The Role of Insurance In Emerging Markets

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Insurance in Emerging Markets

Regulation and Supervision Matter:
Improving Access to Insurance

NAIC International Insurance Forum 2018
Washington, 14 May 2018
Peter Braumüller
A2ii Mission

As implementation partner of the IAIS, we strengthen the capacity and understanding of supervisors to facilitate the promotion of inclusive and responsible insurance, thereby reducing vulnerability.
## Access To Insurance – A Global Perspective

<table>
<thead>
<tr>
<th>Region</th>
<th>Coverage Ratio (Access to one or more microinsurance products)</th>
<th>Total Lives Insured</th>
<th>Comparable Growth Rate</th>
<th>Total Non-insured lives (estimate)</th>
<th>Non-coverage Ratio (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (2014)</td>
<td>5.4% of the total population</td>
<td>61.8 million</td>
<td>1% (2011-2014)</td>
<td>1.1 billion</td>
<td>94.7%</td>
</tr>
<tr>
<td>Latin America and the Carribean (2016)</td>
<td>8.1% of the total population</td>
<td>52 million</td>
<td>0.96% (2011-2016)</td>
<td>581 million</td>
<td>91.9%</td>
</tr>
<tr>
<td>Asia and Oceania (2015)</td>
<td>6.9% of the total population</td>
<td>1.4 million</td>
<td>2% (2012-2015)</td>
<td>19 million</td>
<td>93.1%</td>
</tr>
</tbody>
</table>

Source: MIN Landscape studies & Worldmap of Microinsurance. [http://worldmapofmicroinsurance.org/#view/global/all/total-microinsurance-coverage-ratio](http://worldmapofmicroinsurance.org/#view/global/all/total-microinsurance-coverage-ratio)
market potential of inclusive insurance

- Markets are growing fast, with total coverage still being very low in developing countries.
- Great potential for inclusive insurance in accessing new markets as a sustainable business model.

...micro-insurance/ inclusive insurance is not just a scaled down version of conventional insurance!

Products and processes need to be completely reengineered to meet characteristics and preferences of low-income and un-served markets.

What’s the role of regulation and supervision? A balanced approach

Expand the market

• Innovation
• Lower cost of compliance/ reduce regulatory burden
• Healthy competition
• Consumer education
• Facilitate formalisation

→ Proportionate regulatory approach
→ Strike the balance between incentives and obligations

Protect consumers

• Efficient, fair, safe and stable insurance markets
• Insurers meet their obligations
• Fair treatment of consumers
State of Microinsurance Regulation in 2009

Implemented 6

Indonesia
China
Philippines
Taiwan
Peru
Mexico
State of Microinsurance Regulation in 2018

AFRICA
CIMA*
Egypt
Ethiopia
Ghana
Mozambique
Nigeria
Tanzania
Zimbabwe

LATIN AMERICA and THE CARIBBEAN
Brazil
Mexico
Nicaragua
Peru
Venezuela

ASIA
Cambodia
China
India
Nepal
Pakistan
Philippines
Chinese Taipei

*Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal, Togo.

AFRICA
Kenya
Malawi
Lesotho
Namibia
South Africa
Swaziland
Tunisia
Uganda
Zambia

LATIN AMERICA
Belize
Bolivia
Colombia
Costa Rica
El Salvador
Guatemala
Honduras
Jamaica

ASIA
Bangladesh
Fiji
Indonesia
Mongolia
Some thoughts on challenges and risks ..... 

“Inclusive insurance focuses on simple low risk products”, but .... ... new approaches create new risks in the market: 
- less informed consumers 
- new products and processes for insurers 
- distribution channels have no experience with insurance 
- distribution channels more powerful than insurers (e.g. in mobile insurance) 
- different (non-insurance) supervisors throughout the value chain

“Providers need to be innovative and insurance regulation and supervision need to support innovation”, but ... ... mass sales can mean that when things go wrong: 
- a large number of policyholders are affected, and 
- inclusive insurance products are the first experience of insurance for these customers. The experience of these products will create perceptions of insurance that will be held for very long time!
Thank you!

