



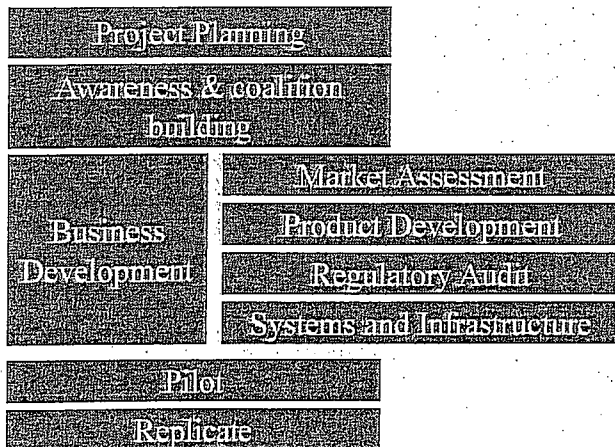
Some Thoughts on the Process of Reform

July 2009
Taiyuan, China.

Craig Thorburn
cthornburn@worldbank.org



What would a project look like?





Step 1: Project Planning

Project Planning

Guideline 1: Take active steps to develop a MI market.

Guideline 2: Adopt a policy on MI as part of a broader financial inclusion approach.

- Ensure supervisor has a mandate for both oversight & market development;
- Make (and reinforce) public commitment to MI development.
- Integrate, as possible and practical, MI and MF developments



Step 2: Awareness and Coalition Building

Project Planning

Awareness & coalition building

Guideline 1: Take active steps to develop a microinsurance market

Guideline 5: Allow different entities to get into MI

Guideline 10: Use market structures to help with supervision

- Facilitate outreach;
- Consult widely, ensuring both formal and informal sector reach.
- Reinforce commitment to action and support



Step 3: The Business Case

Business Development

Business Development



Guideline 1: Take active steps to develop a microinsurance market

- Can collaborate and publish information as a public good;
- Country, and individual segment situation is relevant – avoid template solutions;



Step 3A: Market Assessment

Business Development

Business Development



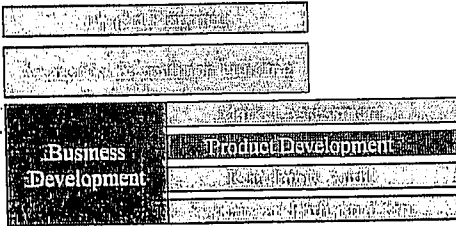
Guideline 1: Take active steps to develop a microinsurance market

- Take steps to understand the customers and markets



Step 3B: Product Development

CGAP



Guideline 1: Take active steps to develop a microinsurance market

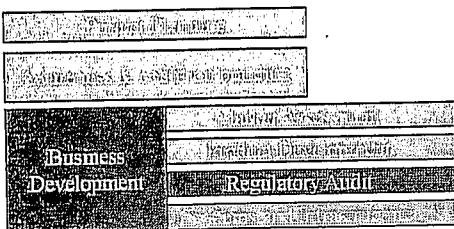
Guideline 8: Facilitate active selling

- Promote products, providers, and distribution that triggers MI;
- Consider both formal and informal providers;
- Seek / facilitate business models that reduce cost and enhance delivery.
- Lowest possible distribution cost consistent with uncompromised customer protection.
- Standardised policy terms can help consumer understanding.



Step 3C: Regulatory Audit

CGAP



Guideline 3: Define a MI product category

Guideline 4: Tailor regulation to risk

Guideline 5: Allow different entities to get into MI

Guideline 6: Provide a path to formalisation

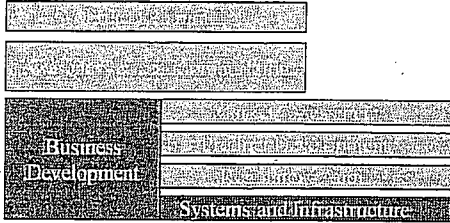
Guideline 7: Create a flexible regime for distribution

Guideline 8: Facilitate active selling



Step 3D: Systems and Infrastructure

CCGAP



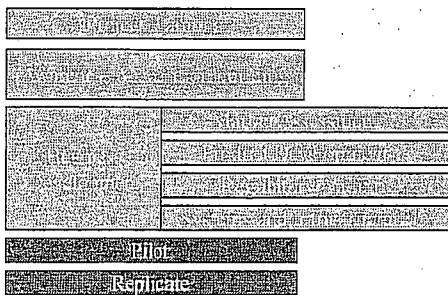
Guideline 1: Take active steps to develop a microinsurance market

- Government can access funding for market wide infrastructure;
 - Product development
 - Experience studies
 - Administrative facilities for payments, internet and cell phone based technology, integration with service providers in, for example, health. weather stations for indexes etc.



Step 4: The Pilot and Rollout

CCGAP



Guideline 9: Monitor and Respond

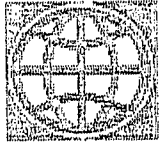
- Continue engagement throughout the process.
- Ensure successes are reinforced



CCGAP.

Summary:

- Inclusive markets start with inclusive plans
 - Engaging with wide range of potential candidates
 - Public goods share costs, Standards can simplify processes
 - Invest in customer understanding
 - Seek innovations to reduce expense loadings
 - Test and refine
-



CCGAP.

Thank you

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Improving Smallholders' and Governments' Access to Finance through Weather Index Insurance – Lessons learnt from China and the rest of the world

Ulrich Hess



Agenda

- I. Intro: Weather Index based Insurance
- II. Recommendation
- III. Needs
- IV. Benefits
- V. Evidence
 - 1) International experience – lessons learnt
 - 2) Experience from Anhui
- VI. Conclusions and way forward

Intro: Weather Index Based Insurance (WIBI)

- Weather index insurance contracts are policies linked to the fluctuation of a weather variable
- The weather variable is measured and indexed according to the specific objective of the insurance policy
- Insurance payouts are based only on the performance of the weather index and not on actual damage incurred or losses suffered

Recommendation

Weather Index Based Insurance (WIBI) can

- ✓ catalyze access to finance for high value crops for farmers
- ✓ catalyze Government access to catastrophe financing and
- ✓ should be developed further by CIRC and insurers.

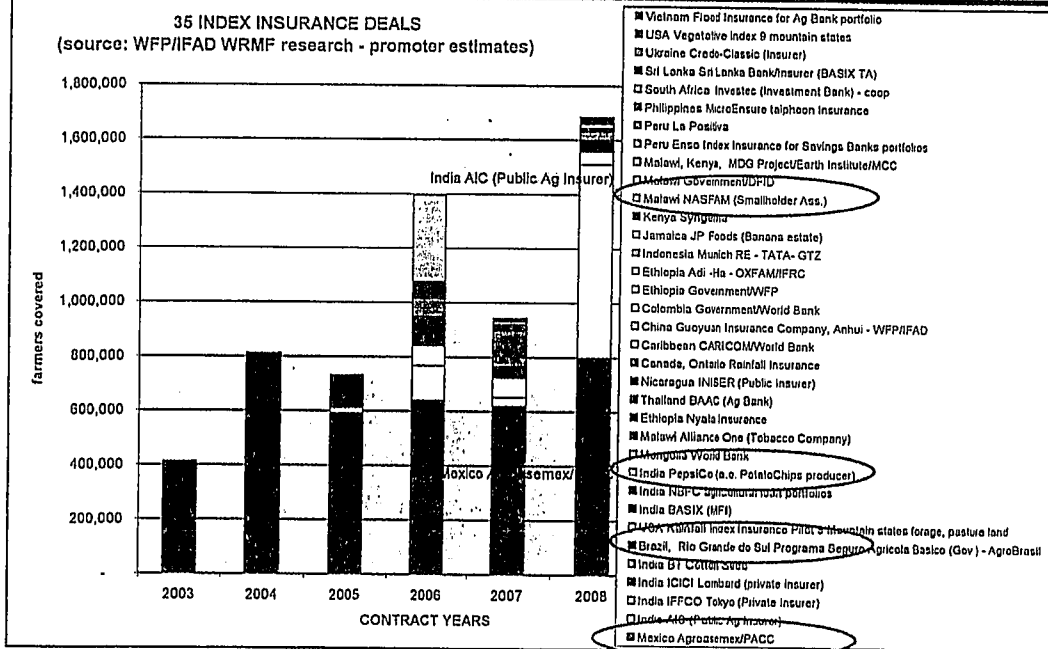
Needs

- Farmers
 - Vulnerable to crop failure risk
 - impedes access to finance
 - technology adoption
 - helps to trap smallholders in poverty
 - demand simple, objective and timely crop insurance
- Insurers
 - wish to develop sustainable low transaction cost techniques to insure smallholders
- Governments
 - want to lift smallholders out of poverty
 - Need to finance catastrophic risk

Benefits

- WIBI is
 - Easy to administer
 - Easy to reinsure
 - Objective and timely
 - Low transaction costs
 - No moral hazard problems
- However, WIBI has
 - "Basis risk"
 - Requires weather stations close to insured farmer
 - Relatively high R&D start-up costs for insurer
- Impact: guaranteed and timely compensation generates crop investment and income

Evidence - International



Index Insurance works in two worlds

- **“Promotion”** of access to finance and agricultural growth
 - Catalyze game-changing value proposition for farmers
 - Private, no subsidies, reinsured
- **“Protection”** of vulnerable households
 - Make disaster relief more reliable and timely
 - Public, highly subsidized, donor supported

Case overview								
No. Farmers covered								
	Cases	2003	2004	2005	2006	2007	2008	Cumulative total
Promotion	21	230	11,302	108,687	251,660	249,595	133,700	755,174
Protection	6	-	-	-	316,000	620,571	800,000	1,736,571
Hybrids	8	38,850	20,549	31,904	186,072	73,274	750,952	1,101,601
TOTAL	35	39,080	31,851	140,591	753,732	943,440	1,684,652	3,593,346

Lessons learnt - Scalability + Sustainability Drivers (I)

Promotion World

1. Good value for insured party

- Farmers must perceive an opportunity for a sustainable game-changing value proposition with significant additional income
- Insurance premium is financed by package first and repaid at harvest time

2. Local champion needed

Scalability + Sustainability Drivers (II)

Protection

1. Solid economic rationale

- cost-effective as substitutes for traditional disaster relief
- value for final beneficiaries

2. Part of a **disaster risk reduction framework**

- catalyst of disaster reduction efforts

Scalability + Sustainability Drivers (III): Delivery Channels

Promotion and Protection Worlds

3. Efficient and trusted delivery mechanisms to reach final beneficiaries

- The ex-ante effect: perception of guaranteed, timely disaster recovery assistance generates more investment and development
- Ex-post effect: delivery and transaction costs and associated risks lower

Overall Scalability + Sustainability Driver II:
Reinsurance

Access to international risk transfer
markets is crucial for primary insurer
engagement and therefore sustainability
RI supports financially
RI vets contract designs
RI supports scale up

Overall Scalability + Sustainability Driver
III:
Weather Data

Weather stations...
need to be close to farmers and protected
beneficiaries
report regularly and verifiably
...and appropriate weather data services
are vital for scale up
Historical data
Real time data services for insurers

The Anhui Pilot Project

- Objective: Assess viability and utility of weather index insurance
- Joint Venture: MoA+Chinese Academy of Agriculture Sciences (CAAS) and WFP+IFAD with **Guoyuan Insurance (Anhui)**
- Funding: IFAD Grant 50% - 50% matching funds MoA
- Phases:
 1. Preparation
 2. Appraisal of feasibility incl. Demand Assessment
 3. Product Design and Development
 4. Pilot
 5. Lessons Learnt

2. Feasibility - e.g. Demand Assessment

- Demand Assessment reveals flood exposure



- Farmers fear o

Conclusion and way forward: Index Insurance for governments and farmers

Weather Index based Insurance

- **Sustainable** if public goods are created and start-up costs covered
- **Scalable** if value proposition is compelling
- Has **Impact** because it can catalyze access to finance/inputs and improve disaster relief performance

• *Way forward in China?*

- Evaluate pilot lessons from Anhui, extend to other Provinces
- Design index based catastrophe financing with Provincial governments



Developing valuable microinsurance products

Brandon Mathews

Taiyuan, Shanxi

14 July 2009

Microinsurance

Agenda of core product issues



- Value for customers
- Value for providers
- Key areas requiring innovation

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Microinsurance

1-1-2009

George

Insurance should be valuable for those that use it (that have a claim).



- ⊗ Ten people know there's a risk event that they believe costs \$30 and it will happen to one of them so ten buy insurance.
- ⊗ For the one that claims, insurance must
 - ⊗ Correctly pay incurred losses.
 - ⊗ Pay in time to be useful.
 - ⊗ Pay in a way that is useful.
 - ⊗ Be in a useful amount.
- ⊗ Make certain that the claims benefit suits customer requirements

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Microinsurance

3-1-2000

It should also be useful for those that buy it but don't use it (don't claim).



- ⊗ Nine people bought the insurance but didn't have a claim... but also no longer saved toward the \$30 event.
- ⊗ Insurance should allow:
 - ⊗ Release of savings
 - ⊗ Acceptance of ordinary risk.
- ⊗ Good insurance changes the behavior of the insured.

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Microinsurance

3-1-2000

It perhaps will be useful even for those that don't buy it.



- Ten insurance buyers live in a community of twenty people.
- The \$30 claim pays for services that otherwise aren't available.
- Insurance allows services to form that eventually can also serve the uninsured.

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Microinsurance

3-1-2009

Product and proposition design must create customer value.



