Assessing the impact of inclusive insurance regulations in Brazil

Regina Simões
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1. OBJECTIVES

In its capacity as implementation partner of the International Association of Insurance Supervisors (IAIS) on inclusive insurance, the A2ii initiated the Inclusive Insurance Innovation Lab as a means to support insurance supervisors in taking leadership in developing their insurance market in a manner that is aligned with the Insurance Core Principles (ICPs) and Sustainable Development Goals (SDGs).

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<th>Full Form</th>
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<tr>
<td>BRL</td>
<td>Brazilian Real</td>
</tr>
<tr>
<td>CGAP</td>
<td>Consultative Group to Assist the Poor</td>
</tr>
<tr>
<td>CNSP</td>
<td>Conselho Nacional de Seguros Privados</td>
</tr>
<tr>
<td>CNseg</td>
<td>Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização</td>
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<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit</td>
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<td>IAIS</td>
<td>International Association of Insurance Supervisors</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>KPIs</td>
<td>Key performance indicators</td>
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<td>SUSEP</td>
<td>Superintendência de Seguros Privados</td>
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1. INTRODUCTION

“Microinsurance regulations” or “inclusive insurance regulations” have been in place in many countries for some time now, but what evidence is there of their effectiveness? Over the past years, A2ii and its partners\(^1\) have attempted to answer this question by evaluating markets in the Philippines, Peru, Mongolia, and Ghana\(^2\). In these markets, regulatory measures aimed at increasing access to insurance for underserved and low-income segments were adopted and implemented. Microinsurance markets in these countries have grown.

Verifying causality between regulatory measures and market growth has limits, particularly at the macro level. In economically bearish years – as during the pandemic – shrinking markets could be attributed to consumers giving up their policies or general cautiousness about taking out insurance rather than regulation. Chains of cause and effect also take time: regulations often influence market conditions, which shape the behaviour of companies, but the final effects on the end-consumer take time to emerge. Furthermore, regulations are often implemented as a bundle of measures or statements, which can have varying effects. For example, stricter consumer protection regulations can increase compliance costs, while allowing the use of remote means in insurance contracts decreases them.

In 2021–2022, A2ii conducted an impact assessment in Brazil. The regulator introduced three significant sets of regulations on microinsurance and other inclusive insurance lines, the first being a dedicated microinsurance regulatory framework\(^3\) in 2011-2012. Subsequently, two further sets of regulations seeking to broaden insurance distribution and facilitate take-up were also issued. The regulatory framework did not involve compulsory offers or take-up, thus allowing the examination of voluntary take-up.

This study aims to: 1. Share insights from regulatory impact assessment conducted in Brazil, including its challenges, and 2. Provide a framework for supervisors wanting to assess the impact of their regulatory frameworks in the future.

This assessment does not cover insurance classified in health lines, which are governed by specific laws and regulations and supervised by the Brazilian National Health Agency.

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1. ILO and GIZ

2. See: Regulatory Impact Assessments: Microinsurance Regulations in Peru and the Philippines and A2ii: 10 years on
2. BRAZILIAN MARKET – OVERVIEW AND INCLUSIVE INSURANCE BACKGROUND

2.1 Market Overview

The Superintendence of Private Insurance (SUSEP) supervises the insurance, open private pension, capitalisation bonds, and reinsurance markets in Brazil. Established on November 21, 1966, SUSEP is an autonomous entity under the jurisdiction of the Brazilian Ministry of Economy, with the mission to stimulate the development of the insurance market and ensure free competition, stability, and respect for the consumer. It is managed by a Board of Directors, responsible for executing the general policies defined by the National Private Insurance Council (CNSP), and for issuing instructions, circulars, and guidelines.

By the end of 2020, 122 insurance companies, thirteen open private pension entities, eighteen capitalisation companies, 130 reinsurers, 104,938 insurance brokers, and 27 reinsurance brokers were under the supervision of SUSEP. The Brazilian insurance market ranked 18th globally, and the sector had a share of 3.7 per cent of GDP.

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3 “Título de Capitalização” or a capitalisation bond is a product comprised of two components: savings and lottery. While a part of the subscriber payments is used for capital formation (to be paid back within a defined period according to previously established capitalisation rules), the other part is used to fund lottery draws.

4 SUSEP was set up by Decree-law No. 73/66.

5 The CNSP is comprised of the Minister of the Economy (Chair), the SUSEP Superintendent (Alternate Chair), and representatives of the Ministry of Justice, the Ministry of Pensions and Social Welfare, the Brazilian Central Bank (Bacen), and the Brazilian Securities Commission (CVM).

6 Fourteen local reinsurers, forty admitted and 76 eventual reinsurers.

7 Corresponding to 55,945 individual brokers and 48,993 brokerage houses

8 SUSEP, 2022
2.2 Background on inclusive insurance regulations in Brazil

The first SUSEP initiatives focusing on inclusive insurance date back to 2004. To comply with government guidelines to encourage the creation of financial products and services adapted to the reality of the low-income population as well as formal and informal micro-entrepreneurs, SUSEP enacted the SUSEP Circular No. 267/2004 on “popular group life insurance”, and subsequently in 2005, the SUSEP Circular No. 306/2005 “on popular auto insurance.” Given the limited knowledge of the subject at the time, the main merit of these regulations was to generate debate and the insurance industry’s interest in this new market niche.

The first regulation to encourage the appointment of ombudspersons was also published in 2004 under the CNSP Resolution No. 110/2004, putting in place important mechanisms to safeguard the rights of consumers, especially lower-income segments.

Concomitantly, the promulgation of Presidential Decree No. 5,172/2004 reduced the Tax on Financial Operations (IOF) for life insurance lines from 7% to 2%, reaching a zero rate (0%) in 2006, with a positive impact on the sales of life insurance policies.

In 2006, the set-up of the IAIS-CGAP Joint Working Group on Microinsurance by the International Association of Insurance Supervisors (IAIS) shed new light on the way forward. Chaired by SUSEP from 2008 to 2012, the working group established consistent guidelines for regulatory frameworks that streamline the development of microinsurance in line with the IAIS Insurance Core Principles.

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9 The first IAIS microinsurance working group would only be created in 2006.
10 CNSP Resolution No. 110/2004 was revoked and replaced by CNSP Resolution No. 279/2013, which led to ombudsman’s offices being mandatory in all insurance companies.
12 Decree No. 6,306, promulgated on December 14, 2007 and altered by Decree No. 6,339, promulgated on January 3, 2008, altered the tax to 0.38%.
2.3 Development of inclusive insurance regulations

Three key sets of regulatory measures in Brazil were introduced to drive innovation and development of inclusive insurance products over three phases between 2011 and 2013, as set out in Table 1 and in the timeline (Figure 1).

<table>
<thead>
<tr>
<th>Phase/Year</th>
<th>Description</th>
<th>Regulations</th>
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<tbody>
<tr>
<td>2 2013</td>
<td>Regulations on insurance tickets and the use of remote means</td>
<td>CNSP Resolution No. 285/2013 CNSP Resolution No. 294/2013</td>
</tr>
<tr>
<td>3 2013</td>
<td>Regulations on insurance representatives and retail channels</td>
<td>CNSP Resolution No. 297/2013 SUSEP Circular No. 480/2013 CNSP Resolution No. 296/2013</td>
</tr>
</tbody>
</table>

2.3.1 Phase 1 (2011–2012): A dedicated microinsurance framework

In April 2008, the CNSP created the Microinsurance Consultative Commission, composed of stakeholders from both the public and private sector, to promote studies and research on the potential of microinsurance in Brazil. Its work was completed at the end of 2009, resulting in a series of publications and proposals inserted in Bill No. 3266, which included an ambitious project on tax exemptions for microinsurance.

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14 Secretariat for Economic Policy and Executive Secretariat of the Ministry of Finance (SPE), SUSEP, Brazilian Central Bank (Bacen) and Ministry of Social Welfare.
15 National Federation of Private Insurance and Capitalisation Companies (FENASEG), National Federation of Private Insurance and Reinsurance Brokers (FENACOR) and National Insurance School Foundation (FUNENSEG).
17 By September 2011 the bill had not been approved by the Brazilian Congress, leading SUSEP to regulate microinsurance within the sphere of competence of the CNSP and SUSEP itself, except for tax aspects.
On 6 December 2011, CNSP Resolution No. 244/2011 was issued, establishing a definition for microinsurance and guidelines for operating in this segment. It also delegated the authority to decide on technical and operational issues to SUSEP. The Resolution focused on three main areas:

18 In Brazil “(...) microinsurance is defined as insurance protection for low-income segments of the population or individual microentrepreneurs in the form established by Supplementary Law No. 123/2006 (..), provided by insurance companies and open supplementary pension fund entities authorised to operate in Brazil, through payments proportional to the risks involved”.

19 Compliant with the attributions established by Decree-Law No. 73/66 and Supplementary Law No. 109, promulgated in 2001.
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▶ Product regulation – Objective parameters were established to distinguish microinsurance products from traditional insurance. Specific exceptions were granted for microinsurance products, such as using remote means in insurance operations and simplified policies named “insurance tickets” which could be issued in response to a simple verbal request from the consumer.

▶ Market conduct regulation – This strengthened consumer protection provisions for vulnerable consumers and regulated two new distribution channels: the “microinsurance broker” with minimal but sufficient qualifications, and the “microinsurance correspondent,” the latter inspired by the successful experience of the Brazilian Central Bank (Bacen) with the creation of banking correspondents20.

▶ Prudential regulation – This introduced a differentiated minimum capital requirement for dedicated “microinsurers” (only 20% of the amount required for traditional insurers).

On June 27, 2012, SUSEP issued six supplementary circulars providing detailed rules to guide the implementation of the provisions set out in CNSP Resolution No. 244/2011, namely:

▶ SUSEP Circular No. 440/2012, which set rules on the following:
  ▶ Mandatory parameters for microinsurance products
  ▶ Allowable microinsurance coverage, their ceiling indemnity limits, excluded risks, allowed by coverage, and criteria for deductibles and grace periods
  ▶ The forms of contracting – by policy, by individual certificate, and by insurance ticket
  ▶ The possibility of contracting insurance through remote means21
  ▶ Flexibility for premiums payments, expanding payment channels and forms of collection
  ▶ Prior establishment of the documents required for claims payments for each coverage, avoiding delays
  ▶ A deadline of ten days for claims payment, lower than the limit of thirty days required for traditional insurance

Microinsurance products could include a wide range of life and non-life coverage22 and must meet minimum requirements to allow consumers to compare products adequately.

