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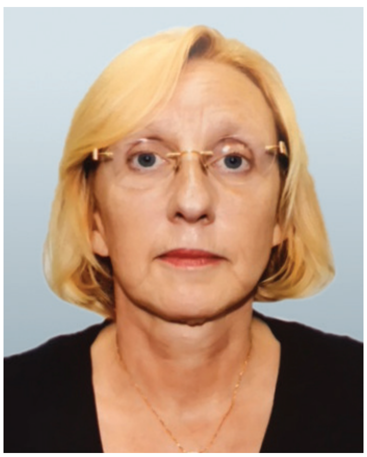
Inclusive Insurance in Central and Southern Europe: An Interview With Renata De Leers

By Carlos Arocha



Renata De Leers, the executive director of Actuaries Without Borders® since 2013 and a member of the Advice & Assistance and Accreditation Committee, subcommittee Africa, of the International Actuarial Association.

On May 24, 2019, Carlos Arocha of the Society of Actuaries interviewed Renata De Leers. Here she shares her thoughts on inclusive insurance and its importance to central and southern Europe.

Carlos Arocha: What is inclusive insurance?

Renata De Leers:

"Inclusive insurance" refers to a state in which all age adults have effective access to insurance and savings product offered by insurers from 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 options.

—International Association of Insurance Supervisors

Inclusive insurance includes mass insurance and microinsurance, both offered to clients who are not in the radius of the conventional broker or agent, inherited from advanced markets. Mass insurance reaches out to clients from existing economic actors (aggregators) such as banks, microinsurance institutions, mutuals and cooperatives, retail distribution, religious communities and mobile phone operators with whom the insurer will partner to offer products adapted to the members of those aggregators. Those members may belong to various social classes, including high-income earners as well as informal and rural workers with irregular income. Microinsurance reaches out to low-middle-income or low-income earners who may have or may not have a link with those aggregators.

CA: What developments have you witnessed in central and southern Europe?

RDL: Economies in central and southern Europe are emerging or developing, have low penetration rates for insurance. They show that the easy "copy and paste" policy from developed, Western European economies does not give the expected results in economies that left only two to three decades ago a socialist or communist economic environment. Many economies are still managed with a Solvency I regulatory framework or are preparing a risk-based solvency regime or are already in compliance with Solvency II. One can say, however, that irrespective of their status, they face problems to go to a fully fledged risk-based supervision environment because their economic model is not that of Germany or France, because the governance model may take many years to implement properly and, last but not least, because appropriate and efficient actuarial services with regulators and in industry are missing.

It's my personal belief that unconventional insurance with ORSA [Own Risk and Solvency Assessment] and FCR [financial condition report] reports should be implemented for retail business. Inclusive insurance with a regulatory environment taking into consideration the size, the nature and the complexity of the business, as well as the available human resources, would probably fit better. Inclusive insurance can be an answer as a transitional measure, short term or midterm, to achieve the same status as the advanced markets. It's not about tailoring but accepting reality where the society and the economy stand today in 2019. This needs innovative business models instead of conventional insurance models.

CA: What is the role of regulation?

RDL: Regulations in developing and emerging economies should allow for innovation while protecting new consumers. Innovation will lead to increased financial inclusion, consumer awareness and stronger market resilience. Therefore, regulations should allow for test-and-learn or provide for a sandbox regulatory environment.

Once financial inclusion, consumer awareness and stronger market resilience are attained, the supervisor can safeguard the stability of the insurance sector and provide true policy protection.

CA: What can actuaries do to encourage innovation?

RDL: Today's governance model does not allow the actuary to take part in decision-making, product development, innovation. The actuary's tasks are mainly restricted to those prescribed in the insurance regulations. Those tasks are mainly related to technical provisions certification. Exceptionally, actuaries may work in other domains.

This can only change when a new governance model—as per Insurance Core Principles 5, 7 and 8—will be implemented. The introduction of the four internal control functions will change the governance. An actuarial function introduces a list of new tasks such as second opinions on underwriting, reinsurance, pricing, product development and design, asset evaluation and investment policies, ORSA, risk management, etc.

Only at that moment will actuaries be able to contribute in a wider area and be innovative and creative.

CA: Is the IAA promoting inclusive insurance solutions?

RDL: The IAA created a working group on microinsurance to support the development and promotion of microinsurance. This working group has published a paper on microinsurance, which is available on the website of the IAA (*www.actuaries.org*).

CA: Can the SOA play a role in central and southern European insurance markets?

RDL: The SOA may support the local actuarial associations to develop the actuarial capacity in compliance with international standards. This will assist them in two ways: upgrading their education syllabus to comply with the IAA 2017 education syllabus and getting independence from a regulator-driven education model. In doing this, the SOA may need to review the availability of exam centers and the cost structure attached to the exams in developing countries. ■

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