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Evolving insurance supervisory mandates in Sub-Saharan Africa: implications for data practices

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This paper is the first part of a larger project to support insurance supervisors in Sub-Saharan Africa (SSA) with obtaining the necessary information to conduct effective supervision and evaluate the insurance market. The project arose from discussions among SSA insurance supervisors on the need to strengthen supervisory data capabilities in the region. The project is carried out under the guidance of a Steering Group comprising the insurance supervisors of Ghana, Kenya, Malawi, Mauritius, Uganda and West and Central Africa (CIMA), chaired by South Africa. The Steering Group members are as follows:

- Mvelase Peter (Chairperson) (Reserve Bank of South Africa)
- Lehlogonolo Chuenyane (Financial Sector Conduct Authority, South Africa)
- Jacky Huma (Financial Sector Conduct Authority, South Africa)
- Deerajen Ramasawmy (Financial Sector Commission, Mauritius)
- Ignacio Kanthenga (Reserve Bank of Malawi)
- Edwin Mulenga (Reserve Bank of Malawi)
- Fabrice Ablegue (The Inter-African Conference of the Insurance Markets, CIMA)
- Gerald Kago (Insurance Regulatory Authority, Kenya)
- Ivan Kilameri (Insurance Regulatory Authority, Uganda)
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List of acronyms

CGAP	Consultative Group to Assist the Poor
CISNA	Committee of Insurance, Securities and Non-Banking Financial Authorities
CIMA	The Inter-African Conference of the Insurance Markets
EMDEs	Emerging Market and Developing Economies
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FSC	Financial Services Commission (Mauritius)
FSCA	Financial Sector Conduct Authority (South Africa)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IAIS	International Association of Insurance Supervisors
ICP	Insurance Core Principle
IMF	International Monetary Fund
IRA	Insurance Regulatory Authority (Kenya)
IRA	Insurance Regulatory Authority (Uganda)
NIC	National Insurance Commission (Ghana)
OECD	Organisation for Economic Co-operation and Development
PSI	Principles for Sustainable Insurance
RBC	Risk-based capital
RBS	Risk-based supervision
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
SDG	Sustainable Development Goal
CIMA	The Inter-African Conference of the Insurance Markets
TCF	Treating Customers Fairly
UN	United Nations
UNEP-FI	United Nations Environment Programme Finance Initiative

INTRODUCTION

Key Performance Indicators (KPIs) – 'the quantifiable measures an organisation uses to determine how well it meets its declared operational and strategic goals' – are a vital tool to guide the strategies of organisations (Schrage & Kiron, 2018). Measurement provides the evidence to understand the current state and predict the likely future impact of changes. It creates incentives and drives behaviour, given that 'you manage what you measure' (Bester et al, 2016). Insurance supervisors are no exception. KPIs enable supervisors to assess the status and performance of the market, build an evidence base and determine the best course of regulatory action (Tatin-Jaleran & Chiew, 2019).

Insurance Core Principle (ICP) 9 stipulates that '…The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market.' The International Association of Insurance Supervisors (IAIS) further sets out in a 2010 Application Paper[1] what such financial, technical and statistical information might be, and the mechanisms necessary for its regular and systematic collection. In practice, there is a wide spectrum of practices among supervisors in terms of the types, quality and use of data they collect, as well as internal data infrastructure and resources available. Supervisors also increasingly recognise that legacy data practices are gradually becoming out-of-date due to technological advancement, even among developed markets.

Insurance supervisors have historically focused measurement efforts mostly on prudential soundness. The measurement and reporting frameworks for prudential oversight are therefore well established. Over the last decade, supervisors' mandates or objectives have broadened. Supervisors increasingly focus on conduct of business and customer outcomes, inclusive insurance and proactive development of the insurance sector. There is now also greater recognition of the link between insurance and broader policy challenges – inclusive economic development, climate risk and digitalisation. This broader focus calls for measurement of a broader suite of indicators and places additional data gathering and analysis demands on insurance supervisors.

Emerging markets, including SSA are no exception to this trend. Many SSA supervisors are gradually moving from compliance-based to risk-based supervision. Legislative and regulatory reforms are paving the way towards better capital standards, a sounder insurance market and better consumer protection. Governance and risk management regulations are also improving (EY, 2018). SSA supervisors see data reporting and analyses of insurance market statistics as a common challenge and priority. A number of SSA supervisors have been actively undertaking measures to address this, though progress varies in the region.

The purpose of this paper is to provide an overview of supervisory practices surrounding KPIs and measurement today, globally and in SSA, in the context of evolving supervisory objectives. Section 1 describes insurance supervisors' evolving and expanding responsibilities and objectives. Section 2 outlines the present state and trends in measurement corresponding to each objective. Section 3 outlines implementation considerations in SSA, specifically the 7 countries that make up the project Steering Group (see Box 1).

1 See 'Application Paper on Information Gathering and Analysis' (IAIS, 2010). Available here: https://www.iaisweb.org/page/supervisory-material/application-papers//file/34109/application-paper-on-information-gathering-and-analysis

BOX 1

OVERVIEW OF A2II-CENFRI-SSA KPI REPORTING PROJECT

This paper is the first part of a project by the Access to Insurance Initiative (A2ii), Cenfri together with a Steering Group comprising supervisors from seven jurisdictions namely Ghana, Kenya, Malawi, Mauritius, Uganda and West and Central Africa (CIMA), chaired by South Africa. The project was initiated to support SSA insurance supervisors with obtaining the necessary information to conduct effective supervision and evaluate the insurance market, in line with ICP 9 while recognising that supervisory mandates are changing with the times. The project aims to develop a consolidated reference list of KPIs covering the different 'pillars' of insurance supervisors' objectives, namely a) prudential, b) market conduct, c) insurance market development (including inclusive insurance) and d) the contribution of the insurance sector to sustainable development[2].

This work comprises three elements:

- **Part I: Background Paper:** This paper sets out the landscape for how supervisory mandates and measurement practices are changing, drawing on regional experiences. The research here informs the development of Parts II and III.
- **Part II: KPI Reference List:** This lists all relevant KPIs for the four supervisory 'pillars' mentioned above. The lists under each pillar are meant to be exhaustive but used selectively by supervisors depending on own supervisory focus areas and resource considerations. To conduct effective supervision or meet objectives under each pillar, it will not be necessary to collect all KPIs. Many supervisors currently only use a fraction of the list of theoretically possible KPIs.
- **Part III: Implementation Guidance:** Supplementary practical notes on using and analysing the KPIs, drawing on SSA experience.

Together, these will support supervisors as they consider what metrics to track as relevant to their context and mandates. The framework does not recommend benchmarks; neither does it have implications for compliance with international standards. Rather, it provides an opportunity for countries in the region to share among peers, choose applicable indicators and harmonise practices as relevant.

2 After considering the nature of governance information, the team decided not to include governance as a separate pillar. The reason is that assessing governance is not driven by regular reporting and analysis of KPIs in the same way. Governance is currently assessed holistically based on supervisory onsite and offsite review of insurer policies, processes and controls, dialogue with insurers, one-off approvals – rather than regular regulatory returns or KPI surveillance. Weak governance is also one of the root causes for failings in financial soundness and conduct, and as such all KPIs in these pillars as whole inform the assessment on governance. The IAIS is actively developing guidance on governance, including governance and firm culture, as well as on supervision of control functions in relation to ICPs 5, 7 and 8. Recent IAIS papers on governance are (i) Application Paper on Proactive Supervision of Corporate Governance (2019) (ii) Application Paper on the Composition and the Role of the Board (2019); and (iii) Application Paper on Group Corporate Governance (2017), all available here.

1. INSURANCE SUPERVISORS' EVOLVING MANDATES

This section discusses the evolution of supervisory mandates and objectives. In recent years, supervisors have increasingly focused, to different extents, on the following areas:

- **Risk-based supervision (RBS) and capital (RBC).** The foundational mandate for insurance supervisors is safety and soundness of the insurance sector. Fully compliance-based supervision has proven to be inefficient and unsuccessful in achieving this objective, including in SSA. RBS, while requiring significant investments from insurers and supervisors to build capacity, enables better resource allocation and can boost market development and innovation.

