access to insurance initiative

The Role of Insurance Regulation and Supervision in Promoting Inclusive Insurance for Women

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Introduction

Inclusive insurance policymaking is not gender-neutral. Women and men have the potential to be differentially impacted by financial sector policies and by regulatory and supervisory approaches to insurance. Nevertheless, while women's financial inclusion and gender considerations are emerging priorities for financial services supervisors[2], a gender perspective has been mostly absent from insurance regulation and supervision in developing and emerging economies.

Driven by data indicating a persistent gender gap in financial inclusion[3], discussions have been taking place on the financial inclusion of women. Women's access to and usage of insurance are part of these broader discussions. While the limited data available for the insurance sector in developing countries is currently inconclusive, it has been established that women face a number of legal, economic, and socio-cultural barriers that could disproportionately impede their access to insurance. Such barriers may include the predominance of women in the informal sector, lower levels of financial literacy, and the inability to enter legal contracts without male signatories. In such cases, women are comparatively more vulnerable to a multitude of risks that could plunge them into poverty. Despite these barriers, there is a huge market opportunity in providing inclusive insurance for women. Recent estimates suggest that women represent a market opportunity for insurance premiums of between US$1.45 and US$1.7 trillion by 2030[4].

There is a strong rationale for supervisors to accelerate access to insurance for women. Besides being an end in itself, increasing the proportion of the population with insurance coverage, in particular amongst women and other vulnerable segments, can contribute to the core objectives of insurance supervisors that aim to maintain a fair, safe, and stable insurance market. Promoting women's access to insurance can also contribute to the achievement of broader policy objectives such as poverty alleviation, gender equality, social protection, agricultural development, food security, and sustainable economic development in the framework of national policies and the global Sustainable Development Goals (SDGs)[5].

This paper aims to inspire momentum and increase awareness among insurance supervisors of the transformative potential of gender approaches. It explains how supervisors have started to consider gender dimensions in their work, in particular by exploring differences between women and men's access to insurance. Moreover, it emphasises the relevance of women's access to insurance in the context of financial inclusion policymaking.

Integrating a Gender Perspective in Insurance Supervision

In some jurisdictions gender approaches to insurance policy and regulation have resulted in debates related to sex-based discrimination. In the European Union, for instance, it has been ruled as discriminatory to take the sex of the insured person into account as a risk factor in pricing private insurance contracts[6].

However, gender approaches are not intended to discriminate; rather they aim to ensure that policy and regulatory approaches to insurance do not unintentionally harm or benefit women or men disproportionately more than the other.

The barriers to access to insurance that are faced by excluded vulnerable populations are not wholly uniform. Differences in demographics such as gender and age, as well as location, can lead to unique protection needs and consumer protection issues. As such, policies that aim to remove these barriers must

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2 The term 'financial services supervisors' includes insurance supervisors. 'Supervisors' includes regulators and supervisors.
3 Data from the Global Financial Inclusion Database (Findex) from 2014 indicate women make up the majority (55 percent or 1.1 billion) of the world's 2 billion unbanked adults. Moreover, despite the number of unbanked dropping by 20 percent between the first Findex in 2011 and 2014, the gender gap in account ownership has not narrowed (World Bank, 2015).
4 IFC & AXA, 2015.
5 UN, 2015.
6 In 2011, the Court of Justice of the European Union ruled that different premiums for men and women constitute sex discrimination, and in turn the European Commission adopted guidelines to help the insurance industry implement unisex pricing. This builds on the principle of equal treatment between men and women in the access to and supply of goods and services, which prohibits direct and indirect sex discrimination set out in a European Council ruling from 2004. See references: EC, 2011 a & b; Official Journal of the EU, 2004.

be sensitive to these differences in order to be effective. Distinguishing customers on the basis of gender is one way to delineate the profile of insurance clients; doing so therefore opens up the possibility of employing targeted policy tools that are tailored to gender-specific barriers or impacts.

How the Role of Insurance Supervisors Can Impact Women's Access to Insurance

Women often exhibit behavioural patterns that affect their financial decisions in ways that are different from men. Women may be more risk aware and more inclined towards certain types of distribution channels[7]. Women and men may also have inherently different protection needs and therefore lean towards different types of products. In Ghana – as in many other countries – women purchase credit life products at a higher rate than men, partly because they receive these products through women-oriented microfinance institutions of which they are members. Their specific health needs can also be different. There are products in Ghana and the Philippines, for example, which provide cover for maternity complications and other female illnesses.

