



**SUPERINTENDENCIA**  
**DE BANCA, SEGUROS Y AFP**

República del Perú

---



**SUPERINTENDENCIA**  
DE BANCA, SEGUROS Y AFP

República del Perú

---

# Developing Peru's microinsurance market

---

Inclusive Insurance Training Program  
for Latin American and Caribbean Supervisors  
Jamaica, 2016



# Agenda

---

- ◆ Objectives
- ◆ Peru's economy
- ◆ The financial services industry
- ◆ The insurance industry
- ◆ Microinsurance regulatory framework
- ◆ Market outcomes
- ◆ Challenges and opportunities
- ◆ Ongoing projects



# Objectives

---



# Objectives of the Case Study

---

- ❖ Gaining a closer knowledge of the microinsurance industry in an economy and society like Peru's.
- ❖ Learning about the evolution and major challenges faced by the Peruvian microinsurance market.
- ❖ Acknowledging the importance of the active role played by the supervisory body in developing and promoting microinsurance.
- ❖ Understanding the need to prepare a legal and regulatory framework to support microinsurance supply and market.
- ❖ Understanding how to plan and enforce appropriate strategies to accomplish greater financial inclusion through insurance.

# Objectives of the Case Study

---

- ❖ Participants will share their knowledge and experience about other national developments and thereby contribute to preparing potential strategies or plans of action for further expanding microinsurance in Peru.
- ❖ Participants will learn about new criteria for analysis, ideas and experiences they may apply or refer to when developing microinsurance in the markets they oversee.



## Peru's economy

---



# Peru's economy

---



- ◆ Surface: 1 285 216 km<sup>2</sup>
- ◆ Total population<sup>1</sup> : 31 151 643
- ◆ Population in Lima: 32%
- ◆ GDP 2015 (USD mill.)<sup>2</sup>: 141 491
- ◆ Per capita GDP (USD): 4 500
- ◆ Average growth rate (10 years) : 5.86%





# The financial services industry

---



# The financial services industry

---

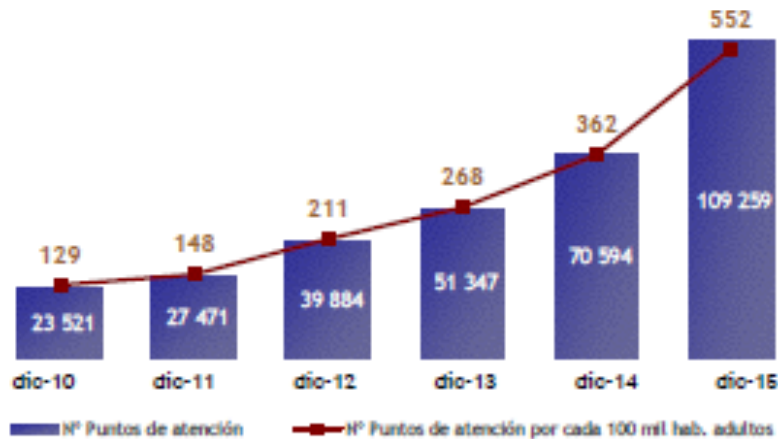
## Structure December 31, 2015

Financial System	Number of Companies
Banks	19
Financial companies	11
Non-banking microfinance organizations	31
Municipal savings & loans (Cajas Municipales, CMs)	12
Rural savings and loans (Cajas Rurales, CRACs)	7
Small and microcompany development entities (Edovme)	12
Financial leasing, loan management and factoring organizations	5
<b>Total</b>	<b>66</b>

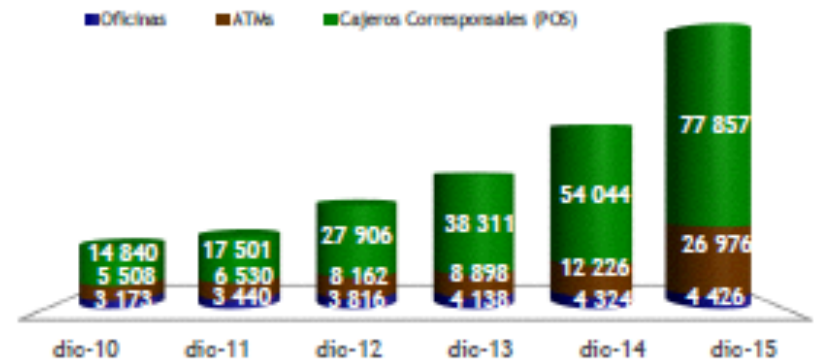
# The financial services industry

## Access to financial services December 31, 2015

Number of POS for every 100 thousand adults.



