

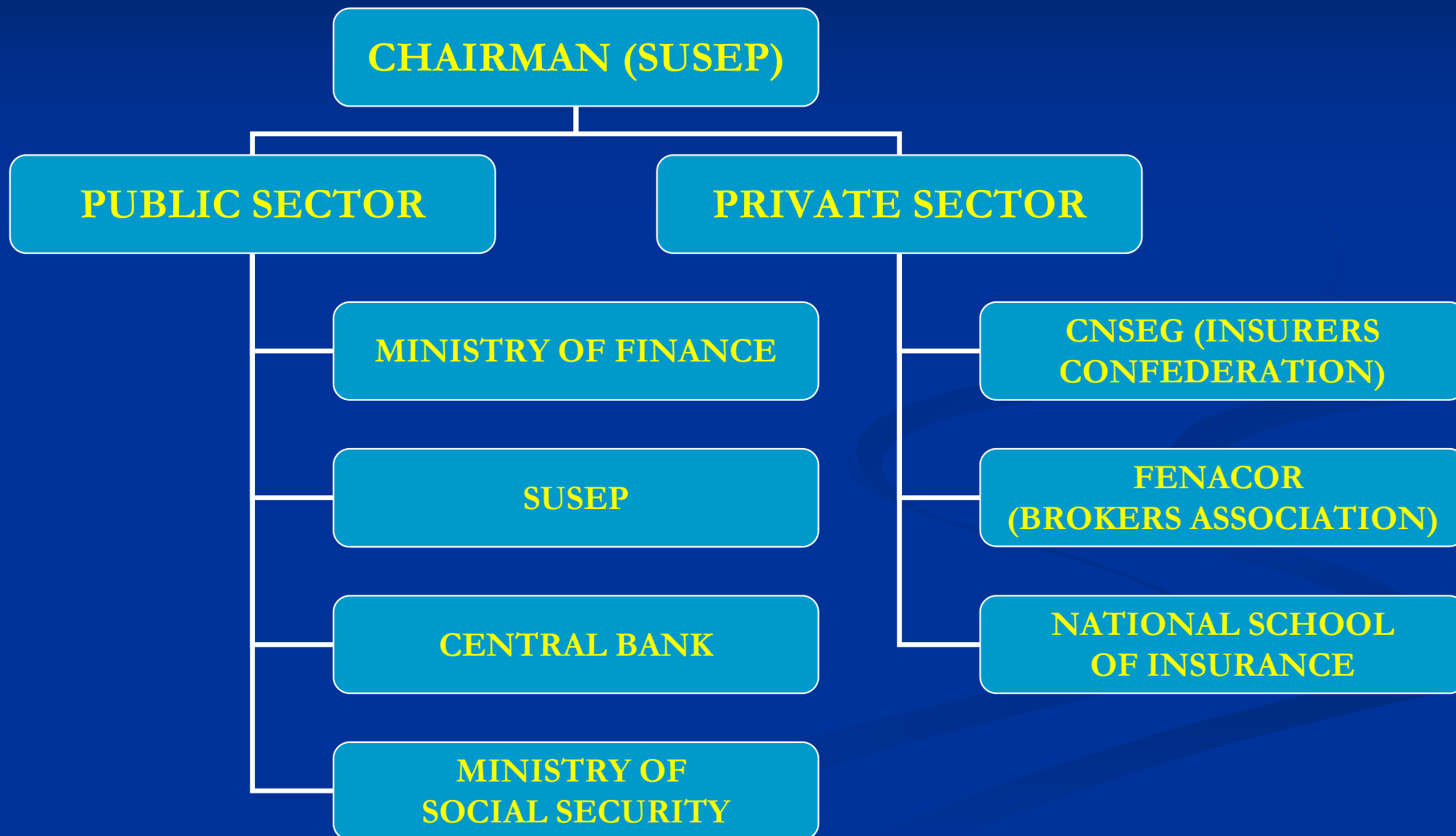


Regulation, Supervision and Policy Issues for Microinsurance in Brazil

Access to Insurance Policy Seminar _ Senegal 2009



Consultative Commission on Microinsurance





SUSEP's Working Group on Microinsurance

COORDINATOR

STATISTICS DIVISION

LIFE INSURANCE DIVISION

P & C INSURANCE DIVISION

TAX DIVISION

ON-SITE SUPERVISION DEPARTMENT

GENERAL SECRETARIAT



Timeline

- September/2008 – Define “microinsurance” and “low-income population” for microinsurance purposes in Brazil
- November/2008 – Identification of Regulatory Barriers
- June/2009 – Identification of Stakeholders and their Role
- August/2009 – Microinsurance Products and Parameters