- **Conduct of business and fair consumer outcomes.** Arising from the Global Financial Crisis, conduct of business is now globally considered a core supervisory mandate. Implementation however still varies greatly, including in SSA. What outcomes are considered 'fair', beyond high-level principles such as ensuring that financial service providers do not engage in predatory practices or harm customers, is not set in stone. This is particularly the case for inclusive insurance.

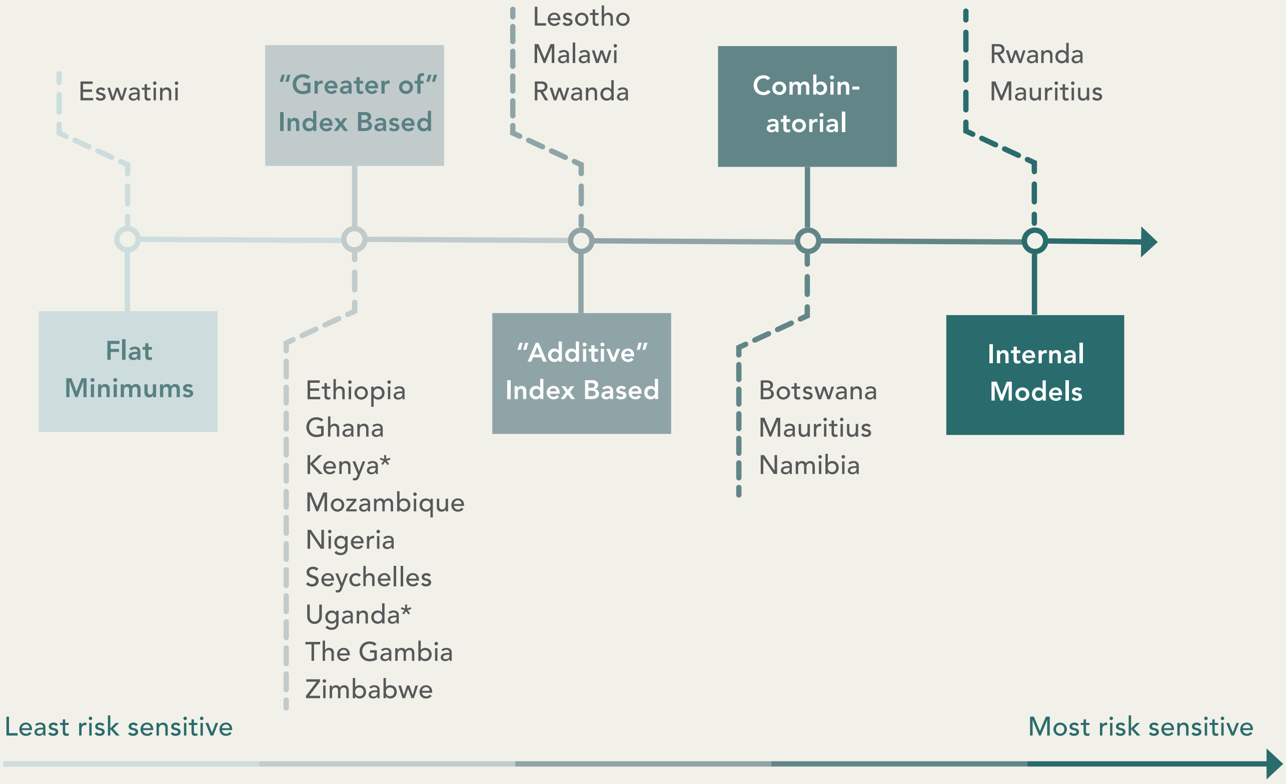
- **Insurance market development.** Many insurance supervisors, particularly in emerging markets, now also consider how to actively develop the insurance sector and increase access to insurance. This is reflected in recent revisions to insurance laws in SSA. The IAIS also recognises the importance of this objective in its five-year strategic plan[3].

- **Insurance for sustainable development.** The insurance sector can play a vital role in a wide range of sustainable development policy goals. The work of the insurance supervisory community is still in early discussion stages, but evident. The Sustainable Development Goals (SDGs) provide a good framework for taking this dialogue forward and for engaging with policymakers.

1.1 Risk-based supervision and risk-based capital

Global shift towards RBS and RBC. Past global financial crises and emergent risks in today's market environment have underlined the benefits of risk-based approaches to supervision. Rather than using prescriptive rules under a compliance-based approach, risk-based approaches require supervisors to review systemic and individual firm risk, how insurers are identifying and controlling risks, and respond in line with the assessment (World Bank, 2009). In the same vein, RBC measures the minimum capital levels that an insurer should hold based on its size and risk profile. This is addressed by the ICPs in ICP 17 Capital Adequacy. SSA supervisors, in line with global trends, are also increasingly adopting RBS and RBC (see Figure 1 for current landscape of solvency regimes in SSA).

3 Available here: https://www.iaisweb.org/page/about-the-iais/strategic-plan//file/82533/2020-2024-strategic-plan



* have already developed more risk-based capital frameworks that would fall under combinatorial approach.

Flat minimum: Uses absolute minimum requirements and does not distinguish between risk profiles, business mix, size or scale of the insurer. It is the least risk-sensitive regime on this spectrum.

"Greater of" Index-Based: Requires insurers' capital to be the greater of a number of three or four types of quantitative thresholds.

Additive index-based: Takes into account a wider range of risks to both the liability and asset sides of the balance sheet and determines a related measure of risk exposure.

Combinatorial approach: Risk factors and capital requirements are developed for each risk. Typically, this includes market risk, underwriting risk, catastrophe risk, operational risk and default risk.

Internal models: Avoids using a standard formula based on industry-wide assumptions. Builds on the insurer's own data and modelling and is thus most likely to reflect the insurers' particular risk profile most appropriately.

Figure 1: Sub-Saharan African countries on the spectrum of solvency regimes (Adapted from forthcoming A2ii paper)[4]

4 See forthcoming A2ii paper, 'Solvency frameworks in emerging markets: Variations across Sub-Saharan Africa, Asia and the Caribbean' (A2ii, forthcoming)

Risk-based approaches requires supervisory judgement and data. Compliance-based approaches require a 'yes' or 'no' type decision, whereas risk-based approaches require supervisors to evaluate 'how well' an insurer handles its business (World Bank, 2009). In applying risk-based approaches, supervisors need technical expertise and data to be able to understand the risk profile of the insurer and insurance sector, and make a judgement on the appropriate level or type of supervisory response or requirement. The transition is time-consuming and resource-intensive; as such, it needs to be a gradual transition (Thom, et al., 2019).

RBS and RBC can drive market development[5]. RBS can catalyse development of technical capacity in the insurance sector, such as actuaries, risk managers and control functions. In Kenya, transitioning to a risk-based solvency regime led to the Insurance Regulatory Authority (IRA) Kenya training over 50 actuaries in the industry over the past decade. The National Insurance Commission (NIC) Ghana's deliberate efforts to build in-house actuarial capacity was noted as a key contributing factor to the rollout of recent InsurTech innovations[6]. A stronger risk-based firm culture will help enable sounder investments and innovative thinking. In contrast, it was observed that raising absolute minimum capital requirements did not translate to stronger business fundamentals in the case of Ghana, Kenya, Nigeria and Rwanda (Thom, et al., 2019).

1.2 Conduct of business and fair consumer outcomes

Increasing recognition of the materiality of conduct of business risk. Following the global financial crisis of 2008-2009, financial sector regulators increasingly recognise that systemic risk can occur not just because of poor financial and capital management, but also as a result of poor market conduct[7] (IAIS, 2014). IAIS defines conduct risk as 'the risk of financial loss or other adverse consequences that arises from insurers and/or intermediaries conducting their business in a way that treats customers unfairly or results in harm to customers' (IAIS, 2019). Business practices that are 'unfair or abusive' negatively affect individual consumers as well as the reputation of individual insurers, markets, or consumer confidence in the sector as a whole (IAIS, 2014), and therefore are also a matter of systemic and financial importance. It is now generally accepted that both prudential and conduct of business considerations – also known as market conduct or consumer protection (see ICP 19) – should be included in insurance regulation and supervision.

