

MICROINSURANCE:

ANALYSIS OF OUTSTANDING EXPERIENCES IN LATIN AMERICA AND THE CARIBBEAN

EXECUTIVE SUMMARY

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1. INTRODUCTION

Over the last decade, the private insurance sector has developed increasing interest in what is being called “microinsurance”, fact that explains why most of microinsurance products implemented during this period have been introduced by private insurance companies¹.

Considering this trend, FIDES and the IDB, acting as administrator of the MIF, have designed the project for the Development of the Private Microinsurance Sector in Latin America and the Caribbean (**The Project**)² with the purpose of promoting the development of microinsurance in LAC.

In the context of this Project, the current Study is framed as the: “Successful Microinsurance in Latin America and the Caribbean, Minimum Requirement Matrix for the implementation of microinsurance projects” (**the Study**), which was financed by MAPFRE Foundation, FIDES and the IDB/MIF.

1.1 OBJECTIVES OF THE STUDY

Overall, the Project designed by FIDES and the IDB/MIF has as its objective to develop a pilot model of microinsurance products and markets for low income individuals in LAC³. The Project is executed through four components: (1) Assessment of successful experiences in Latin America, the Caribbean and other regions; (2) Preparation of a Minimum Requirement Matrix by country (MRM); (3) Capability Construction Plan (CCP); and (4) Institutional Strengthening and divulging of learned lessons⁴.

The objective of the Study is to execute the first two components of the Project, which are described considering the Operative Regulation as a base, as follows:

I. Assessment of successful experiences in LAC; the purpose of this component is to gather and analyze the experiences that private insurance companies have been acquiring in LAC to determine the key elements of their development and compare them to those advanced experiences of the countries in Africa and Asia.

II. Preparation of the MRM: The objectives of this second component are:

1. To prepare a common matrix of minimum requirements, advisable to be verified in all countries, in order for a microinsurance market to be developed.

2. To confront the matrix with the experiences gathered in component 1.

The following topics related to this chapter can be consulted in the Study “Analysis of Outstanding Experiences in Latin America and the Caribbean” under the numbers and pages indicated as follows:

2.1. Objectives of the Study (Page 13)

2.2. Methodology and data gathering (Page 15)

2. SUMMARY

In Latin America and the Caribbean there are about 360 million people earning less than 8 dollars a day⁵, from which only a small percentage have access to adequate mechanisms to manage their risks, as will be observed throughout the Study. However, these mechanisms are significant for this segment of the population, taking into account their special vulnerable situation. This is why the importance of microinsurance has grown in LAC.

In this context, the task the private insurance sector performs is essential, since it has the experience and the necessary technical tools to guarantee adequate risk management for this segment of the population. Even

¹ Sigma-Swiss RE, Protección de riesgos a través de microseguros para 4 billones de personas, No. 6/2010, diciembre 2010,p. 29.

² ATN/ME-11675-RG Project

³ Operative Regulation of the project. Development of Private Microinsurance Sector in Latin America and the Caribbean – RG-M1150 (*Operative Regulation*), number 2.1.

⁴ Ibid. Number 2.2.

⁵ American dollars

though there are multiple reasons why the private insurance sector has increasingly been interested in microinsurance, it is necessary to highlight that microinsurance should be regarded as a potentially profitable business, therefore financially viable. From this viewpoint, it may be concluded that microinsurance has to effectively manage the risks low-income population have and, simultaneously, be financially viable.

Taking into account the aforementioned, the two essential elements that allow grading a microinsurance experience as outstanding are: a microinsurance product has to produce value to the customer, and it has to be financially viable.

Based on these elements, this Study identified the following institutional criteria that allow grading an experience as outstanding: **scope, innovation, suitability, transparency** and **technological development**. Such criteria allowed assessing the information obtained in relation to the products (excluding compulsory products, among them debtor's life insurance) that are currently being offered in the microinsurance market in some LAC countries (Brazil, Colombia, Guatemala, Mexico, Peru and Venezuela).

However, one of the great obstacles this Study faced was the difficulty to gather the necessary information to identify the presence of settled criteria. This happened particularly due to the fact that the insurance sector keeps certain caution to provide data transparently; thus, the information required to create an operative and financial benchmark that allowed establishing a reference frame or baseline to foster or adjust microinsurance projects developed in LAC, was not obtained. Such a benchmark continues being a challenge for the microinsurance industry.

In spite of this, the Study was able to present a general overview of microinsurance in LAC, which will allow advancement in the analysis of the sector by identifying which are the trends in offered products, channels employed, characteristics of potential and current clients, as well as operative capability in service rendering.

Regarding this aspect, it may be suggested that LAC is characterized by diversity in both technical and financial performance of its microinsurance projects. Particularly, it was identified that most of the projects classified as outstanding, had 3 to 5 years seniority.

Currently, all countries share the same characteristics before the variety of products offered. The predominant products are life linked to funeral insurance, personal accidents and disability insurance.

In relation with distribution, Micro Financing Institutions (MFI) and the solidarity sector remain as the main channels. On the other hand, both public services companies and large surfaces, have a big market share. Particularly in countries like Brazil, "retail" is predominant, while in Colombia and Peru the use of payment points as distribution channels have just begun. In fact, some kind of model that allows marketing of microinsurance products through alternative channels has been developed in all countries.

There are important public-private alliances in the region that have made it possible to reach the poorest and most vulnerable part of the population. However, obstacles related to either electoral proselytism or dependency of the government in office to give continuity to microinsurance projects, are mentioned. Brazil, Colombia and Mexico show a high level of institutional development due to market concentration and the variety of products offered, further than current clients and the quality of information about them. (This definition is set to evaluate institutional development according to the Microscope of microfinance of the Economist Intelligence Unit).

It could then be concluded that the path to be followed by the countries under study would be to deepen into the creation of adequate products, specialized for the region, such as property products, agriculture products, micro-pensions and products for micro-capitalization. They should also potentiate public-private alliances and the participation of non-banking agents or similar entities these countries have. Last, it is necessary to design and develop projects that use and complement existing technological evolution to reduce costs and reach the necessary extent.

Finally, an institutional action plan for each country was proposed, aimed to orient all actors interested in the development of the microinsurance industry in a suitable canalization of financial resources and technical support to the development of capabilities.

On the other hand, the extent of an adequate regulatory framework applicable to microinsurance in the countries object of the Study was assessed. In this regard it is noteworthy that such an analysis is essential because if a product meets institutional criteria settled beforehand, it is no longer important if the regulatory framework applicable to microinsurance is restrictive and/or less protective to the customer. From this point of view, it was

considered in this Study that a regulatory framework is adequate for microinsurance when it, promotes and facilitates microinsurance and at the same time protects the microinsurance customer as well.

It was possible to conclude that, overall, the regulatory framework of the countries in this Study find relative balance between promoting microinsurance and protecting the microinsurance user. However, countries like Venezuela present certain imbalance in this area due to, on the one hand, lack of an environment that promotes and facilitates microinsurance, and on the other, an interesting framework for consumers' protection.

Considering that the regulatory framework applicable to microinsurance is different in each country, generalizing about regulations is impossible. However, it may be concluded that, as it became evident, there are certain limitations in almost all countries, particularly regarding the regulation of the alternative distribution channels and the proceedings while executing the insurance contract. In addition, interesting proposals to protect the consumer and to strive for financial education became evident; it is important to continue deepening into them.

3. CONCEPTUAL FRAMEWORK

3.1. MICROINSURERS AND DISTRIBUTION CHANNELS

Considering the models for performing microinsurance services, the gate is open to a number of "microinsurers" that adopt structures different from the traditional ones –insurance companies, insurance associations and insurance mutual companies – such as community programs, MFI, cooperative networks, service renderers, among others. In this case, these new "microinsurers" are not necessarily "insurance professionals"; therefore, in most cases, they are neither regulated nor supervised. Note that the objective of microinsurers is to manage policies, however, they may delegate this job to another entity, like in South Africa, where this is common practice.

In relation to the marketing of insurance products, it must be stated that the concept of marketing has more an economic connotation than a legal one. Marketing not only implies "dealing", but it also has a much wider scope that answers the question: "*How can the microinsurance product be made accessible to the customer?*" This is why marketing is related to all interactions generated between the insurer and the final customer, including product design, definition of underwriting policies, marketing strategies and customer education, premiums collection, claims and claim payments. Thus, efficient synergy among all participants in the alliance to guarantee compliance of the different processes in the microinsurance marketing must be accomplished. Considering the concept of marketing is very ample, it has been deemed that insurance products are distributed through both traditional and non-traditional insurance intermediaries⁶; this distinction is applicable to microinsurance products as well.

In that respect, it is worth noting that, generally, the acting field of traditional insurance intermediaries such as agents, agencies and brokers, do not include the potential microinsurance customer; however, traditional intermediaries have tried to adapt themselves to this new market⁷. Similarly, new intermediaries who are dedicated exclusively to microinsurance and who have kept the characteristics of an insurance broker, and in some cases, of a reinsurance broker, have arisen. Such is the case of Paralife, PlanetGuarantee and MicroEnsure.

Regarding non-traditional intermediaries, they perform a most important role in microinsurance. It is noticeable that the distribution channel might be a decisive factor to the success of microinsurance projects, not only for the closeness and understanding the channel must have of low-income population, but also because early escalation of the product can be achieved only through it, which is directly related to the profitability of the product.

⁶ J.BIGOT y D. LANGÉ, *Traité de droit des assurances*, Volume 2, L'intermédiation d'assurance, p. 639. Distribution is understood as the "economic activity that distributes products or services from a state of production to a state of consumption" (Vocabulario Jurídico Capitán, by Gérard Cornu), notwithstanding, as Profesor Marcel Fontaine states, this concept does not have a legal meaning for insurance, since insurance is not sold by the insurer, nor bought by the policyholder; the insurer does not sell contracts, but rather issues them; the policyholder does not hold insurance, but rather underwrites them; the distributor does not transfer property of a contract which he never possessed. Being it so, intermediation is deeply qualified; in this sense, an intermediary has the role of a contact between the insurer and the policyholder, no matter how it is denominated. In this way, intermediation has to be considered as a wide notion that includes the group of commercial proceedings that allow insurance companies to deal its contracts, and the policyholders access those contracts. In this context, traditional intermediaries are (mainly brokers, agents and insurance agencies), but also those who are called non-traditional intermediaries. Those intermediaries are not limited to distribute insurance linked to the product they offer mainly (such is the case of associations, Banks, vendors, and various service providers, among them big surfaces and public service providers), but also any other kind of insurance. In some countries, such non-traditional intermediaries have not been regulated, reason for which arguments have been designed to allow their use, either by limiting their functions to simple payment receivers, or using figures like the underwriting of collective or group insurance. However, in other countries, these intermediaries have been regulated and considered like intermediaries; such is the case of France, where it has been clearly established that "the nature of insurance justifies legal regulation to which insurance intermediation is subject".

⁷ Nowadays, we find an insurance broker like AON interested in the creation of microinsurance retirement products in Bolivia.

In first place, Banks and MFI are the distribution channels that have become very relevant. In second place, other “alternative” distribution channels have broken forth. By alternative distribution channel we understand the marketing of voluntary microinsurance through alliances with entities that traditionally have been absent from the insurance marketing model⁸.

In this sense, the alternative distribution channel has the following characteristics:

- **Scale by aggregation:** capability to achieve scale, pointing to large customer masses.
- **Wide-ranging infrastructure:** alternative distribution models generally have wider infrastructure than that an insurance company may have by itself. Infrastructure can be physical (e.g. stores throughout the country or virtual (e.g. cell phone net).
- **Developed operations platform:** the sales channel is normally used like a platform for premiums collection, policy issuing or customer service.
- **Independent and voluntary product:** buying insurance coverage is an explicit option of the customer, rather than an automatic addition to another product or service.
- **Trustmark:** most models are based on a marketing agreement with a brand company; not having this characteristic may conclude in a negative impact to the success of models.

The Centre for Financial Regulation and Inclusion (*CENFRI*) classified distribution channels as active and passive. Active channels are those whose staff participates giving information of the product, giving personal counseling in many cases, and closing deals (i.e., specialized agents, insurance counselors, brokers, among others), comparing them to traditional insurance intermediaries. The latter do not offer any additional value to deal microinsurance policies, they do not give any information about the products they offer, so they become a product similar to a cell phone recharge card, this to set an example of what happens in a retail store. This massive capability in sales makes passive distribution channels an increasingly important tool to escalate microinsurance products.

