



International Actuarial Association
Association Actuarielle Internationale



Seizing Opportunity Through Risk Management

A practical risk assessment process for inclusive insurance providers
and supervisors

Facilitators

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November 2018

Agenda

- Introduction to the risk assessment process
 - What is it and how does it work?
- Case study
 - Assess a product from industry and supervisory perspectives
- Wrap up
 - Lessons and feedback



Joint IAIS-IAA project

IAA Paper & Tool

Proportionate actuarial approaches to inclusive insurance markets

Product risks

Provider risks



Business and actuarial focus to address customer needs



IAIS Paper & Tool

Proportionate prudential approaches to inclusive insurance markets

Supervisory capability

Maturity of consumer market

Level of actuarial capability



Supervisory and market focus to address customer needs



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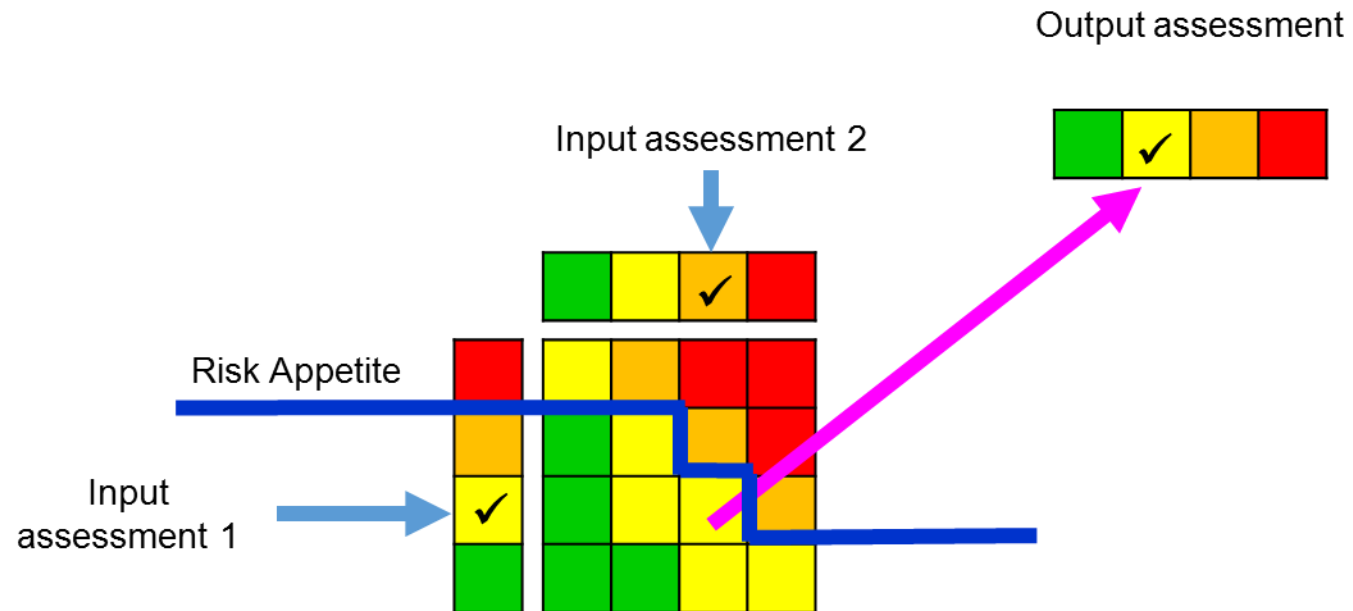
Process

- Framework to apply to risk assessment and management issues
 - Spreadsheet tools and a 'language' to promote better discussion
 - Guiding principles rather than prescriptive approach -> wide application
- Focus on actuarial and prudential aspects
 - Decision makers get support understanding and using actuarial advice
- Outcomes support decision making
 - Inputs into broader decision making for product providers and supervisors