Varying consumer protection regimes. At the most basic level, protecting policyholders is about ensuring that insurers pay claims when claims are due. The Treating Customers Fairly (TCF) principles, articulated in ICP 19, is a shift towards a more outcome-based, consumer-centric philosophy, as it articulates minimum expectations on how firms engage with custom-

5 See 'Why risk-based capital reform works better than nominal capital increases?' for an overview of how RBS and RBC can support insurance market development (Ghimire & Thorburn, 2020).

6 See NIC Ghana case study in Section 3.2 of A2ii:10 Years on (Chiew et al, 2019). Available here: https://a2ii.org/en/media/913/download

7 Also see the G20 High-Level Principles on Financial Consumer Protection were developed by the OECD and sets out common principles on consumer protection across all financial sectors. The high-level principles are designed to assist G20 countries and other interested economies to enhance financial consumer protection. The principles complement international principles and/or guidelines and are meant to apply to the financial sector broadly. OECD has since published a number of insurance-specific policy guidance on market conduct regulation which includes OECD and non-OECD country examples. See: https://www.oecd.org/daf/fin/insurance/

ers across the 'insurance value chain' or 'customer journey' i.e. from product development to claims. The Financial Conduct Authority (FCA) UK and some other supervisors require firms to themselves articulate what conduct risk means to their specific business, rather than use a standard regulatory definition. The TCF may also be named differently or achieved in different ways between jurisdictions[8]. Some supervisors achieve them through supervisory processes e.g. product approval criteria, product intervention powers and fixed requirements on claims timelines, rather than monitoring conduct data. There is also no uniform model in terms of institutional structure, whether 'carried out in separate divisions of one institution, or in separate institutions' (OECD, 2020).

Tailored approaches for different customer segments. A supervisor may also vary its approach across different customer segments or product lines within its jurisdiction[9]. For instance, a 'proper advice' process may be mandatory for long-term life insurance products, but not for yearly renewable non-life insurance. In inclusive insurance, supervisors often apply stronger product oversight: The Financial Services Conduct Authority (FSCA) South Africa typically does not require prior product approval, but for funeral insurance and microinsurance, 31-day prior notification is required. A supervisor may also more heavily influence product features or apply more scrutiny to marketing materials. NIC Ghana requires submission of market conduct data particularly for microinsurance products.

1.3 Market development

Now recognised by IAIS. The mandates of many insurance supervisors have evolved from focusing exclusively on insurance sector stability and consumer protection to explicitly including the development of the insurance sector (IAIS, 2018). The importance of the need for market development is made explicit in the IAIS's 2020–2024 Strategic Plan. This applies to developed and emerging markets, though objectives vary. Supervisors in SSA have pursued market development by initiating projects to encourage innovation and financial inclusion, through regulatory sandboxes[10], innovation hubs or general regulatory reform. This mandate puts added capacity requirements and pressure on supervisors who must also contend with strengthening prudential and conduct supervision.

Not always a formal mandate. Insurance market development is often not an explicitly legislated mandate. Supervisors therefore do not always have dedicated staff or a dedicated supervisory function for insurance development, although this is changing (see Box 2). Likewise, often there would be no institutionalised framework or processes for specific market development data collection beyond what is already being collected for 'core' supervisory objectives such as stability and, to a limited extent, conduct of business. At the global level, there is also scarce guidance or established best practices on market development data. For instance, insurance penetration remains the primary internationally comparable means of measuring access to insurance, despite its limitations.

8 See the OECD paper 'Regulatory and Supervisory Framework for Insurance Intermediation' (OECD, 2020), a paper which examines at depth how OECD and non-OECD countries are regulating and supervising insurance intermediation, focussing on market conduct rules as well as rules related to digitalisation of intermediation. It is available here:
https://www.oecd.org/daf/fin/insurance/Regulatory-and-Supervisory-Framework-for-Insurance-Intermediation.pdf

9 See the UK FCA'S Principles of Good Regulation (https://www.fca.org.uk/about/principles-good-regulation) as an example.

10 Find out more about IRA Kenya's innovation hub and sandbox here: https://www.innovationhub.ira.go.ke/

BOX 2

INSTANCES OF MARKET DEVELOPMENT MANDATE IN SSA

Many supervisors today have a mandate to develop their markets. A majority of the respondents to the 2017 A2ii-IAIS Review on Regulation and Supervision Supporting Inclusive Insurance Markets, which are largely emerging markets, indicated that their authorities have an explicit objective to carry out insurance development (Chiew et al, 2019). A number of Organisation for Economic Co-operation and Development (OECD) member countries[11] also have this objective. Exact goals however differ, with less developed markets aiming to raise penetration levels, while developed markets may aim to see certain types of products developed or drive overseas expansion of local insurers (OECD, 2018).

In Sub-Saharan Africa, Kenya, Uganda and South Africa provide examples of where the insurance supervisor's legislated mandates explicitly changed to include insurance market development. In Ghana and CIMA's case, the mandate is implicit.

- **Kenya**[12]. Section 3A (2) (c) of the Insurance Act (revised February 2020) explicitly states that the three objectives of the IRA Kenya are: a) 'to promote the maintenance of a fair, safe and stable insurance sector'; b) 'to protect the interest of the insurance policyholders and beneficiaries' and c) 'generally to promote the development of the insurance sector'. In contrast, the first iteration of the insurance law, Insurance Act of 1984 did not set out duties related to developing the Kenyan insurance market. The Act of 1984 focused on standard-setting, stipulating that the Commissioner of Insurance is responsible for, among other duties, 'the formulation and enforcement of standards in the conduct of the business of insurance with which a member of the insurance industry must comply'.
- **Uganda**[13]. The Insurance Act of 2017 stipulates that the objectives of the IRA of Uganda includes 'to promote effective competition in the insurance sector in the interests of consumers, the growth and development of the insurance sector and the development of an inclusive insurance sector' (The Government of Uganda, 2017). In contrast, the Insurance Act of 1996 mentions the objective 'to ensure the effective administration, supervision, regulation and control of the business of insurance in Uganda' (The Government of Uganda, 1996). The stipulated functions covered licensing, standard-setting, supervision and control, and the protection of insurance policyholders and beneficiaries' rights.

11 Chile, Colombia, Estonia, France for regulator, Hungary, Israel, Japan, Korea, Latvia, Lithuania, Mexico, Poland, UK, US (OECD, 2018)

12 See (i) The Insurance Act (Chapter 487) § (2020) available here: https://www.ira.go.ke/images/docs/2020/THE-INSURANCE-ACT-REVISED-2020.pdf. Kenyan Insurance Law, revised February 2020 (ii) The Insurance Act, 1984 (1985).

13 See (i) Insurance Act 1996 (1996) available here: https://ulii.org/ug/legislation/consolidated-act/213. Ugandan insurance law, first enacted in 1996. (ii) Insurance Act, 2017 (2017) available here: https://ulii.org/ug/legislation/act/2017/6. Ugandan insurance law, enacted in 2017 to replace the Insurance Act 1996.

- **South Africa**[14]. An explicit objective of The Insurance Act, 2017 is to 'promote maintenance of a fair, safe and stable insurance market; to introduce a legal framework for microinsurance to promote financial inclusion'. The supporting mandate of the Prudential Authority includes transformation (by bringing new small and medium-sized insurers to transform the insurance industry), financial inclusion and promoting competition. The Act also states that the Prudential Authority is required to consider developmental, financial inclusion, and transformation objectives in carrying out its functions.
- **Ghana**[15]. Interviews with NIC Ghana suggest that the supervisor's understanding of its mandates and objectives means that, even though the NIC does not have an explicit market development mandate encapsulated in the Insurance Act of 2006 (Act 724), it has claimed an implicit market development mandate through its interpretation of the Act[1]. The NIC's ultimate objective, per the Commissioner's Message, is 'to establish an efficient, fair, safe and stable Insurance Market, which promotes healthy competition and growth in the interest of policyholders for the benefit of all'.
- **Central and West Africa**[16]. The Conférence Interafricaine des Marchés d'Assurances or Inter-African Conference on Insurance Markets (CIMA) is another example of a regulator that claims an implicit market development mandate (Beyers, Gray, & Hougaard, 2018). The Secretary-General's message on the website sets out that the mission of CIMA is to ensure policyholder protection and financial stability and reforms, but also notes that Member States are facing 'questions relating to digitalisation, the evolution of distribution channels for insurance products, the performance of information systems, the profitability of life insurance products, the evolution of financial markets, consolidation and unification of markets is also a concern.' As such CIMA is taking measures to bring about transformation of the industry and improve services for the insured and beneficiaries. CIMA also has a microinsurance regulatory framework in place.