Generally, most alternative distribution channels, whether intermediaries or traditional, do not have a license or authorization to perform their activity, therefore their marketing activities are not regulated nor supervised⁹. Further, the way a commercial or contractual link with alternative distribution channels become concrete is different from the traditional mechanisms used with insurance intermediaries, and the way they get paid for their service is different, too. The above elements may cast doubt on consumer’s protection.

3.2. MICROINSURANCE REGULATION

It is via regulation and supervision of the insurance activity that solvency, aptitude, diligence and responsibility among those involved in the insurance value chain are primarily guaranteed, which makes it possible to protect users, to keep public confidence in the insurance sector, and to hold financial stability.

Being so, regulation of the insurance activity consists of:

(i) Prudential regulation: These rules focus primarily on the institutions that perform insurance activity (assurance or marketing) with the objective of protecting solvency by setting appropriate capital requirements (minimum capital, solvency margins, technical reserves, investments), risk management mechanisms, among others.

(ii) Market conduct regulation: These rules aim to regulate interaction among insurers, distribution channels and users of insurance products. The following activities are included: marketing, advertising, commercialization, underwriting and premium rating, premiums collection, policies issuing, renewal and expiration of insurance policies, claims and indemnity payments.

(iii) Product regulation: These embrace stability and protection for the customers by means of transversal regulation of products offered. Among these standards are how these insurance products can be underwritten, rules to define business areas, requirements for product approval, or special products regulation.

(iv) Consumer protection regulations: In spite of the fact that all the regulations mentioned previously, particularly those about market conduct, keep as their final objective the protection to the consumer, some regulations are specifically designed to protect the consumer all throughout the life cycle of the insurance coverage. Among

⁸ Innovation Microinsurance Fund of the International Labour Organization, “Lessons for the next wave of microinsurance distribution innovation”, Microinsurance document No. 8, April 2011.

⁹ IAIS, 2007, number 18 c).

these rules are the mechanisms to solve controversies, the existence of an insurance ombudsman, the possibility of joining consumer protection associations, financial education policies, among others.

(v) Regulations to supervise and monitor the insurance activity: Through the imposition of reporting requirements to supervisors, set a system of penalties, dissuasive enough and appropriate for each case, for failure to comply with these responsibilities.

In the same way, regulation may carry out other accessory tasks relevant to microinsurance. Taking into account the great importance of risk management mechanisms for low-income population in its struggle against poverty, and in a social provision context, governments are interested in facilitating microinsurance contexts, being regulation the key tool to such task. Thus, regulation may simplify and promote the inclusion of sectors of the population that have constantly been excluded from the insurance market.

Thus, it is necessary to study the regulatory framework applicable to microinsurance in each case to assess especially if it is both: (i) a regulatory environment that promotes and facilitates the development of microinsurance, and (ii) that provides appropriate techniques to protect microinsurance consumers.

The following topics related to this chapter can be consulted in the Study “Analysis of Outstanding Experiences in Latin America and the Caribbean” under the numbers and pages indicated as follows:

- 3.1. Definition of microinsurance (Page 18)
- 3.2. Microinsurance potential consumer (Page 19)
- 3.3. Characteristics of microinsurance (Page 22)
- 3.4. Microinsurance delivery models (Page 24)
- 3.5. Microinsurers and distribution channels (Page 25)
- 3.6. Differences between conventional insurance and microinsurance (Page 31)
- 3.7. Microinsurance regulation (Page 31)

4. CRITERIA FOR THE CLASSIFICATION OF OUTSTANDING EXPERIENCES IN MICROINSURANCE

4.1. WORLDWIDE SUCCESS FACTORS

The following table presents common denominators found in the cases studied worldwide and which will be considered to structure the criteria for eligibility of outstanding cases en LAC.

**TABLE 15. COMMON DENOMINATORS, REGULATORY FRAMEWORK AND INSTITUTIONAL DEVELOPMENT
– OUTSTANDING CASES WORLDWIDE –**



REGULATORY FRAMEWORK

1. **Microinsurance promotion:** A special regulatory framework is not always required. The imposition of obligations on to offer products to specific sectors of the population does not always produce positive results. Companies may decide to offer low-value products to the customer, or poorly, due to the lack of knowledge of the potential customer needs, while trying to meet those obligations. Tax incentives are under analysis, they makes sense in countries where the insurance activity is excessively taxed.

2. **Proportional prudential regulations:** It is necessary to regulate all microinsurance providers. In order to allow other entities with enough financial capacity to offer microinsurance products to enter legitimately to the insurance business, prudential regulations should be adapted to the risk of the microinsurance policies.

3. **Innovative distribution channels that are well-trained, diligent, responsible and efficient enough:** It is necessary to have a regulatory framework that allows innovation for the distribution channels; however, the regulation should provide mechanisms that guarantee a minimum training, define rights and obligations among the distribution channels and the insurance entities. Similarly, distribution channels have to implement efficient, timely procedures that guarantee protection to the consumers.

4. **Freedom to set up commissions:** It is considered inappropriate to set up limits to commissions or remunerations received by the distribution channels.

5. **Flexibility, simplicity, celerity and transparency as essential elements of products regulation:** Microinsurance products, as well as the agreements, should be simple, clear and transparent; they should contain all rights and obligations of the consumer so they understand the product bought and the way to exercise their rights and obligations. The terms of the agreement while in force (claims, indemnity, among others) should be short and the proceedings they sustain should be performed with enough celerity. Not all standardized products guarantee such aspects.

6. **Setting limits to the sums assured not always guarantee that the insurance is destined to certain population:** Such delimitations may become a hindrance to innovation of new products.

7. **Consumer Protection along the microinsurance value chain:** The microinsurance customer must grant his informed consent; have proper mechanisms to solve controversies and disputes, should be accompanied by organisms that give him advice during the celebration and execution of the insurance agreement.

8. **Informed Customer:** Making the microinsurance consumer an informed one that makes financial decisions, is a task that assumes the establishment of an integral financial education strategy in which both, the public and the private sectors, must take part.



INSTITUTIONAL DEVELOPMENT

1. Take into account the needs of potential microinsurance customers: A microinsurance product may advance as time goes by and may be adapted to the needs of the potential customer. Products as suitable and innovative as agriculture, gender and health (as a complement to social security), have achieved a deeper penetration into the market and make their differentiating value more evident. Similarly it is important to create additional value to microinsurance products since it adds knowledge about risk management and may affect renewal.

2. Scope: In order to penetrate peri-urban and rural sectors, where potential customers are, it is necessary to have well-known alternative distribution channels that give confidence to the potential microinsurance consumer.

3. IT development: To reduce operative costs and reach rural populations, it is imperative to implement technology platforms. Selling intelligent cards in booths and different retail stores close to the BOP allows underwriting policies and attending claims. Pilot testing is required to attend problems about fraud and deficiencies in consumer protection.

4. Public-private alliances: Alliances between public and private entities were reached, where physical infrastructure, financial resources for the development of information technologies and government education campaigns (hospitals, colleges and schools) were able to reduce the operative costs of insurance companies.

5. Consumers' education: Fully adjusted methodologies to consumer reality. Consumer education campaigns as a strategy for risk management (prevention of accidents).

The following topics related to this chapter can be consulted in the Study "Analysis of Outstanding Experiences in Latin America and the Caribbean" under the numbers and pages indicated as follows:

4.1 Microinsurance performance indicators (Page 37)

4.2 Worldwide outstanding experiences (Page 42)

4.3 Applicable criteria for the classification of outstanding experiences and necessary conditions in the countries for its development (Page 56)

5. CURRENT ENVIRONMENT FOR MICROINSURANCE IN LAC

5.1. CHALLENGES AND OPPORTUNITIES

The main requirements for LAC seem to indicate the need to identify new distribution channels, which should have the proximity and knowledge of the potential clients in the Base of the Pyramid (BOP), and to expand the limited set of products offered for agriculture and property offered.

As a starting point, clients associated to MFIs through credits granted for micro-businesses should be contacted, not only by giving debtor's insurance coverage, but also by trying a new formula to insure the business opened by the micro-businessperson against catastrophe losses, for instance. Similarly, the MFIs could classify those businesses by activity (i.e., hairdressing salons, meals vending, convenience stores, clothing stores, handicrafts, etc.), this information could allow designing new, simple policies addressed to more specific audiences.

The opportunity to make minorities visible through the development of products by gender, or for indigenous population, among others, allow exploring twists and turns that the microinsurance business promotes by definition.

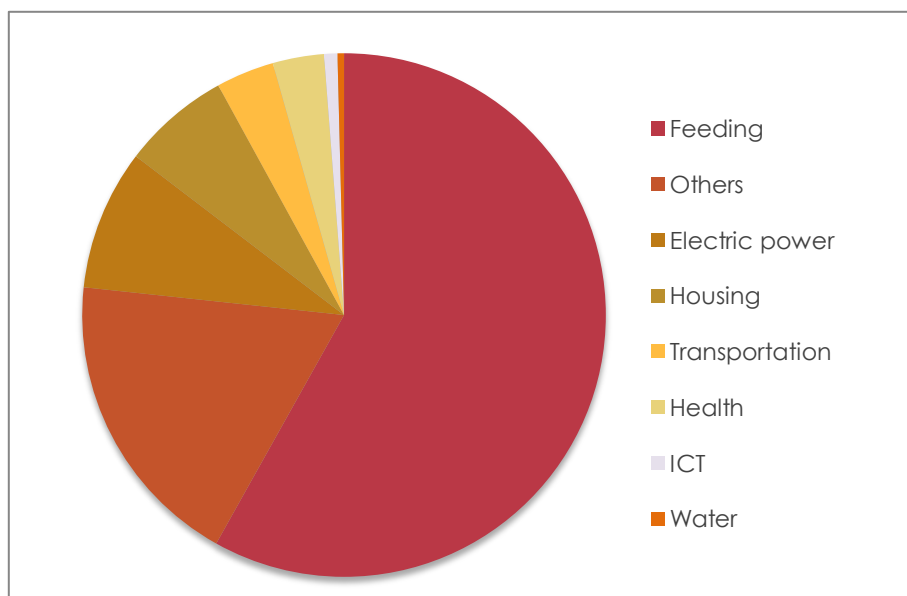
Women dedicated to housekeeping or to informal activities need coverage against personal accidents, disabilities, patrimony and other products that might be designed to face their condition of vulnerability.

As it may be observed in the following graph, the main expense poor consumers have is feeding, followed by others (clothing, leisure, and recreation), electric power, housing and transportation; this gives an idea of the kind of entities that should be mapped like distribution channels in the different projects, due to proximity and frequency of the services they provide. Thus, public transportation companies, generally used by low-income populations (e.g. subway, busses, vans, collective transportation, among others) could be used to start an innovative marketing campaign, into the motor vehicles, that could make the population conscious about the existence of microinsurance. The technological platforms and infrastructure of these entities to operate like a distribution channel could be used, if the legal context of each country allows it. Likewise, leisure, especially those businesses dedicated to deal lottery tickets, bingos and popular betting have great rooting among low-income population; these entities would become potential channels to explore.

Although in this graph Information and Communication Technologies (ICT) represent a minimum usage, they are changing society and its dissemination. They have become a vital tool to reduce differences in LAC countries. One of the main challenges LAC countries face is to deepen and homogenize the spreading of the ICTs both in public and private sectors to reduce the inequality gaps. In this context, is important to increase access to broadband, which has been described by ECLAC as “a non-free global public good granted by the Government, low-priced and widely accessible”. For this reason, ICTs perform a key role to make people’s life better, contribute to the fight against poverty and progress in meeting the Millennium Development Goals.¹⁰

Hence, it is a challenge for the sector, to create research areas for ICT innovation as tools to reduce operative costs and guarantee scalability.

FIGURE 7. HOW POOR CONSUMERS SPEND THEIR MONEY



Note: Poor consumer is defined here as a person who lives with less than US\$8 a day.
Source: Adapted from Hammond and partners, 2007 and extracted from the United Nations Development Program. Corporations facing the challenge of poverty: successful strategies.