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20 According to the Febraban Banking Technology survey at that time, the number of companies providing services on behalf of financial institutions had jumped from 118,400 to 210,600 in just three years. Factors explaining this upsurge include increased use of technology by the financial system and the closure of brick-and-mortar bank branches. In many parts of Brazil where there are no physical premises serving the population, correspondents play this role.

21 The use of remote means in insurance operations was not allowed at that time.

22 In addition to death (natural and accidental) and funeral coverage, life microinsurance products could include coverage for: total permanent disability due to accident; medical, hospital and/or dental expenses resulting from a personal accident; credit-life; educational insurance; per diem per hospital stay; per diem for temporary incapacity; unemployment; serious diseases; and travel insurance. Non-life microinsurance could provide coverage for: fire, lightning, explosion, electrical damage, gale, total or partial collapse; flooding; electronic and non-electronic equipment; robbery and/or theft; temporary loss of income; civil responsibility; small vessels; loss of fishing net, among others.
SUSEP Circular No. 441/2012 regulated the sale of microinsurance through banking correspondents, and SUSEP Circular No. 442/2012 regulated microinsurance correspondents. These regulations\(^{23}\) established mandatory clauses for contracts signed between insurance companies and financial institutions. Insurance companies were made responsible for the services provided by their microinsurance correspondents. SUSEP was granted unrestricted access to all information, data, and documents relating to the services correspondents performed when distributing microinsurance products.

SUSEP Circular No. 443/2012, which regulated microinsurance brokers.

SUSEP Circular No. 439/2012 established the rules for licensing and operating in microinsurance for both dedicated microinsurers and traditional insurers.

SUSEP Circular No. 444/2012, on the assignment of capitalisation bond lottery rights\(^{24}\) to the policyholder by the insurer, to encourage the uptake of microinsurance.

The Periodic Information Form (FIP) Manual\(^{25}\), used to obtain specific statistical data from entities regulated by SUSEP, was also amended with the inclusion of two new lines: life microinsurance and non-life microinsurance.

2.3.2 Phase 2 (2013): Insurance Tickets and the Use of Remote Means

The use of insurance tickets and the use of remote means were initially restricted to microinsurance lines, as established by SUSEP Circular No. 440/2012\(^{26}\). However, this changed in 2013, when two resolutions were published, extending the use of insurance tickets and the use of remote means to all insurance lines. This responded to feedback from the insurance industry, streamlining the contracting process, reducing costs, and expanding the scope of insurance.

CNSP Resolution No. 285/2013, dated January 30, 2013, set out the minimum elements for the insurance ticket. By accepting the ticket, the insurer waived the subscription process; in turn, the insurance term started from the time of premium payment by the policyholder.

CNSP Resolution No. 294/2013, dated September 6, 2013, regulated the use of “remote means” in insurance operations, defined as “those that allow the exchange of and/or access to information and/or all types of data transfer through communication networks.”

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\(^{23}\) These circulars were based on the experiences of the Central Bank of Brazil and the National Monetary Council.

\(^{24}\) The lottery component of a capitalisation bond assigned to the policyholder by the insurance company which allows him/her to participate in periodic draws as an incentive to purchase the insurance.

\(^{25}\) The Periodic Information Form (FIP) is a set of information that must be provided periodically by insurers to SUSEP. The FIP information is structured in Statistical Tables, which must be consistent with each other and with the company’s accounting and other systems, which are also subject to inspection.

\(^{26}\) Chapter IV, Section II (subscription by ticket) and Chapter V (use of remote means).
involving the use of technologies such as the world wide web, telephony, cable or digital
television, satellite communication systems, among others.” The broad definition was in-
tended to incorporate eventual future innovations. It also established rules to safeguard
consumer rights (such as alerts for premium payment and confirmation messages) and
ensure transaction security (such as the mandatory use of the ICP-Brasil key).

2.3.3 Phase 3 (2013): Formalising Retail Channels as Insurance Repre-
sentatives

New forms of insurance distribution not formally allowed by the legislation rapidly consol-
didated in Brazil following the issuance of the CNSP Resolutions No. 285 and No. 294. In this
context, retailers stood out\(^27\), as it proved to be an extremely profitable channel suitable for
achieving scale, soon becoming one of the main insurance distribution channels for low-in-
come segments.

As holders of the client portfolio – a key element in achieving scale – retailers entered into
contracts with insurers defining their own remuneration. However, as they were not author-
ised to market insurance, retailers contracted group policies, assuming the role of master
policyholders\(^28\), “selling” insurance coverage bundled with non-insurance products. This led
to consumer protection issues (see Box 1 \(\Leftrightarrow\)), which led to SUSEP eventually publishing two
resolutions and a circular, namely:

- **CNSP Resolution No. 297/2013**, of October 25, 2013, regulated the operations of “insur-
ance representatives”\(^29\). It should be noted that the regulation was broad enough to allow
any type of legal entity as an insurance representative. This new regulatory category en-
compassed the myriad of activities and services performed by various actors along the
insurance value chain, including:

  - The offer\(^30\) and promotion of insurance, including through remote means
  - Receipt of proposals, and issuance of tickets and policies
  - Collection of the policyholders’ registration data and documentation
  - Collection of premiums

\(^27\) According to data provided by the IDV, in 2011 there were 2,463,426 points of sale across the country, which demon-
strated the potential of the retailer distribution channel.

\(^28\) Called “estipulantes” in Brazil.

\(^29\) “Insurance representative” is defined as the “legal entity which accepts the obligation to promote, on a non-incidental
basis and without dependency ties, the execution of insurance contracts for the account and on behalf of” the insurer.

\(^30\) The terminology “offer” is due to a legal peculiarity. By doing so, it formalised the retailers that insurers were leveraging
to sell insurance, considering the activity as direct sales on behalf of the insurer, subjecting the sales force of the rep-
resentative to training by the insurer.
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- Receipt of claims notices
- Claims payments
- Guidance and assistance to policyholders
- Logistical and administrative support and other control services, including data control and processing, noting that the data of policyholders and beneficiaries could not be transferred to third parties\(^{31}\).

The regulation required insurers to draw up a contract with their representatives, including a mandatory clause in which representatives allow SUSEP unrestricted access to their premises, as well as all information, data, documents, and insurance-related services provided by them. For the purposes of transparency, insurers were required to maintain an up-to-date list of their representatives on their website.\(^ {32}\)

Consumer protection requirements were also established, as well as limits for insurance representatives, such as:

- The insurance lines that could be marketed through representatives (less complex insurance coverages)
- A ban on the sale of group contracts to prevent insurance contracts from being changed without the consent of the policyholder
- A cooling-off period\(^ {33}\)
- Minimum training for sales force representatives
- A ban on linking products or services or granting discounts to the compulsory contracting of insurance
- Mandatory issuance of individualised insurance billing documents
- Joint liability on insurers for the services provided by their representatives, including those of appointing substitutes

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\(^{31}\) CNSP Resolution No. 297/2013, Article 2: “§ 1 – The registration data of proposers, policyholders and beneficiaries may not be subject to assignment to third parties, even if free of charge, and their use thereof shall be restricted to contractual purposes (…)”

\(^{32}\) There are no insurance agents in Brazil. Insurance brokers must obtain registration with SUSEP after taking the insurance broker qualification examination.

\(^{33}\) In order to avoid sales conditional on the purchase of goods or services, the consumer may withdraw from the insurance within 7 (seven) calendar days as from the date of the contract.
SUSEP Circular No. 480/2013, of December 18, 2013, regulated the offer of insurance by retailers, whose operations must comply with CNSP Resolution No. 297/2013. Hence, to sell insurance, the retailer must maintain a contract as an insurance representative linked to an insurer, which includes the training of the sales force involved in customer service activities.

CNSP Resolution No. 296/2013, of October 25, 2013, on extended warranty insurance, established a series of consumer protection requirements to address the problems noted above, including the need for exclusive contracting documents, with a ban on joint contracting of coverage from other lines of insurance.

Background: Consumer protection issues surrounding the use of retailers

Before Phase 3, SUSEP closely monitored the situation through on-site inspections and its complaints department. A series of problems related to sales of insurance through retail organisations were detected. These were usually associated with extended warranty insurance sold jointly with other insurance lines, such as credit-life, personal accidents, unemployment, or other “mass” insurance. Among the main problems identified were tie-in sales (prohibited by Brazilian legislation) and clandestine sales (the consumer was unaware of the purchase of insurance). The low loss ratios (close to zero for some lines) were a strong indicator of the inadequacy of the products or even the total lack of knowledge of the purchase of insurance by consumers. In addition, there were numerous complaints to consumer protection agencies and demands from the Public Prosecutor’s Offices.

Despite this, as unregulated entities, SUSEP could do little against retailers. According to the Brazilian Civil Code, as master policyholders, in the event of any irregularities committed by them, it would be up to the policyholder to take legal action against their “legal representatives”. Meanwhile, insurers remained “shielded” from any misconduct in the insurance contracting process.

Aiming to curb the excesses and abuses seen in the sale of insurance through retail channels, on 21 March 2013, SUSEP set up a working group with several

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34 Established by SUSEP Edict No. 5, 228 dated 21 March, 2013, replaced by Joint SUSEP Edicts SENACON/MJ No. 1 dated February 5, 2013, and No. 2 dated October 5, 2013, which included representatives from SUSEP, the National Confederation of General Insurance, Private Pension and Life, Supplementary Health and Capitalisation Companies (CNSeg), the National Consumer Bureau/ Ministry of Justice (Senacon/MJ), the Ministry of Development, Industry and Foreign Trade (MDIC), the Ministry of Finance (MF), the Retail Development Institute (IDV) and the National Federation of Private Insurance and Reinsurance Brokers (Fenacor).
stakeholders, such as the National Consumer Secretariat (SENACON), the Retail Development Institute (IDV), industry and broker representatives. The working group found it necessary to review the rules governing market conduct as well as some insurance coverage (such as extended warranty coverage). Furthermore, it concluded that it was crucial to regulate all intermediaries and service providers in the insurance value chain and, consequently, revise the rules on sanctions and penalties to include all of them in the scope of the insurance supervisor. The proposals presented by the working group resulted in the two resolutions and circular mentioned above.
3. ASSESSMENT APPROACH

3.1 Hypothesis

The research considers the following two hypotheses:

1. **Inclusive insurance regulatory measures** increased the uptake of insurance among low-income and other underserved segments and

2. **Inclusive insurance regulatory measures** ensured that insurance offers value to low-income and other underserved segments.

