



Albanian Financial Supervisory Authority (AFSA)

Inclusive Insurance in the CEET Region *Challenges and Opportunities*

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Main Objectives of AFSA



Objectives set by AFSA's Law

- Protect the interests of investors and insured persons
- Promote sustainability and enhance transparency and credibility of the supervised financial markets;
- Ensure enforcement of the law

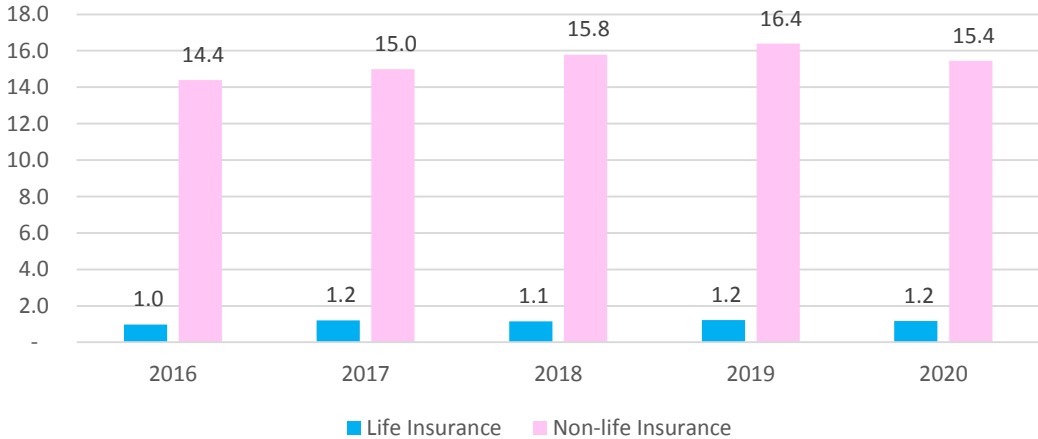
Objectives set by the AFSA Strategy 2018-2022

- Promote market development
- Creation of facilities for the development of new distribution channels and innovative products.

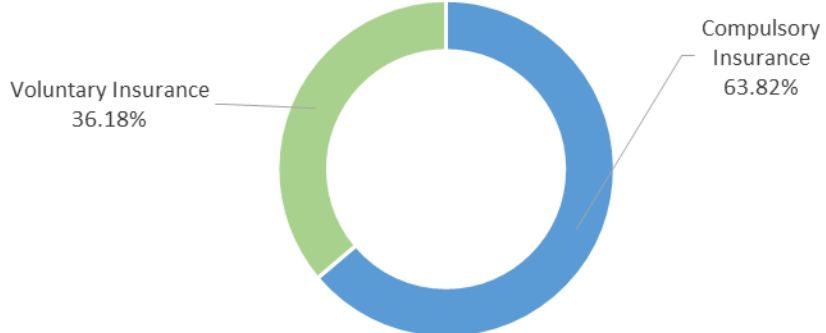
Insurance Market - Albania

Dominated by Non-Life insurance with about 93% of GWP and Life insurance has only 7% of GWP

Still concentrated in traditional compulsory insurance 63.82% (mainly MTPL), with limited take up of voluntary products 36.18%



GWP Non-Life vs. Life, 2016-2020, (in ALL Billions)



Compulsory vs. Voluntary Insurance, 2020

- ❑ Low insurance penetration rate in Albania 1.03% GWP/GDP for 2020, particularly in the Life insurance industry
- ❑ Insurance density GWP/Capita 46.86 EUR

Insurance Voluntary Products in Albania, 2020

❑ Property Insurance

Estimated that less than 2.5 % of the households are covered with a property insurance
(Source: WB 2020)

47,670 contracts issued Fire and other perils, out of which about 38,000 contracts cover also the earthquake risk. These contracts are mainly bank driven.

❑ Life & health products

Number of adult population	2,230,022 habitants
Life products	63,836 contracts
Health products	110,676 contracts
Rate of life & health insured	7.8%

Potential sectors for Inclusive Insurance

Potential sectors where inclusive insurance may develop:

Agriculture sector

- 19.3% of Albania's GDP
- Approximately 26% of workers employed in this sector

Agriculture sector has high potential for development of inclusive insurance products. Currently there is only one insurance company in Albania which offers an agriculture insurance product, only 3 contracts issued during 2020.

- ## Other potential segments: *Life insurance, Health insurance*, with an increase of 17% in GWP during 2020 compared to 2019, mainly due to the pandemic Covid-19.



Why Inclusive Insurance? – Albania & Region



- ❑ Inclusive insurance can have a positive impact in insurance growth in Albania and ease access to insurance for all the population
- ❑ Although a market development objective is not explicitly stated in the law, AFSA, is among the insurance supervisors that aspire to contribute to market growth, in addition to the core mandates of market stability and efficiency, and protection of consumers and investors
- ❑ Inclusive insurance can help to overcome insurance exclusion stemming from low income, informal employment and geographic barriers which are a reality in Albania
- ❑ Inclusive Insurance can decrease the number of excluded from existing insurance markets, despite their income level
- ❑ Higher participation of the population in the insurance schemes
=> Increases penetration rate

Inclusive Insurance Innovation Lab organized by A2ii



- The starting point for Inclusive Insurance was the “Inclusive Insurance Innovation Lab” 2017 - 2018
- Albania was the first country from the region involved in the Lab
- The project aimed at developing innovative solutions for Inclusive Insurance, through learning by international experience and multiparty cooperation
- For the first time, were gathered all stakeholders as the supervisor, governmental representatives, intermediaries, insurance companies, insurance association, banks and micro-credit institution, universities representatives, civil society, farmers association
- In Albania, the project was focused on the agricultural sector - Agro-Insurance, (three national and two international workshops)
- The Lab was a valuable experience in discussing and finding solutions to overcome barriers and support the development of new products, fit to consumers’ needs

Follow up activities

- AFSA is working closely with the Bank of Albania on drafting a joint strategy on “Financial inclusion and financial education”

- Participation of AFSA staff in capacity building workshops on Inclusive Insurance, supported by the technical assistance of international organization
 - Inclusive Insurance Training for Supervisors in the CEET region, (IAIS, Toronto Centre and A2ii, June 2021)
 - Project “Building the capacity of AFSA in specific features and role of micro-insurance products, role of technology and innovative distribution channels in promoting micro-insurance, and their effective supervision”, (FSVC, June 2019, October 2019)

Challenges and Opportunities

The Regulators should focus on:

- **Awareness**

- Initiate awareness and financial education campaign as contributor to financial inclusion
- Consumer protection
- Prudential regulation, monitoring and supervision

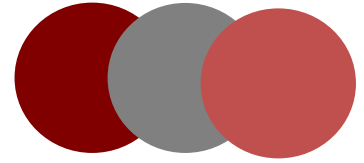
- **Technology**

Support of the market towards:

- Development of new products using new technology
- Use of innovative distribution channels
- Development of new products tailored to customers' needs

- **Partnerships**

- Use international experience to identify opportunities and adopt best practices
- Engage other governmental institutions and sector based organizations to create insurance awareness
- Regional coordination and cooperation among the regulators, and common initiatives for the development of inclusive insurance



Thank you !