A primary consideration of insurance supervisors in implementing a proportionate regulatory framework is to strike a balance between enabling business and consumer protection. On the one hand, they are responsible for removing regulatory barriers related to inclusive insurance and creating a more flexible regulatory environment that promotes market development. On the other hand, insurance supervisors should consider whether consumers are adequately protected. In this context, there is scope for insurance supervisors to shape their policy and regulatory frameworks to ensure women benefit proportionately from the consumer protection regime, while ensuring that compliance costs for the industry remain low and incentivising the industry to adapt their products to meet the needs of the lower-income women's segment. Relevant areas of regulation and supervision are set out below.

- ***Formalising Insurance and Licensing Intermediaries***

  Women's access to insurance can be enhanced through regulation that promotes market innovation and enables insurance products that are designed, distributed and serviced in ways that effectively reach out to women. These do not necessarily have to be policies that solely target or benefit women. Jurisdictions including Brazil, Ghana, India, Mexico, Pakistan, Peru, or the Philippines have created a specific regulatory framework for microinsurance business that allows the distribution of insurance through alternative channels including mobile network operators (MNOs) or retail sales points. Although such regulatory frameworks benefit both women and men, women have been found to be amongst the key beneficiaries. This is because traditional barriers to women's access (in particular those arising as a result of women's constrained mobility in some countries) can be overcome through the use of alternative channels. However, in addition to allowing distribution channels that benefit both male and female clients, supervisors should specifically focus on those channels that are well placed to reach women, such as MFIs, when setting requirements relating to licensing of insurance intermediaries.

  Similarly, ensuring that intermediaries with whom women typically interact are adequately regulated can strengthen consumer protection for women. Anecdotal evidence suggests there is a prevalence of lower-income women purchasing insurance from microfinance institutions (MFIs), self-help groups, or community-based organisations. These are often informal operators out of reach of the insurance supervisor, thereby limiting the supervisor's ability to protect these consumers. Supervisors should seek acceptable ways to address informal insurance activity. This might mean putting in place the necessary transitional arrangements[8] to allow informal insurance to migrate to a regulated environment in order to ensure consumer protection and stability in the market.

- ***Complaint Mechanisms***

  It is also important to ensure that women have equal knowledge, capacity, and access in relation to complaint mechanisms. Even in the formal system, women may be more susceptible to abuse from market operators and intermediaries. For example, the Palestine Monetary Authority had to intervene in a consumer protection case where banks pursued women to repay

7 IFC & AXA, 2015.

8 IAIS, 2012.

loans taken out by their late husbands. This occurred despite their husbands' compliance with a regulatory requirement that credit life insurance be taken out for all loans exceeding a term of 48 months. Cases such as this highlight the need to ensure that women are equally educated on their rights as a financial consumer, complaint mechanisms are accessible to women, and that women are equally confident to use and trust any established complaint mechanism[9]. In some countries, due to cultural factors, women have been found to be reluctant to approach formal institutions.

- ***Know Your Customer (KYC) Requirements***
  KYC requirements can sometimes constrain women's access to insurance. Research has shown that, in some countries, women are less likely to be able to provide the required identity documents. This may be due to a lack of national ID, such as a birth certificate, or the requirement for a male relative's signature to authorize their application. While the increased adoption of biometric national ID cards has served to address this constraint in some countries, many more women than men still remain without ID documents. As such, adapting KYC requirements to allow more flexible identification processes, as has been done in some jurisdictions, can serve to promote access to insurance among the lower-income women's segment. Examples are widening the range of accepted identification forms, such as driver's licenses or electoral cards. Moreover, insurance supervisors should collaborate with other government agencies to address these indirect barriers that women face in relation to identity documents.

Additional Areas in which Insurance Supervisors Can Enhance Women's Access to Inclusive Insurance

- ***Gender-Sensitive National Financial Inclusion Strategies (NFIS)***
  National financial inclusion strategies detail specific strategic objectives, targets and action plans related to financial inclusion. As central banks or the Ministries of Finance often drive the development of such strategies, these institutions often have strong influence, whether in the sense of a directive or for advocacy purposes. NFIS typically consider financial inclusion themes relating to a broad range of financial products and services, including insurance and the content sometimes dovetails with microinsurance policy papers. An increasing number of these NFIS do consider differences between the financial inclusion of women and men. However, even though gender differences may be included in NFIS relating to savings and credit products, it seems that few national financial inclusion strategies consider the gender dimensions of inclusive insurance. Fortunately, momentum among central banks and banking supervisors is also gradually promoting engagement with women's financial inclusion among insurance supervisors. In Zambia, for instance, the central bank has engaged with the insurance supervisor to generate interest in this area.