Emphasizing on this topic, new technologies must be studied taking as viewpoint efficiency, effectiveness, benefit, economic impact and easy and intuitive use. Technology solutions used in North America in the insurance industry should also be used as a guide for the development of technologies applied to microinsurance. Such is the case

¹⁰ ECLAC. Main conclusions, Information Technologies Forum eLAC2015, October 2010.

of VisualTime, technological platform that has been tried for the last 30 years in the complex insurance markets of Europe, Canada, America and Latin America. Corporations like ING, Rímac, Santander Seguros, Sancor, Banco Galicia, Consorcio Nacional, Ohio Cruz Nacional del Sur, CESCE, among others, have implemented it like a technological tool that allows the microinsurance mass market to be attended through alternative distribution channels such as chain stores, retail stores, etc.

The use of mobile telephones in The Philippines is a good example of the integration of domestic technologies to the methodologies for the implementation of distribution channels, marketing, market research and financial education. This mechanism allows a relatively low investment rate due to an already installed network that belongs to a system that may be exploited commercially. In addition, it takes advantage of the level of appropriation of current and potential customer devices that are already in the market.

While acknowledging its many virtues, market research, financial education and implementation of technology resources for information, which would obviously strengthen distribution channels and marketing, in LAC, are subject to grants from donor institutions, so the follow-up and continuity that must be given to these kinds of investigation processes and market intervention are interrupted, causing gaps that delay the expected development of institutions that offer microinsurance.

After observing, from different stand points, an almost similar environment to that of traditional insurance, we should start working on how to differentiate elements that canalize the microinsurance industry of LAC towards a development similar to that of developed countries and to those of outstanding cases in Asia and Africa.

The following topics related to this chapter can be consulted in the Study "Analysis of Outstanding Experiences in Latin America and the Caribbean" under the numbers and pages indicated as follows:

5.1. Current environment for microinsurance in LAC (Page 61)

5.2. Outstanding Cases in LAC (Page 64)

6. REGULATORY FRAMEWORK





As indicated in Conceptual Framework (chapter 3), a regulatory framework is adequate when it promotes and facilitates microinsurance on the one hand, and gives protection to the consumer, on the other. Now, to measure its level of adequacy, it is necessary to analyze in detail, and transversally, the following aspects:































1. Microinsurance Promotion
2. Prudential Regulation
3. Market Conduct Regulation
4. Product Regulation
5. Consumer Protection Regulation
6. Rules for Financial Education

We should keep in mind that the regulatory framework applicable to microinsurance is different in each and every country; therefore it is not possible to assume that a special regulation for the microinsurance activity is needed in all cases. What we do need is to analyze impartially and in detail all rules that make up the regulatory framework for microinsurance (whether general or specific), in order to be graded as adequate or not.

6.1. REGULATORY ENVIRONMENT IN LAC

TABLA 37 REGULATORY ENVIRONMENT IN LAC

GRAPH OBJECTIVE	USAGE			
<ul style="list-style-type: none"> - Present the minimum requirements of a regulatory framework adequate for microinsurance in LAC. - Determine if such requirements exist in the countries under study. 		Requirement presents obstacles		A strategy is in the planning process to implement the criterion
		Requirement is well-implemented		Requirement may be potentiated

Minimum Requirement	Colombia	Guatemala	Mexico	Peru	Venezuela
1. Microinsurance definition					
2. Microinsurance Promotion					
3. Prudential regulation					
4. Market Conduct Regulation					
5. Product Regulation					
6. Consumer Protection Regulation					
7. Rules for Financial Education					

The regulatory framework of the countries in this Study finds relative balance between microinsurance promotion and protection for the microinsurance user; however, there are countries like Venezuela which present quite an imbalance in this respect, particularly due to lack of an encouraging environment that makes microinsurance easy, although it has an adequate context of consumer protection. On the other hand, countries like Brazil, Mexico and Peru have the most balanced regulatory frameworks of the countries in this Study, but attention should be paid to institutional limitations, though. As for Colombia, it offers an interesting environment that promotes microinsurance due to its financial inclusion policy, this environment currently allows deepening the implementation of microinsurance products; however, it is necessary to pay special attention to regulation of the alternative distribution channels not to jeopardize the microinsurance consumer. Microinsurance regulation framework in Guatemala includes highly positive elements regarding market conduct, but tools must be deepened to protect consumers. Similarly, it is necessary to make microinsurance take part in the financial inclusion policies in a more evident way.

Although the regulatory framework applicable to microinsurance is different from one country to another and generalizing is hard to do, it is evident that there are certain limitations, like a common denominator, in almost every country; particularly when it comes to market conduct, especially the regulation of alternative distribution channels and the proceedings celerity while the insurance policy is in force. Besides, interesting proposals for consumer protection and financial education are made evident and should be explored deeply.

6.2. GENERAL MANAGEMENT PLAN FOR THE INSURANCE SECTOR

This section pretends to conclude the analysis carried throughout the current Study, bringing in the minimum bases of strategic planning in the sector for the development of microinsurance projects and programs in LAC. The plan was designed lining up with transversal or restrictive regulations that success factors face, as defined in other sections of the Study (4.2). Strategies, activities and entities in charge that might help potentiate the factors and remove existing restrictions in LAC are mentioned in this plan.

For each country (except Brazil, who neither sent any questionnaire nor answered any requests asking information about the market) an institutional action plan is presented in Annex 1 of the Study, which is focused in mapping new alternative distribution channels, considering their current context on institutional topics. Thus, the General Management Plan will be used like a consultation tool by all Associations, enabling them to orient their activities timely and adequately canalize the financial resources of the microinsurance sector.

The approach set for the General Management Plan is related to those mechanisms or tools present in LAC that the sector could use to reduce hindrances. Factors such as **innovation** are the foundation to stated strategies; therefore they are not related as a factor to potentiate, but as a permanent element in strategies to be applied. Some factors may be related one to the other and their ability to potentiate would depend on the activities developed to strengthen some of the factors, e.g. suitability vs. public-private alliances. Some strategies do not require detailing specific activities, since its statement allows in an obvious way to set the activity to be implemented.

GRAPH OBJECTIVE

Present the factors that influenced the success of cases worldwide and in LAC, and which factors are not being applied or potentiated by LAC, besides which factors are restricted and which strategy may be used for its implementation

USAGE



Factor presents obstacles



Look for a strategy to implement a criterion



Factor is well-implemented



Factor may be potentiated

SUCCESS FACTORS



SCOPE



ALLIANCES



INNOVATION



SUITABILITY





TECHNOLOGY



TRANSPARENCY

Management Plan for the Insurance Sector

SUCCESS FACTOR	STRATEGIES / COMMENTARIES	ACTIVITIES
  	<p>To map new alternative distribution channels.</p> <p>The use of new alternative distribution channels will allow reaching more easily those populations in the BOP that are not in the banking system yet. It has been observed that public companies and MFIs show a tendency to raise the price of their services due to their effectiveness. However, that exclusiveness will only make that the value of distribution continues going up, and be assigned to the one that provides better commissions.</p>	<ul style="list-style-type: none"> • Articulation to other tools of social inclusion, especially to the concept of “Inclusive Business”*, these models have succeeded in being flexible enough but solid, which has enabled Civil Society Organizations to integrate co-creation of these kind of business models to their practice. These organizations know the communities, their needs and potentials; consequently they could aid promotion, consumers' education, and be the policyholders. It is suggested to get close to different entities that work under this concept in LAC (e.g.: AVINA, FUNDES), that have succeeded in creating databases of all inclusive businesses that have been developed in LAC, and of the canalization of financial resources from big donors and multilateral funding (e.g.: Bill & Melinda Gates Foundation, Clinton Foundation, Slim Foundation, among others). Some of the main examples of inclusive businesses are: Mi Tienda, Fundación Mazahua, Fundar SLP, Amanco, Construmex, Petstar in Mexico; SadiaVotorantim Celulose e Papel and Natura in Brazil; and Juan Valdez, los Cedezos, Modelo Cinco, OroVerde and Fundación Espave, in Colombia. • Closeness to Associations and Chambers of direct sales in each country. Direct sales is a retail distribution channel growing rapidly and based primarily on being a business that requires personal contact of independent salespeople with the customers, reason for which it has been catalogued as a “People’s Business”. Most of this kind of enterprises considers its social mission to improve the standard of living of women and their families. 95% of its agents are low-class or middle-class women, where the niche is located. Companies like Yanbal, Avon, Ebel, Oriflame, Flushing, Jaqueline Carol, Renedesses, Stan Home, Leonisa, Nutresa, Niviglobal, group about 11 million women in LAC like vendors. Alliances with these companies could help give insurance coverage to their sales force. • Closeness to goods and services renderers to the BOP. Massive transportation providers, drugstore chains, popular supermarkets, foodstuff stockpiling centers and gambling businesses could support innovative sensitization campaigns or act as distribution channels.
  	<p>Make suitability and innovation evident as a key factor to give value to the customer. Develop innovative and socially suitable products. Products like micro-pensions, micro-capitalization as a strategy to generate a savings culture, property, gender products (domestic employees) and agriculture</p>	<ul style="list-style-type: none"> • Review Governance Plans, population census, human development rates, and other social and economic development markers that would uncover the problems populations have, and the way these projects could help improve the living conditions of the target populations. • Use subventions, funding from multilateral entities, loans, technical assistance request, among others, to start developing the capabilities of the products.



Promote transparency and suitability

Promote Risk Management to give value to the customer and contribute to technical viability of projects

- Create spaces between Associations and Insurance Companies to develop training related to the design and implementation of marketing campaigns and consumer's education, making use of andragogy.
- Set a reference frame for contents and methodologies necessary to educate the consumers by Associations, so that every insurer makes its corresponding adjustments, according to their potential customers. **Countries like Guatemala, Peru and Venezuela primarily need to potentiate this factor.**
- Profit from existing programs and methodologies for consumer education to create units or activities for **risk management** (claims loss prevention), Design brochures, call training days in the communities, according to the type of risk to prevent (i.e. death, property & casualty, personal accidents), Ex.: promote the development of healthy life-styles (long walks, alcohol and tobacco addiction prevention, health exhibitions, among others). These educational activities give origin to **value to the customer** and contribute to loss prevention and therefore to **financial viability** of the projects.



Promote areas for the development of capabilities facing the design of innovative and suitable products

Hold conversations with government institutions and reach agreements that guarantee articulation of projects to public policies.

Sometimes public-private alliances may face difficulties related to election campaigns where microinsurance is used to buy votes, and the renewal process may be affected by the change of officers (mayors, governors, ministries); therefore, articulation to strong, long-lasting government programs is suggested

- Organize seminars and workshops to design agriculture and patrimony products by expert facilitators of experiences in Africa and Asia.
- Organize workshops and seminars about public-private alliances or alliances for development.
- Visit Ministries that lead governance programs that benefit rural and informal populations in order to design and present joint projects, where governments may support the development of products and lever up the introduction of new technologies, lead education programs or provide infrastructure to alleviate distribution costs instead of subsidizing premiums.
- Take the lead in the design of a specific instrument that acts like a base upon which to make public-private alliances that will guide the sector through the design, implementation and assessment of the projects.



