

APFF Caucus
Meeting II
Paper 3-3

Minutes of Meeting

Asia-Pacific Financial Forum (APFF)
Workshop on Microinsurance Development Roadmap for
Asia-Pacific Emerging Markets

March 16, 2017, 14:00h – 17:00h / Sheraton Hotel, Hanoi, Vietnam



L-R: Dante Portula, GIZ; Dirk Reinhard, MRF; Masaaki Nagamura, Tokio Marine; Christiaan Loots, MIN; Apama Dalal, ILO; Ha Duy Tung, MoF; Antonis Malagardis, GIZ; Julius Caesar Parreñas, APFF; Elizabeth Gima, Bank PNG; Tran Duc Trung, ISA; Yoga Prasetyo, Allianz Life Indonesia; Ferdinand George Florendo, IC Philippines; and . Eduardo Moron, APESG Peru

A. Participants

- 1) Twelve (12) experts on financial inclusion and inclusive insurance (microinsurance) participated in the two (2) panel sessions moderated by Dr. Julius Caesar Parreñas, Coordinator of APFF, and Dr. Antonis Malagardis, lead of APEC Microinsurance (MI) work sub-stream. The panelists are representing regulatory agencies and private insurance stakeholders based in Indonesia, Philippines, Japan, Papua New Guinea, Vietnam, Germany, Switzerland, South Africa, and Peru. *See [attachment1 meeting agenda](#).*
- 2) Forty one (41) more participants joined the audience of insurance regulators and industry players coming from the MEFIN Network countries in Asia who also participated in the MI Learning Sessions in the morning and the MI Public Private Dialogue (PPD) in the previous day.

B. Opening session

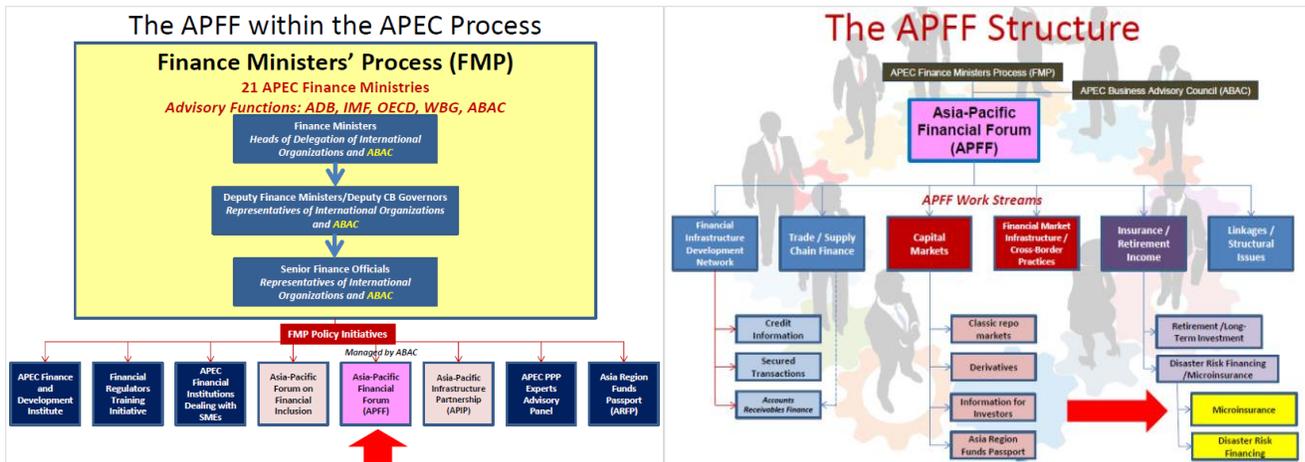
- 3) The flow of the meeting was structured into 4 parts:
 - a. *Opening session*, with welcome remarks from Mr. Ha Duy Tung, Deputy Director General (DDG), Department of International Cooperation, Ministry of Finance, Vietnam; from Dr. Antonis Malagardis, and from Dr. Julius Caesar Parreñas.
 - b. *Session1 on Rationale and Key Elements of a Roadmap*, chaired by Dr. Parreñas
 - c. *Session2 on Stakeholder Perspectives: What to include in the roadmap*, chaired by Dr. Malagadis.
 - d. *Next steps and concluding remarks*
- 4) DDG Ha Duy Tung, in his opening remarks, said “I highly appreciate the opportunity to share with you our view on the priorities of the APEC Finance Ministers’ Process (the FMP) in 2017 of which Vietnam is the current chair.” Disaster Risk Financing and Insurance is one of the 4 priorities for APEC 2017. A “roadmap for development of microinsurance for the region is an important initiative which could help coordinate efforts from various APEC member economies, international organizations, NGOs and business sector, in concerted actions to achieve the target of financial service inclusion in the region.”
- 5) DDG Ha Duy Tung in his final message said, “on behalf of (the) Ministry of Finance of Vietnam as the current chair of APEC FMP 2017, I would like to thank ABAC, German Agency for International Cooperation (GIZ) and other partners for close coordination with Ministry of Finance of Vietnam to hold this event. I wish you a successful workshop with concrete outcomes which can contribute significantly to the APEC FMP in 2017.”
- 6) Dr. Malagardis in his opening remarks welcomed all the experts in the panel and the other participants from the MEFIN Network. He emphasized the importance of the first triumph of this Microinsurance Development Roadmap. He also encouraged members of MEFIN to express their ideas and participate actively in the discussion. Lastly, Dr. Malagardis thanked Dr. Parreñas and

