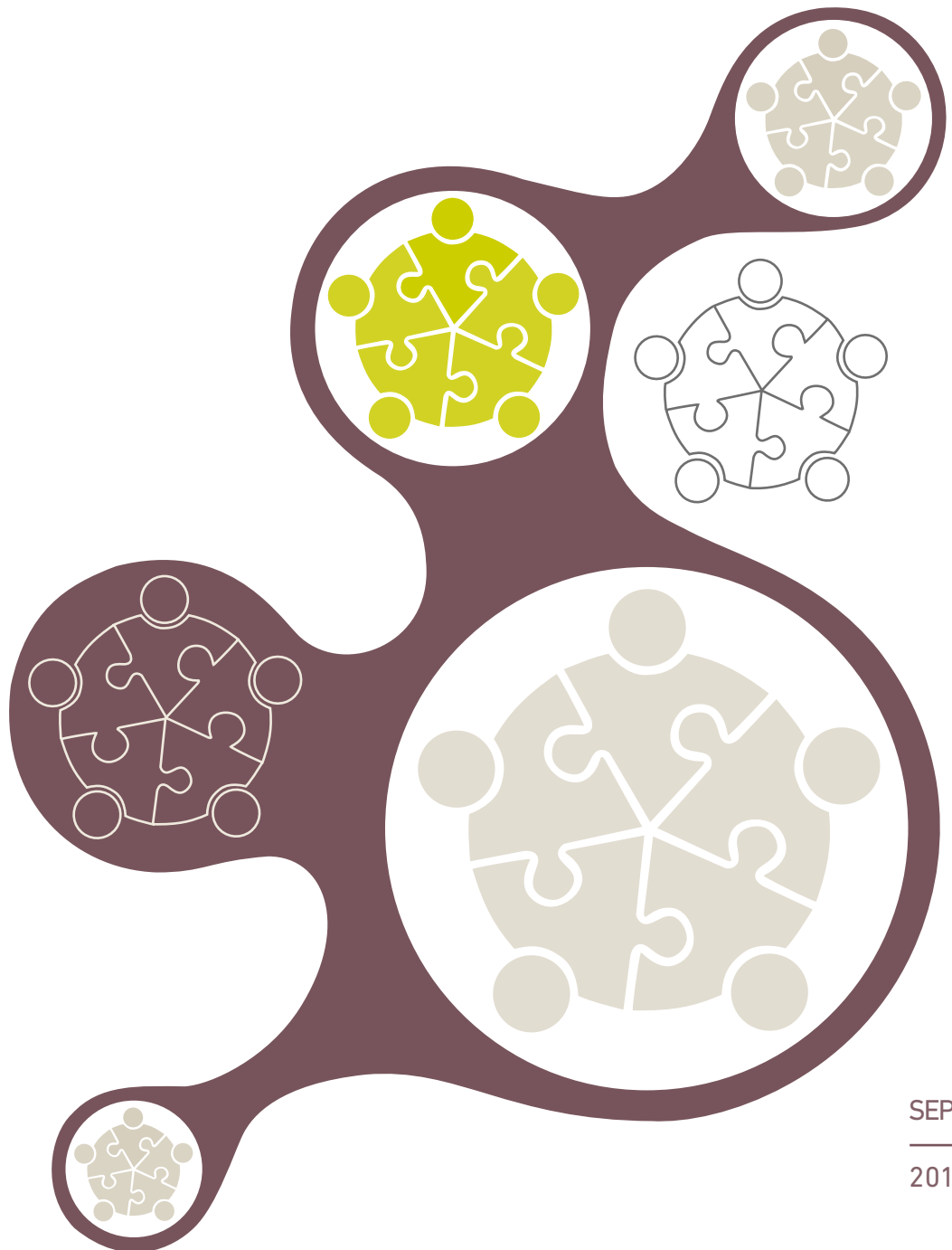


# Inclusive Insurance in National Financial Inclusion Strategies

## Survey Report



## IMPRINT

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Alliance for Financial Inclusion (AFI)  
Sasana Kijang, 2, Jalan Dato' Onn,  
50480 Kuala Lumpur, Malaysia  
t +60 3 2776 9000  
e [info@afi-global.org](mailto:info@afi-global.org)  
[www.afi-global.org](http://www.afi-global.org)  
[www.facebook.com/AFI.History](https://www.facebook.com/AFI.History)

Access to Insurance Initiative  
Hosted by GIZ Sector Project  
Financial Systems Approaches to Insurance  
Deutsche Gesellschaft für Internationale  
Zusammenarbeit (GIZ) GmbH  
Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn, Germany  
[www.a2ii.org](http://www.a2ii.org)  
Telephone: +49 61 96 79 7511  
Fax: +49 61 96 79-80 7511

Authors:

Christiane Ströh de Martínez, Martina Wiedmaier-Pfister,  
Corinna Müller and Ariane Schoen (joyn-coop GbR)  
with contributions by Mohammed Rieaz Khan  
and Anke Green (A2ii Secretariat)  
and by Robin Newnham and Mariam Jemila Zahari  
(AFI Management Unit)

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## List of Abbreviations

A2ii	Access to Insurance Initiative	GPII	Global Partnership for Financial Inclusion
AFI	Alliance for Financial Inclusion	GSPWG	Global Standards and Proportionality Working Group
BNM	Bank Negara Malaysia	IAIS	International Association of Insurance Supervisors
CEFI	Center for Excellence in Financial Inclusion	IFC	International Finance Corporation
CGAP	Consultative Group to Assist the Poor	INCOOP	National Institute for Cooperativism <i>Span. Instituto Nacional de Cooperativismo</i>
FISPLG	Financial Inclusion Strategy Peer Learning Group	MH	Ministry of Finance <i>Span. Ministerio de Hacienda</i>
FSS	Financial Sector Strategy		
FSD	Financial Sector Deepening		

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MNO	Mobile Network Operator	STP	Technical Secretariat for Economic and Social Development Planning
MSME	Micro, Small and Medium Enterprises		Span. <i>Secretaría Técnica de Planificación del Desarrollo Económico y Social</i>
NFIS	National Financial Inclusion Strategy		
NFIF	National Financial Inclusion Framework		
OIC	Office of the Insurance Commission	TIRA	Tanzanian Insurance Regulatory Authority
PFIP	Pacific Financial Inclusion Programme	UK	United Kingdom
PNG	Papua New Guinea	UN	United Nations
RAC	Regulators' Advisory Committee in PNG	UNCDF	United Nations Capital Development Fund
SME	Small and Medium Enterprises	UNDP	United Nations Development Programme

## EXECUTIVE SUMMARY

This report summarizes the status quo and lessons learnt on inclusive insurance in National Financial Inclusion Strategies (NFIS), based on a survey as well as four country case studies. For more than a decade, international guidance has been promoting the integration of insurance alongside other financial services. As such, inclusive insurance has increasingly gained importance with a growing number of policies and an increasing variety of products being offered. However, the topic of insurance has only recently become an integral part of NFIS or other financial sector strategies (FSS), therefore being considered in a comprehensive way in strategies at the national level. In order to take stock of this situation, to generate ideas for a way forward and encourage regulators and policymakers to effectively integrate insurance into their NFIS, a joint survey was conducted by the Access to Insurance Initiative (A2ii) and the Alliance for Financial Inclusion (AFI). The survey was conducted amongst Central Banks, Ministries of Finance, insurance supervisors as well as other financial regulators involved in the development of NFIS. In addition, four country case studies were conducted to collect more detailed insights.

The survey has provided comprehensive insights into the inclusion of insurance in NFIS. Among the 36 countries that responded to the survey, 26 have already adopted a financial inclusion strategy, while four are in the process of developing one. Six countries have not yet started drafting a financial inclusion strategy but are planning to do so. The topic of insurance is (going to be) included in the NFIS as a main pillar by 17 countries; other strategies include it rather superficially. Only one country has not covered insurance at all. With respect to the development and implementation process of the strategy, the findings were the following:

- 1 **Development of the strategy:** A comprehensive country diagnostic helps to identify the status quo of insurance and represents the starting point for NFIS development in most countries. The NFIS development process usually comprises a consultative process with different stakeholders, who often provide their input in a working group or similar fora. In most cases, insurance supervisors and industry were invited to provide input. External stakeholders such as the Pacific Financial Inclusion Programme (PFIP), the UN Capital Development Fund (UNCDF), the World Bank or bilateral donors can assist the funding and implementation of a diagnostic study and may well support the coordination of the participating stakeholders.
- 2 **Strategy document:** While many survey participants highlighted that insurance should be a strategic goal of its own, only some countries have included specific targets on insurance. The indicators used to quantify these targets mostly measure access and usage, while the quality dimension is not assessed. Frequent indicators are the percentage of adults/businesses with insurance coverage, the number of insurance policies, as well as the distance to access points.
- 3 **Implementation of the NFIS:** For the implementation, many countries have introduced a coordinating institution with permanent staff ("Secretariat") to bring the NFIS forward. The targets on insurance are often promoted by a thematic working group with, among others, representatives from the insurance industry, regulators, and development partners. Funding for implementation often comes from a mix of different sources with the government being the main contributor.
- 4 **Results and outcomes of NFIS on insurance:** Integrating insurance into NFIS has pushed structural changes in the markets such as the creation of an enabling policy environment as well as an increase of insurance products offered. In addition, progress was made with respect to alternative channels

such as agent banking, convenience stores, mobile devices and bundled products. However, as most strategies are still at an early stage, it is difficult to measure their impact on insurance-related financial inclusion.

**The case studies have provided additional insights into the development and implementation of the NFIS in four country-specific contexts:**

**Malaysia** took an integrated approach by subsuming the topic of financial inclusion into its current financial sector development plan for the years 2011 to 2020. Accordingly, inclusive insurance is addressed in the current strategy under the section of financial inclusion. Both strategy development and implementation are coordinated by the Central Bank of Malaysia. Cross-departmental collaboration inside the Central Bank has been key in the development of the strategy as well as in setting objectives and goals laid down in the document.

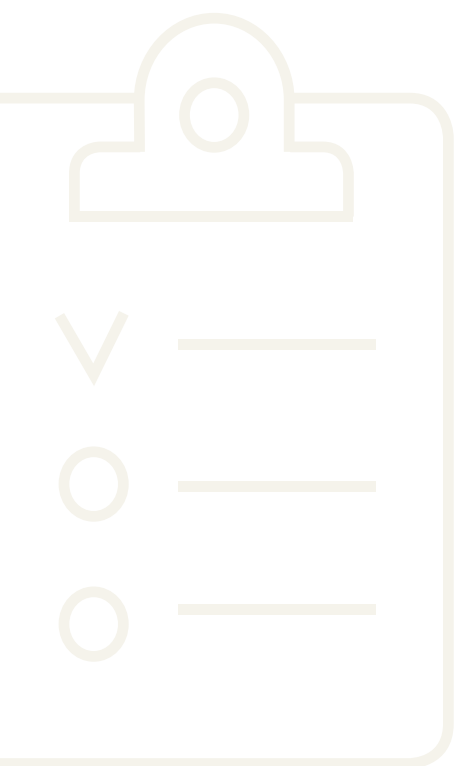
In the case of **Papua New Guinea**, a pioneering distributor offered a test case and required a stronger regulatory involvement. This in turn motivated a comprehensive integration of the topic into the second National Financial Inclusion Strategy (NFIS). Both the content of the strategy and its implementation were guided by a Working Group on insurance which had already been created in 2014 and was therefore based on longstanding cooperation between public and private stakeholders.

The case of **Paraguay** has shown that a common definition and understanding of insurance is key for the diagnostic study and the market survey and also serves as a basis for the development of the strategy. It is helpful when both public and private sector actors elaborate this definition jointly. Furthermore, it became clear that social microinsurance can also be a driver of financial inclusion. Finally, insurance is linked to many thematic areas and was included as a cross-cutting issue in different work streams in the case of the Paraguayan NFIS.

In **Tanzania**, an extensive evaluation process of the first financial inclusion framework including a demand and supply side assessment has proven to be crucial to develop the current strategy. A main insight gained during this process has been to improve stakeholders' involvement, including the engagement of the private sector. National events on financial inclusion have been successful in increasing public awareness and peer learning among financial inclusion stakeholders and the international community. Finally, it became clear that ratios and indicators beyond mere coverage can provide information about the quality of the insurance coverage and are therefore very valuable.

**The study concludes that while countries are increasingly integrating the topic of insurance, there is still room to better use the potential of NFIS to promote access to insurance.** The survey results lead to the following suggestions for future NFIS:

- Define inclusive insurance at an early stage to ensure a common understanding and to enable data collection in the diagnostic survey and afterwards.
- Include important stakeholders (especially insurance supervisors and insurance industry) from the beginning to ensure meaningful results.
- Choose indicators not only for access to and usage of insurance, but also to measure the actual value of the insurance product for the client.
- All actors need to be aware of their own responsibilities and implement them proactively. The Secretariat can coordinate and promote activities.



## 1. INTRODUCTION

The topic of insurance has only more recently become an integral part of national financial inclusion strategies (NFIS) or financial sector strategies (FSS). Well-designed insurance products provide households with the means to protect themselves against the consequences of different kinds of shocks. Thereby they make households more resilient and less vulnerable which indirectly benefits socio-economic growth.<sup>1</sup> However, in many countries the offer of insurance is not yet adapted to the needs of low-income people and small businesses. In line with this, financial services such as inclusive saving, lending or payment services receive significant attention in national strategies while “inclusive insurance”<sup>2</sup> products and related topics do not always seem to be prioritized sufficiently. To address this situation, many countries have started integrating the topic of insurance into their NFIS or FSS. A NFIS is an integral multi-stakeholder initiative to support financial policymakers, regulators, and other public and private stakeholders to increase access to quality financial services, including insurance for un- and underserved populations and regions. However, in many cases, countries have other priorities or lack the knowledge on how to include insurance. Especially in NFIS that were developed some time ago, insurance is often not integrated at all.

**International guidance has been referring to insurance for more than a decade.** Guidance like the CGAP Pink Book<sup>3</sup>, the G20 Financial Inclusion Principles<sup>4</sup>, and the World Bank Guidance for Designing National Financial Inclusion Strategies<sup>5</sup> refer to the variety of financial services that people need. The sources recommend integrating insurance into the mainstream financial

<sup>1</sup> Microinsurance Network, 2018.

<sup>2</sup> For a definition of inclusive insurance, please refer to chapter 2.

<sup>3</sup> CGAP, 2006. Good practice guidelines for funders of microfinance.

<sup>4</sup> GPF, n.d.

<sup>5</sup> World Bank, 2016.



system as well as measuring its performance.<sup>6</sup> However, information on the extent to which insurance has been integrated into NFIS or other national strategies is not readily available.

**A2ii and AFI aim to encourage regulators and policymakers to effectively integrate insurance into their national strategies.** The Access to Insurance Initiative (A2ii) is a global partnership with the mission to inspire and support supervisors to promote inclusive and responsible insurance. The Alliance for Financial Inclusion (AFI) is a peer learning network for financial regulators and policymakers from developing and emerging countries. The two institutions aim to document approaches of countries that have included insurance in their respective NFIS in order to share lessons with AFI members and insurance supervisors which the A2ii works with, and to thereby promote effective ways of including insurance in future national strategies.