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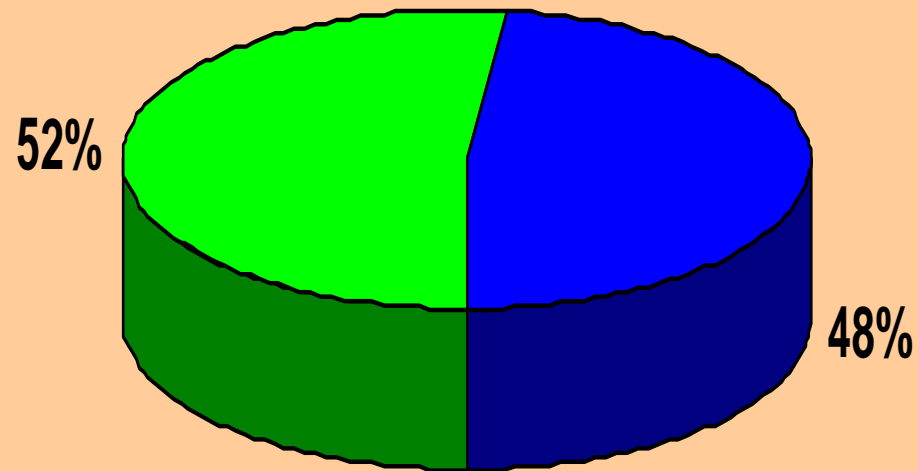
“Microinsurance” Definition

“Microinsurance is the **insurance protection** provided by **licensed entities** within the country against specific risks which aims fundamentally to preserve the socio-economic and personal and family situation of **the low-income population** by means of **premium payments which are proportional to the probability and cost of risks involved**, in accordance with the legislation and globally accepted insurance principles.”

“Low Income Population”

- Many variables influence the “poverty” concept
- Brazil has continental dimensions and great contrasts among its different regions
- Variables linked to **income *per capita*** jointly with **educational variables** and **household variables**, aiming to:
 1. Preliminary investigation on the educational levels of potential microinsurance consumers
 2. Possible distribution channels and/or microinsurance premiums collection networks

