

## Closing the protection gap – pandemic risks

A glance at the A2ii-MiN joint sessions during  
the ASSAL-IAIS Regional Training Seminar for  
Insurance Supervisors on “Challenges of  
Insurance Systems in Latin America”



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### SESSION REPORT

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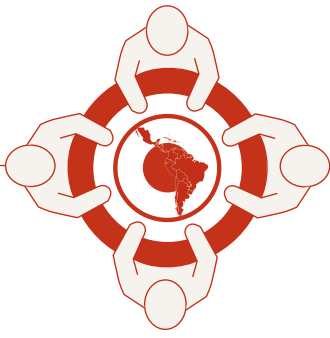
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## ASSAL-IAIS REGIONAL TRAINING SEMINAR FOR INSURANCE SUPERVISORS – “CHALLENGES OF INSURANCE SYSTEMS IN LATIN AMERICA”

The **ASSAL-IAIS Regional Training Seminar for Insurance Supervisors on “Challenges of Insurance Systems in Latin America”**, co-organised by the Latin American Association of Insurance Supervisors (ASSAL), the International Association of Insurance Supervisors (IAIS), the Access to Insurance Initiative (A2ii), and the Microinsurance Network (MiN), and hosted by the Superintendencia de Bancas, Seguros y AFP of Peru (SBS), was held on 22-23 September 2022 in Lima, Peru.

The event was attended by 97 supervisors and 29 industry representatives, both physically and virtually, from 19 jurisdictions, covering current topics involving insurance supervision and regulation, such as risk-based capital, stress testing, cybersecurity, catastrophic risks and protection gaps.

### 1

#### Closing the protection gap – pandemic risks

The last three sessions of the Seminar, on closing the protection gap with a focus on pandemic risks, were jointly led by the Access to Insurance Initiative (A2ii) and the Microinsurance Network (MiN). In them, reflections were brought about the lessons learned by the insurance sector in facing the challenges posed by the Covid-19 pandemic, which, in addition to the devastating effects on health and society around the world, has exposed vulnerabilities in the preparedness and resilience of countries in the face of systemic risks of this scale, particularly relevant where the second-round effect of the pandemic, in the form of government-imposed restrictions on travel and movement and lockdowns, has had a severe and asymmetrical impact. It also sought to discuss how supervisors can play a role in the design, development, and implementation of insurance-related programs and other strategies to build resilience against pandemic risks, especially for the most affected segments.

# 2

## Summary of the Sessions

### 2.1

#### Session 5 – Closing the protection gap: Pandemic-derived risks

Moderated by **Nicolas Morales** (MiN), this session focused on reflections on the risks arising from the pandemic and on the ways found by the industry and supervisors to deal with the new reality in the short term.

**Francisco Astelarra**, General Secretary of Federación Interamericana de Empresas de Seguros (FIDES) provided a comprehensive overview of the insurance sector in Latin America of the pandemic, covering the impact on the market, on the different insurance lines and the important lessons learned by the regional industry during the period.

Although the presentation of **Luciano Bedoya** (Pacífico Seguros), focused on the impact of the Covid-19 pandemic from an insurer’s perspective, his presentation also addressed its effects on the Peruvian insurance sector and society.

Commissioner **Glen Mulready** presented the US response to the Covid-19 pandemic, and outlined the strategy followed by the National Association of Insurance Commissioners (NAIC) and shared the experience of the Oklahoma Department of Insurance - focused on addressing consumer concerns and provide guidance to regulated entities, calling on all to practice the “Oklahoma Standard”.

**Christian Mora Aponte**, Deputy Superintendent for Insurance of the Superintendencia Financiera de Colombia (SFC), shared how Covid-19 evidenced the need for closing the protection gap. The main impacts of the pandemic that highlighted the protection gap in Colombia were related to informality – due to the lack of protection offered to informal workers by their employers, and MSMEs – which represent more than 90%\* of Latin American companies.

