

## Parallel session 14

# The role of insurance associations in market development

By Maria Victoria Sáenz

*This session reviewed how industry associations in three countries continue to help develop microinsurance markets: Zambia, Indonesia and Colombia.*

Insurance companies in a country form an association to mainly promote development of the market and represent the industry's interests. A developing market generally goes through three stages:

- 1) emerging, as insurers enter it with simple products;
- 2) diversifying, as they add more products and distribution channels; and
- 3) competitive, as they offer distinct features and lines to attract customers.

For microinsurance market development over the last 15 years, the insurance associations have been helping member companies move through the emerging and diversifying stages to the competitive stage. In the process they have become a key contributor to the national agenda of financial inclusion, moving the industry and regulators to new levels of understanding the demand, supply and environment of microinsurance.

### Spearheading financial inclusion

**Zambia** is a sparsely populated, mining-dependent country with a small insurance market and low insurance penetration. The Insurers Association of Zambia (IAZ) is young. Despite having been created in 1997, its secretariat was only established in 2013. However, the four years of operation have seen confidence (trust) build in the market through measures to strengthen demand and supply of insurance and microinsurance.

The process is facilitated by the fact that membership in the IAZ is compulsory for insurers and that, by law, all initiatives and licences must be processed through it. This has helped create cohesion and trust among members, and a mutual understanding of the joint mission.

With funding from members, the IAZ has given an important boost to consumer education, creating a new platform for public communication and exchange with the insurance sector that also generates a culture of insurance in the general public. It has also focused on strengthening supply, through annual meetings, training workshops and statistics on the sector.

As the focal point for changes in the regulatory framework including consumer protection mechanisms, the IAZ is an active member of the government's Technical Advisory Group and provides a platform for interaction between international development entities and the industry for implementing inclusive regulation and a financial inclusion agenda (see Figure 39).



98 — Left to right: Alejandra Diaz, Microinsurance Director, Fasesolda, Colombia; Jakub Nugraha, Division Head, PT Asuransi Central Asia, Indonesia; Miguel Solana, Technical Officer – Microinsurance, ILO's Impact Insurance Facility, Switzerland.

99 — Christabel Michel Banda, Executive Director, IAZ, Zambia.



Figure 39

### Success recorded (Zambia)

- Government removed VAT on insurance premiums
- Two statutory instruments signed
  - Mandatory display of motor insurance discs
  - Increase in minimum capital
- Pushing for enactment of Insurance Act – new bill includes the definition of microinsurance
- Insurance is now being embedded in various national policy documents such as the National Strategy on Financial Inclusion
- Expansion of primary and secondary school curriculum to include insurance education in business subjects

Source: Banda, Christabel. Presentation "Role of Associations in market development: The Zambia experience." 13th International Microinsurance Conference 2017.

### Joining the President’s dream team

In Indonesia, the association of insurance companies was formed 60 years ago but in 2002 it split into two, one for life insurance and the other for general insurance. Microinsurance started in Indonesia in 2009 when the dengue fever affecting the country gave rise to products like an index-based health plan, followed by property, personal accidents (PA), natural disasters, microenterprise insurance and in 2015 by an area-yield maize insurance scheme. However, it was not until 2013 when the insurance sector with the help of the World Bank started to discuss whether microinsurance was a new line of business or a corporate social responsibility and how to define it. After this learning phase, during which the general insurance association AAUI set up a microinsurance department, seven

standard products were developed for insurance companies to sell. Despite the lack of enthusiasm in a sector accustomed to moving in its comfort zone, the AAUI joined the Indonesian President’s “Dream of Indonesia 2015 – 2085” (see Figure 40).

The AAUI belongs to MEFIN (Mutual Exchange Forum on Inclusive Insurance) – a peer network of insurance regulatory authorities in Asia established as a platform for the effective and efficient exchange of relevant knowledge and best practices on inclusive insurance.