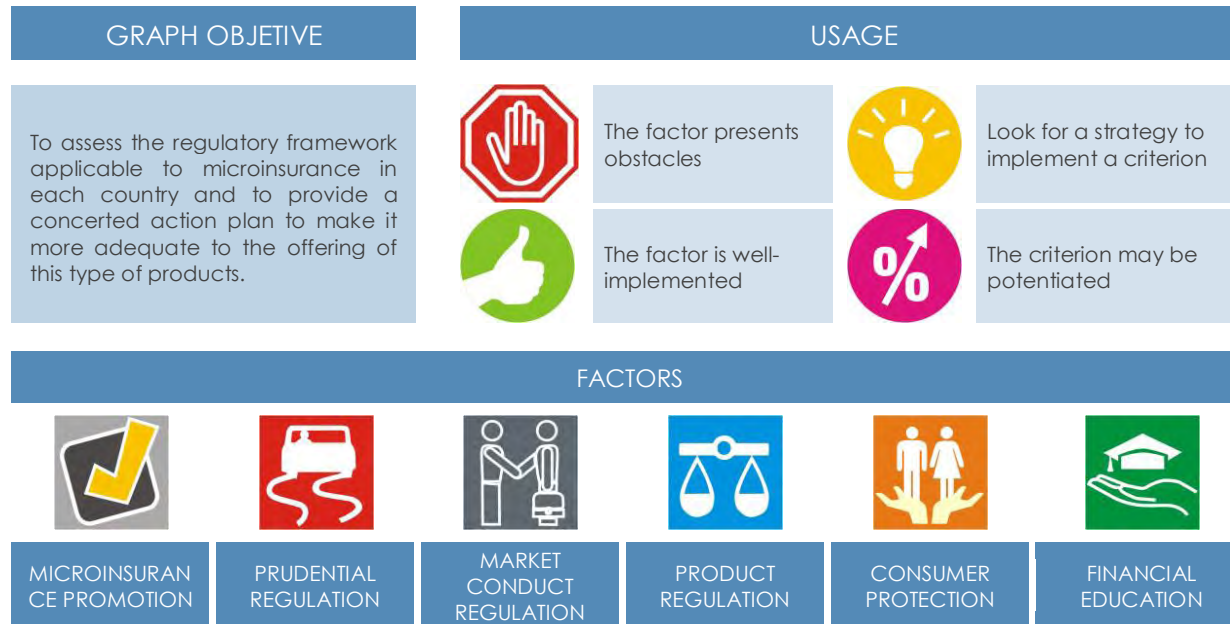
Develop new platforms and concepts from existing technologies, and to potentiate their complementation.



Software development may be expensive in its designing and adapting phases, but in the operation and replication appears to be minimal compared to the high profits it represents

Alliances with software development companies, ISP (Internet Services Provider), canalization of subventions, credit loans in multilateral funds and alliances with TIC ministries through their alphabetization programs. Application to annual calls from IDB-MIF-CAF on "Technologies for Financial Inclusion" www.tec-in.org

*"Inclusive Business". This term is used to refer to social economic initiatives that integrate the base of the pyramid communities to the value chain, whichever the structure of the organization is.

6.3. ACTION PLANS BY COUNTRY – REGULATORY FRAMEWORK



SUCCESS FACTORS	STRATEGY	ACTIVITIES	ENTITY IN CHARGE
	1. Take advantage of the appropriate environment created by the financial and social inclusion policies to expand the scope of microinsurance	<ul style="list-style-type: none"> • The Federal Government intends to offer banking services to the receptors of the program "Bolsa Familia"(homes with income of less than 3 Minimum Salaries) a total of 11 million people. The program uses the Caixa Económica Federal distribution network made up by branches and lottery stands. • Foster the link of the bank system of the Bolsa Familia program for the sale of insurance products that must be accompanied by financial education. • When considering the potential of the consumer of the "Bolsa de Familia" program, it would be interesting to analyze the feasibility of creating alliances with the public sector on the initial step of the project. 	FUNENSEG CNSeg FENACOR Federal Government of Brazil
  	2. Foster microinsurance special regulation projects	<ul style="list-style-type: none"> • So far, the Bill presented in 2008 has not been passed. If it is truth that all the participants in the insurance activity in Brazil may not be directly involved in its approval, it is fundamental that everyone in the insurance sector would urge for its approval and lobbies before the congress. • On the other hand, it is considered extremely appropriate that the SUSEP and the CNSP adopt regulations that in accordance with their legal powers they may issue. 	FUNENSEG CNSeg FENACOR Federal Government of Brazil Congress of Brazil SUSEP/CNSP
	3. Directly motivate the insurance sector to provide microinsurance products	<ul style="list-style-type: none"> • Currently, insurance entities do not make evident that microinsurance by itself might be a profitable activity. From this perspective it is important to analyze the incentive for the insurance sector that these types of products offer. • In a context of public-private alliances, we have premium subsidies from the government that indirectly stimulate the insurance sector. However, that type of incentive shall also be used in the early stages of a highly financially profitable product. • Likewise, in countries where the tax burden for insurance companies is extremely elevated, it is deemed as a tax stimulus the implementation of tax exemptions. That is the case of Brazil, where the insurance activity is subject to 5 types of taxes. • In these sense, both the recommendations of the Commission and Project propose a particular tax regime for microinsurance products. With regard of that issue, only a law may establish that regime so we can only wait for the bill to be adopted by the Congress of Brazil. 	Congress of Brazil



<p>1. Deepen the offer of microinsurance products through cooperatives</p>	<ul style="list-style-type: none"> • Take advantage that these entities may carry out insurance activity and particularly in accordance with article 24 of the Insurance Law that allows them to offer social welfare products. • Promote agriculture insurance taking into account that cooperatives may operate in this field. • Maximizing the constitution of insurance cooperatives, for example CRESOL that may constitute an insurance cooperative, instead of being limited to only offering insurance products through its Insurance Broker CRESOL. • Promoting a reform that would allow cooperatives not to be restricted to the insurance products they may offer. 	<p>FUNENSEG CNSeg SUSEP/CNSP INSURANCE COOPERATIVES</p>
<p>2. Regulate and supervise all entities that offer microinsurance products</p>	<ul style="list-style-type: none"> • As indicated before, Brazil has entities that offer services linked to funeral that are not regulated or supervised, which can jeopardize the consumer and insurance entities that compete among them in unequal market conditions. • The Bill provided an article that forbade these entities the sale of funeral products, which was eliminated from the project. • However, the initiative to demand the obtaining a specific license to issue microinsurance is adequate and should be adopted by the SUSEP which has the power to adopt it in accordance with article 32 of the Insurance Law. 	<p>SUSEP/CNSP</p>
<p>3. Apply a particular special treatment for microinsurance operations</p>	<ul style="list-style-type: none"> • It is necessary that all prudential demands are coherent and according to the risk they insure. If it is true that prudential rules in Brazil are not excessive, it is also true that in every case the entrance of new participants with financial capability is promoted is a special treatment for microinsurance operations is created. • Thus, recommendations from the Commission foresee such treatment. • However, it is necessary that these entities are always regulated and supervised. 	<p>SUSEP/CNSP</p>
<p>1. Strengthen alternative distribution channels that at the same time protect the consumer</p>	<ul style="list-style-type: none"> • Despite the fact that the microinsurance has been benefited from the contractor it is precise to note that multiple questions emerge in relation with consumer protection. • Maximize the participation of cooperative entities as insurance brokers like the CRESOL Insurance Brokerage (Rural Credit Cooperatives with Solidarity Interaction) • The Bill as well as the recommendation of the Commission proposes the creation of "microinsurance brokers" and microinsurance agents. In the first case would be entities entirely capable to market these types of products, such training requirements shall not represent an obstacle and be sufficiently solid to protect the consumer. 	



<p>2. Empower bank agents (adequately trained) to market microinsurance products</p>	<ul style="list-style-type: none"> • While microinsurance agents are created, it is relevant to identify the impact bank agents have on the commercialization of microinsurance products. However, so far they are only authorized to collect payments. • In this sense, it would be interesting to promote a reform of their regulation to empower them to carry it out. Such change should provide a variation of their obligations and duties, training tools, as well as their responsibilities. 	<p>FUNENSEG CNSeg SUSEP/CNSP</p>
<p>3. Allow the payment of premium in cash</p>	<ul style="list-style-type: none"> • Promote a reform that allows the payment of premiums in cash and not only by bank transfers. 	<p>FUNENSEG CNSeg SUSEP/CNSP</p>
<p>4. Maximize the underwriting through "tickets"</p>	<ul style="list-style-type: none"> • Brazil uses a "ticket" which eases the process of underwriting of the insurance contract. This tool may be used to offer microinsurance products. However, this tool may be used to offer microinsurance products. Nevertheless, taking into account the particular "vulnerability" of the microinsurance consumer, it is important to strengthen their informed consent. 	<p>Insurance entities SUSEP/CNSP</p>
<p>5. Terms of claims notification coherent with knowledge of consumer rights and duties</p>	<ul style="list-style-type: none"> • The microinsurance consumers normally lack enough financial education to know the rights and obligations that emerge from the insurance contract. • Therefore, it is pertinent that the warning period of the incident adapt to this situation. • Therefore, it is advisable to establish as mandatory information to be printed in all insurance policies, tickets or certificates, all the rights and liabilities of the consumer as well as the terms applicable in each case. • Likewise, these terms should be informed at the moment of the underwriting. 	<p>Insurance entities SUSEP/CNSP</p>
<p>6. Speed claims processing and reduce the term for indemnity payments</p>	<ul style="list-style-type: none"> • The legal period to pay indemnifications is 30 days which is excessive in the case microinsurance. • In the understanding that every insurance entity is empowered to determine shorter terms, it is recommended that the insurance sector pays the indemnifications in less than 10 days. 	<p>FUNENSEG CNSeg</p>
<p>1. Specify the peculiarity of the definition of microinsurance in contrast with other products, such as popular insurance</p>	<ul style="list-style-type: none"> • In promoting microinsurance, it is essential to clearly understand what is going to be promoted. This means understanding what is considered microinsurance in Brazil. About this the Commission and the Bill propose definitions that revolve around ensuring the low-income population. • The SUSEP may issue a regulation specifying such concept and establish the microinsurance guidelines. • As long as there is no specific legislation, insurance companies shall align their activities using this concept as basis. 	<p>Insurance entities SUSEP/CNSP</p>








<p>2. Analyze the appropriateness of setting maximum face amounts in the regulation framework</p>	<ul style="list-style-type: none"> • Both recommendations of the Commission and the Bill propose as parameters to identify microinsurance products the maximum insured amounts according to the category of the insurance. This is not necessary when the potential consumer has been clearly defined, just as it has been done in Brazil. • It would be adequately to analyze in more detailed if it is really necessary to include these maximum amounts in the regulation. 	<p>Insurance entities SUSEP/CNSP</p>
<p>3. Require the remittance of detailed information of microinsurance products</p>	<ul style="list-style-type: none"> • One of the microinsurance market big problems is the lack of segregated information. In fact due to the lack of such information it is rather difficult to diagnosis the real situation of the microinsurance in the country. • It is precisely because of this that is necessary to demand that insurance entities send the SUSEP the necessary information to evaluate the development in the offer of these products. • In the meantime, it is recommended that the insurance sector request these detailed information and use it to evaluate the performance of the sector. 	<p>Insurance entities SUSEP/CNSP</p>
<p>1. Promote the independence of the insurance ombudsman</p>	<ul style="list-style-type: none"> • The figure of the insurance ombudsman is of the utmost importance, and must guarantee its impartiality, which is closely related to his financing and the method of selection. • To guarantee his independence it is vital that the private or public consumer associations participate in establishing the remuneration as well as in the selection process. • Once the independence of the insurance ombudsman is guaranteed it is important to analyze the effect of his decisions and the possibility of acting as conciliator. 	<p>SUSEP/CNSP FUNENSEG CNSeg</p>
<p>2. Strengthen reconciliation as a tool for conflict solution</p>	<ul style="list-style-type: none"> • To strengthen this tool of controversy resolution it is vital to emphasize in the financial education, since a consumer who ignores his rights and obligations cannot make informed decisions about them. • It is vital that consumer defense associations are contacted to provide support regarding this process. • The effect besides promoting financial education is to effectively protect the consumer rights. 	<p>SUSEP/CNSP Associations for the consumer defense (public or private) FUNENSEG CNSeg</p>
<p>3. Set up as mandatory information in the policies the proper mechanisms to resolve controversies</p>	<ul style="list-style-type: none"> • Keeping in mind the importance of knowledge of rights and obligations, it is necessary to inform the consumer in a proper way about the mechanisms available to resolve controversies. • The SUSEP may add to the requirements of the microinsurance policy a clause specifying those mechanisms. • Likewise the insurance sector may implement these types of clauses as part of sound practice of the microinsurance activity. 	<p>SUSEP/CNSP FUNENSEG CNSeg Insurance entities</p>





1. Strengthen the idea of financial education as an obligation of the insurance entity for which financing is necessary

- Promoting financial education through the establishment of a legal clear obligation that shall be in the mind of insurance entities and the insurance sector.
- Apply the norm according to which in case of direct commercialization of insurance products a commission is paid to FUNENSEG to promote the insurance education.
- Analyze the possibility of implementing alliances with the government so it finances these policies together with the insurance entities.
- Accompany this obligation with a national strategy of financial education.

