



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

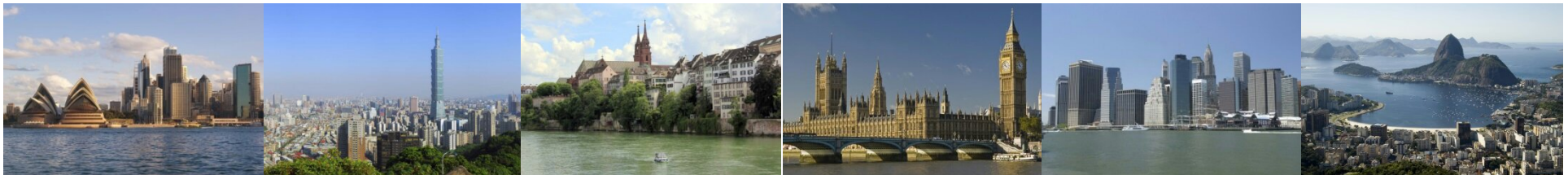


The role of the actuary in microinsurance

Update on IAIS Application Paper: *Prudential Requirements in Inclusive Insurance Markets+*

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9 November 2017



Process

Framework to apply to issues

Discussion

Guiding principles

Focus on actuarial and prudential aspects

Decision makers get support understanding and using actuarial advice

Outcomes support decision making

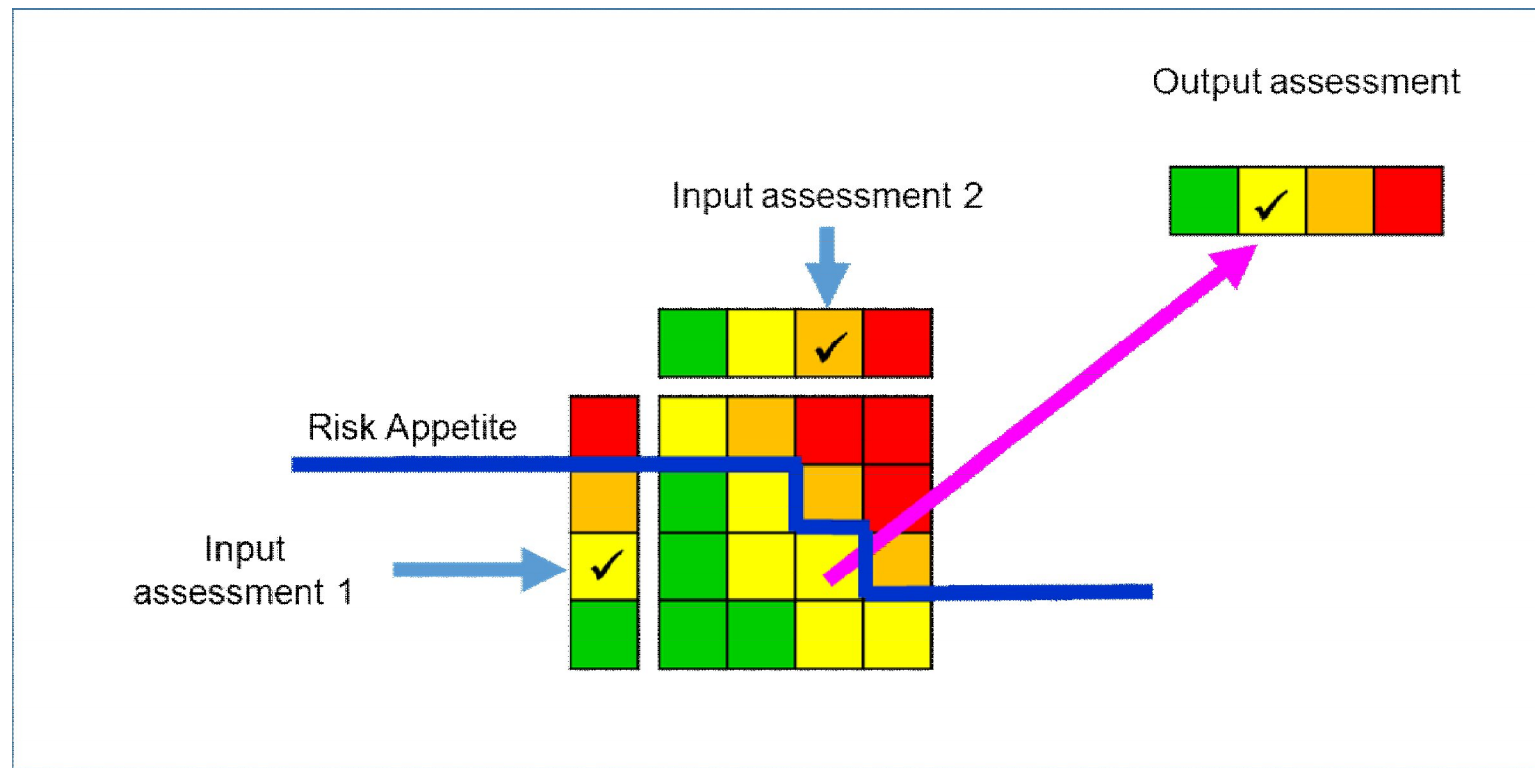
Inputs into broader supervisory decision making