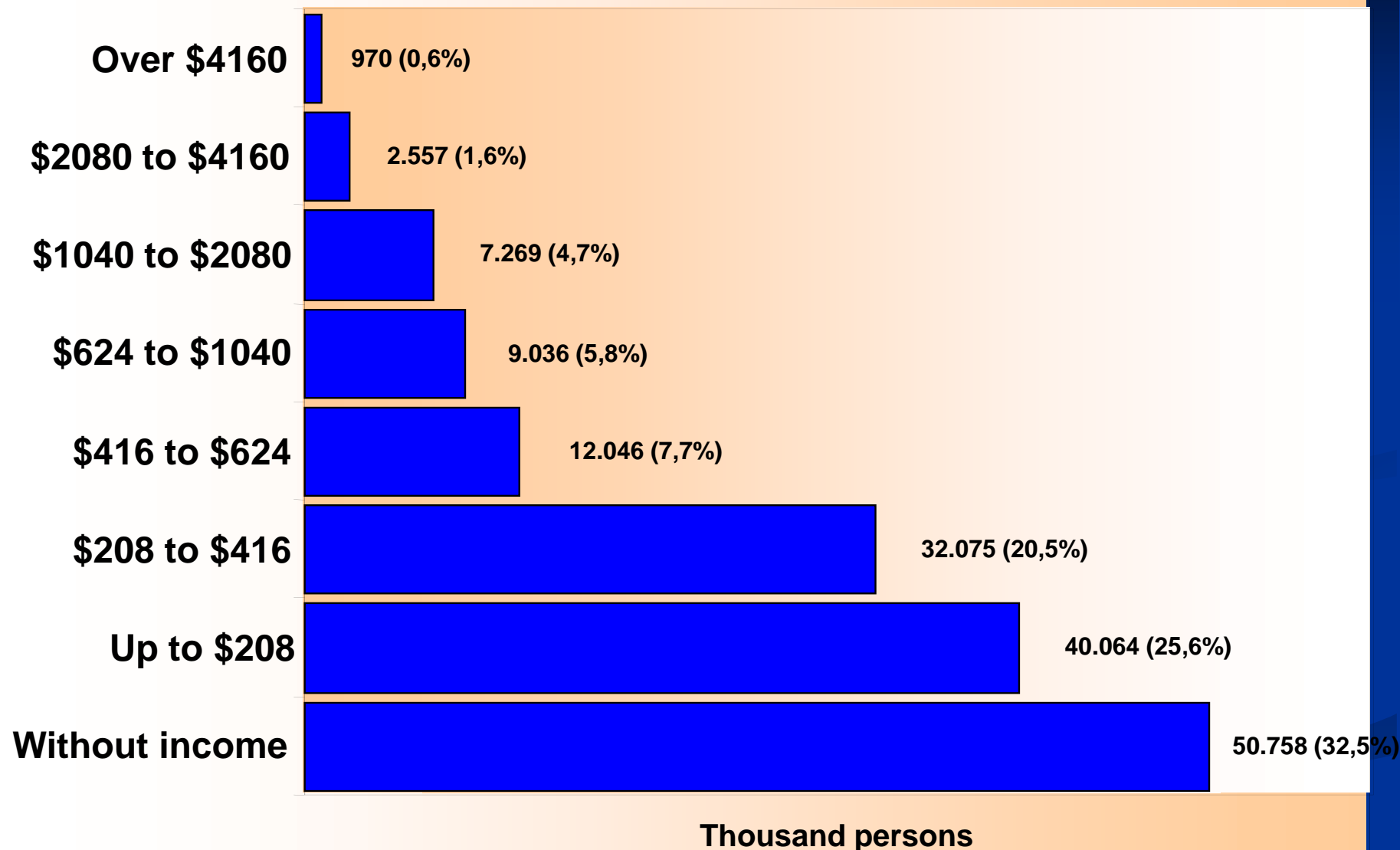
Population: 184,388,620



- Economically Active Population: 96,031,971**
- Population not classified as EAP: 88,356,649**

Source: IBGE - National Household Sample Survey 2005

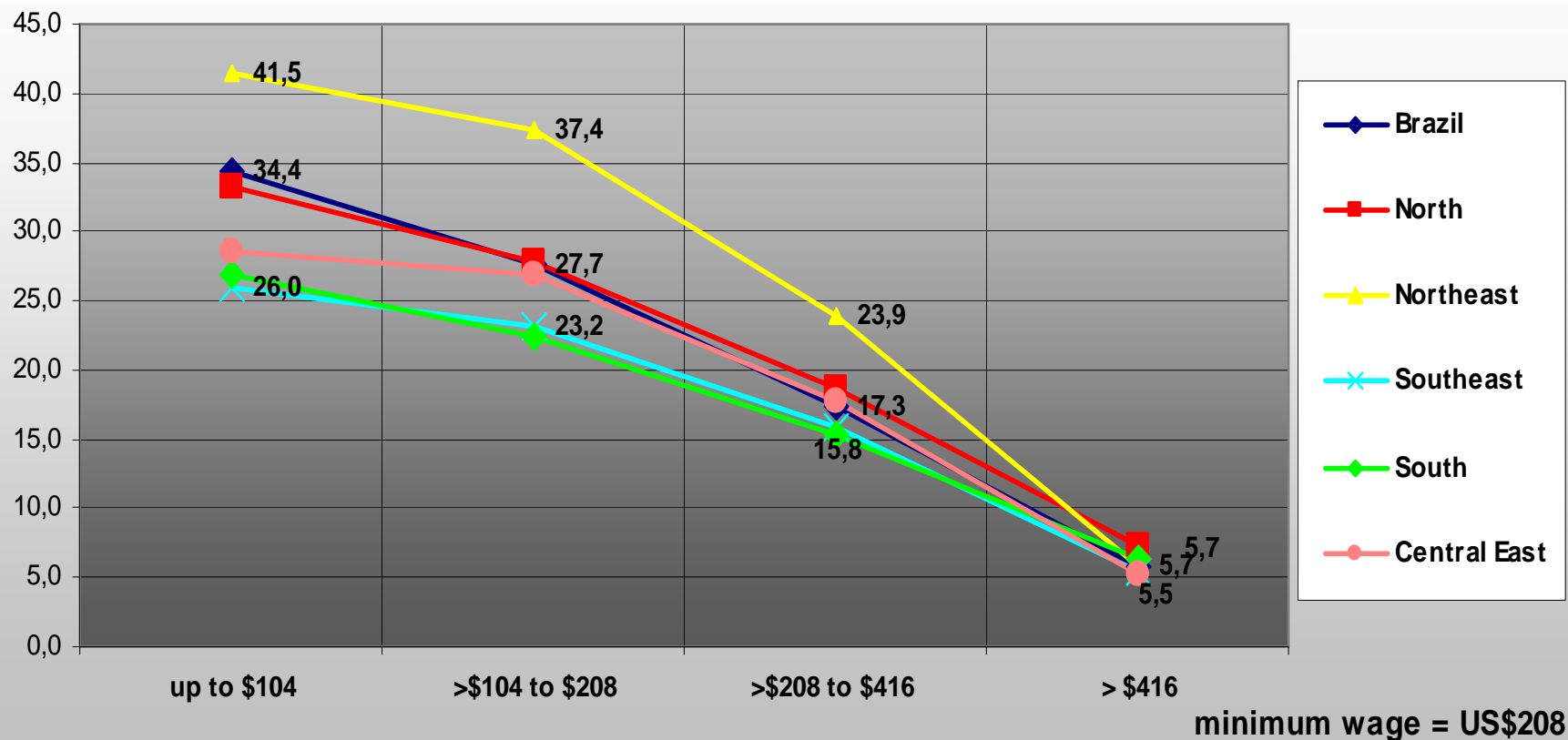
Income Distribution (monthly *per capita*)



