

Putting the consumer at the heart of digitalisation of the insurance value chain

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The discussants



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What is inclusive insurance?

Microinsurance

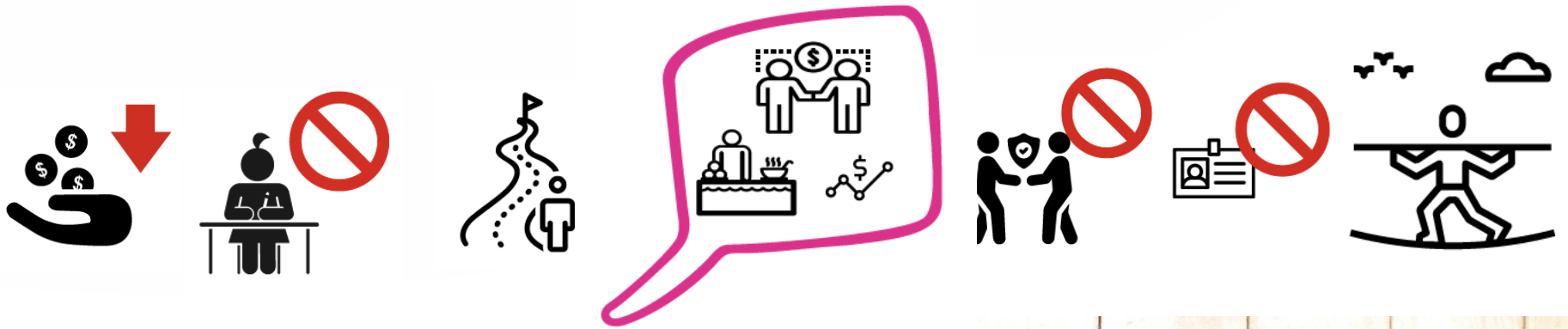
“Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices.”
(IAIS, 2007)

Inclusive Insurance

“All insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market.” (IAIS, 2015)

*See IAIS papers (1) Issues in Regulation and Supervision of Microinsurance (2007)
(2) Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets (2012) (3) Issues
Paper on Conduct of Business in Inclusive Insurance (2015)

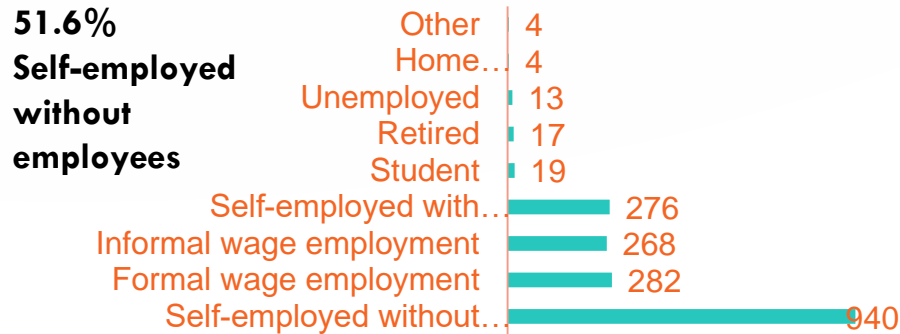
The consumer of inclusive insurance: the excluded and underserved



The consumer of inclusive insurance

The case of Ghana

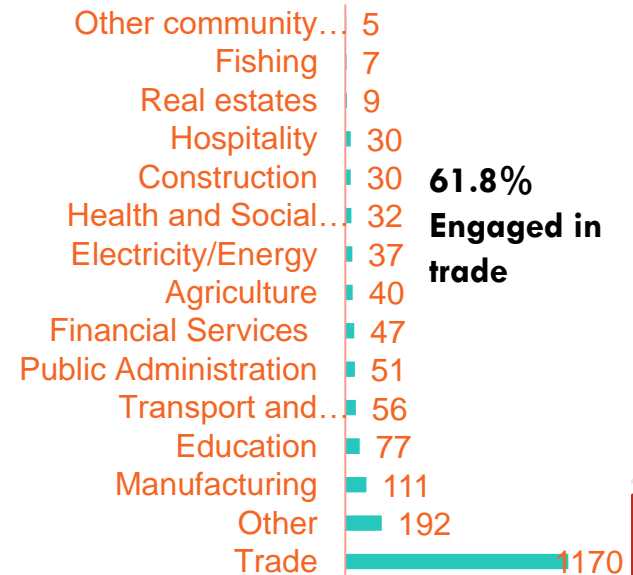
A description of the target group of microinsurance