**Tomás Soley Pérez**, Superintendent of Superintendencia General de Seguros (SUGESE) closed the session with a round of questions to the speakers, drawing parallels with the experiences of Costa Rica during the pandemic.

## 2.2

### Session 6 – Closing the protection gap: The role of supervisors

This session, moderated by **Regina Simões** (A2ii), strove to understand where supervisors, with their experiences and knowledge, could contribute to the development of long-term programmes and strategies to improve resilience against pandemic risks and close the protection gap, especially for those segments most affected by the pandemic, such as MSMEs and women.



The Covid-19 pandemic exposed vulnerabilities in societies' preparedness for, and resilience to, systemic risks of this scale.

**Alistair Gough**,  
Executive Coordinator, IAIS



Covid-19 showed us that the insurance gap impacts the development of households and businesses. Are all market players doing what is necessary to close it?

**Christian Mora**,  
Deputy Superintendent for Insurance, SFC



As insurers, we must work on inclusion, seizing a market opportunity that underpins the sustainability of the sector, people, and companies over the long term.



**Francisco Astelarra**,  
General Secretary, FIDES



**Alistair Gough** (IAIS), presented some insights on the paper co-published by IAIS and A2ii “**The role of insurance supervisors in multi-stakeholder approaches to address pandemic protection gaps**”. Gough also addressed the role of the supervisor, and how the mandate and institutional frameworks, coordination and administration, risk assessment and monitoring, among other aspects, can influence how they operate across the core supervisory objectives.

**Sara Orozco** (MiN) introduced the “**Best Practices Guide: Driving Inclusive Insurance for MSMEs in Mexico**”, developed to support the design and implementation of insurance for one of the segments most affected by the Covid-19 pandemic. Based on behavioural science, the paper identifies the barriers that small and medium-sized enterprises have to access insurance, as well as opportunities and drivers.

**Miguel Solana** (Insurance and Risk Facility, United Nations Development Programme - UNDP), who presented on supporting insurance coverage for the most vulnerable segments, laid out how the lack of social protection schemes caused the pandemic to negatively affect the most vulnerable groups, stressing that systemic risks are expected to increase in the coming decades with concerns such as climate change, new health risks and geological risks.

Focusing on the effects of the pandemic on women, **Malena Kramer** (Superintendencia de Seguros de la Nación – SSN) provided an overview of the employment and insurance situation for women in Latin America and Argentina, highlighting the consistent inequality faced by them in the work context, related to formal employment, remuneration, access to leadership and employment in general. Kramer also presented the work carried out during the Second **A2ii Inclusive Insurance Innovation Lab** in which Argentina participated, designing innovative solutions for covering this sector of society.

## 2.3 Session 7 – Interactive Session

During session 7, an interactive session took place, where the participants discussed how they could play a role in developing actions and/or programmes that promoted the inclusion of three groups: Migrants, Women and MSMEs, in incorporating elements for incentivising supply, demand and regulation and innovative risk reduction tools that prepare vulnerable populations for future risks.

The results of these discussion are summarised in **annex**.



# 3

## Key Messages

- The Covid-19 pandemic generated great social and economic impacts on people’s health, economy, life, and work. The coverage protection gap caused the combined materialization of second-order risks from pandemics to intensify the losses of households and businesses, especially in Latin America, where penetration rates are still very low and only a minor part of the deceased population had life insurance<sup>1</sup>.
- Globally, the Covid-19 pandemic challenged insurance supervisors from a multi-dimensional perspective: business continuity, financial stability, and consumer protection. In response, supervisors strove to ensure that insurers could honour their claims payments and maintain their financial and economic strength. Supervisors also have sought to inform consumers in a timely manner, in many cases developing specific information channels<sup>2</sup>.



Out of more than 100 poor countries in the world with low-income population, only 3% currently have access to microinsurance.