- Customers that have a valid claim should suffer less from economic shock because they owned the correct insurance.
- Customers that bought insurance should understand the terms and as a result, reallocate personal finances / risk behavior.
- The best products will even benefit non-customers by funding formation of new services where there were none.

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Microinsurance

3-1-2009

Agenda of core product issues



☉ Value for customers

☉ Value for providers

☉ Key areas requiring innovation

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Microinsurance

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For MI to reach all customers who need it, it must be sustainable.



"If you want to put your money in microfinance just to feel good, by all means direct it to the organization that most pulls your heartstrings.

But if your objective is to roll back poverty and change the world, don't believe those that have been telling you that returns on your investment are the icing on the cake. It is the cake itself."

Michael Chu, Harvard Lecturer; Former ACCION CEO,
Founding Partner Pegasus Investments.
Forbes Magazine Dec 2007

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Microinsurance

3-1-2009

Supplier sustainability can be harmonious with customer value



- Demand is marginally affected, at best, by profitability. Whether the premium in my example was \$3.00, \$2.90, or \$3.10:
 - Person whose claim was paid is better off
 - People that didn't claim assessed experience based on total price
 - Formation of services for non-buyers is not affected
- Possible to justify with some other benefits:
 - Employee moral – good to work for a company that is good.
 - Innovation – profit in MI signals improvements for all segments.
 - Alignment with other market actors.

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Microinsurance

31/1/2009

Agenda of core product issues



- Value for customers
- Value for providers

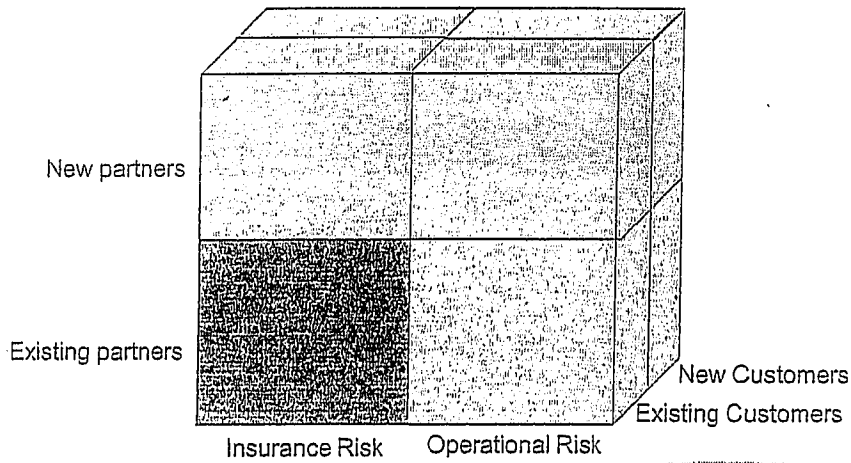
• Key areas requiring innovation

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Microinsurance

31/1/2009

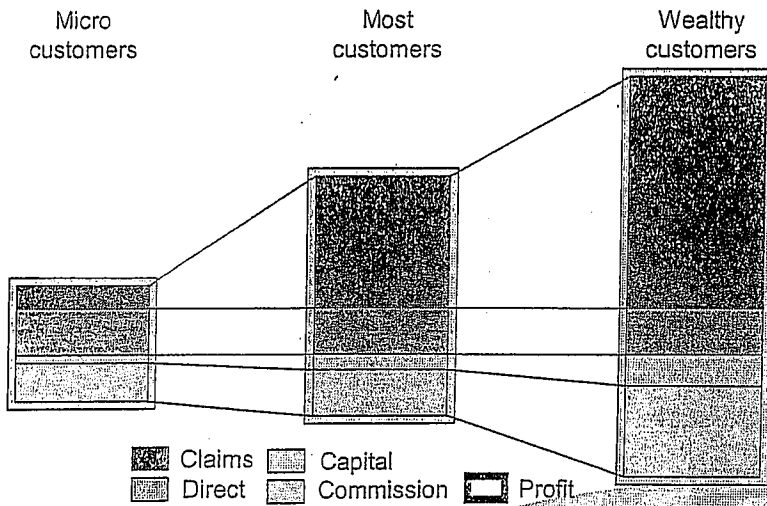
Microinsurance products require that we modify in 3 basic dimensions



Microinsurance

3-1-2009

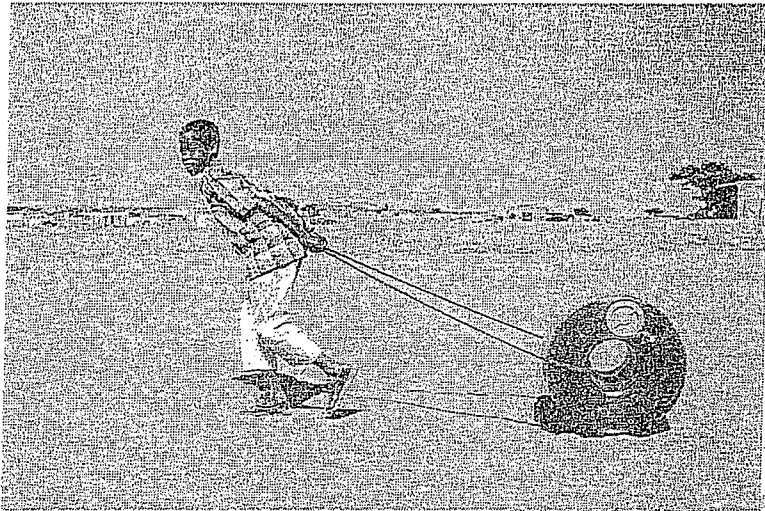
Direct expenses and commissions do not automatically scale with risk.



Microinsurance

3-1-2009

Do we need to reinvent the wheel?



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Microinsurance

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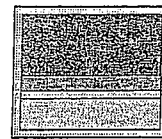
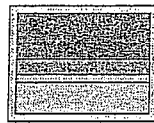
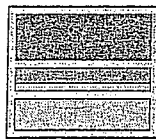
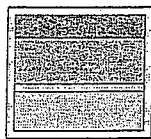
Actionable innovations improve sustainability for customer and insurer.



Immediate

Mid term

Over time



Higher ER → Lower ER
 Lower LR → Higher LR

Lower Rate
 Same ER
 Same LR

Same Rate
 Same ER
 Higher LR

Acceptable CR

Attractive CR
 through
 innovation

Acceptable CR
 and increase
 market share

Acceptable CR
 and increase
 penetration

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Claims
 Capital
 Direct
 Commission
 Profit

Microinsurance

3-1-2009

各个阶段
各个阶段

Good product design anticipates operational requirements.



- ④ Guaranteed issue products are more easily distributed
- ④ Well targeted products are more easily sold.
- ④ Where the segment requires a feature, it is often better to price it in than to ignore it
 - ④ Variable timing of payment
 - ④ Reduced exclusions
- ④ In-kind claims benefits reduces moral hazard and thus claims
 - ④ Prosthesis vs payment

延期赔付, 30天赔付
修管认可

后付分期可减轻道德风险

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Microinsurance
1-1-2009

Summary & Conclusion



- ④ Customers receive value not only from paid claims but also from anticipatory benefit and services formation.
- ④ Providers require an adequate return on equity to fully engage this segment but also get benefit from innovations.
- ④ Technical adaptations are actionable and mainly operational.
- ④ The best microinsurance product will start as a good one and the good product starts as one that is only fair.

理赔与增值服务

产品与服务

技术与服务

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Thank you

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Microinsurance

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中国人民财产保险股份有限公司

International Seminar on Micro-Insurance

JULY 14, 2009 Taipei, China

Opportunity, Challenge and Innovation

—Building up a Sustainable Model of Micro-Insurance

Wang He Wanhe@picc.com.cn
PICC Property and Casualty Company, Ltd.

RESUMES:

Dr Wang He: Senior Economist; Executive director of the Insurance Institute of China; The State Council's "special government allowances expert"; Visiting Professor and Researcher of Nankai University, Xiamen University, etc.

Main research directions: Risk management, Engineering Insurance, Credit Insurance, etc.

Monographs:

Writing more than 10 Books, such as "Engineering Insurance", "Theory and Practice of Liability Insurance" etc.

Papers: Publishing more than 90 Papers on "Insurance Studies", "China Financial" and "China Insurance", etc.

Previous Positions Include:

Manager of International Department of Fujian Provincial Branch of PICC,

Vice Manager of Xiamen Branch of PICC

Deputy Director of Product Development of PICC

Vice President of PICC P&C


KEY POINTS: :

- Rural issues are not only the difficulty but also the hope of the development of China.
- It needs “Chinese way of thinking” which is focus on taking in the political advantage and the full practice of the scientific concept of development to solve the problem of rural problem of China.
- Enterprises should pay great attentions to the rural market. This is a social responsibility, but is also good for its own strategic plan.
- The key of the development of rural insurance is to address efficiency issues, in order to keep sustainable and healthy development of it.
- Use outsourcing and take the advantage of the development of rural insurance market in China. Settle the problem through Institutional innovation and technological innovation .
- Micro-insurance is an important solution to rural insurance. Making the small business into great success is the basic objective and the guide to practice of micro-insurance experiment of PICC.

THE UNDERSTANDING OF PICC

THE CONCEPTS OF PICC

THE PRACTICE OF PICC

 EXPO
2010
SHANGHAI CHINA

PICC
中國人保

中國人保集團有限公司
Group of Companies of PICC
Group of Companies of PICC

THE UNDERSTANDING OF PICC

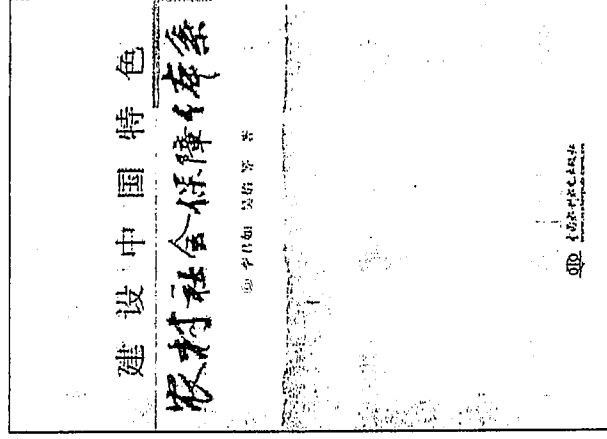
Since set up in 1949, PICC P&C has always been taking "Insurance of the People and for the People" as its mission, and taking the rural insurance as its main business area. PICC P&C fully exerts its advantages on channels and expertise, and becomes one of the most important company on China rural insurance market. Our business has won the praise of government and the trust of people, and accumulated abundant experience.

In May 2009, among our 36 provincial level branches, there are 19 branches whose market share of rural insurance is up to 80%, and especially in Hubei, Qingdao, Shenzhen, Shanxi and Ningxia branches whose market share of rural insurance are 100%.

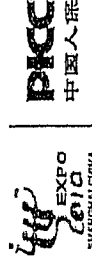
THE UNDERSTANDING OF PICC

Seven strategic principles

- 1) The principle of national;
- 2) The principle of productivity and financial;
- 3) The principle of fairness;
- 4) The principle of efficiency;
- 5) The principle of the Government responsibility;
- 6) Compatible with market principle;
- 7) The principle of fixed objectives but gradual process principle.



Finished "Construction the Rural Social Security System with Chinese Characteristics" Report with Central Party School



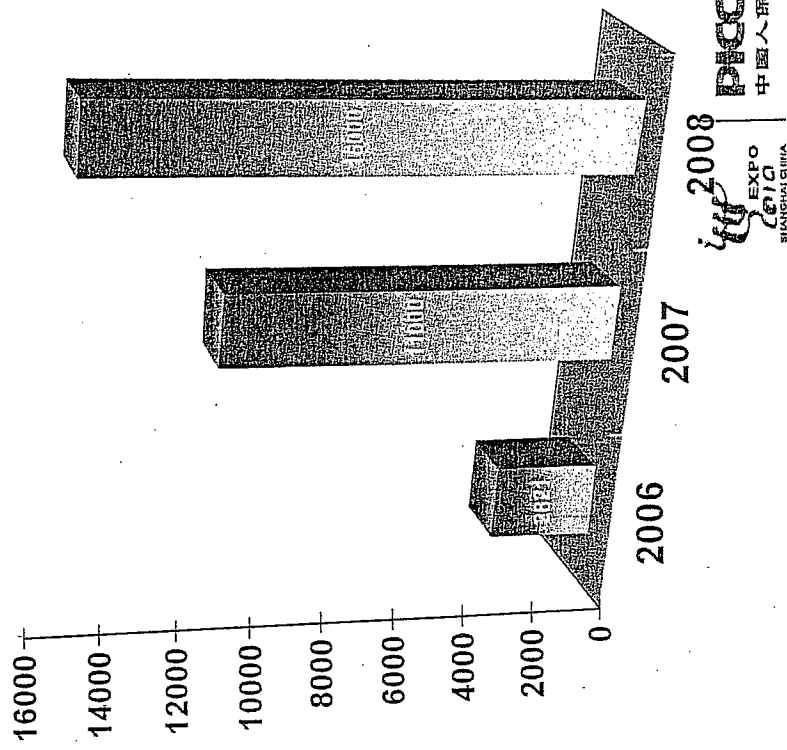
中国人民保险集团
China People's Insurance Group
Global Partner of Expo 2010 Shanghai China

THE UNDERSTANDING OF PICC

Input "Construction Funds of Rural Insurance Marketing Institution" of 100 million per year.