Source: IBGE - National Household Sample Survey 2005

Education X Income 1

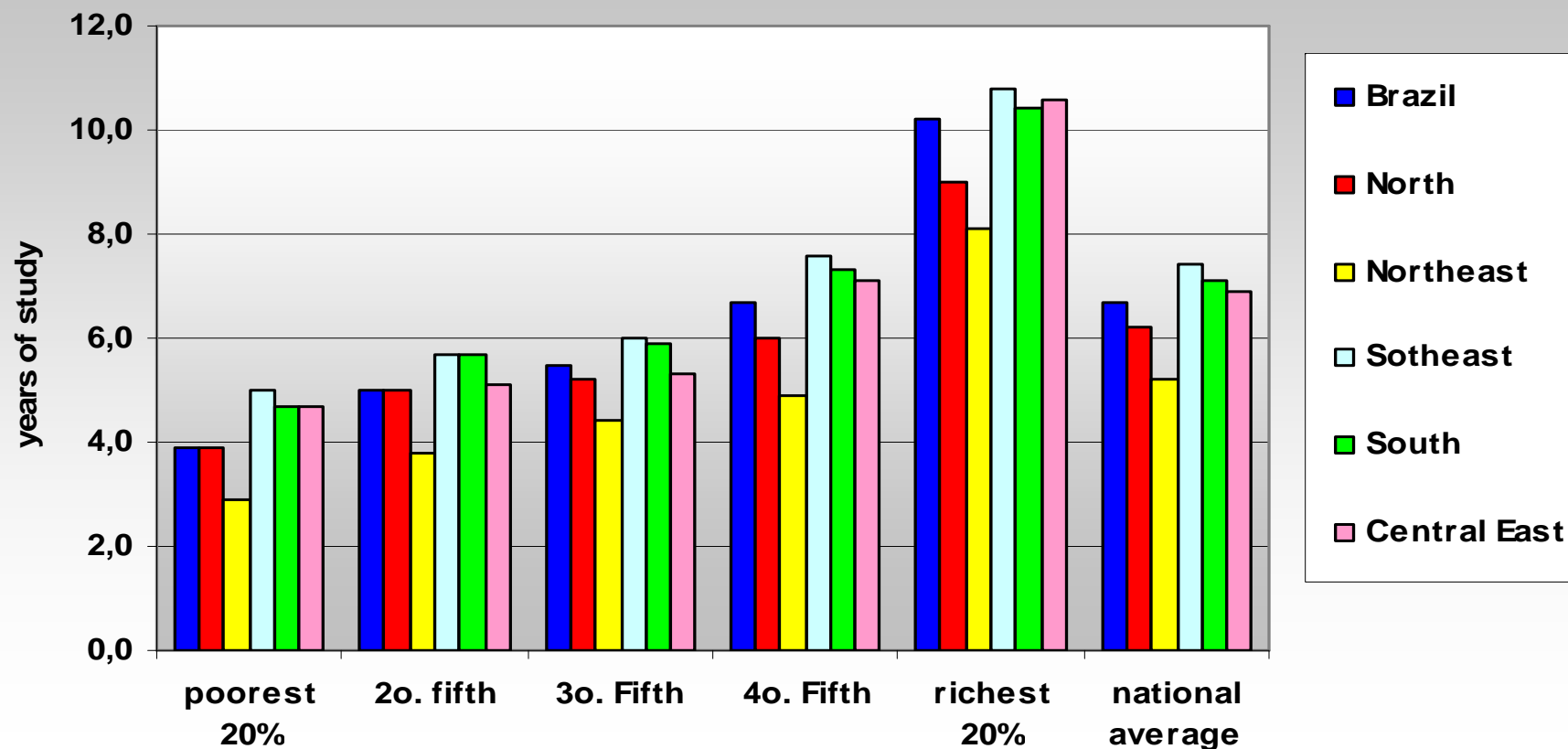
Functional illiteracy rate of persons aged 15 years and older