Specifically, the research considers the impact of the Phase 1, 2 and 3 regulations outlined in Chapter 2 on the inclusive insurance market. The analysis period runs from 2011 to 2021, on the basis that i) the main regulatory measures to support microinsurance and inclusive insurance were implemented between 2011 and 2013; ii) relevant market data is available up until 2021\(^35\), which allows for monitoring of market developments after the implementation of the regulatory measures; and iii) new regulations came into force in 2021, with an impact on data from 2022 onwards.

To clarify exactly what is being tested under each hypothesis, key terms are defined in box 2 on the next page.

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Note that the statistical data does not reflect the effects of the new regulation in force launched in 2021.
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BOX 2  Definitions

1. “Inclusive insurance regulatory measures” refers to regulatory measures introduced with the active intention of making insurance more available and accessible to low-income and other underserved segments. This includes regulatory measures that:
   - Create a special category under regulations (e.g. a dedicated framework for “microinsurance”) to which differentiated regulatory treatment may or may not be applied.
   - Whether via the dedicated framework or otherwise:
     i. Reduce costs, thereby encouraging insurers to provide inclusive insurance products.
     ii. Allow for different business models, thereby providing new options to insurers for the design, distribution, or servicing of insurance products.
     iii. Strengthen consumer protection measures for low-income consumers and other underserved groups through improved transparency, simplified disclosures and product feature requirements.\(^{36}\)
   - It excludes (i) compulsory supply measures, such as minimum sales quotas or compulsory product offerings, and (ii) measures outside regulatory purview, such as subsidies and taxes.

2. “Insurance with a focus on low-income and underserved segments” refers to all products targeted at low-income customers or other excluded or underserved segments, i.e. that are designed to be simple, affordable for target clients, and distributed through sales channels typically accessed by low-income or underserved clients, such as microfinance institutions, retailers, and cooperatives, among others.\(^ {37,38}\) This includes insurance products that are not classified as microinsurance per regulations.

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\(^{36}\) For instance: allowing a shorter, simpler disclosure sheet, but requiring claims processes to be disclosed, which is not normally the case for conventional products, based on the recognition that barriers to claims might be higher for underserved groups.

\(^{37}\) The IAIS defines 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 include the ICPs) (IAIS, 2012). They highlight features such as: relatively low premiums, defined and limited cover, short policy terms to limit risk, few, if any, exclusions; preference for group underwriting; simple and rapid claims processing while still controlling for fraud. The IAIS also defined ‘inclusive insurance’ as 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 (IAIS, 2015).

\(^{38}\) For practical purposes, it is assumed that all policyholders of products designed to target underserved segments are low-income. The likelihood of such products being bought by higher-income segments is low, for two reasons: (i) the sales strategies of the insurer and intermediaries make it unlikely that the products would be marketed at this market segment; and (ii) product benefits do not meet the needs of higher-income groups, thus making it unlikely that they would buy the product.
3. “Value” is understood as (i) whether claims are being paid out to a satisfactory level and (ii) whether good customer outcomes are achieved, as assessed through the lens of Insurance Core Principle (ICP) 19, which states that fair treatment of customers encompasses achieving outcomes such as:

▷ developing, marketing and selling products in a way that pays due regard to the interests and needs of customers;
▷ providing customers with information before, during and after the point of sale that is accurate, clear, and not misleading;
▷ minimising the risk of sales which are not appropriate to ‘customers’ interests and needs;
▷ ensuring that any advice given is of high quality;
▷ dealing with customer claims, complaints and disputes in a fair and timely manner; and
▷ protecting the privacy of information obtained from customers.
### 3.2 Methodology and data collection

To confirm these hypotheses, A2ii built a “logical framework,” represented as a chain of events (Figure 2), which helps understand possible cause and effect relationships at the various levels of impact. Data, where available, was then collected and analysed to verify whether each outcome and impact occurred.

#### Figure 2: Logical Framework

<table>
<thead>
<tr>
<th>Outcome Level 1</th>
<th>Outcome Level 2</th>
<th>Impact</th>
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<tbody>
<tr>
<td>New inclusive insurers operate in the market</td>
<td>New and innovative inclusive insurance products are launched</td>
<td>More low-income and underserved segments take-up insurance</td>
</tr>
<tr>
<td>Insurers leverage new business models for inclusive insurance</td>
<td>Inclusive insurance products are distributed more widely</td>
<td>Inclusive insurance products offer value to consumers in terms of claims and consumer protection</td>
</tr>
</tbody>
</table>

- **Impact on providers and products**
- **Impact on distribution and business models**
- **Impact on consumer protection**

The following regulations were put in place:

- Microinsurance regulations
- Use of remote means
- Insurance tickets
- Insurance representatives, including retailers
3.3 Data collection and mapping

3.3.1 Inclusive insurance lines within the scope of the assessment

As per the definition in box 2, the product lines within the scope of the study are as follows:

- Life (personal) microinsurance
- Non-life (damage) microinsurance
- Funeral (both individual and group lines)
- Credit-life (both individual and group lines)
- Agriculture insurance with a focus on smallholder farmers
- Personal accident (both individual and group lines)
- Homeowners
- Miscellaneous risks (covers loss or damage to a wide variety of assets whose risk does not fall under other existing insurance lines, e.g. loss and damage to mobile and/or stationary equipment)

This list was defined through interviews with SUSEP and industry representatives. In addition to life microinsurance and non-life microinsurance, lines that provide coverage typically demanded by low-income and financially vulnerable segments were included.

From the list above, the following inclusive insurance lines could be marketed by insurance representatives: life microinsurance, non-life microinsurance, individual funeral, individual credit-life, and miscellaneous risks. The use of insurance representatives as distribution channels required that the insurance products were necessarily purchased through individual contracts (individual policies or insurance tickets).

39 The “agricultural insurance with a focus on smallholder farmers” was not analysed, as SUSEP does not have data broken down by farmer category/size for agricultural insurance.

40 In Portuguese called “riscos diversos”, SUSEP defines this insurance line as the one “whose main coverage is related to non-life insurance and is not typical of other lines of insurance”, as established by SUSEP Circular No. 417/2011.

41 The definition of the list of “inclusive insurance” lines in Brazil considered the proposals made by the CNSeg Inclusive Insurance Commission.

42 According to retail surveys carried out, the main products usually purchased by the vast majority of low-income segments (the so-called “lower middle class”) in Brazil are smartphones, televisions and clothing. Brands are relevant to this consumer profile, which is thrifty and traditional, valuing quality at the lowest possible price.
Group funeral, group credit-life, individual personal accidents, group personal accident and homeowner insurance lines were not allowed to be marketed by insurance representatives\(^{43}\), but could be sold through the use of remote means. The products classified in these lines are usually contracted through group policies and marketed by brokers and “bancassurance.”

### 3.3.2 Data Collection

Data was then collected for each of the indicators from SUSEP and/or through a survey among insurers operating in inclusive insurance lines (Table 2). Between December 2021 and February 2022 and supported by the Inclusive Insurance Commission of the National Confederation of General Insurance, Private Pension and Life, Supplementary Health and Capitalisation Companies (Cnseg), A2ii conducted a survey among insurers operating in the inclusive insurance lines defined by this assessment\(^{44}\).

The eight insurers that responded covered 21% of the microinsurance market share in the country and 17.3% of the market share of the inclusive insurance lines selected for analysis\(^{45}\).

As not all data was available at the level of granularity required to verify all steps in the logical framework, efforts were made to triangulate multiple sources of quantitative and qualitative data, which included:

- Additional meetings with SUSEP for clarification on data collection and reporting, as well as on the use and development of performance indicators.
- Bilateral meetings with insurers who agreed to participate to complement information obtained through industry survey. It is worth bearing in mind that there is a “selection bias” to the extent that the insurers who submitted a response are likely those who are already carrying out inclusive insurance and, therefore, more supportive of the regulations in general. They are also the ones who were successful in expanding their inclusive insurance business.

To validate the survey results and complement the information, the CNSeg Inclusive Insurance Commission held a workshop with industry representatives on May 26, 2022. In addition, on July 6, 2022, a new meeting organised by SUSEP took place, with the participation of the SUSEP board and market representatives, in which important aspects of the regulations were discussed, and supplementary information was provided.

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\(^{43}\) Although the agricultural, personal accident (both individual and group) and homeowner insurance lines were not directly impacted by the regulations published between 2011 and 2013, these lines include coverage typically sought by target inclusive insurance segments and were used for comparison.

\(^{44}\) Annex II provides an example of a questionnaire that can be used in meetings and other related activities with industry and supervisors.