Number of branches, ATMs and correspondents

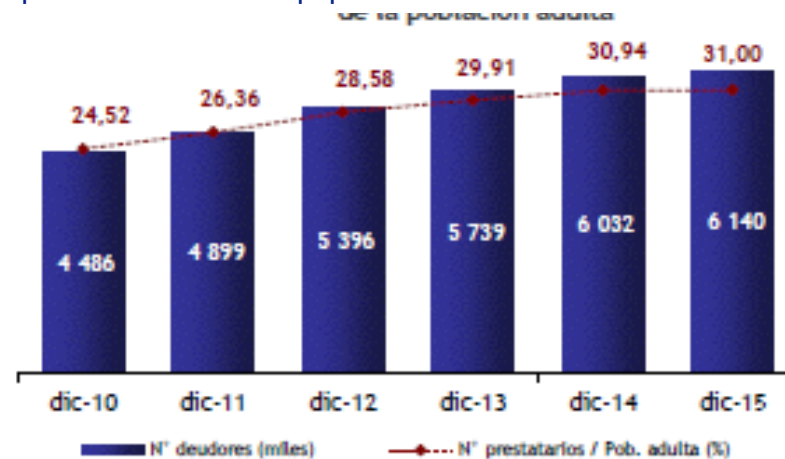


An expanding financial system's network has gone hand-in-hand with significant geographic decentralization, thus expanding access to financial services outside the national capital.

# The financial services industry

## Use of Financial Services December 31, 2015

Number of borrowers and number of borrowers as a percent of the adult population.



In the most recent 5 years, approximately 1 million borrowers joined the financial system. Their total number is presently close to one third of the adult population.

# The financial services industry

## Depth of financial services December 31, 2015

Number of small and medium corporate borrowers and SME debt  
Personas naturales: Individuals

Rangos de Deuda (S/)	dto-10		dto-15		Variación dto15/dto10	
	Número de deudores (miles)	S/ millones	Número de deudores (miles)	S/ millones	Número de deudores (miles)	%
0 - 1500	462	352	594	439	132	25,78
1500 - 3 000	258	568	324	712	67	13,06
3 000 - 9 000	368	1 969	481	2 568	113	22,05
9 000 - 20 000	192	2 564	272	3 665	80	15,74
20 000 - 30 000	68	1 686	104	2 561	36	6,97
30 000 - 90 000	117	5 836	179	9 037	62	12,15
Más de S/ 90 000	26	3 964	48	7 264	22	4,25
<b>Total</b>	<b>1 491</b>	<b>16 938</b>	<b>2 002</b>	<b>26 247</b>	<b>511</b>	<b>100,00</b>

Number of small and medium corporate borrowers and SME debt  
Personas jurídicas: Companies

Rangos de Deuda (S/)	dto-10		dto-15		Variación dto15/dto10	
	Número de deudores (miles)	S/ millones	Número de deudores (miles)	S/ millones	Número de deudores (miles)	%
0 - 1500	12	2	18	2	6	31,60
1500 - 3 000	2	4	1	3	-0,1	-0,71
3 000 - 9 000	5	28	4	25	-0,4	-2,04
9 000 - 20 000	7	100	7	99	-0,1	-0,68
20 000 - 30 000	5	127	5	135	0,3	1,52
30 000 - 90 000	18	1 020	23	1 345	5	26,79
Más de S/ 90 000	17	3 726	25	5 160	9	43,53
<b>Total</b>	<b>65</b>	<b>5 006</b>	<b>85</b>	<b>6 771</b>	<b>20</b>	<b>100,00</b>

If only Micro and Small Business owner borrowers are included,  
over 500 thousand business owners join the financial system  
between 2010-2015.



# The insurance industry

---



# The insurance industry

---

## Structure December 31, 2015

General and Life	General	General Life
ACE	El Pacífico Peruano	El Pacífico Vida
Cardif	Insur	La Positiva Vida
Interseguro	La Positiva	Mapfre Perú Vida
Protecta	Magallanes Perú	Ohio National Vida
Rímac	Mapfre Perú	Rigel Perú
	Secrex	Sura
		Vida Cámara
		Creceer
<b>5</b>	<b>6</b>	<b>8</b>

- ❖ The 3 largest companies by premiums account for over 50% of the market.
- ❖ The main companies also are owned by major local economic groups.

