Proportionality in practice: Distribution

Prepared by the Access to Insurance Initiative (A2ii), based on research conducted by the MicroInsurance Centre for A2ii.

About the Proportionality in Practice (PIP) Case Studies

*The **PIP Case Studies** aim to provide practical guidance on how regulations have been implemented in a proportionate manner in order to achieve access to insurance and other insurance development goals, while being in line with the Insurance Core Principles. It is an effort to systematically collate practical examples from supervisors who have implemented or begun the process of implementing such proportionate regulations, and generate lessons from their experience. Best practice may differ significantly between jurisdictions and as such the PIP Case Studies are not meant to create expectations on how supervisors should implement supervisory material.*

Introduction

The International Association of Insurance Supervisors (IAIS), through the Insurance Core Principles (ICPs)[1], provides a globally accepted framework for the supervision of the insurance[2] sector. Its mission is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders[3], and to contribute to global financial stability.

The IAIS considers that the ICPs apply to insurance supervision in all jurisdictions regardless of the level of development or sophistication of the insurance markets and the type of insurance products or services being supervised. However, the ICPs, standards, and guidance also provide supervisors with the flexibility to adjust certain supervisory requirements and actions in accordance with the nature, scale and complexity of risks posed (i.e. the "proportionality principle"). This enables supervisors to tailor their approach in line with their respective jurisdiction's supervisory objective and market context.

There is a general recognition that enhanced access to insurance services helps reduce poverty, improve social and economic development and supports major public policy objectives such as improving health conditions for the population, dealing with the effects of climate change and food security. In many emerging markets and developing economies where insurance markets are less advanced and insurance penetration is low, supervisors face distinct challenges in achieving access to insurance. Compared to mature insurance markets, insurance industries in these markets often have lower financial, human resource or innovation capacity, and a larger proportion of the population's consumers are less educated and financially aware. In such jurisdictions, tried-and-tested regulatory approaches in mature insurance markets may not be appropriate to ensure insurance markets develop in an inclusive manner.

It should be noted that access to insurance is not a concept that applies only to emerging markets and developing economies. Any jurisdiction is likely to face the challenge of having a portion of the population that is underserved or excluded from financial services; however, the characteristics of such segments, and thus the best regulatory approach to make insurance available to them, may differ between jurisdictions. Inclusive insurance products therefore relate to 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. Microinsurance is specifically aimed at low-income populations.

The IAIS emphasises proportionality in implementing a supervisory regime that best suits their local context and market development goals. However,

1 The complete set of ICPs including introduction, Principles, Standards and Guidance can be found on the public section of the IAIS website (http://www.iaisweb.org/ICP-on-line-tool-689)

2 Insurance refers to the business of insurers and reinsurers, including captives.

3 The IAIS Glossary defines a "customer" as a "policyholder or prospective policyholder with whom an insurer or insurance intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy". The glossary does not define "policyholder" although earlier papers had noted that "Policyholders includes beneficiaries".

the IAIS is aware that there is still a lack of experience and best practice in implementing proportionate regulations that successfully balance effective supervision, access to insurance and consumer protection for this reason it requested that its implementation partner, the Access to Insurance Initiative (A2ii) develop these case studies.

About this paper

The *Proportionality in Practice* case studies are intended to provide practical examples and lessons from the experience of other supervisors who have implemented or begun the process of implementing proportionate regulations towards increasing access to insurance. This paper looks at proportionality in regulations relating to distribution by drawing on the experiences of Ghana, Mexico and the Philippines.

Proportionate regulation of distribution aspects can encourage the industry to offer inclusive insurance in two main ways. The first is by reducing the barriers to entry, such as via lower, more flexible or more tailored licensing requirements that allow the relevant types of distribution channels to operate. The second is by lowering the ongoing cost of doing business, and this can be done via adapting supervisory requirements such as reporting or minimum training requirements.