SUSEP/CNSP
Federal
Government of
Brazil
FUNENSEG
CNSeg
National Insurance
School

SUCCESS FACTORS	STRATEGY	ACTIVITIES	ENTITY IN CHARGE
  	1. Take advantage of the appropriate environment created by the financial and social inclusion policies to expand the scope of microinsurance	<ul style="list-style-type: none"> Promote microinsurance to widen its scope, making use of "Banca de Oportunidades" Supporting public-private alliances by means of competitive biddings The insurance sector should associate with the land securitization proceedings included in the recently approved Victim's Law, to accompany the title deed process with compulsory insurance products against natural catastrophe losses. Analyzing the scope and impact electronic Savings Accounts in the Sole Decree¹¹ could have on microinsurance. 	National Government of Colombia FASECOLDA BANCOLDEX
	2. Make the National Government aware of the importance of microinsurance	<ul style="list-style-type: none"> A "specific" regulatory frame for microinsurance is not necessarily required, but a "suitable" one, is. Thus, in the first place, it is important to make the government conscious about the concept of microinsurance. This definition may be adopted by the SFC or simply agreed on by the insurance sector; however, it is important that this concept to be used as a parameter to assess the adequacy of the regulatory frame applicable to microinsurance. The insurance sector bears an important role to suggest the government some modifications as to the provisions that may be restrictive for microinsurance. 	FASECOLDA SFC National Government of Colombia
	3. Encourage the insurance sector to offer microinsurance products to extreme poverty populations	<ul style="list-style-type: none"> According to the frame of social and financial inclusion, the National Government of Colombia has some programs that gather potential microinsurance customers (i.e.: Red Unidos). At first, this customers seem to be little attractive due to the inclusion tools used, but they are intended to be the middle class of the future. Implementing alliances with the public sector, which normally takes the shape of economic incentives applied like a premium subsidy. This kind of incentives for this kind of products is adequate only in the initial stages. Promoting the interest of the entire insurance sector through the idea that microinsurance is a profitable business. However, the first incentive could be making reference to social responsibility, based on Article 96 of Law 1328/09 that states that each entity has to develop a social balance program. 	BANCOLDEX Insurance entities National Government of Colombia

¹¹ Electronic savings accounts are those targeted to people in level 1 of the Identification System of Potential Beneficiaries to Social Programs –Sisbén– and the displaced registered in the Sole Registry of Displaced Population. Transactions of these accounts can be made through cards, cell phones, ATMs, etc.

	<p>4. Benefit from government initiatives oriented to design strategies to reduce vulnerability before natural catastrophes, thus favoring the introduction of property microinsurance products</p>	<ul style="list-style-type: none"> Colombia is scarcely protected against natural catastrophes. In fact, only 10% of the losses of the coffee axis due to the earthquakes of 2001, and 4.5% of the estimated total losses due to the cold front in the second semester of 2010, had insurance coverage. The National Development Plan, Article 130, demands that the Government develop strategies to reduce vulnerability before natural catastrophes and/or non-intentional anthropic by means of an integral risk management policy. This law is the base for the insurance sector commitment to work on this region and for the AFC to deepen its participation in such activity. 	<p>SFC FASECOLDA</p>
	<p>1. Strengthen insurance commercialization through the use of the insurance cooperatives network</p>	<ul style="list-style-type: none"> Colombia is characterized for allowing insurance cooperatives offer their products through their cooperative networks. Considering this sector is widely extended in Colombia, exploration of these channels is suggested. 	<p>Insurance Cooperatives</p>
	<p>2. Regulate and supervise entities offering microinsurance products.</p>	<ul style="list-style-type: none"> It is suggested that the entities that render funerary services to low-income population are supervised by the SGC to avoid regulatory arbitration (depending on the nature of each entity, the supervisory entity in each structure will be competent). Analyze the possibility of an association between funerary service renderers and insurance entities, being the latter in charge of supervising the execution of the activity. 	<p>SFC FASECOLDA Insurance entities</p>
	<p>1. Promote the regulation of distribution channels that makes marketing easier and protects the consumer.</p>	<ul style="list-style-type: none"> Most of the distribution channels in microinsurance marketing in Colombia are not regulated or verified. Marketing agreements, or sponsoring, grant, in practice, similar attributions to those of the intermediaries. To protect consumers, it is important that the insurance sector and the distribution channels, as well, encourage a mechanism to regulate and supervise the activities of sponsors and other marketers, in a balanced way. It is suggested that insurance companies or the sector is in charge of training sponsors and marketers, and that insurance entities assume their responsibility for any omission that could affect customers. 	<p>National Government of Colombia SFC FASECOLDA Insurance entities</p>
	<p>2. Empower bank agents (adequately trained) to market microinsurance products</p>	<ul style="list-style-type: none"> It is necessary to promote a reform to the regulation regarding banking agents so they are authorized to market microinsurance products. However, it should be clearly stated their duties and responsibilities, the tools and training they would have, and the liability regime they would be subject to. 	<p>National Government of Colombia BANCOLDEX FASECOLDA</p>

<p>3. Promote the use of family compensation funds as distribution channel of microinsurance products.</p>	<ul style="list-style-type: none"> On the one hand, almost 80% of affiliates to the Compensation Cash Funds are part of the make the BOP; on the other hand, the Compensation Cash Funds have both the structures and platform that could consolidate them as distribution channels for microinsurance products. According to Law 21 of 1982, they administer payroll-discounted family subsidies, and manage and distribute them in cash, in kind, or in service, among their affiliates. In the context described above, it could be considered that Compensation Cash Funds offer their affiliates insurance products; however, taking into account that, in Colombia, restrictions to insurance intermediaries are evident, it is suggested not only to enter into marketing agreements with those entities, but to foster a regulation that frame the activities of that kind of marketers which, in fact, may have great impact on microinsurance. 	<p>FASECOLDA SFC Compensation cash funds National Government of Colombia</p>
<p>4. The regulation framework of electronic commerce is suitable for microinsurance.</p>	<ul style="list-style-type: none"> Benefit from the regulatory environment to deepen microinsurance products marketing by the way described above. 	<p>Insurance entities FASECOLDA</p>
<p>5. Encourage the design of micro-pension products.</p>	<ul style="list-style-type: none"> Article 87 of Law 1238/09 established that low-income people who make deposits of periodic savings would be entitled to get periodic economic benefits, lower than the minimum wage. According to the provision described above, it would be possible to design micro-pension products by insurance entities. 	<p>Insurance entities FASECOLDA</p>
<p>6. Modify provisions that ban setting exact terms for claims, understanding that the only time limit is lapse</p>	<ul style="list-style-type: none"> Considering the microinsurance consumer doesn't know the terms applied to claim his rights and fulfill his obligations, it is important to establish the lapse of his actions clearly in the policy. 	<p>SFC FASECOLDA Insurance entities</p>
<p>7. Speed claims processing and reduce the term for indemnity payments</p>	<ul style="list-style-type: none"> The legal term to do settlement payments is of one month; it is advised that the insurance sector suggests a term of no more than 10 days. 	<p>FASECOLDA</p>
<p>1. Require the remittance of detailed information of microinsurance products</p>	<ul style="list-style-type: none"> FASECOLDA has done excellent work gathering information about microinsurance products from their affiliated entities. It is necessary that this job is reinforced to guarantee transparency and publicity of such information to allow an adequate diagnosis of the market. It is advised that the SFC request the insurance entities this information separate from the rest of the activities, so it is suggested a new regulation in this respect. 	<p>FASECOLDA SFC</p>
<p>2. Analyze quantitative delimitation as a criterion to identify microinsurance products</p>	<ul style="list-style-type: none"> FASECOLDA has been using a quantitative criterion to classify microinsurance products. Due to restrictions this may cause, it is advised to analyze this criterion. 	<p>FASECOLDA</p>





1. Promote independency of the Financial Consumer's Ombudsman, celerity in the dispute settlement process and the definitiveness of his decisions

- Including private and public consumers' associations in the selection and remuneration of the Insure ombudsman.
- In microinsurance, promoting the definitiveness of DFC's arbitration.

Insurance entities
FASECOLDA
DFC
SFC

2. Regulate the RUS in order to be fully effective

- RUS is an adequate mechanism to protect the interests of the consumers; however, it is necessary to spread its existence and accessibility, and the way to gather and present information, as well. It is important to promote RUS regulation by making particular emphasis on its role in microinsurance.










FASECOLDA
National Government of Colombia
SFC














1. To reconcile the national financial education and the insurance sector strategies

- Promoting alliances with the public sector to benefit from the National Strategy for Economic and Financial Education.

FASECOLDA
National Government of Colombia


SUCCESS FACTORS		STRATEGY	ACTIVITIES	ENTITY IN CHARGE
	 	1. Consolidate a concrete policy of financial inclusion in which microinsurance is central in managing the risks of low-income population	The insurance sector may request the government a financial inclusion law in which microinsurance plays an important role in risk management.	Government of the Republic of Guatemala AGIS JM/SB
	 	1. It is necessary to make institutional rules flexible in Guatemala	<ul style="list-style-type: none"> Analyze the possibility of authorizing cooperatives to offer insurance products. Verify if it is absolutely necessary to consider the exercise of the insurance activity without authorization as a crime. 	Congress of the Republic of Guatemala AGIS JM/SB
		1. Marketing of microinsurance products through "insurance dealers" should be potentiated	<ul style="list-style-type: none"> Insurance marketing agreements should be institutionalized as a tool to manage the link between an insurance entity and a distribution channel, by the full enforcement of the regulation that guarantees training to the marketer and the existence of a preventive insurance for premiums collection and liability insurance for potential damages and losses to the consumer. 	Insurance entities AGIS JM/SB
	 	2. To guarantee training and microinsurance distribution channels' diligence by means of a more balanced regulation.	<ul style="list-style-type: none"> Resolution JM-13-2011 establishes training requirements that may seem excessive to the microinsurance distribution channels. It is important to promote a more flexible regulation that still guarantees training to such channels by the insurance entity. Regarding liability caused by omission or mistakes to the consumer, an interesting option is writing policy coverage against professional liability. However, this must be accompanied by a clear delimitation of responsibilities and obligations between the distribution channel and the insurance entity. 	JM/SB AGIS
		3. The time for an insurer to make settlement payments in the case of minor quantities, is proper for microinsurance, and should be applied to all other terms	<ul style="list-style-type: none"> Promote adaptation of terms and procedures according to the insurance amount. 	JM/SB Congress of the Republic of Guatemala

			<p>1. Deepen the regulation that allows early amortization by means of raffles of low amount life insurance.</p>	<ul style="list-style-type: none"> • Verifying if Governance Agreement of August 19th, 1952 is in force and potentiate its application to microinsurance life products. In case it is not in force, analyze the possibility of implementing a similar regulation. 	<p>Insurance entities AGIS JM/SB</p>
			<p>1. Consider methods for dispute settlement appropriate for microinsurance consumers.</p>	<ul style="list-style-type: none"> • The LAAG chose arbitration and provincial courts as the mechanisms for dispute settlement between insurance entities and distribution channels; however, this mechanism is not useful for the microinsurance user. • It is important to promote the correct application of the proceedings for dispute settlement under the Users and Consumers Protection Law. 	<p>AGIS JM/SB</p>
			<p>2. Promote the creation of a Consumer Protection Office Guatemala.</p>	<ul style="list-style-type: none"> • The creation of a Consumer Protection Office has been pending since 2008. The fulfillment of this agreement should be reached; therefore it should be insisted on it and the creation within the office of a specific department to defend the financial services user's rights as well. The sector may exert pressure for the organism to be created. 	<p>JM/SB AGIS</p>
			<p>1. Deepen financial education initiatives seeking to develop alliances with the public sector</p>	<ul style="list-style-type: none"> • It is a great concern for the insurance sector the lack of "insurance culture". There should be more laws and regulations like the one promoted by the Superintendencia de Bancos (SB). In this process, AGIS is a key participant. • It is imperative that the Government develop a national strategy for financial education. 	<p>Government of the Republic of Guatemala AGIS JM/SB</p>