Key assessment tool

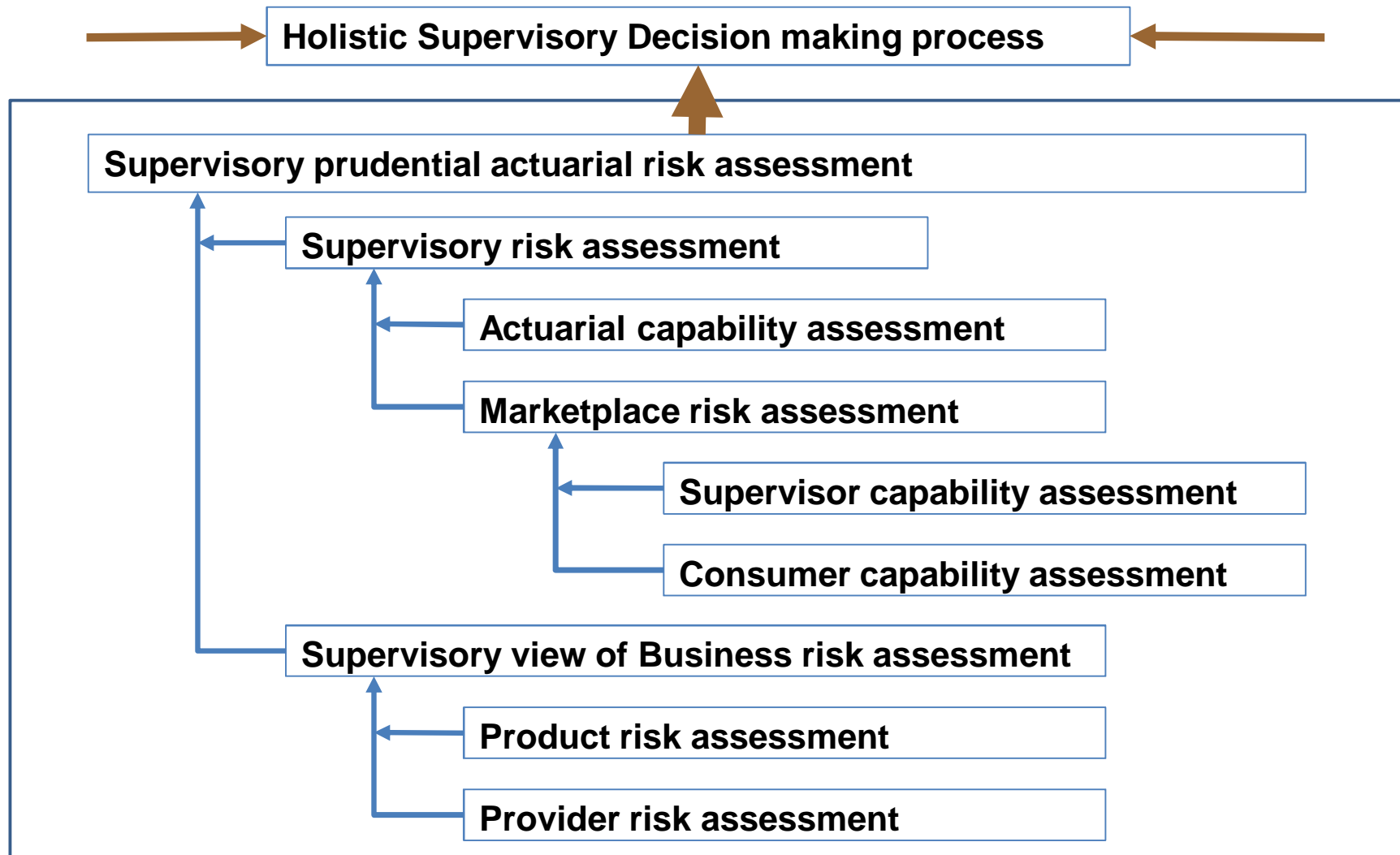
Use a heat map concept to obtain results