The following case studies examine the practical aspects of distribution in which proportionate regulatory treatment can be accorded in order to encourage the industry to offer inclusive insurance while ensuring consumer protection. Specifically, the case studies cover:

- intermediary licensing requirements and procedures (including training and qualifications)
- ongoing regulatory requirements and supervision of intermediaries

Interviews were conducted with officials from the insurance supervisors of Ghana, the Philippines, and Mexico based on a questionnaire designed to understand the rationale, design and implementation of the regulations from the supervisor's perspective. These calls lasted for approximately one hour. These were followed up with calls of about 30 minutes with between three to five insurers within those jurisdictions. These interviews focused on how the insurer implemented the proportionate distribution regulations. Here the objective was to gain an idea of the impact of the proportionate regulatory approach from the insurers' perspective. Finally, the supervisors were contacted again to clarify any issues that were raised in the calls to the insurers. While the researchers endeavoured to gain as comprehensive an understanding as possible, the depth or scope of information acquired may vary between case studies as it depends ultimately on what the supervisor was able to share within a limited time. The researchers are grateful to the supervisors and insurers for their contribution and support.

IAIS material on distribution in inclusive insurance

Conduct of business refers to the interactions between clients, distribution channels, and insurers; more specifically, it relates to how the insurers and distributors treat clients. A key part of conduct of business is distribution: the IAIS Glossary notes that a distributor, or "insurance intermediary", can be any natural person or legal entity that engages in insurance intermediation. Distribution includes the channels and actions through which an insurance company sells a policy to the policyholder as well as those servicing the policy on an ongoing basis. ICP 18 on Intermediaries states that the supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner. This means that the supervisor ensures that insurance intermediaries are required to be licensed[4], and has adequate powers to conduct supervision of intermediaries, including powers to issue rules and take enforcement action.

Insurers operating in inclusive markets often focus on simultaneously reducing distribution costs and achieving large-scale client outreach. This is due to lower insurance premiums and the relative difficulties of reaching lower-income customers, arising from constraints such as limited geographical access or low demand. Innovations distribution strategies have thus been critical to increasing insurance outreach. Many insurers partner with non-traditional intermediaries, beyond typical agents and brokers, which are in a good position to reach out to a partic-

4 In some jurisdictions other terminology or processes, such as "authorisation" or "registration", are used in place of "licensing". These all come with quite different compliance requirements and can therefore be more or less proportionate when implemented. In this paper, in line with the approach taken in ICP 18 all these terms are collectively referred to as licensing.

ular targeted segment or wide volumes of customers. Regulations on distribution, such as what type of intermediaries are allowed and what activities they can do, thus have a strong impact on the feasibility of distribution strategies.

However, distribution also poses particular risk to the inclusive consumer[5]. ICP 18 guidance notes that good conduct of business practices by intermediaries can promote consumer protection by assisting consumers to make better informed decisions about the products that they buy. In other words, intermediaries have significant influence on the understanding and purchase decisions of the consumer. Low-income customers are especially vulnerable to mis-selling or customer abuse given the lower financial literacy and lack of experience with insurance. As such, requirements on distribution and conduct of business provide a vital balance to ensure that while regulatory flexibilities help enable business, vulnerable customers are still treated with a minimum level of fairness and transparency.

5 For comprehensive guidance on conduct of business and other regulatory issues in the inclusive insurance market, see Issues Paper on Conduct Business in Inclusive Insurance (IAIS, 2015) and Issues In Regulation and Supervision of Microinsurance (IAIS, 2007).

Case studies

This section provides a jurisdiction-by-jurisdiction case study, which includes a brief overview of the background of inclusive insurance and regulations for traditional insurance, followed by a more in-depth description of specific proportionate regulations of intermediaries for inclusive insurance.

GHANA

Background on inclusive insurance development

Inclusive insurance has long been a high-level policy agenda of Ghana, with the National Insurance Commission (NIC) of Ghana having undertaken efforts to promote microinsurance as early as 2002. The Financial Sector Strategic Plan (FINSSP II) of the Government of Ghana, launched in 2011, accords strong emphasis on insurance development as an important part of financial inclusion and overall economic development. In 2012, the NIC also conducted a market survey which highlighted that microinsurance is a key priority for the insurance industry[6].

NIC initially considered two approaches to achieve its objective of expanding access to insurance for the low-income segment. The first was from the risk carrier perspective, i.e. license a new tier of dedicated microinsurers that would have proportionately lower capital requirements, as well as other regulatory requirements such as reporting and fit-and-proper requirements. These specialist institutions would then appoint their own agents. The second option was to approach it from an intermediary perspective, which was to create flexibilities in regulations on distribution to allow existing regulated insurers to work with a broader range of channels to reach the low-income market.