Source: IBGE - National Household Sample Survey 2006

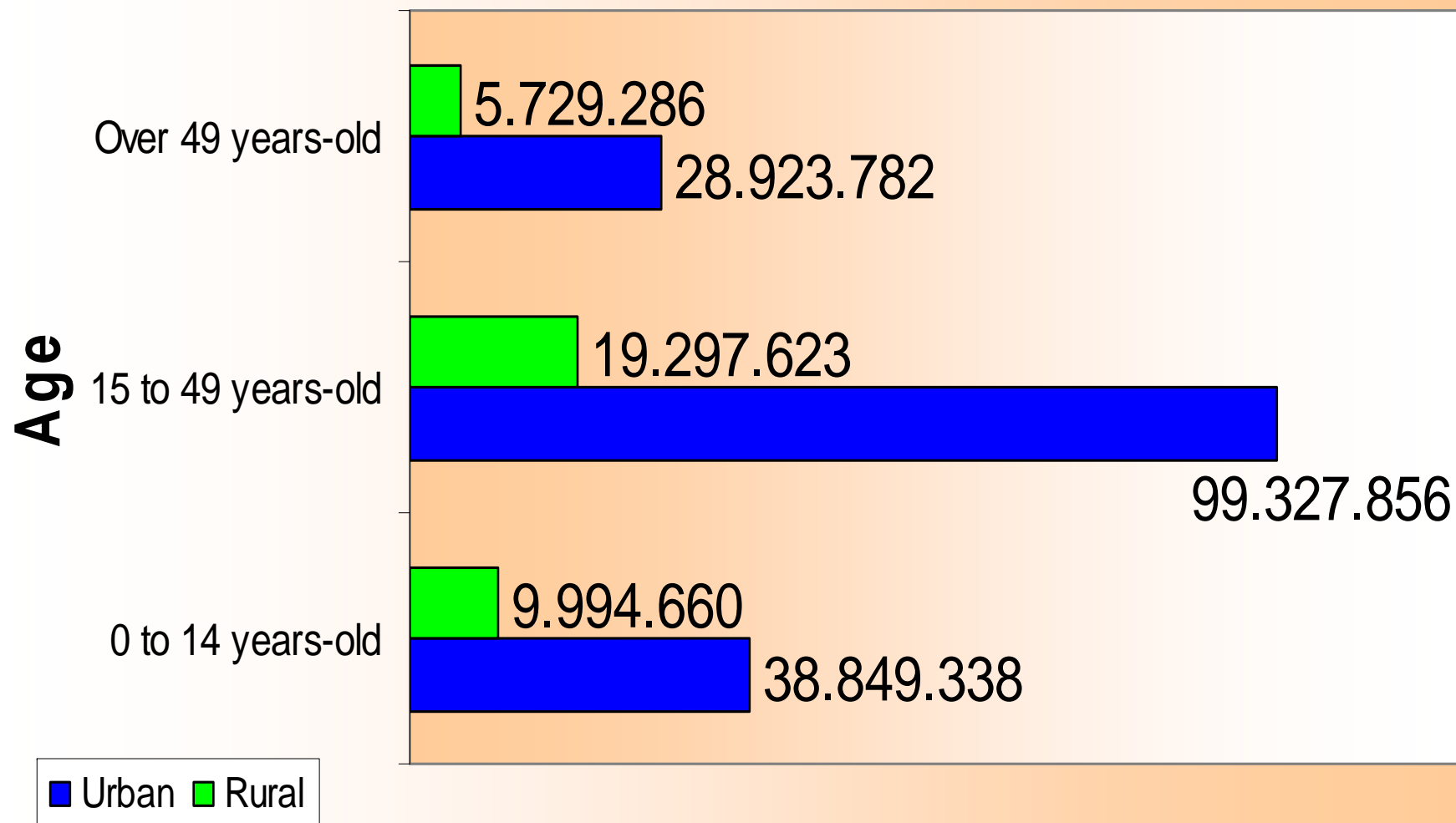
Education X Income 2

Average years of schooling of persons aged 25 years and older
by monthly income household per capita by fifth