Traffic lights - Green is good (low risk, good capacity), Red is bad

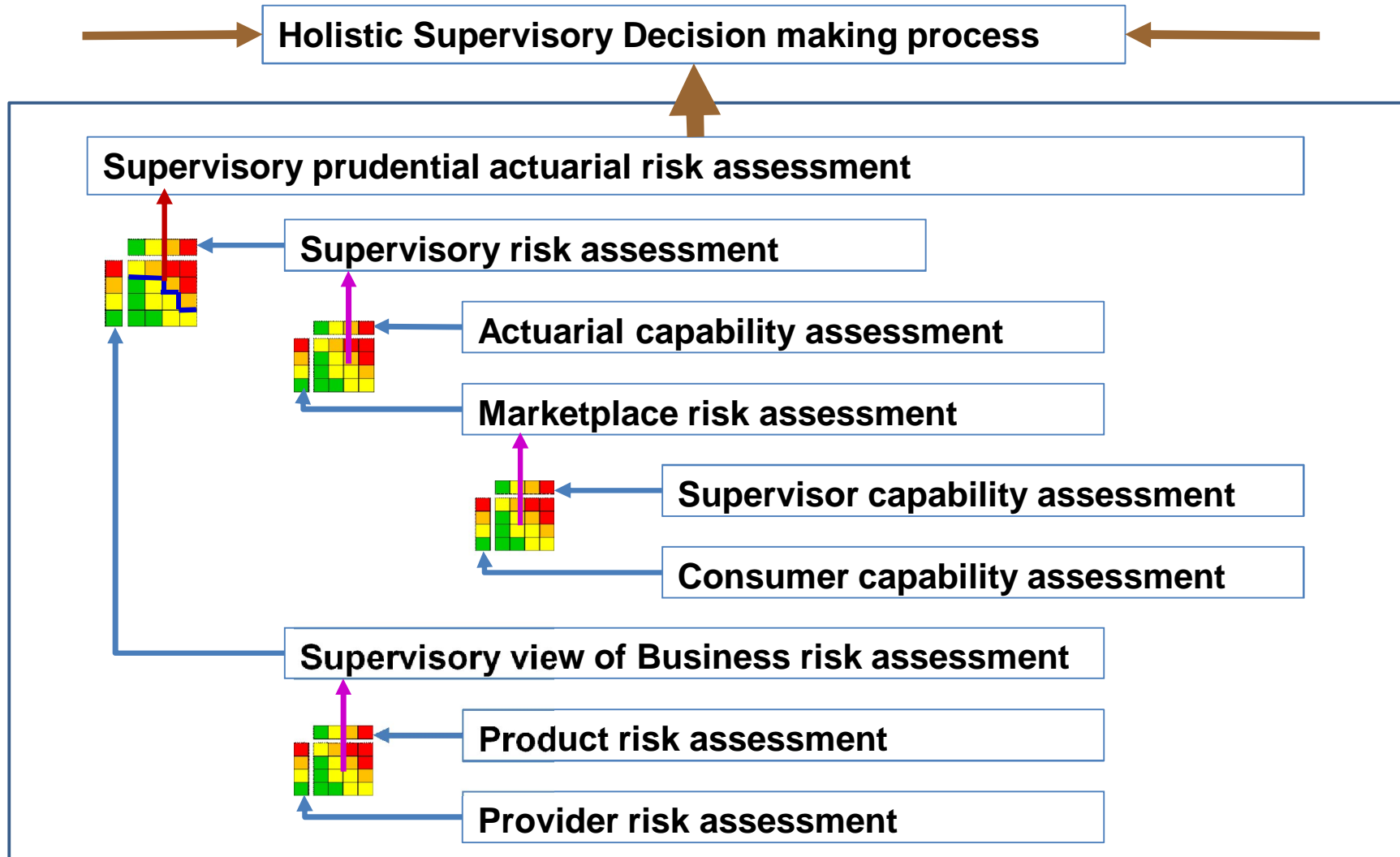
Iterative application . do and review



Framework



Evaluation . cascade up



Example - MTPL

MTPL = Motor Third Party Liability insurance

Political decision to have compulsory coverage

Supervisory issue more management than approval

Supervisor and industry not fully prepared