The NIC's management determined that the second was a more viable approach in order to balance achieving successful outreach to the low-income sector with the additional burden on the NIC. Given NIC's level of available resources and capacity, supervising a separate tier of providers was determined to be less feasible. No specific quantitative objectives were set in terms of number or type of distribution channels to register.

In 2013, "Market Conduct (Microinsurance) Rules" and its "Guidance Notes on [the] Approval Process were drafted and introduced under the authority of the Insurance Commissioner (as provided

6 'Wiedmaier-Pfister, M., M. J. McCord. (2009) "Feasibility Study on Support to the Microinsurance Sector in Ghana with a Financial Systems Approach." NIC and GTZ

for specifically within the Insurance Act, 2006). These documents define microinsurance and provide guidance on its implementation. A national Financial Inclusion Strategy is also being finalised.

Regulations for traditional insurance

The overarching insurance law in Ghana is the Insurance Act 2006. In general, the Insurance Act 2006, Sections 114 – 123 subjects insurance intermediaries to requirements such as capital requirements for brokers, license fees, legal oversight, quarterly reporting requirements, and fit-and-proper requirements. There is no explicit differentiation for microinsurance.

The NIC's power to issue specific regulations on microinsurance intermediaries is provided through Section 2, Part 2, stating that "the Commission shall perform the following functions: …. (b) in consultation with relevant bodies approve and set standards for the conduct of insurance business and insurance intermediary business."

Ghana's law is based on the common law system, which provides some flexibility in how the law can be adapted to enable innovations, compared to civil law. In 2013, the NIC drafted a new Insurance Bill, recognising that significant changes in the insurance industry had taken place. As of the date of writing, this bill had not been approved by the Parliament. In the interest of expediency however, the NIC issued proportionate microinsurance regulations under the 2006 Insurance Act.

Proportionate regulations for inclusive insurance

Although not specifically restricted, alternative distribution models typically needed for inclusive insurance had not emerged in the market as the requirements for traditional insurance intermediaries were perceived to be too onerous. As a general approach to microinsurance distribution, the NIC adopted the stance of not regulating ahead of development. They allowed insurers to test innovations, assessed the potential risks of that innovation and the roles of the various players, and monitored the implementation. The NIC notes that this approach is more effective than establishing fixed rules ahead of time, and better allows for application of proportionality. The NIC's view was that regulation should not unnecessarily hinder innovation in distribution, but designing effective proportionate regulations requires an understanding of the business. As such, they implemented a system that in their view allows for knowledge generation while maintaining close oversight.

Leveraging on the flexibility to issue regulations accorded in the Insurance Act 2006, the NIC took a case-by-case approach to insurance distribution. Any organisation wishing to register as an intermediary (such as a corporate agent or broker) must discuss their plans with the NIC. Although microinsurance-only intermediaries are required to complete the same application as other intermediaries, some of the requirements were altered by the NIC to make the registration requirements more proportionate to the microinsurance business. Table 1 provides some information on the considerations applied to MI-only intermediary licensing. The NIC interviews the applicant and assesses the application, potentially adjusting certain requirements as deemed appropriate to the level of risk presented by the intermediaries. This provided the flexibility to set regulatory requirements while still allowing a broad range of intermediary approaches.

A. **Licensing.** Under the Insurance Act 2006, Section 115 subsection (1), "The Commission may issue an insurance intermediary's license to an applicant subject to any conditions the Commission may determine." This broad provision does not expressly prohibit or provide for a particular form of intermediary. Insurance intermediary requirements are defined via regulation. NIC licensed microinsurance intermediaries by granting corporate agent licenses. This enabled microinsurance intermediaries to undergo the licensing procedure under the less onerous Bancassurance Guidelines. Under the regulations for traditional insurance, bancassurance intermediaries are issued corporate agency licences which are subject to a less onerous registration regime than the agent or broker licence requirements. For example, unlike a traditional broker, no capital requirement applies to corporate agents. A traditional broker licence might take three months to approve as they require approval of the Commission's board, but corporate agency licenses can be approved by the Commissioner and can therefore be processed faster. The NIC also assisted with the process by informing the applicant of relevant parts of the application form to complete while traditional intermediaries would complete all requirements of the application. The exact applicable proportionate regulatory requirements are codified in individual letters of registration provided to these microinsurance intermediaries. Via these letters, each of the three microinsurance intermediaries was subject to proportionate regulatory requirements that were tailored to their individual microinsurance distribution structure and plans. Much of the NIC's approach to microinsurance intermediary licensing is exemplified in the treatment of the three specialty microinsurance agencies operational in Ghana, which account for about 90% of all identified microinsurance clients in Ghana.