Source: IBGE - National Household Sample Survey 2006

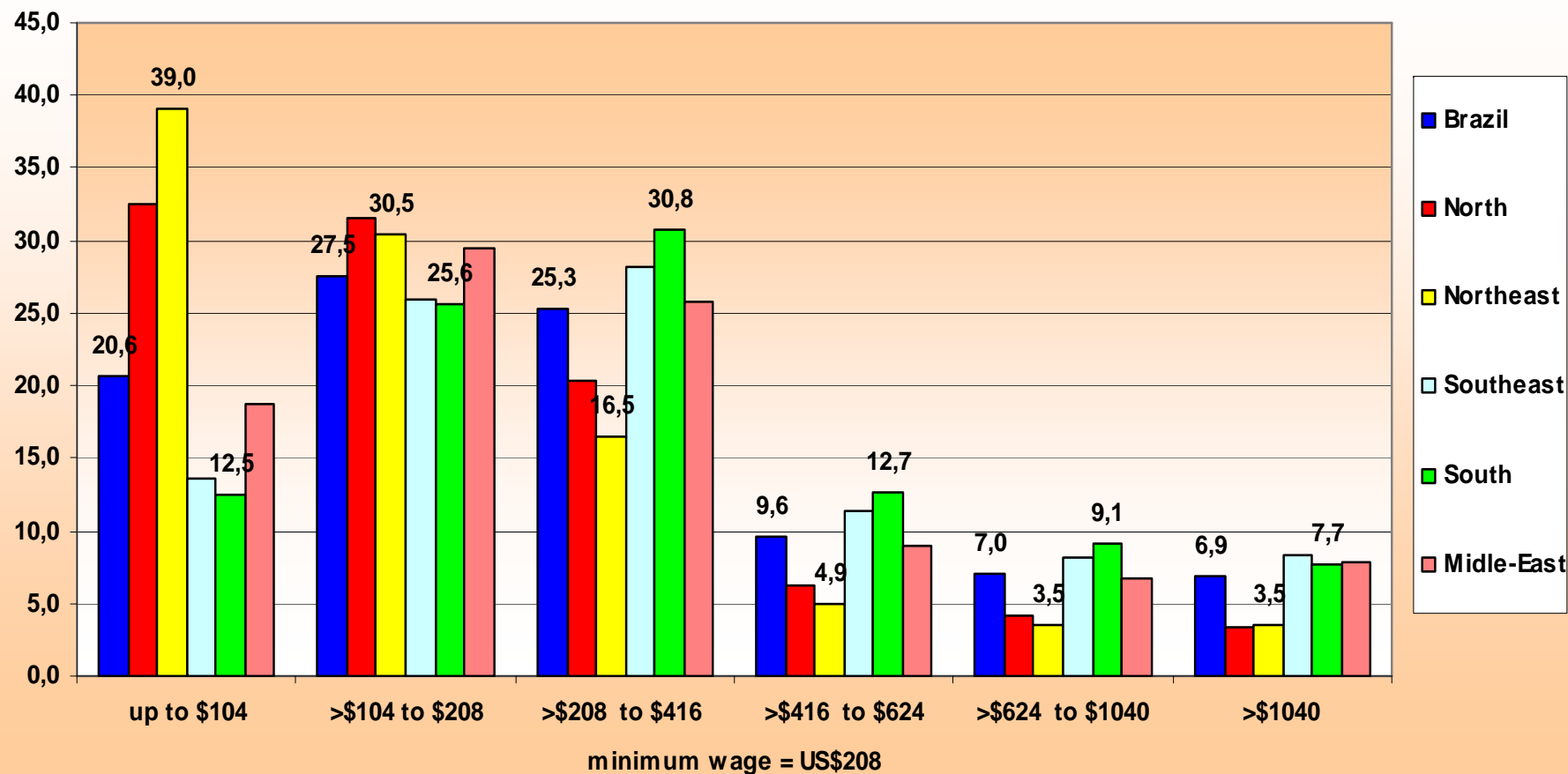
Urban Concentration



Source: IBGE - National