ABAC as well as all other participants and wished an effective and lively discussion and successful workshop.

- 7) Dr. Parreñas welcomed all the audience and introduced himself and ABAC. He also appreciated MEFIN for providing this opportunity to develop the MI roadmap. Dr. Parreñas wished a successful Microinsurance development roadmap and encouraged an open discussion.

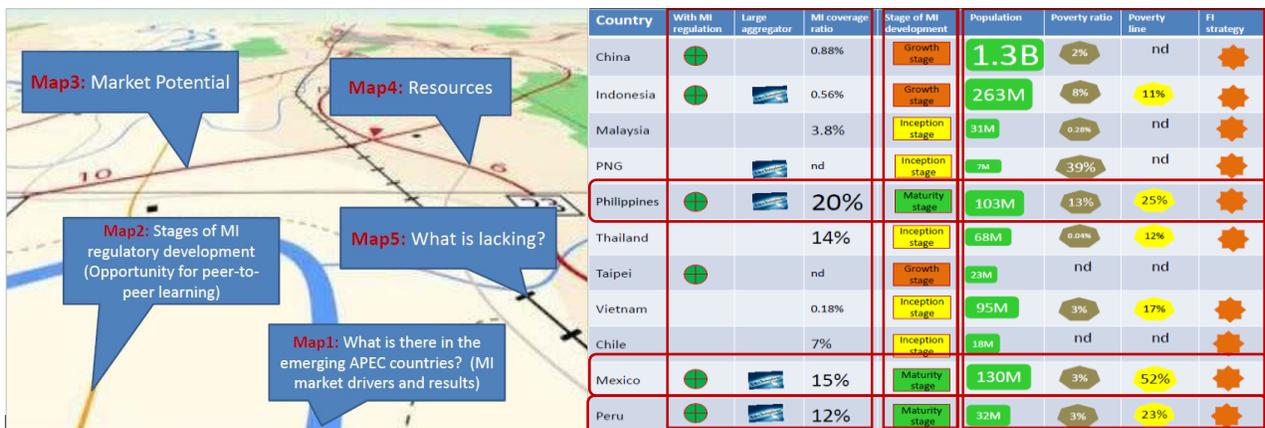
C. Highlights, Session1 on Rationale and Key Elements of a Roadmap

- 8) In his presentation, Dr. Parreñas summarized that APFF is a platform under the APEC Finance Ministers Process (FMP) that is mandated to bring together institutions, organizations and initiatives geared towards the development and strengthening of the region’s financial markets. The APFF work streams include the development of MI markets. *See power point presentation at <http://mefin.org/index.php?id=83>*