B. **Fit-and-proper requirements.** The Insurance Act 2006 requires principal managers of intermediaries to be "fit and proper person[s]" (Section 115) which it defines as a "person with appropriate integrity, competency, experience and qualification determined by the Commission" (Section 211). For managers of traditional intermediaries, this has meant several years of experience in a commercial insurer. The NIC learned from licensing the first microinsurance intermediary that such an experience requirement could even be counter to the objectives of expanding MI through distribution channels, as people with such experience might not have the innovative spirit that would be needed for MI distribution. The NIC has thus focused more on management skills and microinsurance knowledge rather than years in traditional insurance. Principal officers must also not have been involved in any fraudulent, dishonest or criminal activities. Otherwise there are no particular fit and proper requirements. To gather any information on the applicant, NIC would rely on third party confirmations rather than significant auditing of all individuals to confirm fit and proper standing.

C. **Commission levels.** According to the Act, Section 2 subsection (2)(d), "The [Insurance] Commission shall…. Approve, where appropriate, the rate of insurance premiums and commissions in respect of any class of business." The NIC recognises that microinsurance intermediaries often do more than traditional brokers and agents. For example, microinsurance intermediaries may conduct product development or claims administration, in addition to the traditional role of marketing and distribution. Recognising the higher costs involved with this higher level of effort, the NIC thus takes a more flexible approach with MI agent commissions. In the process of approving the registration of the microinsurance intermediary, they review the service level agreements (SLAs) of the partnership and, depending on the role of each party, may permit a higher commission percentage compared to traditional product lines.

D. **Partnership arrangements.** Unlike traditional insurance agents, licensed microinsurance intermediaries may appoint sub-agents to sell microinsurance. The sub-agents are not required to separately obtain an intermediary license. The responsibility for any mis-conduct by its sub-agents, therefore, lies with the licensed intermediary. For example, Star Microinsurance is a microinsurance intermediary that appoints microfinance institutions (MFIs) and rural banks (RBs) to sell microinsurance products. These MFIs and RBs are not licensed as microinsurance intermediaries, but rather as corporate agents for insurance. While corporate agents can typically represent only one insurer, one of the microinsurance intermediaries was allowed to work with multiple insurers under its individual letter of license as a corporate agent.

E. **Reporting requirements.** Reporting frequency for microinsurance intermediaries has been reduced from the quarterly reporting of traditional intermediaries to annual for MI intermediaries. Additionally, reporting requirements have been adjusted to more appropriately reflect the business activity of the microinsurance-only actors.

MEXICO

Background on inclusive insurance development

The social focus of Mexico's insurance development is enshrined in the law. Article 103 of the *Ley de Instituciones de Seguros y Fianzas* (LISF, or the Insurance and Surety Institutions Law, Mexico) requires the regulator, the *Comisión Nacional de Seguros y Fianzas* (CNSF – the National Insurance Commission), to consider the type of products and services being provided and whether these have a "social objective". The CNSF's view was that inclusive insurance market development was part of an evolutionary process[7]. In the short term, having insurance products geared towards the low-income population (microinsurance) addresses the immediate risks faced by the low-income population. In the longer term, it would contribute to a more sustainable growth in overall insurance penetration.

Prior to the active efforts of the CNSF to develop microinsurance, low-priced insurance products had already been available on Mexico's insurance market. The CNSF's view was that distribution needed to be enhanced by reducing transaction costs in order to ensure the products were more affordable and accessible to the low-income[8]. In 2007, the CNSF begun formulating a strategy to enhance access to insurance for low-income people. This led to discussions in September 2007 with a team from the World Bank focused on microinsurance regulations that culminated in the publication of a Circular (S-8.1) in January 2008.