SUCCESS FACTORS	STRATEGY	ACTIVITIES	ENTITY IN CHARGE
	1. Continue taking advantage of the financial inclusion suitable environment	<ul style="list-style-type: none"> Mexico is characterized for having introduced microinsurance in its financial inclusion policies, fact that has to be used to deepen in the offer of such products. 	AMIS
  	2. Give a more transversal perspective to the Microinsurance System	<ul style="list-style-type: none"> Currently, the Microinsurance Regime includes articles 2.1.3. and 5.1.23. of the Sole Circular Letter for the Insurance Business, which contains the provisions of former circular letters S-8.1. and S-2.1. These provisions rule microinsurance partially. In the first case, form and term of product registry for all insurance products are established, microinsurance among them; in the second case, mechanisms for the training of insurance intermediaries are mentioned, including exceptions to microinsurance products marketing. In regard to the above mentioned, it can be concluded that there is not a comprehensive, transversal instrument for microinsurance. Thus, it is suggested that the sector promotes the adoption of a transversal circular for microinsurance, which may promote the simplicity of microinsurance more efficiently and the consumer's protection as well, avoid misinterpretation problems and promote simplicity. 	AMIS CNSF/SHCP
	3. Support public-private alliances that enable the offering of financially viable products with value for the consumers	<ul style="list-style-type: none"> It is important to deepen in the development of alliances between the public and the private sectors, where tools that guarantee strength and permanency can be used to avoid governance turns according to the government in office. Otherwise, it will not be possible to offer suitable and interesting products for potential microinsurance customers. Regarding this, the use of independent managerial organisms may be analyzed, or the use of legal figures that concrete relationships between both sectors, like the creation of consortiums. 	Federal Government of Mexico AMIS Insurance entities
  	1. Recognition is given to the provision that gives rise to a certain degree of "supervised informality" of "groups of people", which is justified by the amount of risk they accept. This provision supports the creation of Agricultural and Rural Assurance Funds (FAAR, for its initials in Spanish), which have to be potentiated. However, these assurance funds must guarantee the offer of financially suitable products that have value to	<ul style="list-style-type: none"> Potentiated and deepen assurance capability of the FAAR according to the Law for Agricultural and Rural Assurance Funds (farming and livestock, related to agricultural activity, patrimonial property and rural, rural life and personal accidents, catastrophic) as long as plans are developed to guarantee coverage to the user, such as the creation of capital funds or reserve funds, because the insurance sector could be affected in case of omissions or failure to comply. Analyzing how possible it is to add other faculties, for which studies of technical and financial suitability must be performed prior to authorization. Multiplication of assurance funds in areas different from the rural sector, emphasizing on the promotion of microinsurance. In case an additional regulation 	CNSF/SHCP Federal Government of Mexico Insurance entities Reinsurance companies












<p>the customer; otherwise the consumer will be affected in the long run. Therefore, to guarantee protection, it is suggested that capital requirements and reserves settlement according to the operation volume and risk are established.</p>	<p>is made, it is advisable to follow the guidelines of the Law for Agricultural and Rural Assurance Funds, particularly in respect to financial status, verification, and the Funds Integrating Organism (entity that will plan the constitution and will authorize the functioning of new funds), and the Risk Common Retention Funds (assurance funds combo to improve reinsurance conditions).</p> <ul style="list-style-type: none"> • It is important to analyze the possibility of building alliances with insurance entities, so that other microinsurance products are sold through FAAR intermediation. Analyze the possibility that the insurance sector, insurance entities and reinsurers give training or support (reinsurance, coinsurance, among others) to the FAAR and other kind of people's associations with the purpose of guaranteeing that their products are suitable and generate real value to the consumer. • The sector should be part of the transition processes of people's associations into insurance mutual associations. 	
<p>2. To promote the creation of insurance mutual companies, but, to guarantee protection, it is absolutely necessary to establish capital requirements and provisioning in accordance with the regulation of insurance companies and insurance mutual companies</p>	<ul style="list-style-type: none"> • According to the information available by the CNSF, there is only one insurance mutual association in Mexico (Torreón Sociedad Mutualista de Seguros). It is important to multiply the creation of that kind of insurance entities that are proper for the development of microinsurance, only if there is a plan that guarantees the coverage and benefit for the consumer, otherwise it may be detrimental to the sector. • From this standpoint, it is interesting to analyze the reasons for which this type of entities have not had more acceptance and evaluate if the transition proceedings for going from an "association of people" to a mutual association" are not excessive. 	<p>CNSF/SHCP Federal Government of Mexico</p>
<p>1. In the understanding that the figure of "other entities" in Article 41 of the LGISMS is very useful for microinsurance, it is important to deliver a more transversal regulation where rights and obligations of the consumer are clearly delimited.</p>	<ul style="list-style-type: none"> • Even though the training of these entities was regulated by article 2.1.3 of the Sole Circular Letter for the Insurance Business, it is necessary that these entities become regulated in a transversal form to facilitate their use in the microinsurance products marketing and at the same time to protect the microinsurance user. This does not mean these entities are certified, but it certainly means they are well-trained, and training must be verified. 	<p>CNSF/SHCP</p>
<p>2. Empower bank agents (adequately trained) to market microinsurance products</p>	<ul style="list-style-type: none"> • Guaranteeing the application of rules described in article 2.1.3. of the Sole Circular Letter for the Insurance Business to train banking agents to enable them to market microinsurance products. • Promote the modification of the applicable regulation to banking agents so they can market microinsurance products. 	<p>AMIS CNSF/SHCP CNBV</p>

<p>3. Bear in mind that simplicity, transparency and adequacy are essential aspects of the contractual conditions stipulated in Circular Letter S-8.1, actually in chapter 5.1 of the Sole Circular Letter for Insurance</p>	<ul style="list-style-type: none"> • It is suggested that the responsibility of setting the term of the policy in a clear, simple way be extended to all terms and conditions applicable, so the user may be in possibility of exercising his rights and obligations during the life of the insurance policy. Similarly, communication of the terms and conditions of the microinsurance policy should be promoted in order to guarantee the understanding of the microinsurance user's rights and obligations. • Adoption of these policy clauses may be promoted by the insurance sector. • It is important to highlight that the more simplified the proceedings for dealing, operating, claims, settlement and user's protection, the easier the development of microinsurance will be. 	<p>AMIS CNSF/SHCP Insurance entities</p>	
<p>4. Insist on celerity intended to be achieved through simplified proceedings for claims and settlement payment.</p>	<ul style="list-style-type: none"> • The sector must implement best practices to quickly solve claims and later do settlement payments to the potential customer. The concept of no-dispute payment should be introduced. Mexico has a regulatory frame that allows the use of electronic platforms to expedite these procedures. 	<p>AMIS Insurance entities</p>	
  	<p>1. Analyze quantitative delimitation as a criterion to identify microinsurance products</p>	<p>It is important that the insurance sector, the regulatory entity and the supervisor analyze the convenience of setting limits to the sum assured and to microinsurance premiums. The analysis should be made considering the results of experience.</p>	<p>CNSF/SHCP AMIS</p>
<p>2. Deepen the offer of products packages considering they are authorized by regulation.</p>	<ul style="list-style-type: none"> • It is imperative to benefit from this regulation, and to use the one related to standardized products. 	<p>AMIS Insurance entities</p>	
  	<p>1. Encourage the knowledge of mechanisms to settle disputes available to microinsurance users, not only by the compulsory inclusion of this clause (Circular Letter S-8.1), but by other mechanisms that guarantee its effective learning</p>	<ul style="list-style-type: none"> • CONDUSEF must include in its financial education strategies the mechanisms to solve microinsurance disputes in an expedite way. • The insurance sector must guarantee full and adequate compliance to the provisions in article 5.1.23 of the Sole Circular Letter for the Insurance Business that includes the responsibility to include the dispute settlement clause. 	<p>AMIS CONDUSEF Insurance entities</p>
<p>2. Give priority to conciliation as the appropriate mechanism for disputes settlement in the microinsurance business</p>	<ul style="list-style-type: none"> • Understanding that the CONDUSEF has authority for conciliation and arbitration, it is appropriate to potentiate its conciliatory authority for microinsurance, which promotes consumer's defense in case of dispute. However, we insist on avoiding disputes in microinsurance by introducing the concept of no-dispute automatic payment. <p>It is advisable to keep objectivity during a dispute settlement process in which CONDUSEF is involved because it acts like referee and party at the same time. In this respect, it should be guaranteed that the insurance entities have representation in the formation of the entity that referees disputes.</p>	<p>CONDUSEF AMIS Insurance entities</p>	

<p>3. Promote disclosure of the Insured and Beneficiaries Information System for Life Insurance, due to the fact that this System is of vital importance for products to have a real value for customers, or look for alternative systems that meet that objective without being so complex that they affect the operative cost of the product</p>	<ul style="list-style-type: none"> • This system has the same objective than the RUS in Colombia, however it is considered that in Mexico there is not so much trouble regarding confidentiality, because not everybody can access that information. Only the one who thinks may have the right to request it, after presenting the death certificate of the presumed insured, as well as ID, and proving his legal interest. • However, it is necessary to inform about the existence of such system, in order to guarantee its effectiveness, which in itself implies a big investment, or the introduction of this registry as subject in financial education initiatives. 	<p>AMIS CONDUSEF Insurance entities Insurance Ombudsman</p>
<p>4. To promote the figure of the Insurance Ombudsman within all insurance entities.</p>	<ul style="list-style-type: none"> • Besides existing tools to settle disputes between the parties, it is important to consolidate the figure of the Insurance Ombudsman, to guarantee impartiality and celerity in decision-making. 	<p>AMIS Insurance entities</p>
<p>1. To continue strengthening financial education strategies in alliance with the public sector</p>	<ul style="list-style-type: none"> • The insurance sector, besides its particular strategies of financial education, has to deepen initiatives like the one with CONDUSEF to increase consciousness about the importance to educate about risk management through microinsurance. 	<p>AMIS CONDUSEF</p>



SUCCESS FACTORS		STRATEGY	ACTIVITIES	ENTITY IN CHARGE
  		1. Peru has the most suitable regulatory framework for microfinance, which has to be used to benefit and strengthen microinsurance, particularly in regions of extreme need for the population	<ul style="list-style-type: none"> Continue deepening in the use of microinsurance as an appropriate tool to manage risks, in the context of financial inclusion policies. 	APESEG SBS
  		1. Admit cooperative and mutual companies as insurance entities.	<ul style="list-style-type: none"> It is advised to explore the possibility of allowing mutual or cooperative entities to perform insurance activity. 	Congress of the Republic of Peru SBS
		1. Encourage the use well trained microinsurance dealers to commercialize microinsurance products.	<ul style="list-style-type: none"> It is considered suitable that insurance entities "orient properly" the marketing staff about microinsurance subscription procedure. However, it is necessary to establish clear criteria to be followed, in order to comply with those requirements; otherwise the microinsurance customer may become affected. Thus, it is suggested that the SBS regulate the activity in a proportional way, while the sector agrees upon good practice policies to orient marketers. 	SBS APESEG
  		2. Actively promote the use of informative brochures that, besides meeting established requirements by the Regulation for Insurance Policies and Technical Notes, they can effectively be understood by the microinsurance consumer	<ul style="list-style-type: none"> Adapting the requirements of informative brochures to microinsurance customers, using didactic methods that include other kind of information necessary due to the conditions of the microinsurance consumer. Taking this into consideration, the sector may accomplish a very important task through the Microinsurance Committee, which uses strategies similar to those of financial education. 	APESEG Insurance entities
		3. Promote the use of the celerity principle recommended by the 2009 Microinsurance Regulation of	<ul style="list-style-type: none"> The Microinsurance Regulation of 2009 establishes the terms for settlement payments (10 days) and for claims solutions (15 days), proper for microinsurance. However, it is necessary that insurance entities have enough tools to guarantee celerity, for instance, by means of technological platforms and the existence of an adequate claim system, like the Insurance Ombudsman. Take into account that failure to comply with the term established for indemnity payments is bound to a minor penalty. 	APESEG Insurance entities SBS



