



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:

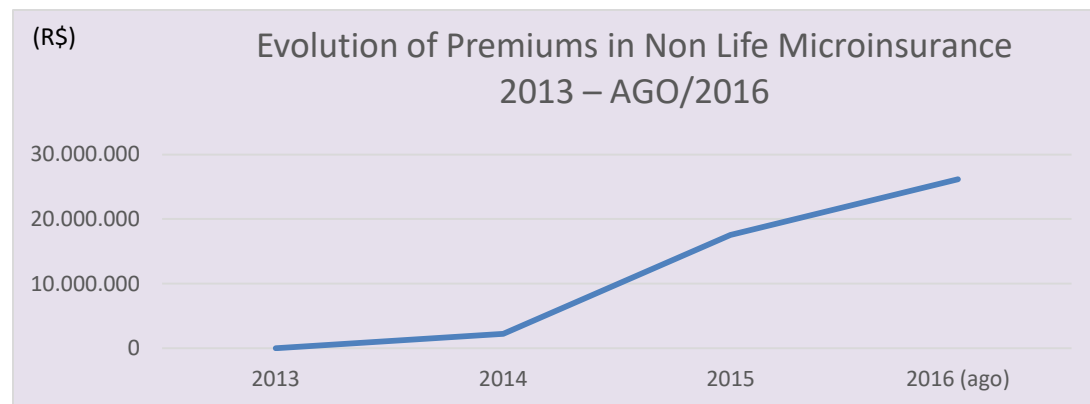
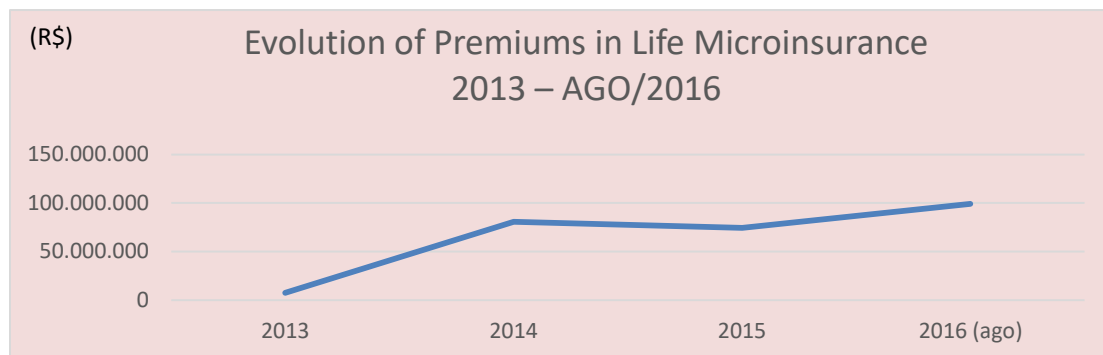
➤ WHY?

➤ HOW to solve?