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[Logos and names of participating organizations]

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[giz logo] Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) gGmbH
The Role of Insurance in Emerging Markets

José G. López Hoyo (Pepe)

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CNSF-Mexico
Chair Implementation and Assessment Committee
IAIS

International Insurance Forum
Washington DC, May 14, 2018
Content

• Emerging Economies: The Lever for Insurance Growth
• Insurance Gap
• Factors for Insurance Growth
• Regulators Role
Emerging Economies ➔ The Lever for Insurance Growth

Source: CNSF with Swiss Re Institute; sigma explorer (http://www.sigma-explorer.com) data
Emerging Economies ➔
The Lever for Insurance Growth

The growing potential of emerging markets

Emerging markets

Insurers Look to Emerging Markets for Growth

Emerging markets

Tinubu Square predicts insurance industry will cross chasm in 2018 to achieve emerging market penetration

Business Information Industry Association

Risk Management

CURRENT ISSUE

Insurers Look to Emerging Markets for Growth

The growing potential of emerging markets

Our continued investment in emerging markets

Tinubu Square predicts insurance industry will cross chasm in 2018 to achieve emerging market penetration

The insurance industry is set for a shake up and could be on the verge of significant disruption in emerging markets. It’s a shake up driven by emerging market disruptors, and full force innovation taking the lead. The insurance industry needs to embrace innovation and disrupt market growth opportunities being motivated by emerging market disruptors.}

Against the backdrop of increasing worldwide premiums and growth opportunities being motivated by emerging market disruptors, Tinubu Square believes the insurance industry now sits on the cusp of achieving significant growth. Tinubu Square predicts that the insurance industry will cross the chasm in 2018 and enter into a phase of high growth, with revenues increasing at a rate of 20% or more in emerging markets. This growth is expected to be driven by disruptive technologies, such as blockchain, artificial intelligence, and big data, which will transform the way insurance products are designed and sold.

In addition to these disruptive technologies, the insurance industry is also expected to benefit from a growing awareness of the importance of risk management and risk transfer among businesses in emerging markets. This increased awareness is expected to lead to a rise in demand for insurance products, particularly in countries with high levels of economic growth and political instability.

Overall, the insurance industry in emerging markets is expected to experience significant growth in the coming years, driven by disruptive technologies, increased awareness of risk management, and a rising demand for insurance products. As a result, companies that are able to tap into these growth opportunities are likely to see substantial increases in revenue and profitability.
With data of major natural catastrophes of the last five years, the difference between advanced and emerging economies is quite relevant.

Natural Catastrophes’ Insurance Coverage (%)
### Insurance GAP → Insurance Penetration & Per capita GDP

#### Insurance Penetration (premiums/GDP,% vs Per capita GDP (usd))

<table>
<thead>
<tr>
<th>Region</th>
<th>Penetration</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>3.7%</td>
<td>$4,370</td>
</tr>
<tr>
<td>Europe</td>
<td>1.9%</td>
<td>$8,715</td>
</tr>
<tr>
<td>Latin America</td>
<td>3.2%</td>
<td>$8,066</td>
</tr>
<tr>
<td>Middle East &amp; Central Asia</td>
<td>2%</td>
<td>$7,579</td>
</tr>
<tr>
<td>Oceania</td>
<td>6.3%</td>
<td>$37,215</td>
</tr>
<tr>
<td>N. America</td>
<td>7.3%</td>
<td>$55,609</td>
</tr>
</tbody>
</table>

Source: CNSF with Swiss Re Institute; sigma explorer (http://www.sigma-explorer.com) data
Insurance GAP
Insurance Penetration & Per capita GDP

Insurance Penetration (premiums/GDP,%) vs Per capita GDP (usd)

Source: CNSF with Swiss Re Institute; sigma explorer (http://www.sigma-explorer.com) data
Insurance GAP→
What explains Insurance Penetration?

- Does insurance growth depend on the economy?
- Does economic growth is a function of insurance penetration?
Factors for Insurance Growth
Supply -- Demand

Regulators’ Role
- Effective Regulation
  IAIS-ICP’s Implementation

Industry’s Role
- Innovation
- Efficiency
- New Markets
- Financial Inclusion

Public Policy’s Role
- Protection under Market Externalities

Supply
- Prudential Regulation
- Access to Financial Markets & Capital
- Distribution Channels & Cost Efficiency
- Innovation

Demand
- Economic Growth & Income Distribution
- Financial Education & Financial Inclusion
- New markets
- Compulsory Insurance & Fiscal Incentives

Regulators’ Role
IAIS’ importance & enhanced scope

“The mission of the IAIS is to promote effective and globally consistent regulation and supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability.”