<p>4. Guarantee the inclusion of the minimum information in the microinsurance policies.</p>	<ul style="list-style-type: none"> • Article 6 of the Microinsurance Regulation of 2009 established an inventory of minimum information which is considered totally suitable for the microinsurance consumer. • The sector and the SBS have to check that this information is included and that the information in the inventory does not exclude other kind of information that may be important to the consumer. Remember that this inventory corresponds to the "minimum" information. 	<p>APESEG SBS</p>
<p>5. Encourage policy coverage declines according to the SBS rules</p>	<ul style="list-style-type: none"> • Take into account that when coverage is declined, elements must be well-founded and that a list of declined claims must be sent to the SBS every three months. 	<p>APESEG Insurance entities</p>
<p>1. Adequately apply the microinsurance product regulation established in the 2009 Microinsurance Regulation of</p>	<ul style="list-style-type: none"> • The regulation of microinsurance products of 2009 is considered to be adequate and pertinent because it promotes simplicity, transparency and celerity. It is important that the sector and the SBS verify compliance with this regulation continuously and encourage insurance entities to comply permanently. 	<p>APESEG SBS</p>
<p>2. Support the delivery of segregated information of microinsurance policies to the SBS</p>	<ul style="list-style-type: none"> • The sector, especially the Microinsurance Committee, performs an important task in the consolidation of microinsurance information. However, the SBS should have enough tools to assess that information, which supposes the existence of mechanisms that may enable to measure performance, in the specific case of microinsurance. In doing so, the SBS must nourish from microinsurance experience in other countries. 	<p>APESEG SBS</p>
<p>3. Differentiate microinsurance from mass insurance.</p>	<ul style="list-style-type: none"> • Insist on the fact that mass insurance is not necessarily addressed to low-income population, which is an essential element in the case of microinsurance. 	<p>SBS APESEG</p>
<p>1. Properly inform the microinsurance consumer about available mechanisms to solve conflicts.</p>	<ul style="list-style-type: none"> • Peru has an elaborate system of controversies settlement that includes administrative, judicial, arbitration, conciliatory and mediation proceedings. Likewise, it has an Attention Platform for Customers of SBS and, in the case of the insurance sector, the Insured Defense Office. • The existence of multiple options is right for microinsurance consumers, however, it is important to emphasize the mechanisms that are suitable for them, and the range of options should be clearly spread, explaining limitations and how one procedure excludes another. Thus, confusions and misinterpretations due to variety may be avoided. • This work can be achieved through precision in the policies or in the context of financial education initiatives. 	<p>APESEG Insurance entities</p>









1. Continue offering financial education programs to all population groups; it is important to consolidate the emphasis given to financial education in the education system

- Peru has a Financial Culture Plan promoted by SBS that is an example in LAC. The APESG performs an essential function in this plan as to microinsurance. APESEG is advised to continue promoting financial education by following the plan designed by SBS, which targets different groups and uses multiple channels.

APESEG
SBS

SUCCESS FACTORS	STRATEGY	ACTIVITIES	ENTITY IN CHARGE
  	<p>1. Encourage interest of the insurance sector to offer microinsurance products</p>	<ul style="list-style-type: none"> It is important to think about the mechanisms that impulse the offer of social interest insurance – microinsurance and solidarity-based insurance among them. It is more feasible to generate interest from the insurance sector in these areas by facilitating the environment rather than the imposition of obligations, which compliance is subject to fees and the transference of economic amounts destined, in first instance, to the promotion of these kinds of insurance. The regulatory entity should re-evaluate compulsory amounts imposed on insurance entities and intermediaries in the context of solidarity –based insurance; instead of taxing these entities financially, costs should be reduced to make the environment easier. 	<p>CAV SUDASEG</p>
  	<p>1. The acceptance of insurance cooperatives and integration organizations as insurance entities by LAAV is a progress</p>	<ul style="list-style-type: none"> Deepen the creation of insurance cooperatives. 	<p>Cooperative sector</p>
	<p>2. Adequate patrimonial requirements to promote microinsurance products offering</p>	<ul style="list-style-type: none"> Assess the possibility of eliminating guarantee payments to the Nation in those cases where microinsurance products are offered, thus encouraging insurance entities to offer this type of products. 	<p>CAV SUDASEG</p>
	<p>3. Consider if it is really necessary to classify the exercise of the insurance activity as a crime</p>	<ul style="list-style-type: none"> Since there are administrative sanctions and the illegal gathering of monetary resources from the consumer is considered a crime, it seems unnecessary to classify this as a crime. Criminal penalties are hardly the most adequate to repair damage to the insurance products consumers who may be cheated, so analysis of the justification of this offense should be promoted. 	<p>CAV National Assembly</p>
  	<p>1. Promote the inclusion of microinsurance products in the regulation of other distribution channels</p>	<ul style="list-style-type: none"> It is important that the SUDASEG and the Assembly evaluate the possibility of opening a regulatory area that allows the offering of microinsurance products through other channels. According to LAAV, there is great restriction to it. The sector should support this analysis process. In the restrictive context of the current regulation, the sector should think about innovation of new distribution channels taking into account LAAV limits that 	<p>CAV SUDASEG National Assembly Insurance entities Insurance cooperatives</p>

	<p>promote microinsurance but that should protect consumers at the same time. It is advised to consider direct sales mechanisms.</p> <ul style="list-style-type: none"> On the other hand, it is imperative to strengthen insurance cooperatives so they can offer microinsurance products through their associated networks. 	Cooperative sector
2. Add other forms of premiums collection through insurance intermediaries	<ul style="list-style-type: none"> It is regarded as positive that premiums are paid to the company in cash or check, but it could be done through other means, like bank transactions supported by electronic platforms. Allow that payments made in cash to the intermediary are considered made to the insurance company. 	
3. Modify the indemnity payment term for microinsurance products	<ul style="list-style-type: none"> The 30 days term for an indemnity payment is excessive; it is necessary to implement a tool that makes the term vary according to insured amounts. The sector can do an important job in promoting such a modification. If no change is made in the LAAV regarding term, insurance entities may adopt a term no longer than 10 days for indemnity payments for insurance products as good practice. 	CAV SUDASEG
   <p>1. Consider the convenience of establishing rates authorized by the SUDASEG, as well as establishing a fixed rate in public and social interest cases</p>	<ul style="list-style-type: none"> The insurance activity requires freedom to bring in innovation, this need is imperative in the microinsurance business. Therefore, it is advised to give more freedom in the rates establishments. It is noticeable that in the pursuit of consumers' protection, suitable service rendering of the insurance activity may be distorted. 	
2. Clearly establish differences between microinsurance and solidarity-based insurance	<ul style="list-style-type: none"> It is necessary that the insurance sector and the SUDASEG widely spread the difference between microinsurance and solidarity-based insurance, moreover in a context where the former needs more deepening and accuracy. Define that not only people that has been catalogued like vulnerable, to whom solidarity-based insurance is targeted, need mechanisms to manage their risks, but anyone excluded from these mechanisms. 	CAV SUDASEG
   <p>1. Pay special attention to mechanisms for spreading the existence and exercise of rights, controversy solution, among others, given the weakness of consumer insurance law.</p>	<ul style="list-style-type: none"> Considering the insurance consumer as "legally weak" has multiple implications, especially the need of a special protection regime. In this context, the LAAV has endeavored to get such regime; nevertheless, it is necessary to consider the condition of the microinsurance consumer, who, evident enough, is in a weaker position before the mid insurance consumer. Thus, promotion of a particular analysis of the "weak" or "vulnerable" conditions of microinsurance consumers must be promoted to justify a more suitable regime. 	CAV SUDASEG



1. Implement financial education strategies considering the insurance consumer has the right to be educated in that respect

- Provisions related to financial education, particularly, the consumer's right to "necessary instruction to be able to get and use policies" must be the base for the development of public-private strategies for financial education, especially in connection with risk management.

CAV
SUDASEG

2. Create a registry similar to the Registry of Solidarity-based Insurance (RUSS, for its initials in Spanish), for solidarity microinsurance products

- One of the most common problems is segregated and consolidated information about microinsurance. A tool similar to the RUS for microinsurance is regarded as positive, and its implementation by the insurer sector should be considered.

SUDASEG
CAV

The following topics related to this chapter can be consulted in the Study "Analysis of Outstanding Experiences in Latin America and the Caribbean" under the numbers and pages indicated as follows:

6.1. Regulatory Environment in LAC (Page 83)

6.2. Detailed Analysis by Country (Page 85)

7. REMITTANCES

7.1. MICROINSURANCE AND REMITTANCES

It has been emphasized in research work and information from leading institutions related to remittances, that a big percentage of remittances may guarantee access to basic goods like education, health, housing and feeding and, in some cases, to financial services such as saving accounts, housing credit, credit cards and micro-business credits, among others. Notwithstanding, in spite of covering their basic needs, we are talking of low-income population, located in the BOP and perfectly capable of accessing microinsurance.

In spite of the recent crisis in the flow of remittances and the migration laws, figures show that issuers are working hard to ensure the delivery of money supply to achieve an average cost of living in their countries of origin¹².

However, as explained by Manuel Orozco¹³, economic vulnerability is directly proportional to dependency families have on the reception of remittances. This means that not having this money inflow means their economic condition would decrease drastically, and they do not have, in many cases, the necessary strategies to deal with crisis situations. Analyzing the economic vulnerability remittances receivers and senders have, is precisely why microinsurance plays an essential role as a strategy to cope with financial crisis, how to prevent and deal with it and how to manage daily life risks.

Having a clear segmentation of the families receiving remittances and identification of their level of vulnerability, it is possible to determine the kind of product that can be offered to them (traditional insurance or microinsurance); this may help keep the concepts to be applied clear when implementing microinsurance projects or traditional insurance via remittances service renderers.

Speaking about remittances, the definition of microinsurance products is subject to a socio-qualitative analysis of the population, to deepen into the socio-economic level of the agents linked to remittances, senders and receivers, which enable to classify their economic and social vulnerability.

It cannot be said for sure if the products distributed through remittances providers belong to insurance or microinsurance by just looking at the value of the received income. Monthly remittances average sent to each country vary significantly, going from 250 to 450 American dollars, which are mostly used to pay running expenses and, partly, to productive investments or savings. Yet, those 450 dollars are used to support a numerous family (for instance, 4 children and 2 senior adults, which makes this family low-income and, therefore, vulnerable due to its economic dependency. However, there may be cases in which somebody that is single and has a job, gets 150 dollars, so the remittance value is used on non-running expenses (for example, vacation, cosmetic treatments or final use).

The Latin American Center for Monetary Studies, during its eleventh meeting with the advisory board to treasury and finance government ministers, central banks, and entities in charge of the economic planning in the Andean Community, in February, 2009, in Peru, ratified the great interest of Latin American authorities to determine the impact remittances have on family income and in learning the way this market works. Some studies have deepened research to

¹² Cost of living is defined here in terms of expenditures from the basic basket, costs of light power, water supply and telephone service and does not exclude what is known as the basic market basket extended.

¹³ M. OROZCO, "Vulnerabilidad y las remesas en las poblaciones rurales de México", *Inter American Dialogues*, January, 2010.

characterize the socio-economic level of the agents related to remittances, immigrants' profile, families benefitted by remittances and migration social nets to learn about the potential of the productive use of these resources and raise plans that allow remittances investment in education, housing and the generation of working capital.

Nonetheless, beneficiaries are the ones who decide how remittances are used and, while internal conditions regarding employment and income are not favorable, beneficiaries will not have incentives to increase their demand on goods, investment or savings. This confirms that any diversification project of products or services through remittances providers should necessarily be supported by a specialized socio-economic study of senders and receivers, together with precise methodologies for sensitization and financial education.

7.2. GENERAL OBSERVATIONS ABOUT OUTSTANDING CASES

After analyzing the ten interviews made to the leaders of some of the projects presented above, it could be said that there are essential common denominators that act like key factors on the success of the projects, and they are the following:

- **Regulation environment**, as a decisive factor to facilitate the development of products, (e.g.: presence of non-banking agents as a strategy to reach rural sectors)
- **Information Technologies**, which is a significant contribution to quantitative analysis in any phase of the Project (market research, product design, and management and impact markers), as well as the connectivity between the different entities that build alliances for the implementation of the projects (e.g.: insurance companies and banks, MFI, associations and remittances agencies.)
- **Institutional commitment**, the projects implemented with institutions that possessed strength, capability and governance came to be the most successful ones, as it was observed.