**To this end, a joint A2ii-AFI survey was conducted that analyzed the status quo and lessons learnt from integrating insurance into NFIS.** This report is based on a survey<sup>7</sup> that was conducted among both AFI members and insurance supervisors which the A2ii works with and complemented by insights from desk research and interviews.<sup>8</sup> It comprises a synthesis part and four rapid country case studies, which present more details about how certain jurisdictions have dealt with the topic of insurance in their NFIS or similar strategy.

**The methodology consists of a combined approach of methods (mixed methods) and follows the principle of triangulation.** The methods comprise the collection of both quantitative and qualitative data by means of a survey, review of literature and additional telephone interviews to generate insights about case study countries. A literature review and expert interviews supported the selection of case study countries based on agreed criteria, while the telephone

interviews with case study country representatives helped to understand the process of development of the NFIS and the lessons learnt. Finally, the survey was developed based on the insights gained during the literature review as well as interviews with experts and case study countries' representatives. Triangulation was applied to methods and data types, stakeholder perspectives, and data sources.

**The report summarizes the results of the survey and presents findings regarding the inclusion of insurance in NFIS/FSS, drawing especially on the four country case studies.** Chapter 2 provides a background on NFIS and international references on their development, outlines the importance of insurance for financial inclusion and provides an overview of the current status of inclusive insurance. Chapter 3 summarizes the results of the survey combined with insights from expert interviews. Chapter 4 presents the four case studies on Malaysia, Papua New Guinea, Paraguay and Tanzania. Chapter 5 finally gives a short summary of the report and presents a way forward on the topic.

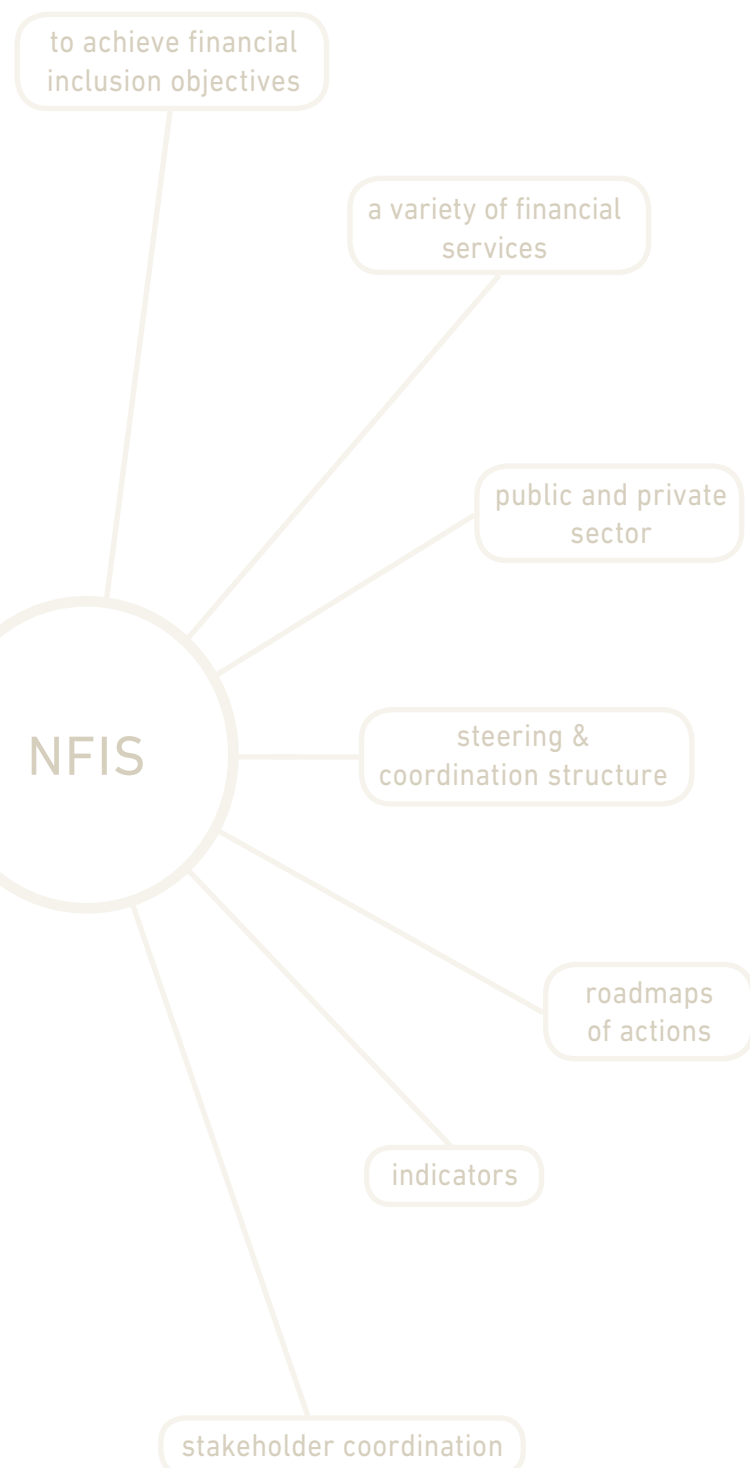
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<sup>6</sup> CGAP, 2006.

<sup>7</sup> Please find the survey questions in Annex 1.

<sup>8</sup> Please find the list of all institutions that contributed in Annex 2.



## 2. BACKGROUND: NATIONAL FINANCIAL INCLUSION STRATEGIES AND INCLUSIVE INSURANCE

### 2.1. National Financial Inclusion Strategies (NFIS)

The idea of NFIS goes back to Microfinance Strategies. More than a decade ago, a number of countries had already recognized the benefits of a national strategy and developed “National Microfinance Strategies”. A CGAP mapping in 2006 identified at least 12 countries with such strategies<sup>9</sup>, which can be considered as predecessors of what are today the NFIS. With the G20 and its Global Partnership for Financial Inclusion (GPI) endorsing their “Principles for Innovative Financial Inclusion” in 2010, topics such as leadership and commitment to financial inclusion (principle 1), diversity of financial services (principle 2) and cooperation (principle 6) came to the center of attention, also leading to a stronger focus on national strategies as key instruments. In November 2011, as implementing partner of the GPI, AFI committed itself to promoting these principles. A2ii, with its mission to “inspire and support insurance supervisors to promote inclusive and responsible insurance, thereby reducing vulnerability”<sup>10</sup> has also been committed to the development of a more enabling environment for inclusive insurance.

**NFIS can be defined as roadmaps of actions, agreed and defined at the national level, which stakeholders follow in order to achieve financial inclusion objectives.** They provide an opportunity to introduce an evidence-based, prioritized, better resourced, and more comprehensive approach to expanding access and usage of financial services. Successful strategies coordinate efforts with main stakeholders, define clear responsibilities and plan

<sup>9</sup> CGAP, 2008.

<sup>10</sup> A2ii, 2013: 1.

resources. Engagement with the private sector, including through structured consultation, can help in ensuring the success of the strategy and the relevance of the goals set.<sup>11</sup> Notably, NFIS should comprise a variety of financial services.

In 2011, AFI members endorsed the **Maya Declaration on Financial Inclusion as the first global and measurable set of commitments to financial inclusion by developing and emerging country policy makers**.<sup>12</sup> It was adopted during the Third Global Policy Forum held by AFI in Mexico. All AFI members (107 member institutions from 92 countries) endorse the Declaration as part of their membership of AFI. In line with the Declaration, more than 50 members have additionally set quantified financial inclusion targets, with progress updates reported into the AFI Data Portal ([www.afi-dataportal.org](http://www.afi-dataportal.org)). In line with the G20 Principles for Innovative Financial Inclusion<sup>13</sup>, the commitments of the Declaration are to:

- Create an enabling environment to harness new technology, which increases access and reduces costs of financial services.
- Implement a proportional framework that advances synergies in financial inclusion, integrity, and stability.
- Integrate consumer protection and empowerment as key pillars of financial inclusion.
- Utilize data for informed policymaking and tracking results.

**The Maya Declaration has contributed significantly to a heightened interest in NFIS by raising awareness amongst policymakers that NFIS are crucial for financial inclusion.** A poll taken at the 2012 AFI Global Policy Forum, showed that 97% of respondents thought a NFIS was essential to accelerate financial inclusion. Policymakers' confidence in national strategies as a policy tool is demonstrated even more clearly by the growing number of countries that have already formulated one or are in the process of doing so. At the most recent count, 43 AFI members, or approximately 48% of the AFI network (as of March 2018), have an NFIS, and another 22 countries, or approximately 26% of member countries, are at various stages of developing one. The countries with a national strategy or that are in the process of formulating one thus account for 74% of the AFI member institution countries.<sup>14</sup>

# 97

## percent

of respondents thought a NFIS was essential to accelerate financial inclusion.

<sup>11</sup> World Bank, 2015.

<sup>12</sup> Alliance for Financial Inclusion, 2012.

<sup>13</sup> G20 Financial Inclusion Experts Group, 2010.

<sup>14</sup> According to forthcoming AFI publication on the current state of practice on NFIS.

## 2.2 Existing references for NFIS development

The AFI Financial Inclusion Strategy Peer Learning Group (FISPLG) has laid down a definition of NFIS while the World Bank specifies its elements. According to the AFI FISPLG, a NFIS is “a comprehensive public document that presents a strategy developed at the national level to systematically accelerate the level of financial inclusion”.<sup>15</sup> The World Bank proposes that a NFIS consists of the following elements: Stock-Taking: Data and Diagnostics, Targets and Objectives, Strategy-Building or Revision, Public-Sector Actions, Private-Sector Actions and Progress-Monitoring.<sup>16</sup>

International guidance on NFIS can be used as a reference framework for including the topic of insurance in NFIS development. Several international agencies have made good practice documents available which include insurance alongside other financial services (credit, savings, payments). The following table highlights the main themes from these documents. While the World Bank and AFI outline a general perspective on NFIS development, the guidelines on inclusive insurance data collection by A2ii provide useful complementary insights.

Table 1: References for good practice of NFIS development

Reference	Highlights of good practice themes
World Bank Template on NFIS <sup>17</sup>	Examples for definitions of financial inclusion
	Resources for financial inclusion-related data
	Examples for strategy pillars
	Suggestions on the development of coordination and implementation mechanisms
	Template for a Monitoring and Evaluation Framework
AFI Guidance <sup>18</sup>	Guidance on how to set targets, including a SMART test tool
	Approaches and sample process to set targets
	Formulas for important financial inclusion indicators and examples for indicators in the categories access, usage, and quality
	Good practice examples from various countries
A2ii Guidance <sup>19</sup>	Benefits and limitations of the insurance penetration rate, alternative indicators
	Benefits and challenges of data collection from the regulatory perspective
	Indicators to measure market development and client value

Sources: Alliance for Financial Inclusion, 2016; A2ii, 2017; World Bank, 2016.

<sup>15</sup> Alliance for Financial Inclusion, 2016: 3. National Financial Inclusion Strategies. A toolkit.

<sup>16</sup> World Bank, 2012: 7. Financial Inclusion Strategies Reference Framework.

<sup>17</sup> World Bank, 2016.

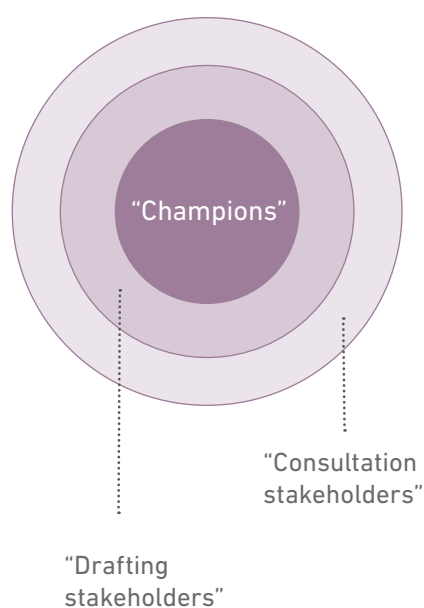
<sup>18</sup> Alliance for Financial Inclusion, 2016.

<sup>19</sup> A2ii, 2017.

**For the development of the strategy, timely and well-structured stakeholder input is essential.** A good practice model on strategy development suggests three concentric circles. As shown in Figure 1, this involves the following actors on three levels:

- 1 “Champions”** are the leading institutions in the strategy development process. Most often, these are Central Banks, but sometimes also the Ministry of Finance or other financial regulatory institutions. Practice has shown that it is crucial to have a champion that is driving the development. Furthermore, the involvement of technical rather than political staff in the process has proven to be useful.
- 2 “Drafting stakeholders”** are institutions with a significant impact on strategy development. For instance, they may include a “drafting committee” which meets periodically.
- 3 “Consultation stakeholders”** are only included at certain points in time during the strategy development process.

Figure 1: Good practice model on strategy development



Source: authors, based on interview with World Bank expert.

The growing trend to include insurance in the formulation of NFIS highlights the importance of including insurance supervisors in the strategy development process from an early stage.

## — NFIS —

is “a comprehensive public document that presents a strategy developed at the national level to accelerate the level of financial inclusion”.

### 2.3 Inclusive insurance and its relevance in NFIS

The topic of insurance has gained importance in NFIS in recent years. This reflects the growth of inclusive insurance around the world and the increased recognition that insurance is an integral part of a comprehensive range of financial products for the underserved. The recent NFIS template created by the World Bank (January 2016) makes clear that insurance should be an integral part of NFIS. The Global Findex database on financial inclusion also follows this development and includes two indicators on insurance (% of adults who personally purchased private health insurance and % of adults who work in farming, forestry, or fishing and personally paid for crop, rainfall, or livestock insurance).

The integration of inclusive insurance in the NFIS is crucial for a number of reasons. Inclusive insurance builds resilience and sustainable growth of households and MSMEs, supports national policy objectives, mobilizes investments and promotes financial sector development:

- **Building resilience and sustainable growth.** Inclusive insurance can improve welfare over time, as it builds financial resilience to cushion individuals, households, businesses and communities from the financial impacts of shocks. As a result, these actors are protected from falling (back) into poverty.<sup>20</sup>
- **Supporting other public policy objectives.** Insurance provides a safety net for households and small businesses. Moreover, it encourages ex-ante risk management, risk mitigation and prevention. It can thereby support public policy objectives such as food security, development of health and education systems or climate change adaptation.<sup>21</sup>

- **Mobilizing investments & local economic development.** By minimizing risk, insurance funnels savings into productive investments in agriculture or micro, small and medium-sized enterprises (MSMEs).
- **Contributing to financial stability.** Looking at the insurance sector with an inclusion perspective helps to identify informal insurance schemes. These informal schemes represent a risk for financial stability. The reputational risk of collapsing informal insurance schemes not only endangers insurance companies, but can also adversely impact trust in other financial institutions.
- **Developing the financial sector.** Insurance can enable other financial services such as loans (e.g. bundled products like credit life or saving accounts with life insurance). At the same time, it can also push the digitalization of the financial market place.

### 2.4 The current state of inclusive insurance

For many supervisors, the development of inclusive insurance markets started with microinsurance, i.e. insurance for low-income populations, which itself is still a relatively new field. The term 'microinsurance' was only coined around 20 years ago. In recent years, however, the focus has increasingly expanded beyond microinsurance, to looking at inclusive insurance as a whole. Supervisors have begun to explore different regulatory or policy approaches to increase the availability of insurance to other excluded and underserved groups in their jurisdictions (see box 1).

