



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

## Feedback Session:

### *Issues Paper on Conduct of Business in Inclusive Insurance*

**IAIS Secretariat**

Basel, 26 October 2015



# Overview

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1. Introduction
2. Rationale for the development of the Paper
3. Objective of the Paper
4. Drafting Group
5. Structure and Main contents of the Paper
6. Results of the Public Consultation
7. Next Steps
8. Questions from participants

## Rationale for the development of the paper

- In inclusive insurance fair treatment of customers is very important
- Customers in these markets are particularly vulnerable.
- The confidence in insurance in these markets hangs in a fragile balance → unfair treatment by insurance providers might make people turn away from insurance
- This ultimately affects more access to insurance

## Objective of the paper

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- Provide overview of issues re CoB in inclusive insurance markets that affect the extent to which customers are treated fairly
- Promote the understanding of these particular issues among regulators and supervisors and other organisations and parties with an interest in this area.
- Inform further initiatives to address these issues as a follow-up to this paper (possibly application guidance on proportionate regulation and supervision).

## Drafting Group

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- Chaired by IRDA succeeded by SUSEP
- FIWG representation and the Micro Insurance Network (MIN), the Access to Insurance Initiative (A2ii) and the Centre for Financial Regulation and Inclusion (Cenfri).
- Work was informed by the synthesis of country diagnostics conducted under the aegis of the A2ii.

# Structure

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- Section 2: description of the features of the inclusive insurance market
  - Customer profile / country context / distribution features / digitalisation
- Section 3: inclusive insurance life cycle with the issues that have been identified from a CoB perspective.
  - Product development / distribution / disclosure of information / customer acceptance / premium collection / claims settlement / handling of complaints
- Section 4: Conclusions and Recommendations

## Section 2: features inclusive insurance market

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- Customer profile
  - Education; income; expenditures; residence; trust
- Country context
  - Regulatory framework; consumer protection; court system
- Distribution features
  - Long intermediation channel, business models, risks
- Digitalisation
  - Technical innovations; mobile insurance

## Section 3: life cycle (1)

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- Product development
  - Risks covered; terms and conditions; pricing
- Distribution
  - Multiple parties; skills sales force; alignment of interests; bargaining power; distribution costs; reputation risk
- Disclosure of information
  - Mode; time; content; process; effectiveness



## Section 3: life cycle (2)

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- Customer acceptance
  - Group acceptance; third party involvement; non face-to-face contracting; AML/CFT
- Premium collection
  - Bank accounts; agent & brokers; aggregators; mobile phone technology
- Claims settlement
  - Process; documentation; nature of compensation
- Handling of complaints
  - Access barriers: knowledge, time, money, travel, informal providers

## Conclusions & recommendations (section 4)

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- Confidence is essential in inclusive insurance
- Understanding of market features will support compliance with ICP 19 (CoB)
- Attention for customer value in inclusive insurance markets
- Supervisors to consider their role in ensuring customer value e.g. through monitoring or reporting mechanisms and addressing any concerns as part of their conduct of business mandate.
- Attention for business models and digital financial inclusion
- Need for application of proportionality
- Need for agreements /arrangements supervisors and customer institutions

## Public Consultation June-July 2015

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1. Number of respondents: 3 (NAIC, Allianz, GFIA)
2. General impression: supportive
3. At various instances: caution for adverse consequences
4. Editorial suggestions
5. Mostly agreed or language added to follow-up

## Additional change paragraph 64 (not yet published)

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64. A key principle of inclusive insurance markets is affordability. Therefore, a significant barrier to inclusion arises when the premium rates of certain insurance products are prohibitively expensive for the inclusive insurance customer. Where there are concerns about the ability of market forces to sufficiently drive down prices (such as where there are bundled products) then alternate measures like premium caps may have to be considered. **Pricing interventions, such as price caps, need to be balanced with the need to ensure that inclusive insurance products are sustainable in the sense that the profitability of the products must be sufficient to sustain the insurance provider.** Also the use of deductibles in some products, such as catastrophe microinsurance, might be considered to mitigate moral hazard and adverse selection risks.

## Next steps

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1. Scheduled for adoption by the Implementation Committee and Executive Committee on 10 and 11 November 2015 in Marrakech
2. Presentation to the IAIS General Meeting on 12 November 2015
3. Publication by IAIS

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# Questions?

# Contact information

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