**Luciano Bedoya,**  
Personal Business Division  
Manager, Technology and  
Operations, Seguros Pacífico

In Argentina, the main job for women is paid domestic work. Most of these female workers are unregistered.



**Malena Kramer,**  
Deputy Manager of Inter-  
national Relations, SSN



- Internally, supervisors have sought to adapt to the new reality, protecting their teams (teleworking), maintaining and modernizing their workflows, and collaborating with other government agencies.
- The insurance industry demonstrated rapid adaptability and resilience in the face of the pandemic, implementing digitalization processes, teleworking, and broad coverage in policies (although pandemic is a risk exclusion in most policies).
- Pandemic caused crisis on different stages of the insurance life cycle, both negative – such as frauds and claims, mainly in lines associated with pandemic risks, such as life, health and personal accidents, travel and BI – and positive – such as new insurance coverages and services.

<sup>1</sup> In Peru, only 35% of the deceased had life insurance. Source session 5 Pacifico Seguros Presentation

<sup>2</sup> Oklahoma Insurance Department addressed consumer concerns, established a Covid-19 Insurance Information Page @OID.OK.GOV, and offered guidance to Regulated Entities with Bulletins and Notices.

- Although the insurance market is recovering, it has not yet reached pre-pandemic levels. Nevertheless, enhanced risk aversion and sensitivity resulting from the pandemic has spurred insurance demands from households and companies.
- Among the main insurance protection gaps in Latin America identified during the pandemic, the following stand out: i) labour informality, especially in domestic In Peru, only 35% of the deceased had life insurance. Source session 5 Pacifico Seguros Presentation In Peru, only 35% of the deceased had life insurance. Source session 5 Pacifico Seguros Presentation work; ii) companies, especially MSMEs, either due to drops in sales, partial closures at the beginning of the pandemic while they continued to pay rent and salaries, and downsizing.<sup>3</sup>
- In many EMDE markets, insurance coverage options to reduce the impact of Covid-19, such as business interruption, may be limited, as they generally require that the interruption be due to physical damage.
- It is a consensus that insurance plays a key social role to close the protection gap, since it prevents unexpected events from undermining the economic and social situations of families. The potential for microinsurance growth is significant, as of the more than 100 poor countries in the world with low-income population, only 3% currently have access to microinsurance<sup>4</sup>.
- Supervisors must guarantee, facilitate, and promote an inclusive insurance environment, prioritizing the agile payment of claims, sharing relevant information and data about the market, and applying the principle of proportionality in supervision and regulation.
- Public-private partnerships (PPPs) and other co-insurance schemes to develop markets and provide expanded coverage for other types of risks, such as natural catastrophes and terrorism, may point out the way forward.
- Learning from Covid-19 can assist supervisors to prepare when faced with future pandemics, or other types of systemic risks that challenge traditional models of insurance coverage.

<sup>3</sup> MSMEs represent more than 90%\* of Latin American companies.

<sup>4</sup> In 2017, only 8% of the population in Latin America and the Caribbean had microinsurance.





# 4

## Lessons Learned

- The importance of maintaining the financial and economic strength of insurance companies is key to face possible “black swans”.
- To increase the insurance inclusion, insurers need to understand and think from the customer’s point of view, responding effectively to their needs.
- Public-private cooperation helps speed-up insurance inclusion processes, particularly when dealing with natural disasters, terrorism and pandemics.
- It is key to have the technical, financial, and operational capacity to face stress scenarios: i) the technical strength of the work teams facilitates adaptation to adverse situations; ii) prospective capital management is essential to face periods of uncertainty; iii) the proper estimation of technical reserves facilitates the availability of resources in crisis situations.



Risks will keep increasing in the coming decades, due to climate change, health risks and high exposure to geological hazards.

**Miguel Solana,**  
Inclusive Insurance Specialist,  
Insurance and Risk Finance  
Facility, UNDP

Remained Flexible –  
Bend, Don’t Break!