<sup>20</sup> GIZ, IFC & Women's World Banking, 2017.

<sup>21</sup> IAIS, 2015a; GIZ, 2017.

## 01

## Defining microinsurance and inclusive insurance

**Microinsurance is insurance “for low-income people”, while the concept of inclusive insurance offers a broader perspective.** Microinsurance comprises a set of specifically designed insurance products aimed at the low-income segment. The term “microinsurance providers” refers to insurers and distribution channels that specialize in this business line. Inclusive insurance has a much wider meaning, reflecting a more general strategic approach to serving the un- and underserved market. The term “inclusive insurance” will be used for this report.

- **The Microinsurance Network states** that *“the term ‘microinsurance’ typically refers to insurance services offered primarily to clients with low income and limited access to mainstream insurance services and other means of effectively coping with risk”*.<sup>22</sup>
- **The International Association of Insurance Supervisors (IAIS) has defined microinsurance** as *“insurance that is accessed by low-income populations, provided by a variety of different entities, but run in accordance with generally accepted insurance practices (which should include the Insurance Core Principles) [...] this means that the risk insured under a microinsurance policy is managed based on insurance principles and funded by premiums. Premiums can be privately or publicly funded, or a combination of both. The microinsurance activity itself should therefore fall within the purview of the relevant domestic insurance supervisor”*.<sup>23</sup>
- **The “IAIS Issues Paper Conduct of Business in Inclusive Insurance (2015)” states that** *“inclusive insurance is used [...] in the broad sense of the word, denoting all insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market. In developing countries, the majority of the population is often classified as underserved or excluded. Thus inclusive insurance is a mainstream topic of relevance to the development of the retail insurance market as a whole”*.<sup>24</sup>

<sup>22</sup> Microinsurance Network, 2015a.

<sup>23</sup> IAIS, 2007: 10. Issues in Regulation and Supervision of Microinsurance.

<sup>24</sup> IAIS, 2015: 7.

**Inclusive insurance markets have grown significantly in all regions over the last decade.** Precisely tracking this growth is challenging as data on inclusive insurance is limited. In the most recent years for which data is available, the number of lives or properties covered by microinsurance amounted to 284 million (2013-

2017 data, depending on region, see Table 2). The percentage of the population covered by microinsurance has also seen a steady growth in all regions. Nevertheless, it remains at low levels, with only 8.1% of the population in Latin America and the Caribbean, 5.4 percent in Africa and 4.3% in Asia covered respectively.

Table 2: Microinsurance by region

	Latin America and the Caribbean			Africa		Asia
	2011	2014 <sup>1</sup>	2017 <sup>1</sup>	2012 <sup>1</sup>	2015 <sup>1</sup>	2013 <sup>1</sup>
No of lives or properties covered (million)	45.5	48.6	52	44.4	61.8	170.4
Growth over denoted period	-	7	-	-	39	-
Covered population (%)	7.6	7.9	8.1	4.4	5.4	4.3

(1) Based on preceding year's data

Sources: A2F Consulting, 2018, Microinsurance Network, 2015b, McCord, Ingram & Tatin-Jaleran, 2013, McCord et al., 2013.

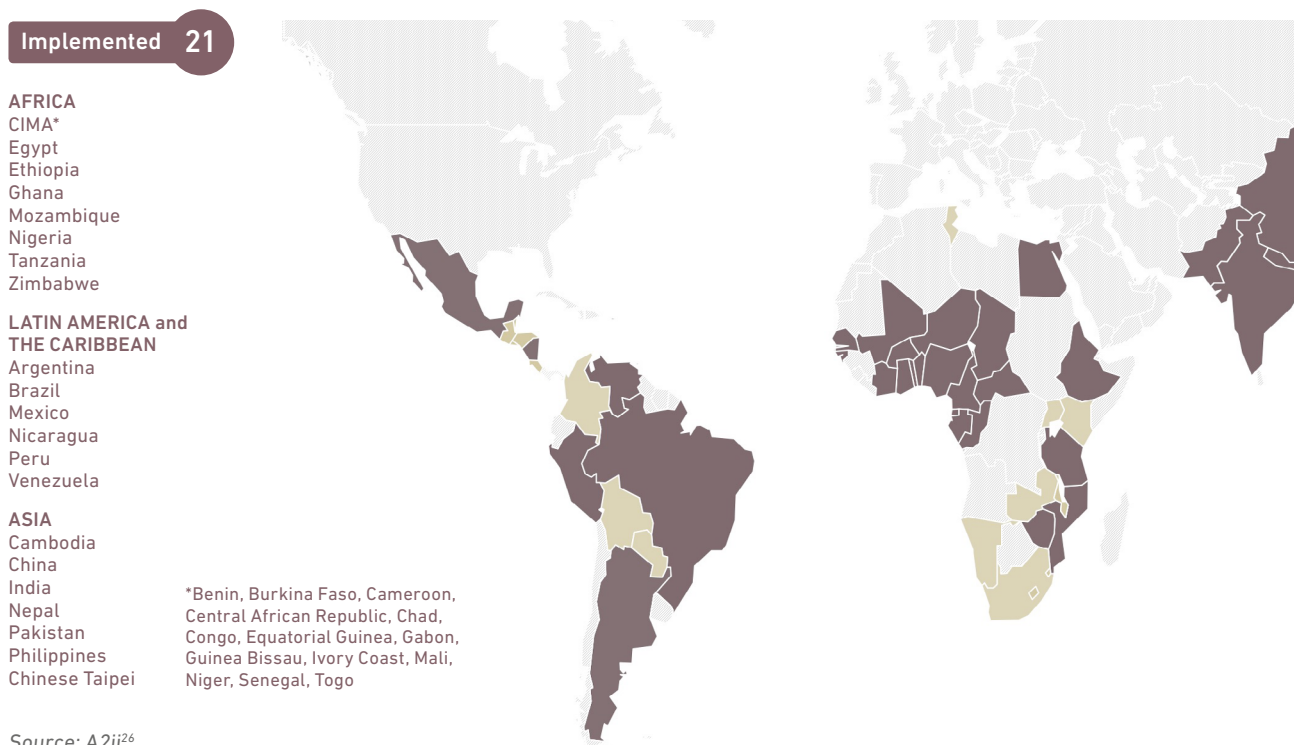
### The diversity of product lines has increased.

Life, personal accident and credit life products dominated most markets at an early stage. In recent years, the insurance industry in Africa, Asia and Latin America and the Caribbean has started to diversify into health, agriculture and property insurance. This reflects the increasing maturity of the markets, both on demand and supply side. Technological innovations have facilitated the development of some of these products and allowed them to be delivered at scale, e.g. in the case of hospital cash or hospitalization covers offered through mobile net-

work providers, or in the case of index-based insurance in agriculture which relies on GPS satellite and weather data<sup>25</sup>.

The recent growth in inclusive insurance has been enabled and supported by the development of carefully tailored regulatory and supervisory approaches to inclusive insurance. While in 2009, only 6 jurisdictions had implemented a microinsurance regulation, the number stands at 21 to date. Another 23 countries are in the process of developing some form of microinsurance-specific regulation (see figure 2 below).

Figure 2: The state of inclusive insurance regulation 2018





A variety of regulatory flexibilities for microinsurance products has been introduced over the years to stimulate market development<sup>27</sup>. Such flexibilities are justified on the basis that they are proportionate to the nature, complexity and risk of microinsurance products. They have the dual goal of allowing room for product and business model innovation, while at the same time decreasing the compliance burden and costs associated with offering microinsurance. However, the central question to which supervisors are confronted remains how to best balance the creation of an enabling business environment for inclusive insurance with the protection of vulnerable consumers<sup>28</sup>.

**While supervisors have made great advances in promoting inclusive insurance, a number of key challenges remain, with new ones emerging.**

25 A2F Consulting, 2018, Microinsurance Network, 2015b, McCord, Ingram & Tatin-Jaleran, 2013, McCord et al., 2013.

26 <https://a2ii.org/en/our-work/results-and-learning>

27 The A2ii publication „Proportionate Regulatory Frameworks in Inclusive Insurance: Lessons from a Decade of Microinsurance Regulation“ (A2ii, 2016) provides an overview of the supervisory approaches undertaken since the beginning of microinsurance regulation and examines the challenges insurance supervisors are confronted with.

28 A2ii, 2016.

The reasons can be found both on the supply and the demand side: Insurance providers may not see a compelling business opportunity to offer products to the low-income population or lack the expertise to do so, while potential clients often do not fully understand the benefits of insurance. Supply and demand constraints to insurance can further be intensified by challenges in the policy environment. Unsuitable regulation and supervision can hinder the development of new products that may be more appropriate to client needs, restrict the use of non-traditional delivery channels or impose identification requirements that are difficult or costly to meet. Dialogue and collaboration between private and public stakeholders has helped address barriers to access. Obstacles, however, still remain and continuously hinder the further expansion of the inclusive insurance market. These include:

- **Improving industry and supervisory capacity**, especially in dealing with new market innovation;
- **Reaching the rural underserved community**, which tends to be overlooked as insurance companies focus on the more easy to reach urban population;
- **Effectively supporting and leveraging innovations based on digital technologies** while at the same time ensuring consumer protection;
- **Protecting clients of informal microinsurance providers** that remain widespread in many jurisdictions;
- **Improving the collection and analysis of microinsurance data** to enable assessments on client value, market growth, financial soundness and business performance, among others.

Anchoring insurance within a national strategy increases its visibility and strengthens the development of an inclusive insurance market as a key part of financial sector development.

## 23 Under development

### AFRICA

Kenya  
Malawi  
Lesotho  
Namibia  
South Africa  
Swaziland  
Tunisia  
Uganda  
Zambia

### LATIN AMERICA

Belize  
Bolivia  
Colombia  
Costa Rica  
El Salvador  
Guatemala  
Honduras  
Jamaica  
Paraguay

### ASIA

Bangladesh  
Indonesia  
Mongolia

### PACIFIC

Fiji  
Papua New Guinea





**36**

jurisdictions and

**41**

individuals

responded to the survey.

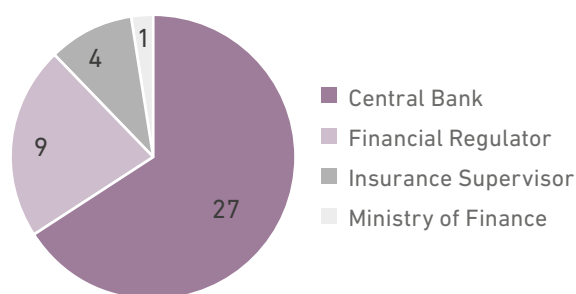
### 3. SURVEY RESULTS

To understand the approaches of different countries to integrate micro- or inclusive insurance into their respective NFIS, a survey was conducted. The survey was distributed to insurance supervisors which the A2ii works with and to AFI members who were invited to contribute their perspectives from March 16 – 30, 2018. The following chapter presents the results of this survey. If not indicated differently, the numbers and statements presented below are drawn from this NFIS and insurance survey.

#### 3.1 Participating countries and coverage

A total of 36 jurisdictions (and 41 individuals) responded to the survey<sup>29</sup>. As Figure 3 shows, most of the survey participants (27) were representatives of Central Banks. Nine represented financial regulators and four insurance supervisors (or a comparable institution) of their respective country. In one case, an official of a Ministry of Finance participated.

Figure 3: Institutions represented in the survey

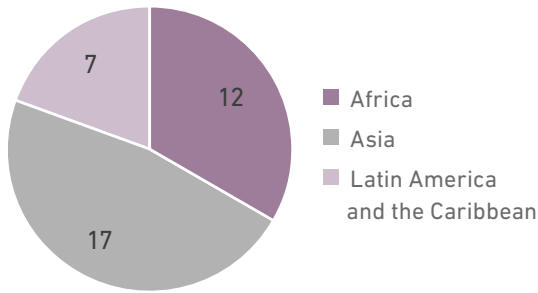


Source: NFIS and Insurance Survey, 2018.

The majority of responses came from Asian countries, followed by African countries. The responses to the survey are regionally divided as follows: 17 Asian countries (representing 49%), 12 African (34%), and seven Latin America and the Caribbean (17%) countries, see Figure 4.

<sup>29</sup> Two responses were almost empty and therefore not included in aggregate results. Furthermore, multiple answers were received from five countries.

Figure 4: Distribution of survey respondents by continent



Source: NFIS and Insurance Survey, 2018.

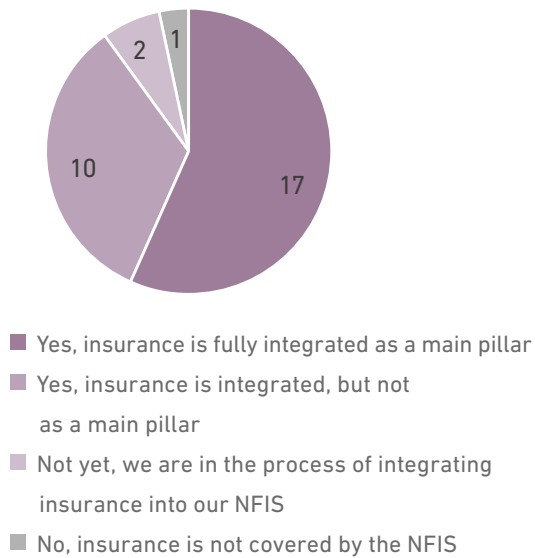
ered at all in the NFIS of one country. As reasons for not including insurance in the NFIS, a lack of guidance on the incorporation and other priorities have been cited. Independent experts point to the fact that Central Banks perceive insurance as crucial topic and see its inclusion in NFIS as an opportunity to address the financial sector comprehensively without focusing too heavily on the banking industry<sup>30</sup>.

<sup>30</sup> Expert interview conducted by authors

A large majority of the 36 countries represented by the survey has adopted a financial inclusion strategy. As Figure 5 shows, 26 of the 36 countries have already adopted a financial inclusion strategy, while four are in the process of developing one. Six countries have not adopted a financial inclusion strategy but are planning to do so. The following analysis will only focus on the 30 countries that have a strategy or are developing one.

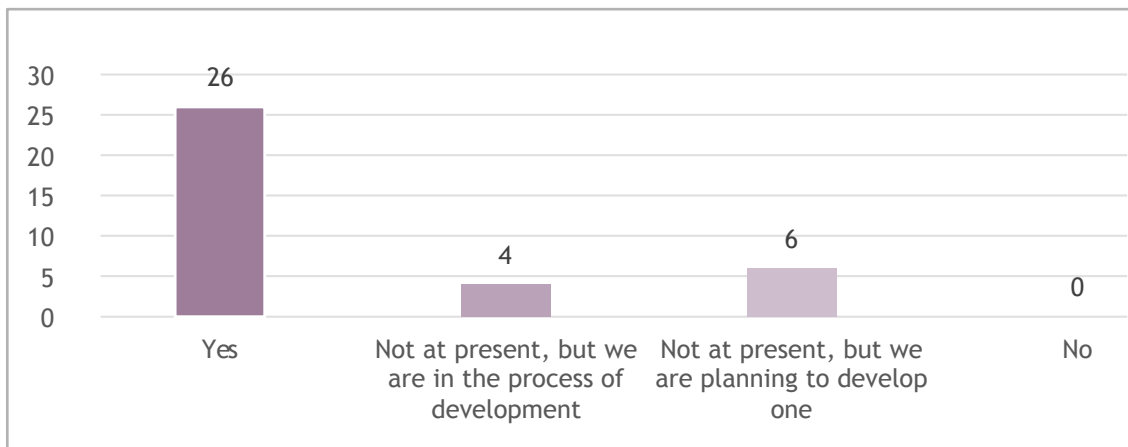
The topic of insurance was included in most NFIS of the countries represented by the survey. As shown in Figure 6, the topic of insurance is included in the NFIS of 27 out of the 30 countries and cited as a main pillar by 17. While two countries are in the process of integrating insurance into their NFIS, the topic is not cov-

Figure 6: Integration of insurance into NFIS



Source: NFIS and Insurance Survey, 2018.

