Technical Note 2

access to insurance initiative

Regulatory approaches to inclusive insurance market development [1]

Context: Policy makers and supervisors aim at making insurance markets more inclusive and adopt varying regulatory approaches. The International Association of Insurance Supervisors (IAIS) provides a globally accepted framework for the supervision of insurance through the Insurance Core Principles (ICPs) and related guidance. At the same time, supervisors need to adjust certain supervisory requirements and actions according to the nature, scale and complexity of risks posed by individual insurers, tailoring these measures to the level of development of their market (proportionality principle). Over the past 5 years, the Access to Insurance Initiative (A2ii) analysed regulatory approaches related to inclusive insurance markets based on A2ii diagnostics and other studies covering a total of 25 jurisdictions, many of those have incorporated some form of microinsurance-specific regulation.

Challenge: What is the adequate supervisory approach to be followed by a particular country to promote increased access to insurance? Insurance supervisors around the world face this challenge in widely varying markets with varying levels of sophistication. Levels of informality and supervisory capacity also condition how supervisors respond to this challenge. Supervisors' main tools are (i) supervisory tools that govern preconditions for entry and market conduct rules and disclosure requirements (ii) surveillance tools, governing complaints mechanisms, on-site inspections and off-site monitoring (iii) enforcement tools. Supervisors and policy makers can also leverage (iv) fiscal tools such as subsidies or tax breaks.

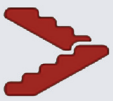
Country	MI Diagnostic/ country study	Year published	MI-specific regulations
China	•	forthcoming	•
India	•	2008	•
Mongolia	•	2011	
Nepal	•	2012	
Pakistan	•	2012	•
Philippines	•	2008	•
Thailand	•	2013	
Brazil	•	2010	•
Colombia	•	2008 & forthcoming	
Jamaica	•	forthcoming	
Mexico		–	•
Peru	•	forthcoming	•
Algeria	•	2013	
Botswana		–	*

Country	MI Diagnostic/ country study	Year published	MI-specific regulations
Ethiopia	•	2010	
Ghana	•	2009	•
Kenya	•	2010	
Lesotho	•	2012	
Mozambique	•	forthcoming	•
Namibia		–	*
Nigeria	•	2012	
South Africa	•	2008	*
Swaziland	•	2012	*
Tanzania	•	2012	*
Uganda	•	2008 & forthcoming	
Zambia	•	2009	*
Zimbabwe		–	*

*Proposed

[1] This note is based on key findings from the full synthesis paper available at: http://www.a2ii.org/document-details.html?dam_single=2942. Consult the full document for all relevant sources.

Messages for supervisors: Supervisors adopt five distinct overall approaches to inclusive insurance market development with decreasing levels of state intervention:

	Public Provision	Directive	Concessionary	Nudge	Long-term market development
					
	The state identifies the risk to be covered and either acts as risk carrier itself or directly and/or indirectly subsidises insurance to the population, often to achieve a public policy objective such as health care or rural development.	The state requires insurers to meet certain targets in terms of access to insurance.	Sets market incentives by creating proportionate, or "tiered" regulatory framework to encourage provision of access-friendly products for certain target groups.	State creates an enabling overall environment for insurers and mayalower the compliance burden across the board to promote access, but does not make significant "concessions" to insurers to lower compliance burdens for specific market segments or products.	No direct state direction of the market, supervisor builds market and state infrastructure and capacity.
Conducive conditions	Public funding for subsidies available, good public infrastructure in health and agriculture.	Low market breadth, but good market depth and financially strong insurers.	Well developed market, good infrastructure, high levels of informality, high supervisory capacity, ***high*** *compliance burden.*	High latent demand, good level of market development, good infrastructure, high levels of informality, high supervisory capacity, ***low*** *compliance burden.*	Unfavorable conditions generally coupled with any compliance burden.
Examples	Agricultural and rural insurance **China**; Farm Family Life Insurance **Brazil**	**India** rural and social sector quotas, **South Africa** financial sector charter	**Philippines, Brazil**	**Colombia, Thailand**	**Mongolia, Uganda**

Increasing state intervention ⟵ ⟶ **Increasing market orientation**

Countries can follow more than one approach. E.g. India follows a directive approach through the rural and social sector quotas set for insurers, and a part-concessionary regime for microinsurance distribution, plus follows a public provision approach in some markets. Likewise, a country may follow a public provision approach for agriculture or health, and nudge or concessionary approach more broadly.

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The Initiative is a partnership between:

IAIS International Association of Insurance Supervisors · CGAP · BMZ Federal Ministry for Economic Cooperation and Development · Finmark Trust Making financial markets work for the poor · ILO International Labour Office · UNCDF · ADB · First Initiative · FOMIN · Making Finance Work for Africa · Ministry of Foreign Affairs of the Netherlands

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