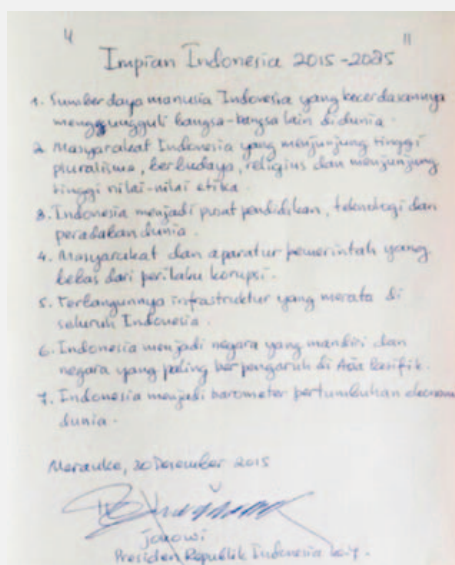
### Setting an example

If there is an insurance association that is a role model, it is Fasescolda in Colombia. It put inclusive insurance on the map under the banner of sustainable development for the entire sector. All this was done without any regulation or government intervention. In fact, the government’s effort to develop a Financial Inclusion Agenda was actually influenced by Fasescolda’s own inclusive insurance agenda. The insurance sector is now committed to achieving sustainable development by “promoting economic growth in the sector that is inclusive, low in carbon and resilient, by promoting inclusive insurance, climate insurance, eco-efficiency and management of environmental, social and governance risks.”

Figure 40  
The new approach of the General Insurance Association of Indonesia (AAUI)

Understanding SDG at the national level > The Vision of Indonesia and The Dream of Indonesia 2015–2085 (officially published on Sept 26th 2017 in more detailed explanatory notes)

- Make people smart
- Sustainable farming
- Access to finance
- Digitalisation



Translation of the President’s Dream of Indonesia 2015 – 2085:

#### The Indonesia Vision of 2015–2085

1. Indonesia’s human capital is smarter than all the nations in the world;
2. Indonesia upholds pluralism, culture, religious and ethical values;
3. Indonesia is a centre of education, technology and world culture;
4. The people of Indonesia, including the government apparatus, are honest and free of corrupt conduct;
5. There is good infrastructure in every part of Indonesia;
6. Indonesia is self-governing and is the most influential country in the Asia-Pacific region;
7. Indonesia is a barometer for economic growth in the world.

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This agenda has chalked up a number of successes at the regulatory level (without promoting or implementing a specific regulation), and in terms of both demand and supply. At the regulatory level, Fasecolda was able to get the government to simplify treatment of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime; the use of insurance correspondents; and, along with the World Bank, the creation of a catastrophic insurance scheme for small farmers with Colombia's government as the risk carrier. Fasecolda designed the insurance component of the financial inclusion survey led by the government, conducted two microinsurance demand studies, and is continuing to offer training and capacity-building

workshops to members. To foster trust in the sector, it has developed and enforces a Code of Good Practice and implemented a detailed financial education programme. Many of Fasecolda's actions have been measured by impact evaluation studies and improved accordingly.

## Lessons learnt

- As insurers enter the low-income sector, they contribute individually to the development of the market. Insurance associations, being aware of their members' weaknesses, needs and strengths, are best placed to generate a conducive environment for the market development collectively on their behalf.
- Insurance associations are also well positioned to collaborate with and even influence the government to pursue a financial inclusion strategy.
- Having an inclusion agenda of their own can only strengthen such lobbying and advocacy.
- The insurance associations, like almost all organisations, need to change and adapt to the various environmental, social and governance challenges. Their role and priorities vary with time, from basic demand and supply interventions, to developing a holistic approach toward eco efficiency, low-carbon imprint and resilience.

Table 4  
The role of General Insurance Association of Indonesia (AAUI) (2017–2020)  
in microinsurance

Government level	Industry level
Partnering with various government body/ministries to reach the dream:	
1 Dialogue with ministries and government agencies about current issues and importance of insurance	1 Reorganise the microinsurance department (2017–2020). Six members with various experiences and networks
2 Create new products with Terms and Conditions proposed by the ministries	2 Offer capacity building at least for the members through having a long-term commercial-based pilot project under AAUI.
3 Share ideas/thoughts on new decrees related with micro-insurance	— Product design, business model, financial literacy.
	— A show case for CEOs of the industry.
	— Insurance for traditional shrimp farmers requested by Ministry of Maritime and Fisheries.