

Proportionality in practice: Disclosure of information

Prepared by the Access to Insurance Initiative (A2ii), based on research conducted by the MicroInsurance Centre for A2ii.



About the Proportionality in Practice (PIP) Case Studies

The PIP Case Studies aim to provide practical guidance on how regulations have been implemented in a proportionate manner in order to achieve access to insurance and other insurance development goals, while being in line with the Insurance Core Principles. It is an effort to systematically collate practical examples from supervisors who have implemented or begun the process of implementing such proportionate regulations, and generate lessons from their experience. Best practice may differ significantly between jurisdictions and as such the PIP Case Studies are not meant to create expectations on how supervisors should implement supervisory material.

Introduction

The International Association of Insurance Supervisors (IAIS), through the Insurance Core Principles (ICPs)¹, provides a globally accepted framework for the supervision of the insurance² sector. Its mission is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders³, and to contribute to global financial stability.

The IAIS considers that the ICPs apply to insurance supervision in all jurisdictions regardless of the level of development or sophistication of the insurance markets and the type of insurance products or services being supervised. However, the ICPs, standards, and guidance also provide supervisors with the flexibility to adjust certain supervisory requirements and actions in accordance with the nature, scale and complexity of risks posed (i.e. the “proportionality principle”). This enables supervisors to tailor their approach in line with their respective jurisdiction’s supervisory objective and market context.

There is a general recognition that enhanced access to insurance services helps reduce poverty, improve social and economic development and supports major public policy objectives such as improving health conditions for the population, dealing with the effects of climate change and food security. In many emerging markets and developing economies where insurance markets are less advanced and insurance penetration is low, supervisors face distinct challenges in achieving access to insurance. Compared to mature insurance markets, insurance industries in these markets often have lower financial, human

resource or innovation capacity, and a larger proportion of the population’s consumers are less educated and financially aware. In such jurisdictions, tried-and-tested regulatory approaches from mature insurance markets may not be appropriate to ensure insurance markets develop in an inclusive manner.

It should be noted that access to insurance is not a concept that applies only to emerging markets and developing economies. Any jurisdiction is likely to face the challenge of having a portion of the population that is underserved or excluded from financial services; however, the characteristics of such segments, and thus the best regulatory approach to make insurance available to them, may differ between jurisdictions. Inclusive insurance products therefore relate to all insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market. Microinsurance is specifically aimed at low-income populations.

The IAIS’ emphasises proportionality in implementing a supervisory regime that best suits their local context and market development goals. However,

1 The complete set of ICPs including introduction, Principles, Standards and Guidance can be found on the public section of the IAIS website (<http://www.iaisweb.org/ICP-on-line-tool-689>)

2 Insurance refers to the business of insurers and reinsurers, including captives.

3 The IAIS Glossary defines a “customer” as a “policyholder or prospective policyholder with whom an insurer or insurance intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy”. The glossary does not define “policyholder” although earlier papers had noted that “Policyholders includes beneficiaries”.

the IAIS is aware that there is still a lack of experience and best practice in implementing proportionate regulations that successfully balances effective supervision, access to insurance and consumer protection. For this reason it requested that its implementation partner, the Access to Insurance Initiative (A2ii) develop these case studies.

About this paper

The *Proportionality in Practice* case studies are intended to provide practical examples and generate lessons from the implementation experience of other supervisors who have implemented or begun the process of implementing proportionate regulations towards increasing access to insurance. This paper looks at proportionality in regulations relating to the disclosure of information to the customer by drawing on the experiences of Brazil, Pakistan, Peru and El Salvador.

Proportionate regulations can encourage the industry to offer inclusive insurance in two main ways. The first is by lowering the barriers to entry. The second is by reducing the ongoing cost of doing business. In respect of disclosure, this can be done by allowing simplified, customised, or electronic disclosure of information, or tailoring requirements for agents to provide verbal product advice, for example. These measures enable insurers to reduce transaction and operational cost, as the traditional practice of printing and delivering extensive documents is costly.