# The insurance industry

---

## Indicators December 31, 2015

Insurance System	2014	2015
Net Insurance Premiums / GDP	1.81%	1.92%
Net Insurance Premiums / Working population	USD 202.93	USD 211.93
Policy holders by type of insurance	30 909 491	33 076 990
General	5 408 099	6 779 634
Accident and Disease	3 302 602	6 123 403
Life	19 723 213	17 620 398
SPP related insurance*	2 475 577	2 553 555

\* Private Pension System; number of contributing individuals

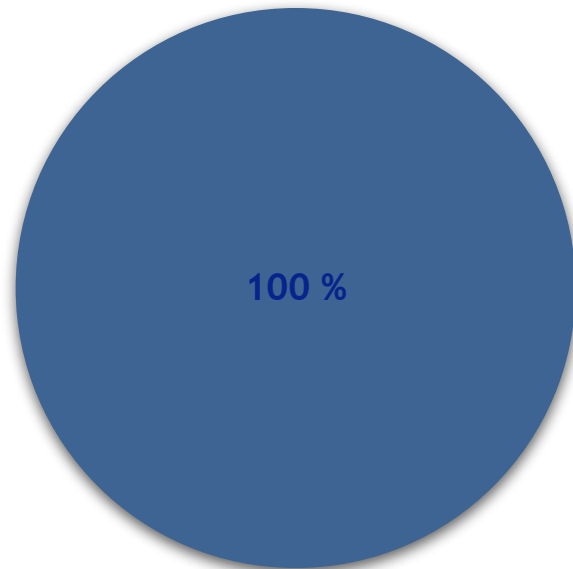
---



# The insurance industry

---

## Net Insurance Premium Production December 31, 2015



S/. 11.8 billion : USD 3.5 billion



# Microinsurance regulatory framework

---



# Microinsurance regulatory framework

---

## General Financial System and Insurance System Law; Bank and Insurance Superintendencia Organic Law - Law N° 26702

- ❖ SBS's main objective is to protect the interest of the public; ensuring the stability, solvency and transparency of the systems under its oversight; fostering financial inclusion and contributing to identify money laundering and terrorism financing activities.



# Microinsurance regulatory framework

---

## SBS Resolution N° 215-2007: 1st Microinsurance Regulation

**Objective:** To promote adequate insurance development for resource poor people and expansion of microfinance in Peru.

### References:

- ❖ Local experience in expanding microfinances, a market populated by low income people and microbusiness owners.
- ❖ Significant growth of mass insurance available to resource poor people. For example, SOAT mandatory traffic accident insurance led to establishing the Regional and Provincial Traffic Accident Funds' Associations (Asociaciones de Fondos Regionales o Provinciales contra Accidentes de Tránsito, AFOCATs).

# Microinsurance regulatory framework

---

## SBS Resolution N° 215-2007: 1st Microinsurance Regulation

### Microinsurance characterization:

- ❖ Mass, low cost insurance (premiums  $\leq$  USD 3) with limited coverage ( $\leq$  USD 3 300), for individuals and microbusiness owners.
- ❖ Indeterminate life; no annual renewals required.
- ❖ Straightforward, user-friendly language.
- ❖ No special verifications, deductibles, franchises or co-payment required.
- ❖ Minimum and general exclusions.

# Microinsurance regulatory framework

---

## SBS Resolution N° 215-2007: 1st Microinsurance Regulation

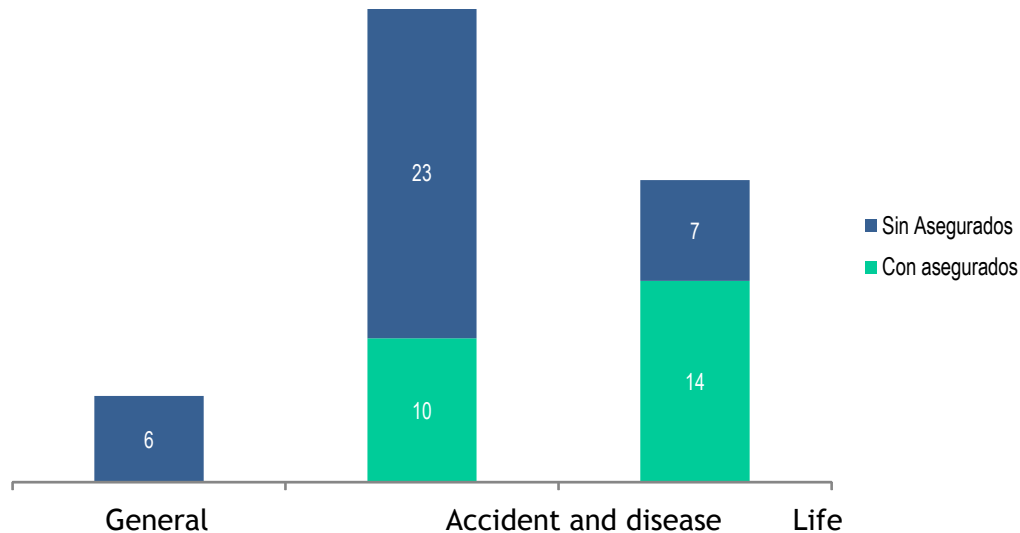
### Microinsurance characteristics:

- ❖ Indemnification payment deadline: 10 days.
- ❖ Complaint care deadline for failure to pay indemnification: 15 days.
- ❖ Option to sell through alternative marketing channels i.e. under the microinsurance sales agent approach, previously only allowed for Mandatory Traffic Accident Insurance (SOAT).