Regulations for traditional insurance

The overarching insurance law for Mexico is the Ley de *Instituciones de Seguros y Fianzas* (LISF, or the Insurance and Surety Institutions Law, Mexico).

The *Circular Única de Seguros y Fianzas* (Unique Insurance and Surety Circular, CUSF), which provides the implementation details of the LISF, requires that all insurance products shall be sold through insurance agents or brokers authorised by the CNSF. Traditional agents and brokers must attend the training, pass an examination, as well as complete the registration process with the CNSF. Most providers of low-priced insurance in Mexico had relied on group insurance products delivered through financial services institutions like MFIs, retail finance and Banks.

Proportionate regulations for inclusive insurance

Mexico provides for proportionate treatment for two different types of products: mass insurance and microinsurance. The CUSF provides clear definitions for both microinsurance and mass market insurance, which are found in Section 4, Chapter 8 (4.8) and Section 4, Chapter 9 of the CUSF (or CNSF S-8.1), respectively. The definition of mass market products is very similar to that

7 Manuel Aguilera Verduzco (CNSF President), "Microinsurance: regulatory experience in Mexico" 2007. At the Insurance Training Meeting ASSAL-IAIS-FIDES, Santiago de Chile

8 CNSF S-8.1 in 2008, Defined microinsurance as insurance products aimed at promoting access to insurance protection for low-income individuals using low-cost distribution and operation methods. Sums assured were restricted to a maximum of four times the annual minimum wage in the Federal District, with yearly adjustments. For group policies, the sum assured has a maximum of three times the annual minimum wage. Deductibles, copayments, exemptions, dividends and exclusions are limited, while a grace period for premium payments is imposed at 30 days. A simplified process for claims processing is required, where claims must be paid within five days of filing.

of microinsurance products, except that microinsurance specifies maximum limits on coverages and premiums amounts, and focuses on the low-income population.

A. Licensing. Mass insurance products or "standardised insurance products" that are based on contracts of adhesion (also known as "take-it or leave-it contracts") can be sold by financial intermediaries supervised by financial institutions (such as banks), provided that their employees receive training programmes given by the Insurance companies, and other organisations (such as mobile network operators, retailers, or utilities), as long as their representatives meet the same requirements stipulated for Insurance agents.

- Microinsurance products that comply with the conditions under CNSF S-8.1, including being registered with the CNSF, can also utilise these alternative distribution channels. CUSF 33.2 also provides for microinsurance products to be provided by these channels via group insurance policies. MFIs and NGOs can also continue to provide microinsurance via group insurance.
- The CNSF created proportionate registration requirements and procedures for mass insurance and microinsurance intermediaries, as set out in Figure 1. Typically, distribution channels for mass and microinsurance comprise store sales clerks, kiosk employees, prepaid telephone sales agents, meter readers of utility companies, field staff for an MFI or an NGO, which experience higher personnel turnover and a lower educational profile than traditional insurance agents. As such, licensing requirements that apply to traditional insurance intermediaries may be overly onerous for mass insurance or microinsurance. Section 33 Chapter 2 of CUSF therefore makes accommodations to allow for proportionate treatment. The overall responsibility of ensuring the qualification and training of these intermediaries lies with the insurer. The insurer must keep records of the training and be prepared to produce them if CNSF requests for them.

Figure 1: CNSF Agent licensing and registration process[9]

1	2	3	4	5
The insurer or distribution company provides 40 hours of training to the prospective agent and maintains attendance records	Company pays the registration fee and applies online for the agent to take the necessary examination within 30 days of the training	Agent takes examinations for one of more of 9 different certifications, according to CNSF exam schedule	The minimum passing grade is 60% correct. Less than 80% provides a temporary certification that must be renewed within 3 years	The Company applies for registration and must produce specific documentation
Agents that sell only **Mass Market** insurance can skip the examination process (#2, 3, 4)		Agents that sell only **Microinsurance** can skip the examination (#2, 3, 4) and registration processes (#5)		

9 Step 5 documentation: Colour photograph, copy of identification card, copy of CRUP (identity number), copy of social security card, proof of residence, copy of employment contract and copy of exam results

THE PHILIPPINES

Background on inclusive insurance development

The Insurance Commission (IC) of the Philippines has been a leading supervisor in undertaking far-reaching reforms to its regulatory environment in order to be conducive to inclusive insurance. The first microinsurance regulation in the Philippines was Insurance Memorandum Circular 9-2006, which arose out of the need to formalise the activities of microfinance institutions (MFIs) that were running informal insurance programmes. Among other things, it allowed these MFIs to set up dedicated mutual benefit associations (MBAs) to convert their insurance liabilities to mutual liabilities among their members. This enabled MBAs to underwrite insurance risk, thus creating a new level of dedicated microinsurers, the microinsurance mutual benefit associations (MI-MBAs).