The following case studies examine the practical aspects of disclosure in which proportionate regulatory treatment can be accorded in order to encourage the industry to offer inclusive insurance while ensuring consumer protection. Specifically, the case studies cover mode, documentation, language, timing and content of disclosure.

Interviews were conducted with officials from the insurance supervisors of Brazil, El Salvador, Pakistan and Peru based on a questionnaire designed to understand the rationale, design and implementation of the regulations from the supervisor's perspective. These calls lasted for approximately one hour. These were followed up with calls of about 30 minutes with between three to five insurers within those jurisdictions. These interviews focused on how the insurer implemented the proportionate distribution regulations. Here the objective was to gain an idea of the impact of the proportionate regulatory approach from the insurers' perspective. Finally,

the supervisors were contacted again to clarify any issues that were raised in the calls to the insurers. While the researchers endeavoured to gain as comprehensive an understanding as possible, the depth or scope of information acquired may vary between case studies as it depends ultimately on what the supervisor was able to share within a limited time. The researchers are grateful to the supervisors and insurers for their contribution and support.

IAIS material on disclosure in inclusive insurance

Conduct of business guides the interactions between clients, distribution channels, and insurers. More specifically, conduct of business in insurance relates to how the insurer treats clients with regards to disclosure, advice and claims payment, as well as with effective customer redress, to ensure customer protection. According to ICP 19 "The supervisor sets requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and though to the point at which all obligations under a contract have been satisfied." ICP 19 guidance further states that the customer should be given appropriate, timely and comprehensible information about a policy in order to make an informed decision. The information should be clear, fair and not misleading.

ICP 19.5 provides guidance on the forms of minimum supervisory requirements that can be applied towards ensuring adequate disclosure. However, the ICP also acknowledges that these requirements may vary according to a number of factors, including culture, the legal regime, the degree of development of the insurance sector and the knowledge and experience of a typical customer. For an inclusive insurance customer, given the lack of experience with insurance or possibly lower education levels, simpler or language-sensitive disclosure might be required in order to ensure they are able to make decisions in an informed manner⁴.

4 For comprehensive guidance on conduct of business and other regulatory issues in the inclusive insurance market, see Issues Paper on Conduct Business in Inclusive Insurance (IAIS, 2015) and Issues In Regulation and Supervision of Microinsurance (IAIS, 2007).

Case Studies

This section provides a jurisdiction-by-jurisdiction case study, which includes a brief overview of the background of inclusive insurance and regulations for traditional insurance, followed by a more in-depth description of specific proportionate regulations for disclosure in inclusive insurance.

BRAZIL



Background on inclusive insurance development

The focus on providing access to commercial insurance products for the low-income segment was in alignment with SUSEP and the Brazilian government's goal to expand insurance to the overall population as a broader means of economic development. This prompted SUSEP to review the issues that created challenges in developing and offering insurance products in their market. SUSEP also set a target to increase the market of low-income people with insurance coverage from what was assumed to be zero to seventy million in 10 years.

Regulations for traditional insurance

The overarching law for insurance is the Decree-Law No. 73 on a National System of Private Insurers (1966). Requirements for traditional insurance are not tailored to the inclusive market.

Proportionate regulations for inclusive insurance

In line with the authority granted to SUSEP under CNSP Resolution 244, SUSEP issued Circular 440 (June 27, 2012) to "establish mandatory parameters for microinsurance plans, define forms of microinsurance contracting, including the use of remote means, and determine other provisions". This included a proportionate approach to disclosure and documentation requirements. This circular set out the key information that should be contained in microinsurance plans, and highlighted selected information that needed to be explicitly provided to the consumer in cases where the microinsurance product contains special conditions. It also standardises covered risks for microinsurance – 13 life and 19 non-life, including exclusions – which could be offered both singly or combined. Microinsurance product approval is based on this Circular, subject to SUSEP's discretion and taking into account the product structure.