14 See: https://www.gov.za/documents/insurance-act-18-2017-english-afrikaans-18-jan-2018-0000#:~:text=The%20Insurance%20Act%2018%20of%202017%20intends%3A%20to,of%20a%20fair%2C%20safe%20and%20stable%20insurance%20market%3B

15 See: http://nicgh.org/about-us/commissioners-message/

16 See: https://cima-afrique.org/mot-de-bienvenue-du-secretaire-general-de-la-cima-3/?lang=en for the Secretary-General's message and the microinsurance regulatory framework here: https://www.findevgateway.org/sites/default/files/publications/files/mfg-fr-publications-diverses-reglementation-microassurance-dans-etats-membres-cima-04-2012.pdf

1.4 Insurance for sustainable development

Link to sustainable development increasingly acknowledged. Regulators and policymakers are increasingly recognising that insurance and socioeconomic development goals are strongly interlinked. Insurance strengthens individual and household resilience, builds business resilience and productivity and helps develop the demand for and supply of capital (Thom et al., 2019)[17]. Through these mechanisms, it makes communities more resilient in the face of natural disasters, enhances access to critical services such as education and health, and helps to provide women with more equal economic opportunities, among others. However, for the most part, insurance is not well recognised or utilised as a tool in national development initiatives[18] .

Alignment with policymakers crucial. The mandate of insurance supervisors does not typically extend to developing economic sectors outside of the insurance sector. However, some insurance supervisors have a mandate to act as advisors to the government on economic development, particularly where the supervisor is a combined authority that also includes the central banking function. Supervisors can leverage this role to engage policymakers to emphasise the importance of insurance in contributing to national policy goals[19]. Insurance supervisors can also be a source of reliable technical advice to policymakers, whether on private insurance sector development, national insurance schemes or broader social protection topics.

Sustainable Development Goals as the framework. The 2030 Agenda for Sustainable Development, which was adopted by all member states of the United Nations (UN) in 2015, captures 17 SDGs[20]. The SDGs are today a basis for the national development plans of many countries. As such they provide a framework, and a common language, for insurance supervisors to examine and illustrate how insurance impacts various public policy objectives. These can form the basis for dialogue and joint initiatives between all stakeholders - regulators, policymakers and the industry. However, insurance is only mentioned explicitly once in SDG 8: 'Decent work and economic growth.' Insurance supervisors and the industry will need to articulate in concrete terms the impact of insurance on the SDGs in order to engage with policymakers.

17 According to the IAIS (2018), the global insurance sector simultaneously plays the role of 'risk manager, risk carrier and investor'. It helps individuals, households and businesses remain stable and recover faster in the face of financial shocks, thereby also enabling them to take productive risks. Insurance also facilitates access to financing for individuals, households and businesses. For individuals and households, it moreover enhances access to critical services such as education and health. For the business sector, insurance can aid exports and imports and facilitate foreign investment. Moreover, implementing the tools and techniques developed by the insurance industry – as experts in risk management and mitigation – can decrease the likelihood of risk events occurring (Thom et al, 2019).

18 Only half of the 36 countries that responded to the joint survey conducted by A2ii and Alliance for Financial Inclusion (AFI) have or will include insurance as a main pillar in their National Financial Inclusion Strategies (NFIS) and Financial Sector Strategies (Ströh de Martínez, 2018).

19 In Ghana, the NIC leveraged their good relationship with the Government and Ministry of Education to introduce compulsory insurance education at the basic level of the Ghanaian school curriculum. This will help improve insurance awareness and appreciation in the next generation of Ghanaian citizens. Also see A2ii publication on climate risk – while these roles were elaborated with climate risk in mind, the same roles can be played in any crosscutting policy issue such as health, gender inequality, poverty development, agricultural development and so on.

20 See: https://www.un.org/sustainabledevelopment/

2. STATE OF SUPERVISORY KPIS AND MEASUREMENT

This section takes stock of the state of supervisory practices surrounding measurement of each supervisory objective set out above. The extent to which there is international consensus, and therefore existence of commonly implemented measurement frameworks, differs between pillars. Unsurprisingly, there is most material and guidance available on prudential KPIs, followed by market conduct, insurance market development and insurance for sustainable development.

Pillar	Key sources See References and Resources section for full list to date.
Prudential	• Globally, most supervisors currently use CARAMELS or a variation of it. CARAMELS is a risk-assessment methodology used by many insurance supervisors to monitor firm-level soundness, with the following categories: Capital; Assets; Reinsurance; Actuarial Provisions; Management; Earnings; Liquidity; and Subsidiaries (including related parties and groups). It is the insurance equivalent of CAMELS, the methodology for banks. • The International Monetary Fund's (IMF) Financial Soundness Indicators Compilation Guide recommends a list of KPIs to monitor financial sector soundness from a macroprudential and aggregate perspective. The 2019 and latest version contains 50 KPIs in total, including six newly-added KPIs for the insurance sector. The IAIS' Macroprudential Surveillance Portal provides some further information. • The IAIS Application Paper on Information Gathering and Analysis (2010) provides guidance on, among other topics, the minimum financial information required from insurers in order to calculate ratios and undertake the supervisory process. It also suggests key financial ratios. • The paper on the use of financial health and stability indicators in insurance supervision initiated by the World Bank and the IMF (Hafeman, 2020). The comprehensive study consolidates established sources on prudential KPIs, compares against existing supervisory practices and provides guidance to supervisors on how to interpret and use the corresponding financial soundness indicators[21].

21 See: http://documents.worldbank.org/curated/en/298031600662222680/Developing-Insurance-Markets-Use-of-Financial-Health-and-Stability-Indicators-in-Insurance-Supervision

Pillar	Key sources See References and Resources section for full list to date.
Market conduct	• ICP 19 Conduct of Business stipulates that supervisors require 'that insurers and intermediaries, in their conduct of insurance business, treat customers fairly'. ICP 19 provides an outcome-based framework covering due skill, care and diligence, policies and processes, conflicts of interest, product suitability, sales and marketing, disclosure, advice, servicing, claims, complaints and data protection. • The IAIS is currently working on a project to survey market conduct KPIs being collected by supervisors and will develop guidance on indicators to assess conduct-related performance of insurance products. The survey is currently under development and therefore not included in this paper. The outcomes will be incorporated in Part II: KPI Reference List and Part III: Implementation Guidance of this project. • Supervisory practices from developed and emerging jurisdictions who have done work on this area including the Steering Group for this project (particularly Financial Services Commission (FSC) Mauritius, NIC Ghana and FSCA South Africa), Australia, UK, New Zealand, Malaysia, Singapore, among others. • Learnings from inclusive insurance, particularly the concept of 'value'. • Cross-sectoral principles and work by other international entities such as OECD's consumer protection principles, and forthcoming work by the Consultative Group to Assist the Poor (CGAP) on a customer outcomes framework.
Insurance market development	• Existing work on inclusive insurance KPIs, particularly the paper 'Using Key Performance Indicators (KPIs) in Inclusive Insurance Supervision (A2ii, 2019)' which draws on work from key organisations such as the Microinsurance Network, the Microinsurance Centre at Milliman and the International Labour Organization (ILO). • Academic, development and industry research on insurance development in emerging markets by key organisations including GIZ, Cenfri, the World Bank, the Swiss Re Institute, ILO and A2ii. • Supervisory practices from jurisdictions with insurance development and inclusive insurance experience, such as Brazil, Malaysia, India, Indonesia, Ghana, Kenya, Peru, the Philippines and South Africa.

Insurance for sustainable development	• Academic, development and industry research including from GIZ, Cenfri, World Bank, Swiss Re, University of Cambridge Institute of Sustainability Leadership, ILO, A2ii. • Industry targets and publications on contributions to SDGs including Corporate Social Responsibility Reports and ongoing work by the United Nations Environment Programme Finance Initiative (UNEP FI) and Swiss Re. • Work of multi-stakeholder global platforms such as the IAIS and the Sustainable Insurance Forum, Network for Greening the Financial Sector.