Household Sample Survey 2005

Urban Households X Income

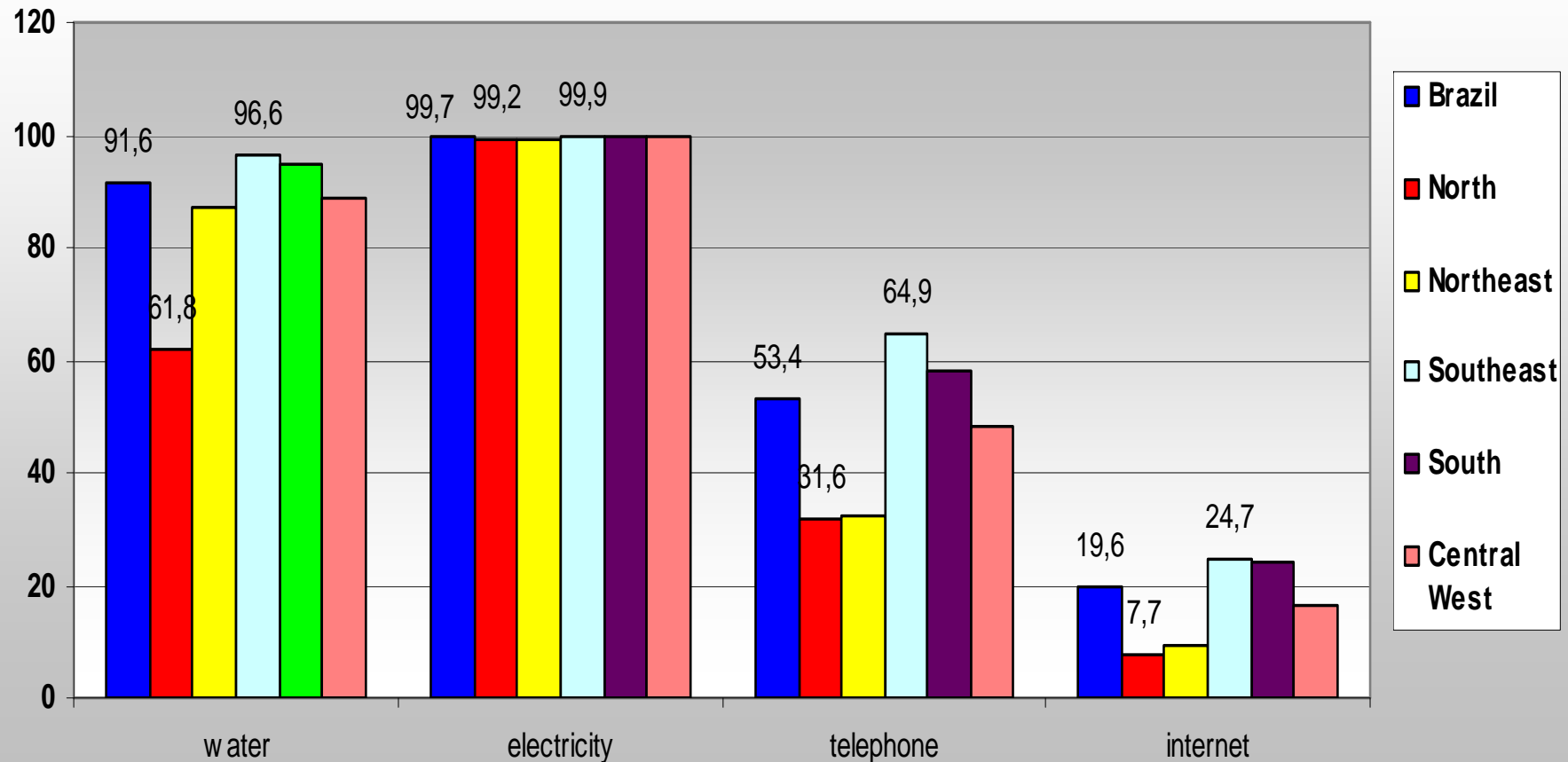
% urban households by monthly income *per capita*