- A. Language of disclosure.** For microinsurance, Circular 440 requires that any glossary for microinsurance "shall use simple terminology easily understood by the insured." There is no such requirement in the traditional insurance regulations. This requires insurers to structure the disclosure and communication in a way that responds to the low-income market.

Table 1: Terminology

Category	Circular 440	SUSEP comments
Terminology	Ch. 9	The legislation intentionally allows for simpler terms to improve client understanding and consumer protection.

- B. Content of disclosure.** The information required in the policy contract appears similar to traditional insurance. However, in practice the extent of detail under each component can be reduced for microinsurance⁵. In the sample policies, it was observed that the topics in

⁵ Appendix D iv) Further details on proportionate changes implemented provides a table with the detailed policy requirements noted in Article 29 (of SUSEP Circular 440 Chapter 4) matched against the actual sections of the standard conditions of two actual insurance policy documents (as submitted for approval). Although the language of the Article is somewhat different from that of the policies, the table shows where there are gaps between the regulatory requirements for MI, the sample MI policy, and sample the traditional policy. These are limited.

microinsurance policies mirrored that of the traditional policies but were presented in a consolidated manner. For example, the topics of renewal, and insured and insurer obligations were addressed in microinsurance policies without multiple separate sections.

- C. Mode of disclosure.** Circular 440, Chapter 5 specifies a list of minimum information that should be disclosed to the consumer where remote means in contracting or managing claims relating to microinsurance are used. It also requires that the insured has unrestricted access to information about the contract and that the insurer is also required to set up a toll-free call centre for this purpose. The use of remote means was further institutionalised in the CNSP Resolution 294/2013, which applies to both microinsurance and traditional insurance. The Resolution allows for remote means in the operation of insurance, including the allowance of electronic disclosures and transactions and particularly notes that “The provisions of this Resolution shall also apply to the operations related to microinsurance plans”. SUSEP also explicitly allows and specifies disclosure requirements for contracting through “tickets”, and certificates for group policies.

Table 2: Electronic and simplified forms of policy documents

Category	Circular 440	SUSEP comments
Electronic forms of policy contracts	Ch. 4, Sec.1, Ch. 5 and CNSP 294/13	When SUSEP Circular 440 was issued in 2012, there wasn't any legislation regulating the use of digital technology in insurance distribution. In 2013, in line with increasing online insurance sales in Brazil, the CNSP Resolution 294 was issued to regulate the use of remote mechanisms in transactions related to insurance plans, including microinsurance, and pension plans.
Contracting through “tickets” and certificates	Ch. 4, Sec.1	The number and the type of disclosure requirements are almost the same for traditional products, but there are more specific requirements for MI



PAKISTAN



Background on inclusive insurance development

The Insurance Department of the Securities and Exchange Commission of Pakistan (SECP) promulgated the Microinsurance Rules in 2014. The Microinsurance Regulatory Framework consultation paper of October 2012 laid the groundwork for the Microinsurance Rule 2014 and made recommendations on proportionate conduct of business elements for microinsurance. In the introduction, the consultation paper explicitly states: “This document outlines policy thrusts and direction for the establishment of a policy and regulatory environment that will encourage, enhance and facilitate the safe and sound provision of microinsurance products by the formal insurance sector. It also identifies and promotes a system that will protect the rights and privileges of those who are insured.” The consultation paper included a set of recommendations on “Contract & Disclosure”, which emphasised the need for full and clear disclosure of key contract features, such as: waiting periods for claims, premium payment grace periods, contract exclusions and claims filing procedures.