Figure 5: Availability of a Financial Inclusion Strategy



Source: NFIS and Insurance Survey, 2018.

### 3.2 Strategy development process

Participants highlighted that a country diagnostic and a consultative process with different stakeholders are important initial steps in developing a strategy. 25 countries implemented a country diagnostic. 24 countries established a consultative process with relevant stakeholders (see Figure 7). Participants pointed out that stakeholder consultation is key to obtaining buy-in. Furthermore, a country diagnostic in terms of demand and supply is a requirement for understanding the specific challenges of the country, promoting a successful strategy development.

### Country diagnostic

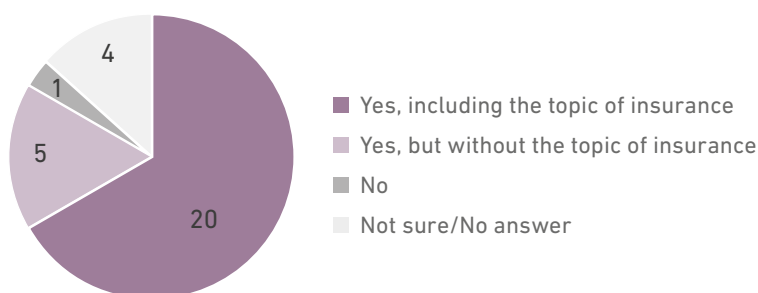
Insurance should be integrated into diagnostic studies. Respondents emphasized the importance of data and evidence for strategy design and stakeholder consultation. In particular, survey respondents highlighted that “it is important to have relevant information specific to insurance (and not just in general for the financial sector) [since] there are issues that are unique to insurance and that need to be identified”. 25 countries conducted a diagnostic; 20 of them included the topic of insurance (see Figure 8). In addition, respondents perceived the evaluation of past strategies (if any) as crucial “to understand [previous] weaknesses and strengths and [to] address [them] accordingly” in the new strategy.

Figure 7: Steps in the development of the strategy



Source: NFIS and Insurance Survey, 2018.

Figure 8: Inclusion of insurance in diagnostic study



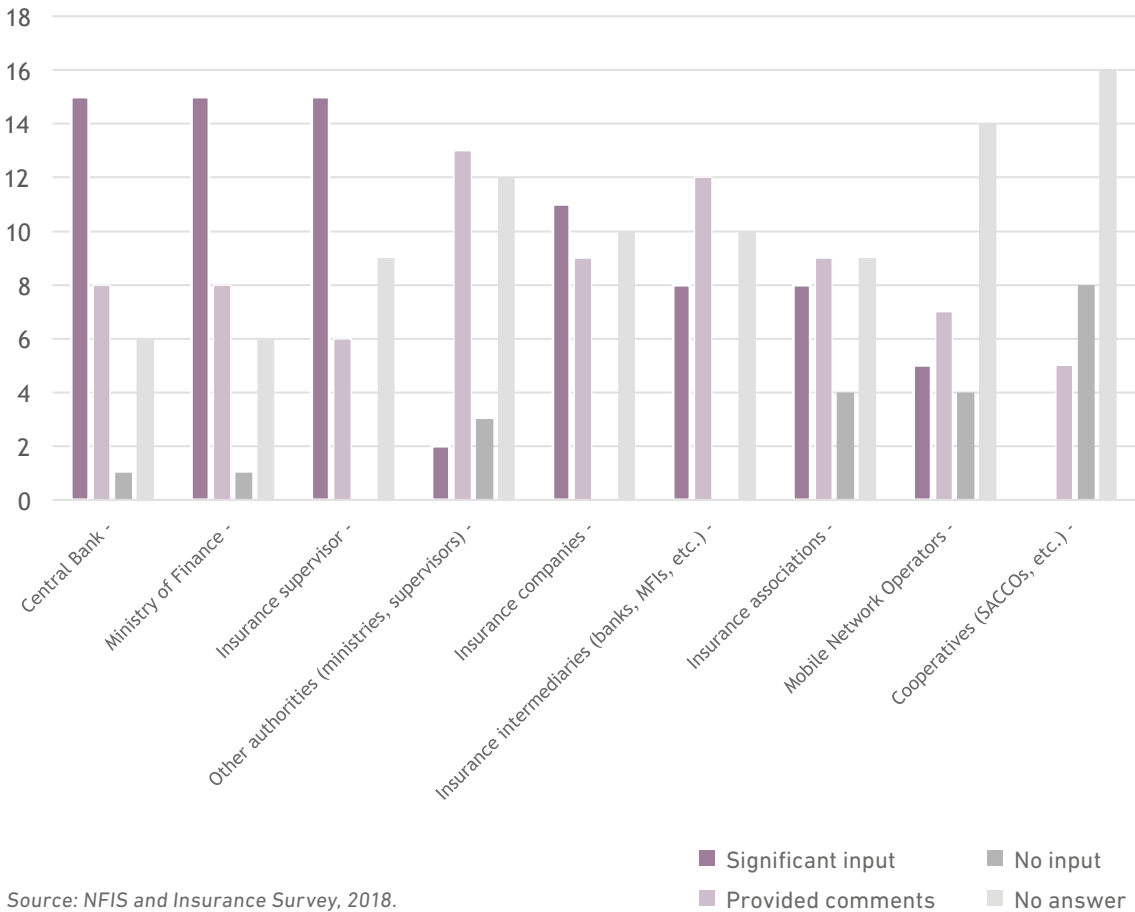
Source: NFIS and Insurance Survey, 2018.

### Consultative process

The survey results revealed that the process of developing the insurance section of the NFIS was usually supported by the Central Bank, the Ministry of Finance, the insurance supervisor, and the insurance industry. The importance of sharing experiences between different stakeholders was particularly highlighted in the survey. As depicted in Figure 9, respondents of 15 countries indicated that the Central Bank, the

Ministry of Finance and the insurance supervisor provided significant input. Other authorities usually provided comments. Insurance companies as well as intermediaries and associations were also cited as having provided significant input. In general, it was argued that “private sector stakeholder consultation is essential”, both in general and for the insurance section specifically. Further relevant stakeholders are Mobile Network Operators (MNO).

Figure 9: Stakeholders involved in the development of the insurance section of the strategy

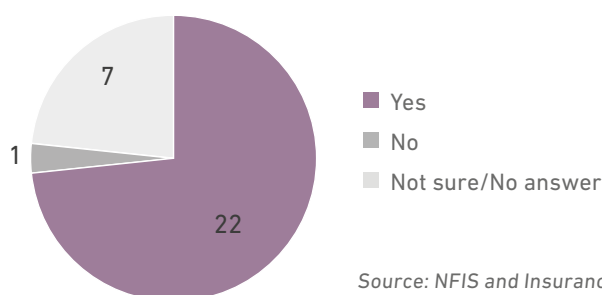


Source: NFIS and Insurance Survey, 2018.

External support to the development of the strategy was provided by a variety of actors in most countries surveyed. As shown in Figure 10, 22 country representatives have indicated that external support was provided. The Pacific Financial Inclusion Programme (PFIP) by the UN Capital Development Fund (UNCDF) as well as the World Bank Group (especially the Inter-

national Financial Corporation) and bilateral donors were mentioned as support agencies in most cases. The United Nations Development Programme (UNDP), AFI, the Inter-American Development Bank as well as the African Financial Sector Deepening (FSD), established by the UK's Department for International Development, were also named.

Figure 10: External support to the development of the NFIS



### Insights and conclusions on the development of the Strategy

- A **comprehensive country diagnostic study** needs to include the analysis of the status quo of insurance with its specific barriers based on field research.
- Important **stakeholders** in the development process are relevant ministries, the Central Bank, the insurance supervisor, the insurance industry, and important distribution channels such as telecommunication companies, microfinance institutions, and cooperatives.

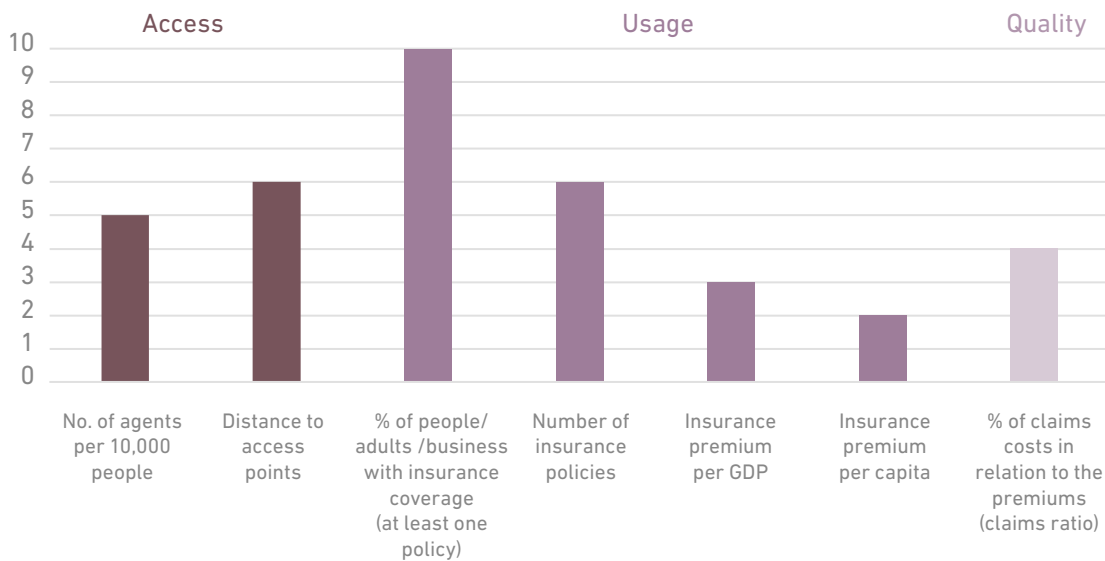
### 3.3 Strategy document and the inclusion of insurance

Most countries have included specific objectives and insurance-specific indicators in the NFIS, focusing predominantly on usage. Respondents highlighted that “insurance [should be] a strategic goal on its own”. This gives visibility to insurance and helps stakeholders to commit to the goal. The integration of a specific target for insurance in the strategy also requires a definition of inclusive insurance (or microinsurance, see Box 1) in order to ensure a common understanding throughout the strategy. In other

words, inclusive insurance “needs to be explicit in the Action Plan and related indicators” in the results framework to measure the outcomes. 18 countries have included insurance-specific indicators in their Action Plan or results framework. In this context, three categories of indicators are important (see Figure 11), namely access (e.g. number of access points), usage (e.g. coverage rates) and quality (e.g. measured by claims ratio) as they reflect three dimensions of insurance-related aspects.<sup>31</sup>

<sup>31</sup> „Include measurable targets for access, usage and quality”.

Figure 11: Inclusion of different types of insurance-related indicators



Source: NFIS and Insurance Survey, 2018

**Insurance indicators should be clearly defined and measurable.** Defining meaningful indicators is a significant challenge. The insurance supervisors do not usually collect separate data on inclusive insurance (in those cases where no separate regulation for inclusive insurance exists). Furthermore, the risk of double-counting hampers the measurement of indicators. Nevertheless, it is crucial to clearly define measurable indicators to ensure their reliability. Most countries start with a list of

pre-defined indicators such as the ones set by the G20 Global Partnership for Financial Inclusion (GPFI)<sup>31</sup>. For insurance the GPFI defines the “number of insurance policyholders per 1,000 adults (segregated by life and non-life insurance)”. It also puts a focus on measuring insurance literacy. This was confirmed during the interviews for the case studies. Finally, the indicators should be closely connected to the NFIS Action Plan to ensure they are clearly monitored and assessed.

## Insights and conclusions on the Strategy Document

- Inclusive insurance needs to be **explicitly included** in the Action Plan and related indicators.
- A **basket of indicators** is more comprehensive than a single indicator. This basket should reflect the dimensions of access, usage and quality while being clearly defined and measurable at the same time.
- Countries indicated that they made use of indicators suggested by AFI<sup>33</sup>.

<sup>32</sup> GPFI, 2012. Financial Inclusion Indicators.

<sup>33</sup> Alliance for Financial Inclusion, 2016. National Financial Inclusion Strategies. A toolkit. (Indicators suggested are “Number of access points per 10,000 adults”, “Percentage of administrative units with at least one access point”, “Percentage of total population living in administrative units with at least one access point”, “Percentage of enterprises with access to digital financial services”, “Percentage of SMEs required to provide collateral on any existing loan”, “Percentage of SMEs with a deposit account at a regulated financial institution”, “Percentage of SMEs with an outstanding loan or line of credit at a regulated financial institution”, “SME loan guarantees as a percentage of SME loan (in terms of value)”, “Difference between average SME loan rate and corporate loan rate”, “Percentage of WO SMEs with a deposit account at a regulated financial institution”, “Percentage of WO SMEs with a loan or line of credit at a regulated financial institution”, “Percentage of non-performing SME-loans: to total loans; to SME loans period.”)

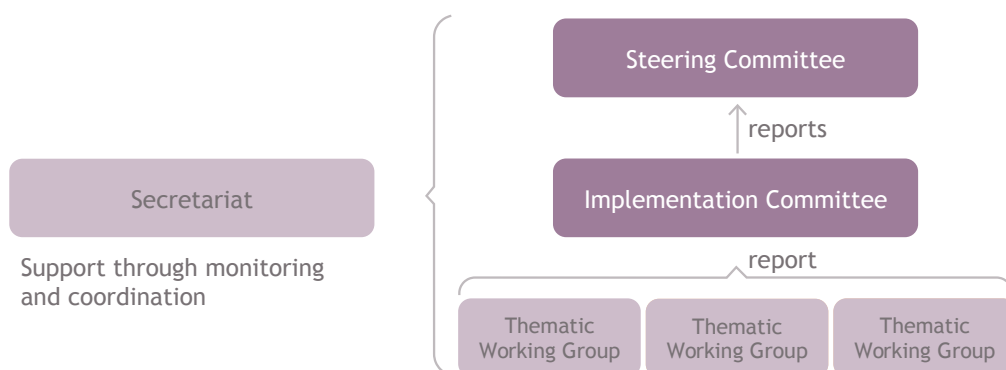
### 3.4 Implementation of the NFIS

The surveyed countries have different NFIS implementation structures, but usually with a Secretariat as the lead or central actor. Many countries apply a similar implementation structure, as shown in Figure 12. In most cases, the top committee is a Steering Committee<sup>34</sup> with representatives from the highest level. Furthermore, there is usually an Implementation Committee at the director level. A central actor is usually a Secretariat: According to the survey respondents, the Secretariat provides “solid support [...] to ensure monitoring of activities under the strategy”. It should be, “endorsed legally in order to ensure operative oversight” and endowed “with staff, facilities, or budget”. Generally, two or three national staff members work permanently in the Secretariat. The staff is typically embedded in the lead institution, generally the Central Bank. While the Secretariat promotes the advancement of the strategy, a “strong and steady commitment of all relevant stakeholders, especially from the financial authorities” is key for successful implementation. According to an expert opinion<sup>35</sup>, a commitment of an institution or person from a high political position (e.g. a Governor or Minister to launch the strategy) as well as a national champion (e.g. the Central Bank) helps to bring the NFIS forward.