Until the end of 2008, PICC has set up more than 15 thousands rural insurance marketing institution, which including 6000 approval "Rural Marketing Services". PICC has gained significant progress in Rural Insurance Agency Construction.

06 - 08 the number of rural insurance marketing institution of PICC



THE UNDERSTANDING OF PICC

- In 2008, PICC gained 5.97 billion premium incomes from crop and breeding insurance, which increased by 114.45% over the last year, and took risk responsibility of 144.55 billion.
- In 2008, risk responsibility of policy-related insurance for rural houses insured by PICC was 335.557 billion.
- PICC has actively participated in the construction of national new-type rural cooperative medical insurance system, provided insurance services to more than 5 million rural residents, which avoids the rural residents turn to poverty out of illness. PICC also takes an active part in promotion of Rural Borrowers Accident Insurance and Family Planning Insurance

THE UNDERSTANDING OF PICC

THE CONCEPTS OF PICC

THE PRACTICE OF PICC

THE CONCEPTS OF PICC

Government guidelines on new
rural development

According to China's national conditions, most low-income people live in rural area. So micro-insurance is mainly focus on rural area, rural residents and agriculture in China.

QIRC Guidance and promotion

Opportunity
In China

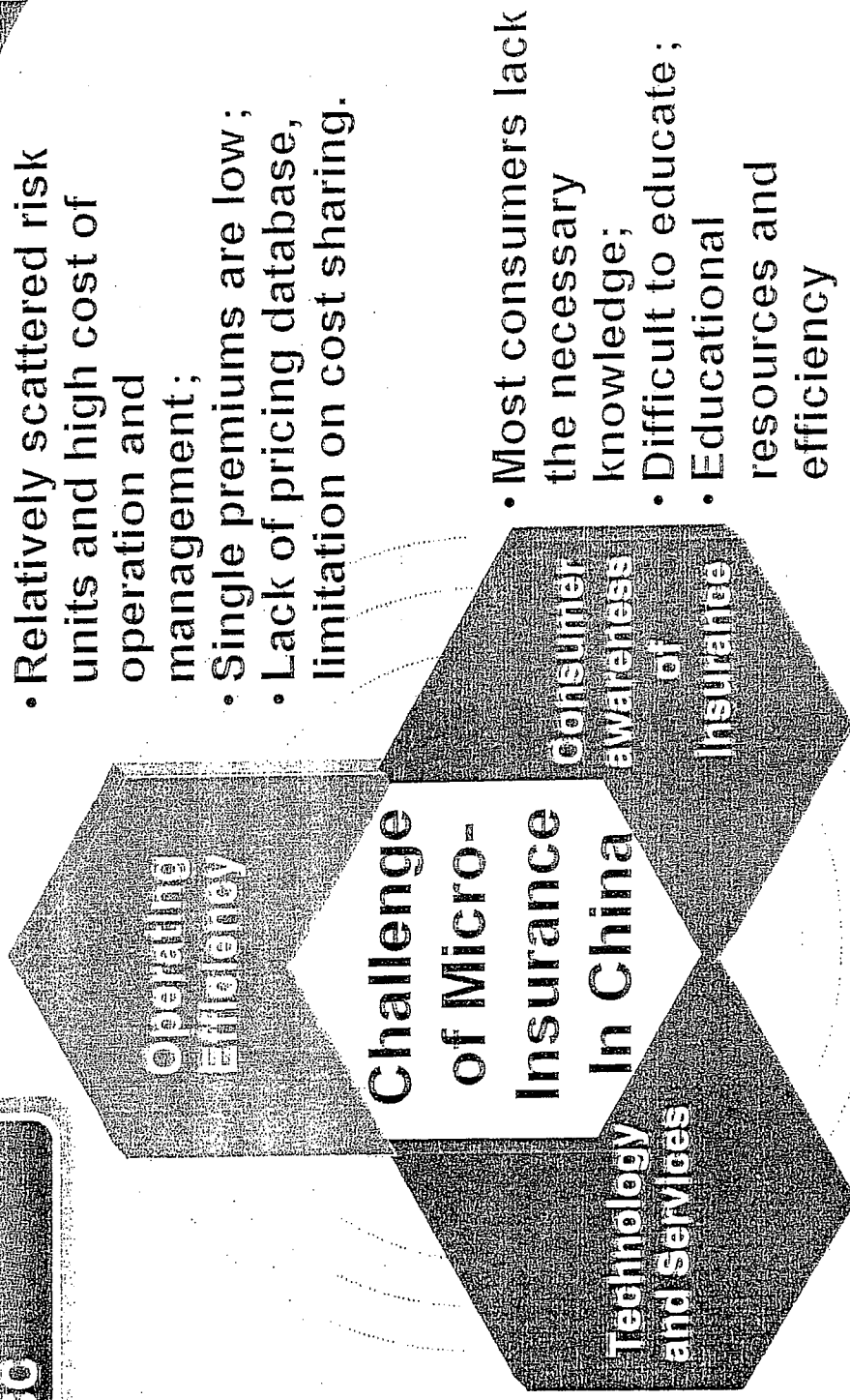
Practice of the Insurance Industry

EXPO
SINOCHEM CHINA

PICC
中國人壽

中國人壽保險股份有限公司
SINOCHEM LIFE INSURANCE COMPANY LIMITED

THE CONCEPTS OF PICC



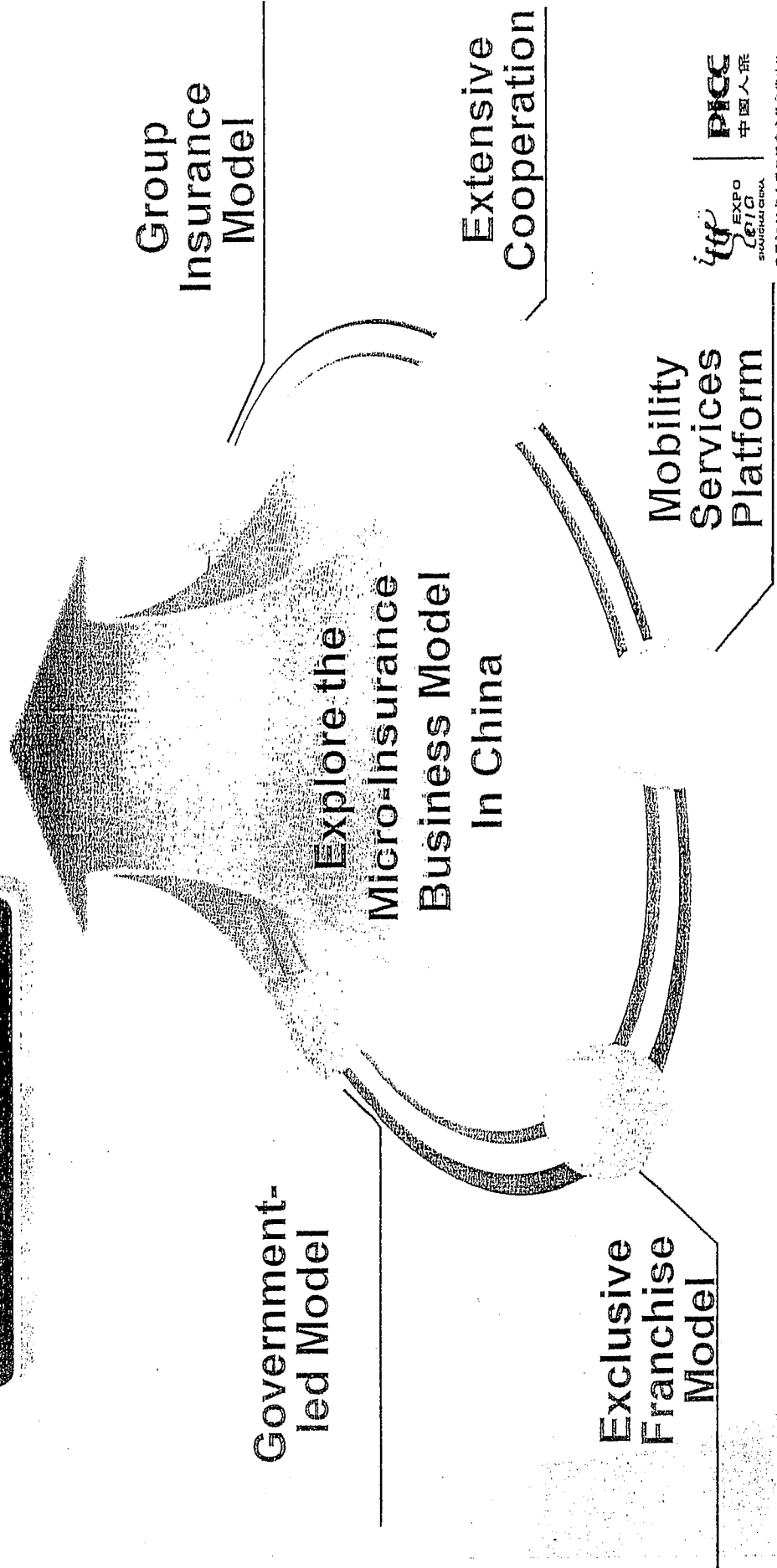
- Variety of risk characteristics requires great pricing technique
- Lack of customer information;
- High mobility;
- Diversification of catastrophic risk

- Relatively scattered risk units and high cost of operation and management;
- Single premiums are low;
- Lack of pricing database, limitation on cost sharing.

- Most consumers lack the necessary knowledge;
- Difficult to educate;
- Educational resources and efficiency

**THE CONCEPTS OF
PICC**

**Institutional Innovation and
Technological Innovation
are key points!!**



THE CONCEPTS OF PICC

Institutional Innovations Lay the Foundation for Sustainable Operations of Micro-Insurance

“Based on agriculture insurance, develop other insurance products”, rapidly expand insurance coverage in the way most acceptable by the rural

- Compulsory insurance, group insurance, tie-in sale and etc. Enlarge business scales, and Reduce the average cost.
- Company institutions; government co-operation; outsourcing

- Project management system. Set up quantitative operational monitor system and evaluation system, in order to effectively allocate resources and control risks



PICC
中国人保

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中国人民财产保险股份有限公司
CHINA PEOPLE'S INSURANCE COMPANY LIMITED

**THE CONCEPTS OF
PICC**

Technological Innovation to establish
a unified service platform

Poor ability to resist risks
Low incomes

High mobility
Fluctuation of Renewal rate
Difficult to claim in other
regions

Anti-selection and
moral hazard
High management cost

Technological
Innovation

Accompany
broad
development

Develop
ability

Establish
platform

Accompany
broad
development

Develop
ability

Establish
platform

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中国出口信用保险公司
China Export Credit Insurance Co., Ltd.



THE UNDERSTANDING OF PICC

THE CONCEPTS OF PICC

THE PRACTICE OF PICC

THE PRACTICE OF PICCO

Use of channels and technical advantages and cooperation with government improve the effectiveness of public services in rural areas

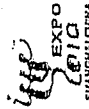
Use of insurance amplify the effect of financial input

By receiving indemnity, the rural get re-start capital after accidents, which will protect rural productive forces.

Increase risk resistance of farmers without land and migrant workers, deal with problems in the process of rural development, and promote rural stability and social harmony

Improve the expectation of the rural, optimize rural credit environment, and increase support from rural credit to agricultural development

Insurance mechanism plays the leverage effect



PICC
中国人保

中国保险监督管理委员会
China Insurance Regulatory Commission

THE PRACTICE OF PICC

Build up a Reputation with Medal

Government promote
Financial Support

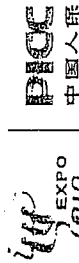
- Carry out the functions of social management
- Play a multiplier effect
- Improve management efficiency

The Rural Joint
Group Insurance

- Access to effective protection without worry
- Access to government subsidies, low relative cost
- Comprehensive professional services

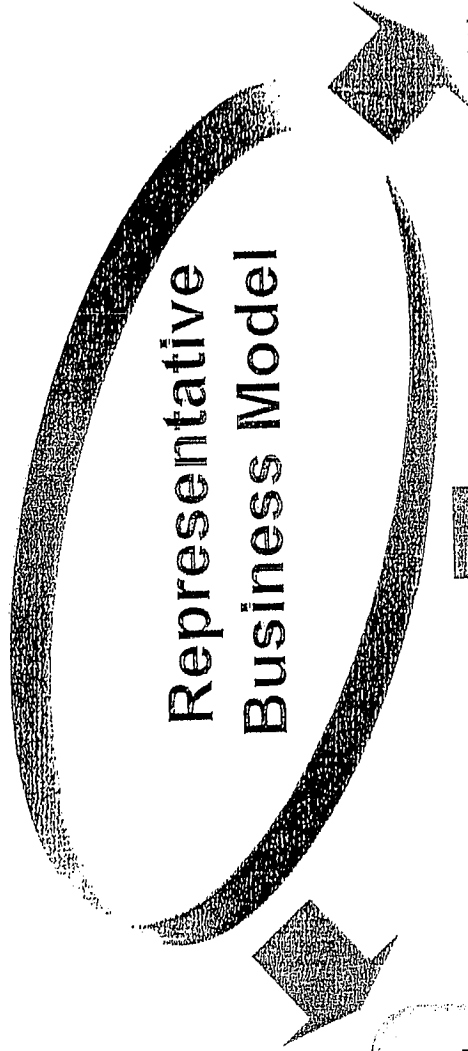
Insurance Companies
Commercial Operation

- Resolve the operational risks
- Improve operational efficiency
- Expand services



CHINA RURAL
INSURANCE GROUP
CORPORATION LIMITED

**THE PRACTICE OF
PICC**



Model I:

Government-led;
Financial support;
Market operation;
Voluntary
insurance

Model II:

Government set up a
co-insurance group, and
establish insurance funds

Model III:

Supported by government
and leading enterprises,
operation follows common
business model



PICC
中國人保

中國人保保險集團有限公司
PICC GROUP OF COMPANIES

THE PRACTICE OF PICC

PICC has established good cooperative relationship with local governments. PICC has signed strategic cooperation agreement with Guangdong, Zhejiang and other provinces, and that will bring rural insurance strong policy support.