The rest of the identified factors are related to the basic components any microfinance and microinsurance project should have:

- **Socio-qualitative analysis**
- **Methodologies on financial education according to the socio-cultural characteristics of each region and country.**
- **Innovative promotional campaigns.**

The projects that methodically applied the components mentioned above came to get the best results.

As to promoted products, the dominant ones refer to repatriation, health, monthly remittance payment for a year in case of death, and property; these continue being the highest priority and most suitable ones for senders and receivers of remittances.

Prices vary widely from country to country and the distribution channels continue being bank correspondents used by banks or financial networks.

7.3. BUSINESS OPPORTUNITIES THROUGH RSP (Remittances Service Providers)

In spite of the significant reduction in the flow of remittances sent by immigrants in 2008 and 2009, there are currently over 20 million Latin immigrants, from which 10% are from the Caribbean region and almost one fourth of the population born abroad is Latin¹⁴. According to Powers, Magnoni and Zimmerman's study "*Formalization of Informal Insurance from within Migration*", there are three types of insurance products for migrants¹⁵, classified as from their objective:

- I. Mitigate particular risks migrants have in case of accidents occurred in the country of acceptance or repatriation.
- II. Mitigate particular risks a migrant family has when staying in its country of origin, if a negative event prevented the migrant from sending money to his family.

¹⁴ Source: Calculations from the Development Center of the OECD (2009) based on the Database on Immigrants in OECD Countries (DIOC) (2008) and in the round of national census 2000 in Latin America (processing with Redatam+SP of ECLAC online).

¹⁵ Opportunities and challenges of each one of the models are developed in the Study. Powers, Jennifer; Magnoni Barbara y Zimmerman Emily. Formalization of informal insurance inherent to migration: exploration of the potential links between migration, remittances and microinsurance. Microinsurance Innovation Facility and ILO. January 2011.

- III. Benefit from remittances flow or from the distribution channels and migrant nets.
- IV. Build the desire of migrants to protect their families in their absence by means of the formalization of informal insurance favored by migration, as in the case of health insurance.

Few migrants succeed in giving protection and support to their families, though; they undergo, both, in their country of origin and in the country of acceptance, different types of vulnerability because of their transnational condition. The study mentioned above refers to the three existing models for microinsurance products that have as distinctive characteristics: the location of risk and the location of the insurance agency.

The following topics related to this chapter can be consulted in the Study "Analysis of Outstanding Experiences in Latin America and the Caribbean" under the numbers and pages indicated as follows:

7.1. Current environment of remittances and the development of financial services in LAC (Page 148)

7.2. Microinsurance and Remittances (Page 151)

7.3. Business Opportunities through RSP (Page 156)

7.4. Minimum Requirement Matrix for the use of RSP as distribution channel (Page 161)

8. MINIMUM REQUIREMENT MATRIX

8.1. MATRIX FOR THE USE OF RSP AS DISTRIBUTION CHANNEL AND FINANCIAL EDUCATION

The matrix was designed considering the analysis of outstanding cases of remittances projects promoted by the MIF, IFC and IFAD. This support allowed incorporating key elements to projects success in a systematic way and promoted alliances for detailed market research in each region and country, which significantly enhanced the development of innovative products, communication and marketing strategies and, therefore, a more efficient closeness to potential customers. In addition, it is emphasized what seems to be an efficient formula: to append the development of financial products to financial education (money administration, getting familiar with financial products and required learning to manage a business).

Publications such as those of the MIF, Scorecard Report and the regulation analysis carried out during the reunion RemesAmerica 2019 together with the interviews to the leaders of the various successful projects, are the main material for the matrix design.

(See Table 92)

TABLE 92. MINIMUM REQUIREMENT MATRIX - REMITTANCES

ASPECTS	ACTIVITIES	OBSERVATIONS
REGULATORY	<ul style="list-style-type: none"> • Revision, existence and legal representation • Revision of laws and decrees that regulate the financial systems • Authorization to market insurance products 	<p>This makes reference to the analysis of the regulatory frameworks of financial systems in the countries, especially the feasibility of marketing products through non-banking agents and remittances companies</p>
INSTITUTIONAL	<ul style="list-style-type: none"> • Confirmation of financial strength (verifying financial statements and AAA grading –e.g. financial strength; although it does not represent a conditional requirement) • Confirmation of organizational structure strength (verifying processes certification under international standards (e.g. ISO 9000; high quality management system. It does not represent a conditional requirement either) • Subscribe institutional agreements with the management of entities. • Training on Alliances for development • Design methodologies that allow strengthening and alliance assessment • Definition of real, achievable goals and objectives as well as operational definition of technical and social indicators, from the beginning of the project. 	<p>This refers to the soundness, capability, social orientation, institutionalization and institutional commitment of entities where the Project will be implemented, especially because most projects require inter-institutional alliances (remittance companies, insurance companies and NGOs)</p>
INFORMATION TECHNOLOGIES	<ul style="list-style-type: none"> • Verification of expert engineers in telecommunications or informatics about technical characteristics of informatics programs to take into account any modification or improvement of IT on the design of the project. 	<p>This refers to the need of having informatics programs of state of the art technologies and connectivity that initially make it possible to do quantitative analysis, client segmentation, credit analysis, payments acceptance and easy access to client information</p>
SOCIO-QUALITATIVE INVESTIGATIONS	<ul style="list-style-type: none"> • Tools to be used, e.g. AIMS, RTC, and IKM for the implementation of methodologies specialized in both qualitative and quantitative analysis to record data. 	<p>This item refers to the use of well-known methodologies for market research, feasibility study, demand investigation, impact and satisfaction research. It is recommended to hire consultants or entities highly specialized in microfinance and microinsurance products.</p>
EDUCATION AND AWARENESS METHODOLOGY DESIGN	<ul style="list-style-type: none"> • Application of education methodologies, particularly of alternative communication, for adults, illiterates and those with time constraints. 	<p>This item refers to the need of designing methodologies for the awareness and education of the population in accordance with their socio demographic profile that vary according to the country and region. It is also recommended that this process shall be managed by social science professionals (e.g. anthropology, social communication, ethno-education, among others), who have education experience working with adults and vulnerable population.</p>
PRODUCT DESIGN	<ul style="list-style-type: none"> • Analysis of qualitative research and social priority of the population that have to do with products that would allow managing and preventing crisis from remittance issuers. Focalized products by gender should be included. 	<p>This refers to the need of maintaining the characteristics of microinsurance, particularly the feasibility to reduce the vulnerability of issuers and receptors of remittances.</p>
PROMOTIONAL CAMPAIGNS	<ul style="list-style-type: none"> • Use of various channels for national and transnational promotion. 	<p>Design campaigns through consulate networks, associations and migrants foundations.</p>
IMPACT RESEARCH	<ul style="list-style-type: none"> • Application of methodologies specialized in impact studies, e.g., AIMS, RTC, IKM 	<p>This item makes it possible to learn the influence of microinsurance as a factor to prevent poverty and show if the social objectives of the project are met.</p>

8.2. DISTRIBUTION CHANNEL MATRIX

The main questions that arise when you start identifying and building alliances with entities, that from the perspective of the insurance company, may be the most suitable marketing channel for microinsurance, are related to the commercial and operative capability those entities have, as well as their legal capacity to explore this business. As it was made clear sections before, it is the channel the one that represents the insurance company before the consumer, therefore requires an optimal synergy between these entities.

Following, the minimum requirement matrix for an alternative distribution channel is presented. It can be understood as a tool to guide and validate the minimum requirements that must be identified in a feasible distribution channel, both from an institutional and a legal point of view. These requirements are not exhaustive, but they are basic. Thus, the presence of the various elements in the matrix may result favorable to filter in a simply and systematic way the mapping of the possible distribution channels, or simply for the formulation and assessment of projects.

TABLE NO. 93. DISTRIBUTION CHANNELS MATRIX

	OBJECTIVES	ACTIVITIES
Institutional Development	Institutional Strength	<ul style="list-style-type: none"> • Verification of existence and legal and financial representation (review of financial statements, as well as entailment with unions, among others, that allow legitimacy) • Verification of the solidity of the organizational structure (review of the certification of processes under international rules (e.g. ISO 9000, quality assurance system. Though it does not represent a conditional requirement) • Review of types of agreements, regulations and rotations of officials of the channel. A high level of staff turnover or informal agreements has a bearing in the training costs of the project • Carry out surveys through focal groups with customers that make use of the services of possible channels or with potential clients to recognize both its satisfaction with the channel as well as the acknowledgment of a trademark
	Confirm the scope, proximity, frequency of contact and understanding of potential clients.	<ul style="list-style-type: none"> • Field day visits to the point of sale to assess the actual dynamics of the services offered (e.g. homogeneity in the quality of their service networks, main flow days to propose support for the promotion of microinsurance, ability to locate marketing material, among others)
	Confirm operative and technological compatibility	<ul style="list-style-type: none"> • Conduct verifications through technological development experts to establish the degree of technological development of the channel, software capability to handle large concentrations of transactions. Stable and homogeneous connectivity in all points of sale, but particularly in those located in rural areas. Compatibility to complement the existing technologies. Capability to issue volumetric data that allow the design of products or the results of the management. Capability of collection and support in the presentation of a claim • If the entity shows or presents some deficiency in any of those former items, it should be taken into account within the financial budget of the project and establish the financial viability within the initial costs
	Alliances strengthening	<ul style="list-style-type: none"> • Signature of institutional commitments with the Chairs of the entities • Training on alliances for development • Design of methodologies that would allow strengthening and evaluation of the alliances • Definition of goals and real and attainable objectives, as well as the operational definition of the technical and social indicators since the beginning of the project
	Verify the appropriateness of the product	<ul style="list-style-type: none"> • Conduct focus groups at points of sale compared with the volumetric data that the channels possess of current clients • Review of the census population, indexes of human development or local reports on social and economic development in the region where the potential channel or clients are located
Regulatory Framework	Verify the capability of the channel to operate as sale outlet	<ul style="list-style-type: none"> • Review of standards and regulations that allow that the channel to collect premiums, receive commissions or expenses for the use of the channel
	Guarantee of transparency	<ul style="list-style-type: none"> • Establish an induction and re induction timetable with a scope of all locations of the channel to guarantee staff training of the personnel in charge of providing support to the processes of sale and client service • Ensure the permanence of material or information that allows the customer to clearly understand his rights and obligations regarding the product • Ensure minimal guidance regarding the claim process (Channel calls to customer service lines, offices, hospital networks, among others)

The following topic related to this chapter can be consulted in the Study “Analysis of Outstanding Experiences in Latin America and the Caribbean” under the number and page indicated as follows:

8. Minimum Requirement Matrix for distribution channels (Page 163)

9. CONCLUSIONS

The microinsurance market in LAC is currently expanding and it is precisely at this point it is necessary to set a filter to avoid multiplication of experiences that do not report any value to the consumer and are not financially viable. It is important to integrate the private insurance sector to ensure that only products capable of meeting these two elements simultaneously can be implemented and get deeper into; for doing so, it is therefore important to take into account the criteria described in the current Study to evaluate whether their products comply with such purposes.

The evaluation of microinsurance products should not only be performed by each entity, but in a joint and transparent way; for which segregated microinsurance data consolidation and its dissemination is essential. However, we found that the private insurance sector of the countries under study are not in favor of sharing information, for this reason it is imperative that the sector and the supervisor entities promote transparency in this aspect; otherwise it will be impossible to diagnose either a product or the microinsurance market of a country in a realistic way.

Finally, it is worth noting the importance of the regulatory framework applicable to microinsurance in each country, in order to promote and facilitate its development as well as to protect the microinsurance consumer. This does not mean that a special microinsurance regulation is necessary in each country, since this is not a guarantee that the regulatory framework will be appropriate for microinsurance. It is important to analyze the entire regulatory framework applicable to microinsurance in a transversal way, so we can make accurate diagnoses, set the steps to be followed to build up an adequate environment where microinsurance products may be offered, which should be characterized by the balance between two elements: microinsurance promotion and consumer protection.