which is the regulatory and supervisory authority of Ghana, the Gesellschaft für Internationale Zusammenarbeit (GIZ) conducted a review of the mobile microinsurance industry to assess the risks emerging from these models, specifically the ones led by MNOs. The assessment identified seven risks emerging from these models and assessed their severity in the market on a scale of 1-5, with 1 being very low risk and 5 very high risk. The risks identified included:

- **Client value risk** (e.g. subscribers may not be aware of the products – hence low claims frequency and low claim ratios);
- **Prudential insurer's risk** (e.g. premiums the insurer receives from the MNO are actuarially not justifiable);
- **Distribution channel risk** (e.g. the actual business case is not as strong as expected)
- **Marketing risks** (e.g. the product is not explained properly);
- **Legal risks** (e.g. data protection);
- **Systems risk** (e.g. technological breakdown); and
- **Third-party default risk** (e.g. high dependence of the insurance company on the partners).

The review found that for most of the products, distribution risk, third-party default risk and marketing risk all scored very high (4 or more). Out of the six products on the market, three products scored a high overall risk. Underlying these scores is the challenge with converting a large number of loyalty customers (i.e. adults that do not pay for their existing coverage) to paid customers. In particular, it highlights the concern around using airtime as a payment instrument for paid insurance products, which is prohibited by the Bank of Ghana (BoG). In addition, it highlights the tension of working with MNOs, who are often master policyholders of group schemes, but do not have an insurable interest (i.e. they are not exposed to a financial loss).

The review made recommendations to the NIC for how to mitigate these risks going forward. This included:

- Joint approval of the product by the NIC, BoG and National Communication Authority (NCA) before launch.
- After launch, semi-annual product performance review through data collection.
- Multi-regulatory approach between the different supervisory bodies (NIC, NCA, BoG) implemented through an MoU.
- New market conduct rules for mobile insurance (currently under development).

Source: GIZ Ghana 2015

FANAF concluded by recommending to the CIMA Secretariat that the regulatory framework should go beyond microinsurance to allow for all existing mobile insurance models. This includes both MNO-centred and insurer-centred models. They requested the establishment of a process for thinking responsibly about implementing such legislation and involving all stakeholders. The specific areas that they would like to see the regulation address are: paperless contracts, provisions governing the unilateral withdrawal of MNOs or TSPs, and the premium split to ensure the profitability of the models for all stakeholders.

Regulating mobile microinsurance

Regulating non-insurance entities involved in the insurance value chain is a major challenge for supervisors. Non-insurance entities are primarily regulated by other supervisors (e.g. Mobile Network Operators (MNOs) are regulated by telecommunication supervisors) and often fall into regulatory gaps when involved in the business of insurance. These non-insurance entities have large client bases that insurers can tap into. This means that both the likelihood and impact of risk is increased as a result of the involvement of non-insurance entities whose insurance activities often fall outside of existing regulatory frameworks as well as the increased number of people affected by these risks.

For example, a mobile microinsurance scheme in Zimbabwe – EcoLife – reached 20% of the adult population (1.6 million people) in less than six months after launch in August 2010. But after a dispute between the MNO and the Technical Service Provider (TSP), the scheme was discontinued and those adults lost coverage overnight. While further large-scale failures have not emerged in the mobile microinsurance space, this case study highlights the potential risks these models pose (Leach & Ncube, 2014).

The simple solution would be to disallow these business models altogether. However, the risk of giving these non-insurance entities a larger role in insurance markets needs to be balanced against the opportunity-cost of limiting it to existing incumbents, and thus potentially slowing down insurance market development. The challenge is finding the right balance between allowing for some experimentation and diversity of models, while protecting consumers and mitigating the fallout if schemes are discontinued. All participants in the workshop agreed that this could be facilitated through a test-and-learn approach.

A test-and-learn approach allows providers to launch and scale up insurance services based on guidance provided by the supervisor under carefully controlled conditions. The supervisor maintains close oversight of the service to ensure the industry is sound and safe for customers, and to develop a better understanding of the business, risks and potential regulatory responses emerging from it (Di Castri & Gidvani, 2014).

The IAIS Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets (2012) suggests test-and-learn as a method where controlled testing of regulatory modifications occurs by conducting pilots. It proposes that pilot schemes should be licensed, at least at the level of registration, and be subject to conditions that protect the interests of policyholders during and, if relevant, beyond the pilot. This was addressed in the context of mobile insurance in a GIZ discussion paper[9] on Responsible Mobile Insurance.

