

## **Workshop Report: Regional Workshop for Supervisors from Latin America and the Caribbean**

On April 11-12, 2013, the Access to Insurance Initiative (A2ii) and the Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IADB) group, held a regional workshop for supervisors from Latin America and the Caribbean to discuss common challenges in developing microinsurance regulations. The Superintendencia de Banca, Seguros y AFP (SBS) of Peru hosted the workshop that was attended by supervisors from Peru, Colombia (participation through videoconference) and Jamaica. The workshop served as starting point for the activities for the joint A2ii/IADB project „Implementation of Regulatory and Supervisory Standards in Microinsurance Markets in Latin America“ that aims to increase the availability of sustainable microinsurance products tailored to the needs of the low-income population in Latin America and the Caribbean.

Mr Daniel Schydrowsky, Superintendent of the Peruvian Supervisory Authority, and Ms Brigitte Klein, member of the Initiative’s Governing Board, opened the one and a half day workshop, stating the importance of improving accessibility to valuable insurance products for the low-income population. Mr Schydrowsky furthermore emphasized the great challenge supervisors are facing in building capacity among the population for a deeper understanding of the significance of insurance as a risk mitigation tool.

After a presentation of the Initiative and the joint A2ii/IADB project by Ms Klein and Ms Patricia Inga, Project Manager for Latin America, Mr Hennie Bester from the Centre for Financial Regulation & Inclusion (Cenfri) gave an introduction on the recently published IAIS ‘Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets’. In that context Mr Bester also highlighted the fact that despite the many similarities existing in microinsurance all over the world every continent shows specific traits. Whereas funeral insurance plays a prominent role in Africa, in Asia especially health insurance is demanded and in Latin America combined life and non-life insurance products are of particular interest.

In the following session Mr Bester gave an overview of global experiences with emerging microinsurance business models and their regulatory implications. He emphasized the fundamental changes the microinsurance markets underwent in the course of the last ten years. Besides the tenfold increase in the number of policyholders to about 500 million today he focused on the rising variety of new microinsurance business models. Whereas some years ago the provision of microinsurance was promoted almost exclusively by MFIs and insurers (partner-agent-model), today there are at least nine different models. Mr Bester categorised these according to the different risks (related to potential market failures) due to the nature of their particular intermediation processes. In conclusion, he stated that the nature of these risks in the end determines regulatory responses.

In the afternoon and on the following day Mr Carlos Izaguirre from SBS Peru, Ms Diana Castañeda and Mr Wilson López from SFC Colombia and Mr Leon Anderson from FSC Jamaica presented their perspectives on access to insurance and the current situation of the microinsurance market in their respective countries.

The regional workshop ended with a discussion about common experiences on emerging microinsurance business models and access to insurance in Latin America facilitated by Mr Bester. How to incentivise insurers to offer products to the low-income market is an issue that was raised several times, especially in the Peruvian context. The Peruvian regulator has issued two sets of microinsurance regulations, one in 2007 and one in 2009. Yet, very few products are currently marketed under the 2009 regulations and insurers prefer to register their products under the so-called “massive insurance regulation” which governs the intermediation of insurance products through mass channels. These regulations effectively offer insurers most of the incentives contained in the microinsurance regulations, but none of the limitations. In the process the simplification requirements, which benefit low-income clients under the microinsurance regulations are lost. Further, in relation to incentives, the extent to which the state should subsidise insurance for the low-income market was discussed from more than one angle. One option is to have mandatory insurance for some risks, such as disaster risk - Peru has a high earthquake risk as well as climate risk. Jamaica similarly is increasingly prone to cyclones and other weather-related risks. Both supervisors therefor articulated the need to explore how private insurance - subsidised or not - can assist to mitigate disaster risk. The discussion also addressed the consumer protection challenges of new business models for microinsurance, especially mobile-based models.

Following the workshop, the international consultant team conducting the microinsurance country diagnostic in Peru as one component of the A2ii/IADB project started its country mission, undertaking a series of interviews with different stakeholders active in the Peruvian microinsurance market.