\(^{45}\) Market share at the time of the survey, in the first half of 2022.
## Table 2: Stocktake: Data available to verify each outcome level

### Outcome Level 1

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Source/availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) New inclusive insurance providers operate in the market</td>
<td>Number of inclusive insurance providers</td>
</tr>
<tr>
<td>ii) Insurers leverage new business models for inclusive insurance</td>
<td>New business models introduced into the market</td>
</tr>
</tbody>
</table>

### Outcome Level 2

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Source/availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>iii) New and innovative inclusive insurance products are launched</td>
<td>Number and types of new inclusive insurance products launched</td>
</tr>
<tr>
<td>iv) Inclusive insurance products are distributed widely through new types of channels – increase in consumer access points</td>
<td>Number of distribution points for insurers Number of insurance representatives New types of distribution channels allowed</td>
</tr>
</tbody>
</table>

### Impact

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Source/availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>v) More low-income and underserved segments take-up insurance</td>
<td>Number of policyholders (see Box 3 ▶)</td>
</tr>
<tr>
<td>Premium trends – growth rate, market share of inclusive insurance premiums (somehow related to policyholder data)</td>
<td></td>
</tr>
</tbody>
</table>
vi) Inclusive insurance products offer value to consumers in terms of claims and consumer protection

<table>
<thead>
<tr>
<th>Number of non-compliance and misconduct cases related to inclusive insurance products, by product or by company. Qualitative information</th>
<th>Granular data not available. Conducted qualitative interviews of industry and SUSEP.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualitative information</td>
<td>Conducted qualitative interviews of industry and SUSEP.</td>
</tr>
<tr>
<td>Complaints data</td>
<td>Partially available but not used as not appropriate for comparison over the period. A new platform under implementation at the time of this study will allow this type of data to be collected in the future. Relied instead on qualitative data through interviews.</td>
</tr>
<tr>
<td>Loss Ratio</td>
<td>Available via SUSEP reporting data.</td>
</tr>
<tr>
<td>Expense Ratio</td>
<td>Available via SUSEP reporting data.</td>
</tr>
<tr>
<td>Average time for claim payment</td>
<td>Not available. A new platform under implementation at the time of this study will allow this type of data to be collected in the future.</td>
</tr>
<tr>
<td>Claims denial rate</td>
<td></td>
</tr>
<tr>
<td>Claims TAT</td>
<td></td>
</tr>
<tr>
<td>Customer interviews</td>
<td>Not available. Not able to organise within project constraints.</td>
</tr>
</tbody>
</table>

46 Complaints data has been available at SUSEP for a long time, but the calculation criteria has been changing over time, making comparison difficult.
BOX 3  How to verify the profile of policyholders?

Tip box

For data analysis purposes, ideally, there would be a way to verify that the policyholders are low-income. Theoretically, this could be through:

▶ Collecting information on the consumer’s income at the point of sale. But this is not common practice globally for “simple” insurance products where no financial advice is required to be provided to the customer prior to purchase.

▶ Cross-checking national identification numbers with databases on low-income segments, e.g. in Malaysia this is done by validating against listed beneficiaries of financial assistance programmes. However, this requires industrywide product-level policyholder data available to the regulator as well as the existence of a database that it can be cross-validated against.

In the case of the insurers interviewed in Brazil, information and data were collected either through distribution channels or directly. Most of them collected data on a segregated basis: five insurers reported data collection by gender, and four insurers by income level. The percentage of female policyholders per insurer varies between 33% and 49%. The percentage of the “respondents” policyholders earning up to two minimum wages varies between 7% and 30%.
4. OUTCOMES AND REGULATORY IMPACT

The assessment of the outcome levels and the regulatory impact was based on available data, set out in Table 2. Each of the following sections corresponds to one of the steps in the logical framework (Figure 2).

4.1 Outcome Level 1

i) New inclusive insurance providers operate in the market

Between 2011 and 2021, there was a significant increase in the number of insurers operating in inclusive insurance lines marketed through insurance representatives. This is notably the case for individual funeral and individual credit-life lines, and both life and non-life microinsurance lines (Figure 3).

In 2013, only one insurer was active in non-life microinsurance and two in life microinsurance. By year-end 2021, twelve insurers were active in non-life microinsurance lines and 21 in life microinsurance. Among these, three were dedicated microinsurers (Box 4).

This strong response suggests that regulatory changes pre-2013 helped enable new industry players to expand into the inclusive insurance market. It should be noted that the number of providers of inclusive insurance lines whose sale was not allowed through representatives did not increase in the same proportion (Figure 4).
### Assessing the impact of inclusive insurance regulations in Brazil

#### Figure 3:
Increase in inclusive insurance providers in lines distributed by representatives per business line

<table>
<thead>
<tr>
<th>Business Line</th>
<th>2013</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>funeral (ind)</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>credit life (ind)</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>miscellaneous risks</td>
<td>38</td>
<td>44</td>
</tr>
<tr>
<td>life MI</td>
<td>2</td>
<td>21</td>
</tr>
<tr>
<td>non-life MI</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>TOTAL</td>
<td>45</td>
<td>72</td>
</tr>
</tbody>
</table>

Source: SES/SUSEP

#### Figure 4:
Increase in inclusive insurance providers in lines NOT distributed by representatives per business line

<table>
<thead>
<tr>
<th>Business Line</th>
<th>2013</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>funeral (group)</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td>credit life (group)</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>pers. accident (ind)</td>
<td>33</td>
<td>42</td>
</tr>
<tr>
<td>pers. accident (group)</td>
<td>61</td>
<td>62</td>
</tr>
<tr>
<td>home-owners</td>
<td>39</td>
<td>40</td>
</tr>
<tr>
<td>TOTAL</td>
<td>77</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: SES/SUSEP
ALM MICROSEGURADORA emerged from a company providing funeral assistance services in Rio de Janeiro, encouraged by the new set of microinsurance rules (Phase 1 set of microinsurance regulations).

Focusing on the low-income population, it was licensed in April 2015 as a microinsurer. In 2016, its first year of operation, it reached BRL 74.9 thousand in direct premiums, jumping to BRL 4.7 million in 2017. By year-end 2021, it held BRL 16.4 million in direct premiums.

From a consumer value perspective, it has maintained a loss ratio above 50% since its second year of operation, higher than the average of inclusive insurance lines in Brazil and well above the global average of 23% for microinsurance. Except for 2019, commercial expenses remained below 20% of direct premiums, also below the average of the inclusive insurance lines analysed in this study.

Like most Brazilian insurers, although a pandemic is a contractual exclusion, death claims resulting from Covid-19 were paid to avoid reputational damage to the company.
The company offers individual and group plans. Its sales are mainly made through brokers; however, online purchases through its website are also possible, where consumers can choose the type of plan that suits them best.

Individual insurance premiums start at BRL 50 (about USD 10) per month and cover death resulting from an accident (usually BRL 10,000, about USD 2,000) and funeral (BRL 3,000 about USD 600), offering policyholders participation in monthly drawings and in the ALM Advantage Club (which offers discounts on purchases from a variety of partner companies through e-commerce, such as retail chains, restaurants, beauty products, among others).

Additional coverage may also include:

- Popular-kind coverage of a “basic food basket” to beneficiaries through a pre-paid card worth BRL 200 (about USD 40) per month over six months.
- Extrajudicial inventory assistance – consulting services and legal advice for inheritors engaged in “Inventory and Sharing of Extrajudicial Assets,” including notary registration, provided that there is no will or under age or incapacitated inheritors involved.
- Discounts on medicines.
- Pet assistance.

Group products are contracted by companies, associations, and other groups, and the coverage is customised according to the group’s needs or the audience it wants to serve. In addition to the coverage offered in individual plans, group insurance products may include natural death, disability due to accident, medical/hospital and/or dental expenses due to accident, *per diems* for hospitalisation, *per diems* for temporary incapacity, and credit-life insurance.

ii) Insurers leverage new inclusive insurance business models

The respondent insurers feel that the regulations issued between 2011 and 2013 were decisive for defining inclusive insurance sales strategies, notably the regulations regarding remote means and insurance representatives. While the remote means regulation is considered key to reducing transaction costs and achieving affordable premiums for target audiences, the regulation on representatives enabled new distribution channels and partnerships along the insurance value chain. This made it possible to reach new consumer segments.

According to respondents, the regulations introduced rules that reduced the reputational risk for the market and provided greater legal certainty for insurance sales through alternative
channels. Other regulations felt to be critical for influencing insurer strategies included insurance ticket regulation, retailer regulation, lower capital requirements for microinsurers and the set of microinsurance regulations. These findings were validated during the workshops when both SUSEP and the industry agreed that these regulations had encouraged the emergence of new and innovative business models, whose actors are now entirely under SUSEP supervision.

As of 2021, a number of new business models with innovative distribution channels leveraged by regulation are present in the inclusive insurance market. The following were mentioned by respondents:

- Retailers – most respondents reported product sales through insurance representatives, and among them, all used retail channels.
- Affinity networks, such as utility providers, technology companies and car dealerships; the latter focusing on small and medium-sized farmers, offering insurance to cover agricultural machinery and equipment.
- Individual micro-entrepreneurs working in low-income communities and outlying areas using the Point of Sale (POS) system for payment.
- Lottery shops and other types of banking correspondents.
- Online platforms and social networks sometimes combined with in-person sales.
- Financial institutions through customer call centres.
- Direct sales through the insurer’s own website.
- Digital banks.
- Financing networks, for the acquisition of goods and assets in general.
- Real estate companies used to sell homeowner insurance to cover rented properties.
- Rural cooperatives and microcredit institutions, focusing on small entrepreneurs, with almost 100% digital operations, using their own applications installed on the smartphones, tablets and computers of “intermediaries” – the products offered are not geared toward productive activities but rather family protection and credit-life coverage on a voluntary basis.

Most of these distribution channels also sell insurance online through their websites, platforms, and social networks.
4.2 Outcome Level 2

iii) New and innovative inclusive insurance products were launched

A range of new inclusive insurance products aimed at underserved and low-income segments were launched in the post-2013 period. SUSEP reported that 116 new microinsurance products have been registered (Box 6) since the publication of the microinsurance regulations: 89 life microinsurance and 27 non-life microinsurance products.

In terms of product diversity, the industry survey provides some insight. The table below sets out the different types of product lines offered by seven companies surveyed, which together reported having at least 119 inclusive insurance products (Table 3). Of these, eleven products were microinsurance. The number of products per insurer then ranged from five to 31.

<table>
<thead>
<tr>
<th>Line</th>
<th>No. Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life microinsurance</td>
<td>8</td>
</tr>
<tr>
<td>One traditional life focused only on the low-income segment</td>
<td>1</td>
</tr>
<tr>
<td>Non-life microinsurance</td>
<td>3</td>
</tr>
<tr>
<td>Individual funeral</td>
<td>7</td>
</tr>
<tr>
<td>Group funeral</td>
<td>4</td>
</tr>
<tr>
<td>Individual credit-life</td>
<td>11</td>
</tr>
<tr>
<td>Group credit-life</td>
<td>20</td>
</tr>
<tr>
<td>Miscellaneous risks</td>
<td>29</td>
</tr>
<tr>
<td>Agricultural insurance for small farmers</td>
<td>2</td>
</tr>
<tr>
<td>Individual personal accidents</td>
<td>11</td>
</tr>
<tr>
<td>Group personal accidents</td>
<td>7</td>
</tr>
<tr>
<td>Homeowner</td>
<td>16</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>119</strong></td>
</tr>
</tbody>
</table>

Insurers indicate in the survey and through subsequent interviews that a range of new products centred on the needs of low-income consumers were introduced. The miscellaneous risk line saw new types of cover, such as products covering assets generally used as work...
tools in low-income segments (e.g. bicycles or handheld electric appliances like smartphones or POS card machines). Other products included coverage against bank card theft; insurance for banking correspondents, providing coverage against theft of valuables as a result of correspondent activity; and digital protection insurance covering individual dealers’ door-to-door POS data.

