

International Microinsurance Conference – Learning Sessions
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International Policy Developments

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Agenda

- Timelines as well as content
 - Joint Working Group
 - Issues Paper
 - Access to Insurance Initiative
 - Mutual Issues Paper
 - Standards and Guidance
 - Self Assessments, Peer Reviews, Training and Implementation support

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2005 JWG established, 2007 Issues Paper developed

- Joint Working Group between IAIS and MicroInsurance Network establishes dialogue and platform for cooperation
 - MIN and / or JWG membership is an opportunity to engage.
- Issues Paper on Microinsurance
 - Provided background on MI and regulatory issues to stakeholders
 - Included preliminary audit of ICPs against inclusion objectives

ICPs and Standards are sufficiently broad but can be implemented in a manner that achieves observance but potentially conducive for or quite prohibitive of access to insurance.

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2009 Access to Insurance Initiative



- Global Partnership between IAIS and key sponsors
- Goal: To grow financial inclusion
- Activities: Knowledge generation, dissemination, catalise pilot projects, supporting capacity building, support IAIS standard development.
 - Engagement through country diagnostic studies and policy papers is an opportunity.

Country Diagnostic
& Experience

Input to Global Learning
& Standard Setting

Implementation

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Mutuals Paper

- 2010: Issues Paper on Mutuals, Cooperatives and Other Community Based Organisations (MCCOs)
 - Followed a recommendation of 2007 paper

- Regulatory adjustments should be anchored in key mutuality characteristics.
- Mutuality characteristics are not an “on / off” but, instead, exist to varying strengths.
- Regulatory responses might well be “two way”. Where there is a decision to recognise characteristics it may be coupled with the regulation and oversight of that characteristic.

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Case Example

- Mutual insurers can facilitate the reach of insurance to underserved groups. To advance access, it has been proposed to exempt mutual insurers writing micro insurance from requirements for usual internal controls and governance requirements as it is argued that, as directors are in close control of the insurer, the insurers are small cooperatives, and directors are elected by policyholders then the usual requirements do not need to be applied.
- Answer:
 - Small mutuals should be treated the same as small “others” when it comes to size based issues;
 - Regulation of governance etc might be tailored with some relief but with some requirements to maintain adequate democracy and to ensure that elected boards have the necessary independence, training, competence etc in practice.

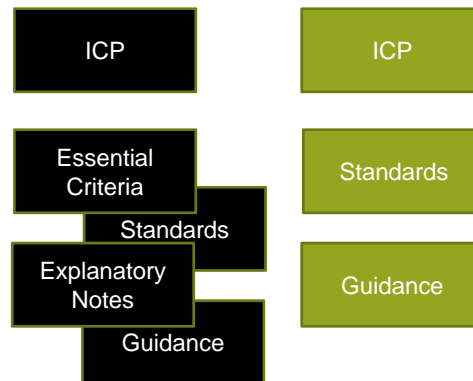
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Standards and Guidance

- IAIS is updating Insurance Core Principles for October 2011 adoption.
- Influenced by
 - Developments since 2003 ICP review
 - Global Financial Crisis
 - Feedback from Financial Sector Assessment Program observations from World Bank and IMF.
- New Structure has closer link between ICPs, Standards and Guidance.

Before and After



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Microinsurance Guidance

- Guidance being developed with a view to circulation for further comment later in 2011 and finalised in 2012
 - September 2010: Drafting group established by JWG.
 - Includes representatives from key Microinsurance markets (supervisory leaders) and also leading IAIS members. MIN members of the JWG are also represented and the effort is benefiting from in-kind support from the *Initiative*.
 - Drafting group held a teleconference to develop first draft, then discussed the draft at a meeting in February, 2011.
 - Draft then circulated to JWG for comments that were discussed at a meeting in April 2011.

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The Guidance Paper Timeline

- Next steps:
- Draft version 2 to be ready end June
- To go to parent committees (Governance then sub committees of the Technical Committee) with a view to release to Members and Observers for consultation. Consultation will include JWG members. Aim for release is after the Seoul September meetings of the Technical Committee.
- Consultation period would then be 60 days through October and November.
- Target is for final paper to be ready for adoption early in 2012.

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Key messages from the guidance paper

- Review suggests no new standards are required.
- Formalise rather than exempt recognising that there is a technical and practical minimum level of risk that can be economically retained by insurers (a baseline)
- Proportionality in practice is critical
- Transitional arrangements should be well designed
- Supervisory resources may imply need for revised approach to supervision in practice.
- Avoid quantitative MI definitions as far as you can unless absolutely necessary
- Facilitate all variations of market participants in regulation

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Self Assessments, Peer Reviews, Training and Implementation support

- Future steps: Once guidance has been adopted, work can begin on
 - access oriented IAIS Self Assessment and Peer Review
 - Core Curriculum Module for training purposes

Increased demand and focus from leading policy makers building on G-20 engagement.

Thank you

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