Match actions with time available to implement

Need sustainable market

Apply proportionality as appropriate

MTPL: Assess prudential risk

Marketplace is slow to change

- Mandatory Cover

- Limited supervisory capacity

- Insurer

Supervisory Risk

- Limited actuarial capacity

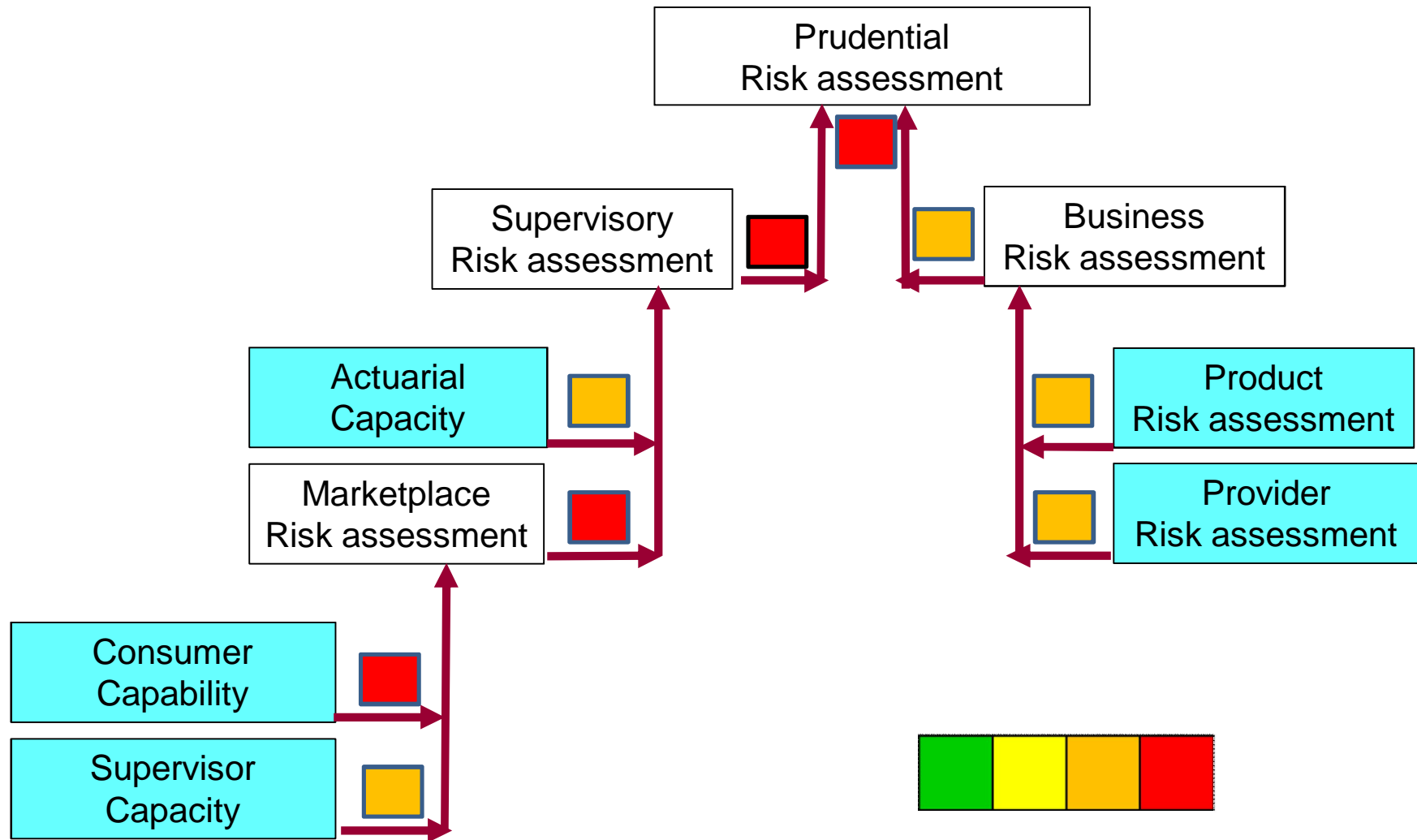
- Impact of premium, commission, expense etc limits