In 2009, 15 local governments highly praised PICC for its positive contribution to the local economic, social development, and services to rural regions through various forms



PICC
中国人保

EXPO
SIANGHAI CHINA

中国2010年上海世界博览会
China 2010 World Expo

THE PRACTICE OF PICC

HEAD- QUARTERS

- Set up strategic cooperation agreement
- Product development
- Resources investment and assessment
- Develop management system

PROVINCIAL LEVEL BRANCH

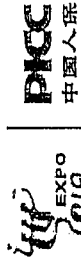
- Cooperate with local governments
- Develop regional products
- Organize unified sales operation
- Practice management system
- Operate monitoring and guidance

REGIONAL COUNTY LEVEL BRANCH

- Sell products
- Carry out government policies and subsidies
- Monitor Changes in the market
- Organize promotional activities

RURAL INSURANCE SERVICES

- Direct services to rural consumers
- Carry out day-to-day promotion and education



PICC
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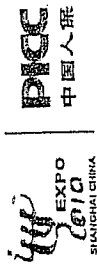
中國 2010 年 上海 世界 博覽 會 社會 責任 報
China's Partner of Expo 2010 Shanghai China

**THE PRACTICE OF
PICC**

**Case: Policy-Related Insurance for Rural Houses in Zhejiang
Province**

Began in 2006, Policy-Related Insurance for Rural Houses in Zhejiang insures 10.03million rural families nowadays, which takes up 98.61% of all the rural families in Zhejiang. There has been 16727 families which have received indemnity, and the total indemnity paid comes up to 61.24million.

It has been selected as "one of 20 policies which most satisfied by people" in Zhejiang Province since 2003



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THE PRACTICE OF PICC



Case: “Dual Nets” Construction in Baoding City of Hebei Province

Based on road safety workstations set up by local traffic police, PICC has constructed the “Dual Nets” which combine road safety related works and insurance services. The “Dual Nets” cover 331 towns and 6209 villages, employ more than 6000 safety members as agents. Through offering agents computers or other equipment and using VPN technology, PICC has realized wireless networking on vehicle insurance services. The farmers owning rural vehicle in Baoding can enjoy insurance services at the nearest branch.

THE PRACTICE OF PICC

Case: Public Liability Insurance of Natural Disasters in Fujian Province

Funded by Government, Public Liability Insurance of Natural Disasters firstly launched in Longyan region in 2006 as an experiment, and then expanded to the whole province in 2008. The insurance now covers 15million people, accounting for 50% of the population in Fujian Province. It increases the capacity of people to resist natural disasters, improves social disaster prevention and relief system.

The product won "the most market influential insurance products" and "the best liability insurance product" in 2008.



THE PRACTICE OF PICC

With the recommendation of CIRC, PICC applied "Migrant Workers' Personal Accident & Health Insurance" to International Labor Organization (ILO) in 2008. After two rounds of review, the project approved in November. In March, 2009, PICC signed Grant Agreement with ILO, and the project which lasted 3 years was the first micro-insurance Facility which was supported by international organization.



micro Insurance
Innovation facility



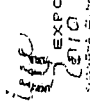
THE PRACTICE OF PICO

Through PICO's remote claims system, 95518 service call and e-commerce platform, achieve mobile protection, consulting and claims services

Technological
Innovation
Establish a
Unified
Service
Platform

Through PICO's remote claims system, 95518 service call and e-commerce platform, achieve mobile protection, consulting and claims services

PICO
中國人保



THE PRACTICE OF PICC

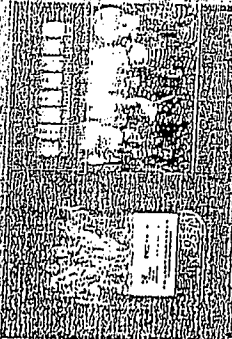
CHANNELS METHODS

- Local village committees
- Sales outlets of PICC
- Employment agencies
- Insurance instructors in rural areas

Migrant Workers Education



- Offer promotion materials
- Organize promotion activities

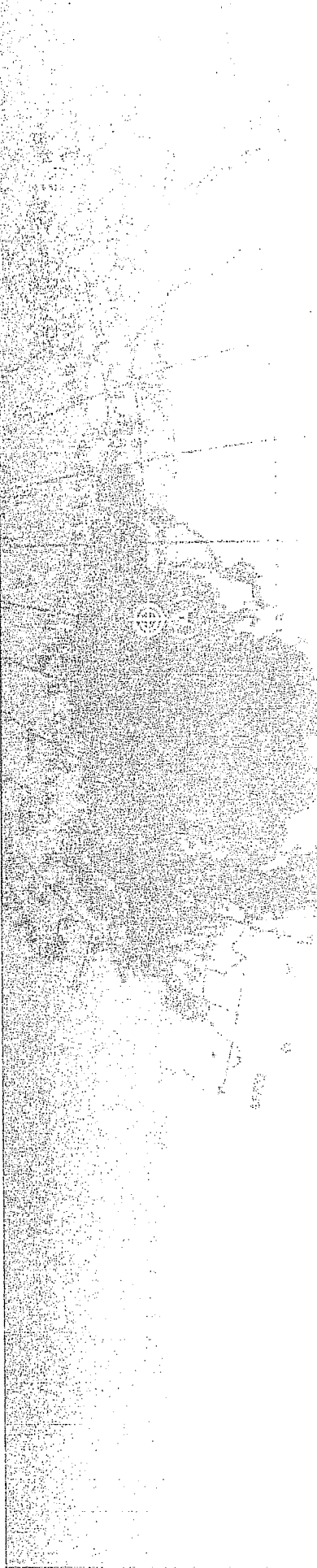


Choose more acceptable methods, and increase the insurance awareness of migrant workers



中国人员服务集团有限公司

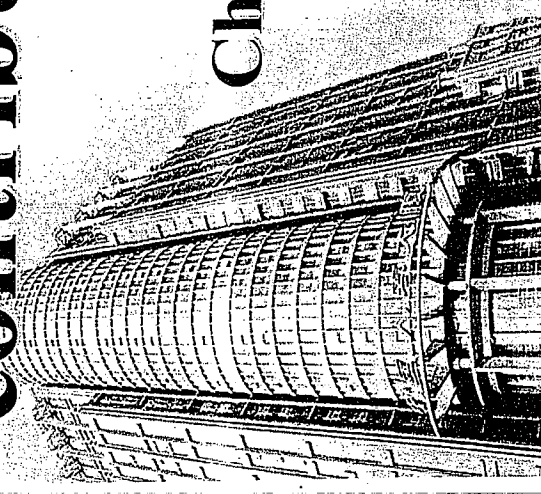
Thank You!



**Operate Micro-Insurance and
shoulder social responsibility to
contribute to rural area build-up**

China Life Insurance Company Limited

July, 2009



中国人寿保险股份有限公司
China Life Insurance Company Limited

LECTURER RESUME

- Mr. Wan Feng
- Mr. Wan became the President of the Company in September 2007, and at the same time Vice President of China Life Insurance (Group) Company and Director of China Life Pension Company Limited. He became an Executive Director of the Company from June 2006 and served as the Vice President of the Company from 2003. On 31 January 2007, it was resolved by the Board of Directors to authorize Mr. Wan Feng to be responsible for the day-to-day operations and management of the Company. He became a Director of China Life Property and Casualty Insurance Company Limited from November 2006, and became a Director of China Life Insurance Asset Management Company Limited from January 2006.
- Mr. Wan received a BA degree in Economics from Jilin College of Finance and Trade, MBA from Open University of Hong Kong, and Doctorate in Finance from Nankai University in Tianjin.
- Mr. Wan, a Senior Economist, has 27 years of experience in the life insurance industry, and was awarded special allowance by the State Council. He is currently the Director of China Life Charity Foundation, the Deputy Director of China Association of Actuaries, the Deputy Director of Insurance Association of China, the executive Director of Insurance Institute of China and Director of China Insurance Guarantee Fund Committee.



Pilot Program for Rural Micro-Insurance by China Life

- ☛ **In August 2008, China Life initiated the pilot program for rural micro-insurance in 9 provinces and autonomous regions such as Shanxi, Sichuan and Hubei.**
- ☛ **In May 2009, the pilot program was further extended to 18 provinces and autonomous regions including Anhui, Hebei.**
- ☛ **Since initiation of the pilot program, we have insured 6.03 million people with premiums collected of RMB 138 million yuan. And we created a business model for micro-insurance that follows international practices but with China Life's own feature.**

Measures and Experiences for Micro-insurance Pilot Program

- ☞ **I Develop tailor-made products that rural people can afford**
- ☞ **II Create effective sales model to ensure convenient access to insurance products**
- ☞ **III Enable rural people to fully understand the products through enhanced sales promotion**
- ☞ **IV Win over rural people's trust through credible and convenient services**
- ☞ **V Our experiences in running the micro-insurance pilot program**

Develop tailor-made products that peasants can afford

China Life launched 12 micro-insurance products tailor-made for the rural market, covering the basic protection needs of rural population. These products share the following characteristics:

☞ Protection-oriented

☞ Favorable pricing

☞ Easy to understand

Develop tailor-made products that peasants can afford (Cont.)

12 micro-insurance products

for rural markets

Term Life:

- China Life Rural Micro-insurance Term Life (Type A)& (Type B)
- China Life Rural Micro-insurance Group Term Life (Type A)& (Type B)
- China Life Micro-finance Borrower Term Life

Accident Insurance:

- China Life Rural Micro-accident Insurance; China Life Rural Micro-traffic accident Insurance
- China Life Rural Micro-accident Group Insurance; China Life Micro-finance Borrower Accident Insurance

Medical Insurance Rider:

- China Life Rural Micro-accident Medical Expenses Rider
- China Life Rural Micro-traffic-accident Medical Expenses Rider
- China Life Rural Micro-accident Group Medical Expenses Rider

II Creating effective sales models to ensure convenient access to insurance products

1
**“One Policy for Entire Village” model
based on insurance village build-up**

Four

2
**“Business Interactive Model” connected with
Government’s rural preferential policy**

Effective

3
**“1+1 Credit Insurance Model” in connection
with rural financial institutions**

Sales

4
**“Small Group Insurance Model” with family
bread earners purchasing policies for all
family members**

Models

III Enable rural people to fully understand the products through enhanced sales promotion

✓ Internally: fully mobilize staff

- ☞ Branches in the trial program make daily, weekly and monthly assessment report to push staff to attain preset targets

✓ Externally: Enhance public awareness

- ☞ Intensive advertising to create a favorable environment
- ☞ Innovative advertising means such as advertisement on the walls, village radio station, street banners, product promotion seminars, cultural and entertainment programs and on-site claims settlement

iv Win over rural people's trust through credible and convenient services

✓ Stringent management

- ☞ Set up stringent rules for business management, financial management and business outlet management
- ✓ Simplified underwriting and claims settlement
- ☞ Make public 15 service commitments and subject us to public oversight by engaging service supervisors
- ✓ Tailored to different protection needs of some rural people
- ☞ Offer insurance products portfolio including accident, pension and medical coverage
- ✓ Provide convenient insurance services
- ☞ Provide home service for insurance application, renewal premiums collection and claims benefits delivery to create a new service system for “outlets covered all towns, agents covered all villages and service delivered to all households”

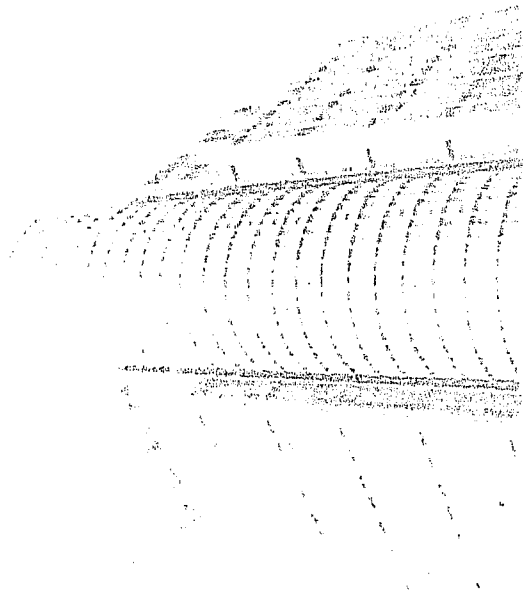
V Our experiences in micro-insurance pilot program

- 👉 **I Great potential for rural micro-insurance**
- 👉 **II Government support indispensable for micro-insurance development**
- 👉 **III Credibility and compliance-a must for micro-insurance development**
- 👉 **IV Micro-insurance development step by step**



Ladies and gentlemen, we will leverage the conference and further explore insurance solutions for the rural market. We will strengthen international micro-insurance and learn from countries such as Latin America to further develop a rural micro-insurance business with Chinese features. With our innovative and down-to-earth approach, we will make new contribution to the development of micro insurance in the world and to the development of the rural areas in China.