57,6%
earn 600 Cedi or less per month



54.4%
Women

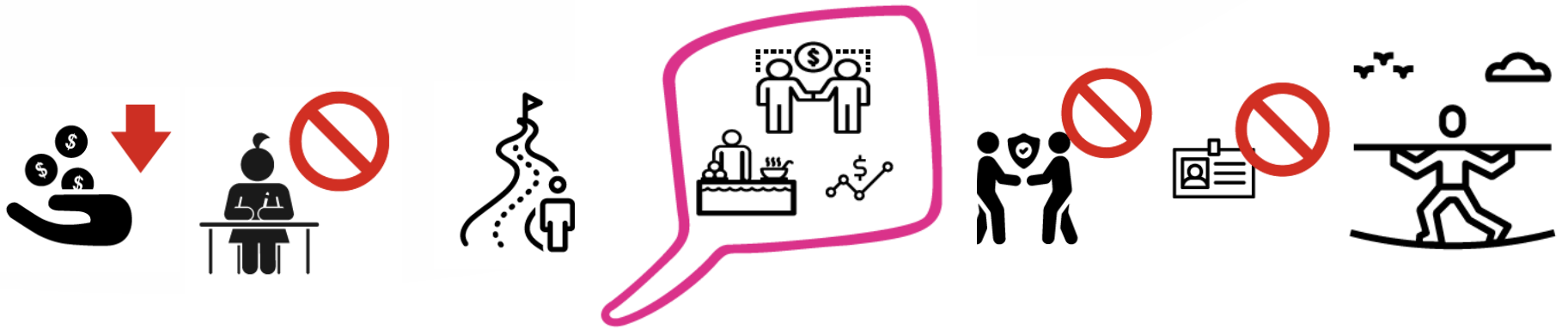


How do they manage their risk?



Source: BNM (2018)

The potential of digitalisation for inclusive insurance



Question 1

What are the innovations that providers have adopted in your country to address last-mile obstacles and provide insurance?

The potential of digitalisation for inclusive insurance



InsurTech models in emerging markets

P2P insurance

P2P platforms bring people together to absorb one another's risks, with each member of the group contributing premiums to insure each other's losses. The basic appeal is similar to that of mutuals, except that technology enables a much larger reach and scale in connecting people.

Digital platforms

These replace face-to-face elements of the insurance value chain with an online service, such as online brokers, online insurers, or even backend services to insurers.

Technology-enabled partnerships

Technology-enabled partnerships refer to three-way partnerships between an insurer, distribution partner (be it a retailer, MNO, digital commerce platform or otherwise) and TSP.

InsurTech models in emerging markets

New data and analytics

These collect and analyse data to inform insurers and TSPs about consumer needs and behaviour patterns. This category is composed of chatbots, telematics, machine learning and artificial intelligence (AI) and smart contracts.

