

# IAIS Approach to Financial Inclusion



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**Expert Round Table for Insurance Supervisors  
on the G-20 Financial Inclusion Process**

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# Agenda

- Promoting access to insurance –the IAIS Rationale
- The structure and the process
- Feedback from supervisors and industry
- Contribution of IAIS to the FIEG



# Access to insurance – the IAIS Rationale

- **IAIS Mission**
  - To promote effective and globally consistent regulation and supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability.
- The future of microinsurance lies in a supervised setting.
- Microinsurance activities shouldn't be held to lower supervisory standard.
- IAIS Insurance Core Principles are also valid for microinsurance.
- Regulation needs to be justifiable, appropriate and proportionate to the risk it is seeking to address.
- Sound policy and regulation requires informed and well-equipped regulators and supervisors.



# IAIS initiatives - Structure and the process

- IAIS Implementation Committee
  - Training and capacity building of emerging market supervisors
  
- IAIS-Microinsurance Network (MIN) Joint Working Group (2006)
  
- IAIS Subgroup on Microinsurance (2008)
  - Issues paper on regulation and supervision of microinsurance (2007)
  - Issues paper on role of mutuals, cooperatives and community based organisations(2010)
  - Guidance on microinsurance (2011-2012)
  
- Access to Insurance Initiative
  - A global programme for sound regulatory and supervisory frameworks (2009)



# Feedback from supervisors and industry

- With regards to member benchmark reliance, in developing or enhancing their regulatory regimes members rely heavily on the Insurance Core Principles and IAIS standards.



# Application of IAIS Insurance Core Principles (ICPs) (*ICPs that are universally applicable*)

Conditions for effective insurance supervision

ICP 1 Conditions for effective insurance supervision

The supervisory system

ICP 2 Supervisory Objectives

ICP 3 Supervisory Authority

ICP 4 Supervisory Process

**ICP 5 Supervisory Cooperation and Information Sharing**

The supervised entity

ICP 6 Licensing

**ICP 7 Suitability of persons**

ICP 8 Changes in Control and Portfolio Transfers

ICP 9 Corporate Governance

ICP10 Internal Control

On-going supervision

ICP11 Market Analysis

ICP12 Reporting to Supervisors and off-site Monitoring

ICP13 On-site Inspection

**ICP14 Preventive and Corrective Measures**

**ICP15 Enforcement or Sanctions**

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# Application of IAIS Insurance Core Principles (ICPs) (*ICPs that are universally applicable*)

## On-going supervision

ICP 16 Winding-up and exit from the market

ICP 17 *Group-wide Supervision*

## Prudential Requirement

ICP 18 Risk Assessment and Management

ICP 19 Insurance activity

ICP 20 Liabilities

ICP 21 Investments

ICP 22 Derivatives and similar commitments

ICP 23 Capital adequacy and solvency

ICP 24 Intermediaries

## Market and Consumers

ICP 25 Consumer protection

ICP 26 Information, disclosure & transparency towards the market

ICP 27 *Fraud*

## Anti-money laundering, combating the financing of terrorism

ICP 28 *Anti-money laundering, combating the financing of terrorism (AML/CFT)*



# Examples of policy and regulatory interventions

## INDIA



- ✓ Regulator has developmental role
- **Insurance Regulatory And Development Authority**
- ✓ **Rural and social sector obligations** is a licensing condition for all licenced insurers
- ✓ Microinsurance regulations
- **Microinsurance agents- training requirements**
- **Product simplification and standardisation**
- **Composite microinsurance product**

## PHILIPPINES



- ✓ Allows **second tier** of insurance providers Mutual Benefit Associations
  - **Offer only defined microinsurance products**
- ✓ Subject to prudential requirements
  - **Lesser capital requirements, and reduced compliance standards**
- ✓ Need to engage the services of an **actuary** for the purpose of their insurance functions

## SOUTH AFRICA



- ✓ Financial Services Charter
  - **Voluntary commitment by industry**
- ✓ National Treasury framework -*proposed*
  - **Dedicated micro-insurance license**
  - **Simplified distribution regime**
  - **Uncapped commission levels; hybrid basis**
  - **Life and property classes of insurance**
  - **Contract terms < one year**
  - **Benefits capped**
  - **Reduced capital & regulatory requirements**

## WEST AFRICA



- ✓ Sub regional regulation offers **special status** to microhealth insurance schemes having limited operating budgets by **not subjecting them to excessive burden**
  - **Licensing, prudential rules and specific chart of accounts**
- ✓ Incorporates the **nature and particularities** of such schemes
  - **Not for profit and solidarity-focused (no risk selection) organizations ( <1000 subscribers)**
  - **Low ability to pay ( approx. 1 USD per month)**





# Contribution of IAIS to FIEG

- IAIS fully supports promotion of successful regulatory and policy approaches and elaborating standards on financial access, financial literacy, and consumer protection.
- ATISG Draft Principles are consistent with IAIS approach.
- Addressing the application of insurance supervisory standards in specific circumstances is a key strategy of IAIS for 2011-2015
  - Provide support, in particular to emerging markets, in the implementation of IAIS core principles and standards in microinsurance, takaful and other specific forms of insurance.
  - Coordinate with the Access to Insurance Initiative, G20 initiatives and other initiatives that help to develop and maintain sound insurance markets.
- IAIS would like be part of the solution.