Thank you!



0/6



Microinsurance and Insurance Core Principles

Arup Chatterjee
Principal Administrator



International Association
of Insurance Supervisors

Improving Financial Access through Microinsurance – Lessons from Regulatory
and Industry Initiatives for China
Taiyuan, China
14 July 2009

Outline

- What is microinsurance?
- Policy and regulatory issues
- Application of IAIS Insurance Core Principles (ICPs)
- Examples of policy and regulatory interventions
- Looking at microhealth insurance and weather index insurance
- Key ingredients for improving access
- What policymakers and supervisors can do?



Key Messages

1. Microfinance and Microinsurance are different
 - Insurance is a complex product
 - assessment of individual risks
 - delivery of services through contracts
2. Microinsurance is a cross cutting issue and regulatory environment needs to be assessed against IAIS Insurance Core Principles
3. Need to
 - Address bottle neck issues
 - Develop capacity of all stakeholders
 - experiment and learn how to do things better
 - Identify models for scale up around the world



Basis for work

An insurance supervisor is important to maintain trust in the insurance system

Consumer protection must not lead to exclusion

Microinsurance activities should not be held to lower supervisory standards

**The future of microinsurance lies in a supervised setting
- *however all players cannot be regulated***

Sound policy and regulation requires informed and well-equipped policymakers, regulators and supervisors

IAIS Insurance Core Principles are also valid for microinsurance



What is microinsurance?

Poverty reduction requires not just generation of incomes but protecting them through effective risk management

Microinsurance is defined as insurance accessed by **low-income people**, provided by a **variety of institutions**, run in accordance with **generally accepted insurance principles**, and funded by **premiums**

-(Source IAIS Issues paper 2007)

Comprises of **risk-pooling** products

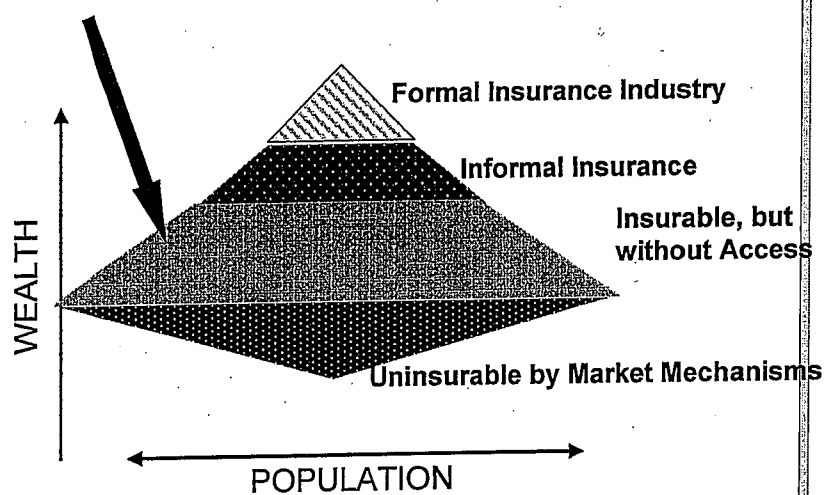
Appropriate for the low-income market **cost, terms, coverage, and delivery mechanisms**

MicroFinance helps people improve livelihoods

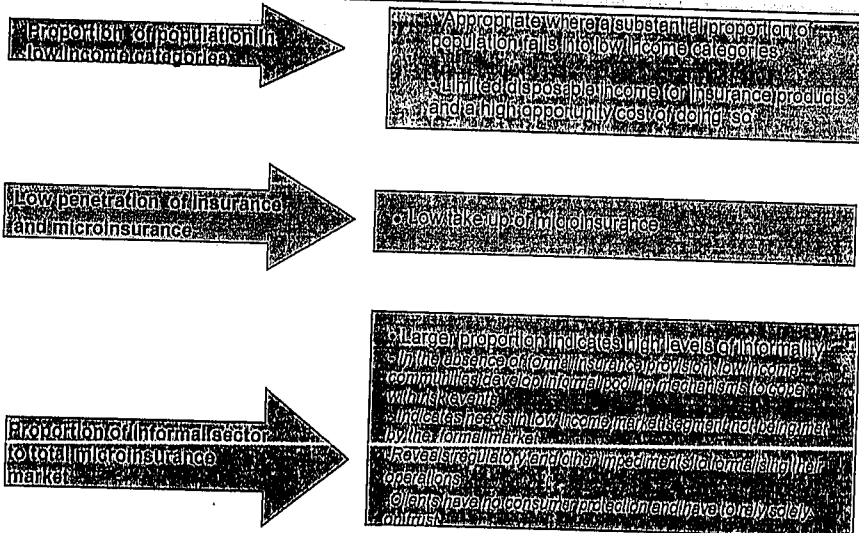
MicroInsurance helps them protect the gains



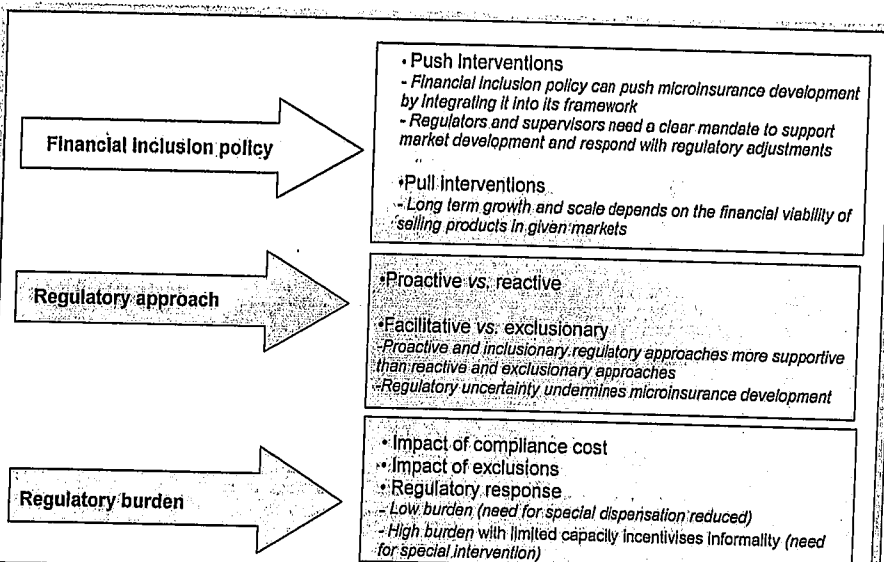
What is microinsurance?



Factors appropriate for development of microinsurance



Policy and regulatory issues affecting the development of microinsurance



Policy and regulatory issues affecting the development of microinsurance

Microinsurance definition

- Weak definitions result in regulatory avoidance and arbitrage
- Using low risk features to define microinsurance may not be most appropriate
- Tailor regulation to the risk characteristic of microinsurance

Licensing and prudential requirements

- High regulatory barriers on entry and formalisation, and restrictions on institutional types
- Supports informality by excluding potentially legitimate providers
- Tiering and graduation
- Facilitates entry via licensing, formalisation and growth while still maintaining prudential standards
- Unlevel playing fields
- Introduces bias against provision by potentially legitimate players
- Entitles underwriting the same kind of risk should face similar regulatory burden
- Application of proportionality criteria ensures regulations are tailored to risks, complexity and size of the microinsurance operations



Policy and regulatory issues affecting the development of microinsurance

Sound corporate governance

- Institutions underwriting microinsurance should be subject to corporate governance, accounting and public disclosure standards
- Allows regulators and supervisors to leverage non traditional institutional types
- Weak governance implies higher regulatory effort to ensure compliance
- Where regulator has implemented measures to improve governance structures rather than excluding such institutions, a whole category of entities were able to support market development

Market conduct regulations

- Determine extent to which current insurance regulatory burden inhibits the underwriting and/or distribution of insurance products appropriate for low income segments
- Define a microinsurance product category with lower risk (including policy contract duration, benefit cut-off level and risk events that are included and simplicity of terms) that will justify reduced prudential and market conduct regulation
- Catalyse development of simplified terms and conditions for microinsurance

Policy and regulatory issues affecting the development of microinsurance

Intermediaries

- Allow multiple categories of intermediaries for ensuring low cost distribution
- Avoid prescriptive regulation in order to accommodate changing distribution models
- Avoid commission caps on intermediation process and require microinsurers to disclose commission levels to supervisor

Consumer protection

- Promoting insurance awareness
- Market should be made aware of advantages of a regulated insurer
- Simplified procedures for underwriting management and claims administration
- Grievance redressal
- There must be ease of consumer recourse to lodge a complaint and or channel enquiries

Supervision and enforcement

- Base regulation and supervision strategy on a careful assessment of the areas of risk facing the consumer and the industry
- Complement strategy with careful monitoring to ensure supervisory forbearance or prioritisation – can be adapted to changing circumstances and risk experience
- Use market capacity to support self regulation in low-risk areas

Effect of prevailing insurance market environment on microinsurance

Reliance on compulsory credit based insurance

- Large reliance indicates microcredit is an important driver of growth
- Microfinance rating agencies have an important role for formalising informal insurance operations. They reduce ratings of microfinance institutions with self insured portfolios

Reinsurance

- Enable microinsurance providers to access reinsurance
- Reinsurance protection facilitates introduction of innovative products and microinsurance schemes

Appropriate product design and awareness

- Products need to be designed to meet the specific characteristics of the low-income market
 - irregular cash flows of households
 - setting appropriate insured amounts
 - avoiding complex exclusions
 - avoiding difficult legal policy wordings
 - flexibility in premium payment
- High drop-out and lapse rates often relate to problems with the provider, not the policyholder
- Ill-designed product, misunderstanding about terms and conditions, or lack of effective and focused marketing
- Low-income households are often ill-informed
 - negative consequences of non-payment or late premium payment

Other factors affecting the development of microinsurance

Mandate crossings

- various laws and government agencies

- Payment systems rules
- Foreign investment rules
- Taxation regime
- Anti-money laundering rules
- Cooperative laws
- Health regulations
- Banking or microfinance rules



Application of IAIS Insurance Core Principles (ICPs) ICPs that universally applicable

Conditions for effective insurance supervision

ICP 1 Conditions for effective insurance supervision

The supervisory system

ICP 2 Supervisory Objectives

ICP 3 Supervisory Authority

ICP 4 Supervisory Process

ICP 5 Supervisory Cooperation and Information Sharing

The supervised entity

ICP 6 Licensing

ICP 7 Suitability of persons

ICP 8 Changes in Control and Portfolio Transfers

ICP 9 Corporate Governance

ICP10 Internal Control

On-going supervision

ICP11 Market Analysis

ICP12 Reporting to Supervisors and off-site Monitoring

ICP13 On-site Inspection

ICP14 Preventive and Corrective Measures

ICP15 Enforcement or Sanctions



Application of IAIS Insurance Core Principles (ICPs)

IAIS ICPs that universally applicable

Regulatory Supervision	ICP 16	Winding-up and exit from the market
	ICP 17	Group-wide Supervision
Prudential Requirements	ICP 18	Risk Assessment and Management
	ICP 19	Insurance activity
	ICP 20	Liabilities
	ICP 21	Investments
	ICP 22	Derivatives and similar commitments
	ICP 23	Capital adequacy and solvency
	ICP 24	Intermediaries
	ICP 25	Consumer protection
Market and Consumers	ICP 26	Information, disclosure & transparency towards the market
	ICP 27	Fraud
	ICP 28	Anti-money laundering, combating the financing of terrorism (AML/CFT)

Examples of policy and regulatory interventions

<p>INDIA</p> <ul style="list-style-type: none"> ✓ Regulator has developmental role <ul style="list-style-type: none"> • Insurance Regulatory And Development Authority ✓ Rural and social sector obligations is a licensing condition ✓ Microinsurance regulations <ul style="list-style-type: none"> • Microinsurance agents • Product simplification and standardisation • Composite microinsurance product • Higher commission to microinsurance agents 	<p>PHILIPPINES</p> <ul style="list-style-type: none"> ✓ Allows second tier of insurance providers Mutual Benefit Associations <ul style="list-style-type: none"> • Offer only defined microinsurance products ✓ Subject to prudential requirements <ul style="list-style-type: none"> • Lesser capital requirements, and reduced compliance standards ✓ Need to engage the services of an actuary for the purpose of their insurance functions
<p>SOUTH AFRICA</p> <ul style="list-style-type: none"> ✓ Financial Services Charter <ul style="list-style-type: none"> • Voluntary commitment by industry ✓ National Treasury framework - proposed <ul style="list-style-type: none"> • Dedicated micro-insurance license • Simplified distribution regime • Uncapped commission levels; hybrid basis • Life and property classes of insurance • Contract terms < one year • Benefits capped • Reduced capital & regulatory requirements 	<p>WEST AFRICA</p> <ul style="list-style-type: none"> ✓ Sub regional regulation offers special status to microhealth insurance schemes having limited operating budgets by not subjecting them to excessive burden <ul style="list-style-type: none"> • Licensing, prudential rules and specific chart of accounts ✓ Incorporates the nature and particularities of such schemes <ul style="list-style-type: none"> • Not for profit and solidarity-focused (no risk selection) organizations (<1000 subscribers) • Low ability to pay (approx. 1 USD per month)

Looking at microhealth insurance

"What's the difference between a stumbling block and a stepping stone?
- The way you approach it."