Demand-based insurance

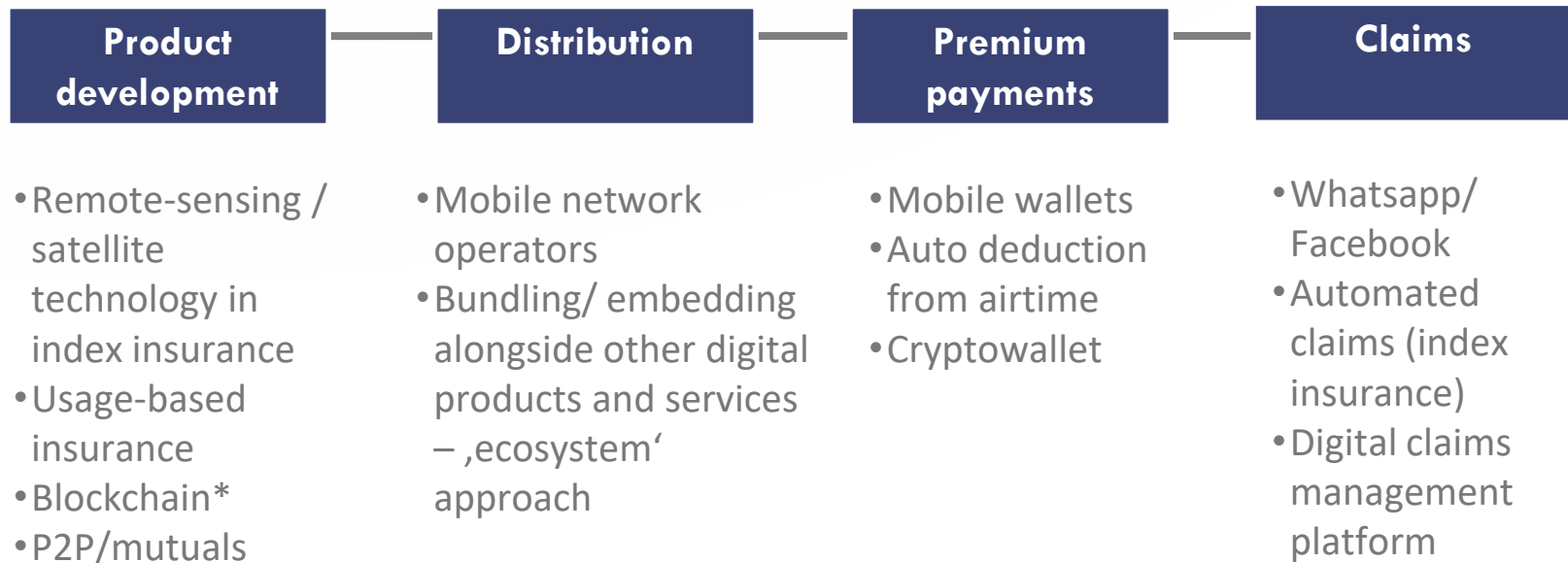
(a) On-demand insurance where cover lasts for a pre-defined time period or for a specific event (such as travel insurance), and (b) pay-as-you-use insurance, which charge the customer a premium-based on how much he/she uses an asset (currently mostly still limited to vehicle insurance). These rely on technologies such as telematics, machine learning and the mobile phone. Smart contracts are sometimes used to ensure automatic payout.

Parametric/index-based insurance

With its main use-case being agriculture and weather-related insurance, this is especially impactful for groups that are vulnerable to climate risk. This category uses two types of technologies: data measurement equipment and distributed ledger technology to trigger payouts based on the index. It may also use the mobile phone for interacting with the consumer.

Source: Cenfri

Digitalisation in inclusive insurance



Many models are a combination of different technologies, even offline and online – some models are partly switching back from digital.

Regulatory and Supervisory Approaches: The need of a specific approach

1. To ensure effective consumer protection, take into account:

- ✓ The particular vulnerability of the consumer of inclusive insurance
- ✓ The challenges of the traditional protection mechanisms

2. To promote the development of an inclusive insurance market, take into account:

- ✓ Innovations that amplify asymmetries of information and power...
- ✓ New stakeholders and models where non-insurance professionals participate actively