**Glen Mulready,**  
Insurance Commissioner,  
Oklahoma Department of  
Insurance, NAIC

- Personal and economic development is fragile in prolonged stress scenarios, which is why agile payment of claims is vital in unfavourable contexts, especially flows that go to the health system.
- It is feasible to design new ways to reach many people. What has been learned in the pandemic should help insurers to internalize that technological changes can be adopted with agility, which translates into lower costs (lower premiums) and new sources of income.
- Financial education should strengthen a culture of insurance. Therefore, it is essential that supervisors maintain coordination with other actors in the development of quality content.
- Insurers must work on inclusion, taking advantage of the market opportunity brought by the pandemic, promoting the long-term sustainability of the sector, people and companies.

- Supervisors could play an important role in administering and/or evaluation of insurance-based programmes, including assessing their effectiveness in improving accessibility and availability of coverage.
- Developing simple processes and simple policies has become a differentiating element for insurance. Policies should be written in the language of the client, simple in structure, with few exclusions and tailored to the characteristics of the target population.

# 5

## Opportunities brought by the pandemic – recommendations for Insurers

- Take advantage of the market opportunity brought by the pandemic, promoting the long-term sustainability of the sector, people and companies, including MSMEs.
- Define teleworking processes to avoid cybersecurity risks.
- Deepen support initiatives for digital channels (App, ChatBot and transactional portals) to facilitate agile and secure access to products and services operating in the cloud.
- Intensify the relationship with the consumer through transactional portals and digital channels.
- Focus on customer needs, observing opportunities (such as physical, social, and psychological) and drivers when designing and implementing insurance business models.
- Promote new business models for distribution and the adoption of technology in processes
- Rethink how to increase insurance outreach

# 6

## Minding the Coverage Gap - Recommendations for Supervisors

- Plan early to ensure later success, treating threats seriously from the very beginning.
- Maintain open communication and constant dialogue with stakeholders, fostering centralized and accurate information sharing, delivering digital channels for consumers, maintaining international contacts, and embracing the use of technology.
- Ensure accurate data for full situational understanding.
- Maintain sound markets through stress testing, regular guidance to supervised entities, and information sharing. Business continuity plans should allow the activity of the industry and attention to financial consumers without interruptions.
- “Remain Flexible – Bend, Don’t Break!” – Collaborate to allow flexibility in reporting and regulatory actions where applicable, particularly in times of crisis.
- Leverage existing links with the insurance sector for the development and consolidation of public policy measures, enhancing coordination of a broader government response.
- Create incentives towards product development for vulnerable and underserved segments.
- Promote the use of the Sandbox as a tool for the development of new ideas.
- Maintain coordination with other actors to scale up insurance education.

There is still improvement to be made in providing adequate and proportionate regulation to stimulate the narrowing of the protection gap. It is also important to ensure seamless payment of claims, adequate information to consumers, financial literacy, and most importantly: clear, adequate and tailored information to those sectors that remain unprotected. Regulations need to have a balance between ensuring adequate service to consumers and generating a fertile ground for innovative solutions. Also, a stronger collaboration between the different stakeholders has the potential to strengthen the whole insurance sector and provide solutions, which might also be multiple and diverse.