Regulations for traditional insurance

The overarching regulations for insurance is the Insurance Ordinance of 2000, which applies equally to all insurance and is not tailored to the inclusive market. The Insurance Ordinance 2000 was intended to strengthen the regulatory system for insurance that had been in place for more than 60 years. It also established the SECP as the regulator of insurance. This is supplemented by the Insurance Rules 2002 (S.R.O 938/2002), a Statutory Notification which delineates the rules for the insurance industry in accordance with the Insurance Ordinance 2000. Consideration of a proportionate approach for microinsurance came about later, propelled by the World Bank / FIRST Initiative diagnostic study which was designed and implemented to identify opportunities for proportionate regulations and the capacity that would be required.

Proportionate regulations for inclusive insurance

The Microinsurance Rule 2014 was issued as a Statutory Notification (S.R.O. 116(I)/2014). It adopted an approach comprising three key mutually reinforcing aspects: (i) lighter registration, (ii) simplifying documentation requirements and clarifying contract details and (iii) financial education. The Code of Consumer Protection, which is defined in Schedule III of the Microinsurance Rules, specifies in detail how the documents and disclosure must be delivered. Emphasis is placed on transparency and ensuring that the consumer understands what they are purchasing.

- A. Timing and language of disclosure.** The Code specifies “any disclosure made to the policyholder must be at least written in Urdu language, avoiding any technical and legal terminology, to the maximum extent possible.” The Code goes on to say that the key facts of the policy must be disclosed before or at the time of inception of the microinsurance contract.
- B. Content of disclosure.** The Microinsurance Rule Schedule II specifies the key features of the microinsurance policy documents (Table 4).

Table 4: Microinsurance policy disclosures

Category	Details
Indicative	Name of insured and beneficiary, identification and address. Name of insurer, address and phone number.
Coverage	Describe the risks and persons covered
Period	Define the coverage period start and end
Terms and conditions	Describe the benefits to the insured and the requirements of the insured as well as premiums to be paid
Effectivity	Specify when the coverage is in effect after the premium is paid
Claims	Clearly state when and how a policyholder or beneficiary would file a claim and what to expect in terms of turnaround time
Dispute resolution	Explain how to file a complaint and what to expect from the resolution process including escalation process
Waiting period	Describe period before claim can be submitted. Maximum 6 months for a life claim due to natural causes
Grace period	Define number of days that coverage is in effect after a past due premium. 30-day grace period when premium is paid other than annually
Exclusions	Document clearly explains all exclusions
Deductibles	Define any deductibles. Deductibles are not allowed, except if approved by the SECP
Renewals	Explain the renewal terms of the coverage
Premium payments	Clearly describe the responsibilities of the policyholder as to how much, when and how premiums must be paid
Free-look period	Explain the fourteen-day cancellation period within which all premiums paid would be refunded

PERU



Background on inclusive insurance development

Peru was the second jurisdiction worldwide to develop and implement a microinsurance-specific regulatory framework. The Superintendence of Banking and Insurance (SBS)'s overall aim was to promote the development of the insurance market and in particular, microinsurance. Simultaneously, due to intensifying competition, there was demand from the insurance industry to enable new distribution channels for insurance.

The SBS issued microinsurance-specific regulations in 2007 (SBS 215/07). The regulatory framework aimed to widen the range of microinsurance distribution channels, while ensuring consumer protection. It provided a quantitative microinsurance definition and addressed a wide range of conduct of business themes including disclosure. In 2009, regulatory framework was revised (SBS 14283/09) to address the challenge that the industry found the quantitative definition and certain product features to be too narrow and non-viable. The latest revised microinsurance resolution (SBS 2829/16) was issued in May 2016 in response to SBS's further evaluations, changing trends and recent international developments. A large part of the motivation was the need to establish a definition of microinsurance that would differentiate it more clearly from mass insurance.

Regulations for traditional insurance

In Peru, the overarching law for insurance is the Ley General del Sistema Financiero y del Sistema de Seguros (the Banking and Insurance Law) Law No. 26702, and its related regulations – the 'Banking and Insurance Regulations'. Initially put into force in 1996, it has been revised and updated many times over the years. These offered no specific flexibility for insurers to implement a more proportionate approach to lower-income markets, other than the availability of a group insurance framework.