Photo: Andrea Camargo

The challenge: a balancing act

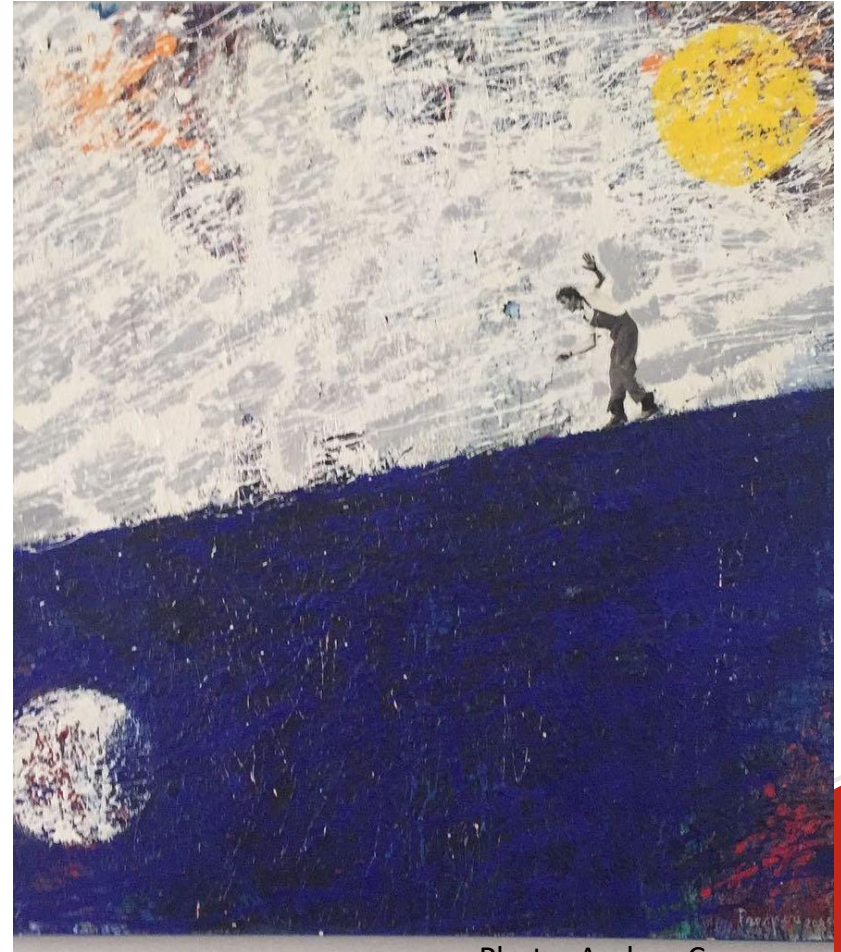
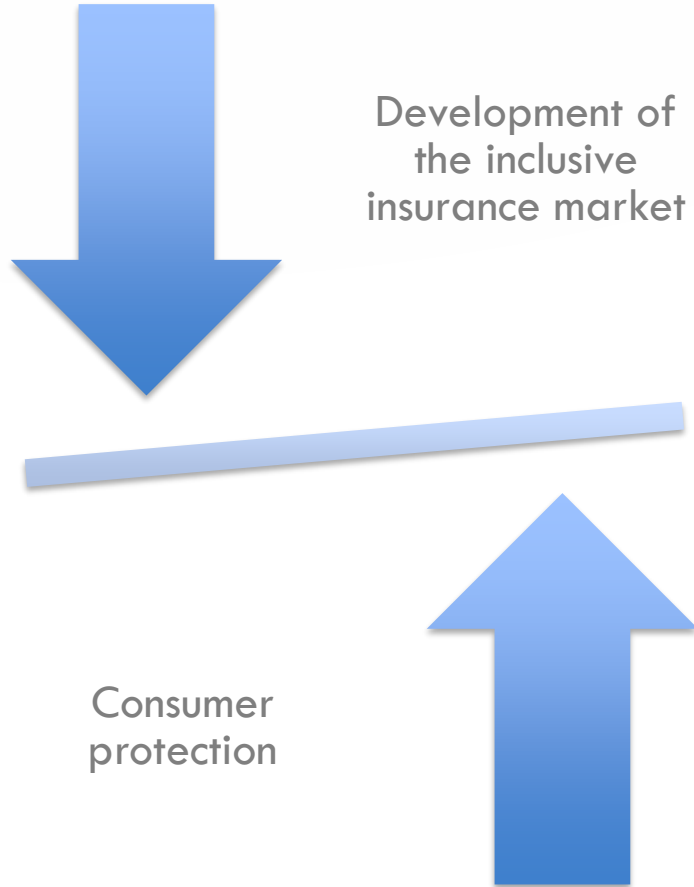


Photo: Andrea Camargo

Proportionality: a tool to address this challenge

” supervisors need to adjust certain supervisory requirements and actions in accordance with the nature, scale and complexity of risks posed by individual insurers”

IAIS, Application paper on regulation and supervision supporting inclusive insurance markets, 2012



An evidence-based approach "breaks the idea of the obvious"!

