Actuaries and Inclusive insurance
Joint IAA-IAIS Project

Introduction

Nigel Bowman and Jules Gribble
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Agenda

► Introduction. Tom Terry
► Overview and IAIS contribution. Jules Gribble
► IAA contribution. Nigel Bowman
► Discussion. Moderator – Tom Terry
► Close. Tom Terry
IAIS contribution
Development of inclusive insurance markets

Current Markets
- Inclusive insurance markets have demand and supply side challenges
- Supply of actuarial skills may be limited or non-existent in some markets
- Regulatory framework and supervisory capacity may be limited in some markets
- Inclusive insurance products are being developed currently in any case

Developing Guidance
- IAIS developing approaches to apply proportionate prudential requirements
- IAA developing approaches to determine proportionate actuarial involvement

Capacity Building
- Capacity building and education strategies to increase supply of providers of actuarial services
- Capacity building in supervisors
- Capacity building in insurance providers

Path to Maturity
- Develop self-sustaining actuarial professions in inclusive insurance markets
- Develop self-sustaining insurance industry – insurance providers and supervisors - in inclusive insurance markets
The IAIS, in cooperation with the IAA, will

- Identify and develop approaches to establish and apply actuarial expertise in inclusive insurance markets
- Based on an understanding of a proportionate application of prudential requirements in inclusive insurance markets.
Joint IAIS-IAA project to provide guidance for inclusive insurance markets

**IAA Paper**
Proportionate actuarial approaches to inclusive insurance markets
- Product risks
- Provider risks

**IAIS Paper**
Proportionate prudential approaches to inclusive insurance markets
- Supervisory capability
- Maturity of consumer market
- Level of actuarial capability

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Business and actuarial focus to address customer needs

Supervisory and market focus to address customer needs
Current status

► Both papers are in progress

► IAA presentations
  ▪ 21 Nov 2016, President’s Forum, Cape Town
  ▪ 22 Nov 2016, 4th African Actuarial Congress, Cape Town
  ▪ 18 April 2017, A+A IAA Reginal Meeting, Budapest

► Roundtable meeting, June 7-8, in Basel to discuss drafts
‘Inclusive insurance’ refers to a state in which
- All adults
- Have effective access to insurance and savings products
- Offered by formal providers.

‘Effective access’ involves
- Convenient and responsible service delivery
- At a cost affordable to the customer and sustainable for the provider
- With the result that financially excluded customers use formal financial services rather than existing informal (unregulated) options.
Guiding principles

► **Consumers:** Solution supports their needs and protects their interests

► **Barriers:** Not intentionally create barriers for Financially Inclusive insurance, and permit innovation

► **Sustainability:** Long term in local environment

► **Interactions:** Parallel development of key players

► **Simplicity:** Of use of outcomes for end users (which is not the same as of underlying process)

► **Differences:** Manage key differences (risks and needs) between FI and Conventional insurance

► **Assessments:** Objective and quantifiable to give language to start conversations (recognise need for professional judgements)
Context – 3 key players

- Progress limited by key player with least capacity
- Common ‘language’ encourages discussion and improves understanding between and within key players
IAIS perspective

► Driver: Shortage of actuarial skills and capacity
  ▪ In many places where inclusive insurance is developing
  ▪ Supervisors and industry

► Key objective: Supervisory compliance with IAIS Insurance Core Principles (ICPs)
  ▪ Address prudential matters
  ▪ ICPs 8, 9, 13, 14, 15, 16, 17
  ▪ Look at through actuarial lens
  ▪ Skills need to make supervisory assessments
  ▪ Both ‘technical’ and ‘broader’
  ▪ Inputs into supervisory decision making processes
Proportionality

► ‘… nature, scale and complexity of risks …’
  ▪ Appropriateness
  ▪ Flexibility
  ▪ Risk management

► ‘… measures should be appropriate to attain supervisory objectives … not go beyond what is necessary to achieve those objectives.’

► One size does not fit all and trade-offs are required
  ▪ No all objectives may be satisfied at the same time

► Conventional solutions, approaches and paradigms may not work and may risk leading to inappropriate outcomes
  ▪ May also put in place unnecessary barriers to inclusive insurance
Paradox of proportionate solutions

- As products and circumstances become increasingly less ‘conventional’ there typically is
  - An increasing need
  - Yet decreasing capacity
to meet inclusive insurance challenges with effective and proportionate solutions

- Two-tiered challenge
  - Understand ‘conventional’ approaches
  - Amend in light of proportionality constraints, yet support innovation
  - Clear need and role for professional and supervisory judgement

- This can be tough stuff!
IAA contribution
Global Landscape of Microinsurance

Source: Microinsurance Network’s Microinsurance Landscape surveys
State of the actuarial profession

70 full members
28 associate members

19.7 actuaries per 1m population

Source: IAA and Africa sub-committee research
The inclusive insurance narrative

► The inclusive insurance marketing is growing rapidly

► Despite very limited actuarial involvement
► An opportunity for the profession to influence and improve inclusive insurance outcomes for consumers
► The question is HOW?

Source: Microinsurance Network
IAA paper - objectives

- Paper covering “Proportionate Actuarial Services in Inclusive Insurance Markets”

- Two key questions:
  - How does one determine when actuarial skills are needed?
  - What services should be performed by a person with actuarial skills?

- Proving very difficult to answer
IAA paper - approach

Extent of actuarial involvement depends on two dimensions:

- Greater risk implies greater actuarial involvement
- BUT: need to consider underlying causes of risk
  - Some speak to narrow, technical actuarial skills (e.g. variable experience outcomes, lack of historic data)
  - Others speak to wider operational skills
- The project is not yet at the point of answering the two key questions
Actuarial skill levels needed

► Need to recognise realities
  ▪ Very few qualified actuaries in many countries
  ▪ Development of insurance products is taking place regardless of this

► Some preliminary thoughts for discussion
  ▪ Range   Experienced non-actuarial practitioner

Experience Fully Qualified Actuary

▪ Need make best use of limited resources
▪ Recognise that wider business skills with inclusive insurance experience is an adequate answer in some circumstances
Discussion
Thank you …

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