Is microhealth insurance only a financial tool? (Narrow View)

Or

Is microhealth insurance a trigger to larger health care reforms? (Broader View)

Role of government:

- Redistribution and redesign of health budgets
- Targeting subsidies

Role of regulator

- Microhealth insurance regulation
- Role of NGOs/ cooperatives
- Standardising cost
- Level playing field



Looking at Weather Index Insurance

- Weather index measures specific **weather variable** (e.g. rainfall or temperature) **highly correlated** with losses (e.g. crop yields) over a period of time
- Pays indemnities based on realisation of **specified threshold limits** of a weather index
- Key advantages:
 - can generate **rapid payments** after a triggered event
 - Little potential for adverse selection and moral hazard
- Main shortcoming:
 - **Basis risk** (the potential mismatch between losses and payout)

Regulatory Issues

- Insurance or Derivative?
- Establishing insurable interest
 - Need for "evidence" (property rights?)
- Legal framework should address contract enforcement
 - Insurers should not be forced to pay indemnities for losses not covered by contract provisions
 - Binding arbitration procedure to protect small policy holders from unilateral action by insurers
- Data collection and management
 - Accessing weather data: past (historical data); present (timeliness); future (reliable contract settlement data)
- Scalability



Key ingredients for improving access to insurance

•Insurance regulation and supervision

- ✓Sound legal framework including efficient and effective supervision
 - Otherwise regulatory interventions may be costly
- ✓Compliance with IAIS Insurance Core Principles (ICPs)
 - Speeds global integration
 - Signals investors about meeting responsibilities of global financial system
 - Encourages access to insurance

•Collecting and sharing data

- ✓System to collect, organise and make available statistical data
 - Encourages better risk identification, pricing, and mitigation of loss and fraud
- ✓System for compiling/ aggregating financial reporting data
 - Leads to efficient management of balance-sheets, efficient use of capital, and reduction in cost of insurance

•Educating markets and consumers on standards and ethical market discipline

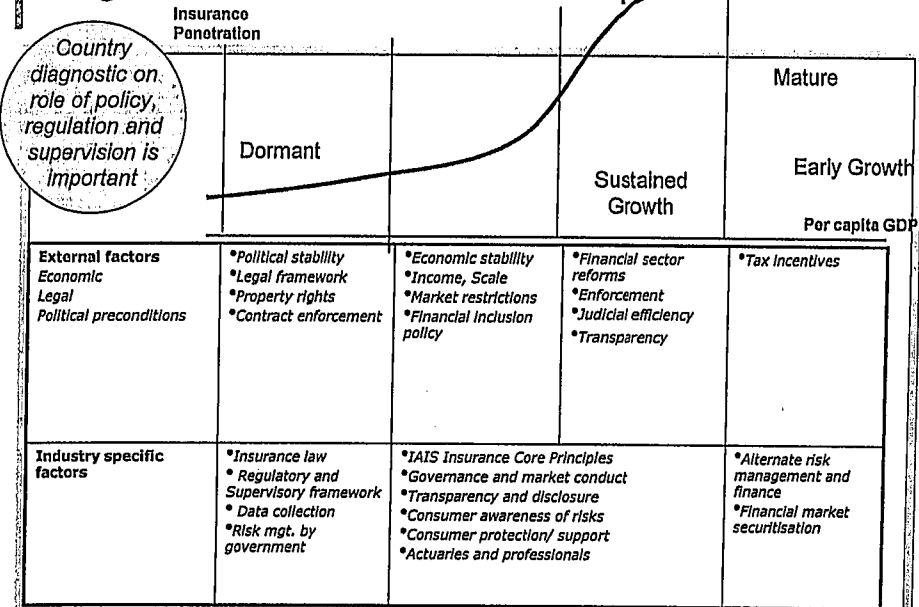
- ✓Insurance awareness
 - Developing and communicating best practice standards
- ✓Codes of corporate governance, standards for actuarial and accounting professions
 - Building market confidence
 - Better focus on prudential supervision
- ✓Grievance redressal mechanisms
 - Building consumer confidence

•Supporting professional insurance education and capacity building

- ✓Reliable cadre of insurance professionals - actuaries, underwriters, agents, claims personnel, policy administration, customer service and supervisors
 - Setting up insurance educational and professional bodies
 - Enhance supervisory ability to value reserves, pricing adequacy and solvency



Stages of insurance market development



What policymakers and supervisors can do?



- 1° ...seek political mandate from their authorities (political and financial support)
- 2° ...can study the potential and risks in their particular jurisdiction (no template solutions)
- 3° ... establish dialogue with the formal and informal industry stakeholders (open mind)
- 4° ... allow for and encourage innovation
- 5° ... can strengthen their capacities and facilitate capacity building (complex task)
- 6° ...can learn from other policymakers and supervisors (south-south and north-south dialogue)



It will take time..... but success breeds success

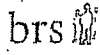
Partner with IAIS-MIN Joint Working Group and
Access to Insurance Initiative (A2II)
to learn, share and contribute



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www.iaisweb.org





PERFORMANCE INDICATORS FOR MICROINSURANCE
 Performance indicators to evaluate product value
 distribution and servicing

Improving Financial Access through Microinsurance

Lessons from Regulatory and Industry Initiatives for China

14 July 2009

Véronique Faber- veronique.ada@microfinance.lu

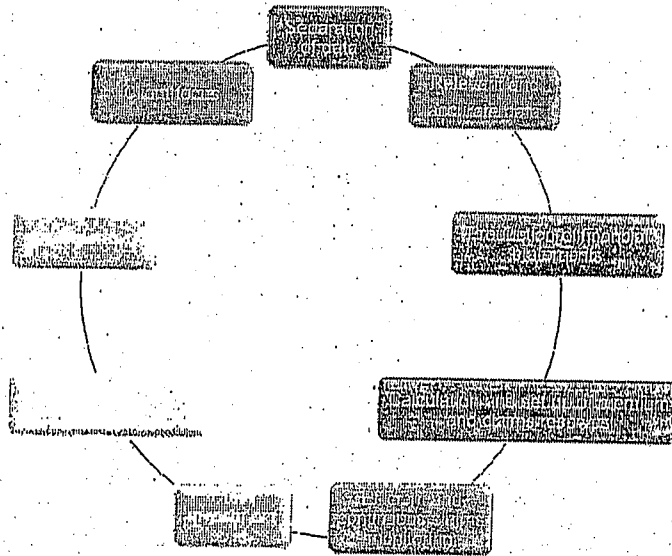


**KEY
 FINANCIAL
 PERFORMANCE
 INDICATORS
 FOR MICROINSURANCE**



Nine Key Principles

A priori conditions = Accurate performance measurement



brs gtz

Key Performance Indicators for Microinsurance

Category Significance from client's perspective	Indicator	Order in handbook
A. Product value	Incurring Expense Ratio	2
	Incurring Claims Ratio	3
	Net Income Ratio	1
B. Service quality	Promptness of Claims Settlement	5
	Claims Rejection Ratio	6
C. Product awareness & Client satisfaction	Renewal rate	4
	Coverage ratio	8
	Growth rate	7
D. Financial prudence	Solvency ratio	9
	Liquidity ratio	10

brs gtz

PRODUCT VALUE

1. **Incurred Expense Ratio** = Incurred Expenses / Earned Premiums

How efficient is the delivery of the product?

2. **Incurred Claims Ratio** = Incurred Claims / Earned Premiums

Is the product valuable for the client?

3. **Net Income Ratio** = Net income / Earned Premium

Is the programme or product viable?

Important data

Premium, claims and expense on accrual basis.

SERVICE QUALITY

1. **Promptness of Claims Settlements** = Number of days from event reported to benefits received by clients

How satisfied are your clients?

2. **Claims Rejection Ratio** = Incurred Claims / Earned Premiums

How well do the clients understand the product?

Important data

Maintaining data on date of event, date received and date paid




PRODUCT AWARENESS AND SATISFACTION

1. **Renewal Ratio** = Number of Renewals / Number of Potential Renewals
2. **Coverage Ratio** = Number of insured n / Target population n
3. **Growth Ratio** = (Number of insured n – Number of Insured n-1) /
Number of Insured n-1

= Marketing Indicators, provide some measure of meeting client need and understanding of efficiency

Important data

Definition of target population, client data

 brs  gtz 

FINANCIAL PRUDENCE

1. **Solvency Ratio** = Admitted Assets / Liabilities
What is the ability to meet future obligations?
2. **Liquidity Ratio** = Available Cash or Cash Equivalents / Short-term
Payables (3 months)
What is the ability to meet short term obligations?

Important data

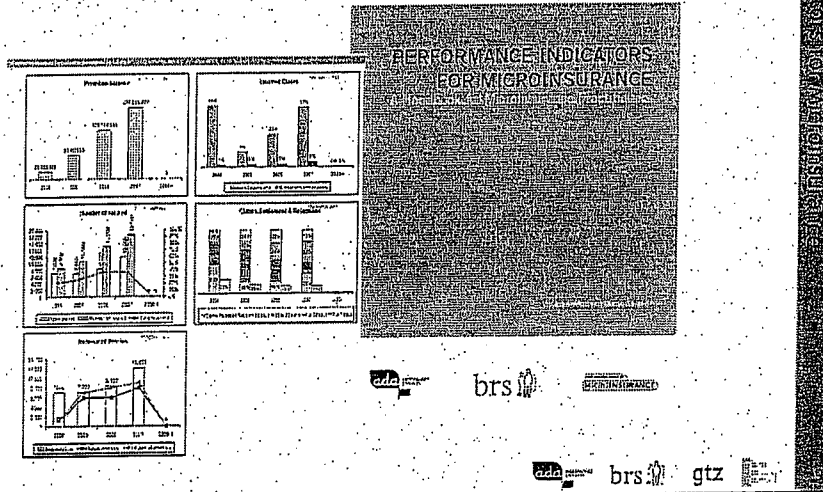
Calculated actuarial reserves, investments, estimate of expected payouts

→ REGULATION

 brs  gtz 

Performance Indicators for Microinsurance Toolkit

- Handbook & Microinsurance Factsheet & Workshops & ToT
 - In English, French and Spanish
 - More information available on microfact.org



Contact details

Microinsurance Network

- www.microinsurancenet.org
- Secretariat: Véronique Faber veronique.ada@microfinance.lu
- Performance Indicators Working Group: Denis Garand
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Toolkit & Workshops Performance Indicators for Microinsurance

- www.microfact.org
- Support and FAQs: microfact@brs-vzw.be

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QUICK REFERENCE GUIDE				PERFORMANCE INDICATORS FOR MICROINSURANCE		Impact on:	
Significance	Indicator	Formula	Acceptable values	Key indicator	Other indicators	Viability	
Product Value	Net Income Ratio	Net Income / Earned Premium	0 - 10%	↗	Decreases Renewal Rate Decreases Growth Rate Decreases Coverage Ratio	Unclear effect on viability	
	Incurred Expense Ratio	Incurred Expenses / Earned Premium	< 30%	↗	Decreases Renewal Rate Decreases Growth Rate Decreases Coverage Ratio	Decreases viability	
	Incurred Claims Ratio	Incurred Claims / Earned Premium	> 65%	too high	Decreases Net Income Ratio Increases Renewal Rate Increases Coverage Ratio	Decreases viability	
Service Quality	Promptness of Claims Settlement	Select only claims that have been processed and paid from the entire set of claims for a period, and apportion this set of paid claims in terms of the number of days that it took to pay each claim, according to a defined schedule	n/a	too low	Decreases Net Income Ratio Decreases Renewal Rate Decreases Growth Rate Decreases Coverage Ratio	Failure of programme	
	Claims Rejection Ratio	Number of Claims Rejected / All Claims Reported	n/a	slow claims payment	Increases Incurred Expense Ratio Decreases Renewal Rate Decreases Growth Rate Decreases Coverage Ratio	Decreases viability	
Product Awareness and Client Satisfaction	Renewal Ratio Ratio	Number of Renewals / Number of Potential Renewals	> 85%	↗	Decreases Net Income Ratio Decreases Incurred Expense Ratio Decreases Renewal Rate Decreases Growth Rate Decreases Coverage Ratio	Decreases viability	
	Growth Ratio	(Number of Insured n - Number of Insured n-1) / Number of Insured n-1	n/a	↗	Decreases Net Income Ratio Decreases Incurred Expense Ratio Decreases Renewal Rate Decreases Growth Rate Decreases Coverage Ratio	Decreases viability	
	Coverage Ratio	Number of Insured n / Target Population n	> 10%	↗	Decreases Net Income Ratio Increases Incurred Expense Ratio Increases Incurred Claims Ratio	Decreases viability	
Financial Prudence	Solvency Ratio	Admitted Assets / Liabilities	> 110%	↗	Decreases Net Income Ratio Increases Incurred Expense Ratio Increases Incurred Claims Ratio	Decreases viability	
	Liquidity Ratio	Available Cash or Cash Equivalents / Short-term Payables (3 months)	n/a	↗	Decreases Net Income Ratio Increases Incurred Expense Ratio Increases Incurred Claims Ratio	Decreases viability	

Specific to Microinsurance programme: A new programme will need a very high growth rate whereas an older programme with a low growth rate may signify participation nearing 100%

Specific to Microinsurance programme: A low solvency rate may not be a large concern depending on the insurer's overall business plan; a high solvency rate may indicate an inefficient use of

Specific to Microinsurance programme: Too much liquidity increases costs and lowers benefits whereas too little liquidity will delay claims payment or lead to bankruptcy

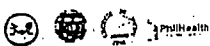
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Microinsurance Innovation Programme for
Social Security (MIPSS) in the Philippines

Developing Microinsurance in the Philippines - Priorities & Perspectives -

'Improving Financial Access through Microinsurance -
Lessons from Regulatory and Industry Initiatives for China'
Taiyuan, Shanxi, China 14-15 July 2009

Dr. Antonis Malagardis



gtz

Structure of presentation

- Priority Action Areas
- Update on MI development - TWG Approach
- Highlights of Draft Regulatory Framework
- Mechanisms to provide Social Protection
- MIPSS components

gtz

Priority Action areas

- The low-income market requires a modified approach to insurance;
- There is demand, but insurers, intermediaries and potential policyholders need to understand how MI can satisfy it;
- Supply is growing rapidly, but real value to policyholders is not clearly identified;
- Massification will require a combination of various delivery channels and adjustments to regulatory framework

gtz

Update on Microinsurance in PH (1)

'Microinsurance is an insurance business activity of providing specific insurance products that meet the needs of the disadvantaged for risk protection and relief against distress or misfortune'

(IC, Memorandum Circular No. 9-2006)

gtz

Update on Microinsurance in PH (2)

- └ MI market in the Philippines covers approx. 2.9 million adults (5.4% of the adult population) - 41% are provided by the informal market (*)
- └ Informal micro insurance market is comprised of registered and unregistered institutions that provide insurance, insurance-like, and other similar products and services to the poor without any license from the concerned regulatory authority.