Peru also has a specific law that governs insurance contracts: the 2013 Insurance Contract Law (ICL) (SBS – 29946). Disclosure requirements that apply to insurance contracts are set out in the ICL, particularly Article 26 and Chapter 4, Article 136-137. This law enables microinsurance to be regulated as an exception; it states that "microinsurance, because of its special characteristics, will be regulated by the regulation issued by SBS, notwithstanding the principles of this law", allowing the creation of a separate regime for microinsurance. This is supported by a set of resolutions the SBS issued to specify further detailed requirements.

Proportionate regulations for inclusive insurance

The SBS specifies in the microinsurance resolution a list of minimum information to be disclosed, as set out in the tables below. SBS takes a checklist approach which ensures that this minimum information is present, but does not prevent insurers from providing additional information.

- A. Language of disclosure.** In general, policy clarity is required for both microinsurance and traditional insurance. Both are also required to be in Spanish. However, an extra degree of simplicity is required for microinsurance. For example, although traditional policies are not allowed to make cross references, regulations for microinsurance are stronger stating that policies must specifically refrain from anything that might cause complexity, misunderstanding, or lack of clarity.

Traditional insurance (policy contract)	Microinsurance (Policy and “request-certificate”)
<ul style="list-style-type: none"> • The policies must be written in Spanish, unless agreed otherwise by the parties • Policies must be drafted clearly and simply, ensuring understanding without any cross-referencing to other clauses or agreements not contained in the policy. 	<ul style="list-style-type: none"> • The policies must be written in Spanish, unless agreed otherwise by the parties. Policies must be written in simple and comprehensible language. • They cannot contain clauses that could impair the simplicity, clarity, and understanding of microinsurance

B. Content of disclosure. Requirements for microinsurance are more detailed about exactly what needs to be included on the policy and whose contacts must be included compared to traditional insurance. The microinsurance-specific regulations state that insurers must mention additional minimum information to clients for consumer protection purposes including cover, call-centre number, and detailed information about the intermediary and marketer. In 2016, the additional requirement to disclose intermediary commissions in the policy contract was introduced. Other than these particular areas, microinsurance policies have similar requirements to traditional insurance.

Traditional insurance (policy contract)	Microinsurance (Policy and “request-certificate”)
<ul style="list-style-type: none"> • When the following requirements are not included, any construction of the policy will be in favor of the insured party: • General and special conditions of the contract • Identification of the insurer, policyholder, insured party, and beneficiary when applicable • Covered risks and exclusions • Date of the policy, date when the cover starts • Commercial premium as distinguished from sale or VAT. The commercial premium must be presented and indicate any charges by the applicable broker, insurance promoter, and marketer. In addition, any additional payments or benefits to brokers or marketers must be disclosed • When the premium is divided, the schedule of payment must include any applicable interest payments • Insured amount • Applicable franchise and deductibles • Indication of documents and information required to submit a claim 	<ul style="list-style-type: none"> • Identification of the insurer (name, address, phone or electronic/online contact mode) • Identification (name, address) of the marketer (including mobile money and bancassurance), and commission received • Identification (name, address, registration number) of the broker, if applicable, and commission received • Identification of the policyholder or insured party, in case of group insurance • Identification of the insured indicating date of birth • Identification of beneficiaries, when applicable • Subscription date and term of the policy • Detail of covers, benefits • Exclusions, which must be “minimal” and consistent with the cover offered by the product • Deductibles, franchises and copayments which must ‘correspond’ to the characteristics of the risks covered by the product • Claim procedures • Commercial premium including taxes