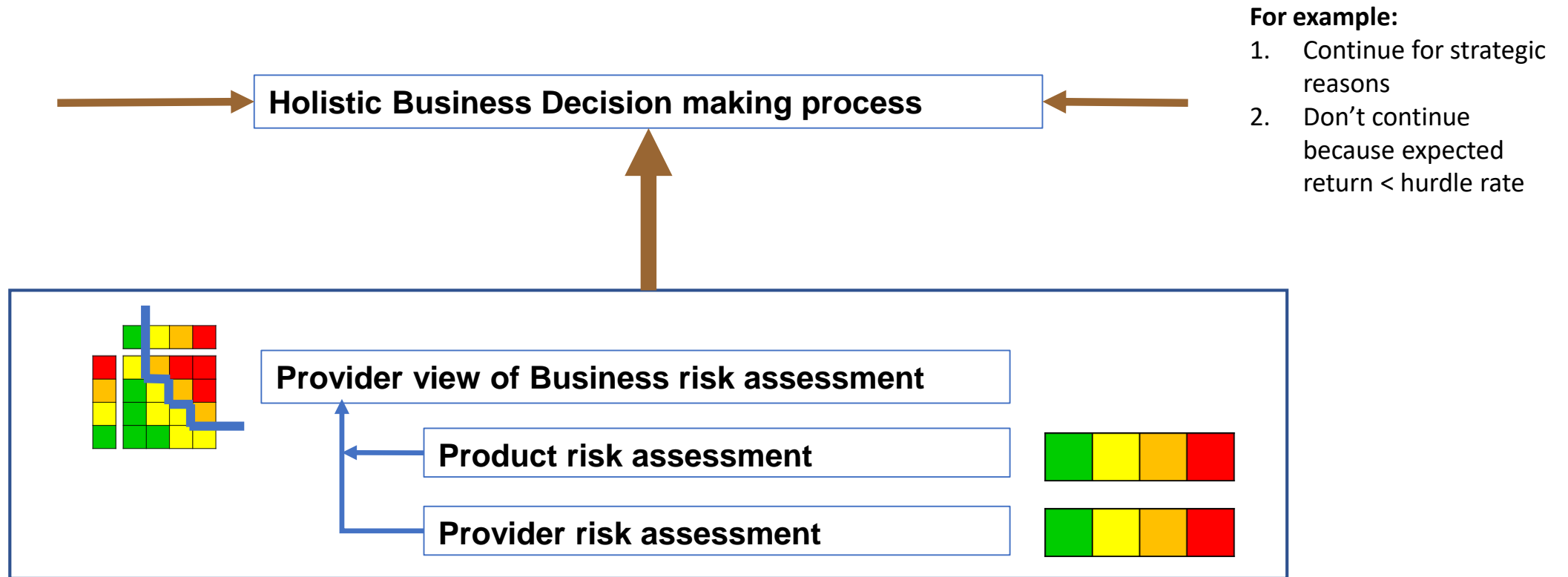


Key assessment tool

- 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 – Product & Provider



Framework – product assessment

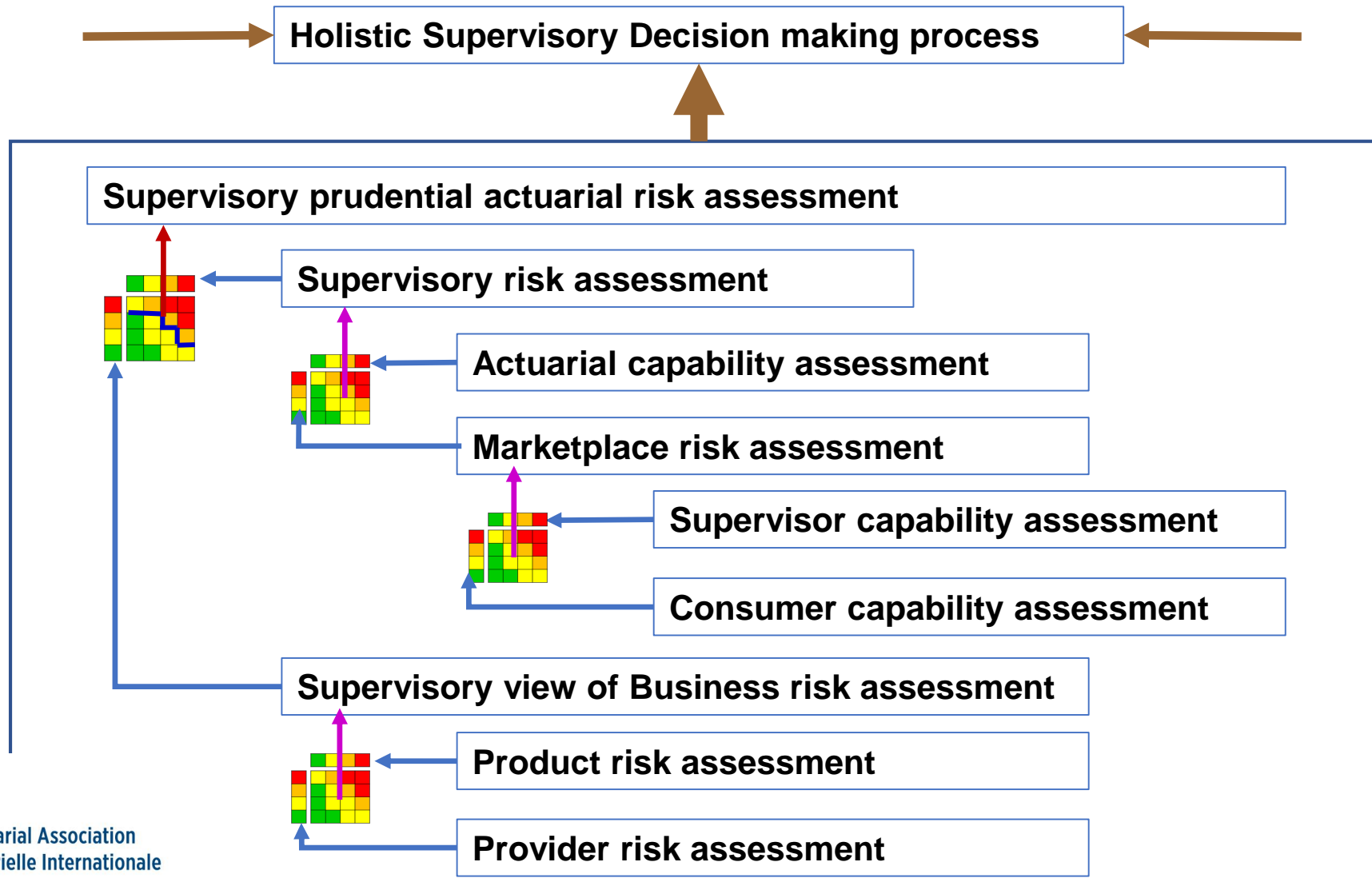
Step 1a: Product risk assessment

Name of product:	ABC
Type of product:	Composite Credit Life & Hospital Cash

	Product feature	Risk weight		Risk weight (converted to %)	Risk score (0, 1, 2, 3 or 4)	Weighted risk score (= risk weight x risk score)
1	Client insurance awareness and product understanding	High	4	18%	4.00	0.73
2	Sum insured: amount and predictability	High	4	18%	3.00	0.55
3	Insured event: frequency and predictability	Moderate	2	9%	3.00	0.27
4	Data: availability, quality and suitability	Moderate	2	9%	4.00	0.36
5	Product features: coverage term, deductible, exclusions, waiting period, guarantees, etc.	Moderate	2	9%	1.00	0.09