# Microinsurance regulatory framework

## SBS Resolution N° 215-2007: 1st Microinsurance Regulation

Number of registered microinsurance products  
(2007-2009)



Year	Registered products
2007	22
2008	27
2009/09	11

- ❖ Accident and disease microinsurance recruited the largest number of insureds.
- ❖ Also important were products distributed through NGOs focusing on social programs for women.

# Microinsurance regulatory framework

---

## SBS Resolution N° 215-2007: 1st Microinsurance Regulation

### Main conclusions:

- ❖ Insurers designed microinsurance products adhering to these regulations to take advantage of the marketing options these rules opened. However, in some cases design was poor and effective marketing channels were unavailable.
- ❖ For microinsurance, it is crucial to identify the coverage and benefits the target consumers require, as well as the most effective and reliable channel to reach them.



# Microinsurance regulatory framework

## SBS Resolution N° 215-2007: 1st Microinsurance Regulation

### Main conclusions:

- ❖ Two success stories were organizations to COPEME<sup>1</sup> and PROMUC<sup>2</sup>, which acting as sale channels work together with insurance companies in policy-holder education.
- ❖ A higher recruitment rate (56% of the total SBS-registered microinsurance market for number of policy-holders, and 49% for monthly premiums, to June 2009) and greater interest on insurance among the target population.

Microinsurance products sold by COPEME-PROMUC (June 2009)

Risk	Seller	Policy holder	Monthly premiums
Group life	PRISMA	22 680	USD 22 680
Individual life	FINCA	11 214	USD 11 214
Individual life	Manuela Ramos	19 997	USD 19 997
Individual life	ADRA	7 365	USD 7 365
Individual life	Promujer	55 180	USD 220 720

Source: Final report. Research on the microinsurance market. COPEME-PROMUC. March 2010. P. 15.

<sup>1</sup> COPEME: Consortium of Private Organizations to Promote the Development of Micro and Small Companies.

<sup>2</sup> PROMUC: NGO Consortium for Promoting Women and Communities

# Microinsurance regulatory framework

---

## SBS Resolution N° 215-2007: 1st Microinsurance Regulation

### Main conclusions:

- ❖ Microinsurance required a flexible regulatory framework that could easily adapt to changing conditions in this industry segment.
- ❖ Pricing and coverage regulatory constraints can become an obstacle for designing innovative products.
- ❖ The indeterminate life requirement imposed on microinsurance products was an additional constraint hampering insurers and reinsurers efforts.

# Microinsurance regulatory framework

---

## SBS Resolution N° 14283-2009: 2nd Microinsurance Regulation

New international conceptual framework:

“Issues in Regulation and Supervision of Microinsurance”. IAIS-CGAP. 2007.

- ❖ Microinsurance is a type of insurance affordable to low income people provided by a range of organizations but generally under insurance industry’s accepted practices (Basic Insurance Principles).
- ❖ It does not include government social security and emergency care.
- ❖ Covers both the formal and informal economies.
- ❖ Partnerships with MFIs - microfinance institutions, cooperatives, non-financial organizations, health mutuals, NGOs and others.

# Microinsurance regulatory framework

---

## SBS Resolution N° 14283-2009: 2nd Microinsurance Regulation

### Characteristics of microinsurance:

- ❖ Insurance protecting low income people from human and property risk-related losses.
- ❖ Coverage provided by an insurer authorized by the Superintendence and hired as individual or group insurance.
- ❖ Risk and protection needs determined through profiling of specific potential policy holders groups. When appropriate, also the commercialization agent must be identified.