Traditional insurance (policy contract)	Microinsurance (Policy and “request-certificate”)
<ul style="list-style-type: none"> • Claims procedures • Renewal or unilateral extension right of the contract (if applicable) • Complaints-handling procedure • Any applicable cooling-off period • Dispute resolution mechanisms • For life insurance and personal accident insurance, the statement that the contract is part of the national register of information of life insurance and personal accident insurance • Other information as determined by SBS 	<ul style="list-style-type: none"> • Modes and schedule of premium payment • Complaints-handling procedure • Other information as determined by SBS

C. Mode of disclosure. In most aspects relating to mode of disclosure, microinsurance is subject to similar requirements as those for traditional policies. Group insurance is allowed on the condition that individuals covered are issued a certificate summarising key information on the policy. The use of electronic policies was enabled via removal of the requirement for a physical signature on the policy document, which is also an enabling factor for microinsurance. However, electronic policies are required to be legible and not hide key clauses relating to the benefits and rights of the insured.

Traditional insurance (policy contract)	Microinsurance (Policy and “request-certificate”)
<ul style="list-style-type: none"> • The use of Electronic Policies (Resolución. 3201-2013) is authorized. • Legible and enhanced fonts must be used. General, particular, and special conditions must be drafted in fonts not less than 3 millimeters. Clauses that limit the term of the statute of limitation, limit consumers’ rights, and impose exclusions must be highlighted and different from the rest of the text or they are deemed struck out. 	<ul style="list-style-type: none"> • Electronic Policies (Art. 8) are authorized. • Annex 1 of the Resolución provides an MI-specific application-certificate model.
<ul style="list-style-type: none"> • The insurer must provide a certificate to each insured as proof of its integration in the group. The insurer cannot impose to the insured, any contractual characteristic that is not included in the certificate. 	<ul style="list-style-type: none"> • The enrolment forms for group insurance serve as the certificate and should display insurer, cover and insured-related information (see Annex 1 of the <i>resolución</i>, or resolution). The enrolment form may be part of the simplified policy for individual insurance but the insured must receive the simplified policy within 10 days.

EL SALVADOR



Background on inclusive insurance development

It is the goal of the supervisory authorities⁶ in El Salvador to create an inclusive insurance market that reaches and offers appropriate coverage to the broadest segment of the population, including those living at or below the poverty line.

There are dedicated regulations for mass insurance, where regulatory requirements are simplified to tailor to the more simple characteristics of mass insurance products. Published in 1998, the primary objective of the mass market insurance distribution regulations⁷ was to reach large numbers of people previously unserved by the insurance industry who had been using traditional sales representative models. The regulations were developed to enable a wider reach and broader market coverage by allowing insurance product distribution by non-affiliated agents, such as banks, microfinance institutions, cooperatives, supermarkets, pharmacies and utilities, whose primary business activities are other than insurance. The regulation specified requirements for registration of the distributors with the Financial System Supervisor (SSF) and obligations for both distributors and the insurers who provide the products, including simplified requirements related to consumer documentation and disclosure.

There are currently no specific regulations for inclusive insurance. However, under the insurance law, the supervisor has the power to make discretionary decisions on products that fall out of scope of existing regulations. The SSF has thus established a separate, dedicated approval process for products targeted at the low-income. The supervisor has authorised several microinsurance products for distribution under the mass market regulations, but simplifying even further the documentation and disclosure requirements. In general, these products must meet basic principles such as basic coverages with no exclusions and a simple claims process. In effect, such low-income targeted products are subject to a combination the mass insurance distribution regulations and also others that apply to traditional insurance, such as requirements on group insurance, and the law on electronic signatures which was passed in 2015.

At the time of the study, development was underway for a proposed 2017 legislation that will enable the issuance and specification of inclusive insurance-specific regulations. This arose from the SSF's recognition that mass insurance does not adequately meet the needs of the low-income segment, and also draws on recommendations made by USAID in 2013. In 2015, El Salvador established a national strategy in form of a financial inclusion legislation (Legislative decree 72/2015). Although specific targets in terms of products, premiums or persons covered have not been set, the SSF is expecting to establish regulations that are facilitative for insurers and consumers, such as enabling electronic distribution. Another catalyst was the comprehensive recommendations⁸ by two leading insurance industry associations, the Salvadorian association of insurance producers (ASPROS) and the Association of agents and intermediaries in El Salvador (ASSACORDES) in 2013. These set out recommendations to update the legal and regulatory framework, including contents of the policy document and other documentation requirements for mass insurance.