In January 2010, a dedicated and comprehensive *Regulatory Framework on Microinsurance* was introduced. This was supported by the broader economic development policy agenda articulated in the *Philippine Development Plan 2011-2016* which envisioned a “regionally responsive, development-oriented and inclusive financial system which provides for the evolving needs of its diverse public”; and a financial system in which “everyone has access to all types of financial services, including insurance services”. This Framework set out a strategy aiming to incentivise the participation of commercial insurers and therefore broaden supply, while ensuring transparency in microinsurance business. It addressed a wide range of regulatory themes, including the definition of microinsurance, regulatory flexibilities for microinsurance risk carriers and intermediaries and stipulations on conduct of business. In the subsequent years, the IC issued a number of circulars to give effect to the regulatory framework. In 2013, microinsurance was institutionalised in the Insurance Code. The IC has since introduced regulatory frameworks addressing specific product lines such as agriculture and health microinsurance.

Regulations for traditional insurance

In the Philippines, the overarching insurance law is the “Presidential Decree no. 612 of 1974 and titled “Ordaining and Instituting an Insurance Code of the Philippines”, or Insurance Code. The law defines the roles and responsibilities of distributors (agents and brokers) in Chapter 4, Section 299 which notes: “No insurance company doing business in the Philippines, nor any agent thereof, shall pay any commission or other compensation to any person for services in obtaining insurance, unless such person shall have first procured from the Commissioner a license to act as an insurance agent of such company or as an insurance broker as hereinafter provided.” The law explicitly restricts distribution to only registered intermediaries.

Registered intermediaries have to undergo a licensing process which includes taking an examination in Manila. The regular examination covers all types of complex products (such as variable life annuities) and insurance concepts which for the most part are far beyond the scope of microinsurance.

Proportionate regulations for inclusive insurance

The move to formalise informal microinsurance provision in the Philippines aimed to expand distribution while moving towards better compliance with ICP 4 (Licensing), ICP 18 (Intermediaries), and ICP 19 (Conduct of business). The scale of informal insurance activity was significant: just one group of these informal insurers, the Rural Banks, represented over six million Filipinos. The joint Circular Letter JMC 1-2010 (from the Insurance Commission, Securities and Exchange Commission, and Cooperative Development Authority) thus ordered all informal insurance programs to formalise. At the same time, the importance of efficient distribution was also featured prominently in the *Philippines’ National Strategy for Microinsurance*, which stated that insurers shall: “Increase outreach at the least cost through partnerships and networking with community-based organisations, MFIs, social insurance providers, Local Government Units and other concerned government agencies." The IC recognised that a "least-cost" approach required wider range of allowable distribution models. With the issuance of the 2010 regulatory framework, the IC created five regulatory arrangements for informal insurance providers to formalise:

- enter into a partnership with a commercial insurer in the form of a group policy;
- become an MI-MBA[10];
- become a broker or microinsurance broker with a lower capital requirement;
- become an agent or microinsurance agent; or
- become a licensed commercial insurer or an insurance cooperative, where, for the insurer, a lower capital requirement applies if more than 50% of the portfolio is in microinsurance.

A. **Licensing.** In enabling the third and fourth options to become microinsurance agents and brokers, the IC created proportionate regulations on microinsurance intermediaries. Microinsurance brokers' capitalisation requirement was lowered to 50% of that of traditional brokers. Insurance Memorandum Circular (IMC) 1-2010 also created proportionate examination requirements allowing microinsurance intermediaries to sell microinsurance only.