# Microinsurance regulatory framework

---

## SBS Resolution N° 14283-2009: 2nd Microinsurance Regulation

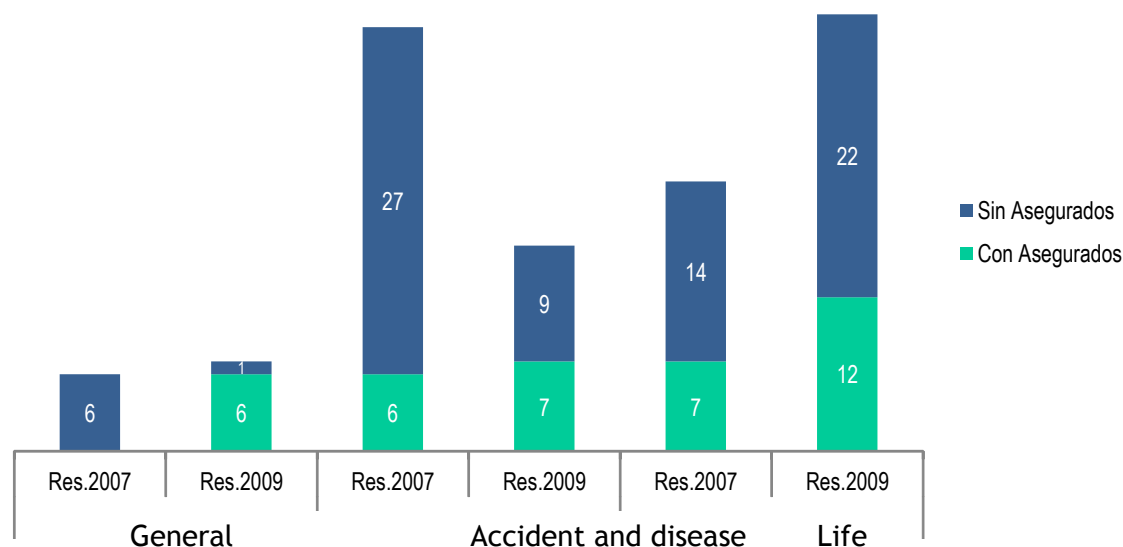
### Characteristics of microinsurance :

- ❖ Certain minimum exclusions and prior verification allowed when coverage so requires.
- ❖ Flexible premium payment arrangements to suit policy holders' cash flows; schemes and terms established in each streamlined insurance policy and certificate.

# Microinsurance regulatory framework

## SBS Resolution N° 14283-2009: 2nd Microinsurance Regulation

Number of registered microinsurance products  
(2007-2016)



Year	Registered products
2007	22
2008	27
2009/09	11
2009/12 -2010	21
2011 - 2016/04	36

- ❖ Out of 117 registered products since the 1st Regulations were published, only 38 still had policy holders by June 2016; out of those, 13 were products registered under the 1st Regulations, and 25 under the present Regulations.

# Microinsurance regulatory framework

---

## Resolución SBS N° 2996-2010: Reglamento Marco de Comercialización de Productos de Seguros

- ❖ A joint initiative by SBS and industry to broaden marketing channels for other mass insurance, and not only for microinsurance.
- ❖ The Regulations allow all mass insurance to be distributed through additional channels and insurance brokerages, financial institutions and insurance promoters.
- ❖ Nonetheless, when these Regulations came into force, insurers chose to register their products as mass insurance, to avoid special requirements applicable to microinsurance which they thought hampered product development.

# Microinsurance regulatory framework

---

## Insurance Contract Law - Law N° 29946

- ❖ Enacted in May 2013, this law set forth a specific legal framework regulating insurance contracts and their parties. It is mandatory for all types of insurance and sets forth provisions addressing contracting, insurers' risk coverage, identification of abusive clauses and practices, and special rules for various types of insurance.

### **Complementary regulations:**

- ✓ Reglamento de Pago de Primas de Pólizas de Seguros - Res. SBS N° 3198-2013 (Premium payment)
- ✓ Reglamento de Transparencia de Información y Contratación de Seguros - Res. SBS N° 3199-2013 (Transparency)
- ✓ Reglamento para el Uso de Pólizas de Seguro Electrónicas - Res. SBS N° 3201-2013 (E-policies)
- ✓ Reglamento para la Gestión y Pago de Siniestros - Res. SBS N° 3202-2013 (Claim handling and payments)
- ✓ Normas Complementarias Aplicables a los Seguros de Salud - Res. SBS N° 3203-2013 (Health insurance)



# Microinsurance regulatory framework

---

## Consumer Protection and Defense Code - Law N° 29571

- ❖ This code set forth the regulations to protect consumers, provide access to quality products and services, and ensure effective protection of their rights through appropriate protection mechanisms. This law applies to insurance buyers and more broadly all those regarded as insurance consumers or users, pursuant to the definition set forth in the Code, and thus also embraces microinsurance consumers.

## SBS Resolution N° 6285-2013: Regulations for the Opening, Conversion, Transfer or Closing of Branches, Use of Shared Facilities, Automatic Tellers and Correspondents

- ❖ This resolution authorizes financial system organizations and electronic money issuers to sale microinsurance through branchless (correspondent) tellers.

# Microinsurance regulatory framework

---

## SBS Resolution N° 2829-2016: 3rd Microinsurance Regulations

- ❖ Definition of microinsurance includes qualitative (design and sellers targeting a specific audience) and quantitative (maximum approximately S/ 15 or USD 5 monthly premiums) criteria.
- ❖ Marketing is still governed by the requirement to enter into a specific contract with the seller, and establishes the insurer's responsibilities when marketing through these channels.
- ❖ It also includes electronic money issuers and correspondents and regulates remote marketing systems. Right to cancellation rules apply.
- ❖ Updates conditions to contract with marketing channels and responsibilities derived from selling through them (e.g. training).

# Microinsurance regulatory framework

---

## SBS Resolution N° 2829-2016: 3rd Microinsurance Regulations

- ❖ Model policy registry: a new, faster and streamlined microinsurance policy registration process, easier than for other products, including registration in fifteen (15) business days after the information is received, and post-registration review; marketing allowed through an SBS notice as from the day after registration.
- ❖ The deadline for paying claims is extended to 20 days; loss report deadlines are set at 3 days from the time of time of occurrence reporting, for property insurance; and 7 days from the time of occurrence reporting or knowledge of the available benefits, for personal insurance.
- ❖ It includes electronic policies; use of vouchers provided they show information about the microinsurance and payment of premiums as proof of contract, as well as allows using other means of communication, such as email and telephone calls.

# Microinsurance regulatory framework

## Documentos de Estudio

- IAIS & CGAP. Issues in Regulation and Supervision of Microinsurance
- Microinsurance Network & Munich Re Foundation. Protecting the Poor: A microinsurance compendium

## Normativa 2013

- Reglamentos complementarios (Transparencia, Pólizas electrónicas, Pago de primas, etc.)
- Reglamento de cajeros corresponsales

## Estrategia Nacional de Inclusión Financiera

Pagos  
Ahorros  
Financiamiento  
**Seguros**  
Educación financiera  
Protección al consumidor  
Grupos vulnerables

## Antecedentes

- Evolución del sector Microfinanzas
- Introducción del SOAT

2010

- Reglamento Marco de Comercialización
- Código de Protección y Defensa del Consumidor

2013

Ley del Contrato de Seguro  
Ley N° 29946

## Proyecto Microseguros

- Estudio Diagnóstico del mercado de seguros
- Actualización Reglamentos de Microseguros y Comercialización
- Material de educación financiera en seguros
- Capacitación en Seguros

2016

Reglamento de Pólizas de Microseguros  
Resolución SBS N° 2829-2016

Pre-publicación de Reglamento de Comercialización de Productos de Seguros

Primer Reglamento de Microseguros  
Resolución SBS N° 215-2007

2007

2009

Segundo Reglamento de Microseguros  
Resolución SBS N° 14283-2009



## Market outcomes

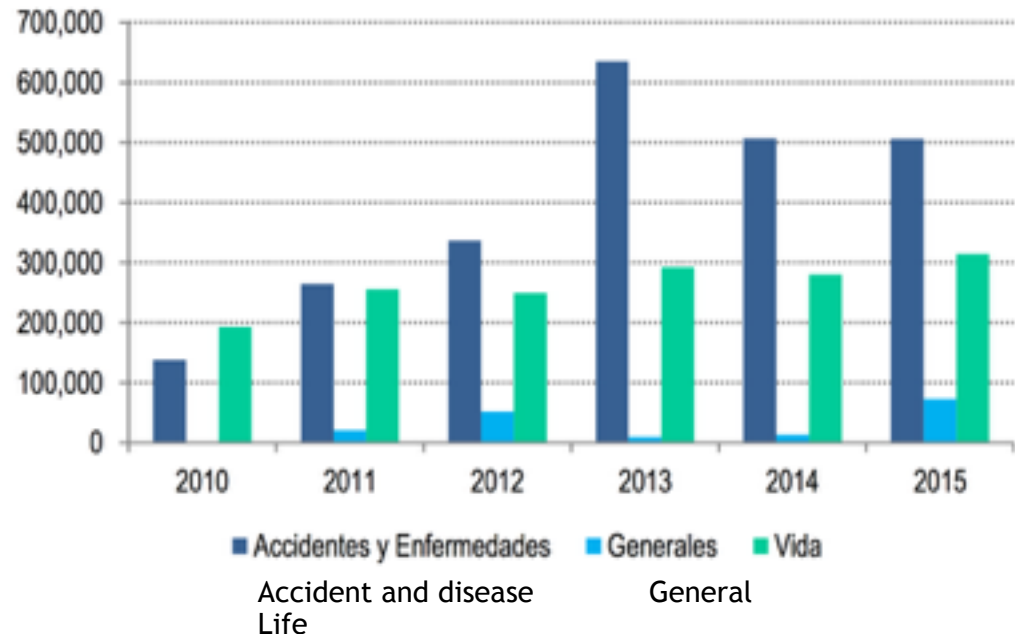
---



# Market outcomes

## Number of microinsurance policy holders

◇	2010: 330 758
◇	2011: 540 891
◇	2012: 637 061
◇	2013: 936 941
◇	2014: 800 314
◇	2015: 893 568

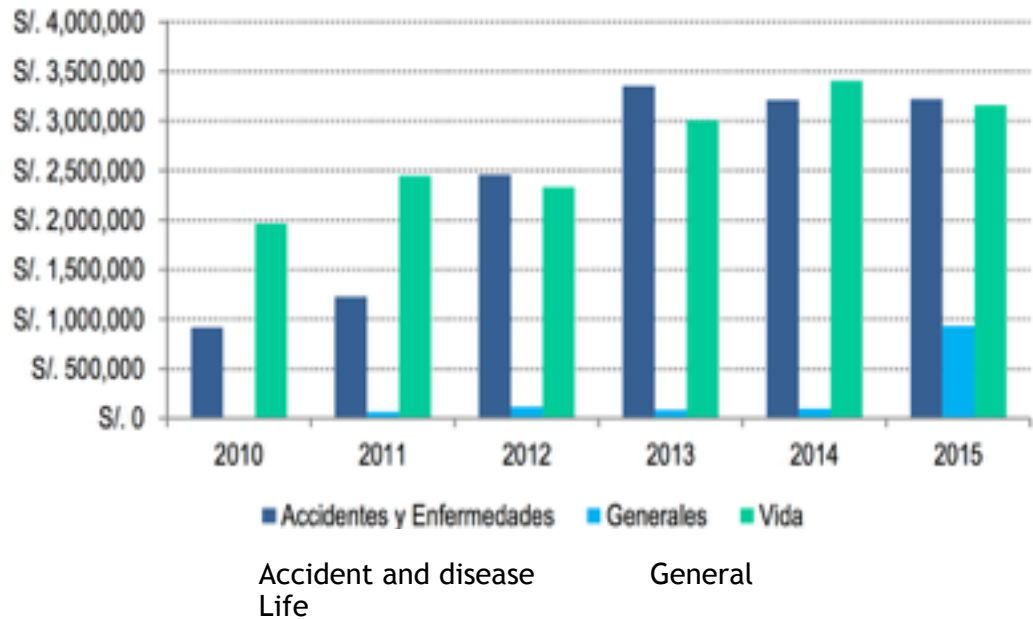


Average annual growth (2010-2015): 25%

# Market outcomes

## Microinsurance premiums

- 2010: USD 1 028 790
- 2011: USD 1 386 771
- 2012: USD 1 922 755
- 2013: USD 2 305 960
- 2014: USD 2 247 895
- 2015: USD 2 143 627

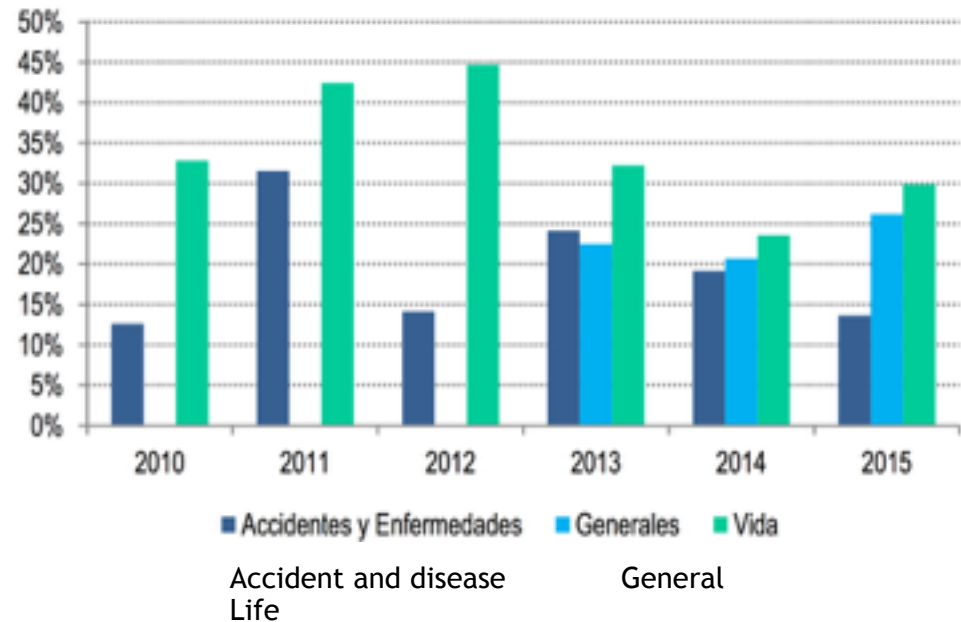


# Market outcomes

---

## Microinsurance claims

- 2010: USD 271 042
- 2011: USD 548 132
- 2012: USD 619 234
- 2013: USD 642 563
- 2014: USD 481 481
- 2015: USD 476 773







# Challenges and opportunities

---



# Challenges and opportunities

---

Microinsurance industry's main challenges and opportunities were identified in the study on “Fostering access to insurance in Peru: Changes in the insurance environment for the benefit of the under- and unserved population”, prepared in the framework of the Regional Project for the “Implementation of microinsurance regulation and supervision standards in Latin America and the Caribbean” SBS is jointly preparing with A2ii, GIZ, IDB /FOMIN.



