
26 October 2021 – Day 2: CEST 14:00 - 15:30 – Session 7:
Climate and pandemic risks
Will insurance be more inclusive in a post-pandemic world? Supervisory and policy perspectives

Hosted by A2ii

SPEAKER
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Superintendente, Superintendencia General de Seguros de Costa Rica and Chair of the Financial Inclusion Forum

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Head of Financial Consumer Protection OECD, France

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PROTECTING FINANCIAL CONSUMERS AND SUPPORTING FINANCIAL INCLUSION IN THE CONTEXT OF COVID-19: FOCUS ON INSURANCE

Miles Larbey, Head of Financial Consumer Protection, OECD
International Conference of Inclusive Insurance, 26 October 2021
## Lessons Learnt & Effective Approaches to Protect Consumers and Support Financial Inclusion re COVID-19

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Inter-relationship of financial consumer protection and financial inclusion and financial literacy

Financial inclusion
- access and availability
  - infrastructure
  - digital
  - geographical barriers

Financial consumer protection
- responsible conduct & fair treatment
- disclosure, suitability, product oversight
- complaints handling & redress

Financial literacy
- education
- information
- awareness raising
- attitudes, behaviours & skills

FINANCIAL RESILIENCE & WELL-BEING
A wide range of respondents to the Questionnaire – representing 81 jurisdictions and 164 organisations

- GPFI
- G20/OECD Task Force on Financial Consumer Protection
- IAIS, A2ii and other international organisations
- OECD/INFE

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IMPACT OF THE COVID-19 PANDEMIC ON FINANCIAL CONSUMERS: CONSUMER RISKS & DIGITALISATION
Overall, reduced resilience and scams/frauds ranked as top risks faced by financial consumers

Note: N=126, Question text: “Please indicate how significant you consider each of the following risks to financial consumers arising from the COVID-19 pandemic in your jurisdiction.”
One of the most significant impacts is the accelerated digitalisation of the financial services sector.

![Bar chart showing the impact of COVID-19 on various factors related to digitalisation. The chart includes factors such as use of digital platforms by consumers, availability of digital financial products and services, use of electronic devices, use of digital/mobile payment accounts, level of digital literacy/digital capability, level of access to the Internet, digitalisation of government payments, prevalence of digital security risks, entry of new digital providers, and use of digital IDs. The data is based on a sample size of N=126.]

Note: N=126, Question text: “How has the COVID-19 pandemic affected the following factors relating to digitalisation in your jurisdiction?”
MEASURES TO SUPPORT FINANCIAL INCLUSION & PROTECT FINANCIAL CONSUMERS
More than half of respondents adopted measures to support financial inclusion.

- Promoting use of digital financial products and services
- Expanding digitalisation of government payments
- Programmes to improve consumers’ digital literacy / digital capability
- Ensuring access to in-person services for consumers unable to use digital financial services
- Expanded use of digital IDs to facilitate customer due diligence/KYC requirements
- Facilitating entry of new providers offering digital financial services and products
- Expanding or ensuring access to the Internet
- Supporting access to electronic devices such as smartphones, computers etc.

Note: N=126, Question text: “Have any of the following measures or initiatives been adopted in your jurisdiction in light of the COVID-19 pandemic?”
Seventy-seven respondents adopted policy or regulatory changes relating to financial consumer protection

Note: N=77, Question text: “Have there been any policy or regulatory changes or approaches adopted in your jurisdiction relating to financial consumer protection and regulation, in light of the COVID-19 pandemic? If YES, do the changes or approaches include any of the following?”
Effective measures included enhanced disclosure/providing extra information to policyholders, followed by focusing on swift and fair claims handling.

N= 48, Question text: “Please indicate the effectiveness of the following measures relating to general and/or life insurance. If a measure was not implemented in your jurisdiction, please indicate N/A.”
Measures relating to disclosure and communication were most likely to be made permanent

N= 45, Question text: “Please indicate whether and how the following measures relating to general and/or life insurance have been extended since their original implementation. If a measure was not implemented in your jurisdiction, please indicate N/A.”

- Enhanced disclosure/ providing extra information to policyholders
- Communication of exclusions relating to COVID-19
- Focus on swift and fair claims handling
- Refunds of premiums
- Deferral of premium payments
- Extended time of cover
- Consideration of ex-gratia payments
- Waiving of co-payments/residuals
- Waiving of waiting periods

Number of respondents

Made Permanent | Extended more than 12 months | Extended 6-12 months | Extended 3-6 months | Not extended

N= 45, Question text: “Please indicate whether and how the following measures relating to general and/or life insurance have been extended since their original implementation. If a measure was not implemented in your jurisdiction, please indicate N/A.”
Regarding insurance, the most common complaints received by public authorities related to handling claims and exclusions in insurance coverage.

N=59, Question text: “Please rank the frequency of the following types of complaints in your jurisdiction (1 = most frequent). If a type of complaint is not applicable in your jurisdiction, please select N/A.”