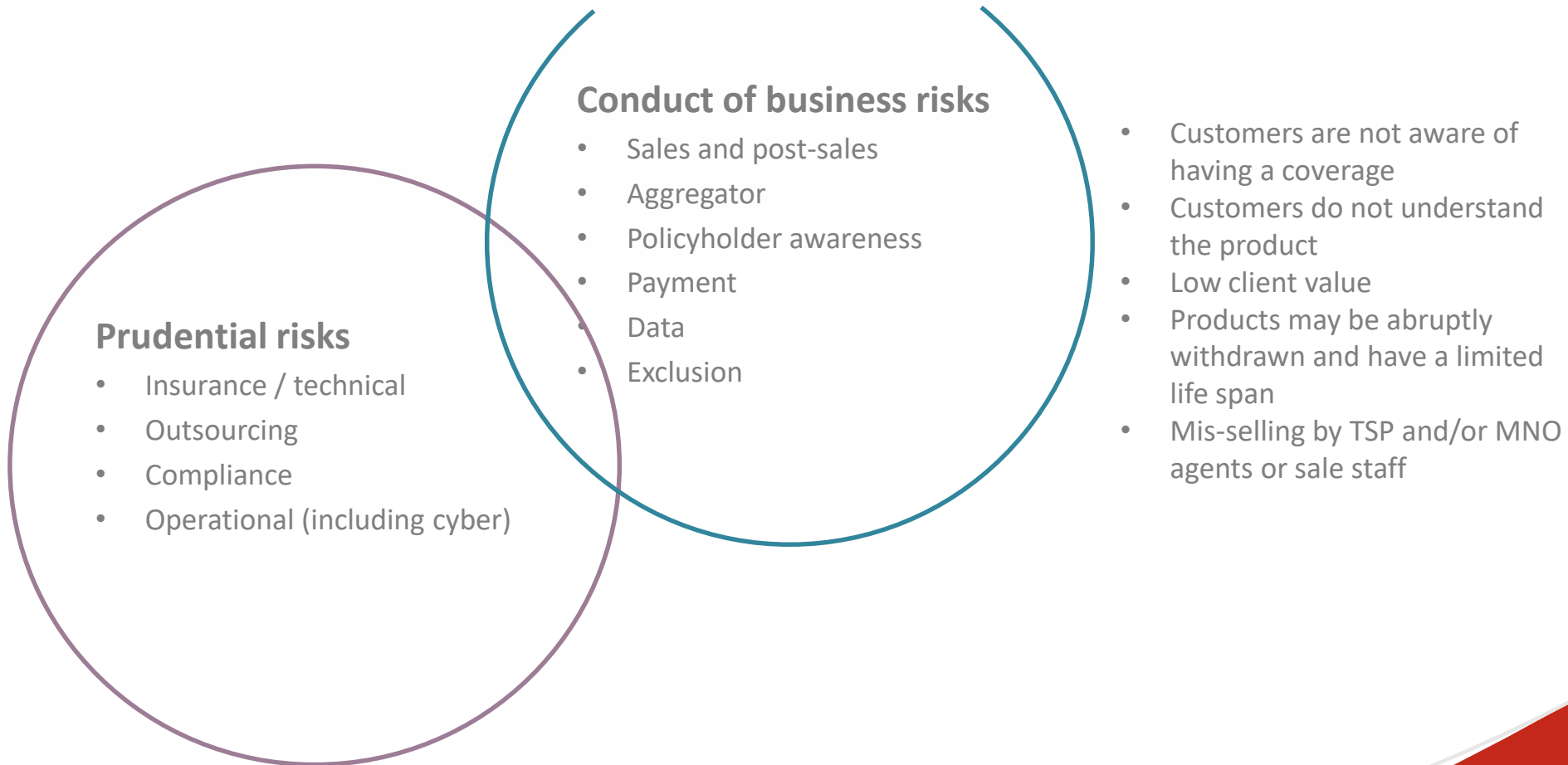
Question 2

What are the main risks of these innovations?