“Standard-setting Bodies (SSBs) are increasingly turning from policy development towards implementation.”

“Emerging markets are more significant in global insurance markets.”

The IAIS is following steps in order to better engage with Emerging Market and Developing Economy (EMDE) Members.

Third Vice Chair of IAIS’ ExCo:

The third Vice Chair has an specific mandate to engage and support emerging markets and developing economies.
Regulators’ Role

Identify Gaps: IAIS’ SAPR* Program

- Assessment focuses on identifying gaps in supervisory and regulatory frameworks, enhancing understanding and observance of the IAIS’ supervisory material.

- Assessments also provide an indicator of the level of current supervisory capacity and the extent of future supervisory development needs for individual authorities, regional groupings of supervisors and globally.

- Assessments provide feedback into the IAIS standard-setting process and produce valuable data that can support other IAIS initiatives.

- Assessments help Members to identify the nature and extent of any weakness or gaps in their supervisory and regulatory frameworks, promote understanding and observance of the IAIS’ supervisory material and provide information on the level of current supervisory capacity and the extent of future supervisory development needs for individual authorities, regional groupings of supervisors and globally.

*SAPR: Self-Assessment and Peer Review
Final Comments

- Fact: Insurance sector growth will be driven by EMDEs.

- Fact: The insurance gap within EMDEs is enormous; “the need is there”.

- To enhance growth within EMDEs, active participation of regulators, industry and public policies implementers is needed.

- The first step in order to achieve an effective regulation is an assessment.

- Such assessments give the roadmap for achieving an effective regulatory framework.
  - The big Challenge:
    - Achieving an effective regulatory framework when not all the preconditions (including among others, developed financial markets or supervisors’ independence) have been met.

*SAPR: Self-Assessment and Peer Review*
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Vice-president of Analysis and Sectorial Studies
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The Role of Insurance in Emerging Markets
Introduction to Cigna International

Patrick Graham
Head, GSB and Asia Pacific
International Markets, 2018

Together, all the way.
Cigna International

INDIVIDUAL CUSTOMERS

GLOBAL SUPPLEMENTAL BENEFITS

GLOBAL INDIVIDUAL PRIVATE
MEDICAL INSURANCE

EMPLOYER GROUPS

GLOBAL HEALTH BENEFITS

DOMESTIC EMPLOYEE
HEALTHCARE

30+ Markets • 12 Million Individual Customers • 5,000 Employer Clients • 200 Bank/Commercial Partners

PART OF CIGNA CORPORATION

95 MILLION GLOBAL CUSTOMER
RELATIONSHIPS WORLDWIDE

$41.6 BILLION
2017 TOTAL REVENUE

RANKED 70th
ON FORTUNE 500 in 2017

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Emerging Markets – Challenges and Opportunities

Healthcare Access and Affordability

Changing Demographics

Health Insurance Imperative

Technology and Digital Innovation
78% of people Cigna surveyed believe digital technology can bring good health to more people globally world.
Positioned for Growth

- Substantial growth potential across targeted markets
- Capabilities aligned to evolving customer and client needs
- Focused strategy to drive differentiated value creation
The Role of Insurance in Emerging Markets

Brendan Plessis
Global Head of Emerging Markets
XL Catlin

NAIC International Forum
Washington D.C., 14 May 2018
Building Resilience
& Closing the Protection Gap
XL Catlin – A global P&C re/insurer, specialized in providing answers to commercial risks

- USD 14.8 billion GPW
- A leading Lloyd’s presence¹
- Strong distribution in specialty markets
- Serving clients in 215² countries

Distribution of 14.8 billion Gross Premiums Written by Segment
(Twelve months ended December 31, 2017)

Gross Premiums Written
By Segment

Insurance 68%
Reinsurance 32%

Ratings

AM Best A (stable)
S&P A+ (stable)
Moody’s A2 (stable)
Fitch A+ (neg.)

XL Group Ltd’s core operating insurance & reinsurance companies, operating under the XL Catlin brand, have one or more of these ratings*


¹ 2017 Lloyd’s Syndicate Stamp Reports
² Country capability count is based on the International Organization for Standardization (ISO.org) country code listing - ISO 3166.
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