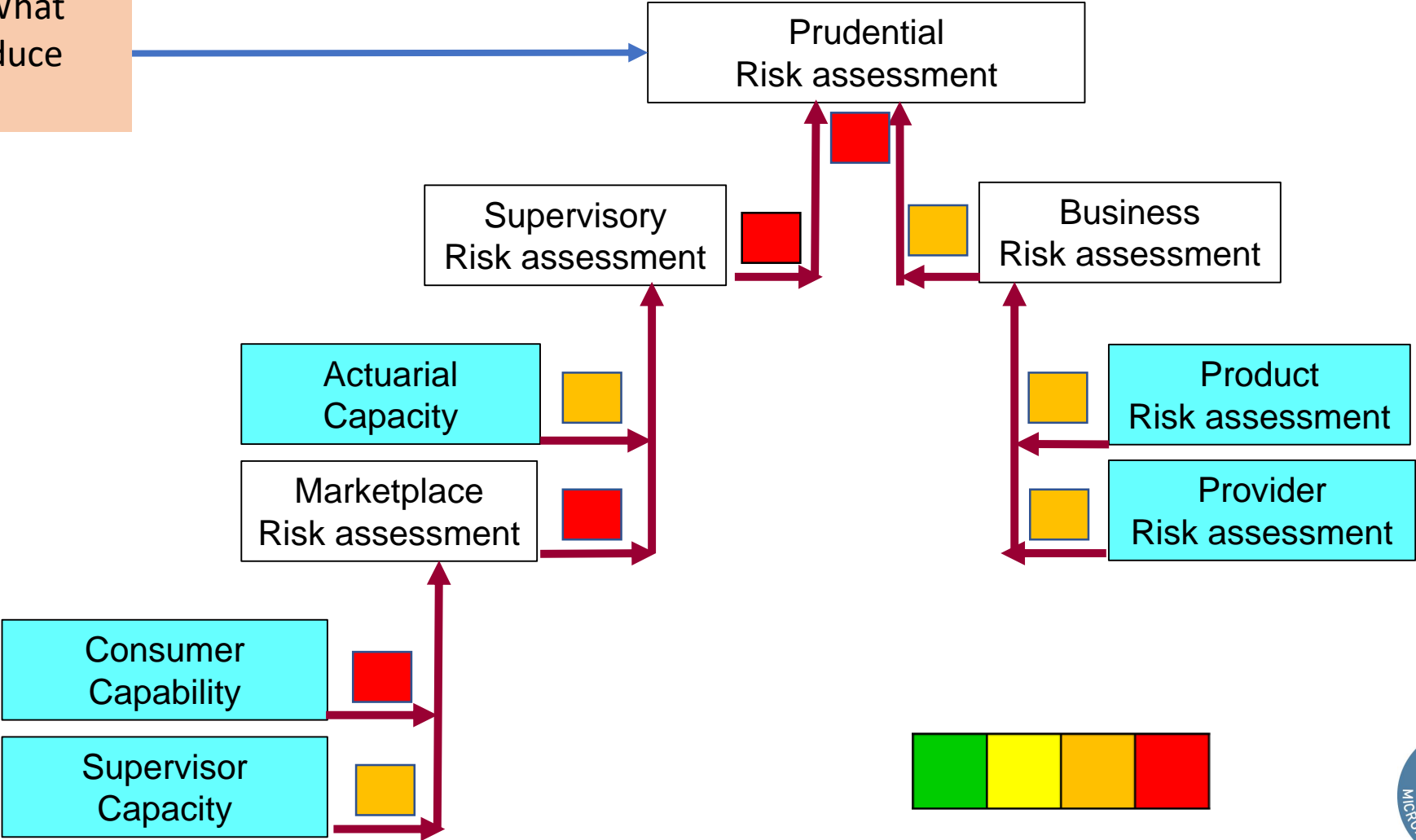


Framework & evaluation – Supervisor



Example initial assessment

Outside risk appetite. What actions can I take to reduce assessed risk?