and

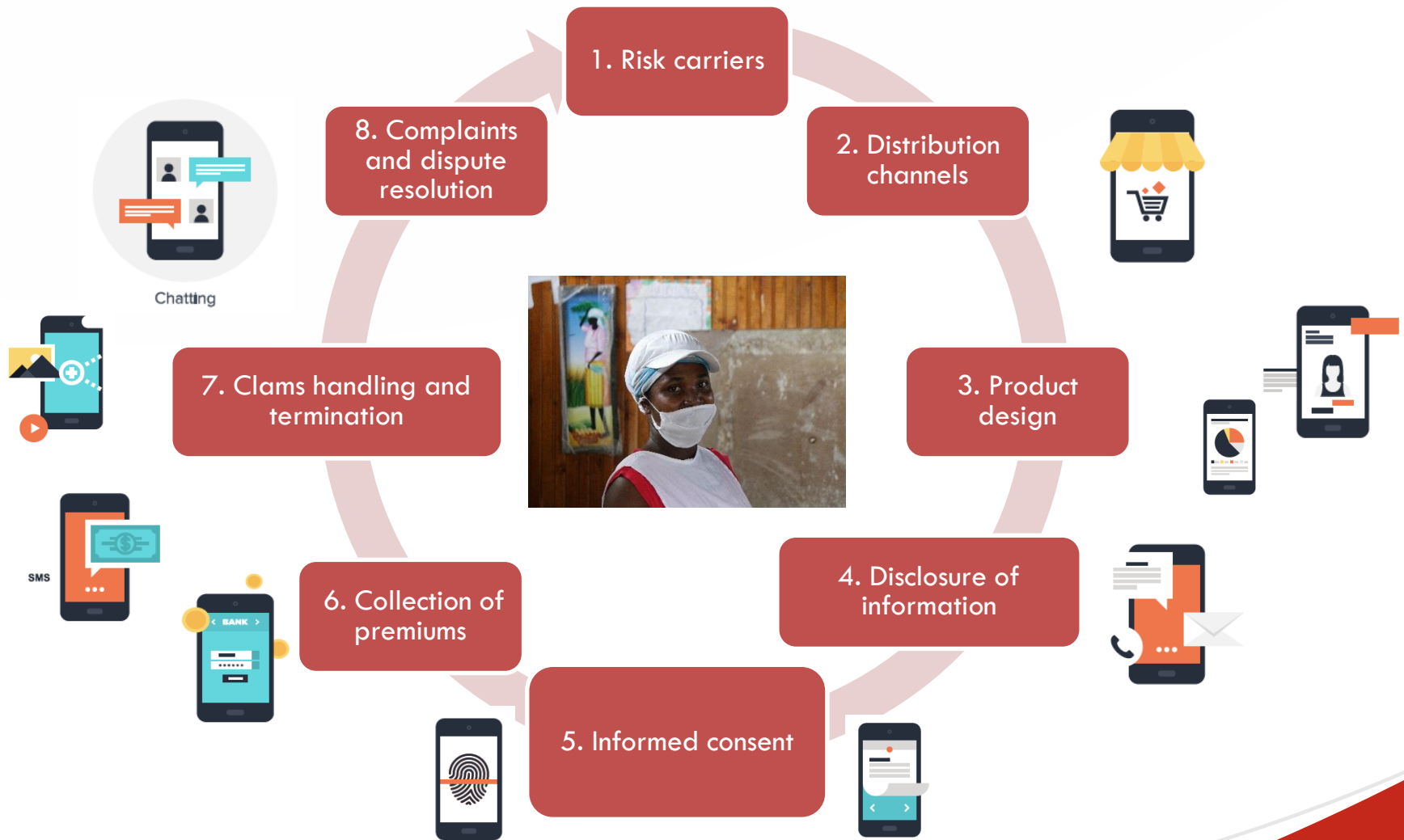
How are you addressing those risks to ensure that consumers are effectively protected?

Example: risks of mobile insurance



*See: Application Paper on the use of Digital Technology in Inclusive Insurance (IAIS, 2018) and Regulating Mobile Insurance Insurance business via mobile phones: regulatory challenges and emerging approaches (A2ii, 2018)

Putting the consumer at the heart of this revolution



*See: Application Paper on the use of Digital Technology in Inclusive Insurance (IAIS, 2018), Regulating Mobile Insurance Insurance business via mobile phones: regulatory challenges and emerging approaches (A2ii, 2018) and Issues Paper on Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes (IAIS 2018)

Focus on conduct of business challenges

Product development & pricing

- Lack of industry interest in serving the inclusive insurance market
 - Where there are products, if not based on needs of the inclusive market, consumers may be spending what little income they have on bad products
 - Affordability of premiums and premium payments – regular premiums spread out over the year may work better
 - Appropriateness of exclusions, terms and conditions
 - Product design could be driven by interests of distribution channels e.g. MFI and credit life, MNO and mobile insurance
 - Confusion among customers on what is/isn't insurance with unlicensed models such as P2P or blockchain-based models
- **Exclusionary effects of big data analytics and Artificial Intelligence – how does that change the situation for inclusive **insurance** consumers?**

Conduct of business challenges

Distribution

- Competence of the intermediary in selling and providing clear, accurate, not misleading information
 - Longer value chain and risk of partnership failure – more damaging for inclusive/first-time consumers
 - Challenging to incentivise selling due to low absolute remuneration...
 - ...while high fees/commissions as % of premium leads to lower value
-
- How high should commissions and fees go to incentivise active selling, while not compromising affordability, value and distorting incentives?