- Handling of claims (including denial of claims)
- Exclusions in insurance cover
- Denial of premium payment deferral arrangements
- Accessing assistance (helplines, online, etc.)
LESSONS LEARNT AND EFFECTIVE APPROACHES
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<th><strong>Implications of the pandemic for financial consumer protection and financial inclusion</strong></th>
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<td>Pandemic has highlighted the importance of robust FCP and meaningful financial inclusion. Going forward, these policy aims will benefit from greater support.</td>
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<td>The massive digitalisation that has occurred is unlikely to reverse course post-pandemic.</td>
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<td>The pandemic has increased vulnerability and exposure to risk for many consumers, including through online scams and cyber risks.</td>
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<td>In many jurisdictions, large numbers of retail investors entered the market.</td>
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<td>The crisis has required regulators to coordinate more closely among themselves and with industry and consumer stakeholders.</td>
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<td>COVID-19 has deepened regulators and market actors’ thinking about risk and crisis-preparedness.</td>
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Effective Approaches

- Quick and flexible hardship arrangements, integrated into FCP frameworks going forward
- Harnessing digitalisation to expand product offerings and maintain continuity
- Business continuity plans to ensure access to services and support
- Strengthened coordination among stakeholders
- Supporting complaints channels and redress mechanisms
Effective Approaches, cont’d.

- Addressing online financial scams and frauds through a multi-pronged approach
- Embedding financial inclusion and FCP within innovation strategies
- Leveraging digital IDs and revising customer due diligence requirements
- Enhanced monitoring, drawing from multiple sources of data and using digital tools
- Clear communication for consumers to understand relief measures and their implications
Some next steps

• Inform the G20 Menu of Policy Options for “Enhancing digital financial inclusion beyond the COVID-19 crisis”

• Supplementary report by the G20/OECD Task Force on Financial Consumer Protection with more data analysis on sector-specific FCP measures

• Lessons learnt and effective approaches will feed into the review and update of the **G20/OECD High-Level Principles on Financial Consumer Protection**
THANK YOU

For more information, please contact: miles.larbey@oecd.org
EFU Life
International Inclusive Insurance Conference
Session 7
26 October 2021

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Insurance industry has lagged other industries in terms of its digital journey. This has led to an acceleration of customer expectations from a digital perspective which is challenging insurers from a readiness standpoint.
## Insurance Industry: Lessons Learned from the Pandemic

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<th>Product Proposition</th>
<th>Constant Improvement</th>
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<td>Understand the needs of the customers and adapt the proposition accordingly</td>
<td>Create efficiency in customer delivery and incorporate feedback quickly</td>
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<th>Change Management</th>
<th>Expedite Digitization</th>
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<td>Streamline and revamp the existing processes to better cater to the needs of the customers</td>
<td>Expedited acceptance of digital processes and documentation.</td>
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<th>Necessary Innovation</th>
<th>Problem Solving</th>
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<td>Innovate new ways of doing business</td>
<td>There is a solution to every problem</td>
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Pakistan: Statistical Narrative

Access to Finance

- Financially Excluded: 53%
- Formally Served: 23%
- Informally Served: 24%

Income Distribution

- 225 Mn Current Population (5th most populous)
- 65% Rural Population
- >60% Younger than 25

Low-income population: 178.9M
Middle-income population: 4.5M
Rest of population: 41.6M

Bank Deposit Accounts: 62M
Mobile Money Accounts: 74.6M (46M Active)
Insurance Penetration: <1% (As % of GDP)
Mobile Subscriptions: 186M (83% of pop)
3G/4G Users: 105M (47% of pop)
Pakistan: Enablers for Inclusive Insurance

GoP’s Sehat Sahulat Program
✓ A micro health insurance scheme designed to improve access of the under-privileged population to good quality healthcare

7,890,000  97%
Families Enrolled  Satisfaction Rate

Surge of Fintechs & Insurtechs
✓ Accelerated digital adoption
✓ 40+ prominent Fintechs & Insurtechs
✓ Fintechs are focused around Payments Sector
✓ Main role in distribution of insurance

Insurance Penetration through Telcos
✓ Success story of BIMA as the nation’s largest mobile health insurance initiative with approx. 5 million clients insured.
✓ Cross bundled & Airtime based protection

83%  45%
Mobile Penetration  3G/4G users

Supportive Regulator
✓ Very keen on promoting financial inclusion.
✓ Support digital payment modes.
✓ Support electronic mediums
✓ Support Lesser Requirements
Digitalization in Insurance Industry: Here to Stay

- **Digital Natives**
  Quick to adopt new digital activities and technology.

- **Expect Excellent Customer Experience**
  They do not want to visit branches, talk to advisors on the phone, fill out paper forms or wait 3 days for a quote.

- **Prefer Digital Banks & E-commerce Platforms**
  They are likely to use a search engine to help solve their problem versus a phone call, visiting a store or even social media. Independent insurance agents must show up in search.

- **Want to Engage with Brands**
  Millennials use technology to connect with people, more often & in real-time.
Understanding your Customer: Customer Segmentation

SOCIO-ECONOMIC CLASSES

- UPPER (Privileged)
- UPPER MIDDLE (Elite Middle Class)
- LOWER MIDDLE (Fledging Middle Class)
- POVERTY (Vulnerable)

DEMOGRAPHIC

- YOUNG ADULTS
- ADULTS
- MID AGED
- SENIOR

DIGITAL READINESS

- DIGITAL NATIVES
- DIGITAL IMMIGRANTS
- DIGITAL DINOS
Recipe to foster Financial Inclusion

Focus on Partnerships
Leverage institutions that have achieved high consumer penetration in their respective markets such as Telcos, MFIs, & MFBs to enhance reach

Phygital / Hybrid approach
Digitalization supported by physical processes & systems e.g call center for reach, digitalization for richness, and wallets for premiums and claim disbursements

Customer Segmentation
Understand the needs and wants of your customers; build the overall product proposition around the segments’ behavior and aspirations

Claims & Policy Servicing
Enhance using insurtech; real time STP, e-policies, claim intimations via national database, digital claim intimation/disbursement and enhanced use of biometrics

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