

Implementing a better regulatory environment for Inclusive Insurance

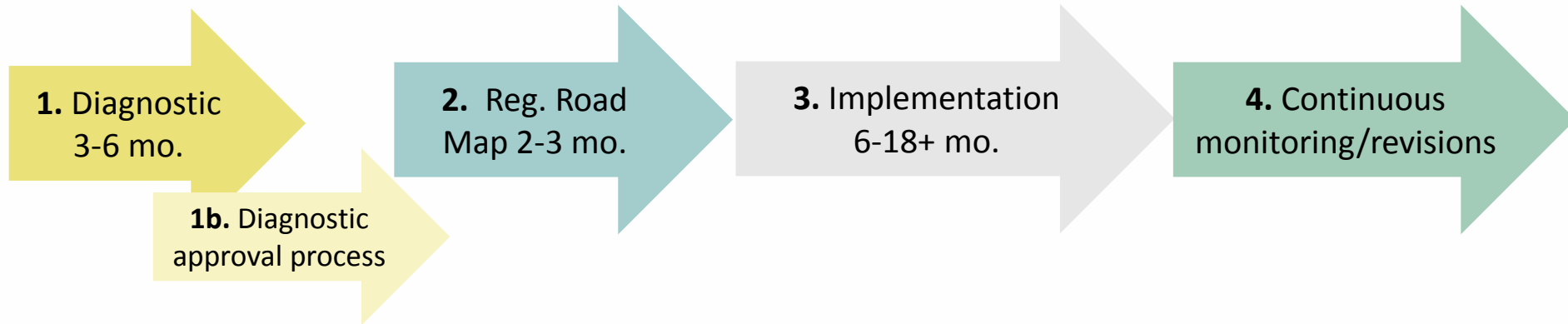
Lessons from diagnostic implementations
In Colombia, Jamaica, and elsewhere

21 July 2016

A2ii Consultation Call

Michael J. McCord

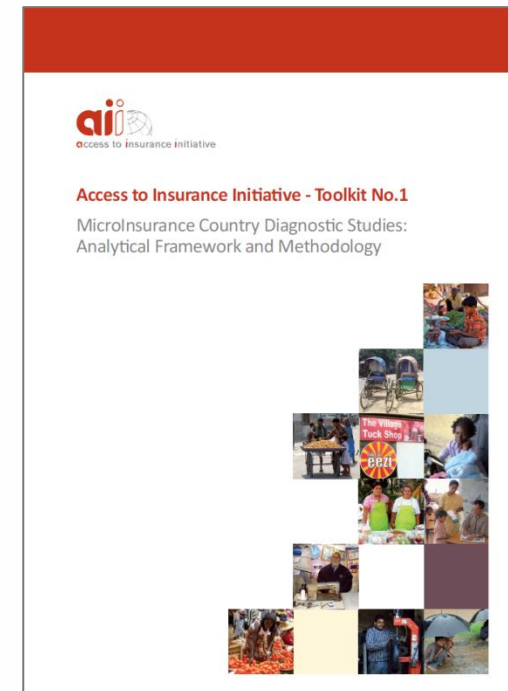




- **Holistic view of the process up front:**
 - Avoid funding / capacity gaps so as to not lose momentum or relevance between stages; Keep consistency of teams and relevant entities involved
- **Recognize the process of getting various levels of regulations cleared. Use the method that is easiest**
 - E.g. Changing the law takes a long time; where legally feasible, publishing a commissioner's memorandum is “quick”
- **Not all aspects of the regulatory environment can be implemented at once:**
 - plan for appropriate progression
- **Allow sufficient time for dialogue and explanations among stakeholders**



- Diagnostic phase can be done relatively quickly and efficiently
- Assess opportunities and barriers to financial inclusion
- Analysis of supply, demand and policy and regulatory context
- Dialogue workshops with relevant insurance market stakeholders
 - A2ii has a toolkit for this
 - A2ii Toolkit 1- Country diagnostic Studies: Analytical framework and methodology



Toolkit No. 1: Country Diagnostic Studies Analytical Framework



For implementation, detailed policy framework should be finalized

- These are drafting instructions for the regulation and legislative amendments
- Probable areas to be addressed:
 - definition, group insurance, distribution, reporting and monitoring, consumer protection



Requires:

- Assessment of capacities and mandates of supervisory and regulatory authorities
- Understanding of inclusive insurance products, distribution and partnerships occurring globally to see possibilities and opportunities
- Understanding of Insurance Act, Regulations and Guidelines
- Industry input



2. Regulatory Road Map – institutional assessment

**RRM – Regulatory /
supervisory authority
institutional assessment**



3. Implementation requirements - II 'champions'



Who:

- Trusted board and senior management of regulatory and supervisory authorities.
- Personally interested in inclusive insurance.
- Critical to include legal or regulatory responsible or ensure they are consulted



Characteristics:

- Involvement of senior management and decision makers early on and throughout establishes importance of making key policy decisions
- Need to demonstrate and communicate a clear vision and rationale for II regulation → **Create buy-in throughout the organization and with the industry and other agencies**
- Where possible have a consistent team throughout all stages of process

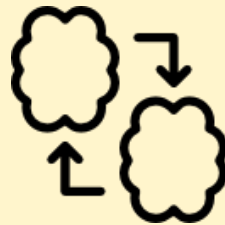


3. Implementation requirements - *Targeted capacity building with supervisory authority*

Understanding the possibilities in inclusive insurance:

To facilitate appropriate policy development, the regulator requires a high level of knowledge in regards to **global inclusive insurance initiatives** in:

- Regulation
- Products
- Distribution
- Successes
- Failures



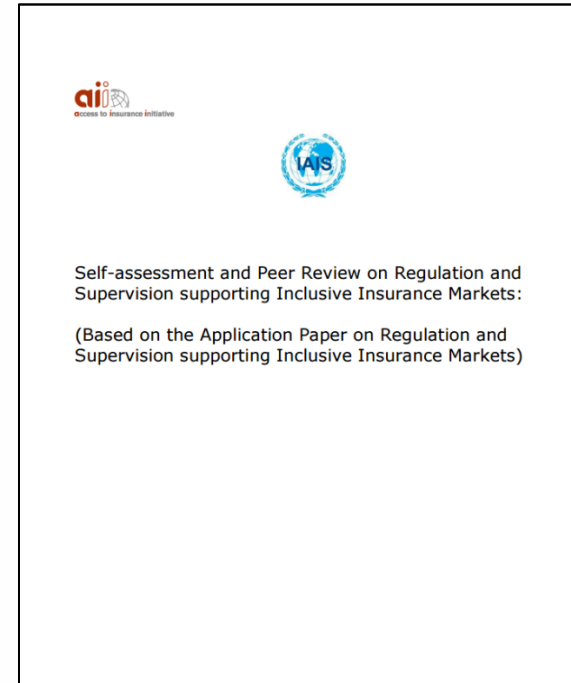
Capacity building is required at key points:

- Assisting in drafting the policy framework / RRM
- Assist in developing and drafting any amendments to existing legislation, regulations and guidance, reporting etc.
- Training specifically for Actuarial and Legal on II issues to help understand proportionality
- Setting up and implementation monitoring & reporting mechanisms
- Ongoing peer discussions with other supervisory authorities



3. Implementation requirements - *Targeted capacity building with supervisory authority*

- **Capacity building resources for supervisors:**
 - IAIS self-assessment toolkit
 - Periodic A2ii – Toronto Center trainings, 1 week
 - *3rd - 7th October in Jamaica for Caribbean supervisions*
 - Case studies and other A2ii publications
 - Consultative forums



3. Implementation requirements - *Industry involvement*

Jurisdictions benefit when they share the II regulatory development process with industry:



- ✓ Identify key elements for the policy approach
- ✓ Understand current innovations, trends, desires in the II sector
- ✓ Understand areas of regulation that help or hinder insurers' ability to provide inclusive insurance products
- ✓ Set the foundation for smooth implementation
- ✓ Build collaboration on key initiatives (e.g. financial education)
- ✓ Find ways to avoid over-regulation / overly-costly regulation
- ✓ Better understand consumer protection issues / needs

Dialogue should be consistent and ongoing



3. Implementation requirements – *Proportionate approach*

Supervisory requirements and actions that are in accordance with the nature, scale and complexity of individual insurance business.



- Justifies **simpler** and **less burdensome** ways of meeting requirements for **low-risk activities**
- Justifies **more sophisticated** methods and techniques for more **complex risk situations**

*Inclusive insurance is generally **low-risk** in terms of **solvency***

*Inclusive insurance is generally more **complex** in terms of **consumer protection***

Proportionality is key for the effective application of regulation for inclusive insurance



1. Rigid insurance acts / laws.

A structure allowing flexibility to the regulators through guidelines or executive regulations eases the process.

2. Regulatory and supervisory environment often extends well beyond jurisdiction of insurance regulator → coordination with other bodies

- Central Bank
- Cooperative regulator
- Telecoms
- Ministry of Finance – more involvement with the regulator would lead to a more coherent process



Thank you!



The Initiative

The Initiative is a partnership between:

