



# Creating enabling regulatory and policy frameworks for microinsurance development

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International Association  
of Insurance Supervisors

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# International Association of Insurance Supervisors

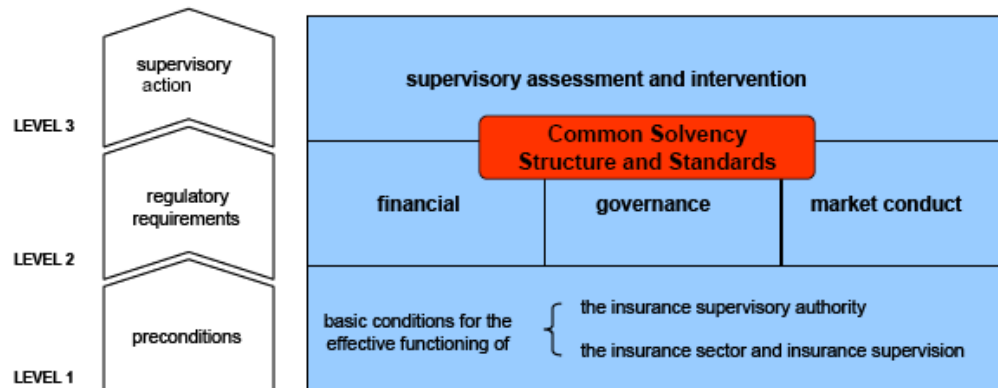


- 1994: IAIS was created
- Members from 140 countries
- 122 Observers

## • Objectives

- Cooperate to contribute to improved supervision of the insurance industry for benefit and protection of policyholders
- Promote the development of well-regulated insurance markets
- Contribute to global financial stability

## Framework for Insurance Supervision





# IAIS-CGAP Joint Working Group on Microinsurance

- Established in February 2006
  - RSP Sub Group of CGAP Working Group on Microinsurance
- **Issues Paper on the regulation and supervision of microinsurance**

- Common understanding of microinsurance
- Microinsurance activities should not be held to lower supervisory standards
- Focus on prudential, governance, market conduct and operational issues



International Association  
of Insurance Supervisors

and



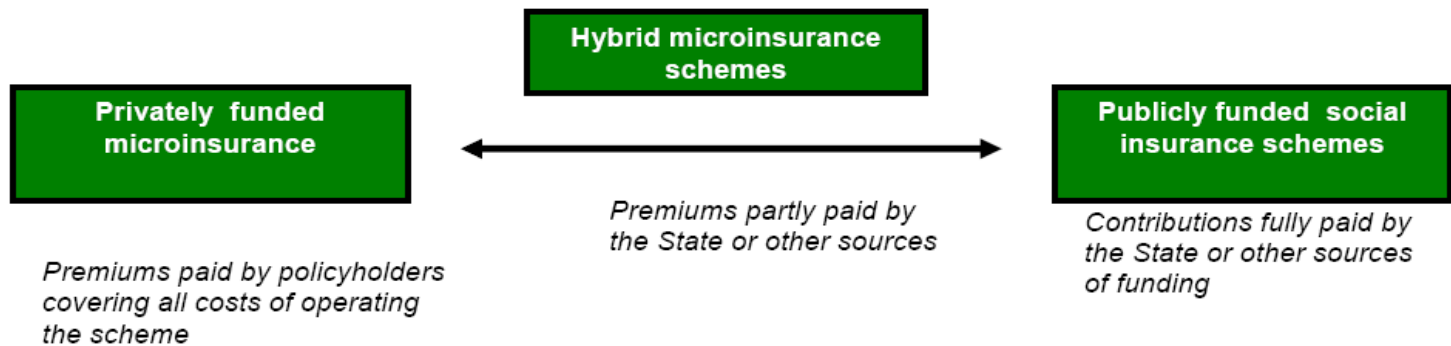
ISSUES IN REGULATION AND SUPERVISION  
OF MICROINSURANCE

June 2007



# Definition

Microinsurance is insurance that is accessed by **low-income population**, provided by a variety of different entities, but run in accordance with **generally accepted insurance practices** (which should include the Insurance Core Principles). Importantly this means that the risk insured under a microinsurance policy is managed based on **insurance principles** and **funded by premiums**.



-Inappropriately designed redistribution schemes '**crowd out**' privately funded microinsurance - effective coverage of the wider market is hampered

-Demarcation line between social security programmes and market-led approaches should be clear to prevent **regulatory arbitrage**

Organisations regulated and licensed under the insurance law (insurers)	Organisations regulated and/or licensed under any other law (formal entities under laws other than the insurance law)	Informal schemes (entirely unregistered and under no legal setting)
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# Role of supervisor

- Maintaining trust in the insurance system
- Manage balance between consumer protection and flexibility
  - *Expanding access* –
  - *Innovation*
  - *Technological change*
- Ensure
  - *Financial sector stability – prudential and market conduct*
  - *Consumer protection* - must not create barriers to access to good value microinsurance products





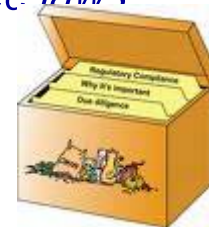
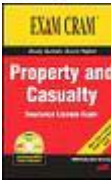


# Perceived barriers

- *High capital requirements- often not commensurate to the risk acceptance level*
- *Agent/ broker licencing and training requirements for agents*
- *Composite products not encouraged*
- *Products are not actuarially priced*
- *Operators outside ambit of insurance laws*
- *Cost of regulatory compliance*
- *Taxation*



LLQP (Life License Qualification Program) Examinations





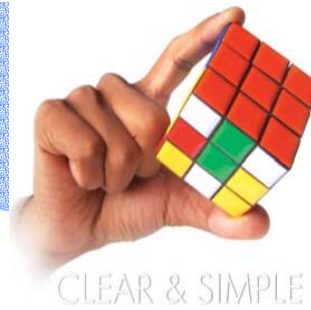
# Emerging evidence of regulatory adaptations

- Expanding effort on the part of supervisors to support the broad development of the insurance industry
- Development role
  - In India - the supervisor is the Insurance Regulatory and Development Authority (IRDA)
  - Other supervisory jurisdictions that have taken on a development role include South Africa, Brazil, and The Philippines
- Promotion through
  - moral suasion
  - stakeholder dialogue
  - by fiat
    - specific insurance or other financial regulations – formalization, tiered approach, quotas, alternate distribution channels
    - non-regulatory policy instruments - fiscal incentives





# What can supervisors do?



CLEAR & SIMPLE

- 1° ...seek **political mandate** from their authorities (**political and financial support**) – Policy matters
- 2° ...establish dialogue with their **formal and informal** industry partners (*open mind*)- *regulation based on industry practice, recognition of non traditional channels*
- 3° ...**strengthen their capacities** in terms of microinsurance (**complex task**)- **consistent application of regulation**
- 4° ...can **study the potentials and risks** in their particular jurisdiction - data base(**no template solutions**)
- 5° ...can **learn from other supervisors** (**south-south dialogue**)
- 6° ... can facilitate **capacity building** for operators and policymakers – **develop key indicators**
- 7° ... allow for and **encourage innovation**



Monitoring and Supervision in Insurance



## Questions and Answers



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