Regulations for traditional insurance

The current insurance law⁹ in El Salvador was passed in 1996. Insurance contracts must also comply with the El Salvador Civil Code. Under the Code, insurance contracts must follow the "whole contract" approach, which requires the policy contract to contain extensive information including all terms and conditions of the contract (including explanations of coverages, exclusions, plan ben-

6 The Central Bank (BCR) is the insurance regulator and the Financial System Supervisor (SSF) is the insurance supervisor.

7 Normas para el Registro de Entidades que Promuevan y Coloquen en Forma Masiva Pólizas de Seguros (NPS4-05)

8 ASPROS and ASSACORDES, "Propuestas a la Nueva Ley de Seguros De El Salvador" 2013

9 Ley de Sociedades de Seguros - Decreto Legislativo #844, 10 octubre 1996

efits, rights and responsibilities), and technical aspects such as financial and actuarial calculation methods used¹⁰.

In the case of group insurance, only a simple certificate must be delivered to the individual insured, containing only basic information i.e. identification, the coverage and premium amount¹¹. It is to the group administrator that the comprehensive policy document is given. It is the group administrator's responsibility to represent the insureds with the insurance company and provide them with information regarding the policy, coverages, exclusions and benefits.

Proportionate regulations for inclusive insurance

There are currently no specific regulations for inclusive insurance. Given the approach adopted by the SSF, where insurance products accessed by the low-income are approved under mass insurance regulations, the following discussion primarily compares traditional insurance regulations to mass insurance regulations. For traditional and mass market products, requirements on documentation and disclosures are specified by the Consumer Protection Law (Legislative decree No. 666/1996). Where relevant information on the details of planned inclusive insurance regulations were available at the time of the research, these have been included.

- A. Mode of disclosure.** For traditional insurance, regulations require the delivery of the physical contract in written form and provision of additional information to the consumer at the point of sale, which makes the use of written comprehensive policy contracts and delivery by a trained agent necessary. The mass market rules allow for electronic contracting. The planned policies for inclusive insurance will be fully electronic without the need for physical signatures.

Aspect	Traditional insurance	Mass insurance	Inclusive insurance (planned)
Font size and language	In printed form with font no smaller than 10 point, written in Spanish and in plain language.	A simplified document or communication in plain language that can be easily understood by the consumer.	Could be fully electronic information delivery including SMS notifications.
Signatures	The application must be signed by the customer (electronic signature although legal is not yet allowed in insurance regulations) and the policy signed by an officer of the company.	Original signature retention by the insurer is not required (scanned image is sufficient). Products have been approved for sale through a call center with recorded conversations.	N/A

10 Código Civil, Decreto Legislativo No. 689, 1994

11 SSF NPS4-12, Normas Para el Deposito de Pólizas de Seguro, Anexo No 2 – Capitulo IV Aspectos Generales (page 9)

B. Timing of disclosure. Information provision requirements to potential insureds for both traditional and mass market insurance are the same in effect.

Aspect	Traditional insurance	Mass insurance	Inclusive insurance (planned)
Information timing	All information must be provided in advance of the policy effective date.		N/A
Documents required	The insured receives all the information required by the consumer protection law, including complaint handling and dispute resolution procedures.	The insured receives all the information required by the consumer protection law	N/A

C. Content of disclosure. Minimum required content of disclosure for mass insurance is significantly simpler than that required for traditional insurance. The industry highlighted that traditional insurance disclosure requirements effectively lead to heavy documents.