Group	Element	Comments	Analysis
<p><b>MICRO, SMALL AND MEDIUM ENTERPRISES</b></p>	<p>Proposals/ Solutions</p>	<ul style="list-style-type: none"> <li>a. Define inclusive insurance</li> <li>b. Promote financial and insurance education</li> <li>c. Design adequate insurance</li> </ul>	<p><b>iii) DEFINITION</b></p> <p>One of the main identified barriers, was establishing a starting point or common ground for all the industry. Many jurisdictions still don't have a definition of microinsurance, and this has represented a significant barrier in the framing of policies that incentivise their development and marketing. Still, the experiences of Peru, Costa Rica, Colombia, Brazil and Mexico were highlighted, where there has been progress in the framing of definitions and/or regulations specific to microinsurance, and they are experiences that serve as a starting point to those who are still to implement a definition. Some of the elements that were discussed and that difficult the establishment of a definition are if it needs to be based on specific premium amounts, insured amounts, or population characteristics.</p> <p>Generally, it is observed that when having caps on premiums and insured amounts, sectors such as agricultural are excluded. On another note, relating to population characteristics, MSMEs often don't fit in the description. The proposal is then to work on a definition that is adjusted to the regulatory framework and that enables common understanding for all parties.</p> <p><b>iv) FINANCIAL EDUCATION</b></p> <p>Supervisors perceive that in their jurisdictions, a distrust for insurance industry and products prevails among their population, which evidences the work to be done in matters of consumer protection and transparency. Additionally, the pandemic resulted in a population with very limited resources, leaving little room for insurance. This will represent a challenge for industry in regards to the development of the products. However, the relevance of understanding the insured needs and characteristics was highlighted, designing customer-centric products, ensuring these generate value also providing assistance that make the product more tangible. Finally, although the health crisis has created awareness about risk exposure, insurance, and its structure and functioning are still unknown to many.</p>
	<p>Relevant Stakeholders</p>	<ul style="list-style-type: none"> <li>a. Regulator</li> <li>b. Insurers/Intermediaries</li> <li>c. Trade associations</li> </ul>	

Group	Element	Comments	Analysis
MIGRANTS	Barriers and challenges	<p><b>Supply &amp; Demand</b></p> <ul style="list-style-type: none"> <li>Information gathering</li> <li>Lack of formality</li> <li>Lack of knowledge about their culture &amp; needs</li> <li>Unbanked/no financial record</li> <li>Discrimination/prejudges</li> <li>Lack of resources to purchase insurance</li> <li>Lack of documents</li> <li>Unawareness on insurance importance</li> <li>Weak payment ecosystems</li> </ul>	<p><b>i) SUPPLY AND DEMAND</b></p> <p>In this discussion, supervisors mentioned that migrants are a segment that is hard to reach, in which the protection gap prevails. This is a result of the market barriers posed in both the supply and demand sides. It was identified that there is a regulatory gap that hampers the development and implementation of insurance for migrants. In many jurisdictions, even the constitution limits these type of products, and in many, other barriers such as lack of information, lack of formality, lack of understanding of their culture and needs were identified. It was also identified that this segment is often unbanked and lacks a financial record. Discrimination due to prejudices in the host county were also identified. There is a lack of resources for purchasing insurance by migrants due to other spending, and insurance is not seen as an investment due to lack of insurer culture.</p>
	Proposals/Solutions	<ul style="list-style-type: none"> <li>Information gathering to better know their interests &amp; needs</li> <li>Segment migrants: formal and informal</li> <li>Offer attractive insurance premiums</li> <li>Simple contracts, simple coverage</li> <li>More flexibility in requirements for approval by insurers</li> <li>Affinity groups</li> <li>Easy-access bank accounts</li> </ul>	<p>Supervisors consider disaggregated data recollection as fundamental for these products, since this enables the development of policies that favour a more inclusive insurance market and helps insurers to have a better understanding of the market and develop more products tailored to this segment.</p> <p><b>ii) INNOVATIVE STRATEGIES FOR OVERCOMING THESE BARRIERS</b></p> <p>Migrants face unique barriers that difficult even more the design of products tailored to their needs. They are a segment that due to their lack of formality and lack of financial record face limitations when accessing to many financial products in the destination countries, however, they have high risk exposure and are discriminated against. For these reasons, supervisors focused on considering innovative alternatives through technology. The Fintechs, Insurtechs, and easy-access bank accounts are some of the solutions that could overcome some of these barriers. However, these ideas must be complemented by an accompanying regulation that simplifies these processes during their whole insurance life span. Establishing programmes that incentivise usage and access to insurance, and that them being preferably carried out by the government was identified as an effective strategy for developing these products.</p>
	Relevant Stakeholders	<ul style="list-style-type: none"> <li>a. Insurtechs and Fintechs</li> <li>b. Correspondents</li> <li>c. Cooperatives</li> <li>d. NGOs that work with migrants</li> <li>e. Supervisors</li> <li>f. Remittance Service Providers</li> </ul>	<p><b>iii) SUCCESSFUL EXPERIENCES</b></p> <p>During the session, a product that supervisors found very interesting was discussed. “Ayllu”, the first insurance for migrants, an initiative thought out by the insurer company Nacional Seguros, with the support of the PROFIN Foundation, Río Uruguay Seguros (RUS) in Argentina, Sudamericana Corredores de Seguros and estacubierto.com. This insurance aims to offer coverage to Bolivian migrants who live in Argentina and, from Nacional Seguros, cover those who receive remittances in Bolivia from said migrants. They mainly offer coverage of medical expenses due to accident, funeral and financial support to the migrant’s family in case of accidental death.</p>