Some respondents also reported other products aimed at vulnerable segments whose data were not shared, as they do not fit within the list of insurance lines considered as “inclusive insurance” by the industry survey (for instance, life insurance products, including additional coverage such as “basic food basket” paid to beneficiaries through prepaid cards, and discounts for medicines).

**BOX 5  Breaking down the inclusive insurance product composition**

Seven insurers reported 12,119,084 policyholders covered by inclusive insurance in 2021. These figures are based on the number of policyholders per line/product disclosed by respondents (Table 4).

<table>
<thead>
<tr>
<th>Insurance line</th>
<th>Number of policyholders</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life microinsurance</td>
<td>1,360,263</td>
<td>11.22</td>
</tr>
<tr>
<td>Traditional life insurance product</td>
<td>70,935</td>
<td>0.59</td>
</tr>
<tr>
<td>focused only on low-income segment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-life microinsurance</td>
<td>314,744</td>
<td>2.60</td>
</tr>
<tr>
<td>Individual funeral</td>
<td>9,239</td>
<td>0.08</td>
</tr>
<tr>
<td>Group funeral</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Individual credit-life</td>
<td>750,720</td>
<td>6.19</td>
</tr>
<tr>
<td>Group credit-life</td>
<td>3,532,823</td>
<td>29.15</td>
</tr>
<tr>
<td>Miscellaneous risks</td>
<td>4,316,030</td>
<td>35.61</td>
</tr>
<tr>
<td>Agricultural insurance for small farmers</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Individual personal accidents</td>
<td>118,080</td>
<td>0.97</td>
</tr>
<tr>
<td>Group personal accidents</td>
<td>2,251</td>
<td>0.02</td>
</tr>
<tr>
<td>Homeowners</td>
<td>1,643,998</td>
<td>13.57</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,119,084</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Data provided by seven companies. One insurer did not disclose the number of policyholders.
Several observations can be made:

▶ The most popular inclusive insurance lines were miscellaneous risks and group credit-life. More than 4.3 million policyholders covered by insurance classified in the miscellaneous risks line mainly contracted coverage for typical assets belonging to the profiles of the low-income segments.

▶ The number of policyholders covered by credit-life insurance exceeded 4.1 million people, 18.2% of which were purchased as individual policies. According to information provided by insurers in the survey and validated during the workshops, the number of policyholders with individual policies grew considerably in the period. This was likely driven by the requirement for individual contracting stemming from the consumer protection measures imposed by the regulation of insurance representatives and retailers.

▶ Homeowners’ insurance products not classified as microinsurance also stood out, with more than 1.64 million policyholders. They are marketed on a mass basis through affinity networks, such as utility providers and asset and property financer networks.

▶ The survey respondents reported a relatively low number of policyholders covered by funeral and personal accident coverage (both group and individual). Together, the four lines represent only 1.07% of the total number of people covered. This contrasts with SUSEP’s industrywide data, which shows growth across all lines, particularly in individual funeral growth rates. As such the reason is likely because the companies driving funeral lines did not participate in the survey.

▶ Within the microinsurance product category specifically, more than 1.6 million were covered by microinsurance products in Brazil, the majority by life microinsurance coverage. Qualitative information revealed that in the life microinsurance line, coverage for death from personal accidents, life, funeral, and credit-life prevailed, while in non-life microinsurance, homeowners’ insurance coverage stood out.

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50 SUSEP data showed a substantial increase in premiums in the individual credit-life line – from BRL 40.5 million in 2011 to BRL 688.1 million in 2021, which, likely corresponds, with an increase in the number of policyholders.

51 Funeral, both group and individual lines; personal accidents, both group and individual lines

52 Microinsurance products that meet the regulatory requirements in force at the time.

53 Especially in bilateral interviews with insurers.
BOX 6 The first microinsurance product in Brazil

The first microinsurance product was registered with SUSEP on September 27, 2012. It was developed as a bundled product (homeowner + personal accident insurance coverage, with funeral assistance as an additional benefit) jointly by Bradesco Auto/RE and Bradesco Vida e Previdência, which are part of the Bradesco Seguros Group. The premium did not exceed BRL 8 (USD 3.91) per month at the time of the launch. Sales efforts were supported by electronic means – mobile and POS (point of sale) – through a technology already used by the insurance group, which significantly reduced costs for insurance purchases, in addition to enabling the integration and simplification of sales processes nationwide.

But even before filing the first microinsurance product, Bradesco Seguros Group, an active member of the CNSP Microinsurance Consultative Commission since its creation in 2008, had already launched (in 2010) the first of a series of popular insurances, the “Bradesco First Protection” (“Primeira Proteção Bradesco”). This product, which offered coverage for death from personal accidents and the right to participate in a monthly draw, was sold throughout Brazil by banking correspondents and post offices of Banco Bradesco, with a monthly premium of BRL 3.50, accounting in 2012 for more than 1.8 million policyholders.

That same year, the “Bradesco Bilhete Residencial – Estou Seguro” (“Bradesco Homeowner Insurance Ticket – I’m Safe and Insured”) was launched, developed exclusively to serve the residents of the Morro Dona Marta, a low-income community in the South Zone of Rio de Janeiro. With simplified paperwork and an annual cost starting at BRL 9.90, this insurance was part of the “Estou Seguro” financial education project set up under an agreement signed in December 2009 by the National Insurance Confederation (CNSeg) and the International Labour Organisation (ILO). In 2011, Bradesco Seguros Group won the Innovation Grants 2011 contest run by the Microinsurance Innovation Facility, a division of the ILO, specialising in the promotion of microinsurance.
iv) Inclusive insurance products are distributed widely through new types of channels – increase in consumer access points

As discussed in section 4.1(ii), the range of distribution channels allowed had been broadened under the regulations, especially after the implementation of Phases 2 and 3 regulations, and subsequently, a wide range of new business models using new and alternative distribution channels emerged that focused on low-income and vulnerable consumers. In addition to retailers, other alternative channels also stood out, such as utility service providers, individual micro-entrepreneurs and banking correspondents, expanding access to insurance.

In terms of the numbers of insurance representatives that entered the market, there is no market-wide data available. However, the survey respondents had 12,036 insurance representatives registered in June 2021, the number of which varied per company, depending on their business models. A single insurer reported having 11,201 representatives. In the bilateral interview, it was clarified that these are generally individual micro-entrepreneurs – known in Brazil as MEI (Individual Microentrepreneur) – such as door-to-door salespersons, market vendors, hairdressers, and other individual service providers operating in low-income and outlying communities who use the Point-of-Sale (POS) system for payment. These MEIs are close to potential inclusive insurance consumers, as they often live or work in low-income communities.

In addition to insurance representatives and traditional channels (such as brokers and financial institutions), insurers also reported inclusive insurance distribution through lottery shops and other types of banking correspondents. They are essential gateways to financial services for underserved and low-income segments of the population in Brazil, especially the unbanked.

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54 Insurers were required by the insurance representative regulation to maintain an up-to-date list of their representatives on their website.

55 According to the industry survey, the other four companies that disclosed figures for their representatives have 835 insurance representatives all together.

56 The Individual Microentrepreneur (MEI) classification was introduced by Complementary Law No 128, of December 19, 2008. They can earn up to BRL 81,000 per year, cannot hold stakes in other business as partners or owners, and can have only one hired employee.

57 In December 2020, more than eleven million MEIs were registered, representing about 56% of the total number of companies in Brazil.

58 Both individual (microinsurance and traditional) brokers and large brokerage firms.

59 Banking corresponds were authorized to sell microinsurance in Phase 1.

60 By year-end 2020 there were 210,639 bank correspondents in Brazil and at least one in each of its 5,570 municipalities (see the report Relatório de Cidadania Financeira, 2021 (bcb.gov.br))
4.3 Regulatory Impact

v) More low-income and underserved segments take up insurance

In this section, premium data is used as a proxy for assessing if more low-income people are accessing insurance. Premium data reflects the market size but not the number of people. However, at the time of this study, SUSEP did not require reporting on the number of policyholders by insurance line or by product. This is the case in many jurisdictions. The only available data on policyholders is that provided on a voluntary basis by the insurers who responded to the survey (see Box 5). It was thus not possible to assess the growth in the number of policyholders, as the data only provides a partial view of the population covered by inclusive insurance at a given time by a given group of insurers.

There were 12,119,084 policyholders covered by inclusive insurance products provided by seven insurers in 2021. Although it is not clear how representative of the Brazilian market the sample provided by the respondents might be, by way of comparison, according to “The Landscape of Microinsurance 2022”, the number of people reached by “inclusive insurance” in eleven countries (Brazil included) in Latin American and the Caribbean would be up to 53.8 million in 2021.

In terms of direct premiums, SUSEP data confirmed the substantial growth for inclusive insurance lines in 2011-2021. Together, direct premiums for inclusive insurance lines grew from BRL 11.2 billion in 2011 to BRL 31.5 billion in 2021 (Figure 5). This is notable for inclusive insurance lines distributed through insurance representatives, with growth rates higher than those that were not authorised to use these channels (Box 7). These lines show a marked acceleration in growth rates in 2014 and 2015, despite the economic crisis faced by Brazil from 2014.

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61 At the time of this study, SUSEP was about to launch the Operations Registration System (SRO), an integrated platform with detailed information at policyholder level on all insurance operations.

62 The Landscape of Microinsurance, 2022

63 As per The Landscape of Microinsurance 2022 glossary, the term “microinsurance” may be used interchangeably with “inclusive insurance”. However, it is important to note that the lines of insurance taken as a reference, as well as the assumptions used by the MiN, are different from those adopted in this regulatory impact assessment.