Source: IBGE - National Household Sample Survey 2006

Household Utility Services Access

% households with utility services access



Source: IBGE - National Household Sample Survey 2006

“Low-Income Population”

- Target: i) **low-income households**; ii) **people working in the informal economy**; and iii) **low-income workers in the formal sector**
- Around 46% of the Brazilian population has monthly income *per capita* up to US\$416 (2 minimum wages)
- National average monthly income *per capita* (considering 13 wages per year): R\$ 1,253 – US\$ 626 – three minimum wages
- Trend to informal activities observed in the economically active population (mainly among those who perceives income monthly *per capita* up to US\$416)



“Low-Income Population” Definition for Study Purposes

“The **low-income population** in Brazil, for specific microinsurance purposes, is the segment of the population which monthly income *per capita* is up to **three minimum wage national reference**”.
(US\$624)



Survey Program

- MI Potential Market
- Mortality Table (Families up to 3 minimum wage *per capita*)
- **MI Experiences abroad (five-country case studies)**
- **Identification of Regulatory Barriers**
- Social Insurance within the Public Sphere
- Social Insurance supported or practiced by Private Sphere
- Microcredit and MI Synergy
- Insurers perspectives
- Collection premiums models
- Distribution Channels, efficiency and costs
- Low Income Demand for Private Insurance
- MI Economic and Social Benefits

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Identification of Regulatory Barriers

- Assessment of the legislation which regulates the insurance sector – around 90 rules (laws, resolutions and circulars)
- Evaluation of regulation impact – identification of **barriers, opportunities and gaps** in the legislation and also **risks and threats** due to lack of protection elements.
- Meetings with private sector representatives – operational and marketing experience.



Identification of Regulatory Barriers

Assessment Conclusions

- No relevant barriers or restrictions were found
- Restriction refers to legal form of insurance providers
- Legislation is flexible to regulate MI activities within the scope of the Supervisory Authority
- Different distribution channels
- Microinsurance brokers
- Hiring insurance through tickets
- Tax issues
- Bank Correspondents
- Specific license to sell microinsurance



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Identification of Stakeholders and their Role

- **21 Stakeholders** were identified at **Macro and Meso Levels**
- At **Micro Level** were assessed:
 - insurance providers (regulated under Insurance Law, under other legislations and non-regulated)
 - intermediaries and distribution channels
 - policyholders and beneficiaries



Identification of Stakeholders and their Role

- At least 7 different distribution channels were assessed
 - brokers, churches, coops, NGO's, MFIs, Banks and Bank Correspondents, Department Stores, Public Utility Providers, Capitalization Companies, among others
- **Role of Donors and Development Agencies** were evaluated
- **Identification of key-divisions within the Supervisory Authority**
- As a result, more stakeholders get involved



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MI Products

- **Potential Products**
 - **Credit Life (non compulsory)**
 - **Group Life + Personal Accident**
 - **Funeral**
- **Regulation should encourage new products for low incomers**
- **Products well designed will define the target**
- **Balance in the regulation: Innovation X Consumer Protection (product regulation)**

MI Parameters

- **Term of the contract** (allow flexibility and encourage insurance culture)
- **Maximum benefit values** (defined by line)
- **Reduced time limits for claim payments** (including procedures)
- **Documents required** (by line) **in case of claim**
- **Previous approval required for MI products**



Microinsurance Workshop

- two-days open workshop in September
- Surveys, Reports and Commission Final Report were presented and discussed
- More than 150 people participated



MI Commission Main Proposals

- **specific license for insurers to sell MI** – differentiated treatment over MI operations
- **Microinsurance Products X traditional insurance products**
- **Consumer Protection – product regulation**
- **creation of a microinsurance broker** - qualification by means of a differentiated technical training, including minimum necessary requirements
- **microinsurance correspondent** – to regulate the relationship between insurers, insurance consumers and intermediaries

Lessons learned

- It is fundamental to know the main and specific characteristics of the target population of MI
- It is important to take into account cultural features
- Supervisory Authority should be conscious of the existing political constraints and legal limitations for regulator/supervisor
- It is critical to involve main stakeholder in the process (both public and private sector)



THANK YOU!

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