Insurance is sometimes discussed by a separate working group, and in other cases as a cross-cutting topic in several groups. Working groups are the operational level of the strategy. They are usually formed to promote a certain topic such as consumer protection, financial literacy, microsaving or insurance. The thematic working groups are generally open to every institution that is interested and willing to collaborate. Depending on the structure of the working groups, it has proven useful to set up a sub-group specifically for insurance with collaboration from the insurance supervisor, industry, government, development partners and, in certain instances, other stakeholders considered relevant, e.g. consumer protection agencies, NGOs, or the media. Importantly, depending on the structure of the working groups, insurance may also be covered within other working groups such as mobile money, consumer protection or data protection.

Not all countries have implemented key aspects of the NFIS implementation structure; this also affects the implementation of insurance-related goals. 14 countries have established a functional coordination structure, 17 have an action plan, while 12 countries have designed and implemented a monitoring system (Figure 13).

Figure 12: Typical NFIS implementation structure



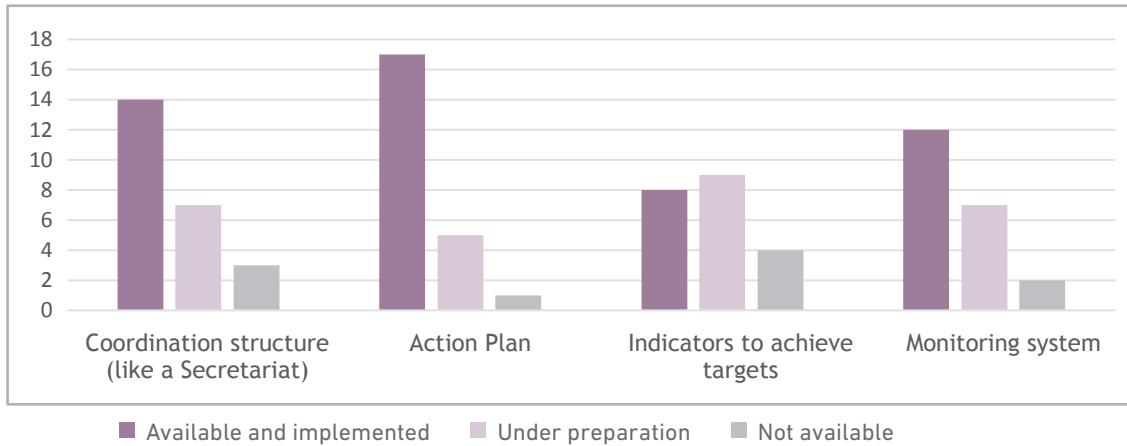
Source: Authors, based on expert interviews.

<sup>34</sup> The names of the committees might differ between countries.

<sup>35</sup> Expert interviews conducted by the authors.



Figure 13: Key aspects of the implementation structure with regard to insurance

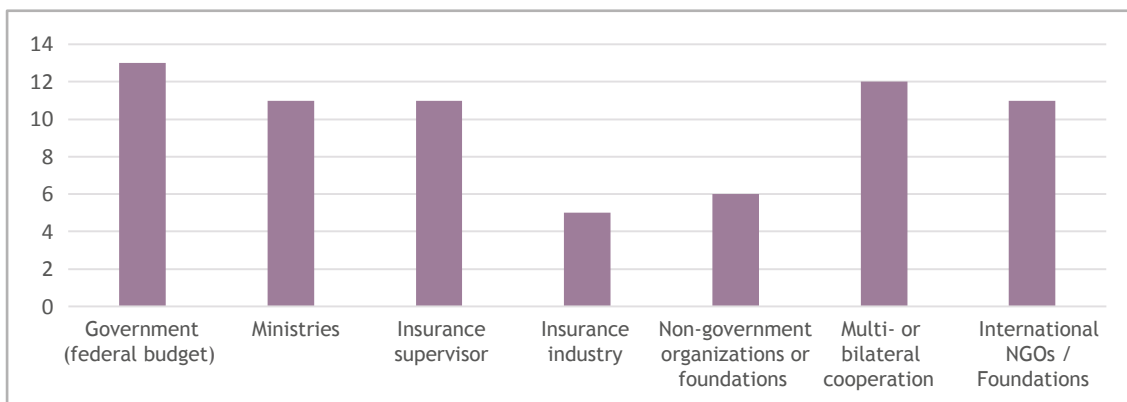


Source: NFIS and Insurance Survey, 2018

**Funding for the implementation comes from different sources with the government being the main contributor.** In 13 cases, the government funded the strategy implementation through its federal budget. In 11 countries, funding was also provided by the insurance supervisor or different ministries involved. The insurance industry and non-governmental organizations or foundations as well as international cooperation have been named as addi-

tional entities funding the implementation (see Figure 14). For most countries, multiple funding sources were named. In certain cases, there is no separate/official budget for the NFIS and the entities perform their tasks with their own funding sources (especially as many contributions are made in kind). Support from external parties, mainly international cooperation or international NGOs/foundations) is reported to be significant.

Figure 14: Funding provided for the implementation of the NFIS



Source: NFIS and Insurance Survey, 2018

### Insights and conclusions on the implementation of the NFIS

- The **Secretariat** is a key energizer in many countries since it coordinates activities. However, it is important that implementation responsibility stays with the other stakeholders such as committees and working groups.
- “It is crucial to ensure a **strong and steady commitment** of all relevant stakeholders, especially from the financial authorities.”
- **Funding sources** are often a mix of government, private sector, and complementary support by international donors or other international agencies.
- An international consultant/external technical assistant may support **the implementation** of the strategy - the implementation itself, however, should remain under national control.

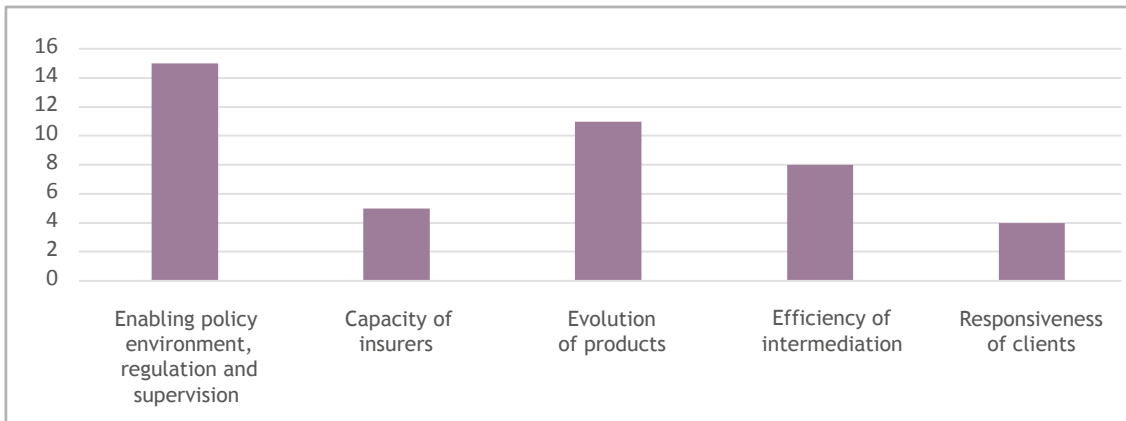
### 3.5 Results and outcomes of NFIS on inclusive insurance

**Integrating insurance into NFIS has pushed changes in several areas.** Results can be clustered into five categories (see Figure 15). Some changes refer to structural changes in the markets, others to impact at client level. Most responses were related to an enabling policy environment, regulation and supervision, as well as the evolution of products.

**As most strategies surveyed are still at an early stage (development or implementation), only few effects on insurance market development were observed.** Generally, the impact of a strategy can only be measured after several years. However, several respondents indicated that there were clear results of their NFIS in the country. As one respondent points out, “more insurance products as microinsurance and crop insurance are available on the market”. New bundled products were offered,

such as insurance packages for farmers and digital insurance products. At the same time, the respondents acknowledged progress with respect to the use of alternative channels such as agent banking, convenience stores and mobile devices. With respect to the target group, outcomes comprised measurable increases of insurance sales as “result of [an] extensive media campaign on insurance”, the development of financial education materials as well as the integration of an insurance module into the university curriculum to promote capacity building. On the regulatory level, the NFIS led to the development of regulations on micro- and/or agriculture insurance as well as policies on marketing to improve the availability of information and thus facilitate appropriate decision-making by the user. Further measures named by the participants were the draft of disclosure standards, a stamp duty exemption for micro-insurance products and the simplification of anti-money laundering requirements for inclusive insurance.

Figure 15: Results and outcomes on insurance through the efforts of the NFIS



Source: NFIS and Insurance Survey, 2018



## 4. IMPRESSIONS FROM FOUR COUNTRIES: CASE STUDIES

Case studies from countries that have included insurance in their NFIS provided additional insights on the inclusion of insurance in NFIS. The case study countries presented here are Malaysia, Papua New Guinea, Paraguay, and Tanzania. Due to the limited scope of the study, the case studies provide initial insights into the inclusion of insurance in these countries' NFIS but cannot deliver a comprehensive analysis.

### 4.1 State of the inclusion of insurance in Malaysia's NFIS

**Malaysia's National Financial Inclusion Strategy**  
While most countries have developed separate strategies on financial inclusion, Malaysia took an integrated approach by subsuming the topic into its financial sector development plan, the "Financial Sector Masterplan" (2001-2010) followed by the "Financial Sector Blueprint" (2011-2020). The objective of the Masterplan was "to develop a more resilient, competitive and dynamic financial system with best practices" through building the institutional capacity of the domestic intermediaries and developing the domestic financial infrastructure.<sup>36</sup> The current "Financial Sector Blueprint" goes beyond the objective set in the first strategy. It has the aim; "to build a financial sector [...] that will benefit a high value-added, high-income Malaysian economy, and generate a growth that is founded on productivity gains and innovation" being at the same time "inclusive, balanced and sustainable".<sup>37</sup> Over the 2011-2016 period, the value-added of the financial sector expanded at a compounded annual growth rate (CAGR) of 2.7%. A set of recommendations guides the implementation of the Financial Sector Blueprint according to four impact areas and 9 key objectives under which related initiatives are specified.

<sup>36</sup> Bank Negara Malaysia, 2001.

<sup>37</sup> Bank Negara Malaysia, 2011.



### Process of development of the strategy

The strategy has mainly been developed by the Central Bank of Malaysia, Bank Negara Malaysia (BNM). To spearhead the development of the strategy, BNM set up an internal cross-sectoral steering committee chaired by the Governor and supported by a core project team as well as various cross-departmental working groups responsible for the ideation of strategies in pre-defined areas of focus, including financial inclusion across all financial services. A key guiding principle of the Blueprint development was to anchor on developments in the real economy, given the premise that the financial sector's primary role was to serve the needs of the real economy. Hence the Blueprint was also in line with the national development strategy set out by the Government.<sup>38</sup> As the integrated regulator of banking and insurance, the Blueprint strategy was initiated and driven by BNM, and other stakeholders such as the insurance industry were involved at different stages of the consultation phase on a needs basis.

### Strategy document and the inclusion of insurance

**Inclusive insurance is addressed in the current strategy under the topic of financial inclusion.** Insurance development as a topic has been present since the initial start of the development and has been carried forward from the previous Financial Master Plan to the current Blueprint. Recommendation 2.3.2 advises to "expand the range of products and services that will meet the distinct financial needs of all citizens, including the underserved"<sup>39</sup>. Subsection 3 aims to "facilitat[e] the insurance and takaful<sup>40</sup> industry to develop microinsurance and microtakaful products, which provide the underserved with adequate financial protection". This goal shall be achieved through four aspects: facilitative regulatory environment, strengthened delivery capacity, increased market awareness and enhanced consumer literacy. The benchmarks and indicators for the topic of insurance are continually monitored, including via two demand side surveys with a focus on lit-

eracy, satisfaction, and usage as well as a supply side survey focusing on insurance products and the penetration rate. However, a key challenge relating to insurance lies in the measurement of impact. For example, higher uptake of insurance does not necessarily demonstrate positive impact on the economic wellbeing of policyholders. Other factors may impede the policyholder or beneficiary from ultimately benefitting from insurance, such as the failure to make a nomination, or not knowing how to make a claim due to complex and non-intuitive processes coupled with poor post-sales servicing by insurers.

A challenge in post-strategy development has been to ensure the Blueprint remains relevant over time and against changing conditions such as macroeconomic developments, the rise of fintech and volatility in the global financial sector. The Blueprint recommendation on inclusive insurance was broad-based and allowed BNM the flexibility to employ a variety of regulatory tools as well as consult the industry continuously in implementing inclusive insurance initiatives. This included the use of regulations, discussion or strategy papers, or collaborating with the industry on product development. For example, BNM issued a discussion paper on microinsurance development, followed by regulations. **The long-term development of the life insurance and family takaful industry is separately and more specifically addressed under the related Life Insurance and Family Takaful Framework<sup>41</sup>**, a strategy paper that is in the process of being implemented via regulations. This framework aims to promote innovation and a more competitive market. It includes specific activities under three main pillars namely gradual removal of limits on operational costs to promote product innovation while preserving policy/certificate value, diversified distribution channels to widen outreach and strengthened market conduct to enhance consumer protection.

### Implementation and Monitoring & Evaluation

The Blueprint is coordinated and implemented by BNM, including the insurance aspects. BNM also cooperates with the insurance industry to coordinate and implement the recommenda-

38 E.g. the Economic Transformation Programme, see <http://etp.pemandu.gov.my/>. BNM's perspective is that the financial sector ultimately serves the real economy and any development should be aligned with priorities in developing the real economy.

39 Bank Negara Malaysia, 2011.

40 Takaful refers to an insurance structure compatible with Islamic law.

41 Bank Negara Malaysia, 2015.

tions related to insurance. Action plans for each initiative under the Blueprint are driven by the respective individual departments that oversee the particular area of expertise. For example, insurance sector development initiatives are driven by the Insurance Development Department, while financial stability policy initiatives for the insurance sector are driven by the Prudential Financial Policy department. The Financial Inclusion Working Group (FIWG), a cross-sectoral committee which meets regularly in a year oversees and provides strategic guidance for the relevant departments on policy issues pertaining to financial inclusion. These deliberations actively support the implementation of inclusive insurance initiatives spearheaded by

the Insurance Development Department, most recently being the industry's launching of inclusive insurance products targeted for the Bottom 40% segment under the "Perindungan Tenang"<sup>42</sup> branding platform. The industry is also required to submit data on financial services to the Bank, thus enabling the Bank's ongoing surveillance. In 2017, a review of the Blueprint was carried out,<sup>43</sup> and noted positive impact from the implementation of Blueprint strategies.

<sup>42</sup> For more information on the "Perindungan Tenang" initiative, kindly refer to the box article titled "Expanding Insurance and Takaful Solutions for the Underserved Segment" in the Financial Stability and Payment Systems Report 2017, Bank Negara Malaysia. [http://www.bnm.gov.my/index.php?ch=en\\_publication&pg=en\\_work\\_papers&ac=66&bb=file](http://www.bnm.gov.my/index.php?ch=en_publication&pg=en_work_papers&ac=66&bb=file)

<sup>43</sup> For an article on the review, please refer to Xiung & Wei, 2016. Mid-term Review of the Financial Sector Blueprint.

### Insights from including insurance in the NFIS – the case of MALAYSIA

- **Cross-departmental collaboration** inside the Central Bank has been key to setting and achieving objectives and goals laid down in the Blue Print.
- **The strong institutional setup** of Bank Negara with different sectors such as consumer protection, supervision, payments, banking and insurance working together was a key enabler to the NFIS development contributing to the design of a relevant and comprehensive strategy.
- It is critical to **regularly review** the progress and relevance of the strategy taking into account domestic and global market developments.

## 4.2 State of the inclusion of insurance in Papua New Guinea's NFIS<sup>44</sup>

### Context: mobile insurance pushing inclusive insurance in Papua New Guinea

**Inclusive insurance was pushed by one player.** The global insurance intermediary Bima has pushed insurance market development in Papua New Guinea by offering innovative life and hospital cash insurance. Bima, supported by a grant from the Pacific Financial Inclusion Programme (PFIP)<sup>45</sup>, entered the Papua New Guinean insurance market in 2014. The intermediary partnered with the local insurance company Capital Life

Insurance and the largest MNO in Papua New Guinea, Digicel. It offered two products, namely a Family Life Insurance scheme as well as a hospital cash product, the "Hausik Hospital Insurance". For distribution, Bima used a combination of call center marketing and visits by agents<sup>46</sup>.

The scheme had been enabled by a regulatory sandbox approach on life insurance developed by the life-insurance regulator, the Central Bank or Bank of Papua New Guinea. Within two years of operation, Bima had sold more than 600,000 insurance policies. For the life-insurance regulator, this large uptake of insurance was unexpected. However, many clients seemed not to have enough experience with the concept of insurance, and with this type of products, which led to a number of complaints. This experience contributed to the decision of the authorities to include insurance

<sup>44</sup> National Financial Inclusion Framework.

<sup>45</sup> PFIP is a pacific-wide programme that aims to help low-income households to gain access to financial services and financial education. It is administered by the UN Capital Development Fund (UNCDF) and the United Nations Development Programme (UNDP). PFIP receives funding from the Australian and New Zealand Government as well as the European Union (Bima, 2016).

<sup>46</sup> Bima, 2016; PFIP, 2016.

in the current now valid second NFIS; and specifically, to focus on improving consumer awareness and consumer protection regulation.

### **Papua New Guinea's National Financial Inclusion Strategy**

Papua New Guinea's current National Financial Inclusion Strategy (2016-2020) is the follow-up strategy to their National Financial Inclusion and Financial Literacy Strategy (2014-2015). The first strategy focused on improving the financial competency of the Papua New Guinean population and increasing access to a diverse range of financial services<sup>47</sup>. Insurance was integrated into the strategy and action plan in a limited way, e.g. by establishing a Working Group on Insurance. The action plan demanded "to provide financial and technical assistance to develop viable inclusive insurance products (1.7)"<sup>48</sup>; however, not focusing on the quality of insurance or adding quantifiable benchmarks or performance indicators.

**The current strategy has broadened the vision and scope of the previous one.** The new strategy stresses that financial services should address the needs of the population in Papua New Guinea and should be provided in a "responsible and sustainable manner". In addition, inclusive insurance is more prominently mentioned as it is included as one of nine priority areas<sup>49</sup>. The current strategy ensures continuity with respect to the previous strategy and at the same time identifies new priority areas, strategic objectives and implementation mechanisms. The mission is to "provide a coordinated framework for advancing financial inclusion in Papua New Guinea by addressing prevalent barriers and exploiting key opportunities". This mission is expected to be delivered through nine priority areas with related strategic objectives and sub-objectives, one of them being insurance. To achieve these, several key action items and outputs are outlined in the action plan. Finally, implementation and coordination mechanisms as well as a monitoring and evaluation framework are laid down in the strategy.

**Indicators measure usage and access of insurance.** Data provided as benchmarks refer to formally banked adults, adults with credit at regulated financial institutions, points of service, and inclusive insurance policies. According to the current strategy, the percentage of adults holding a bank account has increased from 20% in June 2013 to 37% in June 2016, and the number of financial access points in the country has increased by 56% in the same period<sup>50</sup>. Related to insurance, the strategic objective is quantified (1.5 million people covered, see below).

### **Strategy development process**

**A light insurance diagnostic was implemented to inform strategy development.** A rapid sector study on insurance, the Report on Micro-Insurance Assessment<sup>51</sup>, analyzed demand, supply, enabling environment, and provided background knowledge<sup>52</sup>. It was considered a country diagnostic and hence, a new and important information base; however, it has certain limitations, e.g. it only provides limited quantitative data, e.g. on demand (estimating the market potential to 285,000 persons) or supply (104,000 active policies) of insurance/microinsurance, nor does it provide references or the date of the study.

**The strategy has been developed through a consultative process and was supported by PFIP.** The consultative process included a series of workshops in different parts of the country with inputs from a variety of public and private stakeholders. The process was assisted by PFIP, which provided funding for International Finance Corporation (IFC) and World Bank experts who supported the strategy development process.

**Lessons learnt from the first strategy were integrated into the new strategy.** The lessons drawn from prior implementation were further complemented by lessons from international good practice. A draft strategy was circulated among relevant actors such as the Central Bank,

47 Papua New Guinea, 2014.

48 Papua New Guinea, 2014.

49 Bank of Papua New Guinea, 2016.

50 Bank of Papua New Guinea, 2016.

51 BASIX, 2013. Report on Micro-Insurance Assessment - Prospects for Papua New Guinea.

52 For a demand research on the Microinsurance Market in Papua New Guinea, please also see PFIP, 2012.

the National Department of Treasury and the actors of the private sector. The Office of the Insurance Commission (OIC) was also consulted by the Central Bank and PFIP.

#### **Strategy document and the inclusion of insurance**

**Insurance is clearly positioned in the current strategy as one of the nine priority areas.** In the absence of other inclusive insurance offerings, the experience with Bima products inspired stakeholders to integrate the topic of inclusive insurance more prominently into the new strategy. It was taken up as “priority area 2”. Its strategic objective and target is “to expand micro-insurance to reach 1.5m people”. This is also reflected in the related impact indicator in the results framework: “People/businesses who have an active insurance policy” with a base-line of 660,000 in 2016 and a target of 1,500,000 in 2020. This goal shall be reached through 4 sub-objectives, namely to:

- 1 Enhance knowledge and data on insurance services
- 2 Introduce a comprehensive and enabling regulatory framework for micro-insurance
- 3 Promote the development of inclusive insurance products
- 4 Enhance awareness of insurance among the population

#### **The Working Group on Insurance has played an important role in the inclusion of insurance in the strategy development process.**

The Working Group on Insurance, established in 2014, has been the focal point for questions regarding insurance. In the first strategy, it was decided to explore the topic of insurance through a working group. However, no goal concerning insurance was defined in the document. For the current strategy, the Working Group on Insurance continued (as the Inclusive Insurance Industry Group) to engage with the two regulators for life (Central Bank) and general insurance (OIC) as major actors. The OIC was also part of the working groups for consumer protection and data management but was not involved in the formulation of the National Strategy. The Chairman of the Working Group on Insurance was

the Chairman for the Papua New Guinea Insurance Council, which is made up of representatives from the general insurance industry. The continuation of the Insurance Working Group in the second strategy has proven to be helpful as the members were already familiar with its procedures. The Working Group has discussed different categories of insurance products for the strategy but did not include explicit goals for different product lines (e.g. life, non-life or agricultural insurance), nor for additional issues such as quality/client value.

#### **Implementation and Monitoring & Evaluation**

##### **The strategy is implemented through a three-tier structure with the Center for Excellence in Financial Inclusion (CEFI) as the coordinating body.**

As Figure 16 shows, CEFI is the body for coordinating, advocating and monitoring all financial inclusion activities in Papua New Guinea, including the implementation of the NFIS. It is integrated into the Central Bank. The Steering Committee is a high-level forum for steering and coordinating the implementation of the Strategy and is chaired by the Central Bank. It consists of key industry leaders including the chairpersons of the seven Industry and Working Groups<sup>53</sup>, regulators, private sector players, development partners, and government. It provides strategic advice to CEFI and works with CEFI in its advocacy efforts towards the Government of Papua New Guinea. The role of the Regulators’ Advisory Committee (RAC), finally, is to ensure that all regulatory interventions affecting financial inclusion are well coordinated<sup>54</sup>. It is composed of all relevant regulators, such as the Central Bank, the Insurance Regulatory Authority, the Independent Consumer and Competition Commission, and the National Information & Communications Technology Authority. The Central Bank perceives the coordination and regular interaction with CEFI to be effective. All stakeholders are very much aware that CEFI is a coordination body which cannot achieve results on its own. Therefore, the implementation process relies on contributions from many other stakeholders<sup>55</sup>.

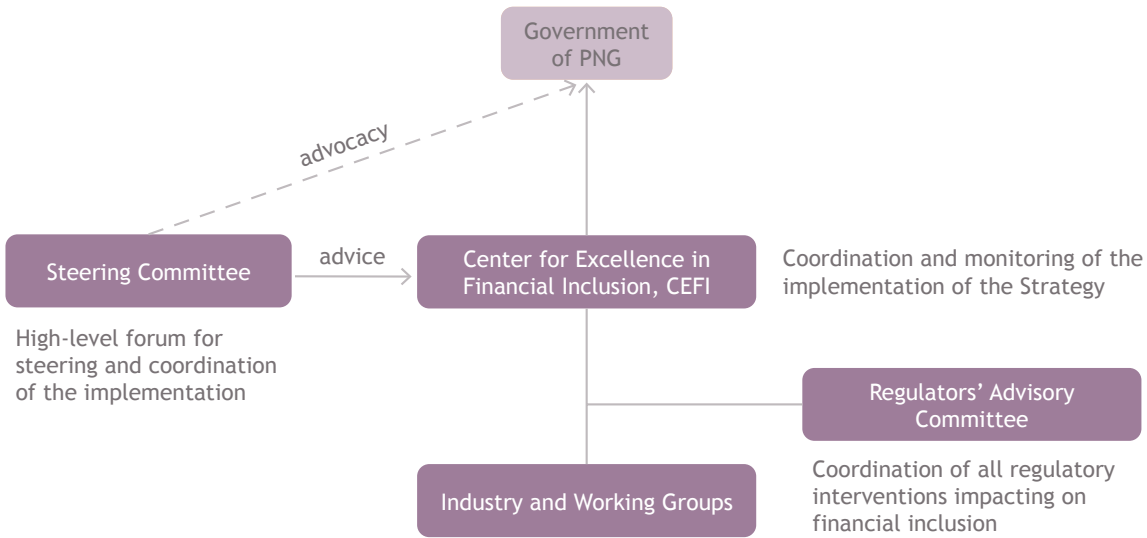
<sup>53</sup> There are two Industry Groups and five Working Groups established by the NFIS.

<sup>54</sup> New Guinea, 2016: 40.

<sup>55</sup> Such as insurance industry representatives, the Bank of PNG (Banking regulatory officers), the Banking industry (representa-



Figure 16: Implementation Structure of the NFIS in Papua New Guinea



**The implementation of the insurance targets is coordinated by the Inclusive Insurance Industry Group.** In contrast to the previous strategy, the Industry and Working Groups are generally very involved in the implementation of the

current strategy. This is also the case for the Insurance Group. Each member of the group is assigned a clear task through the Action Plan. During group meetings, achievements in specific areas are reported. The group is open for new members: Organizations that want to join the group can show their commitment and ability to contribute to the strategic objectives in an application to CEFI.

tives), the Insurance Commission (regulatory officers), Independent Consumer and Competition Commission (ICCC), Securities Commission, Investment Promotion Authority and digital platform providers – BIMA & Digicel PNG.

**Insights from including insurance in the NFIS – the case of PAPUA NEW GUINEA**

- **Pioneering players**, like BIMA in Papua New Guinea, offer strong test cases for the industry as well as for regulatory sandboxing opportunities. Practical cases can help to identify gaps and challenges that can inform the development of a more inclusive NFIS.
- **Indicators** were evolving from the first to the second strategy. While the first strategy already included insurance, it had no respective indicator. During implementation, the market was growing, and data became available on the number of microinsurance policies of one provider. This allowed to have a quantitative benchmark for the second strategy. However, learnings from the limitations of these product offerings in terms of consumer value did not trigger the integration of a value-related indicator that could for example inform about product quality. A more comprehensive indicator would also assess product quality not merely number of policies or subscribers to a mobile phone product as this does not provide any information about the usage of the product.
- There is added value of having a **light microinsurance diagnostic** over not having any information on the sector. However, depth of information may be limited.

### 4.3 State of the inclusion of insurance in Paraguay's NFIS

#### Paraguay's National Financial Inclusion Framework

Paraguay's current National Financial Inclusion Strategy (2014-2018)<sup>56</sup> is the country's first strategy in this field and has the goal to reduce poverty and promote economic growth in Paraguay through financial inclusion. The vision of the strategy is to provide qualitative and affordable financial services for the population in a diverse and competitive marketplace. This vision is divided into the four following objectives:

- 1 Reduced financial vulnerabilities of low-income populations;
- 2 Outreach of financial services in a competitive marketplace;
- 3 Economic development through access to finance for MSMEs and large firms; and
- 4 Financial inclusion, while maintaining a balance with financial sector stability and consumer protection.

#### Strategy development process

The current strategy was the result of a comprehensive preparatory process that had its origins in the public sector but also involved private actors. In 2013, the Government of Paraguay started working towards the development of a National Financial Inclusion Strategy based on an initiative of the Central Bank of Paraguay (which includes the insurance supervisory authority, the Superintendency of Insurance) and requesting the support of the World Bank. The process of developing the strategy as well as its indicators were structured by the World Bank. In mid-2014, an interagency Financial Inclusion Technical Team was set-up, which conducted diagnostics, analysis, and activity mapping. The Technical Team was composed of representatives of the Central Bank, the National Institute for Cooperativism (INCOOP), the Technical Secretariat for Economic and

Social Development Planning (STP), as well as the Ministry of Finance (Ministerio de Hacienda, MH) and led by an Executive Secretary.<sup>57</sup> The private sector was invited to participate in discussions and development of the strategy, and also to participate in the working groups after the launch of the strategy.

A preparatory survey among the Paraguayan population lacked a clear definition of insurance. In 2013, the Technical Team conducted a financial inclusion survey. However, the survey took a general approach towards insurance and did not differentiate between health, life and casualty insurance. As a result, informal funeral insurance and public health insurance schemes (social insurance) were grouped together with insurance by private providers in the survey. Therefore, the indicator for insurance only has limited informational value.

