

23rd IAIS Annual Conference **Proportionality in Risk Based Supervision**



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➤ In Brazil, mutuals are the non-for-profit pension companies which offer insurance services (monthly income or lump sums) for surviving, death or disability.

In recent years, mutuals have been diminishing in number and also in market share.

> Due to recent standard capital requirements and more sophisticated management needs, these companies are being transformed into anonymous societies or going through resolution processes.

➤ In cases when resolution was enforced, the root cause observed along the years was not the pressure of capital and provision requirements, but simply bad management.

> During the recent and ongoing resolution processes, SUSEP has tried to accept and look for market solutions such as buying out by other companies, but lacked a protocol to guide these crucial decisions.



➢ In 2010, CNseg, in a partnership with ILO, leaded a pilot project in a poor community of Rio de Janeiro to understand the challenges and opportunities for microinsurance.

> The project lasted for 16 months and was based on the promotion of the insurance culture to the population and on the comprehension of their needs by the industry.

Despite the willingness of the market and SUSEP to foster this line of business and attract part of the players who work informally (aside SUSEP's supervision), after 6 years it became clear that the project is neither completed nor on the right track:



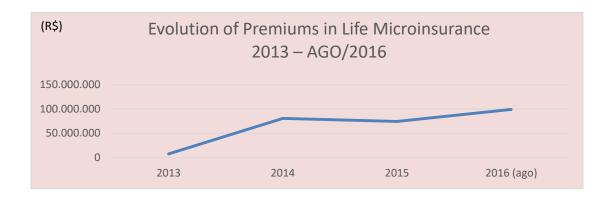
 \succ HOW to solve?

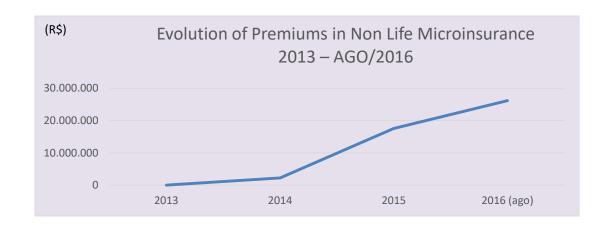
 $[\]succ$ WHY?

SUSEP A FEW STATISTICS ON MICROINSURANCE

➢ In 2013, just 2 big companies operated in life microinsurance and 1 in non life. The participation of these lines of businesses (LB), respectively, corresponded to 0,01% and 0 (neglected).

➢ In 2016, 14 companies are in place for life microinsurance (just 2 are microinsurer) and 7 for non life (just 1 is a microinsurer). The LB corresponds to 0,15% for life and 0,04% for non life of the market share.





Meanwhile, a growing number of Brazilian population is being served by informal providers (usually cooperatives) that can be fined by SUSEP.



Policies & Guarantees

* All coverages detailed in the policy, with complete information regarding the product as designed by the regulation

- * Specific criteria to define public target as designed by the regulation
 - * Benefits, capital insured or maximum guarantee threshold set up

Capital Requirements

- * Basic Capital: 20% of the defined value for microinsurance companies and zero for mutuals
- * Minimum Capital Required: same rules for other companies

Assets/Liabilities

* Same rules for other companies, except the coverage for provision of premiums not earned (deduction of loading value of the commercial premium from asset necessity)

Branches & Intermediation

* Life and Non file for specialized microinsurance or companies already in place

* Brokers specialized in microinsurance and others already in place

* Possibility of sales though the website or mobile APP

Microinsurance

"Insurance protection for the low income population or individual small entrepreneurs, before payments proportional to associated risks"

On site/Off site Monitoring

* Same procedures for other companies

SUSEP NECESSITIES/ISSUES



Regulation

 SUSEP does not monitor its own regulation after it is published to measure for effectiveness.

- Usually the industry points the shortcomings.
- With the introduction of the regulatory plan and the analysis of regulatory impact, SUSEP expects to improve performance.

Proportionality

- Difficulty to address companies' individual risks and develop individual /simpler risk models.
- Difficulty to implement proportional concepts that allow less regulation for less risky systems.



penetration

Insurance

- Brazil remains underinsured.
- To illustrate, in 2013 the UK per capita spent on insurance was £2,500 compared to £263 per capita in Brazil.
- In 2009, less than 13% of the adult population was served by formal providers while the number of informal providers (usually cooperatives) is growing year after year.



Thank you!

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