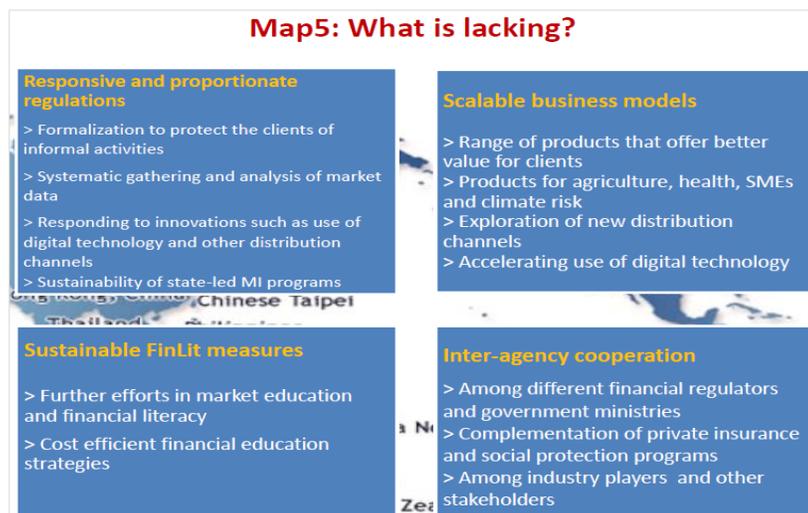
- 9) The rationale of developing the microinsurance roadmap (MIR) is driven by the Cebu Action Plan (CAP), a 10-year roadmap for the FMP, which was adopted by the APEC heads of economies on 2015. MI market development is an FMP commitment under pillar 3 (Financial Resilience) of the CAP.

- 10) To further set the context for the panel discussion, Mr. Dante Portula (GIZ senior advisor) who is supporting the work of the APFF Microinsurance sub-stream, presented an overview of **Inclusive Insurance Situation in the Asia-Pacific Emerging Economies** by discussing 5 different ‘maps’.



Map1 presented the key **drivers of market development** such as enabling regulations, demand for products, and availability of a large aggregator for insurance such as the Mobile Network Operators (MNOs). These market drivers seem to be working much better in the Philippines, Mexico and Peru.

- 11) **Map2**, which categorizes the level of maturity of MI regulation in the economy, **provides a good basis for peer-to-peer learning**. The economies that are in the inception stage of MI regulation, for example Malaysia and PNG, may learn from the experience of matured MI regulations like in the Philippines, Mexico and Peru.
- 12) **Map3**, which provides the population figures, the poverty index, and the presence of financial inclusion strategy in the economy, **indicates an opportunity to further develop the market**. MI is designed for the low income sector, therefore, the economies that have large poor population and have financial inclusion strategy would mean a market potential for MI.
- 13) **Map4** provides the presence of projects/initiatives of multilateral and bilateral agencies, and the active players from the private sector that can be tapped by the APEC emerging economies as **resources to develop the microinsurance market**.
- 14) Finally, **Map5** summarized the most **common issues and challenges in MI** and if properly addressed in the MIR would greatly help in making inclusive insurance accessible. *See power point presentation at <http://mefin.org/index.php?id=83>*
- 15) In his wrap up statement of session1, Dr. Malagardis said that map5 should already provide the expert panelists in session2 with initial **ideas of Key elements in the roadmap**.



D. Highlights, Session2: Stakeholder Perspectives on what to include in the roadmap

- 16) In his opening statements as moderator, Dr. Malagardis reiterated that based on various microinsurance related studies, and from the experience of GIZ, the MIR should try to address the following elements:

- a. Having a responsive and proportionate regulations,
 - b. Develop scalable business models,
 - c. Aim for sustainable financial literacy measures, and
 - d. Create platforms for inter-agency cooperation.
- 17) Nine (9) expert panelists have contributed their perspectives from the points of view on policy and regulation, expanding insurance coverage in the agriculture sector, delivery channels and use of technology, and financial literacy.
- 18) Mr. Eduardo Moron, President of APESEG Peru, asked “who is the target of microinsurance?” He believes the target is the uninsured, not necessarily only the poor. In Peru, there are regulations both for microinsurance and for the mass market. These regulations overlap in its definition of target market, and in some cases, contradicts each other (example in the required turn-around period in paying claims). He added that counting the progress of MI market development has to be done by efficient monitoring and reporting system.
- 19) Mr. Moron further suggested that complementation between mandatory social insurance and voluntary microinsurance should be explored in order to increase client outreach. Additional challenge is in the cooperation between and among different government agencies handling the social protection and financial inclusion programs.
- 20) Mr. Ferdinand George Florendo, Deputy Commissioner, Insurance Commission Philippines, said it is important to understand where the mandate of developing the MIR is coming from. Is it from ABAC? Is it from the Deputy Ministers of the APEC economies? Within the economy, inter-agency cooperation is crucial because microinsurance is linked to other national agenda such as on natural catastrophe response and poverty alleviation.
- 21) Mr. Tran Duc Trung, Deputy Head of Market Development Division, Insurance Supervisory Authority (ISA), Vietnam, emphasized the importance of dialogue with the industry and the private sector. ISA is heading towards expanding the participants in the microinsurance market by submitting a draft microinsurance decree this year to the government.
- 22) Ms. Elizabeth Gima, Manager, Regulation and Supervision of Insurance, Bank of Papua New Guinea, said that the Bank of PNG believes proportionate regulations are crucial to make the MI market work. However, BPNG does not intend in the short term to have MI regulation. BPNG encourages collaborative promotion and marketing of microinsurance through the use of mobile payment services. This requires involvement of a licensed insurance company, a marketing agent (e.g. BIMA) and a Telco.
- 23) Mr. Yoga Prasetyo, Head of Credit Life and Emerging Consumers, Allianz Life Indonesia, said his company is already in partnership with Indosat MNO. The technology platform is providing an efficient process for enrolment, claims payout, and an inter-active voice response (IVR) technology

to increase knowledge and awareness of policy holders as well as alternative premium payment system through e-money. However, he realized that the captive market of e-money is extremely smaller than airtime users. Therefore, he suggested that:

- a. Especially for partnership between insurance and MNO, a regulation to allowing airtime for premium payment will resolve one of the biggest obstacles in microinsurance which is carrying on a payment mode that can be accessed by everyone. This is also believed will significantly increase the outreach of microinsurance.
- b. In general, the industry would be encouraged to participate more in the market if the government could support in creating more formal partnerships with innovative distribution channels.

24) Mr. Dirk Reinhard, Vice Chairman, Munich Re Foundation, has suggested for MIR a variety of strategic areas such as

- a. Leveraging in the key market drivers to increase scale such as use of technology/MNOs;
- b. Clearer regulations on use of technology link to consumer protection and financial stability;
- c. Deeper understanding of the market by conducting research;
- d. Public Private roundtables to discuss strategic sectoral focus on natural catastrophes and agriculture insurance;
- e. Working on big data and data availability;
- f. Insurance awareness; and
- g. Develop platform/centers for the industry to regularly share lessons.

25) Mr. Masaaki Nagamura, General Manager, Tokio Marine Japan, hopes to see a roadmap that is not restrictive for market players. Government support such as in the agriculture and health sectors and the role of subsidy has to be considered. The market needs sustainable products and business models like using existing community network to reach business scale. Mr. Nagamura also stressed the importance of public private cooperation to enhance data collection and sharing.

26) Mr. Christiaan Loots of the Microinsurance Network and CENFRI proposed 4 areas to be covered by the MIR

- a. Address the issue of informal insurance activities;
- b. Ways to make regulations keep up with market innovations;
- c. Harness the use of technology and other innovative distribution channels such as retailers; and
- d. Have better understanding of demand side, example by investigating the coping mechanisms of the target market, other than insurance, to different financial risks.

27) Ms. Aparna Dalal, Senior Research Officer, ILO Impact Insurance emphasized the need for national strategy on consumer education where the role of each stakeholder is clearly defined.