While these risks have most recently been attributed to the involvement of MNOs in insurance, aggregators are involved in microinsurance in a number of different forms. For example, in Brazil and South Africa retailers are used by insurance companies to distribute insurance to low-income adults. The products are often bundled with the existing goods and services, such as appliances, and entice clients by reducing the cost of the underlying good. Retailers have been critical to expanding access to insurance in both these countries, but they also create challenges for supervisors as they are large, powerful channels that fall outside of the insurance supervisor's jurisdiction. Box 4 below presents a summary of how the insurance supervisory authority in Brazil dealt with these risks.

Box 4: Supervising aggregators in Brazil

Brazil's inclusive insurance market is characterised by a number of client aggregators. Client aggregators are entities, for example retailers, service providers, membership based organisations or civil society organisations, that bring together people for non-insurance purposes and that are then utilised by insurers, with or without the intervention of agents or brokers, to distribute insurance. This is a cost-effective way to service and reach large numbers of low-income clients. However, these aggregators also bring with them new risks. This includes the risk of reduced client value and inappropriate products being sold to clients.

Aware of these emerging risks, the Brazilian insurance supervisor, SUSEP, on behalf of the National Insurance Council (CNSP), has over the past three years issued a set of rules to regulate new distribution channels in Brazil as part of its broader microinsurance/inclusive insurance regulatory framework. Amongst others, the new rules provide for three new players in the insurance value chain: insurers' representatives, microinsurance correspondents and microinsurance brokers. In addition, banking correspondents are also allowed to sell microinsurance.

In October 2013, SUSEP introduced CNSP Resolution #297 which built on this new regulatory framework and mandated that insurers are responsible for the actions of their representatives. To ensure no one slipped through the cracks, in December 2013, SUSEP issued Circular 480 which required that all retailers offering insurance on behalf of an insurance company had to sign a contract as an insurance representative.

Source: Adapted from IAIS Issues Paper on the Conduct of Business (2015)

Planned mobile insurance regulation in CIMA

[9] https://a2ii.org/en/report/thematical/discussion-paper-responsible-mobile-insurance

Insurance supervisors have a number of instruments available to them when establishing new requirements in their jurisdictions. Determining the most suitable instrument is based on their policy objective, market context and market risks. When regulating mobile microinsurance, this process is often more complex as it involves a range of regulatory and supervisory authorities, including central banking authorities and telecommunication and data protection authorities. It is therefore important that any new requirements take into account their existing mandates and regulation.

In the Inter-African Conference on Insurance Markets (CIMA) zone, the Secretariat is currently considering three implementation options for introducing new requirements on mobile:

1. **New book in the Insurance Code.** The advantage is that this will then be an integral part of the Insurance Code with greater legal authority. The trade-off is that it lacks flexibility in the event of major changes.

2. **Specific regulation in Appendix to the Insurance Code.** This would provide more flexibility than the first approach, but has less legal authority than the Insurance Code.

3. **CRCA Circular.** The advantage here is the speed at which a circular can be issued and modified (if needed). The trade-off is that it is limited and restrictive, and legal authority is a problem. It is more applicable for building on existing provisions in the Insurance Code.

In line with the recommendations from the Federation of African National Insurance Companies (FANAF), the CIMA Secretariat is planning to go broader than mobile microinsurance and develop a regulation for e-insurance. E-insurance is consistent with the reference text of other regulators on e-money. E-insurance generally includes mobile insurance as well as the sale and management of insurance contracts by other electronic means such as the internet.

The CIMA Secretariat has identified the following aspects which the regulatory framework needs to address (CIMA General Secretariat , 2016):

- **General provisions:** This includes the definition, scope, purpose, partnership agreements, compliance with country-level risk obligations, and technical requirements.

- **Conditions for granting approval or authorisation to exercise e-insurance activities:** This includes the obligation to obtain prior approval, the application process, and the application and notification period.

- **Specific modalities and conditions applicable to the activity of issuing insurance contracts in digital form:** This includes the scope of activities, type of insurance activities allowed in digital format, recourse options when dealing with intermediaries and technical partners, and the insurance companies' responsibilities vis-à-vis intermediaries and technical partners.

- **Specific modalities and conditions applicable to insurance companies authorised to exercise the activities of issuing and managing insurance contracts in digital formats:** This includes the scope of activities insurance companies are permitted to conduct, the governance of insurance companies offering e-insurance, the risk management and internal audit systems required, and compliance with AML/CFT regulation.

- **Provisions for protecting policyholders and beneficiaries of digital contracts:** This includes considerations for client identification, protection of personal data, issuing insurance contracts in digital formats, guarantees granted to policyholders and beneficiaries of insurance contracts, caps on premiums and sum assured, monitoring requirements for e-insurance contracts, and conditions and modalities for premium collection.