Table 1: List of key sources for each supervisory KPI pillar

2.1 Prudential

Globally, prudential measurement frameworks are the most well established, uniform and advanced of all the measurement areas. Most supervisors currently use the CARAMELS methodology or a variation of this. Data infrastructure and processes are also established and institutionalised. Prudential data is typically collected through frontline supervisors, backed by clear compliance requirements with standardised data reporting templates, fixed data submission processes and timelines. Many supervisors also publish aggregated financial data on the insurance sector online, with regular public reporting on the prudential soundness of the sector. Many jurisdictions also have at least partly digitised regulatory returns and are increasingly moving towards the use of RegTech and SupTech[22] .

Based on discussions with the project Steering Group, it is evident that SSA supervisors also reflect this trend. Reporting templates are mainly focused on prudential data. Supervisors are more likely to have organisational resources dedicated to this pillar than the others. The sophistication of these frameworks vary among the individual countries. Some supervisors have had established prudential reporting frameworks in place for years, while some still see the need for significant enhancement to fundamental data reporting frameworks. This is partly also a reflection of underlying solvency requirements – jurisdictions that have transitioned further towards risk-based prudential requirements also tend to have better data infrastructure in place.

22 Innovative technologies used by financial institutions for compliance purposes are referred to as Regulatory Technology (RegTech), while Supervisory Technology (SupTech) is the use of such technologies by supervisory agencies (Broeders & Prenio, 2018). For an introduction to this topic see:
https://a2ii.org/en/knowledge-center/regtech-and-suptech-implications-for-supervision-—-a2iiiais-consultation-call-march-2019

2.2. Market conduct

There is currently no global standard for market conduct KPIs for insurance supervisors. High-level principles currently exist in the form of ICP 19 and the TCF framework, which is an 'approach that aims to raise the standards in the way providers carry out their business', given that it has fair outcomes for consumers at its core (World Bank, 2017). Under the TCF principles, much of the focus is on firms' behaviour – in other words, the controls, policies and processes that insurers and intermediaries put in place to mitigate conduct risk.

This is in contrast to inclusive insurance, where focus is on ensuring that product design and delivery is suitable from the outset[23]. These two approaches may see some convergence – a paper by the regulators of Australia and the Netherlands on disclosure observed that simplified disclosure does not solve the challenge of an inherently complex product or process[24]. Based on ongoing work by the IAIS on market conduct KPIs, it is already clear that there is a strong overlap between conduct of business and inclusive insurance customer outcomes[25]. Concepts will continue to evolve due to digitalisation and ongoing IAIS work on how culture and governance interact with conduct risks and prudential risks[26].

Various global institutions have developed or are developing frameworks for consumer protection and outcomes, part of which shaped insurance supervisory practices. These include the OECD[27], FinCoNet[28], the Smart Campaign[29] and the Basel Committee on Banking Supervision[30]. For example, the Smart Campaign's principles go beyond prevention of over-indebtedness to also include the fair and respectful treatment of clients (The Smart Campaign, 2019). The Smart Campaign offers client certification to financial institutions that meet its 25 adequate standards of care in how they treat clients (which map onto seven client protection principles). CGAP is currently developing a cross-sectoral framework embedding more customer-centricity in consumer protection (CGAP, 2020).

In terms of conduct of business data collection, standard KPIs that most supervisors regularly collect are on claims, complaints, commissions, lapses, cancellations and disputes. Many of these KPIs were originally collected for prudential reasons. Supervisors may also rely on mystery shopping, demand surveys, thematic reviews and data from other organisations, such as the complaints bureau or Financial Ombudsman, data protection authority and industry associ-

23 See SUAVE and the ILO PACE tool.

24 See: https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-632-disclosure-why-it-shouldn-t-be-the-default/

25 For the purpose of this work, unless a clearer delineation emerges, inclusive insurance indicators will be classified under the insurance market development pillar.

26 A key theme of the IAIS 2020-2024 Strategic Plan IAIS is to conduct and culture –taking 'a holistic approach to market conduct and prudential supervision, recognising that conduct and culture issues could lead to financial soundness and stability concerns'.

27 The OECD Task Force on Financial Consumer Protection (OECD TF) has developed high-level principles for financial consumer protection. The third high level principle is the equitable and fair treatment of customers, which speaks to the consideration of customer outcomes (OECD, 2011).

28 The International Financial Consumer Protection Organization (FinCoNet), an international organisation of financial consumer protection supervisory authorities, also mentions customer outcomes in their guidance on incentives for sales and lending. In this guidance, they include the consideration of avoiding poor customer outcomes (FinCoNet, 2016).

29 Launched in 2009 by the microfinance community to provide a framework of customer protection principles that covers the range of financial services.

30 The BCBS reiterates the importance of customer protection in the wake of the 2008-2009 financial crisis. The BCBS core principles recognise well-developed consumer protection regulation as precondition for effective banking supervision. They also include equitable and fair treatment of customers as a principle of consumer protection (Bank for International Settlements, 2015).

ations, or the media[31]. Among the Steering Group members, all currently collect claims data at minimum. Only FSCA South Africa has developed industrywide reporting templates for market conduct. NIC Ghana collects market conduct data in microinsurance reporting templates pursuant to its market conduct regulatory framework for microinsurance.

Allocation of responsibilities and resources also varies. In the case of Mauritius, the Ombudsperson for Financial Services Act of 2018 led to the creation of the Office of the Ombudsperson for Financial Services, which means that the FSC Mauritius no longer examines and oversees complaints. The Reserve Bank of Malawi has a market conduct division that is separate from the Pension and Insurance Supervision Department of the Reserve Bank. As for NIC Ghana, the complaints and settlement bureau sits within the supervision department.

BOX 3

HOW JURISDICTIONS ARE IMPLEMENTING TREAT CUSTOMERS FAIRLY

The FCA UK was the first to introduce Treating Customers Fairly (TCF) in 2006. South Africa instituted TCF in the wake of the 2011 financial crisis, as the country moved towards a twin peaks regulatory approach. Many jurisdictions have since adopted some form of TCF principles. These principles tend to be roughly similar at the high level (see comparison between the Monetary of Authority Singapore, the Reserve Bank of India and FSCA in the table below), though application tends to differ. In inclusive insurance, it is common for supervisors to have stronger expectations on firms, going beyond a 'do-no-harm' approach to more actively intervening in how products are designed and delivered to ensure positive outcomes for vulnerable consumers.

While such high-level principles provide useful direction, they are challenging to translate into concrete metrics. Whether the intended consumer outcomes are ultimately being achieved is often subjective and very much depends on the supervisor's own tolerance level and the consumer circumstances at hand. Supervisory efforts to make conduct principles more practical have included:

- The TCF self-assessment tool of the FSCA of South Africa, which is a toolkit that firms complete to assess their own compliance with the TCF principles. Firms rank themselves on a scale of 0-4 – based primarily on whether there are processes in place to consider TCF – without being specific in what these must be.
- The Monetary Authority of Singapore issued its Fair Dealing guidelines in 2009. Among others, it contains illustrations of relevant situations where fair dealing occurs and how that impacts decisions and processes at a practical level.
- The FCA UK's Insurance Conduct of Business Sourcebook, or ICOBS, sets out rules in line with TCF and routinely publishes expectations on how firms should behave, such as a recent one[32] pertaining to ensuring product value during the Covid-19 pandemic.

31 This is based on early impressions of the authors and will become clearer after IAIS survey on conduct KPIs is carried out in 2020.