Example assessment with actions

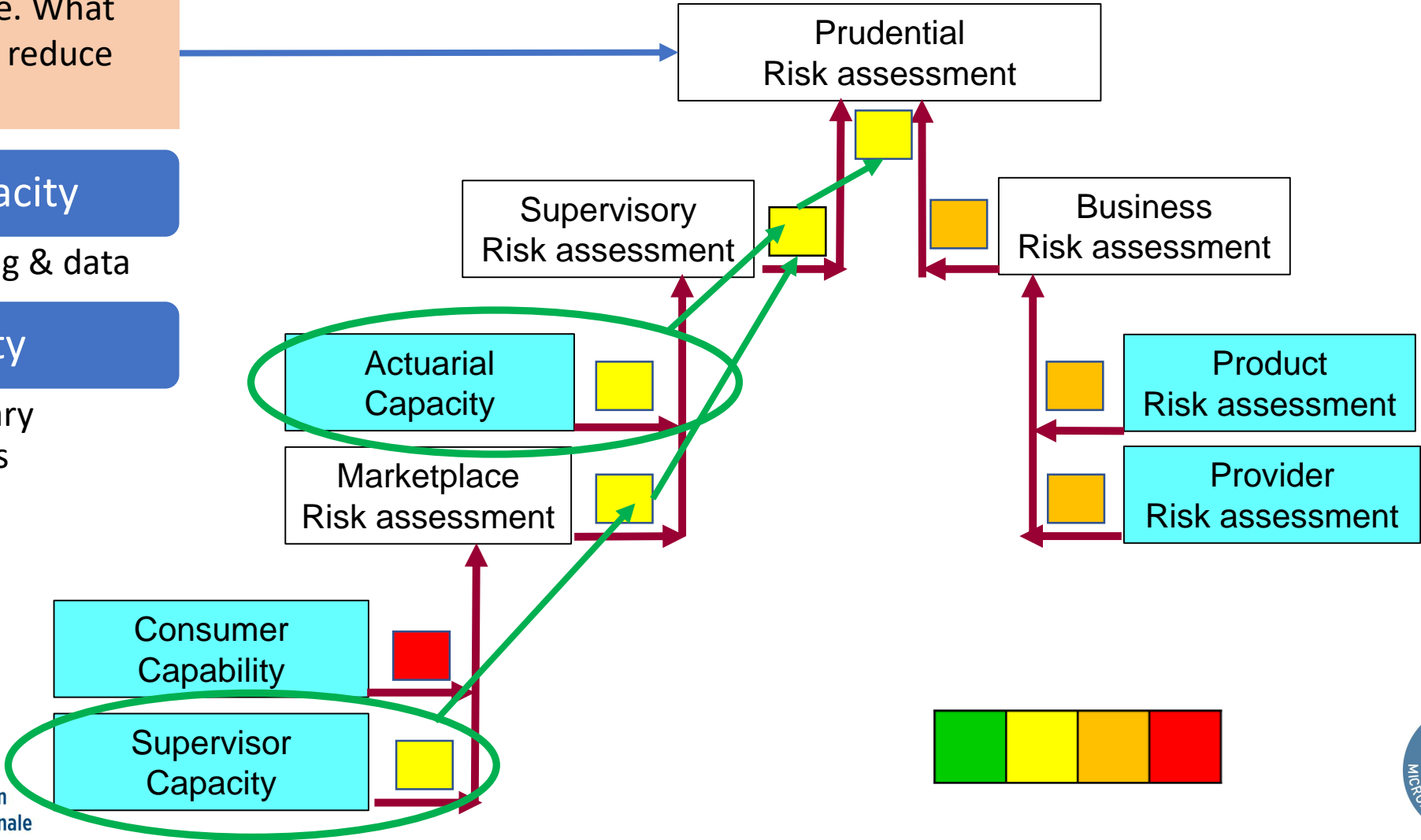
Outside risk appetite. What actions can I take to reduce assessed risk?

Supervisory capacity

- Improved reporting & data

Actuarial capacity

- In-source temporary consulting services



Case study

- Mobile-based hospital cash product in the fictitious country of Nambia
- Two groups
 1. Industry / product provider
 2. Supervisor
- Initial assessments and feedback
- Tea break
- Identify interventions, redo assessment and feedback

Where in the World Is Nambia?

There is no country called Nambia, but we do have a few places from which Nambia may derive.

The Gambia

Population: **2.1 mil**

I doubt this is Nambia, it is probably too small for the president to find on a map. And we know he likes maps, especially with big red states. But if your finger slips on the keyboard from G to N, it is quite possible to get Nambia.

Namibia

Population: **2.5 mil**

Perhaps a simple typo? You drop the first *i* and you get Nambia.

Zambia

Population: **16.0 mil**

Another simple typo? You swap the Z for the N of neighbouring Namibia and you have Nambia.