- **Supervision, oversight and sanctions:** This includes what information needs to be reported to supervisory authorities, who is responsible for overseeing and supervising insurance companies offering e-insurance, conditions for withdrawal of approval or authorisation, administrative measures, and sanctions.

- **Transitional and final provisions:** This includes what will happen when the regulation is adopted and what will happen when it is enforced.

E-insurance is an important lever to develop insurance markets and is more inclusive than mobile insurance, but also comes with key considerations for the supervisor. Specifically, there is a need for broader cooperation among supervisory authorities, and consideration in the framework of the Financial Stability Committee. The Financial Stability Committee includes all financial sector supervisors: Central Bank Governors, Secretary Generals of the Regional Supervisory Authorities, Financial Market Supervisors and the Pensions Oversight Board. To ensure effective coordination amongst supervisory authorities, it is important to review the existing legal texts that they are beholden to. Further, the CIMA Secretariat will assess how to best engage with telecommunications and data protection regulators. Unlike in the insurance and banking sectors, there is no regional telecommunications regulator and each country has its own set of regulations.

Discussion on planned mobile insurance regulation in CIMA

Participants highlighted the significant opportunities that mobile insurance provides in terms of increasing financial access and supporting socio-economic development.

However, it was recognised that a number of issues arising from mobile insurance needed to be addressed to ensure that the regulation facilitates development, while still protecting policyholders and balancing stability.

The Federation of African National Insurance Companies (FANAF) raised the issue of **premium collection**. The mobile phone provides two types of premium collection options for insurance: **mobile money** and **airtime**. GMSA (2015b) found that more than two-thirds (68%) of premiums collected through mobile network operators use airtime. However, stakeholders at the workshop disagreed on whether airtime should be allowed as a mechanism to collect premiums.

FANAF cautioned that limiting premium collection via the mobile phone to only mobile money may be too restrictive for a region that has yet to see high levels of active mobile money usage. For example, the Central Bank of West African States (BEAC) who oversees the Inter-African Conference on Insurance Markets (CIMA) countries in that region, revealed that while mobile money is increasing, less than 20% of registered mobile money users are active, and less than 1% use it more than once a week (BEAC, 2016). FANAF therefore suggested that the regulatory framework be open to allowing airtime as a premium collection mechanism. Collecting premiums via airtime is a popular mechanism for MNOs and insurers as it casts the widest net for consumers.

However, concerns were also expressed over allowing airtime as a payment instrument for insurance. The Central Bank of West African States (BCEAO) and the BEAC do not recognise airtime as a legal instrument for payments. There are two main reasons for this: the first is that it is not universal i.e. it cannot be accepted by government, businesses and other individuals as a means of payment. The second is that it does not have a standard value. The value of airtime varies from one operator to another, adding further complexity to supervising the pricing of schemes. Telecommunication regulators suggested that if airtime is allowed as a premium collection mechanism, they could play a role in assisting insurance supervisors as they understand the pricing.

In Ghana, the Bank of Ghana has issued e-money guidelines that payments for paid microinsurance products can only be done through mobile money. However, 'freemium' products, where the consumer converts from a free offering to a paid product, can be paid for with airtime.

FANAF also raised the issue of **electronic signatures** or the **dematerialisation**[10] of contracts. Electronic contracts are much cheaper for insurers to employ, however additional risks arise with regards to awareness and claims. More and more countries are allowing electronic contracting, recognising its potential to bring down costs for providers. For example, Ghana and South Africa explicitly allow for electronic contracting, while it is implicit in Brazil and Tanzania. In Brazil, they allow for 'remote means' of contracting, which does not require a hard copy signature or policy document. In Mozambique, they still require insurance contracts to be in writing and the policy document to be physically delivered. Industry consultation has revealed that this is costly and in practice might not be viable.

[10] The dematerialisation of contract is the process of recording physical contracts in electronic form.

The telecommunications regulators raised the issue of **prospection**[11]. The mobile phone provides an easy and low-cost channel to communicate with prospective and existing clients for marketing, contracting, claims and recourse. However, there are risks to allowing insurers to use this channel. For example, insurers could directly target their clients with marketing material which may be explicitly prohibited in many countries. The question of who is ultimately responsible for regulating this communication is critical to ensuring that this channel is not abused when engaging with consumers. The general agreement is that insurers are restricted to only sending marketing material to consumers who have given permission for them to do so.