Group	Element	Comments	Analysis
WOMEN	Barriers and challenges	<p><b>Supply &amp; Demand</b></p> <ul style="list-style-type: none"> <li>• Informality</li> <li>• Less income</li> <li>• Less access to education</li> <li>• Less access to financial services</li> <li>• Family is a priority</li> <li>• Marginalisation</li> <li>• Culture/ Behaviours</li> <li>• Financial dependency</li> <li>• Lack of data for target audience</li> <li>• Appropriate Communication</li> </ul>	<p><b>i) BARRIERS AND CHALLENGES</b></p> <p>This group brainstormed the reasons for the lack of insurance programs aimed at women, a relevant segment both for the development of the economy and for closing the protection gap. According to data compiled by the International Finance Corporation (IFC), wider inclusion of women in the economy would increase GDP by 2% to 3.5%. The main barriers and challenges, both on the demand side and on the supply side, were listed for the provision of insurance for women with a focus on their underprivileged segments.</p>
	Proposals/ Solutions	<ul style="list-style-type: none"> <li>• Studies/data</li> <li>• Objective public policies</li> <li>• Gender-sensitive policies/ equal opportunities</li> <li>• Incentivise participation in decision-making</li> <li>• Media outreach</li> <li>• Digital media</li> <li>• Insurance based on women’s needs</li> </ul>	<p><b>ii) PROPOSALS AND SOLUTIONS</b></p> <p>Concurrently, possible proposals and solutions were discussed for each of the barriers identified, including the need to include the participation of women in leadership and decision-making positions. Male supervisors reported their difficulty in understanding women’s specific needs, concluding that women would be more apt to do so. Furthermore, focusing on customer-centricity is key for the development of insurance programs aimed at the female segment to be truly effective. Regional examples were cited, such as auto insurance for women in Brazil (cheaper rates than for men based on claims), insurance for female domestic workers in Argentina, specific health insurance for women (childbirth, breast cancer, etc.) in several countries in the region, among others.</p>
	Relevant Stakeholders	<ul style="list-style-type: none"> <li><b>a.</b> Regulators/Supervisors</li> <li><b>b.</b> Government</li> <li><b>c.</b> Media</li> <li><b>d.</b> Initiatives for women’s support</li> <li><b>e.</b> Ministry of Education</li> <li><b>f.</b> Insurance industry</li> <li><b>g.</b> NGOs/International Organisations</li> </ul>	<p><b>iii) STAKEHOLDERS</b></p> <p>Based on previous discussions, the group identified key stakeholders that should be part of working groups focused on developing insurance programs for women. It is important to note that the list of stakeholders is not exhaustive and tends to change according to the characteristics and regulatory framework of each jurisdiction.</p>