# Challenges and opportunities

---

## 1) Increasing the percentage of the insured target population and tap the growth potential:

- ❖ Present target population : 16 million (C and D socio economic levels)
- ❖ Potential target population: 10 million (E socio economic level)
- ❖ Insured population using registered microinsurance products : 900 thousand
- ❖ Insured population identified in study <sup>1</sup>: 6 million

<sup>1</sup>The study focused on an insured population holding the following products: products registered as microinsurance at SBS; voluntary and mandatory insurance distributed by microfinance organizations targeting the C and D socio economic levels (including credit life); mandatory products by law, available to C, D and E levels; voluntary product offered to C D and E levels through alternative distribution channels; products offered to C, D and E levels providing similar benefits to other insurance products (prepaid funeral insurance, for instance) and products offered to C, D and E levels including government as provider (agricultural catastrophe insurance, for instance).

# Challenges and opportunities

---

## 2) Need to amend present microinsurance regulations:

- ◆ Need to review the definition of microinsurance and the advantages to microinsurance sellers; set up a standardized nimbler product registration process; review minimum exclusions, ban on deductibles, franchises or copayments; and consider the option to change deadlines for paying compensation, among others.

## 3) Expanding the microinsurance registry:

- ◆ Although they are microinsurance products, insurance companies will rather register their products as mass insurance because the corresponding regulations allow them to sell such insurance through the same distribution channels without having to meet specific deadlines for paying claims nor allow only «minimum exclusions», among other considerations.

# Challenges and opportunities

---

## 4) Build target population's trust in insurance:

- ❖ As part of the Microinsurance Project, SBS led in 2012 a “Study on the knowledge and perception of insurance products and services”, prepared with support from DATUM International, a consultancy.
- ❖ The study showed insurance products are not C and D socioeconomic brackets' preferred mechanism to handle risk. They will rather choose using their savings or borrowing money.
- ❖ In addition, almost half of the target population regard insurance premiums as too costly, compared to the benefits they receive in exchange. Over 60% feel insurers do not deliver offered value to clients.

# Challenges and opportunities

---

## 5) Greater insurance financial education:

- ❖ More efforts needed for the Teacher Support Program, Financial Culture Talks Program and Educational Market Fairs in all regions (states) across Peru and also to more clearly target potential microinsurance clients.

## 6) Incentivizing microinsurance to better meet target population's needs:

- ❖ Most insurance products offered to C and D socio economic brackets are credit life, accident and life policies. Health and property insurance, for example, are rarely offered to these socio economic brackets despite significant potential demand for them.

# Challenges and opportunities

---

## 7) Uncharted distribution channels :

- ◆ Work places
- ◆ Remittance companies
- ◆ Supermarkets
- ◆ Pharmacies
- ◆ Natural gas and gasoline service stations
- ◆ Utilities
- ◆ Municipalities
- ◆ Bank correspondents



## Projects underway

---





# Projects underway

---

## ❖ Regulatory Road Map - Regional Project “Implementing Regulatory and Supervision Standards for Microinsurance in Latin America”

### 1. Regulations

- ❖ Updated Microinsurance Regulations.
- ❖ Updated Framework Regulations for Insurance Product Marketing.

### 2. Insurance Financial Education

- ❖ Educational material addressing insurance topics for the Financial Education Programs organized by SBS.

### 3. Strengthening supervisor capacities

- ❖ Training programs on Insurance covering Property Laws and Personal Insurance at Chile’s Insurance School, 26 to 30 January, 2015, attended by 43 SBS officials.

# Projects underway

---

## National Financial Inclusion Strategy



## Microinsurance topics:

1. Creating the required regulatory framework to foster microinsurance growth.
2. Ongoing implementation of the new insurance contract legal framework.
3. Facilitating registration of insurance and microinsurance model policies.
4. Introduce minimum conditions in mandatory, personal and mass

Los Laureles 214,  
San Isidro, Lima - Perú

Central telefónica: (01) 630-9000

[www.sbs.gob.pe](http://www.sbs.gob.pe)