From Country Evidence to Microinsurance Standards
A Global Overview

Microinsurance Meeting
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1 - Policy frameworks need a ‘complete’ look to make them favourable to microinsurance market development.

- Policymakers’ awareness and know-how
- Fiscal burden on premiums and intermediation
- Subsidies can impede market development
- Customer protection frameworks and financial literacy
- Coherence among different policy areas
- Regulatory and supervisory frameworks and capacity
2 – Challenges for microinsurance market development lie in a *variety of regulatory areas*.

- Insurance
- Cooperatives
- Banking and microfinance
- Payment systems
- Telecommunication
- Foreign investment
- Know-your client
- Health insurance
- Taxation
3 - The G20 Financial Inclusion Principles are valid for microinsurance.

1. **Leadership**: Commitment to financial inclusion
2. **Diversity**: Competition, market based incentives and diversity of service providers
3. **Innovation**: Technological and institutional innovation
4. **Protection**: Comprehensive approach to consumer protection
5. **Empowerment**: Financial literacy and financial capability

“Our microinsurance clients wanted to withdraw their money or borrow on their ‘deposit’ ”

*Life insurer*
3 - The G20 Financial Inclusion Principles are valid for microinsurance.

6. **Cooperation**: Accountability and coordination within government; partnerships and consultation across all stakeholders

7. **Knowledge**: Data to make evidence based policy and measure progress

8. **Proportionality**: Policy and regulatory framework proportionate with the risks and benefits involved

9. **Framework**: A regulatory framework, reflecting international standards and national circumstances
4 - Supervisors have **strategic options** when promoting microinsurance under a financial inclusion approach:

- Financial sector policy
- Financial literacy and consumer protection
- Other policy or regulatory fields
- Insurance regulatory framework

COUNTRY DIAGNOSTIC
5 – The **commitment to financial inclusion** is reflected in a combination of strategic instruments.

**The Philippines:**

**Phase 1 (2006)**
- Microinsurance regulation for Microinsurance Mutual Benefit Associations

**Phase 2 (2010...)**
- National Microinsurance Strategy
- **Regulatory Framework**
- Financial Literacy Road Map
- Performance indicators and consumer protection
6 – There are **critical areas** for adjusting the insurance regulatory framework.

- Entry requirements for providers and intermediaries
- Demarcation between life and non-life insurance
- Delivery channels
- Definition of microinsurance
- Products and contracts
- Consumer protection
## 7 - Monetary definition of microinsurance products

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<thead>
<tr>
<th></th>
<th>India: Life, non-life</th>
<th>Phil: Life, non-life</th>
<th>Peru: Life, accident, health</th>
<th>Mexico: Life, injury</th>
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<td>n.a</td>
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<tr>
<td><strong>Sum insured</strong></td>
<td>min. US$ 123</td>
<td>US$ 4,033</td>
<td>(until 9/2009 US$ 3,300) No limit anymore</td>
<td>US$ 6,840 (groups US$ 5,130 per individual for life insurance)</td>
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<td>max US$ 740</td>
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<td>US$ 9,663</td>
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<td>depending on line</td>
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8 - Adjusted **products and contract regulations** can facilitate take-up and supply.

**Mexico CNSF S-8.1 (2008)**
- Clear, precise and simple contract
- Obligatory clauses for consumer protection
- No exclusion for individual risks
- Simplified mechanisms for premium payment
- **Compulsory grace period for premiums payment**
- Simplified process for claim and payment of compensation
- Payment document for premium as evidence for contract
9 – Effective **consumer protection** requires serious adaptations.

- Regulations
- Systems
- Public – private commitment

*Philippines and Peru:* Claims payment within 10 days

*Taiwan:* Insurer must have a „microinsurance customer service unit“

*Mexico:* National Commission for the Protection and Defense of Financial Service

*Ghana:* Financial literacy and consumer protection

„*If we tell people all about the coverage, we’d be flooded with claims*”

*Rural bank*
10 – We need **clear standards** to simplify processes, and **detailed guidance and benchmarks**.

(1) Which are the parameters to set an effective monetary definition?
(2) How to make consumer protection for the low-income segment effective?
(3) Which indicators show fairness and quality services?
(4) Which are effective fraud prevention mechanisms?
(5) How can we assess the impact of regulatory interventions?
11 – Supervisors are key drivers of microinsurance market development.

A financial inclusion approach based on concerted actions and joint learning can effectively push market development.

Regulatory innovations contribute to the development of standards, guidance and benchmarks.

Implementation support of supervisors is a priority for the way forward.
Industry innovation + regulatory innovation = success!

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