Aspect	Traditional insurance	Mass insurance	Inclusive insurance (planned)
Coverage	Describe fully the risks, persons covered and conditions for effective coverage	State the risk covered.	State the risk covered.
Period	Describe the period of effective coverage, premium due dates, grace periods and non-forfeiture clause.	Define the period that the coverage is in force.	Define the period that the coverage is in force.
Terms and conditions	Describes the entire set of terms that govern the insurance contract without limitation (whole contract provision), including actuarial assumptions and methods used in calculation of premiums and financial illustrations of the policy.	N/A	N/A
Renewal and Termination	Describes the rights and obligations of the parties related to contract renewal and termination, including notification periods and initial free-look provision.	Describes the rights of the insured related to contract termination.	N/A

Aspect	Traditional insurance	Mass insurance	Inclusive insurance (planned)
Exclusions	All exclusions are explained in detail including their implication on benefits.	All exclusions are clearly stated.	N/A
Claims	Describes the conditions under which a claim would be valid, all the documentation requirements and the process for submission of the claim.	Clearly state when and how a policyholder or beneficiary would file a claim and what to expect in terms of turnaround time	Explain how to file a claim.
Premium payments	All premium rates and amounts are stated. Grace period and reinstatement provisions are explained. Mode and frequency of payment is specified. Exceptions such as when and how premiums must be paid when due date falls on a holiday.	States premium amount and frequency.	States premium amount and frequency.

Insights

From the reflections of the supervisors and discussions with the industry on the impact of the regulations, the researchers had the opportunity to not only understand what measures supervisors undertook, but also gain some useful insights from the different disclosure and documentation requirements. This section draws out some of these considerations, in the hope that they will provide useful guidance to supervisors who are in the process of developing similar measures:

- **Differentiated disclosure and documentation requirements for inclusive insurance are not always necessary.** While the knowledge and experience of inclusive customers may lead to different needs in terms of mode, timing, content and language of the disclosure, there may be cases where it may be more appropriate to apply similar requirements across the board. Some existing disclosure requirements may already be appropriate for inclusive insurance. For example, for electronic policies, the supervisor may wish to remove requirements for physical signatures to develop the insurance market as a whole and not just the inclusive market.
- However, disclosure requirements need to be suitable according to the type of channel or medium of communication. Requirements for disclosure on paper may not be equally suitable for an electronic text message. All supervisors studied applied slightly varied requirements according to the type of channel. Some jurisdictions categorise such communication broadly under non face-to-face or remote channels, like Brazil, while others define the type of electronic channel specifically.
- **Disclosure and documentation requirements are often tedious and it is important to ensure that requirements are clear.** In one country studied, one regulatory document notes that providing an electronic policy to the consumer is sufficient, while another document requires that even with an electronic policy, insurers must provide a physical copy of the policy upon request. In another country, the lack of upfront clarity on disclosure requirements and uncertainty in the timeline of the product approval process led insurers to prefer leveraging on group and mass insurance. In another country, the list of information required in policy contracts is structured as a minimum list. This led to policy contracts that are still complex in practice.
- **Such requirements also often lead to significant compliance cost, which could outweigh intended benefits.** In all cases, some insurers reported that simplified documentation and disclosure were offset by increased compliance burden in areas such as the need to file disclosure material or delays “time-to-market” due to lengthy or uncertain product approval processes. The effect is that it may deter insurers from entering the market or lead to higher premiums. The situation becomes additionally challenging if group insurance policies or mass insurance involve materially less regulatory burden. In many jurisdictions, insurers fall back on group insurance or mass insurance as a means of avoiding microinsurance regulatory requirements while still serving the low-income segment.
- **An aspect of disclosure that is largely unaddressed from the four case studies is requirements on verbal or in-person disclosure.** This can take the form of in-person marketing, provision of advice, and responding to further consumer queries. In these cases, the training of distribution channels is an extremely relevant factor as in many jurisdictions, inclusive customers tend to prefer communicating verbally rather than in writing or electronically.



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