64 Participated in the study carried out by the Microinsurance Network: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, El Salvador, Jamaica, Mexico, and Peru.

65 According to the Brazilian Institute of Geography and Statistics (IBGE), the Brazilian population in 2021 was 213,317,639 inhabitants.

66 Worsened by a serious political crisis that started in 2013, the economic crisis affected Brazil severely during the next two years, when its Gross Domestic Product (GDP) fell by 3.5% in 2015 and 3.3% in 2016.
Microinsurance sales officially started in 2013, but life microinsurance took off first, in 2014, while non-life microinsurance took a little longer, two years after the microinsurance regulations came into effect (Figures 6 and 7). In 2016, both lines showed marked growth rates: life microinsurance and non-life microinsurance lines reached 127% and 238%, respectively. Growth rates remained positive until 2018 when sharp declines occurred – life microinsurance line had a negative growth rate of -27.4% in 2019, while non-life microinsurance fell to -18.8% in 2020. This trend reversed in 2021 with strong growth rates in both lines, since life microinsurance and non-life microinsurance lines closed in 2021 with, respectively, 78.4% and 51.1% (Figure 8).
To avoid major distortions, the growth rates of the microinsurance lines were not included in the graph of the other inclusive lines sold by representatives. For the same reason, the graph with the growth rates of the microinsurance lines only shows them from 2016 onwards.

Figure 7: Non-Life microinsurance premiums evolution
Source: SUSEP

Figure 8: Life and non-life microinsurance: growth rates
Source: SUSEP

67 To avoid major distortions, the growth rates of the microinsurance lines were not included in the graph of the other inclusive lines sold by representatives. For the same reason, the graph with the growth rates of the microinsurance lines only shows them from 2016 onwards.
Individual funeral and individual credit-life lines, both of which were allowed to be distributed through representatives, showed a marked acceleration in growth rates after regulations on insurance representatives and retail channels came into effect. The individual funeral line grew by 74% and 130% for 2014 and 2015 respectively, while the individual credit-life line reached 91% growth in 2014 (Figures 9, 10 and 12).
Assessing the impact of inclusive insurance regulations in Brazil

Miscellaneous risk\textsuperscript{68} started from a higher baseline, already being a mature class of business in 2011 with direct premiums of BRL 1.13 billion (Figure 11). Its growth rate was not as marked as those of the individual funeral, individual credit-life and microinsurance lines (Figure 12) but overall maintained upward growth in the period after the coming into force of the insurance representatives and retail channels regulations (17\% in 2015) and thereafter.

Examining the premiums data unveiled further insights into how the insurance representatives and retail channels regulations helped to drive the growth of initially nascent inclusive insurance product lines. In 2011, it can be seen that individual funeral and credit-life lines had limited uptake, and microinsurance lines did not exist (Table 5). Compared to 2021, these previously nascent lines of inclusive insurance grew significantly to hundreds of millions of Reals.

\textsuperscript{68} The Miscellaneous Risks line aims to meet specific coverage needs not found in traditional lines of insurance. In this way, it offers several modalities and different types of coverage for the risks of loss and material damage arising from external causes, except for those expressly excluded.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{miscellaneous_risks.png}
\caption{Miscellaneous risks insurance premiums evolution}
\label{fig:miscellaneous_risks}
\end{figure}

\begin{box}
\textbf{BOX 7  Examining the impact of regulations through premium data}

Examining the premiums data unveiled further insights into how the insurance representatives and retail channels regulations helped to drive the growth of initially nascent inclusive insurance product lines.

In 2011, it can be seen that individual funeral and credit-life lines had limited uptake, and microinsurance lines did not exist (Table 5). Compared to 2021, these previously nascent lines of inclusive insurance grew significantly to hundreds of millions of Reals.
\end{box}
It is noted that the growth rate of funeral insurance sold through representatives (individual) outstrips that of funeral insurance not sold through insurance representatives (group) until around the year 2020. The trend for credit-life insurance is similar. In 2016, the growth rate for individual credit-life sold through representatives stood at 60.2% compared to -8.2% for credit-life insurance not sold through insurance representatives.
Assessing the impact of inclusive insurance regulations in Brazil

For comparison, inclusive insurance lines not sold by representatives (Figure 13) showed a downward trend with some negative growth from 2014, the year in which the country began to face the economic crisis. This trend continued until 2016 when the country’s economy showed signs of recovery.

Interestingly, non-life insurance lines sold by representatives were the most affected during the first year of the Covid-19 pandemic, together with credit-life, possibly correlated to the drop in consumption and the lockdown measures imposed by regional governments. However, a rapid recovery is observed in 2021, coinciding with lockdown relief measures, with meaningful growth rates in all lines, especially in the microinsurance lines.

vi) Inclusive insurance products offer value to consumers

Data on the number of cases of non-compliance and misconduct related to inclusive insurance products could not be collected as it was not made available by either SUSEP or the respondent insurers. SUSEP clarified that, although it has been collecting data on complaints for many years, the calculation criteria have changed over time, making comparisons inappropriate. Consequently, only qualitative information was obtained through bilateral interviews.

According to SUSEP and CNSeq, shortly after issuing the set of regulations on insurance representatives and sales through retail channels, there was a considerable drop in the number
of retailer-related complaints filed with SUSEP and consumer protection agencies. Both the industry and SUSEP expressed a positive sentiment on the impact of the regulations on how insurers and representatives dealt with consumers. CNSeg acknowledged that insurers have established clear procedures for the fair treatment of insurance consumers as a result of the regulations, which created heavy penalties for non-compliance.

Value is further assessed through two Key Performance Indicators (KPI): loss ratios and expense ratios. In general, the lower the loss ratio and the higher the expense ratio, the lower the value for policyholders. These showed that inclusive insurance lines marketed by representatives had lower loss ratios and higher commercial expenses when compared with other inclusive insurance lines not allowed to be marketed by representatives, as well as with the Brazilian market average for personal and property lines.

Although with an overall slightly upward trend at the end of the analysis period, loss ratios of inclusive insurance lines marketed through representatives (the exception being the miscellaneous risks line) remained below 22% throughout the period, most of which did not exceed 11% for most of the period (Figure 14). Loss ratios of the inclusive insurance lines not sold by insurance representatives are comparatively higher, hovering around 21% to 33% in 2021 (Figure 15). For comparison, in December 2021, average loss ratios for the main personal and property lines (excluding automobiles and larger risks lines) in Brazil were around 40%, while the average for all insurance lines was 51%, including larger risks.

69 The lower the loss ratio, the less consumers are getting back from their premiums. The higher the expense ratio, the higher the insurer’s cost of doing business, and the lower the proportion of premiums that fund the insurance cover for the policyholder. A low loss ratio and high expense ratio thus signify low value for the consumer.

70 Whose loss ratio is similar to that of insurance lines not sold by representatives.

71 D&O, Oil Risks, Operational Risks, Global Banks, Aviation, Stop Loss, Nuclear and Port Operators.
Assessing the impact of inclusive insurance regulations in Brazil

With regard to commercial expenses, although data point to a downward trend in commercial expenses at the end of the period, inclusive insurance lines sold by representatives exceeded 40%—some of them 50%, throughout the period (Figure 17). In turn, commercial expenses ratios for lines not sold by representatives (Figure 17) were around 30% of the direct premiums at the end of 2021. This is consistent with the Brazilian market average for personal and property lines: around 32% for the main personal and property lines (excluding automobiles and larger risks lines) and 25% for all lines of insurance, including larger risks.

Figure 15: Inclusive insurance NOT sold by representatives: loss ratio (%)
Source: SUSEP

Figure 16: Inclusive insurance sold by representatives: commercial expense ratio (%)
Source: SUSEP
Assessing the impact of inclusive insurance regulations in Brazil

According to insurers interviewed, commercial expenses are expected to fall gradually, since these new business models require high initial outlays in their early years for implementation and achieving scale. Moreover, they have longer value chains to be remunerated.

**BOX 8**  How regulations strengthened consumer protection alongside innovation in inclusive insurance

The regulations issued, in particular that of insurance representatives, introduced consumer protection provisions and market conduct requirements. They included several important provisions to safeguard policyholders’ rights, especially the most vulnerable, while also helping consumers to make informed decisions. They also enhanced transparency and established disclosure requirements.

The regulations also created limits and requirements for offering insurance through representatives, preventing malpractice such as selling restricted\(^{72}\) or non-useful\(^{73}\) insurance coverage to policyholders. In the specific case of extended warranty insurance, exclusive contracting documents were required, and

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\(^{72}\) For example, product offering a single coverage for death by personal injury during armed robbery.

\(^{73}\) For example, unemployment insurance for retirees.
joint contracting of coverage from other insurance lines was banned. Prior to regulations, consumers were often unaware that they had taken out insurance, as billing documents did not specify the price of the goods and the insurance separately.

All rules on sanctions and penalties were revised in 2013 in order to include these new actors, subjecting them to the possibility of a fine whenever any irregularity was detected. It also provided a basis for SUSEP to intervene in a timely and objective manner.

In 2020, SUSEP published the annual complaint index by company on its website. It has also been building an oriented analysis methodology, now monitoring other indicators inspired by the A2ii Supervisory KPIs Lexicon for market conduct. These indicators include the renewal rate, persistency ratio, claims TAT, claims declined percentage, claim denial justifications, judicialisation ratio, renewal rate with change of insurer, among others. Many of these indicators have been serving as a basis for supervisory actions.

SUSEP has also developed an Operations Registration System (SRO). It is an integrated platform with detailed information at policyholder level on all insurance operations. This allows market conduct indicators to be monitored through an online dashboard that is updated in real time. At the time of this study, the SRO was already registering several risks.

All these provisions have remained in the new regulations that came into force in 2021. The only exception was the specific requirements for microinsurance products, which were revoked after the introduction of the new principle-based regulation (which includes the customer centricity principle). A safeguard is maintained in that SUSEP reviews new products prior to launch, especially for those that are more sensitive to conduct issues, retaining the right to suspend their sale at any time.