Business Risk

- Product highly regulated

- Quality of provider delivery limited

MTPL: Initial assessment



MTPL: Possible actions

Need reduce assessed prudential risk

Liberalisation Process

Improve Expertise/Resources

- Outsourcing

Get proper data

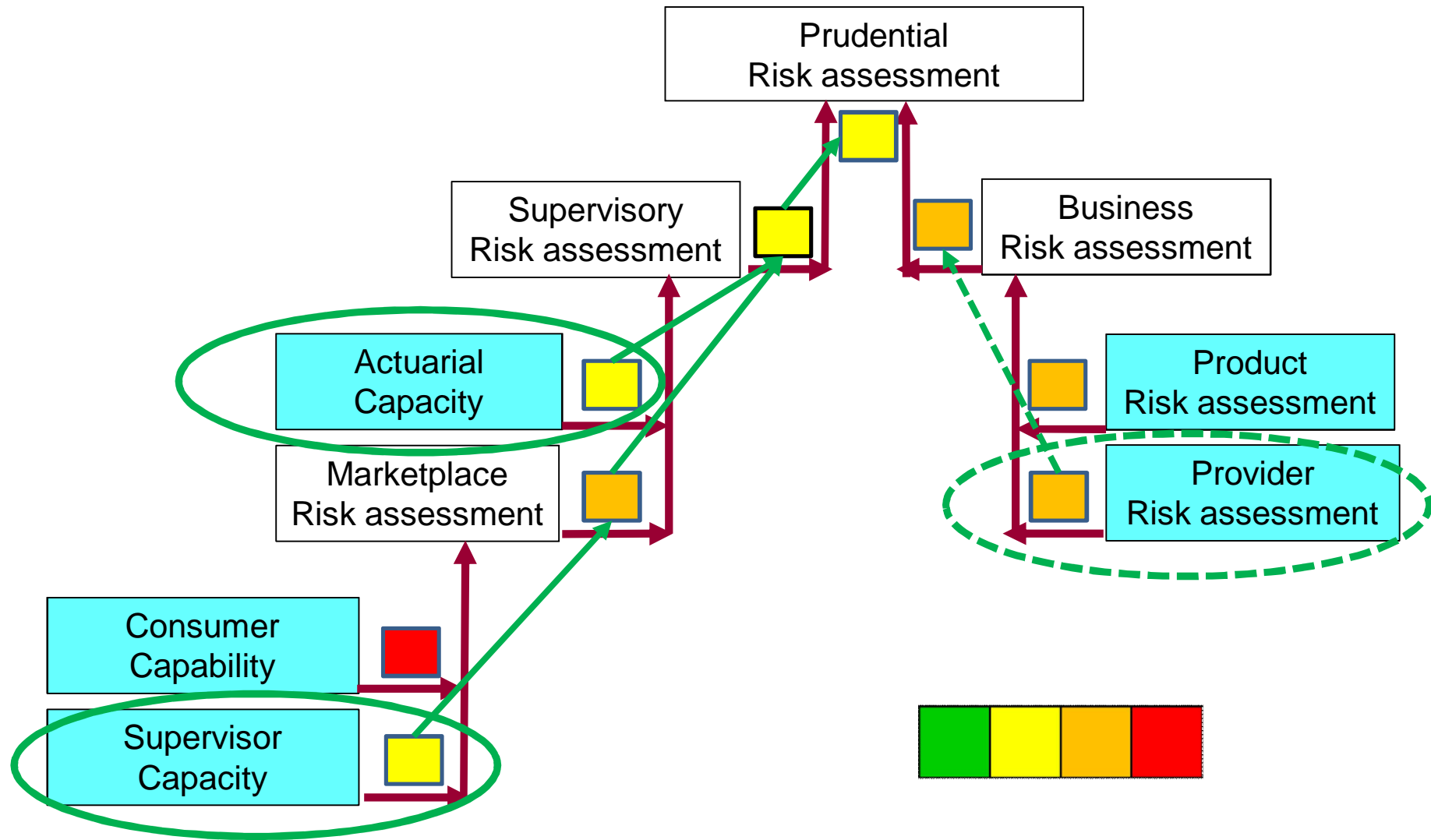
- Audit data acquisition & processing systems
- Deregulate commissions
- Improve reporting & monitoring

Audit Reserving and Capital adequacy levels

Check financial strength of qualified shareholders

Increase depth & frequency of regular reporting

MTPL: & supervisory capacity and enforcement



Moving forward

Examples bring the process alive

Discipline of documenting and explaining choices

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Regional supervisory capacity building Program in China in July 2017

Seek feedback and examples

Products from the complementary IAA paper

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Update on IAIS Application Paper:

*Update on IAIS Application Paper:
in Inclusive Insurance Markets*

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