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Insurance market: challenges ahead

1. Low interest rates

2. Systemic risk

3. New regulatory framework

4. Financial inclusion



1st Challenge: Low interest rates

Low interest rates:

- Interest rates well below historical averages.
- Combined with weak economic growth.
- Reduced capital buffers and profits.
- May prompt a “search for yield” scheme.
- Warrants an increased vigilance from authorities.



2nd Challenge: Systemic risk

Systemic risk:

- Insurance sector plays a major role in global markets.
- Interconnection between financial entities.
- Systemic risk from individual firms and common exposures from large firms.
- Recent increase on contributions towards systemic risk.
- Macro-prudential approach, supervision beyond merely guarding against solvency and contagion risks.

The background image shows a financial chart on a grid. The chart features several vertical bars of varying heights, with some bars shaded in grey. A line graph is overlaid on the bars, showing a fluctuating trend. The chart is annotated with various numerical values and labels. A blue horizontal band is superimposed over the middle of the chart, containing the text '3rd Challenge: New regulatory framework'.

3rd Challenge: New regulatory framework

New regulatory framework:

- ICPs useful tools to promote common standards across the world.
- Solvency II a regulatory reference risk-based framework.
- Finding common ground in international regulation, a herculean task.
- Convergence across countries relies on substantial cooperation.



The image is a composite graphic. At the top, a pair of glasses is shown. Below them, a pen lies diagonally across a grid. The grid contains various data points and labels, including months like 'jan.', 'dec.', 'sep.', 'aug.', 'June', 'May', 'Apr.', 'Mar.', 'Feb.', 'Jan.' and numerical values such as 100, 120, 180, 200, 250, 390, 400, 470, and 500. The text '4th Challenge: Financial inclusion' is overlaid in white on a blue horizontal band.

4th Challenge: Financial inclusion

Financial inclusion:

- Insurance is one of the four pillars of financial inclusion.
- Helps vulnerable households to mitigate external shocks.
- Recent technological advancements to give poor people more access to insurance.
- Regulation allows room for innovation.
- Learn to manage risks that financial inclusion policies bring to the system.

The background features a financial chart on a grid. A blue horizontal band is overlaid across the middle. A pen is pointing to a data point on the chart. The chart includes various numerical values and labels such as 'main company', 'subd', 'business activ', 'jan.', 'dec.', 'sep.', 'aug.', 'June', 'May', 'Apr.', 'Mar.', 'Feb.', 'Jan.', '200', '180', '120', '100', '0', '400', '500', '390', '280', '400', '470', '380', '470', '470', 'Data and prog.', and 'Busin'.

What about challenges ahead for Paraguay?

Challenges for Paraguay

- Structural reforms to secure long term growth.
- Imperative package of structural financial reforms .
- Regulations are too old or we lack regulation in key sectors.
- Five law projects: the Central Bank Charter, the Banking Law, the National Development Bank Charter, the Insurance Law and the Pension law.
- These last two seeks to update the legal scheme establishing a risk-based framework and to secure long term funds availability.



Thank you!