74 Available from the SUSEP website at: Índice de reclamações

75 The A2ii supervisory KPIs Lexicon is an interactive, searchable directory of key performance indicators for insurance supervisors, available at KPI Handbook: Sustainable Development

76 Further information on the SRO project may be found at Sistema de Registro de Operações
5.
CONCLUSIONS

The findings can be summarised as follows:

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Assessment findings</th>
</tr>
</thead>
</table>
| i) New inclusive insurance providers operate in the market | Yes. Between 2011/12 to 2021, the market grew from:  
  ► 0 to 3 new dedicated microinsurers  
  ► to 12 providers of non-life microinsurance  
  ► 2 to 21 providers of life microinsurance  
  ► 45 to 72 insurers providing other lines of inclusive insurance                                                                                   |
| ii) Insurers leverage new inclusive insurance business models       | Yes. Regulations enabled the establishment of new partnerships along the insurance value chain. A series of new business models with alternative distribution channels are present in the inclusive insurance market, such as:  
  ► Retailers – most of the respondents reported product sales through insurance representatives and, among them, all used retail channels  
  ► Affinity networks, such as utility providers, technology companies and car dealerships, the latter focusing on small and medium-sized farmers, offering insurance to cover agricultural machinery and equipment  
  ► Individual micro-entrepreneur working in low-income communities and outlying areas using POS system for payment.  
  ► Lottery shops and other types of banking correspondents.  
  ► Online platforms and social networks, sometimes combined with in-person sales.  
  ► Financial institutions through customer call centres  
  ► Direct sales through insurers’ own websites |
Assessing the impact of inclusive insurance regulations in Brazil

Accessing insurance, there was substantial growth in inclusive insurance lines between 2011 and 2021, notably for lines marketed through insurance representatives, even during a recession time from 2014 onwards. Together, direct premiums for inclusive insurance lines grew from BRL 11.2 billion in 2011 to BRL 31.5 billion in 2021. This was particularly noticeable in (i) individual funeral and credit-life lines, which are the two key nascent product lines that gained significant expansion after the introduction of the insurance representative regulations, as well as in (ii) microinsurance product lines, which did not exist prior to the inclusive insurance regulations and has since seen strong premium growth.

Loss and commercial expense ratios suggest that inclusive insurance business models are currently providing lower value in comparison to the traditional market, particularly when it comes to those that use insurance representatives. Data from recent years show that this is gradually improving.

Other data on market conduct at the time of this study were not available. Complaints data could not provide adequate comparison due to changes in calculation criteria over the period. As SUSEP is actively improving its monitoring systems, this is also expected to advance in the coming years.

SUSEP has also been actively updating market conduct rules, which enhanced the clarity of customer treatment procedures for inclusive insurance models. Interviews with both SUSEP and insurers also indicate that insurers improved their market conduct and treatment of customers after the introduction of the regulations.

The use of remote means regulation is also indicated as key to reducing transaction costs and achieving premiums that are affordable for vulnerable and low-income segments.

<table>
<thead>
<tr>
<th>iii) New and innovative inclusive insurance products were launched</th>
<th>Yes, a range of new products centred on the needs of low-income consumers were introduced.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, 116 new microinsurance products have been registered at SUSEP: 89 life microinsurance and 27 non-life microinsurance.</td>
<td></td>
</tr>
<tr>
<td>Surveyed insurers reported 119 products classified in the 12 lines considered by the survey as inclusive insurance.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>iv) Inclusive insurance products are distributed widely through new types of channels – increase in consumer access points</th>
<th>Yes, the range of distribution channels allowed was broadened under the regulations (see item (ii) above).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Although there is no market-wide data available, surveyed insurers reported 12,036 insurance representatives registered in June 2021.</td>
<td></td>
</tr>
<tr>
<td>A single insurer reported having 11,201 representatives, most of them MEIs.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>v) More low-income and underserved segments take up insurance (market size as proxy)</th>
<th>No data available to assess the growth in the number of policyholders. Premium data used as a proxy for assessing if more low-income people are accessing insurance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial premium growth in 2011–2021 – together, inclusive insurance lines grew from BRL 11.2 billion to BRL 31.5 billion in direct premiums in the period.</td>
<td></td>
</tr>
<tr>
<td>Inclusive insurance lines distributed through representatives showed a marked acceleration in growth rates, especially after regulations on insurance representatives and retail channels came into effect.</td>
<td></td>
</tr>
</tbody>
</table>
Overall, the inclusive insurance regulations introduced in 2011–2013 showed the strongest positive impact in terms of (i) bringing new inclusive insurance providers into the market, including dedicated microinsurers, (ii) enabling new business models with a new range of alternative channels, and (iii) launching of new inclusive insurance products. Interviews indicate that product innovation improved with insurers introducing new types of cover, such as those in the miscellaneous risks line aimed at vulnerable and low-income segments. Regulations also brought important innovations, such as the use of remote means in insurance transactions. This simplified the insurance sales process, making it more agile and less costly, reaching consumer segments previously excluded or underserved.

In terms of direct premiums, used as a proxy for assessing if more low-income people are accessing insurance, there was substantial growth in inclusive insurance lines between 2011 and 2021, notably for lines marketed through insurance representatives, even during a recession time from 2014 onwards. Together, direct premiums for inclusive insurance lines grew from BRL 11.2 billion in 2011 to BRL 31.5 billion in 2021. This was particularly noticeable in (i) individual funeral and credit-life lines, which are the two key nascent product lines that gained significant expansion after the introduction of the insurance representative regulations, as well as in (ii) microinsurance product lines, which did not exist prior to the inclusive insurance regulations and has since seen strong premium growth.
Loss and commercial expense ratios suggest that inclusive insurance business models are currently providing lower value in comparison to the traditional market\(^\text{77}\), particularly when it comes to those that use insurance representatives. Data from recent years show that this is gradually improving.

Other data on market conduct at the time of this study were not available. Complaints data could not provide adequate comparison due to changes in calculation criteria over the period. As SUSEP is actively improving its monitoring systems, this is also expected to advance in the coming years.

SUSEP has also been actively updating market conduct rules, which enhanced the clarity of customer treatment procedures for inclusive insurance models. Interviews with both SUSEP and insurers also indicate that insurers improved their market conduct and treatment of customers after the introduction of the regulations.

### BOX 9  What next? Expectations and concerns with the 2021 market conduct regulations

In general, industry expectations are positive regarding the new regulations issued in 2021 – in particular CNSP Resolution No. 409/2021, the new principle-based microinsurance regulation. It provides insurers with more freedom and flexibility for the structuring and development of new products and encourages innovative solutions that can be applied throughout the product cycle.

For the respondents, the revocation of SUSEP Circular No. 440/2012 has removed several provisions that limited the growth of microinsurance, such as the maximum cap for insured capital and the limitations for coverage terms. The previous regulatory framework established quantitative limits for microinsurance coverage. The flexibility to establish limits on insured capital, according to one of the respondents, would serve the interests of consumers themselves.

Regarding the advantages brought by CNSP Resolution No. 431/2021, insurers highlighted that the new regulation on insurance representatives makes it possible to offer a wider range of insurance products, in contrast to the previous rule that established a more restricted list of insurance lines that could be marketed through representatives. New business opportunities were also identified from

\(^{77}\) It should be noted that there is no single “appropriate” benchmark for inclusive insurance loss ratios and value needs to be balanced against prudential considerations.
the extension of activities authorised for insurance representatives to carry out, such as “the reception and treatment of operational issues related to the insurance contract, such as renewal, amendment, renegotiation and cancellation” and the “underwriting risks related to insurance products”\textsuperscript{78}. Another simplification introduced by the regulation was in the requirement relating to the disclosure of a complete list of representatives on the insurance company’s website; now, only information about the representatives’ head office is required.

CNSP Resolution No. 408/2021, on the use of remote means in insurance operations, was also highlighted. It was considered more generic and flexible than its predecessors, making the sale of insurance like that of other segments of e-commerce. For example, according to previous regulations, the use of ICP-Brasil keys was mandatory and the only option for ensuring secure transactions. Respondents felt that the greater flexibilities afforded to the use of remote means and the simplifications allowed by the new microinsurance principle-based regulation should facilitate the development of new products better suited to the reality of the target audience.

A more recent regulation mentioned by some of the respondents was the CNSP Resolution No. 381, of March 4, 2020, which established the conditions for insurers to operate in an experimental regulatory environment for a defined period and under previously established criteria (Regulatory Sandbox), with the goal of developing innovative projects. This would encourage the entry of new insurers with investments much lower than those required for traditional insurers, encouraging the performance of entrepreneurs who wish to serve the inclusive insurance segments.

Although the insurers interviewed did not have concerns related to the new microinsurance regulation, one of them drew attention to the fact that, depending on the insurer’s portfolio and the distribution channels used, the rules may not generate sufficient incentives for products to be licensed as microinsurance.

Regarding other regulations, it was highlighted that the mandatory inclusion of a profit distribution clause in the contracting documents provided to the policy-

\textsuperscript{78} Article 6 of CNSP Resolution 408/2021.
holder, Article 11\textsuperscript{79} of CNSP Resolution No. 431/2021, is too complex. It was felt that it would not be feasible for an insurance ticket.

Concerns about the regulation of insurance tickets and its relationship with other microinsurance and representative resolutions were also reported. Insurance tickets are considered an essential tool in developing affordable offers and solutions, including facilitating innovation in distribution channels.

For insurers that operate with microinsurance, the need to expand the application of the principle of proportionality in procedures was observed, especially in the sphere of administrative sanctioning processes, since there are no differentiated treatments for microinsurers.

Although it is outside the scope of this study, it is worth mentioning that several respondents expressed concern about the lack of public policies to encourage inclusive insurance, emphasising that there is no government support for a subsidy policy as already occurs for other lines of insurance, such as tax exemptions for specific lines, grants, and lower costs for business registration. According to the respondents, these aspects would have a strong impact on the cost of insurance and, consequently, on increased penetration in the target segments of inclusive insurance.

\textsuperscript{79} Article 11. The representation agreement signed by the insurance company and its insurance representative may provide for the reversal of part of the positive operating earnings calculated on specific portfolios of policyholders for which the representative has provided services, as part of their remuneration and/or for the benefit of the policyholders. (…)

§ 2. In case of a forecast reversion of positive operating earnings to the policyholders, the criteria, frequency and form of such possible reversion must be informed to the proposers before signing the agreement and shall be made available to the policyholder by means of information in the policy, on the ticket, or on an individual certificate or, provided that there is full identification of the insurance contract to which it refers, in the form of attachments to these documents.