(*) Making Insurance Markets Work for the Poor Microinsurance Policy Regulation and Supervision - Philippines Case Study

gtz

Technical Working Group approach

- └ Chaired by the Department of Finance/National Credit Council with the support of ADB Microinsurance Project and the GTZ MIPSS
- └ Members of TWG include all regulatory bodies, representatives of Life and Non-Life Insurance, Mutual Benefit Associations, Cooperatives, Health Maintenance Organizations associations, etc
- └ Monthly meetings and ongoing regional consultations

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Highlights of Draft Regulatory Framework* (1)

- Policy and regulatory environment that will facilitate the participation of the private sector
- Existing informal providers to transform themselves into formal MI
- Promotion of a continuous financial literacy program to underline the importance of MI, the rules and regulations, the duties and responsibilities of the providers, and the consumer rights of the insured

() Only preliminary ideas - that do not necessarily reflect those of the IC - are presented here as consultations with all concerned parties are ongoing.*

gtz

Highlights of Draft Regulatory Framework (2)

- MI shall only be undertaken by entities registered and licensed by appropriate government regulatory bodies. Among these entities are the following:
 - ✓ Commercial Life Insurance Companies
 - ✓ Commercial Non-life Insurance Companies
 - ✓ Mutual Benefit Associations
 - ✓ Cooperative Insurance Societies
 - ✓ Pre-need Companies
 - ✓ Health Maintenance Organizations

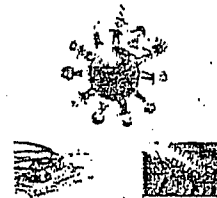
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Highlights of Draft Regulatory Framework (3)

- The amount of premiums does not exceed 5% of the current daily minimum wage rate for non-agricultural workers in Metro Manila;
- The maximum sum of guaranteed benefits is not more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila;
- Lower guarantee fund requirement for MI-MBAs;
- Lower capitalization requirement for CIS;
- Expanded admitted assets for entities engaged in MI;
- Appropriate Risk-Based Capital (RBC) framework;

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Microinsurance as a tool to extend Social protection



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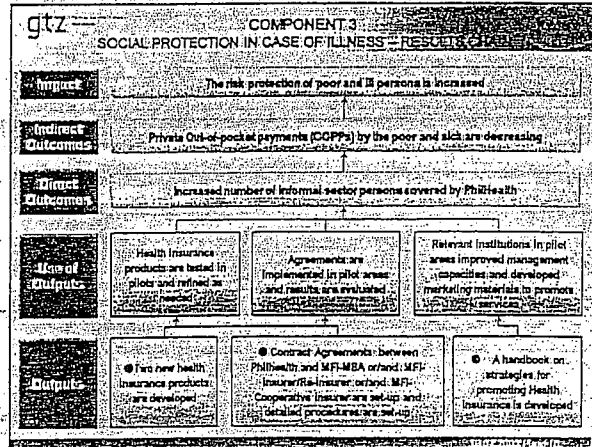
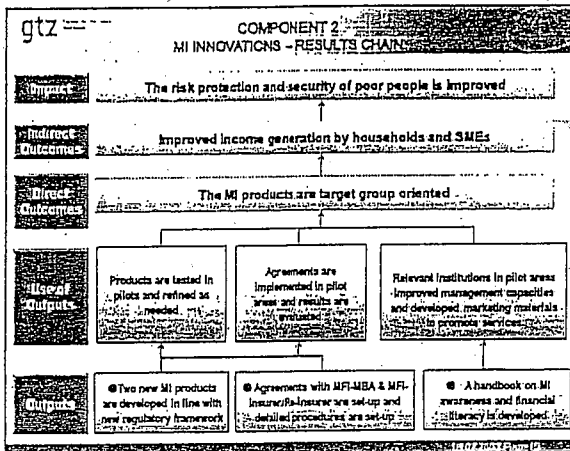
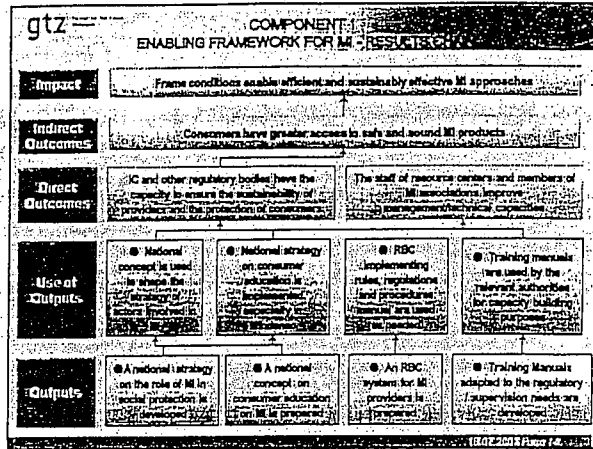
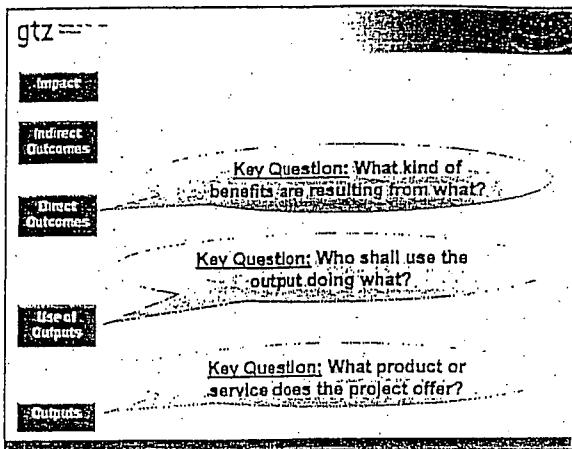
Mechanisms to extend SP

- A variety of mechanisms exist
 - Social insurance
 - Social assistance targeted to vulnerable persons
 - Private insurance
 - Mutual organizations
 - Microinsurance
- No single mechanism can provide an adequate solution
- Complementarity of various mechanisms is required
- Microinsurance represents a crucial dimension in extending SP

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MIPSS components





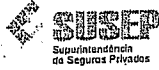
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GTZ Principles in Cooperation

- Systemic approach
- Long-term orientation and flexibility
- Good Project Design and Partner orientation
- Impact Orientation

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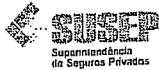
THANK YOU !!!



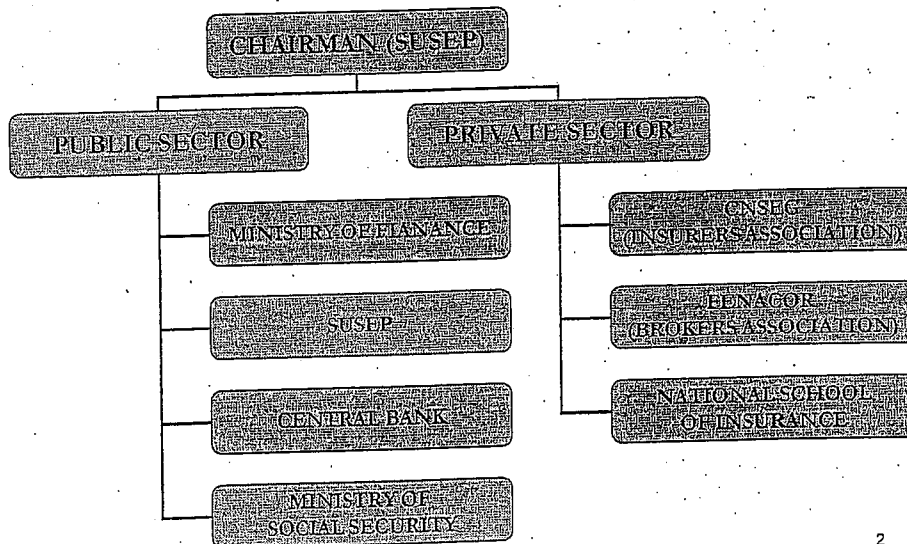
Regulation, Supervision and Policy Issues for Microinsurance in Brazil

International Microinsurance Workshop _ China 2009

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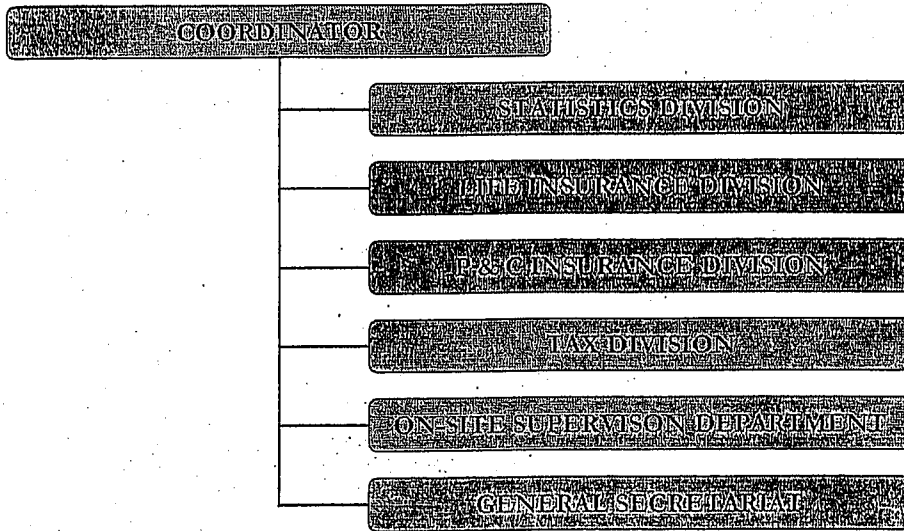
Consultative Commission on Microinsurance



2



SUSEP's Working Group on Microinsurance



3

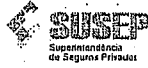


Timeline

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- September/2008 – Define “microinsurance” and “low-income population” for microinsurance purposes in Brazil.
- November/2008 – Identification of Regulatory Barriers.
- June/2009 – Identification of Stakeholders and their Role *6月 加入 第3阶段*
- July/2009 – Minimum Requirements for Microinsurance Products.

4



“Microinsurance” Definition

研究 2012年 2012年 2012年

“Microinsurance is the insurance protection provided by licensed entities within the country against specific risks which aims fundamentally to preserve the socio-economic and personal and family situation of the low-income population by means of premium payments which are proportional to the probability and cost of risks involved, in accordance with the legislation and globally accepted insurance principles.”