32 See: https://www.fca.org.uk/publications/finalised-guidance/product-value-and-coronavirus-guidance-insurance-firms

South Africa and the UK's TCF	India's Charter of customer rights	Singapore's Guidelines on Fair Dealing
1. Principle of Culture & Governance 2. Principle of Product Suitability 3. Principle of Disclosure 4. Principle of Suitable Advice 5. Principle of Performance and Service in line with expectations 6. Principle of Claims, Complaints & Changes	1. Right to fair treatment 2. Right to transparency, fair and honest dealings 3. Right to suitability 4. Right to privacy 5. Right to grievance redressal and compensation	1. Customers have confidence that they deal with financial institutions where fair dealing is central to the corporate culture 2. Financial institutions offer products and services that are suitable for their target customer segments 3. Financial institutions have competent representatives who provide customers with quality advice and appropriate recommendations 4. Customers receive clear, relevant and timely information to make informed financial decisions 5. Financial institutions handle customer complaints in an independent, effective and prompt manner

Table 2: Customer outcomes in regulations and guidelines across the world

2.3. Insurance market development

There is no global standard to what insurance market development[33] concretely encompasses, and likely no need for one. Insurance market development goals and KPIs should depend on the local market context, determined in line with national development goals. These could range from inclusive economic growth, to digitalisation, to climate resilience, to social protection of informal workers. There has been some research over the years on what insurance

33 This paper takes a multidimensional view of insurance market development i.e. beyond growth represented by financial indicators such as premiums, assets or size of the industry as a percentage of GDP.

development or a 'developed insurance market' could look like. On inclusive insurance specifically, the A2ii, IAIS together with other partners have generated a large bank of resources over the past decade. Generally, measuring insurance market development is complex, especially given there might be multiple goals and challenges competing for attention.

For instance, in a typical country with a nascent insurance market, there may be a large vulnerable population lacking access to inclusive insurance. At the same time, the industry might have low innovation, competition and technical capacity levels, due to motor and fire markets which have been tariffed for a long time or a sector that is historically monopolised by a single state-owned insurer. The regulator might also be facing increasing pressure from policymakers and foreign insurers to enable digital models. And to top it off, this jurisdiction might also be vulnerable to disaster risk but lack reinsurance capacity. How does the supervisor decide what its insurance development goals are, and how can it be measured?

Development aspects are interlinked, and the causal links are not always clear. Organisations such as the World Bank and Cenfri have set out to investigate the components and factors underlying insurance market development. For instance, Chamberlain et al (2017) differentiate between factors within the control of insurance market players and supervisors (endogenous) and factors outside the direct sphere of insurers' and supervisors' influence (exogenous). Endogenous factors include scale, competition and client value; exogenous factors include market opportunity. Mapping out these elements[34] can help provide a more complete picture of insurance market development, and therefore help supervisors better focus or pace priorities and resources.

There is also unsurprisingly no standardised measurement framework. Jurisdictions who seek to develop their markets often develop their own set of KPIs for capturing their development goals. Steering Group members expressed the need to measure components of insurance market development on more concrete terms – for example, how does a supervisor know what an appropriate inclusion level, distribution channel mix, product value or cost structure is?

*

Like many supervisors, Steering Group members track a handful of discrete indicators that, when viewed in isolation, provide an incomplete picture of insurance market development. 'Tracked' indicates that this data or indicator is either collected by means of the insurance supervisor's templates, or regularly conveyed to stakeholders in the form of its annual reports (as available on the respective supervisors' websites).

34 (i) Scale measures whether the insurance market is growing sustainably and whether the state of financial inclusion is improving (Tatin-Jaleran & Chiew, 2019). (ii) Competition refers to 'the process of rivalry between suppliers' (FCA, 2017). When this process is effective, it 'drives down costs and prices, drives up service standards and quality and increases access to financial services', while simultaneously bolstering innovation and productivity (FCA, 2017). (iii) Client value measures 'appropriateness for customers, affordability of products, accessibility and fairness of processes and quality of service', all of which elements are crucial to foster trust in and develop the insurance market (A2ii, 2019). Value depends on the functional benefits derived (the extent to which needs are met, and how well they are met) versus the costs incurred – in other words, whether insurance products are suited to the needs of target groups and are of a high quality, resulting customer satisfaction and the perception that customers receive adequate benefits for the money they spend (Rinehart et al, 2018). (iv) The extent to which insurance is feasible and needed, based on whether there is 'a sufficient level of income, stability in the economic environment and the presence of industrial activity' (v) Market failure occurs when 'a full range of products to meet corporate and private customers' needs are not supplied, or they are supplied but provide sub-optimal value' . See 'Cenfri: Funding the frontier' (Chamberlain, D., Camargo, A. & Coetzee, W., 2017). Available at: https://cenfri.org/wp-content/uploads/2018/02/Funding-the-frontier.pdf

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- At least three of the seven Steering Group members track the **insurance penetration rate**[35] (total insurance premiums as a percentage of gross domestic product) as a measure of access. Despite being the only internationally comparable indicator of access to insurance available, the penetration rate has numerous limitations. These include that it: a) masks how many individuals are actually covered by insurance; b) does not provide an indication of the quality of insurance coverage and c) does not reveal whether insurance provides value to customers (A2ii, 2017).
- **Insurance density (gross premiums per capita)** is tracked by at least three of the seven Steering Group members. This indicator also facilitates inter-regional comparisons, and gives a slightly better sense of how insurance coverage is distributed across the population, but is subject to much of the same limitations as the penetration rate. It can also be skewed if the total population number used includes under and overaged segments.
- At least three of the seven Steering Group members track **the number of policies.** This gives a better sense of how many people actually have an insurance policy, but overestimates due to the potential of the same person holding multiple policies, while underestimating due to counting group policies as a single policy. Only one member tracks total number of lives covered. Neither indicator gives an indication of the amount or quality of coverage.

As a start, supervisors can pull together data that is already being reported by insurers or easily attainable without drastically adjusting reporting requirements – such as from development research, demand surveys, public or internal data collected by other authorities and policymakers. The Swiss Re Institute (Swiss Re, 2017) acknowledges that it is challenging to measure insurance market development, and that certain indicators can serve as proxy indicators. For example, compulsory products' share of premiums and policies relative to voluntary products, as well as the percentage of small and medium enterprises that have an insurance policy, can reflect the extent of voluntary take-up and the accessibility of insurance to traditionally hard to reach target markets.

2.4. Insurance for sustainable development

This last pillar is the most nascent of all the pillars. Several academic studies model the effect of insurance on growth, confirming that 'countries are much more likely to experience sustained growth if their insurance markets develop well' and that 'the insurance function plays a critical role in supporting and sustaining inclusive growth' (Chamberlain et al, 2017). Beyond inclusive economic growth, insurance supervisors are in early days of actively considering and discussing the link to broader policy goals. Globally, a few platforms have been set up to facilitate discussions and work towards harmonisation in vision, such as the Sustainable Insurance

35 This is unsurprising, given that the insurance penetration rate is a 'broad, high-level indicator' of access that enables regions to be compared with each other and, as such, is one of the most frequently used measures of insurance market development (IAIS, 2017).

Forum, the Insurance Development Forum and the UNEP FI PSI Initiative. South Africa is one example of a jurisdiction who has been actively engaging these platforms (See Box 4). A few jurisdictions, such as Argentina and Malaysia, have made gender equality a policy priority or are collecting sex-disaggregated data (UNSGSA, 2020).

BOX 4

SOUTH AFRICA'S WORK ON SUSTAINABILITY AND THE INSURANCE SECTOR
Contributed by FSCA South Africa

Sustainability has seen increasing prominence on the agenda of international regulatory organisations in the last 3 years. The Prudential Authority (PA) actively participated in discussions on sustainability and climate change through its membership in the Network for Greening the Financial System (NGFS), the Sustainable Insurance Forum (SIF), as well as committees set up under the IAIS and Basel Committee on Banking Supervision (BCBS). The arising learnings were channelled to various information sessions for PA staff members in order to raise awareness and enhance collective regulatory and supervisory understanding of this global issue.

The South African Reserve Bank (SARB) joined the NGFS formally in July 2019. The NGFS's purpose is to help strengthen the global response required to meet the goals of the Paris Agreement and to enhance the role of the financial system to manage risks and to mobilise capital for green and low-carbon investments in the broader context of environmentally sustainable development. The SARB is also an active member on key workstreams addressing climate-related supervisory practices, development of analytical frameworks for addressing climate risks and the development of green taxonomies.

The PA is also an active member of the SIF. As part of the work done by the SIF, the PA surveyed both the insurance and banking sector in 2019 on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). A report outlining the results of this survey was published in April 2020. The conclusions drawn from the survey indicate that there is an acute awareness amongst financial institutions (banks and insurers) that climate change will impact business. However, the survey also indicated that more climate-related reporting was required to enhance the industry's understanding of climate risk to better inform business planning and strategy conversations.