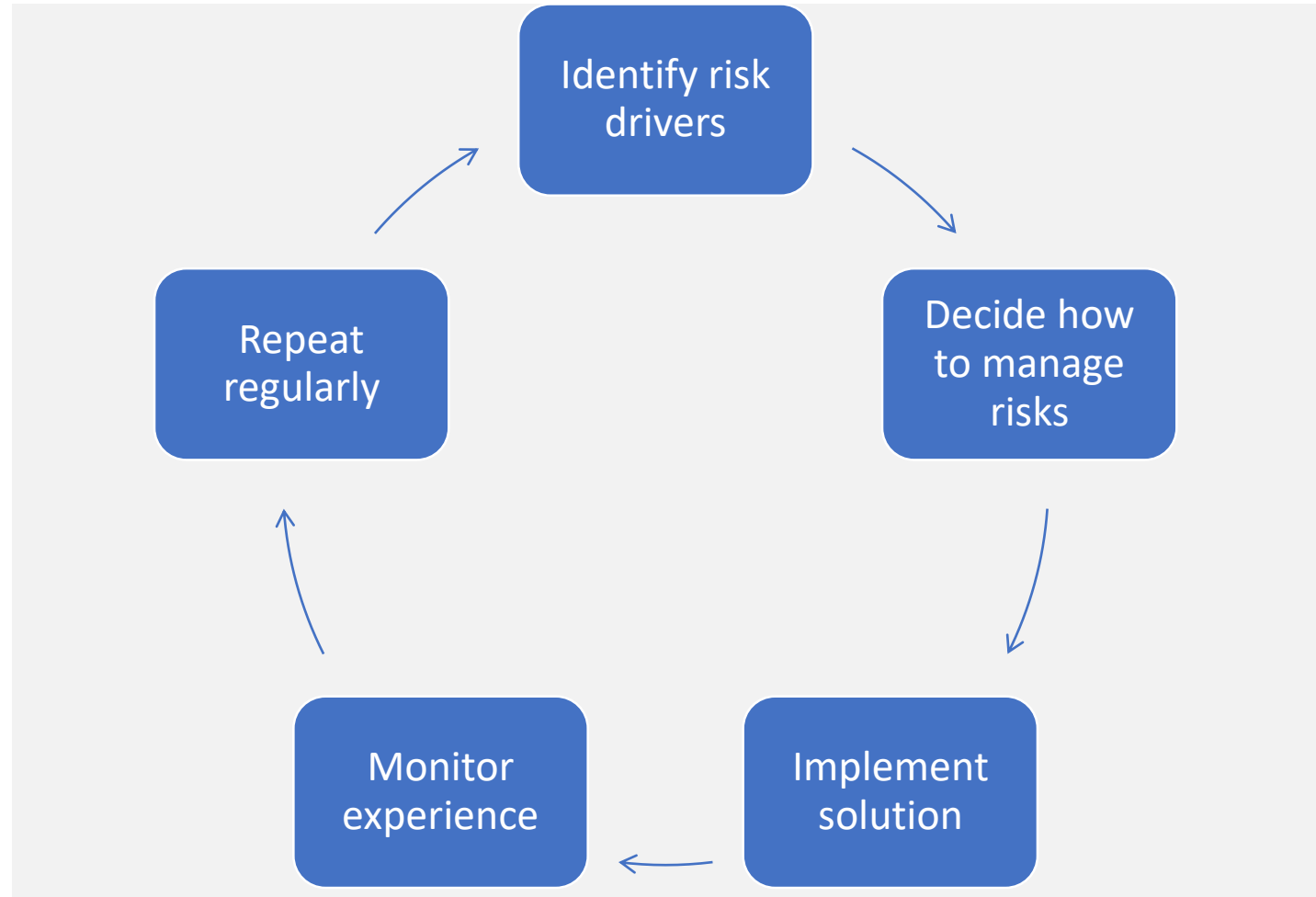


Wrap up

Lessons & feedback?

Key take-aways:

1. Simple control cycle will help understand and manage risk.
2. This was one framework that can be used
 - Set risk appetite
 - Assess risks
 - Review and make changes
 - Use final assessment in business / supervisory decision making.



Thank you for your participation!

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