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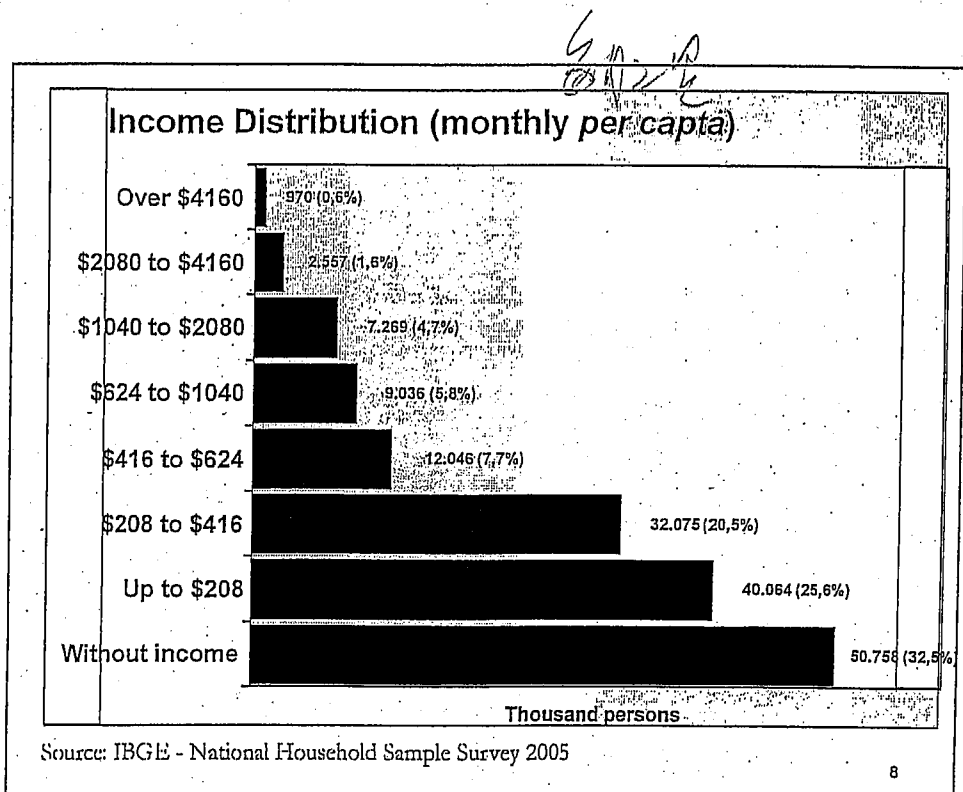
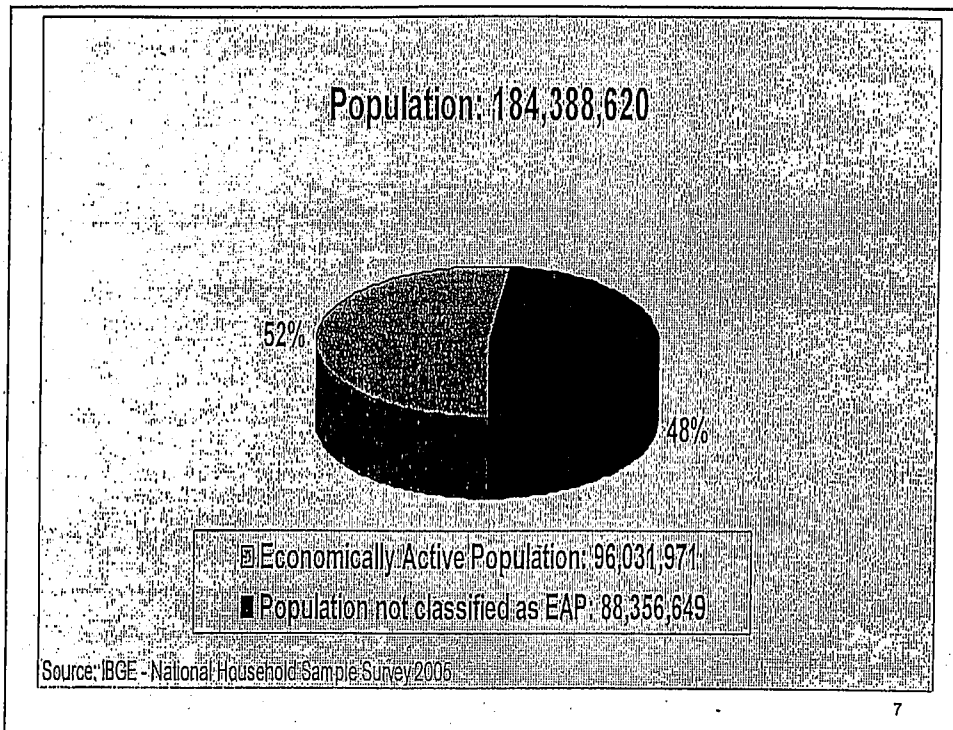
“Low Income Population”

- Many variables influence the “poverty” concept
- Brazil has continental dimensions and great contrasts among its different regions
- Variables linked to income *per capita* jointly with educational variables and household variables, aiming to:
 1. Preliminary investigation on the educational levels of potential microinsurance consumers
 2. Possible distribution channels and/or microinsurance premiums collection networks

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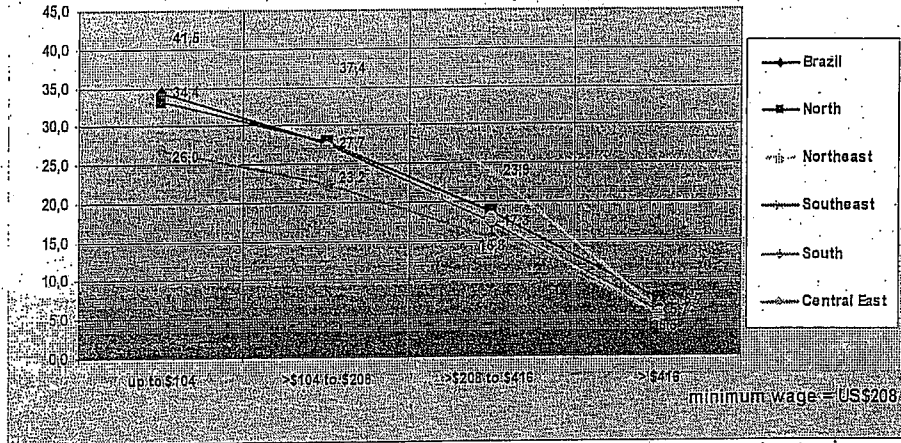
研究 2012年 研究 2012年

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Education X Income 1

11/02/11
Functional illiteracy rate of persons aged 15 years and older

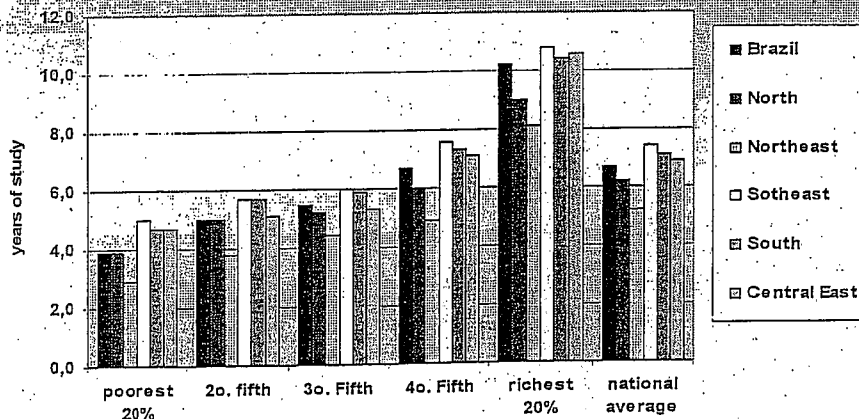


Source: IBGE - National Household Sample Survey 2006

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Education X Income 2

Average years of schooling of persons aged 25 years and older by monthly income household per capita by fifth

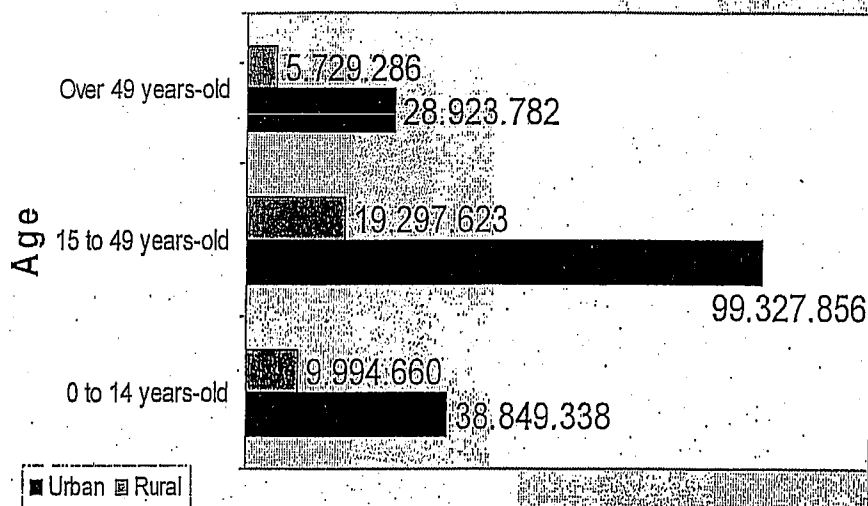


Source: IBGE - National Household Sample Survey 2006

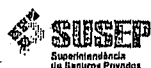
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教育水平与收入
收入越高，教育水平越高

Urban Concentration

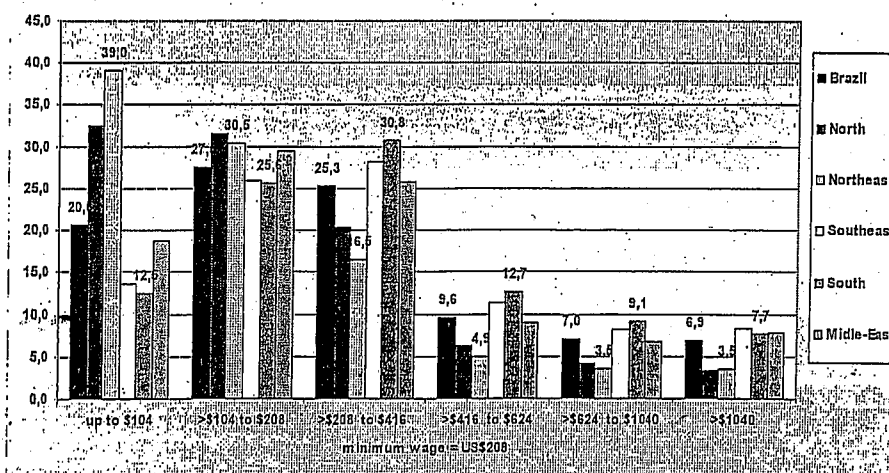


Source: IBGE - National Household Sample Survey 2005



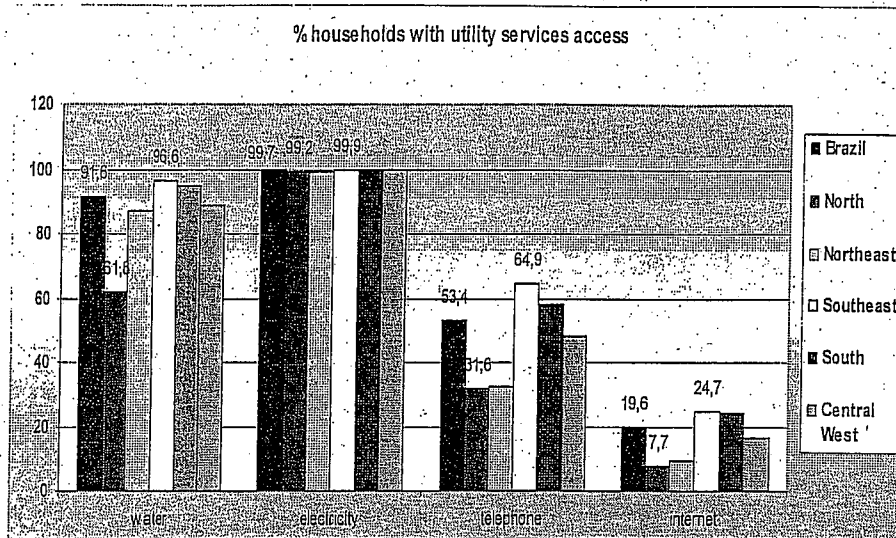
Urban Households X Income

% urban households by monthly income per capita



Source: IBGE - National Household Sample Survey 2006

Household Utility Services Access



Source: IBGE - National Household Sample Survey 2006

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“Low-Income Population”

- Target: i) low-income households; ii) people working in the informal economy; and iii) low-income workers in the formal sector
- Around 46% of the Brazilian population has monthly income *per capita* up to US\$416 (2 minimum wages)
- National average monthly income *per capita* (considering 13 wages per year): R\$ 1,253 – US\$ 626 – three minimum wages
- Trend to informal activities observed in the economically active population (mainly among those who perceives income monthly *per capita* up to US\$416)

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“Low-Income Population” Definition for Study Purposes

“The low-income population in Brazil, for specific microinsurance purposes, is the segment of the population which monthly income *per capita* is up to three minimum wage national reference”.
(US\$624)

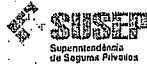
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Identification of Regulatory Barriers

- Assessment of the legislation which regulates the insurance sector – around 90 rules (laws, resolutions and circulars)
- Evaluation of regulation impact – identification of **barriers, opportunities and gaps** in the legislation and also **risks and threats** due to lack of protection elements.
- Meetings with private sector representatives – operational and marketing experience.

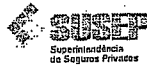
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Identification of Regulatory Barriers Assessment Conclusions 1

- No relevant barriers or restrictions were found
- The only restriction refers to **legal form of insurance providers**
- Legislation is flexible to regulate MI activities within the scope of the Supervisory Authority
- Current legislation allows **different distribution channels**
- Current legislation allows the creation of a MI broker - qualification by means of a simplified technical training, including minimum necessary requirements

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Identification of Regulatory Barriers Assessment Conclusions 2

- Current legislation allows **hiring insurance through tickets (simplified form of commercialization)**
- Tax issue is extremely relevant for making MI products viable – sensitization of stakeholders is vital to the success of actions
- Bank Correspondents play a fundamental role in the collection of premiums – coordinated work should be jointly developed by SUSEP and Central Bank
- Specific license to sell microinsurance

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Identification of Stakeholders and their Role

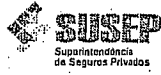
- 21 Stakeholders were identified at Macro and Meso Levels
- At Micro Level were assessed:
 - insurance providers (regulated under Insurance Law, under other legislations and non-regulated)
 - intermediaries and distribution channels
 - policyholders and beneficiaries

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Identification of Stakeholders and their Role

- At least 7 different distribution channels were assessed
 - brokers, churches, coops, NGO's, MFIs, Banks and Bank Correspondents, Department Stores, Public Utility Providers, Capitalization Companies, among others
- Role of Donors and Development Agencies were evaluated
- Identification of key-divisions within the Supervisory Authority
- As a result, more stakeholders get involved

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THANK YOU!

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