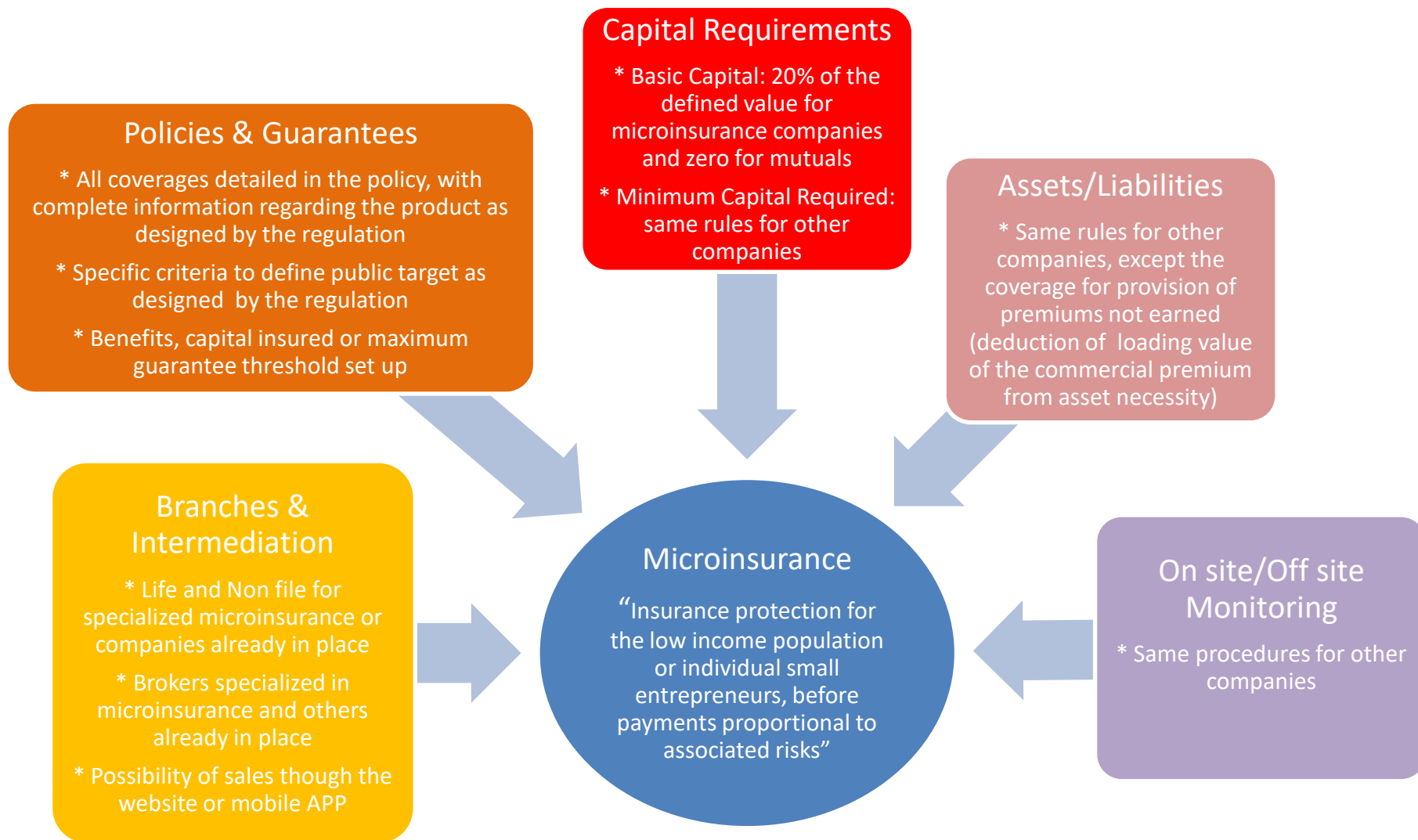


➤ In 2013, just 2 big companies operated in life microinsurance and 1 in non life. The participation of these lines of businesses (LB), respectively, corresponded to 0,01% and 0 (neglected).

➤ 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.



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

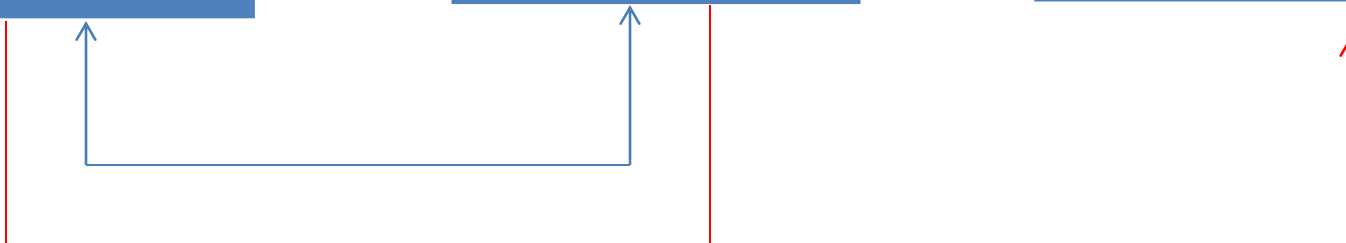


- Difficulty to address companies' individual risks and develop individual /simpler risk models.
- Difficulty to implement proportional concepts that allow less regulation for less risky systems.

Insurance penetration



- 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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