   - A microinsurance agent or broker is not required to take the regular licensure exam; instead, they take a three-day course and must pass an examination at the end of the three days. MFIs can also be licensed as long as the officer selling the insurance also passes this examination, and sells only to the MFI clients.
   - The examinations are also tailored to suit the circumstances of microinsurance intermediaries and be commensurate to the simplicity of the product. For instance, it can be done anywhere in the country instead of the IC office in Manila. It is based on a content outline tailored to microinsurance that is set out by the IC. The first two days are taught by organisations whose curriculum and trainers have been approved by the IC. The third day focuses on the product, processes and marketing of the insurance company and is presented by a representative of the insurer. CL6-2011 also specifies.
   - Later, the Circular Letter 6-2011 was issued to provided more details about the training programme, including how to report on the training to the IC. It also required the following topics to be covered over the training period of three days by competent and knowledgeable speakers:
     - Basic concepts, importance and scientific foundation of life / non-life insurance
     - Product types
     - Individual versus group insurance
     - Special coverages; riders
     - Standard policy provisions
     - Obligations of insurance companies and agents including market conduct, claims
     - settlement and revocation of license

10 MBAs were allowed to carry risk for life products only. MBAs that wished to distribute non-life insurance had to still do so in the capacity of an intermediary or by entering into a partnership with a commercial insurer in the form of a group policy.

B. Ongoing supervision. The IC also issued circulars to define the roles, responsibilities and conduct of these intermediaries For instance, Circular 54-2015 states that any misconduct by the intermediaries shall be their own sole responsibility and that they have a duty to ensure their staff are duly trained. The Microinsurance Distribution Channels Regulatory Framework, issued in 2016, sets out:

- Acceptable distribution channels that may be contracted
- Permissible functions and activities of distribution channels
- Responsibilities and market conduct of distribution channels and other parties involved in distribution
- Consumer protection measures

Insights

From the reflections of the supervisor and discussions with the industry on the impact of the regulations, the researchers had the opportunity to not only understand what measures supervisors undertook, but also gain some useful insights from the different distribution requirements. This section draws out some of these considerations, in the hope that they will provide useful guidance to supervisors who are in the process of developing similar measures:

- **Each country tailored their strategy and approach according to their development objectives.** The Philippines' approach of setting clear regulatory requirements for microinsurance intermediaries upfront aimed to enable a large informal market with pre-existing business models and practices to formalise and continue providing inclusive insurance. In contrast, Ghana's approach of licensing microinsurance intermediaries case-by-case sought to kick-start new distribution models in a nascent market where industry best practices had yet to evolve beyond traditional insurance intermediaries.
- **Reduced training for microinsurance intermediaries could mean higher conduct of business risk, however this can be mitigated in multiple ways.** All three countries explicitly restricted microinsurance intermediaries to selling only microinsurance products. Mexico's CNSF holds insurers responsible for providing training for their staff as well as distributors operating in the low-income market. The Philippines requires microinsurance intermediaries to have clear signage on their premises, and also created a framework on dispute resolution specifically for microinsurance, including a circular setting minimum qualifications, training, responsibilities and code of conduct for mediators-conciliators.
- **Each supervisor also took measures to monitor and manage the market impact of newly-introduced intermediary regulations.** The Philippines' IC developed the microinsurance regulatory framework in consultation with the industry via collaborative Technical Working Groups which comprised the IC, the industry and other stakeholders and authorities. The IC developed a set of Key Performance Indicators covering indicators such as market growth, claims efficiency, renewal ratios, and others. In Ghana, the NIC's approach was to discuss the business plan case-by-case with potential microinsurance intermediaries during the licensing process. NIC staff can request for meetings with intermediaries and insurers, or require particular progress reporting at any time. The NIC's approach allows insurers to test new ideas with the oversight and collaboration of the NIC.
- **Creating new intermediary licences often creates additional administrative burden for both the supervisor and the industry.** In the Philippines, the IC and the Central Bank (BSP) issued a joint circular that enabled rural banks to formally become microinsurance agents. The Rural Bankers Association of the Philippines (RBAP) developed a plan to assist the rural banks in navigating the licensing process after finding that in many cases it had been taking more than one year.

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The Initiative is a partnership between:

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CGAP
BMZ Federal Ministry for Economic Cooperation and Development
FinMark Trust Making financial markets work for the poor
International Labour Office
UNCDF Microfinance • Capital Development
ADB
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