- ***Sex-disaggregated Data***
  Sex-disaggregated data have implications for market development strategies. There is emerging recognition of the value of sex-disaggregated baseline data to establish who is currently obtaining insurance, how they are purchasing it and any gender-specific patterns in insurance product usage. Gathering supply-side data from the market and analysing it to understand the implications would be highly important in evidence-based policy making. Supervisors can learn from the banking sector, responding to the challenges of collecting and using sex-disaggregated data by capacity building, adapting data systems and adjusting reporting templates[10]. NAICOM in Nigeria has begun to track financial inclusion in the insurance sector using sex-disag-

9 A2ii, 2014a.

10 GBA, IDB and Data2X, 2015.

gregated indicators (Box 1). In Tanzania, the Social Security Regulatory Authority has collected sex-disaggregated supply-side data relating to health insurance and pensions uptake.

Occasionally, such data may also contradict widely held assumptions about women's access to insurance. In some jurisdictions, evidence suggests that women are more likely to take out insurance compared to men, partly attributed to their higher interest in such forms of risk mitigation. For example, data from the Central Bank of Samoa in the Pacific Islands suggests that there are higher levels of formal insurance uptake among women (Box 1). In Ghana, the majority of microinsurance clients are self-employed women in the informal sector. This is mainly due to MFIs being an important distribution channel to target this market segment[11]. This implies that gender dimensions of access to insurance need to be assessed on a case-by-case basis and that sex-disaggregated data is crucial in this regard. Such data can help determine which products women have access to and whether these products effectively meet women's protection needs. It may also mean that more work may need to be done in some jurisdictions to identify the constraints in men's access to insurance among certain income groups.

- ***Financial Literacy Strategies and Approaches***

Only in a few countries, such as Bhutan and Indonesia, do national financial education strategies and their programmes recognise gender differences in financial literacy needs and behaviours and therefore specifically reach out to women. However, they do not appear to specifically address insurance and gender. It is important that financial education initiatives do so, especially in countries where socio-cultural factors may contribute to lower general literacy rates for women. As financial education programmes start to integrate gender differences to inform their pedagogical approaches and content, the value of inclusive insurance for women should also be considered.

11 NIC, GIZ, CDC and MIC, 2015.

Case Studies

Box 1: Case Study Examples

Philippine Insurance Commission (IC)

IC is mandated by law – along with other national government agencies and local government units – to allocate at least 5 percent of their total budget for programmes and projects to promote women's economic empowerment and gender equality, as well as to annually submit institutional gender plans and an accomplishment report. To fulfil this requirement, the IC has set up a gender and development technical working group. This group explores gender issues and gender gaps within the IC and among insurance clients. It is divided into sub committees, one of which focuses on gender data and analysis. A current priority is to establish the differences in access and usage of insurance between men and women and identify any specific gender barriers. In a related initiative, the IC has started to gather demand-side data within its insurance-focused financial literacy survey to establish if there is a gender gap in financial literacy related to microinsurance. They are currently exploring the feasibility of collecting supply-side data from insurance companies that relate to the gender breakdown of all insurance policyholders.

Source: Stakeholder interview with the Philippine Insurance Commission, April 2016.

National Insurance Commission (NAICOM) - Nigeria

NAICOM in Nigeria is required, in line with the National Financial Inclusion Strategy published in 2012, to provide data to the Financial Inclusion Secretariat twice a year in order to help track the progress of financial inclusion in the insurance sector. Data to be reported includes sex-disaggregated data, including: the total number of people per insurance product; policyholders broken down by geographical location and gender; the number of informal microfinance institutions and of their clients broken down by state, gender and age; as well as the total active mobile subscribers for the industry and per mobile network operator (MNO) broken down by gender. The Financial Inclusion Secretariat will also be tracking the level of financial literacy nationwide by state, gender and age. Furthermore, they have an insurance penetration target of 40 percent by 2020 and growth targets for insurance agents that, while not sex-disaggregated, represents a valuable channel for women to access insurance products.

Source: Central Bank of Nigeria, 2012.

Bank Negara Malaysia (BNM)

In 2011, in advancing the financial inclusion mandate, BNM introduced a Financial Inclusion Framework, a comprehensive plan outlining its strategies for an inclusive financial system. One of the ten key points in the plan is a focus on expanding outreach and increasing the insurance penetration rate. One initiative is to develop microinsurance and microtakaful. In this context, BNM has collected sex-disaggregated demand-side data on insurance through national surveys in both 2011 and 2015. In doing so, it found in 2015 the percentage of the adult population with life insurance or takaful policies stands at 16 percent and also that there are gender differences in insurance uptake. In terms of supply-side data, national ID numbers in Malaysia indicate whether the ID card holder is male or female, which offers the possibility of analysing insurance industry data on policyholders by gender. As such, this information can be ultilised to support supply-side data gender analysis on insurance policyholders.