The PA intends to provide further guidance on climate change and sustainability via the publication of a document, where the PA proposes to insurers and banks to consider climate risks as part of their Pillar 2 capital assessments. The PA will be enhancing its supervisory processes and activities within its overall risk assessment process of financial institutions. The PA furthermore recognises the importance of introducing specific climate reporting as a component of regulatory reporting requirements. Although the work on private reporting has not yet started, the PA expects that some level of reporting requirements might be introduced towards the end of 2020 or early in 2021. Mandated public disclosure requirements is not envisioned for the immediate future, but rather voluntary disclosure using frameworks such as the TCFD.

No global standard-setter or supervisor has started methodically measuring the link between insurance and the SDGs. Within the industry, the dialogue is also in early stages. Individual insurers have started embedding sustainability risks into business decisions under the Environmental, Social and Governance (ESG) framework[36]. This is a good stepping stone towards mapping insurance to SDGs, a process which is just beginning – so far largely qualitative and captured under Corporate Social Responsibility reports by individual insurers or reinsurers who proactively made this an organisational priority. At the time of writing, UNEP FI and the Swiss Re Institute have initiated work on the 'Insurance SDGs (iSDGs)', a global framework to measure how the industry progresses towards the SDGs.

The limited literature so far shows no consensus yet among stakeholders as to where insurance connects to the SDGs. A GIZ publication (Wanczeck et al, 2017) states that inclusive insurance will be important to 11 of the 17 SDGs, – contributing to six directly and another five indirectly. According to Swiss Re (2017), the insurance industry's contributions to seven of the 17 SDGs is 'high', it is 'medium' to another five and 'low' to the remaining five SDGs.

SDG Goal		Level of contribution of insurance (GIZ, 2017)	Level of contribution of insurance (Swiss Re, 2017)
Goal 1	No poverty	Direct	High
Goal 2	Zero hunger	Direct	High
Goal 3	Good health and well-being	Direct	High
Goal 4	Quality education	Indirect	Low
Goal 5	Gender equality	Direct	Medium
Goal 6	Clean water and sanitation	---	Low
Goal 7	Affordable and clean energy	---	Medium
Goal 8	Decent work and economic growth	Direct	High
Goal 9	Industry, innovation and infrastructure	Indirect	High
Goal 10	Reduced inequalities	Indirect	Medium
Goal 11	Sustainable cities and communities	Indirect	Medium
Goal 12	Responsible consumption and production	---	High
Goal 13	Climate action	Direct	Medium
Goal 14	Life below water	---	Low
Goal 15	Life on land	---	Low

36 ESG issues have received increasing focus by the industry. In 2019, the first global guide to managing ESG risks in insurance underwriting was launched by the UN Environment's Principles for Sustainable Insurance Initiative (PSI) and the Allianz Group, with an initial focus on non-life insurance. The guide is available here: https://www.unepfi.org/psi/underwriting-esg-risks/

Goal 16	Peace, justice and strong institutions	---	Low
Goal 17	Partnerships for the goals	Indirect	High

Table 3: Contribution of insurance to SDGs

BOX 5

APPROACH TO COMPILING KPIS UNDER THE A2II-CENFRI-SSA KPI REPORTING PROJECT

The KPI Reference List covers each of the pillars described and can be used by supervisors and financial sector policymakers as a 'one-stop' reference. Each pillar has a separate list of KPIs comprising definitions or formulas, sources of reference for further study and indication of use by supervisors. Each list is anchored on a conceptual framework that either draws on existing frameworks or, where existing frameworks do not exist or are not complete, is developed by the project team. Bearing in mind the differing states of supervisory KPIs and measurement for each pillar, A2ii and Cenfri took the following approach to compiling the KPI Reference List. The list is intended as a living document and will be updated as the work advances.

Pillar	Approach to KPI list	Rationale
Prudential	Compile and reference the relevant existing sources.	Standard practices are relatively well-established globally, both in terms of conceptual frameworks such as CARAMELS and at the individual KPI level. The key need for SSA and developing country supervisors currently lies in analysis rather than identifying supervisory KPIs.
Market conduct	Develop conceptual framework that maps KPIs to existing high-level principles. To compile existing KPIs and propose potential new KPIs. The IAIS has an active workstream on this topic. As such the project will be updated and aligned as necessary.	High-level principles are relatively well-established, such as the TCF principles. However, adoption among supervisors is less widespread compared to prudential frameworks and there is still much variation in terms of implementation and application of the principles. Few supervisors currently use structured measurement frameworks for market conduct beyond the use of a few common indicators.

Pillar	Approach to KPI list	Rationale
Insurance market develop-ment	Develop dashboard and conceptual framework mapping out the various elements that constitute insurance market development, including inclusive insurance. Extract and propose potential KPIs based on a cross-section of established work on inclusive insurance, supervisory practices, academic and develop-ment research.	No standard approach exists beyond a few common indica-tors such as insurance penetra-tion. Some emerging market supervisors have longstanding recent experience with insur-ance market development, but these vary by individual jurisdiction.
Insurance for sustainable develop-ment	Map insurance sector KPIs to policy outcomes using the SDGs as the base framework. Extract KPIs from the limited literature available and propose potential KPIs.	No methodical supervisory approach to capturing the link between insurance and broader policy outcomes currently exists.

3. SUPERVISORY PRACTICES IN SSA

This section describes the data practices of the SSA supervisors who are members of the project Steering Group. Practical considerations vary between jurisdictions. Supervisors in SSA, like other regions, are in varying stages of development with regard to data infrastructure and supervisory capacity. Ongoing initiatives aiming to promote regional harmonisation, such as within the Southern African Development Community (SADC), have found that a key challenge is to find a common template or approach that successfully reconciles all members' aims and practical realities. Already within the Steering Group, there is significant diversity. Continuous peer sharing of practices and technical expertise will be key to driving improvements in the data capabilities and use in the region.

SADC established the Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) as a committee of authorities responsible for the regulation and supervision of non-banking financial institutions, inter alia, in response to the increasing need for harmonisation of regulatory and supervisory regimes, information sharing within the region, capacity building, raising of consumer awareness and economic development. To enable regional comparability CISNA annually collects from Member Authorities insurance data relating to the number of life- and non-life insurers, gross and net written premiums, underwriting expenses, total assets and liabilities and capital and reserves.

A consolidated reference list of data released by official sources could be a valuable tool e.g. to compute insurance penetration within a particular member state or region. The challenge in creating such a reference list is the availability of all data points, lack of standardised insurance data definitions and accounting standards.

Power to collect information. All supervisors have the requisite legal power to enforce submission of data from the industry. This includes collecting additional data via ad hoc surveys, requests, onsite visits or accessing insurer data that is not part of regular regulatory returns such as Know-Your-Customer data. All Steering Group members currently collect supply-side data on a quarterly basis at minimum, with some having a process to require monthly reporting for high-risk insurers.

Digital tools. All members collect data regularly and online. All are either using, or currently developing, submission via secure online portals. Steering Group members also collect other information, such as qualitative data from their on-site inspections and through ad hoc data requests or surveys. This is done on a less regular basis than reported data.

- **Ghana** uses a secure online portal for collection and Vizor for data analysis.
- **Malawi** currently utilises a data reporting portal developed via collective effort within the SADC. The platform allows generation of different levels of analysis and customised reports.
- **Rwanda** has developed an Enterprise Data Ware House. The tool enables data collection, analytics and centralisation. The system has the ability to draw data directly from institutions' IT systems, performing automated data validation and consolidation.
- **Kenya** has an electronic regulatory system in the form of an online application that manages all formal communications with the regulator. Insurers are able to complete and submit all required returns online. The system enables automatic validation, consolidation and preparation of reports.
- **CIMA** currently collects regulatory returns via submission of Excel templates. They are currently developing an online portal that is expected to be operational soon.

Data flexibility. A few Steering Group supervisors noted they are able to change reporting templates relatively easily. NIC Ghana can easily adapt the online reporting portal and templates to include new data. Importantly, NIC has the requisite competent IT staff for such upgrades. A few noted they have a due process in place for changing reporting requirements. In Malawi, reporting requirements are specified in secondary legislation, and any changes require consultations with market players and the Ministry of Justice. This is still more expedient than changing primary legislation, which requires approval of the Parliament. FSC Mauritius and CIMA note the importance of ensuring that the industry has the necessary management information systems to supply the requisite data. CIMA plans to establish minimum specifications for information systems.

