

INCLUSIVE INSURANCE

BUILDING FOUNDATIONS
OF A BETTER FUTURE
FOR ALL

IIF 2019 - CEE & SEE Regional Actuarial Insurance Conference, 28 February 2019,
Skopje

Bridging the protection gap

- Insurance should be accessible to all social classes
- Classical insurance products target the middle and high-income earners in Eastern Europe
- Products copied from developed markets
- Low insurance penetration rates
- Inclusive insurance as ‘democratization’ of insurance

Eastern and Southeast Europe

- in figures -

Country	2017 Population (Milions)	GDP 2017 (bln. EUR)	GDP per capita 2017 (EUR)	Insurance density 2017 (EUR)	Insurance penetration 2017 (%)
ALBANIA	2,88	13,04	4.095	42,35	1,03
BOSNIA HERZEGOVINA	3,51	15,99	4.560	99,61	2,18
BULGARIA	7,06	50,43	7.142	159,4	2,23
CROATIA	4,15	48,38	11.661	290,49	2,49
GREECE	10,77	177,74	16.506	351,53	2,13
KOSOVO	1,83	6,41	3.436	46,82	1,36
MONTENEGRO	0,62	4,22	6.772	131,25	1,94
NORTH MACEDONIA	2,08	10,08	4.855	70,44	1,45
ROMANIA	19,59	183,78	9.355	106,05	1,13
SERBIA	7,03	37,72	5.366	111,78	2,08
TURKEY	80,81	685,08	8.478	127,35	1,5

Inclusive Insurance and Microinsurance

- ▶ Inclusive insurance - Mass Insurance and Microinsurance
- ▶ Distribution channels different from classical insurance
- ▶ Mass insurance: banks, microfinance institutions, mutuals and cooperatives, retail distribution, religious communities, mobile operators
- ▶ Microinsurance reaches out to low and middle low income earners who may or may not have link to the mass insurance aggregators

Microinsurance

- Promoted initially as insurance for the poor, mainly in Africa, Asia and South America
- If people are too poor, they cannot buy insurance at all
- Evolution of the concept towards insurance for low and low middle-class income people in developing and emerging economies through innovative distribution

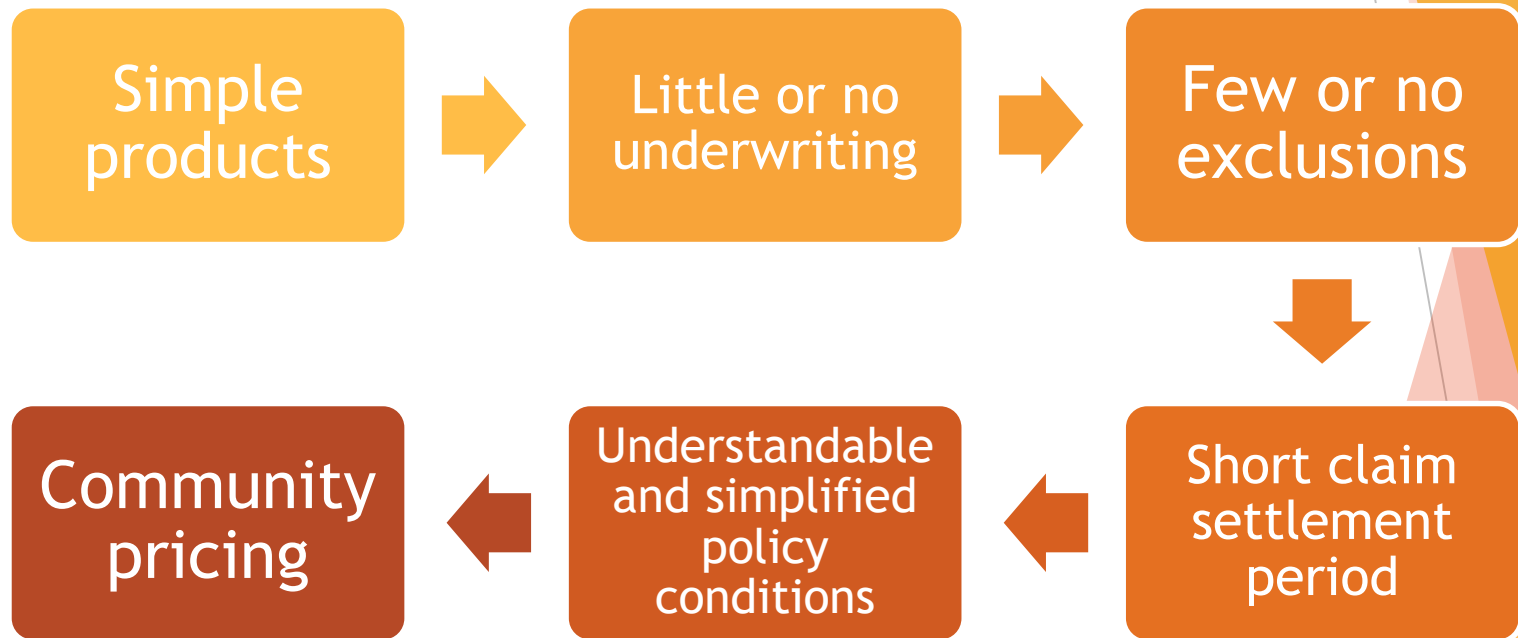
Opportunities in Eastern European developing markets (1)

- These economies left socialist or communist economic environment only 2-3 decades ago
- Developing and emerging markets, low insurance penetration rates, different regulatory frameworks – Solvency I, preparing a RBS regime or in compliance with Solvency II
- Difficulties in establishing a fully-fledged risk based supervision environment

Opportunities in Eastern European developing markets (2)

- Economic models different from markets in Western Europe
- Many years to implement properly the governance model
- Missing appropriate and efficient actuarial services both in the industry and the regulators
- Inclusive Insurance can be a transitional short to midterm measure to achieve the same status as the advanced markets

Inclusive Insurance Product Principles



Inclusive insurance markets (1)

- ▶ Market develops through partnerships with aggregators having clients with specific needs
- ▶ Market study is a “must” before making a partnership
- ▶ What is good for country ‘a’ may not be good for country ‘b’
- ▶ Inclusive insurance development should be accompanied by a appropriate regulatory frameworks, a sandbox regulatory approach or a ‘test and learn’ approach

Inclusive insurance markets (2)

- ▶ Consumers should be protected with adequate and skilled regulator's and insurer's staff
- ▶ Bancassurance or mobile insurance for example - need to have a proper regulatory framework determining the rights and obligations of the clients, the banks/mobile operators and the insurers
- ▶ Advanced draft or finalized regulatory frameworks are already in place in inclusive insurance markets in Africa, Asia and South America
- ▶ Regulators in Eastern Europe are advised to learn from them to accelerate the building of the foundations of a sound and viable inclusive insurance market

Future of the classical insurance

Citizens need to have enough income available, are fully financially educated and have trust in insurers

Good governance principles in compliance with Insurance Core Principles are necessary

“Fit and proper” board members and key function holders and properly staffed regulators to safeguard the financial sustainability of insurance actors

Tomorrow’s clients of inclusive insurance are after-tomorrow’s clients of classical insurance

“

Thank you! Questions?

”

Vladimir Bubalov

President of Macedonian Actuarial Association