Sources: Stakeholder consultation with BNM in April 2016; BNM (2015); BNM (2011).

Central Bank of Samoa (CBS)

In 2013, CBS made a set of Alliance for Financial Inclusion (AFI) Maya Declaration commitments, including "to provide an enabling environment for inclusive insurance markets and microinsurance by 2017." The implementation of these commitments has been supported by the Pacific Financial Inclusion Programme (PFIP) which, supported by CBS, conducted a survey to gather demand-side financial inclusion baseline data to inform its broader National Financial Inclusion Strategy. Sex-disaggregated data was collected on insurance access within the country. It found that overall insurance penetration stood at 21 percent and, notably, women had higher access. Women were also found to have higher levels of access to finance than men. Potential higher levels of engagement by women in the formal insurance sector have been attributed to outreach by the South Pacific Business Development Foundation (SPBD), a local microfinance institution that offers a loan and life insurance product to all its members – 99 percent of whom are women. The compulsory in-house loan insurance covers clients' outstanding loans with SPBD in case of death.

Source: Stakeholder consultation with CBS in April 2016

The Way Forward: Challenges and Recommendations

Improving access to insurance forms part of an increasing number of NFIS. Insurance is recognised as an important risk mitigation tool for vulnerable population groups, while supporting financial systems development and catalysing other financial services such as credits, savings or payments. At the same time, the financial inclusion of women has emerged as a policy priority and is increasingly recognised as a key element of broader development objectives. Despite this, these two agendas have not yet fully converged. Few insurance supervisors recognise the need to analyze gender differences in insurance access and even fewer are actually collecting sex-disaggregated data.

Collecting this data to examine whether women have lower levels of access to insurance than men is an important first step. As initial data in some jurisdictions show, it should not automatically be assumed that women have lower levels of access to insurance than men. Analyzing the sex-disaggregated data and ensuring that it informs policymaking is the next challenging step. For example, in jurisdictions where more women than men have access to inclusive insurance, initial data seem to suggest that this is due to (mandatory) credit life policies distributed by their MFIs. While these products undoubtedly play an important role in improving the wellbeing of microcredit clients and their families, it is doubtful that they sufficiently cover the complex risk protection needs of low-income women.

What is certain is that sex-disaggregated data can support a better understanding of gender considerations in insurance access and usage; and that this information can be used by supervisors to better target policy and regulatory measures, ultimately stimulating inclusive insurance development and uptake. On a global level, this data can be used to support greater research and peer learning between insurance supervisors and other relevant stakeholders on the regulatory barriers that hinder women's access to insurance.

Since women are a heterogeneous group and their protection needs as well as their barriers to access differ, a good gender approach to inclusive insurance will require tailor-made approaches to regulation that vary by country and the local gender context. However, informed in part by experience from regulation of the banking sector, there are a number of key actions that may already be relevant for insurance supervisors from each jurisdiction to consider. These include the following:

- Engage with the insurance industry to understand where there is a need to **remove regulatory constraints** to support the transition of informal insurance into the formal sector;
- Remove **recognised regulatory barriers** that hinder women's access to insurance (e.g. simplify KYC requirements);
- Encourage the insurance industry to develop a better awareness of gender differences in designing their products and distribution channels;
- Adapt any **complaint infrastructure** to ensure it is accessible and responsive to women's needs in order to address consumer protection concerns for women;
- Collaborate with the lead authority in the **development of a national financial inclusion strategy** to include gender considerations on access and usage of insurance. If necessary, seek to ensure the national financial inclusion strategy includes **sex-disaggregated targets** for inclusive insurance such as uptake and intermediary key performance indicators;
- **Gather and analyse sex-disaggregated industry data** on access and usage of insurance by diverse product types. To support this, build internal capacity within the insurance supervisor, develop a mechanism for gathering this data and reporting progress, and adapt internal IT systems and processes to support the capture of this information in the system in a secure manner to avoid misuse;
- Embark on **gender-sensitive financial literacy strategies** incorporating insurance education that considers women's specific needs and behaviours, and the most appropriate channels to effectively reach women; and
- Coordinate with other government agencies and policymakers (e.g. Ministry of Finance or women's ministry) to understand any **legal and policy constraints** that may specifically impact women's access to inclusive insurance.

Working through multi-stakeholder partnerships, these actions can support insurance supervisors in accelerating access to insurance for women.

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