Coordination and engagement. Three Steering Group members are currently joint financial services regulators of banking and insurance, and a few have dedicated market conduct or complaints divisions. A few supervisors coordinate externally with the central bank and national statistical departments, in that data is provided to these authorities. FSCA South Africa also coordinates with the Prudential Authority for joint inspections. FSC Mauritius regularly coordinates with the industry, such as via exchange of information via a joint regulator-industry taskforce and quarterly meetings with the industry association. FSC Mauritius recently redesigned quarterly reporting templates based on a workshop held with licensees to ensure changes are practicable.

Alternative data sources. Steering Group members currently leverage data beyond standard regulatory returns and supervisory tools to a limited extent. Beyond the financial sector, Malawi notes that FinScope surveys have been useful to obtain demand-side data. One noted occasional use of social media data, particularly when there is consumer outcry on a specific issue, while another noted social media data not currently used due to reliability and confidentiality issues.

Sharing of data with public and industry. All Steering Group members have various platforms to share data with industry and the public. All publish annual reports at a minimum and most publish aggregated statistics online. FSC Mauritius also noted use of newsletters, bulletins and regular workshops. The assumption is that most data is focused on financial soundness. While FSCA South Africa has developed conduct of business regulatory returns, they have not started systematically sharing with the public and industry.

Key challenges. A few supervisors in the Steering Group noted that the quality of data is good and that analysis is sufficient, though a few others face issues such as delays, unreliability of information and incomplete submissions. Other challenges noted include:

- Where data collection is manual, resources are tied up in data collection rather than analysis.
- Resources for data analysis is inadequate and often underestimated, even where there is a dedicated department.
- Inadequate management information systems within insurers.
- Current KPIs used currently insufficient to track new or emerging mandates.

4. CONCLUSION

As markets develop and supervisory mandates expand, supervisory data and reporting practices need to evolve as well. The number of potential KPIs are limitless, but supervisory resources are not. As evident from SSA's experience, some insurers in developing markets may also not have adequate systems that can support intensive yet timely regulatory reporting. In the inclusive insurance sphere, onerous reporting requirements has been observed to cause insurers to avoid offering products under inclusive insurance regulatory frameworks, choosing instead to offer products with a lighter compliance burden. Indicators are only useful insofar as they are practical to track. Fortunately, digitalisation will be instrumental in supporting this. But the first step is for supervisors to know what outcomes they wish to measure and track. By providing a conceptual framework and a list of potential KPIs corresponding to each outcome, this project aims to support supervisors with this first step. It is hoped that supervisors can use this as the basis for prioritising their efforts and tailoring their data capability building.

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Insurance data portals

Global and regional insurance data

The following is a list of publicly accessible databases providing global insurance and other economic data that are extremely useful to insurance supervisors and policymakers dealing with insurance. The databases enable countries to compare their indicators against other developing, emerging or advanced markets, within or beyond their regions. They also provide useful technical information on the calculation and basis of each indicator, which can help supervisors in formulating and analysing their own data and reporting requirements.

1. OECD.Stat (https://stats.oecd.org/)

The OECD data portal provides annual life and non-life insurance statistics and indicators for over 60 countries including OECD and non-OECD countries, dating back to 2008. This database enables a quick comparison of markets at different stages of comparison.

Listed indicators include premiums, claims, expenses, density, penetration, life insurance premium share of the market, market share in OECD, foreign market share in the domestic market, premiums per employee, ratio of reinsurance accepted and retention ratio. Each indicator comes with a 'key statistical concept' i.e. a formula or explanation of the basis.

2. Swiss Re Institute Sigma Explorer (https://www.sigma-explorer.com/)

The Sigma Explorer comprises 2 key data pools – 'Catastrophes' and 'World Insurance Premiums'. The 'World Insurance Premiums' section covers life and non-life data going back to 1980, spanning 147 countries. Statistics include direct premiums written, real premium growth, premiums per capita, premiums as a % of GDP (penetration), and GDP statistics. The data can be viewed according to geographical regions or clusters e.g. emerging markets and advanced markets following the conventions of the IMF. National-level data for selected countries can be found in the Sigma World Insurance reports published annually[37]. The data visualisation function allow users to easily generate graphs and identify, analyse and compare trends. The 'Catastrophes 'section covers key data on the disaster risk protection gap, such as number of victims, events, losses (total and uninsured).

3. The Microinsurance Network's World Map of Microinsurance (http://worldmapofmicroinsurance.org/)

The World Map of Microinsurance provides key global data on microinsurance covering 89 countries. Indicators on the map are estimated coverage numbers (lives covered) and coverage ratio (identified lives covered/ total population). Data can be broken down by regions or country. Each indicator is broken down into the following product lines: Accident, agriculture, credit life, health, life accident, life and property.

National profile sheets are also provided for many countries, and contain further useful data such as microinsurance premiums, financial inclusion and other socioeconomic data. Further global data such as premiums, claims, etc. can be found in the 'Landscape Studies', which are the basis for the data on the map. These Landscape Studies are tri-annual regional landscape studies led by the Microinsurance Network and the Munich Re Foundation in collaboration with international development and industry partners.

National insurance supervisory data

The following is a sample of insurance supervisors' statistical portals. ICP 24.5 states: 'The supervisor publishes relevant data and statistics on the insurance sector' to enable transparency and instill market discipline. Many insurance supervisors compile and publish aggregated insurance sector data collected from data reporting by insurers. These are at minimum usually in the annual reports of the supervisor[38], monthly bulletins or other forms of public communication material.

Additionally, some also maintain regularly updated data platforms. These would include at minimum key financial data. Some also publish 'snapshots' or 'dashboards' summing up the core indicators that reflect the state of the insurance industry. Recently, supervisors have begun venturing into publishing key market conduct data targeted at consumers to help consumers compare products, 'shop around' and make informed decisions. This further contributes to reducing asymmetry in information and inducing healthy competition among insurance providers.

Examples of insurance supervisory statistical portals:

- MAS Singapore: https://www.mas.gov.sg/statistics/insurance-statistics/annual-statistics
- SUSEP Brazil: http://www.susep.gov.br/english-susep/insurancemarket
- Kenya: https://www.ira.go.ke/index.php/publications/statistical-reports/quarterly-reports?id=286

The **FSC Mauritius** publishes key annual and quarterly insurance statistics on its Statistics page (https://www.fscmauritius.org/en/statistics/insurance-and-pensions). In addition to key financial data on assets, equities, liabilities, earnings, there is also data that can be analysed for market conduct, insurance development and financial inclusion purposes, such as claims breakdown by individual insurer, number of policies in force/terminated and number of insurance intermediaries by type. These statistics are also published in annual statistical bulletins which are available on the FSC website.

The **Australian Prudential Regulation Authority** compiles and publishes insurance claims and disputes statistics (https://www.apra.gov.au/life-insurance-claims-and-disputes-statistics), which is then published by ASIC, the conduct authority, in a consumer-friendly format to facilitate consumer education and comparison (https://moneysmart.gov.au/how-life-insurance-works).

The **UK FCA** has been publishing 'general insurance value measures' since 2017 to 'provide firms, market commentators and organisations such as consumer groups with common indicators of value across a range of insurance products' (https://www.fca.org.uk/data/general-insurance-value-measures). Key indicators are claims frequencies, claims acceptance rates, and average claims pay-out in absolute amounts for four selected product lines. UK FCA also publishes aggregate and firm specific complaints data to so 'firms can compare their performance with their peers and consumers have an additional source of information about the firms we regulate' (https://www.fca.org.uk/data/complaints-data).

37 For instance, the 2020 World Insurance Report 'sigma 4/2020: World insurance: riding out the 2020 pandemic storm' is available here: https://www.swissre.com/institute/research/sigma-research/sigma-2020-04.html. Detailed national data is in the statistical appendix.

38 See RBM Malawi's Financial Institutions Supervision Annual Report here: https://www.rbm.mw/Supervision/PensionsandInsurance/?activeTab=PISUPublications

Implementation Partner:

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

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Hosted by:

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