Conduct of business challenges

Disclosure

- Extra simple language or language-sensitive disclosure might be required to ensure informed decisions
- Particular need for effective disclosure in group insurance context
 - Will technologies like mobile devices and chatbots help or hinder disclosure?
 - What new disclosure requirements become critical for digital models?
 - Should there be more disclosure on how digital models work? E.g. commissions and fees, airtime deduction, index insurance, algorithms, blockchain mechanism

Conduct of business challenges

● Customer acceptance & premium collection

- Navigating underwriting questions, rights and obligations, contractual processes
 - Fairness in strategies and nudges such as bundling, compulsory insurance, opt-out / auto-enroll – consumers may not be aware of having paid for cover
 - Ease of cancelling or reversing unintentional/opt-out premium payment
 - Practicality of payment mode and schedule– airtime, mobile wallet, credit/debit card, cash, cheques?
 - Regulations on e-signatures, Customer Due Diligence and AML/CFT processes may unintentionally create barriers
-
- **What concerns do you have on e-signatures and other alternatives like biometric mechanisms?**

Conduct of business challenges

Claims settlement

- Particularly urgent need for prompt and painless claims settlement process as policyholder would have little financial buffer
- Claims notification, assistance, submission, payout need to be easy to accomplish
 - Simplified Customer Due Diligence (CDD) and verification at point of claims – is it simple enough?
 - How can digitalisation generally help or hinder claims – within and outside insurance?
 - Do you agree with a shorter claims timeline for inclusive products?

Question 3

What would you recommend to supervisors to adopt a balanced approach that facilitates innovation, but at the same time ensures that consumers are protected?

Key final Messages

- Digitalisation is an enabler of inclusive insurance, but it needs to be introduced in responsible way.
- There are prudential and market conduct risks arising from the process of digitalisation.
- Protection to consumers against bad commercial practices is key, but also a way to protect consumers is providing access to insurance!
- Innovation from supervisors is required to strike the right balance between market development and consumer protection: responsible market development.

Key Final Messages – Role of Supervisors

Supervisors can encourage the responsible development of the digitalisation of the insurance lifecycle by adopting the following regulatory and supervisory approaches (indicative examples):

- Allowing disclosure in multiple formats and modes beyond paper, but ensuring that these tools achieve the expected impact: consumers understanding and consequent provision of informed consent
- Allowing the use of e-signatures, electronic policies and electronic payment, but ensuring that the embedded risks are appropriately managed – risks such as fraud, theft of data, unauthorised access, misappropriation of funds, break downs, etc.
- Allowing the use of technological platforms and devices but ensuring that there apply appropriate protocols of consumers data management
- Allowing innovative business models and alternative distribution channels, but ensuring that they are reliable, suitable, transparent and trained depending on the services provided and that insurers are ultimately liable.
- Constant monitoring of impact of innovations in contained spaces
- Constant engagement and collaboration with involved parties
- Collaboration with other supervisors

Material

- IAIS and A2ii papers:
 - [Issues Paper on Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes](#)
 - [Application Paper on the Use of Digital Technology in Inclusive Insurance](#)
 - [Issues Paper on Conduct of Business in Inclusive Insurance](#)
 - [InsurTech – Rising to the Regulatory Challenge | A summary of IAIS-A2ii-MIN Consultative Forums 2018 for Asia, Africa and Latin America](#)
 - [Regulating Mobile Insurance - Insurance business via mobile phones: regulatory challenges and emerging approaches](#)
- Consultation Call Reports:
 - [Regulating InsurTech: Role of the regulator in managing data risks and protecting consumers](#)
 - [Innovation Hubs and Accelerators](#)
 - [Supervising InsurTech](#)
 - [Supervisory Responses to Consumer Risks in Mobile Insurance](#)

Thank you

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