§ 3. In the event of a forecast reversion of operating earnings to the representative, the policy, the individual certificate or the ticket must mention the existence of such reversion, also complying with the conduct practices regulation on to the relationship with the client, regarding the duty of transparency of information on the remuneration of intermediaries.
6.

LESSONS – HOW CAN SUPERVISORS ASSESS THE IMPACT OF THEIR INCLUSIVE INSURANCE REGULATIONS?

Data is fundamental for carrying out regulatory impact assessments and for taking timely actions. However, inclusive insurance data in many jurisdictions are often still incomplete, preventing supervisors from taking regular stock of their inclusive insurance market landscape. Supervisors should therefore consider the following:

- **Think simultaneously about how to collect and monitor the related data when developing new regulations.** Ideally, a new data collection framework should be put in place at the same time as the new regulation is implemented in order to monitor the effectiveness of that framework. For example, if a new distribution channel is introduced, then data specifically on the new distribution channel should be collected.

- **Data collection should be appropriate for the line of business in order not to create an overly heavy compliance burden.** For example, while the number of policyholders is fundamental for inclusive insurance, this data may not be so important for other traditional lines of insurance.

- **Key market data should be comprehensive and ideally centralised at one source (preferably at the supervisory level), even if originated from different stakeholders.** Piecing together information from individual insurers provides only a partial picture of the market situation. In the absence of comprehensive data, supervisors should use as many data sources as are available.

Some additional considerations about qualitative and quantitative information include:

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**Quantitative information** to assess the regulatory impact should be based on reliable and sufficiently frequent data on the insurance market. That includes (see Annex 1 for a complete indicator list):

- Data on premiums, claims, commercial expenses, and other solvency-related information. These data make it possible to assess the size and evolution of the inclusive insurance market.
Disaggregated data on policyholders are ideal, such as the number of policyholders per policy (individual and group), range of income, and gender, among others. These data make it possible to assess the target groups and the profile of consumers reached as a result of regulatory measures. SUSEP is advancing in this direction. In many markets however, this data is not required by supervisors and/or collected regularly by insurers. Ways of segmenting consumers by income may involve collaboration with other government agencies. For example, cross-referencing with tax authorities, welfare authorities, poverty databases, or some other type of proxy.

Conduct data. There is a strong link between good conduct supervision and inclusive insurance. Most indicators on inclusive insurance value are conduct indicators. This includes claims data at product level, such as number of registered claims (or frequency of claims) by product.

Data about the distribution channels. Information about intermediaries, such as types of channels, number of policies/premiums per distribution channel, number of points of sale, which makes it possible to assess which types of channels are growing, in particular inclusive insurance channels.

**Qualitative information** should be obtained through inspection activities, meetings with supervised entities (such as via organisation of focus groups, workshops, and multi-stakeholder thematic working groups), and/or thematic questionnaires and thematic surveys. These activities also have the added benefit of promoting dialogue and exchange of knowledge and information between stakeholders.
Annex 1

MAPPING THE LOGICAL FRAMEWORK TO DATA INDICATORS

The tables below set out useful indicators for supervisors to assess regulatory impact based on a structured logical framework.

<table>
<thead>
<tr>
<th>Outcome Level 1</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) New inclusive insurance providers operate in the market</td>
<td>Number of inclusive insurance providers</td>
</tr>
<tr>
<td>ii) Insurers leverage new inclusive insurance business models</td>
<td>New business models introduced into the market</td>
</tr>
<tr>
<td>iii) Companies comply with consumer protection provisions within these frameworks</td>
<td>Number of non-compliance and misconduct cases related to inclusive insurance products, by product or by company. Qualitative information</td>
</tr>
<tr>
<td>▶ All actors in the insurance value chain are under the supervision of SUSEP</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome Level 2</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>iv) New and innovative inclusive insurance products are launched</td>
<td>Number and types of new inclusive insurance products launched</td>
</tr>
<tr>
<td>v) Inclusive insurance products are distributed widely through new types of channels – increase in consumer access points</td>
<td>Number of distribution points for insurers Number of insurance representatives New types of distribution channels allowed</td>
</tr>
<tr>
<td>vi) Consumer protection on existing inclusive insurance programmes is strengthened and effective for the new ones:</td>
<td>Qualitative information (Not possible to capture in an indicator. To infer as part of the assessment of final outcome on value)</td>
</tr>
<tr>
<td>▶ Safer and transparent transactions</td>
<td></td>
</tr>
<tr>
<td>▶ Fair treatment and consumer protection in insurance sales through retailers and other insurance representatives</td>
<td></td>
</tr>
<tr>
<td>▶ Consumers aware of the purchase of insurance</td>
<td></td>
</tr>
<tr>
<td>Impact</td>
<td>Indicators</td>
</tr>
<tr>
<td>--------</td>
<td>------------</td>
</tr>
<tr>
<td>vii) More low-income and underserved segments take up insurance</td>
<td>Number of policyholders (Number of people covered by insurance lines sold through representatives) Premium trends – growth rate, market share of inclusive insurance premiums (somehow related to policyholder data)</td>
</tr>
<tr>
<td>viii) Inclusive insurance products offer value to consumers</td>
<td>By line of insurance/by insurer/by product: - Complaints data (qualitative and quantitative) - Loss ratio - Commercial expenses ratio - Expense rate - Average time for claim payment - Claims denial rate - Customer interviews</td>
</tr>
</tbody>
</table>
Survey on the impact of regulation on inclusive insurance in Brazil
Insurance Industry Perspective

The Access to Insurance Initiative (A2ii) is conducting an assessment on the impact of inclusive insurance regulations on access to insurance in Brazil. The objective of this assessment is to answer the following questions:

1. Have supportive inclusive insurance regulations, particularly those issued between 2011 and 2013 (see timeline at the end), increased the uptake of insurance by low-income and underserved segments?

2. Does the inclusive insurance offer value to consumers?

The purpose of this survey is to gain an initial understanding of the inclusive insurance business from an industry perspective and identify relevant information. This will help to shape the study. Based on the survey findings, subsequent interviews and workshops with willing participants will be organised on dates to be defined.

For the purposes of the regulatory impact assessment in Brazil, it will be considered as inclusive insurance, in addition to life microinsurance and non-life microinsurance lines, some lines that present coverage generally demanded by low-income segments. Lines to be evaluated during the survey are as follows:

- life microinsurance;
- non-life microinsurance;
- funeral insurance (both group and individual lines);
- credit-life (both group and individual lines);
- agriculture insurance (focused on smallholder farmers)*;
- personal accident insurance (both group and individual lines)*;
- homeowners’ insurance*
- miscellaneous risks.

* Although this line has not been directly impacted by regulations published in 2011 – 2013, it includes coverage demanded by inclusive insurance target segments.
This survey is divided into three sections.

- Section 1 – Questions 1 to 7, referring to the regulatory framework issued between 2011 and 2013, effective until July 2021.
- Section 2 – Question 8, referring to the current regulatory framework, effective as of August 2, 2021.
- Section 3 – Question 9, regarding interest in participating in the interviews with A2ii and the Workshop on the regulatory impact assessment.

Section 1 – regulatory framework issued between 2011 and 2013

1. How many products classified in these insurance lines are currently marketed by your company? Please inform the number of products next to the respective line.
   ▶ life microinsurance:
   ▶ non-life microinsurance:
   ▶ funeral insurance (both group and individual lines):
   ▶ credit-life (both group and individual lines):
   ▶ agriculture insurance (focused on smallholder farmers):
   ▶ personal accident insurance (both group and individual lines):
   ▶ “homeowners” insurance:
   ▶ miscellaneous risks:

2. Does your company sell products through insurance representatives? If so, could you inform how many representatives are registered by your company?
   ▶ □ Yes. Please inform the number of registered representatives:
   ▶ □ No

3. What type(s) of non-insurance activity(ies) do insurance representatives linked to your company perform?
   ▶ □ retailer
   ▶ □ service provider
   ▶ □ tourism agency
   ▶ □ others. Please specify:

4. Does your company collect policyholder data segregated by gender and/or income level? If so, indicate the type of data that your company collects separately:
   ▶ gender: □ yes □ no
   ▶ income level: □ yes □ no
5. If you answered yes to the previous question, would it be possible to share some of this data on a consolidated basis? For example:
   ▶ Percentage (%) of women insured?  %
   ▶ Percentage (%) of policyholders earning up to 2 minimum wages?  %

6. Would it be possible to inform the total number of policyholders/beneficiaries covered by your company in the focus lines of this assessment? If yes, please include the number of policyholders/beneficiaries next to the respective line.
   ▶ life microinsurance:
   ▶ non-life microinsurance:
   ▶ funeral insurance (both group and individual lines):
   ▶ credit-life (both group and individual lines):
   ▶ agriculture insurance (focused on smallholder farmers):
   ▶ personal accident insurance (both group and individual lines):
   ▶ homeowners’ insurance:
   ▶ miscellaneous risks:

7. What were the main aspects, particularly in the rules issued between 2011 and 2013 that influenced your company’s decision or strategy to market inclusive insurance (see list of reference regulations below)? Please name at least 3 aspects if possible.
   ▶ □ advantages brought by the set of microinsurance regulations
   ▶ □ microinsurance broker
   ▶ □ microinsurance correspondent
   ▶ □ lower capital requirements for microinsurers
   ▶ □ regulation of the use of remote means in insurance operations
   ▶ □ regulation of insurance tickets
   ▶ □ regulation of insurance representatives
   ▶ □ regulation of insurance sales by retailers
   ▶ □ others. Please specify:

**Section 2 – current regulatory framework**

8. Are there any concerns related to the new microinsurance regulation (CNSP Resolution nº 409/21) or any other regulation in place (for example, CNSP Resolution 431/2021 – insurance representatives) that may affect your inclusive insurance business?
Section 3 – interest in participating in the interviews with A2ii and the Workshop on the regulatory impact assessment.

9. Are you willing to take part in subsequent A2ii interviews and a workshop on the regulatory impact study?

▷ Interview: □yes □no
▷ Workshop: □yes □no
Promoting access to responsible, inclusive insurance for all.

Access to Insurance Initiative

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Access to Insurance Initiative