High-level Seminar on Microinsurance Regulation
for Supervisory Authorities
Khartoum, Sudan
May 30-31, 2012

Seminar Report

On May 30-31, 2012, the African Insurance Organization (AIO), the Access to Insurance Initiative (A2ii), and the programme Promoting Financial Sector Dialogue in Africa: Making Finance Work for Africa (GIZ/MFW4A) hosted for the second time the *High-level Seminar on Microinsurance Regulation for Supervisory Authorities* in Khartoum, Sudan back to back with the 39th AIO Conference and General Assembly. The organizers welcomed more than 50 representatives of 25 African insurance regulatory and supervisory authorities interested in or already implementing a regulatory reform agenda to promote access to insurance in their jurisdictions.

The newly appointed President of the AIO, Mr. Hassan Elsayed, opened the seminar confirming that supervisors are one of the main stakeholders of microinsurance. They have an important role regarding the implementation of regulatory by-laws and various controls to protect the insured as well as to make sure there are adequate safeguards for insurers.

The seminar focused on policy and regulatory options supervisors have in order to motivate their industry while at the same time protecting consumers. Supervisors presented the status quo in their countries confirming that the market potential is huge, with the vast majority of people still unprotected and even entirely unfamiliar with insurance. They also confirmed that a proactive attitude by the supervisor can make a difference in motivating the industry to enter the low-income segment.

The supervisors from CIMA, Nigeria, Ethiopia, Morocco and Ghana either presented the main lines of their newly developed regulatory framework or their plan to draft regulations in the near future. Finally, enriching discussions took place in four working groups on the topics of consumer protection, informal providers, products, and supervision and data collection.

During the seminar, participants discussed the following main topics and debated options for actions to be taken by insurance supervisors:

- **Revise national financial inclusion policies to incorporate insurance for the low-income segment.** A clear policy stance helps to drive the process of making the insurance market inclusive by informing and motivating public and private sector stakeholders.

- **Ensure effective consumer protection for the low-income segment.** Supervisors can take a variety of measures; for example, require the industry to take preventive actions such as not waiting for a complaint to occur before taking action. For a client with a lower education level a complaint is relatively costly to manage, and trust in the product and provider is easily spoilt if something goes wrong. Preventive actions can also include simple product features or policy documents in vernacular language and without exclusions.

- **Improve product adequacy for the low-income segment.** Supervisors can encourage providers to offer flexible payment schedules, to assure ability to integrate with other products, or to explore non-traditional distribution channels.

- **Push the formalization of informal providers.** In countries with a significant amount of informal insurance the supervisor may need to develop a formalization path including a reasonable transitional arrangement for these important providers, which are often member-based organizations. Licensed providers are part of a sound oversight regime with equal conditions for each provider type; and ensure sound market development and consumer protection.

- **Support capacity development of insurers.** Insurers are challenged to understand the low-income target segment, develop innovative products and organize adequate delivery mechanisms. Supervisors can encourage interested insurers to seek out sector institutions, intermediaries and other partners such as development organizations that support development and pilot testing of innovative business models.

- **Help lower cost of providing microinsurance.** High costs relative to insurance cover make many microinsurance products unaffordable for the low-income market. Supervisors can help to lower costs that insurers and distribution channels incur, for example in the areas of product registration, intermediation and reporting. They can also make capital requirements proportionate relative to the risk's nature, scale and complexity.

- **Engage in financial literacy work.** Know-how and trust in the potential market are essential. The low-income consumer requires awareness building to develop an understanding of insurance and the related responsibilities and rights. Supervisors can assume a role in promoting financial education in collaboration with other authorities, such as the central bank or different ministries, or the industry association. If not involved in designing campaigns, the supervisor can control the quality of those.

- **Help foster a conducive policy environment by improving infrastructure.** In certain risk areas, such as agricultural insurance, innovation is particularly weak and investment costs are high. Supervisors can work with the respective ministries to facilitate data collection necessary for livestock and crop insurance products for smallholders.They can also seek assistance from development partners who may fund public goods such as weather stations for index-based insurance.

- **Require separate reporting on microinsurance.** Insurers will need to monitor the right ratios and trends of ratios, such as the loss or rejections ratio separated by business line, which implies separate accounting. This will help both the supervisor and the insurer to analyze the risk of their portfolio and assess its financial and social performance along clearly defined indicators.

- **Regulatory dynamism should go hand in hand with industry action.** Supervisors can encourage market innovation by providing a regulatory environment that enables industry action. Supervisors can raise awareness amongst stakeholders, such as their staff, policymakers, insurers, potential distribution partners and clients, and play a coordinating role in a country process.

This event reconfirmed the high level of commitment to financial inclusion by supervisors from African jurisdictions. At the same time, the African Insurance Organization, the Access to Insurance Initiative and its partners, particularly the International Association of Insurance Supervisors (IAIS), and the partnership Making Finance Work for Africa are committed to continue supporting policy, regulatory and supervisory reforms in Africa along with the IAIS' financial inclusion agenda.

Seminar presentations are available on the Access to Insurance Initiative's website www.access-to-insurance.org.

The African Insurance Organization (AIO) *is a non-governmental organization established in 1972 with 315 members from 45 African countries. Its main objectives are the promotion of inter-African co-operation and development of a healthy insurance and re-insurance industry in Africa (www.african-insurance.org).*

The Access to insurance initiative (A2ii) *is a global programme to enhance broad-based, demand-oriented and sustainable access to insurance for low-income clients by supporting the implementation of sound regulatory and supervisory frameworks consistent with international standards. The Initiative is a partnership between IAIS, CGAP, the German Federal Ministry for Economic Cooperation and Development, FinMark Trust, ILO, and UNCDF (www.access-to-insurance.org).*

The Partnership Making Finance Work for Africa (MFW4A) *is an initiative to coordinate financial sector development interventions across the continent, avoid duplication and maximize developmental impact by providing a dialogue platform for African governments, regulatory authorities, the private sector, and development partners (www.mfw4a.org).*