#### Strategy document and the inclusion of insurance

Based on a previous diagnostic, the strategy has a well-integrated action plan and indicators for each thematic area. At the beginning of the strategy development, a diagnostic on the state of financial inclusion was conducted. The Action Plan covers the seven thematic areas, namely savings, credit, insurance, payments, financial education, consumer protection, and vulnerable populations. Each thematic area was attributed a key indicator to be achieved by 2018, as well as specific policy actions (also called tasks, in total 60) and quick wins. This provides guidance for policy priorities.

Insurance was integrated into the strategy as one of seven thematic areas with related strategic actions and targets. For insurance, the target and key indicator is to "increase insurance coverage from 26 percent to 36 percent of adults". The baseline of this indicator suffers, however, from the lack of a definition of what is meant by "insurance coverage" during the survey of the diagnostic. For instance, the baseline included funeral and pre-paid medicine "insurance", both of which

<sup>56</sup> Estrategia Nacional de Inclusión Financiera, 2014.

<sup>57</sup> Estrategia Nacional de Inclusión Financiera, 2014.

are not regulated by the Central Bank/Insurance Supervisor and can hence be considered informal with respect to the insurance law. The quick win formulated for insurance was “exploring the possibilities of implementing agricultural insurance for small and medium producers”. A working group is in charge of the implementation of each thematic area. The Superintendency on Insurance participates in the Working Groups on insurance, consumer protection, vulnerable groups and financial education. The Working Group on Insurance has three sub-groups, namely Social Microinsurance<sup>58</sup>, Agriculture and Health.

**Besides the policy actions in the Working Group on Insurance, other Working Groups also deal with insurance related actions.** The Working Group on Insurance<sup>59</sup> coordinates the following five supporting policy actions (tasks 16 – 20), which are stipulated in the work plan including priority information and an implementation deadline (June respectively December 2016):

- 1 Increase usage of insurance via new products with a focus on insurance education and promotion for the most vulnerable populations.
- 2 The financial aspects of pre-paid medicine schemes should be prudentially regulated.
- 3 Explore the possibilities of implementing microinsurance products in the market.
- 4 Increase delivery channel innovations that balance consumer protection and allow insurance companies to deepen outreach in a profitable manner.
- 5 Develop a regulatory framework for obligatory auto insurance (SOAT) and supervise accordingly.

<sup>58</sup> Since Paraguay refers to “microinsurance”, this term is used for this chapter.

<sup>59</sup> At the beginning, the Working Group on Insurance was composed by representatives of the following institutions: World Bank, Ministry of Agriculture and Livestock, Association of Banks, Association of Finance Companies, Ministry of Finance, Superintendency of Insurance and Technical Planning Secretariat. Currently it is composed of representatives of the Association of Insurance Companies, Superintendency of Insurance, Ministry of Finance, Ministry of Agriculture and Livestock, Development Bank, Secretary of Social Action, Secretariat for Children and Adolescents and Superintendency of Health.

**Additionally, the Working Group on Vulnerable Populations has the objective to advance the offer of microinsurance for vulnerable groups in the country.** The insurance supervisor is investing resources to participate in educational activities. For example, since March 2018, they participate in a National Financial Educational Campaign via the Working Group. For this occasion, the NFIS prepared an informational booklet with a focus on insurance, as well as budget, debt, consumer protection, rights and responsibilities, and savings.

### **Implementation and Monitoring & Evaluation**

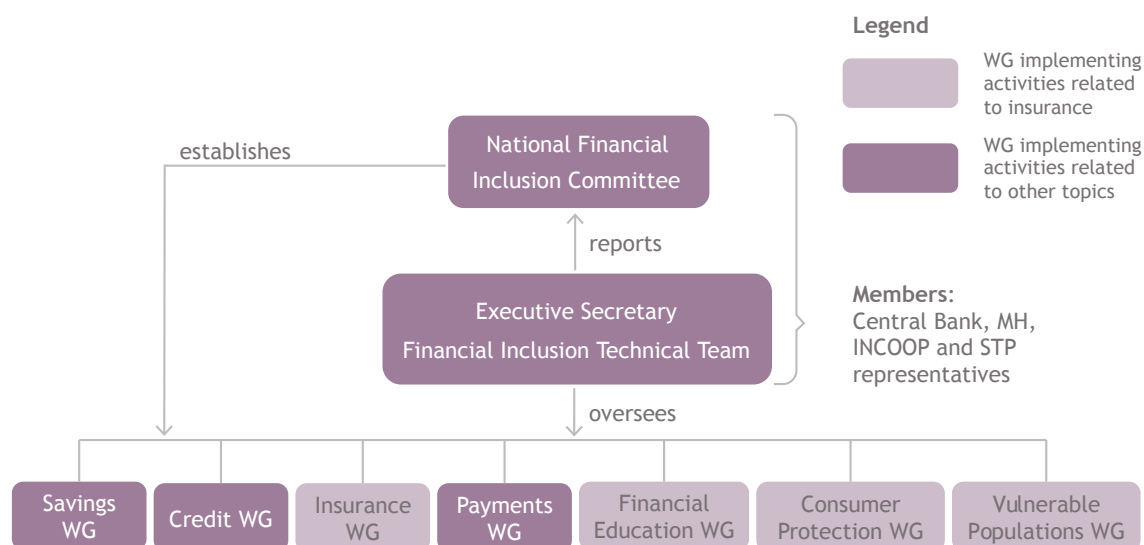
**The NFIS has an elaborate steering and implementation structure.** As Figure 17 shows, the implementation of the strategy is coordinated by the National Financial Inclusion Committee and managed by the Technical Team, which is led by an Executive Secretary. The National Financial Inclusion Committee is composed of representatives of the Central Bank, the MH, INCOOP and STP. It is chaired by the Minister of Finance. The Technical Team is comprised of more operational-level staff of the same organizations and has the role of managing the implementation of the strategy as well as to oversee thematic ad-hoc working groups<sup>60</sup> that are established by the National Financial Inclusion Committee. The Executive Secretary of the Technical Team reports to the chair of the Committee and supports the work of the Technical Team and the seven working groups.

**The activities related to the area of insurance are implemented by various working groups.** The activities for which the Insurance Working Group is responsible are “to expand the market place for insurance including coverage types and options; business models for the introduction of agricultural insurance products and microinsurance”.<sup>61</sup> In fact, three other working groups are also pushing some of the changes in the area of insurance: the working groups on vulnerable populations, consumer protection, and financial education. In addition, during implementation it

<sup>60</sup> Ad hoc working groups are established to overcome specific challenges that are not named in the NFIS.

<sup>61</sup> Estrategia Nacional de Inclusión Financiera, 2014.

Figure 17: Implementation Structure of the NFIS of Paraguay



Source: authors, based on NFIS of Paraguay and interviews

became clear that an engagement of the insurance supervisor in the Consumer Protection working group is also essential. The insurance supervisor has also been working on insurance-linked consumer protection issues since their inclusion in this working group.<sup>62</sup>

**Regarding achievements during implementation, the most important results are two government-initiated social microinsurance products and donor support for agricultural insurance.** Since the launch of the strategy in 2014, two new insurance business models have been introduced. Interestingly, both are social microinsurance products, with contributions from the Paraguayan government to subsidize or pay the premium for the beneficiaries.

- 1** *Microseguro Social* is a life insurance that has reached 13,000 families. Beneficiaries are families living in poverty covered by the Paraguayan social aid. With this insurance, the Secretariat of Social Action and the Secretariat for Children and Youth cover the risk of their own beneficiaries<sup>63</sup>.

- 2** *Seguro Agricola* has been established as a pilot project for around 26,000 small-scale farmers producing sesame, corn, manioc, and beans. The goal has been to insure 60,000 acres in four regions of the country. The success of the project has not been analyzed yet as it is still in its implementation phase.

The current Financial Inclusion Strategy runs until the end of 2018 and a new strategy is being prepared. During this year, the achievements of the current strategy will be evaluated, and the strategy will be adapted in the Working Groups in cooperation with the Executive Secretary. This process has already been initiated. Finance technology, distribution channels and regulation have been proposed as future focal areas. Finance technology also includes the idea of introducing insurance products for specific population groups based on mobile technology.

<sup>62</sup> Wiedmaier-Pfister & Ströh de Martínez, 2016.

<sup>63</sup> Wiedmaier-Pfister & Ströh de Martínez, 2016.

### Insights from including insurance in the NFIS – the case of PARAGUAY

- For the diagnostic study and market survey: A **common definition and understanding** of what is meant by microinsurance are necessary for conducting a survey and establishing a base line. Both public and private sector actors should jointly elaborate the definition.
- **Not only commercial microinsurance, but also social microinsurance** can be a driver of financial inclusion. Both private and public-sector solutions for promoting financial inclusion should be considered and their advantages and disadvantages carefully evaluated over different time horizons.
- **Insurance is linked across many thematic areas** like financial education, consumer protection, distribution channels, etc. Hence, insurance needs to be included as a cross-cutting theme in these subjects or work streams.

#### 4.4 State of the inclusion of insurance in Tanzania's NFIS

##### Tanzania's National Financial Inclusion Framework (NFIF)

Tanzania's first National Financial Inclusion Framework (2014-16) was implemented under the National Council for Financial Inclusion and focused on access to financial services. The previous framework focused on building infrastructure to facilitate access to financial services for the Tanzanian population<sup>64</sup>. Its implementation was guided by the National Council for Financial Inclusion alongside the National Steering and Technical Committees. The Bank of Tanzania is the Secretariat to the three Committees. Key achievements of this framework include the increase of percentage of adults who access formal financial services from 58% in 2013 to 65% in 2017<sup>65</sup> as well as a reduction in the usage of informal financial services from 16% to 7% in the same period<sup>66</sup>. Importantly, the source for this data is a comprehensive FinScope Study. Prior to the first Framework, a comprehensive Access to Insurance Diagnostic Study was implemented<sup>67</sup>.

The follow-up Financial Inclusion Framework (2018 - 2022) focuses on usage of financial services. The vision of the current Financial Inclusion Framework is that "Financial products and services meet the needs of individuals and businesses consistent with supporting livelihood, household resilience and creation of jobs." It thus focuses on the usage of financial services through expanding the opportunities for people to access these services. To realize its vision, the Framework has laid down three principles guiding its development and implementation, namely flexibility, innovation and collaboration. In relation to access and usage, the model identifies as two key access barriers a conducive infrastructure and an enabling legal and regulatory framework. Finally, the Framework puts a focus on women and youth as well as micro, small & medium enterprises.

<sup>64</sup> Tanzania National Council for Financial Inclusion, 2014.

<sup>65</sup> Finscope, 2017.

<sup>66</sup> Tanzania National Council for Financial Inclusion, 2018.

<sup>67</sup> A2ii, 2010.

### Strategy Development Process

The preparation of the second framework was preceded by an extensive assessment and evaluation of the previous framework and its implementation. This included the topics of stakeholders' engagement, timeliness of the activities, appropriateness of resource mobilization and utilization for implementing the prioritized action. This process took place from May to August 2017 and was coordinated by the National Council for Financial Inclusion, the related Steering Committee, and the Technical Committee. Furthermore, a demand side assessment (FinScope survey<sup>68</sup>) was conducted. The assessment of the supply side of insurance services was made through the Tanzanian Insurance Regulatory Authority (TIRA) and the Tanzanian Association of Insurers.

**Different workshops were conducted for the development of the strategy, but none specifically addressed the topic of insurance.** The process of developing the Strategy involved the organization of workshops with industry representatives with the aim to gain further insights from different players on financial inclusion and on topics to be included in the new NFIS. The participants of these workshops were from the banking, pension and insurance sector, MNOs, community groups, savings and credit cooperatives, organizations of women, youth and entrepreneurs, credit-only microfinance institutions and Ministries with activities related to financial inclusion. The workshops were organized by the National Financial Inclusion Secretariat on behalf of the Financial Inclusion National Council.

### Strategy document and the inclusion of insurance

According to the strategy, TIRA is responsible for improving access to insurance through technology-based solutions. The strategy includes one activity related to insurance, namely "Expand insurance supply chain through application of technology"<sup>69</sup>, for which TIRA holds the initiative lead. The success of these activities will be measured by the percentage of adults using insurance products which is supposed to increase from 15% to 50% in 2020. However, there is a debate on whether this indicator, which is only based on usage, provides sufficient information about the value of insurance coverage in the country. TIRA would like to track the development of the insurance market not only in terms of signed contracts (or subscribers in the case of mobile insurance), but, for example, in terms of client value of the product and the renewal of coverage. TIRA is considering including ratios regarding the quality of insurance, such as the claims ratio, profitability ratio or combined ratio as indicators for assessment of the quality of coverage, since they provide a more thorough picture than merely coverage numbers (which may be high in a short time-span, when mobile insurance is rapidly expanding in a market).

<sup>68</sup> The FinScope survey was developed by FinMark Trust and was first piloted in 2002 in South Africa. It has the main objective to measure and profile the levels of access to and uptake of financial products/services (both formal and informal). To date, FinScope Consumer surveys have been conducted in over 26 countries.

<sup>69</sup> Tanzania National Council for Financial Inclusion, 2018: 23.

### Implementation and Monitoring & Evaluation

The implementation of the framework involves three committees and is coordinated by the Central Bank acting as the Secretariat to the committees. As Figure 18 shows, the National Council for Financial Inclusion is the overall decision-making body for the national financial inclusion agenda. It carries responsibility for overall strategic direction and oversight. It is chaired by the Governor of the Bank of Tan-

zania. The National Technical Committee is responsible for technical advice and reports on the progress of financial inclusion initiatives in the country to the National Steering Committee. The latter is responsible for the management and quality control of the National Technical Committee and reports to the National Council. Finally, the National Secretariat coordinates the implementation of the Framework on a day-to-day basis.

Figure 18: Implementation Structure of Tanzania's NFIS



Source: authors, based on Tanzania's NFIS and interviews.

The activities related to insurance are implemented by TIRA. TIRA is represented in the National Technical Committee where its role is to provide information on the progress of imple-

mentation of the Financial Inclusion Framework. TIRA reports to the Treasury and the Ministry of Finance based on an internal Action Plan defined by the National Steering Committee.

### Insights from including insurance in the NFIS – the case of TANZANIA

- **National events on financial inclusion** such as conferences, exhibitions, and national financial inclusion week have been successful in increasing public awareness, showcasing the achievements made, and peer learning among financial inclusion stakeholders and the international community.
- Lessons from first strategies were related to **improving stakeholders' engagement** (including private ones), timeliness of the activities, appropriateness of resource mobilization and utilization for implementing the prioritized action.
- Ratios and indicators beyond mere coverage numbers can inform about the **quality of the insurance coverage** (e.g. claims ratio). Indicators on sole uptake of insurance are insufficient.

## 5 CONCLUSION AND WAY FORWARD

Despite its positive effects on financial sector and economic development, insurance often receives little attention by policymakers, in particular when compared to other financial services such as credit, savings and payment systems. Integrating inclusive insurance into NFIS can support the development of inclusive insurance markets. Developing a strategy on insurance within the NFIS can be an important step towards adapting regulatory frameworks and developing alternative approaches for insurance products and distribution channels. Moreover, measures can be developed to raise risk- and insurance awareness among the population.

The results of the survey show that potential benefits of integrating insurance in NFIS are not fully realized. Many countries have already included the topic of insurance in their NFIS. However, the intensity of integration, as well as the targets and indicators differ widely. While some countries only integrate one target and indicator, others dedicate a full pillar to insurance. The challenges identified lead to learnings for the process of NFIS strategy development and implementation.