28) The session moderator, Dr. Malagardis, asked reaction from the audience. The following were the additional suggestions:

- a. Mr. Tariq Bakhtawar, Director of Securities and Exchange Commission of Pakistan and Chairman of the MEFIN Network, also emphasized the importance of regular dialogue between and among regulators, industry players and other stakeholders. He suggested to “keep things simple”, referring to the process of implementing the dialogues.
- b. Mr. Ulziibat Molomjamts, Director of Insurance Market Department, Financial Regulatory Commission (FRC), asked how Mongolia can be part of this MIR exercise being not a member of APEC. Dr. Parreñas, APFF coordinator, responded that the interest of private sector is most often beyond national boundary, therefore, the need for a MIR and the issues that will be addressed by the roadmap should also be applicable to any jurisdiction.
- c. Mr. Mochamad Muchlasin, Director, Financial Services Authority (OJK), Indonesia, synthesized that what will be included in the MIR has to be aligned with the financial inclusion agenda of the economy.

29) The inputs from the panel experts and the reactions from the audience to the session “what to include in the roadmap” could be summarized in 5 dimensions below, which fit well to the issues mentioned in map5.

Policy and Regulation	Business Model
<ul style="list-style-type: none"> ✓ Who is the target market- the uninsured and/or the poor? ✓ Correct the overlapping, contradicting and hindering regulations. ✓ Monitoring and reporting system that tracks market development ✓ Complementation of social insurance and microinsurance ✓ (clearer) Regulations on the use of technology ✓ Government support for agriculture and health sectors ✓ Address the issue of informal insurance ✓ Regulations to keep up with market innovations 	<ul style="list-style-type: none"> ✓ Encourage the use of technology (MNO) and other distribution channels (community networks, retailers). ✓ Deeper understanding of the market (market studies), both supply and demand sides. ✓ Big data; data collection and sharing. ✓ Centers/platform for the industry to regularly share lessons ✓ Sustainable products
Financial Literacy	Inter-agency Cooperation
<ul style="list-style-type: none"> ✓ Regular and sustainable insurance awareness ✓ Develop national strategy on consumer education 	<ul style="list-style-type: none"> ✓ Cooperation among different government agencies regulating social insurance and (micro) insurance. ✓ Alignment of microinsurance with other national agenda (natcat, poverty alleviation, financial inclusion strategy) ✓ Public private sector cooperation and dialogue, including roundtable discussions for natcat and agriculture
<p style="text-align: center;">Methodology/process in developing the MIR:</p> <ul style="list-style-type: none"> ✓ Clarify where the mandate to develop MIR is coming from. ✓ Not restrictive roadmap ✓ Keep things simple 	

E. Next steps

- 30) The immediate task in April is to create the Drafting Group (DG) of MIR. Dr. Malagardis has invited the 9 panelists to be members of the DG. Mr. Florendo (IC Philippines) said he needs about one month to seek approval from IC.
- 31) GIZ RFPI will invite to the DG volunteers from other countries, and from private organizations that may have resources to implement the roadmap.
- 32) GIZ RFPI and ABAC will write the first draft of the roadmap and solicit comments/inputs from the DG through
 - a. Series of virtual meetings in April-June 2017
 - b. DG face-to-face meeting in July 2017 to conduct further consultation with broader audience.
 - c. Submit the draft roadmap to ABAC in July for internal process in APEC
- 33) On a sideline discussion of GIZ RFPI with Dr. Julius Caesar Parreñas, he informed that before the Finance Ministers will adopt the roadmap, the financial officials need to discuss the MIR, and it is difficult this year because the agenda for the finance officials for 2017 has already been set. We therefore target the APEC Finance Ministers Meeting in 4Q 2018 as the time of adoption.
- 34) Mr. Dirk Reinhard said the possibility of continuing the discussions in Peru back-to-back with the next International Microinsurance Conference.

The minutes of meeting was prepared by GIZ RFPI Asia, the Secretariat of MEFIN Network.