

# 2005 Microinsurance Conference

## The role of regulators, governments and donors

### Munich, 18-20 October



Dr. Rüdiger Krech / Kompetenzfeld Nachhaltige Soziale Sicherheit



## Need for a clear framework

---

- Legal „loopholes“
- Miscalculation of premiums
- Product development without expertise in insurance mathematics
- Financial Instability
- Quick introduction of ill-prepared insurance products



## Reasons for a clear framework

---

- Multiple stakeholders with different interests
- Unclear roles
- Unclear areas for innovation

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ



## Reasons for a clear framework

---

- large insurers could become more involved in serving the lower income market;
- small insurers could become increasingly professional (and maybe regulated) and expand;
- new locally based microinsurance institutions could be set up;

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ



# Governance structures: Why?

Need to create and sustain

TRUST

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ



# Roles of government

- Identifying different roles of stakeholders
- Balancing out regulation and “room for innovation”
- Coordinating the framework
- Creating incentives for business to engage in MI

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ



## Roles of government

- protect customers from misleading sellers
- protect the financial viability of insurers,
- define the general features of insurance,
- define duties and responsibilities,
- define the conditions for the entry and exit of players in the market
- guarantee a level playing field in the market,

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ



## Roles of government

Ensure that regulators answer questions like:

- How adequate are the regulations in terms of safeguarding the interests of microinsurance clients?
- Which types of institutions are favoured or hindered by the present regulatory framework?
- How can the cost of regulation and supervision be minimised, and at the same time high quality services be ensured?
- What can the regulatory framework contribute in order to motivate informal insurers to legally provide microinsurance services?

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ



## Regulatory Fields to be Improved

- Minimum capital requirements are too high, compared to the small amounts of the policies, and for locally organised small microinsurance institutions;
- Requirements for agents are either too low (anybody without prior formation can act as agent), or too restrictive;
- Semi-formal insurance schemes are not covered by conventional insurance regulations;
- Reinsurance is a serious constraint for micro insurers.

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ



## Instruments for executing this role

- Accreditation systems for insurers and dissemination lines
- Introducing and supervising quality management
- Auditing national schemes
- Assessing the need

Dr Rüdiger Krech, Head of  
Section, Social Protection, GTZ