### Strategy Development Process

In countries without a definition of inclusive insurance, the diagnostic and the development of indicators are challenged by the lack of clarity on what can be counted as “inclusive”. Generally, insurance sector data is jointly collected for all types of regulated insurance. When assessing the status quo of inclusive insurance during diagnostic and strategy formulation, a definition of inclusive insurance is needed. Without such a definition, data on inclusive insurance cannot be separated from the traditional insurance reporting framework<sup>70</sup>. In many cases, a formal definition of inclusive insurance is developed only during strategy implementation. Instead, it makes sense to define inclusive insurance at an early stage – a step which requires stakeholders from the banking, cooperative and insurance sector to participate at very early stages in the process. This is also valuable for establishing benchmarks which are needed for monitoring and evaluation of the NFIS at a later stage.

Implementing a timely and profound diagnostic is key for developing an adapted strategy. Most countries stress that they have implemented a diagnostic of the financial sector prior to strategy development with about three quarters of them having included insurance. Some jurisdictions have implemented profound diagnostics (or a series of studies) on insurance for informing strategy development, e.g. Tanzania. In some other cases, deeper insurance-related

<sup>70</sup> To approach this challenge, many countries conduct separate studies to inform strategy development, which may not capture the most relevant data, or not define what is meant by “inclusive insurance” e.g. include informally provided insurance (see chapter 4.4).





diagnostics were conducted at a later stage, such as in Paraguay. In summary, while some diagnostics provide a comprehensive picture of insurance, other diagnostics are rather light, don't include insurance, or consider insurance at a later stage.

**Stakeholder engagement generally includes insurance.** The stakeholders were generally satisfied with their level of engagement. In some cases, stakeholders from the insurance sector were either not involved early or fully enough in the different phases. An intensive participation of insurance-related stakeholders at an early stage is considered crucial for meaningful results. In terms of the concentric circles model presented in chapter 2.2, insurance supervisors should be either "champions" or "drafting stakeholders" while industry should at least be part of the "consultation stakeholders".

#### **Strategy document and the inclusion of insurance**

**Good indicators include not only access and usage, but also a quality perspective which indicates the value for customers.** Access and usage targets need to be carefully defined and respond to the country's financial needs in insurance. They should go beyond mere "insurance penetration" or "coverage with microinsurance". In addition, indicators should address the quality of insurance, hence the value for customers (e.g. whether it is used or if people understand the product). This makes the value of an insurance product more transparent. Often, the primary data sources for these indicators do not seem to be in place. If such indicators cannot be formulated, the action plan can foresee respective activities that will lead to the collection of meaningful indicators.

#### **Strategy Implementation**

**The Secretariat plays an important role for NFIS implementation success in general, but needs to be embedded in well-coordinated stakeholder engagement.** The survey has shown that most NFIS implementation structures rely on an institution which acts as Secretariat, pushes activities, and coordinates tasks.

The advantage is to have people whose main task it is to work for the strategy and who do not have other responsibilities. At the same time, it is important that other stakeholders have their own and clear responsibilities and tasks.

#### **Results and outcomes of NFIS on Inclusive Insurance**

**The impact of including insurance in NFIS needs to be analysed for present and future strategies.** Most strategies surveyed are still at an early stage of development or implementation. Therefore, only few effects on insurance market development can be observed at this point in time. Survey respondents indicated that the NFIS has contributed to an increased number of offered products including bundled products. In addition, alternative channels were opened, and financial education measures were implemented. The continued implementation of measures determined in the NFIS and the increased awareness of the topic are expected to impact on access to and usage of insurance. In several cases, a strong commitment of individuals or institutions was noted. In the future, it will be important to closely track impact and to inform present and future strategies.

#### **Outlook**

**The integration of insurance in the NFIS makes financial inclusion more comprehensive.** Insurance has been recognized as an integral part of financial services. NFIS constitute an important opportunity to promote access, usage and quality of relevant financial services, including insurance, to underserved population segments. The effective integration of insurance requires stakeholders from the insurance sector to be involved as equal partners from the outset. The learning experiences of this study and the growing knowledge can contribute to more holistic and effective NFIS – with insurance as an integral part.

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## ANNEXES

### ANNEX 1: NFIS AND INSURANCE SURVEY: SURVEY QUESTIONNAIRE



### 2018 FISPLG – National Financial Inclusion Strategies and Insurance: Survey on Current Status and Best Practices for AFI Members and Insurance Regulators/Supervisors

#### INTRODUCTION

National Financial Inclusion Strategies (NFIS) around the globe are increasingly considering insurance alongside other financial services such as payments, savings, and credit. However, the topic of inclusive insurance has often received little or no attention compared to the other financial services in inclusive finance. The AFI Global Standards and Policy Committee (GSPC) is therefore interested in exploring the current status, best practices, and lessons learnt from integrating insurance into NFIS.

To support the work of the GSPC, AFI and the Access to Insurance Initiative (A2ii) are partnering to generate learnings from countries that have included, or are planning to include insurance as part of their NFIS, in order to encourage the inclusion of insurance in the national strategies of other jurisdictions.

The findings will be presented at the Financial Inclusion Strategy Peer Learning Group (FISPLG) Meeting from 24 – 26 April 2018 in Siem Reap, Cambodia.

Against this background, this survey explores the experiences of Finance Ministries, Central Banks as well as Insurance Supervisors in the respective national context. The survey has four parts:

- A** General questions on the strategy
- B** The process of development of the strategy
- C** The strategy document
- D** The implementation

You are also welcome to participate if you are currently in the process of developing a national financial inclusion strategy. The information will be treated confidentially, and only aggregated information will be published.

Thank you very much for your participation, which is highly appreciated!  
In case you have any questions, please do not hesitate to contact Ms. Ariane Schoen (a.schoen@joyn-coop.com).

#### 1. Contact Information

Name	<input type="text"/>
Institution	<input type="text"/>
Position	<input type="text"/>
Email Address	<input type="text"/>

**PART A: GENERAL QUESTION**

2. Please indicate if your jurisdiction has a financial inclusion strategy or any other policies or strategies covering access to financial services?

- Yes  
 Not at present, but we are in the process of development  
 Not at present, but we are planning to develop one  
 No  
 Not sure

3. Which type of strategy is in your jurisdiction / the strategy you are developing?

- National Financial Inclusion Strategy  
 Financial Sector Strategy  
 Microfinance Strategy  
 Other relevant national or regional strategy

4. In reference to the question above, kindly select the strategy that is in your jurisdiction / the strategy you are developing which includes insurance.

- National Financial Inclusion Strategy  
 Financial Sector Strategy  
 Microfinance Strategy  
 Other relevant national or regional strategy

5. If the following strategy is in your jurisdiction / the strategy you are developing, please provide details such as the year and title below.

National Financial  
Inclusion Strategy

Financial Sector  
Strategy

Microfinance  
Strategy

Other relevant national  
or regional strategy

6. Please indicate if the current strategy is a first or a follow-up strategy?

- First strategy
- Follow-up strategy
- How many strategies did you have before? Please name them in the box below

Please use the most recent NFIS as reference for answering the following questions.  
If your country does not have an NFIS, please use the most relevant other strategy.

#### **PART B: STRATEGY DEVELOPMENT PROCESS (1)**

7. Please indicate if, and in which way the topic of insurance has been included into the NFIS

- Yes, insurance is fully integrated as a main pillar
- Yes, insurance is integrated, but not as a main pillar
- Not yet, we are in the process of integrating insurance in our NFIS
- No, insurance is not covered by the NFIS

#### **PART B: STRATEGY DEVELOPMENT PROCESS (2)**

8. Please indicate what types of insurance are considered within the scope of the NFIS?  
(select all that apply)

- No focus on any particular product type/risk Health
- Life Accident
- Home & Property
- Disaster
- Agriculture
- Other (please specify)

9. Was there a preparatory diagnostic study to assess the status of financial inclusion and to in-form strategy development?

- Yes, including the topic of insurance
- Yes, but without the topic of insurance
- No
- Not sure

10. Please indicate the stakeholders that were included in the development of the insurance section (of the strategy)? (multiple answers possible)

Central Bank	<input type="checkbox"/>
Ministry of Finance	<input type="checkbox"/>
Insurance supervisor	<input type="checkbox"/>
Other authorities (ministries)	<input type="checkbox"/>
Insurance companies (supervisors)	<input type="checkbox"/>
Insurance intermediaries (banks)	<input type="checkbox"/>
Insurance associations (MFIs, etc.)	<input type="checkbox"/>
Mobile Network Operators	<input type="checkbox"/>
Cooperatives (SAC-COs, etc.)	<input type="checkbox"/>

Other actors. Please specify.

11. Did the process of the development of the strategy receive external support (e.g. financial cooperation, technical cooperation, etc.)?

- No  
 Not sure  
 Yes. Please specify

12. What were the major steps in the development of the NFIS? (select all that apply)

- Country diagnosis  
 Evaluation of previous strategies  
 Consultative process with different stakeholders  
 Establishment of working groups on specific topics  
 Revision process  
 Public consultation process  
 Formal launch of the strategy  
 Formal approval by high-level stakeholders  
 Other (please specify)



13. What are your lessons learnt from the process of strategy development? (e.g. on preparatory study, integration of stakeholders, themes covered etc.)

### PART C: STRATEGY DOCUMENT (1)

14. Is insurance explicitly mentioned as a financial service in the following parts?

- Diagnostic
- Main objectives
- Action Plan
- Indicators

15. Please indicate if there are specific targets for insurance in the NFIS (e.g. 20% of the population are covered by insurance, etc.).

- No
- Not sure
- Yes. Please specify

16. Is there insurance-specific indicators introduced to measure access, usage and quality of it?

- Yes
- No

### PART C: STRATEGY DOCUMENT (2)

17. The specific access insurance-specific indicators were defined, namely...

- No. of agents per 10,000 people
- Distance to access points
- Other (please specify)

18. The specific usage insurance-specific indicators were defined, namely...

- % of people / adults / business with insurance coverage (at least one policy)
- Number of insurance policies
- Insurance premium per GDP
- Insurance premium per capita
- Other (please specify)

19. The specific quality insurance-specific indicators were defined, namely...

- % of claims costs in relation to the premiums (claims ratio)
- Other (please specify)

20. Kindly also indicate if there are other insurance-specific indicators.

**PART C: STRATEGY DOCUMENT (3)**

21. Please share details of your monitoring system with us.

In which frequency is the data on insurance reported?

Who reports the data on insurance

Who collects the data for the NFIS?

22. What would be your recommendation to other countries preparing a NFIS with respect to the integration of insurance?

23. Do you consider the way insurance is integrated into the NFIS appropriate to the national context?

- Yes
- No

**PART D: IMPLEMENTATION OF THE NFIS (1)**

24. Which entities are funding the implementation of the NFIS? (multiple answers possible)

- Government (federal budget)
- Ministries
- Insurance supervisor
- Insurance industry
- Non-government organizations or foundations Multi- or bilateral cooperation
- International NGOs / Foundations International Insurance Industry
- Other (please specify)

25. Kindly provide more details as to which entities are funding the implementation of the NFIS.

**PART D: IMPLEMENTATION OF THE NFIS (2)**

26. With respect to insurance, please assess the key aspects of strategy implementation

Coordination (like a Secretariat)	<input type="text"/>
Action Plan	<input type="text"/>
Indicators to achieve targets	<input type="text"/>
Monitoring system	<input type="text"/>

27. Which results and impacts considering insurance have been achieved through the efforts of the NFIS?

- Enabling policy environment, regulation and supervision
- Capacity of insurers
- Evolution of products
- Efficiency of intermediation
- Responsiveness of clients

28. In reference to the previous question, please specify the areas in which changes took place and elaborate on the changes observed.

**PART D: IMPLEMENTATION OF THE NFIS (3)**

29. What information (such as impact evaluations or other documents on results) is available about the impact of the NFIS?

30. Is there anything else related to the integration of insurance into NFIS which you would like to share?

31. What are your major lessons learnt from the process of strategy implementation with respect to insurance? (e.g. on action plan, implementation structure)

32\*. Would you be open to provide further clarification regarding your answers?

- Yes
- No

*\* If you agree to share your strategy document or other relevant documents (e.g. impact evaluations) with us, please kindly send them to Ms. Ariane Schoen (a.schoen@joyn-coop.com)  
Thank you very much for taking the time to respond to this survey!*

33. Kindly elaborate why the topic of insurance has not been included into the NFIS.

**ANNEX 2: LIST OF CONTRIBUTING INSTITUTIONS**

Country	Institution
–	World Bank
Afghanistan	Da Afghanistan Bank
Argentina	Central Bank of Argentina
Armenia	Central Bank of Armenia
Bangladesh	Bangladesh Bank
Burundi	Banque de la République du Burundi
Colombia	Superintendencia Financiera
Costa Rica	Superintendencia General de Entidades Financieras
Fiji	Reserve Bank of Fiji
Haiti	Banque Nationale de la République d’Haiti
Jamaica	National Financial Inclusion Technical Secretariat
Jordan	Central Bank of Jordan
Kenya	Insurance Regulatory Authority
Madagascar	Ministry of Finance
Malaysia	Bank Negara
Mexico	Comisión Nacional Bancaria y de Valores
Mongolia	Financial Regulatory Commission
Mozambique	Banco de Moçambique
Namibia	Namibia Financial Institutions Supervisory Authority
Nepal	Nepal Rastra Bank
Nigeria	Central Bank of Nigeria
Palestine	Palestine Monetary Authority
Papua New Guinea	Bank of Papua New Guinea
	Insurance Commission

Country	Institution
Paraguay	Central Bank - Banking Authority
	Central Bank - Insurance Authority
Peru	Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones
The Philippines	Bangko Sentral ng Pilipinas
	Office of Insurance Commissioner
Rwanda	National Bank of Rwanda
Samoa	Central Bank of Samoa
São Tomé and Príncipe	Banco Central de Sao Tomé e Príncipe
Senegal	Direction des Assurances du Sénégal
Sierra Leone	Bank of Sierra Leone
The Solomon Islands	Central Bank of Solomon Islands
Sri Lanka	Central Bank of Sri Lanka
Swaziland	Central Bank of Swaziland
Tajikistan	National Bank of Tajikistan
Tanzania	General Committee of Insurances
	Tanzanian Insurance Regulatory Authority
	Bank of Tanzania
Timor-Leste	Banco Central De Timor-Leste
Tonga	National Reserve Bank of Tonga
Vanuatu	Reserve Bank of Vanuatu
Zambia	Pensions and Insurance Authority
	Bank of Zambia



**Access to Insurance Initiative, A2ii**  
Hosted by GIZ Sector Project  
Financial Systems Approaches to Insurance  
Deutsche Gesellschaft für Internationale  
Zusammenarbeit (GIZ) GmbH  
Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn, Germany  
[www.a2ii.org](http://www.a2ii.org)

**Alliance for Financial Inclusion, AFI**  
Sasana Kijang, 2, Jalan Dato' Onn,  
50480 Kuala Lumpur, Malaysia  
t +60 3 2776 9000  
e [info@afi-global.org](mailto:info@afi-global.org)  
[www.afi-global.org](http://www.afi-global.org)  
[www.facebook.com/AFI.History](https://www.facebook.com/AFI.History)