The CIMA Secretariat, FANAF and the telecommunication regulators all raised the issue of **protecting consumer data**. In most jurisdictions, including CIMA, there is no regulatory authority that is responsible for consumer data protection. Instead, different regulatory bodies have consumer data protection as part of their mandate. For example, the telecommunication regulators present at the workshop viewed it as their responsibility to supervise the data collected over mobile phone network and protect consumers from any possible abuse as a result of its usage. However, the CIMA Secretariat also viewed any data collected for a mobile insurance product as related to insurance and therefore within their mandate. The CIMA Secretariat and FANAF raised the concern that should an agreement with an MNO or TSP is terminated, they need to have recorded information on their policyholders to inform them of their next steps.

Further, the CIMA Secretariat raised concerns that this data is often shared with a **TSP** who is **not overseen by any of the existing supervisors** involved in regulating mobile insurance. The telecommunications regulator suggested that this is mitigated by supervising the contracts between TSPs and MNOs. Clarifying who is responsible for protecting what data is critical, as more and more data is being collected by third parties or intermediaries and then used by insurers or other actors for insurance-related business.

All stakeholders agreed that there is a need to develop **coordination agreements between supervisory authorities**. FANAF called for the formation of a working group involving all stakeholders to help support the development of regulation. The participants at the workshop developed the following framework in **Table 1** as a starting point to clarify the responsibilities of the different supervisory authorities from the international level, down to responsibilities at the national level.

It highlights two major gaps that will need to be addressed. The first is the **absence of a regional telecommunications regulator**. The only telecommunications regulatory body responsible for multiple jurisdictions in Africa is the African Telecommunications Union (ATU) in Kenya. The second gap is **missing regulators for data protection** and **to oversee TSPs**. There is currently no international standard setter or regional supervisory body for consumer data. The

[11] Sales prospecting is the process of reaching out to potential customers in hopes of finding new business. Prospecting is often the first part of the sales process that comes before follow-up communication, lead qualification and sales activity.

result is that countries have different, if they have any at all, consumer data regulation. Further there is currently no regulatory authority with the mandate to supervise technical service providers who are often involved in the insurance value chain by supporting different activities, but take the lead on the managing the consumer data. To date, most TSPs have been required to register as agents under the jurisdiction of the insurance supervisor, but their roles are also evolving as they learn more about the insurance business.

	Underwriting	Payment	Telecommunications	Consumer Data
International	IAIS	Committee on Payment and Settlement Systems	ITU	
Regional	CIMA	BCEAO/BEAC	ATU	
Legislator	MoF	MoF	Post/ Telecommunication Authority	Consumer Data Protection Agency
Supervisor	National Insurance Authority	National Banking Authority	Telecommunications Authority	Consumer Data Protection Agency
Provider	Insurer Broker Agent	Mobile money provider	MNO	MNO/Insurer/TSP

Table 1: Coordination framework for main bodies involved in the regulation, supervision and provision of mobile insurance in CIMA region

Source: A2ii CIMA workshop

The CIMA General Secretariat raised the question of which **structures to work through for implementing the proposed regulatory framework**. The existing CIMA structures were highlighted in **Box 2**, but there are other structures to consider as well, such as the Financial Stability Committee. The Financial Stability Committee includes all financial sector supervisors: Central Bank Governors, Secretary Generals of the Regional Supervisory Authorities, Financial Market Supervisors and the Pensions Oversight Board.

There are trade-offs in working through the Financial Stability Committee. The Financial Stability Committee has a legal basis for coordinating different regulatory bodies. However, it was highlighted that these bodies are composed of senior people, rather than telecommunications regulators and those working in operations. Further, they do not include telecommunications regulators. It is unclear if the telecommunications regulators could be invited as an observer or if a joint working group would need to be established. It is also unclear where mobile fits into the mandate of the Financial Stability Committee, as their focus lies in stability and risk management, rather than in market development.

Going forward

The workshop closed with the different supervisory authorities affirming their commitment to work towards a cooperative regulatory framework for mobile insurance. The Inter-African Conference on Insurance Markets (CIMA) will take the lead, but will work closely with the national insurance supervisors, Federation of African National Insurance Companies (FANAF), Central Bank of West African States (BCEAO) and Bank of Central African States (BEAC) as well as national telecommunication supervisors. The emphasis was on developing a regulatory framework that would accommodate a diversity of mobile insurance business models, but still place the onus of responsibility on the underwriter. This will go beyond simply carving out new market conduct regulation on mobile insurance to broader e-insurance regulation.

The CIMA Secretariat plans to reflect on the outcomes from the workshop as they work towards a first draft of the regulation, submitted during the next Expert Committee meeting in September 2016. The CIMA Secretariat will collect feedback from various stakeholders between September and December 2016. They will then organise a broader meeting on the subject with key stakeholders in January or February 2017, before resubmitting to the Expert Committee and Council of Minister for adoption in April 2017.

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